Articles

Examining Chinese ICT Equipment Firms Overseas Expansion and Their Obstacles: Focusing on the ZTE co. Ltd. Case

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Abstract

This research reviewed earlier literature regarding the features of Chinese enterprises advancing into overseas markets, especially pointing out the features of the "Reversed Direction Phenomena". Furthermore, it focused on the ICT equipment industry in China, specifically its second largest firm - ZTE. In addition, it reconfirmed the different features of overseas expansion between the Chinese Multinational Enterprises (CMNEs) and the Developed Countries' Multinational Enterprises (DMNEs).

Meanwhile, the "ZTE Event" shows that during CMNEs overseas expansion, there were a lot of obstacles that made their outward foreign business very risky. Expressly point out the competition between companies is also the competition between countries as like the "trade war" between America and China. The experiences and problems that CMNEs have faced in their overseas expansion may help provide some suggestions to other companies in developing countries when expanding into future global markets, because the starting conditions are similar between China and other developing countries. Also, this paper stressed the necessity of risk management for EMNEs in their overseas expansion, and it anticipates some implications for international management studies.

Keywords

Reversed Direction Phenomena, Obstacle, ZTE Event, Trade war, Risk management

1. Introduction

Since the beginning of the 21st century, the outward foreign expansion of Chinese

firms rapidly increased. After the Chinese government's project "One Belt & One Road" came into being, the overseas expansion of Chinese multinational enterprises (CMNEs) further increased. From 2015, China became the second biggest foreign direct investment (FDI) country in the world. In 2016, the Chinese FDI exceeded 10% of the total world FDI. As of the end of 2016, 24,400 Chinese firms had established 37,200 companies in foreign countries. These companies expanded into 190 countries and regions. Chinese FDI in stock was 1.36 trillion USD, and its total overseas assets was 5 trillion USD. The total number of employees in foreign countries and regions was 2.86 million, including 1.34 million non Chinese.[1]

Meanwhile, many obstacles such as the "ZTE Event" lie behind the overseas expansion of CMNEs. The "trade war" between China and America made Chinese FDI much more difficult especially for the CMNEs advancing into the American market.

This paper will focus on the ZTE co. Ltd. case to clearly understand the features of overseas expansion regarding CMNEs.[2] In addition, the issues such as the problems and risks that have been encountered so far, and the lessons that were learnt by CMNEs advancing into the global markets will be specified. The research method of this study is earlier literature review and management interview survey. The primary source of this paper mostly is the annual report of case company, and a part of data and documents was from the press release. This paper will explain the common features of emerging countries' multinational enterprises (EMNEs) in their foreign expansion. Some implications from this research will also be looked into.

2. Earlier Literature Review

So far, there is ample literature regarding the features of CMNEs overseas expansion. The "Multi Purposes Approach" (UNCTAD, 2006) analyzed the motives of the Chinese enterprises' for becoming a Multinational Enterprise (MNE). "12 Hypotheses" (Peter Buckley, 2007) analyzed the decision factors of Chinese enterprises' outward foreign expansion. "Risk Management in International Business" (A. X. Hou, 2013) analyzed the currency exchange rate risks and country risks for CMNEs. Peter J. Williamson et al. (2013) analyzed the competitive advantage of emerging market multinationals enterprises which included CMNEs. Chinese researchers, such as Liu

(2009), Lee & Liu (2012) etc. presented the “Reverse technology spillover hypothesis”. Wang Zhi Le et al. organized the Annual Report of the main CMNEs overseas expansion. Japanese researchers, such as Amano & Ohki (2001, 2014), Marukawa & Nakagawa (2008), Takahashi (2008), Kawai (2013), Hatori (2013), Nakagawa (2012, 2013), Natsume et al. (2017) etc., analyzed the background, the real conditions, the structural valuation, and management strategies of the CMNEs.

Based on earlier literature, the present writer organized the outward strategies of CMNEs into 3 categories: ① Variety for their process; ② Multiple layers for their purposes and preferences; ③ Peculiarities of CMNEs. Notably, the “Peculiarities of the CMNEs” is expressed as the “3 Reversed Phenomena” (LIU, 2014). The Sample companies of “3 Reversed Phenomena” are described as follows:

1) Obtaining the specific advantages from foreign countries in advance as Lenovo did, the largest PC maker in China. According to the research by Hymer (1976), MNEs expanding into overseas market are mostly based on their specific advantages, as DMNEs did. Lenovo, a CMNEs, however, had no specific advantages in technology, knowledge and brand before extending into the foreign market, thus it acquired the PC division of IBM and NEC, acquired the FCCL from Fujitsu, therefore, Lenovo obtained its advantages afterward. This expansion process is clearly reversed compared to the DMNEs.

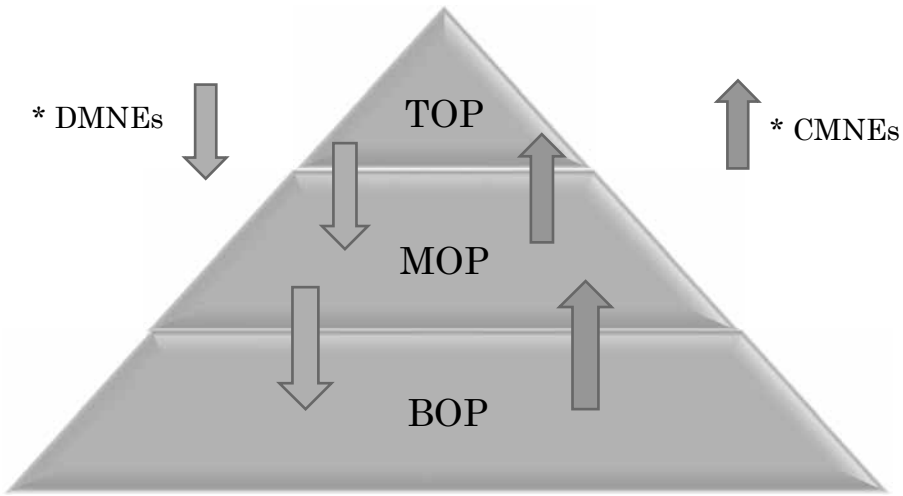
2) Choosing tough target markets such as developed markets to expand into at the first stage of overseas expansion, rather than choosing more accommodating markets like the developing markets or the lower-mid markets of the pyramid to advance as Haier did, the top producer of consumer electrical appliances in China. Based on the Uppsala internationalization process model (Johanson and Vahlne, 1977, 1990), overseas expansion takes a long time because there are many steps to go through such as the indirect export, direct export, establishing sales subsidiary in local country, beginning overseas production, starting overseas R&D, and so forth when expanding into foreign markets. In addition, according to the Uppsala model, the psychic distance is an important factor for MNEs’ overseas expansion. MNEs mostly choose the short psychic distance nationals like the language, the culture and the same or similar tradition to expand into, because this method of the expansion become straight forward. On the flip side, Haier did not choose the obvious markets but the long psychic distance

markets such as the US, Australia and so forth to advance in its first stage, as Haier's purpose was to gain experience of conducting business in sophisticated markets and to improve its technology level. After gaining confidence in its production capabilities, Haier begin to expand all over the world.

3) Targeting the base of the pyramid (BOP) and the lower mid of pyramid (MOP) consumer layers in the beginning of overseas expansion rather than targeting the top of the pyramid (TOP) and upper MOP consumer layers to focus on as Huawei and ZTE did, the top 2 ICT equipment enterprises in China. So far, the developed countries' MNEs (DMNEs) mostly targeted the TOP markets in the first stage of their overseas expansion. When the market became saturated, they began to focus downwards on the MOP and even the BOP markets. On the other hand, Huawei and ZTE started their overseas expansion from the BOP or the lower MOP markets first, because of their inferior technology and their poor brand image. After their technology developed and their brand became stronger, Huawei and ZTE began to extend upwards to the upper layers of the MOP, and even the TOP markets. The process and the direction of overseas expansion is different and reversed to that of DMNE's.

This image of the third feature is represented by figure 1 (See Figure 1), and this paper mainly focuses and analyzes this third feature.

Figure 1. The Image of Reversed Phenomena in the cases of Huawei and ZTE



*DMNE: Developed Countries' MNE *CMNE: Chinese' MNE

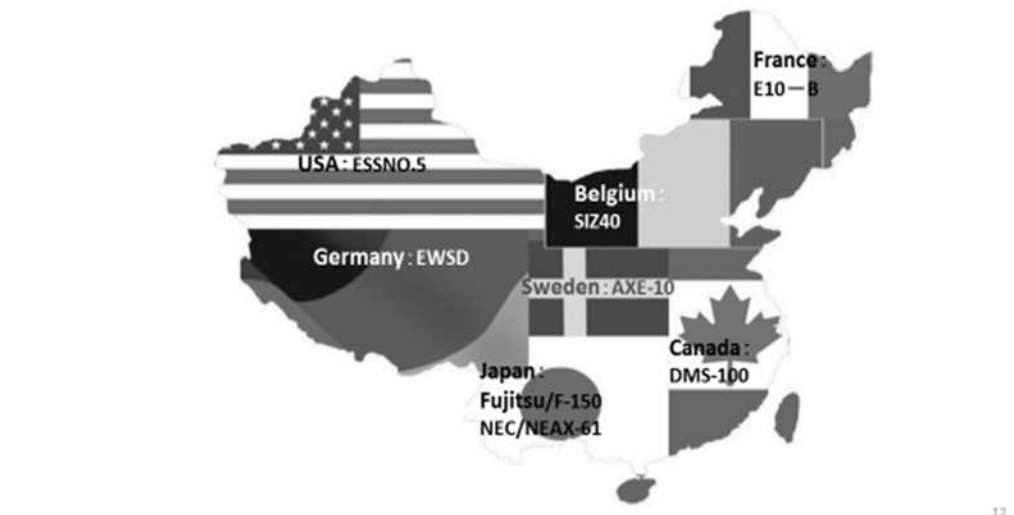
Source: LIU, 2014.

3. The ICT Equipment Industry & the Main Firms in China

The Chinese ICT equipment industry went through three different stages from the 1980s. The first stage was the "8 communications' systems from 7 countries" –under the controlling world powers. This meant that the Chinese ICT market was controlled by 8 types of communications systems from 7 countries during the 1980s through to the 1990s. These were 1) Fujitsu & NEC from Japan, 2) Ericsson from Sweden, 3) Siemens from Germany, 4) Bell Communication Industrial co. Ltd. from Belgium, 5) Alcatel from France, 6) AT&T from the U.S., and 7) Northern Telecom from Canada. (See Figure 2)

The second stage began when the "Big 4" –Julong, Datang, ZTE, Huawei –came into being. The Chinese government saw the "8 communications' systems from 7 countries" as a "tuition fee", because there were few respectable Chinese ICT companies at that time. This led to the Chinese feeling a sense of humiliation because of this situation. From the second half of the 1980s, more than 400 Chinese communications equipment firms were established in China. These firms included state enterprises, private firms and joint ventures. These new firms had to compete with the world powers which had long histories, strong competitive advantages and were from Western countries and Japan. Finally many of these Chinese enterprises failed and went bankrupt.

Figure 2. 8 Communications' System from 7 Countries



Source: ZTE's data (2014).

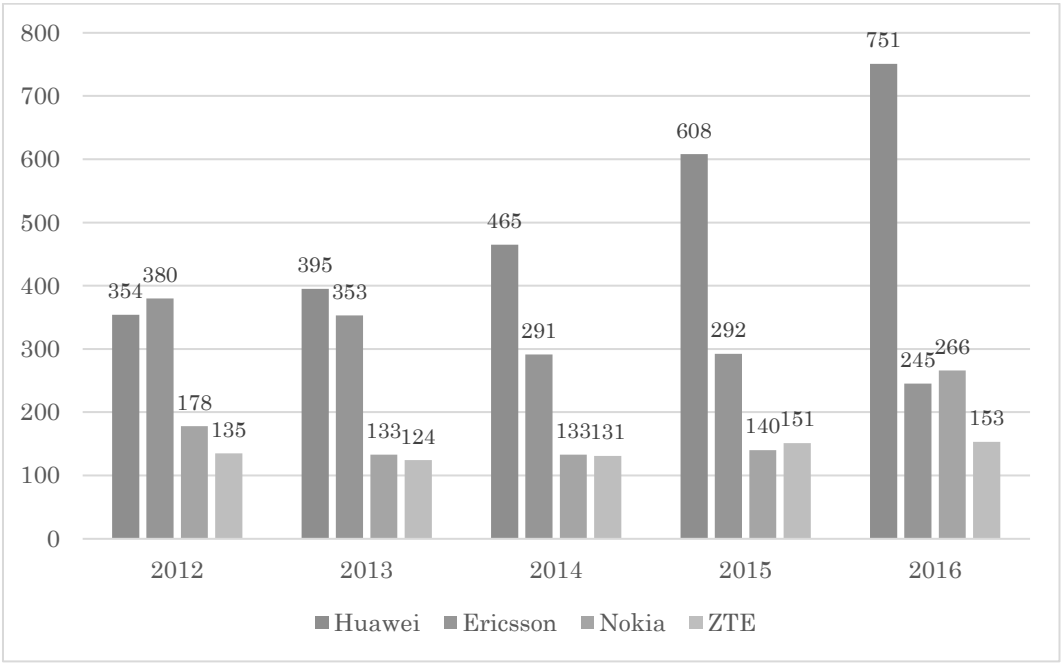
While most of the Chinese communication equipment companies disappeared from the market, 4 companies remained. They were called the "Big 4": 1) Julong Communications, 2) Datang Telecom, 3) Zhongxing Tongxun (ZTE), and 4) Huawei Technology. These 4 companies shouldered the expectations of the Chinese government and its people, and finally created very strong competition with the world powers in China. Eventually, they managed to gain a stable position in the Chinese market. (See Figure 3) When placing the first character of each company's name together, the Chinese character 巨大中華, this means "Great China".

The third stage was "From the Big 4 to the Big 2". After strong competition, state firms Julong and Datang became smaller, however, market directional companies Huawei & ZTE became bigger. In the Chinese communications equipment industry, the "big 2" –Huawei and ZTE were beginning to make a huge impact in the Chinese ICT equipment market. Beyond people's expectations, Huawei & ZTE unexpectedly were among the world top runners in the ICT infrastructure industry within 20 years. Furthermore, from 2013, Huawei and ZTE have become the No.1 and No.4 ICT equipment firms in the world. (See Figure 4)

Figure 3. The "big 4" – JuLong, DaTang, ZTE, and Huawei

Source: LIU, 2014.

Figure 4. The Sales of Top 4 ICT Companies in the World (2012-2016) (100M, $)



Source: The Annual Reports of Huawei, Ericsson, Nokia and ZTE

4. The Overseas Expansion of ZTE

ZTE was founded in Shenzhen in 1985 and started out as a state controlled firm. Following the owner changed, ZTE became a "mixed possession company"[3], and its largest shareholder is ZhongXingXin (ZXX).

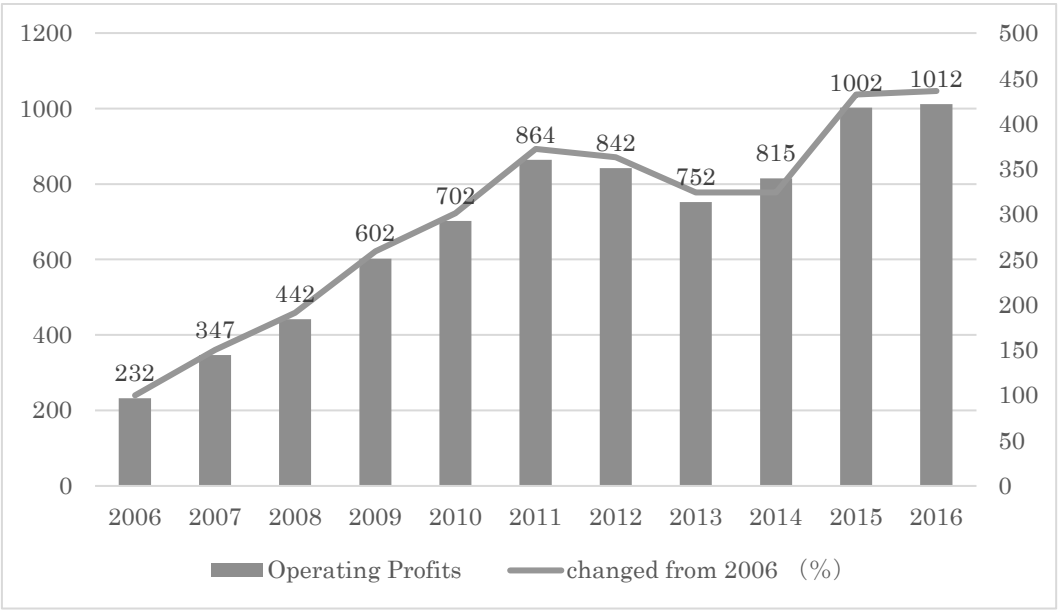
In 1997, ZTE was listed on the A Stock Section of the Shenzhen Stock Exchange, and after 7 years, ZTE was listed on the H Stock Section of the Hong Kong Stock Exchange in 2004. As of the end of 2016, 81.95% of the shares were A stock and 18.05% of the shares were H stock among ZTE's equity capital.[4]

As of 2016, there were 81,468 employees working for ZTE, with the average age being 32, and 36.93% of the employees worked in research and development (R&D). There are a total of 20 R&D centers, 13 located in China and 7 distributed in other countries such as America, France, Sweden, Japan, Canada and so forth. Up to September 31st 2016, ZTE submitted more than 68,000 applications for patents to PCT, of these 28,000 had been permitted to be used. From 2012, ZTE continued to be in the top 3 positions for the number of patent applications to PCT.[5] The operating profits of

ZTE grew from 23.2 billion RMB in 2006 to 101.2 billion RMB in 2016. (See Figure 5)

The sales in ZTE decreased from 2012 because of the influence of the financial crisis in 2008. The influence of this on ZTE, however, was not as serious compared to the American and European ICT companies. From 2014 the sales of ZTE rose again, and in 2015 their sales reached over 100 billion RMB for the first time in their history.

Figure 5. The Operating Profits of ZTE from 2006 to 2016 (100M, RMB)



Source: ZTE's Annual Report from 2012 to 2016.

In 2017, however, the U.S. Department of Commerce punished ZTE for its illegal trading with Iran, which to a considerable degree decreased ZTE's operating profits. In 2018, the U.S. government fined ZTE again for acting against their promises. All of these measures had a severe impact on ZTE, and created a significant risk for ZTE's future advancement into the American market. This risk can be labeled as a pitfall which impeded CMNE's overseas expansion. The issue will be discussed again in part 5 of this paper. Next, this paper will oversee the processes and the features of ZTE's overseas expansion.

The four phases of ZTE's overseas expansion.

1) Phase to search for overseas markets (1995–1997)

In this phase, ZTE was mainly learning the international business rules in overseas

markets and accumulating experience from their overseas expansion. ZTE exported its products to Indonesia and Malaysia during this term, although, the scale was rather limited.

2) Phase of expanding to overseas markets (1998–2001)

In this phase, ZTE began to enter overseas markets full-scale. In addition to South Asia and Africa, ZTE made a considerable deal through exporting its ICT equipment to the former Yugoslavia in this phase.

3) Phase to widen the scope of overseas expansion (2002–2004)

During this phase, ZTE reinforced its overseas expansion omnidirectional in markets, in human resources and in capitals. By entering into the emerging markets such as India, Russia, Brazil and so forth, ZTE established a base in order to advance into the developed markets like America and Europe.

4) Phase of advancing into developed markets (After 2005)

In this phase, ZTE focused on the developed markets such as America, Europe and Japan, and formed many alliances with large world communications carriers. ZTE provided its products to Vodafone (Britain), Telefonica (Spain), Telstra (Australia), and Softbank (Japan), etc.. These are all obviously world famous communication carriers. Furthermore, ZTE opened its Japan office in 2005, and established its subsidiary –ZTE Japan Co. Ltd. in 2008.

The features of ZTE's overseas expansion are as follows.

1) The replication of their domestic marketing strategy in China

At first, ZTE advanced into developing countries and areas such as southern Asia and Africa, then extended to Russia, India and Brazil. Finally, ZTE entered into the developed markets of Europe, America and Japan. During this process, ZTE copied its domestic marketing strategy that was called "From Rural to City" in China. This strategy can also be expressed as the "Reversed Direction Strategy" (LIU, 2014). This means the strategy is different from the preceding strategy of DMNE's. It is described as "moving from the peripheral areas then to the central ones; expanding from the developing countries and regions to the developed ones; starting from the lower end consumers and onto the higher end ones".

From the chronological sequences, we can find that ZTE began to create the overseas outlets and gain experience through doing international business from the

latter half of the 1990s. From learning the rules of doing business in emerging countries between the end of the 1990s and the beginning of 2000, ZTE made contracts to sell their communications equipment overseas as well as exporting their mobile phone units. After 2002, ZTE started their internationalization strategy full-scale, which included expanding into global markets, hiring global human resources, and obtaining global financing.

2) Obtaining specific advantages after entering the global market

After successfully receiving substantial orders from Bangladesh and Pakistan in 1998, ZTE recognized that only their lower price advantage was not adequate enough to compete with the major world ICT companies, which had the advantages not only in technology but also in brand image. Thereafter, ZTE began to establish research institutes in America, France and Sweden. In addition, ZTE formed alliances with Intel China (2002), IBM (2003), Microsoft China (2003), FT (2006), and so forth. Through this process, ZTE not only gained a specific advantage of technological insights, but also "ZTE" became a well-known world brand. Ultimately ZTE was ranked as one of the top runners of world ICT companies.

Was the overseas expansion of ZTE really smooth and successful? The answer is "not really". Section 5 focuses on ZTE advancing into the American market, clear the risks to ZTE, and clarify some lessons what the EMNEs can learnt from.

5. The Obstacles of ZTE's Advancement into the American Market

5.1 The so-called "ZTE Event" and its aftereffects

Over many years ZTE gradually entered the American market, however, in March 2017, the USDC suddenly punished ZTE for guilty to illegally shipping items of American origin to Iran from 2010 to 2016 in violation of U.S. sanctions. ZTE agreed to pay $1.19 billion in penalties and a suspended denial of export privileges. This was followed on April 16th 2018, when the U.S. banned American firms from selling parts and software to ZTE for 7 years. This movement was called "ZTE Event", and the "ZTE Event" also became the beginning of the battle for high-tech dominance between America and China.

On April 20th 2018, 4 days after the ban was announced by the U.S. government,

Yin Yi Min, the former chairman of ZTE, explained the company's position to selected media outlets in Shenzhen, and stressed that "We have the ability and the will to tide over this crisis. We are definitely not going to give up".

Nevertheless, the U.S. actions could be catastrophic for ZTE as American companies are estimated to provide 25%-30% of the components used in ZTE's equipment, which includes smartphones and mobile operating systems to build telecommunication networks. If this situation could not be solved smoothly and immediately, ZTE would face an unavoidable disaster and would be forced to scale back its smartphone business, not only in the U. S., but also in its other markets.[6] Due to the announced ban, trading in ZTE shares in the Hong Kong and the Shenzhen Stock Exchange was immediately suspended on April 17th 2018. Asset managers started to discount the value of ZTE shares that they held in their funds. Both the ZTE value of the Shenzhen-listed stock and the Hong Kong-listed stock decreased by 36% in just one day, and it translated to roughly a $7 billion loss in the combined market capitalization. Due to these impacts, ZTE began to discharge their employees, and even their engineers. On August 2018, the ZTE R&D center located in Nanjing announced that 100 employees would be laid off.[7] Meanwhile, an undisclosed number of specialists left ZTE. ZTE then entered into a term of suffering turmoil.

Not only ZTE, but also other Chinese companies in the American market were punished by the U.S. government. On April 25th 2018, the U.S. Justice Department probed Huawei on allegations of violating trade sanctions against Iran. Huawei said in a statement the following day that it had been complying with "all applicable laws and regulations where it operates." On December 1st 2018, Canadian Judicial Police arrested Meng Wan Zhou, the deputy chairperson of the board and the CFO of Huawei, at the request of the United States for allegedly defrauding multiple financial institutions in breach of the U.S. imposed sanctions on Iran. On January 28th 2019, the U.S. Department of Justice announced financial fraud charges against Meng Wan Zhou. On May 22nd 2019, the BIS of USDC put many Chinese high-tech firms for example Hikvision, Dahua technology and so forth onto the Entity List to block them from using US products and technology. (Bloomberg, May 23rd 2019) These actions from the American government further heated up the trade war between China and America.

5.2 The Substance of the "ZTE Event"

This move by the U.S. government to punish ZTE comes at a time when the world's two largest economies threatened each other with tens of billions of dollars in tariffs in March 2018. ZTE and other Chinese ICT firms were the scapegoats of the trade war between the U.S. and the Chinese governments. The backdrop of the trade war is the struggle for hi-tech dominate position between the two super nations. As LIU (2015) mentioned before, the EMNEs will also create fierce competition with the DMNEs, and this competition between them could get the governments involved and cause possible conflicts that will make matters even more complicated. This prediction became reality through the "ZTE Event".

Following the ban announced by USDC, the Chinese government responded swiftly, warning it was prepared to take the necessary actions to protect the interests of Chinese firms and pronounced that it hopes the U.S. government can deal with the issue in accordance with the law.

After a lot of tough negotiations between the U.S. and Chinese governments, on May 13th 2018, the U.S. President Donald J. Trump surprisingly tweeted "President Xi of China, and I, are working together to give the massive Chinese phone company, ZTE, a way to get back into business, fast. Too many jobs in China will be lost. Commerce Department has been instructed to get it done!".

On June 7th 2018, the secretary of the U.S. Department of Commerce, Wilbur Ross announced a $1.4 billion ZTE settlement, ZTE board and management changes, as well as the strictest ever BIS compliance requirements put in place.

The hounding of ZTE by the American government appears to be over for now, however, the trade war and the struggle for high-tech domination between the U.S. and China is still continuing.

5.3 The lessons learnt from the "ZTE Event"

Due to the "ZTE Event", ZTE paid too much compensation, and its business was severely affected. The ZTE case could be seen as an important lesson that not only CMNEs but the other EMNEs could learn from. Although this lesson mostly has been mentioned in previous literature.

1) Obeying the local rules and legislation is important. As the 4th largest ICT

equipment firm in the world, ZTE provides services to communication carriers and company clients in over 160 countries and areas. Their smart phone unit sales was ranked as the 8th highest in the world (up to 2017), and 4th in the American market. If ZTE obeyed U.S. legislation, the so-called “ZTE Event” would not have arisen, and ZTE would have been able to fulfill its business in the American market in the usual manner.

2) EMNEs must have their own core technologies, otherwise they could “suffocate” in a short space of time as seen in the ZTE case. ZTE has thousands of intellectual property rights (IPR), and has continued to be in the top 3 positions for the number of applications of patents to PCT for many years. Also, ZTE was called “the leading company for intelligent cities”. ZTE, however, does not have its own core technology for high functional IC chips, nor original OS for its mobile phones and another products, so ZTE has to import them, and has to get the permission from the U.S. That could be the reason why the United States only banned American firms from selling parts and software to ZTE, ZTE was severely crippled and came very close to bankruptcy.

3) Risk management is very important for companies, especially for those companies which are expanding into overseas markets. In the global market where there are a lot of risks and pitfalls lying ahead of companies. These risks can be classified into “Foreign Exchange risks”, “Country risks”, “Religious risks” and so forth. If companies do not have the risk management knowledge and the prevention systems in place, the so-called “ZTE Event” could arise anywhere and at any time in the future.

4) The competition between companies is also the competition between countries’ governments. The ZTE case was Washington's effort to thwart Beijing's "Made in China 2025"[8] initiative which is to ambitiously upgrade Chinese high tech industries. The U.S. government is doing this through “trade wars” in order to maintain their technological advantage over China. However, this was a strong wake-up call for the Chinese government, that nurturing its own IC chips and software industries will be their top priority.

During all of these lessons, this paper specifically stressed the competition between companies is also the competition between countries, because it is not only the essence of the “ZTE Event”, but also a “new type” of competition. Unfortunately, studies regarding this new type of competition are few and far between. M.E. Porter (1990) presented the concept “the competitive advantage of nations”, he proposed the means of

raising the competitive advantage for countries, states, and regions. However, he did not refer to the competition between companies is also the competition between countries as in the ZTE case. S. Ghoshal (1987) mentioned risk management, and preventing the risk by dispersing investments into several countries and diversifying products strategically. However, his research implies that the actors of competition are companies, not governments. R. Vernon (1983) described the battle between the US and Japan in the quest for oil and ores in the 1970s, but this battle was the protecting state (the US) versus the protected state (Japan), the relationship between the two countries was unequal. Furthermore, the main contents of Vernon's research (1983) mostly described the different policies and actions about securing natural resources between the U.S. and Japan, but he did not mention the struggle for leadership between countries. This paper stress the study concerning a new type of competition which is the battle for supremacy between two world supper powers, and believes that it deserves more attention.

6. Conclusion

This research reviewed earlier literature regarding the features of Chinese enterprises advancing into overseas markets, especially pointing out the features of the "Reversed Direction Phenomena". Furthermore, it focused on the ICT equipment industry in China, specifically its second largest firm - ZTE. In addition it reconfirmed the different features of overseas expansion between the CMNEs and the DMNEs.

ZTE has its headquarters in Shenzhen which is the most dynamic region in China. The strategy of overseas expansion for ZTE was the replica of its domestic marketing strategy described as "From Rural to City". Clearly, from the outward overseas expansion process, ZTE gained numerous strategic assets including technology, know-how and brand image.

Meanwhile, during ZTEs overseas expansion, there were a lot of obstacles that has made their outward foreign business very risky up to the present day. The "ZTE Event" in America is clear proof of this. This paper analyzed the reasons of the "ZTE Event", pointing out its backdrop, and compiled some lessons learnt from the ZTE case. Notably, this paper exposed a "new type" of competition, describing the competition between

companies as also being the competition between countries.

The experiences and problems that ZTE have faced in their overseas expansion may help provide some suggestions to other companies in developing countries when they expand into future global markets, because their starting conditions will be similar to those of China. However, the EMNEs are different to the DMNEs in their overseas expansion purposes, targets, advancing processes and also the risks. A further study regarding the companies of developing countries becoming MNEs will also enrich the existing theories of international business administration.

At the same time, there are many remaining issues that should be researched into further. One of these issues includes how to strengthen risk management when expanding overseas. ZTE has focused on targeting the developed markets after almost 20 years of overseas expansion, and it has also become a global ICT firm. However, the CMNEs have also created intensive competition with the DMNEs. Furthermore, this competition between companies has involved governments, making matters further complicated as in the ZTE case. Strengthening the methods of risk management for EMNEs is an important issue to focus on.

Another issue is dealing with the influences by governments during the EMNEs overseas expansion. The policies of the Chinese government such as the "Zou Chu Qu" (overseas expansion) national strategy (2001) and the "One Belt & One Road" (to build the Silk Road Economic Zone) state project (2013) has so far greatly affected the outward foreign expansion of CMNEs. The Chinese government even determines the decision of firms directly. This situation in other emerging countries is probably the same. The EMNEs must forecast other potential moves by their governments, and they should prepare to deal with them and try to lessen their government's influences. A further study is required to investigate some of these potential moves by EMNEs governments.

<Notes>

1 From the HP of Ministry of Commerce of the People's Republic of China (www.mofcom.gov.cn) Homepage browsed at Nov. 25th 2018.

2 ZTE, the second largest communications equipment company in China and the fourth scale ICT equipment firm in the world, used to make a great success in its overseas expansion. In 2017, however, the USDC suddenly punished ZTE for guilty to illegally shipping items of American origin to Iran, and ZTE had to pay $1.19 billion in penalties. In the following year,

ZTE became the first scapegoat of the trade war between the U.S. and the Chinese government, so-called "ZTE Event" also became a symbol of the beginning of the battle for high-tech dominance between America and China.

[3] "Mixed possession company" means the company owned by many different owners, such as state, municipality, fund, and individuals etc. As of the end of 2016, 30.35% of the ZTE's share was owned by the Chinese government, other shareholders of ZTE were banks, funds, municipalities and individuals.

[4] ZTE Annual Report, 2017.

[5] Idem.

[6] NIKKEI ASIAN REVIEW, 2018.4.27.

[7] Sohu News "It is said that ZTE began a new round to fire its employees" (in Chinese) (https://m.sohu.com/a/251649736_323087?_f) Homepage browsed at Sept. 4th 2018

[8] "Made in China 2025" is a strategic plan of China issued by Chinese Premier in May 2015. With it, China aims to move away from being the world's "factory", and move to producing higher value products and service. It is in essence a blueprint to upgrade the manufacturing capabilities of Chinese industries.

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