EMBARGO
The contents of this press release and the related Report must not be quoted or summarized in the print, broadcast or electronic media before
24 June 2015, 17:00 GMT.
(1 p.m. New York; 7 p.m. Geneva; 10.30 p.m. Delhi; 2 a.m. on 25 June, Tokyo)

Regional Investment Trends

CHAPTER II

INTRODUCTION

Global foreign direct investment (FDI) inflows fell by 16 per cent overall in 2014 to $1.23 trillion, down from $1.47 trillion in 2013, but with considerable variance between country groups and regions.

FDI flows to developing economies increased by 2 per cent to reach their highest level at $681 billion in 2014, accounting for 55 per cent of global FDI inflows (table II.1). Five of the top 10 host economies now are developing ones. However, the increase in developing-country inflows is, overall, primarily a developing Asia story. FDI inflows to that region grew by 9 per cent to $465 billion, constituting the lion's share of total FDI in developing economies. Africa's overall inflows remained flat at $54 billion, while those to Latin America and the Caribbean saw a 14 per cent decline to $159 billion, after four years of consecutive increases. FDI to *transition economies* dropped by more than half to $48 billion. Inflows to developed economies as a whole fell by 28 per cent to $499 billion, decreasing both in Europe and North America. Flows to Europe fell by 11 per cent to $289 billion, one third of their 2007 peak, while in North America FDI dropped 51 per cent to $146 billion.

Outward FDI from developing economies increased by 23 per cent in 2014, to $468 billion. In contrast, net investment by *developed countries* was flat, primarily because a large expansion in cross-border mergers and acquisitions (M&As) by some developed-country multinational enterprises (MNEs) was offset by large divestments by others. FDI outflows from

Table II.1. FDI flows, by region, 2012–2014 (Billions of dollars and per cent)

Region	FDI inflows			FDI outflows		
	2012	2013	2014	2012	2013	2014
World	**1 403**	**1 467**	**1 228**	**1 284**	**1 306**	**1 354**
Developed economies	679	697	499	873	834	823
Europe	401	326	289	376	317	316
North America	209	301	146	365	379	390
Developing economies	639	671	681	357	381	468
Africa	56	54	54	12	16	13
Asia	401	428	465	299	335	432
East and South-East Asia	321	348	381	266	292	383
South Asia	32	36	41	10	2	11
West Asia	48	45	43	23	41	38
Latin America and the Caribbean	178	186	159	44	28	23
Oceania	4	3	3	2	1	0
Transition economies	85	100	48	54	91	63
Structurally weak, vulnerable and small economies[a]	**58**	**51**	**52**	**10**	**13**	**10**
LDCs	24	22	23	5	7	3
LLDCs	34	30	29	2	4	6
SIDS	7	6	7	2	1	1
***Memorandum:* percentage share in world FDI flows**						
Developed economies	48.4	47.5	40.6	68.0	63.8	60.8
Europe	28.6	22.2	23.5	29.3	24.3	23.3
North America	14.9	20.5	11.9	28.5	29.0	28.8
Developing economies	45.6	45.7	55.5	27.8	29.2	34.6
Africa	4.0	3.7	4.4	1.0	1.2	1.0
Asia	28.6	29.2	37.9	23.3	25.7	31.9
East and South-East Asia	22.9	23.7	31.0	20.7	22.4	28.3
South Asia	2.3	2.4	3.4	0.8	0.2	0.8
West Asia	3.4	3.0	3.5	1.8	3.1	2.8
Latin America and the Caribbean	12.7	12.7	13.0	3.4	2.2	1.7
Oceania	0.3	0.2	0.2	0.1	0.1	0.0
Transition economies	6.1	6.8	3.9	4.2	7.0	4.7
Structurally weak, vulnerable and small economies[a]	**4.1**	**3.5**	**4.3**	**0.7**	**1.0**	**0.8**
LDCs	1.7	1.5	1.9	0.4	0.6	0.2
LLDCs	2.5	2.0	2.4	0.2	0.3	0.4
SIDS	0.5	0.4	0.6	0.2	0.1	0.1

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
[a] Without double counting countries that are part of multiple groups.
Note: LDCs = least developed countries, LLDCs = landlocked developing countries, SIDS = small island developing States.

transition economies fell by 31 per cent to $63 billion as natural-resources-based MNEs, mainly from the Russian Federation, reduced their investment abroad. Developing economies now account for more than one third of global FDI outflows, up from about just one tenth in 2000.

FDI flows to *structurally weak, vulnerable and small economies* increased by 3 per cent to $52 billion, but with divergent trends: flows to least developed countries (LDCs) and small island developing States (SIDS) rose by 4.1 per cent and 22 per cent, respectively; landlocked developing countries (LLDCs) saw a decrease of 2.8 per cent.

The outcome of the first Conference on Financing for Development, the Monterrey Consensus of 2002, was a pledge by participants to mobilize financial assistance for developing economies in six principal areas, which include mobilizing international financial resources, such as FDI.[1] Both then and since, particular concern has focused on mobilizing financing and investment for the structurally weak, vulnerable and small economies, in order to ensure robust, resilient growth and sustainable development. Over the past decade (2004–2014), FDI stock tripled in LDCs and SIDS, and quadrupled in LLDCs. With a concerted effort by the international investment-development community, it would be possible to have FDI stock in these structurally weak economies quadruple by 2030 from today's level. And more important, further efforts are needed to harness financing for economic diversification to foster greater resilience and sustainability in these countries.

At the third Conference on Financing for Development on 13–16 July 2015 in Addis Ababa, and at the global summit on the Sustainable Development Goals in New York on 25–27 September 2015, external financing for development will come again under the spotlight, as will the performance of FDI in developing economies since the Monterrey conference. In light of this background, section B of this chapter includes a stocktaking of FDI trends in LDCs, LLDCs and SIDS since 2002, in addition to analysis of last year's trends.

A. REGIONAL TRENDS

AFRICA

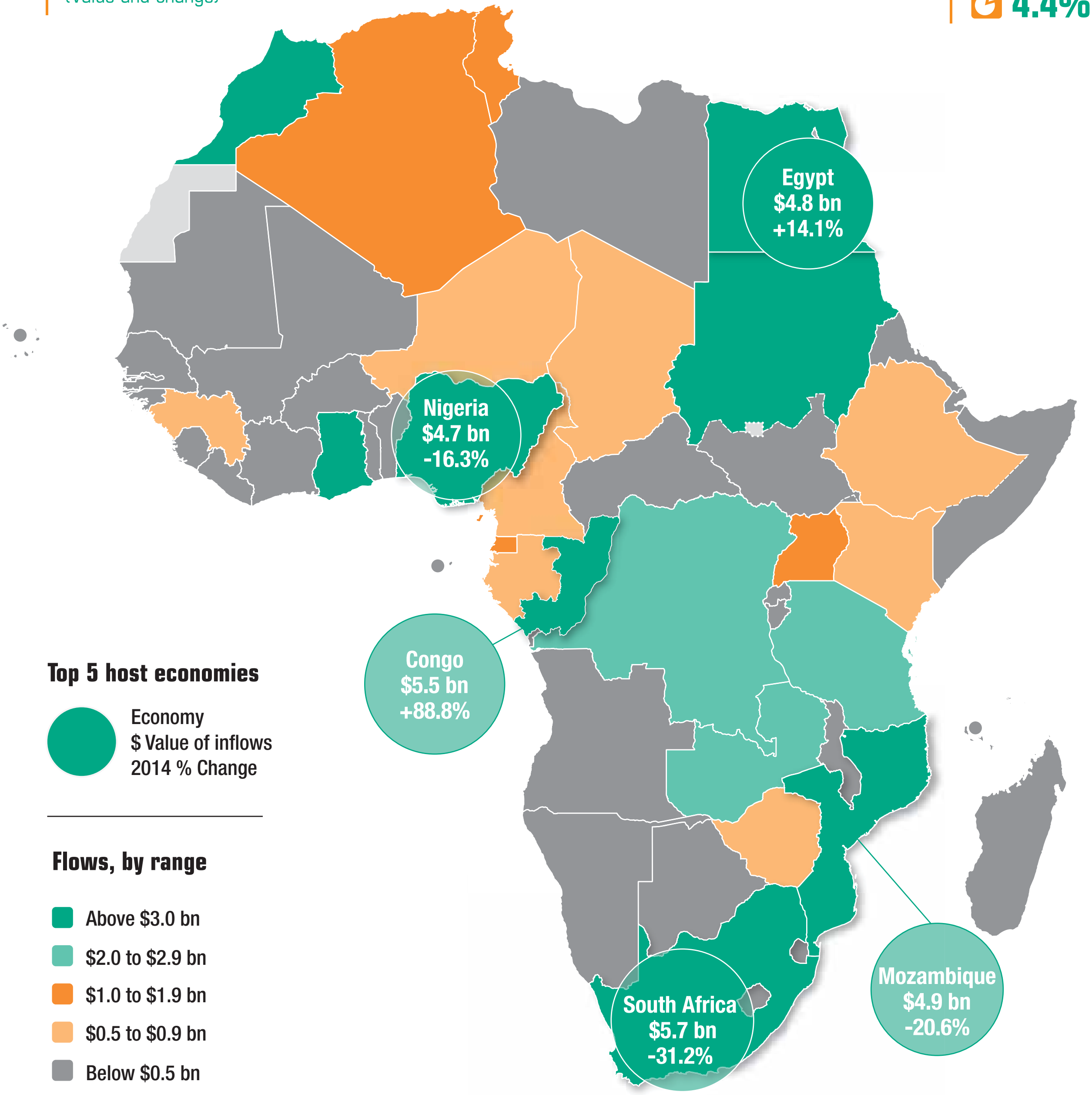
FDI inflows, top 5 host economies, 2014

(Value and change)

2014 Inflows
54 bn

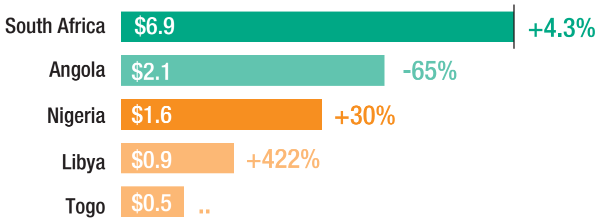
2014 Decrease
-0.1%

Share in world
4.4%



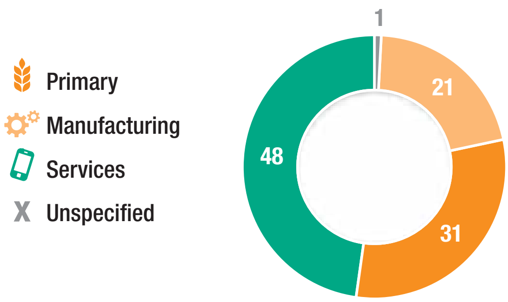
Outflows: top 5 home economies

(Billions of dollars, and 2014 growth)



Inward FDI stock by sector

(Percentage of the total inward FDI stock in Africa)



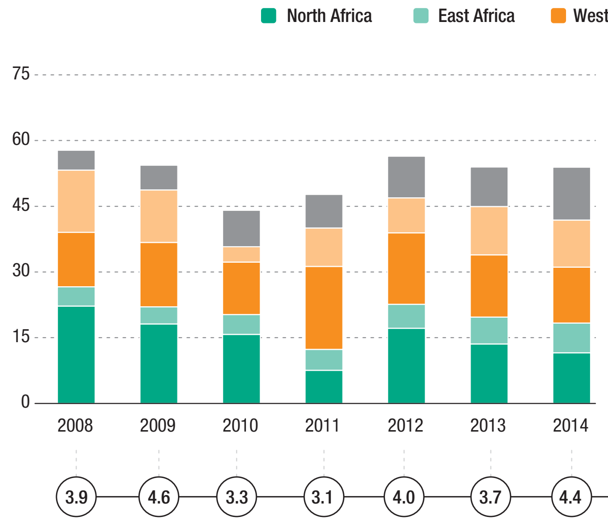
Source: UNCTAD.
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined. Final status of the Abyei area is not yet determined.

HIGHLIGHTS

- Increasing investment by developing-economy MNEs
- Services: largest sector in Africa's stock of FDI
- FDI in services concentrated in a few countries

Figure A. **FDI inflows, 2008–2014** (Billions of dollars)

Figure B. **FDI outflows, 2008–2014** (Billions of dollars)



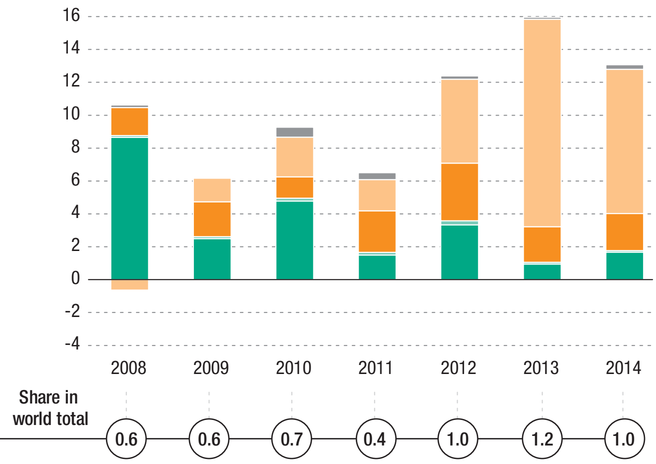


Table A. **Announced greenfield FDI projects by industry, 2013–2014** (Millions of dollars)

Sector/industry	Africa as destination 2013	Africa as destination 2014	Africa as investors 2013	Africa as investors 2014
Total	**55 124**	**88 295**	**17 402**	**13 386**
Primary	6 114	21 974	7	48
Mining, quarrying and petroleum	3 750	21 974	7	48
Manufacturing	14 722	28 787	8 013	3 848
Food, beverages and tobacco	1 437	2 099	535	1 214
Textiles, clothing and leather	1 744	2 091	126	23
Non-metallic mineral products	3 921	2 213	2 805	1 918
Motor vehicles and other transport equipment	1 642	1 585	98	15
Services	34 287	37 534	9 382	9 490
Electricity, gas and water	11 537	10 648	-	125
Construction	3 536	9 229	1 005	462
Transport, storage and communications	7 774	5 909	2 919	2 305
Business services	7 099	6 323	2 656	4 949

Table B. **Announced greenfield FDI projects by region/country, 2013–2014** (Millions of dollars)

Partner region/economy	Africa as destination 2013	Africa as destination 2014	Africa as investors 2013	Africa as investors 2014
World	**55 124**	**88 295**	**17 402**	**13 386**
Developed economies	28 010	63 024	2 742	1 112
European Union	16 939	46 957	1 575	939
France	2 070	18 931	297	127
United States	2 559	8 014	1 121	39
Developing economies	27 013	25 180	14 587	12 274
Africa	13 082	10 209	13 082	10 209
Nigeria	2 260	545	2 784	1 321
South Africa	5 379	4 789	343	176
Asia	13 735	14 886	1 421	1 769
China	289	6 132	454	92
India	5 311	1 122	83	107
Transition economies	101	90	74	-

Table C. **Cross-border M&As by industry, 2013–2014** (Millions of dollars)

Sector/industry	Sales 2013	Sales 2014	Purchases 2013	Purchases 2014
Total	**3 829**	**5 058**	**3 019**	**5 446**
Primary	135	2 566	289	1 595
Mining, quarrying and petroleum	135	2 556	289	1 595
Manufacturing	3 326	326	1 632	209
Food, beverages and tobacco	1 023	22	244	35
Paper and paper products	-5	-101	-	-101
Pharmaceuticals, medicinal chemicals and botanical products	567	51	1 310	-51
Basic metal and metal products	-	301	-	-
Services	368	2 166	1 098	3 642
Electricity, gas, water and waste management	250	58	-	1 176
Transportation and storage	27	425	27	74
Financial and insurance activities	222	1 419	653	228
Business activities	104	12	135	129

Table D. **Cross-border M&As by region/country, 2013–2014** (Millions of dollars)

Region/country	Sales 2013	Sales 2014	Purchases 2013	Purchases 2014
World	**3 829**	**5 058**	**3 019**	**5 446**
Developed economies	-8 953	-8 317	2 288	1 670
European Union	-4 831	-6 886	1 641	154
France	-2 310	-5 648	147	246
United States	-4 751	-1 801	-15	21
Developing economies	12 769	13 331	731	3 783
Africa	130	2 424	130	2 424
Latin America and the Caribbean	-430	400	-	1 094
Asia	13 069	10 507	596	265
India	419	2 730	233	137
Qatar	2 529	729	-	-
United Arab Emirates	538	5 677	29	-
Transition economies	-	-	-	-6

FDI inflows to Africa remained flat at $54 billion, decreasing in North Africa and rising in Sub-Saharan Africa.

North Africa saw its FDI flows decline by 15 per cent to $11.5 billion, while flows to Sub-Saharan Africa rose by 5 per cent to $42.4 billion. As a percentage of global FDI flows, though, Africa's share increased to 4.4 per cent, from 3.7 per cent in 2013. Slow global economic growth may make the faster-growing African economies relatively more attractive, especially to emerging-market investors; at the same time, future growth prospects in key markets such as Nigeria and Zambia are weakening, as commodity prices fall. Important drivers that shape FDI trends to Africa include rising intra-African FDI; expansion by emerging-market firms (increasingly from West Asia) and non-traditional actors (private equity); and growing consumer markets, with the food and beverages industry having another standout year.

In *North Africa*, the decline in flows to Algeria, Libya, the Sudan, South Sudan and Tunisia was larger than the rise of flows in Egypt and Morocco. FDI flows to Egypt grew by 14 per cent to $4.8 billion, driven by investments in oil and construction projects. Morocco also saw increased FDI flows, growing 8.6 per cent to $3.6 billion. In 2014, Algeria saw its FDI flows almost halved from the level in the previous year, due to a 87 per cent fall in announced greenfield investment. The continuing unrest in Libya negatively influenced investors' perception of the region's potential as an FDI host.

FDI flows to *West Africa* declined by 10 per cent to $12.8 billion, as Ebola, regional conflicts and falling commodity prices affected several countries. In those affected by Ebola, several companies either closed or suspended their expansion; e.g. in Sierra Leone, Africa Minerals (25 per cent Chinese owned) closed its flagship mine Tonkolili, and in Liberia, ArcelorMittal (Luxembourg) suspended an iron ore expansion project after contractors moved staff out of the country. Nigeria – the largest host country in the continent – saw its FDI flows fall by 16 per cent, as it moves away from overdependence on oil and diversifies into non-oil sectors.

East Africa saw its FDI flows increasing by 11 per cent, to $6.8 billion. The gas sector in the United Republic of Tanzania, which has enormous potential, drew FDI despite political wrangling over its future. In Ethiopia, the expanding textiles sector continued to attract FDI with its low wages and cheap power.[2]

Central Africa received $12.1 billion, up 33 per cent from 2013. FDI flows in the Republic of the Congo almost doubled to $5.5 billion as foreign investors continued investing in the oil refinery, despite falling commodity prices (for example Berven Group International Development (United States) signed an agreement with the government to build the country's second oil refinery for $1.6 billion). The Democratic Republic of the Congo continued to attract notable flows, despite falling copper prices. Glencore significantly upgraded the Democratic Republic of the Congo's main hydroelectric plant as mining companies looked to overcome bottlenecks in power supplies.

Flows to *Southern Africa* fell by 2 per cent to $10.8 billion. Mozambique saw its flows decline by 21 per cent to $4.9 billion, despite a significant rise in cross-border M&As in the oil and gas industry (for example, ONGC Videsh Ltd (India) acquired a 10 per cent stake in Rovuma Offshore Area 1 for $2.6 billion). South Africa – the largest host country in the subregion – received $5.7 billion, down 31 per cent from 2013.

MNEs from developing economies continue to invest in Africa, targeting assets relinquished by developed-country MNEs. Although developed countries continue to account for the largest share of FDI stock, the investment of developing-country MNEs is increasing, as reflected in cross-border M&As and announced greenfield FDI projects. MNEs from developed economies (in particular, France and the United Kingdom) continued to divest from Africa. Demand from developing-economy investors for these divested assets was significant; for instance, Emirates Telecommunications Corp (United Arab Emirates) bought a 53 per cent stake in Itissalat Al Maghrib SA – a foreign affiliate of Vivendi (France) – for $5.7 billion.

Chinese and Indian firms continue to be notable investors in Africa, with Tata investing in Algeria in 2014 and Chinese firms investing in South Africa's solar panel industry. The rise of non-traditional investors, especially from the United Arab Emirates, particularly Dubai, has been a new factor underpinning FDI flows into Africa in recent years. The country accounted for 6 per cent of total capital expenditure related to greenfield FDI projects into Africa in 2014, targeting consumer industries, infrastructure and services.[3] Other major deals from this region include one by

Qatar National Bank, the Gulf's largest lender, which paid $500 million to become the largest stakeholder in pan-African lender Ecobank.

Private equity drove many of the largest investments into Africa in 2014. Private equity group KKR (United States) made its first direct investment in Africa in 2014, investing $200 million in Ethiopian rose producer Afriflora. Carlyle secured nearly $700 million for its first Sub-Saharan African fund in early 2014, which it began to use by investing in TiAuto, a vehicle retailer in South Africa, as well as taking an 18 per cent stake ($50 million) in Nigerian lender Diamond Bank. Private equity firm Blackstone entered into a partnership with Nigerian businessman Aliko Dangote to invest across the region, and Edmond de Rothschild opened its first private equity fund focused on Africa.

Sectoral investment trends in 2014 reflect the continued importance of services and manufacturing investments. Some 38 per cent of announced greenfield FDI projects and 33 per cent of related capital expenditure were in manufacturing in 2014. The services sector recorded 60 per cent of projects and 43 per cent of capital expenditures. Unusually high planned capital expenditures in services FDI were due to a notable pickup in announced construction projects. Noteworthy investments took place in manufacturing in Africa, mainly in electronic equipment, motor vehicles and food. In Nigeria, Nissan, Peugeot and Hyundai all began auto assembly in 2014. Nigeria's Automotive Industry Plan (introduced in 2012) has been important in the industry's expansion, positioning itself within the emerging automotive regional value chains. Food and beverages FDI is another beneficiary of growing consumer markets in Africa, with several large deals in 2014; e.g. Danone (France) bought a 40 per cent stake in Brookside Dairy, East Africa's largest milk processor, based in Kenya.

FDI outflows from Africa decreased by 18 per cent, from $16 billion in 2013 to $13 billion in 2014. Services continued to be the focus of African firms' outward FDI. In cross-border M&As, South Africa's Woolworths announced plans to acquire David Jones, the Australian department store, in a deal valued at $2.14 billion.

Intra-African FDI remained preponderant in 2014. The share of intraregional greenfield investments by African firms in total announced greenfield investments in Africa remained similar to the 2013 figures, at 76 per cent in terms of value and 68 per cent in the number of projects. Intra-African M&As accounted for 45 per cent of total cross-border M&A purchases by African firms, with Nigeria accounting for a large portion of sales and purchases. South African firms remained important investors: Nedbank agreed to purchase a 20 per cent stake in Togo's Ecobank for $0.5 billion, while Shoprite will open 30 new stores on the continent by June 2015.

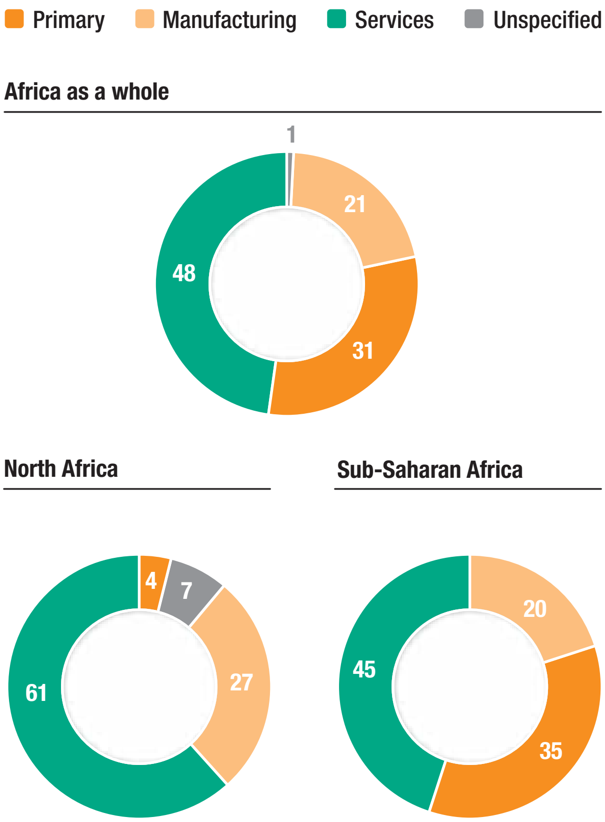
The potential of FDI into Africa's services sector

Services is the largest sector in Africa's stock of FDI. Available data show that Africa's services FDI stock increased four-fold between 2001 and 2012. The share of services FDI stock in the continent is still lower than the corresponding global and developing-country shares. In 2012 (the latest year for which data are available), although concentrated in a few countries, services FDI nonetheless accounted for 48 per cent of Africa's total stock of FDI, more than twice the share of manufacturing (21 per cent) and significantly more than the primary sector (31 per cent) (figure II.1).

Confirmation of the importance of FDI in services can be seen in announced greenfield investment data:[4] the sector accounted for the majority of greenfield FDI projects into Africa and the largest single portion of related planned capital expenditure in 2014. For the 2003–2014 period, including the period when the commodity boom was in full swing, 38 per cent of planned capital expenditure (and 55 per cent of projects) related to announced greenfield FDI projects were in the services sector, more than in either the manufacturing sector or the primary sector.

The stock of services FDI in Africa is concentrated. In North Africa, where the services sector accounts for more than 60 per cent of the subregion's total FDI stock, Morocco has grown as a services hub in the subregion, through its efforts to position itself as a gateway to the continent. The array of incentives offered by Casablanca's "Finance City" have helped attract major MNEs such as BNP Paribas, AIG, Boston Consulting Group, Microsoft and Ford to move their regional headquarters there. Factors such as substantial investment in infrastructure (especially in information and communication technology (ICT)), a strong skills base, political stability and proximity to Europe make Morocco well placed to attract services FDI.

Figure II.1 **Africa's inward FDI stock by sector and by subregion, 2012**
(Percentage of total inward FDI stock in region and subregion)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: Where 2012 numbers are unavailable, 2011 data are used. Data used here account for 20 per cent and 68 per cent, respectively, of total stock in North Africa and Sub-Saharan Africa.

Services FDI, at 61 per cent of Morocco's inward FDI stock ($45 billion), is the largest component of the country's FDI and has been consistently so over the past decade. In 2012, some 29 per cent of Morocco's stock of services FDI was held in transport, storage and communications (with more than half in telecommunications), followed by real estate (27 per cent) and finance (15 per cent).

In *Sub-Saharan Africa*, South Africa predominates in the services sector. Over the past decade, South Africa's stock of manufacturing FDI has shrunk relative to services FDI. By 2012 finance and business services alone accounted for the major portion of its inward FDI stock at 36 per cent. When other industries are included, such as transport and retail, the services sector accounted for 51 per cent, the primary sector (mining) for 31 per cent, and manufacturing for 18 per cent of the country's inward FDI stock. Two financial industry investments that considerably increased South Africa's – and Africa's – services FDI stock were the purchase by Barclays Bank of over 50 per cent of Absa Bank for R33 billion in 2005 ($2.7 billion in current prices); and the purchase by China's largest bank, the Industrial and Commercial Bank of China (ICBC), of a 20 per cent stake in Standard Bank for R36.7 billion in 2007 ($3 billion).[5]

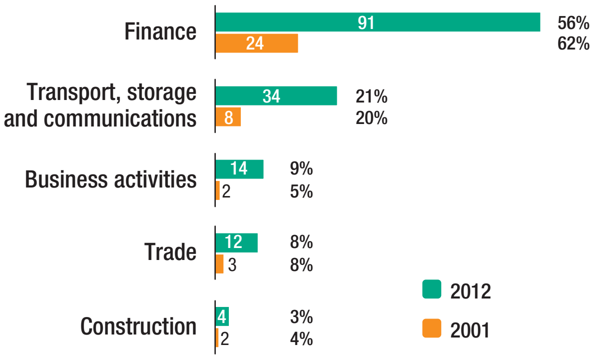
Growth in the rest of Africa has been a primary reason why South Africa's services sector has received strong inflows, as companies look to use that country as a base from which to expand regionally. Notable non-financial examples are MNEs setting up Africa-oriented information technology services and call centres in the country (e.g. Wipro of India's establishment of a software company in 2014) and investments in hospitality (e.g. Marriott's acquisition of the 116-hotel Protea Hotel Group, completed in 2014).

In contrast to South Africa, Nigeria's services sector has attracted FDI oriented mostly to the local market. At $30 billion, services FDI accounted for 39 per cent of Nigeria's inward stock in 2012. Finance accounted for the largest portion, at 63 per cent (indicating the importance of foreign – and especially African – banks in advancing into Nigeria's retail banking market), followed by transport, storage and communications (26 per cent), and construction (9 per cent).

Finance accounts for the major portion of Africa's stock of services FDI. By 2012 more than half of Africa's services FDI stock was held in finance (56 per cent), followed by transport, storage and communications (21 per cent) and business activities (9 per cent) (figure II.2). FDI in tourism, though significant, is spread across a number of service industries. FDI in service industries is demonstrating. For instance, financial FDI inflows amounted to 11 per cent of total FDI inflows into Africa in 2010–2012. In absolute terms, inflows in this industry expanded from 30 per cent ($0.9 billion) to 35 per cent ($3.4 billion) of services FDI between 2001–2003 and 2010–2012.

Infrastructure and other services, including telecommunications, are becoming increasingly salient. The stock of FDI into the transport, storage and communications industry grew more than four-fold between 2001 and 2012, from $8 billion to

Figure II.2. **Africa: Services FDI stock, by industry, 2001 and 2012**
(Billions of dollars and per cent of Africa's inward FDI stock in services)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: Where 2012 numbers are unavailable, 2011 data are used.

$34 billion. Although FDI accounts for a small portion of total infrastructure financing and development in Africa because of the wide use of non-equity modes (NEMs) of operation by MNEs, FDI is increasingly visible in, for instance, the growing ICT network as investors look to capture expanding consumer markets.

The rise of telecommunications FDI into the continent reflects increased consumer spending, unsaturated markets with first-mover advantages, greater affordability of smartphones and a push to expand broadband, 4G and fibre optics in order to take advantage of these trends. Another important aspect has been the disposal of cell phone towers by telecommunications companies (box II.1).

As an example of this push to advance connectivity, India's Bharti group undertook 11 greenfield investment projects in Nigeria and Uganda in 2014 alone, adding to its existing investment in 13 other African countries (Burkina Faso, Chad, the Democratic Republic of Congo, Ghana, Kenya, Madagascar, Malawi, the Republic of Congo, Seychelles, Sierra Leone, the United Republic of Tanzania, Zambia and Uganda), in order to establish a Wi-Fi network across Africa.

African investors accounted for 31 per cent of global planned capital expenditure in announced greenfield FDI projects on the continent in 2014. Some 21 per cent of all such projects in transport, storage, and communications were led by Africa-based investors. South Africa's MTN is one major investor, establishing data centres, sales offices and 4G projects in Côte d'Ivoire, Ghana, Swaziland and Uganda in 2013. Mauritian companies are also prominent: in 2013, Smile Telecoms and Liquid Telecom established several greenfield FDI projects across Sub-Saharan Africa in order to construct a cross-country 4G and fibre-optic network.

The electricity, gas and water industry has seen strong inflows in recent years too, accounting for 9 per cent of FDI inflows into Africa's services sector in 2010–2012, though this has not yet translated into significant FDI stock holding. Inflows into the subsector reflect a growing willingness on the part of African governments to move public service provision into the sphere of public-private partnerships (PPPs), and a greater readiness by development financial institutions to help finance such projects through blending and leveraging arrangements.

African services MNEs are investing regionally. The dispersal of affiliates of African service MNEs confirms the intraregional dimension in a number of industries, including finance, infrastructure and

Box II.1. **Disposal of cell phone towers in Africa**

MTN, Bharti Airtel, and Orange SA have all sold off large portions of their tower networks in Africa in recent years to reduce exposure arising from ownership and maintenance. Towers and the infrastructure that accompanies them can account for more than 60 per cent of the expense to build a cell phone network in the continent.[6] The towers are especially costly to run due to electricity shortages, which means that backup generators and the employment of security personnel are required. Also, revenue per user in Africa is generally lower. Selling the towers to third parties allows for the hosting of multiple tenants—mobile operators and Internet providers—on the same tower. HIS Holding, partially owned by a Goldman Sachs–led consortium and now Africa's largest mobile telecommunications infrastructure provider, has purchased nearly 3,000 towers from MTN in Rwanda, Zambia, Cameroon and Côte d'Ivoire since 2012. Airtel has also agreed to sell and lease back over 1,100 towers from HIS in Zambia and Rwanda under a 10-year renewable contract. As a result, HIS now manages over 21,000 towers in Africa.

Source: UNCTAD, based on media sources.

trade. UNCTAD[7] identified more than 500 African service MNEs, with some 2,700 overseas affiliates, half of them in other African countries. In industries other than finance, more than 60 African MNEs in both infrastructure and trade have expanded abroad, reflecting demand for these services. In trade, three quarters of 265 foreign affiliates are located within Africa, while in infrastructure two fifths are intraregional. Similarly, MNEs in the financial services sector have both a domestic and regional focus. Africa's growing consumer markets, financial deregulation and the regional orientation of financial firms are factors in intra-African investment flows (box II.2).

The potential for services FDI to develop Africa's economy is significant. FDI in services is important in supporting the participation of African economies in global value chains, as an increasing part of value added in trade consists of services. It is also important in the context of financing progress towards the sustainable development goals. As shown in *WIR14*, the principal investment gaps are in infrastructure industries and vital public services. Increasing attractiveness for services FDI therefore constitutes an opportunity for policymakers. At the same time, it is important to ensure continued affordability and accessibility of services provision for all.

Box II.2. The contribution of intra-African services FDI to development of Africa's financial industry

Intra-African FDI has played a vital role in driving Africa's burgeoning financial industry, especially in retail banking services (Krüger and Strauss, 2015). Financial services accounted for about 50 per cent of intra-Africa greenfield investment projects between 2003 and the start of 2014, with about 38 per cent of these projects in retail banking, and 5 per cent in insurance.

Intra-African FDI into the financial industry has been led by banks from Kenya (Kenya Commercial Bank and Guaranty Trust Bank/Fina Bank), Nigeria (United Bank for Africa) and South Africa (FirstRand and Standard Bank). The geographical spread of these services has been impressive: South Africa's Standard Bank operates in 20 countries in Africa; Ecobank, a Togo-based pan-African bank in 36; and Nigeria's United Bank for Africa in 19. There has also been strong regional expansion by banks from North Africa – especially Banque Marocaine du Commerce Extérieur and Libya Foreign Arab Bank. Much of this expansion has occurred since the 2008 financial crisis. For example, in response to the crisis, South Africa's Standard Bank sold off its global operations and focused on becoming an African bank.

UNCTAD's database on foreign affiliates, which is based on data from Bureau van Dijk's Orbis database, reports 114 financial companies headquartered in Africa that have established 465 affiliates in other countries, three quarters of them located in the continent.

Source: UNCTAD, based on various sources.

LANDLOCKED DEVELOPING COUNTRIES

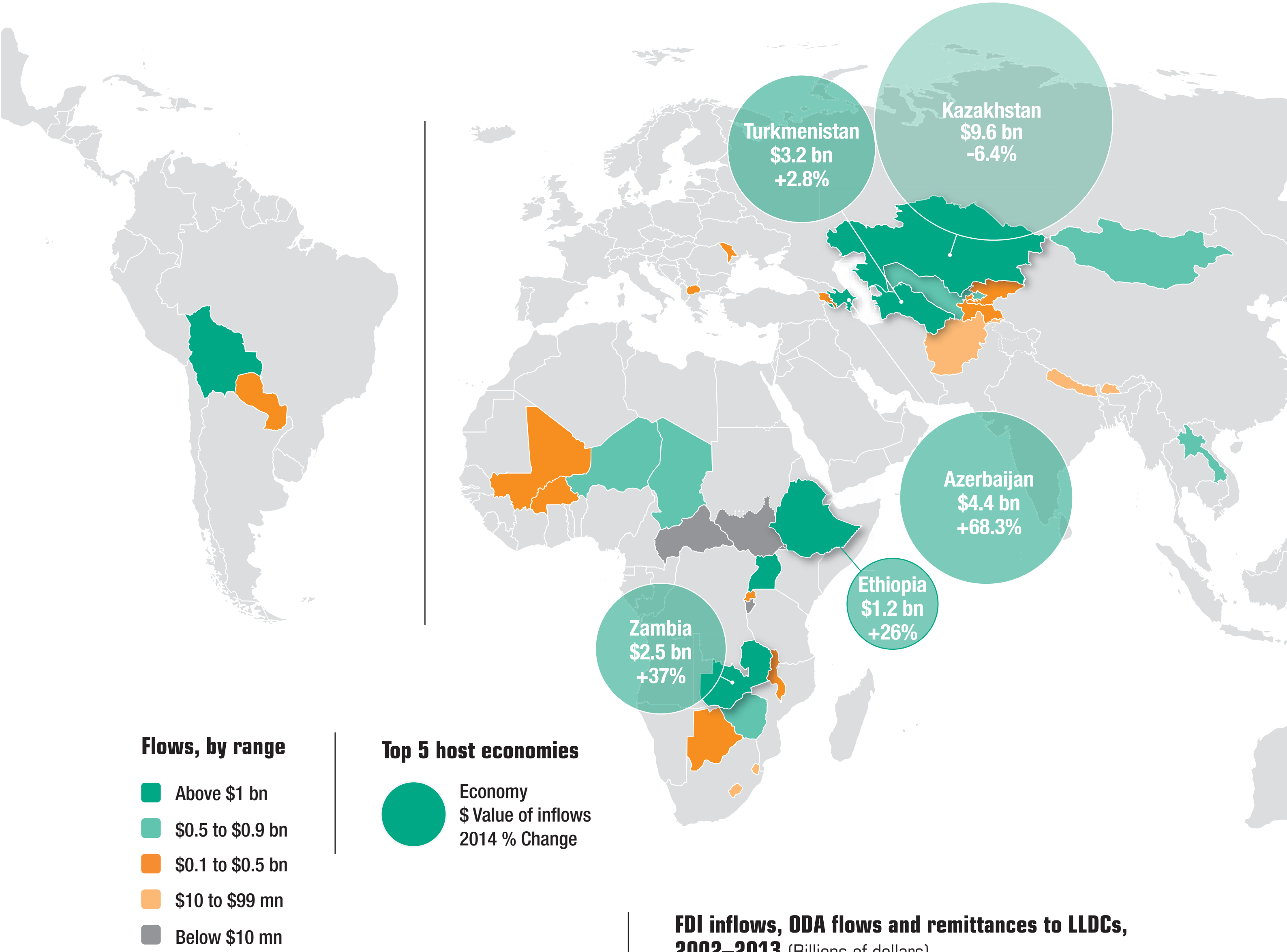
FDI inflows, top 5 host economies, 2014

(Value and change)

2014 Inflows
29.2 bn

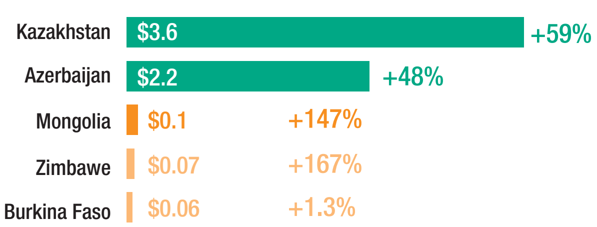
2014 Decrease
-2.8%

Share in world
2.4%

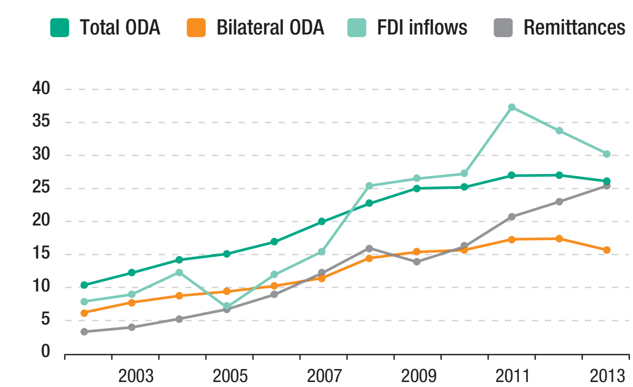


Outflows: top 5 home economies

(Billions of dollars, and 2014 growth)



FDI inflows, ODA flows and remittances to LLDCs, 2002–2013 (Billions of dollars)



Source: UNCTAD.

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined. Final status of the Abyei area is not yet determined. Dotted line in Jammu and Kashmir represents approximately the Line of Control agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

HIGHLIGHTS

- FDI flows: largest external capital flow to LLDCs
- Top five economies receive 71 per cent of flows
- Developed countries: largest holders of FDI stock in LLDCs

Figure A. **FDI inflows, 2008–2014** (Billions of dollars)

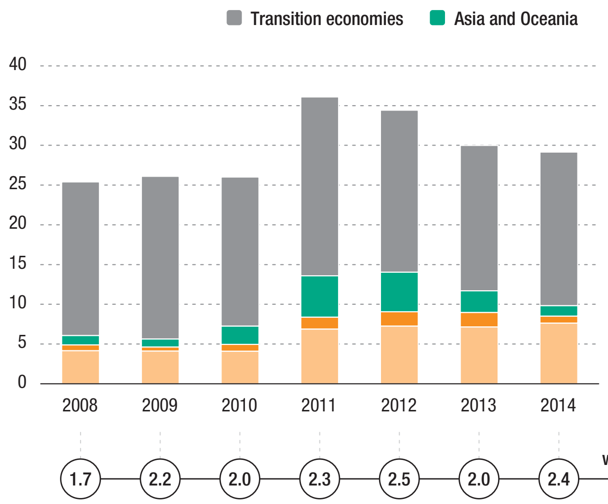


Figure B. **FDI outflows, 2008–2014** (Billions of dollars)

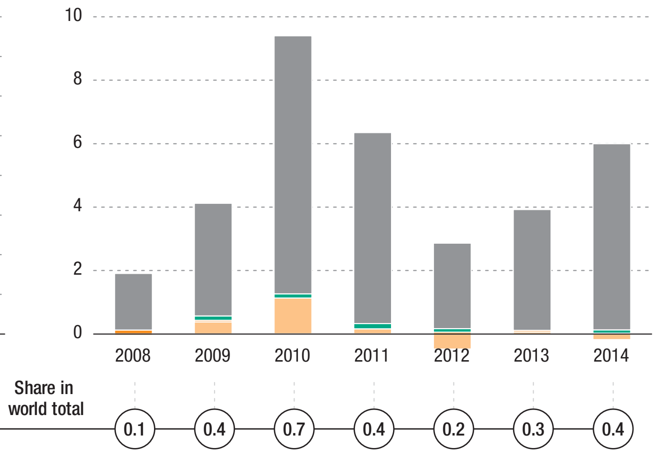


Table A. **Announced greenfield FDI projects by industry, 2013–2014** (Millions of dollars)

Sector/industry	LLDCs as destination 2013	LLDCs as destination 2014	LLDCs as investors 2013	LLDCs as investors 2014
Total	**17 712**	**16 398**	**1 047**	**1 220**
Primary	1 201	402	-	-
Mining, quarrying and petroleum	1 201	402	-	-
Manufacturing	5 410	8 661	404	654
Textiles, clothing and leather	308	2 446	39	-
Non-metallic mineral products	1 634	2 488	75	-
Metals and metal products	279	738	69	-
Motor vehicles and other transport equipment	613	773	-	-
Services	11 102	7 335	643	566
Electricity, gas and water	5 213	982	-	-
Trade	524	2 023	132	11
Transport, storage and communications	2 427	1 238	138	399
Finance	1 535	1 481	354	149

Table B. **Announced greenfield FDI projects by region/country, 2013–2014** (Millions of dollars)

Partner region/economy	LLDCs as destination 2013	LLDCs as destination 2014	LLDCs as investors 2013	LLDCs as investors 2014
World	**17 712**	**16 398**	**1 047**	**1 220**
Developed economies	9 943	6 127	186	56
France	912	543	-	-
Iceland	4 000	-	-	-
United States	513	2 770	3	-
Australia	560	-	35	-
Developing economies	6 575	8 723	525	1 076
South Africa	931	864	42	15
China	380	1 893	-	395
Korea, Republic of	130	529	35	-
India	742	810	52	-
Transition economies	1 194	1 548	335	89
Russian Federation	729	1 414	34	-

Table C. **Cross-border M&As by industry, 2013–2014** (Millions of dollars)

Sector/industry	Sales 2013	Sales 2014	Purchases 2013	Purchases 2014
Total	**258**	**-1 062**	**6**	**270**
Primary	-22	44	2	-250
Mining, quarrying and petroleum	-22	34	2	-250
Manufacturing	257	285	-	57
Food, beverages and tobacco	177	12	-	-
Paper and paper products	-	-101	-	-
Pharmaceuticals, medicinal chemicals and botanical products	15	51	-	-
Non-metallic mineral products	-	314	-	-1
Services	23	-1 391	3	463
Electricity, gas, water and waste management	-	-1 279	-	-
Transportation and storage	-	30	-	4
Information and communication	20	1	-	-
Financial and insurance activities	3	-158	3	459

Table D. **Cross-border M&As by region/country, 2013–2014** (Millions of dollars)

Region/country	Sales 2013	Sales 2014	Purchases 2013	Purchases 2014
World	**258**	**-1 062**	**6**	**270**
Developed economies	99	-2 456	2	14
Luxembourg	20	-277	-	-
Netherlands	359	-1 374	-	-
United Kingdom	-448	-1 152	2	-
Switzerland	331	319	-	-
Developing economies	160	216	3	257
South Africa	-	-125	-	-
Peru	-	307	-	-
China	56	526	-	-
Hong Kong, China	-77	-507	-	-
Transition economies	-	1 177	-	-1
Russian Federation	-	1 147	-	-1

FDI flows to the landlocked developing countries (LLDCs) fell by 3 per cent to $29 billion in 2014, the third consecutive yearly decline for this group of economies. Investment in the group became more concentrated in the top five economies, which increased their share from 62 per cent to 71 per cent of total flows. Ethiopia entered the top five for the first time, in terms of value of inflows, while Mongolia dropped out of the top five owing to a precipitous 76 per cent fall in flows. The largest investors in LLDCs last year came from developing countries, which increased their share of flows in the grouping from 44 per cent to 63 per cent. Over the past decade, FDI stock in LLDCs quadrupled.

As a group, the LLDCs accounted for 2.4 per cent of total global FDI inflows, up slightly from 2013 despite the fall in their value. The Asian group of LLDCs (5 countries) saw FDI to the subregion fall again, due to the continuing decline in flows to Mongolia, which dropped from $2.1 billion to $508 million. In the transition economy group (9 countries), flows rose by more than $1 billion, despite a 6 per cent decrease in FDI to Kazakhstan, the largest economy in the subregion. Transition economies increased their share in the group to 66 per cent. Flows to the African group (16 countries) went up by over 6 per cent to $7.6 billion, owing to large increases in FDI to Zambia and Ethiopia. FDI to the Latin America group (2 countries) fell by more than half as a result of a big drop in flows to the Plurilateral State of Bolivia, following four years of steady increases.

Outward investment by the LLDCs, although they represent only 0.4 per cent of total global outflows, increased by almost 50 per cent to $5.8 billion. This was mostly accounted for by investors from Kazakhstan and Azerbaijan.

Announced greenfield investments to the LLDCs fell in 2014. Announced greenfield investment in the LLDCs has been erratic since its peak in 2008, which it still has not passed in terms of the number or value of deals. In 2014, the number of greenfield deals declined by 5 per cent to 315, representing just 2 per cent of the world total.

The number of deals in the primary sector has been declining in recent years, and their value accounted for just 2 per cent of total announced greenfield investment in LLDCs, at $402 million, despite the prevalence of extractive industries in several LLDC economies. Greenfield investments in manufacturing remain strong, in particular in the textiles industry, where their value jumped from $308 million in 2013 to $2.45 billion in 2014.[53] The non-metallic minerals industry also registered strong performance, with the value of announced investments rising from $1.63 billion to $2.45 billion in 2014. A large share of this was accounted for by cement manufacturing firms, investing particularly in African LLDCs.

In the services sector, the number of deals in nearly all industries fell in 2014. Announced greenfield investment projects in the electricity, gas and water industries fell sharply, from $5.2 billion to $982 million, although these industries had experienced exceptional growth in 2013. In the transport, storage and communications industries, the value of announced greenfield projects halved in 2014 to $1.2 billion. One bright spot was trade, as greenfield investments grew from $524 million to $2 billion.

Investors from developing and transition economies accounted for 63 per cent of all greenfield investment in the LLDCs, up from 44 per cent in 2013, although this large change in share is partly explained by a single investment made by Reykjavik Geothermal (Iceland) in Ethiopia in 2013. The United States was the single largest greenfield investor in the LLDCs in 2014, followed by China and the Russian Federation.

M&A activity negative in 2014. Investors' purchases were –$1 billion, meaning that the value of divested assets was greater than the value of acquired assets. Investors from the United Kingdom made the largest divestment, roughly $1.2 billion, principally in Kazakhstan, where AO Samruk-Energo, a subsidiary of a Kazakh State-owned sovereign wealth fund, bought the remaining 50 per cent stake in the electric utility company, TOO Ekibastuzskaya GRES-1. Sappi Ltd (South Africa) also made a sizable $100 million divestment of Usutu Forests Products Co Ltd in Swaziland to local investors. The largest M&A investment was made by Polymetal International PLC (Russian Federation), which acquired the entire share capital of Altynalmas Gold Ltd (Kazakhstan), for over $1.1 billion. In terms of sectoral trends, the services sector suffered the most and in particular the electricity, gas and water industries.

Developed countries remain the largest holders of FDI stock in LLDCs, but China is now a stronger presence, and the Republic of Korea is also an emerging force. Data on bilateral FDI stock for

25 of the 32 LLDCs reveal that, as of 2012, developed economies accounted for 67 per cent of FDI stock in this group of economies.

Among developing- and transition-economy investors, China and the Russian Federation, as well as Turkey, the United Arab Emirates and the Republic of Korea, have become the most important investors in the Central Asian region (table II.14). In Azerbaijan, Turkish investors hold the largest FDI stock; they are the third largest group of developing-country investors in Central Asia as a whole. Indeed, among developing-country investors, there is growing competition for investments in the region, which is also reflected in FDI stock held by investors from the United Arab Emirates, the Republic of Korea and the Islamic Republic of Iran.

The Republic of Korea was the largest investor in LLDCs in 2012, according to greenfield data, and has been promoting growing investment ties with Central Asian LLDCs. Its 2013 the "Eurasia Initiative" aims to boost connectivity and economic ties between the Korean peninsula and Europe (see section A.2). The country has strong trade ties with the region, particularly Uzbekistan, and is one of the largest foreign investors there, together with the Russian Federation, China and Kazakhstan.[54] Businesses from the Republic of Korea are also heavily invested in Turkmenistan, with over $5 billion worth of projects. During the visit by that country's president to Uzbekistan in 2014, a further $5 billion worth of FDI in the natural gas and chemicals sectors was announced.[55]

FDI inflows to Mongolia showed a decline for the fourth successive year. Political and policy instability coupled with an economic slowdown (GDP growth fell from 12 to 6 per cent in 2014) has led to reduced investor interest. One potential area for FDI growth concerns the construction of a gas pipeline between the Russian Federation and China that could pass through Mongolia, as the Russian Federation explores increasing trade and investment cooperation with China. For the time being, though, growth in FDI to the country is weak.

FDI trends in the LLDCs since the Monterrey Conference

FDI developments in the LLDCs during the 13 years since the Monterrey Conference fall in two periods: relatively modest flows prior to 2007, followed by increasing flows with slightly more diverse regional distribution after 2008 (figure II.21). However, flows to the LLDCs remain dominated by few countries: just five economies account for over 70 per cent of total FDI in the group.

The growth of FDI flows to the LLDCs since 2002 has been faster than the global rate of FDI growth but the same as that for developing economies as a whole (table II.16). As reported in *WIR14*, FDI has been an important source of finance for the LLDCs in terms of both the value of FDI stock as a percentage of GDP and the contribution of FDI to capital formation (GFCF). For both these indicators, FDI has been of greater significance in the LLDCs than it has been for developing economies in general and for the world since 2002 (figure II.22).

At the subregional level, FDI growth in the LLDCs has been strongest among the Asian and transition group of LLDCs, although this growth is mainly accounted for by the rapid inflows to Mongolia in the mining sector, and to Kazakhstan. In the two Latin American LLDCs, FDI growth has been positive but much weaker than in other regions (table II.16).

The Monterrey Consensus intended to mobilize international capital flows, which includes private capital flows

Table II.14. Central Asian LLDCs: Inward FDI stock held by selected developing and transition economies, 2012 (Millions of dollars)

Home country	Armenia	Azerbaijan	Kazakhstan	Kyrgyzstan	Mongolia	Tajikistan	Total in region
China	4	170	4 512	334	3 727	476	9 224
Russian Federation	2 450	478	1 933	132	296	-	5 289
Turkey	-	1 933	549	68	7	2	2 559
United Arab Emirates	1	413	1 203	9	1	-	1 627
Korea, Republic of	-	76	1 068	71	365	-	1 580
Iran, Islamic Republic of	17	910	40	4	1	-	972

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: The position of the Russian Federation may be understated due to indirectly held FDI stock.

Table II.15. Selected FDI indicators, 2002–2014 (Per cent)

Indicator	LLDCs	Developing economies	World
FDI inflows, annual growth	12	12	6
Inward FDI stock as % of GDP, 13-year average	33	26	27
FDI inflows as % of GFCF, 13-year average	19	10	9

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: Annual growth computed as compound annual growth rate over the period. LLDCs = landlocked developing countries.

Table II.16. LLDCs: FDI inflows, by subregion, 2002–2014 (Millions of dollars and per cent)

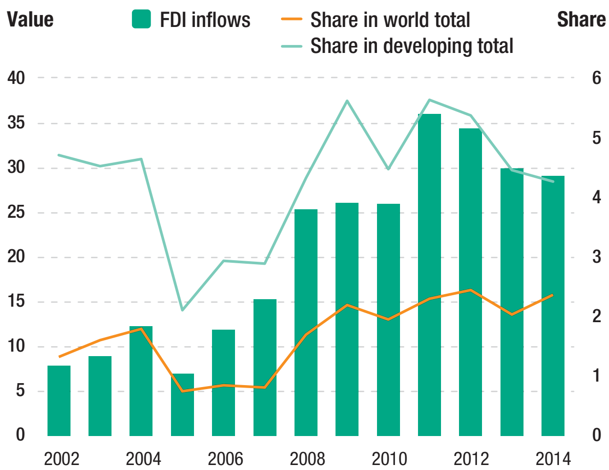
	2002	2014	Growth (%)
Landlocked countries (LLDCs)	**7 872**	**29 151**	**12**
LLDCs-Africa	2 501	7 631	10
LLDCs-Latin America and the Caribbean	682	884	2
LLDCs-Asia and Oceania	129	1 317	21
LLDCs-Transition economies	4 559	19 319	13

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: Growth computed as compound annual growth rate over the period 2004–2013. LLDCs = landlocked developing countries.

such as FDI, portfolio investments and "other" investment (mainly bank lending). In the LLDCs, FDI has provided the bulk of private capital flows, with portfolio investment less significant and more volatile[56] (figure II.23).

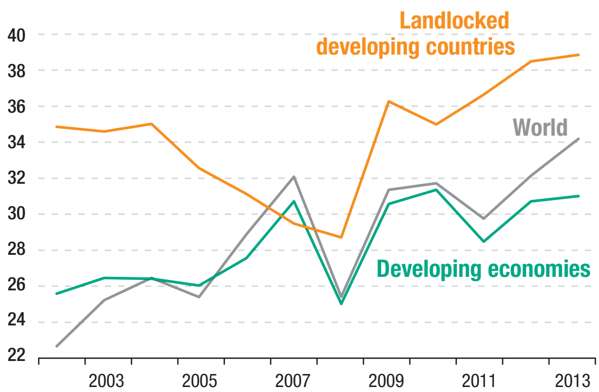
With regard to increasing international assistance, which was also highlighted by the Monterrey Consensus, a comparison of FDI inflows to aid flows (ODA) shows that FDI flows were mostly higher than bilateral aid flows during the period; they overtook total ODA in 2008 and now represent the largest external capital flow to the LLDCs (figure II.24). However, it is important to note variations among the LLDCs: the bulk of FDI flows to the LLDCs has been concentrated in a few countries only, mainly resource-rich, mineral-exporting economies; ODA has been more widely distributed among LLDCs, and its role in government budget support is often critical for the provision of essential services and infrastructure. Migrant remittances have also been an important source of external capital flows for several LLDCs, notably Tajikistan and Kyrgyzstan, where they accounted for 47 per cent and 31 per cent of GDP, respectively, in 2012. Nevertheless, FDI to the LLDCs plays a catalytic role in building productive and export capacities in the region, as well as transferring technology, skills and management practices that can

Figure II.21. LLDCs: FDI inflows and their share in world and developing-country inflows, 2002–2014 (Billions of dollars and per cent)



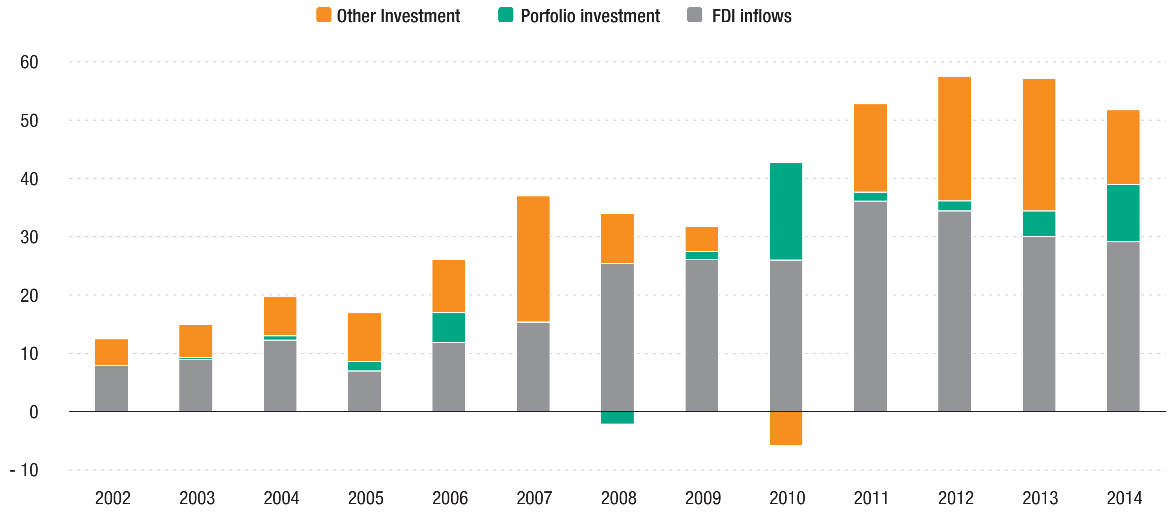
Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Figure II.22. LLDCs: FDI stock as a percentage of GDP compared with developing countries and world, 2002–2013 (Per cent)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

Figure II.23. **LLDCs: Private capital inflows by type, 2002–2014** (Billions of dollars)



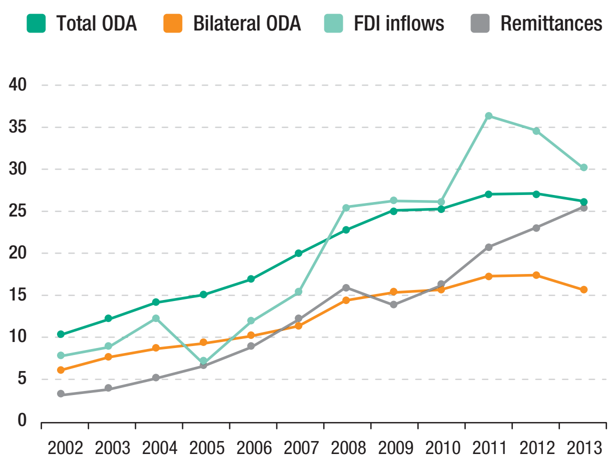
Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics) (for FDI inflows) and IMF (for portfolio and other investments).

further enhance the competitiveness of this group of economies.

Policy implications. Although FDI has become the most important external capital flow to the LLDCs and will remain essential for the development financing strategies of this group of countries, it should be seen as part of an overall financing strategy that involves domestic as well as foreign sources, and public as well as private ones (*WIR14*). Moreover, beyond their shared geographic characteristic, the LLDCs should not be considered a homogenous group. There are clear regional and country differences, which policymakers and the international community should consider when setting policies so as to spread the benefits of foreign investment beyond a relatively small group of economies and sectors.

The *Vienna Programme of Action (POA)*, the outcome document of the Second United Nations Conference on Landlocked Developing Countries held in November 2014, highlighted a number of areas for action to address infrastructure and connectivity in the LLDCs. The document called for travel times for the transport of cargo to be reduced, which will require significant investment in transport infrastructure as well as attention to trade facilitation, including customs harmonization and streamlined inspections and certification. The growth of regional economic agreements could also help create efficiencies in time and cost by reducing the number of border stops and associated costs (as well as create larger regional markets, which would be attractive to market-seeking FDI).

Figure II.24. **LLDCs: FDI inflows, ODA flows and remittances, 2002–2013** (Billions of dollars)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics) (for FDI inflows), OECD (for ODA flows) and World Bank (for remittances).

Notes

[1] The other five are mobilizing domestic financial resources, harnessing trade as an engine for development, increasing international financial assistance (ODA) and technical cooperation, providing debt relief, and addressing systemic issues and coherence between the international monetary, financial and trading systems.

[2] See http://apparel.edgl.com/news/The-New-Kid-on-the-Block--Africa-Is-Vying-for-a-Larger-Share-of-the-Global-Textile-and-Apparel-Pie96802.

[3] They include several by Dubai-based private equity firm Abraaj Group into consumer sectors and by Dubai's DP World, which currently operates 12 terminals in six African countries, with projects under way in Egypt and Senegal. The Investment Corporation of Dubai (the country's sovereign wealth fund) invested $300 million in Dangote Cement (Nigeria) in 2014. The Emirates Investment Authority (United Arab Emirates) acquired 53 per cent of the Morocco-based telecommunications company, Itissalat (France). See also http://web.dpworld.com/wp-content/uploads/2014/05/22294_DP_World_RA14_Web_v2.pdf.

[4] A simple categorization of FDI by firm type rather than project type can be misleading. For example, SRK Consulting, a prominent mining consulting *service* firm, has invested in several African countries over recent years to support mineral extraction. Although in UNCTAD's greenfield investment database, the firm's investments are counted as being in "business services", i.e. in the services sector, they constitute a mining investment in terms of FDI data as the firm's activity is incidental to mining.

[5] The ICBC deal was also the largest investment outside of China by a Chinese bank at the time. This meant that by 2012, some 10.5 per cent of South Africa's inward FDI stock was in the banking industry.

[6] See http://mg.co.za/article/2014-03-25-mtn-said-to-start-selling-mobile-tower-networks.

[7] Information comes from UNCTAD's database on foreign affiliates, which is based on Bureau van Dijk's Orbis.

[8] "HK Foreign Direct Investment", *InvestHK Newsletter*, January 2015.

[9] "Foreign investors worried Vietnamese minimum wages jump 17-fold over 15 years", *NIKKEI Asian Review*, 18 November 2014.

[10] InfraPPP (www.infrapppworld.com) and Indonesia Investments (www.indonesia-investments.com). See e.g. "Soekarno-Hatta Railway Project Indonesia: Tendered to Private Sector" (www.indonesia-investments.com/business/business-columns/soekarno-hatta-railway-project-fully-tendered-to-private-sector/item2718).

[11] Jack Goodman, "Sri Lanka's Growing Links with China: Trade, investment and a strategic Indian Ocean location bring the two countries closer together", *The Diplomat*, 6 March 2014.

[12] For example, in 2014, Asian Paints (India) started to build a plant with an investment of $81 million, and r-pac International Corporation (United States) announced plans to invest $107 million in a production facility in Sri Lanka.

[13] Large Chinese companies, such as China International Water & Electric Corp. and Three Gorges International Corp., are investing in hydroelectricity plans in Nepal. In 2014, agreements were signed with two Indian companies in the same sector, each investing about $1 billion.

[14] Automobile Industry in India, India Brand Equity Foundation (IBEF), January 2015.

[15] See, e.g. Bhasker (2013).

[16] These Indian automakers started operating in the passenger car market first with multi-utility vehicles and, later, with small cars (see e.g. Kumaraswamy et al., 2012).

[17] See, e.g. Okada and Siddharthan (2007).

[18] Starting in 2009 in Bahrain, 2012 in Lebanon and Turkey, and 2013 in Iraq.

[19] The segments of the construction industry include residential and commercial buildings, water and energy, transport, oil and gas, among others. In the absence of official statistics, data on contract awards and on work under execution are the main bases for gauging the trends shaping the GCC construction market since 2008–2009, and assessing the importance of foreign contractors in this market.

[20] The $88 billion awarded to the largest contractors represented 56 per cent of the value of total contracts awarded in the GCC in 2013 (see MEED Insight, "GCC Construction Projects Market 2015", August 2014; and "Local firms dominate GCC construction", MEED (Middle East Economic Digest), 58(3), 17 January 2014).

[21] See "Local firms dominate GCC construction", *MEED*, 58(3), 17 January 2014; MEED Insight, "MENA projects market and review 2014", July 2014; MEED Insight, "The UAE projects market 2013, A comprehensive forecast and review of opportunities in the United Arab Emirates' projects market", www.meedinsight.com.

[22] Korean firms have won the vast majority of their projects by using lump-sum turnkey contracts to submit aggressive prices and to employ stringent project management (aimed at finishing the scheme ahead of schedule wherever possible), and by using highly effective procurement strategies to ensure that they bring the project in on time and on budget.

[23] Economist Intelligence Unit, "GCC companies face challenging 2015", 22 January 2015.

[24] Although significant efforts have been made since the early 2000s to diversify GCC economies, progress toward genuine diversification has been modest. Growth in non-oil output averaged 6.8 per cent during 2001–13, and the share of the non-oil sector in total real GDP rose by 12 percentage points to 70 per cent, driven mainly by Saudi Arabia and the United Arab Emirates (Callen et al., 2014). However, "non-oil growth is in most cases concentrated in service industries that rely on demand generated by oil revenues; moreover, in many cases, productivity in the non-oil economy has been declining" (IMF, 2014: 25).

[25] Intel's operations in Costa Rica are worth about $2 billion a year, making up about 20 per cent of the country's exports. The firm accounted for 11 per cent of net FDI over 2000–12. ("Business in Costa Rica, Intel outside", *The Economist*, 19 April 2014).

[26] "Dominican Rep. Investment in Free Zones Up 6%", CentralAmerica*Data*.com, 21 April 2015.

[27] During 1996–2000, roughly half of FDI flows were related to M&As in connection with the privatization of State-owned utilities and domestic banks (Elson, 2006).

[28] Brazil attracted 69 per cent of FDI flows to South America's secondary sector in 2006–2013, and Argentina 18 per cent.

[29] "BASF, Gazprom Fall Victim to Sanctions as Asset Swap Ends", *Bloomberg Business*, 19 December 2014.

[30] Within manufacturing, basic metals and metal products were the largest industries in terms of FDI stock in 2013. However, these investments often represent round-tripping FDI undertaken by Russian investors. For example, the second largest Russian steel company, Evraz, is owned by offshore companies in which Russian investors have key interests (Kuznetsov, 2012).

[31] "Ford bullish on Russia as it takes control of local JV", http://europe.autonews.com/article/20150410/ANE/150419998/ford-bullish-on-russia-as-it-takes-control-of-local-jv.

[32] "PepsiCo and Coca-Cola close plants in Russia", http://rbth.com/news/2015/03/04/pepsico_and_coca-cola_close_plants_in_russia_44207.html.

[33] "Carlsberg Forced to Close 2 Russian Breweries", *The Moscow Times*, 29 January 2015.

[34] Australia, Bureau of Resources and Energy Economics. www.industry.gov.au. Projects at the "Committed Stage" have completed all commercial, engineering and environmental studies; received all required regulatory approvals; and finalized the financing for the project.

[35] At the time of writing, apart from the United States and Japan, few other major investor countries had made available geographical breakdowns of 2014 FDI data.

[36] For estimating geographical breakdowns of Japanese FDI, directional principle (BPM5) data are used for 2013 while the asset/liabilities principle data (BPM6) are used for 2014. For developing regions excluding offshore financial centres, the two methodologies should produce more or less the same data.

[37] Primary income refers to investment income and compensation of employees earned abroad (receipts) or owed to foreign entities (payments). For the United States, investment income accounted for 99 per cent of primary income receipts and 97 per cent of primary income payments in 2014.

[38] The category "other investment" includes currency and deposits, loans, trade credits, etc.

[39] Total fixed investment is estimated by adding capital expenditures and R&D expenditures of United States parent companies.

[40] Measured by number of vehicles. Data are from the Japan Automobile Manufacturers Association (www.jama.or.jp).

[41] Due to the unavailability of FDI data for Tuvalu, this group is represented by three LDCs: Kiribati, Solomon Islands and Vanuatu.

[42] "Qatar National Bank increases stake in African lender Ecobank", 15 September 2014, *Financial Times*.

[43] The transaction value was not available for the majority of these deals; thus, the total value of cross-border M&A sales in LDCs is likely to be higher.

[44] An ultra-deep offshore oil development project, in which France's Total (30 per cent) formed a joint venture with two local companies (50 per cent), ExxonMobil (15 per cent) from the United States and Galp Energia (5 per cent) from Portugal ("Angola: Total launches the development of Kaombo, an ultra-deep offshore project", 14 April 2014, press release, www.total.com/en/media/news/press-releases/angola-total-launches-development-kaombo-ultra-deep-offshore-project?%FFbw=kludge1%FF). This is most likely a product-sharing contract; thus, no impact is expected on FDI inflows to Angola.

[45] In 2013, announced greenfield investment in electricity and gas amounted to $18 billion, while primary sector investment was at $4 billion.

[46] "Ethiopia: Indian firm to plant Africa's largest cotton mill here", 3 May 2014, allafrica.com.

[47] "Ethiopia: Chinese textile giant eyes U.S. $500 million plant", 6 September 2014, allafrica.com.

[48] Throughout the period 2000–2013, crude petroleum accounted for almost 90 per cent of AGOA exports to the United States. Refined petroleum products contributed to the major part of growth in non-crude oil exports from AGOA to the United States in this period (USITC, 2014).

[49] It comprises private and public entities from Myanmar (51 per cent); Japanese MNEs, including general trading companies Mitsui, Marubeni and Sumitomo (about 40 per cent); and the Japan International Cooperation Agency (about 10 per cent). Upon the completion of the first phase of development in 2016, this special economic zone is expected to create 50,000 jobs by hosting some 100 companies.

[50] "After decades of decay, Myanmar bets on Thilawa to lead industrial boom", 7 May 2015, www.reuters.com; "Eight companies set to begin operations in Thilawa SEZ", 29 April 2015, *The Myanmar Times*.

[51] For example, China has pledged $11 billion to develop the Trans-Asian Railway to connect the Greater Mekong Subregion, consisting of Cambodia, China, the Lao People's Democratic Republic, Myanmar, Thailand and Viet Nam ("High-quality trains to speed up GMS connectivity", 21 December 2014, news.xinhuanet.com). It has pledged an additional $1 billion for infrastructure development to improve inter-connectivity within the subregion ("Cambodia welcomes Chinese premier's pledge of over 3 bln USD aid to GMS countries", 20 December 2014, news.xinhuanet.com).

[52] Based on exports accounting for 45 per cent of a country's total exports of goods and services during

2010–2012, LDCs are classified into six categories of export specialization: food and agricultural exporters, fuel exporters, manufactures exporters, mineral exporters, mixed exporters and services exporters (UNCTAD, 2014, p. xiii).

53 Investments by Jiangsu Lianfa Textile (China) in Ethiopia, and Weibo (China) in the former Yugoslav Republic of Macedonia, as well as Shrivallabh Pittie Group (India) in Ethiopia, were among the six largest projects by value, totalling $1.4 billion. Ethiopia also attracted other large greenfield investments in the textiles industry from India, Turkey, Pakistan and the Republic of Korea (see LDCs section).

54 Uzbekistan is not included in table II.15 because of a lack of reported bilateral FDI data; the analysis is based on announced greenfield and M&A deals only.

55 www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=42623&no_cache=1#.VWMhPE-qpBc.

56 Other investments have been more significant than portfolio investment but similarly erratic, increasing in value and share in recent years but recording a decline in 2014.

57 Vanuatu, Sao Tome and Principe, Samoa, Timor-Leste, Tonga, the Comoros, Palau, Kiribati.

58 In addition, there are “other” investment flows, which are even more volatile, especially for Caribbean SIDS.

REFERENCES

ADB and ADBI (2009). *Infrastructure for a Seamless Asia.* Tokyo: Asian Development Bank Institute.

Callen, T., R. Cherif, F. Hasanov, A. Hegazy and P. Khandelwal (2014). “Economic Diversification in the GCC: Past, Present, and Future”, *IMF Staff Discussion Note*, Institute for Capacity Development and Middle East and Central Asia Department, December. www.imf.org/external/pubs/ft/sdn/2014/sdn1412.pdf.

ECLAC (2015). *First Forum of China and the Community of Latin American and Caribbean States (CELAC): Exploring opportunities for cooperation on trade and investment*, January. Santiago de Chile: United Nations.

Bapat, S., A. Chaturvedi, W. Drewery, F. Fei and E. Hepfer (2012). “Tamil Nadu Automotive Cluster”, Microeconomics of Competitiveness course, Harvard Business School, Spring. www.isc.hbs.edu/resources/courses/moc-course-at-harvard/Documents/pdf/student-projects/MOC%20Tamil%20Nadu%20Auto%20Cluster%20Final.pdf.

Bhasker, V. V. (2013). “Foreign Direct Investment (FDI) in Indian Automobile Industry: Impact on Employment Generation”, *Research Journal of Management Sciences*, 2(2): 14–22.

Bridgman, B. (2014). “Do intangible assets explain high U.S. foreign direct investment returns?”, *Journal of Macroeconomics, 40: 159–171, June.*

Curcuru, S. E., C. P. Thomas and F. E. Warnock (2013). “On returns differentials”, *Journal of International Money and Finance, 36: 1–25, September.*

Elson, A. (2006). “What Happened?”, *Finance and Development, 43(2):37–40, June.*

IMF (2014). *Regional Economic Outlook: Middle East and Central Asia*. Washington, D.C.: International Monetary Fund.

Krüger, R., and I. Strauss (2015). “Africa rising out of itself: the growth of intra-African FDI”, *Columbia FDI Perspectives*, 139(19), January. http://ccsi.columbia.edu/files/2013/10/No-139.Kr%C3%BCger-and-Strauss-FINAL.pdf

Kumaraswamy A., R. Mudambi, H. Saranga and A. Tripathy (2012). “Catch-up strategies in the Indian auto components industry: Domestic firms’ responses to market liberalization”, *Journal of International Business Studies*, 43(4): 368–395.

Kuznetsov (2012). “Inward FDI in Russia and its policy context, 2012”, *Columbia FDI Profiles,* Vale Columbia Center on Sustainable International Investment, July. http://ccsi.columbia.edu/files/2014/03/Profile-_Russia_IFDI_5_August_2012_-_FINAL.pdf.

Okada, A., and N.S. Siddharthan (2007). “Industrial Clusters in India: Evidence from Automobile Clusters in Chennai and the National Capital Region”, *IDE-JETRO Discussion Papers*, No. 103, April.

Singapore Human Resources Institute (2012). *GCC Construction Sector Report*, March.

UNCTAD (2011). *Foreign Direct Investment in LDCs: Lessons Learned from the Decade 2001-2010 and the Way Forward*. New York and Geneva: United Nations.

UNCTAD (2014). *The Least Developed Countries Report 2014 - Growth with Structural Transformation: A Post-2015 Development Agenda*. New York and Geneva: United Nations.

United Nations (2015). *World Economic Situation and Prospects 2015. Update as of mid-2015. New York: United Nations.*

USITC (2014). “AGOA: Trade and Investment Performance Overview”, April. Washington D.C.: United States International Trade Commission. www.usitc.gov/publications/332/pub4461.pdf.

WEF (2013). *Global Competitiveness Report 2013–2014*. Geneva: World Economic Forum.

WIR12. *World Investment Report 2012: Towards a New Generation of Investment Policies*. New York and Geneva: United Nations

WIR13. World Investment Report 2013: Global Value Chains: Investment and Trade for Development. New York and Geneva: United Nations.

WIR14. World Investment Report 2014: Investing in the SDGs: An Action Plan. New York and Geneva: United Nations.

World Bank (2014). *World Development Indicators*, Washington, D.C.: World Bank.

World Bank (2015). “The Dawn of a New Economic Era?”*, Russia Economic Report, No. 33,* April. Washington, D.C.: World Bank.