INTERNATIONAL STRATEGIC ALLIANCES IN HIGH TECHNOLOGY INDUSTRIES
A LAW AND ECONOMIC ANALYSIS FROM AN ANTITRUST PERSPECTIVE

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Abstract

In the 1990s we have witnessed a great trend of forming international strategic alliances in high technology industries. International strategic alliances link two or more complementary resources to introduce new products or to create effective production processes in order to prevail in critical global competition. In high technology industries, the market structure is different from the traditional market. The idiosyncrasies in these industries such as huge capital investment, optimal economies of scale, strong network externalities, and inclination of standardization present significant market failures facing an individual high technology company no matter what its size is. Strategic alliances are utilized to overcome these market failures. International strategic alliances can, on the one hand, promote competition, and create innovation efficiency; on the other hand, strategic alliances collaborating two or more otherwise independent market agents may provoke competition concerns. This thesis thus is engaging an antitrust analysis to international strategic alliances in high technology industries. Antitrust policy is basically one of industrial policies. To understand and evaluate an antitrust policy will be unworkable without an economic analysis. This dissertation attempts to analyze the competition effects of international strategic alliances from a law and economic perspective.

This study shows that in high technology industries competition concerns do not result from the collusion effects but from the exclusion effects, which particularly harm the innovation. Strategic alliances are formed to promote innovation in the first place. Most strategic alliances are embodied in a variety of exclusionary practices as exclusive dealings, tying arrangements, cross licensing and grantbacks, as well as vertical
integration. These exclusionary practices are used to ensure the innovation function, maximize profits and prevent from free riding. They are usually used to expand the market power of the innovation, however. As a result, the sequential or complementary innovation will be deterred. A healthy antitrust policy should be based on equilibrium of initial and sequential, cumulative and complementary innovations that high technology industries mostly depend on.
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