Emerging market multinationals, globalization and the rise of the BICs: The era of Dragon Multinationals

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Abstract

The rapid appearance of firms from China, India and Brazil, as the three emerging giant economies of the 21st century, poses immense challenges – both in practical terms in responding to the competitive challenges of these firms and in theoretical terms in adapting the theoretical frameworks traditionally used in International Business. The rapid appearance of these newly emergent MNEs (termed ‘Dragon MNEs’ by many) can be plotted empirically in terms of rising levels of Outward FDI from emerging economies; in terms of the different patterns of internationalization registered by such firms; and by case studies of their accelerated internationalization. The current global financial crisis has created a blip in the outward expansion of such firms, particularly in hard hit areas like Latin America, but the secular trend remains robust, and if anything has been enhanced in China as firms take advantage of lower valuations to accelerate their foreign acquisitions. In terms of theory, the classic account of the competitive advantages of international firms with respect to domestic rivals has been provided by the so-called Eclectic Theory that focuses on advantages stemming from Ownership, Location and Internalization (OLI) – all focused on existing resources under ownership of an expanding firm. But such a framework fails to capture the most interesting features of the Dragon MNEs, namely their accelerated internationalization, their distinctive patterns of international expansion, and their drive to internationalize in order to acquire the resources needed to compete globally. These features are captured in an alternative theoretical account, dubbed the Linkage, Leverage and Learning (LLL) account, an account which actually matches the internationalization experience of many of the Dragon MNEs. While the industrialization experience of countries, linked to the internationalization of their firms, used to be couched in terms of the macroeconomic issues covered in the Washington Consensus, the cases of Brazil, India and China (the BICs) are better captured by a framework based on the real experiences of state support provided by Beijing, Seoul or Tokyo in the 20th century industrialization experiences of East Asia. These lessons, which can be captured in an alternative Beijing/Seoul/Tokyo Consensus (or BeST Consensus) helps to account for the sudden success of so many firms from the BICs, and argues for their continued success in the years succeeding the current global financial crisis.