CHAPTER II

REGIONAL TRENDS

DEVELOPING ECONOMIES

AFRICA

FDI flows, top 5 host economies, 2018 (Value and change)

2018 Inflows
45.9 bn

2018 Increase
+10.9%

Share in world
3.5%

Morocco
$3.6 bn
+35.5%

Egypt
$6.8 bn
-8.2%

Ethiopia
$3.3 bn
-17.6%

Congo
$4.3 bn
-2.1%

South Africa
$5.3 bn
+165.8%

Flows, by range

- Above $3.0 bn
- $2.0 to $2.9 bn
- $1.0 to $1.9 bn
- $0.5 to $0.9 bn
- Below $0.5 bn

Top 5 host economies

Economy
$ Value of inflows
2018 % change

Outflows: top 5 home economies

(Billions of dollars and 2018 growth)

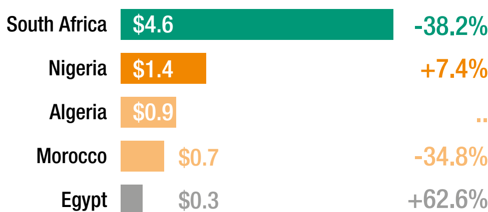
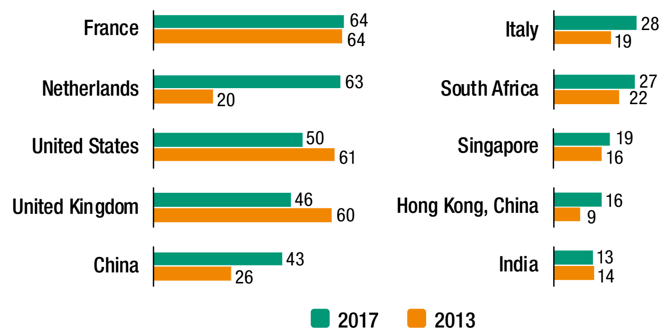


Figure A. **Top 10 investor economies by FDI stock, 2013 and 2017** (Billions of dollars)



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 Sudan and South Sudan has not yet been determined. Final status of the Abyei area is not yet determined.

HIGHLIGHTS

- FDI flows rose by 11 per cent
- Except in some diversified economies, FDI flows still largely resource oriented
- Better growth prospects and AfCFTA could boost 2019 flows

Figure B. FDI inflows, 2012–2018 (Billions of dollars and per cent)

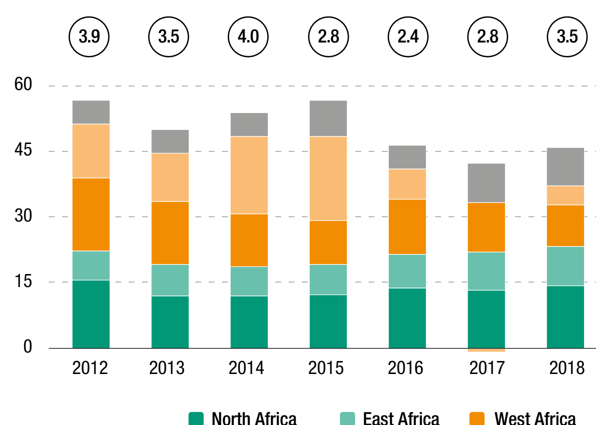
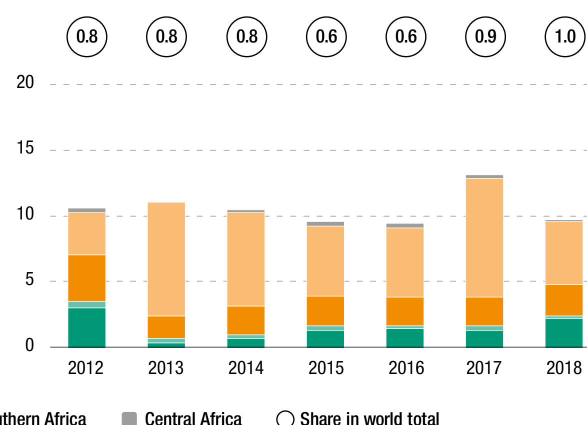


Figure C. FDI outflows, 2012–2018 (Billions of dollars and per cent)



North Africa | East Africa | West Africa | Southern Africa | Central Africa | Share in world total

Table A. Net cross-border M&As by industry, 2017–2018 (Millions of dollars)

Sector/industry	Sales		Purchases	
	2017	2018	2017	2018
Total	**3 452**	**1 570**	**1 967**	**3 651**
Primary	**30**	**-59**	**2 136**	**205**
Mining, quarrying and petroleum	30	-59	2 136	205
Manufacturing	**284**	**-247**	**316**	**-67**
Food, beverages and tobacco	9	426	55	-73
Coke and refined petroleum products	-	-973	-10	-
Motor vehicles and other transport equipment	-	215	-	-
Services	**3 137**	**1 876**	**-485**	**3 513**
Trade	80	-	383	-253
Accommodation and food service activities	45	-50	26	-
Information and communication	-373	37	-5 254	497
Financial and insurance activities	506	1 615	3 542	2 970
Business activities	2 699	215	231	274

Table B. Net cross-border M&As by region/economy, 2017–2018 (Millions of dollars)

Region/economy	Sales		Purchases	
	2017	2018	2017	2018
World	**3 542**	**1 570**	**1 967**	**3 651**
Developed economies	**1 780**	**-1 606**	**556**	**2 266**
European Union	-7 227	1 483	-928	2 455
United Kingdom	700	1 840	1 685	1 535
Switzerland	480	-1 713	-	-
United States	5 674	-1 405	1 330	-
Developing economies	**527**	**2 914**	**1 410**	**1 386**
Africa	796	1 175	796	1 175
Mauritius	-	74	28	6
South Africa	417	1 033	7	31
China	1 248	554	-10	-
India	-715	26	494	134
United Arab Emirates	-6	1 158	-	15

Table C. Announced greenfield FDI projects by industry, 2017–2018 (Millions of dollars)

Sector/industry	Africa as destination		Africa as investor	
	2017	2018	2017	2018
Total	**83 044**	**75 722**	**5 278**	**8 579**
Primary	**10 587**	**16 795**	**-**	**2**
Mining, quarrying and petroleum	10 587	16 778	-	2
Manufacturing	**20 583**	**32 996**	**2 864**	**2 890**
Chemical and chemical products	6 175	11 006	1 229	1 128
Coke and refined petroleum products	1 472	6 480	9	-
Food, beverages and tobacco	1 990	4 982	124	65
Metals and metal products	1 078	3 919	-	195
Services	**51 874**	**25 932**	**2 414**	**5 687**
Business services	2 539	5 291	680	1 306
Construction	5 667	4 789	192	1 420
Electricity, gas and water	37 073	5 697	29	969
Transport, storage and communications	3 656	4 243	444	342

Table D. Announced greenfield FDI projects by region/economy, 2017–2018 (Millions of dollars)

Partner region/economy	Africa as destination		Africa as investor	
	2017	2018	2017	2018
World	**83 044**	**75 722**	**5 278**	**8 579**
Developed economies	**31 162**	**38 232**	**1 741**	**2 247**
European Union	21 674	25 462	1 457	1 469
United Kingdom	2 226	5 626	59	124
United States	3 347	10 275	197	245
Switzerland	2 418	992	14	16
Developing economies	**20 385**	**35 094**	**3 531**	**6 149**
Africa	1 658	5 096	1 658	5 096
South Africa	745	2 074	106	292
China	8 705	11 930	261	81
United Arab Emirates	1 816	3 931	150	84
Saudi Arabia	3 746	2 314	5	44
Transition economies	**31 497**	**2 396**	**6**	**183**

In 2018, FDI flows to Africa defied the global downward trend and rose to $46 billion, an 11 per cent increase after successive declines in 2016 and 2017. Reduced FDI flows to some major economies of the continent, including Nigeria, Egypt and Ethiopia, were offset by large increases in others, most significantly in South Africa. Growing demand for and prices of some commodities, as well as sustained non-resource-seeking investments in a few countries, were largely responsible for the higher FDI flows to the continent. However, lower than expected global economic growth, rising trade tensions and tepid economic growth in Sub-Saharan Africa limited the extent of this increase. MNEs from developing economies were increasingly active in Africa, although investors from developed countries remained the major players. FDI outflows from Africa dropped to $10 billion, mainly due to reduced outward investment from Angola and South Africa. In 2019, the expected acceleration of economic growth in Africa, progress towards the implementation of the African Continental Free Trade Area Agreement and the possibility of some large announced greenfield investments materializing could result in higher FDI flows to the continent.

Inflows

FDI inflows to North Africa increased by 7 per cent to $14 billion, due to elevated investments in most countries of the subregion. *Egypt* remained the largest FDI recipient in Africa in 2018, although inflows decreased by 8 per cent to $6.8 billion. Foreign investment in Egypt was skewed towards the oil and gas industry, as significant discoveries of offshore gas reserves attracted investments from MNEs, and the country became a net exporter of gas in January 2019. British Petroleum, for example, has increased its greenfield and merger and acquisition (M&A) investments in the country in the last two years, bringing the company's investment stock in the country to more than $30 billion. Egypt signed at least 12 exploration and production agreements with international oil companies in 2018. Some large foreign projects were announced in other sectors also, such as a $2 billion project of Nibulon (Ukraine) to upgrade Egypt's grain storage infrastructure and a $1 billion project of Artaba Integrated Holding (Saudi Arabia) for the construction of a medical city. In addition, Shandong Ruyi Technology Group (China) signed an agreement to invest $830 million for the construction of a textile area in the Suez Canal Special Economic Zone (SEZ).

FDI flows to *Morocco* rose by 36 per cent to $3.6 billion. The country continues to benefit from relatively stable economic performance and a diversified economy, which is drawing foreign investment in finance, renewable energy, infrastructure and the automotive industry, among others. The largest investment was the acquisition of the remaining 53 per cent of Saham Finances, Morocco's largest insurer, by Sanlam Emerging Markets (South Africa) for $1 billion.

FDI to the *Sudan* increased by 7 per cent to $1.1 billion in 2018, aimed primarily towards oil and gas exploration and agriculture. Political instability, foreign exchange shortages and expensive banking channels constrain FDI to the country, despite the lifting of sanctions by the United States. Small investment flows were registered in non-traditional sectors in 2018, however. For example, ride-sharing company Careem (based in the United Arab Emirates; now owned by Uber Technologies Inc.) started operating in the capital Khartoum and plans to expand further in the next two to three years.

In *Tunisia*, FDI flows increased by 18 per cent to $1 billion. The highest share went to the industrial sector ($375 million), followed by energy ($300 million) and services ($200 million). France was the largest investor country in Tunisia in 2018, followed by Qatar. In addition, Chinese companies announced key greenfield investments. Chinese automaker SAIC Motors, for example, signed an agreement with the Tunisian Group Meninx to establish a manufacturing plant targeting the African and European markets.

FDI flows to *Algeria* increased by 22 per cent to $1.5 billion. In addition to FDI in the oil and gas sector, Algeria received significant investment in the automotive industry in 2018. BAIC International (China), for instance, opened a manufacturing plant, with an investment of more than $100 million to serve both the domestic and regional markets. Hyundai (Republic of Korea) and Ford (United States) also received approvals from the Algerian Investment Council to set up manufacturing plants.

After a significant contraction for two years, FDI flows to Sub-Saharan Africa increased by 13 per cent to $32 billion in 2018. This increase can largely be attributed to an uptick in resource-seeking FDI and to recovering inflows to South Africa, the second largest economy in the continent. This more than outweighed the substantial decline in inward FDI registered in a number of countries in the subregion, which was due in part to political uncertainty and unfavourable economic fundamentals.

FDI to West Africa fell 15 per cent to $9.6 billion, the lowest level since 2006. This was largely due to the substantial drop in *Nigeria*, for the second consecutive year. Inward FDI to that country declined 43 per cent to $2 billion, and Nigeria is no longer the largest FDI recipient in West Africa. Foreign investors may have adopted a cautious approach and withheld planned investments in light of the risk of instability associated with Nigeria's elections and disputes between the Government and some large MNEs. In 2018, both HSBC (United Kingdom) and UBS (Switzerland) closed their local representative offices in the country, and the telecommunication giant MTN (South Africa) remained embroiled in litigation related to the repatriation of profits. In addition, international oil companies have been ordered to pay $20 billion in back taxes. Nevertheless, investments by oil companies, which included significant reinvested earnings by established investors, remained prominent in 2018. The new policy to reduce public ownership in joint-venture oil assets to 40 per cent could drive up FDI in Nigeria in the coming years.

Ghana became the largest FDI recipient in West Africa, even though FDI inflows decreased by 8 per cent to $3 billion. Most of the FDI is oriented towards gas and minerals, with the largest greenfield investment project coming from Eni Group, which is set to expand the Sankofa gas fields. The largest M&A was the acquisition by Gold Fields Ltd (South Africa) of a 50 per cent share in Asanko Gold Ghana Ltd, a Greater Accra-based gold mine operator, for $185 million.

FDI flows to East Africa were largely unchanged at $9 billion in 2018. Inflows to *Ethiopia* contracted by 18 per cent to $3.3 billion. Yet the country continued to be the biggest FDI recipient in East Africa, with investments in petroleum refining, mineral extraction, real estate, manufacturing and renewable energy. FDI to the country was diversified in terms of both sectors and countries of origin. Prospects remain positive due to economic liberalization, investment facilitation measures and the presence of investment-ready SEZs (chapter IV). Recently, Hyundai Motor Company (Republic of Korea) opened a manufacturing plant in the country, its first in East Africa, with a planned production capacity of 10,000 vehicles per year.

In *Kenya*, FDI flows increased by 27 per cent to $1.6 billion. Investments were received in diverse industries including manufacturing, chemicals, hospitality, and oil and gas. The country has been making strides to facilitate private enterprise and foreign investment, which are contributing to increasing FDI. It improved its "Ease of Doing Business" ranking and has also been marketing its export processing zones (EPZs) as attractive destinations for manufacturing-oriented foreign investment. Uganda and the *United Republic of Tanzania* saw increases in FDI flows of 67 and 18 per cent (to $1.3 billion and $1.1 billion), respectively. FDI to Uganda reached a historic high in 2018, largely due to investments in the oil and gas sector, as well as in manufacturing and in the hospitality industry. The development of the country's oil fields, led by a consortium made up of Total (France),

CNOOC (China) and Tullow Oil (United Kingdom), is gaining momentum. Plans to ramp up investment in upstream and downstream oil facilities could drive FDI flows to Uganda significantly higher in the next few years.

FDI flows to Central Africa were largely stagnant at $8.8 billion in 2018. The *Congo* recorded the highest FDI levels in the region ($4.3 billion), with the bulk of investments directed towards oil exploration and production. Intracompany loans from existing investors accounted for a high proportion of these FDI flows. In addition, some investments from the first phase of the Congo Offshore Licensing Round materialized in 2018. The second phase comes into effect in 2019, which is expected to generate more investment in the coming years.

FDI to the *Democratic Republic of the Congo* increased by 11 per cent, to $1.5 billion. Continued investments in mineral exploration (especially for cobalt, for which the country holds 60 per cent of the world's known reserves) underpinned flows to the country. International mining companies including Glencore (Switzerland) and Molybdenum (China) expanded their presence in the country in 2018. Extractive-industry investors will now operate under an amended mining code, with new provisions that increase royalties, remove the 10-year amnesty on new rules for existing miners and impose a super-profits tax.

FDI flows to Southern Africa recovered to nearly $4.2 billion in 2018, from -$925 million in 2017. FDI flows to *South Africa* more than doubled to $5.3 billion in 2018, contributing to progress in the Government's campaign to attract $100 billion of FDI by 2023. The surge in inflows was largely due to intracompany loans, but equity inflows also recorded a sizeable increase. In 2018, China-based automaker Beijing Automotive Industry Holding opened a $750 million plant in the Coega Industrial Development Zone, while automakers BMW (Germany) and Nissan (Japan) expanded their existing facilities in the country. In addition, Mainstream Renewable Energy of Ireland began building a 110 MW wind farm, with a planned investment of about $186 million.

FDI flows to *Angola* in 2018 continued to be negative (-$5.7 billion). Angola has traditionally been an attractive FDI destination because of its oil and gas sector; however, FDI inflows to the country have been negative for the last two years due to both profit repatriations by foreign parent companies and the decline in the country's oil production, which weighed on new investments. The current negative FDI flows contrast with almost $7 billion a year invested on average in the country between 2014 and 2015. Recently the Government, in an attempt to encourage FDI, introduced an investment law that removes the mandatory national ownership share of 35 per cent in greenfield investments and the minimum investment requirements.

Mozambique received FDI flows amounting to $2.7 billion in 2018, up from $2.3 billion in 2017. New equity investment accounted for less than 20 per cent of inward investment flows, however. The balance was due to intracompany transfers, i.e. loans and other transfers by parent companies to affiliates already established in the country, mainly for gas exploration and production.

MNEs from developing economies were increasingly active in Africa but investors from developed countries remained the major players. On the basis of FDI stock data through 2017, France continues to be the largest foreign investor in Africa both due to its historical links with a number of countries on the continent and due to large investments in major hydrocarbon-producing economies, particularly Nigeria and Angola. However, the total stock of France's FDI in Africa was not significantly different in 2017 than in 2013. The Netherlands holds the second largest foreign investment stock in Africa, more than two thirds of which is concentrated in only three countries, Egypt, Nigeria and South Africa. The total stock of FDI in Africa from both the United States and the United Kingdom

has decreased in the last four years, as a result of divestments and profit repatriations. The stock of China's FDI in Africa, in contrast, increased by more than 50 per cent between 2013 and 2017.

Outflows

FDI outflows from African countries in 2018 dropped by 26 per cent to nearly $10 billion. Significant reductions in outflows from Angola and South Africa largely accounted for the drop. In Angola, outflows nearly halted, compared with $1.4 billion in 2017. In South Africa, outflows slowed by nearly 40 per cent to $4.6 billion. A few large deals accounted for a large part of Africa's outward investment. South Africa's First Rand Ltd, for example, acquired Aldermore Group Plc (United Kingdom) from AnaCap Financial Partners LLP for $1.4 billion.

Prospects

In 2019, a number of factors could support additional FDI flows to Africa. Although commodity prices are projected to remain stable in 2019, moderately higher prices are forecasted for some minerals that Africa is a major producer of, as well as for oil and gas. Combined with the development of newly discovered mineral mines and hydrocarbon fields, this forecast could encourage further investment in a number of countries on the continent. Investment in manufacturing and services is expected to remain mostly concentrated in a handful of economies in North and Southern Africa, as well as emerging manufacturing destinations in East Africa.

The Better Utilization of Investments Leading to Development Act passed by the United States in late 2018 could have a positive effect on FDI flows to Africa. The Act created the International Development Finance Corporation, which is authorized to make equity investments and is anticipated to manage an annual budget of $60 billion. It is expected to help the United States take a more active role in Africa, among other developing regions, by mitigating the risk to private United States companies of investing in large-scale projects, as well as by providing technical assistance and administering special funds.

The ratification of the African Continental Free Trade Area Agreement could also have a positive effect on FDI, especially in the manufacturing and services sectors. The elimination of tariffs under the Agreement could support market-seeking FDI, as foreign investors venture to tap into a market of 1.2 billion people with a combined GDP of more than $2.2 trillion. In addition, regional integration could encourage foreign investment that targets value addition to local commodities and natural resources, as well as increased intra-African investment as major economies on the continent seek a first-mover advantage.

Against these potentially positive factors for future investment prospects is the trend in announced greenfield investment plans, which decreased in value by 9 per cent to $76 billion in 2018. This was largely due to the drop in investment in the services sector, from $52 billion in 2017 to $26 billion in 2018.

DEVELOPING ASIA

FDI flows, top 5 host economies, 2018 (Value and change)

2018 Inflows
511.7 bn

2018 Increase
+3.9%

Share in world
39.4%

China
$139.0 bn
+3.7%

Hong Kong, China
$115.7 bn
+4.5%

India
$42.3 bn
+6.0%

Singapore
$77.6 bn
+2.5%

Indonesia
$22.0 bn
+6.8%

Flows, by range

- Above $50 bn
- $10 to $49 bn
- $1.0 to $9.9 bn
- $0.1 to $0.9 bn
- Below $0.1 bn

Top 5 host economies

Economy
$ Value of inflows
2018 % change

Figure A. **Top 10 investor economies by FDI stock, 2013 and 2017** (Billions of dollars)

Economy	2017	2013
China	1 119	436
Hong Kong, China	721	520
United States	669	455
Japan	421	313
Singapore	312	225
United Kingdom	197	192
Netherlands	196	89
Germany	181	145
South Africa	173	46
Korea, Republic of	154	111

Outflows: top 5 home economies

(Billions of dollars and 2018 growth)

Economy	Value	Growth
China	$129.8	-18.0%
Hong Kong, China	$85.2	-1.8%
Korea, Republic of	$38.9	+14.2%
Singapore	$37.1	-15.0%
Saudi Arabia	$21.2	+191.5%

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. Dotted line represents approximately the Line of Control in Jammu and Kashmir 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 rose, region remained the largest recipient
- Outward FDI flows flat, still a major source of global investment
- Prospects promising, with higher inflows expected

Figure B. FDI inflows, 2012–2018 (Billions of dollars and per cent)

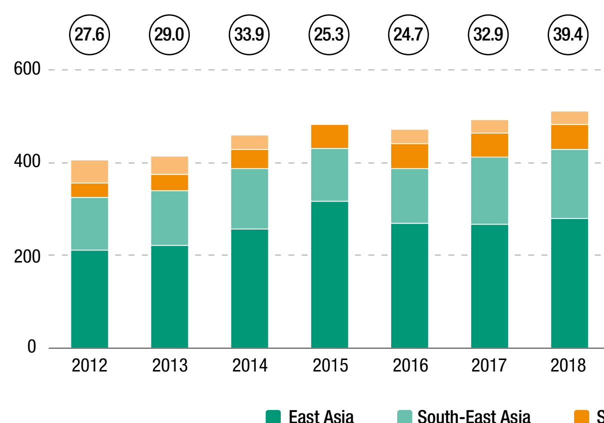
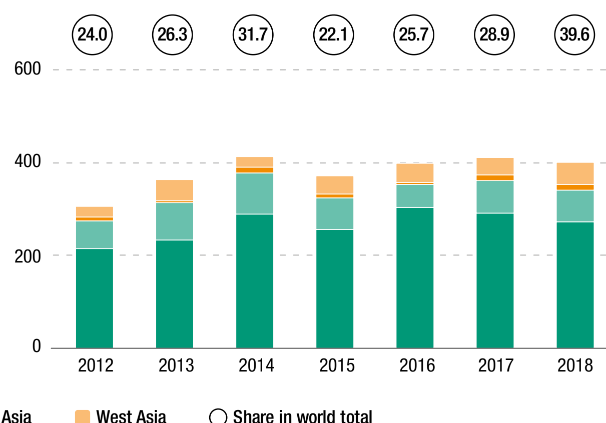


Figure C. FDI outflows, 2012–2018 (Billions of dollars and per cent)



East Asia | South-East Asia | South Asia | West Asia | Share in world total

Table A. Net cross-border M&As by industry, 2017–2018 (Millions of dollars)

Sector/industry	Sales 2017	Sales 2018	Purchases 2017	Purchases 2018
Total	**79 363**	**83 769**	**193 789**	**89 256**
Primary	**18 489**	**3 670**	**4 829**	**4 640**
Mining, quarrying and petroleum	17 551	3 575	5 568	6 338
Manufacturing	**17 146**	**13 584**	**61 052**	**12 563**
Food, beverages and tobacco	6 780	6 008	1 794	1 136
Chemicals and chemical products	2 790	2 099	44 816	4 093
Computer, electronic, optical products and electrical equipment	1 851	2 011	8 686	3 174
Machinery and equipment	437	492	596	1 097
Services	**43 727**	**66 515**	**127 907**	**72 053**
Trade	47	17 291	-95	239
Information and communication	18 317	14 074	14 572	1 479
Financial and insurance activities	7 824	1 256	74 082	54 827
Business activities	6 597	16 133	21 374	2 588

Table B. Net cross-border M&As by region/economy, 2017–2018 (Millions of dollars)

Region/economy	Sales 2017	Sales 2018	Purchases 2017	Purchases 2018
World	**79 363**	**83 769**	**193 789**	**89 256**
Developed economies	**26 410**	**43 311**	**141 676**	**39 930**
European Union	8 100	16 478	40 061	28 026
United States	5 676	20 668	44 825	1 380
Japan	9 562	6 523	1 832	1 503
Developing economies	**38 510**	**38 308**	**50 936**	**48 208**
Africa	588	191	528	1 739
Latin America and the Caribbean	190	-715	12 792	7 643
Asia	37 800	38 826	37 800	38 826
China	23 001	31 959	9 872	5 395
Hong Kong, China	8 826	6 658	15 177	13 618
Singapore	1 687	-257	4 450	13 313
Transition economies	**12 598**	**273**	**1 176**	**1 119**

Table C. Announced greenfield FDI projects by industry, 2017–2018 (Millions of dollars)

Sector/industry	Developing Asia as destination 2017	Developing Asia as destination 2018	Developing Asia as investor 2017	Developing Asia as investor 2018
Total	**207 730**	**417 874**	**180 665**	**315 901**
Primary	**656**	**5 309**	**2 208**	**11 854**
Mining, quarrying and petroleum	527	5 230	2 079	11 759
Manufacturing	**109 470**	**211 556**	**106 340**	**140 597**
Coke and refined petroleum products	8 600	41 689	2 277	18 503
Chemicals and chemical products	17 504	39 124	25 153	22 218
Electrical and electronic equipment	27 374	36 019	30 211	28 653
Motor vehicles and other transport equipment	16 474	38 345	12 158	14 509
Services	**97 604**	**201 008**	**72 117**	**163 450**
Electricity, gas and water	22 096	55 829	20 359	43 429
Construction	25 352	59 164	25 462	60 562
Hotels and restaurants	4 803	22 224	1 468	16 592
Business services	16 613	22 907	8 201	14 632

Table D. Announced greenfield FDI projects by region/economy, 2017–2018 (Millions of dollars)

Partner region/economy	Developing Asia as destination 2017	Developing Asia as destination 2018	Developing Asia as investor 2017	Developing Asia as investor 2018
World	**207 730**	**417 874**	**180 665**	**315 901**
Developed economies	**112 195**	**200 540**	**54 209**	**56 891**
European Union	49 305	88 023	12 455	20 706
United States	31 205	59 080	32 463	24 398
Japan	22 988	37 568	2 158	3 511
Developing economies	**88 273**	**205 507**	**112 492**	**241 365**
China	17 035	51 458	23 777	40 137
Indonesia	86	4 327	7 733	31 597
Singapore	10 528	18 677	5 212	5 386
India	2 403	7 353	6 295	26 575
Turkey	1 037	705	1 417	6 035
United Arab Emirates	6 185	22 185	2 581	5 085
Transition economies	**7 263**	**11 827**	**13 964**	**17 645**

FDI inflows to developing Asia rose by 4 per cent to $512 billion in 2018. Growth occurred mainly in China, Hong Kong (China), Singapore, Indonesia and other ASEAN countries, as well as India and Turkey. Asia continued to be the world's largest FDI recipient region, absorbing 39 per cent of global inflows in 2018, up from 33 per cent in 2017. Outflows from Asia declined by 3 per cent to $401 billion. However, the region remained a significant source of investment, representing 40 per cent of global FDI outflows in 2018. The decline was mainly due to reduced investments from China, for the second consecutive year, and from Singapore. In contrast, outward investment from the Republic of Korea, Saudi Arabia, the United Arab Emirates and Thailand increased. The prospects for FDI flows to the region are cautiously optimistic, thanks to a favourable economic outlook and ongoing efforts to improve the investment climate in several major economies. These prospects are underpinned by a doubling in value of announced greenfield projects in the region, suggesting continued growth potential for FDI. However, uncertainties stemming from global trade tensions could weigh on them.

Inflows

FDI inflows to East Asia rose by 4 per cent to $280 billion in 2018 but remained significantly below their 2015 peak of $318 billion. Inflows to *China* increased by 4 per cent, reaching an all-time high of $139 billion – over 10 per cent of the world's total. Despite trade tensions between China and the United States, foreign investors established more than 60,000 new companies in China in 2018, a 70 per cent increase over the number established in 2017.[1] The elimination or relaxation of foreign ownership limits in industries such as automotive, power grids, ship and aircraft manufacturing since July 2018 pushed up by 20 per cent FDI in manufacturing industries, which accounted for one third of total inflows to the country.

China continued to absorb increasing investment flows from developing Asia, including Hong Kong (China), the Republic of Korea and Singapore. Inflows from some developed countries also rose significantly: investment from the United Kingdom and Germany increased by 150 per cent and 79 per cent, respectively, as a result of an increase in the number of M&A megadeals. Diageo (United Kingdom), for example, acquired a majority stake in Sichuan Swellfun, a Chinese spirit brand, for $9 billion. Also, BMW (Germany) invested an additional $4 billion in its Chinese joint venture in October 2018 to raise its stake to 75 per cent; this was the first move by a global carmaker to seek control of local partnerships in China after the elimination of ownership limits. In contrast, inflows from the United States to China went down from $10 billion in 2017 to only $6 billion in 2018.

Flows to *Hong Kong (China)* increased by 4 per cent to $116 billion in 2018, mostly invested in services sector operations (including regional headquarters and finance functions that facilitate indirect FDI flows). FDI to the *Republic of Korea* dropped by 19 per cent to $14 billion in 2018, due in part to a significant decrease in intracompany loans.

FDI flows to South-East Asia rose by 3 per cent to an all-time high of $149 billion in 2018. As a result, the subregion's share in global inflows rose from 10 per cent in 2017 to 11 per cent in 2018. The growth in FDI was mostly driven by an increase in investment in Singapore, Indonesia, Viet Nam and Thailand. Manufacturing and services, particularly finance, retail and wholesale trade, including the digital economy (box II.1), continued to underpin rising inflows to this subregion. Strong intra-ASEAN investments and robust investment from other Asian economies also contributed to the trend. However, inflows to some countries (Malaysia and the Philippines) declined.

Singapore remains the subregion's largest FDI recipient with inflows of $78 billion in 2018 – a 3 per cent increase from 2017. The EU countries were the largest source of investment, particularly the Netherlands and the United Kingdom. FDI growth was largely due to robust investment in services and to a 94 per cent rise in cross-border M&As. M&A activities, worth $19 billion in 2018, were concentrated in real estate, energy and finance, and were dominated by two megadeals. Nesta Investment (China) acquired Global Logistic Properties (Asia's biggest warehouse operator) for $11 billion, and Global Infrastructure Partners (United States) acquired Equis Energy for $5 billion.

FDI flows to *Indonesia* grew by 7 per cent to $22 billion. Intra-ASEAN investments, mainly from Singapore, accounted for more than 50 per cent of the flows. Increased investment from China and Japan further contributed to the record inflows. Investment in manufacturing, infrastructure, real estate and the digital economy was strong. In 2018, major infrastructure projects involving foreign MNEs, such as new segments of the Jakarta Light Rail Transit, were completed. New SEZs, such as Galang Batang and Sei Mangkei, are also contributing to FDI inflows, both in the construction phase and through the attraction of new investments in the zones (chapter IV).

Inflows to *Thailand* grew by 62 per cent in 2018 to $10 billion – the steepest FDI growth in ASEAN. Following the uptick already registered in 2017, this suggests that FDI in the country is recovering from its downward trend earlier in the decade. Thailand's growth was due to significant inflows from Asia, led by investors from Japan, Hong Kong (China) and Singapore. Reinvestment by MNEs already present in Thailand doubled to $7.4 billion, which contributed significantly to FDI flows.

Investment into the CLMV countries (Cambodia, the Lao People's Democratic Republic, Myanmar and Viet Nam) remained strong, however inflows into the *Lao People's Democratic Republic* and *Myanmar* declined. These countries continued to attract active investment flows from intra-ASEAN sources and other Asian economies (China, Japan, the Republic of Korea). The relocation from China of labour-intensive operations, such as garment and footwear production, is lifting investment in these countries. The participation by Chinese firms in infrastructure development and the influence of the Belt and Road Initiative are also affecting investment inflows.

Chinese investment in ASEAN is becoming increasingly significant: outward flows nearly doubled, to $14 billion between 2013 and 2017. In 2018, M&A sales to Chinese MNEs more than tripled, and the value of greenfield projects in ASEAN announced by Chinese MNEs increased five-fold. Investment from the United States – historically a major investor in the subregion – has been on a downward trend, shrinking by 33 per cent between 2013 and 2017, to $15 billion.

Box II.1. Rising investments in ASEAN's digital economy

Encouraged by the digital potential and e-commerce growth in ASEAN, digital MNEs and start-ups continued to invest in digital infrastructure, data centres and e-commerce businesses. As of June 2018, the 50 largest digital start-ups in the region had raised $13.8 billion of capital, compared with only $1 billion in 2015. Global venture capital, as well as Asian companies such as Alibaba (China), Tencent (China), Softbank (Japan), Golden Gate Ventures (Singapore) and Vertex Ventures (Singapore), are significant sources of investment in these start-ups. For example, Tokopedia (an Indonesian e-commerce platform) raised $1.1 billion from a group of investors led by Alibaba (China) and SoftBank Vision Fund (Japan). The subregion's largest start-ups are fast expanding beyond their home markets. Most of the 50 largest operate in at least one other ASEAN country, strengthening intraregional investment. Almost half are involved in either e-commerce or fintech, with the rest focusing mainly on entertainment, marketing, social media, logistics and food delivery. In addition, major technology MNEs such as Google, Facebook and Alibaba are building more data centres in Singapore.

Source: *AIR18*.

FDI inflows to South Asia grew by 4 per cent in 2018 to $54 billion. FDI to *India*, which has historically accounted for 70 to 80 per cent of inflows to the subregion, increased by 6 per cent to $42 billion. Investment was strong in manufacturing, communication and financial services – the top three industry recipients. The growth in cross-border M&As from $23 billion in 2017 to $33 billion in 2018 was primarily due to transactions in retail trade ($16 billion), which includes e-commerce, and telecommunication ($13 billion). Notable megadeals included the acquisition of Flipkart, India's biggest e-commerce platform, by Walmart (United States). In addition, telecommunication deals involving Vodafone (United Kingdom) and American Tower (United States) amounted to $2 billion.

FDI flows to *Bangladesh* rose by 68 per cent to a record level of $3.6 billion. This was driven by significant investments in power generation and in labour-intensive industries such as ready-made garments, as well as the $1.5 billion acquisition of United Dhaka Tobacco by Japan Tobacco (see LDCs section). Inflows to *Sri Lanka* also reached a record level of $1.6 billion, pushed by robust Asian investments, including from China, India and Singapore. Infrastructure, particularly ports and telecommunication, absorbed a significant portion of inflows to the country.

Pakistan, the fourth largest recipient of FDI in the subregion, registered a 27 per cent decrease in investment to $2.4 billion. This was largely due to the completion of some projects related to the China–Pakistan Economic Corridor, and a balance-of-payments challenge that may have delayed new inflows. China remained the single largest investor in the country, thanks mainly to construction and power generation projects related to the Corridor. With other Corridor projects also nearing completion, Pakistan's FDI inflows could slow down further in 2019.[2]

FDI flows to *West Asia* grew by 3 per cent to $29 billion in 2018, halting an almost continuous 10-year downward trend. Inflows were still only one third of their $85 billion peak in 2008. The small rise in FDI can be attributed to higher inflows to Turkey and a pickup of investment in Saudi Arabia, which compensated for declines in other countries. Investments from the United States to West Asia increased to $5 billion, a recovery from low levels in the last two years. China is also consolidating its position as an investing country in the subregion, diversifying its involvement as compared with its past ties, which were based predominantly on oil purchases.

FDI flows in the subregion remained uneven. Four countries – Turkey, the United Arab Emirates, Saudi Arabia and Lebanon – absorbed approximately 90 per cent of FDI in West Asia. *Turkey* was the largest recipient, with inflows rising by 13 per cent to $13 billion, despite slower than usual economic growth and uncertainty surrounding the Turkish lira. Investment from Asian economies increased from 12 per cent to 27 per cent of FDI into Turkey and was instrumental both in driving FDI upwards and in its diversification. The $6.3 billion Star Refinery built by the State Oil Company of the Azerbaijan Republic, one of the largest foreign investments in Turkey, started operating in late 2018. The largest M&A deal was the acquisition by DFDS (Denmark) of a 98.8 per cent interest in UN Ro-Ro Isletmeleri, a provider of deep-sea freight transportation services, for $1.2 billion.

FDI flows to *Saudi Arabia* rose from $1.4 billion in 2017 to $3.2 billion in 2018, still significantly lower than the 2008 peak of $39 billion. Political factors and lower oil prices were largely responsible for lower than usual FDI flows to Saudi Arabia. Recent efforts aimed at economic diversification in the country have identified FDI as a key priority, however. Some new projects outside the oil and gas sector have been generated. In 2018, Aubin Group (United Kingdom) invested $743 million to establish a chemical manufacturing facility in Saudi Arabia. DuPont (United States) opened a reverse osmosis water treatment facility, its first outside the United States, and Alphabet (United States) started building multiple data centres in the country.

FDI flows to the *United Arab Emirates* remained largely unchanged in 2018, at $10 billion. Investment targeted a diverse range of sectors, from oil and gas to digital technologies. Inflows to *Lebanon* increased from $2.5 billion to $2.9 billion, while those to *Bahrain* rose by 6 per cent to $1.5 billion, mainly due to growing interest in manufacturing activities. In 2018, Mondelez International (United States) and Ariston Thermo Group (Italy) set up manufacturing facilities in the Bahrain International Investment Park, an SEZ (chapter IV).

Outflows

Outflows from Asia declined by 3 per cent to $401 billion. This was mainly due to reduced investments from China for the second consecutive year. In contrast, outward investment from the Republic of Korea, Saudi Arabia, the United Arab Emirates and Thailand increased. Developing Asia is an increasingly significant source of global FDI for both developed and developing economies. The region accounted for about 40 per cent of global FDI outflows in 2018. More than 75 of the UNCTAD top 100 MNEs from developing and transition economies today are from developing Asia, and a majority of these companies in the ranking are headquartered in China.

Outward FDI flows from *East Asia* decreased for the second consecutive year to $271 billion in 2018. This was largely due to investment from China, which declined by 18 per cent to an estimated $130 billion. Government policy to curb overseas investment in industries such as real estate, entertainment and sports clubs continued in 2018, with tightened foreign exchange controls. Investment policy uncertainties and tightened investment screening regulations also weighed on Chinese outward FDI to the United States and the EU, which declined significantly.[3] Outward flows nonetheless included new strategic stakes in manufacturing companies and acquisitions in technology-intensive sectors. For example, Chinese automotive manufacturer Geely acquired stakes in Daimler (Germany) and Volvo (Sweden) for $9 billion and $4 billion, respectively. An investor group composed of China Grand Pharmaceutical and Healthcare Holdings acquired Sirtex Medical, a Sydney-based manufacturer of medical equipment, for $1.4 billion.

Despite the overall decline in China's outward FDI, Chinese investment in ASEAN countries continued to increase in 2018. This was partly due to several large M&A deals in the services sectors in Singapore, Indonesia and the Philippines. Chinese outward FDI to the Belt and Road countries expanded as well: investment in non-financial industries increased by 8.9 per cent to $16 billion – about 13 per cent of China's total outward FDI.[4]

Outflows from Hong Kong (China) remained stable at $85 billion. Flows from the Republic of Korea, in contrast, rose by 14 per cent to $39 billion, driven by overseas investments from major Korean MNEs such as LG, Samsung Electronics, Hyundai and KIA. These MNEs are investing in new growth areas such as artificial intelligence and 5G technology through both new and expansion projects. Samsung, for example, opened overseas artificial intelligence centres in Cambridge (United Kingdom), Toronto and Montreal (Canada), and Moscow (Russian Federation), as well as Silicon Valley and New York (United States) in 2018.[5]

Outward FDI from South-East Asia was flat, at $70 billion. The subregion accounted for 7 per cent of global outward flows in 2018. Investment from Singapore – the subregion's largest investor – declined by 15 per cent to $37 billion, which contributed to the stagnating level of investment from ASEAN. However, strong intraregional investment in ASEAN, and in particular in Indonesia and the CLMV countries, is helping forge closer production and industrial linkages. At more than 19 per cent of inflows between 2015 and 2017, intraregional investment is a key feature of FDI flows in the subregion (*AIR17*, *AIR18*). Intraregional investment is mostly driven by investments from Singapore – including

investment channeled through Singapore (chapter I). In 2018, for example, companies from Singapore invested more than $10 billion in Indonesia. However, investments from other ASEAN countries (Thailand and Indonesia) are also increasing.

Outward FDI from *West Asia* reached a historic high of $49 billion in 2018, up from $39 billion in 2017. Saudi Arabia, the United Arab Emirates and Turkey were mainly responsible for the increase. Turkish companies, which are increasingly investing in Africa, increased their outward FDI by 37 per cent to $3.6 billion in 2018. FDI from Saudi Arabia almost tripled to $21 billion, mainly in technology, finance and infrastructure activities. This was driven by an investment push from the country's sovereign wealth fund (Public Investment Fund), as well as large private investors, such as the Kingdom Holding Company. Prominent deals in 2018 included a $1 billion investment by the Public Investment Fund in Lucid Motors, an electric vehicle start-up based in California. The Fund also invested $400 million in a virtual reality start-up, Magic Leap (United States).

Prospects

Investment prospects for the region in 2019 are cautiously optimistic, with improving investment environments, growing intraregional investment and strong economic fundamentals. The 100 per cent rise in the value of announced greenfield investment projects in the region, from $207 billion in 2017 to $418 billion in 2018, confirms the region's investment prospects. However, trade tensions could weigh on the prospects of higher inflows or they could also lead to further investment diversion.

Inflows to China are expected to continue to grow. In early 2019, China adopted a new Foreign Investment Law and announced the relaxation of foreign investment limits in several services industries. Despite the trade tensions, investment from the United States rose in the first quarter of 2019.[6]

The outlook for *South-East Asia* is also promising, as countries in the subregion continue to introduce measures to improve the investment environment.[7] Strong economic fundamentals in the subregion will continue to attract market-seeking FDI. In addition, low-cost and resource-rich countries will remain attractive destinations for efficiency-seeking and resource-seeking FDI. The digital economy, as well as industrial activities such as automotive, electronics, services, retail trade, and real and industrial estate, are expected to remain particularly attractive to foreign investors. Growing demand and commitments to develop and upgrade information and communication technology (ICT), transport and power facilities will continue to encourage FDI. A doubling of announced greenfield investment projects in the subregion to $139 billion in 2018 corroborates this promising outlook.

The prospects for FDI inflows into *South Asia* are largely determined by expectations of growing investment into India. Announced greenfield investment in the country doubled to $56 billion in 2018, with projects in a number of manufacturing industries, including automotive.

FDI prospects for *West Asia* are moderately positive, thanks to the introduction of new policies and investment facilitation measures in several countries. Some economies are also easing foreign investment regulations. Saudi Arabia's Vision 2030 includes plans to open up the economy and diversify away from hydrocarbons. In 2018, the country started allowing 100 per cent foreign ownership in the transport, recruitment, audiovisual and real estate industries. The United Arab Emirates has also started allowing 100 per cent foreign investment in certain industries. Qatar's new FDI law paves the way for full foreign ownership in all industries, with a few exceptions that require special permission, such as banking. Qatar could also benefit from increased foreign investment due to the upcoming

FIFA World Cup. The agreement for the development of the first phase of the estimated $86 billion Silk City project between China and Kuwait in February 2019 could further bolster FDI to the region in the medium term. FDI prospects for other countries in the subregion will continue to be affected by ongoing instability and conflict. Growth projections for oil-exporting countries have been adjusted downwards as well, which could have a negative impact on future FDI flows.

Outflows from the region will remain high. Outward investment from China is expected to stabilize or increase slightly, based on the growth in announced greenfield investment projects and the more than $20 billion worth of M&A deals awaiting approval in Europe at the beginning of 2019.[8] Bilateral cooperation under the Belt and Road Initiative is expected to continue to encourage outward FDI along the routes, particularly in infrastructure. Investment projects worth over $64 billion were agreed in the second Belt and Road Forum for International Cooperation held in China in 2019. By some estimates, the Initiative's proposed transportation network could lead to a 5 per cent increase in total FDI flows to countries involved (Chen and Lin, 2018).

LATIN AMERICA AND THE CARIBBEAN

FDI flows, top 5 host economies, 2018 (Value and change)

2018 Inflows
146.7 bn

2018 Decrease
-5.6%

Share in world
11.3%

Mexico
$31.6 bn
-1.5%

Colombia
$11.0 bn
-20.4%

Brazil
$61.2 bn
-9.4%

Chile
$7.2 bn
+4.4%

Argentina
$12.2 bn
+5.6%

Flows, by range

- Above $10 bn
- $5.0 to $9.9 bn
- $1 to $4.9 bn
- $0.1 to $0.9 bn
- Below $0.1 bn

Top 5 host economies

Economy
$ Value of inflows
2018 % change

Outflows: top 5 home economies

(Billions of dollars and 2018 growth)

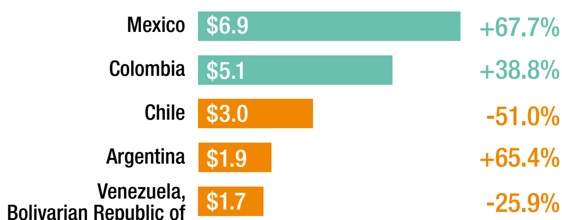
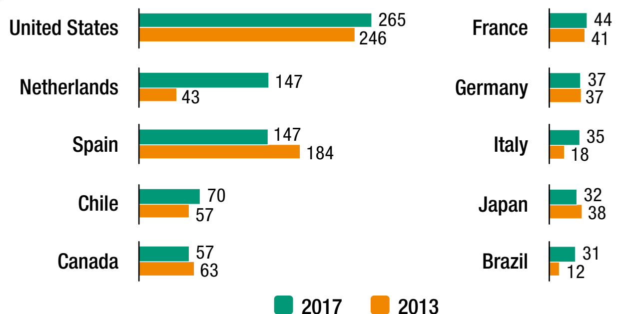


Figure A. **Top 10 investor economies by FDI stock, 2013 and 2017** (Billions of dollars)



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.

HIGHLIGHTS

- Inflows decreased as the region's economic recovery stalls
- IT industry attracting the interest of foreign investors
- Flows set to remain relatively steady

Figure B. FDI inflows, 2012–2018
(Billions of dollars and per cent)

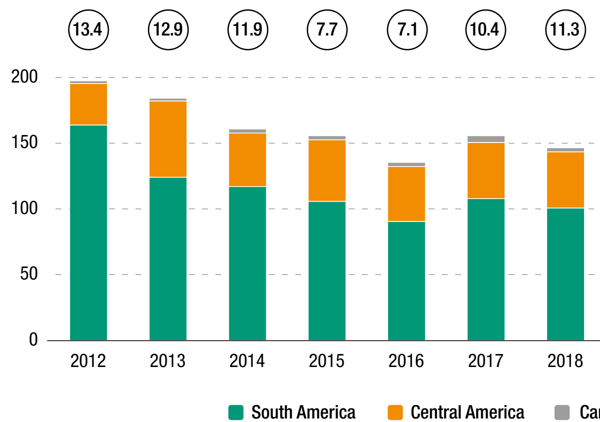
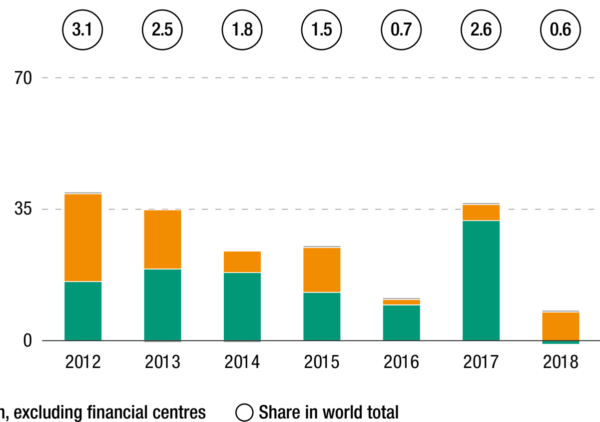


Figure C. FDI outflows, 2012–2018
(Billions of dollars and per cent)



South America | Central America | Caribbean, excluding financial centres | Share in world total

Table A. Net cross-border M&As by industry, 2017–2018 (Millions of dollars)

Sector/industry	Sales 2017	Sales 2018	Purchases 2017	Purchases 2018
Total	**29 535**	**39 148**	**5 426**	**3 469**
Primary	1 809	6 237	-2 060	547
Manufacturing	5 207	9 429	3 390	348
Food, beverages and tobacco	2 923	2 063	3 203	-757
Chemicals and chemical products	195	6 987	1 116	1 930
Pharmaceuticals, medicinal chemicals and botanical products	430	108	-	258
Services	22 519	23 482	4 096	2 573
Electricity, gas and water	18 726	9 040	324	57
Trade	-736	483	1	1 317
Accommodation and food service activities	-206	140	162	806
Transportation and storage	996	2 019	1 739	59
Information and communication	510	8 384	232	4
Financial and insurance activities	345	2 265	1 542	1 554

Table B. Net cross-border M&As by region/economy, 2017–2018 (Millions of dollars)

Region/economy	Sales 2017	Sales 2018	Purchases 2017	Purchases 2018
World	**29 535**	**39 148**	**5 426**	**3 469**
Developed economies	14 193	28 612	3 586	1 361
France	1 278	2 229	-	-
Italy	563	2 738	-	-
Spain	-416	-2 963	36	-596
United Kingdom	-587	2 252	1 100	-13
Canada	6 313	5 728	2	-
United States	2 841	12 704	2 605	-418
Israel	33	316	11	1 895
Developing economies	15 127	10 486	1 701	2 108
China	12 273	5 731	-	-
Mexico	1 872	1 645	-27	118
Peru	-	21	19	910

Table C. Announced greenfield FDI projects by industry, 2017–2018 (Millions of dollars)

Sector/industry	LAC as destination 2017	LAC as destination 2018	LAC as investor 2017	LAC as investor 2018
Total	**67 092**	**78 124**	**7 362**	**19 016**
Primary	4 456	12 440	62	5 950
Manufacturing	30 949	26 073	3 401	4 937
Textiles, clothing and leather	562	984	180	472
Chemicals and chemical products	1 375	2 565	322	363
Electrical and electronic equipment	1 427	1 598	54	57
Metals and metal products	4 354	2 174	285	1 321
Motor vehicles and other transport equipment	8 855	7 024	359	918
Services	31 686	39 611	3 900	8 129
Construction	232	2 207	94	531
Hotels and restaurants	2 855	6 916	370	2 867
Finance	1 525	3 305	69	304
Business services	3 164	6 957	1 101	1 007

Table D. Announced greenfield FDI projects by region/economy, 2017–2018 (Millions of dollars)

Partner region/economy	LAC as destination 2017	LAC as destination 2018	LAC as investor 2017	LAC as investor 2018
World	**67 092**	**78 124**	**7 362**	**19 016**
Developed economies	55 138	58 854	2 612	6 771
Germany	3 746	4 527	5	3
Italy	3 303	3 626	14	29
Spain	10 506	10 091	45	403
Canada	1 615	3 993	57	2 302
United States	14 920	18 335	1 809	3 133
Developing economies	11 848	18 445	4 707	12 191
China	3 745	1 545	36	798
Chile	672	1 986	130	270
Colombia	658	259	593	1 063
Peru	14	262	1 461	4 114
Mexico	1 582	3 297	174	1 940

FDI flows to Latin America and the Caribbean decreased by 6 per cent in 2018 to $147 billion, as the economic recovery that started in 2017 began to stall and external factors weighed down growth prospects. FDI fell most in Brazil and Colombia; flows remained stable in the rest of the region, with the exception of a boom in both Panama and Ecuador, sustained by heavy investment in mining activities. The information technology (IT) industry attracted the interest of big investors, supporting inflows in the otherwise relatively weak investment landscape. Softbank (Japan) is setting up a $5 billion tech fund focused on Latin America. Outward investment by Latin American MNEs plunged in 2018 to a record low of $6.5 billion, due to negative outflows from Brazil and lower investments from Chile. Looking forward, expectations are steady, supported by continued investor interest in natural resources, infrastructure and consumer goods (especially goods and services related to information and communication technology (ICT)).

Inflows

In *South America*, FDI declined by 6 per cent to $101 billion due to lower flows to Brazil and Colombia. The challenging economic situation and a sharp decline in M&A deals from record levels in 2017 led to the decline in flows to *Brazil*, to $61 billion. In 2018, there were only six acquisitions by Chinese companies, half of the number in 2017, with only two worth $1 billion or more: State Grid's final acquisition for $1 billion of the remaining minority stake of CPFL Energia, following up 2017's majority acquisition, and the acquisition by Sygenta (now a subsidiary of ChemChina) of Nidera Sementes Ltda, a provider of crop production services, for an estimated $1.4 billion. While total new equity flows (excluding retained earnings and intracompany loans) declined by 23 per cent, a few industries attracted increasing flows: the extractives sector (oil, gas and mining) registered a 45 per cent increase; in manufacturing, FDI into non-metallic mineral products doubled, while the automotive industry maintained the growing trajectory observed over the last few years, with investment recorded at $4.5 billion; and in services, inflows into ICT and financial services more than doubled, reaching $2 billion and $3.5 billion respectively. Prospects for foreign investment significantly depend on progress in the new Brazilian administration's reform programme. The confidence of domestic investors, as reflected in stock markets, has so far not been matched by foreign (direct) investors, who appear to be waiting for stronger signals. Higher inflows are expected in 2019 on the back of positive economic forecasts, supportive investment policies[9] and the value of announced greenfield projects increasing by more than 50 per cent in 2018.

Despite currency turbulence, flows to *Argentina* appeared resilient at $12 billion, buoyed by a surge of flows into shale gas production at the Vaca Muerta field that alone attracted about a third of the flows.[10] Foreign investors (other than portfolio investment) were not affected by the domestic economic conditions, as reinvested earnings remained constant at 62 per cent of total flows while new equity flows increased by 66 per cent, to $3.3 billion. Despite recent restrictive measures such as export taxes and a decline in subsidies for power production, FDI in 2019 could be bolstered by the energy and the mining industries, owing to three factors: the rapid expansion of the Vaca Muerta field, the government's continuing RenovAr renewable energy auction programme, and the increasing interest of foreign companies in developing lithium projects in the country.

In *Colombia*, FDI inflows fell by 20 per cent to $11 billion. Flows to the oil industry declined 24 per cent to $2.4 billion, while investment in manufacturing tumbled by 70 per cent to $0.8 billion. Similarly, flows to trade and logistics services halved to $1.5 billion. These reductions were partly offset by rising inflows in mining (up 78 per cent at $1.7 billion), as well as trade and tourism (up 60 per cent at $1.3 billion). The Government is trying to

boost foreign investment to revive its stagnant crude and gas production and to increase exploration efforts to secure energy independence. In addition to free zone status offered to companies exploring offshore sites (chapter IV), the national hydrocarbons agency is improving contractual regimes and increasing the number of blocks available for exploration. However, canceled auctions of exploration rights in 2018 delayed investment. Prospects for FDI in the short term are positive, with solid economic growth and increasing internal demand, the continued effect of the country's infrastructure investment programme, and the new regulations and incentives for oil exploration.

Flows into *Chile* rose marginally – by 4 per cent to $7.2 billion – sustained by higher copper prices and record levels of M&A sales in the mining, health services and electricity industries. Among interventions meant to increase FDI, the Government enacted a law aimed at cutting red tape and signed a memorandum of understanding with China to participate in its Belt and Road Initiative, joining other countries in the region. In 2018, Chinese investments increased substantially in electricity, renewable energy, agribusiness and mining. The largest foreign investment in 2018 was China-based Tianqi Lithium Corp., which acquired a 24 per cent stake in Chilean lithium miner SQM for $4 billion (unrelated to the Belt and Road Initiative).

In *Peru*, flows decreased by 9 per cent to $6.2 billion, despite solid economic growth and heavy investment in the mining industry. Asset sales reached a record high at more than $3.2 billion, boosted by the I Squared (United States) acquisition of Latin America and the Caribbean business of Inkia Energy, an electric power generation facility operator, for almost $2 billion. Prospects for inflows in 2019 are up, backed by positive economic growth forecasts and an improved investment environment.[11] In addition, the Government announced six new mining projects last year, and the Ministry of Energy and Mines had 26 projects listed at the development stage by the end of 2018.

Flows to *Ecuador* more than doubled to $1.4 billion, driven by a surge in investment in the mining industry. A substantial amount of the inbound investment flows went to the Mirador (copper) and Fruta del Norte (gold) mines, which should start production by the end of 2019. This follows the government policy of designating the industry as a priority, which translated into pro-market reforms and relaxation of restrictive measures on foreign investment. Prospects for FDI in mining may be further driven by the Government's efforts to reform the mining tax regime, including the elimination of a 70 per cent windfall tax on mining profits.

Flows to the *Plurinational State of Bolivia* plummeted to $255 million, despite strong economic growth. FDI to the country has always been small relative to the size of the economy, as restrictive regulations deter private investment in high-potential industries, such as lithium mining. Increases in zinc and gas prices were therefore not enough to attract new FDI flows. Bolivia, which with Chile and Argentina is part of South America's lithium triangle, has estimated lithium reserves of 21 million tonnes. Yet, in 2018 only 250 tonnes of lithium carbonate were produced in the country (against 70,000 and 30,000 in Chile and Argentina, respectively). Investors have been deterred by the Government's joint-venture model. Past increases in taxes and royalties on mineral extraction are another concern.[12] Foreign investment in the sector could pick up: in early 2019, State-owned Yacimientos de Litio Bolivianos signed a cooperation agreement with a Chinese conglomerate to construct processing plants and exploit highland salt lake deposits at Coipasa and Pastos Grandes through a joint venture that will be 51 per cent controlled by the Bolivian State.

In *Central America* FDI inflows were stable at $43 billion, decreasing by 1 per cent in 2018. *Mexico* received $32 billion of inward investment, a level similar to the previous year. Foreign investors were reassured by the final signature of the revised North American Free Trade Agreement (now called the USMCA). Most of the flows were reinvested earnings

of existing foreign affiliates (increasing by 27 per cent to $12 billion), while new equity flows remained relatively stable at $11 billion and intracompany loans fell. The manufacturing sector absorbed almost half of the FDI inflows (49 per cent) with $15.5 billion, equivalent to 16 per cent growth. FDI to the utilities industry more than quadrupled to over $4 billion. Other industries registering increases were mining (up 38 per cent to $1.4 billion) and ICT (up 96 per cent to $1.2 billion), while flows to the rest of the economy declined. Investments from the United States – the major investor into the country, accounting for 39 per cent of flows – decreased by about 12 per cent. The decline was not due to the expected repatriation of retained earnings, however, but to lower equity inflows and intracompany loans.[13] For 2019, FDI inflows could contract, mostly due to uncertainties related to domestic policy.[14] The new administration is considering a number of policy reversals,[15] including cancelling the SEZ programme launched in 2016 and halting the opening of the oil industry to foreign investors.

Flows to *Panama* bounced up 21 per cent to $5.5 billion, boosted by record M&A deals. Transactions included the $1 billion acquisition by Millicom International Cellular of Luxembourg of an 80 per cent interest in Cable Onda, a Panama City-based provider of subscription programming services. Other inflows were primarily directed towards the massive $6.3 billion Cobre Panamá copper mine and companies operating out of the Zona Libre de Colón (a free trade zone), where investment increased by 68 per cent. Reinvested earnings ($3.3 billion) accounted for most of the flows, however.

In *Costa Rica*, large-scale protests and slow economic activity in the second half of the year were contributing factors to a 22 per cent decrease in FDI inflows to $2.1 billion. A sudden stop of investment in tourism was responsible for most of the decline. Investment into SEZs (free zones) was resilient, however, falling only marginally (by 6 per cent) to $1.2 billion – 57 per cent of the flows to the country. Inflows to the ICT industry more than doubled to $347 million. Amazon invested more than $10 million to open a new service centre in San José, to support small and medium-size companies selling their products on the platform.[16] FDI prospects remain positive, thanks to the country's dynamic SEZs (chapter IV).

In the *Caribbean*, excluding offshore financial centres, flows declined by 32 per cent to $3 billion. The contraction was due to lower FDI ($2.5 billion) in the *Dominican Republic*, the major recipient in the subregion, despite its strong economic growth in 2018. The conclusion of the two-stage acquisition of a local brewer (Cerveceria Nacional Dominicana) by AB InBev (Belgium), which had pushed FDI to record highs in 2012 and 2017, accounted for this adjustment. Flows to *Haiti* and *Jamaica*, the other two major recipients of FDI in the Caribbean, also fell, to $105 million and $775 million, respectively.

Looking at sources of FDI in Latin America and the Caribbean as a whole, the most important investor in the region remains the United States, with an FDI stock of about $265 billion in 2017. FDI held by investors from the United States registered a 8 per cent increase over the last five years. In contrast, the region's other historical partner, Spain, has reduced its investment stock by about 20 per cent over the same period and has been overtaken by the Netherlands. The major intraregional investor is Chile, with an FDI stock that grew rapidly (by 20 per cent) to $70 billion in the five years from 2013 to 2017. Chile's regional holdings are more than double Brazil's stock, due to the regional expansion of companies such as retail chains Falabella and Cencosud, as well as wood and paper companies CMPC and Arauco.

Outflows

Outward investment by Latin American MNEs plunged in 2018 to a record low of $6.5 billion, heavily influenced by negative outflows from Brazil and decreased investments from Chile. Investments from Argentina, Colombia and Mexico increased.

Outflows from Brazil fell to -$13 billion, as foreign affiliates continued funneling financial resources (often finance raised in overseas capital markets) back to their parents. In addition to negative intracompany loans, the value of cross-border net purchases turned negative, to -$2 billion, due to the divestment by Marfrig Global Foods from its United States-based affiliate Keystone Foods. Negative intracompany loans also reduced flows from Chile (to $3 billion), the most important investor in the region.

In contrast, MNEs from Mexico increased their outward FDI to $6.9 billion. The most important acquisition was Mexichem's purchase of an 80 per cent interest in Netafin, an Israeli water supply system operator, for $1.9 billion.

Prospects

Investment flows to and from the region are expected to remain steady in 2019, as commodity prices and economic conditions in major economies stabilize. Natural resources, infrastructure and consumer goods (especially ICT-related goods and services) should continue to attract foreign investors. Most countries have reduced barriers to foreign investment in infrastructure, and announced greenfield projects in construction are back to the levels of commodity boom years. In general, positive expectations are supported by a 16 per cent increase in the value of announced greenfield projects, led by mining, tourism, finance, IT, chemicals and pharmaceuticals, and electronics.

Yet the region's lower growth projections compared with last year's expectations and its vulnerability to external factors, such as monetary policy in the United States and trade tensions among its main trading partners, put a downward risk on their economies and prospective FDI inflows. For example, slower economic growth in China or tariffs being imposed on the automotive industry would pose a major risk to the price of copper – one of the main exports of the region.

TRANSITION ECONOMIES

FDI flows, top 5 host economies, 2018 (Value and change)

2018 Inflows
34.2 bn

2018 Decrease
-28.0%

Share in world
2.6%

Flows, by range

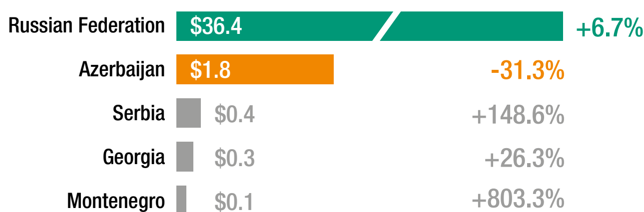
- Above $10.0 bn
- $5.0 to $9.9 bn
- $1.0 to $4.9 bn
- $0.5 to $0.9 bn
- Below $0.5 bn

Top 5 host economies

Economy
$ Value of inflows
2018 % change

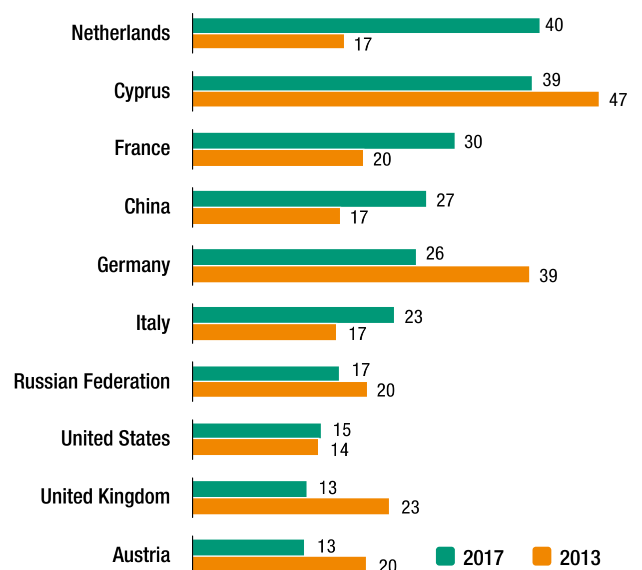
Outflows: top 5 home economies

(Billions of dollars and 2018 growth)



Economy	Value	2018 growth
Russian Federation	$36.4	+6.7%
Azerbaijan	$1.8	-31.3%
Serbia	$0.4	+148.6%
Georgia	$0.3	+26.3%
Montenegro	$0.1	+803.3%

Figure A. Top 10 investor economies by FDI stock, 2013 and 2017 (Billions of dollars)



Economy	2017	2013
Netherlands	40	17
Cyprus	39	47
France	30	20
China	27	17
Germany	26	39
Italy	23	17
Russian Federation	17	20
United States	15	14
United Kingdom	13	23
Austria	13	20

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.

HIGHLIGHTS

- FDI inflows continued their downward trend
- Outflows unchanged in 2018
- Partial recovery of inflows expected in 2019

Figure B. FDI inflows, 2012–2018
(Billions of dollars and per cent)

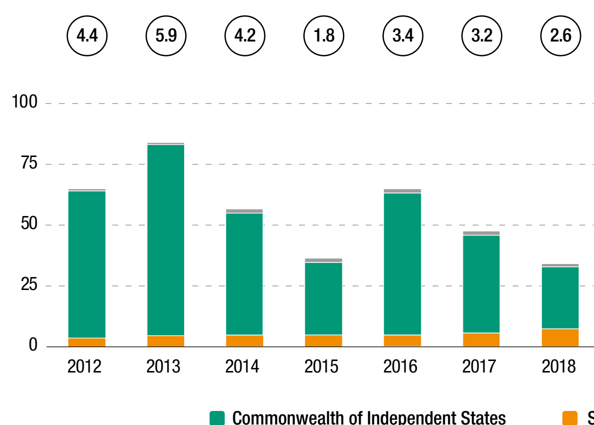
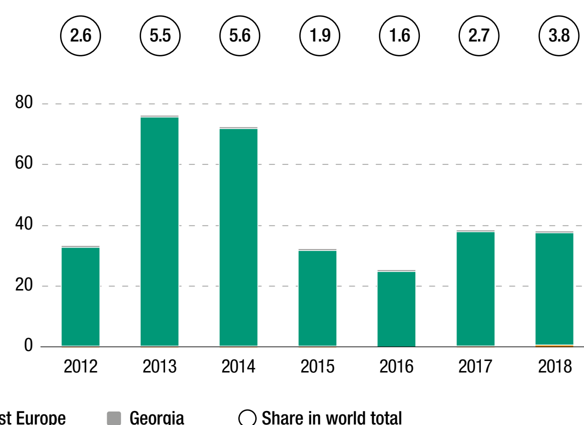


Figure C. FDI outflows, 2012–2018
(Billions of dollars and per cent)



Commonwealth of Independent States | South-East Europe | Georgia | Share in world total

Table A. Net cross-border M&As by industry, 2017–2018 (Millions of dollars)

Sector/industry	Sales 2017	Sales 2018	Purchases 2017	Purchases 2018
Total	**12 703**	**2 602**	**13 948**	**1 914**
Primary	13 235	610	13 989	-34
Manufacturing	104	2 275	4	653
Food, beverages and tobacco	48	1 914	-	-
Computer, electronic, optical products and electrical equipment	10	16	-	-
Motor vehicles and other transport equipment	2	358	-	-
Machinery and equipment	-11	-	85	654
Services	-635	-282	-44	1295
Electricity, gas and water	-124	40	-	-
Trade	46	242	-	3
Transportation and storage	344	61	-	-
Information and communication	9	-795	-187	275
Financial and insurance activities	-118	166	161	1 012

Table B. Net cross-border M&As by region/economy, 2017–2018 (Millions of dollars)

Region/economy	Sales 2017	Sales 2018	Purchases 2017	Purchases 2018
World	**12 703**	**2 602**	**13 948**	**1 914**
Developed economies	11 143	458	143	663
European Union	496	-1295	163	8
Cyprus	-571	-1182	132	8
Germany	100	320	-	-
Japan	-	1 741	-	-
Switzerland	10 788	1	-	654
Developing economies	1 316	1 119	13 721	273
China	1 152	542	9	-
India	-6	-	12 589	-
Turkey	2	-599	-	273
Transition economies	84	978	84	978
Russian Federation	-24	972	-	1 004

Table C. Announced greenfield FDI projects by industry, 2017–2018 (Millions of dollars)

Sector/industry	Transition economies as destination 2017	Transition economies as destination 2018	Transition economies as investor 2017	Transition economies as investor 2018
Total	**34 378**	**51 051**	**42 478**	**21 003**
Primary	595	1 729	21	1 266
Manufacturing	22 995	30 802	9 608	11 656
Food, beverages and tobacco	3 278	3 501	315	2 465
Textiles, clothing and leather	1 040	3 836	8	72
Coke and refined petroleum products	2 217	4 050	7 489	6 832
Chemicals and chemical products	4 989	4 657	117	355
Motor vehicles and other transport equipment	3 823	4 718	1 019	407
Services	10 789	18 520	32 850	8 080
Electricity, gas and water	1 309	7 390	31 309	3 718
Construction	4 047	2 198	160	1 240
Hotels and restaurants	226	2 814	-	819
Transport, storage and communications	1 181	2 521	482	935

Table D. Announced greenfield FDI projects by region/economy, 2017–2018 (Millions of dollars)

Partner region/economy	Transition economies as destination 2017	Transition economies as destination 2018	Transition economies as investor 2017	Transition economies as investor 2018
World	**34 378**	**51 051**	**42 478**	**21 003**
Developed economies	18 146	29 244	1 393	2 029
European Union	12 798	17 962	1 331	968
France	1 858	2 607	20	2
Germany	1 710	3 992	88	53
Japan	951	5 613	-	102
United States	3 118	2 297	16	325
Developing economies	14 014	17 882	38 866	15 048
China	8 990	9 204	1 016	1 778
Korea, Republic of	1 420	1 517	7	-
Turkey	879	1 635	3 022	6 347
Transition economies	2 219	3 925	2 219	3 925
Russian Federation	1 768	1 886	95	359

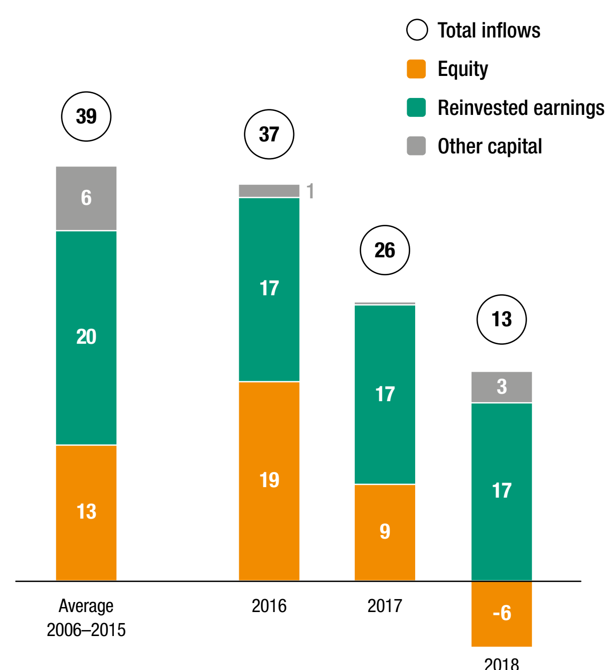
FDI flows to the transition economies of South-East Europe and the Commonwealth of Independent States (CIS) continued on their steep downward trend in 2018. Investment to the region declined by 28 per cent to $34 billion. The contraction in FDI was driven by the halving of flows to the Russian Federation, by far the biggest economy and largest recipient in the group, from $26 billion to $13 billion. Some other large recipients in the region – Azerbaijan, Kazakhstan and Ukraine – also experienced declines in inflows. Bucking the general downward trend, flows were buoyant in South-East Europe, especially in Serbia and North Macedonia. FDI inflows rose in all countries in that subregion except Montenegro. Outflows remained unchanged at $38 billion, making the region a net FDI capital exporter in 2018. Prospects for FDI inflows are moderately positive in 2019 and beyond.

Inflows

Inbound FDI in economies in transition declined again in 2018, largely due to falling flows to the Russian Federation, Azerbaijan and Kazakhstan. Flows to the CIS and Georgia contracted by 36 per cent to $27 billion. The decline affected seven of the 12 countries in that subgroup (the exceptions were Armenia, Belarus, the Republic of Moldova, Tajikistan and Uzbekistan).

In the *Russian Federation*, FDI inflows declined by more than half to $13 billion. Investor sentiment remained cautious, in part due to geopolitical concerns and sluggish GDP growth. Equity capital registered an unprecedented negative value (-$6 billion; figure II.1), due to both divestments (sales of foreign affiliates to Russian investors)[17] and the de-offshoring of MNEs of Russian origin. De-offshoring has been a policy aim of the Russian Government since 2012 (Kheyfets, 2018), to counteract the strategies of some Russian firms to domicile their head office and/or part of their share capital in economies with sizeable corporate services industries, such as Cyprus, Ireland and the Netherlands. Various amendments to the tax code have been adopted since the entry into force of the first anti-offshoring legislation on 1 January 2015, all of them rewarding the return of capital and making offshoring less attractive. In 2018, Federal Law No. 291-FZ created "inner offshore zones" within the Kaliningrad Oblast[18] and the Primorsk Territory – an attempt by authorities to establish an alternative to foreign offshore centres. These measures encouraged the repatriation of some Russian offshore capital in 2018, resulting in largely negative inflows from Cyprus and Ireland. Reinvested earnings by established foreign affiliates – historically the most stable component of inward FDI in the country – remained unchanged in 2018. Cross-border M&A sales of firms from the Russian Federation dropped by 79 per cent to $2.7 billion.

Figure II.1. **Russian Federation: FDI inflows, total and by component, 2006–2018**
(Billions of dollars)



Source: UNCTAD, FDI/MNE database.

FDI flows to *Kazakhstan* – the biggest of the nine landlocked CIS countries and the third largest recipient of FDI among transition economies – declined again. Large divestments brought FDI down by 18 per cent to $3.8 billion. Some divestments were publicly announced, such as the departure of Telia (Sweden) and Turkcell (Turkey) from mobile

telephony service in the country. Others (by large oil companies) went largely unreported. Inflows consisted mostly of reinvested earnings and intracompany loans. Net cross-border M&A sales remained negligible. The value of the largest deal – the acquisition by Lotte Confectionery (Republic of Korea) of Almaty-based chocolate producer Rakhat – was less than $100 million.

FDI flows to *Ukraine* declined for the second consecutive year – by 9 per cent, to $2.4 billion. Political and policy uncertainty continued to affect investors. Cross-border M&A sales dried up; however, the value of announced greenfield projects doubled to $3.3 billion, indicating the potential for a turnaround.

Belarus, in contrast, recorded positive FDI growth in 2018. Inflows rose by 15 per cent to $1.5 billion. Equity capital and reinvested earnings both leaped, as established and new investors alike explored new business opportunities. Some located their projects in the country's SEZs (chapter IV). The China–Belarus Industrial Park Great Stone attracted Chinese firms Chengdu Sinju Silk Road Development LLC to produce electric bus components and Zoomlion to manufacture utility vehicles. The Minsk Free Economic Zone drew United States-based EnergoTech for power engineering and machine building. Outside SEZs, Knauf Gips (Germany) invested in building materials production.

FDI flows to *Uzbekistan* grew four-fold to over $400 million in 2018, as the country gradually opens up to foreign investment. Russian MNEs started investing a few years ago, focusing on oil and gas. New investors in 2018 included MNEs from China, India, the Republic of Korea and Turkey, as well as the Russian Federation outside the hydrocarbon industries (in agribusiness, near the Afghan border). Investors have also shown interest in alternative and renewable energy.[19]

***South-East Europe* bucked the general downward trend, with FDI flows growing by 34 per cent to $7.4 billion.** The rise in FDI was distributed across almost all countries in the subregion.

In 2018, *Serbia* became the second largest recipient of FDI among transition economies as inflows grew by 44 per cent to $4.1 billion, driven by a surge in equity capital. Serbia's economy is the largest in the subregion and is relatively diversified. The country's strategic location facilitates logistics investment, such as the Vinci Airports (France) stake in Nikola Tesla Airport in Belgrade. Its natural resources (especially copper) are also attracting resource-seeking firms. The Zijin Mining Group (China), for example, acquired RTB Bor's copper production. FDI in Serbia's growing automotive cluster (e.g. the projects of the United Kingdom-based wire producer Essex Europe and Japan-based cable producer Yazaki) benefits from the country's skilled labour force. Finally, the country's knowledge base is attracting R&D centres, such as German tyre maker Continental's development centre in Novi Sad.

Flows to *North Macedonia* more than tripled, to a record $737 million. Most FDI targeted the country's export-oriented investment cluster, predominantly automotive production, located in its technological-industrial development zones (see chapter IV). In one of the large deals, the Skopje 2 Free Zone attracted the United States-based car parts manufacturer Dura Automotive Systems.

The cross-border M&A sales of firms from transition economies fell to $2.6 billion. This was the lowest value in more than a decade, except for the net divestment recorded in 2013. M&As in the Russian Federation dropped by 79 per cent; the Japan Tobacco acquisition of Donskoy Tabak was the only large transaction registered in the whole region in 2018.[20] Food, beverages and tobacco accounted for almost three quarters of cross-border M&As (table A), and Japan accounted for more than two thirds of FDI by source country (table B). Smaller transactions took place in the mining industry and, to a lesser degree,

in trade, as well as in financial and insurance services. In mining, the largest takeover was initiated by Zijin Mining Group (China) in Serbia. In trade, Metro Kaufhaus (Germany) acquired a minority share in a Moscow-based computer and software retailer. In finance, a Chinese investor group acquired a 60 per cent stake in Altyn Bank of Kazakhstan.

The profile of key investors in transition economies has changed markedly in the past few years. The Netherlands and Cyprus remained important conduits for FDI from third countries, as well as for capital from the Russian Federation. By 2017, the Netherlands had become the largest investor and Cyprus the second largest, holding $40 billion and $39 billion of FDI stock in the region, respectively. Germany's stock in the region declined to $26 billion in 2017. At the same time, FDI stock held by MNEs from France and China rose significantly (to $30 billion and $27 billion, respectively). Chinese MNEs have been targeting host countries across the transition economies, whereas the surge of French FDI has been concentrated mostly in large natural resource projects in Kazakhstan.

Outflows

At $38 billion, FDI outflows from transition economies were unchanged in 2018. As in previous years, the *Russian Federation* accounted for the bulk of outward FDI (95 per cent). The country's outflows rose by 7 per cent to $36 billion – almost three times more than inflows ($13 billion). The rise of outflows was, however, driven mainly by reinvested earnings in projects and the extension of intracompany loans to established affiliates. Equity investment in new greenfield ventures and foreign acquisitions declined by almost half, reflecting both Russian MNEs' caution about foreign expansion and Russian governmental policies encouraging de-offshoring. Russian investors' caution in international markets is also linked to international sanctions, which affect some large Russian MNEs (Kheyfets, 2018). A large part of Russian outward FDI is carried out by a limited number of large MNEs. At the end of 2017, the 15 largest MNEs (excluding such big State-owned banks as Bank VTB and Sberbank; table II.1) accounted for 28 per cent of the country's outward FDI stock. Many of these MNEs are engaged in natural resources value chains (including Lukoil, Gazprom and Rosneft, occupying the top three positions), and six of the 15 firms are State owned (chapter I).

Prospects

Macroeconomic and policy developments may lay the basis for a modest and partial FDI recovery in 2019. In the Russian Federation, the largest economy of the region, GDP growth prospects for 2018–2020 are subdued (under 2 per cent), and uncertainties in the international political context continue to hamper FDI. Yet Government policies to increase investment in new economic activities and planned additional spending on infrastructure to remove bottlenecks could both have a positive impact on foreign investment.

Economic growth will most likely remain sluggish in other large CIS economies, such as Kazakhstan and Ukraine. South-East Europe is expected to register more robust growth rates, well above 3 per cent. Moreover, closer links with the EU confer additional competitive advantages to the subregion.

Greenfield project announcements, an indicator of future investor intentions, are encouraging but uneven. In 2018, greenfield commitments grew by 48 per cent to $51 billion. Practically all countries of the region recorded an increase. They more than doubled (to $11 billion) in South-East Europe and increased by 35 per cent (to $40 billion)

Table II.1.	Largest Russian non-financial MNEs, by foreign assets, 2017				
Rank	**Company**	**Industry**	**Foreign assets** (Billions of dollars)	**Share of foreign assets in total assets** (Per cent)	**State ownership** (Per cent)
1	Lukoil	Oil and gas	24.3	27	–
2	Gazprom	Oil and gas	19.5	6	50.2
3	Rosneft	Oil and gas	17.6	8	69.5
4	Sovkomflot	Transportation	5.7	78	100.0
5	Severgroup	Conglomerate	5.4	..	–
6	En+	Conglomerate	5.0	23	–
7	Atomenergoprom	Nuclear energy	4.7	9	100.0
8	Evraz	Steel	3.7	36	–
9	Russian Railways	Transportation	3.5	5	100.0
10	TMK	Steel	2.0	36	–
11	Eurochem	Chemicals	1.7	17	–
12	Sistema	Conglomerate	1.5	8	–
13	NLMK	Steel	1.5	14	–
14	Zarubezhneft	Oil and gas	1.2	38	100.0
15	Polymetal	Non-ferrous metals	1.0	32	–
Total or average			**105.1**	**12**	**..**

Source: UNCTAD, based on Kuznetsov (2018) and UNCTAD data.
Note: The list does not include financial MNEs (e.g. Bank VTB and Sberbank). It includes MNEs that have registered headquarters abroad but majority Russian ownership (En+, Eurochem, Evraz and Polymetal).

in the CIS and Georgia. The rise of announced greenfield projects was more modest in the Russian Federation and Kazakhstan – only 8 per cent, to $18 billion and 7 per cent, to about $7 billion – but rose substantially in Turkmenistan, Ukraine and Uzbekistan. In the first quarter of 2019, cross-border M&A sales in the transition economies rose to $444 million, up from a negative value of $53 million in the first quarter of the previous year. These data indicate a chequered outlook for FDI in 2019.

Outward FDI from economies in transition is expected to grow, as indicated by greenfield project commitments. Announced deals were valued at $21 billion in 2018, $7 billion of which was in coke, petroleum products and nuclear fuel, where Russian MNEs enjoy a strong competitive advantage. More than 70 per cent of greenfield announcements from MNEs in transition economies concerned projects in developing countries ($15 billion).

DEVELOPED ECONOMIES

FDI flows, top 5 host economies, 2018 (Value and change)

2018 Inflows
556.9 bn

2018 Decrease
-26.7%

Share in world
42.9%

United States
$251.8 bn
-9.2%

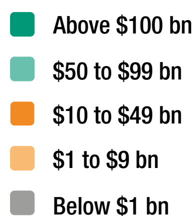
United Kingdom
$64.5 bn
-36.3%

Netherlands
$69.7 bn
+19.7%

Spain
$43.6 bn
+108.4%

Australia
$60.4 bn
+42.9%

Flows, by range



Top 5 host economies

Outflows: top 5 home economies

(Billions of dollars and 2018 growth)

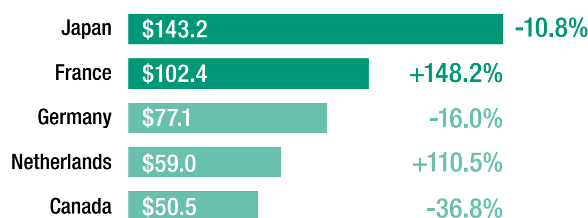
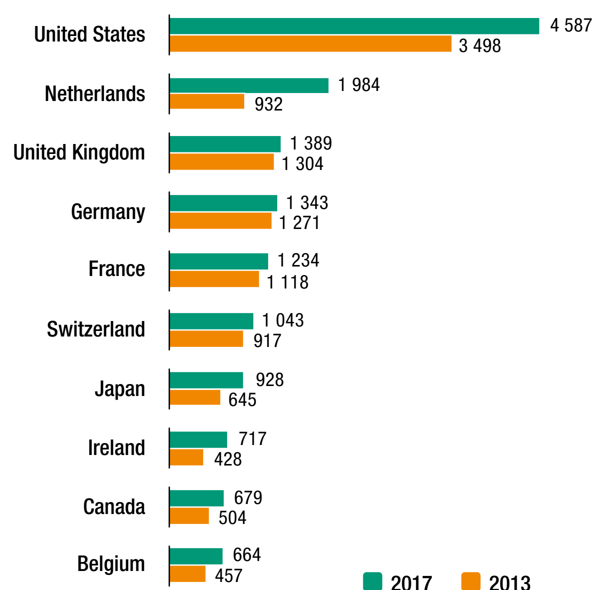


Figure A. **Top 10 investor economies by FDI stock, 2013 and 2017** (Billions of dollars)



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.

HIGHLIGHTS

- Repatriation of accumulated earnings by United States MNEs dented FDI flows
- Cross-border M&As surged, mainly by United States MNEs
- Prospects are positive; rebound expected in Europe

Figure B. FDI inflows, 2012–2018
(Billions of dollars and per cent)

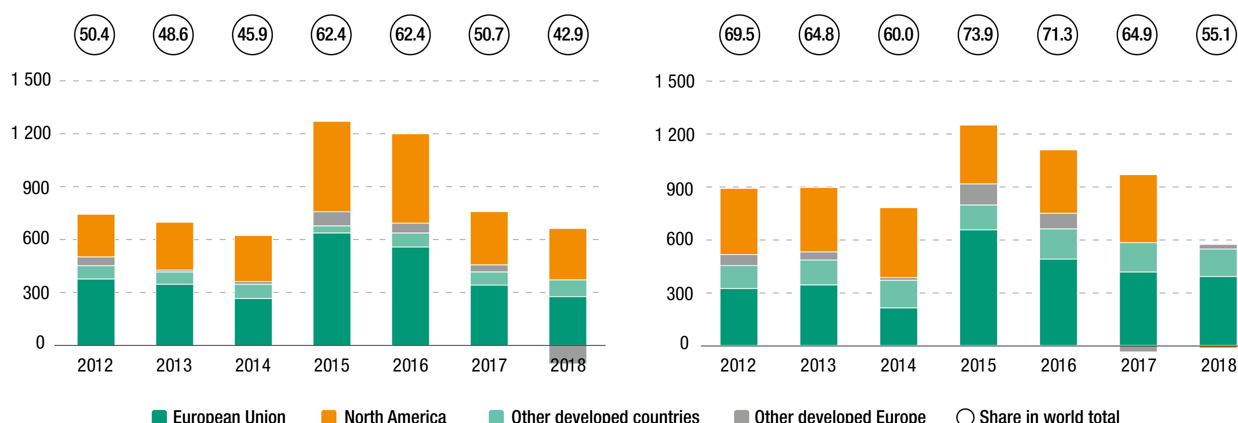


Figure C. FDI outflows, 2012–2018
(Billions of dollars and per cent)

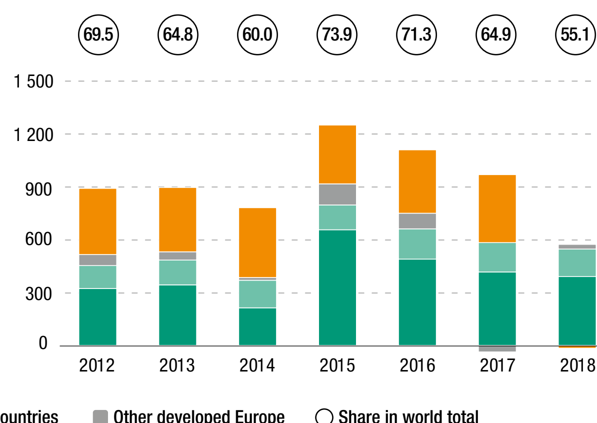


Table A. Net cross-border M&As by industry, 2017–2018 (Millions of dollars)

Sector/industry	Sales		Purchases	
	2017	2018	2017	2018
Total	**568 909**	**688 859**	**463 956**	**701 976**
Primary	-9 082	28 632	-21 068	24 253
Manufacturing	304 070	282 163	206 077	228 778
Food, beverages and tobacco	78 005	44 451	70 186	40 008
Chemicals and chemical products	62 291	140 207	28 327	107 250
Pharmaceuticals, medicinal chemicals and botanical products	69 428	27 149	15 531	43 906
Computer, electronic, optical products and electrical equipment	23 678	40 186	34 981	7 216
Machinery and equipment	51 146	3 907	52 775	6 176
Services	273 921	378 065	278 947	448 945
Transportation and storage	17 412	37 325	41 685	17 451
Information and communication	20 484	68 345	18 542	78 646
Financial and insurance activities	50 304	103 091	152 932	261 181
Business activities	96 877	94 852	40 637	42 499

Table B. Net cross-border M&As by region/economy, 2017–2018 (Millions of dollars)

Region/economy	Sales		Purchases	
	2017	2018	2017	2018
World	**568 909**	**688 859**	**463 956**	**701 976**
Developed economies	410 246	631 423	410 246	631 423
Europe	176 491	317 220	136 638	340 902
North America	165 869	278 564	238 099	213 650
Other developed economies	67 887	35 640	35 510	76 871
Developing economies	146 008	43 556	42 567	70 095
Africa	556	2 266	1 780	-1 606
Latin America and the Caribbean	3 586	1 361	14 193	28 612
Asia and Oceania	141 866	39 930	26 595	43 089
China	93 201	18 611	-1 752	1 247
India	1 868	470	5 518	32 492
Singapore	10 753	4 206	5 170	5 727
Transition economies	143	663	11 143	458

Table C. Announced greenfield FDI projects by industry, 2017–2018 (Millions of dollars)

Sector/industry	Developed countries as destination		Developed countries as investor	
	2017	2018	2017	2018
Total	**304 894**	**357 139**	**461 950**	**616 137**
Primary	4 212	4 933	18 215	22 134
Manufacturing	161 346	164 065	223 152	305 920
Coke and refined petroleum products	1 351	33 220	5 003	60 849
Chemicals and chemical products	32 554	17 924	35 786	51 212
Electrical and electronic equipment	30 018	18 509	29 706	29 243
Motor vehicles and other transport equipment	30 678	21 226	47 715	57 949
Services	139 336	188 140	220 582	288 083
Electricity, gas and water	20 161	33 156	38 013	62 789
Construction	25 949	44 542	35 339	49 147
Trade	21 200	19 576	28 105	25 614
Transport, storage and communications	12 607	20 291	30 374	34 833
Business services	37 797	41 694	50 706	60 115

Table D. Announced greenfield FDI projects by region/economy, 2017–2018 (Millions of dollars)

Partner region/economy	Developed countries as destination		Developed countries as investor	
	2017	2018	2017	2018
World	**304 894**	**357 139**	**461 950**	**616 137**
Developed economies	244 937	289 201	244 937	289 201
Europe	139 604	187 934	143 957	172 187
North America	75 399	75 751	70 703	90 488
Other developed economies	29 933	25 517	30 277	26 526
Developing economies	58 563	65 909	198 867	297 692
Africa	1 741	2 247	31 162	38 232
Asia and Oceania	54 210	56 891	112 567	200 607
China	11 892	18 335	28 808	67 766
Singapore	2 835	7 687	11 875	10 959
India	5 552	3 778	18 807	28 487
Latin America and the Caribbean	2 612	6 771	55 138	58 854
Transition economies	1 393	2 029	18 146	29 244

FDI trends in developed countries were anomalous in 2018. Inflows fell by a quarter to $557 billion, with investment to Europe contracting by half. This was largely owing to tax reform in the United States, which resulted in the country's MNEs repatriating accumulated overseas earnings, particularly from Europe. M&A deal making rose by 21 per cent but was not active enough to compensate, and inflows to developed countries sank to their lowest level since 2004, well below the troughs in 2009 ($649 billion) and 2014 ($623 billion). Outward FDI from developed economies declined by 40 per cent to $558 billion, as the United States recorded large negative outflows reflecting the repatriation of earnings. The expected rebound after the drop in 2018 will affect FDI flows in 2019.

Inflows

FDI inflows to *Europe* halved to $172 billion. The repatriation of accumulated earnings by United States MNEs following the tax reform had a major impact on FDI flows to some countries that host financial functions of United States MNEs, such as Ireland (-$66 billion) and Switzerland (-$87 billion). However, the sharp decline in FDI was the result only of intrafirm financial flows and did not reflect a sell-off of assets of United States MNEs or otherwise affect real investment trends.

In fact, net M&A sales of European assets bounced back to $378 billion, due to buoyant sales to United States MNEs. Sales had fallen sharply in 2017, primarily due to sluggish intra-European M&A activity. In 2018, such M&As surged to $137 billion, led by purchases by MNEs in France (up $30 billion to $40 billion), the United Kingdom (up $29 billion to $35 billion) and Italy (up $33 billion to $31 billion).

While net M&A sales of European assets to United States MNEs more than doubled to a record $172 billion, net M&A sales to Chinese MNEs declined from $66 billion in 2017 to $14 billion, following the introduction of more stringent review processes for foreign investments in Europe (chapter III). The largest deals included the acquisition of Sky (United Kingdom) by telecommunication conglomerate Comcast (United States) for $40 billion and the merger of industrial gases companies Praxair (United States) and Linde (Germany) for $32 billion.

FDI flows to the *United Kingdom* declined by 36 per cent to $64 billion. The impact of the impending Brexit on FDI, however, is still unclear. Equity investment halved to $40 billion. But reinvested earnings rose by 73 per cent to $33 billion, and net M&A sales trebled to $94 billion. The number of cross-border acquisitions targeting United Kingdom assets (gross sales) also increased by 8 per cent. The average number of such deals before and after the EU referendum indicate an unchanged upward trend (822 annual transactions in 2012–2016 compared with 953 annual transactions in 2017–2018). The average number of announced cross-border greenfield projects – an indicator of future FDI trends – also registered a 20 per cent increase after the referendum (from 1,192 projects per year over the period 2012–2016 to 1,428 projects over 2017–2018), compared with a 24 per cent increase in the rest of the EU.

Inflows to *Spain* more than doubled to $44 billion, the highest level since 2008, driven by net M&A sales worth $71 billion. The largest deal was the $23 billion acquisition of Spanish highway operator Albertis by a consortium of Atlantia (Italy), ACS (Spain) and Hochtief (Germany). Economic growth since 2014 revived foreign investors' interest in the country's real estate-related assets. Private equity firm Blackstone, for instance, acquired a 51 per cent interest in the real estate assets of the failed Banco Popular Español for $6 billion. Another United States private equity firm, Cerberus, acquired 80 per cent of the real estate business of Banco Bilbao Vizcaya Argentaria for an estimated $4.7 billion.

Flows to the *Netherlands* rose by 20 per cent to $70 billion. Reinvested earnings remained stable at $26 billion, but volatile intracompany loans swung positive in 2018, rising to $17 billion. Net M&A sales more than doubled to $40 billion. Among the largest deals, a partnership of private equity group Carlyle, Singapore State-owned GIC and other investors acquired the specialty chemicals business of Akzo Nobel for $13 billion.

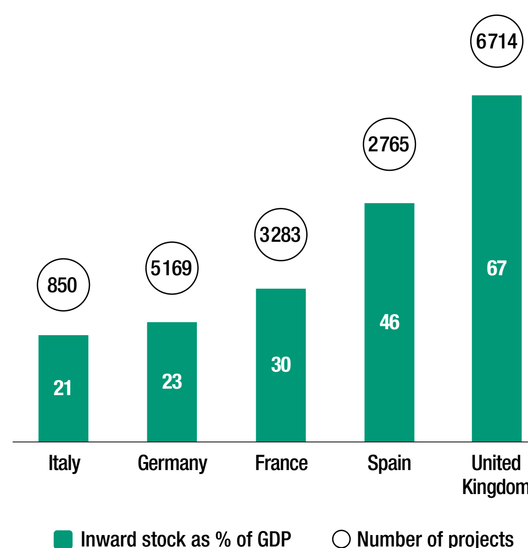
Inflows into *Italy* rose by 11 per cent to $24 billion. Historically, Italy has attracted less FDI than other major European economies (figure II.2). In an effort to boost investment, the Government of Italy signed a memorandum of understanding with China to join the Belt and Road Initiative in March 2019.

In the *United States*, FDI inflows declined by 9 per cent to $252 billion. The decline was owing to a contraction in intracompany loans (from -$16 billion to -$62 billion) and in equity investment (down by 3 per cent to $195 billion). Reflecting steady economic growth, however, investment income on inward FDI increased to $200 billion, of which $119 billion (up 28 per cent from 2017) was retained as reinvested earnings.

Net M&A sales of United States assets to foreign investors slumped by one third to $199 billion, largely due to the absence of cross-border megadeals in 2018 (figure II.3). This contrasts with booming domestic M&A activities in the United States. Eight of the world's 10 largest deals completed in 2018 were acquisitions of assets in the United States, but only one (Bayer-Monsanto) was a cross-border deal. Acquisitions by United Kingdom MNEs, which had totalled an exceptional $118 billion in 2017, contracted to $21 billion in 2018. At the same time, net M&A sales to Chinese MNEs collapsed to $0.6 billion in 2018, down from $30.8 billion in 2016 and $24.6 billion in 2017, against the backdrop of tighter screening and strained trade and investment relations.

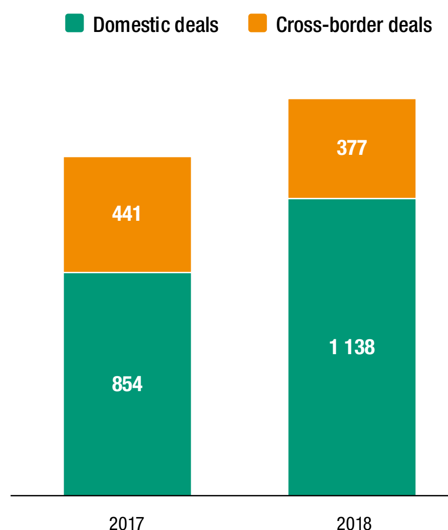
Inflows to *Canada* recovered to $40 billion – a 60 per cent increase from 2017. The decline of inflows in 2017 was primarily a result of divestments from oil and gas assets worth $25 billion. Only one such divestment, worth $0.7 billion, was recorded in 2018. FDI flows to *Australia* rose by 43 per cent to $60 billion. Growing investment income lifted reinvested earnings to $25 billion. Over half of net M&A sales in 2018 were related to financial and insurance activities ($19 billion), mostly acquisitions of real

Figure II.2. **Developed economies: Inward FDI stock as percentage of GDP and number of greenfield projects, 2014–2018**



Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) and FDI/MNE database (www.unctad.org/fdistatistics).

Figure II.3. **United States: value and number of M&A deals, by nationality of acquiring firm, 2017 and 2018**
(Billions of dollars and number of deals)



Source: UNCTAD, based on Thomson Reuters and cross-border M&A database (www.unctad.org/fdistatistics).

Note: Includes divestments. The figures for all deals are from Thomson Reuters. To make the numbers comparable, cross-border deals in this table includes all M&A deals including divestments, acquisitions of equity less than 10 per cent as well as acquisitions by firms based in the Caribbean Financial Centres.

estate investment trusts. Investment in Australia's extractive industries, which peaked in the late 2000s, remained subdued. Over the period 2014–2018, the annual value of greenfield projects in the sector averaged $1.5 billion, down from $13 billion in 2008. Over the same period, net M&A sales averaged only -$0.2 billion a year, compared with $26 billion in 2008. Yet extractive industries are generating higher investment income, as the past investment boom has translated into growing exports of commodities.

Outflows

Outflows from European economies were $418 billion, 11 per cent up from 2017. France became the largest source of FDI, with outflows rising to $102 billion. Outflows from Germany declined by 16 per cent to $77 billion. The value of net M&A purchases by German MNEs more than doubled to $73 billion, due to Bayer's merger with Monsanto (United States) for $57 billion. However, large negative flows of intracompany loans netted out much of the increase in equity investment. Outflows from Ireland and Switzerland, both of which had recorded large negative outflows in 2017, turned positive, reaching $13 billion (up $52 billion) and $27 billion (up $62 billion) respectively.

Outflows from the United States declined from $300 billion in 2017 to a net divestment of -$64 billion, as firms opted to repatriate funds in line with United States Government tax reforms designed to achieve that objective. The slump in FDI from the United States was recorded not only in Europe (down $150 billion), but also in the offshore financial centres in the Caribbean (down $193 billion – an effect that is excluded from UNCTAD's aggregate FDI data). In Asia, United States outflows to Singapore also fell, by $38 billion.[21]

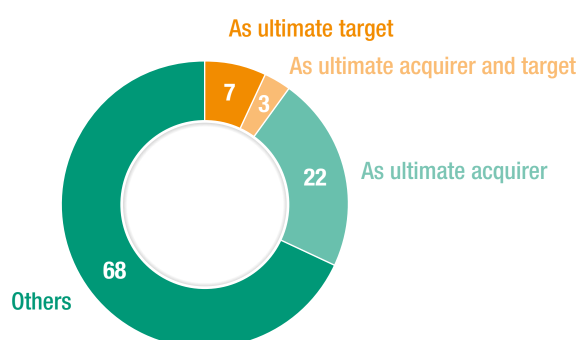
Prior to 2018, reinvested earnings accounted for almost all FDI outflows from the United States. In 2018, however, reinvested earnings fell to -$157 billion, down from $307 billion in 2017. Most of these negative flows took place in the first two quarters. The 2017 tax reform lifted tax liabilities from liquid overseas assets, making them available for repatriation and spending, including on M&As (For detailed accounts of the impacts of the tax reforms on FDI, see UNCTAD (2018a, 2019a)). This may have contributed to the jump in net cross-border M&A purchases by United States MNEs, which reached a record high of $253 billion, almost half of which was registered in the fourth quarter.

Outflows from Japan declined by 11 per cent but remained high at $143 billion. Net M&A purchases totalled $36 billion in 2018, down from $65 billion in 2017 and $73 billion in 2016. The relatively subdued M&A activity resulted in the halving of Japanese FDI flows to the United States. Outflows to Asia, by contrast, increased by 31 per cent to $49 billion. Outflows to most major economies in the region expanded, including those to China (up 12 per cent to $10 billion), India (doubling to $3.2 billion) and the Republic of Korea (trebling to $4.8 billion). Outflows to the ASEAN region increased by 26 per cent to $25 billion.

In 2018, a number of Japanese overseas investment projects for the construction of nuclear power plants were cancelled. Increased costs arising from stricter safety standards following the meltdown at the Fukushima nuclear power plant in 2011 were mostly cited as the reason. In November 2018, Toshiba announced it was withdrawing from a nuclear power project in the United Kingdom, liquidating its affiliate NuGen. Toshiba's United States nuclear plant construction business Westinghouse, which had filed for bankruptcy in 2017, was sold to private equity group Brookfield in August 2018. Mitsubishi Heavy Industries' project to build nuclear power plants in Turkey in partnership with Framatome (France) was reportedly abandoned in December 2018. In January 2019, Hitachi pulled out of a project to build nuclear power plants in the United Kingdom.

In 2018, over 80 percent of global cross-border M&A deals targeted assets in developed countries – totalling 8,500 deals valued at just over $1 trillion. A sizeable part of this activity was fuelled by private equity firms, which were involved in almost one third of transactions by value (figure II.4) and 40 per cent by number of deals, making private equity firms increasingly important players in the global FDI landscape.

Figure II.4. **Involvement of private equity firms in cross-border M&As by deal value, 2018** (Billions of dollars)



Source: UNCTAD, cross-border M&A database (www.unctad.org/fdistatistics).

Prospects

Although economic growth is slowing in most developed economies, investment activity is still expanding. The number of greenfield projects in developed economies announced in 2018 is on par with the number in 2017, but the value of planned capital expenditures rose by 17 per cent to $357 billion. Project announcements in Europe were up 23 per cent and those in North America rose by 13 per cent. Cross-border M&As targeting assets in developed economies announced in 2018 were worth $1.4 trillion, a 17 per cent rise from 2017.

FDI prospects for developed regions in 2019 are also affected by the likely rebound from the anomalously low 2018 levels. As the initial flood of earnings repatriations of United States MNEs has abated, the developed economies that experienced the largest drops in inflows are likely to see a rebound to average levels of inflows, which would imply large upward swings in countries that normally make up a significant part of FDI flows from developed countries.

As for outward FDI, foreign greenfield projects announced in 2018 by MNEs from developed economies totalled $616 billion, up 33 per cent from 2017. MNEs from developed economies also announced foreign acquisitions worth $1.4 trillion. Japanese MNEs alone announced acquisitions worth $169 billion, more than twice the value of deals announced in 2017.

STRUCTURALLY WEAK, VULNERABLE AND SMALL ECONOMIES

LEAST DEVELOPED COUNTRIES

FDI flows, top 5 host economies, 2018 (Value and change)

2018 Inflows
23.8 bn

2018 Increase
+15.1%

Share in world
1.8%

Myanmar
$3.6 bn
-18.1%

Cambodia
$3.1 bn
+11.3%

Ethiopia
$3.3 bn
-17.6%

Bangladesh
$3.6 bn
+67.9%

Mozambique
$2.7 bn
+18.2%

Flows, by range

- Above $2.0 bn
- $1.0 to $1.9 bn
- $0.5 to $0.9 bn
- $0.1 to $0.4 bn
- Below $0.1 bn

Top 5 host economies

Economy
$ Value of inflows
2018 % change

Outflows: top 5 home economies

(Billions of dollars and 2018 growth)

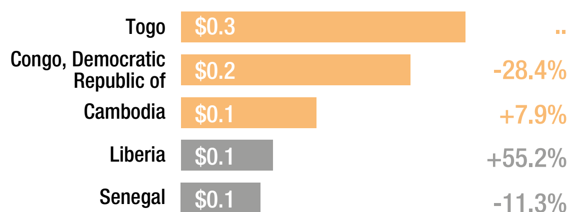
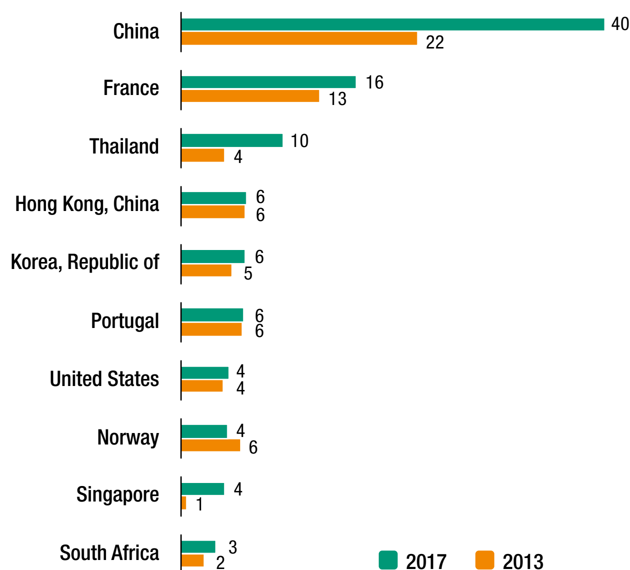


Figure A. Top 10 investor economies by FDI stock, 2013 and 2017 (Billions of dollars)



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 inflows partially recovered from six-year low in 2017
- Asian LDCs reached a record high
- Announced value of greenfield projects rebounded strongly

Figure B. FDI inflows, 2000–2018 (Billions of dollars and per cent)

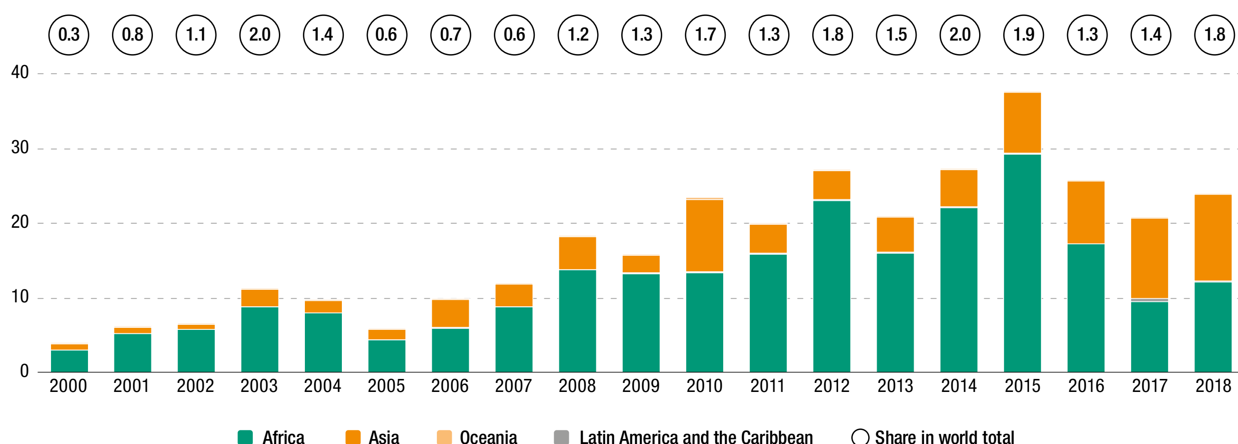


Table A. Net cross-border M&As by industry, 2017–2018 (Millions of dollars)

Sector/industry	Sales		Purchases	
	2017	2018	2017	2018
Total	**327**	**1 342**	**9**	**130**
Primary	**13**	**-310**	**-**	**-**
Agriculture, forestry and fishing	-	20	-	-
Mining, quarrying and petroleum	13	-329	-	-
Manufacturing	**11**	**1 501**	**-30**	**77**
Food, beverages and tobacco	10	1 474	-	-
Textiles, clothing and leather	-	7	-	77
Chemicals and chemical products	1	6	-	-
Pharmaceuticals, medicinal chemicals and botanical products	-	14	-	-
Services	**304**	**150**	**39**	**53**
Financial and insurance activities	234	83	38	30
Business activities	5	64	-	-
Human health and social work activities	-	14	-	-

Table B. Net cross-border M&As by region/economy, 2017–2018 (Millions of dollars)

Region/economy	Sales		Purchases	
	2017	2018	2017	2018
World	**327**	**1 342**	**9**	**130**
Developed economies	**-233**	**1 157**	**2**	**-**
European Union	-2 912	-10	1	-
North America	2 043	19	2	-
Australia	114	-338	-	-
Japan	952	1 486	-	-
Developing economies	**560**	**185**	**6**	**130**
Africa	-153	80	-	-
Asia	1 511	105	6	130
China	1 243	-	-	-
Taiwan Province of China	-	81	-	-
Singapore	256	-13	-	23
Viet Nam	10	20	-	-

Table C. Announced greenfield FDI projects by industry, 2017–2018 (Millions of dollars)

Sector/industry	LDCs as destination		LDCs as investor	
	2017	2018	2017	2018
Total	**23 899**	**39 653**	**742**	**1 619**
Primary	**2 315**	**7 324**	**-**	**-**
Mining, quarrying and petroleum	2 315	7 324	-	-
Manufacturing	**12 421**	**12 890**	**91**	**195**
Textiles, clothing and leather	1 492	960	-	4
Coke and refined petroleum products	1 430	5 601	-	-
Metals and metal products	419	1 196	-	-
Services	**9 163**	**19 439**	**651**	**1 423**
Electricity, gas and water	1 582	9 695	-	953
Business services	623	1 566	271	170
Construction	2 502	1 971	-	-
Hotels and restaurants	225	3 217	-	-
Transport, storage and communications	2 877	1 824	83	195

Table D. Announced greenfield FDI projects by region/economy, 2017–2018 (Millions of dollars)

Partner region/economy	LDCs as destination		LDCs as investor	
	2017	2018	2017	2018
World	**23 899**	**39 653**	**742**	**1 619**
Developed economies	**13 359**	**18 385**	**7**	**14**
Italy	1 202	4 494	-	-
United States	2 243	9 833	-	-
Developing economies	**10 357**	**21 150**	**717**	**1 522**
Africa	819	2 182	222	295
Asia and Oceania	9 448	18 968	325	1 058
China	3 446	8 408	81	-
Hong Kong, China	588	1 083	-	-
Philippines	-	1 265	-	-
Thailand	693	2 456	-	-
United Arab Emirates	1 394	1 547	-	15
Transition economies	**183**	**118**	**18**	**82**

FDI flows to the LDCs rebounded to $24 billion (up 15 per cent from 2017), representing 1.8 per cent of global FDI inflows. FDI in Ethiopia and Myanmar slowed and the major gains came in Bangladesh. The value of cross-border M&A sales was boosted by a single deal in Bangladesh. China remained the top investor in LDCs in terms of FDI stock. Foreign investment in LDCs continued to be concentrated in a few larger recipients. As a forward-looking indicator, the value of greenfield FDI projects announced in 2018 bounced back from a 5-year low in 2017, with large-scale projects in mining, coke and petroleum products, and electricity.

Inflows

FDI inflows to the 33 African LDCs increased by 27 per cent to $12 billion, but they were 44 per cent below the annual average of 2012–2016. FDI to *Ethiopia*, the largest FDI host economy among African LDCs, decelerated (down 18 per cent to $3.3 billion), after the record high in 2017. In *Mozambique*, where investor confidence has yet to be restored after hidden public debt was discovered in 2016, FDI inflows rose for the first time in five years (up 18 per cent to $2.7 billion). *Uganda* posted record FDI inflows of $1.3 billion (up 67 per cent), driven by new investment in oil and gas.

Volatile FDI flows mostly attributable to the operations of mining MNEs boosted FDI in Burkina Faso (from a 26-year low of $2.6 million in 2017 to a record $480 million in 2018) and Sierra Leone (up 365 per cent to a six-year high of $599 million, with record-high reinvested earnings of $562 million). In contrast, FDI in *Zambia* dipped to a 13-year low (down 49 per cent), after showing signs of recovery in 2017. FDI flows to *Mauritania* also contracted sharply (down 88 per cent to $71 million).

In oil-exporting *Chad*, FDI inflows doubled to $662 million, the highest level in 15 years. Positive contributions came from new oil projects and, following the request of the International Monetary Fund, the sale of a 60 per cent stake in a State-owned company, CotonTchad ($22 million), to Olam International (Singapore). An agreement on restructuring a $1.4 billion oil-backed loan owed to Glencore (Switzerland) and commercial banks also eased fiscal constraints.

FDI flows into three relatively large investment recipients stayed on a course of gradual recovery: the *Democratic Republic of the Congo* (up 11 per cent to $1.5 billion), the *Sudan* (up 7 per cent to $1.1 billion) and the *United Republic of Tanzania* (up 18 per cent to $1.1 billion). FDI inflows to *Angola* remained negative, due to large repatriations of earnings in the oil and gas industry.

In *Haiti*, inward FDI dropped, after hitting a record high in 2017. The country's duty-free access to the United States market has promoted FDI in light manufacturing, especially in the export-oriented textile industry.[22] Whereas textiles and apparel MNEs contributed to a strong uptick in FDI flows in 2017, a slowdown in their activities in 2018 lowered FDI inflows (down 72 per cent) to $105 million, a level similar to that in the period 2014–2016.

FDI inflows to the 13 LDCs in Asia and Oceania reached a record high of $12 billion (up 8 per cent). Two manufactures exporters – Bangladesh and Cambodia – registered new record levels of $3.6 billion (up 68 per cent) and $3.1 billion (up 11 per cent), respectively. In *Bangladesh*, the gains were mostly the result of a $1.5 billion M&A deal in tobacco and new investments in power generation. Also, reinvested earnings in the country, mainly by MNEs in banking, textiles and wearing apparel, more than trebled to $1.3 billion. In *Cambodia*, FDI in financial services and real estate projects grew strongly. Both new equity and reinvested earnings expanded for a third consecutive year.

In *Myanmar*, FDI inflows retreated by 18 per cent to $3.6 billion. Major foreign investors slowed their investment, with the humanitarian crisis in Rakhine state being a contributing factor. On the basis of approved projects, foreign investments in the Thilawa SEZ – the country's first such zone, in its second phase of construction – exceeded its cumulative investment target of $6 billion in early 2018.[23] FDI inflows to the *Lao People's Democratic Republic*, where China has been the largest investor, also contracted (down 17 per cent to $1.3 billion), after peaking in 2017. Yet FDI inflows in 2018 were still 30 per cent higher than in 2016. In *Yemen*, FDI inflows remained negative (-$282 million).

In Oceania, FDI inflows stagnated. FDI into *Solomon Islands* shrank by 73 per cent to $12 million, the lowest in 14 years, due to lower FDI in wholesale and retail and the absence of major new FDI projects in 2018. *Vanuatu*, which is scheduled to graduate from LDC status in December 2020, posted six-year high FDI inflows of $38 million (up 56 per cent).

Cross-border M&A sales recorded a four-year high of $1.3 billion, driven by a single deal. The most notable sale took place in Bangladesh, where Japan Tobacco acquired United Dhaka Tobacco for $1.5 billion. This was the second major acquisition in three years concluded by this Japanese MNE in an LDC.[24] Despite the record value of deals in LDCs, the number of transactions was down 17 per cent from the previous year. Unlike in 2012–2017, Chinese investors did not participate in any M&A deals in LDCs in 2018.

Another major cross-border M&A deal was registered in Timor-Leste, but it was a divestment of $350 million. The Government acquired a 30 per cent stake in a multinational joint venture in oil and gas extraction.

The top 10 investors in LDCs are very different from the top 10 worldwide. Measured by the outward FDI stock reported by selected home economies, half of the top 10 investors in LDCs are from emerging Asian economies (figure A). China's FDI stock in LDCs almost doubled from 2013 to 2017, almost evenly distributed between LDCs in Africa and those in Asia. Yet the pace of accumulation of outward FDI from China to LDCs in Asia during that period was much faster (up 113 per cent) than the pace in Africa (up 41 per cent). In 2017, more than 45 per cent of FDI from China to LDCs was held in three ASEAN economies: the Lao People's Democratic Republic ($6.7 billion in 2017), Myanmar ($5.5 billion) and Cambodia ($5.4 billion).

Gains in FDI stock held by investors from other developing economies in LDCs were attributed to growing investment in a small number of neighbouring economies. For example, the 131 per cent growth in outward FDI stock from Thailand to LDCs was due to the country's investment in ASEAN economies, in particular in Myanmar ($4.2 billion in 2017) and the Lao People's Democratic Republic ($3.4 billion). Similarly, the expansion of FDI by Singaporean investors in Myanmar from $263 million in 2013 to $3.5 billion in 2017 accounted for all the growth of their FDI stock in LDCs. And South Africa's FDI stock in neighbouring Mozambique represented more than half of its aggregate FDI stock in LDCs in both 2013 and 2017.

Prospects

FDI to LDCs will remain concentrated in larger FDI recipients and in a few sectors. Trends in announced greenfield FDI projects suggest that the more sizeable investments will target natural resources in Africa and power generation projects in Asia. The value of announced greenfield FDI projects bounced back from a 5-year low of $24 billion in 2017 to nearly $40 billion in 2018. MNEs, mostly from the United States (25 per cent of the total project value announced in LDCs) and China (21 per cent of the total), resumed their large-scale investment plans in power generation infrastructure and in the extraction or processing

of natural resources (table II.2). Most announced greenfield investment was concentrated in the larger FDI recipients in the group, such as Bangladesh, Ethiopia and Myanmar.

The announced value of electricity projects ($9.7 billion in total) was boosted by two projects in Myanmar by investors from China and from the Philippines (table II.2). Bangladesh also attracted a $3 billion project for the construction of oil and liquefied natural gas terminals, announced jointly by General Electric (United States),[25] Mitsubishi (Japan) and Summit (Singapore).

In the extractive industries, major energy MNEs maintained their interest in Angola and Mozambique. In Guinea, whose largest trading partner is China, the Chinese firm Tebian Electric Apparatus announced an integrated bauxite mining project, including aluminium production and logistics, totalling $2.9 billion. The importance of Chinese investors in this LDC has been growing since the two Governments signed a $20 billion framework agreement in 2017, under which Guinea is to receive $1 billion annually for 20 years for infrastructure development, in exchange for granting mining concessions to Chinese investors.[26]

The predominance in LDCs of investors from the South over MNEs from developed economies is likely to continue. Investors from developing economies were responsible for 53 per cent of the total announced value of greenfield FDI projects in these countries in 2018 (compared with an average of 62 per cent in 2015–2017 and 47 per cent in 2012–2014).

Many of the major investment recipients in both Africa and Asia expect FDI to pick up in the coming years, thanks to SEZs and investments in natural resources. Ongoing SEZ developments through public-private partnerships in Bangladesh and other Asian LDCs may contribute to attracting and retaining more FDI, not only from potential zone tenants in manufacturing, but also from zone developers or service operators to build infrastructure (chapter IV). The Bangladesh Investment Development Authority expects to register $3.7 billion of FDI in 2019, supported by policy reforms. Ethiopia's newly built industrial parks are expected to help the country register FDI inflows exceeding $5 billion as early as 2019. Zambia also expects higher FDI flows in agriculture and energy projects, thanks to the development of multiple farm blocks and economic zones.[27] In Mozambique, new investments in oil and gas are projected to push the country's FDI inflows in 2019 back to the 2012–2013 levels of $5–6 billion. And in Myanmar, new oil and gas projects are expected to boost FDI to nearly $6 billion in the next five years.[28]

Table II.2. LDCs: 10 largest announced greenfield projects, 2018

Host economy	Industry segment	Parent company	Home economy	Estimated capital expenditure (Millions of dollars)
Ethiopia	Petroleum refineries	Fairfax Africa Fund	United States	4 000
Bangladesh	Fossil fuel electric power	General Electric	United States	3 000
Angola	Oil and gas extraction	Eni SpA	Italy	2 236
Mozambique	Natural, liquefied and compressed gas	ExxonMobil	United States	1 400
Guinea	Other metal ore mining	Tebian Electric Apparatus	China	1 160
Myanmar	Fossil fuel electric power	Yunnan Investment Holding Group	China	1 147
Myanmar	Fossil fuel electric power	Aboitiz Equity Ventures	Philippines	1 147
Bangladesh	Fossil fuel electric power	China Huadian Corporation	China	984
Malawi	Commercial and institutional building construction	Anhui Foreign Economic Construction	China	668
Zambia	Industrial building construction	Elsewedy Electric (Elsewedy Cables)	Egypt	668

Source: UNCTAD, based on information from the Financial Times Ltd. fDi Markets (www.fDimarkets.com).

LANDLOCKED DEVELOPING COUNTRIES

FDI flows, top 5 host economies, 2018 (Value and change)

2018 Inflows
22.6 bn

2018 Decrease
-2.2%

Share in world
1.7%

Turkmenistan
$2.0 bn
-4.8%

Kazakhstan
$3.8 bn
-18.3%

Mongolia
$2.2 bn
+45.5%

Azerbaijan
$1.4 bn
-51.1%

Ethiopia
$3.3 bn
-17.6%

Flows, by range

- Above $1 bn
- $0.5 to $0.9 bn
- $0.1 to $0.5 bn
- $10 to $99 mn
- Below $10 mn

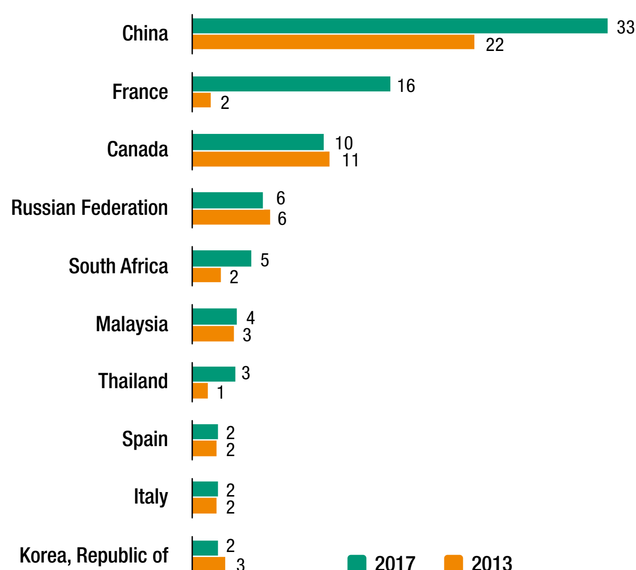
Top 5 host economies

Economy
$ Value of inflows
2018 % change

Outflows: top 5 home economies
(Billions of dollars and 2018 growth)

Economy	Value	2018 growth
Azerbaijan	$1.76	-31.3%
Botswana	$0.13	-62.4%
Burkina Faso	$0.07	+574.3%
Tajikistan	$0.06	-64.3%
Mali	$0.05	+270.2%

Figure A. **Top 10 investor economies by FDI stock, 2013 and 2017** (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 declined again in 2018
- Recovery of inflows, with large variations by country, expected in 2019
- LLDCs still struggle to attract sustained diversified investment

Figure B. FDI inflows, 2000–2018 (Billions of dollars and per cent)

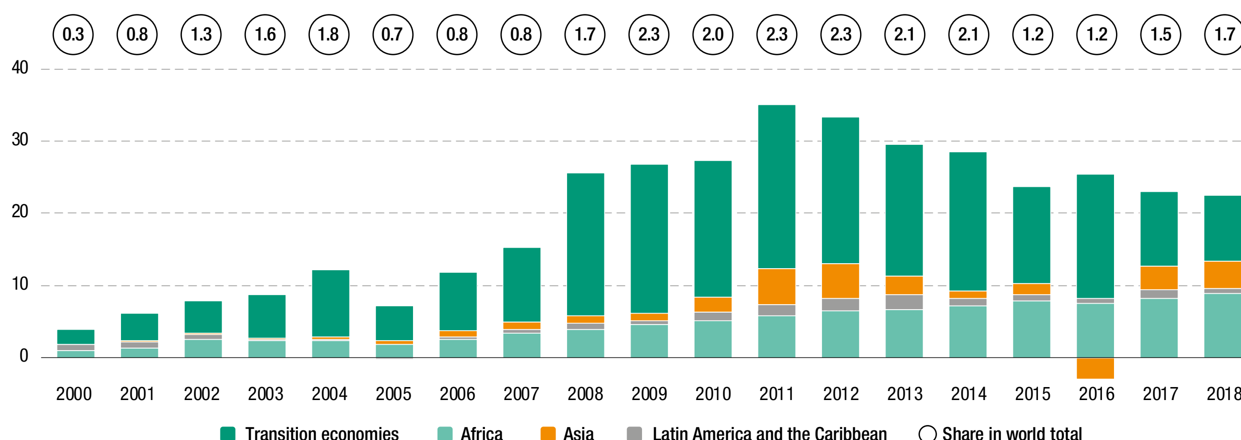


Table A. Net cross-border M&As by industry, 2017–2018 (Millions of dollars)

Sector/industry	Sales 2017	Sales 2018	Purchases 2017	Purchases 2018
Total	**15**	**-236**	**1**	**323**
Primary	**5**	**130**	**-2**	**-**
Agriculture, forestry and fishing	-	20	-	-
Mining, quarrying and petroleum	5	111	-2	-
Manufacturing	**-**	**93**	**-**	**-**
Food, beverages and tobacco	-	79	-	-
Pharmaceuticals, medicinal chemicals and botanical products	-	14	-	-
Services	**10**	**-459**	**3**	**323**
Electricity, gas and water	-	37	-	-
Transportation and storage	11	-	-	-
Information and communication	-	-630	-	274
Financial and insurance activities	-1	113	-4	45
Human health and social work activities	-	14	-	-

Table B. Net cross-border M&As by region/economy, 2017–2018 (Millions of dollars)

Region/economy	Sales 2017	Sales 2018	Purchases 2017	Purchases 2018
World	**15**	**-236**	**1**	**323**
Developed economies	**8**	**-116**	**2**	**-**
European Union	-399	-101	-	-
Australia	158	9	-	-
Canada	467	22	2	-
United States	124	-46	-	-
Developing economies	**-2**	**-115**	**1**	**319**
China	-45	190	-	-
Chile	-	85	-	-
Korea, Republic of	-	-	-	30
South Africa	-91	31	7	12
Turkey	-	-446	-	273
Transition economies	**-1**	**-34**	**-2**	**3**

Table C. Announced greenfield FDI projects by industry, 2017–2018 (Millions of dollars)

Sector/industry	LLDCs as destination 2017	LLDCs as destination 2018	LLDCs as investor 2017	LLDCs as investor 2018
Total	**16 434**	**40 099**	**4 416**	**8 002**
Primary	**1 343**	**5 012**	**6**	**-**
Mining, quarrying and petroleum	1 343	5 012	6	-
Manufacturing	**10 080**	**19 586**	**3 746**	**6 458**
Textiles, clothing and leather	1 526	3 550	-	7
Coke and refined petroleum products	946	8 110	3 625	6 327
Chemicals and chemical products	4 388	1 287	30	2
Non-metallic mineral products	984	1 387	72	34
Services	**5 011**	**15 501**	**664**	**1 544**
Electricity, gas and water	2 333	6 478	-	-
Construction	664	2 275	45	-
Hotels and restaurants	151	2 858	76	819
Business services	675	1 669	14	3

Table D. Announced greenfield FDI projects by region/economy, 2017–2018 (Millions of dollars)

Partner region/economy	LLDCs as destination 2017	LLDCs as destination 2018	LLDCs as investor 2017	LLDCs as investor 2018
World	**16 434**	**40 099**	**4 416**	**8 002**
Developed economies	**5 472**	**20 641**	**667**	**119**
European Union	4 112	8 683	667	119
Cyprus	-	4 510	-	-
United Kingdom	2 067	1 289	-	14
Japan	151	4 354	-	-
United States	974	5 574	-	-
Developing economies	**9 605**	**17 779**	**3 534**	**6 884**
China	5 166	7 832	143	-
Korea, Republic of	223	1 355	-	-
Singapore	1 037	1 259	-	-
Thailand	37	2 050	-	-
Transition economies	**1 357**	**1 679**	**214**	**1 000**

After a temporary recovery in 2017, FDI flows to the 32 landlocked developing countries (LLDCs) declined again in 2018, by 2 per cent to $23 billion – or 1.7 per cent of global FDI inflows. In transition-economy LLDCs, the decline in FDI was modest, while Latin American LLDCs experienced a more pronounced downturn. Flows to LLDCs remained concentrated in a few economies, with the top five recipients (Kazakhstan, Ethiopia, Mongolia, Turkmenistan and Azerbaijan) accounting for 56 per cent of total FDI to the group. Chinese MNEs are increasingly active sources of investment and are present in practically all LLDCs. Prospects for FDI vary according to LLDCs' level of development and industrialization, with the fastest growth expected in those with good potential for economic diversification.

Inflows

FDI flows to the 16 African LLDCs increased by 9 per cent to $8.9 billion. This increase contrasts with the 11 per cent growth of FDI (to $37 billion) in non-landlocked African economies. FDI to African LLDCs increased despite falling investment in two major host economies: Ethiopia and Zambia. In *Ethiopia*, inflows declined by 18 per cent (to $3.3 billion). In *Zambia*, the 49 per cent decline (to $569 million) was due to the lack of new projects in mining, as FDI in manufacturing compensated only partly for the decline in the extractive industries. In contrast, flows increased to 12 other African LLDCs. In *Uganda* and *Zimbabwe*, a small number of projects resulted in fast-growing FDI flows, but from an extremely low basis. Some new investments in the processing of natural resources may support the industrialization process and a move up the value chain, such as the investment by Sinosteel (China) in *Zimbabwe*'s metal production, which has potential for major expansion in the medium term.[29] Other investments relevant for development prospects, such as in the digital economy and new industries, include the establishment of Fenix International, a provider of solar energy equipment, by Engie (France)[30] and the opening of Raxio, a data processing centre created by Roha (United States),[31] both in Uganda.

FDI in four landlocked Asian countries[32] declined by 8 per cent to $1.6 billion, after the temporary respite of 2017. Most of the decline is due to FDI flows to the *Lao People's Democratic Republic*, the group's largest recipient, which registered a 17 per cent drop to $1.3 billion. The contraction was mostly due to a deceleration of new investment from China. FDI flows increased in *Nepal* (up 24 per cent to $161 million). Investment commitments increased, indicating the potential for higher flows going forward.[33] The decline of investment flows to these four LLDCs is at odds with the regional trend, as FDI to developing Asia as a whole rose by 4 per cent, to $512 billion. This contrast highlights the relatively weak investment attraction potential and the structural disadvantages in LLDCs, compared with the region's larger economies and markets with better access to sea links.

In the two Latin American LLDCs, FDI inflows contracted sharply, by 39 per cent, to $709 million. This compares with a more limited decline of 6 per cent (to $147 billion) in Latin America and the Caribbean as a whole. The decline was mostly due to lower inflows to the *Plurinational State of Bolivia*, where FDI plummeted by 64 per cent to $255 million, after an exceptional peak in 2017 caused by investment in transport and in ICT, as well as a major cross-border M&A deal in mining (*WIR18*). Investment in *Paraguay* remained practically unchanged at about $450 million. The 108 export-processing maquilas continued to play an important role in the country's FDI strategy. The maquilas are intended to overcome the handicap of the small local market, but their success depends on the development of international logistics.

Inflows to the nine landlocked transition economies and to Mongolia experienced a decline for the second consecutive year. The 5 per cent contraction (to $11 billion) in 2018, however, was more limited than the one experienced in economies in transition as a group (down by 28 per cent to $34 billion). Flows to *North Macedonia* reflected from both favourable international demand for the output of foreign firms located in the country's EPZs and positive political developments in the conflict about the country's name. This is facilitating North Macedonia's cooperation with the EU, the country's main export market. Equity investment rose two and a half times, and intracompany loans turned positive after negative flows in 2017. Beyond the traditionally strong automotive cluster, new investments were also recorded in other activities. Caffè di Artisan (United Kingdom), for example, invested in high-end food products in the country.

FDI flows to *Mongolia* rose by 45 per cent to $2.2 billion in 2018, mainly due to the development of the Oyu Tolgoi underground mine, one of the largest sources of copper reserves worldwide. It is being developed through a joint venture between the Government of Mongolia (34 per cent) and an affiliate of Rio Tinto (Australia–United Kingdom) (66 per cent). In addition to the planned and ongoing $5.3 billion underground expansion of the mine, Rio Tinto invested to build a power plant on site and opened a new office in Ulaanbaatar in 2018.

In contrast, flows to the three large transition economies, which are heavily based on oil and gas extraction and processing contracted for the second consecutive year: by 51 per cent in *Azerbaijan* (to $1.4 billion), by 18 per cent in *Kazakhstan* (to $3.8 billion), and by 5 per cent (to $2 billion) in *Turkmenistan*. The lack of new projects and divestments from existing projects were responsible for the FDI downturn. For example, in Turkmenistan, some investors in natural gas (such as Germany's RWE) are closing down their operations.[34]

With an FDI stock of $33 billion, Chinese MNEs were by far the largest investors in LLDCs in 2017. Thanks to public support, particularly through the Belt and Road Initiative, Chinese investors are present in LLDCs across all continents, especially in natural-resource-rich economies. As of 2019, more than two thirds of the LLDCs (22 of 32), including economies as distant from China as the Plurinational State of Bolivia, were part of the initiative. The FDI stock of French MNEs reached $16 billion in 2017, following a rapid increase in their investment in LLDCs. This increase was due to large projects in Kazakhstan (carried out by major MNEs such as Total in oil and gas production and Alstom in transport) and, to a lesser degree, in Niger (with Areva's investment in uranium), the Plurinational State of Bolivia (with Thales' transport project in 2017 (*WIR18*)) and Azerbaijan (e.g. Total is now operating in oil and gas exploration, extraction, refining, power generation, marketing and shipping).[35]

Prospects

A modest recovery of FDI to LLDCs is expected in 2019 and subsequent years, but with large variations among countries, reflecting the group's heterogeneity. FDI to the 32 LLDCs is forecast to benefit from dynamic South–South FDI, especially from China, and potential diversification from natural resources to (mostly downstream processing) manufacturing activities. The 32 LLDCs, however, constitute a very heterogenous group in terms of resource endowments, levels of development and growth trajectories. They also operate in four very different regional contexts. Some, such as Ethiopia, the Lao People's Democratic Republic, North Macedonia, the Republic of Moldova and Paraguay, are making major efforts to attract manufacturing FDI, which must be export oriented given the limited local markets. LLDCs such as Azerbaijan, the Plurinational State of Bolivia, Kazakhstan, Mongolia and Turkmenistan have based their development mostly on abundant natural

resources. These countries can attract large projects in some years but are exposed to investment and price cycles. Finally, the remaining LLDCs typically have very small and underdeveloped economies, and they are highly vulnerable, which makes attracting significant FDI challenging. Their investment potential is also strongly tied to developments in neighbouring countries, through which their exports and imports transit.

Despite their differences, LLDCs all struggle to attract diversified FDI in a sustained manner. Announced greenfield projects, the main indicator for future FDI inflows, suggest a possible upturn in 2019. Their value more than doubled in 2018, to $40 billion. They grew fastest in mining (almost fourfold to $5 billion), highlighting continued interest in natural resources, with Fairfax Africa Fund's (United States) petroleum refinery in Ethiopia accounting for a major part of the value (table II.3). The bulk of announced greenfield investments to the group was in manufacturing, where planned projects almost doubled in value to $20 billion, suggesting improving prospects for more diversified economies. Within that sector, petroleum products was the largest and most dynamic industry (with such large projects as Japanese Kawasaki Heavy Industries' gas manufacturing plant in Turkmenistan), followed by textiles and leather (China's Cathay Industrial Biotech started a $2.5 billion garment project in Kazakhstan). In services, the growth in announced value was threefold, to more than $15 billion. Electricity remained the most important industry, followed by tourism, construction and, as a new dynamic element, business services. FDI flows to LLDCs in general could benefit significantly from regional integration projects, especially in Africa and the CIS, and from initiatives seeking to improve transit capacity and connectivity, such as the Belt and Road Initiative.

Table II.3. LLDCs: 10 largest announced greenfield projects, 2018

Host economy	Industry segment	Parent company	Home economy	Estimated capital expenditure (Millions of dollars)
Zimbabwe	Other metal ore mining	Karo Resources Limited	Cyprus	4 200
Ethiopia	Petroleum refineries	Fairfax Africa Fund	United States	4 000
Kazakhstan	Textiles and textile mills	Cathay Industrial Biotech	China	2 500
Turkmenistan	Natural, liquefied and compressed gas	Kawasaki Heavy Industries	Japan	1 700
Turkmenistan	Fossil fuel electric power	Sumitomo Group	Japan	950
Mongolia	Fossil fuel electric power	Rio Tinto Group	United Kingdom	950
Kazakhstan	Petroleum refineries	R Way Solution	Singapore	940
Uzbekistan	Petroleum refineries	Kawasaki Heavy Industries	Japan	940
Malawi	Commercial and institutional building construction	Anhui Foreign Economic Construction	China	668
Zambia	Industrial building construction	Elsewedy Electric (Elsewedy Cables)	Egypt	668

Source: UNCTAD, based on information from the Financial Times Ltd. fDi Markets (www.fDimarkets.com).

SMALL ISLAND DEVELOPING STATES

FDI flows, top 5 host economies, 2018 (Value and change)

2018 Inflows
3.7 bn

2018 Decrease
-9.7%

Share in world
0.3%

Bahamas
$0.9 bn
-9.1%

Jamaica
$0.8 bn
-12.8%

Maldives
$0.6 bn
+12.0%

Mauritius
$0.4 bn
-16.1%

Fiji
$0.3 bn
-10.9%

Flows, by range

- Above $1 bn
- $500 to $999 mn
- $100 to $499 mn
- $50 to $99 mn
- Below $50 mn

Top 5 host economies

Economy
$ Value of inflows
2018 % change

Outflows: top 5 home economies
(Millions of dollars and 2018 growth)

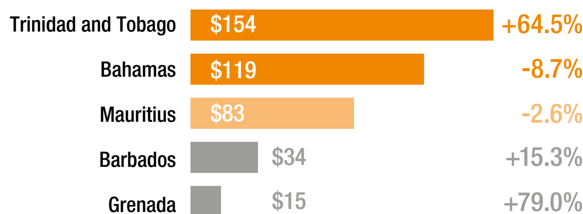
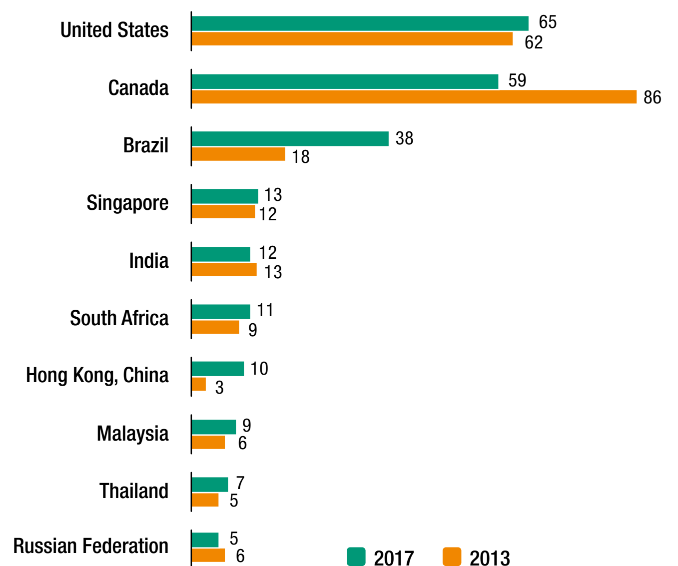


Figure A. Top 10 investor economies by FDI stock, 2013 and 2017 (Billions of dollars)



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 Sudan and 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 contracted for a second year
- Flows to Caribbean SIDS dropped to a five-year low
- Value of greenfield projects announced in hotels and tourism at a three-year high

Figure B. FDI inflows, 2000–2018 (Billions of dollars and per cent)

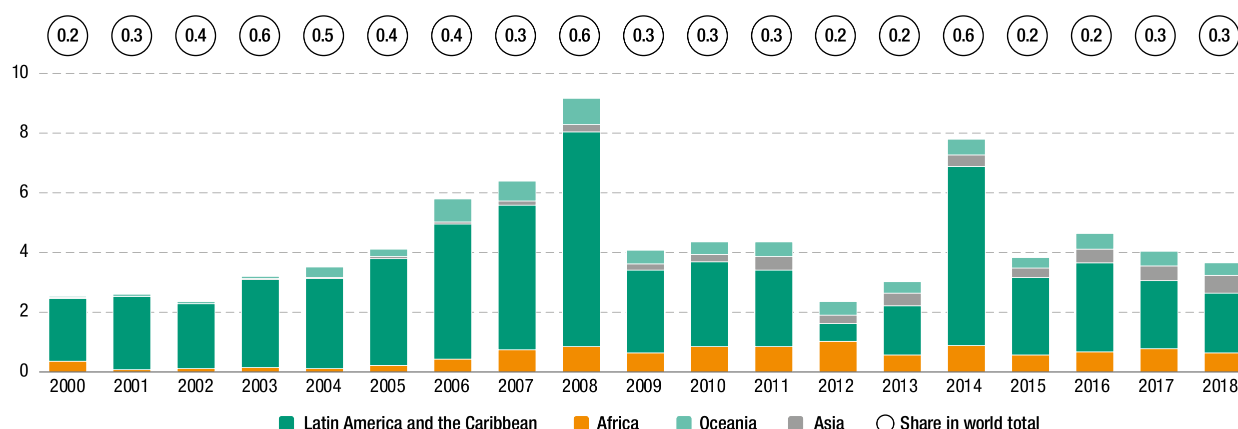


Table A. Net cross-border M&As by industry, 2017–2018 (Millions of dollars)

Sector/industry	Sales		Purchases	
	2017	2018	2017	2018
Total	**2 615**	**834**	**4 127**	**1 793**
Primary	**144**	**219**	**2 314**	**822**
Mining, quarrying and petroleum	144	219	2 314	813
Manufacturing	**100**	**-**	**- 30**	**-**
Non-metallic mineral products	100	-	-	-
Services	**2 371**	**615**	**1 843**	**971**
Electricity, gas and water	-	-	-	103
Trade	-	-	-	583
Accommodation and food service activities	45	- 131	-	-
Information and communication	-	- 91	-	-
Financial and insurance activities	4	510	2 016	279
Business activities	2 322	326	120	6
Human health and social work activities	-	-	- 293	-

Table B. Net cross-border M&As by region/economy, 2017–2018 (Millions of dollars)

Region/economy	Sales		Purchases	
	2017	2018	2017	2018
World	**2 615**	**834**	**4 127**	**1 793**
Developed economies	**2 652**	**323**	**198**	**30**
European Union	334	478	25	21
North America	-	195	-1	9
Australia	25	-350	-	-
Developing economies	**-38**	**511**	**3 928**	**1 763**
Africa	28	6	-	74
South Africa	28	5	-	19
Latin America and the Caribbean	140	-	-	663
Asia	-206	505	3 928	1 026
China	-25	505	-	103
Hong Kong, China	-181	-18	-1	-36
India	-300	-	3 925	946

Table C. Announced greenfield FDI projects by industry, 2017–2018 (Millions of dollars)

Sector/industry	SIDS as destination		SIDS as investor	
	2017	2018	2017	2018
Total	**1 838**	**1 652**	**681**	**1 060**
Primary	**-**	**-**	**-**	**-**
Manufacturing	**179**	**44**	**-**	**-**
Metals and metal products	165	2	-	-
Services	**1 659**	**1 608**	**681**	**1 060**
Electricity, gas and water	219	-	-	-
Construction	278	93	-	-
Trade	59	22	-	-
Hotels and restaurants	787	992	-	-
Transport, storage and communications	91	159	70	94
Finance	37	87	76	402
Business services	129	256	535	564
Community, social and personal service activities	59	-	-	-

Table D. Announced greenfield FDI projects by region/economy, 2017–2018 (Millions of dollars)

Partner region/economy	SIDS as destination		SIDS as investor	
	2017	2018	2017	2018
World	**1 838**	**1 652**	**681**	**1 060**
Developed economies	**901**	**1 035**	**104**	**26**
France	5	208	16	-
Switzerland	-	112	-	16
United States	510	569	-	7
Developing economies	**937**	**618**	**578**	**1 034**
Africa	10	2	10	471
Latin America and the Caribbean	49	96	534	266
Asia and Oceania	879	520	34	298
China	165	93	-	-
Hong Kong, China	337	-	34	-
Sri Lanka	-	112	-	-
United Arab Emirates	63	179	-	15

Inward FDI in SIDS contracted for a second year to $3.7 billion in 2018, and the group's share in FDI flows to all developing economies remained marginal (0.5 per cent). The minor gains posted by the majority of SIDS were offset by divestment in Trinidad and Tobago. Net cross-border M&A sales totalled only $834 million in 2018, about a third of the value reported in 2017. FDI stock data show that investment to this group continues to be highly concentrated in two Caribbean SIDS. Prospects for most SIDS remain fragile and volatile. Among announced greenfield FDI projects, however, estimated capital spending in hotel and tourism grew to a three-year high of $992 million. SEZ development may create new opportunities.

Inflows

FDI in the 10 Caribbean SIDS slipped to a five-year low of $2 billion. FDI flows in the *Bahamas*, the largest FDI host economy of all SIDS, contracted for a second year (down by 9 per cent to $943 million). This was despite a 42 per cent gain in the equity component of FDI, which was driven by construction projects. FDI flows into *Jamaica* also fell, by 13 per cent, to $775 million, largely owing to reduced FDI in tourism. Equity investments in Jamaica dried up, and intracompany loans dipped to a three-year low of $593 million. In contrast, *St. Lucia* posted a nine-year high of $135 million (up 3 per cent), supported by the Citizenship by Investment Programme. FDI inflows to *Grenada* were also up by 14 per cent to a three-year high of $127 million, driven by the expansion of construction and tourism activities. FDI inflows to *Trinidad and Tobago* remained negative (-$436 million). Higher reinvested earnings were not sufficient to offset repayments of intracompany loans from energy MNE affiliates in the country. Divestment in *Dominica* intensified to -$37 million, while the country's economy struggled to recover from the damages of Hurricane Maria.

FDI in the five African SIDS fell by 22 per cent to $620 million. FDI to all African SIDS but Comoros contracted in 2018. Inflows to *Mauritius* fell by 16 per cent to $372 million, owing mostly to severe reductions in construction projects, as well as financial and insurance projects. The reduction in FDI flows from Luxembourg was most notable, followed by those from France. In *Seychelles*, FDI inflows contracted by 35 per cent to $124 million. A slowdown in the implementation of new FDI projects and a moratorium for 2015–2020 on new large hotel projects adversely affected reinvested earnings (down by 59 per cent to a four-year low) and intracompany loans (down by 44 per cent to a five-year low).

FDI flows to the 13 SIDS in Asia and Oceania stagnated at $1 billion. The majority of SIDS in this region posted lower FDI inflows than in the previous year. FDI flows in *Maldives* grew by 12 per cent, to $552 million, driven by new equity investments in tourism. FDI flows into *Timor-Leste* reached a four-year high of $48 million. In *Fiji*, in contrast, FDI contracted for a second year to $344 million (down 11 per cent), as major construction projects were completed. The equity component of FDI shrank by more than 60 per cent, while reinvested earnings declined by 9 per cent.

Without a single megadeal, the net value of cross-border M&A sales in SIDS slumped from $2.6 billion in 2017 to $834 million in 2018. Two large transactions were registered in financial services in Seychelles ($505 million)[36] and in oil and gas in Trinidad and Tobago ($569 million).[37] As a result of those deals, the largest investors in SIDS as a whole were the United Kingdom ($569 million, up from $329 million in 2017) and China ($505 million, as compared with its net divestment of $25 million in 2017).

Two other major sales were recorded in Asia and Oceania, but their impact on FDI flows was negative (divestments by MNEs). In Timor-Leste, the Government invested $350

million to acquire a 30 per cent stake in a joint venture producing crude petroleum and natural gas, owned by Royal Dutch Shell (Netherlands), Osaka Gas (Japan), ConocoPhillips (United States) and Woodside Petroleum (Australia). In Fiji, Marriott International sold its entire stake in a resort to the Fiji National Provident Fund for $131 million.

FDI stock in SIDS remained highly concentrated in the Bahamas and Barbados. MNEs from North America have been by far the largest investors in SIDS. Five of the top 10 sources of FDI are developing Asian economies (figure A). FDI stock held by the United States in SIDS represents 5–6 per cent of the United States' total holdings in all developing economies. About 30–40 per cent of Canadian investors' outward FDI stock in all developing economies is held in SIDS. The geographical distribution of this North American FDI stock among the 28 SIDS has been highly skewed towards the Bahamas and Barbados.[38]

Similarly, the significant gains in FDI stock held by Brazil and Hong Kong (China) from 2013 to 2017 were almost all attributed to investment in either the Bahamas, Barbados or both. FDI stock from India, Malaysia, Singapore, South Africa and Thailand to SIDS, in contrast, is almost all concentrated in Mauritius, in part as a gateway to other African markets. This highlights the challenge for other SIDS to attract more FDI.

Prospects

FDI in SIDS remains fragile and dependent on a few capital-intensive projects. The trends in announced greenfield projects suggest further concentration of FDI in a narrow range of industries in the services sector (e.g. business activities, hotels and restaurants). The group's investment outlook remains heavily influenced by capital-intensive projects in construction, as well as hotels and tourism. Prospects in the manufacturing sector remain weak, with a record low of $44 million of new project announcements in 2018 (down 75 per cent from 2017).

Several SIDS in Africa and the Caribbean can expect major investments in new hotel and tourism projects (table II.4). Greenfield FDI projects announced in 2018 for this industry reached a three-year high of $992 million, accounting for 60 per cent of total estimated capital expenditures. In Maldives, multiple projects ranging from $15 million to $70 million were announced by investors based in developing Asia (namely, Singapore, Sri Lanka, Thailand and the United Arab Emirates).

The United States became the largest prospective investor in greenfield projects with $569 million (up 11 per cent), followed by France ($208 million, compared with only $5 million in 2017) and the United Arab Emirates ($179 million, compared with $63 million in 2017). MNEs from China were less active than in previous years, and the value of their announced projects in SIDS dropped by 44 per cent to $93 million in a single construction project in Jamaica (table II.4).

Given the group's narrow and fragile economic base, investment decisions made by MNEs in capital-intensive greenfield projects (lasting five to 10 years) or cross-border megadeals in a small number of SIDS continue to have a sizeable impact, not only on the domestic economy, but also on the overall direction of FDI inflows to all SIDS.

SEZ development may create new investment opportunities. Some SIDS are undertaking new SEZ projects to accelerate economic diversification and promote sustainable growth (see chapter IV, box IV.2). Maldives, for instance, seeks to attract foreign investors to finance multiple theme-based SEZ projects.

Jamaica, whose economy is already more diversified than that of other SIDS, is transitioning to a new SEZ regime (chapter IV). In addition to several multi-user zones and specialized

Table II.4. SIDS: Largest announced greenfield projects, 2018

Host economy	Industry segment	Parent company	Home economy	Estimated capital expenditure (Millions of dollars)
Cabo Verde	Hotels and tourism accommodation	Hilton Hotels (Hilton Worldwide)	United States	104
Mauritius	Hotels and tourism accommodation	Club Méditerranée	France	104
Seychelles	Hotels and tourism accommodation	Club Méditerranée	France	104
Seychelles	Hotels and tourism accommodation	Dutco Group of Companies	United Arab Emirates	104
Jamaica	Business support services	Sutherland Global Services	United States	101
Jamaica	Support activities for transportation	Grupo Aeroportuario del Pacifico	Mexico	96
Mauritius	Data processing, hosting and related services	CloudFlare	United States	94
Jamaica	Commercial and institutional building construction	China Communications Construction Company	China	93

Source: UNCTAD, based on information from the Financial Times Ltd. fDi Markets (www.fDimarkets.com).

zones under development, three SEZ megaprojects are in the pipeline: Caymanas SEZ (an integrated zone with light manufacturing, knowledge process outsourcing and logistics); Jamaica–Gansu Industrial Park (an integrated zone with manufacturing and agro-processing, as well as logistics); and Vernamfield Aerotropolis (a logistics and air cargo hub).[39] Capital requirements for these megaprojects are estimated at $8 billion – nearly 60 per cent of the country's GDP – which could have a sizeable impact on FDI inflows.

NOTES

[1] Data on China from the Ministry of Commerce, China, www.mofcom.gov.cn/article/ae/sjjd/201901/20190102826598.shtml.

[2] State Bank of Pakistan, 3rd Quarterly Report for the year 2017–18.

[3] "Chinese FDI into North America and Europe in 2018 Falls 73% to Six-Year Low of $30 Billion", https://www.bakermckenzie.com/en/newsroom/2019/01/chinese-fdi.

[4] Ministry of Commerce, China. http://www.mofcom.gov.cn/article/ae/sjjd/201901/20190102827466.shtml.

[5] "Samsung Opens Global AI Centers in the U.K., Canada and Russia", https://news.samsung.com/global/samsung-opens-global-ai-centers-in-the-u-k-canada-and-russia.

[6] "US investors 'confidently' pouring money into China despite trade war, says commerce minister", South China Morning Post, 29 April 2019.

[7] Myanmar, for example, raised the foreign ownership cap from 49 to 80 per cent in the agriculture sector. The country also formed a new investment institution in November 2018, the Ministry of Investment and Foreign Economic Relations). The Philippines relaxed some investment restrictions through an updated negative list that took effect on November 2018. For details, see chapter III and the UNCTAD Policy Monitor.

[8] "Chinese FDI into North America and Europe in 2018 Falls 73% to Six-Year Low of $30 Billion", https://www.bakermckenzie.com/en/newsroom/2019/01/chinese-fdi.

[9] UNCTAD, *Investment Policy Monitor*, No. 21, March 2019.

[10] El Economista, "Lopetegui afirmó que Vaca Muerta registró US$ 4.000 M en inversiones en 2018", 15 March 2019.

[11] UNCTAD, *Investment Policy Monitor*, No. 21, March 2019.

[12] EIU, "Chinese investment will fund new mineral extraction project", 26 February 2019.

[13] Centro de estudios de las finanzas publicas, "Comentarios al informe estadístico sobre el comportamiento de la inversión extranjera directa en México (enero-diciembre de 2018)".

[14] Banco de Mexico. "Encuesta sobre las Expectativas de los Especialistas en Economía del Sector Privado: Febrero de 2019".

[15] Before the end of the year, the new president Andrés Manuel López Obrador decided to discontinue the construction of a new airport (worth $13 billion), causing a sharp fall of the peso and changes to the country's credit rating. The airport bondholders had to be reimbursed into a deal reached just before the end of the year to avoid a messy default. Construction at the Texcoco airport is continuing while the president's team negotiates with creditors. Bloomberg, "Mexican Peso Rallies as AMLO Resolves Airport Bond Dispute", 12 December 2018.

[16] CentralAmericanData.com, "New BPO Investment in Costa Rica", 14 February 2018.

[17] One of the large divestment deals involved Russian Copper purchasing Amur Minerals from Freeport-McMoRan (United States) and its Russian joint-venture partner.

[18] Kaliningrad Region Development Corporation (2018). "Special Administrative Region – Kaliningrad Region" (http://sar.kgd-rdc.ru/en/).

[19] Bullock, Niall (2018). "FDI into Uzbekistan on the rise in 2018". fDi Belfast, 17 December, https://www.fdiintelligence.com/Trend-Tracker/FDI-into-Uzbekistan-on-the-rise-in-2018.

[20] Japan Tobacco's acquisition of Donskoy Tabak for $1.7 billion was the only large transaction registered in the country.

[21] These numbers include FDI flows to offshore financial centres and special purpose entities, which are excluded from UNCTAD's inflows data.

[22] Under the 2008 Haitian Hemispheric Opportunity Through Partnership Encouragement Act and the 2010 Haiti Economic Lift Program, certain products manufactured in Haiti, mostly apparel products, were granted duty-free access to the United States. The Trade Preferences Extension Act of 2015 extended trade benefits provided to Haiti in the Acts through September 2025 (Source: United States Department of State (2018), "US relations with Haiti", Bureau of Western Hemisphere Affairs Fact Sheet, 16 March, www.state.gov/r/pa/ei/bgn/1982.htm).

[23] "Summary on Annual Investment Report of the Myanmar Investment Commission 2017–2018 Financial Year (1st April to 31st March)", www.dica.gov.mm/sites/dica.gov.mm.

[24] In 2016, Japan Tobacco concluded a $510 million acquisition in Ethiopia (*WIR17*).

[25] During 2018, General Electric signed an agreement for another power generation project of $4.4 billion in Bangladesh.

[26] "China to loan Guinea $20 billion to secure aluminum ore", 6 September 2017, www.reuters.com.

[27] Investment commitments by foreign investors in 2017 already exceeded $17 billion, of which $8 billion was in energy and nearly $7 billion in agriculture. Source: Bank of the Republic of Zambia (2018), *Foreign Private Investment and Investor Perceptions in Zambia 2018: Enhancing Investment for Export Promotion and Industrialisation Towards Inclusive Growth*, www.boz.zm.

[28] Myanmar Times (2018), "Myanmar targets FDI from East Asia in long-term investment plan", 19 October, www.mmtimes.com/news/myanmar-targets-fdi-east-asia-long-term-investment-plan.html.

[29] Sinosteel (2018), "Sinosteel Group Signed Memorandum of Understanding on Investment with the Government of Zimbabwe". Sinosteel Group News, 17 May, http://en.sinosteel.com/art/2018/5/17/art_314_15776.html; Marawanyika, Godfrey (2018), "Sinosteel Will Invest $1 Billion to Boost Zimbabwe Output". *Bloomberg*, 14 May, https://www.bloomberg.com/news/articles/2018-05-14/sinosteel-boosts-zimbabwe-ferrochrome-output-in-1-billion-deal.

[30] See the corporate website: https://www.fenixintl.com.

[31] See the corporate website: https://www.raxio.co.ug.

[32] Mongolia is analysed with the transition-economy LLDCs.

[33] *Kathmandu Post* (2018), "FDI pledges up Rs34.9b in first 8 months: Survey", 29 May, https://kathmandupost.ekantipur.com/news/2018-05-29/fdi-pledges-up-rs349b-in-first-8-months-survey.html.

[34] U.S. Embassy in Turkmenistan (2018), *U.S. Country Commercial Guide Turkmenistan 2018*. https://tm.usembassy.gov/wp-content/uploads/sites/124/TurkmenistanCountryCommercialGuide2018.pdf. See also Auyezov, Olzhas, and Ece Toksabay (2018), "Foreign companies struggle in cash-strapped Turkmenistan", Reuters, 3 June, https://www.reuters.com/article/us-turkmenistan-economy/foreign-companies-struggle-in-cash-strapped-turkmenistan-idUSKCN1IZ0Q4.

[35] Total (n.d.), "Our Business in Azerbaijan", https://www.total.com/en/azerbaijan (accessed 7 May 2019).

[36] Addentax Group (China), a provider of garment decoration and textile printing services, acquired a majority stake in Yingxi Industrial Chain Group, a supply chain management consulting company focusing exclusively on the textile and garments industry. Addentax plans to develop its new business segment: assisting clients in opening textile and garment sales outlets throughout China (https://sec.report/Document/0001493152-18-003260/#c_005).

[37] Columbus Energy Resources (United Kingdom) acquired Steeldrum Oil, producer of crude petroleum and natural gas, at an estimated $569 million in a stock swap transaction.

[38] In 2017, 98 per cent of FDI stock from Canada to SIDS was recorded in the Bahamas (33 per cent) and Barbados (65 per cent). United States investors also held two thirds of their FDI stock in SIDS in those two countries: 36 per cent in the Bahamas (compared with more than 50 per cent in 2013) and 31 per cent in Barbados (compared with 20 per cent in 2013). Mauritius was the third largest destination, accounting for 16 per cent (compared with 12 per cent in 2013) of the United States FDI stock in SIDS.

[39] Information from the Jamaica SEZ Authority.