

Acquisitions or greenfield investments by emerging-market MNEs?

Bilateral diplomatic relations as a substitute of prior local experience

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Abstract

This study addresses establishment mode decisions by emerging-market multinational enterprises entering other emerging economies. More precisely, we examine the influence of prior host country experience and home government official visits on the choice between the acquisition of a local company and the creation of a new subsidiary from scratch. By analyzing 315 investments carried out by Chinese firms in Latin America, we obtain that they are more likely to enter through an acquisition when they have established prior subsidiaries in the host country. Moreover, recent Chinese government official visits contribute to mitigate the difficulties of an acquisition for those companies with less local experience.

Keywords

Chinese firms, Latin America, establishment mode, local experience, government visits.

Note

The paper is available from the authors.