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The Internationalization of Asian Firms in Europe Stake of Development and Strategy for Innovation

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Abstract:

Mittal hostile take over bid regarding the acquisition of Arcelor dating back to early 2006 was a certain surprise to the European industrialized nations. Despite the fact that we know today that Mittal is not an Indian firm, the question which arise is what is the stake of such strategies of internationalization of firms originating from Asian countries? The answer to this question comes from the fields of international trade & economics, law & politics and especially the focus of researchers on the problematic rise of foreign investment and its localisation.

The active rise of foreign investment in emerging countries is a topic which is very well studied in the empirical economic literature, but we notice that quite nothing exists for the opposite phenomenon, at the macro and even at the micro level. None of the recent studies regarding inward FDI in Europe coming from Asia until now exists, except our first work published in a Swiss Economic Review [Seethanen, 2009].

If the total outward investment from Asia are localising mainly in Asia itself, we know now that a dynamic exist in localising outward investment from Asia in western countries and particularly in Europe. However, this movement is less than 5% in total Asian outward FDI entering in Europe [World Investment Report, Unctad, 2009]. But, the difficulties regarding the strategies of Asian firms to invest in western countries is an interesting topic especially keeping in mind the economic stake in terms of innovation and the political aspect which may rise from such dynamics. Furthermore, recent research shows us [Unctad, 1999] that this movement is not after all not so recent. Started in earlier 90's, the ongoing foreign investment from Asia in western countries has been initiated for many reasons. The first two examples hereafter among others which I will develop in my article are firstly the fact that Asian firms like to obtain specific assets in technological change and in R&D sectors and secondly, there is an evident interest in entering in the well protected western market so as to by pass tariff and non tariff barriers (Europe and US mainly).

In this paper, we will analyse the determinants of Asian firms to invest in Europe, the choice of industries in which these firms are starting to localize in Europe and more particularly the questions which arise from implementing such strategies regarding the theory of internationalization of firms analyzed by Dunning [1988, 1998, 2002] and the recent aspects of the theory of international trade studied namely by S. Collinson & A. M. Rugman [2007]. We will conclude this article with some important questions concerning the field of law of international trade as discussed by our colleague J. Chaisse regarding the World Trade Organization Agreement [2009].

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