

## ABSTRACT

### PORTUGUESE INVESTMENTS IN BRAZIL: THE CONTRIBUTION OF HISTORICAL AND CULTURAL PROXIMITY

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If we take a closer look at the recent evolution of Portuguese economy, it would not be surprising to find out that the internationalization of its best performing companies is one of the main features. In fact, all the available data suggest that, from 1995 onwards, the internationalization process carried out by those firms assumed several forms, such as exports, joint ventures and, especially, Foreign Direct Investment (FDI), the most demanding form of operating in a foreign country. Those flows have no single destination, although we can identify a strong tendency towards Brazil, where Portugal became the third largest foreign investor, in 1999 and 2000.

Thus, we tried to demonstrate that the relationship between Portugal and Brazil, expressed in a common language and with a deep interconnected history and culture, was quite significant in the internationalization option of Portuguese firms. We assumed that firms were expected to successively enter newer markets, whose psychological distance from the host country is greater. The psychological distance consists in differences in language, culture, political systems or educational levels that prevent the flow of information between the firm and the market.

Regarding methodological issues, we conducted questionnaires with representatives of Portuguese firms that invested in Brazil, using Principal Component Analysis. The results revealed an investment decision relying basically on the perception of a strong psychic proximity, as a complementary factor to market growth needs. These findings may point to a weak ownership and location advantages from Portuguese firms, even the most competitive ones. Thus, we believe that this process of internationalization could be rather counter-intuitive in the existing theoretical framework, requiring alternative approaches.