

Location Determinants of Emerging Multinationals Firms: the Case of Chinese and Indian Firms in Europe

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Abstract: The location determinant of foreign direct investment (FDI) and associated multinational enterprises falls within the more general issue of the location choice of production units; therefore, it has had a long tradition in economics since the pioneering work of A. Marshall (1920).

This topic was rekindled by the breakthrough of the ‘new geographic economy’ along with the interest of policy makers in 2008 in the wake of the global financial crisis. Consequently, numerous programs and incentives aimed at attracting new investors have been implemented, particularly in sectors or areas badly affected by the crisis.

Most of the research conducted so far on the particular aspect of international location is still centered on firms from developed countries. The originality of the proposition is to take the case of firms from developing countries, specifically those from emerging economies, and their approach towards developed countries.

Therefore, research has yet to be conducted towards developing countries. Two prominent arguments can be made:

In the first place, we can note the high-growth regime followed by these economies since the early 2000s and the catch-up strategies on which their companies have embarked in order to become truly international players.

Secondly, the heterogeneity of firms engaged in the international arena may be highlighted. This heterogeneity is not accounted for, as is usually the case, by their performance, but rather by their behaviour and strategies.

In this regard, the current contribution examines the determinants of investments made across Europe by Chinese (Mainland plus Hong Kong) and Indian firms over the last couple of decades. We strive to better explain their location strategies towards particular European countries, without minimizing the importance of the infra or the local dimension. Indeed, there are agglomeration effects at play due to the presence of firms either from the same country or from the same industry, sub-sector or even function. However, we still assume that the most relevant focus for a study of the location choice of Chinese and Indian investors when they target Europe is at the national level. Indeed, differences in tax laws, job legislation, consumer habits and languages still matter at the national level.

Why focus on Chinese and Indian firms? All things considered, three reasons can be singled out: i/ first, these firms are the main investors from emerging economies in Europe¹; ii/ second, their home countries have followed contrasting trajectories of development that have shaped different patterns of property and control for national firms and of behaviour; iii/ third, the authors had the opportunity to make use of a unique dataset.

The proposed contribution is structured as follows: the first section introduces the general context of the growing assertiveness of companies from emerging economies, with an emphasis put on Chinese and Indian firms; the second section presents a conditional logit model to analyze the location choice of Chinese and Indian firms in Europe as well as the selected variables; the third and final section displays tables of results, related discussion and conclusions.

¹ On the basis of data published by Eurostat.