CHINESE MNCs IN LATIN AMERICA: CHARACTERISTICS AND COMPARISONS WITH INVESTMENTS IN DEVELOPED MARKETS

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ABSTRACT

This paper analyses the characteristics of Chinese MNCs operating in Latin America vis-à-vis those found in previous studies of Chinese companies investing in developed countries. It does this by studying the fit of theoretical frameworks recently developed for Chinese firms, the support from the government, and the strength of their capabilities in relation to those of local competitors. The analysis is based on case studies with data collected through seven in-depth interviews with senior managers of subsidiaries in Latin America and the president of a chamber of commerce. The results show that these companies seem to be following a pattern similar to that described by Mathews' (2006) LLL, that the support from the government does not seem to play a role in their internationalisation process, and that they appear to have developed a set of capabilities strong enough to compete in the host market (in particular how to combine their strengths with those of local partners). There are also findings related to the reliance on ethnically-based social networks and on the chosen entry mode. The findings tend to indicate that Chinese companies are following a pattern in their internationalisation to Latin American emerging markets that seems to be a combination of conventional theories (including previous studies on emerging markets-based firms) with idiosyncratic elements.

INTRODUCTION

The internationalisation of Chinese Multinational Corporations (MNCs) is an area of growing research interest mainly due to the size of China's economy and its potential impact in the world economy, and also because the process these companies are following seems to be different from the patterns seen in Western firms (Bhagat, McDevitt, & McDevitt, 2010; Boisot & Child, 1996; Boisot & Meyer, 2008; Buckley, Clegg, Cross, Liu, Voss, & Zheng, 2007; Child & Rodrigues, 2005; Deng, 2011; Rui & Yip, 2008).

One of the main destinations of Chinese Outward Foreign Direct Investment (ODI) in the last years has been Latin America (LA), with 50% of Chinese ODI in 2004 (more than the 30 per cent that went towards Asia) (Blazquez-Lidoy, Rodriguez, & Santiso, 2006, p. 35), with 53% in 2005, 40% in 2006 (MOFCOM, 2007)), and with similar trends in 2008, 2009, and 2010 (MOFCOM, 2008, 2010). In 2010 the stock of Chinese ODI in Latin America reached US61 billion which positioned the country as the third foreign investor in the region (Fornes & Butt Philip, 2012). Although initially regarded as resource-seeking FDI (where most of the subsequent trade would go towards China, as in the case of investments in Africa (Shoham & Rosenboim, 2009)), the trade flow from China to Latin America has grown around 20 times since 1996 (compared to 14 in the other direction) posting a trade surplus for China of around US$47 billion in 2008 from a deficit of US$283 million in 1990 (ECLAC, 2010, 2011; Sanchez Ancochea, 2006). These figures tend to suggest that several private Chinese MNCs may also be pursuing market-seeking FDI (Dyer, 2010; Fornes & Butt-Philip, 2011) on top of the resource-seeking FDI from state-owned enterprises (SOEs) (Blazquez-Lidoy et al., 2006; La Tercera, 2007b, 2007a; Phillips, 2010; Sanchez Ancochea, 2006; Santiso, 2006; Santiso, 2007).

In this context, the internationalisation of Chinese MNCs to Latin America appears as an interesting area for research as they seem to be favouring FDI rather than exports (Dyer, 2010; Fornes & Butt-Philip, 2011) when existing theories would suggest the latter. In particular, it is of interest to know, first, if the emerging conceptual frameworks developed as a result of the internationalisation of Chinese firms (like (Boisot & Meyer, 2008; Mathews, 2006; Rugman & Li, 2007; Rui & Yip, 2007)) could be applicable to ODI to Latin American emerging markets (EMs). Second, if the support from the Chinese government reported in previous works (Buckley et al., 2007; Child & Rodrigues, 2005) also applies to investment in LA. And third, if the capabilities of Chinese MNCs (Ge & Ding, 2008; Rugman & Li, 2007; Williamson & Yin, 2009) are strong enough to compete successfully in Latin American markets (Fornes & Butt-Philip, 2011).

The aim of this article is to stimulate discussion in a relatively new area of study rather than to provide definitive general conclusions. In this sense, the analysis of these three points is expected to contribute to the current debate on the internationalisation of Chinese firms by adding evidence on companies different from the ones widely known and studied (like Lenovo Group, Nanjing Automobile, Huawei Technology (Child & Rodrigues, 2005; Rui & Yip, 2007), Haier (Child & Rodrigues, 2005; Palepu, Khanna, & Vargas, 2003), Galanz (Ge & Ding, 2008), Thomson, Shanghai Motors (Rugman & Li, 2007), etc), and also by analysing the characteristics of these companies in environments different from the ones also generally studied like the USA, the EU, or Japan. The latter is of particular importance as it has claimed that those companies that succeed in emerging markets will be in a better position to compete in the global economy (Williamson & Yin, 2009).

The paper is structured as follows. A review of the literature containing the main conceptual framework along with the development of the research propositions comes after this section. The Methodology and Sample section then describes the sample used and the research method followed for the analysis of data. Third, the Results section presents the findings. A Discussion section analysing the results vis-à-vis current literature comes fourth. The paper concludes with a Summary and Conclusions.

REVIEW OF THE LITERATURE: FRAMEWORK AND PROPOSITIONS

After China joined the WTO in 2001, and especially when the first evidence of the internationalisation of its companies appeared, a debate began in the literature on the fit of the Chinese case with existing theories as Chinese companies seemed to be following a different pattern than that of their Western counterparts.

Among the first to question this fit were Child and Rodrigues (2005) who identified four differences with the context where mainstream theories have been developed (the need to catch-up, the role of the government, the possible institutional dependence, and the Chinese culture with its subsequent relatively higher psychic distance). Continuing with the debate, Mathews (2006) proposed Linkage–Leverage–Learning (LLL), an extension of the OLI paradigm (Dunning, 1977), based on the idea that the “internationalization from the Asia Pacific region needs to be reconceived as a ‘pull’ process as well as involving a push”, and that the internationalisation of these firms is based on a search for new resources to strengthen their competitive position rather than on “the possession of overwhelming domestic assets which can be exploited abroad” (Mathews, 2006, Pp. 16-17).

To this, Rui and Yip (2008) added that Chinese ODI may have a Strategic Intent to achieve specific goals “to offset their competitive weaknesses and leveraging their unit ownership advantages, while making use of institutional incentives and minimizing institutional constraints” (p. 214). In a similar line, Boisot and Meyer (2008) said that “Chinese firms going abroad are doing so in pursuit of more efficient institutions” and as a result developed the concept of Institutional Arbitrage, the “exploitation of the differences between different institutional arrangements operating in different jurisdictions" (p. 356). These models were put forward mainly as Buckley, et al. (2007), in one of the first works modelling Chinese ODI, concluded that "for the present, Chinese outward investors clearly present marked contrasts from the conventional model in key aspects"; in other words, these investments have "both a conventional and an idiosyncratic dimension" (pp 513-514).

In the case of Latin America, it seems unlikely that Chinese firms would be pursuing institutional arbitrage in a region that is infamous for its institutional frailty (Del Sol & Kogan, 2007; Fornes, 2009; Guillen, 2005; Khanna & Palepu, 2000). Similarly, it is also unlikely that they would have a strategic intent for their investments in LA to become global leaders (unless they are using these markets as a stepping stone, still unlikely). Nevertheless, due to its characteristics, Mathews' LLL seems to be the most suitable for ODI to Latin America.

Mathews (2006) based the LLL framework on the idea that traditional theories (in particular internationalisation, strategic impulse to internationalisation, and sources of international advantage) do not necessarily apply as Asia Pacific companies have distinctive characteristics compared to the incumbents, namely: (i) accelerated internationalisation, (ii) organisational innovation, and (iii) strategic innovation. And in this context "the considerations that apply to international expansion in the pursuit of resources (and customers) not otherwise available, are quite different from those that apply to expansion which is designed to exploit existing resources" (p. 18).

Linkage (the first L) refers to companies (latecomers or newcomers) that go abroad to acquire advantages externally, and as a consequence of this process they find opportunities to grow in the global market rather than in the domestic one. This strategy presents higher risks, so companies attempt to minimise them by engaging in Joint Ventures (JV) in the host market to complement their own resources and strengths. Globalisation multiplies the opportunities for the creation of these networks of JVs. In traditional theories “partnerships and joint ventures are seen by the incumbent, generally speaking, as sources of leakage of proprietary assets and knowledge” (Mathews, 2006, p. 19).

Leverage refers to the ability of these networks to leverage and complement their resources to overcome the barriers erected by the incumbents to delay the entry of competitors. This creates a “worldwide web of interfirm connections” (Mathews, 2006, p. 19).

Learning comes as a result of applying repeatedly the linkage and leverage processes which “may result in the firm learning to perform such operations more effectively (organizational learning)” (Mathews, 2006, p. 20). This analysis leads to the first research proposition:

Proposition 1: Chinese MNCs go to Latin American markets following the pattern described by LLL.

Second, one of the main reported differences in the internationalisation of Chinese MNCs with their Western counterparts has been the support from the Chinese government. Child and Rodrigues (2005) said that many firms have received financial support and protection from the authorities to reduce their late-coming disadvantage. This support was also visible in the case studies analysed by Rui and Yip (2007) and Rugman and Li (2007). Shoham and Rosenboim (2009) found that the Chinese government is supporting resource-seeking ODI as well. Zeng and Williamson (2003) also reported that some companies have access to state-supported research. Buckley et al. (2007) added that the government supports some SOEs by having capital available at below-market rates and in subsidised or soft loans from banks influenced or owned by the government. Fornes and Butt-Philip (2011) also argued that the support from the government could also be seen outside China in the signing of treaties and trade and investment agreements with emerging countries with the aim of improving access to their products (in recent years China had signed agreements with 32 countries or groups of countries in Africa, Asia, Latin America, and the southern Pacific (ECLAC, 2007)).

However, recent empirical studies have started to question the role and format of this support from the government. For example, Ge and Ding (2008, p.680) reported that, "as a private enterprise, Galanz still finds it difficult to obtain loans from state-owned banks". Also, studies on Chinese SMEs (Cardoza & Fornes, 2011; Fornes & Cardoza, 2010) found that the support from the state in the form of funding seems to be instrumental only in the first stages (local and regional) of Chinese SMEs' international expansion and that ownership by the state does not seem to play a role in their internationalisation process. This analysis leads to the second research proposition:

Proposition 2: support from the Chinese government is a key element in the internationalisation of Chinese firms to Latin America.

Third, a debate has been developing on the strengths of Chinese firms' capabilities in relation to their international competitors. Nolan (2001) argued that "the competitive capability of China's large firms after two decades of reform is still painfully weak in relation to the global giants" (p. 187) mainly in the areas of R&D, marketing ability, development of brands and the restrictions from the authorities. To which Zeng and Williamson (2003, p. 3) replied that there is a "new breed of Chinese companies that have already succeeded in capturing some foreign markets" based on domestic strengths, export-orientation, competitive networks, and exploitation of technology from government-owned research institutes. Boisot (2004) and Guthrie (2005) added that Chinese companies need to go abroad to acquire competitive advantages and complement their current strengths in the domestic market, and to avoid the disadvantage of operating exclusively in a domestic market. In addition, Rugman and Li's (2007, p. 71) study of three acquisitions by Chinese MNCs added that they "mainly reflect China's country-specific advantages (CSAs) rather than FSAs". However, recent works (like (Bhagat et al., 2010; Boisot & Meyer, 2008; Cardoza & Fornes, 2011; Ge & Ding, 2008; Shoham & Rosenboim, 2009; Williamson & Yin, 2009; Yamakawa, Peng, & Deeds, 2008) have started to identify some strong capabilities of Chinese international firms, although still most of them linked to the domestic environment where they operate.

In the context of this research, the question seems to be about the strengths of Chinese firms' capabilities in relation to those of their counterparts in Latin America. It has been suggested that "although not yet completely developed and consolidated to compete against companies in developed countries, [Chinese firms] have achieved a certain level that allows them to successfully compete in Latin American markets" (Fornes & Butt-Philip, 2011). This is relevant in the context of this work as "the capabilities to succeed in emerging markets will be decisive in the next round of global competition" (Williamson & Yin, 2009, p. 78). This analysis leads to the third research proposition.

Proposition 3: Chinese MNCs have developed a set of capabilities that are strong enough to compete successfully in Latin American emerging markets.

SAMPLE AND METHODOLOGY

The theoretical sampling (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Pettigrew, 1990) was built with two SOEs, two private companies, two public companies (listed in Hong Kong), and a chamber of commerce. To be in the sample, Chinese companies should have invested in Latin America before 2008 and have an income of at least 5% of total sales from the region (being around 5% the weight of Latin America in the World economy); around 55 companies fulfil these requirements (Barcena & Rosales, 2010; Dyer & Lapper, 2007; Fornes

& Butt Philip, 2012; Santiso, 2007). More details of the companies in the sample can be seen in Table 1. The Chamber of Commerce gathers a large group of companies operating in both China and the most important countries in South America (it will be referred to as ChC hereafter) and was included to have an outsider's view of the internationalisation process. Although a relatively small sample, it offers the option for analytical generalisation (Eisenhardt, 1989).

As can be seen in Table 1, two companies are owned by the state, two are public (listed in Hong Kong), and the remaining two are private. All of these firms have total sales of over US$100 million and the share of sales coming from LA goes from 5% to 20%. They started selling abroad around 11 years ago on average and in LA around 7 years ago, also on average. Their first investment in LA was around 6 years ago (on average).

TABLE 1: SELECTED DETAILS OF THE COMPANIES IN THE SAMPLE

	Industry	SOE/Private	Total sales higher than us$100M	First sales abroad/first sales in LA	% of sales from LA	First investment in LA	Number of countries in LA	Origin of subsidiary's CEO	Entry mode
Co1	Logistics	SOE	Yes	1999/2002	5%	2005	n/a	Chinese	JV
Co2	Services	Private	Yes	1995/2002	6%	2002	3	Chinese	JV
Co3	Beauty	Private	Yes	2005/2005	20%	2005	8	Brazilian	JV
Co4	Automotive	SOE	Yes	2001/2007	5%	2008	3	Argentine	JV
Co5	Medicine	HK listed	Yes	1997/2002	9%	2002	6	Chinese raised in LA	JV
Co6	Telecommunications	HK listed	Yes	1995/2002	8%	2002	14	Chinese	JV

Notes:
HK: Hong Kong
Medicine: Chinese Traditional Medicine
Beauty: silicone implants manufacturer
n/a: not available

The research is based on case studies (Yin, 1994). This methodology was chosen as this is a relatively new area of research and also because one of the aims of this study is getting a better understanding of the characteristics of Chinese international firms operating in developing contexts and their fit with existing theories (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). Also, because this methodology is better suited to examine subjective features of the research propositions (like vision and reason to go abroad, reasons to choose an entry mode, perceived strengths and weaknesses, perception of international experience, etc).

The data was collected through in-depth interviews, similar to most previous studies on Chinese MNCs (Ge & Ding, 2008; Rugman & Li, 2007; Rui & Yip, 2008; Yamakawa et al., 2008), based on the ideas and gaps identified in the review of the literature. Collected data was coded following Glaser and Strauss (1967) and then matched with what has been found in other relevant works and also with data from the ChC. Finally, the findings were analysed through triangulation among the case studies, previous works, and secondary data. These processes aimed at providing internal validity.

The interviews were conducted with the CEO (or deputy) of the subsidiary of the Chinese company and with the President of the "Group of Countries" – China Chamber of Commerce (name of the "group of countries" not shown to keep the anonymity of the interviewee). All the interviews were conducted in LA by the main researchers, this avoided any bias in the gathering of data. Secondary data was also collected from other reputable sources like official websites, annual reports, newspaper articles, databases from international organisations, etc. The definition of internationalisation used in this work is that proposed by Mathews (2006, p. 16): "the process of the firm's becoming integrated in international economic activities". The combination of the elements in the methodology, theoretical sampling, case studies, in-depth interviews based on gaps identified in the literature, coding of data, triangulation, and pattern matching, is expected to provide this research with a strong reliability, internal, construct, and external validity to support the findings of the analysis (Gibbert, Ruigrok, & Wick, 2008).

RESULTS

Proposition 1

The last column on the right of Table 1 shows that all the companies in the sample chose a Joint Venture as entry mode. All the companies said that this provides them with local knowledge (Co6 started with a JV and then bought the local partner's share) and therefore reduces the risks. The President of the ChC added that this entry mode "guarantees the exploitation of the market". Companies also said that initially they were invited by the local partner (except Co1) to develop the venture in LA ("the local partner acts as a pull for business", Co2; "the investment abroad was a pull from the local partner", Co4) as most of these companies were not familiar with operating in a market that different from China's ("most Chinese managers do not have exposure to Western-style markets", Co4). The six companies in the sample replicated the same model in the countries where they are now present in LA. This strategy created a network of JVs in the region.

In addition, interviewees were asked to rank the five most relevant reasons to invest in LA from a list of fourteen options (including "others"). Figure 1 shows the list of options (taken from the literature on internationalisation). All the companies ranked "potential of the market" in the first position; ChC concurred. Also in the top 2-3 positions came "better access to customers" and "possibility to adapt products to the local market". "Diversification of sources of income", "development of infrastructure in the host country", and "saturated domestic market" were mentioned by at least one company in the fourth or fifth place. Their growth plans were very ambitious; they expected to increase their sales in LA in around 30% per year (Co3 100% per year) in the next 3 years; they said that this is the performance seen in at least the last 2 years. They anticipated this growth to be organic within the current JVs. Some comments from Co1 exemplify the current situation and prospects: "LA is a perfect consumer for Chinese merchandise", "there is not enough transport for the products waiting to be shipped [from China to LA]", and "it is not what China wants to sell, it is what LA can actually buy!"

FIGURE 1: REASONS TO DECIDE A LONG TERM INVESTMENT IN LATIN AMERICA (translated into English for reporting purposes)

Please rank the following sentences depending on their importance when deciding a long term investment in Latin America. 1 means the most important

□ Potential of the market
□ Better access to customers
□ Tariff and non-tariff barriers jump
□ Diversification of sources of income
□ Possibility to adapt products to the local market
□ Incentives in host country
□ Low cost assets, labour, etc
□ Saturated domestic markets
□ Closeness to raw material
□ Development of infrastructure in the host country
□ Exchange risk reduction in the company's cash flow
□ Proprietary assets acquisition
□ Access to knowledge and technologies not available in home country
□ Other (specify)____________

At the time of the interviews, most of the investments in LA were mainly warehouses and distribution facilities. Two companies were building manufacturing facilities in Uruguay, Co3 to adapt its products and Co4 to assemble parts shipped from China, as this country is "the most stable in the Mercosur (Co3)" and also "it provides free access to the big markets in the Mercosur (Co4)".

The analysis of the responses and comments related to Proposition 1 seems to provide evidence that the companies in the sample are following the pattern described in Mathews'

(2006) LLL; in particular, a rapid internationalisation looking abroad for opportunities to grow pulled by a local partner (rather than a push to exploit domestic assets) through JVs which created a network of interconnected firms. Therefore the evidence confirms Proposition 1.

Proposition 2

When asked about the support from the Chinese government, Co5 replied “how many companies are currently going abroad? It is impossible to support all of them”. Also Co6 replied “there are so many people and companies leaving China that it would be impossible to help all of them”. These comments summarise the feeling (and probably the reality) of all the interviewees: China’s government does not seem to provide support for their ventures in LA. In fact, ChC said that “most Chinese firms avoid the Chinese embassies in LA as they are mainly political and of little help for business”.

ChC, Co2, and Co6 said that the closest support they have heard of is the possibility of funding Chinese exports (especially heavy goods and machinery for construction and infrastructure development) by the China Development Bank (CDB). Co2 added that “we have been trying to get these credits for a long time but without success” (it seems that the Bank only accepts collateral from the host government, even in private deals, to minimise the risk). These three companies also said that the CDB is analysing private projects to fund in LA, but that they know only a very few small projects that have been approved.

Of particular interest in this proposition are the two SOEs in the sample. Co1 said that “the expansion to LA is part of the Company’s global strategy with no relation to the Chinese government’s foreign policy and therefore no extra resources to us”. Co4 said that “the support from the government is mainly for natural resources, not for industrial companies like ours; although there is something from provinces [i.e., not central government]”. And Co6, although a public company, said that "the government chose it (along with two other firms) to go abroad and due to this it provided support in the home country by protecting the domestic industry". As these replies were counterintuitive (especially in the SOEs) the interviewer insisted and tried to go deeper, but the answers continued to be negative.

Interviewees were also asked about the trade and investment agreements signed by China and the host countries. The general feeling was that they did not have any influence in their decision to trade and invest in LA. For example, Co4 said that "these agreements have had an impact in Venezuela, but little effect in the rest of LA", and Co5 that "they simply do not work!"

The analysis of the responses related to Proposition 2 seems to provide evidence that the companies in the sample are not depending on support from the Chinese government. Only Co4 hinted at some support from the provincial government (where the parent is located) that does not seem to be relevant in the Latin American venture, and Co6 support in the form of protection in the domestic market. Therefore, evidence does not confirm Proposition 2.

Proposition 3

Interviewees were asked to rank what they considered their five strongest capabilities for LA markets from a list of 13 options (plus "others"). Figure 2 shows the list of options (taken from the literature on internationalisation). All the answers showed "price" in the top position, and four of them (ChC, Co3, Co5, and Co6) ranked "product" in the second position. In the third to fifth position came "access to distribution", "long-term vision", "management skills", "access to distribution", "access to local government (through the local partner)", "quality", and "internal R&D".

FIGURE 2: CAPABILITIES NEEDED IN THE LA MARKET (translated into English for reporting purposes)

Please rank the following capabilities needed in the Latin American market. 1 means the most important

Product	□
Price	□
Psychic distance	□
International experience	□
Quality	□
Access to distribution	□
Language	□
Brands	□
Management skills	□
Access to local government	□
Support from the Chinese gov.	□
Long-term vision	□
Internal R&D	□
Others (specify)	□ ________________________________

On the other hand, they were also asked to rank what they consider their five weakest capabilities for the LA markets from a list of 13 options (plus "others"). The list was the same as Figure 2. "International experience (lack of)" and "(high) psychic distance" came top or second in all the answers (including ChC). Other responses included "language", "(low) management skills", "(low recognition of Chinese) brands", "difficulties to negotiate contracts (not in the list of 13 options)", "understanding of the local legal system (not in the list of 13 options)", and "low image of Chinese products (not in the list of 13 options)".

The key to understanding the balance between weaknesses and strengths was provided by Co2 who said that "the Chinese do not know their strengths in the market, the local partner pulls". This tends to suggest that the weaknesses listed above may be overcome by the experience and knowledge of the local partner who guides the JV to where the market opportunities are. Co6 added that "they are reducing these problems by hiring local people, currently the ratio is 50/50 but in the future only directors will come from China", and Co3 also said that by "hiring managers in LA they avoid the problem of growing salaries of qualified professionals in China".

Interviewees were also asked about the use or development of ethnic networks (guanxi) as a way to minimise some of these weaknesses as identified in previous research works; in particular, business opportunities, relations with authorities, and management of labour in the host market (Barney & Zhang, 2009; Bhagat et al., 2010; Brown, 1995; Chen & Chen, 2004; Lecraw, 1993; Rauch & Trindade, 2002; Yeung & Olds, 2000). The answers from the seven interviewees were negative; they said not to rely on these kinds of networks. However, all the interviewees agreed that the development of local networks (authorities, suppliers, competitors, etc) is key for the success of the venture and that this network is usually provided by the local partner. ChC, Co1, and Co2, added that the Chinese currently in LA do not have the knowledge and capabilities to work in big business.

The analysis of the responses and comments related to Proposition 3 seems to provide evidence that the companies in the sample have a set of strong capabilities (mainly price, products, and access to distribution). These companies have also found a way to overcome their competitive weaknesses via JVs with local partners who identify the market opportunities, act as a pull for the parent firm in China, and minimise the psychic distance. The ability of complementing resources through JVs can also be counted as a competitive capability (within Mathews' (2006) Leverage). This combination of strengths (products, prices, access to distribution, and ability to manage JVs) seems to be a powerful source of competitive advantage for Chinese firms in Latin American markets. This can be seen in the strong past performance of the companies (mentioned above) along with their ambitious objectives for the next three years. It can also be seen in the high rate of growth of the trade flows from China to LA. Proposition 3 is confirmed by the evidence.

DISCUSSION

The results of the analysis presented in the previous section seem to suggest that the companies in the sample tend to follow the pattern described in the LLL framework. This can be seen in companies being pulled to go abroad by partners with whom they are engaged in JVs, acquiring capabilities (like knowledge of international business, local networks, and management skills) in the host market, finding opportunities to grow beyond China's borders, and replicating successfully the same model in different countries. These are the ingredients of Linkage-Leverage-Learning.

There is little evidence of Institutional Arbitrage (Boisot & Meyer, 2008) in the responses from the interviewees; probably the only one was the comment from Co3 who said that they are "hiring managers in LA to avoid the problem of growing salaries of qualified professionals in China", but still this seems to be far from having an intention to go abroad to operate in a different institutional environment.

There may be, however, some elements of Strategic Intent (in particular "entering new markets, expanding capabilities, building bases of resources and experiences, realizing a firm's strategic transformation, and ultimately becoming a global leader" (Rui & Yip, 2008, p. 215)) in the comments from interviewees. For example, two of the companies (Co4 and Co6) stated that they are in LA to conquer "first peripheral markets and then the centre as the periphery is easier to access and helps to get experience and volume" (Co6). Nevertheless, the corporate entrepreneurship and acquisition elements do not seem to be present in any of these companies as they were pulled by an international partner and entered the markets via JVs.

Second, the support from the government does not seem to be present in the internationalisation process of these companies (at least in the format reported in previous studies (Buckley et al., 2007; Child & Rodrigues, 2005; Ge & Ding, 2008; Rugman & Li, 2007; Rui & Yip, 2008; Shoham & Rosenboim, 2009)). This may suggest that: (i) the Government supports (or has supported) only a group of tier 1, national champions, or chosen companies and/or industries in their internationalisation process, (ii) the Government supports (or has supported) the internationalisation of companies only to politically or economically strategic markets (like the US and the EU to acquire capabilities, or Africa for natural resources, for example), (iii) the Government supported the first wave of companies going abroad but as the number of firms grows this support tends to be less tangible, and/or (iv) there is a new breed of competitive networks or alliances based on the combination of complementary capabilities (Williamson & Yin, 2009; Zeng & Williamson, 2003) where the support of the government has not been a key element in their internationalisation process.

In any of the cases, this finding questions the role of the government and its impact (if any) in the mid- to long term, and as a consequence in the development of theories behind the internationalisation of Chinese companies. Also, these companies provide evidence that alliances based on the combination of the partners' strengths (Williamson & Yin, 2009) are being developed in other emerging markets (Latin America in this case) where they are gaining market share at the expense of local competitors.

Third, the evidence showing that companies in the sample seem to have developed a set of capabilities that are strong enough to compete successfully in Latin America complements what previous studies have found in emerging economies' firms. Most of these works suggest that MNCs from emerging economies develop a set of specific advantages needed to cope with a changing environment and the relatively low development of the markets. When crossing the border, these specific advantages can help companies to successfully exploit opportunities in other emerging markets, or to create a framework for developing the necessary resources to acquire and also manage assets in other countries

(Filatotchev, Wright, Hoskisson, Uhlenbruck, & Tihanyi, 2003; Fornes, 2008; Fornes, 2009; Fornes & Cardoza, 2009; Guillen, 2000; Hoskisson, Eden, Lau, & Wright, 2000; Khanna & Palepu, 1997; Khanna & Palepu, 2000; Peng, 2003; Wright, Filatotchev, Hoskisson, & Peng, 2005).

In the context of this research, companies in the sample have complemented their strengths with those of local firms via JVs. They have not only overcome their weaknesses, but also leveraged their strengths. In this case, the strengths in “price” and “product” may be compared to what Williamson and Yin (2009, Pp. 80-87) described as “cost innovation capabilities” and “combinative capabilities”, and the ability to deal with the uncertainty of operating in an unknown context and rapidly getting on with a new partner could be categorised as “dynamic capabilities”.

Fourth, these findings are also related to other questions posed by previous works on Chinese international firms and beyond the three Propositions listed above. In particular, Child & Rodrigues (2005) were concerned about: (i) adaptations to the local management and environment, and there seems to be evidence hinting at this in the relation with local partners, (ii) modifications to their administrative heritage, and there seems to be evidence of this in the reliance on local teams, and (iii) the potential ability to blend their strengths with those in the host market, and there is evidence of this in what was described as Mathews’ Leverage (2006) above. In addition, and similar to what was found in the case studies analysed by Child & Rodrigues (2005), companies in the sample do not seem to rely on ethnically-based social networks as has been the case in earlier works (Cai, 1999; Chen & Chen, 2004; Deng, 2004; Rauch & Trindade, 2002), and also seem to be overcoming the liability of foreignness also suggested in earlier works (Cai, 1999; Deng, 2004). Finally, the chosen entry mode (JV) shows a different pattern than that found in other case studies (Child & Rodrigues, 2005; Rugman & Li, 2007; Rui & Yip, 2007).

All in all, the combination of factors presented in this section may suggest that the companies in the sample (with around 10 years of international experience, sales and investments in both developed and developing markets, internationalisation without explicit support from the government, etc.) seem to share some of the characteristics of previous studies on emerging markets-based firms. Early works in this to area, such as by Wells (1981, 1983), found that companies from emerging countries successfully compete in other less developed countries based on their advantages developed in the home market. Also, later studies on asset-seeking FDI in LDCs from Asia's NIEs showed that companies go to other emerging markets to reinforce their price competitiveness, but also to strengthen their non-price competitiveness when investing in developed countries (Chen & Chen, 1998; Kumar, 1998).

SUMMARY AND CONCLUSIONS

This work has attempted to analyse the patterns followed by ODI from China to Latin America. The analysis was based on data collected from seven interviews, one with the President of the "Group of Countries-China Chamber of Commerce", and six with the CEOs (or deputy) of the subsidiary of a Chinese company with investments in Latin America.

The research had three main focuses: (i) the internationalisation process of Chinese MNCs vis-à-vis recently published conceptual frameworks; the evidence seems to suggest that these firms are following a pattern similar to that described by Mathews' LLL, (ii) the role (if any) played by support from the Government, where the evidence tends to suggest that it does not play a significant role in the international expansion of China's firms to Latin America, and (iii) the strengths of Chinese companies' capabilities in relation to those of their counterparts in the host markets; the evidence appears to support the idea that the capabilities of China's MNCs are strong enough to compete successfully in Latin America.

These findings tend to indicate that Chinese companies are following a pattern in their internationalisation to Latin American emerging markets that seems to be a combination of conventional theories with idiosyncratic frameworks. The conventional elements can be seen in the strong internal advantages (mainly in the form of price and products) that are exploiting successfully in the host market along with the private nature of the effort to go abroad (i.e. without support from the government). The idiosyncratic elements can be seen in the need to complement and/or leverage their strengths with local partners and in the chosen entry mode through joint ventures.

These findings highlight the need to continue the study of the development of companies from emerging markets as the vast majority of academic literature relates to the characteristics of Chinese MNCs and their expansion into developed countries. As the case of Latin America shows, Chinese firms are currently pursuing market-seeking FDI and it is highly likely that they are also searching for markets in other areas of the developing world.

Unfortunately, this study cannot go beyond the objective of stimulating the discussion in this emerging area of research due to the limitations given by the small size of the sample and by the cross-sectional nature of the analysis. However it falls within what Eisenhardt (1989) defined as analytical generalisation and therefore can be a starting point for theory development. In future, and when enough evidence could be collected, larger samples along with time series analyses will be needed to give extra support to the findings and especially to develop more robust theoretical frameworks.

Finally, and more broadly, internationalisation of companies from emerging countries going to other emerging markets presents interesting routes for developing the IB agenda. In this sense, Buckley (2002) suggested that one of the potential areas for IB research in the future is the identification of trends towards and away from globalisation, to which Peng (2004) added that future studies need to have a focus on the factors affecting the success and failure of firms in international markets. Given the research presented here it is possible to argue that the internationalisation of companies from China to other emerging markets is a trend towards globalisation that affects international firms' performance in ways which have yet to be understood.

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