Exploring Cooperation among the BRICS: Organizational Implications of Growing Brazil-China Business Relations

Jeffrey A. Kappen
University of Massachusetts Amherst

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EXPLORING COOPERATION AMONG THE BRICS: ORGANIZATIONAL IMPLICATIONS OF GROWING BRAZIL-CHINA BUSINESS RELATIONS

A Dissertation Presented

by

JEFFREY A. KAPPEN

Submitted to the Graduate School of the University of Massachusetts Amherst in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

MAY 2014

Isenberg School of Management
EXPLORING COOPERATION AMONG THE BRICS: ORGANIZATIONAL IMPLICATIONS OF GROWING BRAZIL-CHINA BUSINESS RELATIONS

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Approved as to style and content by:

________________________
Marta B. Calás, Chair

________________________
Linda Smircich, Member

________________________
Sonia E. Alvarez, Member

________________________
Andrew V. Papachristos, Member

George R. Milne, Ph.D. Program Director
Isenberg School of Management
ACKNOWLEDGEMENTS

After reviewing a draft of the conclusion to this dissertation, my tireless chair, Marta Calás, told me to change “we” to “I”. This struck me as odd. In our exchange that followed, we agreed that most academic work is “we-done”. So, though this dissertation may be mine, it is certainly no exception to this truth. As such, there are many people to thank for their encouragement, experience, support and wisdom that contributed to making this project a reality.

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ABSTRACT

EXPLORING COOPERATION AMONG THE BRICS: ORGANIZATIONAL IMPLICATIONS OF GROWING BRAZIL-CHINA BUSINESS RELATIONS

MAY 2014

JEFFREY A. KAPPEN, B.A., BELOIT COLLEGE
M.B.A., UNIVERSITY OF WISCONSIN – MADISON
Ph.D., UNIVERSITY OF MASSACHUSETTS AMHERST

Directed by: Marta B. Calás

The early 21st century has witnessed the beginnings of change in the dominant patterns of global trade. For instance, the nations known as the BRICS (Brazil, Russia, India, China, and South Africa) have intensified the coordination of their economic, political and social agendas, including increased trade among their own firms. To date, however, scholarship in organization studies has yet to examine the theoretical and empirical implications for international management of these integrative processes. Intending to close some of this gap, the dissertation explores the formation of new transnational business relationships between firms of two BRICS members, Brazil and China.

Building on institutional theorizing, in particular the Varieties of Capitalism literature, I focus first on the organizational implications of growing Chinese commercial presence in Brazil taking into consideration the historical development of organizing practices in each country. I examine the emergence of organizational practices used to manage new Sino-Brazilian relationships using a narrative approach to data collected through interviews with industry participants, company
visits, and fieldwork at trade events. Through critical discourse analysis, I also examine sensemaking processes about these activities by a variety of social actors in Brazil. The analyses paint a dynamic landscape in which new proto-institutions might be emerging as organizational activities between both countries progress. Nonetheless, generalized images of new partnerships between China and Brazil, and their impact on Brazil's economy, are still subject to considerable debate, which might restrain their legitimization.

Focusing both on micro practices for establishing transnational organizational collaborations and the macro contexts in which these take place, the dissertation contributes to international management scholarship by expanding understanding of ways collaborations may lead toward the adaptation of extant forms of governance while maintaining allegiance to historical institutional patterns. This focus may also serve as a stepping-stone in understanding the potential integration/disintegration of novel trade “blocs” which depart from traditional geographical and historical relationships. Finally, given the lack of organizational research on Latin America relative to its importance in the world economy, this project also furthers understanding of transnational organizing in the region as its firms adapt to growing global competition.
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CHAPTER 1

EMERGING RELATIONSHIPS IN THE GLOBAL ECONOMY

“They [China] are surely our country’s future, our most important strategic partner.”

- Dilma Rousseff, President of Brazil, June 2012

Introduction

Over the last thirty years, large emerging market economies, such as the BRICS (Brazil, China, India, Russia, and South Africa), have begun to play an increasingly prominent role in the global economy, slowly shifting the patterns of trade and investment that have dominated the world economy since the age of European expansion (O’Neill, 2011). More recently, firms from these economies have also started to look for opportunities and resources beyond their home markets and regions. This is particularly true in the case of China, whose firms have expanded not only into wealthy markets, but also into other economies of the developing world (Brennan & Rios-Morales, 2007). Additionally, since 2008, there has been a rapid increase in collaboration among the BRICS themselves, as their governments increase their coordination on political, economic, and social issues. These efforts led to the formal establishment of the BRICS Forum in 2010.

Unlike many other regional trade blocs based on geographic proximity e.g., ASEAN, the EU, NAFTA, or UNASUR, the creation of the BRICS forum is based upon a 2001 paper, Building Better Global Economic BRICs, written by Jim O’Neill of Goldman-Sachs, to analyze the relative potential of the largest emerging markets at the time. Critics who doubt the potential of a long-lasting union have noted that the member nations share little in terms of common history or language, suffer from
competing interests and industries, and employ political systems that range from the world’s largest democracy, India, to the world’s largest authoritarian regime, China (Armijo, 2007; Müller, 2011). Despite these doubts, the five member nations have begun a concerted effort to counterbalance the dominance of the traditional North American – European Union – Japan triad in the world system. Economically, for example, they jointly founded a new development bank in 2013 to serve as an alternative to financial institutions such as the International Monetary Fund and the World Bank. Furthermore, they have begun to assert their combined political weight on contentious global policy issues, such as world climate change regulations and proposed structural reforms to multilateral institutions including the United Nations (Hounsell, 2011).

Economic collaboration among the BRICS has already begun to show impressive results. A study by de Castro (2012) indicates that there has indeed been a significant increase in commercial integration among members of the bloc with the exception of trade between Russia and China. Within the matrix of available bilateral relations of the BRICS forum, de Castro calls attention especially to the rapid increase of economic relations between Brazil and China. Figure 1 shows the bilateral trade totals between them during the period of 2001 – 2011. At the end of this period, China surpassed the United States to become Brazil’s largest trade partner for the first time.
Beyond trade relations, China is now a major source of investment capital for Brazil. Figure 2 shows the non-financial, foreign direct investment (FDI) stock accumulated by China in Brazil between 2004 and 2010. The pattern of accumulation of total FDI stock mirror the sharp upward trend in trade flows between the two countries. Chinese direct investment in Brazil was under USD 100 million a decade ago but approaches USD 1 billion at present. However, by way of comparison, the United States remains Brazil’s largest investor with FDI stock holdings totaling USD 71.1 billion in 2011 according to the US Department of Commerce.
Analysis by Baumann (2009) highlights the main areas of Chinese involvement in the Brazilian economy. Due to China’s lack of arable land, energy needs, shortages of water, and increasing urbanization, Brazil becomes a natural partner in some industries. For example, nearly two-thirds of Brazilian exports to China in 2008 were minerals, metals, food products and tobacco. On the other hand, nearly half of China’s exports to Brazil that year were electronic equipment and appliances. While some Chinese manufacturers have set up production facilities in Brazil, analysts have noted that the discrepancy between Brazil exporting primarily raw materials and low-technology products derived from them, while China exports in return only finished goods, may be a cause for future friction given Brazil’s industrial development interests (Cunha, Bichara, Monsuets & Lélis, 2011). A report by Credit Suisse in February 2013 corroborates that much of Chinese FDI into Brazil continues to focus on commodities, principally energy resources, raw minerals and soybeans.
Scholars from various fields are now paying increased attention to these developments. For instance, areas of concern that have been examined include economics, trade and industrial policy (e.g., Hearn & León, 2011; Lederman, Olarreaga & Perry, 2009), political relations (e.g., Jilberto & Hogenboom, 2010; Glosny, 2010), and the effects of these developments for countries outside the bloc (e.g. Arnson, 2011; Müller, 2011; Skak, 2011). Thus far, these analyses have primarily remained at the level of the nation-state, and have largely relied on the assumption that the BRICS’ integration has developed to further the political interests and economic gains of each participant country (Blyth, 2003).

This body of research has paid less attention to how these processes are unfolding among the individuals, firms, and organizations that constitute them through their actions and understandings in any given place. To expand our knowledge of how economic integration takes place from the ground up, this project shifts the focus from the nation-states to the social interactions and efforts at coordinating these economic shifts among the market participants. In particular, this project examines the process of BRICS integration through an exploration of the organizing of relations with China taking place in Brazil which to date has remained largely unexamined. In so doing, I wish to explore broadly what the potential organizational implications are for those actors who are involved in collaboration with new foreign business partners.

**Constructing the BRICS**

At its core, this dissertation is an exploration of the actors who are creating, managing, negotiating, and at times resisting, the economic challenges and
opportunities afforded by the opening of a new transnational space, in this case between Brazil and China, and its possible impact on the institutions and organizations in a specific locality, here Brazil. Following Jackson, Crang & Dwyer (2004), I opt for a broad definition of transnational space that does not privilege only certain cases, such as ethnic diasporas, but is broadly characterized as a social arena that unites actors involved in a given activity across national boundaries. While there have been links between China and Brazil since the 19th century (Viotti da Costa, 2000), I assert that BRICS integration has deepened and changed this transnational space due to the heightened level of interaction brought about by the coordinated involvement of the two states as well as the actions of other participants in managing the commercial flows between them.

The recent intensification of relationships in this space may offer challenges to firms and other organizations involved in the process. In any given cultural, social and political context, capitalism operates within a system of social interactions based upon the shared expectations and understandings of those involved in the marketplace. When faced with uncertain situations, market participants make decisions and pursue actions based on their understandings of “prevailing institutional structures, cultural templates and social networks” (Beckert, 2012). Economic collaboration depends in part on the shaping and maintenance of beliefs, interpretations, and expectations through repeated personal interactions, social structures, and the formulation of state policies.

The arrival of investment and trade from China into Brazil under the guise of the BRICS forum sets up an interesting moment in which to study organizing
processes as two very different societies are meeting to do business on a large scale for the first time. To deal with the complexities of the marketplace, both the Brazilians and Chinese each have a set of possible solutions in mind based upon the environment in which they usually operate and the dominant, legitimate practices organizations employ to deal with them. Due to the role of this social embeddedness inherent in industrial organization, and its impacts on economic actors as they seek opportunities and knowledge about future action (Granovetter, 1985; Uzzi, 1996), the current moment offers an opportune window to explore how actors in emerging transnational relationships understand the possibilities for coordinating and governing their joint activities.

**My Brazilian Biography**

My own interest and experience in Brazil began during my last year at Beloit College when a group of Brazilian students arrived to learn English and I was assigned to be part of the welcome committee. After graduation, I decided to spend a year in Brazil at the home institutions of these students, the Federal University at Ouro Preto in Minas Gerais. During this year, I did an intensive course in Portuguese and Brazilian studies while preparing graduate students to participate in the governments CAPES program that funds students to conduct research in the United States after having passed their comprehensive exams at Brazilian universities.

Upon my return to the United States, I continued my connections with Brazil in both professional and personal settings. For example, my work experience for one corporation in Madison, WI included working on a team that was responsible for opening a manufacturing facility and sales office in the central city of Goiânia.
Outside of work, I became involved with the local lusophone community through connections at the University of Wisconsin. I had returned to Brazil five more times in the years that followed for work or pleasure before coming to Amherst to begin the doctoral program.

These experiences were fundamental to making this project a reality in two ways. First, as a researcher interested in working from the vantage point of local experiences, I felt familiar enough with the language and culture to make informed judgments about what I was hearing and seeing around me. Second, I entered the field with a wide network of friends and former co-workers through whom this research became possible. As I quickly realized, the data collection part of this research would never have begun without their contacts and support.

I also arrived in Brazil having developed a theoretical framing that had led me to a series of expectations about what I would see. Historically, the institutionalized ways of organizing that evolved independently in both Brazil and China have been largely based on interpersonal relationships. In both societies, economic coordination in the marketplace has depended on factors such as shared social background, family ties, social capital, and trust. Given these commonalities, I generally expected that BRICS integration could involve the emergence of hybrid organizational forms or innovative uses of relational governance in the management of Sino-Brazilian relationships. However, what I found was an economic partnership in its infancy and examples of interfirm collaboration that were largely ad hoc and at times chaotic. However, the data still yield insights into the interplay
between institutions and the establishment and management of new transnational relationships.

**Chapter Outline**

In an effort to situate the current moment within the historical trajectory of Latin America, I present a succinct sketch of the economic development of the region in Chapter 2. This is followed by a review of analyses from political science and economics that may explain Chinese interest in Latin America and the Caribbean. The chapter concludes with a review of recent developments in Sino-Brazilian relations specifically.

I devote Chapter 3 to a more thorough presentation of the theoretical framing described above. Beginning with a view of organizing informed by the *varieties of capitalism* tradition, with its emphasis on the historical development of the cultural, institutional and political processes in which national models of capitalism are embedded, I pay more specific attention to prior scholarship that takes a transnational perspective to explore what may happen during contact between national business systems. I then outline the processes of sensemaking among social actors that lead to the construction and maintenance of the legitimacy of organizing within a given variety of capitalism. In so doing, my approach attends to the linkages between macro institutional analyses central to past scholarship on the evolution of capitalism with micro approaches that focus on how actors interpret changes in the world around them and then make decisions about what actions to take (Abdelal, Blyth & Parsons, 2010).
Chapter 4 reviews the methodology and data collection strategies that were used in the study. I begin with an overview to narrative approaches to the study of institutions and organizing. Next, I provide a summary of the fieldwork, interviews, and secondary sources that make up the data corpus for the project. This is followed by an overview of the coding strategies employed in the analysis. I also reflect on the challenges and difficulties I faced while in the field and their implications for how the project developed.

In Chapter 5, I focus upon the impact of BRICS integration among Brazilian organizations working with, reacting to, or seeking Chinese counterparts. This includes the organizing by entrepreneurs and new organizations that are actively creating and exploiting the new transnational space being created through the development of Sino-Brazilian commercial relations. As such, the dataset contains the views of businesses whose very existence is dependent on the emergence of China as well as organizations that have been created to facilitate connections between the two nations. I also discuss failed attempts by entrepreneurs to connect with China that stand in counterpoint to the profiles of successful firms. Additionally, the corpus includes the activities of long-established Brazilian and foreign multinational firms as they react to the arrival of China. The analysis focuses on the degree to which organizational practices may be adapting or changing to cope with the institutional differences between the two countries.

As is common in any new venture or dealings with a new partner, legitimacy is an important concern. In Chapter 6, I analyze the evolving processes of legitimation of Sino-Brazilian relations. Using discursive analysis of interview data,
corporate documents and public media, I explore how narrative themes such as the inevitability of globalization, the difficulties of doing business in Brazil referred to as the Brazil cost (*custo Brasil*), admirable pragmatism, and unfair competition due to government interference, are used to support and/or detract from the status of Brazil’s newest important trade partner, China.

In the final chapter, I bring together these explorations to consider possible implications of this study for our understanding of changes in organizing process that may result from the emergence of new transnational relations and spaces. While the questions in the beginning focus on these changes only in a given locality, Brazil, and with only one partner, China, similar processes are unfolding in other contexts worldwide. Reflecting on these empirical results may serve to support alternative ways of researching and understanding the ways relations and spaces form under contemporary transnational capitalism. I then reflect on what this study may add to scholarship on initiatives towards integration like the BRICS. Finally, I conclude by discussing possible avenues for future research.

While no single study could hope to offer a definitive account of these dynamic global processes, I aspire to offer the reader a glimpse into the current experiences of those who are taking part in – and being changed by – such shifts in the global economy. In so doing, I believe this dissertation makes a contribution to transnational management scholarship by expanding our understanding of international collaboration during the establishment of new transnational activities, how those involved frame and interpret their choices and experiences, and the impact these may have in turn on institutions that govern local varieties of
capitalism. Lastly, given its relative importance in the world economy, Latin America remains vastly under researched in the management disciplines (Cuervo-Cazurra & Liberman, 2010; Nicholls-Nixon, Castilla, Garcia & Pesquera, 2011). As such, this project also aims to further our understanding of transnational business in the Latin American context as firms in the region adapt to growing global competition and market liberalization.
CHAPTER 2

GLOBAL CHINA MEETS GLOBAL BRAZIL

Since the arrival of European explorers in the 15th century, Latin America has been continuously, though unevenly, incorporated into the world economy. Exports of Brazilian gold, Mexican silver, Chilean copper and foodstuffs from Argentina, Cuba and Peru, provided the fuel for the industrial revolution and satisfied the new tastes of expanding consumer markets in Europe. As a series of conflicts engulfed the former colonizers, Latin America came under the influence of another foreign power when the United States became the primary cultural, economic and military actor in the region. Over the past 15 years, the People’s Republic of China - yet another external actor - has arrived on the scene as a major source of investment and manufactured goods and as a major destination for the primary commodity products produced in Latin America.

After the European conquest, the Spanish and Portuguese colonies in the Americas, as well as the outposts controlled by the Dutch, English, and French, became enmeshed within the mercantilist regimes that guided economic policies at that time. While the European powers were never able to deploy the model in its purity to the Americas, they engaged primarily in resource extraction in a drive to fill the treasuries in their national capitals and restricted trade as much as possible between their colonies and any other markets (Kingstone, 2010). This system of exploitation did little to benefit the economic welfare of the indigenous populations that survived, nor to encourage sustainable local development, but did begin a long process of integration into the global economy for the new periphery.
During the 19th century, the newly independent nations of Latin America continued to focus upon the production of primary products, but took advantage of the fact that they were no longer constrained by colonial restrictions on trade or credit in the international marketplace, in order to pursue their own best interests and most profitable markets (Bulmer-Thomas, 2003). In those nations where there was sufficient political stability to enact organized economic policies, the focus was primarily on export-led growth, particularly in those countries that had either commodities or agricultural products in demand in Europe and North America. As the century progressed, Great Britain became a primary provider of capital for development in the most successful economies, notably Argentina. While local factors, such as the discovery of large petroleum reserves in Venezuela, changed the national patterns of production and labor, the region essentially retained the role as a source of raw materials within the world economy.

The economic history of Latin America since World War II has been turbulent in most of the region. During the 1970s, economic policy focused on populist, debt-financed, import-substitution industrialization. While a few economies, such as Brazil and Mexico, may have successfully begun to shift their value positions in the global production network during that period, it was arguably due to the size of their own domestic markets, as smaller countries in the region were less successful in their efforts. The inadequacy of the state-driven economic model gradually led more governments to implement market-oriented, neoliberal policies promoted by international institutions such as the International Monetary Fund and the World Bank, particularly after the 1982 debt crisis in Mexico (Faegri & Wise, 2011).
Unfortunately, the reforms enacted after the “lost decade” of the 1980s, did not deliver the expected results. The region suffered from lackluster economic performance that by the turn of 21st century had led to stagnation, low productivity growth, and unacceptable social consequences as state-sponsored social services were cut to large sectors of society. Moreover, Paus (2009) points out that these reform efforts also left the region in the “middle income trap” where wages are too high to compete with low cost labor nations and productivity is too low compared to other industrialized nations, rendering regional firms unable to compete in high skill industries. As a result, much of the region continues to rely heavily on natural resource endowments as a main source of competitive advantage.

Having realized that many of the neoliberal structural reforms were necessary but not sufficient for economic development, leaders in the 21st century have turned to new sets of reforms in order to correct for the injustices and failings of the Washington Consensus\(^1\) (Robinson, 2008). In general, this second round of reform targeted the reestablishment of minimal social safety nets, increased efforts to create transparent institutions providing “good governance”, and fostered the opening of capital and labor markets to further integrate the region into the global economic system (Robinson, 2004). While not a whole-hearted rejection of neoliberal principles, the latest reforms attempt to correct the problems in the orthodox recommendations of the Washington Consensus.

\(^1\) The Washington Consensus refers to the ten economic prescriptions given out by multilateral financial institutions, in particular the World Bank and the International Monetary Fund, which promoted market fundamentalism and neoliberal fiscal policies in response to financial crises in the 1980s. Latin American analysts have been particularly critical of the massive cuts to education, healthcare, and other social services that resulted from these recommendations.
In sum, since the end of the Cold War, Latin America, like all other parts of the developing world, has needed to adapt to the macro processes leading to increased economic integration at regional and global levels. This integration has led to new obstacles for reform as global capital often hampers the ability of the state to act independently (Robinson, 2008). The region’s leaders have followed diverse paths to respond to the challenges. On one end of the spectrum, Chile has largely embraced an open, global economy, while Cuba and Venezuela have enacted policies aimed at fierce resistance to the pressures of transnational capitalism. Also, during this time period, the region has experienced increased competition for trade and investment from Asian countries, such as the China, and this is the topic to which we turn next.

**China in Latin America**

Since the moment of colonization, there has been a Chinese presence in the Americas, with recorded Chinese immigration dating back to the 1600’s in Lima, Peru (Kent, 2003). Historical scholarship has divided Chinese migration to the Americas into three historical periods (Lai & Chee-Beng, 2010). Initially, contact during the Qing dynasty passed through the links between the Spanish colonies in Manila and Acapulco as migrants made their way to important urban centers like Lima and Mexico City. During the 19th century, unskilled indentured Chinese workers were brought to work on sugar plantations, up to 125,000 in Cuba, and in 100,000 in Peru. While Chinese agricultural labor in Brazil was initially unsuccessful, the government did seek out 400 Chinese farmers to cultivate tea in
Rio de Janeiro (Viotti da Costa, 2000). During this time, agents in Hong Kong also recruited workers for Britain’s Caribbean colonies as well (Chee-Beng, 2007).

Over the past century, migration of those involved in commercial trade has continued, and the descendants of earlier Chinese migrants have maintained relations with their historical home regions while integrating into the local economies, typically as successful entrepreneurs and small business owners. While the network ties are not nearly as large as the ones that exist in Southeast Asia, there are today an estimated 250,000 people of Chinese descent in Latin America primarily concentrated in Brazil, Mexico, Panama, and Peru (Kent, 2003). As such, it would be incorrect to portray Chinese presence in the region as a brand new phenomenon provoked by the most recent wave of globalization. Rather, as China retakes its historical position as a major global power, the connections between these communities and their historic homeland are being renewed and strengthened.

China’s current importance in the Americas stems from a series of economic reforms this country began in 1978 aiming to regain the nation’s historic economic prominence that had been greatly damaged by over a century of colonial interference, civil conflict and the aftermath of the Mao era (Yeung, 2004). Over a period of thirty years, the communist party transformed the closed, planned economy into a dynamic capitalist economy using an approach focused on technological capabilities while maintaining its iron grip on political power (Naughton, 2007). This has resulted in a situation in which the authorities are able to swiftly implement any changes they deem necessary in order to adapt to
changing market conditions thereby guaranteeing necessary economic growth.

Some scholars have even argued that China was able to avoid certain economic mistakes when designing these reforms by observing the Latin American financial crises in the 1970s and 1980s (Lanxin, 2008). The results of these reforms are apparent with China moving from 1% of global GDP in 1978 to 14% by 2008. Since 2000, China’s economic expansion, glowing in the success of its activities first in Southeast Asia and then in Africa, has become increasingly evident in Latin America as well (Ellis, 2009).

Researchers identify four primary motivations behind China’s involvement in Latin American affairs, spanning both commercial and political realms, including sourcing primary products, selling Chinese goods in new markets, isolating Taiwan as an independent political entity, and securing support for China’s position as an emerging superpower (Ellis, 2009). Most analysts agree that China is primarily motivated by a desire to lock in supplies for raw materials – particularly sources of energy – in order to secure stable flows of the resources it needs to sustain current levels of growth. In 2007 alone, according to the Ministry of Commerce, China imported over US$243 billion in raw materials.

In addition to securing sources of raw materials, China is always looking for new markets for its finished goods. With 500 million residents in mostly middle-income societies, Latin America represents a potentially lucrative market for Chinese products. In 2007, China exported over US$ 50 billion of consumer goods into the region often replacing more expensive products imported from traditional exports such as the European Union or Japan (MOFCAM, 2008). Given that many
entrepreneurs of Chinese descent are involved in small-scale retail operations, they have become a significant conduit for the importation of consumer goods. Beyond these official figures, it is also relevant to note that China is also an important source for pirated and fake goods sold on the streets in Latin America as well as a source of drugs and organized crime (Ellis, 2009).

Prominent among the political aims of the People's Republic is challenging the status of Taiwan. Taiwan has actively cultivated relations, primarily in Central America and the Caribbean, in order to defend its autonomy. Nearly half of the 23 sovereign nations that maintain diplomatic relations with the island, recognizing it as the legitimate government of all of China, are in the greater Caribbean region, which in turn undermines the People's Republic's claims to a unified Chinese territory (Cieslik, 2010). As the mainland accumulates economic wealth, a tug of war with Taiwan over Central America and the Caribbean looms as each government tries to sweeten the pot as reward for diplomatic recognition.

Lastly, as China "peacefully rises" to its traditional place at the top of the global political scene, it seeks allies interested in a multipolar world. Linked to Latin America through a variety of organizations, in particular the Asian-Pacific Economic Cooperation (APEC) forum, it has shown interest in strengthening its "South-South" connections to the region (Hirst, 2008). Consequently, Argentina, Brazil, Mexico and Venezuela have all been designated ‘strategic partners’ due to their size and relative influence among other nations in the region. China hopes these countries will provide advocacy for the increased economic presence of China in the region to
avoid any negative geopolitical consequences from other powers, especially the United States (Lanxin, 2008).

Despite recent disruptions in the global economy, there are no signs of China losing interest in Latin America. China has surpassed Japan to become the region's third largest trading partner and accounted for nearly 10% of the foreign direct investment in the region in 2010 up from less than 1% in 2006 (Rosales, 2011). During 2010 alone, China finalized energy projects worth US$ 65 billion with companies in Argentina, Brazil and Venezuela that will eventually guarantee a refinery capacity of 850,000 bpd, and the leasing of a 5 million barrel storage facility in the Caribbean (Cala, 2010). Additionally, on March 28, 2011, the Inter-American Development Bank issued a press release stating that it had signed a letter of intent with the China Investment Corp to use some of its US$500 billion in assets to finance public and private projects in the region.

While some leaders quickly invoke the specter of neocolonialism, we would be amiss to immediately characterize Latin nations as victims of Chinese activities. Local leaders have also actively worked to cultivate ties with China for a variety of reasons. First, from a political perspective, many analysts posit that the region looks for a counterbalance to the traditional dominance of the United States in a bid to gain more autonomy in world affairs and press their concerns in multinational bodies such as the United Nations (Cieslik, 2010). Since the pink tide swept across the regions, some national governments, such as Venezuela, have turned to Beijing for both ideological assistance as well as new military contacts (Roett & Paz, 2008). Cieslik also notes, however, that China, stung by the presence of American military
forces in Central Asia, has downplayed military cooperation in the United States’ backyard by emphasizing only joint training missions or participation in multilateral projects such as the United Nations stability forces in Haiti.

Secondly, many national economies have benefited from the voracious Chinese demand for natural resources and commodities available in the region particularly for copper, petroleum and soy (Wise & Quiliconi, 2007). As in many parts of the world, Latin American consumers have also taken advantage of the wide selection of inexpensive consumer goods imported from Asia. Lastly, economists wonder if Latin American policy makers may also benefit from the Asian model of development, which has struck a more sustainable balance between state and market driven tactics (Lanxin, 2008) though such assertions often neglect local differences that could make the transfer of such knowledge impossible.

While there is much celebration about the potential that may be realized through Chinese capital and markets, other experts caution against too much optimism. During the 1980’s similar anticipation accompanied the expansion of foreign direct investment from Japan. With the benefit of hindsight, we can now see that much of that potential remained unattainable due to cultural differences, macroeconomic changes, and political interference, all which could also be true in relations with China (Watson, 2008). As China grapples with its own problems at home including cost inflation, unemployment, labor shortages, social inequalities, and aging demographics, the benefits from China’s participation in the economies of the Americas are far from assured.
Moreover, while the central government states that Chinese foreign policy is based upon mutual respect and benefit, some governments fear that domination is domination regardless of rhetoric from new players and are unlikely to trade one paternalistic relationship for another (Tokatlian, 2008). Uruguay, for instance, where foreigners own 25% of the national territory, recently took the unusual step of moving to block Chinese acquisition of land for agricultural investment citing worries about food security (Downie, 2011). The region has seen intermittent anti-Chinese sentiment in Latin American society, including violent backlash against ethnic Chinese businesses in Suriname and Venezuela (Ojeda Reyes, 2004). Finally, Paus (2009) asserts that China’s search for natural resources and willingness to invest in the infrastructural improvements necessary to transport them to the Pacific are eerily similar to the exploits of foreign companies during the nineteenth century.

Policy makers are also concerned that China’s export prowess could hurt manufacturers across Latin America as it becomes, “the latest Asian country to leapfrog the region in export growth, diversification, and infrastructure upgrades” (Devlin, 2008:111). While the overlap in export products is not consistent, China competes most directly with Brazil, Mexico and Central America in areas such as machinery and textiles. Policy makers in these countries worry that China has been consistently gaining market share in these industries in the export markets where they were traditionally the strongest (Devlin, Estevadeordal & Rodríguez-Clare, 2006). Some analysts also worry that China has taken FDI flows which could have gone to Latin America, but empirical analysis shows that reductions in FDI into the
region have depended more on internal issues, have remained high in commodity-driven industries, and have benefited from rising Asian demand for production materials (Lederman, Olarreaga, & Perry, 2009).

It is also necessary to underscore the importance of regional integration, both in examining economic globalization as a whole, and within the context of Chinese relations with Latin America. While the region has largely welcomed Chinese investment, Shadlen (2006) argues that many of the nations most directly affected by increasing Chinese competition have used free trade agreements with the United States as a way to hedge their bets. For example, despite varying degrees of resistance to U.S. dominance in the hemisphere, Mexico, most of Central America, Chile, Colombia, the Dominican Republic, and Peru have all signed free trade agreements with the United States. In effect, the cost savings of being able to export their products free of customs duties to the large consumer base in the United States helps their industries compete more effectively with China’s relatively lower labor costs and superior infrastructure (Wise & Quiliconi, 2007).

Recent Features of Sino-Brazilian Relations

Despite sharing experiences with many of its neighbors, there are several facets of the Brazilian experience that should be highlighted in our efforts to understand its relationship with China. While some of these differences date back to the colonial period, this section will focus on developments since the end of the Cold War. Over the last twenty-five years, Brazil has transformed itself from a prime example of a country in economic and political disarray into one of the main emerging players in the global economy (Kingstone, 2010). It is these changes, both economic and
political, that have in part made the country’s relations with China so different from those of other Latin American nations.

The first reason for increased Sino-Brazilian relations is grounded in Brazil’s decision to open its economy and privatize industry. Policy changes in the 1990’s led to total foreign involvement in the economy increasing by 8% of GDP in the first decade of the new century as investments looking for resources and market access flowed into the country (Hiratuka, 2008). This increase in international participation, coupled with favorable external conditions, has led to improvements in the macroeconomic conditions of the country with lower levels of national debt, increased foreign reserves, and the maintenance of stable market conditions (Baumann, 2009). As mentioned earlier, there are easily identifiable synergistic opportunities that appear when one compares Brazil’s natural resources with the needs of China’s population and industrial base. Because of these opportunities, a significant portion of Brazil’s improved economic performance can be tied, directly or indirectly, to the rapid increase in bilateral trade and investment relations with China (Jenkins, 2011). However, despite the rhetoric of partnership, most agree that the importance of these economic linkages is not equal, with Brazil likely needing China much more than China needs Brazil.

Although analysis at the national level appears favorable, the story is different when one looks at individual Brazilian businesses that have had a more difficult time dealing with economic openness and Chinese competition. While the economy was opening, business owners found themselves confronted with high interest rates and taxes, a strengthening currency, and a lack of government
attention to education and technological development (Arraes, 2010). Unable to compete, many local firms were replaced by cheaper imports leading to other negative social consequences like increased unemployment and reduced domestic spending. The arrival of Chinese imports continues to make life difficult for the development of those domestic sectors, such as footwear and textiles, which compete directly with them.

There are of course exceptions. Brazil’s leading multinational corporations, including Embraer (aerospace and aviation), Odebrecht (construction and engineering), Petrobras (petroleum) and Companhia Vale do Rio Doce (mining and metallurgy) are very active in the external market. Most of these companies’ foreign activities are concentrated in Latin America, but all of them are also engaged in the Chinese market, through joint ventures or other partnerships. These activities typically enjoy political support from Brasília and the financial resources of BNDES (Banco Nacional de Desenvolvimento Econômico e Social) the federal state development bank (de Oliveira, 2010).

Further, economic expansion has elevated Brazil’s stature as an emerging regional and global power, which has led to the increased intensity in Sino-Brazilian political relations as well (Roett, 2011). As the Cold War ended, Brasília began to pursue a foreign policy that placed greater emphasis on relations outside of the Southern Cone and aimed to insert Brazil into the role of a major player on the world stage. Reflecting the widespread belief among Brazilians that the country is destined for greatness, Rohter (2012) notes that the government seeks to become a “respected, serious actor” in its foreign relations. Recently, Brazil has seen China,
and the relative weight of its support in cooperation with Brazil in multilateral settings, as a key component to fulfilling this desire (de Oliveira, 2010).

Brazil established diplomatic relations with the People’s Republic in 1974, yet it was not until the establishment of “strategic partner” relations in the 1990’s that the two states began to deepen their interactions. Despite Brazil’s decision to recognize China as a market economy and support its entrance into the World Trade Organization, China chose against supporting Brazil’s candidacy for a permanent seat on the United Nations Security Council (Haibin, 2010). China said it did so to avoid granting Japan a permanent seat as well, however the move was seen as a betrayal in Brazil, and may have caused ‘irreparable damage’ to the strategic relationship the countries claim to share (Rohter, 2012)

There is ample evidence that many challenges remain. Contrary to those who make the growing relationship between Brazil and China seem like a naturally evolving process, Maciel and Nedal (2011: 235) call this conclusion into question as their own analysis shows,

“Agreements that are not implemented, working groups that don’t meet, summits that yield no results, and dialogue mechanisms that don’t actually function are all erroneously chalked up as points for the bilateral relationship.”

In their critique, these authors point out that despite all the grandiose talk by politicians, the Sino-Brazilian partnership may be more ambivalent than strategic. Their assertion is supported by the relatively small size of the Brazilian diplomatic mission in China, the lack of formal institutional support for Chinese studies in Brazil, failed cooperation in multilateral organizations, and the influence of anti-China industrial organizations in Brazil. The latter are working to mold public
opinion by denouncing Chinese control of Brazilian resources that goes without any response on the part of the Brazilian state. Finally, Maciel and Nedal also call attention to incongruities in statistics that inflate reports of China’s investment activities. In 2010, the China Brazil Business Council estimated that China’s investment impact on Brazil stood near USD 13 billion. However, at that time, Brazilian Central Bank statistics showed that total Chinese FDI stock had not yet reached one billion in actual capital, implying that many of these transactions may have only been ownership paper swaps between companies.

This research project is situated squarely within such an environment; a rapidly changing environment indeed as relations between Brazil and China continue to grow and evolve. However, as mentioned in the introduction, this chapter focused primarily on economic and political considerations aggregated to the national level as context for understanding the business activities, institutions, and actors, which constitute the core of this dissertation. The focus on business institutions, actors and actions in Brazil helps elucidate how ordinary activities in this country work in enacting what eventually become broader socioeconomic understandings of Brazil-China relations, as well as the BRICS as an “imagined economic region” (Anderson, 2006). The next chapter, thus, presents the conceptual frames that shaped this approach to the research project.
CHAPTER 3
ORGANIZING ACROSS THE GLOBAL ECONOMY

This chapter lays out the theoretical considerations that have guided both the data collection and the subsequent analyses. Based on a constructivist approach to understanding the global economy, I begin with a review of theorizing that focuses on organizing as a process that develops through the intertwining of economic, social and political conditions during the history of a given place. These factors influence how actors’ organizing becomes routinized such that the activities of individual entrepreneurs contribute to the maintenance of an entire national business system.

To this effect, the chapter is organized as follows. After the initial theoretical discussion, an overview of the historical organizing patterns in Chinese and Latin contexts is offered to provide an understanding of how organizational forms have evolved independently in Brazil and China. Next, I address the challenges and possibilities actors face when engaged in transnational activities transcending local traditions and institutions. Finally, I review the importance of sensemaking as issues of legitimacy arise when these actors experience ambiguity and uncertainty while dealing with new actors and unfamiliar problems.

Organizing as Socio-Historical Process

Conceptually, this project begins with the premises of a socio-economic approach to the study of organizing. Within this perspective, economic coordination is the result of the intersubjective relations of rational actors who obey market rules and norms. However, transactions are not only mediated through monetary
mechanisms, but also by an interpretive effort to establish equivalence, communal
agreement on industrial categories, and shared moral boundaries (Espeland &
Stevens, 1998). Formal and informal mechanisms, which may complement or
contradict each other, are rooted in local history and tradition (Estrin & Prevezer,
2011). These mechanisms guide actors to solutions deemed appropriate for the
ambiguity that surrounds all economic activity, for example, the rise of family-based
business groups in societies in which market-based contracts and transactions are
deemed too risky or ineffective (Carney, Shapiro & Tang, 2009). While solutions to
economic coordination vary from society to society, in each case certain solutions
have become an accepted and legitimate “way of doing things” at a given time
(Biggart & Beamish, 2003).

Meanwhile, despite prior predictions that business environments would
become more similar under globalization (e.g. Peng, 2003) researchers have found
persistent differences across national contexts. The increasing numbers of
transborder interactions seem to provide significant challenges to the assumed
homogenizing forces of multinational enterprises (Guillén, 2001; Meyer, Mudambi &
Narula, 2011). It is in this diverse environment that firms make decisions about how
to pursue possible avenues for international exchange. This decision-making
process, including determining the likelihood of partnership and the selection of a
form of governance, are embedded within specific societal contexts. Furthermore,
Hagedoorn (2006) specifies that firms making partnership decisions are operating
continually within at least three levels of embeddedness; the macro institutional
environment, the meso level of embeddedness that results from the networks and
industries of which a firm is part, and the dyadic embeddedness that results from prior and existing partnerships among actors. Here, complex historical and social structures play a pivotal role.

Recognition of this latter fact has given way to a body of research, including the related *national business systems* and *varieties of capitalism* literatures, that examines how societal institutions shape the coordination of economic activity leading to different organizational practices and national economic outcomes (Hotho, 2013). While the literature documents differences between these analytical approaches in terms of levels of analysis and main determining factors, there is general agreement upon several principles of what constitutes capitalism as an economic practice; namely, private or corporate control of production, the use of markets to trade goods, services and labor, the existence of property rights, and the dependence on both technological advancement and the accumulation and reinvestment of capital in order to spur development (Miller, 2005).

Whitley (1999) defines *national business systems* as distinctive patterns of economic organization, ownership and integration across factors of production including sources of capital, customers and suppliers, competitors, firms and employers and kinds of employees. Using the borders of the nation-state as the traditional boundaries for business systems, the heterogeneity among the configuration of interdependent relationships of these five factors of production gives rise to differences in firm governance mechanisms. These configurations are embedded within institutions such as the state, financial regulations, systems for education workers and the norms and values in labor relations (Whitley, 1998).
National business systems theory calls our attention to the ways that different social actors aim to control the outcomes of these processes in a given society as well as to the extent and mode of integration of these efforts.

The varieties of capitalism tradition focuses on the holistic examination of how capitalism is uniquely organized within national institutional environments (Hall & Soskice, 2001; Jackson & Deeg, 2008; Redding, 2005). While research working to compare modern national capitalisms dates back to the work of Schonfeld (1960) and Albert (1993), the framework developed by Hall and Soskice (2001) to explain competitive advantages for different industrial sectors within affluent economies has been particularly influential. In this work, Hall and Soskice divided developed economies into two main categories, liberal market capitalism (the UK and the USA) and market coordination societies (France, Germany). The authors show that institutional differences in industrial relations, workforce education, corporate governance, inter-firm relations, and human resource management have led to historical variations in organizational practices among firms in the two groups.

While Hall and Soskice’s work has been lauded for its parsimony, more recent longitudinal research by Schneider and Paunescu (2012), has found that the varieties of capitalism within developed European economies are more varied, nuanced and unstable than originally proposed by the Hall and Soskice. Schneider and Paunescu argue that several European countries have shown signs of moving between the categories of the original typology and creating new configurations not considered in the original model. For example, over the period from 1990 – 2005,
the authors chart institutional changes in Sweden and the Netherlands shifting these countries’ profiles from the “coordinated market economy” described by Hall and Soskice to a much more market-driven, liberal system.

In applications to business research, the varieties of capitalism lens begins with the study of the firm and other economic actors as part of a relational network where they face coordination problems within a given environment in which they are embedded (Hancké, 2009). Influenced by local history and culture, the solutions developed to govern coordination across these areas of concern may take place through markets, bureaucracies, social networks, state actions, and activities of other entities such as professional associations, interest groups or social movements (Deeg & Jackson, 2007).

Both constrained and empowered by institutional arrangements, actors engage in “pragmatic experimentation” in order to find acceptable solutions that lead to economic returns (Sabel & Zeitlin, 1997). The governance of activity thus plays a central role in research and analysis as firms may experiment with a limitless number of mechanisms at local, national or global levels in their aim to find a profitable approach for dealing with a coordination in a given situation (Crouch, 2005). This experimentation in turn leads to developing various organizational practices and organizational forms that may become accepted and even dominant in a particular context at a specific time. For example, Crouch and Voelzkow (2009) chronicle how German high tech firms, dissatisfied with their dependency on financing from publically–held German banks, shifted their practices over time to access private capital markets in the UK and the USA whose emphasis on short-term
profit fit better with the rapid innovation and risk-taking these firms wished to foster.

Echoing the variability that is possible at the macro institutional level, such as the strength of state regulation or the degree of collaboration among competitors, the principles that guide organizing are also variable and subject to revision and adjustment in response to the actions of other economic actors in the marketplace or other changes in the environment (Streek & Thelen, 2005; Whitley, 1999). For example, Whitley points to the process through which firms had to adapt to commercial changes in post-communist Hungary when the apparatus governing the economy for fifty years suddenly disappeared. Faced with the sudden withdrawal of the state, constantly changing economic policies, and an onslaught of new foreign capital, managers were forced to experiment with new human resources practices and less centralized organizational structures in order to compete.

Further, while both national business systems and varieties of capitalism theorizing use the nation-state as the primary container within which institutional dynamics take place, this project heeds the call by Morgan (2001) to begin thinking about the impact of internationalization and other transnational relations on these processes of economic coordination. As theorized by Morgan, repeated, structured economic interactions based on shared interests across national boundaries may lead to new forms of organization and transnational communities that evolve beyond simple extensions of national systems. To govern these interactions, actors working together can draw upon institutional tools from either the home or host context to strive towards an optimal solution to governing their business.
transactions within the dynamic mix of institutions, firms and other economic actors in which these take place (Morgan & Kristensen, 2006). Meanwhile, Estrin & Prevezer (2011) have called attention to the fact that experimentation and variation occur not only within the formal economy, but also may include differing elements of informal coordination across regions as well.

To summarize, an institutional lens, informed by national business systems approaches and varieties of capitalism theorizing, calls our attention to the interaction of cultural, market, and political forces creating multiple approaches for economic coordination. As a result of variations in these forces, capitalism is structured differently within national contexts. These differences in turn give rise to the selection and eventual naturalization of different organizational forms and governance practices that are considered legitimate within a given context. When change occurs within a context, organizations may modify or develop practices to cope with the new environment in order to meet their objectives.

Recent changes to global trade flows, such as intra-BRICS trade, have brought about interactions in which new partners face the challenge of negotiating the possible ways they might approach governing cooperation with new clients and partners. Influenced by their own historical and institutional factors, societies within the East Asian and Latin American cultural spheres have tended to adopt unique organizational forms for governing economic activities. When they meet to do business, the actions they choose and how they understand them are framed by the local history and traditions that have shaped the organizing logic of each potential participant. In order to provide examples of the implications of theoretical
discussion, and to set the stage for the subsequent analysis of organizing among new BRICS partners, let us turn to an overview of the historical development of capitalism in these two regions.

**Bamboo Networks and Chinese Capitalisms**

A large body of research has focused upon the cultures, structures, and traditions underlying the functioning of capitalism in East Asia (Biggart, 1991; Bräutigam, 2003; Carney, Gedajlovic & Yang, 2009; Fligstein & Zhang, 2011; Hsing, 1998; Keister, 2001; Meyer, 2011; Redding & Witt, 2009; Tipton, 2009; Weidenbaum & Hughes, 1996). The organizing of capitalism in Chinese societies has frequently been characterized as a series of networks organized around hierarchical, family-based structures, which comprise a totality rather than independent separate networks (Hefner, 1998). These networks tend to show five general characteristics (Haley, Haley & Tan, 2009). First, membership may be based generally on clan, language, location, profession, or trust. Second, one must respect those who rank higher in the network; however, rank has a dyadic component such that a skillful member will move between superior and subordinate roles flawlessly. The third characteristic is the importance of etiquette and correct behavior. Fourth, morality is contextual and relational such that it may change depending on the duration and quality of relations with a partner. Lastly, these networks have very flexible and contingent boundaries that may expand or contract based on one’s success or failure.

Chinese scholars have also described these “bamboo networks” as concentric circles of organizations with the main business at the center and outward radii
representing social connections (Peng, 2000). At the core, the principal business firm is where top management and primary decision-makers work, all of whom are usually members of the family. Beyond control of the core business, the family typically holds shares in its subsidiaries that in turn exert looser control over another layer of peripheral business either through personal relations or financial arrangements such as loans. The outermost circles consist of acquaintances, people from the same town, those who speak the same Chinese dialect, etc. As business ventures expand, the circles also expand, with new partnership arrangements usually stemming from the closest possible circle (Peng, 2000). Figure 3 shows a visual representation of this system:

**Figure 3 Ethnic Chinese Network Organization**

![Diagram showing different levels of connections within an ethnic Chinese network organization.](image-url)
The governance of these networks functions under the social mores of Confucianism such as harmony, trust and family loyalty (Park & Luo, 2001; Weidenbaum & Hughes, 1996). More generally, these are maintained in part by long-term personal relations (guanxi), through one’s ability to behave correctly at the appropriate time, and by taking care of one’s responsibilities to the network properly. These factors are very important as trust may not be conferred to those who are not considered ‘upright’ (Haley, et al., 2009). From these relationships and values, the network is able to operate primarily on reputation and trust with millions of dollars traveling informally through the network without contracts or other legal instruments (Hsing, 1998; Peng 2000). In some ways these were arrangements of necessity as individual small businesses in the network were spread across large distances making constant surveillance impossible (Haley et al., 2009). On the other hand, this also provided the network with considerable flexibility in responding to opportunities as they arose in the marketplace, allowing them to pursue alliances and partnerships with many different economic actors, including local governments and foreign corporations if deemed advantageous.

Ethnic Chinese business communities share characteristics of many co-ethnic business networks in which members of a particular cultural background maintain ties based upon kinship, social history, and professional association, to form a network that allows them to exploit information and resources to their advantage (Bräutigam, 2003). Membership in the network assures fair dealings through the threat of community sanction to wrong-doers while also providing valuable market information, access to capital, referral services for buyers and suppliers, and
partnerships for services needed along the entire supply chain (Rauch & Casella, 1998). Deeply embedded within interpersonal social relationships, family networks allow individual members in different nations to conduct complicated transnational business transactions (Dahles, 2005). As such, these networks function not only within specific national contexts e.g. mainland China, but also function across borders to promote regional trade and investment among all the countries where they are present, as is the case of the ethnic Chinese communities that dominate commercial activity across Southeast Asia (Rauch & Trindade, 2002; Tipton, 2009).

Meanwhile, Clegg (2010) has warned that organization theory ignores the role of the state and power at its own peril, and in the context of organizing within Greater China, this would appear to be valid advice. In Mainland China and across Southeast Asia, one cannot understand the evolution of organizations within Chinese capitalism without understanding the role of the state. Hsing (1998) argues that entrepreneurs who sought both to counter the dominant state and to deal with an absence of state infrastructure shaped the development of models of Chinese capitalism. The rise and success of Chinese family business groups across Southeast Asia was driven in part by the nationalist economic policies of the nascent post-colonial states and by regional political elites (Dalhes, 2005; Ong & Nonini, 1997). Ethnic Chinese entrepreneurs were positioned as brokers between the waning European powers and the new post-colonial states, thus, the establishment of business groups reflected lack of trust in the new governments and the lack of business infrastructure needed for local development (Carney & Gedajlovic, 2002).
More recently, one effect of market liberalization in mainland China has been the rise of larger domestic business groups to deal with the economic challenges of creating lending and trade relations between the firm and the state during the transition from central planning (Walder, 1995) and to cope with the rather porous boundaries that still exist between firm and state (Meyer & Lu, 2005). Faced with abrupt changes to corporate regulations and the unstable place of private property in the People’s Republic, mainland entrepreneurs resorted to the family business group as a familiar method through which they could deal with this uncertainty and minimize their risks (Keister, 2001). Interestingly, the state has actually encouraged the formation of these groups in the hopes of simulating the success of Japanese keiretsu and Korean chaebol, while only paying slight attention to the social and political forces that continue to make overt profit-seeking enterprises controversial in some segments of Chinese society.

As a caveat, Pan (2009) has problematized the implicit “Chineseness” as an underlying causal factor that some authors such as Fishman (2005) and Shenkar (2005) have used in their examination of the formation and functioning of these networks. To be clear, the theoretical premises informing this project consider such vague culturalist explanations as incomplete at best. Instead, the evolution and maintenance of Ethnic Chinese business networks should be considered the dynamic outcome of long-term interactions between firms and other social actors within a broader historical and institutional milieu.
Latin American Business Traditions

In contrast to multiple in-depth studies recently published on Asian capitalism, a similarly extensive body of work on the economies of Latin America is not readily available (Schneider, 2009). While sharing similar colonial legacies, languages, religions and traditions, the states of Latin America have not taken similar approaches towards organizing their economies, which in turn has influenced the structuring of organizations in the region. As examples, Miller (2010) points out that family business groups in Brazil, Chile and Mexico have been much more successful post-liberalization than those of Argentina and Chile; that Chile and Brazil have dodged the resource curse that plagues Ecuador and Venezuela; and that the business dynamics of Colombia do not necessarily fit within any paradigm at all.

The organization of firms in Brazil and throughout Latin America reflects the historical challenges of doing business in the region soon after independence. While enjoying growing demand for their products in Europe and North America, firms had to deal with many problems in their domestic economies including the absence of strong, functioning capital markets, weak skilled labor markets, difficulties assimilating and developing technology, and ineffective government advocacy in the areas of foreign trade and international finance (Miller, 1999). Faced with these constraints, small groups of families in each nation, typically with interests in the export sector, developed oligarchies and used the power they derived from access to foreign markets to ensure that their interests were intertwined with official state policies. As we shall see below, such institutional challenges, and the role of families
in private enterprises, continue to impact the organizing of business in Brazil to today.

Unlike the liberal markets of the United States and the United Kingdom, or the coordinated economies in Northern Europe and Japan, Schneider (2009) argues that the nations of Latin America present a “hierarchical market economy” that is not somewhere between the liberal and coordinated models but distinct in its own right. Reflecting the region’s post-colonial conditions mentioned in Chapter 2, this model revolves around a few general features: the presence of large diversified national family business groups, the large influence of foreign multinationals, and a weakly organized labor force that suffers from low levels of formal education and vocational training. These factors have influenced the general development of organizational forms and structures in the region to deal with these regional deficiencies as well as variations to accommodate the challenges of each local market.

Family business groups are the dominant organizational form for large businesses in Latin American economies, often responsible for up to 20% of domestic GDP (Schneider, 2008). Keister (2001) offers a definition of these entities as “coalitions of firms that interact over long periods of time and that are distinguished by elaborate interfirm networks of lending, trade, ownership and social relations”. As in parts of East Asia, these firms, while often legally independent, are actually interdependent due to joint business activities connected through family connections or other social ties. Also, as in Chinese capitalism, Latin America business tend to employ relational governance, based largely on personal
connections, to coordinate economic activities, rather than using rule-based market contracts that rely on the efficient and reliable functioning of the legal system (Peng, 2003).

More than any other tie, family plays an especially important role in holding these groups of companies together, and wealthy families have pursued the intermarriage of their children to promote cooperation and upper class stability (Sargent, 2005). Family members typically hold the highest management positions, decision-making is highly centralized, and the strategic logic of the firm is to maintain family control and protect or increase the family's wealth. Sargent (2005) also found that business groups across Latin America have lobbied against reforms to increase minority share-holding mechanisms or debt-equity financing for fear of losing control of their corporate holdings.

These groups are typically well diversified into dozens of subsidiaries with no technical or market relationship to each other but over which the families hold direct hierarchical control (Schneider, 2009). In addition to the accumulation of wealth, prior studies on business groups within Latin America have focused upon the ways that membership allows firms to access resources and avoid threats (Hoskisson, Cannella, Tihany & Faraci, 2004). Reflecting a desire to cultivate such benefits, Lomnitz and Perez-Lizaur (1987) found that families strive to cultivate preferential relationships with other important members of the business community, government, and elite society to reinforce their continued survival.

Despite the pressure to conform to foreign global standards due to foreign direct investment, free trade agreements, global trade institutions and other forces,
business groups have remained the largest players in Latin American economies (Schneider, 2008). In addition, Schneider asserts that there is traditionally a strong link between each state and its ‘national bourgeoisie’ for the purposes of national industrial development, though each country’s particular strategy for development differs from case to case. Echoing the findings of Hoskisson and coauthors (2004), he also finds that this alliance among centers of power at the national level has served as a protective barrier against foreign competition. This may explain the historical tendency of these corporations to pursue both related and unrelated diversification within each national economy as opposed to the evolution of companies focused in one specific industry that expand into neighboring countries.

Regarding Brazil, Abu El-Haj (2007) has shown that its form of capitalism shares many of these factors with its neighbors. For instance, the variety of capitalism in Brazil reflects a network of dense relationships between state powers, the national bourgeoisie, and major domestic corporations (Phillips, 2004). This network provides firms with certain protections from capital fluctuations, foreign competition, labor disputes, and research and training costs, as all of these fluctuations can be mitigated by state action (Nölke, 2010). While direct government intervention in business affairs is rare, the state maintains a degree of participation in industry indirectly through institutional shareholding, such as funding provided by the national development bank, BNDES (Nölke, 2012).

While Brazilian business networks function on personal ties supported by family, common values and shared social background, due to legal changes in the 1990s designed to increase foreign investment, the number of traditional firms
owned and managed by a single family has decreased (Nölke, 2010). Instead, the national elites have moved to ownership of large blocks of voting shares, thereby maintaining control of companies while allowing the state to grow national capital markets as well as permitting selective access foreign capital (Abu-El-Haj, 2007). A few large corporations have integrated into the global system, but overall Brazilian capital remains largely national in origin, reflecting traditional concerns with conserving the wealth and status of owners (Phillips, 2004; Flynn, 2007).

**Reflecting on Transnational Encounters**

When firms decide to engage in business activities outside of their home markets, they encounter potential partners and rivals who bring with them differing sets of assumptions about how business should be conducted. Based on the theoretical bases that underlie the comparative institutional approaches discussed earlier, these differences stem from how their respective societies have come to legitimate economic configurations for organizing their commercial activities and the organizational practices that follow from these arrangements.

Institutional scholars in organization studies have written about these differences under the rubric of *institutional distance*. Kostova and Zaheer (1999:71) defined this distance as,

“the differences/similarities between the regulatory, cognitive, and normative institutions between two countries [that] will affect both the difficulty of understanding and correctly interpreting local institutional requirements as well as the extent of adjustment required.”
It follows that the greater the distance between contexts, the more difficulty participants will have in successfully reconciling their different expectations and understandings necessary for ongoing economic collaboration.

More recent theorizing has proposed that research should take into account not only the differences or similarities, but also the relative strength of institutions across nations and how such differences may not have equal impact across different industries (Phillips, Tracey & Karra, 2009). These authors point out that as part of their international activities, actors may attempt to influence the institutional arrangements in foreign contexts so that their established business models remain viable. In what may be viewed as a political process, actors must mobilize support for those organizational practices they deem most advantageous from the solutions available to them with a given place (Hall & Thelen, 2009). These assertions reinforce the idea that there is room for creativity in negotiating institutional differences during transnational encounters.

While the ways organizations govern their activities in Asia and Latin America may share institutional features such as the importance of family ownership, the centrality of networks as an organizing logic, and reliance upon relational governance, the functioning and purpose of Chinese business networks and business groups in Latin America are not identical (Guillén, 2000). This is particularly true regarding who makes decisions in the network, the primary purpose and geographical reach of individual networks, and the historical role that these coalitions served in relationships between the families on one hand and the
state and government bureaucracy on the other. Table 1 summarizes major features of these organizing traditions:

**Table 1 Chinese and Latin American Modes of Organizing**

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Ethnic Chinese Modes of Organizing</th>
<th>Latin American Modes of Organizing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Family &amp; Transnational</td>
<td>National</td>
</tr>
<tr>
<td>Network</td>
<td>A tight central core with several loose affiliations that may be geographically dispersed and used for different purposes depending on the market.</td>
<td>Single hierarchy within each family, some ties cultivated with other families, state or other market actors if beneficial</td>
</tr>
<tr>
<td>Governance</td>
<td>Relational, based on kinship and other factors such as home region or spoken dialect</td>
<td>Relational, Kinship</td>
</tr>
<tr>
<td>Control &amp; Decision-Making</td>
<td>Centralized, though some decisions may be made locally</td>
<td>Highly centralized</td>
</tr>
<tr>
<td>Role of the State</td>
<td>Substitute or Buffer</td>
<td>Collaboration</td>
</tr>
<tr>
<td>Central Aim</td>
<td>Maximize Commercial Opportunities</td>
<td>Maintain family wealth, power, and status</td>
</tr>
</tbody>
</table>

The family lies at the core of firm organization in both Asia and Latin America. As a wide spread organizational phenomena, the family business group has been used to describe hierarchically organized collections of companies in Europe, groups of firms operating in diverse industries in emerging markets such as those of Latin America, and organizations in East Asian capitalism (Smångs, 2006). This has led to efforts to conceptualize the differences between these kinds of firms.

Yiu, Lu, Bruton & Hoskisson (2007) have proposed a schema of four ideal types of forms that these firms may use based on environmental conditions including the market, political factors, the role of social relations and managerial
control mechanisms. Differences within these factors lead to different arrangements of vertical and horizontal linkages. According to their analysis, Asian and Latin American organizations fit within different typologies, with Taiwanese firms loosely bound together via relational linkages and Latin American firms more strongly linked for managerial control. Interestingly, the authors call for research into what forces may cause business groups to change and adapt their structures, which could include the arrival of new economic actors as is potentially the case of interest in this dissertation.

Using political factors from their framework as an example, we might trace where differences arise. The Chinese family groups in Southeast Asia, and later on the mainland, were formed to deal with ambiguous, and at times hostile, relationships with the state, and to overcome the resources challenges presented during moments of economic transition (Carney et al., 2002). On the other hand, those in Latin America have been primarily concerned with diversified participation in their protected domestic markets, often working in partnership with state policies to encourage national development (Miller, 1999). Cuervo-Cazurra (2008) has noted that many business groups in Latin America only became multinational companies when the home protections afforded them by national elites were eroded under institutional changes required by foreign pressure for trade liberalization.

Network forms are central within both East Asian and Latin American varieties of capitalism. As already discussed, with its long history of regional migration, the Chinese diaspora has relied upon kinship networks to expand commercial enterprises and fulfill a number of business functions such as exploring
opportunities and sharing resources (Kotkin, 1992; Rauch & Trindade, 2002). The members of the network, often dispersed across great distances, use their interpersonal relationships facilitate commercial expansion. In contrast, the network aspects of Latin family business groups have traditionally been contained within the elite families of a particular nation where their members work in unison with the state and other institutions to protect and promote their own interests. As opposed to the transnational nature of ethnic Chinese networks, Latin American families have worked to create denser networks by expanding their operations into unrelated industrial segments of their own national economies.

Given the prominence of relational governance there are two key resources generated by network dynamics which are of vital important to organizing: social capital and trust. Social capital is the ability of actors to derive benefits from membership in a social network, which for a firm could mean access to market resources and information (Portes, 1998). Portes notes that social capital may come from a variety of sources such as reciprocity, shared values, community solidarity, and trust based on risk of group sanction, all of which may lead to network benefits and social control. Cultural practices such as guanxi in Chinese societies or the Brazilian jeitinho, the use of interpersonal connections to overcome bureaucratic obstacles, could be manifestations of social capital in use.

Meanwhile, relational governance is highly dependent on trust which helps reduce the risk and transaction costs inherent in commercial relationships (Nooteboom, 2007). Zelizer (2010) has posited that long-term trade relationships were traditionally restricted to connections based on ethnicity, kin, or religion
because there was no other authority to enforce agreements. During the establishment of new collaborations, trust plays a key role during the initial stages while the expectations, rules and norms of cooperation are being negotiated (Larson, 1992). In a transnational setting such as this one, prior theorizing on trust has indicated that partners from different institutional environments may experience difficulties due to varying expectations about governance and exchange (Zaheer & Zaheer, 2005).

As firms increase their engagement in activities towards internationalization, the possible configurations, problems and solutions to collaboration between partners also increase leading to greater hybridity in the possible forms of exchange (Marchington & Vincent, 2004). Such hybridity may be intentional if participants actively decide that a new organization or cooperative arrangement will draw strategically on facets of the two parent organizations (Oliver & Montgomery, 2000). Alternatively, it may be more fluid if it results from the repeated interaction of organization members trying to acquire the social and material resources required to conduct their affairs (Romanelli, 1991).

The many possibilities that we may imagine based on these theoretical premises lead to my questions regarding how new commercial relationships between Brazil and China are being put together and which governance practices are being used to maintain them. One might speculate that Chinese companies – despite their long history of transnational expansion through family and diaspora – are arriving in a context where they have to find ways to do business without the same scale of network support they have in Asia. Their arrival in Brazil may be
supported by the two national governments, but they must also deal with the possibly protectionist instincts of the local elite network who in turn control the organizations with which they may have to conduct their affairs in Brazil.

If there is a joint preference for network-based, relational organizing, then one might expect to see efforts to establish new networks in order to build the social capital and trust that would allow this type of governance to function (Carney, 2005). These encounters may present an interesting situation in which to observe the potential building of new or hybrid ways of organizing as the participants may work to combine foreign practice with legitimate local practice (Boxenbaum, 2006). Any such effort at combining practices may blend traditional elements from either context, as participants draw from their existing repertoire of solutions, or could display the influence of approaches to managing global business from outside sources (Campbell, 2004; Morgan, 2001).

If successful, the arrangements through which cooperation is achieved could lead to the formation of proto-institutions. Lawrence, Hardy & Phillips (2002: 283) define proto-institutions as “practices, technologies, and rules that are narrowly diffused and only weakly entrenched, but that have the potential to become widely institutionalized”. Thus, if participants in Sino-Brazilian commerce have found solutions in terms of organizational practices that allow them to overcome the institutional differences they face, there is the possibility that these solutions will spread to other organizations. Should they become widely accepted and adopted, they may then lead to changes in entire organizational fields.
In considering these differences between Asian and Latin American capitalesisms, it is important to keep in mind that these processes are taking place within a rapidly changing global context as well. Large firms from both Asia and the Americas have shown signs of abandoning elements of relational governance and moving towards market-based business practices. Accompanied by the establishment of strong institutions and functioning global capital markets, Chinese networks in Southeast Asia have demonstrated increasing hybridity where elements of traditional approaches to business are blended with both decreasing reliance on home country political alliances and increasing professionalization and bureaucratization of Chinese-owned companies (Yeung, 2004). Dieleman & Sachs (2006) noted that ethnic Chinese firms may move between relational and market forms of governing business development depending upon the context in which an opportunity arises and the time they have to react. These authors postulate, however, that it may the combination of these forms that increases value creation across environments. Furthermore, Carney et al. (2009) contend that these changes have led to Chinese entrepreneurs occupying a transnational space lying outside the institutional confines of any given state.

In the Americas, there have also been signs of change towards styles of management more reliant upon formal contracts than on personal connections as ‘multilatinas’ develop into modern transnational corporations (Martínez, Esperança & de la Torre, 2005). In the case of Brazil, Cyrino, Oliveira Jr., and Barcellos (2010) report that local multinationals have begun to incorporate management practices and know-how, acquired from their activities in other countries as well as through
interaction with foreign management teams based in Brazil, into how they conduct their daily operations.

Research within the varieties of capitalism tradition has conducted extensive research focused upon describing individual systems and then making comparisons among them (e.g. Redding, 2005), but has spent much less time on what happens when cooperation forms across them neither at the organizational nor at the societal level. As we have seen, however, theorizing on organizing through the lens of socio-economic approaches to industrial organization provides a basis for asserting that this current moment of transnational encounter and its organizational outcomes could yield novel forms of organizing or influence traditional elements of capitalism within a given place possibly leading to broader institutional change.

**On the question of legitimacy**

As organizations take action embedded within larger socio-cultural environments, any new relationships or organizational practices emerging from intra-BRICS trade may face challenges of their legitimacy. In his comprehensive review, Suchman (1995: 574) defined legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs, and definitions”. Given the differences in the traditional approaches to organizing between Brazilian and Chinese contexts, examining efforts to build organizational and societal legitimacy in their encounters may generate insights into the dynamics of within BRICS economic activity (MacDuffe, 2010). Given the sudden spike in new commercial and capital
flows, how are Brazilians coming to terms with the opportunities and threats many believe China represents?

Innovations often emerge in organizational practice as actors see a need to develop new ways of dealing with changes in the environment so that they can accomplish the tasks required for performance (Johnson, Dowd & Ridgeway, 2006). If the changes are successful, participants then engage in activities to legitimate their solutions, bringing them into the larger cultural landscape of accepted beliefs, norms and values (Zelditch & Walker, 2003). In this context, the active manipulation of symbolism and meaning may be used in order to frame contentious issues within existing normative frameworks to construct, maintain or repair legitimacy both to partners and to a wider public audience (Patriotta, Gond & Schultz, 2011). Whichever organizational governance practices are being used or developed by Chinese and Brazilian partners, the presence of these symbolic processes could be one way to trace their emergence, evolution, and possible rejection by those involved.

Legitimation may also be examined through the ways actors involved in organizing make sense of changes in the greater world around them given that actors may also gain or lose legitimacy by manipulating the larger environment (Deephouse & Suchman, 2008). Faced with an environment in which familiar practices may not work effectively, those meeting foreign participants in an emerging transnational space must make sense of what is going on, and once they have arrived at a tentative conclusion, then formulate actions, adapt coping
practices, or attempt innovative organizational responses to address new coordination challenges.

In organization studies, Weick (1979, 1995) has articulated *sensemaking*, theoretically from an interpretive epistemology, as an ongoing social process through which people enact and react to the world around them by giving meaning to their experiences. If conceived as such, then the institutional arrangements that make up a national business system or variety of capitalism shape and constrain its members’ actions, expectations, and interpretations towards certain taken-for-granted responses to situational cues (Beckert, 2012; Weber & Glynn, 2006).

Large changes to partnership possibilities in international commerce is the sort of ecological change that would trigger sensemaking, as those responsible are forced to deal with uncertain and unfamiliar events (Jennings & Greenwood, 2003). Das and Kumar (2010) have argued that sensemaking plays a central role in the evolution of international partnerships as interpretive frames rooted in national cultures shape participants’ understandings of difficulties encountered during collaboration. Framed through the conclusions to which they arrive as this process unfolds, they then formulate organizational responses drawing from within their own legitimated repertoire of solutions to the problem. This decision is then enacted in the transnational space and the feedback cycle continues for as long as the relationship lasts, potentially changing each time as new experiences and information come to light. Based on this argument, Figure 4 illustrates the general process that would take place as two new partners meet in the transnational space created by their joint activities.
During new or unexpected ventures, it is through sensemaking (and sensegiving) that participants arrive at a plausible story to explain what has happened in order to return to a more orderly world (Weick, Sutcliffe & Obstfeld, 2005) or to create meaningful opportunities for future action (Gioia & Mehra, 1996). Sensemaking allows those involved in new ventures a way to construct a justification for undertaking their actions despite lack of experience, high levels of uncertainty, or lack of legitimacy (Cornelissen & Clarke, 2010).

In summary, in the context of new transnational collaboration, participants are confronted with situations about which they must make judgments and decisions as they conduct their business. The legitimacy of new relationships and
possible new business practices depends on how participants come to understand their situation as shaped by the interplay of local and global institutions, local histories, and contemporary trends in management. Thus, an analysis of how actors legitimate the arrival of China into Brazil’s economic reality, as well as manifest opposition to it, will aid in examining the extent to which actors are attempting to naturalize and create acceptance for the development of new business relationships and organizational practices.

Considering the rapid growth in new interactions among the BRICS, these theoretical considerations lead me to two broad areas of inquiry regarding the organizational implications of these developments. The first area relates to the organizational structuring and practices potentially emerging from collaborations in Sino-Brazilian trade. How are organizations in Brazil impacted by the growing commercial relationship between Brazil and China? Are any new organizational actors emerging in this space? If so, how are they created and governed? How have extant organizations reacted to this changing environment? What organizational practices are emerging to govern the collaboration between Brazilian and Chinese firms? Have these changes impacted the larger institutional arrangements that shape capitalism in Brazil? The second area of focus is that of legitimation given that any changes to the ways business is conducted in a given society must be legitimated in order to be spread and survive. How do participants in the Brazilian economy legitimate China as a partner for Brazil and its firms? How do participants frame their understandings of China’s rise within the Brazilian context? If there are new organizations or business practices emerging in this context, how are they
legitimated? Which discursive elements are used in this process? What kinds of rhetorical strategies are employed in efforts to (de)legitimate any changes perceived as brought on by the arrival of China? In the next chapter, I present the methodology and data sources used to provide answers to these questions. Results and analyses of these explorations are then presented in chapters 5 and 6.
CHAPTER 4

METHODOLOGY

Informed by the varieties of capitalism and national business systems theoretical frameworks, and also addressing the formation of new transnational spaces, in the prior chapter I formulated my research questions as: *How are organizations in Brazil impacted by the growing commercial relationship between Brazil and China?* and *How do participants in the Brazilian economy legitimize China as a partner for Brazil and its firms?* My formulation of these questions takes a conceptual approach to organizing that sees it as an ongoing process situated within specific socio-historical environments. These environments, which have given rise to national business systems and legitimated taken-for-granted ways of doing business, are not stable, but ongoing accomplishments sustained by the actors involved.

One way to examine how individuals and groups make sense of the world around them, and the taken-for-granted rules of legitimated institutions, is through the narratives and discourses they use while talking about events in their workplace and the world around them (Currie & Brown, 2003). When confronted by moments of change, narratives are a means for members of a group to establish a shared subjective account of what is happening. This process is often not simple and linear, and may reflect the shifting interests and power struggles of those involved (Westwood & Linstead, 2001). In choosing different plausible elements to construct their narratives, individuals express their evaluations of the events to which they are ascribing meaning (Abolafia, 2010). As such, the study design described below
acknowledges the value of discourse and narrative as an approach that allows me to address the central questions of this dissertation.

**Data Collection**

With these assumptions in mind, I chose to collect data from three different sources. First, I visited companies and conducted semi-structured interviews with members of organizations directly involved in doing business with China. Second, I conducted fieldwork at international trade events in São Paulo where China was featured. I also had the opportunity to visit three Brazilian universities to speak with faculty members about Brazil’s relations with China. Finally, I collected archival data beginning in 2003 about Sino-Brazilian relations from both public entities and private sources; this period included President Lula’s first presidency during which he undertook intentional efforts to cultivate links with Beijing.

Most of the data collection for this project was conducted during the period from June 2012 to August 2012 in the industrial Southeastern region of Brazil, primarily in the Campinas-São Paulo metropolitan region in the state of São Paulo, and in greater Belo Horizonte in the state of Minas Gerais. These two states are located in the region that is both the heart of the Brazilian economy and the one in which most Chinese commercial activity is concentrated. Moreover, as the region in which I had lived during previous stays in Brazil, I had access to a network of personal contacts and organizations that allowed me to get started right away upon arrival in the field. Local contacts proved invaluable because attempts to cold call organizations, such as a Chinese cultural center in Campinas, were met with silence. In contrast, because of a contact at one of Brazil’s largest public companies, I was
also able to collect data during a visit to Salvador, Bahia. For reference, a map showing these locations is shown in Appendix A.

In selecting participants for the interviews, I decided to include people who had direct knowledge of interactions between their firms and Chinese partners, without privileging any particular hierarchical position. On the advice I received from various informants during a previous fact finding trip to South America in November 2011, I did not focus solely on any one industry or type of organization, but rather sought to include informants from various industries and organizations and attempted to get a broader view of the nature of newer business with China. As well, after reviewing the available literature, I came to the conclusion that there was simply not enough extant research to make an informed decision about excluding a priori any particular industry or group.

Because of the exploratory nature of the project, I chose to conduct semi-structured interviews. These kinds of interviews may “provide better access to interviewees’ views, interpretations of events, understandings, experiences and opinions” (Byrne, 2004). I conducted all but two of the interviews face-to-face, whether physically present or mediated by technology such as Skype™. I felt this was important in order to be able to interact with participants and delve deeper into the details of their answers, for instance, when some participants characterized the Chinese as “difficult to work with”, I was able to probe into the details of such instances and explore the nuances between different events and factors that led them to such assertions. Additionally, other researchers have noted the importance of context and paralinguistic elements in Latin American communication styles,
which makes direct interaction desirable (Jones, 2004). Sample questions used to start the interviews appear in Appendix B.

I began with a convenience sample of personal contacts who were doing business with China and then snowballed additional contacts through their acquaintances and business partners (Patton, 1990). Overall, I was able to gather information directly through 19 interviews in 17 organizations located in the states of Bahia (2), São Paulo (9) and Minas Gerais (6). Five of the interviews were conducted at corporate offices, ten were done in cafes or similar public places when it was more viable, and two interviews were done virtually with participants who were traveling on assignments in overseas locations at the time of the interview.

The sample set includes Brazilian multinational firms as well as subsidiaries of European and North American corporations operating in Brazil. It also includes small and mid-sized (SME) Brazilian firms. Several of these firms are run by entrepreneurs who had set up their ventures in order to work with Chinese partners as importers or distributors. Lastly, I also interviewed individuals from two cultural organizations that provide services promoting Sino-Brazilian commercial relations.

The interview process was granted IRB approval from UMass in June 2012. The informed consent form provided to the participants, which I developed with a Brazilian researcher to ensure compliance with both UMass and local norms, appears in Appendix C. When participants agreed, interviews were recorded for transcription. On the four occasions when this was not the case, I took detailed notes during the interview. In order to minimize problems associated with language and
translation in international research (Marschan-Piekkari & Reis, 2004), all the interviews were conducted in Portuguese, although some participants did use English business terms in their responses.

After each interview, I would take time to reflect on what I had learned, what themes were emerging, and my impressions of how the research process was unfolding. I used these reflections to modify questions or probe more deeply on certain topics as they came up in subsequent interviews. A summary of the interview dataset appears in Table 2. To guarantee the confidentiality assured the participants in the consent form, each organization has been assigned a letter code in the first column. For reference, this coding will be used to identify the participants in the rest of the dissertation. The next columns provide information as to the type of company e.g., Brazilian or foreign, large versus small or medium enterprises (SME), and what position the participant held in the organization. The length of the interview is indicated in minutes, as well as if the interview included a site visit to tour the firm’s facilities, and if I received any printed materials from the participants that was added to the data corpus.
<table>
<thead>
<tr>
<th>Org</th>
<th>Firm Type</th>
<th>Place</th>
<th>Participant</th>
<th>Date</th>
<th>Activity Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Multinational, Spain</td>
<td>Campinas – SP</td>
<td>Buyer</td>
<td>June 29</td>
<td>Interview (43:42)</td>
</tr>
<tr>
<td>B</td>
<td>Multinational, Brazil</td>
<td>Salvador – BA</td>
<td>Manager</td>
<td>July 6</td>
<td>Interview (46:15), Site Visit</td>
</tr>
<tr>
<td>C</td>
<td>Brazilian SME</td>
<td>Salvador – BA</td>
<td>Owner</td>
<td>July 8</td>
<td>Interview (37:18)</td>
</tr>
<tr>
<td>D</td>
<td>Multinational, Germany</td>
<td>Campinas – SP</td>
<td>Sales Manager</td>
<td>July 16</td>
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<td>São Paulo – SP</td>
<td>Owners (2)</td>
<td>July 21</td>
<td>Interviews (84:16), Site Visit</td>
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<td>Manager</td>
<td>July 22</td>
<td>Interview (39:02), Brochures</td>
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<td>Owner</td>
<td>July 28</td>
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<tr>
<td>J</td>
<td>Multinational, Canada</td>
<td>Belo Horizonte - MG</td>
<td>Engineer</td>
<td>July 28</td>
<td>Interview (37:22)</td>
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<td>Multinational, Germany</td>
<td>Belo Horizonte - MG</td>
<td>Buyer, Engineer</td>
<td>August 1</td>
<td>Interviews (112:07), Site Visit</td>
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<td>L</td>
<td>Brazilian SME</td>
<td>Itajubá - MG</td>
<td>Owner</td>
<td>August 2</td>
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<td>Manager</td>
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</tbody>
</table>
At the outset of this project, I was curious about how Sino-Brazilian collaboration begins and the process that unfolds when potential partners first meet. As such, the second approach I used was participant observation at international trade events in São Paulo that featured China. Prior theorizing had identified such events as key to the formation of new organizational fields (Lampel & Meyer, 2008). I hoped that these observations would complement my interview data through access to events unfolding in their normal setting (Sharpe, 2004). As discussed in the first chapter, Chinese activity in Brazil is focused around agriculture, food, energy and natural resources. I therefore identified large public expositions in São Paulo where these industries were slated to include large Chinese delegations and exhibitors: the SIAL food and agricultural exposition (June 2012), the EnerSolar+ Green Energy Conference (July 2012) and the Brazilian Consumer Electronics Show (August 2012).

While attending these shows, I was able to observe interactions between delegates in the exhibition space and during the event sessions as well as interact directly with the attendees and exhibitors to conduct additional interviews on site. In particular, I paid attention to who was in attendance, how contact was initiated, verbal and non-verbal communication during the observed interactions, and what were the results – or non-results – of these interactions (Eriksson & Kovalainen, 2008). In this public space, I was able to take photos, collect archival and media data, and take notes immediately after observing interactions. While at the events, I also had the good fortune of interacting with other graduate student researchers.
from two other universities in New England and compare notes on what we were seeing as well as discuss how the research process was unfolding.

As all processes of legitimation rely heavily on communication, I decided to address the question of organizational and social legitimacy using critical discourse analysis (CDA) to look at norms and traditions that may constrain or enable the activities of the organizations involved. There is ample support for such an approach in the literature (e.g., Vaara et al., 2002; Joutsenvirta & Vaara, 2008; Castelló & Lozano, 2011) as it has been widely used to explore the interplay between global economic priorities and local business norms.

CDA asserts that language and discourse are a social process that requires the analysis of “texts, processes and their social conditions” as language use is molded by immediate situational cues as well as the institutional order in which an interaction takes place (Fairclough, 1989:60). The model for this analysis typically includes description through textual analysis, interpretive analysis, and explanation through the examination of relevant socio-historical factors. It is thus well suited for examining the taken-for-granted assumptions on the social, political and economic aspects of public life that may impact the acceptance of new organizational practice (Vaara & Tienari, 2002). Discourse, including language, symbol and text, when situated within economic, social, historical, and political contexts, provides a lens through which to explore how people know reality, make decisions, and justify their actions (Boje, Oswick & Ford, 2004).

Following the guidelines proposed in Leitch & Palmer (2010), and inspired by prior work by Fairclough (2010), I accessed sources to build the discursive
corpus I used for analyzing the legitimacy question. These sources included the results of my interviews, publications and social media from private corporations, materials gathered while at the trade shows, and archival materials from public media sources and government agencies. During most of my stay, I was fortunate to have had access to the libraries and databases of the Universidade Estadual de Campinas (Campinas State University), one of Brazil's leading research universities. A summary of this dataset appears in Appendix D.

As with any empirical study, several limitations to this design must be acknowledged. By its nature of reported experience, one cannot assume that all of the information provided about what people do or think during an interview is necessarily what they do or think. As well, they may be sharing their experiences and opinions only partially (Taylor & Bogdan, 1998). Both during interviews and observations, there was an effect of my presence as a researcher from a foreign university interested in a particular topic. The most common evidence I have of this observation is that during interviews, participants would begin their answers with phrases like,

“Olha, somos um pais em desenvolvimento....”
“Look, we are a developing country....”

“Bem, você sabe como é o Brasil, né....”
“Well, you know what Brazil is like, right....”

I perceived these introductory phrases as examples of impression management the participants used while giving their answers. However, as these phrases would tend to indicate that they believed I had an appreciation and understanding of the
context, I do not believe that they held back too much in their interpretations of their experiences.

A challenge I was unable to overcome while in the field was the near impossibility of obtaining data from Chinese participants despite trying to gain access both at public events and through Brazilian contacts. The other researchers from the United States mentioned above also had problems around this issue. One said to me,

“...if you do not use the word ‘buy’ while you are introducing yourself, they will simply turn their backs to you and walk away.”

I discussed this issue with Brazilian faculty members while visiting two different universities who told me that they have had similar problems. Apparently, even the police in São Paulo have been unable to solve crimes in Chinatown due to the insularity of the community, so no one in Brazil was particularly surprised at my predicament.

**Data Analysis**

Once the final dataset was assembled, I coded for themes and processes related to the areas of inquiry. I chose to use Dedoose™ to help manage the coding process. I did not use any of the program's automation features though, for I preferred to work more directly with the data. My approach to coding was guided by the thematic analysis that had emerged while in the field as well as other concepts that became apparent while revisiting the data over time. In keeping with Silverman’s (2001) suggestion to look for *how* and then *why*, coding for the first set of questions around organizational governance focused on the following:
• how the participants approached and framed meeting new Chinese partners;
• how business relationships started (or failed to do so);
• descriptions of organizational practices for governance and problem solving;
• explanations for challenges, successes and failures organizations faced;
• how activities are interpreted vis-à-vis local and global business norms;
• how participants evaluated China and its role in the Brazilian economy.

To address the second set of questions around legitimation, scholars have developed analytical frameworks to examine legitimacy during the emergence of new social practices. I followed these models from the studies cited earlier when coding the concerns of the interview participants, the rhetoric of government agencies, and contextual factors such as economic conditions, local history, and public policies statements, insofar as these related to legitimation or possible underlying contestation.

In particular, I followed the discursive strategies proposed by Vaara, Tienari and Laurila (2006). Their framework assumes that the discourses available to actors in a given context frame the contours of the sensemaking and sensegiving processes that may lead to an increase or decrease in legitimacy (Vaara & Tiernari, 2008). They have proposed five rhetorical strategies used in this process. **Normalization** is the use of descriptions through which actions or practices are made to seem as a normal fact of life. **Authorization** is the use of figures of power or status, be it the position of a person, an expert, or another organization. Calling attention to the utility or advantageous function of an actor, object or practice is **rationalization**; an appeal to values is a **moralization** ploy; and the final tactic, **narrativization**, is the
dramatic portrayal of heroes, enemies, winners and losers in stories used to shape interpretation. These different strategies may be used individually or in combination to support efforts to (de)legitimize social actors or organizational practices during times of change.

In the next two chapters I present the analysis of the dataset. First, in Chapter 5, I use the narratives of the participants to examine how and why they have reacted to the challenges of doing business with China. I find that the evaluative outcome of their view of China plays a role in the different kinds organizational adaptations undertaken by the firms. These adaptations are then considered through the institutional lens of the literature on comparative capitalism. The legitimation of these adaptations – and of the arrival of China in general – are then addressed in Chapter 6. In the final chapter, I reflect on these results vis-à-vis extant literature on institutional theorizing in international management, our understanding of transnational collaboration, and the future of BRICS integration.
CHAPTER 5
BUILDING THE BRICS

Although it is the recent increase in trade and investment relations between Brazil and China that has received so much fanfare, these linkages do in fact have a longer history. For instance, during the military dictatorship (1964 – 1985), the Brazilian government imposed various trade restrictions designed to promote domestic industry although like all impediments to trade also resulted in higher local prices for some items. Thus, when I asked a participant about his impressions of Chinese businesses, he told me that he vividly remembered that as a child growing up there was a couple – he believed Taiwanese – who smuggled suitcases filled with clothing, toys and other household trinkets into Brazil via Paraguay. This couple would then go door-to-door selling their wares, reappearing every few months with a fresh batch of goods from China. Once the trade restrictions were lifted, the same couple settled in Brazil and opened a shop in the center of town called A Flor da China (The Flower of China) which operated for decades until it closed around the 1990s, when the couple apparently retired and returned to Asia.

This vignette illustrates just one of the ways that connections between Brazil and East Asia have taken place and evolved in the past. As such, the recent surge of Chinese commercial presence in Brazil does not arrive to a blank slate. Rather, Brazilians considering business ventures with Chinese partners potentially have in mind stories like the one above as they begin their endeavors. How do they organize collaborations with partners from the new strategic and global powerhouse who used to arrive with goods in suitcases? This chapter explores questions related to
organizational implications of increased Sino-Brazilian trade and investment for organizations in Brazil. In light of this, are any new organizational actors emerging in this transnational space? If so, how are these organizations created and governed? What new organizational practices may be emerging to shape collaborations between Brazilian and Chinese firms? Are any new organizational practices becoming sufficiently widespread that they might be considered (proto-)institutions?

Given the theoretical and historical factors discussed earlier in Chapter 2, one could postulate, for instance, that these new partnerships would employ facets of relational or interpersonal forms of organizational governance. This manner of coordinating commercial relations has longstanding prominence in both societies. Moreover, given the prominence of networks in both traditions, one could suspect that there would be evidence of new networks forming between the Brazilian business elite and the Chinese entrepreneurs who arrive in São Paulo.

To analyze these issues, I looked for commonalities and patterns in the data to create a typology of organizational responses among firms in Brazil doing business with China. Two areas stood out that differentiated my participating organizations into groups with similar tendencies. The first was the extent of organizational adaptation that participants reported to make business with China possible i.e., different choices of structure and practice used to meet the challenges of doing business with new Chinese partners. I classified the sample firms along an axis that characterizes different levels of adaptation, ranging from failing to create any meaningful relationship with Chinese partners, to the middle of the axis where
firms have undertaken some adjustment to do business with China, to the far right end of the axis, representing the highest level of adaption, including those considering the creation and design of firms to take advantage of the opportunities offered by the Chinese economy.

However, the participants were also appraising the desirability of doing business with Chinese counterparts and the growing partnership between Brazil and China. These appraisals constituted a second axis for analysis, ranging in a continuum from negative, to neutral, to clearly positive evaluations.

Once I had organized the sample by these two dimensions, four general clusters or patterns emerged which I have named Resistors, Reluctants, Pragmatics and Entrepreneurs. Figure 5 illustrates where the organizations in my sample fell along these two dimensions at the time of the interview. I have separated the different groups with curved, dotted lines to portray the dynamism and potential instability of the commercial environment. The situation is far from settled and it is certainly possible that firms may move from one group to another over time. Moreover, I make no claim that this is a definite set of possibilities, as there could be other configurations that did not emerge from my data.

To clarify further, given the exploratory nature of this study, the figure that emerged from these two axes are simply a heuristic I developed to make sense of the participants’ responses out of a mostly open ended interviewing protocol and other fieldwork data collection activities. I did not intend this to signify a formal quantitative data analysis nor a predictive or prescriptive representation of my
arguments. However, as I will discuss in the conclusion, these findings do represent a significant initial step for future research.

**Figure 5 Organizational Implications of Sino-Brazilian Relations**

Next I present the characteristics of each of these groups to explore the narratives that demonstrate the interplay between their organizational choices and their assessments of Global China.

**The Resistors**

For all the attention that the successful rise of the BRICS has received in the popular press, we would be amiss to assume that these processes are easy. The first participants I will discuss, who I have named the Resistors, are those who have failed to participate in creating any productive links between Brazil and China. Based on their stories, I argue that the reason these linkages have not come to
fruition is that the differences between the participants’ expectations, derived from the norms of their different business systems, have impeded any possible progress. The resulting negative experiences have led to pessimistic appraisals of both future opportunities and China's role in Brazil's economy. While I had only had the opportunity to interview one person who had failed, I am quite certain that there are other firms who have had similar experiences based on field observations at the trade show which I will share after talking about Firm C.

While in Bahia, I had the opportunity to interview Firm C, an entrepreneur who expressed immense frustrations in his attempts to create deals with a Chinese partner. He had tried on several occasions at trade shows to find a new source in China to import bulk quantities of the metal bars and sheets that the company custom cuts for the construction industry. In this case, the attempt to establish relationships was thwarted by seemingly very different ways of beginning the relationship. As he summarized the case,

‘Ficou impossível fazer o negócio. O senhor da China só tinha um catálogo no stand, mas ele queria uma ordem de imediato sem mostrar-me uma amostra nem me dar os preços exatos.’

'It became impossible to do any business. The gentleman from China only had a catalogue at the booth but he wanted an order right away without showing me a sample or even giving me exact prices.'

- Business Owner, Firm C

In this case, the acceptable ways of even getting a relationship established were too difficult for the participants to overcome despite the possible economic benefit. The idea of placing an order without having handled the merchandise or receiving a firm price list, both of which would be standard procedure between Brazilian companies,
was unfamiliar and frustrating enough to derail the potential deal. While this is a single data point, and reflects my sampling strategy of searching for firms doing business with China, I have included the category to illustrate an example of unrealized potential.

I witnessed similar instances of differing expectations about how to start business deals while visiting the trade shows in São Paulo. For instance, Brazilian participants expressed frustration at the lack of “sincerity” when I attended the EnerSolar+ Green Energy show. Given Chinese dominance in the manufacture of certain renewable energy components, such as solar panels, there were numerous Chinese companies at the show and a constant stream of Brazilian business owners who were trying to meet them. As it turned out, “trying” was about as much as many of these interactions achieved.

There was obvious intent among Brazilians to build connections. As China was the featured country of the show, the entrance was decorated in Chinese motifs like lion statues on each side of the doorway. There was Chinese music playing softly at the entrance. Some of the Chinese company booths had large signs draped across that back that had phrases like “Looking for a Partner”, though most of these were in English rather than Portuguese. In the middle of the exposition hall there was a red and gold pavilion to showcase China’s accomplishments in renewable technology and its considerable product offerings in solar power.

Despite these efforts, most of the interactions were fraught with difficulty. To the Brazilians in attendance, it seemed that the Chinese had only come to São Paulo with the intention of gathering business cards. In many booths, there was only a
young woman in business attire with a shoebox whose cover had a slot cut in it. Upon approaching the booth, these young ladies would indicate that one should drop the card in the box and then gesture at some available brochures for their products. Having heard of this tactic during an interview, I decided to drop my card into one to see what would happen. Within a week I received an email offering products at promotional prices. Other messages with offers and product availability for shipment came weekly for about a month and then stopped.

While leaving this particular trade show, I was with some Brazilians attendees in a shuttle bus from the exposition center back to the nearest subway station. Two businesspeople in the shuttle were talking about their impressions of the show, and one of them summed it with the comment,

“Nunca falei tanto inglês na minha vida ...
thank you, thank you e sorry, sorry”

“I have never spoken so much English in my life....
thank you, thank you and sorry, sorry”.

- Attendee, EnerSolar+ Show

The participant was clearly annoyed that the Chinese had not come to do ‘serious’ business or make contacts. He had hoped to gather more information and ask questions about the products, but in addition to language issues, many of the people in the booth did not seem prepared to answer in depth technical questions or to conduct sales negotiations. The overall purpose of meeting vendors at the trade show may have been the same for both groups i.e., to gather information and create a list of potential partners, but from the Brazilian perspective there were clearly
expectations about the appropriate methods used in the exposition center and what they should be able to accomplish while attending the event.

This first group represents the segment of the economy that has had the least success participating in the process of BRICS integration. They demonstrate the possible complexities of organizing in a new transnational space. The business owner and those at the trade show are unable to connect with possible partners because the actions of the Chinese do not fit into the ways of doing business to which they are accustomed. As such, their appraisals of the future for Sino-Brazilian relations point towards a frustrating and difficult road ahead for all involved.

**The Reluctants**

The second group in the typology consists of firms doing business with China out of pure necessity even if they would prefer not to do so. Firm D cited primarily economic reasons for wanting to reduce the firm’s dependence on sales into China, which at that time accounted for 20% of the firm’s sales worldwide,

“A China depois da crise está entrando em uma briga de preço que a gente não quer entrar. A gente leva em consideração contrato, e para o nosso negócio, o relacionamento de longo prazo e a gente não consegue enxergar isso lá.”

“After the crisis, China is beginning a price war that we do not want to enter. We take into consideration contracts, and for our business, long-term relationships, and we have been unable to see that there.”

- Sales Manager, Firm D

In Firm P, I spoke with an electronics engineer working as an IT consultant who was responsible for the design and support of projects that involved Chinese suppliers as they have the lowest cost products. He had already been sent to China several times for technical training so that he could provide after sales services to
customers in Brazil who had chosen products made by the Chinese manufacturer.

When I asked about the nature of their collaboration, he retorted,

‘Quando eu fui pra China, eles não queriam me mostrar nada...como se tivessem medo do que a gente iria ver ou aprender algo ...pura desconfiança.’

‘When I went to China, they did not want to show me anything...it was as if they feared we would see something or learn something...pure distrust.’

- Engineer, Firm P

He was upset that the Chinese were not only preventing him from acquiring the knowledge he needed to do his job properly, but also that they were not fulfilling his norms of what support partners should be willing to provide. Furthermore, there was a sense of personal insult as well because of the way he was treated on site. The different expectations of what a host firm should do with visitors from a partner firm clearly became a source of conflict. He commented that when the Chinese come to Brazil he does everything he can to make them feel welcome and would not openly deny them access to what they needed to see to expand their business together.

Firm K has been active in the Brazilian market for decades. Its ownership has changed several times, but for the most part, the firm's headquarters have been in Europe. As the Brazilian operation is one of the largest and oldest subsidiaries, it has enjoyed a certain degree of autonomy for many years. The firm is a worldwide player in the metallurgical industry, selling and building capital-intensive equipment with any given sale taking about 3 years with an average price around USD 300 million. Since the economic slowdown in the wake of the 2008 financial
crisis, sales other than replacement parts and maintenance have been slow, while competition from other firms, in particular Chinese providers, has been on the rise.

Since 2005, the entrance of Chinese firms has been a major challenge for the firm. These competitors use price to entice buyers. While most acknowledge that the quality and technology are inferior, the lower price in the short term has driven demand in that direction. The purchasing manager blamed the situation on lower labor costs, fewer regulations, and the active role of the Chinese government in subsidizing any parts manufactured for export. As such, faced with declining sales and market share, Firm K has had to find ways to adapt to the situation. As one engineer said,

“Todos sabem que o padrão de qualidade não é o mesmo, mais você não pode só deixar. A gente tem que acompanhar.”

“Everyone knows that the quality standard is not the same, but you cannot just let it [the business] go. We have to keep up.”

- Engineer, Firm K

As an organization, the Brazilian subsidiary was forced to undertake several initiatives, and not all voluntary, in order to deal with the challenges presented by Chinese firms. The first was to outsource manufacturing of projects to Chinese suppliers. The engineers in Brazil and Europe created detailed plans for each part that was required for a project. When the plan was done, however, the inspection team found that most of the 10,000 tons of parts produced were wrong which resulted in the costly suspension of the construction project on site and the remanufacturing or correction of the parts.
In response to this experience, the buyer from Firm K explained that the firm created two entities in China. Due to differences in the legal environment, a trading company was opened in China to deal with these issues. Echoing the story of the entrepreneurs in the first firm, this company has also found that problems must be dealt with before the materials leave China. As such, they also had to open an inspection and reparation plant in China that employs 30 people whose responsibility it is to go over all of the components before they leave for Brazil.

The second decision was to change the outsourcing strategy to only the simplest parts and components. Interestingly, when the firm designs new projects, they now do so with Chinese norms in mind to avoid the problems that arose when they requested parts built to Brazilian standard designs. Second, the actual technology that runs the machinery, created in Brazil or Europe, is not shared with Chinese suppliers. As they no longer consider the savings worth the risk and hassle for these key components, the most complicated parts are now made locally or in Europe.

While the engineer spoke about culture and language as barriers to getting business done properly, he also noted that Brazilians are curiously still better off than Americans or Europeans. One of their Chinese counterparts had noted that the latter two arrive in China ready to order people around, while Brazilians arrive on a friendlier note, less arrogant, and ready to use their own jeitinho in order to get things done, which plays favorably with the Chinese once they get to know each other. On the other hand, they also felt the Chinese were unwilling to accept
problems, so one has to arrive prepared to defend one’s own interests to guarantee that objectives are met.

When asked about the future both, the engineer and the buyer from this firm, agreed that Brazil and the Americas still represent the market with more potential. As China’s costs rise, Brazilian products will again become the most desirable. While the purchasing manager acknowledged that it is unlikely that 100% local production will ever become viable again, they look forward to reducing the amount of Chinese content as much as possible. However, they also echoed other interviewees in complaining that Brazil’s tax structures, local corruption, and underdeveloped logistical infrastructure will all need to improve for them to realize this potential.

Together, these narratives provided by the firms who are unwilling partners with China paint a picture of necessity. In their view, China is seen as a factor they simply need to deal with until a better option or substitute becomes available. Firms D and P actively seek to reduce their activities in the Chinese market as much as possible. Firm K has had to make costly organizational changes in order to deal with the shortcomings of its Chinese suppliers.

**The Pragmatics**

With the exception of Firm N, all of the firms in this group are large multinationals, either Brazilian or foreign in origin. These organizations expressed a very matter-of-fact attitude towards their relations with China. The overall impression from the interviews is that China was just one more place where they do business that did not present more difficulties than other places. Firms B and G were
involved with similarly sized state-owned Chinese partners. Firm B acquired links through government directives after the two states agreed upon trade and investment agreements. Firm G had only just begun purchasing equipment from China at the time of the interview but had had little problem getting started once the decision had been made. Firms A, D, J, M and O had become involved with China through strategic directives or cost necessity initiated by the foreign home office.

Firms A, B, G, J and M all had a “bridge”, for example, an employee in the organization who manages the relations between the Brazilian office and overseas suppliers in China. When I asked how the firm tackled problems when doing business with Chinese partners, Firm G responded,

“Temos uma unidade de nosso escritório em Shanghai assim nossa supervisão fica mais fácil. Uma grande equipe nos apoia. Uma vez por semana fazemos uma video conferência com nosso fornecedor. As reuniões são conduzidas em inglês mas em nossa equipe temos um engenheiro que é chinês e nos ajuda bastante nos esclarecimentos técnicos. Ele é fluente em mandarim, inglês e português. O único problema que temos às vezes os prazos acordados para as entregas de engenharia não são atendidas.”

“We have a unit in our Shanghai office so our supervision becomes easier. A large team supports us. Once a week we do a video conference with our supplier. The meetings are in English but on our team we have an engineer who is Chinese and helps us a lot clearing up technical issues. He is fluent in Mandarin, English and Portuguese. The only problem we have sometimes is that the agreed upon time periods for engineering projects are not met.”

- Manager, Firm G

For the most part, these large firms were involved with China for purely commercial reasons, though there were a few other rationales provided. For example, in one case the commercial sourcing between China and Brazil was motivated by the lack of environmental protection in China. For example, one
chemical manufacturer interviewed produces a product made from a mix of natural materials available in Brazil with Chinese metallic chemical products that produce pollutants. When I inquired why, the buyer responded,

“Compramos quimicas metálicas da China principalmente porque podem gerar poluição que tem que jogar no Yangtze.

“We buy the metallic chemicals from China principally because they can generate pollutants that need to be thrown into the Yangtze River”.

- Buyer, Firm A

He went on to explain that it would be very difficult to produce these components in Brazil due to local legal regulations and the lack of some of the raw metals, so they are purchased from China instead where firms are able to make components of any quantity or quality seemingly without any hassle at all. In this case, the organizational reaction to access to the Chinese market is one of institutional arbitrage rather than purely economic motivations. Due to the relative size of the chemical company’s business in Brazil, the firm does not usually deal directly with the Chinese suppliers. Instead, they interface with groups of Chinese trading companies located in São Paulo who import large quantities of the materials required by the firm and its competitors, both Brazilian and foreign. On the other hand, the headquarters in Spain goes through the company’s Macau branch office in order to interface with China when the same goods are required for manufacturing in Europe. This type of arrangement adds complexity to efforts to understand the bilateral relationship between Brazil and China in its entirety. Goods, services, capital, and professionals are not only flowing directly between the two economies, but also from China through intermediaries in Europe and North America.
The story of Firm N represents a more problematic story of partnerships between Brazil and China. The firm is a local company that has been importing heavy machinery for the construction industry for over forty years. Through the evolution of its own operations, the firm has witnessed changes in trade patterns as its primary suppliers have slowly shifted from Europe and North America to suppliers in the Pacific Rim.

This company was among the first to import Chinese heavy construction equipment to Brazil. The firm had had an exclusive partnership for sales in the southern half of Brazil with a large state-owned Chinese supplier, which he described as “um monstro, dinossauro de companhia/a monster, dinosaur of a company” whose installations are the size of a small city. The partnership went very well for about eight years. Engineers and salespeople from both companies would travel back and forth to engage in training but eventually the Brazilians found that the relationship was not entirely reciprocal. While they welcomed the Chinese to their offices and sales visits, when Brazilians went to China they would only be shown the final assembly line. All of the other areas of the facility would be off limits, no questions, no cellular phones, no cameras, etc. and everything happened very slowly. As such, while the partnership was financially successful, they described the Chinese as being “muito fechado/very closed” and difficult in negotiations.

However, in the last year, the Chinese company decided to open a factory in Brazil and open its own sales offices, which Firm N interpreted as a violation of prior agreements. The Chinese firm then offered employment to all of the sales and
trained technical employees at Firm N seen as an attempt to highjack the workforce that already knew the market and products well. In addition, Firm N believes the Chinese plant began to copy innovations that they had offered to them. In order to put additional pressure on the competition, the Chinese company uses a Chinese state bank to offer interest rates and payment plans that are unavailable among Brazilian financial institutions. Given that some of the largest customers are Brazilian state firms, the management team has come to the conclusion that some of this change was due to intergovernmental initiatives. Lacking the political contacts to file an effective complaint, the firm has thus far been unable to recover any damages from the broken partnership agreement.

From these recent events, Firm N has become rather pessimistic about the opportunities available to midsize firms working with China. Given quality problems – particularly in control electronics – the firm hopes to work with Taiwanese suppliers for most of its equipment needs, supplemented with high quality accessory items from Europe and the USA in order to compete. The only relations with China are now through an export-import trading house in Shanghai that provides spare parts for the maintenance and repair of the Chinese equipment the firm already sold and needs to support.

The Pragmatics includes a diverse group of companies doing business with China. The companies profiled were selected to represent general trends within the cluster. Most of them had undertaken a moderate amount of organizational change in order to accommodate their Chinese counterparts. The exception would be Firm A because it met these needs through trading houses, but its actions are still
characteristic of employing a sort of bridging mechanism to meet the challenges of
the transnational space. While they have not all come to the same position on China
through their diverse experiences, what characterizes this group is a realist sense
that China is here to stay. Even Firms O and N who had the most negative appraisals
still intend to do business with Asian suppliers. This outlook separates them from
the Resistors who would prefer a regional positioning rather than a global approach.

The Entrepreneurs

In contrast to the other three groupings in Figure 5, the entrepreneurs
represent a radically different interpretation of growing relations between Brazil
and China. With the exception of Firm L, all of these organizations have been created
due to the economic opportunities that China presents. While the road may not have
always been easy at the beginning, they tend to embrace the potential of the
bilateral relationship and focus much more on the positive sides of doing business
with their new partners.

Firm E is a mother-daughter entrepreneurial team that has built a successful
small business, which is, at present, completely dependent upon China for its
existence. The business is based on the import of handbags, purses, belts, wallets
and small suitcases from China. The development of this business is illustrative of
the broader changes in the world economy brought about by China’s ascendance as
the workshop of the world.

The history of this firm starts with the mother of the team selling purses in
the streets of São Paulo. Over time, she saved enough money to invest in a small
storefront on one of the city’s most famous shopping districts, along the Rua 25 de
março (March 25th Street) where immigrants, primarily from the Middle East, and more recently China, have wholesaling operations. While she had originally bought most merchandise from Brazilian companies to retail in the store, about seven years ago this became increasingly difficult as importers began bringing cheaper goods in from Asia and selling directly to the customer. Faced with this situation, the daughter decided to go to China with the help of a Chinese immigrant family friend, who ran the next store down the street, to see if they could also buy directly from the factory.

“Porque hoje em dia a importação China tá muito próxima de qualquer pessoa, você fala quer ir pra China, você pega um avião o que tem de brasileiro, pessoas que nem sabe onde fica a China. É muito fácil você ir pra China hoje. E aí a gente começou a comprar, e percebeu isso, e falei que a gente precisa ir.”

“Because nowadays importing from China is available to anyone, you say you want to go to China, you get on an airplane and there are so many Brazilians, people that do not even know where China is. It is very easy for you to go to China today. And so we started buying, saw this, and I said we needed to go.”

- Owner, Firm E

Today the company purchases from five different Chinese manufacturers in two different cities. They described their relations with the suppliers as relatively straightforward; orders are placed, paid in advance in cash, and then ship a month later. While the operation today seems to hum along smoothly, there were several bumps along the way. These entrepreneurs had problems with manufacturers sending the wrong designs and poor quality merchandise. As these problems were frequently discovered only after the goods had arrived in Brazil, the company was unable to fix the merchandise or get any sort of monetary compensation from the
manufacturer who had erred. The Chinese factories have so many orders that they are simply immune to threats to move business to a competitor.

"Porque se eu não sei quem tá do outro lado, o chinês é muito pilantra, ele pode colocar pedra no contêiner, se nenhum problema, você pagou ele não tem o menor escrúpulo. Ele coloca pra você, você comprou um produto, ele te manda outro produto. Nenhum problema quanto a isso, a gente que não quer (ininteligível), se a gente quiser não precisa ir na China, mas queremos a confiança, mesmo fazendo isso, já não sabe se vai ser certinho."

"Because if I don’t know who is on the other end, the Chinese are crooks, he could put a stone in the container, without any problem, you paid, he does not have the smallest scruple. He places the order for you, you bought a product, he sends you a different product. If we don’t want to go China we don’t need to, but we want trust, though even doing this, you don’t know if it will go correctly."

- Owner, Firm E

Due to this situation, with the help of the same family friend who helped them initially, they eventually had to set up an office in China to handle all communications with factories there and to inspect all of the items before they are loaded onto ships for transport.

Despite the company’s success, the owners are wary about what the future may hold due to a variety of factors, some related to costs and currency valuations, and others related to national politics regarding relations with China. At the time of the interview, they were investigating other sourcing options in Bangladesh, India and Vietnam. When I asked about producing the goods in Brazil, they laughed at the idea. It is easier to travel to the other side of world and deal with the challenges there rather than take on the myriad of problems that opening a factory in São Paulo would entail!
Firm H is a new Brazilian start up that wants to buy and sell large furnaces and other heavy industrial equipment typically used in waste disposal. Like other foreign entrants before them who have gone to China, the lack of local connections soon became problematic. The firm hired a local manager who they liked, taken away from a former supplier in Hong Kong, because this manager had the necessary political ties to close deals. When I initially asked about opening an office in China, one of the partners explained,


“If we don’t have an office there, nothing will happen. Nothing. How am I going to use this office in China? We are already in China, already with a virtual office. That’s how it is. Next idea, we are going to start selling, start looking around... in two years we imported just one tractor. It was not even a tractor. It was a concrete injector. We did not do anything. You know what nothing is? Nothing. Just contacts. Airline tickets here and there for contacts, contacts, contacts.”

- Owner, Firm H

At the time of the interview, the company had been pursuing trade with China for about three years. Despite considerable enthusiasm for the possibilities, the participant admitted that much time and money had been wasted on the efforts due ignorance of how the system in China worked and the necessity of local support. Registering a company in China – even if it is just a phone line, one employee and a rudimentary web site – had already generated more business in six months than in the previous two years without such a presence.
Firm L is the only member of this group that was not formed specifically in response to the growth of China. An established firm that has been in the retail sector for decades, its owner had interesting comments comparing how he does things in Brazil versus what happens when he does business with China, demonstrating how differences in governance practices play out in interfirm relationships,

“É bem formal, assim, em termos de documentação, não existe o negócio...aaa... arrume aí pra mim, vê depois...é tudo muito claro....muito diferente da relação, uma relação que no Brasil você faz o pedido por telefone, o cara entrega aqui e depois a gente discute o pagamento, né, o que acontece com alguns fornecedores aqui. Lá não, lá é tudo antecipado, bem formalizado, bem escrito e dinheiro tem que tá na conta.”

“It is all very formal, as such, in terms of documentation, the business of...fix it for me, we’ll see later, does not exist...it is all very clear...very different from the relationship, a relationship in Brazil where you order by phone, the guys delivers it here and then we discuss payment, no, which happens with some suppliers here. Not there, there everything is done ahead of time, very formalized, well written out, and the money has to be in the account.”

- Owner, Firm L

Similar to L, all of the small companies I interviewed described the process of managing business with their Chinese suppliers as very straightforward and rigid, starkly different from what they would do in Brazil. Orders are placed, paid for in advance, either in full or a substantial percentage, at which point the production process begins. Even those who had been doing business with China for sometime were generally unable to convince their partners to change these arrangements in hopes of gaining more flexibility.
The rise in commercial activities between Brazil and China has also led to the creation of a variety of cultural and trade organizations based primarily in major Brazilian cities that aim to cultivate and improve relations between Brazil and China. Some resemble chambers of commerce or boards aiming at making trade deals while others are more focused on intercultural affairs and language training. With a national network of institutes and trade promotion officers, Firm F is an example of an organization that blends both goals because, as the manager stated simply, “O pessoal nem sabe onde começar! / “People don’t even know where to begin!”

Founded by a Brazilian of Chinese heritage nearly 25 years ago, Firm F began to prosper and expand about ten years ago with the emergence of cooperation among the BRICS. Today the firm is engaged in four areas of activity in order to promote Sino-Brazilian relations. It acts as a bridge between firms through a service that matches Brazilian business people and investors with Chinese firms that may meet their needs. It also assists companies who are hosting Chinese delegations. Second, the education branch offers business, cultural and language training to those who want it, interpretation and translation services, and holds information fairs, business roundtables and Chinese cultural events in major cities. Third, there is an internal travel agency that helps Brazilians obtain necessary visas and takes care of travel logistics in China for company visits.

The final area in which the organization is very prominent within the national business community is its organizing trips of Brazilian delegations to the Canton Fair, the world’s largest wholesale event, which takes place twice a year in
Guangzhou, China. It is an ideal entry point for those unfamiliar with or intimidated by the Chinese market as thousands of Chinese manufacturers in all industries are gathered all at once and there are support services readily available to make business happen. Through the division that organizes these excursions, each year approximately 400 Brazilians interested in doing business with Chinese partners use the organization's other departments to handle the travel logistics and visas as well as to make initial contacts with potential Chinese partners.

Firm L had been to Canton through the service of Firm F. He added that a large advantage to going to Canton, beyond being able to negotiate directly with potential suppliers, is the opportunity to set up a contract with an auditing company that investigates the potential suppliers to make sure the companies actually exist. The audit usually offers the potential buyer in Brazil a corporate profile that includes the Chinese company’s size, how the long the company has been in business, legal disputes, etc. As stories abound in Brazil of companies being duped by fake corporations in China, who accept prepaid orders but then never deliver the goods, meeting real people and conducting background checks are considered important first steps towards doing business with China.

The experiences of the entrepreneurs provide a window to see how those most active in building the BRICS have attended to the opportunities these integrative efforts offer those in Brazil. Their experiences demonstrate how even China’s most ardent supporters have experienced troubles in building their companies. Through experimentation with different approaches and solutions, this group has overcome the challenges of the transnational space to build new
relationships and start profitable organizations. They generally promote the opportunities available in China, at times portraying it as an adventurous venture with limitless possibilities.

**Discussion**

This chapter has presented samples of how Brazilian organizations are working with Chinese firms. Table 3 presents a summary comparison of the findings of the four types of organizational responses identified.

**Table 3 Summary of Organizational Implications**

<table>
<thead>
<tr>
<th>Group</th>
<th>Sense of China</th>
<th>Interfirm Relations</th>
<th>Organizational Implications</th>
<th>Future Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resistors</td>
<td>(Im)possibility</td>
<td>Difficult</td>
<td>N/A</td>
<td>Difficult</td>
</tr>
<tr>
<td>Reluctants</td>
<td>Threat</td>
<td>Reactionary</td>
<td>Coping</td>
<td>Pessimistic</td>
</tr>
<tr>
<td>Pragmatists</td>
<td>Necessity</td>
<td>Organic</td>
<td>Bridging</td>
<td>Realistic</td>
</tr>
<tr>
<td>Entrepreneurs</td>
<td>Opportunity</td>
<td>Adventure</td>
<td>Adapting/Growing</td>
<td>Optimistic</td>
</tr>
</tbody>
</table>

Each of these four groups has a very different interpretation of what China represents for Brazil. The resistors pass between possibility and impossibility as they fail to make connections with potential partners. Those who don’t really want to do business with China tend to frame China mainly as a threat they must face. The large firms take a pragmatic view of China as one more place they might do business. Finally, the entrepreneurs approach China with enthusiasm creating organizations that aim to take advantage of the booming mainland market.

Their relationships with Chinese companies vary in part as a result of these interpretations. Some of the participants spoke of doing business with the Chinese as difficult due to low levels of cooperation, problems during individual transactions, or broken agreements. The pragmatics did what was required to get
the job done and did not report more difficulty than for other partnerships. The entrepreneurs, on the other hand, talk enthusiastically about what they have overcome in establishing their commercial enterprises.

A large variety of organizational outcomes appear in these accounts. Those who espouse a more negative view of China frame the changes they had to make as a method to cope with the problems they face. The pragmatists, often enjoying large resource bases, take steps to mitigate possible problems by employing bridging techniques they have likely used in other contexts. Finally, the entrepreneurs have viewed the creation and changing structures of their organizations as a natural part of doing business due to conditions in both Brazil and China.

When considering the future of the BRICS, these four groups also paint starkly different images of what might happen next. The Resistors and Reluctants largely believe that China will continue to threaten their operations and doubt the potential for long-term, successful relationships. The Pragmatists express a more realistic view that China is simply here to stay. Finally, the Entrepreneurs, buoyed by recent success, take a more optimistic view, often looking forward to the next opportunity that will come their way as they grow their own relationships in Asia.

**New Organizing**

A point of departure at the outset of the project was how new relationships are emerging on the ground. The first way this occurred in the organizations interviewed reflects methods for starting businesses long accepted in Brazilian capitalism. Entrepreneurs used interpersonal connections, such as family friends or former coworkers, to get the process started. As described above, Firm E was able to
begin relations through an ethnic Chinese friend who lived down the street and still had family on the mainland who facilitated the connection.

As another example, Firm Q had worked with a Chinese company during his employment with a tool supplier in São Paulo that went out of business. Over several years of transactions, he had gotten to know one woman in the marketing department in China fairly well. Facing unemployment, he contacted her and asked if she would do the sourcing for him if he decided to open his own small company in the same industry. In the end, she agreed and they have run a successful enterprise for about five years. He decides what he needs for local customers and sends funds with which she finds the best option from about five different local suppliers. Ironically, while he realizes that it puts him in a vulnerable position, he has never been to China and has no real desire to go. He is making a good living and has decided to trust her “to do the right thing”.

The second way was through events such as trade shows that provide formal venues for potential partners to meet each other. This is also not a new method for meeting partners in international business, however, what may be new from an institutional perspective is the rise of organizations such as Firm F. To my knowledge, there is not such a formalized network in Brazil that facilitates trade development in such a comprehensive fashion with Europe, North America, or other countries in Latin America. One could argue that the relatively greater institutional distance between Brazil and China as compared to, for example, Brazil and Spain, is one reason for this innovation.
Changing Structures

Assuming a partnership forms, the next question focuses our attention on how Sino-Brazilian partnerships choose to structure and govern their relationships. Responses to the challenge of governing the uncertainty in these commercial transactions gravitated towards two solutions. First, for those with more loosely coupled linkages, partnerships tend to rely on relatively formal, market-based mechanisms. The second method employed was that of having a ‘bridge’ to manage the interactions between partners. This approach might involve hiring a person who joins the organization, or a third party that works to mediate relations between them. Among the larger organizations I interviewed, the corporations had hired bicultural individuals, a Brazilian of Chinese descent in the case of Firm G, who were placed in a position to smooth out problems between partners.

Among the smaller entities, such as Firms E and L, the shortcoming of the first solutions was that the market-based mechanisms often failed. As such, these organizations reported hiring agents or creating internal departments to deal with problems. Firm E, hired an agent – actually a relative of the family friend who took them to China – who works on their behalf for both quality control and bureaucratic necessities. Similarly, Firm K created an entirely new department devoted to the surveillance and repair of quality problems in parts received from China. These structural changes result from a lack of institutional mechanisms that allow for the enforcement of contract obligations in the two societies.

These structural changes result in shifting the geography of these organizations. When neither contractual nor relational governance functions
efficiently in some of these relationships, Brazilian organizations have had to expand their physical presence out of Brazil to create footholds in China, either through agents or their own offices, to function as a buffer. In other cases, as in Firm J, this expansion has been to gain political connections in China. Given the historical tendencies of Latin American businesses to concentrate on economic activities within their own country, this may be a newer experience for many firms.

**Governance Practices**

Despite theoretical expectations to the contrary, there is a near complete absence of relational governance being used in these new relationships despite the long history of such governance in both societies. Everything is done using strictly market-based, formal contracts reflecting an “arm’s length” transaction style (Peng, 2003). Nearly all of those interviewed characterized their transactions with China as ‘rigid’, ‘strict’ or ‘inflexible’, and often, simply ‘difficult’. Within their own national context, Brazilians are used to more informal and flexible relations when people with whom they have done business for some time are involved. For instance, those who imported goods from China were dissatisfied that they must prepay orders they place in some measure before manufacturing begins, as Firm L described,

“Tenho que pagar os 30% senão eles não fazem nada”
“I have to pay 30% or they won’t do a thing.”

- Owner, Firm L

I saw only one glimpse, in the interview with this owner, of anything approximating the elements of relational governance that one could have expected. He told me that he once miscalculated a down payment to his oldest Chinese supplier, paying only about 19% of order in advance. Given that she was expecting
30%, and that he had not made such a mistake in the past, she “confiou desconfiando” (“mistrustingly trusted”) and made sure he was well aware of the favor she was doing for him by building and shipping his order immediately anyway. This is the only instance I encountered of actions that could be seen as initial attempts to cultivate something akin to *guanxi* between partners in Brazil. Given the importance of reciprocity in Chinese business networks, one could posit that she had set the stage for a favor from him at some point in the future taking a first step towards cultivating social capital. The owner of Firm L, on the other hand, recognized it as an anomaly, but did not express that their relationship had changed in any way or that he owed her anything for helping him.

This sentiment reflects different understandings of what partnership should entail. Requiring constant prepayment and agreement after having done business for some time was seen as cumbersome and reflecting a lack of trust. However, one participant, from Firm M, reasoned such requirements were due to the enormous demand on factories in China whose owners lack working capital such that down payments are needed to finance production materials. This participant, who had been to his supplier’s facilities several times, argued that many Brazilians had not yet developed sufficient intimacy with the Chinese partners such that the latter would feel comfortable disclosing such challenges.

The relational aspects that organizations in both Chinese and Latin civilizations have historically used to govern their affairs have resulted in the formation of networks. While these networks differed in both scope and function, the linkages have been vital to economic development in both contexts. While
mapping out a complete network of Sino-Brazilian trade was not feasible given the resources available while I was in the field, participants offered several observations that are of interest in considering why participants have difficulty adapting to their Chinese partners.

The ways in which networks form and expand in Brazil have changed over time. While networks were primarily family-based in the past, and some certainly remain so today, the incorporation of new nodes has become more flexible. As the engineer from Firm said, being “coisa do papai/ daddy’s boy” is not longer sufficient for automatic inclusion or exclusion from membership. Beyond kinship, participants reported that ties such as classmates, childhood friends, and referrals made through these groups, have also become legitimate means to join a network.

Despite these changes in how one joins a network, they described the functions of network membership in ways that are historically consistent. The network, I was told, exists primarily to combat outsiders whether that is for competitive reasons i.e., keeping a competitor out of the marketplace, or in order to maximize gain on the customer who is not part of the social group. Additionally, the network is to make sure that no one can “passar a perna” (lie, cheat, or fool someone) and to keep everyone honest reflecting the monitoring that network membership has traditionally provided. Contracts are only signed once, afterwards business continues on informal agreement, which typically includes members taking turns giving and taking little advantages as transactions or projects come and go. A member who either cheats or takes all the time is eventually excluded from the network’s benefits or expelled altogether.
These issues of trust and intimate relationships discussed above may be in part due to the speed with which new nodes may be incorporated in the network as well as the looser conditions required for membership compared to the historical criteria used in Chinese capitalism described in Chapter 3. Brazilians tire of needing to prepay their orders after years of business with the same supplier. Likewise, they are frustrated with partners who ignore the rules and terms of signed agreements, do not deliver on time, or ship faulty merchandise and will only consider fixing the problem if detected before the goods leave China. These difficulties may reflect not only differences in business norms, but also different expectations about who should be in and out of a network and the benefits that come with membership in it. As the owner of Firm E stated,

However, participants clearly still recognized the overall importance of relationships in order to build and maintain these new commercial ventures. The interviewees who reported having attended the Canton trade fair, including Firms B, E, F and J, had done so in order to meet new partners face to face. One of the owners of Firm E still visits China several times a year to order merchandise in person because she believes that the service and delivery times are better if she appears in the showroom. Moreover, she said that knowing people is essential,

“Porque se eu não sei quem tá do outro lado, o chinês é muito pilantra, ele pode colocar pedra no contêiner, se nenhum problema, você pagou ele não tem o menor escrúpulo.”

“Because if I don’t know who is on the other end, the Chinese are crooks, he could put a stone in the container, without any problem, you paid, he does not have the smallest scruple.”

- Owner, Firm E
Firm G, one of the largest in the study sample, likewise visits its suppliers regularly. Finally, as stated earlier, Firm J had barely recorded a single transaction during its first years in China until the owners realized that it was the lack of personal and political connections on the ground that was keeping the business from going forward.

In terms of new practices or rules evolving into possible *proto-institutions*, there is only evidence of a couple in the participants' narratives, though there is potential for more if these relationships continue to grow. The Canton Fair seems to have become a widely recognized way for Brazilians to seek possible partners in China. Reflecting on practices present in more than one organization, the use of third-party organizations to access the Chinese market and deal with suppliers seems common. For those with more resources, the expansion of organizational boundaries into the transnational space to deal with partner malfeasance takes the place of agents. Additionally, these firms also reported seeking out bicultural employees who could work as a bridge between contexts.

The possibility of these candidate practices becoming institutionalized will depend in large part on the actions of the entrepreneurs in the upper right-hand corner of Figure 5. The Reluctants already seek to exit their relationships when possible. The Pragmatics will do business as long as there is a commercial rationale. The entrepreneurs however are engaged in the most experimentation within the transnational space and have the most to gain from growing ties between the two
countries. If economic integration continues among the BRICS, this group will likely be at the forefront on the ground and passing on what they have learned.

However, the question of possible institutional change from these new collaborations remains. The ways that Brazilians have dealt with the Chinese reflects the use or modification of existing practices rather than innovative new solutions. Anyone who has done business in Brazil is familiar with the networks of “despachantes”; the numerous middlemen, some licensed in the formal economy as well as those who are informal “helpers” with key social connections, who help businesses deal with bureaucracy such as filing paperwork and getting permits. As such, Brazilians using agents in China to help navigate the local environment reflects the translation of an extant local solution into the transnational space. Firm F, though a pioneer in promoting Sino-Brazilian relations, is essentially a blending of the services that a despachante might provide with the model of a language or cultural institute. There are several examples of these that have been in Brazil for decades, including the Alliance Française, the Goethe Institut, and ICBEU (Instituto Cultural Brasil-Estados Unidos), the English language school network that also teaches about and promotes the culture of the United States.

In summary, the primary objective of this chapter was to explore the organizational implications of Sino-Brazilian trade. I have described how organizations in Brazil are coping with and profiting from the opening of new market opportunities among the BRICS. For those building the BRICS from the ground up, creating new commercial relationships can be a difficult, and at times impossible, endeavor. Coming from different institutional environments,
incommensurable expectations about how new relationships should form and function has thus far played a prominent role in influencing these organizational outcomes. The Brazilian response to these challenges has thus far centered on employing or modifying existing solutions to solve the problems resulting from new partnerships. Additionally, there is disagreement among participants as they evaluate Brazil’s growing relations with China. In the next chapter, I explore this issue further by examining efforts to legitimate new Sino-Brazilian partnerships by the actors highlighted in this chapter, the two states, and other actors in the Brazilian society and economy.
CHAPTER 6
FRIEND AND FOE: LEGITIMIZING ‘GLOBAL CHINA’ IN BRAZIL

“A China é uma parceira ou uma ameaça?” “Is China a partner or a threat?
“A China é as duas coisas.” “China is both things.”

- Dr. Luis Gonzaga Belluzzo, Economist, Globo News, June 2011

Introduction

The emergence of new relationships and organizational practices often trigger processes of legitimation as new partners attempt to come to an equivalent agreement about what is happening. This chapter seeks to address the question, “To what extent has China become a legitimate partner for Brazil and its firms?” Efforts at legitimation can be examined by looking at how participants make sense of the world around them (Weick et al., 2005), thus the analysis in this chapter focus on discourses mobilized by the social actors involved in framing the current state of affairs in Brazil-China relationships.

The chapter presents narrative themes used by Brazilian actors in relation to growing links with China, and in some cases, China’s reply. Since processes of legitimation can take place at all levels of society, the data presented include statements offered by official members of both national governments, discussions by experts in the media, and the positions voiced by business owners as well as some of my study participants. The themes they voice include portrayals of China as a natural and strategic partner for Brazil, references to a return to colonialism, the nature of fair competition and ways of doing business, and critiques of Brazil itself in comparison to its new partner. In the discussion section I consider how the use of
these themes contributes to efforts to legitimate new practices and partners. To guide the interpretation of the findings I draw upon theoretical work for analyzing strategic discursive legitimation (Vaara et al., 2006) reviewed in Chapter 4.

Specifically, they have proposed five rhetorical strategies used in this process. Normalization is the use of descriptions through which actions or practices are made to seem as a normal fact of life. Authorization is the use of figures of power or status, be it the position of a person, an expert, or another organization. Calling attention to the utility or advantageous function of an actor, object or practice is rationalization; an appeal to values is a moralization ploy; and the final tactic, narrativization, is the dramatic portrayal of heroes, enemies, winners and losers in stories used to shape interpretation.

**China – A Natural and Strategic Fit**

At its inception, the BRICS project was driven by the member states seeking to increase their presence and clout on the world stage. As such, I will begin this exploration with the most powerful actors constructing this new transnational space, the national governments. The data that follows was collected from both public government archives and national media sources.

From the beginning of his efforts to cultivate deeper relations with China, President Lula has regularly lauded the country’s success and tried to position it as a source of inspiration for Brazil, for example,

“Creio que o êxito econômico chinês oferece esse exemplo de como transformar e integrar um país, dinamicamente, num processo de globalização da economia internacional, com benefícios para toda a população.”
“I believe that Chinese economic success offers this example of how to transform and integrate a country, dynamically, in a process of globalization of the international economy, with benefits to the whole population.”

- President Luiz Inácio Lula da Silva, Rio, 2003

Additionally, echoing official Chinese government labels\(^2\), the Brazilian government has used discourses about a partnership that is both “natural” and “strategic” to legitimate its efforts. As such, it becomes only normal that trade and investment should grow between them. For instance, President Lula touts the potential advantages of a “real” Sino-Brazilian partnership in his opening speech during his first visit to China in 2003,

“O comércio bilateral praticamente triplicou nos últimos três anos. E quero, aqui, lançar um desafio ao empresariado brasileiro. Uma parceria real, que multiplica as oportunidades para agregar valor aos produtos que intercambiamos, exige disposição de realizar investimentos e estabelecer acordos inovadores. Não pode haver maior demonstração dessa confiança do que a inauguração, ainda este ano, da primeira fábrica da Embraer fora do Brasil.”

“Bilateral commerce has practically tripled in the last three years. And I want, here, to launch a challenge to Brazilian business. A real partnership, that multiplies the opportunities to add value to the products that we trade, requires willingness to invest and establish new innovative agreements. There can be no larger example of this confidence than the inauguration, yet this year, of the first Embraer factory outside of Brazil.”

- President Lula, Beijing 2003

This narrative has continued after the end of Lula’s regime. For instance, in the following quote from President Rousseff’s speech during her first official visit to Beijing in 2011, she seeks to expand on this existing discourse to portray China not

\(^2\) Since 1996, Chinese foreign policy has revolved around the establishment of “strategic partnerships” referring to long-term state-to-state relations that include cooperation on economic, political and security concerns (Goldstein, 2001).
just as a commercial opportunity for trade, but also as a partner that will improve
Brazil’s development in other economic arenas,

“Queremos dar um salto de qualidade nas nossas relações. Além de parceiros comerciais, queremos também ser parceiros na criação de oportunidades de investimento em negócios, nos serviços e na inovação. A chave dessa parceria é a reciprocidade no tratamento dos investimentos de lado a lado, em todas as áreas. Investimentos em infraestrutura e logística são essenciais para aumentar a competitividade e produtividade da indústria brasileira. Nós fizemos, nós estamos fazendo e nós continuaremos fazendo esses investimentos tão necessários.”

“We want to make a leap in the quality of our relations. Beyond commercial partners, we also want to be partners in the creation of investment opportunities in business, services and innovation. The key to this partnership is reciprocity in the treatment of investments on both sides, in all areas. Investments in infrastructure and logistics are essential to increase the competitiveness and productivity of Brazilian industry. We have done it, we are doing it and we will continue to make these investments that are so necessary.”

- President Rousseff, Beijing 2011

Official discourse also reflects Brazil’s national strategic interests considering both the challenges of globalization and its ambitions to become a major player on the world stage. For instance, from Brazil’s most important business daily,

"Evitar que a crise contamine nossos mercados e provoque consequências que não desejamos é nosso objetivo principal. Sabemos que esta é uma crise de mercado e que os Estados Unidos e a União Europeia estão com seus potenciais comprometidos. É estratégico construir um relacionamento produtivo com a China"

“To avoid the crisis from contaminating our markets and provoking undesirable consequences is our main objective. We know that there is a market crisis in the United States and the European Union that has compromised their potential. It is strategic to build a productive relationship with China.”

- President Rousseff, Valor Econômico, June 2012
These quotes are all examples of the Brazilian government using its authority to provide rationales to the general public, normalizing the country’s growing relations with China. The new partnership is good for the Brazilian economy due to opportunities for growth and for protection from the economic misdeeds of its traditional economic partners like the USA and Europe. Moreover, as China has been extremely successful since it began implementing economic reforms in 1978, it could serve as a model to solve some of Brazil’s own development challenges.

Echoing the complementarities described in Chapter 2 between Brazil’s natural resource base and China’s material needs, the image of a “natural fit” also seeks to legitimate growing trade relations. This quote, from an investment bank executive, featured in Brazil’s largest newspaper, A Folha de São Paulo, demonstrates how this idea has taken root in making sense of China’s interests, here seen as a logical conclusion to obtaining the resources required for continued development:

“O governo chinês e a elite econômica sabe muito bem os limites dos seus recursos naturais. O fornecimento de matérias primas do Brasil é uma visão a longo prazo. Se não fosse assim, eles não estariam aqui investindo em infraestrutura.

“The Chinese government and economic elite know very well the limits of their natural resources. The supply of raw materials from Brazil is a long-term vision. If it were not so, they would not be investing here in infrastructure”

- Felipe Hsieh, Banco Santander, May 2011

The discourse of strategic and natural fit was also echoed among some of my study participants. For example, one reason given was that China has an industrial base much larger than Brazil’s and so it is logical to move production there.
“Na China teria suficiente capacidade de produzir de um mês a dois meses seguintes, possivelmente a capacidade de produção de 20, 40, 50 milhões de peças, você não produz 50 milhões de peças em dois meses, você não consegue criar essa estrutura.”

“In China there would be sufficient capacity to produce in a month or two months later, possibly the capacity to produce 20, 40, 50 million pieces, you don’t produce 50 million pieces in two months, you cannot create this infrastructure.”

- Manager, Firm M

Despite possible hyperbole in the quantities cited, the choice to partner with a Chinese supplier is completely rational, and not just on the base of price. Rather the effort required to do the work locally would be nearly impossible and using China just means doing what the rest of the world does.

In contrast, while the underlying rationale is not in dispute, the tone of Firm H owner’s response questions the solely benign or beneficial aspects promoted by the government,

“Porque os chineses estão no Brasil? É facil explicar – temos tudo do que eles precisam.”

“Why are the Chinese in Brazil? It’s easy to explain – we have everything they need.”

- Owner, Firm H

There is also a counter discourse in the media that disputes the straightforward, beneficial alignment of the countries’ mutual interests as well as their supposed similarities. In this quote, an economics professor calls the idea of a natural fit into question in Brazil’s largest weekly news magazine,

“Eles podem ser aliados no sentido de que devem buscar reduzir a influência dos países ricos sobre as instituições e os acordos internacionais. Por outro lado, concordo que seus interesses, seus sistemas políticos e suas economias são radicalmente diferentes. Por isso, é difícil ver muitas possibilidades de acordo. Ainda que alianças não venham naturalmente, Brasília e Pequim deveriam buscá-las”.

- Economics Professor
“They may be allies in that they should look to reduce the influence of rich countries on international institutions and agreements. On the other hand, I agree that their interests, political systems and economies are radically different. As such, it is difficult to see many possibilities for agreement. Even if these alliances do not come naturally, Brasilia and Beijing should still search for them”.

- Michael Pettis, Veja, January 2012

Here the professor calls into question the strategic fit as something that will come *naturally* due to the radical differences between the socio-economic conditions of Brazil and China that were mentioned in the introduction. While some strategic interests may unite them on the world stage, such as seeking a more multipolar world, it is far from a foregone conclusion that the two countries will become valuable partners without considerable effort on the part of both governments. This caveat is largely absent from official discourses.

**Invoking a Colonial Past**

As noted in Chapter 2, Brazilians may espouse a view of their place in the world, and that of China, through the lens of the country's colonial past. This history is part of the local context that Brazilians carry with them into the new transnational space as part of their sensemaking. The collective consciousness of this colonial past, combined with narratives of Brazil’s destiny to be a regional if not world power, result in a sensitivity to what is perceived as unequal power relations in bilateral relationships. Given the prominence of raw materials and commodities among Brazil’s exports to China, those who are engaged in later stages of the manufacturing value chain assert that the ‘strategic partner’ does little to help Brazil
other than relegate it to a colonial status once again. This quote from a prominent journalist illustrates this point,

“É muito mais uma relação colonial, o que causa tremendo incômodo à indústria brasileira, até porque 63% dos exportadores queixam-se à CNI (Confederação Nacional da Indústria) de prejuízos com a concorrência chinesa.”

“It is much more a colonial relationship, which is causing tremendous discomfort to Brazilian industry, and is the reason that up to 63% of exporters complain to the National Industrial Confederation (CNI) about damages due to Chinese competition.”

- Clóvis Rossi, Folha de São Paulo, April 2013

Critics of allowing the Chinese too much space in the Brazilian economy mobilize arguments relating to the relative power difference and dependency that colonialism implies. For example, when asked about the partnership between the two countries, one of the study participants simply stated,

“Olha bem! A China pode acabar com o Brasil quando quiser. A gente precisa muito mais deles do que eles precisam de gente.”

“Let’s face it! China can end Brazil whenever it wants. We need them much more than they need us.”

- Engineer, Firm P

These statements appeal to the popular image that Brazil has left behind its status as a poor, developing nation and has made progress towards becoming a prominent member of the global economy. Cultivating partnerships that undermine such progress is undesirable. Sensitive to possible repercussions from these images hurting Sino-Brazilian relations, representatives of the Chinese government have made public statements that aim to counter such discourses. For example, the
following quote from a speech given by the Chinese Ambassador to Brazil in which the issue of dependency is explicitly addressed:

“And most importantly, Brazil is a friend, a partner for China. For those who fear Chinese growth, Brazil will never be dependent on China. In the future the relations between our countries will strengthen, will grow, bringing benefits to both.”

- Qiu Xiaqiqi, PRC Ambassador to Brazil, March 2011

In this case the statement of the Chinese official mirrors the themes of partnership, growth, and friendship between nations contained in official Brazilian government outlets. He directly argues against any notions of dependency, thereby characterizing Chinese action as distinct from past outside powers, and instead focuses on shared growth from which all parties will benefit. It may be worth noting, however, that at no time in the original text does he address any claims that China is harming the Brazilian economy, but rather his speech remains at the level of general pleasantries.

**On the Nature of Competition**

Another discourse, which generally seeks to delegitimize the growing commercial relations between the two countries, is that of unfair competition and uncooperative relations. Such claims are not necessarily unique to Brazil, yet form an important point – in particular among older, established businesses – to counter the claims of friendship and shared prosperity that the governments promote in public discourse. William Waack, a journalist who hosts *Painel*, a weekly economic news magazine on national television, posed this question to guests about competing with China,
“Eles não só entram aqui com uma tremenda de uma agressividade, como eles também são capazes muito bem de dirigir direitinho o que pode ou que não pode lá. Ou seja, como é que vamos competir com alguém que aqui faz o que quer não nos deixa lá fazer o que gostaríamos?”

“They do not just come here with tremendous aggressiveness, but they are also very able to decide what can or cannot be done there. That is to say, how are we going to compete with someone who does whatever he wants here but does not let us do what we would like there?”

- William Waack, April 2011

This discourse of unequal treatment calls into question the discourses of cooperation. On the one hand, people believe China can pursue whatever projects it wants in Brazil, while on the other there have been widely discussed cases of Brazilian firms experiencing great difficulties getting official permission to conduct their affairs in China as they wish. One prominent case was China’s insistence that Embraer cease importing to China certain aircraft models from Brazil so that all planes sold in China would be made in China at the joint venture facility in Harbin (Landim & Barbosa, 2009). The disagreement led this facility to close for over a year, and Embraer even considered abandoning the Chinese market altogether.

In some cases, practices characterized as unfair are the result of differences the political economy of the two countries. A common complaint is the tight relationship between firms and lending banks in China, which does not exist to the same degree in Brazil. In the eyes of those competing with Chinese manufacturers, the cooperation – or even co-ownership – between banks and firms is seen as a way that Chinese companies cheat when they enter the Brazilian marketplace. As explained by one of the study participants,
“Não é justo. As empresas são ligadas aos bancos pelo estado, o que eles podem usar para oferecer aos clientes parcelamento em 12 a 36 meses.

It is just not fair. The companies are connected to banks through the state that they can use to gain an advantage by dividing payments over 12 to 36 months.”

- Sales Manager, Firm N

Given the high interest rates that Brazilians face, the fact that the Chinese competitor is allowed to leverage financial entities outside the Brazilian banking system is seen as cheating the system. This moral appeal is heard not only in attempts to discredit China, but also in arguments for more Brazilian government assistance to firms. Owners of companies like Firm N would like the government to take measures to provide them with a level playing field. The sentiment that the state should intervene in favor of local industry was echoed by other study participants, for example,

“A China é muito agressiva, muita gente, muito dinheiro. O governo brasileiro deixa, mas deve frear, deve colocar um pouco de barreira.”

“China is very aggressive, a lot of people, a lot of money. The Brazilian government just allows it, but it should apply the brakes, it should put in place some barriers.”

- Buyer, Firm K

Another participant interviewed was actively looking to reduce its participation in the Chinese market due to these competitive imbalances. Ten years ago the company exported about 40% of its output to China but is now looking to get down to 10%. The managers no longer consider China to be a strategic market
not because of its market potential but rather because of the manipulation of the market by the central government reduces the attractiveness of deals there.

‘O governo chinês tem as mãos em tudo. Neste momento estamos buscando diversificar da China. O mercado não é confiável, e pelos subsídios, os preços são baixos demais.’

‘The Chinese government has its hands in everything. At this point we are looking to diversify away from China. The market is unreliable and due to subsidies, the prices are too low.’

- Export Manager, Firm D

The issue of unfair competition is not just an issue of government intervention, but also plays out within interfirm relationships. One business owner participating in the study reacted with complete incredulity when I made reference to his Chinese “partners”,

‘Sócio chinês?! Imagine! Quantos fornecedores hoje são concorrentes?’

‘Chinese partner?! Imagine [implies doubt or unlikelihood] How many suppliers are competitors today?’

- Business Owner, Firm Q

Theses are moral arguments about the rules that one should follow. The desirability of China as a commercial partner is questioned because the Chinese work outside of the system, have the backing of their state which interferes with normal market dynamics, and are not considered reliable partners because they will enter the market to compete with you regardless of any standing agreements.

Further, despite the positive tone with which the state discusses relations with China, there are still hints in official discourse that there is also some room for improvement. For example, the following statement by President Rousseff reflecting the concerns cited above that Brazil may remain forever stuck as a world supplier of primary commodities:
“As exportações brasileiras para a China ainda estão excessivamente concentradas em produtos como soja, minério de ferro, petróleo e celulose. Isso é bom, mas não é o bastante. São todos produtos importantes, cuja exportação queremos incrementar, agregando a eles valor. É necessário, no entanto, diversificá-los para que a expansão do comércio bilateral seja sustentável”.

“Brazilian exports to China are still excessively concentrated in products like soy, iron ore, petroleum and cellulose. This is good, but it is not enough. These are all important products, the export of which we want to increase, adding value to them. It is necessary, all the same, to diversify them so that the expansion of bilateral commerce is sustainable”.”

- President Rousseff, Beijing, 2011

The key argument is this statement is the notion of *where value is added* to products.

As of 2009, Reuters reported that 70% of Brazil’s exports to China were primary goods while 60% of its exports to the USA were manufactured or finished products. This difference causes concern for many as the current structure of bilateral trade relations is such that nearly all the value added segments of the value chain take place in China. Analysts have pointed out that in some cases Brazil ends up importing from China products made with its own resources, which potentially slows down Brazil’s own efforts to accelerate its national development.

**Maybe We are the Problem – China, Politics and Custo Brasil**

By most accounts, the BRICS are not easy places to do business. In the annual “ease of business rankings” compiled by the World Bank, out of the 189 territories included in the analysis in 2012 South Africa is ranked (41), Russia (92), China (96), Brazil (116) and lastly India (134). The situation for Brazilian businessmen today is one of extreme complexity, a picture painted by Gouvea (2012) about the environment in which business have to operate since President Lula took office ten
years ago. Despite Brazil’s many advantages, including climate, natural resources, energy independence, and high national cohesion, there remain many areas that are of concern.

For instance, one of the faculty members I met while in Brazil told me that the creation of a firm on average can take over a year, and it takes so long to close a firm - potentially up to 10 years - that many owners simply walk away without ever filing the paperwork. The owners for Firm E told me that the tax code is so complex that even tax attorneys are unable to provide her with reliable answers. In reaction to a history of tax evasion among all sectors of Brazilian society, the various levels of government have developed strict bureaucratic control measures to guarantee payment, and companies must now file all transactions online with the federal government under anti-corruption legislation (Dayton-Johnson & Parra, 2013).

In common parlance, the sum of these difficulties is referred to as custo Brasil, or the Brazil Cost that everyone who wishes to do business in the country faces. Despite any government rhetoric to the contrary, the perception among entrepreneurs is that Brazil is not a place where one could easily manufacture to compete with Chinese suppliers. For example, after hearing a participant from Firm E talk about problems with contract terms, product quality, and long lead times from her Chinese suppliers, I asked,

“Você não poderia fabricar os mesmos itens no Brasil?
“Couldn't you make the same items in Brazil?”

To which she quickly replied,
“Não! Os custos são muito altos... a produção nacional não pode competir com os importados...a burocracia para abrir uma empresa...as taxas para manter empregados...corrupção alta. A China é um grande fornecedor ao mundo inteiro, não só para o Brasil.”

“No! The costs are very high...national production has not been able to compete with imports...the bureaucracy to open a business...the taxes to have employees...high corruption. China is a big supplier to the whole world, not just for Brazil.”

- Owner, Firm E

In effect, it is easier to solve the problems involved with importing from China than it is to cope with the challenges of doing business in Brazil.

Local exporters working with China have also experienced problems. In April 2013, the press reported that the infrastructure that connects the soy growing regions of the interior to the Port of Santos – the main sea terminal for São Paulo – collapsed. Given the record harvest of over 83 million tons destined for export to China, the line of trucks waiting to get to the port terminal stretched over twenty miles. As no one has built warehouse facilities to deal with this situation, the trucks were stopped for days waiting for empty ships. Chinese buyers at the time of the story had already canceled orders for 600,000 tons due to the unacceptable delays and inefficiencies.

Meanwhile, the Chinese who have come to run businesses in Brazil also struggle with the bureaucratic weight of the system. The owner of Firm Q characterized these new immigrants, as people who come to “morar seis num quarto/live six to a room”, in conditions deemed unacceptable. These immigrants are seen as causing problems for local firms, as he described,
‘Não entendem – e não querem entender nem cumprir – com o sistema brasileiro. Tem quem já quebraram cabeças e estão por voltar... só vêm para tentar montar mecanismos ou dar jeitos, saiam mais baratos por não seguirem as leis do país. Têm clientes que arriscaram com eles e outros que compram com a gente e saíam pagando um pouco mais para saber que a coisa está bem feita.’

They don’t understand – and don’t want to understand or obey – the Brazilian system. There are some who have already tried to solve the puzzle and are ready to go back [to China]... they just come here to set up tricks or ways to go around, they end up being cheaper because they don’t follow the laws of the country. There are clients, who have risked doing business with them and others, who buy from us and pay a little more to know that the product is well made.

- Owner, Firm Q

He went on to describe the level of criminality and smuggling currently taking place in Santos. Perceived as frustrated – or even bewildered – by Brazilian bureaucracy and lacking other mechanisms to engage in business, the Chinese have set up illegal shops to sell goods they may import legally or illegally into the country. The media has been regularly reporting on seizures of contraband goods from China, including instances in Recife, Rio de Janeiro, São Paulo and the borders with Bolivia and Paraguay, whose estimated annual total value approaches USD 50 billion (Xavier Beirão, 2012).

On the other hand, among the Brazilians who were actually doing business directly in China, they often spoke more admirably about what the Chinese could teach Brazil. As one interviewee joked,

“O chinês que está na praia tá lá pra vender”
“A Chinese person on the beach is there to sell something”

- Manager, Firm I
While Brazilian may be unaccustomed to a "make money at any cost" obsession that they perceive among some Chinese, or to living in unacceptable conditions for frugality’s sake, those who worked with the Chinese found that hard work was something many Brazilians could learn from their new partners. This stands in contrast to the stereotypical image of the Brazilian who works to live rather than living to work. The participant from Firm I suggested that there must be a middle ground that would temper Brazilian joie de vivre with Chinese hard work, pragmatism and frugality.

Practicality is another area where interviewees thought they could improve when they compared the Chinese approach to business to what they saw as less effective Brazilian management styles. The participant from Firm H thought that Brazilians focus too much on trying to make very high margins when they might be better off copying the Chinese strategy of selling large quantities at more reasonable prices,

“Na China tem um negócio super interessante. Eles ganham centavos, só que eles ganham 1 milhão de centavos. A coisa é assim. Aqui não. Você vende um copo por 10, quer ganhar... quer vender por 30, quer ganhar o dobro em 1 copo. Lá não. Eles querem ganhar 2 reais aqui em cada copo, mas querem vender mil. É diferente. Essa é a diferença entre nós e os chineses.”

‘In China there is very interesting way of doing business. They earn cents, but they earn a million cents. That’s how it is. Not here. You sell a cup for 10, and want to earn...you want to sell it for 30 to earn double with one cup. Not there. There want to earn 2 reais in each cup, but they want to sell a thousand. It’s different. This is the difference between the Chinese and us.

- Entrepreneur, Firm H
These narratives illustrate claims that Brazil is the real problem in difficulties with the bilateral relationship. The Chinese are seen as a resource for Brazilians to new, and perhaps better, ways of doing things to improve local management practices. The typical Brazilian is portrayed as wanting to make as much money as possible as quickly as possible by charging high margins on everything sold. This position echoes the challenge issued to Brazilian business by President Lula in his 2003 China speech quoted above.

Since 2003, the leftist administrations of both President Lula and President Rousseff have aimed – at least in official parlance - at the transformation of Brazilian democracy. This transformation focuses on increasing the participation among the socio-economic classes that had been formerly excluded from participation in governance. One facet of these efforts has resulted in the right of consumption being incorporated into notions of citizenship in Brazil (Belinky, 2010). This issue has become especially salient to the poor in Brazil who have gained better access to consumer goods through social welfare programs, such as Bolsa Família, which offers monthly cash stipends to low income families as long as the children stay in school instead of seeking work.

An interesting interpretation that came out of an interview in Firm F, and in discussions with university professors, was the degree to which the massive importation of cheap consumer goods from China has allowed the government to deliver on this promise without compromising the interests of the entrenched elites. In this way, the state can attempt to satisfy as many consumers as possible without undoing the underlying structures that create the custo Brasil. The political elite
uses the ready availability of cheap consumer goods from China to guarantee consumption for the lower classes, while at the same time, they retain their grip on power and continue to benefit from the institutional and economic structures that generates their wealth. In effect, this arrangement provides a win-win situation to both groups.

China and its supporters are well aware of this situation and use it to their advantage. Speaking with a reporter on the television show *Brasil Econômico* in 2012, the president of the Brazil-China Chamber of Commerce, Charles Tang, made direct reference to this fact when asked about the onslaught of cheap merchandise from China:

Reporter: O Charles, a invasão dos produtos chineses aqui no Brasil, “invasão” como os nossos empresarios reclamam, aqui no Brasil ele tem prejudicado a indústria nacional. Como o Senhor avalia essa entrada, enfiada de produtos com custo mais barato do que os produzidos aqui no Brasil?

Charles Tang: Olha, em primeiro lugar, o custo mais barato dos produtos chineses ajudou democratizar o acesso ao consumo entre o povos brasileiro. Antigamente, muitos itens, eram tinham o preço tão elevado que era somente acessível à nossa elite. Então isso ajudou muito o povo sufrido do Brasil.

Reporter: Charles, the invasion of Chinese products here in Brazil, “invasion” as our producers complain, here in Brazil has damaged national industry. How would you evaluate this entry, shoving of products with lower costs than those produced here in Brazil?

Charles Tang: Look, first, the lower cost of Chinese products helped democratize access to consumption among Brazilian people. In the past, many items had such high prices that they were only accessible to our elite. So, this has helped the suffering Brazilian people a lot.

To legitimate relations with China, Mr. Tang uses an appeal to the moral values that underlie the expansion of social welfare programs implemented by the Lula government. Instead of opposing the massive imports of inexpensive Chinese
products, citizens should be supportive as it allows for the increased participation among the lower classes in the economy and helps meet their material needs.

Building upon the assertions that power, in particular government action and elite manipulation, is nearly as important as economics in explaining the current growth in relations between Brazil and China, the owner of Firm I described attracting Chinese investment into the country as a large “political game”. Those firms who are already installed in the country tend to grow and prosper. New entrants, who lack political capital, risk of facing administrative barriers, such as denied permits, to keep them out of the market. Those who want to do something new have to acquire sufficient government contacts to have any hope of success.

**Discussion**

The two images below, captured from editorials in the Mercosur Press in 2011, illustrate the current tension in the differences in the way Brazilians are making sense of the arrival of Global China.

The image on the left represents China as the new helpful, equal partner that has potential to help Brazil meet its goals. The complementarity needs and resources of the two countries fit together perfectly. Both are important emerging markets so the puzzle pieces are the same size. The image on the right portrays the
other side of public opinion which fears that a much larger China will engulf Brazil, take from the country what it needs, and then move on to the next ‘strategic partner’. Given the differences in relative size and power, China is instead a threat or at least an insincere partner.

Reflecting back on Suchman’s (1995) definition that legitimacy means that an entity and its actions are desirable or proper, we can examine how the narrative themes identified employ a variety of rhetorical strategies in order to support or detract from China as a legitimate partner. Table 4 provides a summary of these results with examples for each rhetorical strategy. The key below indicates from which theme the rhetorical strategy is drawn.

### Table 4 Rhetorical Strategies in Sino-Brazilian Relations

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<tr>
<th>Strategy</th>
<th>Legitimizing</th>
<th>Delegitimizing</th>
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<tr>
<td>Normalization</td>
<td>Brazil and China are similar [NSF]</td>
<td>Brazil and China are dissimilar [NSF]</td>
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<td>China’s material needs [NSF]</td>
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<td>Corporate Statements [NC]</td>
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<tr>
<td>Rationalization</td>
<td>China’s Economic Success [NSF]</td>
<td>China wants to exploit Brazil’s natural resources [CP]</td>
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<td></td>
<td>China’s Material Needs [NSF]</td>
<td>Harm to Brazilian industry [NC]</td>
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<td></td>
<td>Benefits to both countries</td>
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<tr>
<td>Moralization</td>
<td>Empowering the lower classes [CB]</td>
<td>Colonialism [CP]</td>
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<td>Unfair competition [NC]</td>
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<tr>
<td>Narrativization</td>
<td>Stories of hard working Chinese with more effective business practices [CB]</td>
<td>Chinese immigrants and partners who break the rules and circumvent the system [CB]</td>
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**Key:**
- Natural and Strategic Fit: NSF
- Colonial Past: CP
- Nature of Competition: NC
- Custo Brasil: CB
Through public statements, government actors mobilize discourses about the national interest, natural complementarity, and China as a source of expertise to normalize and rationalize their giving priority to Sino-Brazilian relations. Corporations, such as the banker quoted early, also characterize China's interest in Brazil as a natural outcome of its needs. The combination of these narratives legitimates China by focusing on 1) ways China will help Brazil meet its national ambitions, 2) the material opportunities available from doing business with China, and 3) the positive management lessons they believe Brazilians could learn from their new partners.

However, academics and journalists use their positions as “media experts” to problematize some of these assertions. They argue the fit between the two nations is not necessarily so natural and question whether the benefits of the growing relations outweigh the costs. Invoking metaphors of colonialism and exploitation, they call attention to Brazil’s growing dependency on China as the main buyer for its commodity exports. History is just repeating itself with a new master. Finally, stories circulate in the media about the Chinese involved in smuggling and contraband that run counter to the idea that Brazilians can learn from superior Chinese business skills.

As well, one of the reasons to include the study of legitimacy in this project was to look at how individual actors may mobilize resources to create acceptance for new partnerships and practices. The interview participants, representing various sectors of the Brazilian economy, also participate with societal institutions like the government in the process of constructing legitimacy for China. Given the
diversity of outlooks discussed in Chapter 5, it should come as no surprise that these actors employ different rhetorical strategies as they seek to support or dispute the desirability of China within the larger public discourse.

To question the utility of doing business with China, the Resistor uses narrativization in telling stories of difficulties trying to get business of the ground and the “incomprehensible” way that the Chinese seller wants to arrive at an initial order. Likewise, the Reluctants, who are feeling the heat of new market entrants, are quick to employ moralistic discourses around unfair competition and uncooperative partnerships in an effort to call attention to the disadvantages they face in the marketplace. These actors, especially those who seek state assistance to cope with foreign competition, argue against the desirability of further integration for they feel Brazil has already been too open and allowed the Chinese to do whatever they want.

The Pragmatic firms, meanwhile, tend towards normalization and rationalization to explain why they are doing business with the Chinese. They provide economic and logical reasons to explain why the two countries are doing business together and why they take part. For example, arguments voiced by participants include that “China is simply too big to ignore”, or that “China has the required industrial capacity to meet our needs”, or that “everyone else is doing it”. Discursively these arguments create the impression that it is only natural and justifies that the Pragmatics would be involved in the Chinese market, too. However, these same tactics downplay concerns about China as a predatory investor or cheating partner.
The Entrepreneurs are clearly the ones who have the most to gain from legitimating China. Their narrativization stories of pioneering the market in the quest for success and overcoming obstacles enhance their own community standing and create an image of China as a land of opportunity for those smart enough to figure it out. Moreover, they portray China as an example, in some ways more advanced than Brazil, and a source of inspiration for what ails their homeland. This portrait is not uniformly consistent amongst the group as there are those who worry about China’s internal stability moving forward. Overall, however, many of them were more worried about Brazilian government taxation policy and the exchange value of the Brazilian currency than they were disruptions from Chinese suppliers.

In sum, considering the original question of the degree to which China has become a legitimate partner for Brazil and its firms, we see that this issue is clearly unresolved. At the macro level we have the state using a variety of narratives to legitimate its initiatives with China. Among public experts there is disagreement as to whether China represents endless opportunity or a significant threat. Among those doing business with China there are those who support deepening relations as well as those who question the new partnership. These groups use a combination of rhetorical strategies in the public arena in accordance with their perceived interests. The contested nature of how Brazilians are making sense of China is not a surprise given the daily material importance of China and the effects of its actions in Brazil. Whether those who support these new relationships are able to eventually legitimize and naturalize the situation so that China enters the same schema as
more traditional commercial partners, like the USA and some European countries, will likely depend at the very least on the eventual correction of the perceived imbalances in the relationships among the BRICS, with Brazil and China as exemplars of these.
CHAPTER 7
ORGANIZING IN NEW TRANSNATIONAL SPACES

In this final chapter, I reflect on the theoretical and empirical contributions this project offers for the study of organizing in the global economy. This dissertation was sparked by curiosity about how unfamiliar partners organize to conduct commercial activity keeping in mind the different versions of capitalism they call home. As laid out in Chapter 3, partners bring into the transnational space expectations and interpretations shaped by their respective institutional environments produced by a historical interplay of culture, politics and economics. As new partners work together, they make sense of the challenges and differences faced and then decide on modifying or creating new organizational arrangements to deal with them. Due to the unsettled nature of new spaces, some participants may engage in efforts to legitimize their new partnerships while others may seek to delegitimize the very same developments depending on their understandings and perceived interests.

Contextually, I have explored such organizing processes within the emergence of the new transnational space created by growing commercial relations between Brazil and China under the aegis of the economic integration efforts of the BRICS bloc. In the analytic chapters, I have provided accounts from organizations reacting to increased Chinese presence in Brazil in order to examine emerging organizational practices and then considered the possibility that these adaptations may lead to institutional change. I also explored different interpretations of China’s presence that are used discursively to make sense of, and perhaps legitimate, China
as an important strategic partner for Brazil. Next, I will address the implications of this study for institutional approaches to studying international management, our understanding of transnational collaborations, the future of the BRICS, and finally, possible avenues for future research.

**Theoretical Implications**

I begin by reflecting on the theorizing in the varieties of capitalism and national business systems literatures in light of the transnational space I highlighted during this research. The original studies in comparative capitalism typically viewed institutional configurations as relatively stable and uniformly dispersed within the territory of individual nation-states. A variety of authors, e.g., Crouch, 2005; Djelic & Quack 2010, have recently called for scholars in these traditions to pay attention to the tacit assumptions of national scale, assumed stability, and actor agency in institutional approaches to studying the global economy.

In taking a transnational perspective, I highlight the limitations of the implied, clean separation between national contexts. Calling attention to the point of encounter between members of different societies, here Brazil and China, we can see that different varieties of capitalism are also coming to contact through the organizing traditions that developed in them. While my fieldwork took place only in Brazil, practices of Chinese capitalism influenced the business arrangements of the firms I studied.

Whitley (1998) asserts that national business systems tend to persist and resist change. The view from the ground in the case of Sino-Brazilian trade demonstrates that, despite being the top player in the economy, China has thus far
had little impact on Brazil’s wider institutional environment. Arrangements such as *custo Brasil* are a consistent feature in Brazilian capitalism, and though the Chinese find it frustrating, there is no evidence of their influencing it. Instead, as reported by the owner of Firm Q in the last chapter, the Chinese go around the system instead. However, these relationships are also very new and it could be that any impact from China has not yet had sufficient time to permeate through the economy.

Though major institutional change may not be taking place at present, my findings call for more attention to the possibilities that transnational collaboration may generate change through new practices that grow into proto-institutions. Instead of institutions leading to uniform selection of form and practice to deal with challenges by those within a given context, we have seen that organizations may choose from or adapt a range of options within their repertoire. The large firms changed their internal structures, such as creating a new department, to do business with the Chinese. Others, like Firms G and J, acquired new human capital in the form of the bicultural bridging employee who speaks multiple languages and possesses Chinese cultural knowledge. This solution is not different from hiring English-speakers to do business with the USA. Lacking the same resource flexibility, the SMEs have largely moved towards reliance on third-party agents and other service providers. Firms like E, L and Q are all dependent upon counterparts in China to cope with any disputes with their partners.

While a number of firms reported undertaking these practices, it remains to be seen if any one solution will become the “taken for granted” way of doing business with China. The role of the Canton Fair as the widely accepted destination
for meeting new partners may be one example of an aspect of these relationships that has acquired naturalized status. We also have the example of Firm F as an example of blending existing practices into a new organization dedicated to filling the gap in Brazilians’ knowledge of China and the requirements for developing business there. Firm F may have been the first such entity two decades ago, but several other organizations, including Firm I, have been created in the past five years to provide similar services. To my knowledge, no such entities exist for the other BRICS partners, like Russia or India, though we may witness their creation if the need arises as Brazilians transfer the solution that worked for China to other partners with whom they have little experience.

As for actor agency, institutional approaches have often focused on regulation and compliance leading to isomorphism among actors to the neglect of their agency and creativity (Couch & Voelzkow, 2009). In the narratives shared here, the study participants have described experiences leading to a variety of organizational responses to institutional differences. As described above, the Brazilians react to these differences by employing organizational tactics that may require them to undertake initiatives similar to what has been required when doing business with other international partners. In some cases, such as the SMEs needing to extend their reach overseas, this process may extend beyond what they have to do when dealing with close neighbors like Argentina or Chile.

**On Transnational Collaboration**

Many stories of international collaboration transform the strategic expansion of global enterprise into a neat, linear process e.g., two firms entered into a joint
venture in Brazil. However, I have shown that organizing of new relationships is often as chaotic as it is intentional. The accounts collected for this project demonstrate that these processes are unstable and subject to constant revision. Through the institutional lenses that framed this dissertation, this instability stems at least in part from disparate ways of organizing across contexts. Viewed through local business norms, the Chinese are depicted by Brazilians as violating what would be expected for a partner, for instance, ignoring contracts or, as in the case of Firm P, refusing to provide the assistance necessary to support their products.

For instance, conflicting understandings of how to start collaboration can hamper the formation of new partnerships. Even the small details matter here. The owner of Firm C was bewildered when asked for an order without being given a sample. The owners of Firm E have had to revise their organizational practices several times due to Chinese suppliers they described as “crooks” for shipping them goods that were not ordered without a second thought. Lacking vital local connections, it took the owner of Firm H years to figure out the most productive way to participate in the Chinese market. Evidently, there is not one right way to handle the situation. Echoing Sabel and Zeitlin (1997), these firms have had to engage in pragmatic experimentation with a variety of solutions before finding success.

Such examples highlight the need for international management to engage in more research and theorizing that reflect the negotiation and contestation involved. In looking beyond simply similarity and difference, we see a complex collage of possibilities resulting from the in-between. In contrast to “multilevel” studies that hold national characteristics constant to examine the effects of collaboration (e.g.,
Peterson, Arregle & Martin, 2012), we need to spend more time thinking relationally about people who simultaneously attempt to negotiate multiple institutional frames in shared transnational space. It is this dynamic multiplicity that may lead us to new insights into how social actors leverage traditional organizing principles in new ways with collaborators as well as potentially co-create innovative ways of coordinating activity in the contemporary economy.

Turning attention to organizing traditions in Latin America, within the companies I interviewed one can trace the tension between traditional preferences and the so-called modern transnational ‘multilatina’. Reflecting on the more insular nature of business patterns within the region, the Resistors and Reluctants show less inclination to do business outside the region. If they must, they would prefer to do it with traditional partners in the Americas or Europe. Meanwhile, some of the Pragmatic firms represent the more recent corporate development. They report doing business with China the way they would with any other country. The Entrepreneurs willing to engage in China represent a departure from the historical elite preoccupation with consolidation of firm activities within the home economy. Clearly, at this point I can only comment on what I saw in Brazil, but these observations could serve as a base for examining how other business communities in the region are also dealing with the arrival of China.

**Methodological Contributions**

Methodologically, this dissertation makes a contribution with its blended approach to levels of analysis. I focus explicitly on the connections between relations at the “micro” level at which collaboration takes place and the institutional
and global contexts at the “macro” level in which these collaborations are embedded. One advantage of this approach is that research at the macro level often renders the issue of practice invisible while micro research neglects the important role of context. What I bring into focus is that actors carry their disparate frames of reference with them to manage their interactions in a new, shared space. With this in mind, one can examine the continually negotiated nature of organizing patterns that result from and govern their collaboration.

Second, this study provides an example of the approach to studying institutional change advocated by Phillips and Malhotra (2008) who point to the utility of discursive analysis for tracing the process through which participants reach shared understanding. Through their interactions, social actors must arrive at a common definition of reality in order for institutionalization to take place. This approach provides a way for scholarship to go beyond observing the effects of institutions and then working backwards. By examining the interplay of related discursive texts, one can trace the effect of legitimation or delegitimation in how institutions are created, maintained and replaced over time. The debate over whether China is a friend or a foe is a striking example of this attempt to reach a consensus. The national government uses its platform to emphasize the advantages and potential of the bilateral relationship. Meanwhile, journalists in the press and on national television call this conclusion into doubt characterizing the Chinese as aggressive, dominating and untrustworthy.

This entire process is inherently political. The use of discursive analysis to look at legitimation among social actors with disparate interests was not a new
approach to examining these issues (e.g., Vaara et al., 2002; Joutsenvirta & Vaara, 2008; Castelló & Lozano, 2011). However, an additional contribution of this dissertation is the attempt to consider what happens when the “other” openly speaks back. We saw that China uses the discourses available in Brazil to shape a message in line with what experts have described as its interests, countering the negative portrayals of China and its actions in the media. This research reinforces prior findings that participants may draw from a variety of sources, for example, global economic rhetoric, local historical references, and dramas resulting from institutional differences, in order to make new partners seem valuable or undesirable. As we have seen, Brazilians draw on narratives from Portuguese colonization five hundred years ago to the lingering effects of the 1980s Washington Consensus while talking about their new relations in China.

**Whither the BRICS?**

With signs that economic growth among the BRICS may be slowing, what will happen to the bloc in the next decade? Is this grouping just an attractive fad that temporarily caught the world’s imagination? Analysts look at China and worry about potential political unrest, demographic issues resulting from an aging population, resurgent nationalism, and growing resentment over class differences. Brazil faces its own problems of economic inequality, ineffective governance, and extremely uneven development. It remains to be seen if the cultural, economic, political and social benefits touted by the member states will lead to the accelerated development that could help address some of these challenges.
As I write this conclusion, several articles have been published arguing that the BRICS are – or were - a flash in the pan as a group, even if the importance of individual member countries continues to grow on the world stage. More recently, A Folha de São Paulo ran a piece from Reuters on 4 November 2013 entitled Para investidores chineses, o Brasil não é mais a terra prometida (For Chinese Investors, Brazil is no longer the Promised Land). The article questions the future possibilities of the Sino-Brazilian relationship, echoing the observations quoted from Maciel and Nedal in Chapter 3, as well as the narratives about the high costs and difficulty of doing business in Brazil,

“...executivos chineses têm ficado cada vez mais frustrados com um estagnado crescimento econômico, custos elevados e o que eles veem como uma reação adversa à sua presença. Como resultado, o investimento chinês no Brasil está caindo, e até dois terços dos cerca de US$ 70 bilhões em projetos anunciados desde 2007 estão em compasso de espera ou foram cancelados, de acordo com várias entrevistas e estudos independentes”.

“Chinese executives have become increasingly frustrated with the stagnant economic growth, high costs, and what they see as an adverse reaction to their presence. As a result, Chinese investment in Brazil is falling and up to two-thirds of the nearly USD 70 Billion in projects announced since 2007 are on hold or have been canceled according to various interviews and independent studies.”

Even with the backing of the two states, efforts to integrate their economies have proven difficult. Likewise, from the point of view of the individual firms, we can see that building the BRICS from the ground up has not been an entirely smooth process. What happens to the involvement of the Brazilian multinationals, including some of the Pragmatic firms, if the will of the national governments begins to fade? Their involvement has heeded the policy of the Brazilian government and enjoyed
the financial support of the national bank. Yet, even large, successful Brazilian companies that do not sell raw materials and their derivative products, like the case of EMBRAER discussed in Chapter 2, have had a very difficult time entering and sustaining operations in China.

Despite the commercial opportunities, we are left with a panorama that may point to the limits of international integration. Scholars of institutional distance have argued that increasing levels of difference impact market strategies and make collaboration more difficult (Xu & Shenkar, 2002). As a bloc, the BRICS are after all an extremely diverse group. Are the dissimilar socio-cultural backgrounds, lack of a geographic basis, and conflicting national interests, simply too much to overcome in the long-term? And if so, what are the chances of success for other large-scale initiatives like the Trans Pacific Partnership that may involve even more states?

**Future Directions**

Several avenues of future research come out of this project. First, there is an obvious need to collect the Chinese side of the story. Given the difficulty of obtaining data from these participants during my time in Brazil, I was only able to gather the Brazilian narratives. There is another side of this story that needs to be explored in a future project. Moreover, this project omitted other BRICS partners. India has also begun to invest in Brazil, particularly in pharmaceuticals and information technology. Diplomatically and militarily, Brazil has developed close relations with South Africa since the end of Apartheid. Commercial relationships growing out of these developments could also provide fruitful insights into organizing the BRICS.
How might collaboration lead to change in varieties of capitalism and national business systems? The presence of possible proto-institutions identified earlier would support that change is possible, but participants also argued that China was just being used as a crutch to avoid changes in sectors of Brazilian society that are desperately needed. Entrepreneurs who interact directly with the Chinese identify desirable approaches to business that they could learn – hard work, pragmatism, efficiency – and, if adopted, these lessons could influence local practices and lead to larger changes. That said, thus far none of the participants made any mention of transferring elements of practice learned from or developed during collaboration with the Chinese into the ways they conduct their daily business with other Brazilians.

If anything, the more recent social protests which started in June 2013 over corruption, ineffective governance, and public expenditures on major sporting events to be held in the country, could be what actually begin to erode the custo Brasil and other institutional impediments to country's development. There is clear sentiment on the street that enough is enough, but whether this will generate sufficient political pressure to sway the economic elite or the leading political party to instigate change cannot yet be determined.

Regarding transnational collaboration, my findings also offer insight into the future avenues for the evolution of interorganizational governance. Assuming these relationships continue to grow over time, and that the BRICS coalition retains its importance, will the relational governance that has been central to organizing in both Brazil and China ever migrate into the transnational space? At the moment, the
most basic building blocks required, such as trust and social capital, are not in place. As such, one could assert that those who argue that economic development leads towards more efficient market-based mechanisms are correct (Peng, 2003). Yet, the story may not be so simple. Several participants wished that they could employ relational methods with their Chinese partners as they do for their Brazilian customers and suppliers due to increased ease and flexibility. Under what circumstances then might these methods (re)appear? Is it just a question of time and familiarity, or are there are other factors that influence how and when they take root? Is it possible that a hybrid Sino-Brazilian approach will still form over time? I have already had the chance to follow up with some participants, and long-term contact with them may yield additional insights into this rapidly moving world.

To conclude, this initial foray into the organizational implications of rising Sino-Brazilian commercial relations found that the organizing of new partnerships in this context is a challenge for many of those involved. Despite historical similarities in some institutional arrangements, the governance of these relationships relies on imperfect legal mechanisms and ad hoc changes to organizational structures and daily practices. The many contradictory views on China present in Brazilian discourse may indicate that the BRICS have not yet become a fully legitimated facet of commercial activity. Should these relationships continue to expand in scope, future scholarship may or may not witness the emergence of other organizing patterns in this transnational space. The question thus remains: Would it even be possible for the traditions of the two societies to
blend in novel ways as these partners continue to seek solutions to the complexities encountered in their new transnational space?
APPENDIX A

GEOGRAPHY OF THE STUDY

Brazil in the World

Locations in the Field

Salvador, Bahia
Belo Horizonte, Minas Gerais
Campinas, São Paulo
São Paulo, São Paulo
APPENDIX B

INTERVIEW QUESTIONS

Organization

Tell me about your company/organization:

- a. Public, Private, Family-held?
- b. How long in business?
- c. Industry and positioning?

Contacts with China

How long have you been doing business with Chinese firms?
Could you tell me about how your business with China started?
How did/do you evaluate potential partners?

Relations with Chinese firms

Could you describe how you conduct business with your Chinese partners?
(trade, buy/sell, manufacture, partnership, joint-venture, agreements, formalized)
How would describe your relationship with your partners?
How do you resolve any problems or conflicts?
Has this business changed how you do business more generally? New opportunities?

Network features

Who else do you know who is doing business with Chinese firms?
How do you get information about potential Chinese partners?
Who do you consult for advice or information on doing business with China?
(Personal connections, government agencies, non-profit organizations?)
APPENDIX C

INFORMED CONSENT FORM

TERMO DE CONSENTIMENTO LIVRE E ESCLARECIDO

Pesquisador Responsável: Sr. Jeffrey A. Kappen
Título do Projeto: Exploring cooperation among the BRICS: The Organizational Implications of Growing Business Relations between Brazil and China
Instituição: Universidade de Massachusetts Amherst
Contato: jkappen@som.umass.edu

O Sr.(a) está sendo convidado(a) a participar do projeto de pesquisa intitulado “Exploring cooperation among the BRICS: The Organizational Implications of Growing Business Relations between Brazil and China” que refere-se a um projeto de Doutorado do Sr. Jeffrey A. Kappen, o qual pertence ao curso de Management da Universidade de Massachusetts. O objetivo deste estudo é explorar as implicações organizacionais do crescimento das relações comerciais entre o Brasil e a República Popular da China. Sua forma de participação consiste de uma entrevista sobre as atividades de sua empresa/organização com parceiras chinesas. Se for de sua anuência, a entrevista será gravada.

Seu nome não será utilizado em qualquer fase da pesquisa o que garante seu anonimato. Nomes fictícios serão utilizados nos relatórios finais.

Não será cobrado nada; não haverá gastos nem riscos na sua participação neste estudo; não estão previstos ressarcimentos ou indenizações; não haverá benefícios imediatos na sua participação.

A sua participação é voluntária e que poderá recusar-se a participar ou retirar seu consentimento, ou ainda descontinuar sua participação se assim o preferir. Em caso de dúvida(s) e outros esclarecimentos sobre esta pesquisa você poderá entrar em contato com o responsável principal.

Eu confirme que Jeffrey A. Kappen explicou-me os objetivos desta pesquisa, bem como, a forma de participação. As alternativas para minha participação também foram discutidas. Eu li e compreendi este termo de consentimento, portanto, eu concordo em dar meu consentimento para participar como voluntário(a) desta pesquisa.

Eu, ______________________________, declaro ter sido devidamente informado(a) e concordo em participar, como voluntário(a), do projeto de pesquisa acima descrito na cidade de ______________________ data, ___ de ________ de 2012.

Assinatura do participante ______________________________________________________
APPENDIX D

FIELDWORK AND ARCHIVAL DATA SUMMARY 2012

Fieldwork Observations

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<th>Event</th>
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</thead>
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<tr>
<td>SIAL Show</td>
<td>São Paulo</td>
<td>June 27</td>
<td>4 hour visit, field notes,</td>
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<tr>
<td>EnerSolar+</td>
<td>São Paulo</td>
<td>July 12</td>
<td>6 hour visit, field notes, brochures</td>
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<tr>
<td>BCEE</td>
<td>São Paulo</td>
<td>August 14</td>
<td>5 hour visit, field notes, brochures</td>
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University Visits

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<td>Meeting, Sociology Professor</td>
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<tr>
<td>July 23</td>
<td>Fundação Getúlio Vargas, São Paulo – SP</td>
<td>Meeting, Business Professor</td>
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<td>August 7</td>
<td>State University of Campinas, Campinas – SP</td>
<td>Meeting Economics Professor</td>
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Archival Data

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<tr>
<td>Lobbying Groups</td>
<td>Videos (80:25), Documentation (106 pages), 4 PowerPoints</td>
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<tr>
<td>Popular Press</td>
<td>Videos (111:12), Recent news articles and editorials (18)</td>
</tr>
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</table>
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