HOME COUNTRY INSTITUTIONS, LEGITIMACY AND LIABILITY OF FOREIGNNESS AMONG CHINESE HIGH-TECH MULTI-NATIONAL ENTERPRISES: THE MODERATING EFFECT OF TECHNOLOGY ASSET SEEKING MOTIVATION

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LIST OF ABBREVIATIONS

BRICS	Countries Namely Brazil, Russia, India, China, South Africa
CDBA	Cost of doing business overseas
CIFUS	Committee on Foreign Investment in the United States
CCPIT	China Council for Promotion of International Trade
CBA	Cross-border Acquisition
EMNE	Emerging Market Multinational Enterprises
EU	European Union
FDI	Foreign Direct Investment
FIRRMA	Foreign Investment Risk Review Modern Act
IB	International Business
LOF	Liability of Foreignness
M&A	Mergers & Acquisition
MNE	Multinational Enterprise
OECD	Organization for Economic Co-operation and Development
OFDI	Outward Foreign Direct Investment
OLI	Ownership, Location and Internalization framework
RBV	Resource-Based View
UNCTAD	United Nations Conference of Trade and Development
US	United States
USA	United States of America
WTO	World Trade Organization
VRIN	valuable, rare, inimitable, and non-substitutable

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INSTITUSI NEGARA ASAL, LEGITIMASI DAN LIABILITI ASING DI KALANGAN PERUSAHAAN MULTINASIONAL BERTEKNOLOGI TINGGI CHINA: KESAN MODERASI OLEH MOTIVASI MENGENALPASTI TEKNOLOGI ASET

ABSTRAK

Kajian ini menyelidik pengaruh institusi negara asal dan cabaran legitimasi terhadap liability of foreignness (LOF) dalam perusahaan multinasional berteknologi tinggi China (MNEs), dengan motivasi pencarian aset teknologi sebagai pemboleh ubah penyederhana. Berdasarkan teori institusi dan perspektif springboard, tiga mekanisme utama dianalisis: (1) sokongan institusi negara asal, (2) proses pemerolehan legitimasi, dan (3) strategi pencarian teknologi untuk mitigasi LOF. Data survei daripada 159 pengeluar berteknologi tinggi China dengan operasi luar negara dianalisis menggunakan Partial Least Squares Structural Equation Modeling (PLS-SEM). Hasil kajian menunjukkan: (1) sokongan institusi negara asal mengurangkan LOF secara signifikan, (2) legitimasi kognitif lebih berpengaruh berbanding legitimasi regulatif di pasaran sasaran, dan (3) motivasi pencarian aset teknologi melemahkan hubungan LOF-legitimasi. Implikasi kajian mencadangkan: (1) Pembuat dasar China perlu merangka program sokongan eksport khusus untuk MNEs berteknologi tinggi, (2) pengurusan syarikat harus mengutamakan kerjasama R&D tempatan bagi membina legitimasi kognitif, dan (3) pelabur perlu menilai kapasiti pemerolehan teknologi firma dalam penilaian risiko antarabangsa. Kajian ini menyumbang kepada teori EMNE dengan memperlihatkan perbezaan pola pengantarabangsaan berasaskan institusi berbanding MNEs tradisional, sekaligus

memberikan kerangka analisis untuk koevolusi institusi-syarikat di ekonomi baru muncul.

HOME COUNTRY INSTITUTIONS, LEGITIMACY AND LIABILITY OF FOREIGNNESS AMONG CHINESE HIGH-TECH MULTI-NATIONAL ENTERPRISES: THE MODERATING EFFECT OF TECHNOLOGY ASSET SEEKING MOTIVATION

ABSTRACT

This study examines how home country institutions and legitimacy challenges affect Chinese high-tech multinational enterprises' (MNEs) liability of foreignness (LOF), with technology asset-seeking motivation as a moderating factor. Drawing on institutional theory and the springboard perspective, we analyze three key mechanisms: (1) home country institutional support, (2) legitimacy acquisition processes, and (3) technology-seeking strategies that mitigate LOF. Using PLS-SEM analysis of survey data from 159 Chinese high-tech manufacturers with overseas operations, we identify three significant findings: First, strong home country institutional support reduces LOF. Second, cognitive legitimacy proves more impactful than regulative legitimacy in host markets Third, technology asset-seeking motivation weakens the LOF-legitimacy relationship. These findings advance EMNE theory by demonstrating how institution-led internationalization differs from traditional MNE patterns. Practically, we recommend that: (1) Chinese policymakers develop targeted export credit programs for high-tech MNEs, (2) corporate leaders prioritize local R&D partnerships to build cognitive legitimacy, and (3) investors evaluate firms' technology acquisition capabilities when assessing international expansion risks. The study provides a framework for analyzing institution-enterprise co-evolution in emerging markets.

CHAPTER 1

INTRODUCTION

1.1 Background of Study

Overseas markets are becoming more attractive to emerging market multinational enterprises (EMNEs) as they actively pursue markets and strategically valuable resources (Teece, 2025; Wang, Shi and Chen, 2024; Munjal, Bhasin, Nandrajog, Kundu, 2022). According to the Fortune Global ranking from 1995 to 2023, MNEs from emerging economies and BRICS countries (Brazil, Russia, India, China, South Africa) are on the rise. In 2023, there were 213 EMNEs, and 173 MNEs came from BRICS countries.

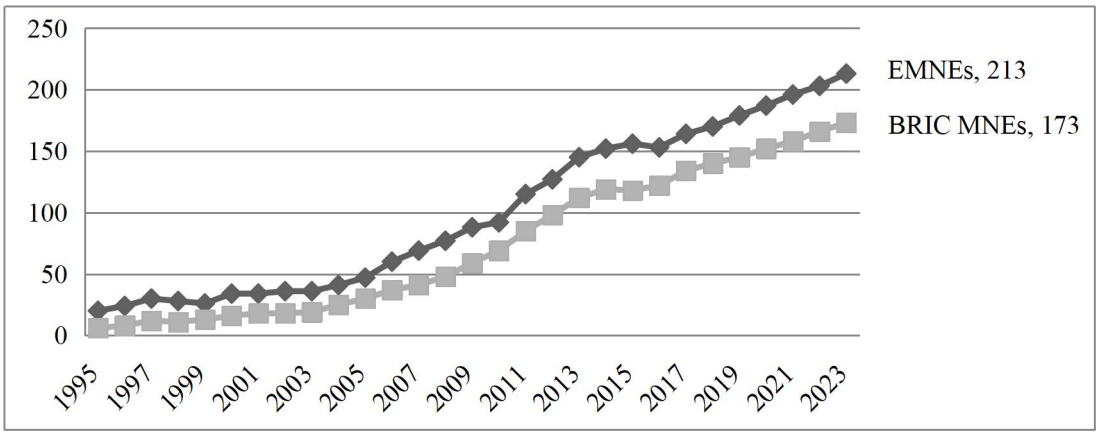

Figure 1.1 1995-2019 Emerging Market MNEs in Fortune Global 500

Source：Fortune Official Website (https://fortune.com/ranking/global500/)

There has been a notable and consistent rise in outward foreign direct investment (FDI) from emerging economies during 2003-2023 (Li, Gao and Song, 2023). Although developed MNEs still hold the largest share of global OFDI, their dominance has declined in a rapidly changing landscape, while EMNEs have gained the lost ground. According to the 2024 World Investment Report, in 2023, emerging markets accounted for more than half (56%) of global FDI outflows, a significant increase from 17% in 2005 and 5% in 1999, most of this investment was observed through cross-border mergers and acquisitions (cross-border M&As) (UNCTAD, 2024).

The accelerated expansion of EMNEs during their initial phases of internationalization, coupled with their significant reliance on M&As has posed challenges to conventional theories, e.g. Dunning's (1980) ownership, location, and internalization (OLI) framework, the Uppsala Model by Johanson and Vahlne (1990), etc, it has been suggested that the explanatory capacity of these theories may be limited when applied to EMNEs (Samant, Thakur-Wernz and Hatfield, 2023; Degbey, Eriksson and Rodgers, 2021). By delving into the specific context of EMNEs, an opportunity is present to assess current theories and enhance the understanding of worldwide trade and strategies. The increasing body of research on the international expansion of emerging market companies presents chances to broaden current Western-centric knowledge base (Du and Zhao, 2023; Lu, Ma and Xuanli, 2022).

1.2 Achievements and Barriers of Chinese MNEs Cross Border M&A

1.2.1 Achievements of Chinese MNEs

In 2002, after accession of WTO (World Trade Organization), the pace of investment has significantly accelerated (Jefferies, 2021). The amount of OFDI experienced a significant increase, rising from 2.85 billion US dollars in 2003, and reaching the third position globally, with a total of 878 billion US dollars by 2012 (Rehman and Noman, 2022). By the end of 2012, with the rapid development of cross border M&A investment, more and more local enterprises and private enterprises began to take the initiative to go globally. They established approximately 22,000 branches and corporations abroad in 179 countries and regions across the globe, and the assets held by their international ventures surpassed $2.3 trillion. Chinese MNEs represents new generation of late comer and have been called “Dragon multination” (Mattews, 2017). Since 2013, Chinese economy has been deeply integrated into the world economy. In 2015, the OFDI of China exceeded FDI for the first time (see figure 1.2). The overseas investment of Chinese multinational enterprises covered 18 industry categories of the national economy, including leasing, business services, finance, manufacturing, wholesale, retailing, and information transmission, scientific research, etc. By the end of 2016, the OFDI of China hit a record high of $196.15 billion, with a growth rate of 34.7%, ranking the second place in the world. By the end of 2018, there were more than 27,000 Chinese domestic investors in 188 countries (or regions).

Since the implementation of the "Go global" strategy in 2002, there has been a remarkable surge in China's overseas investments. This growth has been particularly accelerated following the implementation of the “Belt and Road” initiative. It is important to highlight that while Chinese companies have achieved significant advancements, they are also encountering numerous unprecedented challenges.

1.2.2 New Barriers in Chinese MNEs Cross Border M&As

In 2023, two cases related to Chinese companies attracted widespread attention. In March 2023, Shou Zi Chew, CEO of TikTok (owned by Chinese internet giant ByteDance), attended a hearing in the United States. He faced repeated questioning regarding the relationship between TikTok and its parent company, as well as potential Chinese influence on the platform. Concerns over TikTok's security and privacy prompted the U.S. government and some legislators to worry that it might be linked to the Chinese government and could potentially access user data and transmit it to Chinese authorities. Consequently, as TikTok's CEO, Chew was invited to testify at the hearing to explain and prove that TikTok had no association with the Chinese government, emphasizing the company's compliance with U.S. laws and regulations and its commitment to data privacy protection (Mozur and Mac, 2023). Chew sought to distance TikTok from China, highlighting his Singaporean heritage, education at a U.S. business school, and residence in Virginia. Coincidentally, in October, the European Union (EU) announced the formal initiation of an anti-subsidy investigation into Chinese-

imported green energy vehicles to determine whether to impose anti-dumping tariffs. In the first half of 2023, Chinese-imported green energy vehicles accounted for 11.2% of Germany's electric vehicle sales, with 91% of these vehicles originating from European brands owned by Chinese entities, such as MG and Volvo Polestar. The EU statement indicated that the investigation needs to clarify whether the value chain of Chinese green energy vehicles benefited from government "illicit subsidies" and whether such subsidies posed a threat to EU manufacturers of green energy vehicles. If substantiated, the EU might impose anti-subsidy tariffs on Chinese-imported electric vehicles, with rates potentially exceeding 10%.

In the past few years, there has been a growing sense of wariness towards foreign investment, especially in advanced economies (Bao,2023; Bauerle and Meunier, 2024). The trend of protectionism in global trade and investment is rising, while the scrutiny over foreign investment is increasingly emphasizing concerns related to national security. It is important to highlight that this tendency extends beyond conventional trade barriers (Sanskar, 2023). To safeguard national security, nations have adopted more stringent and varied limitations on overseas investment in essential technologies, cutting-edge innovations, and significant resources (Lei, Chen and Zhang, 2024). The scrutiny of foreign investments has been intensified, while the accessibility for investments in specific sectors or countries has been restricted.

According to an OECD report, as of 2022, governments worldwide had significantly expanded their scrutiny of foreign direct investment (FDI) on national security grounds. Between January 2019 and 2022, a total of 31 FDI screening policies were introduced or revised across OECD countries. Of these, 26 governments updated their frameworks in 2020, followed by additional revisions in 2021 and 2022. Figure 1.2 highlights that 2020 was a pivotal year, with most G20 nations strengthening their FDI screening mechanisms to address security risks. This trend builds on earlier reforms: since 2015, nearly all G20 members have enacted policy updates, reflecting a sustained global shift toward stricter investment oversight that began in early 2019.

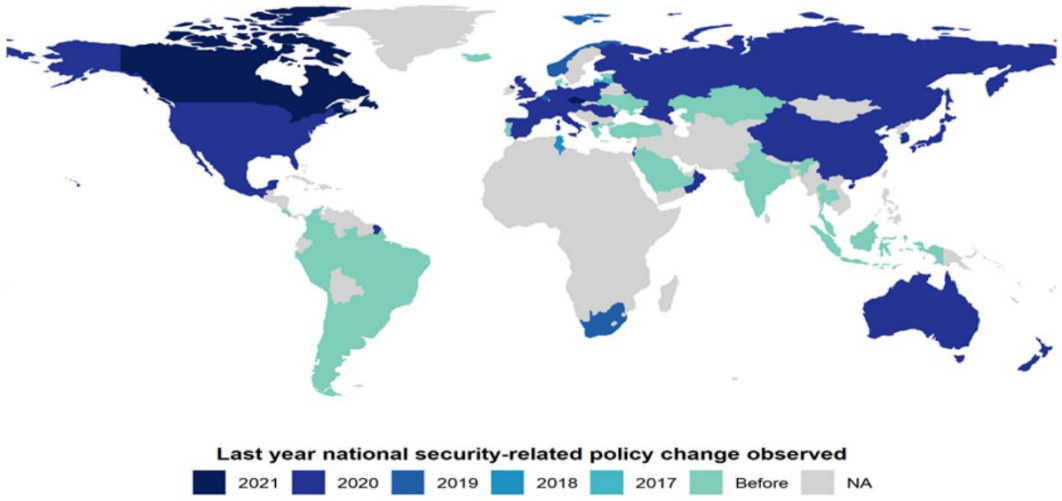

Figure 1.2 Major Economy Implement FDI Screening Policy Changes (As of 2022)
Source: OECD (2022)

In this context, there has been a notable limitation on the movement of international capital and innovation elements like fundamental technologies between emerging nations and certain developed countries (Autio, Mudambi and

Yoo, 2021; Neumeyer, Santos and Morris, 2020). Additionally, investments, mergers, and acquisitions from EMNEs have also been limited.

1.2.2(a) Foreign Investment Screening Laws

In November 2018, the Department of Commerce of United States officially launched the Foreign Investment Risk Review Modern Act (FIRRMA), which was fully implemented in March 2020. FIRRMA strengthens the national security review of United States, restrictive policies were set for sensitive technology and infrastructure acquisitions. According to recent analyses tracking bilateral investment trends, Chinese direct investment in the United States has remained at historically low levels since 2018. The Rhodium Group's 2023 report on Chinese foreign investment indicates that flows to the U.S. have failed to recover to pre-2018 levels, with 2022 figures showing only modest improvement before declining again in 2023. This sustained downturn reflects both ongoing regulatory scrutiny and broader geopolitical tensions that have reshaped cross-border investment patterns between the world's two largest economies.

Since 2017, CFIUS has strengthened restrictions on Chinese enterprises' investment and acquisition in artificial intelligence, information technology and other high-tech industries (Edna Aparecida, 2025). and has strictly scrutinized the investment and acquisition projects from Baidu, Alibaba, Tencent, Huawei and other Chinese enterprises in US. Notable cases that have been well-documented include Baidu's purchase of X-Perception, a computer vision company, Alibaba's

investment in Magic Leap, an augmented reality developer, Tencent's acquisition of Tesla's stake in autonomous vehicles, and Huawei's research collaboration with the University of California on artificial intelligence were withdrawn by CFIUS.

Since implementing its EU-wide FDI screening framework in 2019, the European Union has continued strengthening its review mechanisms, significantly impacting Chinese investment. By 2024, all 27 member states have active screening regimes, leading to heightened scrutiny of deals in critical infrastructure, advanced technology, and dual-use sectors. Chinese investment in the EU remains subdued, with 2023 flows down 60% from their 2016 peak, according to MERICS data. Recent cases—such as the 2023 blockage of a Chinese acquisition of Italian drone maker Alpi Aviation and extended reviews of EV battery investments in Hungary—highlight the stricter enforcement. Looking ahead to 2025, the EU plans to expand screening to biotech and quantum computing while tightening anti-circumvention measures against indirect investments. This evolving regime has reshaped China-EU investment patterns, favouring joint ventures over acquisitions and reinforcing Europe’s defensive stance on economic security.

Australia has significantly tightened foreign investment rules since 2015, when it expanded the Foreign Investment Review Board's powers. The creation of the Critical Infrastructure Centre in 2017 strengthened oversight of strategic assets like energy and telecoms. Recent reforms (2020-2024) introduced mandatory notifications for sensitive sectors and a national security test, slashing Chinese

investment by 47% from 2016 levels. Notable blocks include a 2023 rare earth mine acquisition, with further reforms expected in 2025 (Borst, 2025).

To sum up, since 2018, under the pretext of national security protection, many European countries and the United States have stepped up regulatory scrutiny of foreign investment in key strategic assets, infrastructure, high and new technologies and other fields, bringing resistance and uncertainty to Chinese MNEs. As of May 2023, Chinese enterprises are facing increasing difficulties in conducting cross-border mergers and acquisitions, especially in developed markets such as the United States and Europe. The year 2020 witnessed a significant decline in the value of overseas M&A deals by Chinese companies, reaching its lowest point. Additionally, the number of mergers and acquisitions also hit its lowest level.

Since 2018, Western nations have dramatically tightened foreign investment screening, severely limiting Chinese M&A in strategic sectors. Chinese overseas deal value in developed markets crashed to just $12.8B in 2023 - 82% below 2016 peaks - with blocked transactions now routine in tech and infrastructure (Rhodium Group's annual Chinese investment reports, 2024). New 2023-24 rules even restrict minority stakes, as seen in Germany's solar farm review and Italy's drone tech veto. This regulatory shift has effectively split global investment along geopolitical lines, pushing Chinese firms toward greenfield projects and emerging markets.

1.2.2(b) Unreliable Entity List and Military End User List

As mentioned above, Chinese multinational companies are young players on global stage, they are often labelled as bribery, money laundering, monopoly, data protection, financial fraud…by host countries (Statistical Bulletin of China, 2019). In this context, compliance risks of Chinese enterprises are high, and they are frequently sanctioned by host countries. For example, The US Department of Commerce publishes the Unreliable Entity List, as well as lists of other similar themes. Chinese companies are frequently sanctioned by these lists, for example, Huawei and ZTE Telecommunications Equipment are forbidden to purchase micro silicon chips and other high-tech electronic components from USA. Table 1.1 shows the sanctions imposed on Chinese entities by the end of 2023.

Table 1.1 Sanctions Imposed on Chinese Entities by The End of 2023

Country	Organization	Name of the Lists	Firms	Persons	Total
US	OFAC	SDN List	283	130	413
	BIS	Entity List	572	78	650
/	EU	Financial Sanction List	10	1	11
/	World Bank	Ineligible Firms and Persons	854	9	863

BIS: Bureau of Industry and Security of US commerce department
OFAC: Office of Foreign Assets Control of the US Department of the Treasury
SDN List: Specially Designated Nations and Blocked Persons List
Source: China OFDI Statistical Bulletin 2024, Ministry of Commerce

Likewise, Bureau of Industry and Security of the U.S. Department of Commerce published “The Military End-user List”, and the US Department of Defence (DOD) identifies 85 companies as "enterprises associated with the

Chinese military", as shown in Table 1.2. Being on the list means that the company's overseas activities are in some sense restricted.

According to the list, 165 subsidiaries or affiliates of Huawei in 26 countries have been included in the "Entity List", accounting for almost half of the whole "Entity List". Huawei's supply of software technology and silicon chips based on USA is forbidden. In addition, Chian Aerospace Science and Industry Corporation, Hikvision (Monitoring and face recognition), SMIC (Semiconductor Manufacturing International Corporation), China Ship Manufacturing Corporation and other companies are the focus of the list. These businesses have one thing in common: they are the recognized leader of China's high-tech manufacturing industry.

Table 1.2 Sanctions Imposed on Chinese Entities by The End of 2023

Publisher	**Year**	**Numbers**	**Enterprises Involved**
Military End User List	2023	89	Aerospace Enterprises, High-Tech Material Enterprises Research Institutions
Firms with Military Ties	2023	85	Aerospace Enterprises Shipbuilding Enterprises Weapon Manufacturing Enterprises Financial Statistics Enterprises Transportation Construction Enterprises Carrier Rocket Enterprises Micro-electronics Enterprises Network Communication Enterprises Electronic Information Enterprises

	Chemical Engineering Enterprises
	Computer Chip Enterprises
	Offshore Oil Enterprises
	Semiconductor Companies
	Mobile Phone Companies
	Aircraft Manufacturing Companies

Source: Office of the United States Trade Representative, U.S. Department of Defence website

Between 2021 and 2025, regulatory scrutiny led to several high-profile deal terminations. In 2021, CFIUS blocked a Chinese-backed group from acquiring a U.S. advanced sensor firm over national security fears. In 2023, the German government halted an Asian conglomerate's takeover of a German next-generation battery tech company to safeguard strategic technology. In 2024, CFIUS intervened to stop a Canadian-led consortium from buying a U.S. AI and autonomous systems firm. Early in 2025, the German government put on hold a deal between a French group and a German aerospace component maker, citing threats to technological sovereignty. These cases reflect tightened controls on cross - border acquisitions in sensitive sectors.

1.3 Behind the Barrier

The international expansion of Chinese multinational enterprises (MNEs), particularly in high-tech sectors, has encountered increasing resistance in developed economies (Witt et al., 2021). This phenomenon appears to stem from a complex interplay of factors that warrant closer examination. While China's economic rise and its potential to challenge US dominance have been widely

debated (Autio et al., 2021), the specific challenges faced by Chinese MNEs seem to reflect deeper structural issues beyond simple economic competition.

Media coverage and academic discourse frequently highlight the "fear" surrounding Chinese investments (Yang and Van Gorp, 2023; Zakaria, 2020), suggesting that host countries' reactions may be influenced by perceptions that go beyond purely economic considerations. The mixed reception of Chinese FDI - acknowledging its economic benefits while expressing strategic concerns (Tse & Tung, 2022), points to potential tensions between commercial objectives and geopolitical considerations.

A closer analysis suggests these challenges may be related to three interrelated factors that shape how Chinese MNEs are perceived abroad. First, the visible role of the Chinese government in supporting outward FDI through policy measures like "Made in China 2025" (Agarwala and Chaudhary, 2021) and financial incentives (OECD, 2023) appears to create unique legitimacy challenges for Chinese firms in foreign markets (De Beule & Zhang, 2022). This governmental involvement, while providing strategic support, may inadvertently contribute to perceptions that Chinese MNEs serve national objectives rather than purely commercial interests.

Meanwhile, the distinctive asset-seeking motivation of Chinese MNEs, particularly their focus on acquiring advanced technologies, seems to interact with these legitimacy challenges in ways that amplify host country concerns (Ascani

and Prenzel, 2023; Huang, Liang and Webber, 2024; Shi, Sutherland, Williams and Rong, 2021). The "springboard" approach to internationalization (Luo & Tung, 2018), while economically rational for latecomer firms, may be perceived differently when employed by companies seen as closely tied to their home government's strategic objectives.

Third, these factors appear to compound the inherent "liability of foreignness" that all multinationals face, potentially creating additional barriers for Chinese high-tech firms. The combination of visible state connections, strategic asset-seeking behaviour, and geopolitical tensions may help explain why Chinese MNEs face unique scrutiny in their cross-border M&A activities (Wu and Morschett, 2023; Sutherland, Anderson, Wu and Severe, 2024).

This study seeks to explore how these three factors - government-linked institutional support, technology asset-seeking motivations, and resulting legitimacy challenges, might collectively shape the international expansion difficulties faced by Chinese high-tech MNEs. By examining their interactions, we hope to better understand the dilemma Chinese firms encounter in global markets, especially in sensitive technology sectors where strategic and commercial considerations intersect.

1.4 Preliminary Study

To investigate the actual circumstances of Chinese MNEs in the high-tech sector conducting operations abroad, this study designed a small-scale questionnaire study. The questionnaire was administered to managers of companies with M&A projects abroad. There are 7 questions in the preliminary survey questionnaire, with 3 basic questions and 4 open-ended questions. First, the basic information of the respondents and the enterprises was investigated. Then whether the companies have encountered operational disadvantages overseas and the views of these managers were asked. The questionnaire was listed in Appendix A.

To make sure the respondents were carefully selected, the questionnaires were distributed through the MBA department of Sichuan University Business School through staff (Business and Economics Disciplines of Sichuan University ranks Top 150 in TIMES World Higher Education 2022 over nearly 800 top business schools worldwide), and the respondents were asked to have work experience of overseas investment or export business. 18 valid questionnaires were collected. The result of preliminary study is concluded in Appendix B.

Most of the respondents to this survey are senior managers or top-level managers of the company, who have sufficient knowledge of the operation of the company. According to their answers, most of the surveyed companies are from IT industry, biotechnology/medical industry, and green energy industry, which are

consistent with the foreign investment industries discussed above. Most of the investment destinations of these enterprises are developed countries, with the United States being the first investment target country, and other enterprises also invest in Singapore, Germany, India etc, basically in line with the current situation of Chinese enterprises' foreign investment.

When asked why to invest overseas, 33.3% of respondents believe that the purpose is to obtain the core technology, 22.2% of the enterprises go for the purposes of strategic asset through M&A, other enterprises are investments for the overseas markets and natural resources. And nearly 50% of the surveyed enterprises believe that they have encountered great disadvantages of foreignness in overseas markets. The two items seem to be related, but whether there is a correlation needs to be studied in formal investigations.

When asked about the potential challenges of doing business overseas, nearly a third of respondents said they worked for enterprises in the local image and influence is not high. 16.6% of respondents reported insufficient understanding. Other 16.6% of the respondents thought that the relationship with local stakeholders was difficult to handle. The rest of respondents met difficulties in obtaining capitals and globally competitive. It is important to note that when asked about the cause of enterprise current situation, 33.3% of respondents think enterprise current situation related to home country, even more than that of the host country of the respondents. This phenomenon deserves further exploration.

From the results of the survey, it can be inferred that Chinese companies have a strong aspiration to expand new market and wish to obtain high quality resources. Most entrepreneurs believe that they have encountered disadvantages and difficulties as foreigners overseas. However, the factors from the home country are generally considered by the surveyed firms to be related to the current difficulties faced by the firms. Therefore, this study will explore how Chinese multinational enterprises reduce the disadvantage of foreignness from the perspectives of home country factors and internationalization motivations.

1.5 Problem Statement

The liability of foreignness (LOF) faced by Chinese high-tech MNEs presents a critical paradox in international business research. While these firms have achieved remarkable technological advancements (as documented in Section 1.3's analysis of Huawei's 5G patents and BYD's EV innovations), their home country institutional ties simultaneously amplify legitimacy challenges in host markets. This study investigates how three interlocking problems specific to Chinese high-tech MNEs create unique LOF manifestations that differ fundamentally from both traditional MNEs and generic emerging market enterprises.

First, the institutional duality of Chinese government support generates conflicting outcomes. As Section 1.3 demonstrates through case studies of semiconductor and AI firms, while direct R&D subsidies enable technological

catch-up, they also trigger host country suspicions about unfair competition, evidenced by 127 anti-subsidy investigations against Chinese high-tech firms between 2018-2023 (MOFCOM, 2023). This institutional paradox remains under-theorized in current LOF frameworks, which predominantly examine developed market MNEs (Zaheer, 1995) or treat EMNEs as homogeneous (Sengupta, Kleindienst and Hutzschenreuter, 2023).

Second, the international expansion patterns of Chinese high-tech MNEs diverge significantly from those outlined in Section 1.2's general EMNE literature. Unlike typical EMNEs that initially target developing markets, Chinese tech leaders like DJI and SMIC have aggressively entered regulated developed markets while maintaining dense home country institutional linkages (Mirrlees, 2024; Atkinson, Atkinson, 2024). This creates novel legitimacy tensions that conventional internationalization theories cannot fully explain.

Third, China's unique developmental model combining state-led innovation policies with corporate technological prowess, produces distinctive LOF drivers. The Made in China 2025 initiative has fostered world-leading capabilities in 5G and renewable energy, yet simultaneously reinforced perceptions of technological nationalism (Gürcan and Donduran, 2024). This contradiction remains unexplored in institutional theory applications to LOF.

Fourth, post-pandemic geopolitics have uniquely impacted Chinese high-tech MNEs through what might be termed "techno-nationalist LOF." Recent

measures like the U.S. CHIPS Act (2022) and EU Critical Technology Reviews (2023) explicitly target Chinese tech firms, creating new institutional barriers that intersect with traditional LOF dimensions. These developments demand fresh theoretical frameworks to analyse how security concerns compound conventional foreignness liabilities.

This study addresses these gaps by examining: How do home country institutions shape LOF for Chinese high-tech MNEs? What role does host country legitimacy play in moderating these effects? How does technology asset-seeking motivation influence these relationships? The investigation builds on but substantially extends existing LOF theory by incorporating: 1) institutional duality perspectives, 2) technology legitimacy dimensions, and 3) geopolitically contingent LOF mechanisms - all specifically contextualized for Chinese high-tech firms.

1.6 Research Questions

RQ1: Does institutional support from the home country have a significant relationship with liability of foreignness among Chinese high-technology firms?

RQ2: Do institutional constraints in the home country have a significant relationship with liability of foreignness among Chinese high-technology firms?

RQ3: Does regulative legitimacy between home and host country have a significant relationship with liability of foreignness among Chinese high-technology firms?

RQ4: Does normative legitimacy between home and host country have a significant relationship with liability of foreignness among Chinese high-technology firms?

RQ5: Does cognitive legitimacy between home and host country have a significant relationship with liability of foreignness among Chinese high-technology firms?

RQ6: Does technology asset-seeking FDI motivation moderate the relationship between **institutional support** and liability of foreignness?

RQ7: Does technology asset-seeking FDI motivation moderate the relationship between **institutional constraints** and liability of foreignness?

RQ8: Does technology asset-seeking FDI motivation moderate the relationship between **regulative legitimacy** and liability of foreignness.

RQ9: Does technology asset-seeking FDI motivation moderate the relationship between **normative legitimacy** and liability of foreignness?

RQ10: Does technology asset-seeking FDI motivation moderate the relationship between **cognitive legitimacy** and liability of foreignness?

1.7 Research Objectives

The main aim of the research involves a series of interconnected and particularized objectives, which are outlined below:

RO1: To investigate the relationship between **institutional support** and liability of foreignness.

RO2: To investigate the relationship between **institutional constraints** and liability of foreignness.

RO3: To investigate the relationship between **regulative legitimacy** and liability of foreignness.

RO4: To investigate the relationship between **normative legitimacy** and liability of foreignness.

RO5: To investigate the relationship between **cognitive legitimacy** and liability of foreignness.

RO6: To investigate whether technology asset-seeking FDI motivation moderates the relationship between **institutional support** and liability of foreignness.

RO7: To investigate whether technology asset-seeking FDI motivation moderates the relationship between **institutional constraints** and liability of foreignness.

RO8: To investigate whether technology asset-seeking FDI motivation moderates the relationship between **regulative legitimacy** and liability of foreignness.

RO9: To investigate whether technology asset-seeking FDI motivation moderates the relationship between **normative legitimacy** and liability of foreignness.

RO10: To investigate whether technology asset-seeking FDI motivation moderates the relationship between **cognitive legitimacy** and liability of foreignness.

1.8 Significance of Research

The research will provide valuable insights to the field by investigating how home country institutions and the legitimacy of home country in host

countries influence the expansion of EMNEs. Considering the above discussion, this study holds significance from two different angles.

1.8.1 Theoretical Significance

Firstly, extensive discussions have taken place regarding the need for an expansion of current mainstream theories to comprehend the internationalization of EMNEs (Gammeltoft and Panibratov, 2024; Silva, Marcon, Parente and Gambirage, 2024; Szunomár, 2020). Teagarden, Glinow and Mellahi (2018) argue that it is crucial for international business research to give priority to investigating circumstances, aiming to strengthen the reliability and real-world relevance of studies. They advocate for further investigation into questioning and exploring the relevance of traditional western-developed international business models and theories. Therefore, given the restricted explanatory capacities of conventional theories in EMNE contexts, particularly Chinese MNEs, this study aims to provide a fresh perspective and theoretical extension by examining the behaviour of EMNEs with increasing globalization activities from them.

Secondly, it has been noted that mainstream perspectives on the internationalization of businesses tend to highlight its benefits, whereas emerging perspectives place greater emphasis on its disadvantages (Bıçakcıoğlu-Peynirci, 2023). The importance of the concept of foreignness in international business has been insufficiently addressed in the context of EMNEs (Lu et al., 2022). The challenges and extra costs related to foreignness vary depending on the specific

economic circumstances. Hence, there is a need to re-evaluate existing literature on the disadvantages faced by foreign firms and adapt conceptual models to suit diverse contexts (Kn and Kumar, 2025). Limited research explicitly addresses the liability of foreignness encountered by EMNEs during their global operations (An, Zagelmeyer and Rygh, 2022; Zhang, 2022; Nagre, 2023), most knowledge regarding this liability stems from studies conducted on MNEs from developed markets. Consequently, applying the conventional concept of LOF to EMNEs and their unique themes raises doubts since most studies fail to consider their specific context. Therefore, revising the concept of LOF is essential for better alignment with EMNE contexts and expanding mainstream theories accordingly.

1.8.2 Practical Significance

To begin with, the current body of research literature neglects the influence of home country institutions on firm internationalization, it mainly conceptualizes their role as the “institutional distance” or “cultural distance” between the home country and host country (e.g. Liu, Ye, Shafait and Jiang, 2023; Mohsin, Lei, Tushar, Hossain, Hossain and Sume, 2021). However, as research on MNEs in emerging economies like China deepens, some scholars argue that elements of the home country system play a crucial role in distinguishing them from those in developed countries (Pandey, Coninck and Sagar, 2022; Cui, Gao, Guo and Ma, 2022). Therefore, gaining a deeper understanding of Chinese enterprises' internationalization process requires greater focus on the institutional elements of their home country (Altamira, Fornes, Mendez, 2024). Moreover, it is important to