

МАГНИТ ПОЗНАНИЯ

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CHINA MOBILE'S CAPABILITIES IN GLOBALIZATION AS FOR A STATE-OWNED INTERNATIONAL CORPORATION

Аннотация. Статья рассматривает преимущества, недостатки и перспективы таких государственных корпораций, как China Mobile Limited. В ней прослеживается история развития данной компании, главные элементы ее эволюции в условиях экономики Китайской Народной Республики (далее – КНР). Затем автор раскрывает конкурентоспособность таких организаций при многогранности современной рыночной системы. Статья отвечает на вопрос о перспективности подобной степени государственного регулирования не только в КНР, но и в других странах.

Summary:

The article studies benefit, weaknesses and future prospect of such state-owned corporations as China Mobile Limited. The history of its development, main elements of its development in conditions of China's economy is traced in it. Further the author reveals competitive abilities of such organizations amid versatility of modern market system. The article answers the question about the perspectives of similar system of state regulation not only in China, but in other countries as well.

Ключевые слова: бизнес, Государственная компания, акции, телекоммуникации, коррупция, мировая экономика, прогнозирование.

Key words: business, state-owned company, stocks, telecommunications, corruption, world economy, prognosis

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A growing role and potential of globalization puts every part of global community in the position of inevitable need to research all variety of economic possibilities provided by the market to fulfill its also growing needs. Therefore, the decision has been made to conduct the research of one of such variants – a state-owned corporation. China Mobile Communications Corporation is one of the extraordinary examples of successful development under the control of an executive branch of power, which makes it a perfect illustration of a possibility of success for a company like that.

The research sets several objectives:

- To conduct a thorough observation of the company's history, its most important taken steps, general policy and marketing decisions;
- To figure out the cumulative benefit of People's Republic of China (hereinafter – PRC) executive branch of power for the company;
- To compare the difference in the pace of development and achieved annual revenue to corporations with other ownership type;
- To make a conclusion if such cooperation would provide similar results in other countries.

While conducting this research the following methods were used: analysis of the previous research in this subject, comparative method, observation of surveys, articles, governmentally authorized data, etc.

China Mobile Limited (the «Company», and together with its subsidiaries, the «Group») (hereinafter – CML) is the leading telecommunications services provider in Mainland China. Its businesses primarily consist of mobile voice and data business, wire line broadband and other information and communications services.

The company's ultimate controlling shareholder is China Mobile Communications Group Co., Ltd. (hereinafter - CMCG), which, as of 31 December 2016, indirectly held approximately 72.72% of the total number of issued shares of the Company. The remaining approximately 27.28% of the total

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number of issued shares were held by public investors. CMCG has recently changed its status «from an enterprise owned by the whole people (全民所有制企業) to a wholly state-owned company (國有獨資公司)» [7], which once again strengthens the public part of the trade. The Ministry of Industry and Information Technology of China stands on top of the organization's chain, even though it is not clearly stated in any of public documents of the company. Important to mention that current Executive Director and Chairmen Shang Bing is the former Vice Minister of the mentioned Ministry. From this information we can make a conclusion that ties between government and business are really tight in this particular case.

Based on the stocks data it is safe to say that China Mobile has started off its career really strongly. The company raised US\$4.2 billion in its Initial Public Offering, with its shares listed on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited, respectively at 23 October, 1997, less than 2 months after its initial incorporation [1]. In a year, CML has completed the acquisition of multiple service providers in China: Jiangsu Mobile, Fujian Mobile, Henan Mobile, Hainan Mobile [1]. By that moment, the total number of acquisitions reached 29.

The following year was a turning point for China's telecommunication service industry, with the business being opened to foreign investments. Spain's Telefonica acquired a 5 percent share of China Netcom, while Vodafone increased its stake to 3.27 percent.

On 8 June, 2006 China Mobile Limited entered into a memorandum of understanding with News Corporation and STAR Group Limited to build a long-term wireless media strategic alliance.

On 25 November, 2010, China Mobile Limited and SPD Bank entered into a strategic cooperation agreement, thereby officially commenced their cooperation in areas of mobile finance and mobile e-Commerce businesses.

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In 2016, the Company was once again selected as one of «The World's 2,000 Biggest Public Companies» by Forbes magazine, and recognized again on the Dow Jones Sustainability Emerging Markets Index. Currently, the Company's corporate credit ratings are equivalent to China's sovereign credit ratings, namely, A+/Outlook Stable from Standard & Poor's and A1/Outlook Stable from Moody's.

China Mobile announced its strategy of «Big Connectivity» for the development in the next five years and its medium- and long-term strategic vision «to become a global leading operator in innovative digital services» in 2016 [2]. That demonstrated the professional approach of the company, its fundamental treatment of CML's policies. This also represented China Mobile's commitment to create shared value, achieve win-win cooperation with stakeholders and realize sustainable development with «connectivity».

Within the frameworks of the strategy, CML focuses on providing its services not only to big busy cities, but also to the rest of administrative villages. The company states it provided wire line broadband access to over 4,900 administrative villages cumulatively [2].

Nowadays it also seems to be very attentive to the customers' ever-growing demand for lower prices and speed upgrades. The Company earnestly implemented «Speed Upgrade and Tariff Reduction» with a 36% year-on-year decrease in data traffic tariff. However, this decision is not necessarily company's initiative and it might possibly bring not only the beneficial results. Reuters news agency states that it is «China's central government» that asked «state-owned telecom operators to continue to «raise speed and drop price» as it seeks to deepen the sectors' reform» [6]. The article also claims that the company is warned of such decision due to revenue pressure. It would be sound to assume that the Board of Directors is not always 100% satisfied with the government's ruling strategy.

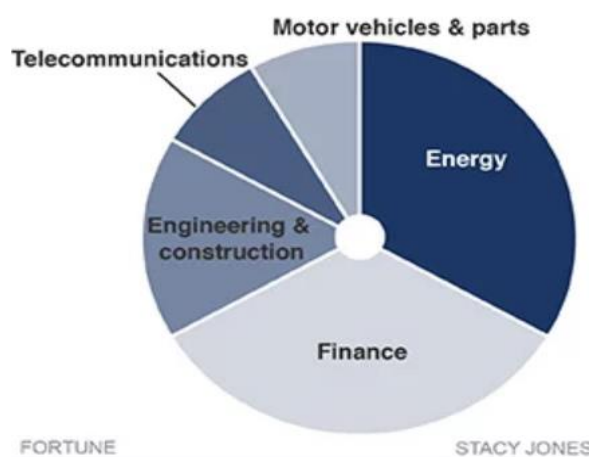
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Another strong characteristic though is the consistent desire to improve the results, never stopping urge to further and deepen its competitive ability.

However, even though the most of the time CML manages to maintain extraordinarily clean reputation, it obviously still had some downtrends.

For example, 2011 has turned up to be pretty dramatic to CML, due to a great corruption scandal. Zhang Chunjiang, the former vice chairman of China Mobile, the world's largest mobile phone operator by subscribers, was charged with accepting more than \$1.15 million in bribes while working at a series of state-run telecom companies between 1994 and 2009, when he was removed from his post [3]. He had been charged with a death penalty mitigated by the two-year reprieve. In total, there were at least 7 more other executives from the company under investigation. Though such cases are not a rare occasion in the Republic of China, it still had left a noticeable reputation downscale for a while.

All in all, it seems that the company has a quite experience on the market, being created strong and competitive and remaining the same way. It is a quite typical scenario for a Chinese telecommunication company.



Picture 1 – Distribution of the most successful state-owned companies across different sectors [5]

As we can see in Picture 1 above, telecommunications as well as energy and finance is a sector that is strictly controlled by the government. At the same

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time, it is even more important that such companies actually make the list of well-respected financial rating, such as Fortune 500 and Forbes.

Whether the company achieves great successes or not, to be able to be confident in the objectivity of the research it is obligatory to compare it with others, especially the fully private ones. Again, ratings such as Forbes are quite sustainable for that purpose.

As a matter of fact, none of the top 10 participants of the Fortune 500 are government-owned. We have to admit that such economic freedom may give a much bigger advantages than governmental concession. The competitiveness of the market in numerous cases gave businesses a tremendous boost, and in most cases of state ownership it is just not possible. Even considering that most of the above mentioned companies are based in the United States of America, the argument still stands tall. Chinese state-owned organizations are able to compete only to some extent, as they meet big difficulties when trying to enter international market. It is difficult for them to analyze the demands of those demographics, especially since there are no funding provided by the state for that reason.

When compared with others, it becomes clear that CML and other get to enjoy their position mostly due to the great population of PRC. Nevertheless, they still demonstrate substantial growth, and we definitely cannot call China Mobile unprofitable or unpromising.

Nevertheless, it does not require any additional proof that a system that works perfectly in one state has all the chances to become a shocking failure in a different one. It is mainly explained by the differences in geographical position, natural resources, its historic events, etc. In cases like this it is definitely important to look deeper into special factors that cause particular processes in a company.

China's economy is one of the most developed and advanced at this point, its economy is the world's largest economy by purchasing power parity

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according to the International Monetary Fund (IMF) [4]. The country is also the world's largest manufacturing economy and exporter of goods. It would be

At the same time, due to historical and political facts of China's developing economy, China's public sector accounts for a bigger share of the national economy than the burgeoning private sector. Therefore it makes a lot of sense that state-owned companies feel particularly comfortable while conducting their business activity.

In many cases, it is argued that such companies completely demolish all possible competitiveness in their fields of business. A good example of such practice would be People's Bank of China (PBC). The chief instruments of financial and fiscal control are the PBC and the Ministry of Finance, both under the authority of the State Council. The People's Bank of China replaced the Central Bank of China in 1950 and gradually took over private banks. It fulfills many of the functions of other central and commercial banks. It issues the currency, controls circulation, and plays an important role in disbursing budgetary expenditures. Additionally, it administers the accounts, payments, and receipts of government organizations and other bodies, which enables it to exert thorough supervision over their financial and general performances in consideration to the government's economic plans. The PBC is also responsible for international trade and other overseas transactions. Remittances by overseas Chinese are managed by the Bank of China (BOC), which has a number of branch offices in several countries.

The final conclusion has to be drawn, and considering all of the above, it is rather complex. China's economy is specific at its core, combining both socialism and capitalism traits. Basically, it requires a country to be managed in a very specific way or a company to be created in very specific conditions for such successful development to occur. Most definitely, it is possible to some extent, but it does not seem like it would be worth for a country to give up for is already created. However, such strategy is really effective for such companies as

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CML, at least in a short run, therefore, state ownership should be considered as a potential path even in conditions of escalating globalization.

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