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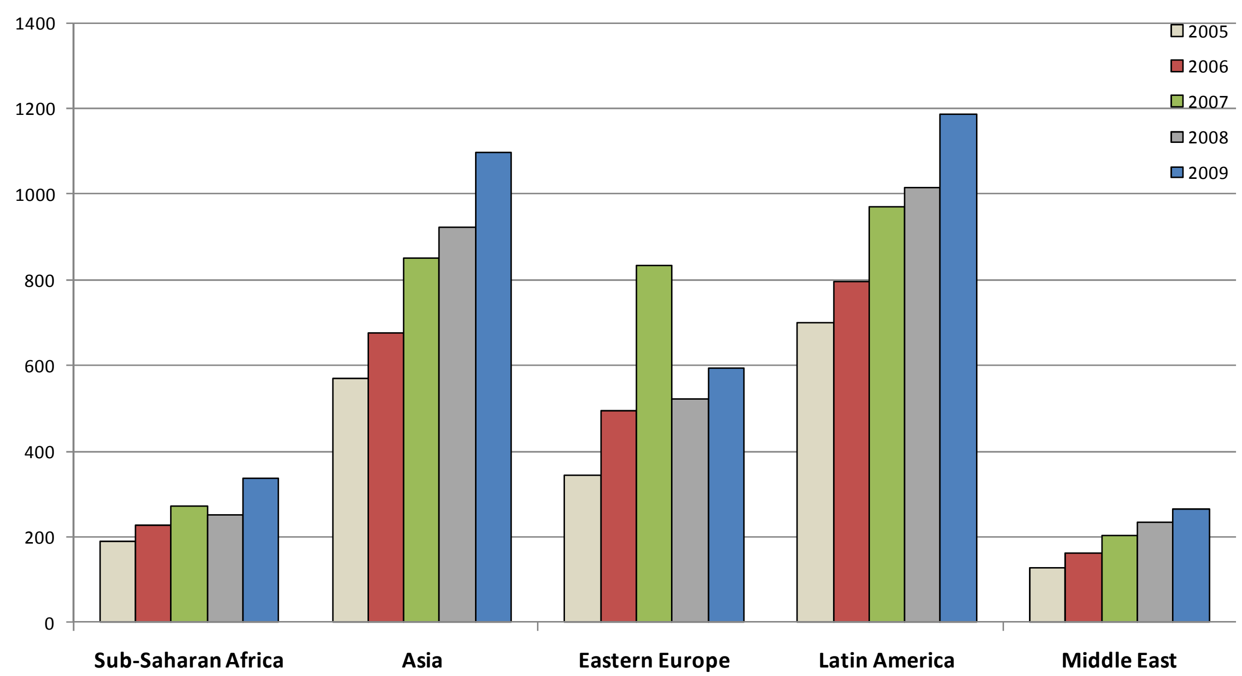
EADS Snapshot on UNCTAD World Investment Report 2010

No. 33 July 2011

UNCTAD's World Investment Report 2010 (WIR 2010) and the accompanying FDI database illustrate the changes in global foreign direct investment as the global financial crisis begins to turn around. The outlook for FDI is improving and UNCTAD expects FDI to increase through 2012. WIR 2010 shows the increased investment in developing countries, both as destinations and sources of FDI, and notes that developing countries rebounded faster in terms of FDI than other income groups. Nearly half of FDI inflows now go to developing and transition economies and that percentage is expected to increase.

After falling in 2008, global FDI inflows fell again in 2009 to $1,114 billion. WIR 2010 also reports that FDI in developing countries fell by 27 percent in 2010. Figure 1, below, shows the FDI inward stock for USAID assisted countries by region. FDI stock accrues over time and reflects investments in countries over several years, removing potentially dramatic shifts in FDI inflows from the financial crisis. For USAID assisted countries, there is a noticeable slow down or loss in 2008, however, every region sees a rise in 2009. Eastern Europe is the only region where FDI has not returned to levels seen prior to the global financial crisis. FDI inward stock for USAID assisted countries rose by 20 percent in 2009, and most of the FDI changes are concentrated in Asia (primarily China) and Latin America (primarily Brazil). Sub-Saharan Africa and the Middle East together only account for 17 percent of the total FDI inward stock to USAID assisted countries. For more information on which countries are included in this chart, please see page 2.

Fig 1. FDI Inward Stock by Region, Billions $US, 2005-2009



USAID Assisted Countries' Ability to Attract FDI

The following regional analysis excludes countries receiving less than $2 million in USAID assistance in fiscal year 2009. It also excludes countries with relatively large extractive industries, either petroleum or mining, relative to their exports since these industries can sometimes distort the regional FDI picture.[1] By excluding these countries, we gain a clearer picture of which of the more diversified USAID-assisted countries are succeeding in attracting FDI. See page 5 for more information on data sources used and how countries were excluded.

In 2009, following the global financial crisis in 2008, all regions experienced a decline in FDI inflows. Asia, the largest recipient region of FDI inflows, had the smallest decline at 14 percent and Eastern Europe had the largest decline at 49 percent. Despite the drop in FDI inflows, the share of global FDI in developing economies increased and now represents half of global inflows.

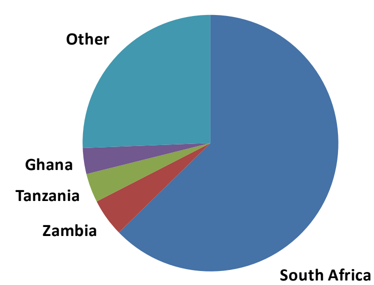
Africa

Thirty-one African countries received $16 billion in FDI inflows in 2009, a decrease of 22 percent from $20.5 billion in 2008. The WIR 2010 attributes this decline to a general constriction in the global market. South Africa continues to do well in terms of total FDI inflows, almost a third of the entire region's total with $5.7 billion in inflows. South Africa also represents the majority of the region's FDI inward stock in 2009. Namibia is first in per capita FDI, displacing Djibouti. Liberia has the most FDI as a percent of GDP at 38.8 percent.

Table 1. Top FDI inflows recipients, 2009

Millions $US	$ per capita	% GDP
South Africa [5,696]	Namibia [243]	Liberia [38.8%]
Ghana [1,685]	Djibouti [135]	Niger [13.2%]
Zambia [959]	South Africa [116]	Mozambique [8.9%]

Fig. 2, Share of FDI Inward Stock, 2009



The WIR 2010 did note two sectors exhibiting positive growth among the general decline in FDI in Africa. The first is the services sector, where the decline in investment was not as pronounced as others. The second is the telecommunications sector, which has become the largest recipient of FDI inflows.

South Africa represents 63 percent of all FDI inward stock for Africa in 2009. Zambia was the only other economy to represent a significant amount of inward stock at only five percent. No other economy in Africa topped five percent in total inward stock. While Africa saw a decline in its FDI inflows and inward stock, the WIR 2010 states that Asian economies continue to invest in Africa and Africa's FDI will likely increase in coming years. The report also states that FDI between African countries is on the rise and is expected to be more resilient through the end of the economic downturn.

[1] Natural resource exports reliant countries excluded from analysis are Angola, Azerbaijan, Iraq, Kazakhstan, Nigeria, Sudan, Venezuela, and Yemen.

Asia

Nineteen countries in Asia received $154.1 billion in FDI inflows in 2009, a decrease of 13.6 percent from $178.4 billion received in 2008. Despite this decline, Asia is still the largest recipient of FDI of any of the regions in this analysis. The WIR 2010 notes that Asia was the first region to bottom out during the crisis and has seen a recent increase in intraregional FDI. The report also expects FDI to increase quickest in the Asia region, especially in China and India. China makes up half of the region's FDI inward stock and its $95 billion in FDI inflows makes it the largest FDI recipient in the region. Turkmenistan again has the highest per capita FDI inflow at $274 and Mongolia is the top FDI recipient as a percentage of GDP.

Fig. 3, Share of FDI Inward Stock, 2009

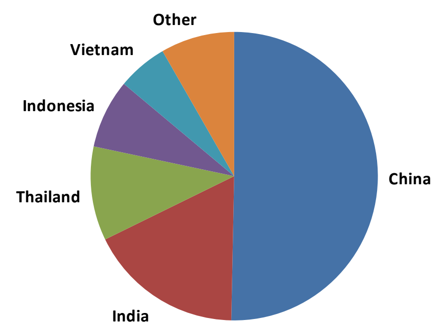


Table 2 Top FDI inflows recipients, 2009

Millions $US	$ per capita	% GDP
China (P.R.C.) [95,000]	Turkmenistan [274]	Mongolia [7.1%]
India [34,613]	Mongolia [142]	Cambodia [4.6%]
Thailand [5,949]	Thailand [89]	Vietnam [4.3%]

The WIR 2010 notes that since FDI inflows from developed countries slowed due to the financial crisis, intraregional FDI now represents half of all Asian FDI. China and India have already started to rebound from the crisis and Hong Kong, South Korea and Singapore are also recovering, but at a slower pace.

China continues to be the main recipient of FDI in Asia. In 2009, China represented half of all FDI inward stock in the region. The second largest recipient is India, which received 17 percent of FDI inward stock. Thailand, Indonesia, and Vietnam all received at least five percent of FDI inward stock in 2009. The WIR 2010 notes that increased intraregional FDI has allowed for greater technological diffusion and created development opportunities in countries like Cambodia.

Europe and Eurasia

The Europe and Eurasia region received $52 billion in FDI inflows in 2009, a decline of 49 percent from 2008. The WIR 2010 attributes much of this downturn to Russia's FDI inflows being halved, sluggish demand and generally poorer inflows to former Soviet countries. The report expects a modest FDI recovery in 2010 based on stronger commodity prices and increased privatization. Russia remains the top recipient of FDI inflows, receiving $38.7 billion in 2009, and Ukraine, Serbia, Belarus, and Montenegro all received over $1 billion in FDI. Montenegro has both the highest per capita ($1,966) and highest FDI as a percent of GDP (32.6 percent) in the region for 2009.

Fig. 4, Share of FDI Inward Stock, 2009

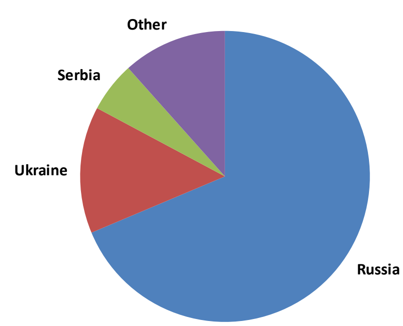


Table 3 Top FDI inflows recipients, 2009

Millions $US	$ per capita	% GDP
Russia [38,722]	Montenegro [1,966]	Montenegro [32.6%]
Ukraine [4,816]	Albania [328]	Armenia [8.9%]
Serbia [1,920]	Armenia [282]	Albania [8.3%]

The WIR 2010 notes that the decline in FDI to Eastern Europe and Eurasia was due to weak demand in Russia, but Russia is still the sixth largest FDI recipient in the world. The report also notes that China is becoming a larger investor in the region, but that the presence of foreign banks in the region is a source of concern regarding the strength of any recovery. Russia also possesses the largest share of FDI inward stock at 69 percent, the only other economies with more than five percent are Ukraine with 14 percent, and Serbia with six percent.

Latin America and the Caribbean

Latin America and the Caribbean received $59.8 billion in FDI inflows in 2009, a decline of 37 percent from $95.6 billion in 2008. The economy most affected by the downturn was Brazil, but it still remains the region's top FDI recipient with $25.9 billion in inflows. The WIR 2010 expects inflows to recover in 2010, especially in the region's top target markets of Brazil, and Mexico. As in 2008, Brazil, Mexico and Columbia are the leading recipients of FDI inflows. Panama remains the highest per capita recipient of FDI and Jamaica is the top FDI recipient as a percent of GDP.

Fig. 5, Share of FDI Inward Stock, 2009

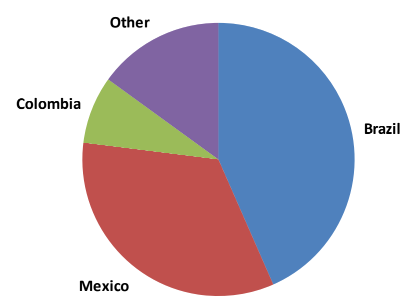


Table 4 Top FDI inflows recipients, 2009

Millions $US	$ per capita	% GDP
Brazil [25,949]	Panama [520]	Jamaica [7.8%]
Mexico [12,522]	Jamaica [373]	Nicaragua [6.6%]
Colombia [7,201]	Costa Rica [293]	Panama [6.6%]

As a share of FDI inward stock, Brazil, Mexico, and Columbia make up 85 percent of the stock, with no other economy having more than five percent. While inflows are expected to recover across the entire region in 2010, the recovery in South America is expected to be faster. Outward FDI is also expected to increase in 2010, with Brazil being the primary source.

Middle East

The Middle East region received $15.2 billion in FDI in 2009, a decline of 20 percent from $19 billion in 2008. According to the WIR 2010, tightening international credit and the decline of international trade were the primary factors in reducing FDI inflows. However, Lebanon did see an increase in FDI inflows. Egypt and Lebanon were again the top two FDI recipients, receiving $6.7 billion and $4.8 billion respectively. Lebanon also has the highest per capita FDI

Fig. 6, Share of FDI Inward Stock, 2009

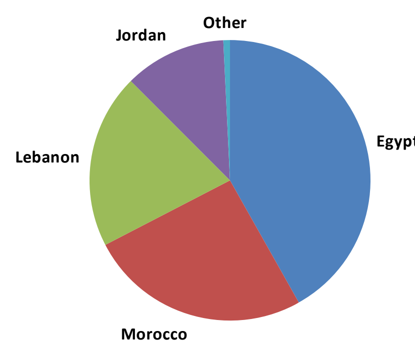


Table 5 Top FDI inflows recipients, 2009

Millions $US	$ per capita	% GDP
Egypt [6,712]	Lebanon [1,164]	Lebanon [12.2%]
Lebanon [4,804]	Jordan [372]	Jordan [8.7%]
Jordan [2,385]	Egypt [83]	Egypt [3.1%]

inflows and FDI as a percent of GDP. As a share of FDI inward stocks, Egypt is leads the region with 42 percent of all stocks, Morocco has 26 percent and Lebanon is third with 20 percent of inward stocks. The WIR 2010 is cautiously optimistic for the Middle East region's prospects in 2010. Specifically, the infrastructure investments made by economies in the region can be a source of FDI inflows once the crisis abates and credit markets stabilize.

About the data and countries excluded

FDI figures are from the UNCTAD FDI database. UN COMTRADE is the source for aggregate exports and exports at the 2 digit SITC level to help determine natural resource-reliant countries to exclude. In addition, World Bank, World Development Indicators were used to obtain the fuel and ores and metals exports as a percentage of merchandise exports for those countries missing UN COMTRADE export data.

GDP data are from IMF, World Economic Outlook Database. Data for population are from the U.S. Bureau of Census, International Database and World Bank, World Development Indicators. Lastly, data on USAID economic assistance are retrieved from the U.S. Overseas Loans and Grants annual publication for Congress and are available at http://gbk.eads.usaidallnet.gov/.

Countries with less than $2 million in USAID economic assistance in fiscal year 2009 were dropped. Next, those where natural resource exports are greater than 80 percent of total exports were dropped. The following SITC level 2 categories were those selected to represent natural resource exports.

- 28 Metalliferous Ores and Metal Scrap
- 32 Coal, Coke and Briquettes
- 33 Petroleum, Petroleum Products and Related Materials
- 34 Gas, Natural and Manufactured
- 68 Nonferrous Metals
- 97 Gold, Nonmonetary (Excluding Gold Ores and Concentrates)

Additional Information

To access the entire UNCTAD FDI dataset and other data sources mentioned above, visit the Economic and Social Database (ESDB) at http://esdb.eads.usaidallnet.gov/query/do?_program=/eads/esdb/source&source=FDI. The ESDB website offers related datasets from the IMF, World Bank, and other sources. Through the ESDB website you can also access trade and investment country profiles, generate customized tables and graphs, and utilize a wide array of analytic tools including the Financial Sector Analysis Tool.