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Understanding Mexican and Brazilian Multilatinas Market Selection

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by

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Abstract

Mexican and Brazilian Multilatinas have become a phenomenon that has caught the attention of many authors and researchers around the world. This Master's Final Thesis on Multilatinas was developed to understand Mexican and Brazilian Multilatinas' market selection and why these companies first expand to geographically close countries. The CAGE framework developed by Ghemawat (2001) measures the distance between two countries according to Cultural, Administrative, Geographic and Economic criteria and was the main indicator for this research.

The literature review allowed for the exploration of concepts related to a Multilatina's expansion, such as internationalization, market selection, emerging market multinational companies, and Multilatinas and the CAGE framework. The Uppsala and network models studied in the literature explained how managers decide on market selection and which factors contribute to it.

The development of a conceptual framework related to how Mexican and Brazilian Multilatinas select their markets, in a systematic or opportunistic way, and how CAGE factors influence managers' decisions. It was possible to verify that countries where Mexican and Brazilian Multilatinas expand are the ones with the lowest CAGE distance, so these factors influence market selection for Mexican and Brazilian Multilatinas.

Keywords: Emerging Market Multinationals, Multilatinas, Market Selection, Opportunistic, Systematic, CAGE

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Chapter 1

1. Introduction

In the last decade, a different breed of challenger businesses and brands started to be seen on the world stage. New multinational companies (MNCs) began to emerge not from the United States, Europe or Japan, but from emerging countries such as China, Russia, Turkey, Brazil and Mexico (Chattopadhyay, Batra, & Ozsomer, 2012). While emerging multinational companies (EMNCs) from Asia have been researched by many authors and institutions, Latin American multinationals have not been researched as much (Aguilera, Ciravegna, Cuervo-Cazurra, & Gonzalez-Perez, 2017a, p. 1).

This Final Thesis of the MSc in Marketing was carried out on the dissertation modality. Latin American multinationals were denominated "Multilatinas" by Cuervo-Cazurra (2010). For this author, a Multilatina is a company that was born in the Americas, in a country previously colonized by Portugal, Spain or France, and one that has added-value operations abroad (Cuervo-Cazurra, 2010). This thesis will focus on the Mexican and Brazilian Multilatinas, since the majority come from these two countries and they are the two biggest economies in Latin America. More than half of the Multilatinas from the America Economia Top 100 ranking from 2017 are from Brazil and Mexico (America Economia, 2017). Companies belonging to this ranking from Mexico are, for example, CEMEX (Cementos de Mexico) in cement and Grupo Bimbo in bakeries, and from Brazil Petrobras (Petróleos do Brasil) in oil and Embraer in aeroplane manufacturing.

Market research can be opportunistic, systematic or a combination of both (Papadopoulos & Denis, 1988). Multilatinas expand first into neighbouring countries and afterwards to other locations on other continents (Casanova et al., 2009), but the reasons behind this are not clear. This research aims to explore why Mexican and Brazilian Multilatinas expand into bordering locations (e.g. the United States and Central American countries in the case of Mexican Multilatinas, and South American countries for Brazilian Multilatinas) at the beginning of their expansion into foreign markets and which external factors contribute to their market selection. The research does not study Mexican and Brazilian Multilatinas' entry mode. Its methodology will be a combination of qualitative and quantitative research methods; the main source of information for this thesis is secondary data.

The objective of this thesis is the development of a conceptual framework exploring external Cultural, Administrative, Geographical and Economic factors, using the CAGE framework developed by Ghemawat (2001), to evaluate how these factors influence international market selection for Mexican and Brazilian Multilatinas.

The second chapter will describe the methodology of the research, explaining why a combination of qualitative and quantitative research methods is most appropriate for this study, and the use of secondary data instead of primary data, mentioning its advantages and disadvantages for data collection. The methodology chapter will also explain why the development of a conceptual framework is the most appropriate and useful method for this dissertation.

In the following chapter, the literature review will explore literature regarding market selection, Multilatinas, EMNCs and the CAGE framework.

Furthermore, the study will explain which internal and external factors were responsible for the expansion of some of the most important Mexican and Brazilian Multilatinas, in terms of internationalization and global importance. In this chapter, data collected from the America Economia Top 100 ranking will allow the analysis of which geographical areas Mexican and Brazilian MNCs from this ranking expanded into.

The CAGE framework, measures the Cultural, Administrative, Geographical and Economic distance between two countries, and using previous research from authors who studied Multilatinas, such as Lourdes Casanova, Amitava Chattopadhyay, Jose Santiso and Alvaro Cuervo-Cazurra; prestigious consulting companies, such as Deloitte and Boston Consulting Group; renowned magazines, such as America Economia and Latin Trade 500; and the Economic Commission for Latin America and the Caribbean, it will be possible to investigate how CAGE factors influence Mexican and Brazilian Multilatinas' market selection.

Chapter 2

2. Research Methodology

This final dissertation will develop a conceptual framework to better understand Brazilian and Mexican Multilatinas' behaviour when selecting markets. This study will use a qualitative and quantitative approach to the research. These two approaches are complementary to each other, allowing study of different types of data, and are adequate for an explorative study (Carvalho & White, 1997; Firestone & Huberman, 1993). No interviews with Multilatinas' employees or surveys will be conducted in this research, just the analysis of literature and secondary data from companies and previous studies. This study will not focus on the entry mode into new markets, just on Mexican and Brazilian Multilatinas' market selection.

2.1. Secondary Data

The main source of this research is secondary data: "Secondary data can include any data that are examined to answer a research question other than the question(s) for which the data were initially collected" (Vartanian, 2010, p. 3). Statistical information about a number of organizations or geography is also considered as a type of secondary data (Boslaugh, 2007). Secondary data has useful advantages for the development of this research. When working with secondary data, other researchers have already collected the data, so it is not necessary to allocate resources in this phase of research. Secondary data might have a cost, but it is still lower than the costs the original researcher had to collect that data, such as salaries, transportation and so on. Since the data has already been researched and collected or stored in an electronic format, the researcher can use his time to analyse the available data. The third and probably most important advantage is the fact that data collection is usually carried out by experts in the field, which does not often happen when carrying out research investigations on a smaller scale. These experts mostly work for governments or federal agencies and have vast experience working on a particular type of survey. This does not occur when the data is collected by students in small projects (Boslaugh, 2007).

The use of secondary data also has its disadvantages. The first one is that the data was not collected according to the researcher's specific research question. The data could be collected for a different geographical location, time or population, dissimilar to the researcher's interest. The data collected might not be available for the researcher due to geographical limitations or the need to disclose personal information, such as phone numbers and addresses. Another disadvantage is the non-participation of the researcher in the data-collection process due to a lack of knowledge of how the data collection was previously undertaken. It is not possible for the researcher to know how problems such as a low response rate or the misunderstanding of survey questions affected the quality of the data collected (Boslaugh, 2007).

The advantages of using secondary data are greater than the disadvantages for the type of research in this study, because the resources for this research are limited and there is literature available from renowned authors to develop the conceptual framework explaining how CAGE factors influence the market selection of Mexican and Brazilian Multilatinas.

2.2. Conceptual Framework

According to Miles and Huberman (1994, p. 18), a conceptual framework "explains either graphically, or in narrative form, the main things to be studied – the key factors, concepts or variables and the presumed relationship among them". For Jabareen (2009, pp. 49–51), conceptual frameworks are "products of qualitative processes of theorization" that "explore the process of building conceptual frameworks" and "provide not a causal/analytical setting but, rather, an interpretative approach to social reality. Rather than offering a theoretical explanation, as do quantitative models, conceptual frameworks provide understanding."

The procedure of analysing and developing a conceptual framework in order to study Mexican and Brazilian Multilatinas' market selection process has the following phases, according to Jabareen (2009):

1) Mapping data sources
2) Extensive reading and categorizing of the selected data
3) Identifying and naming concepts
4) Deconstructing and categorizing the concepts
5) Integrating concepts
6) Synthesis and resynthesis of the concepts
7) Validating the conceptual framework
8) Rethinking the conceptual framework

The researcher identifies the types of texts and sources of data required for the research, like multidisciplinary texts from renowned authors whose work focused on the phenomenon (Morse & Richards, 2002). The data sources for the research into the Mexican and Brazilian Multilatinas' phenomenon are research undertaken by acclaimed authors who have studied EMNCs and Multilatinas, such as Pankaj Ghemawat, Amitava Chattopadhyay, Cuervo-Cazurra, Roberto Santiso and Lourdes Casanova; renowned journals, such as *America Economia*, *Top Latin 500* and *The Economist*; and articles from prestigious management consulting companies, such as

Boston Consulting Group, McKinsey & Co. and Deloitte, about Mexican and Brazilian Multilatinas. In order to evaluate the selected data from the data sources mentioned, it is crucial to summarize the data that is relevant so that one may understand which factors influence Mexican and Brazilian Multilatinas' market selection and why they expand first to neighbouring countries according to their degree of importance and representative power, ensuring an effective use and representation of the various disciplines studied throughout the research (Jabareen, 2009). When reading and reviewing the literature, the researcher should interpret the data and find new concepts that have emerged and introduce those that are relevant for the research in the literature review, even if sometimes the researcher finds contradictory concepts (Glaser & Strauss, 1967; Strauss & Corbin, 1990).

When deconstructing and categorizing concepts, the researcher finds the main characteristics and role, in order to classify concepts according to "their features and ontological, epistemological, and methodological role" (Jabareen, 2009, p. 54). The objective is to assimilate and merge concepts with certain similarities to create a new concept, thus reducing the number of concepts, allowing the researcher to manipulate them easily (Jabareen, 2009). According to Miles and Huberman (1994, p. 454), researchers should "know how they are constructing 'theory' as analysis proceeds because that construction will inevitably influence and constrain data collection, data reduction, and the drawing and verification of conclusions". Then the researcher validates the framework and reflects on whether the concepts are well interconnected, as well as if the framework makes sense to other researchers and is a great opportunity for him to receive feedback about his research (Jabareen, 2009).

After the framework is developed, it is possible to analyse how the CAGE differences affected the performance of Mexican and Brazilian Multilatinas using the data collected during the research. Using the results from the America Economia Top 100 ranking, it is possible to assess where Mexican and Brazilian Multilatinas expanded and relate that to the literature and data reports previously investigated for the research, in order to deduce possible reasons for the expansion into certain locations instead of others. The computation of the CAGE framework using the CAGE comparator developed by Ghemawat (2007) will permit the researcher to see which countries have the lowest CAGE distance to Brazil and to Mexico.

Chapter 3

3. Literature Review

3.1. Emerging Market Multinational Companies and Multilatinas

Multinational companies are “companies which undertake productive activities outside the country in which they are incorporated” (Dunning & Buckley, 1977, p. 400). Emerging market multinational companies are “multinationals headquartered in an emerging market” (Miroux & Casanova, 2016, p. 40). Multilatinas are a specific case of EMNC. Multilatinas are “companies born in the Americas, in a country previously colonized by Portugal, Spain or France and have added value operations abroad” (Cuervo-Cazurra, 2010, p. 16).

Books and papers have been published about EMNCs, such as Amitava Chattopadhyay in “The Emerging Market Multinationals – Four Strategies for Disrupting Markets and Building Brands” or “Global Latinas” by Lourdes Casanova. Cuervo-Cazurra has also published papers regarding EMNCs. Lourdes Casanova and Alvaro Cuervo-Cazurra have focused more on studying Multilatinas, while Amitava Chattopadhyay has studied EMNCs from all around the world.

Chattopadhyay et al. (2012) explain four strategies used by EMNCs such as Multilatinas to expand abroad: Cost Leader, Knowledge Leverager, Niche Customer and Global Brand Builder. These strategies describe whether EMNCs focus on similar emerging markets (Knowledge Leverager and Niche Customer) or on dissimilar developed markets (Cost Leader and Global Brand Builder). For Chattopadhyay et al. (2012, p. 8), “success is likely to be achieved more easily and quickly… when EMNCs primarily focus on similar emerging markets", while success from focusing and investing in dissimilar developed markets is less likely and will take longer to achieve. Thus EMNCs such as the Mexican and Brazilian Multilatinas expand more easily to closer and similar markets and usually use the Knowledge Leverager and Niche Customer strategies when they start to expand to new markets outside of their home country. The Knowledge Leverager strategy uses the resources and the acquired knowledge from EMNCs' home markets and consumers in other emerging markets (Chattopadhyay et al., 2012). Niche Customer is another strategy that EMNCs apply. They use their low-cost production capabilities combined with low research and development (R&D) costs, and they also develop customized niche-segment solutions for other markets from emerging countries (Chattopadhyay et al., 2012). The other two strategies are used when the EMNC starts to expand to dissimilar developed markets. The Cost Leader strategy is used when companies use low cost structures and sell high volumes of goods and services to developed world markets (Chattopadhyay et al., 2012). Global Brand Builder is a strategy developed after the first, second or third mentioned above. This strategy is the one developed by EMNCs that already have the status of global brands, like CEMEX, PEMEX (Petroleos de Mexico) and America Movil (a mobile communications company, previously owned by the Mexican government). To use this strategy EMNCs have already developed low-cost production and R&D capabilities using focused innovation to target very specific products and market segments. They also have added other skills, such as distribution access, well-known brands, multinational management capability and acquisitions (Chattopadhyay et al., 2012). Natura used this strategy by connecting its brand to the Amazon rainforest (Casanovas et al., 2009) and is becoming a global brand, especially in Latin America.

The phenomenon of Multilatinas and Global Latinas has mainly been described by various authors over the years between 2007 and 2014. The definitions given by them as the way they describe Multilatinas will be compared and analysed in order to better understand this phenomenon. And then the characteristics of Multilatinas before expansion, during their expansion and afterwards will be considered.

Year	Author(s)	Multilatina	Global Latina
2007	Cuervo-Cazurra, A.	Multilatinas are usually smaller in size, have less cutting-edge technology than other Emerging Market Multinationals from countries, such as China, South Korea and Taiwan. Still, they have some advantages, such as the ability to operate in difficult institutional environments and overcome challenges due to their experience.	
2007	Santiso, J.	"Latin multinationals, either from Latin European countries or Latin American countries that have experienced a tremendous internationalization process – positioned in the global corporate rankings."	
2009	Casanova, L.	"Defined Multilatinas as Latin American firms investing outside their home country".	A "Global Latina" is a company that is present not only in Latin America (there are several Multilatinas only present in Latin America) but also on other continents, has more than 500 million USD in annual revenue, and is not owned by the state.
2010	Cuervo-Cazurra, A.	"Companies born in the Americas, in a country previously colonized by Portugal, Spain or France and has added value operations abroad"	
2010	Rivera and Soto	"Those multinationals (MNEs) originated in Latin America, that own and control access abroad through FDI and develop adding value activities"	
2011	Guinea A.; López R.	Companies with Multinational range, with headquarters in a latin american country, and develop their productive activity or provide services in a group of countries, continentes or broad regions.	
2014	Deloitte		Deloitte (2014) views Global Latinas as companies that operate in and outside of Latin America.

Table 1 – Multilatina and Global Latina Definitions by Various Authors.

Most authors have defined Multilatinas as Latin American companies with operations in two or more countries. One of Casanova's findings was that Multilatinas first expand to their "natural markets", such as neighbouring Latin American countries, or the United States for Mexican companies, as Hispanic immigrants have been a crucial market for Multilatinas. These "natural markets" are geographically and culturally close to the country of origin of the Multilatina, and it then expands to other continents such as Europe or Asia (Casanova et al., 2009).

Deloitte (2014) views Global Latinas as companies that operate in and outside of Latin America. This prestigious organization considers Multilatinas as companies that operate in more than one Latin American country, but not outside of this geographical area; it still considers companies as Petrobras and PVDSA as Global Latinas, while Casanova does not.

This research will consider Multilatinas as companies that also operate outside of Latin America, as do Cuervo-Cazurra (2007, 2010), Santiso (2007) and López and

Guinea (2011), since Global Latinas also have operations in other Latin American countries and it was the most common term in this research.

Table 2 is organized chronologically and compares how these authors described the characteristics of Multilatinas before expansion, during the expansion process and after it.

Year	Author(s)	Before	During Expansion Process	After Expansion Process
2007 & 2010	Cuervo-Cazurra, A.	• Multilatinas were mostly family-owned; • Many Multilatinas were state-owned and benefited from their government connections; • Multilatinas were able to serve low-budget consumers their home countries and natural markets but lacked the infrastructure to expand to other continents; • Protectionist mechanisms (policies) from the government prevented critical domestic firms from being sold to foreigners.	• The government started to privatize many Multilatinas; • Multilatinas' during their expansion process had strong and dynamic leadership as leaders embraced a more humanistic approach; • Multilatinas were flexible and showed great adaptative capacities as they developed in difficult local environments. These companies overcame management difficulties, unstable financial services, inadequate logistics and infrastructure from their country of origin.	• Multilatinas have become truly global multinational corporations, typically through merges and acquisitions with groups based outside of the region; • Most Multilatinas that were state-owned are now private companies.
2008	Santiso, J.	• Between 1970 and 1980 Multilatinas were doing business mostly in their natural markets, countries that share the same language, are geographically close and share historical ties; • Multilatinas are mostly family-owned; • Several Multilatinas benefited from monopolistic positions in their home-market given by the government.	• Many formerly state-owned companies were privatized by the government; • Bold leadership allowed Multilatinas to expand more aggressively; • The cost of capital fell as Multilatinas started being part of acquisitions, mergers and joint-ventures, improving their competitiveness in foreign markets; • Government connections allowed Multilatinas to expand to distant geographies.	• Multilatinas are global leaders in many economic sectors; • Multilatinas have operations in distant geographies as Europe and Asia as their infrastructure and distribution channels improved; • Some Multilatinas have more revenues abroad than in their home-country, but most Multilatinas depend more on their home-market performance; • Most revenues come from their home-countries or bordering economies.
2009	Casanova, L.	• Between 1970 and 1980 Multilatinas were doing business mostly in their natural markets, countries that share the same language, are geographically close and share historical ties; • Multilatinas are mostly family-owned; • Several Multilatinas benefited from monopolistic positions in their home-market given by the government.	• Multilatinas, previously state-owned were privatized by the government; • Multilatinas expand mostly to closer geographies; • Long-term visionary leaders allowed the transformation of small family businesses into Global Latinas; • Strong survival instinct. Factors such as demanding but price-sensitive customers, a challenging distribution infrastructure, and volatile political and economic environments, compel companies to develop distinctive capabilities that can serve them well abroad.	• Some Multilatinas have become Global Latinas, with operations all around the world but most expanded only to their natural markets; • Multilatinas have become global leaders in many sectors of activity (telecommunications, energy and cement); • Multilatinas have several partnerships with many Fortune 500 companies; • Most Multilatinas get the larger percentage of their revenues in their home countries.
2010	Rivera and Soto	• Multilatinas are characterized by a Strong & Dynamic Leadership; • Most Multilatinas are extracted based-resource companies; • Many Multilatinas are family-owned and decision-making is more centralized than in most Multinational companies. They are taken faster as they require less bureaucracy; • Multilatinas expand more to bordering countries because of existing propitious conditions because of shared cultural bonds as a common language, geographical proximity and similar socio-economical characteristics.	• The government privatized several previously state-owned Multilatinas; • Multilatinas are smaller than most MNCs in terms of employees, number of facilities and geographical reach of operations; • Many Multilatinas extract based companies during their expansion they try to diversify the markets to generate industrial synergies; • Multilatinas acquired other companies to prevent them being bought by other MNC and to expand their distribution networks.	• Most state-owned Multilatinas were privatized; • Multilatinas became global players all around the world; • Most Multilatinas still get most of their revenues in their home country; • Most revenues come from their home countries.
2011	Guinea A. and López R.	• Most Multilatinas were local-based companies which operated only in their home countries; • Many Multilatinas were promoted by governments allowing the creation of National Champions with Monopolistic Positions in the market; • State ownership of Multilatinas was very common until the end of the 90's; • Most Multilatinas belonged to Family-owned conglomerates.	• Multilatinas started to do Alliances and Joint-Ventures with other companies with strategic value; • Multilatinas became adaptable to difficult conditions in their home markets by dealing with price instability, difficult distribution networks and corruption, allowing them to overcome external barriers in other geographies; • Strong and bold leadership permitted the rapid expansion of Multilatinas.	• Multilatinas became global leaders in many foreign markets; • Most state-owned Multilatinas were privatized.
2012	Castro Olaya, Castro Olaya and Jaller Cuéter, 2012	• Many Multilatinas were state-owned or had substantial state support for its actions and were protected against foreign competition; • Most were family-owned; • Most Multilatinas were local small-businesses that operated in their home country.	• Multilatinas were smaller than the average MNC; • Multilatinas were adaptable to the volatility of the market; • Multilatinas took advantage of the crisis in other countries when expanding; • The demand for natural resources in foreign markets was a huge market opportunity for Multilatinas; • Multilatinas started to move production, distribution and service facilities to countries with lower labour cost.	• Multilatinas now compete with other MNCs all around the world, instead only defending their market position on their home country; • Multilatinas have a smaller percentage of revenues overseas compared to home country revenues.
2014	Deloitte	• Before expansion Multilatinas were local latinas, with most of their operations in their home country; • Families controlled most of the businesses; • The government with its protectionist policies difficulted the entrance of foreign players and also owned many Multilatinas; • Many Multilatinas had monopolies in their home countries due to government intervention.	• Multilatinas have access to top quality executives for boards of directors and operations management. Varied approaches to international expansion; • High need for capital, but with limited access to capital markets; • Low levels of corporate governance.	• Some Multilatinas turned into Global Latinas, and have a significant percentage of revenues overseas; • Global Latinas have easier access than before to capital markets.
Common		• Family-owned businesses; • State-owned companies had monopolistic positions in the home markets; • Protectionist policies prevented foreign companies to compete against Multilatinas.	• Multilatinas were smaller than the average MNC; • Visionary leaders permitted the fast expansion of Multilatinas; • Lower cost of capital facilitated Multilatinas' market expansion; • Adaptability of Multilatinas allowed them to adapt to foreign markets.	• Many Multilatinas are global players, but get most of their revenues from their home markets or from close geographies; • Most state-owned Multilatinas are now privatized.

Table 2 – Multilatinas' Characteristics Before, During and After Expansion According to Different Authors.

Brazilian and Mexican companies in the 1980s produced mostly to their home markets, and many companies that were protected by "import substitution" policies such as tariffs or quotas established by Latin American governments saw their profits decline because European and American MNCs began to enter the Latin American market. It was only at the end of the 1980s that governments started the liberalization of the Latin American economy, by diminishing trade barriers and foreign investment control. Brazilian and Mexican Multilatinas started to be global leaders during the 1990s, when the Latin American market became more liberal due to government policies throughout the region, as they began to privatize many companies previously owned by the state and ended the monopolies that existed in the energy, transportation and communication sectors (Casanova et al., 2009; ECLAC, 2007).

Before expanding to new geographies, many Mexican and Brazilian Multilatinas were small, local family-owned businesses, while others due to governmental intervention were state-owned monopolies. Protectionist policies from the Brazilian and Mexican governments allowed Multilatinas to retain their market share and prevent foreign companies from competing with them in their local markets. Due to the size of the Brazilian and Mexican public sectors, these countries generated several state-owned Multilatinas. Unlike their European counterparts, investments, employment and sales are deeply anchored to the Brazilian and Mexican state legacy, which permitted very profitable businesses (Casanova et al., 2009).

The strong leadership of Multilatinas and their willingness to take risks were very important for the expansion of Multilatinas, first to their natural markets (the United States and Central America for Mexican companies and South America for Brazilian companies) and then to more distant geographies such as Europe and Asia (Casanova, 2009; Cuervo-Cazurra, 2008). During that period the cost of capital fell as Multilatinas started acquiring other companies, and undertaking mergers and joint ventures with strategic partners from the markets they wanted to expand to (Santiso, 2008).

Today Multilatinas are global players, but most Multilatinas get their revenues from their home countries (Casanova, 2009; Castro Olaya, Castro Olaya, & Cuéter, 2012; Cuervo-Cazurra, 2007; Rivera & Soto, 2010).

Brazilian and Mexican Multilatinas differ from most EMNCs because their revenues derive mostly from the export of resource products, such as textiles, mechanical parts or agricultural goods. Also, construction companies were heavily financed by the state, backed many times by state-owned resource companies, such as

Petrobras and VALE (a mining company that was privatized in the 1990s) in Brazil and PEMEX in Mexico (Aguilera et al., 2017a). In Brazil and Mexico, many companies that have leading market positions are or were state-owned in the past. Companies like Petrobras or PEMEX are still state-owned, but strong Multilatinas like America Movil and VALE have revolutionized the market.

3.1.1. Push versus Pull Expansion Factors for Mexican and Brazilian Multilatinas

According to Santiso (2008), push and pull factors have been responsible for the emergence of Mexican and Brazilian Multilatinas. For Treadgold (1988), companies internationalize due to internal factors in their home markets. Companies expand to other geographies due to their domestic market conditions, such as impositions by the local government, lack of demand for their products or high market concentration. According to Hutchinson and Fleck (2013), pull motives make enterprises select markets abroad because of international influences; these factors are the result of policies from other countries to attract investment. Competitive pressures in Mexico and Brazil, combined with pull factors from international markets, such as sales diversification, lower labour costs in neighbouring Latin American countries and the export of resources and capabilities, meant new production facilities were some of the biggest drivers for internationalization (Morales, 2013). Push factors such as production costs, government policies, lack of resources and the increase in local production costs in Mexico and Brazil were responsible for Multilatinas' expansion to other markets (UNCTAD, 2016). Also the decreasing cost of capital enabled Mexican and Brazilian Multilatinas to obtain financing at lower costs, which allowed more acquisitions abroad (Santiso, 2008).

The reasons for Mexican and Brazilian Multilatinas' internationalization vary. During the 1990s the economic liberalization was an important pull factor. The macroeconomic environment allowed Mexican and Brazilian Multilatinas to internationalize to diversify their operational risk, because the local Brazilian and Mexican economies were unstable at the time. The creation of the North American Free Trade Agreement (NAFTA) allowed Mexican Multilatinas to invest easily in the United States and Canada (Castro Olaya et al., 2012).

3.2. Market Selection

According to O'Farrell, Wood and Zheng (2015), market selection research is essential for the outcome of an expansion to a new market, because a right or wrong selection might decide its success. There are four approaches that help better understand the geographical expansion patterns of Mexican and Brazilian Multilatinas: the systematic versus the opportunistic approach, the Uppsala model, the network model and the CAGE framework.

The systematic approach consists of a decision-making process that evaluates possible target markets, while the opportunistic approach consists of the selection of a market that can emerge from personal experiences or beliefs (Brewer, 2001). The Uppsala model explains how the selection process of a market is undertaken through time (Johanson & Valhne, 1977), while the network model considers the company's position inside a network (Johanson & Mattson, 1986). The CAGE framework measures the Cultural, Administrative, Geographical and Economic distance between two countries (Ghemawat, 2001).

3.2.1. Opportunistic and Systematic Selection of Markets

An opportunity might come from an unsolicited order for the company's products or services (Brewer, 2001). This approach refers to the fact that companies trust their intuition more when investing in a certain foreign market instead of objective data.

For Andersen and Buvik (2001), an opportunistic approach helps managers to decrease the complexity when evaluating which foreign markets to expand into. For this author, this approach suggests that when selecting markets companies follow their own learning process through their relationships, experiences and networks. Usually, the potential customer in an international market hears about the product or service and becomes interested in making an unsolicited enquiry, while not being directly in contact with the company's activities.

Several types of research indicate that most companies have an opportunistic approach when searching for new markets instead of the systematic one (Cavusgil & Godiwalla, 1982). This happens due to a natural outcome of the environmental conditions that surround companies, and managers can casually discover potential markets when going on holiday or to a business meeting (Bilkey, 1978).

According to Attiyeh and Wenner (1981), if a company is too dependent on opportunities that can turn into positive outcomes, it can be damaging to the company. There are problems that might damage a business if the opportunistic approach is used, such as more than the necessary production capacity for opportunistic opportunities or the cost of unsuccessful bidding.

Yip, Gómez, Biscarri and Monti (2000) consider that the systematic search for international markets is defined according to certain criteria for the selection of possible markets for the export of goods and services. Criteria chosen by the enterprise might be selected using statistical data from international markets or visiting prospective markets in other countries. The company chooses a new market to expand into through a structured and formal decision-making process, where the enterprise passes through phases until the final decision is made (Andersen & Buvik, 2001).

3.2.2. Uppsala Model

This model was first introduced by Johanson and Valhne (1977) and explains the internationalization process of a company. The theoretical contributions of this model are the establishment chain, related to international penetration, psychic distance and the dynamic model.

Uppsala model assumes internationalization is done in an incremental and sequential way when selecting markets and choosing entry modes. For this thesis only markets selection literature is necessary for the research.

The psychic distance is the "sum of all factors preventing the flow of information from and to the market" (Johanson & Valhne, 1977, p. 24). These factors can be differences in culture, education level, values, language, religion, entrepreneurial practices or industrial development. According to Johanson and Wiedersheim-Paul (1975), companies first expand to markets with a smaller psychic distance.

The Uppsala model consists of gradual development at each stage and is based on incremental decisions when expanding abroad. These stages are based on knowledge of and learning about an external market and the day-to-day operations of the company in that market (Pandian & Sim, 2002).

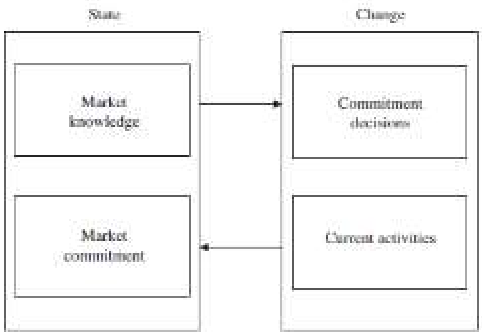

Figure 1 – Internationalization Process of the Firm – Dynamic Model (Johanson & Valhne, 1977).

According to Figure 1, the company earns market knowledge, allowing it to identify possible business opportunities and the chance to invest in that market. The company is established in the market, getting access to new business opportunities and creating new commitments with that market.

The longer a company assimilates knowledge about the markets in which it is present, the more awareness there is of the business opportunities, improving the commitment of the company to that market (Johanson & Valhne, 1977).

According to Johanson and Vahlne (1990), companies with large resources feel fewer consequences when committing to a market and can undertake bigger internationalization phases. There are other ways to gain experience if market conditions are balanced and unchangeable. If the company has a high level of experience in similar markets, it can use that to enter a specific market.

3.2.3. Network Approach

According to Johansson and Mattsson (1988), the internationalization of a company is influenced by its present networking relationships. The company gets a specific position in the network, which is the result of its previous activities with other companies in the network. Its position regulates the possible restrictions and existing opportunities, and the structural degree of the network is heavily influenced by the connection and dependence between the companies' positions in the network. Companies belonging to a network are structured through reinforced connections and linkages. The connections allow the firm to gain access to resources and markets. The model assumes that to obtain resources, companies need to access the network to get other companies' resources. "Production nets" include the stages of the value chain of a product, such as production, distribution, marketing or services related to the product, where companies with similar activities have relationships among themselves along the value chain.

The internationalization and network model is represented in Table 3 and relates the degree of internationalization of the market (production net) and the degree of internationalization of the firm.

		DEGREE OF INTERNATIONALISATION OF THE MARKET (PRODUCTION NET)	
		Low	*High*
DEGREE OF INTERNATIONALISATION OF THE FIRM	*Low*	The Early Starter	The Late Starter
	High	The Lonely International	The International Among Others

Table 3 – Internationalization and Network Model (Johanson & Mattsson, 1988).

The Early Starter might have difficulties developing a network. This happens because the company does not have a great amount of knowledge about foreign markets. When the degree of internationalization of the firm and of the market are both low, the company might need to hire an agent to have access to that market.

The Lonely International has a high degree of internationalization of the firm, but its degree of internationalization of the market is low, so when these companies want to internationalize they take the initiative, instead of suppliers, clients or other competitive companies, since they are not internationalized.

The Late Starter has indirect relationships with other networks abroad. Its clients, competitors and suppliers are already present in international networks. These relationships might propel companies to internationalize. When going to foreign networks the Late Starter begins at a disadvantage, because the company has less experience and knowledge than its competitors and it finds it harder to penetrate into a very structured and organized net. But these companies are suited to adapting their products to customers or even influencing their needs.

For the International among Others, the degree of internationalization of the firm and internationalization of the market are high. Companies have a high knowledge of the market, so it is easier to create sales subsidiaries, and firms have the need to coordinate their activities in various markets where they are present. Because of the company's position, there is easier access to external resources. Governments from other geographies might require subcontractors. The company might have the chance to enter other countries through partners in foreign markets (Johanson & Mattson, 1986).

3.2.4 CAGE Framework

Ghemawat (2001) and Mallick (2003) developed a framework to address a company's decision-making process when developing cross-border strategies, which measures the distance between two countries taking into account Cultural, Administrative, Geographical and Economic criteria (see Table 4). For this author, the most important and relevant are the cultural criteria. The distinction between bilateral and unilateral measures is also made. Bilateral measures relate to the CAGE differences between two or more countries, while unilateral describes only the characteristics of one country and do not relate that country to others. The reason for this distinction is the fact that other frameworks focus on the difference between countries according to unilateral factors.

	Cultural Differences	Administrative Differences	Geographic Differences	Economic Differences
Bilateral Measures	– Different languages – Different ethnicities/lack of connective ethnic or social networks – Different religions – Differences in national work systems – Different values, norms and dispositions	– Lack of colonial ties – Lack of shared regional trading bloc – Lack of common currency – Different legal system – Political hostility	– Physical distance – Lack of land border – Differences in climates (and disease environments)	– Differences in consumer incomes – Differences in availability of: – Natural resources – Financial resources – Human resources – Intermediate inputs – Infrastructure – Information or knowledge
Unilateral Measures	– Traditionalism – Insularity – Spiritualism – Inscrutability	– Nonmarket/closed economy (home bias versus foreign bias) – Nonmembership in international orgs. – Weak legal institutions/corruption – Lack of govt. checks and balances – Societal conflict – Political/expropriation risk	– Landlockedness – Geographic size – Geographic remoteness	– Economic size – Low per capita income – Low level of monetization – Limited infrastructure, other specialized factors

Table 4 – CAGE Framework Developed by Ghemawat (2001).

Cultural distance is the different languages, ethnicities or social networks among people in a community, religion or national work system, or the values, norms and dispositions of a society. A large variety of products and services are affected by the cultural distance between two countries, such as TV programmes and series, and movies that have a great amount of linguistic content. The characteristics of a product are different according to the country, because of the different standards for electrical goods, such as household appliances, or different packaging (Ghemawat, 2001).

Administrative criteria mention the lack or existence of colonial ties between countries, the existence or nonexistence of a regional trading bloc such as the European Union, NAFTA or MERCOSUL (Mercado Comum do Sul), or the differences in terms of legal systems or political hostility between the country of origin and the country the company wants to expand into (Ghemawat, 2007). Being part of a closed economy or a home bias towards investment makes individuals and companies invest more in their own country. Products or services affected by administrative criteria are those with a high involvement of the government, including producers of necessity goods, such as electricity, discoverers of natural resources, such as iron ore, oil or natural gas, agricultural companies or crucial companies for national security, such as telecommunications companies (Ghemawat, 2008).

Geographical criteria form another dimension described in the CAGE framework. The distance between countries, the difference in time zones between countries and the existence of shared borders are very relevant and facilitate, or not, the occurrence of trade between two or more countries. Unilaterally, if a country is landlocked this will have a negative influence on trade, as will poor internet accessibility or weak transportation links with other geographies (Ghemawat, 2001). Perishable or fragile products as fruit, tiles or glass, financial services that require good communication and connectivity or the transportation of goods such as cement that require extensive logistics are greatly affected by geographical distance (Ghemawat, 2007).

The economic criteria described by Ghemawat (2001) mention the difference in resources and the available infrastructure in two or more countries and the size and evolution of their gross domestic product (GDP) and GDP per capita. The economic distance between two countries also shows the differences in the cost and quality of the resources available (i.e. natural, human, financial and information resources). The economic distance affects the workforce and other company costs when producing goods and services; the demand for goods, such as cars, mobile phones or clothes, for example, is affected by consumers' salaries. Also, standardization and scale economies are important for the availability of goods, such as mobile phones and TVs at an affordable price for the average consumers of a certain country (Ghemawat, 2007).

Dimensions of Distance/Proximity	Determinant	Change in Trade
Cultural	Common language	+42%
Administrative	Common regional trading bloc	+47%
	Colony/colonizer links	+188%
	Common currency	+114%
	Differences in corruption	−11%
Geographic	Physical distance: 1% increase	−1.1%
	Physical size: 1% increase	−0.2%
	Landlockedness	−48%
	Common land border	+125%
Economic	Economic size: GDP (1% increase)	+0.8%
	Income level: GDP per capita (1% increase)	+0.7%

Table 5 – Dimensions of Distance/Proximity (Ghemawat & Mallick, 2003).

According to Ghemawat and Mallick (2003), the CAGE cultural dimensions of distance/proximity (see Table 5) influence trade between two countries. If two countries share a common language, their trade will be 42% higher.

Administrative dimensions such as the existence of a common regional trading bloc, colony/colonizer links and a common currency boost trade between two countries, while differences in corruption have the opposite effect.

Geographical distance or proximity influences trade between two countries. The bigger the physical size and distance between two countries, the less trade will occur between them. If countries share a border their trade will be 125% greater than without a common border.

The increase in a country's GDP by 1% and its GDP per capita by 1% result in the expansion of trade by 0.8% and 0.7%, respectively (Ghemawat & Mallick, 2003).

The CAGE model is the most appropriate for this research as it considers the influence of external criteria (Cultural, Administrative, Geographic and Economic) when measuring CAGE distance between two countries, allowing to understand why Multilatinas expands to a certain country instead of another.

This chapter is important to review the literature regarding Multilatinas and market selection. Understanding all previous studies, done by other authors and institutions, is fundamental to answer the research question of this thesis.

The Literature Review explores theoretical concepts regarding Multilatinas and Market Selection, which might influence Multilatinas' expansion to other markets and which market selection models can explain why Multilatinas select markets geographically close to their country of origin.

The next chapter will analyse data regarding internationalization patterns of Mexican and Brazilian Multilatinas and how CAGE factors might be influencing their market selection, using various sources as America Economia, ECLAC and the World Bank.

Chapter 4

4. CAGE influence on Mexican and Brazilian Multilatinas expansion patterns

Data from the Top 100 America Economia ranking 2016, the ECLAC (United Nations Economic Commission for Latin America and the Caribbean) report for 2017 and the CAGE distance framework for commerce in merchandise from Brazil and Mexico will be used to study and understand the geographical expansion patterns of Brazilian and Mexican Multilatinas. The America Economia list specifies the geographies to which Mexican and Brazilian Multilatinas expanded, enabling the comparison of the geographical expansion patterns of these Multilatinas.

This research will study the internationalization patterns of 31 Multilatina companies from Brazil and 26 from Mexico that belong to the Top 100 Multilatina ranking produced by America Economia (2016). The Multilatina Index developed by America Economia studies Multilatinas' performance every year and considers four different criteria: commercial force (25%), employees abroad (25%), geographical coverage (20%) and expansion criteria (30%) such as the total sales volume, the annual variation of sales and net sales; the other 5% is a perceptual evaluation carried out by America Economia according to market and press information (America Economia, 2017).

Table 6 shows that Brazil and Mexico have the two highest numbers of Multilatinas in the ranking and the highest total sales.

Number of Multilatinas per country		Total Sales of Multilatinas per Country
Argentina	7	33 537,70 USD
Brasil	31	324 490,60 USD
Chile	19	88 808,50 USD
Colombia	11	32 424,30 USD
Mexico	26	183 164,10 USD
Guatemala	1	469,60 USD
Perú	5	7 378,40 USD
Venezuela	1	88 554,00 USD
Panama	1	2 250,10 USD

Table 6 – Number and Total Sales of Multilatinas per country, https://rankings.americaeconomia.com/2016/multilatinas/ranking, adapted.

4.1. Comparison between Mexican and Brazilian Companies' Geographical Presence and Discussion

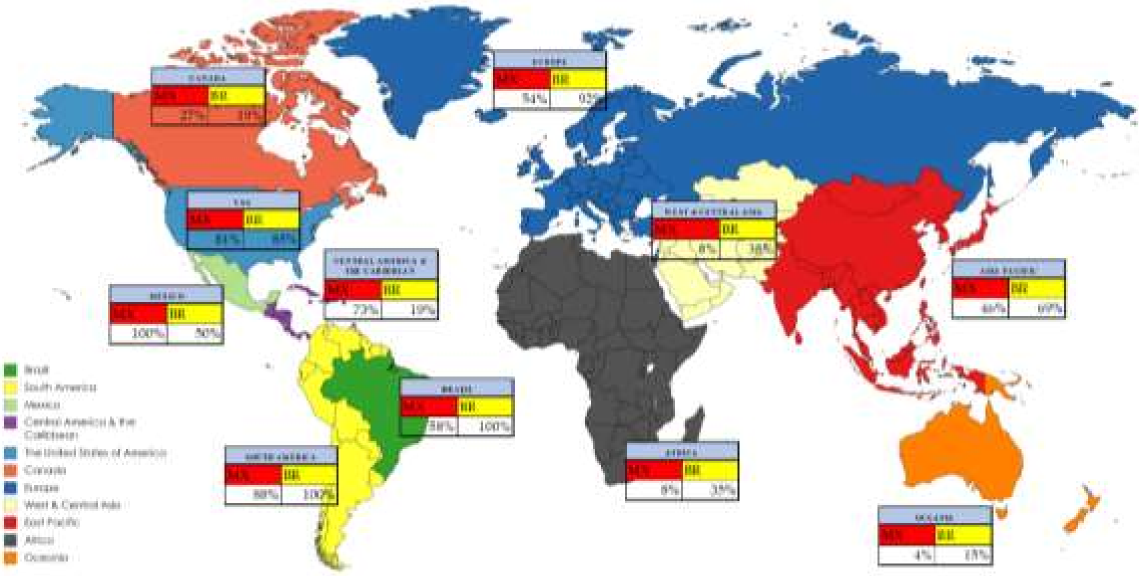

Figure 1 – Percentage of Mexican and Brazilian Multilatinas from the Top 100 Ranking from America Economia per Region (Own Elaboration using mapchart.net).

Percentage-wise, 100% of Brazilian companies from the ranking are doing business in other South American countries. Europe comes second with 92%, then the United

States with 85%. Only 15% of Brazilian Multilatinas from this ranking are in Oceania, and 19% are in Central America and the Caribbean and Canada. Of Mexican companies in the ranking, 88% are doing business in other South American countries. The United States comes second with 81%, then Central America with 73%. The lowest percentages are in Oceania, at 4%, and Africa, West and Central Asia, with 8%.

When analysing the figure above it is possible to make the following conclusions: Brazilian Multilatinas are percentage-wise more present everywhere except Central America and the Caribbean (BR 19% vs MX 73%) and Canada (BR 19% vs MX 27%). All Brazilian companies from the ranking are present in South American countries (not counting Brazil), but that does not happen with Mexican companies, at 88%. Brazilian Multilatinas are more present in the United States than Mexican Multilatinas (BR 85% vs MX 82%). Brazilian Multilatinas are significantly more present in Europe than Mexican ones (BR 92% vs MX 54%). Mexican companies have opted to invest more in nearby regions, such as Central America and the Caribbean, South America and the United States. Asia Pacific is a market where a higher percentage of Brazilian companies do business compared to Mexican ones (BR 69% vs MX 46%). Significantly more Brazilian companies expand into Central and West Asia than Mexican ones (BR 38% vs MX 8%); Brazilian companies are also more present than Mexican ones in Africa (BR 35% vs MX 8%). Brazil has more companies percentage-wise competing in Oceania than Mexico (BR 15% vs MX 4%).

4.2. Proposed Model: Brazilian and Mexican Multilatinas' Geographical Expansion Patterns

International marketing companies have great difficulty in choosing markets, and the same is true for Multilatinas. The proposed conceptual framework for Mexican and Brazilian Multilatinas' geographical expansion seeks to understand why

Multilatinas choose certain locations rather than others, taking into account studies by Bradley (1991) and the CAGE framework (Ghemawat, 2007) focusing on the cultural, administrative, geographical and economic differences between countries. Ghemawat also developed the CAGE framework for industries, but that analysis will be undertaken in other research.

4.3. Analysis Matrix Proposal

This research aims to study how CAGE factors influence Multilatinas' market selection (Figure 4). Each company is different, with its own set of values, mission, expectations, size and financial resources. Mexican and Brazilian Multilatinas might find a new opportunity in an opportunistic or systematic way. If it is opportunistic, according to the model the company has found an opportunity in a certain market. Changes in the CAGE differences between the country of origin of the Multilatinas and the prospective market might be responsible for this. They react differently to each environment. CAGE factors might influence Multilatinas' decision when opting to expand to a new location. Sometimes these Multilatinas opt to expand to a bordering country because of the same language and a similar culture (Cuervo-Cazurra, 2010). International markets are described as a country or a group of countries or as a group of clients that possess the same characteristics (Hollensen, 2011). Mexican and Brazilian Multilatinas might need to invest in a certain country with more favourable characteristics, similar consumer habits or the same language, instead of another country with different ones.

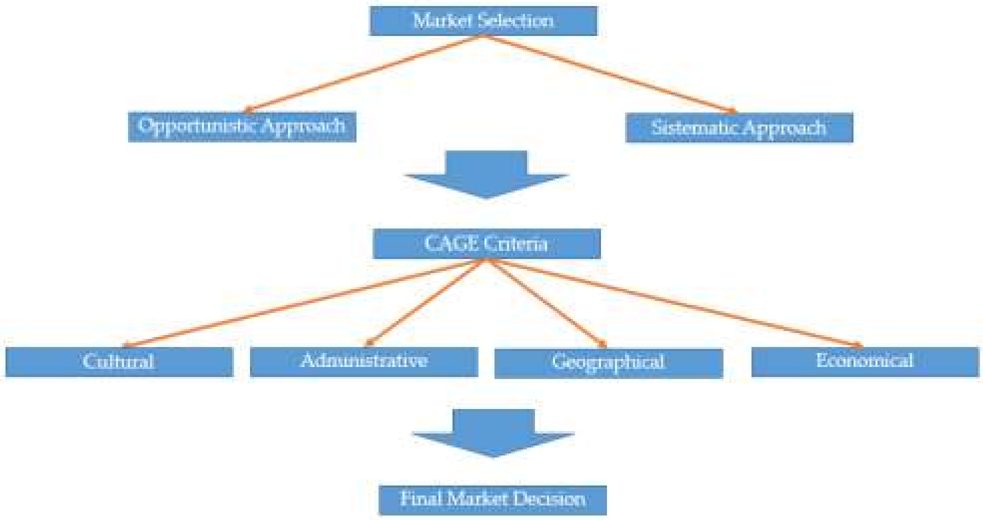

Figure 2 – Market Selection Process and CAGE Framework, Adapted from Ghemawat (2001) and Bradley (1988).

4.3.1. Opportunistic Selection of International Markets

When expanding to new markets, companies have two different approaches. According to Bradley (1991), international market behaviour can be systematic or opportunistic. Brazilian and Mexican Multilatinas expand using these two approaches.

The opportunistic approach is when companies grasp an opportunity in a foreign market. This selection occurs following a stimulus, like a request for prices, product information or media information (Bradley, 1991), and has been made by Latin American companies since their existence. They have been opportunistic buyers of industrial assets when many foreign MNCs withdrew from Central and South America because of unstable political and economic circumstances, and Multilatinas took that chance to expand their market position. When using this approach the managers of Multilatinas already have experience in the selection of international markets and networking plays a vital role. The higher the experience of the manager in internationalization, the higher the chance of using an opportunistic approach

(Hutchinson, Alexander, Quinn, & Doherty, 2007), and many Multilatinas such as CEMEX have been using this approach more often (Casanova, 2009).

4.3.2. Systematic Selection of International Markets

The systematic approach happens when there is a method or logical process of choosing a new market. Systematicity is a way of market planning to accomplish the company's marketing goals (Bradley, 1991). Multilatinas investigate the most appropriate markets as well the industry and the firm's sales potential in a region, taking into account the company's reality and objectives, according to Hutchinson and Fleck (2013).

The conceptual framework outlined in Table 7 describes the CAGE criteria and how they are related to the international market selection process created by Bradley (1988). It illustrates whether Mexican and Brazilian Multilatinas are indeed affected or not by the criteria described by Ghemawat (2001).

	BRAZIL	MEXICO
Cultural Criteria		
	• Portuguese speaking country with the largest population in the world; • The only country that speaks Portuguese in South America Former colony ties with Portugal and former Portuguese colonies; • High diversity of ethnicities in Brazil allows companies to offer a diverse range of products and services all around the world.	• People speak Spanish as in most of Latin America; • Former colony ties with Spain and other former Spanish colonies; • There are many Mexican and of Mexican origin living in the United States; • Mexico is a predominantly Catholic country; • Spanish speaking country with the largest population.
Administrative Criteria		
	• High levels of corruption and government influence; • High rates of crime; • Belongs to Mercosul; • High tariffs for imports of certain goods and services; • Ranked 125th on the Easiness to do Business ranking.	• High levels of corruption and government influence; • High tariffs for imports of certain goods and services; • Belongs to NAFTA; • High rates of crime; • Ranked 49th on the Easiness to do Business Ranking.
Geographical Criteria		
	[redacted]	• 3rd biggest country in Latin America in terms of geographical size; • Borders the United States, Belize and Guatemala; • Access to the Caribbean Sea and the Pacific Ocean; • Geographically close to most Central American countries, the United States and Canada; • The decrease in commodity prices has been damaging the Mexican Economy.
Economic Criteria		
	• Biggest GDP in Latin America; • Very rich in natural resources as oil, copper, gold and silver; • Low Income per Capita; • The huge gap between low and high-income citizens; • The government has been privatizing many Brazilian companies; • Brazil is the country with the highest number of Multilatinas.	• 2nd Biggest GDP in Latin America; • Low Income per capita, but higher than most central American countries & the Caribbean; • Many Mexican companies have been privatized by the government; • Mexico country with the highest number of Multilatinas after Brazil.

Table 7 – Characteristics from Brazil and Mexico That Allowed or Made Difficult the Expansion to Other Markets.

4.3.3. Cultural Criteria

Cultural distance affects the preference for a product or service, but it affects it differently according to the type of good or service. For example, cultural distance matters more when products have high linguistic content (TV programs) or have high importance for cultural identity, as traditional dishes from a certain country or region (Ghemawat, 2001). Companies start their internationalization by entering markets they comfortably comprehend better, and there they will sense better opportunities because their perceived market uncertainty is lower (Brewer, 2007). Also, cultural similarities generate better marketing for companies.

For Casanova (2009), "natural markets" have common historical links and languages, as well as geographical proximity. Multilatinas expand to bordering countries because of the same language and a similar culture, according to Cuervo-Cazurra (2010). Latin America has been a natural market for Latin American companies that expand to neighbouring countries, or even Mexican companies expanding to the United States due to the Hispanic population there. The US market is a place where Mexican companies can deal with the familiarity of consumer tastes. To start expanding, Bimbo decided to first approach the US market along the border with Mexico in order to sell its bread and snack products (Casanovas et al., 2009). CEMEX, another prominent Mexican company ranked in second place by America Economia, also started expanding into the United States first. Countries that share the same language have 200% more trade than others that do not have a common language (Frankel & Rose, 2000). Multilatinas started competing in markets with a linguistic and cultural affinity in order to test out the process of internationalization (Casanovas et al., 2009).

Analysing the results from the Top 100 America Economia ranking for 2017, it is possible to identify that Mexican companies have operations in regions whose countries speak the same language, Spanish. That is, 88% of Mexican Multilatinas from the ranking have expanded to South America (not including Brazil), 73% to Central America and the Caribbean, and 81% to the United States, a country with a huge Hispanic community next to the border with Mexico. The language's influence in Brazil is not perceivable in Latin America, since it is the only Latin American country where people speak Portuguese. Mexico also shares the same colonizer, Spain, as most countries from Central America, the Caribbean and South America, and it could be the reason for a high number of Mexican Multilatinas in these areas. According to Frankel and Rose (2000), trade between two countries with the same colonizer is 190% greater than if not.

Mexican and Brazilian Multilatinas expand less to regions where a common language and any colony/colonizer relationships do not exist, such as the Asia Pacific, West and Central Asia and Oceania. Mexican Multilatinas do not expand much to Africa, only 8%, while 35% of Brazilian Multilatinas are in Africa; this might be happening because African countries such as Angola, Mozambique and Guinea-Bissau speak Portuguese, like Brazil, and were also former colonies of the Portuguese Empire.

A small percentage of Brazilian Multilatinas expand to Central America and the Caribbean (around 19% against 73% of Mexican Multilatinas in that region) is the fact that the psychic distance between Mexico and Central America and the Caribbean is less than between Brazil and Central America and the Caribbean. Brazil was colonized by the Portuguese, while Central America and the Caribbean were colonized by the English, French and Spanish, so the language is different and they do not have former colonial ties.

The language might not be the strongest factor in South America, as Brazilian Multilatinas are more present in countries where Spanish is spoken, with 100%, contrasting with Mexican Multilatinas, with 88% (America Economia, 2016).

Religion, social norms and beliefs are similar throughout Latin America, but are very different when considering other geographical locations such as West and Central Asia, where the main religion is Islam, or the Asia Pacific, where people have a different moral code than in Latin America.

4.3.4. Geographical Criteria

Distance influences trade between countries. If a country is 1,000 miles from another one, trade is predicted to be higher than if the distance between the countries is 5,000 miles (Ghemawat, 2001). Geographical distance influences communication and transportation costs, especially when Multilatinas have to deliver bulky goods to other locations, or need a high degree of coordination between employees. The further someone is from a country, the harder it is to do business there (Ghemawat, 2001). But distance is also about accessibility; access to the ocean, for example, is a way of boosting trade between countries. If a country has a common border with another one, the trade between those countries is 80% higher; two countries with access to the ocean see a 50% increase in trade (Frankel & Rose, 2000). The transportation and communications infrastructures between countries are also important (Ghemawat, 2001).

All Brazilian companies from the ranking are present in the rest of South America, but that does not happen with Mexican companies, 88% of whom are in the South American region (not counting Brazil). Probably due to higher geographical proximity, Brazilian companies are more attracted to South American countries than Mexican ones, as Brazil shares a border with all South American countries except Ecuador and Chile. Its border is 15,719 km long and the Brazilian territory occupies 48% of South America (CIA, 2017). The only major obstacle that might hinder the connection between Brazil and other South American countries, such as Venezuela, Colombia and Peru, is the immense Amazon rainforest. Mexico borders the United States, Belize and Guatemala, but is geographically close to most Central American countries through the Caribbean Sea.

Analysing the data from the Top 100 Multilatina ranking from America Economia, it is possible to conclude that Brazilian and Mexican multinationals have more operations in regions from the American continent than regions on other continents. The only exception is the low presence of Brazilian Multilatinas in Central America and the Caribbean.

Mexican Multilatinas expand more to South American countries (excluding Brazil) than to Central America and the Caribbean, meaning that geographical distance criteria are not the most important, as no border is shared between Mexico and South America.

According to the Boston Consulting Group (2009), Brazilian Multilatinas are more focused on South American countries. On the other hand, Mexican Multilatinas are more concentrated in the United States, due to geographical proximity and other factors. But in the Top 100 America Economia ranking from 2016, which only considers 100 Multilatinas, Brazilian companies are more present in the United States than Mexican ones, so geographical criteria are not the main factor for this market selection.

4.3.5. Administrative Criteria

Companies from former colonizers are ten times more likely to trade with companies from their colonies (Ghemawat, 2001). This fact can explain the high percentage of Brazilian Multilatinas that have operations in Europe (92%), as Brazil was a former Portuguese colony. Mexico was a former Spanish colony, but the percentage of Mexican Multilatinas in Europe is much lower, around 54%. So the colony–colonizer relationship factor is not always true.

The Easiness to do Business ranking by the World Bank, created by Simeon Djankov, ranks the difficulty of doing business in a certain country. Several criteria are used to produce this ranking, such as access to credit, documentary requirements to trade across borders, transparency in business regulations, taxes paid and total time spent per year doing tax returns, for example. Table 8 shows the position of the Latin American companies on the Easiness to do Business ranking.

Easiness to do Business Latin American Countries (2018)			
Mexico	49	Honduras	115
Chile	55	Argentina	117
Peru	58	Ecuador	118
Colombia	59	Bahamas	119
Costa Rica	61	Belize	121
Puerto Rico	64	Brazil	125
Jamaica	70	Guyana	126
El Salvador	73	Saint Vincent and the Grenadines	129
Panama	79	Nicaragua	131
Saint Lucia	91	Barbados	132
Uruguay	94	Saint Kitts and Nevis	134
Guatemala	97	Grenada	142
Dominica	98	Bolivia	152
Dominican Republic	99	Suriname	165
Trinidad and Tobago	102	Haiti	181
Antigua and Barbuda	107	Venezuela	188
Paraguay	108		

Table 8 – Latin American Countries on the Easiness to do Business Ranking (World Bank, 2017)

Brazil and Mexico are not very well ranked in 2018, compared to New Zealand (1st), the United States (6th) or some Asian Tigers such as Hong Kong (5th), South Korea (4th) and Singapore (2nd). Mexico is 50th and is the highest-placed Latin American country, while Brazil is in 125th place out of 191 countries. The classification of the ranking of fellow Latin American countries varies: while Chile (55th), Colombia (59th) and Panama (79th) do not have a poor classification in the ranking, Argentina (117th), Bolivia (153th) and Venezuela (188th) have very low scores. Only Eritrea (290th) and Somalia (191st) are worse than Venezuela. The creation of barriers, nontariff barriers, quotas or embargoes by Latin American governments from countries such as Brazil, Argentina, Cuba, Colombia and Venezuela has not been a problem for the creation of successful Multilatinas and their expansion into other Latin American countries (ECLAC, 2006). The high ease of doing business in the United States, as well as in most European countries, might be one of the reasons why Brazilian and Mexican

Multilatinas have expanded there, because the United States ranks in 6th place and most European countries are in the top 70.

Many Asia Pacific countries have a very good classification in the Easiness to do Business ranking, such as the Asian Tigers Singapore (2nd), South Korea (4th) and Hong Kong (5th) and Taiwan (16th). Countries such as Malaysia (24th), Thailand (26th) and Japan (35th) explain the high percentage of Brazilian Multilatinas in the Asia Pacific (69%). But the percentage of Mexican Multilatinas is lower (46%). The highest number of people of Japanese origin outside of Japan is in Brazil (CIA, 2017), even if they are very far from each other geographically and their psychic distance is very low, since their language, culture, food and so on are very different. This factor might influence Brazilian companies' expansion into Japan. Brazil belongs to the BRIC grouping, as does China, and they have strong political and economic ties (United Nations Conference on Trade and Development, 2016).

4.3.6. Economic Criteria

According to Frankel and Rose (2000), there are economic factors that boost trade between countries. When the GDP of a country increases by 1%, its trade will increase by 0.8%, and if the GDP per capita increases by 1%, the international trade of that country will go up by 0.7%. The integration of trade agreements is crucial for the increase in trade, as it boosts the amount of trade between countries by 300%.

In 1994, treaties such as NAFTA opened the US and Canadian markets to Mexican companies and vice versa. In 1991 in South America, MERCOSUL was created by Brazil, Uruguay, Paraguay and Argentina to promote the free movement of people, currency and goods. The openness ratio from Latin America went from 12% to 21% of GDP between 1996 and 2006 (López-Claros, 2006). This helped the entry of multinationals from abroad into Latin America and also facilitated foreign direct investment (FDI) from Latin America to other locations (Miroux & Casanova, 2016).

The creation of NAFTA allowed Mexican Multilatinas to expand more within the United States, at 81%, but only 27% are in Canada. All Brazilian Multilatinas that are part of the Top 100 America Economia ranking for 2016 have operations in one or more countries on the South American continent. MERCOSUL membership could be boosting trade between Latin American countries.

The countries that belong to MERCOSUL today are Brazil, Argentina, Uruguay and Paraguay. Venezuela was expelled from the group due to its political and economic crisis, and Bolivia has applied for membership (UNCTAD, 2016).

Countries with weak infrastructure can damage cross-border economic activity (Ghemawat, 2001), which could explain the low percentage of Mexican and Brazilian multinationals with operations in Africa (8% and 35%, respectively) and the preference for the European continent and even for countries in the Asia Pacific. Companies do not usually invest in countries with high levels of corruption, which might deter Multilatinas from the African continent, but does not deter Multilatinas from investing in other Latin American countries (UNCTAD, 2016).

Rich countries also trade more among themselves, as there is a positive correlation between GDP per capita and the international trade of a country. Poor countries also trade more with rich countries than with each other (Ghemawat, 2001), and in fact, not counting the Latin American region, Multilatinas have more operations in the United States and Europe compared to other regions around the world.

Commodity prices have been decreasing in the last few years, especially oil and natural gas (ECLAC, 2017), which was one of the main reasons for the decrease in sales of PEMEX, PVDSA and Petrobras and fewer expansion efforts from Multilatinas, as their revenues decreased on average in 2017 (America Economia, 2016).

Chapter 5

5. Conclusions

5.1 Theoretical Findings

This final Master's thesis aims to better understand the phenomenon of Multilatinas and why they decide to expand into countries that are close geographically and culturally, and how the CAGE framework for Mexico and Brazil helps to understand which distance factors affect market selection.

Multilatinas are different to multinationals from the developed world and emerged later than those in Asian developing countries, such as South Korea, China and Taiwan. They are mostly family-owned conglomerates and many of them are or were state-owned.

The research investigated several research papers and books from authors such as Lourdes Casanova, Alvaro Cuervo-Cazurra, Amitava Chattopadhyay and Pankaj Ghemawat, and also from renowned institutions such as ECLAC, Deloitte, Boston Consulting Group and America Economia.

Via studies carried out by established authors and my own research analysing the Top 100 ranking from America Economia in 2016, it was possible to conclude that Multilatinas expanded mostly into bordering countries. CAGE criteria influence a Multilatina's expansion, as results from the CAGE framework for merchandise exports for Brazil and Mexico showed that countries with the lowest CAGE distance belong to the regions where Multilatinas expanded the most in general.

Brazilian Multilatinas from the top 100 sample expanded more into the United States than the Mexican ones, which was one of the most surprising findings, even if the sample only has the largest Multilatinas in Latin America and does not consider the small and medium-sized companies from the region. Brazilian companies did not expand much into Central American countries and the Caribbean, even those with similar cultures, but different languages and a lack of economic interest could be a reason for this. Brazilian and Mexican multinationals have different expansion patterns. Brazilian Multilatinas exist more in Europe and in the Asia Pacific than the Mexican ones. Mexican companies expand more to Central America and the Caribbean.

Political, social, administrative and economic reasons might influence the decision of a location to expand into. Ghemawat (2001), when describing distance, does not only mention the geographical separation between countries. Foreign markets could be considered more attractive according to other distance dimensions, such as cultural, administrative and economic.

The CAGE characteristics of Brazil and Mexico have some differences but also some similarities. Culturally Brazil and Mexico speak different languages and belong to different continents. Administratively, though, both countries experience high levels of corruption and rates of crime. Multilatinas from these countries also pay high tariffs for the import of goods and services. Geographically Brazil and Mexico belong to different continents and border different countries.

Brazil and Mexico both have a low income per capita, and have the biggest and second biggest GDPs in Latin America, respectively.

Using the CAGE comparator developed by Ghemawat (2007), the distance between Mexico and other countries according to the CAGE distance for the commerce of merchandise was calculated. The same calculation was also done for Brazil.

5.1.1. CAGE Distance for Merchandise Exports between Mexico and the Countries with the Lowest CAGE Distance

Table 9 shows the CAGE distance for merchandise exports between Mexico and the 25 countries with the lowest CAGE distances to Mexico.

The first ten countries on the table border Mexico, or speak the same language, are from the same continent or share colonial ties. The only country without colonial ties is the United States, which shares a border with Mexico and has a huge Hispanic community.

CAGE COMPARATOR OF MERCHANDISE EXPORTS FOR MEXICO									
	Country	CAGE Distance	Geographical Distance	Same Language	Shared Border	Same Continent	Colonial Ties	Same Economic Block
1	Guatemala	47	1 427	x	x	x	x	
2	Belize	78	1 487		x	x	x	
3	El Salvador	129	1 620	x		x	x	
4	Honduras	142	1 687	x		x	x	
5	Nicaragua	186	1 966	x		x	x	
6	Costa Rica	228	2 296	x		x	x	
7	United States	272	2 468		x	x		x
8	Panama	309	2 724	x		x	x	
9	Colombia	451	3 396	x			x	
10	Ecuador	490	3 563	x			x	
11	Puerto Rico	545	3 711	x		x	x	
12	Venezuela	552	3 845	x		x	x	
13	Dominican Republic	681	3 307	x		x	x	
14	Peru	762	4 607	x		x	x	
15	Bahamas	957	2 512			x		
16	Spain	982	9 144	x			x	
17	Jamaica	1 008	2 615			x		
18	Canada	1 064	3 443			x		x
19	Bolivia	1 193	5 868	x			x	
20	Haiti	1 443	3 071			x		
21	Chile	1 548	6 967	x			x	
22	Trinidad and Tobago	1 596	4 462			x		
23	Paraguay	1 644	7 135	x			x	
24	Argentina	1 772	7 534	x			x	
25	Guyana	1 927	4 970					

Table 9 – CAGE Distance for Merchandise Exports between Mexico and the First 25 Countries (Ghemawat, 2001).

Most countries with the lowest CAGE distance to Mexico speak the same language (Spanish), have colonial ties (were part of the Spanish Empire) or belong to the same continent. The two countries with the lowest CAGE distance border Mexico (Guatemala and Belize). Only 8 of the first 25 countries with the lowest CAGE distance for exports of merchandise do not speak a different language to Mexico. Also, the other two members of NAFTA (the United States and Canada) have a low CAGE distance with Mexico.

5.1.2. CAGE Distance for Merchandise Exports between Brazil and the Countries with the Lowest CAGE Distance

Table 10 shows the CAGE distance between Brazil and the 25 countries with the lowest CAGE distance values. The nine countries with the lowest CAGE distance represented in the table share a border with Brazil, Chile in 10th place belongs to the same continent, and Portugal in 11th place shares the same language and has colonial ties with Brazil.

CAGE COMPARATOR OF MERCHANDISE EXPORTS FOR BRAZIL							
Country	CAGE Distance	Geographical Distance	Same Language	Shared Border	Same Continent	Colonial Ties	Same Economic Block
1 Paraguay	128	1 633		x	x		x
2 Uruguay	206	2 168		x	x		x
3 Argentina	242	2 392		x	x		x
4 Bolivia	249	2 389		x	x		
5 Guyana	402	3 186		x	x		
6 Peru	485	3 592		x	x		
7 Suriname	576	3 056		x	x		
8 Venezuela	597	4 082		x	x		
9 Colombia	661	4 306		x	x		
10 Chile	890	3 196			x		
11 Portugal	1 072	7 396	x			x	
12 Trinidad and Tobago	1 174	3 726					
13 Cabo Verde	1 178	4 457	x			x	
14 Guinea-Bissau	1 390	4 699	x			x	
15 Ecuador	1 456	4 266			x		
16 Grenada	1 951	3 899					
17 Guinea	1 964	4 763					
18 Barbados	1 995	3 891					
19 St. Vincent and the Grenadines	2 033	3 973					
20 São Tome and Principe	2 056	6 059	x			x	
21 St. Lucia	2 076	4 039					
22 Angola	2 185	6 441	x			x	
23 Dominica	2 229	4 194					
24 Mozambique	2 354	8 341	x			x	
25 Antigua and Barbuda	2 440	4 386					

Table 10 – CAGE Distance between Brazil and the First 25 Countries (Ghemawat, 2001).

Most countries with the lowest CAGE distance from Brazil speak the same language (Portuguese). Most countries (such as Portugal, Angola and Mozambique) from the former Portuguese Empire are on the list of countries in the table. All the first nine countries with the lowest CAGE distance from Brazil share a common border with the country. Also, the other two members of MERCOSUL (Argentina, Paraguay and Uruguay) are the countries with the lowest CAGE distance from Brazil.

5.2 Public Policy

Mexican and Brazilian Multilatinas had to adapt to the low development of infrastructure in many regions in Latin America, leading to difficulties in transportation to many isolated areas, lack of potable water or energy shortages.

The governments of Mexico and Brazil should invest in education, especially professional education as the German government does, to form a new generation of workers with technical skills to work for Multilatinas that lack qualified workers.

The creation of new trade agreements or the expansion of existing ones could boost the growth of Mexican and Brazilian Multilatinas. It would be very positive for Mexican and Brazilian companies to be part of a free trade agreement including most Latin American countries. To benefit more Brazilian Multilatinas MERCOSUL should expand to other countries in South America, instead of being limited to Argentina, Brazil, Uruguay and Paraguay.

Government subsidies for R&D in Brazilian and Mexican companies could boost their innovation and take the levels of R&D investment in Brazilian and Mexican Multilatinas to similar levels as the Asian EMNCs.

5.3 Limitations and Future Research

The research methodology only analysed secondary data and did not employ data using other data-collection methods such as interviews or surveys, which could have led to other complementary findings. The CAGE framework only showed the CAGE distance for the exports of merchandise, limiting the research findings.

This study's sample was only the top 100 Multilatinas from the America Economia ranking from 2016, so it did not include most Multilatinas and no small and medium-sized companies from Latin America. This would, of course, have made the research too extensive and too difficult to finish. Access to certain data, for instance from sources such as the Top Latin 500, was nearly impossible since they are paid sources, so access to their reports was limited.

Emerging market multinationals from Latin America are not as popular as those from Asia and there is less literature on the subject. This study focused only on Brazilian and Mexican Multilatinas instead of studying Multilatinas in general. If the there was a study regarding Multilatinas from the whole of Latin America or focusing only on Chilean or Colombian multinationals, for example, the conclusions would probably be different, because each Latin American country is diverse regarding culture, economy and society, even if there are undeniable similarities.

A new study regarding the conceptual framework described in this research for Mexican and Brazilian Multilatinas should be tested for a specific sector, such as tourism, clothes manufacturing or the trade in commodities, to evaluate how CAGE factors influence Multilatinas' market selection.

The conceptual framework that was proposed could be more extensive and study how industry-specific factors influence a Mexican or Brazilian Multilatina's market selection.

Other Multilatinas from countries such as Chile, Colombia and Peru have also emerged on the world stage and it would be interesting to compare the expansion patterns of these Multilatinas with the Brazilian and Mexican ones.

Small and medium-sized businesses from Latin America have different characteristics to Multilatinas in terms of size and resources, but some of them have operations in another country and it would be interesting to study how they are able to expand in the Latin American market and beyond.

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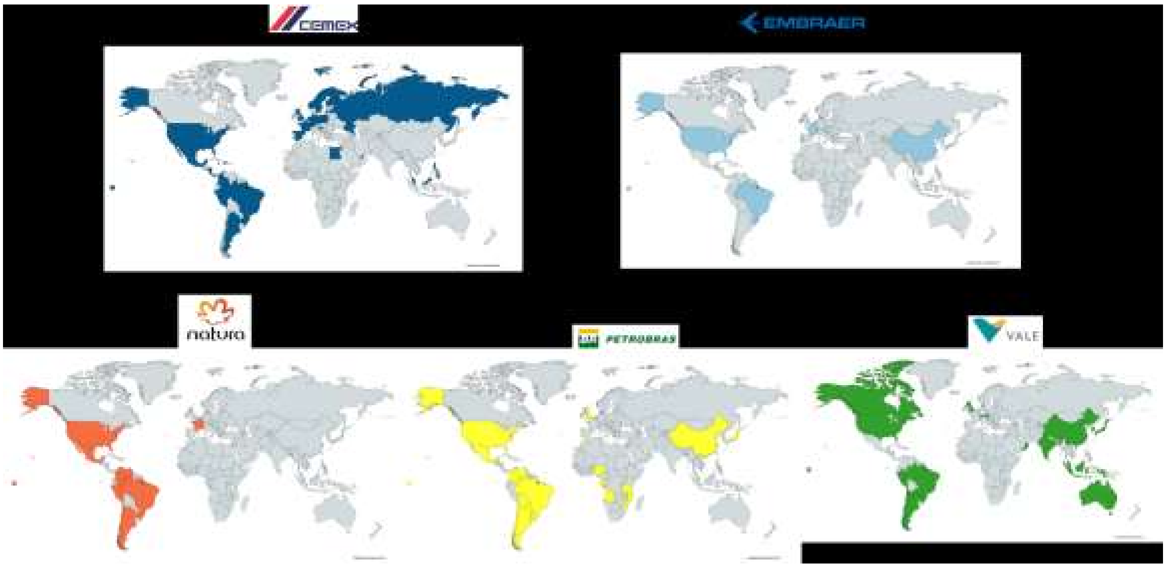
Appendix

	Country	CAGE Distance	Geographical Distance	Same Language	Shared Border	Same Continent	Colonial Ties	Same Economic Block
1	Paraguay	128	1 633		x	x		x
2	Uruguay	206	2 168		x	x		x
3	Argentina	242	2 392		x	x		x
4	Bolivia	249	2 389		x	x		
5	Guyana	402	3 186		x	x		
6	Peru	485	3 592		x	x		
7	Suriname	576	3 056		x	x		
8	Venezuela	597	4 082		x	x		
9	Colombia	661	4 306		x	x		
10	Chile	890	3 196			x		
11	Portugal	1 072	7 396	x			x	
12	TrinidadandTobago	1 174	3 726					
13	CaboVerde	1 178	4 457	x			x	
14	Guinea-Bissau	1 390	4 699	x			x	
15	Ecuador	1 456	4 266			x		
16	Grenada	1 951	3 899					
17	Guinea	1 964	4 763					
18	Barbados	1 995	3 891					
19	St. Vincent and the Grenadines	2 033	3 973					
20	São Tome and Principe	2 056	6 059	x			x	
21	St. Lucia	2 076	4 039					
22	Angola	2 185	6 441	x			x	
23	Dominica	2 229	4 194					
24	Mozambique	2 354	8 341	x			x	
25	Antigua and Barbuda	2 440	4 386					
26	Ghana	2 508	5 626					
27	Nicaragua	2 517	5 695					
28	St Kitts and Nevis	2 779	4 717					
29	Benin	2 855	5 981					
30	Puerto Rico	2 862	4 723					
31	Nigeria	2 964	6 322					
32	Panama	2 987	4 948					
33	SierraLeone	2 997	4 678					
34	Dominican Republic	3 001	4 982					
35	Senegal	3 098	4 811					
36	Liberia	3 103	4 732					
37	Gambia	3 137	4 757					
38	Costa Rica	3 408	5 368					
39	Cameroon	3 469	6 783					
40	Haiti	3 470	5 123					
41	Jamaica	3 473	5 380					
42	Coted'Ivoire	3 521	5 234					
43	Mauritania	3 551	5 257					
44	Morocco	3 561	7 057					
45	Mali	3 877	5 464					
46	Mexico	3 882	7 622					
47	Algeria	4 254	7 899					
48	ElSalvador	4 275	6 040					
49	Bahamas	4 292	6 014					
50	Honduras	4 310	5 985					
51	BurkinaFaso	4 378	5 824					
52	Togo	4 423	5 847					
53	Belize	4 465	6 225					
54	Guatemala	4 520	6 235					
55	Zimbabwe	4 555	7 919					
56	Gabon	4 558	6 380					
57	EquatorialGuinea	4 670	6 438					
58	Tunisia	4 730	8 381					
59	Namibia	4 784	6 512					
60	Libya	4 826	8 579					
61	Congo	5 210	6 655					
62	Niger	5 521	6 594					
63	Tanzania	5 668	8 965					
64	Sudan	5 735	9 231					
65	SouthAfrica	5 884	7 343					
66	Botswana	5 930	7 388					
67	Egypt	6 153	9 758					
68	DemocraticRepublicoftheCongo	6 427	7 236					
69	Turkey	6 440	10 225					
70	Lesotho	6 483	7 428					
71	Chad	6 629	7 503					
72	Spain	6 761	7 821					
73	Swaziland	6 765	7 840					
74	Israel	6 781	10 172					
75	CentralAfricanRepublic	6 868	7 451					
76	Zambia	7 021	7 833					
77	UnitedStates	7 419	8 089					
78	Iraq	7 579	11 093					
79	Canada	7 919	8 459					
80	Malta	8 049	8 688					
81	Rwanda	8 096	8 373					
82	France	8 226	8 681					
83	Burundi	8 295	8 298					
84	Iran	8 335	11 729					
85	Ireland	8 440	8 739					
86	Malawi	8 502	8 451					
87	Italy	8 561	8 940					
88	UnitedKingdom	8 697	8 932					
89	Uganda	8 763	8 730					
90	Belgium	8 890	9 067					
91	Croatia	8 903	9 381					
92	SanMarino	8 951	9 051					
93	Switzerland	9 009	8 970					
94	Slovenia	9 076	9 341					
95	Albania	9 116	9 389					
96	Kenya	9 148	9 147					
97	Netherlands	9 150	9 200					
98	BosniaandHerzegovina	9 175	9 430					
99	Luxembourg	9 269	9 062					
100	Macedonia,FYR	9 296	9 543					
100	Macedonia,FYR	9 296	9 543					
101	Greece	9 306	9 513					
102	Hungary	9 445	9 696					
103	Germany	9 459	9 396					
104	Czechia	9 470	9 622					
105	Iceland	9 555	9 397					
106	Austria	9 630	9 478					
107	Bulgaria	9 643	9 842					
108	Slovakia	9 658	9 752					
109	Romania	9 842	10 016					
110	Poland	9 897	9 958					
111	Eritrea	10 933	9 962					
112	Djibouti	10 944	10 223					
113	Sweden	10 961	10 185					
114	Belarus	10 972	10 562					
115	Pakistan	11 081	13 406					
116	Moldova	11 122	10 322					
117	SriLanka	11 334	13 946					
118	Estonia	11 339	10 687					
119	SaudiArabia	11 385	10 659					
120	Yemen	11 547	10 459					
121	Timor-Leste	11 629	16 796					
122	Ukraine	11 722	10 690					
123	Seychelles	11 748	10 952					
124	India	11 804	13 950					
125	Finland	11 927	10 749					
126	Georgia	12 467	11 253					
127	Armenia	12 541	11 271					
128	Kuwait	12 721	11 267					
129	Bahrain	12 899	11 426					
130	Azerbaijan	12 934	11 625					
131	RussianFederation	13 319	11 942					
132	Qatar	13 738	11 486					
133	Oman	13 780	12 013					
134	UnitedArabEmirates	13 999	11 849					
135	Bangladesh	14 006	15 318					
136	Malaysia	14 181	16 193					
137	Thailand	14 446	16 232					
138	Indonesia	14 481	16 024					
139	Turkmenistan	14 497	12 472					
140	Myanmar	14 855	15 855					
141	Singapore	15 129	16 065					
142	NewZealand	15 169	12 407					
143	Maldives	15 619	13 106					
144	Tonga	16 033	13 046					
145	VietNam	16 112	16 838					
146	Samoa	16 235	13 172					
147	Kazakhstan	16 388	13 448					
148	Uzbekistan	16 942	13 249					
149	Fiji	17 420	13 804					
150	Korea,Republicof	17 486	17 793					
151	Tajikistan	17 763	13 320					
152	Afghanistan	17 891	13 224					
153	Philippines	18 186	18 222					
154	Kyrgyzstan	18 550	13 730					
155	Australia	19 043	14 047					
156	Tuvalu	19 244	14 405					
157	Vanuatu	19 914	14 673					
158	Bhutan	21 312	15 264					
159	Nepal	21 405	14 769					
160	Kiribati	22 044	15 284					
161	Mongolia	22 182	15 762					
162	MarshallIslands	22 901	15 988					
163	SolomonIslands	23 250	15 899					
164	China	25 037	17 236					
165	LaoPeople'sDemocraticRepublic	25 178	16 613					
166	PapuaNewGuinea	25 508	16 811					
167	Cambodia	25 603	16 589					
168	BruneiDarussalam	26 333	17 237					
169	Micronesia,FederatedStatesof	27 042	17 574					
170	HongKong,China	27 971	17 662					
171	Japan	28 497	17 982					
172	Taiwan	28 758	18 260					
173	Palau	29 004	18 512					

Table 1 – CAGE Distance for Merchandise Exports: Brazil.

	Country	CAGE Distance	Geographical Distance	Same Language	Shared Border	Same Continent	Colonial Ties	Same Economic Block
1	Guatemala	47	1 427	x	x	x	x	
2	Belize	78	1 487		x	x	x	
3	El Salvador	129	1 620	x		x	x	
4	Honduras	142	1 687	x		x	x	
5	Nicaragua	186	1 966	x		x	x	
6	Costa Rica	228	2 296	x		x	x	
7	United States	272	2 468		x	x		x
8	Panama	309	2 724	x		x	x	
9	Colombia	451	3 396	x			x	
10	Ecuador	490	3 563	x			x	
11	Puerto Rico	545	3 711	x		x	x	
12	Venezuela	552	3 845	x		x	x	
13	Dominican Republic	681	3 307	x		x	x	
14	Peru	762	4 607	x		x	x	
15	Bahamas	957	2 512			x		
16	Spain	982	9 144	x			x	
17	Jamaica	1 008	2 615			x		
18	Canada	1 064	3 443			x		x
19	Bolivia	1 193	5 868	x			x	
20	Haiti	1 443	3 071			x		
21	Chile	1 548	6 967	x			x	
22	Trinidad and Tobago	1 596	4 462			x		
23	Paraguay	1 644	7 135	x			x	
24	Argentina	1 772	7 534	x			x	
25	Guyana	1 927	4 970					
26	Uruguay	1 928	7 883	x			x	
27	Antigua and Barbuda	2 249	4 189			x		
28	Dominica	2 320	4 291			x		
29	Grenada	2 367	4 368			x		
30	StLucia	2 383	4 376			x		
31	StVincentandtheGrenadines	2 405	4 379			x		
32	StKittsandNevis	2 532	4 475			x		
33	Barbados	2 598	4 546			x		
34	Suriname	3 379	5 373					
35	Brazil	3 879	7 622					
36	Ireland	4 915	8 361					
37	Portugal	4 992	8 663					
38	UnitedKingdom	5 259	8 734					
39	Morocco	5 495	9 083					
40	Norway	5 637	8 966					
41	Belgium	5 686	9 163					
42	Netherlands	5 697	9 153					
43	France	5 790	9 276					
44	Denmark	5 920	9 315					
45	Sweden	5 954	9 357					
46	Germany	6 029	9 476					
47	Estonia	6 116	9 778					
48	Luxembourg	6 128	9 336					
49	Finland	6 164	9 593					
50	Latvia	6 167	9 888					
51	Algeria	6 183	9 818					
52	Iceland	6 230	7 335					
53	EquatorialGuinea	6 231	12 024	x			x	
54	Czechia	6 246	9 899					
55	Poland	6 258	9 995					
56	Lithuania	6 289	9 990					
57	Switzerland	6 334	9 577					
58	Guinea	6 394	9 473					
59	Croatia	6 494	10 235					
60	Slovenia	6 505	10 087					
61	Slovakia	6 537	10 186					
62	Hungary	6 567	10 286					
63	Austria	6 636	10 003					
64	Italy	6 639	10 108					
65	Tunisia	6 818	10 367					
66	Romania	7 025	10 783					
67	CaboVerde	7 163	8 095					
68	Malta	7 218	10 691					
69	Bulgaria	7 302	10 951					
70	Libya	7 432	11 029					
71	Greece	7 705	11 174					
72	Ghana	7 728	10 838					
73	Japan	7 824	11 099					
74	Samoa	7 926	8 669					
75	Turkey	7 991	11 614					
76	Nigeria	8 154	11 398					
77	Benin	8 224	11 077					
78	Korea,Republicof	8 510	11 711					
79	Mauritania	8 812	8 926					
80	Senegal	8 832	8 857					
81	Cyprus	8 879	12 065					
82	Tonga	9 008	9 318					
83	Egypt	9 162	12 301					
84	Tuvalu	9 168	9 345					
85	Gambia	9 304	8 960					
86	Cameroon	9 334	12 072					
87	Guinea-Bissau	9 448	9 108					
88	MarshallIslands	9 484	9 559					
89	Israel	9 504	12 404					
90	Kiribati	9 573	9 394					
91	Fiji	9 712	9 815					
92	Iraq	9 779	12 863					
93	Iran	10 049	13 074					
94	SierraLeone	10 179	9 538					
95	Belarus	10 523	10 303					
96	SanMarino	10 715	10 068					
97	Mali	10 740	9 892					
98	BosniaandHerzegovina	10 884	10 413					
99	Liberia	10 941	9 861					
100	Sudan	10 997	13 485					
101	RussianFederation	11 205	10 815					
102	Philippines	11 409	13 879				x	
103	Albania	11 485	10 737					
104	Macedonia,FYR	11 516	10 806					
105	CotedIvoire	11 531	10 448					
106	Vanuatu	11 750	10 783					
107	BurkinaFaso	11 905	10 431					
108	Moldova	12 121	10 848					
109	Ukraine	12 194	10 933					
110	Pakistan	12 293	14 235					
111	NewZealand	12 459	11 080					
112	Micronesia,FederatedStatesof	12 662	11 286					
113	SolomonIslands	12 966	11 306					
114	Togo	13 064	10 988					
115	VietNam	13 133	14 939					
116	Thailand	13 156	15 364					
117	Bangladesh	13 173	14 773					
118	Niger	13 391	11 047					
119	Mongolia	13 468	11 778					
120	India	13 497	15 076					
121	Zimbabwe	13 611	14 982					
122	Kazakhstan	13 714	12 141					
123	Myanmar	13 752	15 150					
124	Gabon	13 886	12 207					
125	Malaysia	13 890	16 024					
126	Tanzania	13 986	15 172					
127	Georgia	14 010	12 039					
128	Lebanon	14 107	12 298					
129	SaoTomeandPrincipe	14 197	11 850					
130	China	14 266	12 412					
131	Armenia	14 443	12 232					
132	Azerbaijan	14 477	12 408					
133	Jordan	14 638	12 475					
134	Mozambique	14 875	15 491					
135	Indonesia	14 879	16 272					
136	Singapore	15 376	16 243					
137	Chad	15 418	12 266					
138	PapuaNewGuinea	15 438	12 539					
139	Turkmenistan	15 449	12 936					
140	SriLanka	15 458	16 703					
141	Angola	15 925	13 000					
142	Palau	16 006	13 111					
143	Congo	16 018	12 802					
144	Uzbekistan	16 271	12 934					
145	Taiwan	16 273	13 124					
146	Kyrgyzstan	16 563	12 846					
147	Kuwait	17 122	13 419					
148	Namibia	17 201	13 723					
149	SaudiArabia	17 280	13 616					
150	CentralAfricanRepublic	17 419	12 812					
151	Tajikistan	17 420	13 163					
152	Australia	17 584	13 430					
153	Bahrain	17 871	13 840					
154	HongKong,China	18 172	13 758					
155	DemocraticRepublicoftheCongo	18 613	13 442					
156	Afghanistan	18 762	13 589					
157	Oman	18 927	14 478					
158	UnitedArabEmirates	19 009	14 185					
159	Qatar	19 166	13 969					
160	Botswana	19 230	14 662					
161	Bhutan	19 288	14 395					
162	SouthAfrica	19 563	14 786					
163	Eritrea	19 739	14 052					
164	Yemen	20 183	14 476					
165	Djibouti	20 211	14 611					
166	Rwanda	20 267	14 289					
167	Timor-Leste	20 409	14 784					
168	Zambia	20 559	14 646					
169	Nepal	20 615	14 442					
170	LaoPeople'sDemocraticRepublic	20 652	14 794					
171	Ethiopia	20 665	14 428					
172	Uganda	20 669	14 391					
173	BruneiDarussalam	20 897	15 088					

Table 2 – Cage Distance for Merchandise Exports: Mexico.



Map 1 – Global Presence of CEMEX, EMBRARE, NATURA, PETROBRAS and VALE.

RK 2016	EMPRESA	PAÍS DE ORIGEN	SECTOR	N° Países	Gana países (Sí / No)	Sudamérica hispana	Brasil	Centroamérica y el Caribe	México	Canadá	EE.UU.	Europa	Asia Pacífico	Asia occidental y central	África	Oceanía
1	MEXICHEM	México	Petroquímica	37	Sí	Sí	Sí	Sí	Sí		Sí		Sí	Sí	Sí	
2	CEMEX	México	Cemento	34	No	Sí		Sí	Sí		Sí	Sí	Sí	Sí	Sí	
3	LATAM	Chile/Brasil*	Aerotransporte	18	Sí	Sí	Sí		Sí	Sí	Sí	Sí				Sí
4	GRUPO JBS	Brasil	Alimentos	17	No	Sí	Sí	Sí	Sí	Sí	Sí	Sí	Sí			Sí
5	GRUMA	México	Alimentos	18	No	Sí		Sí	Sí		Sí	Sí	Sí			Sí
6	AVIANCA-TACA	Colombia/El Salvador*	Aerotransporte	22	No	Sí	Sí	Sí	Sí	Sí	Sí	Sí				
7	SIGMA	México	Alimentos	17	No	Sí		Sí	Sí		Sí	Sí				
8	ARCOS DORADOS	Argentina	Entretención	10	No	Sí	Sí	Sí	Sí							
9	AJE GROUP	Perú	Bebidas/Licores	20	No	Sí	Sí	Sí	Sí				Sí		Sí	
10	AMÉRICA MÓVIL	México	Telecomunicaciones	18	No	Sí	Sí	Sí	Sí		Sí					
11	TENARIS	Argentina	Siderurgia/Metalurgia	14	No	Sí	Sí		Sí	Sí	Sí	Sí	Sí	Sí	Sí	
12	GRUPO ALFA	México	Multisector	26	N.D.	Sí	Sí	Sí	Sí	Sí	Sí	Sí	Sí			
13	GRUPO BIMBO	México	Alimentos	23	Sí	Sí	Sí	Sí	Sí	Sí	Sí	Sí	Sí			
14	TERNIUM	Argentina	Siderurgia/Metalurgia	14	No	Sí		Sí	Sí		Sí	Sí				
15	NEMAK	México	Automotriz/Autopartes	12	No	Sí	Sí		Sí		Sí	Sí				
16	EMBOTELLADORA ANDINA	Chile	Bebidas/Licores	4	No	Sí	Sí									
17	MASISA	Chile	Forestal/Celulosa	11	No	Sí	Sí		Sí							
18	ISA	Colombia	Energía eléctrica	7	No	Sí	Sí	Sí								
19	GERDAU	Brasil	Siderurgia/Metalurgia	15	No	Sí	Sí	Sí	Sí	Sí	Sí	Sí	Sí		Sí	
20	SONDA	Chile	Tecnología	6	No	Sí	Sí		Sí							
21	COPA AIRLINES	Panamá	Aerotransporte	30	No	Sí	Sí	Sí	Sí	Sí	Sí	Sí				
22	MARFRIG	Brasil	Alimentos	8	No	Sí	Sí				Sí	Sí				
23	SIGDO KOPPERS	Chile	Construcción/Ingeniería	15	Sí	Sí	Sí		Sí	Sí	Sí	Sí	Sí			Sí
24	AMBEV	Brasil	Bebidas/Licores	19	Sí	Sí	Sí	Sí		Sí						
25	CENCOSUD	Chile	Retail	5	No	Sí	Sí									
26	GLOBANT	Argentina	Tecnología	11	N.D.	Sí	Sí		Sí		Sí	Sí	Sí			
27	TECH PACK	Chile	Manufactura	5	Sí	Sí	Sí									
28	COCA-COLA FEMSA	México	Bebidas/Licores	10	No	Sí	Sí	Sí	Sí				Sí			
29	GRUPO SURA	Colombia	Finanzas	8	No	Sí		Sí	Sí							
30	VIÑA CONCHA Y TORO	Chile	Bebidas/Licores	11	No	Sí	Sí		Sí		Sí	Sí	Sí			
31	VOTORANTIM CIMENTOS	Brasil	Cemento	13	No	Sí	Sí				Sí	Sí	Sí	Sí	Sí	
32	EMBRAER	Brasil	Aeroespacial	10	No		Sí				Sí	Sí	Sí	Sí		
33	WEG	Brasil	Manufactura	12	Sí	Sí	Sí		Sí		Sí	Sí	Sí		Sí	
34	AEROMÉXICO	México	Aerotransporte	22	Sí	Sí	Sí	Sí	Sí	Sí	Sí	Sí	Sí			
35	GRUPO ARGOS	Colombia	Cemento	7	No	Sí		Sí			Sí					
36	ARAUCO	Chile	Forestal/Celulosa	14	No	Sí	Sí		Sí	Sí	Sí		Sí	Sí	Sí	Sí
37	FALABELLA	Chile	Retail	6	No	Sí	Sí									
38	SOFTTEK	México	Tecnología	9	No	Sí	Sí	Sí	Sí		Sí	Sí	Sí			
39	VALE	Brasil	Minería	26	No	Sí	Sí			Sí	Sí	Sí	Sí	Sí	Sí	Sí
40	CMPC	Chile	Forestal/Celulosa	8	No	Sí	Sí		Sí							
41	ALICORP	Perú	Alimentos	7	No	Sí	Sí	Sí								
42	EMPRESAS COPEC	Chile	Multisector	12	No	Sí	Sí	Sí	Sí	Sí	Sí					
43	GRUPO BELCORP	Perú	Química	15	No	Sí	Sí	Sí	Sí		Sí					
44	METALFRIO	Brasil	Manufactura	6	No		Sí		Sí		Sí	Sí		Sí		
45	GRUPO NUTRESA	Colombia	Alimentos	14	No	Sí		Sí	Sí		Sí		Sí			
46	ARCOR	Argentina	Alimentos	14	No	Sí	Sí		Sí		Sí	Sí	Sí			
47	FIBRIA	Brasil	Forestal/Celulosa	4	No		Sí				Sí	Sí	Sí			
48	FEMSA	México	Bebidas/Licores	13	Sí	Sí	Sí	Sí	Sí				Sí			
49	BRF FOODS	Brasil	Alimentos	9	Sí	Sí	Sí					Sí	Sí	Sí		
50	ARCA CONTINENTAL	México	Bebidas/Licores	5	Sí	Sí			Sí		Sí					
51	PETROBRAS	Brasil	Petróleo/Gas	19	No	Sí	Sí		Sí		Sí	Sí	Sí		Sí	
52	EMPRESA DE ENERGÍA DE BOGOTÁ	Colombia	Energía eléctrica	6	N.D.	Sí	Sí	Sí				Sí				
53	BANCO ITAÚ	Brasil	Finanzas	18	No	Sí	Sí		Sí		Sí	Sí	Sí	Sí		
54	ALPARGATAS	Brasil	Manufactura	10	Sí	Sí	Sí				Sí	Sí				
55	BRASKEM	Brasil	Petroquímica	11	No	Sí	Sí		Sí		Sí	Sí	Sí			
56	ALSEA	México	Entretención	6	No	Sí	Sí		Sí			Sí				
57	POLLO CAMPERO	Guatemala	Alimentos	6	No	Sí		Sí			Sí	Sí				
58	TERPEL	Colombia	Petróleo/Gas	6	No	Sí		Sí	Sí							
59	PDVSA	Venezuela	Petróleo/Gas	5	No	Sí		Sí			Sí	Sí				
60	XIGNUX	México	Siderurgia/Metalurgia	7	Sí	Sí	Sí		Sí		Sí					
61	GRUPO EPM	Colombia	Multisector	7	No	Sí		Sí	Sí							
62	SQM	Chile	Química	15	No	Sí	Sí		Sí		Sí	Sí	Sí	Sí		
63	BANCOLOMBIA	Colombia	Finanzas	10	No	Sí		Sí								
64	MOLYMET	Chile	Siderurgia/Metalurgia	8	No	Sí	Sí		Sí		Sí	Sí	Sí			
65	MARCOPOLO	Brasil	Automotriz/Autopartes	22	No	Sí	Sí	Sí	Sí				Sí	Sí	Sí	Sí
66	GRUPO SIMEC	México	Siderurgia/Metalurgia	3	No				Sí	Sí	Sí					
67	NATURA	Brasil	Química	7	Sí	Sí	Sí		Sí			Sí				
68	BANMÉDICA	Chile	Salud	3	No	Sí										
69	RIPLEY	Chile	Retail	4	Sí	Sí	Sí						Sí			
70	INDUSTRIAS CH	México	Siderurgia/Metalurgia	4	No	Sí	Sí		Sí	Sí	Sí					
71	GRUPO ELEKTRA	México	Retail	7	No	Sí		Sí	Sí		Sí					
72	CCU	Chile	Bebidas/Licores	6	Sí	Sí										
73	GRUPO CARSO	México	Multisector	20	Sí	Sí	Sí	Sí	Sí		Sí	Sí	Sí			
74	COLOMBINA	Colombia	Alimentos	12	No	Sí		Sí			Sí					
75	GRUPO MÉXICO	México	Minería	9	Sí	Sí			Sí	Sí	Sí	Sí	Sí			
76	ENAP	Chile	Petróleo/Gas	4	No	Sí									Sí	
77	AEROLÍNEAS ARGENTINAS	Argentina	Aerotransporte	15	N.D.	Sí	Sí		Sí		Sí	Sí				Sí
78	CÍA. SIDERURGICA NACIONAL	Brasil	Siderurgia/Metalurgia	4	No		Sí				Sí	Sí				
79	CAROZZI	Chile	Alimentos	10	N.D.	Sí			Sí		Sí					
80	INTERCEMENT	Brasil	Cemento	8	No	Sí	Sí					Sí			Sí	
81	EMPRESAS ICA	México	Construcción/Ingeniería	16	Sí	Sí		Sí	Sí		Sí	Sí				
82	ULTRAPAR PARTICIPAÇOES	Brasil	Petróleo/Gas	9	Sí	Sí	Sí		Sí		Sí	Sí	Sí			
83	RANDON PART	Brasil	Automotriz/Autopartes	13	Sí	Sí	Sí		Sí		Sí	Sí	Sí	Sí	Sí	
84	MABE	México	Manufactura	15	N.D.	Sí		Sí	Sí	Sí						
85	CINÉPOLIS	México	Entretención	13	Sí	Sí	Sí	Sí	Sí		Sí	Sí	Sí			
86	FERREYCORP	Perú	Multisector	8	Sí	Sí	Sí	Sí								
87	GRUPO GLORIA	Perú	Alimentos	6	No	Sí		Sí								
88	GRUPO TELEVISA	México	Medios	4	No		Sí	Sí	Sí		Sí	Sí				
89	MINERVA	Brasil	Alimentos	4	No	Sí	Sí									
90	TV AZTECA	México	Medios	6	No	Sí		Sí	Sí		Sí					
91	COPERSUCAR	Brasil	Agroindustria	5	No	Sí	Sí				Sí	Sí	Sí	Sí		
92	LOCALIZA	Brasil	Logística	8	No	Sí	Sí									
93	INTERCERAMIC	México	Manufactura	3	Sí			Sí	Sí							
94	SUZANO PAPEL E CELULOSE	Brasil	Forestal/Celulosa	7	No	Sí	Sí				Sí	Sí	Sí	Sí		
95	GOL	Brasil	Aerotransporte	8	No	Sí	Sí	Sí			Sí					
96	YPF	Argentina	Petróleo/Gas	3	No	Sí	Sí									
97	DURATEX	Brasil	Manufactura	4	Sí	Sí	Sí				Sí	Sí				
98	TOTVS	Brasil	Tecnología	7	Sí	Sí	Sí		Sí		Sí	Sí	Sí			
99	COSAN	Brasil	Bio energía	4	No	Sí	Sí									
100	TELMAR OI	Brasil	Telecomunicaciones	3	No		Sí						Sí		Sí	

Table 3 – America Economia 2018 Ranking.