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Outward foreign direct investment from New-Wave Emerging Countries: A shift of newly emerging multinational companies

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(final draft)

On the brink of the global financial and economic crisis, and during its first years, the focus has been on the BRICs fast growth and resilience to the crisis. One promising dimension of the BRICs economic development and successful muddling through the crisis has been stressed as being a dramatic expansion of their outward foreign direct investment (OFDI) and of BRIC-based multinational companies (MNCs) over the past fifteen years or so. This latter dimension is increasingly topical in the international economics and business literature (our own contribution in Andreff 2014, 2016a, 2016b). However, focusing on BRICs' OFDI and MNCs has somewhat left unheeded the fact that some other emerging economies do behave much better than average in the global economy and have become significant and fast-growing direct investors abroad as well. They may be a new wave of emerging economies catching up with the BRICs as regards their development momentum, namely in the area of OFDI achieved by their home-based companies. Such is the issue tackled in this paper.

A first task is to sample a group of emerging economies (excluding the BRICS[2]) which rank among major OFDI home countries (Section 1). Due to this criterion our sample differentiates from some well-known groupings of emerging countries and takes on board thirteen so-called "New-Wave Emerging Countries" (NWECs). In Section 2, a first (non-exhaustive so far) analysis traces back the emergence of the first OFDI and MNCs from these thirteen NWECs, then provides some insights into their strategies and finally tests some specific determinants of their OFDI that is those factors pushing companies based in the thirteen countries to invest

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[2] That is Brazil, Russia, India, China and South Africa.

abroad (push factors). In this inception study, the analysis is not extended yet to those factors that attract NWECs' OFDI in some set of host countries (attractiveness or pull factors)[3].

1. Sampling New-Wave Emerging Countries from the standpoint of outward foreign direct investment

As soon as an economist talks about emerging economies/countries a problem arises with delineating the country sample he/she is referring to. As a result, except for the BRICs (Brazil, Russia, India, China) and the BRICS (BRICs plus South Africa), it is not clear which countries are actually considered as emerging economies. It is even less so when one is talking about newly emerging countries or "new candidates to the emerging country group" (Nurdin & Djermoun, 2015), mentioning countries like, for example, Algeria, Bangladesh, Jordan or Saudi Arabia. Of course, the same comment applies when studying multinational companies (MNCs) based in emerging economies and OFDI from these countries with for instance case studies of firms from Ghana and Nigeria (Konara *et al.*, 2015).

The paper presents a methodological attempt at defining a relevant sample of emerging economies from the standpoint of studying their MNCs and OFDI; relevant means that the sample should be homogenous enough from within and heterogeneous when compared to other country samples such as developed market economies, post-communist transition economies or rent-depending countries. The idea is to build up a data base with all countries in the world which significantly invest abroad and then to select out of it a relevant sample of emerging economies through a double process: a/ clean the data base from obviously non-emerging countries such as well-known developed market economies, post-communist countries and so on, on the one hand; b/ on the other hand, fix a set of criteria that can be used to define emerging economies by contrasting them with other countries that significantly invest abroad.

1.1. Some usual samples of emerging countries

For our purpose, first let us fix a threshold below which a country will not be regarded as a significant foreign investor in terms of OFDI. Though a little bit arbitrary, we retain the

[3] On the analytical framework distinguishing OFDI push from pull factors, see Andreff (2003, 2016a, 2016b), Dunning (2008), Gugler and Boie (2008).

following criterion: a country is a significant OFDI home country if its OFDI stock is higher or equal to $1 billion in 2014 according to UNCTAD data published in the 2015 *World Investment Report*. With this threshold in mind, 91 countries in the world are screened and put into our data base (Appendix 1)[4].

Among the most famous samples of emerging countries in the literature (Brière, 2009), one finds the IMF-acknowledged emerging economies; they are 23 countries:

Argentina, Brazil, Chile, China, Dominican Republic, Ecuador, Egypt, Hungary, India, Indonesia, Ivory Coast, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Salvador, South Africa, South Korea, Thailand, Uruguay, Venezuela, that is 4 BRICS, Russia excluded + 19 countries.

Though covered with the official seal of an international organisation, this panel is not definitely relevant for a study of emerging economies' OFDI since countries such as Dominican Republic, Ecuador, Ivory Coast, and Salvador do not invest much abroad – less than a $1 billion OFDI stock in 2014 (thus they are not included in our data base).

The Boston Consulting Group is used to work with a more restricted sample (*The 2008 BCG New Global Challengers*) of 11 countries:

Argentina, Brazil, Chile, China, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Thailand, that is three of the BRICs and one post-communist transition economy (Hungary) leaving 7 countries for a "new wave" emerging category.

Standard & Poor's usually retains a sample of emerging economies that is 30 countries:

Argentina, Bolivia, Brazil, Chile, China, Egypt, Hungary, India, Indonesia, Israel, Jordan, Malaysia, Mexico, Morocco, Nigeria, Oman, Pakistan, Peru, Philippines, Poland, Russia, Slovenia, South Africa, South Korea, Sri Lanka, Taiwan, Thailand, Turkey, Venezuela, Zimbabwe (5 BRICS + 25 countries). Again some of these countries are not significant investors abroad (Bolivia, Jordan, Sri Lanka), some are BRICS, and some are post-communist transition economies.

BNP Paribas has also its own sample of 29 emerging countries:

Argentina, Brazil, Bulgaria, Chile, China, Colombia, Croatia, Czech Republic, Egypt, Hungary, India, Indonesia, Iran, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Romania, Russia, Saudi Arabia, South Africa, South Korea, Thailand, Tunisia, Turkey, Venezuela (5 BRICS + 24 countries).

Here again, one is still left with two countries, Romania and Tunisia, which are not significant investors abroad and one is a post-communist economy.

[4] In fact, the data base exhibits exactly 100 countries because it is also supposed to be used for studying OFDI from post-communist economies: 9 of them have an OFDI stock below $1 billion though over $100 million (below the latter value UNCTAD does not provide a figure for Tajikistan, Turkmenistan and Uzbekistan).

Which of these samples is the best representative of actually emerging countries and, once subtracting the five BRICS, of a "new wave" of emerging economies? It is very difficult to trade-off between such samples. The choice is even more puzzling if one considers that the most promising emerging economies are considered to be:

The CIVETS, Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa, as to HSBC,

The CIPP, Colombia, Indonesia, Peru, Philippines, as to the French COFACE,

The TICKS, Taiwan, India, China, South Korea, as to *Financial Times* (28th January, 2016).

If one wants to have an exhaustive view of potential emerging economies, one way to proceed is to merge all the previous samples and then get 38 countries:

Argentina, Bolivia, Brazil, Bulgaria, Chile, China, Croatia, Dominican Republic, Ecuador, Egypt, Hungary, India, Indonesia, Israel, Ivory Coast, Jordan, Malaysia, Mexico, Morocco, Nigeria, Oman, Pakistan, Peru, Philippines, Poland, Romania, Russia, Salvador, Slovenia, South Africa, South Korea, Sri Lanka, Taiwan, Thailand, Turkey, Uruguay, Venezuela, Zimbabwe.

Cleaning this large sample from the 5 BRICS and those countries that do not significantly invest abroad - Bolivia, Jordan, Romania, Sri Lanka and Tunisia – one is left with a rather huge "new wave" of 28 emerging countries. It is likely to be too much.

Another way to proceed, instead of merging the samples, is to look for the common hard core of emerging economies obtained in crossing (overlapping) the samples. This has been done with the first four mentioned samples – IMF, BCG, Standard & Poor's, BNP Paribas – in a study of emerging countries' MNCs (Andreff & Balcet, 2013). The outcome is a 19 country sample:

5 BRICS + Argentina, Chile, Czech Republic, Egypt, Hungary, Indonesia, Malaysia, Mexico, Poland, Slovenia, South Korea, Taiwan, Thailand, Turkey.

The latter sample encompasses only significant foreign investors. Once cleaned from the 5 BRICS, a new wave of emerging economies from the standpoint of OFDI would take on board 14 countries. It is probably the most appropriate sample among those we have listed so far. However its accuracy can be questioned as regards the Czech Republic, Hungary, Poland and Slovenia which are post-communist countries with their own economic specificities. Another question is about South Korea and Taiwan: are they still emerging or actually emerged (developed) countries? In a previous study of OFDI from developing and former communist countries (Andreff, 2003) referring to the 1990s, South Korea and Taiwan had already reached the fourth stage of Dunning's IDP model, that is the first stage for developed countries. Moreover the accession of South Korea to OECD membership (to the 'club' of developed economies) has confirmed in some way that it is now a developed economy; in

2014, South Korea's GNI (gross national income) per capita was $ 27,090 as against $21,360 for Portugal and $22,680 for Greece. And if Taiwan has not applied for OECD membership, it is only for political reasons (its status of a Chinese province) rather than due to a lower level of economic development or a smaller OFDI.

Then a first 'core' for creating a sample of New-Wave Emerging Countries significantly investing abroad would be:

Argentina, Chile, Egypt, Indonesia, Malaysia, Mexico, Thailand, Turkey that is 8 countries.

In the following we shall check with more detailed criteria whether such sample is representative, comprehensive enough and, above all, sufficiently homogeneous from within and differentiated from the rest of significant investors (OFDI) abroad. **Reprendre**

1.2. A deductive approach to New-Wave Emerging Countries

Consider now our 91 country sample of significant investors abroad (Appendix 1). First we have to clean it up from developed market economies (DMEs). If the threshold for an emerged (developed) country is fixed as being over a $20,000 GNI per capita in 2014, we are left with 30 *DMEs*, ranked according to the importance of their OFDI stock from $6,318.6 billion for the USA down to $8.0 billion for Iceland: USA, United Kingdom, Germany, Hong Kong, France, Japan, Switzerland, Netherlands, Canada, Spain, Ireland, Singapore, Italy, Belgium, Australia, Sweden, Taiwan, South Korea, Austria, Norway, Denmark, Finland, Luxembourg, Israel, Portugal, Malta, Cyprus, Greece, New Zealand, Iceland. The highest GNI per capita is found in Norway ($103,630), the lowest in Malta ($21,000).

However, a few other countries have a GNI per capita higher than $20,000 but cannot really be classified as DMEs: Qatar ($92,200), Kuwait ($49,300), United Arab Emirates ($44,600) and Saudi Arabia ($25,140) which are all acknowledged as rent-depending countries (RDCs). Bahamas, Bahrain, Trinidad & Tobago have a GNI per capita slightly higher than $20,000 and Macao much higher ($76,270) but they belong to a specific category of countries (see below), not to DMEs.

91 minus 30, we are left with 61 countries. Let us turn now to the five BRICS (Appendix 2). Of course, they are emerging economies; they even are the leading ones for at least two decades. Moreover, we have already studied their OFDI (Andreff, 2013, 2014, 2016a, 2016b). Thus they are not to be included in a sample of New-Wave Emerging Countries while they can be taken as a sort of benchmark to check whether the new wave can compare to some extent to the BRICS. We are left with 56 countries.

Now we have to split post-communist transition economies (PTEs) away from the data base. These economies are not yet developed market economies even though some (Slovenia, the Czech Republic) already are rather advanced in their transition to a fully-fledged market economy. They are not former underdeveloped or developing countries either, as emerging countries were few decades ago. To the contrary, as former centrally planned economies, they were rather over than under-industrialised, they had reached an intermediary level of economic development (though distorted), and they closed their economy to inward and outward FDI[5]. Among significant investors abroad one finds 17 PTEs ranked according to their OFDI stock in 2014: Russia[6], Poland, Hungary, Kazakhstan, Czech Republic, Azerbaijan, Ukraine, Vietnam, Estonia, Slovenia, Croatia, Slovakia, Serbia, Lithuania, Bulgaria, Georgia, Latvia. 9 other PTEs hold an OFDI stock between $100 million and $1 billion: Romania, Belarus, Montenegro, Kyrgyzstan, Albania, Bosnia-Herzegovina, Armenia, Moldova, and Macedonia.

The sample of remaining countries is now down to 56 minus 16 = 40 potential candidates to join New-Wave Emerging Countries.

As mentioned above, some countries have their economic development – and consequently their inward FDI and OFDI – very much dependent on rent-extracting activities based on crude products such as oil and gas, also raw materials exploitation, for example, phosphates in Morocco and Togo, copper mining in Zambia, diamond mining in Congo DR, banana and pineapple in Costa Rica or mineral fuels in Peru. As regards oil and gas rent-depending countries (RDCs) those remaining in our data base of significant investors abroad are: United Arab Emirates, Saudi Arabia, Kuwait, Qatar, Venezuela, Libya, Angola, Oman, Iran, Iraq, Algeria, and Gabon. However, Iran was not always very much able to exploit its oil rent in the past decades due to sanctions and embargo, and must not be merely retained as a RDC given its level of industrialisation. On the other hand, some countries have also their economic development markedly influenced by rent-exploiting activities: Norway, the USA, Canada, Russia, Brazil, Kazakhstan, and Azerbaijan. However, we consider that their characteristics as either DMEs or PTEs would prevail over the fact that they are partly, sometimes significantly, dependent on rent-extracting activities.

A last case in point is Nigeria, an oil producer and exporter. For sure the Nigerian economy is somewhat dependent on the development of its oil industry (and thus on oil market price). However, it is a rather big country which fulfills other criteria of emergence (see below). It is

[5] They require a specific study (already on the tracks) as regards their OFDI.

[6] Russia is thus counted twice, once as a BRIC and a second time as a PTE.

the only one sub-Saharan African country that can be regarded as a potential newly emerging economy. Moreover, its economy is less rent-dependent than, say, those of Algeria, Angola, Gabon or even Congo DR on the same continent. At the end of the day, we skip out 17 DRCs from the sample of potential New-Wave Emerging Countries ranked according to their OFDI: United Arab Emirates, Saudi Arabia, Kuwait, Qatar, Venezuela, Libya, Angola, Oman, Peru, Morocco, Zambia, Iraq, Costa Rica, Togo, Algeria, Congo DR, Gabon.

Remaining countries are 23 now. Notice that for some of them their ranking among the 91 major investors abroad is not basically due to their level of economic development (they are not DMEs), their former communist regime (they are not PTEs) or their rent-dependence (they are not RDCs) but to some specific institutional or geographic feature. This pertains to tax heavens or tax friendly countries: Lebanon, Bahrain, Cook Islands, Liberia, Panama, Bahamas, Barbados, and Macao. Some are islands: Trinidad & Tobago, Cook Islands, Bahamas, Barbados, Macao, and Mauritius.

Some have important free trade zones on their territory: Trinidad & Tobago, Mauritius.

Except Liberia and Panama, they are geographically small countries below 10,000 km^2 or so. They have a small population, below 1.5 million inhabitants, except Lebanon, Liberia and Panama (in the range of 4 million inhabitants). They are not DMEs since their GNI per capita is below $21,000 (except Macao). Let us coin this residual group 'tax friendly small economies' (TFSEs). They are 10 of them (ranked according to their OFDI stock in 2014): Lebanon, Bahrain, Trinidad & Tobago, Cook Islands, Liberia, Panama, Bahamas, Barbados, Macao, and Mauritius.

Subtracting these 10 TFSEs from the data base we are left with 13 potential candidates for a sample of New-Wave Emerging Countries. Ranked according to their 2014 OFDI, they are (NWECs, Appendix 3): *Malaysia, Mexico, Chile, Thailand, Colombia, Turkey, Argentina, Philippines, Indonesia, Nigeria, Egypt, Iran, Pakistan*.

Note that we have found the same 8 countries as the 'core' sample of new wave emerging economies (*1.1* above) obtained by overlapping the different most usual samples and 5 additional countries that is Colombia, Philippines, Nigeria, Iran and Pakistan. Thus, it does not seem very much debatable that the 8 core emerging economies must be sampled for studying emerging MNCs and OFDI. The 5 'newcomers' in our sample are to be examined more carefully. Namely, we have to compare all 13 NWECs to the BRICS which basically are big countries both in terms of population and GDP, and located on wide national territories;

moreover BRICS enjoy swift economic development approximated here by a high rate of GDP growth and a not too low GNI per capita (the lowest is India's with $1,570).

1.3. Criteria of economic emergence: a new wave of OFDI home emerging countries

Appendix 4 summarises the characteristics of our different country samples: DMEs, BRICS, NWECs, PTEs, RDCs and TFSEs are ranked in this order with respect to their average OFDI. Quite logically, the ranking of country samples by OFDI importance is not very much different from their ranking by average GNI per capita: the first ranked are DMEs (average GNI per capita = $47,348), then come PTEs ($9,658), BRICS ($8,430) and NWECs ($7,356). Of course, GNI per capita is inflated by the rent in RDCs ($17,232) and by tax/custom duty attractiveness in TFSEs ($20,539) which nevertheless remain below the average for the whole database of significant foreign investors. Such country sampling is relevant from the standpoint of both OFDI and economic development (GNI per capita) since the variation coefficient s/m (m = mean value, s = standard deviation) is below 0.62 for DMEs, BRICS, PTES and NWECs; each sample is rather homogeneous compared to the whole data base (s/m = 1.01 for the whole sample). By contrast, RDC and TFSE groups gather rather different (heterogeneous) countries; the rent is differently extracted from oil, gas, raw materials, etc., and from country to country while the institutional or geographical advantages are scattered and diversified in the TFSE sample.

Two other interesting features show up in Appendix 4: on average, BRICS have a huge population (752 million inhabitants) and the biggest average geographical size (9,274 thousands square kilometers). The next biggest countries in terms of average population are the NWECs (108 million inhabitants) while population is much smaller in DMEs, and below 21 million inhabitants in DRCs, 18 million in PTEs and 2 million in TFSEs. The NWECs are also the second biggest countries on average in terms of geographical size (1,120 thousands square kilometers) ahead of DMEs, PTEs and DRCs. Therefore, one can conclude that the NWECs have some similarities with – or are not lagging too far behind – BRICS. Moreover, the coefficient of variation is the lowest for the distribution of population in the NWECs sample, meaning that these countries are even more homogenous than BRICS in this respect.

Considering now the eight variables gathered in the data base (except OFDI), it appears that the coefficient of variation (estimating the sample relative dispersion) is the lowest for the NWECs as regards population, GDP, GDP rate of growth in 2006-2010 and GDP rate of

growth in 2011-2014 (Appendix 4). The lowest dispersion is witnessed in the BRICS group for geographical size, inward FDI stock and OFDI/GDP and OFDI/inward FDI ratios. However, the second lowest dispersion (and very close to the BRICS' coefficient of variation) is observed in the NWECs sample for geographical size and inward FDI stock. It is only for the OFDI/GDP and OFDI/inward FDI ratios that dispersion is the third lowest for the NWECs group. All in all, the NWECs are at least as homogenous a sample as the BRICS one.

The average NWEC is a country with a $48 billion OFDI stock, 107.5 million inhabitants, a $ 516.1 billion GDP, a 4.6% growth rate both in 2006-2010 and 2011-2014, a $7,356 GNI per capita, and a 1,120 thousands square kilometers' geographical size. In other words, it is a kind of 'small BRICS' group, 8 times smaller in terms of GDP and geographical size, 7 times smaller in terms of geographical size but with a GDP rate of growth coming close to the one of BRICS in 2011-2014 (namely compared to 2006-2010), and much more stable, that is countries as resilient as the BRICS to the crisis. An OFDI stock 9 times smaller than the BRICS' one probably means that the NWECs are emerging as major foreign investors; thus it makes sense to coining them New-Wave Emerging Countries from the standpoint of OFDI. The same applies to their GNI per capita ($7,356) rather close to the level of the BRICS' one ($8,430).

Beyond the characteristics of being a homogeneous country group with a fast economic growth during the crisis, the NWECs sample shares with the BRICS some marked disparities. GNI per capita spreads from $14,910 in Chile down to $1,400 in Pakistan; this is nearly as widespread as within the BRICS from a $13,220 GNI per capita in Russia down to $1,570 in India. In the NWECs, population is between 29.9 million inhabitants in Malaysia and 254.5 million inhabitants in Indonesia (a ratio of 1 to 8.5) while the gap is much deeper within the BRICS between 54 million inhabitants in South Africa and 1,364 million inhabitants in China (a ratio of 1 to 25). With regards to GDP, it is scattered among the NWECs from $244 billion in Pakistan to $1,295 billion in Mexico (1 to 7) whereas it spreads from $350 billion in South Africa up to $10,350 billion in China (1 to 30) among the BRICS. Geographical size is between 298 thousands square kilometers in Philippines and 2,737 thousands square kilometers in Argentina (1 to 9) within the NWECs sample while within the BRICS the size goes from 1,213 thousands square kilometers in South Africa to 16,377 thousands square kilometers in Russia (1 to 13.5).

The fastest growth rate in 2006-2010 scored at 7.2% in Nigeria as against 2.0% in Mexico in the NWECs (a 5.2% differential) whereas in the BRICS sample the growth rate was between

3.1% in South Africa and 11.3% in China (a 8.2% differential). In 2011-2014, the growth rate gap is the same in the two samples that is 6 percentage points (-0.1% in Iran and 5.9% in the Philippines; 2.1% in Brazil and 8.1% in China). All these figures show that: a/ there are noticeable disparities within the NWECs sample; b/ these disparities are narrower than in the BRICS sample. Lower disparity makes sense grouping the 13 selected countries as NWECs.

2. Analysing OFDI from New-Wave Emerging Countries (NWECs)

OFDI has unevenly emerged far back in the past from the different NWECs. In practical terms, our operational sample encompasses 13 NEWCs including with regards to econometric testing. After a brief history of the emergence of NEWCs' OFDI, some features and strategies of their MNCs' are sketched. Then a brief point is made about a possible home country's policy promoting OFDI in some NWECs though this point should be further elaborated on in forthcoming research. Although not very much abundant, some econometric modelling and testing exercises have been published yet on the determinants of some NWECs' OFDI and a brief (non exhaustive) survey is provided before econometrically testing the possible push factors which had determined MNCs based in the NEWCs to invest abroad. A further step, in a next research work, should be to test also those pull factors that attract NWECs' OFDI in different host countries (this dimension is skipped out from this text).

2.1. The emergence of multinationals based in New-Wave Emerging Countries

The starting point in the development of NWEC multinational companies dates back to the 1970s primarily for some Latin American front runners. For most NWEC-based MNCs, their first investment abroad goes back to the 1980s, to the 1990s for Iran MNCs. One can trace back their first emergence through OFDI statistics published in UN reports. A UN report (ONU, 1978) had pointed at 170 foreign subsidiaries of Latin America-based MNCs, basically from Argentina, Chile, Colombia and Mexico, established in other Latin American countries in the 1970s[7]. The same report assessed OFDI stock from Indonesia, the Philippines and Hong Kong in other South-East Asian countries to be up to $1.5 billion in 1976. A UN

[7] Argentine investors began cross-border production in the first part of the XXth century and were still dominating the geography of Southern American FDI in 1970; now they account for a much smaller share (Aykut & Goldstein, 2007).

(1988) report had listed FDI outflows of $3.6 million from Colombia and $1.2 million from the Phillipines in 1975; in 1980, FDI outflows were reaching $105 million from Colombia, $43 million from Chile, $6.5 million from Egypt, and $2.6 million from Thailand while Argentina was already divesting $110 million previously invested in Latin American countries. OFDI in the services industry was also witnessed from Argentina, Chile, Colombia and the Philippines (UN, 1988). In 1980, OFDI stock was up to $13 million from Thailand, $31 million from Pakistan, $39 million from Egypt, $42 million from Chile, $137 million from Colombia, $171 million from the Phillipines and $414 million from Malaysia (UNCTAD, 1994).

The same past tendencies are confirmed in a few other publications. Vernon (1977) listed 10 Malaysian companies having invested in Thailand. In 1975-1980, the existence of MNCs based in Argentina, Chile, Colombia, Mexico, Egypt, Turkey, Indonesia and the Philippines was already pointed at (Andreff, 1982). Indeed, a first wave of OFDI from Argentina dates back to 1900-1930; after a post-war collapse, Argentine OFDI has started up again earlier than 1965 with acceleration in 1969-1980 (Katz & Kosacoff, 1984). Sime Darby (Malaysia) started investing in China, Hong Kong and Singapore in the early 1970s, in the UK in the 1980s, and then in the Phillipines and Australia (Ahmad & Kitchen, 2008).

By end of the 1970s, various Latin American companies were known to have invested abroad, namely PEMEX, Sidermex and Cydsa (Mexico), YPF, Bunge y Born, Alpargatas, Siam di Tella, Yelmo, Galileo, Fortuny, Roque Vasalli, Wobron, Bago, Giol, Arcor, Elma, and Kapelusz (Argentina), Pertamina and Astra (Indonesia), Petrophil, Manila Electric and San Miguel (Phillipines), Petronas and YTL (Malaysia), COPEC (Chile), Summit Ind. Corp. and Siam Cement (Thailand), Eregli Demir Ve Celik (Turkey), Cairo General Contracting and Consumers Cooperative Society (Egypt), and the Union Bank of Nigeria. In the early 1980s, 31 Argentine companies had invested in Brazil, 22 in Uruguay, 10 in Ecuador, 8 in Venezuela, 7 in Chile, 6 in Colombia, 6 in Bolivia, 6 in Paraguay, 4 in Mexico (Katz & Kosacoff, 1984). Gendarme (1981) mentions some Third World MNCs such as PEMEX, YPF, Haci Omer Sabanci Holding and Koc Holding (Turkey), Codelco-Chile, Alfa and Valores Industriales (Mexico), and Empresa Colombiana de Petroleos. Aykut & Goldstein (2007) date back to the late 1980s Chile, Egypt, Malaysia, Mexico, Thailand, and Turkey having become significant direct investors abroad.

OFDI from most NWECs had started to increase significantly in the 1990s (Table 1). It is convenient to distinguish in our sample, four sub-groups of countries: front-runners in OFDI

development, catching-up foreign investors, first movers and finally one late comer. The five *front runners* had already invested abroad hundreds of millions dollars before 1985, with over $300 million OFDI in 1985 from Argentina, Colombia, Malaysia, Mexico and Nigeria. The growth of their OFDI stock has been below the average among the NWECs from 1985 to 1999. Then come three fast growers or *catching-up countries*, in terms of OFDI, that is Chile, Indonesia and Thailand with the highest OFDI stock growth rates. Egypt, Pakistan, the Philippines and Turkey are four *first movers*, though with a small amount of OFDI in 1985 and a slower OFDI growth rate than catchers-up. The *late comer* is Iran with its first OFDI appearing in the UN data in 1995.

Table 1: Outward foreign direct investment stock from new wave emerging countries, 1985-1999

($ million)

NWECs	1985	1990	1992	1993	1994	1995	1996	1997	1998	1999	N*
Argentina	6079	6105	n.a.	n.a.	n.a.	10696	n.a.	7616	18184	19277	3.2
Chile	102	178	713	1144	2027	2815	3848	5928	8860	13515	132.5
Colombia	301	402	476	476	868	1028	1220	1866	2381	2397	8
Egypt	59	131	229	223	254	365	370	499	584	630	10.6
Indonesia	49	25	n.a.	83	96	701	1295	2073	2117	2189	44.7
Iran	0	0	0	0	0	77	80	138	154	184	2.4**
Malaysia	749	2283	n.a.	4516	6328	8903	10809	12725	15240	16880	22.5
Mexico	533	575	n.a.	1039	2084	4132	n.a.	5278	5825	6625	12.4
Nigeria	5334	9652	n.a.	n.a.	11197	11186	11893	11516	11164	11256	2.1
Pakistan	127	282	n.a.	264	258	266	274	239	244	468	3.7
Philippines	171	154	154	128	155	1209	1091	1527	1698	1858	10.9
Thailand	14	398	701	933	1426	2173	n.a.	1951	1978	2346	167.6
Turkey	161	154	246	260	344	268	371	622	996	1641	10.2

Source: UNCTAD, World Investment Reports * 1985 multiplied by N = 1999 **1999/1995

In 1985, among the 600 largest non-financial MNCs in the world, the UN (1988) report had found one Argentine (YPF), one Mexican (Alfa), one Malaysian (Petronas), and two Turkish (Koc, Sabanci) MNCs. When the UNCTAD started up publishing a list of the largest MNCs based in developing countries, in 1993, 4 Mexican MNCs showed up in the list (Cemex, Televisa, Empresas Ica Sociedad Controladora, Vitro) together with 3 Malaysian MNCs (Genting, Sime Darby, Amsteel), 2 Chilean MNCs (Acero del Pacifico de Inversiones, Compania Manufactura de Papeles y Cartones) and 2 Phillipine MNCs (San Miguel, Ayala). Since 1994, UNCTAD had listed the top 50 MNCs based in developing countries and had published since 2005 the list of top 100 MNCs from developing countries. From 1994 to

2012, 13 other Mexican MNCs had appeared in the ranking: Desc, Sidek, Panamco, Gruma, Celanese, Savia, America Movil, Imsa, Bimbo, Telmex, FEMSA, Cintra, Fomento Economico Mexicano; 13 other Malaysian MNCs as well: Malaysian International Shipping, Berjaya, Telekom Malaysia, Carso, Hume Industries, YTL, MUI, Genting, MISC, Kumpulan Guthrie, Maxis, Tanjong, Axiata; 4 other Chilean MNCs: CTC, COPEC, Enersis, Gener; 2 other Argentine MNCs: Perez Companc, Ternium; 2 other Turkish MNCs: Enka Insaat ve Sanayi, Turkcell Iletisim Hizmetleri; 1 other MNC from Columbia: Bavaria; 1 from Egypt: Orascom and 1 from Thailand: PTT Exportation & Production. In 2001, Cemex the biggest MNC from the NWECs at the moment even showed up in the group of top 100 MNCs in the world from which it did not disappear since then; in 2003, Petronas entered the same list and it is still standing there.

In its early stages, OFDI from the NWECs did not evolve on a smooth path at a regular pace. NWECs' direct investment abroad was punctuated by a series of economic crises that temporarily halted or sharply slowed down FDI outflows. Such was the case of the 1982 debt crisis that affected the four sampled Latin American NWECs. The South-Eastern Asian crisis triggered by the collapse of the Thai baht in 1997 also hindered OFDI from Thailand, Indonesia, Malaysia and the Phillipines and, to some extent, even Argentine (and Brazilian) capital outflows in 1998. After enjoying an oil boom in the 1970s, the Nigerian economy fell into an oil doom in the 1980s hindering OFDI. Turkey suffered from repeated crises, a balance of payment crisis in the late 1970s/early 1980s and three episodes in 1991, 1994 and 1998-1999 (the latter linked to a severe earthquake); such macroeconomic instability put a brake on OFDI. In Iran the eight-year war with Iraq was an obstacle to both inward and outward FDI. Pakistan endeavoured decades of war and social instability and was affected by the Asian financial crisis and international economic sanctions creating an unfriendly climate to inward FDI and OFDI. Usually, the aforementioned crises had been followed in all the NWECs by stabilisation and adjustment policies, as for example the Nigerian economic stabilisation measures in 1982 and the structural adjustment programme in 1986 in the wake of which liberalisation, deregulation and privatisation offered new substantial incentives to inward and then outward FDI. Finally, in the 2000s NWECs' OFDI surged up at a pace that compares to BRICs' OFDI.

2.2. Major features of OFDI from the New-Wave Emerging Countries

OFDI stock from the NWECs[8] has exhibited a fast growth in 2000-2007, though slower on average than BRICs' OFDI. This pertains primarily to Indonesian, Mexican, Turkish, Iranian, Malaysian, Egyptian and Thai OFDI which were multiplied by 3 or more over seven years (Table 2). OFDI stock from the Phillipines, Argentina and Nigeria had only doubled or so. More striking is that OFDI growth has swiftly accelerated during the crisis (2007-2014) from four NWECs that is Thailand and the Phillipines and, to some extent, Colombia and Egypt. In these countries, OFDI seems to be resilient to the current financial and economic crisis impact, thus resembling Chinese OFDI (Andreff, 2016a). OFDI growth had been more than reasonably high in times of crisis from Chile, Iran, Malaysia, Mexico and Turkey while it remained slower from Argentina, Nigeria and Pakistan, and its pace sharply decreased from Indonesia. Overall, OFDI flowing from the NWECs kept a rather high momentum when muddling through the crisis, higher than the one from the BRICs, except China, and much faster than the average growth of world OFDI between 2007 and 2014.

Table 2: Outward foreign direct investment stock from new wave emerging countries, 2000-2014
($ billion)

NWECs	2000	2002	2005	2007	2008	2009	2010	2011	2012	2013	2014	N1*	N2*
Argentina	20.2	19.4	22.6	26.9	28.7	29.4	29.8	31.3	32.9	34.1	35.9	1.33	1.3
Chile	18,3	13,4	21,3	32,5	31,7	41,2	49,8	69	97,1	101,9	89,7	1.78	2.7
Colombia	3,8	3,8	8,9	10,4	13,1	16,2	22,8	31,1	31,6	39	43,1	2.74	4.1
Egypt	0,6	0,7	1	1,8	3,7	4,3	5,4	6,1	6,3	6,6	6,8	3.00	3.7
Indonesia	2,3	2,6	13,7	21,4	27,2	30,2	1,7	9,5	11,6	16,1	24,1	9.30	1.1
Iran	0,4	5,3	0,2	1,5	1,9	2,2	2,6	2,9	3,3	3,7	4,1	3.75	2.7
Malaysia	15,9	20,2	44,5	58,2	67,6	75,6	96,8	106,2	120,4	134	135,7	3.66	2.3
Mexico	8,6	12,4	28	44,7	45,4	53,5	66,2	112,1	137,7	143,9	131,2	5.20	2.9
Nigeria	4,1	4,6	5	5,5	6	6,4	5	5,9	7,4	8,6	10,3	1.34	1.8
Pakistan	0,5	0,6	0,8	1	1,3	2,2	1,7	1,4	1,5	1,7	1,7	2.00	1.7
Philippines	1,9	1,4	2	5,6	5,8	6,1	6,6	6,6	9	13,2	35,6	0.92	6.3
Thailand	2,4	2,7	3,9	7	10,9	16,3	25,5	33,2	52,6	58,6	65,8	2.92	9.4
Turkey	2,5	4	8,1	12,2	13,9	14,8	23,8	24	30,5	32,8	40,1	4.88	3.2

N* = 2007/2000 N** = 2014/2007 (+) FDI outflows

Source: UNCTAD World Investment Reports.

[8] All the data presented and commented here must be taken with a pinch of salt since OFDI statistics in the NWECs tend to be patchy and sometimes relatively unreliable. Some of those countries that had invested abroad did not clearly identify FDI outflows (Iran for example) while most others started seriously reporting OFDI data only since the 2000s. See Aykut & Goldstein (2007).

Econometric testing (Andreff, 2003) has verified that the investment development path – IDP – model (Dunning, 1981 & 1988; Dunning & Narula, 1998) was fitting with the first stages of OFDI emergence in transition, emerging and developing economies. Countries were classified in the first, second and third steps of IDP model according to the fact that they were meeting defined thresholds for their OFDI/GDP and outward/inward ratios. Looking at Table 3 with reference to IDP model, let us remind that an OFDI/GDP ratio higher than 5% was assumed to be required for a country to be in the third step of the model as well as an outward/inward FDI stock ratio of 25%. With respect to these two ratios, most NWECs' OFDI is still lagging behind BRICs' OFDI in 2014. With an OFDI/GDP ratio below 5% and an outward/inward FDI stock ratio below 25% in 2014, Egypt, Indonesia, Iran, Nigeria and Pakistan were still in the second stage of IDP model anyway. Turkey was on the brink of reaching the third stage in 2014 while Argentina, Chile, and Malaysia had reached it in 2000, and Colombia, Mexico, the Phillipines, and Thailand in 2014. In terms of flows, for the first time Thailand's OFDI has outpaced inward FDI in 2011 (Chirathivat & Cheewatrakoolpong, 2015).

Table 3: Comparative features of OFDI from the NWECs

(in %)

NWECs	Outward FDI stock / GDP			Outward / inward FDI stock		
	2000	2007	2014	2000	2007	2014
Argentina	7.3	10.2	6.7	29.9	40.8	31.5
Chile	15.7	19.8	34.8	40.0	30.8	43.2
Colombia	3.8	6.0	11.4	33.9	18.5	30.4
Egypt	0.7	1.4	2.3	3.0	3.0	7.7
Indonesia	1.6	5.0	2.7	9.2	36.3	9.5
Iran	1.3	0.5	1.0	15.4	2.8	9.5
Malaysia	20.8	31.2	40.1	30.2	75.9	101.4
Mexico	1.9	5.0	10.1	7.1	16.8	38.8
Nigeria	8.5	3.3	1.8	17.2	8.8	11.9
Pakistan	0.9	0.7	0.7	7.2	5.0	5.5
Philippines	2.1	3.9	12.5	13.8	29.5	62.3
Thailand	2.0	2.9	16.3	7.8	8.2	33.0
Turkey	1.8	1.9	5.0	13.3	8.4	23.8

Calculated from UNCTAD and World Bank data.

Malaysian OFDI deserves a special comment: it easily compares with BRICs' OFDI due to an OFDI/GDP ratio over 20% already in 2000 and over 40% in 2014, and an outward/inward FDI stock ratio higher than 30% in 2000 and 100% in 2014 (in fact since 2008). From an OFDI standpoint, Malaysia in 2014 has nearly reached the fourth stage of IDP model (the

stage where stand developed market economies), even ahead of the BRICs; Brazil and Russia reached the first 5% ratio in the early 2000s while India and China attained such step only by 2011; with the second 25% ratio, all the BRICs stick to the criterion since 2007, with only Russia having met it in 2000 like Malaysia.

In most NWECs both ratios are growing from 2000 to 2014. However, probably due to the current financial and economic crisis, OFDI/GDP ratio decreased in Argentina, Iran, Nigeria, and Pakistan as well as outward/inward FDI stock ratio in Iran, Nigeria, and Pakistan; in these countries, OFDI has been less resilient to the crisis than in other NWECs.

Geographical distribution

It is rather difficult to find comprehensive data about the geographical distribution of OFDI from all the 13 NWECs. From a first survey we have been able to detect that, just like BRICs' MNCs, MNCs based in the NWECs primarily invest in *neighbouring countries and in some tax heavens, then in developed countries*. Asian NWEC MNCs tend first to invest close to their home country, in neighboring countries (intra-ASEAN FDI is growing, Hiratsuka, 2006), and in countries where they have some familiarity through trade, ethnic and cultural ties. It is only after such a leap forward around the corner that they have started investing in the rest of the world. For instance, the major host country of Thai OFDI, in 2005-2009, was Singapore, a tax heaven; it was followed by several neighbouring Asian countries such as Indonesia, Malaysia, the Phillipines, Cambodia, Laos, Myanmar, Vietnam, China, and finally EU countries and the USA; in 2003-2005 the list was completed with Switzerland, Hong Kong, Japan, and Australia (Wee, 2007). The top three destinations for Malaysian investments, as evidenced by OFDI stock until 2010, have been Singapore (17%), Indonesia (13%) and Australia (5.4%). The top first host countries for OFDI from Malaysia in 2003-2011 were: Singapore, Indonesia, Australia, Mauritius, the UK, Virgin Islands, Vietnam, Thailand, Cayman Islands, Hong Kong, China, Taiwan, Germany, the Netherlands and India (Teo *et al.*, 2015). The main destinations of Indonesian OFDI (1994-2006) were 1/ China, 2/ Singapore, then India, the Phillipines, Malaysia, Vietnam, the EU and the USA (Carney & Dieleman, 2011).

Host countries of Mexican OFDI were in 2008 first Latin American countries (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama) then the USA, Europe (mainly Spain, Austria, Hungary, Italy, the Czech Republic), the Caribbean (Bahamas, Bermuda, Cayman

Islands, Haiti, Jamaica, Puerto Rico, Dominican Republic, Trinidad & Tobago), Canada, Australia and Egypt. Chilean MNCs invest first in Argentina, then in other South American countries, in Caribbean countries, in Europe and a few OFDI in North America (concentrated in Mexico). In 2010, the main recipient economies of Colombia's OFDI flows included Bermuda (US$ 2.1 billion), the British Virgin Islands (US$ 1.4 billion), Guatemala (US$ 661 million), the UK (US$ 631 million), Panama (US$ 414 million), the USA (US$ 375 million), Peru (US$ 307 million), Chile (US$ 282 million), and Brazil (US$ 189 million). There is no specified economic activity in the case of Bermuda and the British Virgin Islands other than financial, suggesting a possible outflow of capital to avoid home-country taxes. Also, it is difficult, on the basis of standard data, to determine how much of this capital has returned to the country as "round-tripping" FDI (Poveda-Garcés, 2011).

After the collapse of the Soviet Union, Turkish firms started investing in Turkey's former Soviet neighbouring countries, *i.e.* Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan, with 1,482 Turkish firms for $4.9 billion in 2002. Host countries of Turkish OFDI were over 1997-2004: the Netherlands, Azerbaijan, the UK, Germany, Kazakhstan, Luxembourg, the USA, Russia, Romania, Virgin Islands, France Switzerland, Cyprus, Bulgaria, Turkmenistan, Belgium, Hungary, Austria, Bahrain, Ireland, Georgia, Malta, Algeria, Kyrgyzstan and Uzbekistan (UNCTAD, 2005).

Industrial structure

The paucity of data is even worse with NWECs' OFDI industrial[9] than geographic distribution. Overall OFDI from the NWECs are highly concentrated in the services and extractive sectors. However, among the *front runners* and *catching-up countries*, the share of the manufacturing industry is rather significant. Latin American MNCs have a presence abroad in activities such as beverages, petrochemical, petroleum, mining, steel, cement, pulp and paper, textiles, agribusiness while little or no presence in technology intensive products like automobiles, electronics, telecommunication equipment and chemicals.

Argentine companies' overseas investments were achieved primarily in basic metal products, food products, pharmaceuticals, and crop and animal production. The rest range over a number of industries, including civil engineering, computer and electronic products, chemicals, IT services, waste collection and disposal, and R&D activities (Prosper Ar &

[9] Most of the 14 central banks do not publish a detailed industrial breakdown of OFDI data so far.

VCC, 2009). Chilean OFDI is concentrated in natural resources and services that is in retail trade, forestry, transportation, food and beverages (in particular wineries), energy, mining, software, metallurgy, machinery and health services. From 1990 to 2013, Argentina was the second host country of Chilean OFDI with a cumulative amount of $16.8 billion and about 400 Chilean companies involved having invested 40% in the services industry (trade, real estate, transportation and communications), 29% in the manufacturing industry (pulp and paper, food and beverages, metallurgy, machinery, chemicals), 19% in the energy sector, 6% in agribusiness and 6% in mining, and hiring 75,000 workers in 2013.

Malaysian OFDI is focused mainly on services (finance, banking, insurance and tourism) and natural resources (oil and gas) with manufacturing a distant third. The largest portion of Malaysian OFDI stock is in mining and quarrying (including oil and gas) followed by financial services, which account for approximately 23% to 30% of total OFDI stock respectively each year. Thai OFDI in 2003-2005 was concentrated in the manufacturing industry (food, electrical appliances, machinery and equipment, chemicals, metallurgy, textiles), then in services, trade, finance and mining (Wee, 2007). As of December 31, 2004, Turkish OFDI stock was settled first in the energy sector, then in manufacturing followed by banking, financial services, trade, telecoms, tourism, construction, mining, transportation and insurance (UNCTAD, 2005).

2.3. Cross-border mergers and acquisitions by NWEC-based multinationals

As regards their mode of entry, MNCs from the NWECs invest abroad through both greenfield investment and cross-border mergers and acquisitions (M&As). It must be noticed that some of these MNCs, just like the ones from the BRICs, are used to take part into big deals (over $1 billion) for acquiring companies abroad in a resource-seeking or asset-seeking strategy. Such is primarily the case of Mexican and Malaysian MNCs, but also Thai, Argentine Phillipine, Chilean, Egyptian, Colombian, and Indonesian companies (Appendix 5). The most active in this business over the past twenty years had been America Movil, FEMSA, Telefonos de Mexico, and Bimbo from Mexico, YTL Power International and Petronas from Malaysia, San Miguel from the Phillipines, and Orascom from Egypt - until it was itself acquired by Vimpelcom (Russia) in 2011. Big Mexican MNCs like Bimbo, Cemex and Modelo (Vargas-Hernandez *et al.*, 2013) mainly resorted to cross-border M&As for their foreign expansion. Some cross-border M&As are clearly resource-seeking such as BT Bumi

Modern over Gallo Oil, Petronas over Egyptian LNG, Industrial Minera Mexico over Asarco, Banpu over Centenial Coal, Borneo Lumbung over Vallar, Pertamina over ConocoPhillips Algeria, and Pacific Rubiales over Petrominerales. Other M&As are more asset-seeking like Marley Industries over Brierley Investements, Tenaris over Maverick Tube, and PTT over MinMet.

A mega-deal ($12.8 billion) like the purchase of Wind (Italy) by Orascom (Egypt) received considerable attention when it occurred in 2005 (Goldstein & Perrin, 2007). Bonaglia & Goldstein (2006) have stated that between 1996 and 2003, a total of 17 M&As were made by Egyptian companies; the MENA region had a total of 6 deals, Asia had 3 deals, and Gulf area had only 1 deal; that is why the authors have contented that most of Egyptian M&As were done in other Islamic nations. Among other exemplary deals, the Chilean Sigdo Koopers acquired the Belgian Magoteaux in 2011 and Concha y Toro (Chile) bought Fetzer Vineyards in the USA. From 2008 to 2010, Colombian MNCs have achieved 21 cross-border M&As over firms in Chile, Panama, Guatemala, Peru, El Salvador, Argentina, Mexico, Brazil but also in the USA, the UK, Ireland, Norway and the Netherlands Antilles. Most Colombian firms preferred the consolidation in host markets through M&As instead of using greenfield investments or joint ventures (Gonzalez-Perez & Velez-Ocampo, 2014). From 1990 to 2005, Thai MNCs acquired or merged 76 companies abroad.

2.4. A first glance at NWEC-based multinational companies and their strategies

Among the MNCs from the BRICs, the dominant strategy is market seeking, then asset-seeking through M&As and, in some industries resource seeking; efficiency-seeking is not witnessed that often (Andreff, 2016 a & b). Data about the NWEC-based MNCs is extremely scattered in the economic and business literature. The survey achieved for preparing this paper is absolutely not comprehensive or exhaustive so that the distribution of MNCs per country must be considered as only slightly representative. Are listed only those MNCs that we have been able to rather swiftly identify in the literature. Appendix 6 reports the names of 359 MNCs based in the NWECs which are or have been in operation over the past three decades. It encompasses 70 MNCs from Malaysia, 44 from Argentina, 41 from Mexico, 34 from Indonesia, 34 from Egypt, 33 from Chile, 25 from Colombia, 21 from Thailand, 15 from Nigeria, 13 from Turkey, 11 from Pakistan, and only 9 from the Phillipines, and 9 from Iran. Such list is definitely not a country ranking since the difference in the numbers of MNCs per

country is partly due to uneven information. The best information has been collected for the so-called *multilatinas*, those MNCs from Latin American NWECs. Access to information was rather good as regards MNCs from Malaysia, Indonesia, Egypt, and Thailand. It is common knowledge that in Turkey many MNCs are small and medium enterprises (SMEs) and as such they cannot have been identified in Appendix 6 which certainly provides an underestimated view of Turkish MNCs. Information is probably fragmentary and less secure with Nigerian, Iran and Pakistani MNCs. In the case of the Philippines, 9 MNCs is by far a crude underestimation given the relative significance of Phillipine OFDI; this is due to under-information that we have not been able to tackle so far.

Starting with the best information about the *multilatinas,* the top 19 MNCs based in Argentina, having 315 foreign subsidiaries in 42 countries, have been studied by Prosper Ar & VCC (2009). Foreign subsidiaries are mostly located in South America (64%) and North America (17%), followed by Europe (8%) and Central America (7%). Within South America, there is a concentration of subsidiaries in the countries neighbouring Argentina: Brazil (34% of South American affiliates), Uruguay (16%), Chile (16%), Paraguay (6%) and Bolivia (5%). Table 4 shows a huge difference in terms of foreign assets between the biggest Argentine conglomerate MNC, Techint, and the last ranked MNC (Bio Sidus). It also exhibits a variety of industries in which Argentine companies have invested abroad. In 2007, the Argentine pipe manufacturing company Tenaris (that belongs to Techint Group) was present in Brazil, Mexico and Venezuela, as well as in Canada, Italy and Japan (Santiso, 2007). Tenaris although owned by an Italian family and listed at the New York stock exchange, is the world's largest producer of seamless tubes thanks to its technological edge.

The primary motive driving the Argentine firms' internationalisation process has been the search for new markets or the preservation of existing ones (market-seeking strategy). Argentine companies have also been making efficiency-seeking investments abroad, in order to benefit from economies of scale and/or risk diversification. In some cases, the drivers for investment are certain competitive advantages, such as a favourable cost scenario, highly qualified human resources, or the companies' ability to meet international quality standards.

Table 4: The 19 largest Argentine MNCs investing abroad in 2008

($ million)

Company	Industry	Foreign assets
Techint Group	Conglomerate	17406
Arcor	Food products	491

IMPSA	Machiney and equipment	300
Bago Group	Pharamaceuticals	192
Molinos Rio de la Plata	Food products	190
Los Grobo Group	Crop and animal production	175
Cresud	Crop and animal production	68
Roemmers	Pharamaceuticals	58
TECNA	Specialised construction activities	50
Iecsa	Civil engineering	50
San Miguel	Food products	23
BGH	Computer and electronic products	15
CLISA	Waste collection & disposal activities	8
Petroquimica Rio Tercero	Chemicals	8
AssaGroup	IT services	7
Plastar Group	Rubber and plastics products	5
Sancor Coop. Unidas	Food products	3
Havanna	Food and beverage service actitvity	2
Bio Sidus	Scientific R & D	1

Source: Prosper Ar & VCC (2009).

Turning now to Chile (Table 5), 14 out of the 20 largest Chilean MNCs had invested abroad only in Latin America. The three most globalised companies Molymet (the largest world producer of molybdenium) and SQM have also invested in Europe, and ENAP even in Egypt. Most Chilean MNCs have adopted a widespread market-seeking strategy toward Latin American and European markets (as Arauco, CMPC, Masisa), a resource-seeking strategy in the primary sector (ENAP), and an asset-seeking strategy in neighbouring countries.

Table 5: The top 20 Chilean non-financial outward investors, 2011

($million)

Company	Industry	Foreign assets
Cencosud	Retail trade	6541
CMPC	Forrestry	3395
COPEC	Forestry - Energy	3200
Falabella	Retail trade	2283
CSAV	Transportation	2210
Masisa	Forestry	1802
SQM	Mining	1403
Sigdo Koppers	Manufacturing	1130
Ripley	Retail trade	941
Embotelladora Andina	Food and beverages	766
ENAP	Energy	684
Sonda	Software	660
CCU	Food and beverages	530

Concha y Toro	Food and beverages	495
LAN	Transportation	483
Molymet	Metallurgy	389
Banmedica	Health services	306
CGE	Energy	288
Madeco	Metallurgy	287
Carozzi	Food and beverages	202

Source: UN-ECLAC & VCC (2011).

Rather neglected in the literature, Colombian MNCs (Table 6) can compare to the Chilean ones. Some of them are "national champions" that is still state-owned enterprises (SOEs) such as Ecopetrol, ISA, EPM and ETB (Empresas de Telecommunicaciones de Bogota). M&As of Colombian MNCs might suggest similarities with Asian tigers multinationals, which means that they are consolidating their internationalisation process based on their learning, linkages and leverages capabilities – the so-called LLL model (in reference to Matthews, 2002) - although Colombian companies are following the internationalisation pattern of other *multilatinas*. These companies had first explored natural markets for them; they had attempted to be established in markets that share psychic features, and similar institutional environment, as psychic and physical proximity reduces risk and facilitates foreseen return of investments, and therefore long-term capital accumulation (Gonzalez-Perez & Velez-Ocampo, 2014).

Table 6: Main Colombian multinational companies in 2009

($ million)

Company	Industry	Turnover
Ecopetrol	Oil and gas	15511
Terpel	Gasoline and lubricants distributor	3378
Grupo Nacional de Chocolates	Food and beverages	2572
Inversiones Argos	Financial	2518
Empresas Publicas de Medellin	Electricity	2447
Cementos Argos	Cement	1934
ISA (Interconexion Electrica)	Electricity	1854
Grupo Carvajal	Office and paper products	1724
Bavaria	Food and beverages	1115
Alpina Productos Alimenticios	Food and beverages	629
Postobon	Food and beverages	395
Corona	Construction	391
Fabricato	Apparel and clothing	311
Ajover	Construction	86
Computec	IT and software solutions	79
Promigas	Oil and gas	60
Gerfor	Construction	53

Procafecol	Food and beverages	44
Supertex	Apparel and clothing	16
Open Systems	Software solutions	12
Consult Soft	Consulting and software solutions	1.3
Zemoga	Office software andmarketing	0.5

Source: Poveda-Garcés (2011).

Mexican MNCs (Table 7) rank among the biggest world companies in the services industry such as telecommunications (Vargas-Hernandez et al., 2013). Cemex, a Mexican cement giant, has used acquisitions to become the largest cement producer in the United States. It had achieved 40 M&A operations between 1990 and 2006 and invested in the USA, the UK, Australia, Spain, Egypt, Indonesia and the Phillipines.

Table 7: 19 selected Mexican multinational companies, 2008
($ million)

Company	Industry	Foreign assets
Cemex	Non-metallic minerals	40334
America Movil	Telecommunications	23610
Carso Global Telecom	Telecommunications	11768
Grupo FEMSA	Beverages	3508
Grupo Alfa	Conglomerate	3439
Grupo México	Mining	2850
PEMEX	Oil and gas	2090
Gruma	Food products	1986
Grupo Bimbo	Food products	1850
Grupo Televisa	TV & telecommunications	1614
Cementos de Chihuahua	Non-metallic minerals	952
Industrias CH	Steel & metal products	790
Mexichem	Chemicals & petrochemicals	730
Xignux	Conglomerate	723
Grupo Elektra	Retail trade	520
Corporacion Durango	Paper & paper products	250
Interceramic	Non-metallic minerals	151
San Luis Corp.	Automobile parts	114
Accel	Food products	48

Source: Kunhardt & Gutiérrez-Haces (2009).

Once having captured 80% of the domestic baking market in the 1980s, Bimbo established a greenfield FDI in Guatemala in 1989 whereas in the 1990s this Mexican MNC redirected its foreign expansion toward M&As in Chile, Venezuela, Brazil and Colombia though still investing greenfield in El Salvador, Costa Rica, Argentina and Peru. Since 1998, Bimbo

achieved M&As in the USA and Canada, and in China in 2006. In 2013, Bimbo had 114 plants outside Mexico of which 34 in the USA, 25 in Central and South America and 2 in China (Velez-Ocampo, 2013). America Movil had invested in Guatemala, Ecuador, Argentina, Brazil, Colombia, Venezuela, the USA, Puerto Rico, Mexico and Spain. Grupo Modelo was present in 150 countries (Santiso, 2007).

MNCs from *Asian NWECs* may be less focused on market-seeking than *mulitlatinas*. Asian MNCs such as San Miguel, Charoen Pokphand, LKT, Pentmaster have a market-seeking strategy while Felda, KL Kepong have an efficiency-seeking strategy and Bogasari International an asset-seeking strategy (Hiratsuka, 2006). Goh & Wong (2010) main findings suggest that Malaysian MNCs predominantly react to market-seeking incentive. More generally, the strategies of Malaysian investment abroad can be categorised into the following areas: market-seeking (Opus International, Telekom Malaysia, Royal Selangor, CIMB, Top Glove, Road Builders, Malayan Banking, Hong Leong); resource-seeking (Petronas, Kumpulan Guthrie, Sime Darby, Melewar Industrial Group); and efficiency-seeking (Press Metal, Globetronics). Malaysian OFDI have used offshore financial centers and developed countries as the most important host region for trans-border activity although investments in developing countries especially within ASEAN have shown tremendous growth. The key drivers of OFDI have been to increase efficiency, to access resources and to access markets (Ariff & Lopez, 2007).

Most Thai OFDI is horizontal corresponding to a market-seeking strategy of Thai MNCs, much less is vertical (efficiency-seeking strategy) and few are conglomerate - asset-seeking strategy (Subhanij & Annonjarn, 2016). However, efficiency-seeking is the strategy of MNCs in the Thai garment industry (Passakonjaras, 2012). Focusing on Thai OFDI, Jeenanunta *et al.* (2013) have investigated the key reasons to invest and the process of knowledge transfer. This study provides three cases of Thai MNCs that were successful in their oversea investment with strategies including market expansion, resource seeking and capability augmenting (often through asset seeking). Thai MNCs also actively looked for a strategic position that favours future market expansion in developing countries and learned the new technological know-how and cutting-edge technology from developed countries.

In an attempt to explain why Indonesian MNCs are not as much dynamic as the Indian and Chinese ones, it was suggested that the apparent absence of Indonesian MNCs is an accounting error, because firms' OFDI is under-reported in official statistics and that Indonesian OFDI is impeded by a combination of institutional and firm-level factors that

arrest the internationalisation of all but the largest firms (Carney & Dieleman, 2011). Asset-seeking Bestway Group (Pakistan) has invested in India and Afghanistan and purchased the Co-operative Pharmacy in the UK.

Among MNCs from *other NWECs*, the literature basically confines to Turkish MNCs. The behaviour of Turkish MNCs in the past decade implies that a market seeking pattern has been followed (Dinc, 2013). Beyond this dominant strategy, others are resource-seeking or asset-seeking (search for technology and brand names). Erdilek (2008) has found that although different OFDI drivers vary in importance among the eight MNCs studied, the incremental and peripheral nature of their internationalisation fits the Uppsala model (Vahlne & Wiedersheim-Paul, 1973; Johanson & Vahlne, 1990) well. Turkish MNCs preferred majority-owned joint ventures with local partners initially to minimise uncertainty and start up costs, to cope with bureaucratic obstacles, and to gain access to technology, but they eventually acquired full ownership of their foreign subsidiaries after exhausting the initial benefits from joint venturing. Some 1,500 Turkish enterprises have invested abroad (UNCTAD, 2005). A good number of Turkish MNCs are SMEs.

FBN Holdings (Nigeria) the largest bank in Africa has invested in whole Africa. One of the biggest African conglomerates – except those based in South Africa – is Dangote Group (Nigeria) which has invested in 14 African countries. Nigerian MNCs primarily have a market-seeking strategy, a focus on the banking sector and invest first of all in other Sub-Saharan countries (Agwu, 2014).

2.5. New Wave Emerging Countries' policies promoting OFDI

The BRICs' governments conduct pro-active or even promotion policies toward OFDI from the apparently hands-off Brazilian credit and funding policy to the Chinese government formally pushing Chinese firms to go overseas and providing them support from the bureaucratic administration in particular to SOEs (Andreff, 2016b). In addition, it has been witnessed that a number of MNCs based in emerging, developing and transition economies are SOEs (Andreff, 2003 & 2016b). It is especially so in former communist economies even though they are BRICs: many Russia's and even more so China's MNCs are SOEs (Andreff, 2013 & 2016a). This legacy also explains why most Vietnam-based MNCs are SOEs. The 1979 Islamic revolution in Iran translated into a sharp increase in the number of SOEs which afterwards had spread investment abroad. However, as underlined by Choudhury & Khanna

(2014), Cuervo-Cazurra *et al.* (2014), Duanmu (2014), Liang *et al.* (2014) and Ribeiro Cahen (2015), SOEs based in emerging countries are used to internationalise through OFDI either for resource-seeking purposes or otherwise. SOEs act as spearheads of OFDI promotion even when there is no officially proclaimed or institutionally designed governmental policy to boost investing abroad. Indeed, one finds several SOEs among those identified NWECS' MNCs (Appendix 6) as, for instance, EGCO, National Iranian Oil Company, Telecom Egypt, Pakistan Petroleum, Pertamina, Petronas, Philippine National Oil, NNPC and most Nigerian MNCs. Despite repeated privatisation drives conducted in Latin American countries during the 1990s, EMP, ENAP, PEMEX, YPF and several significant Colombian companies still are both SOEs and MNCs.

Various promotion policies pushing investment outwards have been suggested to emerging countries (Kuzminska-Haberla, 2012) and then observed in the case of the BRICs. Privatisation is often a preliminary factor for triggering first inward then outward FDI confirmed with the privatisation of YPF and Argentina Airports in 1999, Coca Cola Bottlers Phillipines in 1997, Telmex in 1990 and Ferrocarril del Noreste (Mexico) in 1997, Codensa (Colombia) in 1997. Privatisation in Chile started up in the 1970s and only two Chilean MNCs remain state-owned, ENAP and Codelco. De-regulation and opening up policies in the 1990s attracted Chilean investment outwards; the same comment applies to most countries in Latin America. Egypt privatised many governmental owned firms as, for example, the Bank of Alexandria in 2006.

In addition to privatisation, different domestic factors were used by the NWEC governments to support OFDI. Mexican companies were influenced to go out by the government overcoming the debt crises with the use of financial investment strategies to reestablish productive investment during 1984-1987 and the intention of the Mexican government to modify the model of economic growth. This new model was based on an active participation of inward and outward FDI and private businesses groups as the main factors to impulse the development of the Mexican economy The impact of local policy changes by the country's government, as the decision to open up the Mexican economy to foreign competition, including privatisation and deregulation of services, had a very significant effect in forcing domestic companies to adopt more aggressive strategies which included OFDI (Franco-Navarrete, 2011). Moreover, increased trade openness in the 1990s has guided domestic firms to invest abroad (Vargas-Hernandez et al., 2015).

In Argentina the government has eventually instituted a system whereby OFDI is authorised but must be declared to the Central Bank annually. Declaration is mandatory for values of over $1 million. Chile did not have explicit policies in promoting OFDI or in creating national champions or regional leaders but OFDI was a part the 'opening the economy' (*apertura*) policy since the 1970s. The experience of the late 1990s and the beginning of 2000s brought about important lessons when Chilean companies made significant losses in overseas activities.

Colombia's 1991 constitutional reform entailed changes in its regulation framework that opened the economy to trade and FDI. In 2005, after the creation of the *Superintendencia Financiera*, procedures and transaction costs for domestic M&As improved, so Colombia's largest MNCs were able to capitalise on domestic expansion through innumerable local acquisitions that positioned many of the top firms on a path of further growth and internationalisation. In 2006, the government focused on investment, dedicating a chapter of the National Plan of Development 2006-2010 to laying out a national blueprint for facilitating investment, as well as embarking on a new era of investment promotion by promoting security, stability and competition at home. In 2008, the government enacted a law ("Ley 1253 de 2008") in which it regulates productivity and competitiveness that facilitate the incorporation of Colombia in the global economy and better export performance. The combination of these policies has served to strengthen Colombian enterprises and their ability to invest abroad (Poveda-Garcés, 2011).

In Malaysia a number of SOEs have invested abroad first of all Petronas. Generally, economic policies, laws and regulations in Malaysia support Malaysian enterprises investing abroad. After the economic crisis of the mid-1980s, the Malaysian government started supporting OFDI in particular to countries such as India, the Phillipines, Tanzania and Vietnam with, for instance, tax exemption on income earned overseas and remitted back to Malaysia. Since then, the government encourages Malaysian firms to venture overseas and develop world class Malaysian owned companies. Aside from a liberal OFDI policy environment, the Malaysian government is also supporting OFDI through various institutional support facilities and fiscal incentives. To support Malaysian SMEs that invest abroad, the government has launched a ringgit 1 billion fund. Some private sector organisations such as the Malaysian South-South Association and Malaysian South-South Corporation Berhad have also played a role in facilitating and contributing to Malaysian investments overseas. The Ministry of International Trade and Industry (MITI) encourages Malaysian investments in both domestic and

international businesses. MITI is responsible for the planning and formulation of industrial and investment policies, both promoting and safeguarding Malaysian industrial interests at home and abroad. The Malaysian government has also encouraged OFDI by implementing liberal policy on capital outflows. However, this can pose a dilemma to the economy. On the one hand, encouraging FDI outflows may tend to retard domestic investment seeing that it has been an important source of economic growth over the last three decades. On the other hand, restricting FDI outflows could discourage potential Malaysian MNCs from seizing opportunities abroad and to become regional and international players in the long run (Goh & Wong, 2010).

The Thai government actively promotes Thai firms' involvement in infrastructure projects in Mekong countries. Thailand does not have a specific policy toward OFDI but the government encourages Thai investment abroad in infrastructure and some support to OFDI is provided by the Board of Investment (BOI), Eximbank of Thailand, the Federation of Thai Industries, the Ministry of Finance and the Ministry of Foreign Affairs. More recently, Thai authorities have encouraged the trend of rising FDI outflows. In 2012, the Bank of Thailand announced its "Capital Account Liberalisation Master Plan" to support capital outflows, in a bid to relieve upward pressure on the baht and encourage firms to diversify geographically, particularly to neighbouring countries. This builds on gradual relaxation of rules on capital outflows from 2010. The Ministry of Finance abolished the $200m-a-year cap on outward investment and lending, and relaxed approvals for outward investment to deals over $50m. The government has also sought to support offshore-investing firms through the BOI, which established an Overseas Investment Promotion Division in 2012 and an associated Investor Centre in 2013. Most targeted host countries for Thai OFDI are Myanmar, Indonesia, Vietnam, Cambodia, Laos, China, India, and ASEAN countries, Middle East, South Asia, and Africa. Priority industries are textile and garment, food and agro-industry and finally automobile parts. Other targeted industries are health care and hospitality, construction and construction materials, electronic parts and equipment, agricultural machinery, plastic products, logistics as distribution centers or air transportation services, leather goods, mining and quarrying, petrochemicals, and even energy and alternative energy. The new BOI investment strategy, since 2015, also foresees support for outbound investment, a first for Thailand's investment promotion strategy; the attractiveness of foreign investments has risen for Thais. The BOI is encouraging firms in labour-intensive sectors such as textiles to invest in neighbouring

countries to benefit from market access advantages. The government is now marketing Thailand as an emerging investor in business abroad via OFDI.

Turkey had launched various economic reforms during the 1970s: a liberalisation programme in 1979-1980 overcame the balance of payment crisis. In the 1980s, the Turkish economy became more outward-oriented and the government started to liberalise the country's OFDI regulatory environment (liberalisation of the foreign exchange regime, then of foreign trade and inward and outward FDI); the fixed exchange rate regime has been replaced by a flexible one. Between 1980 and 1989, the tight control over Turkish residents who transferred capital for investing abroad had been gradually relaxed (Kaya, 2005), and in 1989 Turkey had liberalised its OFDI regime in accordance to the OECD code, though over $50 million a permission from the Council of Ministers was still required. In 1995, Turkey joined a custom union with EU in services and manufacturing and removed its tariffs and trade barriers. The competitive pressure of rising imports became stronger on Turkish firms as a result from the custom union since 1996. They reacted in investing abroad which was also a means for escaping high domestic corporate tax rate. These efforts were a result of trade liberalisation and integration with international economy (Saleh, 2015).

In Egypt, with the slowdown in economic growth (1984-1987) emerged a call for economic reform. However, it took some time until 2000 when eventually the pace of structural reforms, including privatisation and new business legislation, helped moving toward a more market-oriented economy and prompted increased inward FDI then OFDI. In addition, there had been some efforts to make tax reforms, investment incentives, and efficient business practices more friendly to any investor inside the country and abroad.

Pakistan made substantial economic reforms since 2000. The country is currently undergoing a process of economic liberalisation, including privatisation of SOEs, public utilities and telecommunications which should, as in the other NWECs, attract inward and push outward FDI.

After the Islamic revolution, Iran policy became hostile to FDI both inward and outward. A legislation forbidding inward FDI since 1981 in Iran (Sarfaraz, 2002) had consequently the effect of postponing also the emergence of OFDI and Iran lagged behind and was stuck among the NWEC late comers as regards investing abroad. A first liberalisation of the economy started up in late 1980s, but the Iran economy was still targeted by international economic sanctions deriving from the 1979 revolution and the subsequent wave of enterprise nationalisations. The decade after the mid-1990s was characterised by gradual limited

economic reforms but deeper structural reforms (namely divestiture of public enterprises) started with the Third Plan (2000-2004) that foresaw to encourage FDI. After the Iran-Iraq war, the government attempted to attract inward FDI without much success through a 2002 law opening all sectors to foreign investors except the oil-gas industries (Zonooz B.H., 2013). New UN sanctions in 2012-2013 halted FDI inflows. This also explains why Iran OFDI is still lagging behind other NWECs' OFDI except Vietnam.

2.6. Surveying the determinants of NWECs' outward foreign direct investment

There is not plenty of literature about testing the determinants of OFDI from the NWECs. The non exhaustive survey below will present two series of determinants, the so-called OFDI pull and push factors. Surveyed econometric studies are classified here in an analytical framework that distinguishes pull factors from push factors (Andreff, 2016a). Pull factors attract and drive FDI into a given country, otherwise coined host country's factors of attractiveness to FDI (Andreff, 1999a). They differentiate host countries. Thus, when analysing OFDI, the explanatory power of pull factors is basically to point out which host countries do attract foreign investment flowing from any home country. Pull factors definitely are determinants of the geographical distribution between host countries of OFDI from (a given set of) home countries. They determine an outward investor's trade-off between host countries, therefore a MNC choice to invest in one host country rather than another one on the basis of their attractiveness variables (Michalet 1997; Andreff 1999b).

Push factors usually are referred to as home country-specific. They basically are drivers for a home country substituting investment abroad to domestic investment; they explain why investment is pushed outwards domestic borders. Push factors such as domestic market size (GDP or population as a proxy) and economic development (GDP per capita) obviously underlie the IDP model while the home country technological level, its industrial structure (distribution of value added across different industries) and less stable variables such as domestic growth rate and exchange rate have been tested as drivers pushing investment outwards as well (Andreff, 2003). Push factors are the determinants of a company's propensity to substitute OFDI to domestic investment and are embedded in the home country's economy, in particular all factors that may depend on domestic industries and markets a company is involved in.

As regards pull factors of NWECs' OFDI, with a questionnaire addressed to 169 Turkish investors abroad, Anil *et al.* (2011) have found the following determinants of their location selection: being the first mover, and the host economy's growth, industrial competition, host market size and low cost inputs. Hashim (2012) used one Malaysian company's experiences to assess the situation through a qualitative analysis. The results show that intense competition in the domestic and global market had forced firms to move out of their home country and relocate their production centers in China. China offers various factors that entice Malaysian MNCs to escalate their global expansion. These two case studies stick to pull factors. However, econometric approaches to NWECs' OFDI determinants either encompass push and pull factors or, more often, select only push factors.

Kayam & Hisarciklilar (2009) have studied the determinants of Turkish OFDI employing a gravity model. They estimated the impact of traditional gravity variables, as well as openness, labour productivity, infrastructure, institutions and economic stability on FDI outflows from Turkey to 11 countries, which account for approximately 90% of Turkish OFDI stock, over the period 1999-2005 using panel data random effects technique. The results have revealed that Turkish OFDI has a market-seeking pattern with foreign markets being substituted for domestic market by Turkish firms. On the other hand, economic instability in Turkey emerges as a major deterrent of FDI outflows. Additionally, the results suggest the possibility of OFDI in vertically differentiated products in host countries by Turkish investors as well as the importance of push factors.

The following studies are mixing up push and pull factors. Das (2013) examines various home country determinants of OFDI from developing economies, which have received limited attention in empirical studies. The role of home country determinants is investigated for a large sample of developing economies in the 1996–2010 period, using a panel data econometric framework. The results indicate that home country's level of economic development, globalisation, political risk and science and technology investments contribute significantly to OFDI from developing countries. The latter have a need to emphasise improving political governance in order to prevent capital outflow arising out of high domestic political risk. On the flip side, science and technology investments could contribute to higher OFDI, thereby yielding complementary benefits of internationalisation in the long-run. A balance between domestic and international investment is crucial for developing countries to harness the benefits of globalisation, which can be achieved through suitable governance and policy reforms in specific fields.

Using a gravity model, Teo *et al.* (2015) have tested that Malaysian OFDI is determined by relative market size, government policies (tax rates, trade liberalisation) that is push factors, and distance and cultural proximity that is pull factors. Moreover, OFDI from Malaysia appears likely to be market-seeking and resource-seeking.

Goh & Wong (2010) have estimated the determinants of OFDI from Malaysia by introducing host market size and home government policy on capital outflows using multivariate cointegration and error-correction modelling techniques. The empirical results have indicated that there is a positive long-run relationship between Malaysia's OFDI and foreign market size, real effective exchange rate, international reserves and trade openness.

Cheewatrakoolpong & Boonprakaikawe (2015) have found with a panel regression that Thailand's OFDI is the most influenced by host countries' market demand, FDI openness policies and trade openness policies. The estimation results for Singapore's and Malaysia's OFDI indicate similar outcomes. Finally, Oxaca-Blinder gap decomposition suggests that difference in national income and implementation of OFDI promotion policy contribute most to the difference between Thailand's OFDI performance and the other two selected ASEAN countries. Thailand still has a low OFDI performance compared with Singapore and Malaysia. The country has started its OFDI promotion policy in 2013 while its ASEAN counterparts have implemented such policies for several decades.

Most studies on NWECs' OFDI are used to privilege push factors as determinants; such are those studies summarised below. Kayam (2009) examines the home country factors that determine OFDI from 65 developing and transition countries in the period 2000-2006. The main hypothesis tested is that the small market size, trade conditions, costs of production and local business conditions are the main drivers of OFDI. A fixed effects estimation technique is employed using variables that measure income, trade, infrastructure, labour market conditions and economic stability. Proxies for the institutional environment such as bureaucracy, corruption, investment risk are also used to reflect both the political and economic push factors on OFDI. The findings reveal that OFDI from developing countries increases with foreign competition in the domestic market augmented by inward FDI. As government stability, investment profile and bureaucracy quality in the home country improve, outflows of capital decrease. Developing country MNCs are formed as a result of escape response from the economic and political conditions in home countries.

Working on a sample of five Asian countries, including Malaysia, the Phillipines and Thailand, Bano & Tabbada (2012) have tested that GDP, GDP per capita and the rate of

savings in the home country are significant determinants of their OFDI. A study by Masron & Shahbudin (2010) has found that home market variables – GDP, home technology, skills and information - are the most important determinants of Malaysian and Thai OFDI. Econometric testing by Saad *et al.* (2014) has shown that GDP, the level of inward FDI stock, productivity in the home economy, exchange rate, export and patents are the major push factors of Malaysian OFDI.

Banga (2007) distinguished trade-related drivers from capability-related factors (including inward FDI) and domestic factors of OFDI from Asian developing countries. She has found that inward FDI, in bringing technology, skills and information, significantly influence OFDI, in line with Matthews' LLL model. Among the domestic factors the level of education and real wages, low availability of transportation and communication infrastructure, and a high corporate tax rate in the home economy are significant while the domestic market size is not.

Finally, Al-Sadig (2013) empirical findings show that OFDI from developing countries reduces domestic investment in the home country. A one percentage point increase in FDI outflows from the home country leads to a 29% decrease in domestic investment as a percentage of GDP. That is, $10 of OFDI reduces domestic investment by $2.9 in the short run and $7.8 in the long run. Moreover, empirical results exhibit that inward FDI crowds in the host countries with domestic investment. A one percentage point increase in FDI inflows stimulates domestic investment by about 55%. Such empirical evidence again goes alongside with the assumption of Linkage, Leverage, and Learning brought into the home NWEC by previous inward FDI.

2.7. Testing some factors that push NWECs' investment abroad

In line with Andreff (2003), Kyrkilis & Pantelidis (2003), Kayam (2009), Masron & Shahbudin (2010), Bano & Tabbada (2012), Das (2013) and Saad *et al.* (2014), we test here home country determinants of OFDI (push factors). From the literature survey, three variables are candidates to be explanatory as push factors of OFDI from the NWECs: the home country's economic dimension (GDP as a proxy), its level of economic development (GDP per inhabitant) and possibly its economic growth (average annual GDP growth). From previous testing (Andreff, 2003), home country's technological level is to be assessed as possibly determining its OFDI. Moreover, in the case of the BRICs (except Russia), OFDI has been boosted, with some time lag, by previous inward FDI: foreign investors have brought

with them into the BRICs new relationships of domestic firms with a network of MNCs (linkages), some beneficial impact on domestic competitors namely on the productivity of their production processes (leverage) and new technology and know-how (learning by doing) with an impact on domestic firms' productivity and competitiveness making them robust enough to move outbound and invest abroad. Are there some reasons or empirical evidence to test such assumption in the case of NWECs' OFDI?

Indeed, technological capabilities have often played a role in the expansion of NWECs' MNCs as it is underlined in the case of Thai MNCs (Pananond, 2004). Long ago, Blomstrom & Wolff (1989) have measured that inward FDI triggered a productivity convergence between local firms and foreign MNCs in the Mexican economy, and that the rate of catch-up of local firms to MNCs was positively related to the degree of foreign ownership of an industry. Vietnam has established industrial zones with appropriate infrastructure to attract domestic enterprises and foreign investors where they could interact that is a factor likely to trigger LLL relationships. Vertical backward and forward linkages were measured as spillovers of inward FDI on to Vietnamese enterprises and assessed as positive (UNIDO, 2012). Even though in the case of Nigeria, inward FDI is appraised as having not contributed to economic growth and development of the host country (Haruna Danja, 2012), Danja (2012) has tested a positive impact of inward FDI on Nigerian domestic industrial production, but has not checked whether such effect may comprise of linkage-leverage-learning relationships between foreign companies located in Nigeria and domestic firms. Thus, beyond such scattered appraisals of the impact of inward FDI – through LLL – on further home country's OFDI, it is worth testing whether a kind of LLL relationship had been at work in the NWECs. This will be done in regressing OFDI on lagged inward FDI in a same NWEC.

Overall, the model that is going to be tested writes for each home country *i* as:

$$OFDI_{i,t} = f(GDP_{i,t}\ ,\ GDP/capita_{i,t}\ ,\ g_{i,t}\ ,\ Xhightec_{i,t}\ ,\ Patent_{i,t}\ ,\ INFDI_{i,t-k}) + u_i \quad (1)$$

where :

$OFDI_{i,t}$ stands for the outward foreign direct investment stock from country *i* in year *t*;

$GDP_{i,t}$ gross domestic product of the home country *i* in year *t*;

$GDP/capita_{i,t}$ gross domestic product per inhabitant in the home country *i* in year *t*;

$g_{i,t}$ the annual index of GDP growth in the home country *i* in year *t*;

$Xhightec_{i,t}$ the share of high-technology exported products in overall export of the home country *i* in year *t*;

$Patent_{i,t}$ the number of technological patents registered in the home country *i* in year *t*;

$INFDI_{i,t-k}$ the inward foreign direct investment stock hosted in country *i* in year *t-k*.

Data for outward and inward FDI stock are from the UNCTAD and pertain to all years from 2000 to 2014 (and 1997 to 2011 for *INFDI*), statistics about current $ GDP, GDP per inhabitant (in PPP), GDP growth rate, the number of patents and the share of high-tech export in overall export have been collected from the World Bank data base for the same fifteen years. This makes a data base with 195 observations (15 years x 13 countries, Vietnam excluded). In fact, some observations being zero, they are dropped in the calculation and the data base shrinks then to 187 observations. For two variables, $Xhightec_{i,t}$ and $Patent_{i,t}$ some data are missing for some years/some countries in the World Bank data base, so that the econometric estimation eventually relies on 174 observations.

Since the share of high-tech export in overall export is not varying that much from year to year in a same country, it has been dealt with as a dummy variable. Each year a country falls in a class 1 if its ratio *x* of high-tech export to overall export is between 1% and 5% ($0 < x \leq 5\%$); it falls in class 2 if the ratio is between 5% and 25% ($5\% < x \leq 25\%$) and it falls in class 3 if the ratio is higher than 25% ($x > 25\%$). Class 1 encompasses 72 observations out of 187 pertaining to those NWECs which have not a very much advanced technology level and are unable to export more than 5% of high-tech products in their export. This class is retained as the reference in econometric testing. With 40 observations, class 3 gathers those NWECs which technological level is already high enough to have more than one quarter of their export in high-tech products. Class 2 (75 observations) encompasses the NWECs with a still rather low technological level though higher than those in class 1.

The lagged variable *INFDI* is a proxy for testing whether inward FDI in a country has had enough linkage, leverage and learning effects to trigger OFDI by domestic firms benefitting from these effects one year, two years and three years later.

Therefore, the model to be estimated becomes:

$$OFDI_{i,t} = a.GDP_{i,t} + b.\ GDP/capita_{i,t} + c.g_{i,t} + d_2.C_2\ (Xhightec_{i,t}) + d_3.C_3\ (Xhightec_{i,t}) + e.Patent_{i,t} + f.INFDI_{i,t-k} + u_i \quad (2)$$

Equation (2) has been estimated first with an OLS model, then using a panel data testing with fixed effects and random effects (Appendix 7); econometric results are nearly the same with both tests[10]. Significant Breusch and Pagan tests verify that random effects[11] are at play in determining OFDI with push factors.

Appendix 7 exhibits that the economic size (GDP) is a significant explanatory variable of NWECs' OFDI, with a negative sign, confirming Kayam (2009) results. The smaller a NWEC, *i.e.* the smaller its overall market size, the more urgently its firms have to substitute OFDI to domestic investment in a small home market. The level of economic development (GDP/capita) clearly is a significant push factor that determines OFDI. The higher a NWEC's level of economic development, the more it invests abroad (the more its MNCs are flourishing). This result is absolutely in tune with Dunning's IDP model. To a lesser extent this applies to GDP rate of growth (significant but not a 1% threshold), except when inward FDI is lagged by three years. Fast growing NWEC home economies are more likely to invest abroad than otherwise, though this relationship is not as tight as the two previous ones.

Technological variables are also explanatory of OFDI from the NWECs but they do not exactly fit with expectations. NWECs' OFDI decreases with an increase in the number of registered patents in the home economy, and the relationship is significant. MNCs from the NWECs do not take advantage of a domestic technological gap to invest abroad; only few of them, in few industries are on the global technological frontier. This result rather suggests that they invest abroad in view of seeking technological assets (absent in the home country) while using less sophisticated technologies than the brand new ones (based on the last patents registered) and probably technologies more adapted to the economic environment of their neighbouring emerging or developing countries.

As regards the share of high-tech products in overall export, the interpretation goes as follows. There is no significant difference between class 1 and class 2 countries - between exporting less than 5% high-tech products and from 5% to 25% such products in overall exports – with regards to determining OFDI. On the other hand, when a country breaks through the threshold of one quarter of its exports in high-tech products, these so-called class 3 countries significantly differentiate from the two other classes in that high-tech exports

[10] I would like to thank Madeleine Andreff for her assistance with econometric testing.

[11] In fixed effects models, two countries with the same observable characteristics have, given a constant difference, a same level of OFDI. In random effects models, country specific effects are considered as random which enables to take on board variables with a constant value over time (under the assumption that individual specific effects are not correlated with independent variables).

determine OFDI. Class 3 countries have reached a domestic technological level that is high enough to become a comparative advantage on which domestic firms can rely on in view of investing abroad[12]. However, the latter determinant of NWECs' OFDI revealed by the OLS model is not that much significant since it vanishes with panel data testing, probably because $Xhightec_{i,t}$ has been defined as dummy variable divided into classes.

Finally, the strong and significant relationship between OFDI and lagged inward FDI suggests that a kind of LLL process must be at work all the more so that the coefficient for this relationship is increasing over time (when one goes from inward FDI one year before up to three years before). It takes time for LLL relationships to materialise and thus for a previous inward FDI to become a stronger determinant of OFDI.

Overall the results confirm those found (Andreff, 2003) for a quite bigger sample of transition and developing economies meaning that basically the level of economic development is a major determinant of OFDI while the home country's technological level plays only a secondary (and mixed) role in the process. The good news is that opening a country to inward FDI is also a rocket pad for its further OFDI.

Conclusion

Beyond the BRICs, a new wave of emerging countries, the NWECs, have become significant foreign direct investors in the global economy in the past two decades before the financial and economic crisis, and most of them remain in this position during the crisis. A sample of thirteen NWECs has been statistically selected on criteria of emerging country characteristics that they share with the BRICs and on the fact that they have invested at least $1 billion of outward FDI stock in 2014.

The paper has shown that most NWECs started investing abroad forty years ago or so, except one late comer (Iran). The golden age of their OFDI growth is in the early 2000s, just like with the BRICs. MNCs from the NWECs increasingly resort to cross-border mergers and acquisitions to materialise their OFDI, again like the BRICs' MNCs. The similarity with BRICS' OFDI is noticed in the geographical distribution of NWECs' OFDI (primarily in neighbouring countries, tax heavens, and developed countries) and more or less in the OFDI industrial structure. A number of specificities show up across the NWECs when it comes

[12] This result is in tune with the analysis pushed forward in Andreff & Balcet (2013).

(even with a swift first glance) to the strategies of their multinational companies but, in any case, the home country's government leans in favour of OFDI promotion when it does not put its hands in with the internationalisation of its state-owned enterprises. Econometric testing exhibits that push factors are significant determinants of OFDI from the NWECs that is the home country's economic size negatively, and positively the level of development and the rate of economic growth. Technological capability is more a mixed explanatory variable. The openness policy adopted by home countries toward inward FDI, after some years, boosts the country's OFDI as well.

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