

A Pact between Lyft and Didi Kuaidi against Uber

By Aditya Parolia, LLM Candidate 2016 | October 16, 2015

Lyft, a San Francisco-based cab-hailing service, and its Chinese counterpart, Didi Kuaidi, have [announced](#) a partnership that will allow both companies to operate in each other's countries. Starting early [next year](#), Didi Kuaidi will allow American users to find rides in China using the Lyft app. Likewise, Chinese users entering the US will be able to find rides using the Didi Kuaidi app. The partnership will also allow the ride-hailing passengers to pay for the rides in their native currencies. From a business strategy perspective, the partnership is an alliance against a common competitor, Uber.

To date, [Uber](#) has raised over \$5 billion in venture capital, and it is valued at more than \$50 billion. Over the last five years, Uber has expanded its presence in 300 cities across 60 countries. In the U.S., Uber and Lyft have been fiercely competing for [capital](#), at times forcing investors to choose sides. Lyft continues to lag behind Uber significantly in many areas. However, Didi Kuaidi's and Carl Icahn's recent investments in Lyft have helped raise the company's profile in domestic as well as the international markets.

Didi Kuaidi's [investment](#) in Lyft was backed by two of China's largest Internet companies, namely, Alibaba Group and Tencent Holdings. The investment is reflective of a larger trend of increasing investment by Chinese businesses in internet companies in the US. The [number](#) of FDI transactions and acquisitions in U.S. high tech companies by Chinese venture capital and private equity firms reached an all-time high in the first half of 2015. Chinese investments in U.S. technology companies have [ranged from](#) telecom equipment and servers to software and IT services.

The new partnership between Lyft and Didi Kuaidi will allow both companies to take advantage of each other's knowledge of local regulations. This is especially important in China, which has [blocked tech companies](#) from entering the app-based cab-hailing market and sharing new technology and products. Foreign investment in ride-hailing app industry falls in a gray area of the Chinese foreign investment law, which stipulates a policy of "restricted" investment in Internet and technology sectors.

Be that as it may, these are exciting times for app-based ride-hailing industry, which has experienced phenomenal growth world over. The huge amounts of capital raised by these companies in the recent times indicate a continuation of their growth and expansion in future.