EADS Snapshot on

World Investment Report 2012

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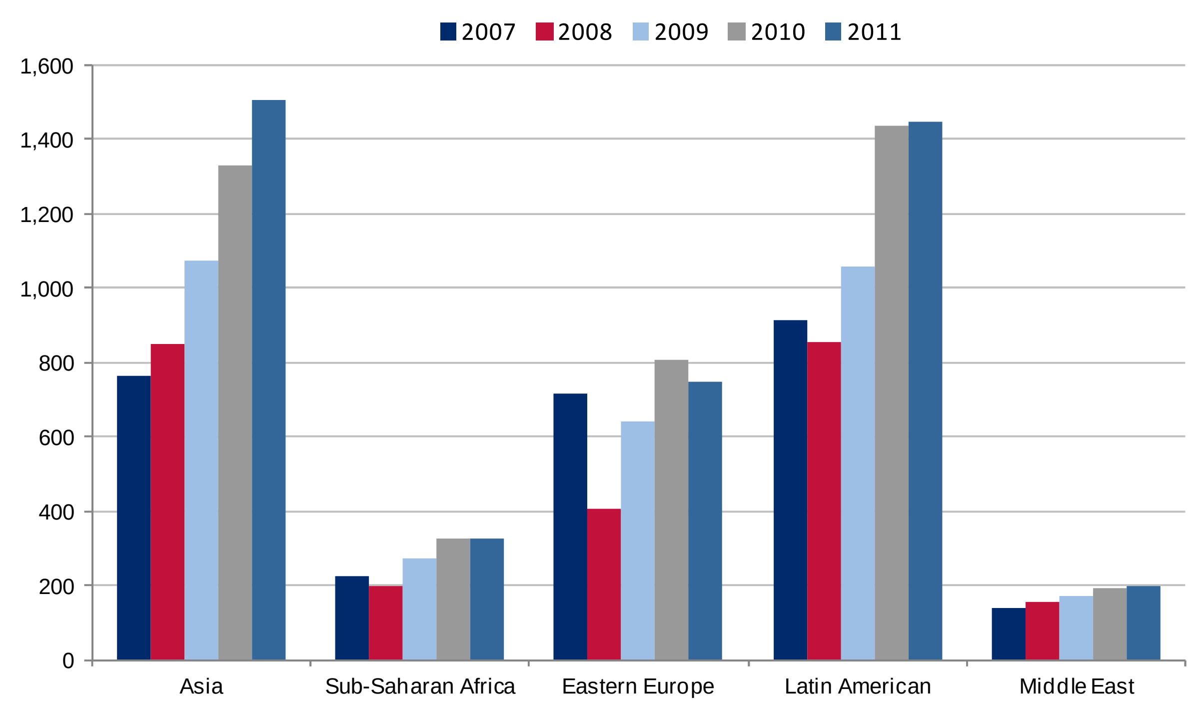
UNCTAD's World Investment Report 2012 (WIR2012) notes that global FDI inflows surged 16 percent in 2011, reaching $1.5 trillion and surpassing 2005–2007 pre-crisis levels. However, leading indicators suggest more moderate FDI growth in 2012 due to economic uncertainty and potentially slower growth in key emerging markets. The WIR2012 projects that FDI inflows will reach $1.9 trillion in 2014, barring a severe macroeconomic shock.

Greenfield investments (i.e., new investments) accounted for $904 billion of the $1.5 trillion in FDI inflows, with the majority of the remainder arising from cross-border mergers and acquisitions. UNCTAD also estimates that FDI rose in all three sectors—the primary, manufacturing, and services sectors which accounted for 14, 46, and 40 percent of FDI inflows in 2011, respectively. The WIR2012 observes that transnational corporations (TNCs) increased production and economic activity in 2011; however, it is also estimated that TNCs are holding $400–500 billion in "excess" cash due to financial market instability and uncertainty. If market conditions improve, these cash holdings could trigger an FDI surge as excess cash represents about one third of annual FDI inflows.

FDI inward stock, the amount of FDI inflows accrued over time, has rebounded since the 2008 financial crisis. Higher FDI inflows since 2008 have, for the most part, increased developing countries' inward FDI stock, although Sub-Saharan Africa and Europe and Eurasia experienced reductions in their 2011 inward FDI stock.

FDI Inward Stock by Region 2007–2011 (in billions of USD)



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FDI in USAID Assisted Countries

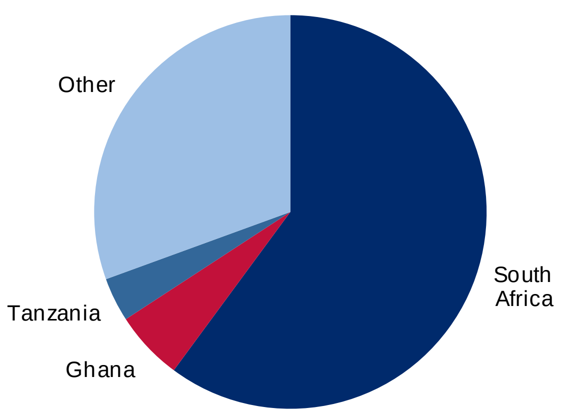
The following regional analysis only examines countries receiving $2 million or more in USAID assistance in fiscal year 2010. Our interest is the attractiveness of a country's investment environment. Countries with large extractive industries, either petroleum or mining based, are excluded because these factors can overwhelm the policy environment. By excluding these countries, we get a better picture of how the policy environment influences FDI distribution among the regions and countries USAID assists. See page 7 for more information on data sources used and how countries were excluded from the analysis.

In 2011, USAID regions experienced mixed results following the end of the global recession. Sub-Saharan Africa attracted 43 percent more FDI than in 2010. Europe and Eurasia (33 percent increase) and Latin America and the Caribbean (26 percent increase) also experienced significantly higher inflows. Asia's inward FDI flows increased more moderately at 12 percent while the Middle East region plummeted 51 percent due to recent and ongoing hostilities.

Sub-Saharan Africa

Twenty four Sub-Saharan Africa countries received $23 billion in FDI inflows in 2011. Regional FDI was buoyed by a sharp rebound in FDI flows to South Africa, the area's top FDI destination. Guinea's FDI increased nearly twelve fold and is expected to continue rising, sustained by the China Power Investment Corporation's plans to invest $6 billion in bauxite and alumina projects. Mozambique's inflows doubled to $2.1 billion with offshore gas fields showing great potential. Italy's Eni announced it would invest $50 billion to develop recent gas discoveries in Mozambique.

Share of FDI Inward Stock, 2011



Top FDI Inflow Recipients, 2011

Country	Inflow
Total inflows (in millions of USD)	
South Africa	5,807
Ghana	3,222
Mozambique	2,093
Inflows per capita (in USD)	
Namibia	419
Chad	172
Liberia	134
Inflows as a percentage of GDP	
Liberia	44.0
Guinea	23.2
Chad	19.9

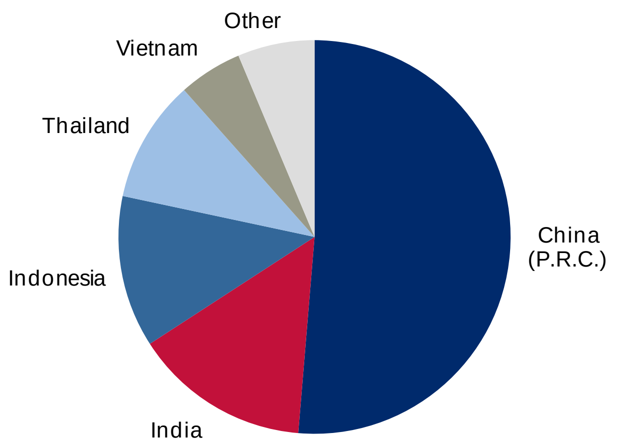
Namibia remained the largest FDI recipient per capita while Liberia also re-claimed the top spot in terms of FDI inflows as a percent of GDP. Despite these significant inflows, South Africa continues to possess 60 percent of regional FDI stock, with all other countries having less than 6 percent of stock.

Based on analysis of greenfield investments in 3 year increments, UNCTAD identified a shift in FDI from extractive, primary sectors to the manufacturing and services sectors that rely on the availability of natural resources from 2003–05 to 2009–11. Examples include construction, electric, gas and water distribution, and transport in the services sector and coke, petroleum products, and nuclear fuel in the manufacturing sector. However, UNCTAD acknowledges that the shift in FDI to manufacturing and services is related to the diversification of natural resource based investments, not to a decline in extractive industries.

Asia

Seventeen Asian countries received $200 billion in FDI inflows in 2011, an increase of 12 percent from 2010's $178.7 billion. Asia is still the largest FDI recipient region, receiving 44 percent of all FDI inflows in this analysis. Although FDI to the region increased, performance varied between countries as nearly half of the countries experienced declines in FDI. UNCTAD notes that Asia has the highest concentration of policy changes liberalizing entry or FDI operations.

Share of FDI Inward Stock, 2011



Top FDI Inflow Recipients, 2011

Country	Inflow
Total inflows (in millions of USD)	
China (P.R.C.)	123,985
India	31,554
Indonesia	18,906
Inflows per capita (in USD)	
Thailand	143
Kyrgyzstan	127
China (P.R.C.)	93
Inflows as a percentage of GDP	
Kyrgyzstan	11.7
Cambodia	6.9
Vietnam	6.1

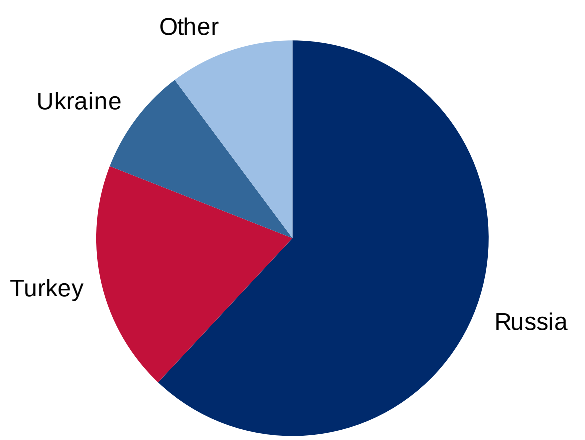
China continues to be the most favored FDI destination, but rising wages and other production costs in China have made South East Asia more attractive to investors. As an example, UNCTAD mentions plans of a U.S. laser and optical component firm to move its production facilities from Shenzhen, China to Malaysia in the next few years.

Thailand received a high level of FDI inflows per capita in 2011, despite FDI inflows decreasing slightly from $9.7 billion to $9.6 billion. The small decrease is noteworthy given the massive flooding that disrupted automobile and electronics production.

Europe and Eurasia

Twelve countries in the Europe and Eurasia region received $86.9 billion in FDI inflows in 2011, a 33 percent increase from $56.3 billion in 2010. Nine countries, led by Russia, Turkey, and Belarus, enjoyed increased inflows, while Albania, Armenia, and Montenegro attracted less FDI. FDI inflows to both Albania and Armenia declined for the second consecutive year. Despite regressing this year, Montenegro remains the top FDI destination when expressed in per capita terms and as a percentage of GDP. Overall, UNCTAD expects FDI inflows to increase in the region next year and believes there will be an uptick in privatizations as cash-strapped governments seek to strengthen their balance sheets. In 2012, Serbia's government is expected to sell Telekom Srbija and the catering service of its national airline, while Bosnia and Herzegovina seeks to raise approximately $5 billion from selling shares in 25 large companies.

Share of FDI Inward Stock, 2011



Top FDI Inflow Recipients, 2011

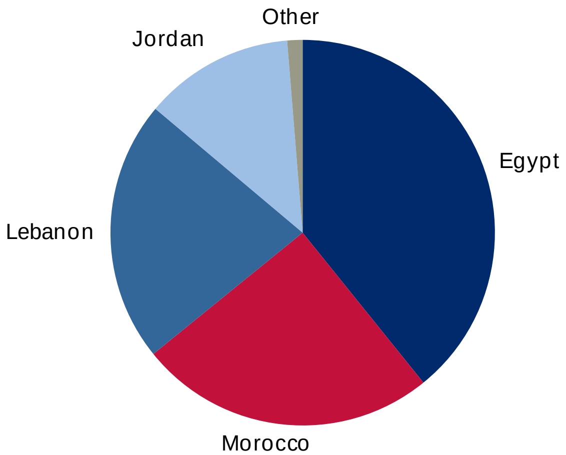
Country	Inflow
Total inflows (in millions of USD)	
Russia	52,878
Turkey	15,876
Ukraine	7,207
Inflows per capita (in USD)	
Montenegro	843
Belarus	413
Russia	371
Inflows as a percentage of GDP	
Montenegro	12.3
Albania	8.0
Belarus	7.2

For Russia, UNCTAD cites a growing domestic market, relatively affordable labor costs, and productivity gains as factors that helped it pull in nearly $53 billion of FDI inflows in 2011, a 22 percent increase from 2010. Energy and extractive industries also continue to draw foreign investors, evidenced by Exxon Mobil's partnership deal with the state-owned Rosneft to develop Arctic reserves. Not to be out done, Turkey's FDI inflows surged 76 percent from $9.0 billion in 2010 to $15.9 billion in 2011, mostly as a result of two mega mergers and acquisition deals in the banking and oil sectors. UNCTAD notes Turkey's investment promotion policy has aimed for a sector-specific approach, targeting high-tech and export oriented projects including automotive and petrochemical industries, with mining in its crosshairs. Russia and Turkey's increased inflows increased their share of regional FDI stock to 62 percent and 19 percent, respectively. Ukraine possesses 9 percent of the stock and all other nations each account for less than 5 percent of the region's total.

Middle East

Five Middle Eastern countries received $6.9 billion in FDI inflows in 2011, a decrease of 51 percent from $14.1 billion in 2010. Morocco and West Bank/Gaza were the two bright spots whose FDI inflows increased from 2010. Instability and conflict in Egypt, Yemen, and Syria directly and indirectly lowered FDI to the region in 2011 and is expected to continue weighing negatively on investment prospects.

Share of FDI Inward Stock, 2011



Top FDI Inflow Recipients, 2011

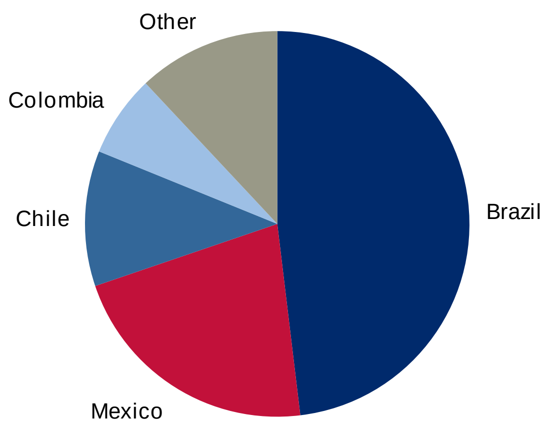
Country	Inflow
Total inflows (in millions of USD)	
Lebanon	3,200
Morocco	2,519
Jordan	1,469
Inflows per capita (in USD)	
Lebanon	772
Jordan	226
Morocco	79
Inflows as a percentage of GDP	
Lebanon	8.2
Jordan	5.0
Morocco	2.5

Despite investors' $482 million divestment from Egypt in 2011, Egypt maintained the highest stock of FDI. Perhaps signaling a souring investment climate, UNCTAD counted four Investor-State Dispute Settlement cases filed against the Egyptian government in 2011. Morocco gained ground on Egypt's FDI stock, and now possesses 25 percent of regional FDI stock. It garnered $2.5 billion in FDI, a 60 percent increase from 2010. UNCTAD highlights the investment of Qatar, UAE, and Kuwait's sovereign wealth funds' pooled resources of $2.5–4.0 billion to create a fund designed to further develop the Moroccan tourism industry. The cooling of the Lebanese real estate sector, the greatest destination of inward FDI, dampened FDI inflows, although Lebanon replaced Egypt as the top recipient of FDI inflows and remained the top recipient in terms of FDI per capita and as a percentage of GDP.

Latin America and Caribbean

Eighteen Latin American countries received $137.2 billion in FDI inflows in 2011, an increase of 26 percent from $108.9 billion in 2010, fueled mostly by increased inflows to South America. South America continues to attract investment due to its growing domestic markets, relatively high growth rates, and natural resource endowments. Extractive industry FDI stock in Peru grew from 14 percent in 2003 to 26 percent in 2010; in Colombia, extractive industry FDI inflows represented two-thirds of all flows from 2009–2011. Overall, FDI grew in sixteen of eighteen countries, with Peru and Mexico the only exceptions.

Share of FDI Inward Stock, 2011



Top FDI Inflow Recipients, 2011

Country	Inflow
Total inflows (in millions of USD)	
Brazil	66,660
Mexico	19,554
Chile	17,299
Inflows per capita (in USD)	
Chile	1,023
Panama	806
Costa Rica	460
Inflows as a percentage of GDP	
Nicaragua	13.3
Panama	9.1
Chile	7.0

Brazil remained the largest recipient of FDI inflows, attracting $66.7 billion in 2011, a 37 percent increase from 2010. UNCTAD cites Brazil's growing domestic market, along with its proximity to fast-growing economies like Argentina, Chile, Colombia, and Peru, as factors for its increased appeal to investors. Mexico, despite a $1.1 billion decrease (5.5 percent) in FDI inflows, continued to receive strong investments in the automotive sector as Nissan, Ford, and Honda announced plans to invest $2 billion, $1.5 billion, and $800 million, respectively.

The four countries with the largest FDI stock—Brazil, Mexico, Chile, and Colombia—remain unchanged from last year. Nicaragua is the largest FDI recipient as a percentage of GDP, and hopes to attract additional investments after officials wrapped up negotiations on the Mexico-Central America (Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Nicaragua) free trade area. UNCTAD foresees only slight growth in 2012 for the LAC region as FDI is hampered by global economic uncertainty from the European debt crisis.

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 is available at http://gbk.eads.usaidallnet.gov/.

Countries with less than $2 million in USAID economic assistance in fiscal year 2010 were dropped. Next, those whose natural resource exports were greater than 80 percent of total exports were dropped. The following SITC 2-digit categories were 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

For questions or more information, please contact the author, Cristobal de Brey, at cdebrey@devtechsys.com. To access the entire UNCTAD FDI dataset and other sources mentioned above, visit the Economic and Social Database (ESDB) at http://esdb.eads.usaidallnet.gov/. 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.