A Theoretical Framework for Determinants Factors of Outward Investments from Emerging Markets Economies

Track 4: FDI in and from emerging market economies

Session Format Suggested: Competitive paper

ABSTRACT

The aim of this theoretical essay was to identify determinants factors for outward foreign direct investments by companies headquartered in economies rated as emerging economies. A critical analysis was conducted both on the UNCTAD database as on the Investment Development Path (IDP) Theory, fostering the integration of the findings of empirical studies related to direct investments in the most pertinent literature. The conclusion reached by this research underpins the suggestion of a theoretical framework with key factors that might push or pull outward investments from emerging economies. This framework is intended to boost the contributions of IDP Theory, suggesting determinants factors that are supplementary to the GNP per capita. With regard to the state of the art, this framework may provide guidelines for the internationalization strategies of firms in the emerging markets, as well as for steering government policies in these economies.

KEYWORDS:

Foreign Direct Investment. Emerging Market Multinationals. IDP Theory. Competitive. Pull and Push Determinants. Theoretical Essay.

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INTRODUCTION

This study focused its analyses on the internationalization of companies through Foreign Direct Investments (FDIs). These investments are normally long-term, generally channeled towards setting up subsidiaries, corporate acquisitions, the construction of sales offices and others (Dunning, 1980; 1988). Attempts were made to map the determinants factors for FDI from the emerging economies, as well as motivations steering the strategies used by multinationals in these economies to spur international expansion through FDI.

According to Narula and Dunning (1996; 2010), one way of classifying foreign direct investment would be (1) inward foreign direct investment (IFDI - flow of investments from the international market to the domestic market), and (2) outward foreign direct investment (OFDI - flow of investment from domestic markets to the international market). The research presented here analyzed the phenomena related to “outward investments”, as this is a type of investment that is still incipient in the emerging markets (UNCTAD, 2013), with many opportunities for study and in-depth exploration of its determinants factors.

Most of the studies on FDI were conducted by researchers focusing on aspects of "developed economies", in order to understand their determinants factors (Rasiah, Gammeltoft & Jiang, 2010; Quer, Claver & Rienda, 2011; Ju, Kim, Bae & Know 2012). However, the flow of direct investments from the emerging economies has been rising steadily. According to the UNCTAD statistical database (2013), the proportion of foreign direct investments between developed and emerging economies was 1:20 in 1990, changing to 1:3 in 2013 and drawing the attention of researchers to the determinants factors steering this behavior within the new international business context.

The relevance of outward investments for countries and their firms (Herzer, 2010; Chen, Hsu & Wang, 2012; Globerman, 2012), besides shortage of responses and studies examining the barriers faced by the emerging economies striving to maximize these investments (Herzer, 2010), motivated the study presented here, whose purpose was to map out determinants factors that influence outward investment strategies specifically for companies headquartered in emerging economies. In pursuit of this goal, the following questions were defined for the study:

- What is the behavior of inward and outward investments in the emerging economies?
- How can the behavior of FDIs be explained in emerging economies?
- What are the determinants factors for outward investments in emerging economies?

In order to reply to these questions, it was decided to conduct an exploratory study through a review and integration of the findings of earlier empirical studies, comparing their results with the literature through bibliographic and documentary research, in order to identify relationships between the determinants factors and outward investments.

This research not only allowed several determinants factors to be related to the rise and fall of inward and outward investments, but also to explore whether there are any longitudinal links between these two types of investments. Additionally, these findings paved the way for contributing to the Investment Development Path (IDP) Theory, proposed by Narula and Dunning (1996; 2010), through presenting determinants factors that are alternatives to those set forth in the IDP Theory, and that may also influence FDI behavior. These determinants factors are compiled into a theoretical framework that supplements the model presented by the IDP Theory.

CONTEXTUAL FACTS

In order to understand the behavior of inward and outward investments in emerging economies, an attempt was made to describe the situation in economies of this type, such as Brazil, China, Russia, India and South Africa, as well as developed economies such as USA, UK, Germany, France and Japan (economies selected for purposes of comparison). As a parameter, the "FDI stock" was used rather than investment "FDI flows", as the intention was to understand the longitudinal behavior of FDIs viewed through historic variations in the amount. The goal of this topic was to highlight differences in the behavior of inward and outward investments: (a) between emerging economies; (b) between developed economies; and (c) between the developed and developing economies.

Table 1 presents inward and outward investment stock for some emerging and developed economies between 2010 and 2013. Brazil, Russia, India, China and South Africa were selected, forming the BRICS group, with steadily increasing participation in global direct investment flows (UNCTAD, 2013). For the developed economies (clustered in North America and Europe) the USA was particularly noteworthy, together with the UK, Germany, France and Japan, which are among the world's leading direct investors (UNCTAD, 2013).

[Table 1]

Figure 1 presents the longitudinal behavior of inward and outward investments between 1990 and 2013 from the developed and developing economies. While inward investments are higher than outward investments in the emerging economies graph, the developed economies graph presents the reverse. It is also noted that, in both graphs, the correlation between investments seems to loosen over time, resulting in the inward and outward investment curves growing further apart at the end of the period under assessment.

[Figure 1]

Figures 2 and 3 present specific examples of inward and outward investment behavior in the emerging and developed economies. Following the standard presented by the emerging economies in Figure 1, both Russia and Brazil (as can see in Figure 2), beside South Africa and India, present longitudinal inward investment amounts that are higher than outward investments from 1990 to 2013. Two aspects must be underscored: (1) though the graphs present some similarities, the amounts invested in Russia are considerably higher than in Brazil. Furthermore, (2) Russia also shows a greater correlation between the investments, reflected in the smaller gap between its curves throughout the period assessed.

[Figure 2]

Figure 3 presents a comparison between two economies of the developed group. The graphs for both the USA and the UK present similarities and differences, as set forth and discussed in Figure 2. It is possible to note higher outward investment values compared to inward investments (behavior contrasting with that shown in the emerging economies graphs) and the uptrend in both types of investment during the period under assessment (behavior similar to that seen in the emerging economies graphs).

[Figure 3]

Examining the figures and tables presented above, one aspect of the pattern of behavior becomes clear among the inward and outward investments in the emerging and developed economies. It is possible conclude that inward investments outstripped outward investments between 1990 and 2013 in the emerging economies. However, in the developed economies context, the pattern of behavior was the opposite of that found in the emerging economies.

Another important observation on the UNCTAD database is the behavior of the NOI variable. According to Narula e Dunning (1996), NOI represents the amount of outward FDI stock minus the amount of inward FDI stock. Figure 4 shows the difference between the NOI of the

developing and developed economies. The difference is evident e call attention to the phenomenon that is behind to the behavior observed.

[Figure 4]

LITERATURE REVIEW

IDP Theory

Having described the pattern of behavior for inward and outward investments observed in the developed and the developing economies, the next question (aim of this topic) examines "how" to explain FDI behavior in emerging markets. To do so, the Investment Development Path Theory (IDP Theory), proposed initially by Dunning in 1981 and actualized by Narula and Dunning (1996), was used.

The IDP Theory analyzes how FDI patterns respond to shifts in the advantages proposed by the Eclectic Paradigm (OLI), the advantages held by domestic firms and multinational enterprises (MNEs) under the location advantages of economies receiving direct investments. According to Narula and Dunning (1996) the dynamic interaction between ownership advantages and location advantages influences the development of the host country (measured by GNP per capita), and may be categorized into five stages that can be applied to the economies:

- Stage 1: reflects the situation of the less developed economies, where inward and outward investment volumes are very small. These economies lack the advantages of ownership and location, perhaps justified through a blend of limited domestic markets, lack of infrastructure, poorly skilled labor and inappropriate government policies;
- Stage 2: the volume of inward investments is rising significantly, thanks to the development of some specific location advantages that enhance the appeal of the country for multinational enterprises. However, outward investments remain very

limited due to the fact that the advantages held by domestic firms still remain uncompetitive, giving rise to a net investments (NOI = outward minus inward) that are well below 1;

- Stage 3: the volume of outward investments rises as domestic firms become more competitive compared to their multinational counterparts. At this stage, outward investment flows may exceed inward investment flows, although the inward investments stock remain high, resulting in the NOI remaining negative;
- Stage 4: The NOI becomes positive after the steady growth of outward investments resulting from the development of advantages held by local firms. Outward investment stock is equal to or greater than the inward investment stock. As domestic firms internationalize, they become multinational and acquire more and more competitive advantages;
- Stage 5: This is the level of the developed economies. The NOI is expected to hover around zero, unstable, sometimes with positive outcomes, and negative at others. According to Narula and Dunning (2010) it is important to stress two points: (1) the five stages are only indicative; (2) progress within and between the stages does not occur automatically. Economies may regress as well as progress during the five proposed stages.

The approach proposed by the IDP Theory is modeled on a graphic representation of FDI patterns, as shown in Figure 5.

[Figure 5]

According to Narula and Dunning (1996; 2010), it is important to note that the IDPs of individual economies are different. Each country has its own IDP, reflecting characteristics shaped by exogenous factors such as size, population, geographical location, and ownership

of natural resources, economic factors and political aspects, among others. Consequently, country comparisons must be conducted sparsely.

Narula and Dunning (1996) took an important theoretical step forward in the quest to explain FDI behavior in the developed and developing economies. However, making this behavior conditional on the GNP per capita, ownership advantages and location advantages is a constraint of the IDP Theory, as several other variables may influence FDI behavior. Although Narula and Dunning (2010) acknowledged the need to include all variables in that the IDP Theory, the authors do not explain "how" to do so, what motivated this study.

According to the IDP Theory, a negative NOI will shift to positive over time, reflecting the evolution of outward investments in emerging economies. The shift of the NOI from negative to positive will take place in five stages. At each of these five stages, the progression of the NOI is directly related to economic development (per capita GNP per capita), resultant of the combinations between location advantages and ownership advantages. However, the explanation of the evolution of the NOI proposed by the IDP Theory is limited, as the authors not to take into consideration the influence of several other macro (economy level), meso (industry level) and micro (firm level) environment variables in FDI behavior.

Outward Investments (OFDIs)

OFDIs confer countless advantages on every link in the global investments chain, whether the home economies or host economies of the MNEs, as well as the multinational enterprises and domestic firms involved, in addition to sectors engaged in internationalization processes (Globerman, 2012; Radlo & Sass, 2012; Baer & Sirohi, 2013; Kahanidra, 2013; Qiang, 2013; Ketkar, 2014). However, emerging economies still present small outward investment stocks compared to the developed, despite increasingly greater participation in global FDI flows (UNCTAD, 2013).

Goldstein and Pusterla (2010) argued that opportunities and challenges, in both home and host economies, for outward investments must be analyzed when firms wish to invest abroad. Focusing on analysis of "host economies opportunities", Baer and Sirohi (2013) and Rasiah (2010) argued that, when intending to invest abroad, firms must first analyze some key factors. For example, the wealth of potential economies, political reforms addressing investments and trade, regional integration, easing of financial constraints, industrialization levels, possibilities of constructing specific advantages for firms, market size and infrastructure (workforce, railroads, highways, ports).

Quer et al. (2011), Annushkina and Colonel (2013) posited that the characteristics influencing investment abroad decisions (characteristics that behave as "pull factors") are psychic distance (in terms of culture, management practices, climate, economic policies and laws), political risks (expropriation, confiscation, repudiation of agreements, constraints on ownership and personnel, constraints on imports and exports, terrorism, revolutions and wars, in addition to economic sanctions. Dib et al. (2010) argued that some firms are already globalized when initially incorporated, and some environmental aspects are determinants factors for entrepreneurs when taking decisions on internationalization processes, such as market size and knowledge-intensive economies.

Switching the focus of the analysis to the "home economies opportunities", Chow (2012) argued that significant differences in economic and political factors between the home and host economies are crucial for foreign investment decisions. This author adds that the availability of land for industrial use, machinery acquisition and rental costs, local interest, foreign exchange rates and environmental regulations are key factors that may "push" investments abroad by local firms. Furthermore, Radlo and Sass (2012) added that one of the most important factors for the home country is the financial status of the firm and its position on the market. According to these authors, if local industry is keenly competitive and the

domestic market is saturated, domestic firms will be more inclined to invest their profits in foreign markets.

After discussing the determinants factors that influence outward FDI decisions, it became apparent that the IDP Theory, which is very well endowed for explaining FDI behavior, may contribute even more to the international business area, if it were to take macro and micro-environment determinants factors into consideration, as shown below:

- The IDP Theory merely attempts to explain FDI behaviors on the basis of three variables: per capita GNP, ownership advantages and location advantages. However, taking macro, meso and microenvironment determinants factors into consideration for MNE home economies and host economies is important for the generalization of this theory;
- Macro, meso and microenvironment determinants factors in the home country (market saturation, keen competition, government incentives…) can all "push" investments by domestic firms up to the global level. However, it is important understanding "how" the "push factors" influence positivity the stock of competitive advantages of home firms and home economies (emerging economies), rising the outward FDI in a way sustainable;
- Macro, meso and microenvironment determinants factors in the host country (large markets, available natural resources, cheap labor, cultural proximity) can all "pull" investments by domestic firms up to the global level. Following the same logic of the previous topic, it is important understanding "how" the "pull factors" influence positivity the stock of competitive advantages of home firms and home economies (emerging economies).

Outward Investment Motivations

Are outward FDI strategy motivations the same in the developed and emerging economies? According to seminal authors such as Dunning (1980; 1988) and contemporaneous researches as Arita (2013), Radlo and Sass (2012) and Globerman (2012), there are four drivers powering outward investment strategies: (1) seeking markets (demand potential, cultural proximity); (2) seeking resources (access to high-grade natural resources or at prices below international market averages, when scarce in the home economies of investor firms); (3) seeking efficiency (lower transaction costs, access to cheap labor and access to bundled subsidies offered by host country governments); and (4) seeking strategic assets (as well as knowledge-related assets - technology, qualified workforce). Holtbrugge and Kreppel (2012) add that these drivers can be clustered into three major groups: country (macro), industry (meso) and firm (micro).

Arita (2013) added that, when compared to multinational enterprises of developed economies, MNEs of emerging markets tend to be smaller, with lagging production technology and less sophisticated management expertise. Yaprak and Karademir (2010) added that the firm might also seek funds in host economies, internalizing and transforming these resources into specific ownership advantages that are essential for competing on technology-intensive markets and even domestic markets as well.

So, an analysis of the motivation powering outward investments in emerging economies and its relation with determinants factors led to the consideration of a new proposition:

- The motivations behind outward investments by firms in the emerging economies differ from the motivations of firms in the developed economies. So, the behavior of the FDIs in emerging economies will be influenced by determinants that not necessary will be the same of in developed economies context, showing problems with generalization of the model proposed in IDP Theory.

Competitive Advantages in Outward Investments

As could be seen before, the outward investments motivations in emerging economies differs from developed economies. This may be due to differences in the stock of competitive advantages between firms in both types of economies.

According to Kaya and Erden (2008), the specific advantages (ownership advantages according to Dunning, 1988) of the firm are divided into four categories (1) operational advantages (meaning brand image, international experience, technological know-how); (2) product advantages (quality and differentiation); (3) market advantages (corporate commitments to international activities, ease of adaptation to different markets, internet access) and (4) management advantages (competitive price policy, speed of response to consumer demands, skill in deploying effective management practices and the international experience of decision takers).

According to Johanson and Mattsson (1988), these advantages varied, depending on the age and size of the company, influencing its strategies for entering foreign markets (joint ventures, acquisitions, franchises), with these strategies regulated by decisions involving the "control" versus the "uncertainty" variables (Johanson & Vahlne, 2013). Consequently, for a sustainable internationalization, it was initially necessary for the firm to have already built up competitive advantages on its domestic market, through either local networks or government backing, or even competition or partnerships with foreign multinational enterprises leading to technology transfers, the modernization of machines, equipment and systems, building up the capacities of the local workforce and other aspects (Johanson & Mattsson, 1988; Narula & Dunning, 1996; Yaprak & Karademir, 2009; Davies, 2013.

The relationship between competitive advantages, determinants factors and outward investments in emerging economies resulted in three more propositions being listed:

- Competitive advantages may be classified into four categories: advantages related to operations, product, market and management. So, it is important to know what is the necessary stock of competitive advantages to domestic firms of emerging economies begin to internationalize;
- The competitive advantages of firms in emerging economies are limited, compared to the advantages of firms in the developed economies. This difference directly influences the outward FDI strategy drivers. So, to know how location advantages may influence in the development of ownership advantages of domestic firms is very important, because it can compensating the imperfections of the domestic market, rising the global competitiveness of domestic firms, affected by the late internationalization;
- Firms in emerging economies must first acquire competitive advantages on their domestic markets, in order to ensure the feasibility of outward investment strategies over the medium or long terms, always following an incremental logic. However, in a incremental way, the domestic firms may invest abroad in economies with little cultural distance.

PROPUSED PROPOSITIONS

Once analyzed the selected papers and compared their contributions about determinants, motivations and competitive advantages with the assumptions encompassed by the IDP Theory, ten propositions were drawn up for outward investments in emerging economies. This section shows how the propositions are related, helping explain the behavior of outward investments from the emerging economies. The proposals resulting from this research are presented below in three sets, with each set replying to the research question initially proposed in the introduction.

Research Question 1: What is the behavior of inward and outward investments in the emerging economies?

P1: The NOI is different in the developed and developing economies. While the NOI is positive in developed economies (outward FDI stock > inward FDI stock), in developing economies the NOI is negative (Outward FDI stock < Inward FDI stock).

Research Question 2: How can the behavior of inward and outward investments be explained in the emerging economies?

P2a: The IDP Theory supplements P1. According to the IDP Theory, the NOI will shift from negative to positive over time, reflecting the progression of outward investments in emerging economies.

P2b: The progression of the NOI from negative to positive takes place in five stages. At each of these five stages, the progression of the NOI is directly related to economic development (measured by GNP per capita), resultant of the combination of ownership advantages and location advantages.

P2c: The explanation of the progression of the NOI proposed by the IDP Theory is limited, as it fails to consider the influence of others macro, meso and microenvironment variables on FDI behaviors.

Research Question 3: What are the determinants factors for outward investments in the emerging economies?

P3a: The IDP Theory attempts to explain FDI behaviors through only three variables: per capita GDP, ownership advantages and location advantages. Taking macro, meso and microenvironment determinants factors into account for host and MNE home economies, is

thus important for the generalization of this theory as well as for a better understanding of FDI dynamics.

P3b: Macro, meso and microenvironment determinants factors in the home country (market saturation, keen competition, government incentives) “push” investments by domestic firms up to the global level.

P3c: Macro, meso and microenvironment determinants factors in the host country (large markets, available natural resources, cheap labor, cultural proximity) “pull” investments from domestic firms up to the global level.

P3d: There are four outward investment motivations: (1) seeking markets, (2) seeking resources, (3) seeking efficiency and (4) seeking strategic assets. The motivations behind outward investments by firms in emerging economies differ from the motivations for firms in the developed economies.

P3e: The competitive advantages of firms in emerging economies are limited, compared to the advantages of firms in the developed economies. This difference directly influences outward FDI strategy motivations;

P3f: Firms in emerging economies must initially acquire competitive advantages on their domestic markets, in order to underpin the feasibility of outward investment strategies over the medium or long terms, always following an incremental logic.

PROPOSED THEORETICAL FRAMEWORK AND DISCUSSION

In brief, although the IDP Theory has contributed significantly to understanding FDI behaviors, its model fails to take macro, meso and microenvironment factors into consideration, with negative effects on its internal and external validity. This problem might have been caused for a strict economic position, based on assumptions compatibles with neoclassical theories in a context of change and uncertain, where new phenomena in

International Business had called for theories of the strategic (Resource-Based View, Knowledge-Based View) and behavior school (Johanson e Vahlne, 2013).

A five-stage model has been proposed, showing the dynamics between inward and outward FDIs, under the effect of development variables, ownership variables and location variables. However, Narula and Dunning (1996; 2010) do not explain "how" this behavior occurs. This gap in the theory motivated this research, whose main findings are presented above in the form of propositions, which will now be integrated into a theoretical framework (Figure 7) taking into account the relationship between inward and outward FDIs in the emerging economies, in a holistic manner, as explained in three points listed below:

1. ***IFDI* > *OFDI***: In keeping with the statistical data released by UNCTAD and the IDP Theory, the emerging economies initially present market flaws, with negative impacts on the global competitiveness of their firms. As seen in Arita (2013) and Yaprak and Karademir (2010), these flaws – characterized by shortages of investment capital, qualified labor and technological expertise, among other factors – serve as a force that "pull" inward FDIs from foreign firms, seeking not only to exploit the market flaws, due to their competitive advantages compared to domestic firms, but also to take advantage of exemptions and subsidies offered by local governments (Davies, 2013), which view inward FDI as a source of knowledge transfers, spurring the development of local industry.

2. ***Knowledge Transfers*:** a second point to be stressed in the theoretical framework proposed in this essay is the explanation of "how" knowledge transfers take place, triggered by rising inward FDI volumes flowing into the developing economies. This explanation is not addressed in the IDP Theory and few researchers have explored such knowledge flows in detail (Narula e Dunning, 2010), opening up opportunities for future research projects in the FDI field. Based on the assumptions set forth in the IDP Theory, at the start of FDI inflows, there are "attractive" location advantages (tariff and tax exemptions, government subsidies,

access to natural resources, cheap labor etc) while local firms are endowed with somewhat insignificant ownership advantages. However, over time, ongoing contacts between foreign enterprises and local firms buttress two-way knowledge flows (Figure 6), enhancing the advantages of domestic firms while reducing location advantages due to keener internal competitiveness and the resulting market saturation. It is particularly important to explain in more detail "how" such knowledge transfers take place between foreign enterprises and local firms, as well as the impacts of such transfers on the dynamics between inward and outward FDIs.

[Figure 6]

3. ***OFDI* > *IFDI***: With more developed industrial districts and firms with better consolidated networks and more qualified labor forces, the context of the emerging economies shifts from very attractive to unattractive for inward FDIs. As discussed previously, the competitive advantages of domestic firms are enhanced through constant interaction with multinational enterprises. As a result, the environment becomes more aggressive, with shrinking profit margins. This point then highlights the need to seek out new markets that maximize the profitability of domestic firms. Internationalization through outward FDI, even if somewhat tardy (compared to firms in the developed country) becomes relevant not only from the standpoint of profits, but also the global consolidation of these firms. At this time, the FDIs are "pushed" (Figure 7) outside the host environment for the reasons listed above. Moreover, a more protectionist stance is noted among emerging economies governments at this stage, as their interests are no longer focused on attracting inward FDIs to build up local capacities, but rather to spur the international expansion of domestic firms that will result in a further increase in the competitiveness of the country, its companies and local sectors, now global in scope (Davies, 2013).

Figure 7 provides a graphic representation of FDI behaviors in emerging economies, taking into consideration a larger number of determinants factors, compared with the model proposed by Narula and Dunning (1996).

[Figure 7]

CONCLUSION

As presented by UNCTAD (2013), the participation of the emerging economies in the global stock of outward investments is still minor. An attempt was thus made to analyze the determinants factors related to outward investments in the emerging economies and the drivers needed to underpin the feasibility of these investments.

Statistical data released by UNCTAD (2013) allowed an understanding of the FDI context in both the developed and developing economies. In turn, the selection of the IDP Theory as the basis for this essay allowed a more detailed understanding of the FDI contexts in the emerging economies. However, Narula and Dunning (1996) leave a gap in the IDP Theory, as they do not consider the influence of several other determinants factors related directly to outward FDI behaviors. In order to bridge this gap, and backed by the review of empirical and theoretical research projects examining FDIs, a group of determinants factors and drivers was mapped out, supplementing the explanations given by Narula and Dunning of outward FDI behaviors in emerging economies.

As the main contribution of this study, a framework was proposed that encompasses the macro, meso and microenvironment variables that power outward FDIs in the emerging economies, supplementing the findings of Narula and Dunning. It is now suggested that this framework could be tested empirically in order to validate its propositions. Once validated, this framework could be used to steer the internationalization strategies of firms headquartered in the emerging economies, as well as for guiding government policies.

Finally, it is important to acknowledge the limitations of this study. The presentation of the theoretical framework that supplements the IDP Theory developed by Narula and Dunning is a simplification of the phenomena of outward investments in the emerging economies. Like all simplifications, many factors are not taken into consideration, particularly in a field as complex as international business, which also involves diplomatic relationships, tax and fiscal issues and other matters.

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APPENDIX: TABLE AND FIGURES

Table 1: Inward and outward investment stock by emerging and developed economies in USD million (UNCTAD database)

INWARD FOREIGN DIRECT INVESTMENTS (IFDI) (USD MILLION)					OUTWARD FOREIGN DIRECT INVESTMENTS (OFDI) (USD MILLION)				
Emerging Countries	**2010**	**2011**	**2012**	**2013**	**Emerging Countries**	**2010**	**2011**	**2012**	**2013**
China	1,827	1,966	2,267	2,485	China	1,548	1,768	2,019	2,213
Brazil	682	696	745	724	Brazil	191	206	271	293
Russia	490	454	496	575	Russia	366	362	406	501
India	205	206	224	226	India	97	109	118	120
South Africa	179	159	163	140	South Africa	83	97	112	96
Developed Countries	**2010**	**2011**	**2012**	**2013**	**Developed Countries**	**2010**	**2011**	**2012**	**2013**
USA	3,422	3,51	3,932	4,935	USA	4,809	4,514	5,249	6,349
UK	1,136	1,184	1,482	1,605	UK	1,636	1,696	1,738	1,885
France	990	973	1,029	1,081	France	1,516	1,503	1,569	1,673
Germany	716	737	788	851	Germany	1,463	1,494	1,579	1,710
Japan	214	226	205	171	Japan	831	963	1,055	992
Total Developing Countries	**6,597**	**6,942**	**7,945**	**8,843**	**Total Developing Countries**	**3,484**	**3,928**	**4,459**	**4,993**
Total Developed Countries	**13,040**	**13,425**	**14,536**	**16,053**	**Total Developed Countries**	**17,241**	**17,107**	**18,672**	**20,764**
Total World	**20,370**	**21,117**	**23,304**	**25,464**	**Total World**	**21,130**	**21,441**	**23,592**	**26,312**

* China encompasses Hong Kong, Macau and Taiwan
* Source: UNCTAD (World International Report, 2013)

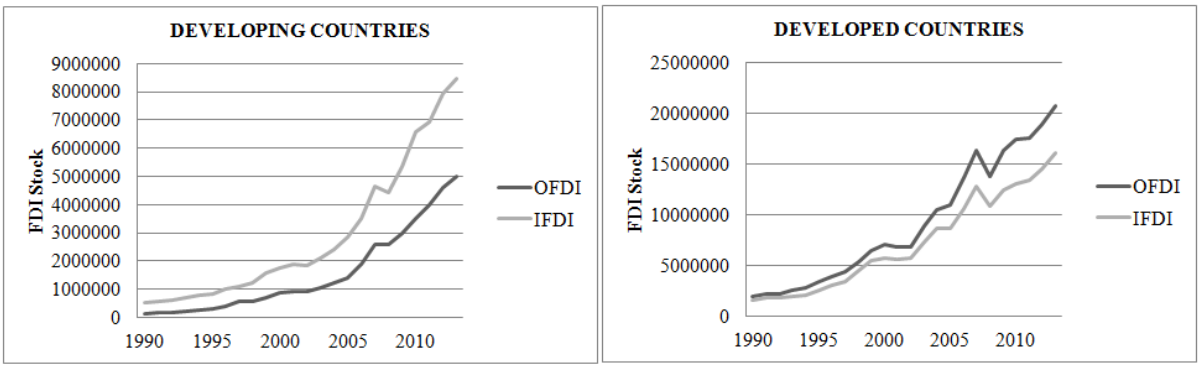

Figure 1: Progress of inward and outward investments in the emerging and developed economies between 1990 and 2013 (UNCTAD database)

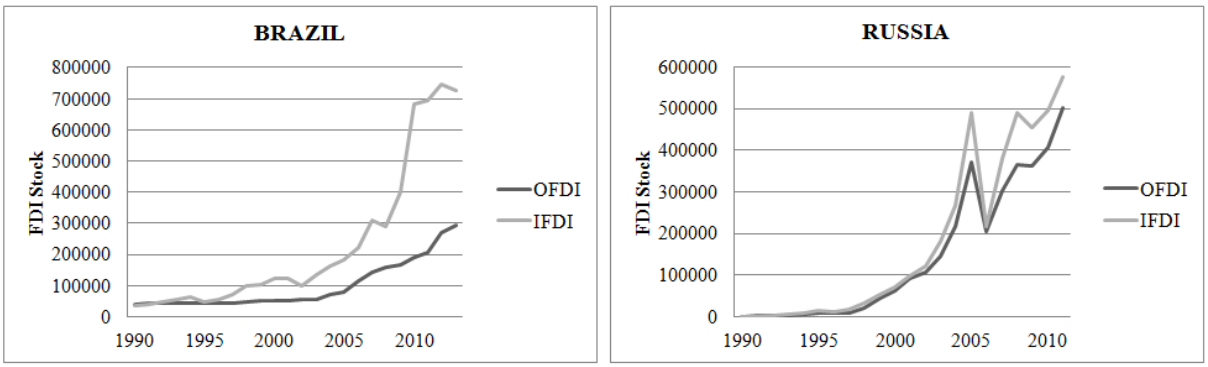

Figure 2: Progression of inward and outward investments in Russia and Brazil between 1990 and 2013 (UNCTAD database)

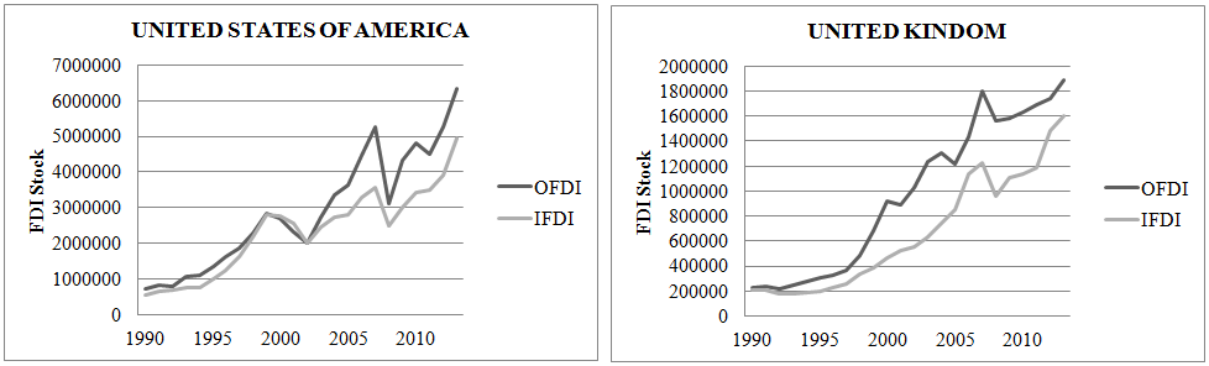

Figure 3: Progression of inward and outward investments in the United States and the UK between 1990 and 2013 (UNCTAD database)

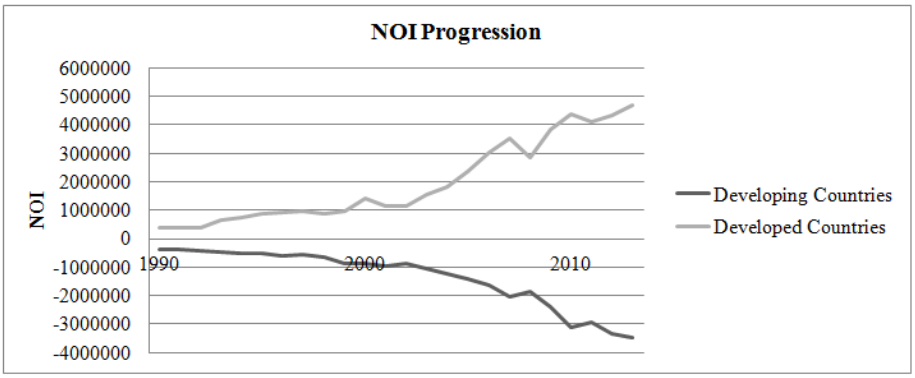

Figure 4: Progression of the variable NOI between 1990 and 2013, in the context of developing and develop economies (UNCTAD database)

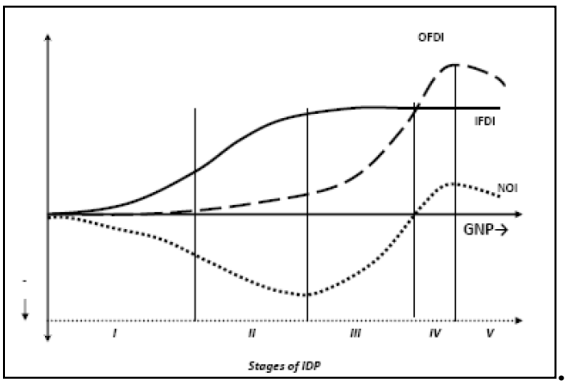

Figure 5 – Graphic Representation of the Five Stages of the Investment Development Path (IDP) Theory, according to Narula and Dunning (1996)

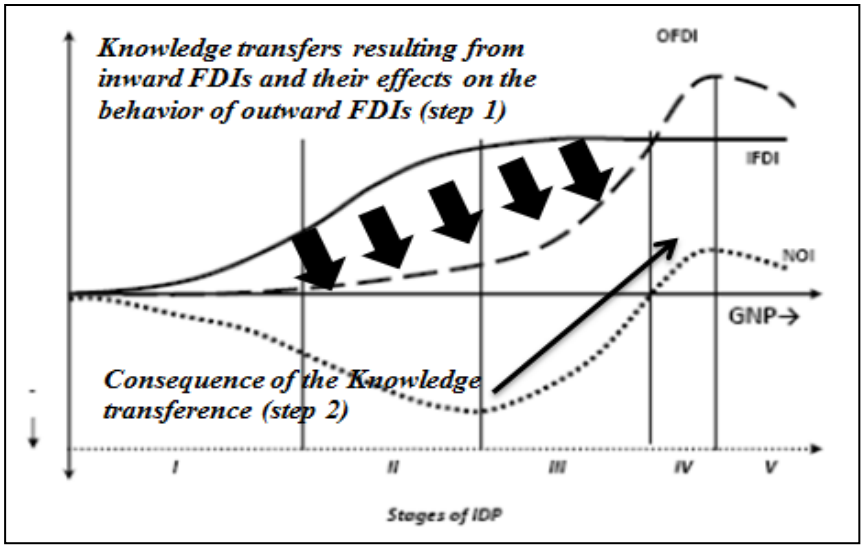

Figure 6 – Graphic representation of knowledge transfers resulting from inward FDIs for local firms, applied to the five stages of the IDP Theory

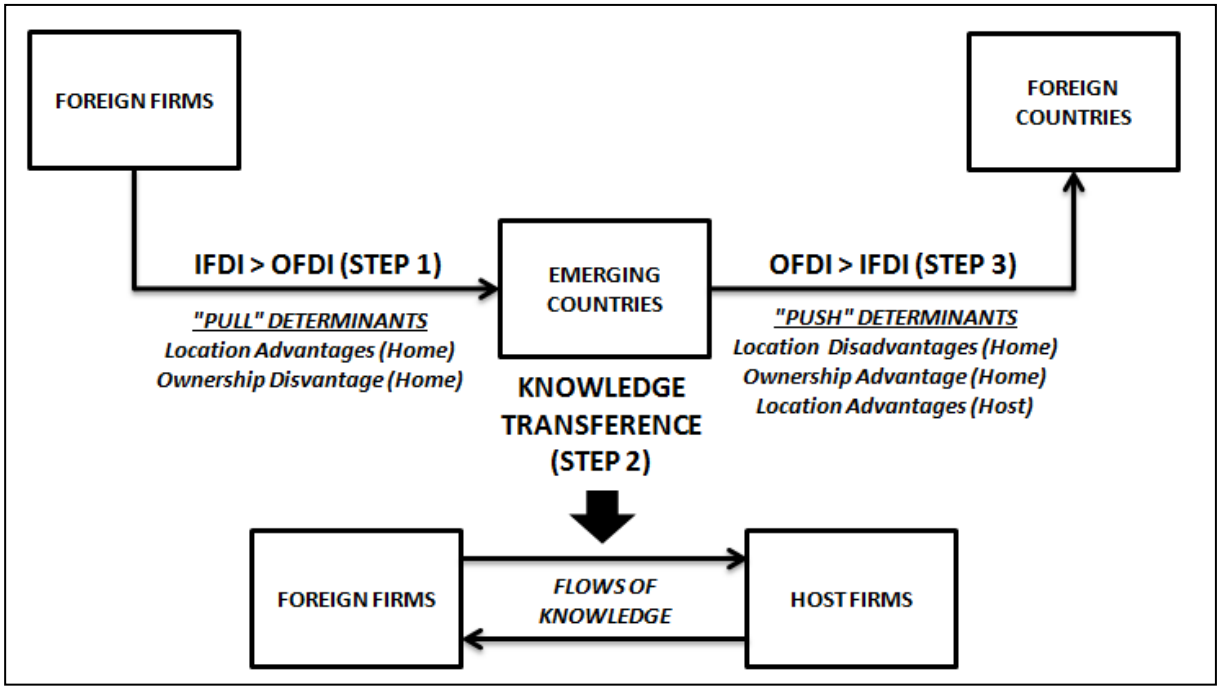

Figure 7 – Framework of determinants factors applicable to firms in emerging economies that influence the behavior of outward investments.