

China Telecom acts to gain Brazil foothold

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China Telecom, the country's largest fixed-line carrier by sales, is targeting the Brazilian market, as Chinese companies expand their interests in Latin America's largest economy beyond the resources sector.

China Telecom and an affiliate, China Comservice, are setting up offices in São Paulo to provide internet, data and outsourcing services in an attempt to establish a foothold ahead of Brazil's hosting of the soccer World Cup in 2014 and the Olympic Games two years later.

"We serve the Chinese enterprises that are coming and making investments in Brazil and in Latin America," said Luis Fiallo, managing director of China Telecom Americas, adding the group also wanted to target local and multinational companies in Brazil.

Chinese investment in Brazil has increased rapidly. Brazil's low savings rate means it needs investment, while China's savings make it a potential exporter of capital.

The largest Chinese investments in Brazil continue to be in the oil and gas sector, with Sinopec in November paying \$5.2bn for a 30 per cent stake in the Brazilian assets of Galp Energia, the Portuguese energy company.

Chinese companies are expanding in other areas too, with electricity group State Grid paying \$531m last month for the Brazilian assets of Spain's Actividades de Construcción y Servicios in its second foray into the sector.

The major Chinese banks, such as Bank of China, are also present or setting up offices in Brazil, and engineering and logistics companies are making inroads.

"There are more investments to come," said Reinaldo Ma, a partner specialising in dealing with Chinese firms at law firm Tozzini Freire in São Paulo.

Fonte: Financial Times, London, 13 June 2012, International.