

**CHINESE GLOBALIZATION AND CHINESE MULTINATIONAL ENTERPRISES IN  
EMERGING MARKETS: THE INDUSTRY AUTOMOTIVE IN LATIN AMERICA COUNTRIES**

**Abstract:**

This article examines Chinese multinational enterprises (CME) in emerging markets in the case of the industry automotive in the Latin America Countries. We propose that the Chinese government is molding new globalization as a consequence of the dynamics of domestic issues and the transformations in international affairs. In this context, the Chinese government has driven the development and internationalization of the Chinese car industry. At the same time, the Chinese government search that the automotive industry can compete successful both in the Western and in the Non-Western markets where China is creating new globalization with distinct characteristics. Also, this article analyzes the types of internationalization of Chinese automakers in Latin America Countries based on three typical cases: GAC, JAC Motors, and BYD Auto. The article concludes that the CMNEs in automotive sector development two strategies of internationalization in the aims to respond to two different globalization.

**Key Words:**

Globalization –Chinese Multinationals- China Automotive Industry- Internationalization- Emerging Markets- Latin America

## **Introduction**

Chinese multinationals reflect the growing contribution of China in the international economy. In 2007, a year before the economic crisis that shook the world, there were only twenty-seven Chinese multinational companies in the list of the (largest) 500 multinational companies (in the world). However, by 2017 this number reached one hundred eleven. In the case of the automotive industry, there were only two Chinese companies in 2007, but by 2017 this had risen to seven. At the same time, while Chinese automotive companies have won a global place, other Western automotive companies have retreated. However, despite this vigorous progress, none of the Chinese automotive companies has yet managed to be a leading brand worldwide, such as the Japanese Toyota or the Korean Hyundai.

As noted by Li (2016), China's economic success was possible, among other factors, by an international environment favorable to world trade and the opening of international markets, without China fully assuming the economic assumptions of neoliberalism. Because China entered the world market in a period characterized by a hyper-globalized economy, Chinese companies could rapidly build multinationals "more powerful and more pervasive" (Williamson & Zeng, 2009: 99). Consequently, Chinese companies are getting bigger and stronger (Yue, 2012).

However, ten years after the economic crisis, the international context that allowed the rise of China has changed drastically. Nowadays, the panorama is very different in comparison with when the Chinese companies started their internationalization. The return to protectionist policies and the trade war between the United States poses a new challenge for the multinational enterprises (MNEs). This challenge is no stranger to Chinese automakers in their long march towards global leadership. Therefore, it is essential to ask whether the new circumstances will undermine Chinese multinational enterprises (CMNEs) progress in the automotive sector or if the automotive CMNEs could become world leaders.

Naturally, to come up with an answer to previous questions requires observing the dynamics and characteristics of the internationalization of Chinese companies. Among the reasons that explain the process of internationalization of the CMNEs include the desire to enter new markets, access to advanced technologies, the incorporation of global management expertise, the acquisition of recognized brands and

become national champions (Backaler, 2014). These processes of internationalization are framed by the dynamics of Chinese capitalism that is unusual, hybridized and highly sophisticated (Henderson, Suet, and Ho, 2013).

According to Larcon (2014), the internationalization of the CMNE is a direct consequence of the policy of "reform and opening" of the Chinese government and the rapid growth of the Chinese economy and international trade, as well as the search for natural and energy resources. Besides, the need of Chinese companies to overcome new trade barriers and protectionist measures typically generated by the success of Chinese exports accelerated the phenomenon of internationalization. In most cases, Chinese companies have carefully selected their objectives of the country, generally giving priority to emerging markets due to the ease of entry. They have also chosen carefully their potential partners to develop complementary resources or skills. Likewise, Chinese companies that participate in international activities have benefited from access to foreign capital, education, and technology derived from the economic reforms undertaken by the Chinese government. In addition, Chinese companies have benefited from Chinese overseas networks (Alon et al., 2009). In this process, an important aspect has been the development of the local market for internationalization (Jansson & Söderman, 2012).

On the other hand, innovation, proactivity, willingness to take risks and networks of social capital have favored internationalization (Zhang, Ma, and Wang, 2012). Likewise, the CMNEs reflect a robust nationalist tendency due to the regime of their country of origin and the ownership structure (Windsor, 2016). Finally, a fundamental component has been government policies (Ramamurti & Hillemann, 2018).

However, we suggest that understanding the CMNEs phenomenon should be viewed from a wider perspective that considers the current dynamics of economic globalization. We propose that what happens with the CMNEs is part of a more comprehensive strategy that has as a backdrop the consolidation of globalization with Chinese characteristics. We argue that we are witnessing the emergence of new globalization driven by the Chinese government that complements the globalization forged by liberal principles, which have significantly allowed China's rise on the international stage (Guo & Guo, 2010). This Chinese globalization has principles, norms, and aspirations on how to achieve development and the

role that multinationals must play in this process, different from the Western globalization model. Chinese globalization has been riding on different capitalism that generates a different environment for the internationalization processes (Chow, 2014). Based on this assumption, we suggest that Chinese multinational companies are starting to play on "two tracks." One clue is Western-style globalization, and the other is Chinese globalization. The CMNEs are not only acting in these two globalizations differently, but they use the flows and advantages obtained in each of these scenarios to strengthen their presence and their chances of success in the other scene.

In the aims to validate this argument, we chose the case of the Chinese automotive industry and its expansion in the emerging markets, specifically in Latin American Countries. The reason is that the automotive industry represents a pillar of the world economy and shows the complexity of the integration of international markets. In order to comprehend the dynamics of the Chinese internationalizations of car industry, we analyze the forms of internationalization of these companies in the Latin American markets and present three representative cases. We focus our analysis on two central aspects. First, we analyze the CMNEs entering emerging markets as well as developed economies. Second, we focus on the Chinese characteristics of CMNEs strategies.

This article comprehends the following sections. First, we analyze China's globalization and its impact on the internationalization of CMNEs. Secondly, we examine the transformation of the Chinese automotive industry taking as a reference the government policy in this regard. Third, we analyze the types of internationalization of Chinese automakers based on three typical cases. Finally, in the conclusions, we suggest how these two types of internationalization respond to two types of globalization.

### **1. The CMNEs and the Globalization with Chinese characteristics**

The CMNEs are not alien to the dynamics that are transforming the international order. With the arrival of the fifth generation of China Communist party leaders led by Xi Jinping in 2012, the primary goal is the great revival or rejuvenation of the Chinese nation (Economy, 2018). Therefore, the Chinese government is promoting globalization different from the globalization that expanded from the West under the premise

of reaching a new stage of development (Men and Tsang, 2016). Xi Jinping has achieved to redesign the image and conduct of China at home and abroad (Menegazzi, 2017).

The internationalization of Chinese companies, public and private, are part of this strategy. Although Chinese companies are not alien to the dynamics of a deeply interconnected international economy, these companies are embedded in the political, economic and cultural context of China. This context shapes the internationalization process of the CMNEs. Therefore, to understand the perspectives on the role of the MNEs, it is necessary to consider the dynamic of the globalization into China.

Although there is a wide debate about the origin and meaning of globalization, our starting point is that globalization refers to the long-term historical trend of interconnects (Nederveen Pieterse, 2004), that began an irreversible process of global integration with the emergence of the Portuguese and Spanish colonial empires in the fifteenth century (Osterhammel & Petersson, 2009). Trade, capital flows and immigration flourished in the years before the First World War (Weinstein, 2005). We assume the definition of the globalization of David Held and Anthony McGrew who affirm that "Globalization denotes the intensification of worldwide social relations and interactions such that distant events acquire very localized and vice versa. It involves a recalling of social relations, from the economic sphere to the security sphere, beyond the national to the transnational, transcontinental and transworld"(Held and McGrew, 2007: 2).

However, the Chinese government is currently promoting globalization different from Western globalization. This fact is possible due to both internal and external Chinese factors. In other words, the possibilities for China to build different globalization is a consequence of the current aspect of the international arena and domestic issues. In the present day, the world is divided into a few prosperous societies as well as an immense amount of poverty within lesser developed countries. This problem has been compounded by the return of protectionism, the growth of populism, the crisis of the neoliberal paradigm, the emergence of new international threats and the disappointment of the unfulfilled promises of the Western values.

On the other hand, the economic rise of China and the process of self-awareness of the values of Chinese civilization is fundamental in the origin and consolidation of a Chinese globalization.

In the present day, China is molding the current trends of the globalization in three dimensions. Economically, the Chinese model of development during the last 40 years is not a copy of the western model of development. The Development State model of the countries in East Asia that gives states more importance in the planning and direction of the economy inspired Chinese economic transformation. From the Chinese experience, the Western formula to economic growth is not the only way to development. By far, China is the best example of having developed under state capitalism.

Second, the institutions formed after the Second World War are changing, declining, and new institutions coming up (Archarya, 2017). The reemergence of China means that it plays a pivotal role in the international stage. China's economic weight and rising political influence means that its foreign policies and the ideas that shape them have major consequences for established ideas about 'global governance'. China is vigorously trying to develop a new international order through the construction of new institutions such as the Asian Infrastructure Investment Bank, and the One Belt, One Road Initiative (BRI) (Beeson and Li, 2016).

Third, China is promoting its values and culture across of the world. One example is the fellowship for students' interchange, the promotion of the Mandarin language throughout the world network of Confucius Institutes and the growing presence of the international mass media such as China Global Television Network are only two examples. Many scholars in the West suggest that this is a way of soft power, new cultural imperialism or a challenge to values of the Western world –specifically democracy and human rights. However, they do not consider two facts. First, the promotion of values and vision from China civilization perspective is primordially an act of self-awareness of Chinese people and a way to strengthen national identity. Second, ideas such as a liberal democracy have been built from the Western world and impose to the rest of nations proclaiming a false universalism.

We suggest that China represents a new way of the globalization beyond the Eurocentric model. Although the Chinese globalization had its beginning in the historical process originated by Western

modernization, now it is contemporary to Western globalization. This globalization does not necessary contend with the Western model of civilization. Instead, the Chinese globalization complements Western civilization.

Wenshan Jia (2010:19) has noted, globalization with Chinese characteristics comprehends “the increasing global relevance, global presence, and global leadership of China, in generating a fresh global vision for humanity, in creating a new model of global and domestic governance, increasing a new model for science and technology development and in creating a truly cosmopolitan culture characterized by multiculturalism, interculturalism and pragmatism”.

However, the foundations of Chinese globalization is a different capitalism. This capitalism is embedded in the Chinese communist regime where there is no separation between political power and public administration (Ang, 2018). The Chinese state maintains a critical level of involvement in the activities of the companies. In brief, it is a capitalism that is a consequence of authoritarian regime where the state, society and political economy continue to be organized and governed by a party state founded in Leninism (Henderson, Appelbaum and Ho, 2013).

### **3. The internationalization of Chinese Automotive Industry in Latin America**

#### **3.1 Overview of Chinese Automotive Industry**

In the 1980s, when the Chinese leaders decided to open up the automobile industry to foreign investment, their aim was that the capital and technology of foreign companies would reactivate the production of automobiles, which were very limited. At the same time, they expected that joint ventures (JVs) would modernize the old automotive industry (Qiu, 2005). Under this assumption, the authorities hoped that the Chinese companies absorbed the advanced technology of international automakers (Gallagher, 2003). In consequence, one day, the Chinese companies could compete successfully in the global market.

To boost foreign direct investment (FDI), the government provided favorable policies, such as a two-year tax exemption and a three-year tax reduction for Sino-foreign firms (Guo, Jiang, and Yang, 2017). The first two JVs were American Motors Corporation -owner of the Jeep brand- with Beijing Automotive Industry (BAIC) and Volkswagen with Shanghai Automotive Industry Corporation (SAIC)

(Oliver, Holweg and Luo, 2009). A little later PSA Peugeot Citrön entered China under the same scheme. PSA Peugeot-Citroen was among the first foreign automakers to set up operations in China when it opened a JV with Guangzhou Auto Group in 1985. Nevertheless, this venture failed, and Peugeot sold its stake to Honda Motor in 1997 (Tang, 2009).

The Chinese government considered that the JV arrangement would limit foreign domination of the domestic market (National Academy of Science, 2003). The option to establish a foreign company to assemble vehicles in China was not a possibility. In fact, today the Chinese law prohibits it. However, what the Chinese leaders did not demand was that the vehicles produced by JVs should be sold only under Chinese brands. Therefore, the first domestic passenger cars carried the logo of international brands (Chang, 2011). The project to openness in the Chinese car market did not prevent the possibility to place the Chinese brands as a leader in the own market. Despite that, after the entry of China into the World Trade Organization (WTO), the development of Chinese national brands has become a significant priority of the central government. However, in the automotive sector, Chinese brands have not reached the level of recognition of foreign brands (Yang, Chin, Liu, and Yao, 2017).

The JVs have achieved some of the original objectives. On the one hand, the country has the largest automotive market in the world served mostly by cars produced in the country. In the year 2009, China surpassed the United States as the largest automotive market in the world (The Guardian, 2010). Foreign companies have invested tens of billions of dollars in China. The automotive sector has created hundreds of thousands of jobs, generating a booming national auto parts industry with export capabilities and contributed to a fast-growing consumer economy. However, foreign brand cars continue to dominate the domestic market.

Through its five-year economic plans, the Chinese government decides which industries will grow, which ones will receive resources and which ones will be promoted. The market has a role in state capitalism, but its function is limited mainly to acting on funds that have been allocated mainly following the planation of the state. In 2009, the Chinese government decided to consolidate the Chinese auto industry with the intention of avoiding dependence on partnerships with foreign automotive companies to

succeed. Therefore, the government announced that they would support the consolidation of Chinese brands internationally (Ding and Akoorie, 2013).

China's automotive industry is a complex system consisting of five main players or groups of players with variable and often incompatible objectives and incentives. These players are the central government, local governments, state car manufacturers, private car manufacturers, and foreign multinational car manufacturers. While some of these players seem to be more powerful, each has bargaining power, and each has had to make concessions to achieve their goals. Although it should not be a surprise that different players have opposing objectives, a detailed examination of the industry also reveals that some players have multiple purposes that may be mutually contradictory. Among the twelve leading car manufacturers in China, three are a private business (Anderson, 2012).

Local government support has been crucial to the success of joint ventures with operations in their region, but it also makes it difficult for any joint venture to succeed in regional markets (Anderson, 2012). It is common to find many of the cars on the roads of a Chinese city are manufactured by companies with manufacturing operations close to that city. In Shanghai, for example, one finds more cars produced by the joint ventures of SAIC with GM and Volkswagen, but far fewer cars manufactured by Ford, whose JV operations are in Chengdu or by Toyota, whose activities are in the north and south from China (Chang, 2011). A good example of these practices are the JVs between BIAAC and Hyundai Motor Company. The Beijing municipal government selectively adopted protectionist actions and liberalizing measures to promote its locally based company (Oh, 2013).

### **3.2 The internationalization of the automotive industry and the search for a national champion**

China's industrial policy has managed to create the largest automotive market in the world manufacturing 29 million units in 2017 (The International Organization of Motor Vehicle Manufacturers, 2018) but so far has not been able to create a national champion like Toyota of Japan or Hyundai of Korea that can compete effectively in the global market.

\*\*\*\*\*INSERT TABLE 1 HERE\*\*\*\*\*

At the beginning, most of these low-priced exports were sold in emerging markets, and fewer were sent to industrialized countries. However, this trend is rapidly changing, and in 2017 according to the exportation data (UN Comtrade Database, HSC 87) China exported 4.7% of world total exportation (see table 1). Analyzing the destination of China exportation, 12% are for its closest neighbors Russia, Taiwan, Japan and Republic of Korea. United states and Canada attract 24%, Europe 10% ( Germany, United Kingdom, Netherlands, Italy, France and Belgium), Latino America 7% (Mexico, Brazil and Chile), and finally Viet Nam, Philippines, Thailand, India, Iran, Myanmar, Indonesia, Malaysia and Australia attract 18% of Chinese exportations, (see table 2).

\*\*\*\*\*INSERT TABLE 2 HERE\*\*\*\*\*

The market share of Chinese brand vehicles in its domestic market has slowly decreased from over 50% in 2005 to 41% in 2015 (Chang, 2016). According to Chang (2016), there are two main reasons why China's large automotive market struggles to produce a car manufacturer competitive worldwide. The first has to do with the policy of JVs, which has ironically made the State Owned Enterprises (SOEs) profitable while hampering their motivation to develop their brand cars. The second reason has to do with the fragmented and fiercely competitive nature of the Chinese auto industry, which has diminished the ability of China's most independent automakers to build market share, invest in innovation and achieve economies of scale.

However, the State policy that encourages companies to be international gradually pushed the CMNEs to start their internationalization process. Since 1979, with its “open door” policy, China began to open up in some coastal economic areas. For the first time, outward foreign direct investment (FDI) was included in the national economic development programs (Drauz, 2013). This policy enables domestic companies via incentives, such as subsidies, tax rebates, and simplified approval processes, to establish outward FDI. The internationalization activities were further accelerated by China’s entry into the World Trade Organization in 2001 (Drauz, 2013). Among many reasons, the main factors of the Chinese automotive industry internationalization is to acquire access to industrialized markets and to obtain access to superior technology (Kjellen, 2010).

The first step of the CMNEs was to export to immature and growing markets, whose market requires transport vehicles but without the requirements of safety and environmental standards that are required in developed countries. On other occasions, the CMNEs took advantage of the conditions arising from the crisis in the automotive industry to acquire international brands consolidated abroad. In addition, the links that allowed this internationalization are linked to international political agreements. However, gradually some CMNEs begin to enter to consolidated markets.

### **3.3. Three emblematic cases**

#### **3.1 GAC**

Guangzhou Automobile Group Co., Ltd. was founded in 1997 and in 2005 it became Guangzhou Automobile Industry Group (GAC). GAC Group is a state-owned company owned by Guangzhou Province (Guangzhou Automobile Group, 2018). GAC Group main businesses cover the design and manufacture of vehicles, as well as sales, financing and automobile insurance, which makes GAC an automobile company that integrates the manufacturing, supply and sales chain.

GAC has established joint ventures with five of the leading automotive companies in the international market, more than any other Chinese automotive company has. GAC established a JV with Honda in 1999 to manufacture automobiles for the Chinese market, and a year later signed an agreement with ISUZU to manufacture buses. Besides, GAC made a joint venture with Toyota, FIAT and Mitsubishi. In the last 18 years, GAC has been able to benefit from the adoption of the best practices of the main players in the global automotive industry (Perkowski, 2018). In 2017, GAC sold 508,208 vehicles in China, obtaining a market share of 2.10% (Carsalebase, 2018).

The reasons for the founding of GAC go back to 1997 when the government of the province of Guangzhou decided to consolidate all the assets of the province linked to the automotive industry. After that, Guangzhou Auto Group, conceived as a state-owned company was formed. After the consolidation process, the provincial government had total control over the entire automotive industry in the region. These mergers meant the consolidation of the region's productivity because until then the automotive industry was focused on specific niche markets. For example, there were companies dedicated to the

manufacture of passenger vehicles (Guangzhou Automobile Enterprise Group), the manufacture of trucks and heavy vehicles (Guangzhou Guanke Automobile Enterprise Groupe) and auto parts (Yangchen Automobile Group Company) (Kasper et al., 2011)

GAC Motor Company (GAC Motor), was created in 2008, and is devoted to the production and sales of world-class vehicles as part of GAC group. “With a globalized perspective, GAC Motor has been seeking to integrate the best resources from around the world, adhering to international standards” (<http://www.gac-motor.com/Home/About/overview.html> ). GAC Motor currently has showrooms in 15 countries, most of them in the Middle East and to a lesser extent, in Southeast Asia and South America. In 2016, GAC Motor opened three exhibition halls in Paraguay, Jordan, and Nigeria as well as signing an agreement with a distributor in Myanmar (PR Newswire Asia, 2016). At the end of 2017, GAC Motor announced its intention to begin exporting its cars in the United States by the end of 2019. If successful, GAC Motor would be the first Chinese automaker to arrive in the US market, following in the footsteps of manufacturers of German, Japanese and Korean cars that have gone from their national markets to the most demanding automobile market in the world (Perkowski, 2018)

According to Yu Jun, General Manager of GAC Motor, both in the emerging market and the most mature and advanced market in Europe and North America are of vital importance for the strategic objective of internationalization of GAC Motor. In emerging markets, GAC Motor is focusing on brand development, service, support, and talent development. Also, these markets constitute a basis for the global supply chain and the production system (PR Newswire Asia, 2016).

In Latin America, GAC Motor is present in Paraguay, Chile, and Bolivia. In Chile the brand arrived in 2010 through the importer Automotriz Autocar S.A., a company of the Indumotora Group, offering high-end cars (Autocosmos, 2012). In Bolivia, it has been doing so since 2018 through the Industrial Group Roda, which also represents the Chinese brands of industrial and heavy machinery Liu Gong and Dressta, the Italian motorcycle Ducati and the Canadian Cervelo and the German Bicycle Focus (La Razón, 2018). GAC Motor plans to enter Cuba, as part of an economic and trade cooperation agreement between Cuba and China, providing vehicles for tourism on the island (Xinhua, 2018a).

For Wu Song, the executive director of GAC Group and general director of GAC Motor, the development of GAC has two phases. The first of these, from its foundation until 2015, included a start-up phase. According to Song: "In general, the first stage of development for individual property brands is about to imitate and has nothing to do with the 'high-end,' so, in the second stage of development, we have to introduce, digest and absorb foreign advanced technologies". According to the company's vision, GAC is currently in the second phase, and at this stage, the company has adhered to international standards.

### **3.3.2. JAC MOTORS**

Anhui Jianghuai Automobile Group Co., Ltd. is one of the top ten automobile manufacturers in China (Business Wire, 2015). The company belongs to the government of the province of Anhui. JAC Motors offers passenger cars and manufactures commercial vehicles, such as light, medium and heavy trucks and vans. Even, JAC Motors has begun to dabble in electric cars. In addition, this company manufactures engines, gearboxes and other critical components of the automotive industry (Bloomerang, 2018). The company was founded in 1964 and is headquartered in Hefei and has offices in Shanghai, Beijing, and Moscow. JAC Motors has three research and development centers, one in China, one in Turin and one more in Tokyo (Bloomerang, 2018a). In 2017, the company sold 219,651 units in China, representing only 0.91% of the Chinese market, a notable reduction compared to the previous year in which it sold 366,114 units, which represented 1.55% of the market (Carsalebase, 2018).

The vision of the company is to transform from "Made in China to Chinese Brand." The first truck exports were carried out in 1990 in Bolivia. At the present day, JAC Motors products **exceed** 100 countries, mainly in Africa, Asia and South America (JAC, 2018). The international expansion was first directed to the markets of Asia and the Middle East (Drauz, 2013). The company has argued that the export of automobiles will become an inevitable option due to the excess production capacity (JAC Motors, 2018). The first passenger car, Rein, was exported in 2008 to Chile and was based on a Hyundai car. In 2009 JAC Motors started exporting to the EU, specifically Greece, SUVs. Additionally, JAC Motors has production or assembly facilities in Egypt, Ethiopia, Iran and Vietnam (Drauz, 2013).

A senior JAC Motors official reports that they have two development routes in the global market. A path starts from North Africa, the Middle East, Eastern Europe, southern Europe and then back to Western Europe. The other route starts from South America, China and the United States (ENP Newswire, 2018).

The internationalization process of JAC Motors in Brazil began in 2010, when the SHC group, led by Sergio Habib, announced an association with the company to represent the Chinese brand in Brazil. In fact, since 2009, JAC Motors announced that it had plans to build a production plant in Brazil, the first on the South American continent. JAC Motors headquarters would be in the State of Bahia, which would be built in partnership with the SHC Group, which would provide up to 80% of the initial capital for the construction and start of the factory (Martins et al., 2015).

In 2017, JAC Motors achieved steady progress in the South American market and made a deeper incursion. In Chile, Peru and other Latin American markets, the passenger car of JAC have achieved substantial growth year after year by optimizing the product portfolio and modernizing marketing methods. In the segment of light trucks of average and high range, the JAC light truck occupied the first place among the Chinese exporters; the volume of passenger car sales in the Colombian market has increased against the negative trend registered years ago, and has become the leading brand among China's automobile exports (ENP Newswire, 2018).

Since entering the Colombian market, JAC has been one of the most active participants. In addition to Colombia, the brand distributes its products in Brazil, Bolivia, Chile, Ecuador, Peru, Venezuela, Uruguay and recently, Mexico. In 2017, JAC started a joint venture with the company Giant Motors Latin America to open a vehicle manufacturing plant in Mexico. The plant was established in Sahagún city. JAC Motors entered the Mexican market initially only with the Sei S2 (S2) and Sei S3 (S3) models. Since 2018, they have started manufacturing the J4 sedan being the first vehicle in this segment to be marketed in the **country under their own** brand.

According to the vision of a senior executive of the company in Latin America, JAC Motors has differentiated strategies for its exports in Europe and Latin America. "The strategy between Europe and

Latin America is different ... In Europe, we will be promoting the sale of electric vehicles, while Latin America has its tradition of gasoline and diesel fuels, so it is a different strategy" (América Economía, 2018).

### **3.3.3. BYD Auto**

BYD is a high-tech company established in 1995. The businesses of BYD include the manufacture of electronic and automobile products, as well as participation in new energies and rail transport (BYD, 2018). The company operates in three segments: the rechargeable battery and photovoltaic business; mobile phone components and assembly services; automobiles and products related to the automotive industry (Bloomberg, 2018b). The headquarters of the company is in Shenzhen (Forbes, 2018).

BYD Auto is a wholly-owned subsidiary of BYD. The base of the company is Xi'an, the capital of the province of Shaanxi. BYD Auto was founded in 2003, after the acquisition by BYD of the company Tsinchuan Automobile, in 2002 (Anderson, 2012). The main activity of BYD Auto is the design, development, manufacture, and distribution of cars and buses sold under the BYD brand.

In 2008, BYD Auto began selling its first series-produced plug-in hybrid vehicle, the BYD F3DM. In December 2008, Warren Buffett invested 230 million dollars in the acquisition of ten percent of the company (Huang & Lahiri, 2017). In 2009, the company sold 448,400 cars in China, and two-thirds of the sales were its BYD F3 model. In the same year, BYD began exporting its vehicles to Africa, South America, and the Middle East.

Because of its growing reputation, not only as a seller of small, energy-efficient vehicles but as a company capable of developing state-of-the-art technology, BYD attracted the attention of the central government. While the central government has urged Chinese automakers to build national brands, sell energy-efficient cars and successfully place new vehicles in the Chinese market, BYD was, at least until 2010, the only Chinese company that could claim credibly it was doing all three things. In December 2009, the central government rewarded BYD with 15 billion yuan (\$ 2.2 billion) in research and expansion funds. According to an announcement made by the Bank of China, the companies signed "a

strategic cooperation framework agreement to support the industries of BYD pillars and the development of new energy technology" (Anderson, 2017).

The first approaches to expand in North America was in California, in 2008. In 2010, BYD Auto established a base of operation in Los Angeles. The company is positioned to be the leading supplier of electric buses for the second largest transportation system in the United States since the Los Angeles Metro established a 12-year term to abandon fossil fuels (St. John, 2018). In 2013, BYD Auto built the electric bus production facilities in Lancaster, and in 2018 the expansion of that plant was completed. In this way, BYD became one of the largest electrical bus manufacturers in the United States (Xinhua, 2018b).

The presence of BYD Auto in Latin America occurs through two schemes. Firstly, which is in the case of Peru, Colombia, Ecuador, and Chile, the company is looking for a local partner for the distribution of the cars it makes in China. For example, in Colombia, the distribution of cars is done through PracoDidacol, a company that belongs to the Inchcape group, a world leader in the establishment of agencies for the delivery of vehicles worldwide, with a presence in 32 countries and that has its base of operations in London. Similarly in Peru, there is no single concessionaire, but it depends on each one of the regions in which it has been established. In the case of Chile, although it entered this market through a partnership, it stopped operating for two years and returned in 2017, directly distributing its cars.

However, it seems that, as in North America, the juiciest market for BYD Auto is found in public transport buses for passengers. In this way, in July 2018 it was announced that BYD Auto sold 100 K9FE electric buses to the city of Santiago to operate in the public Transantiago system, in what is the most significant order of these vehicles that the company receives in Latin America (EMOL, 2018).

A second way is through the establishment of factories to assemble cars or trucks, or even manufacture part of them. In this way, for example, as of 2015, BYD Auto opened its first factory in Brazil to focus on the supply of electric vehicles for taxis and car-sharing schemes. Adalberto Maluf Filho, director of marketing and governmental affairs of the company in Brazil, said that with this plant BYD sought to provide clean buses and taxis for large cities such as Rio and Sao Paulo. The demand for

bus lines has made electric buses a viable option in the short term due to the high pollution of diesel buses and the commitment of cities to promote clean public transport schemes without CO2 emissions. BYD auto set up a factory in Campinas, Sao Paulo state, producing batteries, solar panels and assembling electric buses with imported parts (Xinhua, 2015).

In the same way, in 2017, BYD auto project open its second plant in Latin America in Argentina. In this way, BYD auto and the government of the province of Salta signed an agreement to install a factory to produce electric vehicles. The establishment will be located in the General Güemes Industrial Park. Initially, public passenger groups powered by batteries will be manufactured, but the plan includes in the future include the manufacture of electric taxis. This was possible because BYD Auto is one of the brands that that year received the presidential decree of the automotive terminal, which allows it to manufacture vehicles in Argentina. The authorization was received by CTS Auto, representative of BYD Auto in Argentina. If the announcement materialized, BYD-CTS Auto would become the first car factory in Salta. BYD Auto mentioned the proximity to the lithium deposits - the raw material of modern batteries - among the reasons for choosing this place (Autoblog, 2017).

#### **4. Discussion of results and conclusions**

The Central Government of China has a firm intention to dominate, not only its internal markets but also as many world markets as possible. The words and actions of the central and provincial government of China demonstrate its commitment to this goal and the boost to China's auto industry proves how determined the central government is to have world champions of the automotive industry. It is not an isolated event but is part of the Chinese State's strategy of establishing new Chinese globalization. This globalization has as its engine authoritarian capitalism being different from the neoliberal capitalist model. The Chinese government promotes a new international order, and the CMNEs are fundamental in this process.

The Chinese government, through the different plans, regulations and incentives, has provided the automotive sector with the coordination it needs to be an internationally competitive automotive industry. Gradually, automotive companies begin their process of internationalization to move in two tracks. One is

where globalization, its norms, principles, values are more related to State capitalism. The other route is that which comprises the markets of the advanced capitalist economies.

GAC plans to enter the US market successfully. To this end, it previously consolidated its internationalization in the Middle East, a region with conditions of instability and geopolitical resilience. In this region, GAC is the leading Chinese brand in the market. The internationalization of GAC towards the Middle East is the result of its relationship with the Chinese state. The same happens with its penetration of the Cuban market in Latin America. The presence of GAC is a consequence of an international cooperation agreement between China and Cuba, two states with Leninist market orientation. Besides, the multiple JVs established with automotive giants in China has allowed it to acquire knowledge and technologies so that it has permitted GAC leaders to try to enter the US market.

JAC Motors claims to be one of the most international automotive companies. The history of the internationalization of JAC Motors began in Bolivia concerning exports and in Brazil in the construction of an automotive plant. Here, as in other markets of undeveloped economies, JAC Motors like other Chinese independent brands are experts in using economical and unsafe cars that do not reach the standards of the mature markets. In addition, political ties have also been significant, such as the arrival in Brazil as a result of the good relations between the Chinese and Brazilian governments. These countries are part of the BRICS block. Nevertheless, these advantages are now being left behind when entering the highly Mexican competitive market. JAC Motors has decided to manufacture cars. To do it, JAC Motors established a partnership with one of the most influential businessmen in Mexico, Carlos Slim. Eventually, with the intention of later exporting to the US market.

Finally, the case of BYD shows how private capital companies are also driven by the Chinese government to be world leaders. The difference of BYD is that the bet to differentiate itself in the market has been to lead electric vehicles, unusually public transport buses. This fact has allowed him to successfully enter the United States as a manufacturer of electric passenger buses. Its presence in Latin America is due to the possibility of finding supplies and an expanding market in a specific market leader. The ability to export automobiles to developed markets is an indicator not only of the ability to pass safety

and emissions inspections of the most technologically developed markets but also of consumer acceptance of the industry's technology offerings.

These cases show how the CMNEs in the automotive sector in their internationalization process is learning to dance on two tracks. The first one reflects the aspirations of the world order according to the vision of the Chinese State, and the other, the road built by the liberal order. It has happened with the support of the Chinese State through multiple mechanisms and to the extent that globalization with Chinese characteristics advances, the automotive CMNEs will be better positioned to become leaders in this sector.

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**TABLE 1****Statistic of Vehicles Export to by Country**

According to HSC Chapter 87, Vehicles, Except Railway or Tramway, And Parts Etc					US dollars
	2013	2014	2015	2016	2017
<b>Total World Exports</b>	<b>1.352.489.941</b>	<b>1.393.220.300</b>	<b>1.321.161.398</b>	<b>1.347.533.372</b>	<b>1.448.032.085</b>
Germany	243.244.304	259.423.134	241.905.546	244.399.689	258.286.600
Japan	148.549.339	142.513.899	134.041.243	141.798.538	146.227.622
United States of America	134.084.552	135.972.388	127.396.968	124.565.896	130.179.116
Mexico	77.192.992	85.955.743	90.363.239	88.081.769	101.739.526
<b>China</b>	<b>58.549.754</b>	<b>64.192.713</b>	<b>62.600.002</b>	<b>60.145.135</b>	<b>67.263.140</b>
Glen	59.276.391	59.993.114	60.300.586	64.288.084	62.406.434
Korea, Republic of	72.783.929	73.343.530	69.058.752	62.654.796	61.923.273
Spain	48.438.827	51.639.220	49.701.780	53.916.923	55.506.287
United Kingdom	50.994.806	54.409.455	50.740.491	51.311.032	53.428.435
France	46.542.937	47.618.292	43.720.973	45.382.766	51.058.255
Belgium	48.834.663	45.860.907	41.370.520	45.166.936	49.628.510
Italy	37.551.636	38.539.941	38.026.637	39.372.269	43.701.266
Czech Republic	28.857.732	33.152.488	31.447.635	34.263.171	38.482.092
Thailand	26.169.901	26.022.818	26.546.808	27.217.057	28.498.000
Poland	21.998.745	22.526.841	21.254.544	23.956.500	26.499.665
Turkey	17.000.250	18.063.448	17.463.564	19.801.974	23.946.390
Netherlands	18.910.543	20.215.251	17.579.282	19.790.560	23.347.394
Slovakia	20.929.316	21.432.637	20.299.707	22.034.222	22.549.920
Sweden	16.893.208	16.132.930	15.753.220	17.743.953	20.792.442
Hungary	13.473.921	17.814.736	18.009.570	18.551.311	19.292.913
India	13.800.069	14.481.959	14.081.904	14.988.305	16.226.676
Austria	14.733.390	14.920.714	13.198.546	14.111.151	15.619.911
Brazil	14.089.285	9.808.166	9.604.507	10.971.033	14.723.998
United Arab Emirates	11.163.402	15.120.377	8.949.130	7.835.356	12.307.950

Sources: International Trade Statistics (ITC) calculations based on UN COMTRADE

[https://www.trademap.org/tradestat/Country\\_SelProduct\\_TS.aspx?nvpm=3||||87||2|1|1|2|2|1|2|1|1](https://www.trademap.org/tradestat/Country_SelProduct_TS.aspx?nvpm=3||||87||2|1|1|2|2|1|2|1|1)

**TABLE 2****Statistic of China Export to the World by Country**

According to HSC Chapter 87, Vehicles, Except Railway or Tramway, And Parts Etc us dollars

	2013	2014	2015	2016	2017
<b>Total China Exports</b>	<b>58.549.754</b>	<b>64.192.713</b>	<b>62.600.002</b>	<b>60.145.135</b>	<b>67.263.140</b>
United States of America	10.462.763	12.337.835	13.250.435	13.910.714	15.134.190
Japan	3.916.744	4.180.745	3.869.347	3.884.457	4.184.629
Iran, Islamic Republic of	825.893	1.950.637	1.766.362	2.065.580	3.020.145
Mexico	1.228.231	1.620.843	1.815.439	1.921.943	2.767.123
Germany	1.690.396	1.712.024	1.752.888	1.903.833	2.324.465
Russia, Federation of	2.643.511	2.361.065	1.133.816	1.253.128	1.633.498
Korea, Republic of	1.493.465	1.432.171	1.471.055	1.519.637	1.571.640
Viet Nam	1.027.797	1.878.534	2.662.538	1.661.948	1.568.313
Philippines	678.600	894.139	1.146.251	1.329.792	1.463.546
Thailand	1.286.143	1.029.565	1.255.289	1.290.176	1.275.828
India	1.076.518	1.214.860	1.156.206	1.165.877	1.275.774
Canada	1.115.225	1.018.270	1.065.193	1.046.016	1.255.692
United Kingdom	965.875	1.172.172	1.179.470	1.136.997	1.164.830
Netherlands	610.295	780.857	778.467	898.233	1.025.362
Australia	993.159	973.308	955.597	899.349	997.358
Brazil	1.142.584	992.412	771.098	651.964	965.590
Myanmar	846.532	965.378	988.335	906.113	959.042
Indonesia	1.135.658	1.065.507	954.017	884.959	889.716
Malaysia	1.255.405	1.189.207	1.063.129	917.682	888.687
Italy	707.782	758.597	743.749	720.349	884.956
Chinese Taipei	875.198	959.684	952.781	832.125	848.267
France	518.552	572.505	525.422	541.634	796.040
Belgium	240.006	300.519	303.900	355.372	762.002
Chile	980.819	638.183	608.723	569.355	760.726

Sources: International Trade Statistics (ITC) calculations based on UN COMTRADE

[https://www.trademap.org/tradestat/Country\\_SelProductCountry\\_TS.aspx?nvpm=3|156|||87||2|1|1|2|2|1|2|1|1](https://www.trademap.org/tradestat/Country_SelProductCountry_TS.aspx?nvpm=3|156|||87||2|1|1|2|2|1|2|1|1)