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The Internationalization Process of the
Regional Bell Operating Companies

By

Parthavi Das

AN ABSTRACT OF A THESIS

Submitted to
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ABSTRACT

THE INTERNATIONALIZATION PROCESS OF THE REGIONAL BELL OPERATING COMPANIES

By

Parthavi Das

The purpose of this paper is to examine the internationalization process of the Regional Bell Operating Companies. Currently, these companies have numerous investments worldwide. The paper used bibliographic historical research, questionnaires and telephone interviews to collect data. The paper found that the RBOCs are investing abroad in search of new markets. The RBOCs markets in the United States have been limited by the passing of the Modified Final Judgement. The RBOCs are able to invest abroad because they have a capital and technological knowledge necessary for the investments. The RBOCs are able to enter different locations because countries are opening their telecommunication sectors to private investors.

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Dedication

To my family for all their support

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Chapter One

Research questions and methodology

The globalization of the telecommunications market has led to the internationalization of the regional Bell operating companies (RBOCs). Internationalization is defined as the process by which a firm expands its economic activities beyond its national boundaries (Dicken 1992). With the limits the RBOCs are facing in the United States as a result of U.S. regulations and the saturation of their domestic markets, RBOCs are investing abroad to expand their markets. As a result of the current phenomena of privatization in the telecommunications sector, the RBOCs have been able to enter new markets.

In 1984 the Modified Final Judgement (MFJ) was passed which led to the divestiture of the American Telephone and Telegraph Company (AT&T) and the creation of twenty-two Bell operating companies. The twenty-two Bell operating companies were placed under seven regional holding companies which are responsible for providing local service in the United States. These firms are Ameritech, Bell Atlantic, Bell South, Nynex, Pacific Telesis, Southwestern Bell, and US West (Rosenberg, Borrows, Hunt, Samarjiva, and Pollard 1993). This paper focuses only on the RBOCs and not on other US independent telephone companies. Based on their commonalities in terms of their creation and the current

regulatory environment, the RBOCs as a group create a dominant force in the global economy.

These commonalities also provide similar motivational forces to operate globally. The MFJ restricted the RBOCs from manufacturing products and customer services equipment, providing information services, and providing long distance services. The RBOCs also have control of "regulated operating subsidiaries, unregulated communication subsidiaries, and other unregulated subsidiaries" (Rosenberg, Borrows, Hunt, Samarjiva, and Pollard 1993). The firms hope the experience they gain from providing these services in foreign markets will enable them to have an advantage to compete in the United States once restrictions are lifted (Hyde and Martin 1990). Even after some of the restrictions placed on the RBOCs have been lifted, firms continue to invest in foreign markets because of globalization.

In order to understand the internationalization process, this paper will look at the **firm-specific factors and location-specific factors which have resulted in the RBOCs' investments**. By first looking at firm-specific factors, the paper examines what advantages the RBOCs have (e.g. capital, knowledge, and technology) which lead to investment. The paper then examines the particular characteristics (e.g. market size and political stability) of the host country which attracts the foreign investors.

Finally, the paper makes an attempt to understand the impact of these investment on the host countries. It is hoped that by learning more about the strategies of firms, we can have an understanding of how a country can best prepare itself for the entry of a firm.

Research Question

Elements of Dunning's eclectic theory (1981) are used to explain the reasons for internationalization. Unlike other theories which deal with foreign investment, eclectic theory is the only theory which looks at both the factors which concern the firm and the location. While there are other theories concerning firm-specific factors like neoclassical theory, product cycle theory, and the theory of industrial organization, eclectic theory is the only one which looks at location-specific factors. Although the firm-specific factors are important, in order to have a more sound understanding of foreign investment there needs to be an evaluation of location factors. Chapter two covers the specifics of eclectic theory.

Foreign investment has been studied in other sectors like automobiles, food processing, pharmaceutical, and computers. In the studies of these sectors, the research examined the role these firms had played in developing countries. The research looks at what type of investment occurred in developing countries like joint ventures.

Franko (1991) found these firms entered developing countries usually in the form of joint ventures. The joint ventures were either in the form of the companies having fifty-fifty partnerships or minority partnerships. In some cases licensing arrangements were made between the company and the firm. He noted that the degree to which a company participated in a venture was dependent on the host country as well as each industry-specific strategy.

Since foreign investment in telecommunications is a recent trend, there have not been many studies done which look at the role of foreign investment in telecommunications in developing countries. A study on foreign investment in telecommunications may or may not have the same findings as studies on foreign investment in other sectors. The purpose of this paper is then to examine how foreign investment in telecommunications occurs and its possible effects on a developing country. The research question is:

- What are the RBOCs firm-specific advantages which enable them to invest internationally?
- What are the location-specific factors which attract international investment?

The importance of this thesis is its examination of different firm strategies and their patterns of investment. An added understanding of their investment patterns comes from examining location-specific factors. Since the RBOCs

are investing internationally, it is important to note in what parts of the world the investments are taking place. It is most likely that investments take place in stable economic and political environments. The modes of entry could be joint ventures since it has occurred with foreign investment by other industries. Finally, the RBOCs need to have some source of capital in order to participate in international investment.

Research Method

The research method consists of bibliographic historical research as well as individual interviews. The majority of the data collection comes from information gathered from trade journals. A questionnaire was sent to the seven RBOCs to acquire more in-depth information as to why these firms are interested in foreign investment. The questionnaire asks the RBOCs the reasons for choosing specific countries. It also addresses their preference of deciding to provide basic or cellular service. It asks the reasons why a firm may enter into a joint venture. Finally, the questionnaire asks the RBOCs how their investment strategies have evolved with the passing of the MFJ. A sample of the questionnaire which was sent to the firms is in Appendix B. In some cases in which firms did not fill out the questionnaire, telephone interviews were conducted with the RBOCs' representatives. An analysis of the results the questionnaire are discussed

in Chapter Three and Chapter Four in which the firm-specific and location-specific factors are more closely examined.

Through this research, the paper examines what are the firm's investment strategies in choosing specific countries. It looks at what characteristics of certain countries make them more attractive than others. Finally, the paper discusses the possible impacts of the investments on the development of these countries.

Chapter Two

Literature review on the role and impact of foreign investment in the economic development of a nation

Dunning's eclectic approach is used as the theoretical framework in which to explain the internationalization of the RBOCs. Dunning's approach evolved out of his own research involving international production. It is eclectic because it draws upon components of several other theories which have been used to explain internationalization.

Background: Theoretical Approaches

The role of foreign investment in developing countries has always been a controversial issue. Jenkins (1987) states that firms which participate in international investment are often referred to as transnational corporations (TNCs). The transnational corporation is defined as a firm which has a home base in and operates across its national boundaries. This process is defined here as internationalization. The controversy concerning internationalization stems from the role the TNCs play in the countries in which they choose to invest, especially in developing countries.

The neoclassical approach sees capital flow as being based on "differential rates of return" (Helleiner 1989). In this approach the host country appears to benefit from the capital inflow by experiencing an increase of capital within

the country. Other benefits for the host country include an increase in technological knowledge and an increase in training for labor (Jenkins 1987).

The product cycle theory explains the life cycle of products. The theory was used to explain trading patterns. The theory states that the developing country takes over the production of a product which has already been developed in an advanced country. The assumption is that as the product becomes more standardized and efficient in its production in the host country, the TNC will loose its hold on the product and the developing country can introduce the product to other markets (Vernon 1966).

The theory of industrial organization examines international investment operating in an imperfect markets. Stephen Hymer's research led to the theory of industrial organization in which he discussed that since a firm was operating in a foreign market, it was necessary for the firm to have some advantage (Hymer 1960). Dicken (1992) mentions that the industrial organization theory was the first approach to indicate a foreign firm's need to have some type of advantage over local firms in the host country in order to operate in that market. Since indigenous firms know about the local environment, the foreign firm uses the advantages it has (e.g. technology and market power) for its operation.

While the theory of industrial organization emphasized the importance of the ownership factors, Frank Southard's work

examined the location factors which influence investment. His work tried to answer the question "Why do firms produce in one country than in another?" (Dunning 1981). In examining foreign investment, research continued to make extensions to the theory of industrial organization. Internalization is the concept which looks at the firm making the most of the competitive advantage it has by keeping its asset within the firm (Helleiner 1989).

In the case of internationalization the firm does not sell the "advantage" it has to other firms in foreign markets. As a result, the firm enters into foreign investment which is seen as a way of overcoming an imperfect market (Buckley and Casson 1978). Dunning has intertwined the ideas of firm characteristics, location factors, and internalization into his eclectic approach. Before going in depth about the eclectic approach, it is important to mention the other viewpoints which discuss foreign investment.

As it has been mentioned before there are varying viewpoints concerning foreign investment. The aforementioned theories have often been seen as being proponents for foreign investment. Other theories which discuss foreign investment tend to have a less than positive view on foreign investment.

The Marxist approach or neo-Marxist approach views internationalization as being a deterrent to development in developing countries (Jenkins 1987). The Marxist viewpoint states that firms enter other countries in search of new

markets or in search of new ways in which to obtain other resources or inexpensive labor. This approach emphasizes that the TNCs "drains" the surplus of resources which exist in the host country with its foreign investment (Helleiner 1989). By using the host country's resources, the firm inhibits the host country from using its natural resources to create its own economic progress. As a result, the host country becomes more dependent on the TNCs for the products they provide (Jenkins 1987).

Another group of Marxists, the neo-fundamentalists have a somewhat more positive view concerning TNCs as being "progressive." The main proponent of this viewpoint is Bill Warren (1980). He sees the entry of the TNC into a country as helping the country develop its resources as well as developing its local capital. Warren also states that since many TNCs are competing with one another for markets, the developing country has the upper hand in deciding which TNC enters its country and at what price. Finally, he sees internationalization as way in which developing countries can export goods (Warren 1973). Jenkins (1987) points out that Warren's approach is an extreme one among Marxist.

In discussing the various viewpoints, it is obvious that there are certain theorists who are for and others who oppose the process of internationalization. The purpose of this paper is to examine the internationalization process which is currently occurring in many countries. As has been mentioned

before in order to understand this process, Dunning's eclectic approach will be used to explain this phenomenon.

Eclectic Theory

Dunning's eclectic theory resulted from his dissatisfaction with the other approaches which had been used to explain international production. Eclectic theory draws upon other economic approaches to explain foreign investment. Eclectic theory specifies three conditions which need to be satisfied in order for foreign investment to occur. Firm-specific advantages, internalization-specific advantages, and location-specific advantages are the three components of eclectic theory (Dunning 1981).

The firm-specific advantages are the assets(e.g. knowledge, technology, management skills, capital , and access to resources) the firm has exclusively. Once a firm has these advantages, it is then important for the firm to internalize them. Internalizing the advantages means the firm keeps its assets within itself. The firm keeps its advantages to itself by directly providing its services abroad rather than leasing or selling them to a foreign firm (Dunning 1981). The internalization factors also give the firm a coordinating advantage which enables the firm to participate in a joint venture or consortia. If there are large costs in the investment, there is the possibility of different firms coming together and forming a consortium in order to share costs

(Dicken 1986).

The third condition deals with the location-specific factors which influence where a firm may go to invest. Location-specific factors (market size, political stability, and local resources) are the characteristics which pertain to the host-country where the investment will be made. Location advantages are important to the firm because they indicate how long a firm can continue to grow in a market (Dunning 1981).

Dunning's eclectic approach can be used as a "tool kit" in which to explain foreign investment. In using the approach, Dunning points out that it is not always necessary for all the characteristics to be present. Also, there is no exact combination in which the factors have to exist. Finally, the eclectic approach is not static (Dunning 1981).

The costs and benefits of foreign investment

In the discussion of TNCs, this paper has shown that there are varying opinions concerning the role of TNCs. Consequently, there are varying views on the impact TNCs would have in developing countries. Foreign investment has occurred in many sectors prior to the new investment patterns in telecommunications. This section discusses the developing role of foreign investment, industries that have participated in foreign investment, and the benefits and costs of foreign investment.

The exchange of capital internationally has existed for

an extensive period of time. The earliest form was merchant capital which involved long distance trade. Merchant capital was the precursor to the rise in capitalism which occurred in Europe. In the eighteenth century there was the start of British industrialism. By the nineteenth century there was an increase in the internationalization of capital (Jenkins 1987).

During this time European countries were spreading their investments into developing countries. Helleiner (1989) points out that it was the colonial history which existed between the European firms entering the developing countries that has created the controversial view concerning TNCs. Initially, the European countries were involved in trading with developing countries. Eventually, their involvement in the developing countries increased. The firms were involved in production specifically in mining and agriculture (Helleiner 1989).

At the beginning of World War I more than sixty percent of foreign investment was in developing countries. Fifteen percent of the investment was in manufacturing while fifty-five percent came from the primary sector. During the inter war period, foreign investment began in manufacturing operating in developing countries especially in Latin America (Jenkins 1987). In the twenty five years that followed the end of World War II, there was unusual increase in international production. The advances which took place in

the technology of transportation and communications enabled the rapid increase in foreign investment. Developments like the international telephone and the jet aircraft enhanced the coordination ability of firms to position themselves in different parts of the world (Jenkins 1987).

The 1950s and the 1960s saw a continued growth of TNCs in developing countries. In the 1970s foreign investment continued to increase in developing countries as well as loans to the developing countries from commercial banks. In the 1980s the developing countries started to incur balance of payment problems. As a result, the developing countries began to accept more foreign investment to help them with their rising debt. By allowing foreign investment developing countries have the ability to continue receive funding from commercial banks as well as World Bank (Helleiner 1989).

Different types of TNCs have participated in foreign investment. Dicken (1992) discusses four different TNCs: the textile industry, the automobile industry, the electronics industry, and the financial services industry. He points out that the impact of these industries in developing countries is often not quite the same because the particularities of each industry is different. The method of entry, the role the government of the host country plays in terms of regulation, and the actual product being produced by the industry all have different effects on the host country.

In the clothing and textile industry, Dicken (1992)

states that each of the individual clothing producers have varying strategies on how they deal with a country. For the most part, the textile industry tends to arrange subcontracts or leasing arrangements in the countries in which goods are manufactured. This industry also operates where there is low skilled labor.

The automobile industry has been dominated by a few international corporations. In this case the location of where the auto industry decides to invest depends greatly on the government regulation within each country. Government policy determines the amount of access foreign firms have in the country. In France and Japan, the government prefers importing few foreign cars in order for their domestic producers to have a better chance of selling in the market. However, in the United States and in the United Kingdom the policy is complete open access to foreign auto makers. As a result, there is a good amount of competition for the domestic producers of cars in these countries (Dicken 1992).

In the electronics industry (e.g. semiconductors, computers, and telecommunications), Dicken (1992) states that there tends to be a considerable amount more of government intervention because the economic effects of these industries for the host country can be tremendous. Since the electronics industry is rather competitive and research and development is quite expensive, firms enter the host country together in the form of a joint venture. By being in an

alliance, they are able to share costs. Finally, Dicken (1992) says that due to the strong competition in the electronics industry, firms try to diversify their products as well as relocate themselves in order to have promising market production.

The service sector (e.g. financial, transportation, communication, and health-related) establishes itself in foreign markets either through foreign investment, joint ventures, subcontracting, or licensing. In some cases, the creation of a joint venture enables companies which offer complimentary services to become a "transnational service conglomerate" (Dicken 1992). As a conglomerate they are able to provide many services for their client. Dicken elaborates on the financial service sector (e.g. banking and credit services). He sees that these services are able to enter foreign markets more easily because of the ease in government regulations. He also finds that the deregulation occurring in the financial service is related to the deregulation that is happening in telecommunications.

The purpose of discussing other sectors which have participated in foreign investment is to use their experience as a basis for comparison to the telecommunications sector. Also in order to have a better understanding of the possible impact of foreign investment in telecommunications, it is necessary to know what are seen as being the most common benefits and costs in general foreign investment.

Generally, TNCs are seen to benefit the countries they enter because they help create economic development. The TNCs bring access to items (e.g. technology, capital, marketing skills, management skills, and training for labor) that were scarce in the country (Helleiner 1989). They often increase employment. Helleiner (1989) states that some of the costs of a TNCs is that particular factories can cause pollution for a country. The host country's natural resources are reduced. The host country's national income may also decrease.

Dicken (1992) discusses variables which depending on how the TNC and the host country deal with them can have a positive or negative effect on the country. There is the cost of creating the infrastructure in the host country to attract foreign investment. A country could spend extensive capital to set up this infrastructure. The technology brought in by the TNC needs to be appropriate for the demands of the host country.

Finally, any type of firm that enters the host country can have an impact on the domestic market . It can also affect how the country operates in the global market. The greatest danger perhaps for the host country is if the TNC has too domineering of a presence. A definite cost is if the firm becomes too dependent on the foreign firm.

Consequently, the one time that the host country can have the upper hand in a negotiation process with a firm is when the location and its resources are most desirable (Dicken

1992). As both Helleiner and Dicken state, more detailed empirical research is needed on the costs and benefits of foreign investment in order to have a more complete picture of its actual impact.

Chapter Three

Firm-specific determinants of foreign investment in telecommunication service provision

The U.S. Regional Bell Operating Companies (RBOCs) are now players in the global market. As it was discussed in Chapter One, the regulations which have been placed on the RBOCs has led to their internationalization. In the context of Dunning's eclectic approach, it is important to illustrate the firm-specific factors the RBOCs possess which enable them to be in foreign investment. After explaining their specific attributes, this chapter discusses the reasons the RBOCs' preference for providing basic or cellular service. Then the chapter discusses the reasons the RBOCs enter joint ventures. In order to explain the internationalization process, each RBOC is discussed on an individual basis. Finally, this section looks at any relationships which can be drawn between the RBOCs.

The RBOCs are Ameritech, Bell Atlantic, BellSouth Corporation, Nynex, Pacific Telesis, Southwestern Bell and US West. Chart 1 in Appendix A illustrates the areas in which the RBOCs serve in the United States. These firms have a long history of providing basic service in the United States. Through their experience, the RBOCs have acquired the knowledge and the technology required to operate telephone service to customers in their local areas. The RBOCs'

operations have generated a considerable amount of revenue. In 1991, RBOC revenues were the following: Ameritech (\$10.82 billion), Bell Atlantic (\$12.28 billion), BellSouth Corporation (\$14.45 billion), Nynex (\$13.23 billion), Pacific Telesis (\$9.90 billion), Southwestern Bell (\$9.33), and US West (\$10.58 billion) (Coy, Hof, and Ellis 1992).

The RBOCs have capital and technology but, they are in need of new markets. They are unable to expand in the local areas where they already provide service. Also, they are not allowed to implement any other types of service (e.g. cable television) in their local markets because of the regulations in the MFJ. As of July 16, 1992, the U.S. companies were given the permission to offer video services over their lines. Although the companies will be able to provide video dial-tone, they can not provide programming because of the Cable Act of 1984. However, the Federal Communications Commission has allowed the telephone companies to have five percent interest in program services. The actual time and cost to create this network is still not known (Farhi, 1992). In addition all seven RBOCs are currently in the process or are already investing in cable television companies within the United States (Rozansky 1993). Chart 3 in Appendix A lists the cable companies in which each RBOC plans to invest. The RBOCs have also tried to diversify domestically in the area of real estate, computer software, and nonwireline services. The RBOCs have little success in real estate and in computer

software. However, in nonwireline services which is more of a similar market to basic service, they have had measurable success (Rosenburg, Borrows, Hunt, Samarjiva, and Pollard 1993).

In order to grow domestically, the RBOCs face many challenges. As a result, they have started to invest internationally. The questionnaire addressed specific firm characteristics which led to internationalization. The main characteristics examined pertaining to the firm are: management and marketing skills, technology, capital, and expectations for return on investment. The questionnaire looked at the reasons for the RBOCs forming joint ventures in their investment with both other RBOCs, local companies, or local PTTs. Questions were asked to see if the RBOCs preferred offering basic or cellular service. Finally, the questionnaire asked the RBOCs if their investment strategies had changed with the passing of the MFJ.

Each RBOC is discussed on an individual basis. Bell Atlantic, Nynex, and Pacific Telesis responded to the questionnaire. Telephone interviews were conducted with BellSouth Corporation and US West. The following section takes a closer look at the international activities of the RBOCs. This chapter focuses on the companies' major international investments. The other international investments of the RBOCs are listed in Chart 4 of Appendix A.

Ameritech

Ameritech is the RBOC which is primarily responsible for providing service in the U.S. Mid-west. Although Ameritech is seen as being a conservative company, it is the second most profitable among the RBOCs. The services Ameritech provides in the United States are basic telephony, intraLATA long distance, interexchange access, directory services, telecom hardware, and "sophisticated" voice, audio, and video products (Ameritech 1992).

Within Ameritech's organizational structure, Ameritech International handles foreign investments. Ameritech International is "...the unregulated strategic business unit responsible for international business development involving cellular service, pay television, and joint account management ventures with PTTs and large telecom suppliers" (Ameritech 1992).

Ameritech International's general international investment strategies are that it chooses a telco in which it has an "...active operating role in which the capabilities to manage it are available" (Hammer 1991). When looking at a foreign venture, the company takes a risk analysis approach which examines potential profits as well as shareholder interests. Ameritech also looks at which bids competitors are considering to see if the bid will have an impact on their own international expansion (McClenahan 1990).

According to Andres Bande, the President of Ameritech

International, one primary concern in choosing a place to invest is the nation's political and economic stability. In particular, Ameritech examines the types of investment in the nation, potential economic growth in the nation, and the development of the nation's infrastructure. The company also looks at the length of time for the return on the investment (Bande 1993).

In 1990, New Zealand privatized the Telecom Corporation of New Zealand. The company was bought for US \$2.4 billion by a consortium which included Ameritech, Bell Atlantic, and two New Zealand firms, Fay Richwhite Holdings Ltd. and Freightways Holdings Ltd. Bell Atlantic and Ameritech each have 49.55 shares in the company. In 1993, both the companies had to sell off their shares so that their shares are only 24.95 percent (Ameritech 1992). When the two RBOCs sold off 31% of the company in July 1991, they made a profit of \$147 million (Kupfer 1991).

Initially, when New Zealand's plans for privatization were made, there was considerable opposition from the parts of the government and the Council of Trade Unions. They were opposed to having U.S. interest in their country. Despite the opposition, the company was sold. No significant change in terms of U.S. domination in managing in the company have been noticed. Peter Troughton, the managing director of New Zealand Telecom, hopes the U.S. companies can help New Zealand provide intelligent networks, caller ID, an call forwarding to

customers sooner because of their expertise with these services (Hyde and Martin 1990).

With their purchase, both Ameritech and Bell Atlantic have a "physical presence" in the Pacific. The Asia/ Pacific area has 50% of the world's population but only 17% of the world's telephoned. Overall in New Zealand, the two RBOCs have a "hands off attitude" when it comes to managing the company. They play more of an advisory role in deciding what types of service would be beneficial for the company (Hyde and Martin 1990).

In June 1991, Poland issued the first license for a country wide cellular system. The license went to Telekomunikacja Polska SA, France Telecom, and Ameritech (Polska Telefonica Komorkowa) to build and operate the system. The Polish PO owns 51% while France Telecom and Ameritech have a joint venture minority interest of 49%. The cellular service is called Centertel. The building of the infrastructure began in June 1992 in Warsaw and is expected to be completed by 1994 (Ameritech 1992).

According to Datapro, Ameritech's investment in Poland is seen as use of the "neighborhood syndrome" strategy. This strategy suggests that companies invest in other countries that have the same ethnic population which is served in the home base of the company (Ameritech 1992). Wendy DuBoe (1993), an Ameritech International representative, states that Ameritech is in Poland because the company feels it is an

important market in which to be present.

Bell Atlantic

Bell Atlantic is the second largest RBOC and is primarily responsible for providing service to the U.S. mid-atlantic. The RBOC also serves the U.S. Federal government. The company provides basic telephony, intra-LATA long distance, interexchange access, directory services, telecom hardware, and "sophisticated" voice, data, and video services. For commercial use the company provides broadband video. For residential customers the company provides "video on demand" (Striplin 1992a).

Bell Atlantic's international strategy is to "...continue to target countries that meet certain criteria for privatization, wireless, and pay television for our long term growth, and will use our consulting service and network expertise to generate short term growth, as well as to identify longer term opportunities" (Striplin 1992a). The company wants to go to places where they can provide the services they already provide in the U.S. The company's goal is for international business to account for 10% of Bell Atlantic's total revenue (Hammer 1990).

When Bell Atlantic decides to invest internationally, the company looks to enter the venture with a strong partner. Bell Atlantic looks for countries with economic and political stability. The company also seeks countries in which the

regulatory environment is deregulating (Striplin 1992a).

In Bell Atlantic's (1993) responses to the questionnaire, the factors which were "very important" to the company were the access to the parent company's technological and financial resources. The company is interested in entering host countries where state of the art technology can be introduced. Another factor of great importance is receiving an increased return on assets by investing in the host country. These factors were noted as being "very important" to the company with its investments in New Zealand and the former Czechoslovakia.

In response to the question pertaining to changes in investment strategy since the passing of the MFJ, the company states it has become more "focused" in trying to target it opportunities. The most important for Bell Atlantic to enter a joint venture is to lower its risk in the investment. The company prefers entering in a partnership with the local PTT as opposed another telecommunications firm which provides similar services. In terms of providing basic or cellular service, it seems that the factors (e.g. cost, existing infrastructure, technology, and government regulation) are equated the same for implementing either service. Finally, in the bidding process Bell Atlantic's responses indicate it actively sought out its international investments.

In Czechoslovakia, Bell Atlantic is in partnership with US West. The two firms along with the Czechoslovakian

Ministry of Posts and Telecommunications have agreed to create a cellular data network, named Eurotel, across both the Slovak and Czech republics (Striplin 1992a). The company has invested \$105 million in Czechoslovakia which spans over a period of ten years. As a result of Bell Atlantic's investment, it will have 24.5% ownership in both businesses. A company spokesman states that this investment does not affect the firm's capacity to invest (Hammer 1990). The initial phase for the cellular service began in September 1991 while the data network began in October 1991. The company hopes to serve 3.45 million customers by 1995 which would account for 22% telephone density (Striplin 1992a).

In the former Soviet Union, Bell Atlantic is working with US West, the Soviet Ministry of Posts and Telecommunications, Millicom, Inc., and four Soviet partners to operate the Moscow cellular system. The cellular system will function at the Nordic standard of 450 MHz. Bell Atlantic also plans to develop a long distance gateway with the government of St. Petersburg (Striplin 1992a).

In Argentina, Bell Atlantic International had made a bid to operate the northern half of Argentina's state-owned company, however, the deal failed because of a lack of funding. In Brazil the company is in the bidding process to obtain the second cellular license being offered by the government (Striplin 1992a).

Another of Bell Atlantic's major purchases was its

investment in New Zealand with Ameritech (refer to Ameritech section). The company decided to invest in New Zealand in order to experience operating in a deregulated environment. In its choices for investments, it seems that the company chooses both countries which are already doing well (e.g. New Zealand) or developing countries (e.g. Eastern European countries). The company plans to continue investing in ventures which enable them to have partnerships with the local entities (Striplin 1992a).

BellSouth Corporation

BellSouth Corporation is the fifth largest telecommunications operating firm in the world. The RBOC is responsible for providing services for the southeastern U.S. Domestically, the company provides exchange access, long distance calling within LATAs, voice, data, and video networking, customer premise equipment, mobile communications systems, telecommunications-related software applications, and directory publishing. Internationally, the company is involved in mobile communications systems, telecommunications-related software applications, and advanced network services (Striplin 1992b).

BellSouth International makes the decisions pertaining to international investments for the company. According to BellSouth's Main Director for Marketing Communication, Maria Schnabel (1993), the company has a three prong approach in

choosing its foreign investments. The first part is that the company searches for the highest areas of growth in the world. The company has found that the high growth areas are in Europe, Latin America, and the Asia/Pacific. The company seeks countries whose markets are opening up for foreign investment. After locating these areas, BellSouth determines the key markets for opportunity. Each market is examined on a "country by country basis." The risks and the opportunities are weighed out in each investment. The company considers such factors as: stability of the political and economic environment, the regulatory environment, and long term potential for growth in the country. The company also examines other factors: the country's need for communications, the technology and technological know how within the country, and culture of the of the country.

Once the location has been chosen, the second part of the approach involves finding the right partner with whom to work. The selection of a partner is dependent on the location. BellSouth wants to work with well positioned companies who share Bell Atlantic's philosophy of entering markets of long term growth. They want to be involved with a company that compliments the services it provides.

The final part of the three prong approach is the type of service the company prefers providing. Schnabel states BellSouth's focus is implementing wireless because it is

"...the direction of the future," especially for the long term growth. BellSouth prefers implementing wireless service because it is easier than dealing with basic service. With basic service, the company must deal with the existing network infrastructure which is usually crowded and congested. However, Schnabel (1993) points out that even though the company prefers providing wireless service that is not the only area in which the company focuses. Since the passing of the MFJ, Schnabel sees the ties between the RBOCs and each home are shrinking. According to Schnabel (1993) the companies exist now in a competitive environment in which there are "no frontiers." In order to increase the company's assets and increase assets for the shareholders, the company invests internationally.

Since October 1991, BellSouth along with Cable & Wireless and some Australian partners have been part of the Optus consortium. The consortium won the license to provide basic service as well as enhanced services. There are reports that the company has invested US\$ 300 million until 1993. The company is expected to serve 20 to 30% of the market (Striplin 1992b).

In Latin America the company has brought cellular service to five countries. BellSouth International has entered these markets by forming joint ventures with other private companies and in some cases with the local government. The consortium Compania de Radiocomunicaciones Moville SA (CRM) is located in

Buenos Aires, Argentina. The consortium is made of BellSouth which is a managing partner, Motorola, Citibank, and two Argentine companies, SOCMA, and BGH. All of these companies together bid to build and operate the first private cellular business in South America. They have invested approximately US\$220 million to create a network to serve 320,000 customers (Striplin 1992b).

In 1991 Chile awarded a license to the consortium, Cidcom, to provide cellular service. Bellsouth is part of this consortium. In Guadalajara, Mexico cellular service was functioning in August 1990. BellSouth belongs to the consortium Comunicaciones Celulares de Occidente SA de CV which is also known as Comcel. Comcel is responsible for providing service to the Western part of Mexico. The consortium has been given a twenty year license and is expected to serve 135,000 customers by 2000. In December 1990 in Uruguay, Abiatar, the consortium which BellSouth leads received the approval to create and operate a cellular service. In November 1991 cellular service began in Montevideo, and in Maldonado/Punta del Este (a resort area) received its services in December 1991. In the same year, the cellular consortium in Venezuela began service. TelCel Communications SA was led by BellSouth to operate and develop the network. In order to serve 20 million people the consortium plans to invest US\$100 million (Striplin 1992b).

Southwestern Bell

Southwestern Bell is the fifth largest RBOC. The company provides service to Texas, Oklahoma, Kansas, Arkansas, and Missouri. Domestically, the company provides central office and exchange access services, voice and data communications for both leased lines, and video transmission lines. The company also provides directory services as well as equipment sales through its subsidiaries which are unregulated. Internationally, the company provides equipment, basic service, cellular, paging services, commercial printing, cable television, and electronic and paper directory products (Southwestern Bell 1992).

Southwestern Bell has always had a steady revenue source of revenue from its advertising and publishing activities. According to Datapro, the company in its marketing has adopted a "multi-tier approach." This approach "...means that the company achieves gradual growth returns-through royalty payments- on what amounts to be relatively low capital investments" (Southwestern Bell 1992).

According to the Datapro report on Southwestern Bell, it seems the company is trying to strengthen its regional hold which explains the company's investment in Mexico. According to Southwestern Bell's Annual Report, the reasons for choosing to invest in Mexico were: the "favorable" business climate, the opportunity to work with a good local partner in Carlos Slim of Grupo Carso, the potential for growth, and the

economic ties between the U.S. and Mexico. The company has close ties to Mexico since Texas, one of the states Southwestern Bell serves, shares the border with Mexico. Also approximately, twenty percent of Southwestern Bell's employees are Hispanic (Southwestern Bell Annual Report 1991). Datapro sees the Hispanic factor as another example of the "neighbor syndrome." Datapro explains this syndrome as being "...the close proximity to a country and that country's need for technology transfer-benefits both parties allowing the lesser developed country to leap-frog technology" (Southwestern Bell 1992).

In December 1990 the Mexican government privatized the national telephone company, Telefonos de Mexico (Telmex). A consortium consisting of Southwestern Bell International Holdings (SBIH), France Telecom, and Grupo Carso purchased 51% of the voting shares of the company. By the end of 1991, the initial investment has doubled and is now worth US\$2.5 billion. Mexico wants a "world-class telecommunications company." In order to have one, there is a need for continual funding. Southwestern Bell plans to invest US\$9 billion for improvements in the network until 1995. Telmex has also chosen AMDOCS, Southwestern Bell's Israeli subsidiary, to reorganize the country's telephone directories (Southwestern Bell 1992).

Southwestern Bell helped Telmex by supplying its network management skills. Twenty-one Southwestern Bell employees

were sent to Mexico City with the assignment of improving the maintenance of the network, dealing with billing procedures, and working on cellular services and Yellow Pages. The results of this endeavor have been that Telmex has assigned deadlines for new service orders for wherever there are cable facilities. With the aid of Southwestern Bell, Telmex was able to send out twenty-six teams to look over the outside plant, billing records, and the central office in order to eliminate the usual 40% error rate found in customer records. Southwestern Bell has also taught Telmex how to change the old switches to digital ones (Southwestern Bell Annual Report 1991).

In 1991 Telmex created more than 670,000 access lines. For the company this is an overall increase of 12.5% in the number of lines being provided which is 32% more than the previous year. Telephone service has increased to 2000 Mexican villages. The number of cellular customers has doubled to 70,000 customers. By 1993 the company wants the current 5.4 million telephone lines to increase to 7.5 million lines. Essentially, Southwestern Bell is assisting Telmex by using technologies and business procedures with which they are already familiar (Southwestern Bell 1992).

Nynex

Nynex serves the states of New York, Rhode Island, Vermont, New Hampshire, Connecticut, Maine, and Massachusetts.

Based on the number of customers it serves approximately 15 million, it is the second largest RBOC. Domestically, the company provides long-distance calling within LATAs, voice, data, and video networking, mobile communications, telecommunications-related software applications, customer premises equipment, directory publishing, financial and banking related software applications and consulting services for information technology and business (Nynex Corporation 1991).

For the most part Nynex's overseas strategy is conservative (Nynex embarks on a new road 1992). The responses to the questionnaire by Maureen Piche (1993), Nynex's Executive Director of Strategic Planning, make it difficult to discern which factors are most important in deciding where to invest internationally. According to Piche, all the possible factors which were given were considered "very important."

Piche (1993) states that Nynex is capable of providing either basic or cellular service. Although another article states that the company is "...not interested in paying \$2000 a line" (Nynex embarks on a new road 1992). The company is not interested in the privatization of wirelines in Latin America. The company would prefer making investments where it actually has the opportunity to build the system. The company foresees such opportunities in Southeast Asia. In terms of preference over wireline and wireless, "...There's a big

argument that wireless would not require the investment that landline would require and would produce the fastest results of getting telephone service out to the number of customers that required" (Nynex embarks on a new road 1992).

The company prefers entering joint ventures with the local PTT (Nynex Corporation 1992). According to Piche, the company enters a joint venture because of the foreign ownership restrictions in the license requirement. Nynex also participates in a joint venture in order to reduce the risk of investment.

Piche (1993) states that Nynex has found foreign investment attractive because since the MFJ there is considerable domestic competition. Along with the competition, the company has experienced "economic downturn." Nynex tends to provide service internationally which the company already provides domestically.

Currently, the company is building a system in Bangkok Thailand in the capacity as a minority partner. Nynex is building the lines. In Eastern Europe the company is trying to provide database businesses. Also in Prague, Czechoslovakia Nynex is providing Yellow Pages (Nynex embarks on a new road 1992).

In the past Nynex has provided China's Postal System with a central office monitoring system. The company provides software and training for traffic analysis. In Indonesia a grant from the World Bank has enabled Indonesia's Perumtel,

the country's telephone company, to receive training from Nynex on network expansion (Nynex Corporation 1991).

Pacific Telesis

Pacific Telesis is the RBOC responsible for providing service to 14.3 million people in California and Nevada. Domestically the services the company provides are local exchange, intra-LATA long distance services., switched and private transmissions for voice, data, radio, and television, and network access to other long-distance carriers. The company also provides paging and cellular services (Striplin 1992c).

In comparison to the other RBOCs, Pacific Telesis has not been as aggressive in pursuing international investments. The company has not been as active as other RBOCs internationally because it is trying to first increase its domestic revenue. The company hopes to gain revenues with such ventures "...as home entertainment through a cable network and information services" (Striplin 1992c).

In response to the questionnaire, Walt Kirk (1993), the Project Manager for Asia Pacific, states the factors which are most important for international investment are the firm's financial management, marketing knowhow, and ability to offer state of the art technology. These were the same factors which enabled the firm to invest in South Korea. These same factors were important for the company's investment in

Thailand with the additional factor of being first in the target market. Another factor of some importance is the company invests internationally in order to increase its assets.

According to Kirk (1993), Pacific Telesis does not provide basic service outside the United States. The company rather provide cellular because it is the newer technology. Pacific Telesis finds it important to provide the service because other telecommunications firms also offer cellular.

In 1984 the year the MFJ was passed, Pacific International created Pacific Telesis International. The company pursued telecommunication opportunities from 1984 to 1986, but they had little success. In 1987 the company restructured its strategy and began focusing on providing wireless service in specific countries.

In 1987 Pacific Telesis placed a value-added network in South Korea. The company is currently in the process of trying to obtain the license to provide cellular service. In Thailand Pacific Telesis is part of the consortium PerCom Services Limited which provides services in national paging. The company is also involved in another paging service called Pacific Telesis Engineering which provides service to the city of Bangkok (Striplin 1992c).

US West

US West is in geographic terms s the largest RBOC. It

provides service for about 35% of the United States. Domestically, the services the company provides are exchange access, long distance calling within LATAs, voice, data, and video equipment, mobile communication systems, and marketing and directory publishing services. Internationally, the company provides directory and marketing services, cable and telecommunications networks, radio communication networks, and wireline networks (US West 1992).

In its international ventures, US West prefers being the minority partner and likes a strong local partner because the local entity would have a better understanding of economic possibilities as well as an understanding of the political environment (McClenahan 1990). Boli Medapa (1993), US West's Director of International Marketing, states the company also enters a joint venture to lessen the risk of investment. Since the company wants to expand internationally, it plans to use \$600 million in international investments until 1995. The goals of the company are, "Increasing investment in international communication activities, even if some of those investments limit short-term earnings, domestic services have not suffered." Datapro sees US West's strength is its ability to deal with large countries based on the fact that US West has successfully dealt with providing service for a large area. The company provides service for fourteen U.S. states. The company's commitment is to "...maintain minority ownership interests in international ventures while connecting people

with the world" (US West 1992).

In talking with Ms. Medapa (1993), she stated that the multiple of factors which were given as choices for investing abroad were all important. She also stated a factor of most importance was the country's regulatory environment. The company is also now looking for deals that affect the company's long term growth. The company wants to invest in order to increase its assets.

In 1987 the company began its international activities. US West has two international subsidiaries. US West International looks for investment opportunities for the company. The areas it wants to work in are the development for telecommunications and cable networks, network infrastructure, personal communication networks, private networks, and paging services. The subsidiary, Global Alliance was created to deal with "...ongoing relationships where greater opportunities exist (e.g. France Telecom)" (US West 1992).

In Lithuania US West International is involved in a joint venture with Kaunsa Enterprise of Lithuanian PTT Communications Ministry (KPPT) to "...develop and manage an international data switched network." The company has been given an exclusive fifteen year license. Initially, the company invested \$2 million for 49% interest which will fund 120 voice circuits. US West will have its first satellite when the service goes through an earth station and a switch.

This joint venture is seen as a way to increase economic development because contact between individuals in Lithuania and in the rest of the world can increase especially in business. The deal hopes to create a model business structure for Lithuania (US West 1992).

In October 1990 Hungary had one of the first national cellular ventures in Eastern/Central Europe. The company WESTEL Radiotelfon is a joint venture between US West and Maygar Post (Hungarian Postal Telegraph and Telecommunications). It serves 15,000 subscribers in Budapest. US West invested \$5 million for 49% ownership (US West 1992).

In Czechoslovakia US West is in partnership with Bell Atlantic and the Czech and Slovak Posts and Telecommunications administration. The participants are working together to build a public packet data network. The service began in mid 1991. US West invested \$5.8 million for 25% ownership. Also in Czechoslovakia there is cellular service in Prague, Bratislava, and Brno. The national cellular network was built by a joint venture between US West and Bell Atlantic. The name of the company is Eurotel Cellular Service which plans to serve a population of 15.7 million by 1991. US West invested \$20.1 million for a share of 24.5 percent (US West 1992).

US West is aiding in cellular service in St. Petersburg and in Moscow. In St. Petersburg, the St. Petersburg

Cellular Network, is a joint venture between US West, St. Petersburg City Telephone Network Production Association, and St. Petersburg Station technical Radio control. US West has 40% ownership. The system began operating in September 1991 providing service to 750 subscribers. The Moscow cellular system is expected to start construction by 1992. US West is responsible for managing the development of the cellular networks. The members of the consortium are the Soviet Ministry of Posts and Telecommunications, Millicom, Inc. and four Soviet partners (US West 1992).

The country is planning to develop three international gateway telephone switching systems in the three cities of Moscow, St. Petersburg, and Kiev. The agreement is being discussed between US West International and the Soviet ministry of Posts and Telecommunications. The two organizations are also working on plans for the Trans Soviet Fiber Optic project. The project will be the longest fiber optic line with an estimated cost of \$500 million (US West 1992).

US West is involved in the telecommunication administration of the Central Europe Fiber Optic Systems. The fiber optic line will be used in the connecting of the following countries: Turkey, Israel, Romania, Czechoslovakia, Poland, and Hungary. The fiber will be used in each country's domestic infrastructure (US West).

The overall attributes of the RBOCs

In Dunning's eclectic approach, the firm-specific characteristics which are most important are: the size of the firm, capital, technology, and knowledge. The chapter has illustrated that the RBOCs are definitely large firms which possess an extensive amount of capital. Since the MFJ was passed, the RBOCs have had control over U.S. local service. The ownership of local lines gives the RBOCs a domestic monopoly (High court lets 'Baby Bells' branch out despite protests 1993). The RBOCs' monopolistic advantages has given the companies the opportunity to make investments through their subsidiaries. Brown and Crockett (1990) state that since the RBOCs make investments through their different subsidiaries, it is often difficult to know how costs are being channelled domestically or internationally. The RBOCs' corporate structure consisting of regulated and unregulated subsidiaries has enabled them to generate high revenue (Rosenburg, Borrows, Hunt, Samarjiva, and Pollard 1993).

In general, the RBOCs provide technological services internationally which they already provide well in the United States. They are providing basic telephone service because that is the area in which they have the most experience (McClenahan 1990). However, it is important to note that the RBOCs are also providing services which they are unable to provide in the U.S. in order to gain experience. They hope that when regulations are lifted in the U.S. they will already

have the experience needed in order to enter the market (e.g. cable television) (Hyde and Martin 1990).

Firm-specific advantages

Since only three of the seven RBOCs responded to the questionnaire, it is difficult to have any type of statistical analysis. However certain firm-specific advantages which pertain to the RBOCs can still be addressed from the information which has been collected. In examining the firms, it is apparent for the most part that they all are seeking opportunities for international investment in order to increase their company's assets. The MFJ's restrictions have limited their chances to continue to grow domestically. Since they have revenue, they are using their capital abroad.

In the questionnaire and interviews, there were certain attributes which were identified by the firms as their advantages for investment. One of the characteristics which was mentioned as being important was the financial and technological services the firm possessed. The most important factor appears to be the state of the art technology the RBOC is able to introduce to the host country.

Chart 1 indicates the firm-specific factors which enables for the RBOCs internationalization. Bell Atlantic, BellSouth Corp., Nynex, Pacific Telesis, and US West are the RBOCs which are illustrated since these are the only companies which either responded to the questionnaire or which conducted a

telephone interview. The motivational factors are the firm-specific advantages the RBOCs feel they possess to make international investments.

RBOCs Factors	Bell Atlantic	BellSouth Corp.	Nynex	Pacific Telesis	US West
Managerial knowhow			X		
Marketing knowhow	X		X	X	X
Technology	X	X	X	X	
Price of service	X		X	X	
Parent company resources	X		X	X	
First in target market	X	X	X	X	
Increase in assets	X		X	X	X
Increased rate of growth from investment			X		
Service quality	X		X		

Chart 1. Motivational factors for international investment.

Services offered

The significance of providing basic or cellular service is evident in that these services are requested in the host country's licenses. For the most part, the RBOCs provide both basic and cellular service in accordance to the license.

However, more of the RBOCs prefer providing cellular because for them it is easier to implement. According to Ms. Medapa (1993) of US West, the company is currently developing infrastructures such once they are implemented they can later be upgraded (e.g. the infrastructure can operate as a cable and telco).

Modes of international participation

It is evident that in many of these investments the RBOCs enter the host country in the mode of a joint venture. According to Dunning's eclectic approach, the internalization advantages the firm has enables it to have a coordinating advantage. This advantage allows the firm to work with which opportunities can benefit it the most. The RBOCs enter the joint venture in order to reduce their risk in investment. The preference of with whom to be in partnership (e.g. other telecom firm, local firm in host country, or local PTT in host country) depend on the RBOC. In most cases, the RBOCs prefer being in partnership with some local entity because the local firm has a sound understanding the political, economic, and cultural environment. This information helps the RBOC in its investment. As Ms. Piche (1993) of Nynex also stated that foreign ownership restrictions make the firms participate in joint ventures. Chart 2 illustrates the reasons why the RBOCs enter joint ventures. The chart is based on the RBOCs' responses to the questionnaire and telephone interviews.

RBOCs Factors	Bell Atlantic	BellSouth Corp.	Nynex	Pacific Telesis	US West
Lower risk of investment	X		X	X	X
Partnership with other tc		X			
Partnership with firm elsewhere					
Partnership with local entity		X	X	X	X
Partnership with local PTT	X	X	X	X	X
Share overhead costs	X		X		

Chart 2. Motivational factors for entering joint ventures.

All seven of the RBOCs are involved in international investments in different parts of the world. The firm-specific determinants they possess are capital, technology, and knowledge. These attributes allow them to internationalize. The companies are providing basic and cellular service. Yet, some RBOCs (e.g. BellSouth and Pacific Telesis) prefer providing cellular service since it is easier for them to implement. As a result of foreign ownership restrictions in country licenses, many of the RBOCs are enter international investments in the mode of joint ventures (Piche 1993). They also participate in joint ventures to lessen the

risk of their own investment. The RBOCs for the most part prefer entering joint ventures with local firms or the local PTT because the local entity has a better understanding of the local environment.

In order to understand why the RBOCs invest in certain parts of the world, it is necessary to examine location-specific advantages. The next chapter discusses the location specific advantages in foreign investment. It also discusses the impact of the investment on the location.

Chapter Four

Location-specific determinants of foreign investment in telecommunication service provision and possible impacts of foreign investment

In the previous chapter, the discussion focused on the firm-specific characteristics which enabled the RBOCs to invest abroad. In looking at their major investments, it is interesting to note that the RBOCs seemed to have sectioned off certain portions of the world among themselves. This chapter discusses the location-specific factors which attract firms for investment. After discussing the attributes of the location, the chapter uses specific country cases from Asia, Eastern Europe and Latin America to illustrate the internationalization process. Finally, the chapter ends with a section which discusses the possible impacts of foreign investment for different sectors of the host country.

In Dunning's eclectic approach the location-specific advantages are: the market size, government regulation, natural resources, the infrastructure, political stability, and economic stability. These characteristics were incorporated into the questionnaire and telephone interviews to determine which factors are most important to the RBOCs. In order to have a clear picture of what each location offers, the paper briefly discusses some characteristics that each RBOC wants in the location.

Ameritech specifically wants to invest in a country which is politically and economically stable (Bande 1993). The company likes to be in ventures where it can both build and operate the service (Ameritech 1992). The macroeconomic environment and the potential for growth are also very important (Bande 1993).

In response to the questionnaire, Bell Atlantic (1993) also finds the macroeconomic factors (e.g. industrial infrastructure, potential for growth, political and economic stability) to be important. Other factors which are of greater significance in the case of New Zealand were the company's ability to build and operate the infrastructure. Another factor which is "very important" to the company is the length of time for the return on the investment. In the case of the former Czechoslovakia, these aforementioned factors were significant along with the company's ability to offer new services and the length of start up time to provide the service.

For BellSouth Corporation which distinctively seems to have many of its investments in Latin America, the company invests in countries where there is stability both economically and politically. The company is concerned with the potential for growth for the market. The company also like to have an understanding of the culture of the country. Finally, BellSouth is concerned with the technology which already exists in the country.

Based on Piche's (1993) responses, Nynex's choices of Thailand, Indonesia, and China were all dependent on the international development which was already occurring in the country. For Nynex the macroeconomic factors (e.g. potential for growth, political, and economic stability). Other factors deemed "very important" were the start up time costs, the ability to build and operate the infrastructure, and the ability to maintain ethical practices.

Based on Kirk's (1993) responses, Pacific Telesis's choices of South Korea and Thailand were primarily based on the potential for growth in these countries as well as the company's ability to build and operate the infrastructure. For Southwestern Bell the potential for growth is important. Mexico was chosen for its "favorable" business climate (Southwestern Bell Annual Report 1991).

US West seems to have the majority of its major investments in Eastern Europe aside from its ownership of cable franchises in the United Kingdom (US West 1992). According to Ms. Medapa, the company happened to already be in Europe when the Eastern European markets opened. In choosing locations the company looks for multiple factors (e.g. political stability, regulatory environment, market size, and industrial infrastructure. Like the other RBOCs, US West also considers the potential for long term growth in the market.

Issues concerning location-specific factors**Role of government regulation**

In examining the RBOCs, it is evident that both political and economic stability are important criteria for investment. Obviously, the role the government plays has an influence on international investment. The current trend of privatization has enabled companies to enter markets that were previously prohibited (Hammer 1990).

The trend in privatization especially in developing countries has occurred for various reasons. The state has been providing telecommunication services in developing countries. Since telecommunications has functioned as a state monopoly, there has been little regulation concerning telecommunications in these countries (Mody, Tsui, McCormick 1992). In developing countries, there has been a lack of investment in the telecommunications infrastructure because higher priority was given to other economic sectors (e.g. electricity and transportation) (Saunders, Warford, and Wellenius 1983). As a result, the telecommunications infrastructure which was established had outdated equipment and provided poor service. The growth of telecommunications had occurred more in urban areas than in rural areas because the demand for communication was greater in urban areas where there are businesses and elite classes. In the urban areas the high demand for basic service has resulted in the overuse of the existing equipment. Also, the government has been in

most cases unable to satisfy the demands for basic service in rural areas as well as providing enhanced services for urban areas (Wellenius and Stern 1989).

The possibility for economic growth by investing in telecommunication was discussed in the findings found in the Maitland Commission in 1984. The commission examined the link between telecommunications and economic growth. It seems that countries with strong economies also had higher telephone penetration for their respective population (Bruce, Cunard, and Director 1988).

Since telecommunication is a sound investment for the enhancement of the economy, most developing countries started looking for funding for both basic and enhanced services. With globalization there is a perceived need to be able to compete which also calls for improved telecommunications. However, in order to invest in telecommunications, these countries need funds which most of them lack. Most of these countries suffer from a rising debt.

As a result, many of these countries must turn elsewhere to obtain the financial resources they need to improve the telecommunications infrastructure. Organizations like the World Bank are willing to provide loans; however, they want the countries to restructure their telecommunications sector. The World Bank feels restructuring would make the telecommunications infrastructure operate more efficiently. Essentially, the Bank recommends that the government reduce

its control on the telecommunications sector and allow it to be more autonomous and commercial. The Bank has also encouraged private investors to enter their markets (Wellenius 1989). The World Bank believes these changes will enable telecommunications to be a more effective sector.

As it has been discussed most of the developing countries have a rising debt problem. The debt problem is one of the main reasons for many developing countries to decide to liberalize certain sectors which were under government supervision. In the Latin American country of Mexico, the state owned telecommunications was privatized in 1989. The President of Mexico had made a public announcement that Telefonos de Mexico SA (TELMEX) would be privatized. A consortium consisting of Grupo Carso, Southwestern Bell, and France Telecom purchased 20.4 % of TELMEX (Barrera and Petrizzini 1993). In February 1992, TELMX made a net profit for the fiscal year of 1991 of US\$2.26 billion (McCarthy 1993).

In the process of privatization, it is necessary to note that the government does decide the extent to which a foreign firm participates in the telecommunications sector. The role they play is evident in the bidding process.

Bidding process

The questionnaires and the telephone interviews all indicate that the RBOCs take an active role in seeking

investment opportunities. There are a few cases in which a RBOC will approach another RBOC. Even though the firms are actively pursuing opportunities, the host country's government creates the license upon which the RBOCs bid.

Ms. Schnabel (1993) of BellSouth Corporation states that there are two types of bids. One form is a financial auction where the firms bid on tenders like in any other type of auction. The other bidding process is referred to by Schnabel as a "beauty contest" in which the firms present their bids in a written offer to the company.

Nynex's Piche (1993) points out that the reason for many joint ventures is the foreign ownership restrictions which are required in each license. In this manner, the host country's government attempt to ensure no firm has too much control in their country. The government decides whether basic or cellular service will be provided. The government also determines where the service will be provided. The next section discusses specific country cases in order to illustrate the issues which have been discussed concerning location-specific advantages.

Illustrative country cases

Countries in the Asia/Pacific

In the Asian Pacific region, Nynex, Pacific Telesis,

Ameritech, and Bell Atlantic are the RBOCs with the most significant investments in these areas. The firms have invested in the countries which are primarily opening up their markets.

In the New Zealand's case, the country needed to find some way to revitalize the economy. In order to do this the country decided to privatize its PTT (Telecommunications in the South Pacific 1991). the company was bought for US\$2.4 billion by Ameritech and Bell Atlantic. Originally, the companies owned 49.5% of New Zealand Telecom, but in 1993 they had to sell off some of their shares so that they only each have 24.95% of the company (Ameritech 1992). In July 1991 when they sold 31% of the company, they had a \$147 million profit (Kupfer 1991). In New Zealand, the companies found a stable economic and political environment in which to invest.

Thailand is a country in which the opportunities for economic growth are hindered by the poor telecommunications infrastructure. The country's two telephone operators Telephone Organization of Thailand (TOT) and Communications Authority of Thailand (CAT) lack sufficient funds to improve their networks. Consequently, TOT and CAT turned to private investors to improve their infrastructure. The country has chosen to participate in some build operate and transfer deals. In this case, foreign firms build and operate the infrastructure and later transfer the network to the host country (Thailand the commercial regulatory environment 1993).

Currently, Nynex is building a landline network system in Thailand (Nynex embarks on a new road 1992). In Thailand, the country opened its markets and allowed firms the opportunity to build and operate the infrastructure.

Latin American countries

In Latin America, BellSouth is the leader among the RBOCs with the majority of international investment. The other primary investor is Southwestern Bell in Mexico.

Mexico is another country in which the telecommunications sector was privatized in order to deal with the country's rising debt of \$105 billion. The country only had 4.9 telephone lines per 100 population (Telecommunications in South and Central America 1990). The consortium's (including Southwestern Bell, France Telecom, and Grupo Carso) initial investment has doubled and is worth US\$2.5 billion. In 1991 Mexico's number of telephone lines increased by 12.5% (Southwestern Bell 1992).

Dan Edwards (1993), an Industry Trade Specialist at the International Trade Administration in the U.S. Department of Commerce, feels that markets in developing countries especially those of Asia and Latin America are really not that open. However, there is the cellular investment by BellSouth International in five Latin American countries. Edwards (1993) states that cellular is an exception because the PTT does not have the resource to provide the service for which there is definite demand.

As a result, BellSouth is able to invest in Argentina, Chile, Mexico, Uruguay, and Venezuela because their governments have deregulated cellular operations. Liscio (1990) states that as Latin American countries begin to liberalize their markets there will be more opportunities for investment.

Eastern European countries

In Eastern Europe, US West leader among the RBOCs in providing service. However, Ameritech and Bell Atlantic are providing services in Poland and in the former Soviet union and former Czechoslovakia respectively.

Firms wish to invest in Eastern Europe in order to attain a market advantage in this region. With the collapse of communism in this region, there has been the gradual development of a market economy (Williamson, Titch, and Purton 1992). The market economy allows there to be plenty of opportunities for economic growth especially in the telecommunications sector (Lees 1993).

Lees (1993) states that since the telecommunications infrastructure is in such need of improvement, it is important to ensure there is not uneven development. In Eastern Europe, countries' PTTs are entering joint ventures with private investors especially in providing cellular service. The country seem to be opting for cellular because it is cheaper and easier to implement (Williamson, Titch, and Purton 1992).

Consequently US West is had made international investments in

cellular service in Hungary, the former Soviet Union, and the former Czechoslovakia.

In looking at where the RBOCs are investing, it is interesting to note where they are not venturing into international investment. The RBOCs are not in Africa or in South Asia because these areas lack the location-specific characteristics (e.g. economic stability, political stability, and potential market size) which attract the firms. Although organizations state that privatization of telecommunications allows for economic growth, it is important to mention that private investment will most unlikely occur in these poorer countries. The main reason is because the RBOCs want to invest in locations where they can make a profit.

Overall, the different investments reflect that one of the most important characteristics is government regulation. The role of the government influences where the firms can invest and how much they can invest. Political as well as economic stability play key roles in internationalization. Firms definitely seek firms where there is potential to grow. Finally, the RBOCs seem to be attracted locations where they have the opportunity to build and operate the service for some period of time. The next section discusses the possible impacts to the locations once the international investment has taken place.

Possible impacts of foreign investment

In discussing these international investment, it is difficult to actually determine their impact in countries. In some cases, the contracts have recently been agreed on or the services have just started operating in some countries. However, this section tries to reflect the development that may occur in different sectors.

One country in which the telephone lines have increased in the country as well profits for the company is Southwestern bell's investment in Mexico. As it has been stated before there was an increase of 12.5% in the number of lines being provided (Southwestern Bell 1992). US West's participation in Westel, the Hungarian cellular provider, has 11,000 subscribers (Williamson, Titch, and Purton 1992). With the increase in services available for individuals in countries, there is a definitely a different effect on all sectors developing within a country.

Within the foreign and domestic sector, the country's improving telecommunications infrastructure would enable more people to communicate with one another. The increase in communications would allow host country businesses to expand domestically. Internationally the businesses could try to expand in an already competitive global market. Finally, the improved telecommunications sector would allow for other types of foreign firms to invest in the host country. The new infrastructure would most likely make it easier for other

types of companies to establish themselves in foreign investment.

Within the residential/business sectors and rural/urban sectors, there is going to be more growth in the business and urban areas as oppose to the residential and rural areas. In Bell Atlantic and Nynex's responses to the questionnaires, these companies saw growth in these areas.

Ms. Medapa (1993) states that service goes to business areas because there is definite demand for services. This means that by serving these areas there will be definite profit. Edwards (1993) of the Department of Commerce reiterates that development will initially occur in urban and business areas because of the high demand. Eventually, he sees that economic development occurring in the residential and rural areas.

In terms of the development of basic service and cellular service, the RBOCs are willing to provide either service depending on the license they are given. Although basic service is provided, it is more likely that cellular services will be provided because it is cheaper and easier to implement.

Finally, the extensive role the RBOC can play in any country is dependent on the regulation in the host country. It is important for the host country to make sure it stay sin control preventing domination from a TNC. In most of the international investment cases the paper has discussed, the

RBOCs are most often on partnership with the local PTT. Also they are in many markets for only a specific amount of time in order to provide the service which should benefit the host country.

As for the RBOCs, their international investments will certainly increase their company's corporate profits. Ameritech received a profit of \$147 million when it sold 31% of New Zealand Telecom (Kupfer 1991). Southwestern Bell's investment in Mexico doubled to value \$2.5 billion (Southwestern Bell 1992). Although all companies admit that they invest internationally to increase their assets, no RBOC states as to how much their corporate profits should increase.

The location-specific determinants which attract international investment are: the economic stability, the political stability, the ability of the firm to operate or build the infrastructure, and the potential for growth. Chart 3 illustrates the characteristics of the locations which attract the RBOCs. The chart is based on the five RBOCs' responses from the questionnaires and telephone interviews. In looking at location-specific factors, the opening of the telecommunications sector to private investment is the most important to the RBOCs.

RBOCs Factors	Bell Atlantic	BellSouth Corp.	Nynex	Pacific Telesis	US West
Potential for growth		X	X	X	X
Potential customer base			X		X
Build infrastruc- ture	X		X	X	
Operate infrastruc- ture	X		X	X	
Industrial Infrastruc- ture	X				X
Macroecono- mic infra- structure					
Political risk		X	X		X
Stability of currency		X	X		X
Length of time on ROI*	X		X		
Existing internatio- nal development			X		

Chart 3. Characteristics of location which attract international investment.

*Return on investment

Chapter Five

Conclusion

The purpose of this paper was to understand the internationalization process. The paper discussed the current international investments of the RBOCs. The goal was to understand why the RBOCs invest in specific locations. In order to explain the internalization process, Dunning's eclectic approach was used as a framework. Dunning's approach examines the firm-specific advantages, internalization advantages, and location-specific advantages. The paper has provided an overall comparative picture to the investment strategies of the RBOCs.

According to Dunning's eclectic approach, the RBOCs possess the firm-specific characteristics which are necessary for foreign investment. The RBOCs are large firms which possess an extreme amount of capital. The RBOCs are knowledgeable in the technology which is necessary for providing basic and cellular networks (Dunning 1981).

According to Dunning when a company internalizes its advantages, it keeps the advantage to itself. The firm does not sell its advantage to foreign firms instead the firm establishes itself abroad. The internalization advantage also gives the company a coordinating advantage to become part of a consortium. Consequently in many of the international investments discussed, there have been a considerable amount

of joint ventures.

The RBOCs have indicated in their responses to the questionnaire and in the telephone interviews that they enter joint ventures in order to reduce the risk of investment. The RBOCs (e.g. BellSouth and US West) also like to be in partnerships with the local entities because they have a firm understanding of the cultural, political, and economic environment. Finally, the RBOCs are often in joint ventures because the host country's licenses have foreign ownership restrictions (Piche 1993).

Dunning's approach to internationalization is the only theory on international investment which considers the location-specific attributes. In examining these investments, it is evident that location plays a key role. The RBOCs invest where there is definite potential for growth. They prefer going to places where they have the ability to build and operate the service. In accordance to the eclectic theory, size of market, political, and economic stability are also factors which are important to the seven RBOCs. The location-specific factor which is most important to all RBOCs is the government regulation. Since the countries are opening their markets for private investment, the RBOCs are able to make their international investments.

Since the RBOCs are attracted to locations which provide potential for growth, political stability, and economic stability, it is most likely that investments will continue in

the countries of Latin America and Eastern Europe and in certain countries in the Asia Pacific region. However, investment may not occur in areas like Africa and South Asia since they lack location-specific characteristics which attract investment.

Limitations to the study

In studying the internationalization process, it is necessary to understand why firms choose certain locations for investment. In order to do this information was gathered from trade journals. A questionnaire was also prepared for each of the seven RBOCS to complete. This information would give greater insight to the internationalization process.

The trade journals give general information about the RBOCs' current investments. Unfortunately, only 3 out of 7 questionnaires were answered which makes it difficult to create any type of statistical data. Two companies allowed for telephone interviews, but the time they can allot is short so it is difficult to obtain detailed information. The RBOCs (e.g. Nynex) with fewer international investment were more willing to talk than companies with high international investment (e.g. Ameritech). Finally, it is also difficult to obtain any actual numbers of the actual amounts of investment because this is proprietary information.

In examining the internationalization process, it is evident that the RBOCs are actively pursuing opportunities to

invest abroad. In their investments they are willing to join in partnerships with other telecommunication firms as well as local entities of the host country. The RBOCs are willing to provide both basic and cellular service. Some of the RBOCs (e.g. BellSouth and Nynex) prefer providing cellular because it is easier and cheaper to implement. It is apparent that the RBOCs will continue to invest abroad even if regulations from the MFJ are lifted. The RBOCs will continue to invest abroad because they want to make a profit. As a result, it is important for the host country to keep strong regulations in their country for their protection.

The RBOCs' investments will improve the telecommunications infrastructure in these countries which can influence more foreign investment from other firms. Based on the possibility of other forms of foreign investment, it is also important for host country's to have strong regulations.

Finally, the purpose of this paper was to understand why the RBOCs have gone abroad. Restrictions from the MFJ and the competitive global market have led to their search for new markets. The RBOCs' possession of capital and technology enables them with the ability to go to the opening markets in developing countries to provide basic and cellular service. Future research can examine how these international investments impact the development of the countries where internationalization occurs.

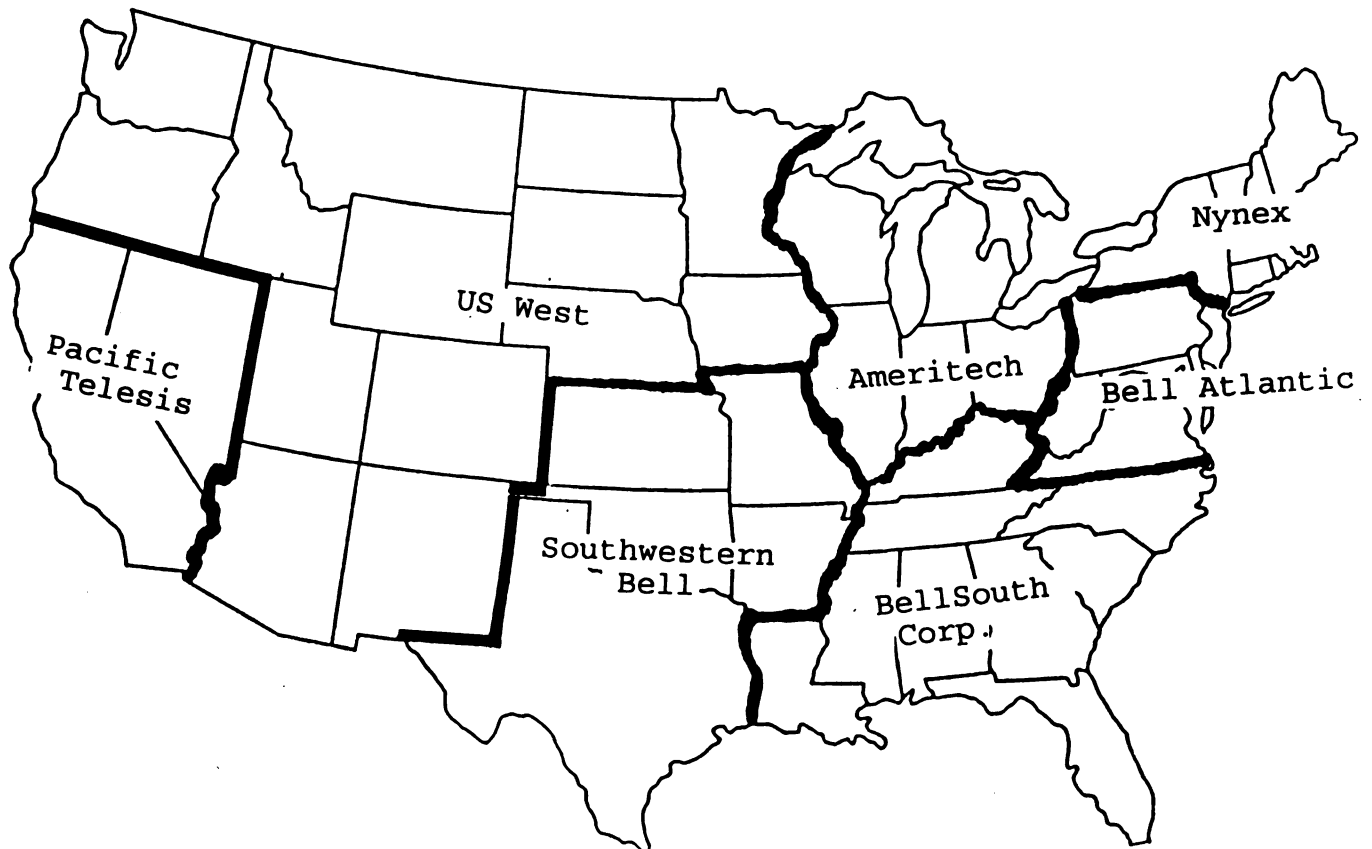
APPENDICES

APPENDIX A

Maps and related investments

APPENDIX A

Chart 1: Areas RBOCs serve in the United States



APPENDIX A

Chart 2: Areas RBOCs serve in the world



APPENDIX A

Chart 3: RBOCs investment plans with cable companies.

RBOCs	Cable Company
Ameritech	Agreement with Cardinal Communications (Columbus, OH)
Bell Atlantic	Agreement with Sammons Communication (NJ) Plans to merge with Tele-Communications Inc.
BellSouth Corp.	Purchasing 22.5% of Prime Management Co.
Nynex	Owns Liberty Cable Investing in Viacom Cable
Southwestern Bell	Plans to buy 2 Washington, DC cable systems from Hauser Communication
Pacific Telesis	Waiting for approval of purchase of 75% of Prime Cable (Chicago, IL)
US West	Investing in 25% share of Time Warner

Source: Rozansky, 1993, p.1E.

APPENDIX A

Chart 4: RBOCS international investments.

Ameritech

Location of International Investment	Type of Service
Australia	Voice mail
Hong Kong	Seeking GSM license
Japan	Voice mail
New Zealand	Voice mail
Taiwan	Voice mail
Austria	Industrial directories
Germany	Voice mail & Industrial directories
France	Marketing agreement
Denmark	Marketing agreement
Italy	Voice mail & Marketing agreement
Spain	Voice mail & Marketing agreement
Sweden	Voice mail
Switzerland	Voice mail & Industrial directories
United Kingdom	Voice mail & Marketing agreement
British Virgin Islands	50% ownership of cellular company
Canada	Voice mail
Brazil	Bidding for cellular license
Chile, Columbia & Venezuela	Library software

Source: "Ameritech." 1992, pp.105-106.

APPENDIX A

Bell Atlantic

Location of International Investment	Type of Service
Germany	Computer Operations
Italy	TC Software
Netherlands	Software
Spain	Facilities Management System
United Kingdom	Computer Maintenance
Australia	In bidding process to build state telecommunications network
New Zealand	Sky Entertainment Television
South Korea	Pursuing cellular, offers marketing, consulting, and R&D assistance.
Taiwan	Pursuing cellular service

Source: Striplin 1992a, pp. 106-107

BellSouth Corporation

Location of International Investment	Type of Service
Denmark	29% interest in GSM license
France	Cable Television & Cellular Network
United Kingdom	Paging & Telemarketing
India (TCIL BellSouth Ltd.)	TC Software
China	Telephone Company for Shanghai Centre

Source: Striplin 1992b, pp. 108-109

APPENDIX A

Nynex

Location of International Investment	Type of Service
France	Electronic Yellow Pages & Data Network
Gibraltar	Upgrade local telecommunications network
Ireland	Wireless Security System
United Kingdom	Electronic Yellow Pages & Cable Television
Australia	Private Network Services
Phillipines	Network Expansion
Canada	Software

Source: "Nynex Corporation," 1991, p. 108.

Southwestern Bell

Location of International Investment	Type of Service
Canada	Markets Freedom Phone
Caribbean	Markets Freedom Phone
Australia	Markets Freedom Phone & Directory Publishing
Sweden	Telephone Directories
United Kingdom	Cable Television
Israel	Directory Publishing
Malta	Freedom Phone

Source: "Southwestern Bell," 1992, pp 106-107.

APPENDIX A

Pacific Telesis

Locations of International Investment	Types of Service
Germany	22% share in cellular network
Portugal	23% share in cellular network
United Kingdom	25% share in personal communication services and cable television
Japan	Pursuing cellular license and 10% share in long distance service

Source: Striplin 1992c, pp. 104-105.

US West

Location of International Investment	Type of Service
Scandinavia	Cable Television
Malta	Cable Television
United Kingdom	Cable Television
Japan	In cellular consortium

Source: "US West," 1992, pp. 106-108.

APPENDIX B

Sample questionnaire
(pp.75-84)

APPENDIX B

I. General Information

1. When did your firm start offering a telecom service (e.g. basic, cellular, cable, value-added) in foreign markets?

<u>a)service</u>	<u>b)year</u>	<u>c)cities, country</u>
_____	19____	_____
_____	19____	_____
_____	19____	_____
_____	19____	_____
_____	19____	_____

2. What percentage of your total investment is outside the U.S.? _____%

3. a)What percentage of your investment is in Argentina? _____%
 b)What percentage of your investment is in Chile? _____%
 c)What percentage of your investment is in Mexico? _____%
 d)What percentage of your investment is in Venezuela? _____%

II. Strategies Relating to the Selection of Argentina, Chile, Mexico, Venezuela.

4. a)How important or unimportant were the following factors in providing your firm with an advantage in selecting Argentina(circle one).

Factors	not important	important	very important		
a. managerial knowhow.....	1	2	3	4	5
b. access to resources of parent company					
financial.....	1	2	3	4	5
technological.....	1	2	3	4	5
c. effective customer relations.....	1	2	3	4	5
d. flexibility in firm's service provision(e.g. basic to cellular).....	1	2	3	4	5
e. financial management	1	2	3	4	5
f. marketing knowhow.....	1	2	3	4	5
g. potential customer base.....	1	2	3	4	5
h. access to markets.....	1	2	3	4	5
i. diversification of firm's service activities.....	1	2	3	4	5
j. being first in the target market.....	1	2	3	4	5
k. introducing new services in the target market.....	1	2	3	4	5
l. technological innovation.....	1	2	3	4	5
m. being able to to introduce state of the art technology in service production and delivery in the target market....	1	2	3	4	5
n. price of providing the service.....	1	2	3	4	5
o. service quality and reputation.....	1	2	3	4	5
p. efficient service delivery.....	1	2	3	4	5
q. economies of scale in service production.....	1	2	3	4	5

4. b)How important or unimportant were the following factors in **providing your firm with an advantage** in selecting **Chile**(circle one).

Factors	not important	important			very important
a. managerial knowhow.....	1	2	3	4	5
b. access to resources of parent company					
financial.....	1	2	3	4	5
technological.....	1	2	3	4	5
c. effective customer relations.....	1	2	3	4	5
d. flexibility in firm's service provision(e.g. basic to cellular).....	1	2	3	4	5
e. financial management	1	2	3	4	5
f. marketing knowhow.....	1	2	3	4	5
g. potential customer base.....	1	2	3	4	5
h. access to markets.....	1	2	3	4	5
i. diversification of firm's service activities.....	1	2	3	4	5
j. being first in the target market.....	1	2	3	4	5
k. introducing new services in the target market.....	1	2	3	4	5
l. technological innovation.....	1	2	3	4	5
m. being able to to introduce state of the art technology in service production and delivery in the target market....	1	2	3	4	5
n. price of providing the service.....	1	2	3	4	5
o. service quality and reputation.....	1	2	3	4	5
p. efficient service delivery.....	1	2	3	4	5
q. economies of scale in service production.....	1	2	3	4	5

4. c)How important or unimportant were the following factors in **providing your firm with an advantage** in selecting **Mexico**(circle one).

Factors	not important	important			very important
a. managerial knowhow.....	1	2	3	4	5
b. access to resources of parent company					
financial.....	1	2	3	4	5
technological.....	1	2	3	4	5
c. effective customer relations.....	1	2	3	4	5
d. flexibility in firm's service provision(e.g. basic to cellular).....	1	2	3	4	5
e. financial management	1	2	3	4	5
f. marketing knowhow.....	1	2	3	4	5
g. potential customer base.....	1	2	3	4	5
h. access to markets.....	1	2	3	4	5
i. diversification of firm's service activities.....	1	2	3	4	5
j. being first in the target market.....	1	2	3	4	5
k. introducing new services in the target market.....	1	2	3	4	5
l. technological innovation.....	1	2	3	4	5
m. being able to to introduce state of the art technology in service production and delivery in the target market....	1	2	3	4	5
n. price of providing the service.....	1	2	3	4	5
o. service quality and reputation.....	1	2	3	4	5
p. efficient service delivery.....	1	2	3	4	5
q. economies of scale in service production.....	1	2	3	4	5

4. d)How important or unimportant were the following factors in providing your firm with an advantage in selecting Venezuela(circle one).

Factors	not important	important			very important
a. managerial knowhow.....	1	2	3	4	5
b. access to resources of parent company					
financial.....	1	2	3	4	5
technological.....	1	2	3	4	5
c. effective customer relations.....	1	2	3	4	5
d. flexibility in firm's service provision(e.g. basic to cellular).....	1	2	3	4	5
e. financial management	1	2	3	4	5
f. marketing knowhow.....	1	2	3	4	5
g. potential customer base.....	1	2	3	4	5
h. access to markets.....	1	2	3	4	5
i. diversification of firm's service activities.....	1	2	3	4	5
j. being first in the target market.....	1	2	3	4	5
k. introducing new services in the target market.....	1	2	3	4	5
l. technological innovation.....	1	2	3	4	5
m. being able to to introduce state of the art technology in service production and delivery in the target market....	1	2	3	4	5
n. price of providing the service.....	1	2	3	4	5
o. service quality and reputation.....	1	2	3	4	5
p. efficient service delivery.....	1	2	3	4	5
q. economies of scale in service production.....	1	2	3	4	5

4. e)How important were the following factors in choosing Argentina.

Factors	not important	important			very important
a. increasing market share/sales growth.....	1	2	3	4	5
b. increasing return on assets.....	1	2	3	4	5
c. improving financial management.....	1	2	3	4	5
d. the rate of growth in total assets from the investment....	1	2	3	4	5

4. f)How important were the following factors in choosing Chile.

Factors	not important	important			very important
a. increasing market share/sales growth.....	1	2	3	4	5
b. increasing return on assets.....	1	2	3	4	5
c. improving financial management.....	1	2	3	4	5
d. the rate of growth in total assets from the investment....	1	2	3	4	5

4. g) How important were the following factors in choosing Mexico.

Factors		not important	important		very important	
a.	increasing market share/sales growth.....	1	2	3	4	5
b.	increasing return on assets.....	1	2	3	4	5
c.	improving financial management.....	1	2	3	4	5
d.	the rate of growth in total assets from the investment....	1	2	3	4	5

4. h) How important were the following factors in choosing Venezuela.

Factors		not important	important		very important	
a.	increasing market share/sales growth.....	1	2	3	4	5
b.	increasing return on assets.....	1	2	3	4	5
c.	improving financial management.....	1	2	3	4	5
d.	the rate of growth in total assets from the investment....	1	2	3	4	5

5. In choosing Argentina, how important were the following factors (circle one).

Factors	not important		important		very important
<u>macroeconomic environment</u>					
a. macroeconomic superstructure in Argentina (banking, transport, etc.).....	1	2	3	4	5
b. industrial infrastructure.....	1	2	3	4	5
c. existing international development effort in the country (through international loans or other foreign investment).....	1	2	3	4	5
d. availability of development funds(from Arg, the US, international agencies).....	1	2	3	4	5
e. potential for economic growth.....	1	2	3	4	5
f. other private investments already in country.....	1	2	3	4	5
g. current and projected inflation rate.....	1	2	3	4	5
h. laws governing repatriation of earnings.....	1	2	3	4	5
i. stability and convertibility of local currency	1	2	3	4	5
j. political risk and availability of insurance to offset it..	1	2	3	4	5
k. desire to avoid tariffs and other trade barriers	1	2	3	4	5
l. ease and comfort of establishing a business in the region.....	1	2	3	4	5

other factors

m. length of start up time involved.....	1	2	3	4	5
n. start up time cost (energy, taxes, etc.).....	1	2	3	4	5
o. tax relief incentives.....	1	2	3	4	5
p. favorable tax structure.....	1	2	3	4	5
q. government incentives.....	1	2	3	4	5
r. flexibility(provision of expanding to new services)..	1	2	3	4	5
s. management control - to have...					
ability to build infrastructure.....	1	2	3	4	5
ability to operate infrastructure.....	1	2	3	4	5
t. length of time before return on investment.....	1	2	3	4	5
u. the availabilityof skilled labor.....	1	2	3	4	5
v. other (specify).....					
_____	1	2	3	4	5
_____	1	2	3	4	5

6. In choosing Chile, how important were the following factors (circle one).

Factors	not important	important	very important		
macroeconomic environment					
a. macroeconomic superstructure in Chile (banking, transport, etc.).....	1	2	3	4	5
b. industrial infrastructure.....	1	2	3	4	5
c. existing international development effort in the country (through international loans or other foreign investment).....	1	2	3	4	5
d. availability of development funds(from Chile, the US, international agencies).....	1	2	3	4	5
e. potential for economic growth.....	1	2	3	4	5
f. other private investments already in country.....	1	2	3	4	5
g. current and projected inflation rate.....	1	2	3	4	5
h. laws governing repatriation of earnings.....	1	2	3	4	5
i. stability and convertibility of local currency	1	2	3	4	5
j. political risk and availability of insurance to offset it..	1	2	3	4	5
k. desire to avoid tariffs and other trade barriers	1	2	3	4	5
l. ease and comfort of establishing a business in the region.....	1	2	3	4	5
other factors					
m. length of start up time involved.....	1	2	3	4	5
n. start up time cost (energy, taxes, etc.).....	1	2	3	4	5
o. tax relief incentives.....	1	2	3	4	5
p. favorable tax structure.....	1	2	3	4	5
q. government incentives.....	1	2	3	4	5
r. flexibility(provision of expanding to new services)..	1	2	3	4	5
s. management control - to have...					
ability to build infrastructure.....	1	2	3	4	5
ability to operate infrastructure.....	1	2	3	4	5
t. length of time before return on investment.....	1	2	3	4	5
u. the availabilityof skilled labor.....	1	2	3	4	5
v. other (specify).....					
_____	1	2	3	4	5
_____	1	2	3	4	5

7. In choosing Mexico, how important were the following factors (circle one).

Factors	not important		important		very important
<u>macroeconomic environment</u>					
a. macroeconomic superstructure in Mexico (banking, transport, etc.).....	1	2	3	4	5
b. industrial infrastructure.....	1	2	3	4	5
c. existing international development effort in the country (through international loans or other foreign investment).....	1	2	3	4	5
d. availability of development funds(from Mex, the US, international agencies).....	1	2	3	4	5
e. potential for economic growth.....	1	2	3	4	5
f. other private investments already in country.....	1	2	3	4	5
g. current and projected inflation rate.....	1	2	3	4	5
h. laws governing repatriation of earnings.....	1	2	3	4	5
i. stability and convertibility of local currency	1	2	3	4	5
j. political risk and availability of insurance to offset it..	1	2	3	4	5
k. desire to avoid tariffs and other trade barriers	1	2	3	4	5
l. ease and comfort of establishing a business in the region.....	1	2	3	4	5
<u>other factors</u>					
m. length of start up time involved.....	1	2	3	4	5
n. start up time cost (energy, taxes, etc.).....	1	2	3	4	5
o. tax relief incentives.....	1	2	3	4	5
p. favorable tax structure.....	1	2	3	4	5
q. government incentives.....	1	2	3	4	5
r. flexibility(provision of expanding to new services)..	1	2	3	4	5
s. management control - to have...					
ability to build infrastructure.....	1	2	3	4	5
ability to operate infrastructure.....	1	2	3	4	5
t. length of time before return on investment.....	1	2	3	4	5
u. the availability of skilled labor.....	1	2	3	4	5
v. other (specify).....					
_____.....	1	2	3	4	5
_____.....	1	2	3	4	5

8. In choosing Venezuela, how important were the following factors (circle one).

Factors	not important		important		very important
<u>macroeconomic environment</u>					
a. macroeconomic superstructure in Venezuela (banking, transport, etc.).....	1	2	3	4	5
b. industrial infrastructure.....	1	2	3	4	5
c. existing international development effort in the country (through international loans or other foreign investment).....	1	2	3	4	5
d. availability of development funds(from Ven, the US, international agencies).....	1	2	3	4	5
e. potential for economic growth.....	1	2	3	4	5
f. other private investments already in country.....	1	2	3	4	5
g. current and projected inflation rate.....	1	2	3	4	5

h. laws governing repatriation of earnings.....	1	2	3	4	5
i. stability and convertibility of local currency	1	2	3	4	5
j. political risk and availability of insurance to offset it..	1	2	3	4	5
k. desire to avoid tariffs and other trade barriers	1	2	3	4	5
l. ease and comfort of establishing a business in the region.....	1	2	3	4	5

other factors

m. length of start up time involved.....	1	2	3	4	5
n. start up time cost (energy, taxes, etc.).....	1	2	3	4	5
o. tax relief incentives.....	1	2	3	4	5
p. favorable tax structure.....	1	2	3	4	5
q. government incentives.....	1	2	3	4	5
r. flexibility(provision of expanding to new services)..	1	2	3	4	5
s. management control - to have...					
ability to build infrastructure.....	1	2	3	4	5
ability to operate infrastructure.....	1	2	3	4	5
t. length of time before return on investment.....	1	2	3	4	5
u. the availability of skilled labor.....	1	2	3	4	5
v. other (specify).....					
_____	1	2	3	4	5
_____	1	2	3	4	5

9. Please indicate the degree of importance of the following factors in influencing your decision to provide basic or cellular service (circle one).

Basic

	not important	important			very important
a. cost in comparison to cellular.....	1	2	3	4	5
b. existing infrastructure.....	1	2	3	4	5
c. government regulations.....	1	2	3	4	5
d. existing technology & knowledge base of firm.	1	2	3	4	5
e. strategies of other bidders.....	1	2	3	4	5
f. others _____	1	2	3	4	5
g. _____	1	2	3	4	5

Cellular

	not important	important			very important
a. cost in comparison to cellular.....	1	2	3	4	5
b. existing infrastructure.....	1	2	3	4	5
c. government regulations (licensing).....	1	2	3	4	5
d. existing technology & knowledge base of firm.	1	2	3	4	5
e. strategies of other bidders.....	1	2	3	4	5
f. others _____	1	2	3	4	5
g. _____	1	2	3	4	5

10. Please indicate the degree of importance influencing your decision to enter a joint venture or consortia (circle one).

Factors	not important		important		very important
a. lower the risk of investment.....	1	2	3	4	5
b. allow for partnership with another firm providing similar services.....	1	2	3	4	5
c. have partnership with same firm elsewhere....	1	2	3	4	5
d. your preference for partnership with local private entity.....	1	2	3	4	5
e. your preference for partnership with local PTT...	1	2	3	4	5
f. sharing overhead cost.....	1	2	3	4	5
g. other.....	1	2	3	4	5
h.	1	2	3	4	5

III. Bidding Process

11. How did you initially become aware of the bidding process in

Argentina

- a. country came to firm..... ☐ yes ☐ no
 b. firm sought country..... ☐ yes ☐ no
 c. other firms approached your firm..... ☐ yes ☐ no
 d. market positioning..... ☐ yes ☐ no
 e. other.....
 f. other.....

Chile

- a. country came to firm..... ☐ yes ☐ no
 b. firm sought country..... ☐ yes ☐ no
 c. other firms approached your firm..... ☐ yes ☐ no
 d. market positioning..... ☐ yes ☐ no
 e. other.....
 f. other.....

Mexico

- a. country came to firm..... ☐ yes ☐ no
 b. firm sought country..... ☐ yes ☐ no
 c. other firms approached your firm..... ☐ yes ☐ no
 d. market positioning..... ☐ yes ☐ no
 e. other.....
 f. other.....

Venezuela

- a. country came to firm..... ☐ yes ☐ no
 b. firm sought country..... ☐ yes ☐ no
 c. other firms approached your firm..... ☐ yes ☐ no
 d. market positioning..... ☐ yes ☐ no
 e. other.....
 f. other.....

IV. Future Expectations

12. How do you expect the profitability of your firm to be affected by international investment in the next five years in Argentina, Chile, Mexico, and Venezuela?

Argentina	_____	increase	_____	remain the same	_____	decrease
Chile	_____	increase	_____	remain the same	_____	decrease
Mexico	_____	increase	_____	remain the same	_____	decrease
Venezuela	_____	increase	_____	remain the same	_____	decrease

13. How important are the following factors in influencing your future strategies?

	not important		important		very important
a. competition from U.S. firms.....	1	2	3	4	5
b. competition from other international firms..	1	2	3	4	5
c. host country's regulatory environment.....	1	2	3	4	5
d. relationship with local entity.....	1	2	3	4	5
e. further privatization of global telecommunications..	1	2	3	4	5
f. others _____	1	2	3	4	5
g. _____	1	2	3	4	5

14. In your opinion, how important would the current investment be in affecting infrastructure development in Argentina, Chile, Mexico, and Venezuela.

Argentina

	not important		important		very important
a. urban areas.....	1	2	3	4	5
b. rural areas.....	1	2	3	4	5
c. for residential use.....	1	2	3	4	5
d. for business use.....	1	2	3	4	5

Chile

	not important		important		very important
a. urban areas.....	1	2	3	4	5
b. rural areas.....	1	2	3	4	5
c. for residential use.....	1	2	3	4	5
d. for business use.....	1	2	3	4	5

Mexico

	not important		important		very important
a. urban areas.....	1	2	3	4	5
b. rural areas.....	1	2	3	4	5
c. for residential use.....	1	2	3	4	5
d. for business use.....	1	2	3	4	5

Venezuela

	not important		important		very important
a. urban areas.....	1	2	3	4	5
b. rural areas.....	1	2	3	4	5
c. for residential use.....	1	2	3	4	5
d. for business use.....	1	2	3	4	5

V. Modified Final Judgement

15. How have your international strategies evolved since the Modified Final Judgement of 1984?

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