

THE **fDi** REPORT 2013

Global greenfield investment trends



Executive summary

The slow recovery in greenfield FDI in 2011 ground to a halt in 2012, with the second biggest decline in FDI since the start of the world recession. All global regions experienced a decline in FDI. The main exceptions were Chile, Spain, Indonesia, Poland and Oman, all of which experienced strong growth in inward FDI.

Chile replaced Brazil this year as the star performer. Investment to Chile is driven by sustained 5%-plus GDP growth rates and an influx of renewable energy investments attracted by Chile's excellent conditions for solar power and electricity demand from the mining sector.

In North America, most states and provinces experienced a decline in FDI, with Michigan the outstanding exception achieving a 60% growth in FDI projects. Alabama also achieved strong growth. The two states' excellent performances reflect the rebound of the automotive sector in the US.

This edition of The **fDi** Report has a special focus on the BRIC economies of Brazil, Russia, India and China. In recent years these countries have attracted more than 22% of global FDI projects, however, their share declined in 2012 to 17.6%. FDI into China, India and Russia peaked in 2008 and has not recovered since. FDI into Brazil, after a record high in 2011, experienced a decline in 2012. The number of FDI projects in China and Russia in 2012 was the lowest in the past decade. With Brazil struggling to regain growth, Russia muddling along, and growth levels in China and India falling, we expect the market share of BRICs in global FDI to continue to decline in 2013.

This **fDi** Report also focuses on tax and FDI, showing that multinational enterprises minimise their tax burden through overseas operations and giving new evidence of the strong link between corporate tax rates and FDI. Governments face a huge challenge in ensuring these firms pay the tax due without undermining their country's attractiveness for FDI. Coordinated multilateral action would seem the only way to achieve this.

In terms of our FDI forecast for 2013, the picture is pretty grim. World economic growth is expected to slow in 2013 and with continued political and economic uncertainty around the world a substantial decline in FDI can be expected in 2013 of the magnitude of 20%.

About the data

The report is based on the **fDi** Markets database of The Financial Times Ltd, which tracks greenfield investment projects. It does not include mergers and acquisitions (M&A) or other equity-based or non-equity investments. Only new investment projects and significant expansions of existing projects are included. **fDi** Markets is the most authoritative source of intelligence on real investment in the global economy, and the only source of greenfield investment data that covers all countries and industries worldwide. Retail projects have been excluded from this analysis but are tracked by **fDi** Markets.

The data presented includes FDI projects that have either been announced or opened by a company. The data on capital investment and job creation is based on the investment the company is making at the time of the project announcement or opening. As companies can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency, the data used in this report is different to the official data on FDI flows. The data from **fDi** Markets is more accurate and a real-time indicator of the real investment companies are making in their overseas subsidiaries.

The data shown includes estimates for capital investment and job creation derived from algorithms (patent pending) when a company does not release the information.

Note that the investment projects tracked by **fDi** Markets are being constantly updated and revised based on new intelligence being received and the underlying algorithms are constantly improving their accuracy over time. The data presented in this report may therefore differ slightly from the real-time data available at www.fdimarkets.com.

The World Bank, Unctad, the Economist Intelligence Unit and more than 100 governments around the world as well as major corporations use the data as the primary source of intelligence on greenfield investment trends.

Global overview

With a challenging economic and political environment, the recovery in FDI stopped in 2012. The number of FDI projects declined by 16.38% in 2012, in contrast with the 8.54% increase in 2011. In total, fDi Markets recorded 11,789 FDI projects in 2012.

After an increase of 0.45% in 2011, the estimated capital investment resulting from FDI projects declined by 33.53% in 2012 to \$565bn. Slower economic growth in China in particular led companies to cut back on capital-intensive investments, a key factor behind the large decline in global capital investment. The same pattern was seen in employment, with estimated direct job creation from FDI declining by 28.8% to 1.62 million, following a 3.36% increase in 2011.

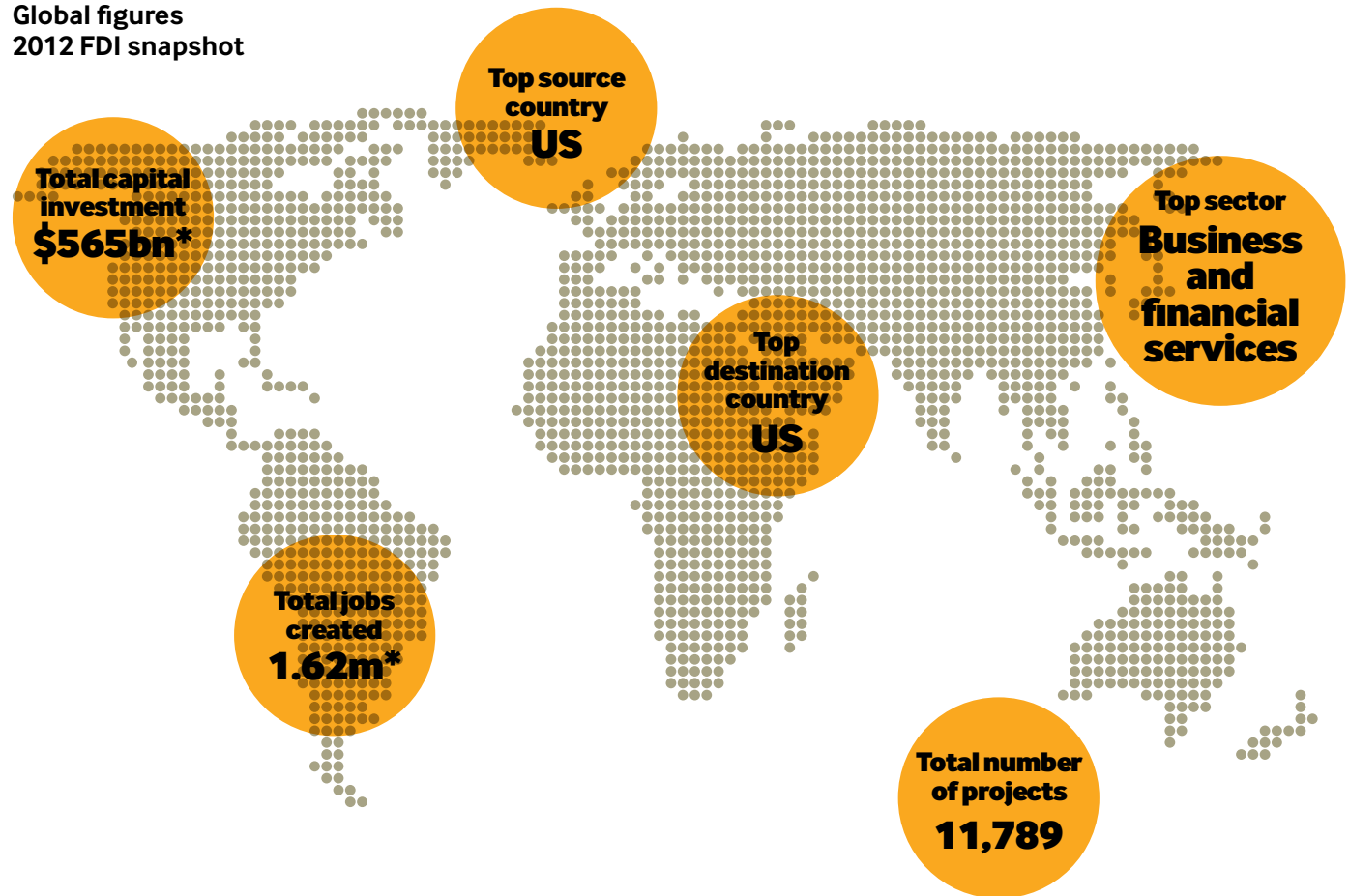
While all regions of the world experienced a decline in FDI, the decline in FDI into Africa was less than the world average and Africa increased its market share of global FDI projects from 5.56% in 2011 to 6.01% in 2012. In contrast, the global market share of western Europe fell 1.5% in 2012, due to the European debt crisis and stagnating economic growth.

Asia-Pacific – the top region for FDI

Asia-Pacific remained the leading regional destination for FDI in 2012, with 3740 projects tracked, increasing its global market share to 31.72%. Of the top five destinations in Asia-Pacific, Australia was the only country to achieve growth in project numbers, with FDI rising by 4.24%. This increase follows a small decline in FDI in Australia in 2011.

Myanmar's experience shows the strong link between political stability and FDI. After the recent introduction of democracy, the south-east Asian country saw a dramatic increase in inward

Global figures 2012 FDI snapshot



Source: fDi Markets
*estimates

FDI, with project numbers rising from 10 to 54 in 2012, a fivefold increase. The country also experienced significant growth in capital investment and job creation in 2012.

Indonesia, the Philippines and Bangladesh also all achieved project growth of 7.64%, 11.27% and 66.67%, respectively. The excellent performance of Bangladesh indicates the global shift taking place with a re-allocation of efficiency-seeking FDI away from China and other emerging markets and towards frontier markets such as Bangladesh with their vast untapped labour pools, low costs and market opportunities.

Ireland and Turkey increase market share in Europe

While all of Europe experienced a decline in FDI, Ireland and Turkey performed better than other countries, with a much smaller decline in FDI. As a result, Ireland increased its market share of FDI in Europe to 3.78% and Turkey increased its market share to 3.42%, and entered the top 10 countries for project numbers.

Ireland's performance reflects the growing stabilisation of the Irish economy and strong growth in repeat investments by existing investors, especially from the US. The Turkish performance reflects the growing weight of the Turkish economy in Europe and internationally, and we expect Turkey to continue to rise up the ranks of the top locations in Europe.

BRIC countries retain global rankings

FDI into the BRIC countries of Brazil, Russia, India and China declined more sharply than the global average in 2012, resulting in a fall in their global market share. However, China, India and Brazil all finished in the top five most popular destinations for FDI.

Middle East major source of FDI growth in 2012

Although FDI into the Middle East fell in 2012, it was the only region to increase its volume of outbound FDI in 2012, with FDI projects from the region growing by 15.74%. United Arab Emirates enterprises led the way, increasing their outward FDI by 26.44%.

Much of the FDI into the Middle East came from within the region, as firms increasingly aim to become regional players.

Western Europe remains the leading source of FDI

Despite a decline in outward FDI, western European enterprises remained the leading source of FDI overseas, accounting for 43.12% of global FDI projects in 2012. More than 43% of western European FDI comes from within Europe. The UK and Germany accounted for 45.45% of FDI out of western Europe.

Sector highlights

The top five sectors for FDI projects in 2012 remained the same as 2011, with business and financial services; information and communications technology (ICT); transport equipment; engines, turbines and industrial machinery; and chemicals, plastics and rubber the leading sectors.

67% Growth in project numbers in Bangladesh in 2012

Business and financial services, along with ICT, remain the top two sectors accounting for 43.68% of global FDI projects in 2012, an increase from 39.3% in 2011.

Real estate, hotels and tourism, and food, beverages and tobacco experienced an increase in market share rising to 4.6% and 4.28%, respectively. The growth in the food, beverages and tobacco sector is best reflected in its market share increase in the BRIC countries, where it accounts for nearly a quarter of all FDI.

Electronic components and semiconductors, as well as consumer electronics, consumer goods and business machines,

all suffered declines with project numbers falling by 26.07% and 21.21%, respectively.

Factors behind the 2012 decline in FDI

Lacklustre economic growth in Europe, Japan and Brazil, much slower growth in China, political instability in the Middle East, and policy uncertainty in the US all negatively impacted the global FDI market. The extreme case was in Syria, with a decline of more than 90% in FDI projects in 2012.

Last year was also notable for the continued recovery from natural disasters, such as the earthquake, tsunami and nuclear disaster in Japan and flooding in Thailand. These factors continued to negatively impact FDI in these countries.

Need additional FDI information?

The fDi Report 2013 is based on the data available in the fDi Markets database from the Financial Times.

For a free demo on how you can monitor, trend and get advance notice of crossborder investment using fDi Markets, email fDi@qft.com.



Asia-Pacific

FDI projects into Asia-Pacific

Despite a 14.96% decline in the number of projects in Asia-Pacific in 2012, it was still the leading world region, attracting 3740 projects with a 31.72% global market share. As in 2011, China, India and Singapore were the three leading countries for inward FDI, attracting more than half of all projects in Asia-Pacific. This was despite FDI in China and India falling sharply by 27.05% and 20%, respectively.

Several countries from the region achieved growth in FDI in 2012. The resilient economies of Australia, Indonesia and the Philippines helped secure solid growth in FDI, despite the testing global conditions. The volume of FDI into Myanmar grew massively in 2012, as political and economic reform coupled with improving international relations seemed to transform the country's investment environment. Project numbers increased from 10 to 54 and the country also saw significant increases in capital investment (151.94%) and job creation from FDI (157.20%). Bangladesh also achieved a sharp rise in the levels of inward FDI in 2012; projects increased by 66.67%, while capital investment and jobs created also increased significantly.

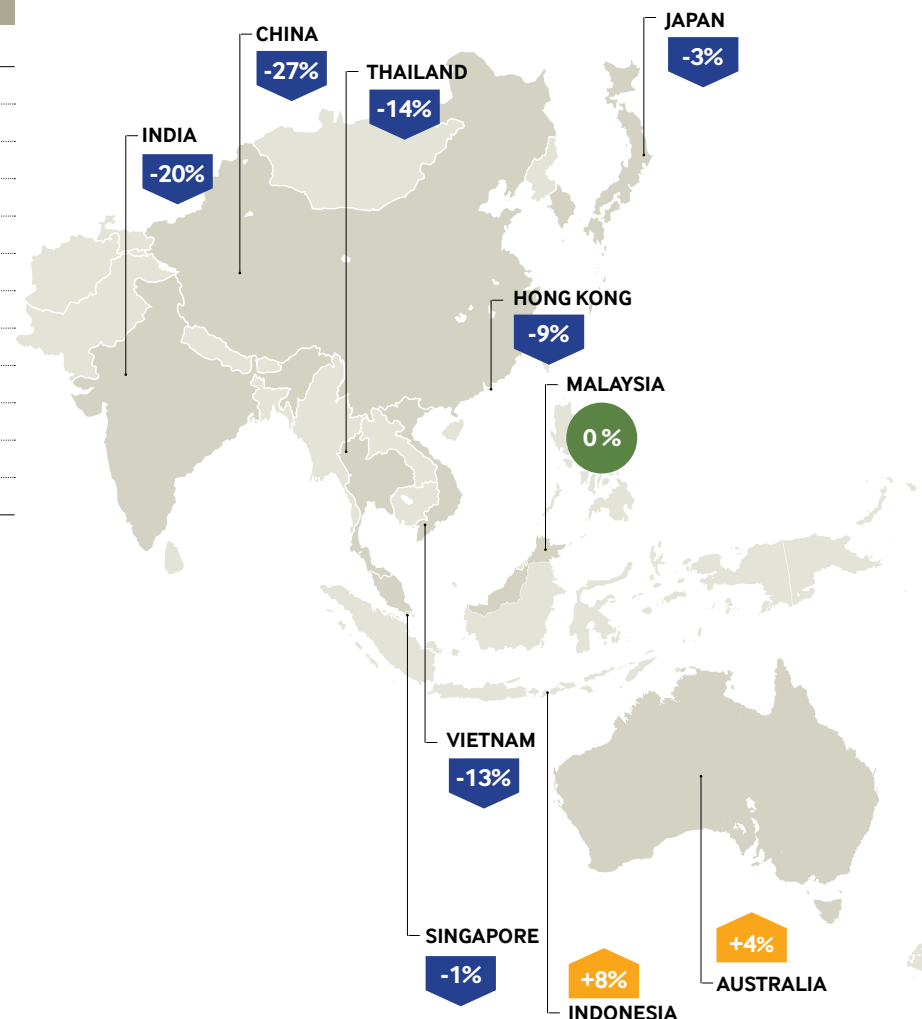
Outward FDI from Asia-Pacific decreased in 2012 in line with global trends. Project numbers fell by 18.52%, capital investment decreased by 17.73% and job creation fell by 27.12%. Japan was still the dominant investor from the region and although the number of outward FDI projects from Japan fell, its market share of FDI from Asia-Pacific increased from 34.57% in 2011 to 37.37% in 2012. This reflects Japanese companies' accelerating FDI plans, despite global market conditions, as a result of the natural disasters in Japan and the revealed risk of centralising too many strategic activities in Japan. China and India were the next major

Table 1

TOP 10 DESTINATION COUNTRIES IN ASIA-PACIFIC IN 2012

Country	Number of projects
China	944
India	704
Singapore	348
Australia	307
Hong Kong	184
Malaysia	162
Indonesia	155
Vietnam	143
Japan	118
Thailand	118
Other	557
Total	3740

Source: fDi Markets



► This map shows the percentage change on 2011

Source: fDi Markets

sources for FDI in 2012, although they both saw project numbers, capital investment and job creation decline sharply in 2012.

Sector focus

Business and financial services was the leading sector again for FDI projects in Asia-Pacific in 2012, with 923 projects in the sector. While there was a decrease in absolute terms, the sector increased its market share of FDI into Asia-Pacific from 21.92% in 2011 to 24.68% in 2012. ICT was the second largest sector for FDI into Asia-Pacific, with 665 projects in 2012 – a 3.42% increase from 2011.

There was also solid growth in FDI in transportation, warehousing and storage, with the number of projects increasing by 6.15% in 2012 to 259. The sector replaced engines, turbines and industrial machinery as the fourth largest sector for FDI into Asia-Pacific in 2012. Many capital-intensive sectors including engines, turbines and industrial machinery; transport equipment; and chemicals, plastics and rubber, suffered from the slowdown in the Chinese economy and recorded significantly lower FDI in 2012.

Table 2

TOP 10 SOURCE COUNTRIES FROM ASIA-PACIFIC IN 2012

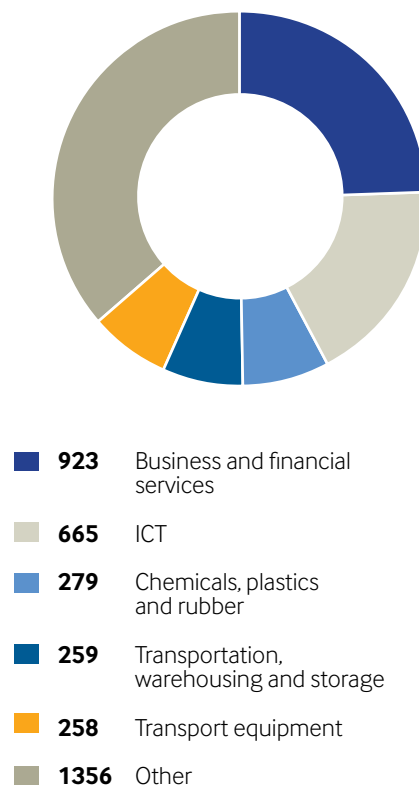
Country	Number of projects	% change
Japan	873	-11.91
China	305	-28.40
India	282	-30.20
South Korea	171	-14.07
Australia	150	-28.91
Taiwan	120	-21.05
Singapore	101	-13.68
Hong Kong	92	-17.12
Malaysia	57	-6.56
New Zealand	51	-5.56
Other	134	-4.96
Total	2336	-18.52

Source: fDi Markets

Graph 1

FDI INTO ASIA-PACIFIC BY SECTOR IN 2012

Number of projects



Source: fDi Markets

Recent major projects

- **Germany-based automotive giant Volkswagen** will invest an estimated \$1.13bn to establish a gearbox plant in Tianjin, China, which will initially employ 1500 people.
- **Hong Kong-based apparel manufacturer Esquel Group** will invest \$25m to establish a garment factory at the Luong Son Industrial Zone in the HoaBinh region of Vietnam, creating 3000 jobs in the first phase.
- **Germany-based Leoni**, which produces wires, cables and wiring systems, will invest between \$19m and \$29m to build a plant in Hanoi, Vietnam, employing between 2000 and 3000 people.
- **US-based Knowles Electronics** has broken ground on a \$15.41m manufacturing facility in Cebu, the Philippines. The plant, which will manufacture speakers and receivers for mobile phones, will eventually employ 4000 people.
- **Japan-based Toyota Motor** plans to invest an estimated \$504m to expand its diesel engine manufacturing facility in Chonburi, Thailand. The expansion will see 450 jobs created.

Europe

FDI projects into Europe

The number of FDI projects into Europe declined in 2012, mirroring global trends. A total of 3891 projects were recorded, representing a 20.82% decrease in comparison with 2011. In 2012, the top 10 countries accounted for 72.19% of FDI projects into Europe.

The UK performed slightly better than Europe as a whole, increasing its market share of FDI into the region to 20.87% in 2012, the highest of any European country. Spain and Poland were the only top countries to experience a growth in FDI, following declines in previous years. Poland increased project numbers by 4.87%, and its market share of capital investment grew to 6.54%. The country also increased its share of jobs created in Europe to 12.7%, indicating the attractiveness of Poland for large-scale projects in both manufacturing and services.

Russia recorded 265 FDI projects, the fourth highest of any European country, and also increased its market share of project numbers and capital investment to 6.81% and 10.99%, respectively. The Czech Republic fell out of the top 10 locations following a decrease of 36.3% in FDI and was replaced by Turkey, which recorded a 35.42% rise in jobs created to 25,941, and increased its market share of European FDI to 3.42%, while its market share of capital investment grew to 6.14%.

FDI projects out of Europe

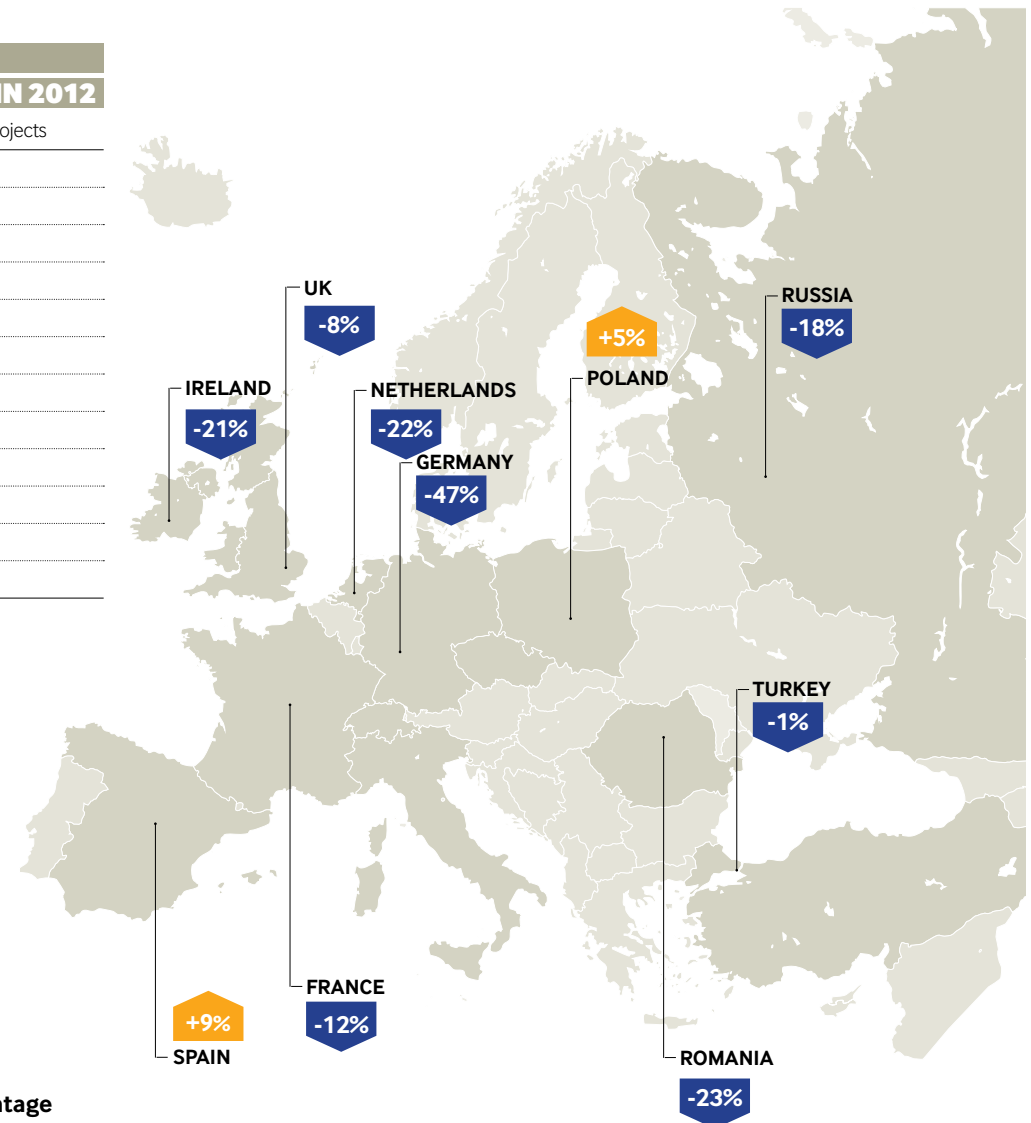
The number of FDI projects out of Europe also declined in 2012. A total of 5468 projects overseas were recorded, a 17.54% drop compared with 2011. In 2012, the top 10 source countries accounted for 82.64% of FDI projects, with each country holding onto its ranking from 2011.

Table 3

TOP 10 DESTINATION COUNTRIES IN EUROPE IN 2012

Country	Number of projects
UK	812
Germany	410
Spain	278
Russia	265
France	244
Poland	237
Ireland	147
Netherlands	145
Romania	138
Turkey	133
Other	1082
Total	3891

Source: fDi Markets



► This map shows the percentage change on 2011

Source: fDi Markets

The UK invested in 1245 FDI projects, ranking it the top source country for FDI from Europe and increasing its market share by 1.9%. Germany also performed well and ranked top for both jobs created and capital investment overseas, creating an estimated 130,000 jobs and investing an estimated \$44bn overseas. Ireland also saw a significant increase in outward job creation in 2012, with overseas job creation by Irish companies up by an estimated 48.71%.

Despite FDI into the Czech Republic declining in 2012 and knocking it out of the top 10, FDI from the country by project numbers increased by 25%. In contrast Turkey, which entered the top 10 in 2012 for inward FDI, lagged behind in outward FDI, sitting in 17th position. The number of projects by Austria-based companies dropped sharply in 2012, from 189 to 128, representing a decline of 32.28%, one of the highest of any western European country.

FDI projects into Europe by sector in 2012

In 2012, ICT was the largest sector for FDI into Europe by project numbers, up from second place in 2011, and accounted for nearly a quarter of FDI into Europe in 2012. Business and financial services slipped to second place, reflecting the weakness of the financial sector in Europe, but still accounting for about one-fifth of FDI projects in the region. Transportation, warehousing and storage sector moved from fifth to third position.

While the top five sectors all experienced a decline in project numbers, the coal oil and natural gas sector maintained its project numbers, while renewable energy recorded a higher number of projects.

Table 4

TOP 10 SOURCE COUNTRIES FROM EUROPE IN 2012

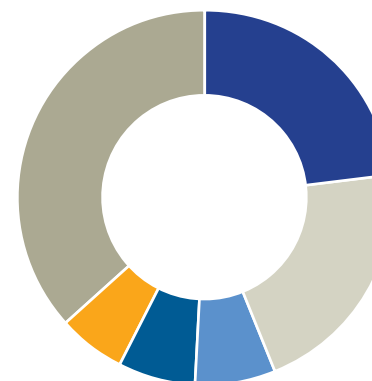
Country	Number of projects	% change
UK	1245	-10.04
Germany	1065	-15.48
France	547	-17.37
Spain	368	-15.60
Switzerland	325	-28.41
Netherlands	286	-26.10
Italy	203	-21.92
Sweden	182	-26.61
Ireland	170	-2.86
Austria	128	-32.28
Other	949	-19.30
Total	5468	-17.54

Source: fDi Markets

Graph 2

FDI INTO EUROPE BY SECTOR IN 2012

Number of projects



- **906** ICT
- **805** Business and financial services
- **269** Transportation, warehousing and storage
- **259** Transport equipment
- **235** Engines, turbines and industrial machinery
- **1417** Other

Source: fDi Markets

Recent major projects

- **Hong Kong-based sportswear specialist Higson Group** plans to open a €4m factory in Zitoradja, Serbia, and relocate 10% to 15% of its production from Asia. The factory will employ about 500 workers in the first year of operations and a further 1000 to 1500 workers by 2014.
- **Germany-based automotive electronics major Draexlmaier** plans to invest €30m to establish a factory in Kavadarci, Macedonia. The new facility will employ 4000 people and will manufacture automotive components for Mercedes.
- **Building and construction company Itaco Precast**, a subsidiary of Italy-based Tecnofin, plans to open a factory in the Rostov region of Russia to manufacture precast concrete structures. The project will see Rbs4bn (€99m) invested and 1200 jobs created.
- **Jaguar Land Rover, a subsidiary of India-based Tata Group**, has announced it is creating 1000 jobs at its Merseyside plant in Halewood, UK. The company is also considering doubling the size of its plant by developing the surrounding land with an investment of £100m (€117m).

North America

FDI projects into North America

The number of FDI projects into North America declined by 9.48% in 2012, with the region attracting 1671 FDI projects during the year. Capital investment in 2012 decreased by an estimated 12.61% and job creation by an estimated 2.36% compared with 2011. Despite these declines, North America was the best performing region of the world in 2012, with the decline in FDI much sharper in the rest of the world.

California was the leading state in the region, attracting 205 projects, more than one-tenth of FDI into North America. The top five states for FDI into North America remained unchanged from 2011 and in total accounted for 39.26% of the market in 2012. California accounted for 12.27% followed by New York (8.74%), Ontario (7.36%), Texas (6.94%) and Florida (3.95%). New York experienced a 5.04% increase in projects compared with 2011, even with the effects of Hurricane Sandy. In contrast, New Jersey suffered a 41.46% decrease in projects recorded.

The fastest growing of the top 15 states by project numbers were Michigan (60%), British Columbia (26.92%), Alabama (16.67%) and Massachusetts (5.56%). The top state in terms of capital investment was Texas, which recorded an estimated \$18bn in FDI, a doubling of investment compared with 2011 and attracting 26.59% of capital investment into North America in 2012. The leading state in terms of job creation was Florida, which recorded an estimated 11,468 FDI jobs, more than double the number of 2011 and accounting for 8.58% of FDI job creation in North America.

FDI projects out of North America

North American FDI overseas declined by 15.71% in project numbers in 2012, with 3150 projects recorded. There was a

Table 5

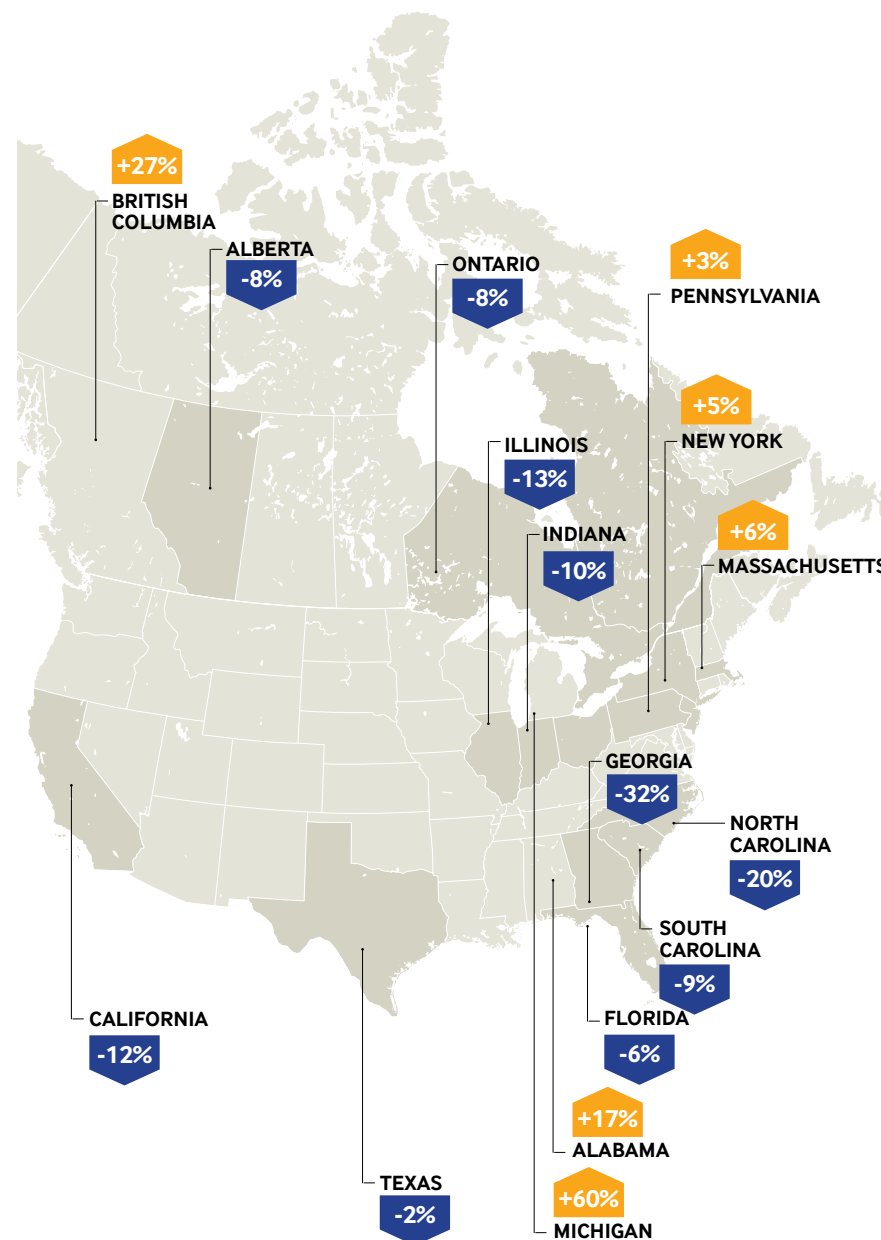
TOP 15 DESTINATION STATES IN NORTH AMERICA IN 2012

State/province	Number of projects
California	205
New York	146
Ontario	123
Texas	116
Florida	66
Massachusetts	57
North Carolina	53
Illinois	49
Michigan	48
Indiana	45
Georgia	42
South Carolina	41
Pennsylvania	40
Alabama	35
Alberta	33
British Columbia	33
Other	539
Total	1671

Source: fDi Markets

► This map shows the percentage change on 2011

Source: fDi Markets



34.51% decline in estimated capital investment and a 32.84% decline in estimated jobs created overseas by North American enterprises.

California was again the top state for outward FDI, with 513 projects recorded. The top three states accounted for more than one-third of outward FDI from North America in 2012. California accounted for 16.29%, followed by New York (14.67%) and Ontario (5.78%). The fastest growing of the top 15 states was Quebec, which experienced a 24.66% increase in FDI project numbers overseas.

The top state in terms of capital investment overseas was California, which invested an estimated \$16.7bn overseas, a 35.74% decrease compared with 2011. New York was the top state for job creation overseas, with an estimated 43,842 jobs created – a 23.74% decrease from 2011.

FDI projects into North America by sector in 2012

In 2012, ICT with 359 projects and business and financial services with 325 projects were the top two sectors for FDI projects into North America. Collectively, these two sectors accounted for 40.93% of FDI into North America in 2012, showing the dominance of services as the main source of greenfield FDI projects into the region.

Of the top 10 sectors, the transportation, warehousing and storage sector increased FDI projects in North America by 16.36%, transport equipment by 7.32% and the food, beverages and tobacco sector by 6.35%. The transport equipment sector was the only sector in the top five for 2012 to experience growth. Japanese automotive companies in particular ramped up their North American investment in 2012 pulled by the growth in the local automotive market and pushed by natural disasters and strength of the yen at home.

ICT and transport equipment experienced the greatest increase in market share, accounting for 21.48% and 10.53%, respectively, of FDI projects in North America in 2012.

Table 6

TOP 15 SOURCE STATES FROM NORTH AMERICA IN 2012

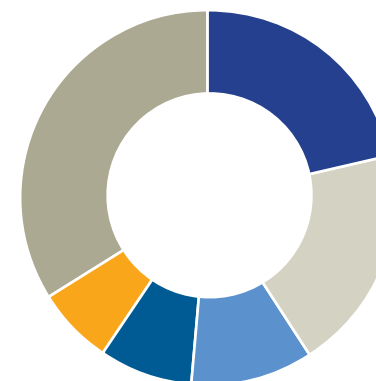
Country	Number of projects	% change
California	513	-18.83
New York	462	-3.35
Ontario	182	-26.02
Massachusetts	147	-10.37
Illinois	139	-28.35
Pennsylvania	104	2.97
New Jersey	101	-19.84
Texas	101	-48.21
Florida	97	-4.90
Quebec	91	24.66
Michigan	87	-41.61
Washington	85	-11.46
Ohio	83	-17.82
Georgia	80	-12.09
Connecticut	78	-40.91
Other	800	-6.65
Total	3150	-15.71

Source: fDi Markets

Graph 3

FDI INTO NORTH AMERICA BY SECTOR IN 2012

Number of projects



- **359** ICT
- **325** Business and financial services
- **176** Transport equipment
- **135** Engines, turbines and industrial machinery
- **112** Chemicals, plastics and rubber
- **564** Other

Source: fDi Markets

Recent major projects

- **Hankook Tire America**, the US-based subsidiary of South Korea-based tyre manufacturer Hankook Tire Worldwide, is planning its first tyre plant in the US, with production due to start before the end of 2015. The company will invest about \$1bn. The first phase will cost about \$700m and create 1500 jobs.
- **Airbus, a subsidiary of Netherlands-based EADS**, will open its first US-based production facility in Mobile, Alabama. Aircraft assembly of the A320 aircraft will begin in 2015 and the facility will create 1000 jobs.
- **Automaker Mercedes-Benz**, a subsidiary of Germany-based Daimler, will add 1000 new production jobs to its facility in Vance, Alabama. The facility will be producing the new C-class model.
- **Samsung Austin Semiconductor**, a subsidiary of South Korea-based Samsung, will invest \$4bn to expand the capacity for cutting-edge logic production at its plant in Austin, Texas, US. The project is scheduled to initiate mass production in the second half of 2013 and will help capitalise on the demand for smartphones.

Latin America and Caribbean

FDI projects into Latin America and Caribbean

In 2012, the number of FDI projects into Latin America and the Caribbean declined by 19.52%, with the region attracting 1117 FDI projects. Capital investment decreased by an estimated 54.97% and the region also experienced an estimated 42.28% decline in jobs created.

Brazil dominates FDI in the region, attracting 432 projects in 2012, equal to almost two-fifths of FDI in Latin America and the Caribbean in 2012. The top two countries remained unchanged from 2011, with Brazil attracting 38.68% of FDI projects and Mexico attracting 21.84%, a combined market share of 60.52%. Argentina slipped out of the top four as FDI into the country fell significantly by 45% to 77 projects in 2012.

The fastest growing country was Chile, which experienced a 25.4% increase in project numbers in 2012. It was the only country in the region to record an increase in FDI projects in the year. The overall list of the top 10 countries remains unchanged from 2012. Of the top 10 countries, in terms of project numbers, five increased their market share in 2012, with Brazil's share of FDI increasing by 2.65%, followed by Chile (2.53%), Mexico (1.96%), Colombia (0.11%) and Puerto Rico (0.08%).

FDI projects out of Latin America and Caribbean

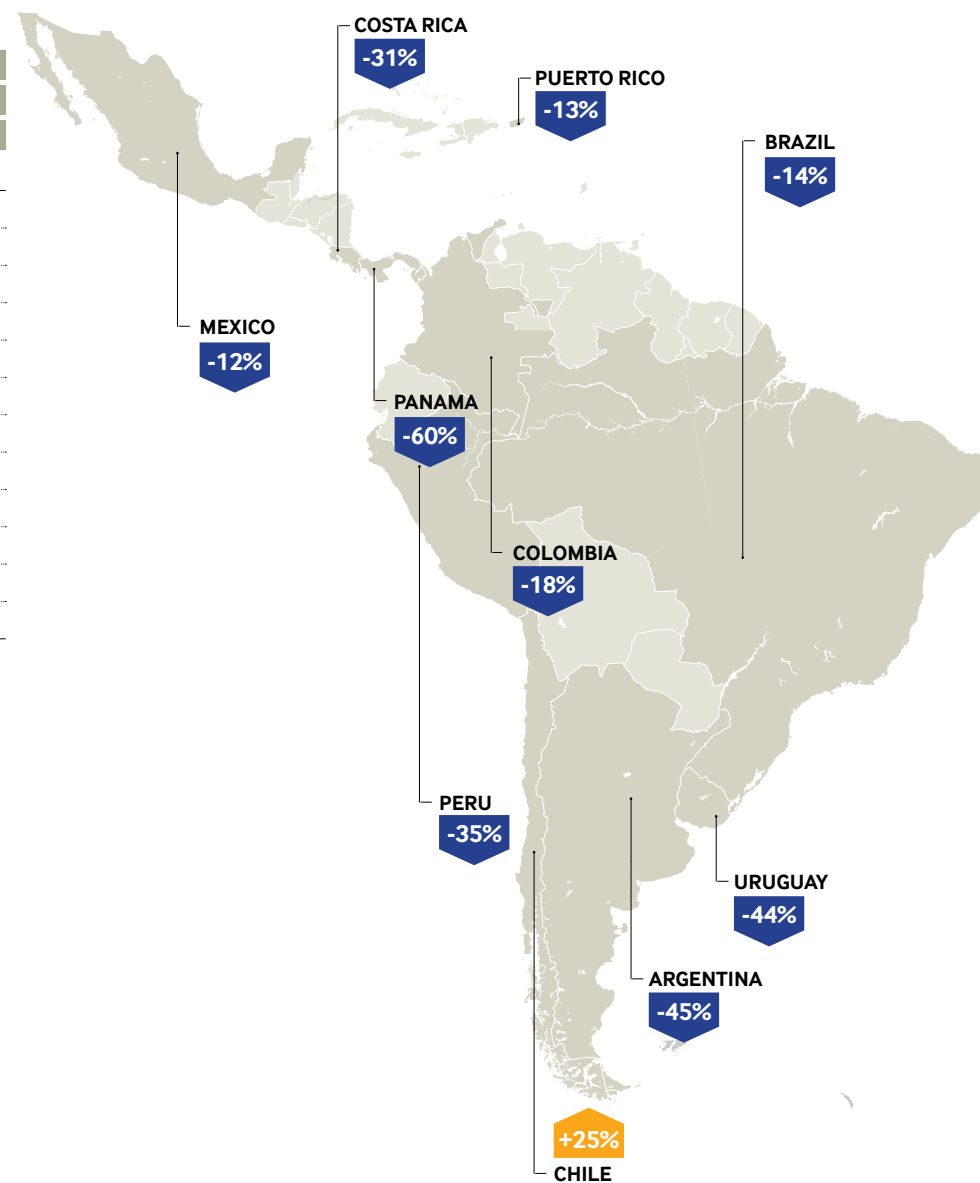
Latin America and the Caribbean projects overseas fell by 31% in 2012, with only 187 FDI projects recorded. Brazil remained the top country for outward FDI, with 48 overseas projects recorded in 2012, accounting for 25.67% of FDI from the region.

Table 7

TOP 10 DESTINATION COUNTRIES IN LATIN AMERICA AND CARIBBEAN IN 2012

Country	Number of projects
Brazil	432
Mexico	244
Colombia	93
Chile	79
Argentina	77
Peru	34
Costa Rica	25
Panama	17
Uruguay	14
Puerto Rico	13
Other	89
Total	1117

Source: fDi Markets



► This map shows the percentage change on 2011

Source: fDi Markets

However, Brazil's market share of FDI from Latin America and the Caribbean declined by 4.96% in 2012, the largest decline in the region. Argentina experienced the fastest growth in outward FDI with a 95% increase in project numbers in 2012, in contrast to the decrease it experienced in inward FDI. Following this growth, Argentina increased its market share by 13.48%, accounting for just over one-fifth of outward FDI projects from Latin America and the Caribbean in 2012. Brazil and Argentina accounted for 46.52% of overseas FDI from Latin America and the Caribbean in 2012.

FDI projects into Latin America and Caribbean by sector in 2012

The top three sectors in 2012 were business and financial services with 249 projects, ICT with 224 projects, and transport equipment with 115 projects. These three sectors accounted for 52.64% of FDI projects into Latin America and the Caribbean in 2012.

Electronic components and semiconductors was the fastest growing sector in the region in 2012, increasing its project numbers by 11.9%. Business and financial services was the only other sector to experience an increase in project numbers in 2012 with its market share increasing to 22.29%, demonstrating the growing attractiveness of emerging economies for services investment.

Table 8

TOP 10 SOURCE COUNTRIES FROM LATIN AMERICA AND CARIBBEAN IN 2012

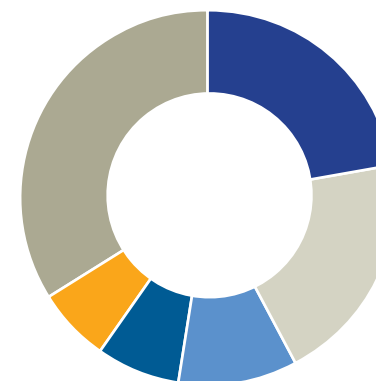
Country	Number of projects	% change
Brazil	48	-42.17
Argentina	39	95.00
Mexico	27	-38.64
Chile	23	-41.03
Bermuda	20	-25.93
Colombia	8	-38.46
Cayman Islands	7	-22.22
Venezuela	5	-50.00
Peru	3	50.00
Guatemala	2	-33.33
Other	5	-76.19
Total	187	-31.00

Source: fDi Markets

Graph 4

FDI INTO LATIN AMERICA AND CARIBBEAN BY SECTOR IN 2012

Number of projects



- **249** Business and financial services
- **224** ICT
- **115** Transport equipment
- **80** Engines, turbines and industrial machinery
- **71** Chemicals, plastics and rubber
- **378** Other

Source: fDi Markets

Recent major projects

- **Italy-based car manufacturer Fiat** is to build a €2.3bn production plant in Goiana, Brazil, creating 4500 jobs.
- **Canada-based mining company Goldcorp** plans to invest \$3.9bn to construct a mine and related infrastructure at its El Morro gold and copper project in the Huasco region of Chile. The company will operate the mine as a 70-30 joint venture with Canada-based New Gold.
- **UST Global, a subsidiary of Kenya-based Comcraft Group**, is to set up an IT services and solutions facility in León, Mexico, to cater to US, Mexican and Latin American markets. The company will invest \$100m to \$150m in the facility, which will employ 10,000 staff by 2014 or 2015.
- **US-based business process outsourcing and IT enabled services major Sutherland Global Services** has established a global delivery centre at the Mona Campus of the West Indies University in Kingston, Jamaica, where it will train students in call-centre operations. The delivery centre has created 100 jobs already and will create 900 more by the end of 2013. The centre will ultimately generate 3000 jobs.

Middle East and Africa

FDI projects into Middle East and Africa

The number of FDI projects into the Middle East and Africa (MEA) declined by 11.78% in 2012 to 1370 projects. Capital investment in the region fell by an estimated 43.31% and job creation by an estimated 23.32%.

The number of FDI projects attracted by Oman increased by 48.98% and its market share of inward FDI in the region increased from 3.16% in 2011 to 5.33% in 2012. Egypt and Nigeria also experienced an increase in project numbers by 20% in 2012. Egypt experienced a large increase in capital investment in the country, rising by 64.67%. South Africa's market share of FDI into the region also increased to more than 10% in 2012.

Of the top 10 countries for inward FDI into the MEA region, Morocco experienced the biggest decline with project numbers falling by 34.25% to 48 projects in 2012. Due to the widespread political instability and civil unrest in Syria, the country saw a massive decline in the number of inward FDI projects by 92.86% in 2012.

FDI projects out of Middle East and Africa

MEA was the only world region to achieve growth in outward FDI in 2012, with the number of FDI projects overseas increasing by 9.27%. However, capital investment from the region fell by an estimated 32.35% and job creation by an estimated 1.79%.

The UAE remained the leading country in the MEA region for outward FDI increasing the number of FDI projects overseas by 26.44%. Its market share of outward FDI from MEA increased to 33.95% with 220 projects recorded in 2012 compared with

Table 9

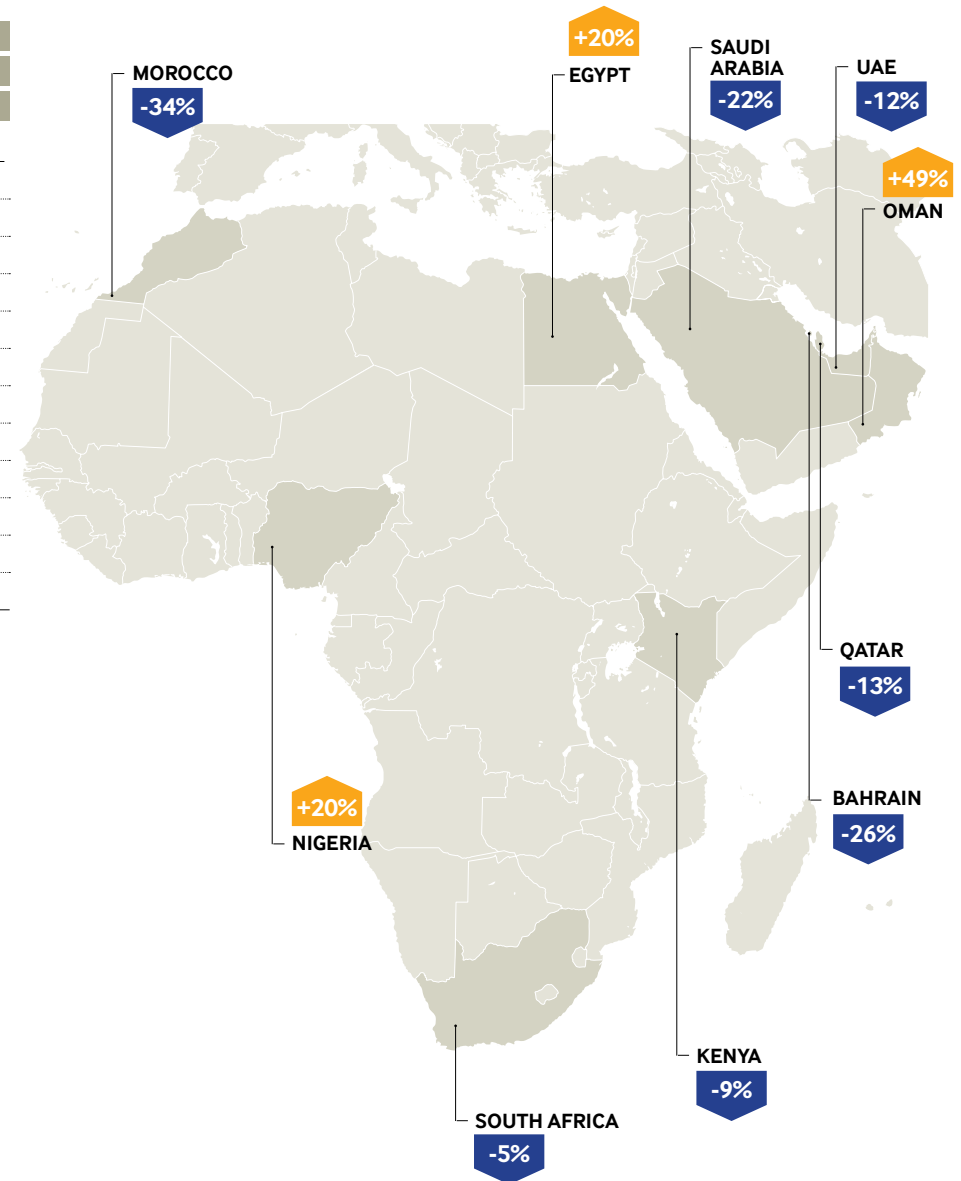
TOP 10 DESTINATION COUNTRIES IN MIDDLE EAST AND AFRICA IN 2012

Country	Number of projects
UAE	291
South Africa	147
Saudi Arabia	107
Oman	73
Egypt	54
Nigeria	54
Qatar	54
Kenya	50
Morocco	48
Bahrain	37
Other	455
Total	1370

Source: fDi Markets

► This map shows the percentage change on 2011

Source: fDi Markets



174 projects in 2011. South Africa was also responsible for more outward FDI projects in 2012, with a 23.38% increase, following on from a successful 2011. Saudi Arabia's outward FDI increased by 31.25% and its market share also grew, with 63 FDI projects overseas in 2012 compared with 48 recorded in 2011.

The five leading source countries for FDI all remained the same for 2012, except for Bahrain replacing Qatar in fifth place. Qatar saw a decrease in outward FDI in 2012, with FDI projects overseas falling from 38 projects in 2011 to 27 in 2012.

FDI projects by sector in 2012

In 2012, business and financial services was the leading sector for FDI projects in MEA, accounting for 468 projects. Although this represents a decrease in project numbers from 2011, the sector increased its market share over the same timeframe, accounting for 34.16% of FDI into the region.

The life sciences sector saw the largest increase in project numbers in MEA in 2012, with FDI projects increasing by 34.09%, although the sector's market share of FDI in MEA remains low. FDI in the transportation, warehouse and storage sector experienced strong growth in 2012, with project numbers increasing to 73, a 21.67% increase from 2011. ICT; engines, turbines and industrial machinery; and real estate, hotels and tourism all achieved growth in FDI projects in MEA in 2012. The coal, oil and gas sector, which saw a capital investment decrease in 2011, had a decline in FDI projects in 2012, with capital investment falling by 47.46%.

Table 10

TOP 10 SOURCE COUNTRIES FROM MIDDLE EAST AND AFRICA IN 2012

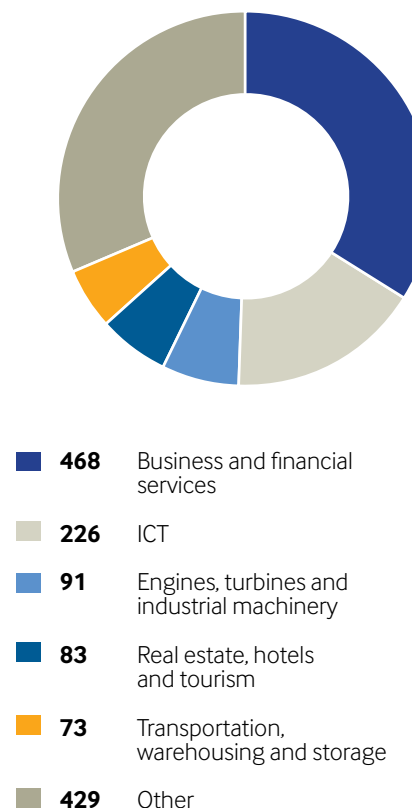
Country	Number of projects	% change
UAE	220	26.44
South Africa	95	23.38
Israel	74	0.00
Saudi Arabia	63	31.25
Bahrain	30	25.00
Kuwait	27	-6.90
Qatar	27	-28.95
Kenya	15	-11.76
Lebanon	15	114.29
Jordan	14	133.33
Other	68	-31.31
Total	648	9.27

Source: fDi Markets

Graph 5

FDI INTO MIDDLE EAST AND AFRICA BY SECTOR IN 2012

Number of projects



Source: fDi Markets

Recent major projects

- **Qatar Petroleum International**, the ethylene producer and subsidiary of Qatar Petroleum, will set up an oil refinery in Cairo, Egypt. The \$3.6bn facility will begin production in 2016, with an annual capability of 4.2 million tonnes of refined products and oil derivatives. Egypt-based Orient and the Egyptian General Petroleum will partner with Qatar Petroleum International in this joint venture.
- **Essar Global, a subsidiary of India-based conglomerate Essar**, is to build a beneficiation plant in Zimbabwe. This investment is part of Essar's aim to pump \$4bn into the steel industry in Zimbabwe by 2022.
- **South Korea-based technology giant LG** will set up a petrochemical plant in the industrial port area of Suhar, Oman. The firm will invest \$850m in the joint venture with Oman Oil, with operations beginning in 2016.
- **China-based commercial vehicle manufacturer, Beiqifoton Motor**, has signed an agreement with the government of Cameroon to invest \$500m in a plant in Kribi to begin operations in July 2013. The factory is expected to create 8000 jobs.

BRIC countries

FDI into BRIC countries

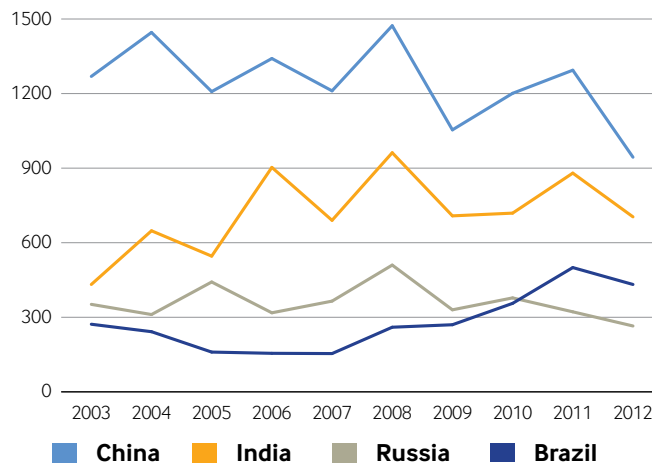
Brazil, Russia, India and China have all become major players in global FDI. From 2003 to 2012, the BRIC countries attracted 22.29% of global FDI projects. China alone attracted more than one-tenth of global FDI projects and has topped the regional rankings every year since 2003. BRIC countries have attracted 26,027 projects since 2003, with estimated capital investment of \$2230bn, creating approximately 8 million jobs directly. The highest volume of FDI into the BRIC countries was in 2008, with a total of 3205 projects recorded.

In 2012, three of the BRIC countries – China, India and Brazil – finished in the top five destination countries for FDI globally. Collectively, they attracted 17.64% of global FDI projects. Brazil saw the largest increase in market share of the BRIC countries in 2012, attracting 18.42% of FDI projects into the BRICs. Russia attracted 11.3% of FDI projects into the BRICs in 2012 and ranked second in capital investment in Europe in 2012. India attracted 30.02% of FDI projects into the BRICs in 2012. The country also performed well from a regional and global perspective in 2012, ranking second in Asia-Pacific and fourth globally by project numbers. China accounted for 40.26% of FDI projects into the BRICs in 2012 and captured 8.01% of global FDI projects. Within Asia-Pacific, China was the top country for FDI by project numbers, with a regional market share of 25.24% of projects.

The economic slowdown in BRIC economies and worldwide is likely to lead to a continued decline in FDI to the BRIC countries in 2013. However, from 2014 onwards we expect FDI into the BRICs

Graph 6

OVERVIEW OF FDI PROJECT NUMBERS INTO BRIC COUNTRIES FROM 2003 TO 2012



Source: fDi Markets

Table 11

SECTOR OVERVIEW OF FDI INTO THE BRIC COUNTRIES IN 2012

Sector	Projects	Global projects	Market share (%)
Business and financial services	511	2770	18.45
ICT	374	2380	15.71
Transport equipment	216	857	25.20
Chemicals, plastics and rubber	205	722	28.39
Engines, turbines and industrial machinery	202	782	25.83
Transportation, warehousing and storage	148	706	20.96
Food, beverages and tobacco	124	504	24.60
Real estate, hotels and tourism	108	542	19.93
Metals and minerals	92	419	21.96
Electronic components and semiconductors	89	448	19.87
Consumer electronics, consumer goods and business machines	82	442	18.55
Life sciences	72	428	16.82
Paper, packaging, wood and textiles	49	220	22.27
Building materials, ceramics and glass	25	112	22.32
Coal, oil and natural gas	23	189	12.17
Renewable energy	16	200	8.00
Leisure and entertainment	6	48	12.50
Space and defence	3	20	15.00
Total	2345	11,789	19.89

Source: fDi Markets

to rebound due to stronger economic growth and local factors. The 2014 FIFA World Cup and 2016 Olympics in Brazil and the 2018 FIFA World Cup in Russia should stimulate FDI. Major FDI reforms in India, including passing a new land acquisition law and permitting more FDI in retailing, airlines and broadcasting is likely to increase FDI into India in the medium to longer term and once the path of Chinese GDP growth becomes clearer investors are likely to expand FDI again into China.

City focus

São Paulo was the leading city in Brazil for attracting global FDI, accounting for almost 25% of projects into the country between 2003 and 2012. In Russia, Moscow accounted for just over one-quarter (25.13%) of inward FDI since 2003. Bangalore was the top city for attracting FDI within India with 14.84% of total projects between 2003 and 2012 located in the city, while Shanghai and Beijing together attracted 35.74% of FDI into China since 2003.

Source of FDI into BRIC countries

The US, Japan, Germany and UK contributed more than half of FDI into the BRIC countries in the past decade, responsible for 56% of projects.

US-based IBM, Germany-based Volkswagen, Japan-based Toyota and UK-based HSBC are some of the leading companies investing in the BRIC countries. Recent investments include Toyota Motors' plan to invest \$285m to build a factory for transmissions in Changshu, China, creating 850 jobs; and automaker MAN's plans to expand its manufacturing plant in Resende, Brazil, investing 1bn reais (\$504m) between 2012 and 2016.

Sector breakdown in BRIC countries in 2012

Almost one-fifth of global FDI in 2012 was located in the BRIC countries. The five leading sectors in the BRICs in 2012 were the same as the five leading sectors for FDI worldwide, reflecting the importance of the BRICs on a global scale.

Business and financial services was the leading sector for FDI into the BRIC countries accounting for 21.79% of projects in 2012 and 18.45% of global FDI projects in the sector in 2012.

However, the BRICs' largest share of world FDI was in the chemicals, plastics and rubber sector, where the BRIC economies attracted nearly one-third of global FDI in the sector. The BRICs also attracted nearly one-quarter of global FDI in the food, beverages and tobacco sector in 2012, with an increase of 9.73% in project numbers from 2011.

Taxation and FDI

How much corporate tax multinational enterprises (MNEs) pay is one of the hottest issues in FDI, sparked off by revelations that coffee multinational Starbucks paid only £8.6m in corporation tax in its 14 years of trading in the UK, and nothing in the past three years, while the company had UK sales of nearly £400m in 2011.

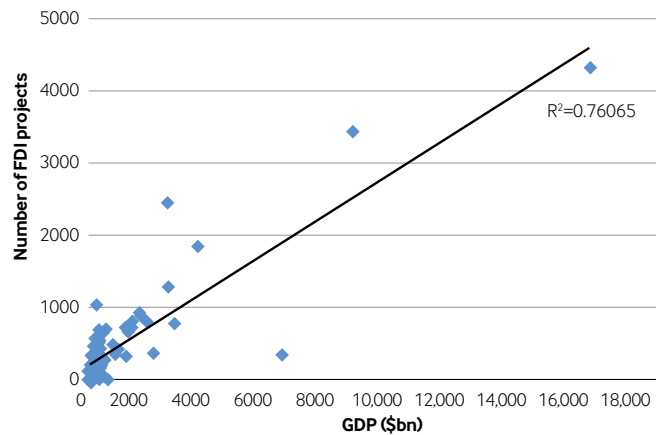
The G-20 subsequently commissioned the Organisation for Economic Co-operation and Development (OECD) to produce a study called Addressing Base Erosion and Profit Shifting. According to the OECD:

“...some multinationals use strategies that allow them to pay as little as 5% in corporate taxes when smaller businesses are paying up to 30%. OECD research also shows that some small jurisdictions act as conduits, receiving disproportionately large amounts of foreign direct investment compared with large industrialised countries and investing disproportionately large amounts in major developed and emerging economies” (OECD 2013)

Growing international condemnation of the low corporate taxes paid by MNEs takes place in the context of governments actually reducing the level of corporate tax imposed, especially in developed countries. On the one hand, governments need tax revenues while on the other hand they are competing to attract FDI, for which the level of corporate tax is seen as a key location determinant.

Graph 7

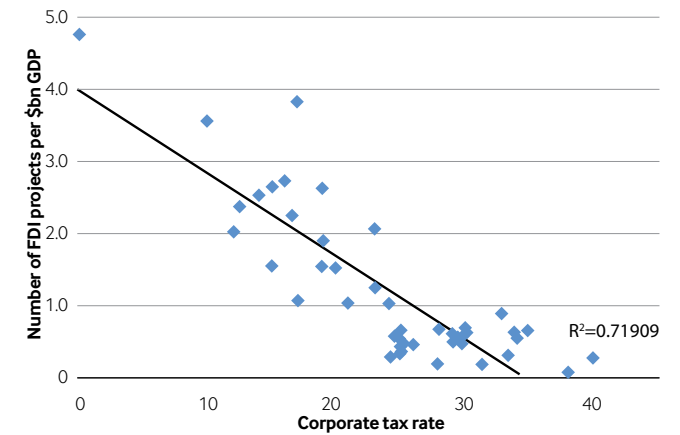
GDP (2011) AND FDI PROJECTS (2010-12) FOR 46 COUNTRIES



Source: fDi Intelligence

Graph 8

CORPORATE TAX RATE (2012) AND FDI/GDP (2010 TO 2012) FOR 46 COUNTRIES



Source: fDi Intelligence

It is therefore essential to understand how important corporate tax is for FDI decisions. To inform the answer to this question, **fDi** Intelligence has analysed the impact of corporate tax on greenfield FDI projects, which are most likely to be susceptible to differences in tax rates.

A sample of 46 countries was included, covering most of the largest economies in the world and biggest recipients of FDI. The 46 countries accounted for more than 80% of world GDP in 2011 and attracted more than 70% of FDI projects from 2010 to 2012. Graph 7 shows the correlation between GDP (the key indicator of market size) and number of FDI projects attracted. A strong correlation is found, which is to be expected as most FDI is market-seeking. The larger a country's GDP, the higher the number of FDI projects it attracts. Previous econometric studies of **fDi** Intelligence have found that GDP is also the most important determinant of FDI at a city level.

As GDP is the most important determinant of FDI, we correlated the corporate tax rate of each of the 46 countries with the number of FDI projects they attracted relative to size of their economy. Controlling for GDP allows the impact of corporate tax on FDI performance to be seen. Graph 8 shows a clear correlation between lower tax rates and stronger performance in attracting FDI relative to economic size. In fact, more than 70% of the variation in FDI performance can be explained by the level of corporate tax.

The strong relationship between tax and FDI has also been found at the city level. In 2011, **fDi** Intelligence conducted a study of 25 cities in Europe. It found that corporate tax, market size, labour costs, and agglomeration were the key determinants of FDI job creation. The study found that for every one percentage point decline in corporate tax, FDI job creation increases by at least 4%, depending on the starting level of corporate tax.¹

With the OECD now drawing up an action plan to quantify the corporate taxes lost and provide solutions to reinforce the integrity of the global tax system, any changes in the tax system are likely to have a significant impact on FDI.

¹ For an executive summary of the study see:
http://www.detini.gov.uk/attracting_fdi_executive_summary.pdf

Conclusions and forecast

Any signs of a global recovery in FDI came to an end in 2012. The number of FDI projects declined by more than 16% in 2012 very much in alignment with the decline in official FDI capital flows of 18% in 2012, as recently announced by UN Conference on Trade and Development.² Foreign investors remained very cautious about recovery in the world economy, in particular due to the debt crisis in Europe and the slowdown in growth in China and Brazil.

In 2012, the US remained both the major recipient of FDI projects and the leading outward investor. The major sector for FDI projects globally was business and financial services in 2012.

Asia-Pacific remained the leading region, attracting more than 31% of global FDI projects in 2012, despite a decline in FDI projects to Asia-Pacific of almost 15%.

In Europe, FDI projects fell by more than 20%, with the biggest decline in Germany. Spain and Poland were the only two major countries to experience a rise in investment, although project numbers are far below their pre-recession peak.

North America weathered the global market conditions best in 2012, with a 9.48% decline in FDI projects, with the steepest declines in Georgia and North Carolina. However, many states did continue to grow their volume of FDI, benefiting from growth in FDI in transport equipment, driven by recovery in the US automotive sector. Outward FDI from US enterprises declined by more than 15%, with the biggest decline from Texan enterprises followed by Michigan and Connecticut.

The Latin America and Caribbean region ended its FDI growth story in 2012, with a large 19.52% decline in FDI projects, driven by 45% fewer projects in Argentina. Chile was the only country to see an increase in FDI projects, with substantial growth of more than 25%. Chile also overtook Argentina for the first time to become the fourth leading location in Latin America and Caribbean in 2012. Outward FDI from the region declined even more than inward FDI, with a 31% fall in FDI overseas. All countries experienced a decline in FDI overseas, with the exception of Argentina, which experienced rapid growth in FDI overseas.

The Middle East and Africa performed better than the world average in 2012, but still experienced an 11.78% decline in FDI projects. Many sectors actually achieved growth in the Middle East in Africa in 2012, with the fastest growth in transportation, warehousing, and storage; ICT; engines, turbines and industrial machinery; and in the real estate and tourism sector. The Middle East and Africa was also the only region of the world to experience a growth in outward FDI of more than 9% in 2012. This was driven by growth in overseas FDI from the UAE, South African and Saudi Arabian enterprises. The key driver has been the growth in intraregional FDI in the Middle East.

The BRIC economies, while accounting for nearly one-fifth of global FDI, are declining in global importance as the volume of FDI declines in the BRICs with slower economic growth and with other emerging markets gathering steam.

The global debate taking place over corporate tax is likely to have a significant impact on FDI. In this year's **fDi** Report we showed a very strong correlation between FDI performance and corporate tax rates. Any moves to change the European/global tax system may have a major impact on the future location on FDI.

FDI forecast for 2013

For 2013, world GDP growth is expected to be lower than in 2012, with economic sclerosis in Europe and expected slower growth in the US and many emerging markets. This will impact negatively on FDI decisions as will the continued debt crisis in Europe and uncertainty over budgets in the US.

We therefore expect a sharp decline in greenfield FDI of about 20% in 2013, with all regions of the world impacted.

We expect most locations will struggle to maintain their 2012 levels of FDI. While in previous years there were growth industries such as creative industries or renewable energy helping to keep up overall FDI volumes, in 2013 we do not see any industry offering strong growth prospects – with perhaps the exception of oil and gas and heavy industry in North America and in other countries commercialising their shale gas deposits on a large scale.

Robust and sustained growth in FDI will require a resolution of the debt crisis in Europe, policy certainty in the US, and greater political stability in the Middle East and parts of Africa. Effective policy responses to the economic and political challenges being faced by major emerging markets such as Brazil also need to be found. The FDI market is therefore only likely to grow again in 2014 at the earliest.

² See http://unctad.org/en/PublicationsLibrary/webdiaeia2013d1_en.pdf



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About fDi Intelligence

fDi Intelligence is a specialist division of The Financial Times Ltd established to provide industry leading insight into globalisation with a portfolio of world-class products, services and business tools that allow organisations such as investment promotion agencies, companies, services providers and academic institutions to make informed decisions regarding foreign direct investment and associated activities.

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fDi Markets – the only online database tracking crossborder greenfield investment covering all sectors and countries worldwide. It provides real-time monitoring of investment projects, capital investment and job creation with powerful tools to track and profile companies investing overseas.

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