

EMBARGO

The contents of this Report must not be quoted or summarized in the print, broadcast or electronic media before

6 September 2010 - 17:00 hours GMT

(1PM New York, 19:00 Geneva, 22:30 Delhi,

0:200 – 7 September 2010 Tokyo)

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

WORLD INVESTMENT PROSPECTS SURVEY

**2010-
2012**



UNITED NATIONS

United Nations Conference on Trade and Development

WORLD INVESTMENT PROSPECTS SURVEY

2010-2012



UNITED NATIONS
New York and Geneva, 2010

NOTE

As the focal point in the United Nations system for investment and technology, and building on 30 years of experience in these areas, the United Nations Conference on Trade and Development (UNCTAD), through its Division on Investment and Enterprise (DIAE), promotes understanding of key issues, particularly matters related to foreign direct investment and transfer of technology. DIAE also assists developing countries in attracting and benefiting from FDI and in building their productive capacities and international competitiveness. The emphasis is on an integrated policy approach to investment, technological capacity building and enterprise development.

The terms country/economy as used in this report also refer, as appropriate, to territories or areas; the designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. In addition, the designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process. The major country groupings used in this report follow the classification of the United Nations Statistical Office. These are:

Developed countries: the member countries of the Organization for Economic Cooperation and Development (OECD) (other than Mexico, the Republic of Korea and Turkey), plus the new European Union member countries which are not OECD members (Bulgaria, Cyprus, Estonia, Latvia, Lithuania, Malta, Romania and Slovenia), plus Andorra, Israel, Liechtenstein, Monaco and San Marino.

Transition economies: South-East Europe and the Commonwealth of Independent States.

Developing economies: in general all economies not specified above. For statistical purposes, the data for China do not include those for the Hong Kong Special Administrative Region (Hong Kong SAR), the Macao Special Administrative Region (Macao SAR) and Taiwan Province of China.

Reference to companies and their activities should not be construed as an endorsement by UNCTAD of those companies or their activities.

The boundaries and names shown and designations used on the maps presented in this publication do not imply official endorsement or acceptance by the United Nations.

The following symbols have been used in the tables:

Two dots (..) indicate that data are not available or are not separately reported. Rows in tables have been omitted in those cases where no data are available for any of the elements in the row;

A dash (–) indicates that the item is equal to zero or its value is negligible;

A blank in a table indicates that the item is not applicable, unless otherwise indicated;

A slash (/) between dates representing years, e.g. 1994/95, indicates a financial year;

Use of an en dash (–) between dates representing years, e.g. 1994–1995, signifies the full period involved, including the beginning and end years;

Reference to “dollars” (\$) means United States dollars, unless otherwise indicated;

Annual rates of growth or change, unless otherwise stated, refer to annual compound rates;

Details and percentages in tables do not necessarily add up to totals because of rounding.

The material contained in this study may be freely quoted with appropriate acknowledgement.

PREFACE

UNCTAD's *World Investment Prospects Survey 2010–2012* provides an outlook on future trends in foreign direct investment (FDI) by the largest transnational corporations (TNCs). The present publication is the most recent in a series of similar surveys that have been conducted regularly by UNCTAD since 1995 as part of the background work for its annual *World Investment Report*. The series includes *International Investment: Towards the Year 2001* and *International Investment: Towards the Year 2002* (UNCTAD, 1997; UNCTAD, 1998), published jointly by Arthur Andersen, Invest in France Mission and UNCTAD, as well as two UNCTAD publications entitled *Prospects for Foreign Direct Investment and the Strategies of Transnational Corporations* for the years 2004–2007 and 2005–2008 respectively (UNCTAD, 2004; UNCTAD, 2005). The present survey and the three previous ones, published in 2007–2008 and 2009 respectively, are entitled *World Investment Prospects Survey* (UNCTAD, 2007; UNCTAD, 2008, UNCTAD, 2009).

The report was prepared by Fabrice Hatem, Michael Hanni, Lizanne Martinez and Sara Tougard de Boismilon, under the supervision of Masataka Fujita and the overall guidance of James Zhan. Comments were received from Richard Bolwijn, Ralf Krueger, Hafiz Mirza, Nicole Moussa and Astrit Sulstarova. Secretarial assistance was provided by Katia Vieu and Elisabeth Anodeau-Mareschal and desktop publishing was done by Teresita Ventura.

A panel of location experts was established to provide qualitative analysis on FDI trends and to contribute to assessing the results of the survey. We would like to thank in particular John D. Daniels, Gracia Ietto-Gilles, Thomas Jost, Padma Mallampally, Jean-François Outreville, Prakash Pradhan, Eric Ramstetter, Selma Tozanli and Rob van Tulder.

TABLE OF CONTENTS

NOTE.....	ii
PREFACE	iii
SUMMARY RESULTS.....	vii
INTRODUCTION	1
SURVEY FINDINGS	3
REFERENCES.....	17
ANNEXES.....	19

Figures

Figure 1. TNC's level of optimism/pessimism regarding the investment environment, 2010–2012	3
Figure 2. Level of optimism/pessimism of investment promotion agencies regarding the international investment environment	4
Figure 3. TNC's level of agreement with various observations about the impact of the crisis on their investment strategies.....	5
Figure 4. Internationalization prospects for TNCs.....	6
Figure 5. Degree of international integration of TNCs.....	6
Figure 6. Prospects for respondent companies' FDI expenditures in 2010–2012, as compared to 2009	7
Figure 7. Global FDI flows, 2002–2009, and projections for 2010–2012	8
Figure 8. Impact of the current crisis on TNCs' FDI programmes and expenditures in host regions.....	9
Figure 9. Level of optimism/pessimism of TNCs regarding the global investment environment in 2010 and 2012, by home region.....	10
Figure 10. Level of optimism/pessimism of TNCs regarding their own investment prospects in 2010 and 2012, by home region.....	10
Figure 11. Prospects for respondent companies' FDI expenditures in 2010–2012 as compared to 2009, by home region	11
Figure 12. The most promising investor-countries for the next three years ahead according to IPAs	11

Figure 13.	Priority given to each host region by the respondent TNCs in their FDI plans, 2010 and 2012	12
Figure 14.	Top priority host economies for FDI for the next three years..	13
Figure 15.	Level of optimism of IPAs regarding their own country's inward FDI prospects in 2012.....	14
Figure 16.	FDI growth prospects, by sector and for all industries, 2009–2012	15
Figure 17.	Responses to the question of whether the financial and economic crisis increased TNCs' reliance on non-equity investment modalities, by home region	16

Tables

Table 1.	Summary of survey results.....	vii
Annex table 1.	Distribution of TNC frame/sample and responses, by region.....	20
Annex table 2.	Distribution of TNC frame/sample and responses, by sector.....	20
Annex table 3.	List of WIPS experts	21
Annex table 4.	Top 5,000 non-financial TNCs, by sector and industry, 2007	22
Annex table 5.	Top 5,000 non-financial TNCs, by size of total assets, 2007	23
Annex table 6.	Top 5,000 non-financial TNCs, by total assets, by home country of the parent company, 2007	23
Annex table 7.	TNC respondents by sector and industry	24
Annex table 8.	TNC respondents by size of total assets	25
Annex table 9.	IPA respondents, by region	25
Annex table 10.	Classification of countries and groups of countries by home region used for the UNCTAD survey	26
Annex table 11.	Classification of countries and groups of countries by host region used for the UNCTAD survey.....	26

SUMMARY RESULTS

Table 1. Summary of survey results^a
(Per cent of responses to the UNCTAD survey)

A. Global outlook					
FDI growth prospects (compared with 2009):	Increase		Remain the same		Decrease
2010	43		38		19
2011	58		26		16
2012	58		27		15
Level of optimism/pessimism of IPAs regarding investment environment (compared with 2009)	Optimistic		Average		Pessimistic
2010	13		51		36
2011	47		46		7
2012	62		34		4
Level of agreement with the following statements regarding the impact of the financial and economic crisis on operations and investment plans:	Disagree	Some-what disagree	Neither agree nor disagree	Some-what agree	Agree
Triggered a major reduction in the volume of my company's foreign investment	26	17	12	27	19
Shifted the geographical priorities of my company towards developing and transition countries	27	14	22	25	13
Triggered large divestments and closings of my company's foreign activities	55	13	14	15	3
Increased my company's reliance on non-investment modalities (licensing, partnerships) in order to reduce costs	40	12	28	15	5
B. TNCs' internationalization trends					
Level of expected internationalization in 2012	Less than 10%		10% to 50%		More than 50%
Sales	5		24		72
Employment	10		41		49
Assets	10		49		41
Investment expenditures	12		41		47
Foreign operations	In 2009		In 2012		
My company is not very internationalized, with only a limited number of subsidiaries abroad	14		11		
My company has a significant number of subsidiaries abroad, but most of them operate independently in their own market	25		17		
My company has a significant number of subsidiaries abroad, which are functionally integrated operations at the regional (for example, Europe, Asia...) level	26		29		
My company is global, with functionally integrated operations at the world level	33		41		
None of these	2		1		

Table 1. Summary of survey results (concluded)
(Per cent of responses to the UNCTAD survey)

C. Regional and country outlook	Africa		Asia		Developed countries/groups			
	North Africa	Sub-Saharan Africa	West Asia	East, South, and South-East Asia	Latin America and the Caribbean	United States and Canada	New EU-15	Other developed countries and CIS
Level of priority for each region as an FDI location by 2012 (1=marginal, 5=extremely important)	1.8	1.6	2.4	3.6	3.0	3.2	3.4	2.4
Expected change in foreign assets by 2012 (as compared to 2009, TNCs present in region) (1=decrease; 2=unchanged; 3=increase)	2.2	2.3	2.5	2.7	2.6	2.5	2.3	2.4
Ranked by number of responses assigning top position to the country	China		India	Brazil	United States	Russian Federation		
Top five destinations for FDI in 2010-2012	China		India	Brazil	United States	Russian Federation		
Ranked by number of responses assigning top position to the country	United State		China	Germany	United Kingdom	France		
Top five investor countries in 2010-2012 (according to IPAs)	United State		China	Germany	United Kingdom	France		

Source: UNCTAD survey.

^a Based on 236 TNC responses and 116 IPA responses (see Annexes for the methodological note).

INTRODUCTION

As with other economic activities, foreign direct investment (FDI) flows have undergone dramatic changes since the end of 2008, when the current economic and financial crisis first hit home. The unusual magnitude of the ongoing crisis has raised major concerns about the propensity and capability of transnational corporations (TNCs) to continue investing and expanding abroad. Faltering profits, reduced access to financial resources, and declining market opportunities, as well as the perceived risk of a possible worsening of the global economic downturn are among the reasons for a fall in FDI flows, as witnessed in 2009. Falling FDI in turn also raises concerns among host countries – especially those in the developing world that rely on international investments to finance their domestic growth and employment creation.

While some signs of a pick-up in FDI flows have been observed since the second quarter of 2009, their overall level in mid-2010 remained lower than two or three years ago. It is not yet clear that a rebound in FDI is underway (UNCTAD, 2010). When can a clear-cut recovery in FDI flows be expected? When this occurs, which host regions and industries will be most favoured by TNCs? Which home countries and regions will show the greatest FDI dynamism? One possible way to gain insight into these and other issues is to ask TNC executives directly about their international investment strategies, especially in the context of recent developments. This is the focus of this year's *World Investment Prospects Survey* (WIPS).

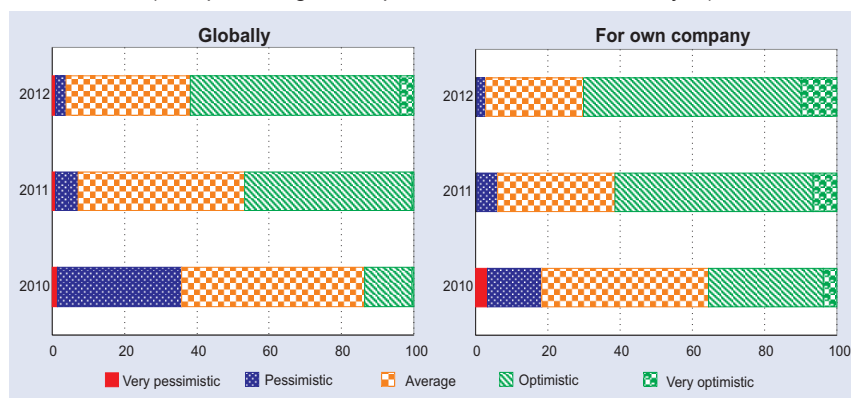
SURVEY FINDINGS

Respondent companies' and IPAs' opinions on the investment environment have become more optimistic since last year's WIPS. While respondents remain cautious as regards the prospects in the short term (2010), this optimism increases for the medium-term.

As discussed in *WIR10* (UNCTAD, 2010), the economic and financial crisis negatively impacted TNCs' FDI programmes and expenditures over 2008–2009. This year's WIPS reveals, however, that slight improvements in the degree of optimism of companies' perceptions of their business and investment environment are taking place. Compared with the 2009 survey, where some 47% of respondents expressed pessimistic views regarding their overall business environment for 2010, this year's survey registers a reduction of respondents with such views, down to 36%, for 2010 (figure 1).

Figure 1. TNC's level of optimism/pessimism regarding the investment environment, 2010-2012

(as a percentage of responses from the TNCs surveyed)



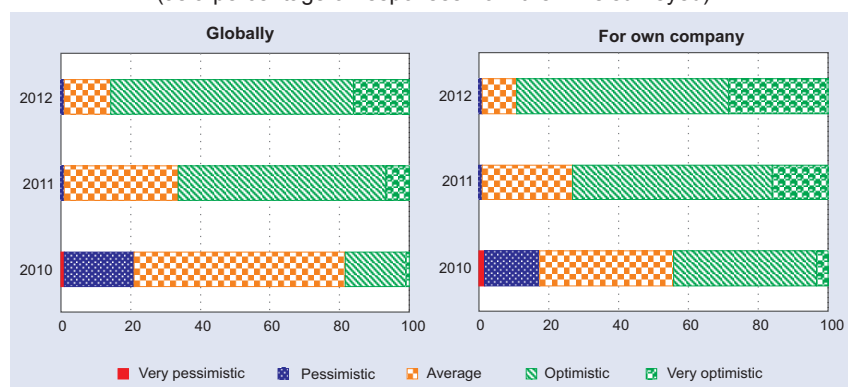
Source: UNCTAD survey.

Optimism is even more widespread among TNCs when longer-term prospects are considered. While only 13% of respondents expressed an optimistic view for the global business environment in 2010, 47% did so for 2011 and a solid majority (62%) were optimistic for 2012. These results suggest that while TNCs are still grappling with the short-term impacts of the crisis, a sizable majority expect the business environment to improve substantially by 2012 (figure 1).

Respondents tend to express more optimistic views regarding the specific environment for investment in their own company than for the global environment. For instance, as many as 70% of respondents are optimistic for their own firm in 2012 – roughly 8 percentage points higher than their outlook for the global business situation (figure 1).

This more optimistic outlook is shared by other actors in the FDI community, albeit with some caution. For example, responses from investment promotion agencies (IPAs) show that a large majority hold positive views about the FDI outlook for the coming three years. Like TNCs, IPAs tend to be more bullish regarding their own country's prospects than global prospects and express more positive views on average for the medium term (2012) than for the short term (2010) (figure 2).

Figure 2. Level of optimism/pessimism of investment promotion agencies regarding the international investment environment
(as a percentage of responses from the IPAs surveyed)

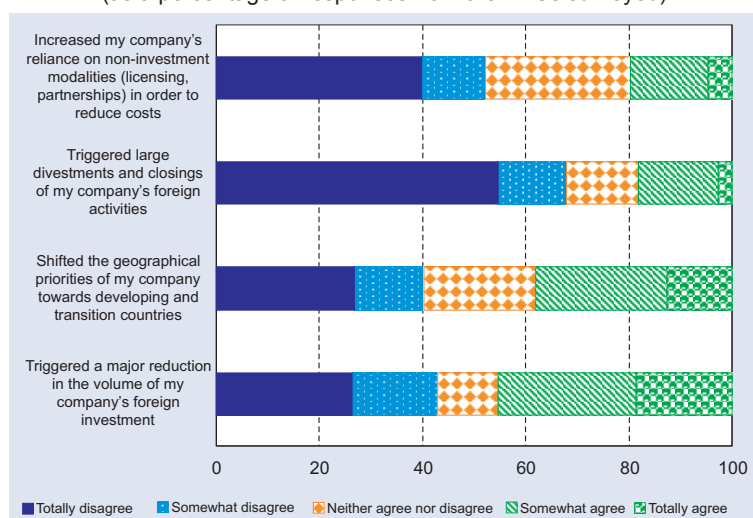


Source: UNCTAD survey.

Despite the strong impact of the global financial and economic crisis on TNCs' investment programmes, significant divestment of their foreign assets has not been made, and companies remain committed to expanding their presence abroad.

While TNCs' international investment programmes have been affected significantly by the economic and financial crisis – half of respondents (45%) indicated that the “crisis has triggered a major reduction in their international investment programmes and expenditures” (figure 3) – only a minority of TNCs seem to have made large divestments from their affiliates abroad. Only 18% of the respondents to the WIPS stated that the crisis led them to sell or close a significant share of their international operations. Rather than liquidating their assets abroad, many TNCs have engaged in a large-scale reduction of operating costs. They have preserved the overall structure of their presence overseas, with little reversal in their overall level of internationalization.

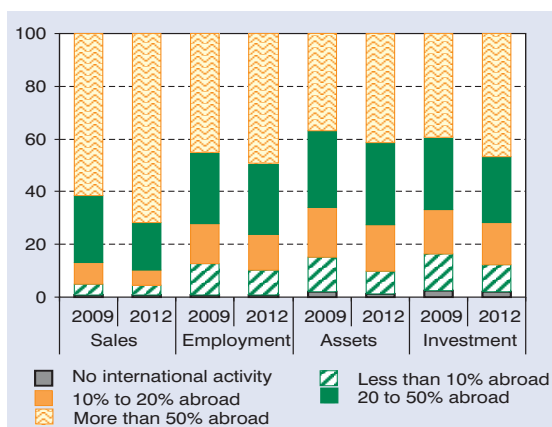
Figure 3. TNCs' level of agreement with various observations about the impact of the crisis on their investment strategies
(as a percentage of responses from the TNCs surveyed)



Source: UNCTAD survey.

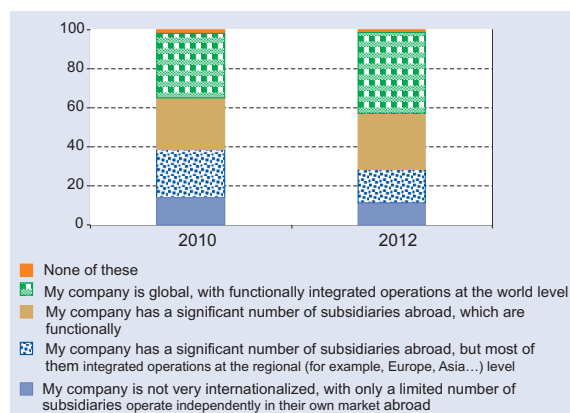
Indeed, responses to the WIPS point to a further increase in the share of foreign activities in TNCs' assets, employment, investment and sales (figure 4). While only 39% of respondents made more than one half of their investments abroad in 2009, 47% intend to do so in 2012. And while only 33% of respondents described themselves as being global in 2009, 41% anticipate being so in 2012 (figure 5).

Figure 4. Internationalization prospects for TNCs
(as a percentage of responses from the TNCs surveyed)



Source: UNCTAD survey.

Figure 5. Degree of international integration of TNCs
(as a percentage of responses from the TNCs surveyed)

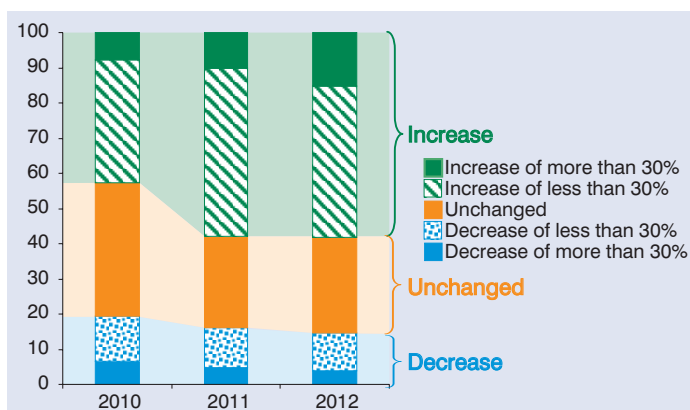


Source: UNCTAD survey.

TNCs plan to maintain, and in some cases revise upwards, their international investment programmes. Some 43% of respondent TNCs to the WIPS intend to increase their international investment expenditures in 2010 as compared to the (low) levels of 2009. This proportion increases in 2011 and 2012 to roughly 58% of respondents (figure 6).

Figure 6. Prospects for respondent companies' FDI expenditures in 2010–2012, as compared to 2009

(as a percentage of responses from the TNCs surveyed)

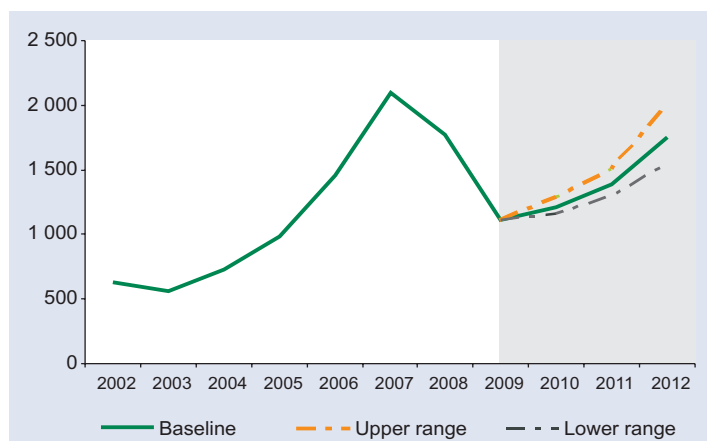


Source: UNCTAD survey.

UNCTAD estimates the level of FDI inflows in 2011 will fall in the range of \$1.3–1.5 trillion, rising in 2012 to between \$1.6 and 2 trillion.

UNCTAD estimates suggest that there will be a slow recovery in FDI in 2010, before flows gain momentum in 2011 (figure 7). On the basis of the findings of the survey, as well as other indicators of TNC and FDI activity, UNCTAD estimates the level of FDI inflows in 2011 to reach a range of \$1.3–1.5 trillion, rising in 2012 to between \$1.6 and \$2 trillion. To illustrate these trends as well as the uncertainties affecting them, three scenarios have been considered by UNCTAD regarding the evolution of global FDI flows for 2009–2012 (figure 7).

Figure 7. Global FDI flows, 2002–2009, and projections for 2010–2012
(billions of dollars)



Source: UNCTAD.

Note: The baseline estimates for 2010, 2011, and 2012 are based on the results of the WIPS, taking into account data from the first quarter of 2010 for FDI flows and the first five months of 2010 for cross-border M&As for the 2010 estimates, as well as the risks and uncertainties elaborated upon in WIR10 (UNCTAD, 2010). In addition to the baseline scenario, two less likely scenarios are included, as upper and lower ranges, in the figure.

The three alternative scenarios presented in figure 7 rely upon the base-case hypothesis of a pick-up of global GDP growth in 2010. They are consistent with the most recent IMF macroeconomic forecasts (IMF, 2010) and with the views of several other international organizations and research institutes. The IMF's World Economic Outlook has estimated an increase in net FDI inflows (the balance between FDI inflows and FDI outflows) in emerging and developing economies¹ of \$294.1 billion in 2010, compared to \$274.8 billion in 2009 (IMF, 2010). Estimates of FDI inflows for 2010 by the Institute for International Finance for 30 emerging economies are \$435 billion in 2010, compared with \$347 billion in 2009 (IIF, 2010). The Economist Intelligence Unit estimates that global FDI will reach \$1.3 trillion in 2010 and that FDI inflows are unlikely to match 2007's \$2 trillion level until 2014 (EIU, 2010).

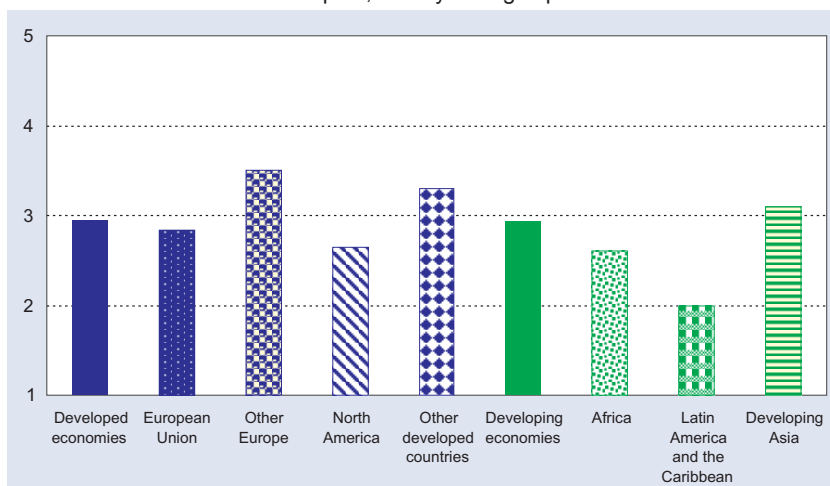
¹ IMF's geographical coverage of emerging and developing economies is wider than that of UNCTAD's developing and transition economies.

In the short-term the crisis appears to have negatively impacted companies' investment plans regardless of home economy. However, developing-country TNCs are more optimistic in the short-term about the global business environment and their investment prospects than their developed-country counterparts.

Responses to the survey indicate that the impact of the crisis on firms' investment plans was felt across the globe, reflecting the general decline in FDI outflows reported in 2009. However, there are some differences by region (figure 8).

Figure 8. Impact of the current crisis on TNCs' FDI programmes and expenditures in host regions

(average of responses from the TNCs surveyed)
1: no impact; 5: very strong impact



Source: UNCTAD survey.

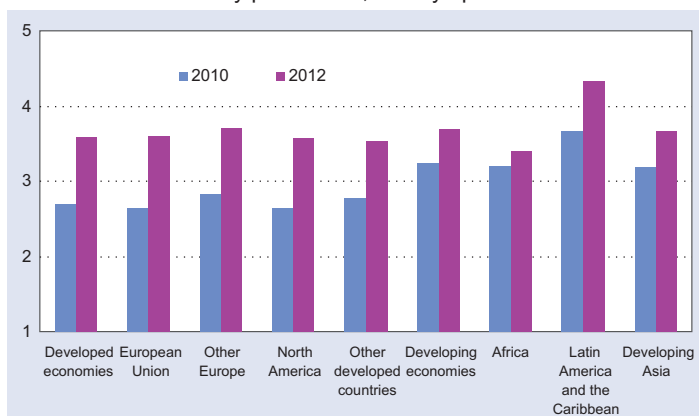
Regarding the perception of the global business environment, TNCs from developed countries express on average more pessimistic views for the short-term than those from developing countries. However, these differences tend to disappear when a longer time horizon is considered (figure 9), as TNCs from developed countries foresee a marked improvement of their business conditions in 2011 and 2012. The same conclusion holds regarding the perception by

TNCs of their own investment prospects (figure 10). However, TNCs from developing countries – especially developing Asia – anticipate a stronger growth of their FDI expenditures from 2009 to 2012 than those from developed countries – especially Europe (figure 11).

Figure 9. Level of optimism/pessimism of TNCs regarding the global investment environment in 2010 and 2012, by home region

(average of responses from the TNCs surveyed)

1: very pessimistic; 5: very optimistic

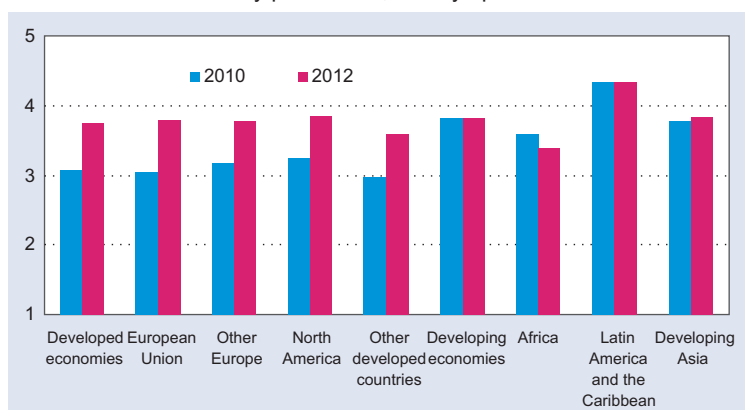


Source: UNCTAD survey.

Figure 10. Level of optimism/pessimism of TNCs regarding their own investment prospects in 2010 and 2012, by home region

(average of responses from the TNCs surveyed)

1: very pessimistic; 5: very optimistic

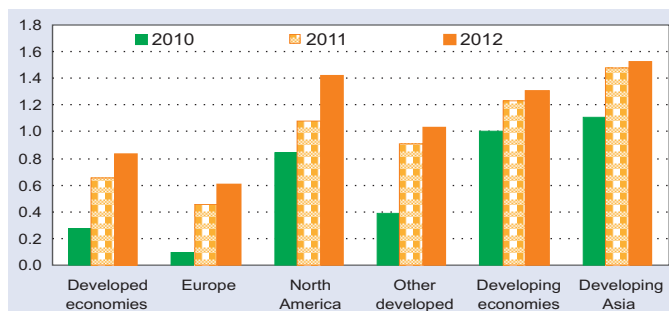


Source: UNCTAD survey.

Figure 11. Prospects for respondent companies' FDI expenditures in 2010–2012 as compared to 2009, by home region

(average of responses from the TNCs surveyed)

-4: very large decrease; + 4: very large increase



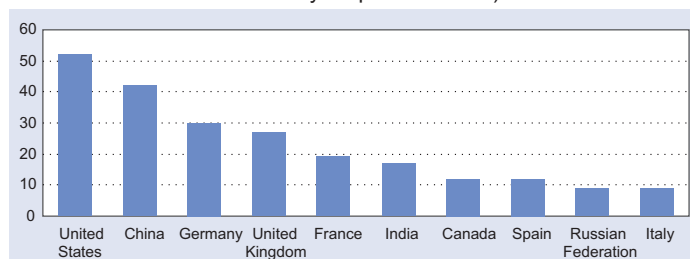
Source: UNCTAD survey.

Although still limited, the number of TNCs from developing countries carrying out large-scale international investment programmes is increasing.

The growing presence of developing and transition economies among the home countries for FDI is confirmed by the responses of IPAs on the most promising investors in their country. Among the top 20 most promising investor countries nearly half were developing and transition economies. Of these, China occupies the second position in the global ranking, while India is ranked 6th and the Russian Federation 9th (figure 12).

Figure 12. The most promising investor-countries for the next three years ahead according to IPAs

(number of times that the country is mentioned as top investor in their respective countries by respondent IPAs)



Source: UNCTAD survey.

The WIPS results underline the attractiveness of developing countries as location of investment for TNCs – mainly those in developing Asia and Latin America. However, the EU-15 and North America continue to be ranked among the top priority regions for FDI.

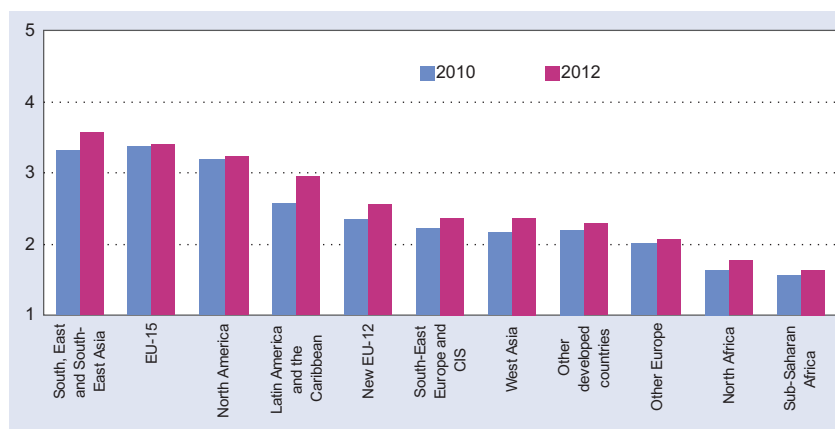
Different levels of economic performance around the world in the aftermath of the crisis have partly shaped FDI prospects by host region. For instance, developing regions showed more resilience to the crisis than developed economies. In addition, TNCs will increasingly look for growth opportunities outside their more sluggish home markets.

WIPS findings confirm that TNCs will give more priority to developing and transition economies – especially South, East and South-East Asia and, to a lesser extent, Latin America – in their future investment programmes, at the expense of developed countries (figure 13). However, the EU-15 and North America will remain among the top priority regions.

Figure 13. Priority given to each host region by the respondent TNCs in their FDI plans, 2010 and 2012

(average of responses from the TNCs surveyed)

1: no priority; 5: top priority

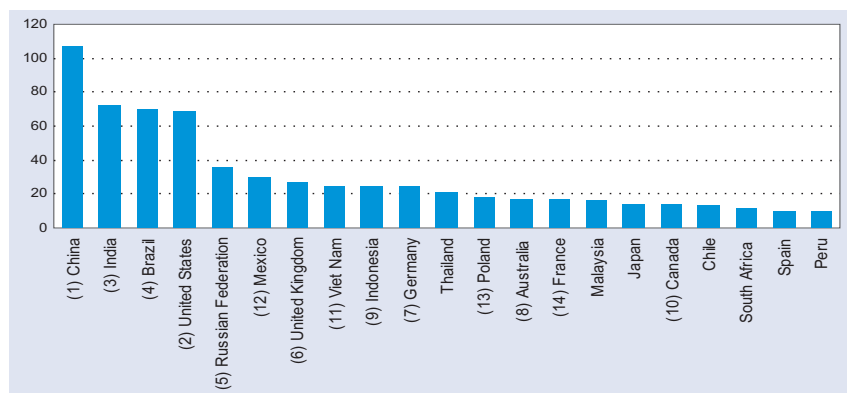


Source: UNCTAD survey.

The ranking of the top priority host economies for FDI shows some changes compared to that in last year's WIPS (UNCTAD 2009). China is at the top of the list, followed by India, Brazil, the United States and the Russian Federation. For the first time, the four major emerging markets – China, India, Brazil and the Russian Federation – all ranked among the top five investment destinations. The relative importance of developing Asia seems to be further on the rise, with six countries among the top 15 – as against five in last year's survey. In contrast, the attractiveness of developed countries seems to have declined slightly, with only six countries ranked among the top 15, while some countries, such as the United Kingdom and Australia, have moved down the list (figure 14).

Figure 14. Top priority host economies for FDI for the 2010-2012 period

(number of times that the country is mentioned as a top priority for FDI by respondent TNCs)



Source: UNCTAD survey.

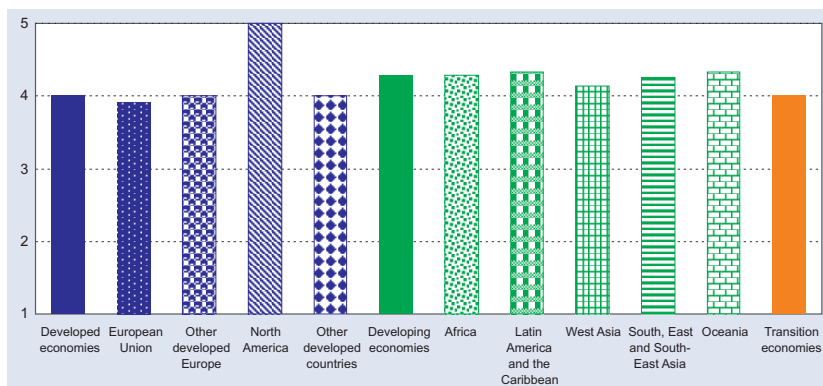
Note: Rankings according to last year's survey are given in the parentheses before the name of each country. The countries without numbers were ranked outside the top 20 in the last year's survey.

Responses from IPAs point to the same conclusion: developing-country IPAs (especially those in Asia and Latin America) express more optimistic views about their own economy's FDI prospects than IPAs in developed countries – especially the EU-15 (figure 15).

Figure 15. Level of optimism of IPAs regarding their own country's inward FDI prospects in 2012

(average of responses from the IPAs surveyed)

1: very pessimistic; 5: very optimistic



Source: UNCTAD survey.

FDI growth prospects for the medium term are considered better for the primary and services sectors than for manufacturing.

According to TNC responses to the WIPS, global FDI growth prospects for the next three years are brighter in the primary sector (principally extractive industries) and to a lesser extent in the services sector than in manufacturing (figure 16).

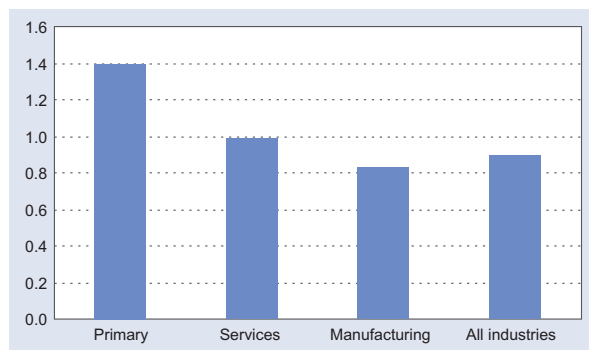
Despite lower demand and commodity prices in 2009, companies in the primary sector were able to maintain quite ambitious investment programmes. Not surprisingly, the impact of the crisis on the manufacturing sector varied considerably depending on the industry.

Industries such as the automotive, chemical, electronic, and metal industries – as well as mineral products – suffered significant overcapacity, which has forced them to cut their international investment programmes. By contrast, industries such as pharmaceuticals and food, beverages, and tobacco have been comparatively less affected by the crisis. Overall signs of recovery have been evident since the second half of 2009, resulting in a pick-up in international investment programmes in manufacturing.

Figure 16. FDI growth prospects, by sector and for all industries, 2009–2012

(average of responses from the TNCs surveyed)

-4: very large decrease; + 4: very large increase



Source: UNCTAD survey.

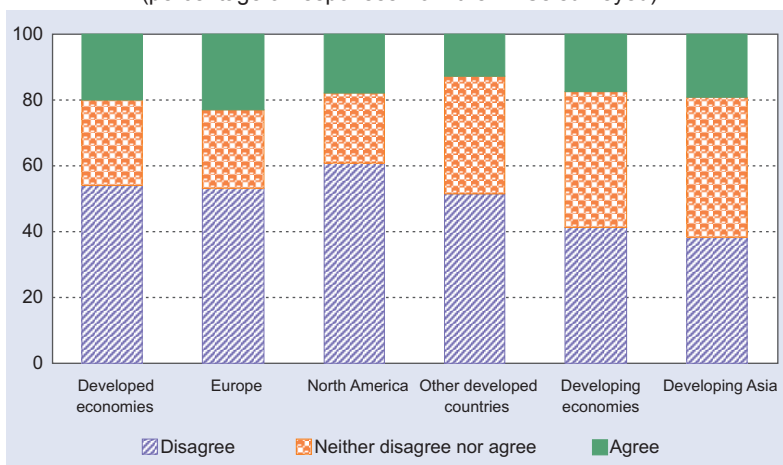
Companies operating in service industries less sensitive to the business cycle, such as telecommunications, utilities, and consumer services (e.g. health services) were less affected by the crisis. Thus, the international investment plans of TNCs in these industries remained relatively robust compared to those of manufacturing firms and they recovered faster. Medium-term growth prospects for FDI in services appear to be higher than for manufacturing.

The crisis did not cause companies to rely more heavily on non-equity forms of participation as compared to equity forms of investment. This suggests that the trend towards such forms of investment is long-term, complementing rather than substituting for equity investments.

The responses from TNCs suggest that they remain committed to making widespread use of equity modes of investment to implement their international expansion in the coming years. TNCs may also choose to rely on non-equity forms of investment such as partnerships, alliances or subcontracting. These modes of entry allow companies to share risks, to reduce their investment expenditures, and to take advantage of complementarities in know-how, technologies, and market shares by type of product or region. While increased financial constraints have had a negative impact on

the ability of TNCs to implement equity modes of investment such as cross-border M&As or greenfield projects, survey responses suggest that the crisis did not cause companies to rely more heavily on non-equity forms of participation. Only about one fifth of the respondents to the WIPS (figure 3), regardless of home region (figure 17), consider that the crisis has led their company to increase its reliance on non-equity forms of investment, such as partnerships or licensing. This suggests that the trend towards such forms of investment is long-term, complementing rather than substituting for equity investments.

Figure 17. Responses to the question of whether the financial and economic crisis increased TNCs' reliance on non-equity investment modalities, by home region
(percentage of responses from the TNCs surveyed)



Source: UNCTAD survey.

REFERENCES

- Economist Intelligence Unit (2010). *World economy: Global FDI: the rocky road to recovery*, March.
- Institute of International Finance (2010). *Capital Flows to Emerging Market Economies*, Washington, D.C., 15 April.
- International Monetary Fund (IMF) (2010). *World Economic Outlook*, Washington, D.C., April,
- UNCTAD (1997). *International Investment: Towards the Year 2001*. United Nations publication. Sales no. GVE.97.0.5. New York and Geneva.
- UNCTAD (1998). *International Investment: Towards the Year 2002*. United Nations publication. Sales no. GVE.98.0.15. New York and Geneva.
- UNCTAD (2004). *Prospects for Foreign Direct Investment and the Strategies of Transnational Corporations, 2004–2007*. United Nations publication. Sales no. E.05.II.D.3. New York and Geneva.
- UNCTAD (2005). *Prospects for Foreign Direct Investment and the Strategies of Transnational Corporations, 2005–2008*. United Nations publication. Sales no. E.05.II.D.32. New York and Geneva.
- UNCTAD (2007). *World Investment Prospects Survey, 2007–2009*. New York and Geneva: United Nations.
- UNCTAD (2008). *World Investment Prospects Survey, 2008–2010*. New York and Geneva: United Nations.
- UNCTAD (2009). *World Investment Prospects Survey, 2009–2011*. New York and Geneva: United Nations.
- UNCTAD (2010). *World Investment Report: Investing in a Low-Carbon Economy*. United Nations publication. Sales no.: E.10.II.D.2. New York and Geneva.

ANNEXES

A methodological brief

In order to complement its analysis of FDI trends in its annual *World Investment Reports* with insights gathered directly from key players and experts, UNCTAD conducts an annual survey of the following three groups of entities: (a) the largest non-financial TNCs; (b) national investment-promotion agencies; and (c) location experts. This survey, published as the *World Investment Prospects Survey (WIPS)*, aims to provide insights into likely FDI trends and patterns over the following subsequent three years. Rather than providing a quantitative projection, it offers an assessment of respondents' views at the time that the survey was undertaken.

This year's *WIPS 2010–2012* is based on 236 responses by TNCs and 116 responses by IPAs collected by mail, e-mail and direct answers to a dedicated website between February and May 2010. In addition, about 30 direct interviews with respondents were conducted in order to gain a more in-depth understanding of companies' internationalization strategies.

To explore medium-term opportunities and to analyse the risks and uncertainties affecting FDI, interviews were also conducted with a number of location experts – consultants, academics and representatives of investment promotion agencies (listed in annex table 3).

Annex table 1. Distribution of TNC frame/sample and responses, by region

(as a percentage of frame/sample and respondent companies)

Region	Frame/ sample	Survey responses	
		%	Number
All developed regions	77	86	(202)
Europe	33	56	(131)
North America	28	12	(29)
Canada	4	2	(5)
United States	24	10	(24)
Japan	12	14	(32)
Other developed countries	4	4	(10)
All developing regions	22	14	(34)
Developing Asia	20	10	(23)
Total	100	100	(236)

Source: UNCTAD survey.

Note: Figures in parenthesis refer to the actual number of survey responses.

Annex table 2. Distribution of TNC frame/sample and responses, by sector

(as a percentage of frame/sample and respondent companies)

Sector	Frame/ Sample	Survey responses
Primary	4	4
Manufacturing	60	61
Services	36	35
Total	100	100

Source: UNCTAD survey.

Annex table 3. List of WIPS experts

Name	Title
Mr. John D. Daniels	Professor, University of Miami
Ms Grazia Ietto-Gilles	Professor of Applied Economics and Director of the Centre for International Business Studies, London South Bank University
Mr. Thomas Jost	Professor of Economics, Aschaffenburg University
Ms Padma Mallampally	Senior FDI expert
Mr. Jean-François Outreville	Professor, Université de HEC, Montreal
Mr. Prakash Pradhan	Associate Professor at the Sardar Patel Institute of Economic & Social Research, Ahmedabad
Mr. Eric Ramstetter	Research Professor, International Centre for the Study of East Asian Development
Ms Selma Tozanli	Enseignant-chercheur, Institut Agronomique Méditerranéen de Montpellier
Mr. Rob van Tulder	Professor, Erasmus University, Rotterdam
Mr. John D. Daniels	Professor, University of Miami

Source: UNCTAD survey.

**Annex table 4. Top 5,000 non-financial TNCs,^a
by sector and industry, 2007**
(per cent)

Sector/Industry	Number of companies (Per cent of total)	Foreign assets (Per cent of total)	Internationalization ratio^b
Primary	4	8	44.5
Agriculture, hunting, forestry and fisheries	1	0	42.0
Mining, quarrying and petroleum	4	8	44.5
Manufacturing	60	57	35.9
Food, beverages and tobacco	4	7	46.1
Textiles, clothing and leather	3	0	29.0
Wood and wood products	3	1	32.7
Publishing and printing	1	1	38.6
Coke, petroleum and nuclear fuel	1	8	40.1
Chemicals and chemical products	8	9	34.4
Rubber and plastic products	2	1	42.7
Non-metallic mineral products	2	3	63.9
Metals and metal products	5	3	34.7
Machinery and equipment	6	2	23.0
Electrical and electronic equipment	14	7	27.5
Motor vehicles and other transport equipment	4	13	38.4
Precision instruments	5	1	21.2
Other manufacturing	2	0	24.0
Services	36	34	33.9
Electricity, gas and water	2	7	36.5
Construction	2	2	35.7
Trade	10	8	32.8
Hotels and restaurants	1	1	50.1
Transport, storage and communications	6	10	35.2
Business services	11	4	27.8
Community, social and personal service activities	2	1	25.4
Other services	2	2	37.8
Total	100	100	35.7

Source: UNCTAD survey.

^a Refers to the frame from which a sample was drawn.

^b Ratio of foreign assets to total assets.

**Annex table 5. Top 5,000 non-financial TNCs,^a
by size of total assets, 2007**
(millions of dollars)

Size of total assets	Number of companies (Per cent of total)	Foreign assets (Per cent of total)	Internationalization ratio
0-500	35	1	36.3
500-4000	44	11	33.4
4000+	22	88	36.0
Total	100	100	35.7

Source: UNCTAD survey.

^a Refers to the frame from which a sample was drawn.

^b Ratio of foreign assets to total assets.

**Annex table 6. Top 5,000 non-financial TNCs,^a by total assets,
by home country of the parent company, 2007**
(per cent)

Regions	Number of companies (Per cent of total)	Foreign assets (Per cent of total)	Internationalization ratio
All developed regions	77	91	35.7
Europe	33	53	48.5
North America	28	26	26.0
Canada	4	2	32.0
United States	24	24	25.5
Japan	12	9	24.0
Other developed countries	4	3	40.0
All developing regions	22	9	36.3
Developing Asia	20	7	34.9
Transition economies	0.2	0.3	32.8
Total	100	100	35.7

Source: UNCTAD survey.

^a Refers to the frame from which a sample was drawn.

^b Ratio of foreign assets to total assets.

Annex table 7. TNC respondents by sector and industry
(number and percentage)

Sector/Industry	Number	Percentage of total responses
Primary	9	4
Agriculture, hunting, forestry and fisheries	2	1
Mining, quarrying and petroleum	7	3
Manufacturing	144	61
Food, beverages and tobacco	11	5
Textiles, clothing and leather	5	2
Wood and wood products	7	3
Publishing and printing	1	0
Coke, petroleum and nuclear fuel	6	3
Chemicals and chemical products	25	11
Rubber and plastic products	4	2
Non-metallic mineral products	8	3
Metals and metal products	16	7
Machinery and equipment	21	9
Electrical and electronic equipment	23	10
Motor vehicles and other transport equipment	9	4
Precision instruments	6	3
Other manufacturing	2	1
Services	83	35
Electricity, gas and water	8	3
Construction	7	3
Trade	24	10
Hotels and restaurants	4	2
Transport, storage and communications	18	8
Business services	14	6
Community, social and personal service activities	5	2
Other services	3	1
Total	236	100

Source: UNCTAD survey.

Annex table 8. TNC respondents by size of total assets

Size of total assets (\$ millions)	Number	Percentage of total responses
0-500	38	16
500-4000	94	40
4000+	104	44
Total	236	100

Source: UNCTAD survey.

Annex table 9. IPA respondents, by region

Region	Number	Percentage of total responses
All developed regions	34	29
Europe	27	23
North America	2	2
Other developed countries	5	4
All developing regions	69	59
Africa	21	18
Latin America and the Caribbean	27	23
South, East and South-East Asia and Oceania (Developing Asia)	14	12
West Asia	7	6
All transition regions	13	11
Total	116	100

Source: UNCTAD survey.

Annex table 10. Classification of countries and groups of countries by home region used for the UNCTAD survey

Home region	Country groups
Europe	EU-15, new EU-12, other Europe
North America	Canada and United States
Other developed	Australia, Israel, Japan, New Zealand
Developing Asia	South, East, and South-East Asia, Oceania
Developing and transition economies	All other economies

Note: For regions not listed, the standard United Nations classification is used.

Annex table 11. Classification of countries and groups of countries by host region used for the UNCTAD survey

Host region	Country groups
EU-15	Austria, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Spain, Sweden, United Kingdom
New EU-12	Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia
Other Europe	Iceland, Norway, Switzerland
Other developed countries	Australia, Israel, Japan, New Zealand

Note: For regions not listed, the standard United Nations classification is used.