# WHY DO SOME NASCENT AFRICAN MULTINATIONALS INVEST OUTSIDE THEIR HOME REGION? SHOULD THEY?

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## ABSTRACT

This study draws on preliminary case evidence to explore the motivations and advisability of nascent African MNEs' engagement in outward foreign direct investment (OFDI) activities outside their home region. It complements recent research on MNEs from emerging markets, which has dominantly focused on the BRICS (Brazil, Russia, India, China, and South Africa) economies, with virtually no attention to potentially important players from rising Africa. The MNEs explored in this study originate from the energy, manufacturing, construction, chemicals, agribusiness, extractive/mining, and financial services sectors, and they have investment footprints in several economies of the Global 'South' and the advanced North. Their OFDI moves to both economic groupings seem to be commonly motivated by the search for market opportunities, strategic assets/resources and performance-boosting relationships, though more advanced economies appear to attract more strategic asset-seeking FDI from nascent African MNEs. The paper argues that intraregional investments by African MNEs should continue to attract primary attention, but selective and strategic extra-regional FDI, undertaken with an eye on further global competitiveness, also requires appropriate policy support. This seems even more sensible given that the prevalence and acceleration of borderless digital internationalisation and the increasingly blurred nationality of MNE affiliates are lessening the relevance of regional distinctions.



KEY WORDS: FDI, Motivations, Multinational Enterprises, EMNEs, African MNEs, Southern, Advanced Economies

# INTRODUCTION

Outward foreign direct investments (FDI) from the "South", or by emerging market multinational enterprises (EMNEs), have witnessed such significant grown over the past few decades that they are now taken for granted. Latest UNCTAD statistics put FDI from developing economies at USD383 billion, approximately a quarter of the total global flows of USD1.75 trillion (UNCTAD, 2017), buoyed by the significant flows from the BRICS, particularly China. The latter's extensive footprint across Africa is well publicised, so is the considerable outlay of Developing Asian MNEs in Latin America and the Caribbean, and the rising intraregional FDI flows within the transition economies, West Asia and Africa (UNCTAD, 2012). Increasingly also, the understandable quest for strategic assets, markets and other catch-up levers has pulled these EMNEs, including State-owned enterprises (SOE), into FDI, particularly mergers and acquisitions (M&A) in more advanced economies (Mathews, 2006; Kumar, 2009; Ramamurti and Singh, 2009; Birkinshaw et al., 2010; Madhok and Keyhani, 2012; Peng, 2012; Sarathy, 2013; Marchand, 2015; Rao-Nicholson et al., 2016).

African MNEs are a part of these significant South-South and South-North FDI flows, *albeit* to a markedly lesser degree than the BRIC economies (BCG, 2010; Ibeh, 2013, 2015). Their input is reflected in the massive jump in the continent's overall FDI stock, from USD38.9 billion in 2000 to USD268.7 billion in 2016, and its growing army of over 500 services multinationals (UNCTAD, 2015). Notably also, intra-African FDI accounted for 76 per cent of the continent's outflows on greenfield projects (UNCTAD, 2015), and cross-border intraregional M&A by nearly twenty fold, from USD130 million in 2013 to USD2.4 billion in 2014 (UNCTAD, 2015). Not surprisingly, South African MNEs are a dominant contributor to these African outward and intraregional FDI (Verhoef, 2016), but nascent African MNEs notably from Nigeria, Togo, Morocco and Egypt are also increasingly prevalent.

African MNEs' intraregional FDI activities, like those of their earlier Southern counterparts (Aykut and Battat, 2003), can be explained from an evolutionary, learning-by-doing, psychic or institutional proximity perspectives (Buckley et al., 2007; Ibeh, 2009). They can also be justified based on their probable contributions to job creation, knowledge transfer, infrastructure development, and to the emergence of more integrated African markets, particularly if these serve as viable learning platforms and enablers for African companies seeking to upgrade their capabilities and skill-sets to expand into more challenging advanced markets (Ibeh, 2009). The case for African MNEs' South-North FDI is, however, more contentious, particularly given concerns in the literature about integration failures and sub-optimal value-creation arising, *inter alia*, from absorptive capacity limitations and institutional dissimilarities (Rugman and Li, 2007; Peng, 2012; (Rao-Nicholson et al., 2016). These are additional to more traditional questions, in scholarly and policy circles, about the net impact of OFDI on sustainable development indicators such as domestic employment (both intra-firm and beyond), productivity, and knowledge base (technological and managerial), institutional upgrade and infrastructure development (Hejazi and Pauly, 2003; Hendriks, 2017).

The aim of this present research is to explore the motivations and advisability of nascent African MNEs' engagement in FDI activity outside their home region. It seeks to improve understanding of the nature of extra-regional OFDI activity being undertaken, the whys and wherefores for so doing, and the policy issues raised. The study contributes to the continuing scholarly and policy debate surrounding FDI destinations and EMNEs' growth directions (Rugman and Li, 2007; Ibeh and Makhmadshoev, 2018). This paper further reflects on how relevant institutions, development partners and policy makers might better support current and potential African MNEs toward upgrading their capacity for investment decision making in order to better impact their home and regional economies. The remainder of this paper is organised as follows. Section two presents a brief and selective review of the literature pertaining to the issues raised and outlines relevant research questions. An explanation of the case study approach adopted is provided in section three. This is followed by the presentation, analysis and discussion of case material. The final section summarises the findings and discusses the public policy, economic development and future research implications. It should be noted that for the purposes of this study, direct investments by North African MNEs within the Middle East and North African (MENA) region are not considered extra-regional; this is given these MNEs' connectedness to both Africa and the Middle East.

## LITERATURE REVIEW AND RESEARCH QUESTIONS

Theoretical explanations of the whys and wherefores for MNEs' choice of FDI destinations have generally revolved around a phalanx of motives, including market-seeking (to access potentially lucrative foreign market opportunities); resource-seeking (to access potentially advantageous resources located abroad); efficiency-seeking (to exploit favorable cost structures, efficiencies or scale economies abroad); and strategic asset-seeking, including knowledge/technology- and relationship-seeking motivations (to access knowledge assets/capabilities and relational/network benefits embedded in market actors abroad) (Dunning, 1993; Mirza, 2000; Ibeh, Young, and Lin 2004).

The more traditional of these motives, market-, resource- and efficiency-seeking, can be traced to the asset exploitation logic of early international business economists (Hymer 1960; Caves, 1971) – echoed by the resource-based view (Penrose, 1959; Barney, 1991) -, which explains FDI as a means of optimizing quasi-monopolistic (and *liability of foreignness*-neutralizing) advantages possessed by MNEs over indigenous competitors. Such advantages, subsequently reframed as ownership, location and internalisation advantages (OLI) (Dunning, 1977) or firm-specific assets (FSA) (Rugman, 1980), are thought to underpin MNEs' search for market opportunities, resources and efficiencies via FDI. Later research, mainly on EMNEs, broadened these spectrum of advantages to encompass relationship and network advantages (Dunning, 1993), country-specific advantages, institutions (Dunning and Lundan, 2008) and government support (Kalotay and Sulstarova, 2008). Significantly, this later research stream posits asset exploitation and "O1" advantages as more relevant to explaining FDI by traditional MNEs than that of their emerging market counterparts. The latter, the argument goes, tend to be more focused on asset augmentation or seeking strategic assets, including knowledge, technology, intellectual property, brands, reputation or prestige, and critical relationships/networks (Mathews, 2002, 2006; Aulakh 2007; Luo and Tung, 2007; Amighini et al., 2010; Chen et al., 2012; Gaffney et al., 2014), particularly as they move up the value chain into more complex and higher value-added activities. The Linkage-Leverage-Learning (LLL) framework postulated by Mathews (2002, 2006) aptly reflects this asset-augmentation perspective.

The foregoing should not; be interpreted as implying that EMNEs only seek strategic assets in their FDI activities. On the contrary, classic FDI motivations, specifically the quest for markets, resources and efficiencies, are also relevant (Amighini et al., 2010; Yeganeh, 2016). The literature, to be sure, offers countless examples of market-seeking FDI among EMNEs, including Chinese firms' push into Japan and Southeast Asia (Frost, 2004), Russian firms' expansion into Eastern Europe (Vahtra and Liuhto, 2004) and South African MNEs' expansion into other African markets (Klein and Wocke, 2007; Vorheof, 2016). These EMNEs, even those with sizeable and rapidly growing domestic markets, are known to explore new foreign markets to enhance competitiveness against domestic rivals, get closer to customers and gain knowledge about foreign markets. Resource-seeking motivations, including search for raw materials and labour (De Beule and Duanmu, 2012), are also amply illustrated by Chinese and, to a lesser extent, Indian FDI to Africa, Latin America and elsewhere (Casanova, 2004; Goldstein, 2006; Buckley et al., 2007). Although efficiency search tends to be of less importance to EMNEs - who typically enjoy lower cost-base via access to cheap labour, abundant natural resources, and government support -, rising competition in domestic and international markets appears to be changing this. There is evidence, for example, of EMNEs outsourcing to cut production cost (Sim and Pandian, 2007) or expanding to advanced countries in pursuit of scale economies (e.g. Tata Group's acquisition of UK-Dutch steel group, Corus - Goldstein, 2008). Enhanced national prestige, or projecting corporate identity at the world stage, has also been identified as another important motivation among EMNEs, particularly those supported by their national governments (Gaffney et al., 2014).

Regarding investment locations for developing economy MNEs, theory, specifically the evolutionary, learning-by-doing, demand similarity, psychic distance (Johanson and Vahlne, 1977) and institutional proximity perspectives (Rugman and Li, 2007), essentially recommends priority attention to intraregional and other Southern economies given their better fit with the institutional characteristics and resource profiles of developing economy MNEs. Arita (2013), for example, attributed the higher presence of developing economy FDI in the Global South (e.g. Chinese and Indian MNEs in Africa - De Beule and Duanmu, 2012) to such broadly proximate institutional factors across developing markets. There is, however, some suggestion in the literature that FDI location decision is increasingly influenced by the motive/s underpinning the particular FDI activity. According to this literature strand, developing country MNEs with market-seeking motivations tend to gravitate toward more difficult institutional environments typically found in less developed countries, where their familiarity with poor institutional contexts and superior ability to understand and manage uncertain, volatile, and even harsh business conditions, and adapt to local market requirements may offer some advantage over their advanced economy counterparts (Cuervo-Cazurra and Genc, 2008; De Beule and Duanmu, 2012). On the other hand, those that seek strategic assets appear to favour more advanced economies (Citigroup, 2005; UNCTAD, 2005; Goldstein, 2006; Amighini et al., 2010) – see for example, Pietrobelli et al. (2010) finding about China's Haier acquisition of a well-known brand and manufacturing and R&D facilities in Italy. The corollary of the foregoing is that in their germane search for both catch-up strategic assets and market opportunities, some developing country MNEs are concurrently and ambidextrously investing in advanced and developing economies (Yeganeh, 2016).

Previous research on the impact of outward internationalisation, including outsourcing and FDI, suggests a mixture of effects on home economies: direct positive (e.g. overseas profits and associated tax income);  direct negative (e.g. potential loss of jobs and reduced tax income); and indirect positive (e.g. cost savings resulting from optimal allocative efficiency or the so-called "batting average" effect associated with a lower cost location (Blomstrom and Kokko, 1998; Bitzer and Gorg, 2005). Outward FDI has been found to make a positive contribution to domestic total factor productivity, through spillover effects from accessing foreign R&D, capital stock, local knowledge, public infrastructure and leveraging agglomerative effects in target countries (Hejazi and Pauly, 2003), and through technological and skill upgrading at home. Research also suggests that the impact of outward internationalisation may vary according to the type of industry or technological intensity (Bitzer and Gorg, 2005), the underlying motivation for the investment (Driffield and Love, 2007), the location of the investment (Bitzer and Gorg, 2005), and so on Evidence, for example, suggests that outward FDI in certain high technology sectors tends to lead to effective technology transfer and productivity gains at home. As noted earlier, such strategic asset-seeking FDI or 'home-base augmenting' FDI (Chung and Yeaple, 2004; Driffield and Love, 2007) are increasingly common, but their outcomes may depend on factors, including the location of the OFDI activity, the investing firm's absorptive capacity, and the extent of institutional similarity/divergence between the investing firm and host economy.

The foregoing review raises the following questions, which are explored in the present study:

*What do we know about nascent African MNEs' outward FDI activities outside their home region? Where are these activities located?*

*Why are these extra-regional OFDI activities undertaken?*

*How advisable is African MNEs' engagement in extra-regional FDI?*

## RESEARCH CONTEXT AND METHODOLOGY

The foregoing research questions were addressed using a case study approach (Miles and Hubermann, 1994; Yin, 2003), which is justified based on the severely limited extant knowledge on the FDI behaviour of African companies outside of the economically advanced South Africa. It also responds to repeated calls for more qualitative designs in international business research (Ghauri, 2004; Piekkari and Welch 2004; Welch and Piekkari, 2017), and has been successfully employed in studying emerging market MNEs from other regions (e.g. Sim and Panadian, 2003; Del Sol and Kogan, 2004). The following incremental steps were implemented to ensure good case research protocols and minimise associated weaknesses.

First, the study context was delineated as rising Africa, which reflects the region's recent sustained GDP growth (averaged 5 per cent during 2001-2014 and 3.6 per cent in 2015 - IMF, 2015), but also excludes South Africa, one of the BRICS economies with several well established global players

(Klein and Wocke, 2007; Verhoef, 2016). This delimitation also serves to draw attention to the significant level of outward FDI activity from the rest of the continent. The increased OFDI flows originate partly from a new generation of innovative and ambitious African champions (KPMG 2013) and pan African groups, notably from Nigeria, Togo, and Morocco (IMF 2015). A recent report to the World Bank identifies nascent African MNEs as originating from Algeria, Angola, Botswana, Cote d'Ivoire, Egypt, Gabon, Kenya, Mauritius, Morocco, Nigeria, Togo and Uganda, and mainly from the financial services, extractive, construction and manufacturing sectors (Ibeh, 2013, 2015). Kenyan investors are also noted as increasingly important in the East African sub-region (Ngugi, 2016). In addition to the increasingly observed intra-African FDI (UNCTAD, 2015), African OFDI is also directed further afield to other Southern economies and more advanced economies, mainly in Europe and North America (Ibeh, 2013, 2015).

Second, drawing upon relevant best practice literature, the study population was defined as including MNEs that have undertaken FDIN and own or control value-adding activities in at least two countries outside Africa, and which operate under a system of decision-making that permits coherent policies and a common strategy (UNCTAD, 2011). Nine companies – not an exhaustive list - were selected for investigation, to ensure that the findings were not merely a result of one idiosyncratic setting (Miles and Hubermann, 1994).

Third, secondary data from multiple sources, including electronic databases, national and supranational organisations, company websites and reports and business press, were examined for relevant insights on the case firms. Whilst the present study's limited empirical base precludes any meaningful theory testing or generalizability, the case design allows for the exploration of theory (Yin, 2003) and generation of fresh insights on nascent African MNEs, via a triangulation of the aforementioned data sources. Extensive desk-based research enabled the development of case narratives, chronological timelines and longitudinal information on the study firms' major FDI activities, including corroboration of events. The above triangulation or integration of multiple sources produced a valuable and valid patchwork of evidence, in the best tradition of case study research (Yin, 2003). The foregoing aligns with earlier calls in the literature for a greater integration of secondary data sources in IB research (Mol and Birkinshaw, 2014; Puolis et. al. 2013), particularly as they "…provide empirical depth into a case-study project" (Puolis, et. al. 2013, p331).

The data generated from the above outlined procedures was subjected to content analysis – a valid and widely employed method of developing an objective and systematic description of the manifest content of qualitative and archival data (Holsti, 1968; Aronoff, 1975; Bartunek, Bobko, and Venkatramen, 1993; Sydserff and Weetman, 2002). The particular form of content analysis adopted was the meaning-oriented analysis, which is more amenable to an issue-by-issue presentation approach, requires the researcher to focus on the underlying themes in the observed data, matching appropriate content with the pre-formulated research questions, and to interpret the findings accordingly (Sydserff and Weetman, 2002).

## ANALYSIS AND FINDINGS

### Brief Profiles and Indicative FDI Footprints of the Focal MNEs

The nascent African MNEs explored in the present study originate from Algeria, Egypt, Morocco, Nigeria, and Togo, and mainly from the energy, manufacturing, construction, chemicals, agribusiness, extractive/mining, and financial services sectors, These MNEs are the Elsewedy Group and Orascom Construction Industries (from Egypt); Office Chérifien des Phosphates (OCP, Morocco), Sonatrach Group (Algeria); Sonangol (Angola); and Attijariwafa Bank, and Groupe Banque Centrale Populaire (BCP, Morocco). The rest are the Ecobank Transnational Incorporated (Togo) and First Bank Holding (Nigeria). Each of these case subjects is now briefly profiled.

*Elsewedy Electric*, founded in 1984, is an Egypt-based industrial conglomerate engaged in the manufacture and management of power cables, transformers, power generation units and other electrical products. It commenced outward international activities in 2000, has 30 factories in 14 countries, exports to 110 countries, and generate most of its revenue internationally. The company has grown significantly both organically and through acquisitions and joint ventures in the Middle East, sub-Saharan Africa, Europe and other countries. See Table 1 for more profile information, including indicative FDI milestones and footprint.

*Put Table 1 here*

*Orascom Construction Industries* (OCI), founded and controlled by the Sawiris family, is one of Egypt's largest corporations, employing 90,000 staff in 35 countries across Middle East and Africa, Europe, North America, and Asia. It specialises in large industrial construction and infrastructure and fertilizer businesses and operates through major subsidiaries, including the OCI Construction Group, which provides international engineering and construction services for public and private clients, primarily on infrastructure, industrial and high-end commercial projects in the MENA region and Europe. The OCI Fertilizer Group [1] based in Netherlands ranks among the world's top fertilizer producers and owns and operates nitrogen fertilizer plants in Egypt, Algeria, the Netherlands, US, and an international distribution platform spanning from the Americas to Asia. Latest available figures suggest annual revenues of USD5.5049bn, profit of USD719.8m and asset base of $9.83bn. OCI generates most of its revenue outside Egypt and this is likely to continue based on the Group's intensifying international investments, including acquisitions and JVs. Table 2 offers more profile information on OCI, including sample FDI milestones and footprint.

*Put Table 2 here*

*Group Office Chérifien des Phosphates (OCP),* owned 94 per cent by the Moroccan government, is reputedly the world's leading exporter of phosphates and derivatives, with investments in several countries. It went public company in 2008, and employed 19,000 staff and generated USD7.49 billion of revenue in 2011 - see Table 3). Among its international investments is a 50% interest in Prayon, which owns two production sites in Belgium and Pakistan; Maroc Phosphore SA, a joint venture between the OCP and Fauji Fertilizer Bin Qasim Limited of Pakistan, and Black Sea fertilizer trading company, a JV with Turkish Toros Agri-industry Company, aimed at extending OCP's presence to Central Asia and the Balkans. OCP also recently established a JV with India's Krishak Bharati for the development of a greenfield NPK fertiliser plant in Andhra Pradesh, India.

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*Sonatrach*, founded in 1963, is the state-owned Algerian group, prides itself as the first integrated petroleum company in Africa and the 12th largest in the world. It has over 154 subsidiaries within and outside Algeria (49 internationally) and it generated USD63.65 billion with about 47,963 employees in 2010. It is also a leading global gas exporter, with a pipeline network of around 16,200km, and has, as part of its diversification strategy, invested in power generation, new and renewable energies, water desalination, and mining exploration and exploitation. Sonatrach International Holding has over 30 subsidiaries, including wholly-owned trading units in London, Singapore (since 1994), and Amsterdam (Sonatrading). Table 4 offers more profile information on Sonatrach's, including indicative FDI milestones.

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*Sociedade Nacional de Combustiveis de Angola (Sonangol*), incorporated in 1976, is state-owned oil and gas group that operates primarily in the upstream and downstream sectors of the petroleum industry, with additional interests in telecommunications, insurance and financial services and the training of oil industry professionals. It is a highly diversified conglomerate with more than 30 units and JV activities across Africa, South East Asia, Europe and North America, and it generated USD33.88 billion and USD3.3bn profit, with over 10,000 staff in 2011. Seemingly driven to become a significant international competitor, particularly in the African context, Sonangol has undertaken strategic investments both domestically and internationally. The latter include China Sonangol International Holding, a 30:70 JV with Beiya International that has assets in Nigeria, Indonesia, and Argentina and handles crude flows between Angola and China. More profile information, including indicative FDI milestones and footprint, can be seen in Table 5.

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*Attijariwafa Bank*, part of the Moroccan Royal family-controlled Group ONA, is one of Africa's largest in terms of assets. A product of a merger between Banque Commerciale du Maroc and Wafabank, it generated $2.57bn revenue with 14, 861 staff across 3,040 branches. Its investment footprint extends to over 20 countries, including MENA, West and Central Africa, China and Europe (where its 60 branches target the remittances of millions of Moroccan diaspora) (Euromoney, 2013). The first phase of its intraregional expansion focused mainly on neighboring countries and francophone West Africa, while the second, more matured, phase of African expansion in Africa, heralded by the acquisition of Barclays Egypt, prioritized such selection criteria as size of the national economy, population and growth prospects. Table 6 presents more profile information on Attijariwafa bank, including indicative FDI milestones and footprint. Attijariwafa Bank is starting to benefit from its operations south of the Sahara.

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*Banque Centrale Populaire (BCP*), established in 1961, is owned by the state of Morocco (45.4%), 11 regional cooperative banks (22%), the ‘public’ (25%) and the Government Pension Fund vehicle, CDG (5%). Listed on the Casablanca Stock Exchange in 2004, the group reportedly employed 11, 206 employees across 1250 branches in 2014. It also has 4.5 million customers and presence in 11 African countries as well in Europe, Middle East and North America. BCP’s subsidiary, Chaabi Bank set up in 1972 in France, has presence in several other European countries, including Belgium, Spain, Italy, Germany, the Netherlands, and the UK. This expansive international network mainly targets the Moroccan diaspora and accounts for BCP’s leading position in remittance banking. BCP’s African footprint was facilitated via the acquisition of Ivory Coast lender, Group Banque Atlantique (currently 75%), which is active in Ivory Coast, Benin, Burkina Faso, Mali, Niger, Senegal, and

Togo. BCP also recently undertook FDI activity in the USA (representative office in Washington DC) – see Table 7.

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*Ecobank Transnational Incorporated*, established in 1985 by private and institutional investors from several African countries, reputedly the broadest reach of any African bank. It employed 20,331 staff in 1250 branches across 33 African and 4 non-African countries, and generated revenue of USD2.3 billion in 2014. Profit before tax also rose by 135 per cent to USD520 million in 2014. Ranked Number 1 by assets in seven African markets and top 3 in fourteen others, and listed in three West African Stock Exchanges, Ecobank commenced FDI activity in 1989 and has expanded largely through the acquisition of existing banks in various countries – see Table 8 for more profile information.

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*First Bank Holding*, which dates back to 1894, has interests in commercial and investment banking, asset management, insurance and other financial services. It employed, in 2014, 10,464 staff in 862 business locations across 12 countries, including eight African and four non-African markets. Its revenue for that year was USD2.64 billion [4], with 8.8 per cent of this coming from international subsidiaries. Profit before tax for the same period was USD511 million. Listed in the Nigerian Stock Exchange and London Stock Exchange (for Global Depositary receipts' trading), First Bank has won several prestigious awards and global rankings. Its acquisition of Anglo-African Bank in 1912 was reportedly the first ever M&A recorded in this region (Anonymous, 2014a), and this was followed by entry into the UK in 1982 and more recent FDI activities in a number of African countries, France, China, and UAE – see Table 9.

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Overall, it would appear that the foregoing profiles that the case subjects are evolving into significant multinational actors. The analysis now turns to the focal questions raised in the present research, as outlined at the end of the literature review section.

**Nascent African MNEs' Extra-regional FDI: Where? Why?**

The intra-case analysis, above, shows that nascent African MNEs' OFDI activities have mainly been intra-regionally focused; this term, as earlier noted, is operationally used in this study to accommodate direct investments by North African MNEs in institutionally proximate neighbouring MENA countries. That said, there is still considerable evidence regarding OFDI to other Southern economies and more advanced markets of the 'Global North'. This concurs with a recent report, which puts rising Africa's OFDI to Southern and advanced economies at 17 and 15 per cent respectively (Ibeh, 2013). The analysis now focuses on these two types of extra-regional FDI.

*Put Table 10 here*

Table 10, above, offers a non-exhaustive list of other Southern economies targeted by nascent African MNEs in their OFDI activities. The study MNEs are, thus, contributing to the broader South-South FDI flows with investment footprints in South America (Argentina, Brazil, Bolivia, Cuba, Peru); South Asia (e.g. China, Hong Kong, India, Indonesia, Malaysia, Pakistan, Singapore, South Korea, Turkey); Central Asia (Afghanistan, Kazakhstan); and Eastern European and Transition economies (Russia, Czech Republic, Slovenia, and Slovakia).

Regarding the *why and wherefores* for these South-South FDI moves, the case material summarised in Box 1 points to the especial relevance of market-seeking motivations. Illustrations abound, including Sonatrach International Holding's 1994 establishment of a Singaporean subsidiary to market LPG, crude and other products in the Asia/Pacific market and LNG marketing agreement with Russia's Gazprom, the world's largest exporter of natural gas; OCI's investment in a JV in Brazil (with FITCO International S.A, a Brazilian fertilizer trading company) in order to trade and distribute fertilizer products and import urea from its Fertilizer Group; OCP's investment in Black Sea Fertilizer trading company, a JV with Turkish Toros Agri-industry, aimed at extending its presence to Central Asia and the Balkans; Elsewedy's recent 50 mw wind power plant in Pakistan and acquisition of ZPA Smart Energy a Czech manufacturer with clients such as E.ON and CEZ; and OCI's partnership with and HCC Infrastructure Limited (HIL), a preeminent Indian infrastructure company based in Mumbai, to form a to pursue Public Private Partnerships (PPP) and Build Operate Transfer (BOT) projects in India. Additional indicators include Ecobank and First Bank's setting up of representative offices in China apparently to facilitate trade links between China and Africa; the former's strategic partnerships with the Bank of China and India's ICICI Bank to extend services across their combined footprint in India and Africa; and Sonangol's overseas offices in South East Asia, notably Singapore.

*Put Box 1 here*

There are also indications that resource-seeking motivations influenced some of the direct investments undertaken by Africa's nascent MNEs in other Southern economies – see Box 2. This is exemplified by OCP and Sonatrach's respective investments in a Pakistani plant that produces phosphate fertilizers and phosphoric acid and Peru's Camisea upstream gas project; as well as

Sonangol’s investments in exploration rights in Iraq and Cuba. Sonatrach’s exploration and production agreement with Russia’s Gazprom also reflect a resource-seeking focus.

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On investments in more advanced economies, the identified host markets include Belgium, Canada, Cyprus, France, Germany, Gibraltar, Greece, Italy, Portugal, the Netherlands, Spain, Switzerland, UK, and USA. This is particularly the case with BCP, Attijariwafa, Sonatrach and OCI, each of which has invested in five or more advanced economies. This level of exposure to more competitive and challenging global markets further underlines the international commitment of these African MNEs. The UK, France and Spain are among the most common ‘Northern’ destinations for African investments, which reflect the influence of historical and cultural ties on the investment location decisions of African MNEs. Nigerian financial service MNEs, e.g. First bank, have invested in the UK, while Moroccan MNEs - BCP, Attijariwafa - tend to target Spain and France as well as the UK to a lesser extent. The Netherlands and USA are also frequently targeted.

A close look at the case material summarised in Boxes 3, 4 and 5 suggests the search for strategic assets/resources, new market opportunities and value-enhancing relationships to be the main motivations for understanding the upmarket FDI activities of nascent African MNEs. The quest for strategic assets seems to explain Elsewedy’s acquisition of the Spanish wind energy firm, M Torres Olvega, principally to leverage the acquired entity’s capabilities in manufacturing wind turbines and providing co-development, operation and maintenance services for wind farms as well as set the stage for the subsequent establishment of Sewedy Wind Energy Group (SWEG). Similar technology leveraging or asset exploitation focus also appears to explain Elsewedy’s entry into a JV with German company SIAG, a producer of steel and tube towers; the latter are the main component required by Elsewedy for wind turbine installations in its home market. Additional indicators include OCP's investments in phosphate fertilizer and phosphoric acid production plants in Belgium and France aimed at diversifying its supply chain and securing access to critical sources; Sonangol acquisition of America's Cobalt International Energy to diversify and extend its offshore oil and gas assets to the Gulf of Mexico, USA; and Sonatrach's 49:51 JV in Northern Spain, called Propanchem, seemingly aimed at tapping into the JV partner's (German BASF) capabilities in propane de-hydrogenation technology. Also, although Uganda's Madhvani Group is not part of the present study, its 2005 and 2006 acquisitions of Rhodia Chemie's phosphates operations in Spain and Belgium respectively, reportedly to facilitate the development of phosphate deposits in Uganda, similarly reflect a strategic asset-seeking orientation.

*Put Box 3 here*

Regarding market-seeking motivations, illustrative evidence can be gleaned from Sonatrach International Holding's wholly-owned trading units in London and Amsterdam, respectively Sonatrach Petroleum Corporation and Sonatrading Amsterdam, which were both set up to market piped gas and LNG to Europe and the American LNG market; as well as the wholly owned finance and investment Dutch subsidiary, Sonatrach Petroleum Investment Corporation and financial holding unit, International Petroleum Investment Partnership, which respectively focus on helping Sonatrach expand, consolidate and integrate its overseas operations and strategic subsidiaries, including E&P ventures and associated logistics and services and manage its portfolio. Ecobank subsidiaries in France, London, UAE and First Bank's subsidiary in the UK, with a Paris branch, also appear to be underpinned by the need to develop market presence in these key financial centres.

*Put Box 4 here*

Relationship-seeking motivations are further observed mainly in terms of the pull exerted by actual and potential links with pro-Africa companies and individuals, including Diaspora or non-resident Africans, in African banks' expansion into Europe, North America and other major host countries of African immigrant communities. These nascent financial service MNEs typically seek to develop relationships with organisations and individuals in these focal markets who have current or historical links with Africa, or are seeking to initiate such links – see Box 5.

*Put Box 5 here*

Taken together, the case evidence presented above points to the importance of market-, strategic/resource and relationship-seeking motives in explaining nascent African MNEs' engagement in South-South and South-North FDI. The study MNEs pursued their market-seeking objectives through investing in revenue generating platforms in both the Global South and the advanced North. Nascent MNEs, notably Elsewedy, OCI and mining giants, Sonatrach, Sonangol and OCP, also expressed their strategic-asset/resource seeking orientation through asset augmenting FDI moves in developing as well as advanced economies. There is some suggestion from the present study's limited evidence that nascent African MNEs with primarily strategic asset- and relationship-seeking motivations largely favour upmarket, advanced economy, FDI locations, while those with dominant market-seeking focus prioritise intra-regional and Southern FDI market opportunities. The latter observation may, however, vary by industry; oil and gas MNEs, for example, are largely bound to pursue extra-regional markets given the inadequate level of demand for their main products intra-regionally. Not surprisingly, efficiency seeking motivation appears not to be particularly salient in the extra-regional FDI activities of nascent African MNEs. Elsewedy's investments in production facilities in Eastern Europe and the Middle East, however, offer the closest examples.

**How Advisable is African MNEs' engagement in extra-regional FDI?**

As might be expected, there are credible arguments in favour of, and against, the involvement of nascent African MNEs in OFDI outside their home region. Some of the pertinent reflections are now presented.

On the plus side, it would appear that such upmarket FDI is facilitating nascent African MNEs' access to critical technologies, knowledge capabilities and related strategic assets that they need to augment, upgrade and catch-up. This aligns with Mathews' (2002, 2006) earlier noted LLL framework. Notably, Elsewedy's initial foothold in the increasingly important wind energy business and the development of the Sewedy Wind Energy Group would seem to have stemmed from its acquisition of a Spanish specialist provider of wind turbines and wind farms, M Torres Olvega. The JV with SIAG of Germany, a producer of steel and tube towers, similarly availed Elsewedy of critical capabilities for manufacturing tube towers required for wind turbine installation projects in its home market. This, interestingly, suggests some additionality from extra-regional FDI augmenting Elsewedy's home market, echoing evidence from previous EMNE research, notably Chinese, about the leveraging of acquired entities to bolster operations at home (Yueh, 2012). Similarly, OCI's acquisition of the Iowa Fertilizer Company and subsequent contract for its Construction Group to build a new green-field nitrogen fertilizer plant in southeastern Iowa reportedly availed OCI of access to the production process technologies from Kellogg Brown and Root, Stamicarbon BV (Maire Tecnimont Group) and ThyssenKrupp Uhde. Related arguments apply to OCP's investments in phosphate fertilizer and phosphoric acid production plants in Belgium and France; Sonangol acquisition of gas assets in the US Gulf from America's Cobalt International Energy; and Sonatrach's propane de-hydrogenation JV with BASF of Germany in Northern Spain.

A crucial complementary benefit of these extra-regional FDI moves is the opportunity they offer to nascent African MNEs in terms of enriching their portfolio of collaborative relationships with even more impactful, resource-laden international players. For example, Sonatrrach's JV in Peru enabled it to enter into strategically advantageous collaboration with partners, including Tecgas NV, Pluspetrol (Argentina), Hunt Oil (USA), SK Corporation (South Korea), GDF Suez-Tractebel SA (Franco-Belgian), and Grana y Montero SAA (Peru). These add to the earlier discussed benefits of developing and sustaining relationships with the African Diaspora and pro-African organisations in Europe, North America and elsewhere.

There is another important sense in which such extra-regional investments appear to beneficially widen the strategic and market options available to the nascent African MNEs; this is by enabling them to seek diversified market opportunities further afield, in more lucrative, *albeit* competitive, advanced economies. Such market diversification arguably limits future revenue exposure to any one region or geographic market clusters. This tends to be particularly important when situations within their home region (e.g. the *Arab Spring*, civil conflicts, economic recession etc.) narrow the range and size of opportunities available to these firms locally or regionally. OCI, for example, appeared to have mitigated some of the effects of the post-Arab Spring challenges in its home country by realigning its global structure and shifting organisational emphasis away from Egypt and toward international subsidiaries, notably in the Netherlands and the US (Iowa and Gulf of Mexico). Notably, its Construction Group reportedly secured a turnkey engineering, procurement and construction contract worth over USD1 billion from an acquired entity, the Iowa Fertilizer Company. The reported uptick in revenue generated from Europe, North America and other regions (e.g. 78% increase in the Asian segment) evidently mitigated the overall decline in OCI financial outcomes during the particularly challenging 2011-2013 period. So was OCI Fertilizer Holding's reported disposal of its 16.8% stake in the US-based Gavillion Group to the Japanese Marubeni Corporation for over USD600 million, a hefty premium on the USD340 million paid three years earlier.

Contrary arguments regarding extra-regional FDI, however, exist. It is, for instance, strongly contended that expansion to more institutionally proximate intraregional markets tends to yield comparable or better market diversification benefits. The significant boost reportedly achieved by Elsewedy from the infrastructure boom and attendant demand for housing, power generation, cables and other electrical products in the neighbouring Gulf Cooperation Countries could be cited for illustrative purposes. So was Elsewedy's intensified targeting, in the post-Arab Spring period of parts of the MENA region and the African continent, where rising demand for electricity were creating opportunities and boosting revenues in the medium term (e.g. share of USD1bn deal to repair Libyan war-ravaged electricity grid and infrastructure). There is also some suggestion in the literature (e.g. Selmiar and Newenham-Kahindi, 2017) that shared institutional, including cultural, background with host markets may enhance MNEs' effectiveness in managing relations and delivering sustainable development goals with local communities.

Furthermore, extra-regional FDI is posited as out of sync with the increasingly observed divestments of traditional MNEs from their so-called non-core markets (e.g. European financial services MNEs, including Barclays, selling off African subsidiaries, while major African players like South Africa's Standard Bank are divesting from most of its extra-regional operations to focus on African markets (African Business, 2017), and insensitive to the widely noted struggles of EMNEs in integrating acquired upmarket entities and capturing envisaged value. The lowering of OCI Iowa subsidiary's revenue bonds, from BB-minus to B-plus, by Fitch Ratings owing, reportedly, to escalating costs and construction delays is an example of such upmarket FDI snags, so is Attajariwafa CEO's bemoaning of the higher associated costs and regulatory burden of operating a "fully French bank" (Euromoney, 2013). It must be noted, however, that such difficulties could also be encountered by the advanced economy partner. For example, Sonangol's JV with Portuguese state-owned lender *Caixa Geral de Depositos, Banco para Promocao e Desenvolvimento* fell through apparently because the Portuguese partner's reconsidered the USD261 million investment after the country's Eurozone crisis-induced bailout.

It can be seen from preceding paragraphs that the advisability or otherwise of nascent African MNEs' involvement in direct investments outside their home region is not an easily resolved matter. The next and final section of the paper will, however, seek to draw some conclusions.

## SUMMARY, CONCLUSIONS AND IMPLICATIONS

This paper has presented and discussed preliminary evidence on the extra-regional FDI activities of nascent MNEs from rising Africa, including the whys and wherefores of their so doing. It captures the tentative steps of these nascent African MNEs in South-South and South-North investment contexts and contributes, *albeit*, modestly, to the global discourse on the merits or otherwise of extra-regional FDI, including probable *additionality* to home economies. These MNEs' forays beyond their intraregional markets in search of market opportunities, strategic assets/resources and value enhancing relationships are welcome, and concerted policy effort is needed to support their sustainable development. Although not always consistent, previous studies on the impact of FDI on home economies largely suggest favourable net effects on employment, technological and managerial knowledge among others (Hejazi and Pauly, 2003; Bitzer and Gorg, 2005; Buckley et al. 2007; Moran, 2007). The counter arguments presented in the preceding section are not without merit, but a more holistic and strategic view ought to factor in the positive concomitants of direct exposure to more advanced markets, including learning/technology spill overs, access to 'richer' markets, strategic assets/resources, as well as the associated opportunity of engaging with and embedding global best practice (Ibeh, Awa, Makhmadshoev, and Madichie, 2018). Intraregional investments by nascent African MNEs should continue to attract priority attention, but selective and strategic extra-regional FDI, undertaken with an eye on further global competitiveness, also requires appropriate policy support. Indeed, the increasing dominance of the digital economy, with its vastly enhanced facilities for borderless digital internationalisation (UNCTAD, 2017; Ibeh and Lloyd-Reason, 2017), and the proliferation of MNE affiliates with blurred national identities or "multiple passports" (UNCTAD, 2016) are making regional distinctions less relevant.

Policy makers should guide Africa's nascent MNEs to prioritise the acquisition of advantage generating capabilities, including habitual upgrading, continuing innovation and relentless learning (Ibeh and Makhmadshoev, 2018). Such foregrounding and capability anchors at the home and regional fronts would, in time, help them develop breakthrough brand reputation, or augment their brand equity to a level that neutralises the effects of unfavourable country-of origin perceptions. Or even better, attract value-seeking private equity firms to partner with them to effectively reach global markets. *White elephant*, prestige-seeking multinational expansion driven mainly by ego and puff, with questionable firm-specific capability anchors, should rightly be discouraged. However, policy makers must, following due diligence, not shy away from championing ambitious upstarts and global start-ups, including digital economy entrepreneurs, that suggest the vision and strategic intent to take on the world, and the spine to conquer an identified global niche and create their own narratives. To do otherwise is to deny the possibility that the next game changers might emerge from the developing world, including Africa. This is particularly important given the vast and increasing opportunities that the digital economy and digital internationalisation present to firms of varying demographics and geographies (UNCTAD, 2016; Ibeh and Lloyd-Reason, 2017).

Development-promoting institutions, including multilateral global and regional development partners, notably African regional bodies, UN agencies (e.g. UNCTAD) and the World Bank Group, should steer and support African governments and policy makers towards embracing an appropriately nuanced outward-oriented development strategy. This must entail, *inter alia*, working with and assisting these actors to establish or upgrade their investment policy infrastructure, including in-house capacity for investment policy making, redress the mixed policy signals on OFDI. African governments that are yet to enter into appropriate bilateral and multilateral investment treaties should also be encouraged to take the necessary steps in that regard in order to obviate unfair treatment of their current and future MNEs and negotiate their access to as much level playing field as possible (Ibeh, 2013; UNCTAD, 2017). African governments and policy makers should also be facilitated to craft a template for evaluating and segmenting African firms based on their readiness to undertake OFDI, intra-regionally or extra-regionally. Such a template should guide the design and provision of appropriately tailored support to the identified categories of African firms. This is likely to advance the crucial task of prioritising scarce support resources to African companies with better prospects of generating net positive benefits to their home economies.

Researchers and policy makers are further challenged to invest continuing effort to understanding the net impact of nascent African MNEs' OFDI on their organisational development at home, regional and Diaspora economies. Such improved understanding of additionality and net effects would fruitfully advance scholarly discussions and managerial and policy decision making, whilst also informing the design and deployment of assistance programmes by various stakeholders.

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## TABLES

Table 1: Elsewedy Electric's Profile and FDI Activities

| | |
|---|---|
| Industry | Diversified Manufacturing - electrical, renewable energy, telecoms |
| Established | 1984 |
| Employees | 12,000 |
| Ownership | Elsewedy family (64%); Free float (34%); Private investors (2%) |
| Home Country | Egypt |
| Physical Network | Algeria, Angola, Cameroon, Ethiopia, Gambia, Ghana, Guinea, Nigeria, Niger, Liberia, Libya, Malawi, Mozambique, Rwanda, Sudan, Uganda, Zambia, Zimbabwe, Bahrain, Iraq, Kuwait, Qatar, Saudi Arabia, Syria, UAE, Yemen;<br>Czech Republic, Hong Kong, India, Kazakhstan, Malaysia, Pakistan, Russia, Slovakia, Slovenia;<br>Spain, The Netherlands. |
| Performance Indicators/ Metrics | Earnings USD2.1bn (2012);<br>Profit Before Tax USD160m; |
| Indicative FDI Activities/Footprint | *Subsidiaries*<br>Elsewedy Cables (Syria)<br>Sudanese Egyptian Electric (Sudan)<br>PSP (Turnkey power plant, Saudi Arabia);<br>Electric Transformer plant (Zambia);<br>Electric Cables plant (USD50m, Algeria);<br>Power Generation plants (3) (USD484.5m) (Angola);<br>Solera, Solar projects (Liberia & Sudan);<br>*JVs*<br>Power cables plant (USD42m) (70%, with Hassan & Massoud) (Yemen);<br>Power plant -build and operate (USD169m with Arab Contractors) (Iraq);<br>Electric Transformer plant (95.7%, with Lagos State Govt (Nigeria);<br>Sewedy Wind Energy Group (30%, with German's SIAG; acquired the wind division of M. Torres Olvega for USD56m) (2008);<br>Electricity Grid works (USD1bn contracts, part of a consortium) (Libya)<br>*Distribution network*<br>Europe<br>*Representative offices*<br>Saudi Arabia, UAE, Qatar, Bahrain, and Kuwait, |
| Accolades (selected) | Best African Company of the Year Award, 2017 (Africa CEO Forum); Largest Cables producer in the MENA region. |

Source: Case Data

Table 2: Orascom Construction Industries' Profile and FDI Activities

| | |
|---|---|
| Industry | Construction, Fertilizer and Chemicals |
| Established | 1950 |
| Employees | 12,000 |
| Ownership | Sawiri's Family (controlling stake) |
| Home Country | Egypt |
| Physical Network | Algeria, Morocco, Nigeria, Tunisia, Bahrain, Iraq, Qatar, Saudi Arabia, UAE;<br>Afghanistan, Brazil, India;<br>Belgium, Cyprus, the Netherlands, Switzerland, USA |
| Performance Indicators/ Metrics | Earnings USD5.5bn |
| Indicative FDI Activities/Footprint | *Wholly Owned Subsidiaries*<br>Weitz Co, Iowa;<br>Contrack International (Virginia, USA) (e.g. the USD1bn SIDRA Medical and Research Centre in Doha);<br>Orascom Saudi Limited (e.g. USD450m Infrastructure work);<br>Petrochemical Complex in Oran (Algeria);<br>Gas Turbine power plant (USD363m Iraq);<br>OCI International Cyprus;<br>*JVs*<br>Sorfert Algérie (USD1.9bn) (with Sonatrach) (Algéria);<br>Nuclear Power projects (with Arab Contractors) Middle East; Shams Abu Dhabi Gate District Towers project (USD150m) (with Arabian Sea Foundation, Hydra Commercial, Sorouh Real Estate and Capital Investment);<br>Civil Works and Facilities, Ruwais (USD146m, with Tecnimont SpA/Samsung (Abu Dhabi);<br>El Merk Central Processing Facility, Berkine Basin (USD280m, with Bentini of Italy and Petrofac International (Algeria);<br>BISEX Group, Belgium (50%, with Al-Muhaidib Contracting) (e.g. USD400m Al Safooh Transit System Dubai, with Alstom; USD673m Wastewater Treatment plants Abu Dhabi & Al Ain, with Veolia Water; EUR 380m King Abdullah Sports City near Jeddah; USD675m Doha Convention Center & Tower, phase IIB;<br>USD1.3bn Cleveland Clinic, Abu Dhabi, 60:40 JV with Samsung). |

Source: Case Data

Table 3: Office Chérifien des Phosphates' (OCP) Profile and FDI Activities

| | |
|---|---|
| Industry | Mining |
| Established | 1920 |
| Employees | 20,000 (2015) |
| Ownership | Moroccan's government (controlling stake); |
| Home Country | Morocco |
| Physical Network | Gabon, Iran<br>Argentina, Brazil, India, Pakistan, Turkey;<br>Belgium, USA. |
| Performance Indicators/ Metrics | Earnings USD5bn (2015) |
| Indicative FDI Activities/Footprint | *JV*<br>Greenfield NPK Fertiliser plant, with Krishak Bharati (Andhra Pradesh, India) (2016);<br>Fertiliser plant (with the government of Gabon (2014) |

Source: Case Data

Table 6: Attijariwafa Bank's Profile and FDI Activities

| | |
|---|---|
| Industry | Financial Services |
| Employees | 14861 |
| Ownership | Moroccan Royal Family (controlling stake); |
| Home Country | Morocco |
| Physical Network | Burkina Faso, Cameroun, Congo Brazzaville, Cote d'Ivoire, Gabon, Guinea Bissau, Libya, Mali, Mauritania, Senegal, Tunisia, Egypt, Saudi Arabia, UAE;<br>China;<br>Belgium, France, Germany, Italy, Netherlands, Spain, UK. |
| Performance Indicators/ Metrics | Earnings USD2.57bn;<br>Profit USD558m; USD28m from Cote d'Ivoire (2016);<br>Tier 1 capital of USD4.21bn; Assets USD42.3bn (2016) |
| Indicative FDI Activities/Footprint | *Subsidiaries*<br>Banque du Sud (35.5% from the Tunisian government);<br>Tunisia (with Banque Sénégalo-Tunisienne);<br>CBAO, Senegal's second ranked bank (79.15%);<br>BIM, Malian lender (51%);<br>Former Credit Agricole businesses in Congo Brazzaville, Ivory Coast, Cameroon, Gabon and Senegal (2008);<br>Barclays Egypt (2017);<br>Burkina Faso, Mauritania, Mali; Guinea-Bissau;<br>Attijariwafa Europe - Belgium, France, Germany, Italy, Spain, the Netherlands, UK;<br>*Branches* - Libya, Saudi Arabia, UAE<br>*Representative Office*<br>China |
| Accolades (selected) | Best Bank in Africa 2017 (Euromoney). |

Source: Case Data

Table 4: Sonatrach's Profile and FDI Activities

| | |
|---|---|
| Industry | Extractive |
| Established | 1963 |
| Employees | 47,963 |
| Ownership | Algerian government (controlling stake); |
| Home Country | Algeria |
| Physical Network | Angola, Chad, Egypt, Libya, Mali, Mauritania, Niger, Nigeria, Tunisia, Iraq, Saudi Arabia, UAE, Yemen;<br>Bolivia, Brazil, China, Peru, Singapore, Slovenia, South Korea, Turkey;<br>Belgium, France, Germany, Greece, Italy, Portugal, Spain, The Netherlands, UK, USA; |
| Indicative FDI Activities/Footprint | *Wholly-Owned Subsidiaries (*finance, investment and portfolio management*)*<br>Sonatrach Petroleum Investment Corp. (the Netherlands);<br>International Petroleum Investment Partnership - (the Netherlands);<br>*Gas Plant JVs*<br>Propanchem, with BASF (Northern Spain);<br>Propane dehydrogenation plant, with Bayegan & Rönesans (Turkey)<br>Camisea gas project (10%, Peru);<br>with Anadarko (Houston, USA);<br>*Exploration and Production* (E&P) JVs<br>With Oil India Ltd, National Oil, Algeria and Indian Oil (Libya);<br>With Agip (Yemen);<br>With India's ONGC and Reliance Industries (Iraq);<br>Others: Syria, Chad, Niger (Kafra), Angola, the Gulf of Mexico;<br>*Refining Operations* (Mauritania, Tunisia, Sudan, Brazil, Bolivia, and Canada - stake in Diamond Shamrock);<br>*Independent Power Plant JVs* (in Turkey and Other markets)<br>*Pipeline JVs*<br>Galsi 900km Enrico Matei with Eni affiliate (to Italy);<br>The NIGAL, with Nigeria's NNPC and the government of Niger (Trans-Saharan gas pipeline);<br>Medgaz (42%, Pedro Duran Farrel with Spain's Cepsa Gas); |

Source: Case Data

Table 5: Sonangol's Profile and FDI Activities

| | |
|---|---|
| Industry | Extractive |
| Established | 1976 |
| Employees | 10,000 |
| Ownership | Angolan government (controlling stake); |
| Home Country | Angola |
| Physical Network | Cape Verde, Congo Brazzaville, Nigeria, Sao Tome & Principe, Zaire, Iraq;<br>Cuba, Hong Kong, Indonesia, Singapore;<br>Portugal, Switzerland, UK, USA |
| Performance Indicators/ Metrics | Earnings USD33.88bn (2012)<br>Profit before Tax USD3.3bn (2012) |
| Indicative FDI Activities/Footprint | *Exploration and Production JVs*<br>Sonangol E&P International Ltd (25%, with Cobalt International Energy, Gulf of Mexico);<br>With Tullow, Ireland & Addax, Switzerland (10%, Gabon);<br>Amorim Energia (45%, with Galp Energia, Portugal);<br>Others: Iraq and Syria.<br>*Marketing JVs*<br>Enco Sarl (40%, Sao Tome e Principe);<br>Enacol (32.5%, Cape Verde);<br>Sopor Portugal (49%, Portugal);<br>Sonangol Congo (60%, DR Congo);<br>China Sonangol Intl. Holding (70%, with Beiya Intl.) (China);<br>*Refining Subsidiaries*<br>LNG plant (Northern Zaire).<br>*Other JVs*<br>Banco Africano de Investimentos (BAI), Portugal;<br>Banco do Comercio e Industria (BCI), Portugal;<br>Millennium BCP, Portugal;<br>*Overseas Offices* - Congo, China, USA, UK, and Singapore;<br>*Other Assets* - Nigeria, Indonesia, and Argentina. |

Source: Case Data

Table 7: BCP Profile and FDI Activities

| | |
|---|---|
| Industry | Financial Services |
| Established | 1961 |
| Employees | 11,206 |
| Ownership | Moroccan's government (controlling stake); |
| Home Country | Morocco |
| Physical Network | Benin, Burkina Faso, Central Afr. Rep., Cote d'Ivoire, Guinea, Mali, Niger, Senegal, Togo, UAE;<br>China;<br>Belgium, Canada, France, Germany, Gibraltar, Italy, Netherlands, Spain, Switzerland, UK, USA. |
| Performance Indicators/ Metrics | Earnings USD1.289bn (2016);<br>Profit before Tax USD300m (2016).<br>Tier 1 Capital USD3.5bn; Assets USD34.7bn (2016) |
| Indicative FDI Activities/Footprint | *Subsidiaries*<br>Chaabi Bank, France (1972) - Belgium, Spain, Italy, Germany, the Netherlands;<br>British Arab Commercial Bank (UK);<br>Union des Banques Arabes et Françaises (France);<br>Banca UBAE (Italy);<br>Group Banque Atlantique (2011) - Ivory Coast, Benin, Burkina Faso, Mali, Niger, Senegal, and Togo;<br>*Representative Office*<br>Washington DC, USA (2017) |
| Accolade (selected) | African Banker of the Year, 2015 |

Source: Case Data

Table 8: Ecobank's Profile and FDI Activities

| | |
|---|---|
| Industry | Financial Services |
| Established | 1985 |
| Employees | 19,000 |
| Ownership | Public |
| Home Country | Togo |
| Physical Network | Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Rep., Chad, Congo Brazzaville, DRC, Cote d'Ivoire, Equatorial Guinea, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Malawi, Mali, Niger, Nigeria, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, South Africa, Tanzania, Togo, Uganda, Zambia, Zimbabwe;<br>China, UAE;<br>France, UK. |
| Performance Indicators/ Metrics | Profit before Tax USD205m (2016);<br>Assets USD20.5bn; Tier 1 Capital USD2.01bn (2016) |
| Indicative FDI Activities/Footprint | *Subsidiaries*<br>*Togo, Nigeria, Cote d'Ivoire, Ghana, Benin (1988-1990);*<br>*Burkina Faso, Guinea, Liberia, Mali, Niger, Senegal,*<br>*Cameroon (1998-2001);*<br>*Sierra Leone, Chad, Central African Republic, Sao Tome and Principe, Congo Brazzaville, Dem. Rep. of Congo, Malawi, Rwanda, Guinea Bissau, Burundi, Cape Verde, Gambia, Kenya, Gabon, Uganda, Tanzania, Zambia (2006-2009);*<br>*South Africa, Angola, Zimbabwe, Equatorial Guinea, Ethiopia, South Sudan, Mozambique (2009-2014)*<br>*Representative Offices*<br>Paris (EBI SA), Johannesburg, Dubai, London (2009-2014). |
| Accolades (selected) | Best Digital Bank in Africa 2017 (Euromoney);<br>Retail Bank of the Year 2015 (Global Retail Banking Awards) |

Source: Case Data

Table 9: First Bank's Profile and FDI Activities

| | |
|---|---|
| Industry | Financial Services |
| Established | 1894 |
| Employees | 10464 (2014) |
| Ownership | Public |
| Home Country | Nigeria |
| Physical Network | Dem. Rep. of Congo, Gambia, Ghana, Guinea, Senegal, Sierra Leone, South Africa;<br>China, UAE;<br>France, UK. |
| Performance Indicators/ Metrics | Profit USD34m (2016)<br>Assets USD14.8bn; Tier 1 Capital USD1.66bn (2016) |
| Indicative FDI Activities/Footprint | *Branches*<br>Set up a branch in the UK (1982)<br>Established Paris branch of FBN UK (2008);<br>*Subsidiaries*<br>Established FBN UK (2002);<br>Dem. Rep. of Congo (2011);<br>Guinea, Gambia, Sierra Leone, Ghana, Senegal (2014);<br>*Representative Offices*<br>South Africa (2004);<br>Beijing, China (2009). |
| Accolade (selected) | Best Bank brand, 2012-2015 (Banker Magazine) |

Source: Case Data

Table 10: Extra-regional FDI Footprints of Nascent African MNEs

| MNE | Southern' Economies | Advanced Economies |
|---|---|---|
| Elsewedy (Egypt) | Czech Republic, Hong Kong, India, Kazakhstan, Malaysia, Pakistan, Russia, Slovakia, Slovenia | Spain, the Netherlands. |
| Orascom Construction Ind. (Egypt) | Afghanistan, Brazil, India | Belgium, Cyprus, Netherlands, Switzerland, USA |
| Office Chérifien des Phosphates (OCP) (Morocco) | Argentina, Brazil, India, Pakistan, Turkey | Belgium, USA |
| Sonatrach (Algeria) | Bolivia, Brazil, China, Peru, Singapore, Slovenia, South Korea, Turkey | Belgium, France, Germany, Greece, Italy, Portugal, Spain, The Netherlands, UK, USA |
| Sonangol (Angola) | Iraq, Cuba, Hong Kong, Indonesia, Singapore; | Portugal, Switzerland, UK, USA |
| Attijariwafa (Morocco) | China | Belgium, France, Germany, Italy, Spain, the Netherlands, UK |
| Banque Centrale Populaire (Morocco) | China | Belgium, France, Germany, Gilraltar, Italy, the Netherlands, Spain, Switzerland, UK, USA |
| Ecobank (Togo) | China, UAE | France, UK |
| First Bank (Nigeria) | China, UAE | France, UK |

**Case Data*

## BOXES

Box 1 *Motivations for nascent African MNEs' South-South Investments: Market-seeking*

- Sonatrach International Holding's subsidiaries, including SPC Singapore, were reportedly set up to market Algerian LPG, crude and other products in the Asia/Pacific market.

- Ecobank's representative offices in Beijing and Dubai were respectively positioned to facilitate the growing trade links between China and Africa, and develop market presence in an increasingly important regional hub and emerging financial centre.

- OCP's JV with Turkish Toros Agri-industry, the Black Sea Fertilizer trading company reportedly aimed to extend the company's market presence to Central Asia and the Balkans;

- First Bank similarly has a subsidiary in the UK, a branch in France and representative offices in China.

- OCI's JV with Brazil's FITCO International was reportedly aimed at facilitating the trading and distribution of OCI Fertilizer Group's products. OCI's partnership with Indian infrastructure company, HCC Infrastructure Limited, was also focused on pursuing revenue generating PPP and Build-Operate-Transfer projects in India.

- Elsewedy's acquisition of Czech ZPA Smart Energy was reportedly influenced by the type of the clients served by the latter, including major power companies, CEZ, PRE, & E. ON and CR. Other JVs with Arab Contractors and the Pakistani government in Iraq and Pakistan respectively were similarly aimed at accessing market opportunities.

- Sonangol's Singapore subsidiary, SonAsia, was reportedly set up in 2004 to sell Angola's crudes to the Asian continent.

*Case Data*

Box 2 *Motivations for nascent African MNEs' South-South Investments: Resource-seeking*

- Sonatrach's exploration and production agreement with Russia's Gazprom and propane hydrogenation JVs in Turkey were reportedly aimed at enhancing its access to critical resources and increasing overall production capacity. So was its JV in the upstream Camisea gas project in Peru.

- OCP's JVs in Pakistani and Indian plants that produce phosphate fertilizers and phosphoric acid were similarly focused on sustaining its access to critical resources and boosting overall capacity. The same goes for Sonangol's investments in exploration rights in Iraq and Cuba.

*Case Data*

*Box 3 Motivations for nascent African MNEs' South-North Investments: Strategic assets/ resource-seeking*

- Elsewedy's acquisition of the Spanish wind energy firm, M Torres Olvega, was reportedly aimed at leveraging the capabilities of a reputable manufacturer of wind turbines and service for wind farms in its subsequent establishment of Sewedy Wind Energy Group (SWEG). Such technology leveraging was also observed in Elsewedy's JV with German steel maker SIAG, which produces tube towers, the main component required by Elsewedy for wind turbine installations in its home market., and in Sonatrach's propane de-hydrogenation JV in Northern Spain with BASF of Germany.

- OCI's acquisition, via wholly owned OCI Nitrogen (Netherlands), of an integrated ammonia-methanol plant in Beaumont, Texas, and of MICRO Chemie B.V., which own major assets in the Netherlands (including 30,000-ton ammonia storage tanks, a port terminal and Royal DSM''s Agro and Melamine businesses) were reportedly focused on procuring strategically important assets.

- Sonangol acquisition of America's Cobalt International Energy's oil blocks in the U.S. Gulf of Mexico, US, in exchange for 40% of two blocks offshore of Angola, was reportedly aimed at diversifying Sonangol's oil and gas supply base. So was OCP's investments in phosphate fertilizers and phosphoric acid production plants in Belgium and France.

*Case Data*

- *Box 4 Motivations for nascent African MNEs' South-North Investments: Market seeking*

- Ecobank and First Bank's subsidiaries in Paris and London were reportedly aimed at developing market presence in these key global financial centres.

- BCP's representative office in Washington was reportedly positioned as a "link between non-Resident Moroccans and their country of origin as well as to contribute to strengthening business relationships between Morocco and the USA".

- Among Sonatrach International Holding's many subsidiaries are Sonatrach Petroleum Corporation and Sonatrading, both wholly-owned trading units respectively based in London and Amsterdam, with responsibility for marketing piped gas and LNG to Europe and America.

- OCI's acquisition of the Weitz Company, an Iowa-based US general contractor, and long-term off-take agreement with the Methanex Corporation for output from OCI's methanol plant in Beaumont, Texas are reportedly aimed securing and strengthening access to US market opportunities.

*Case Data*

*Box 5 Motivations for nascent African MNEs' South-North Investments: Relationship-seeking*

- BCP, First Bank and Attijariwafa's subsidiaries, branches and representative offices in several key financial centres in Europe and North America are reportedly aimed at developing and strengthening relationships with companies and individuals who do business and maintain links with Africa, including Diaspora or non-resident Africans.

  - "What we did is to open branches in front of consulates…so that Moroccans could see our branch before they went in" (Attijariwafa CEO)

- Sonatrach's agreements with the world's largest exporter of natural gas, Russia's Gazprom covering partnerships not only in Europe but in other parts of the world suggest a