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**WHO'S AFRAID
OF COMPANIES FROM EMERGING COUNTRIES ?**

by

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des pays émergents ?*

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Overview

International business classifications are full of the names of new companies which will be making a name for themselves in the near future. The flow of investments from the southern hemisphere to the northern hemisphere is growing exponentially, and sometimes includes huge acquisitions (such as that of IBM by Lenovo, Corus by Tata Steel, and Inco by CVRD), with more spectacular ones yet to come. Who are these exceptional Chinese, Indian and Russian companies ? What makes them tick ? How do they grow ? What are their particular assets on which they depend for their growth ? What difficulties do they have to overcome in order to grow ? There are many crucial questions which need to be answered in order to understand tomorrow's economic world. Where do we in the West stand in all of this ? The emergence of these new 'champions' is inevitable in the medium term, and today we are experiencing a transitional period which requires OECD (Organisation of Economic Cooperation and Development) companies to reconsider the current situation. They have to learn to use these new ideas as assets. This would be possible if one moves quickly. One must also take a fresh look at what is happening in the public sector. What is the role of the public sector ? Should it protect our companies ? And if so, how ?

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TALK : Sébastien Dessillons and Thomas Maurisse

Sébastien Dessillons : When Mittal made its take-over bid for Arcelor, public opinion suddenly discovered that India and China were not only countries which subcontracted cheap products, but some companies in these countries managed colossal industrial empires capable of buying very old Western groups worth several tens of billions of Euros. How should one react to the arrival of these new powerful forces from emerging markets ? Paradoxically, the Mittal group is not very representative of these new industrial companies. Even though its capital is Indian, Mittal has hardly any assets in India, and its decision-making centres are based primarily in England and the Netherlands.

We shall begin our talk by discussing these emerging industrial powers.
(NB. 'Emerging markets' will be used to describe countries in a transitional phase between developing and developed world status, the prime examples being Brazil, Russia, India and China.)

The new powerful forces

Thomas Maurisse : We used two simple criteria to identify emerging market companies likely to invest in OECD countries : a turnover greater than one billion dollars, and more than 10 % of this turnover generated abroad. Using these criteria, we were able to identify about one hundred companies. The majority are capitalist, but there are also some state-funded firms and family-run businesses.

The vast majority of these companies (44 firms) are located in China. One example is CIMC (China International Marine Containers) whose turnover is 4 billion dollars and accounts for 50 % of the global container market. Next comes India with 21 companies including the conglomerate Tata which has more than 90 subsidiaries in many different sectors (steel, car manufacturing and tea, amongst others). Brazil has about 12 identified companies including the mining company CVRD (Companhia Vale do Rio Doce) which today is the world number three in the mining industry. In Mexico, we identified 6 companies, notably Cemex, the cement manufacturer, a family-run business which is in the process of becoming the world number one.

All these companies are developing increasingly quickly abroad. In 2000, they had carried out about fifteen mergers and acquisitions. By 2006, this number had increased to 73. These new companies are now becoming potential threats to Western companies.

A few examples in India

Sébastien Dessillons : India has a population of more than a billion whose average age is twenty-five. In the coming years, its active population will continue to grow in contrast to China where it is ageing. India's democratic government can be regarded as a sort of miracle in view of the fact that this country has 21 languages and 4 different alphabets. Economic reforms undertaken in the 1990s have been fruitful. Since 2003, like the Chinese, the population has been increasing by 10 % each year.

The Indian economy relies on a small number of industrial sectors. The first is the IT service sector. India was capable of adapting to the change which accompanied the technological revolution and of offering Western companies the relocation of some of their activities. At the beginning of the 1980s, Infosys started the business of 'offshoring', the relocation of computing services. The group, whose market capitalisation reached 30 billion dollars, has an annual growth of between 40 and 50 % of its turnover and employs between 15,000 and 20,000 people every year. Azim Premji, the president of Wipro Technologies, another important Indian group in the same sector, told us when we met him 'it is IBM which is

copying Infosys and Wipro today.' This demonstrates that the process has been reversed, and the winning business model is now initiated in India and later adopted by developed countries.

The second pillar of Indian capitalism is the manufacture of pharmaceuticals. Today, leading laboratories such as Ranbaxy or Dr Reddy's are important manufacturers of generic drugs and they are becoming increasingly valuable because they are innovative companies.

More recently, leaders in the industrial manufacturing sector have emerged in India. Bharat Forge, which makes car chassis, is the second largest forge company in the world after ThyssenKrupp. Mahindra and Tata Motors do not sell cars in Western countries, but their car sales in India and neighbouring countries are enormous.

These companies are managed by entrepreneurs who are ready to conquer the world. Anand Mahindra, the director of Mahindra & Mahindra, is a forty-year-old Harvard graduate who looks like a Bollywood film star and radiates confidence. The two Ambani brothers own a group generating a turnover of more than one billion dollars' from almost all the industrial sectors. Mukesh Ambani is a Stanford graduate and is known to be a first-class manager. The Indian press regularly writes about his ambition to buy groups such as Dow Chemicals and Carrefour.

Ratan N. Tata, the patriarchal figure of Indian capitalism, is the owner of a group which includes 92 subsidiaries throughout all industrial sectors. He orchestrated a successful take-over of Corus, the Anglo-Dutch steel producer, and of the English tea company, Tetley. This last purchase was sweet revenge on the former colonial power. In the 1990s, Suzlon, the textile company, was held back by frequent power cuts. Its founder, Tulsi Tanti, invested in two windmills linked to the manufacturing workshop. Fifteen years later, he bought the group REpower, the leading German windmill manufacturer which Areva had wanted to buy, for more than one billion dollars.

A few examples in China

Thomas Maurisse : Since 2000, growth in China has been exponential and its monetary reserves today exceed one thousand billion dollars. The telecommunications sector has 475 million subscribers already, with 5 million additional subscribers every month. One in eight subscribers in the world is a China Mobile client. China accounts for 50 % of the world cement market and its production capacity increases every year at the same rate as the United States. In terms of nuclear energy, China already possesses 10 GW and aims to reach 40 GW by 2020.

Chinese companies are essentially state-run. In non-strategic sectors, a string of companies concentrate on the domestic market and engage in fierce competition. There are about thirty manufacturers in the car sector. In such a fragmented and strongly competitive environment, the SASAC (State-Owned Assets Supervision and Administration Commission) identifies the best placed manufacturer in each sector which is likely to become tomorrow's leader and encourages this manufacturer to strengthen that sector. In the steel sector, for example, Baosteel, which produces 20 million tonnes of steel, looks set to acquire some of its Chinese rivals in the next two to three years and should then pose a competitive threat to the world leader Mittal which produces 100 million tonnes.

As well as the companies which are in the domestic markets, there are others which are gaining international recognition. This is in accordance with the wishes of the Chinese government which hopes to see the champions of national industry contribute to China's influence on the international stage. This is achieved by a very voluntary innovation policy : China is now the world number two in R&D (Research and Development) investments.

Let us take the example of Huawei, an important company in the telecommunications infrastructure, which was founded in 1989 by a communist party executive. Between 2006

and 2007, the group's turnover (using Chinese accountancy methods) was 8.2 billion dollars. It has an annual growth of 35 % since 2002, and it employs 44,000 people. 58 % of its profits are generated from abroad. With respect to its development, the group has benefited from the Chinese policy of encouraging the establishment of companies in 'special economic zones' such as Shenzhen, and from subsidies which help innovation. Today, Huawei has R&D centres in Bangalore, Stockholm, and the Silicon Valley. Its development partially relies on the currency exchange which this group represents in transactions between China and countries producing raw materials, with Huawei underwriting the construction of telecommunications infrastructures in return for guaranteed raw material supplies.

As opposed to Indian companies which are culturally very open to the international stage, Chinese entrepreneurs have a long way to go in the way in which they manage Western companies, starting with the way in which they buy companies which is often judged to be inefficient. They also have to learn to produce brands and to sell them effectively. At the present time, the Chinese do not know how to do this.

Common characteristics

The groups we have studied have common characteristics. Their development strategy is based on two methods.

Strengthening the domestic market

Their first aim in development consists of strengthening their domestic market. They benefit from their knowledge of this market and the capacity of local production in order to rival Western companies which have established themselves there and do not have the same advantages. For example, Haier, one of China's leaders in the manufacture of household appliances, observed that a number of washing machines were sent back to the manufacturer, and realised that many clients in the Chinese countryside used these machines for washing potatoes or fruit. The group produced a special model of washing machine capable of washing both laundry and food !

At the same time, these industrial groups take advantage of the presence in their countries of international competitors in order to benefit from imported technologies, and gradually become more valuable for investors.

Becoming global companies

The second aim of development consists of becoming global companies. The goal is threefold : to acquire a larger share of the market enabling them to stand up to competition in their own market ; to acquire new talents ; and to establish themselves on the world stage. For example, Russian companies are becoming more and more international in order to protect their assets from the risk of change in government which might result in the freezing of these assets.

Sometimes, the international development of these companies is the result of policies initiated by their own governments, such as the Chinese policy of 'Zouchuqu' ('Go abroad !'). Some fulfil their own ambitions to become or to go back to being important on the global stage. The president of Infosys explained that he disliked using the term 'emerging' for markets and preferred the term 're-emerging'. He explained that 'in the 18th century, China and India represented one third of the riches of the world !'

Concentric circles or targeted niches

The international development strategy of some companies follows the gradual progression through a series of concentric circles. Brazilian companies firstly enter Venezuelan, Colombian and Argentinean markets before proceeding to the next circle which includes

Mexico and North America. They then enter the circle which groups together Portuguese-speaking countries, such as Angola or Portugal, before reaching the final circle of European countries.

Others prefer very rapid expansion in a specific area of the value chain for which the company has developed strong talents. This is how CIMC and other Indian IT service companies have developed. They exported their model throughout the world and are now starting to make their mark in the value chain.

These two methods are essentially based on the acquisition of strategic assets with the aim to either secure access to raw materials or to acquire the means of production or technical and organisational know-how. An Indian company bought an English pharmaceutical laboratory in order to benefit from its legal competence and gain access to the standards of European products.

Common challenges

All these companies are faced with similar challenges. China, India and Brazil have all experienced very varied growth. This has created social tension which may upset their development models. Some companies have also suffered cycle reversals. Currently, many are experiencing very strong growth. How will they cope when growth diminishes? Their main difficulty is to know how to manage increasingly large companies and to integrate themselves successfully into the world economy. Not only will they have to be productive to achieve this, but they will have to become competitive in terms of staff management, financial transparency, legal know-how, and environmental performance.

Non-uniformity with Western companies

Sébastien Dessillons : What we have described is lasting and is structured. Over the long term and according to a thermodynamic model, contact between developed countries and emerging markets should result in the agreement of practices. The day will come when these two sets of countries will be on an equal footing. Before this happens, it is possible to distinguish four non-uniformities in this transitional phase.

Some companies cannot be taken over, especially public companies or family-run businesses. Others are in a monopoly situation or in a position where they dominate. The laws of competition are not respected everywhere, no more so than the rules of intellectual property. Others still attempt to conquer the world for non-economic reasons and in this case, Western companies, which function according to rational models, do not compete on equal terms.

The role of companies and the role of the State

This prompts a reaction from both the business world and the State, with regard to the means its employs and its specific objectives.

Reaction from business

Western companies have to be lucid. The positions they have acquired may be questioned in the coming years. Should they secure their capital? Are they not using up a great deal of energy by building Maginot lines? Would it not be preferable to look for new opportunities in these countries? Currently, the majority of our companies are still more powerful than those in the emerging markets and they still have the potential to buy growing companies and create partnerships to obtain part of the value which is created. However, companies in emerging markets still need to rely on Western companies in order to gain access to more innovative technologies, to build brand names and to increase their output.

In 2004, Louis Schweitzer only needed three months to negotiate a partnership between Mahindra and Renault for the manufacture of the Logan model in India. In April 2007, Carlos Ghosn celebrated the launch of this car. It is forecast that a new partnership will create a factory in Madras in 2009 uniting Nissan, Mahindra and Renault and producing 400,000 cars. This would be the largest factory in the Renault group. This joint venture has clearly precipitated Renault's arrival on the Indian market.

Reaction from the State

As far as States are concerned, should they try to safeguard their national businesses ? When Tata bought Corus, the English markets applauded because its effect was to multiply the share price by twenty or thirty. On the other hand, when the Chinese oil company CNOOC (China National Offshore Oil Corp) wanted buy the American oil company Unocal, US Congress rallied round and prevented the merger. On a group level, the attitude of the European Union is mixed. There is no 'national European feeling' and nothing will offset the forces of a market which is very open and liberal. The question of knowing whether one should keep a few decision-making centres in Europe is not handled on a European level.

We think that states have a very clear role to play. They have to encourage the emergence of global rules for good behaviour so that when these two worlds – the Western economy and the economy of emerging markets – meet, both will benefit. Companies have few levers in terms of legal or regulatory aspects such as the respect for intellectual property, the respect for the opening of markets and for competition or financial openness.

TALK : Erik Izraelewicz

I agree with the idea that the rise in power of industrial groups from emerging markets is a lasting phenomenon which gives structure. On the other hand, this change will probably be slower than the timescale you suggest and that I also had predicted until recently.

A few years ago, I met Chinese entrepreneurs and read experts' reports. I convinced myself that we would see important Chinese groups take large shares in Western groups very rapidly. I made the following prediction : 'In the next five years, at least one of the three groups – Fiat, Accor or Veolia – will have been bought by a Chinese group.' At that time, Fiat was having problems, Accor was in search of capital and Veolia had an increasing presence in China. The Chinese administration was actively mobilising itself to create world leaders. Today, I have to admit that I made a mistake : things did not move as quickly as I had predicted.

Two important handicaps

Large Chinese groups are considerably hindered in their attempts to expand their businesses in Western capitalist countries. I studied the buy-outs by Lenovo, Marionnaud and Conserves de Provence. They were all failures.

The first difficulty which Chinese groups encounter during buy-outs is the management of human resources. They do not know the rules governing social relations in the West. Conserves de Provence, a SME (small and medium-sized company) in the south of France which makes tomato concentrate, was bought by a Chinese group and changed its management team three times in two years despite having appointed a management team of young Chinese female graduates from Western universities. This team, however, was unable to bridge the gap between the culture of the Chinese group and that of the French company. The same was true of Marionnaud and Lenovo.

The second important difficulty is the brand, and, generally speaking, marketing. Chinese groups have no knowledge of marketing techniques used in the West.

India's advantages

I know the Chinese situation better than the Indian situation but I have the feeling that Indian groups will be more successful in expanding more rapidly abroad than Chinese groups.

Chinese companies are constructed differently to those in the West. Sometimes it is not known whether they are public or private and often they also are family-run. They all, however, function in the same way. They are very closely linked to the Party and the State and have developed within a system which is unlike anything which exists in the West. Indian companies, because of their history, culture and colonial heritage, are certainly much better equipped to launch themselves in the West. It is much easier for them to integrate into the global capitalist game.

Self-sufficient development ?

However, I would like to put forward a provocative hypothesis : do these emerging markets not run the risk of realising quite quickly that they can operate independently, without the Western world ? All the areas which are most economically dynamic in the world are situated today in these emerging markets. They have growth rates of between 8 and 10 % per year and seem to be immune from crises such as the subprime crisis. India and China together have 2.3 billion inhabitants and are currently trying to strengthen their ties on diplomatic, economic, commercial and monetary levels. Why should they make their lives difficult by buying companies in the West whose employees want a 35-hour week, whose only thought is for the coming week-end, and who have no desire to innovate ?

It is possible that rather than looking for technology, brands and distribution networks in the West, emerging industrial market groups will try to expand in Asia, Africa and Latin America. In other words, the growth phenomenon could take place and develop totally within the southern hemisphere, independent of the northern hemisphere.

Bulls in china shops

In any case, if you let a bull enter the world economy china shop and find its place there, then not only will the china shop have to be re-organised and new game rules invented, but it will also be necessary to educate the bull not to be too disruptive. But can one educate a bull ? The culture of these countries and especially China seems so different from ours that any attempt to establish common rules might well prove to be in vain.

TALK : Jean-Louis Beffa

The fall of the Berlin wall and the opening up of China to the market economy have put us in contact with a world where the labour force is both competent and very cheap. An Indian or Chinese worker earns 5 % of the salary of a French worker. A Polish worker earns 20 %. A Chinese researcher is paid four times less than a French researcher. These elements are clearly very helpful in order to structure the world economy in general and our companies in particular.

Another element which is still underestimated and is very topical is the price of energy. Between producer countries where energy costs virtually nothing and those where it can be extremely expensive, new phenomena of competition will develop which will be as crucial as those brought about by differences in salaries.

Current limits to action in China and India

The reason why China does not invest more abroad has been widely analysed. Its strategic priority is to strengthen its huge domestic market.

International development will follow once the domestic market has been reinforced. It is true that the Chinese, because of their culture, will have more difficulty than the Indians or the Mexicans integrating themselves into the global world of industrialised countries. However, China has the very clear ambition of re-establishing the power of the Middle Kingdom (the translation from Chinese of the word 'China') and putting an end to a period of two hundred years during which China did not dominate the world.

As far as India is concerned, its development is restricted by the weakness of its local infrastructure but this has encouraged its specialisation in software. For example, there is still no important motorway between Bangalore and Chennai, nor a world-class port anywhere in the country.

Converging strategies between States and companies

Emerging markets share a very striking, common characteristic : there is perfect conformity between the strategies of the State and those of the company.

For the past fifteen years I have had the privilege of knowing the Chinese minister in charge of the SASAC, Li Rongrong. His principle mission is both to further Chinese aviation and lead the Chinese nuclear reactor project successfully. The SASAC has 100 billion dollars at its disposal for this purpose.

The principal strategy of the Chinese and Indian governments consists of identifying and encouraging leading companies to create a guaranteed income which they can subsequently use to help their global expansion. The SASAC is not at all worried by the almost monopoly-like positions of some groups. It is not currently concerned with the idea that competition is either necessary or right.

The reaction of Western companies

There are a number of responses Western companies can make in reaction to the competition from emerging market companies.

The first which comes to mind is the technological reaction. Having a leading technology is challenging and may prove to be difficult to sustain in the long term.

The second is the capacity to bring about a regional solution when the transport costs for products become too expensive. The Saint-Gobain group, by the very nature of its profession, is capable of bringing about a regional solution. We make our own plaster slabs and isolating sheets in the same conditions as our competitors and we sell them within a radius of thirty to one hundred kilometres.

For global business as opposed to regional business, the solution lies in the ability to create geographically close ties with clients, using strategies of joint development, for example.

One can develop a market strategy equally well by profiting from the delay of some of these countries which have not yet developed this aspect. However, the lack of a brand strategy will not exist for very long in these countries. L'Oréal, for example, may well soon have a Chinese rival.

The reaction of Western states

OECD states have adopted different strategies.

Japan has very clearly chosen to act in its national interest and its response is coherent with this choice. It has decided to comprehensively protect its companies and has given absolute priority to technology in order to guarantee very solid positions. This strategy is the result of mature reflection by the State, and it conforms with the action of companies thereby making Japan very robust.

The Germans have just devised the concept of sovereign funds, and also have different means of protection, notably foundations which protect the essential sectors of German industry. When Siemens decided to sell its subsidiary of automobile equipment VDO, it was the German company Continental which bought it. There is implicit consensus between German companies and the State. It is a European version of the Japanese model.

Great Britain also adopted a very coherent attitude. It specialises in the financial sector and is therefore opposed to any protection given to companies : the less companies are protected, the more bankers profit.

One example of France's methods to protect companies' capital is the issue of subscription bonds for shares to prevent hostile LBOs against French companies, instigated by the former French Finance Minister Thierry Breton. This has to be ratified at the companies' general meetings. It is based on the idea of reciprocity, in other words, if a company launches an LBO on one's company, one will be capable of launching an LBO on this company also ! France does not possess a strategy as coherent as that of the other countries I have mentioned. The French population can only be really reassured with regard to globalisation when there is some sort of coherence between choices made by politicians and the way in which companies behave. Personally, I think that the best solution is a Franco-German complementarity. This presupposes recognising that a European Union with 27 member states is a market zone and cannot constitute a common political zone in order to answer this type of challenge.

The country which preoccupies me most is the United States. This country is the birthplace of software leaders in practically all the professions, and yet has a considerable industrial deficit and a huge dependence on imports. Is this situation tenable ? I think it can only be provisional and it will be undoubtedly difficult to rectify if the balance is disrupted. For the time being, the United States is in a paradoxical position of domination and dependence which bears some resemblance to China.

Inevitable conflicts

I do not support the idea that emerging markets and the West can develop alone, especially because the current state of the planet's growth will create worldwide competition for three essential resources, energy, raw materials and agricultural products.

I think that the prospect of strengthening rules of proper behaviour is unrealistic. The two policies which most characterise Europe are a total openness to trade embodied by the Commissioner Peter Mandelson, and absolute competition embodied by Neelie Kroes. These two positions, which are very important for us, totally contradict the practices of emerging markets. How should we avoid the ensuing variances ?

DISCUSSION

China : a victim of its own excess ?

Question : *I am surprised that none of the speakers has mentioned the widespread opinion which suggests that Chinese growth risks being curbed very strongly by various internal crises which it is going to encounter regarding politics, energy and the environment.*

Erik Izraelewicz : At the end of the 19th century, there were other equally insurmountable obstacles which were supposed to prevent the development of the United States, such as glaring inequalities, problems in energy supply, an inadequate electricity grid, and so on. I am very sceptic about the imminent catastrophe which has already been threatening China for twenty years. This country is quite simply going through the industrial revolution which the United States had one hundred years ago and Europe one hundred and fifty years ago. It is likely that it will encounter social conflicts because this is an inevitable 'rite of passage' for the construction of social legislation. I do not think that its current difficulties are likely to hinder such a strong movement.

Sébastien Dessillons : Chinese leaders have clearly weighed up the scale of the problems you mention. They incorporated the idea of 'harmonious growth' in their speeches and in their new Plan. With characteristic pragmatism, they understand that environmental problems might damage their development and so they will try to solve these problems.

Q. : *The Bank of China's chief economist recently explained that with above 9.5% growth, China was capable of managing all its domestic problems. Therefore, it will try to maintain this growth rate. China has also taken into account the strategic question of its supply of energy and raw materials. Its investments in Africa which are greater than those of Europe in 2005 and the United States in 2006, are intended to guarantee these supplies.*

A surprising administrative capacity

Jean-Louis Beffa : I am struck by the great administrative efficiency of the Chinese government which has proved to be surprisingly clear-sighted in its evaluation of the situation, visionary in its forecasts and rapid in the answers it proposes. It is also capable of identifying future leaders very early on, preparing their path to power by consensus for five years and then leaving them in place for ten years, like the current head of the SASAC.

Some commentators announced growing inequality between the coastal areas and the interior. As a result, the most talented governors were asked to develop these areas. There was talk of peasant revolts. Farmers have just benefited from an essential reform, the abolition of land tax. The financial system may appear fragile but a country which has such great reserves of currency and which does not depend on foreign countries, cannot really be in difficulty. The Chinese financial system is in the process of getting itself organised, and I do not doubt its capacity to become very strong and efficient and maybe even to compete with the City one day. Large cities were threatened with traffic jams and consequently underground train lines are being built at breakneck speed. Very strict standards are being put in place to lower pollution levels, and obsolete factories which are unable to follow environmental guidelines are being closed. Finally, China has just introduced a touch of democracy regarding its local elections : this is an encouraging first step in this area.

India's situation is very different. Since India is a democratic country, the inequalities are more easily accepted and as a result, the gap in wealth between the richest 10 % and the poorest 10 % is widening whereas it is decreasing in China.

When will there be democracy ?

Q. : *Listening to your talk, one gets the impression that the Chinese government is more efficient than the Indian government, but on the other hand, Indian companies are better suited to integrating themselves into the global game than Chinese companies. Is it not*

possible to conclude, therefore, that a government which is too powerful, even if it is very enlightened, is a handicap for the development of really international companies in the end ?

J.-L. B. : China is more efficient because power is centralised, but its method of government is hard. India progresses more slowly, but it is a more stable country because it is democratic. On the other hand, Indian society is profoundly unequal.

In China, the question of regime change will undoubtedly emerge the day economic growth slows down. However the current regime is without doubt more efficient and will take measures if it needs to. Brazil, Korea and Chile became democratic when their economic systems was reformed and restructured to such an extent that any step backwards would have been impossible. Having said this, China's current attitude seems more like a headlong rush : will China be capable of changing when the moment arises ?

E. I. : In 1950, the average Indian and Chinese standard of living was identical. Today, the Chinese standard of living is four times higher than that in India. The Chinese state system is unquestionably more efficient. When the Chinese public authorities decide to build a motorway, it gets built. In India, it is a great deal more unpredictable. Each state through which a motorway passes wants to impose its own building standards or the NGOs do not allow people to cross a particular zone, and so on. Indian efficiency tends to side with companies. However, there is one decisive item : international investment is ten times greater in China than in India.

J.-L. B. : One not must forget that, for the time being, Western companies generally do better in India than in China. It is very difficult to do business in China. If one can make money in China, one can make money anywhere in the world !

A little more symmetry

Q. : *Is there not a potential alliance to be made between the United States and Europe on the question of the opening up of Chinese capital ? China was not part of GATT (General Agreement on Tariffs and Trade) when the WTO (World Trade Organisation) was negotiated. When that took place, China represented 1 % of world trade. Today, China still has its status as a developing country whereas 300 million Chinese out of a total of 1.3 billion are already 'emerging' and capable of entering into direct competition with companies from more advanced countries. It is becoming urgent to make the situation a little more symmetrical.*

Four assets for France

Q. : *I am convinced that our Western companies will know exactly how to survive because of a knowledgeable mixture of regional politics, innovations policy, and brand strategy, and a dash of national protection. On the other hand, it might well be the case that Western companies continue their restructuring at an accelerated rate in these emerging markets in order to make the most of both their resources and their markets. The real question is not really to do with our companies which have undeniable assets, but our regions !*

J.-L. B. : I am very surprised that our politicians are not more concerned with identifying and promoting the comparative advantages of France in world competition. Instead of losing a great deal of money and energy in attempting to make Paris an important financial market, we ought to use the strategy which consists of recognising our strong points and strengthening them. France has four major assets ; the remains of important programmes instigated by Georges Pompidou (the nuclear industry, aeronautics, space and transport) ; luxury goods ; the food processing industry and tourism.

In Europe, and in France in particular, agricultural overproduction, which up until now has been seen as a burden, should be regarded as a cherished resource. It is regrettable that no strategy has been devised at the current time to make the most of this U-turn. Due to our policy of environmental protection, we also have an advantage in the form of our first-rate

tourism especially along our coastlines. We ought to organise ourselves right now to welcome rich Chinese tourists...

France's most important handicap is its permanent trade deficit but for once this is not by a devaluation or by a recession, probably because we are now closely tied to Germany and it is this country which 'pays' our deficit. In this new situation which relies on monetary unity, Germany will take on the role of the 'Industrial north' and we will play the 'Tourist South', similar to Italy.

Presentation of the speakers :

Jean-Louis Beffa : graduate of the École polytechnique, the École nationale supérieure du pétrole, and the Institut d'études politiques de Paris, and an engineering graduate of the École des Mines. He began his career in fuel management before starting in 1974 at Saint-Gobain where he was CEO from 1989 to 2007, having been managing director since March 1982. He is also an administrator of the Banque Nationale de Paris and is currently president of the Saint-Gobain board of directors.

Sébastien Dessillons : engineering graduate of the École des Mines de Paris and graduate of the École polytechnique. He works for the Finance Ministry and manages the regional department for the industrial environment of the Île-de-France region. Between 2004 and 2005, he worked for PSA Peugeot-Citroën, and in 2006-2007 for Total in Argentina. He is the author of a third year dissertation at the École des Mines and of the book *Les nouveaux conquérants. Qui a peur des entreprises des pays émergents ?*

Erik Izraelewicz : graduate of the HEC business school (1976) and the Centre de formation des journalistes (1978). He has a PhD in international economics (1979). He was editor at *l'Expansion* from 1981 to 1984, editor at the *Tribune de l'Économie* from 1985 to 1986, head of the economics department at the newspaper *Le Monde* from 1986 to 1992, correspondent in New York for *Le Monde* between 1993 and 1994, lead writer for *Le Monde* from 1994 to 1996 before becoming editor in chief until January 2000. He was the editorial writer at *Les Échos* from 2000 to 2004, and then assistant managing editor. He has been managing editor at *Les Échos* since October 1st 2007. In 1997, he published *Ce monde qui nous attend* (pub. Grasset), and *Le Capitalisme zinzin* two years later (Grasset). He won the prize for the best economics book in 2000, *Monsieur Ni-Ni, l'économie selon Jospin* co-written with Christine Mital (pub. Robert Laffont, 2002), and published *Quand la Chine change le monde* in 2005 (Grasset).

Thomas Maurisse : engineering graduate of the Institut des Télécoms, the École polytechnique and the École des Mines. He works for the Ministry for the Budget and Public Accounts and is in charge of the public audiovisual sector and the media on the Budget management committee. Between 2005 and 2006, he worked in India as project manager for EADS in the Indian Sourcing Initiative project and acquired excellent knowledge of the Indian industrial fabric. He is the author of a third year dissertation at the École des Mines and of the book *Les nouveaux conquérants. Qui a peur des entreprises des pays émergents ?*

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