

# Recent trends and developments in FDI in the Asia-Pacific region

Meeting of the Asia-Pacific Foreign Direct Investment Network for Least  
Developed and Landlocked Countries

29 November , 2012

Bangkok, Thailand



# Outline

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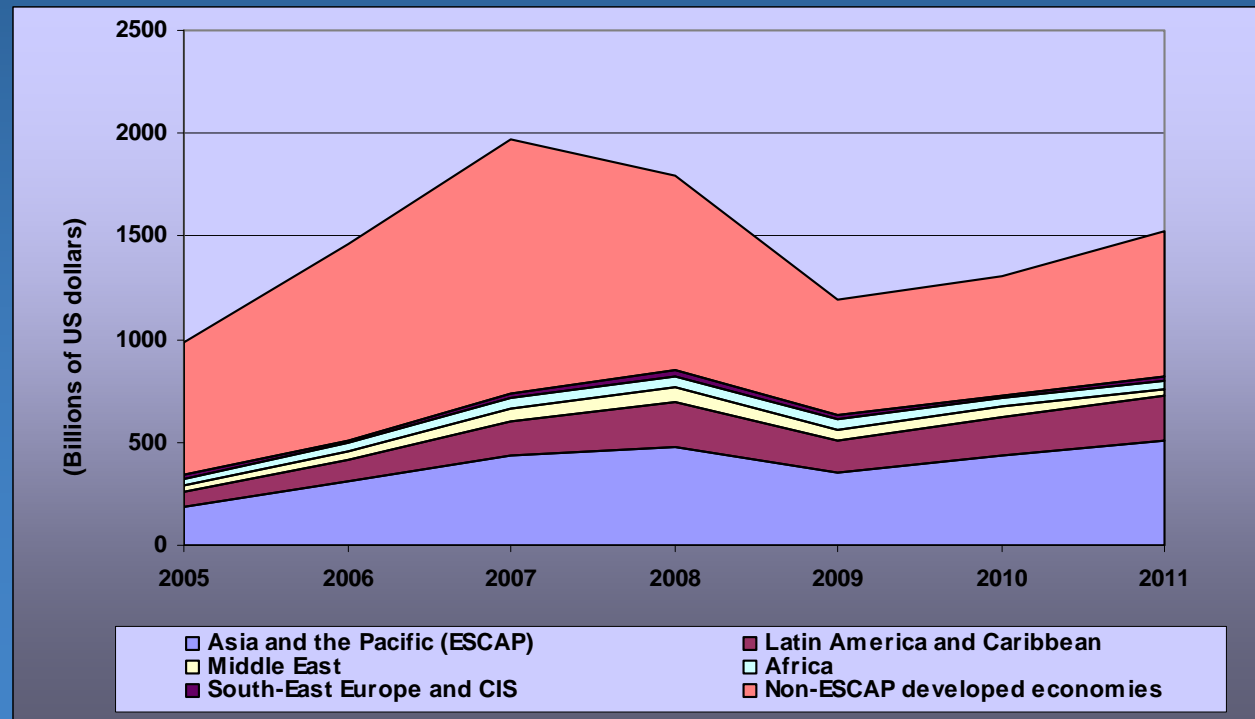
- Global trends
- Main trends in the Asia-Pacific region
- Subregional trends
  - East and North-East Asia
  - South-East Asia
  - South and South-West Asia
  - North and Central Asia
  - Least Developed Countries (LDCs)
  - Landlocked Developing Countries (LLDCs)
- Intraregional FDI
- Conclusions



# Global trends

- After having hit a peak of close to \$2 trillion in 2007, world FDI inflows began to decline in 2008 due to the global financial crisis. Inflows rebounded in 2010 and continued to increase in 2011 by 16%.
- In 2011 FDI inflows to developed countries grew more than those to developing countries, however, in the first half of 2012 developing countries for the first time attracted over half of global FDI.
- Global FDI outflows grew by 17% in 2011, driven mainly by the increase in outflows from developed countries, which remain the main suppliers of global FDI outflows.

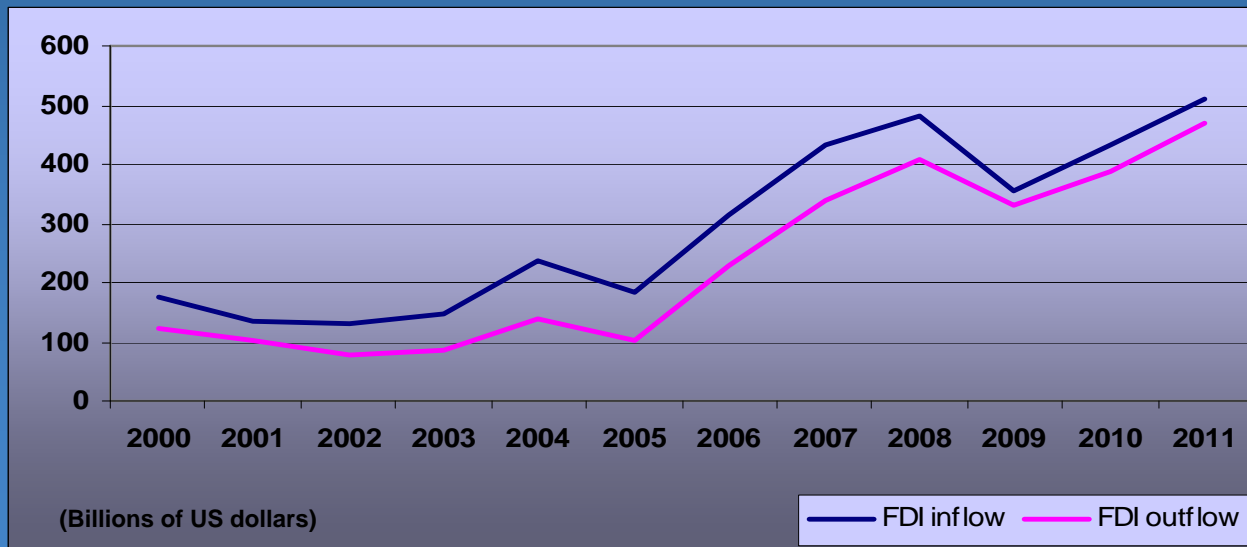
FDI inflow by world regions, 2005-2011



# Asia-Pacific region

- FDI inflows to the region have grown from \$131 billion in 2002 to \$509 billion in 2011. The Asia-Pacific region accounts for a third of global FDI inflows.
- The recent recovery in FDI inflows can be threatened by a deepening recession in Europe, volatile capital flows, or a marked slowdown of the Chinese or Indian economy.
- In the Asia-Pacific region, the five largest industries attract close to half of greenfield FDI inflows to the region.

**Total FDI inflows and outflows to and from the Asia-Pacific region, 2000-2011**



**Top 5 sectors attracting greenfield FDI, 2009-2011**

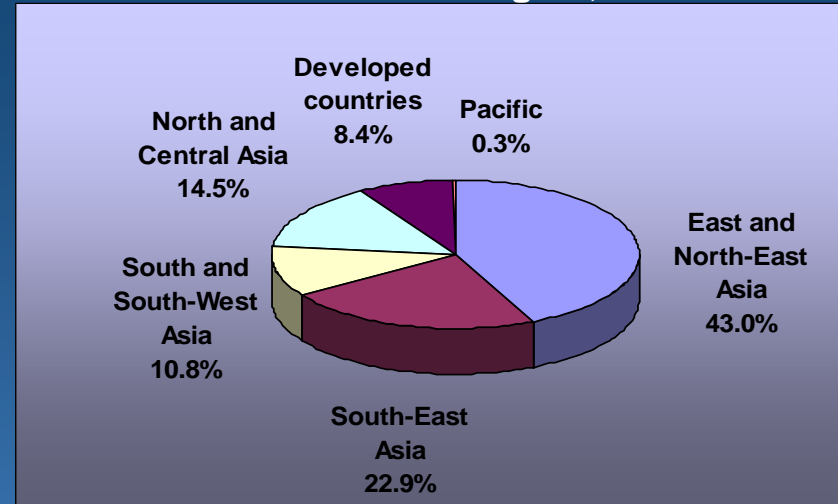
Sectors	Share of total greenfield FDI
Coal, oil and natural gas	17.5%
Metals	9.2%
Automotive OEM	6.5%
Real estate	6.3%
Chemicals	5.9%

Note: OEM=original equipment manufacture

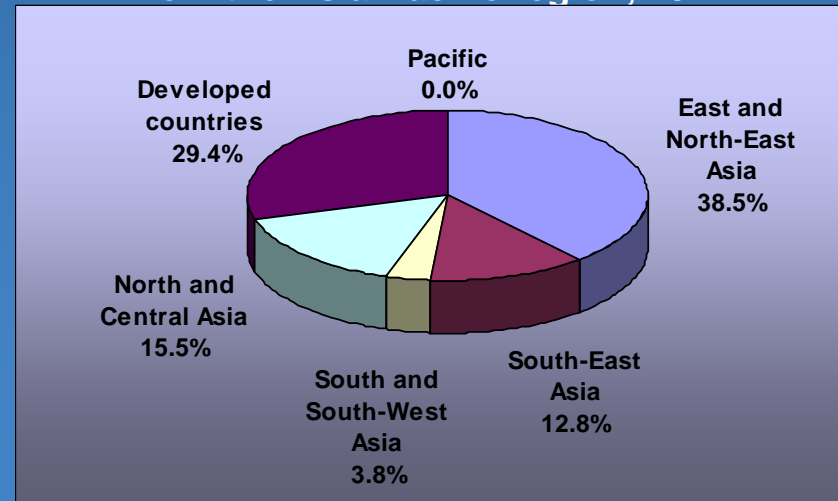
# Asia-Pacific region cont.

- When comparing subregions, the East and North-East Asian subregion is the largest especially in attracting FDI inflows.
- Among the developing countries in the Asia-Pacific region, five economies stand out in terms of attracting FDI inflows. These five “FDI giants” consist of China; Hong Kong, China; India; The Russian Federation and Singapore. They also account for a large share of the outflows from the developing Asia-Pacific region.
- The developed countries in the region are an important source of FDI outflows.

**Subregional shares of total FDI inflows to the Asia-Pacific region, 2011**



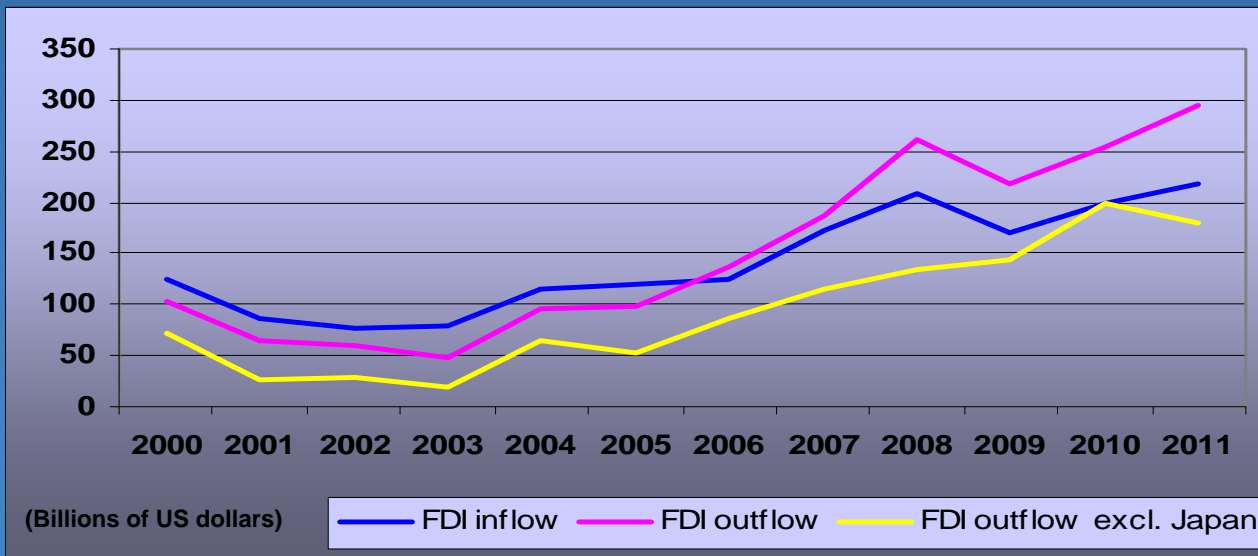
**Subregional shares of total FDI outflows from the Asia-Pacific region, 2011**



# East and North-East Asia

- Total FDI inflows to the East and North-East Asian subregion have bounced back following a dip in 2009. In 2011, inflows to the subregion exceeded the previous peak of 2008.
- China is the largest recipient of FDI flows and surpassed the United States to become the main destination for global FDI inflows in the first half of 2012.
- Due to large FDI outflows from Japan, outflows from the subregion have been larger than inflows to the subregion since 2006.

**Total FDI inflows and outflows to and from the East and North-East Asian subregion, 2000-2011**



**Top 5 sectors attracting greenfield FDI, 2009-2011**

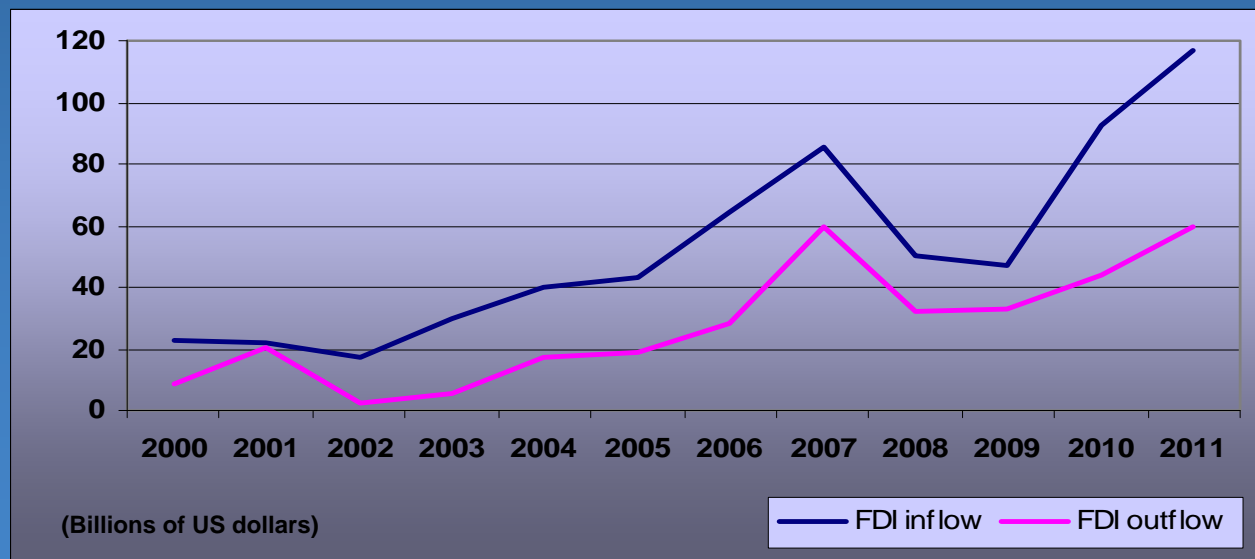
Sectors	Share of total greenfield FDI
Chemicals	9.1%
Automotive OEM	8.5%
Electronic components	8.3%
Financial services	8.2%
Transportation	7.7%

Note: OEM=original equipment manufacture

# South-East Asia

- Singapore remains the main destination for FDI in the subregion and FDI flows to the country have grown both in 2010 and 2011. However, there has been a more variation in inflows among other South-East Asian countries.
- FDI outflows from the subregion lag behind inflows. Recent growth in outflows has been driven by increasing greenfield investments from Indonesia and an increase in cross-border mergers and acquisitions (M&As) from Thailand.

**Total FDI inflows and outflows to and from the South-East Asian subregion, 2000-2011**



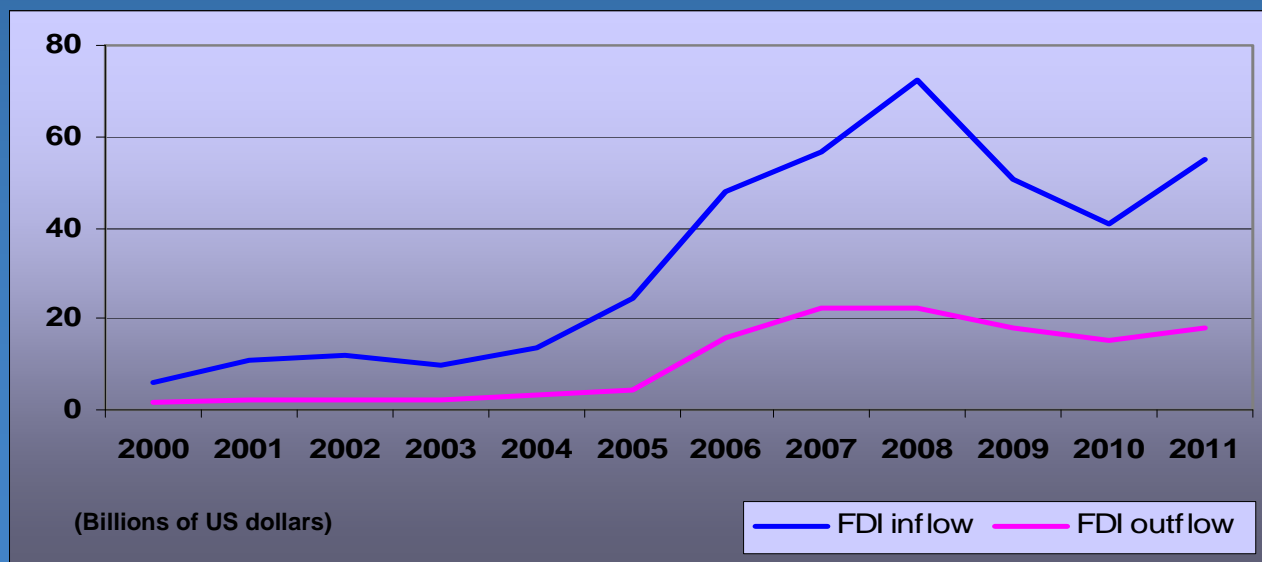
**Top 5 sectors attracting greenfield FDI, 2009-2011**

Sectors	Share of total greenfield FDI
Coal, oil and natural gas	25.1%
Metals	13.8%
Real estate	6.3%
Chemicals	5.5%
Financial services	5.1%

# South and South-West Asia

- FDI inflows to the South and South-West Asian subregion began to recover in 2011.
- India attracts over 57% of the FDI to the subregion followed by Turkey and the Islamic Republic of Iran.
- FDI outflows from the subregion are considerably lower than inflows. Over 80% of all outflows from the subregion originate in India, although outflows from Turkey and Pakistan grew in 2011.

**Total FDI inflows and outflows to and from the South and South-West Asian subregion, 2000-2011**



**Top 5 sectors attracting greenfield FDI, 2009-2011**

Sectors	Share of total Greenfield FDI
Coal, oil and natural gas	15.6%
Metals	13.9%
Automotive OEM	9.0%
Communications	6.0%
Real estate	5.1%

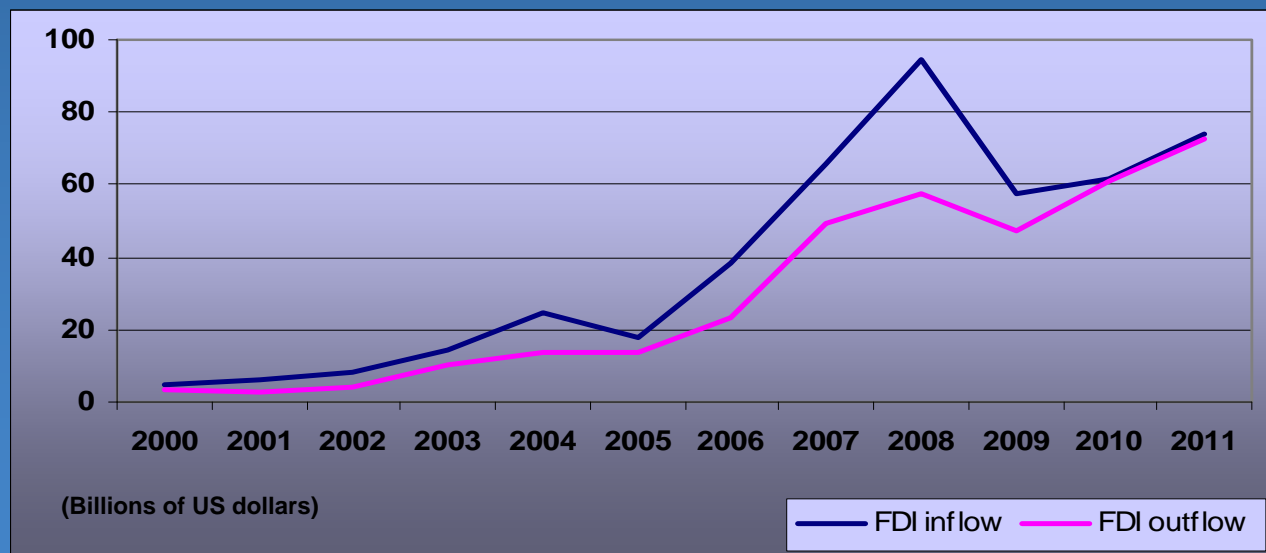
Note: OEM=original equipment manufacture



# North and Central Asia

- FDI inflows resumed growth in 2010 and grew by 20% in 2011.
- The Russian Federation continues to be both the largest destination and source of FDI flows in the subregion. However, after robust growth in 2010 and 2011, FDI inflows to the Russian Federation show a 39% decline in the first half of 2012.
- The Russian Federation together with Kazakhstan account for nearly all of the outward FDI from the subregion.

**Total FDI inflows and outflows to and from the North and Central Asian subregion, 2000-2011**



**Top 5 sectors attracting greenfield FDI, 2009-2011**

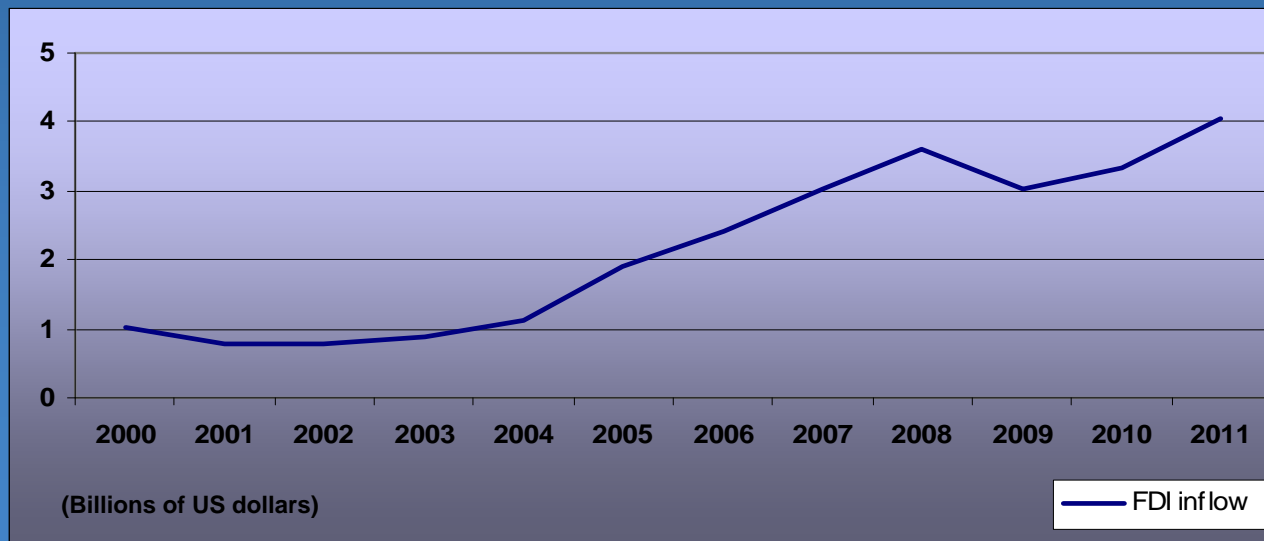
Sectors	Share of total greenfield FDI
Coal, oil and natural gas	18.3%
Real estate	10.3%
Automotive OEM	9.6%
Metals	5.5%
Transportation	4.9%

Note: OEM=original equipment manufacture

# Least Developed Countries

- The role of least developed countries (LDCs) remains marginal with a share less than 1% of total inflows to the Asia-Pacific region.
- FDI inflows to LDCs dropped in 2009, but have increased since by 10% in 2010 and 22% in 2011.
- Bangladesh attracted the most FDI in 2011 with a share of slightly over a quarter followed by Cambodia and Myanmar.
- FDI outflows from LDCs are negligible.

**Total FDI inflows and outflows to and from the Least Developed Countries, 2000-2011**



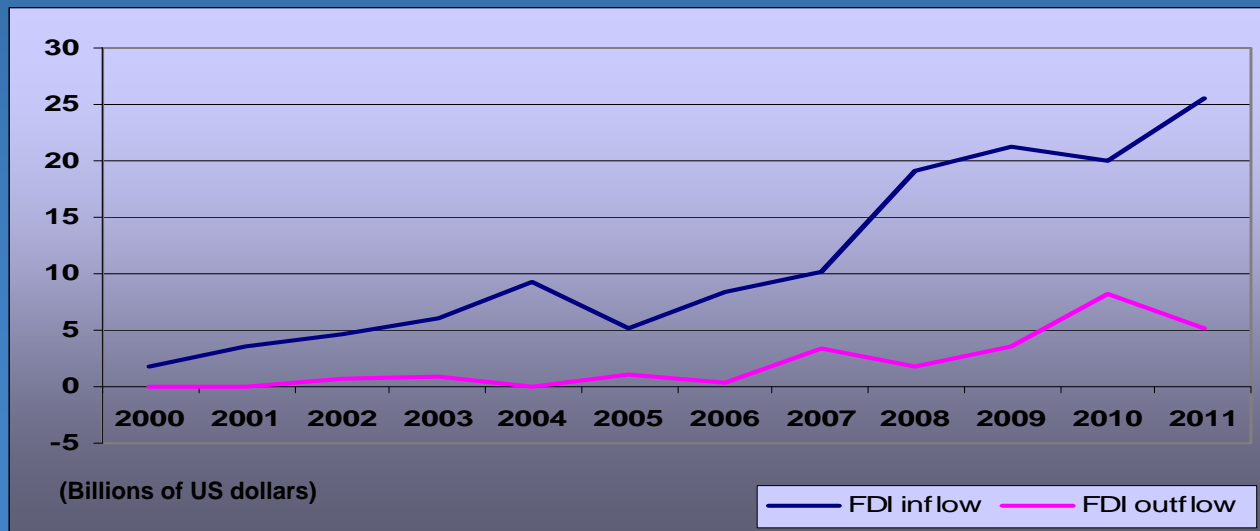
**Top 5 sectors attracting greenfield FDI, 2009-2011**

Sectors	Share of total Greenfield FDI
Coal, oil and natural gas	24.2%
Metals	18.0%
Financial services	12.2%
Hotels & tourism	8.7%
Real estate	7.9%

# Landlocked Developing Countries

- FDI inflows suffered only a slight, 6%, dip due to the global financial crisis.
- FDI inflows to LLDCs grew by 28% in 2011, however there was much variation between countries.
- Mongolia has experienced significant increases in FDI inflows, mainly in the mining sector.
- Relatively high FDI outflows originate from the subregion due to large outflows from Central Asian countries such as Azerbaijan and Kazakhstan.

**Total FDI inflows and outflows to and from the Landlocked Developing Countries, 2000-2011**



**Top 5 sectors attracting greenfield FDI, 2009-2011**

Sectors	Share of total greenfield FDI
Coal, oil and natural gas	31.0%
Metals	17.4%
Financial services	6.9%
Chemicals	6.3%
Transportation	4.5%

# Intraregional FDI

## Average FDI inflows to ASEAN 1998-2000 and 2008-2010 and shares of total

- Developing economies of Asia and the Pacific are becoming key sources of FDI in the region, complementing investments from developed countries.
- FDI flows among ASEAN countries have more than doubled in share between 1998-2000 and 2008-2010.
- The share of the European Union and the United States of total FDI inflows to ASEAN has notably dropped.

Region/economy	1998-2000 average		2008-2010 average	
	Millions of United States dollars	Share (%)	Millions of United States dollars	Share (%)
<b>ASEAN</b>	<b>1 759</b>	<b>7.2</b>	<b>8 926</b>	<b>16.7</b>
China	74	0.3	2 834	5.3
Japan	2 042	8.4	5 426	10.1
Republic of Korea	194	0.8	2 279	4.3
<b>ASEAN+3</b>	<b>4 068</b>	<b>16.6</b>	<b>19 465</b>	<b>36.3</b>
Australia	-513	-2.1	1 109	2.1
India	71	0.3	1 319	2.5
New Zealand	49	0.2	91	0.2
<b>ASEAN+6</b>	<b>3 676</b>	<b>15.0</b>	<b>21 985</b>	<b>41.0</b>
Others	7 356	30.1	15 157	28.3
European Union	7 943	32.5	11 036	20.6
USA	5 466	22.4	5 394	10.1
<b>Average flows to ASEAN</b>	<b>24 441</b>		<b>53 572</b>	

# Conclusions

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- World FDI flows as well as FDI flows in the Asia-Pacific region were negatively affected by the global financial crisis
- FDI inflows to the Asia-Pacific rebounded well in 2010 and 2011, however recent data indicate a slowdown in 2012
- FDI in the Asia-Pacific is concentrated both in terms of recipient countries and sectors
- LDCs attract a small fraction of total FDI inflows to the region; inflows to LLDCs are slightly higher
- There has been a clear increase in intraregional FDI in the Asia-Pacific region and as a result developed economies are becoming less important as suppliers of FDI



# Thank you!

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