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Brazil - European Union Bilateral Investment Map

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MINISTÉRIO DAS RELAÇÕES EXTERIORES

MINISTÉRIO DO DESENVOLVIMENTO, INDÚSTRIA, COMÉRCIO E SERVIÇOS

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Summary

Introduction (ApexBrasil)

Brazil and the European Union (EU) have a long and mutually beneficial relation that dates to 1960, when diplomatic relations between Brazil and the European Economic Community, the EU's predecessor, were established. Since then, economic relations between the South American country and the European bloc have grown in density, complexity, and complementarity, with bilateral investments that yield financial returns, jobs, and technical and scientific knowledge.

Now in its second edition, the Brazil-European Union Bilateral Investment Map, developed by the Brazilian Trade and Investment Promotion Agency (ApexBrasil) with the support of the Delegation of the European Union in Brazil, has as its main objective to map the current stage of investments between Brazil and the bloc. It demonstrates, as well, how intense economic relations between both parties have become, and provides investors and public policy makers with useful information for their bilateral investment strategies.

This study seeks to serve as a catalyst for investment flows between Brazil and the EU, thereby fostering trade growth, job creation, skills and technology transfer, access to international marketing networks, and Brazil's insertion in Global Value Chains (GVC), in addition to increasing productivity and developing green energy.

This last topic, especially, has come to the foreground of the international agenda, particularly after the 2021 United Nations Climate Change Conference (COP 26), which increased pressure for the decarbonization of production and transportation throughout all GVCs.

As one of the countries with most natural resources in the world, Brazil has a leading position in international environmental negotiations, since this agenda directly impacts not only environmental management, but also the economy and national development. Brazil has been actively engaged in the global discussions on this topic since at least 1972, when the United Nations Conference on the Human Environment was held in Stockholm, Sweden

The Conference established a milestone for multilateral discussions on reconciling economic growth and environmental protection. On that occasion, however, there was a clear disagreement between industrialized countries, which argued for preservation with "zero growth," and developing countries, which sought to reconcile economic development and environmental conservation. Amid this polarization, in 1987, the UN Brundtland Report was released, entitled "Our Common Future," which defined the common responsibilities of states regarding the environment, setting out the concept of sustainable development: the pursuit of economic development without environmental degradation.

In 1992, Brazil hosted the UN Conference on Environment and Development, in Rio de Janeiro, where the idea of sustainable development was reinforced. Brazil argued for multilateral cooperation, focusing on the "common but differentiated responsibility" between developed and developing countries. At Rio 92 the Framework Convention on Climate Change (framework for the COPs – Conference of the Parties) was signed, along with the Conventions on Biodiversity and to Combat Desertification. This agreement led in 1997 to the signing of the Kyoto Protocol, the first international instrument in which the signatories committed to reducing greenhouse gases (GHG).

Following a period of impasses in multilateral environmentalism, in 2015, the UN General Assembly laid out the 17 Sustainable Development Goals (SDGs), which include in the global agenda not only fighting poverty and keeping peace, but also protecting the environment. That same year, the Paris Agreement opened a new phase in the international environment agenda. The document has been adopted by 195 countries and allows each to set targets to control GHG emissions. At the same time, the treaty provides financial and technological support from developed countries for developing countries to meet their targets.

In 2021, COP 26, held in Glasgow, Scotland, was the largest international climate event in history and prioritized the discussion on the mobilization of financial resources. The parties reached a consensus on the regulation of the carbon market, which made it possible to conclude the Paris Agreement "Rulebook." On that occasion, Brazil announced the most ambitious update of its climate targets and also made two other commitments: the Glasgow Leaders’ Declaration on Forests and Land Use, and Global Methane Pledge. Another environmental milestone for Brazil in 2021 was the ratification of the Nagoya Protocol, which regulates access and benefit-sharing, both monetary and non-monetary, of the genetic resources of biodiversity.

The abundance of green energy resources on Brazilian soil, along with legislation that promotes the attraction of investments in this sector, places Brazil in the forefront of the march towards environmentally sustainable and socially inclusive growth. As this study will reveal, the European Union countries, with their investments in renewable energy in Brazil, contribute to the global challenge of decarbonizing production and transportation chains, as well as aiding Brazil in its energy transition process.

The results of the study, as depicted in the following pages, indicate a mature exchange, based on reciprocal interests between Brazil and the EU, in a wide range of sectors, from labor-intensive, going through technology segments to those focused on the knowledge economy.

The European Union has a prominent place among ApexBrasil's initiatives. Currently, the Agency supports projects in 29 sectors that have recognized the bloc countries as priorities, encompassing several industries, such as agribusiness, fashion, services and high technology. Furthermore, since 2010, ApexBrasil has had a representation office in Brussels, Belgium, reaffirming its commitment to strengthening trade relations between Brazil and European Union countries.

For all the above reasons, this study is a highly relevant instrument for the harmonization of strategies and exploration of opportunities, providing not only an important direction for the bilateral relationship, but also an effective contribution for business decisions.

Introduction (European Union Delegation to Brazil)

The European Union is the world's largest trader of agricultural and manufactured goods and services, and ranks first in both inbound and outbound international investment.

With Brazil, the EU has a long Strategic Partnership that was formalised in 2007 across all political areas, building on our historical and cultural ties. The European Union and Brazil share democratic values, respect for human rights and freedoms. We share the conviction that a rules-based multilateral system is essential for global stability, peace and progress. The EU and Brazil even share a land border, between the state of Amapá and French Guiana.

Our economic ties are no different. The EU has in Brazil one of its most important economic and investment partners across the globe, and certainly, the most important in Latin America. The European Union is Brazil's second largest trading partner and Brazil is the single biggest exporter of agricultural and food products to the European Union.

Trade and investment are interdependent and complementary. Around half of world trade takes place between affiliates of multinational enterprises, which trade intermediate goods and services. For the EU and Brazil, investment is a central component of our economic relationship. The European Union is the leading foreign investor in Brazil with investment stock reaching EUR 263,415 million, 49.5% of all foreign investment stock in Brazil in 2020. EU investments have constructed a strong private sector presence in Brazil in fields that are important for sustainable growth such as digital, telecommunications, energy, health and infrastructure. These create high qualitiy jobs in Brazil and often involve the transfer of technology.

The benefits of inward foreign direct investment for economic growth are undisputed. They relate to the expansion of productive capacity, job creation, human capital enhancement, innovation and technology diffusion, and enterprise development, all of which contribute to increases in overall income.

Outward foreign direct investment is overwhelmingly positive for the home country and in particular for the competitiveness of firms. It is through foreign direct investment that companies build global supply chains.

Foreign direct investment can expand even further between the EU and Brazil, thanks to the future EU-Mercosur Association Agreement. This agreement will give us a framework for joint action on challenges both our regions face: greening our value chains, tackling climate change, strengthening cooperation on science and higher education, promoting digital development, promoting democracy, the rule of law, peace and security.

The future EU-Mercosur Association Agreement can create a virtuous cycle for investment in Brazil and the EU. The Agreement will foster a more predictable regulatory environment, making the EU and Mercosur more attractive destinations for foreign investment. Increased exports of goods and services will generate higher returns on investment, unlocking resources to finance essential infrastructure and industrial capacity, in times of scarce financing and credit. EU experience with other trade agreements shows that foreign investment increased, and in some cases even doubled over 10 years.

This second edition of the Bilateral Investment Map, presents a clear and in-depth analysis of the investment flows between the EU and Brazil, showing with concrete numbers how strategic our economies are for European and Brazilian companies and to our citizens. The analysis carried out between 2016 and 2020 showcases a strong investment relationship, resilient to domestic and global shocks.

The EU-Brazil investment relationship rests on a solid foundation to help us face our biggest challenge in the years ahead. Protecting the planet is our generation's defining task. It is an urgent moral, human and political obligation and an economic imperative. For this reason, the EU-Brazil relationship needs to focus on the transition towards a climate neutral, environmentally sustainable, resource efficient and resilient economy.

The current geopolitical crisis coupled with the COVID-19 pandemic and its economic fallout have been dramatically affecting economies worldwide.

Many countries have seen their fiscal space shrink, just at the time when unprecedented scale of investment is needed to achieve the Sustainable Development Goals (SDG) and the Paris Agreement objectives. The United Nations Conference on Trade and Development – UNCTAD – estimates that the yearly gap in SDG financing is 4.3 trillion US dollars. In developing countries alone, the annual gap is 2.5 trillion US dollars.

The EU has pledged to reduce greenhouse gas emissions to at least 55% below 1990 levels by 2030. To reach this target, the EU needs to invest approximately EUR 350 billion more every year until 2030, compared to the previous decade. Public money will not be enough to meet this target. Mobilizing private capital is key for the transition to a sustainable economy.

In 2019, the European Commission presented the European Green Deal, a growth strategy aiming to make Europe the first climate-neutral continent by 2050.[a] The Commission presented in 2020 an investment plan to mobilise at least EUR 1 trillion of sustainable investment over the next decade. It will stimulate the public and private investment needed for the transition to a climate-neutral, green, competitive and inclusive economy.

For the EU, sustainable finance is a key part of the solution. Taking environmental, social and governance (ESG) considerations into account when making investment decisions in the financial sector, leads to more long-term investment in sustainable economic activities.

Sustainable finance has a key role in delivering on the objectives under the European Green Deal as well as the EU's climate and sustainability commitments. Sustainable finance channels private investment into the transition to a climate-neutral, climate-resilient, resource-efficient and fair economy, as a complement to public money. Sustainable finance will help ensure that investment supports a resilient economy and a sustainable recovery from the COVID-19 pandemic.

In 2021, the EU adopted a new sustainable finance strategy, proposing action in four areas: transition finance, inclusiveness, resilience and contribution of the financial system, and global ambition. [b]

[a] European Green Deal: https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en
[b] Sustainable Finance Strategy: https://finance.ec.europa.eu/publications/strategy-financing-transition-sustainable-economy_en

Building a credible sustainable finance ecosystem is key to unlock the financing needed for infrastructure investment.

This objective lies at the core of the EU's Global Gateway strategy, aiming to boost smart, clean and secure links in digital, energy and transport sectors and to strengthen health, education and research systems across the world.[c] With this, the EU is stepping up its offer to its partners like Brazil, with major investment in infrastructure. Between 2021 and 2027, Team Europe, bringing together the EU institutions and Member States, will mobilise up to EUR 300 billion of investment in digital, climate and energy, transport, health, education and research

The EU-Mercosur Association Agreement will contribute to this objective.[d] The trade and sustainable development chapter of the agreement establishes principles and commitments on labour and environmental aspects with specific relevance for trade and investment.

The Bilateral Investment Map, the result of the successful partnership between Apex-Brasil, the Brazilian Ministry of Foreign Affairs and the EU, arrives at the perfect moment. It presents a clear picture of the historic relevance of our investment relationship. Between its figures and trends, it makes a call for the years ahead: the EU and Brazil must continue working together to foster new investment for the green transition.

The EU is ready to respond to this call and work in partnership with Brazil to address this global challenge. Together we can do more!

[c] Global Gateway strategy: https://ec.europa.eu/info/strategy/priorities-2019-2024/stronger-europe-world/global-gateway_en
[d] EU-Mercosur Association Agreement: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mercosur/eu-mercosur-agreement_en

Executive summary

With EUR 263 billion invested in the country, Brazil stands out as the largest destination of European Union countries' Foreign Direct Investment (FDI) in Latin America, with a share of 41.5% of the stock located in the region and 3.1% of the total stock in 2020. Moreover, Brazil is the sixth largest destination of extra-EU FDI, behind only the United States, United Kingdom, Switzerland, Canada and Russia.

Brazil was the main destination, among the large emerging economies, of the European Union's outward FDI flows between 2014 and 2020. When adding investment and divestment flows over the period, Brazil had a net positive balance of EUR 124.5 billion, compared to EUR 60.5 billion for China, EUR 53.7 billion for Mexico and EUR 35.7 billion for India.

Within the group of emerging economies, Brazil was the second most profitable investment destination for European companies, with a return of EUR 14.3 billion, second only to China, whose return was EUR 16.6 billion in 2020. India has a larger economy than Brazil, but yielded substantially lower profits. Among all investment destinations outside the European Union, Brazil accounted for the sixth highest amount of net income earned by European investors, behind only the United Kingdom, the United States, Switzerland, China, and Singapore.

Between 2016 and 2020, Orbis BvD database identified 19,211 investment announcements of productive projects, also known as greenfield projects, by EU companies in countries located outside the bloc. The total value of these announcements was EUR 527.3 billion. From this amount, EUR 88.1 billion, or 16.7%, was directed to the United States. With EUR 20.1 billion in announced values, 3.8% of the total, Brazil was the sixth largest recipient of EU investments and the second Latin American destination after Mexico (EUR 28.8 billion).

Attention is drawn to the fact that, if only 2020 is considered, Brazil leaps to the fourth position among the main destinations of the European Union's investment announcements in that year, overtaking India and Mexico. This is relevant because 2020 was the first year of the pandemic, which led to a 42% contraction in international foreign direct investment flows, according to UNCTAD. Despite the contraction, European Union companies remained highly interested in investing in Brazil, with investment announcements that not only exceeded the 2019 figures, but allowed Brazil to surpass some of its international peers as a destination for productive investments from EU companies.

Investment announcements focused on the "Manufacturing" activity, i.e., the establishment or expansion of some industrial facility in Brazil, totaled EUR 10.5 billion between 2016 and 2020.

This amounted to 52.6% of the total, which demonstrates Brazil's attractiveness as a production platform for both the domestic market and the country's export markets.

European Union companies announced 4,856 mergers and acquisitions (M&A) transactions between 2016 and 2020. UK companies were the subject of 1,233 M&As, followed by US-based companies. Brazil was the 11th overall destination of EU M&A and the top destination in Latin America, as Orbis has identified 113 European investments in the country versus 44 in Mexico and 35 in Chile.

According to Fitch, 133 infrastructure projects have been identified in Brazil involving European companies acting as project sponsors or operators. There is a high concentration in the "Energy & Utilities" sector, which brings together 108 of the 133 projects, while 18 projects belong to the "Transport" sector and the remaining 7 to the "Construction" sector. The enormous interest of European capital in Brazil's potential for green energy generation stands out: of the 133 total projects, 50 are wind farms and 24 are solar plants.

Of the 1,000 companies operating in Brazil with the highest net revenue in fiscal year 2020, 128 had capital from European Union countries.

Altogether, these companies reached a total of R$ 1 trillion in net revenue in 2020. By way of comparison, from the same pool of 1,000 companies, 53 of them received capital from the United States, amounting to R$ 282 billion in net revenue.

Among Latin American countries, Brazil is the largest origin of direct investments into the European Union. The stock of Brazilian direct investment in the European Union reached EUR 75.2 billion in 2020, or EUR 77.4 billion in assets. Brazil was the origin of more than half of Latin American investments in the European bloc. This data indicates that Brazilian companies' share, if compared to other Latin American economies, is more representative.

Between 2016 and 2020, Orbis BvD identified 551 investment announcements in productive projects by Brazilian companies abroad. The total value of these announcements was EUR 7.1 billion. With announcements valued at EUR 1.6 billion, or 22.9% of the total, the United States was the main destination for Brazilian investments abroad over the analyzed period. Then came Colombia, with EUR 888.2 million in announced investments. The European Union comes right behind, with investment announcements amounting to EUR 806.1 million.

Regarding the sectors of the companies that originated the productive investment announcements in the European Union between 2016 and 2020, the "Computer Software" sector concentrated 33.2% of the total announced values (or EUR 267.5 million), reflecting not only the European market's attractiveness, but also the local labor force's high level of technical qualification.

1. Macroeconomic Overview

Brazil

Brazil is the largest economy in Latin America, with a US$ 1.6 trillion GDP in 2021[1]. Its territorial extension, the size of its population, the abundance of natural resources and a dynamic and diversified industrial complex make the country a natural destination for foreign direct investment (FDI). According to UNCTAD, Brazil had the 17th largest FDI stock in the world in 2021, estimated at US$ 593 billion, ahead of countries like Mexico, India and Japan. Individually, Brazil represents 27.7% of the FDI stock in Latin America and the Caribbean.

The country's economy has shown considerable resilience since the global recession resulting from measures to contain the Covid-19 pandemic. In 2020, Brazil's GDP contracted 3.9%, while that of its Latin American peers such as Argentina, Mexico, and Colombia fell 9.9%, 8.1%, and 7.0%, respectively[2]. In 2021, after a 4.6% expansion, the Brazilian economy had already overcome the losses of 2020. For 2022, the Central Bank of Brazil's official projection for GDP growth went from 1% to 1.7%, and then finally to 2.7%. If this projection is maintained, Brazil will once again hold a place among the ten largest economies in the world, leaping three positions in one year and overtaking Australia, Russia and South Korea.

The same resilience has been displayed by Brazil when it came to attracting foreign capital. In 2020, the country received US$ 28 billion in FDI, making it the world's 9th largest destination for international investments. In 2021, FDI inflow in Brazil was US$ 50 billion, 78.6% higher than in the previous year, which led the country to rank 6th as a global destination for FDI, the same position the country held in 2019.

1 – Source: IMF Datamapper.
2 – Source : Euromonitor.

This recovery is an indication of the confidence foreign investors have in the country's economic foundations and the attractiveness Brazil enjoys as a production platform for foreign companies.

The country continues to pursue reforms aimed at reducing public debt, increasing investment, and reducing barriers to FDI. In 2016, the Investment Partnerships Program (IPP) was established in order to expand and strengthen interaction between the state and the private sector through partnership contracts and other privatization measures. The IPP's objectives include[3] :

- Expanding investment and employment opportunities and stimulating technological and industrial development, in line with the country's social and economic development goals;
- Ensuring the expansion of quality public infrastructure, with appropriate tariffs for users;
- Promoting broad and fair competition when entering into partnerships and providing services;
- Ensuring the stability and legal certainty of contracts, with minimal intervention in business and investments;
- Strengthening the state's regulatory role and state regulatory entities' autonomy.

Brazilian government investment initiatives have yielded clear results. In the five years between 2017 and 2021, Brazil's gross fixed capital formation (GFCF) grew at an annual average of 9.6%. By way of comparison, Brazil's GDP grew by 0.9% per year over the same period. If in 2017 GFCF represented 13.8% of Brazilian GDP, by 2021 this ratio reached 19.2% of GDP, a 5.4% increase in five years[4].

The legislative advances and reforms implemented have received the seal of approval from the Organization for Economic Cooperation and Development (OECD), whose 38 members unanimously decided in January 2022 to invite Brazil to begin the formal accession process to the organization.

3 – Investment Partnerships Program (IPP).
4 – Source: Euromonitor.

According to the Brazilian Ministry of Economy, "When it becomes a member, Brazil will be the largest emerging market to have governance and economic legislation compatible with the demanding standards of the Organization. Brazil will also enjoy a privileged strategic position in the international economic arena: it will be the only country to be a member simultaneously of the OECD, the BRICS group (Brazil, Russia, India, China and South Africa) and the Group of 20 (G20), which brings together the 20 largest world economies. These groups regularly formulate common positions and influence the course of the global economy."[5]

European Union

The European Union is the most successful case of integration involving sovereign countries. Starting from an economic community of six members, European integration has today reached the stage of political and economic union among 27 countries, uniting more than 400 million people and creating one of the largest economic areas in the world. If the EU were a country, its US$ 17.1 trillion GDP would be the third largest in the world by 2021, behind only the United States and China[6].

According to the OECD, the pandemic has resulted in the longest recession ever experienced by the EU and has increased the risk of rising inequalities, particularly among regions. A strong and innovative response by EU members, particularly the launch of the Next Generation EU[7] , has allowed economic growth to resume as early as 2021.[8]

After a 5.8% contraction in 2020 due to the Covid-19 pandemic, EU economy grew by 5.4% in 2021. If the IMF's 2.8% growth projection for 2022 is maintained, EU economy is not expected to reach pre-Covid levels until 2023[9].

5 – https://www.gov.br/economia/pt-br/assuntos/ocde/processo-de-acessao-do-brasil-a-ocde
6 – Source: Euromonitor.
7 – Economic financing instrument aimed at supporting the economic recovery of the countries most affected by the pandemic. In theory, it meant a reversal of the fiscal austerity policy implemented after the 2008 financial crisis.
8 – Source: OECD Economic Surveys European Union. September 2021.
9 – Source: IMF. World Economic Outlook April. 2022

Despite the economic contraction during the height of the pandemic, the EU maintained its position as the second largest holder of foreign direct investment stock, behind only the United States. With an inward FDI stock of US$ 11.6 trillion, the EU concentrated 25.5% of the global FDI stock in 2021.[10] [11]

In 2021, FDI inflows to the European Union were US$ 138 billion, the lowest since 1997 and a 34% contraction compared to 2020. This reduction was mainly driven by Germany and Ireland, which reported a decrease in FDI inflows of 51.6% and 80.6%, respectively. Despite the decline, the European Union as a whole was the fourth largest destination for FDI in 2021, behind only the United States, China, and Hong Kong.

If, on the one hand, the European Union has undergone a slowdown in FDI inflows, on the other, the bloc regained its investment momentum in 2021. European FDI outflows of US$ 397.6 billion made the bloc the second largest FDI issuer that year, behind only the United States. Not only did the outward FDI flow surpass the 2020 figures (US$ 66.4 billion), the peak of the pandemic, but it also surpassed the pre-pandemic 2019 figures (US$ 368.3 billion).

10 – Intra-bloc investments are included.
11 – Source: UNCTAD. World Investment Report 2022

2. European Union Foreign Direct Investment in Brazil[12]

2.1 Foreign Direct Investment Position[13]

According to data from Eurostat[14], the European Commission body responsible for statistical information about the European Union (EU), the stock of direct investments from EU countries in the world totaled EUR 15.6 trillion in 2020. Most of the stock, 55%, is in countries outside the bloc (extra-EU). Direct investments outside the bloc totaled EUR 8.6 trillion in 2020. The United States was the main destination of EU investments, with a capital stock amounting to EUR 2.1 trillion, equivalent to 24.3% of the extra-bloc total and 13.4% of the overall total. Latin America was the destination of 7.4% of extra-EU direct investments, with a stock of EUR 634 billion - and EUR 652.4 billion in assets in 2020.

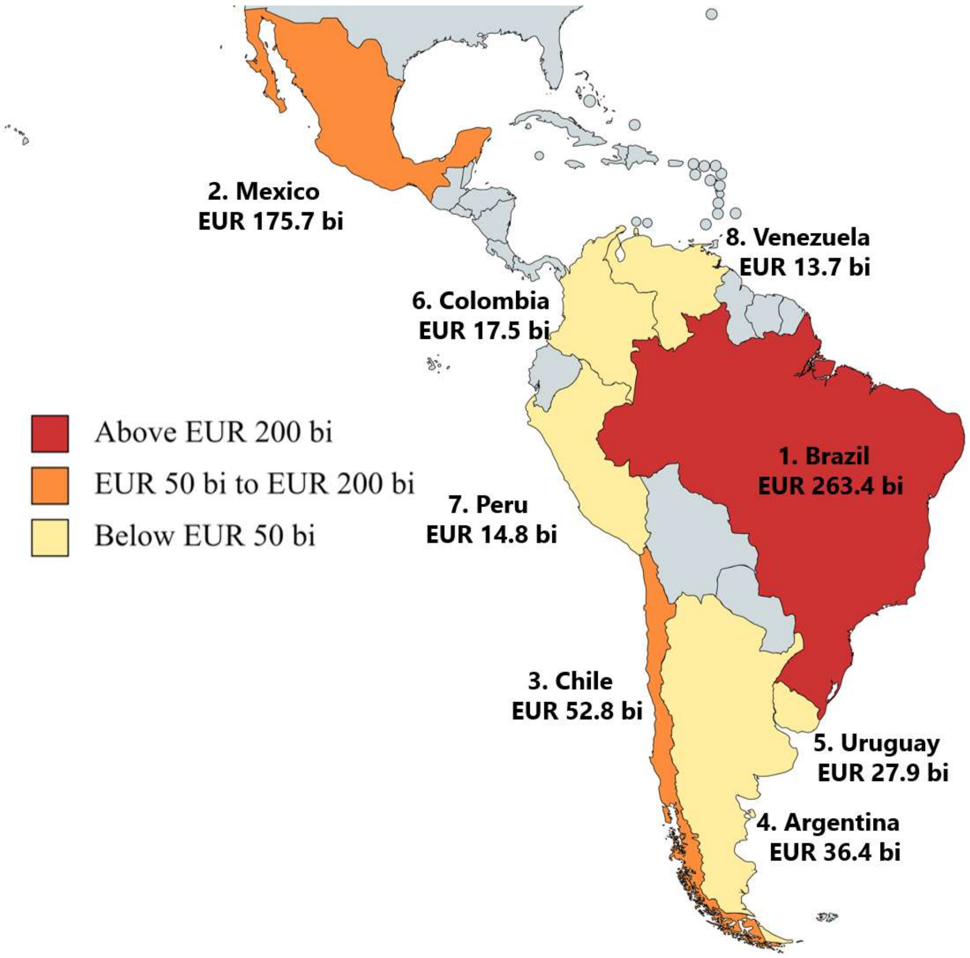
With EUR 263 billion invested in the country, Brazil stands out as the largest destination for Foreign Direct Investment (FDI) from European Union countries in Latin America, with a share of 41.5% of the stock located in the region and 3.1% of the total stock. Moreover, Brazil is the sixth largest extra-EU FDI destination, behind only the United States, United Kingdom, Switzerland, Canada and Russia.

12 – Foreign investment can take the form of foreign direct investment (FDI) or portfolio investment. According to the OECD (Organization for Economic Cooperation and Development) definition, FDI is constituted when the investor demonstrates lasting interest in the destination country, i.e., when they hold 10% or more of the common shares or voting rights in a company; values below 10% are considered portfolio investment.

13 – Direct investment position consists of the assets, liabilities and FDI stock of the set of companies from a home country/region in a destination country/region. The FDI stock for subsidiary companies is comprised of the value of their equity and reserves attributable to the parent (i.e., their assets minus their total liabilities), plus the subsidiary's net indebtedness to the parent. For subsidiaries, it refers to the value of their current and non-current assets, exclusive of the amount due from the parent, minus liabilities to third parties. This number can also be negative, but this occurrence would be more related to the accounting methods of the organizations used as sources or to large divestment movements.

14– Research conducted in July 2022. Some updates may have been made by Eurostat

Map 1 - European Union Direct Investment Position in Latin America (2020)



Source: Eurostat.

Although Brazil is the main destination for EU investment in Latin America, the EU capital stock in the country contracted at a 7.7% average per year between 2016 and 2020, 5.4 percent above the regional average over the same period. Part of the explanation lies in the fact that EU investment stock in Brazil between 2019 and 2020 fell by 15.1%, above the regional average of a 10.4% decline. It is noteworthy, however, that the contraction in investment in Argentina, the third largest economy in the region, was even larger, with an 18.5% drop between 2019 and 2020. This drop, as much in Brazil as in the region and the world, was a result of the economic crisis resulting from the Covid-19 pandemic.

In addition to FDI flows, other factors have impacted the value of FDI stocks, particularly variations in the market prices of invested companies' shares and variations in the exchange rate. The devaluation of the Brazilian currency against the Euro reduced the value of stocks in the latter currency. The Brazilian currency devalued 33.4% against the Euro over the period 2016 to 2020[15].

Notably, despite the contraction of the EU FDI stock between 2016 and 2020, Brazil remained the main destination for the bloc's investments in Latin America, with a capital stock 49.9% larger than Mexico's, approximately five times larger than Chile's and seven times larger than Argentina's.

Table 1 – European Union Direct Investment Position in Latin America[16] (2020)

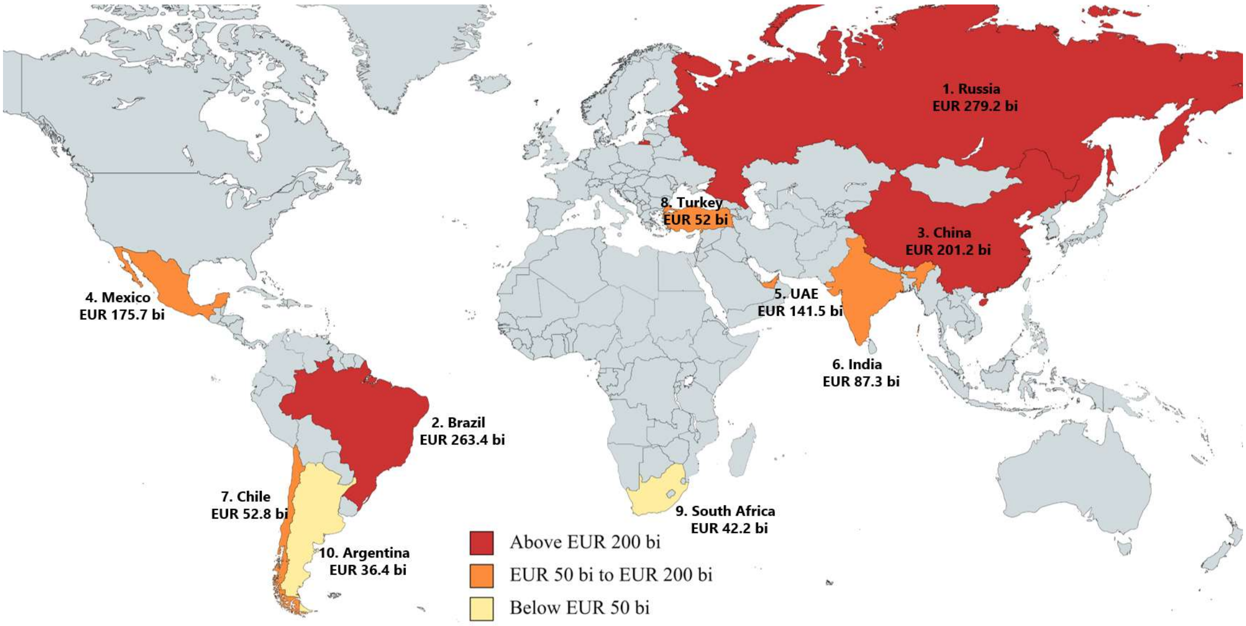
Country	Stock			Assets		
	Value (EUR million)	CAGR 2016-2020	Share	Value (EUR million)	CAGR 2016-2020	Share
Brazil	**263,415**	**-7.7%**	**41.5%**	**266,400**	**-7.7%**	**40.8%**
Mexico	175,771	6.1%	27.7%	182,767	5.1%	28.0%
Chile	52,815	-0.8%	8.3%	54,174	-0.4%	8.3%
Argentina	36,442	-3.1%	5.7%	37,460	-2.7%	5.7%
Uruguay*	27,963	23.2%	4.4%	29,586	-	4.5%
Colombia	17,526	3.8%	2.8%	18,558	4.2%	2.8%
Peru	14,888	-2.7%	2.3%	15,855	-1.5%	2.4%
Venezuela	13,749	-8.6%	2.2%	14,549	-7.7%	2.2%
Latin America*	**634,035**	**-2.3%**	**100%**	**653,371**	**-**	**100%**

Source: Eurostat. *Asset data for Uruguay and Latin America was only available from 2017, so it is not possible to calculate its growth.

Moreover, not only did Brazil remain the largest Latin American holder of European Union FDI, but it was also the second main destination for European Union FDI among emerging economies outside the bloc.[17] However, it is worth noting that Russia only surpassed Brazil as a destination for EU FDI in 2020 and that, due to the sanctions imposed on Russia because of the crisis in Ukraine, there was a contraction of European investments in the country has not yet been accounted for. One can also observe that European FDI stock in Brazil has even surpassed the stock in China and India, whose economies are larger than Brazil's[18].

15 – Central Bank of Brazil: https://www.bcb.gov.br/conversao
16 – CAGR = Compound Annual Growth Rate.
17 - Emerging economies as defined by IMF criteria.
18 - It is important to emphasize that the source of this analysis, Eurostat, measures the stock of European Union investments geographically distributed in the immediate perspective. Therefore, many investments destined for China and India as final destination may be triangulated by other markets, which may lead to an underestimated result.

Map 2 - EU Direct Investment Position in extra-bloc Emerging Countries (2020)



Source: Eurostat. *Emerging Countries, according to IMF.

Even though the Brazilian economy (GDP) has a 5.1% participation in the total GDP of the emerging countries outside the European bloc, Brazil has a 17.8% participation of the stock of European direct investment in those same countries. This demonstrates the Brazilian economy's degree of openness and its strong integration with European multinational companies.

The stock of European investment in emerging countries outside the bloc grew 2.1% between 2016 and 2020, despite the impacts of the pandemic. On the other hand, the stock of European investment in the world shrank by 1.6%. Hence, the resilience of emerging economies in attracting European investment is evident.

Table 2 – EU Direct Investment Position in extra-bloc Emerging Countries (2020)

Ranking	Country	Value (EUR million)	CAGR 2016 - 2020	Share
1	Russia	279,185	0.3%	18.9%
2	**Brazil**	**263,415**	**-7.7%**	**17.8%**
3	China	201,203	4.3%	13.6%
4	Mexico	175,771	6.1%	11.9%
5	UAE	141,492	47.1%	9.6%
6	India	87,338	9.7%	5.9%
7	Chile	52,815	-0.8%	3.6%
8	Turkey	52,026	-7.5%	3.5%
9	South Africa	42,206	-2.4%	2.9%
10	Argentina	36,442	-3.1%	2.5%
11	Malaysia	27,848	8.7%	1.9%
12	Indonesia	25,232	-4.6%	1.7%
13	Saudi Arabia	20,511	-2.3%	1.4%
14	Thailand	20,000	1.7%	1.4%
15	Egypt	18,101	n.d.	1.2%
16	Colombia	17,526	3.8%	1.2%
17	Philippines	13,814	n.d.	0.9%
18	Iran	2,726	n.d.	0.2%
	Total	**1,477,648**	**2.1%**	**100%**

Source: Eurostat

As shown in Table 3, the Netherlands is the reported origin of almost half of the European Union's direct investments in Brazil. The reason for these high values attributed to the Netherlands is its status as a European financial hub, serving as a natural outlet for the bloc's companies to carry out FDI operations abroad. Besides being a financial hub, the Netherlands also has a strong presence in Brazil through companies such as Heineken (Beverages), Philips (Electrical and Electronic Products), AkzoNobel (Chemicals), Makro (Wholesale Trade), C&A (Retail Trade), and Shell (Energy)[19]. Shell, for example, participated in the establishment of Raízen, a joint-venture created in 2010 with Cosan that in 2020 reached the position of the fourth largest company operating in Brazil by net revenue.[20]

19 – Although Shell today has its headquarters in London, in the period covered by the study, 2016-2020, it was still headquartered in The Hague
20 – Source: Valor 1000

Table 3 – European Union FDI Position in Brazil by Country of Origin (2020)

Country	Value (EUR million)	CAGR 2016 - 2020	Share
Netherlands	123,549	-10.5%	46.9%
Spain	42,417	-6.8%	16.1%
Luxembourg	38,165	-6.3%	14.5%
France	21,909	-2.3%	8.3%
Germany	10,155	-7.9%	3.9%
Italy	9,836	-1.4%	3.7%
Belgium	4,477	20.2%	1.7%
Sweden	3,618	-2.8%	1.4%
Portugal	2,267	-9.7%	0.9%
Denmark	1,102	0.4%	0.4%
Other (not confidential)[1]	1,181	-2.3%	0.4%
Other (confidential)[2]	4,739	1.6%	1.8%
European Union	**263,415**	**-7.7%**	**100%**

Source: Eurostat

[1] Finland, Hungary, Ireland, Slovakia, Poland, Bulgaria, Estonia, Cyprus, Slovenia, Croatia, Czech Republic.

[2] Greece, Latvia, Lithuania, Malta, Austria and Romania.

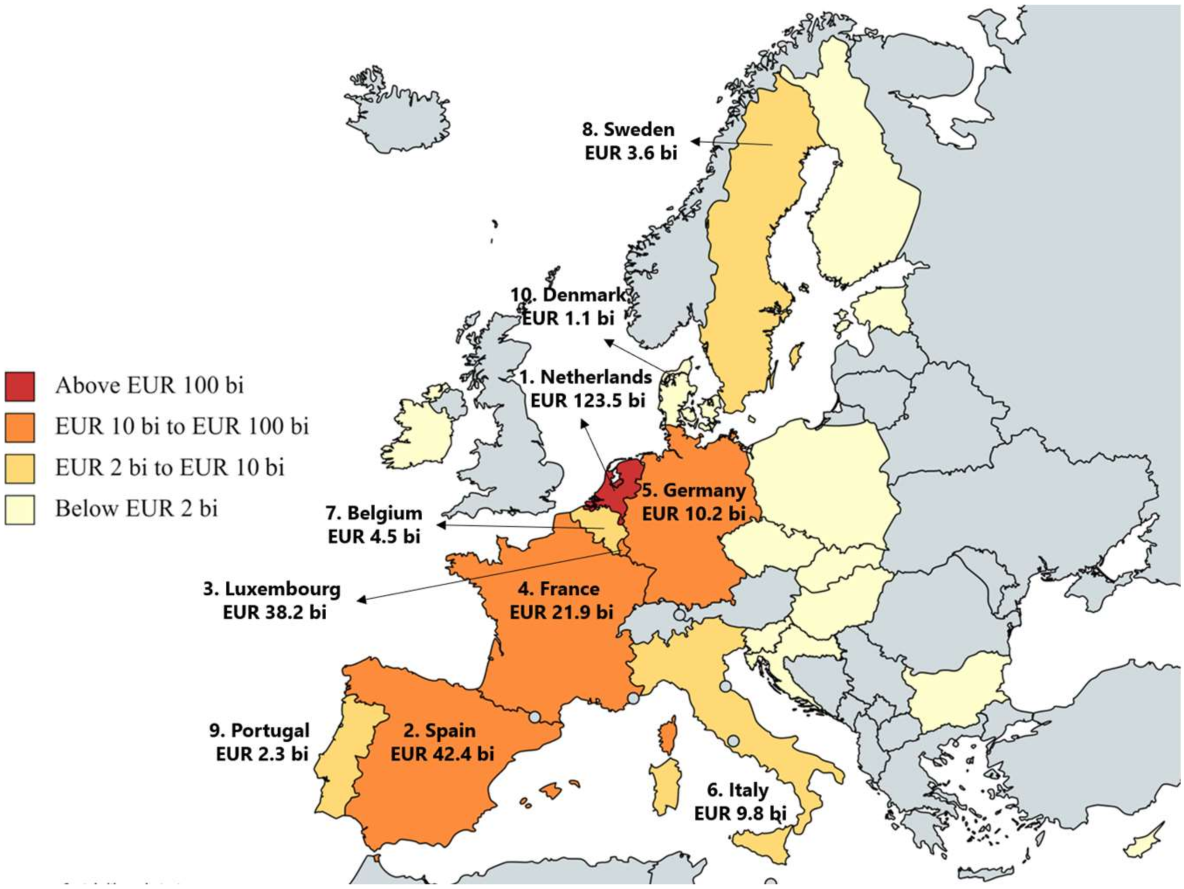
Spain is another prominent origin of European FDI stock in Brazil. Among European Union countries, the Iberian country has 4.4% of European direct investments outside the bloc, but, in Brazil, Spain has a 16.1% share and ranks second among the top foreign investors in the country. The European country played an important role in the privatization process of the Telebrás System telecommunications companies in the state of São Paulo. Between 1998 and 2000, Telefónica acquired Telecomunicações de São Paulo S.A. (TELESP), Companhia Telefônica da Borda do Campo (CTBC), Telesp Participações S.A. and Centrais Telefônicas de Ribeirão Preto S.A. (CETERP). In 2010, Telefónica acquired Vivo's shares, which belonged to Portugal Telecom, thereby becoming the leader in the Brazilian telecommunications market.[21]

The three largest economies in the bloc - Germany, France, and Italy - round out the list of the six largest EU investors in Brazil. It is important to remark that, as the investments are often triangulated via the Netherlands, this may entail underestimated values for some countries of the bloc, which is especially the case for these three countries.

21 – Telefónica. Available at https://ri.telefonica.com.br/pt/a-empresa/nossa-historia

Eleven EU countries accounted for less than EUR 1.2 billion FDI stocks: Finland, Hungary, Ireland, Slovakia, Poland, Bulgaria, Estonia, Cyprus, Slovenia, Croatia, and the Czech Republic. Apart from this, the other members of the bloc did not have FDI stock records in Brazil or were not available due to confidentiality reasons, according to Eurostat. It is worth noting that Luxembourg is also a European financial hub. In addition, it is the second largest European Union investor outside the bloc, behind only the Netherlands. Considering again the European FDI stock data, Luxembourg is listed as a larger investor than Germany in Brazil.

Map 3 - European Union FDI stock in Brazil by country of origin (2020)



Source: Eurostat.

As shown in Table 4, most direct investments from the European Union in Brazil are allocated to the following sectors: "Trade (Wholesale and Retail)", "Financial and insurance activities" and "Manufacturing", which together represent 78.2% of the stock in the country. From the sector perspective of European investments outside the bloc, Brazil has a strong participation in the sectors of "Trade (Wholesale and Retail)" with 13%, "Information and Communication" with 6.9%, "Mining and quarrying" with 6.3% and "Electricity & Gas" at 4.7%, while the average participation of all sectors taken together was 3.4% in 2019, the last year available with sector data.

Table 4 – European Union FDI Position in Brazil by Economic Sector[22] (2019)

Sector	FDI Stock in Brazil (EUR million)	CAGR 2016-19	Sector share of FDI Stock in Brazil	Brazilian share of Sector FDI Stock in Extra-EU Countries
Wholesale and retail trade	101,094	95.7%	32.6%	13.0%
Financial and insurance activities	71,319	-1.0%	23.0%	2.2%
Manufacturing	70,114	-15.9%	22.6%	2.3%
Information and communication	17,603	-15.5%	5.7%	6.9%
Mining and quarrying	17,414	-	5.6%	6.3%
Professional, scientific and technical activities	12,962	-6.8%	4.2%	2.2%
Electricity & Gas	5,465	2.8%	1.8%	4.7%
Transportation and storage	4,294	-	1.4%	1.9%
Construction	3,364	23.0%	1.1%	2.6%
Administrative and support service activities	2,202	-49.6%	0.7%	2.0%
Others	2,962	-19.6%	1.0%	0.8%
Total	**310,109**	**-5.1%**	**100%**	**3.4%**

Source: Eurostat.

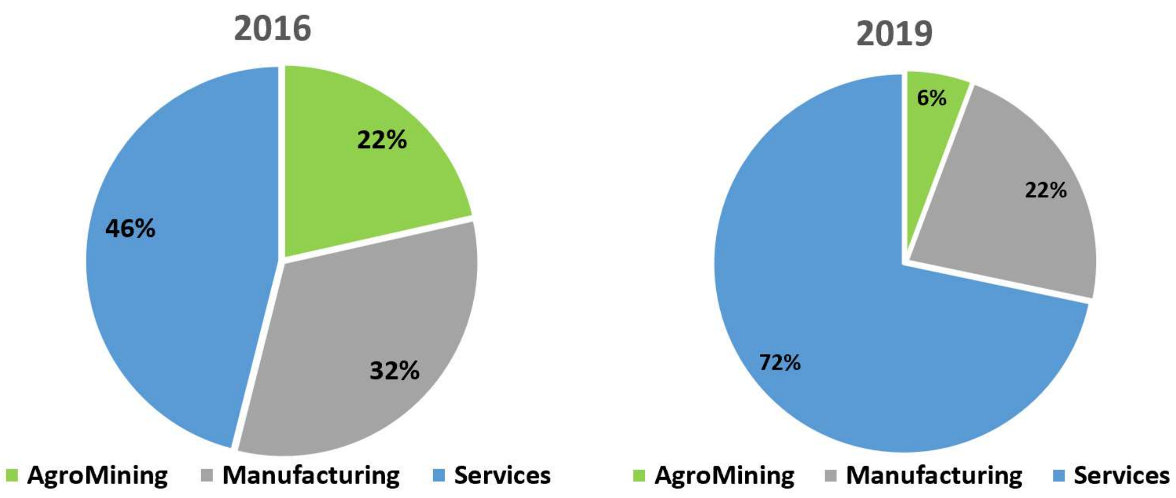
European FDI stock in Services activities in Brazil amounted to EUR 222.4 billion in 2019, which represents 72% of the total stock. This share is higher than the 46% recorded in 2016 and illustrates that Brazil's services market is highly attractive. Most of the investments in the services sector were in the subsectors "Wholesale and Retail Trade", "Financial and insurance activities" and "Information and Communication".

22 – The 95.7% average annual growth featured by "Wholesale and Retail Trade" was the result of the variation between 2018 and 2019, when the amounts invested leapt from EUR 12.6 billion to EUR 101.1 billion. In the same two-year period, the extra-bloc amounts invested in the same sector went from EUR 341.6 billion to EUR 779 billion. These substantial increases are possibly explained by methodological and statistical adjustments by Eurostat.

Among manufacturing activities, "manufacture of motor vehicles" (EUR 12.9 billion), "basic metallurgy and manufacture of metal products" (EUR 9.8 billion), "coke and petroleum products" (EUR 8.9 billion), "manufacture of chemicals and petrochemical products" (EUR 8.1 billion) and "manufacture of food, beverages and tobacco" (EUR 7.8 billion) stand out.

As for "AgroMining" activities, 98% are composed of investments in Oil and Natural Gas Extraction with EUR 17.2 billion European FDI stock in 2019.

Graph 1 – Breakdown of EU FDI stock in Brazil by business sector



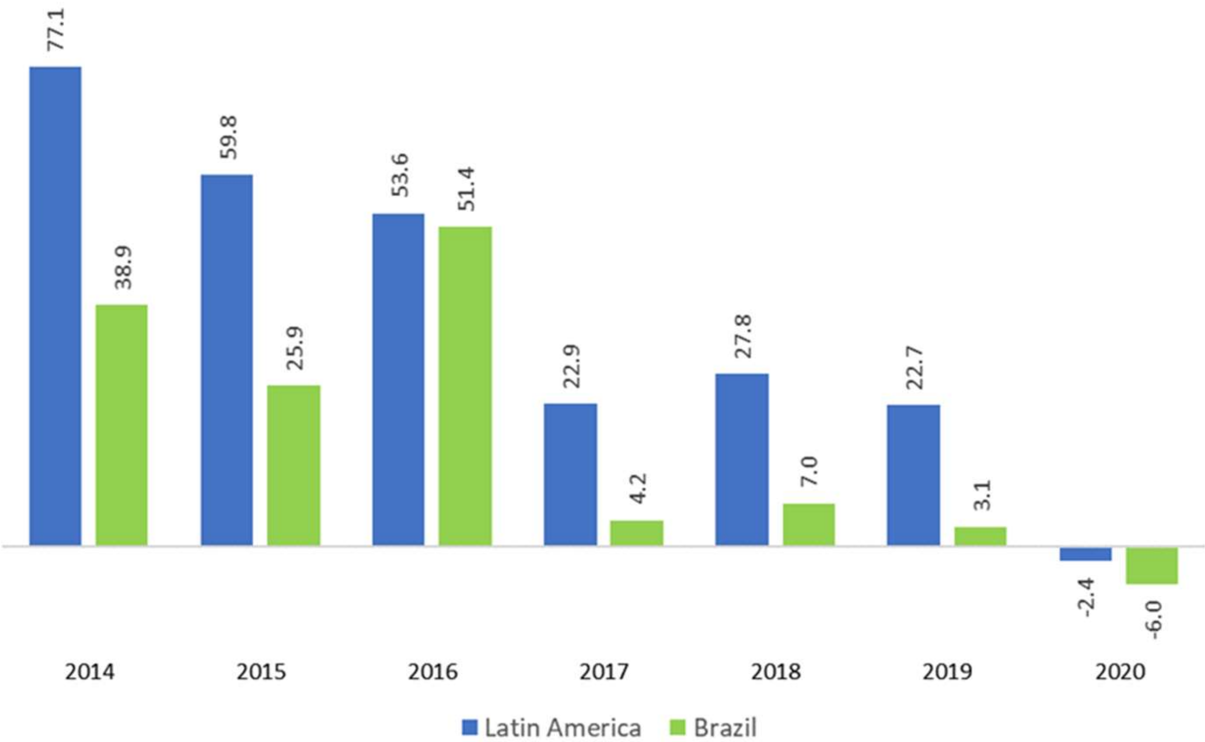
Source: Eurostat.

Taking into account European Union investments outside the bloc in 2019, from the perspective of Brazil's participation in these investments by sector, although European Union investments in "AgroMining" in Brazil have decreased, Brazil has, from the perspective of European investments outside the bloc, 6.3% of the investments in "AgroMining", 2.3% of the investments in "Manufacturing" and 3.9% of the investments in "Services".

2.2 Foreign direct investment flows[23]

In 2016, FDI flow from the European Union to Brazil reached EUR 51.4 billion, according to Eurostat. In the following years, there was a reduction in the pace of European investment in Brazil and Latin America. In 2020, FDI flow from the European Union to Brazil and to the region as a whole was negative, which means that divestment exceeded investment in the period. This divestment was possibly caused by the COVID-19 pandemic.

Graph 2 – EU FDI Flows to Latin America and Brazil (billion EUR)

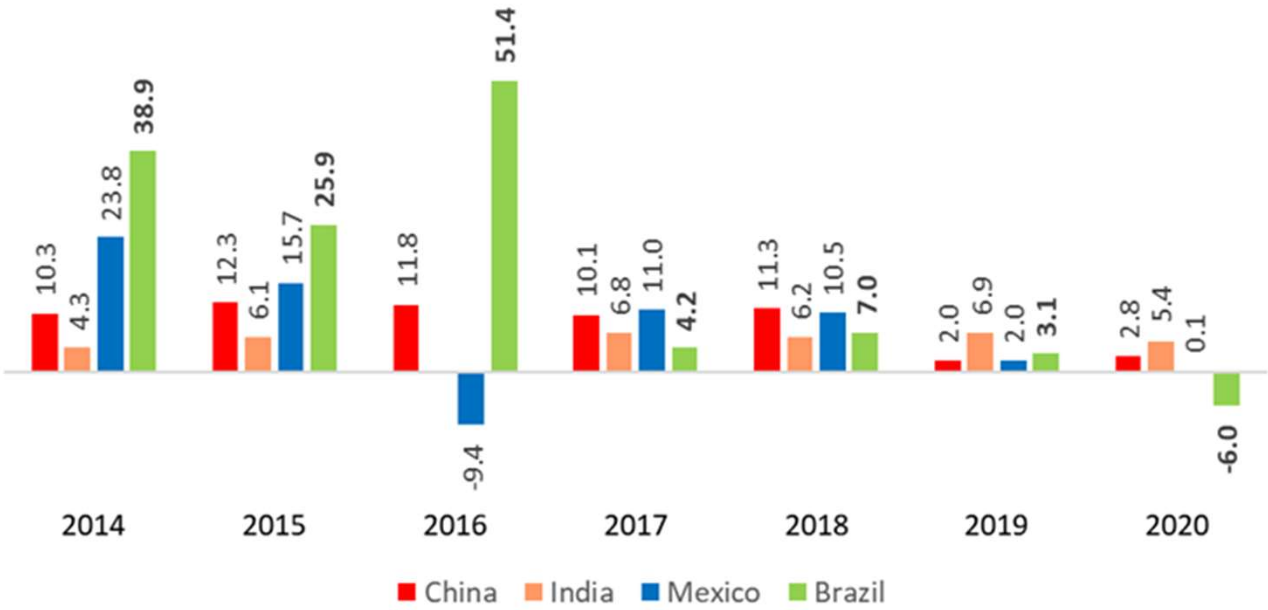


Source: Eurostat.

23 – Direct investment position consists of the assets, liabilities and FDI stock of the set of companies from a home country/region in a destination country/region. FDI stock for subsidiary companies consists of the value of their equity and reserves attributable to the parent (i.e., their assets minus their total liabilities), plus the subsidiary's net indebtedness to the parent. For subsidiaries, it refers to the value of their current and non-current assets, excluding the amount owed to the parent company, minus liabilities to third parties. This number can also be negative, but this would most probably be related to the accounting methods of the organizations used as sources.

Despite the decline over the second half of the past decade, Brazil was the main destination, among the selected large emerging economies, for European Union outward FDI flows. Adding up investment and divestment flows between 2014 and 2020, Brazil had a EUR 124.5 billion net positive balance in the period, compared to EUR 60.5 billion for China, EUR 53.7 billion for Mexico and EUR 35.7 billion for India. Over the same period, the net balance of the four countries combined fell from EUR 77 billion in 2014 to EUR 2 billion in 2020, the peak of the pandemic.

Graph 3 - FDI flow from the European Union to selected countries (billion EUR)[24]



Source: Eurostat. India (2016): not available.

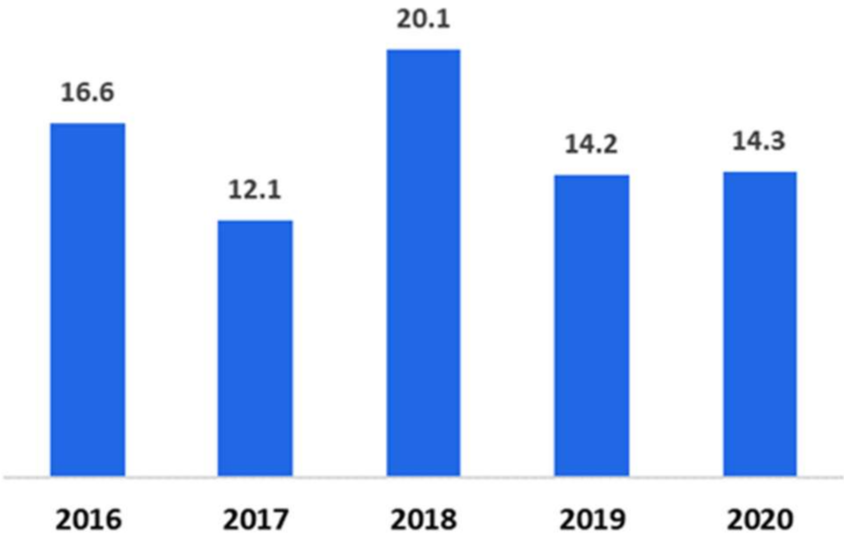
2.3 Foreign direct investment income

Net Foreign Direct Investment Income is the amount earned by investors in their FDI activities in the investment destination, which returns to their home country. This value, according to BPM6[25], does not include the profits reinvested in the destination country, only the profits returned to the origin.

24 – Figures for China exclude Hong Kong.
25 – Sixth edition of the International Monetary Fund Balance of Payments Manual.

Graph 4 indicates the Net FDI Income earned by EU companies in Brazil in the period 2016-2020. After peaking at EUR 20.1 billion in 2018, the annual profit remitted to the EU settled at EUR 14.3 billion in the 2019-2020 biennium. The "Net FDI Income" divided by the "FDI Stock" can be interpreted as a kind of annual rate of return for investment. In 2020, this rate was 5.4% versus 4.6% recorded in 2016. Although Net Income in 2020 was lower than in 2016, the rate of return was higher. Therefore, it is fair to say that the profit rate of European companies in Brazil has increased, reflecting gains in efficiency and competitiveness.

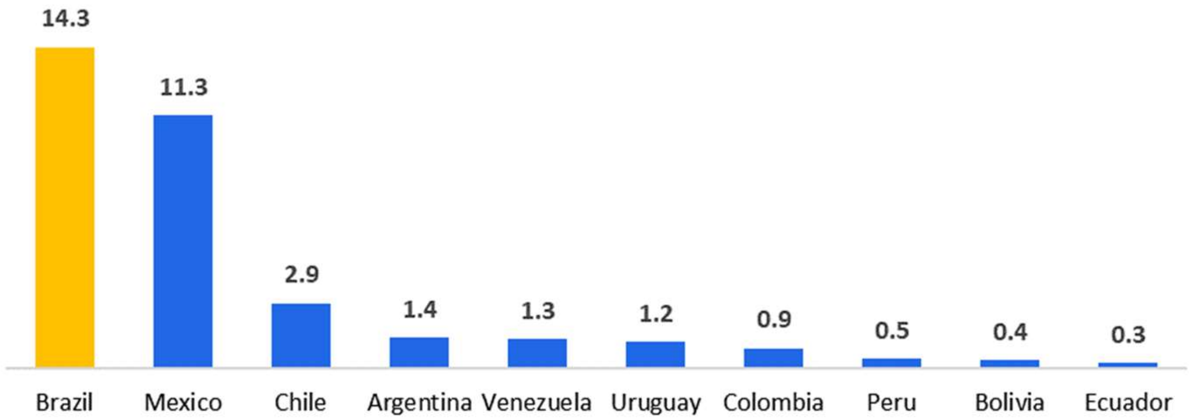
Graph 4 – Net EU FDI Income in Brazil (billion EUR)



Source: Eurostat.

Brazil was the Latin American country that returned the most profit to European companies in 2020. The value of Net EU FDI Income in Brazil was EUR 14.3 billion in 2020. Mexico's value was EUR 11.3 billion and in third place came Chile with EUR 2.9 billion.

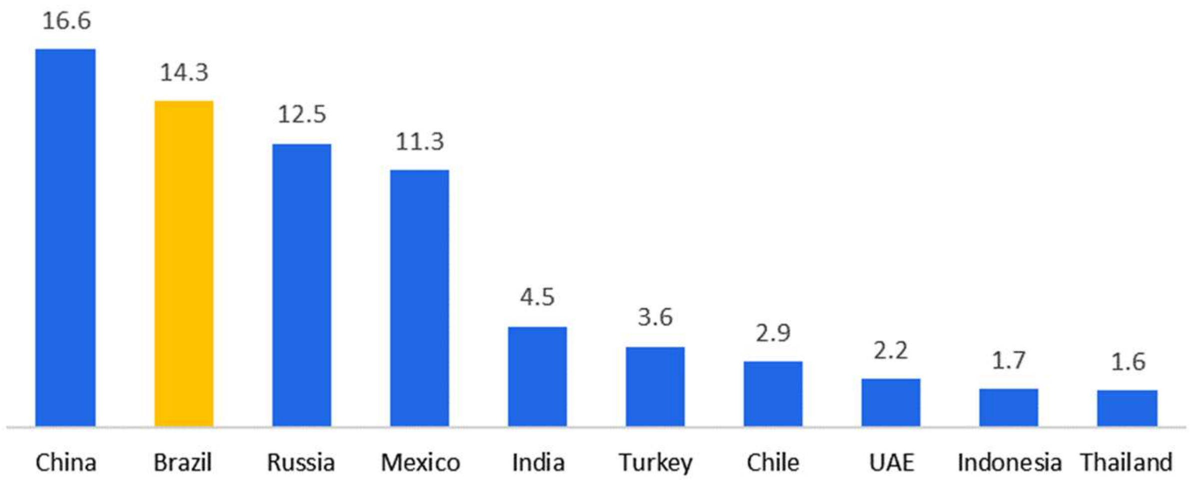
Graph 5 – Net EU FDI Income in Latin America in 2020 (billion EUR)



Source: Eurostat.

Within the emerging country group, Brazil was the second most profitable destination for European companies' investments, with a EUR 14.3 billion return, second only to China, whose return was EUR 16.6 billion. India has a larger economy than Brazil, but yielded substantially lower profits. Among all investment destinations outside the European Union, Brazil was responsible for the sixth largest amount of net income earned by European investors, behind only the United Kingdom, the United States, Switzerland, China and Singapore.

Graph 6 – Net EU FDI Income in Emerging Countries in 2020 (billion EUR)[26]

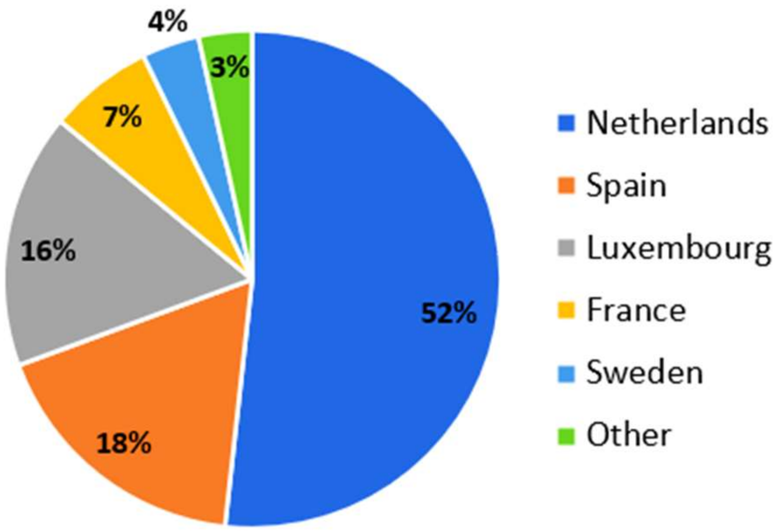


Source: Eurostat.

26 – Figures for China exclude Hong Kong.

Netherlands garnered more than half of European companies' profits in Brazil in 2020, recording EUR 7.5 billion in Net FDI Income (52%), followed by Spain with EUR 2.6 billion (18%) and in third place Luxembourg with EUR 2.4 billion (16%).

Graph 7 – Net EU FDI Income in Brazil in 2020 by Country of Origin

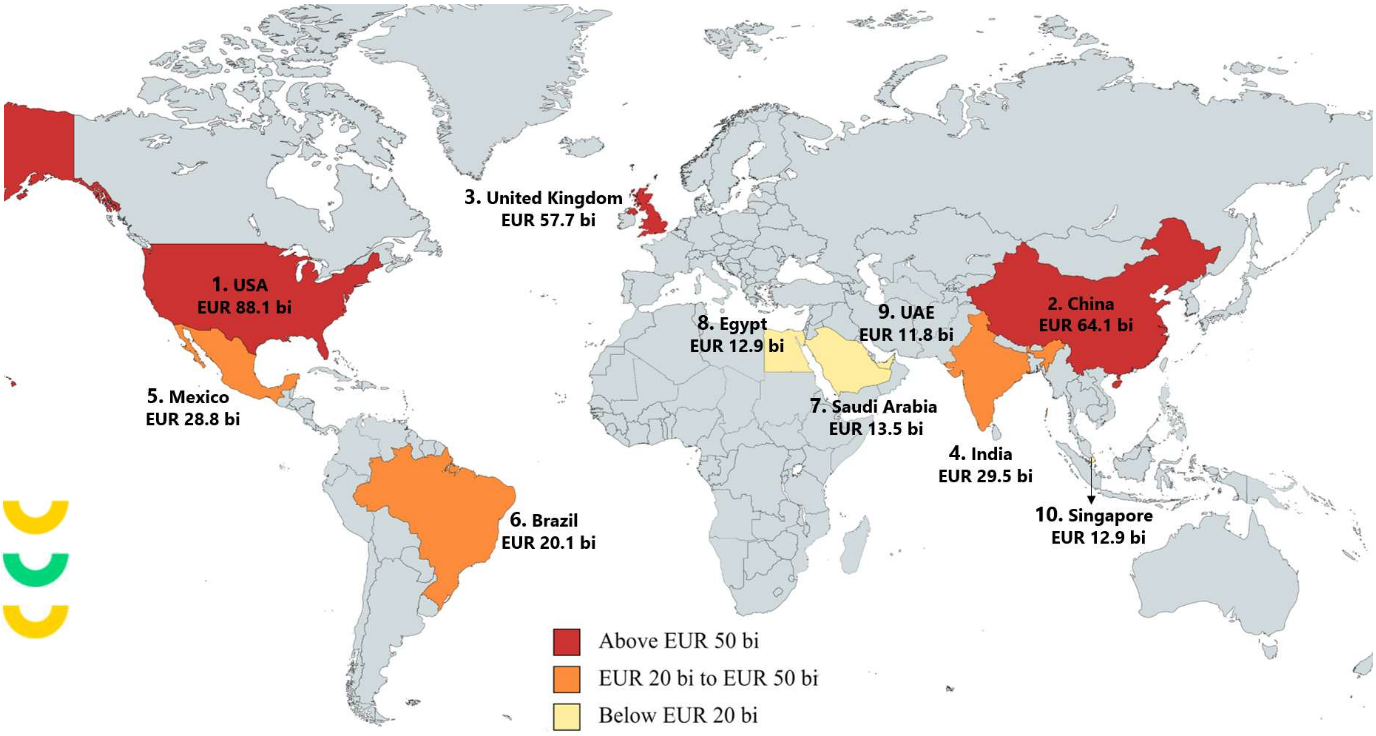


Source: Eurostat.

2.4 EU greenfield investment announcements worldwide

Between 2016 and 2020, Orbis BvD database identified 19,211 investment announcements in productive projects, also known as greenfield projects, by EU companies in countries located outside the bloc. The total value of these announcements amounted to EUR 527.3 billion. Of this total, EUR 88.1 billion, or 16.7%, went to the United States. With EUR 20.1 billion in announced values, 3.8% of the total, Brazil was the sixth largest recipient of EU investments and the second Latin American destination, after Mexico (EUR 28.8 billion).

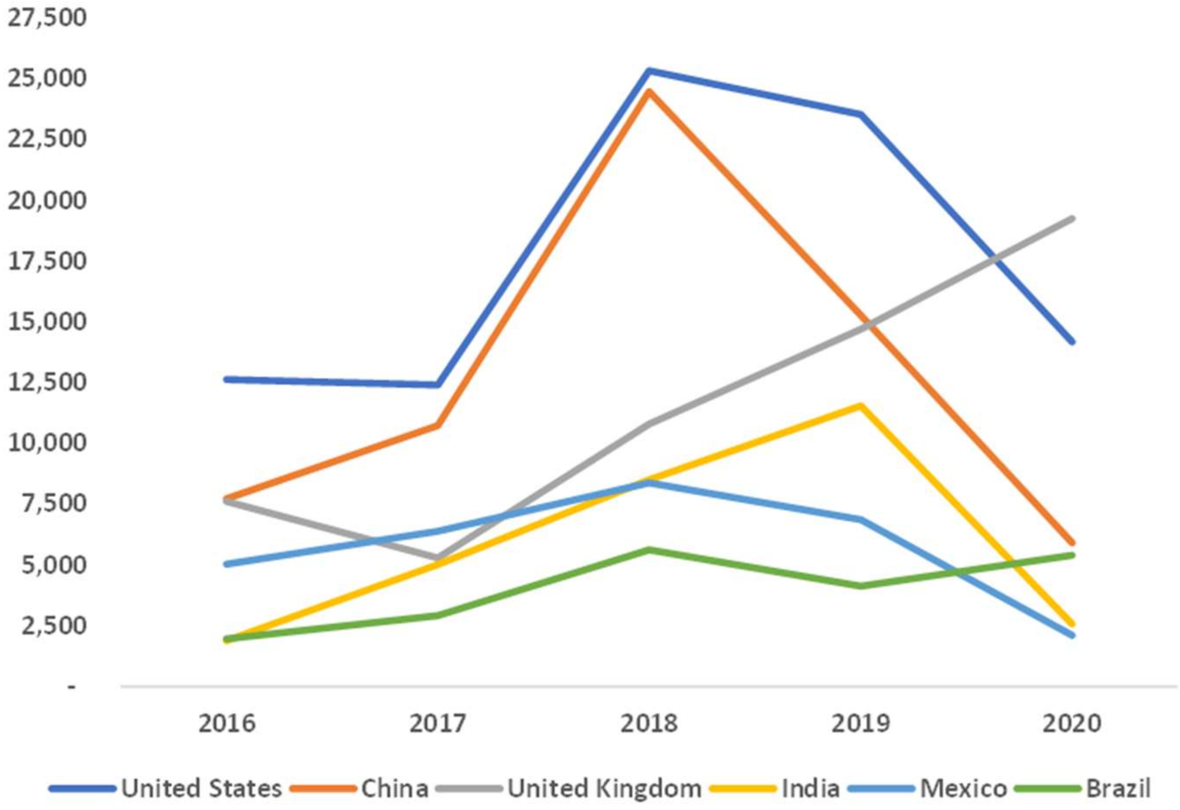
Map 4 - Main destinations for EU greenfield investment announcements (2016-2020)



Source: Orbis BvD.

Attention must be drawn to the fact that, if only the year 2020 is considered, Brazil leaps to the fourth position among the main destinations for European Union investment announcements in that year, overtaking India and Mexico. This is relevant because 2020 was the first year of the pandemic, which led to a 42% contraction in international foreign direct investment flows, according to UNCTAD[27]. Despite the contraction, European Union companies remained highly interested in investing in Brazil, with investment announcements that not only exceeded 2019 figures, but allowed Brazil to surpass some of its international peers as a recipient of productive investments by EU companies.

Graph 8 – EU greenfield investment announcements trend by its main destinations



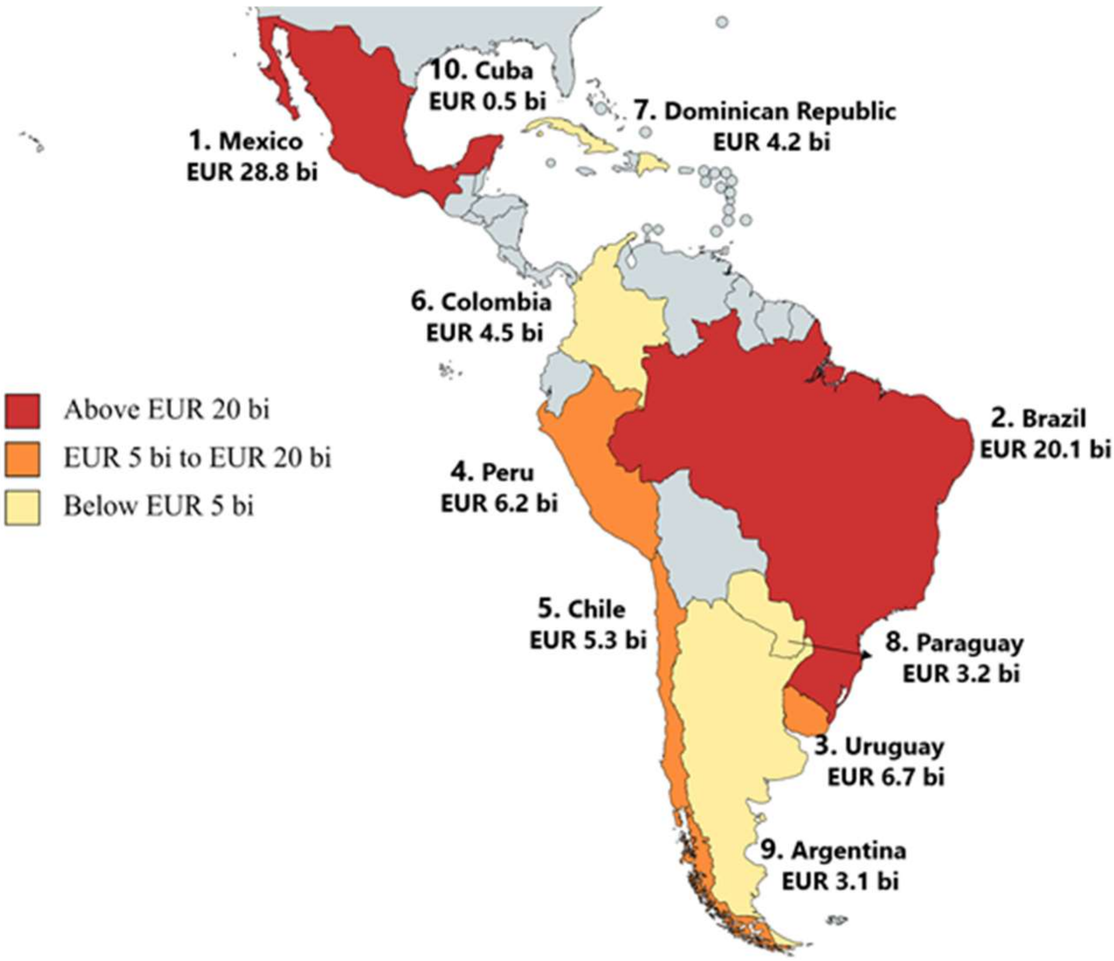
Source: Orbis BvD.

27 – Source: UNCTAD

2.5 EU greenfield investment announcements in Latin America and the Caribbean

As presented in Map 5, between 2016 and 2020 Mexico stood out as the main Latin American destination for European Union investment announcements. In addition to being a large market on its own, comparable to Brazil, Mexico enjoys privileged access to the U.S. market, which makes the country an export platform for European companies that intend to sell to the United States, the world's largest consumer market.

Map 5 – Top 10 destinations for EU greenfield investment announcements in Latin America and the Caribbean (2016-2020)



Source: Orbis BvD.

With shares of 34% and 23.7%, respectively, Mexico and Brazil are far ahead of their regional peers as destinations for EU investments in Latin America and the Caribbean. In third place is Uruguay, with EUR 6.7 billion in announced investments and a 7.9% share, 15.8 percentage points behind Brazil.

In terms of estimated jobs created, Mexico and Brazil, respectively, rank first and second, as expected, since they are the two main destinations for the announced investments. It is noteworthy, however, that Colombia and Argentina rank third and fourth among the countries with the most jobs created, since they rank sixth and ninth, respectively, among the main destinations for announced investments. Attention should also be drawn to the ratio between jobs created per million euros invested. In Brazil, it is estimated that, for each million euros announced, 2.8 jobs were created, below the regional average of 3.1 jobs per million euros announced, and well below the 3.9 jobs created in Mexico, Brazil's largest regional competitor. A possible explanation for the low Brazilian ratio of jobs created per million euros invested is that the activities towards which the investments are directed are more capital-intensive than labor-intensive.

Table 5 - EU greenfield investment announcements and jobs created in Latin America and the Caribbean (2016-2020)

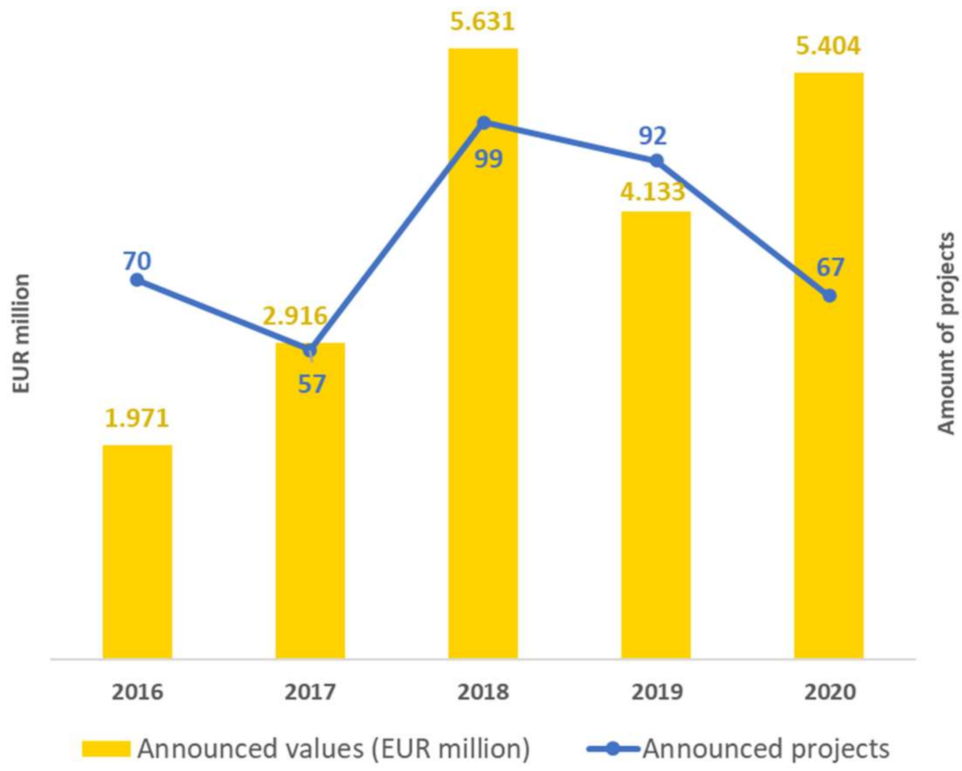
Country	Value (EUR million)	Share	Jobs created (estimate)	Jobs created per EUR million announced
Mexico	28,780	34.0%	112,722	3.9
Brazil	**20,055**	**23.7%**	**54,202**	**2.7**
Uruguay	6,674	7.9%	2,530	0.4
Peru	6,224	7.4%	11,608	1.9
Chile	5,257	6.2%	11,104	2.1
Colombia	4,524	5.3%	20,462	4.5
Dominican Republic	4,188	5.0%	5,844	1.4
Paraguay	3,196	3.8%	6,473	2.0
Argentina	3,052	3.6%	15,558	5.1
Cuba	517	0.6%	2,854	5.5
Other	2,099	2.5%	13,411	6.4
Total	**84,565**	**100.0%**	**256,768**	**3.0**

Source: Orbis BvD.

2.6 EU greenfield investment announcements in Brazil

The EUR 20.1 billion in announced investments in Brazil correspond to 385 projects announced between 2016 and 2020. 2018 was the year that concentrated the highest number of projects and values announced, 99 and EUR 5.6 billion, respectively. In terms of announced projects, 2020 was the second year with the lowest number of announcements within the analyzed period, with a 27.2% contraction compared to 2019. This contraction was due to the Covid-19 pandemic, which led to a slump in aggregate demand, logistical bottlenecks, and widespread uncertainty about the resumption of global economic growth. Still, even being the year most impacted by the pandemic, 2020 had the second highest accumulated value of projects announced in the period between 2016 and 2020, a testament to Brazilian market's attractiveness for EU companies.

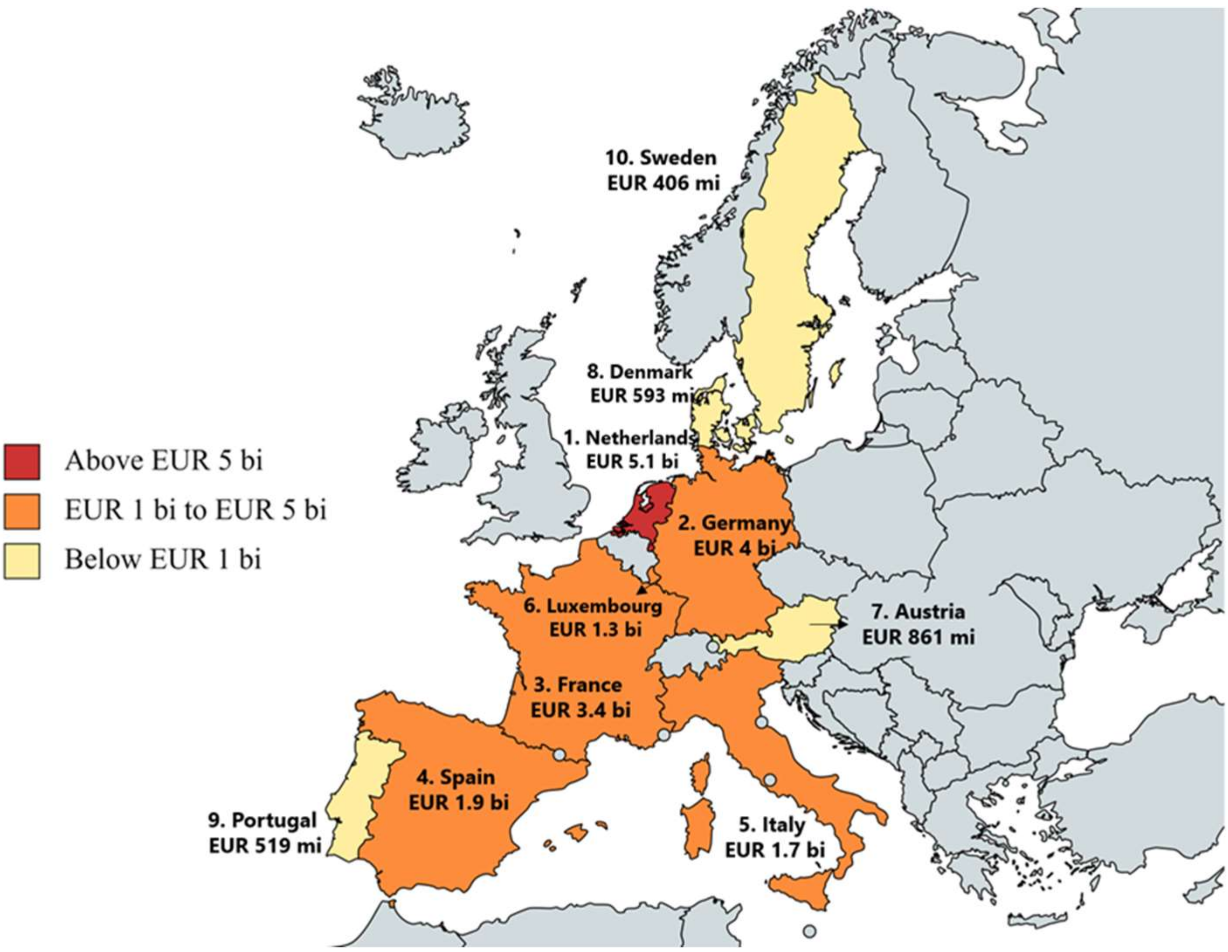
Graph 9 - Trend of productive FDI announcements by the European Union in Brazil (2016-2020)



Source: Orbis BvD.

With EUR 5.1 billion in announced values in Brazil (25.3% of the total), the Netherlands stood out, among the members of the European Union, as the largest origin of productive investments in Brazil between 2016 and 2020. However, 48.1% of the values announced by Dutch companies had Stellantis as their origin. Stellantis is an automobile corporation based in Amsterdam, the result of a merger between Fiat Chrysler Automobiles and the PSA Group (Peugeot). In second place was Germany, with 20% of the total, followed by France, Spain, and Italy with 16.8%, 9.5%, and 8.6% respectively. Throughout the analyzed period, of the 27 EU member countries, Orbis BvD did not identify investment announcements in Brazil by 12 countries.

Map 6 – Origin of productive FDI announced by the European Union in Brazil (2016-2020)

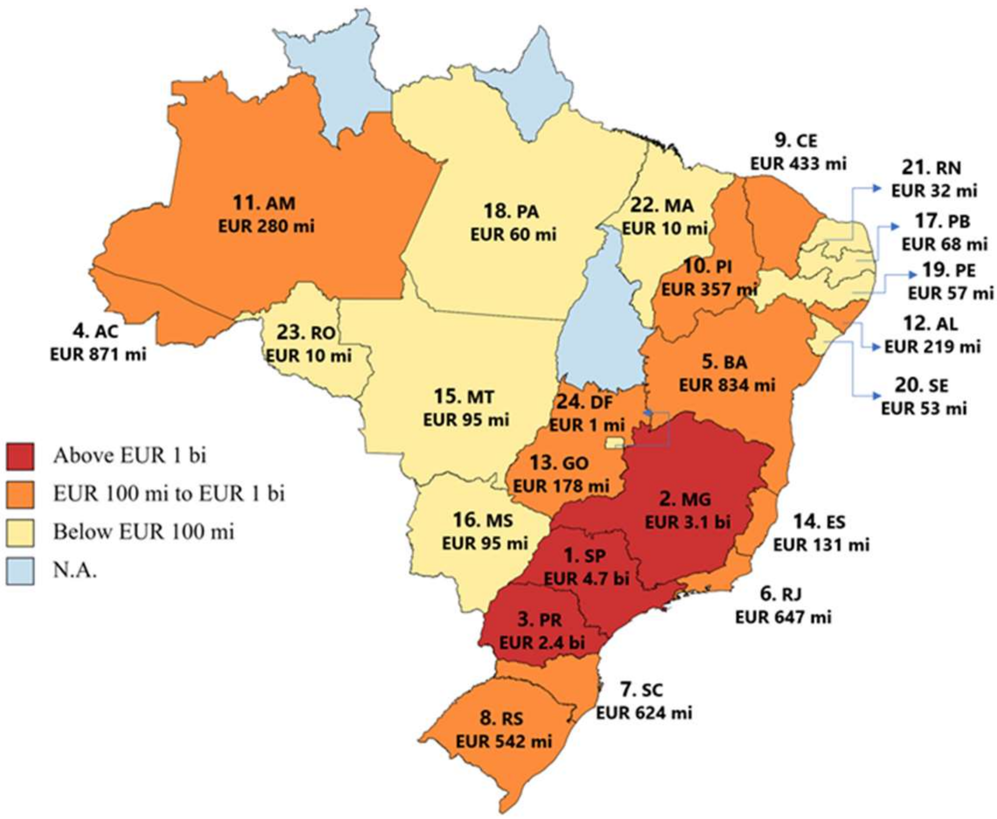


Source: Orbis BvD.

In the following maps, it is possible to view European Union investment and employment announcements in Brazil according to the state of destination between 2016 and 2020. There are some announced values without state specification, which total EUR 4.3 billion (21.6% of the total) - more than the amount allocated to any particular state, except São Paulo. There are as well 3,491 jobs with unspecified location, or 6.1% of the total - lower only than the jobs announced for São Paulo and Minas Gerais.

With EUR 4.7 billion in announced values identified by Orbis BvD, São Paulo was the main destination for EU investments, concentrating 23.3% of the total. With announcements totaling EUR 3.1 billion (15.5% of the total), Minas Gerais comes in second place, while Paraná, with EUR 2.4 billion (11.8%) ranks third. Altogether, the Southeast region accounted for 42.6% of the amounts announced by European Union companies, while the South, in second place, accounted for 17.7% of the total.

Map 7 – Destination of productive FDI announced by the EU in Brazil (2016-2020)*

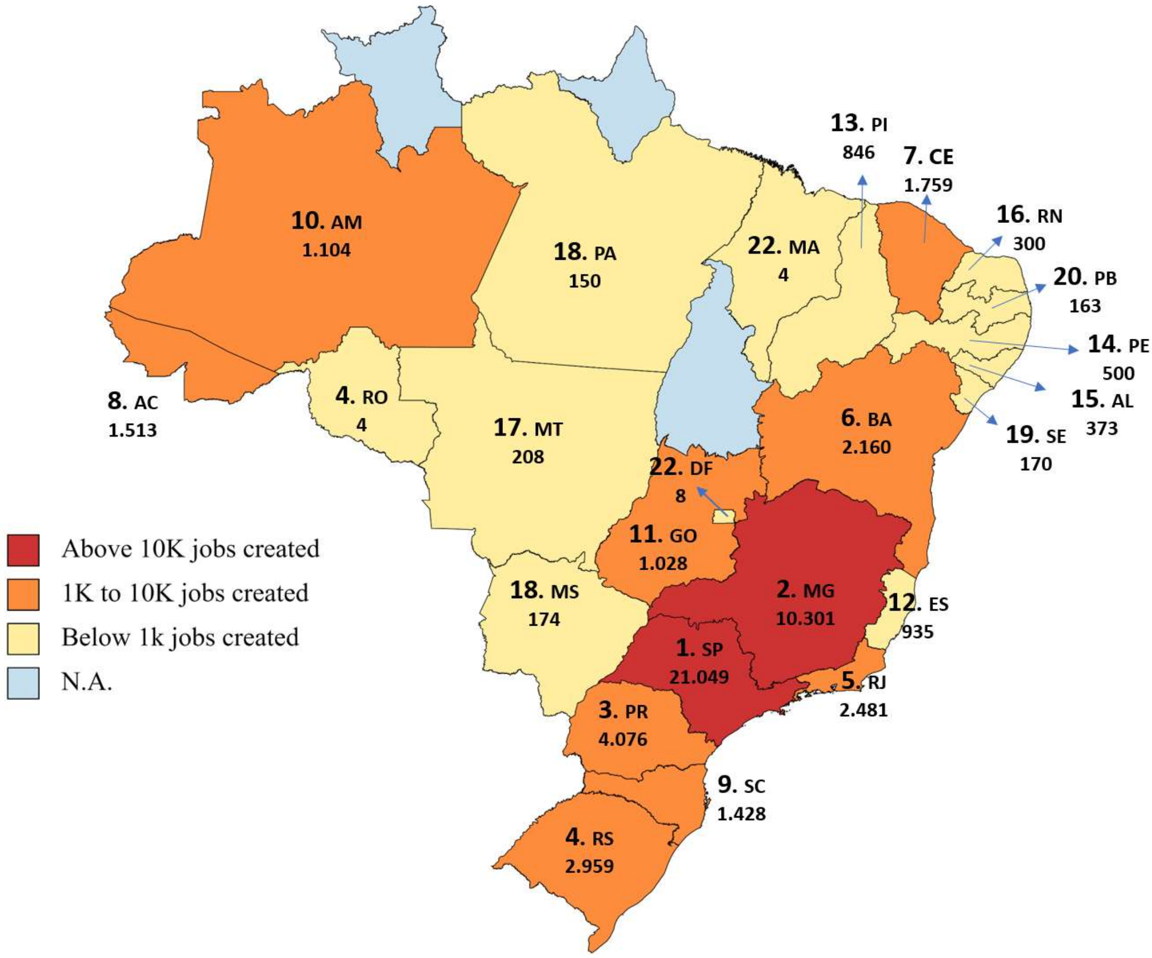


Source: Orbis BvD.

* Investment announcements in the state of Pernambuco (PE) are possibly underestimated. Pernambuco is the Northeast's second largest economy, after Bahia, and it's natural that the state would have attracted more investment announcements during the period covered by this study, but Orbis BvD, the database used for segmenting the announcements, does not identify the destination of all investment announcements in Brazilian territory, nor does it track reinvested profits. Furthermore, Orbis only identifies investment announcements, and not capital stock. Therefore, the opening of a Fiat factory in Pernambuco in 2015, budgeted at US$ 2.4 billion, was not included in the geographic distribuiton above due to it being outside the time period covered by this study.

In line with the announced figures, the same three states, São Paulo, Minas Gerais, and Paraná, lead in the estimate of jobs created. An estimated 21,000 jobs were created in São Paulo (36.8% of the total), 10,000 in Minas Gerais (18%), and 4,000 in Paraná (7.1%). While the Southeast concentrated 60.8% of the estimated jobs created, the South concentrated 14.8% of the total.

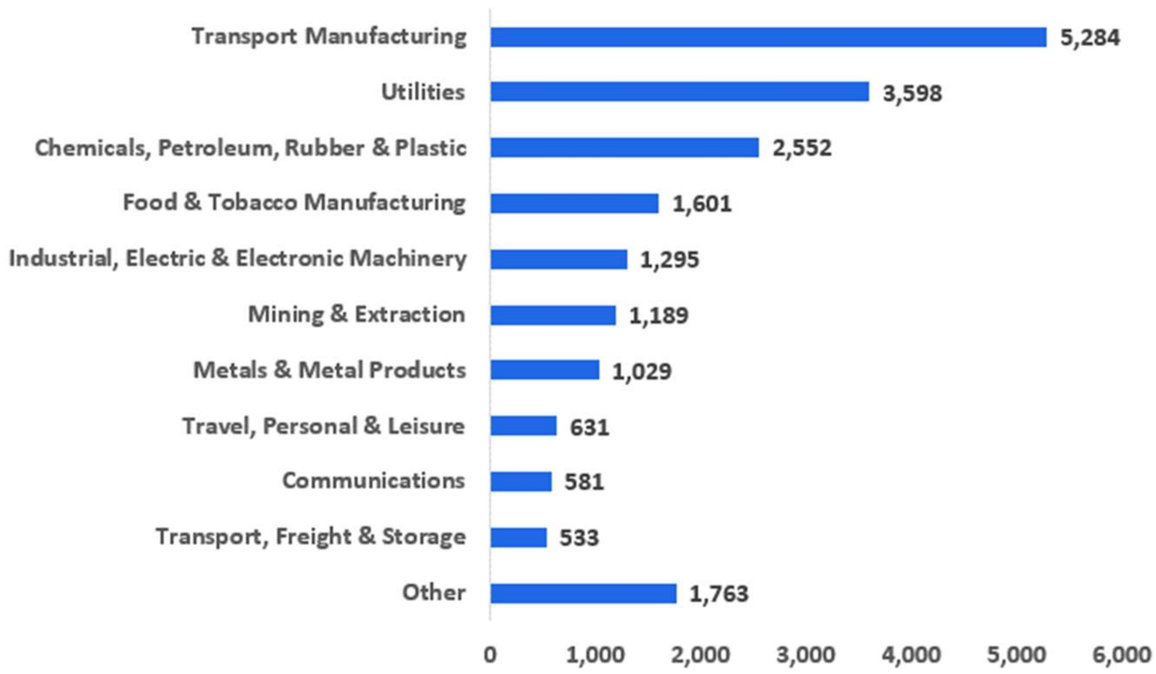
Map 8 – Jobs created in Brazilian states between 2016 and 2020 (estimate)



Source: Orbis BvD.

Regarding the sectors of the companies that originated productive investment announcements between 2016 and 2020, the "Transport Manufacturing" sector concentrated 26.3% of the total announced values, or EUR 5.3 billion, and 50.1% of the values announced in the "Manufacturing" activity (EUR 10.5 billion, as highlighted below). This strong correlation between Brazil's automotive industries and those of European Union member countries dates back to the 1950s, when Volkswagen opened its first plant in Brazil, in São Bernardo do Campo. With EUR 3.6 billion in announcements, "Public Utilities" comes in second place, followed by "Chemicals, Oil, Rubber and Plastics", with EUR 2.6 billion in announced values. Altogether, the three main sectors concentrated 57% of the productive investment announcements

Graph 10 – Source sectors of productive FDI announcements in Brazil between 2016 and 2020 (EUR million)



Source: Orbis BvD.

Despite being the 3rd sector that announced the most investments in Brazil, "Chemicals, Petroleum, Rubber, and Plastics" ranks 1st among the sectors that have created the most jobs, with an estimate of almost 12,000 new jobs created. “Public Utilities", which ranks 2nd among the sectors that announced the most investments in Brazil, falls to 9th in terms of estimated jobs created, and "Transportation, Freight and Storage", the 10th sector that announced the most investments, is not among the top 10 sectors that created the most new jobs. On the other hand, "Professional Services", which does not even appear among the 10 sectors that announced the most investments, holds the 8th position among the sectors that created the most estimated jobs. The sector also stands out as the one that has created the most jobs per million euros announced in investments (9 jobs per million euros announced).

Table 6 - Jobs created by sector of the investor (2016-2020)

Sector	Jobs created (estimate)	Jobs created per EUR million announced
Chemicals, Petroleum, Rubber & Plastic	11,878	4.7
Transport Manufacturing	7,959	1.5
Industrial, Electric & Electronic Machinery	6,304	4.9
Metals & Metal Products	4,642	4.5
Food & Tobacco Manufacturing	4,592	2.9
Mining & Extraction	3,475	2.9
Travel, Personal & Leisure	3,182	5.0
Business Services	3,123	9.0
Utilities	2,468	0.7
Communications	2,011	3.5
Other	5,988	3.1
Total	**55,622**	**2.8**

Source: Orbis BvD.

Investment announcements focused on the "Manufacturing" activity, i.e. the establishment or expansion of some industrial facility in Brazil, totaled EUR 10.5 billion between 2016 and 2020. This amount represented 52.6% of the total, which demonstrates Brazil's attractiveness as a production platform for both the domestic market and the country's export markets. In second place comes the electricity generation activity, which concentrated 19% of the announced values, 33.6 percentage points behind the share of "Manufacturing".

Besides being the activity which concentrated the highest announced value, "Manufacturing" was responsible for the highest amount of estimated jobs created and represented the second highest number of announced projects (78), second only to "Retail", with 93 projects, but only EUR 144.8 million in announced values. "Manufacturing" also led the ranking of the number of companies responsible for investment announcements, with 59 companies announcing projects, well ahead of "Retail", second placed with 36 companies.

Table 7 - Destination activities of productive FDI announcements in Brazil (2016-2020)

Activity	Value (EUR million)	Share	Amount of projects	Amount of companies
Manufacturing	10,549	52.6%	78	59
Electricity	3,813	19.0%	13	7
Mining	1,134	5.7%	3	1
Logistics, Distribution & Transportation	1,096	5.5%	26	22
R&D Centre	1,095	5.5%	23	16
Hotels	625	3.1%	32	8
Regional Headquarters	388	1.9%	9	9
Agriculture	220	1.1%	4	1
Maintenance & Repair	198	1.0%	4	3
Business Services	156	0.8%	20	19
Other	781	3.9%	173	112
Total	**20,055**	**100.0%**	**385**	**257**

Source: Orbis BvD.

Besides being the recipient of the highest volume of announced values, the "Manufacturing" activity is the one that has created the highest estimate of direct jobs, at 30,274 jobs, more than half of the total estimate, of 55,622. With an estimate of 3,808 direct jobs, "Logistics, Distribution, and Transportation" was the activity that created the second highest number of jobs, between 2016 and 2020. The "Technical Support" activity, which does not even rank among those with the highest values invested (EUR 112 million), accounted for the third highest number of jobs (3,300).

Table 8 – Jobs created by destination activity (2016-2020)

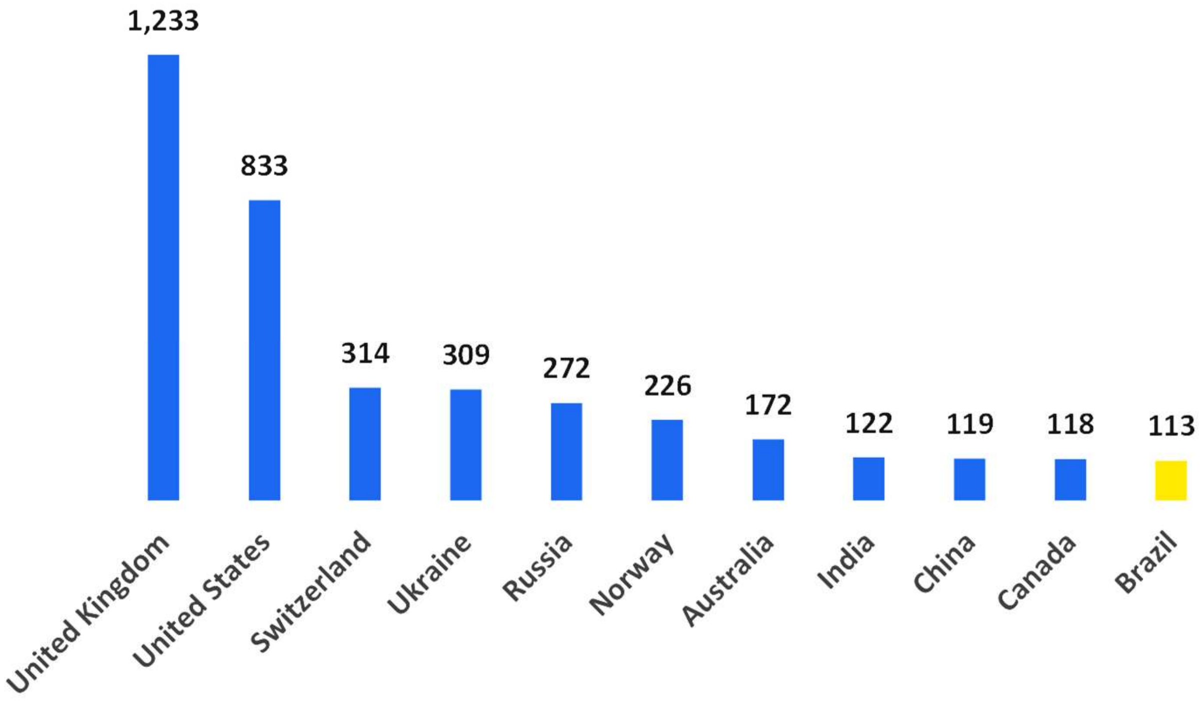
Activity	Jobs created (estimate)
Manufacturing	30,274
Logistics, Distribution & Transportation	3,808
Technical Support	3,207
Hotels	3,000
Mining	2,992
Electricity	2,089
R&D Centre	1,789
Regional Headquarters	530
Retail	508
Sales Office	400
Other	7,025
Total	**55,622**

Source: Orbis BvD.

2.7 EU Mergers and Acquisitions announcements worldwide

According to Orbis BvD, companies in the European Union announced 4,856 mergers and acquisitions (M&A) transactions between 2016 and 2020. UK companies were the target of 1,233 M&A deals, followed by US-based companies. Brazil was the 11th overall destination for EU investment announcements and the top destination in Latin America, as Orbis identified 113 European investments in the country versus 44 in Mexico and 35 in Chile.[28]

Graph 11 – Top EU companies' M&A destination countries in the world between 2016-2020 (number of announcements)



Source: Orbis BvD.

28 – It is not possible to draw a comparison based on M&A values, since most transaction values are not announced. For example, of the 113 announcements of Brazilian companies' M&A deals, only 19 had their values announced. Conversely, of the 1,233 mergers and acquisitions announcements by British companies, only 364 had their values announced.

Overall, with 1,008 M&A transactions, companies in the "Professional Services" sector announced the most deals, followed by companies in the "Banking, Insurance and Financial Services" and "Software" sectors, with 791 and 523 announcements, respectively[29]. Among the largest values identified, mergers and acquisitions in the "Chemicals, Oil, Rubber and Plastics" sector concentrated the largest amounts (EUR 174.4 billion), followed by "Banking, Insurance and Financial Services" (EUR 170.2 billion).

Table 9 – Amount of M&A announcements worldwide by Sector

Sector	Amount of announcements	Value (EUR million)
Business Services	1,008	76,440
Banking, Insurance & Financial Services	791	170,230
Computer Software	523	24,143
Industrial, Electric & Electronic Machinery	487	68,363
Chemicals, Petroleum, Rubber & Plastic	387	174,411
Wholesale	188	7,323
Food & Tobacco Manufacturing	181	145,634
Metals & Metal Products	121	2,627
Transport, Freight & Storage	116	26,738
Transport Manufacturing	111	12,972
Other	943	181,504
Total	**4,856**	**890,387**

Source: Orbis BvD.

2.8 EU Mergers and Acquisitions announcements in Latin America and the Caribbean

Over the analyzed period, Brazilian companies were the target of more than a third of M&A investments in Latin America announced by EU-based companies. Alone, Brazil was a larger destination than the next three destinations combined.[30]

29 – Once again, it is not possible to make a comparison based on the announced values.
30 – Of the 113 M&A transaction announcements in Brazil, Orbis has identified values for only 19 of them.

Table 10 – Main EU companies' M&A destinations in Latin America and the Caribbean (amount of announcements)

Country / Territory	Amount of announcements
Brazil	**113**
Mexico	44
Chile	35
Colombia	29
Argentina	17
Peru	12
Ecuador	6
British Virgin Islands	6
Costa Rica	6
Cayman Islands	3
Other	25
Total	**296**

Source: Orbis BvD.

Similarly to the European Union's M&A transactions worldwide, the "Professional Services" sector stands out as the main target for European companies in Latin America when measured by the amount of investment announcements. The "Chemicals, Oil, Rubber and Plastics" sector, which ranks fifth among the top sources of M&A announcements from the European Union worldwide, rises to second place as the source of M&A among the top sectors investing in Latin America and the Caribbean. Among the figures that could be identified, the "Food and Tobacco Manufacturing" sector leads as the main origin of investments, thereby highlighting the attractiveness of Latin America's agricultural potential for international investors.

Table 11 – Amount of M&A announcements in Latin America and the Caribbean by Sector

Sector	Amount of announcements	Value (EUR million)
Business Services	54	4,049
Chemicals, Petroleum, Rubber & Plastic	30	3,622
Banking, Insurance & Financial Services	26	2,055
Industrial, Electric & Electronic Machinery	23	311
Computer Software	21	96
Food & Tobacco Manufacturing	19	4,372
Transport, Freight & Storage	17	3,806
Wood, Furniture & Paper Manufacturing	12	891
Utilities	11	531
Public Administration, Education, Health Social Services	11	N.A.
Other	72	4,543
Total	**296**	**24,275**

Source: Orbis BvD.

2.9 EU Mergers and Acquisitions announcements in Brazil

European Union mergers and acquisitions announcements in Brazil follow the same logic as European investments in Latin America as a whole: "Business Services" and "Chemicals, Petroleum, Rubber & Plastic" emerge as the main sectors of interest for European Union companies, measured by number of announcements, and the "Food & Tobacco Manufacturing" sector as the main investor, measured by identified values.

Table 12 – Amount of M&A announcements in Brazil by Sector

Sector	Amount of announcements	Value (EUR million)
Business Services	19	49
Chemicals, Petroleum, Rubber & Plastic	15	33
Industrial, Electric & Electronic Machinery	11	114
Computer Software	8	92
Public Administration, Education, Health Social Services	7	n.a.
Banking, Insurance & Financial Services	6	n.a.
Wood, Furniture & Paper Manufacturing	5	399
Transport, Freight & Storage	5	437
Food & Tobacco Manufacturing	5	470
Transport Manufacturing	4	n.a.
Other	28	641
Total	**113**	**2,236**

Source: Orbis BvD.

2.10 Infrastructure investments in Brazil

Fitch identifies 133 infrastructure projects in Brazil in which European companies participate as project sponsors or operators[31]. There is a high concentration in the "Energy & Utilities" sector, which accounts for 108 of the 133 projects, while 18 projects belong to the "Transport" sector and the remaining 7 to "Construction". The enormous interest of European capital in Brazil's potential for green energy generation stands out: of the 133 total projects, 50 are wind farms and 24 are solar plants.

Notes: 31 – Only concluded or currently ongoing constructions have been considered. Analyzed period: 2000 to 2020.

Table 13 - Amount of projects by sector

Sector/Subsector	Amount of projects
Energy & Utilities	**108**
Wind Farm	50
Solar Complex	24
Grid Infrastructure	20
Other	14
Transport	**18**
Port Expansion	6
Airport Expansion	4
Light Rail	3
Other	5
Construction	**7**
Ethanol Refinery	2
Other	5
Total	**133**

Source: Fitch.

The Northeast region concentrates most of the projects, comprising a total of 73 ventures. With 36 projects, the Southeast comes second, followed by the South (7), while the North and Central-West have 4 each. At the state level, Rio Grande do Norte and Bahia lead with 26 and 23 projects, respectively, followed by Minas Gerais (16) and Rio de Janeiro (11)[32]. The predominance of the Northeast in general, and Rio Grande do Norte and Bahia in particular, is due to European capital's interest for renewable energy projects and the climatic conditions in the Northeastern region, which are favorable for this kind of enterprise. Of the 50 wind energy projects, 48 are in the Northeast. The region also concentrates 15 of the 24 solar energy projects.

32 – The 7 other remaining projects have not been geographically identified by Fitch.

Map 9 - Wind and solar energy projects

Source: Fitch.

2.11 Main companies with EU capital operating in Brazil

According to a Valor Econômico survey, of the 1,000 companies operating in Brazil with the highest net revenue in fiscal year 2020, 128 had capital from European Union countries. Altogether, these companies totaled R$ 1 trillion in net revenue in 2020. By way of comparison, from the same pool of 1,000 companies, 53 companies relied on US capital, totaling R$ 282 billion in net revenue. With R$ 114.6 billion in net revenue, Raízen, a joint-venture between Cosan and Shell, ranks first among companies with EU capital and fourth overall.

Table 14 - Top companies with EU capital operating in Brazil

(measured by net revenue in 2020)

General Ranking	Company	Sector of activity	HQ	Net revenue (R$ million)	Source of capital
4	Raízen	Oil & Gas	SP	114,602	Brazil/Netherlands
7	Grupo Carrefour Brasil	Retail	SP	71,191	France
12	Ambev	Food & Beverage	SP	58,379	Belgium
13	GPA	Retail	SP	51,253	France
14	Bunge Alimentos	Food & Beverage	SC	50,519	Netherlands
16	Telefônica Brasil	IT & Telecom	SP	43,127	Spain
20	Enel Brasil	Electricity	RJ	36,291	Italy
22	Assaí	Retail	RJ	36,043	Brazil/France
24	ArcelorMittal Brasil	Metallurgy & Mining	MG	33,071	Spain
25	Neoenergia	Electricity	RJ	31,989	Spain/Brazil
-	Other	-	-	482,498	-
-	**Total**	-	-	**1,008,962**	-

Source: Valor 1000.

French companies led in terms of total net revenue (R$ 272.6 billion), although Spain is the country with the most companies in the ranking (27). With the fourth largest number of companies represented, companies from the Netherlands accounted for the second highest net revenue (R$ 237.9 billion). Taken together, companies from the four main countries concentrated 76.3% of net revenues.

Table 15 - Country of origin of the main companies with EU capital operating in Brazil

Country	Net revenue (R$ million)	Share	Amount of companies
France	272,638	27.0%	26
Netherlands	237,918	23.6%	18
Spain	153,698	15.2%	27
Italy	105,102	10.4%	11
Germany	84,901	8.4%	20
Belgium	61,118	6.1%	4
Luxembourg	39,817	3.9%	7
Portugal	22,611	2.2%	4
Sweden	17,948	1.8%	4
Austria	8,582	0.9%	4
Finland	3,763	0.4%	2
Denmark	866	0.1%	1
Total	**1,008,962**	**100.0%**	**128**

Source: Valor 1000.

In terms of sectors, "Retail" concentrated 17.6% of net revenues, followed by "Oil & Gas" (16.6%), "Food & Beverages" (14.1%), and "Electricity" (10.3%). Regarding the number of companies by sector, "Vehicles and Parts" and "Metallurgy & Mining" lead with 12 each, "Specialized Services" stands out with 11, while the sectors of "Retail" and "Transportation & Logistics" are represented with 10 companies each.[33]

Table 16 – Net revenue by sector of activity of the main companies with EU capital operating in Brazil

Sector of activity	Net revenue (R$ million)	Share	Amount of companies
Retail	177,643	17.6%	10
Oil & Gas	167,892	16.6%	9
Food & Beverages	142,214	14.1%	5
Electricity	103,448	10.3%	8
Vehicles and Parts	100,795	10.0%	12
IT & Telecommunications	65,953	6.5%	5
Metallurgy & Mining	65,000	6.4%	12
Chemicals & Petrochemicals	37,921	3.8%	8
Tranportation & Logistics	33,690	3.3%	10
Sugar & Ethanol	23,698	2.3%	3
Other	90,708	9.0%	46
Total	**1,008,962**	**100.0%**	**128**

Source: Valor 1000.

33 – Although it is the second most represented sector in terms of number of companies, the "Specialized Services" sector is the 13th sector in terms of net revenue.

2.12 Case studies of EU companies in Brazil[34]

Company name: Telefónica S.A.

Sector: Telecommunications / Information and Communication Technologies

Year of foundation: 1924

Brief history: Telefónica Group is the result of a 98-year history of foresight and transformation. Telefónica operates in 12 countries, and has operations in 33 countries through strategic collaborations. In 1989, it began its internationalization process in Chile and Argentina, and in 1997 it bought the telecommunications company CRT in Rio Grande do Sul. In 1998 it participated in the privatization process of the Telebrás System, when it acquired TELESP (landline telephony in SP), Tele Sudeste Celular (mobile telephony in RJ and ES) and Tele Leste Celular (mobile telephony in Bahia and Sergipe).

In 2002 it carried out a 50/50 joint venture with Portugal Telecom (PT), which brought together all the shares of the two companies in mobile operations in Brazil. With the agreement, Telesp Celular (SP) and Global Telecom (Santa Catarina and Paraná), controlled by PT, joined Telefónica's operators in a large transaction that, at the time, added about 13 million customers and established the brand VIVO.

In 2010, Telefónica carried out a technology and business convergence operation. It acquired Vivo's shares that belonged to Portugal Telecom and transferred the company's control to Telefônica-Vivo, its subsidiary in Brazil. That is how the largest telecommunications company in Brazil has come into being.

34 – Texts kept in their entirety, according to versions sent by the companies that contributed to the study cases. The cases presented in this study originated from the kind availability of the companies that responded to the request for information from the ApexBrasil office in Brussels. The selection does not necessarily reflect the level of importance of these companies to ApexBrasil in particular and to the Brazilian economy in general.

Since then, Telefónica Group in Brazil has been incorporating new assets and technologies through several operations among them GVT/broadband; Fibrasil/Optical fiber; and more recently a part of Oi's assets.

Vivo is currently building a digital transformation process that characterizes it as more than a telecommunications company, a sector it leads in Brazil, with 99 million clients (accesses), aiming to "Digitalize to Bring Closer“.

Year of internationalization: 1997/1998.

Factors that led to the choice to internationalize in Brazil (decision-tracking): The company's process of internationalization in Latin America began in 1995. In 1997 it evaluated the great potential of the Brazilian telecommunications market and bought/invested in the company CRT. In 1998 it participated in the Telebrás System Privatization process, which opened the telecommunications market in the country.

Financial data: Number of clients: 369 million customers worldwide; 99 million customers in Brazil.

- Connectivity: 159 million housing units wired with Optical Fiber and 277 million mobile phone accesses; +25 million data and internet accesses; 11.1 million pay TV accesses; 87% LTE (4.5G) coverage.
- Revenue 2021: 39 billion euros (39,277 million euros);
- OIBDA 2021: 13 billion euros - 33.5% margin;
- Profit 2021: 8 billion euros;
- Number of employees: 103,934 professionals; 1.2 million jobs generated directly and indirectly; 30% of employees under 35;
- Tax payments: 9 billion euros (23.3 euros/100 euros in business);
- Investment in Brazil: 70 billion euros (accumulated) - 8 billion reais in 2021;
- 70% reduction in CO_2 emissions since 2015;
- 100% renewable electricity in its four main markets (Spain, Brazil, UK and Germany).

Company name: MAPFRE

Sector: Insurance

Year of foundation: 1933

Brief history: MAPFRE was founded as the Mutual Association of Spanish Farm Owners with the aim of providing insurance for agricultural workers. Later, starting in the 1950s, its activity was extended to other insurance areas such as Life, Accident or Transport. In the 1970s, MAPFRE extended its operations to Latin America, and is now the largest multinational insurance company in the region. In 1975, MAPFRE promoted Fundación MAPFRE, a non-profit organization to contribute to improving people's quality of life and social progress. Throughout the 1990s and 2000s, the organization increased its presence in Latin America, entered the Asian market and became part of IBEX35. In early 2022, MAPFRE presented its new Strategic and Sustainability Plans for the three-year period 2022-2024, adapting its business vision to the company's reality and focusing on the global challenges to which the organization's activity can make a balanced contribution in the three dimensions of sustainability: environmental, social and governance.

Year of Internationalization: 1992

Factors that led to the choice to internationalize in Brazil (decision-tracking):

- Country with the largest population and the largest territory in Latin America
- Economic potential
- Opportunity for the insurance business given the low insurance coverage in the region

Financial data:

- Revenues (2021): 27,257 million euros
- Profit (2021): 765 million euros
- Solvency Ratio (2021): 193.8%
- Suppliers (2021): +150.000
- Dividends (2021): 416 million euros

Company name: Shell Brasil Petróleo Ltda.

Sector: Energy

Year of foundation: 1907

Brief history: Shell has been present in Brazil since 1913. Our main objective is to respond to the energy needs of society today and in the future, acting responsibly in the economic, environmental and social spheres.

We have about 600 employees in Brazil. Our head office is located in Downtown Rio de Janeiro and we have branches in Sao Paulo and Brasilia.

One of the world's largest international energy companies, Shell has one of its biggest technological challenges in the Upstream segment.

Shell Brasil was the first private company to produce oil on a commercial scale in the country, in 2003, in the Campos Basin, after the market opened. In Deep Water, we participate in more than 35 contracts with the Brazilian government. Shell Brasil is present in the Campos, Santos, Barreirinhas and Potiguar Basins. The company produces about 400,000 barrels of oil equivalent / day, responding to approximately 13% of Shell Groups' oil production. We actively participated in the latest O&G bid rounds in the country.

Shell Brasil also has businesses in power trading and solar power generation.

Year of Internationalization: 1913

Factors that led to the choice to internationalize in Brazil (decision-tracking): Brazil is highly competitive and has become a heartland for Shell in O&G due to its geology and regulatory framework. In power, Brazil offers a wealth of compelling opportunities in solar, wind, NBS, biofuels, hydrogen and power trading.

In Brazil, in addition to our legacy O&G positions which range from exploration to decommissioning, we are working to start operations at the Marlim Azul thermopower plant in 2023. This will be the first plant to use Brazil's pre-salt natural gas to generate power.

In renewables, in 2021 Shell announced partnerships in solar power generation for projects in northern Minas Gerais state. In early 2022, the company requested IBAMA the environmental permit to study the feasibility of building offshore wind power plants in six states along the Brazilian coast. Nature-based solutions is an area of interest for the company in Brazil, including the acquisition of a minority stake in Carbonext. In Downstream, the Raízen JV and its second generation ethanol has the potential to make a huge difference in the biofuels world. In 2022, JV Raízen has acquired the entire Shell Brasil's Lubricants business. Lastly, power trading through Shell Energy Brasil is another area the company has been investing heavily to become one of Brazil's main traders in the coming years.

Company name: Fluxys

Sector: Energy: Natural gas, LNG, Hydrogen and CO2

Year of foundation: 1929 (under the name Distrigas) and since 2001 as Fluxys

Brief history: Headquartered in Belgium, Fluxys is an international infrastructure group present on in Europe and Latin America with 1300 employees active in mid-stream gas transmission (> 12,000 km pipeline in operation), gas storage and LNG terminalling. At the core of Fluxys' strategy is to be active in infrastructure supporting the green transition and the commitment to transport hydrogen, biomethane or any other carbon-neutral energy carrier as well as CO2, accommodating the capture, usage and storage of the latter.

Year of internationalization and location of the company in Brazil: In 2021, Fluxys expanded its activities to Brazil by investing in TBG with a strong minority participation of 29,12% and at the same time created a local branch office in Rio de Janeiro to further support the development of the Group in the country. TBG owns and operates a 2,600 km gas network, a key mid-stream Brazilian gas infrastructure supplying the major consumption areas of the country (in Mato Grosso do Sul, São Paulo, Paraná, Santa Catarina and Rio Grande do Sul).

Factors that led to the choice to internationalize in Brazil (decision-tracking): We selected Brazil (and the wider Latin America area as a key geography where we can contribute with our deep expertise in regulatory and operational matters in term of midstream gas infrastructure. The opening of the Brazilian gas market offered a perfect momentum for Fluxys to become active in the country while the biogas evolution and hydrogen export potential open additional opportunities in view of the group's green transition strategy

Financial data:

- Number of employees: 1300
- 2021 Turnover: EUR 1.136 million
- 2021 EBIT: EUR 395 million
- 2021 Net Profit: EUR 247 million

3. Brazilian foreign direct investment in the European Union[35]

3.1 Foreign direct investment position

According to Eurostat data, the world's capital stock invested in the European Union reached EUR 6.3 trillion in 2020, or EUR 6.4 trillion in assets. Most of this stock comes from the United States and the United Kingdom, which in 2020 had stocks of EUR 2.1 trillion and EUR 1.3 trillion respectively. According to data available at Eurostat, Latin America is the origin of 2.3% of direct investments in the European Union, with a EUR 148.8 billion stock and EUR 152.3 billion in assets in 2020.

Among Latin American countries, Brazil is the largest origin of direct investments in the European Union. The stock of Brazilian direct investment in the European Union reached EUR 75.2 billion in 2020, or EUR 77.4 billion in assets. Brazil was the origin of more than half of Latin American investments in the European bloc. This data reflects the relevance of Brazilian companies' presence in the European market.

Table 17 - Latin America's FDI position in the European Union in 2020[36]

Country	Latin American FDI Stock[1] in the EU (EUR million)	Share	Latin American FDI Assets in the EU (EUR million)	Share
Brazil	**75,225**	**50.6%**	**77,420**	**50.8%**
Mexico	55,200	37.1%	56,280	37.0%
Uruguay	9,784	6.6%	9,854	6.5%
Venezuela	4,883	3.3%	4,883	3.2%
Argentina	1,922	1.3%	2,063	1.4%
Chile	1,746	1.2%	1,811	1.2%
Total*	**148,759**	**100%**	**152,310**	**100%**

Source: Eurostat. [1]Equity Stake. *Considering available data

35 – Considering direct investments in equity, which correspond to the difference between FDI assets and liabilities of foreign companies in a given economy.
36 – Due to the unavailability of 2016 data, it was not possible to calculate the average annual growth between 2016 and 2020.

Mexico, the second largest economy in the region, has EUR 55.2 billion in direct investments in the bloc, or EUR 56.3 billion in assets, according to 2020 data. Brazilian capital stock in the EU is 36.2% larger than Mexico's, while total assets are 37.6% larger. Uruguay, which has the smallest economy among Latin American countries for which data is available, has the 3rd largest stock of direct investment in the European Union, with EUR 9.8 billion; Venezuela ranked 4th with EUR 4.9 billion; Argentina ranked 5th with EUR 1.9 billion, and Chile 6th with EUR 1.7 billion. Latin countries such as Colombia, Peru, Panama, and Bolivia, among others, did not have their data disclosed.

Brazil has the 9th largest investment stock in the European Union, totaling EUR 75.2 billion in 2020, which corresponds to 1.2% of the total foreign stock. When compared to emerging economies outside the European bloc, Brazil also stands out, being the 3rd emerging country with the largest direct investment stock in the European Union, surpassing even larger economies such as China and India.[37]

Table 18 - Emerging Markets' FDI Position in the European Union in 2020

Country	Emerging Markets FDI Stock[1] in the EU (EUR million)	Share	Emerging Markets FDI Assets in the EU (EUR million)	Share
Russia	148,807	31.4%	148,815	31.0%
South Africa	113,209	23.9%	113,220	23.6%
Brazil	**75,225**	**15.9%**	**77,420**	**16.1%**
China*	55,492	11.7%	55,874	11.6%
Mexico	55,200	11.6%	56,280	11.7%
Malaysia	8,716	1.8%	9,800	2.0%
India	5,536	1.2%	5,771	1.2%
Egypt	3,202	0.7%	3,271	0.7%
Thailand	2,836	0.6%	2,847	0.6%
Indonesia	1,936	0.4%	1,939	0.4%
Argentina	1,922	0.4%	2,063	0.4%
Chile	1,746	0.4%	1,811	0.4%
Philippines	683	0.1%	700	0.1%
Total	**474,509**	**100%**	**479,810**	**100%**

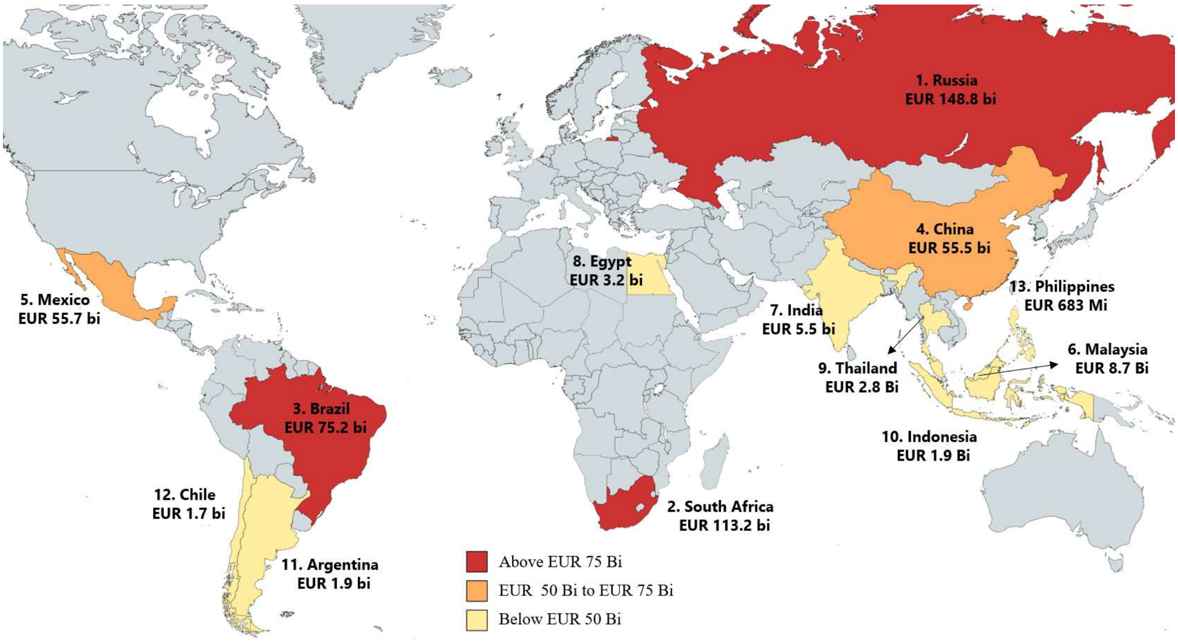
Source: Eurostat. [1]Equity Stake. *Excluding Hong Kong

37 – For the selection of economies considered emerging, the International Monetary Fund definition has been used. The IMF does not consider Hong Kong an emerging economy.

Considering emerging countries outside the European bloc[38], only Russia and South Africa reported a higher stock of investments in the European Union than Brazil in 2020. It is noteworthy that Russia has faced economic sanctions from the West since 2014 and those were aggravated in 2022. Although Russian investment stock in the European Union was EUR 148.8 billion in 2020, it will likely be affected by economic sanctions in 2022.

China ranks 4th among the emerging countries outside the bloc, recording EUR 55.5 billion in direct investment stock in the European Union, with an 11.7% share[39]. Then there is Mexico in the 5th position, with a EUR 55.2 billion stock and an 11.6% share in 2020.

Map 10 - Emerging Countries' Direct Investment Position in the EU in 2020



Source: Eurostat. *Emerging countries, according to the IMF.

Malaysia has overtaken India in terms of direct investment stock in the European Union, even though it has a smaller economy. Malaysia has recorded a EUR 8.7 billion stock, while India has EUR 5.5 billion. On the other hand, Egypt, Thailand, Indonesia, Argentina, Chile and the Philippines have stocks with a share below 1% among the emerging economies.

38 – Poland and Hungary, considered emerging economies by the IMF.
39 – Excluding Hong Kong.

Table 19 displays Brazil's direct investment position in the European Union in 2020 by destination. Among the destinations that have open data on Brazilian FDI, the largest Brazilian stock in 2020 was in the Netherlands, reaching EUR 50.5 billion and growing at a 2.6% average per year compared to 2016. As mentioned earlier, due to the fact that it is a financial hub with tax competitiveness for investments, the country ends up concentrating a considerable share of FDI in the bloc. In 2020, it concentrated 67.2% of Brazilian FDI stock and 66.9% of Brazilian assets in the EU.

Table 19 - Brazilian FDI Position in the European Union by Destination

Country	Stock			Assets		
	Value (EUR million)	CAGR 2016-2020	Share	Value (EUR million)	CAGR 2016-2020	Share
Netherlands	50,531	2.6%	67.2%	51,766	3.2%	66.9%
Luxembourg	12,232	n.a.	16.3%	12,554	n.a.	16.2%
Spain	4,780	-13.7%	6.4%	n.a.	n.a.	n.a.
Portugal	1,948	-7.6%	2.6%	1,948	n.a.	2.5%
Belgium	1,114	6.5%	1.5%	n.a.	n.a.	n.a.
Italy	525	3.9%	0.7%	525	3.9%	0.7%
Hungary	512	7.0%	0.7%	512	7.0%	0.7%
France	494	-0.6%	0.7%	494	-0.6%	0.6%
Germany	224	1.5%	0.3%	224	1.5%	0.3%
Denmark	46	n.a.	0.1%	46	n.a.	0.1%
Others	5	-20.0%	0.0%	5	n.a.	0.0%
Confidential	2,813	n.a.	3.7%	9,345	n.a.	12.1%
Total	**75,225**	**n.a.**	**100%**	**77,420**	**n.a.**	**100%**

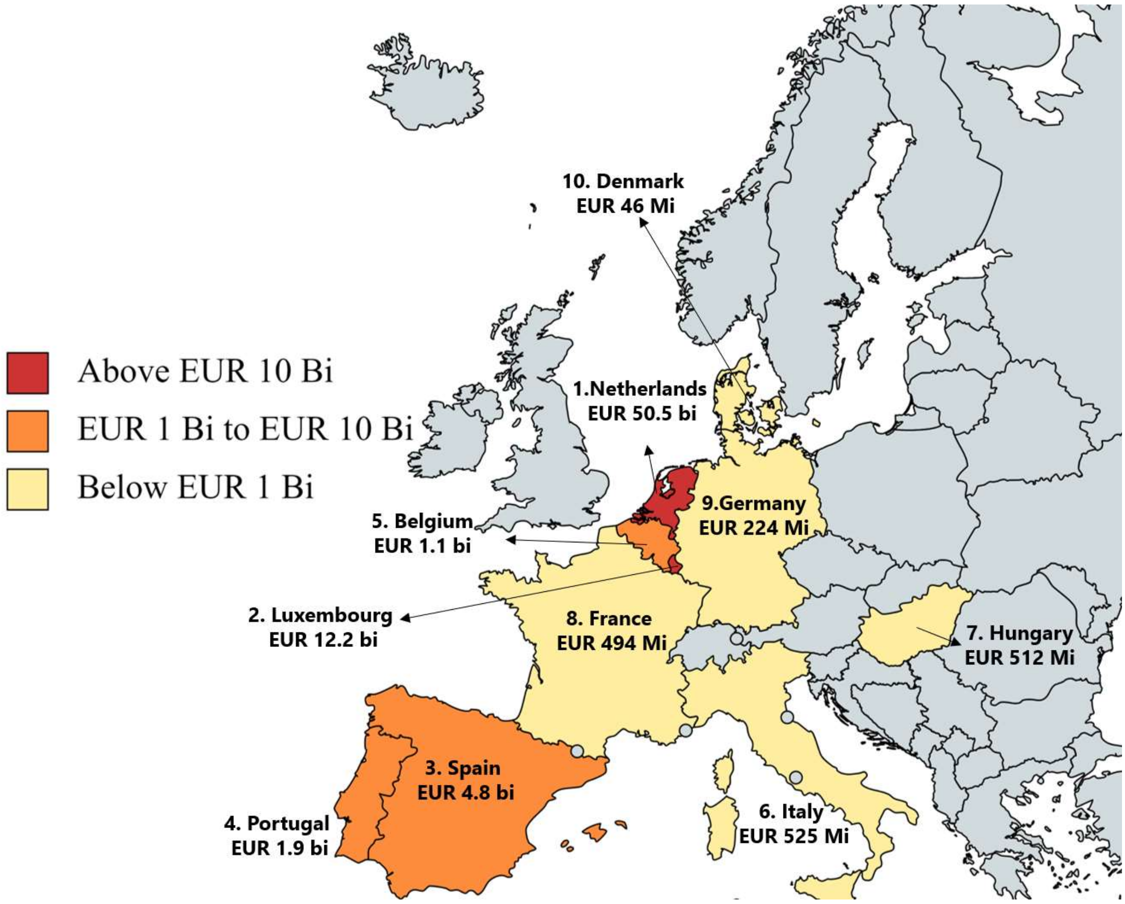
Source: Eurostat. Others: Cyprus, Bulgaria, Estonia, Czech Republic, Ireland, Croatia, Latvia, Poland, Romania, Slovenia, Slovakia and Finland. Confidential: Greece, Lithuania, Malta, Austria and Sweden.

Among the countries without confidentiality restrictions, Luxembourg was the second largest destination for Brazilian investments in the European Union in 2020, receiving EUR 12.2 billion in FDI stock or EUR 12.5 billion in assets, with a 16.3% share in FDI stocks in 2020. Growth data was not provided due to unavailability of 2016 figures.

Spain ranks third as a destination for Brazilian direct investments, with EUR 4.8 billion in FDI stock in 2020 and a 6.4% share. However, Brazilian investments in the country are falling at an average annual rate of 13.7% compared to 2016. Data on Brazilian assets in Spain has not been disclosed.

Although Austria is included in the category of countries that keep their data confidential, a cross-check with data made available by the Central Bank of Brazil (BCB) reveals that the country plays an important role in Brazil's FDI stock in the European Union, ahead of Spain, for example. According to the BCB's perspective, Austria would rank 3rd as a destination and would concentrate 8.6% of Brazilian direct investments in the bloc.

Map 11 - Brazilian FDI Position in the European Union by Destination in 2020



Source: Eurostat.

It is also worth noting that Portugal was the fourth destination in the bloc in terms of Brazilian FDI stock and assets. In 2020, Brazilian direct investment stock in the country reached EUR 1.9 billion, with a 2.6% share in the European bloc. However, Brazilian FDI stock in Portugal has been decreasing 7.6% per year since 2016, according to Eurostat data.

On the other hand, Brazilian FDI stock in Belgium, Italy and Hungary is small, but displays an average growth of 6.5%, 3.9% and 7.0%, respectively. If this trend holds true over the next few years, these countries will become more important as destinations for Brazilian capital in the European Union.

The sector perspective of Brazil's direct investments in the European Union features strong variations between 2016 and 2019, including negative FDI stock in some sectors, according to Eurostat data below. Note that sectoral data for 2020 has not yet been released.

Negative FDI stock indicates that Brazilian companies are using the European Union to access more competitive financing through their subsidiaries, given the difference in interest structure compared to the Brazilian economy. In other words, a negative FDI stock means that liabilities to third parties abroad have outweighed assets.

Table 20 - Brazilian Direct Investment Position in the European Union by Sector

Sector	2016	2017	2018	2019
Mining	1,709	1,477	-41	-6
Manufacturing	n.a.	n.a.	-557	394
Construction	122	59	-203	129
Wholesale and retail trade; repais of motor vehicles	1,596	n.a.	207	154
Financial Activities	19,968	9,873	-11,153	-8,514
Real Estate Activities	1,122	1,382	1,159	1,424
Professional, Scientific and Technical Activities	16,387	31,977	4,629	5,353
Others Sectors	88	16	-100	-180
Total	**40,991**	**44,785**	**-6,059**	**-1,246**

Source: Eurostat.

Considering that these financing operations have a different economic aspect from the long-term productive investment that companies make to internationalize, but are recorded in the same account in the balance of payments, the analysis from the sector perspective has been reduced to avoid misinterpretations.

Therefore, according to Eurostat data, most Brazilian direct investment in the European Union is concentrated in the service sector. "Financial Activities" and "Professional, Scientific and Technical Activities" sectors were responsible for the main capital movements from Brazil to the European Union, representing around 90% of Brazilian direct investment in the EU between 2016 and 2017. The professional, scientific and technical activities sector, in Brazil's case, encompasses mainly administrative and office services.

The "Real Estate" and "Industry" sectors come next, recording substantial Brazilian investments in the European Union.

Table 21 - Brazilian Direct Investment Position in the European Union

by Manufacturing Sector - (million EUR)

Manufacuring Sector	2016	2017	2018	2019
Food and Beverages	5	-12	-23	-23
Textiles and Wearing Apparel	86	98	32	50
Coke and Petroleum Products	n.a.	n.a.	-451	114
Chemical Products	-61	-82	-235	-133
Pharmaceutical Products	-36	-25	-161	-111
Metal and Machinery Products	3,637	4,135	511	629
Computer and Electronic Products	-36	-130	-133	-32
Motor Vehicles	-46	-75	-83	-81
Other Manufacturing	n.a.	n.a.	-122	-28
Total	**n.a.**	**n.a.**	**-557**	**394**

Source: Eurostat.

Eurostat data has presented negative FDI stock figures for most manufacturing subsectors, such as food and beverages, chemical products, pharmaceuticals products, computer and electronic products, and motor vehicles, among others. On the other hand, the textiles and wearing apparel, coke and petroleum products, metal and machinery products sectors have recorded positive FDI stock, according to 2019 data.

3.2 Foreign direct investment flows

The Brazilian Direct Investment Flows into the European Union are the net inflows of Brazilian capital into the European Union with a long-term objective (with a minimum 10% stake in the company's equity).

Table 22 – FDI Flows from Brazil to the European Union (EUR millions)

Country	2016	2017	2018	2019	2020
China[1]	8,793	5,512	6,661	10,548	9,171
India	865	320	9	332	-314
Mexico	8,612	n.a.	-2,995	-573	-1,572
Brazil	**1,384**	**1,690**	**-43,790**	**20,354**	**-4,043**

Source: Eurostat. [1]Excluding Hong Kong.

FDI flows from Brazil to the European Union have displayed a pattern of ups and downs, including negative values. In the years 2016, 2017 and 2019 there was a positive balance in Brazilian capital flows to the European Union. On the other hand, in the years 2018 and 2020, negative FDI flows are observed. The negative FDI flows can be divestments (liquidation of assets or sale of the company) or, as already mentioned in the previous topic, foreign financing.

Emerging countries such as Mexico and India also recorded negative direct investment flows in the analyzed period. China maintained positive FDI flows during the analyzed period and recorded EUR 9.2 billion in 2020, despite the COVID-19 pandemic.

3.3 Net foreign direct investment income

Net Foreign Direct Investment Income is the amount earned by investors in their FDI activities at the destination of the investment, which returns to its country of origin. This value, according to BPM6[40], does not include profits reinvested in the country of destination, only profits returned to the country of origin.

40 – 6th Edition of the International Monetary Fund Balance of Payments Manual.

Table 23 – Net FDI Income from Brazil to the European Union (million EUR)

Country	2016	2017	2018	2019	2020
China[1]	1,783	3,309	2,454	2,845	2,892
Mexico	948	n.d.	1,921	1,382	1,280
India	-62	233	464	255	-579
Brazil	**-5,074**	**n.d.**	**226**	**-1,728**	**-3,181**

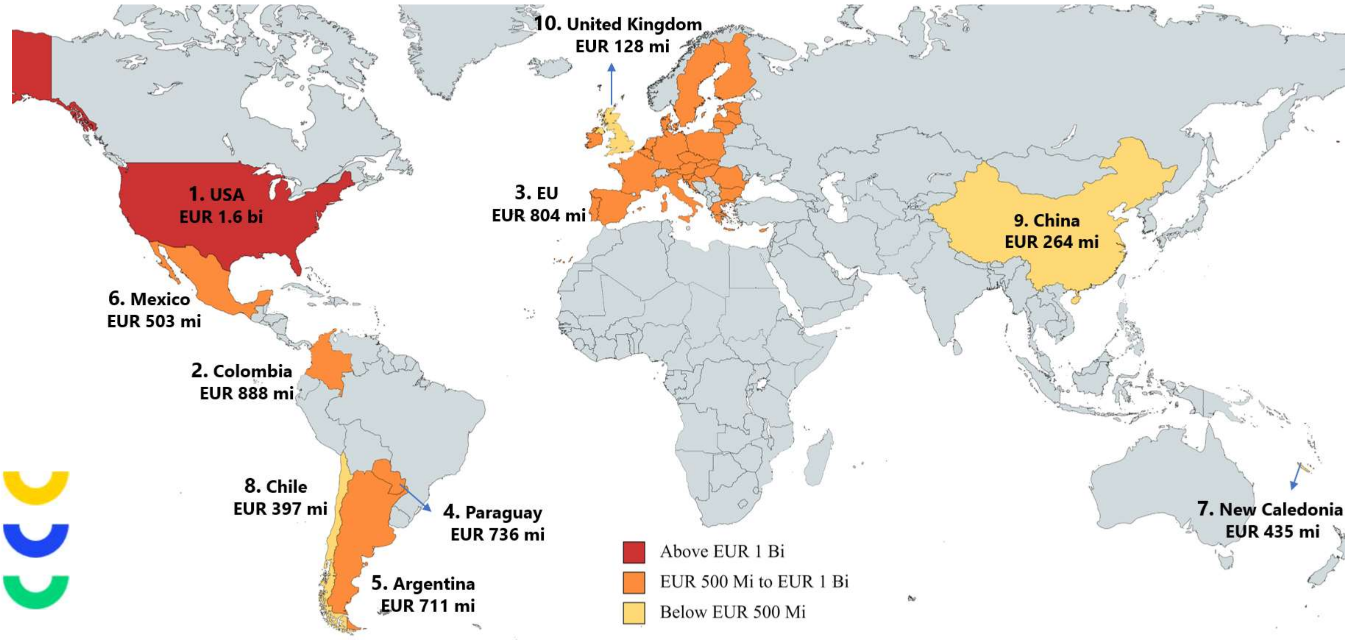
Source: Eurostat. [1]Excluding Hong Kong.

Brazil and India reported negative net FDI income in 2020. As such, it can be understood that Brazilian and Indian companies did not send profits to their headquarters; however, they may have earned profits and reinvested them in the respective European Union country. On the other hand, China and Mexico recorded positive Net Income during the analyzed period.

3.4 Brazilian greenfield investment announcements in the EU

Between 2016 and 2020, Orbis BvD identified 551 investment announcements in greenfield, or production, projects by Brazilian companies abroad. The total value of these announcements was EUR 7.1 billion. With announcements valued at EUR 1.6 billion, or 22.9% of the total, the United States was the main destination of Brazilian investments abroad over the analyzed period. Next came Colombia, with EUR 888.2 million in announced investments. The European Union comes right behind, with investment announcements totaling EUR 804 million.

Map 12 - Top destinations for Brazil's greenfield investment announcements (2016-2020)[41]



Source: Orbis BvD.

By way of comparison, the EUR 804 million announced by Brazilian companies in the European Union made Brazil the fourth largest Latin American and Caribbean investor between 2016 and 2020, behind only the British Virgin Islands, the Cayman Islands, and Mexico, respectively. However, the high values attributed to the British Virgin Islands and the Cayman Islands derive from their status as countries or dependencies with favored taxation and privileged tax regimes, as defined by the Brazilian Federal Revenue Service[42]. Regarding job creation, Brazil is estimated to have created the third highest number of jobs in the EU over the analyzed period, behind the British Virgin Islands and the Cayman Islands, but ahead of Mexico.

41 – New Caledonia features as one of the main destinations for Brazilian investments in the analyzed period due to the nickel operation Vale had in the country. In 2021, Vale sold its equity stake in Vale Nouvelle-Calédonie S.A.S to Prony Resources New Caledonia consortium.

42 – Normative Instruction RFB no. 1037, June 4, 2010

Table 24 – Latin American and Caribbean greenfield investment announcements in the EU (2016-2020)

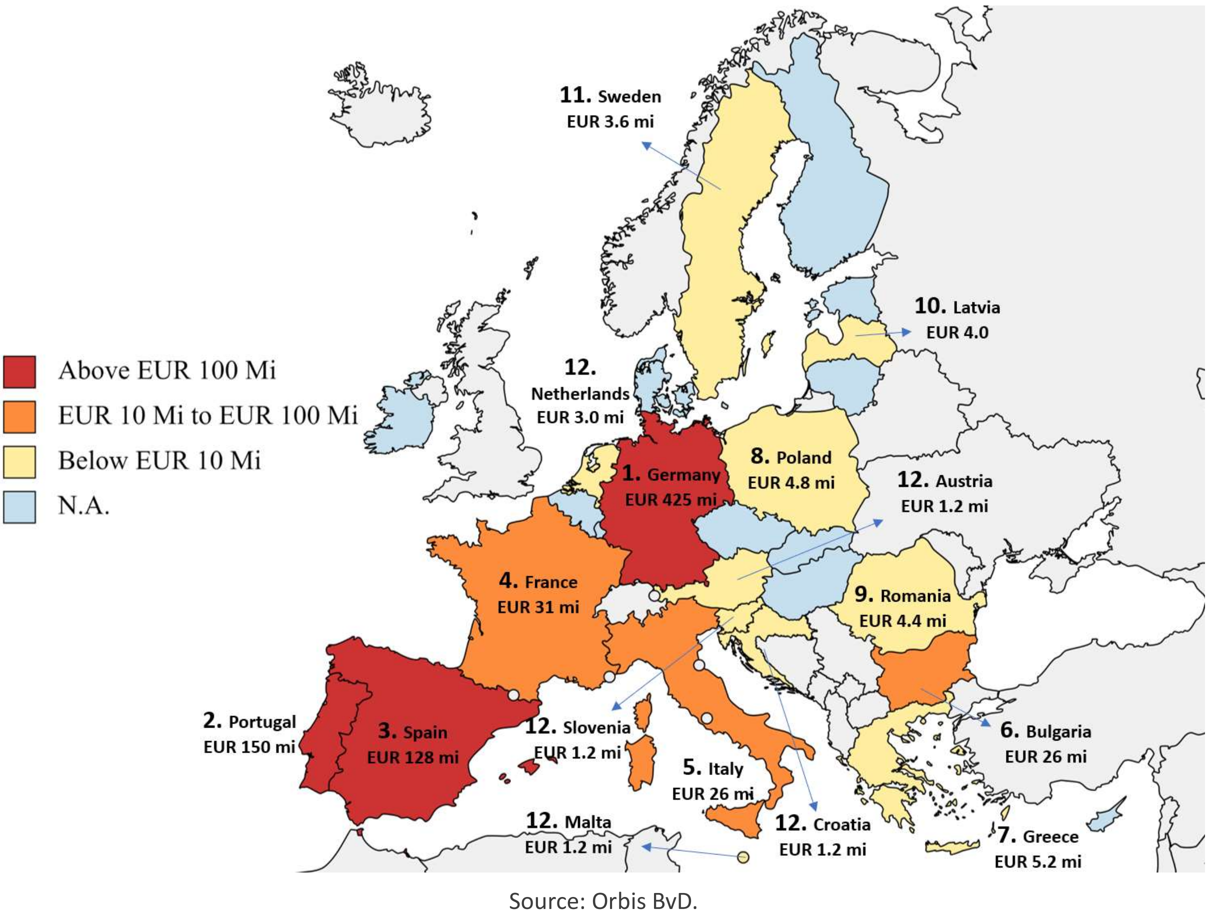
Country / Territory	Value (EUR million)	Share	Jobs created (estimate)
British Virgin Islands	3,306	34.3%	8,277
Cayman Islands	3,225	33.5%	11,358
Mexico	969	10.1%	2,551
Brazil	**804**	**8.3%**	**2,842**
Panama	403	4.2%	2,214
Argentina	269	2.8%	627
Bahamas	218	2.3%	430
Chile	214	2.2%	572
Curaçao	102	1.1%	341
Venezuela	40	0.4%	200
Other	77	0.8%	462
Total	**9,627**	**100.0%**	**29,874**

Source: Orbis BvD.

Germany stood out among European Union members as the main destination for productive investments in Brazil between 2016 and 2020, with EUR 424.5 million in announced values. Germany's lead as a destination for Brazilian capital is due mainly to the fact that it is the largest and most populous economy in the bloc. Four companies were responsible for 93.3% of the amounts announced for productive investments in Germany. Scott Technology, an automation systems manufacturer controlled by JBS, a Brazilian company, invested EUR 157 million in 2016 by opening a factory, an R&D center, and a sales office in the German city of Kurnbach. In 2017, financial services provider Nubank invested EUR 136.7 million in a software development center in Berlin. Iochpe-Maxion, a wheel and automotive structural component manufacturer, opened an innovation and R&D center in Berlin in 2017, valued at EUR 60 million. In 2019, The Body Shop, controlled by Natura, announced the relocation of its distribution center in Berlin in an investment valued at EUR 40 million.

There is a high concentration of Brazilian productive investment announcements in three European Union countries: Germany (EUR 424.5 million / 52.7% of the total), Portugal (EUR 149.8 million / 18.6%) and Spain (EUR 128.1 million / 15.9%). Taken together, the three countries accounted for 87.4% of the investment announcements identified by Orbis BvD between 2016 and 2020. Portugal also stands out as a major destination for Brazilian capital due to its shared history with Brazil and due to linguistic and cultural affinities. These factors, added to the fact that Portuguese labor is cheaper than that of its EU peers, have made the country a natural entry point for Brazilian investors in the European continent. In all, Orbis identified Brazilian productive investment announcements in 18 of the 27 European Union countries during the analyzed period.

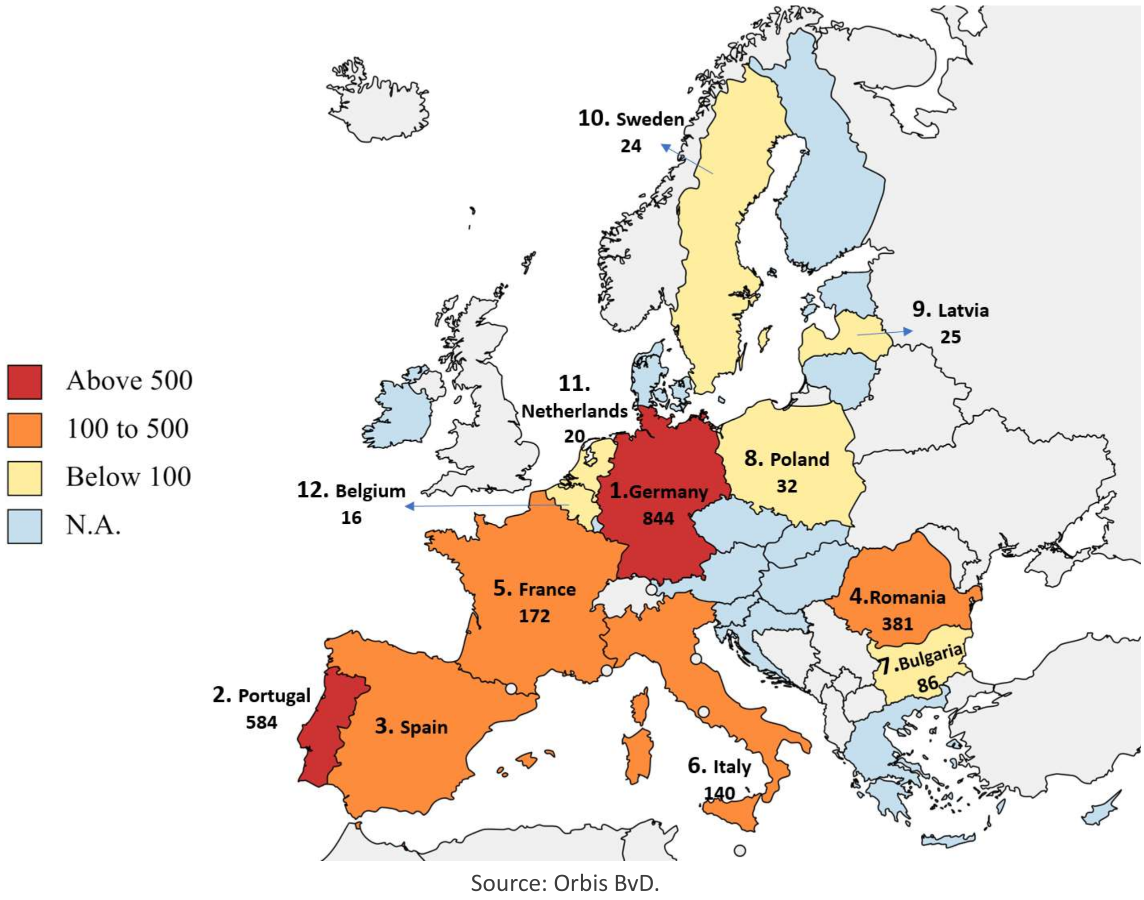
Map 13 - Destination of productive FDI announced by Brazil in the EU (2016-2020)



Source: Orbis BvD.

In line with the announced figures, the same three countries, Germany, Portugal, and Spain, lead in the estimate of jobs created. An estimated 844 jobs were created in Germany (30.3% of the total), 584 in Portugal (21%), and 460 in Spain (16.5%). With 381 jobs created (estimated) through Brazilian investments, Romania stood out as the fourth country where Brazilian capital created the most jobs in the European Union between 2016 and 2020. This is due to the announced expansion of the sales office and the innovation and R&D center that Stefanini, a Brazilian IT company, has in the Eastern European country. This expansion is estimated to create 365 new jobs.[43] Thanks to Romania's high level of technical education, the country has become the company's IT center for the continent. The multinational company employs some 2,500 people in Europe, 1,500 of them in Romania.[44]

Map 14 - Jobs created in EU countries between 2016 and 2020 (estimate)



Source: Orbis BvD.

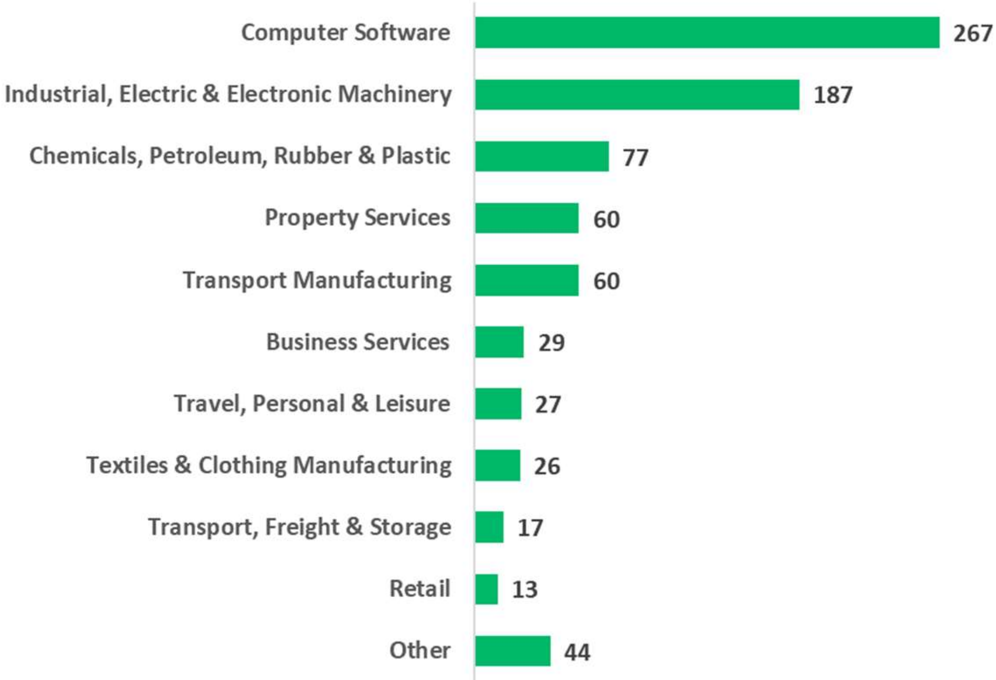
Notes: 43 – The other jobs have been created by the opening of The Body Shop (controlled by Natura) stores in the country.
44 – https://stefanini.com/pt-br/trends/noticias/stefanini-abre-centro-de-operacoes-de-seguranca-na-romenia

Regarding the industries that accounted for the productive investment announcements in the European Union between 2016 and 2020, the " Computer Software" sector concentrated 33.2% of the total announced amounts (or EUR 267.5 million), reflecting not only the European market's attractiveness, but also the local workforce's high level of technical skills. Three companies concentrated 96% of the sector's announced values: Nubank, with EUR 136.7 million announced (51.1% of the total), and Vtex and Creditas, with EUR 60 million each (22.4% for each company).

The second sector that most announced productive investments in the European Union was "Industrial, Electric and Electronic Machinery", with EUR 187 million. The aforementioned EUR 157 million investment by Scott Technology, a JBS subsidiary, accounted for 84% of this total.

Other prominent sectors are "Chemicals, Petroleum, Rubber, and Plastic" (9.6% of the total), "Transport Manufacturing" (7.4%), and "Property Services" (7.4%). The other sectors had a maximum participation of 3.5% of the announced values.

Graph 12 - Source sectors of Brazilian productive FDI announcements between 2016 and 2020 (million EUR)



Source: Orbis BvD.

Besides being the sector that announced the most invested values, "Computer Software" was the one that created the highest estimated number of jobs (904). The sector was followed by "Chemicals, Petroleum, Rubber, and Plastic" (511), "Industrial, Electric, and Electronic Machinery" (399), and " Property Services" (300). Together, the four sectors concentrated 74.2% of the estimated jobs created. In terms of jobs created per million euros announced, "Textiles and Clothing Manufacturing" leads with 7.1 jobs per million euros, well above the total average of 3.5.

Table 25 - Jobs created by investor sector between 2016 and 2020

Sector	Jobs created (estimate)	Jobs created per EUR million announced
Computer Software	904	3.4
Chemicals, Petroleum, Rubber & Plastic	511	6.6
Industrial, Electric & Electronic Machinery	399	2.1
Property Services	300	5.0
Textiles & Clothing Manufacturing	185	7.1
Business Services	104	3.6
Travel, Personal & Leisure	92	3.4
Retail	88	6.7
Transport Manufacturing	75	1.3
Public Administration, Education, Health Social Services	70	5.6
Other	121	2.8
Total	**2,849**	**3.5**

Source: Orbis BvD.

Among the destination activities for Brazilian investments, investment announcements aimed at establishing regional headquarters totaled EUR 171 million between 2016 and 2020, amounting to 21.2% of the total values. Noteworthy in this regard were the openings of the regional headquarters of Vtex and Creditas, each valued at EUR 60 million, in the Spanish cities of Barcelona and Valencia, respectively. The second most important investment activity was the establishment of R&D centers, with announced values of EUR 129.5 million (16.1% of the total). The main announcements were made by Ioschpe-Maxion and Scott Technology (controlled by JBS). Both companies opened R&D centers in Germany, each valued at EUR 60 million. With announced investments totaling EUR 125 million (15.5% of the total), the "Manufacturing" activity ranked third, with investment announcements by Scott Technology and Weg standing out. With EUR 120 million in investment announcements (14.9% of the total), "Data Processing Centers" was the fourth activity with the most announced figures, all of which was invested by Nubank with the opening of a software development center in Berlin. No other activity accounted for more than 10% of the announced values.

Table 26 - Destination activities of Brazilian productive FDI announcements between 2016 and 2020

Activity	Value (EUR million)	Share
Regional Headquarters	171	21.2%
R&D Centre	129	16.1%
Manufacturing	125	15.5%
Data Centre	120	14.9%
Hotels	60	7.4%
Logistics, Distribution & Transportation	50	6.2%
Retail	44	5.5%
Software Development Centre	33	4.1%
Sales Office	32	4.0%
Education & Training	25	3.1%
Other	16	2.0%
Total	**806**	**100.0%**

Source: Orbis BvD.

Besides being the recipient of the highest volume of announced amounts, the establishment of regional headquarters was the activity that created the most estimated direct jobs (572). However, "Sales Offices", which ranks ninth in terms of invested value, leaps to second place in terms of jobs created (estimate), followed by "Manufacturing" (345), "Retail" (341), and "Hotels" (300).

Table 27 – Jobs created by destination activity

Activity	Jobs created (estimate)
Regional Headquarters	572
Sales Office	546
Manufacturing	345
Retail	341
Hotels	300
Logistics, Distribution & Transportation	235
R&D Centre	234
Education & Training	140
Software Development Centre	87
Banking & Finance	25
Other	24
Total	**2,849**

Source: Orbis BvD.

3.5 Brazilian Mergers and Acquisitions announcements in the EU

Of the 10 mergers and acquisitions announcements by Brazilian companies in EU identified by Orbis BVD, only two had their values announced. The largest of them was the acquisition of a minority stake in Verallia, a French company that is among the largest glass packaging manufacturers in the world, by Brasil Warrant Administração de Bens e Empresas, a Moreira Salles family investment holding. The transaction was valued at EUR 755 million. Orbis has also identified the acquisition of Amsterdam-based Almundo, a flight and travel services provider, by CVC Brasil, in a deal valued at EUR 69.5 million.

3.6 Infrastructure investment announcements in the EU

Fitch identifies only one infrastructure project in the European Union in which a Brazilian company acts as a sponsor. It is the EllaLink cable, an undersea optical fiber cable linking Fortaleza, in Brazil, to the Portuguese city of Sines. EllaLink cable, which had Telebras as one of its sponsors, is the first high-capacity cable to directly connect Brazil to Europe - the connection had been made exclusively via the United States up until now.

3.7 Case studies of Brazilian companies in the EU

Company name: Embraer S.A.

Sector: Aeronautics and Defense

Year of foundation: 1969

Brief history: Embraer was founded in Brazil in 1969, and started its activity with the development of a turboprop aircraft intended for dual civil and military use that could carry from 15 to 21 passengers, the "Bandeirante". Since this first project, many others have been developed and marketed to aircraft operators worldwide.

Currently, Embraer, with nearly 18,000 employees, is the third largest commercial jet manufacturer in the world, with more than 8,000 aircrafts delivered to operators around the globe. It is also a leader in segments within the Executive Aviation market, and a reference company in the Defense and Security area.

Year of internationalization and company location in the EU: Embraer settled in Europe in 1983, at Le Bourget Airport, and since then has developed several business and industrial projects on the continent. These included the selection in 2005 by the Portuguese government to be its partner in the OGMA - Indústria Aeronáutica de Portugal S.A. privatization process.

Factors that led to the choice to internationalize in the EU (decision-tracking): The expanding Embraer aircraft fleet in Europe was an important factor, within a rationale of ensuring adequate support to its customers in both civil and military markets. Another one was the integration in the European innovation ecosystem, both in terms of R&D and industrial activity.

Within this context came the opportunity with the Portuguese Government, in the OGMA S.A. privatization process in 2005, a company located in Alverca, near Lisbon.

Integrated into the Embraer Group, the company has promoted several investments in Engine and Aircraft Maintenance, and in aerostructure manufacturing. The latest factor, and also the largest one in terms of the amount of money involved, concerns OGMA S.A.'s capability to maintain new generation engines of the Pratt & Whitney, Geared TurboFan family.

Financial data: Investment Project to enable OGMA S.A. in Pratt & Whitney GTF Engine Maintenance.

The Geared TurboFan (GTF) from the American manufacturer Pratt & Whitney are a new generation of engines, in operation since 2016. With an estimated investment of over 74 million euros, it will enable, in the first phase of the project, the creation of around 300 new highly qualified jobs at OGMA S.A., and the company's annual turnover is expected to exceed 600 million euros.

Company name: Iochpe-Maxion S.A

Sector: Autoparts

Year of foundation: 1918

Brief history: The company started its operations in 1918 in the lumber sector and later diversified into the financial and industrial sectors. In 1984, it listed its shares on B3 (Brazilian stock exchange). During the 1980s, it acquired several industrial companies, notably in the agricultural equipment sector. In the 1990s, it reassessed its strategy to focus on autoparts and railroad equipment manufacturing, divesting a significant portion of the assets unrelated to those sectors.

In early 2000, the Company transferred 50% of its rail equipment business to Amsted Industries, thereby establishing a 50% joint venture owned by Amsted-Maxion at that time. Following this transfer, it concentrated on the autoparts business, through its wheels division and chassis and automotive components division.

Between 2009 and 2012, the Company went through a period of significant expansion, mainly through a series of strategic acquisitions in Brazil and abroad. In August 2009, it acquired the wheels business of ArvinMeritor in Brazil, Mexico and the United States. In December 2010, it acquired the assets of the wheels business from the CIE Automotive group in Mexico. In May 2011, it acquired 50% of the shares of Maxion Montich S.A. (formerly Montich S.A.), an Argentinean manufacturer of axles, chassis and stamped parts for commercial vehicles. In early 2012, it acquired the former Galaz group, a manufacturer of stringers for commercial vehicles in Mexico, and the former Hayes Lemmerz group, a major global manufacturer of automotive steel and aluminum wheels for light vehicles and automotive steel wheels for commercial vehicles.

Between 2015 and 2019, it focused on integrating the acquired businesses and consolidating its leadership position in the global automotive supply industry.

Year of internationalization: In 2012, with the acquisition of the Hayes Lemmerz Group.

Factors that led to the choice to internationalize in the EU (decision-tracking): The company was interested in marketing its products on the European continent, a very representative region for the global automotive sector due to the number of automakers involved and the significant volume of vehicles manufactured and sold.

It is worth noting that, due to the characteristics of our products and our history with automakers, we understood that the entry into the European automotive market would not be successful by exporting from Brazil; we would necessarily need to have a production base in the region. Today, Iochpe-Maxion supplies its customers in Europe mainly from its plants in Germany, Italy, Spain, the Czech Republic and Turkey.

Since 2012 the Company has invested in updating and expanding its plants, globally and in the European continent, as well as developing new technological, product and process solutions through its engineering centers based in Brazil, Germany, Italy and Thailand.

In 2019 we further expanded our efforts in innovation and with Start-Ups when we started activities in Berlin through our Maxion Advanced Technologies group.

Financial data:

Net Operating Income - R$ thousand	2020	2021	Var.
Iochpe-Maxion consolidated	8,760,568	13,688,367	*56.2%*
	100.0%	*100.0%*	
Europe	3,441,442	4,385,835	*27.4%*
	39.3%	*32.0%*	

Investments reached R$ 484.6 million in 2021. The main investments in the period were related to health and safety, maintenance, new product launches and productivity improvement.

Company name: JBS SA

Sector: Food

Year of foundation: 1953

Brief history: With nearly 70 years of history, JBS S.A. is a Brazilian multinational company, recognized as one of the global leaders in the food industry. Headquartered in the city of São Paulo, the company is present in more than 20 countries.

In all locations where it operates, the more than 250 thousand employees follow the same guidelines in regard to sustainability aspects - economic, social and environmental - innovation, quality and food safety, adopting the best practices, always guided by the same Mission and Values.

JBS has a diversified product portfolio, with options that range from fresh and frozen meats to ready-to-eat meals, marketed through brands recognized in Brazil and abroad, such as Friboi, 1953, Swift, Seara, Seara Gourmet, Doriana, Massa Leve, Pilgrim's Pride, Swift Prepared Foods, Primo, among others.

The company also operates in related businesses, such as leather, biodiesel, collagen, natural wraps, personal hygiene and cleaning products, metallic packaging, transportation and waste management solutions, recycling, innovative operations that also promote the sustainability of the entire business value chain.

JBS in Europe

+ 20 thousand employees;

10 European companies;

Leading brands in meat and alternative protein;

44 production units;

Serving customers in the EU + UK;

Operations and offices in the UK (Pilgrim's UK, Moy Park, Pilgrim's Food Masters, JBS Global and Seara), Italy (King's, Rigamonti and Principe), France (Moy Park), the Netherlands (Vivera and Seara) and Belgium (JBS Toledo);

Leading producer of fresh, prepared, frozen and chilled meat and vegetable foods in the UK;

Europe's third largest plant-based company, with a platform that allows expansion into alternative proteins and value-added products to meet evolving customer tastes.

Company name: WEG S.A.

Sector: Capital goods, electro-electronic equipment industry.

Year of foundation: 1961

Brief history: WEG was founded on September 16, 1961 and headquartered in Jaraguá do Sul, SC, Brazil, as an electric motor manufacturer. From the 1980s on, WEG expanded its portfolio with the manufacture of electro-electronic components, products for industrial automation, generators, turbines, gearboxes, power and distribution transformers, liquid and powder paints, and electro-insulating varnishes. The company has thus consolidated its position not only as a manufacturer of electric motors, but as a supplier of power systems and complete industrial electrical systems, becoming a global player, which currently has approximately 37,000 employees distributed in its 48 industrial parks located in 13 countries, with sales to more than 135 countries.

Year of internationalization and company location in the EU: WEG started its internationalization in the 1970s. In 1973 it made its first export to Germany and in 1976 it opened an office with a local partner in the same country.

In the 1980s, it expanded exports to Germany and other European countries, such as Austria, Belgium, Denmark, Spain, the Netherlands, England, Italy, Portugal and Switzerland.

In the following decade, it intensified its presence in foreign markets by opening commercial branches. In Europe, in that decade, commercial branches were opened in Belgium, England, Spain, France, and Sweden.

In the 2000s, the company made progress in establishing manufacturing plants in Europe. In 2002, WEG began operations in Portugal with the purchase of an electric motor factory in Maia, in the Porto metropolitan region. In 2015, the company started constructing a new plant in Santo Tirso, just 24 kilometers away from Maia. The Santo Tirso facility opened in 2018 and incorporates a more verticalized production line with machining processes, rotor manufacturing, winding, assembly and dedicated electrical testing laboratories. WEG currently employs more than 700 people in Portugal. In February 2022, WEG announced a 23.5 million euro investment in the construction of a new low-voltage electric motor factory in Santo Tirso, Portugal. The investment is a strategic and very important step for WEG's expansion in the European market. The new factory in Santo Tirso is expected to come into operation in the first quarter of 2024 and generate about 100 new jobs.

In 2011, WEG acquired Watt Drive Antriebstechnik GmbH, a company located in Austria specialized in the development and manufacturing of gearboxes, gearmotors, frequency inverters and drive systems.

In 2014, it took a step into Germany, acquiring Antriebstechnik KATT Hessen GmbH, a company engaged in the manufacturing of special high-speed motors, in addition to the motor and gearmotor factory belonging to Württembergische Elektromotoren GmbH.

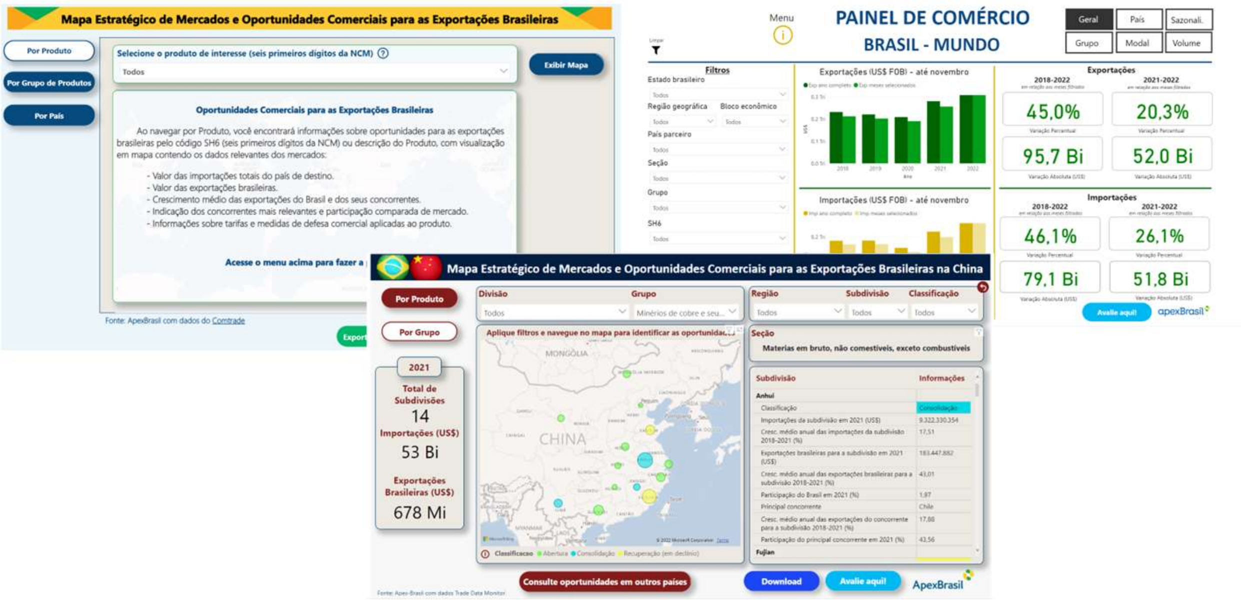
In 2015, in Spain, it acquired Autrial S.L., a manufacturer of electrical panels for industrial equipment and installations based in Valencia.

Factors that led to the choice to internationalize in the EU (decision-tracking): Internationalization is in WEG's DNA. It began seven years after its foundation, in 1968, when its founders traveled to Europe, in search of technology, new markets and management models. Two years later, the first exports began, marking the company's entry into the international market. The European market has great business potential in segments served by WEG, besides being a reference in technology and quality.

Financial data: In 2021, the consolidated Net Operating Income (NOI) reached R$ 23.5 billion, a 34.9% growth compared to 2020. 54% of the revenue comes from the foreign market. The company ended the year with investments of around 550 million Brazilian Reais in research and development activities, involving its innovation centers located in 13 countries, in addition to 109 laboratories spread around the world, 39 of which are abroad.

Market Intelligence Products
ApexBrasil

Panels



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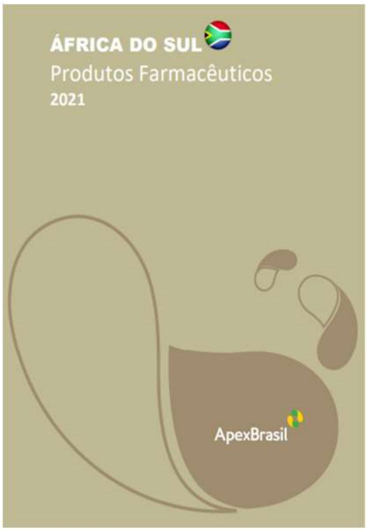

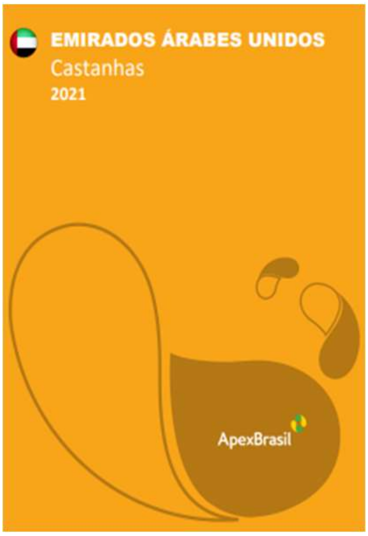

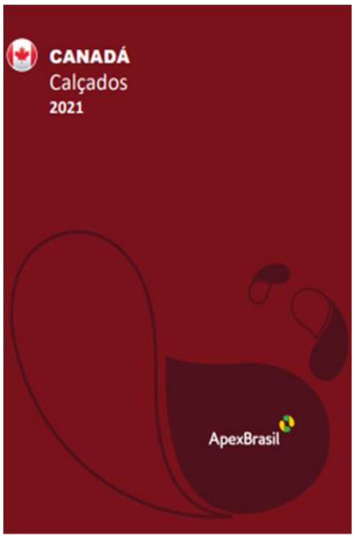

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