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European investment promotion agencies vis-à-vis multinational companies from emerging economies: Comparative analysis of BRIC investor targeting

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EUROPEAN INVESTMENT PROMOTION AGENCIES VIS-À-VIS MULTINATIONAL COMPANIES FROM EMERGING ECONOMIES:

Comparative analysis of BRIC investor targeting

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Abstract

Multinational companies from emerging economies are becoming significant players in the globalized world economy. As the volume of foreign direct investment from emerging economies is rising, and emerging multinationals increasingly seek access to markets and assets in advanced developed economies, the host governments feel the need to define their responses and policies. The European Union is emerging as an important destination for outward foreign direct investment (OFDI) from Brazil, Russia, India and China (BRIC). The paper looks at the strategic stance of European national investment promotion agencies (IPAs) towards emerging multinationals from BRIC. It inventorizes promotion efforts of these IPAs tailored to the BRIC companies, such as specifically customized information provision on IPA websites and the presence of IPA representative offices in BRIC. On the basis of comparative analysis, it offers reflections on the challenges and opportunities presented by emerging multinationals to European countries.

Keywords: investment promotion, emerging economies, multinational companies, Europe

JEL: F21, F23, F59, O52

1. Introduction

Emerging economies of Asia and Latin America are becoming a distinctive phenomenon of the global economy at the end of the 20th century – beginning of the 21st. Particularly, Brazil, Russia, India and China, jointly abbreviated as BRIC, are gaining economic strength. According to various estimates, the BRIC economies have potentials to overtake G7 economies in terms of aggregated GDP in a couple of decades. In the path-breaking development, many of emerging economies relied on foreign direct investment (FDI) and activities of foreign multinational companies that connected these countries to the global economy. At the beginning of the 21st century, however, a new trend is taking shape. Emerging economies become home to a number of fast-growing internationalising companies. In the early stages of their development these 'emerging multinationals' have targeted neighbouring economies, with mainly the same level of economic development as their home countries. Since recently however the emerging multinationals are increasingly looking at the advanced Triadic markets.

While the body of extant academic and practitioner-oriented literature on emerging multinationals is growing and burgeoning, studies on responses and policies of host governments, specifically by investment promotion agencies (IPAs) in the European Union (EU) are still scarce. Although the BRIC's FDI stock in Europe is modest, the BRIC multinationals' role is Europe is rising and becoming more pronounced. The Russian oil and gas giant Gazprom is getting a grip on the energy systems of many European countries, India's Tata Steel and ArcelorMittal dominate in the European steel industry, and the Chinese have ambitions to acquire massively crisis-hit European technological companies (WSJ 2011). Apart from such high-profile companies and deals, there are a large number of small- and medium-sized firms established in Europe and owned by the BRIC nationals.

This topic is full of controversies. Outward FDI from emerging economies may bring traditional benefits such capital and new jobs. However, due to a less advanced technological profile of many emerging multinationals, their subsidiaries may have less potential for technological and knowledge spillovers to domestic firms of host economies. Moreover, the question remains whether the emerging multinationals are regular economic agents or tools of foreign policy of home governments. At the same time, the global economic crisis that erupted in 2008 and the on-going Eurocrisis add to global risk and uncertainty and reduce economic growth in Europe to near-zero. As European and U.S. multinational companies put most investment projects on halt, and hence less FDI is expected from traditional economic poles, Many European countries are increasingly looking eastwards at emerging economies, the BRIC countries in particular.

Following this reasoning, the objective of this paper is to examine, compare and analyse current promotion efforts of the national IPAs of 27 EU member-states and several other European non-EU countries. The main source of data is the official IPAs websites, supported by secondary data from various sources. The focus is purely on investment promotion campaigns of IPAs, established by the respective public authorities. Thus we explicitly exclude various forms of bilateral investment and trade promotion commissions. Next, because IPAs normally are engaged with new, greenfield, investment projects, any sort of facilitation of merger and acquisition (M&A) deals is beyond the scope of this paper.

The paper is structured as follows. Section 2 sets the context and provides a theoretical background and derives research propositions. Section 3 describes data and methodology and presents findings. Section 4 offers synthesis of findings and analysis. Section 5 concludes.

2. Theoretical Background

The section starts with an introduction to FDI promotion as a distinctive aspect of public policy. Next, we look at emerging multinationals, specifically at their presence in Europe. Lastly, we synthesis insights from these two domains and elaborate on the promotion of FDI from emerging markets, i.e. attraction of operations of emerging multinationals to host economies.

2.1. Foreign direct investment promotion

FDI is one of the main drivers of contemporary global economy and a key input in economic growth. It implies strong economic interdependence between nations and contributes to ever increasing globalization. According to UNCTAD (2012), global FDI flows in 2011 achieved $1.5 trillion, exceeded the pre-crisis average, however still some 23 per cent below their 2007 peak. The benefits of FDI as argued by the academic literature and policymakers alike include capital investment, employment opportunities, generation of tax revenues and higher exports. More importantly, the role of FDI as a vehicle transferring intangible competences such as technology and know-how is widely acknowledged (Blomström and Kokko 1998). As noted by Stiglitz (2000: 1076), *The argument for foreign direct investment … is compelling. Such investment brings with it not only resources, but also technology, access to markets, and (hopefully) valuable training, an improvement in human capital. Foreign direct investment is also not as volatile – and therefore as disruptive – as the short-term flows that can rush into a country and, just as precipitously, rush out.*

The global competition amongst countries for attracting FDI has become acute. Many nations perceive higher and better inward FDI stock as a first-class ticket to globalization; and foreign multinational companies have been welcomed even in sectors previously exclusively reserved to the host government and domestic firms. Not only did the governments liberalize their investment framework and requirements, they started actively promoting their countries as destinations for inward FDI (Kobrin 2005). Such FDI promotion is based on the justification of policy intervention in the presence of a market failure. The main one is the asymmetric information. Multinational companies do not possess perfect information about all investment opportunities worldwide, and hence executives of these companies tend to make biased decisions. Many multinational companies consider only a small number of potential locations for their FDI projects, while most countries are not even taken into consideration as these places are not on their 'corporate maps' (IFC 1997). This may not be that critical for the largest corporations that can hire experts and specialized agencies for the analysis of investment opportunities, but it becomes a problem for medium-sized multinationals and small- and medium enterprises making their first international steps.

Information asymmetry is linked to the classic Uppsala model by Johanson and Vahlne (1977) holding that a firm's international activities relate directly to psychic distance, and that further international expansion progresses into markets with successively greater psychic distance. The concept of psychic distance, first formulated by Vahlne and Wiedersheim-Paul (1973), includes factors preventing or disturbing the flow of information between potential or actual suppliers and customers. These factors are associated with country-based diversities and dissimilarities, such as (1) linguistic differences and translation difficulty; (2) cultural factors – societal norms, level of individualism or collectivism, values and customs; (3) economic situation – existing trading links, infrastructure, local conditions, competition and investor confidence; (4) political and legal system – government stability and risks, import

tariffs, legal protection and taxation. One may argue that FDI promotion aspires to cover the psychic distance between the home and host countries in the eyes of foreign investors.

The central agents in FDI promotion in most countries are so-called investment promotion agencies (IPAs). As Sauvant (2012: 1) puts it, *national FDI screening agencies were replaced by investment promotion agencies – red carpets replaced red tape*. Nowadays, IPAs are set up not only at the national level, but increasingly also at the level of regions or even cities. First IPAs started to emerge in the early 1990s; and in 1995, the World Association of Investment Promotion Agencies (WAIPA) was established in Geneva. Presently, WAIPA unites 244 national and sub-national agencies from 162 different countries.

International organizations – WAIPA, UNCTAD and OECD – have produced numerous manuals, toolkits and guidelines of better practices of investment promotion. A great body of academic literature has been devoted to the role of IPAs and their functions (Young et al. 1994, IFC 1997, Loewendahl 2001, Wells and Wint 2001, Zanatta et al. 2006, Guimón and Filippov 2012). As it is generally acknowledged, the scope of IPA's work may include information provision (about the country's business climate, geopolitical location, investment incentives and taxation, labour market conditions and averages wages, infrastructure), competitive positioning, targeting strategy, image building and marketing, investment services and investor facilitation, matching foreign investors with domestic firms, as well as policy advocacy. One of the key tasks delegated to IPAs is to offer and negotiate financial and non-financial investment incentives granted to foreign investors. The topic whether investment incentives positively affect investment project, or foreign company would invest anyway and the incentives are government's income forgone is greatly debatable though (Morisset and Pirnia 1999).

Active investment promotion implies activities in various fields, which can be done either with or without specific targets. It is based on the assumption that not types of inward FDI have the same impact on the host economy, i.e. FDI in specific sectors, functions and locations potentially bring more benefit. Enderwick (2005) suggested the targets for FDI promotion be defined according to four criteria: (1) the size of the firm; (2) industry (higher value-added industry is preferred to lower valued-added one); (3) business functions of an affiliate (higher value added functions are preferred to lower value added ones); (4) form of entry mode (greenfield versus mergers and acquisitions).

Building upon this idea of selective FDI promotion, Guimón and Filippov (2012) introduce the distinction between quantitative and qualitative promotion. Quantitative FDI promotion aims to increase FDI inflows in response to short-term shortages of capital (balance of payments) and/or jobs (unemployment). In its turn, qualitative FDI promotion aims at attraction of FDI which can be beneficial for innovativeness of the host economy and have prospects of knowledge spillovers. Advanced economies welcomes 'premium' FDI in specific business functions (BPO, R&D, etc.) and/or specific industrial sectors (IT, biotech, nanotech, etc.). And many less advanced (or developing) countries view FDI as an engine for 'upgrading through innovation' (Ernst 2008, Mytelka and Barclay 2004, Santangelo 2005). In other words, quantitative promotion is about 'more' FDI, while quantitative promotion is about 'better' FDI.

2.2. Multinationals companies and FDI from emerging economies in Europe

Gammeltoft (2008) distinguishes three waves of outward FDI from developing and transition (emerging economies). The first wave took place in the 1960s to mid-1980s and was exemplified by Latin American companies investing mainly in other developing countries in

the same region. The second wave occurred from the mid-1980s to 1990s and was driven mainly by companies of the Asian tigers internationalising both into developing countries and more distant developed economies. The third wave that started in the 1990s represents a more geographically diverse set of countries. Next to Asia, we are witnessing resurgence of Latin America and inclusion of Russia and South Africa. This third wave has attracted a great deal of scholarly interest. The body of academic literature on this topic has been grown tremendously over the recent years. Apart from a multitude of regular academic articles and books (Goldstein 2007, Sauvant 2008, Ramamurti and Singh 2009), several special journal issues have been published. Among them are special issues of International Journal of Technological Learning, Innovation and Development (2013, Vol. 6, Iss. 2), European Management Journal (2012, Vol. 30, Iss. 3), Journal of World Business (2012, Vol. 47, Iss. 1), Journal of International Management (2010, Vol. 16, Iss. 2), International Journal of Emerging Markets (2010, Vol. 5, Iss. 3-4) and Industrial and Corporate Change (2009, Vol. 18, Iss. 2).

It has been debated whether motivation of FDI from emerging economies can be fully explained by the traditional factors driving investments of western multinationals only. Scholars have called to reconsider the classic theory of firm internationalization (Child and Rodrigues 2005, Dunning 2006, Mathews 2006, Buckley et al. 2007). The theory of (western) multinational companies explain their internationalization by 'ownership advantages', such as brand and trademark, proprietary technology and production technique, entrepreneurial skills and managerial know-how, returns to scale and production efficiency. In contrast, many emerging multinationals are at the early stages of their development. Many of them do enjoy advantages at home in a form of a pool of cheap labour, access to natural resources, or support of the home government, but they also have disadvantages such as a lack of globally competitive proprietary technology, weak brands, poor managerial system and corporate governance.

It is suggested that internationalization of emerging multinationals is driven by 'ownership disadvantages' that can be overcome through acquisition of assets in developed markets and engagement in global competition. Rui and Yip (2008) develop a strategic intent perspective to analyse the foreign acquisitions made by Chinese firms. These companies strategically use cross-border acquisitions to acquire strategic capabilities enabling them to offset competitive disadvantages and leverage their unique ownership advantages. Luo and Tung (2007) refer to this aggressive, risk-taking acquisition of critical assets from mature multinationals as a 'springboard strategy'. Ramamurti (2012) warns that western firms tend to underestimate the competitive advantages emerging multinationals use to win at home and abroad. This, indeed, accentuates the fact that many emerging multinationals have overgrown their regional ambitions of internationalization into neighbouring economies, and they are increasingly aspiring for advanced markets.

Europe, as one of the Triadic poles, represents a very attractive market for emerging multinationals in terms of its technological sophistication and a unified market of 500 million consumers. Market-seeking motives are one of the main drivers for FDI of BRIC companies, as argued by Holtbrügge and Kreppel (2012). Despite the large home populations, BRIC companies face a low per capita GDP home market. For further expansion they seek growth opportunities outside their home markets, and not in neighbouring developing countries, but in large and prosperous developed economies, more attractive in terms of market size and market potential (Luo and Tung 2007). Next to it, strategic asset-seeking motive is valid too.

A number of studies have appeared in the recent years that address the strategies, motivations, geography and operations of emerging multinationals in Europe. Among them,

the main focus has been on Chinese (and Indian) companies. Milelli et al. (2010) analysed the characteristics of Chinese and Indian firms in Europe. Knoerich (2011), Hay and Milelli (2011) and Shi et al. (2010) examined Chinese FDI in Europe, on the basis of macro-data and individual company data. They consider that Chinese and Indian companies start to employ asset-augmenting strategy and target a wide range of created assets: technology, brands, distribution network, R&D facilities or managerial capabilities. Likewise, push and pull factors of Chinese FDI in Europe are examined by Schüler-Zhou et al. (2011). Wu (2011) analysed the internationalization of Chinese firms and its implications for Europe though Chinese enterprises have limited presence on the continent – 2% share of China's overall outward FDI. Wu (2011) argues that European sophisticated technology-owning and innovative small firms, particularly in manufacturing sectors, remain attractive to Chinese companies that want to move up the technical ladder and to expand globally.

Nicolas (2009) derives several conclusions from a study of Chinese firms in Europe. As for motivations, market-seeking considerations rank first and strategic-asset-seeking motivations second in Chinese investments. Further, through mergers and acquisitions, Chinese investors seek access to brands and distribution networks or to engineering know-how and customer networks. In contrast, greenfield investments aim to access the European market and help to customize products for local needs. Chinese investment in Europe is biased towards service activities; in manufacturing it is heavily concentrated in ICT and the automobile sector. Reflecting on the technology-seeking oriented nature of many Chinese investment projects in Europe, Di Minin et al. (2012) analyse Chinese FDI in R&D in Europe using five case studies of international R&D units set up by Chinese multinationals. The authors argue that R&D internationalization of Chinese firms is driven predominantly by learning rather than technological innovation. Chinese R&D units in Europe appear to evolve often from a strategy of pure technology exploration, over fusion of foreign technologies with R&D activities back home, into one of technology exploitation in foreign locations.

Building upon the stream of literature on the effects of regional economic integration on firm strategies (Rugman and Verbeke 2004, Fratianni and Oh 2009), Filippov and Saebi (2008) and Zhang et al. (2012) examine the EU's institutional role in the internationalization of Chinese firms. The EU membership of host countries entails alignment with EU norms and the harmonization of national laws with EU legislation, the *acquis communautaire*. The authors accentuate the single European market and the EU membership as a critical investment attraction factor for non-EU investors, and highlight the difference between old and new EU member states as investment destinations.

Next, several studies review Chinese and Indian investments in specific European countries. Liu and Tian (2008) and Burghart and Rossi (2009) explore Chinese companies and FDI in the UK, as one of the most attractive European investment destination. Torp et al. (2011) studies the strategies of Chinese and Indian companies in Denmark, and De Beule et al. (2011) – Chinese FDI in Belgium, and Liu and Woywode (2011) – Chinese M&A in Germany. Pietrobelli et al. (2011) investigate the motivations of Chinese companies to invest in Italy and demonstrate that Chinese companies in Italy are increasingly targeting the acquisition of technological capabilities and of design skills and brands to tap local competences. They seek to link, leverage and learn from foreign acquisitions. Thus Chinese FDI in Italy reflects China's strategy to increase the sophistication of its exports and to move away from standardized commodities and intermediate manufactures and components.

Internationalization of Russian companies in Europe has received its share of attention too. Filippov (2010) traces the evolution of emerging Russian multinationals and describes the trends in their internationalization strategies in terms of motivations and geographical reach.

While many of them are active in neighbouring markets of the Commonwealth of Independent States (CIS), Europe plays an important role in their investment strategies. Russia's presence in Europe offers both challenges and opportunities. Mansilya-Kruz (2011) describes several types of Russian investments in Europe. Downstream integration is the motive for the strategic expansion into Europe of Russian commodity producers, while vertical integration is also a defining characteristic of the strategies in the metal mining sector. The strategy pursued by companies mostly active in manufacturing industries is a strategic asset-seeking strategy. Heinrich (2006) focuses on the presence of Russian companies in the old EU member states. In contrast, Kilvits et al. (2006) place the focus of their analysis on the new EU member states. Further, Zashev (2006) studies internationalization of Russian companies in the 'newest' EU member state Bulgaria. Pelto et al. (2004) draws the focus of attention to the role of Cyprus in the Russian expansion in Europe. Cyprus serves as a Russian bridgehead in Europe, with many Russian companies establishing the subsidiaries on the island, and investing via these Cypriot subsidiaries to other EU member states, effectively hiding their Russian origin (Kalotay 2012).

Lastly, there are a few studies on Brazilian firms in Europe. Carvalho et al. (2010) use data from the Global Players Survey of emerging Brazilian multinationals. The authors conclude that the EU holds the second largest share of Brazil's investment, following the South and Central American region. Most Brazilian companies choose to enter Europe through Portugal, for historical reasons having a strong cultural proximity to Brazil. An interesting observation is that most R&D activities carried out by Brazilian firms abroad are done in Europe as a primary destination, whereas North and South America are the preferred regions to establish manufacturing facilities. Fleury et al. (2011) address the role of Europe in the internationalization strategies of the 'multilatinas' (Latin American multinational companies). The authors employ a framework based on the degree of cultural and development distance (i.e. roughly corresponding the concept of psychic distance) to elaborate on the locational choices of *multilatinas* in Europe. *Multilatinas* investing in Europe for the first time choose overwhelmingly for Latin-Europe as opposed to Anglo-Saxon Europe. *Multilatinas* making their second or third international investment in Europe, balance them more evenly balanced between Latin and Anglo-Saxon Europe. The authors argue that the relatively small presence of *multilatinas* in Europe, particularly in the Anglo-Saxon region, can be attributed to cultural and institutional factors, while the lack of certain management (cross-cultural) competences plays a role too.

To sum up, the above studies acknowledge the limited but growing presence of BRIC multinational companies in Europe motivated by access to technology and market.

2.3. Emerging multinationals companies and investment promotion

Section 2.1 outlined the ever increasing importance of global FDI flows and competition among individual states for FDI in a form of establishing IPAs. Section 2.2, in turn, introduced the current debate on emerging multinationals in Europe. Traditional investment promotion, by default, has tended to consider (and hence, attract) multinational companies originating from Triadic economies – Northern America, Western Europe and Japan (and South Korea). The rise of emerging multinationals, less sophisticated internationally and offering few opportunities for knowledge spillovers, forces host governments to formulate an FDI promotion approach towards them.

Literature has only begun to address the implications of the emerging multinationals' institutional background for the global economic order (Nölke 2011). Studies on home and

host government policies on emerging multinationals are scarce. Several publications address the role home governments of emerging multinationals (Luo et al. 2010, Moran 2008, Rasiah et al. 2010). However, the studies on the role of host governments are limited, with several exceptions. Clifton and Díaz-Fuentes (2010, 2011) examine the regulatory responses of the EU as a whole and individual EU member states to FDI from emerging markets, paying specific attention to the 'strategic industries', the key infrastructural sectors – telecommunications and energy. Although marginal in terms of volume, FDI from emerging markets into these two sectors has grown rapidly in recent years, with the BRIC economies accounting for the larger part of these flows. The study finds that the EU is still one of the world's most open regimes to FDI and, though there is some evidence of protectionism vis-à-vis FDI from emerging markets, there is also evidence of protectionism among individual EU member states. For example, France, Germany and Hungary have introduced additional screening and restrictions on FDI on the grounds of security or 'strategic' industries. The focus of Clifton and Díaz-Fuentes (2010, 2011) is mostly on acquisitions of existing firms in the telecom and energy sectors, and not on new greenfield investment projects, and hence no explicit implications for IPAs are derived.

In contrast, several policy implications are formulated by De Beule et al. (2011) on the basis of review of FDI from emerging economies in Europe. Likewise, Loewendahl (2010) argues about a fundamental shift in the structure and activities of IPAs, reflecting the structural changes in the global political economy. The author identifies five key challenges in this respect – (1) how to promote and facilitate non-greenfield FDI, (2) how to attract FDI from emerging markets, (3) how to focus efforts on growth sectors in a declining market, (4) how to benefit from the growth of sovereign wealth funds, (5) how to attract investment from the diaspora – and provides conceptual reflections and calls for further research. To our knowledge, none of the academic (or policy-oriented) studies has conducted a thorough empirical research on how European IPAs actually target emerging multinationals presently.

Our analysis of IPAs' strategies vis-à-vis emerging multinationals departs from three basic policy options– negative, neutral and positive – (1) Resist, (2) Ignore, (3) Attract. The first option is hardly possible. It contradicts the dominant thinking of free trade and investment of the globalized world as well as contemporary legal frameworks promoted by WTO, UNCTAD, OECD, etc. Normally, all IPAs are open to all types of foreign investors. IPAs are mostly responsible for new, greenfield, investment projects, and not for M&A deals. And if, for some reasons, they decide to reject new investment projects initiated by emerging multinationals, the very same companies may undertake an M&A deal to enter the country. The second option – stay neutral – is very possible. If an IPA does not have any distinctive policy vis-à-vis emerging multinationals, it chooses not to target them, and treats in the same manner as any other foreign investor. The last option – to attract – is the most interesting policy response. IPAs choosing for this option reckon that the benefits brought to their economy by emerging multinationals will (greatly) outweigh the costs incurred, for example, granted investment incentives or leakage of technology from the host economy to BRIC. We aim to formulate a list of potential opportunities and challenges created by emerging multinationals. To start with, opportunities are multifaceted.

The basis of any investment project is an influx of capital that creates jobs. Investment projects initiated by emerging multinationals are no different in this respect. These are reasons of quantitative FDI promotion are still valid, particularly in the times of economic hardship in Europe, when unemployment is dangerously rising. In September 2012, unemployment in Eurozone reached the historical maximum of 11.5%, with 25.8 million people in the Eurozone being unemployed. The statistics is even more dramatic for Greece – 25.1% and Spain – 25.8% (Eurostat 2012).

Newly established subsidiaries of emerging multinationals can be regarded as bridges to the home countries of these companies. They may allow domestic firms of the host economies to link up with respective emerging economies. Through the presence of subsidiaries of emerging multinationals, domestic firms may learn to export to the dynamically growing markets. China's GDP growth of 9% or India's 7% are in stark contrast to the sluggish growth of 0-2% in Europe.

Based on the above reasoning, IPAs of several European countries began to approach emerging multinationals and attract investors from emerging economies. In this respect, they achieve so-called 'first mover advantage'. Seeing these examples of neighbouring economies ('the demonstration effect'), IPAs of other countries begin to target these companies too ('the domino effect'), perhaps even without a clearly formulated policy. By doing so, they join the competitive race for the FDI from emerging economies. Loewendahl (2010) argues that the competition for such FDI will only grow. *Even as previous shifts in investment promotion have been led by a relatively small number of IPAs from the rich countries, the new shift towards promoting all types of investment with a much greater emphasis on emerging markets will be more widespread in initial adoption* (Loewendahl 2010: 411).

At the same time, threats from the presence of emerging multinationals should be considered. The widely spread assumption is that the major feature of emerging multinationals appears to be close relationship with their home country governments. The political leverage that home governments (may) exercise on their internationalising firms makes them tools of foreign policy rather than pure economic agents. The Economist (2012) warns about the rise of state capitalism in emerging economies (particularly China and Russia), as *the spread of a new sort of business in the emerging world will cause increasing problems*.

Many emerging multinationals have limited international experiences on global markets outside of their immediate neighbourhood. They are immature in corporate governance (Geiger 2008) and corporate social responsibility (Hall 2008), entailing that their corporate structure is opaque, with less attention paid to transparency. Less emphasis is placed on safety of employees, and the need to comply with environmental regulations is not self-evident. Filippov (2012) argues that Russian companies preparing for international initial public offering (IPOs) do improve their corporate governance, but the degree of disclosure strictly corresponds to the minimum IPO requirements. They are reluctant to improve transparency more than needed; otherwise it weakens them by exposing to a hostile institutional and business environment at home. In the long run, emerging multinationals are expected to play by the rules of the host countries; however in the short run they may still behave by the practices of home countries.

Lastly, as most emerging multinationals have deficiencies in ownership advantages and pursue a catching-up strategy, their subsidiaries may have a lower knowledge and technology base than domestic firms do. Thus the potential for knowledge spillovers is missing, or very limited. As such, this is not a threat to host economies. Rather, this is something that IPAs should have in mind while negotiating about investment incentives with emerging multinationals. The threat is if subsidiaries of emerging multinationals acquire sensitive technologies in the host country.

As this overview demonstrates, targeting of FDI from emerging economies is a controversial subject, with arguments both in favour and against.

2.4. Research propositions on BRIC investor targeting

UNCTAD's global survey of IPAs identifies core functions of IPAs in OECD (i.e. developed) and transition countries – (1) investor targeting, (2) after care programme, (3) consulting services. As one of the West-European IPA representatives stated in the survey, *information-type literature and Web site; sector programmes, focus on target countries and companies, commitment from regions; investor services; efforts put in by country representatives* are the most crucial tasks in attracting investment (UNCTAD 2000: 16). In terms of attraction of multinational companies from the BRIC countries, two elements of investor targeting seem to be critical – information on website and country representatives. On the one hand, at the dawn of the 21st century, internet is the main vehicle to transmit information globally, and corporate websites are important tools for investment promotion. On the other hand, efforts put in by country representatives in close proximity to the target investors remain crucial. Such investor targeting, both online and offline, is critical. Loewendahl (2010) notes that many firms from emerging economies are new to international investment. Hence, they require a much more consultative approach, from provision of information on market conditions to navigating in the political system of the host country.

Multilingualism of IPA websites: The English language has emerged as a *lingua franca* in the global economy, and seemingly any executive speaks English nowadays. However, the role of other languages is important. Hejazi and Ma (2011) find that countries that speak the same language have more FDI between them. Sharing a common language with FDI partners enhances the ability to communicate, and hence enhances FDI between the countries (Hejazi and Ma 2011). The transaction costs of languages are studied by Selmier and Oh (2012) too. It is generally acknowledged that languages represent both a tool in international economic transactions and a vehicle to transmit cultural values. *Cultural facility increases familiarity between negotiating partners, which thereby increases trust; language may simply be a business tool… or may additionally serve to increase trust* (Selmier and Oh 2012: 190). Language differences drive up transaction costs, even in countries where one of the non-English major trade languages is spoken. Selmier and Oh (2012) find that language as a tool is employed differently in international trade and in FDI; communication costs are much more important in FDI than in international trade. The reason is that international trade does not necessarily imply any long-term commitment, while FDI but its definition does. This is consistent with the Uppsala Model' internationalization stages (Johanson and Vahlne 1977).

Proposition 1: An IPA website in the official language of a particular emerging economy is a promotion effort to attract investors from this country.

IPA global representation network: Modern information and communication technologies (ICT) revolutionize global knowledge flows and allow for 24×7 mode of conducting business. Historical and geographical divisions are becoming increasingly irrelevant in a global market of today. Yet, that would be naïve to think about geographical distances losing their significance completely. Physical proximity leading to face-to-face contacts and enhanced trust remains essential in business, particularly in Asian cultures. Hence, many IPAs establish a worldwide network of representation office, to enjoy physical proximity to its prospective clients. Maintenance of such global network is costly, and hence IPAs must optimize it – to have as few foreign offices as reasonable, but covering the most promising foreign financial and business centres. Traditionally, many IPAs have had their foreign representative offices, *inter alia*, in New York, California, London, Tokyo and Singapore; and now BRIC countries are being involved in these networks. Loewendahl (2010) argues that business and personal (face-to-face) networks are generally even more important in emerging markets than elsewhere. The business community is often closely connected to

certain families or schools where the future industry leaders meet, and these networks continue into business life. IPAs need to be able to tap into these localized networks.

Proposition 2: Establishment and maintenance of an IPA representation office in a particular emerging economy is a promotion effort to attract investors from this country.

3. Data, Methodology and Results

In the next sub-section we present data and methodology and the each of the following sub-sections will be devoted to respective research propositions.

3.1. Data and Methodology

Current 27 EU member states are included in the analysis; they are Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom. Belgium represents a special case. Due to strong federalization and political tensions between the federal regions, investment promotion on the federal (national) level is virtually non-existent; therefore the three federal regions are included in the analysis too. This weakness is noted by De Beule et al. (2011), arguing that Belgium's capacity to attract Chinese investment is negatively affected by shortcomings in promotional and marketing efforts, particularly its websites that promote FDI.

Apart from that, we include several European non-EU countries: Albania, Bosnia-Herzegovina, Croatia, Iceland, the Former Yugoslav Republic of Macedonia (thereafter, Macedonia), Montenegro, Norway, Serbia and Switzerland. Croatia is an acceding country and it is to become the EU's 28th member state on 1 July 2013. Three Balkan countries – Macedonia, Montenegro and Serbia, as well as Iceland enjoy a formal status of EU candidate countries. Albania has submitted application for EU membership; and Bosnia-Herzegovina is regarded by the European Commission as a potential candidate. Norway, Iceland, Switzerland and Liechtenstein are members of the European Free Trade Association (or EFTA), a free trade organization between these four countries that operates parallel to, and is linked to the EU. The EFTA states have jointly concluded free trade agreements with a number of other countries. Three of the EFTA countries are part of the EU Internal Market through the Agreement on a European Economic Area (EEA); the fourth, Switzerland, opted to conclude bilateral agreements with the EU. These bilateral treaties cover a wide range of areas, including movement of persons, transport, and technical barriers to trade. To sum up, the main reason for inclusion of non-EU countries in the sample is that they enjoy *de facto* the benefits of EU membership in terms of the single European market.

IPAs of European micro-states (Andorra, Liechtenstein, San Mario and Vatican) and disputed European regions (Kosovo and Northern Cyprus) and are excluded from the analysis.

Therefore, the complete list includes national agencies of 27 EU member states (with 3 federal regions of Belgium) and 9 European non-EU countries. Table 1 presents a list of all European investment agencies included in the analysis. It is drawn primarily from the membership in WAIPA. In case of missing information, websites of respective IPAs were found using internet search engines. The analysis was conducted in mid-June 2012 and hence reflects the state of affairs at that period.

Table 1 Overview of national promotion agencies included in the analysis

Country	IPA name	IPA's URL
Austria	ABA-Invest in Austria	www.aba.gv.at
Belgium	Invest in Belgium	www.investinbelgium.fgov.be
Brussels	Brussels Invest & Export	www.investinbrussels.com
Flanders	Flanders Investment & Trade	www.investinflanders.be
Wallonia	Invest in Wallonia	www.investinwallonia.be
Bulgaria	InvestBulgaria Agency (IBA)	www.investbg.government.bg
Cyprus	Cyprus Investment Promotion Agency (CIPA)	www.cipa.org.cy
Czech Republic	CzechInvest	www.czechinvest.org
Denmark	Invest in Denmark	www.investindk.com
Estonia	Estonian Investment and Trade Agency	www.investinestonia.com
Finland	Invest in Finland	www.investinfinland.fi
France	Invest in France Agency	www.invest-in-france.org
Germany	Germany Trade & Invest	www.gtai.com
Greece	Invest in Greece	www.investingreece.gov.gr
Hungary	Hungarian Investment and Trade Agency	www.hita.hu
Ireland	IDA Ireland (Industrial Development Agency)	www.idaireland.com
Italy	Invitalia	www.invitalia.it
Latvia	Investment and Development Agency of Latvia (LIAA)	www.liaa.gov.lv
Lithuania	Invest Lithuania	www.investlithuania.com
Luxembourg	Invest in Luxembourg	www.investinluxembourg.lu
Malta	Malta Enterprise	www.maltaenterprise.com
Netherlands	Netherlands Foreign Investment Agency	www.nfia.nl
Poland	Polish Information and Foreign Investment Agency	www.paiz.gov.pl
Portugal	aicep Portugal Global – Trade & Investment Agency	www.portugalglobal.pt
Romania	Romania Trade & Invest	www.romtradeinvest.ro
Slovakia	Slovak Investment and Trade Development Agency	www.sario.sk
Slovenia	JAPTI – Public Agency for Entrepreneurship and Foreign Investments	www.investslovenia.org
Spain	InvestInSpain	www.investinspain.org
Sweden	Invest Sweden	www.investsweden.se
United Kingdom	UK Trade & Investment	www.ukti.gov.uk/invest.html
Non-EU		
Albania	Albanian Investment Development Agency (AIDA)	www.aida.gov.al
Bosnia-Herzegovina	Foreign Investment Promotion Agency of B&H (FIPA)	www.fipa.gov.ba
Croatia	Connect to Croatia	www.investincroatia.org
Iceland	Invest in Iceland Agency	www.invest.is
Macedonia	Agency for Foreign Investments and Export Promotion	www.investinmacedonia.com
Montenegro	Montenegrin Investment Promotion Agency (MIPA)	www.mipa.co.me
Norway	Nortrade	www.nortrade.com/invest/
Serbia	Serbia Investment and Export Promotion Agency (SIEPA)	www.siepa.gov.rs
Switzerland	OSEC. Switzerland. Trade & Investment Promotion.	www.osec.ch invest-in-switzerland.com

3.2. Multilingualism and linguistic customization of IPA websites

The first step of our analysis is to detect languages in which official IPA websites are available. Table 2 provides an overview of 11 most commonly used languages, classified in three groups – European, Asian & Arabic, and BRIC. Additionally, columns include 'Local' language, the language of the host country, if it is different from the most common five European languages. The last table includes other languages, seldom appearing on IPA websites.

Table 2 Multilingualism of IPA websites

Country	Local	European					Asian & Arabic			BRIC			Other
		EN	DE	FR	ES	IT	JP	KR	AR	CN	RU	BR	
Austria		●	●	●		●	●			●	●		
Belgium (federal)		●											
Wallonia		●		●									
Flanders		●	●	●			●			●			
Brussels		●											
Bulgaria	BG	●	●										
Cyprus		●								●	●		
Czech Republic	CZ	●	●				●	●					
Denmark		●								●			
Estonia		●											
Finland	FI	●	●							●			SE, DK
France		●	●	●	●	●	●	●	●	●	●	●	TR
Germany		●	●							●			
Greece	GR	●	●	●	●				●	●	●		
Hungary	HU	●	●	●	●	●				●	●		
Ireland		●	●	●	●	●	●			●	●	●	TW
Italy		●				●							
Latvia	LV	●					●			●	●		
Lithuania	LT	●											
Luxembourg		●											
Malta		●											
Netherlands		●					●	●	●	●		●	TW
Poland	PL	●	●	●			●	●		●	●		
Portugal	PT	●										PT	
Romania	RO	●		●									
Slovakia	SK	●					●	●	●				
Slovenia	SI	●	●										
Spain		●			●								
Sweden		●					●		●	●		●	
United Kingdom		●	●	●			●			●			
Non-EU													
Albania	SQ	●											
Bosnia-Herzegovina	BS	●											HR, SR
Croatia	HR	●											
Iceland		●	●	●	●		●			●			DK
Macedonia		●											
Montenegro		●											
Norway		●	●	●	●					●	●	●	DK, NL, PL
Serbia	SR	●		●		●					●		
Switzerland		●	●	●		●	●			●	●	●	

AR=Gulf Arabic, BG=Bulgarian, BR=Brazilian Portuguese, BS=Bosnian, CN=Chinese simplified, CZ=Czech, DE=German, DK=Danish, EN=English, ES=Spanish, FI=Finnish, FR=French, GR=Greek, HR=Croatian, HU=Hungarian, IT=Italian, JP=Japanese, KR=Korean, LT=Lithuanian, LV=Latvian, NL=Dutch, PL=Polish, PT=European Portuguese, RO=Romanian, RU=Russian, SE=Swedish, SI=Slovenian, SK=Slovak, SR=Serbian, SQ=Albanian, TR=Turkish, TW=Chinese traditional (in Taiwan).

It comes as no surprise that English is the dominant language. All websites have an English version; English is either the sole language, or used in addition to the host country local language. Other most commonly used European languages are German, French, Spanish and Italian. Some 13 websites offer information in Japanese; next, Korean and Arabic are also popular languages, reflecting IPAs strategies to attract Japanese and Korean multinationals, or investors from the cash-awash Gulf region. Table 3 as such offers food for thought; however, the focus of our research is the BRIC economies.

Russian is the official language of the Russian Federation. It is also spoken in former USSR republics, and it is still one of the official languages of Belarus. Yet, the outward FDI from these economies are negligible. Therefore, we consider a Russian version of an IPA website as an indication of investment promotion targeting Russian firms.

Standard Chinese is the official language of the People's Republic of China (PRC) and the Republic of China (ROC, also known as Taiwan), as well as one of four official languages of Singapore. Websites with a Chinese version often explicitly refer to China (PRC) with the official flag of PRC. Two IPAs – Dutch NFIA and IDA Ireland – in fact explicitly distinguish between Chinese and Taiwanese versions.

The official language of Brazil is Portuguese; and it would be hard to distinguish whether a Portuguese version is for Portuguese or Brazilian firms. However, differences do exist between European (Portuguese) Portuguese and Brazilian Portuguese. Moreover, several IPA websites explicitly refer to 'Brazilian Portuguese' version, with the Brazilian national flag. Hence, Table 2 has a column referring to 'Brazilian Portuguese'.

India is an obvious methodological challenge. English is one of the official languages of India, and because all websites have an English version, it is hard to distinguish whether targeting of Indian companies is explicit or not. Thus, 'Indian English' is not included in the analysis in this section.

Out of 27 IPAs of EU member states, 15 (more than half) have pages in Chinese, 8 (roughly one third) – in Russian and 5 (one fifth) – in Brazilian Portuguese. To clarify, 4 websites have a Brazilian Portuguese version, and one website is the Portuguese IPA using the language as their native. Among 9 non-EU countries, one third of websites have pages in Chinese and Russian, and 2 websites – in Brazilian Portuguese.

Various combinations are visualized in Figure 1.

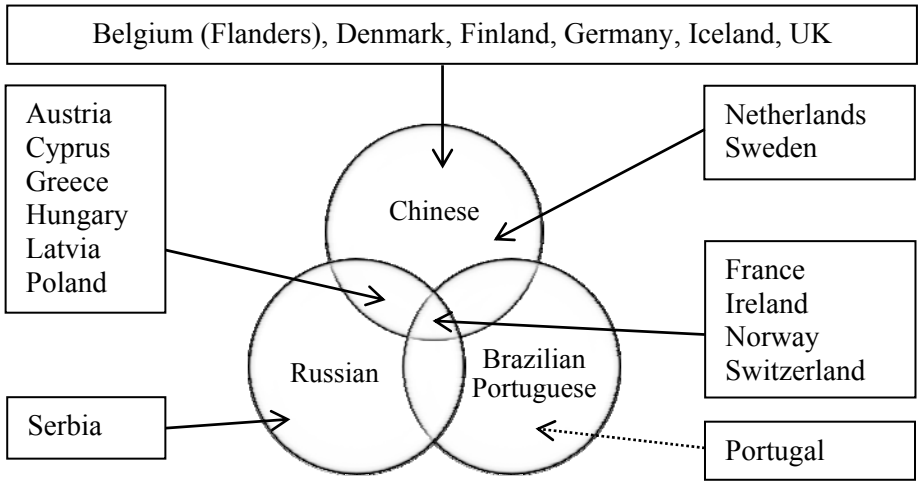

Figure 1 Combinations of BRIC languages

Source: author

Only two EU IPAs – IDA Ireland and Invest in France Agency – have pages in all three BRIC languages. Invest in France is the most multilingual IPA, as its website has pages in 12 different languages. IDA Ireland has its website in 10 different languages. Ireland is well-known for its openness to foreign investors; hence, the focus on the BRIC economies is

unsurprising. From non-EU IPAs, Swiss agency OSEC has a multilingual website (perhaps reflecting the multilingual Swiss identity), and the website of Norwegian Nortrade offers pages in different languages, including Chinese, Brazilian and Russian. However, translation is done online by the Google Translate service, resulting in lower than expected quality of translation.

Several IPAs provide information in two BRIC languages – Chinese and Russian. They are Austria, Cyprus, Greece, Hungary, Latvia and Poland. All these countries rely on FDI, and have long historic connections with Russia / USSR. Hungary, Latvia and Poland used to be in the Soviet bloc. The relations with Russia sometimes are strained, but all nevertheless the psychic distance between Russia and these counties is low. Austria used to enjoy a preferential position between the Western and Eastern Europe, as a bridge between the West and communist bloc. Cyprus is notoriously known as a destination for Russian capital flight. Russia and Greece enjoy excellent diplomatic relations due to the strong historical friendship and the deep cultural and religious ties between the two nations. These 6 countries attract investors from Russia, and at the same time, aim to benefit from China's rise too.

Combination of other two BRIC languages – Chinese and Brazilian Portuguese – is found only in two IPAs, in Netherlands Foreign Investment Agency and Invest Sweden. Both agencies look far beyond the European continent, focusing on investors from Americas and Asia, particularly Japan, South Korea, Gulf region, and focus on emerging markets of China and Brazil fits well within this strategy. However, Russian investors are not targeted.

Russian and Brazilian Portuguese are not used solely, in isolation from other BRIC languages. The only exception is Serbia, Russia's ally. Serbia Investment and Export Promotion Agency has a Russian version of its website. Naturally, the website of aicep Portugal Global is in Portuguese but this is the country's official language. Some 6 IPAs, among BRIC languages, have pages only in Chinese. These are Western / Nordic European economies: Belgium (Flanders), Denmark, Finland, Iceland, Germany and the UK.

Linguistic customization of IPA websites

The next step of our inquiry is to understand whether the content offered on IPAs' websites in the BRIC languages are tailor-made, or it is a mere translation of the main (English) version. By such customization we understand messages specifically directed to firms from the BRIC economies. These can be, for example, welcoming words of the representatives of the local diaspora (originating from the same country as the prospective investor), success stories of other companies from the target country, and so on. For that purpose, we only look at websites that have versions in BRIC languages. However, even if a web-site does not offer any translation to the BRIC languages, it may still contain some materials (in download section).

Linguistic customization of the websites of EU IPAs is as follows.

Austria's multilingual website does offer customization. For example, Russian version is customized, presenting case studies of successful Russian investors. For Chinese investors, even a dedicated URL address (www.investinaustria.cn) is available.

Belgium's federal website is only in English; however a document in Chinese is available.

Belgium-Wallonia's website is only in English and French, and a few publications in other languages (German, Portuguese and Spanish) are available. Presentation documents of welcome offices – China, India, LatinAm, CEE (all in English) and Brazil (in Portuguese).

Bulgaria's website has only one document for BRIC– a Legal Guide, 2008 edition, in Russian.

Trilingual (English, Russian, Chinese) website of **Cyprus**'s IPA does not offer any customization. All linguistic versions are identical.

Invest in **Denmark**'s website is an interesting example. It is only in English, with a mirror version in Chinese only, and a dedicated URL address (www.investindenmark.china.um.dk)

Finland's multilingual website has a Chinese version, with a dedicated URL address (www.investinfinland.cn). The content is the same as at the main version, however a newsfeed is customized for Chinese investors.

France's multilingual website offers customization. The Russian and Portuguese Brazilian versions contains PDF documents in respective languages and overviews of Russian and Brazilian investors, more detailed information is in English. The Chinese version is more extensive, with reasonable customization, e.g. success stories of Chinese companies. There is no customized version for Indian investors; the English version is marked as English (US).

Germany's website is trilingual (English, German and Chinese). The Chinese version is fully customized. It offers a list of successful investment projects by Chinese firms in Germany and various publications in Chinese.

Greece's website is multilingual. Each version is a direct translation of the main one.

Ireland's website invites the visitor to choose its locations/language. Among 11 languages, there are Brazil-Portuguese, Russian, Indian and Chinese. Consequently, the user is transferred to a website with a dedicated URL – www.idaireland.br.com, www.idaireland.ru, www.idaireland.in or www.idaireland.cn respectively. The Brazilian and Russian version are rather shallow, with only brief information in Portuguese or Russian respectively, the rest is in English. The Indian version is more extensive, featuring articles about bilateral relations and successful case studies of Indian firms in Ireland. Likewise is the Chinese, with all information exclusively in Chinese (unlike the Russian and Brazilian version having only a small part of content in respective languages).

Italy's IPA website is bilingual (Italian and English), but offers a brochure in Chinese.

Latvia's website is in several languages, but the content in Chinese is much poorer than that in English. In contrast, the Russian version is very comprehensive. In both versions, brochures for download are only in English.

Malta's website is currently under reconstruction. The old website is only in English. Several publications are available in different languages, but not in BRIC languages.

The website of **the Netherlands'** NFIA invites the visitor to select their region out of North America, UK & Ireland, Turkey, Japan, Taiwan, Korea, Singapore, Malaysia, Middle East, and China, India and Brazil. Russia is not present. The Chinese and India pages are in fact separate website with own URLs www.nfia-china.com and www.nfia-india.com. Both web-sites are fully customized; they offer articles about bilateral relations, the lists of Chinese/Indian investors, investor testimonials, success stories of Chinese/Indian companies, sections on visa requirements are customized for nationals of China and India. The Chinese version provides a service of technology matching for Chinese companies wishing to come in contact with Dutch firms. In contrast, the Brazilian version is not a dedicated website, but simply a page on the main website www.nfia.nl/brasil.html, only a few pages with general content are offered in Portuguese, for the rest, investors are supposed to switch to the main (English) website.

Poland's multilingual website is excellently customized. Its Chinese version opens with a word of welcome, highlighting economic relations between China and Poland. Further, it states that the Polish representative in China (whose name is even 'translated' to Chinese) 'speaks Chinese fluently and has deep understanding of Chinese culture'. News feed present news targeted at Chinese investors. A report prepared by KPMG Poland presents success

stories of Chinese investors in Poland, with a preface by an official of the Chinese Embassy in Poland. The Russian version is much more modest. It offers only a brief translation of the main (English/Polish) version. However, the Japanese and Korean versions are truncated version in the same manner.

Portugal's bilingual (English/Portuguese) website has multilingual document for download, including Chinese and Russian.

Sweden's website invites visitors to select their location. Apart from Sweden itself, North America, Japan, Gulf states, it is China, India and Brazil. Russia is not included. Each version is tailored to specific background of visitors, e.g. newsfeed about bilateral events, success stories of companies from the specific country, etc. The Indian version is somewhat richer than the Brazilian one. The Chinese version is most comprehensive though. For example, it features a video clip of how the Swedish government facilitated Geely's acquisition of Volvo.

UK's multilingual website claims to have Spanish and Portuguese versions, but the content is shown in English; Russian is not available. The Chinese version is essentially a mere translation of the main (English) version.

Linguistic customization of the websites of non-EU IPAs is as follows.

Iceland's website is multilingual. Among the BRIC languages it has only Chinese, and the Chinese version is a mere translation of the main (English) version.

Macedonia's website is only in English; however two publications in Chinese are available for download, dated 2009 and 2010.

Norway's website uses online Google translation services to translate the text of the main (English) version; therefore, by definition, it does not offer any customization.

Serbia's website is in five languages that offer essentially the same content.

Visitors of **Switzerland**'s website are asked to choose their country of origin. Among them are Brazil, India, China, Russia, as well as France, Germany, Italy, Japan, USA. All versions offer essentially the same information, apart from contacts that are country-specific.

Several conclusions can be derived.

Firstly, customization of IPAs websites for Chinese firms is the most compressive among all other BRIC economies. Several website provide excellent customization tailored to Chinese investors by including elements such as welcoming words of officials, list of already established Chinese subsidiaries, newsfeed on bilateral news and events between China and the host country. Many have a special URL to the Chinese version, with .cn extension.

Secondly, customization of IPA websites in Brazilian Portuguese and Russian is very modest in most cases, as only a front page and a few supportive pages are translated (and customized) for Brazilian and Russian investors.

Thirdly, customization for Indian investors is rare. All websites are in English, and hence Indian investors do not have any linguistic problems. It is only IDA Ireland, Dutch NFIA and 'Invest in Sweden' that have specifically tailored to Indian companies.

Fourthly, several websites without any dedicated BRIC versions offer information booklets and brochures in BRIC languages. It can be seen as a first attempt to attract BRIC firms. However, technically it is not always successfully implemented. For example, the front, welcoming, page does not provide any indication of availability of these brochures. It is only if potential investors are really interested about investment opportunities of this specific country that they will explore the full website and find the files.

3.3. Representative offices of European IPAs in the BRIC countries

The present section looks at the physical presence of the IPAs in the BRIC countries. Establishment of representation offices abroad is a costly undertaking, and may serve as a reliable indication of a commitment to promote the host country among investors from a particular economy. In some cases, IPAs have their own proprietary network; in other cases, they rely on the nation's diplomatic representations. In case where resources and the current size of opportunity do not justify an office, IPAs are recruiting consultants to conduct lead generation programmes in the major emerging markets (Loewendahl 2010), but such options is beyond our analysis. Table 3, compiled on the basis of information from the official IPA websites, presents the network of European IPAs' representation offices in the BRIC countries.

Table 3 Representation offices of European IPAs in BRIC countries

	Brazil		Russia					India					China						
	São Paulo	Brasilia	Moscow	St. Petersburg	Ekaterinburg	Rostov-on-Don	Nizhny Novgorod	New Delhi	Mumbai	Bangalore	Calcutta	Chennai	Shanghai	Beijing	Guangzhou	Shenzhen	Hong Kong, SAR	Macau, SAR	Chongqing
Austria			●		●								●						
Belgium (Flanders)	●		●				●	●	●	●			●	●	●				
Czech Republic													●						
Denmark										●			●						
Estonia			●	●									●						
Finland													●						
France	●		●					●					●						
Germany									●					●					
Hungary			●	●	●	●		●					●	●					●
Ireland	●		●						●				●			●			
Latvia			●											●					
Luxembourg								●					●						
Netherlands	●							●	●				●	●	●				
Poland													●						
Portugal	●		●					●					●	●				●	
Spain	●	●	●					●					●	●	●		●		
Sweden	●							●					●						
United Kingdom	●							●	●	●	●	●		●			●		
Switzerland	●		●						●					●					
Total:	9	1	10	2	2	1	1	9	6	3	1	1	15	9	3	1	2	1	1
Number of IPAs present in at least one city	9		10					13					19						

Source: author

Out of 27 EU member states, IPAs of 18 countries are present in the BRIC countries. IPAs of Bulgaria, Belgium (federal, Wallonia and Brussels), Cyprus, Greece, Italy, Lithuania, Malta, Romania, Slovakia and Slovenia do not have any international network and representation in the BRIC countries. Out of 9 non-EU IPAs, only Switzerland is present in BRIC. IPAs of

Albania, Bosnia-Herzegovina, Croatia, Iceland, Macedonia, Montenegro, Norway and Serbia do not have any physical representation in the BRIC countries.

Out of the 19 European IPAs having a network in BRIC, all 19 are present in China, 13 – in India, 10 – in Russia, and 9 – in Brazil. Shanghai, the rising star of Asia, is the most popular location – 15 IPAs have a representative office there; it overshadows the Chinese capital Beijing, with 9 offices. The Russian capital Moscow has 10 offices, the Indian capital New Delhi – 9, and São Paulo, the economic heart of Brazil, has 9 units too. Mumbai, the largest Indian city, accommodates 6 offices. The Pearl River Delta region formed by Guangdong province (Guangzhou and Shenzhen) and two neighbouring Special Administrative Regions Hong Kong and Macau jointly has 7 offices. Interesting to note that aicep Portugal Global has an office in Portugal's former colony Macau; and UK Trade & Investment is present in UK's former colony Hong Kong (and not in Shanghai, for example).

Normally, IPAs have 1-2 offices per country in the BRIC economies. Exceptions do exist though. UK Trade & Investment has 5 offices in India, reflecting the UK's historic bonds with India. InvestInSpain possesses 4 offices in China; and apart from an office in São Paulo, InvestInSpain has one office in Brazil's capital city Brasilia, as the only European IPA to do so. Hungarian Investment and Trade Agency has 4 offices in Russia, including Rostov-on-Don (as the only European IPA). In China, it has three offices, two of them are unsurprisingly in Shanghai and Beijing, but the third one is not the Pearl River Delta region as most other IPAs do, but in Chongqing, a major city in Southwest China. It is identified by The Economist Intelligence Unit as part of CHAMPS (by the first letters of top six emerging Chinese cities).

If looking at combinations several BRIC countries, six configurations of the representative networks in BRIC are defined (Table 4).

Table 4 Configuration types of representative networks of European IPAs in BRIC

Type	Description		IPAs
BRIC	Complete BRIC	6	Belgium (Flanders), France, Ireland, Portugal, Spain, Switzerland
BIC	Russia is excluded	3	The Netherlands, Sweden, United Kingdom
RIC	Brazil is excluded	1	Hungary
IC	'Asia only'	3	Denmark, Germany, Luxembourg
RC	Russia and China	3	Austria, Estonia, Latvia
C	China only	3	Czech Republic, Finland, Poland

Source: author

The first configuration type is straightforward – it is BRIC – IPAs have their offices in all four BRIC economies. Almost one thirds of 19 European IPAs follow this approach; they are all Western European countries. The BIC approach taken up by 3 Western European countries considers only 'truly' emerging economies of China and India as well as Brazil, and not regenerating Russia. In contrast, the RIC approach includes Asian economies and Russia, but not Brazil; only Hungary follows it. The 'Asia only' approach, with China and India is used by 3 Western European countries. The RC approach – Russia and China – is employed by two former Soviet republic and Austria that used to be bridge between the Soviet Union and Western Europe. The countries stay economically connected to Russia, but seek to explore China too. Last but not least, three countries focus exclusively on China.

Lastly, although not taken in our analysis, that there are significant differences in the number of employees working in each representation office. In many cases it can be 1 or 2 representatives, and in certain cases the number can be up to 10 people (like in the Chinese and Indian offices of the Swedish IPA). What is common though is that these representatives are mostly natives of the host country to facilitate linguistic and cultural interaction with potential investors. In this respect, the case of 'Invest in Wallonia' (Belgium) is interesting. This IPA does not have any international representation network. Instead, it has a national (regional) network of specialized centres for BRIC investors – India Welcome Office (in Liege), Brazil-LatinAm Welcome Office (Arlon), China Welcome office (Mons), and Welcome office Central & Eastern Europe (Charleroi), served by the nationals of respective countries.

4. Synthesis and Analysis

Acknowledging that language is a tool in international trade and FDI and linguistic commonality may decrease transaction costs, we examined in depth linguistic customization of 39 European IPA websites. We found similarities as well as striking differences. Next, recognising that face-to-face communication helps overcome information asymmetry and enhances trust between economic agents, we studied the networks of European IPAs' foreign representative offices in the BRIC countries.

Considering BRIC countries, only three European IPAs – 'Invest in France', IDA Ireland and Swiss OSEC – have both their corporate websites in all BRIC languages and local presence in all four BRIC economies. IPAs of Belgium (Flanders), Portugal and Spain are present in all BRIC economies, but their websites do not have linguistic versions in native languages for all BRIC investors. Finally, Norway's IPA aspires to offer content in all languages (through online Google translate), but it misses local presence in all four countries.

Therefore, we conclude that full BRIC investor targeting is limited in Europe. Nevertheless, BRIC investor targeting is indeed conducted by most European IPAs, though in different configurations. Many European IPAs prefer to focus on two or three BRIC economies, e.g. China and India, or China and Russia (mostly Eastern European countries). The Balkan states (Albania, Bosnia-Herzegovina, Croatia, Macedonia and Montenegro) are clear outsiders in the 'BRIC game': they seemingly do not have a policy of target any BRIC investors, and their preferences are limited to their neighbours and traditional western European investors.

Acknowledging that China is the incontestable champion in the BRIC group, and China is always present in the IPA strategies towards emerging multinationals, we analyse targeting of Chinese firms more thoroughly. Table 5 synthesizes both availability of information in Chinese online as well as physical presence of an IPA in China.

IPAs of 14 European countries (13 EU and 1 non-EU) have a distinctive approach towards FDI from China: their websites provide (customized) information to Chinese investors in their mother tongue, and they have representation offices in China. They are mostly are Western European countries, 'old' EU member states as well as Switzerland. Additionally, Hungary and Poland that have relied heavily on (western) FDI in the process of their economic transition and became open to foreign ownership are in this group. Lastly, Latvia belongs to it too. Latvia's approach to BRIC investments is 'RC', Russia and China; due to the common past and geographical proximity, it has close economic relations with Russia, but seemingly seeks to diversify its strategy and promote promising Chinese FDI too.

Table 5 European IPAs' approach towards promoting FDI from China

IPA website in Chinese	Representative office(s) in China	
	yes	no
yes	**14** : Austria, Belgium (Flanders), Denmark, Finland, France, Germany, Hungary, Ireland, Latvia, The Netherlands, Poland, Sweden, United Kingdom, Switzerland	**4** : Cyprus, Greece, Iceland, Norway
no	**5** : Czech Republic, Estonia, Luxembourg, Portugal, Spain	**16** : Belgium (federal, Brussels, Wallonia), Bulgaria, Italy, Lithuania, Malta, Romania, Slovakia, Slovenia, Albania, Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, Serbia

Source: author

Some 5 IPAs have local representation offices in China but their website are not customized for Chinese nationals. Perhaps the rationale of this approach is that personal face-to-face targeting of prospective Chinese investors is sufficient and does not need to be supported by online information. These are two new EU member states and three western European nations. Similarly to Poland and Hungary, the Czech Republic relied heavily on FDI in the process of economic transition, and hence became open to foreign ownership. Likewise, Estonia promotes the ideals of free and flexible economy, and openness to Chinese FDI fits this strategy. As for Portugal's IPA, it does not have a full Chinese page, but one document in Chinese is available for download.

IPAs of 2 EU member states – Cyprus and Greece, and 2 non-EU countries – Iceland and Norway – offer online content to potential Chinese investors, and yet do not have any physical presence in China. This can be considered as a first cheap step towards attraction of FDI and multinational companies from China.

Finally, there are 16 IPAs that have opted for the 'ignore' policy as we hypothesized in Section 2.3 – they seemingly do not have any approach towards Chinese FDI. Belgium is a special case here; in fact Belgium-Flanders does have a clear policy to Chinese FDI, while Belgium-Brussels and Belgium-Wallonia don't. Presence in this list of Italy, the only EU15 country ('old' EU member state), is striking. Whilst Italy's IPA does not have an approach to promote Chinese greenfield projects, there is a growing evidence of Chinese firms entering Italy, but by acquisitions (Pietrobelli et al. 2011). Other EU countries are new member states – Bulgaria, Lithuania, Malta, Romania, Slovakia and Slovenia. As for non-EU countries, they are all the Balkan states.

Generalising, one can say that the 'old' EU member states display an overall positive attitude towards Chinese FDI as evidenced by their FDI promotion efforts. Likewise, Eastern European countries with strong traditions of FDI and openness to FDI tend to be positive about Chinese FDI. These are the Czech Republic, Poland and Hungary that relied on FDI as the main vehicle of economic transition in the 1990s. The obtained results can be explained by concept of psychic distance (Section 2.1) and the perceived investment potential of the home government (Table 6).

Table 6 Rationale of promotion policies on FDI from BRIC

Country	Psychic distance	Investment potential	Investor targeting
Brazil	Medium. Good knowledge of Portugal, less knowledge on other European countries	Medium	Medium. Provision of general information on IPA websites in Portuguese, local representation.
Russia	Medium to Low. Good knowledge on Europe, especially close neighbours	Medium	Medium. Provision of general information on IPA websites in Russian, local representation.
India	Medium. Good knowledge of the UK, less knowledge on other European countries	Medium	Medium. No special content, standard English version of IPA, local representation.
China	High. Poor knowledge of Europe	High	High psychic distance to be overcome. Combined with high investment potential, it requires strong FDI promotion efforts

Source: author

The psychic distance between each of the BRIC countries and Europe differs, and the options range from high to low. On one extreme, there is the close neighbour Russia. Russian investors have relatively good knowledge of Europe. The new EU member states are considered as a home ground. The Baltic States used to be part of the Soviet Union, and other Eastern European economies fell under the Soviet sphere of influence. Russian companies became familiar with Western Europe, and many of them have (financial) operations in the UK.

On the other extreme is China, experiencing very large psychical distance to Europe, being far away from Europe geographically, but more importantly, in cultural and linguistic terms. Chinese investors may lack (either specific or even general) knowledge on Europe. Further, there is a category of countries in between. In most cases, these are former European colonies. These countries have a low psychical distance to their former metropolises. As a rule they share the same language and many institutions are modelled on their former metropolises. Good examples are Brazil – Portugal and India – the UK. Emerging Brazilian multinationals may consider Portugal as an entry point to the common European market; and many Indian multinationals start their European discovery with the UK. By doing so, they minimize the psychic distance with other European countries.

Looking at the statistics of outward FDI, Russia would appear at the first position, followed by Brazil, with India at the last place. However, perceptions of many European policy-makers are highly skewed towards China presently. Among all BRIC economies, currently China may not be the highest outward FDI producer, but with its 9% economic growth, the prospects look promising.

The combination of psychic distance and (perceived) investment potential determines the design of investor targeting measures. Medium investor targeting may include a special section on the IPA's web-site tailored to the specific emerging economy, organization of inbound visits, employees at IPA assigned to the specific emerging economy. In its turn, strong investor targeting includes technology matching with domestic firms, mobilization of the local diaspora of the target country's nationals, setting up an overseas representation office, road-shows in the target economy and global expositions. And all of that should be done with the focus on long-term relationship.

5. Conclusions

Previous research (Loewendahl 2010, De Beule et al 2011) has highlighted the relevance of European IPA's responses to the rising flows of outward investment from emerging markets. Whilst the research topic is clearly defined, to our knowledge, no study presented an empirical overview and analysis of the current state of the BRIC investment targeting by national European IPAs. The present study aimed to fill this gap.

The research was guided by a broad question of what kind of policy European IPAs should adopt in response to the increasing FDI flows from the BRIC economies and the rise of emerging multinationals. The fundamental difference with western multinationals is the 'Ownership advantages'. It is generally expected that host countries may benefit from unique competences of foreign multinationals in the form of technological spillovers. In contrast, many emerging multinationals internationalize in order to compensate for the lack of ownership advantages; and thus potential for knowledge spillovers for host economies might be limited. While many FDI from emerging economies are not 'of high quality', they cannot be ignored in the global FDI competition. It becomes even more relevant in the times of the global economic downturn. Many economies are faced with sluggish economic growth and rising unemployment. FDI from emerging economies may contribute to alleviating this problem. Our analysis investor targeting activities of 39 European IPAs gives us enough credibility to conclude that most of them made a positive decision in favour of promoting FDI from BRIC, particularly from China.

This explorative study is only a first step in examining the interplay between the rise of FDI from emerging economies and national FDI policies executed by IPAs. We identify two directions for further research. A pertinent question is about decision-making process. Namely, how do European IPAs formulate their approach toward BRIC investor targeting, depending on the degree of their autonomy? Is it an approach coordinated with other relevant if governmental bodies, e.g. Foreign Ministry and Ministry for Economic Affairs? The next step is to assess efficiency and effectiveness of this promotion. There is a need to examine how the investment promotion done by the European national IPAs (and which factors specifically) influences the decisions of emerging multinationals concerning their locations plans in Europe.

Our focus on Europe is due to its special position. On the one hand, Europe offers strong scientific, technological and innovative base, being an attractive place for asset- and knowledge-seeking investments. On the other hand, Europe is losing out to the U.S. due to the fragmentation of its investment promotion. Most European IPAs compete with each other offering the same set of advantages (or 'unique selling points') – the EU membership, a pool of highly skilled labour, good infrastructure, R&D facilities and opportunities for innovation, investment incentives. This competition risks to weaken the bargaining powers of individual European countries and lead to a downward race. While Europe aspires to be a global player and a top destination place for FDI, a centralized approach 'Invest in Europe' is yet non-existent, although scholars have called for its examination (Guimón 2010).

We are confident that further research on European responses to the rise of emerging multinationals is a promising avenue.

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