SBS JOURNAL OF APPLIED BUSINESS

RESEARCH (SBS-JABR)

jabr.sbs.edu

ISSN: 2235-7750

VOLUME 1, SEPTEMBER 2012.

Emerging Markets, the Markets of the Future

Author: Gaston Fornes

PhD. Univ. of Bristol, ESIC Business and Marketing School

Abstract

This article introduces emerging markets, their history, current developments, and future trends. To do this, it first analyses the origin of the "emerging markets" name, a list of potential markets to be included in the emerging category, and the flows of trade and investments along with their share in the world's economy. It continues by studying the main characteristics of emerging markets and the distinctive features of local players. The article concludes by exploring two growing trends in emerging markets, their largest cities as the markets of the future, and the commercial relationship between China and Latin America.

"Global institutions had failed to fully reflect the changing status of developing countries in the world economy and finance"
Hu Jintao, China's president (1)

1. Introduction

Emerging markets have been increasingly appearing in the media, specialised literature, and MNCs annual reports in the last 15-20 years. During this period, acronyms like BRIC (Brazil, Russia, India, China) , BRICET (BRIC + Eastern Europe + Turkey), BRICS (BRIC + South Africa) , VISTA (Vietnam, Indonesia, South Africa, Turkey, Argentina) , BRICM (BRIC + Mexico), BRICK (BRIC + South Korea), CIVIETS (Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa), or Next Eleven (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey, and Vietnam) were coined and are now common in the business vocabulary.

Also during this period, twelve Transition Economies from Eastern Europe joined the European Union (EU) and from them five entered the Eurozone. Emerging markets have also increased their weight in political terms in recent years as the Group of Twenty (G20) (2) has replaced the Group of Eight (G8) to "become the new permanent council for international economic cooperation" (CNN.com, 2009).

However, along with the many acronyms, there are various definitions of emerging markets as well as different lists of these markets.

2. Emerging Markets

Until the end of the 1970s, 'less economically developed countries' (LEDCs), based on objective or subjective indicators, was the common term for countries that were less developed in comparison with the USA, Western Europe, or Japan. This term carried the idea of high potential for profits but with higher risks. The term was thought not positive enough and as a consequence the label 'emerging market' appeared and since then has been used with 'emerging economies' interchangeably. The term 'emerging markets' "was coined, the literature seems to agree, in the early 1980s by Antoine van Agtmael, then working for the World Bank's International Financial Corporation. The phrase was defined in terms of economics and levels of wealth. Emerging markets were economies with low-to-middle per capita income. It quickly came to be understood that emerging markets also needed to boost their growth, open their markets, and embark on structural reform. For years, the term was synonymous with the Asian tiger economies" (Authers, 2006).

At the beginning of the 2000s, new definitions and lists appeared in specialised literature. For example, Arnold and Quelch (1998) said that emerging markets are countries that satisfy at least two criteria: (i) a rapid pace of economic development, and (ii) government policies favouring economic liberalisation and the adoption of a free-market system. At that time, the International Financial Corporation (IFC, 1999) identified 51 rapidly growing countries in Latin America, Africa, Asia, and the Middle East as emerging economies and to this Hoskisson, Eden, Lau, and Wright (2000) added 13 Transition Economies from the list of the European Bank for Reconstruction and Development (European Bank for Reconstruction and Development, 1998). This made a total of 64 emerging markets at the beginning of the 21st century.

After this, in 2001 Goldman Sachs' chief economist Jim O'Neill developed the idea of BRICs for countries he expected to be the next to enter the economic big league. He said that the BRICs, Korea, and Mexico "should not be really thought of as 'emerging markets' in the classical sense, as many still do. (3). We regard these countries as a critical part of the modern globalised economy".

With these definitions issues appeared when analysis and comparisons were attempted. These economies are too diverse; the pace and depth of their political and economic changes, and the size of their markets are only examples of the differences. Is it possible to have in the same group countries like Argentina, Pakistan, and Lithuania? Or China, Trinidad and Tobago, and Jordan? ^

For this reason, probably, The Economist (2008) proposed to retire the phrase "emerging markets" and supports the more rigorous three categories recently published by the FTSE group based on the development levels of local stock markets (4): (i) advanced emerging, (ii) secondary emerging, and (iii) frontier markets. Table 1 shows the list of countries in each category as at September 2010.

Table 1: FTSE Global Equity Index Series (FTSE, 2010)

Developed	Advanced emerging	Secondary emerging	Frontier markets
Australia	Brazil	Chile	Argentina
Austria	Hungary	China	Bahrain
Belgium/Luxembourg	Mexico	Colombia	Bangladesh
Canada	Poland	Czech Republic*	Botswana
Denmark	South Africa	Egypt	Bulgaria
Finland	Taiwan	India	Côte d'Ivoire
France		Indonesia	Croatia
Germany		Malaysia*	Cyprus
Greece		Morocco	Estonia
Hong Kong		Pakistan	Jordan
Ireland		Peru	Kenya
Israel		Philippines	Lithuania
Italy		Russia	Macedonia
Japan		Thailand	Malta
Netherlands		Turkey*	Mauritius
New Zealand		UAE	Nigeria
Norway			Oman
Portugal			Qatar
Singapore			Romania
South Korea			Serbia
Spain			Slovakia
Sweden			Slovenia
Switzerland			Sri Lanka
UK			Tunisia
USA			Vietnam

**Czech Republic, Malaysia and Turkey will be promoted to Advanced Emerging market status from June 2011*

Figure 1 shows the performance for the FTSE Emerging Markets Index (5) compared with the FTSE All World Index from January 2006 to January 2011.

In this figure, it is possible to see that the Emerging Markets Index has outperformed the All World Index over the period of analysis; this is particularly relevant as the period was dominated by a deep economic and financial crisis.

Figure 1: Compared performance of the FTSE Emerging Markets Index versus the FTSE All World Index from 2006 (FTSE, 2011)

In addition to the FTSEs, there are other lists from specialised institutions like ISI Emerging Markets or indexes like the Morgan Stanley Capital International (MSCI).

In fact, Jim O'Neill from Goldman Sachs, the creator of BRIC, recently proposed to add Mexico, South Korea, Turkey, and Indonesia to what he dubs "growth markets" as "any economy from the emerging markets world that is already 1 per cent of global GDP or more, and has the potential for that to rise, has the ability to be taken seriously". (6)

But still it seems challenging to create a comprehensive list, index, or even a definition of emerging economies. One of the reasons is that countries are growing; markets may have developed from a past emerging market phase like South Korea or Taiwan (or the other way around, like Argentina).

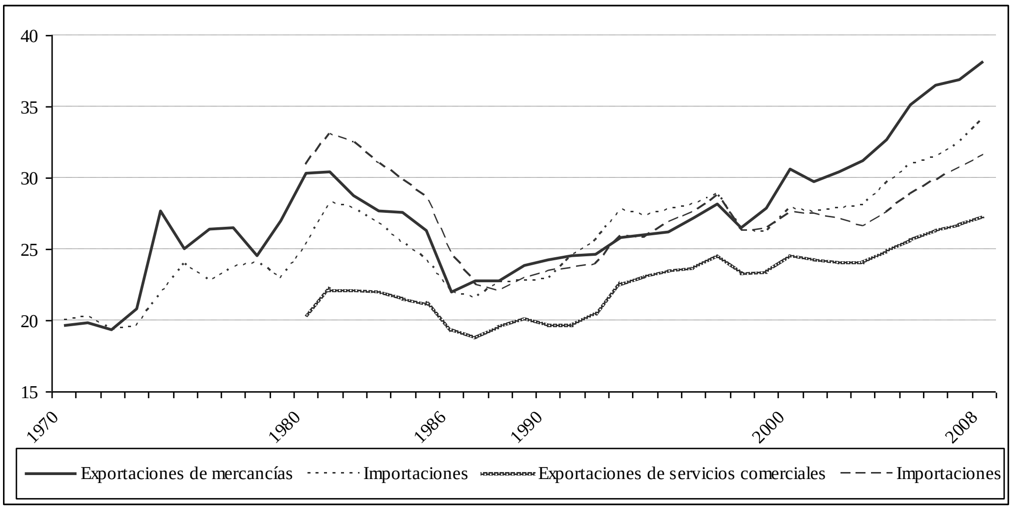
A second reason may be the simplification inherent in making an index, for example, small countries (or countries with limited market liquidity), like Chile, are often underestimated.

3. Trade and investments

In any case, and regardless of different classifications, the increasing importance of LEDCs or emerging markets is being fed by their growing share in the flows of trade and investments in the world economy.

This can be seen in Figure 2: by 1970 merchandise exports were around 20% and by 2008 they had reached 38%, commercial services exports also increased from around 20% in 1970 to 27% of global trade in 2008 (WTO, 2010b).

Figure 2: Share of developing economies in world trade in %, 1970-2008 (WTO, 2010b)



A comparison between Table 2 and Table 3 shows the same trend by country and region. In, Table 2 it is possible to see that the EU 15, the USA, and Japan accounted for around 65% and 60% of world trade in 1990 and 1999 respectively, and that LEDCs for only around 12% and 18% over the same period. Ten years later, Table 3 shows that in 2009 the EU 27, the USA, and Japan accounted for around 33.5% whilst the Six East Asian Traders (7) , China, Mexico, and the Russian Federation were responsible for 34% of world trade. From Table 3, it is also worth noting that the list of top ten exporters is shared by developed countries and emerging markets, and also that India and Brazil (key components in the BRIC) are still at an early stage in their involvement in international trade with 1.7% (position 15) and 1.6% (position 18) respectively.

Table 2: World merchandise exports by country and region in %, 1999 (WTO, 2000)

	Share		**Annual percentage change**			
	1990	**1999**	**1990-99**	**1997**	**1998**	**1999**
Developed countries						
European Union (15)	44.5	39.8	4	0	4	-1
United States	11.6	12.7	7	10	-1	2
Japan	8.5	7.7	4	2	-8	8
	64.6	**60.2**				
LEDCs						
Six East Asian traders	7.9	10.0	8	3	-7	8
China	1.8	3.6	14	21	0	6
Mexico	1.2	2.5	14	15	6	16
Central and Eastern Europe	1.4	1.9	7	6	9	1
	12.3	**17.9**				
Regions						
Western Europe	48.3	43.0	4	-1	4	0
Asia	21.8	25.5	7	5	-6	8
North America	15.4	17.1	7	9	-1	4
Latin America	4.3	5.4	8	11	-1	6
C./E. Europe/Baltic States/CIS	3.1	3.9	6	4	-5	-1
Middle East	4.0	3.1	3	5	-23	24
Africa	3.1	2.0	1	2	-16	9

Regional Trade Associations						
NAFTA (3)	16.6	19.6	7	10	0	6
MERCOSUR (4)	1.4	1.4	5	11	-2	-9
ASEAN (10)	4.3	6.6	11	4	-7	9

Table 3: World merchandise exports and imports by country in %, 2009 (WTO, 2010a)

Rank	Exporters	Share	Rank	Importers	Share
1	Extra-EU (27) exports	16.2	1	Extra-EU (27) imports	17.4
2	China	12.7	2	United States	16.7
3	United States	11.2	3	China	10.5
4	Japan	6.2	4	Japan	5.7
5	Korea, Republic of	3.9	5	Hong Kong, China	3.7
6	Hong Kong, China	3.5	6	Canada a	3.4
7	Canada	3.4	7	Korea, Republic of	3.4
8	Russian Federation	3.2	8	India	2.6
9	Singapore	2.9	9	Singapore	2.6
10	Mexico	2.4	10	Mexico	2.5
	Sub Total	**65.5**		**Sub Total**	**65.9**
11	Taipei, Chinese	2.2	11	Russian Federation	2.0
12	Saudi Arabia	2.0	12	Taipei, Chinese	1.8
13	United Arab Emirates b	1.9	13	Australia	1.7
14	Switzerland	1.8	14	Switzerland	1.6
15	India	1.7	15	Turkey	1.5
16	Malaysia	1.7	16	United Arab Emirates b	1.5
17	Australia	1.6	17	Thailand	1.4
18	Brazil	1.6	18	Brazil	1.4
19	Thailand	1.6	19	Malaysia	1.3
20	Norway	1.3	20	Saudi Arabia	1.0
21	Indonesia	1.3	21	Indonesia	1.0
22	Turkey	1.1	22	South Africa	0.8
23	Iran, Islamic Rep. of	0.8	23	Viet Nam	0.7
24	South Africa	0.7	24	Norway	0.7
25	Bolivarian Rep. of Venezuela	0.6	25	Iran, Islamic Rep. of	0.5
26	Viet Nam	0.6	26	Israel	0.5
27	Argentina	0.6	27	Philippines	0.5
28	Chile	0.6	28	Ukraine	0.5
29	Nigeria b	0.6	29	Egypt	0.5
30	Kuwait	0.5	30	Chile	0.4
31	Israel	0.5	31	Bolivarian Rep. of Venezuela	0.4
32	Algeria	0.5	32	Algeria	0.4
33	Kazakhstan	0.5	33	Nigeria b	0.4
34	Qatar b	0.4	34	Argentina	0.4
35	Angola	0.4	35	Iraq b	0.4

a Imports are valued f.o.b.

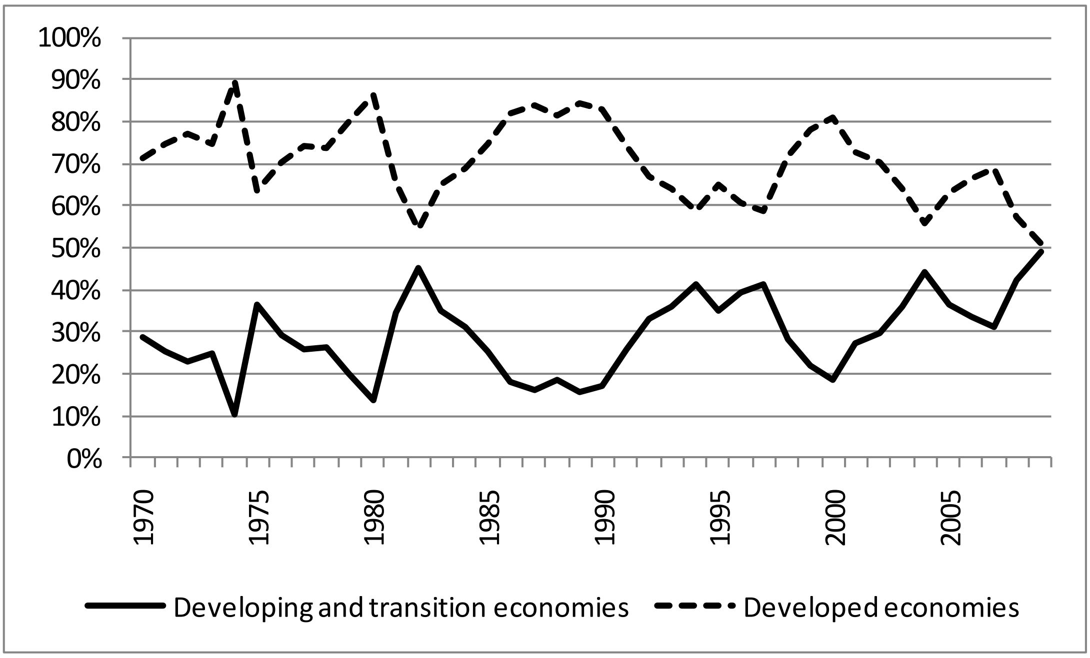
b Secretariat estimates.

For foreign investments the trend is similar. As can be seen in Figure 3, FDI flows to developing and transition economies have been growing, from a 10% share in 1974 to 49% of total flows in 2009.

If this trend continues, in a few years emerging markets for the first time will be receiving more FDI than developed economies. This trend is also seen in mergers and acquisitions (M&A). 2010 figures in emerging markets are now higher than those of Europe for the first time with a volume of US$575.7bn against Europe's us$550.2bn.

"Deals by companies in emerging markets now account for 30 per cent of global M&A activity, while Europe's share has fallen to 29 per cent. China, with about $133bn in deals, has attracted most interest this year from acquirers. Brazil, India and Russia follow, with the four BRIC countries together accounting for more than half of emerging markets activity" (Saigol and Thomas, 2010).

Figure 3: Inward and outward FDI flows, annual, 1970-2009 (UNCTAD, 2011)



In any case, not all emerging economies are active recipients of FDI. Fifteen countries from East Asia, Latin America, and Southern Africa account for around 73% of inward FDI to developing economies as can be seen in Table 4.

Recipients in this table are ranked by the stock of FDI, where it is worth noting the high position of a small country like Chile (probably the gateway for foreign investments in South America) showing that not only big countries can be emerging economies. India's relatively low position is also worth of mention as its FDI stocks are much lower than its BRIC counterparts.

Table 4: FDI inward stock to developing economies, 1990-2009, in mio US$ (UNCTAD, 2010)

Developing economies[1]		**26,836,498**	
1	China	3,793,786	14.14%
2	Brazil	2,652,972	9.89%
3	Mexico	2,588,323	9.64%
4	Russian Federation	1,840,589	6.86%
5	Chile	981,911	3.66%
6	Korea, Republic of	974,455	3.63%
7	Argentina	923,725	3.44%
8	South Africa	851,992	3.17%
9	Malaysia	815,441	3.04%
10	Thailand	795,430	2.96%
11	Turkey	743,011	2.77%
12	British Virgin Islands	724,764	2.70%
13	India	704,872	2.63%
14	Saudi Arabia	699,253	2.61%
15	Indonesia	591,238	2.20%
		Total	**73.34%**
East Asia[2]		5,439,300	20.27%
South and Central America[3]		9,107,029	33.94%
Southern Africa[4]		1,238,610	4.62%
		Total	**58.82%**

4. Main characteristics

As stated above, it is difficult to find a comprehensive definition of emerging markets that suits all. For example, "for households, emerging markets are the source of cheap consumer goods. For frustrated computer users, they are often the location of outsourced technical support. For executives of multinationals, emerging markets are growth drivers amid stagnation and financial crisis in developed economies" (Khanna and Palepu, 2010, p. 1).

But one of the criteria that often underlies various definitions of emerging markets "is the system of market governance and, in particular, the extent and stability of a free market system" (Arnold and Quelch, 1998, p. 8) along with the "ease with which transactions can take place in any market and the cost associated with it" (Khanna and Palepu, 2002, p. 4).

This is based on the fact that economies should put in place a web of institutions to facilitate the efficient functioning of markets. These institutions mould the social and organisational behaviour of organisations and, as a consequence, affect their decision-making processes as well as their

[1] Hong Kong and Singapore were withdrawn by the authors from UNCTAD's list of developing economies following Hoskisson et al.'s (2000) list of emerging countries; the total FDI stock in developing economies shown in the table does not include the stocks in these countries.
[2] China; Korea, Democratic People's Republic of; Korea, Republic of; Macao, China; Mongolia; Taiwan Province of China.
[3] Argentina; Bolivia, Plurinational State of; Brazil; Chile; Colombia; Ecuador; Guyana; Paraguay; Peru; Suriname; Uruguay; Venezuela, Bolivarian Republic of; Belize; Costa Rica; El Salvador; Guatemala; Honduras; Mexico; Nicaragua; Panama.
[4] Angola; Botswana; Lesotho; Malawi; Mozambique; Namibia; South Africa; Swaziland; Zambia; Zimbabwe.

available options. Institutions in a market (country) should reduce uncertainty and provide a stable level playing field that facilitates interactions and diminishes both transaction and information costs.

This complex web of institutions that permeates the developed economies is either absent or poorly developed in emerging markets. This seems evident in three main areas in EMs:

(i) information problems: comprehensive, reliable, and objective information to make decisions is not widely available;
(ii) misguided regulations: some emerging economies place political goals over economic efficiency which reduces the chances to take full advantage of business opportunities; and
(iii) inefficient judicial systems: an independent judicial system that enforces contracts in a reliable and predictable way does not seem to be the reality in EMs (Khanna and Palepu, 1997). In this sense, it has been found that “building all the institutional infrastructure for well-functioning markets is a slow and time consuming process” (Khanna and Palepu, 2002, p. 4).

Reasons for this can be:

(i) that emerging markets require good political governance to develop institutions with thoughtful and supportive regulations, as well as even-handed and predictable enforcement;
(ii) that these institutions need qualified persons with certain skills who are usually difficult to find in emerging economies; and
(iii) that in the development of market institutions there is a mutual interdependence across the first two problems (Hoskisson et al., 2000; Khanna and Palepu, 2002).

In fact, it has been suggested that “many emerging markets are likely to suffer from significant institutional voids for a long time to come” (Khanna and Palepu, 2002, p. 4) as “the mere deregulation of economies does not automatically lead to immediate reduction in transaction costs” (Khanna and Palepu, 2000, p. 281).

Institutional voids usually result in higher transaction costs. This is because the price system does not give reliable information for the efficient allocation of resources; also, because sometimes the government’s discretion rather than the rule of law determines property rights and makes their enforcement more costly.

Institutional voids can also lead to market failures and, as a consequence, firms operating in EMs often have to perform some of these functions themselves. Higher transaction costs are also a reason behind the high prevalence in emerging markets of unrelated diversified local business groups mainly due to the low development of the capital and labour markets. Examples of this are the chaebols in South Korea, business houses of India, or grupos económicos in Latin America (Khanna and Palepu, 1997).

In addition, capabilities for relationship-based management in emerging markets substitute for the lack of institutional infrastructure as firms tend to base their competitive advantage on links with local authorities. In this environment, local companies can obtain licenses and other benefits due to their close links with the home government and, as a consequence, protect their operations from domestic and international competitors (Fornes, 2009; Hoskisson et al., 2000).

5. Local players

Local companies from emerging countries usually take any of these three organisational forms: (i) domestic competitors (mainly business groups, state-owned companies, and privatised firms); (ii) entrepreneurial start-ups; and (iii) overseas players (Peng, 2003; Peng, Tan, and Tong, 2004). They face four broad challenges: (i) competition from developed countries' firms entering EMs to exploit the skills developed in their home markets; (ii) having to develop new strategies to deal with improved conditions in their domestic markets; (iii) having to enter other EMs to exploit the strengths developed in their domestic markets; and (iv) having to enter developed economies (Wright, Filatotchev, Hoskisson, and Peng, 2005).

These companies face a 'high velocity' environment of rapid political, economic, and institutional changes" (Wright et al., 2005, p. 7). Due to this, EMs' companies have developed a set of abilities, strengths, and capabilities (like close links with governments, structures aimed at internalising transaction costs, etc) to overcome these challenges which help them to compete successfully in the domestic market. But their engagement in international activities, especially FDI, has been relatively low. In the 1990s, most FDI from EMs was categorised as asset-exploitation and asset-seeking. The former implies a transfer of proprietary assets across the border, and the latter aims at the acquisition of strategic assets (Makino, Chung-Ming, and Rhy-Song, 2002).

Asset-exploitation FDI by EMs' firms, especially in other developing countries, is usually small scale, labour intensive, and has flexible production skills along with products suitable for the host market that could eventually replace domestic competition. Companies from EMs used to choose FDI, rather than exports or licensing, as their preferred option because of: (i) the uncertainty of the local market (mainly poor information on the value of local assets and weak distribution networks), (ii) the difficulty for local firms to internationalise their operations, and (iii) the weak legal framework to protect technological knowledge (Wells, 1981, 1983). Asset-seeking FDI has been followed by companies from Asia's newly industrialised economies to reinforce their price competitiveness in EMs, but to strengthen their non-price competitiveness when investing in developed countries (Chen and Chen, 1998; Kumar, 1998).

This strategy implies that internal strengths should come from the ownership of proprietary assets and also from the capacity to buy and the knowledge to manage assets from firms in the host country (Dunning, 1995; Dunning, 1998). But since the 2000s, the situation has been changing as firms from EMs have been increasing their presence outside their home markets.

Well known examples like Cemex and America Móvil from Mexico, Ternium from Argentina, Vale and Gerdau from Brazil, JSFC from Russia, Lenovo and ZTE from China, and Tata Motors from India are leading the way in the internationalisation of companies from emerging economies followed by an increasing number of firms engaging in international operations.

This trend can be seen in Table 5 which shows the outward stock of FDI as % of GDP. In the table, it is worth noting the high increases during the period of countries like Chile, Malaysia, Korea, or South Africa, although they are still far away from the 40.8% posted by developed economies.

Different from the situation for most of the 20th century, EMs' companies now seem to be in a stronger position to compete in foreign markets. These companies can offer high levels of flexibility and the capability for rapid adjustment from their experience dealing with changing home environments.

They can also offer every day low prices and high value for money to middle and low segments of consumers in both developed and emerging economies. Firms from EMs have also been strengthening their position as suppliers of global retailers where customers are now demanding their products (Williamson and Yin, 2009).

Still, they seem to have a long way to go until they can reach a level of internationalisation (measured by foreign assets) similar to that of their Western counterparts. This is self-evident in a comparison between the figures in Table 6 (the top 75 non-financial firms from EMs) with the world's top 75 MNCs (UNCTAD, 2010).

For example, General Electric, the world leader, has US$401.290 millions in foreign assets, while CITIC from China (top in the EMs' list) has around 10% of this value (CITIC is number 48 in the world's list). Also, the company in 75th position in the world's top 100 MNCs, TeliaSonera AB from Sweden, has US$29.067 millions in foreign assets; while TPV Technology Limited from China has less than 10% of this figure in foreign assets (US$2,266 millions).

Table 5: FDI outward stock as percentage of GDP, 1990-2009 (UNCTAD, 2010)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
China	1.1	1.3	1.9	2.1	2.7	2.3	2.2	2.3	2.4	2.4	2.3	2.6	2.6	2.0	2.3	2.6	2.8	2.8	3.4	4.9
Brazil	9.4	10.3	10.8	9.7	7.9	5.8	5.2	5.2	5.7	8.5	8.1	9.0	10.8	9.9	10.4	9.0	10.5	10.0	9.9	10.0
Mexico	1.0	0.9	1.0	0.8	1.1	1.5	1.3	1.3	1.4	1.6	1.4	1.9	2.0	2.6	3.2	3.3	3.7	4.1	4.2	6.1
Russian Federation	..	..	..	0.5	0.6	0.8	1.1	1.9	3.3	4.9	7.8	14.4	18.1	21.0	18.1	19.2	22.0	28.8	12.1	20.1
Chile	0.5	0.7	1.5	2.3	3.6	3.8	5.2	6.2	8.5	12.3	14.8	17.1	18.2	18.5	18.2	18.1	17.7	19.3	18.6	25.2
Korea, Republic of	0.9	1.1	1.3	1.5	1.8	2.0	2.5	3.3	5.9	5.2	5.0	4.0	3.6	3.9	4.5	4.6	5.2	7.1	10.5	13.9
Argentina	4.3	3.2	3.2	3.4	3.6	4.1	4.5	5.5	6.1	7.1	7.4	7.9	20.2	16.6	14.2	12.7	12.1	10.5	8.7	9.5
South Africa	13.4	13.4	13.6	13.8	14.1	15.4	16.9	15.6	20.0	24.8	24.3	14.8	19.8	16.2	17.8	15.3	19.5	23.0	18.0	22.6
Malaysia	1.7	1.6	1.8	2.1	3.5	5.8	8.8	11.5	17.2	17.5	16.9	9.0	10.1	10.9	10.3	15.9	23.1	31.3	30.5	39.5
Thailand	0.5	0.6	0.7	0.8	1.0	1.4	1.7	1.3	2.4	2.5	1.8	2.3	2.3	2.4	2.3	2.9	3.1	4.0	4.6	6.2
Turkey	0.6	0.6	0.6	0.5	0.8	0.6	0.6	0.7	0.8	1.1	1.4	2.3	2.5	2.0	1.8	1.7	1.7	1.9	1.9	2.4
India	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.1	0.2	0.4	0.4	0.5	0.8	1.0	1.1	1.2	2.9	3.7	4.9	6.1
Saudi Arabia	1.8	1.5	1.6	1.7	1.8	1.8	1.8	1.9	2.3	2.1	2.6	2.8	3.7	3.5	3.0	4.5	5.5	8.4	7.2	11.1
Indonesia	0.1	0.1	0.5	0.7	2.4	2.7	2.6	2.8	6.4	4.4	4.2	4.3	3.7	3.2	4.2	4.9	4.6	4.9	5.3	5.6
Japan	6.7	6.7	6.6	6.0	5.8	4.5	5.6	6.4	7.0	5.7	6.0	7.3	7.8	7.9	8.0	8.5	10.3	12.4	13.9	14.6
Canada	14.6	15.8	15.2	16.4	18.5	20.0	21.6	24.0	27.9	30.5	32.8	35.0	37.5	36.8	37.6	34.3	34.8	36.5	35.0	42.4
United States	12.6	13.8	12.6	16.0	15.8	18.6	20.7	22.8	26.2	30.8	27.6	23.0	19.4	25.0	28.9	29.4	34.0	38.3	21.8	30.2
United Kingdom	23.1	22.4	20.6	25.5	26.6	26.8	27.7	27.2	34.3	46.8	62.3	60.6	63.2	63.8	56.6	52.6	59.6	65.6	57.5	76.0
Italy	5.3	5.9	5.6	7.9	8.5	9.4	9.3	11.7	14.5	15.1	16.4	16.3	16.0	15.9	16.2	16.5	20.3	24.6	22.3	27.4
Spain	3.0	3.7	4.5	5.9	5.6	5.8	7.2	9.3	12.3	19.1	22.2	23.6	23.8	25.0	27.0	27.0	35.3	40.8	37.4	44.2
France	9.0	10.6	11.4	12.3	13.4	13.0	14.7	16.7	19.6	22.9	69.7	59.6	43.8	52.6	56.1	57.5	71.0	69.6	45.9	64.9
Germany	8.8	9.6	8.6	9.3	10.5	10.6	11.9	14.3	17.1	19.3	28.5	32.7	34.5	34.0	33.7	33.2	37.1	40.1	36.0	41.2
Developed economies	11.2	11.9	11.2	12.9	13.3	14.0	15.8	18.0	21.5	24.7	28.8	27.8	26.8	30.7	32.6	32.7	38.9	42.8	32.9	40.8

Table 6: The top 75 non-financial firms from developing and transition economies, ranked by foreign assets, 2008 (UNCTAD, 2010) (12)

				Assets			Sales		
	Corporation	Home economy	Industry [c]	Foreign	%	Total	Foreign	Total	TNI % [b]
1	CITIC Group	China	Diversified	43,750	18%	238,725	5,427	22,230	21.0
2	Cemex S.A.	Mexico	Non-metallic mineral products	40,258	89%	45,084	17,982	21,830	81.6
3	Samsung Electronics Co., Ltd.	Korea, Republic of	Electrical & electronic equipment	28,765	34%	83,738	88,892	110,321	54.2
4	Petronas – Petroliam Nasional Bhd	Malaysia	Petroleum expl./ref./distr.	28,447	27%	106,416	32,477	77,094	29.6
5	Hyundai Motor Company	Korea, Republic of	Motor vehicles	28,359	35%	82,072	33,874	72,523	36.5
6	China Ocean Shipping (Group) Company	China	Transport and storage	28,066	77%	36,253	18,041	27,431	49.9
7	Lukoil	Russian Federation	Petroleum and natural gas	21,515	30%	71,461	87,637	107,680	42.2
8	Vale S.A	Brazil	Mining & quarrying	19,635	25%	79,931	30,939	37,426	38.3
9	Petróleos De Venezuela	Venezuela, Bolivarian Republic of	Petroleum expl./ref./distr.	19,244	15%	131,832	52,494	126,364	21.5
10	Zain	Kuwait	Telecommunications	18,746	95%	19,761	6,034	7,452	61.2
11	Formosa Plastics Group	Taiwan Province of China	Chemicals	16,937	22%	76,587	17,078	66,259	40.9
12	Tata Steel Ltd.	India	Metal and metal products	16,826	70%	23,868	26,426	32,168	69.8
13	Petroleo Brasileiro S.A. – Petrobras	Brazil	Petroleum expl./ref./distr.	15,075	12%	125,695	40,179	146,529	16.2
14	Hon Hai Precision Industries	Taiwan Province of China	Electrical & electronic equipment	14,664	55%	26,771	21,727	61,810	58.1
15	Metalurgica Gerdau S.A.	Brazil	Metal and metal products	13,658	53%	25,750	10,274	23,182	48.6
16	Abu Dhabi National Energy Company	United Arab Emirates	Utilities (Electricity, gas and water)	13,519	57%	23,523	3,376	4,576	69.5
17	Oil And Natural Gas Corporation	India	Petroleum expl./ref./distr.	13,477	44%	30,456	4,238	27,684	23.8

18	MTN Group Limited	South Africa	Telecommunications	13,266	73%	18,281	7,868	12,403	67.4
19	LG Corp.	Korea, Republic of	Electrical & electronic equipment	13,256	26%	51,517	44,439	82,060	43.8
20	Evraz	Russian Federation	Metal and metal products	11,196	58%	19,448	12,805	20,380	47.5
21	Qatar Telecom	Qatar	Telecommunications	10,598	52%	20,412	4,077	5,582	69.7
22	América Móvil	Mexico	Telecommunications	10,428	33%	31,481	17,323	31,026	52.6
23	China National Petroleum Corporation	China	Petroleum expl./ref./distr.	9,409	4%	264,016	4,384	165,224	2.7
24	Hindalco Industries Limited	India	Diversified	8,564	68%	12,653	11,371	14,338	71.6
25	STX Corporation	Korea, Republic of	Other equipments goods	8,308	45%	18,338	1,668	12,914	34.5
26	Axiata Group Bhd	Malaysia	Telecommunications	8,184	76%	10,783	1,746	3,406	67.7
27	Severstal	Russian Federation	Metal and metal products	8,066	36%	22,480	9,325	22,393	30.2
28	Ternium SA	Argentina	Metal and metal products	7,063	66%	10,671	5,357	8,465	64.5
29	China State Construction Engineering Corp	China	Construction and real estate	7,015	23%	29,873	3,619	29,080	16.6
30	YTL Corp. Berhad	Malaysia	Utilities (Electricity, gas and water)	7,014	63%	11,102	968	1,966	47.8
31	Tata Motors Ltd.	India	Automobile	6,767	47%	14,359	9,869	15,635	48.9
32	Asustek Computer Inc	Taiwan Province of China	Electrical & electronic equipment	6,746	61%	10,998	9,522	21,157	55.9
33	Orascom Telecom Holding	Egypt	Telecommunications	6,718	69%	9,757	2,947	5,305	64.4
34	Quanta Computer Inc	Taiwan Province of China	Electrical & electronic equipment	6,711	73%	9,250	4,930	25,946	41.6
35	Sasol Limited	South Africa	Chemicals	6,679	35%	18,977	7,781	21,676	29.6
36	Sinochem Corp.	China	Petroleum expl./ref./distr.	6,409	32%	19,825	34,218	44,280	36.8
37	Sappi Limited	South Africa	Wood and paper products	5,933	97%	6,109	5,483	5,863	85.2
38	JSFC Sistema	Russian Federation	Telecommunications	5,698	20%	29,159	3,983	16,671	19.1
39	Netcare Limited	South Africa	Other consumer services	5,590	84%	6,642	1,516	2,904	56.1
40	Posco	Korea, Republic of	Metal and metal products	5,335	14%	37,345	13,512	37,966	21.4
41	Suzlon Energy Limited	India	Diversified	5,310	72%	7,370	4,714	5,685	75.7
42	China National Offshore Oil Corp.	China	Petroleum expl./ref./distr.	5,247	9%	59,917	4,475	28,028	9.4
43	Genting Berhad	Malaysia	Other consumer services	5,139	58%	8,790	667	2,726	47.9
44	Steinhoff International holdings	South Africa	Other consumer goods	5,060	70%	7,194	3,492	5,636	56.5
45	Gold Fields Limited	South Africa	Metal and metal products	4,839	57%	8,491	1,443	3,223	35.7
46	Medi Clinic Corp. Limited	South Africa	Other consumer services	4,788	89%	5,395	1,341	2,294	78.7
47	Pou Chen Corp.	Taiwan Province of China	Other consumer goods	4,553	66%	6,929	5,518	6,622	71.6
48	Acer Inc.	Taiwan Province of China	Electrical & electronic equipment	4,455	60%	7,418	16,495	17,311	79.9
49	MMC Norilsk Nickel	Russian Federation		4,389	21%	20,823	1,998	13,980	13.3
50	Sime Darby Berhad	Malaysia	Diversified	4,307	43%	10,061	6,065	8,827	45.7
51	China Communications Construction Co.	China	Construction and real estate	4,010	13%	31,911	5,599	25,740	12.1
52	Telefonos De Mexico S.A. De C.V.	Mexico	Telecommunications	3,948	29%	13,528	2,464	11,140	28.6
53	Naspers Limited	South Africa	Other consumer services	3,821	66%	5,746	995	3,018	55.3
54	Taiwan Semiconductor Manufacturing Co Ltd.	Taiwan Province of China	Electrical & electronic equipment	3,813	22%	17,030	6,139	10,558	30.8
55	VimpelCom	Russian Federation	Telecommunications	3,726	24%	15,725	1,520	10,117	21.8
56	Beijing Enterprises Holdings Ltd.	China	Diversified	3,662	55%	6,670	2,524	2,530	77.0
57	Enka Insaat ve Sanayi	Turkey	Construction and real estate	3,540	46%	7,767	3,256	6,956	46.5
58	FEMSA-Fomento Economico Mexicano	Mexico	Food, beverages and tobacco	3,508	26%	13,377	4,792	15,082	30.3
59	China Railway Construction Corporation Ltd.	China	Construction	3,146	10%	32,204	2,475	31,571	9.1
60	ZTE Corp.	China	Other consumer goods	3,143	41%	7,642	3,860	6,373	44.2
61	Chi MEI Optoelectronics	Taiwan Province of China	Electrical & electronic equipment	3,070	17%	18,099	187	10,081	11.9
62	Mechel	Russian Federation	Metal and metal products	2,911	24%	12,010	1,385	9,951	16.0
63	United Microelectronics Corporation	Taiwan Province of China	Electrical & electronic equipment	2,901	44%	6,594	2,153	3,068	52.7
64	Inventec Company	Taiwan Province of China	Electrical & electronic equipment	2,874	73%	3,935	1,911	12,016	61.2
65	Lenovo Group	China	Electrical & electronic equipment	2,732	43%	6,308	8,467	14,901	41.1
66	San Miguel Corporation	Philippines	Food, beverages and	2,655	37%	7,117	458	3,774	21.7
67	Compal Electronics Inc	Taiwan Province of China	Other consumer goods	2,573	43%	5,954	4,579	15,171	43.9
68	PTT Public Company Limited	Thailand	Petroleum expl./ref./distr.	2,525	10%	25,252	5,993	59,931	10.0
69	National Industries Group Holdings SAK	Kuwait	Diversified	2,504	40%	6,279	264	420	47.5
70	Tanjong Public Limited Company	Malaysia	Pharmaceuticals	2,445	71%	3,451	455	1,101	49.5
71	Qisda Corp. (Benq)	Taiwan Province of China	Electrical & electronic equipment	2,441	62%	3,936	2,678	5,372	53.5
72	TMK	Russian Federation	Metal and metal products	2,361	33%	7,071	2,302	5,690	27.4
73	Wistron Corp.	Taiwan Province of China	Other equipments goods	2,316	55%	4,249	2,458	14,153	42.7
74	China Minmetals Corp.	China	Metal and metal products	2,269	17%	13,484	4,318	26,668	11.6
75	TPV Technology Limited	China	Wholesale trade	2,266	68%	3,354	6,860	9,247	69.8

a All data are based on the companies' annual reports unless otherwise stated.

b TNI, the Transnationlity Index, is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.

c Industry classification for companies follows the United States Standard Industrial Classification as used by the United States Securities and Exchange Commission (SEC).

6. Emerging cities

Probably due to the heritage from the time when the idea of less economically developed countries was in use, EMs have continued being associated with countries rather than with markets. This difference is relevant as one of the characteristics of these countries is the disparity in income distribution, where most of the wealth is concentrated in their cities and surrounding areas, usually large ones. This is the case for small countries, like Chile, where its capital Santiago has a population of around 5 million (out of a total country population of 16 million) or bigger countries, like Argentina, where Buenos Aires, the capital city, has around 18 million inhabitants (including La Plata) out of a total country population of around 40 million. Brazil has two cities, Sao Paulo and Rio de Janeiro, with around 20 and 12 million respectively out of an estimated country population of 190 million.

In Mexico City there are 20 million inhabitants out of a total country population of around 112 million. Similar cases can be found in China, where the 4-5 largest and most developed cities of Shanghai, Nanjing, Guangzhou, Hangzhou, and Beijing account for a population of around 75 million. Examples like these can be found in most emerging markets. As a comparison, in the EU there are only two urban areas with populations of around 10 million(London and Paris); in the USA (New York and Los Angeles); and in Japan (Tokyo and Osaka)

These cities are the real emerging markets. They are the places where a growing middle-class is demanding higher living standards as the economy develops and where growth rates are usually higher than those in developed economies. Most of these cities have vibrant economies with an average purchasing power higher than the rest of the country and are the places where the local wealthy live.

Although these cities suffer from some of the institutional voids present in their countries, private agencies operate in these markets to help in the reduction of inefficiencies in transactions (to the extent permitted by local legislation), physical infrastructure is improving along with public transport, and education levels and reach are also improving.

Table 7 shows the 30 largest urban agglomerations in 2025 where it can be seen that the great majority of cities are in emerging economies (24 out of 30). These 24 cities will total 375 million inhabitants in 2025, 75% of the current population of the 27 countries in the EU (Eurostat, 2011).

Table 7: The 30 largest urban agglomerations in 2025 ranked by population size (UN, 2009)

	Urban Agglomeration	Country	Estimated population
1	Tokyo	Japan	37.09
2	Delhi	India	28.57
3	Mumbai (Bombay)	India	25.81
4	São Paulo	Brazil	21.65
5	Dhaka	Bangladesh	20.94
6	Ciudad de México (Mexico City)	Mexico	20.71
7	New York-Newark	United States of America	20.64
8	Kolkata (Calcutta)	India	20.11
9	Shanghai	China	20.02
10	Karachi	Pakistan	18.73
11	Lagos	Nigeria	15.81
12	Kinshasa	Democratic Republic of the Congo	15.04

13	Beijing	China	15.02
14	Manila	Philippines	14.92
15	Buenos Aires	Argentina	13.71
16	Los Angeles-Long Beach-Santa Ana	United States of America	13.68
17	Al-Qahirah (Cairo)	Egypt	13.53
18	Rio de Janeiro	Brazil	12.65
19	Istanbul	Turkey	12.11
20	Osaka-Kobe	Japan	11.37
21	Shenzhen	China	11.15
22	Chongqing	China	11.07
23	Guangzhou, Guangdong	China	10.96
24	Paris	France	10.88
25	Jakarta	Indonesia	10.85
26	Moskva (Moscow)	Russian Federation	10.66
27	Bogotá	Colombia	10.54
28	Lima	Peru	10.53
29	Lahore	Pakistan	10.31
30	Chicago	United States of America	9.94

7. China-Latin America: the emerging markets' axis

It is widely agreed that most of the current state attained by EMs started with the Six East Asian Traders in the 1970s and 1980s and has been consolidated with the emergence of China from the 2000s. But there are other emerging markets that have been increasing their presence in the world's economy since the 1990s, such as Chile and Mexico, and from the 2000s Brazil and Costa Rica. In fact, most Latin American countries in the last decade have been posting growth rates much higher than those in developed economies led by an export boom. Asia is increasingly the destination of these exports where China has become a main trading partner for many Latin American countries. At the same time, Latin America with around 600 million people and a common culture, history, and language (13) has also been a target market for many Chinese companies looking for consumers for their low cost products.

The trade relation between China and Latin America was negligible at the beginning of the 1990s. But from the mid-1990s it has grown more than 18 times (posting a trade surplus for China of around US$47 billion in 2008 from a deficit of US$283 million in 1990 (ECLAC, 2010; Sanchez Ancochea, 2006)). A similar situation can be described for investments. One of the main destinations of Chinese Outward Foreign Direct Investment (ODI) in recent years has been Latin America, with 50% of Chinese ODI in 2004 (more than the 30 per cent that went towards Asia) (Blazquez-Lidoy, Rodriguez, and Santiso, 2006, p. 35), with 53% in 2005, 40% in 2006 (MOFCOM, 2007)), and with similar trends in 2008 and 2009 (MOFCOM, 2008).

This shows that a new strong axis of trade and investments between China and LA is consolidating. Flows of trade and investment exceed US$100 billion (ECLAC, 2008, 2010) and are growing at an annual rate close to 50% (WTO, 2008).

This figure is similar to that of the trade between the EU and Japan at the end of the 1990s, which means that the China-LA axis rivals that of the Triad's (14) axis (Fornes and Butt-Philip, 2011). In other words, the last decade has seen the development of the China-Latin America commercial relation as the emerging markets' axis. All Latin American countries were colonised by Spain, speak Spanish, and are Catholic, with the exception of Brazil that was colonised by Portugal and speaks Portuguese. Japan, North America, and Western Europe (Omae, 1985).

7. Conclusion

This article has presented why emerging markets are now one of the main areas of growth for international companies. It has analysed their main characteristics, local players, and local environment. It ends by presenting two big trends with the potential to attract the strategic focus of multinational companies, their emerging cities, and the relationship between China and Latin America.

References

Arnold, D. J. and Quelch, J. A. 1998. New Strategies in Emerging Markets. Sloan Management Review, 40(1): 7.

Authers, J.; 2006. The long view: how adventurous are emerging markets? Financial Times. 20/10/2006.

Blazquez-Lidoy, J., Rodriguez, J., and Santiso, J. 2006. Angel or devil? China's trade impact on Latin American emerging markets. Paris: OECD Development Centre.

Chen, H. and Chen, T. 1998. Network linkages and location choice in foreign direct investment. Journal of International Business Studies, 29(3): 445-467.

CNN.com; Officials: G-20 to supplant G-8 as international economic council http://edition.cnn.com/2009/US/09/24/us.g.twenty.summit/index.html; 12/1/2011.

Dunning, J. 1995. Reappraising the eclectic paradigm in the age of alliance capitalism. Journal of International Business Studies, 26(3): 461-491.

Dunning, J. 1998. Location and the multinational enterprise: a neglected factor? Journal of International Business Studies, 26(1): 461-491.

Dyer, G., Pilling, D., and Henny, S.; 2011. A strategy to straddle the planet. Financial Times. 17/1/2011.

ECLAC. 2008. Latin America and the Caribbean in the World Economy, 2007-2008. Santiago de Chile: Economic Commission for Latin America and the Caribbean.

ECLAC; Interactive Graphic System of International Trade Data; http://www.eclac.org/cgi-bin/getprod.asp?xml=/comercio/noticias/paginas/9/33539/P33539.xmlandxsl=/comercio/tpl-i/p18f.xslandbase=/comercio/tpl-i/top-bottom.xsl; 15/1/2010.

European Bank for Reconstruction and Development. 1998. Transition Report 1998. London: EBRD.

Eurostat. 2011. Total population.

Fornes, G. 2009. Foreign Exchange Exposure in Emerging Markets. How Companies Can Minimize It. Basingstoke: Palgrave Macmillan.

Fornes, G. and Butt-Philip, A. 2011. Chinese MNEs and Latin America. A Review. International Journal of Emerging Markets, 6(2).

FTSE; FTSE Global Equity Index Series Country Classification; http://www.ftse.com/Indices/Country_Classification/Downloads/Sept%202010/

FTSE_Country_Classification_Sept_2010_Update.pd; 10/12/2010.

FTSE; Performance Analysis; http://www.ftse.com/Indices/FTSE_Emerging_Markets/Performance_Analysis.jsp; 14/1/2011.

Hoskisson, R. E., Eden, L., Lau, C. M., and Wright, M. 2000. Strategy in Emerging Economies. Academy of Management Journal, 43(3): 249-267.

Hughes, J.; 2011. 'Bric' creator adds newcomers to list. Financial Times. 16/1/2011.

IFC, I. F. C. 1999.

Khanna, T. and Palepu, K. 1997. Why focused strategies may be wrong for emerging markets. Harvard Business Review, 4(75): 3-10.

Khanna, T. and Palepu, K. 2000. The Future of Business Groups in Emerging Markets: Long-run evidence from Chile. Academy of Management Journal, 43(3): 268-285.

Khanna, T. and Palepu, K. 2002. Emerging Giants: Building World-Class Companies in Emerging Markets. Harvard Business School Cases.

Khanna, T. and Palepu, K. 2010. Multinationals in Emerging Markets. In T. Khanna and K. Palepu (Eds.), Winning in Emerging Markets: A road map for strategy and execution. Boston: Harvard Business School Publishing Corporation.

Kumar, N. 1998. Globalization, foreign direct investment and technology transfers: impacts on and prospects for developing countries. New York: Routledge.

Makino, S., Chung-Ming, L., and Rhy-Song, Y. 2002. Asset-exploitation versus asset-seeking: implications for location choice of foreign direct investment from newly industrialized economies. Journal of International Business Studies, 33(3): 403-421.

McGregor, R.; 2011. Hu questions future role of US dollar. Financial Times. 16/1/2011.

MOFCOM. 2007. Statistical Bulletin of China's Outward Foreign Direct Investment. Beijing: Ministry of Commerce, The People's Republic of China.

MOFCOM. 2008. Statistical Bulletin of China's Outward Foreign Direct Investment. Beijing: Ministry of Commerce, The People's Republic of China.

Omae, K. 1985. Triad Power: the coming shape of global competition. New York: Free Press.

Peng, M. 2003. Institutional transitions and strategic choices. Academy of Management Review, 28: 275-296.

Peng, M., Tan, J., and Tong, T. 2004. Ownership types and strategic groups in an emerging economy. Journal of Management Studies, 41: 1105-1129.

Saigol, L. and Thomas, H.; 2010. Emerging Markets M&A outstrips Europe. Financial Times. 19/9/2010.

Sanchez Ancochea, D. 2006. El impacto de China en América Latina: ¿oportunidad o amenaza? , ARI - Real Instituto Elcano, Vol. 38: 4-8.

Santiso, J. 2006. Of dragons & elephants, LatinFinance, Vol. September.

The Economist; 2008. Ins and Outs. Acronyms BRIC out all over. The Economist. 18/9/2008.

UN; World Urbanization Prospects. The 2009 Revision.; http://esa.un.org/unpd/wup/index.htm; 27/1/2011.

UNCTAD. 2010. World Investment Report. Geneva: United Nations Conference on Trade and Development.

UNCTAD; UNCTADStat; http://unctadstat.unctad.org/TableViewer/tableView.aspx?ReportId=88; 18/1/2011.

Wells, L. 1981. Foreign investors from the Third World. In K. Kumar and M. McLeod (Eds.), Multinational from developing countries: 23-36. Lexington, MA: Health and Company.

Wells, L. 1983. Third World Multinationals: The Rise of Foreign Direct Investment from Developing Countries. Cambridge, MA: MIT Press.

Williamson, P. and Yin, E. 2009. Racing with the Chinese dragons. In I. Alon, J. Chang, M. Fetscherin and C. Lattemann (Eds.), China Rules. Globalization and Political Transformation: 69-100. Basingstoke and New York: Palgrave Macmillan.

Wright, M., Filatotchev, I., Hoskisson, R. E., and Peng, M. W. 2005. Strategy Research in Emerging Economies: Challenging the Conventional Wisdom. Journal of Management Studies, 42(1): 1-33.

WTO. 2000. International Trade Statistics. Geneva: World Trade Organisation.

WTO. 2006. World Trade Report. Geneva: World Trade Organisation.

WTO. 2008. World Trade Report. Geneva: World Trade Organization.

WTO. 2010a. International Trade Statistics. Geneva: World Trade Organisation.

WTO. 2010b. Participation of Developing Economies in the Global Trading System. Geneva: WTO

Footnotes

1. Quoted in (McGregor, 2011)
2. www.g20.org
3. Quoted in (The Economist, 2008).
4. The categorisation is based on four criteria: market and regulatory environment, custody and settlement, dealing landscape, derivatives.
5. "FTSE Emerging Market indices are a segment of the overall FTSE Global Equity Index Series (GEIS), and contribute to the overall GEIS market coverage of 98% of the world's total investable market capitalisation, cover 48 countries and comprise over 7000 large, mid and small cap stocks. Our emerging market indi-

ces cover the same 48 countries and consist of approximately 1700 large, mid and small cap stocks. FTSE has divided the emerging markets into advanced emerging and secondary emerging markets for greater granularity and to provide a transparent system on the monitoring of emerging market criteria through a country review process.
The FTSE All-World Index Series is the large/mid cap aggregate of 2,700 stocks from the FTSE Global Equity Index Series. It covers 90-95% of the investable market capitalisation" (FTSE, 2011).
6. Quoted in (Hughes, 2011)
7. Hong Kong, China; Malaysia; Republic of Korea; Singapore; Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Taipei, Chinese) and Thailand (WTO, 2006)
8. Hong Kong and Singapore were withdrawn by the authors from UNCTAD's list of developing economies following Hoskisson et al.'s (2000) list of emerging countries; the total FDI stock in developing economies shown in the table does not include the stocks in these countries.
9. China; Korea, Democratic People's Republic of; Korea, Republic of; Macao, China; Mongolia; Taiwan Province of China.
10. Argentina; Bolivia, Plurinational State of; Brazil; Chile; Colombia; Ecuador; Guyana; Paraguay; Peru; Suriname; Uruguay; Venezuela, Bolivarian Republic of; Belize; Costa Rica; El Salvador; Guatemala; Honduras; Mexico; Nicaragua; Panama.
11. Angola; Botswana; Lesotho; Malawi; Mozambique; Namibia; South Africa; Swaziland; Zambia; Zimbabwe.
12. Hong Kong and Singapore were withdrawn by the authors from UNCTAD's list of developing economies following Hoskisson et al.'s (2000) list of emerging countries.
13. All Latin American countries were colonised by Spain, speak Spanish, and are Catholic, with the exception of Brazil that was colonised by Portugal and speaks Portuguese.
14. Japan, North America, and Western Europe (Omae, 1985)