

Since the turn of the 21st century the rise of outward foreign direct investment (OFDI) from emerging markets has led to a wide gamut of theoretical, empirical and policy-oriented research. The two books reviewed hereinafter represent a significant contribution to this stream of research. Both originate from projects and conferences organized by the Vale Columbia Center on Sustainable International Investment at Columbia University, and both are edited or co-edited by its director, Kari Sauvant. What are the policy implications for emerging and developed countries? To what extent do multinationals from emerging markets behave differently? Is traditional international business theory still relevant to explain the rise of OFDI from emerging markets? These are some of the key issues addressed.

"Foreign Direct Investment from Emerging Markets" is an ambitious volume structured in five parts and comprising 23 chapters. Part 1 revisits the existing body of theories of the multinational enterprise in light of the rise of emerging market multinationals. Van Tulder argues that Dunning's eclectic paradigm and the investment development path framework are still valid, but also suggests some minor amendments to better interpret FDI from emerging markets. Rugman provides another interesting contribution by analysing the firm-specific advantages and disadvantages of emerging market multinationals. Other authors throughout the book contribute further to the theoretical debate and a broad consensus is reached against a major revision of the existing theoretical frameworks that constitute the building blocks of contemporary international business literature.

Part 2 analyzes the main trends concerning FDI from emerging markets, with individual chapters covering all BRIC countries. These country reports are rich in statistics and jointly provide a very comprehensive outlook of FDI from emerging markets. It becomes apparent that in light of very significant differences in their economic structure and institutional profiles, BRIC countries cannot be treated as a homogeneous group. For example, only China and Russia have a substantial involvement of government-owned firms in their OFDI, at around 90% and 26%, respectively. There are also differences in the regional distribution of OFDI. For example, among the BRICs the share of OFDI towards developing countries is highest in China. On the policy side China and India's OFDI is strongly supported by specific policy instruments, whereas specific policy frameworks are still lacking in Brazil and Russia. These differences have important analytical implications. Thus, exploring the divergence (or convergence) of outward investment behaviour across emerging countries constitutes a promising area for future research.

Part 3 focuses on the policy implications for the governments of emerging countries. De Beule and Van Den Bulcke argue that in most emerging markets policy regimes towards outward FDI are shifting to a certain extent from a focus on control towards a focus on promotion, although with different degrees of enthusiasm. They also emphasize several strategic policy dilemmas associated with the sequencing of outward FDI promotion policies. Xue and Han focus on the case of China, whose policy framework towards OFDI is said to be the most sophisticated among the BRIC countries. They describe the evolution of Chinese government policies towards OFDI from the 1980s to the current "Go Global" policy framework that proactively promotes OFDI. More broadly, Buckley et al. suggest some lessons that governments of emerging markets can learn from policies towards outward direct investment of advanced countries, encompassing technical assistance schemes, financial incentives, investment guarantees, international investment agreements, policies in support of national champions, and so forth.

From a different angle, Part 4 examines the policy implications for developed countries receiving FDI from emerging markets. How are governments of developed countries reacting to the rise of FDI from emerging markets? What are the concerns and the opportunities associated with policy intervention? Are developed countries ready for FDI from emerging markets? There is increasing concern about cross-border investments by both sovereign wealth funds and state-owned companies, which are both often associated to FDI from emerging markets. A chapter by Clifton and Díaz-Fuentes discusses...
the case of the EU while Sauvant examines the US. The case of the EU is unique given its ‘multilevel governance structure’, implying that competencies regarding FDI and industrial policies are divided between the Member States and the EU Commission. This has led to ‘internal tensions’, often revolving around a national tendency to protect ‘national champions’ and ‘strategic industries’. Strategic industries are defined individually by national governments that also determine the level of protection that those industries should be granted. In contrast, the Commission acts as the ‘liberalizing machine’, trying to rectify national policies if they violate the free movement of capital, unless justified by national security. In the US, the aftermath of September 11, 2001 has influenced the FDI policy framework, with a strengthening of screening systems to better control national security. These concerns have increased with the rise of emerging market multinationals. The problem is that there is a big grey area because ‘national security’ is not well defined, and this applies both to the US and the EU.

“Is the US Ready for FDI from China?” expands further on the particular case of Chinese direct investments in the US. Among emerging countries, China is an object of particular controversy given that it has one of the largest sovereign wealth funds in the world and that its OFDI is characterized by a predominance of state-owned enterprises. There is a suspicion that acquisitions by state-owned firms may be driven by political motivations rather than by commercial motives alone. This book examines the complex political controversies and legal and business implications associated with Chinese direct investments in the US. It provides a valuable description of how the screening system for inward FDI has been tightened with the newly created Committee on Foreign Investment in the United States (CFIUS). The book suggests, however, that only a handful of deals have been blocked so far. Moreover, these tightened screening mechanisms apply only to the case of mergers and acquisitions, while greenfield investments are exempted from review by CFIUS. Building on the legal and political analysis, this book provides some useful recommendations for Chinese multinationals with plans to invest in the US. Frye and Pinto suggest that navigating the US political landscape for FDI is a real challenge for Chinese investors and Sauvant argues that “to smooth the entry process, it is important to understand Washington’s political landscape, know what the interests of key players are, learn to navigate the committee network in Congress, and build alliances from the local level upward” (p. 13).

Despite evidencing signs of increased protectionism in recent years, these two books emphasize that the US and the EU remain the most open regimes in the world towards international investment, and their governments are increasingly aware of the positive economic impact of attracting FDI from emerging markets in light of the current financial and economic crisis. Beyond some stories of emerging multinationals blocked from investing in the US or the EU making newspaper headlines, the wider picture is that multinationals from emerging markets are continuously expanding, deepening and broadening their activities in developed countries. Altogether, these books represent a significant contribution towards a better understanding of the extent and implications of OFDI from emerging markets, combining fresh theoretical discussions with practical insights for both policymakers and the managers of multinational enterprises.

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