EADS Snapshot on

World Investment Report 2011

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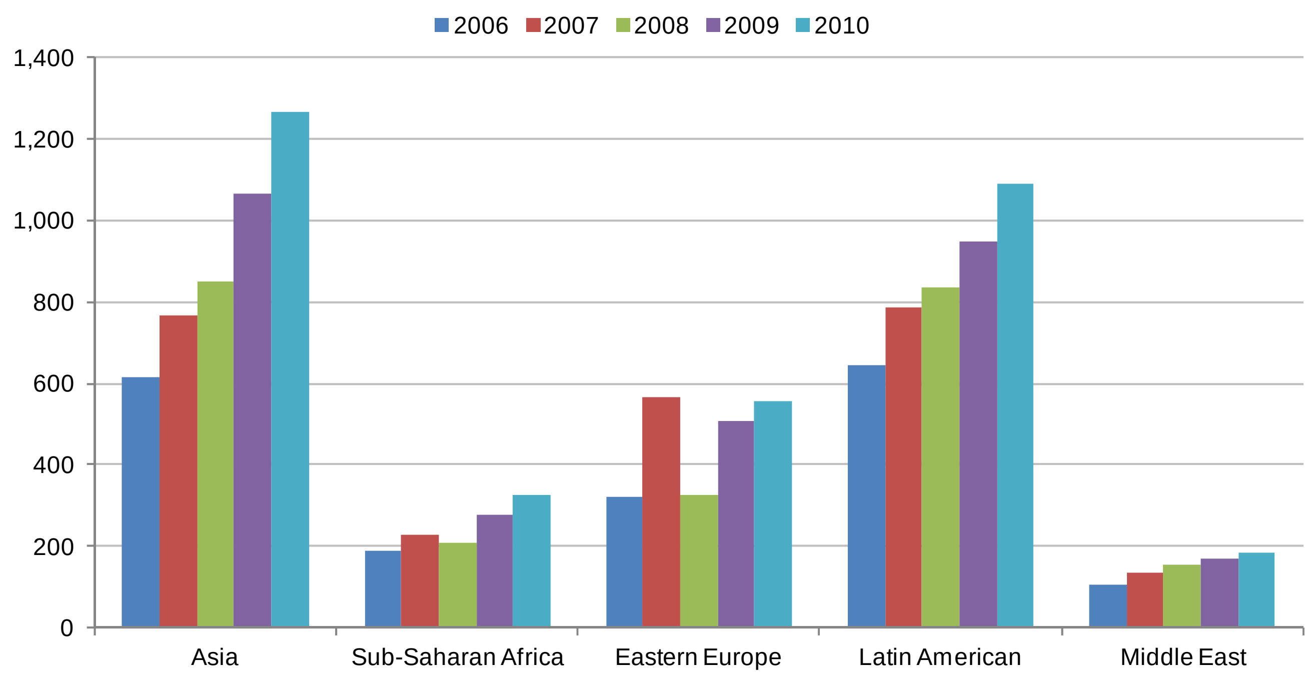
UNCTAD's World Investment Report 2011 (WIR 2011) notes an increase in global foreign direct investment (FDI) in 2010 and indicates that FDI will return to pre-crisis levels by the end of 2011. WIR 2011 also expects global FDI to reach, and possibly exceed, its 2007 peak by 2013. The major change recorded by UNCTAD is the shift of a majority of the world's FDI to developing and emerging economies. WIR 2011 also reports that FDI outflows from the developing world increased and that most of these flows were to the global South.

Global FDI flows rebounded in 2010, rising slightly to $1,240 billion. FDI is expected to reach its 2007 peak of $1,900 billion by 2013, however global economic risks remain that could threaten this outcome. The largest shift noted by WIR 2011 is the global turn toward developing and emerging economies for FDI, both inward and outward. This shift can be seen in countries receiving USAID assistance. FDI inward stock, the amount of FDI accrued over several years reflecting foreign investment over time, has continued to rise across all regions. Latin America and Asia account for most of the increased FDI inward stock, with these regions seeing increases of 15 and 19 percent respectively. Eastern Europe is the only region not to have recovered to its 2007 high and it continues to be one of the slower growing regions in terms of FDI inward stock.

FDI Inward Stock by Region, 2006–2010 (in billions of USD)



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FDI in USAID Assisted Countries

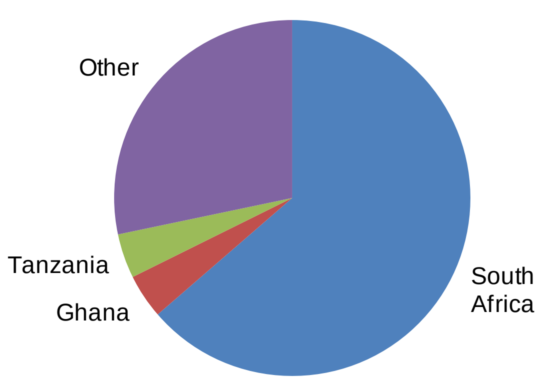
The following regional analysis only examines countries receiving $2 million or more in USAID assistance in fiscal year 2009. Countries with large extractive industries, either petroleum or mining based, are also excluded since these factors can distort regional FDI.[1] By excluding these countries, we get a better picture of how FDI is distributed 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 2010, USAID regions experienced mixed results following the end of the global recession. Latin America sand the Caribbean saw a tremendous increase in FDI inflows with a 44 percent increase. Asia and Eastern Europe experienced modest, but positive gains at 6 and 9 percent, respectively. The Middle East saw a decline of approximately 12 percent and Sub-Saharan Africa effectively remained constant, seeing only an increase of $16 million in FDI inflows.

Sub-Saharan Africa

Thirty Sub-Saharan Africa countries received $15 billion in FDI inflows in 2010, a minor increase from 2009. WDI 2011 attributes this mixed result to the varying changes in FDI across the region. FDI inflows increased in Ghana and Congo (Kinshasa), these increases were offset by a 70 percent reduction in FDI inflows to South Africa. Ghana and Congo (Kinshasa) benefited from investment in their new oil industries and Congo saw an increase in telecommunications investments. There was some growth in FDI in East Africa, but this growth was set off by a 19 percent decline in Madagascar's FDI inflows.

Share of FDI Inward Stock, 2010



Top FDI Inflow Recipients, 2010	
Country	**Inflow**
Total inflows (in millions of USD)	
Congo (Kinshasa)	2,939
Ghana	2,527
South Africa	1,553
Inflows per capita (in USD)	
Namibia	399
Botswana	256
Ghana	102
Inflows as a percent of GDP	
Liberia	21.5
Congo (Kinshasa)	19.2
Niger	14.7

Congo (Kinshasa) and Ghana displaced South Africa as the top FDI recipients in Sub-Saharan Africa. For Ghana, this change meant an additional $900 million in FDI and for South Africa there was a decline of over $4 billion in FDI inflows. Namibia remained the largest per capita recipient of FDI in the region and Liberia also

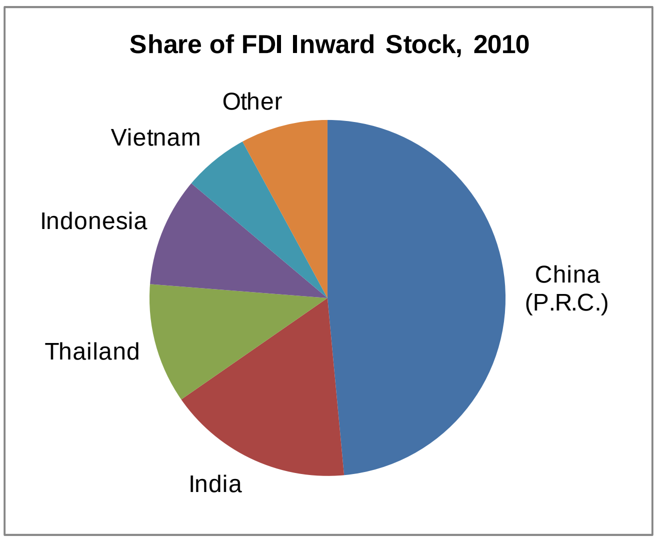
[1] Natural resource exports reliant countries excluded from analysis are Angola, Azerbaijan, Kazakhstan, Nigeria, Sudan, Venezuela and Zambia.

retained its top position in FDI as a percent of GDP, however, this percentage fell from 38.8 percent in 2009 to its current 21.5 percent.

Despite a decline in FDI inflows, South Africa retains 63 percent of Sub-Saharan Africa's FDI inward stock. No other country exceeds 5 percent of stocks; Ghana and Tanzania only represent 4 percent each. FDI inflows have primarily come in extractive industries, especially petroleum exploration and development, from Chinese and Indian corporations. According to WIR 2011, South Africa plays a large role in interregional FDI inflows in the region, particularly in underdeveloped parts of Africa. The importance of these investments is increasing over time.

Asia

Nineteen Asian countries received $169.5 billion in FDI inflows in 2010, an increase of 6 percent from 2009's $160 billion. Asia is still the largest FDI recipient region, receiving 49 percent of all FDI inflows in this analysis. WIR 2011 notes that while the Asian region is well into recovery, that recovery is not evenly distributed. Indonesia saw an increase in FDI inflows of 173 percent, but other countries saw more modest increases. Cambodia, the Philippines and Indonesia have also pursued policies to increase their FDI inflows, including liberalizing industries and streamlining regulations.



Top FDI Inflow Recipients, 2010

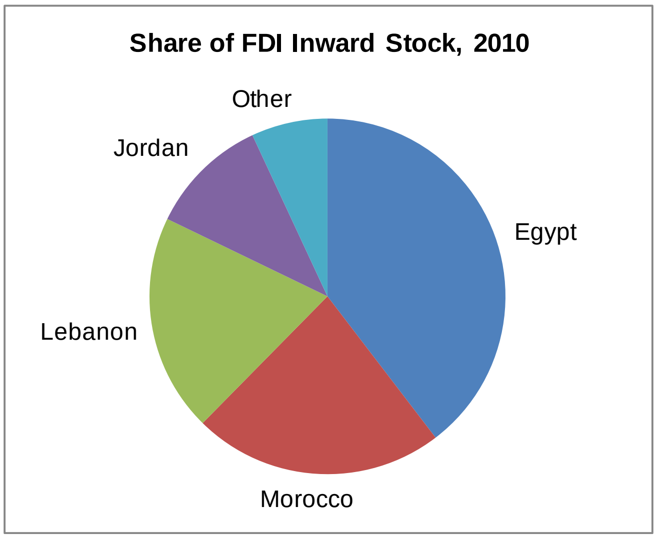
Country	Inflow
Total inflows (in millions of USD)	
China (P.R.C.)	105,735
India	24,640
Indonesia	13,304
Inflows per capita (in USD)	
Mongolia	540
Turkmenistan	417
Timor-Leste	237
Inflows as a percent of GDP	
Timor-Leste	39.4
Mongolia	19.3
Turkmenistan	8.6

China remains the top FDI recipient in Asia, receiving over $100 billion in FDI inflows. India is second in the region again, but Indonesia is now the third largest recipient in the region with $13 billion in FDI inflows. Mongolia replaces Turkmenistan as the top FDI recipient per capita, but both countries saw increases in 2010. Timor-Leste replaces Mongolia as the top recipient of FDI inflows as a percent of GDP at 39.4 percent. Despite dropping to second place, Mongolia did see an increase in FDI as a percent of GDP in 2010.

As with FDI inflows, China inward stock represents the most FDI inward stock in Asia. China possesses 49 percent of Asia's FDI inward stock for 2010. This percentage is a minor decrease from 2009's fifty percent. India represents 17 percent of FDI inward stock and Thailand and Indonesia represent 11 and 10 percent, respectively. According to WIR 2011, rising production costs in China have shifted FDI geared toward manufacturing to other countries, such as Vietnam and Indonesia. Outward FDI from Asia is also increasing. In 2010, China passed Japan for the first time in outward FDI flows. As a region, Asia has been increasing outward FDI since 2005, mainly in extractive industries, but according to WIR 2011, that focus is shifting due to demands for energy.

Middle East

Seven Middle East countries received $15.5 billion in FDI inflows in 2010, a decrease of 12 percent from $17.7 billion in 2009. WIR 2011 expects the FDI inflows to bottom out in 2011 and begin to rise in 2012; however, this improvement is threatened by the political instability in the region. This instability will likely affect inflows, outflows and interregional FDI negatively.



Egypt leads the region in total FDI inflows for 2010 with $6.4 billion, but its total FDI inflows actually declined slightly from 2009. Lebanon is the only top three country to see an increase in its FDI inflows.

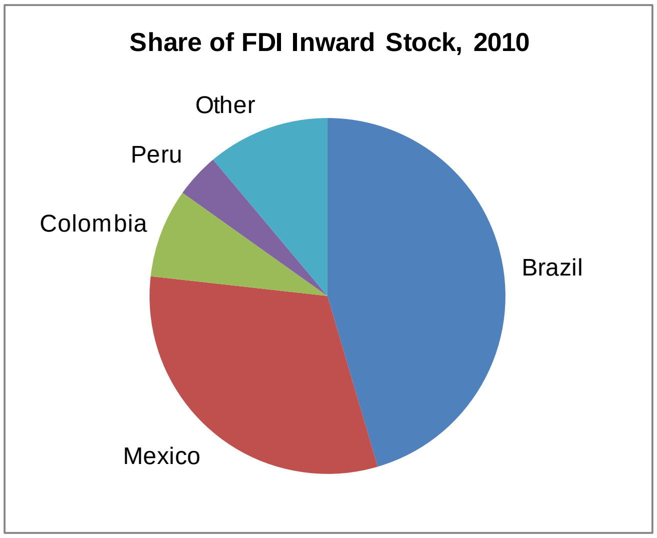
Top FDI Inflow Recipients, 2010

Country	Inflow
Total inflows (in millions of USD)	
Egypt	6,386
Lebanon	4,955
Jordan	1,704
Inflows per capita (in USD)	
Lebanon	1,196
Jordan	262
Egypt	78
Inflows as a percent of GDP	
Lebanon	12.0
Jordan	6.0
Egypt	2.8

The top three countries in the region for FDI per capita and FDI as a percent of GDP did not change from 2009. However, Lebanon was again the only country to see an increase in FDI per capita, but all three countries saw decreases in FDI as a percent of GDP. Egypt continues to lead the region in FDI inward stock, representing 40 percent of it in 2010. With continued political strife in the region, the picture for FDI outflows and any prospective growth in FDI inflows remain uncertain. Morocco has a large share of FDI inward stock, but has struggled to return to the level of FDI inflows is saw before the global financial crisis. Morocco's FDI inflows fell by 33 percent in 2010, but inward stock actually rose.

Latin America and the Caribbean

Eighteen Latin American countries received $90.5 billion in FDI inflows in 2010, an increase of 44 percent from $62.9 billion in 2009. A source for this large increase in FDI is investment from developing Asian countries, particularly China and India. WIR 2011 reports strong FDI growth in many Latin American countries, including an 87 percent increase in FDI to Brazil and a 22 percent increase in Mexico. Regional FDI inflows are expected to increase again in 2011, primarily due to Brazil continuing as a destination for FDI.



Top FDI Inflow Recipients, 2010

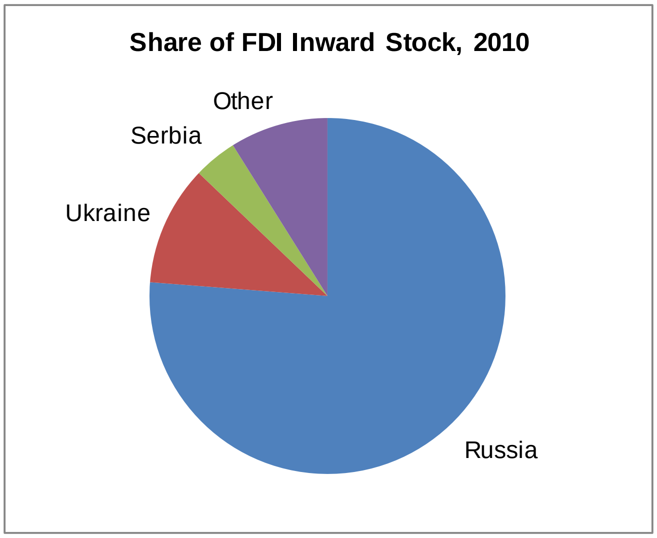
Country	Inflow
Total inflows (in millions of USD)	
Brazil	48,438
Mexico	18,679
Peru	7.328
Inflows per capita (in USD)	
Panama	683
Costa Rica	309
Guyana	252
Inflows as a percent of GDP	
Panama	7.8
Guyana	7.6
Nicaragua	7.2

Brazil was again the largest recipient of FDI inflows, receiving $48.4 billion in 2010. This change is an increase of $23 billion from 2009 and means that Brazil now takes in over half of all FDI inflows in the region. Columbia saw a decrease in FDI, leading to Peru becoming the third largest recipient of FDI inflows in the region. Panama is again the top per capita FDI recipient, increasing from 2009, and is now the top FDI recipient as a percent of GDP for 2010.

Brazil now accounts for 45 percent of FDI inward stocks in Latin America and when combined with Mexico, the two countries make up over 75 percent. FDI outflows from Latin America plummeted in 2009 according to WIR 2011, but increased in 2010. The increase was mainly due to investments by firms from Brazil and Mexico. The rise in outflows of FDI is the strongest of all the regions in WIR 2011 and due primarily to increases in cross border mergers and acquisitions. FDI outflows are expected to decrease in 2011 due to loan repayments to companies located in Brazil and a decline in Mexico's outward FDI.

Eastern Europe

Eleven Eastern Europe countries received $53.9 billion in FDI inflows in 2010, a 9 percent increase from $49.7 billion in 2009. However, there was a shift in FDI inflows that meant some countries experienced sharp declines. Ukraine saw its FDI inflows increase by 35 percent in 2010, while Serbia experienced a downturn. Albania was a bright spot in the region, seeing its FDI inflows surpass $1 billion for the first time. WIR 2011 expects FDI inflows to increase in 2011 based on friendlier investment policies in the region and in anticipation of Russia joining the WTO.



Top FDI Inflows Recipients, 2010

Country	Inflow
Total inflows (in millions of USD)	
Russia	41,194
Ukraine	6,495
Belarus	1,350
Inflows per capita (in USD)	
Montenegro	1,149
Albania	366
Russia	297
Inflows as a percent of GDP	
Montenegro	18.2
Albania	8.3
Armenia	5.7

Russia remains the top FDI recipient in Eastern Europe, receiving $41 billion in FDI inflows in 2010, a gain of $3 billion over the region's 2009 total. Ukraine also saw an increase in its FDI, but Serbia's decline in FDI inflows meant that Belarus became the third largest recipient of FDI inflows in Eastern Europe. Montenegro remains the top recipient of FDI inflows in per capita terms and as a percent of GDP, however both of these values declined from 2009. Russia continues to be the primary location of FDI inward stock in Eastern Europe. In 2010, Russia's inward stock increased to 77 percent from 69 in 2009. Only Ukraine has more than 5 percent of the remaining FDI inward stock. WIR 2011 reports that FDI outflows from Eastern Europe rose in 2010, primarily from Russia, due to increased cash flows to transnational corporations, higher commodity prices and regional economic recovery. Outward FDI is expected to continue increasing from 2011 to 2013 due to stronger commodity prices and economic recovery in resource rich countries.

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 2009 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

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/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.