The Chinese Way of Running their Companies in a Critical Scenario and its Reverberation on Performance of Chinese Energy State-Owned Enterprises in Brazil: A Case Study

中国国有企业在关键节点的治理模式与其在巴西能源产业的行动：一个案例分析

Thaís Caroline Lacerda Mattos y Suzana Assis Bandeira de Melo

Abstract:

Based on the unfolding of a global hegemonic dispute between the United States and China, the trade war between them has directly affected Chinese sovereign interests such as state-of-the-art technology advancement project, specifically those developed at State-Owned Enterprises (SOES). The objective of the present research is to understand the adaptations of Chinese SOEs to changes in the internal environment, notably the centralization sponsored by Xi Jinping and external ones, the internationalization of Chinese public companies in an environment of transformation resulting from the increase protectionism and the trade war imposed by Donald Trump. To that end, we will outline aspects of the trade war that affect Chinese SOEs in Brazil, to highlight the major perceptions of the Brazilian management team in our specific case, and enumerate the initiatives within the Chinese corporate governance in the state sector that aim to protect their interests.

Keywords: Corporate Governance. Bilateral Relationship between China and the United States. Chinese SOEs. Trade War.

摘要:

随着中美权力博弈不断升温，两国之间的贸易战直接影响了中国的主权利益，例如最新一代移动通信技术项目的推进，而这里的项目特指国有企业的项目（SOEs）。本文旨在了解中国国有企业对国内环境变化（习近平主席向中央集中权力）的适应性。同时，国有企业也要适应国外的环境变化，即在美国特朗普总统施加的贸易保护主义和贸易战的背景下，国有企业的国际化

转变。为此，我们将阐述贸易战对中国在巴西的国有公司的影响，结合我们的具体案例，强调巴西政府的主要治理观念，并列出中国国有企业为保护自身利益的举措。

INTRODUCTION

Not only has China's state-owned corporate governance been constantly changing the way it runs its state-owned enterprises (SOEs), but it has also been facing major challenges during the volatility of the trade war waged against the USA, noticeably started in March 2018, and which could greatly influence the world's economic growth over the medium term. In this sense, it is important to observe that the context that brings trade adversities between the two countries is wide-ranging, as both compete not only for the leadership of world technology trade, or the lead of the "Industry 4.0" platform, but there is strong evidence that a dispute for world hegemony is underway now early in the 21st century, with the world center of gravity shifting towards Asia under Chinese leadership (Mattos, 2016).

With the noteworthy increase in hostilities in the field of trade between the two countries, US analysts say that Chinese aspirations could be challenged if they continue applying industrial policies to control market access (Loeys; Chang 2019). The current administration of President Donald Trump, within the perspective of the trade requirements listed in 2018, follows the speech that "China's high level of indebtedness remains the 'Achilles' heel', thus requiring restructuring of the financial sector and public companies (Loeys; Chang, 2019: 05) if the intention is not to cause a global financial crisis due to the expansion of China's economic weight achieved over the last forty years.

According to a paper published by the "World Economic Forum", in May 2019, in order to understand the current situation and the allocation of resources of Chinese state-owned enterprises, it is necessary to establish an analysis in a broader and more complex economic scenario:

> In light of the changing global landscape and the Fourth Industrial Revolution, China is transitioning from an investment-driven export economy to an innovation-driven economy reliant on domestic consumption. The role of SOEs has become all the more important in these circumstances, as they have traditionally assisted the government in reforms – even though the new consumption-oriented economy requires a level of flexibility and responsiveness that publicly owned bodies generally lack. (Guluzade, 2019: 01-02).

In the early years of the state-owned companies' internationalization process, some analysts pointed out to the Chinese government a set of measures and reforms deemed necessary, with emphasis on the following: a) Implement a decision-making system in SOEs regardless the Party, including a qualified and trained workforce; b) restructure financial and tax systems; c) improve corporate governance techniques for greater efficiency of the SOEs; d) reinforce research and development internally, and e) expand internationalization in the management of state-owned enterprises through the globalization process (Fernández; Fernández-Stembridge, 2007: 09-10). We will see later how these issues have unfolded during the administration of Xi Jinping, whose proposal in the economic area differs and distances itself from contemporary Western corporate and industrial approaches. It is also necessary to highlight that the crisis is taking place in the context of systemic crises on the world stage and of trade conflicts with the United States, the major world economy today.

Given these notes, from the perspective of the international political economy and the industrial economy, we propose to identify the effects of the trade dispute between China and the USA in current times that reflect on Chinese corporate governance in their state-owned enterprises, since it is "the industrial policy [...] core to Washington's complaints in the Sino-U,S. trade war" (Qiu; Woo, 2019: 01), the US requirements to the Chinese government focus on the advantaged allocation of subsidies that are supposed to favor public companies over private ones, resulting in an unfair competition in the free market.

The motivation for the present research was based on the authors´ performance in consulting and services on intercultural integration and its effects on organizational culture (management culture, decision making and leadership) in a Chinese state-owned energy company wich has been operating in Brazil since April 2018, through an acquisition process concluded in mid-2017. The Brazilian Board of Directors have sought to understand the nature of certain "obstructions" in local operations and internal processes, which needed understanding for in addition to the cultural aspect of the relationship between Brazilians and Chinese in the workplace, or even a possible labor gap on the part of the Chinese executives and managers under Western patterns, especially from the beginning of 2019 on.

In view of the lack of specific studies in the field of administration and international relations (in Brazil, in particular), and because it is a current issue, we intend to establish a cause and effect relationship between the Trade War which intensified at that time.

Therefore, our major objective was to outline aspects of the trade war between both countries that affect Chinese state-owned enterprises in general; specifically list the initiatives within the Chinese government that aim to protect their interests, and point out some of the direct consequences in the operation of Chinese state-owned enterprises in Brazil, resulting from the Mergers and Acquisitions (M&A) process [1] based on a specific case. In this context, it is noteworthy that these companies, especially in the energy sector operating in the country, aim not only to invest in water, solar and wind (clean energy) and infrastructure segments, but also to promote innovation in state-of-art technology, which is part of a broader plan, the "Made in China 2025" (MIC 2025). [2]

Based on evidence that shows a halt on the reform policy of the state-owned enterprises and the greater centralization of the decisions taken by the Chinese Communist Party in the internal management of SOEs (recently signed in Chinese legislation and in the statutes of companies) we note that advances in diligent management policies were significant in early 2019, when the trade war started to intensify. In this manner, it was sought to outline some of the issues raised by several analysts of the management plans of the Chinese government in Chinese SOEs in the international field and an empirical monitoring of the activities of a Chinese subsidiary state company operating in Brazil, in order to certify and understand these changes in the international economics scope and their implications for the country.

In order to fulfill these objectives, we rely on information gathered from interviews conducted with qualified agents and on specialized documents that detail the major changes in a broader scenario of

[1]The acquisitions and mergers policies are part of the "Going out, Bringing in" strategy and it became a very common process from 2004 on, notably expressive in 2015, with the large acquisitions of European companies by the Chinese. In this way, the Chinese government "enables access to technologies, management knowledge, and brand control" (Arbix et al., 2018: 7). In numbers, "the value of overseas M&A surged to $ 30.2 billion, increasing by 479% from 6.3 billion in 2007. Until 2016, the total value of cross-border M&A fluctuated, but grew at an average rate of 12.5%". (Chen et al, 2018: 02).

[2] The "Made in China 2025" reflects the Chinese government's strategy launched in 2015 aiming at technological upgrading. That project "defines ten core industries, such robotics, power equipment and next-generation IT, in which China wants to achieve major breakthroughs and create globally competitive companies (Zenglein; Holzmann, 2019: 08).

Chinese state-owned enterprises. Therefore, in addition to this introduction and brief final considerations, this research is organized into three sections. In the following section, we will briefly outline the transformations of Chinese SOEs in the "Going Out, Bringing In" policy [3], the key organizational characteristics that make them different from Chinese private companies, and the reforms implemented by the Chinese government, especially under the leadership of Xi Jinping. In the second section, aspects of the Trade War between China and the United States are outlined and, next, we present our case study and demonstrate how the changes in corporate governance of Chinese state companies affect the Chinese subsidiary operating in Brazil.

The research was developed by using the case study method and a qualitative approach through bibliographic and documentary research. The semi-structured interview technique was also used to collect data with five individuals on the Brazilian Board of Directors of the aforementioned company, safeguarding their identities. For the selection of the interviews (data collection tool), it was first necessary to read the main investigations of thematic factors here, which are correlated with the challenges faced in the company. The selected directors were the main agents in all the company's constitution processes, including the hiring of consultancy and training, and were interacting, both in the relationship with expatriate Chinese (including three directors), and with higher levels people (head office) in China. The collected data were imported using the software ATLAS.ti (*Archiv fuer Technik, Lebenswelt und Ulltagssprache*, in German language). All narratives were coded for data translation (Saldaña, 2015), from a previous analysis with a fluctuating reading, followed by the analysis of the content of the applied corpus (Bardin, 2011).

1. THE REFORM PROCESS OF THE DOMESTIC CHAMPIONS: THE CHINESE WAY

In 1997, with the policy of "grasping the large and releasing the small" (*Zhua Da Fang Xiao*), there was a major restructuring of the ownership of state-owned enterprises and the incentive for their development in sectors considered strategic by the Chinese government, such as defense, transportation, energy, communications, and petrochemicals.

As a result of the operation of these key enterprises, especially in the domestic economy, out of the 111 Chinese companies listed by the "Fortune 500" in 2018, 87 are state-owned enterprises. The top three companies in the list are State Grid Corporation, China Petrochemical Corporation, and China National Petroleum Corporation. It is noteworthy that "there are approximately 150,000 SOEs, of which around 50,000 (33%) are owned by the central government and the remainder by local governments" (Berlie; Hung, 2019: 85). The central government directly controls and manages 96 strategic state-owned enterprises today through the State-Owned Asset Supervision and Administration Commission (SASAC [4]), devised to represent the Chinese State in the exercise of its rights as owner of the

[3] Chinese government strategy developed from the 10th Five-Year Plan during the internationalization process of its companies, while it sought "big threats of color, exhibition in the construction of national brands and internalization and transfer of technologies" (Arbix et al, 2018:15).

[4] SASAC developed supervision centers for human capital management, auditing, and supervision of statistics, regulations and laws. The major objective is to enhance and increase the efficiency of state companies, and as general objectives, to manage three key problems in the productive sector: rights and property; definition of responsibilities, and conflict of interest between the executive branch and public managers. It manages central state-owned enterprises, however, many of them are holding companies (they develop partnerships with foreign companies), that is, for each of the 96 state companies listed, there are others. The central corporate board of SASAC has a list of these companies and the local commissions at <http://www.sasac.gov.cn/n2588035/n2641579/n2641645/c4451749/content.html.>

companies by managing its assets and operations, and to enact industrial policies that involve the transition of the major SOEs into domestic champions. Today, SOEs (local and central) account for 30% of the Chinese GDP (Zhang, 2019) and can be found in every sector of their economy, from tourism to heavy industries. An important observation concerns the percentage of Chinese GDP spent on research and development (R&D), which surpasses the European Union average of 1.95% in 2014 (Arbix et al., 2018: 02).

Based on these figures, we believe it is important to present a brief historical summary of the reforms from the 1990s until the beginning of the 21st century.

1.1 Corporate Governance of Chinese State-Owned Enterprises: the Reforms Process

In China, public or private companies had access and permission to associate with foreign companies in 1992 based on 14 requirements of the Chinese State Council. Under the direction of Jiang Zemin and Zhu Rongji, there was a gradual and selective process of update, such as in Japan and South Korea – the *Keiretsus* and *Chaebols* – respectively and, in 2001, with China's entry into the World Trade Organization (WTO), the Chinese government was subject to the liberal economic rules and opened its market to the world. In that context, it is noted that the reform process of Chinese state-owned enterprises was developed in an attempt to improve the competitive environment not only in the domestic market, but also in foreign markets where Chinese companies were involved in trade and investments. It is also important to highlight one Chinese SOEs' specificity: they are charged with both economic and political objectives. What Western market agents, to a greater extent, continue to question and claim on the Chinese government is when the reforms will reach a fundamental point: the separation of the spheres of the two activities. However, the opposite has been occurring, especially since the rise of Xi Jinping (2012 – current) as we will see below. According to a joint study conducted by experts from the Asia Society and the Rhodium Group: "During the 1990´s, Beijing tried to reform the state sector by consolidating state control over large SOEs while withdrawing from small ones, wich contributed to private sector prosperity and a decade of Strong economic growth. In the 2000´s, Beijing redefined SOE 'reform' as concentrating state control over key and pillar industries with strategic linkages to China´s economic development and national security" (Asia S.; Rhodium G. 2019: 30).

At the 18th Party Congress 2013[5], at the third session (that announced economic reforms, including the requirement that the market play a more decisive role in the allocation of resources), there were renewed promises of extensive SOE reforms requested by President Xi Jinping, as a fundamental part of the Chinese economic system. The initial plan was to reduce the importance of the state and government interventions in the daily management of state-owned enterprises. In September 2015, the State Council launched a new set of guiding principles for the reform of public companies. Rather than allowing the market to decide on the future of the SOEs (according to the liberal principles of the econ-

[5] In that context, in the search for quality and efficiency of operations in state-owned companies, we highlight some of the measures announced: 1) The most decisive role of the market in the allocation of resources; 2) Greater operational transparency; 3) Legal reforms (subjecting them to greater competition), and 4) Reduction of preferential treatment by the central and provincial government. The "Third Plenum" also called for "mixed ownership" economic structures, with ways of providing greater economic balance between private and state-owned companies in certain industries, including equal access to factors of production.See more: <http://www.china.org.cn/china/third_plenary_session/2014-01/15/content_31203056.htm>.

omy), the state council proposed the use of market mechanisms to make state-owned companies bigger, more powerful and more efficient, thus maintaining control of the government. On the other hand, "the 2015 guiding principles reaffirmed the goal of the Third Plenum of 2013 to transform the government's role in managing state-owned companies, from 'asset management' to 'capital management'" (Rosen; Leutert; Guo, 2018) and also presented a proposal to facilitate the entry of private investments and privatizations, both partially. However, the international criticism is that the government is making no effort to come up with effective measures and that the documents or statements about reforms at state-owned enterprises are nothing more than mere intentions.

Since 2017, the government has pushed to 'corporatize' SOEs, including establishing boards of directors to replicate the structures of other commercial entities. But it alo required all SOEs to institutionalize the role of Communist Party into their articles of association and give the Party oversight for all strategic decisions. As a result, boards of directors still lack de facto authority to manage SOEs´operations. (Asia S.; Rhodium G., 2019: 30).

The then SASAC chairman, Xiao Yaqing, reaffirmed this item in a press conference in March 2017, at the National People's Congress, where he stated that the newly implemented rules required that the chairman of any SOE under the control of his ministry also be the CCP committee secretary as a way to strengthen control. Despite the latest accusations of radical interventionism from the Party in the management of state-owned enterprises,

> [...] the Xi administration does not see a contradiction between strengthening the Party´s role in SOE corporate governance and improving firm performance and valuation. On the contrary, leaders belive that institutionalizing stronger role for the Party will *benefit* SOEs by improving supervision and accountability – top priorities in Xi´s anti-corruption campaign. (Rosen; Leutert; Guo, 2018: 07).

In the next section, we will see how Xi Jinping's agenda merges the institutionalization of the CCP's leadership as the political core of corporate governance structures, codified in the statutes of public companies, with the entrenching of the status of that same leadership in the Party's Constitution at the 19th CCP Congress in 2017. Besides, we will see what reasons in the international field seem to work together for this greater centralization.

2. Trade and geopolitical controversies between the United States and China

When Xi Jinping came to power in China in 2012, in the context of relations between the two biggest powers in the world today, despite the existence of broad cooperation between the two countries regarding important issues to the international community – climate change, terrorism, world economic crises, bilateral trade, cyber spying, combat to the spread of nuclear weapons – there were disagreements that challenged this relationship during the Barack Obama administration in the United States.

It is interesting to highlight that in May 2015, for example, China was denounced by the United States for taking advantage of spying in order to guarantee competitive advantages in the trade and industrial area. Among other controversial issues, which raised debates about a possible "cold war" between the two countries, the Chinese government and its policy makers made it clear that the country would follow a path of no return in the search for technological innovation (Greeven; Yip; Wei, 2019). Despite the strategic constancy of "peaceful development", its leadership has shown a more comprehensive and proactive expression, since according to the official Chinese diplomacy, its leadership strive for a new orientation by means of guidelines that redefine the CCP's directives to act as an instrument of renewal of Chinese foreign policy and, thus, there was a break in some standards compared to previous leaderships.

As a result of this new fresh leadership, new arrangements in the field of business management on Chinese territory were observed:

> When Xi Jinping took power in 2012, he extolled the importance of the state economy at every turn, while all around him watched as China's high-speed economy was driven by private entrepreneurs. Since then, Xi has engineered an unmistakable shift in policy. At the time he took office, private firms were responsible for about 50% of all investment in China and about 75% of economic output.[...] "Since 2012, private, market-driven growth has given way to a resurgence of the role of the state."[...] But in his first term in office, Xi has overseen a sea change in how the party approaches the economy, dramatically strengthening the party's role in both government and private businesses.[6] (McGregor, 2019).

Based on these observations, the developments of a more conflict-oriented relationship (or constant trade and political disagreements) between the two countries are noteworthy. The trade war gained great media coverage, and in the analysis of scholars of economics and international relations - and due to its circumstantial character - it leads to a not very predictable outcome, especially regarding global reverberations, since negotiations now advance, now they return to the first stage of conflict. However, a global economic slowdown, as a possible result, would be one of the most challenging scenarios for the consumer markets and even trade relations between countries.

The month of March 2018 was marked by the beginning of the trade war between the United States and China, at the time when the American president decided to threaten his counterpart with the increase in taxation on Chinese goods. Since then, Chinese backlashes such as also the imposition of taxes on American products have intensified the threats. In this context, billions of dollars in duties on goods from both countries converge in uncertainties in the world economy.

In addition to these issues, there are still other important ones: the high deficit of the US trade balance with China, and in theory, the relations of Chinese companies with the Chinese government would be at odds to a large extent when compared to Western management standards. The New York Times journalist Thomas Friedman calls attention to concern about the Chinese management of public and private enterprises in China:

> More and more American companies complained in recent years that their access to the China Market was being constricted, while their Chinese competitors were gaining scale and power inside of China´s protected market and then competing with these United States companies globally. (See Huawei.) Under Xi´s 'Made in China 2025' plan, the government would provide enormous subsidies, loans and investment funds so that Chinese companies could overtake their foreign rivals. (Friedman 2019).

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[6] According to the same author, "one recent survey by the Central Organisation Department, the party's personnel body, found that 68% of China's private companies had party bodies by 2016, and 70% of foreign enterprises [for] there was a need, the survey said, to retain the revolutionary spirit inside the companies as their ownership was handed on to the next generation" (McGregor, 2019).

It is worth noting that in 2018 other countries ended up involved in "trade wars" with the United States. It is noted that "Trump imposed duties on imports from Mexico, Canada, and the European Union to encourage consumers to buy domestic products, [and] all these countries imposed a backlash [...] with tariffs on American products" (Palumbo; Costa, 2019: 06). This quote is the basis of the American rhetoric in trade conflicts with the Chinese. However, it is a fact that the flow of Chinese investments around the world, which increasingly reflect the greater expansion of the activities of Chinese SOEs, is also a matter of concern on the western side, because "historically, the BRI [Belt and Road Initiative, launched in 2013] captured more than three-fifths of China's construction volumes abroad, with almost three-quarters of the resources involved in energy and transportation in places such as Pakistan and Iran, Saudi Arabia and Nigeria (Ezrati, 2019).

In the core of all this discussion, it is important to note that specifically in relation to Latin America, the United States government officially has launched the "Growth in the Americas Initiative" in December, 2019. Basically it is exclusively about huge investments in projects in the energy sector representing an antagonism to the set of Chinese investments in the region. Currently, Panama, Jamaica, Chile and Argentina have already signed legal instruments to join the Initiative, and Brazil and Peru would be next.

Before continuing with the proposed discussion, it is important to observe that, despite the criticisms about the centralized management of companies, the strength of the Chinese public sector is a prevailing factor in the analyzes, especially when dealing with long-term strategies and objectives of the Chinese government (Dussel Peters, 2015). Thus, it is important to note that "if, for example, the current central government proposes that the Market play a 'decisive' role in allocating resources, and thus comprehensively deepening reform, it is essential to understand the starting point of 'the market' in China, and of its public sector; otherwise comparisons might be deeply misguided and incomplete" (Dussel Peters, 2015: 55).

When we address our case study, it will be shown that, among Chinese investments confirmed in Brazil, the participation of state-owned enterprises represents a substantial part in terms of numbers and values of projects. It is a fact that these numbers also produced more weight in the general context of controversies between China and the United States. Not by chance, there was a movement to bring this country closer to Brazilian political, diplomatic and trade affairs, made possible in 2019, with the election of Jair Messias Bolsonaro affiliated to the Social Liberal Party. This subject is not worth discussing in this paper, but it is also a factor for a more in-depth analysis of the current situation.

3. THE CURRENTNESS OF CHINESE INVERSIONS IN THE BRAZILIAN ENERGY SECTOR IN THE SCENARIO OF UNCERTAINTIES

In recent years, Chinese investments in Latin America gained considerable space, which also implied a dispute with the United States in the geopolitical area. Although there is no room for a deeper discussion of these developments in the present study, Chinese companies have advanced especially in the energy and infrastructure sectors with the investments of large Chinese companies since 2014. In a more general context of these investments, Brazil was highlighted as the leading country in Latin America in recent years whose "investments by state-owned enterprises accounted for 87% of the amount invested in 2017", as opposed to 13% of private investments that "account for less expensive activities" (Cariello; Fragoso, 2018: 21). Some geopolitical factors explain the increase in Chinese interests in Latin America as a whole, such as a period of retreat by the United States from the region, as they were engaged in the "war on terror" early this century.

It is also important to note that, based on the reports of the Brazil-China Business Council (Cariello, 2019: 10), in 2018 there was a general drop in Chinese investments in the country of "approximately U$ 3 billion (66%)". Also according to this study, there are some influencing factors in this number: "general scenario of decline" of foreign investments, low expectations about the paths taken by the Brazilian politics, and management and economic uncertainties, besides the strong criticisms of the president elected and his allies about investments in the country, which intensified a doubtful economic scenario of this bilateral relationship. In addition, "big investors... started to prioritize the consolidation of their operations in Brazil over assets previously obtained, to the detriment of our mergers and acquisitions" (Cariello, 2019: 11). Meanwhile, governments in the northeast (Consórcio Nordeste group) of the country have used the paradiplomacy in promoting partnerships and strengthening ties with Chinese technology companies in order to avoid the effects of the trade war in Brazil and the political bias of the State (Mello, 2019).

Among uncertainties and feuds, when faced with the question that incited the present research, we could observe early 2019, in the global level, an escalation in trade issues between the United States and China and, at the same time, some operational and administrative barriers in the Chinese state-owned enterprise where we performed consulting and training in Brazil. Not by chance, in May 2019, the SASAC board of directors underwent a change. Although inexperienced in business management, Hao Peng had a history in executive positions in different regions in China and took over before Xiao Yaqing, who had thirty years of experience in the corporate world. This fact raised questions about possible further setbacks in the Chinese government's privatization and reform program. According to Iris Pang, an economist for *Greater China* at ING *Wholesale Banking*, a remodeling of staff like that was "[...] a gesture that [China] won't accept the harsh US demands, but continue reforms at its own pace and direction" (Tang; Xie, 2019: 4).

Up to this point, we have shown what would be some obstacles (political, technical and ideological) not only for the strategic plans of the Chinese government in the medium and long term towards the development of disruptive Technologies and its own economy, but also for their companies' activities which, in a period of economic threats, are managed in a more diligent way, prefer safety to efficiency in Western terms. In the next section, evidence found in empirical research is outlined.

3.1. INFERENCES OF THE TRADE WAR BETWEEN THE UNITED STATES AND CHINA IN THE OPERATION OF A CHINESE STATE-OWNED ENTERPRISE IN BRAZIL

The Chinese subsidiary operating in Brazil, which is our empirical research, is part of one of the top five energy-generating groups in China. It was created in 2015, in a merger of two other state-owned enterprises (SOEs megamergers) [7] in the energy sector. Similar to other SOEs, it is centrally controlled by the SASAC governmental committee. It has a total installed capacity of 143 GW, including 71.46 GW of thermal energy, 21.7 GW of hydropower, 10 GW of solar energy and 12.6 GW of wind energy, with clean energy representing more than 42% of the total. For five years in a row, it has been reaching the Fortune Global 500 ranking. With around 140,000 employees, the company is in 43 countries such as

[7] SOE Megamergers is "the joining of two or more firms worth billions of dollars as it seeks to consolidate state control in strategic sectors of the economy". The SOE Megafusions is part of a reform of the state sector by the Chinese government aiming for "efforts to merge large SOEs in critical sectors are increasing SOEs' share of the domestic economy, enhancing their international competitiveness, and deepening concerns about unfair competition in China and overseas" (O'Connor 2018: 03).

Japan, Australia, Malta, India, Turkey, South Africa, Pakistan, Brazil, and Myanmar. Operating in Brazil since 2017, it has wind and hydro energy assets and employs around 180 people.

The executives interviewed are Brazilian members of the board of directors in charge of the areas of operations, finance, governance, legal affairs, human resources, and procurement, therefore, they are aware of all internal processes in the routine of the corporation, and aware of those involving the assets and their operations. When looking for references to the events unfolded since the acquisition of the company in 2017 to mid-2019, some important points were reported that suggest the influence of the trade war at crucial points in the company's restructuring process and in trade negotiations in Brazil.

The respondents reported that there were high expectations on the part of the Chinese for the modernization of the plant they obtained, and a program was developed with deadlines and goals for its completion. Similar to any company in the initial structuring phase, the directors were able to experience moments of uncertainty, suspicions and especially of reorganization related to decision making. Since it is a public company, some directors agreed that changes in some procedures were perfectly plausible; however, most of them mentioned some key challenges that would impact the whole functioning mechanism of the company. The major ones are little transparency in the decision-making process; strong hierarchy - the Chineses in Brazil, including directors, constantly had to report to the high ranking in China, which led to inaccuracies and delays in schedules and deadlines, in addition to interfering in daily company issues, something like a micro-management; strong control in all management processes by over questioning and demanding and by mandatory account of detailed reports to China; long processes to implement policies related to hiring employees, suppliers, insurance, financial, and purchase; and the lack of a talent retention policy (in addition to control over salary expenses and bonuses). Over time, only one of the five directors interviewed reported ongoing improvement regarding deadlines and procedures, in addition to a greater delegation in local decision-making in their sector. He considers it was due to the development of trust between his team and the Chinese expatriates and those from the head office, especially when he stood out after solving a very complex problem.

It is noteworthy that three of the five respondents were able to point the possible implications of the trade war on management barriers in their considerations. They felt that especially in early 2019, all internal processes and rules became stricter. Control was visibly greater in the decisions of the board, as pointed out by one of the respondents, after the change in the leadership of SASAC in May 2019. We observed that the centralization of the CCP in the reform process that we discussed earlier converged towards ambiguous objectives of the Chinese: to categorically adhere to the international standard based on OECD principles and, at the same time, faithfully follow the rules and decisions of the CCP and SASAC. Therefore, according to the report of one of the directors, the Brazilian team is unable to see what the corporation's global goal is. Another important factor regarding the escalation of the trade war is the instruction from China to Brazil: extreme caution when hiring suppliers based in the United States regarding the provision of services of information technology, depending on the degree of exposure to the systems and the company software. Furthermore, in order to elucidate the general impressions among the interviewed directors, table 1 (attached) was elaborated.

Based on the script of the interviews and pre-existing reading, in the exploratory phase of the material, the themes in the script (units of analysis) that emerged from the interviews were cut and grouped later in codes. It is possible to notice in table 2 of analysis (attached) the coding (symbol and data capture) represented by words that assisted the interpretation of the results obtained (Saldaña, 2015). The aid of the ATLAS-ti Software was fundamental for the systematicity of this analysis process.

In short, data gathered in the interviews helped to understand not only the direct effects of the trade war on the company itself, but also the structural movement of a broader scenario that will possibly involve a large part of the world economies.

CONCLUSION

As a conclusion of the proposed discussions and the empirical analysis, it is possible to assert that the trade war between the United States and China produced effects on the management of the set of Chinese SOEs considered key to the dispute. Despite the strong evidence, we must consider that the Chinese company in Brazil in question has a relatively short period of operation in the country so that we could establish comparisons in a longer time frame, which would result in an important variable.

It is certain that there are factors that must be considered within the larger set of problems reported by Brazilian directors that, in addition to the barriers resulting from the trade war, more fully explain the circumstances. Examples are the complaints about the strong hierarchy verified in the relations among the workers and in relation to the head office, verbal agreements (lack of written rules), international inexperience (do not speak a second language) of some Chinese expatriates, the result of a strong dependence on revenue generation in the domestic market and the China-centered mindset with little development of global leaders (Black; Morrison, 2019), and even a lack of understanding of the importance of constituting a strategic human resources sector. Our experience with consulting in this type of company tells us that there are other factors that explain some of the behavior of the Chinese: traditional values of the ancient Chinese culture, respect for the determinations and ideology of the Chinese Communist Party, and the process of reform and opening up, which, although recent in Chinese history, has reached an incredible speed and demanded several adaptations on the part of the Chinese population.

Additionally, in what concerns Chinese corporate governance, strategic decisions concentrate in the instances of the government, and there is very little local autonomy, especially in large scale projects that involve domestic interests or face problems with local or political regulations.

Finally, based on our research, we can consider that, despite the results shown, the trade war can be a strong incentive in the path of Chinese innovation to contribute to greater autonomy and independence in global markets. Furthermore, under the guidelines of the MIC 2025 plan for the advanced industry, it is difficult to imagine that the Chinese government will cease to encourage its corporations, whether with subsidies or industrial policies, more notably those focused on results-oriented improved innovation, such as those already developed in technologies information and communication.

At the local level, we hope that the development of the present paper can somehow assist Brazilian managers in that company we conducted the interviews, or even people and other companies in similar conditions. We know that, despite the obstacles, promoting local initiatives and combining strategies, they continue to develop their trade and technical activities, minimizing problems and disagreements. It is not by chance that the company has successively been in the spotlight of renewable energies in Brazil.

Following what was proposed, the present text did not seek to exhaust the debate about the proposed theme, but sought to provide new contributions to the development of further research in the related field of knowledge.

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ANNEX

TABLE 1: Points in common in the statements of respondents

Chinese expatriate directors have no decision-making power.
There are ambiguous movements coming from the head office: OECD standard versus CCP standard (resource allocation).
Micro management: constant reports detailing the daily operations in the company.
Plans of management flexibility face a backlash with the local applicability of the processes carried out in China.
On investments: questionings, slow approvals and lack of transparency.
Impact on the overall plan to update the hydroelectric plant.

Source: Elaborated by the authors based on the interviews

TABLE 2: Interviews analysis chart (Atlas-ti)

	Director A	**Director B**	**Director C**	**Director D**	**Director E**	**Total**
○ Culture Gr=10	1	2	3	3	1	10
○ Expectation Gr=27	14	5	3	1	4	27
○ Trade War Gr=26	8	0	5	2	11	26
○ Processes Gr=7	0	0	7	0	0	7
○ Reports Gr=36	11	4	10	1	10	36
○ Decision Making Gr=63	11	14	15	11	12	63
○ Transparency Gr=20	5	0	7	4	4	20
Total	50	25	50	22	42	189

Table 2: Table 2: The words expressed by the codification process represent the literally interviewees' statements or as a translation of phrases or expressions with the same contextual sense (subcategories) included in the analysis of the texts' content, and referred to the theme of the research and the questions about the period portrayed.

Source: Elaborated by the authors from ATLAS-ti.