

CIBI 2019: a compass to guide you in the foreign markets¹

- The CIBI 2019 is the index by CaixaBank Research which ranks foreign countries according to how attractive their markets are to Spanish companies and helps them to assess the strengths and weaknesses of each country.
- According to the CIBI 2019, Western Europe is the region with the most favourable conditions for the international expansion of Spanish companies. However, other countries outside this region also score highly, such as the US (in third position), Poland and China.

In a globalised world, business internationalisation is not limited to simply selling products abroad. It also includes searching for suppliers, merging with domestic companies and establishing a production plant outside a company's home country. To assist in this increasingly complex yet necessary process, CaixaBank Research has developed the CaixaBank Index for Business Internationalisation (CIBI).

What is the CIBI?

The CIBI is an index that allows foreign countries to be classified according to the potential they offer for the international expansion for Spanish companies: i.e. how attractive each foreign market is from a Spanish perspective. In drawing up the CIBI, an analysis is performed of the main aspects that influence Spanish companies' decision to expand into a given country, for a total of 67 countries. This «Spanish» perspective distinguishes the CIBI from other indices that take a more general approach.

The CIBI brings together the key aspects that determine the decision to expand internationally into five pillars, allowing for an assessment to be made of the strengths and weaknesses of each foreign country. Specifically, the five pillars are: (i) the accessibility of each country's market, (ii) the ease of operating in each market, (iii) the commercial attractiveness, (iv) the financial and innovative environment, and (v) institutional and macroeconomic stability.²

This 2019 edition of the CIBI includes a new subpillar of innovation which measures both an economy's innovative capacity and the entrepreneurial spirit of its workers and entrepreneurs. This can be of particular importance for companies with relatively sophisticated products. It also makes it possible to assess how easy it is to find suppliers in the country.

Key results

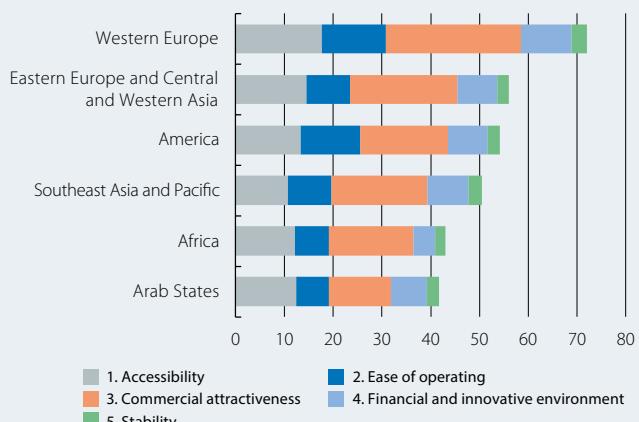
By region, according to the CIBI 2019, Western Europe has the most favourable conditions for the

1. The 2019 CIBI is a CaixaBank Research publication developed by the economists Clàudia Canals, Javier Ibáñez de Aldecoa and Josep Mestres. The 2017 CIBI was also produced with the collaboration of professors Sergio Mayordomo and María Rodríguez-Moreno from the University of Navarre. See the CaixaBank Research website (<http://www.caixabankresearch.com/>) for the new results of the 2019 CIBI, which will be published throughout the month of September.

2. For more details about how it is developed, see the «Nota Metodológica del Índice CaixaBank para la Internacionalización Empresarial» (2019 CIBI), CaixaBank Research Working Paper soon to be published on the CaixaBank Research website (<http://www.caixabankresearch.com/>).

2019 CIBI: regional comparison by pillar

(Minimum 0 - Maximum 100)



Source: CaixaBank Research.

internationalisation of Spanish companies (see first chart). In addition, with a CIBI value well above that of the 67 countries analysed overall, the region stands out in all five pillars. In second place we find Eastern Europe and Central and Western Asia. In third place, and treading on the heels of second, is the America region. Countries belonging to the Africa and Arab States regions, meanwhile, are generally to be found towards the bottom of the list.

At the country level, of the 15 best countries in the CIBI ranking, 11 belong to the Western Europe region (see second chart). Leading the ranking for 2019 is France, Spain's main trading partner in goods, a member of the EU and a country with which we share a land border. The United Kingdom, which held the top position in the 2017 CIBI, remains a very prominent country in the CIBI 2019, standing in second place despite Brexit.³ Looking ahead to the future, the United Kingdom will continue to be a highly attractive country for Spanish entrepreneurs looking to expand internationally. Of particular importance is the presence of significant investment ties, its advanced legal and administrative framework, a well-prepared workforce, a strong institutional and innovative environment and its relative geographic

3. In the new version of the CIBI 2019, we have made some methodological changes, such as the inclusion of the subpillar «Innovative capacity». So, when we compare the results of the CIBI 2019 with those of 2017, in both cases we are using the new methodology of the index. Therefore, it is possible that the results of the 2017 CIBI discussed in this article do not match those that appear in previous publications.

proximity, among other factors, although its appeal will also depend on what form of Brexit we finally see.⁴

Other countries outside of Western Europe also hold high positions. This is the case of the US, the world's leading economy, and Poland, a prominent member of the EU, which stand at third and thirteenth position in the ranking, respectively. Other noteworthy countries include China (14th) and Turkey (16th), where the close trade relationships that exist outweigh the risks posed by trade tensions (in the case of China) and a deterioration of the macroeconomic environment (in the case of Turkey). Also worthy of mention is Canada, which has climbed 4 positions compared to the 2017 CIBI thanks to the signing of the CETA, the bilateral Comprehensive Economic and Trade Agreement signed with the European Union which has been provisionally applied since September 2017.

Zoom In: America

The CIBI 2019 also allows us to analyse which countries within a given region are more attractive for the international expansion of Spanish companies, something of great importance given the significant variety to be found within some regions. As we will see below, America is a good example of this diversity.

In America, the global ranking of the CIBI highlights countries such as the US and Canada, which hold third and eleventh positions, respectively. This is thanks to their notable competitiveness, their economic stability, the quality of their infrastructure and their high capacity for innovation.

Behind them, we find countries such as Mexico (17th), with a major historical relationship with Spain, and Brazil (26th), the leading economy in Latin America. In both countries there is a prominent presence of Spanish companies, reflecting the close relations in terms of both investment and trade, which are captured by the second and third pillars of the CIBI 2019, respectively. However, the appeal of these countries suffers due to an institutional quality and a level of competitiveness that fall clearly short of those of their northern neighbours, as well as due to high bureaucratic complexity. In addition, Brazil suffers from other restrictions that reduce its appeal for internationalisation, such as greater macroeconomic instability.

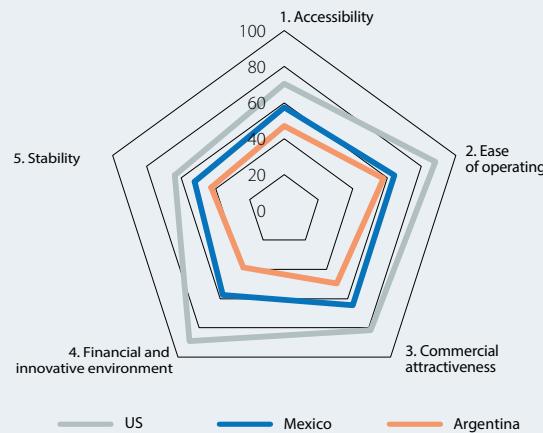
Finally, of particular note is the decline in the appeal of Argentina, a country that historically has been an important destination for Spanish companies. In this regard, the CIBI 2019 reflects the current situation in the country, with high macroeconomic, financial and institutional instability, relegating Argentina to 42nd place in the global ranking.

4. Over the next few months we will publish an analysis of where the United Kingdom will stand in the CIBI ranking under different forms of Brexit. The preliminary results suggest that, in all the scenarios considered, the country will remain attractive for Spanish entrepreneurs, although there are significant differences between the scenarios in the performance of each pillar.

CIBI: evolution of the 15 most attractive markets

	CIBI - 2019		CIBI - 2017		Change of position
	Value	Position	Value	Position	
France	84.3	1	83.7	2	▲ 1
United Kingdom	83.9	2	84.4	1	▼ -1
US	81.5	3	81.5	3	► 0
Netherlands	80.9	4	80.6	4	► 0
Germany	80.0	5	80.1	5	► 0
Portugal	79.6	6	79.2	6	► 0
Italy	78.4	7	78.2	7	► 0
Switzerland	77.5	8	76.5	8	► 0
Belgium	72.8	9	73.9	9	► 0
Ireland	71.6	10	73.0	10	► 0
Canada	70.5	11	68.7	15	▲ 4
Sweden	69.9	12	70.5	12	► 0
Poland	69.9	13	71.1	11	▼ -2
China	68.6	14	68.8	14	► 0
South Korea	68.1	15	66.2	18	▲ 3

CIBI 2019: American comparative (Minimum 0 - Maximum 100)



Source: CaixaBank Research.

Create your own internationalisation index

Finally, in a world of great diversity that spreads to the business sphere, the CIBI 2019 and the CaixaBank Research website offers you an interactive tool which you can use to customise the index according to your needs. This allows you to create your own internationalisation index by choosing which pillars are most important for your business' international expansion. See for yourself at <https://www.caixabankresearch.com/en/index-business-internationalisation>

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