



## **Financing Chinese investments in the Brazilian electricity infrastructure: concerns on international subsidies**

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### **Abstract**

The exact definition of what a subsidy is has always been a controversial matter (GERASIMCHUK, 2014). Following the political and economic rise of the People's Republic of China, a non-market economy for many countries (O'CONNOR, 2011; HALEY & HALEY, 2013), the debate has spurred new global tensions. Feelings of distrust and lack of reciprocity regarding the Asian country, arguably, have impelled other nations, most notably the United States, to question international economic rules, including the standard trade and foreign direct investment (FDI) regimes under the World Trade Organization (WTO) and the Organization of Economic Cooperation and Development (OCDE) (CROCHET & HEDGE, 2020). The present research seeks to contribute to the academic discussions on subsidy rules and financing ease at the international level by looking at the case of Chinese direct investments in Brazil's electricity sector. It aims to answer two main questions: whether the Chinese State-Owned Enterprises' (SOEs) governance structure guarantees them facilitated access to capital and, in case of a positive response, whether this economic ease could be marked as an advantage over other global players, distorting the competitiveness of the Brazilian market. We examine the electricity matrix due to the noteworthy inflows of China's FDI into the sector, which are in the verge of outcompeting traditional investors from North America and Europe. This research explores the study of international subsidies, the governance structure of Chinese SOEs, Brazil's regulatory framework, and the characteristics of Sino investments in Brazil's energy matrix. Finally, this work is part of an ongoing project, initiated by Prof. Dr. Michelle Ratton Sanchez Badin (FGV-SP) and Prof. Dr. Fábio Morosini (UFRGS), to strengthen the understanding of the Brazilian scholarship on the role of law in South-South international investment regimes. Thus, this research will be able to hopefully contribute not only to debates on subsidies regulation, but also to the local academic community and policymakers that study the impacts of China's economic presence in Brazil.

**Key words:** China, Brazil, international investments, international subsidies, energy infrastructure.

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