



Emerging Markets Forum

Outward Foreign Direct Investment from Emerging Economies: New Players in the World Economy?

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1 Introduction

For many years, emerging economies have commonly been perceived as target countries of foreign direct investment (FDI). Recent large scale overseas investments by companies based in countries like China, India, Brazil, Mexico, Russia or South Africa have made it clear, however, that emerging economies also play a role as origin countries of FDI. This paper seeks to provide some background information on this phenomenon.

Stylised facts can be summarised as follows:

- Emerging economies have become an important source of lending and investment to other developing countries. The share of South-South flows in total FDI to developing countries rose from 16 percent in 1995 to 36 percent in 2003 (WORLD BANK 2006, 108).
- For some emerging economies, outward FDI has become a quantitatively relevant phenomenon. Starting in the mid 90s, outward FDI of emerging economies has gained strength, albeit with great volatility (figure 1). Based on the average 2002 - 04, the following countries have experienced outward FDI of more than one billion US Dollars annually: Brazil, Chile, China, Hong Kong China (23 billion!), India, Korea, Malaysia, Mexico, Russia, Taiwan China (UNCTAD 2005a). For countries like Brazil (2004), Korea, Malaysia, Russia, South Africa (2003/04) outward FDI is in the range (or above) 50 percent of inward FDI (figure 2).
- In some industries, multinational enterprises (MNEs) based in emerging economies have become important players on world markets. A recent Boston Consulting Group report identified, from an original set of more than 3000 companies, a list of 100 global challengers from emerging countries and analysed their entry strategies and growth potential (BCG 2006). Major origin countries of these companies are China (44), India (21), Brazil (12), Russia (7), and Mexico (6). They are active in a wide range of industries, with 32 companies in the industrial goods sector, 18 in consumer durables, 15 in resource extrac-

1 Thanks are due to Christoph Böhler and Patrick Rudolph for their support in the preparation of this report.

tion, 11 in food and cosmetics, 6 in technology equipment, 6 in telecommunication services and 12 in other sectors.

Before going into details, a cautious note on the availability and reliability of data is appropriate.² Information on outward FDI of emerging economies is incomplete and does not give a breakdown for industries or destination countries. The World Bank Global Development Finance Report, e.g., calculates South-South FDI flows as residual, subtracting FDI outflows from high income to developing countries from total FDI inflows to developing countries (WORLD BANK 2006, 111). The paucity of data limits the extent to which general trends and conclusions can be derived from reported observations.

The main sources of information for this paper are the World Bank Global Development Finance Report 2006 (WORLD BANK 2006) and the UNCTAD World Investment Report 2005 (UNCTAD 2005a) - unfortunately, the 2006 UNCTAD report will only be available later this year - for country data and trends. In addition to UNCTAD 2005a, The Boston Consulting Group Report on the New Global Challengers (BCG 2006), a Deutsche Bank Report on China's overseas FDI (DB 2006), and a Business Week lead article on "The New Multinationals" of July 31 2006 (BUSINESS WEEK 2006) provide useful information on markets and MNEs from emerging economies.

The remainder of the paper is structured as follows: Chapter 2 discusses macro-economic trends of FDI from emerging countries, Chapter 3 highlights information on MNEs from developing countries and their impact on global markets, and Chapter 4 points to some central challenges for policy makers in view of increased FDI participation of emerging economies.

It is also worth noting what the paper does not address:

- Portfolio-investments of resource rich countries: For some oil producing countries, FDI has a strong element of portfolio-investment. Its main purpose is the spreading of risks. This category of FDI follows quite distinct motivations.
- The report does not discuss in sufficient depth China's FDI to secure oil and mineral resources. This activity is important quantitatively and has substantial impact on world markets for resources. Nevertheless, it is a primarily Chinese phenomenon and follows also quite different motivations.

² These difficulties can be attributed to differences in data coverage of FDI across countries, differences in methodologies and methods of data collection by host and home countries and different time periods used for recording FDI transactions. Furthermore, it is not always obvious which transactions are to be considered as cross-border, because the highly intertwined ownership structures, with holding companies at different levels of a firm's hierarchy being located in different countries, makes attribution of home and host countries difficult. Cf. UNCTAD (2005b).

To sum up: the report concentrates on macro-economic FDI flows and on firm activities in competitive product markets.

2 Outward FDI Performance of Emerging Economies

Whereas the role of developing economies as an origin of FDI was negligible in the early 1990s, the volume of their outward FDI showed impressive growth afterwards, for Asian countries since 1991, and for Latin America since 1997 (figure 3). As with global FDI, the years 2001 - 2003 saw a sharp decline, but FDI flows resumed their growth in 2004, although exclusively from Asian countries. Available information indicates that this strong performance continued into 2005.

According to the UNCTAD World Investment Report, the outward FDI stock from developing countries reached more than 1 trillion Dollar in 2004, which corresponds to a share in world stock of 11 percent (UNCTAD 2005a, 8).

Albeit impressive on its own, these numbers underestimate the importance of emerging economies in FDI flows to the developing world. South-South flows are estimated by the World Bank to cover more than one third of total inflows to developing countries (table 1). Increased South-South flows provided partial compensation for the decline in FDI flows from high-income countries from 130 billion Dollars in 1999 to 82 billion in 2003. In addition, FDI flows from emerging economies tend to be less concentrated than those from high-income countries and reach poor countries in the respective area.

What are the main reasons for the strong performance of outward FDI from emerging economies, and for the above average growth of South-South flows in particular? Some of the major arguments include:³

- Rapid opening of developing economies, both with regard to trade and foreign investment regulation: This gave a boost to South-South trade which expanded faster than World trade or North-South trade and created favourable conditions for investment, as capital flows often follow trade.
- Strong growth and maturing of domestic markets: Many emerging economies have large domestic markets with continued high growth. This provides a strong home base for international expansion. In addition, some of these markets, e.g. China, are very competitive which puts their firms in a good position to enter foreign markets. With

³ Cf. also WORLD BANK (2006), ch. 4.

growing maturity of markets, firms expand internationally, with export sales and followed by FDI to better exploit market opportunities. This is a normal development pattern and some of the large emerging economies have entered this sequence.

- Trade and FDI follow regional patterns: From empirical research we know that geographic proximity plays an important role in explaining bilateral trade and FDI flows. This is also true for emerging economies. Most South-South capital flows occur within the same geographic region, both because they follow trade and because proximity, common language, and cultural and ethnic ties reduce the risks of lending and investment. As the strong growing emerging economies are part of a larger developing area, China and India in Asia, Brazil in Latin America, South-Africa in Sub-Sahara Africa, this phenomenon strongly supports South-South FDI.
- Comparative advantage of emerging markets MNEs over industrial country competitors when investing in developing countries: The greater familiarity of emerging markets' MNEs with technology and business practices suitable for low-income developing-country markets, and their home market experience in dealing with cumbersome regulations may give them an advantage over their rivals from high-income countries.
- Especially in Asia, there are still very large differences in wage levels and capital intensity of production between countries of the region. This creates opportunities for the outsourcing of labour intensive parts of the value chain and strong incentives for international production, and hence FDI flows.
- The rise of regional trade agreements (RTAs): RTAs have mushroomed since 1990 and activity has been particularly intensive in Asia, Latin America and Southern Africa. RTAs have reduced trade barriers and spurred FDI flows.

What are my expectations for the future? The reasons given above for strong outward FDI will continue into the following years. In particular, there are no signs that liberalisation, particularly on a regional level, will cede to a backward movement to increased protectionism, and markets like Brazil, South-Africa, China and India are becoming more mature and, hence, a larger number of their firms will embark on an internationalisation path. In addition, the exchange reserve position of many of these countries has become quite comfortable and gives more leeway for outward FDI. China is a special case in question: With foreign exchange reserves in the range of 1000 billion U.S. dollars, simple portfolio considerations speak for increased investment in real assets - instead of low interest short term financing of U.S. trade deficits.

In order to get more detailed information, we put together FDI outflow data for nine countries which were chosen on the basis of their volume of outward FDI as well as their global or regional economic importance: Brazil, Chile, China, India, the Republic of Korea, Malaysia, Mexico, the Russian Federation, and South Africa (figure 1). For these countries, outward FDI activity did pick up at the beginning of the 1990s as it did in the rest of the world. Nevertheless, it has remained relatively limited and highly volatile in volume terms until today. As can be seen from figure 1, the "typical" level of outward FDI in this group of countries seems to lie in between \$US 1 and 5 billion. As a comparison, Japanese outward FDI reached more than \$US 30 billion in 2004 and that of the US, the world's biggest investor abroad, even exceeded \$US 229 billion in the same year.⁴ These numbers put the positive interpretation of the foregoing discussion into a more cautious perspective. Although increasing and of some weight for South-South FDI flows, outward FDI of emerging economies is still far below their counterpart of highly developed countries. In addition, these flows are highly volatile and depend on large transactions of single firms. Nevertheless, I would keep the general conclusion that outward FDI of emerging economies is a phenomenon which needs attention for future FDI analysis.

When comparing the development of inward FDI to outward FDI, as done in figure 2, it emerges that some of the countries in the group are just as important as sources of FDI as they are as FDI targets. Outward FDI as a percentage of inward FDI has fluctuated around 100 percent since 2000 in the case of Russia, while it lay mostly above 50 percent in the cases of Malaysia and the Republic of Korea. For Brazil, Chile, China, India and Mexico, outward FDI as a percentage of inward FDI, with few exceptions, was well below 50 percent, while it fluctuated strongly in the case of South Africa.

The UNCTAD Outward FDI Performance Index gives also useful information on the relative position of the respective countries. It compares the share of a country's outward FDI in world FDI with the respective share of its GDP in world GDP.⁵ A value of 1 indicates that the relative weight of outward FDI corresponds to its relative weight in GDP. Small high income or resource rich countries have typically a value above 1, very large countries and low income countries usually fall below 1.

⁴ Cf. UNCTAD (2005), 303.

⁵ More precisely: The outward FDI performance (OND_i) of country i is given by $OND_i = \frac{FDI_i / FDI_w}{GDP_i / GDP_w}$, where

FDI_i is outward FDI in country i , FDI_w world FDI, GDP_i GDP in country i and GDP_w world GDP. To avoid

In the 2002 - 2004 outward FDI performance index of UNCTAD (table 2), Malaysia is ranked 23rd (index value 0.915), the Russian Federation 24th (0.910), Chile 27th (0.741), Brazil 37th (0.429), the Republic of Korea 41st (0.348), South Africa 46th (0.202), Mexico 51st (0.139), India 54th (0.131), and China 72nd (0.052). What do these figures tell us: Some emerging economies are already well integrated into international FDI flows. On the other hand, Mexico, India, and China, three often cited outward investors, are still well beyond their GDP share. One of the reasons for the low value of China and India might also be the fact that the index is calculated on the three year average 2002 - 2004, and that the more recent outward FDI activities are not yet reflected in the respective values. But even taking into account the recent increase in FDI activity, these countries have great potential for more intensive outward FDI. (For comparison, the US has an index value of 0.795 and Japan of 0.385).

To summarise: High growth emerging economies have become an important source for FDI, starting in the early 90s, and resuming growth since 2004. This should not come as a surprise as these countries follow export led growth strategies. FDI to optimise production and to enter new markets follows naturally. As this process has only started and countries like Brazil, China, India are still well below their potential, we will see continued strong growth of outward FDI from emerging markets in the years to come. This process will also be supported by the favourable foreign exchange reserve position of these countries.

3. New Global Players

Outward FDI from emerging economies is not only a macro-economic phenomenon but has also micro-economic impacts. In some cases, MNEs from emerging economies start to shape global markets. They become important players who change the dynamics of competition worldwide.

Although only a small number of MNEs based in emerging markets made it on the list of the world's top 100 non-financial Transnational Companies (TNCs) of the UNCTAD's Investment Report 2005 (Hutchison Whampoa, Hong Kong China (rank 16 by foreign assets), Petronas, Malaysia (72) and Samsung, Korea (99) are the only MNEs from emerging economies in the list of the 100 top non-financial TNCs ⁶), and although only 34 out of a total of 120 cross-border M&A deals with a value of over 100 million Dollars concluded in developing and transition economies

a bias from an unusually high level of outward FDI in one year, OND_i is always calculated on the basis of a three year period. Cf. UNCTAD (2005a).

6 UNCTAD (2005), Annex table A.I.9.

in 2004 had as home country of the acquiring country another developing or transition country⁷, the influence can be felt in more specialised segments of the world economy. A non-exhaustive list of the Boston Consulting Group report (BCG, 2006, 5) includes:

- Forge (India) is the world's second-largest forging company
- BYD Company (China) is the world's largest manufacturer of nickel-cadmium batteries and has a 23 percent share of the market for mobile-hand-set batteries
- Cemex (Mexico) has developed into one of the world's largest cement producers
- China International Marine Containers Group Company (China) has a 50 percent share of the marine container market
- Embraco (Brazil) is the world leader in compressors, with a 25 percent market share
- Embraer (Brazil) has surpassed Bombardier as the market leader in regional jets
- Galanz Group Company (China) has a 45 percent share of the microwave market in Europe and a 25 percent share in the United States
- Johnson Electric (China) is the world's leading manufacturer of small electric motors
- Ranbaxy Pharmaceuticals (India) is among the top ten generic-pharmaceutical players in the world
- Techtronic Industries (China) is now the number-one supplier of power tools to Home Depots in the United States
- Wipro (India) has become the world's largest third-party engineering-services company (Infosys and Tata Consultancy Services, two other Indian technology services firms, complement the strong Indian segment in this industry)

The list could be enlarged by names as the Chinese Lenovo Group who bought IBM's PC business, Brazil's brewer Ambev, Mexico's America Movil or Telefonos de Mexico, India Tata Motors and Tata Steel, Johannesburg brewer SAB-Miller who all follow aggressive internationalisation strategies. The Turkish Kok group holds substantial market shares in European TV sets and appliances markets, markets where Haier and Hisense from China are also important world market players. Huawei Technologies (China) has become an important supplier of telecom equipment

7 UNCTAD (2005), Annex table A.II.1.

who won also contracts from British Telecommunications for its 19 billion dollar program to transform Britain's telecom network.⁸

There is little systematic information on the impact of new global players from emerging economies on the dynamics of world markets, which goes beyond the description of individual cases. The recent Boston Consulting Group Report (BCG, 2006) is, to my knowledge, the most comprehensive study done so far. I will, therefore, summarise some main results.

A global team of senior BCG consultants screened an original list of more than 3000 companies from emerging economies and defined 100 top companies (RDE 100) for further analysis (table 3). Here are some of the main results:

- Asia is home of the large majority of the companies (70), followed by Latin America (18) and another 12 which are based in Egypt, Russia and Turkey. China (44) and India (21) are disproportionately represented, when compared to their share in GDP of emerging economies.
- The RDE 100 are active in a wide range of industries, which include automotive equipment (12), food and cosmetics (11), fossil fuels (9), consumer electronics (8), home appliances (6), telecommunications services (6), technology equipment (6), engineered products (5), steel (5), nonferrous metals (5), IT services/business process outsourcing (4).
- The RDE 100 have shown very impressive economic results. They accounted for \$ 715 billion in revenue in 2004, with an average growth rate of 24 percent per year from 2000 to 2004. They completed 200 publicly announced international transactions between 2001 and 2005, employ 4.6 million people of which 250 000 to 300 000 engineers and scientists. These companies' collective stock market performance has been impressive. From January 2000 to March 2006, their total shareholder return (TSR) increased by more than 150 percent, while the TSR of companies listed in Morgan Stanley's Emerging Market Index rose by 100 percent and that of the S&P 500 declined slightly.
- The majority of the RDE 100 build on home market strengths for their globalisation strategy. The BCG report distinguishes six strategic models, of which four can be seen as variants of exploiting comparative advantages: (1) *Taking RDE brands global* (home market products that have broad global appeal or are easy to customise for new markets); 28 companies active primarily in consumer electronics, household appliances, special foods, beverages, as well as automotive equipment. (2) *Turning RDE Engineering into*

8 The examples are either from BCG (2006) or BUSINESS WEEK (2006).

Global Innovation (marketing innovative technology-based solutions that leverage their strengths in engineering and research); 22 companies active in telecommunications equipment, aerospace, automotive equipment, pharmaceuticals, and technology services. (3) *Assuming Global Category Leadership* (specialists and global leaders in one specific, relatively narrow product category); 12 companies involved mainly in manufactured industrial products, such as electric motors, compressors, power tools, or shipping containers. (4) *Rolling Out New Business Models to Multiply Markets* (special knowledge in running complex logistics, in integrating acquisitions, or superiority along critical dimensions like supply chain management or food processing lines); 13 companies in a variety of industries (cement, chemicals, food products, telecommunications services). The other two strategies are natural resource based, either acquiring natural resources (with the majority of firms based in China), or monetising natural resources of the home country (almost all the companies in this category are based in Brazil or Russia).

- Access to low cost resources - including labour, property and equipment, raw materials, and capital - is a major source of competitive advantage for RDE-based companies. This seems obvious, but needs closer scrutiny, as established MNEs from industrialised countries, in principle, have similar access to locations in emerging economies. Only the cost differential for activities in emerging economies between local and global MNEs creates comparative advantage. Some of the reasons for such cost advantages of local companies are: privileged access to energy and raw materials, familiarity with labour market conditions, business models which are better adapted to the special conditions of emerging economies (for global MNEs, these operations are only a small part of their global activities whereas they represent the core business for RDE-based players).
- Many RDE-based companies have surprisingly strong operating platforms. Their assets are often much younger than those of established competitors, and they tend to be more flexible. In addition, some of the contenders have acquired special skills in operating long-distance supply chains.

To cite from the closing thoughts of the report: "We are fast entering a new era in which RDE-based challengers populate the world's largest industries. These challengers will be major players, reshaping many markets and forcing incumbent companies to respond" (BCG, 2006, 26) - an outlook I would fully subscribe to.

Some additional thoughts on the motivation for emerging markets' firms to go international and on their impact on global markets' dynamics supplement the picture. What motivates MNEs from emerging markets to go global although returns in their home markets are high and what is the impact on global markets? Some of the motivations are fairly traditional, some of special weight for emerging markets' firms:

- Securing energy and raw material supplies: This has been a traditional motivation for Western firms to operate globally, although in some cases these firms have begun to disinvest because energy and raw material markets have become more efficient and large resource based investment have a high risk of state intervention. But it has become a motivation for very large overseas investments by Chinese firms, which are mostly state enterprises. It seems that these deals are supported by political strategic interests of the Chinese government. If continued, these developments can influence world markets on two levels. First, there is an impact on the market for property rights in natural resources. State enterprises with a strategic interest tend to offer higher prices than purely private competitors, which can lead to shifts on ownership. Second, and even more important, is the risk that the government uses subsidised energy and raw material supply to strengthen the competitive position of their energy or raw material intensive industries - a strategy which is widely used in Russia and that we find also in China. This can have a sizable impact on the global markets for these products (basic chemicals or steel is a good example).
- Market defence: In this respect, MNEs from emerging economies are in a similar position to their Western counterparts. If one looks at the history of Western MNEs, market defence has been a driving force in many cases. Competitors from neighbouring areas or countries, who threatened to enter the home market, were bought and with time this led to an ever increasing expansion. In economic history, defensive take-overs were a widespread phenomenon, first on national scale, and with time they gained an international dimension. The consolidation of market structures in emerging economies is close to this development. Part of regional FDI in emerging market areas has this defensive character.
- Buying markets (market expansion): It is difficult to distinguish precisely between market defence and market expansion, but there are examples which are relatively clear. In many modern markets you have to have a substantial global market share to remain competitive. Strong economies of scale or strong brand effects (which have become more important with modern communication) are responsible for this effect. Rapid expansion is a

necessary precondition for success. MNEs from emerging markets in household appliances, specialised engineered products, IT industries are good examples. Production base is often concentrated in emerging economies, but these firms operate on world markets. They change the competitive situation in developing and developed countries alike. The list of successful emerging markets' firms (p. 7) contains many examples of this category.

- **Multiplying firm specific advantages:** This again is a traditional motivation for internationalisation which we find also for Western firms. With regard to outward FDI of MNEs from emerging economies, one could mention some specific features. More generally, emerging economies' MNEs seem to have a comparative advantage in dealing with legal systems of soft property rights. They follow a different legal and negotiation culture than many of their Western counterparts. Accordingly, they enjoy a comparative advantage in dealing with public - private partnerships in infrastructure projects. Another example is the strong position of Indian firms in international markets for IT based engineering and business consulting services.

To summarise this section: MNEs from emerging economies play an increasing role on global markets, and their number and impact will increase in the future. The motivation for the international expansion and the base for their firm specific advantage shape the impact they will have on regional and global competition.

4. The Challenge Ahead

The focus of the paper has been descriptive. Outward FDI from emerging economies, although still far below FDI activities of industrialised countries, has gained strength in the late 90s and again since 2004. Given the impressive growth rates of emerging economies, the need of their industries to globalise not only sales but also their productive operations, and the strong foreign exchange position of most rapidly growing emerging countries, this is not a spurious phenomenon of the last few years but will be a constitutive element of international capital flows in the years to come. But, FDI from emerging economies is not only a macro-economic issue of international capital markets, it also means far-reaching changes in market dynamics for many industries. Chapter 3 abounds with examples of firms which have become drivers of market change - and the list could easily be extended.

I am convinced that this is a very healthy development. Emerging economies stimulate growth in neighbouring developing countries and FDI projects provide much needed development finance

and production knowledge. Contenders from emerging markets increase competition on global markets and spur innovation with regard to products, processes and business models. Emerging economies are already important drivers of world economic growth and will remain so for the coming years. Globalisation of these economies has started with trade and inward FDI, internationalisation of the production of emerging markets' companies, and hence increased outward FDI, is a natural complement.

But there are some major challenges down the road if one wants to fully reap the benefits of this development, which I would like to comment briefly:

- FDI is very sensitive to the quality of economic and political institutions of a country. Even if the criteria might be somewhat different between developed and emerging country investors, we will experience an increased competition for FDI. This has implications in two directions: On the one hand, the increased competition of countries for FDI will give strong incentives for welcomed market reform policies. There is good hope that development strategies which are firmly based on global integration gain support. But there is also a downside to this process: Countries which cannot, for whatever reasons, build sound political and economic institutions will loose out. There is a risk that the cleavage between strongly growing emerging economies and stagnant poor countries will increase - with negative implications for the world order. Institutional capacity building will become even more important in the future.
- Stronger competition of countries for FDI will increase the influence of business on politics. This is helpful if it means support for sound institutions and market oriented economic policies. When it leads to corruption and to policies with highly negative impact on environmental or social outcomes, it has negative welfare effects and undermines the legitimacy of market based systems. For an international market system to work properly - and more broadly based FDI flows contribute to this process - we need not only good governance in political systems but also good governance in international corporations. The objectives and efforts of the Geneva based World Business Council for Sustainable Development⁹ contribute to this goal.
- Trade and investment have a strong regional bias. From empirical trade theory we know that distance and cultural proximity play a decisive role for explaining the level of trade and investment flows between countries. In addition, we know that trade and

9 Homepage: <http://www.wbcsd.ch>.

investment are complementary. Regional integration in an area where we find strong emerging economies contributes substantially to better exploit the economic potential of internationally competitive firms. The weak regional integration in the developing world has hindered economic progress in the past. Regional economic co-operation has been substantially improved in Asia, parts of Latin-America and South Africa, but much needs still to be done. The potential of FDI (and trade) flows between emerging developing countries for economic development could still be strongly improved. Unfortunately, long standing political tensions, missing infrastructure for intra-regional trade, and high barriers to trade are still important impediments to regional trade which need concentrated political efforts for their removal.

- When it comes to FDI, many developed countries have a protectionist reflex, as a general political mood but even more pronounced so when it comes to take-overs by emerging economies' MNEs. The (unsuccessful) CNOOC bid for UNOCAL set off strong nationalistic feelings in the US. Or, the Mittal bid for the European steel producer Arcelor was also not business as usual. A successful integration of emerging economies into the world economy necessitates an open FDI policy not only in developing countries but also in the industrialised world.
- The emergence of a large number of new global companies will increase the war for talents. Young professionals and companies are meeting on a global market place, and by far not all university graduates - in developed and developing countries alike - are fit for global markets. The quality of educational systems will determine how far nationals of a country can profit from the new global economy. How firms can attract and integrate young talents from a variety of countries will become an important factor for comparative advantage and success.

5. Concluding Remark

The emergence of MNEs from a number of rapidly growing developing countries marks the beginning of a new phase of globalisation. It will change the landscape of the international economy. Whether we will reap the benefits from this new era to its potential depends on how we meet the political challenges in developed and developing countries and how successful companies - contenders and incumbents - react to the new global environment.

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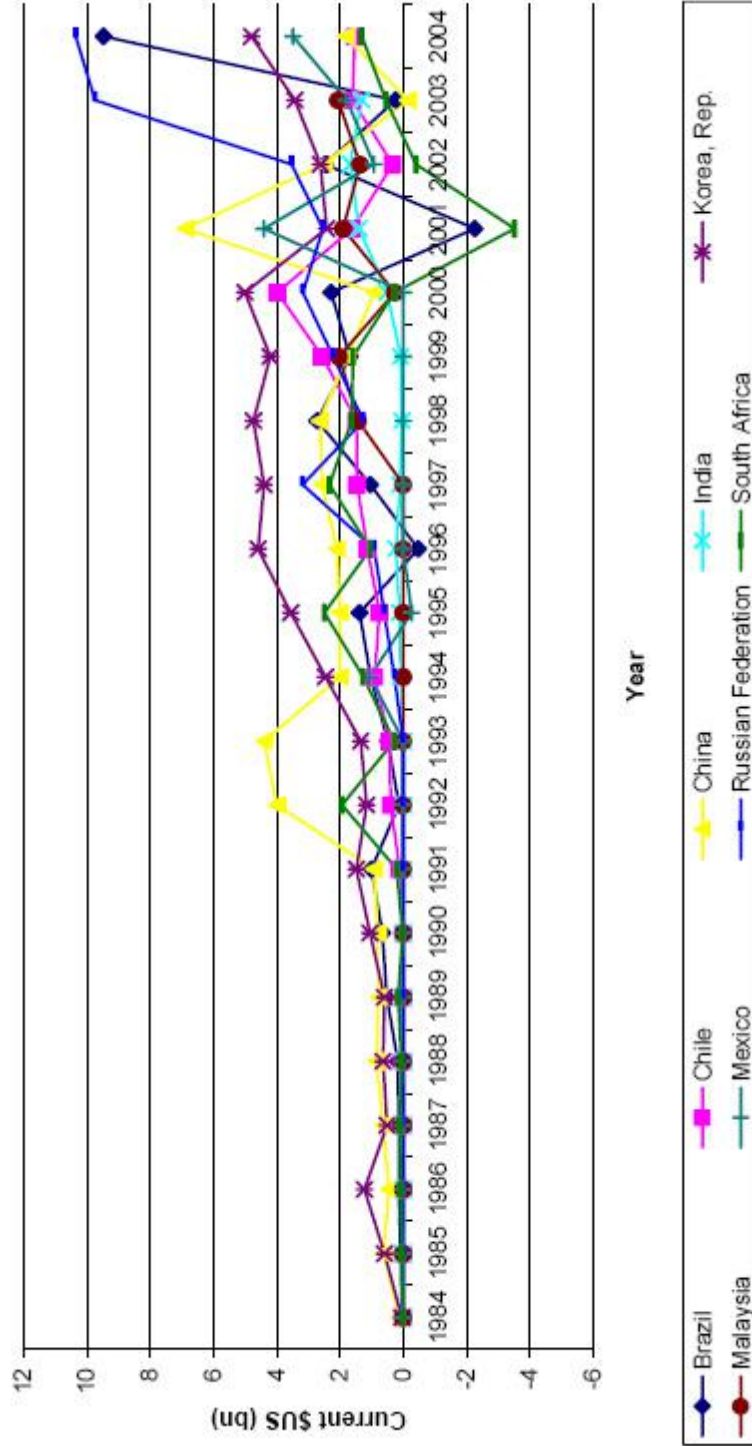
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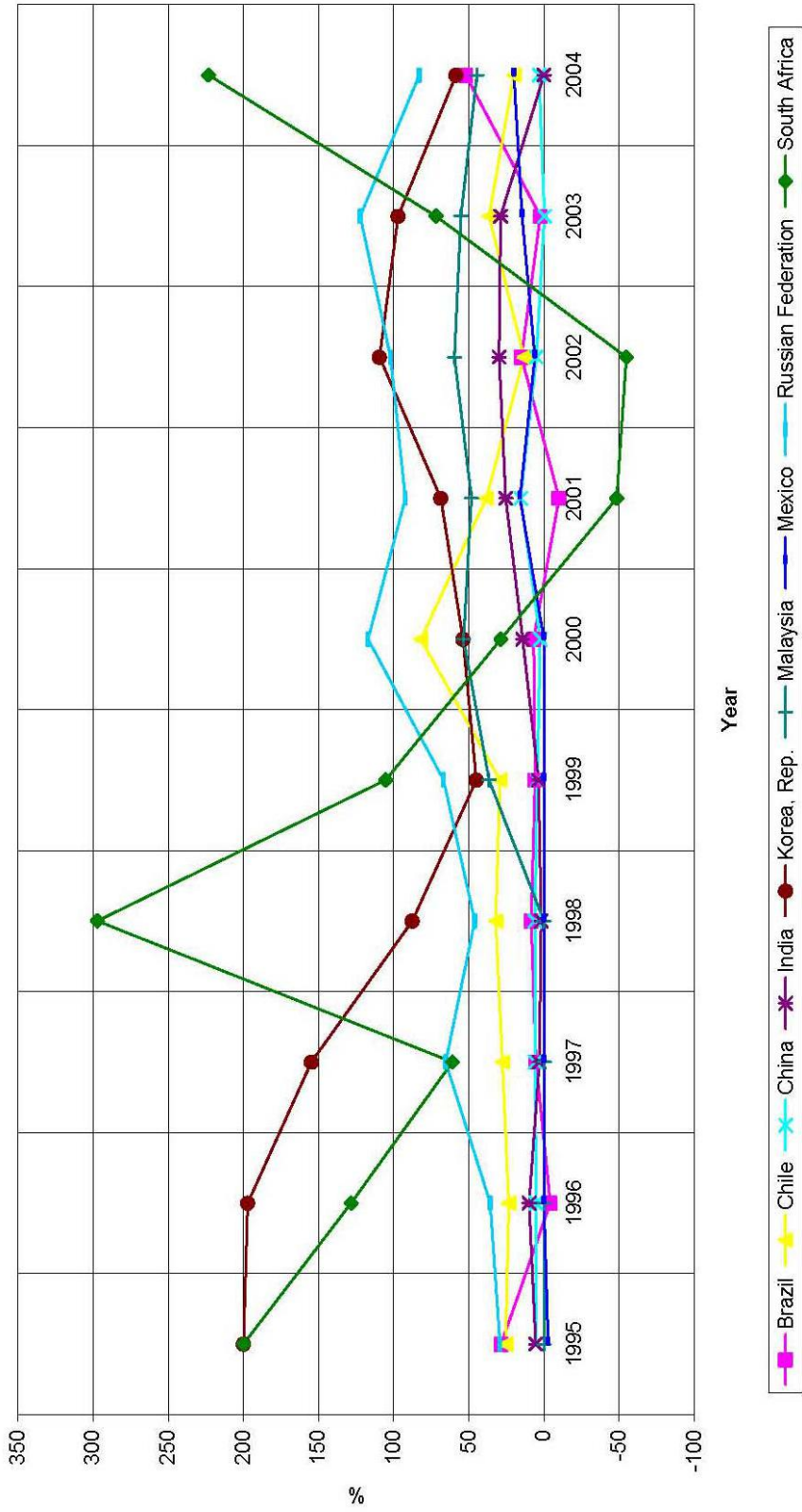
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Figure 1: Outward FDI of Selected Emerging Economies



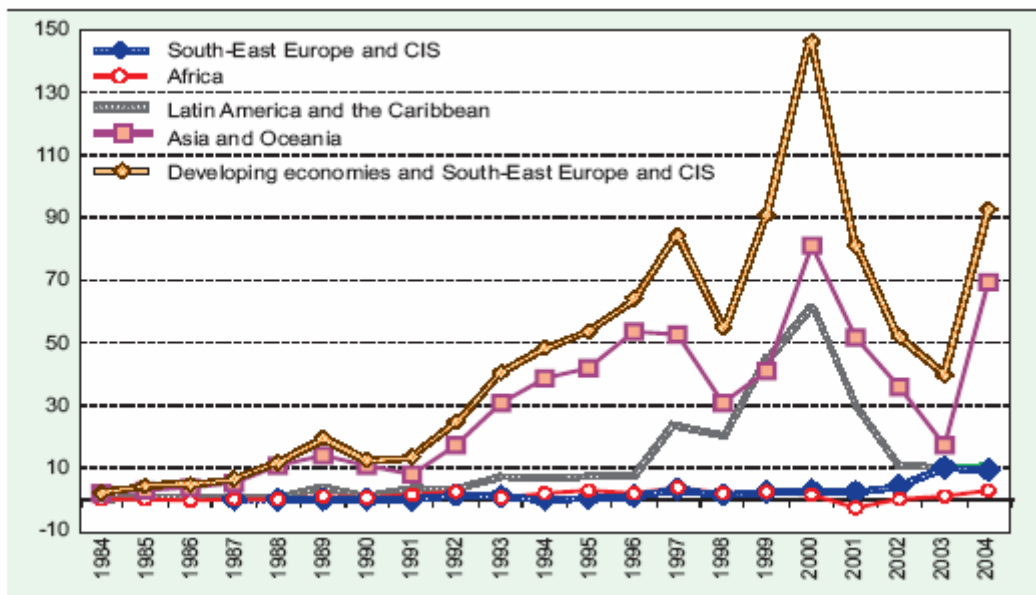
Source: Author's compilation based on UNCTAD (2005a).

Figure 2: Outward FDI as a Percentage of Inward FDI



Source: Author's compilation based on UNCTAD (2005a) and WORLD BANK (2005).

Figure 3: FDI outflows from developing economies, and South East Europe and CIS
(\$ billions)



Source: UNCTAD (2005a), 8.

Table 1: South-South FDI as a share of global FDI to developing countries

(\$ billions)

	1995	1999	2000	2001	2002	2003e
Total inflows (1)	90.3	163.5	154.7	159.3	135.3	129.6
From high income OECD (2)	48.1	95.4	93.7	84.8	55.1	59.4
From high-income non-OECD (3)	28.2	35.0	22.7	24.8	27.2	22.8
South-South FDI (1)-(2)-(3)	14.0	33.1	38.3	49.7	53.0	47.4
South-South FDI (<i>percent</i>)	15.5	20.2	24.8	31.2	39.2	36.6

Note: The South-South estimates are based on 35 countries that account for 85 percent of total FDI flows to developing countries. The estimates are based on the World Bank's classification of developing countries.

e = estimate

Source: WORLD BANK (2006), 111.

Table 2: Outward FDI Performance Index, Average 2002 - 2004

Rank	Economy	Index value
23	Malaysia	0.915
24	Russian Federation	0.910
27	Chile	0.742
37	Brazil	0.429
41	Republic of Korea	0.348
46	South Africa	0.202
51	Mexico	0.139
54	India	0.131
72	China	0.052

Source: UNCTAD (2005a).

Table 3: The Boston Consulting Group list of Top Emerging Global Challengers

Company	Industry	Country
Aluminium Corporation of China (Chalco)	Nonferrous Metals	China
América Móvil	Telecommunication services	Mexico
Bajaj Auto	Automotive equipment	India
Bharat Forge	Automotive equipment	India
BOE Technology Group Company	Computers and IT components	China
Braskem	Petrochemicals	Brazil
BYD Company	Consumer electronics	China
Cemex	Building materials	Mexico
Charoen Pokphand Foods	Food and beverages	Thailand
China Aviation Corporation	Aerospace	China
China FAW Group Corporation	Automotive equipment	China
China HuaNeng Group	Fossil fuels	China
China International Marine Containers Group Company (CIMC)	Shipping	China
China Minmetals Corporation	Nonferrous Metals	China
China Mobile Communications Corporation	Telecommunication services	China
China National Heavy Truck Group Corporation (CNHTC)	Automotive equipment	China
China Netcom Group Corporation (CNC)	Telecommunication services	China
China Petroleum & Chemical Corporation (Sinopec)	Fossil fuels	China
China Shipping Group	Shipping	China
Chunlan Group Corporation	Home appliances	China
Cipla	Pharmaceuticals	India
CNOOC	Fossil fuels	China
Companhia Vale do Rio Doce (CVRD)	Mining	Brazil
COSCO Group	Shipping	China
Coteminas	Textiles	Brazil
Crompton Greaves	Engineered Products	India
Dongfeng Motor Company	Aerospace	China
Dr. Reddy's Laboratories	Textiles	India

Embraco	Food and beverages	Brazil
Embraer	Aerospace	Brazil
Erdos Group	Textiles	China
Femser	Food and beverages	Mexico
Founder Group	Computers and IT components	China
Galanz Group Company	Home appliances	China
Gazprom	Fossil fuels	Russia
Gerdau Steel	Steel	Brazil
Gree Electric Appliances	Home appliances	China
Gruma	Food and beverages	Mexico
Grupo Modelo	Food and beverages	Mexico
Haier Company	Home appliances	China
Hindalco Industries	Nonferrous metals	India
Hisense	Consumer electronics	China
Huawei Technologies Company	Telecommunications equipment	China
Indofood Sukses Makmur	Food and beverages	Indonesia
Infosys Technologies	IT services / business process outsourcing	India
Johnson Electric	Engineered products	China (Hong Kong)
Koç Holding	Home appliances	Turkey
Konka Group Company	Consumer electronics	China
Larsen & Toubro	Engineering services	India
Lenovo Group	Computers and IT components	China
Li & Fung Group	Textiles	China (Hong Kong)
Lukoil	Fossil fuels	Russia
Mahindra & Mahindra	Automotive equipment	India
Malaysia International Shipping Company (MISC)	Shipping	Malaysia
Midea Holding Company	Home appliances	China
MMC Norilsk Nickel Group	Nonferrous metals	Russia
Mobile Telesystems (MTS)	Telecommunications services	Russia
Nanjing Automobile Group Corporation (NAC)	Automotive equipment	China
Natura	Cosmetics	Brazil

Nemak	Automotive Equipment	Mexico
Oil and Natural Gas Corporation (ONGC)	Fossil fuels	India
Orascom Telecom Holding	Telecommunications services	Egypt
Pearl River Piano Group	Musical instruments	China
Perdigão	Food and beverages	Brazil
PetroChina Company	Fossil fuels	China
Petrobrás	Fossil fuels	Brazil
Petronas	Fossil fuels	Malaysia
Ranbaxy Pharmaceuticals	Pharmaceuticals	India
Reliance Group	Chemicals	India
Rusal	Nonferrous Metals	Russia
Sabancı Holding	Chemicals	Turkey
Sadia	Food and beverages	Brazil
Satyam Computer Services	IT services / business process outsourcing	India
Severstal	Steel	Russia
Shanghai Automotive Industry Corporation Group (SAIC)	Automotive equipment	China
Shanghai Baostell Group Corporation	Steel	China
Shougang Group	Steel	China
Sinochem Corporation	Chemicals	China
Sisecam	Building materials	Turkey
Skyworth Multimedia International Company	Consumer electronics	China
Sukhoi Company	Aerospace	Russia
SVA Group Company	Consumer electronics	China
Tata Consultancy Services (TCS)	IT services / business process outsourcing	India
Tata Motors	Automotive equipment	India
Tata Steel	Steel	India
Tata Tea	Food and beverages	India
TCL Corporation	Consumer electronics	China
Techtronic Industries Company	Engineered products	China (Hong Kong)
Thai Union Frozen Products	Food and beverages	Thailand
Tsingtao Brewery	Food and beverages	China

TVS Motor Company	Automotive equipment	India
UTStarcom	Telecommunications equipment	China
Vestel Group	Consumer electronics	Turkey
Videocon Industries	Consumer electronics	India
Videsh Sanchar Nigam (VSNL)	Telecommunication services	India
Votorantim Group Corporation	Process industries	Brazil
Wanxiang Group Corporation	Automotive equipment	China
WEG	Engineered products	Brazil
Wipro	IT services / business process outsourcing	India
ZTE Corporation	Telecommunications equipment	China

Source: BCG (2006), p. 7



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