

Siemens to invest €3bn in Bric tech drive

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Siemens, the German engineering group, is investing about €3bn (\$3.7bn) in India, China, Russia and Brazil over the next three years in a drive to produce technology especially adapted for a quick roll-out in emerging markets.

The high-growth markets of India and China are receiving the lion's share of the investment, with close to €1bn each, followed by Brazil and then Russia.

Armin Bruck, managing director of Mumbai-based Siemens Ltd, the Indian subsidiary of the Munich-based parent company, said his company was working on 42 products.

Each piece, designed for affordability and resilience in the Indian environment, has an average development cost of €20m. They include technology for traffic management, solar-powered X-ray machines, wind- power generators and a "smart" camera.

In China, Siemens has 13 engineering research projects and expects to launch up to 50 products within three years.

The company hopes that different design strengths across the Bric countries will combine to create a new generation of lower-cost technology. The development of "base level" products, estimated to represent 70 per cent of India's potential market, is at the heart of a strategy to expand Siemens' business in fast-growing emerging markets.

The company recognises that costly, high-end technology used in Europe has limited application in developing countries, and is stripping it down to reduce costs and improve robustness. It fears that unless it acts, these products, particularly in the energy sector, will be developed by local competitors responding to urgent local needs, and who are already expanding into the Middle East and Africa.

"There are a lot of Indian companies competing with us in the [Indian] home market. If we don't get to these markets, other companies will," said Sunil Mathur, the chief financial officer of Siemens Ltd.

By establishing greater production capacity in a large market such as India, Siemens benefits from the low cost of engineering skills and the avoidance of duties and shipping costs incurred by importing machinery. By some internal estimates, engineering skills are 10 times cheaper in India than they are in Germany.

Siemens hopes that India and China will evolve as export bases for the supply of countries facing similar challenges, including Indonesia, Vietnam and Egypt.

Other engineering companies are also investing in emerging markets. GE, the US engineering company, is investing \$3bn over the next four years on 100 new healthcare products.

Fonte: Financial Times, London, May 28th 2010, UK, online.