The Internationalization Strategy of New Chinese Multinationals: Determinants and Evolution

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Over the past two decades, Chinese multinationals have made a huge amount of foreign direct investments abroad, making China the largest outward investor among top ten emerging countries. The peculiarities of Chinese investment are that they are directed both towards other developing countries and towards advanced economies and that they regard both lower end industries and higher-value adding activities. This remarkable development of Chinese companies cannot be explained adopting the traditional internationalization theories based on the concept of ownership advantage. In fact, some Chinese companies are smaller and lacking in resources when compared to their foreign competitors and the Chinese context has particular characteristics which can increase the difficulties for the local firms to compete in the world market. According to this, the aim of this paper is to describe the determinants that induce Chinese companies to realize FDI and the characteristics that distinguish their internationalization strategy from those adopted by developed countries multinationals.

Introduction

According to the 2008 World Investment Report, the growth rate of outward Foreign Direct Investments (FDI) by companies from emerging markets has outpaced that recorded by companies from industrialized countries. In fact, in recent years, the flow of inward investments, combined with favourable governmental policies to foster development, has enabled emerging countries to achieve some of the fastest economic growth rate in the world, so much so that enterprises in some of these countries will soon have sufficient capital, knowledge and know-how to invest abroad on their own.

In particular, over the past two decades, Chinese multinationals (MNEs) have made a huge amount of foreign direct investment abroad, making China the largest outward investor of the top ten emerging countries. Chinese multinationals are present also in the top 500 Fortune companies (WIP, 2006). The characteristics of Chinese investments are that they are directed both towards other developing countries and towards advanced economies and that they regard both lower-end industries and higher-value adding activities. Moreover the business attributes, the dominant motivations, the evolutionary trajectory, and the strategic behaviours of these new MNEs contrast with those of older (North American, European, and Japanese) MNEs.

Only in the last few years have some studies appeared regarding the phenomenon of recent growth of Chinese multinationals. Nevertheless, many of these studies, especially those carried out by Chinese authors, are empirical analyses of single case studies (Liu-Li, 2002; Du, 2003). Recently some authors have examined the uniqueness of Chinese multinational enterprises from various theoretical perspectives. For instance, Luo and

Tung (2007) and Mathews (2002) delivered the springboard view, depicting international expansion as a compensatory response to Chinese MNEs' late-mover position on the global stage. Child and Rodriguez (2005) and Rui and Yip (2008) developed the strategic intent view, suggesting that outward investments by Chinese MNEs is a proactive pursuit in search of strategic assets that redress their competence deficiencies. Yamakawa, Peng, and Deeds (2008), unveiled the institutional escapism notion, post-ulating that Chinese MNEs go global to avoid poor institutional environments at home. Deng (2004) offered the government steward logic, arguing that outward investment is a political mandate for Chinese MNEs to acquire scarce natural resources needed for economic and social development of their home countries. Finally, Luo and Rui (2009) describe an ambidexterity perspective of the internationalization of Chinese MNEs affirming that all the determinants defined by the above mentioned studies are able to explain the motivations that induce Chinese companies investing abroad.

The flourishing of so different approaches makes difficult to explain which determinants drive the internationalization of Chinese companies. Probably the problem is that many authors explain the internationalization of Chinese MNEs adopting the mainstream literature on multinationals' development. Nevertheless the remarkable development of Chinese companies cannot be explained by adopting the traditional internationalization theories based on the concept of ownership advantage. In fact, whilst some Chinese firms are developing particular ownership advantages becoming world leaders in specific industries (such as Cosco), many Chinese companies continue to be smaller and lacking in resources when compared to their foreign competitors. Moreover, the Chinese context has particular characteristics, such as high logistical costs, highly fragmented internal markets, strong competitive pressure from foreign multinationals, high government control, all of which can increase the difficulties for local firms to compete in the world market (Child and Rodriguez, 2005).

On the basis of these considerations, to explain the international expansion of Chinese MNEs seems necessary, first of all, to overcome the traditional International Business Theories and to build a new theoretical framework.

Consequently, the aim of this paper is to describe the determinants that induce Chinese companies to realize FDIs and the characteristics that distinguish their internationalization strategy from those adopted by developed countries multinationals. In order to reach these goals the paper will be articulated as follow: in the first part we synthesize both the mainstream literature on multinationals' development and the theories about the emerging countries MNEs underlining why both approaches are not able to explain the internationalization of Chinese MNEs, in the second part, starting from the limits of the theories explained in the first part, we proposed a new theoretical framework; in the third part the theoretical framework is been used to explain the international strategy of six Chinese firms operating in the Telecommunications Equipment Industry.

Theoretical Background

During the last forty-five years different authors have investigated the determinants of Foreign Direct Investments (FDIs) and the existence of Transnational Corporations (TNCs) by examining the international strategy of American and European multinationals.

Classical studies about the internationalization of firms have underlined that a firm that has valuable proprietary assets can go abroad and exploit them through FDIs in order to increase the level of its profit (Caves, 1971; Hymer, 1976). In particular, some authors have affirmed that the realization of FDIs in a specific market is driven by the desire to take advantages of foreign market imperfections that allow firms to acquire productive factors at lower prices (McManus, 1972; Buckely and Casson, 1976; Rugman, 1981; Hennart, 1982). On the other hand, Vernon (1966) showed that firms' internationalization process follows the stages of the product development cycle so the realization of FDIs is influenced by the conditions of the home market and by the technology gap between home and host market. Knickerbocker (1973) affirmed that a firm carries out FDIs in a specific foreign market in order to imitate the strategy of large competitors.

On the other hand, some authors, following the Coase (1937) and Williamson (1975) paradigms, developed a Transaction Cost Approach to internationalization, affirming that a firm decides to enter a specific market through a FDI after evaluating the level of transaction costs (Buckley and Casson, 1976; Hennart, 1982).

From a different perspective, the evolutionary approaches to internationalization underlined that a firm can realize FDIs only during the last stage of its internationalization experience. In fact, according to these approaches, internationalization is a process made up by different stages (Andersen, 1992), with the move from one stage to another being determined by increases either in resources control (Cavusgil,1980; Rugman,1982) or market knowledge (Johanson and Vahlne, 1977; Reid, 1981; Chang and Singh-Chang, 1992).

Synthesizing the most important approaches, Dunning (1988) affirmed that the existence of TNCs reflects the interplay of three sets of advantages: ownership, location and internalization (OLI):

- Ownership advantages are those that enable particular firms to grow and diversify more successfully than others at home or abroad. These advantages are based on the firm's specific characteristics and on its ability to accumulate specific intangible assets;
- Location advantages arise at the country rather at the firm level and determine the geographical market where ownership advantages will be exploited;
- Internalization advantages are related to the entry mode a firm chooses to exploit its ownership advantages (market or hierarchy).

All of these approaches (classical and more recent) are based on the hypothesis that the internationalisation choice is driven by the desire to exploit existing resources (its ownership advantages) in wider markets and to increase them with new available

resources (Penrose,1956). Therefore, only those firms that have sufficient resources are able to internationalize in foreign markets. Moreover, according to these studies a company can realize FDIs only in countries characterised by levels of economic development equal to or lower than those present at home because only in these countries is it able to exploit its ownership advantages.

On the other hand, some classical approaches (Vernon, 1966; Chandler, 1977) suggest that the development strategy of firms follows a well established path and it is motivated by the firms' necessity to expand their size. As a result, a firm begins to go abroad only after having reached the maximum expansion level in the home country. These theories, however, do not appear equipped to explain internationalization by firms coming from emerging and less developed countries as these firms are able to go abroad, also towards developed countries, without the ownership of specific advantages and without occupying a strong competitive position in the home country.

In past years, some authors have tried to describe the rise of Third World Multinationals (TWMNEs) but have interpreted this phenomenon by using the traditional approaches based on the idea that Third World Multinationals are able to go abroad because they have particular ownership advantages to exploit via internationalization in other emerging countries. For example Wells (1981), according to the classical approaches (Hymer and Vernon theory in particular), affirmed that Third World Multinationals are able to internationalize in other emerging countries because they have particular ownership advantages compared to host country firms and MNEs from developed countries. The sources of these advantages include: (1) less use of special-purpose equipment, which enables them to use local, low-level inputs or even substitutes; (2) mature and more universal products, which better match the lower standards of machinery and equipment in local downstream firms; (3) low specialisation of Third World FDIs (TWFDIs) affiliates, which can reduce the economic scale to local small market level; and (4) the flexibility stemming from lower specialisation and higher universality of their machinery and equipment, which facilitates firms greatly to change their products when business environment and market conditions have changed. Small scale of operation is another advantage for investors from developing countries. Other authors underlined that Third World firms go abroad to exploit the ownership advantages based on the low labour costs of the home country (Ghymn, 1980; Khan 1986).

Lall (1984) affirmed that the ownership advantages of developing country Transnational Corporations (TNCs) are expected to vary by activity and by home country. By activity, advantages are expected to be found in the idiosyncratic features of accumulated skills, both managerial and technological; by country, ownership advantages are expected to rise with the level of education, the degree of export orientation and the sophistication in science and technology infrastructure.

According to Tolentino (1992), the ownership advantage of firms from developing countries is based on their ability to: (1) imitate and adapt foreign technology in accordance with developing countries' markets and production conditions; (2) innovate

on essentially different lines from those of the more advanced countries, i.e. innovations that are based on lower levels of research, size, technological experience and skills; and (3) achieve improvements by modernising older technique, including foreign outdated technology. Other possible sources of ownership advantage of developing-country TNCs are the presence of ethnic connections, the specialization in products not made by traditional TNCs, the cultural similarity with the host country, the fact that they are perceived as less threatening by many host governments (Kumar, 1982).

Nevertheless, these kinds of ownership advantages are valid when Third World firms invest in other developing countries, but they could not be considered sources of competitive advantages when they invest in developed countries.

Accordingly, given the importance of ownership advantages in FDIs, it follows that FDIs from developing countries is likely to be directed to countries with economic, cultural and ethnical proximity. Subsequently, when the investing firms have gained international business experience, acquired better skills and more access to improved technologies and international networks, they are most likely to extend their area of operation to regions with larger geographical, cultural or ethnical distance (Ferrantino, 1992).

Summarizing, both the analysed approaches consider that:

- a company can realize FDIs only in countries characterised by same or lower development levels than those existing in the domestic country;
- a company can invest abroad only after reaching a strong competitive position in the domestic market and after having accumulated some exceeding resources.

In contradiction to the first affirmation, some empirical studies show that many firms realise FDIs also in countries characterised by a higher level of development than in the domestic market, because they are driven by the need to acquire new knowledge. This is, for example, the international strategy adopted by some European and Japanese ITC companies that delocalised their R&D activities to the US Silicon Valley (Kogut and Chang, 1991; Dunning, 1993; Chang, 1995; Almeida, 1996).

According to the second affirmation, Moon and Rohel (2001), analysing unconventional FDIs, underline that what induces the companies investing abroad is not only the ownership of particular advantages or of unutilised resources but their disadvantageous position in the domestic market. Some firms, therefore, decide to realize FDIs because they are not able to obtain a competitive advantage in the domestic market. In this sense, the internationalization strategy of the firm is not motivated by an expansion aim by is imposed by necessity.

According to this, in order to describe the international strategy of Chinese MNEs, it seems necessary to identify a new theoretical framework deals with the case that emerging countries' MNEs realise FDIs in developed countries as well as the fact that a company goes abroad to overcome its competitive disadvantages rather than for exploiting its ownership advantages.

Theoretical Framework

As explained above, in order to understand the internationalization strategy of Chinese MNEs, it is necessary to supersede the hypothesis that a company can realize FDIs only after having reached a strong competitive position in the domestic market. Moreover, the consideration that emerging countries' MNEs can realize FDIs only in other emerging countries, because only in these countries are they able to exploit their ownership advantages, it is not generally applicable.

According to these latter considerations, in order to analyse the motivations that induce Chinese MNEs to realize FDIs, two dimensions have been adopted:

- the level of the firm's competitiveness in the domestic market;
- the level of socio-economic development of the destination country.

The level of firm's competitiveness in the domestic market

This dimension measures the firm's competitiveness in the domestic market in comparison to competitors. In other words, the level of competitiveness is high when the firm has already gained a strong competitive advantage and, consequently, is leader in the domestic market; on the other hand, the level of competitiveness is low when the firm is not able to build a sustainable competitive advantage in comparison to that achieved by competitors.

The level of socio-economic development of the destination country

This dimension synthesises the characteristics of the localization area and consequently identifies what kind of resources and competences the firm can obtain by realizing FDIs in a specific place. In particular, the level of socio-economic development is high in developed countries and, generally, in contexts characterised by the presence of qualified employees, innovative tradition, and knowledge intensive areas. On the other hand, the level of socio-economic development is low in under developed and developing countries and generally in contexts characterised only by low cost productive factors.

It is necessary to underline that the distinction between contexts with high and low socio-economic development levels only partially coincides with the OCSE classification of developed and developing countries. For example, traditionally India is considered a developing country, but there are some Indian regions –i.e. Bangalore- that are characterised by a high level of socio economic development.

Adopting the explained dimensions, four kinds of FDIs' determinants are been identified as shown in figure 1.

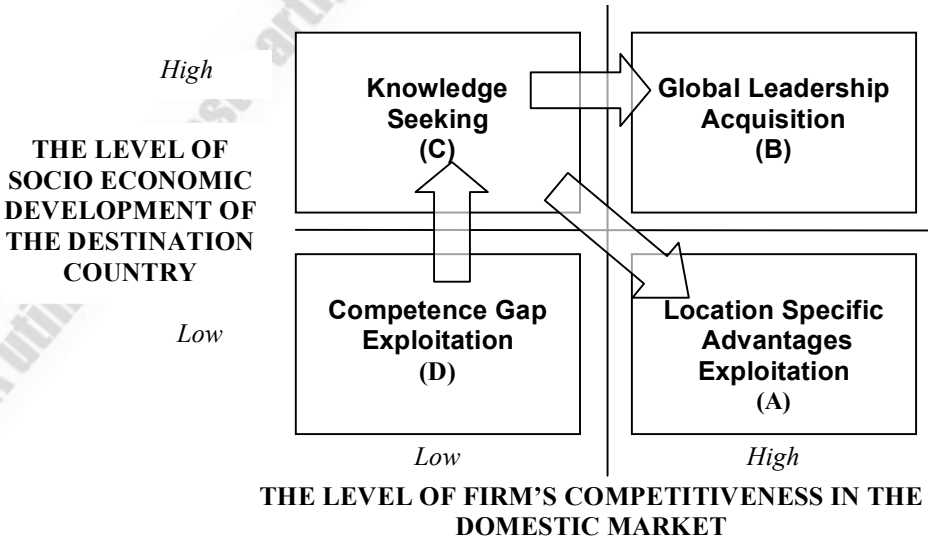
Quadrant A (Location Specific Advantages Exploitation): this quadrant could be used to classify the cases of the internationalization of large multinationals which having built a sustainable competitive advantage in the domestic market, realize FDIs in developing countries so as to exploit the host countries' resources as a means of increasing their market share and acquiring low cost resources.

Quadrant B (Global Leadership Acquisition): this quadrant explains the case of companies which, having built a sustainable competitive advantage in the domestic market, leave their countries because they want to reinforce their global competitive position and to build a global advantage. Unlike the preceding case, their growth strategy is aimed not at acquiring low cost resources and at enlarging destination markets, but at acquiring new technological and managerial knowledge. Consequently, these MNEs are attracted by countries with high socio- economic development level. These firms know that, despite having a strong competitive advantage in their domestic market, they need to acquire and to continually increase their knowledge to become global competitors.

Quadrant C (Knowledge Seeking): this quadrant explains the case of companies which, though forced to go abroad by the high costs and competitive pressure of the home country, wish to improve their competitive position in the domestic market. Consequently, they decide to invest in countries characterised by high levels of socio-economic development where they can acquire the strategic assets necessary to reinforce their competitive position in the home country. In this case, internationalization is a temporary solution, because the firms that adopt this strategy usually leave the foreign market after having acquired the necessary strategic assets in order to concentrate its resources in the home market.

Quadrant D (Competence Gap Exploitation): explains the case of firms which are forced to go abroad as a result of conditions in the home country. These companies, unlike those illustrated in quadrant C, decide to invest in countries characterised by a low socio- economic development because in these countries they are able to exploit their existing assets. In this case, internationalization is a defensive strategy, adopted by

Fig.1: Theoretical framework



companies that cannot survive in the home country and which, instead of acquiring the necessary assets to compete in the home market, prefer to change the destination of their resources. In other words, these companies realize FDIs in countries characterised by low socio economic-development level because in these contexts they can exploit the positive competence gap over local competitors.

The proposed model has been interpreted in a dynamic way; in fact, a firm can change its strategy during the different phases of its life (a possible evolution is indicated in figure 1 with the red arrows). For example, a company can start its international development process driven by a knowledge seeking motivation, then, having acquired the knowledge necessary to reinforce its position in the home market, can change its motivations and decide to realize FDIs in a less developed country in order to exploit the location advantages.

Methodology

In order to verify the validity of the proposed theoretical model to explain the determinants of international expansion of Chinese companies the study relies on a confirmative multiple-case study analysis (Yin, 1994; Gillham, 2000) and adopts a "synthetic strategy" for the analysis of process data.

The choice of a qualitative methodology is justified by the nature of research questions. The internationalization of Chinese MNEs is a complex and little-studied phenomenon that cannot be examined only by adopting a limited number of quantitative variables. Moreover, to fully understand this topic, the single unit of analysis can be examined considering the context where it operates and the evolution of its international expansion.

I have analysed six cases of Chinese firms operating in the same industry - the telecommunications equipment industry - in order to eliminate all distortions determined by cross-industry differences.

Research Setting. The different cases were selected by adopting a well established criterion. First, I examined the list of the China Top 100 Leading Domestic Electronics and IT Companies supplied by the Chinese Ministry of Information Industry. Then, I selected from this list all the companies that are part of the Communications Equipment Industry (USSIC 366 and NACE 3230) and wholly Chinese (I did not consider WFOEs and Sino-foreign Joint Ventures). Analysing the remaining companies, I selected only those firms that have at least one subsidiary in a foreign country or have entered into an alliance with a foreign firm with the aim of penetrating foreign markets.

Data Collection. The data were collected, according to the multiple cases study approach (Yin, 1994), using different sources (company reports; articles; local newspapers; research database; company websites).

Data Analysis. According to the multiple cases approach, the single cases were closely analysed. In particular, I analysed the international activities of each firm by adopting a chronological criterion (starting from the firm's foundation until the last year). I then

examined for every firm the level of competitiveness in the domestic market and the level of socio-economic development of the destination country.

Finally, I constructed comparative tables to identify discriminating variables that could explain similarities and differences in patterns of involvement in order to identify the determinants of international expansion of the analysed companies.

Empirical Evidence: The International Strategy of Chinese Communications Equipment Manufacturers

The communications equipment industry is characterized by firms that offer technological and physical solutions (LAN and WAN systems, routers, telephones, switchboards and exchanges) to telecommunication companies operating both in the fixed, mobile and internet communication segments.

China's telecom-equipment market is one of the fastest growing and most competitive in the world. In fact, China's telecommunication infrastructure has experienced extraordinary progress over the last two decades as the government has given great priority to strengthen it to meet the accelerated growth in demand for telecom services.

During 2007 the Chinese communications equipment market generated total revenues of $27.9 billion, representing a compound annual growth rate (CAGR) of 4.5% for the period spanning 2003-2007.

The sales of telephony and terminals proved of the most lucrative segment for the Chinese communications equipment market in 2007, generating total revenues of $24 billion, equivalent to 86.3% of the market's overall value.

Analysing the competitive landscape, the threat of new entrants into the communications equipment market is moderate. A high level of product differentiation combined with high fixed costs of manufacturing facilities present significant entry barriers for new players.

On the other hand, the increasing need for wired, and even greater, for wireless communication equipment and at the same time the lack of a substitute for this kind of equipment make the threat of substitutes to the communications equipment market almost non existent.

The typical supplier of the components needed by players is usually large international companies. Electrical components are the key raw materials for the manufacture of communications equipment and the quality of these raw materials is a key issue and often players are inclined to buy more expensive products but of better quality or with a better/longer guarantee for the component This reduces supplier power. Additionally, owing to the lack of product diversification, switching costs are small and usually involve only the time needed for the switching process. Vertical integration between electrical component manufacturers and the player is uncommon, with the exception of large technology companies such as Motorola. Overall, supplier power with respect to the networking of equipment manufacturing is moderate.

The increasing commoditisation of communications equipment, however, indicates an increase in buyer power, although the level of diversification of equipment is very high. Furthermore, the fast growing markets of China, Indonesia or Vietnam increase the number of end – users and decrease even more buyer power. The potential of vertical backwards and forward integration in that market is not very likely especially as the buyers are end-users of the equipment. Overall, buyer power within the communications equipment market is moderate.

Analysing the direct competitors, larger players within the industry are multinational players such as Cisco, Lucent Technologies Inc, Nokia or Motorola, amongst which there is fierce competition despite a high degree of product differentiation. In fact, echoing market growth, most of the global sector leaders started their operations in China in the 1980s and 1990s: Cisco, Ericsson, Lucent Technologies, Motorola, Nokia, Nortel Networks, and Siemens.

The presence of MNCs has facilitated the building of China's telecommunications infrastructure; however, it has posed great challenges for domestic firms as well. In the 1980s, China relied on 100% of its acquisition of telecommunication equipment through imports.

Despite the challenges, domestic firms have advanced rapidly. The initial growth of Chinese equipment vendors was nurtured by a vast domestic market and by the Chinese government's support for technology development. After this phase many Chinese vendors have increasingly been seeking expansion overseas, in part because China's telecom capital spending turned stagnant and pricing pressure mounted. Propelled by their lower manufacturing costs and by increasing investments in innovation, Chinese telecom equipment vendors have achieved leading positions in some product segments worldwide. On the other hand, the increasing competitive pressure of foreign multinationals and the convergence of fixed-line and wireless businesses in the telecom industry (large scale production necessity) led to a wave of mergers between local producers.

To sum up, the Chinese communication equipment market is characterized by the high competitive pressure exercised by international multinationals, by the increasing concentration of the local operators and by continuing technological innovation. However, the Chinese market presents a high growth potential as a result of increasing demand of telecommunication services. These particular conditions could induce local firms to adopt the international strategy as a defensive solution. This strategy is aimed either at acquiring the knowledge necessary for obtaining a competitive advantage in internal markets or at concentrating resources in foreign markets characterized by a lower competitive pressure.

In order to examine in a specific way the determinants of international expansion of Chinese Telecommunication Equipment manufactures I analysed the cases of six Chinese Telecommunication Equipment manufactures: Huawei Technologies Co.Ltd, Zhongxing Telecommunication Equipment (ZTE) Co. Ltd, Datang Telecom Technology Co. Ltd, Panda Electronics Group Co. Ltd, Putian Communication Group Co. Ltd, TCL

Communication Equipment Co. Ltd. The characteristics of analysed companies are summarised in table1.

Firstly, I analysed the companies' competitive position in the domestic market in order to identify their level of competitiveness: prior to 2004, foreign multinationals held the leadership in the Chinese market, in particular, Cisco System and Alcatel Lucent were leaders in fixed network segment and Motorola, Nokia and Ericsson were leaders in the mobile segment.

Thus, all the analysed companies showed a low level of competitiveness in the domestic market. The conditions changed after 2004, with two of the analysed companies, Huawei and ZTE, increasing their market shares to become leaders, respectively, in the fixed and mobile segment.

I then analysed the international activities of the single firms and I identify the FDIs location by adopting a chronological criterion (starting from the firm's foundation up to last year). The phases of international expansion of the companies are summarised in table 2.

The analysis of companies' internationalization reveals that these firms often realize FDIs, through the acquisition of the existing firms or the realization of joint ventures with foreign multinationals, into countries characterized by a high socio-economic development level as these countries have an industrial tradition in the communications equipment industry.

Table 1: Main characteristics of selected companies

	Huawei Technologies Co.Ldt	Zhongxing Telecommunication Equipment (ZTE) Co. Ldt	Datang Telecom Technology Co. Ldt	Panda Electronics Group Co. Ldt	Putian Communication Group Co. Ldt	TCL Communication Equipment Co. Ldt
Corporate Localization	Shenzhen	Shenzhen	Hangzhou	Nanjing	Bejiing	Heizhou
Ownership	Private	Public Company	Partially state owned	Public Company	Private	Partially State owned
N. of employees	26530	39266	3009	1999	2742	n.d.
Operative Revenue (mil USD)	5980	3045	275	11,9	185	1071
Fdi Localization	India (Bangalore), Russia, Sweden, UK, Malesya, Africa, Indonesia	Usa, Sweden, Korea, Russia, Brasile, Etiopia	Iran, South Asia, Latin America,	USA	USA	France

Table 2: The phases of international expansion of Chinese Telecommunication Equipment Manufacturers

Huawei Technologies Co.Ldt	Zhongxing Telecommunication Equipment (ZTE) Co. Ldt	Datang Telecom Technology Co. Ldt	Panda Electronics Group Co. Ldt	Putian Communication Group Co. Ldt	TCL Communication Equipment Co. Ldt
1988-Foundation	1993 Foundation	1957 Foundation	1996 Foundation	1980 Foundation	1985 Foundation
1990-1997 Opens R&D Centres in China Alliances with foreign companies in China	1993-2000 No investments in the local market	1998-2004 Opens R&D centres in China; Realizes alliances with foreign companies in China	- Opens R&D centres in China; Realizes alliances with foreign companies in China	- Realizes about 40 joint venture with foreign companies in China	- No investments in the local market
2000-2003 Starts Internationalization: opens R&D centres in India (Bangalore), Russia, Sweden (Stockholm); establishes a foreign JV with Marconi in GB.	2000-2004 Starts Internationalization: opens three R&D centres in USA; one centrs in Korea and one in Sweden	2004 Starts Internationalization: realizes Fdi in Iran and Latin America	2001 Starts Internationalization: Strategy : realizes an R&D JV in USA and a marketing centre in Los Angeles	2002 Stars Internationalization: opens an R&D centre in Silicon Valley. Acquires a minority stake in Interwave Communication International (US wireless technology equipment manufacturer)	2005 Starts Internationalization: creates a JV in France with Alcatel. After nine months acquires the totality of the venture shares.
2003 Reinforces the competitive position in the local market and becomes industry leader	2000 Becomes leader in the local market launching the first mobile phone with SIM card in China				
2004 Starts the second phase of internationalization: signs agreements with the most important TLC companies in Kenya, Nigeria, Zimbawe	2004-2006 Starts the second phase of internationalization: opens productive centres in Russia, Brasile, Etiopia				
2006 Realizes Fdi in Morocco, Egypt and Ivory Cost Acquires a minority stake in Intercellular Nigeria Ltd (mobile TLC operator)	2006 Acquires a majority stake (80%) in Compania Nationale Posta Rumena (Romania) Acquires a majority stake (51%) in PT Wireless Indonesia				

According to these considerations, adopting the proposed theoretical model it is evident that the majority of the firms are localized in the knowledge seeking quadrant. In fact, starting from a low level of competitiveness in the Chinese Telecommunication Equipment market, these firms realize FDI in countries characterized by a high socio-economic development level in order to acquire the strategic assets necessary to reinforce their competitive position in the home country .

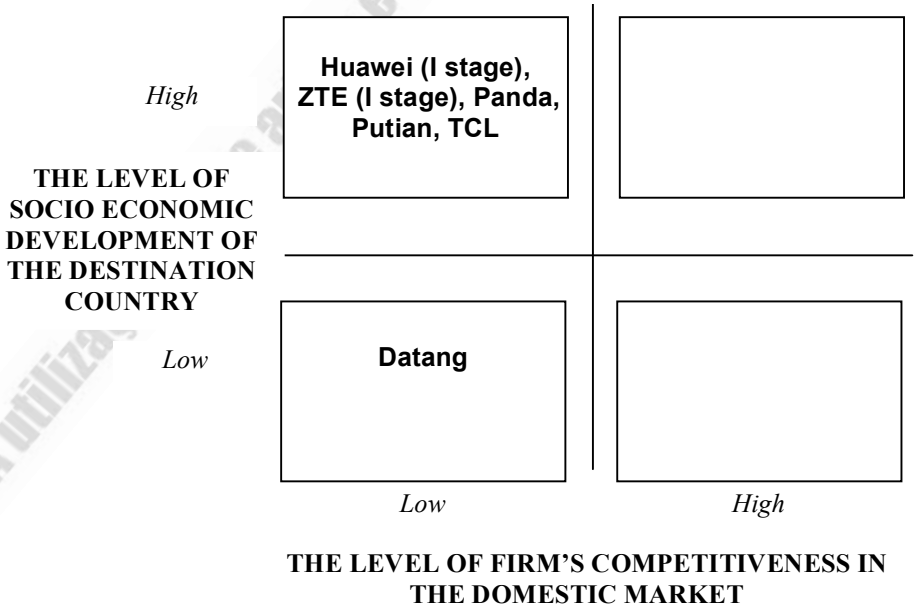
Only Datang adopts a different strategy because it realizes FDI in countries characterized by a low socio-economic development level in order to exploit its positive competence gap over local competitors.

Examining the international expansion of the six multinationals in a dynamic way, two companies, Huawei and ZTE, appear to be implementing changes in their international strategy. In fact, having acquired the knowledge necessary to become leaders in the domestic market through the realization of FDIs in developed countries, they are currently investing in other emerging countries, where they can exploit the location specific advantages and increase their international market share.

Conclusions

Over the past two decades, Chinese multinationals have made a huge amount of foreign direct investment abroad, making China the largest outward investor amongst the top ten

Fig.2: The determinants of international expansion of Chinese Telecommunication Equipment Manufactures



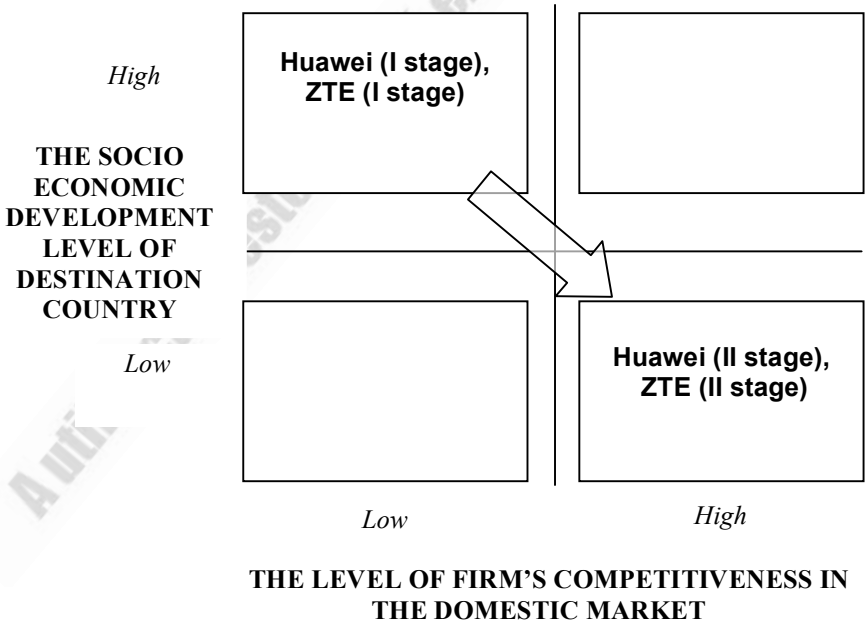
emerging countries. Chinese multinationals are present also in the top 500 Fortune companies. The peculiarities of Chinese investment are that they are directed both towards other developing countries and towards advanced economies and that they regard both lower-end industries and higher-value adding activities.

Recently some authors have examined the uniqueness of Chinese multinational enterprises from various theoretical perspectives, but the flourishing of so different approaches makes difficult to explain which determinants drive the internationalization of Chinese companies. Probably the problem is that many authors explain the internationalization of Chinese MNEs adopting the mainstream literature on multinationals' development

Nevertheless, the remarkable expansion of Chinese companies cannot be explained by adopting the traditional internationalization theories based on the concept of ownership advantage. In fact, Chinese companies are smaller and lack resources in comparison to their foreign competitors and the Chinese context has particular characteristics which can increase the difficulties for the local firms to compete in the world market.

Accordingly, a new theoretical framework is been proposed in order to overcome the limits of existing literature in explaining the internationalization of Chinese companies.

Fig.3: The determinants of international expansion of Chinese Telecommunication Equipment Manufactures in a dynamic perspective



The proposed framework identifies four different determinants that induce Chinese MNEs to make FDIs abroad considering two variables: the level of a firm's competitiveness in the domestic market and the level of socio-economic development of the destination country.

The application of this theoretical model for the analysis of the internationalization process of six Chinese Telecommunication Equipment Manufactures shows that, in the first stage of their internationalization process, many companies' primary aim is to survive. Consequently they invest in specific countries where they can acquire the strategic assets necessary to win the competitive battle in the home market . Moreover, some of the analyzed companies, having acquired the knowledge necessary to become leaders in the domestic market through the realization of FDIs in developed countries, begin to internationalize in other emerging countries in order to increase their size and efficiency.

In conclusion, what seems to induce the Chinese MNEs to realize FDIs is the necessity to acquire the strategic assets useful to reinforce their competitive position in the domestic market. However, this motivation seems to be only a transition phase of their international development: in the next few years, Chinese MNEs' international strategy could be aimed at reaching a position of global leadership

This consideration raises important issues for Western managers and policy makers because in the near future Chinese MNEs could become important players in the worldwide market thereby depriving Western companies of their market shares.

These conclusions should be considered as a starting point for future research aimed at providing a complete picture of all the factors that may influence the international strategy of Chinese multinationals.

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Fonte: International Journal of Management, v. 28, n. 1, 2011. [Base de Dados]. Disponível em: <http://web.ebscohost.com>. Acesso em: 1 abr. 2011.