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# **The next 20 years: The Outlook for China and India and the Role of Europe**

**11th Annual Conference of the German-British Forum,  
November 13, 2006, London**

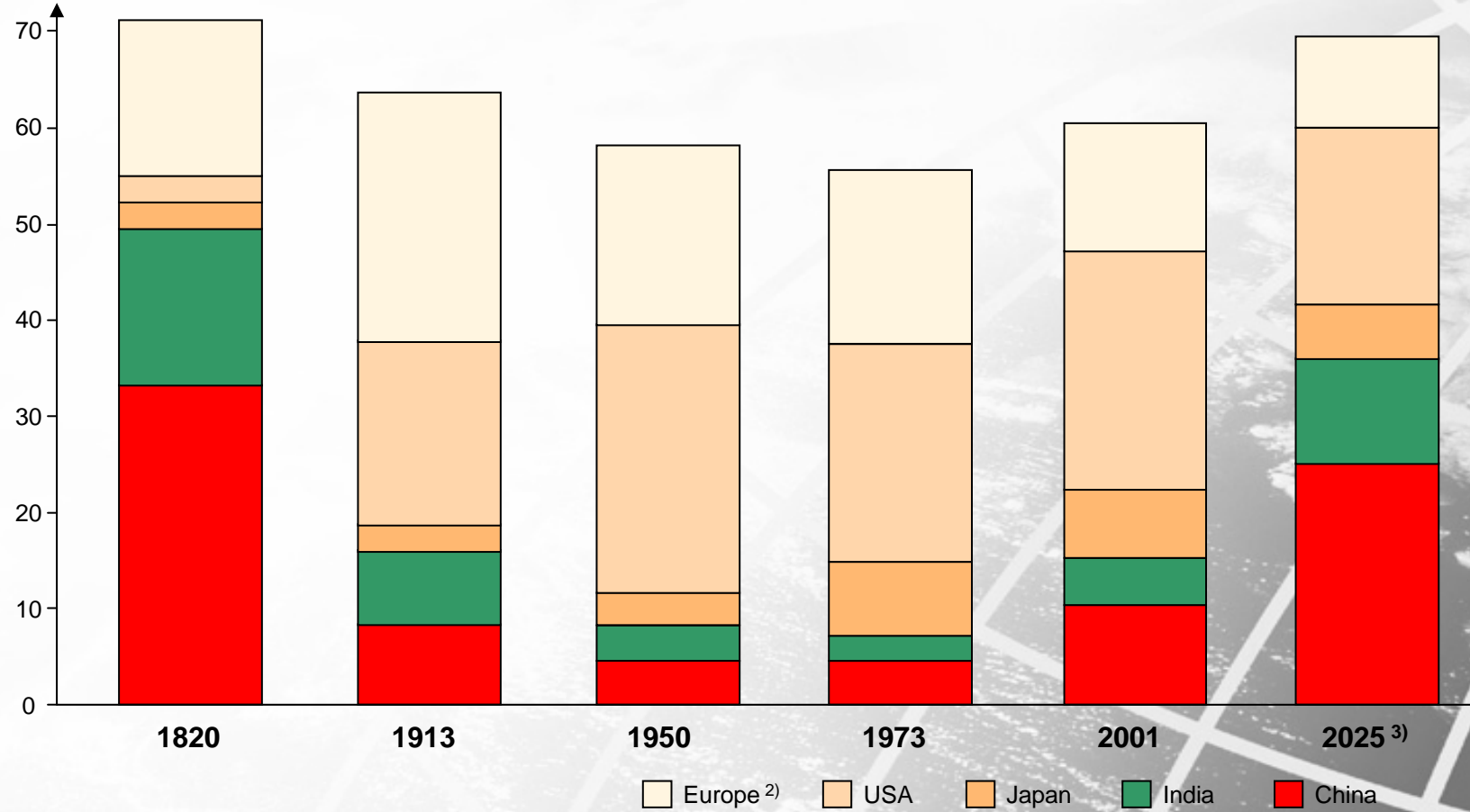
**Prof. Dr. Klaus Wucherer**

**Member of the Siemens Executive Board**

# China and India's contribution to the global economy will surge over the next two decades

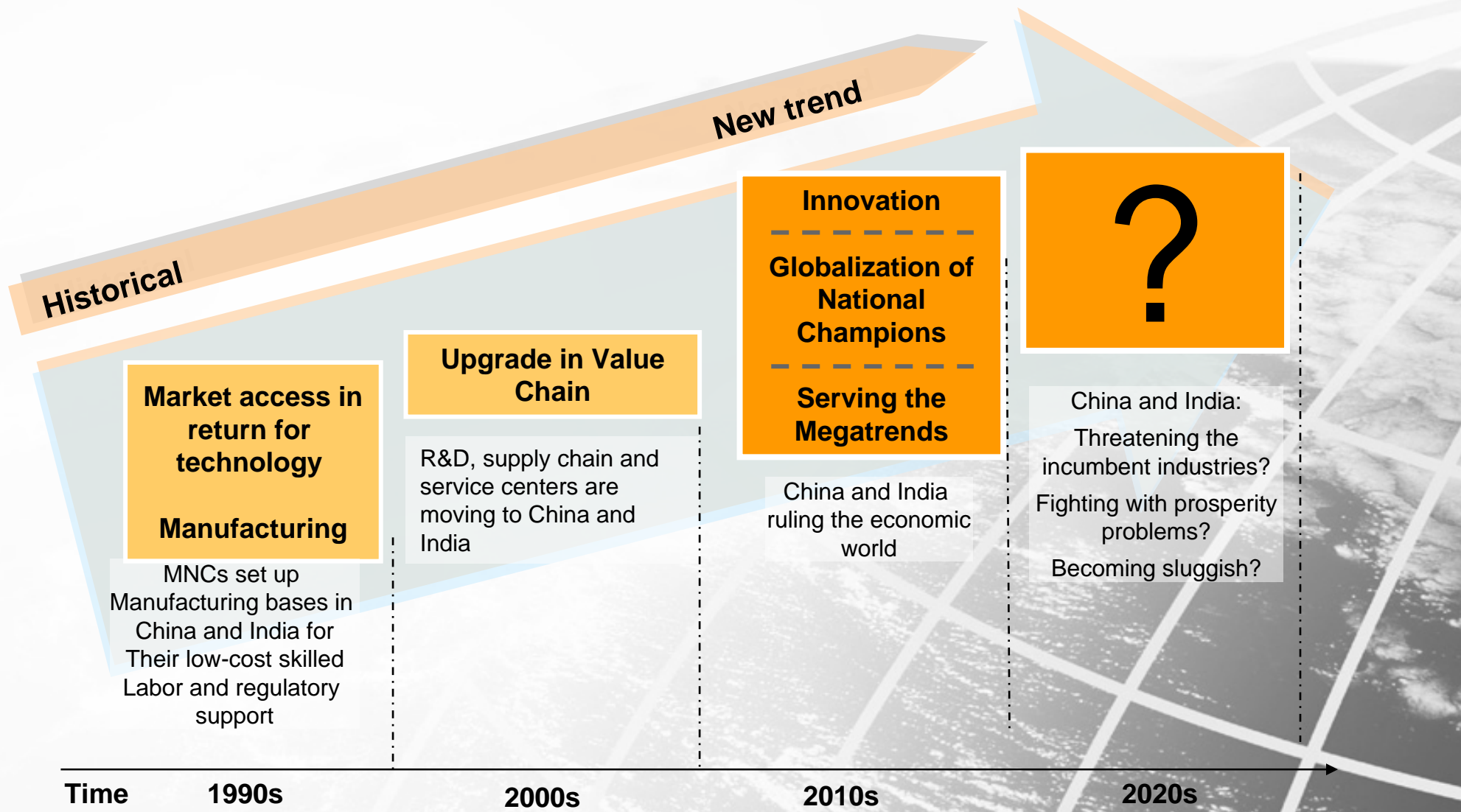
Percentage GDP world<sup>1)</sup>

PPP in %



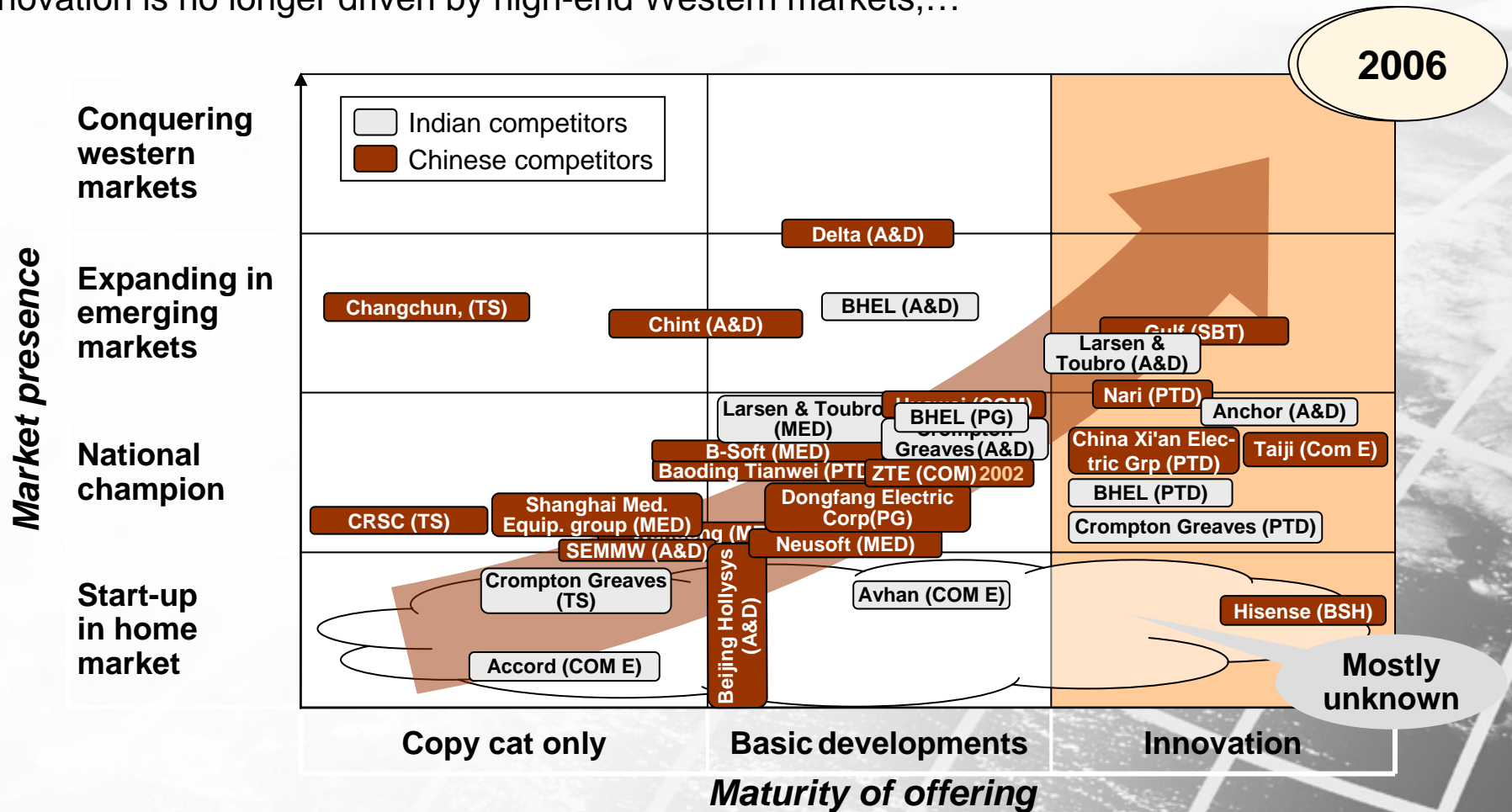
1) Purchasing power parity in %    2) Germany, France, UK, Italy    3) Prognosis by Virmani

# China and India have become important part in global value chain of multinational companies



# Four years ago: Few innovative competitors Today Asian companies compete on our home markets

Innovation is no longer driven by high-end Western markets,...



...but by the requirements of Chinese and Indian markets

# Indian Innovation to Redefine

TATA announced to develop and produce a “people’s car” that sells at US\$ 2,000:

- 5 seats
- 800 ccm rear engine
- Meeting emission and security standards
- 1 million sales target

If TATA succeeds, then this will revolutionize the car industry worldwide.

Special: The Business of **SPORTS**

**business today**

**TATA's**  
**Rs 1 Lakh**

**CAR**

Building incredible value, Tata Motors has not just built running prototypes of the ultra low-priced car but geared up for a 2008 launch. An inside look into the automotive revolution it could unleash.

Interview: **Shantanu**  
Chairman's Message Series

The House of  
Internal Marketing

Pradyumn Kumar  
Printing Director

# Strategies of national champions for becoming world-class companies (examples)

- ❑ Cooperation with western companies and know-how acquisition (JV SAIC with GM and VW, Force Motors with MAN)
- ❑ Exports into emerging markets (Geely, export to South America and to the Middle East)
- ❑ M&A: (TCL/Schneider, Rover/SAIC, Lenovo/IBM, Trevira/Reliance Industries, betapharm/Dr. Reddy's)
- ❑ Penetrate world markets (Huawei, Haier, Infosys, Wipro)



**National Champions will get stronger and stronger**

# Success through full integration into China's and India's Economy

- ❑ Extend local production base
- ❑ Extend local R&D, engineering, procurement and software development
- ❑ Increase local content, local value-added and know-how transfer
- ❑ Invest in People Excellence
- ❑ Increase investment to drive business development

# Megatrends have important implications for all Siemens groups

## Megatrends

***Demographic Change***

***Urbanization***

## Consequences

Increasing Scarcity of Natural Resources

1.2 billion people have no access to drinking water

Growing Demand for Healthcare/Eldercare

Aging population & increasing world population (6.5 billion in 2003; 8 billion in 2025)

Growing Need for Environmental Care

Cities cause 80% of the greenhouse gases, they cover 0.4% of the earth's surface

Increasing Mobility

Increase of cars from 500 mill. today to 2,5 billion in 2030

Growing Demand for Safety and Security

Social disturbance due to an increasing number of mega cities and slums; terror networks

Regional Shift in Economic Gravity

BRIC states will overhaul G6; trade flows to BRIC countries will multiple

# What is in for Europe?

## Leverage competitive advantages

Infrastructure  
Financial markets  
Intellectual Property rights  
Productivity  
...  
...

## Push for economic reforms

Labor system  
Education  
Social costs  
Tax system  
...  
...

## Team up with China and India

*No either or*  
-  
Make Western companies more competitive through participating in the global value chain

**Re-Invent Europe to secure  
Europe's competitive advantages**

**If you invest in China and India –  
you can lose.**

**If you don't invest in China and India  
– you have already lost.**