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The promotion of outward foreign direct investment – solutions from emerging economies

Foreign direct investment from emerging countries has become a fact. More and more companies take actions abroad, and one of the factors that encourage them to do so is the active promotion of outward foreign investment. The main objective of this paper is to present institutional frameworks and measures used in active outward investment promotion. An analysis of the solutions used in emerging markets indicate that there is no single solution that would function under all conditions. Countries use a variety of institutions that vary in promotion of outward investments abroad. The most commonly used instruments that meet the needs of investors include: providing information on foreign markets and the possibility of making business there, consulting and assistance in finding business partners, assuring financial assisting and insurance from political risk in particular.

Promocja krajowych inwestycji zagranicznych – rozwiązania z krajów wschodzących

Bezpośrednie inwestycje zagraniczne z krajów wschodzących stały się faktem. Coraz więcej przedsiębiorstw podejmuje działania za granicą, a jednym z czynników zachęcających je do tego jest aktywna promocja inwestycji krajowych za granicą. Głównym celem artykułu jest przedstawienie rozwiązań instytucjonalnych oraz stosowanych narzędzi w zakresie promocji inwestycji. Analiza rozwiązań wykorzystywanych na rynkach wschodzących wskazuje, że nie ma jednego rozwiązania, które funkcjonowałoby we wszystkich warunkach. Kraje wykorzystują różne instytucje, które w różnym zakresie zajmują się promocją inwestycji krajowych za granicą. Do najczęściej stosowanych instrumentów odpowiadających potrzebom inwestorów należą: dostarczanie informacji na temat rynków zagranicznych oraz możliwości podejmowania tam działalności gospodarczej, konsultacje, pomoc w wyszukiwaniu partnerów gospodarczych, pomoc finansowa oraz ubezpieczeniowa w szczególności od ryzyka politycznego.

Keywords: outward foreign direct investment, promotion of outward foreign direct investment, emerging economies

Introduction

In today's world, foreign direct investment (FDI) is an element of the landscape of almost all economies in the world. Huge FDI inflows to emerging economies have been very common for a long time but outflows from those countries are a quite new phenomenon.

Drivers of foreign direct investment outflows (OFDI) in emerging economies range from market, labor or natural resource seeking to search for financial incentives or technology. It is noteworthy that for many companies policy changes were very important. The attitude towards outward OFDI changed from restrictive to active promotion. The policy measures adopted by home governments have become important factors influencing investors decisions. In some countries (such as China, India, Brazil) companies have been encouraged to "go global" and researchers agree that institutional factors in home countries play an important role in shaping international expansion behavior and direction of emerging markets companies [Luo et al., 2009, p. 1].

The main objective of this paper is to present institutional frameworks and measures used in active outward investment promotion in emerging economies.

1. Outward foreign direct investment from emerging markets

The concept of foreign direct investment can be defined in different ways, but the differences are the result of understanding this phenomenon, not its essence. In the practice of the collection of data on investment flows to/from different countries, the most commonly used definition is the one developed by the Organization for Economic Cooperation and Development (OECD) – a benchmark definition.

According to the OECD definition, foreign direct investment means the gain by a resident of one country (the direct investor) of permanent interest in the enterprise (the direct investment enterprise) resident in a country other than that of the foreign investor. The lasting interest implies the existence of long-term links between foreign investor and the enterprise in which the investor has an impact on and in which plays a significant role in management [OECD 1999, p. 7–8].

This long-term relationship is expressed in terms of a possession by a foreign investor of at least 10% of the votes in a direct investment enterprise. The designated limit of 10% may be questionable, because in some cases it may be too little and not give the investor the possibility of actively influencing the actions of the company; on the other hand, in some cases even smaller share than 10% may allow for an effective impact on the management of company. OECD, however, does not recommend deviations from the established threshold, as this could result in lack of clarity in the comparison of statistics between countries. Direct investment means both the initial transaction concluded between the investor and the direct investment enterprise and all subsequent investments executed between them [OECD 2008, p. 10 and 40–41].

Depending on the direction of capital flow foreign direct investment can be divided into inward FDI and outward FDI. Inward FDI may be defined as investing foreign capital in local resources, while outward FDI is considered as direct investment abroad.

The world economy in last few years was characterized by the periods of declines and increases in outflows of foreign direct investments. In the year 2005, FDI outflows reached a level of 882 132 millions USD. The following two years brought increase in the OFDI: in 2006, the level of global outflows rose to 1 405 389 millions USD and in 2007, they scored the record level of 2 174 803 millions USD. The turmoil in financial markets and slow down of global economies, which constituted the financial crisis, caused that global OFDI in 2008 fell to the amount of 1 910 509 millions USD. The year 2009 was even worse when the global foreign direct investments outflows felt to the level of 1 170 527 millions USD. In 2010, there was a rebound and OFDI reached the level of 1 323 337 millions of dollars.

Most of the FDI outflows are made by developed economies, although in recent years increasingly noteworthy have become outward foreign direct investments from emerging markets. Its large scale is not a surprise anymore and has become a common fact in today's business world. The lions share in this category is made by companies from South, East and South-East Asia, mostly from China, South Korea, Singapore, India, Malaysia or Taiwan, but companies from Brazil or Russia are also quite active.

The biggest rise in FDI outflows was made by China. In year 2005 this country made investments abroad amounting to 12 261 millions of dollars. In the next year, the amount of outflows almost doubled. In the year 2008, the outflow was more than twice as big as in 2007 – respectively 52 150 million USD and 22 469 millions USD. In the year 2010, the amount of FDI outflow from China reached 68 000 millions of US dollars.

Hong-Kong is a country that in years 2005–2010 managed to invest abroad the most. In the year 2005, it invested in other countries over 27 000 millions USD. In 2006, the capital outflow reached almost 45 000 millions, and in the year 2007, over 61 000 millions of US dollars. In the year 2008, the volume of outward investment decreased to 50 518 millions USD, but in the next two years it increased again, respectively up to almost 64 000 millions USD in 2009 and 76 077 millions USD in the year 2010.

Another big player among emerging economies is Russia. In the year 2005, it managed to invest in other countries capital worth 12 767 millions USD. In the year 2008, Russia managed to invest more than three times more than in year 2005

– almost 55 600 millions of US dollars. In the year 2009, the volume of capital invested abroad fell to 43 665 millions, but in 2010, it went up again – Russian companies invested capital amounting for 51 697 millions of USD.

In 2005, Singaporean companies invested globally over 11 200 millions of USD. In the two following years, they managed to invest respectively 18 809 millions in 2006 and 32 702 millions in 2007. The year 2008 wasn't good for Singaporean companies as they made disinvestment on amount of -256 millions USD. In the following two years, Singaporean companies invested abroad over 38 000 millions of US dollars.

South Korea is also quite active among emerging economies. In the year 2005, Korean companies invested over 6 000 millions USD, in next few years respectively: 11 175 millions USD in 2006, 19 720 millions in 2007 and 20 251 millions in 2008. In 2009, there was a small slowdown in Korean investments – it fell to 17 197 millions. In year 2010 the volume of Korean outward investment reached 19 230 millions of USD.

Indian outward investment is also quite considerable among emerging economies. In the year 2006, investment in other countries made by Indian companies rose from 2 985 millions USD in 2005 to 14 285 millions USD. In the next two years, they also rose up to 19 397 millions USD, but in the next two years they fell to 14 626 millions in year 2010.

Table 1. Foreign direct investment outflows 2005-2010 (millions USD)

Region/selected economy	2005	2006	2007	2008	2009	2010
World	882 132	1 405 389	2 174 803	1 910 509	1 170 527	1 323 337
Developed economies	745 679	1 154 983	1 829 044	1 541 232	850 975	935 190
Developing economies	122 143	226 683	294 177	308 891	270 750	327 564
Hong-Kong	27 196	44 979	61 081	50 581	63 991	76 077
China	12 261	21 160	22 469	52 150	56 530	68 000
Russia	12 767	23 151	45 916	55 594	43 665	51 697
Singapore	11 218	18 809	32 702	-256	18 464	19 739
South Korea	6 359	11 175	19 720	20 251	17 197	19 230
India	2 985	14 285	17 234	19 397	15 929	14 626
Malaysia	3 076	6 021	11 314	14 956	7 930	13 329
Brazil	2 517	28 202	7 076	20 457	- 10 084	11 519

Source: *World Investment Report 2010, Non-Equity Modes of International Production and Development*, UNCTAD, New York and Geneva, 2011, p. 187–190.

Malaysian investments were not that significant in 2005 and 2006 (respectively 3 076 millions and 6 021 millions USD), but in the next two years, Malaysian companies managed to invest abroad respectively 11 314 millions USD in 2007 and 14 965 millions in 2008. In the year 2009, the volume of outward investment from this country fell to 7 930 millions USD, but in the following year it rose again up to 13 329 millions USD.

Brazilian companies managed to invest in other countries in the years 2005–2008 respectively: 2 517 millions USD, 28 202 millions USD, 7 067 millions USD and 20 457 millions USD. In 2009, there were made disinvestment on the amount of – 10 084 millions USD. In 2010, there was rebound and Brazilian companies invested over 11 500 millions of dollars.

2. Outward foreign direct investment policies

The attitude toward promotion of outward FDI (promotion of outward FDI in this context is considered as all actions and measures undertaken by home government to encourage companies to invest abroad) varies among economies. While in many developed countries it is already a standard, in developing countries the active promotion of OFDI is a quite a new phenomena. This is because exports and inward FDI have been viewed as more beneficial for growth of the country than imports and outward FDI. Recently, there has been a growing recognition that outward FDI can also bring benefits for growth and productivity. For example the acquisition of superior technology through outward FDI can help lifting up the technological capabilities of the home investing country's firms and industries [Hayakawa, Lee, Park, 2010, p. 19].

In most of the emerging markets, the policy toward outward FDI changed over the years from very restrictive to active promotion. Some governments used restrictions in capital outflow in order to prevent from negative effects on the balance of payments, the risk of capital flight and to secure sufficient access to foreign exchange. Among restrictions used by the governments, there were for example foreign exchange controls, long and complicated approval process, reporting requirements, monitoring of FDI, restrictions concerning only some kind of investments or investments in certain regions or countries. Most of the emerging economies moved toward OFDI liberalization in the late 1980s and right now many governments declare that active promotion of FDI will be one of their priorities. However, there are still countries that ban outward investments at all, some require from companies to obtain many approvals and decisions, in some it depends on the value of the project or the industry the company comes from. Some countries also control companies that have already invested abroad: governments require reports on activities abroad, financial statements, payments of taxes on corporate profits [WIR, 2006, p. 204–206].

It is important to remember that active promotion of OFDI deserves a careful consideration – it should take place when domestic enterprises have reached a certain level of development. If not, government's efforts should be first focused on enhancement of domestic firm's capabilities and competitiveness for example by ensuring favorable business environment, sound policies on education, technology and science, legal environment.

Among countries that liberalized policy toward OFDI gradually is China. Before the country decided to "go global", the government's policy toward OFDI remained tentative, country focused on the promotion of inward FDI to China. Actually, the policy toward OFDI may be divided into five different stages. In the first phase from 1970 to the mid-1980s, investing abroad was controlled by the country and tightly restricted. In the second phase form the half of 80s till the early of 90s the regime was mitigated and some companies could invest abroad. Among regulations used by the Chinese government there were for example strict approval procedures, controls on the transfer of founds that were to be used for investments outside China. Between 1992 and 1998, the regulations were reduced, although at the end of this period were tightened again in order to avoid speculative excesses. In the following years (1999–2001), the government deregulated policy to stimulate trade and trade processing networks abroad in anticipation of China's entry into the WTO. The first policy document that encouraged outward investment was issued in 1999. The intension of this document was to encourage companies to "go abroad" to engage in processing and assembly operations outside China. In the year 2000, the country introduced so called "go global" strategy. The strategy included both the removal of restrictions and also positive incentives to support outward investments. From 2001, the concept was consequently included in following Five Years Plans, and "go global" policy have become a part of annual economic development plans [Freeman, 2008, p. 4–5; Rasiah, Gammeltoft, Jiang, 2010]. In 2004, the National Development and Reform Commission (NDRC) and the EXIM Bank of China issued a circular promote a selected kinds of FDI.

Another example of a gradual shift from restricted to promotional policy toward outward foreign direct investment might be the case of South Korea. Till the middle of the 80s, foreign direct investment from that country have been insignificant, while the country (with few exceptions) discouraged companies to do so. In the years 1968–1974, investing abroad was permitted, especially in some sectors, but because of current-account deficits problems the government introduced restrictions. In the next phase (1975–1980), guidelines for approval and monitoring of OFDI were established. The cases when investment was allowed included: the investment was expected to ensure the import of raw materials not available domestically; to relief bottlenecks in exports; secure the fishery area; relocate an industry abroad to enable it to win back its international competitiveness. In the next stage, the restrictions were eased, the authorization of investment plans was abolished. From the year 1987, all the procedures were even easier, furthermore because the rise in labor costs and appreciating currency companies were made to invest abroad and government introduced a regulation that allowed companies only to notify the Bank of Korea that it wants to invest, if the project was less than 1 million USD. The process of investing was further simplified. The last phase started from 1991. In 1994–1995 for projects to some size, investors were asked only to obtain a certificate from foreign exchange bank. From 1996 investments in all business categories were allowed, and the next year procedures were transferred to the notification system for all FDI projects from authorization system. From 1999, the only requirement, regardless of project size, is prior notification to and approval by a foreign exchange bank. Right now the government actively promotes outward FDI [WIR 2006, p. 208].

Another case might be India. It's regime may also by divided into three phases. Indian companies started to" go abroad" in the 60s although the policy toward OFDI was quite restrictive till 1992 – only minority owned companies could invest, 50% of dividends had to be repatriated, cash remittances were not allowed. From 1992, the country started to liberalize attitude toward OFDI. The number of sectors that Indian companies could invest in were raised and the ceiling on the number of automotive approvals of OFDI have been raised and companies started to have a greater access to financial markets. From 1995 as India accessed WTO, an increase in the upper limit for automatic approval took place. The last important policy changes took place in 2003 and 2005, when Indian companies were allowed to invest up to 100% of their net worth and two years later up to 200%. Also investors were given a chance to get financial support from Indian EXIM Bank or commercial banks in India [Rasiah, Gammeltoft, Jiang, 2010].

3. Promotion measures

Investors that are planning to "go abroad" usually demand for the whole range of services that would help them to set up a business in foreign country: information necessary to make appropriate investment decisions, financial support, help with communication with the government officials, partner seeking and match-making services, insurance of theirs actions undertaken abroad.

Among the most popular instruments used by governments in emerging economies there are:

1. Dissemination of information about investment prospects, provision of information about foreign markets – laws, regulations, cultural differences, possible incentives offered to investors on these markets. Korean KOTRA for example collets this information and publishes it in guidebooks about particular markets for

example Brazilian, American or Chinese. Potential investors can also find information on organizations and institutions in home country that help in investing abroad (such as Export-Import Banks). Some countries collect also information about obstacles that investors might find in a particular country and publish it on websites or in a form of a paper reports. For example, the government in China collects data on problems that investors face in foreign markets and publishes it as: "Obstacle Reports on the Investment to Different Countries".

Countries provide information usually in a form of paper or electronic publications, databases, brochures, etc. Very popular are also arranging meetings with potential investors, organizing conferences or seminars on doing business abroad. Some countries also provide consulting services oriented on providing expert information on specific sectors of business: domestic financing, overseas investment insurance, taxation procedures in home and host countries, overseas notification procedures, employment assistance or labor management.

In today's globalized world lots of information is obtained from the Internet, so many countries use websites as an information points for potential investors by offering for example on-line consulting or on-line blogs or communities where investors may exchange their experiences on doing business in different countries. Some governments also (for example South Korea) use overseas investment call centers where entrepreneurs can consult on the investment environment and procedures with regional experts.

2. Trade missions (considered as a business trip that include representatives of private companies and local government, carried out to discover the commercial customs of other countries, their preferences and requirements, visit the selected trade fairs or exhibitions and take part in organized trade meetings; those activities are a good chance to establish business cooperation, they are a great way to start international partnerships [Telka Plus]) to a particular country or region are another measure commonly used by emerging countries. During these kind of events, outward investors are able to meet with officials from the host country and find out more about business opportunities in the country. Lots of countries use missions as a great way to do some match-making. Many countries like Malaysia, Singapore or Korea use this kind of measures. Some governments use especially designed databases that include information from business partners and investing intensions of home investors.

A good example of the country that uses this approach is South Korea and it's Center for Overseas Investment Services located in KOTRA. The Center provides match-making and mission preparing program, including assistance with on-the--spot scheduling and accommodations, arrangements of meetings with personnel and provision of local investment information [KOTRA, 2008].

3. Some countries like Mexico, South Korea or Singapore have created so-called "comfort zones" – places in host countries working as one-stop-points of ac-

cess to government ministries, but also education, schools or health services for investors or places offering marketing or legal services [WIR, 2006, p. 211]. An example of such a place can be China-Singapore Suzhou Industrial Park (SPI) built in Suzhou, China with a huge Singaporean input. SIP is the largest cooperation project between China and Singapore Government. It has a total jurisdiction area of 288 sq km, of which, the China-Singapore cooperation area covers 80 sq km with a planned residential population of 1.2 million. Industries that are encouraged in this zone are for example: automobile production, aviation and aeronautics products, pharmaceuticals, computer software, telecommunications equipment and others. SIP has a very good educational program, which is one of the most important programs that the government is focusing on. It is a place for universities not only Chinese ones but also from other countries (for example Sino-British Xi'an Jiaotong-Liverpool University).

4. Another group of promotional measures are incentives and investment insurance. Incentives are used to reduce the cost of investing abroad. They might also shape the direction of investments. Incentives appear in different forms, for example tax exemptions, credit support – preferential loans, export credits, special incentives directed for small and medium sized enterprises or for companies that want to do business in special localizations or in special sectors. Investment insurance is provided mainly against political risks.

In China, for example, the government uses a single corporate income tax policy to avoid double taxation, the credit support from Chinese EXIM Bank – credit found have low lending rates, fast approval processes and extensible terms. Chinese companies can also get discounted bank loans. They can also count on direct support for costs. Support for costs can be either for pre-investment expenditures or operating costs, although many companies qualify only for pre-investment expenses. They apply for costs for obtaining third party legal, technical or business consulting services, surveys, project feasibility studies, purchase or translation of documents or specifications. Those subsidies were available for companies that invested in agriculture, forestry or fisheries, labor services or high technology R&D. Chinese EXIM Bank offers short-term export credit insurance and also medium- and long-term insurance, credit and guarantee programs [Freeman, 2008, p. 7; Luo et al., 2009, p. 8].

4. Institutional Framework

Institutional framework focused on the promotion of OFDI differs considerably among countries. As the developed countries noticed the need of promoting outward FDI long ago, a set of institutions they use is more developed. In emerging economies, however, most of the countries do not have special agencies that would be devoted to this kind of activities, although some of them (especially in Asia) have a quite well working promotion systems.

Institutional solutions in the promotion of FDI usually provide three different kinds of entities: agencies focused on the promotion of trade, agencies devoted to the promotion of inward foreign investments and export credit and insurance agencies.

Trade promotion agencies usually focus on promotion of exports from the home country, but some of them also help enterprises to develop more sophisticated forms of market entry. Promotion of exports and investment sometimes requires different measures, but lots of them are similar. Most of agencies usually offer investors the same set of instruments, among which the most important are:
– information provision,
– match-making services,
– consulting,
– feasibility studies,
– legal support,
– financing support,
– training support,
– incentives,
– investment guarantee.

A good example of an institution that helps home enterprises to "go global" is Singaporean International Enterprise Singapore (IES). It is a government institution driving external economy, with a global network of subsidiaries in many countries. It's mission is to help Singaporean companies to grow and internationalize successfully. The institution offers a whole range of measures like organizing business missions, helping with finding partners, offering assistance programs, delivering industry and market reports and publications, providing consulting services and also offering access to financial tools, grants and tax incentives.

Another kind of institutions engaged in promotion of outward foreign direct investment are investment promotion agencies. IPAs usually concentrate on the promotion of inward FDI, but many of them also promote development of home companies and outward investments. This kind of approach is used for example by the Singaporean Economic Development Board (EDB assists companies in establishing competence and conducting regional activities by, for example, offering some financial help) or the Malaysian Investment Development Agency (one of MIDA's core functions is to facilitate cross border investments and assist Malaysian companies to identify markets and investment abroad).

Very interesting solution is used in the South Korean KOTRA (Korea Trade-Investment Agency). KOTRA is an institution that maintains both trade and investment promotion to enhance national prosperity and competitiveness of the country. Since 2004 the institution has been supporting outward foreign direct investors as the first Korea Business Support Center has opened at KOTRA's Beijing Korea Trade Center. In the same year, first overseas Investment Support Center was established in head office. In 2007 Global KOTRA was selected within the organization, next to Invest KOTRA responsible for inward FDI promotion. In the same year, call center for overseas investment began its operations and Overseas Investment Support Council was set up. The main activities of overseas support services include gathering information and dealing with global market issues, regional markets, research on investment related laws and regulations by region, running the website and Korea Business Support Centers, development and consultation of overseas business projects.

Very important for the Global KOTRA operations is the Overseas Investment Information System working as a website (www.ois.go.kr). The website provides all information for potential investors about foreign markets but also about support system and institutions within Korea. It also provides consulting services. Some of the KOTRA's services are free of charge, for example primary consulting on investment environment and procedures, comprehensive strategic consultations – tailor made consultations (investment strategy, marketing strategies, market reports), but for some services clients have to pay, for example business trip assistance for investment purposes, establishment of a local subsidiary or factory.

The last group of most commonly used institutions involved in the process of promoting OFDI are EXIM Banks or other kinds of institutions involved in providing insurance or credit to outward investors. Credit and insurance entities usually are involved in delivering short-term export credit insurance and credit facilities (for example letters of credit) as well as medium- and long-term insurance, credit and guarantee programs. The EXIM Bank in Malaysia for example offered help for Malaysian companies that wanted to invest in labor-sensitive industries to relocate to countries where labor is cheaper [WIR, 2006, p. 213].

The China Export-Import Bank of China is one of the most important actors involved in promotion of OFDI. Its main role is to deliver concessionary loans to strengthen support implementation of national strategy of "going global" and boost economic and social development of recipient countries, while strengthening ties and economic and trade cooperation between China and other emerging economies. The major part of the bank's operations is exporting sellers' and buyers' credits. The Bank is also the sole bank entrusted to disburse Chinese government concessionary loans and provides guarantees to support exports of major projects such as ship, power stations, high and new technology products. The chinese EXIM Bank uses package deals involving combinations of export buyer's credit or export seller's credit and concessionary loans [Freeman, p. 9].

In China, apart from the EXIM Bank, there are several institutions that guide and manage OFDI. The most important institutions are the Ministry of Commerce

(MOFCOM), the National Development and Reform Commission (NDRC), the State Council, State Administration of Foreign Exchange (SAFE), and the Assets Supervision and Administration Commission (SASAC).

MOFCOM is one of the most important institutions in formulating and implementing the policies. The most important functions of this institution are, for example, ratifying large OFDI projects in non financial sectors, working on special policies and regulations concerning OFDI, representing China in WTO and other regional trade organizations, negotiating trade treaties. MOFCOM consists of many departments that are involved in some issues connected to OFDI – for example, Policy Research Development is responsible for doing analysis about international environment – trends, politics, economy. NDRC is the second the most important institution involved in promotion of OFDI. It is responsible for formulating and implementing strategies of development, approving, authorizing and reviewing key investment projects for overseas resources development, and investment projects utilizing large amount of foreign exchange as mandated by the State Council, studying and putting forward strategies and plans for foreign capital utilization and overseas investment. Another institution, the State Council is an entity with a major role of blueprinting China's overall OFDI policy in the long term. The Council deals with general issues that might have an impact on doing business abroad by Chinese companies. SAFE is an institution responsible for issues connected with foreign exchange – monitoring inflows and outflows. One of the SAFE's responsibilities is to give an opinion on the source of foreign exchange, financial assessments to investors, but these opinions are not that important any more. SAFE is also responsible for managing Chinese foreign exchange reserves or overhauling foreign exchange policies. SASAC is China's biggest investor and owner in Chinese non-financial state owned enterprises (SOE) and serves as the managing agency for these assets. It controls SOEs. State owned companies can get institutional support from SASAC like commercial loans, facilitating the process of approval, coordinating with other regulatory institution for the firm [Luo et al., 2009, p. 4–5; Freeman, 2008, p. 8; www.en.endrc.gov.cn].

Conclusions

Over the last decades, an attitude toward the promotion of OFDI in emerging markets has changed considerably. Countries started to notice that outward investments can bring them benefits that can help to develop their competitiveness, but it is important to notice that this is only true, when countries reach some level of development. An active support of OFDI might be one of the reasons for an increase in capital outflows from emerging economies.

Although there is no one fit-to-all solution in outward investment promotion, there are some solutions that are better than the others and might serve as tips for policy makers from other countries.

Investing abroad is considered as a very risky, expensive and uncertain business. Companies deciding to invest their capital usually require competent and full information about the markets, dealing with local government officials. The help with financing or insurance from risk is also a crucial matter. In response to the requirements of potential investors, governments offer the whole range of instruments that might be helpful for enterprises. It seems that the most important measures adopted by countries are delivering information – paper or electronic publications are quite useful and also databases available online – and consultations. Consultations especially offered by experts from different areas (marketing, law, etc.), sectors or regions and countries that give first hand and competent data on the topic. Consultations on institutions working to help investors in home countries are also a big help.

Financial support and insurance seems also crucial. Among the most important measures in this field used by emerging economies are preferential loans, tax exemptions and short-, medium- and long-term insurance especially against political risk.

The institutional framework engaged in promotional effort also differs. Most of the countries use IPAs or trade promotion agencies that combine inward investment promotion or trade promotion together with outward FDI promotion. Although it seems like a good combination, some problems and threats might occur there as well. Sometimes actions related to the promotion of exports, inward and outward investments might seem similar, but very often they require different measures and approach. If those activities are performed in one institution, it is important to ensure that some will not be executed at the expense of others. A good solution in this situation may be a clear separation of the departments dealing with specific tasks, for example inward foreign investment promotion and outward foreign investment promotion. A lack of clear separation might lead to blurring of the function of such an entity. A good example of agency that dealt very well with this problem is the Korean KOTRA.

It is also worth mentioning that for many investors, mainly small and medium ones, a great significance might have foreign offices of promotion agencies. It is especially important in countries with a large political risk – a presence of a national agency might give investors some kind of a psychological sense of security, but also assure them that they can get accurate information about the specific country.

Outward foreign direct investment promotion seems to be a quite important factor that make companies to invest capital abroad, but it is important to remember that the policy and measures adopted by governments can not be stable and should be reviewed as global trends and companies requirements change.

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