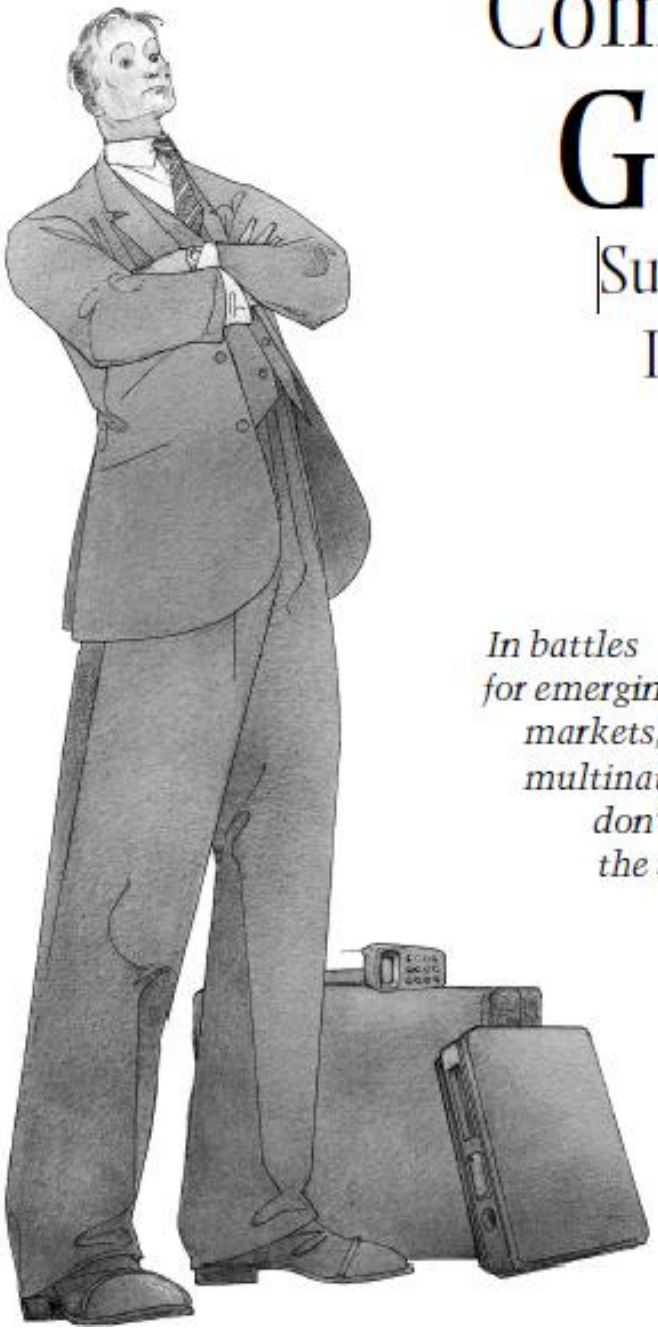
Competing with GIANTS

Survival Strategies for Local Companies in Emerging Markets

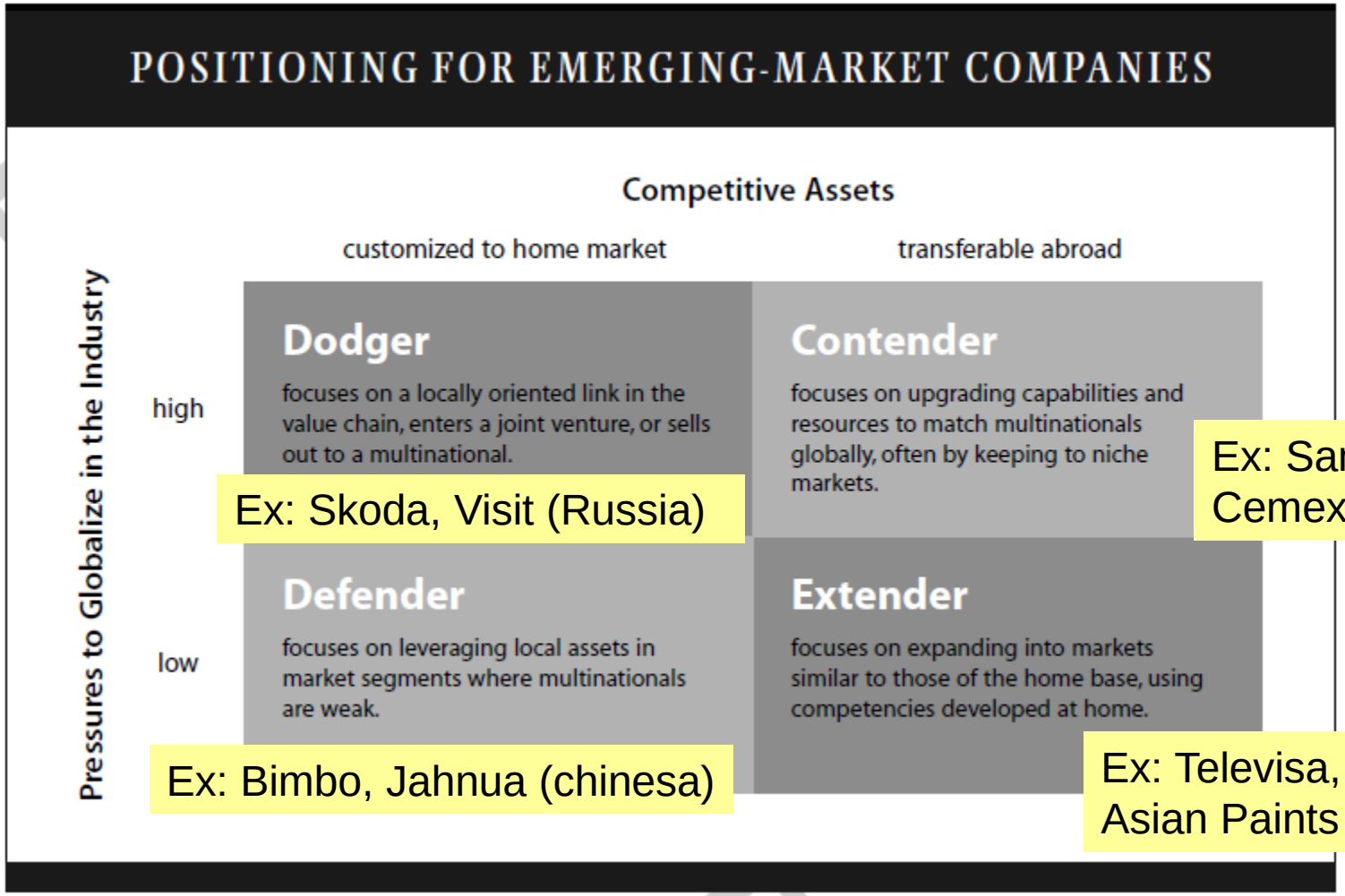
by Niraj Dawar and Tony Frost

In battles for emerging markets, big multinationals don't hold all the advantages.



HBR, mar-apr/1999

Posicionamento para companhias de países emergentes



As multinacionais latino-americanas
Evolução e Perspectivas de Empresas da Argentina, Brasil, Chile e México

Baseado em texto de Daniel Chudnovsky e Andrés López

Empresas Multinacionais de Países em Desenvolvimento - EMED

- tomando as 50 principais EMED segundo o ranking da Unctad (1998): 30 dessas firmas vêm da Ásia e outras 15 são da América Latina. (Chudnovsky e Lopez)

TNI values for the 100 largest TNCs from developing countries, by region, 2007

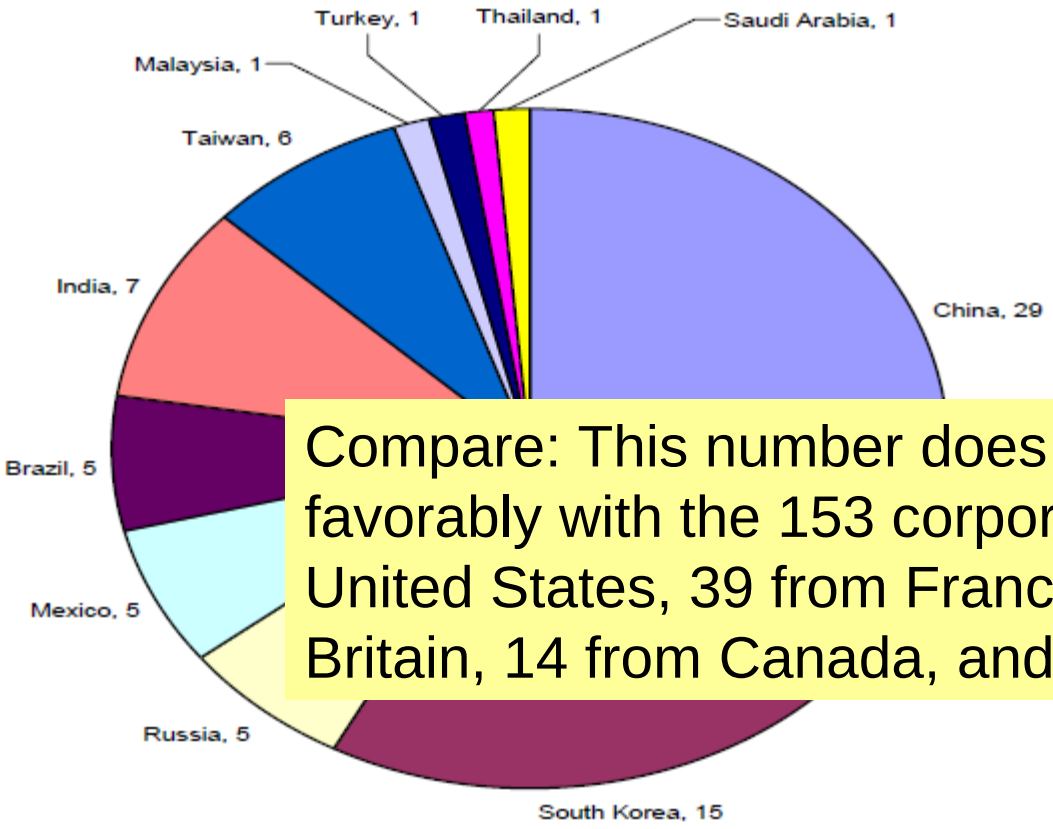
Region	Average TNI [a]	
	TNI	Number of TNCs
Africa (South Africa)	47.6	9
South-East Asia	49.9	19
South Asia	47.4	2
East Asia	59.2	57
West Asia	56.1	4
Latin America and the Caribbean	40.9	9
Total	**54.4**	**100**

Source: UNCTAD/Erasmus University database.

[a] TNI is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.

Note: Due to differing reporting periods, an insufficient number of TNCs in the developing-country list have reported 2008 data to enable a 2007–2008 comparison.

Origem das EMED listadas na Fortune Global 500 de 2008



Compare: This number does not compare favorably with the 153 corporations from the United States, 39 from France, 34 from Britain, 14 from Canada, and 11 from Spain

Source: Lourdes Casanova and Henning Hoeber based on data from Fortune Global 500 (2008).

Empresas Multinacionais de Países em Desenvolvimento - EMED

- O padrão de especialização das EMED asiáticas é mais “sofisticado” - muitas operam em setores intensivos em *skills* ou tecnologia (eletrônica, equipamento elétrico, automotriz, química)
- As latino-americanas são concentradas em atividades vinculadas a vantagens naturais (petróleo, alimentos e bebidas, cimento, minério etc.).

Histórico

- "primeira onda" de internacionalização (fins dos anos 70) – Hong Kong, Singapura, Malásia, Argentina, Brasil, Colômbia, México, Venezuela, Filipinas e a Índia (Maioria das operações eram em países vizinhos)

- Alguns desses países (destacados acima) não mantiveram o mesmo dinamismo na década de 80

- "segunda onda" foi dominada por firmas de Hong Kong, Taiwan, Singapura e Coréia do Sul - economias que vinham crescendo rapidamente desde os anos 60, e que se caracterizavam por forte orientação exportadora.

- Comparados aos da “primeira onda”, os investimentos desta fase eram, em média, de maior escala, orientados para segmentos de maior sofisticação tecnológica.
- A maior parte, *export-oriented*.
- maior tendência de investir em Países Desenvolvidos, especialmente por parte das firmas asiáticas

...Ainda Segunda Onda

- as asiáticas que investiam em outros países consideravam que essas operações eram peça essencial para sua estratégia competitiva a longo prazo.
- Isso era refletido na divisão de tarefas que estabeleciam com os sócios locais:
  - asiáticos responsáveis por: compra do equipamento de capital, o *know how* tecnológico e gerencial, distribuição e comercialização externas, treinamento e controle de qualidade;
  - sócios locais: gerenciavam os assuntos administrativos, as relações trabalhistas e os vínculos com o governo

Latino-americanas

- Chile, Argentina, Brasil, México

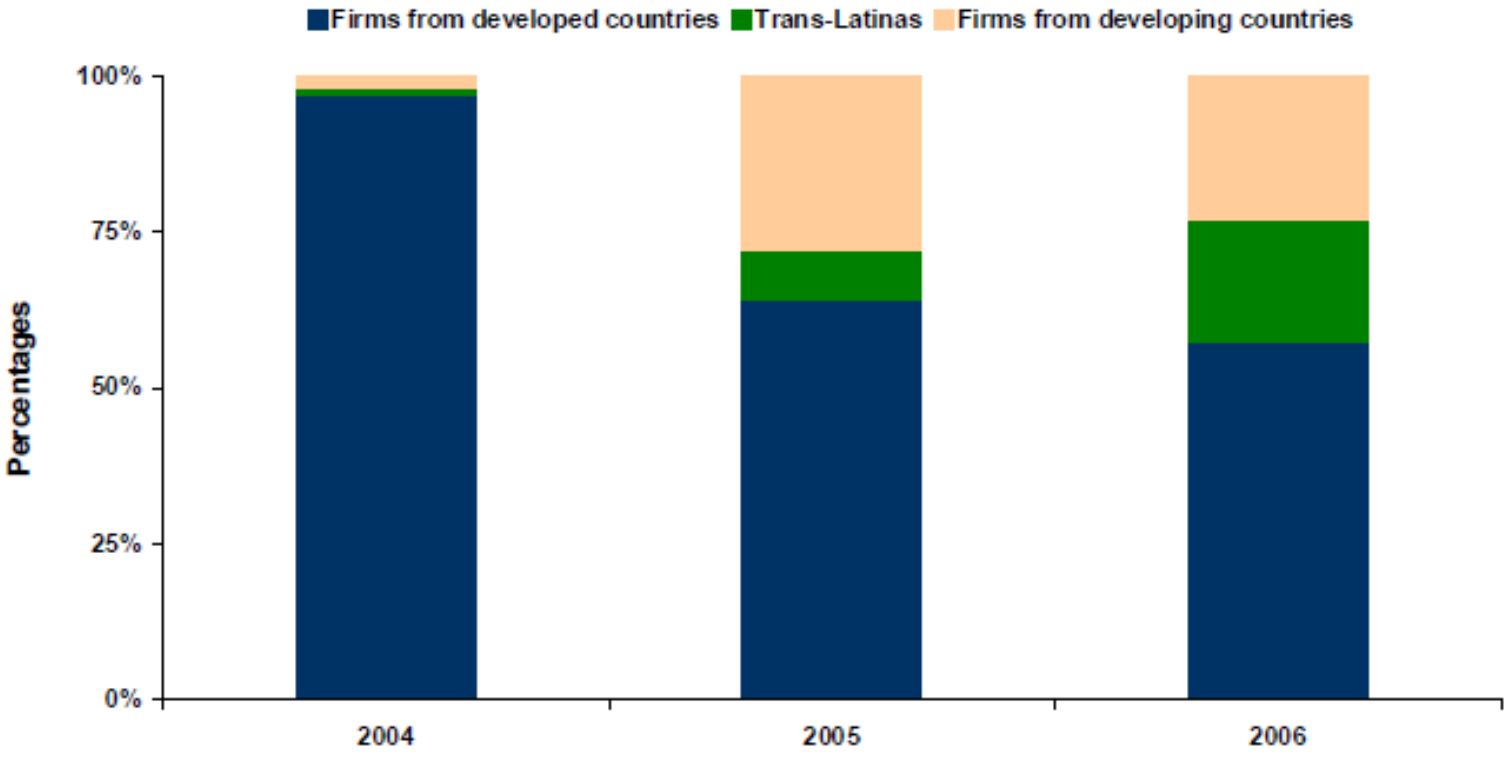
- Características Comuns:
  - industrialização substitutiva de importações até 1980's
  - maior abertura aos fluxos de comércio, capitais e a tecnologias estrangeiros - anos 90
  - funções de produção com maior conteúdo importado em insumos e matérias-primas,
  - abandono – especialmente por parte das firmas de capital nacional – ou atraso relativo dos setores mais intensivos em tecnologia ou P&D

Latino-americanas

- Chile, Argentina, Brasil, México

- Características Comuns:
  - A maior parte do IDE é feito em países vizinhos ou dentro do continente latino-americano (MX tem investimentos significativos nos EUA)
  - poucos os casos onde os investimentos nos Países Desenvolvidos implicam intenção de competir de igual para igual com as firmas locais (Techint - tubos sem costura, Carso/Carlos Slim – diversos como autopeça, mat. Construção, de consumo, serviços..., Cemex, Odebrecht, Sabó).

Latin America and the Caribbean: Composition of Acquisitions involving entries (2004-2006) Percentages



Source: Authors based on ECLAC 2007 and Bloomberg data

Casanova, Lourdes. 2009. From Multilatinas to Global Latinas the New Latin American Multinationals (*Compilation Case Studies*), IDB (Inter-American Development Bank)

DIRECT INVESTMENT BY CHINA IN LATIN AMERICA AND THE CARIBBEAN

CHINA: FOREIGN DIRECT INVESTMENT IN SELECTED ECONOMIES OF LATIN AMERICA AND THE CARIBBEAN

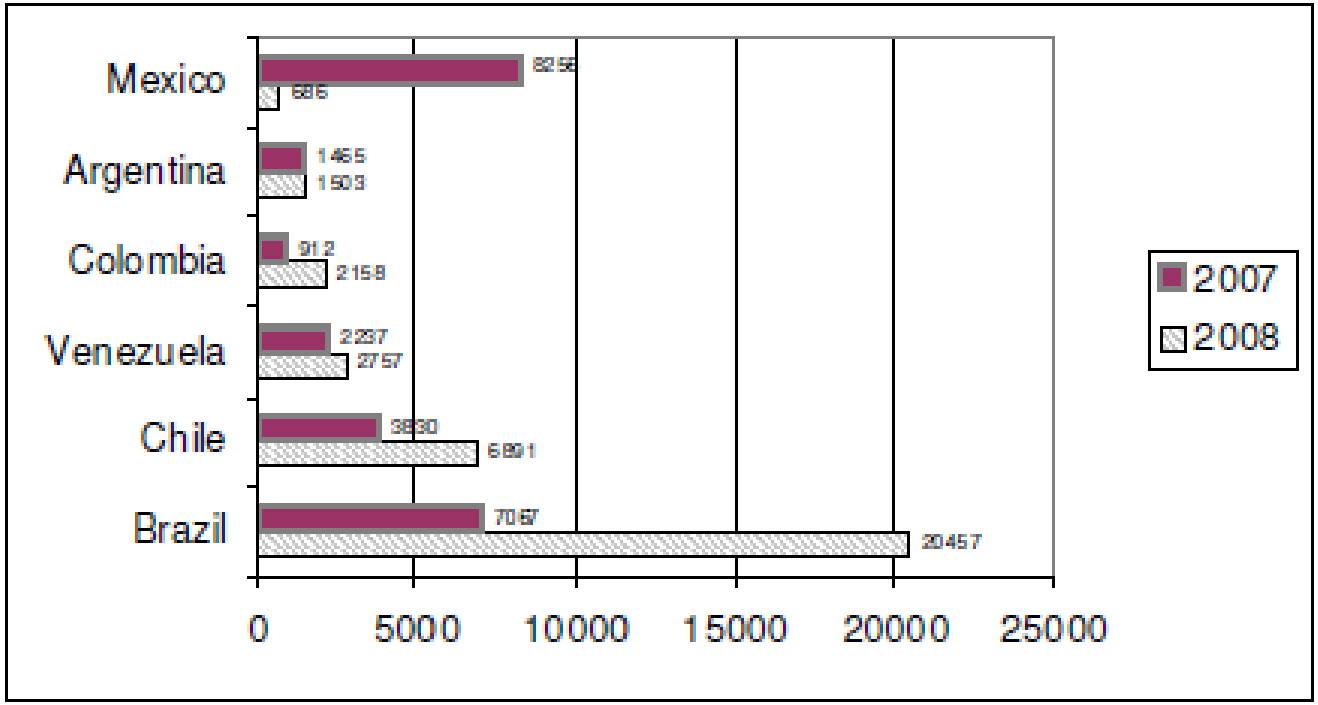
(Millions of dollars)

Country	Confirmed investments		Investments announced
	1990-2009	2010	2011 onwards
Argentina	143	5 550	3 530
Brazil	255	9 563	9 870
Colombia	1 677	3	...
Costa Rica	13	5	700
Ecuador	1 619	41	...
Guyana	1 000	...	...
Mexico	127	5	...
Peru	2 262	84	8 640
Venezuela (Bolivarian Republic of)	240	...	...
Total	**7 336**	**15 251**	**22 740**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), estimates on the basis of information from Thomson Reuters, fDi Markets [online] http://www.fdimarkets.com/ and interviews with representatives of the respective companies.

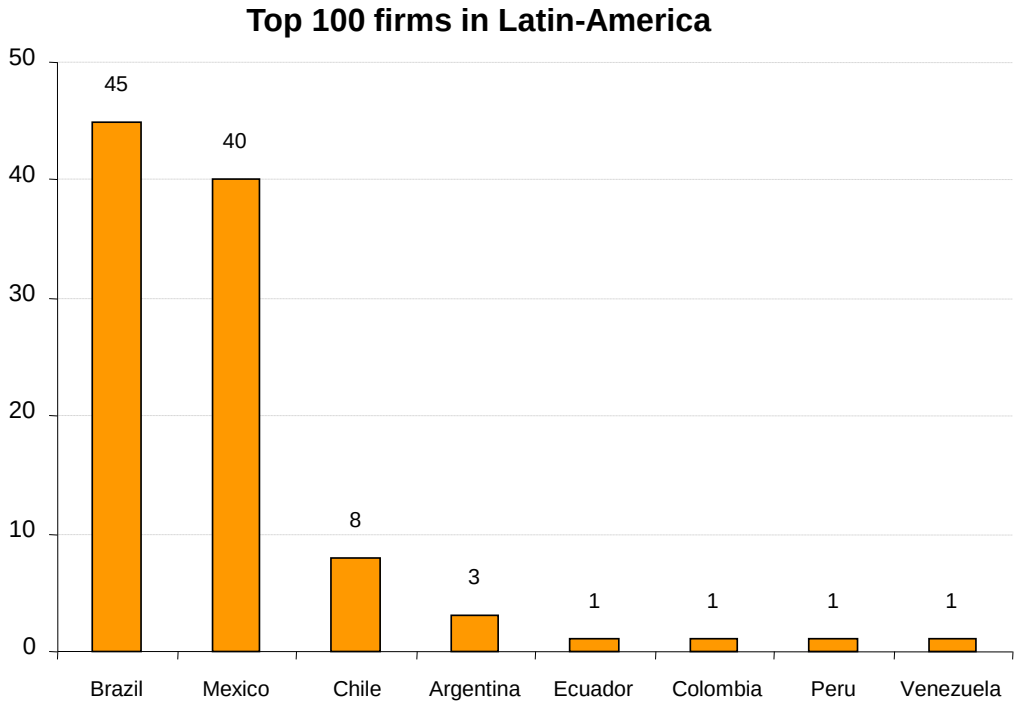
- ECLAC / Division of Production, Productivity and Management. *Foreign Direct Investment in Latin America and the Caribbean. Serie* Unit onInvestment and Corporate Strategies. 2010.

Latin America and the Caribbean, OFDI by principal investor countries, 2007-2008 (USD million)



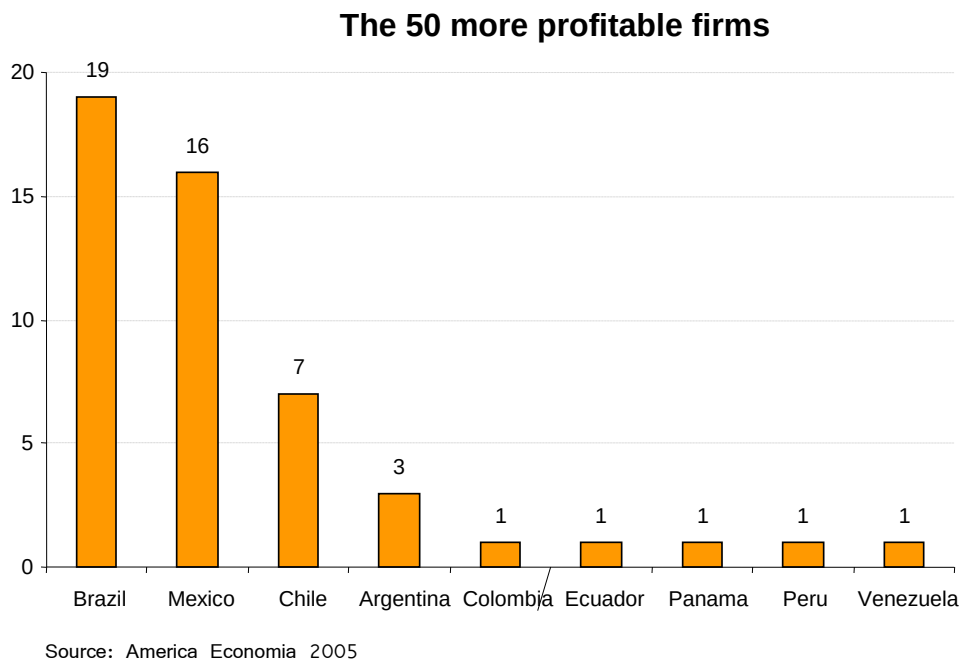
Source: ECLAC, 2009a.

The emerging *multilatinas:*
A lonely Brazilian and Mexican race?

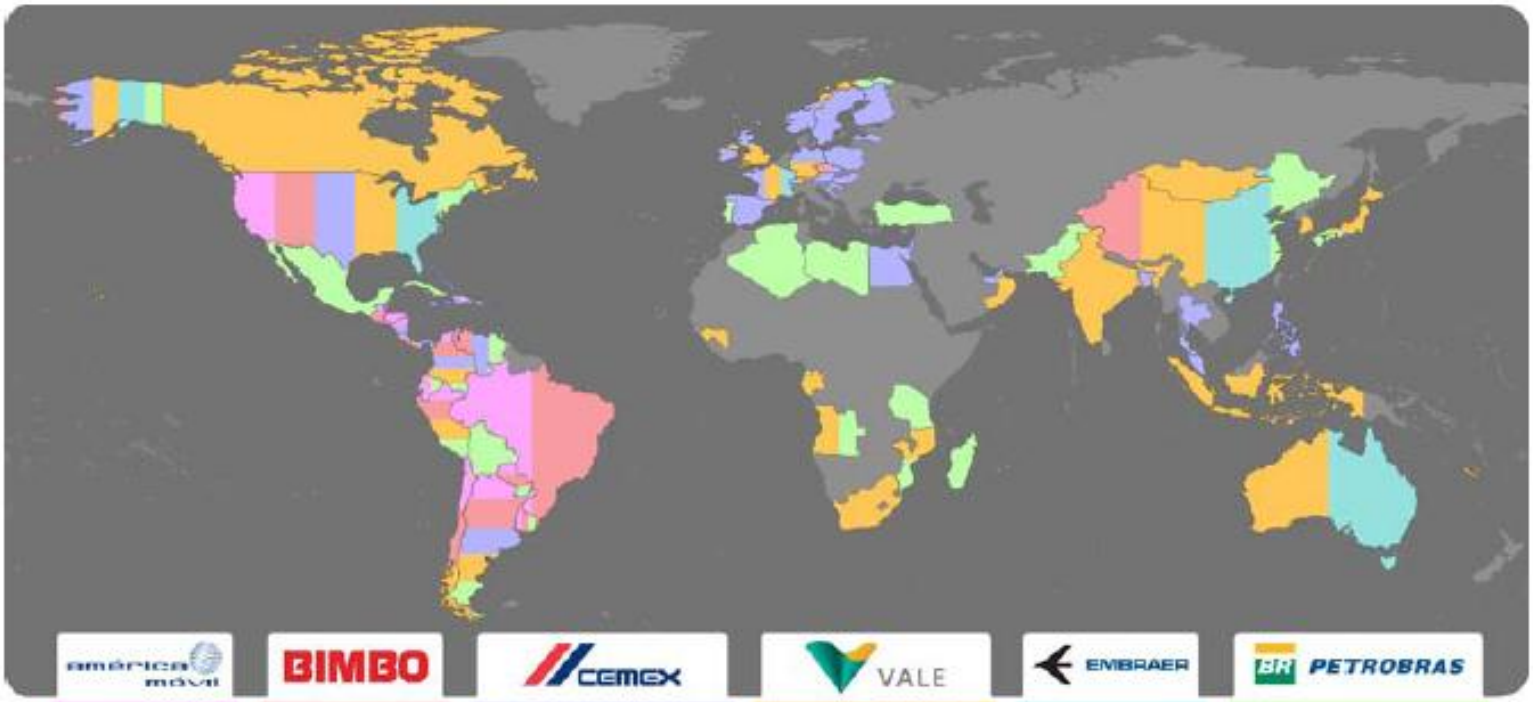


Source: America Economia 2005

The emerging *multilatinas:*
A lonely Brazilian and Mexican race?



Latinamerican Firms have started to expand overseas: global or pure regional players?



América Móvil

Argentina
Brazil
Chile
Colombia
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Jamaica
Nicaragua
Paraguay
Peru
Puerto Rico
United States
Uruguay

BIMBO

Argentina
Brazil
Chile
China
Colombia
Costa Rica
Czech Republic
El Salvador
Guatemala
Panama
Paraguay
Peru
United States
Uruguay
Venezuela

CEMEX

Argentina
Austria
Bangladesh
Caribbean
Colombia
Costa Rica
Croatia
Czech Rep.
Dominican Rep.
Egypt
Finland
France
Germany
Hungary
Ireland
Israel
Latvia
Malaysia
Nicaragua
Norway
Panama
Philippines
Poland
Puerto Rico
Spain
Sweden
Switzerland
Thailand
United Arab Emirates
United Kingdom
United States
Venezuela

VALE

Angola
Argentina
Australia
Bahrain
Canada
Chile
China
Colombia
France
Gabon
Germany
Guinea
India
Indonesia
Japan
Mongolia
Mozambique
New Caledonia
Norway
Oman
Peru
Singapore
South Africa
South Korea
Switzerland
United Kingdom
United States

EMBRAER

Australia
China
France
Singapore
United States

PETROBRAS

Algeria
Angola
Argentina
Bolivia
China
Colombia
Cuba
Ecuador
England
Equatorial Guinea
Japan
Lybia
Madagascar
Mexico
Mozambique
Norway
Pakistan
Paraguay
Peru
Portugal
Singapore
Tanzania
Trinidad & Tobago
Turkey
United States
Uruguay
Venezuela

	Company	Sales	Country	Sector
1	PDVSA	115,446	Venezuela	Petroleum/gas
2	Petrobras	111,967	Brazil	Petroleum/gas
3	América Móvil/Telmex	33,960	Mexico	Telecommunications
4	Cia Vale Do Rio Doce	30,184	Brazil	Mining
5	TECHINT (Tenaris, Ternium)	20,598	Argentina	Steel, steel pipes, construction, others
6	Gerdau	17,932	Brazil	Iron and steel/ metallurgy
7	Cemex	17,582	Mexico	Cement
8	Codelco	14,425	Chile	Mining
9	GrupoJBS	12,983	Brazil	Food products
10	Ecopetrol	12,283	Colombia	Petroleum/gas
11	Coca-Cola FEMSA	12,147	Mexico	Beverages
12	ENAP	10,095	Chile	Petroleum/gas
13	Cencosud	9,459	Chile	Commerce
14	Grupo Alfa	8,400	Mexico	Various diversified
15	Grupo Camargo Correa	7,175	Brazil	Diversified
16	Cia. Siderurgica Nacional	7,118	Brazil	Iron and steel/ metallurgy
17	Falabella	6,132	Chile	Commerce
18	Grupo Bimbo	5,951	Mexico	Food products
19	Embraer	5,725	Brazil	Aerospace industry
20	Grupo Modelo	5,448	Mexico	Beverages
21	Sadia	5,341	Brazil	Food products
22	TAM	5,201	Brazil	Transportation/logistics
23	Oderbrecht	4,950	Brazil	Construction, others

Source: The authors, based on information from *América Economía* (2009) and *PODER* (2009).

Columbia FDI Perspectives - Outward investment by Trans-Latin enterprises: reasons for optimism by Michael Mortimore and Carlos Razo, 2009

Países em desenvolvimento

BRICs

BRICS

- Dentre a evolução histórica no âmbito de globalização, 5 países emergentes tem se destacado, e sendo o foco das atenções nessa nova década.

BRIC – Características

BRASIL: Papel de produtor de alimentos e grande potencial em recursos naturais

- Vale – Minério
- JBS - Agroalimentícia
- Natura – Cosméticos Naturais

Rússia: Recursos naturais. O país possui a maior reserva de gás natural do mundo, a segunda maior reserva de carvão e a oitava maior reserva de petróleo. O petróleo, o gás natural e os metais representam 80% da economia nacional.

China: Vem se tornando a oficina industrial do mundo (manufatura)

- Mão-de-obra barata
- Estabilidade política
- Incentivos Fiscais
- Grande mercado interno

Índia: Escritório mundial de serviços relacionados com tecnologias de informação.

- Principal beneficiário do *outsourcing* de serviços.
- Maior produtora de softwares do mundo

Em comum...

- O apoio Governamental varia e tem grande influência (em termos de incentivos, planejamentos, políticas de promoção).

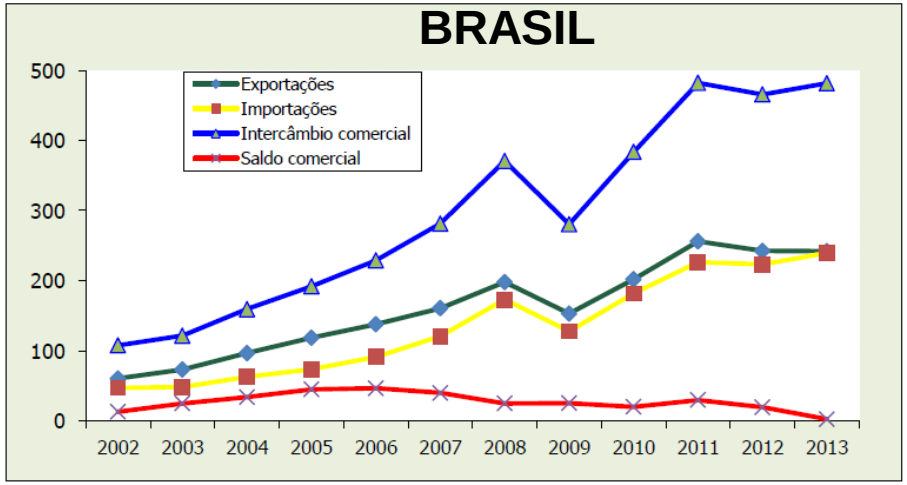
- O desenvolvimento econômico e a expansão são freados, porém, por uma infra-estrutura insuficiente, uma burocracia pesada, altas taxas de juros e uma "dívida social" elevada (pobreza, desigualdade, etc)

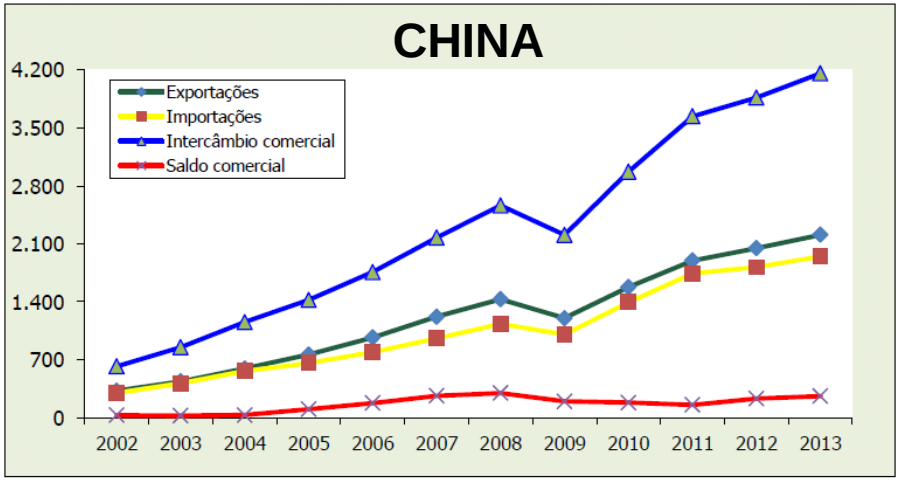
Evolução do comércio exterior - BRICS

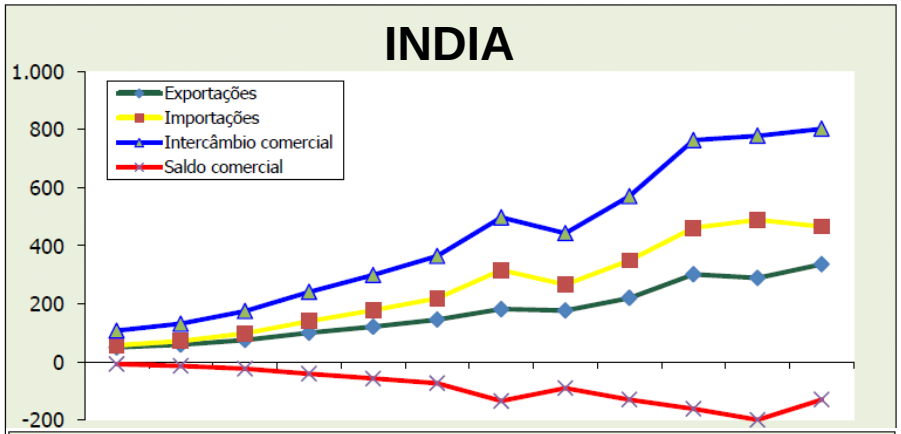
Ministério das Relações Exteriores - MRE
Departamento de Promoção Comercial e Investimentos - DPR
Divisão de Inteligência Comercial - DIC

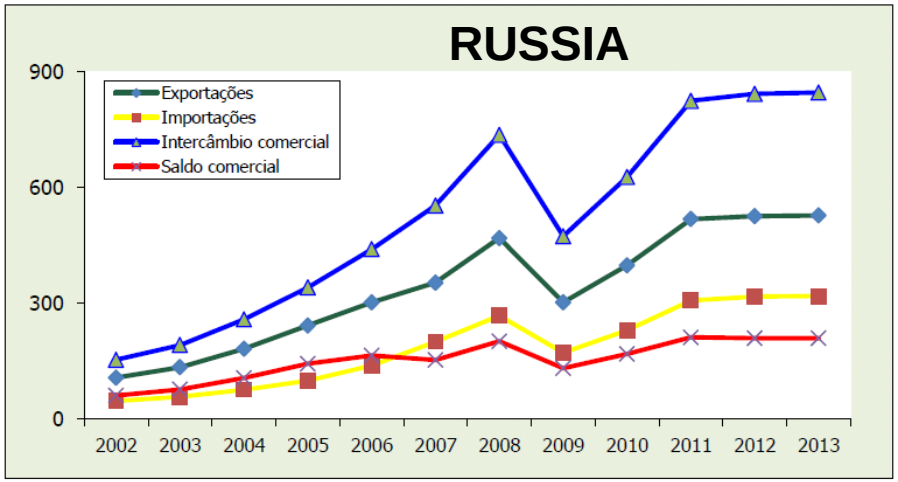
Relatorio: agosto/2014

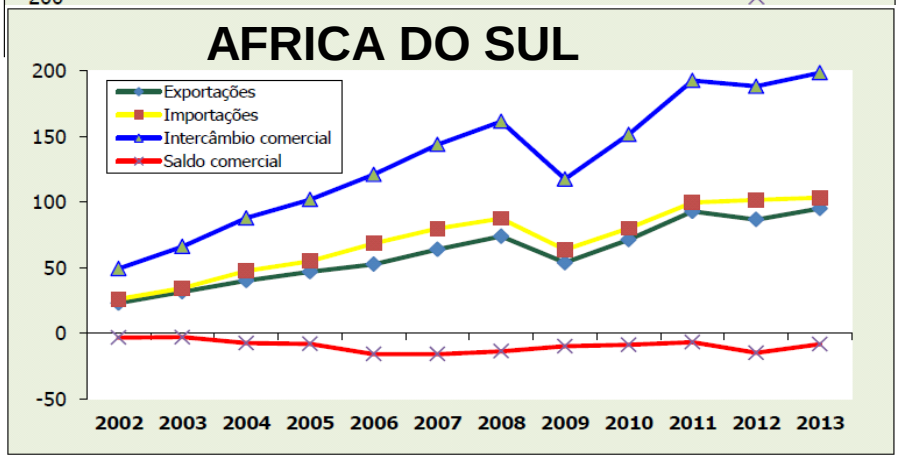
Evolução do comércio exterior BRICS (US$ bilhões)







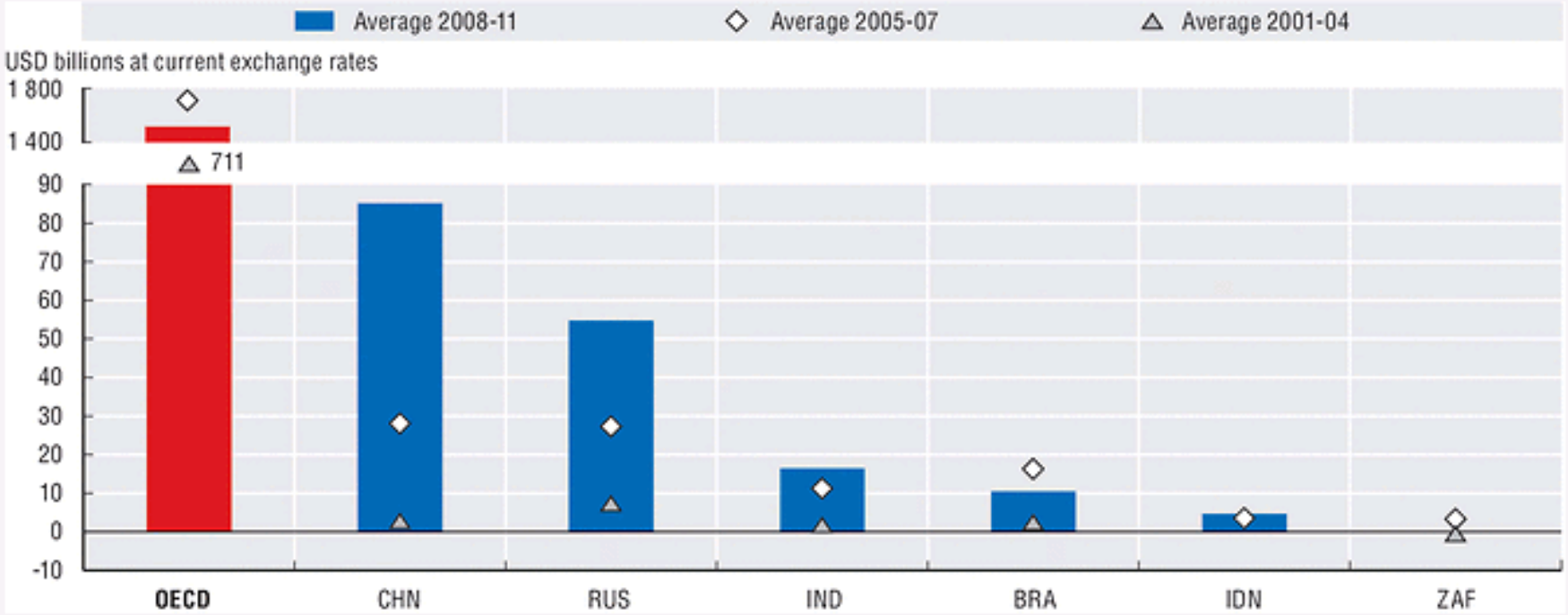




Elaborado pelo MRE/DPR/DIC. Divisão de Inteligência Comercial
Dados: UN/UNCTAD/ITC/Trademap; MDIC/SECEX/Aliceweb
August 2014.

Outward foreign direct investment flows from BRIICS, 2001-04, 2005-07 and 2008-11

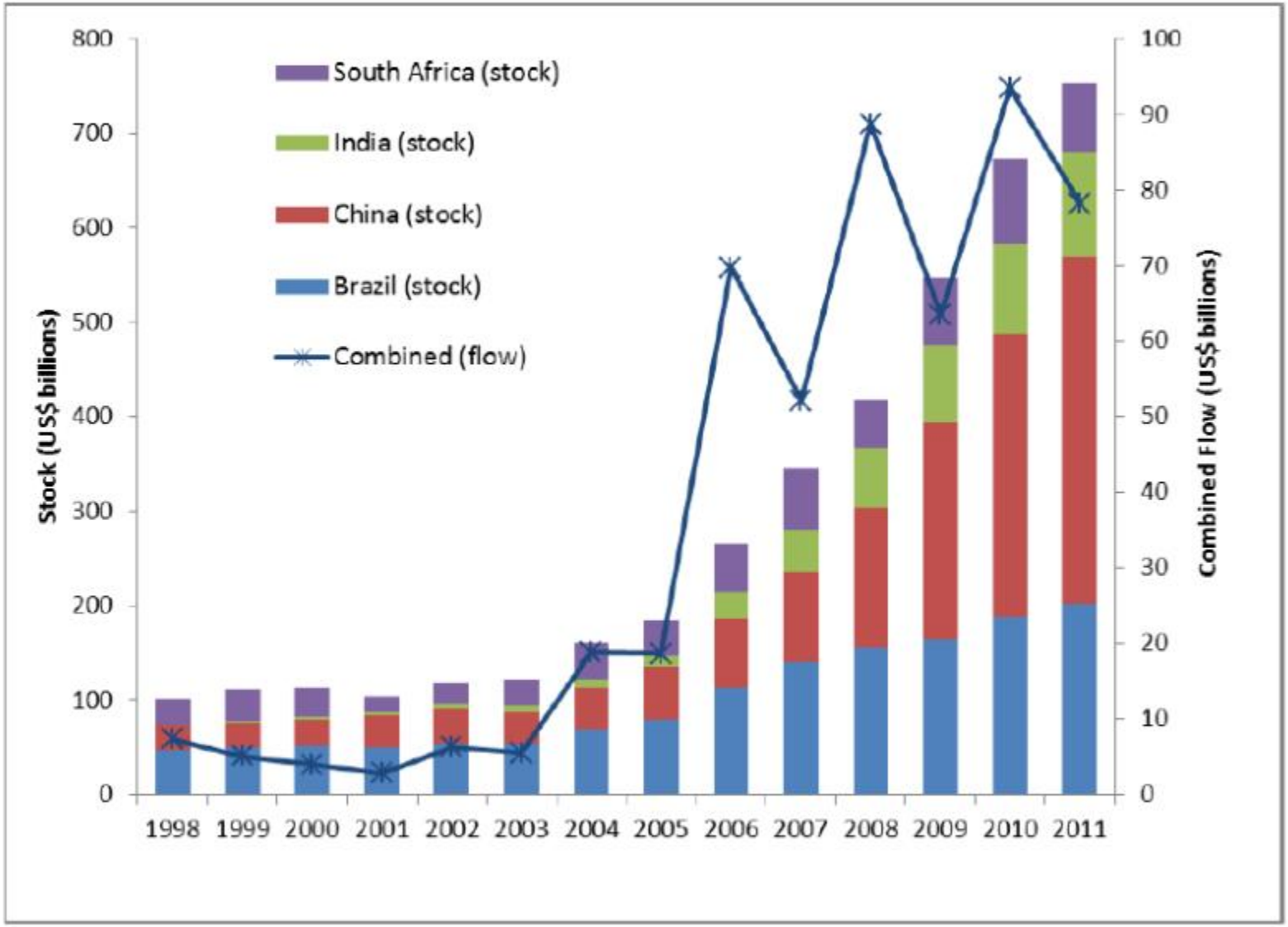
Billions of USD, current exchange rates, yearly averages



IMF, Balance of Payments Database, June 2013. See chapter notes.

Fonte: OECD Science, Technology and Industry Scoreboard 2013

Figure 1: Stock of Outward Foreign Direct Investment (OFDI) from Four Emerging Economies and Combined OFDI Flows, 1998–2011

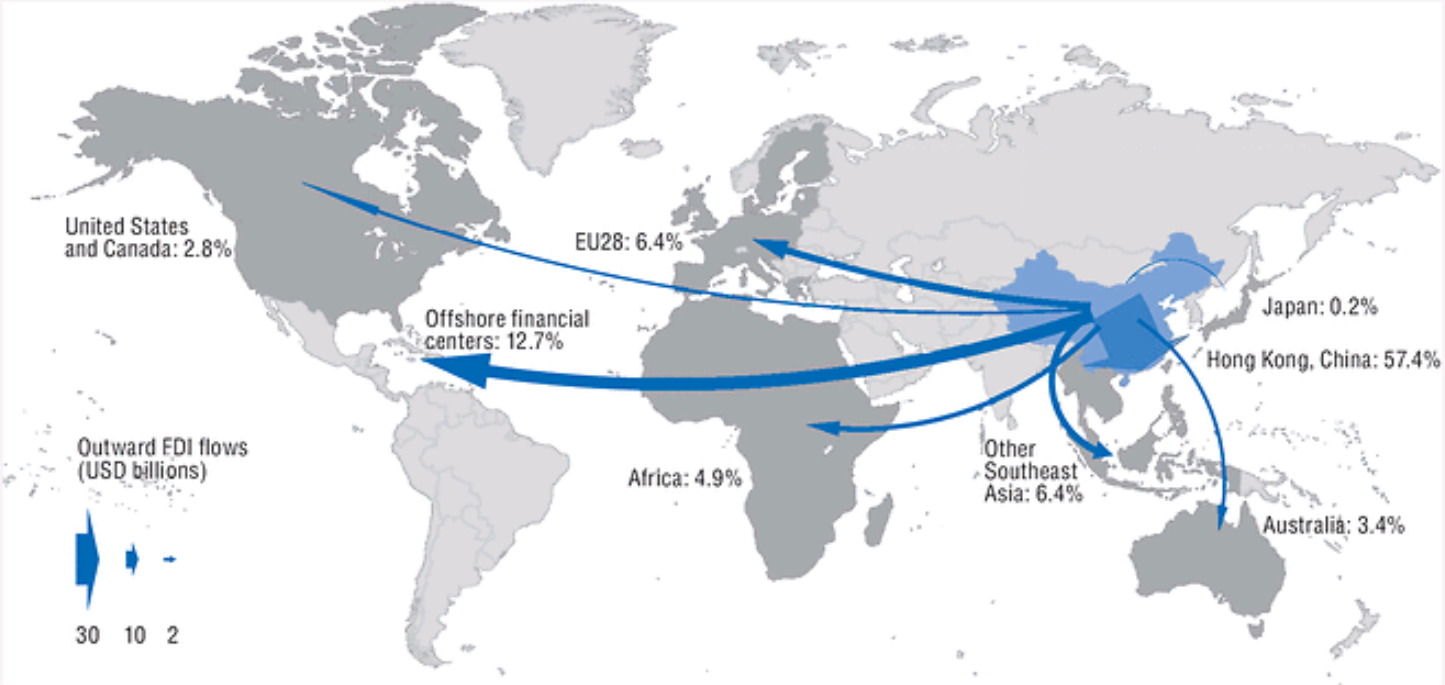


Source: WRI IFFE, based on data from UnctadStat (2012). http://unctad.org/en/Pages/Statistics.aspx.

CHINA

Outward foreign direct investment flows from China, yearly average 2007-11

USD billions at current exchange rates



OECD calculations based on Chinese Ministry of Commerce, *Statistical Bulletin of China's Outward Foreign Direct Investment 2011*. Map source: ARTICQUE© – all rights reserved. See chapter notes.

Statlink http://dx.doi.org/10.1787/888932889972

Thirty largest companies ranked by outward FDI

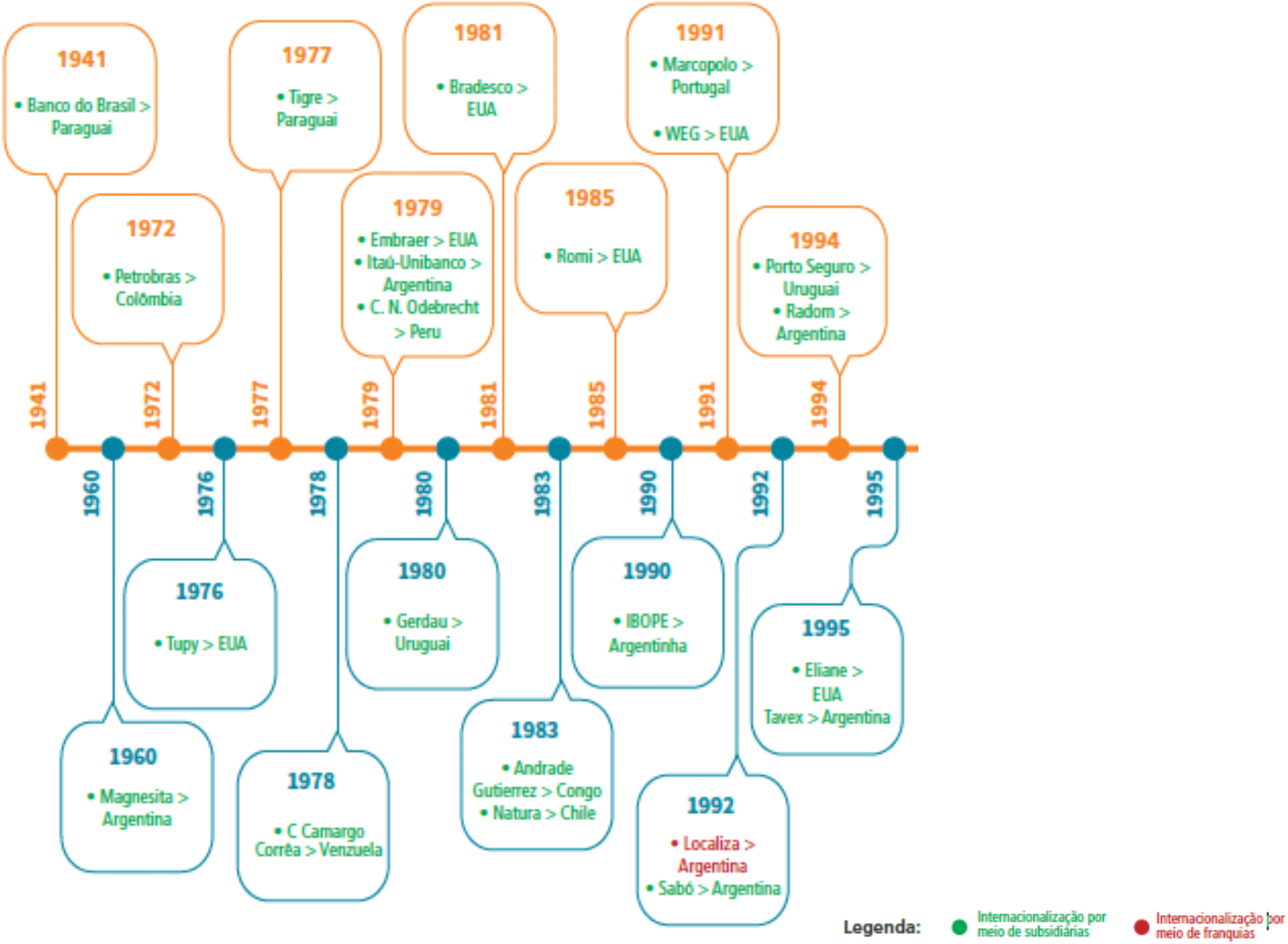
No.	Year 2004	Year 2005	Year 2006
1	China Mobile	China National Petroleum Corp.	China Petrochemical Corp.
2	China National Petroleum Corp.	China National Offshore Oil Corp.	China National Petroleum Corp.
3	China National Offshore Oil Corp.	China Mobile	China National Offshore Oil Corp.
4	China Resources (Holding) Co. Ltd.	China Resources (Holding) Co. Ltd.	China Resources (Holdings) Co. Ltd.
5	COSCO	COSCO	China Mobile
6	CITIC	SINOPEC	COSCO
7	SINOPEC	CITIC	CITIC
8	China Telecom	China Merchant Group	China National Cereals, Oils and Foodstuff
9	Guangdong and Hong Kong Investment	China National Cereal, Oil and Foodstuff	China Merchants Group
10	China Merchant Group	China State Construction Corp.	Sinochem
11	China NetCom	China National Aviation	China State Construction & Engineering
12	China State Construction Corp.	China Telecom	China National Aviation
13	Lenovo Holding	SinoChem	China Telecom
14	China National Aviation	China NetCom	China Shipping
15	China Power Investment	China Shipping	China NetCom
16	China Minmetals	Guangdong and Hong Kong Investment	GDH Limited
17	SinoChem	Shanghai Automotive Industry Corp.	China Power Investment
18	China National Cereal, Oil and Foodstuff	Shum Yip Holding Company	Shanghai Automotive Industry Corp.
19	China Shipping	Lenovo Holding	China National Chemical Corporation
20	Sino Transportation Group	China Power Investment	China Minmetals Corporation
21	Shanghai Automotive Industry Corp.	China Minmetals	Lenovo
22	China Huaneng Group	Sino Transportation Group	Shum Yip Holdings
23	Beijing Orient Electrics Group	TCL	China National Foreign Trade Transportation
24	China World Best Group	Beijing Orient Electrics Group	Huawei Technologies
25	TCL Group	China Huaneng Group	Shanghai Baosteel
26	Guangdong Hangyun Group	China Poly	China Huaneng Group
27	Shanghai Baosteel	Shanghai Baosteel	SinoSteel Corporation
28	Beijing Jade Bird Group	China Shou Gang Group	China Poly Group Corporation
29	China Nonferrous Metal Mining Group	China Nonferrous Metal Mining Group	China Nonferrous Metal Mining & Construction
30	China Road and Bridge Corp.	China North Industrial Group	Haier Group

Data sources: China FDI Statistics Report, Ministry of Commerce and China Statistics Bureau.

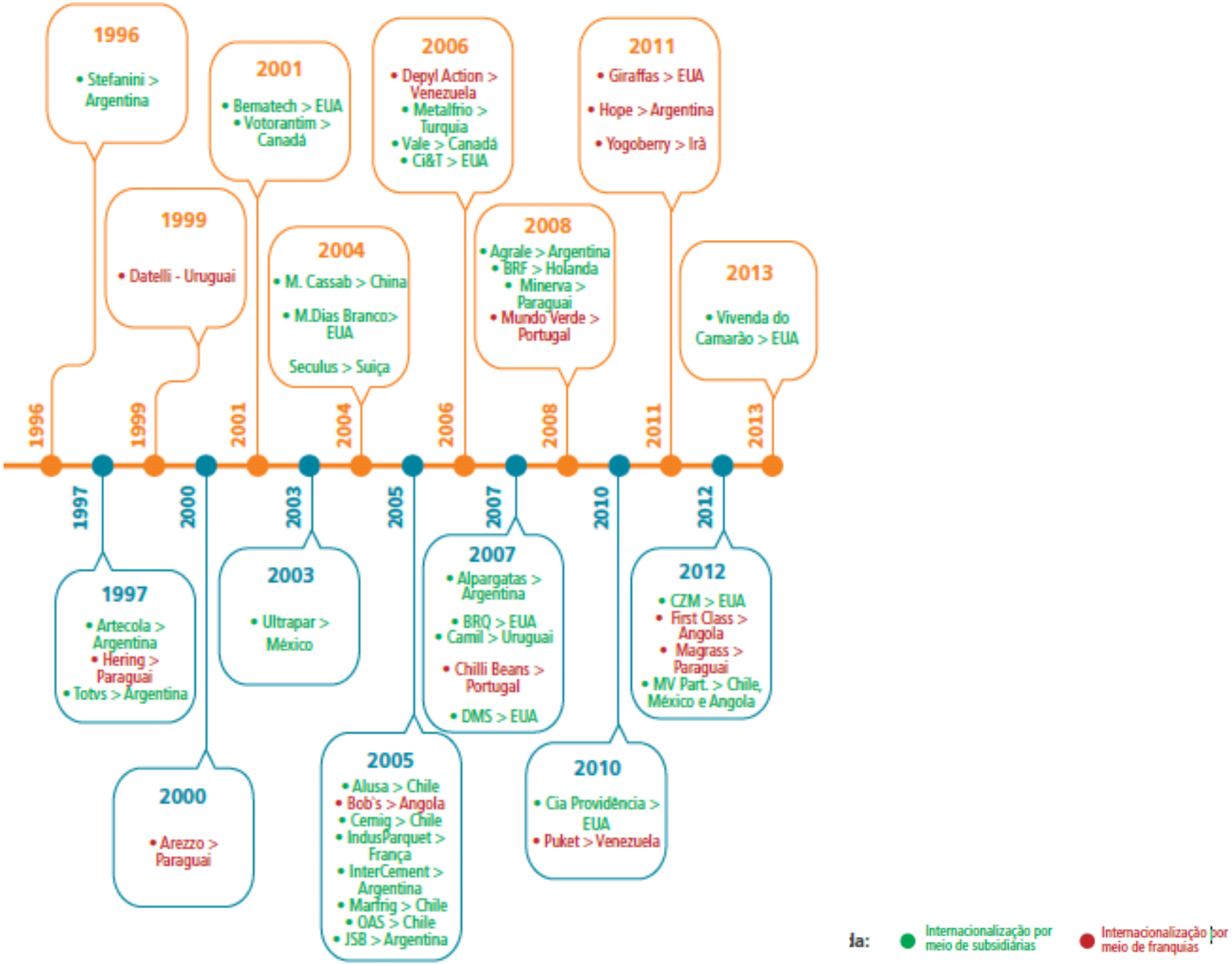
Morck, R. et. Al. Perspectives on China's outward FDI. Journal of International Business Studies (2008) 39, 337-350

BRASIL

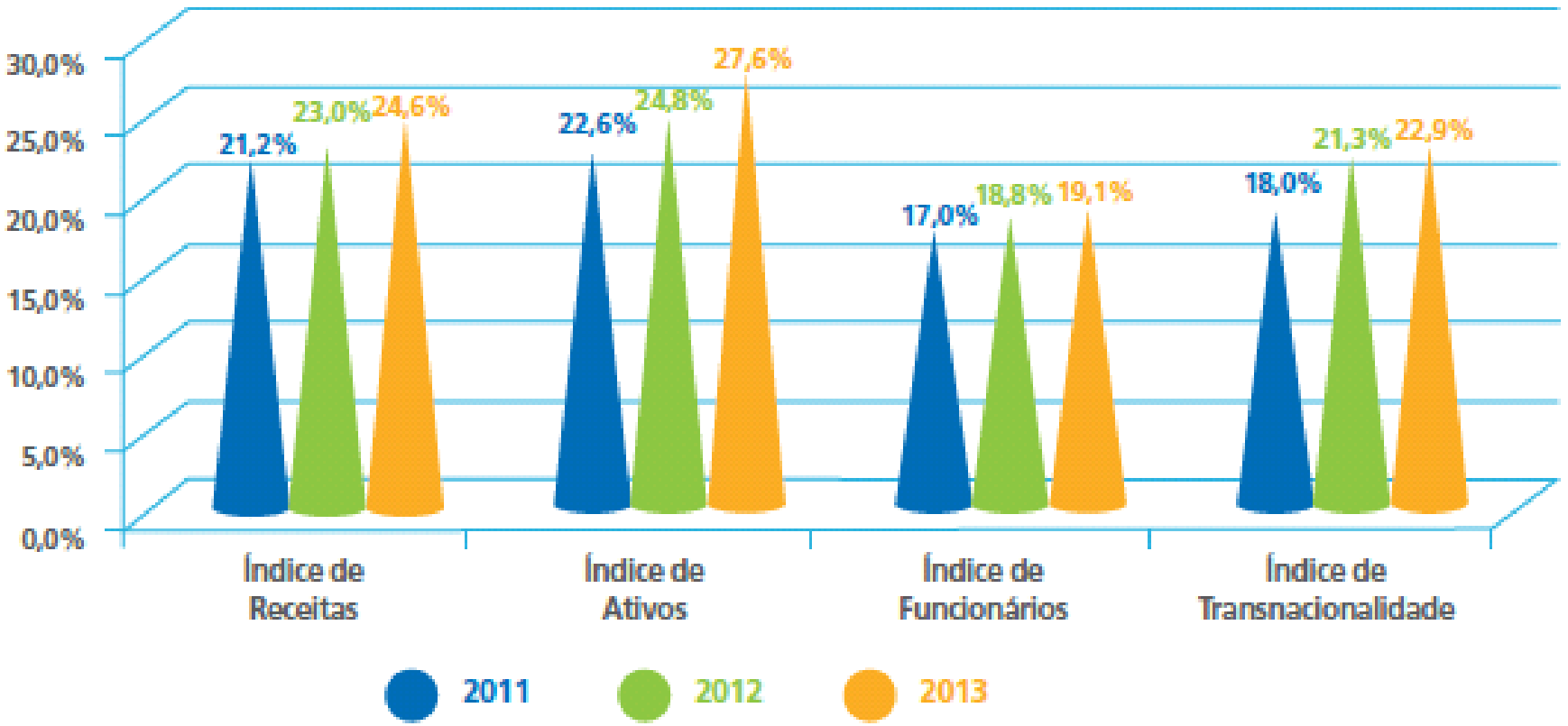
Linha do Tempo (FDC, 2014)



Linha do Tempo (FDC, 2014)



Evolução dos índices de internacionalização médios



Fonte: Ranking FDC das Multinacionais Brasileiras 2014

Characteristics of outward FDI from Brazil

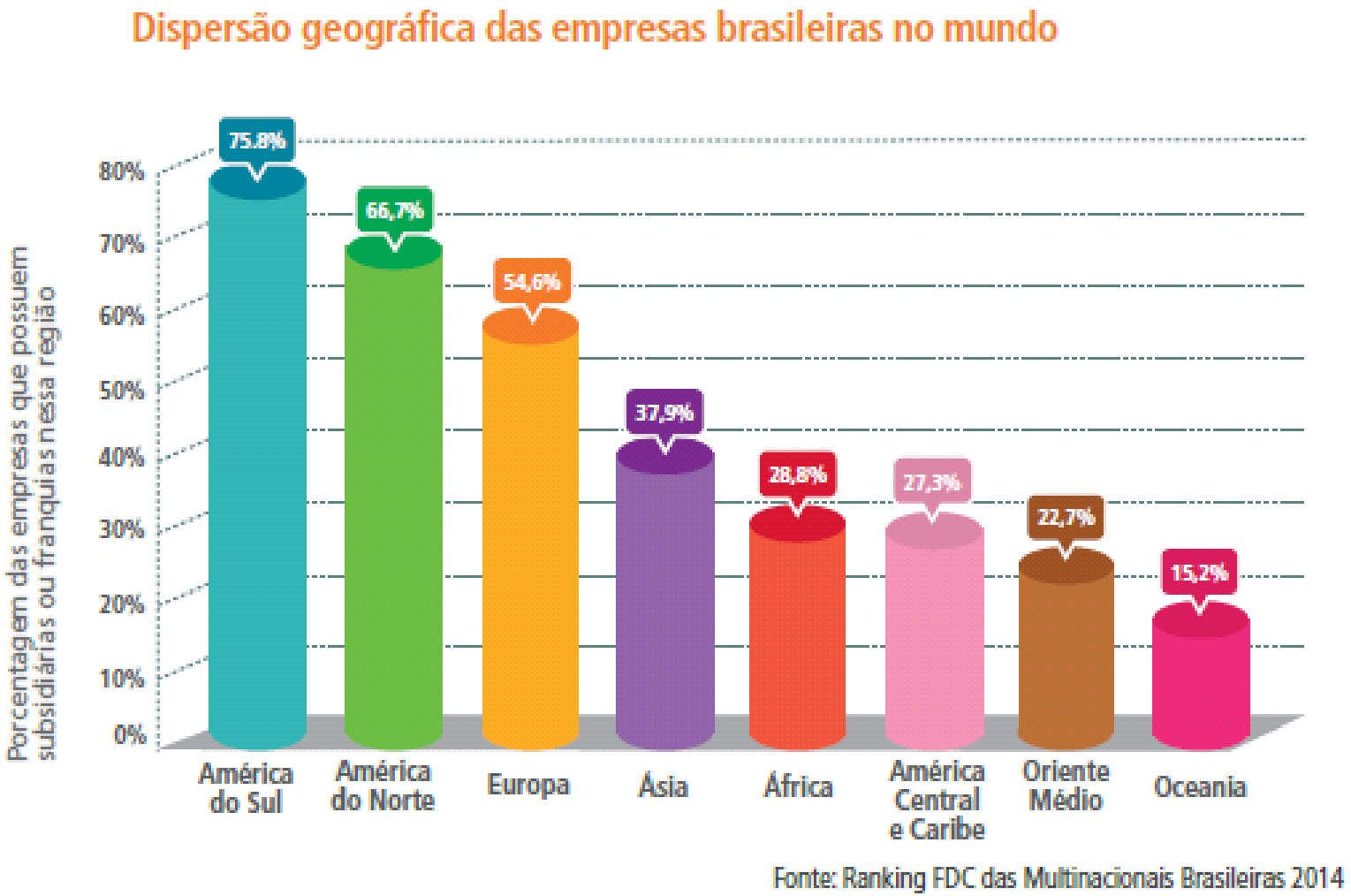
- Despite its relative novelty, the internationalization of Brazilian companies has achieved a wide geographic spread

Source: Columbia FDI Perspectives - The growth of Brazil's direct investment abroad and the challenges it faces
By Luís Afonso Lima and Octavio de Barros (2011)

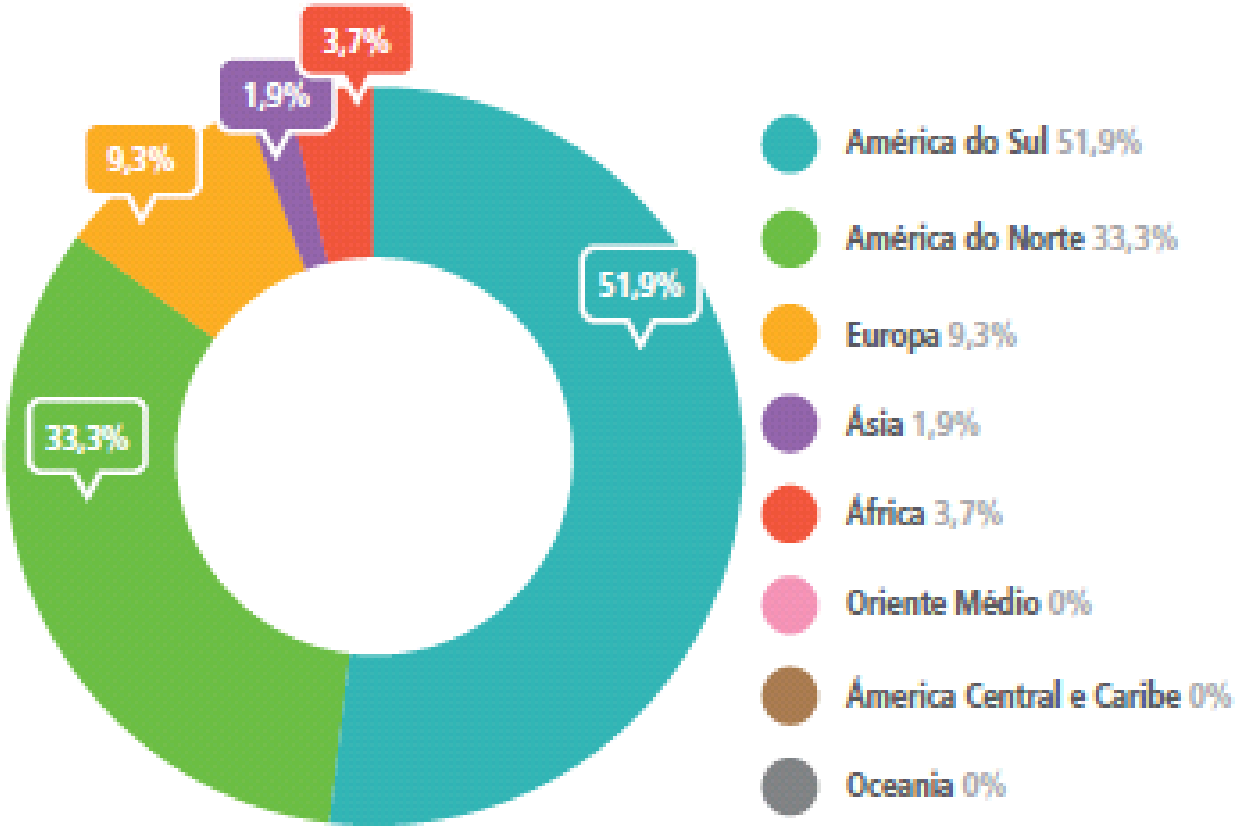
- Brazilian OFDI can today be found in 89 countries

Source: FDC Ranking, 2014

Onde elas estão?

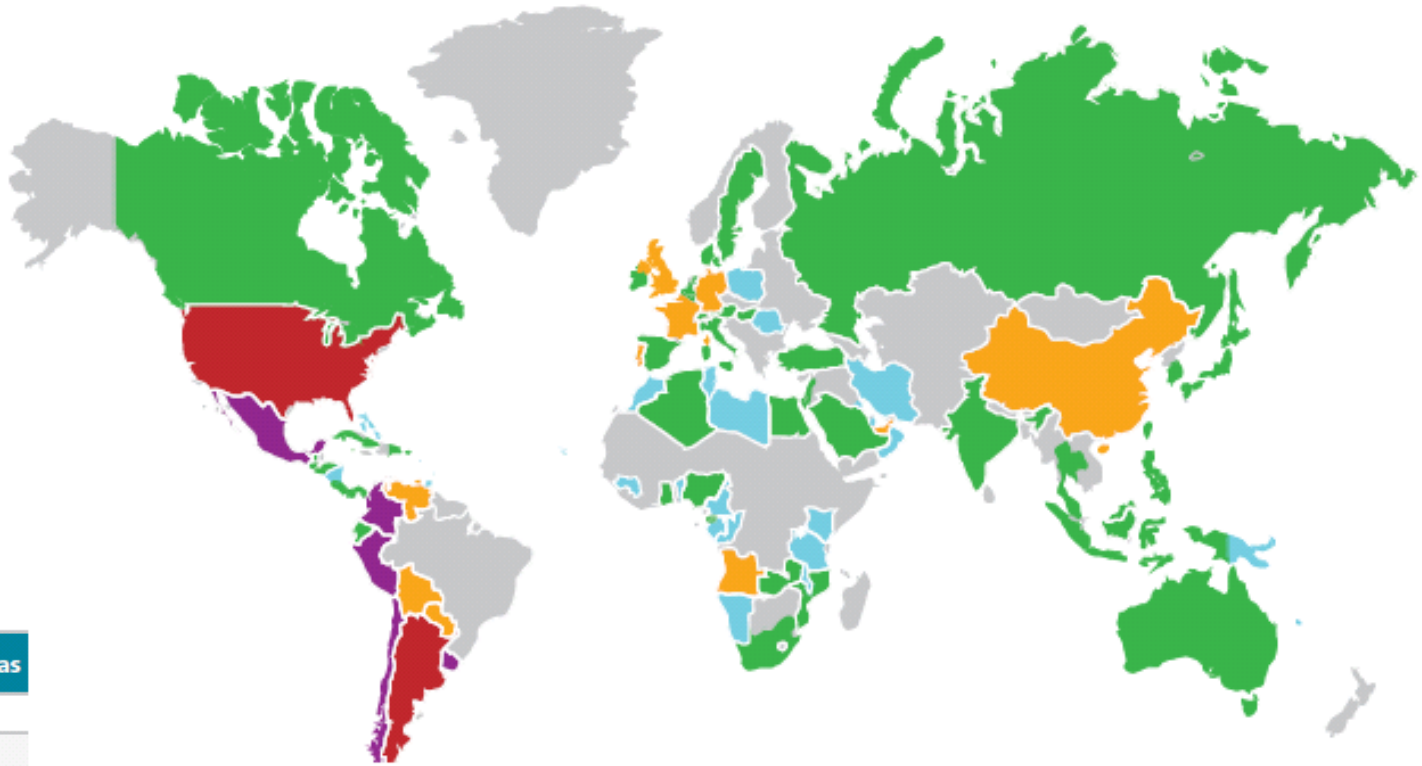


País da primeira subsidiária no exterior



Fonte: Ranking FDC das Multinacionais Brasileiras 2014

Dispersão geográfica das multinacionais brasileiras



País	Número de empresas
Estados Unidos	39
Argentina	33
Chile	28
Uruguai	24
Colômbia	23
Perú	23
México	22
China	19
Venezuela	16
Paraguai	15
Portugal	15
Bolívia	14
Reino Unido	14

Número de empresas no país	Número de países
mais de 30 empresas	2
21 - 30 empresas	5
11 - 20 empresas	10

Número de empresas no país	Número de países
2 - 10 empresas	46
Apenas 1 empresa	26
Nenhuma empresa	demais países

Fonte: Ranking FDC das Multinacionais Brasileiras 2014

Interessante

- Some cosmetics, agribusiness and industrial companies failure in (first) expansion to Latin American - These companies may experience the “psychic distance paradox” (O’Grady and Lane, 1996).
- Conversely, many Brazilian companies, such as agribusiness and construction companies, were very successful in expanding to psychically distant markets in the Middle East

Cyrino et al. 2010

Ranking 2013 das Multinacionais Brasileiras mais internacionalizadas – por número de países de atuação

Posição	Empresa	Número de Países
1	Vale	31
2	Odebrecht	28
3	Stefanini	27
4	Weg	25
5	Marcopolo	24
5	Banco do Brasil	24
6	Magnesita	19
6	Gerdau	19
6	BRF	19
6	Itaú - Unibanco	19
7	JBS	17
7	Andrade Gutierrez	17
7	Grupo Camargo Corrêa	17
8	Marfrig	16
8	Votorantim	16
9	Petrobras	14
10	Ibope	13

Fonte: *Ranking FDC das Multinacior*

Tabela 02 - Ranking FDC das Multinacionais Brasileiras – por número de países em que a empresa possui subsidiárias

Posição	Empresa	Número de Países
1	Stefanini	32
2	WEG	31
3	Vale	27
4	Marcopolo	25
5	Banco do Brasil	24
6	Magnesita	22
7	Votorantim	21
8	Andrade Gutierrez	20
9	BRF	19
9	Gerdau	19
9	Itaú-Unibanco	19
10	IBOPE	17
10	Construtora Norberto Odebrecht	17
10	Petrobras	17

Ranking FDC das Multinacionais Brasileiras 2014

Tabela 06

Posição	Empresa	Índice de Transnacionalidade
1	Construtora Norberto Odebrecht	0,549
2	Gerdau	0,547
3	InterCement	0,539
4	Stefanini	0,537
5	Metalfrio	0,530
6	Magnesita	0,527
7	Marfrig	0,522
8	JBS	0,499
9	Artecola	0,397
10	IBOPE	0,390
11	Sabó	0,387
12	Tupy	0,375
13	Tavex Santista	0,369
14	Minerva Foods	0,343
15	Votorantim	0,339
16	DMS Logistics	0,320
17	OAS	0,305
18	BRF	0,293
19	Vale	0,290
20	Tigre	0,289

Tabela 01 - Ranking FDC das Multinacionais Brasileiras com faturamento total de até R$ 1 bilhão – por índice de internacionalização

Posição	Empresa	Índice de Transnacionalidade
1	Metalfrio	0,530
2	Artecola	0,397
3	IBOPE	0,390
4	Sabó	0,387
5	DMS Logistics	0,320
6	CZM	0,234
7	IndusParquet	0,206
8	Cia Providência	0,169
9	Indústrias Romi	0,157
10	Ci&T	0,152

Fonte: Ranking FDC das Multinacionais Brasileiras 2014

Why are more and more Brazilian companies going abroad?

- following clients into international markets
- defending their competitive position,
- monitoring the competition in international markets,
- meeting international demand
- reducing their dependence on a single (domestic) market.
- interested in natural resources.
- looking for lower costs, better infrastructure and more attractive fiscal incentives.

Atividade:

- Criem um slide com considerações finais da aula de hoje