

Emerging Market Multinationals Investing in Europe: Threat or Opportunity?

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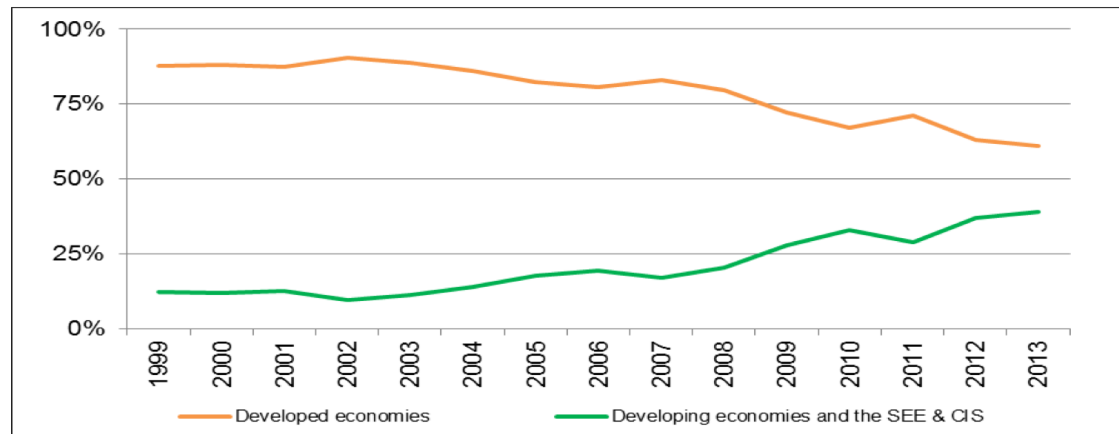
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Emerging Market Multinationals (EMNEs) are becoming important investors

- In 2013, EMNEs outward FDI have reached US\$ 460 billion, accounting for **39% of global direct investment outflows**: China, Russia and India are the main players;
- According to some recent predictions, this year China's outward investments would exceed its inward ones.

Fig.1. The share of FDI outflows: developed vs. developing economies



Source: UNCTAD (2014)

A significant share of EMNEs FDI goes to advanced countries

- In Europe, there are fears that EMNEs companies will simply take over local companies, exploit their technology - and leave without creating lasting benefits for employment or economic growth;
- But inputs of fresh capital are also welcomed by host countries, especially in these times of low growth.

Table 1. Outward FDI stock from BRICS, by destination region, 2011
(Millions of dollars)

Partner region/economy	Value	Share
World	1 130 238	100.0
Developed countries	470 625	41.6
European Union	385 746	34.1
United States	31 729	2.8
Japan	1 769	0.2
Developing economies	557 055	49.3
Africa	49 165	4.3
Latin America and the Caribbean	175 410	15.5
Asia	331 677	29.3
Transition economies	31 891	2.8
<i>Memorandum</i>		
BRICS	28 599	2.5

Source: UNCTAD, FDI database and data from the IMF, CDIS (Coordinated Direct Investment Survey).

Note: Data for Brazil are based on information from the partner countries.

What do we know about EMNEs?

- EMNEs is a very hot topic in the IB literature which has mainly addressed the suitability of the traditional analytical framework developed for AMNEs to investigate EMNEs;
- There are two main issues on which there is a wide agreement:
 - ① **EMNEs ownership advantages are different** because they undertake strategic investments to acquire technologies and capabilities rather than exploiting resources they do already have;
 - ② **Motivations:** when they invest in developed countries their motivations are mainly strategic asset seeking and market seeking.

What we would like to know more about EMNEs and how innovation studies could help us?

- **Their impact on the host economies:** are common concerns about the take and leave attitude of EMNEs justified, or should FDI from emerging economies be seen in a more positive light? (Giuliani, Gorgoni, Guenther, Rabellotti, IBR 2014);
- **Their impact on the home economies:** are OFDI really having a positive impact on the catch up process of emerging countries from production to innovation? (Giuliani, Martinelli, Rabellotti, CIRCLE WP 2014)

The win-win strategy

(Giuliani et al, 2014)

- Survey on a sample of local subsidiaries of EMNEs in the industrial machinery and equipment sectors in Italy and Germany, comparing them to a control sample of MNEs subsidiaries from advanced economies;
- A typology of MNE subsidiaries based on
 - the direction of knowledge flows between headquarters and the subsidiary;
 - the extent to which subsidiaries participate in local innovation networks;
- We find that the ‘predatory’ behavior of EMNEs does exist in some cases, but we also identify another type of FDI, mainly from EMNEs, that creates mutual benefits for investors and for the economies they invest in;
- EMNEs are more likely to engage in local innovation networks and create win-win situations of mutual learning than MNEs from advanced economies;
- To maximize benefits from EMNEs FDI, policy-makers in Europe should facilitate networking among these investors and local actors involved in innovation, such as local companies and universities.

Collaboration between Emerging Country Firms and EU inventors (Giuliani et al, 2014)

- Focus on Brazil, India and China (BIC) firms involved in cross-border inventions (i.e. patents whose inventive teams are composed by BIC inventors and at least one EU-27 inventor);
- Cross-border inventions between BIC firms and EU actors are growing, though still small in absolute numbers;
- **Cross-border inventions are more valuable than domestic ones:** they receive a **higher number of citations** and they have a **higher impact on the generation of subsequent innovations across a large variety of technological fields.**
- Therefore, they represent an opportunity for BIC firms to accumulate technological capabilities and access frontier knowledge;
- **BIC MNEs** benefit more from international collaborations than BIC domestic firms: MNEs are more capable to minimize coordination costs and combine the skills of diverse inventors around the globe.

Research in progress

- Acquisitions of EU-27 companies by BRICS + T(urkey) MNEs:
 - Impact on the patenting activity of the acquired companies;
 - Impact on the patenting activity of the acquiring BRICS + T MNEs.

THANK YOU

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