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Research Article

Accelerated Internationalisation in the Worldwide Telecommunications Sector: Saudi Arabia Telecom and Telefónica

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Abstract

This article addresses the well-established topic of accelerated internationalisation. It analyses the FDI of non-Western capital into Europe through the entry of the regional giant Saudi Telecom Company into the multinational Telefónica and its implications for the global telecommunications system. The study is organised in three main sections that look at the nature and internationalisation of Saudi Telecom Company, the European STV market and finally the Telefónica case. It aims to broaden the terms of observation from direct investment to agreements and other forms of understanding.

Keywords: Accelerated internationalization, telecommunications, foreign investments, Saudi Arabia Telecom, Telefónica

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Introduction

This article deals with the speeded-up internationalisation of firms, a topic that is well established in the international literature.

The study of the internationalisation process of firms has traditionally focused on the gradual approach proposed by the Scandinavian school (Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977, 1990) whose basic thesis advocated a reduced and gradual process, guided by the accumulation of knowledge about foreign markets (Luostarinen, 1979; Swedenborg, 1982; Juul and Walters, 1987). Further research, either theoretically (Andersen, 1993; Casson, 1993; Cavusgil, 1984; Madsen and Servais, 1997) or empirically (Hedlund and Kverneland, 1983; Turnbull, 1987; Buckley and Chapman, 1997; Petersen and Pedersen, 1999) lambasted the sequential approach as too eclectic and mechanical, alien to the new environmental conditions. Specific research explores the forces enabling, motivating, mediating and moderating internationalisation according the size of enterprises (Langseth, O'Dwyer and Arpa, 2016, pp. 122-148) or nature of the markets (Cahen et al. 2017, pp. 23-44).

This article addresses the well-established topic of accelerated internationalisation in the telecommunications, a sector perhaps less studied than others as transport, for example (Göv, 2020, pp. 815-837; Ulrichsen, 2015; Halawani, 1996). As a relevant point, it mainly takes into account the characteristics of the companies and countries concerned. It analyses the FDI of non-Western capital into Europe through the entry of the publicly owned Saudi Telecom Company, a case of accelerated internationalisation of an operator in an Islamic and already new developed country[1], into the multinational Telefónica and its implications for the global telecommunications system.

[1] Al-Gahtani (1990), pp. 50-52. Laws of Saudi Arabia, as those of GCC, formally depend on Islamic law, whose sources are the holy Quran, and the Sunnah, and this has to be appreciated in respect of corporate governance in the telecommunications sector. Telecommunications companies are legitimised in two ways. The first is by obtaining licences and complying with all legal requirements to carry out their business activities by declaring the Islamic orientation of the company in its articles of association. The second comes from the Islamic bodies that classify companies as Islamic (Alshammari 2022, p. IV)

Of particular interest is the context. The most substantial part of the events narrated take place at a time of acute health crisis, provoked by the outbreak of the Covid-19 pandemic. The companies, STC and Telefónica in particular, launched a number of digital initiatives to help contain the spread of the Covid-19, in line with the authorities' precautionary measures (Hassounah, Raheel and Alhefzi, 2020; International Finance, 3 June 2020).

The study aims to broaden the terms of observation, usually limited to direct investment[1] to agreements and other forms of understanding. It is structured in three main sections that look at the nature and internationalisation of Saudi Telecom Company, the European STV market and finally the Telefónica case. The sources come mainly from the STC, which exhibits a manifest inconsistency: it is practically impossible to maintain a series for the whole period under study and one has to resort to the observation of variables for a few years.

Saudi Telecom Company: profile and internationalisation

All responsibilities pertaining to the day-to-day operations of the network in Saudi Arabia were assigned to Saudi Telecom with headquarters in Riyadh. In addition, there are 16 branches spread throughout the country. The severe climate - high temperatures and humidity- challenges the Saudi Arabian network. The microwave network has to be controlled and its operation monitored from two control centers, in Riyadh and Jeddah. The National Network Control Center (NNCC) in Riyadh is at the core of the automatic monitoring and controlling structure (Al-Gahtani, 1990, pp. 30 and 33).

The World Economic Forum defines Saudi Telecom Company (STC) Group as "a pioneer digital enabler and integrated telecommunication services provider in the Middle East and North Africa region. STC is a leading operator in the Kingdom of Saudi Arabia, with an international presence in eleven countries serving more than 170 million customers. STC has a long history of industry leadership in services. The group was among the first in the region to launch 5G networks and was considered one of the fastest globally in deploying 5G networks as it had already deployed around 6,500 5G towers. STC Group provides telecom and digital services in Saudi Arabia, Bahrain and Kuwait".

The information communication and technology market of the Kingdom of Saudi Arabia with 53 million subscribers to mobile phone services and a penetration rate of approximately 165 is a market quickly becoming one of the most coveted by national and international companies[2].

It comprises five operators of unequal importance. Saudi Telecom Company (STC), the largest in the Middle East by both capital volume and spending, was the first company in the country to provide mobile and fixed line telephone service. The rest of operators are: Integrated Telecom Company (ITC) second operator after STC, established in 2005 and offers Internet, broadband, connectivity and satellite services for businesses, consumers and wholesale; Mobily the UAEs telecommunications company[3], which is the mobile and internet Fabraupetk (Fiber Optic) New Ground; ZIN Zain: a Kuwaiti company, which is the only mobile and GO ATHEEB, a Saudi modern with an Internet connection line is similar to Ground (Saudi Arabia, 2017, p. 69; Singh and Samidha, *Webology* 17, 1, 2020, pp. 227-245). Until mid-1998, the Ministry of PTT was the operating and regulatory entity for the telecommunications sector in Saudi Arabia. However, a call by the Council of Ministers in December 1997 prompted the privatisation of several services, including fixed and mobile telephony[4]. Initially, the decision provided for the creation of the STC as a joint stock company to be privatised at a later stage (Dahel, 2001, pp. 3-4).

STC was established as a Saudi joint-stock company by Royal Decree No. M/35 on April 21, 1998, which transferred the postal and telephone sector of the Ministry of Post, Telegraph, and Telephone, along with all its technical and administrative components and capabilities, to stc. The company debuted as a telecommunications service provider throughout the Kingdom of Saudi Arabia in May 1998 and received its commercial registration as a Saudi joint stock company with its headquarters in Riyadh a month later. stc was wholly owned by the Government of the Kingdom of Saudi Arabia, which sold 30% of its shares in September 2002 and increased STC's capital to SAR50 billion. The Public Investment Fund (PIF) acted as the ultimate controlling shareholder of stc through its 64% ownership following the sale of 6% of stc's shares through a secondary offering in 2021 (stc, Annual Report 2023, p. 7).

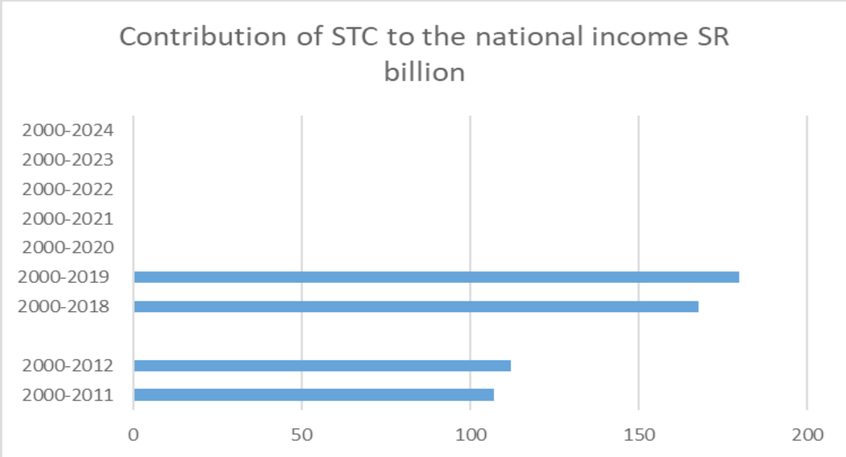
[2]Al-Aali and Kamel, 2015, pp. 38-53. For an overview of the literature of internationalisation, see Dike and Rose (2017), pp. 308-321.

[3]The telecommunications system in Saudi Arabia is government-owned and operated; it is managed by the Ministry of Post, Telegraph, and Telephone: Al-Gahtani (1990), p. 27..

[4]Mobily is as popular as STC: Sharma, R. B. (2014). Customers satisfaction in telecom sector in Saudi Arabia: An empirical investigation, European Scientific Journal, 10 (13), pp. 354-366.

[5]The start of liberalisation of Saudi Arabia's telecommunications sector gave a strong boost to demand for telecommunications but the development and deployment of new services lagged behind. The government's plan was to attract more multinational operators to the country by increasing the licensing of mobile and fixed-line service providers by 2006 (Bose and Banerjee 2009).

The importance and weight of STC in the national economy has grown over the years, as illustrated in Graph 1.



Source: *Elaborated from STC, Annual Reports.*

STC Group revenues and net profit for six months of 2024 as compared to the same period of last year increased by 4.79% and 7.73% (respectively), and it distributed SAR 0.40 per share dividends for the second quarter of 2024. The growth of revenues was mainly attributed to the increase in STC KSA's revenues by 0.6% driven by an increase in commercial unit revenues by 6.0%, carriers and wholesale unit revenues by 0.2%. Furthermore, STC's subsidiaries revenues also increased by 13.4%. Gross Profit for the 6 months period of 2024 reached to SAR 18,957m with an increase of 3.88% as compared to the comparable period last year. Earnings before Interest, Taxes, Zakat, Depreciation and Amortization (EBITDA) for the period of 2024 reached to SAR 12,889m with an increase of 5.96% as compared to the comparable period last year while Net Profit reached to SAR 6,590m with an increase of 7.73% as compared to the comparable period last year[1].

The success of the STC Group can be attributed to two main factors. First, the continuous exploration of new digital frontiers, delivering innovative solutions and experiences to customers, and the commitment to position itself as a first mover in the use of best-in-class technology and infrastructure. The second is a global growth mindset, finding innovative ways to connect people around the world (Interview).

A pivotal aspect of its brand strategy involves championing digital empowerment to support the Saudi Arabia's Vision 2030. As part of this commitment, it established a Sustainability Innovation Hub in partnership with fellow Gulf Cooperation Council (GCC) telecom companies[2].

STC Group launched the DARE 2.0 strategy to ensure fully embrace the digital enablement mandate, accelerate performance, improve customer experience, and expand scale and scope (STC Annual Report, 2018, p. 38; Brand Finance, Telecoms 150 2024 Report). In only two years, STC entered markets across the Middle East, Asia, and Africa. The empirical analysis points to the development of a global portfolio as a driver of STC's accelerated internationalisation (Amine and Khan, 2014, pp. 71-96).

InspireU, MENA Gateway data centre and Rawafed were some of stc's efforts besides extending optical fibre networks and SIM cards. Further, it collaborated with Tier I internet providers to fortify its internet global backbone connectivity. For successful adoption of 5G, stc built alliances with prominent tech/telco brands like Accenture, Ericsson, Huawei, Nokia, Redhat, Teradata and SAS for efficient digital transformation, 5G developments, IoT, cloud technology development and big data analytics respectively (Bhatnagar, 2021).

From 2007, STC created at least ten companies in low-tax territories or even tax havens. Two wholly owned subsidiaries were domiciled in the British Virgin Islands. Asia Telecom Holding, set up in 2007, in turn controls another subsidiary, Malaysia Holdings Ltd, which grouped the assets in this Asian country. Turkey Holding, created a year later, had had its mission 'to provide services and support necessary in connection with the group's investment activities'. Three companies domiciled in Bahrain and several subsidiaries complete the list. Gulf Invesment Holding channels investments and financing for other group companies and has three subsidiaries: GCC

[6]STC Group, Sustainability report for 2023.

[7]Telecom Review, 11 December 2023; Sfakianakis, 2024, p. 327.

GCC is experiencing rapid growth, driven by Saudi Arabia's emergence as the fastest growing G20 economy. It boasts a very high Human Development Index score, very low unemployment rates, and extremely sound public finances, with the exception of Bahrain; it has the world's largest oil reserve (Amirah-Fernandez and Arnal, 2024).

Cable Systems, established in 2021 to invest in technology and the information society in the countries of the Gulf Cooperation Council (UAE, Saudi Arabia, Qatar, Kuwait, Bahrain and Oman) and Bahrain BSC (El Economista, 12 September 2023).

At the organisational level, STC set up instruments to promote investments. From this orientation was born the Investment Committee, which is responsible for reviewing the company's investments in line with its strategies. The Committee recommends appropriate investments after reviewing and studying strategic investment opportunities (Annual Report, 2009, p. 19)[8].

As for other instruments, Saudi Telecom Company created in 1998 Tali Venture Fund, oriented to AI, fintech, proptech and IT sectors including IoT and cybersecurity. Tali Ventures invested in startups such as Nile, Rewaa and NearPay (Global Corporate Venturing, 11 March 2024).

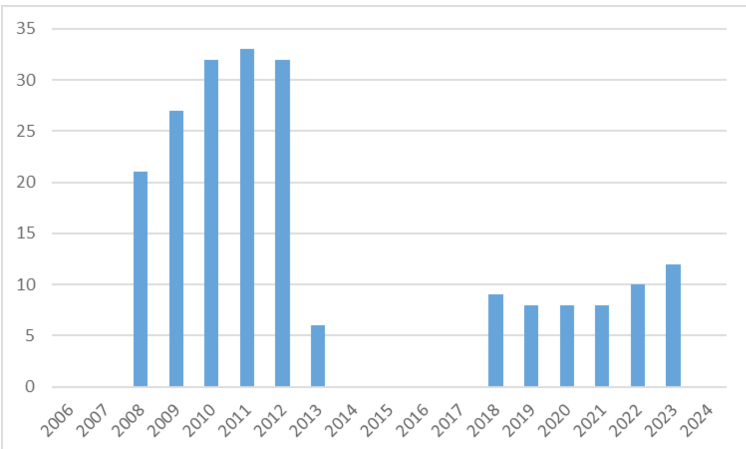
In order to reduce its investment risks STC set up a venture capital fund oriented to small and medium-sized ICT start-ups in local, MENA[9], European and US markets. STC initially intended to invest USD 50 million (of which a quarter has been paid). Initially, the Company would be the sole investor and would later expand the list with local and international companies. The Fund would be managed by Ares Capital, one of the world's leading private equity fund managers (2012 Annual Report, p. 22).

In 2018, STC established a fully owned limited liability company, Communication Towers Co. Ltd, with a share capital of SR 200 million. It will be responsible for owning, constructing, operating, leasing and commercializing telecom towers (Annual Report, 2017, p. 75). In 2022, STC signed an agreement with STV LP Fund to allocate USD 300 million additional investment in the fund out of which USD 109 million up to date was injected. Through a subsidiary STC has an agreement to invest in a fund aiming to improve the telecommunication and information technology sector in the Kingdom of Bahrain and other GCC Countries with an amount of USD 172 million as at 31 March 2024.

At the year-end 2023, STC invested $13.86 million in four venture capital and investment firms in the MENA region. The list included three based in Saudi Arabia (Vision Ventures, founded in 2016 and investing in innovative startups in the seed and early stages; Hala Ventures, founded in 2018, which operates independently but is wholly owned by the Government of Saudi Arabia's Public Investment Fund); and one based in Dubai (Arzan Venture Capital, founded in 2013 and focused on supporting innovative small and medium-sized enterprises in technology and other genuine business sectors) (Saudi Telecom Company: ttps://www.cbinsights.com/investor/saudi-telecom-company).

Saudi Telecom Co. began to invest in companies oriented at international affairs at least from 2002. It created Arabian Internet and Communications Services Co. with three segments which included core ICT services, information technology managed and operational services and digital Services. In the same year of 2002 STC created Arab Submarine Cables Company, Ltd. (45.72%) for the purpose of constructing, leasing, managing and operating a submarine cable connecting the Kingdom of Saudi Arabia to the Republic of Sudan and to any other State. The Company's operating activity took effect as from June 2003.

The weight of foreign investments at the STC Group in the total have ranged from the peak in 2023 (12%), the more modest figures of 2019-2021 (8%) and the intermediate figures of 2008 and 2022 (10%).



Graph 2. *Foreign investments of STC as a percent of total revenues.* **Source:** *Elaborated from STC, Annual Reports.*

[8]Research identifies the ineffectiveness of the change management team, poor management support, lack of resources and planning, coupled with a lack of communication, as the main barriers to change in STC (Franklin and Balbuena, 2016, p. 35).

[9]For the region, see Anwar (2011), pp. 891-917.

Graph 2 shows the two main movements of the investment curve, expressed by the percent of total revenues: a high and upward slope in the 2008-2012 years and a trough in the 2019-2023 years.

Table 1. *International Investment of STC*

Name	Year Creation or entry	STC %	Purpose
Arabian Internet and Communications Services Co.	2002	100	Internet services, telecommunications projects, information
STC Bahrain (VIVA) (BSCC)	2009	100	Mobile services, international telecommunications, broadband and other related services in Bahrain
Gulf Digital Media Holding (BSCC) – Bahrain	2009	51	A holding company with stakes in companies of content services and digital media in Gulf countries
Kuwait Telecom Company (VIVA) (KSCC) - Kuwait	2007	26	Mobile services; it commenced commercial operations in December 2008.
Tejari Saudi Arabia	2006	50	Market, electronic platforms
Binariang GSM Holding Group – Malysia	2007	25	It owns Malaysian Maksys holding group: mobile telecommunications with investments in India and Indonesia (44% of the Indonesian company). Other investments in telecommunications in India (Aircel company) and Indonesia (NTS- AXIS).
Natrindo Telepon Seluler "NTS" (AXIS) - Indonesia	2007	51	License to operate the 3rd generation of mobile network in Indonesia
Arab Submarine Cables Company, Ltd.	2002	45.72	Submarine cable Kingdom of Saudi Arabia-Republic of Sudan-other States
Arab Satellite Communications Organization ("Arabsat")		36.66	Established in 1976 by member states of the Arab League. Arabsat offers services, principally the Middle East.
NewTel Mobile Communications, Kuwait	2007	26	The 3rd Mobile Telecom Company – Kuwait
Oger Telecom Ltd. - Dubai, United Arab Emirates, U.A.E.	2008	35	Investments in telecommunication companies operating in ME (95% of Cyberia, an ISP in KSA, Jordan and Lebanon), Turkey (55% of Türk Telekom, owner of 81% of Avea) and South Africa (75% of Cell C).
Gulf Allied Digital Media, Dubai	2009		Content services (text, voice and images).
Call Center Company– The Kingdom	2010	50	Call center services and directory queries with Aegis company in Saudi Arabia
Alibaba Cloud	2022		Partnership Chinese Alibaba Group with the Saudi Company for Artificial Intelligence, the Saudi Information Technology Company and eWTP Arabia Technology Innovation
Giza Systems	2022	majority stake	Systems integration within asset-intensive industries and operates in the technology solutions sector.

Source: Elaborated from STC, Annual Reports.

STC developed an investment strategy, containing major dimensions such as targeted sectors, geographical scope for investment, the percentages of targeted ownership, size of investment, investment mechanisms, financing and exit strategy. STC signed a memorandum of cooperation with King Abdul Aziz City for Science and Technology (KACST), created in 1977 as Saudi Arabia's National Centre for Science and Technology, to encourage initiatives in establishing telecommunications and IT sector incubators (container, database) (Saudi Telecom Co, Annual reports, 2006, p. 29.

STC planned to realize 10% of Company revenues from external profitable investments whether inside or outside Arabia Saudi by the year 2010 (Saudi Telecom Co, Annual reports, 2006, p. 29).

Based on this strategy STC established Saudi Tijari Company in association with Technology Investments and the National Information Systems Company which is a limited liability company establishing, operating and managing platforms and e-markets to perform sale and purchase process electronically as well as making auctions and doing all commercial transactions between corporations and companies in public and private sectors.

STC managed to win a number of foreign investment opportunities in Malaysia, India, Indonesia and Kuwait in 2007, acquiring 25% of Maxis, 51% of NTS for a total of SR 4 million (STC 2007 Annual Report, p. 12).

Achieve external growth was one of the seven fundamental axes of the "FORWARD" strategy an acronym that stands furthermore for Full personal communication potential, Offer wholesale services, Re-invent home communication, Win enterprise customers, Re-align for customer excellence and Derive operational efficiencies.

STC purchased 25% of MAXIS, operating in Malaysia and India, 51% in PT Natrindo Telepon Seluler, launching Saudi Telecom into the fastest growing markets in the telecommunications sector globally with a population estimated at more than 1.4 billion capita. STC won the third telecommunication license in Kuwait, introducing the Company to a new and significant market (STC, Annual Report 2007, pp. 13 and 25)[10].

Saudi Telecom deepened this expansion modality. Along 2007-2008, STC extended to the outside world, through establishing a network of business and investments in several countries Middle East (Kuwait, Lebanon and Jordan), South Africa, Southeast Asian Nations (India, Indonesia, Malaysia[11]) and Europe (Turkey). That enabled Saudi Telecom to cater to a bigger number of customers, as the Company strives to expand its foreign investments through studying and assessing a number of up-and-coming investment potential, based on the "Forward" strategy (Annual Report, 2008, p. 41).

In 2022, STC acquired a majority stake of Giza Systems for $129.78M. Founded in 1974 and based in New Cairo, Egypt, it designs and deploys technology solutions (cybersecurity, enterprise business solutions, cloud enablement, regulatory solutions, and more to streamline operations estate). The acquisition aimed at diversifying solutions by stc's service offerings and strengthening capabilities in key growth areas such as application integration.

STC's presence achieved wide-scale global, thanks to its extensive geographic coverage, which encompassed nine densely-populated countries with good economic growth rates. STC's size of international clients climbed to 79.48% of the 117 million clients in total (STC Annual Report, 2008, pp. 10 and 15).

A form of internationalisation was the diversification of international means of connectivity, in terms of tracks and service providers in corresponding countries. STC managed to provide an international infrastructure for all Company services (telephone, Internet and information) with maximum reliability and continuity. It included the continuation of participation and pioneering role in regional marine cable projects through the involvement in the preparatory activities with a number of leading global companies for the construction and maintenance of the intercontinental marine cable I-Me-We[12]. A partnership agreement and contract for the implementation of the project with Alcatel Lucent was signed. A second submarine cable was agreed with a number of African and global companies for East Africa extended from South Africa till Sudan, linking to cable (SAS-) and spanning Saudi Arabia and Sudan.

The Company attempted to increase its share in the fourth intercontinental submarine cable project and provide additional capacities on the submarine cable Flag, after upgrading its operational capacity through the station in Jeddah to support absolute diversity in Internet paths.

Throughout 2007, the Company expanded and diversified terrestrial interconnection lines with neighboring countries with reserve lines with Jordan, Yemen and Bahrain, in agreement with operators in those states.

Based on expansions in infrastructure and international network, the Company was able to absorb augmenting international telephone traffic (STC 2007 Annual Report, p. 43).

The Company provided several innovative services and offered as well as valuable discounts to promote its competitive services, such as the provision of 'Sawa 25'

[10]The company sold a part of its share in the Malaysian Maxis with an internal revenue rate "IRR" of 29%: STC, Annual Report, p. 11.

[11]Memorandum of Understanding with Telekom Malaysia Berhad on 3 May 2006, through its wholly owned subsidiary, TM International Sdn Bhd gave an opportunity to access to the third mobile licence in the growing market of Egypt. It has the fourth largest telecoms industry in the MENA region.

[12]The IMEWE (India-Middle East-Western Europe) submarine cable is a 12,091km submarine cable consisting of three fiber pairs, with two fiber pairs on an express path, plus a terrestrial link connecting the cities of Alexandria and Suez in Egypt. The IMEWE cable included ten cable landing stations in eight countries: India, Pakistan, UAE, Saudi Arabia, Egypt, Lebanon, Italy and France. The IMEWE consortium comprises of nine major telecom companies: Bharti Airtel (India), Etisalat (UAE), France Telecom-Orange (France), OGERO (Lebanon), Pakistan Telecommunication Company Limited (Pakistan), Saudi Telecom Company STC (Saudi Arabia), Telecom Egypt (Egypt), Telecom Italia Sparkle (Italy), and Tata Communications (India). The IMEWE consortium signed the Construction and Maintenance Agreement and the Supply Contract on 5th Feb 2008, with a total cost of approximately US$480million awarded to Alcatel-Lucent Submarine Networks, supported by NEC as subcontractor. https://www.submarinenetworks.com/en/systems/asia-europe-africa/imewe

new 3G chip along with free credit. Customers were also provided with a re-charging service and were allowed to transfer previously identified amounts through several international operators outside of KSA. The international credit transfer service is exclusively provided by STC, which currently cooperates with operators in eight countries of Middle East and Asia. In addition, STC offered low and profitable international roaming charges and provided post-paid mobile phone customers with the free service of receiving calls, during roaming, in more than 90 countries worldwide (STC, Annual_Report 2010).

A specific internationalisation came in the form of alliances and agreements, whith potential positive impact on sustainable development (Al-Mansour et al., 2024, pp. 394-410). In entry strategies, a number of telecommunications companies favoured alliances and joint ventures/ partnerships with local allies to lessen uncertainty, address bureaucratic hurdles and gain access to local technology and markets in the host country (Ahmad 2014, pp. 51-68).

Long-term and short-term arrangements were reached not only in the domestic market (Bayanat Al Oula Co., broadband internet, international bandwidth, connectivity services wireless and fiber provider) but in the global one.

In 2005 STC entered into a Build Operate Transfer agreement with BRAVO, a Saudi Arabian limited liability company, for 15 years to provide wireless communication services using iDEN technology operating on the SMR800 frequency band. BRAVO operated a Push to Talk mobile service in the Kingdom commercially since this year. In October 2013, STC signed a Settlement Agreement with Wataniya International FZ LLC and Al Wataniya Gulf Telecommunications Company Holding Company to acquire full ownership of BRAVO. STC, Annual Report 2013, p. 83; Saudi Gazette, 3 November 2013).

STC agreed with AT&T, Navlink, an AT&T affiliated company, and Qatar Telecom (Qtel) to establish an international center for MPLS in Saudi Arabia, connecting STC national MPLS network to the AT&T network – considered one of the strongest data transmission networks in the world[13]. This will enabled STC customers in the business sector to reach their branches in more than 150 countries and international companies to communicate with their branches in the Kingdom (Saudi Telecom Co, Annual reports, 2006, p. 35; Telecompaper, 7 February 2005). STC agreed with telecommunications companies in the MENA region (Qatar, Sudan, Jordan, Bahrain, and Ethiopia) the provision of international capacities services via submarine cable and terrestrial links to neighboring countries (STC, Annual Report 2007, pp. 40-41).

STC signed an initial agreement with Oger Telecom for the purchase of an interest in this company (STC, Annual Report 2007, p. 91). Oger Telecom almost exclusive owner of Ojer Telekomünikasyon A.Ş. owned 55% of Türk Telekom's shares (Türk Telekom, 2008 Annual Report, pp. 3 and 60).

STC arranged with numerous international leaders in major countries - the US AT&T and Verizon, the UK's BT and France's Orange - to set up international multi-protocol service switching centres. The company succeeded in increasing the number of MPLS carrying international traffic movement and operating in international exchanges to more than 160,000 international circuits (STC Annual Report, 2009, p. 34).

STC enhanced its roaming agreements with more than 195 roaming services; whether post-paid, prepaid, data, 3G, MMS, or video calling. As such, roaming services offered are 987 services in total, with more than 428 operators in 164 countries. Total number of roaming services agreements reached 1,400 in 2009 (STC Annual Report, 2008, p. 26 and 2009, p. 31).

After the acquisition in December 2007 of 26% of VIVA – Kuwaiti Telecom Company K.L.L, totaling KD 50 million, more than 420 international roaming agreements were signed by STC (Annual Report 2010, p. 20; Smayra et al., 2017, p. 6). STC reached 100% of the shares of VIVA in Bahrain and also acquired 51.84% of VIVA in Kuwait (Alshammari 2022, p. 46).

STC arranged with numerous international leaders in major countries - the US AT&T and Verizon, the UK's BT and France's Orange - to set up international multi-protocol service switching centres. The company succeeded in increasing the number of MPLS carrying international traffic movement and operating in international exchanges to more than 160,000 international circuits.STC entered in an agreement in the area of enterprise services with Bridge Alliance in The Kingdom of Saudi Arabia, Bahrain and Kuwait in 2018, which was extended to the year 2020 (Bridge Alliance, Press Releases, 27 October 2016).

STC signed Memorandum of Understanding with the global company Underwriters Laboratories (UL) to establish a Center of Excellence (CoE) to test various

[13]Qatar Telecom (Qtel) chose as the main strategic motivation for internationalisation the search for opportunities to develop markets and generate a higher return on investment. While Qtel pursued different entry strategies depending on the characteristics of the host country markets, the company preferred mergers and acquisitions to greenfield investments. Large inflows of highly paid expatriates and rapid industrial expansion together with the involvement of the Qatari government have played an active role in the rapid internationalization of Qatari firms: Al-Kaabi, Demirbag and Tatoglu, 2010.

products across the FTTH ecosystem (UL Press Release, March 12, 2019).

Saudi Arabia signed a strategic partnership with Greece to build a submarine Internet cable linking the two nations. The cable would be developed in partnership with the Saudi Telecom Company, the Greek Telecom Company, the General Energy Company in Greece, and the Cyprus Telecom Company (Data Centre Dynamics Ltd, July 27, 2022). The project backed Saudi Arabia's ambition to consolidate its position as a key global digital hub as well as to enhance the rapid maturity of the country's digital ecosystem (Simmons & Simmons, 6 September 2022).

Saudi Telecom Company signed a strategic alliance with Greek telecom operator TSSA in 2022. This project showcased 'its ambition to provide ever greater global connectivity between Asia, Europe and the rest of the world through Saudi Arabia, which is located at the geographic heart of these key economies' (Saudi Gazette, 27 July 2022; El Economista, 16 September 2023).

STC had a partnership with China's Alibab on cloud computing and data centres. Its goal was to provide analytics and data storage capacity as it moves into the world of quantum computing (Xinhua, 2022-05-24).

STC formed a strategic partnership with Diriyah Company to establish a smart infrastructure with integrated futuristic technologies (Economy Middle East, 11 October 2023).

Solutions by STC has formed a joint venture with the USA Nile, a leader in enterprise Network as a Service, to deliver secure network as a service to customers in Saudi Arabia and the Extended Region (Nile, 16 May 2023; Telecompaper, 6 March 2024)).

Consolidate International Leadership was one of the six central dimensions of new strategy launched in 2010. This strategy entitled "LEAD Strategy" was developed to focus its efforts on exploiting emerging opportunities while managing overall challenges. The rest were: Lead in Next-Generation Broadband, Differentiated Customer Experience, Invest in People Capital, Drive Financial Performance and Agility and Promote Leading Brand and Reputation (Al-Aali and Kamel, 2015, pp. 38-53).

PIF has made the decision to sell a portion of its shares in STC, representing 2% of the company's issued share capital, through an accelerated bookbuild offering to local and international institutional investors. PIF's remaining stake in STC equates to 62% of the company's issued share capital. This transaction is in line with PIF's strategy to recycle its capital and invest in emerging and promising sectors in the local economy Press Releases, 14 November 2024, Riyadh, KSA).

STC recognised the huge value of working with leading MNOs globally because these corporations are demanding seamless mobile solutions and services, under the shelter and hassle of dealing with multiple operators (Bridge Alliance, Press Releases, 27 October 2016).

Going to regions: Europe

Telecommunications services are characterised by their national structure, with noteworthy variations in national regulation, national competitors, national consumer habits/ preferences, national networks, and network structures. These factors hinder cost savings and revenue gains (Corporate Ratings, 2023).

In the second decade of the 21th century European telecoms companies have undoubtedly experienced a decline, leading to a fragmented sector with stagnant results and the obligation to invest in the network. The low-cost model and the emergence of 'big tech' have completely revolutionised a business that is no longer attractive to investors. (Cinco Días, 27 January 2025).

European authorities have proved unfriendly to cross-border transactions, however well-intentioned they might appear. There is, for example, the failed attempt by Mexico's América Móvil to acquire KPN in the Netherlands, even though the government was no longer a shareholder. In Austria, América Móvil had to sign a special shareholders' agreement with the Austrian government to become a majority shareholder of Telekom Austria (Corporate Ratings, 2023).

Gulf operators bet heavily on developing markets in the mid to late 2000s, acquiring licences and rival telecoms companies in a wide geographic area between sub-Saharan Africa and Southeast Asia. Following this, some former Gulf telecom monopolies began to buy minority stakes in established operators in Europe in search of lower-risk dividends (Arabian Gulf Business Insight, 8 September 2023).

As we have seen, Europe (Turkey) was the destiny of a network of business and investments in several countries along 2007-2008 that STC extended to the outside world. STC acquired 35% stake of the operator in Turkey and South Africa Oger Telecom for $2.56B (Light Reading January 21, 2008). Through Oger it had shares for 55% of Türk Telekom, owner of 81% of Avea, which was one of the three GSM operators in Turkey. Oger had further exposure to markets outside the Middle East, as it shown by a strong bidder in 2008 for the Slovenian fixed-line incumbent, Telekom Slovenije, and its talks with Vivendi, the owner of Maroc Telecom, over potential investments in the Middle East (Budapest Business Journal, 4 January 2008; Wall Street Journal, 14 September 2007). After acquiring a 50% stake, the Oger Group took full ownership of Inquam, owner of the Romanian mobile operator, Telemobil (S&P Global, 21 January 2008).

Since the announcement of Vision 2030 in 2016, key FDI indicators have shown significant improvement in Saudi Arabia. The data reflects that the National Investment Strategy consistently exceeded its targets in 2021-2023 (Saudi Gazette report, October 23, 2024).

Saudi Telecom Company and Vodafone Group Plc signed a Memorandum of Understanding in relation to a potential acquisition of Vodafone's 55% shareholding in Vodafone Egypt with a cash consideration of US$2,392m (€2,171m[3]) (Vodafone, 29 January 2020).

Saudi Telcom's first foray into Europe, negotiated through its ICT infrastructure division TAWAL, committed to maximise its core asset performance, came in April 2023, when it signed a 20-year deal with The United Group, a south-eastern European telecoms provider based in the Netherlands, to acquire 4,800 towers in three European Union member states: Bulgaria, Slovenia and Croatia. The deal, valued at EUR 1.22 billion, was intended to help the Saudi company expand its assets in international markets with strong growth potential. This strategy was aligned with the Saudi government's ambitions to reduce its dependence on oil exports, diversify its economy and modernise society through digitalization (The Institute for EU-Gulf Partnership, April 26, 2023; Brand Finance, Telecoms 150 2024 Report).

Middle Eastern companies have invested in European telecom operators in the last years. STC and United Arab Emirates enterprises have spent over 5 billion euros in four deals in Europe. PPF GROUP, United Arab Emirates-based telecoms group agreed to pay 2.2 billion euros ($2.4 billion) to buy a controlling stake in Czech PPF Group's telecom assets in Bulgaria, Hungary, Serbia and Slovakia.

United Arab Emirates increased its stake in Vodafone to 14% in February, from a 9.8% stake bought in May 2022 to "enhance and develop its international portfolio" (Reuters, 6 September 2023. Etisalat's entry into Vodafone, which is not the former monopoly in that country and did not pose a significant problem with the UK, took advantage of the onslaught of activist funds against management and the weakness of the former CEO.

AS a particular issue, STC Group created subsidiaries across Europe. The investment in low-growth European markets followed a similar strategy to UAE rival E&, formerly known as Etisalat (Arabian Gulf Business Insight, September 8, 2023).

It is significant that STC has carried out actions with European companies that were created after the major privatisations of the state monopolies but not with those directly resulting from those transactions, i.e. the giants Deutsche Telecom, France Telecom and Telecom Italia.

In general, the former monopolies have maintained a significant state shareholding that has served as a shield against hostile operations. In Deutsche Telekom since the mid-2000s, it has maintained around 30% - a direct position of 14% and 17.7% with the state-owned Kreditanstalt für Wiederaufbau bank[14]. While Germany's government has just reduced its overall stake in Deutsche Telekom to about 27.8% it reiterates that it intends to remain the largest shareholder in the Group (Telcotitans, 4 June 2024).

The privatisation of British Telecom in 1984 gave way to a complete exit from the state in the mid-1990s. Gradually, French billionaire Patrick Drahi (Altice) has increased his position to over 24% in April, forcing him to reiterate to the government that he has no intention of making a takeover bid for the operator (The Guardian, 23 may 2023). By another hand, the group is exposed to a potential takeover by Deutsche Telekom, which has a 12% stake.

In the French case, the privatisation resulted in the state retaining a significant stake in France Telecom, which it gradually reduced to around 23% of all shares in today's Orange. As in Germany, the relevant shareholding positions do not prevent the arrival of an unsolicited investor, but significantly complicate them.

In Telecom Italia (TIM), the state's position is smaller, with just under 10%, 14% less than Vivendi, the main partner. Despite the state presence, the KKR fund made a takeover bid several years ago, which was unsuccessful due, among other things, to the rejection of the state but also Vivendi itself. The Abu Dhabi Investment Authority *(*ADIA*)*, which controls almost $1 trillion in assets and one of the controlling investors of acquisition vehicle Optics Bidco, joined the KKR and Co.-led consortium acquiring Telecom Italia's landline network (Bloomberg, 7 November 2023). We have, therefore, a peculiarity of the case of the multinational Telefónica. There is only the so-called 'anti-opposition shield' and the 10% voting rights limit as safeguards.

The territory of a protagonist: The Iberian Peninsula

Germany and Spain were the main destinations for foreign acquisitions, grouping 19% (349 deals) and 17% (323 deals) of the total amount of deals in 2023, respectively. In 2023, manufacturing, with a 26% share of foreign

[14]T-Mobile's merger with Sprint in the US (29 April 2018) put 4.51% in the hands of Japanese tech giant Softbank: The New York Times, 29 April 2018.

acquisitions (496 transactions), surpassed ICT (23% share, or 428 deals) as the main sector of dealmaking activity. This is due to a continuous drop in foreign acquisitions in the ICT sector (-25%) in 2023, compared to 2022. The US remained at the top of the ranking of foreign investors in the EU27 in 2023, with 30% of all acquisitions and 36% of greenfield investments, despite a sharp year-on-year decline in 2023 in both the number of acquisitions and, above all, greenfield projects. Second in the ranking was the UK, with a quarter of all acquisitions in 2023 and just over a fifth of greenfield projects in the EU27 (European Commission, 2024, pp. 4-6).

International sovereign wealth funds have preferred investments in the technology sector with 66% of total investments in 2022, followed by real estate and industrials. However, they have started to invest in a more diversified way. These types of vehicles have become strong in Spain, where they have grown by 11% in 2022 (Capapé and Johnson, 2024; Crónica, 28 September 2023).

Middle Eastern investors have been taking stakes in Spanish companies for some time, as the stakes ownership of the United Arab Emirates' Mubadala sovereign wealth fund in gas pipeline operator Enagas and oil company Cepsa, while Qatar's QIA is a shareholder in Iberdrola.

The Gulf capital's interest in Telefónica dates back to at least 2011. Following a road show in the Middle East, the Spanish prime minister secured Qatar's commitment to invest around €3 billion. Qatar Holding expressed interest in buying a 5% stake in Telefónica, a package valued at around €4 billion. The then chairman of Telefónica, César Alierta, met with the CEO of Qatar Holding, Ahmad Mohamed Al-Sayed, as part of the meetings that the sovereign wealth fund executive held with the heads of large Spanish companies (Expansión, 17 March 2011).

At the end of 2014, Telefónica was considering allowing Qatar to become a shareholder in order to reduce its debt. Telefónica's main shareholders, La Caixa and BBVA, welcomed the Qatari investment. The plans came to a halt because the possible sale of O2 to British Telecom ultimately fell through. The sovereign wealth fund Qatar Investment Authority (QIA) also ruled out the investment because the terms of the deal offered by Telefónica did not meet its requirements. The financial operation was articulated in two phases, starting with the purchase of 3% of Telefónica's shares by the sovereign wealth fund QIA. QIA would then buy a further 7% of the capital through a bond issue convertible into shares. Alternatively, QIA could subscribe to the 6.5% capital increase that Telefónica may announce for the purchase of GVT in Brazil (El Correo del Golfo, 23 January 2015; Bloomberg, 21 January 2015)[15].

By that time, Telefónica was determined to mitigate its shortcomings. It was clear that collaboration with European counterparts was the best way forward. The Spanish operator agreed a commercial cooperation by 2013 and expanded it to create a compelling joint proposition to address the French Multinational market segment. The agreement was upgraded to the status of a joint venture under the name of Telefónica Global Solutions France to offer telecommunications services to multinationals in France (Bouygues Telecom, Press release, Paris, 4 March 2014; EFECOM, 3 June 2015)[16].

All in all, capital from the Middle East has been modest in Spain compared to other European countries. In fact, the Peninsula accounts for 4.7% of Middle Eastern investment in Europe over the period 2012-2023, with just over €18 billion invested. This is well behind the United Kingdom (27.3%) and Germany (21.2%), but above France (3.8%) and Italy (2.8%). Investment from the Middle East has been relatively erratic over the past decade, suggesting that it is of opportunistic nature in response to one-off opportunities, yet, at the same time, it is allocated to strategic and/or critical for states industries, in particular telecom service providers and 21% to energy companies. private equity investors (91 out of 232 deals originating in the Middle East) are the most active investors in the Peninsula, although the role of sovereign wealth funds is not negligible, participating in 48 of the 232 carried out in Spain between 2012 and 2023 (Hafied, 2023).

Saudi Arabia limits itself to being only an emerging player among Middle Eastern investors active in Spain, with only eight investments made in the peninsula in the period 2012-2023, compared to 114 for its Emirati neighbor (Hafied, 2023). Saudi capital's appetence for Spain did not begin with STC. In 2023, capital inflows from the Middle Eastern country in the first half of the year more than doubled that of 2022 and accounted for nearly 2% of the total, a first for the past decade (Crónica Global, 23 September 2023). The Emirati Etisalat (Emirates Telecommunications) bought 9.8% of Vodafone in 2022 and later increased its stake to 14.6% and occupied a seat on the teleco's board (BusinessInsider, 8 September 2023). The main market analysts consider this move similar to the entry of STC into Telefónica's shareholding (Forbes, 6 September 2023).

Saudi Telecom Company aimed to create an Iberian

[15]By 2017, the Qatar Investment Authority had invested 1% of the total $ 335 billion in assets around the globe in France Telecom: AALEP, 08 May 2017.

[16]Telefónica and Bouygues announced a strategic partnership by mid-2011: Mobile World Live, 11 July 2011. Bouygues Telecom created the first fixed - mobile convergence offer for businesses and the first unlimited 24/7 offer.

telecommunications alliance. At the beginning of 2023, in a gradual yet accelerated process, Saudi Telecom and Telefónica sealed a strategic partnership to work in fields such as cybersecurity and the metaverse for MENA region. In this way, stc Group joined Telefónica Partners Program to explore industry-wide projects and to exchange know-how in different areas (Telefónica, Press Release, 6 February 2023; Reuters, 8 September 2023).

A move for Altice Portugal broke down because of the discussions about the final price of the operation. After that, STC evaluated an acquisition of Vodafone Portugal (Data Centre Dynamics, July 15, 2024).

By another hand, STC is showing the interest in several entities: it has been a candidate to bid through Saudi PIF, Group for Spanish Cellnex's Austrian unit (Reuters, 25 April 2024).

Having analysed aspects of Saudi telecom's expansion in general, we now turn to a specific case.

Telefónica case

STC Group made a decisive move by acquiring shares in strategic assets. This is a clear indication of the confidence in Telefónica's ability to maintain its leading market position. STC chose first to enter Telefónica because it saw it as an already trusted partner –as we know- with whom it saw an opportunity to create value and grow (Zawya Newsletters, 28 November 2024).

STC Group acquired a 9.9% stake in Telefónica, S.A. for a total amount of 2.1 billion euros through the purchase of shares representing 4.9% of Telefónica's share capital and financial instruments giving economic exposure to a further 5.0% of Telefónica's share capital. The Saudi Group will obtain the voting rights corresponding to this 5.0% through the physical settlement of these financial instruments after obtaining the necessary regulatory approvals. STC Group does not intended to acquire control or a controlling interest in Telefónica (CNMV, Saudi Telecom Company, 5 September 2023).

The decision to increase its stake in Telefónica fits with its strategy to diversify its investments in high quality assets and strengthen its global digital presence. Strong infrastructure and telecommunications leadership in multiple markets make Telefónica an attractive opportunity (Telecoms Review, 29 November 2024).

The obstacles to the operation were significant. Both the European Union (https://www.coe-civ.eu/kh/communication-from-the-commission-on-the-eu-security-union-strategy-1) and the Spanish state consider telecommunications to be a strategic and key factor for security[17].

The applicable EU telecoms sector regulation dates back to the 1990s and aims to ensure price competition, but not to encourage all the necessary investments (Aldhawaihi, 2023).

Directive 2018/1972 of the European Parliament and of the Council of 11 December 2018 established the European Electronic Communications Code (OJ L 321, 17.12.2018, p. 36). This provision is to be replaced by Article 21(1) of Directive (EU) 2022/2555 (the 'NIS2 Directive') as from October 2024.

The EU enacted Regulation 2019/452 of the European Parliament and of the Council of 19 March 2019. This established a framework for the monitoring of foreign direct investment in the Union (OJ L 79I, 21.3.2019, pp. 1-14, https://eur-lex.europa.eu/eli/reg/2019/452/oj).

The FDI Screening Regulation (EU) 2019/452 welcomes foreign investment while protecting EU essential economic and security interests. Such investments include assets in strategic sectors, crucial for the security and resilience of the EU's economy, such as energy, communications, and defence.

The 2020 Guidance to Member States addressed the urgent need to screen foreign direct investment (FDI) in the context of the global pandemic. It highlighted the growing concern about foreign takeovers of European companies in critical sectors like technology and healthcare. The guidance called for the establishment and effective use of robust mechanisms for scrutinising FDI from third countries, particularly those with state-backed enterprises. It emphasised the need to fully consider the risks to critical health infrastructures and the supply of critical inputs.

The latest evaluations and assessment of the 2019 FDI Screening Regulation, performed by the European Commission, the European Court of Auditors, and the OECD, found good levels of relevance, EU added value and effectiveness, concluding that the FDI Screening Regulation has significantly helped Member States and the Commission to identify risky FDI transactions. The European Commission has presented in January 2024 a legislative proposal for the revision of the Regulation that makes it mandatory for all EU Member States to have a FDI screening mechanism in place (19 October 2023,

[17] STC accepted conditions – undisclosed by the players - that guarantee Telefónica's operational autonomy, safeguard the national interest in defence and critical infrastructure (Telecom, 29 November 2024). For Spanish public opinion, the investment of Saudi Arabia - a theocratic monarchy - in the economy is normalised by the presence of Saudi money in a sport par excellence in the country, football (Arab News, 5

European Parliamentary Research Service, PE 762.844 – July 2024).

At the nation level, the Spanish government considers Telefónica as a key player obviously in the area of telecommunications but also in technology which is related to defense. Consequently the government would "apply existing legislation in the view to ensuring the protection of the strategic interest of Spain" in the words of the Spain's acting Economy minister Nadia Calviño.

A MEP from The Left group raised concerns about the acquisition by the majority state-owned STC Group of a significant stake in Telefónica. Furthermore, he saw a potential threat to the EU's security and strategic independence as Saudi Arabia is considered an autocratic regime with a history of human rights violations. Another threat to EU security could also come in light of the critical technologies and infrastructure involved, and whether the Commission considered taking action to prevent the transaction[18].

In response to questions from the political opposition, European Commission Vice-President and Trade Commissioner Valdis Dombrovskis referred to the cooperation mechanism established by the FDI Screening Regulation for the assessment of potential security risks, which includes the screening of FDI in the telecommunications sector. He stated that the host Member State) is ultimately responsible for conditions or prohibit the investment if it considers that the specific FDI may affect security or public order in the country or in other Member States. In addition, the European Electronic Communications Code requires that "operators take appropriate technical and organisational measures to manage the risks to the security of networks and services". The European Commission refrained from comments on the Saudi group's entry into Telefónica in view of its obligation to ensure the confidentiality of information provided and pointed out that the decision was up to the government[19].

The sector interpreted STC's entry into Telefónica as a step by the Saudi group to position itself for upcoming shareholder movements in the European telecommunications and also as a platform for entry into Latin America (La Vanguardia, 29/11/2024).

STC Group's decision to expand its stake in Telefónica fits with its strategy to diversify investments in high-quality assets and strengthen its global digital presence. Telefónica's strong infrastructure and its leading telecommunications role in multiple markets as a global telecommunications provider in more than 14 countries, including key markets in Europe and Latin America, make it an attractive opportunity. The Spanish Government's approval reflects confidence in the STC Group's positive contribution to Telefónica's future (Telecom Review, November 29, 2024). By increasing its stake, STC Group became one of Telefónica's largest shareholders, enhancing its partnership with a major global telecom provider operating in over 14 countries, including key markets in Europe and Latin America (Telecom Review, November 29, 2024).

In response to STC's plan, Spain built a similar size stake in Telefónica via a government holding company. At the end of October 2023, the CNMV reported that Sociedad Estatal de Participaciones Industriales (SEPI) had been monitoring the situation of the company and was carrying out an internal exploratory analysis regarding a possible acquisition of a shareholding in the company (Inside Information, Madrid, 30/10/2023). At the end of this year, SEPI agreed to acquire a percentage of Telefónica's share capital (CNMV, 25,893, 19/12/2023).

At the end of May 2024, SEPI acquired a total of 567,016,155 shares, to which it added 541 shares which it already held in its portfolio, thus reaching 10% of the share capital of Telefónica S.A.[20] With this completion of the purchase operation ordered by the Council of Ministers, SEPI's participation provided Telefónica with a greater shareholding stability for the achievement of its goals and contributed to the protection of its strategic capabilities (SEPI, 20 May 2024)[21]. Finally, the Spanish government granted approval for Saudi Arabia's STC Group to buy

[18]Question for written answer E-002634/23 to the Commission Manu Pineda (The Left), 13 September 2023. A written question in the Congress of Deputies (684/012202, XV, 34232) on the supervisory mechanisms in place to monitor STC's strategic moves within Telefónica's Board of Directors remained unanswered.

[19]Answer given by Executive Vice-President Valdis Dombrovskis on behalf of the European Commission, 19 October 2023

[20]The Treasury transferred 500 million to SEPI for its entry into Telefónica.

[21]The council of economists blamed STC's entry into Telefónica on weaknesses in regulation (El País, 2023 November 14). For others, the investment exemplifies interest in depressed European telecoms valuations by foreign investors: Forbes, 6 September 2023. Telefónica shares fell by more than half since the end of 2018. However, its price-earnings ratio indicated that 'for STC it will provide a good dividend yield' (Bahrain Sico Investment Bank): Arabian Gulf Business Insight, 8 September 2023. Brief note on State intervention without any reference to the entry of STC: El Arnouki Lahrach, 2024. SEPI has decided to shore up the control it exercises over its minority interests. To this end, it has created a new directorate, called Dirección de Participadas Minoritarias, which will also take charge of the capital markets and the analysis and study of possible new investments by the state-owned company. The reorganisation of SEPI's structure also contemplates changes at the corporate and strategic levels: Expansión, 14 January 2025.

almost 10 per cent of Telefónica and appoint a board member, more than a year after the company moved to take the stake in the telecoms group (The Financial Times, November 28 2024). This transaction was hushed up in the utmost secrecy, certified even with the codename 'Saturn'[22]-, most likely advised by the failure of previous experiences such as the Qatar, and can be reconstructed from well informed sources collected by Reuters (8 September 2023) and several newspapers. The deal took the Spanish government and Telefónica itself, whose chief executive was away in Silicon Valley, by surprise (Computerworld, 8 September 2023). Already since 2021, the Public Investment Fund had been bolstered by selling a 2 per cent stake in Saudi Telecom on the Saudi stock exchange and raising $3.2 billion, the latest step in its efforts to raise cash to support its spending plans (Bloomberg, 13 November 2024).

Confidentiality was key because Saudi Telecom suspected that other sovereign wealth funds[23], telecoms and private equity giants were plotting a similar deal and could beat them to them. STC began to prepare for the 9.9% stake in early 2023 by commissioning Morgan Stanley to acquire the company's shares in the market behind the back of Telefónica's board, with the aim of reaching 9.9%. By May, STC had hired other advisors, including law firms Linklaters together with Allen & Overy, with a brand-new office in Riyadh and began buying Telefónica shares on the market[24]. Morgan Stanley acted as an 'intermediary' in the purchase of STC shares, acquiring the package of more than 569 million shares in the telecom company through a financial derivative called put/call. The agency used various subsidiaries and vehicles to acquire these shares in small packages and through investment banks. The volume traded in Telefónica experienced an unprecedented rise, doubling in a short period of time. Surprisingly, no one was suspicious of this move (Cinco Días, 7 September 2023)[25].

When the stake approached 3%, STC stopped buying shares to avoid having to make an official market disclosure. STC tried to keep the stake under wraps until it could buy at least 9.9% of Telefónica. STC hit that target, after acquiring an additional 2% stake from undisclosed investors. The balance, 5%, consisted of derivatives arranged by Morgan Stanley, and was pending regulatory approval by the Spanish government. Green Bridge Investment Company (Luxco), owned by STC, through its general partner, Green Bridge Management SARL, acquired 4.9% of Telefónica's shares and entered into a sale and purchase agreement for 5% of the operator's shares (Forbes, 8 September 2023).

STC confirmed the involvement of STC's chief investment officer, Motaz Al Angari, formerly a banker at Morgan Stanley, one person with knowledge of the situation. Officials for STC, Morgan Stanley and Linklaters declined to comment. Telefónica admitted the fact, stating that it was looking for potential investors, not only in the Middle East, but worldwide. As a highly significant aspect, the internationalisation of STC through its entry into Telefonica has led to changes in the market structure of the penetrated company and is inducing leadership overhaul, including taking over from the top executive[26]. These moves reopen

[22]The Royal Household reported that King Felipe VI had no knowledge of the purchase of a package of Telefónica shares by Saudi Telecom (El Periódico, 7 September 2023). Doubts remain as to whether the same can be said of the king emeritus, who has close ties to Saudi Arabian tycoons. The transaction also escaped Criteria-CaixaBank and BBVA, Telefónica's main national shareholders: Expansión, 6 September 2023. Presumably, Telefónica would have been aware of the deal if Morgan Stanley had not previously stopped advising the Spanish company.

[23]Those of Qatar and Abu Dhabi, for example.

[24]Morgan Stanley had stated a strategy of deploying comprehensive resources to the Middle East and North Africa region: Morgan Stanley, 15 February 2006. Information sources speak of dozens of advisors: Dinero, 27 September 2024.

[25]JPMorgan's playfulness with STC has not prevented Telefónica from hiring the services of the latter to evaluate the possible sale of its business in Argentina, one of the potential divestments in Latin America, along with Peru and Colombia (Expansión, 29 January 2025) and now together with law firm White&Case in Mexico (Cinco Días, 14 February 2025; El Economista, February 2025). National entrepreneurs (Grupo Werthein, owner of DirectTV Latin America, Grupo Olmos, owner of Crónica TV and Bae Negocios, Clarín, main shareholder of Telecom Argentina) and foreigners (the Mexican Carlos Slim, owner of América Móvil, the French telecommunications company Illiad, and the American Liberty Global, Telefónica's partner in Virgin Media O2, the subsidiary they share in the UK) are competing for Telefónica Argentina (Forbes, 13 February 2025). Telefónica del Perú has entered insolvency proceedings to tackle its crisis (El Economista, 14 February 2025).

[26]The SEPI has studied all of Telefónica's businesses and activities over the last few months with the aim of gaining precise knowledge of the group's accounting situation. This detailed analysis revealed the crisis at Telefónica Hispam, especially in Peru, and influenced the departure of José María Álvarez-Pallete from the presidency of Telefónica (El Economista, 22 January 2025) and its replacement by the British-Spanish engineer Marc Murtra, branded as a business solver by the Financial Times (30 January 2025). The poor performance of the Latin American market advised Telefónica to group these problematic assets in Telefónica Hispam and to prefer to sell them, as set out in the strategic plan announced in November 2019. Telefónica faces shortcomings of the legal-political environment (legal uncertainty, widespread political instability) and market problems (chronic currency volatility and hyper-competitive markets because of the entry in the last decade of new, hyper-aggressive competitors) (Expansión, 29 January 2025); the operator admits the existence of 'conversations with potential investors' in Peru (La República, 27 January 2025). By contrast, in Venezuela Telefónica has obtained spectrum to operate and announces the investment of 487 million in the next two years to expand its 4G coverage and start deploying the 5G network: Europa Press, 4 February 2025; Expansión, 4 February 2025; Cinco Días, 4 February 2025. By 2014, Telefónica's comprehensive commitment to the region was evident in the figures for fiscal contributions (€7.6 billion), direct employment (68,200 people) and locally sourced purchases (89%). was the largest investor in Latin America with a cumulative investment (direct + CapEx) of €130 billion in 2005-2015 (Linares, 2015. pp. 10-11).

the 'national champions' policy and old concentration projects in the telecommunications sector through the union of Telefónica, satellite operator Hispasat and defence and security company Indra. The projects date back to February 2010 with a global agreement whereby Indra provided support for the management of Telefónica's IT applications and infrastructures worldwide (El Economista, 20 January 2025). Now Indra has bought 89.68% of Hispasat from Redeia for €725 million (El Diario 31 January 2025)[27].

This occurs in the context of in which the competitive landscape in Spain has turned upside down with the mega-merger between Orange Spain and the MASMOVIL Group and the subsequent creation of MasOrange, now the market leader in terms of customers (El Economista, 20 January 2025; TeleGeography, 11 April 2024). The European Commission gave this deal the green light at the beginning of 2024 (European Commission, 2024. With a major overhaul of its situation brought about by privatisation in the late 1990s, Telefónica has three majority shareholders holding around 10 % and two others with 5 %, while 60 % of the shareholding is made up of small investors. The Spanish financial entity La Caixa, through CriteriaCaixa and CaixaBank, is the main shareholder with 10.01 % after responding with an increase in its stake[28]. SEPI, a body under the Ministry of Finance that channels state investments in private companies, has a 10 % stake. STC has yet to finalise moves to reach 9.9 % of Telefónica. Finally, a Spanish bank - BBVA - holds 4.84 % and the investment company BlackRock has 4.29 %. The rest, 60.95 %, is divided among small shareholders (El Debate, 19 January 2025).

As for corporate adjustments, a change in Telefónica's executive chairmanship has just been completed (Comisión Nacional del Mercado de Valores, https://www.cnmv.es) activated by SEPI. Saudi Telecom has just inform the SEC that it now controls 9.97% of Telefónica and will ask to join the board (El País, 24 January 2025).

What about the future? Saudi Telecom will initially be a passive investor, but reserves the possibility of taking on a greater role in the future (El País, 24 January 2025). Luxco, the investor arm of STC, considers to engage "from time to time" in discussions with Telefónica about "potential business combinations and strategic alternatives, the business, operations, capital structure, governance, management [and] strategy" of the company, although it had no current plans to do so (Financial Times, 24 January 2025). The involvement of individual personalities, little studied, is not a minor issue. The former Telefónica executive José del Valle, now a member of STC Group as Chief Strategy Officer (STC, Annual report, 2020, p. 82) has played a key role in his landing at one of the national telecommunications flagships (FORBES, 7 September 2023).

Other news, not confirmed by the parties involved, such as the case of del Valle, should be greeted with greater reserve. Thus, another bridge may have been the former Telefónica executive Juan Manuel Velasco, director of the Spanish company Aiuken Security, responsible for building the largest cybersecurity centre in Arabia for STC Group. The construction of this SOC (Security Operations Center) began in 2017. It employs more than 500 engineers specialised in cybersecurity, who provide services to thousands of clients with different profiles in the MENA region (Vozpópuli, 8 September 2023). The same category of bridge in the STC's investment could be attributed to Javier de Paz, a member of the Board of Directors of Telefónica and a personal friend of the former president of the Spanish government José Luis Rodríguez Zapatero (El Debate, 8 September 2023).

Sebastián Albella, former president of the CNMV akin to the parliamentary right-wing, advised Saudi Arabia in the preparation of the Saturn operation. Albella held the position of State Lawyer at the Ministry of Economy in the 1980s. He entered the business law profession in 1994 as a partner at Ramón y Cajal and moved to Linklaters in 2006 (Vozpópuli, 9 September 2023). It is likely that some form of personal intermediation could have been carried out during the Business Forum on November 27th in Riyadh, organised by the Spain Chamber of Commerce, the Secretary of State for Trade, through ICEX Spain Export and Investment, and the Spanish Confederation of Business Organizations (CEOE). The organisers searched an opportunity to get to know first-hand about the business opportunities offered by the country, as well as to hold meetings with the members of the delegation[29].

In a bid to pare debt, Telefónica has sold swathes of telecoms infrastructure, and is set to present a new strategic plan on November 8 with a focus on growing free cash

[27]The Spanish government considers Telefónica as a potential consolidator that could acquire the heft to compete as a European champion: Financial Times, 30 January 2025. Indra's CEO rules out a takeover bid by Telefónica and the subsequent merger": El Confidencial, 3 February 2025.

[28]CriteriaCaixa reached a 5.01% stake in Telefónica in April 2024, which became 5.08% after the operator's capital reduction: Press release, 28 June 2024

[29]A reference character could be Jaime Montalvo, International Director of the Spain Chamber of Commerce. It must be said, however, that telecommunications were absent in the discussions panel (https://www.camara.es/sites/default/files/Draft%20Program%20KSA%20271124%20-%20v1%20(003).pdf). Significantly, these days the Spanish government gave the go-ahead to STC Group to raise its stake in Telefonica beyond 5% and reach 9.97.

flow. The deal should also be good for STC because it had an underutilised cash pile of $6 billion.

STC contacted the Spanish government to let them know about the stake and that they did not want to take control. The government was decided to apply all the means at its disposal in the interests of defending its strategic interests.

Conclusion

This article allows the linking of several overlooked debates, such as the protection of strategic companies, state intervention and national champions.

Several points are striking in what we have reported. The first concerns the identity of the protagonists: a majority publicly owned company in a country outside the world's major economies and a western multinational.

The available data, always insufficient for a fully satisfactory clarification, paint a picture of a complex case of internationalisation, ranging from foreign direct investment to agreements or the creation of various instruments.

They also show the changing direction of investment in global telecommunications. The multinational-local company investment has changed to one involving an emerging local leader as a multinational and its entry into a multinational.

Telefónica's role in the internationalisation of STC points not only to the strategy and achievements of the Saudi company but also to the importance of the specific situation of the multinational involved, in this case debt and exposure to external shocks.

STC's strategy of "capturing" the leader is expected to increase the channelling of financial resources and technological capabilities to the areas where the Telefónica entrant is established, while remaining a leader in ICT in the MENA region. This will undoubtedly have an impact on the global telecommunications balance. The accelerated internationalisation of STC involves the internationalisation of the shareholding of its counterpart Telefónica through the divestment of assets.

As a highly significant feature, the internationalisation of STC through its entry into STC has led to changes in the market structure of the penetrated company and is inducing corporate adjustments. The episode of the failed negotiations of Telefónica with Qatar for partnership, however minor, indicates that internationalisation processes are not linear but sometimes lead to dead ends. This urgent approach to a hot topic of current affairs has a corollary on the global telecommunications landscape. Telefónica is pursuing deals across Europe to make acquisitions that will make the Spanish telecoms group a counterweight to the US dominance of the technology industry (Jopson, 2025).

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