1 Introduction

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This book examines the place and the role of multinational corporations (MNCs) in the growth and development of the economies of the EU and emerging countries (China, India and the CEECs). It covers both European MNCs investing in Asia, as well as American and Asian firms operating in Europe. Location choices, motivations and strategies are discussed, by considering their impact on the transformation and adaptation of these economies, on new specialisations, their consequences for social relations and the local environment.

1.1 FDI as a Vector of Modernisation and Up-grading

Foreign Direct Investment (FDI) is both a factor and a result of globalisation. Its growth has followed directly from the liberalisation of capital movements and the opening of economies to foreign firms. At the same time, FDI has shaped the characteristics of globalisation, which henceforth concerns trade as much as production. FDI is a leading factor in this process, via investment strategies by MNCs which shift capital to new areas. They do so in search of markets, and to benefit from more abundant physical and human resources, at lower costs, in order to take advantage of more permissive institutional systems, or to overcome trade barriers. FDI thus facilitates the emergence of new specialisations and contributes to the internationalisation of the value chain.

In transition and emerging economies, FDI brings with it a new organisational model within firms (the OLI paradigm). It does so by rapidly raising local standards of MNC affiliates (or greenfield establishments) to those prevailing in the MNCs' home countries (the organisation of production, product quality, catching-up and up-grading, the training of labour). Positive externalities are numerous, including

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spin-offs, the development of subcontracting, the in-depth transformation of local industry, the impact on the labour market (turnover, and pay policy), and the development of foreign trade favouring higher value-added exports. These effects explain why host economies pursue proactive policies to attract FDI.

The presence of MNCs also generates negative externalities when it leads to dualism between companies with foreign (or mixed) capital and domestic firms; creates pressures in local labour markets (wages tend to be higher than in domestic firms, but work intensity is also greater); and puts pressure on public finances associated with "friendly" yet costly policies to attract investments (tax rebates on production, on the repatriation of profits and on wages).[1] The presence of abundant labour which is little constrained (absence or low levels of unionisation, low levels of regulation and taxation on payrolls) is also an important factor in the choice of locating activity abroad.

As part of this study, we have focused on economic areas that have experienced significant developments in recent decades: the post-socialist economies of Central and Eastern Europe on the one hand, and the two emerging economies of Asia – China and India – on the other hand.

To differing degrees, foreign direct investment has played a non-negligible role in the adjustment and modernisation strategies of industry, in the development of new business models, and lastly in relations between companies, governments and social partners.

1.2 Eastern Europe, China and India: A Variety of Business Models

FDI has played a non-negligible role in the modernisation and adjustment of East European economies during the last quarter-century. These economies had been administered and autarkic, oriented towards the former Soviet Union. They were transformed into market economies in scarcely 15 years for the most part, and entered the European Union. Apart from micro- and macroeconomic adjustments, these economies have undertaken profound institutional change (democratisation, the spread of the rule of law, as well as changes in institutional and social systems). Within this framework, FDI and MNCs played an important role in transforming their productive apparatus, in parallel to measures privatising companies. MNCs were able to enter a number of sectors, either by buying up and restructuring existing assets or through greenfield investments. In both cases, FDI was undertaken to achieve several objectives: market growth, integration into regional value chains via the relocation of operations (the car industry), the development of low-cost activities to meet the specific needs of local markets or accede to other

[1] This occurs not only in emerging countries of the South. See Richard Brooks (2013), *The Great Tax Robbery: How Britain Became a Tax Haven for Fat Cats and Big Business*, Oneworld Publications.

similar markets (Renault-Dacia). Several consequences follow from this massive presence of FDI: the reshaping of the regional, industrial and social landscape: strong hierarchical links with West European (EU-15) companies: the weakness of national controls on foreign capital operating in these countries.

Within a few years, Eastern Europe thus shifted from a quasi-autarkic model (the "bloc autarky" of the Soviet era) to a model with semi-dependent economies while the share of foreign capital in gross fixed capital formation (GFCF), and in exports is significant. The dependence of local industries on large Western firms from the EU-15 is manifest. New industrial belts developed around Warsaw, Krakow-Katowice, Bratislava, Budapest-Györ, the product of massive foreign investment in the region. This dependency is even clearer in the banking sector, in which 80 % of capital (the regional average) came under foreign ownership.

"National accumulation" is focused around a few formal monopolies setup during the socialist era, and which have escaped privatisation. They include energy, electricity and telephony. At the same time, sectors with high value-added are at present largely controlled by foreign firms. The sustained contraction of growth in the EU-28, and especially the euro area could have negative and durable effects on employment, notably in sectors like the car industry and finance.

In emerging Asian countries, in particular China and India, FDI has played a very different role. It is notable in China, but much more modest in India.

In China, even if its share of GFCF has been remained modest, FDI has played a decisive role in the modernisation and upgrading of sectors deemed to be priorities by central government, especially during the 1990s. These sectors include the car industry, electronics and some capital equipment industries. FDI has induced strong spin-offs within China's industrial fabric, in and around industries (cluster effects). This has favoured the emergence of new domestic firms and the appropriation of technological and managerial know-how. The resulting technology transfer has been facilitated by various government support policies that fit in with a coherent industrial project, including: the selection of industries, the required levels of investments demanded of foreign firms in research & development, as well as the location of investment in regions chosen by central government. Another factor which contributes to this success has been the competitive environment, including: the multitude of property types (state, private and foreign firms), and low entry barriers in several industries.

It may be asked whether FDI is still the main driver of the modernisation of the Chinese industry. There is indeed a reassessment of FDI in China today, which considers that MNCs limit the transfer of more-easily protected technology, since China has joined the WTO. For western companies, advanced cooperation with Chinese firms has led to a degree of knowledge whereby they have emerged as a risk in the long run.[2]

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[2] See Françoise Hay, Christian Milleli, Yunnan Shi (2013), *Faut-il encore investir en Chine? Opportunités, risques et logiques économiques*, L'Harmattan, Questions contemporaines.

India has seen a somewhat different business model develop. It is equally characterised by the internationalisation of firms, especially in high technology sectors. In contrast to China, India has been more reticent about the entry of FDI. Indian firms are autonomous *vis-à-vis* the State, compared to Chinese companies. Yet, with the opening of the Indian economy during the 1990s, and with active support by the State, Indian firms have cooperated with MNCs on a give-and-take basis. Large Indian companies, especially in the car industry, have cooperated with large foreign firms allowing the latter to access a vast market and giving them the opportunity to experiment in low-cost products. In exchange, MNCs have provided technologies that Indian firms were lacking in high value-added segments of production.

1.3 In Contrast with the CEECs, State-Industry Relations Are Ever-Present in China and India

In the CEECs, economic liberalism was advocated by the international institutions at the beginning of the transition. Subsequently, the demands of the EU also weighed with substantial force on challenging the role of the State in the economy. Sweeping away socialist interventionism, the political elites which had converted to liberalism (either profoundly or superficially) clearly worked towards a marked process of state disintermediation. This occurred against the backdrop of deficits in natural resources, and vast privatization programmes that were open to foreign investors. While some countries did proceed more gradually in order to protect national capital (the Czech Republic along with Slovenia, and to a lesser extent Poland), state ownership was progressively reduced to a minimum. Given EU policy constraints, spearheaded by competition policy, CEEC governments lost significant powers to intervene directly to support modernisation and the up-market shift of their companies. These tasks were largely delegated to foreign investors. Closely linked to the objective of attracting FDI, States chose instead to shape the permissive institutional environment as of the mid-1990s. On top of competitive tax reduction policies (strong cuts in corporate and income tax rates, tax exemptions, etc.) policies to control the cost of labour and raise job market flexibility were implemented to varying degrees. During the 2000s, East European States sought to strengthen their territorial competitiveness, following the example of West European States. Supported by structural funds, cluster policies have only affected a limited number of areas and have only produced significant effects in the most dynamic regions in which FDI has been important. The crisis in 2008 seems to have strengthened the desire by certain States to adopt more interventionist strategies (aid or tax exemptions in the car industry, targeted especially on green technologies). Such proactive policies have nevertheless run up against two obstacles, namely EU opposition to State aid, and the growing opposition in civil society with respect to State interventionism favouring sectors that are in the hands of foreigners.

This sharp decline in State intervention in Eastern Europe has led to the emergence of neoliberal States with limited resources, and contrasts strongly with the adjustment and redefinition of the role of the State in China and India.[3] By turning their backs on the "Washington Consensus", these emerging countries are contributing to re-legitimising the notion of a Strategic or Developmental State.

The rise of State capitalism in China has not been accompanied by the withdrawal of the public authorities in the direct and indirect control of companies. The State's policy has primarily been characterised by its strategic vision, the search for effective governance comprising specific regulations, adjustments to the business cycle, the enhanced financial situation of firms, and lastly the sharing out of tasks between companies (State-owned enterprises, as well as private and foreign firms) in terms of strategy, innovation and market shares. The adoption of targeted industrial policies based on goals to ensure mastery of certain technologies, and the spread of technology throughout China's industrial fabric have played an important role in China's catching-up and up-grading strategy, in parallel to the role played by multinational firms.

China's openness strategy beginning in the early 1980s, and notably the welcoming of FDI, led to three interesting phenomena within a few years. The first concerns the policy of the endogenisation of technical progress, research & development and the implementation of clear policies of reverse engineering. This led the government to reconsider the attractiveness of FDI. Foreign FDI was thus more and more concentrated on high value-added activities, and the participation of foreign firms in the development of priority projects with numerous spin-offs in terms of employment, new products and exports. The second phenomenon stems from the macroeconomic and financial impact of the success of the Chinese model. This has led to a rise in China's financial and monetary reserves. The appreciation of China's currency (the renminbi, or RMB) makes exports more expensive, and reduces exporters' margins, including those of multinational firms. Recently, numerous industrial and social disputes have broken out, especially in the south of the country, leading to strong pressure on wages. These have risen by about 20 % in the last 2 years. The industrial and social disputes have affected large MNCs as well as Chinese companies (State-owned or private). As a result, companies with labour-intensive production are relocating to countries where wages are lower (Vietnam, Cambodia and North Korea). This is something quite new. Multinational Asian firms, which are worried about nationalist outbreaks in China, are also investing in higher value-added sectors in the new emerging economies of the region (Vietnam). The third notable phenomenon is the internationalisation of Chinese firms. They are looking for new markets and raw materials, but also technologies that are difficult to acquire from foreign MNCs operating in China.

[3] An exception to this has been the change in policy adopted by the conservative Hungarian government which challenges a large number of contracts signed with multinational firms. It has also adopted a nationalist discourse against foreign capital and Brussels.

India – Asia's other giant – has followed a different path in terms of its transformation since independence, but shows some similarities relating to the (late) opening of its economy, the role and intervention of the State, as well as the development of large firms and their internationalisation. State interventionism, to the extent that it developed in India, was limited and measured (the so-called "License Raj"). It did not take place at the expense of private companies, especially India's large conglomerates. In these firms, diversification occurred as companies which dominated one sector (Tata in steel) entered into other sectors, drawing on technical and managerial competencies acquired in the initial sector to enter the new sectors better (IT, finance, etc.). Furthermore, the national innovation system, along with India's quality education system have allowed Indian companies to specialise very much upstream in the R&D cycle, and so contribute to important technological breakthroughs in sectors which are highly competitive worldwide, like IT, pharmaceuticals and biotechnologies.

Compared to China, the rise of Indian firms took place before economic opening. India's large conglomerates have tended more to seek out participation with foreign companies rather than be receptacles of agreements signed between central government and State enterprises on the one hand, and MNCs on the other hand.

1.4 The Social and Political Sustainability of Business Models in Host Countries

In East European countries, as in China, the strong contribution of MNCs to growth has been accompanied by profound imbalances and strong tensions between institutions, the State and civil society. The rise of nationalism, coloured by populism in the CEECs, and the occurrence of repeated industrial disputes in China, all raise questions about the social and political sustainability of their different business models.

The economies of Eastern Europe (including Russia) have experienced three successive shocks during the last quarter century: the shock of the collapse of the socialist model, the shock of adjusting to the new market environment, and lastly the institutional shock of joining the European Union. The latter has entailed the adoption of minimal economic and social standards prevailing in the EU, within a context of economic reconstruction and the development of new social practices. If institutional compliance has favoured the integration of East European economies into the single market, these two processes have not been enough to ensure convergence of the new member states on the development level of existing EU countries. Apart from some regional capitals which have overtaken average EU GDP per capita, regional cohesion remains a problem. In many respects, Central and Eastern Europe continue to be the backyard of the EU-15, a new hinterland for German firms, and to a lesser extent for the other major economies present in the region. Social trends in the East are both at the origin and result of this "peripheral" Europe, which is "dependent" on the economic heartland of old Europe. Despite a certain number of national particularities, the East European countries manifest

numerous similarities from a social point of view: the collapse of trade union membership and the weak legitimacy of unions, the development of inter-individual negotiations and informal industrial relations, the development of internal and especially external flexibility, etc. In a general way, the MNCs have profited from the absence of unions and their weakness to impose huge industrial restructuring associated with the important destruction of jobs in brownfield sites, buying off employees when necessary, with "voluntary" redundancy packages and promises of future investments. In greenfield subsidiaries, MNCs have benefited from greater room for manoeuvre to experiment new employment practices. While these adopt slightly higher social standards than those prevailing in host countries, they are nevertheless far below practices in home countries. In exchange, MNCs have not been neutral concerning the institutional framework and public policies of East European States, contributing to their redesign in ways which sometimes contradict the project of institutional convergence at the EU level. As previously emphasised, targeted competitive tax exemptions for foreign firms have nourished national resentment, and led to rising euroscepticism, which is often tainted by populism. These are all trends which challenge the ability of the EU institutions to pilot the integration process of economies within Europe. It may therefore be asked whether EU action for integrating the economic policies of member states should not be reconsidered. This question needs more attention than ever, given the integration of the Western Balkans, whose economic model is one of "dependent capitalism" *par excellence*.

The situation for China is completely different. As can clearly be seen in the region of Guangdong, economic, political and social conditions show without doubt that capitalism in China cannot follow a sustainable path, if two key issues are left aside, namely social progress and the modernisation of institutions. The forced march to industrialization, which was launched at the end of the 1970s and followed by the opening up to foreign capital implemented by Deng Xiaoping in the 1990s, has been accompanied by the explosion of unprecedented social inequalities, the indebtedness of local authorities and pollution. However, the increasingly pressing need for reforms of taxation, the distribution of income, urbanisation, and public health have all run up against democratic centralism and the imperative of growth imposed by the Chinese Communist Party, which has maintained its hold over the state apparatus and strategic goals. As the incessant increase of industrial disputes in the Guangdong region shows, the social and political demands of China's population cannot be left unmet. Some tentative responses have been put forward with a sustained rise in wages in recent years, in regions which have shown much conflict. Social policies have also been adopted to help, with a project for developing social insurance and retirement schemes provided that savings are channelled into domestic demand. But more fundamentally, the democratisation of China's social and political structures is the cornerstone of its economy's future development.

The rise of FDI in the last two decades is without doubt one of the major features of globalisation. This chapter seeks to stimulate analysis of the diversity of this phenomenon, both for the EU and Asia, and its impact on the growth regimes of

these zones. FDI flows affect domestic industrial structures, types of specialisation, forms a property, and the terms of trade integration between countries of origin and host countries.

This globalisation is driven by the strategies of MNCs. It raises foremost the question of factors governing location decisions. Globalisation also calls for identification of the different ways in which firms enter host countries, as well as specialisation strategies. Accounting for the forces at work in this dynamic process helps measure the globalisation of territorial spaces and areas of production at various levels. Globalisation is "constructed bottom up" as a consequence of company strategies. At the same time, it is also "constructed by States and sub-State entities" via public policies which shape the attractiveness of territories, especially in terms of access to certain strategic resources for companies, or through the implementation of a level institutional "playing field" (the harmonisation of a certain number of trade, technical and institutional rules).

1.4.1 Part I: FDI Flows and Institutional Dynamics in Europe and Asia

Measuring FDI flows and their consequences can help feed two main debates which have recently opened up concerning the nature of relationships between territories and globalisation. A first debate draws on the "Varieties of Capitalism" (VoC) approach, and focuses on the convergence or differentiation between models of capitalism. Looking into the black box of national capitalisms to examine the models of companies therein tends to support the idea put forward by VoC of a persistent diversity between national models of capitalism. The latter are the fruit of the depth of national histories, industrial strategies and specific public intervention. The second debate seeks to move beyond the comparative approach of VoC, to look at reciprocal and asymmetric dependencies between capitalisms, which are more or less connected and intertwined with each other. This analysis ultimately makes it possible to identify forms of hierarchy between national capitalisms and find amongst these a diversity of "dependent" capitalisms in the zones studied.

It will be understood at this stage that globalisation does not signify convergence in the way territories are integrated into this new dynamics, nor the convergence of national capitalisms. A comparison of the way FDI has strongly impacted on the CEECs, and on Asia illustrates and supports this observation.

The contribution by Srdjan Redzepagic and Xavier Richet is also centred on the EU, but enlarges the geographical area considered by analysing the specific dynamics of the two groups of countries benefiting from FDI. They include the last countries to enter the EU (CEECs) as well as the Western Balkans, which are still due to enter the Union. Taking a historical perspective, the authors recall the key role played by FDI in resolving the dilemma faced by the post-socialist economies, namely how to structure "capitalism without capitalists". Again, from a comparative perspective, the text stresses the impact of FDI on the paths to catch-up and the sectoral specialisation taken by the countries considered. Upstream, the authors

point to the determining role played by adjustment in institutional frameworks – correlated with the pace of EU membership – such as public policies favouring attractiveness. Starting by observing the high level of control which FDI has had over host country assets, the authors look at the hierarchy and domination affects which West European MNCs have over companies in host countries (both subsidiaries and local firms). They stress that the former are not ready to lose their "strategic and organisational advantage", despite the relative spread of technology. In view of the new wave of EU enlargement to the Western Balkans, the text also calls for examination of the strong "dependency" of these countries on FDI, which is less supportive of productive integration and trade than it was for the CEECs.

In line with this work on Europe, the text by Xavier Richet looks at the specificities and dynamics of Chinese FDI. It gives special attention to outbound Chinese investments which are studied less than FDI into China. Having been the main beneficiary of FDI, China is henceforth the main investor in emerging countries. But it is also a significant investor in the industrialised world. As the author points out, the dynamics of inward and outward Chinese FDI are far from being independent of each other. In contrast to Japan and South Korea, China opted for a policy of openness to FDI as of the 1980s, and has made FDI a powerful force in the modernisation of its business model, an instrument for acquiring advanced technologies and competencies, as well as for inserting itself into Western trade networks. These are all key factors in the takeoff and rapid growth of the Chinese economy. Linked to the latter, the rising needs of the Chinese economy for raw materials and energy were the initial drivers of growth in outward FDI.

Inward or outward FDI, institutional reforms, industrial policies, economic openness and certain types of liberalisation policies have all played a determining role. Policies fostering the attractiveness of FDI, proactive policies which have progressively become more selective and targeted on FDI with strong and median value-added do indeed correspond to a policy of encouraging and supporting the internationalisation of Chinese firms. The latter has weighed on the assertion of outgoing FDI, which is increasingly geared to buying up strategic assets and entering protected Western markets via mergers & acquisitions, as exemplified by Geely's takeover of Volvo. If Chinese firms have succeeded well in the face of the crisis, the author nevertheless stresses the fragility of the rise of Chinese multinationals in the developed world, as shown by the failure of numerous acquisitions. By reviewing theoretical interpretations of the growth of outward FDI, the author concludes noting how strongly the domestic and exogenous forces pushing for FDI are intertwined.

1.4.2 Part II: Redesigning Public Policies to Meet Competitiveness and Attractiveness Challenges, While Dealing with Business Lobbying

The contributions drawn together in this second part look at the "return of the State" which can be observed over the last 15 years. More generally they examine the new contours of public governance whose renewed forms – far removed from Fordism or Socialist dirigisme – are drawing up new relations between the State and industry in emerging countries. Both governments' preoccupations to reinforce the attractiveness and competitiveness of their economies and the rising practices of firms lobbying public decision-makers bear witness to the gulf which separates the proactive action by the State from a conception of growth and development based on laissez-faire. In Europe, the "return of the State" raises very different issues. It is unfolding in a decentralised context of consolidating "local business systems". Competitiveness and attractiveness are ever more discussed and negotiated via close relationships constructed by multinational firms and their subsidiaries with local and regional public authorities.

The text by Jean-François Huchet looks beyond the teleological reading of the Chinese miracle, to shed light on the successes, the failures and the paradoxes which have accompanied the evolution of industrial policies since openness was initiated in 1978. The policy of linking protection of the domestic market, selective openness to FDI (via joint-ventures) and the progressive introduction of competition played a decisive role in economic take-off and technological catching-up. However, the industrial dirigisme which prevailed until the early 1990s has shown its limits: a significant wastage of natural resources and the difficulty of creating industrial groups capable of meeting international competition. The readjustment of industrial policy which began in the mid-1990s has, in a pragmatic and successful way, drawn on the lessons from early, proactive interventionism. Dirigisme has receded to make way for incentives aimed at improving firms' environment, enlarging the field of industrial policy and new ambitions concerning energy and the environment. Together these bear out a profoundly-renewed proactive approach by the State.

From a similar perspective, the contribution by Joël Ruet focuses on Indian capitalism and its integration into globalisation following the progressive abandonment in the 1980s of import substitution policies, as well as the gradual "liberalisation" initiated in 1991 and the implementation of selective public policies to support the development of the private sector and openness to FDI. Guided by semi-dirigiste state intervention, the transition of a "conglomerate business model" (family-owned) to the internationalisation of Indian firms has gone hand-in-hand with the assertion of new key sectors in the globalised Indian economy, ranging from IT to cars. The author stresses the variety of levers supporting these dynamic developments, beginning with the "reverse brain drain" of Indian IT researchers who had spent time in the United States, to the strategic alliances and technological partnerships of the car industry, and the recent policy of acquiring foreign

companies. These have been supported by public policies in R&D, education and the creation of technology parks.

The contribution by Giovanni Balcet illustrates the industrial strategies implemented in the car industry, in China. The sector had a key place in the industrial choices of the Chinese government in the 1980s and 1990s. The rise of the car industry was based on constant links and close cooperation between the State administration and China's major conglomerates. But both the characteristics of the sector and of corporate governance indicate that the industry is still highly fragmented, largely controlled by public capital (both at the national and provincial level) and still organized on the basis of alliances and strategic joint-ventures promoted by public authorities. Internationalisation is still very limited in the industry compared to India, where for example the major conglomerates have – with some historical irony – taken control of "jewels in the crown" like Jaguar. China has developed a more dualist strategy: the acquisition of technology to move up-market in quality domestically (the takeover of Volvo), together with investments in several developing countries (Iran, Algeria, Russia and Ukraine) to create down-market products.

The text by Phil Almond et al. focuses on Europe and draws on the work of new economic geography, public policy and firm policy to analyse the links between public governance and MNC strategies. It takes a "sub-national governance" perspective. This shift from national coordination towards sub-national or local coordination is not fortuitous. Instead it refers to the growing embeddedness of firms in local economic fabrics, and their aim to draw on the benefits provided by territories and areas. These include qualified labour, "tacit knowledge", technological and logistical resources, or advantages of spatial proximity. The meso-economic level is especially pertinent in taking into account the strengths of structuring "local business systems", which are based on narrow interaction and the quasi-permanent negotiation between company managers and local decision-makers. To illustrate the variety of dynamics possible, the authors have decided to look at the issue of human resources, and to study six sub-regions from a comparative point of view where regional development policies have been especially significant (two each in from Ireland, the United Kingdom and Spain). The chief conclusion here is that the establishment of some form of nexus between governance actors and inward investors at sub-national levels is highly contingent on the degree and modalities of the regionalisation of national governance.

1.4.3 Part III: Multinational Companies Across Home and Host Countries: Transfer, Hybridization, Adaptation of Business Model and Labour Relations?

The contributions of Part III are based on detailed, long-term field surveys. Their aim is to examine notions of transfer and hybridisation within a context of cross-investment strategies between Europe and emerging countries (China, Russia and

the CEECs). The contributions also give non-negligible space to State policies in pursuing and implementing such strategies.

For about 20 years, several studies have looked at these ideas, straddling the borders between international economics, the sociology of labour relations and management. In a context of rapid FDI growth, this body of research has sought to understand better the choices, motivations and room for manoeuvre which MNCs have, in order to adapt their management and labour relations systems in countries where they operate. Whether the companies are Japanese, German, or North American, several studies stress the mediation role played by institutions in the countries of origin, as well as in host countries in the selection or transformation of management tools and practices transferred from company head offices.

The contributions in Part III extend such analysis. But the context is specific to Europe-Asia. The notions of transfer and hybridisation are discussed, shedding original light on the questioning and research approach taken by different authors.

In the contribution by Miao Zhang, Christine Edwards and Jiaying Ma, transfer and hybridisation are discussed with respect to the dynamics of catching up, which dominates the management choices and practices of subsidiaries of Chinese MNCs operating in Great Britain. The survey indicates primarily the importance of learning and knowledge, as the prime motivations of transfer operations by the parent company when compared to other considerations, relative to the institutions and growth of British markets. For the authors, subsidiaries really function as "knowledge seekers" and are tightly controlled by company headquarters, both in the service sector (finance and commerce) as well as in industry.

For Martin Krzywdzinski, transfer and hybridisation raise different questions about the extent to which institutions and national systems of labour relations in Russia and China favour the adoption of the co-management model of large German MNCs, in the car sector. In Russia, as the corporatist model is drifting into greater authoritarianism, the unique field survey here stresses the problems which parent companies have in imposing a relationship between divided unions and local management, based on cooperation. The situation is noticeably different in China. Despite a persistent deficit in social democracy in terms of union representation, the survey reveals a favourable trend towards social dialogue with management, in a spirit that is closer to German co-management. To conclude, the author rejects the theory put forward concerning the CEECs about the refusal of German MNCs to transfer the co-management model to emerging countries, especially on grounds of costs. In contrast, he explains that its slow spread follows tensions between cultural norms which underpin co-management and the various political obstacles at play in each of these two countries.

Lastly, these contributions converge with the text by Patrick Dieuaide, who stresses the singular role of the State in transfer and hybridisation policies pushed by FDI strategies. This is very clear in the case of Chinese MNCs operating in Great Britain, where the Chinese government is very much in touch with management, the control of management decisions, while also providing significant financial support to the MNCs it owns. The role of the State is also decisive in the CEECs and Russia. In Russia, cooperative relationships between unions and MNCs have to a large

extent followed from the initiative, influence or even “power of persuasion” exercised by the Russian government on “social partners”. In the light of the survey of French MNCs operating in the CEECs, P. Dieuaide also shows that EU States played an active role in the post-communist transition, helping the reformulation of socio-political compromises, which are sources of social stability within subsidiaries. But by doing so, MNCs in addition have demonstrated their proactive policies, which have been manifest in company rescues and the promotion of real industrial strategies, especially in the car industry.

1.4.4 Part IV: Reshaping Industrial Relations and Labour Activism in Multinational Companies

The Guangdong region has been a showcase of Chinese capitalism for a long-time. But since the mid-2000s it has suffered a number of economic and social difficulties. Bordering Hong Kong, Guangdong is one of the richest and most populated areas of activity in China. Its growth regime and development model have been driven by massive FDI inflows and export sales, yet these are now faltering under pressure from structural and regional imbalances, including urban congestion, environmental degradation and rising inequalities. From a sectoral point of view, the region is subject to slow yet profound changes, with the rise of services and finance, as well as the dynamism of high-tech, high value-added sectors (electronics and IT).

The contributions in Part IV are based on field observations and detailed surveys. They analyse the impact of these trends in terms of employment, wages, working conditions and more broadly speaking, industrial and social conflicts, as well as labour law. The authors share the same view that the region has entered a phase of social and political turbulence, in which the world of work, and more generally civil society are calling for more justice, fairness and democracy.

For Stéphane Cieniewski, Guangdong is suffering from a shortage of skilled workers and needs to change its employment model to deal with this. For many years, the model was based on labour flowing in from poor, up-country regions. Workers were recruited in the private sector. They were underpaid and considered as a second-class of citizens. Income disparities have risen relentlessly between employees in the private sector and the public sector, while the sharing out of productivity gains has mainly benefited companies in the State sector, and to a lesser extent, the export sector. In this context, the arrival in the 1980s of a new generation of workers who were younger and better educated, seeking a better life has contributed to the emergence of industrial disputes within companies. For the author, the new labour law voted in 2008 meets their aspirations and may be considered as a concession. It therefore reflects the willingness of central and regional government to boost a new development model in the region, which is capable of seducing and attracting more skilled labour.

The observation, put forward by Jean Ruffier is similar, though it remains more “optimistic” about the future. According to him, the age of low wages and docile

labour in China are over. The province of Guangdong is modernising and along with this civil society is demanding new freedoms and rights of expression. The survey work as well as the gathering and compilation of local information conducted by the Franco-Chinese Centre at the University of Sun Yatsen (to which the author belongs) is categorical. Since the mid-2000s, there has been a turnaround in behaviour and attitudes. The population no longer fears unemployment and insecure work. Instead, it openly demands "to work less and earn more" and its activists, who are ever more numerous, no longer hesitate about striking to push their claims. For J. Ruffier, obstacles to changes are political. The central government is neutralised by clan struggles and local authorities have a tendency to favour company interests to guarantee a certain level of employment as well as tax revenues. For him, Guangdong is at a crossroads. The socio-economic situation holds out the possibility for an intensification of conflicts... leading probably to a "workers' spring".

For Chris King-Chi Chan and Elaine Sio-leng Hui, the rise of local conflicts is inseparable from the issues concerning the transformation of Chinese unionism. Based on a field survey of the "exemplary" strike by workers at the Honda factory in May 2010, the analysis explores the problems encountered by workers at the local level, in imposing the opening of wage negotiations and even more so in obtaining the democratic election of employee representatives. The strength of the conflict reflects the distance which separates the aspiration of a new class of employees and local union structures. The former are better educated and better organised, with a strong sense of justice, while the latter are bureaucratic and tightly integrated into patron-client relationships between global capital and local states. They are little sensitive to the promises of democratisation conceded by the single union at the national level. The strength of local mobilisation, its capacity to strike alliances with civil society, and even to obtain media support are all grounds for a certain level of optimism. However, the authors point to the persistent obstacles which this new working class faces in converting greater political maturity into reform of worker representation on the ground. These obstacles relate to the ambivalent role of local unions as well as to State-Party opposition to independent labour organisation. They illustrate the scale of the democratic deficit which the authorities face.

The text by Violaine Delteil looks at the power of influence of foreign capital, operating through foreign Chambers of Commerce, on the application of new labour legislation and labour relationships. By going back to the issues studied when national labour laws were voted in 2007 and 2008, this analysis questions the influence of foreign Chambers of Commerce in Guangdong on the implementation of two collective bargaining laws: the Collective Consultation Ordinance (Guangdong), and the Democratic Management Regulations (Shenzhen). A field survey of Chambers of Commerce, embassies and foreign consulates was carried out in 2011. It highlights the variety of positions defended by representatives of foreign capital with respect to regional legislation which constitutes a first step in the institutionalisation of worker representation rights within companies, dealing with the new conflictual background to industrial relations in the region. These

positions range from the prudence of the European Chamber of Commerce, to strong opposition by trade associations from Hong Kong, via the more qualified opposition of the American Chambers of Commerce. The positions also reflect the variety of social models and types of specialisation of foreign firms. Lobbying capacities are also unequally distributed, favouring Asian Chambers of Commerce (with Hong Kong associations in the lead). The latter can count on greater political connections as well as on stronger powers of economic boycott. The above-mentioned laws were enacted at the height of the crisis, but their application has been delayed. This can only be interpreted as a strong erosion in the autonomy of domestic actors in the face of foreign capital. Political decision-making is thus more a reflection of the convergence of detailed interests between national and foreign business on the one hand, and between the government of Guangdong and China's national government on the other hand.