Track 1: International business after the BRIC's rush

~~**Session format:** competitive~~

The role of national government policies on diversification of Brazil capital goods exports

Abstract

The paper investigates the role of the Brazilian government in the internationalization of national companies, in order to examine whether their support instruments can be considered from the perspective of business *(policytakers)*, a specific and relevant resource in the insertion process of international business, characteristic of its origin. We chose to study the diversification of markets for exports of Brazilian industry of capital goods. The methodology is a survey of 104 companies in the sector, where the chosen analysis technique was the linear regression. The results showed that the government has some participation in the diversification of destinations, even in unexpected situations: large companies and potentially experienced ones.

Keywords: export; sales promotion; public policy; capital goods; Brazil.

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INTRODUCTION

The debate about the role of governments in the internationalization process of national companies has gained prominence in the literature (UNCTAD, 2006; WANG *et al*, 2013; LEMOS, 2013), particularly its effects to encourage support this process through specific public policies for that purpose (UNCTAD, 2006; IPEA, 2012). Faced with this scenario, it is proposed in this study an investigation of the role of the Brazilian government in the internationalization of national companies, aiming to assess whether the public instruments available for such purposes were considered relevant by the addressees and borrowers, allowing to interpret them as resources specific of the country of origin that, internalized by the companies, become sources of competitiveness in the processes of inclusion and international breakthrough.

The approach chosen for the study was guided by a look at the strategic level of firms, and not in factor endowments or macroeconomic aspects of the country, as this issue is normally addressed in the literature. In other words, we proposed to infer the relevance of public instruments in the process of internationalization of national companies from the look of the executive *(Policytakers)* since the international business integration is triggered by a set of behavioral decisions in the perception of advantages that justify this strategy (JOHANSON; VAHLNE, 1977, 1990).

To carry out the research, we chose the context of international commercial insertion via exports and its advancement by diversification of export markets carried out by the Brazilian industry of mechanical capital goods. Such choices are basically rooted in two points. First, the fact that exports are still the mode used by most internationalized Brazilian companies, even if

there are advances already observed in direct investments and the contractual relationship. Yet the option for capital goods took place due to historically being a target sector of various government incentives in the country, from the Import Substitution Policy (PSI) until recently awarded as a strategic complex of current industrial policy of the Federal Government (Bigger Brazil Plan).

The expected contribution of the study reaches both the academic area and the government. Academically, it is expected that their results contribute to consideration of the home governments or not as a potential strategic resource that can be internalized by domestic companies as sources of competitive advantage for internationalization. Regarding the Brazilian government, that the results may uncover whether its available instruments are effective or not from the perspective of the recipients, in order to raise, if not, its whys.

THEORETICAL BACKGROUND

It should be noted that internationalization, even in its entry form, exports, is not the trigger of a single process, dated in time. Once inserted commercially by exports, companies tend to develop their markets and move on to other, in a derivative diversification process of accumulation of experience and provision and skills development. After all, the increase of international engagement level output *(outward)* of the company is not only operationally, but in number of desired destinations. Not occasionally, many government policy guidelines normally act beyond the promotion of international integration, making efforts in encouraging the geographic diversification of markets.

Indeed, as noted by Cyrino and Penido (2007), the geographical diversification of the portfolio of markets, whether commercial or other types of operations or production and / or brackets, are drivers of internationalization, because benefits, in order to reduce economic risks

and markets, in the same way that promotes expansion of the consumer base, efficiencies and access to knowledge networks.

Also in this issue, Rugman (1981) argued that a broad international geographic scope of operations could promote competitive advantages that allow business to exploit these benefits, performing more activities internally. Porter (2006) supports this understanding, saying that diversification also allows companies to explore the inter-relationships that will be established between different segments, areas and industries through foreign markets, allowing scale and scope gains. This understanding, according to Kogut (1985), can also increase knowledge and important experiences competitiveness.

A number of empirical studies have been devoted to this theme, such as Geringer, Beamish and daCosta (1989), which showed, in a study with 100 US multinationals, that diversification is positively related to the market performance of companies. Peng (2013), on the other hand, maintained that the geographical diversification of exports promotes to companies other benefits such as the formation of a strategic *hedging*, to the extent that the increased scope of destinations can offset foreign exchange losses. Along these lines, Boehe (2013) in a study of Brazilian exporters checked the relevant types of diversification of export markets and their motivations with business performance, achieving results that suggest strong association indices.

The construction of search hypotheses

The study of trade integration of the companies via exports and its evolution raises some points that are normally developed. As well observed by Lawless (2010), where exports are incorporated into internationalization studies, it is usual to be considered only as a single event *(single entity).*Little attention is given to issues associated with the number of destinations i.e., its evolution and advancement. The question is relevant because, by assuming the export as a

process that tends to be incremental in time, its becoming promotes impacts to businesses, which alter the very evolution of their internationalization trajectories. As found by Lawless (2010), under review with Irish companies, international engagement by exports promotes an experience in its first operation, which reduces the costs associated with joining a second market. Thus, from the first operation, a more rapid diversification of markets is expected. This does not only occur with large companies. Denis and Depelteau (1985), for example, in a study with 331 small and medium-sized Canadian companies, set out to reflect on this subject, seeking to associate the search for information markets with the expansion of exports. For the authors, the observed results indicate that the exporting experience gains for a company occur in both the propensity to export and in expanding markets. These results are relevant because they demonstrate that the government support internationalization, when present, tends to be more striking at the decision to insert than commercially diversifying market since, once the exporter gain experience longer depends on the diversification their powers and capacities (DENIS; DEPELTEAU, 1985) than external variables of location.

Therefore, some hypotheses can be prepared to think the internationalization via export and its evolution through diversification and the possible role guarded the government to want to support this process in domestic companies. In the wake of this objective, it is important from the understanding, as discussed, that internationalization is a strategic process initiated by executive decisions taken from motivations and justifications rooted both in factors and advantages to companies and countries of origin and destinations, where the behavioral characteristics of the agents are relevant. Thus, government policies to support internationalization, if existing and perceived by decision makers, can be ideally considered as a motivator from the origin *(push factor)* that can possibly and potentially be internalized by the companies, and will become a

capable resource mitigate risks associated with the export or intercultural either commercial or political, notably those with smaller competitive conditions of the company.

Thus, it is possible to assume the reasoning that the greater the benefits of ownership of a company (DUNNING, 2002a), as well as those linked to behavioral characteristics of its executives (JOHANSON; VAHLNE, 1977; 1990), and the more internationally experienced is this company, the lower the demand for governmental support instruments, as more capable and independent will, given their acquired skills. Therefore, those companies that use and consider the relevant government instruments are likely to be in possession of minor advantages in the beginning of the export process or in small number of active markets (low diversification).

It is noteworthy, however, the exception of the trade agreements signed by governments, which, as they will reduce protectionism, can stimulate faster the expansion and diversification of companies that are already exporting, with much lower transaction costs; in the reduction of customs costs to the importer that, ultimately, independent of exporting companies, even though they can incorporate them. Therefore, the following assumptions can be made, in order to observe the use of government systems to support internationalization diversification:

H1: The greater the ownership in possession of assets is, the greater the geographical and international diversification of the company will be.

Given that the export must be, among others, supported by specific advantages of assets (tangible and intangible) that are owned by the company (DUNNING, 2002a; 2002b), it is expected that the greater the perception of executive about this set before the competitors abroad, the larger its international commercial involvement through market diversification will tend to be, since the company will have better conditions and sources of international competitiveness.

H2: The greater the transactional property advantages, the greater the geographical and international diversification of the company will be.

Although transactional rewards of ownership are associated with internationalization through direct investment as it includes *common governance* and arbitration (DUNNING, 2002a; 2002b), their perception is also associated with export as they can justify more appropriate management practices for manage the expansion of trade relations to foreign markets. Therefore, the more well perceived by executives such advantages are, due to incentive factors, plus the company tends to advance the internationalization.

H3: The greater the advantages of location by behavioral factors, the greater the geographical and international diversification of the company will be.

The advantages of location by behavioral factors are all those associated with the so-called psychic distance perceived by executives, that is, "the sum of the factors that hinder or impede the flow of information between the company and the markets" (JOHANSON; WEIDERSHEIM-PAUL, 1975), can promote greater knowledge about foreign environments from the international experience of its staff, which leads to greater security for enhanced initiatives in international engagement. In fact, it can be said that the psychic distance would be largely an important predictor of destinations and forms of international integration, since it is through the perception that the decision makers have their factors that companies would, theoretically, seek to initially expand their activities for more similar markets to source and their knowledge and experience, as well as assuming initial strategies for international engagement with lower commitment of resources (JOHANSON; WEIDERSHEIM-PAUL, 1975).Thus, it is expected that the smaller the impact of the characteristics components of this distance, the greater the behavioral advantages of its executives will be, so most tend to be the ability of the company to diversify into other markets internationally, especially those recognized as similar.

H4: The smaller the advantages of location by political factors and market, the greater the geographical and international diversification of the company will be.

In the case of location advantages associated by political factors and market, especially those associated with the existence of government policies support in origin, it is expected that they are not positively associated with diversification. In this understanding, we start from the idea that the company which advances in diversification has a set of ownership advantages that outweigh political support or issues of its origins or destination, not being in that sense, factors well- perceived by executives as justifying the commercial insertion. The company would move independently to glimpse in its government of origin a factor perceived as relevant to its international expansion.

H5: The smaller the use of government instruments of informational support internationalization, the greater the geographical and international diversification of the company will be.

In the use of government systems to support internationalization (IPEA, 2012; UNCTAD, 2006), it is expected that companies with the biggest advantages of property, therefore ideally more robust to expand to other markets from their expertise, they are more internationally diversified and their evaluation of the support resources informational provided by the government less relevant, as will experience for these purposes, just as knowledge about the modus operandi of exports.

H6: The smaller the use of government instruments of comfort zone to internationalization, the greater the geographical and international diversification of the company will be.

For instruments of *comfort zone* (IPEA, 2012; UNCTAD, 2006), their positive association with the diversification of the export markets is not expected, in view of the commercial insertion not implying commitment of resources abroad. Thus, the use of soft landing mechanisms in foreign markets it is not a very important feature to export, which, to the extent that the company is internationally diversified, its executives do not realize this government offer a significant advantage.

H7: The smaller the use of government instruments of tax and fiscal incentives for internationalization, the greater the geographical and international diversification of the company will be.

Although it is suggested a positive association between the use of exemptions, tax reductions (IPEA, 2012; UNCTAD, 2006) and suspensions and export diversification, it should be noted that the perception of the executive is likely that the higher the lower diversification should be the relevance given to the use of such instruments, since the company may be able to internalize more efficiently opportunity costs, where it is highlighted that the main incentives available occur in all international operations in major countries and are not, therefore, a large gap. That is to say, such instruments would already be internalized by the companies, and their relevance perceived as smaller, as in the company expands internationally, since their competitiveness tend to be more attributed to its acquired competence of the tax factors.

H8: The smaller the use of government funding instruments of internationalization, the greater the geographical and international diversification of the company will be.

Along the same lines of other cases of the instruments to support internationalization, it can be expected that companies that increase their diversification drawn by its perceived advantages not associate relevance to the use of government mechanisms(IPEA, 2012; UNCTAD, 2006), because they are less dependent on such incentives. That is to say, the perception of justification of its expected international expansion should ideally be linked to companies and their experiences and financial position conquered and not necessarily to government support.

H9: The smaller the use of risk mitigation instruments governmental internationalization, the greater the geographical and international diversification of the company will be.

As discussed in previously reported studies, diversification tends to generate a mitigating *hedging* commercial risk (IPEA, 2012; UNCTAD, 2006). Thus, it is expected that the greater the diversification of companies, the less importance is given to the role of government in promoting this mitigation via public instruments.

H10: The higher the use of international agreements, the greater the geographical and international diversification of the company will be.

Trade agreements promote the liberalization of markets, which makes the strategic space for corporate action via facilitated diversification. Thus, the indirect role of government through signing agreements can be considered a relevant factor for the entrepreneur responsible for the international expansion of the company as it encourages the perception that the merits of competitiveness is business, and the institutional environment with fewer distortions to competition. Therefore, the most diversified company tends to consider the agreements as relevant for this, given that it even is an indirect support, not necessarily associated with a dependence on government instrument.

METHODOLOGICAL PROCEDURES

For the construction of the survey, we adopted an intersectional design with its data prospected in just a moment of time, through collection instrument consists of a questionnaire predominantly closed questions, it excels at using the Likert scale of five points (BABBIE, 1999).The choice of closed questions, elaborated from the Likert scale occurred because this metric is guided by perception of the respondent, who, before a situation, expresses his impressions and assessments. So, using this metric is justified for the purposes of this research, since the process of internationalization of companies, as advocated, is characterized by being a strategic behavior, then based in large part on the perceptions of decision makers.

The study population being the manufacturers Brazilian companies of mechanical capital goods associated with the Brazilian Association of Machinery and Equipment (Abimaq) in 2013, which will be the units of analysis of the research; which at the time was close to 1,496 companies throughout the country. As a result, 104 companies responded to the *survey*, a response rate of 6.95%.In order to minimize the occurrence of errors of interpretation throughout the questionnaire, there was a pre-test data collection instrument. On that occasion, two sets of factors were tested: i) the content, drafting and technical adaptability and sector of the instrument language; and ii) its online platform, SurveyGizmo.

For the construction of diversification of export models, we used as the dependent variable number of countries that currently export company expressed in a discrete scale called NPEXP. To test the hypotheses developed, we opted for the multiple linear regression, considering the dependent variable is discrete, i.e. measurable and finite integers (Hair *et al.*, 2005).

For the independent variables, constructs were built from the proposed theoretical framework: the justification of the start of the internationalization process of a company, i.e., their motives, or, what sustains the time to go international - specific advantages property, transaction, location and behavior. A process that was also conducted for public instruments to support internationalization, whose constructs were organized around six dimensions (IPEA, 2012; UNCTAD, 2006). The consistency of these constructs was analyzed using *Cronbach's* alpha

test, with all the results taken as acceptable, because above $\alpha > 0.60$. To check and adjust the model, some variables were operationalized as control, namely: i) the relationship between the year of foundation and activities abroad, ii) size and iii) participation of *Brazil Machinery*

Solutions Program (BMS) - sector program export promotion, in partnership Abimaq with the Export Promotion Agency of Brazil and Investment (Apex-Brazil).

Constructs: dependent and independent variables

Construction of diversification of export models was used as the dependent variable number of countries that currently export company expressed in a discrete scale called NPEXP. To test the hypotheses developed, we opted for the multiple linear regression, considering the dependent variable is discrete, i.e. measurable in finite numbers and integers.

For the independent variables, constructs were built from the proposed theoretical framework: the justification of the start of the internationalization process of a company, i.e., their motives, or, what sustains the time to go international; which, as discussed, have as their main arguments the existence of some advantages of ownership, that are noted by entrepreneurs as important determinants of international integration, analysis in which the most of the Eclectic Paradigm of Dunning is the most well developed. On the other hand, as also highlighted, it is evident from the behavioral approach, especially of Uppsala, in which property advantages to the international insertion occurs do not suffice. The behavioral aspects of decision makers in this process, responsible for the strategic formulation of internationalization, are valid and should be considered the knowledge and minimally accumulated experiences since that will influence the decision to face the challenges of foreign markets. Thus, despite the need to have advantages of ownership, the existence of knowledge and behavioral experiments are not merely technical about the process of internationalization and especially on the international scene - general and specified in terms of a market target potential - are critical dimensions that must be considered and analyzed in the temporal context in which the decision to expand internationally will or may occur.

Finally, another relevant issue in the context of the reasons is the destination, or the origin of internationalization. After all, both the origins and destinations interfere in the process, which occurs directly and / or indirectly through the potential advantages of location, which are geared to stimulate (or, conversely, discourage) the exit or entry of countries, with them basically sustained by economic and institutional characteristics, as proposed by Dunning (2002a; 2002b; 2002c) in his Eclectic Paradigm.

In this sense, as already discussed, the choice of a foreign market for international involvement of a company is complex decision and includes variables of economic, behavioral and strategic approaches, since the characteristics of the sites are essential to determine not only access to resources, but a position to explore and add value to property advantages of companies.

Importantly, though, as argued earlier, that the advantages of location, nevertheless are remarkably observed abroad, this research also considered the domestic front, since many of ownership and internalization advantages can be leveraged in origin, such which those induced by government incentives and subsidies policies (DUNNING, 2002a; 2002b). Indeed, also adding up to these advantages of the location, are the uncertainty characteristics, as advocated by the Model of Uppsala, added from the limited rationality of decision makers agents, which tend to influence the choice of target markets and forms of process integration internationalization; context in which their hitherto main predictor considered, the psychic distance perceived by the agents, is relevant question analysis.

Therefore, four constructs of internationalization were built.

	Dimensions	Variables	Scale	Cronbach's alpha	References
Justifications	**Property advantages - Transactions (Ot)**	var59	Likert 5 points 1 (Strongly Disagree); 5 (Strongly Agree).	0.885	Dunning (2002a; 2002b).
		var60			
		var61			
		var62			
	Property advantages - Asset Ownership (Oa)	var63	Likert 5 points 1 (Strongly Disagree); 5 (Strongly Agree).	0.840	Dunning (2000a; 2002b).
		var64			
		var65			
		var66			
		var67			
		var68			
	Advantages of Location - Psychic Distance	var69	Likert 5 points 1 (Strongly Disagree); 5 (Strongly Agree).	0.672	Dunning (2002a; 2002b); Johanson and Weidersheim-Paul (1975); Johanson and Vahlne (1977; 1990).
		var70			
		var71			
		var72			
	Advantages of Location - Political Factors and Market	var73	Likert 5 points 1 (Strongly Disagree); 5 (Strongly Agree).	0.749	Dunning (2002a; 2002b).
		var74			
		var75			
		var76			
		var77			

Table I - construct justifications
Source: prepared by the authors.

var59	Well structured and efficient management practices.
var60	Efficient program of existence of knowledge management in the company.
var61	Existence of effective *compliance* instruments in the management and the company's shares.
var62	An efficient and effective corporate governance program.
var63	Highly qualified human resources.
var64	Existence of management and innovative skills widely recognized.
var65	Know-how of possession highlighted in the sector.
var66	Property differentiated brands and patents.
var67	Border technology ownership and innovation.
var68	Recognized quality products in the industry.
var69	Company executives had knowledge and previous experience in these markets.
var70	There is great availability of information on these markets.
var71	These are culturally closer markets.
var72	Are physically nearby markets.
var73	Existence of Brazilian government incentives to enter these markets.
var74	Incentive existence of the governments of these markets to attract the company's operations.
var75	Existence of trade and economic agreements signed by the Brazilian government with these markets.
var76	Were selected as priority markets for Abimaq.
var77	Presence in these markets, factors and supportive resources for efficient and effective achievement of the objectives that motivated the company to expand internationally.

Table II - Assertions of Construct Justifications
Source: prepared by the author. Note: the collection instrument, these assertions were randomly arranged, by questionnaire.

Yet, the thread of analysis of potential government involvement in the Brazilian companies internationalization process of mechanical capital goods occurred through government

policies formulated and deliberately intended for these purposes, which are currently in force in Brazil. This choice took the conformation of public and government policies to support the internationalization around six dimensions, as already treated; namely: i) informational support, technical assistance and other guidance, ii) creating *comfort zone,* iii) fiscal instruments and tax iv) risk mitigation instruments, v) financing instruments and vi) international agreements. Thus, the construct of variable government to support the internationalization policy was built from these six dimensions, with its constituent variables formulated tools applied and now under way in Brazil, as shown in Table III, and its assertive in Table IV.

	Dimension	**Variables**	**Scale**	**Cronbach's alpha**	**References**
Government Policies of International Business	**Informational Support, Technical Assistance and Other Guidance**	var78	Likert 5 points 1 (Strongly Disagree) 5 (Strongly Agree)	0.858	UNCTAD (2006) and IPEA (2012).
		var79			
		var80			
		var81			
		var82			
		var83			
		var84			
		var85			
		var86			
	***Comfort* Zone**	var87	Likert 5 points 1 (Strongly Disagree) 5 (Strongly Agree)	0.807	
		var88			
	Tax and Tax Instruments	var89	Likert 5 points 1 (Strongly Disagree) 5 (Strongly Agree)	0.744	
		var90			
		var91			
		var92			
	Risk Mitigation Instruments	var93	Likert 5 points 1 (Strongly Disagree) 5 (Strongly Agree)	0.738	
		var94			
	Financing Instruments	var95	Likert 5 points 1 (Strongly Disagree) 5 (Strongly Agree)	0.912	
		var96			
		var97			
		var98			
		var102			
		var103			
		var104			
	International Agreements	var99	Likert 5 points 1 (Strongly Disagree) 5 (Strongly Agree)	0.664	
		var100			
		var101			

Table III - Construct: Governmental International Business Policies
Source: prepared by the author.

var78	Participation in the program PEIEX of APEX-BRAZIL.
var79	Participation in seminars / events on the subject promoted by the federal government.
var80	Participation in business roundtables organized by APEX-BRAZIL (PS *Brazil Machinery Solutions).*
var81	Participation in training / courses / seminars organized by APEX-BRAZIL (PS *Brazil Machinery Solutions).*
var82	Access to market intelligence reports prepared by APEX-BRAZIL (PS *Brazil Machinery Solutions).*
var83	Legal assistance for international expansion sponsored by APEX-BRAZIL Brazil.
var84	Participation in fairs abroad with APEX-BRAZIL Support (PS *Brazil Machinery Solutions).*
var85	Use services of SECOMs embassies / consulates abroad Brazilians.
var86	Access to market intelligence material and Sponsored databases / made by the Brazilian government.
var87	Use of APEX-BRAZIL of Business Centres abroad for local installation.
var88	Use of legal aid services and information of APEX-BRAZIL of Business Centers abroad.
var89	Using the Special Customs Regime of Drawback.
var90	Use of Ex-tariff.
var91	Using SISPROM.
var92	Use of tax incentives and tax (exemption / suspension / reduction) to international expansion.
var93	Using the Reciprocal Credit Agreement (CCR).
var94	Use of guarantees and credit insurance (BNDES, SBCE; FGE; SCE).
var95	Use of BNDES-Exim financing line.
var96	Use of BNDES financing Finem-line.
var97	Use of PROEX-Equalization funding line.
var98	Use of PROEX-financing credit line.
var102	Use credit line of PSI - Export Pre-shipment.
var103	Using BNDES credit line - Revitalizes Export.
var104	Use PROGER Export credit line.
var99	Use of trade agreements signed by Brazil.
var100	Use of elimination of double taxation agreements (ABT).
var101	Use of legal protection agreements on investments (APPI).

Table IV - Construct Assertions of Government Policies of International Business
Source: prepared by the author. Note: the collection instrument, these assertions were randomly arranged, by questionnaire.

As it is possible to observe in Tables II and III, which have developed constructs, almost all had a higher *Cronbach's alpha* to 0.70, with some above 0.80, which is considered excellent. However, only two, the advantages of location - psychic distance, the construct justifications, and international agreements, government policy, reported a coefficient α = 0672 and α = 0.664, respectively.

In order to verify and adjust the model, some variables were operationalized as control, namely: i) the relationship between the year of foundation and activities abroad, ii) size and iii) participate in the *Brazil Machinery Solutions* Program (BMS). The choice of foundation year as a control variable is related to studies and approaches, old and new, which state that the lifetime of a company is a relevant factor for the analysis of internationalization processes. Both the Model

of Uppsala as recent empirical studies in Latin America show that the international involvement of business is not immediate. In the case of Latin America, for example, whose internationalization is considered a late phenomenon (FLEURY, FLEURY, 2009), the international engagement process not only takes a considerable time, as advances in their level of commitment as well.

The second variable selected to control the size of the company, is not directly related to the implementation of internationalization, but sometimes in the conduct of its proceedings, and especially international engagement level. In this research, the operationalization of variable size will be given by classifying the Department of Planning and Development of Foreign Trade Bureau of Foreign Trade, Ministry of Development, Industry and Foreign Trade (DEPLA / SECEX / MDIC), with a view to address the main analysis of industry body. So for size definition, notice criterion which includes in its analysis the exported value. For its operation, it was seen as a *dummy* variable, divided into micro, small and medium (0) and large enterprise (1).

Perhaps because it is an internationalization program with government contribution, the choice for the participation of *Brazil Machinery Solutions* Program (BMS) is the fact that to integrate it already means a predisposition of the company internationalization, which would be different if the company was not a member. Thus, such participation was treated as a *dummy* variable, with its own justification focused on observing how interact and can adjust the model.

MODEL RESULTS

The generated model showed a linear regression to the number of countries served by exports of a company (NPEXP) in relation to the independent variables: i) control - size (PORTMDIC), time between the foundation and the first export (TENVIEXP) and participation in *Brazil Machinery Solutions* (BMSNI), ii) the reasons / advantages - ownership of property

assets (VPoa), transaction property (VPot), location and psychic distance (VLdp) and political location and market (VLPolm) and iii) governmental instruments - informational support (INSTinf) *comfort zone* (INSTcf), tax incentives (INSTtrib), financing (INSTFIN), risk mitigation (INSTmr) and international agreements (INSTac).The results are shown in Table I.

NPEXP	**Model 1**	**Model 2**	**VIF**
Constant	3,198	3,785	
PORTMDIC	10,325 **	6,540 *	1,447
BMSNI	4,104	-1171	1,534
TENVIEXP	.068	.082	1,120
VPot		-.874	2,565
VPoa		2,292	2,408
VLdp		1,013	1,315
VLPolm		-4158 *	1,579
INSTinf		5,379 *	3,290
INSTcf		-3894 *	2,046
INSTtrib		.330	2,939
INSTmr		3,697 *	2,235
INSTFIN		.775	2,829
INSTac		-3746 *	2,913
F	8,042 *	4,422 *	
R^2 adjusted	.211	.360	

** P <.01, and * p <.05

Source: prepared by the author with the help of SPSS (18.0).

Table I - Regression results

The template 2 has supported the hypothesis *H4, H6*. On the other way, *H5, H9,* and *H10* were supported but in an inverted manner. Thus, the main findings of the research were:

There is statistical evidence that the size of the mechanical capital goods company is positively associated with diversification of export markets, resulting that the higher the larger the number of countries served;

There is empirical evidence that the location advantages associated with political factors and markets are not considered positively related to diversification in exports. That is, the lower the perception that the government can help, the greater will be the geographical expansion of markets. On the other hand, this does not translate the perception that companies have specific advantages to this that are owned;

There is evidence that the higher the perceived relevance and use of government systems of informational support and risk mitigation, the greater will be the diversification of the export markets. What it is suggested, can be explained by the country risk of the main countries of destination of exports (risk mitigation) and greater capillarity of informational support instruments;

There is evidence that the lower the use and perceived relevance of government instruments *comfort zone* and international agreements, the greater will be the diversification in number of export markets will be. What it is suggested, can be explained by the fact that the export will not incur commitment of resources abroad *(comfort* zone) and Brazil does not have many trade agreements and other agreements relate to modalities that do not export.

It can be said, from the generated results, which two issues stand out. The first is the size of the company that, for export diversification in many markets, it is relevant, suggesting that the larger the size the more the company Tends to expand its international sales to foreign countries. On the other hand, having a large dimension statistically does not mean that executives consider this diversification as a result of benefits that are specific to the firm. On the contrary, what stood out were government instruments in their association with diversification more than the perception of specific ownership advantages. The result becomes more interesting when computing that executives do not see any advantages of location in government policies, but are used and considered relevant public instruments available when diversification - which suggests a contradictory entrepreneurship-government relationship as to their assumed roles.

FINAL CONSIDERATIONS

To catch up with the core of the research problem proposed before the whole survey and its results, it can be said that the relevance of the Brazilian government in international trade

diversification of mechanical capital goods companies cannot be ruled out. In other words, the data suggest that the level of market diversification in the export sector in the study is not the exclusive result of business merits. For, as shown, since the company is an exporter, the Brazilian government seems to have had a role that should not be discarded in the geographical diversification of markets, as seen by the executives responsible for this process. The conclusion reached is that, to the internationalization strategy of Brazilian companies in the mechanical capital goods sector, the government, though not decisively, may be a relevant resource to those seeking to advance commercially via diversification in numbers of markets.

The question is relevant since a guideline proposed by the Brazilian industrial policy in progress, the *Greater Brazil Plan*, is to promote the diversification of exports. Therefore, the results suggest that this goal can be achieved and, since there is a positive association of perception of the entrepreneur as certain tools offered by the Brazilian government to support the internationalization and the diversification level reached by the company. However, it is important to note that such an association tends to occur in large companies, which, theoretically, would be those less demanding of such instruments, since they are more experienced and independent in their resources. Thus, although some of the public instruments may be deemed relevant by the executive, they are not necessarily reaching their proposed target audience, usually small and medium enterprises. Raising, thus a question of who their real beneficiaries are, as well as their broader impacts on international insertion of Brazilian industry with a focus on competitiveness.

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