

## **Emerging Multinationals in the Fluctuation of International Economies in 21st Century**

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In recent years, companies from emerging or developing economies have shown a certain presence in foreign direct investment (FDI) worldwide.

According to the *UNCTAD World Investment Report 2019*, the share of developing economies in terms of FDI was 52% in 2018; this is the first time it has exceeded 50%, although total FDI worldwide has decreased in these three years. This indicates the presence of developing economies in world FDI.

On the other hand, there are issues that may stagnate the steps toward free trade. One example is the US–China trade friction that occurred in 2018. Tariff rising due to such trade friction may affect the economy of various countries that depend on the US or China as markets or manufacturing sites.

To address these issues, the Joint Usage and Research Center, Institute of Economic Research, Kyoto University launched a project entitled “Emerging Multinationals in the Fluctuation of International Economies in the 21st Century” in 2019–2020. This project tried to clarify the structure of FDI in the current world economy and then clarify various aspects of the international economy in the 21st century that affect emerging countries, such as the US–China trade friction. It also analyzed the strategies adopted by multinational corporations in emerging countries and attempted to determine the new structure of the international division of labor in the midst of fluctuations in the international economy.

For this purpose, we analyzed: (1) What is the impact of changes in international economic fluctuations on outward and inward FDI worldwide? (2) What happens to emerging countries' outward and inward FDI in those changes, and how do emerging-market multinational corporations change their behavior and business development? (3) What impact do multinational corporations from emerging countries have on the international economy?

In Asia, we selected China as a large country and Taiwan as a medium-sized country. In Europe, we selected Russia as a large country and Poland from Eastern Europe as a medium-sized country. We then compared these countries.

To present the results of our project, we organized an international conference, the “Kyoto International Conference, Sustainability and Multinationals in Asia: Perspectives in 21st Century” in December 2019. Each presentation is summarized as follows.

As the Keynote speech, Prof. Ravi Ramamurti from Northeastern University presented “Analytical Misunderstandings about Emerging-market Multinationals.” He first highlighted that there were several

misunderstandings about emerging-market multinationals. The main value of studying such multinationals was not to understand how they differ from developed country multinationals but to enrich theories of multinationals and the internationalization process.

The invited speaker, Prof. Agnieszka McCaleb from the Warsaw School of Economics gave a presentation titled “Characteristics of Emerging Country Multinationals in Poland.” She analyzed the characteristics of emerging country multinationals from China, South Africa, and India in Poland and found that there are some characteristics, such as market and strategic asset seeking.

I, Yumiko Nakahara, discussed the structural change in Taiwanese manufacturing FDI in the 21st century, arguing that Taiwanese companies are facing such difficulties as rising costs in China and the breakout of the US–China trade friction. Structural changes have occurred in Taiwanese manufacturing FDI such as return investment in Taiwan and investment in countries other than China.

Prof. Keiji Natsume from Aichi Toho University discussed “The Competitive Advantage of Huawei in the Global High-tech Industry: How to Overcome the Sanctions by US Government.” He showed how the global Internet is split into two sides, and discussed how the emerging digital market has been impacted by Huawei’s competitive advantage.

Prof. Victor Gorshkov from Kaichi International University presented “Cashless Economy: Global Trends and the Case of Japan.” He provided policy implications for the government of Japan to balance the proposed policy initiatives and perhaps implement a more phased development of the FinTech industry, by selectively providing a policy review related to the promotion of FinTech industry, which is a cornerstone of Society 5.0. He paid particular attention to the challenges that Japan is facing on the path toward a cashless economy.

Prof. Michihiro Hino from Kagoshima University gave a presentation titled “A Study on Environmental Goods Negotiations and Trade” and analyzed how the world has proceeded the negotiations of Environmental Goods (EGs). He argued that EGs trade had an environmental effect, and there was a certain possibility that it can play a social role by ensuring liberalization.

In the conference, we discussed topics from various viewpoints. What became clear was that the global economy is currently changing at an extremely high speed. Huawei, a multinational company from China, is becoming a significant presence in the field of 5G, which is a new communication standard. Poland is becoming a market for multinational companies in emerging Asian countries such as China and India. In addition, Taiwanese companies that were already established in the global market have flexibly changed their strategies and moved to India or other emerging countries under the aforementioned US–China trade friction. However, although the growth of multinational corporations from emerging countries is remarkable, the theory that explains such corporations has not yet developed, and the existing theories that have been developed to describe multinationals from developed countries cannot fully explain those from emerging countries.

We conclude that we have to develop a new theory on multinational corporations from emerging countries in this rapidly changing global economy.

## **References**

UNCTAD (2019) *World Investment Report 2019: Special Economic Zones*, New York and Geneva: United Nations.