CHAPTER II

REGIONAL TRENDS

DEVELOPING ECONOMIES

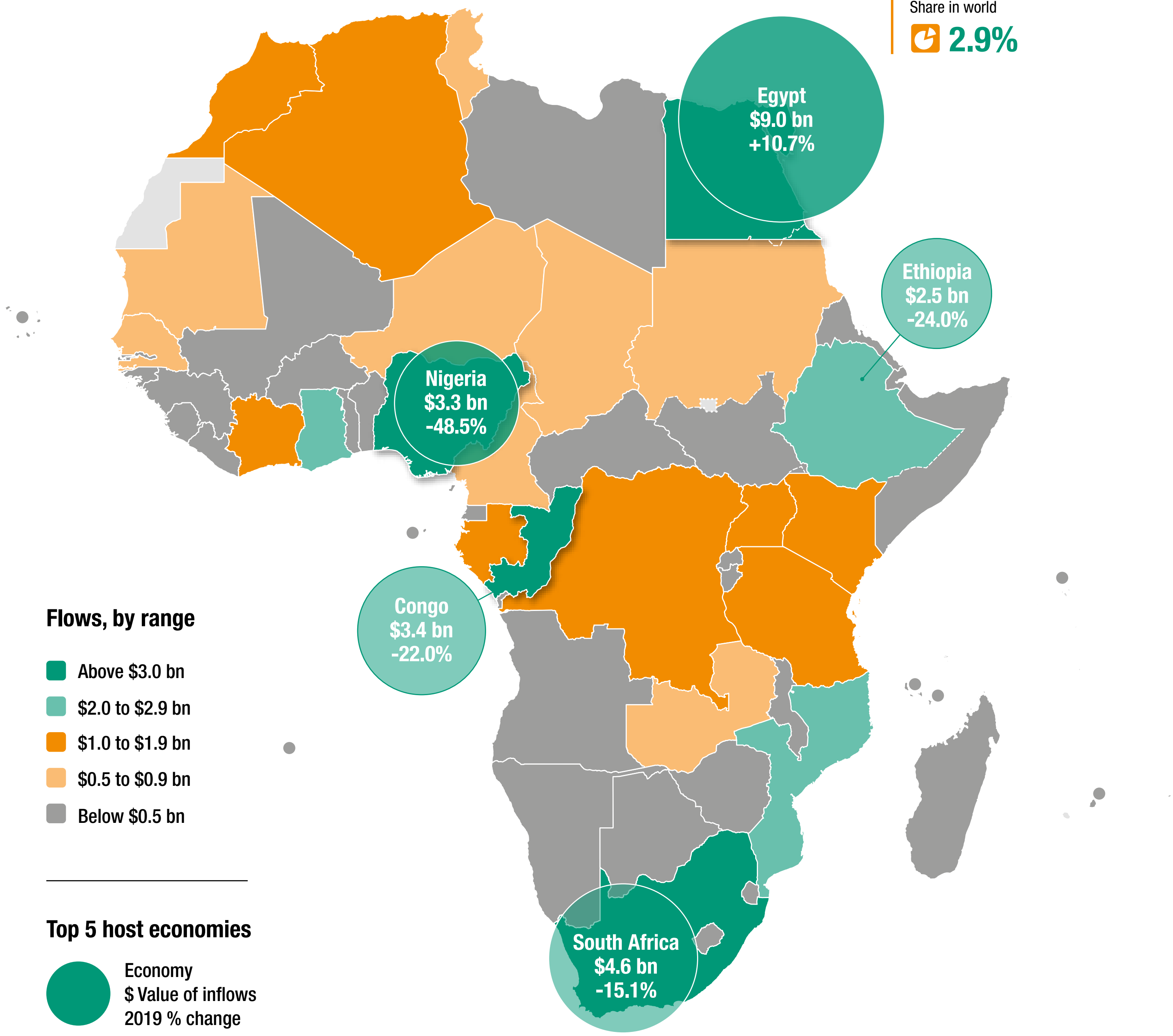
AFRICA

FDI flows, top 5 host economies, 2019 (Value and change)

2019 Inflows
45.4 bn

2019 Decrease
-10.3%

Share in world
2.9%



Outflows: top 5 home economies

(Billions of dollars and 2019 growth)

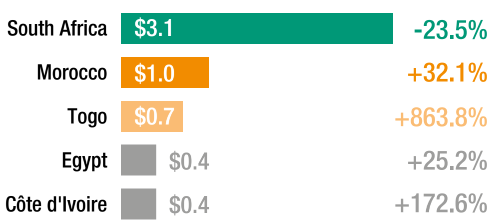
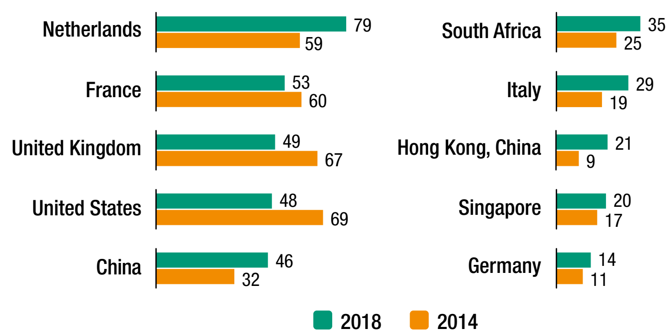


Figure A. **Top 10 investor economies by FDI stock, 2014 and 2018** (Billions of dollars)



Source: UNCTAD.

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Sudan and South Sudan has not yet been determined. Final status of the Abyei area is not yet determined.

HIGHLIGHTS

- Pandemic, low oil prices set to push down FDI
- State-backed partnerships, regional integration could mitigate effects
- In 2019, FDI flows already declined by 10 per cent

Figure B. FDI inflows, 2013–2019 (Billions of dollars and per cent)

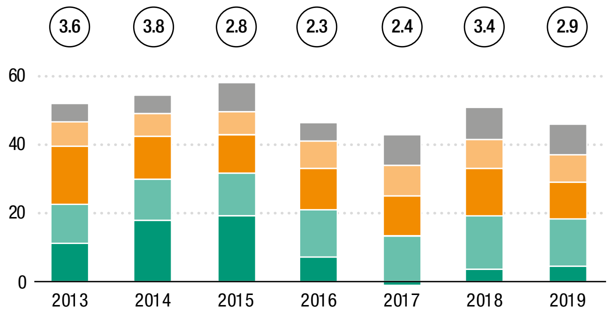


Figure C. FDI outflows, 2013–2019 (Billions of dollars and per cent)

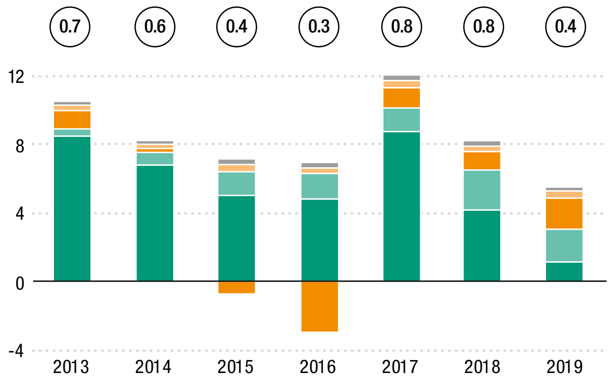


Table A. Net cross-border M&As by sector/industry, 2018–2019 (Millions of dollars)

Sector/industry	Sales		Purchases	
	2018	2019	2018	2019
Total	**1 570**	**5 312**	**3 651**	**-33 445**
Primary	**-59**	**120**	**205**	**1 583**
Mining and quarrying	-59	114	205	1 621
Manufacturing	**-247**	**1 747**	**-67**	**-897**
Food, beverages and tobacco	426	685	-73	-
Coke and refined petroleum products	-973	1 044	-	-
Pharmaceuticals, medicinal chemical and botanical products	50	9	-	-999
Services	**1 876**	**3 445**	**3 513**	**-34 131**
Trade	-	4	-253	22
Transportation and storage	-	532	3	-46
Information and communication	37	-126	497	-34 663
Financial and insurance activities	1 615	-68	2 970	324
Business services	215	3 095	274	184

Table B. Net cross-border M&As by region/economy, 2018–2019 (Millions of dollars)

Region/economy	Sales		Purchases	
	2018	2019	2018	2019
World	**1 570**	**5 312**	**3 651**	**-33 445**
Developed economies	**-1 606**	**4 311**	**2 266**	**-33 988**
European Union	1 483	3 263	2 455	-34 909
Netherlands	108	-60	-45	-35 938
United Kingdom	1 840	3 087	1 535	1 209
Switzerland	-1 713	1 087	-	70
United States	-1 405	-136	-	38
Developing economies	**2 914**	**-55**	**1 386**	**-617**
Africa	1 175	15	1 175	15
Morocco	-	21	783	-
South Africa	1 033	4	31	7
China	554	95	-	108
India	26	-171	134	48

Table C. Announced greenfield FDI projects by sector/industry, 2018–2019 (Millions of dollars)

Sector/industry	Africa as destination		Africa as investor	
	2018	2019	2018	2019
Total	**77 104**	**76 637**	**8 885**	**12 056**
Primary	**17 032**	**2 829**	**42**	**113**
Mining and quarrying	16 782	2 640	2	113
Manufacturing	**33 053**	**32 621**	**2 969**	**6 973**
Chemicals and chemical products	11 159	6 189	1 226	3 710
Coke and refined petroleum products	6 483	7 727	-	1 413
Food, beverages and tobacco	4 660	2 448	25	280
Motor vehicles and other transport equipment	2 563	4 015	43	-
Services	**27 019**	**41 186**	**5 874**	**4 970**
Construction	4 779	9 576	1 393	86
Electricity, gas, steam and air conditioning supply	5 712	10 228	664	1 017
Information and communication	3 923	4 639	1 316	1 817
Transportation and storage	5 203	5 402	490	213

Table D. Announced greenfield FDI projects by region/economy, 2018–2019 (Millions of dollars)

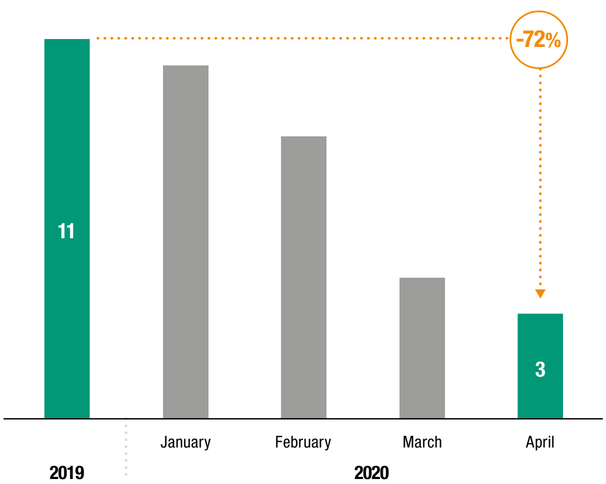
Partner region/economy	Africa as destination		Africa as investor	
	2018	2019	2018	2019
World	**77 104**	**76 637**	**8 885**	**12 056**
Developed economies	**38 793**	**39 993**	**2 215**	**1 166**
European Union	25 725	28 305	1 495	534
United Kingdom	5 569	3 102	113	158
United States	10 565	3 226	254	549
Switzerland	910	2 973	15	-
Developing economies	**35 915**	**36 286**	**6 496**	**10 839**
Africa	5 485	10 002	5 485	10 002
Nigeria	326	2 897	1 330	2 912
China	11 907	11 915	81	231
United Arab Emirates	4 118	5 631	80	89
Saudi Arabia	2 311	4 443	44	190
Transition economies	**2 395**	**358**	**174**	**51**

The COVID-19 pandemic will severely curtail foreign investment in Africa in 2020, mirroring the global trend. The downturn will be further exacerbated by the extremely low oil prices, considering the resource-oriented investment profile of the continent. Foreign direct investment (FDI) flows are expected to decline between 25 and 40 per cent. Depending on the duration and severity of the global crisis, the longer-term outlook for FDI in Africa could draw some strength from the implementation of the African Continental Free Trade Area Agreement in 2020, including the conclusion of its investment protocol. In addition, investment initiatives for Africa by major developed and emerging economies could help the recovery. In 2019, FDI flows to Africa had already declined by 10 per cent to $45 billion. Increased FDI flows to some of the continent's major economies, including Egypt, were offset by reductions in others, such as Nigeria and South Africa. The negative effects of tepid global and regional GDP growth and dampened demand for commodities inhibited flows to countries with both diversified and natural resource-oriented investment profiles alike, although a few countries received higher inflows from large new projects. Investment in Africa through mergers and acquisitions (M&As) increased substantially to $5.3 billion, compared with $1.6 billion in 2018. The rise was driven to a large degree by MNEs from the United Kingdom and Switzerland, which invested $3.1 billion and $1.1 billion, respectively. M&A investment from developing economies declined significantly.

Prospects

FDI prospects for Africa in 2020 remain negative amid the pandemic, the economic impact of which is being compounded by extremely low oil prices. UNCTAD's forecast of a 25-40 per cent decline is based on GDP growth projections as well as a range of investment-specific factors. Projected GDP growth for the continent has already been downgraded from 3.2 per cent to -2.8 per cent, and trade is also set to contract (IMF, 2020a). Due to the widespread economic uncertainty and restrictions in movement, many announced and planned investment projects are likely to be either shelved or put on hold. As of April 2020, the number of cross-border M&As targeting Africa had declined 72 per cent from the monthly average of 2019 (figure II.1).

Figure II.1. **Average monthly number of cross-border M&As, 2019 and January–April 2020** (Number)



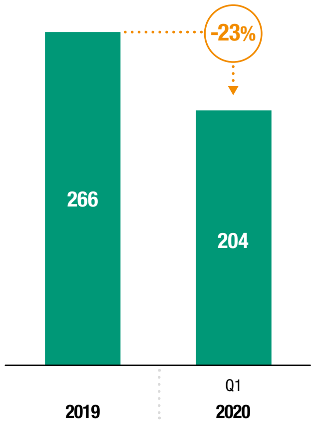
Source: UNCTAD, cross-border M&A database (www.unctad.org/fdistatistics).

Although the pandemic will affect all industries, several services industries are being hit disproportionally, including aviation, hospitality, tourism and leisure. These industries cumulatively contributed to approximately 10 per cent of the $77 billion in announced greenfield projects in Africa in 2019. Manufacturing industries that are global value chain (GVC) intensive,[1] which accounted for an additional 7 per cent of announced greenfield projects in 2019, are also being significantly affected, which is a sign of concern in regard to efforts to promote economic diversification and industrialization in Africa. Overall, there was a notable downward trend in the first quarter of 2020 in announced greenfield investment projects compared with 2019, although the value of projects (62 per cent) has declined more severely than their number (-23 per cent) (figure II.2).

The economic and investment implications for FDI of the pandemic will be further compounded by the oil glut in global markets, which is causing extremely low oil prices as well as declining commodity prices in general.[2] A large part of FDI to Africa is resource-seeking, with 40 per cent of all greenfield project announcements in 2019 targeting industries directly linked to natural resources.

Although Africa is not integrated deeply into GVCs, its five largest export industries will be significantly affected by lower demand for manufactured goods and services because the continent's role is largely as a provider of inputs in key internationalized industries, as indicated by its high rate of GVC forward participation.[3] Already in 2020, the impact of the dual shock of the pandemic and low oil prices has become apparent, as the value of greenfield project announcements in the first quarter fell sharply for both extractive industries (82 per cent) and petroleum and chemicals (75 per cent) (table II.1).

Figure II.2. **Africa: Average quarterly number of announced greenfield investment projects, 2019 and Q1 2020** (Number)



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

The expected earnings of African MNEs that are among the world's 5,000 largest MNEs have been revised down by 27 per cent since the start of the pandemic. The expected earnings of MNEs from the five largest investors in Africa (the Netherlands, France, the United Kingdom, the United States and China) have also been downgraded significantly. Reinvested earnings of MNEs account for a notable share of FDI inflows in the major recipient economies on the continent, including Egypt (41 per cent) and Nigeria (26 per cent) (figure II.3, on the next page). Therefore, the downward revision of earnings projections will have a tangible impact on investment flows to Africa in 2020.

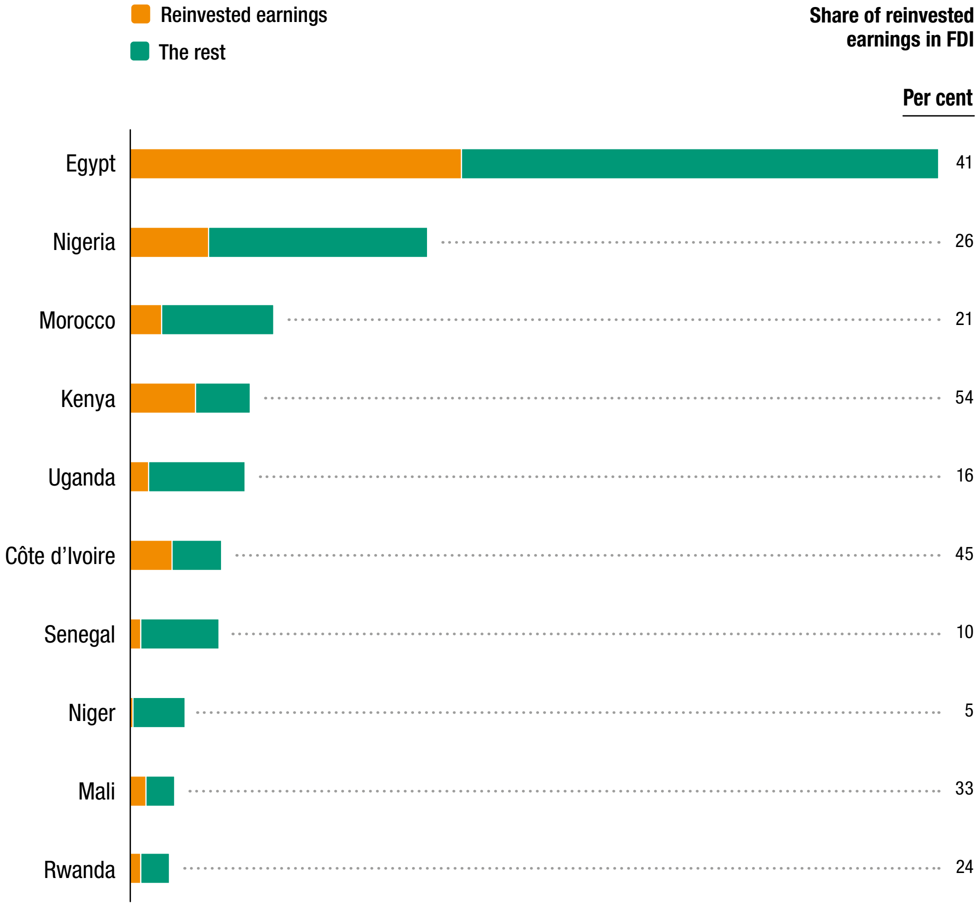
Despite the immediate negative prospects for FDI to Africa, some mitigating factors could limit the extent of the investment decline and help stimulate a recovery in 2021 and beyond. One is the higher value being assigned to investment ties to the continent by major global economies, primarily the United States and China but also the United Kingdom, the Russian Federation and France (table II.2). Some of the investment initiatives supported by these countries are focused on infrastructure, especially those from China. Others also target natural resources and manufacturing capacity. The new French initiative, Choose Africa, for example, is designed specifically for small and medium-sized projects that contribute to local manufacturing capacity and employment generation.

Table II.1. **Africa: five largest export industries and announced greenfield projects** (Per cent)

Industry	Exports (Share of African)	Value added in exports (Share of global)	GVC forward participation	GVC backward participation	Value of announced greenfield FDI project change in Q1 2020
Extractive	32.8	11.3	83	17	-82
Petroleum and chemicals	10.6	1.6	51	49	-75
Electrical and machinery	6.6	1.9	68	32	-36
Automotive	6.5	0.6	45	55	-29
Agriculture	6.4	5.5	76	24	18

Source: UNCTAD, based on Eora26 database for GVC data and information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for greenfield project announcements.

Figure II.3. **Africa: FDI inflows and reinvested earnings, 2019** (Volume and per cent)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: The figure covers only economies that report reinvested earnings separately.

Similarly, in 2020, the United States announced plans to promote private investments in Africa, including through the new Prosper Africa initiative and the $60 billion (global investment cap) International Development Finance Corporation. Under the programme, the United States aims to invest up to $5 billion in Ethiopia in the next three years in industries that are being opened for privatization, such as telecommunication, geothermal energy, logistics and sugar. Despite being affected by the joint impact of the pandemic and low oil prices to some degree, investments from all of the aforementioned countries, which have varying degrees of political backing, could be relatively more resilient.

The expected commencement of trading under the African Continental Free Trade Area Agreement in 2020 could also provide support to FDI in the continent. The formal implementation of the treaty after years of deliberation could offer some cushion against the negative economic and investment impacts of the pandemic and low oil prices in the medium to long run. Intracontinental investment, in particular, could receive a positive stimulus, especially after the finalization of the investment protocol in the second phase of the negotiations, which are scheduled for December 2020. Seen together, the growth of State-backed investment initiatives and the implementation of the Agreement indicate that the investment downturn in Africa could be mitigated in 2021 and beyond, although State-backed investment initiatives and the operationalization of the Agreement could now both run into temporary delays.

Table II.2.	Major developed and emerging economies' investment initiatives for Africa		
Country	**Name of initiative**	**Highlights**	**Key projects**
United States	Prosper Africa Initiative (2019)	Projects in the form of equity, debt financing, risk insurance and technical development through the International Finance and Development Corporation, which has a global investment cap of $60 billion	Announcement of $5 billion in investment in Ethiopia by 2022 in newly privatized industries
China	Forum on China–Africa Cooperation (October 2010, latest summit in 2018)	$60 billion financing package, including $10 billion in private investment	$12 billion coastal railway in Nigeria, $4.5 billion Addis Ababa–Djibouti railway, and $11 billion megaport in Tanzania
United Kingdom	United Kingdom–Africa Investment Summit (January 2020)	Deals worth about $8.5 billion to set the groundwork for post-Brexit economic and investment ties between the United Kingdom and African countries	Tullow Oil announcement of investment of $1.5 billion to continue oil production in Kenya
Russian Federation	Russia–Africa Summit and Economic Forum (October 2019)	50 agreements for a total of more than $10 billion, in mainly infrastructure and natural resources development project	Announcement of $2.2 billion investment to build oil refinery in Morocco by VEB, a state development corporation
France	Choose Africa (December 2019)	$3 billion in financing for start-ups and SMEs in Africa until 2022, in the form of credit, technical support and equity financing	FISEA equity investment in Agri VIE II, a venture capital fund for agribusiness in Sub-Saharan Africa

Source: UNCTAD, based on initiative websites.

In the short term, curtailing the extent of the investment downturn and limiting the economic and human costs of the pandemic is of paramount importance. Longer term, diversifying investment flows to Africa and harnessing them for structural transformation remains a key objective. There is a risk that progress made in that direction may now be disrupted. The current global crisis is already leading MNEs to re-evaluate locations of supply chain activities to make them more resilient. Considering Africa's largely forward participation in major GVCs (see table II.1), moving up the value addition ladder through FDI will require intense and coordinated efforts. The pharmaceutical and health care industries could provide opportunities for countries on the continent to promote domestic value addition.

Inflows in 2019

FDI inflows to North Africa decreased by 11 per cent to $14 billion, with reduced inflows in all countries except Egypt. *Egypt* remained the largest FDI recipient in Africa in 2019, with inflows increasing by 11 per cent to $9 billion. Economic reforms instituted by the Government have improved macroeconomic stability and strengthened investor confidence in the country. Although FDI was still driven by the oil and gas industry, investments have been made in the non-oil economy as well, notably in telecommunication, consumer goods and real estate. FDI flows to *Morocco* decreased by 55 per cent to $1.6 billion in 2019. FDI to the *Sudan* fell by 27 per cent to $825 million in 2019, primarily in oil and gas exploration and in agriculture. In *Tunisia*, FDI flows decreased by 18 per cent to $845 million due to slow economic growth (1 per cent in 2019). Most FDI went to the industrial sector ($450 million), followed by energy ($300 million) and services ($95 million). There was a sharp decline in investment in the services sector.

After a significant increase in 2018, FDI flows to Sub-Saharan Africa decreased by 10 per cent in 2019 to $32 billion. This decrease can mostly be attributed to a decline in investment flows to traditional major investment recipients, including Nigeria, South Africa and Ethiopia.

FDI to West Africa decreased by 21 per cent to $11 billion in 2019. This was largely due to the steep decline in investment in *Nigeria*, after consecutive increases in 2017 and 2018. Inward FDI to Nigeria almost halved, to $3.3 billion, due to a slowdown in investment in the oil and gas industry. The development of a $600 million steel plant in Kaduna state offers some evidence of investment diversification, a long-standing policy objective. FDI to *Ghana* dropped by 22 per cent to approximately $2.3 billion in 2019. Investment was concentrated in oil and gas facilities, mining (including gold and manganese) and to some degree in agriculture (cocoa). However, there are plans for investment diversification, including attracting investment in the country's six-phase Railway Master Plan, which is set to commence in 2020. FDI to *Senegal* increased by 16 per cent to $1 billion in 2019. Owing to historical ties, France has been the biggest investor in Senegal, but recently there have been important investments from other countries, including China, Turkey and the United Arab Emirates. In 2019, Turkish steelmaker Tosyali launched the Tosyali Economic Zone with the aim to develop a steel industry cluster. A ceramics factory built by Twyford (China) was inaugurated with a cumulative investment of nearly $50 million in Thies, Senegal. Investment to *Côte d'Ivoire* increased by 63 per cent to $1 billion on the back of sustained economic growth, with investments in natural resources, agriculture and services.

FDI flows to East Africa decreased by 9 per cent to $7.8 billion in 2019. Inflows to *Ethiopia* contracted by a fourth to $2.5 billion. FDI was adversely affected by instability in certain parts of the country, including regions with industrial parks. Yet Ethiopia remained the biggest FDI recipient in East Africa. China was the largest investor in 2019, accounting for 60 per cent of newly approved FDI projects, with significant realized investments in manufacturing and services. Inflows to *Uganda* increased by almost 20 per cent, to $1.3 billion, due to continued development of major oil fields and an international oil pipeline, as well as projects in construction, manufacturing and agriculture. Inflows to *Kenya* dropped by 18 per cent to $1.3 billion, despite several new projects in information technology (IT) and health care.

FDI flows to Central Africa decreased by 7 per cent to nearly $8.7 billion. FDI to the *Democratic Republic of the Congo* decreased by 9 per cent to $1.5 billion. Foreign investment continued to be directed towards mining, especially of cobalt, of which the country is the world's leading producer. Demand for other metals used in electric vehicle batteries, such as lithium, nickel and copper, also continue to underpin investment flows to the country despite profound political and economic challenges.

FDI to Southern Africa increased by 22 per cent to $4.4 billion. This was mainly caused by the slowdown in net divestment from Angola. FDI flows to *Angola* in 2019 remained negative (-$4.1 billion) due to repatriations in the oil sector. There were some important foreign investment deals in the country, such as the $100 million investment by a unit of the Indonesian State-owned PT Pertamina (Persero) in an offshore oil block.

FDI inflows to *South Africa* decreased by 15 per cent to $4.6 billion in 2019. FDI to this country is mostly directed to mining, manufacturing (automobiles, consumer goods) and services (finance and banking). Although traditionally the major investor partners have been countries from the European Union (EU), China is slowly expanding its investment footprint in the country. Despite the decline in 2019, the level of FDI inflows in South Africa was encouraging after the low inflows between 2015 and 2017 (an average $2 billion a year). However, a significant part of FDI consists of intrafirm financial transfers; there is still a dearth of new greenfield investments.

MNEs from developed economies accounted for almost 80 per cent of the nearly $5.3 billion in M&A investments in Africa in 2019. Those from the United Kingdom invested the most in M&As ($3.1 billion), followed by MNEs from Switzerland ($1.1 billion). In contrast, M&As from developing economies declined significantly, registering a net divestment of $55 million (table B).

On the basis of FDI stock data through 2018, firms from the Netherlands ($79 billion) overtook those from France ($53 billion) as the largest foreign investors in Africa (figure A). More than two-thirds of investment stock held by the Netherlands is concentrated in only three countries, Egypt, Nigeria and South Africa. The investment stocks held by the United States declined by 15 per cent to $48 billion owing to profit repatriation[4] and divestment. Meanwhile, the investment stocks of the United Kingdom and China increased by 10 per cent to $49 billion and $46 billion, respectively. In the coming years, owing to a number of political and economic factors, these two countries are set to become even more important investors in Africa. There was also evidence of a rise in intracontinental investment, with the stock of investment in Africa held by South Africa increasing by $7 billion in 2017 to $35 billion in 2018.

Outflows in 2019

FDI outflows from Africa decreased by 35 per cent to $5.3 billion. South Africa continued to be the largest outward investor, despite the reduction in its outflows from $4.1 billion to $3.1 billion. Outflows from Togo increased 10-fold, from a mere $70 million to $700 million. In North Africa, outward FDI from Morocco increased to approximately $1 billion from $800 million. A significant part of FDI outflows from African countries entail intracontinental flows, as indicated by some major investments by South African and Moroccan MNEs within the continent. Togo's outward investment also included notable projects within the West Africa region.

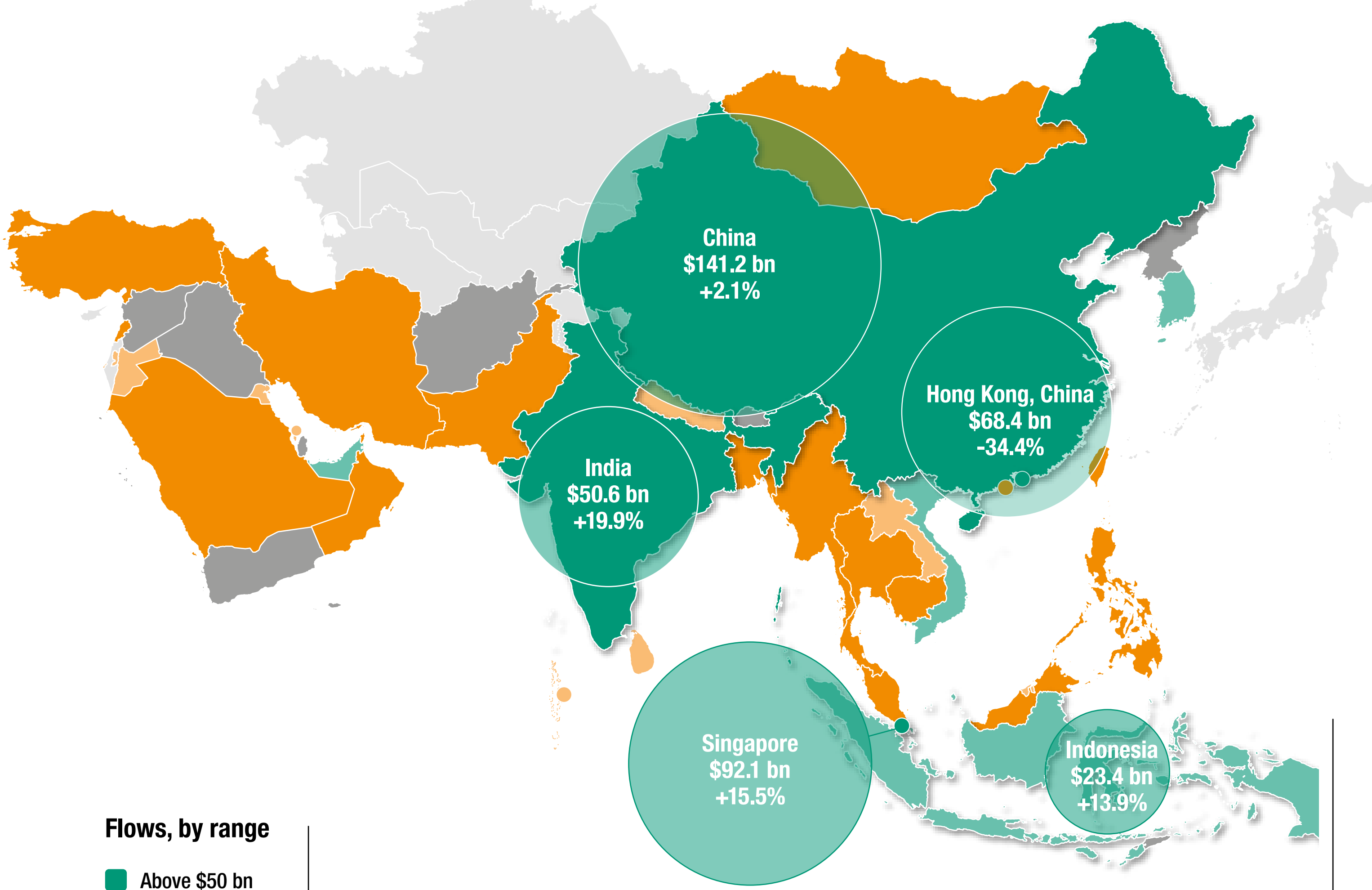
DEVELOPING ASIA

FDI flows, top 5 host economies, 2019 (Value and change)

2019 Inflows
473.9 bn

2019 Decrease
-4.9%

Share in world
30.8%



Flows, by range

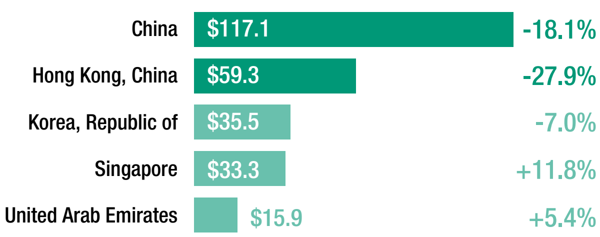
- Above $50 bn
- $10 to $49 bn
- $1.0 to $9.9 bn
- $0.1 to $0.9 bn
- Below $0.1 bn

Top 5 host economies

Economy
$ Value of inflows
2019 % change

Outflows: top 5 home economies

(Billions of dollars and 2019 growth)



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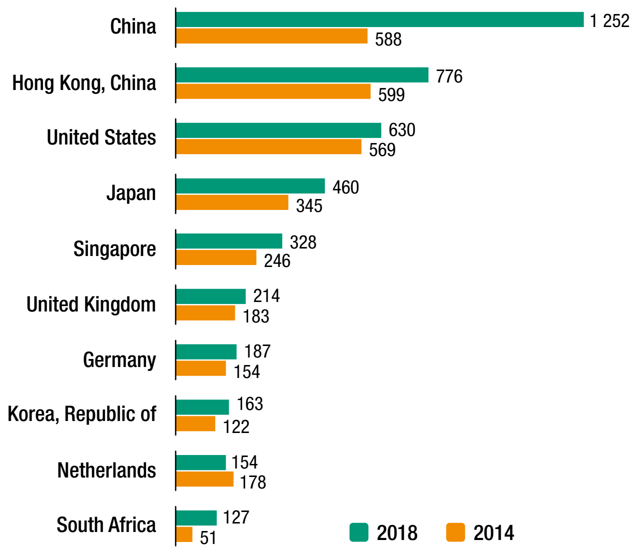


Source: UNCTAD.

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Dotted line represents approximately the Line of Control in Jammu and Kashmir agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

HIGHLIGHTS

- Severe impact of pandemic, due to GVC-intense profile
- In 2019, record FDI flows to China and South-East Asia
- Outflows in 2019 down for second consecutive year

Figure B. FDI inflows, 2013–2019
(Billions of dollars and per cent)

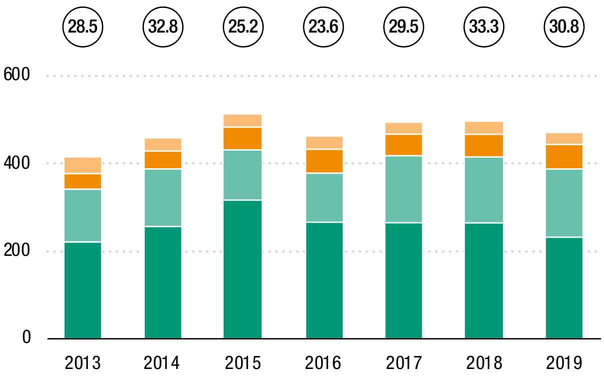
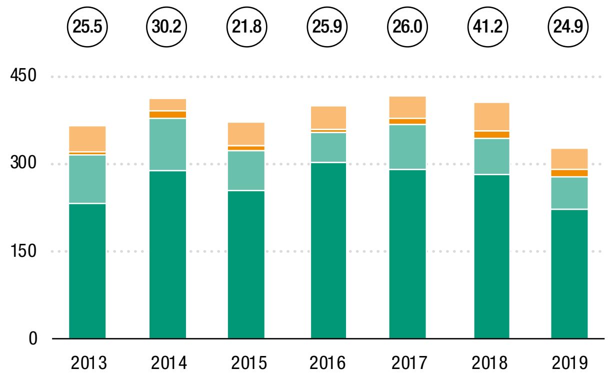


Figure C. FDI outflows, 2013–2019
(Billions of dollars and per cent)



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

Table A. Cross-border M&As by sector/industry, 2018–2019 (Millions of dollars)

Sector/industry	Sales		Purchases	
	2018	2019	2018	2019
Total	**83 769**	**48 819**	**89 256**	**42 961**
Primary	3 670	1 107	4 640	5 437
Agriculture, forestry and fishing	95	716	-1 698	-2 218
Manufacturing	13 584	19 828	12 563	-3 878
Basic metal and metal products	321	9 491	850	-188
Chemicals and chemical products	2 099	2 030	4 093	4 041
Pharmaceuticals, medicinal chemicals and botanical products	240	1 042	560	-222
Services	66 515	27 884	72 053	41 402
Transportation and storage	7 937	8 896	9 701	-1 418
Financial and insurance activities	1 256	7 834	54 827	46 725
Human health and social work activities	2 515	3 749	-825	-1 924
Business services	16 133	3 476	2 588	-12 690
Information and communication	14 074	2 096	1 479	3 892

Table B. Cross-border M&As by region/economy, 2018–2019 (Millions of dollars)

Region/economy	Sales		Purchases	
	2018	2019	2018	2019
World	**83 769**	**48 819**	**89 256**	**42 961**
Developed economies	43 311	31 022	39 930	20 283
European Union	16 478	9 225	28 026	16 908
United States	20 668	10 884	1 380	-2 521
Japan	6 523	9 355	1 503	-756
Developing economies	38 308	19 554	48 208	22 132
Africa	191	271	1 739	-70
Latin America and the Caribbean	-715	-386	7 643	4 785
Asia	38 826	17 175	38 826	17 175
China	31 959	1 206	5 395	7 161
Hong Kong, China	6 658	9 501	13 618	-4 723
Thailand	236	4 450	-469	4 564
United Arab Emirates	374	2 357	1 382	-649

Table C. Announced greenfield FDI projects by sector/industry, 2018–2019 (Millions of dollars)

Sector/industry	Developing Asia as destination		Developing Asia as investor	
	2018	2019	2018	2019
Total	**398 001**	**265 117**	**294 086**	**241 752**
Primary	7 369	4 545	13 456	5 141
Mining and quarrying	6 475	4 132	12 178	4 442
Manufacturing	206 648	149 375	136 880	150 304
Coke and refined petroleum products	39 535	52 656	16 490	70 459
Chemicals and chemical products	40 418	16 686	31 023	9 778
Computer, electronic, optical products and electrical equipment	36 760	20 410	29 430	23 549
Motor vehicles and other transport equipment	38 733	24 099	14 792	15 659
Services	183 984	111 197	143 750	86 307
Electricity, gas, steam and air conditioning supply	37 349	19 682	24 400	17 311
Construction	59 500	11 466	60 811	20 521
Accommodation and food service activities	22 482	25 706	16 559	15 436
Information and communication	16 885	14 373	10 674	8 017

Table D. Announced greenfield FDI projects by region/economy, 2018–2019 (Millions of dollars)

Partner region/economy	Developing Asia as destination		Developing Asia as investor	
	2018	2019	2018	2019
World	**398 001**	**265 117**	**294 086**	**241 752**
Developed economies	202 505	140 138	57 671	54 147
European Union	89 047	54 140	20 946	17 769
United States	60 240	48 989	24 695	30 405
Japan	37 029	23 732	3 597	1 425
Developing economies	182 566	120 678	218 829	164 825
China	34 242	13 304	40 476	21 808
Korea, Republic of	20 048	16 656	4 163	410
Indonesia	818	24 260	13 607	5 885
Saudi Arabia	506	15 840	2 914	5 457
Singapore	18 918	11 245	5 385	961
Viet Nam	482	70	14 730	17 613
Transition economies	12 931	4 302	17 587	22 781

FDI inflows to the region in 2020 are expected to fall by between 30 and 45 per cent as a result of the COVID-19 pandemic. All subregions and the five largest recipients, which accounted for about 80 per cent of FDI inflows in Asia in 2019, will see a decline in investment across a wide range of industries, primarily in manufacturing and services. The number of announced greenfield investment projects in the first quarter of 2020 dropped by 37 per cent. The number of M&As fell by 35 per cent in April 2020. Many MNEs have warned of earnings shortfalls and postponed their investment plans for 2020 as they concentrate on rebuilding or consolidating their business operations. The pandemic will precipitate a fall in reinvested earnings of foreign affiliates based in the region. Outward FDI is also expected to fall because of the growing liquidity challenges faced by companies from the region. A global economic recession will further weigh on inflows and outflows. Economic growth in Asia is expected to stall at zero per cent.

In 2019, FDI flows into developing Asia declined by 5 per cent, to $474 billion, though the region remained an important FDI destination, hosting more than 30 per cent of global FDI flows. The decline was driven mostly by a 13 per cent drop in investment in East Asia, primarily in Hong Kong, China and the Republic of Korea. Inflows to China rose marginally and reached an all-time high of $141 billion. In South-East Asia, inflows grew 5 per cent to a record level of $156 billion, propelled by strong investment in a few countries, in particular Indonesia, Singapore and Viet Nam. Inflows to South Asia rose 10 per cent to $57 billion, with 20 per cent growth in inflows to India. West Asia recorded a 7 per cent decline in inflows to $28 billion, despite a notable increase in investment in the United Arab Emirates and Saudi Arabia. Outflows from Asia declined by 19 per cent to $328 billion, due to the decline in commodity prices, a drop in M&A purchases, geopolitical tensions and China's restrictions on outward FDI.

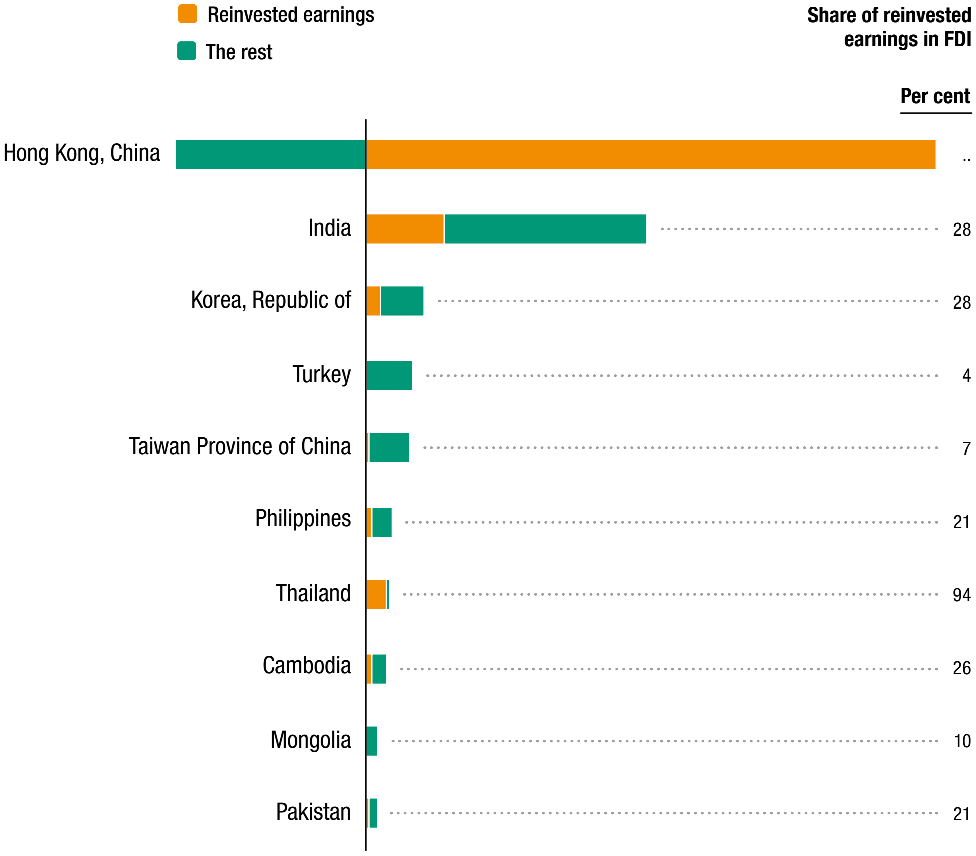
Prospects

FDI flows to the region are expected to decline in 2020 by between 30 and 45 per cent because of the impact of the pandemic and the consequent lockdown measures, supply chain disruptions and economic slowdown. Declining corporate earnings and the slump in global demand are also affecting investment in the region (figure II.4). The pandemic has highlighted the dense interconnection of economies and factories in Asia and with other parts of the world. Work stoppages in China have significantly disrupted the supply chain of many factories in East and South-East Asia. The pandemic has also underscored the vulnerability of these supply chains, and the important role of China and other Asian economies as global production hubs. It could encourage MNEs to speed up relocations of investment and reshoring of GVC activities, affecting the longer-term trend of FDI in the region.

The number of announced greenfield investment projects in the first quarter of 2020 dropped by 37 per cent from the quarterly average of 2019 (figure II.5). The number of M&As dropped by 35 per cent in April 2020 from the monthly average of 2019 (figure II.6).

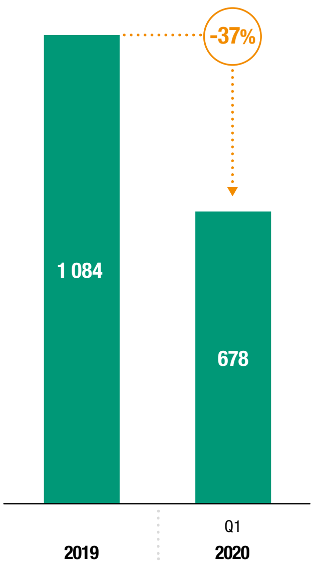
China has been severely affected by the pandemic. In the first quarter of 2020 its economy contracted for the first time on record, with a growth rate of -6.8 per cent. The drastic measures taken to contain the spread of the virus had a profound economic impact. Retail spending, which contributed nearly 60 per cent of China's economic growth in 2019, plunged 19 per cent from a year earlier. Fixed-asset investment, another major growth driver, sank 16 per cent.[5] The capital expenditure of Chinese MNEs in the first two months of 2020 declined by 25 per cent. Against these developments, FDI inflows to China in the first quarter of 2020, excluding the financial sector, were reported to have dropped by 13 per cent to $31 billion, as compared with the same period last year.[6]

Figure II.4. **Asia: FDI inflows and reinvested earnings, 2019** (Volume and per cent)



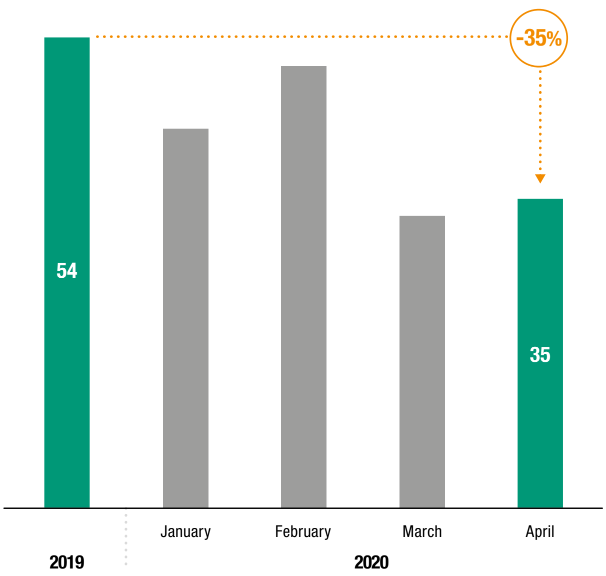
Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: The figure covers only economies that report reinvested earnings separately.

Figure II.5. **Asia: Average quarterly number of announced greenfield investment projects, 2019 and Q1 2020** (Number)



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

Figure II.6. **Average monthly number of cross-border M&As, 2019 and January–April 2020** (Number)



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

In stimulating the economy and in encouraging FDI, the Government issued relief policies and measures to stabilize foreign investment, including "end-to-end" services to large-scale foreign-invested projects under construction to guarantee completion as planned. As the economy gradually reopens and new investment liberalization policies are implemented (e.g. the new Foreign Investment Law and removal of foreign ownership limitations in the financial and automotive industries), there are signs that market-oriented FDI is resuming. For instance, Starbucks (United States) announced a $130 million investment to open a roasting facility as part of its Coffee Innovation Park in Jiangsu, the company's largest manufacturing investment outside of the United States and its first in Asia. Positive growth in FDI inflows and exports in April (a reported 12 per cent and 4 per cent, respectively) suggest an improving investment and production situation, although the growth numbers may represent a temporary catch-up due to pent-up activity in the previous months.

Other external factors underscore the weak FDI outlook. The slump in global demand in electronics, automotive and other products is expected to weigh on existing production capacity and export-oriented investment. Declining corporate earnings of MNEs will have an impact on reinvestment. Investment diversification and production reshoring driven by the pressure to build supply chain resilience in the post-pandemic world will add pressure to the country's efforts to attract FDI. The continued uncertainty about the trade tensions with the United States could further undermine investor confidence in an already tightening global investment environment.

The FDI outlook for Hong Kong, China is bleak because of declining corporate earnings and the impact of the continuing social unrest on the economy. High reinvested earnings by MNEs is a key feature of FDI in the economy. Some 80 per cent of FDI between 2013 and 2018 was financed through reinvested earnings of affiliates. Announced greenfield investment has also fallen significantly. The number and value of announced greenfield investments in the first quarter of 2020 were, respectively, only one-third and one-half of the quarterly average of 2019.

In the Republic of Korea, the economy contracted 1.4 per cent in the first quarter of 2020. Realized FDI reported by the Korean Government for the first quarter of this year declined 18 per cent to $2.4 billion, with manufacturing FDI shrinking by 52 per cent to $431 million from a year earlier.[7] The decline is likely to continue in 2020 as the pandemic continues to affect the earnings and investment capacity of companies in the United States and Europe, the two major sources of investment in the country.

Following high inflows in 2019, *South-East Asia* has not been spared the impact of the pandemic. The region is experiencing a significant economic slowdown, including a major disruption of production and supply chains in many industries. Lockdown measures have led to factory stoppages. Major automotive manufacturers in Thailand such as Mazda, Mitsubishi and Nissan (all Japan) have temporarily halted production. Ford (United States) has temporarily suspended production in Thailand and Viet Nam, while Toyota (Japan) has done the same at plants in Indonesia and Thailand. Supply chains of GVC-intensive manufacturing industries were already disrupted by lockdowns in China and other countries, which affected the flow of parts and components to factories in this subregion. Factories in Indonesia, Thailand and Viet Nam source between 40 per cent and 60 per cent of electronics parts and components from China. In the apparel industry, supply chain disruption of raw materials from China has also directly affected the subregion. More than 55 per cent of inputs for apparel factories in Cambodia, Myanmar and Viet Nam come from China.

The slump in global and regional demand is likely to lead to further scaling down of factory operations in the automotive, electronics and apparel industries. In the automotive industry, Nissan reduced production in Thailand in response to slowing demand[8] and is to close a plant in Indonesia.[9] In the important export industry of apparel, many factories in Cambodia, Myanmar and Viet Nam have temporarily closed. Factory stoppages in the first half of the year were triggered by the cancellation of or decline in orders from distributors and retailers in Europe and the United States.[10] They include Primark (United Kingdom), Zara (Spain) and JC Penney (United States).

The slowdown in manufacturing is expected to affect investment throughout 2020 and 2021. Announced greenfield investment in automotive production in the first quarter of 2020 fell by 67 per cent to $628 million and in computer and electronics by 36 per cent to $752 million as compared with the quarterly average of 2019. The number of announced greenfield investment projects in Singapore in the first quarter fell by 20 per cent; investment commitments in Indonesia and Viet Nam declined by 10 per cent. These three countries were the subregion's largest FDI recipients, together receiving more than 80 per cent of inflows in 2019. M&A sales also dropped, by 87 per cent in the first three months. Weak corporate earnings of South-East Asia MNEs and foreign affiliates will further hamper investment.

Market-oriented investment in construction, real estate, hospitality and other services will also be significantly affected by the economic slowdown. Longer term, a few countries with low labour cost advantages (e.g. Indonesia and Viet Nam) could fare relatively better as MNEs pick up operations. They could benefit from MNE decisions to diversify geographical risks and build more resilient supply chains. The relocation of production facilities to the region from East Asia, already ongoing due to trade tensions, is expected to continue.

In *South Asia*, FDI is also expected to contract sharply. In the first quarter of 2020, the number and value of greenfield investments declined by 4 and 31 per cent, respectively, and M&As fell by 56 per cent from their 2019 quarterly average to $1.7 billion, signaling a reversal of the growth trend in the subregion. In India, the biggest FDI host in the subregion, with more than 70 per cent of inward stock, the number of greenfield investment announcements declined by 4 per cent in the first quarter, and M&As contracted by 58. However, the country's economy could prove the most resilient in the region. FDI to India has been on a long-term growth trend. Positive, albeit lower, economic growth in the post-pandemic period and India's large market will continue to attract market-seeking investments to the country.[11]

Nevertheless, the magnitude of the logistical challenges during both the lockdown and the recovery remain a big downside risk for FDI in the medium term. The digital economy and real estate and property development, two industries that attracted growing FDI before the pandemic, could evolve in different directions. Whereas the digital economy will likely see continued investments, real estate and property development will face significant pressures from slowing demand and financing constraints. India's most sought-after industries, which include professional services and the digital economy, could see a faster rebound as global venture capital firms and technology companies continue to show interest in India's market through acquisitions. Investors concluded deals worth over $650 million in the first quarter of 2020, mostly in the digital sector.[12] Large deals in energy were also concluded, such as the acquisition by Total (France) of Adani Gas (India), valued at $800 million.

West Asia is confronting the dual economic shock of plummeting oil prices and the pandemic, which is expected to result in an economic contraction of 3 to 4 per cent (IMF, 2020a). FDI inflows could drop significantly in 2020. Major FDI recipient industries such as oil and gas, tourism, aviation and financial services are likely to be acutely affected. There are already significant downward revisions in the projected earnings of major MNEs from the region, a large number of which operate in the most severely affected industries. For example, MNEs from Saudi Arabia, Turkey and the United Arab Emirates have reported downward earnings revisions of 67 per cent, 27 per cent and 21 per cent, respectively. Similarly, the value and number of announced greenfield projects in the first quarter of 2020 declined, by 56 and 34 per cent, respectively, compared with the quarterly average of 2019.

Although the immediate prospects for investment in West Asia are bleak, there are some indications that FDI will recover in the medium term. First, investment levels before the current crisis were already at a fraction of earlier peak levels and not commensurate with the economic potential of the region. Second, major economies in the region have announced large stimulus packages, which might limit the economic damage of the crisis and provide some cushion for FDI inflows. Third, recent announcements of some major investment projects in West Asia, despite the multifaceted crises, suggest persistent investor confidence. For example, in February of 2020, Marubeni (Japan) announced a $1.5 billion investment to develop a combined-cycle gas-turbine power plant in Fujairah, in the United Arab Emirates, with a planned capacity of 2.4 gigawatts. Also in February, Air Products, a subsidiary of Air Products and Chemicals (United States), proceeded with the groundbreaking ceremony of an $800 million industrial gas complex in Jubail, Saudi Arabia, which is projected to be completed by 2023.

An improved investment environment in some countries could also mitigate the downward impact on investment in the medium term. For instance, FDI to Saudi Arabia could benefit from new regulations that permit 100 per cent foreign ownership in several industries, including tourism, and the easing of investor licenses and visa regulations. Similarly, the approval of the positive list for FDI in the United Arab Emirates in April 2020 paves the way for full foreign ownership in many activities and could support investment flows to the country in the longer term.

Inflows in 2019

FDI inflows to *East Asia* declined by 13 per cent to $233 billion in 2019. Inflows to *China*, the world's second largest FDI recipient, rose marginally and reached an all-time high of $141 billion despite trade tensions. Continuing investment liberalization and removal of investment restrictions contributed to a 13 per cent increase in investment in services industries, which accounted for more than 70 per cent of total FDI flows. Project realization and investment expansion in manufacturing, such as by BASF (Germany), Exxon Mobil (United States) and automotive MNEs such as Tesla (United States), Toyota (Japan), Volkswagen and Daimler (both Germany), helped sustain the rise.

The composition of major investors in China was largely unchanged. Inflows from the United States and Europe declined, but regional investment continued to increase as flows from ASEAN countries grew. MNEs from the Republic of Korea and Japan continued their strategic adjustment in China, shifting some labour-intensive production abroad while investing in high-end production activities. For example, Samsung closed its last mobile phone manufacturing factory in China in October 2019 but in the following month invested $8 billion in memory chip production there.

Investment flows to *Hong Kong, China* declined by 34 per cent to $68 billion in 2019, recording a fourth consecutive annual decrease, with $48 billion in equity divestment since the onset of social unrest. Flows to the *Republic of Korea* dropped by 13 per cent, to $11 billion, due to trade tensions with Japan and the end of tax breaks for foreign investors in 2018. Investment flows from major investors, such as China, the EU and Japan, declined. Investment from the United States, in contrast, increased after the exceptionally low level in 2018, but they remained significantly below the 2013–2017 annual average.

***South-East Asia* continued to be the region's growth engine last year.** FDI to the subregion rose to a record level of $156 billion (a 5 per cent rise) on the back of high investment flows into Singapore, Indonesia and Viet Nam, in that order. Inflows to other ASEAN member States, except for Cambodia, were flat or declined. Strong investments from East Asia, the United States and from within ASEAN pushed up inflows.

Continued relocation of factories and labour-intensive activities, partly as a response by MNEs aiming to circumvent United States–China trade tensions, also contributed to the surge in investment (*AIR 2019*).

Singapore, the subregion's biggest recipient, recorded a 15 per cent rise in FDI to $92 billion, its highest ever level. Strong investment in electronics manufacturing, energy, the chemical industry and services pushed up inflows. Major investments in 2019 included the expansion by Micron Technology (United States) of its semiconductor operation and the new complex of gas giant Linde (United Kingdom). The services sector received sizeable investment in finance, wholesale and retail trade, and in the digital economy. The expansion of headquarters functions by MNEs also contributed to the record inflows. They include Freshworks (United States), Dyson (United Kingdom) and Bombardier (Canada). In M&As, Qualcomm (United States) acquired local firm RF360 for $3 billion in a 5G infrastructure deal. Other megadeals involved Singapore software and technology companies such as the acquisition by Softbank (Japan) of an undisclosed stake in Grab for $1.5 billion and the acquisition by YY Inc (China) of a 68 per cent stake in Bigo Technology for $1.4 billion.

Inflows to *Indonesia* grew by 14 per cent to a record level of $23 billion, with strong investments in manufacturing, financial services and mining. Investments in these industries accounted for about 65 per cent of inflows in 2019. Asian companies (mainly from Japan and within ASEAN) were the largest investors, with companies based in Singapore and Japan being major investors in manufacturing. Korean companies have also been active. For instance, Lotte Chemical is building a $4.3 billion petrochemical complex and Hyundai a $1.5 billion vehicle plant. In financial activities, MNEs from Japan and the Republic of Korea were major investors. Investment in the digital economy remained dynamic, underscoring the growing attractiveness of the country for e-commerce and other digital operations. In addition to FDI, many foreign MNEs participated in the country's infrastructure and development of special economic zones (SEZs) through non-equity means, including as engineering, procurement and construction contractors.[13]

Inflows to *Viet Nam* rose marginally and reached an all-time high of $16 billion, with robust inflows into manufacturing. Strong investment from Japan and the Republic of Korea and from intraregional sources played a role in sustaining the high level of inflows. Relocations of investment by MNEs to avoid the trade tensions between the United States and China helped push up FDI. Companies such as Intel (United States), Nintendo (Japan) and Kyocera (Japan) have relocated operations from China to Viet Nam.

Cambodia recorded its highest ever FDI, $3.7 billion, because of robust investments in manufacturing and services. Most investments came from China, intra-ASEAN sources and Japan. FDI in *Malaysia* was flat at $8 billion. A few M&A megadeals such as in health care and mining (e.g. the acquisition of a stake in IHH Healthcare by Mitsui & Co (Japan) and in Seb Upstream by OMV (Austria)) supported the level of investment in that country. Investment in other ASEAN member States (e.g. Myanmar, the Lao People's Democratic Republic, the Philippines and Thailand) fell.

FDI to *South Asia* grew 10 per cent to $57 billion. The growth was driven largely by a rise in investment in India, which further relaxed investment barriers in mid-2019 (including in retail, insurance and downstream coal processing). FDI to *India* increased 20 per cent to $51 billion, sustaining the country's upward FDI trend. Most of the investments were in the information and communication technology (ICT) and the construction industry. ICT investments into India have evolved from information technology services for global companies to the rapidly growing local digital ecosystem, with many local and regional digital champions, particularly in e-commerce (such as Flipkart and Zomato), attracting international investment. A number of megadeals also contributed to M&A activity.

These included investments in internet companies, which amounted to $2.7 billion,[14] as well as the $7 billion acquisition of Essar Steel (India) by a Japanese-Indian joint venture.

Inflows to *Bangladesh*, an important FDI recipient in South Asia, fell by 56 per cent to $1.6 billion. The decline reflects an adjustment from a record-high level in 2018. The export-oriented apparel industry remains an important FDI recipient, with major investors from the Republic of Korea, Hong Kong, China and China. In 2020, the sector is expected to be severely affected by both factory close-downs and falling global demand for apparel. As of April 2020, the country's garment manufacturers and exporters association estimated that more than $3 billion worth of exports have been cancelled or suspended. In *Pakistan*, FDI recovered in 2019, growing 28 per cent to $2.2 billion after a deep fall of 30 per cent in 2018 as the country faced balance-of-payment challenges. The growth was driven by equity investments in the energy, financial, and textiles industries, with major investors from China and the United Kingdom.

FDI to West Asia declined by 7 per cent to $28 billion. The geographical spread of FDI flows to *West Asia* remained uneven. Just three countries (Turkey, the United Arab Emirates and Saudi Arabia) accounted for the majority of inflows in 2019. The United Arab Emirates was the largest FDI recipient in the subregion, with flows of almost $14 billion, growing by a third from the previous year. This was largely due to major investment deals in oil and gas, primarily in Abu Dhabi. For example, BlackRock (United States) and KKR Global Infrastructure (United States) acquired a 40 per cent ownership interest in the pipeline assets of the Abu Dhabi National Oil Company for about $4 billion. Also, Eni SpA (Italy) acquired a 20 per cent stake in Abu Dhabi Oil Refining Company for more than $3 billion. Abu Dhabi has supported FDI inflows to the United Arab Emirates for the past few years with its streamlined procedures and capacity in facilitating megadeals. In 2019, the Emirate further strengthened its commitment to foreign investment by launching the Abu Dhabi Investment Office under the Ghadan 21 programme, a broad-based initiative to enhance the commercial ecosystem, including by cultivating an attractive and diversified environment for FDI.

Flows to *Saudi Arabia* increased for the second consecutive year by a further 7 per cent to $4.6 billion, mainly because of a few large M&A deals. The new investment policy and a broader economic reform programme under the Saudi Vision 2030 initiative are intended to improve the country's investment environment and promote economic diversification. Several large non-oil investment deals took place in 2019. For instance, Tronox (United States) acquired a stake in National Titanium Dioxide Company for more than $2 billion, RAM Holdings (United Arab Emirates) invested $600 million to increase its ownership in Banque Saudi Fransi and Tenaris (Luxembourg) acquired a stake in Saudi Steel Pipe Company for $144 million. A major greenfield project is being implemented by Pan-Asia Pet Resin (China), a plastic bottle supplier, which launched a facility in Jazan City valued at approximately $1 billion.

FDI flows to *Turkey* declined significantly (by 35 per cent), to nearly $8.4 billion in 2019. The slowdown was triggered by global economic uncertainty as well as weak economic growth. Unlike other major economies in West Asia, which are rich in natural resources, Turkey's economy is more exposed to global macroeconomic conditions, which thus limited FDI flows in 2019.

FDI flows to other countries in West Asia in 2019 were flat or declined. Investment into Lebanon decreased by 20 per cent to $2.1 billion, largely due to political instability, macroeconomic imbalances and a foreign currency crisis. Investment in the country was directed to the services sector, and nearly one-third came from other countries in the subregion. Inflows to Jordan declined by 4 per cent to about $900 million, but were still at half the level of 2017. FDI to Jordan was diversified, with notable investments in manufacturing, real estate and services. The Government introduced a new initiative to encourage investment, including offering investors a single-window application facility through the Jordanian Investment Commission. FDI to Bahrain fell by 43 per cent to below $1 billion in 2019. The main reason was the country's investment profile, which centres on light manufacturing and services, which are more sensitive to global and regional economic headwinds. However, the Government is striving to enhance FDI flows by promoting non-traditional industries such as health care and the digital economy.

Outflows in 2019

Outward FDI flows from *Asia* declined by 19 per cent to $328 billion due to a 52 per cent drop in M&A purchases by Asian companies in 2019 (table B), falling commodity prices and a decline in outward investment from MNEs based in major economies in the region. Outward FDI flows from *East Asia* recorded a third consecutive annual decrease, by 21 per cent, to $224 billion. This was due to an 18 per cent decrease of outflows from China, to $117 billion, and a 28 per cent decline in investment outflows from Hong Kong, China, to $59 billion. Investment from China, the largest developing-country investor, declined for the third consecutive year from its peak in 2016. Chinese M&A purchases globally decreased to a record low for the past 10 years. The decline was attributed to continued restrictions on outward investment, geopolitical tensions and a challenging environment in terms of global trade and investment policy. Outflows from the Republic of Korea declined by 7 per cent to $36 billion.

Investment from *South-East Asia* declined from $63 billion in 2018 to $56 billion, primarily because of a drop in investment from Indonesia and Thailand. Flows from the subregion's two largest investors (Singapore and Malaysia) rose but were not sufficient to compensate for the declines registered in the other ASEAN member States. Singapore remained the largest source of intraregional investment and a major investor in India. MNEs from the subregion are also notable investors in East Asia, mainly in China, strengthening intraregional connections through investment and production between the two subregions. Companies from South-East Asia were active in cross-border M&A activities, as well. Indorama Ventures (Thailand) acquired the chemical intermediate business of Huntsman Corporation (United States) for $2 billion, and GIC (a sovereign wealth fund in Singapore) acquired the logistics real estate portfolio of Apollo Global Management (Germany) for $1 billion.

Outflows from *South Asia* grew 6 per cent, driven by investment from India. Yet they remained small, representing only 1 per cent of global outflows. Companies in India are the subregion's largest investors, with more than 90 per cent of outflows in 2019. Investments from India are expected to decline in 2020, with the largest MNEs revising their earnings down by 25 per cent in early 2020 due to the impact of the pandemic.

FDI outflows from *West Asia* contracted significantly, from $50 billion in 2018 to $36 billion in 2019. In Saudi Arabia, outward investment declined from $23 billion in 2018 to $13 billion, and firms in Kuwait divested $2.5 billion of overseas investments. Major outward investments announced in 2019 included a $10 billion project by Saudi Aramco (Saudi Arabia) to develop oil and gas facilities in China and a $9 billion oil project by Qatar Petroleum to expand its existing facilities in the United States, although it is unclear when these projects will be fully realized.

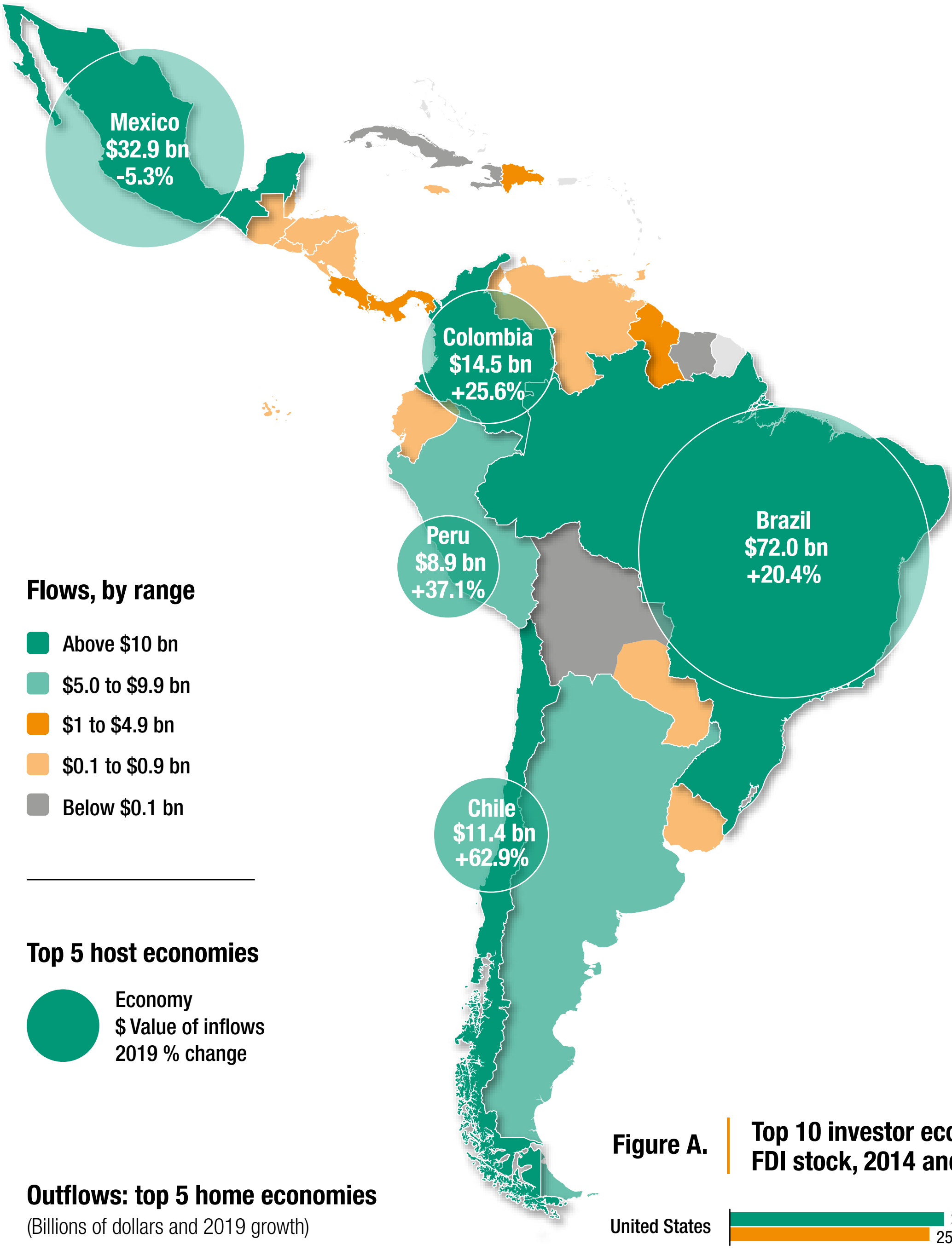
LATIN AMERICA AND THE CARIBBEAN

FDI flows, top 5 host economies, 2019 (Value and change)

2019 Inflows
164.2 bn

2019 Increase
+10.3%

Share in world
10.7%



Flows, by range

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

Top 5 host economies

Economy
$ Value of inflows
2019 % change

Outflows: top 5 home economies
(Billions of dollars and 2019 growth)

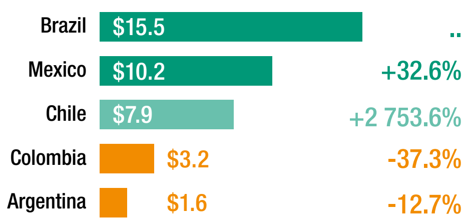
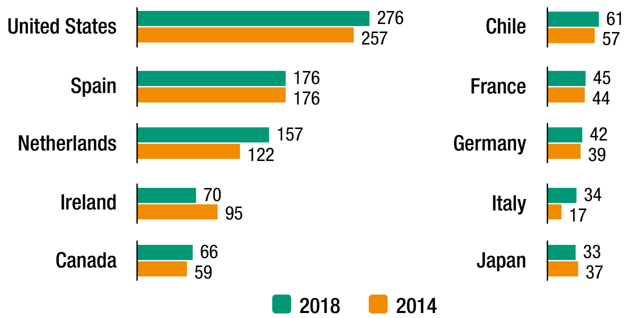


Figure A. **Top 10 investor economies by FDI stock, 2014 and 2018** (Billions of dollars)



Source: UNCTAD.
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

HIGHLIGHTS

- Pandemic expected to halve FDI in region in 2020
- Industries most affected: extractives, tourism, automotive
- 2019 registered a 10 per cent increase in FDI

Figure B. **FDI inflows, 2013–2019**
(Billions of dollars and per cent)

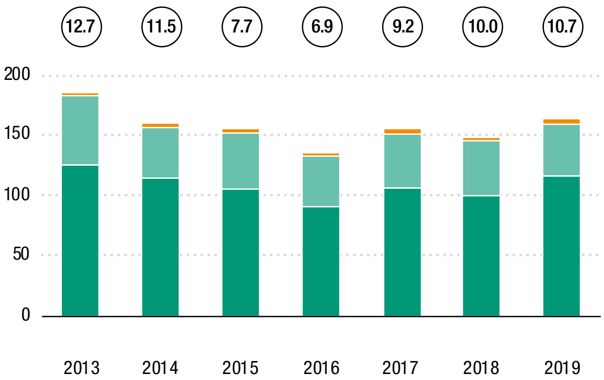
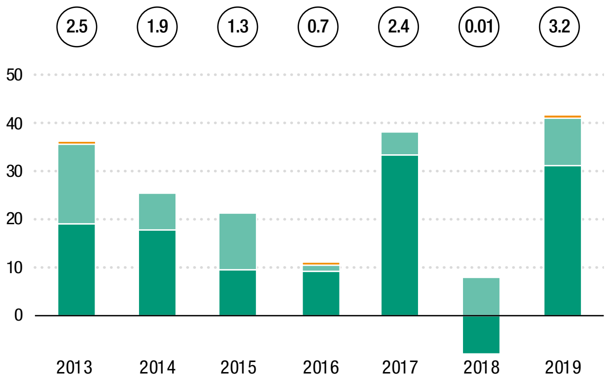


Figure C. **FDI outflows, 2013–2019**
(Billions of dollars and per cent)



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

Table A. **Net cross-border M&As by sector/industry, 2018–2019** (Millions of dollars)

Sector/industry	Sales 2018	Sales 2019	Purchases 2018	Purchases 2019
Total	**39 148**	**23 854**	**3 469**	**6 023**
Primary	**6 237**	**1 491**	**547**	**-44**
Manufacturing	**9 429**	**2 706**	**348**	**1 320**
Food, beverages and tobacco	2 063	1 042	-757	1 285
Chemicals and chemical products	6 987	193	1 930	-127
Pharmaceuticals, medicinal chemicals and botanical products	108	311	258	479
Services	**23 482**	**19 657**	**2 573**	**4 747**
Electricity, gas and water	9 040	11 331	57	111
Trade	483	393	1 317	1 276
Transportation and storage	2 019	4 016	59	155
Information and communication	8 384	1 014	4	1 282
Financial and insurance activities	2 265	1 826	1 554	1 971
Business services	728	690	-1 284	-38

Table B. **Net cross-border M&As by region/economy, 2018–2019** (Millions of dollars)

Region/economy	Sales 2018	Sales 2019	Purchases 2018	Purchases 2019
World	**39 148**	**23 854**	**3 469**	**6 023**
Developed economies	**28 612**	**16 404**	**1 361**	**3 189**
France	2 229	9 191	-	12
Luxembourg	999	1 147	-	-
Spain	-2 963	688	-596	443
Canada	5 728	-1 206	-	316
United States	12 704	4 014	-418	771
Japan	587	2 122	-	-
Developing economies	**10 486**	**7 102**	**2 108**	**2 834**
China	5 731	3 142	-	-22
Brazil	613	1 261	404	1 429
Colombia	85	-160	78	1 389
Mexico	1 645	1 423	118	-160

Table C. **Announced greenfield FDI projects by sector/industry, 2018–2019** (Millions of dollars)

Sector/industry	LAC as destination 2018	LAC as destination 2019	LAC as investor 2018	LAC as investor 2019
Total	**78 520**	**112 315**	**18 874**	**18 453**
Primary	**13 445**	**8 026**	**5 667**	**4 140**
Manufacturing	**26 320**	**41 204**	**5 282**	**5 087**
Food, beverages and tobacco	4 250	3 147	675	832
Paper, printing and packaging	1 598	5 526	193	85
Basic metal and metal products	2 348	4 405	1 317	1 550
Motor vehicles and other transport equipment	6 676	10 087	1 123	48
Services	**38 755**	**63 084**	**7 925**	**9 226**
Electricity, gas, steam and air conditioning supply	8 008	25 701	-	1 697
Transportation and storage	5 579	8 270	1 462	432
Accommodation and food service activities	7 506	6 691	2 539	2 647
Information and communication	8 264	9 272	1 942	2 431
Financial and insurance activities	3 169	3 626	299	903

Table D. **Announced greenfield FDI projects by region/economy, 2018–2019** (Millions of dollars)

Partner region/economy	LAC as destination 2018	LAC as destination 2019	LAC as investor 2018	LAC as investor 2019
World	**78 520**	**112 315**	**18 874**	**18 453**
Developed economies	**58 828**	**79 202**	**6 178**	**4 303**
France	2 782	5 371	107	54
Germany	4 475	7 257	62	567
Spain	9 724	16 079	419	334
United States	17 943	19 204	2 730	1 933
Developing economies	**18 891**	**32 729**	**12 642**	**14 071**
China	1 527	10 827	818	221
Brazil	1 199	1 031	540	1 630
Chile	2 359	2 140	259	390
Colombia	251	1 181	1 090	1 164
Peru	322	270	4 622	7 024
Mexico	3 288	6 398	1 849	1 130

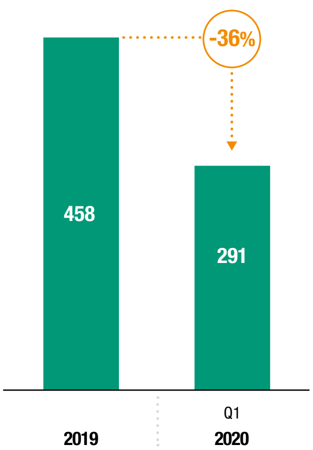
The rapid spread of the coronavirus and the expected severe economic downturn compound an already weak economic situation to discourage investors into the region. FDI for 2020 is expected to halve. Commodity exporters in the region face a double shock of collapsing prices and lower volumes of exports to major trading partners. Investment in extractives, the largest FDI sector in the region, already tumbled in the first quarter and is not expected to recover this year. Flows to the tourism industry, a key services sector industry in many economies of the region, especially in the Caribbean, are also sinking. In the manufacturing sector, two important industries in the region, automotive and textiles, will suffer both supply and demand shocks. Central America and the Caribbean might see some new international investment to expand production of medical equipment. In 2019, FDI in Latin America and the Caribbean still grew by 10 per cent to $164 billion, driven by increased flows to Brazil, Chile and Colombia. Outflows grew to $42 billion, sustained by intraregional flows and a reduction of negative outflows that dampened the totals in previous years.

Prospects

Investment flows to the region are expected to halve in 2020 from the $164 billion received last year. The pandemic arrived relatively late in the region and compounded both political and social unrest and structural weaknesses to push the region's economies into a deep recession, exacerbating challenges in attracting foreign investment. Projections for this year are for a contraction in GDP of more than 5 per cent (IMF, 2020a).

Data on announced greenfield investments show a decline by 36 per cent in the number of projects in the first quarter of this year (figure II.7). Brazil reported direct equity investment flows[15] at almost half of last year's quarterly average. In Mexico new equity inflows dropped by 31 per cent.[16] However, this is still a conservative projection as most of the impact on projects will become evident starting from April, after the lockdown (most countries in the region closed down around mid-March; the United States, the most important trade and investment partner for the region, did so a week later). This is confirmed by expectations of the private sector in Mexico in the central bank's monthly survey: the outlook for incoming FDI in 2020 fell sharply in April, with expected net inflows 38 per cent lower than those forecast in January.[17] The shock is also reflected in the most recent data available: the number of foreign acquisitions in the region decreased every month with respect to the average number in 2019 to drop by a total 78 per cent in April (figure II.8).

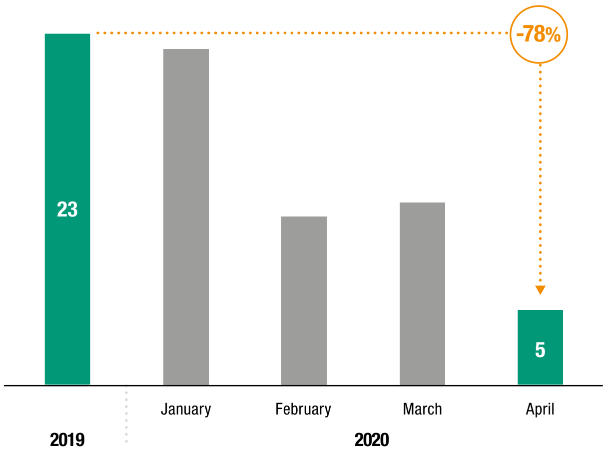
Figure II.7. **Latin America and the Caribbean: Average quarterly number of announced greenfield investment projects, 2019 and Q1 2020** (Number)



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

The shock will have different impacts across sectors, with commodities and tourism and transportation among the most severely hit. In manufacturing, automotive and textiles, two important industries in the region, will suffer both supply and demand shocks. The region's commodity exporters, a sector that normally accounts for sizeable shares of both inward and outward FDI flows, are facing a double shock of collapsing prices for commodities (oil, copper, iron ores, soya beans) and lower volumes of exports to major trading partners. The extraction and processing of oil, coke and petroleum take up 32 per cent, 82 per cent and 40 per cent of total FDI in Brazil, Argentina and Colombia, respectively. Mining accounts for 20 to 30 per cent of FDI stock in Chile and Peru, the world's largest producers of copper. In these industries the sales of assets, privatizations in the case of Brazil and new investments in production and exploration are likely to suffer delays. First-quarter data for Brazil show foreign equity investment in oil and gas extraction dropped by 77 per cent. The number of announced greenfield projects for oil and gas extraction and mining projects fell by 25 and 40 per cent, respectively.

Figure II.8. **Latin America and the Caribbean: Average monthly number of cross-border M&As, 2019 and January–April 2020** (Number)



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

The Caribbean and Central American economies will be hard hit by the sharp downturn in tourism. The industry is vital to the economy: FDI in tourism in this region can account for as much as 30 per cent of stock (e.g. in the Dominican Republic). Announced projects to construct tourism infrastructure fell by 45 per cent in the first quarter of this year compared with last year's quarterly average. The textile industry is also severely affected. It, too, is a crucial industry for the poorest economies of the region, including El Salvador, Guatemala, Honduras, Nicaragua and Haiti, where it can represent 30 to 40 per cent of inflows.[18] The industry found a lifeline in the form of orders to produce face masks, gowns and other medical gear; nevertheless the impact of the crisis will lead to foreign affiliate exits[19] while new investment projects this year have come to a halt.

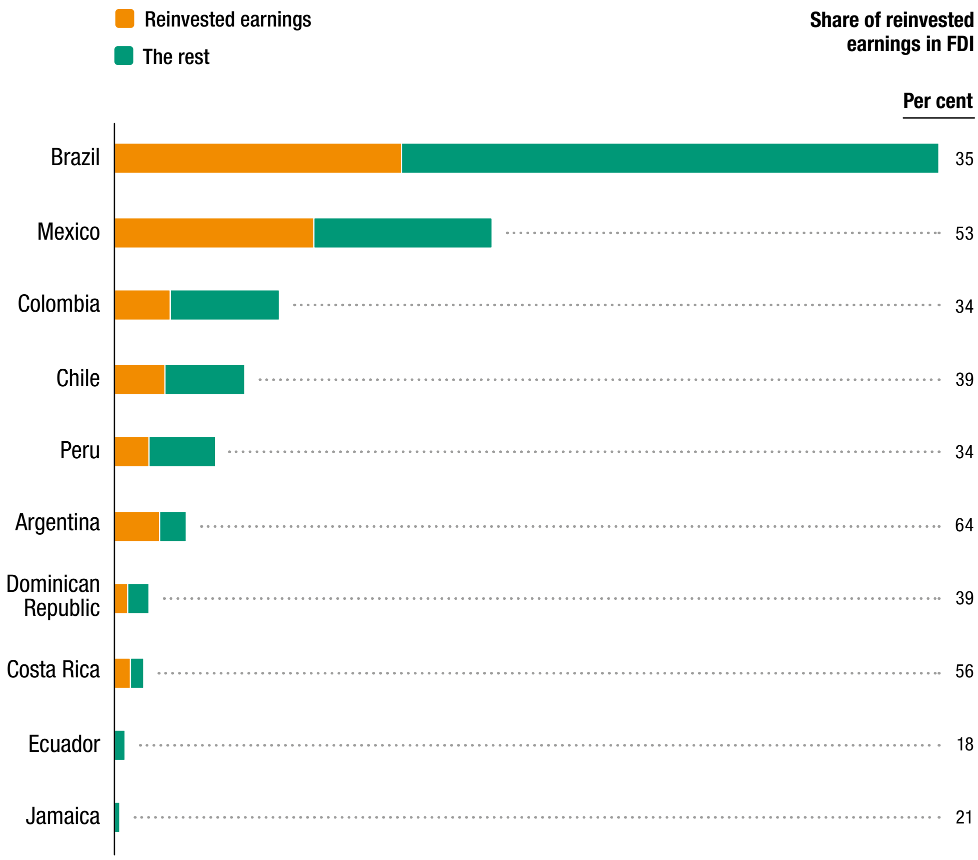
The automotive industry, one of the hardest hit by the pandemic, is contracting severely; in the first quarter the number of announced greenfield projects to set up new factories decreased by over 73 per cent. Mexico will be among the most affected, as FDI in this industry last year accounted for more than 20 per cent of inflows. The high level of integration of its industry in the United States automotive value chain also exposes it to supply chain disruptions. In the first quarter, FDI inflows fell by 48 per cent. The industry already suffered in 2019 from uncertainties related to the ratification of the United States–Mexico–Canada Agreement and the addition of several rules to limit the foreign content of cars produced in the United States. However, exposure to international supply chains is not the only factor. In Brazil, where car production is mostly oriented to the domestic and neighbouring markets, first-quarter FDI fell by 64 per cent.

There are some isolated positive signals for specific industries registering an increase in incoming projects. FDI in medical supplies in Costa Rica, the Dominican Republic and Mexico has led to new manufacturing of medical gear, and MNEs already present in these countries are now expanding production. Announced projects for manufacturing medical devices increased by a third in the first quarter. In addition, some MNEs are converting current production facilities to increase capacity, leveraging global and regional value chains. For example HanesBrands (United States) shifted its production from t-shirts and underwear to cotton masks in factories in El Salvador, the Dominican Republic and Honduras. This production, under a United States federal contract, is expected to deliver 5 million or more protective masks weekly. Except for Costa Rica, where SEZs have increasingly specialized in the production of medical devices and protection gear,[20] this industry did not account for a large share of inflows to the region. This recent development could strengthen the position of the region for future flows.

In 2019, Latin America and the Caribbean became a hotspot for FDI in renewable energy – in particular Brazil, with 42 projects announced by foreign investors, representing almost 40 per cent of the regional total. In the first quarter of 2020 the industry still registered an increase of 12 per cent in the number of announced projects. Projects are expected to drop in the second quarter (see chapter I) as economic deterioration will create unfavourable conditions for contract negotiations, rising counterparty risks and delinquencies; in addition, projects now under construction face higher risks of schedule delays and higher costs to import equipment.[21] In many countries, auctions have been suspended. The contrasting trend with fossil fuel energy projects is nevertheless a sign of the commitment of governments in the region to green energy.

Beyond the industry-specific effects, an automatic impact of the crisis on FDI is tightening margins for reinvestments. The shutdowns, falling demand and limited access to trade (for both imports of inputs and exports) are pushing companies towards sizeable losses. Since the beginning of February, major companies in the region revised their earnings expectations for fiscal year 2020 downwards by more than 50 per cent, more than companies in other regions. For major recipient economies in the region, reinvested earnings account for more than a third of inflows, and for some important destinations such as Mexico, Argentina, and Costa Rica they represent more than half (figure II.9). The implications of significant losses in foreign affiliates based in the region directly involve a drop in inflows.

Figure II.9. **Latin America and the Caribbean: FDI inflows and reinvested earnings, 2019** (Volume and per cent)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: The figure covers only economies that report reinvested earnings separately.

In the medium term, the implications of COVID-19 for FDI flows to the region will depend on the severity of the economic contraction and the speed of the recovery. As many countries in other regions are starting to ease confinement measures, many in Latin America and the Caribbean are still on an upward slope of the contagion at the beginning of the winter season; this could prolong the health crisis and related economic struggle. The forecast for the region is for a contraction of GDP in 2020 by 5.2 per cent followed by limited recovery of 3.4 per cent in 2021 (IMF, 2020a). The region's economies will be significantly affected by the slowdown in global demand and in particular in their trade partners, notably China and the United States. China is an important importer of raw materials for Argentina, Brazil, Ecuador and Venezuela. It was the first country to reopen its economy, nevertheless prices for commodities will remain subdued. The contraction in the United States will mainly affect Mexico and other countries in Central America, Colombia and the Caribbean.

The Mercosur–EU trade agreement, which could have beneficial longer-term impacts on investment flows between the two groups, is temporarily on hold due to the pandemic. It forced the technical teams to suspend the legal review of the agreement, which must be concluded for parliaments to allow it to enter into force.

Inflows in 2019

In South America in 2019, FDI increased by 16 per cent to $117 billion, driven by higher flows to all major economies of the subregion. *Brazil* registered a 20 per cent increase to $72 billion, with investors attracted by the oil and gas extraction and electricity industries. Economic conditions appeared to improve in the country, and a wide-ranging privatization program was launched in July as part of the administration's efforts to relaunch the economy. During the first nine months of 2019, the Government raised about $20 billion through privatizations and divestments, $1.4 billion in payments for rights to operate infrastructure and about $3 billion in "sales of natural assets," consisting mainly of the State-controlled Petrobras oil exploration areas. The first and biggest of these privatizations involved a gas distribution company – Transportadora Associada de Gas – bought by a consortium of investors led by Engie (France) for almost $8.7 billion. For 2020 the Government was expecting to be able to sell another $35 billion of assets; however, as the coronavirus pandemic is tipping the economy back into recession, the volatility associated with the crisis has worsened the selling conditions, pushing the authorities to postpone most of the announced share sales. Similarly, transactions waiting for regulatory approval have been halted. They include for example the much-awaited sale of Electrobras – Latin America's largest power utility – and the sale of eight refineries by Petrobras worth $10 billion. Sales of oil exploration and production assets are likely to be the most affected by the drop in oil prices, which has erased more than half the market value of Petrobras. The renewable energy industry attracted increasing number of projects in recent years is also experiencing a slowdown following the outbreak of COVID-19. The Government is indefinitely postponing a series of auctions for transmission and generation assets until the pandemic subsides.

In *Colombia,* FDI inflows increased by 26 per cent to $14 billion last year. Some 32 per cent of investment went to the oil and mining industries, while 21 per cent was designated for financial and professional services, and manufacturing received 11 per cent. Flows into the oil industry rose by 11 per cent, to $2.8 billion, and into the mining industry by 29 per cent, to $1.8 billion. With the exception of the logistics services industry all other industries also saw investment increases. During 2019, oil production rose as a result of the award of 31 contracts to oil companies for exploration and extraction. This year was expected to be a turning point for the oil industry, with an increase in investment of more than 20 per cent;

this target is now unlikely to be met, given the current price of oil. In addition, prolonged low coal prices due to a supply glut and a global recession, especially in China, the biggest importer, will hurt investment as royalties from coal plunge.

Flows into *Chile* increased by 63 per cent to $11 billion in 2019, sustained by investment in utilities, mining and services. FDI inflows decelerated sharply in the last quarter of 2019 following the protests that broke out in mid-October, significantly weakening the investment climate. This period was characterized by a marked increase in uncertainty, following the subsequent announcement that the Government would redraft the constitution. Despite falling copper prices during 2019, the devaluated peso allowed for increased margins for mining companies because as much as half of their expenditure is denominated in pesos. In contrast, plummeting lithium prices prompted some miners to put off near-term investments. Albemarle (United States) and SQM (Chile), the main lithium miners in Chile, announced in mid-2019 that they were postponing extensions of their operations. The lithium auction held in 2018 (*WIR18*) saw all three winners, including electronics giant Samsung SDI (Republic of Korea), Sichuan Fulin Industrial Group (China), and steelmaker Posco (Korean), subsequently drop out. For 2020, the pandemic spread has prompted major mining companies to announce a suspension of activities and a delay in expansion projects.

In *Peru,* flows increased by 37 per cent to $8.9 billion last year, boosted by new equity investments which more than tripled to almost $3 billion. Non-financial services received more than 30 per cent of inflows, growing by 16 per cent to $2.8 billion. Mining had a similar share at $2.5 billion, while the energy industry received $1.7 billion. Manufacturing accounted for only $734 million. During 2019 mining investment continued to post double-digit growth, as firms ramped up their processing capacity. Like other economies in the region reliant on mining activities, Peru will suffer from the global economic recession, especially for the mining of copper and zinc, but may possibly benefit from the stable demand for gold, which is perceived as a safe-haven asset. The agriculture sector will also be negatively affected by slowing demand.

Flows to *Argentina* halved to $6.2 billion in 2019, hampered by a deepening economic crisis. The economy contracted 2 per cent, the inflation rate averaged above 50 per cent, taxes increased sharply and capital controls were imposed. Companies such as Amazon, General Motors and Nike (all United States) have been reported in local media to be freezing investment plans. The prospects for the Vaca Muerta shale gas field to be developed and provide much-needed export revenue are fading as the intensive foreign investments needed are drying up. Uncertainty about the restructuring of foreign debt was already negatively influencing inflows in 2020 before the COVID-19 outbreak.

In Central America FDI inflows decreased by 5 per cent in 2019, to $43 billion. Flows to *Mexico* decreased by 5 per cent to $33 billion. As usual, the manufacturing sector absorbed almost half of FDI inflows (47 per cent) with $16 billion, driven by the automotive industry (representing 21 per cent of FDI). That amount was a decrease of 6 per cent from 2018. The auto parts segment, which received about half of the flows to the industry, suffered a 31 per cent decrease, owing to uncertainty related to the ratification of the new regional trade agreement (which in the United States and Canada took place only in early 2020). Most services industries registered an increase in flows. Financial services, representing about 15 per cent of FDI, saw inflows more than double; trade was up 9 percent and media registered a large increase (61 per cent). FDI to the energy generation industry fell sharply (by 75 per cent to $1.3 billion) after private participation was curtailed to support the national oil company and the electricity utility. Investor confidence was negatively affected by a public vote to stop a $1.4 billion brewery project of Constellation Brands (United States) that was already two-thirds complete. As economic growth forecasts for 2020 were being revised sharply downwards in the face of the pandemic, the Government launched a new energy plan worth about $13 billion that foresees the participation of private investors in selected projects and the acceleration of public expenditures on infrastructure. Projections for 2020 GDP growth[22] place Mexico among the worst hit by the crisis because of its integration with the United States manufacturing sector, especially in the automotive value chain, and because of its reliance on tourism, remittances and oil.

In *Costa Rica,* FDI inflows increased by 13 per cent to $2.5 billion in 2019. Investment in SEZs, which represented almost two-thirds of the inflows, grew by 24 per cent to $1.6 billion. Investment in high-skill industries such as high-tech medical equipment has been considerable in recent years, with that industry becoming Costa Rica's main exporter. After registering increasing numbers of COVID-19 cases, the Government adopted temporary export restrictions on certain categories of critical medical supplies, but producers operating in SEZs were not affected. MNEs from SEZs were invited to join local companies, academia and the public sector to produce medical equipment for the COVID-19 emergency under an initiative spearheaded by the Ministry of Health. The Collaborative Design of Costa Rica initiative aims to leverage the transfer of knowledge and technology from SEZs based on their experience in the production of medical devices. It already has engaged the collaboration of important United States MNEs.

In the Caribbean, excluding financial centres, flows increased by 47 per cent to $4 billion in 2019. Inflows into the *Dominican Republic* increased by 19 per cent to $3 billion, pushed by investments in the telecommunication and power industries. The United States maintained its central role as investor with a share of almost 32 per cent. Mexico's share of inflows increased sharply to more than 21 per cent due to América Móvil's investment programmes through 2022 (for a total of $1 billion) to prepare for the deployment of 5G connectivity. This could give support to the development of the IT services industry as envisaged by the initiative República Digital, launched by the Government with the aim to attract more high-tech foreign investment. In the Dominican Republic, the tourism industry attracted almost 30 per cent of all flows, with cruise tourism sustaining a high demand for accommodation and restaurants. New projects for ecotourism infrastructure are now postponed and risk cancellation. Lower trade also imperils recent efforts to promote air cargo with the objective to develop the island into a logistics hub in the Caribbean. In the first months of this year, MNEs in SEZs producing medical gear were expanding operations.

Outflows in 2019

Outward investment by Latin American MNEs increased sharply in 2019 to $42 billion, mostly driven by a reduction of negative outflows. Brazilian, Mexican and Chilean MNEs were the most active, supported by falling interest rates at home. Brazilian companies especially appear to have suspended their practice of collecting funds through foreign affiliates to finance operations at home, as the domestic interest rate has fallen to historical lows. This shift is combined with some important acquisitions abroad, especially in the retail industry. A notable example is Cia Brasileira de Distribuicao's acquisition of department store Éxito (Colombia) from Groupe Casino (France) for almost $1.1 billion.

Intraregional flows also increased, accounting for almost three-quarters of all outgoing announced greenfield projects. For example, Peru attracted regional MNEs in the extractive industries (Grupo México), tourism (Grupo Selina (Panama)) and textiles (Falabella (Chile)).

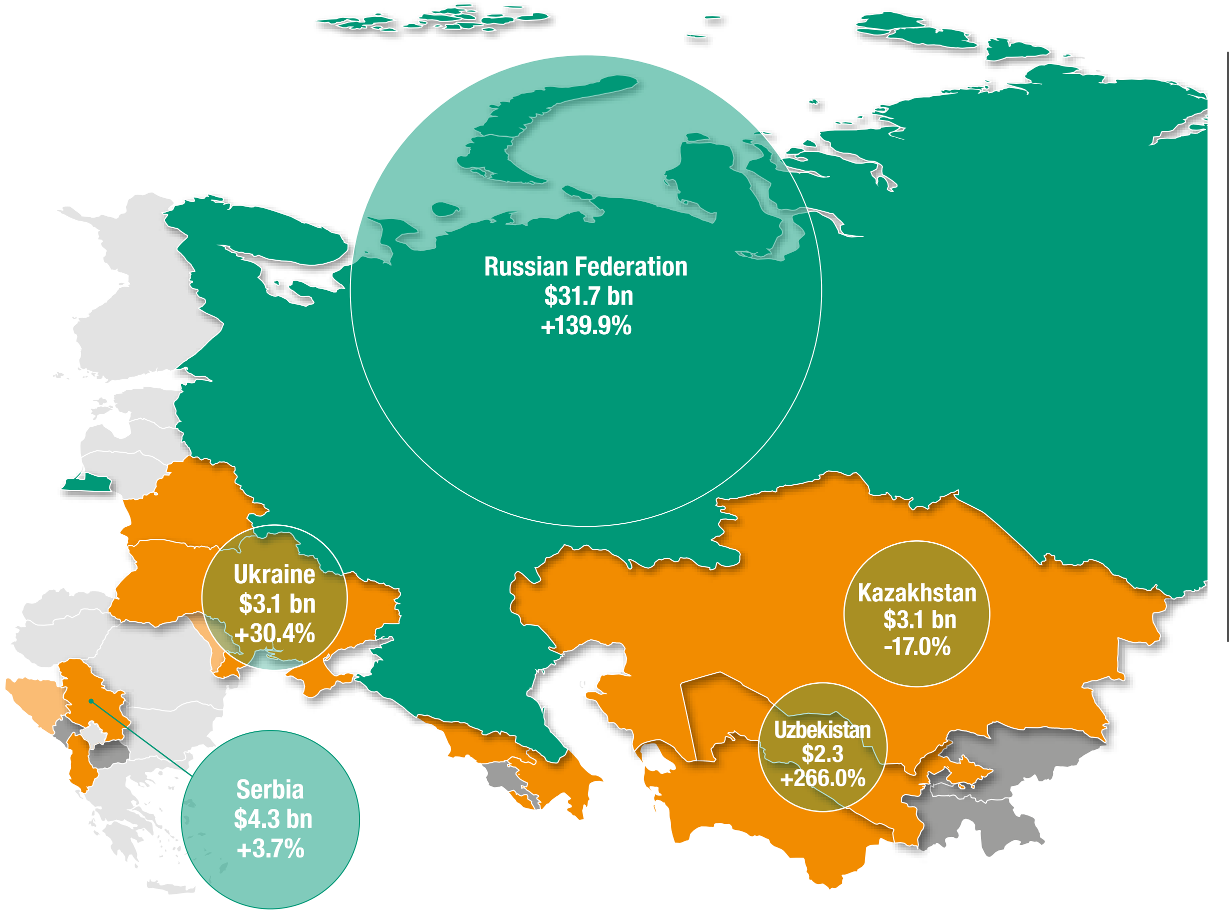
TRANSITION ECONOMIES

FDI flows, top 5 host economies, 2019 (Value and change)

2019 Inflows
54.9 bn

2019 Increase
+59.1%

Share in world
3.6%



Flows, by range

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

Top 5 host economies

Economy
$ Value of inflows
2019 % change

Outflows: top 5 home economies

(Billions of dollars and 2019 growth)

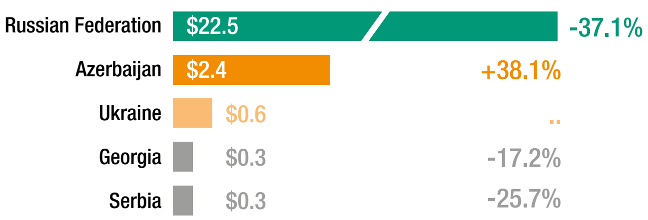
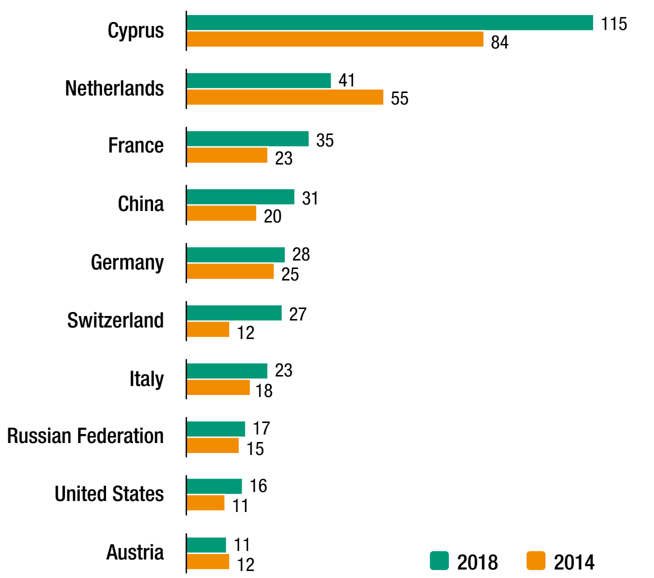


Figure A. **Top 10 investor economies by FDI stock, 2014 and 2018** (Billions of dollars)



Source: UNCTAD.
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

HIGHLIGHTS

- Impact of pandemic and low oil prices to hit FDI hard
- Slide in outward FDI continues due to falling MNE earnings
- In 2019, FDI rose, notably in the Russian Federation

Figure B. FDI inflows, 2013–2019 (Billions of dollars and per cent)

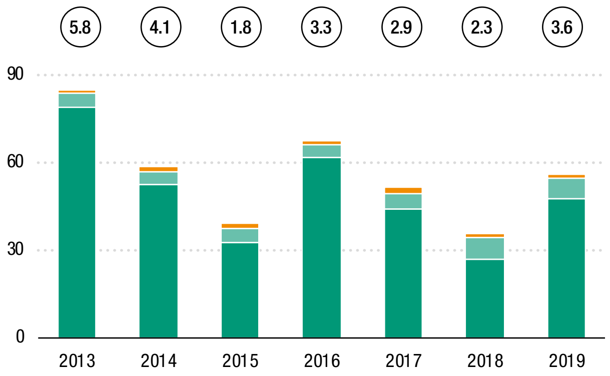
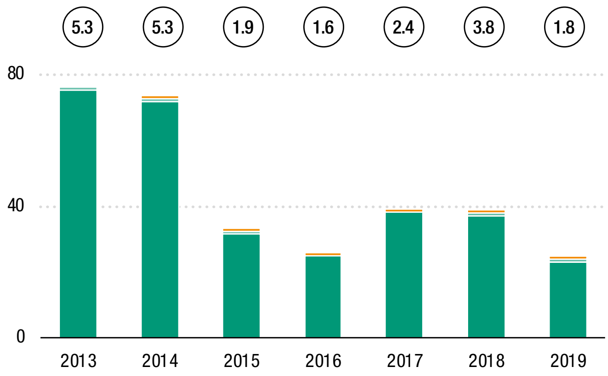


Figure C. FDI outflows, 2013–2019 (Billions of dollars and per cent)



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

Table A. Net cross-border M&As by sector/industry 2018–2019 (Millions of dollars)

Sector/industry	Sales 2018	Sales 2019	Purchases 2018	Purchases 2019
Total	**2 602**	**1 392**	**1 914**	**-4 193**
Primary	**610**	**352**	**-34**	**-131**
Agriculture, forestry and fishing	69	224	-	14
Mining and quarrying	541	128	-34	-145
Manufacturing	**2 275**	**293**	**653**	**-44**
Food, beverages and tobacco	1 914	28	-	-
Pharmaceuticals, medicinal chemical and botanical products	-	199	-	-
Rubber and plastics products	-	47	-	-
Services	**-282**	**748**	**1 295**	**-4 017**
Wholesale and retail trade and repair of motor vehicles and motorcycles	-	124	-	-
Transportation and storage	61	447	-	-
Information and communication	-795	127	275	-2 811
Financial and insurance activities	166	283	1 012	-1 195

Table B. Net cross-border M&As by region/economy, 2018–2019 (Millions of dollars)

Region/economy	Sales 2018	Sales 2019	Purchases 2018	Purchases 2019
World	**2 602**	**1 392**	**1 914**	**-4 193**
Developed economies	**458**	**-302**	**663**	**-2 176**
European Union	-1 295	511	8	-103
Ireland	4	283	-	-
Netherlands	-460	543	-	-
United Kingdom	-23	551	-	-
Developing economies	**1 119**	**1 706**	**273**	**-1 955**
China	542	310	-	-
South Africa	-	1 160	-	-
Turkey	-599	104	273	-2 752
Transition economies	**84**	**978**	**84**	**978**
Azerbaijan	3	734	-	-
Russian Federation	972	-757	1 004	85

Table C. Announced greenfield FDI projects by sector/industry, 2018–2019 (Millions of dollars)

Sector/industry	Transition economies as destination 2018	Transition economies as destination 2019	Transition economies as investor 2018	Transition economies as investor 2019
Total	**50 850**	**46 036**	**22 055**	**8 302**
Primary	**2 698**	**806**	**2 141**	**689**
Manufacturing	**30 341**	**31 870**	**11 539**	**5 145**
Food, beverages and tobacco	2 545	3 285	2 273	99
Coke and refined petroleum products	4 230	11 457	6 840	2 977
Chemicals and chemical products	4 696	2 918	171	434
Other non-metallic mineral products	2 034	1 687	250	202
Motor vehicles and other transport equipment	4 321	5 393	425	299
Services	**17 810**	**13 360**	**8 375**	**2 468**
Electricity, gas, steam and air conditioning supply	7 340	5 127	3 635	245
Construction	2 149	1 629	1 242	-
Trade	1 381	1 382	284	515
Transportation and storage	1 545	1 903	891	260

Table D. Announced greenfield FDI projects by region/economy, 2018–2019 (Millions of dollars)

Partner region/economy	Transition economies as destination 2018	Transition economies as destination 2019	Transition economies as investor 2018	Transition economies as investor 2019
World	**50 850**	**46 036**	**22 055**	**8 302**
Developed economies	**29 111**	**21 085**	**2 003**	**1 220**
European Union	17 678	14 900	937	1 147
France	2 707	1 486	2	15
Germany	3 870	4 957	79	110
Japan	5 702	1 421	110	55
United States	2 298	3 222	324	2
Developing economies	**17 815**	**22 910**	**16 127**	**5 043**
China	9 251	15 715	1 786	113
Korea, Republic of	1 530	1 593	-	-
Turkey	1 664	3 828	6 348	109
Transition economies	**3 924**	**2 040**	**3 924**	**2 040**
Russian Federation	1 880	1 371	363	37

FDI flows to the economies in transition in South-East Europe, the Commonwealth of Independent States (CIS) and Georgia will be hard hit by the economic downturn caused by the pandemic. For the Russian Federation, a protracted decline in global demand for raw materials, coupled with reluctance to tackle overproduction, has exerted strong downward pressure on commodity prices. The country traditionally attracts the bulk of FDI in extractive industries. Market-seeking projects will also suffer in that country and in others in the region as the economic downturn deepens. In South-East Europe and the Republic of Moldova, a large number of inbound FDI projects target export-oriented automotive production and tourism, both industries that have been among the hardest hit by the coronavirus crisis. The expected decline in FDI follows a rise in inflows to the region in 2019 (up 59 per cent, to $55 billion). That rise was prompted by a rebound of FDI in the Russian Federation and, to a lesser degree, in Ukraine following two years of decline, and by an increase in FDI to newly liberalizing Uzbekistan. In the rest of the region, flows remained mostly unchanged. Outflows declined by 37 per cent to $24 billion, as large Russian MNEs, accounting for the bulk of outward FDI from economies in transition, found it increasingly difficult to acquire assets abroad, despite efforts to diversify to developing regions.

Prospects

In 2020, FDI inflows to the economies in transition are projected to decline by about 38 per cent. The degree of contraction projected is similar to the world average (see table I.3). Growth in FDI inflows is forecast to return to the region in 2022.

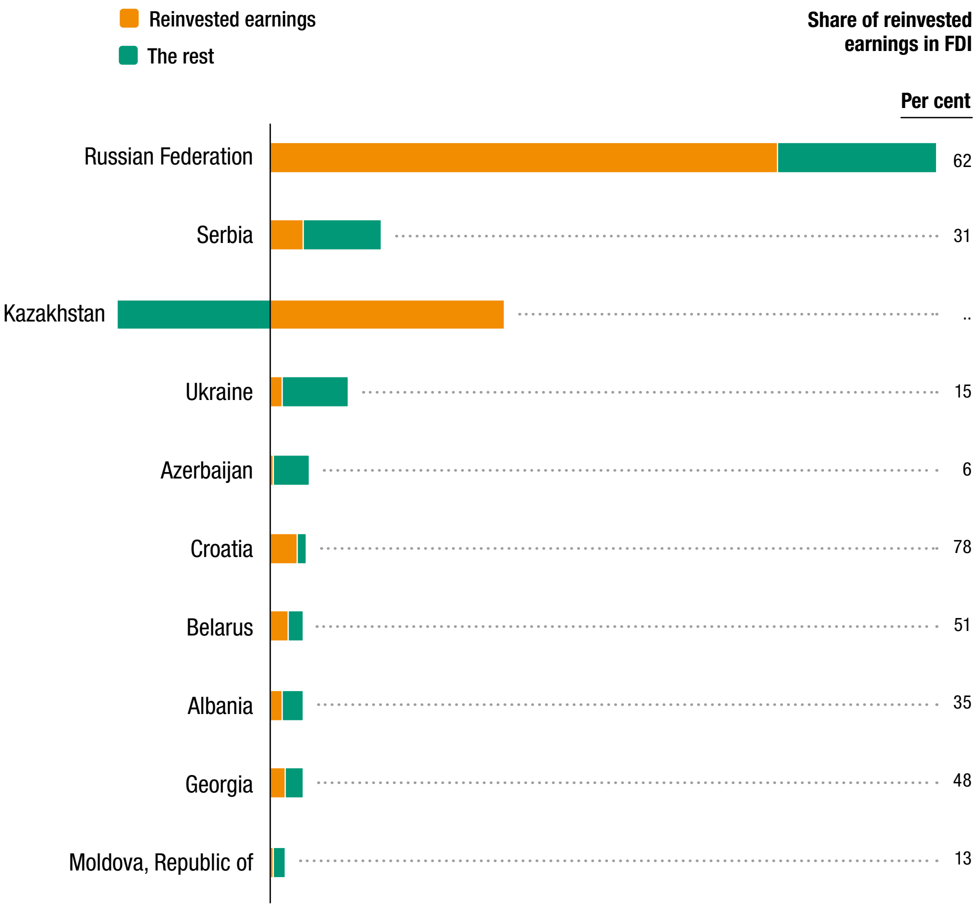
The pandemic has provoked a recession in economies in transition that affects market-seeking FDI directly. In the Russian Federation, the largest economy of the region, GDP growth was already relatively low in 2019 (2 per cent). It is expected to decline sharply in 2020 despite government stimulus and measures to help small and medium-sized firms.[23] This is likely to prompt market-seeking investors to adjust their planned investments downward. In natural-resource-based projects, prospects are also being revised downward as demand for commodities weakens and the price of oil, one of the main exports from various economies in transition (Azerbaijan, Kazakhstan, the Russian Federation, Uzbekistan), remains depressed, despite efforts to resolve the price war between major oil producers.

In South-East Europe and the Republic of Moldova, export-oriented projects located in SEZs that are linked to GVCs will be significantly affected. The situation could prove particularly difficult in the automotive value chain, in which some foreign affiliates have had to scale down or suspend operations.[24] A slowdown of activities has also been observed in other export-oriented industries. Several South-East European economies will also be affected through their broad exposure to the tourism and hospitality industries.

In all transition economies, as in other regions, reinvested earnings will inevitably transmit the negative 2020 operational results of MNE investors to FDI. In these countries, the share of reinvested earnings in total FDI (88 per cent in 2018, 66 per cent in 2019) is higher than the average share globally (about 50 per cent), which will result in a particularly negative impact on overall inflows of the region (figure II.10).

Greenfield project announcements, an indicator of investors' intentions, were already on a downward slope in 2019 and are falling farther in 2020. In 2019, greenfield commitments dropped by 9 per cent to $46 billion (table C). The majority of the economies of the region experienced a decrease, with South-East Europe seeing the value of announcements fall by 46 per cent. The region depends on greenfield investment

Figure II.10. **Transition economies: FDI inflows and reinvested earnings, 2019**
(Volume and per cent)



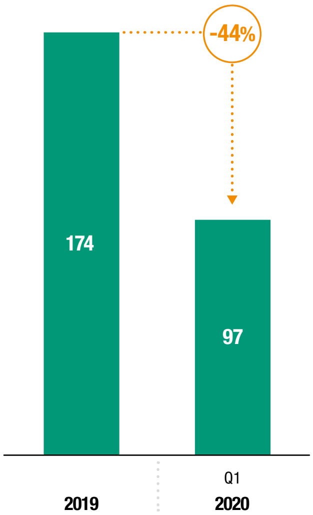
Source: *Source:* UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: The figure covers only economies that report reinvested earnings separately.

in industries that are severely affected by the COVID-19 crisis. In 2019, the manufacturing of coke and petroleum products accounted for 25 per cent of such investment, automotive production for 12 per cent and transportation for 4 per cent (table C). Hospitality was already slowing, representing only 2 per cent of the total. In the first quarter of 2020, the number of greenfield project announcements in the region declined by 44 per cent from the average quarterly level of 2019 (figure II.11).

Cross-border M&A sales of firms from economies in transition were already low in 2019 (table A) and fell further in the first quarter of 2020. The value recorded in 2019 ($1.4 billion) was the lowest since 2013. In the first three months of 2020, sales amounted to just $220 million, one of the lowest quarterly values ever recorded.

Outward FDI from economies in transition is expected to continue its decline in 2020 and 2021, as economic recessions in home economies and the low oil prices affect the capacities of MNEs from the region to invest abroad. Announced greenfield deals abroad by MNEs based in economies in transition were valued at $8 billion in 2019, 72 per cent less than in the previous year (table D). In the manufacturing of coke and petroleum products, where MNEs from economies in transition enjoy a strong competitive position, the decline was 56 per cent, to $3 billion (table C). In the first three months of 2020, the downslide continued, to a net divestment of $90 million.

Figure II.11. **Transition economies: Average quarterly number of announced greenfield investment projects, 2019 and Q1 2020** (Number)



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

In 2020, the earnings forecasts of Russian MNEs, accounting for at least nine-tenth of the FDI outflows of the economies in transition in the past decade, are undergoing downward reviews. After the onset of the COVID-19 crisis, the projected earnings of the 36 largest Russian MNEs were revised down 41 per cent, similar to the revisions for other emerging-market MNEs. This development limits the capacity of Russian MNEs to reinvest their earnings, which accounted for almost two-thirds of their outward FDI in 2019 and more than one-third in the previous three years. Some industries are hit hard. For 2020, the Russian oil and gas industry, which represented a large part of FDI in the previous decade,[25] is now forecast to lose $9.8 billion in earnings,[26] due to the low prices and the production cut of 2.5 million barrels per day under the terms of the country's deal with other producers. In the first quarter of 2020, State-owned Rosneft, the third largest Russian MNE by foreign assets, reported its first loss in eight years, amounting to -$2.2 billion. Other industries, with more limited weight in outward FDI, had more mixed results. State-owned Sberbank saw profits fall sharply in January–March 2020 (by 47 per cent). In contrast, technology firms (such as internet providers Yandex and Mail.Ru) experienced more limited declines in profits (5 and 22 per cent, respectively), and their sales continued to increase. However, the first-quarter results do not reflect the full extent of the pandemic impact. It was only at the beginning of the second quarter that the Russian Government decreed a six-week, nationwide "non-working period", shutting down an estimated 30 per cent of the economy.[27] That measure further accelerated the decline in corporate earnings.

Inflows in 2019

Inbound FDI to economies in transition increased in 2019 (by 59 per cent, to $55 billion), due to higher inflows in the Russian Federation, Ukraine and Uzbekistan. Flows to the rest of the region declined slightly (down 3 per cent, to $18 billion). FDI to the CIS and Georgia together rose by 76 per cent to $48 billion, on the back of the increases in the Russian Federation, Ukraine and Uzbekistan (figure B). In South-East Europe, inflows remained practically unchanged at $7.2 billion (-3 per cent). Increases were registered in Bosnia and Herzegovina and Serbia, but decreases were registered in Montenegro and North Macedonia.

In the *Russian Federation*, FDI inflows increased by 140 per cent, to $32 billion, after two years of decline. This temporary reversal of the downward trend was still about 40 per cent lower than the level recorded in 2013. Reinvested earnings continued their rise in 2019 (to $20 billion), while equity investment recovered to $11 billion after posting a negative value in 2018 due to divestments. The rise in FDI occurred despite a second consecutive year of lower cross-border M&A sales of shares in Russian firms, which dropped by two-thirds, to $877 million.

Serbia, the second largest recipient of FDI among economies in transition, experienced an increase of 4 per cent in 2019, to $4.3 billion. This increase was mostly due to growth in equity capital; the value of reinvested earnings remained practically unchanged. Construction (28 per cent), transportation (16 per cent), trade (8 per cent) and ICT (5 per cent) attracted sizable projects. The country also continued to attract export-oriented projects in its automotive cluster. Five per cent of the inflows were realized in rubber and plastic products and another 5 per cent in vehicle production. More than half of FDI in 2019 originated in the EU.

FDI flows to *Kazakhstan* – the third largest recipient of FDI among these economies – declined again in 2019, dropping 17 per cent, to $3.1 billion. The largest project started in the country was a carbide plant of a Chinese chemical producer.[28] Mining of metals continued to attract the highest volumes of investment, followed by manufacturing, and then wholesale and retail trade. The United States, China and the Russian Federation were the largest source countries.

In *Ukraine*, FDI flows rose by 30 per cent, to $3.1 billion, after two years of decline. Equity capital and reinvested earnings remained stable, while intracompany loans more than doubled. Finance, ICT, mining, real estate and electricity and gas attracted the bulk of FDI. A sizeable share of FDI, estimated at about one-third of the value in 2019, was reported to be roundtripping of Ukrainian capital through offshore centres.[29]

Inflows to Uzbekistan more than tripled in 2019 (up 266 per cent to $2.3 billion). The value of equity investment and reinvested earnings together expanded by 231 per cent to $2.1 billion, while intracompany loans turned from negative to positive (to $169 million). Part of the inflows related to ongoing large projects in oil and gas by Lukoil (Russian Federation). In addition, a series of projects started in chemical production, with Chinese, Russian, Singaporean, United Kingdom and United States firms. Orano Mining (France) invested large amounts in uranium exploration and development. In the textiles and apparel industry, projects were started by Chinese, German, Indian, Korean, Thai and Turkish companies. In the near future, the Government plans to focus its industrialization efforts on its 21 newly established free economic zones (*WIR19*). Under the current circumstances, FDI prospects will hinge on the capacity of the country to attract more diversified inflows, as investment into the energy industry may slow down.

Data from investor countries shows the continued importance of Cyprus and the Netherlands as sources of FDI in economies in transition (figure A), followed by France, China and Germany. The Russian Federation was the largest intraregional source, occupying the eighth position among such investors in 2018.

Outflows in 2019

FDI outflows from economies in transition declined by 37 per cent, to $24 billion, in 2019 (figure C). As in previous years, the Russian Federation accounted for almost all outward FDI (95 per cent). Russian MNEs remained cautious about foreign expansion, especially in developed-market economies, in which they face increasing restrictions in access to international finance and technology, as well as in acquisition of firms. Their caution in international markets is also linked to international sanctions, which affect some large Russian MNEs (*WIR19*). Net cross-border acquisitions fell to -$4 billion in 2019. There were various cases of divestments by Russian MNEs, such as the sales of Sberbank's assets in Denizbank (Turkey) to the State-owned Investment Corp of Dubai (United Arab Emirates).

The downturn of outflows from the Russian Federation into traditional target countries was partly compensated by investment in new markets. In 2019, State-owned Gazprom Neft expanded oil production in the Kurdistan Region of Iraq, and Novatek started a liquefied natural gas project in Viet Nam. Russian MNEs have also initiated various projects in Africa, some of them backed by a Russian Government initiative aimed at strengthening economic links with the continent (box II.1 and section on Africa).

Box II.1. Russian FDI in Africa

Russian MNEs are expected to continue searching for investment opportunities on the African continent, encouraged by a public initiative adopted at the first Russia–Africa Summit and Economic Forum in 2019.

The annual volume of Russian FDI in Africa is usually small. However, there have been exceptions. In 2019, for example, the Congo received Russian FDI flows of $779 million as *Lukoil*, the country's largest outward investor, bought 25 per cent of gas company Marine XII, currently in the exploration stage. Other Russian companies engaged in Africa include State-owned *Alrosa* (investing in Angola, Botswana and Zimbabwe), Bahamas-registered but Russian-owned *Renova* (mining in Gabon, Mozambique and South Africa), State-owned nuclear operator *Rosatom* (investing in Egypt and Nigeria) and State-owned *Rosneft* (investing in Egypt).

The Russia–Africa Summit in 2019 also provided an opportunity to sign deals for new projects, the most important of which for FDI were the following:

- State-owned IT security firm *Avtomatika* (part of Rostec Corporation) signed a contract with Angolan mobile operator Movicel to protect the company's IT infrastructure.
- Russian specialized-fats producer *EFKO Group* and United Oil (Egypt) signed an agreement of intent to create a joint venture for a production facility worth about $300 million.
- Rosatom and the Government of Rwanda signed an agreement to build a centre for nuclear science and technology in Kigali.
- Cyprus-registered but Russian-owned *Uralchem* and Angolan Grupo Opaia Holding (operating in civil construction, solar energy, drinking-water systems, tourism, agriculture, finance and other industries) signed a memorandum to build a urea plant in Angola for $1 billion.
- State-owned bank *VEB* signed a deal to build an oil refinery in Morocco for $2.2 billion.

Source: UNCTAD, based on various media sources. New projects from "What contracts were concluded at the Russia-Africa forum?" (in Russian), RBC News, 23 October 2019, https://www.rbc.ru/business/23/10/2019/5db035149a79473afc68a097.

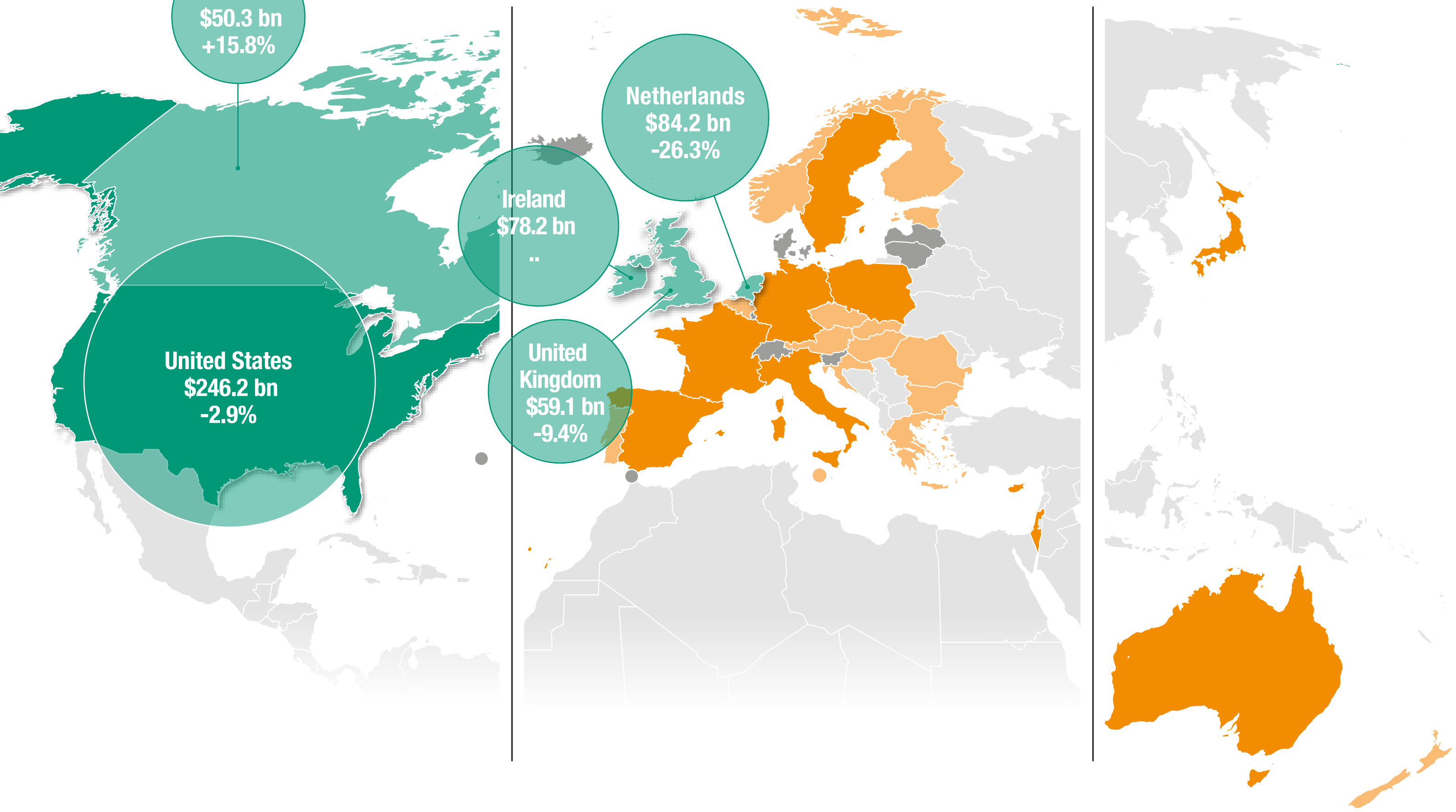
DEVELOPED ECONOMIES

FDI flows, top 5 host economies, 2019 (Value and change)

2019 Inflows
800.2 bn

2019 Increase
+5.1%

Share in world
52.0%



Flows, by range

- Above $100 bn
- $50 to $99 bn
- $10 to $49 bn
- $1 to $9 bn
- Below $1 bn

Top 5 host economies

Economy
$ Value of inflows
2019 % change

Outflows: top 5 home economies
(Billions of dollars and 2019 growth)

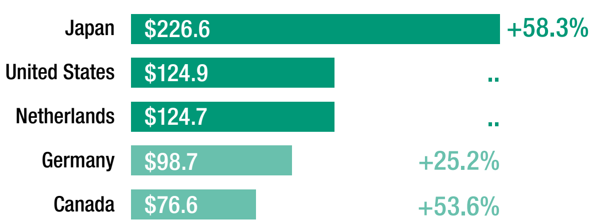
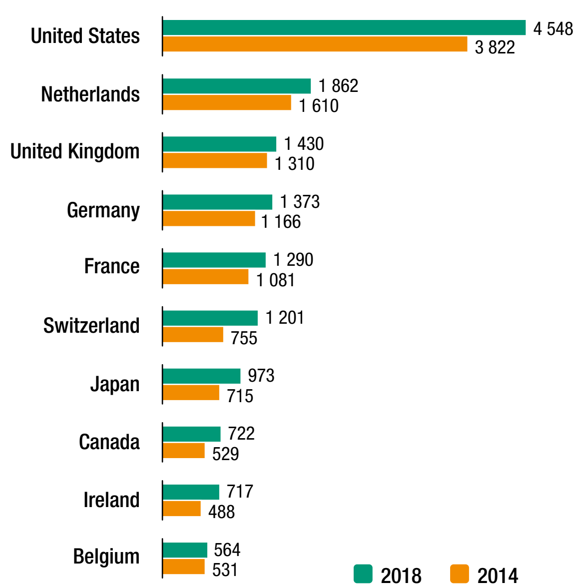


Figure A. **Top 10 investor economies by FDI stock, 2014 and 2018** (Billions of dollars)



Source: UNCTAD.
Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.

HIGHLIGHTS

- FDI flows expected to fall by up to 35 per cent
- Falling profits to hurt reinvested earnings (60 per cent of FDI)
- In 2019, outflows up as earnings repatriations wane

Figure B. FDI inflows, 2013–2019
(Billions of dollars and per cent)

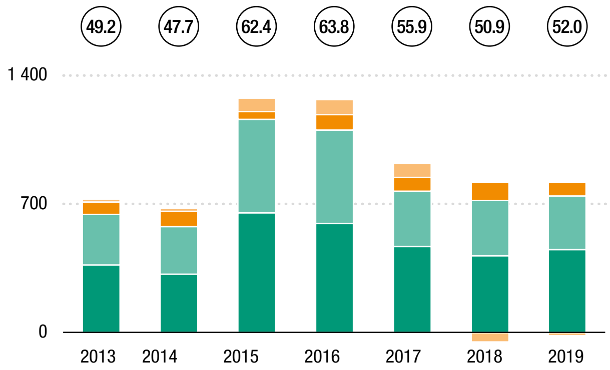
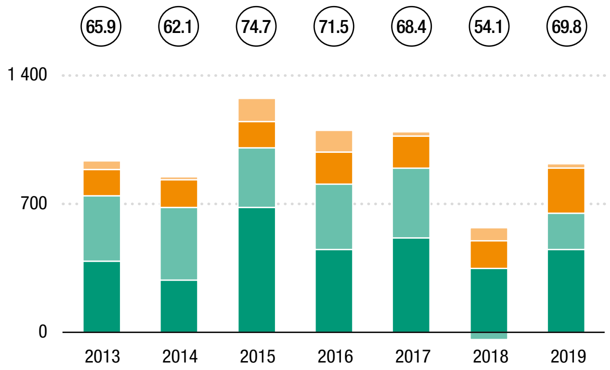


Figure C. FDI outflows, 2013–2019
(Billions of dollars and per cent)



European Union | North America | Other developed countries | Other developed Europe | Share in world total

Table A. Cross-border M&As by sector/industry, 2018–2019 (Millions of dollars)

Sector/industry	Sales 2018	Sales 2019	Purchases 2018	Purchases 2019
Total	**688 859**	**411 080**	**701 976**	**462 055**
Primary	**28 632**	**30 376**	**24 253**	**45 893**
Mining and quarrying	28 114	29 515	23 393	45 230
Manufacturing	**282 163**	**217 708**	**228 778**	**169 553**
Food, beverages and tobacco	44 451	18 244	40 008	13 815
Chemicals and chemical products	140 207	42 916	107 250	19 432
Pharmaceuticals, medicinal chemicals and botanical products	27 149	86 084	43 906	95 118
Computer, electronic, optical products and electrical equipment	40 186	20 238	7 216	7 181
Services	**378 065**	**162 997**	**448 945**	**246 608**
Transportation and storage	37 325	6 278	17 451	6 363
Information and communication	68 345	-18 155	78 646	9 905
Financial and insurance activities	103 091	38 620	261 181	197 733
Business services	94 852	94 112	42 499	35 133

Table B. Cross-border M&As by region/economy, 2018–2019 (Millions of dollars)

Region/economy	Sales 2018	Sales 2019	Purchases 2018	Purchases 2019
World	**688 859**	**411 080**	**701 976**	**462 055**
Developed economies	**631 423**	**410 542**	**631 423**	**410 542**
France	91 904	41 914	16 804	14 852
United Kingdom	59 786	11 489	86 869	41 368
United States	221 486	89 853	190 114	150 663
Japan	27 174	92 496	16 530	3 892
Developing economies	**43 556**	**-10 450**	**70 095**	**51 815**
Africa	2 266	-33 988	-1 606	4 311
Latin America and the Caribbean	1 361	3 189	28 612	16 404
Asia	39 930	20 283	43 311	31 022
China	18 611	6 436	1 247	-1 827
Singapore	4 206	-10 110	5 727	467
Transition economies	**663**	**-2 176**	**458**	**-302**

Table C. Announced greenfield FDI projects by sector/industry, 2018–2019 (Millions of dollars)

Sector/industry	Developed countries as destination 2018	Developed countries as destination 2019	Developed countries as investor 2018	Developed countries as investor 2019
Total	**377 286**	**345 740**	**638 521**	**565 357**
Primary	**5 207**	**5 180**	**24 446**	**11 348**
Manufacturing	**171 234**	**147 242**	**311 432**	**234 804**
Coke and refined petroleum products	33 090	20 474	60 741	18 866
Chemicals and chemical products	24 055	16 837	50 151	32 534
Computer, electronic, optical products and electrical equipment	20 396	28 452	31 092	28 755
Motor vehicles and other transport equipment	22 140	18 756	58 049	46 345
Services	**200 844**	**193 317**	**302 643**	**319 206**
Electricity, gas, steam and air conditioning supply	33 601	52 506	63 312	92 975
Construction	43 683	42 634	48 293	45 508
Transportation and storage	18 011	14 650	32 890	29 936
Accommodation and food service activities	13 258	11 995	28 660	30 699
Information and communication	45 214	36 924	60 794	53 301

Table D. Announced greenfield FDI projects by region/economy, 2018–2019 (Millions of dollars)

Partner region/economy	Developed countries as destination 2018	Developed countries as destination 2019	Developed countries as investor 2018	Developed countries as investor 2019
World	**377 286**	**345 740**	**638 521**	**565 357**
Developed economies	**309 219**	**284 904**	**309 219**	**284 904**
Europe	190 254	183 569	190 025	180 162
North America	92 294	75 044	91 316	78 508
Other developed economies	26 670	26 292	27 878	26 234
Developing economies	**66 064**	**59 616**	**300 192**	**259 368**
Africa	2 215	1 166	38 793	39 993
Asia and Oceania	57 671	54 147	202 571	140 172
China	18 449	10 639	68 303	39 627
Singapore	7 903	4 567	10 695	5 833
India	3 922	3 685	29 871	20 679
Latin America and the Caribbean	6 178	4 303	58 828	79 202
Transition economies	**2 003**	**1 220**	**29 111**	**21 085**

The outbreak of the COVID-19 pandemic will cause a decline in FDI flows to developed economies of between 25 and 40 per cent. Falling corporate profits will have a direct impact on reinvested earnings – a major component of FDI in the group. New equity investments will be curtailed, as already reflected in the decline of cross-border M&As and announced greenfield investments in the first quarter of 2020. FDI trends could also be affected by COVID-19-related emergency measures, including increased scrutiny of inward investment. An expected push to improve supply chain resilience in critical industries could affect longer-term trends. In 2019, after three successive years of contraction, FDI inflows to developed economies rose by 5 per cent, despite weaker macroeconomic performance and policy uncertainty for investors, including trade tensions and Brexit. FDI to Europe increased by 18 per cent and FDI to North America remained stable.

Prospects

FDI flows to developed countries are expected to decline sharply to about $500 billion, as the outbreak of COVID-19 slows down MNE capital expenditures. Data on the first months of 2020 provide an indication of the impact. In April 2020, the number of cross-border M&As targeting developed economies was 53 per cent lower than the monthly average of 2019 (figure II.12). The drop in the number and value of announced greenfield projects in Q1 2020 (by 26 per cent) (figure II.13) was a further sign that MNE capital expenditures will be cut drastically.

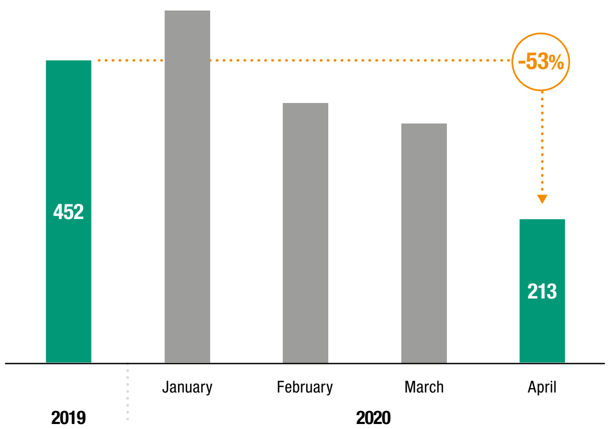
Although the impact will be severe, overall, the projected decline in developed economies is lower than in developing economies. Their capacity to implement fiscal support packages to absorb the worst effects of the economic shock and aid the recovery is higher. In addition, FDI flows in developed economies contain higher levels of financial flows that could be less affected by the crisis than investment in physical productive assets.

Flows to Europe are expected to fall the most (by 30 to 45 per cent), due to the dramatic impact of the pandemic on several major economies in the region and pre-existing economic fragility. FDI flows to North America are forecast to fall by up to 35 per cent.

Reinvested earnings have become an increasingly important component of FDI inflows to and from developed economies, accounting for more than half of the total (figure II.14 and table II.3). The projected fall in profits of MNEs will have an automatic effect on FDI through this component.

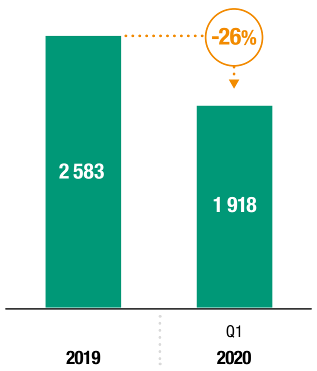
Earnings forecasts for 2020 of the top MNEs based in developed countries show an average downward revision since the outbreak of 39 per cent (table II.3). The share of the reinvested earnings component of outward FDI flows in some countries is indicative of the potential effect that earnings losses will have on FDI. For example, the average 50 per cent earnings losses projected for French MNEs could affect half of FDI outflows from the country (this assumes losses are spread uniformly across MNE operations; in reality it is more likely that earnings losses would be concentrated in foreign affiliates in affected areas, exacerbating the impact on reinvested earnings).

Figure II.12. Developed economies: Average monthly number of cross-border M&As, 2019 and January–April 2020
(Number)



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

Figure II.13. **Developed economies: Average quarterly number of announced greenfield investment projects, 2019 and Q1 2020** (Number)



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

Several developed countries have introduced or are considering measures aimed at protecting critical domestic infrastructure and other sensitive industries as a direct consequence of the COVID-19 crisis. For example, the European Commission issued guidance concerning the protection of Europe's strategic assets with the aim to shield EU companies and critical assets from foreign takeovers. In a similar vein, a few developed countries expanded their foreign investment screening regimes (see chapter III).

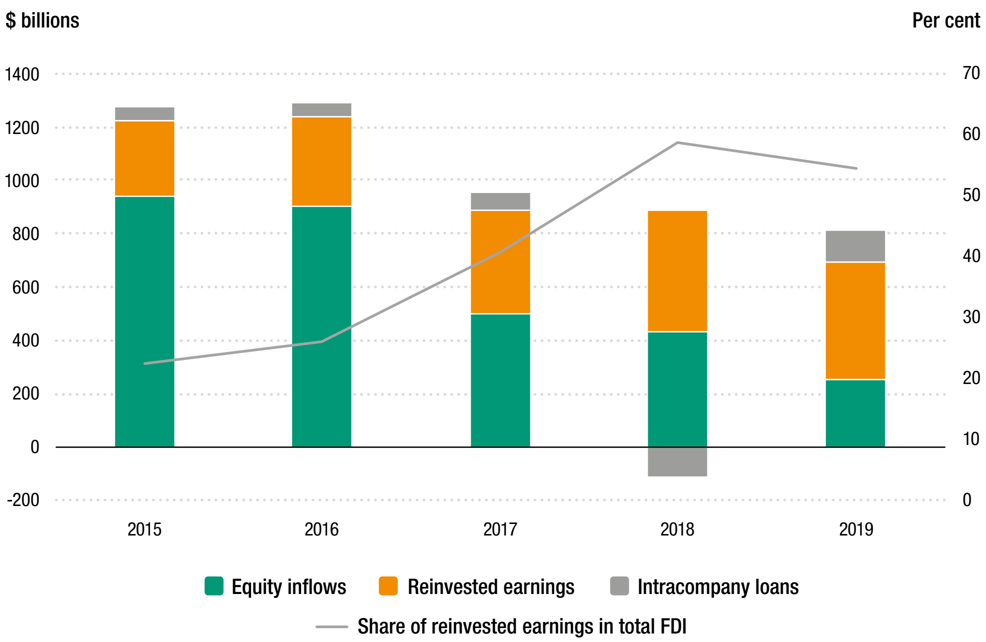
Inflows in 2019

Inflows to developed economies rose by 5 per cent to $800 billion from a revised $761 billion in 2018, despite investor uncertainties related to trade tensions and Brexit, and weakening macroeconomic performance.

FDI flows to *Europe* rose by 18 per cent to $429 billion, regaining some of the ground lost since 2015. Nonetheless, they remained at only half of their 2007 peak value. Flows grew in 11 of 31 European economies in 2019 but fell in some of the region's major economies.

In 2018, the repatriation of accumulated earnings by United States MNEs following the tax reform had a major impact on FDI flows to some European countries that host finance functions of United States MNEs, such as Ireland and Switzerland. As the impact of the tax reforms waned in 2019, there were increases of FDI in *Ireland* (from -$28 billion in 2018 to $78 billion) and *Switzerland* (from -$53 billion to -$22 billion). FDI flows to Ireland were

Figure II.14. **Developed economies: FDI inflows, by component, 2015–2019** (Billions of dollars and per cent)



Source: UNCTAD.

Table II.3.	**Average earnings revisions of the top MNEs in developed economies and relative importance of reinvested earnings in outward FDI, by region/economy**		
Region/economy	**Number of companies with earnings revision, early 2020**	**Average of earnings revisions, early 2020**	**Share of reinvested earnings in FDI, 2019 (%)**
Developed	2 561	-39	51
Europe	817	-43	36
France	104	-51	49
Germany	92	-57	46
Italy	44	-48	27
United Kingdom	177	-42	-11
North America	1 120	-47	101
United States	1 006	-47	136

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics) for reinvested earnings and Refinitiv SA for average MNE earnings revisions. Data are updated as of mid-May 2020.

also affected by a large cross-border deal, in which Takeda (Japan) acquired the share capital of Shire (Ireland) for $60 billion.

Inflows halved in *Germany* to $36 billion, mainly due to a sharp fall in new equity investment (from $53 billion in 2018 to only $3 billion in 2019). MNEs extended loans to foreign affiliates (from $1.8 billion to $12.9 billion) in a year of slow growth (the German economy grew at 0.6 per cent in 2019, marking a sharp slump in growth and the weakest expansion since 2013). FDI flows to *France* declined by 11 per cent (to $34 billion), but remained relatively high – above the average of the last 15 years. Large deals included the purchases of B&B Hotels SAS (France) by Goldman Sachs Group (United States) for $2 billion. The *United Kingdom* saw its FDI decline by 9 per cent to $59 billion, mainly owing to a lack of large deals targeting the country; in 2019, the value of cross-border M&As reached $49 billion, about half of the level of 2018. FDI to the *Netherlands* fell by 26 per cent (from $114 billion to $84 billion), in part due to a single large transaction – the $36 billion IPO of a foreign affiliate of Nasper (South Africa), registered as a divestment.

After three consecutive years of growth, flows to *Spain* fell by 72 per cent. Cross-border M&As targeting the country fell from $72 billion in 2018 to $8.3 billion in 2019. European MNEs more than halved their investments from $35 billion to $15 billion. The reverse happened in *Sweden*, where FDI flows jumped from $3.9 billion to $21 billion, mainly due to the rise of EU investments from -$0.5 billion to $16 billion.

In 2019, FDI to *Czechia*, *Hungary*, *Poland* and *Slovakia*, the so-called Visegrád group, did not follow the rise of FDI in Europe as a whole. Their combined inflows declined by 18 per cent, to $28 billion. Flows increased in Slovakia but dropped in the other three. Most of the inflows into the Visegrád countries originated in other EU member countries; however, MNEs from third countries often use EU affiliates to invest in the group. FDI data for ultimate investors that were available for Czechia, Hungary and Poland indicate a high share of Chinese, Korean and United States investors.

FDI to North America remained flat at $297 billion. Flows to the *United States* decreased by 3 per cent to $246 billion. While investments from European MNEs declined by 30 per cent, there was an increase of investment from MNEs based in Japan and Australia. Inflows decreased significantly in the chemicals industry, reducing the share of manufacturing FDI from the high level of 2018 (67 per cent) to 34 per cent in 2019. Cross-border M&A sales of United States assets to foreign investors continued to decline for the fourth consecutive year, reaching $156 billion, down by 21 per cent to $199 billion, largely due to the absence of cross-border megadeals and divestments by MNEs in emerging markets.

Cross-border M&As sales of assets in developed economies as a group fell by 40 per cent in 2019 due to the decline of acquisitions by MNEs from the United States, France and the United Kingdom (table B). Sales to Chinese MNEs dropped to just $6 billion – the lowest level since 2007 – from $93 billion in 2017 and $18 billion in 2018. Cross-border M&A sales fell sharply in chemicals and chemical products and in financial services (table A).

Announced greenfield projects declined by 9 per cent due to a fall of investments in the manufacturing of coke and refined petroleum products (tables C) and a decrease in projects announced by Chinese investors (table D). The number of announced greenfield projects remained stable at just over 10,000. Announced projects decreased by 21 per cent, mostly due to low numbers from China, and there was a slight increase in greenfield projects by MNEs from several developed economies, mainly in Europe.

Outflows in 2019

Outward FDI flows from developed economies rose by 72 per cent to $917 billion in 2019. The increase was mainly due to the waning of the effect of the United States tax reforms at the end of 2017, which had caused large negative outflows in 2018. The overall level of outward FDI remained relatively low, at only about half of the 2007 peak. The value of cross-border M&A purchases by MNEs in developed countries actually fell by 34 per cent, mainly in manufacturing and services (table A). Several countries, including the United States, the Netherlands and Germany experienced high volatility in their outflows.

Outflows from MNEs in *Europe* rose by 13 per cent, mainly due to a large increase in investment by MNEs based in the *Netherlands* (from -19 billion to $125 billion) and a high level of FDI outflows from *Germany* (to $99 billion). Foreign affiliates of German MNEs, which provided large loans to their parents in 2018 (-$95 billion), did not repeat that performance in 2019. Among the largest deals by MNEs from Germany was the acquisition of Qualtrics International (United States) by SAP (Germany) for $8 billion and the purchase of USG (United States) by Gebr Knauf (Germany) for $6 billion.

Investment by MNEs based in *North America* reached $202 billion from -$41 billion in 2018. Outflows from the *United States* turned positive (mostly in the form of reinvested earnings) after the negative $91 billion registered in 2018 when firms repatriated funds as a result of tax reforms. As the tax reform is permanent, MNEs from the United States continued in 2019 to withdraw profits from several European countries (for example total outflows to Ireland were $77 billion).

Investment by MNEs from *Canada* also jumped by 54 per cent, owing to a tripling of equity outflows to $39 billion. Among the largest deals were the acquisitions by Brookfield Business Partners (Bermuda) and Caisse de Depôt et Placement du Quebec (Canada) of the Power Solutions business of Johnson Controls International (United States) for $13 billion.

Outflows from *Japan* rose by 58 per cent to a record $227 billion, mainly due to a jump in cross-border M&As from $36 billion to $104 billion. In addition to the Takeda-Shire deal, Renesas Electronics (Japan) acquired the share capital of Integrated Device Technology, a manufacturer of semiconductors and related devices, for $6.3 billion, and SoftBank Group (Japan) acquired a stake in WeWork (United States), a provider of office workspace services, for $6 billion. Japanese MNEs doubled their investments in Europe, mainly in wholesale and retail, chemicals and pharmaceuticals. In North America the increase of 139 per cent occurred mostly in the communication and electric machinery industries. Investment in Asia, the second largest destination of outflows from Japan, rose by only 6 per cent.

STRUCTURALLY WEAK, VULNERABLE AND SMALL ECONOMIES

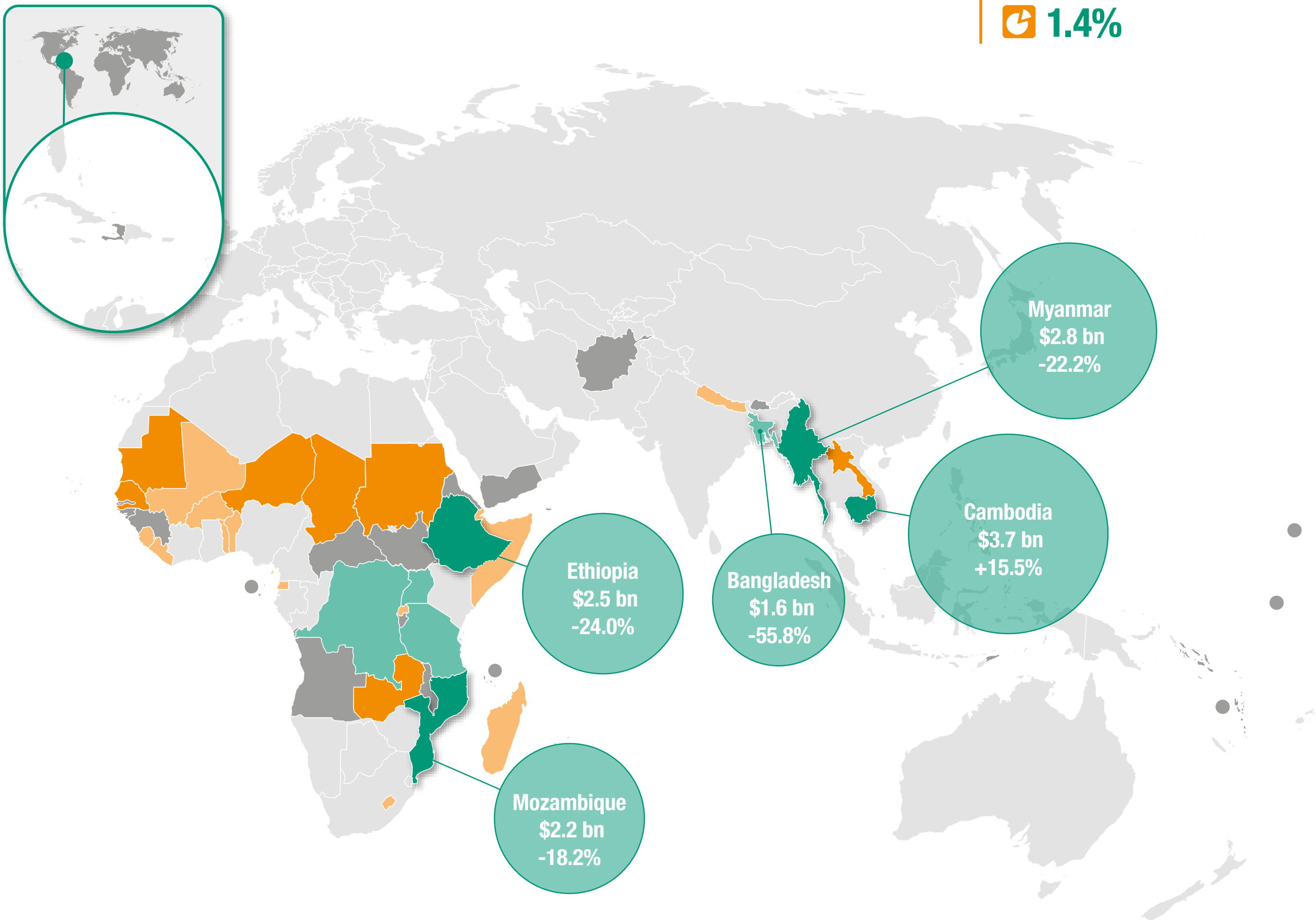
LEAST DEVELOPED COUNTRIES

FDI flows, top 5 host economies, 2019 (Value and change)

2019 Inflows
21.1 bn

2019 Decrease
-5.7%

Share in world
1.4%



Flows, by range

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

Top 5 host economies

Economy
$ Value of inflows
2019 % change

Outflows: top 5 home economies

(Billions of dollars and 2019 growth)

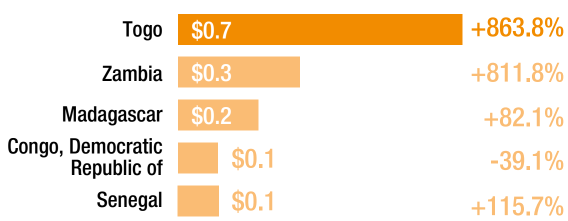
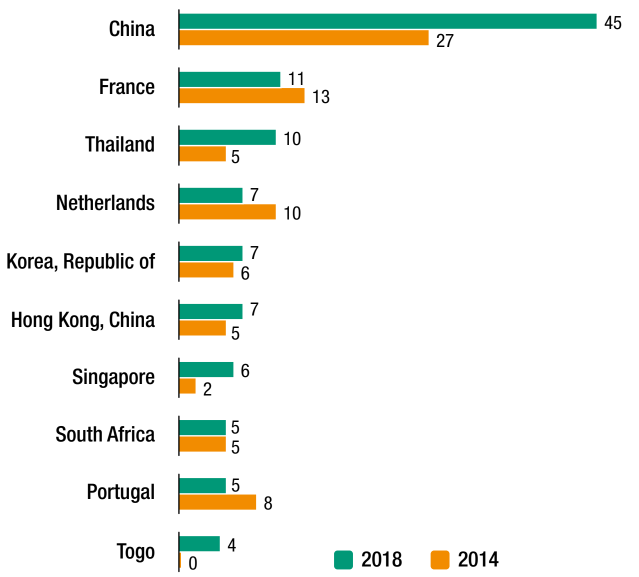


Figure A. **Top 10 investor economies by FDI stock, 2014 and 2018** (Billions of dollars)



Source: UNCTAD.

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Republic of Sudan and the Republic of South Sudan has not yet been determined. Final status of the Abyei area is not yet determined. Dotted line in Jammu and Kashmir represents approximately the Line of Control agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

HIGHLIGHTS

- FDI vulnerable to oil and commodities price shocks
- Greenfield FDI already in decline in 2019, further fall in Q1 2020
- In 2019, FDI increased only in African LDCs

Figure B. | FDI inflows, 2001–2019 (Billions of dollars and per cent)

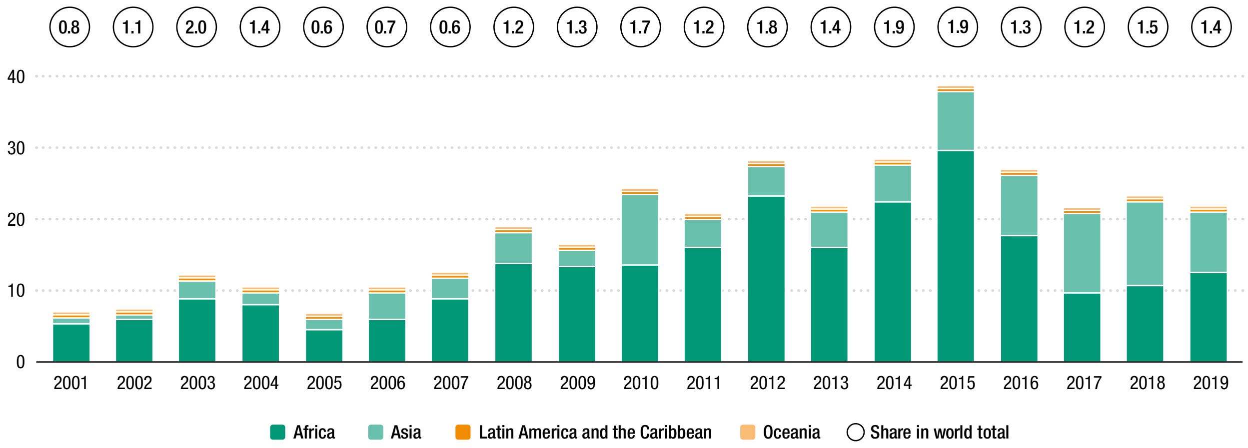


Table A. Net cross-border M&As by sector/industry, 2018–2019 (Millions of dollars)

Sector/industry	Sales 2018	Sales 2019	Purchases 2018	Purchases 2019
Total	**1 342**	**125**	**130**	**-2**
Primary	**-310**	**-521**	**-**	**-**
Agriculture, forestry and fishing	20	6	-	-
Mining and quarrying	-329	-527	-	-
Manufacturing	**1 501**	**118**	**77**	**-**
Food, beverages and tobacco	1 474	98	-	-
Textiles, clothing and leather	7	-	77	-
Services	**150**	**528**	**53**	**-2**
Construction	-	330	-	1
Trade	-	128	-	-
Transportation and storage	-	-	23	-
Financial and insurance activities	83	9	30	-3
Business services	64	29	-	-

Table B. Net cross-border M&As by region/economy, 2018–2019 (Millions of dollars)

Region/economy	Sales 2018	Sales 2019	Purchases 2018	Purchases 2019
World	**1 342**	**125**	**130**	**-2**
Developed economies	**1 157**	**-218**	**-**	**-**
European Union	-10	-7	-	-
Canada	19	347	-	-
Australia	-338	-1 070	-	-
Japan	1 486	468	-	-
Developing economies	**185**	**343**	**130**	**-2**
Africa	80	21	-	-
Asia	105	322	130	-2
China	-	-12	-	-
Korea, Republic of	-	195	30	-
Indonesia	10	105	-	-
Singapore	-13	32	23	-

Table C. Announced greenfield FDI projects by sector/industry, 2018–2019 (Millions of dollars)

Sector/industry	LDCs as destination 2018	LDCs as destination 2019	LDCs as investor 2018	LDCs as investor 2019
Total	**40 369**	**35 427**	**1 836**	**693**
Primary	**7 664**	**2 399**	**-**	**-**
Mining and quarrying	7 327	2 253	-	-
Manufacturing	**12 638**	**20 848**	**202**	**227**
Food, beverages and tobacco	915	1 345	87	26
Coke and refined petroleum products	5 661	8 859	-	-
Chemicals and chemical products	138	3 481	-	-
Other non-metallic mineral products	952	1 588	-	103
Furniture	58	2 160	34	34
Services	**20 066**	**12 180**	**1 634**	**466**
Electricity, gas, steam and air conditioning supply	9 896	3 510	953	150
Construction	1 966	1 516	-	-
Transportation and storage	2 209	3 812	423	109

Table D. Announced greenfield FDI projects by region/economy, 2018–2019 (Millions of dollars)

Partner region/economy	LDCs as destination 2018	LDCs as destination 2019	LDCs as investor 2018	LDCs as investor 2019
World	**40 369**	**35 427**	**1 836**	**693**
Developed economies	**18 399**	**18 185**	**16**	**23**
European Union	6 881	9 153	16	15
Japan	930	3 750	-	8
Switzerland	459	2 008	-	-
United States	9 841	1 965	-	-
Developing economies	**21 820**	**17 129**	**1 733**	**670**
China	8 707	3 876	-	81
Nigeria	91	2 526	-	-
Thailand	2 438	807	-	-
Saudi Arabia	34	3 465	-	15
Singapore	915	1 877	-	-
Transition economies	**149**	**114**	**87**	**-**

The outlook for FDI into the 47 least developed countries (LDCs) is extremely weak. Necessary health measures to control COVID-19 hinder the implementation of ongoing and announced investment projects. LDCs are highly dependent on investment in natural resources, which is being negatively affected by the oil and commodity price shocks. Tourism-dependent LDCs will also see a fall of FDI in this industry. Announced greenfield FDI projects, a key indicator of foreign investor intentions, were already down in 2019 and contracted further during the first quarter of 2020. The drop in 2020 will add to the decline in 2019 of 6 per cent (to $21 billion), when FDI flows to Asian LDCs shrank, although those to African LDCs grew.

Prospects

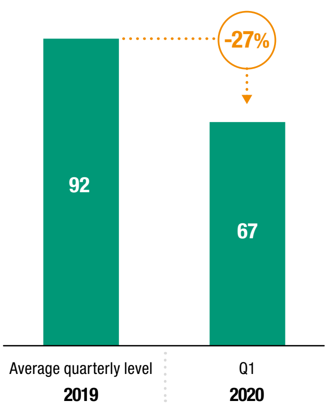
The pandemic and its economic consequences will hit LDCs hard, making prospects for FDI bleak. Limited domestic resources and weak health care capacity present an immediate challenge for LDCs in responding to the pandemic. Restrictive measures to control the pandemic have had negative consequences for economic activities. The immediate impact on FDI is a freeze in ongoing investment activities and operations in host economies. A prolonged shutdown of economic activities will discourage new investment, slow down FDI from existing investors and possibly result in divestments. This could affect many LDCs that are highly dependent on foreign investors both for export-oriented industrial activity and in public-private partnership projects in infrastructure development (such as power generation plants and industrial parks). A delay in these projects will diminish not only short-term prospects for new FDI flows to LDCs but also decelerate long-term economic growth.

The decline in announced greenfield FDI in LDCs accelerated in the first quarter of 2020. They were down 27 per cent in number (figure II.15) and almost 20 per cent in value from the quarterly average of 2019 (figure II.16). Levels in 2019 were already 12 per cent below those of 2018, due largely to a slump in power generation (mainly in Asian LDCs) and a nearly 70 per cent contraction in mining and quarrying projects (in African LDCs). New capital spending plans by investors from all the top three home economies plummeted (by 55 per cent from China, 80 per cent from the United States and 67 per cent from Thailand) (table D). In only a handful of industries (food and beverages, chemicals and furniture manufacturing) did announced investment grow in 2019, contributing to an overall uptick in investment in non-extractive activities in LDCs (table C).

In early 2020, a limited number of projects broke the downward trend in announced greenfield projects, though their implementation was becoming increasingly uncertain. For example, manufacturing projects (exceeding $1.5 billion in total) were announced by investors from China (in the Democratic Republic of the Congo, Mozambique, Senegal and Zambia) and Malaysia (in Cambodia), and large-scale projects by Chinese MNEs in electricity (in Myanmar) and telecommunication (in Bangladesh).

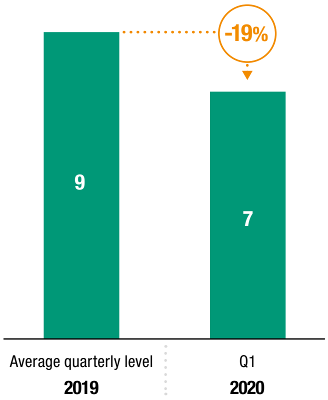
The resilience of LDCs to external shocks is low,[30] **due to their multiple structural weaknesses.**

Figure II.15. **LDCs: Number of announced greenfield investment projects, average quarterly 2019 and Q1 2020**
(Number)



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

Figure II.16. **LDCs: Value of announced greenfield investment projects, average quarterly 2019 and Q1 2020** (Billions of dollars)



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

The composition of announced greenfield projects in the past decade confirms the existence of major vulnerabilities in LDCs. By value of projects, the share of announced investment in extractive industries (including processing) remained high, though it diminished from over 40 per cent in 2010–2014 to about a quarter of the total in the past five years (table II.4). Taking into account that nearly half of transportation and storage investment was attributed to infrastructure projects linked to extractive industries (e.g. oil and gas pipelines and terminals), about a third of the total FDI investment announced in LDCs went to extractive industries. In resource-based LDCs, the collapse in oil and other commodity prices has caused revenue shortages that make it even more difficult to respond to the public health and economic emergency. The downward earnings revisions by energy MNEs during the pandemic could even affect FDI prospects for LDCs that are not traditionally resource based (for example in Bangladesh and Senegal, where MNEs have recently announced oil and gas related projects).

Several LDCs have been severely affected by the sudden halt in international tourism investment. Measured by the direct and indirect contributions of travel and tourism activities in GDP, dependency on tourism is particularly high in Vanuatu (40 per cent) and Cambodia (more than 30 per cent) and moderately so in the

Table II.4. **LDCs: Shares in total value of announced greenfield FDI projects in selected industries and home economies, 2015–2019 average, and average MNE earnings revisions for fiscal year 2020** (Per cent)

Industry	Share in total value of projects, 2015–2019 average	Average earnings revisions	Home economy	Share in total value of projects, 2015–2019 average	Average earnings revisions
Extractive industries	**27**	**-61**	**Developed economies**	**40**	**-39**
Mining and quarrying	10	-70	United States	11	-47
Coke and refined petroleum products	10	-86	Japan	6	-13
Other non-metallic mineral products	4	-28	France	4	-51
Basic metal and metal products	2	-54	**Developing and transition economies**	**60**	**-30**
Others	..	..	China	17	-20
Electricity, gas, steam and air conditioning supply	21	-16	Thailand	8	-43
Construction	11	-21	India	4	-34
Transportation and storage	9	-63	United Arab Emirates	3	-35
Information and communication	4	-31	Singapore	3	-29
Accommodation and food service activities	3	-94	Malaysia	3	-43
Textiles, clothing and leather	3	-49	Morocco	2	0

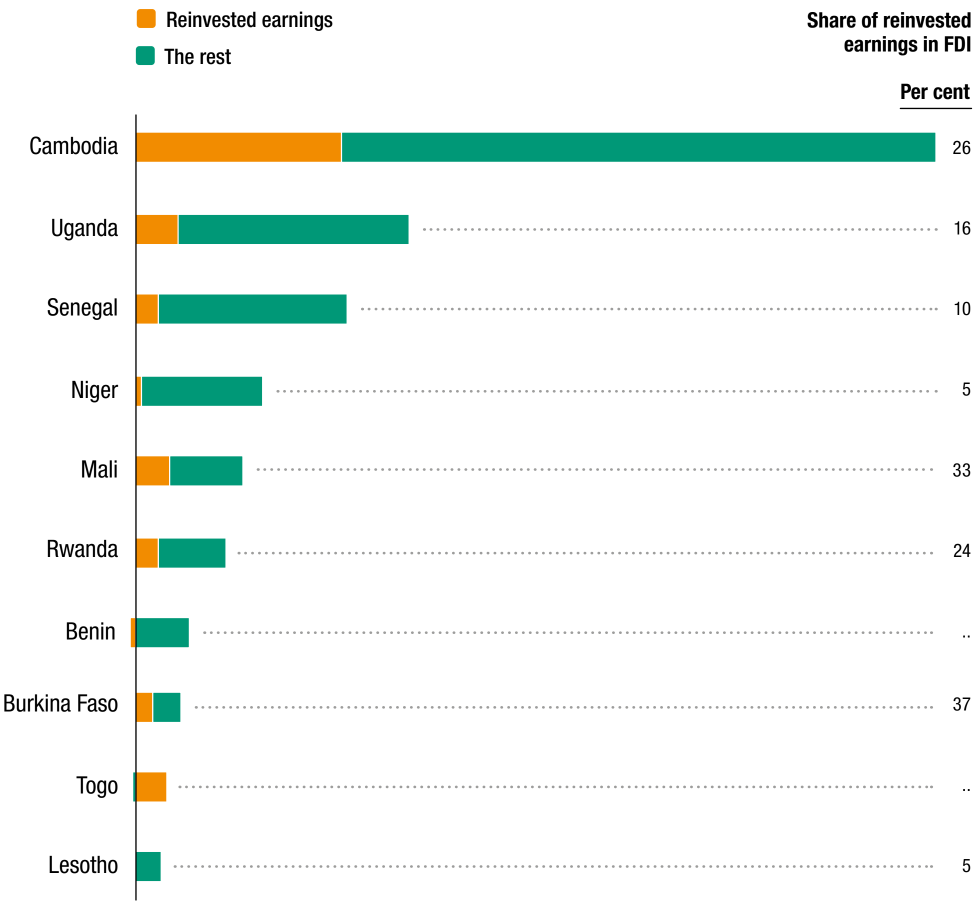
Source: UNCTAD, based on information from Financial Times Ltd, fDi Markets (www.fDiMarkets.com) for announced greenfield projects and Refinitiv SA for average MNE earnings revisions as of mid-May 2020.
Note: Total value of announced greenfield projects is $36.5 billion annually. Cement and concrete products represent 90 per cent of the manufacture of other non-metallic mineral projects. Transportation and storage includes oil and gas pipelines and terminals. Revisions on earnings exceeding +/-500 per cent were excluded.

Lao People's Democratic Republic and the United Republic of Tanzania (over 10 per cent) (UN DESA, 2020a). In announced greenfield FDI in the last five years, Bhutan, Cambodia, Ethiopia, the Lao People's Democratic Republic, Myanmar and the United Republic of Tanzania all attracted sizeable projects. The share of tourism broadly defined (including casino resort projects and some transportation projects) amounted to about 5 per cent of the total value of projects in all LDCs. In this industry, global MNEs project their earnings for fiscal year 2020 to collapse by more than 90 per cent (see table II.4). Prolonged restrictions on international travel will hurt tourism-dependent LDCs disproportionately.

Lower corporate earnings of MNEs will affect reinvested earnings, which constitute an important part of FDI in some LDCs. The available data, however, suggest that the importance of reinvested earnings in LDCs overall is not as high as it is in other developing economies. FDI component data for the leading host LDCs (including Ethiopia, Mozambique and Myanmar) suggest that reinvested earnings play a relatively minor part. However, in several other LDC host economies reinvested earnings constitute a quarter to a third of FDI inflows (figure II.17).

The decline in FDI will add to the economic problems of LDCs. Although the decline in GDP forecast for LDCs as a group is less than that forecast for the rest of the world,[31] the pandemic could still undo much of the modest progress made during the decade of the Istanbul Programme of Action (2011–2020).

Figure II.17. LDCs: FDI inflows and reinvested earnings, 2019 (Volume and per cent)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: The figure covers only economies that report reinvested earnings separately.

Some LDCs are making strenuous efforts to mitigate the effect of the crisis on business and investors, accelerating the implementation of eGovernment services. To keep basic administrative procedures and public services open to firms and investors, several LDCs have turned to online-only services. In Benin, for example, the business registration system (MonEntreprise.bj, based on UNCTAD's eRegistrations platform) has been the only way for entrepreneurs and investors to register their businesses. During the first week of the public office closure, MonEntreprise.bj was used to create 182 businesses. Governments in other LDCs, including Bhutan, Lesotho and Mali, have also used eRegistrations to provide essential support for businesses, integrating services such as social security.

Inflows in 2019

In 2019 FDI flows to the 33 African LDCs rose by 17 per cent to $12 billion (figure B). Part of the increase was due to lower negative inflows in fuel exporter *Angola*. Increases were reported by *Zambia* (up by $345 million, a rebound from a 13-year low in 2018) and *Togo* (up by $317 million, a turnaround from -$183 million in 2018, caused by growing intracompany loans and record-high reinvested earnings). With an increase of $211 million, FDI in *Uganda* reached a record high of $1.3 billion (up by 20 per cent from 2018). Flows to the *United Republic of Tanzania* increased by 5 per cent to $1.1 billion. Among those posting smaller increases in absolute terms, *Mauritania* (up by 15 per cent to a six-year high of $885 million) and *Senegal* (up by 16 per cent to a record high of $983 million) joined the top 10 host LDCs in 2019. In Senegal, FDI grew for a seventh consecutive year, driven by a 40 per cent rise in equity investment (contributing to nearly half of the inflows in 2019).

In contrast, declines were recorded in some large FDI hosts, including *Ethiopia* (down by $794 million), *Mozambique* (down by $491 million), and *the Sudan* (down by $310 million, or 27 per cent, to a record low of $825 million). In Ethiopia, FDI inflows fell for the second year, from a peak in 2016, down 24 per cent to a five-year low of $2.5 billion. FDI in manufacturing, construction and real estate shrank as the pace of industrial park development slowed and FDI from China plateaued. FDI in Mozambique fell to a 10-year low of $2.2 billion (down by 18 per cent, but to a similar level as that reported in 2017), as FDI in mining contracted by a third. In the *Democratic Republic of the Congo*, FDI dipped by 9 per cent to $1.5 billion. Among the smaller host LDCs, FDI contracted sharply (by $308 million) in commodity-based *Guinea* to a 17-year low of $45 million.

FDI inflows to the nine Asian LDCs fell for the first time in eight years, to $9 billion, a decline of 27 per cent (figure B). The top three FDI recipients – *Cambodia*, *Myanmar* and *Bangladesh* – accounted for 94 per cent of those flows. While FDI growth in Cambodia continued, Bangladesh and Myanmar saw declining FDI flows. In Cambodia, FDI reached a record $3.7 billion (up 16 per cent), making this country the largest FDI host among LDCs in 2019. The equity component of FDI remained the largest and fastest growing, contributing to three-quarters of inflows. Investment in manufacturing and services grew. FDI from China rose to represent over 40 per cent of the total. FDI in *Nepal* also rose, recovering from a three-year low of $67 million in 2018 to $185 million in 2019, driven by hydropower projects by Indian investors.

In contrast, FDI in Bangladesh contracted by 56 per cent to $1.6 billion with the tapering-off of the effects of a boost from major M&A sales recorded in 2018 (exceeding $1.5 billion in total).[32] In Myanmar, FDI flows diminished for the second year to $2.8 billion (down by 22 per cent), the lowest level in five years. Policy reforms to facilitate FDI and MNE operations, such as full liberalization of wholesale and retail trade, liberalization of foreign investment in mining, and opening of financing and banking services to branches of foreign banks, have not yet had the expected effect. In the *Lao People's Democratic Republic*, FDI inflows more than halved to an eight-year low of $557 million (down by 58 per cent), with diminishing investment in capital-intensive projects in power generation and mining.[33]

Sales of stakes in foreign-invested projects to local owners reduced net M&A flows to LDCs to a six-year low of $125 million. The largest deal of this type was a sale totalling $650 million in a stalled multinational oil and gas project in Timor-Leste, in which the national oil company acquired a majority stake from ConocoPhillips (United States) and Royal Dutch Shell (Netherlands).[34] Two large deals were also recorded in the primary sector, involving sales of assets between foreign investors (in Angola, for the value of $105 million, and in Burkina Faso, for $335 million). In the services sector, the net sales value more than trebled from 2018 to 2019 (table A), driven by two transactions in Asia: a $330 million deal in Bangladesh and a $128 million deal in Myanmar. Japan, Canada and the Republic of Korea were the three largest acquiring nations in these transactions (table B).

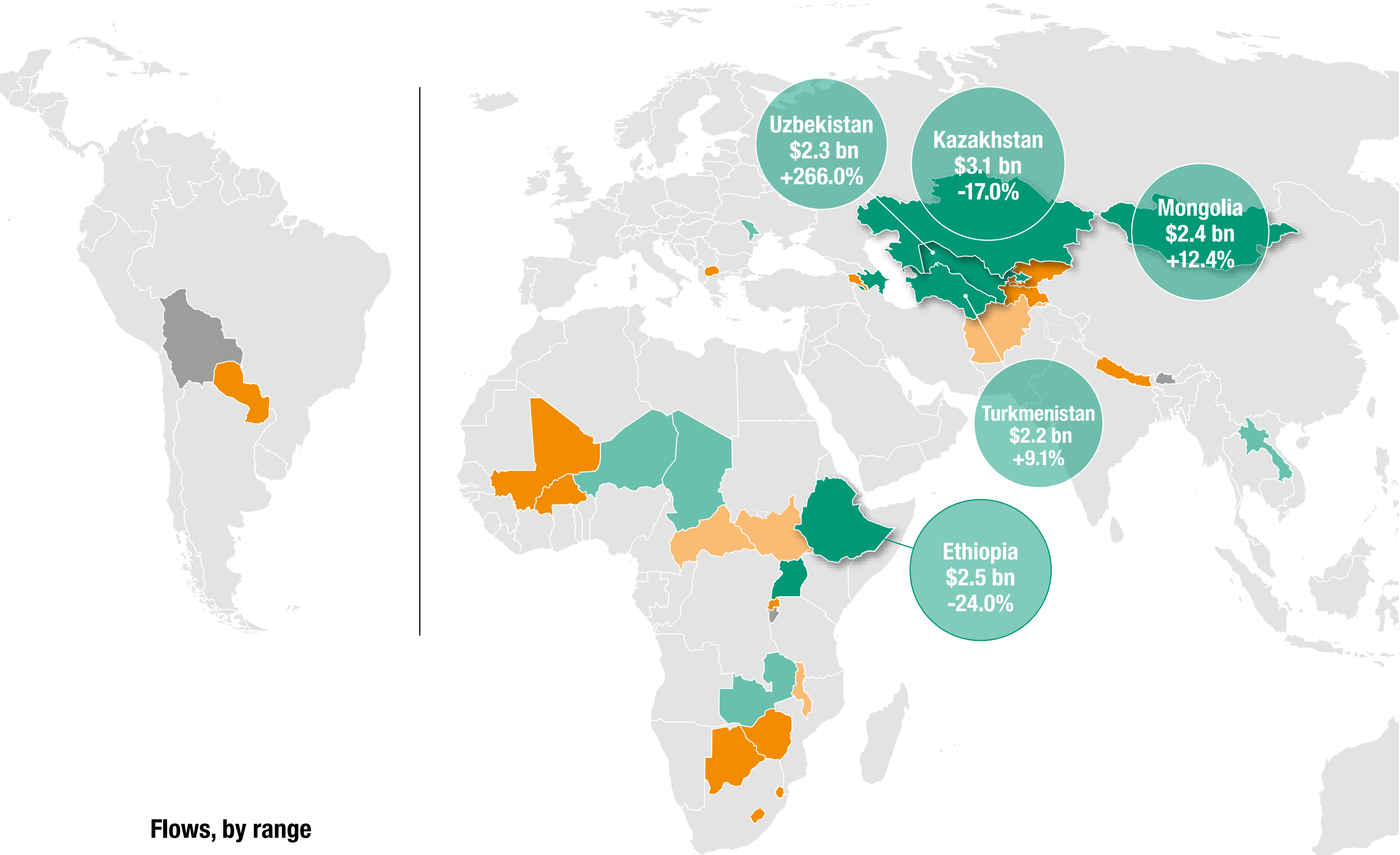
LANDLOCKED DEVELOPING COUNTRIES

FDI flows, top 5 host economies, 2019 (Value and change)

2019 Inflows
22.0 bn

2019 Decrease
-1.0%

Share in world
1.4%



Flows, by range

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

Top 5 host economies

Economy
$ Value of inflows
2019 % change

Outflows: top 5 home economies

(Billions of dollars and 2019 growth)

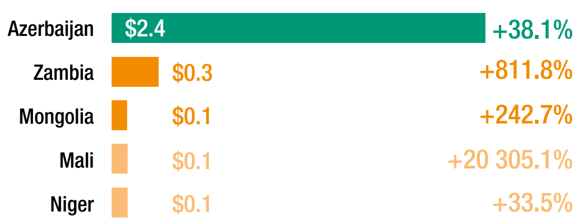
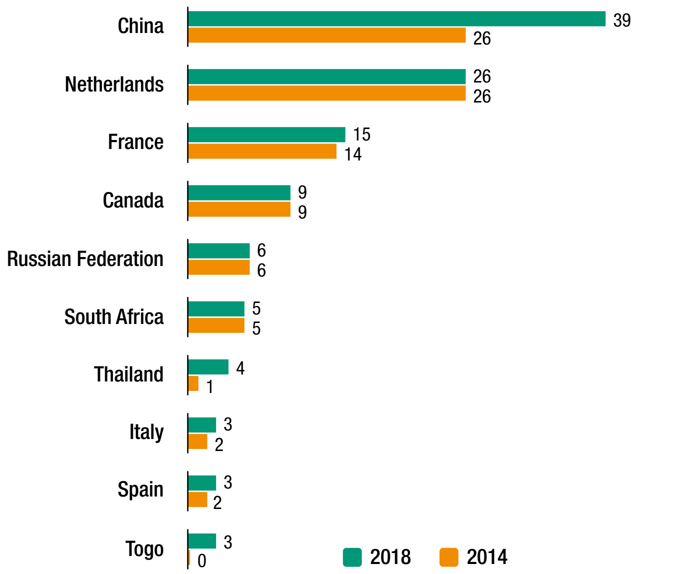


Figure A. Top 10 investor economies by FDI stock, 2014 and 2018 (Billions of dollars)



Source: UNCTAD.

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Republic of the Sudan and the Republic of South Sudan has not yet been determined. Final status of the Abyei area is not yet determined. Dotted line in Jammu and Kashmir represents approximately the Line of Control agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

HIGHLIGHTS

- Pandemic border closures amplify structural weaknesses in FDI
- Greenfield project numbers down 55 per cent in Q1 2020
- FDI stagnated in 2019

Figure B. FDI inflows, 2001–2019 (Billions of dollars and per cent)

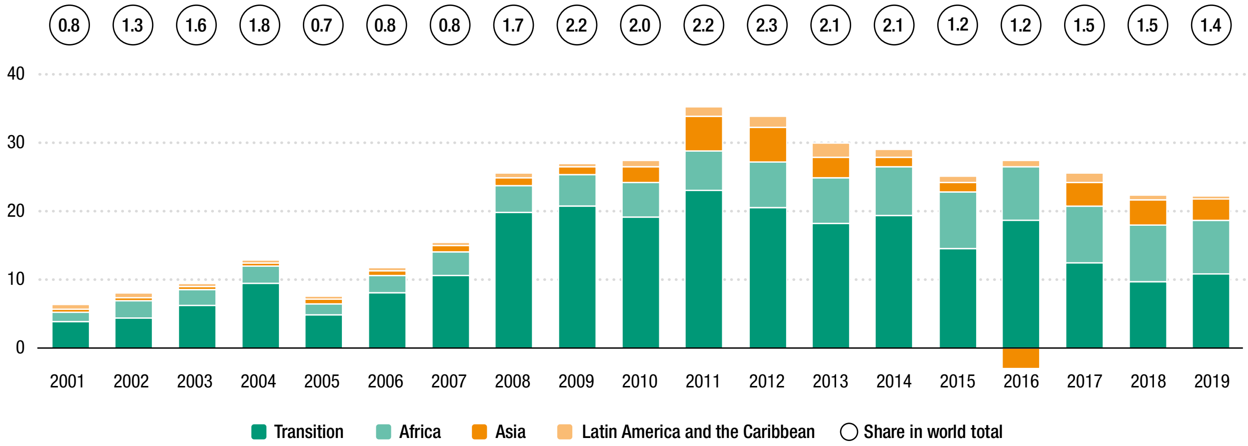


Table A. Net cross-border M&As by sector/industry, 2018–2019 (Millions of dollars)

Sector/industry	Sales 2018	Sales 2019	Purchases 2018	Purchases 2019
Total	**-236**	**149**	**323**	**714**
Primary	**130**	**-19**	**-**	**-40**
Agriculture, forestry and fishing	20	6	-	-
Mining of metal ores	14	128	-	-
Manufacturing	**93**	**-**	**-**	**-**
Food, beverages and tobacco	79	-	-	-
Pharmaceuticals, medicinal chemical and botanical products	14	-	-	-
Services	**-459**	**168**	**323**	**754**
Trade	-	6	3	-
Transportation and storage	-	9	-	-
Finance	113	148	45	754
Business services	-	18	-	-
Education	7	11	-	-

Table B. Net cross-border M&As by region/economy, 2018–2019 (Millions of dollars)

Region/economy	Sales 2018	Sales 2019	Purchases 2018	Purchases 2019
World	**-236**	**149**	**323**	**714**
Developed economies	**-116**	**167**	**-**	**23**
European Union	-101	170	-	-
Austria	-	62	-	-
Netherlands	26	128	-	-
United Kingdom	30	153	-	-
Canada	22	365	-	-
Developing economies	**-115**	**47**	**319**	**-2**
China	190	59	-	-
Korea, Republic of	-	9	30	-
Turkey	-446	104	273	-
United Arab Emirates	-	20	-	-
Transition economies	**-34**	**-80**	**3**	**694**
Ukraine	-	-	-	734

Table C. Announced greenfield FDI projects by sector/industry, 2018–2019 (Millions of dollars)

Sector/industry	LLDCs as destination 2018	LLDCs as destination 2019	LLDCs as investor 2018	LLDCs as investor 2019
Total	**40 669**	**25 058**	**8 631**	**1 161**
Primary	**5 461**	**704**	**-**	**3**
Mining and quarrying	4 999	335	-	3
Manufacturing	**19 484**	**13 892**	**6 462**	**415**
Food, beverages and tobacco	662	2 848	87	-
Textiles, clothing and leather	3 441	516	6	6
Coke and refined petroleum products	8 176	34	6 327	206
Chemicals and chemical products	1 436	4 995	-	-
Motor vehicles and other transport equipment	1 201	851	-	-
Services	**15 724**	**10 463**	**2 169**	**742**
Electricity, gas, steam and air conditioning supply	6 393	5 116	-	-
Construction	2 270	440	-	-
Accommodation and food service activities	2 854	447	819	-

Table D. Announced greenfield FDI projects by region/economy, 2018–2019 (Millions of dollars)

Partner region/economy	LLDCs as destination 2018	LLDCs as destination 2019	LLDCs as investor 2018	LLDCs as investor 2019
World	**40 669**	**25 058**	**8 631**	**1 161**
Developed economies	**20 785**	**9 700**	**121**	**19**
European Union	8 594	4 758	121	12
France	478	1 003	-	-
Germany	823	1 756	3	-
Japan	4 474	839	-	-
United States	5 574	2 735	-	6
Developing economies	**18 186**	**13 674**	**7 503**	**937**
China	7 870	5 241	-	61
Turkey	1 064	3 286	6 305	105
United Arab Emirates	1 072	1 028	-	5
Transition economies	**1 698**	**1 684**	**1 008**	**205**
Russian Federation	1 071	1 348	18	18

The economic impact of the pandemic has amplified the structural weaknesses of the 32 landlocked developing countries (LLDCs), leading to projections of a major decline in FDI for at least two years. With the closing of borders, transportation links with the global economy have been seriously disrupted. In several LLDCs, the impact of the lockdown on GVCs is causing a decline in export-oriented operations. Deficiencies in health infrastructure are forcing economic activities across most LLDCs to function at a low ebb, which is expected to prolong the downturn in FDI. These negative developments will compound the effects of two years of decline in inbound FDI, which in 2019 reached $22 billion – or 1.4 per cent of global FDI inflows.

Prospects

All 32 LLDCs are struggling with the economic impact of the pandemic on FDI inflows. Despite the heterogeneity of the group, their common disadvantage has become particularly acute at a time when borders are closed for health reasons. Border closures affect LLDC trade and investment links disproportionately, as they cannot turn to direct sea transport, the mode that carries an estimated 80 per cent of global trade. Border closure measures also hinder regional integration efforts, which have been an important factor mitigating the disadvantage of being landlocked, and disrupt trade corridors, land transport and connectivity efforts. One example is the Belt and Road Initiative, with the pandemic making it difficult to get workers to Chinese-led projects abroad. During the lockdown it has become problematic to send experts to remote mining areas in LLDCs, such as the You Tolgoi mine in Mongolia.[35] Moreover, disruptions in manufacturing activities along supply chains are hindering the sourcing of equipment and machinery for the Belt and Road Initiative. This affects many LLDCs, which are dependent on imported equipment that must cross various land borders.

LLDCs may suffer major losses from the prolongation of the decline in both their GDPs and the GDPs of their most important trading partners. This decline adds difficulty to plans to attract foreign investors, who are already wary of the structural weaknesses of these economies. Increasingly, projects will be put on hold or postponed. Already in 2019, the value of announced greenfield projects, a key indicator of FDI prospects, fell from $41 billion in the previous year to $25 billion (table D). The list of industries most affected included coke and refined petroleum products, mining, textiles, accommodation and food services, and construction (table C). Motor vehicles and other transport equipment production also fell by almost 30 per cent. Most of these industries continued their decline at the beginning of 2020 due to their vulnerability to the early pandemic shock. The largest greenfield projects announced in 2019 (table II.5) included two Chinese chemicals projects in the Plurinational State of Bolivia and two Turkish electricity projects in Uzbekistan, all of which are expected to take place over multiple years. In the first quarter of 2020, the downward trend in greenfield announcements intensified. There were only 40 projects, a decline of 55 per cent from the quarterly average of 2019 (figure II.18).

Longer-term patterns of announced greenfield projects indicate a concentration in a limited number of sectors, some of which are highly sensitive to the effects of the pandemic. The largest industry of the 2010–2019 decade (coke and refined petroleum) is one of the activities most severely affected by the fall in earnings (see table I.1). In terms of home countries of announced greenfield investment, the main concern is LLDCs' dependence on a small number of source countries, predominantly China, Turkey, the United States and Germany (table D). The relative concentration of project values in a handful of source countries raises the question of whether geographical diversification in the future could bring more stability to FDI in LLDCs.

Table II.5. Largest announced greefield projects targeting LLDCs, 2019

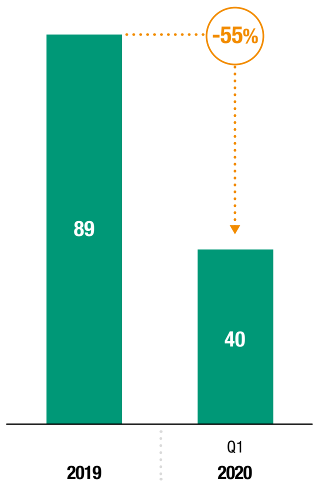
Home country	Host country	Business	Industry	Amount	Jobs created	Investor
China	Bolivia, Plurinational State of	Manufacturing	Chemicals, basic chemicals	1 490	3 000	Xinjiang TBEA Group
Turkey	Uzbekistan	Electricity	Coal, oil and gas, fossil fuel electric power	996	116	Cengiz Enerji Sanayii ve Ticaret
Turkey	Uzbekistan	Electricity	Coal, oil and gas, fossil fuel electric power	996	116	Yildirim Holding
China	Bolivia, Plurinational State of	Manufacturing	Chemicals, basic chemicals	896	1 882	Xinjiang TBEA Group
Brazil	Paraguay	Manufacturing	Renewable energy, biomass power	800	3 000	ECB Group
China	Kazakhstan	Manufacturing	Chemicals, basic chemicals	600	1 183	North Huajin Chemical Industries
France	Bolivia, Plurinational State of	Logistics, distribution	Transportation, support activities for transportation	420	2 663	Aeroports de Paris Group
China	Rwanda	Manufacturing	Textiles, clothing and clothing accessories	374	7 500	Pink Mango C&D
Nigeria	Niger	Manufacturing	Building materials, cement and concrete products	322	640	Dangote Cement

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

Inflows in 2019

A region-by-region analysis reveals major differences in 2019. Investment into transition-economy LLDCs proved resilient to stagnation. FDI to African LLDCs declined moderately, while Asian and Latin American LLDCs experienced a more pronounced downturn (figure B). Flows to LLDCs remained concentrated in a few economies, with the top five recipients (Kazakhstan, Ethiopia, Mongolia, Uzbekistan and Turkmenistan) accounting for 57 per cent of total FDI to the group. Cross-border M&A deals in the region recovered from a negative value in 2018, though the value remained negligible, and concentrated in financial services (table A).

Figure II.18. LLDCs: Average quarterly number of announced greenfield investment projects, 2019 and Q1 2020 (Number)



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

In 2019, FDI flows to the 16 African LLDCs declined by 5 per cent, to $7.8 billion. This drop was only slightly below the average for the African continent, which experienced a decrease of 10 per cent, to $45 billion. There were, however, major differences between economies. FDI inflows fell significantly for the second year in Ethiopia, the largest host economy of the region (after a peak in 2017). This decline put in evidence some of the vulnerabilities of the Ethiopian economy, such as its exposure to climate change (especially in agriculture) and the instability in some regions. FDI dropped in Zimbabwe as well. That country continues to suffer from general economic decline and instability, making it a challenging location in which to invest. In contrast, sizeable increases in FDI inflows were registered in other countries, especially Uganda and Zambia. In Uganda, various industries (such as oil and gas, construction, mining, retail, and telecommunication) attracted FDI. FDI also expanded in business services and agribusiness. In Zambia, renewable energy and food processing attracted large new projects.

FDI in the four landlocked Asian countries other than Mongolia (analysed with the landlocked economies in transition) fell by 48 per cent to below $800 million, after a less pronounced drop in 2018. Most of the decrease was due to a fall in FDI flows to the Lao People's Democratic Republic, which registered a second year of negative growth, this time down 58 per cent, to less than $600 million. This contraction of investment took place mostly because of a continued slowdown in FDI projects from China. FDI flows in Bhutan and Nepal increased, but from a very low base. The decline in investment flows to the four Asian LLDCs was deeper than the decline in flows to developing Asia as a whole (5 per cent, to $474 billion). This gap may widen as the COVID-19 crisis unfolds.

In the two Latin American LLDCs, FDI inflows contracted sharply, by 59 per cent, to $319 million. The inflows of the group fell to their lowest level since 2005. This trend was very different from that of Latin America and the Caribbean as a whole, which experienced a rise of 10 per cent (to $164 billion). In the Plurinational State of Bolivia, FDI flows turned negative, as investors held back new projects and repaid intracompany loans in a year of political turmoil and social unrest. Investment in Paraguay remained practically unchanged at $478 million.

Inflows to the nine landlocked transition economies and Mongolia increased by 12 per cent, to $13 billion, after two years of decline. Within this group, too, divergent trends were observed. As its opening-up accelerated, Uzbekistan recorded a leap in inflows (266 per cent, to $2.3 billion) due to the combined effects of continuing investment in natural resources and the arrival of new investors, especially from Asia. The Republic of Moldova also experienced a rise (91 per cent, to $589 million), as retail trade attracted international chains from Eastern European countries and from Germany. FDI also grew in Mongolia, by 12 per cent, to $2.4 billion, mostly due to continued large mining projects, especially the Oyu Tolgoi copper-gold mine. Equity capital and reinvested earnings accounted for the fastest-growing part of flows, expanding by 23 per cent. In contrast, flows to North Macedonia declined after the exceptional surge in 2018. FDI flows to Kazakhstan also dropped, despite ongoing large projects in metal mining.

FDI data provided by investing countries show that with an FDI stock of $39 billion, Chinese MNEs – supported by the Government through the Belt and Road Initiative (*WIR19*) – were by far the largest investors in LLDCs in 2018 (figure A). As of 2020, the Government of China had signed bilateral agreements under the Initiative with 26 of the 32 LLDCs. However, the sustainability of the initiative is being put to the test in 2020, with GVCs and shipping lines interrupted by the pandemic. On the list of the largest investors, China was followed by the Netherlands, France and Canada. The relatively high FDI stock of French MNEs ($15 billion) can be explained by their strength in natural resources, especially in Central Asia, and historical links with French-speaking LLDCs in Africa.

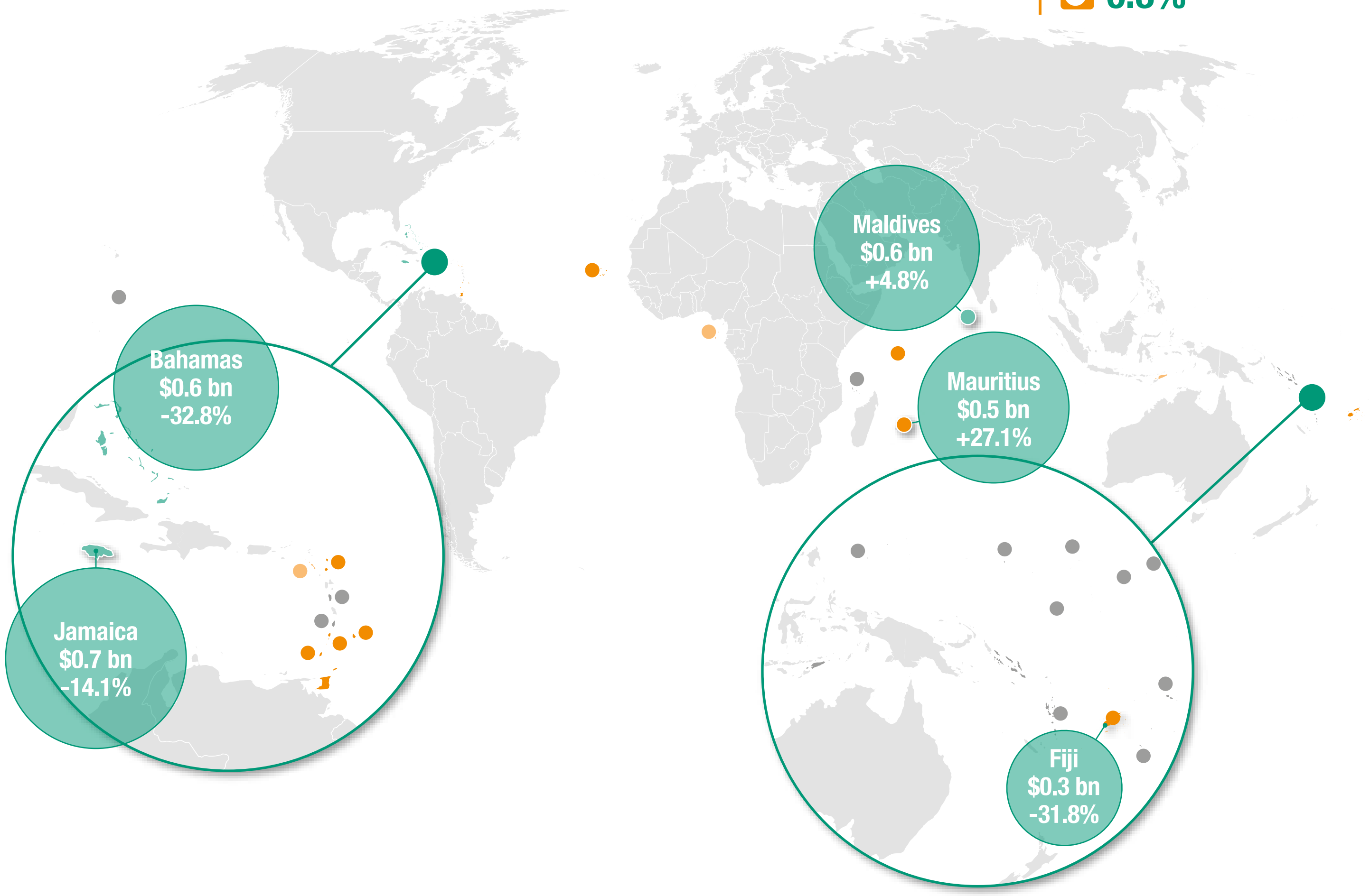
SMALL ISLAND DEVELOPING STATES

FDI flows, top 5 host economies, 2019 (Value and change)

2019 Inflows
4.1 bn

2019 Increase
+14.4%

Share in world
0.3%



Flows, by range

- Above $1 bn
- $500 to $1000 mn
- $100 to $500 mn
- $50 to $100 mn
- Below $50 mn

Top 5 host economies

Economy
$ Value of inflows
2019 % change

Outflows: top 5 home economies

(Millions of dollars and 2019 growth)

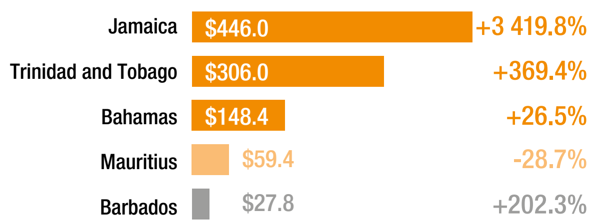
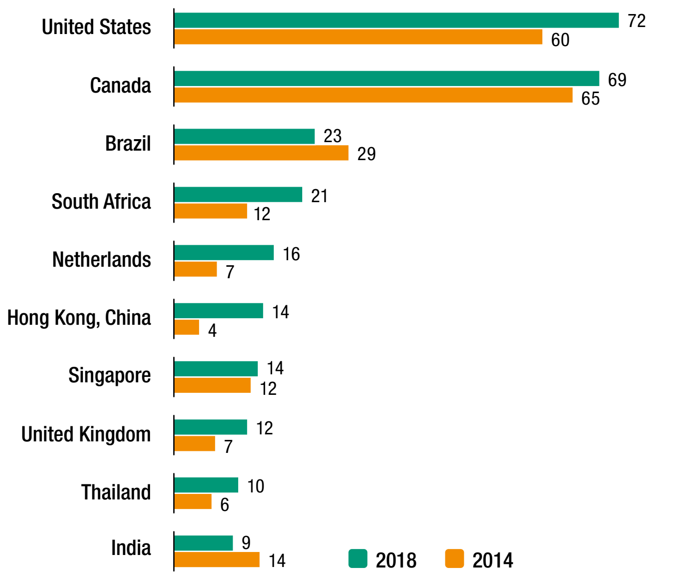


Figure A. Top 10 investor economies by FDI stock, 2014 and 2018 (Billions of dollars)



Source: UNCTAD.

Note: The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Final boundary between the Sudan and South Sudan has not yet been determined. Final status of the Abyei area is not yet determined. Dotted line in Jammu and Kashmir represents approximately the Line of Control agreed upon by India and Pakistan. The final status of Jammu and Kashmir has not yet been agreed upon by the parties.

HIGHLIGHTS

- FDI in tourism-dependent SIDS to be hit hardest by pandemic
- Number of new projects down in early 2020 but less than in LLDCs, LDCs
- FDI flows in 2019 rose after two years of decline

Figure B. **FDI inflows, 2001–2019** (Billions of dollars and per cent)

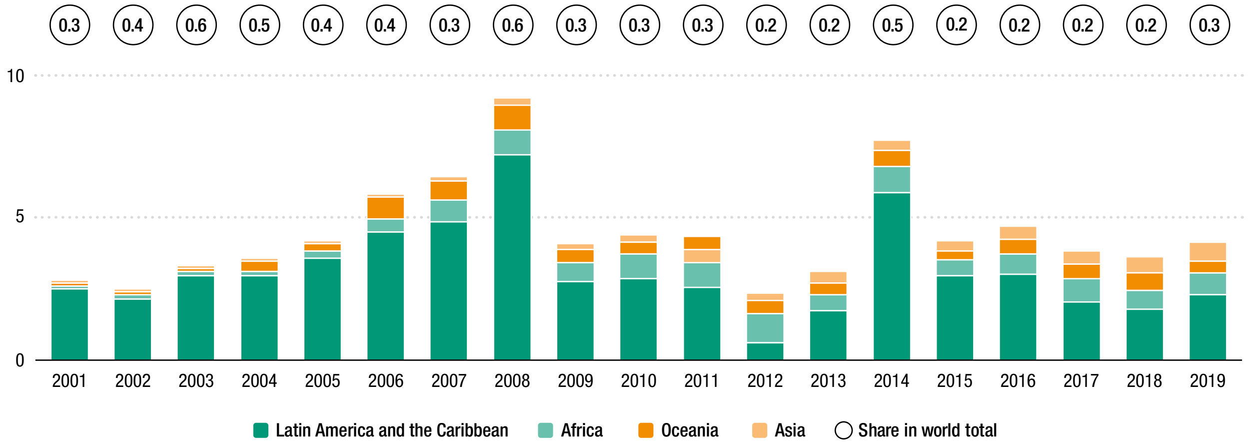


Table A. **Net cross-border M&As by sector/industry, 2018–2019** (Millions of dollars)

Sector/industry	Sales 2018	Sales 2019	Purchases 2018	Purchases 2019
Total	**834**	**750**	**2 860**	**2 354**
Primary	**219**	**-650**	**822**	**6**
Mining and quarrying	219	-650	813	5
Manufacturing	**-**	**14**	**-**	**-**
Motor vehicles and other transport equipment	-	14	-	-
Services	**615**	**1 385**	**2 038**	**2 348**
Electricity, gas, steam and air conditioning supply	-	-	103	-
Trade	0.1	-	583	-
Accommodation and food service activities	-131	-	-	-16
Information and communication	-91	-104	-	-
Financial and insurance activities	510	1 489	1 346	2 215
Business services	326	-	6	201
Human health and social work activities	-	-	-	-69

Table B. **Net cross-border M&As by region/economy, 2018–2019** (Millions of dollars)

Region/economy	Sales 2018	Sales 2019	Purchases 2018	Purchases 2019
World	**834**	**750**	**2 860**	**2 354**
Developed economies	**323**	**919**	**1 058**	**186**
European Union	478	184	1 049	-54
North America	195	1 385	9	227
Australia	-350	-650	-	14
Developing economies	**511**	**-169**	**1 763**	**2 168**
Africa	6	-16	74	-12
Latin America and the Caribbean	-	0.04	663	75
Asia	505	-153	1 026	2 104
China	505	-	103	2 050
Hong Kong, China	-18	-	-36	5
India	-	-	946	48
Malaysia	-	-169	-	-

Table C. **Announced greenfield FDI projects by sector/industry, 2018–2019** (Millions of dollars)

Sector/industry	SIDS as destination 2018	SIDS as destination 2019	SIDS as investor 2018	SIDS as investor 2019
Total	**1 719**	**2 061**	**1 020**	**584**
Primary	**-**	**100**	**-**	**-**
Agriculture, forestry and fishing	-	100	-	-
Manufacturing	**44**	**59**	**-**	**45**
Pharmaceuticals, medicinal chemical and botanical products	-	38	-	-
Services	**1 675**	**1 903**	**1 020**	**538**
Accommodation and food service activities	1 008	1 202	-	202
Administrative and support service activities	114	119	-	30
Electricity, gas, steam and air conditioning supply	-	185	-	-
Financial and insurance activities	87	125	380	97
Information and communication	121	162	640	157
Professional, scientific and technical activities	11	49	-	-
Trade	21	37	-	42

Table D. **Announced greenfield FDI projects by region/economy, 2018–2019** (Millions of dollars)

Partner region/economy	SIDS as destination 2018	SIDS as destination 2019	SIDS as investor 2018	SIDS as investor 2019
World	**1 719**	**2 061**	**1 020**	**584**
Developed economies	**1 044**	**1 738**	**28**	**42**
European Union	248	1 490	3	42
Spain	-	862	-	-
United States	578	224	10	-
Developing economies	**675**	**323**	**992**	**542**
Africa	2	62	470	286
South Africa	2	28	282	-
Latin America and the Caribbean	155	187	225	225
Jamaica	-	185	-	-
Asia and Oceania	519	74	298	30
China	95	43	-	-
United Arab Emirates	176	12	15	30

The outlook for FDI in the 27 structurally disadvantaged small island developing States (SIDS) is grim. Measures restricting the movement of people put in place in many parts of the world to control the spread of the pandemic are taking a severe toll on these already fragile economies, affecting FDI flows, too. Tourism-dependent SIDS will be hit the hardest, with the travel and tourism industries suffering from the demand shock and uncertainties about new restrictive measures to be introduced permanently in source countries as the global economy reopens. The first quarter of 2020 showed signs of a contraction in FDI flows. In 2019, FDI flows to SIDS had increased to $4.1 billion after two years of decline.

Prospects

The global health and economic crisis will affect FDI prospects for SIDS disproportionately. The negative outlook for GDP is more severe for SIDS (-4.7 per cent for 2020) other structurally vulnerable economies. (UN-DESA, 2020b).[36] SIDS are extremely vulnerable to external shocks. They have a small economic base and are highly dependent on a small number of trading partners. The pandemic is straining the already fragile sources of finance of these economies, which will be exacerbated by lower tourism revenues in most and by the sharp fall in oil and other commodity prices in resource-based SIDS.

From the onset of the pandemic, containment measures put in place at borders (e.g. travel restrictions and mandatory self-isolation or quarantine) have led to an unprecedented demand-side shock on the global tourism industry. The UN World Tourism Organization (UNWTO) has revised its initial projection of the COVID-19 impact on international tourism arrivals for 2020 from a 20–30 per cent contraction to 60–80 per cent, having noted a 57 per cent drop in March alone and the imposition of travel restrictions in every country around the world.[37] Global 5,000 MNEs in the travel, tourism and hospitality industries project their expected global earnings to drop by more than 70 per cent (table II.6). This will deeply affect most SIDS economies and their FDI inflows.

Table II.6. SIDS: Shares in total value of announced greenfield FDI projects in selected industries and home economies, 2015–2019 average, and average MNE earnings revisions for fiscal year 2020 (Per cent)

Industry	Share in total value of projects, 2015–2019 average	Average earnings revisions
Travel, tourism and hospitality industries	**54**	**-72**
Accommodation and food service activities	47	-94
Transportation and storage	4	-63
Leisure and entertainment	3	-32
Others	**..**	**..**
Information and communication	15	-31
Electricity, gas, steam and air conditioning supply	6	-16
Administrative and support service activities	5	-32
Financial and insurance activities	4	-23
Construction	3	-21
Basic metal and metal products	3	-54

Home economy	Share in total value of projects, 2015–2019 average	Average earnings revisions
Developed economies	**61**	**-39**
United States	27	-47
Spain	14	-33
France	9	-51
Canada	5	-53
United Kingdom	3	-42
Developing and transition economies	**39**	**-30**
Jamaica	8	..
China	5	-20
Bahamas	4	..
Hong Kong, China	3	-39

Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDiMarkets.com) for announced greenfield projects and from Refinitiv SA for average MNE earnings revisions as of mid-May 2020.

Note: Total value of announced greenfield projects is $2.2 billion annually. Transportation and storage includes oil and gas pipelines and terminals. Revisions on earnings exceeding +/-500 per cent were excluded.

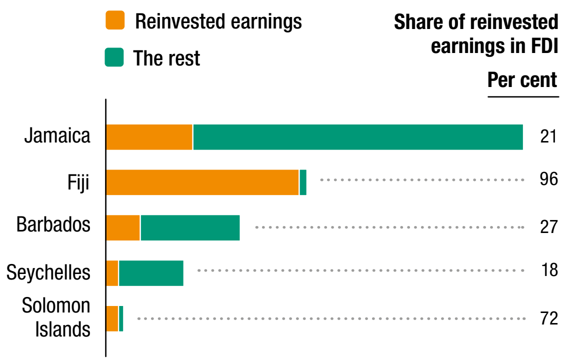
The immediate impact of the pandemic mitigation measures on FDI has been a freeze in ongoing investment projects and new investment decisions (see chapter I). If the shutdown of domestic economic activities is prolonged and foreign investors do not foresee a quick recovery from the unprecedented global demand shock, FDI projects will be cancelled. In the worst-case scenario, active foreign investors will be forced to withdraw from host economies. This risk is particularly high in the travel, tourism and hospitality industries, which will be forced to adopt new business models to comply with international safety requirements (e.g. limiting capacity to maintain social distancing) when they gradually reopen.

In recent years, dependency on tourism FDI in SIDS has risen at the expense of construction and mining and quarrying projects. Announced greenfield FDI data for 2015–2019 show that travel, tourism and hospitality projects contributed to more than half of the total of new investment announced in SIDS (see table II.6), compared with 16 per cent in the preceding five-year period. The recipients of these projects were predominantly the larger SIDS economies, namely Jamaica (35 per cent of the announced value of all tourism-related projects), the Maldives (15 per cent) and Fiji (10 per cent).[38] In the Maldives, where direct and indirect travel and tourism activities account for two-thirds of GDP,[39] the share of announced greenfield projects in FDI inflows exceeded 80 per cent. The importance of these projects is significant even for a relatively less tourism-dependent economy, such as Jamaica, where tourism-related projects (mostly hotel construction) accounted for 54 per cent of the total value of announced greenfield FDI projects.

The COVID-19 crisis will tighten MNE margins for reinvestment, affecting the short-term prospects for those SIDS in which reinvested earnings constitute an important part of FDI flows. Negative operational results of global MNEs in 2020 will automatically affect FDI in SIDS through reinvested earnings (see chapter I). Host economies such as Fiji and Solomon Islands, with a high dependency on reinvested earnings, will be hit particularly hard (figure II.19). The comparable data for the Bahamas and Mauritius were not available for 2019; however, in both SIDS, reinvested earnings constituted an important part of FDI flows in 2018: 34 per cent in the Bahamas and 60 per cent in Mauritius.

Early key indicators are down but less severely than in other structurally weak economies. Contractions in investment activities in SIDS were moderate in the early phase of the crisis. In announced greenfield FDI, the number of projects was down 18 per cent in the first quarter of 2020 (figure II.20), compared with 27 per cent in LDCs and 55 per cent in LLDCs. The value of greenfield projects announced in SIDS during the first quarter of 2020 were 28 per cent lower than the average quarterly value in 2019 (figure II.21).

Figure II.19. SIDS: FDI inflows and reinvested earnings, 2019 (Volume and per cent)



Source: *Source:* UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
Note: The figure covers only economies that report reinvested earnings separately.

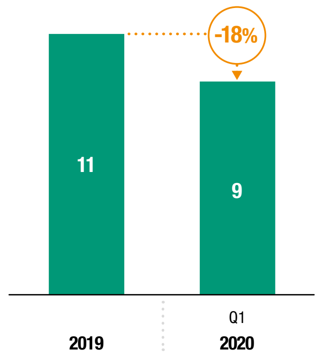
The gravity of earnings revisions by global MNEs for the 2020 fiscal year indicates potentially severe downturns in FDI across industries (see chapter I). Outside of tourism-related industries, almost all industries in which certain SIDS depend on foreign capital – such as finance, ICT and renewable energy – will be negatively affected. Compounding the downward pressure on FDI inflows is the high dependency of SIDS on operational FDI activities by investors from the United States and Canada (figure A), and on announced greenfield FDI projects from the United States and Spain, two economies for which a major slump is forecast from the pandemic (see table II.6).

Inflows in 2019

FDI to the 27 SIDS increased in 2019 by 14 per cent, to $4.1 billion, after two years of decline. The top five recipients (*Jamaica*, the *Bahamas*, *the Maldives*, *Mauritius* and *Fiji*) attracted nearly two-thirds of all FDI to this group, but only two (the Maldives and Mauritius) registered higher flows than in 2018. A recovery of FDI after three consecutive years of divestment in resource-based *Trinidad and Tobago* brought aggregate FDI flows to the 10 Caribbean SIDS to a three-year high of $2.3 billion (up by 28 per cent; figure B). FDI in Trinidad and Tobago rose to a five-year high of $230 million, up from -$702 million in 2018. Negative reinvested earnings turned positive for the first time since 2012 (up $616 million from 2018), and an equity investment of $261 million in financial services added to the uptick. FDI flows to Jamaica shrank for a third year to a five-year low of $665 million (down by 14 per cent). FDI in tourism-related projects was insufficient to offset subdued MNE activity across other industries.[40] FDI inflows to the Bahamas, the largest host economy among SIDS, shrank by a third to $637 million, one-fifth of the peak registered in 2014. Investment in hotel projects slowed, and construction projects slated to start in 2019 were forced into a delay by Hurricane Dorian. In *Barbados* FDI fell by 11 per cent to $215 million in 2019.

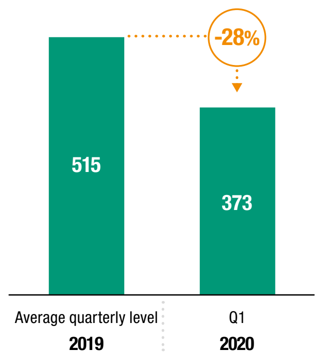
FDI to the five African SIDS increased by more than 20 per cent to $767 million (figure B). FDI inflows to Mauritius picked up to a level similar to that of 2017 ($472 million, up by 27 per cent), with a recovery in investment in real estate projects. FDI from developing economies grew, driven by MNEs from South Africa.[41]

Figure II.20. SIDS: Average quarterly number of announced greenfield investment projects, 2019 and Q1 2020 (Number)



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

Figure II.21. SIDS: Value of announced greenfield investment projects, average, 2019 and Q1 2020 (Millions of dollars)



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

Among the 12 SIDS in Asia and Oceania, aggregate FDI declined by 9 per cent (figure B). FDI flows to the Maldives renewed a record level of inflows in 2019 (up by 5 per cent to $565 million), led by tourism, ICT and transport services. FDI in resource-based *Timor-Leste* grew by 56 per cent to a record high ($75 million), due mostly to reinvestment in the services sector. In Fiji, after marking a 10-year high in 2018, FDI shrank by more than 30 per cent to a four-year low of $321 million on the back of a sharp downturn in economic activity.[42]

Cross-border M&A sales fell by 10 per cent to $750 million. Owing to the sales of foreign-owned stakes to domestic investors in Seychelles ($104 million in communication) and Timor-Leste ($650 million in oil and gas), the net sales value of cross-border M&As in SIDS as a whole fell (table A). The number of transactions (20) was the same as the previous year, but 70 per cent of them represented sales of foreign-owned stakes in SIDS to other foreign investors. The net sales value by North American investors rose to $1.4 billion (table B), driven by two deals in financial services in Barbados. The largest number of deals was registered in Mauritius, mostly by investors from the EU, as well as India and other countries in developing Asia; however, their net impact amounted to merely $10 million.

NOTES

[1] GVC-intensive manufacturing industries are industries with a high share of foreign value added in gross exports. They include high-tech (automotive, electronics and machinery and equipment) and low-tech (textiles) industries.

[2] Prices for both energy and non-energy commodities fell in 2019 due to weak demand, according to the World Bank's Commodity Price Index, although the decline was steeper for the former.

[3] GVC forward participation refers to the domestic value added in exports that are subsequently embodied in the exports of other countries. In comparison, GVC backward participation refers to the foreign value added that is embodied in exports of the exporting economy.

[4] The profit repatriation was driven by the change to tax laws that incentivized United States foreign affiliates to move capital to their parents.

[5] Reported by the National Bureau of Statistics, 17 April 2020.

[6] Ministry of Commerce, China, FDI in China for the first quarter, 15 April 2020, http://www.mofcom.gov.cn. The value of foreign investment inflows does not include investment in the financial sector.

[7] Ministry of Trade, Industry and Energy, Republic of Korea, Report of Foreign Direct Investment in Q1,10 April 2020, http://motie.go.kr.

[8] "Nissan alters production amid outbreak", *Bangkok Post*, 4 April 2020.

[9] "Nissan to close Indonesia, Spain auto plants after losses", Fox23 News, 28 May 2020.

[10] "Asia's garment workers hang by a COVID-19 thread", *Asia Times*, 25 March 2020.

[11] The IMF projected GDP growth of 1.9 per cent for India in 2020, compared with -1 per cent for all emerging economies.

[12] They included Alibaba and Ant Financial Group (both China), Naspers (South Africa) and Sequoia Capital (United States), which invested in local digital companies ranging from software development to microfinance and food service (such as Quicko Technosoft Labs, Bundl Technologies, Bounce, Digikredit Finance and Zomato).

[13] Most of the financing of infrastructure development is not FDI, but in the form of debt, grants and public-private partnerships through State-owned enterprises.

[14] Some of the biggest deals include venture capital investments in Indian internet companies One97, Grofers, BrainBees and MakeMyTrip.

[15] Equity and intracompany loans according to the BPM6 method Banco Central do Brasil. This method of reporting FDI differs from UNCTAD's directional reporting method; it gives an indication of the shock.

[16] FDI flows to Mexico are typically the highest in the first trimester when reinvested earnings are registered. Thus the total FDI inflows actually grew by 23 per cent with respect to the average in 2019, driven by a 78 per cent increase of reinvested earnings.

[17] Central Bank of Mexico, Expectations on net inflows, median value (Encuesta sobre las expectativas de los especialistas en economía del sector privado: febrero de 2020 and abril de 2020).

[18] Estimated on the basis of cumulative greenfield projects.

[19] For example, Texhong (Hong Kong, China) put on hold an investment announced last year of $200 million in Nicaragua and is considering exiting the country.

[20] In March, exports of medical supplies from Costa Rica's SEZs increased by 12.8 per cent.

[21] Project Finance International, "Brazil tricky power path forward", *Special Report: Global Energy,* April 2020.

[22] The IMF foresees a contraction by 6.6 per cent in 2020 for Mexico, worse than the projection for Argentina.

[23] "CCI warns of risk of ruining 3 million entrepreneurs due to the virus" (in Russian), RBC News, 21 March 2020.

[24] Radomir Ralev, "Cooper Tire to close temporarily Serbian plant due to coronavirus crisis", SeeNews, 23 March 2020, https://seenews.com/news/cooper-tire-to-close-temporarily-serbian-plant-due-to-coronavirus-crisis-691965; and Radomir Ralev, "Fiat Chrysler Automobiles temporarily closes Serbian factory due to coronavirus pandemic", SeeNews, 16 March 2020, https://seenews.com/news/fiat-chrysler-automobiles-temporarily-closes-serbian-factory-due-to-coronavirus-pandemic-690939.

[25] According to UNCTAD data, more than one-quarter of the value of announced greenfield projects in 2010–2019 (downstream coke and refined petroleum included) and more than 35 per cent of the value of net cross-border M&A purchases in in 2010–2019.

[26] "Russian oil major scraps dividend as industry reels from oil price crash", *The Moscow Times,* 22 April 2020.

[27] Jake Cordell, "Profit slumps herald more trouble ahead for Russia's corporate giants", *The Moscow Times,* 18 May 2020, https://www.themoscowtimes.com/2020/05/18/profit-slumps-herald-more-trouble-ahead-for-russias-corporate-giants-a70304.

[28] "China's North Huajin Chemical to invest $600 mln in construction of a carbide plant in Taraz", AKIPress, 30 May 2020.

[29] "Estimation of FDI in which the ultimate controlling investor is a resident (round tripping)" (in Ukrainian), National Bank of Ukraine, April 2020, https://bank.gov.ua/files/ES/FDI_y.pdf.

[30] For the latest United Nations economic vulnerability and human assets index scores by country, see www.un.org/development/desa/dpad/wp-content/uploads/sites/45/Snapshots2018.pdf. For conceptual information, see www.un.org/development/desa/dpad/least-developed-country-category/evi-indicators-ldc.html.

[31] According to UN DESA (2020b), GDP growth projections for 2020 are -0.3 per cent in LLDCs, -4.7 per cent in SIDS, and -1 per cent in developing and transition economies. Projections by the IMF (2020a) also suggest a relative resilience in low-income developing countries (which include most LDCs): 0.4 per cent growth in GDP for 2020, to be followed by 5.6 per cent growth in 2021, while real GDP in resource- and tourism-dependent countries in Sub-Saharan Africa will contract by 3 to 5 per cent (IMF, 2020b).

[32] "FDI stuck in low gear", *Financial Express,* 19 January 2020.

[33] In response to flooding damages caused by two tropical cyclones and a hydropower dam collapse in 2018, the Government suspended the implementation of all new investment project pending a review of existing ones to prioritize capital investment needs for repairing the damaged infrastructure. See IMF (2019).

[34] None of these transactions was included in the national FDI statistics, which exclude investment activities in oil and gas.

[35] Cecilia Jamasmie, "Rio lowers copper target at Oyu Tolgoi", mining[dot]com, 17 April 2020, https://www.mining.com/rio-lowers-copper-target-flags-further-issues-at-oyu-tolgoi.

[36] The UN classification of SIDS is broader than that of UNCTAD.

[37] UNWTO, "The impact of COVID-19 on international tourism, January-March 2020", 7 May 2020, www.unwto.org.

[38] Other major beneficiaries in relatively smaller host SIDS include Cabo Verde (12 per cent of the value of tourism-related projects in 2015-2019) and Antigua and Barbuda (10 per cent).

[39] Based on figure 4 in UN DESA (2020a).

[40] Bank of Jamaica, Quarterly monetary policy report, December 2019. http://boj.org.jm/uploads/pdf/qmp_report/qmp_report_october_december2019.pdf.

[41] Bank of Mauritius, "Preliminary gross direct investment flows: First three quarters of 2019 (excluding global business sector)", 23 December 2019, www.edbmauritius.org.

[42] "IMF staff completes 2019 Article IV visit to Fiji", IMF Press Release no. 19/457,12 December 2019.