The Latin American Foreign Investment Boom: Recent Trends and the Evolution of Multilatinas*

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The Reconfiguration of the Global Economy and the Emergence of Multilatinas

The global economy has undergone enormous changes in recent decades, particularly since the outset of the 21st century. Economic relations once tended to be dominated by a center-periphery pattern, with the United States, Europe, and Japan at the center and the countries of the South at the periphery. However, in recent years this pattern has become outdated and a new one has emerged: a world with several centers of economic power, in which the countries of the South have considerably more weight. The fact that these new countries have broken out as an economic power points to a profound transformation that is shifting the tectonic plates of the global economy and reconfiguring the relationships between countries and economic blocs at all levels. While the most advanced countries continue to exercise significant leadership in the world economy, they have lost 13 percentage points of global GDP since 1980, and average annual growth for these countries has been

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2.5 percent since 2000, compared with 4.6 percent for emerging countries.[1]

This process has been led by the emergence of China as an economic power, an economic phenomenon that presents innumerable ramifications and consequences throughout the world. For example: The purchase of U.S. Treasury bonds by China—which has a savings rate triple that of the United States—has been one of the main drivers of U.S. domestic consumption in recent years. For example: China's purchases of raw materials in Latin America have meant an enormous transfer of revenues that has helped to lift 70 million Latin Americans out of poverty. For example: The online commerce company Alibaba managed to raise $21.8 billion in its first IPO[2] on the New York Stock Exchange, with a value surpassing that of Facebook, Walt Disney Co., or Amazon.[3]

Although its capacity to break out onto the world economic stage is more modest than that of the Chinese economy, the Latin American region is unquestionably part of this process of reconfiguration of the global economy. Latin America's greater economic and commercial clout in the world is undeniable, even considering the economic slowdown that has affected the region in 2013-2014. From 1990 to 2012, the region's participation in global economic activity grew from 5.1 to 7.8 percent[4]; in global trade from 4.1 to 6.1 percent[5]; and in foreign direct investment (FDI) from 2.7 to 4.9 percent.[6] Solid economic progress, supported to a large extent by strong growth in prices of raw materials, has produced a marked improvement in the well-being and quality of life of Latin Americans, brought huge pockets of the population out of poverty, and enabled the middle class to reach 30 percent of the population, which according to the World Bank is an all-time high.[7]

Moreover, the confluence of external factors (favorable global economic environment and the rise of China) and internal factors (orthodox, responsible management of public spending, economic openness, liberalization, and privatizations) has enabled Latin America to visibly improve its macroeconomic fundamentals. Lower public deficits and foreign debt, the historically high volume of reserves, and visible improvements in financial regulation make Latin America a much more secure and predictable region, far removed from the critical events of the 1980s and 1990s. It is certainly true that the region continues to face major challenges and unfinished tasks, and there continues to be an enormous gap with advanced countries in terms of inequality, educational quality, infrastructure, and innovation. But it is clear that the favorable economic environment of recent years has enabled Latin America to experience an extended period of stability and prosperity.

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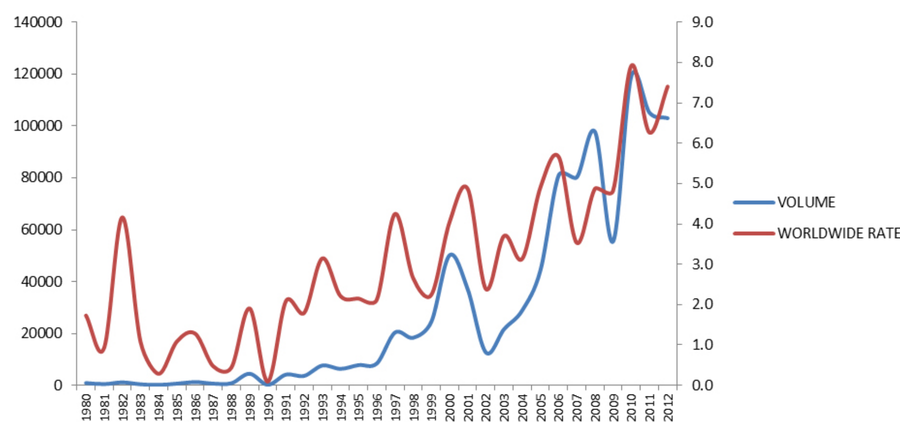
[1] World Economic Outlook (WEO) Database [online], International Monetary Fund (IMF). 2014.
[2] Initial Public Offering.
[3] *Wall Street Journal*. "Alibaba Set for New York IPO." 2014; *Washington Post*. "Alibaba, China's king of Web retail, opens at $92.70 in surging market debut." September 19, 2014; Reuters. "Alibaba IPO prices at top of range, raising $21.8 billion." September 18, 2014.
[4] IMF WEO Database. 2014.
[5] Database of the United Nations Conference on Trade and Development (UNCTAD). 2014.
[6] UNCTAD database. 2014.
[7] World Bank, "World Bank Group Backs Latin America and the Caribbean's Steady Poverty Reduction and Middle Class Growth." July 24, 2013. Washington, DC.

In this context, Latin American companies—both public (state-owned enterprises, or SOEs) and private—have been growing in size and presence abroad, through operations that range from modest representation offices to acquisitions of first-world corporations. The phenomenon of "multilatinas"[8] or "trans-Latins"[9] comprises the growing number of companies that gradually began to invest abroad in the 1990s, and even earlier, but surged forward with a huge wave of investment starting in 2000.

Graph 1. Outward Foreign Direct Investment Flows from Latin America (1980-2012)



Source: UNCTAD. In millions of dollars. These investment volumes may differ significantly from those compiled by ECLAC.

It is hard to establish a specific year that marks the birth of multilatinas as an economic phenomenon. Their growth in size and relevance has been gradual (there was no single year in which volumes of investment took off among most of the companies), and the pace of this phenomenon has varied in different countries in the region. In the 2000-2005 period, average annual investment doubled over the previous five-year period, reaching levels of foreign investment outflows from Latin America that had never been seen before. In the 2006-2012 time frame, annual FDI was nearly triple its 2000-2005 level, and the last three years for which information is available (2010-2012) marked the highest levels of FDI outflows from Latin America in the region's history.

We are therefore dealing with a very recent phenomenon, one that is still taking shape today. This calls for the most up-to-date analysis possible, since the patterns and characteristics of a few years ago are notably different from those now seen among multilatinas. The aim of this study, then, is to present the most current analysis possible of the multilatina phenomenon in order to define its characteristics today.

[8] Companies started in Latin America of a significant size and with operations in one or more countries other than the company's home base. While there is no specific definition of the term, multilatinas are generally understood to be multinational firms based in Latin America.

[9] The term used by the Economic Commission for Latin America and the Caribbean (ECLAC) to refer to Latin American or Caribbean transnational companies that have made direct investments outside their home countries, whether within or outside the region.

The first section describes the multilatina phenomenon in the context of a reconfiguration of economic power in the world. The second analyzes the 10 factors that have led to the emergence and expansion of these companies in the last 15 years. The third section describes the interrelationship among multilatinas, oil, and the state. The fourth consists of a brief sector-by-sector analysis. The fifth section details which countries have produced the most multilatinas, and briefly looks at the region's seven biggest investors abroad. The sixth section describes where multilatinas invest, with a particular focus on the United States. The seventh places multilatinas in a global context, comparing them with Western multinationals and with Asian companies. The eighth section analyzes what factors will determine the potential growth of these companies in the future, while the ninth and last section presents this study's main conclusions.

Ten Factors that Explain the Expansion of Latin American Companies

The emergence of Latin American companies on the global economic stage, which produced the multilatina phenomenon, is nothing but the result of the enormous economic progress the region has made in recent years. A number of heterogeneous factors—political, institutional, economic, and financial—explain these companies' birth, development, and later transformation into global players. The following 10 factors have given rise to multilatinas and helped them develop:

- Political and institutional stability has enabled the region to reach considerable macroeconomic stability, which in turn has spurred the development of major business groups. With some exceptions, Latin America's democracies have been consolidated, its political leaders are manifestly committed to strengthening institutions, and people are more and more demanding when it comes to the quality of democracy. The region's political and institutional stability has translated into lower perceived sovereign risk, which has enabled Latin American corporations to more frequently and less expensively obtain financing from the markets. For example, the annual average of corporate bonds issued abroad by Latin American companies increased from $12 billion before the subprime crisis to $50 billion in 2012 and 2013.[10]

- The adoption of orthodox macroeconomic policies has been essential; these have markedly strengthened economic fundamentals in the region and enabled the extended cycle of economic growth seen in recent years. Today the region has an average public debt of 39 percent of GDP (compared with 108 percent in the United States or 93 percent in the Eurozone); the bank capital-to-assets ratio is 10.3 percent (compared with an OECD average of 7.4 percent)[11]; inflation averages 6.5 percent (far below the three-digit rates seen in the 1980s and 1990s); and foreign currency reserves with respect to foreign debt are at all-time highs.

[10] ECLAC. *Foreign Direct Investment in Latin America and the Caribbean 2013*. Santiago, Chile. 2013.
[11] Credit Suisse. "Latin America: The Long Road." February 2014.

- This political-institutional and macroeconomic stability not only produced high growth rates sustained over time, but also paved the way for Latin American companies to decide to invest in the region to take advantage of business opportunities stemming from the economic expansion. This was the case with smaller companies that lacked the capacity to take on the U.S. or European market, which made their first international investments in neighboring countries at a lower cost.

- Beginning in the late 1990s, the macroeconomic scenario was highly conducive to the creation of major corporate groups, which could take advantage of historically low interest rates and abundant liquidity at the international level to obtain financing on very favorable terms and set about expanding. It bears remembering that Federal Reserve interest rates have dropped drastically, from 6 percent in 2000 to 0.5 percent in 2013; in Latin America, Brazil's Selic rate[12] dropped from 26.5 percent in 2003 to 10 percent in 2013, and Mexico's inter-bank interest rate fell from 18 percent in 2000 to 3.8 percent in 2013.

- Prices of raw materials on international markets showed a marked increase—particularly due to China's rise in the global economy—with Brent crude prices surging from $28 per barrel in 2000 to $115 in 2013. Governments benefited extensively from this process and reinvested part of these fiscal revenues in state-owned companies, particularly in those specializing in the extraction, production, and marketing of commodities, enabling them to grow and do business abroad. Indirectly, the so-called *raw materials supercycle* had a positive effect on the business dynamic in the entire region, ultimately favoring business activity in every economic sector.

- The expansion and conversion of companies into top-tier global businesses is closely tied to the fact that these organizations have been forced to go through a fast-paced process of adaptation in response to changes taking place around them. Virtually every multilatina has gone through successive economic crises in the region, such as the debt crisis of the 1980s, the "tequila" crisis in Mexico in 1994, or the massive capital flight seen in Brazil in 1999 or in Argentina with its "corralito" crisis in 2001. Excessively volatile variables such as inflation or exchange rates have also led companies to grow via foreign expansion to compensate for risks and operate in more stable environments.

- The process of economic openness and trade liberalization promoted in the 1990s, under the aegis of the Washington Consensus,[13] led to a wave of business investment by North American and European companies in Latin America, which forced Latin American companies to become more specialized in their production, create economies of scale, make their cost structures more flexible, and professionalize their management. This competitive shock prepared the region's companies to successfully do business abroad.

[12] The interest rate used by Brazil's Central Bank.

[13] A conjunction of economic policy measures implemented in Latin America during the 1990s, following the recommendation of international bodies based in Washington, D.C. These policies include budgetary discipline, financial liberalization, market deregulation, and privatization of priority sectors.

- Latin America's economic progress has led to a considerable growth of the region's middle classes. New consumers brought more corporate profits and revenues, which meant that companies became bigger. Some 70 million Latin Americans have left poverty behind since 2000, and 50 million joined the middle class between 2003 and 2009.[14] Still, it should be noted that 38 percent of Latin Americans still belong to the "vulnerable" class, with a per capita income of $4 to $10 per day.[15] In the opinion of noted experts, the economic slowdown of the past two years could particularly affect the segments of the population with middle to lower-middle purchasing power, reversing the process of consolidation and expansion of the region's middle classes.

- A company's capacity to grow through acquisitions in foreign markets is closely related to the volume of its market capitalization. In this regard, the revaluation of Latin American companies favored growth through foreign acquisitions. The MSCI Emerging Markets Latin America Index, which reflects the trend in stock values of 143 Latin American companies covering 85 percent of each country's market capitalization, shows that since 2003 Latin American companies have considerably outperformed the rest of the world, as well as other emerging countries, in the stock market.

- To maintain their competitive advantages, many Latin American companies had to grow through investment in foreign markets, as opportunities in their own countries had run out. In this context, new opportunities to develop natural resources, along with access to new consumers or to places with lower labor costs (outsourcing), also help to explain companies' decision to do business abroad.

Multilatinas: One Foot in the State and the Other in Natural Resources

Historically, beginning with the import substitution and industrial development policies that characterized Latin America throughout much of the second half of the 20th century, the state has played a major role in the formation of industrial groups, especially those producing and developing natural resources in the region. SOEs, some of which have become global leaders in different economic sectors, have their roots in past periods of strong public interventionism. Even today, after three decades in which waves of privatization have swept over virtually every sector in Latin America, the presence of public capital in major Latin American companies continues to be extremely important. According to calculations by the Economic Commission for Latin America and the Caribbean (ECLAC), around 12 percent of the 100 biggest Latin American companies are publicly owned. Although this number may seem modest, the existence of these national champions is very important because they are a critical tool to implement state policies in the region.

[14] Members of the middle class are considered those with an income of $10 to $50 per day. World Bank. "World Bank Group Backs Latin America and the Caribbean's Steady Poverty Reduction and Middle Class Growth." July 24, 2013. Washington, DC.

[15] Francisco H.G. Ferreira, Julian Messina, Jamele Rigolini, Luis-Felipe López-Calva, Maria Ana Lugo, and Renos Vakis. "Overview: Economic Mobility and the Rise of the Latin American Middle Class." World Bank. Washington, D.C. 2012.

State control over SOEs varies in intensity. In its most extreme form, the state is the only shareholder, and it exercises absolute decision-making power in the strategic decisions made by the SOE, whose boards and oversight agencies are appointed directly by the government. In its loosest form, the government maintains a minority ownership and does not participate in management, although it sometimes maintains veto right over new shareholders ("golden share"). For example, in the case of the Mexican oil company Pemex, the state has total control (100 percent of shares). The government of Brazil maintains majority control (64 percent of capital) over the oil company Petrobras, which nevertheless has a high degree of management autonomy.

The operation of these publicly owned multilatinas is essential to ensure and stabilize fiscal revenues and generate foreign currency in many Latin American countries. In the case of Brazil, the country's enormous petroleum resources (which increased after the discovery of the Presal oil field off the coast of Rio de Janeiro) are managed almost exclusively by Petrobras; in the case of Mexico, oil resources are managed by Pemex, which came to account for 40 percent of Mexico's total budget. In Chile, Codelco, the world's leading copper producer, is the public company that provides the most fiscal revenues for the state, with 11 percent of the total.

In addition to their role in stabilizing fiscal revenues and generating foreign currency, the operations and returns of these multilatinas that exploit natural resources is essential for the macroeconomic stability of the leading Latin American economies. According to calculations by Banco de España, Mexico's trade balance without oil revenues would be-4.8 percent, compared with the current-1.1 percent, and the public sector balance would be -7.8 percent, compared with the-0.4 percent average in the 2003-2009 period. In the case of Venezuela, the public sector balance would be-12 percent without oil, compared with the current 15 percent, and the public deficit would be-12.8 percent instead of the current -1 percent.[16]

A notable example of absolute government control of an SOE is the Venezuelan company Petróleos de Venezuela (PDVSA), whose 100 percent public capital is controlled by the Venezuelan government, which regulates and establishes the number of barrels to be produced based on its fiscal policy objectives. The importance of PDVSA to Venezuela is greater than in the case of Petrobras and Pemex due to two factors. The first is that Venezuela has one most statist economies in the region, one that gives among the most subsidies and current transfers to businesses and citizens. The second factor is that through its resources and revenues, the Venezuelan government exercises influence over other Latin American countries with a similar ideological bent.[17] In this regard, it should be noted that Venezuela has recently financed the renovation of the Camilo Cienfuegos Refinery in Cuba and announced a joint investment fund with the government of Ecuador.

[16] Banco de España. Economic Bulletin 2013. Madrid. October 2013.

[17] It should nevertheless be noted that Petrocaribe—the oil alliance between several Caribbean and Central American countries and Venezuela—is made up of members with different ideological perspectives.

Apart from direct state control over strategic companies, state support for multilatinas takes very different forms, all of which could be classified under the umbrella of state capitalism. Sometimes the companies are privately owned but favored extensively by public regulation, which allows them to operate over a long period of time as monopolies. This is the case with the Mexican telecommunications company América Móvil—which is owned by the world's richest man, Carlos Slim, and is the successor to Teléfonos de México—whose business growth was initially based on its dominant position following a failed privatization process.

In other cases, multilatinas benefit from a targeted government strategy to provide financial support for expansion and growth abroad. This policy can be seen with particular intensity in Brazil, through the Banco Nacional de Desenvolvemento (Brazilian Development Bank, or BNDES), which uses loans, guarantees, and capital participation as its main instruments. Between 2007 and 2011, BNDES provided 40.8 billion reais ($18.26 billion)[18] in financing to six companies: JBS Friboi (food), Marfrig (food), Oi (telecommunications), Fibria (forestry), and Ambev (beverages). It also underwrote 100 percent of the shares issued by Marfrig to purchase Keystone Foods.

Aside from financing and capital support, in practically all countries in the region we have seen key state policies designed to increase the competitiveness of existing industries, policies which have spurred the growth and expansion of multilatinas: Brazil (2008-2010 Productive Development Policy; 2011-14 "Plano Maior Brasil"), Mexico (Vision 2030), Chile (2010-2020 Competitiveness Agenda), and Colombia (Vision Colombia 2019 and 2032; 2011-2014 National Development Program), among others. In addition, agencies that promote exports and investment in different countries (notably Proexport, a Colombian development agency) have developed mechanisms to support the internationalization of business, though this effort has been intermittent and timid, and results so far have not been visible.

Natural Resources, But Not Only Natural Resources

As a rule, multilatinas operate at all steps of the value chain, including activities with the highest value added: research, development, and innovation, as well as design, marketing, and distribution. Moreover, their management capacity, knowledge of the marketplace, and financial muscle all mean that they can sometimes encompass more than one economic sector or type of activity. On this point, it should be noted that, apart from the already mentioned companies that operate in the natural resource sector, multilatinas present a high degree of diversity in terms of sectors.

There are many lists of multilatinas that can be useful for conducting an analysis by sector, although all of them include virtually all the biggest and most internationalized Latin American companies. This study primarily uses the Multilatinas Ranking, due to the extensive

[18] ECLAC. *Foreign Direct Investment in Latin America and the Caribbean 2013*. Santiago, Chile. 2013.

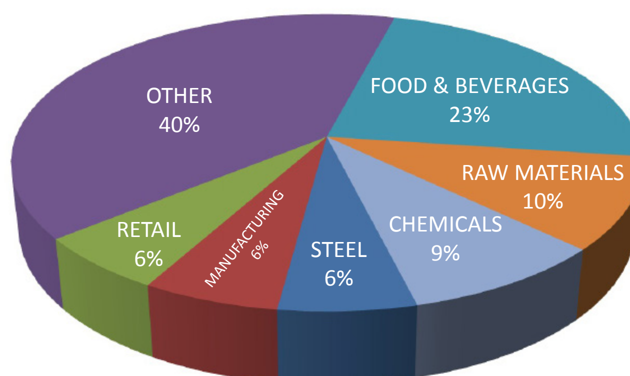
information it collects on companies' position abroad.[19] The largest sector, by number of multilatinas, is not energy or natural resources but the food and beverage sector, with a total of 18 companies, which range from a global presence to a more modest expansion process. For example, Grupo JBS Friboi of Brazil is the worldwide leader in meat production and processing, and sells in 150 countries through 185,000 points of sale, and Bimbo has 130 bread-making plants outside Mexico. The Chilean company Carozzi, meanwhile, focuses its production on pastas, crackers, and candy in Chile, and has foreign operations only in Argentina and Peru.

The second sector with the most multilatinas is that involving the extraction, production, and transformation of raw materials, dominated as we have seen by publicly owned companies. These include four companies in the cement subsector, such as Cemex, the third-largest cement company in the world by volume of sales; Vale, global leader in production of iron and nickel; Votorantim, a leader in construction materials; as well as the petrochemical firms headed by Petrobras or the Mexican company Mexichem. The third sector with the most multilatinas is the chemical sector, with seven companies operating in very different subsectors. The Peruvian group Belcorp specializes in feminine beauty products, while Chile's SQM focuses on agricultural products and Argentina's Laboratorios Bagó on pharmaceuticals. The next sectors by number of multilatinas are steelmaking and manufacturing, with five companies each. The largest steelmakers in the region are two Argentine companies, Tenaris and Ternium, global leaders in industrial tubing and flat steel, respectively. The retail sector, meanwhile, also has five companies and a notable presence in the distribution of products in the region, through companies such as the Chilean-based Cencosud or Falabella, which have their own supermarket chains in several Latin American countries.

There are also seven companies that operate directly in high-tech sectors: Sonda (IT services); Topvs (software solutions); Bematech (commercial automation); LATAM and Copa airlines; the telecommunications company América Móvil; and Embraer, which manufactures aircraft and private jets. The number of these companies among the biggest multilatinas is significant, and indicates that the region is perfectly capable of producing global competitors in technology sectors. It bears noting that in recent years, groundwork has been laid for the development of more fast-growing, high-tech firms that can quickly scale up to the international level. This is due to targeted public support for high-tech entrepreneurial initiatives, such as the program "Start-Up Chile."

[19] The Multilatinas Ranking measures progress made by Latin American companies as they pursue globalization. It includes five sub-indexes: exports and sales by foreign subsidiaries (accounting for 10 percent of the index's total weight); employees abroad (10 percent); volume and percentage of investment outside the company's home country (30 percent); geographic presence (20 percent); and growth potential (30 percent).

Graph 2: Distribution of Multilatinas by Sector



Source: *Multilatinas 2013*, published by *América Economía*

Home Countries: Brazil, Mexico, and Chile in the Lead

The multilatina phenomenon has arisen with different degrees of intensity in the countries of Latin America. In some of them, this is a strong trend that is on the rise, while in others it is just getting off the ground or is barely nonexistent. The region's two major economies, Brazil and Mexico, lead the way in terms of presence of multilatinas, along with the most open economy, Chile. Multilatinas are seen to a lesser degree in Argentina and Colombia, with Venezuela and Peru a bit further behind. Finally, there are other economies that because of their small size or economic profile hardly produce any multilatinas, such as Uruguay or Bolivia.

A double analysis will be used to determine which countries have the most multilatinas. First, this paper will describe the number of companies, again using the Multilatinas Ranking[20] published by *América Economía*. Second, it will use statistics from the United Nations Conference on Trade and Development (UNCTAD) to analyze FDI outflows from the region, a reflection of Latin American companies' expansion operations.

With respect to the Multilatinas Ranking, which analyzes a total of 80 companies, the country with the most companies is Brazil, which has 25 multilatinas with total sales of $357 billion and an average of 20.3 percent of each company's workforce abroad, covering an average of 15 countries. In second place, at a considerable remove from Brazil, is Chile, with a total of 20 companies with $90 billion in sales and a presence in an average of eight countries, with a total of 41 percent of employees working in subsidiaries abroad.[21]

[20] *América Economía* (online), "Multilatinas 2013: Ranking," http://rankings.americaeconomia.com/2013/ranking_multilatinas_2013/ranking.phphttp://rankings.americaeconomia.com/2013/ranking_multilatinas_2013/ranking.php.

[21] The Chilean holding company LATAM, the result of a merger between LAN (Chile) and TAM (Brazil) airlines, is being considered a Chilean company.

Mexico comes in third, with fewer companies (19) but a higher volume of sales abroad—$170 billion—and a presence outside the country of 13 subsidiaries, with 42 percent of total employees.[22] Multilatinas are concentrated significantly in these three countries, which account for 89 percent of these companies and 78 percent of their sales abroad. Other countries with multilatinas are Argentina (4 companies), Colombia (4), Venezuela (1), Bolivia (1),[23] Paraguay (1), and Guatemala (1).

Secondly, if we analyze the expansion of multilatinas with respect to FDI outflows from the region based on UNCTAD statistics, we find very similar results.[24] Brazil (41.5 percent of the total), Mexico (24.5 percent), and Chile (17.3 percent) are the leading investors beyond their borders, accounting for 83.3 percent of total volume. Argentina (5.9 percent), Colombia (5.6 percent), and Venezuela (3.7 percent) also account for more than 1 percent each of the region's total outward FDI stock.

Brazil is the world's top Latin American investor. Brazilian multilatinas are often leading companies in their fields, and in recent years they have undertaken major operations that have consolidated their status as global corporations. The mining company Vale is a global company with investments in 36 countries as diverse as the Philippines, Oman, and the Democratic Republic of the Congo. This company carried out one of the largest South-North acquisitions to date: the purchase of the Canadian company Inco (second-largest nickel producer in the world) for $13 billion. The steel company Gerdau receives 76 percent of its revenues from abroad, and the meat processor JBS Friboi has made major acquisitions in advanced countries such as the United States, Australia, and Italy, and controls 45 percent of the worldwide market for meat. Petrobras, the largest Brazilian company, led the biggest IPO in history in 2010, for $70 billion. The internationalization of Brazilian companies has also extended to joint ventures, as in the case of the auto body company Marcopolo, which created a joint venture with Tata Motors to manufacture buses in India. Marcopolo also currently manufactures components for its buses in Changzhou (Jiangsu, China).

One distinguishing characteristic that drives Brazilian companies, unlike other multilatinas, to invest abroad is access to financing on less onerous terms than in Brazil. Brazilian companies repatriate profits from their subsidiaries and move a large volume of loans within their group to finance the parent company so it does not have to obtain financing in Brazil, which has some of the highest interest rates in the world. Another characteristic that sets Brazil apart from other Latin American countries is the targeted support for investment projects that the public development bank BNDES provides to local companies, as was mentioned earlier. At any rate, recent years have seen a decline in investments by Brazilian companies, which are showing greater interest in investing in the domestic market. Also, companies

[22] The Mexican companies have an overall multilatina ranking below that of the Chilean companies.
[23] Brightstar is a company founded with U.S. and Bolivian capital, and considered Bolivian by *América Economía*.
[24] Analysis based on UNCTAD data for outward FDI stock through 2012. Excluded from the calculation are the main countries through which investment is channeled but which are not its final destination: British Virgin Islands, Cayman Islands, Panama, Trinidad and Tobago, Bahamas, Barbados, and Aruba.

Table 1. 50 Leading Multilatinas

Ranking 2013	Company	Home Country	Main Sector	No. of Countries	% of Sales Abroad	% Employees Abroad
1	**CEMEX**	MX	CEMENT	50	77	69
2	**GRUPO JBS - Friboi**	BR	FOOD	15	84	56
3	**BRIGHTSTAR**	USA/BO	TELECOM.	46	55	67
4	**TENARIS**	AR	STEEL	11	86	74
5	**GRUPO ALFA**	MX	MULTISECTOR	17	60	28
6	**LATAM**	CL/BR	AIRLINES	16	57	25
7	**IMPSA**	AR	ENERGY	30	67	50
8	**TELMEX**	MX	TELECOM.	8	96	91
9	**AJEGROUP**	PE	BEVERAGES	16	80	78
10	**TERNIUM**	AR	STEEL	10	74	70
11	**ODEBRECHT**	BR	CONSTRUCTION	35	42	31
12	**GRUPO MIMBO**	MX	FOOD	19	46	40
13	**GERDAU**	BR	STEEL	14	63	50
14	**ISA**	CO	ENERGY	8	70	66
15	**VALE**	BR	MINING	36	17	22
16	**MEXICHEM**	MX	PETROCHEMICALS	18	61	72
17	**SIGDO KOPPERS**	CL	CONSTRUCTION	25	41	20
18	**GRUPO BELCORP**	PE	CHEMICALS	17	80	72
19	**AVIANCA-TACA**	CO/SV	AIRLINES	22	78	71
20	**MARFRIG**	BR	FOOD	21	35	42
21	**SUD. DE VAPORES**	CL	SHIPPING	5	93	63
22	**PETROBRAS**	BR	OIL	25	37	9
23	**LAB. BAGÓ**	AR	CHEMICALS	22	23	45
24	**AMÉRICA MÓVIL**	MX	TELECOM.	18	39	55
25	**ANTO. MINERALS**	CL	MINING	7	94	26
26	**INTEROCEÁNICA**	CL	SHIPPING	5	93	54
27	**CENCOSUD**	CL	RETAIL	5	59	54
28	**SONDA**	CL	TECHNOLOGY	10	57	72
29	**SQM**	CL	CHEMICALS	11	86	4
30	**GRUMA**	MX	FOOD	18	66	63
31	**RECALCINE**	CL	CHEMICALS	16	76	69
32	**BRASIL FOODS**	BR	FOOD	20	40	16
33	**WEG**	BR	MANUFACTURING	38	44	20
34	**GRUPO NUTRESA**	CO	FOOD	15	23	23
35	**FIBRIA**	BR	FORESTRY/CELLULOSE	8	51	4
36	**VOTORANTIM**	BR	CEMENT	10	24	24
37	**ARAUCO**	CL	FORESTRY/CELLULOSE	10	90	24
38	**FALABELLA**	CL	RETAIL	4	33	44
39	**GRUPO MODELO**	MX	BEVERAGES	22	53	5
40	**V. CONCHA Y TORO**	CL	BEVERAGES	12	80	21
41	**MASISA**	CL	FORESTRY/CELLULOSE	5	81	81
42	**EMBRAER**	BR	AEROSPACE	6	83	7
43	**CMI (P. CAMPERO)**	GT	FOOD	12	75	77
44	**GRUPO ARGOS**	CO	CEMENT	3	52	41
45	**CMPC**	CL	FORESTRY/CELLULOSE	9	33	44
46	**EMB. ANDINA**	CL	BEVERAGES	4	66	73
47	**XIGNUX**	MX	STEEL	5	54	22
48	**TIGRE**	BR	CONSTRUCTION	9	24	27
49	**FEMSA**	FEMSA	BEVERAGES	9	42	43
50	**ARCOR**	AR	FOOD	16	15	75

Source: *Multilatinas 2013,* published by *América Economía*

such as Vale and Petrobras have sold off significant assets abroad and are expected to continue to do so in the medium term.

Mexico is the second most important country in the region in terms of FDI outflows and accounts for virtually all outflows from Central America, if we leave out the tax havens. The surge in foreign investments by major Mexican companies is clear: In the 2007-2011 period, FDI outflows were 37 percent of inflows, but in 2012 Mexico's investments abroad for the first time overtook foreign investment coming into the country, reflecting a high degree of maturity and competitive capacity by Mexican firms. In the case of a small group of six companies, the most globalized of the Mexican firms, half of their operations, sales, assets, and employment are outside Mexico. These are América Móvil (telecommunications) Femsa (bottling), Cemex (cement), Bimbo (food), Grupo México (mining), and Gruma (food).

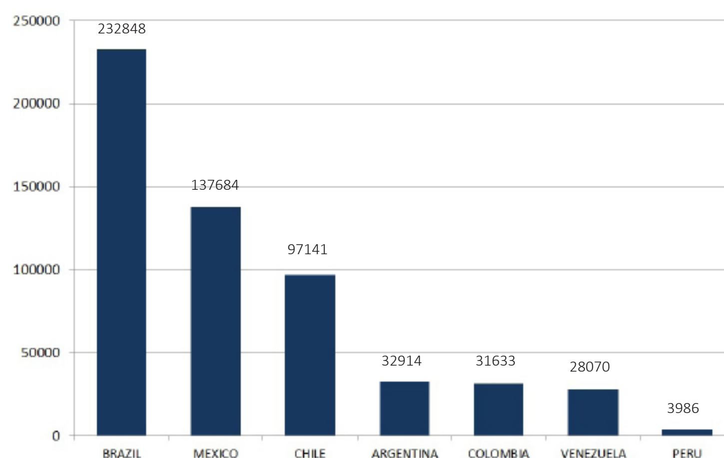
One distinguishing feature of the Mexican multilatinas is that they tend to make investments in the United States. It is a natural market for them, due to its geographic proximity; the 12 million Mexicans who live north of the Rio Grande; and economic integration between the two countries, as a result of agreements such as the North American Free Trade Agreement (NAFTA), in effect since 1994. These operations have multiplied in recent years, a time in which Televisa acquired the U.S.-based company Univision Communications, Sigma Alimentos acquired Bar S Food, and the real estate company Carso purchased 417 Fitch Avenue in New York City.

Chile has the strongest FDI growth in the region, with a total volume of investment that has quadrupled since 2005. According to the World Bank, Chile has the most advanced business environment in the region,[25] which benefits the growth and expansion of local companies. Another factor that has driven Chilean companies to grow and expand abroad is the limited domestic market, with a population of just 17 million consumers. Chilean companies have therefore been forced to invest abroad so they can continue to be competitive.

The main Chilean companies have traditionally expanded toward their natural markets, neighboring countries such as Argentina, Brazil, Colombia, or Peru. This is the case with several companies in the primary sector, which have grown based on sales operations and projects carried out within the region, such as Empresa Nacional de Petróleo (ENAP), Arauco (cellulose), Madeco (wood products), and Masisa (particle and fiber board). The tertiary sector also has an extensive presence within Latin America of companies that focus on distribution and retail, such as Fallabella, Ripley, or Cencosud. In recent years, however, we have begun to see operations beyond Latin America, such as Sigdo Koppers (engineering) in Belgium or the holding company Inversiones Alsacia in the United States.

[25] World Bank. *Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises.* 2013.

Graph 3: Main Sources of Cumulative FDI from the Region through 2012



Source: UNCTAD. In millions of dollars. Excludes British Virgin Islands and Cayman Islands tax havens, as well as Panama. These investment volumes may differ significantly from those compiled by ECLAC.

Argentina is the fourth largest Latin American investor abroad, although it lags well behind the three leading countries, with four multilatinas. Once the region's leading foreign investor, during the 1990s, Argentina saw how the "corralito" crisis of 2001 curtailed its companies' capacity to grow; the companies have yet to recover the volumes of investment they had prior to the crisis. Despite that, the country has some major firms that hold positions of leadership, not on a global level but within Latin America. Two companies that belong to the Techint group particularly stand out: Tenaris and Ternium, mentioned earlier. Their investment pattern is highly diversified geographically, with assets in Mexico, the United States, the United Kingdom, Indonesia, China, and Nigeria. The latter company, which produces flat steel, is mainly concentrated in Mexico Other leading firms, though less internationalized, include the energy company IMPSA and the chemical firm Laboratorios Bagó.

Colombia is the fifth largest country in FDI outflows from the region. Its investment activity is very recent, driven by the advantageous economic environment the country has been going through, which has increased FDI stock from $3 billion in 2001 to $31.6 billion in 2012. The expansion of its companies has taken place mainly in Latin America and has been led by the commodities and financial sectors, which acquired some of the assets that European multinationals were looking to divest themselves of in the region.

The three largest Colombian multilatinas belong to the state—although with minority private ownership—and are linked to the electricity and energy sector: Ecopetrol, one of the 40 leading oil companies in the world; Interconexión Eléctrica (ISA), one of the largest suppliers of electricity in the entire region; and Empresas Públicas de Medellín, the largest supplier of electricity in Colombia. The financial group Bancolombia is also expanding rapidly, especially in retail banking in Central America, as is Grupo Aval Acciones y Valor, with its recent acquisition of a bank in Panama. The investment group Sura, for its part, in 2011

purchased the assets of the multinational company ING to manage pension, insurance, and investment funds in five countries in the region.

Venezuela is the sixth largest Latin American investor in the world. Recent nationalizations, along with the higher risk perceived by international firms as to the legal certainty of investments in Venezuela, have decreased the number of foreign firms operating in the country. Competition in the national market has therefore decreased, and Venezuelan firms have filled in the gaps, redirecting their investments toward the domestic market.[26]

Much of Venezuela's foreign investment reflects the foreign operations of the state-owned company PDVSA. It is by far the top company in the country, even though its importance as an emerging company has diminished in recent years when compared with both Asian companies and other Latin American firms. Other companies with notable operations abroad, though with a much lower volume of assets, include Grupo Cisneros, one of the largest producers of audiovisual content in Spanish in the world, and Banesco, a financial institution with a presence in the United States, the United Kingdom, France, and Switzerland.

Peru is the region's seventh largest investor abroad, although its capacity to produce companies that can hold leadership positions has so far been modest. The Andean country accounts for just 0.7 percent of the region's total FDI outflow but 3.5 percent of the region's GDP. However, Peru's favorable economic situation, as well as its considerable capacity for growth in the coming years, bode well for a greater number of large companies to emerge in the country. Peru has some multilatinas that operate basically in the sectors in which the country has competitive advantages and which have been expanding in the region. This is the case with the food products companies Alicorp, Ajegroup, and Gloria; the metal mining companies Hochschild and Minsur; and Oben Group, which manufactures plastics for packaging.

This analysis is limited to the seven countries described, which together account for 91.3 percent of GDP and 91.5 percent of FDI outflows from Latin America. The presence of multilatinas outside these seven economies is very small, with some notable exceptions such as Grupo Taca in El Salvador, an airline company that merged with Colombia's Avianca; the Guatemalan firm Pollo Campero; or Copa Airlines of Panama. Another exception is the technology company Brightstar, created in Miami by a Bolivian founder, which provides Internet solutions to more than 50 countries.

Destination Countries for Investments: Where are Multilatinas Looking?

Multilatinas focus their investment in three geographic areas: the United States, the European Union, and Latin America itself. Three different statistical sources have been used to calculate investment from Latin America. These sources analyze the data from the standpoint of the country or region that receives the investment, since there is no unified source

[26] ECLAC. *Foreign Direct Investment in Latin America and the Caribbean 2013*. Santiago, Chile. 2013.

of information on FDI outflows by destination country. Statistics for the United States come from the Bureau of Economic Analysis (BEA); for the European Union, the statistics database Eurostat; and for Latin America, the annual report on FDI published by ECLAC.

In the United States, the presence of companies from Latin America is very limited, and FDI stock at year-end 2012 was $95.642 billion (3.6 percent of total investments in the United States). If we leave out the Caribbean countries, home to the region's tax havens, Latin American FDI is even lower—$25.773 billion,[27] or 1 percent of the total. It is also significant that in recent years, during the period that saw a boom in foreign investment by Latin American companies, the investment presence of these companies as a percentage of total foreign investment in the United States has actually gone down.

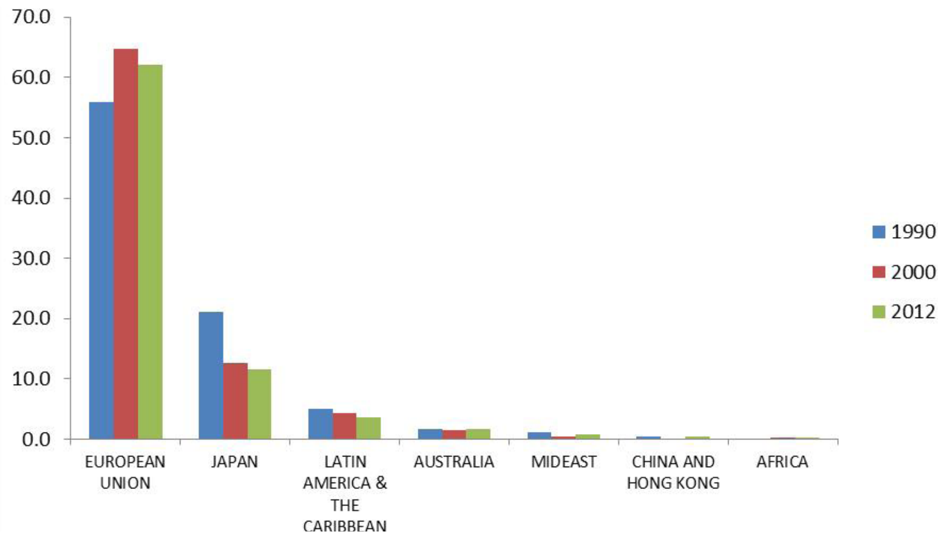
Mexico is the absolute leader among the Latin American countries in terms of investment in the United States, with 57 percent of the total—four times that of Brazil and 35 times that of Chile. As was stated earlier, Mexican companies clearly prefer expanding northward, taking advantage of the factors already mentioned: geographic proximity, the Mexican and Latino market inside the United States, and NAFTA. Some notable examples are the food producer Bimbo, which has been in the United States since it bought California-based Pacific Pride Bakeries in 1994 and today has 12,000 U.S. points of sale. Another notable example is Cemex, which that same year acquired a cement plant in the United States (Balcones), five years later began to trade on the New York Stock Exchange (NYSE), and recently has become one of the country's main cement suppliers. For its part, the communications group Televisa, which operates through its U.S. subsidiary, Univision, has a potential market of 53 million Spanish speakers.

In terms of other Latin American countries, Brazilian multilatinas show a preference for investing in Europe instead of the United States. Countries such as Colombia, Argentina, and Chile, meanwhile, do not seem to have a large volume of assets in the United States; the accumulated investment of these three countries is less than $1.5 billion. It is striking that, despite less-than-fluid political and institutional relations, the second-largest Latin American country in terms of investment in the United States—ahead of Brazil—is Venezuela. That is due to the strong presence of PDVSA, which through its subsidiary CITGO has 3,700 employees and three oil refineries, in the states of Louisiana, Illinois, and Texas.

As noted earlier, companies from emerging countries competing in the U.S. market are in short supply, not only Latin American companies but also those from Asia. Consequently, though the volume of investment might seem modest, the $25 billion invested by Latin American companies in the United States is far above the slightly more than $5.154 billion invested by companies from China, the world's second largest economy with a GDP larger than all of Latin America put together. As with Brazilian companies, Chinese firms have invested much more in Europe than in the United States. According to data from the Ministry of Commerce of the People's Republic of China (MOFCOM), for each dollar invested in the United States, Chinese companies invest $11 in Europe.

[27] Investment position at year-end 2012.

Graph 4: Main Investors in the United States, Percentage of Total (1990-2012)



Source: Bureau of Economic Analysis

With respect to Europe, Latin America had invested $1 trillion[28] as of year-end 2012, or 20 percent of the total. However, we find once again that the bulk of this volume comes from Central America, which includes tax havens, so we have no way of knowing the ultimate investment target, since Eurostat does not disaggregate data on tax havens. If we calculate only investment from South America plus Mexico, we come up with FDI of $183.408 billion. Brazil is the absolute leader in investments in Europe, with triple the amount of Mexico or Chile, the other two countries with investments of more than $12 billion. The takeoff of multilatinas and their growth in Europe is clear, since between 2001 and 2012 FDI received from Latin America multiplied by 23.

It should be noted that the economic crisis, which has hit the Eurozone particularly hard since 2009, has led to a drop in prices of assets in the Economic and Monetary Union (EMU). Multilatinas have taken advantage of this to make acquisitions and investments in Europe, especially in the peripheral countries affected by the sovereign debt crisis. For example, the Brazilian company Carmargo Correa bought 40 percent of the cement company CIMPOR for more than $4.097 billion, while Mexico's Del Valle family and Venezuela's Banesco invested in the Spanish financial groups Banco Popular and Novacaixagalicia, respectively. Some multilatinas, meanwhile, try to buy assets that belong to European multinationals to expand in Latin America. Along these lines, the Chilean company Cencosud bought the Colombian assets of the French company Carrefour ($2.614 billion), while another Chilean company, Corpbanca, bought the Colombian subsidiary of the Spanish bank

[28] Euro-dollar exchange rate as of 12/21/2012: 1.32 http://ec.europa.eu/eurostat.

Santander ($1.225 billion).[29]

Investment by multilatinas in Latin American countries is on the rise, though in general they have a smaller presence than that of North American or European multinationals. For the 2005-2013 period, according to ECLAC data, Brazilian multilatinas carried out less than 30 percent of their mergers and acquisitions and around 40 percent of their foreign operations within Latin America. Mexican companies are even less oriented toward Latin America, with just over 20 percent of their foreign acquisitions in the region. The lower concentration of these companies' investments in the region has to do with the greater capacity of Brazilian and Mexican companies to compete in advanced countries, as well as their already extensive presence in the Latin American market, as a result of their pre-2005 expansions. Chilean firms, for their part, are clearly oriented toward Latin America, with up to 80 percent of their foreign operations in the region.

In areas other than Europe, the United States, and Latin America itself—the three main destinations for investment by Latin American companies—expansions are much less common and in any case much more modest. In the two regions with the highest economic growth in the world, China and Sub-Saharan Africa, Latin American companies have only a slight presence. Multilatinas have a very limited presence in China, although we are seeing the entry of some companies such as Marco Polo and Embraer of Brazil, which manufacture components for Chinese buses and airplanes, respectively.

According to a ranking of multinationals with a presence in at least seven Asian countries, published by the Wall Street Journal, there is not a single Latin American country among the top 80.[30] In any case, business relations between Latin America and the giant that is Asia have enormous potential for development and growth. Latin American companies also have a very small presence in Sub-Saharan Africa, with the exception of Brazilian companies that mainly operate in engineering and construction projects in countries such as South Africa, Mozambique, or Botswana, part of an investment strategy promoted by the Brazilian development bank BNDES.[31]

Multilatinas in Perspective: Far Behind European and U.S. Firms

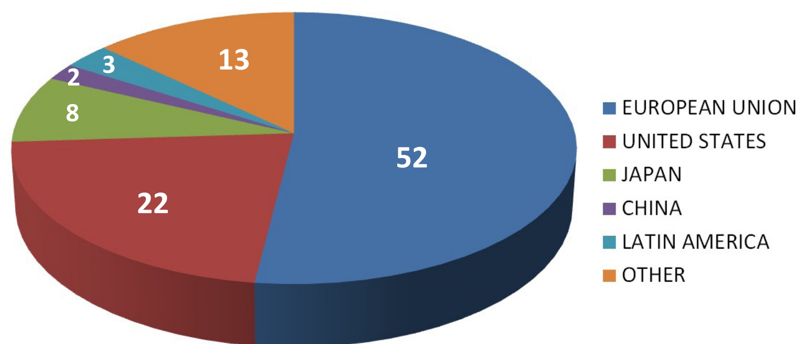
Even though major Latin American companies have emerged and expanded in the region, multilatinas as a whole lag far behind U.S., European, or Japanese firms in terms of global impact, capacity for influence, and relevance, except for in a few isolated cases. A ranking of the 100 largest non-financial corporations in the world based on foreign assets, published by UNCTAD, includes only three Latin American firms: Vale (ranked number 61), América Móvil (95), and Cemex (98). Vale has 15,000 employees abroad, way below General Electric's 171,000 or Toyota's 126,000. América Móvil has foreign sales of $38 billion, far behind the $375 billion of British Petroleum (BP) or Volkswagen's $247 billion. Cemex

[29] ECLAC. *Foreign Direct Investment in Latin America and the Caribbean 2013*. Santiago, Chile. 2013.
[30] "Asia's 200 Most Admired Companies." *The Wall Street Journal Asia*. 2006. http://www.wsj-asia.com/pdf/2006_A200_Final_Report.pdf.
[31] ECLAC. *Foreign Direct Investment in Latin America and the Caribbean 2013*. Santiago, Chile. 2013.

has $36 billion in foreign assets, a volume significantly lower than France Telecom's $119 billion or Procter & Gamble's $132 billion.

At any rate, the small number of Latin American companies among the most internationalized companies in the world is in line with the degree of economic development in the region, since only high-income economies have managed to develop a large number of corporations that can compete globally. The European Union, the United States, and Japan account for 89 percent of these companies, and the largest developing country, China—whose economy is significantly larger than Latin America's—has only two of the largest companies in the world by assets abroad (the industrial conglomerate CITIC and the Hong Kong-based telecommunications and port operations company Hutchinson).

Graph 5: Distribution of the World's 100 Largest Non-Financial Corporations by Volume of Foreign Assets (2012)



Source: UNCTAD

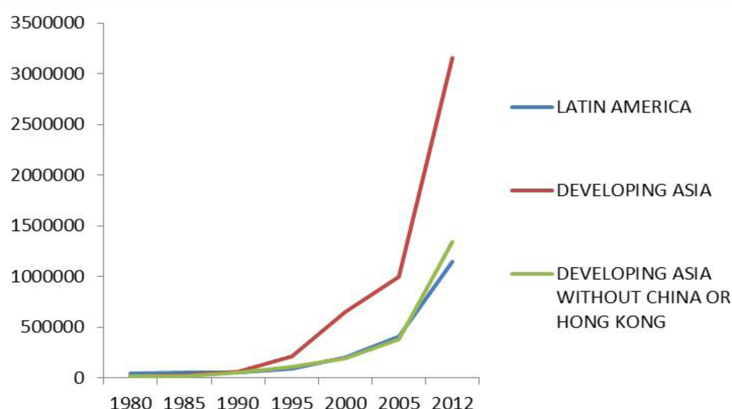
Likewise, if we use as a reference the top 500 companies worldwide by volume of income (not assets abroad), we find 13 Latin American companies on the list—fewer than the 19 French or 29 German companies. In terms of capacity to create major global corporations, Brazil, with eight companies, is on par with other emerging countries with similar-sized economies, such as Russia (seven companies) or India (eight). Mexico, with three companies, is on par with South Korea (two companies), an emerging economy of similar size. China, for its part, has 89 companies, but that is basically due to the disproportionate size of its domestic market; the global impact of its firms is, in most cases, moderate.

It is also worth noting that no Latin American company has yet managed to create a brand that is recognized worldwide at the level of U.S. or European companies. The 100 top brands in the world, according to the Forbes list of "The World's Most Valuable Brands," do not yet include a single one from Latin America. Latin American companies are expanding and conquering markets, but for the time being there are not a great number of companies that have managed to manufacture, distribute, and introduce into Western cities a product with the name recognition of Apple devices, BMW automobiles, or Dannon yogurts.

The data clearly tell us that Western companies are more internationalized than Latin American companies, but what about compared with the other major region in the emerging world? It is appropriate to draw a brief comparison between the expansion of major companies in the two foremost emerging regions, Latin America and Emerging Asia. Ninety-three percent of FDI outflow from Emerging Asia is concentrated in eight countries whose political, social, and economic structures are much more varied than those of Latin America (mainland China, Hong Kong, India, Malaysia, Singapore, South Korea, Taiwan, and the United Arab Emirates), which makes it very difficult to establish common patterns for the whole region. In any case, we can identify some points in common and certain differences.

As to points in common, many of the largest Latin American corporations are completely or partially state-owned or benefit indirectly from the state; this is also the case, for example, with the four largest Chinese banks (ICBC, Bank of China, Agricultural Bank of China, and China Construction Bank), which are among the largest banks in the world by stock capitalization. Another point in common is the widespread pattern of state-owned companies that exploit natural resources, such as is the case with Petronas (Malaysia), Aramco (Saudi Arabia), and Sinopec (China). Moreover, with the exception of China, FDI from both regions has been similar since the 1990s, with the Asian countries' outflows slightly higher.

Graph 6: Evolution of FDI from Latin America and Developing Asia (1980-2012)



Source: UNCTAD

However, there are significant differences worth noting. The Asian economies average higher public and private expenditures in research and development, or R&D (Latin American firms invest $0.60 in R&D per $100,000 in revenues, compared with $17 for companies in Emerging Asia); they have some of the world's most advanced educational systems, such as in South Korea or Shanghai; and their business environment is excellent in some cases, such as in Singapore, which leads the "Doing Business" rankings.

As a result of these factors, Emerging Asia produces more innovative companies in more technology-intensive sectors than does Latin America. In Fortune's ranking of the "Most Innovative Companies," we find only three Latin American firms among the top 100, all of them Brazilian; Emerging Asia, meanwhile, accounts for eight companies. Finally, in Emerging Asia revenues from natural resources and current-account surpluses in sovereign funds are better leveraged than in Latin America. Such funds invest in and promote development among national industrial groups, as is the case with Temasek (Singapore) investing in SingTel or Mubadala (UAE) in Masdar, companies that then went on to make acquisitions and investments abroad.

Multilatinas: Here for the Long Term?

The growth and development of today's multilatinas, as well as the emergence of new companies capable of competing on a global scale, will end up being determined by many factors. The first key factor will be countries' capacity to continue carrying out structural economic reforms—to avoid bottlenecks to growth—and their commitment to macroeconomic stability. Second, the region's growth, and by extension the growth of its companies, will be determined in part by how Latin American economies respond to a financial picture that is less favorable than in recent years, especially with the end of the monetary stimulus from the Federal Reserve. Third, economic performance will also be determined by slower growth in China, the leading buyer of Latin American commodities and the main factor stabilizing public accounts in the region in recent years.

Fourth, the economic integration processes underway, and the number of countries that join them—especially the Pacific Alliance—could benefit investment operations and therefore gains in company size. Fifth, modernization and the development and exploration potential of state-owned petrochemical companies will be a determining factor in giving them the financial capability to accelerate their growth. In this regard, we should note the recent discoveries made by Petrobras Brazil in Tupí, which could hold the equivalent of 8 million barrels of crude oil, or the reforms to give private investors a greater share in the Mexican oil company Pemex.

A sixth essential factor behind the appearance of new multilatinas will be companies' capacity to become part of global value chains and undertake both vertical and horizontal integration. Seventh, salary growth in the region will make some companies less price-competitive, which will force many of them to go abroad to produce in countries with more moderate costs. Eighth, improvements in the business and tax climate will be critical for companies to make the leap from medium-sized to large companies. And ninth, R&D spending and an environment that facilitates innovation will be determining factors for the region to be able to create new technology firms with significant capacity for expansion.

Conclusions

Although its capacity to break into the global economy is more modest than that of the Chinese economy, Latin America undeniably has played a role in the shift of economic power from North to South experienced by the world economy in recent years. From 1990 to 2012, the region's participation in global economic activity grew from 5.1 to 7.8 percent; in global trade from 4.1 to 6.1 percent; and in FDI from 2.7 to 4.9 percent. Strong economic progress has also produced a marked improvement in the well-being and quality of life of Latin Americans, lifted 70 million people out of poverty, and enabled the middle class to reach an all-time high of 30 percent of the population.

The multilatina phenomenon comprises the growing number of companies—both public and private—that gradually began to invest abroad in the 1990s, and even earlier, but surged forward with a huge wave of investment starting in 2000. In the 2000-2005 period, average annual investment doubled over the previous five-year period, reaching levels of foreign investment outflows from Latin America that had never been seen before. In the 2006-2012 period, annual FDI nearly tripled from its 2000-2005 level, and the last three years for which information is available (2010-2012) marked the highest-ever levels of FDI outflows from Latin America (more than $350 billion over the three years).

The surge of multilatinas has been fueled by both internal and external factors. The former include political and institutional stability; proper and prudent management of economic policy (such as public debt of 30 percent of GDP, compared to 108 percent in the United States or 93 percent in the Eurozone); openness to the outside world and to liberalization and privatization; the push toward regional integration; and the exhaustion of opportunities in the domestic market. External factors of note include favorable financial conditions (driven by the drop in Fed rates from 6 percent in 2000 to 0.5 percent in 2013) as well as the boom in China and the supercycle in prices of raw materials (which led to a rise in Brent crude prices from $30 to $115 per barrel in that same period).

Despite decades of privatization and economic opening, many multilatinas continue to have state participation, particularly in the hydrocarbon sector and other natural resources. These multilatinas channel the income derived from commodities to the public treasury; thus the performance of companies such as Petrobras, Pemex, PDVSA, or Codelco are essential to the fiscal stability of Brazil, Mexico, Venezuela, or Chile, respectively. Some Latin American countries have a clear-cut goal of providing financial support for the international expansion of their companies, usually as part of a broader strategy of having national champions that can have an impact on the global economy. This is the case with Brazil, whose companies finance their expansion efforts through BNDES, the region's leading lender, surpassing the IDB or the World Bank.

The region's foreign investment is highly concentrated in three countries—Brazil, Mexico, and Chile—which together account for 83.3 percent of foreign direct investment made, although their investment patterns are very different. Argentina (5.9 percent), Colombia (5.6

percent), and Venezuela (3.7 percent) also have a significant volume of investment abroad.

Brazil has 25 multilatinas and 41.5 percent of FDI outflows from the region, with total sales of $357 billion and an average of 20.3 percent of each company's workforce abroad, covering an average of 15 countries. Brazil has multilatinas that are capable global firms with sufficient management capacity and financial muscle to make acquisitions in advanced countries, such as the mining company Vale's acquisition of the Canadian firm Inco (the world's second largest producer of nickel) for $13 billion. These firms show a clear preference for investing in Europe over the United States. One distinguishing feature of the Brazilian multilatinas abroad is that they are able to find financing on less onerous terms and avoid the high interest rates in Brazil. However, since 2010 we have seen a drop in Brazil's FDI outflows, unlike in the rest of the region.

Mexico has 18 multilatinas and 24.5 percent of total FDI outflows from Latin America. Taken together, the companies América Móvil (telecommunications), Femsa (bottling), Cemex (cement), Bimbo (food), Grupo México (mining), and Gruma (food) account for 50 percent of foreign operations. Mexican companies are expanding mainly toward the United States, due to geographic proximity; the 12 million Mexican emigrants now living in the United States; and the North American Free Trade Agreement. The expansion of Mexican multilatinas could significantly benefit from advances in the regional integration process through the Pacific Alliance.

Chile, with 20 multilatinas, has the highest FDI growth from the region, and the total volume of investments has quadrupled since 2005. Despite its smaller economy, Chile has a significant number of multilatinas. Chilean companies have benefited from the country's long tradition of economic openness and from a favorable business environment for investing abroad (top Latin American economy in the "Doing Business" rankings). Moreover, Chilean firms have been forced to grow abroad so they can continue to be competitive, due to the limited opportunities in a domestic economy of 17 million consumers.

The other Latin American countries have fewer multilatinas. Those worth mentioning include Argentina, through the Tenchint group, though the country has lost clout as a foreign investor in recent years; Colombia, with firms in clear expansion as a result of the advantageous economic environment and with the country's three major state-owned multilatinas linked to the electricity and energy sector (Ecopetrol, ISA, and Eléctricas de Medellín); and Venezuela, with its foreign investments excessively concentrated in activity by PDVSA and local companies falling back to fill in the gaps that foreign companies have left in the domestic market.

Total investment by Latin American companies in the United States is $25.773 billion, a mere 1 percent of the total. Among the Latin American countries, Mexico is the absolute leader in investment in the United States, with 57 percent of the total—4 times that of Brazil and 35 times that of Chile. Still, investment by Latin American companies is far above the $5 billion invested by firms from China, the world's second largest economy and one with

a higher GDP. Multilatinas are more important to the fabric of European business, where together they make up close to 20 percent of total FDI received by the EU 27 from outside the EU 27 itself.

Both Brazilian and Mexican companies have made the vast majority of their foreign acquisitions outside of Latin America (around 70 percent and 80 percent, respectively). In general terms, multilatinas do not have a strong presence in the main growth areas worldwide, which means they do not seem to be taking advantage of business and market opportunities inherent to fast-growing economies or frontier markets. The presence of these firms in Emerging Asia (including China) or Sub-Saharan Africa is very modest.

Despite the considerable progress made by Latin American firms in size and global impact, multilatinas still have a long way to go in terms of both volume of assets abroad and brand recognition in the world of European, North American, or Japanese firms. There is no Latin American company among the 100 companies with the highest brand recognition in the world, and only 3 among the 100 with the most assets abroad (Vale, América Móvil, and Cemex).

Compared with fast-growing companies in Emerging Asia, multilatinas share certain traits, such as total or partial state ownership or a common pattern of state-owned companies as developers of natural resources. The differences are that the Asian companies tend to be more innovative, operate in more technology-intensive sectors, and channel a large portion of their investments abroad through sovereign funds, such as the China Investment Corporation (CIC) or Temasek.

Various factors will determine the evolution of multilatinas in the medium term: the economic environment (China's growth rate and an eventual fall in prices of raw materials, normalization of global financial conditions); advances in internal structural reforms; the strengthening of regional integration processes (particularly the course of the Pacific Alliance); modernization of state-owned enterprises; and the capacity of companies to become part of global value chains and improve the business and regulatory environment.

The emergence of new multilatinas in the coming years will depend to a large extent on investment in R&D and development of capacity, since new, fast-growing business groups are rooted in innovation. In this respect, Latin America has a considerable gap both with advanced countries and with the economies of Emerging Asia. Moreover, the region's industrial sector must improve its productivity and accelerate its investment in R&D. Latin American companies invest only $0.60 per $100,000 in income in R&D, compared with $17 for companies in Emerging Asia.

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