Centre for Economic and Regional Studies of the Hungarian Academy of Sciences – Institute of World Economics
MTA Közgazdaság- és Regionális Tudományi Kutatóközpont Világgazdasági Intézet

**Working paper 231.**

**September 2017**

*Judit Ricz*

# BRAZILIAN COMPANIES GOING GLOBAL

***Home country push factors of Brazilian multinational enterprises' (BMNEs') investments, general characteristics and tendencies of their investments in the European, especially East Central European (ECE) region***

WP

Centre for Economic and Regional Studies HAS Institute of World Economics
Working Paper Nr. 231 (2017) 1–46. September 2017

# Brazilian companies going global[1]

***Home country push factors of Brazilian multinational enterprises' (BMNEs') investments, general characteristics and tendencies of their investments in the European, especially East Central European (ECE) region***

Author:

Judit Ricz

research fellow
Institute of World Economics
Centre for Economic and Regional Studies Hungarian Academy of Sciences
email: ricz.judit@krtk.mta.hu



ISSN 1215-5241
ISBN 978-963-301-651-0

[1] This paper was written in the framework of the research project "Non-European emerging-market multinational enterprises in East Central Europe" (K-120053), supported by the National Research, Development and Innovation Office (NKFIH).

**Centre for Economic and Regional Studies HAS**
**Institute of World Economics**
Working Paper 231 (2017) 1– 46. September 2017

# Brazilian companies going global

***Home country push factors of Brazilian multinational enterprises' (BMNEs') investments, general characteristics and tendencies of their investments in the European, especially East Central European (ECE) region***

Judit Ricz[2]

**Abstract**

Recently we have seen a fundamental shift in the news regarding Brazilian multinational companies: as long as during the 2000s their successful expansion into global markets was celebrated, today their involvement in the widespread corruption scandal, originating from the kickback scheme (via systematic overpricing of contracts) from Petrobras is on a daily basis in the newspapers. The paper aims to analyse the going global strategy of Brazilian firms, with special emphasis on the home country push factors. After a general panorama on the numbers and main players, we look at the main driving forces behind the international expansion strategy (incl. government policies to support the internationalization of Brazilian MNEs), as well as the various obstacles Brazilian companies have faced on their dumpy road towards the global markets. Then we look at the main destinations of Brazil's outward FDI, and analyse their localization strategies, with a special focus on the role of Europe (more specifically the Eastern Central European region). We provide some preliminary findings on the Brazilian companies present in the ECE region (especially in Hungary), while also try to reveal some region-specific driving forces and obstacles that might lie beyond the numbers.

*JEL*: F21, F23, G11

*Keywords*: Brazilian multinationals, internationalization strategy, OFDI

## 1. Introduction

Several Brazilian multinational companies have appeared in the headlines of international media during the recent years (since 2014). This was however much less glorious news then back in the 2000s, when their rise and breakthrough into the global markets was celebrated. More recently it is the widespread corruption scandal, the kickback scheme (via systematic overpricing of contracts) from Petrobras, the national

[2] research fellow, Centre for Economic and Regional Studies of the Hungarian Academy of Sciences Institute of World Economics, Budaörsi út 45, H-1112 Budapest, Hungary Email: ricz.judit@krtk.mta.hu

oil giant and other large companies (such as the Odebrecht and JBS) to political elites and parties in Brazil, the main reason why these companies are getting currently into the headlines of newspapers (even in international media).

Back in the 2000s the situation was rather different: amid a rather prosperous and conducive external environment there was a fundamental shift in Brazilian economic policies, and outward orientation becoming the "name of the game" and has determined Brazil's new attitude towards the global market. Several large Brazilian companies became prominent actors on the global level (*global players*), such as Petrobras (the national oil giant), Odebrecht (construction company), JBS (the meat processing company) or even Embraer (the aircraft manufacturer). There were even Brazilian brands that became known globally (such as the Havaianas). This move of Brazilian companies entering the global market was driven on the one hand by a dynamically ascending Brazilian economy and on the other hand by a deliberate economic policy change. President Lula urged already in 2003 the internationalization of Brazilian companies, and several measures and instruments were put into force to help the aim of Brazilian companies "going global".

By 2017 these days seem to have gone, and it is not just the corruption scandal that is weakening the current position of large Brazilian companies, but also the economic and political changes, within and outside Brazil, which we also shortly address in our outlook at the end of the paper. The main aim of this study is however to map the driving forces (push factors) behind the successful international expansion strategy of Brazilian EMNEs during the 2000s, thus the main focus is on the first one and a half decade after the Millennium (with data available at the writing of this paper until 2015). The paper also gives an overview on the localization strategies of Brazilian companies, with a special focus on the European market, while due to lack of data and the initial phase of the research we will only provide some preliminary impressions on their presence in the ECE region (which will be analysed deeper in an upcoming phase of the research project – also supported by primary data collection).

The paper is in five parts: after this introduction we shortly present golden age of the 2000s, when numerous large Brazilian companies successfully expanded to global markets through acquisitions and/or greenfield investments, but often relying on the support from the government. After a panorama on the numbers and main players, we look at the main driving forces behind the international expansion strategy (incl. government policies to support the internationalization of Brazilian MNEs), as well as the various obstacles Brazilian companies have faced on their dumpy road. In the third section we turn towards the main destinations of Brazil's outward FDI, while analysing the localization strategies we focus on the role of Europe (more specifically the European Union), and try to differentiate between the Western European region (with more traditional ties towards Latin America in general, and towards Brazil especially) and the Eastern Central European (ECE) region. In the following sections we focus on the ECE region to find out the general pattern and recent trends (10-15 years) of incoming FDI flows from Brazil. Especially we provide some preliminary findings on the Brazilian companies present in the ECE region (with a special focus on Hungary), while also trying to reveal some region-specific driving forces and obstacles that might lie beyond the numbers. In the fourth part we provide an outlook on the most recent period and finally conclude.

## 2. Brazilian MNEs going global

Brazil is the fifth largest country both by area and population and the ninth largest economy in the world by nominal GDP (and the eights largest by purchasing power parity). Brazils is the leading economy of South America, a prominent member of the elite club of emerging economies, the BRICS (Brazil, Russia, India, China and South Africa), and at least during the first decade of the twenty-first century it has shown strong ambitions and geopolitical aspirations to become a leader of the Global South.

Even though during the recent years the global aspirations of Brazil have been faded, and the country has turned towards problems arising domestically, it has submitted a formal request to join the OECD in May 2017, signalling its ongoing commitment to get into the club of the more developed countries.

An important aspect of the ascendance of the Brazilian economy and development during the 2000s has been the emergence of outward FDI flows from Brazil to conquer in international markets.

## 2.1 Brazilian companies investing abroad

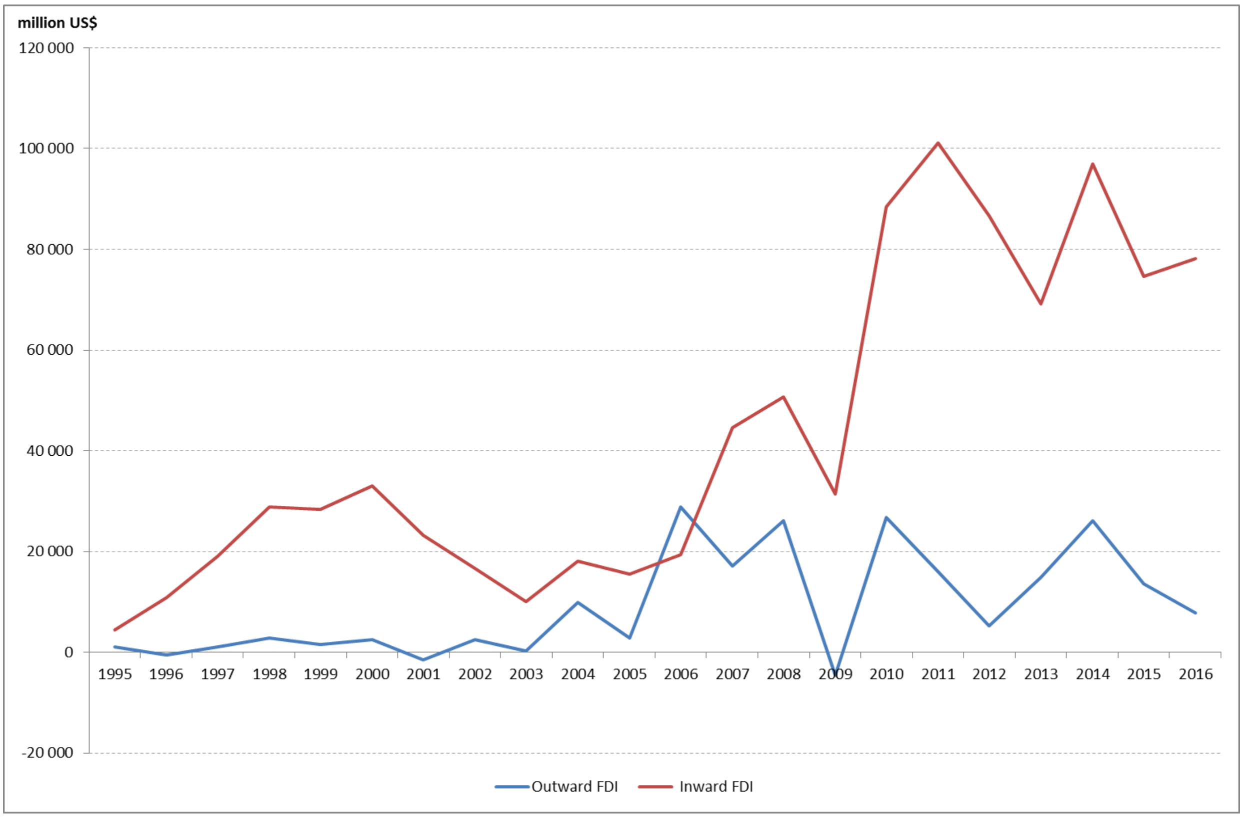
Historically Brazilian companies (both state- and privately-owned ones) were rather focusing on local (and regional) markets. There is a complexity of reasons beyond this, but the long period of import substitution industrialization and the large domestic market as well as the abundance of natural resources have without doubt played important roles. As a result Brazilian companies in general have had little incentive (and often also important competitiveness constraints) to expand to foreign markets. This picture has changed significantly in the early 2000s, when the boom in outward foreign direct investment started and marked the beginning of a new era.

As it can be seen from the data (Figure 1) in the mid of the 90s, after the economic stabilization and market-oriented reforms, Brazil emerged as an important recipient of FDI flows. It was however only after 2003 when Brazil became a significant investor abroad – in parallel with emerging countries. Outward FDI flows from Brazil started to gain momentum as a result of several (coinciding) events. First, in economic front the export boom (based mainly of primary commodities export) generated increasing trade surplus, and this hand in hand with large flows of incoming FDI and the appreciation of the Real (the Brazilian currency), have boosted foreign exchange reserves, which has meant a favourable scenario for Brazilian firms to invest abroad. Mostly export-led Brazilian companies in industries, where Brazil traditionally enjoyed competitive advantages (such as iron ore, steel, meat, soybeans, etc.) have benefitted from improved access to domestic financial markets for financing their (mainly) market-seeking investments abroad (Campanario et al., 2012). In more general terms, the global market opportunities have also favoured these firms, as commodity prices were booming, fuelled by increasing demand from China, and led to (overly) optimistic atmosphere in global markets and rising investor's confidence. Not surprisingly, looking at the sectorial division we can see an increase towards the natural resources sector (metals, mining, oil, gas and steel) (Resende et al., 2010).

The words of Karl P. Sauvant, the Director of UNCTAD's Investment Division, are indicative in this regard. He argued in 2004, that "*while Brazil has succeeded in attracting sizeable amounts of FDI in the past, it's only now that investment abroad by Brazilian TNCs appears poised to take off*" (UNCTAD, 2004:2).

Second, on the policy front, these favourable economic conditions were accompanied by a fundamental shift in Brazilian policy attitude toward global markets (Casanova – Kassum, 2014:68). This can be best illustrated with the address of the former Brazilian President, Lula urging Brazilian companies to go global in 2003 (at a meeting of the Portuguese Industrial Association in Lisbon): *"It is time for Brazilian businessmen to abandon their fear of becoming multinational businessmen"* (UNCTAD, 2004:1).

**Figure 1: Inward and outward Foreign Direct Investment flows in Brazil (1995-2016, million US$)**




*Source:* own construction based on BCB data

Text box 1:

*Notes on OFDI data in Brazil*

The usual caveat on FDI data availability and reliability should be complemented in the case of Brazil by several notes. First, we highlight that fiscal regulations in Brazil tend to induce investments in tax heavens to escape the regulations and tax obligations (that are one of the most complicated and highest in the world), and this may significantly distort official data. Secondly, the Brazilian Central Bank (BCB) is considering every transaction resulting in a more than 10% ownership share as foreign direct investment, independently of its final aim, and this might also distort OFDI (and also portfolio investment) data.

Furthermore we have cross checked available Brazilian OFDI data from the different sources, and the data from BCB, UNCTAD (United Nations Conference on Trade and Development), IMF (International Monetary Fund) and WDI (World Development Indicators published by the World Bank) are mostly identical for Brazilian IFDI and OFDI stocks and flows: however for the last 5 years (from 2011), the UNCTAD has recorded significantly lower records of OFDI from Brazil, than the BCB and other sources (see following table).

Table 1: OFDI flows from Brazil (2010-2016, million US dollars): divergence between BCB and UNCTAD data

| | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
|---|---|---|---|---|---|---|---|
| **BCB** | 26763 | 16067 | 5208 | 14942 | 26040 | 13518 | 7815 |
| **UNCTAD** | 22060 | 11062 | -5301 | -1180 | 2230 | 3092 | -12434 |

Most recent trends mi
ght however probably better tracked by UNCTAD, as there seems to be consensus among analysts on the divestment activities of most important Brazilian MNEs under crises (Sheng – Carrera, 2017).

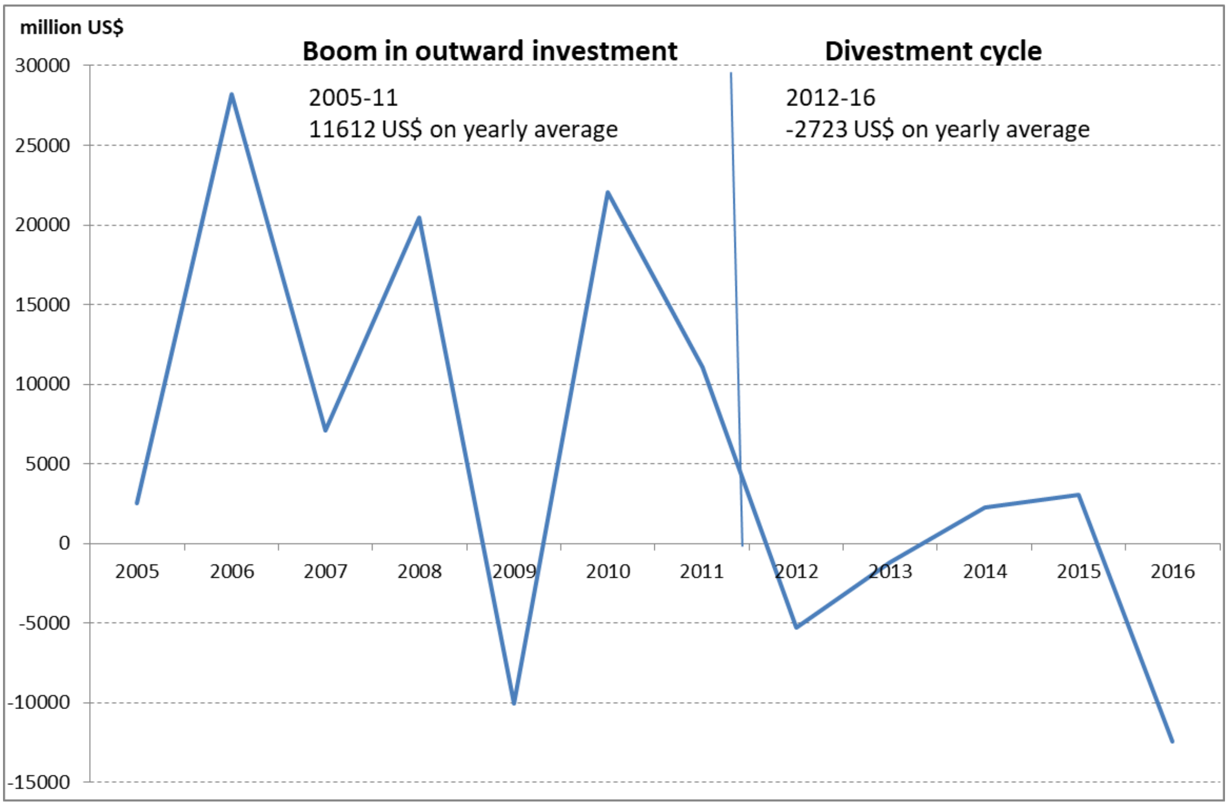
It can be revealed from the data, that in 2006 the total Brazilian Direct Investments abroad outweighed the incoming Foreign Direct Investments in Brazil. An unprecedented event, showing the internationalization process of a country that explicitly aimed at consolidating its position as a global player also regarding its outward direct investment flows. However, this was an exceptional year, and this performance can easily be explained by the Vale's acquisition of the Canadian Inco for an estimated 17 billion US dollars (Resende et al, 2010:99).

It is not unique however that yearly amounts of Brazilian OFDI are dominated by one or two transactions of the given year[3], as indicated also by the relative low volume – most of all in the early 2000s – and relative high year-to-year volatility. Outward investment flows surpassed the 10 billion dollar threshold in 2006 in Brazil, with an average being below 1 billion dollars between 2000 and 2003 on a yearly basis, while between 2004 and 2008 the average jumped close to 17 billion (BCB, 2017).

Furthermore, and also less surprisingly OFDI trends of Brazilian companies tend to highly correlate with the general economic trends of Brazil. It is straightforward to see how OFDI became negative as a response to the 2009 financial crisis, as foreign affiliates of Brazilian multinational enterprises started to repatriate capital to their parent firms mainly via intra-firm lending. Similar – divestment – tendencies can be captured during the last years, as the economic crisis evolves (even though data is inconclusive in this regard, see table 1 in textbox 1).

[3] In 2004 for example the merger between Ambev (a Brazilian drinks group) and Interbrew (a Belgium-based brewer) with its value of 5 million US dollars has accounted for more than the half of that year's total Brazilian OFDI (with increased intra-company loans also accounting for 22 % of total outward flows that year) (UNCTAD, 2004).

**Figure 2: Cycles of OFDI in Brazil (2005-2016, million US$)**




*Source:* own construction based on UNCTAD data

Historically Brazilian firms tended to open up commercial offices to support their export activities as their first steps to expand abroad. During the early 2000s greenfield investments were the preferred mode of entry in foreign markets by Brazilian forms, mainly in the mining and energy industry (with Petrobras leading the row by overseas energy investments, but even the Ambev entered into other Latin American markets via greenfield investment – mainly for market-seeking reasons) (Sauvant, 2006:344). This trend has changed significantly and with OFDI flows gaining momentum by 2006 cross border mergers and acquisitions became the main form of Brazilian companies' foreign investments.

### 2.2 Are the largest Brazilian companies also the most globalized ones?

Looking at the largest Brazilian firms, it is easy to see that these have done undoubtedly well during the first decade of the new Millennium. As long as in 2003 there have been only four Brazilian companies in the world's top 500 largest companies (by revenues), in 2013 this number totalled to 8, though in 2016 this went back to 7[4].

However not all of these large companies qualify as multinationals, as some of them have rather limited presence in overseas markets. Looking at the list of top 20 Brazilian multinationals (published annually by Columbia Center on Sustainable Investment as part of their Emerging Market Global Players (EMGP) Project), we can see that Vale is on the top of the list, if looking at foreign assets abroad, and JBS is the first if looking at foreign sales or employees. Both are ahead of the largest Brazilian energy giant, the semi-state-owned Petrobras. But looking at rankings of major Brazilian companies by the transnationality index[5] (published by Fundação Dom Cabral – FDC[6]) on the first seven places names of companies appear, that are often less known internationally, and that have rarely if at all appeared in the rankings of the largest companies, such as the Fitesa (hygiene business[7]), Iochpe-Maxion (equipments and parts), CZM (equipment and parts), Intercement (cement industry), Stefanini (software company), Artecola (petrochemicals), and Gerdau (steel producer) (FDC, 2016:53). At the same time internationally well-known Brazilian multinationals, such as JBS, Vale and Embraer only follow at the 8th, 18th and 24th places respectively. For some reason Petrobras is missing from the 2016 list, however in 2014 it has only made on the 38th place.

[4] http://fortune.com/global500/

[5] The transnationality index was originally developed by UNCTAD, and is calculated as the arithmetic mean of the ratio of foreign assets to total assets, the ratio of foreign sales to total sales and the ratio of foreign employment to total employment.

[6] FDC is a Brazilian non-profit organization providing a ranking and analysis of the internationalization of Brazilian companies every year since 2006. In the 2016 report the sample covered 64 companies.

[7] Fitese is manufacturing nonwoven fabrics for use in hygiene, medical and industrial specialty applications.

Text box 2:

*The predominant organizational structure for businesses in Brazil: family ownership and semi- or minority state-ownership*

To better understand why it has taken so long for Brazilian companies to turn towards the global markets, one has to take a look at the specificities of the Brazilian – or in more general the continent-wide Latin American – context, that has paved the trajectories of these Brazilian firms during the last century[8]. During the era of import substitution industrialization the Brazilian market was dominated by large family-owned conglomerates and huge state-owned enterprises, that were forced to operate in a very protected market, with high tariffs and underdeveloped capital markets. Mostly protected from any kind of competition, these firms were less under the pressure to constantly increase productivity, more often than not with inadequate levels of research and development and inherently risk-averse cultures, prone to a historically turbulent political and economic climate (Ramamurti, 2012; Santiso, 2013; Casanova – Kassum, 2014)

At the same time the corporate structure of Brazil is dominated by a handsome of very large companies, the emerging giants (also called national champions), while there is a relative scarcity of average sized Brazilian companies, that could qualify as "to-be-multilatinas". The ten largest Brazilian companies accounted for 40% of the accumulated revenues of the top 100 Brazilian firms, while on the global level the same concentration was barely 20% (Casanova – Kassum, 2014:73).

State-ownership has been historically significant in the strategic sectors of the Brazilian economy, and even after several phases of privatization, state influence stayed unusually strong, albeit rather in the form of minority shareholding, and other indirect forms (Musacchio-Lazzarini, 2014; Ricz, 2017). In the same vein family ownership has also a long tradition in Brazil, although by today these are more often than not organized in diversified conglomerates (Casanova, 2016:32; Perez-Lluch, 2016). Family businesses still represent a dominant organizational structure in Brazil (examples are numerous, here we only note a few names, that might sound familiar to the Reader, as most of them are involved in the huge corruption scandal: Norberto Odebrecht, or the JBS, owned by Joesley and Wesley Batista, or the conglomerate of Andrade Gutierez (founded in 1948 in Belo Horizonte, in the region of Minas Gerais by the Andrade and Gutierrez families), and the list goes on with Gerdau, WEG, etc. But we could also mention the InBev – formerly Ambev – goes back to the merger and acquisition of several former family-founded breweries in Brazil, before it started its transnationalization process).

[8] The story started however much earlier, as we should go back to the 19th century, or even to the colonialization to show how the rules and interests of the Portuguese empire have influenced the economic structures in Brazil.

All in all, our look at the largest and the most internationalized Brazilian companies reveals an important insight, which is in line with the results of Casanova and Kassum (2014:79): "*the biggest Brazilian companies are not necessarily very internationalized, while the most internationalized Brazilian companies are not necessarily very big.*"

This statement might be however a little bit misleading, as the Brazilian companies most active abroad, are still larger firms, even if not necessarily the biggest ones. Small and medium-sized Brazilian enterprises were still having very low participation in foreign markets as compared to larger firms in 2015 (Sheng – Carrera, 2016:12). As we shall see in a later section, most public policies have also been biased towards promoting the internationalization of larger firms. There have been no special aims and measures to support SME's activities abroad, and the smaller firms were rather disadvantaged not only regarding their outward focused activities, but also in the domestic market.

### 2.3 Drivers of internationalization

While mapping the drivers of internationalization of Brazilian MNEs, it is worth to remember the specificities of the Brazilian context (and in more general term the Latin American realities), that have been explained in earlier sections: such as the role of family-owned business, and the strong, albeit changing role of state-ownership with direct and indirect state influence, and a somewhat different, but not totally independent characteristic: resource abundance and the role of the primary resources. In the same vein the long historical period of the ISI policies (with a peak in the 60s and 70s) has also left important consequences on the organizational structures and on the operation of companies throughout Latin America, and especially in Brazil.

In Brazil one of the most important economic policy tendency that has influenced the hierarchical structure of its market economy (Schneider, 2013), has been the aim to promote "national champions". These were either state-owned, or (directly or indirectly) state-backed large, specialized domestic firms that were protected from competition and have benefitted from government (export) subsidies and became leaders in their respective industries. These national champions were created and supported to drive the industrialization of the economy and serve as major engines for economic development (including aims such as employment creation, growth promotion and gaining access and prestige in international markets) (Casanova, 2009b).

After the years of liberalization and privatization during the 1990s, many of the former national champions maintained and even improved their leading positons in the Brazilian and international markets. The most-known and cited examples are: Embraer, Vale and Petrobras.

As active industrial policies came back to the agenda during the new governments of the Workers Party (PT) in the early 2003, not only the different types of state influence were maintained and strengthened (via golden shares, indirect state-ownership via pension funds and the national development bank), but also new credit lines were put in operation, to help the internationalization of these national champions (see next section).

### *2.3.1 Historical driving forces*

As presented earlier, the internationalization of Brazilian companies was a sequential process, dating back to the 60s and 70s, and we can differentiate five phases of this process. As the first major home country push factor in the internationalization process of Brazilian companies we look at *broad macroeconomic factors* that have historically determined the ability and desire of Brazilian companies to start operations abroad.

During the first phase in the 60s and 70s some companies started to export and establish operations, mainly in markets with geographical and cultural proximity, the so called “natural market” (composed of Latin America, and some other Spanish or Portuguese speaking countries in Europe and Africa). After the economic miracle years of 1968-73, during the oil crisis and even more so during the lost decade of the 80s the *domestic economic downturn*, falling sales and public investments, most of the large (family-owned) Brazilian companies turned towards abroad, as the only viable expansion strategy. In this period the main driving force for internationalization was the bad and worsening outlook in the domestic market. (Here the classic examples are the operations of Odebrecht in Chile and Peru by the end of the 70s, and in Angola in the early-mid 80s.)

During the second phase on internationalization, the market-oriented reforms (in line with the Washington Consensus) of the 1990s (in fact until 2002) the main tendency was the heightened competition from foreign multinationals investing in Brazil. During this "*competitive shock*" (Casanova-Kassum, 2014:84) Brazilian companies were forced to reorganize their operations, including turning towards foreign financing and pushing forward their international expansion. Thus major push factor this time was the *increasing competition within the domestic market* and the inherent need to raise competitiveness, also via expansion of operations abroad.

The third phase of internationalization of Brazilian companies started around 2002-3, and represents up today the most aggressive and successful period of Brazilian companies' global expansion. Driven by *high commodity process* and *increasing demand* from Asia (mainly China), mostly resource-based companies (such as Petrobras and Vale) executed large-scale acquisitions in neighbouring and more distant (developed and emerging) markets. The most highlighted case was that of the Vale, and its acquisition of the Canadian firm Inco in 2006. This transaction has alone represented 60% of the total Brazilian OFDI flow that year. The *favourable international conditions and rising demand from Asia* have served rather as important *pull factors*, whereas *domestic economic growth*[9], rising sales and public investment have also acted as push factors as these allowed for companies to turn their attention towards international markets (as business has been doing well at home).

It was also during this phase when *public policies* started to effectively drive the internationalization project: President Lula explicitly urged Brazilian companies to go global, and *new BNDES credit lines* were opened and supported by other regulatory measures to stimulate the internationalization of (mainly large) Brazilian companies. For a more detailed description of government policies acting as home country push factors for large Brazilian MNEs see following section.

The fourth phase started with the global financial crisis in 2008, when amid the financial and economic turmoil in the Global North, emerging markets became major

[9] Major Brazilian companies were also driven by the emergence of a new middle class in Brazil (in line with active social policies under the Lula era) and the subsequent increasing demand for consumer products. The food processing JBS-Friboi, or the retailer CBD (Grupo Pão de Açúcar) are good examples, but also Brazilian banks (Banco do Brasil, Bradesco and Itaú-Unibanco) have benefitted from rising levels of consumer credits (Casanova-Kassum, 2014:72).

destinations of FDI flows, and in more general terms the engines of global growth. As a result, major Brazilian firms started to *re-orient their activities from advanced markets, towards emerging markets* or even the domestic market.

Finally, we differentiate a fifth phase[10], starting in 2015, when the economic (and political) crisis in Brazil has culminated and its effects have been adding up. As long as in 2012 and even in 2014 most authors and analysts have been writing about the resilience of Brazilian companies towards economic instability and volatility[11], in 2017 reports (such as of the Emerging Market Global Players (EMGP) Project) already write about *divestment under crises* (Sheng – Carrera, 2017).

At the latest by 2015 and even more so during 2016 the different layers of the ever more complex Brazilian crisis have been adding up: not only the economic downturn (the most severe during modern Brazilian history), but also the Car Wash operation investigating the huge corruption scandal surrounding Petrobras and other major Brazilian firms, and changes in the political leadership and the following economic policy turn, all have resulted in a basically new and complex set of framework conditions, inhibiting most larger Brazilian companies to go on with their internationalization strategies. Most companies affected by the corruption scandal have announced plans to sell foreign subsidiaries and cancel or decrease future investment plans, in order to be able to pay the leniency fees and fines. The most striking example is obviously the Petrobras, which has announced to cut its investment until 2019 by 25% (the equivalent of 32 billion US dollars).

Besides these main broad macroeconomic trends, other, mainly *firm-specific factors* have also stimulated (or constrained) the internationalization of Brazilian MNEs. These, obviously, differ from case to case, but some commonalities can be revealed (Casanova-Kassum, 2014:84-85). First of all, a main motivation of going abroad was the aim to *secure access to natural resources* in foreign markets, and mainly in the case of resource-based companies, such as Petrobras and Vale. Second, in the case of companies at the higher ends of the value chain, the desire was to *better adapt to local needs* and to *better*

[10] The literature writes about four phases, mainly based on the work of Casanova (2009, 2014, 2016), these analysis end however by 2014-2015, exactly at the time, when we date the beginning of last phase.

[11] With catchy wording Casanova-Kassum (2014:85) write about the ability of Brazilian firms to tackle the persistent „*voo de galinha*“, which means something like chicken flight, and refers to short-term economic downturns.

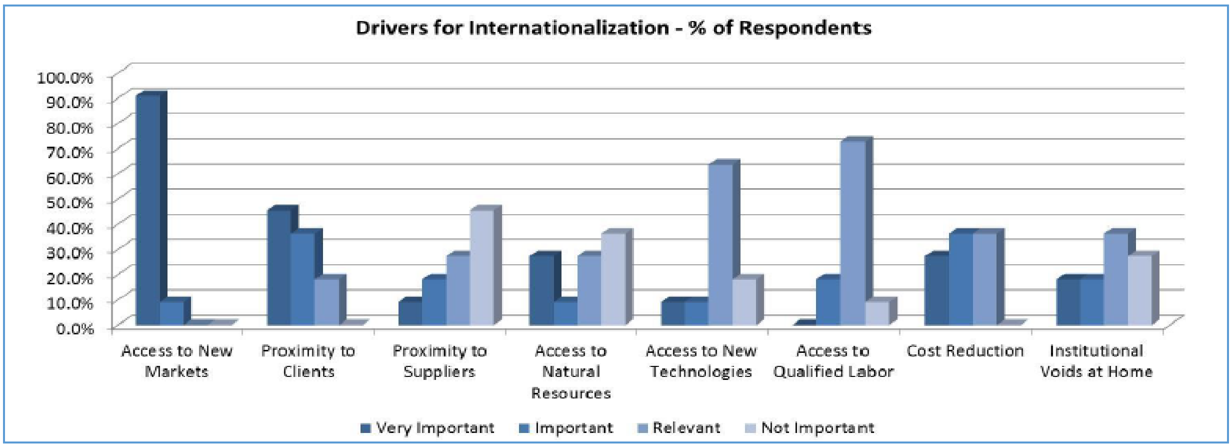
*serve these markets* by becoming more responsive to local specificities. This was typically the case for Embraer (the airplane manufacturer) and Marcopolo (the bus manufacturer), that have opened up commercial offices and subsidiaries in order to be closer to the clients. As the third factor we can mention the aim of Brazilian exporting companies to *avoid tariff and non-tariff barriers* by opening up production units in their end markets (instead of solely exporting). Examples are the steel company Gerdau, and the orange juice maker Cutrale. Last but not least, many companies have chosen to internationalize with the aim *to learn and upgrade* by being imposed to higher competition in international markets (in contrast to the rather protected and closed domestic market). The retail sector and food industry can offer good examples for this strategy. Casanova and Kassum (2014:85) mention for example the beauty products company Natura and its opening up a retail store in Paris, the international centre for the beauty industry).

Among several specificities of Brazilian companies (such as related to state-ownership or influence, family-ownership, the hierarchical market economy structure), an often-highlighted distinctive characteristic is *the so called resilience to volatility,* meaning the ability to navigate (and do business) under volatile economic conditions. This ability has been achieved by operating in volatile domestic markets during the twentieth century, characterized by unstable economic conditions (recurring crises), overregulated markets, and infrastructural bottlenecks as well as in more general terms by one of the most challenging business environment in the world. Casanova – Kassum (2014:87) argue, that even though these conditions might have negatively affected both the daily operation and long-term development perspectives of the firms, their resulting ability to successfully operate under such perverse conditions might be regarded today as a competitive advantage, if doing business under similar constraints (physical or legal infrastructural deficiencies). A good example is the food processing company BRF that has developed a world class distribution network for frozen and refrigerated products, and was able to successfully expand towards the MENA region and overcome all the imperfections typical for these Arab markets.

*2.3.2 Current driving forces of internationalization of Brazilian MNE's*

According to a most recent survey on the top 20 Brazilian MNE's ranked in terms of foreign assets, the primary reasons for investing global were the following (Sheng – Carrera, 2017:10): 1. Access to new markets; 2. Proximity to clients; 3. Cost reduction; 4. Access to natural resources; 5. High taxes and institutional voids in Brazil (such as corruption, poor transportation system and unqualified labour force). Some companies have also cited access to new technologies, however the overall ranking and relevance of this factor, was much lower, than in the case of the above mentioned drivers.

**Figure 3: Main motivations for internationalization**




*Source:* Sheng –Carrera, 2017:11

From these above mentioned driving forces we highlight the desire as to avoid high taxes and institutional voids as an important push factor for Brazilian firms to go abroad, as all the other factors are more in line with traditional push factors present in the cases of more developed countries' and thus thoroughly analysed in classic FDI literature.

Looking at the Brazilian internationalization process in a more historical perspective we have argued that in more general terms the macroeconomic context, the domestic instability has also pushed the companies to expand in more stable economies, so as to compensate the risks faced at their home markets.

Not independently from the broad macroeconomic volatility, high capital costs (high interest rates, expensive credit facilities, high transaction costs and scarcity of long term credit) at home have also pushed Brazilian companies towards setting up subsidiaries abroad and gaining access to cheaper credit facilities overseas.

Extensive literature addresses the internationalization process of EMNEs as a learning process, and claim that these companies do not always begin their expansion abroad with clear competitive advantages, but rather acquire it meanwhile, and the *aim to acquire knowledge* can be considered as an important driving force behind their international activities. This argumentation is also found for Brazil (e.g. Casanova, 2016), and a good example is the already mentioned beauty company Natura and its subsidiary in Paris, France.

As an important driving force to support OFDI flows in Brazil (as in some other emerging economy) we will look at the role of public policies, especially the role of the Brazilian National Development Bank (BNDES) to improve capital availability (via providing cheaper long-term credit in certain strategic sectors) in the next section.

Before turning to the role of the state in supporting Brazilian firms to go and invest abroad, we provide a short overview on the constraints and obstacle (smaller) Brazilian firms have faced while trying to internationalise.

### *2.3.3 Some obstacles to internationalise (for smaller firms and beyond Latin America)*

The start of the twenty-first century has been labelled as “the decade of the multilatinas” (Santiso, 2013), and this certainly stands for Brazilian MNEs, with some outstanding success stories, such as the Embraer, which has become a world leader in regional air-jets. There have been however many smaller companies with similar going global ambitions to become “multilatinas”, for which expanding beyond the natural markets (the Latin American region) has proved to be particularly difficult, especially when they thrived for entering developed and advanced markets (Pyper, 2015).

To better understand this phenomenon, we have to recall, that besides the abovementioned drivers of internationalization, there were important challenges that acted as constraints for Brazilian firms while trying to expand towards international markets.

Among the *home country factors*, that act as *internal barriers* we can highlight the general business environment, which is rather unconducive towards doing business in Brazil. The World Bank's doing business indicators only go back to 2003, but anyone who has already been in Brazil and tried to set up a business (or conduct any other official act) can tell stories about the traditionally and historically slow and cumbersome legal system and the so called *custo Brasil*, the red tape or also labelled Brazil cost, referring to the increased operational costs associated with doing business in Brazil (including excessive bureaucracy, inefficient public services and high levels of corruption, just to name of few factors, that contribute to *extra costs* of setting up or doing business in Brazil). According to a survey conducted in 2011 among top Brazilian MNEs by the SOBEET (2012), the interviewed outward investors highlighted the following internal constraints to their internationalization: 1. currency fluctuations; 2. high tax burden; 3. high logistics costs; 4. high credit costs; 5. lack of skilled human resources; 6. competition with projects in Brazil.

Besides these internal barriers, Brazilian companies aiming at internationalize also face important *external barriers*, stemming from global competition and differences in prevailing global conditions. According to the respondents of the above cited survey major external barriers ranks as follows: 1. tough competition in mature markets; 2. differences in regulatory environment; 3. difficulties in managing international operations; 4. barriers imposed by local industry; 5. difficulties in raising funds in overseas markets in competitive terms; 6. lack of double taxation treaties.

### 2.4 Internationalization as a state-led process: public policies to promote OFDI of Brazilian MNEs

The rise of EMNEs on the global level is challenging the traditional argumentation of „mainstream" economic theories both in international business and development economics (Nölke, 2014). There is at least one important distinctive feature of the internationalization EMNEs: the fact that more often than not they have relied on the active support of their respective governments to conquer on external markets (Caseiro – Masiero, 2014; Goldstein, 2007; Johnson, 2012). This was certainly the case in Brazil:

at the latest from 2003[12] the Brazilian government has actively tried to encourage outward foreign direct investment through expensive and often controversial (and debated) public policies which have also come to the limelight during the currently unfolding corruption scandal.

A thorough analysis on the role of the state in Brazilian economic development is out of the scope if this paper (for this see: Wylde, 2012; Ricz, 2017)[13], hence here we concentrate on the analysis of the Brazilian government's strategy to promote the internationalization of Brazilian companies and to encourage Brazilian outward FDI flows.

Until the 2000s the direct promotion of outward investment has not entered the economic policy agenda. The internationalization of Brazilian companies, as presented above was largely driven by the companies themselves (Fleury-Fleury, 2011), the state has not played a key (direct) role in this (early) process. Since the early 2000s some new forms of BNDES support appeared, however these remained stand-alone programs, and there has been no comprehensive strategy to support the global expansion of Brazilian firms. This is in stark contrast with China and some other Asian countries (like South Korea), where the „*developmentalist*" governments have been the key driving force behind the internationalization of firms and actively supported the global competitiveness of their strategic industries.

During the decades of the ISI period the Brazilian economy aimed at relying on the self-sufficiency of the internal markets – thus FDI flows were severely constrained. We have presented the several phases of the internationalization of Brazilian companies, starting in the 60s and 70s in an earlier section. Here we highlight, that this was rather a

[12] But we will show, that some measures were already in place since 1998.

[13] In development economics, especially in developmental state literature industrial policies have been at the center of academic debates (Johnson, 1982; Amsden, 1989, 2001; Wade, 1990, 2014; Evans, 1995, 2014; Rodrik, 2004). Most authors have however focused in the effects industrial policies might (or might not) exert on economic growth or the diversification of domestic production, and policies encouraging OFDI, as part of an outward-oriented development strategy were neglected by these analyses. As a different line of literature we might also recall the structuralist approach to economic development (Raul Prebisch, Hollis Chenery, Celso Furtado, Albert Hirschman, to recall the most famous classic authors), which claimed that the national development depends upon the dynamic position the country occupies in the international division of labour, as the way how an economy integrates into the global markets (and value chains) invokes structural changes in the domestic economy. Policies to promote OFDI were however side-lined also by this approach.

spontaneous process, driven by the companies themselves, and neither guided, nor directly promoted by the government.

Obviously there is a great number of public policy areas where the state can influence the internationalization of firms: labour policies (to reduce costs and increase flexibility); trade policies (inhibiting or rewarding export and import activities, thereby impacting competitive advantages); privatization and public utility regulatory frameworks (setting conditions and incentives in some industries where large internationalized firms have great potential for emergence); taxation policies (might targeting specific industries, e.g. via exemption measures or subsidized rates) (Finchelstein, 2017) – to name just a few.

Text box 3:
*Direct and indirect forms of promoting internationalization of firms*
These public policies can be differentiated on the base whether they exert a direct or rather an indirect effect on the internationalization strategy and/or potential of the firms. Indirect forms of state intervention are in line with the so called liberal market economy model of the Varieties of Capitalism (VoC) literature (Hall – Soskice, 2001), and mainly promote market incentives, strengthen the capital market, etc. Direct forms of state intervention range from selecting strategic industries, promoting national champions and setting up special credit lines to promote the internationalization process. These non-market alternatives are closer to the coordinated market economy model of the VoC approach. However the way and how of state intervention and the extent of state influence differs in its magnitude in in the case of emerging economies, from their European (and Japanese) counterpart. Thus the Brazilian variety of capitalism is often labelled with the hierarchical market economy (Schneider, 2013) or – along with other BRICS countries – the state-permeated market economy – as applied by Nölke (2014).
In the case of Brazil we will focus on policies to promote national champions and capital availability, as these were the two main striking distinctive features that have characterized the internationalization process of the Brazilian firms. The promotion of national champions goes back to the ISI period in Brazil, looking at economic policy aims and measures in the 2000s there is a striking continuity in this regard in Brazil. In Latin America in general, and in Brazil in particular firms traditionally had to cope with extra obstacles to expand internationally and the constraint of capital availability was a rather permanent problem (due to higher costs of

accessing funds). Thus the analysis of state actions to improve capital availability (via special credit lines offered by the national development bank) is of special relevance for the case of Brazil.

Looking at Brazil's regional competitors, we can argue that the Brazilian way of promoting the internationalization of local firms was much more direct and active than the more market-based, indirect way of Chile, or the rather inconsistent set of public policies applied by Argentina (Finchelstein, 2017). However if we compare the Brazilian case to China, we have to argue that compared to the emerging market giant, Brazil had a much less comprehensive and a rather defensive strategy to promote OFDI, based mainly on existing comparative advantages and promoting industries, that were already highly competitive internationally (Caseiro-Masiero, 2014).

After 1990 and the liberalization efforts most policy measures were devoted to attract FDI into Brazil – as in the context of foreign exchange scarcity, high indebtedness, low competitiveness of the state-dominated production sector, privatization efforts, etc. – foreign capital *inflows* were to be promoted, while any type of capital outflow was to be prevented (important restrictions were also put in force).

Outward FDI flows from Brazil and public policies to promote these, came onto the development agenda only after the economic stabilization in the mid of the 90s, however the progressive liberalization of capital accounts, have to be regarded as an important prerequisite for these.

The first direct instrument to promote the internationalization of Brazilian companies goes back to 1998, when a separate credit line was introduced by the Brazilian Development Bank (BNDES) to help foreign governments to realize large infrastructure projects (mainly in Latin America and Africa[14]) by hiring Brazilian engineering companies. The BNDES loans may have added up to 85 % of the total value of the construction projects, which made these not only available but also lucrative for Brazilian MNEs. This was however contingent upon the fact, that in each infrastructure project abroad the products manufactured in Brazil had to make up at least 35 % of the Bank's disbursement (Caseiro – Masiero, 2014:241-242). This requirement was put in

[14] BNDES loans were essential to make Brazilian companies competitive against the expanding Chinese companies, that were also supported by their government.

place in order to foster exports (of manufactured goods) and to promote positive spillovers in the Brazilian supply chains.

However, if we look at the early results, we can see that during the first five years only five projects were funded by BNDES (all of them in South America) with an average disbursement of 74 million US dollars per year (ibid).

The second instrument aiming at directly financing Brazilian companies to invest abroad was put in place in 2002 and included both loans and subscription of securities. This credit line was first used only in 2005 (when the JBS acquired the Argentine subsidiary of its American competitor, the Swift company) (Sennes – Mendes, 2009). In the same year (2005) as an important complementary measure the Brazilian Central Bank (BCB) removed the prior authorization requirement of all OFDI projects above the 5 million US dollar threshold, and this has to be regarded as important milestone in Brazilian OFDI policies.

To draw an interim balance, we can state that until 2007 there was no coherent policy framework in Brazil to support OFDI. There were two instruments, special credit lines (supplemented by the *regulatory measure* lifting the prior authorization requirement of OFDI projects by the Central Bank) which tried to promote (with rather questionable success) the internationalization of Brazilian companies.

The year 2007 represents however an important turning point regarding Brazilian OFDI promotion policies, as with the adoption of the „Production Development Policy" (PDP), the new industrial policy plan explicit goals for OFDI support were laid down, and a more coherent policy approach (however short-lived) started. The PDP has set the *strategic goal of expanding and consolidating the international leadership* of Brazilian EMNEs in those strategic industries, in which Brazil has already possessed international competitiveness, such as aeronautics, oil and gas, petrochemical, ethanol, mining, steel, pulp and paper and meat (MDIC, 2008)[15].

Between 2005 and 2011 the BNDES supported the internationalization of Brazilian companies by 4.9 billion US dollars, and this consisted almost exclusively of securities subscription. In addition, the BNDES continued to finance overseas infrastructural projects with an annual average summing up to 1,1 billion US dollars between 2007 and

[15] „Keep or position the local productive system amongst the top 5 world exporters/global players."

2012, when the total number of these projects exploded to 97 (compared to the total of 5 projects and 350 million US dollars between 1998 and 2002) (Caseiro-Masiero, 2014:242).

Even though the international expansion of technology-intensive companies also emerged among the goals, in reality these remained restricted, and the overwhelming majority (more than 95%) of the BNDES financed OFDI projects went to meat processing companies (such as JBS and Mafrig)[16].

There is a note in place regarding the extensive financing of domestic operation of Brazilian MNEs via BNDES, as this has freed up earnings to fund OFDI projects even for those companies that borrowed from BNDES only for domestic projects – for which the BNDES has usually set lower interest rates.

BNDES disbursements were responsible for 72 % of long term credit for companies in Brazil in the early 2010s. In the light of the traditionally high domestic interest rates in Brazil several authors (such as Masiero et al., 2014; Musacchio – Lazzarini, 2014) emphasize, that the BNDES has taken advantage of its oligopolistic position in the industrial credit supply and increased its shareholder stake in some of the largest Brazilian MNEs[17]. In some large MNEs (Vale, Embraer) the BNDES even has golden shares, giving the bank veto power in several important decisions, but also in other cases the bank's ability to influence operational decisions has expanded.

It was not only the BNDES operations explicitly financing OFDI projects that the bank helped Brazilian MNES to expand beyond the Brazilian market. Several domestic acquisitions were also financed, and led to intra-industry consolidation of domestic markets, while strengthening the positions of the so called „national champions" and implicitly and indirectly harming the small and medium sized enterprises.

---

[16] The BNDES would in principle aim to widen its activities towards building competitive advantage in high technology sectors. However the statement of the former BNDES vice-president, currently one of its directors, João Carlos Ferraz is telling: "…the Bank would finance a technology-based company's project if one were presented to the Bank" (cited by Massi, 2014:223).

[17] This argumentation is in line with the views of Musacchio and Lazzarini (2014) describing the transformation of state capitalism in line with changes in forms of the state-ownership, and highlighting new forms and channels of exerting state power. In this vein the Brazilian government applies the minority shareholder approach to maintain some power to protect the nationality and influence the investment decisions of main Brazilian MNEs.

After heavy critics (and strengthening pressure from Brazilian business elite), and as a consequence of change in the presidency (Dilma Rousseff followed Lula as President, and even though being his handpicked successor, and member of the same political party, the Workers Party – PT, important discontinuities in economic policy decisions followed), but also in the light of worsening economic indicators a new industrial policy document was instated in 2011, the Bigger Brazil (Brasil Maior) plan. This has contained the reorientation of industrial policy priorities, while it has also foreseen to support OFDI not only in already highly competitive industries, but to promote to obtain foreign technologies and/or access to new markets. To this priority however no specific goal and no further policy instrument or action was instituted, thus no implementation followed. Caseiro and Masiero (2014:244) write about the „interruption of the global champions policy", and cite Luciano Coutinho (the BNDES president by that time) saying that the number of those sectors, in which Brazilian companies are internationally competitive enough to be promoted as potential global champions is limited, and he cannot see other sectors, with the same potential. Thus in his opinion, the policy aiming at supporting the internationalization of large Brazilian MNEs has run its course and thus it has been concluded.

There were also other factors beyond these changes of public policies that have also contributed to the reversal of international expansion of large Brazilian companies. In the case of Petrobras for example, behind the decisions of discontinuing some overseas projects and selling foreign assets after 2011, the prioritization of domestic market, and the challenges of exploration of the „recently" discovered pre-salt reserves have certainly played an important role. While more recently the fall in oil prices, and later on the evolving corruption scandal has forced the company to oversee its investment strategy and announce several divestment plans.

Even though we have argued that between 2007 and 2011 a relative coherent policy framework existed in Brazil to promote the internationalization of Brazilian companies, there were several barriers constraining the achievement of coherent action. On the one hand Brazil has not put in force any of its signed Bilateral Investment Treaties (BITs) with the partner countries[18], that could have reduced the political risk of investing

[18] Brazil has signed 21 BITs, seven of which were concluded in 2015 (Angola, Chile, Colombia, Malawi, Mexico, Mozambique and Peru), and an additional one was initialized with India in 2016.

abroad (this was mainly due to the ideological opposition of the Brazilian Congress, that vetoed these agreements back in the 1990s and early 2000s, but the ratification was opposed also more recently, as these were considered by the Congressmen as threats to the country's sovereignty). On the other hand, Brazil had signed Double Taxation Treaties (DTTs) – to guarantee isonomic tax policy for MNEs and their local subsidiaries – with 29 countries, however none of these was with the important markets of the Brazilian MNEs (such as the US, Germany or the UK). This might be explained by the resistance of the Brazilian Ministry of Finance not to lose tax incomes it thrived for, but might have also led to the heavy presence of the so called „tax heavens" in the destination of Brazilian OFDI.

The Brazilian „going global policy" was part of a more defensive industrial policy strategy. The majority of the OFDI disbursement from BNDES has gone into sectors, that were at the core of the Brazilian industrial complex (which came to life during the ISI period), with main focus on the sectors of meat processing, construction and petrochemicals. The subsidized loans provided by the BNDES between 2007 and 2011 went disproportionally to large companies, that would have been able to obtain credit on the international financial markets (Musacchio-Lazzarini, 2014, Massi, 2014), as they were the most competitive players of the Brazilian economy.

Whereas the promotion of SMEs, as potential future global players or aims such as to capture dynamic comparative advantages of host markets, and/or alleviating the bottlenecks in the domestic markets were and remained out of the scope and focus of the Brazilian OFDI strategy.

To sum up we claim, that the Brazilian OFDI strategy was a *defensive* one (compared for example to its Chinese counterpart's more aggressive stance), as it was rather based on already existing dynamic comparative advantages, thus it preferred to support industries, that were already highly competitive internationally (Caseiro – Masiero, 2014). We have argued in line with the above mentioned authors, that this investment promotion strategy has lower potential to generate positive spillovers to the domestic economy, thus was less successful domestically in developmentalist terms. This is why, even though relatively successful abroad, Brazilian OFDI policies lie (deservedly) at the centre of political and academic debates.

In international comparison among the emerging countries the Brazilian OFDI policies seem to be less interventionist (compared to China for example, while on the other end it was of course more driven by direct state interventions than the more liberal counterparts, such as Chile or the majority of the more advanced countries). The Brazilian government is exercising direct power over the two state-owned company (Petrobras and Banco do Brasil), while in other cases it is „only“ minority shareholder. At the same time however it is almost exclusive provider of long term (subsidized) credit via the BNDES, which makes the state influence excessively strong, albeit rather via indirect channels. All in all we can state that with some exception of infrastructural projects in Latin America and Africa, the Brazilian government is not directly influencing OFDI allocation decisions (such as the Chinese government does for example).

## 3. Main Brazilian OFDI destinations: the role of Europe, especially East Central Europe (ECE region)

According to latest data (2015) most Brazilian outward FDI is accumulated in its "natural market", composed by its immediate neighbourhood, the Latin American region, and some other Portuguese speaking countries (Portugal, and some other African former colonies)[19]. In this vein Portugal is the gateway for Brazilian companies to Europe, as it was the case for Banco Itaú in 1994 to open its first European headquarter in Lisbon, or the Embraer's expansion into the European market via the acquisition of the Portuguese aerospace company (OGMA) in 2004 (Casanova, 2016:32)[20].

In a wider sense the Ibero-American world can also be regarded as a natural market for Brazil, as it shares similar cultural, institutional setting and the two predominant languages, the Spanish and Portuguese are quite similar and the flow of immigrants both

[19] Institutionally these countries are bounded together in the intergovernmental organization of the Community of Portuguese Language Countries (Portuguese: Comunidade dos Países de Língua Portuguesa – CPLP), often also referred to as the Lusophone countries, that share the Portuguese is official language (and as they are mostly of former colonies of the Portuguese Empire – also share some cultural and institutional similarities).

[20] Even though often cited in literature, the role of the natural market has not to be overvalued, as there are some examples that show the failure of otherwise promising firms to expand in their natural markets. A good example is the failure of Brazilian fast-food chains to expand to Brazil (Figueira et al, 2013).

into and out of Brazil has led to constant exchanges of people and information while also impacting the culture in both directions (ibid).

### 3.1 Main destinations of Brazilian OFDI in the world

Geographically the main destination of Brazilian OFDI flows is the Latin American region, with a strong predominance of the Caribbean Islands (such as the Cayman Islands, the British Virgin Islands and the Bahamas), that serve as tax havens. On the second place comes Europe, however with also strong dominance of countries (Denmark, Netherlands, Luxembourg, and more recently Austria), where through setting up special purpose entities Brazilian firms primarily aim at avoiding the burdensome domestic taxes and bypassing complicated Brazilian regulations.

**Figure 4: Number of firms with operations in each region in 2015**


*Source:* Firms' Annual Reports (*Formulários de Referência* and DFPs *Demonstrações Financeiras Padronizadas* – Standardized Financial Reports) and website.

*Source:* Sheng – Carrera, 2017:29

*Note:* Plants, commercial subsidiaries, business offices, or distribution centres are considered as operational units.

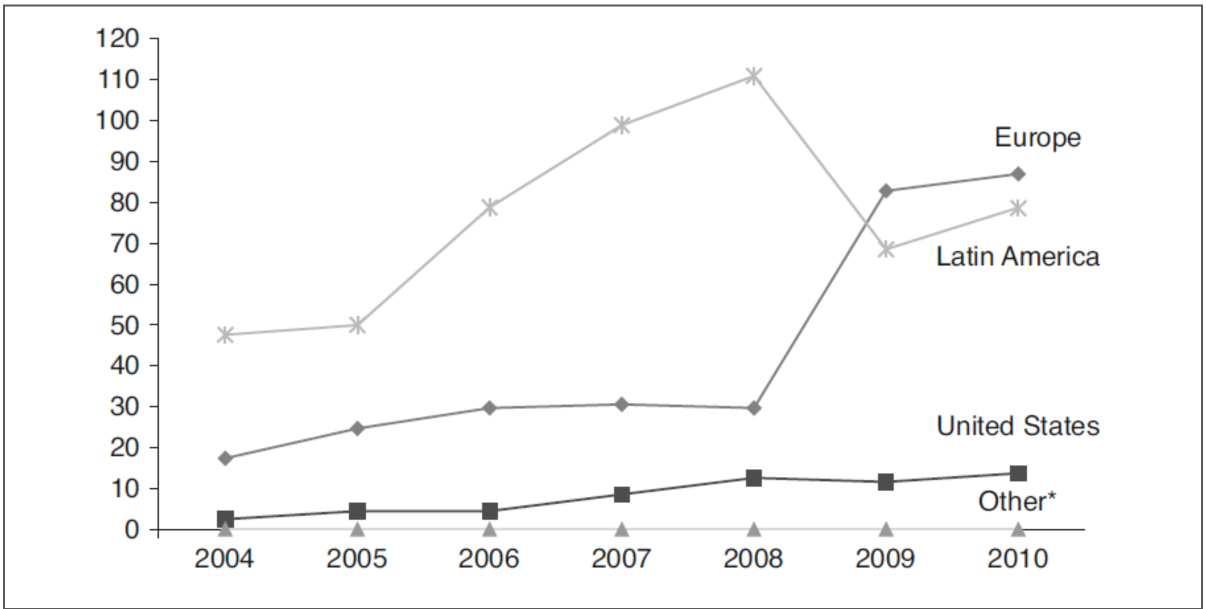
Looking at the country level data (Annex 1), and leaving aside the abovementioned "tax havens", most (supposedly) productive investment has gone to Spain, United States, Chile, Argentina, United Kingdom, Portugal and Uruguay (and this order shows the ranking by OFDI stock data from 2015 according to the Brazilian Central Bank). In general Asia and Africa has received only a very small fraction of Brazilian OFDI, even though there have been some (rather dubious) investments in lusophone (Portuguese-speaking) African countries (such as in Angola and Mozambique).

Looking at most recent OFDI flows, we have to highlight the ascending trend of Brazilian FDI flowing towards Austria, which can be considered as a more recently discovered “tax haven” destination of Brazilian firms. In December 2016 Brazil’s tax authority has reacted to this evolution, as it has included Austria on the list of countries with “privileged tax regimes” (Denmark and the Netherlands were included already in 2010). Holding companies investing in these countries without substantial economic activities are subject to stricter transfer pricing and thin capitalization rules in Brazil (KPMG, 2017).

### 3.2 The role of Europe in Brazilian OFDI destinations

Looking at accumulated investment stocks the EU was “traditionally” the second largest OFDI destination for Brazil, after Latin America, since 2009 however the EU became the main recipient of Brazilian investments (see figure).

**Figure 5: Brazilian OFDI stocks in selected regions (billion US$)**




*Source: Masiero et al, 2014:142*

Traditionally Brazilian companies when expanding abroad started their international activities mainly in their natural markets, in the immediate geographical proximity. Outside Latin America, however the Portuguese-speaking countries can be considered as the next most straightforward destinations, with Portugal being the bridge towards Europe and the European Union market. Main recipient countries in Europe beyond Portugal are the UK, Germany, France, Italy and Spain.

In general Europe did not represent any special priority in the localization strategies of the Brazilian companies, nor was there any government priority to promote the expansion of Brazilian forms towards the European market. This process was rather driven by the companies themselves, and their own priorities to follow the clients, search for new markets, or the desire to acquire knowledge in Europe.

### 3.3 Global patterns and recent trends (10-15 years) of Brazilian FDI flows to the ECE region

First and foremost, we have to anticipate that we have not found any former study concentrating on Brazilian investments in the ECE region. There are a few studies, which include certain aspects (such as Éltető (2014) analysing trade and investment relations between Central and Eastern Europe and Latin America, or Masiero at al. (2014) looking at the expansion of Brazilian Multinationals into Europe), however no specific analysis was dedicated to Brazilian OFDI into Central and Eastern Europe.

There is also an obvious reason for this: foreign direct investment coming from Brazil to the ECE countries is characterised by relatively low volume and high year-to year volatility (as these are mostly bound to one or two transactions of BMNEs). These investments stay mostly below any threshold of international surveys that usually map larger OFDI flows (such as EPMG, BCG, FDC, etc.) of mainly top 20 Brazilian (non-financial) companies.

Another characteristic of these investments lies in the fact, that more often than not, these are not real, productive investments, rather just transactions on papers, such as to avoid large tax burden or other regulations at home. For this it is indicative that from 29 Brazilian-owned companies in Hungary that are present on paper, only 4 have reported to have more than one employee in 2016[21]. Consequently, there is also a relative scarcity on the data, as most investment coming from Brazil into the ECE region is not included in datasets (such as the Amadeus database, the one we aimed to use for this research). Thus in this chapter we provide some very preliminary results of our research and further investigations are needed in order to thoroughly analyse the role of BMNEs in ECE countries.

According to FDC (2016) the Brazilian presence in the ECE region is composed by the following numbers: 3 companies in Hungary, 2 in Poland, 1 in Czech Republic (and 1 in Romania and also 1 in Ukraine).

New Brazilian entrants in 2015 were concentrating in US, LAC and EU in a quite equal manner – at least looking at the numbers of companies involved (nine, nine and eight respectively (FDC, 2016:76)). From the eight countries, where Brazilian companies have set up new business in 2015, only one was located in ECE (namely in Hungary).

Within Europe most Brazilian FDI flows to Western European countries, and the ECE region lags well behind. A possible explanation might be simply the geographical distance, but also the lack or historically low levels of other relations. This relatively low level and dynamic flows of Brazilian foreign investment was further negatively impacted by the recent global crisis, and the Brazilian economy's crisis unfolding since 2014.

Looking at the Amadeus database we can see that only two companies (both settled in Slovakia) are listed Rudolph Usinados and Micro Juntas – none of them corresponds to the most important and significant companies in the ECE region, or even in Slovakia itself. We aim to supplement this database in a further phase of this research, thus now we concentrate on the rather general picture, and on some specific cases.

Looking at available data by the Brazilian Central Bank and the ECE countries' Central Banks a rather inconclusive picture emerges. A good example is, that for both Hungary and Poland the BCB has recorded positive (though low levels of) incoming Brazilian investments in recent years, while according to the Hungarian and Polish Central Bank there is an outflow of Brazilian FDI from both Hungary and Poland (Kugiel, 2016:20-23). A very same picture emerges for the Czech Republic from the analysis of Castro and

[21] Based on data received from the Brazilian Embassy in Budapest. In any other Hungarian sources much lower number appears regarding Brazilian companies present in Hungary.

Hnát (2017:64), where the exceptional years are 2009 and 2013 (and most probably related to the Embraer investment, to be mentioned later on).

In the yearly reports of the Brazilian Central Bank on Brazilian OFDI *flows*, no country of the ECE region is listed separately, all are included in the remainder category of *Others*. In the yearly reports on OFDI *stock* the BCB lists Hungary and Slovakia separately (with the other ECE countries included again within the *others* category), and as it can be seen in the following table Brazilian investments peaked in Hungary in 2012, while in Slovakia in 2009.

**Table 2: Brazilian Foreign Direct Investment stock in Hungary and Slovakia (2007-2015, US$ million)**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| **Hungary** | 901 | 1 827 | 1 751 | 2 489 | 2 513 | 3 207 | 3 026 | 3 229 | 2 803 |
| **Slovakia** | (a) | (a) | 659 | 166 | 166 | 42 | (a) | 18 | 16 |

*Note*: (a) Confidential data, composed by less than three respondents.
*Source:* own construction based on data from BCB (2017)

All in all we highlight that the amounts of Brazilian FDI coming to the ECE region in small – even negligible in its magnitude) in comparison to other outward investor countries in the region (such as for example China). A possible explanation for this might be of course the lack of capital in the Brazilian market on the one hand, and the extensive investment possibilities in the Brazilian market itself on the other hand. We must however also highlight more simple reasons, such as the geographical and even cultural or historical distance of the two regions. At the same time the more recent declining trend of Brazilian OFDI flows can be explained by the recent global crisis in 2008-9, and also the unfolding Brazilian crisis since 2014.

### 3.4 Hungary as a main destination of Brazilian OFDI within the ECE region

To illustrate the general characteristics of Brazilian investments in ECE region and provide a more detailed picture, we focus on Hungary. According to the current business register, 29 companies are wholly or partly Brazilian-owned in Hungary[22]. It is apparent from the list of these countries, that these are mostly small companies, with low levels of investment and/or revenues. It is difficult to find detailed data on these companies, as these constitute to be more often than not classical foreign direct investments (engaged mostly not in productive activities – with some exceptions, that are listed in the following text box), but rather dealing with asset management or operating as financial centers. These transactions often have the only aim to avoid taxes or regulations back in Brazil, and thus Hungary operates for them as "tax haven". Often even the size of the capital investment cannot be traced and some of these cases should not even be classified as incoming foreign direct investment. We also have to add that several larger companies formerly present in Hungary have withdrew their activities, such as Petrobras, JBS, Fibria or Gerdau.

While talking to the members of the Hungarian Investment Promotion Agency (HIPA) and revealing information from the colleagues of the Brazilian Embassy in Hungary, we can state that Brazilian companies more often than not come to Hungary, if they have had some earlier contact with the country, mainly via personal or family relations (former expatriates come back to invest – mainly in real estate). In some other cases the companies settled in Hungary are subsidiaries of other Brazilian companies having already units in Europe and expanding their activities towards the Eastern region (such as in the case of BRF, as the BFR Hungary Kft. was opened via the BRF Gmbh. Wien operating in Austria).

[22] Based on data received from the Brazilian Embassy in Budapest (contact person Zoltán Kérészy).

Text box 4:

*A sample of Brazilian companies present in Hungary*[23]

**AB InBev Hungary Ltd.**

The Belgian Interbrew company bought the Brazilian AmBev company in 2004, and became InBev. The InBev bought the American Anheuser-Busch company in 2008 and became AB InBev. The AB InBev Hungary Kft. was established on 01.08.2006, with main activities of management and consulting, and with a registered capital of 400 million HUF. Its revenue in 2015 totalled to 4.9 billion HUF, while in 2017 it employed 51 persons in its unit based in Budapest.

**Gerdau Hungria Ltd.**

Gerdau (metal industry) is the largest producer of long steel in the Americas, with an installed capacity of 26 million metric tons of steel per year and offers steel for the civil construction, automobile, industrial, agricultural and various sectors. Its Hungarian subsidiary has been established on 29.11.2005, with the main activity of asset management and registered capital of 10,7 million EUR. In 2016 however it reported zero revenue and employed zero persons, so practically withdrew its activities from the country.

**BRF Hungary Ltd.**

BRF is a Brazilian food company, in fact one of the biggest food companies in the world, with over 30 brands in its portfolio. Its Hungarian subsidiary was established on 07.04.2005. Its activities in Hungary cover retail sale of food, beverages and tobacco, and was set up with a registered capital of 3 million HUF (the minimum by that time). Its revenues in 2016 totaled to 10,1 billion HUF, and (directly) employed 8 persons.

**KACO Hungary Ltd. (earlier: Sabó Hungary Ltd.)**

Sabó is a Brazilian autoparts manufacturer, one of the world's leading suppliers of seal solutions for the world's top auto manufacturers. In Europe Sabó has expanded with the 1993 purchase of Kaco, the continent’s second largest producer of seals having plants in both Germany and Austria. And today Sabó operates under the Kaco name throughout Europe.

In 1996 it has set up a manufacturing plant in Enese, in Hungary. With main activities of producing sealing systems for the automotive industry, a registered capital of 128,600 EUR, and a revenue totaling to 5,8 billion HUF in 2014, and 337 employees, the KACO (formerly Sabó) constitutes to be the unique exception among the Hungarian subsidiaries of Brazilian companies.

---

[23] Based on data from the Hungarian business register (www.ceginfo.hu) and OPTEN data (www.opten.hu), while also relying on data received from the Hungarian Embassy in Brazil (see also https://braziliavaros.mfa.gov.hu/page/gazdasagi-kapcsolatok).

### 3.5 Some outstanding examples of Brazilian investments in the ECE region

Even though we still do not have complete data on the Brazilian companies' presence in ECE countries, we can find some outstanding examples, that provide a preliminary picture on the present situation and by listing the most significant and successful investments, we might provide some hope for the potential of intensifying the cooperation between Brazil and the ECE region: in the aerospace sector for example, the Brazilian aircraft producer Embraer signed a cooperation agreement with the Czech AERO Vodochody company in 2011 to develop and manufacture together of the Embraer KC-390 military transport aircraft (CzechInvest, 2011). According to the latest news the production of the first KC-390 series aircraft are ongoing, in cooperation with Embraer facilities from Gavião Peixoto in Brazil), Aero Vodochody (in the Czech Republic) and OGMA in Portugal. The first KC-390 will be delivered to the Brazilian Air Force in the first half of 2018.

In Slovakia the most important Brazilian investment was the establishment of the joint venture Embraco-Slovakia, initiated in 1998 by Brazilian company Embraco, which produces refrigeration compressors and employs about 2,600 people in Slovakia. Since its arrival Embraco has invested approx. 600 million euros in the Slovakian city Spisska Nova Ves, and in 2015 it has announced further investments in the eastern part of Slovakia. While in 2016 the Brazilian company has opened a service shared centre in Košice, with the outlook of employing 120 to 150 people within two years. The new Global Business Support (GBS) Centre provides shared services for the whole Embraco, starting with human resources and financial services[24].

At the same time some agglomeration forces can also be revealed, as the Embraco investment has attracted the attention of two other smaller Brazilian companies, CRW Plasticos (producing plastic components for the automotive industry and the production of appliances, electronics and compressors) and Rudolph Usinados (manufacturing metal components for the automotive industry), which are also located in the eastern part of the country (Kugiel, 2016:23).

The largest and practically the only investment in Poland is Stefanini, an IT company being present in 11 European countries. In Poland a delivery center was settled, and

[24] http://www.embraco.sk/aktuality/new-global-centre-in-kosice/

started its operation with 100 people in Krakow (Kugiel, 2016:22), while by 2016 according to media news it was already employing 200 people[25] and plans further expansion in the ECE region (where it is present besides Poland in Romania and Hungary). Stefanini with its application development centres in Eastern Europe provides European clients with access to real-time communication, technical and language skills that are available at lower costs in these Eastern locations.

## 4. Outlook

Before providing an outlook to the results of the most recent survey on the internationalization decisions of Brazilian firms, we have to shortly address the multidimensional crisis unfolding in Brazil since 2014.

The Brazilian economy got into recession in technical terms in the second half of 2014, but the deceleration of economic growth – and accumulation of economic and social problems and challenges – goes back already to 2011. Besides this economic crisis political changes have also characterized the Brazilian "reality" during most recent years. As the succession of Lula by Dilma Rousseff was much less dominated by continuity in economic policy front (as it was expected), and some authors have been even writing about a neoliberal U-turn from 2011 on (Serrano-Melin, 2015). A more explicit change took place after the impeachment of Dilma Rousseff in 2016, as the new President, Michel Temer has deliberately changed the course in economic policies, delineating himself explicitly from the previous governing party (the Workers Party, PT) and its foreign policies. In the meantime Temer also faces corruption charges (and the Lowe House of the Congress has even voted in August 2017 whether to start the impeachment process against Temer, however the supporters of acting president has proved to have majority and the trial was rejected), and with the ongoing Car Wash operation this is significantly adding up to uncertainties in the daily life of the largest South American economy. Political changes have also induced important economic policy changes, which have resulted in less conducive domestic environment towards OFDI flows in Brazil.

[25] http://www.nineoclock.ro/itc-sector-engine-of-the-economy-brazils-stefanini-recruits-specialists-for-polish-centre-coordinated-from-romania/

The Brazilian economy is on the negative slide in fact since 2011 and in fact in free fall since 2014. This went hand in hand with declining external activities, both in trade and investment fields. These negative economic tendencies were layered by political changes that have (among others) resulted in a turn towards the domestic front, and decreasing ambitions towards the external markets. The ruling government tries to set in force market-oriented reforms, which on the short or medium term might result in consolidation of the negative economic trends, this remains however to be seen in the light of the results of the upcoming presidential elections in 2018 (which will be also heavily affected by the outcomes of the Car Wash investigations).

On the top of these unfavourable domestic conditions, the external environment of internationalizing Brazilian companies has also changed significantly. The collapse of commodity prices in 2012, and their low levels ever since, the slowdown of the Chinese economy and the new lower level of global trade growth, all have led to decreasing demand for Brazilian products in the global markets. Looking at investment decisions the trend is rather capital outflow from emerging markets towards the safer (perceived) more developed countries, and the FED interest rate hikes might accelerate this tendency. On the global policy front the new tendencies are dominated by rising protectionism (e.g. the withdrawal of the U.S. from the mega-trade deals) and growing nationalistic tendencies, just to name a few new external constraints.

Embedded in this changing internal and external context it is highly interesting how Brazilian companies respond to long lasting and newly emerging challenges. Most recent data from the Brazilian Central Bank is however indicative in this regard. Net outflows of direct investments in Brazil have reached 66 million US dollars in May this year and totalled to 841 million US dollars in the period from January to May in 2017, a significant fall compared to 6 billion US dollars in the first five months of 2016[26].

Turning towards the expectations of top Brazilian multinationals, we look at the results of the most recent survey conducted by FDC (2016:85). First we highlight that 74,5% of the respondent Brazilian MNEs said, that the current political and economic context in Brazil has in some forms or other affected their internationalization decisions,

[26] BCB, Press Release, 27 June, 2017 https://www.bcb.gov.br/ingles/notecon1-i.asp

while only 25,5 % claimed, that these have had no impact at all on their internationalization strategies.

According to the same survey 78 % of all responding Brazilian MNEs have increased their investments in international markets (and according to the interviewed companies, this trend has served mainly to diminish the dependence on the domestic market and reduce the risks encountered there).

In this vein it is also interesting to note, that Brazilian companies are more satisfied with their financial performance in international markets, than with their domestic performance, which provides a more sophisticated picture than our previous statement on the internal and external context: the responding Brazilian MNEs have perceived the international economic context to be more favourable (at least in financial terms), that the domestic one (FDC, 2016: 90).

Regarding performance expectations Brazilian MNEs seem to be more optimistic in international markets than at home, and the difference between these expectations is the biggest in terms of sales performance (in international markets) (FDC, 2016:91).

Looking at recent trends (between 2013 and 2015) the degree of internationalization of Brazilian Multinationals has shown significant and uninterrupted growth in all terms (foreign sales, assets and employments).

For the year 2016 51,1% of the responding companies planned to enter new markets (or have done already so by the time of the survey) – in contrast in the 2015 survey only 43,5% of the respondents indicated to have plans to enter new markets.

The following countries were named as destinations of new international expansion: South Africa, Angola, Argentina, Austria, Canada, Costa Rica, Ecuador, US, Japan, Luxemburg, México, Nicaragua, Panamá and Peru. We have to note that this survey was conducted before Donald Trump was elected in the US, which might have altered some Brazilian companies' expansion plans to the US. But also other changes might play an important role: such as the new legislation (from December 2016), that has identified Austrian holding companies as "privileged tax regime"[27] which implies important (stricter) transfer price and capitalization regulations. (Note: Dutch and Danish holding

[27]https://home.kpmg.com/xx/en/home/insights/2017/01/tnf-brazil-certain-austrian-holding-companies-identified-as-privileged-tax-regime.html

companies that have no substantial economic activities were already since 2010 listed as „privileged tax systems".)

## 5. Conclusions

Brazilian Multinationals became prominent actors on the global level (*global players*) in the course of the 2000s. We have presented some historical antecedents of this success story, and highlighted main home country push factors behind these trends. Among the more classical driving forces of the internationalization process, we have laid emphasis on the role the Brazilian government has played in this process.

Our first conclusion is the government policies have actively (directly and indirectly) influenced Brazilian companies' internationalization decisions, and this was especially spectacular in the mid of the 2000s. We have argued however that the Brazilian going global policy was a much more defensive and limited one, than for example the Chinese strategy, even though compared to some regional counterparts (Chile or Argentina), the proactivity pf the Brazilian Development Bank stands out.

In the second part of our study we have turned towards analysing the main destinations of Brazil's outward FDI flows, and by looking at the localization strategies of Brazilian companies, we especially focused on the European region, more specifically on the Eastern Central European (ECE) region. In this latter regard, the Brazilian companies presence in the ECE region however we have only provided some preliminary findings, and a more thorough research and field work is needed in the future.

Our second main insights reveals that the ECE region was by far not among the main destinations of the Brazilian outward investments, and mainly geographical distance, historical factors and cultural differences were the main reasons for this. We have found however some outstanding examples of Brazilian investments in the ECE region (such as the Embraer investment in the Czech Republic or the Embraco in Slovakia), which prove that there are possibilities for mutual cooperation in the future.

We must also admit that localization strategies of firms are not only affected by home country push factors, as more often than not pull factors also come to play, thus incentives and institutional (and other) advantages offered by destination countries might even proactively change investment decisions of firms. These factors were left out from this study by intention, as this (the analysis of FDI policies and incentives of ECE countries) constitutes to form the next step of the broader research project.

To sum up we highlight during 2000s, the „golden age“ of Brazilian MNEs‘ internationalization, when a "dynamic" cycle of transnationalization took place with some companies (Vale, Petrobras, and Gerdau, together with other firms in the top twenty) taking the lead and becoming reference points for others – not just within Brazil, but also throughout Latin America and other emerging countries (Resende et al., 2010:109). During this period Brazilian MNEs have proved to be able to achieve competitive advantages not only within their domestic or natural market, but also on the global level. This achievement (along with the distinctive ability and creativity of Brazilian firms to operate under volatile conditions) makes us optimistic even amid the much less conducive current conditions, driven by economic and political struggles within Brazil, layered by one of the largest ever corruption scandal (affecting several top 20 Brazilian MNEs) and exposed to an increasingly uncertain global environment (paved by new protectionist tendencies and decreasing growth of global trade and investment).

## Literature

Amsden, A. (1989): Asia's Next Giant. South Korea and Late Industrialization. New York: Oxford University Press.

Amsden, A. (2001): The Rise of "The Rest": Challenges to the West from Late-Industrializing Economies. Oxford University Press, Oxford.

BCB (2017): The Brazilian Central Bank statistical data. Available: http://www.bcb.gov.br/ ingles/economic/SeriehistFluxoInvDir i.asp Accessed: 03-08-2017

Campanario, M.A. – Stal, E. – Silva, M.M. (2011): Outward FDI from Brazil and its policy context, from Inward and Outward FDI country profiles. Vale Columbia Center on Sustainable International Investment.

Casanova, L. – Kassum, J. (2014): The Political Economy of an Emerging Global Power. In Search of the Brazil Dream. Palgrave MacMillan, Basingstoke.

Casanova, L. (2009): Global Latinas. Latin America's emerging multinationals. Palgrave MacMillan, Basingstoke.

Casanova, L. (2016): Latin American Multinationals Facing the 'New Reality'. In: Perez, P. F. – Lluch, A. eds. (2016): Evolution of family business. Continuity and Change in Latin America and Spain. Edward Elgar, Cheltenham. pp. 23-36.

Caseiro, L. – Masiero, G. (2014): OFDI promotion policies in emerging economies: the Brazilian and Chinese strategies. Critical Perspectives on International Business, Vol. 10. No. 4. pp. 237-255.

Castro, d. T. – Hnát, P. (2017): Czech FDI Performance: Between Global Value Chains and Domestic Reforms. In: Szent-Iványi B. ed. (2017): Foreign Direct Investment in Central and Eastern Europe. Post-crisis Perspectives. Palgrave MacMillen, Basingstoke. pp. 51-76.

Éltető A. (2014): Trade and investment relations between Central and Eastern Europe and Latin America. Centre for Economic and Regional Studies HAS, Institute of World Economics Working Paper Nr. 206.

Evans, P. B. (2014): The Developmental State: Divergend Responses to Modern Economic Theory and the Twenty-First Century Economy. In: Williams, M. ed. (2014): The End of the Developmental State. Routledge, New York. pp. 220-240.

Evans, P. B. (1995): Embedded autonomy: states and industrial transformation. Princeton University Press, Princeton, N. J.

FDC (2016): Ranking FDC das Multinacionais Brasileiras 2016. Fundação Dom Cabral.

Figueira, G. S. – Rocha, A. – Pacheco, H. (2013): The Internationalization of Brazilian Fast-Food Chains: A Marketing Failure? In: Liberman, L. – Newburry, W. eds. (2013): Internationalization, Innovation and Sustainability of MNCs in Latin America. Palgrave MacMillan, Basingstoke. pp. 124-146.

Finchelstein, D. (2017): The role of the state in the internationalization of Latin American firms. Journal of World Business. Vol. 52. No. 4. pp. 578-590.

Fleury, A. – Fleury, M. T. L. (2011): Brazilian Multinationals. Competences for Internationalization. Cambridge University Press, Cambridge.

Goldstein, A. (2007): Multinational Companies from Emerging Economies: Composition, Conceptualization and Direction in the Global Economy, Palgrave Macmillan, London.

Hall, P. A. – Soskice, D. eds. (2001): Varieties of Capitalism. The Institutional Foundations of Comparative Advantage. Oxford University Press, Oxford.

Johnson, C. (1982): MITI and the Japanese Miracle. The Growth of Industrial Policy, 1925-75. Stanford University Press, Stanford, California.

Johnson, L. (2012): Absent from the discussion: the other half of investment promotion. Columbia FDI Perspectives, No. 79, Vale Columbia Center on Sustainable International Investment, New York, NY.

KPMG (2017): Brazil: Austrian holding companies identified as "privileged tax regime". 11 January 2017. Available: https://home.kpmg.com/xx/en/home/insights/2017/01/tnf-brazil-certain-austrian-holding-companies-identified-as-privileged-tax-regime.html Accessed: 05-07-2017.

Kugiel, P. ed. (2016): V4 Goes Global: Exploring Opportunities and Obstacles in the Visegrad Countries' Cooperation with Brazil, India, China and South Africa. PISM, Warsaw.

Masiero, G. – Ogasavara, M. H. – Caseiro, L. – Ferreira, S. (2014): Financing the Expansion of Brazilian Multinationals into Europe: The Role of the Brazilian Development Bank (BNDES). In: Nölke, A. ed. (2014): Multinational Corporations from Emerging Markets. State Capitalism 3.0. Palgrave MacMillan, Basingstoke. pp. 130-152.

Massi, E. (2014): The Political Economy of Development Finance: The BNDES and Brazilian Industrialisation. PhD Dissertation (unpublished), Department of Development Studies, SOAS, University of London.

MDIC (2008): Política de desenvolvimento produtivo. Ministério do Desenvolvimento, Indústria e Comércio Exterior. Available: www.mdic.gov.br Accessed: 03-07-2017.

Musacchio, A. – Lazzarini, S. G. (2014): Reinventing State Capitalism. Leviathan in Business, Brazil and Beyond. Harvard University Press, Cambridge.

Nölke, A. ed. (2014): Multinational Corporations from Emerging Markets. State Capitalism 3.0. Palgrave MacMillan, Basingstoke.

Perez, P. F. – Lluch, A. eds. (2016): Evolution of family business. Continuity and Change in Latin America and Spain. Edward Elgar, Cheltenham.

Pyper, N. (2015): Why Latin America's multinationals are struggling to go global. October 6, 2015. Available: http://theconversation.com/why-latin-americas-multinationals-are-struggling-to-go-global-48281 Accessed: 27-06-2017.

Ramamurti, R. (2012): What is really different about emerging market multinationals. Global Strategy Journal, Vol. 2. pp. 41-47.

Resende, P. – Almeida, A. –Ramsey, J. (2010): The Transnationalization of Brazilian Companies: Lessons from the Top Twenty Multinational Enterprises. In: Sauvant, K. P. – McAllister, G. – Maschek, V. A. (2010): Foreign Direct Investments from Emerging Markets: The Challenges Ahead. Palgrave MacMillan, Basingstoke. pp. 97-111.

Ricz, J. (2017): The Rise and Fall (?) of a New Developmental State in Brazil. Society and Economy, Vol. 39 No. 1. pp. 85–108.

Rodrik, D. (2004): Industrial Policy for the Twenty-First Century. Harvard University Faculty Research Working Papers Series, RWP04-047.

Santiso, J. (2013): The Decade of Multilatinas. Cambridge University Press, Cambridge.

Sauvant, K. P. (2006): Inward and Outward FDI and the BRICs. In: Jain, S. C. ed. (2006): Emerging Economies and the Transformation of International Business. Brazil, Russia, India and China (BRICs). Edward Elgar, Cheltenham, UK. pp. 313-409.

Schneider, B. R. (2013): Hierarchical Capitalism in Latin America. Business, Labor, and the Challenges of Equitable Development. Cambridge Studies in Comparative Politics. Cambridge University Press, New York.

Sennes, R. –Mendes, C. R. (2009): Public Policies and Brazilian Multinationals. In: Ramsey, J. – Almeida, A. eds.: The Rise of Brazilian Multinationals: Making the Leap from Regional Heavyweights to True Multinationals. Elsevier-Campus, Rio de Janeiro. pp. 157–174.

Sheng, H. H. – Carrera, J. M. Jr. (2016): Leading Brazilian Multinational Enterprises: Trends in an Era of Significant Uncertainties and Challenges. Emerging Market Global Players (EMGP) Project Report January 2016. Fundação Getulio Vargas (FGV), Brazil and Columbia Center on Sustainable Investment (CCSI), New York.

Sheng, H. H. – Carrera, J. M. Jr. (2017): The Top 20 Brazilian Multinationals: Divestment under Crises. Emerging Market Global Players (EMGP) Project Report March 2017. Fundação Getulio Vargas (FGV), Brazil and Columbia Center on Sustainable Investment (CCSI), New York.

SOBEET (2012): Internacionalização das Empresas brasileiras: motivações, barreiras e demandas de políticas públicas. Confederação Nacional da Indústria – CNI Brasília.

UNCTAD (2004): Outward FDI from Brazil: poised to take off? Occasional Note, 7 December 2004. Available: http://unctad.org/en/docs/iteiia200416_en.pdf Accessed: 06-07-2017.

UNCTAD (2017): UNCTAD FDI Statistics Database. United Nations Conference on Trade and Development. Available: http://unctad.org/en/Pages/DIAE/FDI%20Statistics/FDI-Statistics.aspx

Wade, R. H. (1990): Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization. Princeton University Press, New Jersey.

Wade, R. H. (2014): 'Market versus State' or 'Market with State': How to Impart Directional Thrust. Development and Change, 45(4): pp. 777-798.

Wylde, C. (2012): Latin America after Neoliberalism. Developmental Regimes in Post-Crisis States. Palgrave Macmillan, Basingstoke.

*Annex 1*

## Table: Outward Foreign Direct Investment stock in Brazil (US$ million)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| **Cayman Islands** | 16 431 | 14 124 | 18 308 | 29 466 | 32 138 | 40 264 | 42 290 | 53 292 | 58 599 |
| **Austria** | 31 212 | 31 024 | 36 268 | 37 092 | 47 390 | 56 618 | 66 549 | 48 056 | 38 756 |
| **Netherlands** | 2 160 | 2 380 | 3 600 | 10 785 | 20 819 | 28 186 | 30 742 | 29 096 | 35 491 |
| **British Virgin Islands** | 11 245 | 10 685 | 13 387 | 14 724 | 16 231 | 22 291 | 27 399 | 27 806 | 26 647 |
| **Bahamas** | 9 341 | 9 531 | 10 291 | 12 353 | 12 921 | 14 500 | 18 205 | 22 719 | 21 338 |
| **Luxembourg** | 4 259 | 4 602 | 4 356 | 4 794 | 5 425 | 14 719 | 17 350 | 20 719 | 17 324 |
| **Spain** | 4 083 | 5 055 | 5 270 | 8 992 | 11 187 | 15 376 | 19 103 | 16 215 | 13 516 |
| **United States** | 6 063 | 9 167 | 9 943 | 13 184 | 10 291 | 18 401 | 14 086 | 11 812 | 9 606 |
| **Chile** | 509 | 387 | 459 | 574 | 608 | 1 107 | 1 575 | 1 529 | 4 040 |
| **Argentina** | 2 360 | 3 376 | 4 251 | 5 148 | 5 143 | 5 511 | 4 574 | 4 639 | 3 941 |
| **Panama** | 1 185 | 3 727 | 1 005 | 1 614 | 1 443 | 2 430 | 3 253 | 3 746 | 3 717 |
| **United Kingdom** | 805 | 1 341 | 977 | 929 | 1 065 | 1 558 | 2 384 | 2 399 | 3 311 |
| **Portugal** | 1 493 | 1 449 | 1 962 | 3 257 | 3 008 | 2 139 | 2 374 | 3 909 | 3 076 |
| **Hungary** | 901 | 1 827 | 1 751 | 2 489 | 2 513 | 3 207 | 3 026 | 3 229 | 2 803 |
| **Uruguay** | 1 878 | 2 443 | 2 531 | 2 497 | 2 384 | 2 951 | 3 003 | 3 675 | 2 627 |
| **Venezuela** | 218 | 282 | 801 | 679 | 762 | 1 083 | 1 490 | 2 020 | 2 080 |
| **Belgium** | 96 | 109 | 276 | 104 | 102 | 939 | 615 | 1 632 | 1 520 |
| **Sweden** | (c) | (c) | - | - | (c) | - | 79 | 120 | 1 356 |
| **Curaçao** | - | - | - | - | - | (c) | (c) | 19 | 939 |
| **Mexico** | 175 | 249 | 294 | 528 | 688 | 1 052 | 1 216 | 1 092 | 840 |
| **Peru** | 584 | 244 | 704 | 2 254 | 1 902 | 2 986 | 3 298 | 2 809 | 735 |
| **Paraguai** | 117 | 153 | 170 | 262 | 350 | 578 | 641 | 829 | 697 |
| **Denmark** | 12 567 | 8 036 | 9 698 | 9 290 | 9 831 | 783 | 779 | 767 | 537 |
| **Dominican Republic** | 7 | (c) | 23 | 14 | 3 | 293 | 322 | 384 | 435 |
| **Colombia** | 178 | 298 | 561 | 872 | 1 194 | 696 | 575 | 495 | 402 |
| **Canada** | 16 | 13 | 1 128 | 1 976 | 230 | 1 804 | 323 | 355 | 370 |
| **Bermudas** | 599 | 234 | 1 212 | 577 | 567 | 851 | 734 | 538 | 338 |
| **Italy** | 51 | 357 | 398 | 444 | 217 | 191 | 210 | 209 | 322 |
| **Switzerland** | 83 | 106 | 128 | 148 | 165 | 343 | 343 | 338 | 311 |
| **China** | 83 | 48 | 138 | 148 | 115 | 72 | 91 | 213 | 291 |
| **France** | 156 | 204 | 247 | 1 006 | 949 | 1 230 | 1 216 | 325 | 285 |
| **Germany** | 135 | 164 | 154 | 110 | 230 | 225 | 237 | 208 | 235 |
| **Belize** | 43 | 43 | 28 | 114 | 55 | 173 | 117 | 194 | 220 |
| **Virgin Islands (USA)** | 69 | 80 | 161 | 199 | 247 | 246 | 192 | 223 | 211 |
| **Angola** | 73 | 58 | 124 | 44 | 75 | 1 027 | 1 392 | 1 285 | 200 |
| **Ecuador** | 39 | 21 | 22 | 30 | 40 | 68 | 106 | 117 | 155 |
| **Isle of Man** | 18 | 19 | 18 | 18 | 18 | 47 | 97 | 125 | 147 |
| **Seychelles** | - | - | - | (c) | 48 | 4 | 85 | 126 | 129 |
| **Japan** | 41 | 42 | 40 | 41 | 114 | 108 | 94 | 91 | 120 |
| **Bolivia** | 53 | 48 | 67 | 86 | 96 | 96 | 128 | 98 | 93 |
| **Hong Kong** | 0 | 1 | 2 | 3 | 7 | 17 | 21 | 170 | 91 |
| **Guernsey** | 11 | 10 | (c) | - | - | - | (c) | 87 | 81 |
| **New Zealand** | - | - | (c) | 77 | 84 | 56 | 42 | 58 | 75 |
| **South Africa** | (c) | 7 | 5 | 21 | 15 | 91 | 90 | 97 | 71 |
| **Liechtenstein** | 4 | 1 | 2 | 2 | 2 | 13 | 10 | 23 | 68 |
| **Australia** | 0 | (c) | (c) | (c) | 1 | (c) | 71 | 62 | 65 |
| **Malta** | - | - | - | - | - | (c) | 9 | 18 | 57 |

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| **Costa Rica** | 27 | 56 | 56 | 60 | 56 | 72 | 71 | 58 | 50 |
| **Guatemala** | (c) | (c) | (c) | (c) | (c) | (c) | 4 | 1 | 48 |
| **Marshall Islands** | (c) | (c) | - | (c) | (c) | 40 | 45 | 42 | 46 |
| **Ireland** | (c) | - | (c) | 462 | (c) | 5 | 27 | 32 | 46 |
| **Saint Lucia** | - | (c) | (c) | 2 | 7 | 3 | 7 | 22 | 44 |
| **Saint Kitts and Nevis** | 12 | 15 | 14 | 19 | 20 | 35 | 42 | 41 | 39 |
| **Ghana** | - | - | (c) | (c) | (c) | - | 1 | 8 | 34 |
| **Turkey** | (c) | (c) | (c) | (c) | (c) | (c) | (c) | 2 | 29 |
| **Mozambique** | (c) | (c) | (c) | 54 | 35 | 42 | 43 | 25 | 25 |
| **Honduras** | - | - | - | - | - | - | - | 9 | 24 |
| **El Salvador** | (c) | (c) | - | (c) | (c) | (c) | 8 | 11 | 23 |
| **United Arab Emirates** | 0 | 6 | 4 | 11 | 2 | 6 | 1 | 1 | 17 |
| **Puerto Rico** | 7 | 5 | 6 | 7 | 6 | 4 | 10 | 13 | 16 |
| **Slovakia** | (c) | (c) | 659 | 166 | 166 | 42 | (c) | 18 | 16 |
| **Jersey Islands** | 30 | 233 | 92 | 131 | 126 | 96 | 96 | 46 | 8 |
| **Gibraltar** | 324 | 332 | 362 | (c) | 403 | 7 | 7 | 8 | 8 |
| **India** | (c) | 5 | (c) | 16 | 21 | 157 | 18 | 9 | 8 |
| **Monaco** | - | - | - | (c) | (c) | 9 | 13 | 12 | 4 |
| **Norway** | 2 | 7 | 9 | 105 | 100 | 6 | 33 | 2 | 1 |
| **Netherlands Antilles** | 1 351 | 1 052 | 224 | 550 | 489 | 1 447 | 1 356 | 1 039 | - |
| **Bahrain** | (c) | 1 | 71 | 2 | 2 | (c) | (c) | (c) | (c) |
| **Turks and Caicos Islands** | 29 | 22 | 40 | 56 | 53 | 59 | 77 | 82 | (c) |
| **Other1/** | 215 | 72 | 115 | 481 | 776 | 813 | 525 | 381 | 538 |
| **Total** | **111 339** | **113 755** | **132 413** | **169 066** | **192 933** | **247 172** | **272 921** | **269 832** | **259294** |

(c) Confidential data, composed by less than three respondents.

**1/** Includes countries that have not reached, in any year, the criterion of minimum US$ 10 million stock distributed among at least 03 (three) respondents: Albania; Algeria; Andorra; Anguilla; Antigua and Barbuda; Armenia; Aruba; Barbados; Botswana; Bulgaria; Cameroon; Canary Islands; Central African Republic; Congo; Croatia; Cuba; Cyprus; Czech Republic; Dominica; Egypt; Equatorial Guinea; Finland; Guinea-Bissau; Haiti; Indonesia; Iran; Israel; Kenya; Lebanon; Liberia; Libya; Malawi; Malaysia; Mauritius; Morocco; Namibia; Nepal; Nicaragua; Nigeria; Niue Island; Oman; Poland; Qatar; Romania; Russia; Rwanda; Saint Barthélemy; Saint Kitts and Nevis; Saint Vincent and the Grenadines; Saudi Arabia; Singapore; Slovenia; South Korea; Suriname; Taiwan; Trinidad and Tobago; Uganda; Ukraine; United States Minor Outlying Islands; Western Samoa.

*Source:* Brazilian Central Bank (2017)