STRATEGIC INSURER MARKET ENTRY IN ASIAN/PACIFIC RIM ECONOMIES: LESSONS FROM CHINA AND INDIA

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Many Asian/Pacific Rim insurance markets, both developed and developing, hold tremendous potential, though anticipated investment and growth opportunities in many economies in the sector have been slow to materialize. An understanding of recent events, as well as anticipated future developments, among factors that affect this competitive landscape, is crucial to identifying nascent strategic market entry opportunities for insurers, and the timely allocation of scarce resources. Such information is immensely important to evaluating the likely success, or failure, of current and future growth opportunities in emerging Asian/Pacific Rim markets, including the People=s Republic of China and India. The fundamental, future-oriented role that insurance plays in supporting and enhancing economic activity and stability, for both individuals and businesses alike, undoubtedly will prove to be a highly positive factor in maintaining momentum, and help ensure the future economic health and competitiveness of the region.

Stage of national economic development appears to significantly influence potential insurance industry growth prospects, especially in emerging markets, with highly developed countries or regions generally exhibiting higher insurance penetration. Competition in global markets always requires a complex set of capabilities. The resurgent potential for economic stability and recovery among Asian/Pacific Rim economies is expected and somewhat overdue, based on sound economic fundamentals such as traditionally high individual savings rates, good educational standards, and various improvements in corporate and public governance.

Liberalization of insurance markets can bring many substantial benefits, such as improving capital market function; providing the social function of protection to individuals against potential financial losses due to adverse events; and supporting the allocation function through actuarial activities. However, developing countries may be justifiably hesitant with immediate transition to an open market due to issues including domestic subsidization across products if foreign firms "cherry pick" more lucrative markets or product offerings; the potential for foreign firms to exit during a financial crisis; and the perceived need to protect infant domestic insurance industry during transition, permitting development of appropriate industry experience and funding of regulatory oversight, among others.

This paper introduces strategic competitive advantage and market entry issues within a framework of changing competitive factors. Further analysis will explore lessons learned from the competitive environment in two of the largest emerging markets in the region, the People=s Republic of China and India, revealing (dis)advantages of various market entry strategies. The growth potential in China and India, coupled with opportunities for greater penetration of already substantial established markets (*e.g.,* Korea, Japan), contribute to an attractive environment for firms seeking new market entry or expansion in the region. Careful analysis of environmental factors (*e.g.,* regulation, consumer confidence) likely is fundamental to understanding strategic options available to firms as they hone strategic intent, missions and actions designed to create sustainable competitive advantage in developing insurance markets.