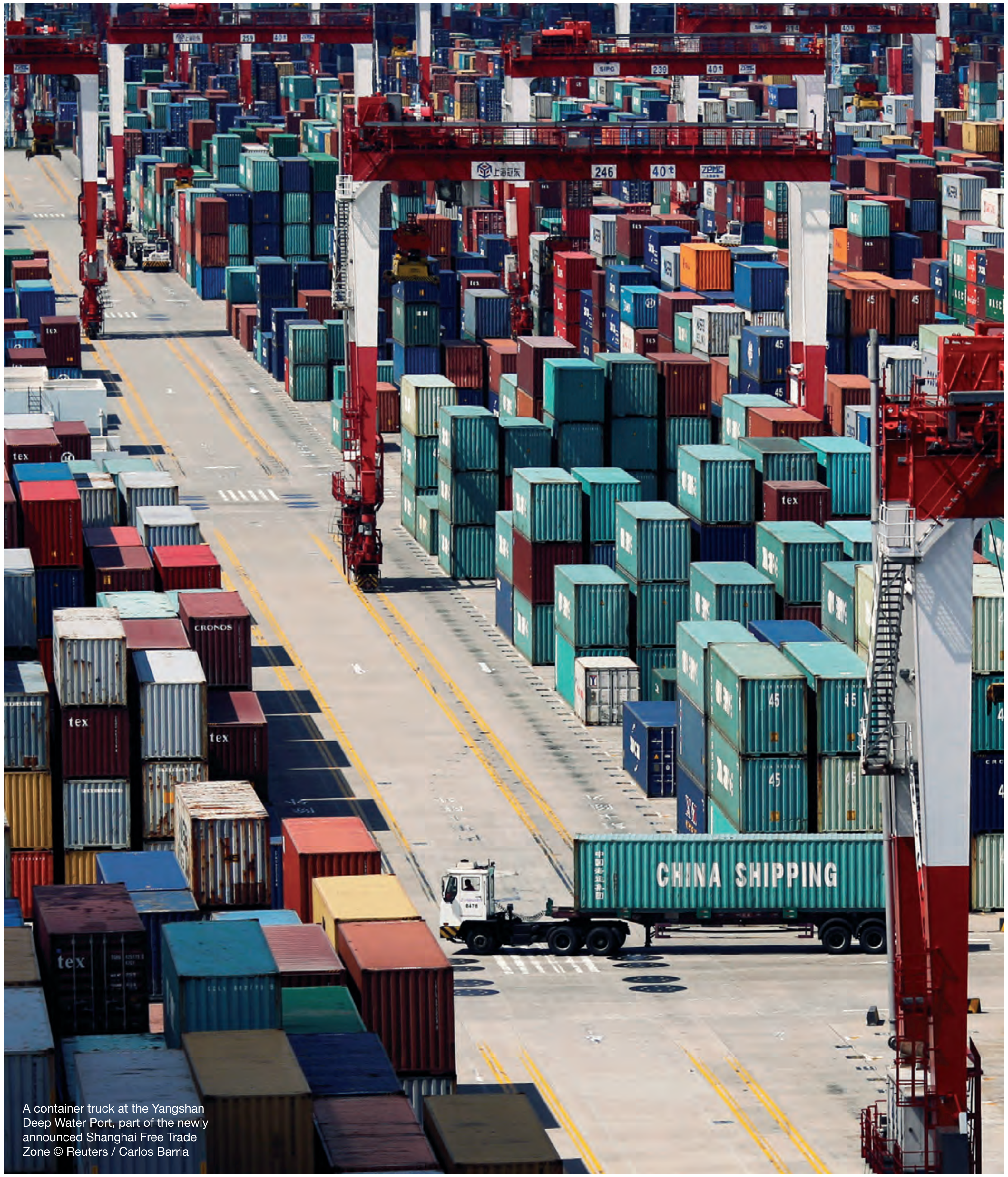
# **The future of multinationals:** how will the global economy be affected by the rise of multinationals from emerging markets?

**From the Survey**

"By 2020, the BRICS are expected to account for nearly 50% of global GDP growth. Securing a strong base in these countries will be critical for investors seeking growth."

**Neeraj Bharadwaj**
Managing Director, Carlyle India Advisors and a Member of the Global Agenda Council on India




A container truck at the Yangshan Deep Water Port, part of the newly announced Shanghai Free Trade Zone © Reuters / Carlos Barria



**Liu Jiren**
Chairman and CEO of Neusoft Corporation, and a Member of the Global Agenda Council on Emerging Multinationals

As emerging-market multinationals become key global players, their business activities will significantly enhance the integration and co-operation between emerging and developed markets, and contribute significantly to the dynamism and growth of the global economy.

With the advantages in cost-efficiency and innovation dynamism, these future global multinationals will accelerate the worldwide trend of 'reverse innovation', bringing more affordable and effective solutions to the world. The joint co-operation between emerging and developed markets in R&D, manufacturing and many other sectors will also be greatly increased, further boosting economic growth and helping to solve many systemic global problems.

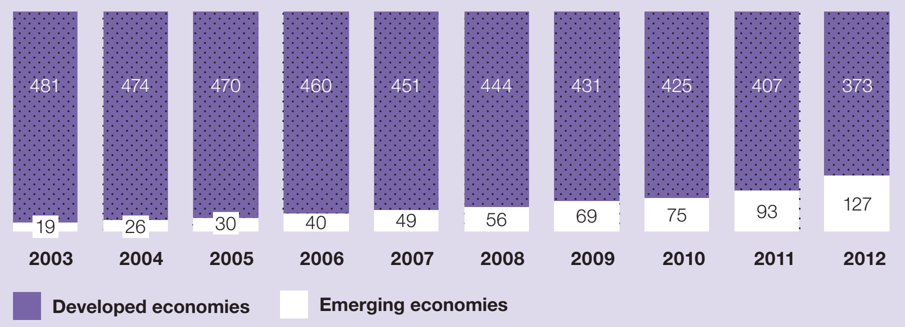
Meanwhile, these multinationals will increase their competitiveness and will have the opportunity to acquire best practices from developed markets. Their own home markets will become more mature, and the innovation ability and business operations of the multinationals will be improved, greatly benefiting the long-term sustainable development of these markets.

This is a key time for companies from emerging markets that want to compete globally; we've seen companies from India, China and Russia all attempting to make the shift. The cost of doing business is always a factor; when global companies enter emerging markets their costs are cheaper than at home, but if these companies want to operate and hire in a more developed market, the costs are much higher.

Chinese companies specifically have clear strengths. We can move fast, be flexible and make quick decisions. The trouble is that most of our business leaders are not experienced in understanding the world outside China – they're not ready to go global because they don't understand the culture, the legal systems, or the mentality.

That's the biggest challenge for these companies. They need to build their soft competitive advantage, working on areas like social responsibility and learning how to employ people outside their home countries. When we look at Japan and Korea, we see companies successful in selling cars, mobile phones or TVs, so we know we can sell the product globally. But we now need to think 'people to people', not just 'product to people', and that's a very different mindset ■

**Top 500 emerging multinational corporations by origin (2003-2012)**




Source: Fortune Global 500, 2013