

# **Trade, Foreign Direct Investment in Latin America and Global Value Chains: An International Integration Strategy for Latin America**

## **GLOBAL TRENDS IN FDI**

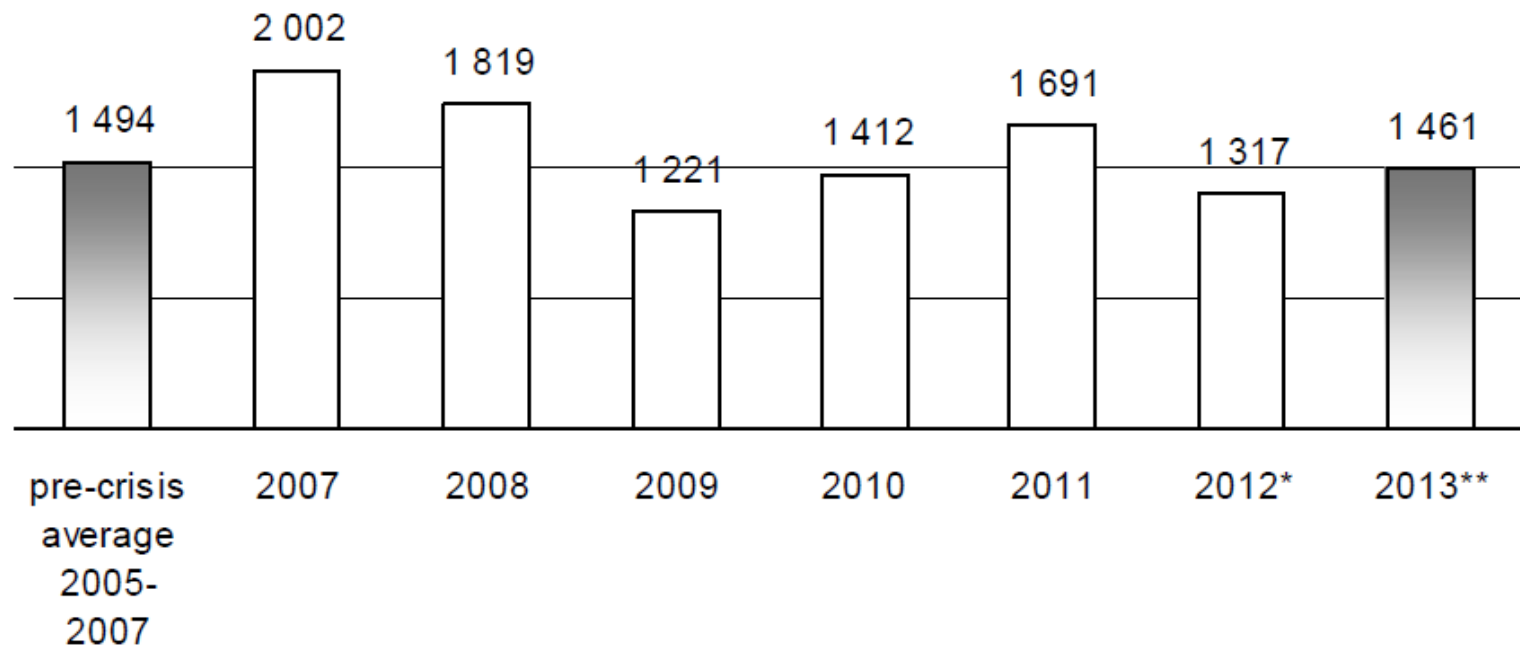
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**ECLAC – SANTIAGO DE CHILE**  
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# 1. Trends in FDI

Global FDI inflows rose by 11% in 2013 to an estimated US\$1.46 trillion, a level comparable to the pre-crisis average

**Global FDI inflows, average 2005–2007, 2007–2013**  
(Billions of US dollars)



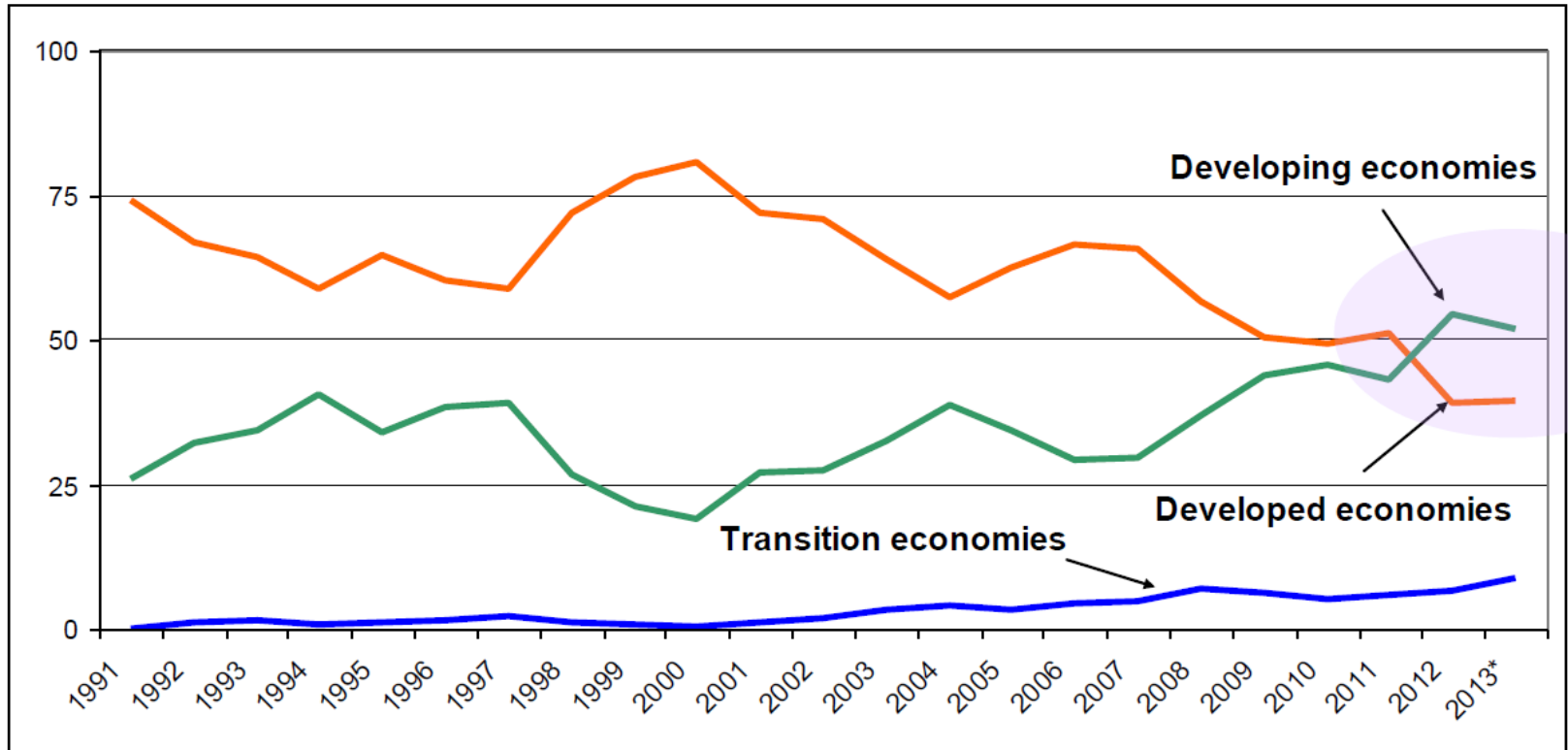
**Source:** UNCTAD's Global Investment Trends Monitor (January 2014).

\* Revised.

\*\* Preliminary estimates.

# Developed economies are trapped at a historically low share

## FDI inflow shares by major economic groupings, 1991–2013 (Per cent)



Source: UNCTAD's Global Investment Trends Monitor (January 2014).

\* Estimates.

# TTIP accounts for 30 per cent of global in-flows

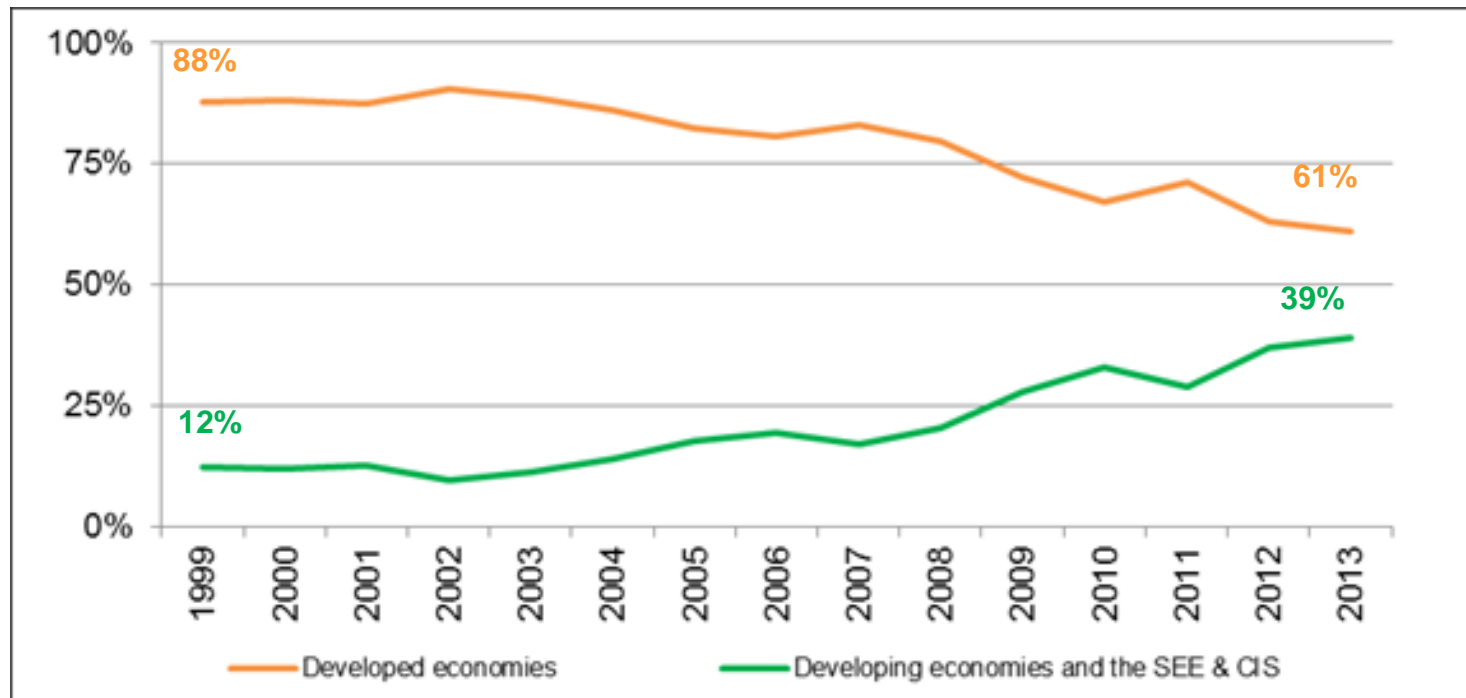
**FDI inflows to selected regional and inter-regional groups, average 2005-2007, 2008–2013**  
(Billions of US dollars)

Regional / inter-regional groups	2005-2007 average	2008	2009	2010	2011	2012	2013
G20	879	992	629	740	887	712	789
APEC	559	809	486	656	781	699	757
TTIP	834	852	502	573	700	375	444
TPP	362	523	276	379	466	404	413
RCEP	195	293	227	284	350	329	326
BRICS	158	284	201	237	286	267	322
NAFTA	279	396	183	249	290	226	260
ASEAN	64	51	48	98	110	113	116
MERCOSUR	31	59	30	61	85	85	83
<b>Memorandum: percentage share in world FDI flows</b>							
G20	59	55	52	52	52	54	54
APEC	37	44	40	46	46	53	52
TTIP	56	47	41	41	41	28	30
TPP	24	29	23	27	28	31	28
RCEP	13	16	19	20	21	25	22
BRICS	11	16	16	17	17	20	22
NAFTA	19	22	15	18	17	17	18
ASEAN	4	3	4	7	7	9	8
MERCOSUR	2	3	2	4	5	6	6

**Source: UNCTAD's Global Investment Trends Monitor (January 2014).**

Investment by South TNCs reached a record level, accounting for 39% of global FDI outflows.

The share of FDI outflows by major economic groupings, 1999-2013  
(Per cent)



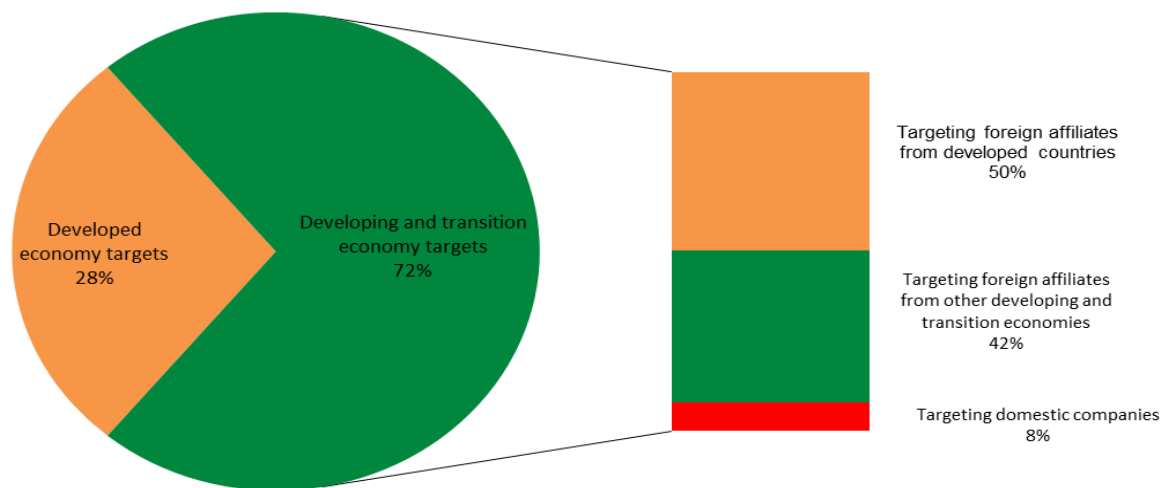
Source: UNCTAD's Global Investment Trends Monitor (April 2014).

\* Estimates.

# TNCs from the South targeted developed country foreign affiliates in the developing world

## Distribution of gross cross-border M&As purchases by developing and transition economy-based TNCs, 2013

(Per cent)



**Source:** UNCTAD's Global Investment Trends Monitor (April 2014).

*Note:* "Gross" refer to all cross-border M&As. Cross-border M&As reported by UNCTAD is on a "net" basis which takes into account divestments.

# Selected key performance indicators, foreign affiliates of TNCs, 2012

International production continues to grow at a steady pace

	<u>Change vs. 2011</u>
72 million of employees	+6%
\$26 trillion of sales	+7%
\$7 trillion of value added (~9% of global GDP)	+6%
\$87 trillion of managed assets	+4%

International production of TNCs continues to expand at a steady rate because FDI flows, even at lower levels, add to the existing FDI stock



# Sovereign wealth funds (SWFs) show significant potential for investment in development

## SWFs as FDI actors

... roughly \$6 trillion in assets under management ...

... cumulative FDI of only \$125 billion to date ...

... of which only a quarter in developing countries

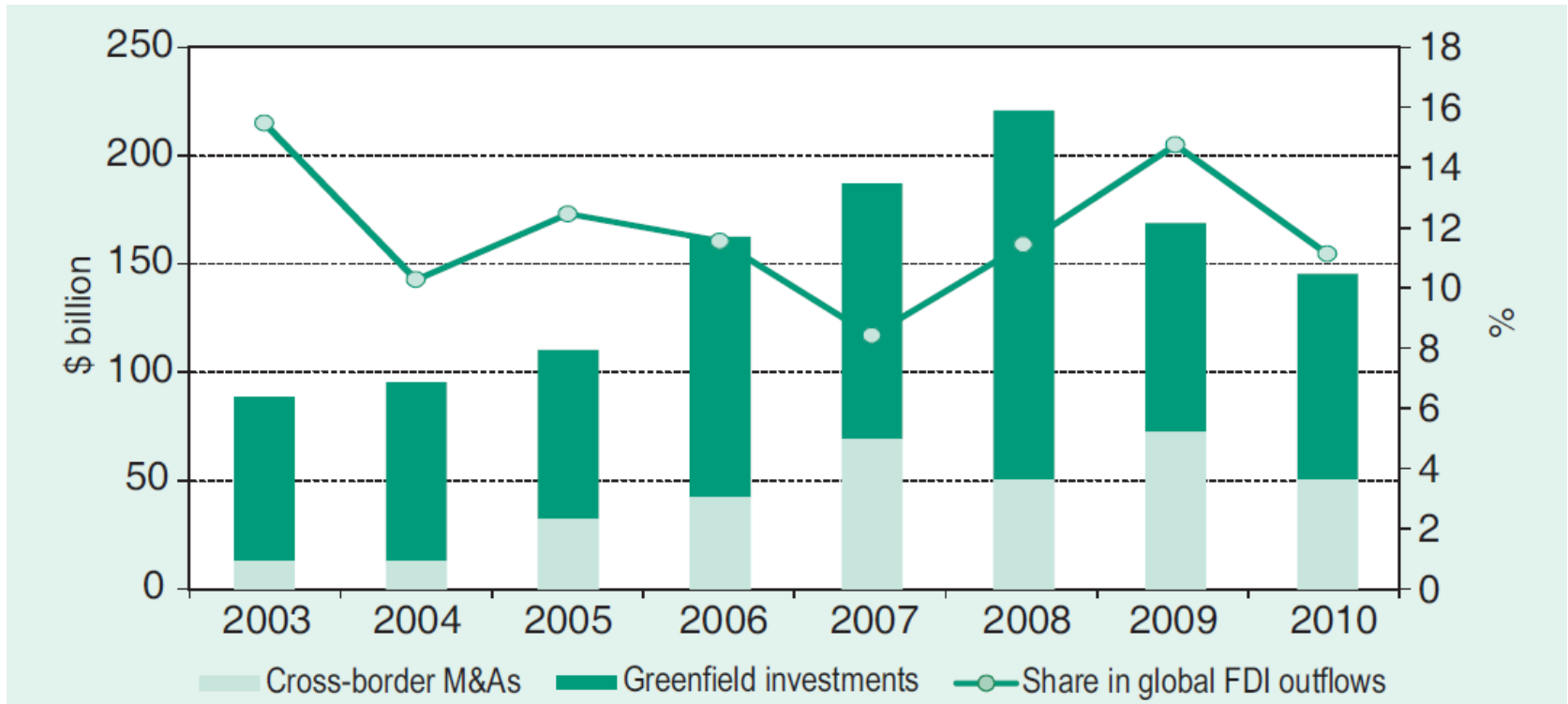
## Significant future potential

... long-term and strategically oriented investment outlook...

... large scale holdings ...

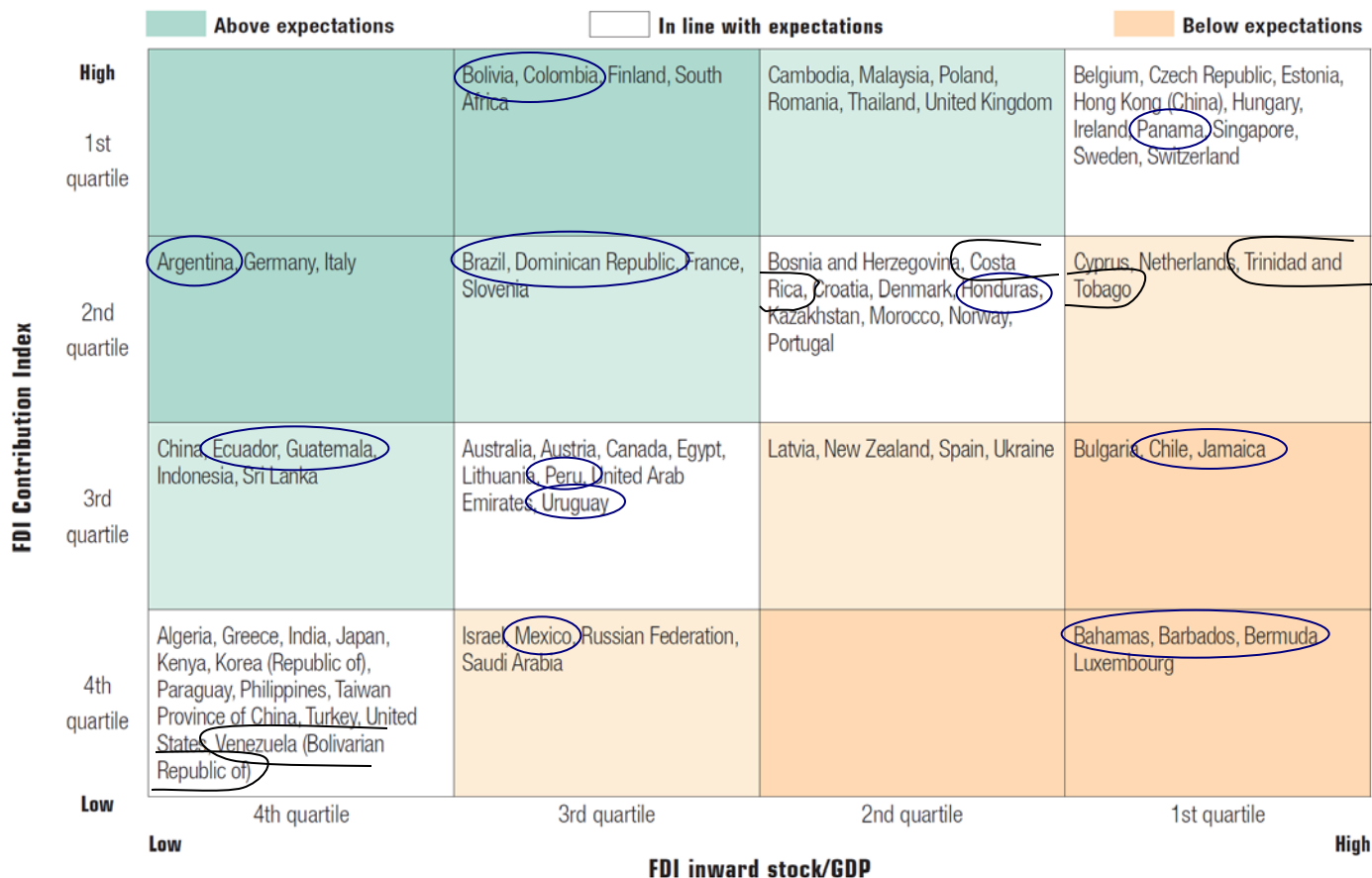
... well placed to invest in productive activities and infrastructure

# State-owned TNCs are an important emerging source of FDI



# UNCTAD's new FDI Contribution Index\* highlights differing economic development impact “per unit of FDI”

## FDI Contribution Index vs FDI presence matrix, 2011 (Quartiles)



\* Based on the significance of FDI (foreign affiliates) in their economy in terms of value added, employment, exports, tax revenues, wages and salaries, R&D expenditures and capital expenditures. 12

# Comparable?: Comparability at the bilateral level

## Imbalance of FDI inflows as reported by host and home countries, 2012

(Millions of dollars)

Investing economy	Argentina		Brazil		Chile		Colombia		Peru	
	As reported by Argentina	As reported by the investing country	As reported by Brazil	As reported by the investing country	As reported by Chile	As reported by the investing country	As reported by Colombia	As reported by the investing country	As reported by Peru	As reported by the investing country
Brazil	471	247	-	-	448	1 092	355	329	-	40
Chile	1 253	3 239	2 180	1 640	-	-	3 078	548	17	944
China	274	743	325	194	76	26	21	84	60	- 49
Colombia	25	13	-	194	728	222	-	-	36	193
Korea, Republic of	- 5	3	1 047	917	-	12	48	87	-	51
Malaysia	- 19	-	-	-	-	-	0	-	-	-
Russian Federation	- 2	5	-	3	-	-	-	-	-	- 0
Turkey	- 6	-	-	26	-	-	-	-	-	-
<i>Memorandum</i>										
France	474	62	2 760	2 475	- 8	149	250	19	-	3
Germany	539	495	1 171	2 607	222	299	287	247	-	-
Japan	- 53	70	1 255	4 116	1 860	910	61	21	4	- 4
Spain	- 1 253	387	2 073	1 249	4 052	- 708	903	- 442	178	1 000
United States	2 031	1 371	13 509	7 942	4 376	4 498	2 480	2 001	-	1 624

Source: UNCTAD, FDI/TNC database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

# Comparable?: Comparability at the bilateral level

## Imbalance of FDI inflows as reported by host and home countries, 2012

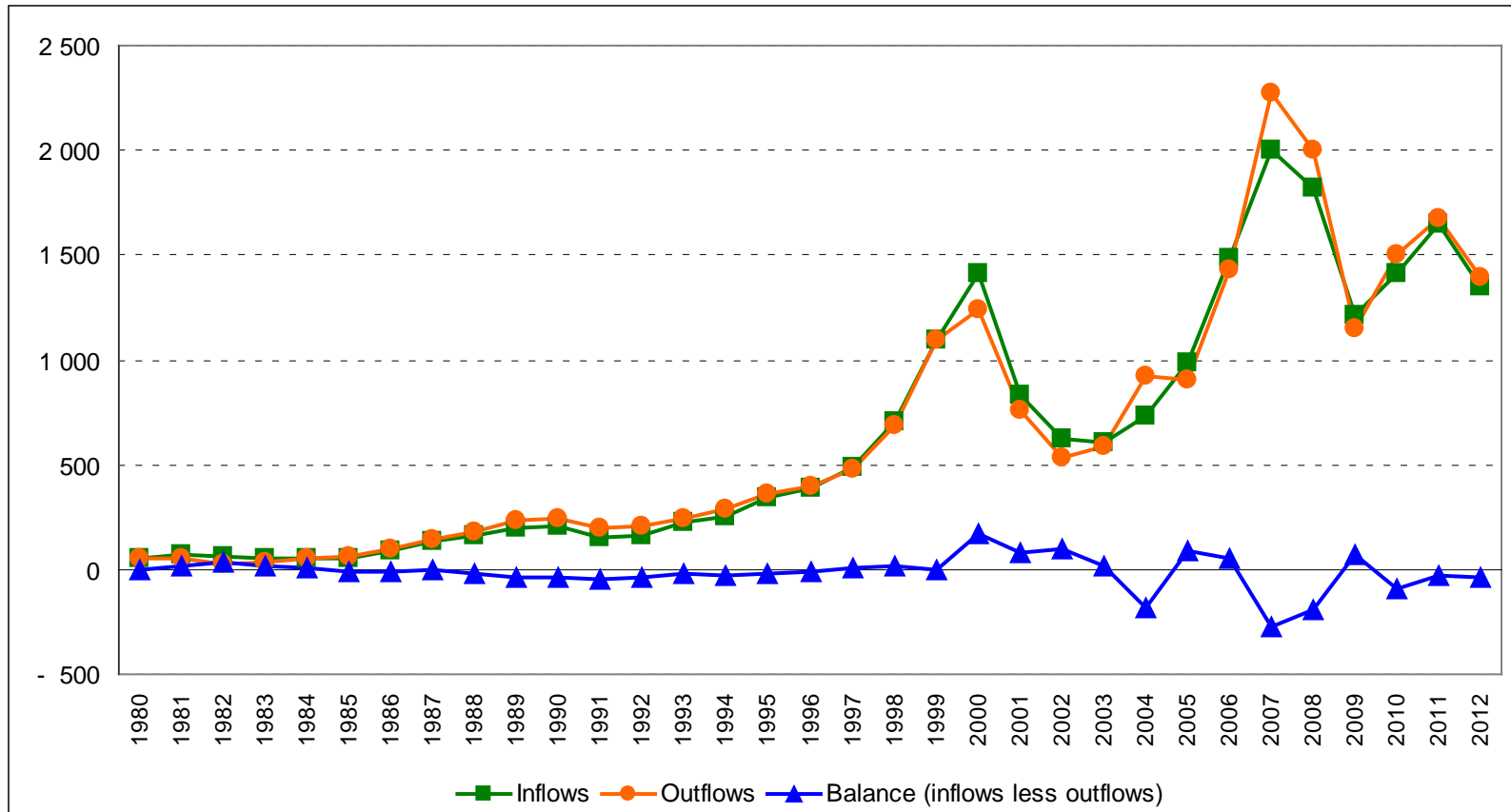
(Millions of dollars)

Investing economy	Costa Rica		Guatemala		Honduras		Mexico		Panama	
	As reported by Costa Rica	As reported by the investing country	As reported by Guatemala	As reported	As reported by Honduras	As reported	As reported by Mexico	As reported by Panama	As reported	
				by the investing country		by the investing country			by the investing country	
Brazil	92	-	-	-	-	-	67	558	123	124
Chile	- 6	62	-	-	-	-	23	176	35	149
China	5	-	0	-	-	-	83	100	4	1
Colombia	112	303	48	88	21	151	13	430	278	775
Costa Rica	-	-	25	44	38	0	24	- 0	52	17
Denmark	-	-	-	-	-	-	188	- 69	- 31	-
El Salvador	- 1	-	6	0	25	0	-	-	4	-
Finland	-	-	-	-	-	-	5	- 26	-	6
France	5	0	-	0	12	-	399	349	30	28
Germany	- 10	-	29	-	32	-	787	1 036	57	-
Guatemala	10	-	-	-	51	-	8	-	24	-
Honduras	1	-	23	-	-	-	1	-	1	-
Italy	118	42	-	- 105	12	20	192	- 115	33	110
Japan	- 10	-	-	- 3	-	-	1 812	1 025	71	- 530
Korea, Republic of	16	0	35	- 1	5	- 2	130	430	28	89
Mexico	346	-	96	-	192	-	-	-	133	-
Panama	12	-	27	-	22	-	84	-	-	-
Portugal	-	-	-	-	-	-	12	15	-	-
Russian Federation	-	1	134	-	-	-	2	- 0	-	6
Spain	318	140	§	-	2	-	- 819	- 3 297	263	-
Sweden	-	0	-	0	-	0	180	- 73	22	0
Switzerland	- 3	- 197	29	- 15	86	-	275	868	204	-
United Kingdom	12	-	74	-	93	-	441	894	- 280	39
United States	1 051	37	227	-	173	65	8 514	12 628	552	- 162

Source: UNCTAD, FDI/TNC database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

# Comparable?: Comparability at the global level

## Imbalance between world FDI inflows and outflows, 1980-2012



# Useful?: Funds moved from parent firms to their foreign affiliates, not representing the use of funds

**Capital expenditures of United States foreign affiliates abroad and FDI outflows from the United States, 2009-2011**  
(Millions of dollars)

Host country	2009		2010		2011	
	Capital expenditures <sup>a</sup>	FDI outflows	Capital expenditures <sup>a</sup>	FDI outflows	Capital expenditures <sup>a</sup>	FDI outflows
<b>Total world</b>	167 066	266 955	166 384	304 399	189 892	396 656
<i>of which:</i>						
Argentina	3 740	1 012	2 922	- 2 308	3 477	2 801
Bahamas	62	1 754	68	2 273	237	3 378
Barbados	111	838	0	1 320	0	4 345
Bermuda	0	29 963	528	16 359	595	26 332
Bolivia	38	202	46	0	62	0
Brazil	8 334	2 991	8 512	8 829	9 382	9 805
British Virgin Islands	1 598	7 020	620	9 013	652	16 147
Chile	1 604	1 257	1 783	4 337	2 167	4 274
Colombia	1 020	880	1 044	94	1 063	544
Costa Rica	189	- 181	188	- 124	260	71
Dominican Republic	66	313	153	225	176	426
Ecuador	49	185	55	99	83	109
El Salvador	120	135	177	170	68	112
Guatemala	95	86	129	101	67	39
Honduras	23	3	30	156	69	- 78
Jamaica	12	- 251	10	- 22	19	- 6
Mexico	5 132	8 191	5 235	414	5 641	8 310
Panama	193	778	243	- 814	195	- 130
Paraguay	25	0	47	0	84	0
Peru	607	756	919	758	1 258	1 464
Uruguay	49	- 13	35	- 40	39	40
Venezuela	363	2 095	467	814	501	2 324

Source: UNCTAD, FDI/TNC database ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)).

<sup>a</sup> Capital expenditures by majority-owned non-bank foreign affiliates.

# Useful?: Tracing immediate source and destination only

**Inward FDI stock in the United States, selected countries, 2011 and 2012**  
(Millions of dollars)

Economy	2011		2012	
	By immediate country	By country of ultimate beneficial owner	By immediate country	By country of ultimate beneficial owner
Argentina	268	734	209	769
Australia	52 522	55 241	42 685	51 051
Bahamas	2 228	223	2 876	232
Barbados	1 006	36	705	60
Bermuda	4 670	14 708	2 324	14 200
Bolivia	11	2	- 17	2
Brazil	5 095	12 685	3 590	14 016
British Virgin Islands	51 012	747	58 584	- 329
Canada	210 792	244 000	225 331	261 133
Chile	361	669	414	933
Colombia	934	1 839	779	1 837
Ecuador	66	206	40	139
Grenada	8	1	8	1
Guatemala	- 19	18	- 28	18
Guyana	- 2	1	- 2	1
Honduras	- 22	1	- 35	1
Hong Kong, China	4 915	9 026	6 283	8 965
Japan	291 053	294 759	308 253	309 383
Luxembourg	192 860	18 609	202 338	20 969
Mexico	13 051	27 214	14 883	29 175
Panama	1 135	367	1 003	483
Russian Federation	6 474	7 042	6 280	7 338
Singapore	24 207	21 200	26 244	22 113
South Africa	943	2 948	1 465	3 228
Spain	46 177	50 166	47 352	51 894
Sweden	39 388	37 484	42 387	41 449
Switzerland	202 220	135 295	203 954	126 007
Uruguay	427	217	399	234
Venezuela	4 038	4 275	4 638	4 934

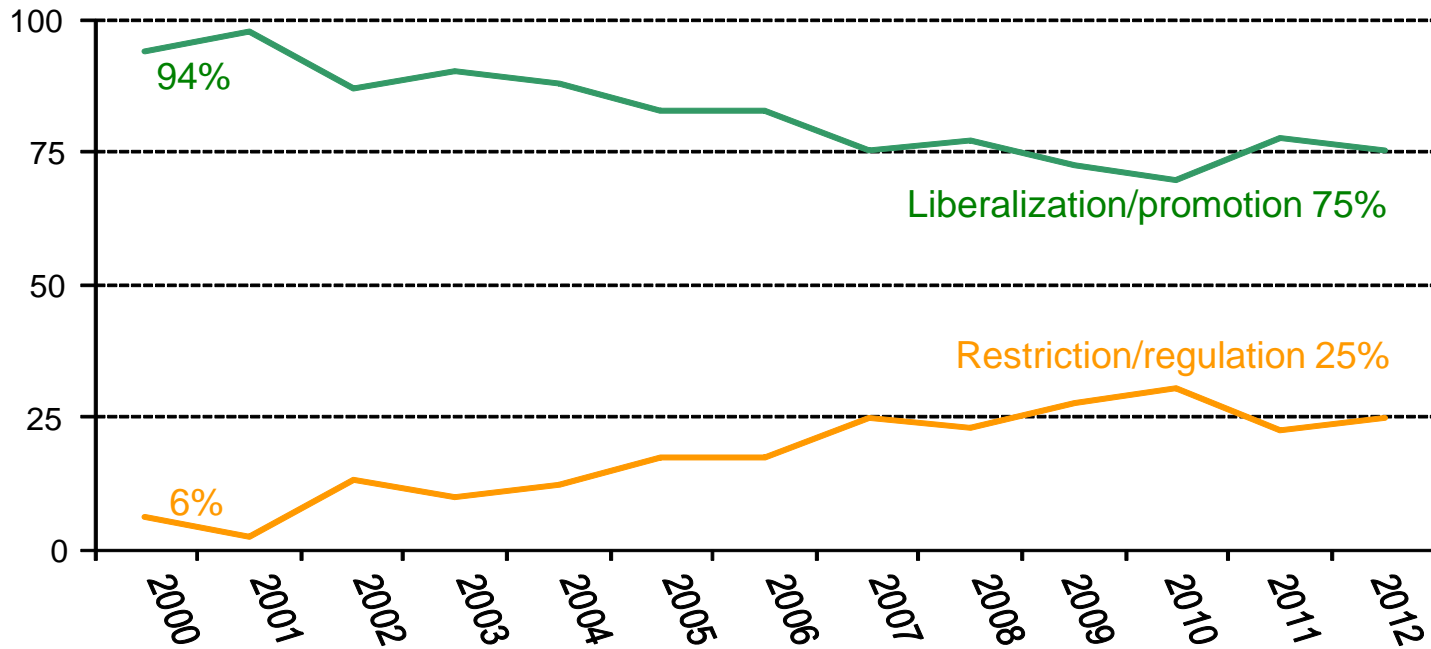
Source: United States Department of Commerce, Bureau of Economic Analysis.



## **2. Trends in IIAs**

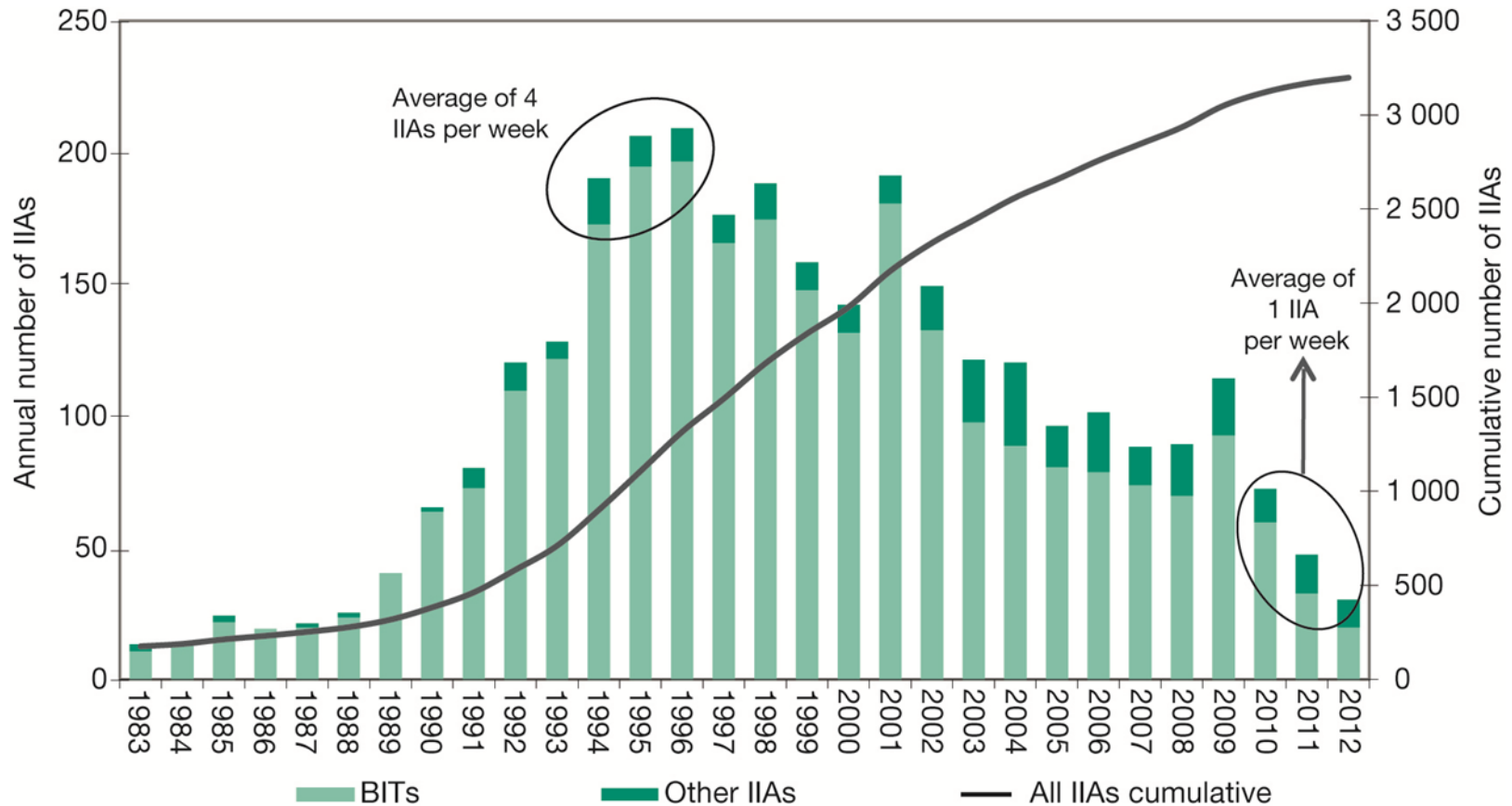
# Most countries remain keen to attract FDI while becoming more selective and reinforcing regulatory frameworks

Changes in national investment policies, 2000–2012  
(Per cent)



# Investment policy making at a crossroads: the number of newly signed IIAs continues to decline

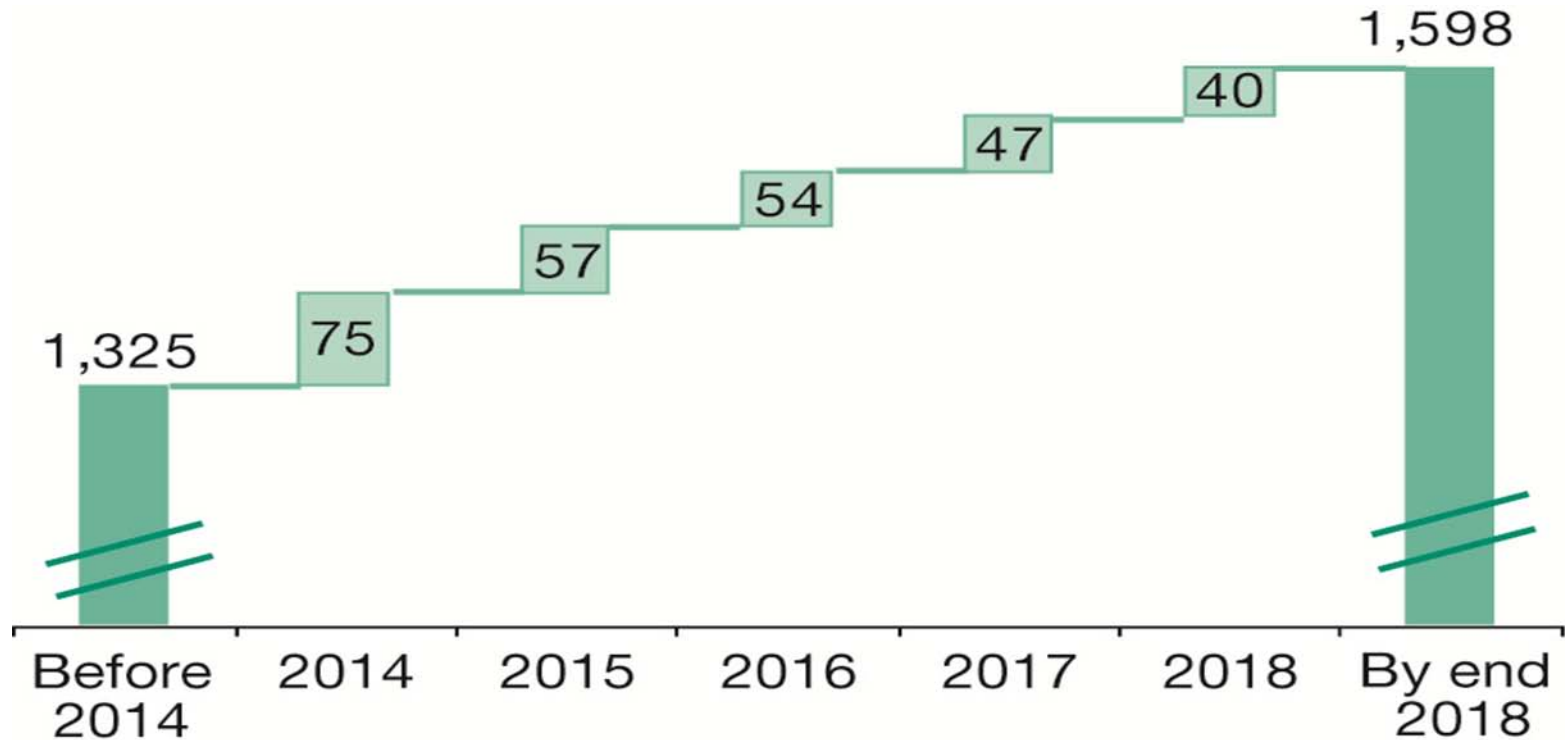
Trends in IIAs, 1983–2012



Source: UNCTAD's World Investment Report (2013)

# More than 1,300 BITs are now at the stage where they could be terminated or renegotiated at any time

Cumulative number of BITs that can be terminated or renegotiated



*Treaty expiration provides window of opportunity for improving the IIA regime.*

Source : UNCTAD.

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