WHAT WE TALK ABOUT WHEN WE TALK ABOUT BRAZILIAN MULTINATIONALS

an investigation on Brazilian FDI, economic structure, innovation and the relationship between them.

Summary

Foreign direct investments from emerging economies increased have significantly increased in the period 1990 - 2010, growing from USD 145 billion to USD 3,1 billion in (UNCTAD, 2011). Because of this remarkable growth, they have received huge attention, and a growing number of papers, books, and journal issues have addressed the intriguing questions in this area, especially regarding the nature and patterns of such investments, their determinants, and comparisons with traditional investments from developed economies.

In the discussion of emerging multinationals, two important aspects have been investigated by academics and practitioners: first, whether extant theories can fully explain the evolution of FDI from emerging countries, if those should be extended or replaced. Second, the factors driving emerging MNCs to foreign markets and the main competitive assets on which internationalisation relies. Whereas definitive conclusions still demand deeper studies, it seems consensual that this new breed of firms requires one step further of existing theories to be fully understood. Because the firms are also the product of the country they originate, they carry their own specificities. In this sense, this thesis expects to contribute to a deeper understanding of Brazilian multinationals and how they differ and resemble both from traditional and other emerging MNCs.

The thesis investigates the role of technology and innovation in the internationalisation of Brazilian firms. It is an important question in the subject of emerging FDI, for it determines how extant theories can explain such investments or the need for new theories that better fit their case.

Chapter 1 introduces the macroeconomic dimension of FDI. The chapter assesses the effect of the macroeconomic structure on foreign investment trends for Brazilian firms. It discusses how early industrialisation and liberalisation policies influenced the pattern of FDI from Brazil and therefore played a strong role in the type of multinationals originating there. It discusses the use of policies at early stages of internationalisation in countries such as Korea, today a developed economy with some of its domestic firms having a remarkable international presence, and how Chinese policies fostered the Go Global strategy. We discuss the role of policies for generating emerging MNCs.

The chapter indicates that policies do influence, to some extent, the successful internationalisation of firms from emerging markets. This influence comes from both specific internationalisation policies and (perhaps most importantly) industrial policies and stimuli for the development of competitive domestic industries.

Chapter 1 also showed that the Brazilian multinationals of today are a reflection of the economic development path followed by the country in the past 50 years or so. Brazil is quite a peculiar country in terms of the size of its domestic market, of its

abundant natural resources, which gives the country a lower degree of internationalisation if compared with countries like Chile and Argentina, which have a considerably smaller domestic market and therefore more internationalised firms (Iglesias and Veiga, 2004). For many years and to many firms, it simply did not make sense to abandon a market with such potential for growth, so many resources to explore. This is corroborated by the survey finding that one of the main reasons for firms not to invest abroad is the existence of more interesting business opportunities in the domestic market. Policies contributed a lot in making home the best market for business.

After presenting the database and methodology of the work on chapter 2, chapter 3 presents the first empirical assessment of the Global Players database. We investigate the role that technology plays in the internationalisation of firms. We consider whether Brazilian firms internationalise to obtain technological assets that are not accessible in the local market, or whether they exploit their accumulated technological capabilities overseas. We pay special attention to Brazilian investments directed to developed countries, and how technology relates to this choice of investment location. The analysis revealed that firms identify in their technological capabilities a strong asset to operate in foreign markets. This is in line with the localised technological learning outlined by Sanjaya Lall in his early work on emerging multinationals (Lall, 1983). Brazilian multinationals still rely on competitive assets that are, to a great extent, location-bound, but this comes as no surprise, given the significant presence of multinationals in natural-resource sectors. Surprisingly, though, we found that Brazilian multinationals are now exploring their technological capabilities in developed locations.

Chapter 4 assesses how the competitive advantages of Brazilian firms influence their level of internationalisation, measured as the level of commitment of the firm in the foreign market. In other words, we assess whether the internationalisation of Brazilian firms can be explained as a gradual, evolving process, during which firms accumulate general knowledge and information about foreign markets, and what characteristics are associated with each level. The results showed that technology-related assets and managerial capabilities are related to stronger levels of international commitment by Brazilian investors. Interestingly, advantages related to the possession of natural resources did not have a positive effect on internationalisation levels, which suggests that the internationalisation of firms from resource-intensive sectors may equally rely on more sophisticated capabilities.

In resume, technology is strongly identified as a key competitive advantage of Brazilian firms operating in foreign markets, even in more developed destinations. This is a paramount finding in a study of Brazilian multinationals: it reinforces the role of technological development and innovation in all industrial areas, even in sectors that are traditionally seen as resource-intensive.

Chapter 5 discusses the relationship between the internationalisation of Brazilian firms and their innovative activities. This chapter uses a different data source, the Brazilian innovation survey (PINTEC, IBGE), to highlight the most innovative sectors. It also presents a ranking with the most internationalised firms from Brazil. We use this data to suggest a relationship between the two phenomena. The chapter closes with the case of Petrobrás. It provides a good illustration of the role of innovation and technological capabilities in the development of a major global player.

A final conclusion of this work is that the only common feature among emerging multinationals is their diversity: even firms from a same country can have quite different patterns of internationalisation. And, whereas Brazilian firms do fit into existing theories explaining FDI, there is another group of firms that have redesigned the significance of asset-exploiting FDI.