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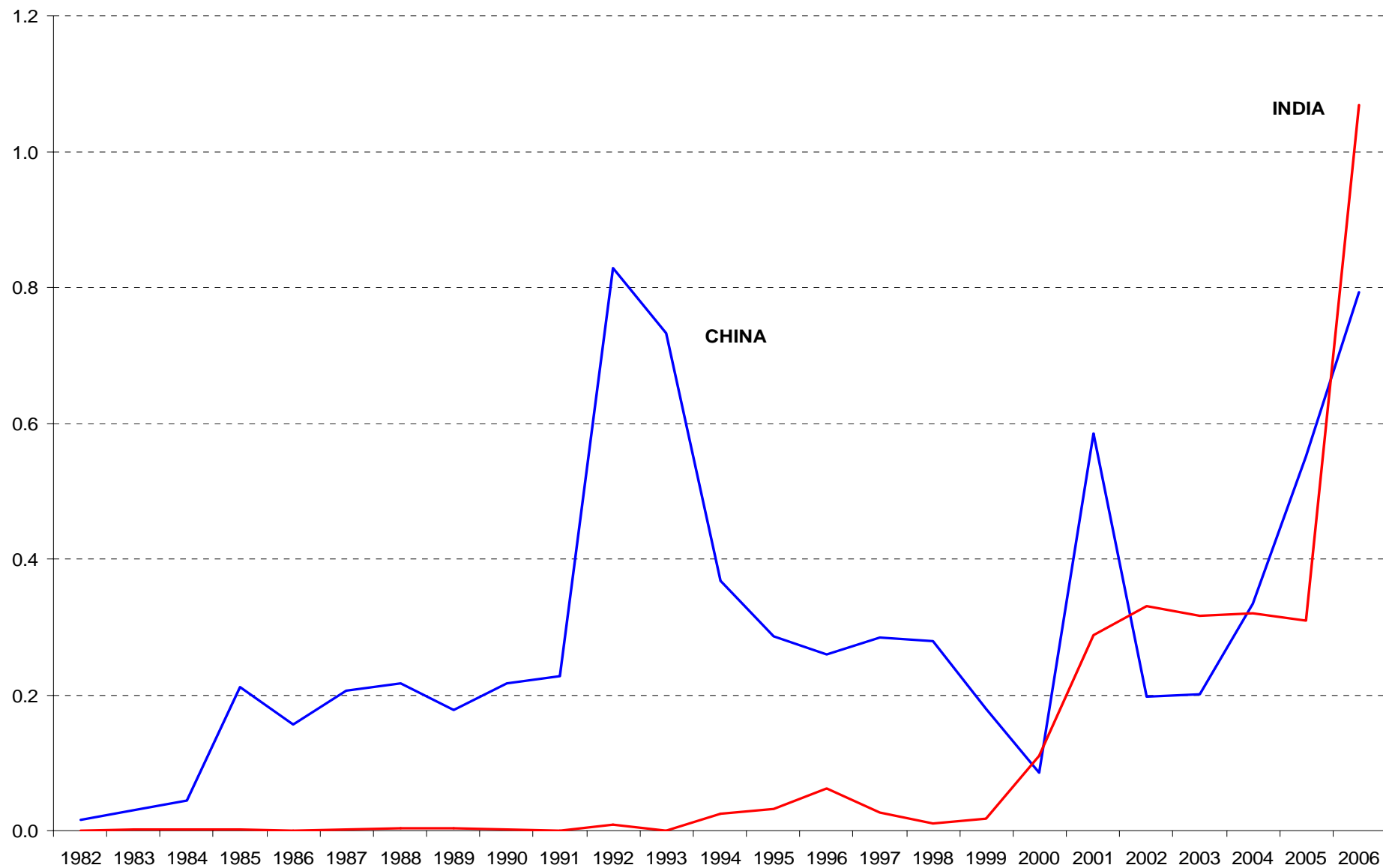
**THE OUTWARD EXPANSION OF CHINESE AND INDIAN FIRMS:
A NEW CHALLENGE FOR EUROPE**

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Paper prepared for the conference “Thrust and Parry in the Global Game:
Emerging Asian Corporate Giants and the World Economy”

Tokyo Club Foundation for Global Studies
Tokyo, 13-14 November 2007

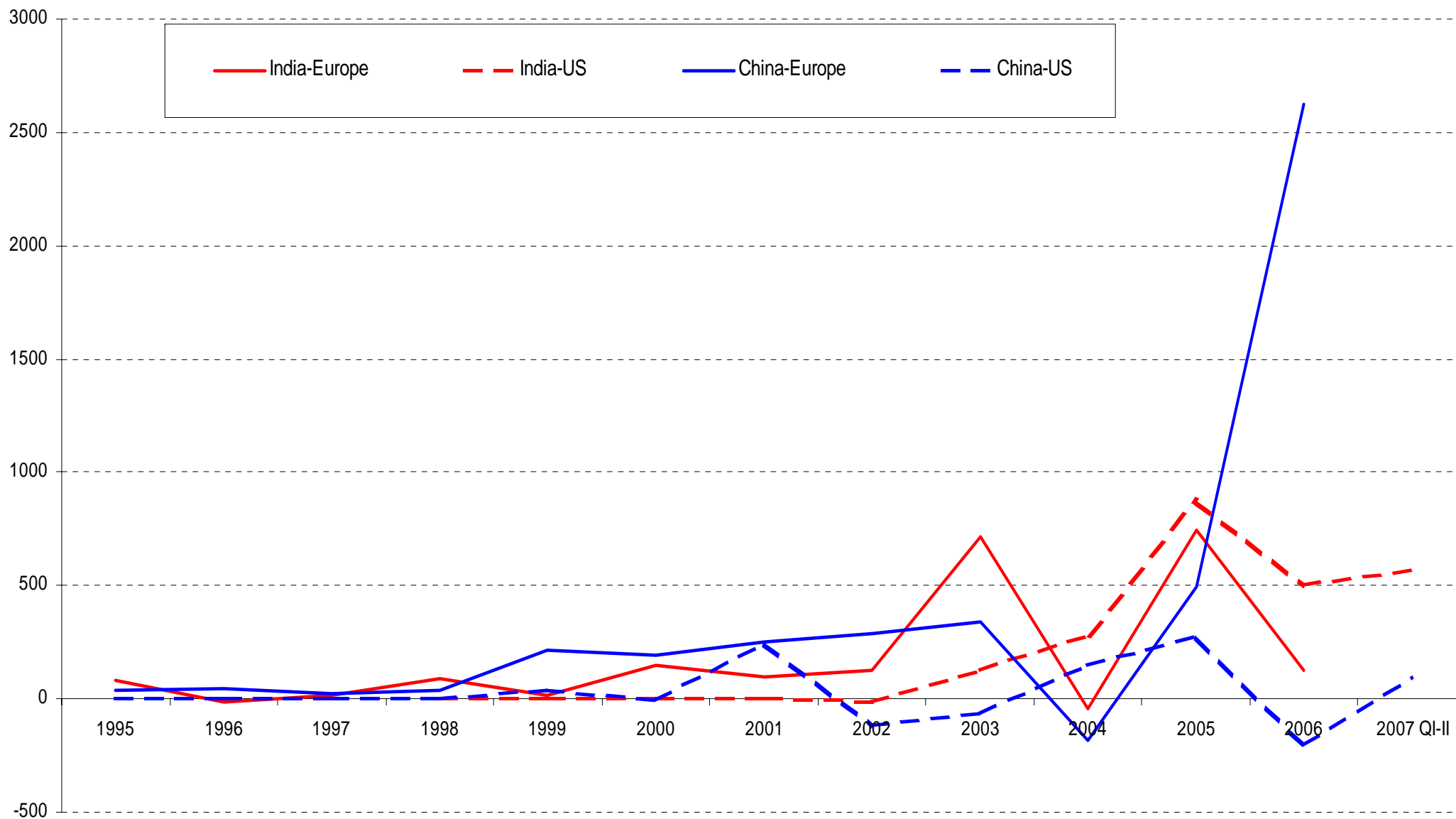
Figure 1. Chinese and Indian ODI as a share of GDP



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.