

## Chapter 32

# The Recent Internationalization of Brazilian Companies

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### **ABSTRACT**

*The recent wave of internationalization among Brazilian companies differs from past experiences, in terms of volume, reach, destination and quality. Brazilian multinationals are not restricting their activities solely to regional markets, nor are their first steps entirely directed towards South America. In amount of investment and number of subsidiaries there are signs they prefer assets and activities in advanced markets—including Europe and North America—where they compete on an equal footing with major conglomerates for a share of these markets. Some Brazilian companies have previous internationalization experience, and a significant portion had been prepared and initiated outward growth in the 1990s, after the economy opened up. However, the boom of internationalization that began in 2004 took place in such unusual conditions as to deserve highlight and special analysis. This chapter discusses the recent expansion of Brazilian multinationals as a result of: (1) the functioning of a more responsive and targeted system of financing, (2) transformation of the Brazilian productive structure, which led to the emergence of a group of companies seeking internationalization as a strategy, (3) preference for seeking more advanced economies as a means to expand access to new markets and suppliers, as well as to absorb innovations and technology, (4) the State's performance in several dimensions, especially in financing the implementation of policies which support the creation of large national groups with a presence in the globalized market.*

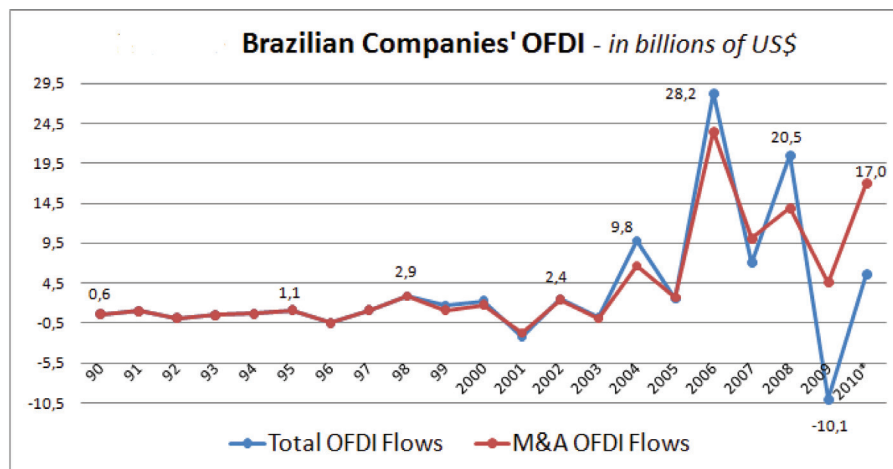
## INTRODUCTION<sup>1</sup>

After the reduction of Outward Foreign Direct Investment (OFDI) flows in 2009 due to the international economic crisis, the rhythm of expansion by Brazilian multinationals abroad quickly accelerated, accompanied by the resumption of economic growth.<sup>2</sup> In just the first nine months of 2010, the sum of acquisitions abroad by Brazilian companies totaled US \$17 billion, a value greater than the total international acquisitions made by Brazilian companies throughout the 1990s. According to data from the Brazilian Central Bank, a definite and unprecedented acceleration of investments by Brazilian companies abroad only started in 2004. However, the first movements of this new wave had its roots exactly in the 1990s, after the opening of Brazilian economy, a period of rehearsal and preparation for this more aggressive thrust into the path of globalization, as can be seen in Figure 1.

During this same period, companies like Petrobras (oil and gas), Vale (mining), Embraer (aeronautics industry) Braskem (petrochemicals) and JBS (meat processing) established themselves as large international players; other companies—

like Gerdau (steel), WEG (engines), Coteminas (textiles), Marcopolo (buses), BR Foods (food), Votorantim (cement, mining and pulp and paper), Odebrecht (construction) and Camargo Corrêa (textiles, cement, and construction)—which already held leadership positions in South America, consolidated, expanded and diversified their internationalization. Besides this, a number of other companies from different sectors—like Marfrig (food); Totvs, Stefanini e Bematech (information technology); Randon, Sabó and Ioschpe Maxion (cars and car parts); Lupatech, Romi and Tupy (mechanics); Natura (cosmetics); EMS and Eurofarma (pharmaceuticals), among others—elevated their standards of competitiveness and broadened activities abroad. Unlike prior experiences, the more recent internationalization of Brazilian companies possesses particular characteristics: in this most recent migration, the Brazilian multinationals went beyond their niches and their closest market, South America, and pursued targets like the OECD countries, North America and Europe in particular, where they compete directly with large conglomerates for an important slice of the international market (Figure 2).

Figure 1. Brazilian companies' OFDI



Source: Author's elaboration based on data from Central Bank of Brazil, October 2010.  
\*2010: data only for the first nine months.

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