THE OUTWARD EXPANSION OF CHINESE AND INDIAN FIRMS:
A NEW CHALLENGE FOR EUROPE

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Figure 1. Chinese and Indian ODI as a share of GDP

Source: UNCTAD
Figure 2. Chinese & Indian ODI in Europe and the US

$ million

Source: OECD, Eurostat, US Bureau of Economic Analysis
Prominent sectors for Chinese & Indian ODI in Europe & the US

China
- Finance, petroleum
- Electronics, automobiles and white goods

India
- Metals, food & beverages, hotels, chemicals, motor vehicles, electronics, other manufacturing
- Pharmaceuticals, business process outsourcing, information technology
The internationalisation of Chinese & Indian firms

1. ODI as a reward for ownership advantages or intangible assets developed in the home market

2. ODI as a means of procuring intangible assets (technology, brand names, know-how) in foreign markets
Examples of technology sourcing strategies by Chinese & Indian firms in the US & Europe

**Brands**
- TCL: Thomson (RCA), Schneider, Alcatel
- Lenovo: IBM’s computer business
- Haier: Maytag (failed bid)
- Nanjing auto: Rover

**Technologies**
- Indian pharmaceutical companies

**Know-how**
- CIC: Blackstone
- CITIC: Bear Stearns
- China Development Bank: Barclays
Ownership advantages of Chinese & Indian firms

- Satisfying undifferentiated demand at lowest cost
- Overcoming regulatory hurdles, infrastructure bottlenecks, etc.
- Management techniques and production processes adapted to local conditions
Push factors behind Chinese & Indian ODI in Europe

1. Foreign exchange reserves
2. Corporate liquidity
3. Oligopolistic rivalry
4. Government support
The political reaction in Europe

1. State ownership or control
2. Technology leakages
3. Deindustrialisation
4. Reciprocity
Conclusion

• Boldness does not change everything: cross-border M&As have a high failure rate and mistakes can be costly.

• Emerging market ODI in Europe and European ODI in China and India are two sides of the same coin.

• As emerging markets grow in size relative to Europe, the incentive for European firms to trade a share of their ownership for access to the Chinese and Indian markets will increase.

• Europe has faced such challenges before. Then as now, European firms will emerge stronger from the experience, with improved prospects in the most promising markets.