

Global Competition and Emerging Economies: The Growing Importance of Emerging-Market Firms in Global Value Chains

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BRIC Profiles (2012)

	USA	New Zealand	Brazil	China	India
Population (million)	317	4.4	201	1,343	1,220
Pop. Growth Rate	.90%	.85%	.86%	.48%	1.31%
Current GDP (US\$billion)	\$15,650	\$170	\$2,425	\$8,260	\$1,947
Real GDP (US\$billion)	\$15,650	\$134	\$2,362	\$12,380	\$4,784
GDP per capita (PPP)	\$49,800	\$30,200	\$12,000	\$9,100	\$3,900
Total R&D Expenditure (US\$billion)	419	7	25	123	14
R&D Expenditure as % of GDP	2.68%	1.21%	1.02%	1.49%	0.71%
GDP real growth rate	2.2%	2.5%	1.3%	7.8%	6.5%
Current account balance (US\$billion)	-\$488	-\$7	-\$65	\$214	-\$80

Sources: Compiled from U.S. Central Intelligence Agency, *The World Factbook* 2013, <https://www.cia.gov/library/publications/the-world-factbook/>, and Statistical Abstracts of the United States, 2013.

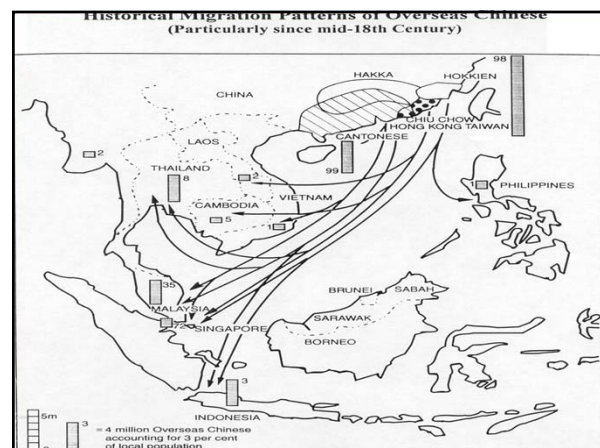
Increasingly Recognizable Corporate Names from China and India



Invisible or Under-Visible Corporate Names owned by Overseas Chinese



A Case in Point in History: China and Overseas Chinese



The empire overseas

	Chinese:		business output	
	population as % of total local population	m	as % of total local economy	GDP contribution \$bn
Hong Kong	98	6	80	120
Singapore	76	2	76	62
Taiwan	99	21	95	255
Malaysia	32	6	60	48
Indonesia	4	8	50	98
Philippines	1	1	40	30
Thailand	10	6	50	80
Vietnam	1	1	20	4
Total		51		697

Sources: EIU; Hellmut Schütte; Insead

Overseas Chinese families

	Base	Main company	Businesses
Cheng Yu-tung	Hong Kong	New World Development	Property, telecoms, infrastructure
Kwok Brothers	Hong Kong	Sun Hung Kai Properties	Property
Lee Shau Kee	Hong Kong	Henderson Land	Property, convention centres
Li Ka-shing	Hong Kong	Cheung Kong	Property, telecoms, ports, energy
Eka Tjipta Widjaja	Indonesia	Sinar Mas	Paper, timber, banking, food, chemicals, property
Liem Sioe Liong	Indonesia	Salim Group	Food, cement, property, consumer goods
Prajogo Pangestu	Indonesia	Barito	Timber, paper, cars
Lim Goh Tong	Malaysia	Genting	Casinos, mining, theme parks, hotels
Robert Kuok	Malaysia	Kerry	Sugar, property, media, hotels, drinks, food
Quek/Kwek family	Malaysia/Singapore	Hong Leong	Property, hotels, banking
Lucio Tan	Philippines	Fortune Tobacco	Brewing, tobacco, airlines, hotels, banking
Chang Yung-fa	Taiwan	Evergreen	Shipping, airlines
Tsai family	Taiwan	Cathay Life Insurance	Insurance, property
Yue-Che Wang	Taiwan	Formosa Plastics	PVC, petrochemicals, semiconductors
Sophonpanich family	Thailand	Bangkok Bank	Banking, insurance, stockbroking
Chearavanont family	Thailand	Charoen Pokphand	Agriculture, food, telecoms, aquaculture, property, beer
Lamsam family	Thailand	Thai Farmers Bank	Banking, trading, agribusiness, insurance

Sources: Forbes; Asiaweek; "Overseas Chinese Business Networks in Asia"

Building Blocks of EMC Competitive Advantage



Three "Generic" Strategies for EMCs

- **Cost Leadership** for Industrialized Country Markets (e.g., the U.S.)
- **Differentiation** for Emerging Markets
- **Become Long-Term Suppliers** for Established Multinationals as 2/3 of International Trade is Already Either Intra-Firm or on a Long-Term Contract

Sources: Aulakh, Preet S., Masaaki Kotabe, and Hildy Teegeen, "Export Strategies and Performance of Firms from Emerging Economies: Evidence from Latin America," *Academy of Management Journal*, 43 (3), 2000, 342-361; and Kotabe, Masaaki and Carlos Amado de Oliveira, "Supplying Multinational Organizations: Opportunities and Recommendations for Developing Country Enterprises," *Executive Forum on National Export Strategies*, UNCTAD, International Trade Center, 1999.

Lessons Learned from EMCs

- "Innovations" (a.k.a., "good ideas") from tough emerging market environments have a "niche" market in developed countries.
- Money can buy me love (The Beatles was wrong on that).
- Consciously trading up on the value chain
- Important role of invisible / under-visible overseas Chinese tycoons for business across Southeast Asia

Thank you.

Any Questions?

