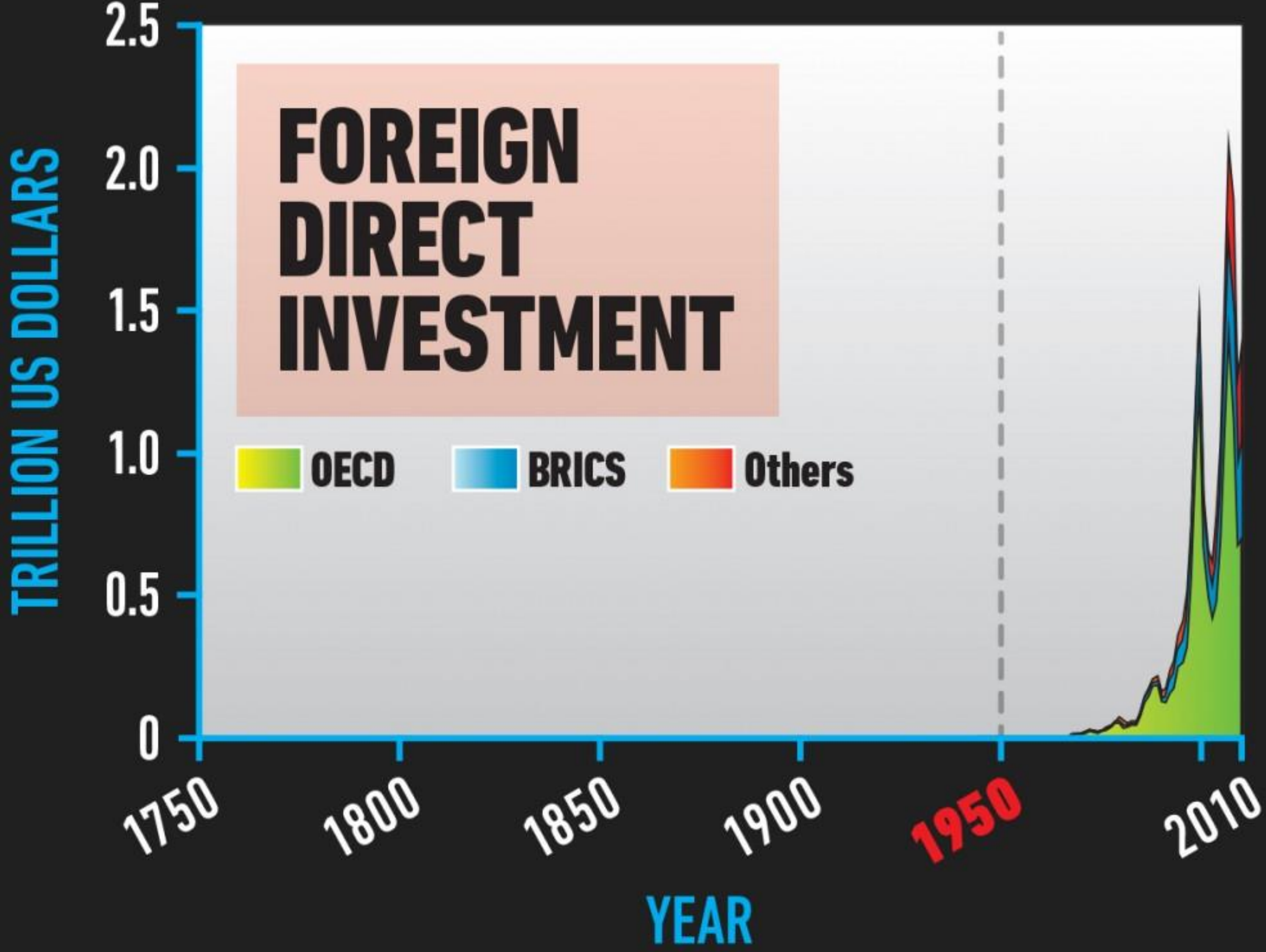
On Foreign Direct Investment (FDI)

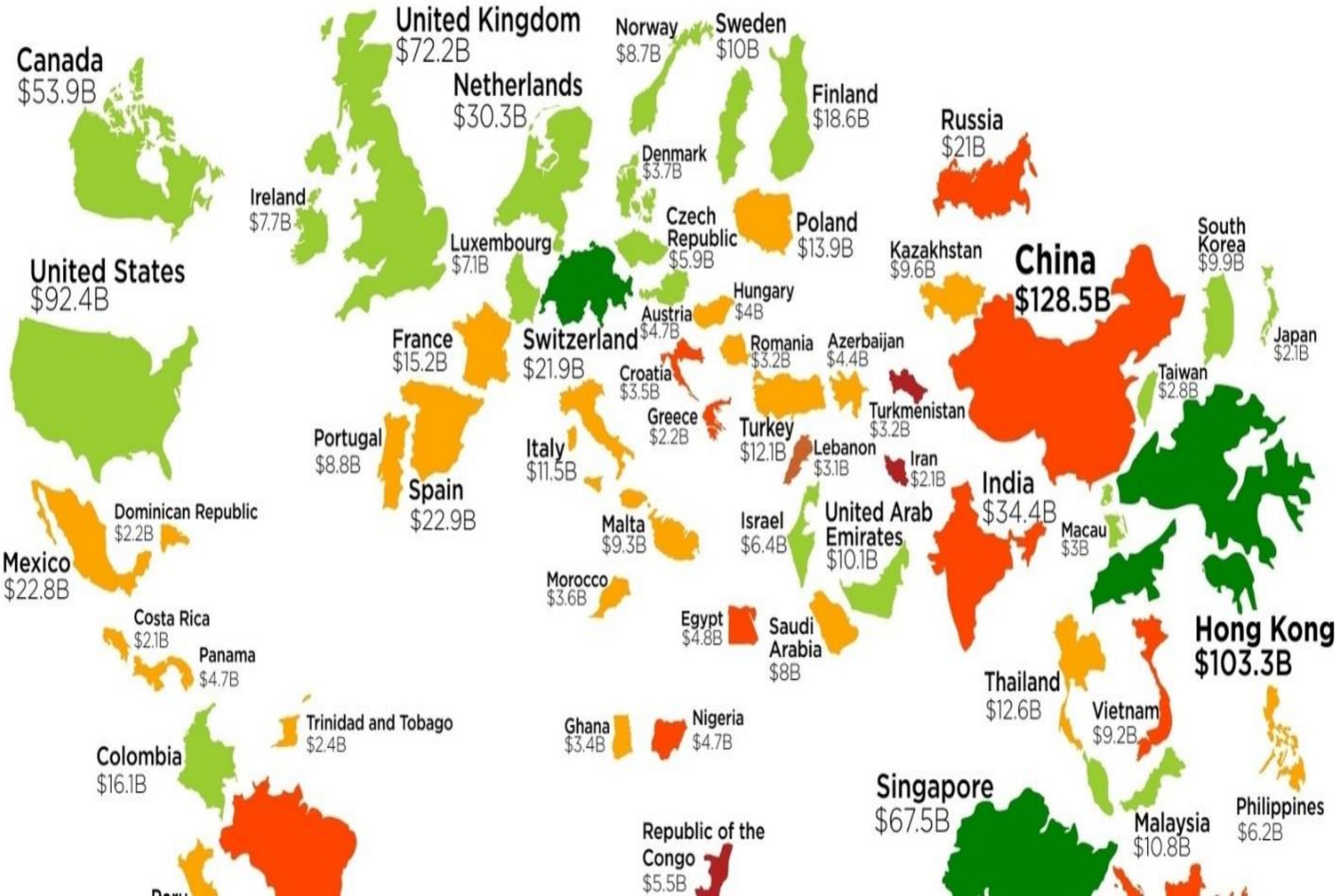
Dr. Nicholas Aristotle Demos

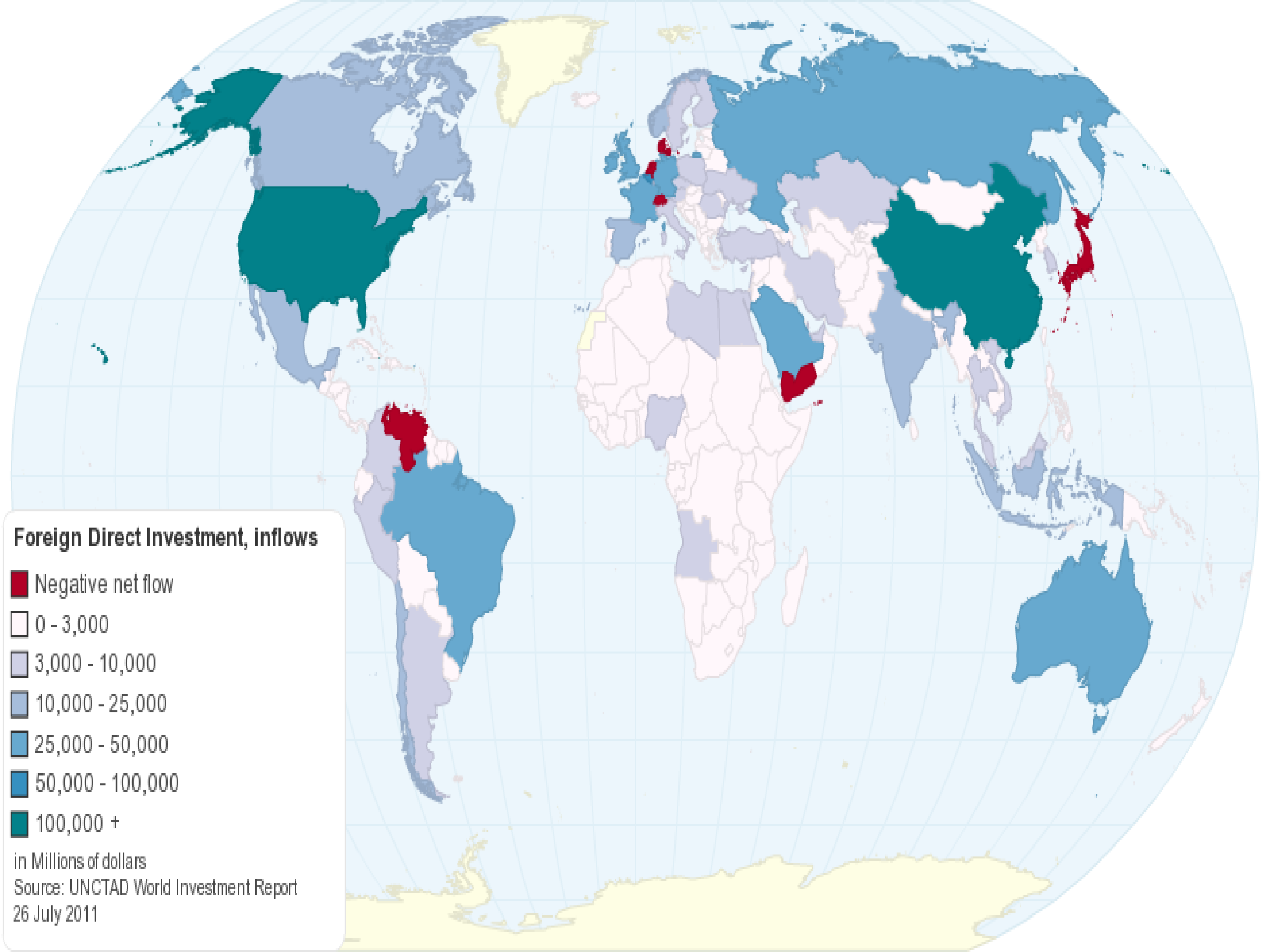
FDI statistics



FOREIGN DIRECT INVESTMENT
OECD
BRICS
Others
TRILLION US DOLLARS
2.5
2.0
1.5
1.0
0.5
0
1750
1800
1850
1900
1950
2010
YEAR

Countries that Receive the Most Investment from Abroad




Foreign Direct Investment, inflows
Negative net flow
0 - 3,000
3,000 - 10,000
10,000 - 25,000
25,000 - 50,000
50,000 - 100,000
100,000 +
in Millions of dollars
Source: UNCTAD World Investment Report
26 July 2011

Attracting …FDI

Your Advantage for
Foreign Direct Investment
North Carolina's Southeast

Business climate advantages for international companies

- 62 international companies from 20 countries
- North Carolina ranked #1 in *Site Selection's* Annual Business Climate rankings for 2012, and has ranked #1 ten times in the past thirteen years
- North Carolina has the 3rd highest number of jobs from FDI
- North Carolina ranked 4th Best Business State 2013 and 2nd Best Business Costs by *Forbes Magazine*
- Since 2003, there has been $16B FDI in North Carolina and over 50,000 jobs created
- Over 2,225 jobs announced in the southeast region since 2013
- N.C. state corporate tax rate reduced to 5% over two years
- Nationally ranked universities and community colleges
- Two Foreign Trade Zones
- State and local incentives encouraging investment and job creation

$585.4M invested in our region since 2013

Skilled and experienced workforce

One of the top determining factors for FDI locations is skilled workforce. With a growing workforce of over 550,000, the highest productivity rate in the country, and certified skills sets, N.C. Southeast is ready to support your growing business. Our talent pipeline includes a diverse spectrum of skills in advanced manufacturing.

- 200,000 people employed by international firms in North Carolina
- 36% more productive than the U.S. average
- Right-to-Work State
- 12% work in manufacturing
- Lowest unionization rate in the U.S. at 1.9%
- Over 20% of the workforce has a four-year degree or higher
- High schools using WorkKeys

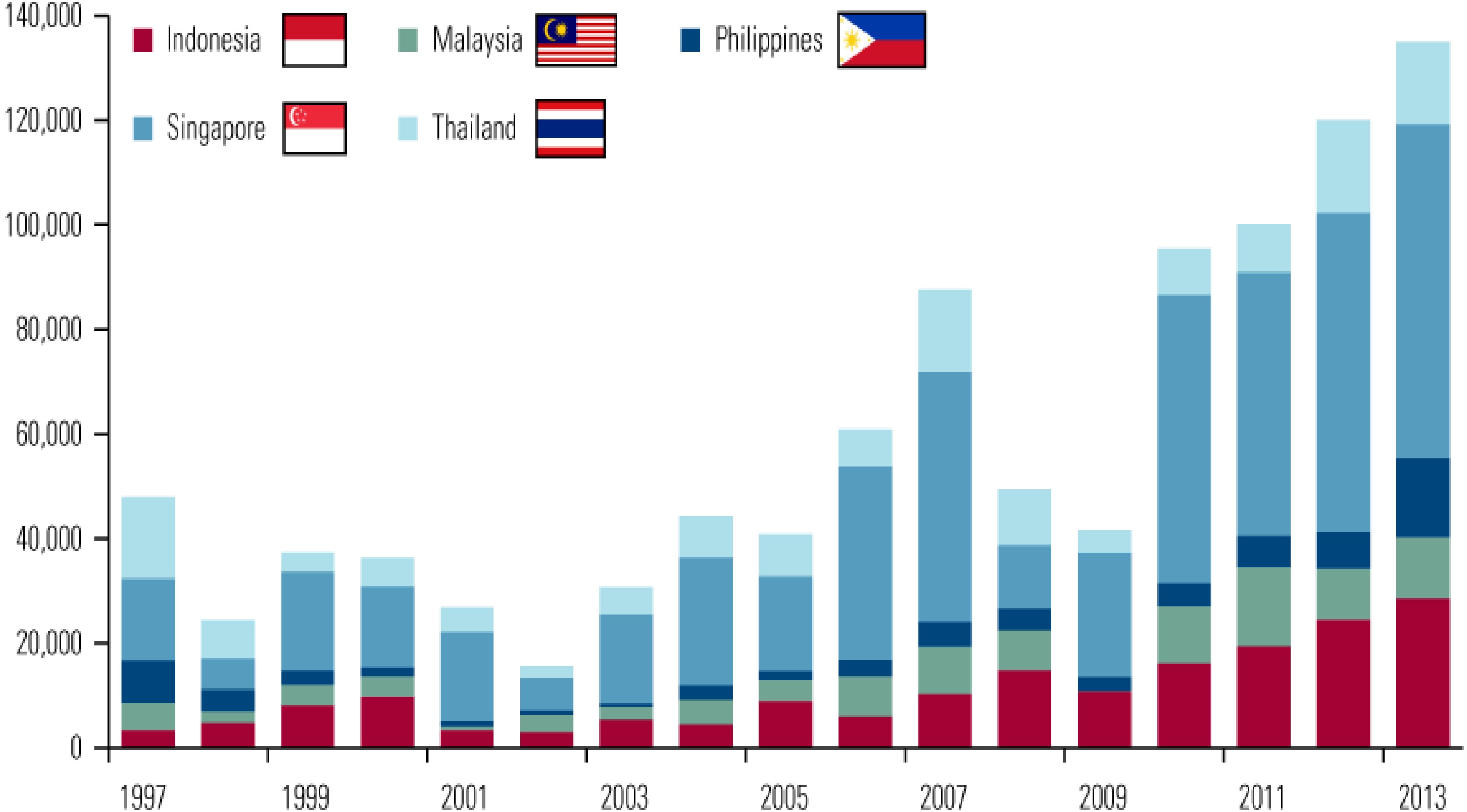
>550K skilled workers in the region

North Carolina ranked **#4 in Best State for Business 2014** according to *Chief Executive Magazine*.

NORTH CAROLINA'S SOUTHEAST
Regional Economic Development Partnership

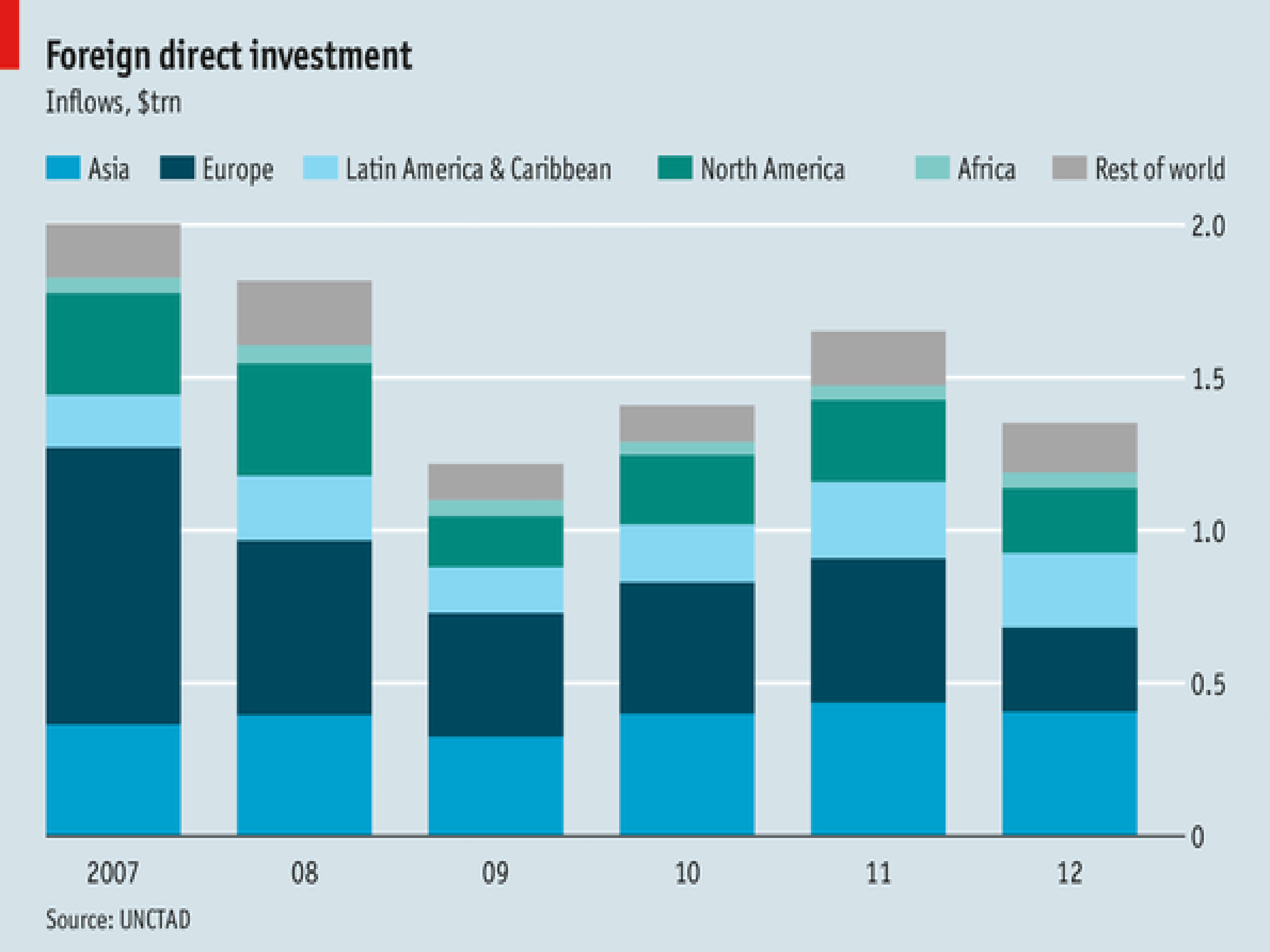
Steady Increase in Aggregate Foreign Direct Investment into Major Southeast Asian Countries

Million U.S. Dollars

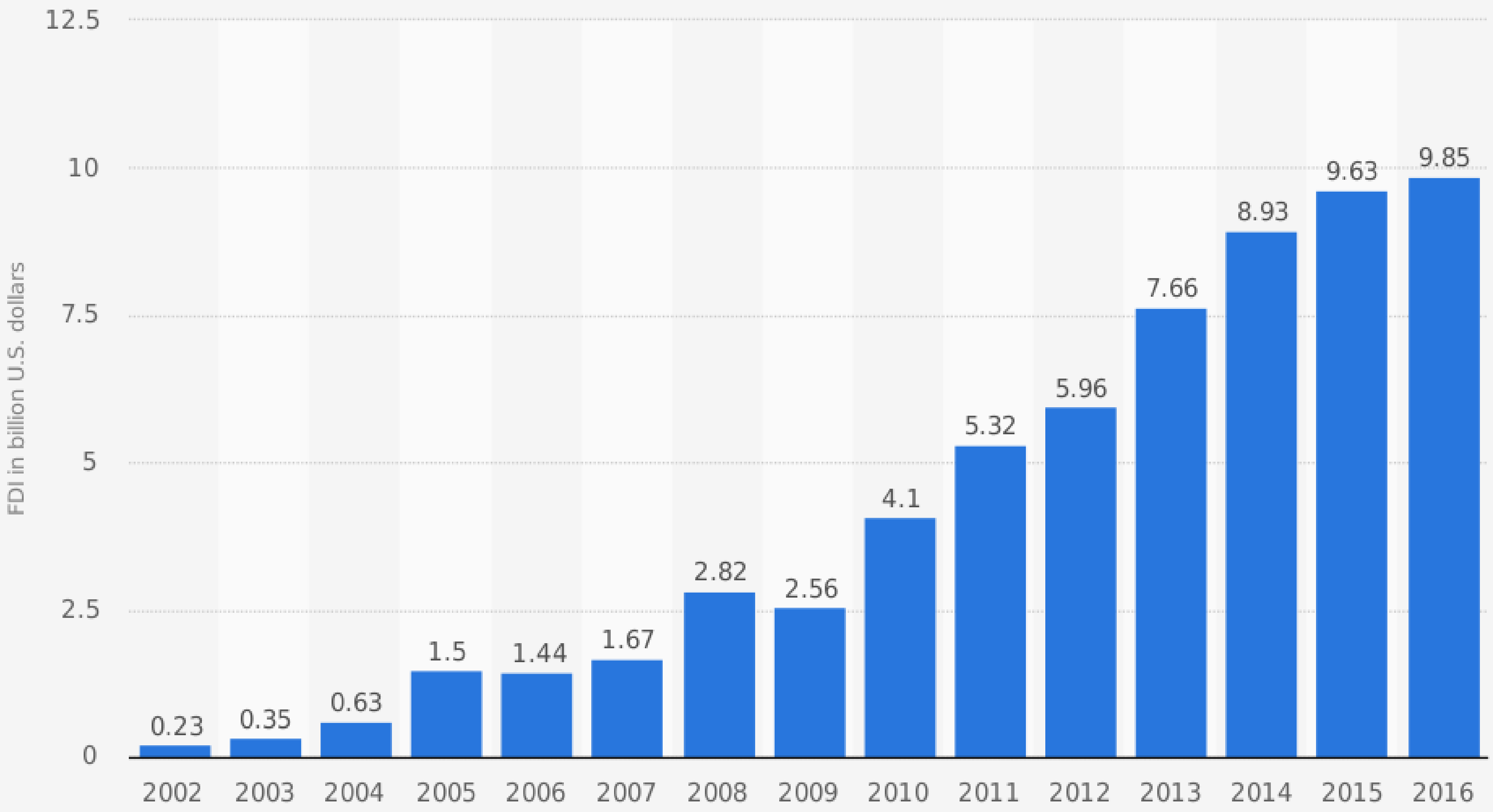


Note: China FDI refers to FDI utilized; Indonesia FDI refers to foreign investment realization; Philippines & Thailand FDI refers to FDI approved. Malaysia and Singapore FDI data on BOP basis. 2013 FDI data for Philippines is BofAML estimate.

Source: BofA Merrill Lynch, CEIC, U.S. Global Investors


Foreign direct investment
Inflows, $trn
Asia
Europe
Latin America & Caribbean
North America
Africa
Rest of world
2.0
1.5
1.0
0.5
0
2007
08
09
10
11
12
Source: UNCTAD

Foreign direct investment (FDI) from India in the United States from 2002 to 2016 (in billion U.S. dollars, on a historical-cost basis)



Source
BEA

Additional Information:
United States; BEA; 2002 to 2016

Foreign Direct Investment

Equity Inflows to India, During January to November 2014

Month	Amount of FDI Equity Inflows	
	(In Rs Crore)	(In US$ Million)
January - 2014	13,589	2,189
February - 2014	12,557	2,017
March - 2014	21,558	3,533
April -2014	10,290	1,705
May - 2014	21,373	3,604
June - 2014	11,508	1,927
July - 2014	21,022	3,500
August - 2014	7,783	1,278
September - 2014	16,297	2,678
October - 2014	16,288	2,655
November - 2014	9,486	1,537
Total	**161,751**	**26,623**
Year on Year Growth (%)	**+32.00%**	**+27.00%**

India's Foreign Direct Investment

Month	Amount of FDI Inflows		M-o-M (%)		Y-o-Y (%)	
	(In Rs. Crore)	(In US$ mn)	(In Rs.)	(In US$)	(In Rs.)	(In US$)
January-14	13,589	2,189	99.28%	98.82%	15.96%	1.48%
February-14	12,557	2,017	-7.59%	-7.86%	30.07%	12.37%
March-14	21,558	3,533	71.68%	75.16%	159.83%	131.67%
April-14	10,290	1,705	-52.27%	-51.74%	-18.48%	-26.57%
May-14	21,373	3,604	107.71%	111.38%	138.17%	120.97%
June-14	11,508	1,927	-46.16%	-46.53%	36.48%	33.45%
Total / Average	90,875	14,975	28.78%	29.87%	60.34%	45.56%

Jhunjhunwala's

www.linkedin.com/company/jhunjhunwalas

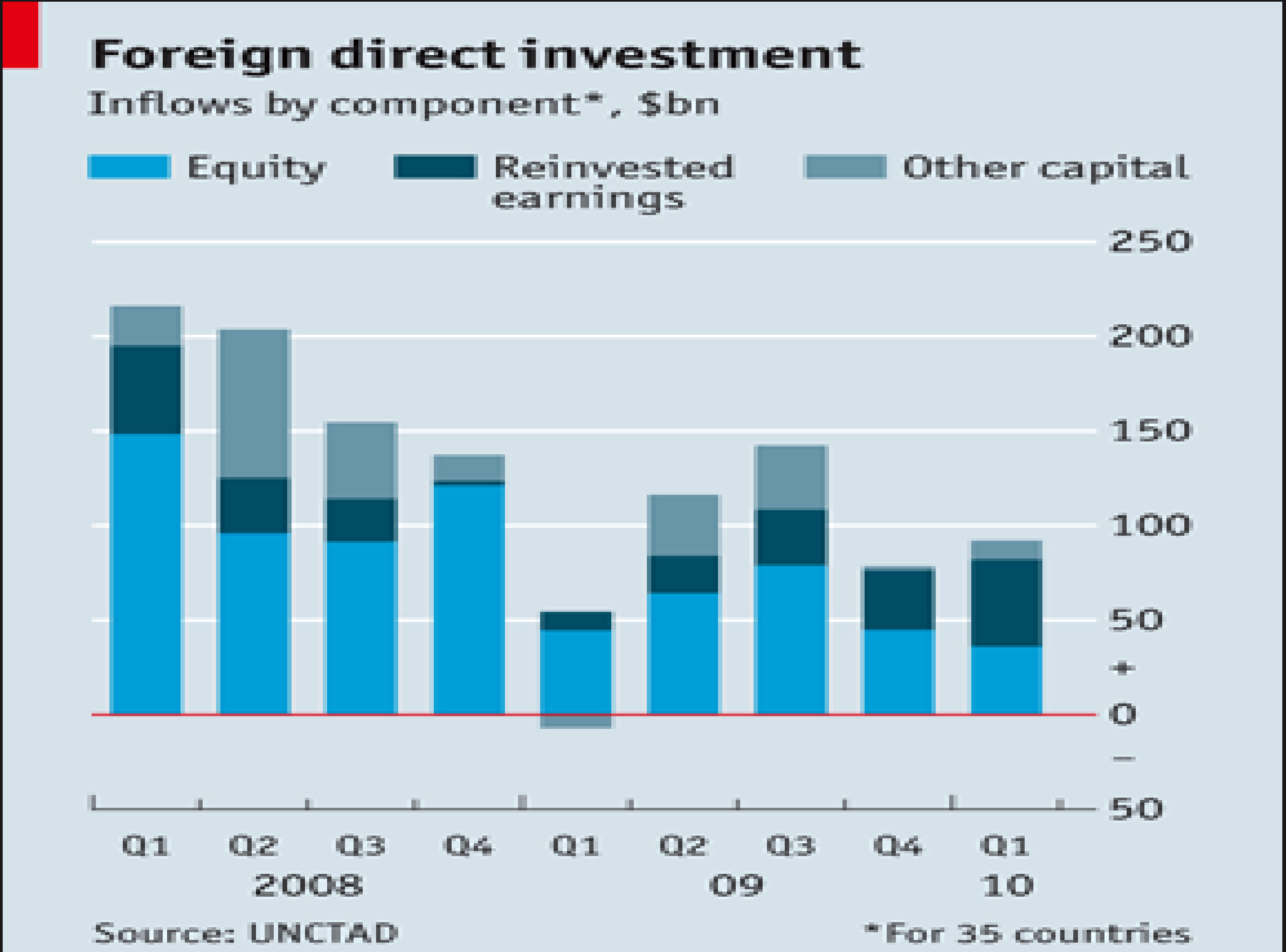
Foreign Direct Investments in India

Month	Amount of FDI inflows		Y-o-Y (Value)		Y-o-Y (%)	
	(In Rs. Crore)	(In US$ mn)	(In Rs.)	(In US$)	(In Rs.)	(In US$)
January-14	13,589	2,189	1,870	32	15.96%	1.48%
December-13	6,819	1,101	807	1	13.42%	0.09%
November-13	10,257	1,638	4,459	580	76.91%	54.82%
October-13	7,556	1,226	-2,739	-716	-26.61%	-36.87%
Total	38,221	6,154	4,397	-103	79.68%	19.53%
Average	9,555	1,539	1,099	-26	19.92%	4.88%

Source: http://dipp.nic.in

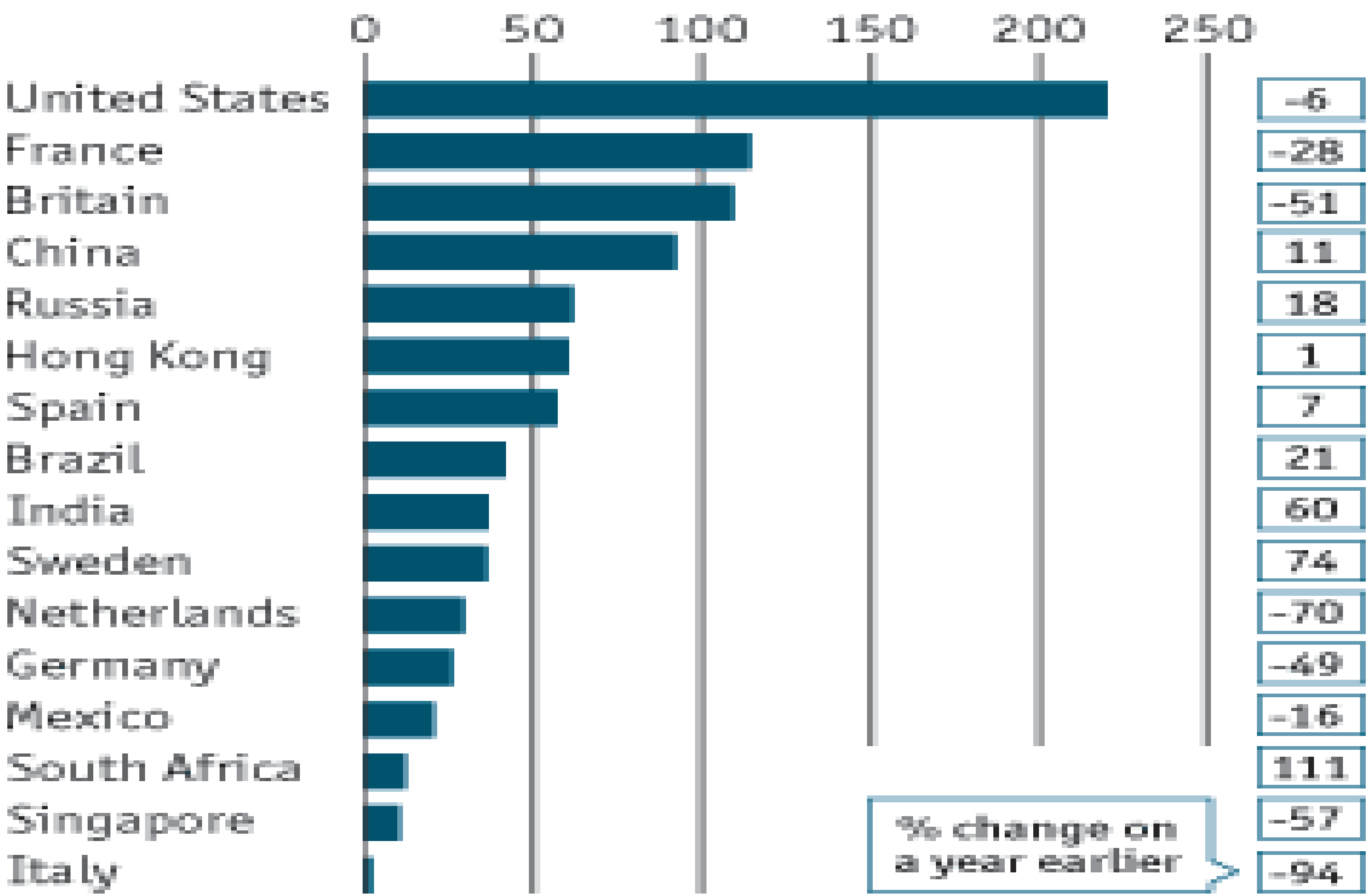
Jhunjhunwala's

jhunjhunwalas.tumblr.com


Foreign direct investment
Inflows by component*, $bn
Equity
Reinvested earnings
Other capital
250
200
150
100
50
+
0
–
50
Q1
Q2
Q3
Q4
Q1
Q2
Q3
Q4
Q1
2008
09
10
Source: UNCTAD
*For 35 countries

Foreign direct investment

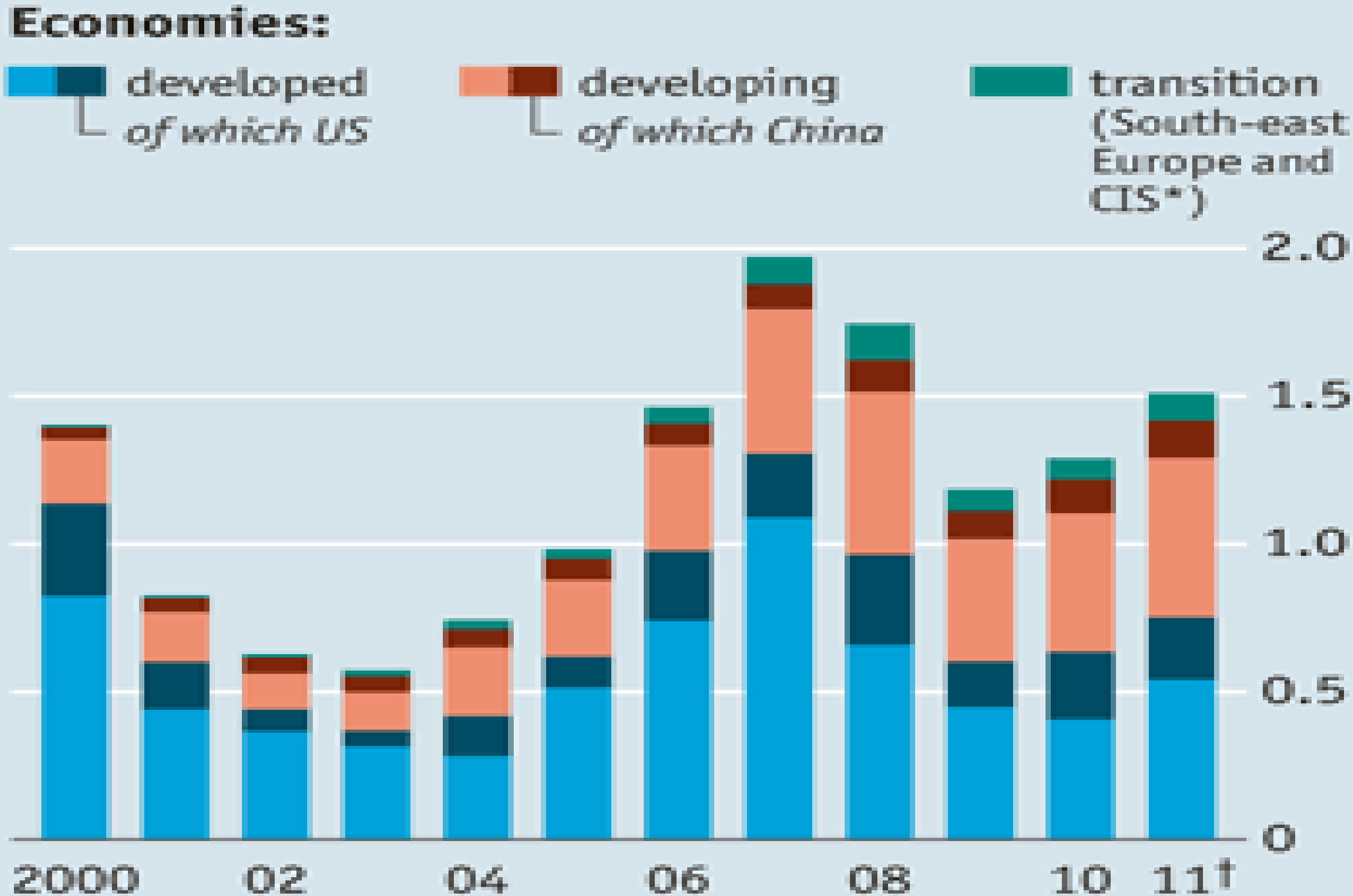
FDI inflows, 2008 estimate, $bn



Source: UNCTAD

Foreign direct investment

Global inflows, $trn

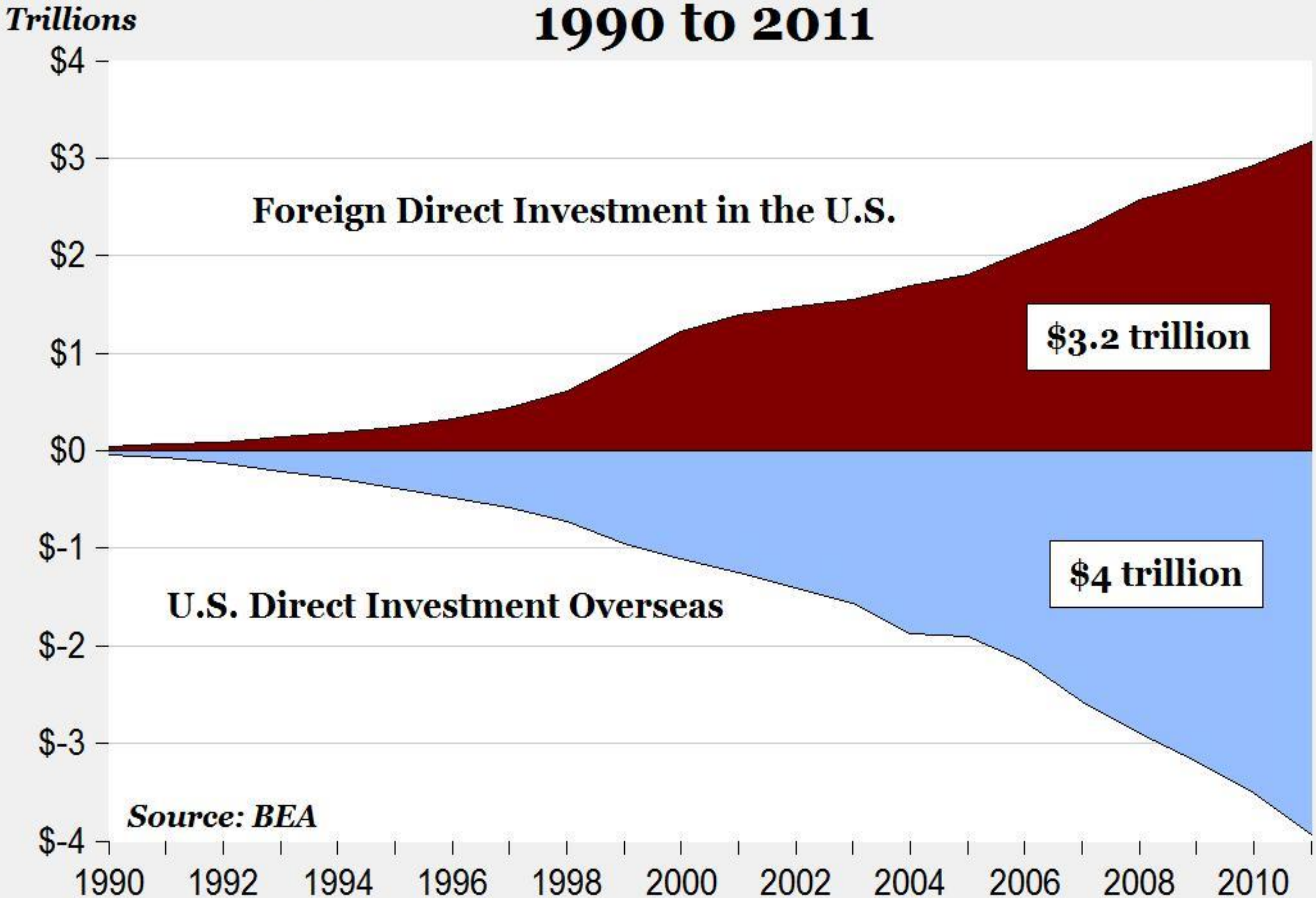


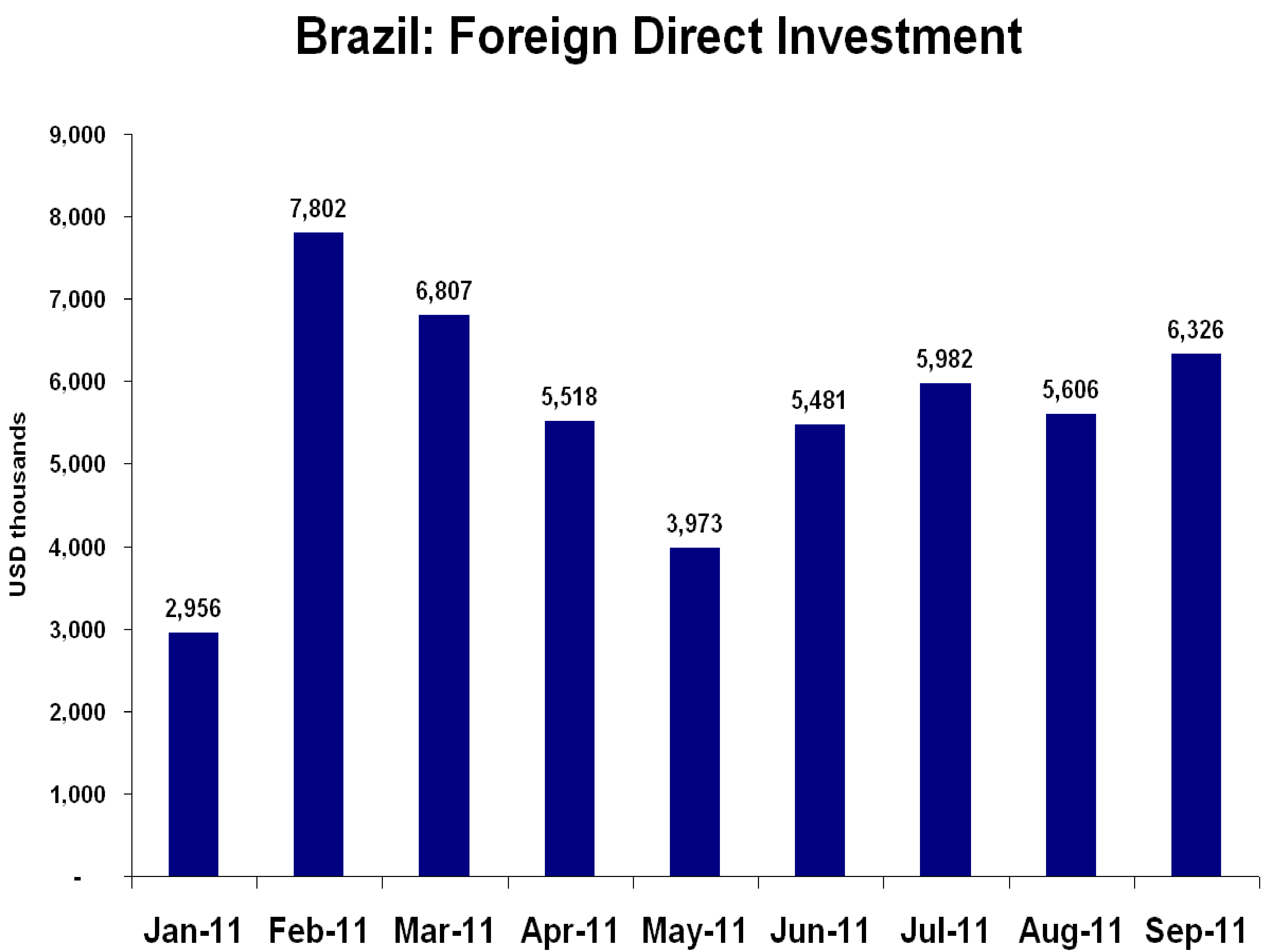
*Commonwealth of Independent States

†Estimate

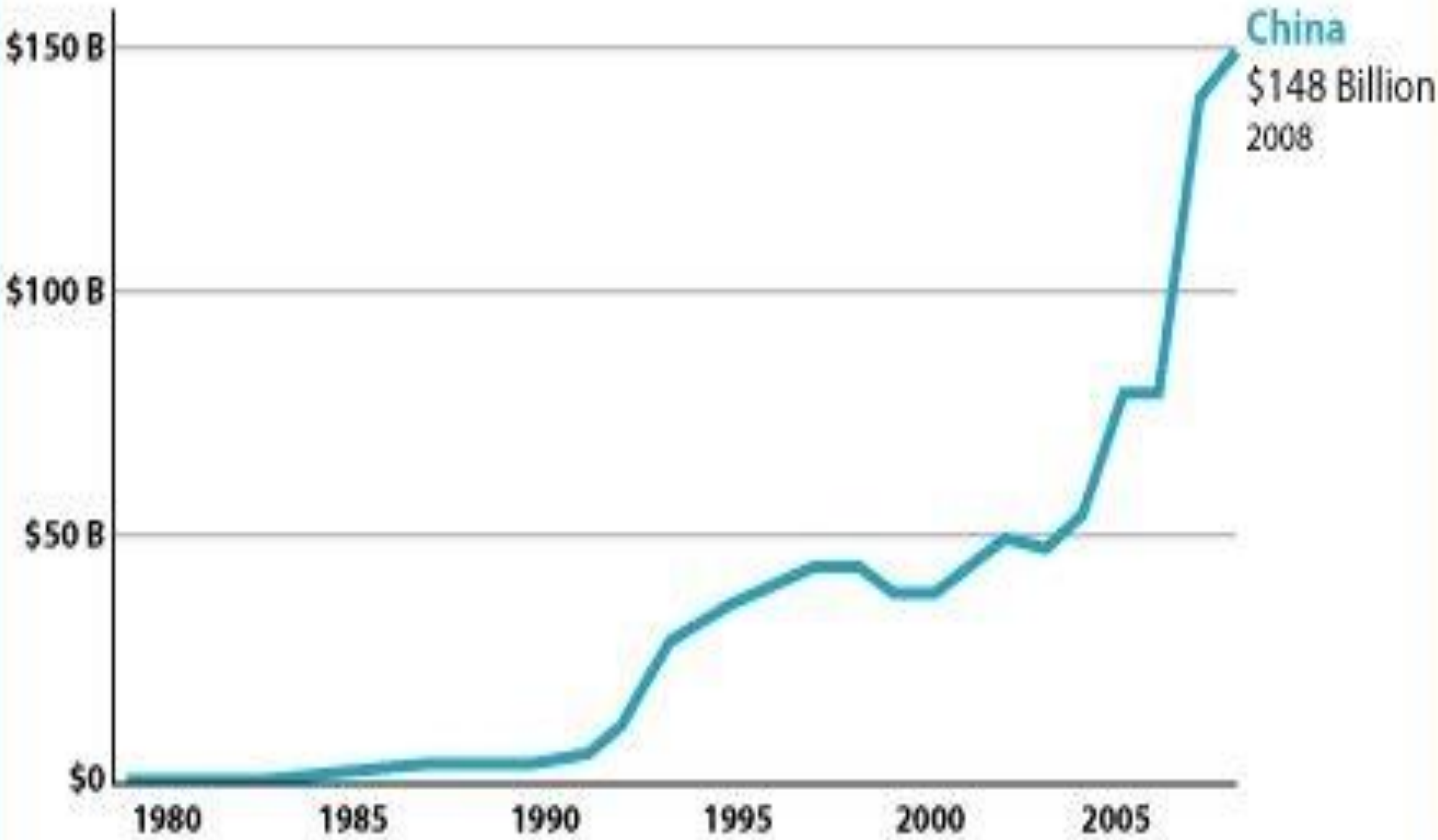
Source: UNCTAD

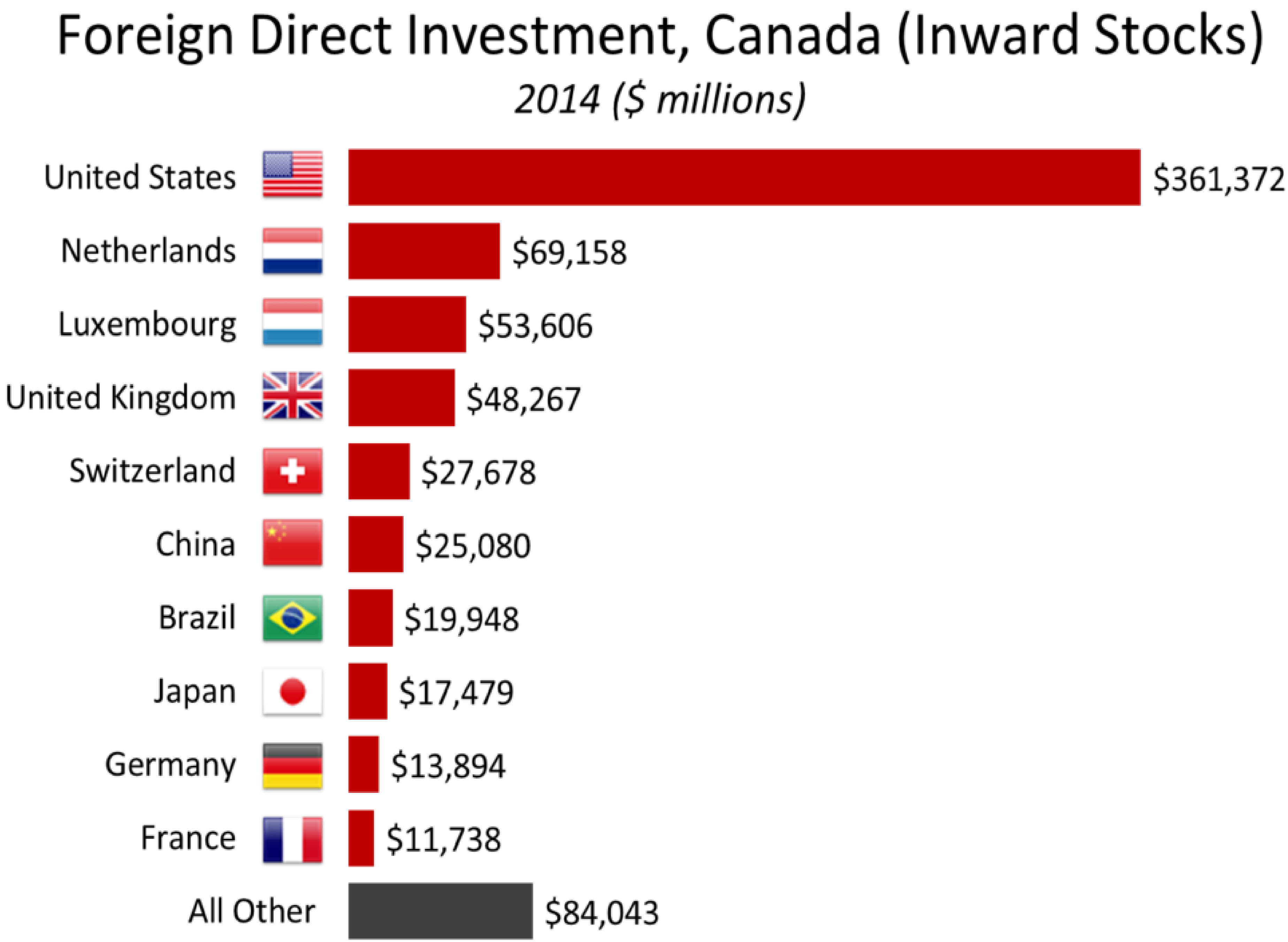
Foreign Direct Investment, Cumulative 1990 to 2011

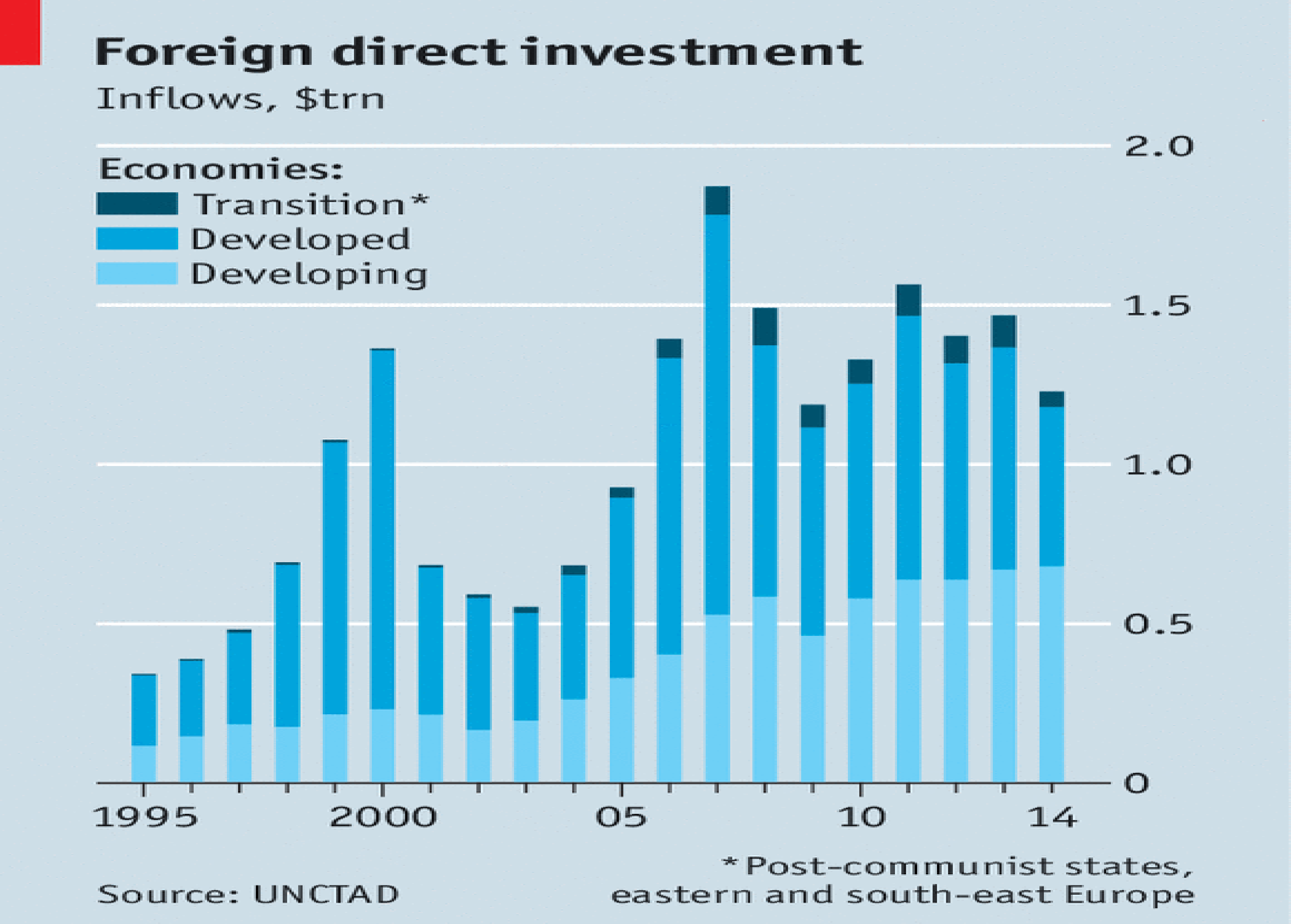



Brazil: Foreign Direct Investment
USD thousands
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
2,956
7,802
6,807
5,518
3,973
5,481
5,982
5,606
6,326
Jan-11
Feb-11
Mar-11
Apr-11
May-11
Jun-11
Jul-11
Aug-11
Sep-11

Foreign Direct Investment, Net Inflows




Foreign Direct Investment, Canada (Inward Stocks)
2014 ($ millions)
United States
$361,372
Netherlands
$69,158
Luxembourg
$53,606
United Kingdom
$48,267
Switzerland
$27,678
China
$25,080
Brazil
$19,948
Japan
$17,479
Germany
$13,894
France
$11,738
All Other
$84,043



Economist.com

Wilson Center
MEXICO INSTITUTE

Foreign Direct Investment IN MEXICO

$28 billion USD of FDI to Mexico in **2015**

53% of total FDI in Mexico in 2015 was by the United States

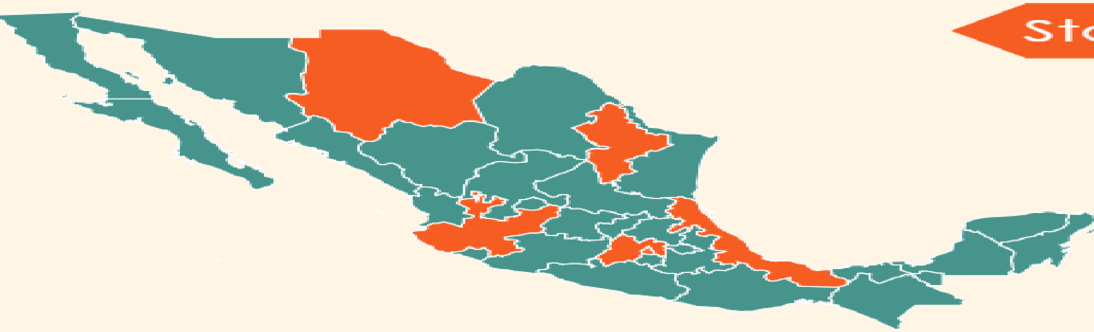
+2.7 Billion more FDI in Mexico in 2015 than in 2014

11% increase in total FDI from 2014 to 2015

Top Sectors receiving FDI in 2015

Glass Industry	Financial Services	Automobile Industry	Telecommunications Industry
$2.3 Billion in FDI	**$2.8 Billion in FDI**	**$6 Billion in FDI**	**$2.5 Billion in FDI**

States with most FDI in 2015

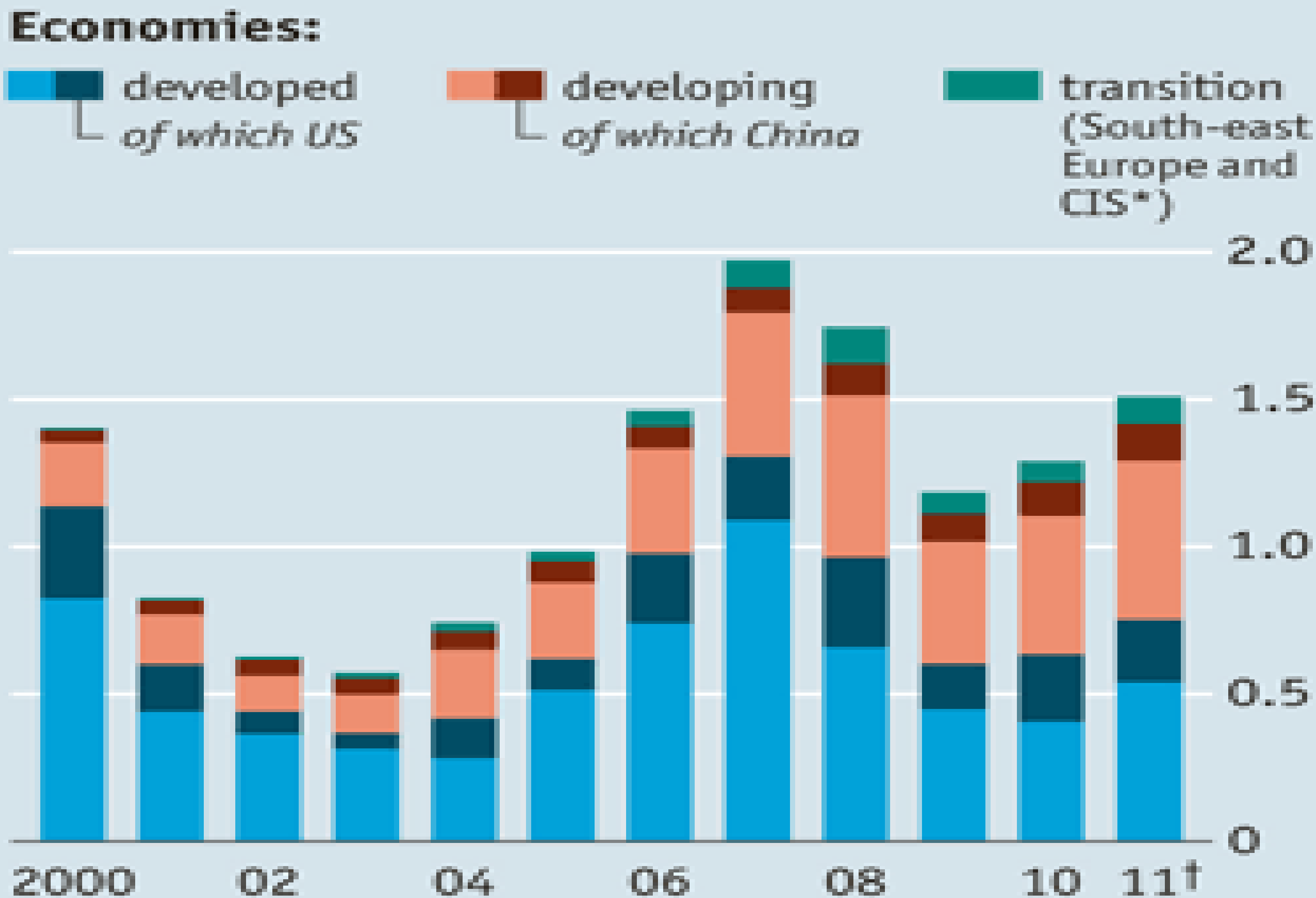


Ciudad de México:$4.8 Billion
Nuevo León: $2.6 Billion
Jalisco: $2.5 Billion
Chihuahua: $2.1 Billion
Veracruz: $1.4 Billion

Sources: Secretaría de Economía, 2016.

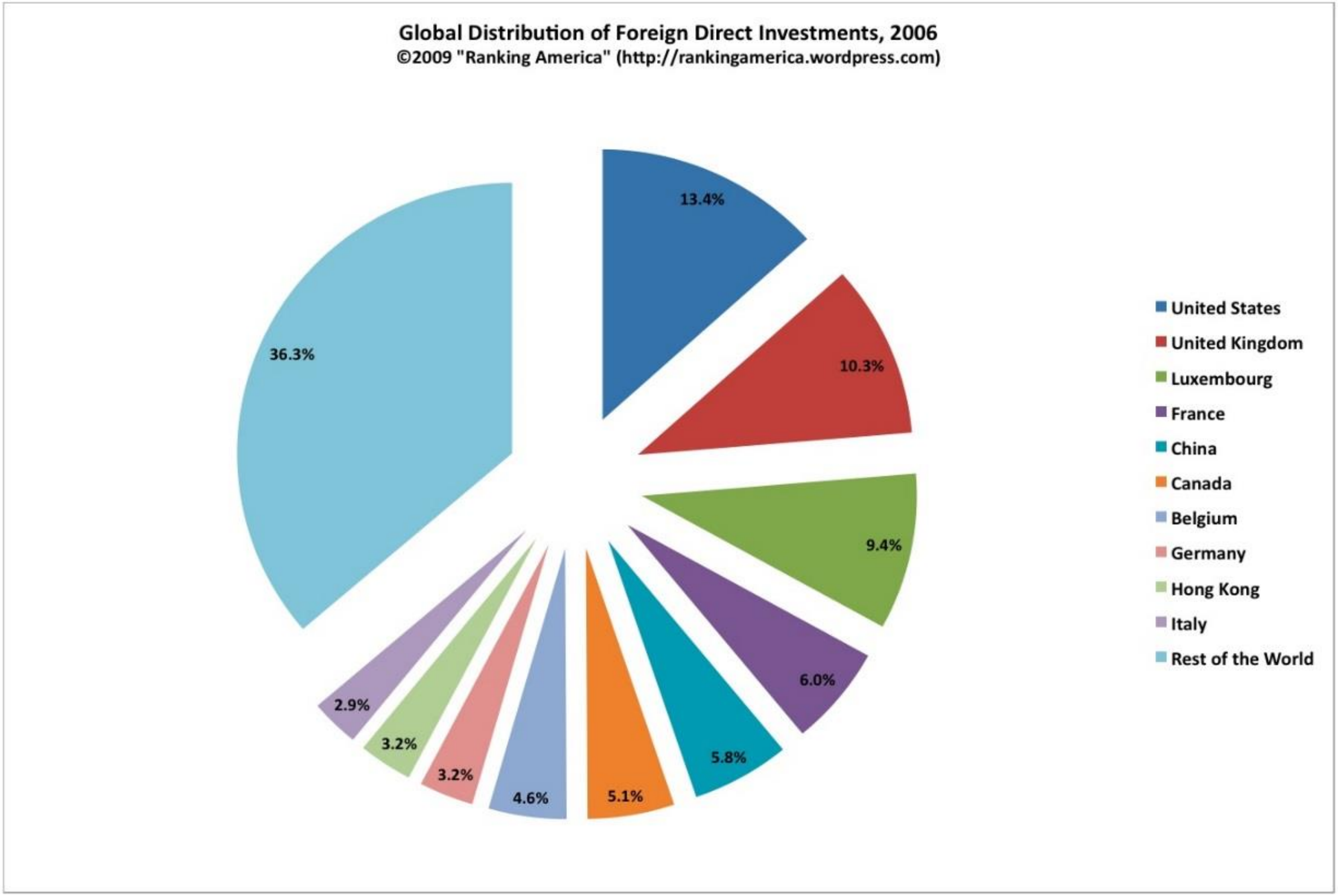
Foreign direct investment

Global inflows, $trn



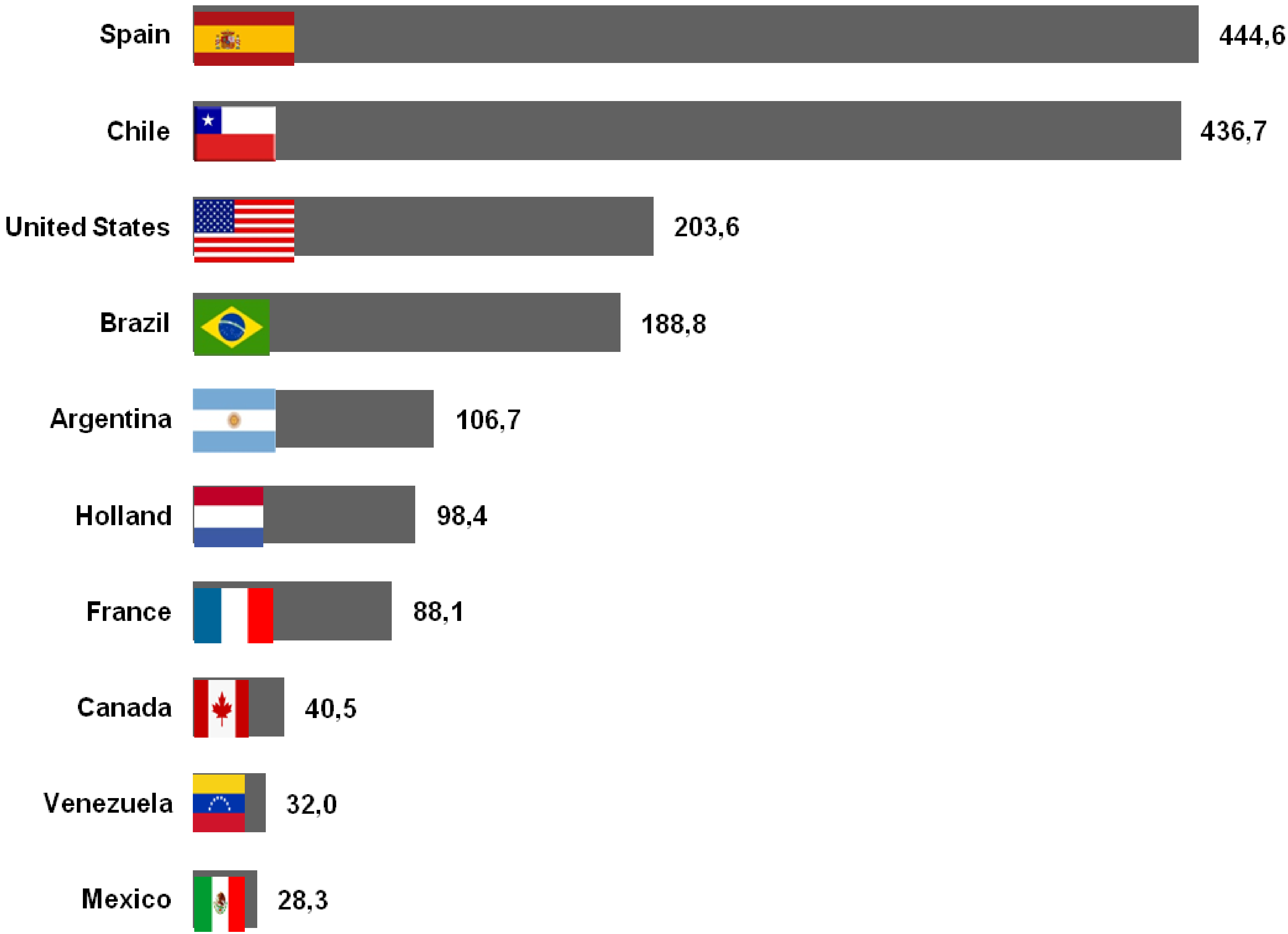
*Commonwealth of Independent States
†Estimate

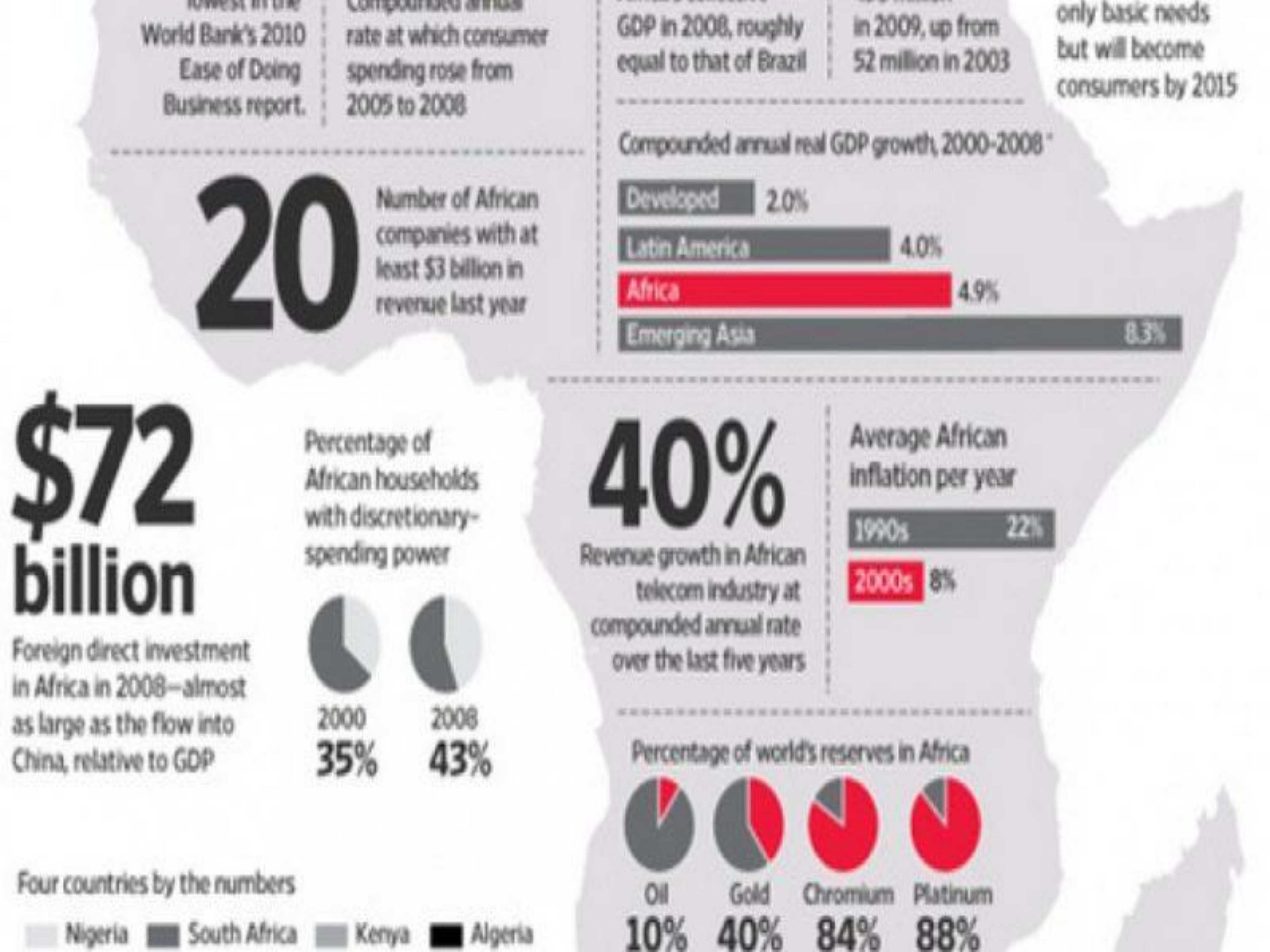
Source: UNCTAD



Data from World Resources Institute
http://earthtrends.wri.org/searchable_db/index.php?theme=5ariable_ID=250Chart1ction=select_countries


Foreign direct investment
FDI inflows, 2009 estimate, $bn
0
20
40
60
80
100
120
140
United States
China
France
Russia
Germany
India
Italy
Brazil
Mexico
Japan
Britain
South Africa
-57
-3
-36
-41
41
-19
76
-50
-41
-53
-93
-25
% change on previous year
Source: UNCTAD

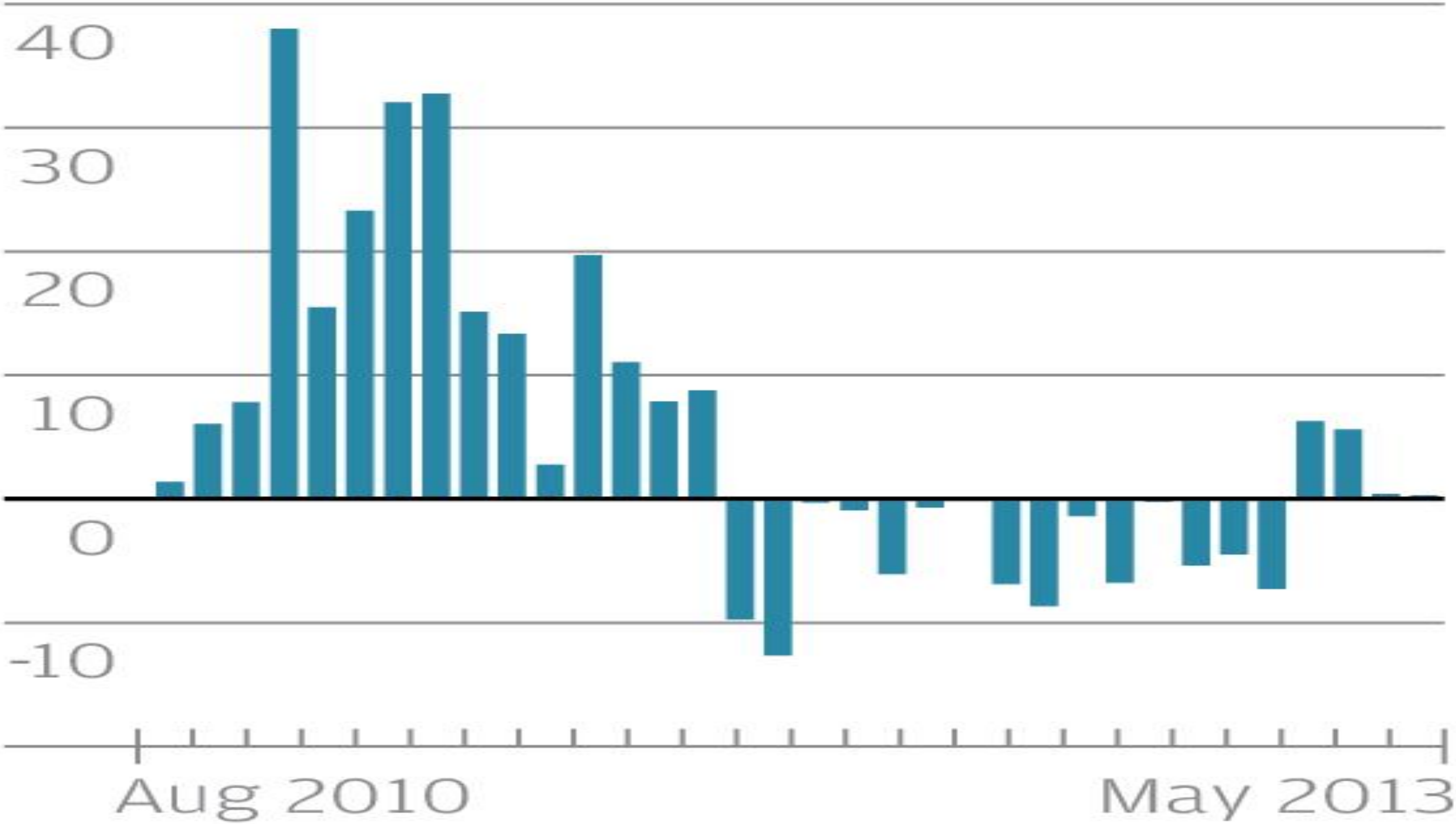

Spain
444,6
Chile
436,7
United States
203,6
Brazil
188,8
Argentina
106,7
Holland
98,4
France
88,1
Canada
40,5
Venezuela
32,0
Mexico
28,3



World Bank's 2010
Ease of Doing
Business report.
rate at which consumer
spending rose from
2005 to 2008
GDP in 2008, roughly
equal to that of Brazil
in 2009, up from
52 million in 2003
only basic needs
but will become
consumers by 2015
20
Number of African
companies with at
least $3 billion in
revenue last year
Compounded annual real GDP growth, 2000-2008
Developed 2.0%
Latin America 4.0%
Africa 4.9%
Emerging Asia 8.3%
$72 billion
Foreign direct investment
in Africa in 2008—almost
as large as the flow into
China, relative to GDP
Percentage of
African households
with discretionary-
spending power
2000
35%
2008
43%
40%
Revenue growth in African
telecom industry at
compounded annual rate
over the last five years
Average African
inflation per year
1990s 22%
2000s 8%
Percentage of world's reserves in Africa
Oil
10%
Gold
40%
Chromium
84%
Platinum
88%
Four countries by the numbers
Nigeria
South Africa
Kenya
Algeria

China FDI

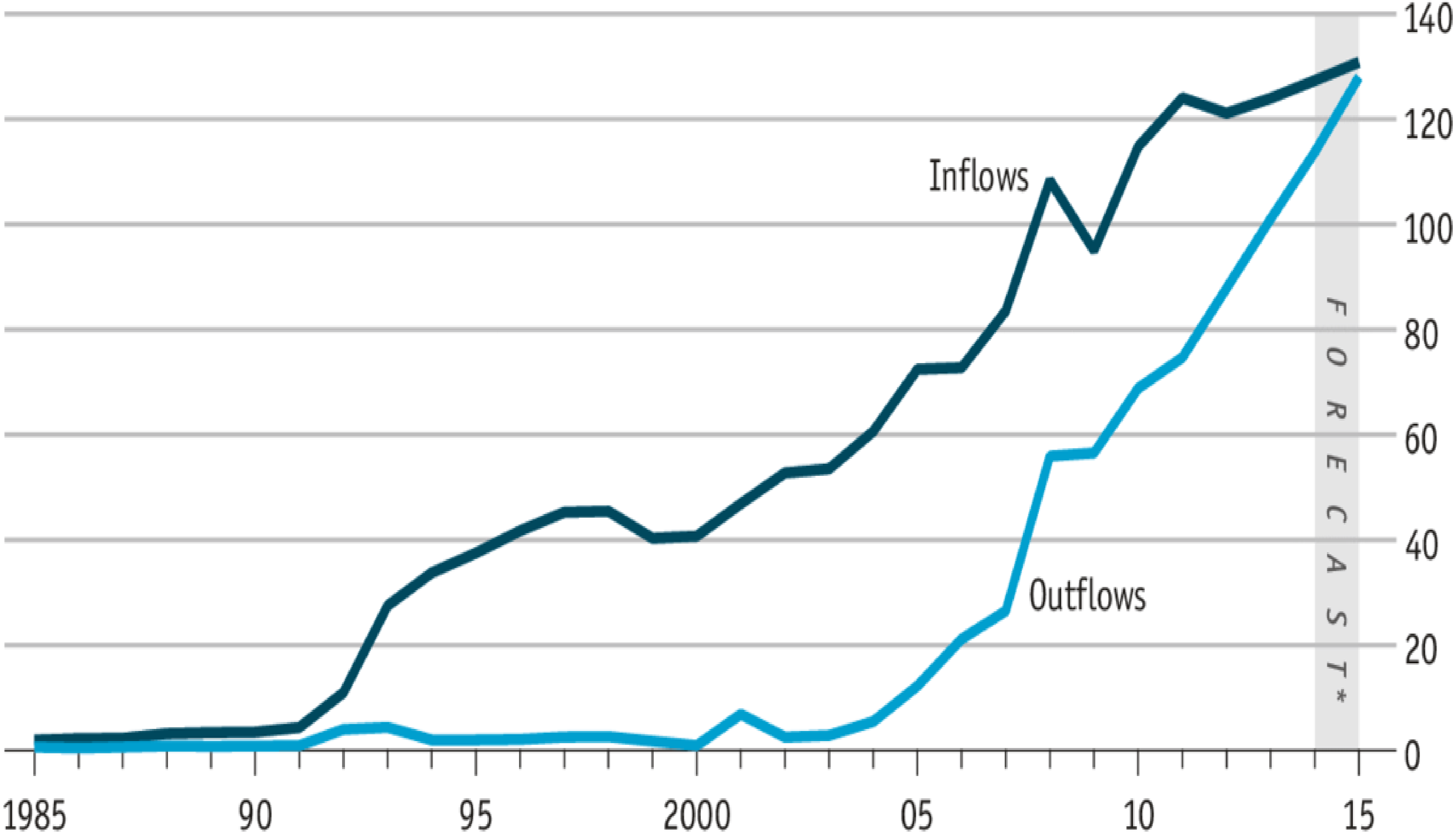
Year-on-year change in foreign direct investment in China (%)



Source: Bloomberg SCMP

China's foreign direct investment

$bn



Source: UNCTAD

*Based on 2008-13 average annual growth rates

Economist.com/graphicdetail

Defining …FDI

What is FDI..?

- **Foreign direct investment (FDI)-**
- It is a direct investment into production or business in a country by an individual or company in another country.
- It can be either by buying a company in the target country or by expanding operations of an existing buisness in that country.

Benefits of FDI

Assessing Benefits from Foreign Direct Investment (FDI)

Benefits / positive spill-overs

Positive multiplier effect

Evaluation

Depends on size and extent of the investment multiplier

Technology transfers to the host economy

Evaluation

Depends on the product and quality of jobs created

Helps to increase host country GDP (& exports)

Evaluation

May result in rapid natural resource depletion which makes growth unsustainable

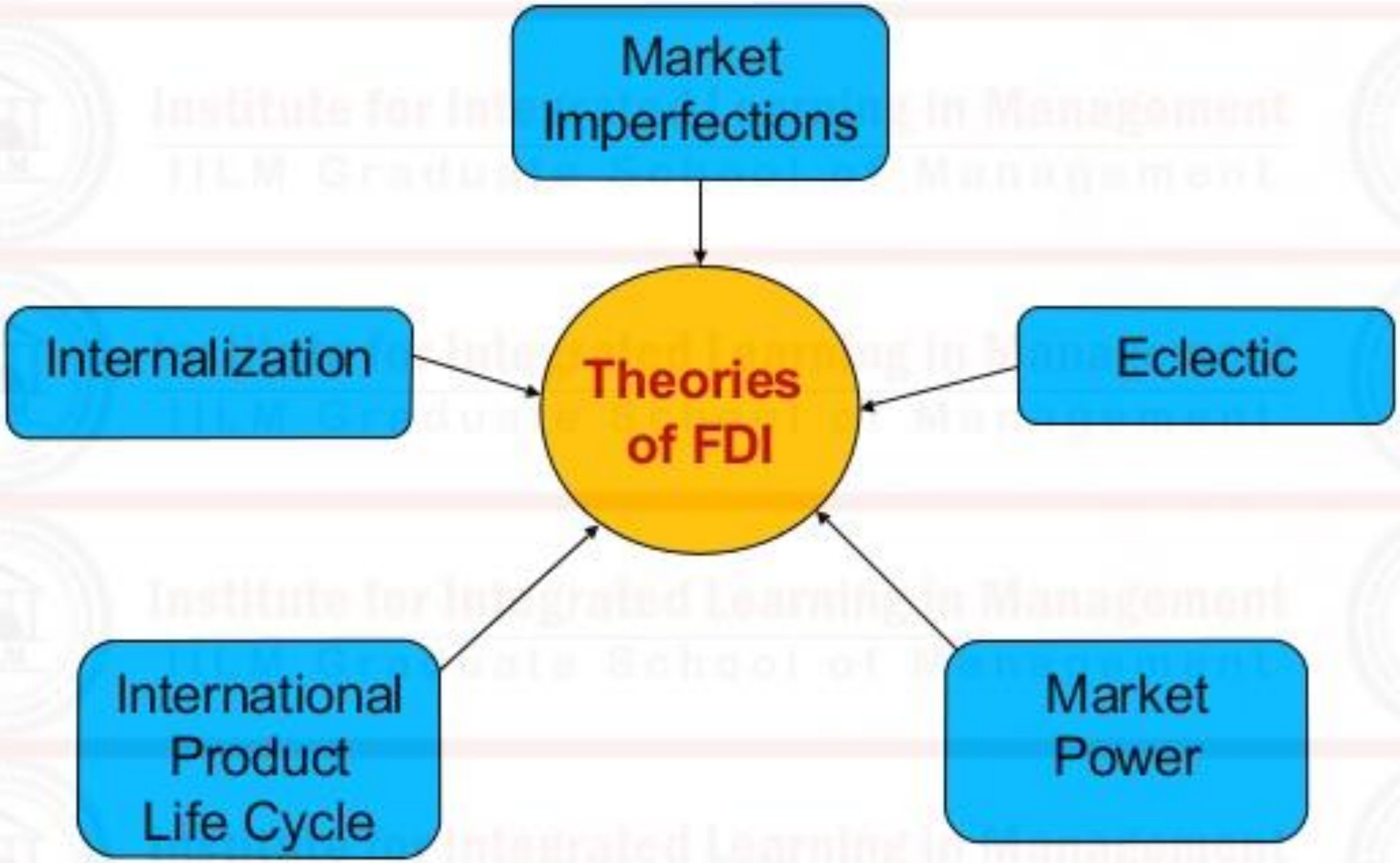
Often Joint Venture only (China, India)

Evaluation

TNC may bring many of their own skilled workers into the recipient economy

Theories of FDI

Theories of FDI



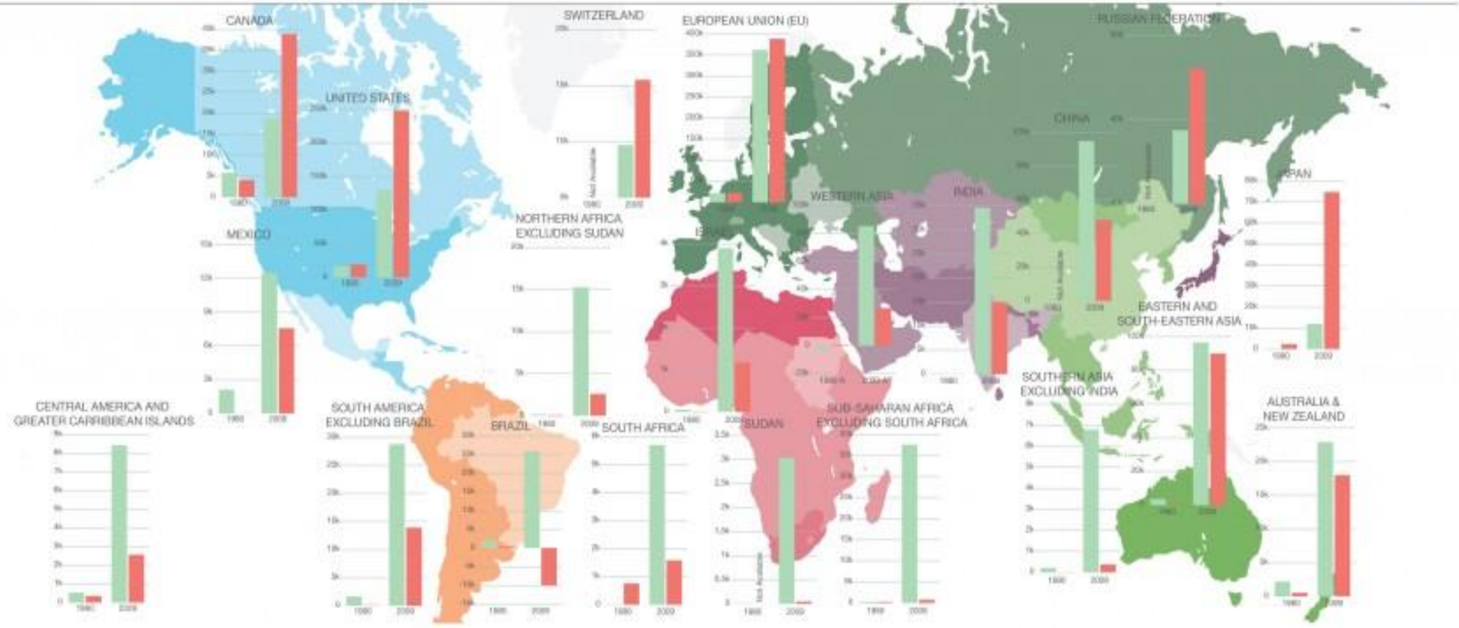
Trends in World Foreign Direct Investment

Ana Duek & Matteo de Franceschi

Trends in FDI flows

- Northern Africa excluding Sudan: Algeria, Egypt, Lybia, Morocco, Tunisia.
- Sudan
- Sub-Saharan Africa excluding South Africa: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Cote d'Ivoire, Dem. Rep. Of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mayotte, Mozambique, Namibia, Niger, Nigeria, Rwanda, Saint Helena, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, Sudan, Swaziland, Togo, Uganda, United Republic of Tanzania, Western Sahara, Zambia, Zimbabwe.
- South Africa
- South America excluding Brazil: Argentina, Bolivia, Chile, Colombia, Ecuador, Falkland Islands (Malvinas), Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela.
- Brazil
- Central America and Greater Caribbean Islands excluding Mexico and Puerto Rico: Belize, Costa Rica, Cuba, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama.
- Mexico
- Canada
- United States
- Southern Asia excluding India: Afghanistan, Bangladesh, Bhutan, Iran, Maldives, Nepal, Pakistan, Sri Lanka.
- India
- Eastern and South-Eastern Asia excluding China: Brunei Darussalam, Cambodia, China, Hong Kong SAR, China, Macao SAR, China, Taiwan Province of, Indonesia including East Timor/Indonesia[1], North Korea, South Korea, Laos, Malaysia, Mongolia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste.
- China
- Japan
- Australia and New Zealand
- Central and West Asia (Middle East): Armenia, Azerbaijan, Bahrain, Georgia, Iraq, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Tajikistan, Turkey, Turkmenistan, United Arabs Emirates, Uzbekistan.
- Israel
- European Union (EU)[2]: Austria, Belgium, Bulgaria, Cyprus, Czech Rep., Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.
- Switzerland
- Russian Federation[3]
- East Europe-Non EU: Albania, Belarus, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Serbia, Ukraine.

1. Data for the year 1980 refers to Indonesia including East Timor whereas the data for 2009 refers to Indonesia.
2. Data for the EU in 2009 includes signatory countries of the Treaty of Lisbon (2007). Data for 1980 includes same countries as EU member in 2009 but considering its former states (i.e., Czechoslovakia, Federal Republic of Germany, German Democratic Republic and those former Soviet republics and former Yugoslavian countries currently in the EU).
3. Prior to 1991, data is not applicable to the Russian Federation and post-Soviet states (i.e., Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan).

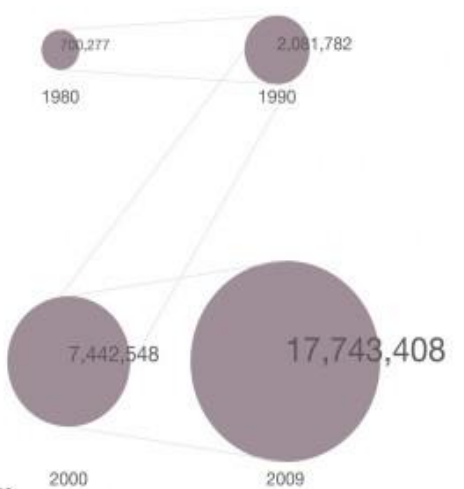


FDI Inward Flows

FDI Outward Flows

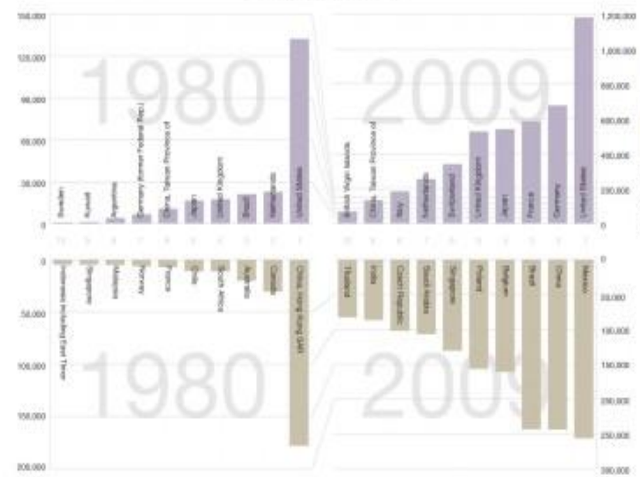
US Dollars at current prices and current exchange rates in millions

World FDI Stock



Net FDI Rank[4]

Net FDI (positive)



Net FDI (negative)

Net FDI (positive)

Net FDI (negative)

US Dollars at current prices and current exchange rates in millions

4 Net FDI is outward FDI stock minus inward FDI stock, where:
Net FDI (positive) --> investors (outward FDI stock > inward FDI stock);
Net FDI (negative) --> recipients of FDI (outward FDI stock < inward FDI stock).

in collaboration with Gurpreet Singh Bhatia* for www.visualassessment.net

(*)Research and Information System for Developing Countries, New Delhi-110 003, India www.ris.org.in

Source: UNCTAD, Division on Investment and Enterprise, Foreign Direct Investment Database [Online], 1980-2009.

FDI ......REASONING

Why Export and Import May Not Suffice

- Advantages to locate production in another country
  - As opposed to exporting

Why Wholly-Owned FDI?

- Market Failure
- Internalization Theory
- Appropriability Theory
- Freedom to Pursue Global Objectives

Acquisition versus Greenfield

- Acquisition
- Greenfield Investments
- Leasing

Alternatives to Foreign Expansion

Figure 15.2 Foreign Expansions: Alternative Operating Modes

PRODUCTION OWNERSHIP	PRODUCTION LOCATION Home country	 Foreign country
Equity arrangements	a. Exporting	a. Wholly owned operations b. Partially owned with remainder widely held c. Joint ventures* d. Equity alliances
Non-equity arrangements		a. Licensing b. Franchising c. Management contracts d. Turnkey operations

Why Collaborate in International Markets?

Figure 15.3 Collaborative Arrangements and International Objectives

OBJECTIVES OF INTERNATIONAL BUSINESS

- Sales expansion
- Resource acquisition
- Risk reduction

MOTIVES FOR COLLABORATIVE ARRANGEMENTS

General

- Spread and reduce costs
- Specialize in competencies
- Avoid or counter competition
- Secure vertical and horizontal links
- Learn from other companies

MOTIVES FOR COLLABORATIVE ARRANGEMENTS

Specific to International Business

- Gain location-specific assets
- Overcome legal constraints
- Diversify geographically
- Minimize exposure in risky environments

Factors to Consider in Collaborative Arrangements

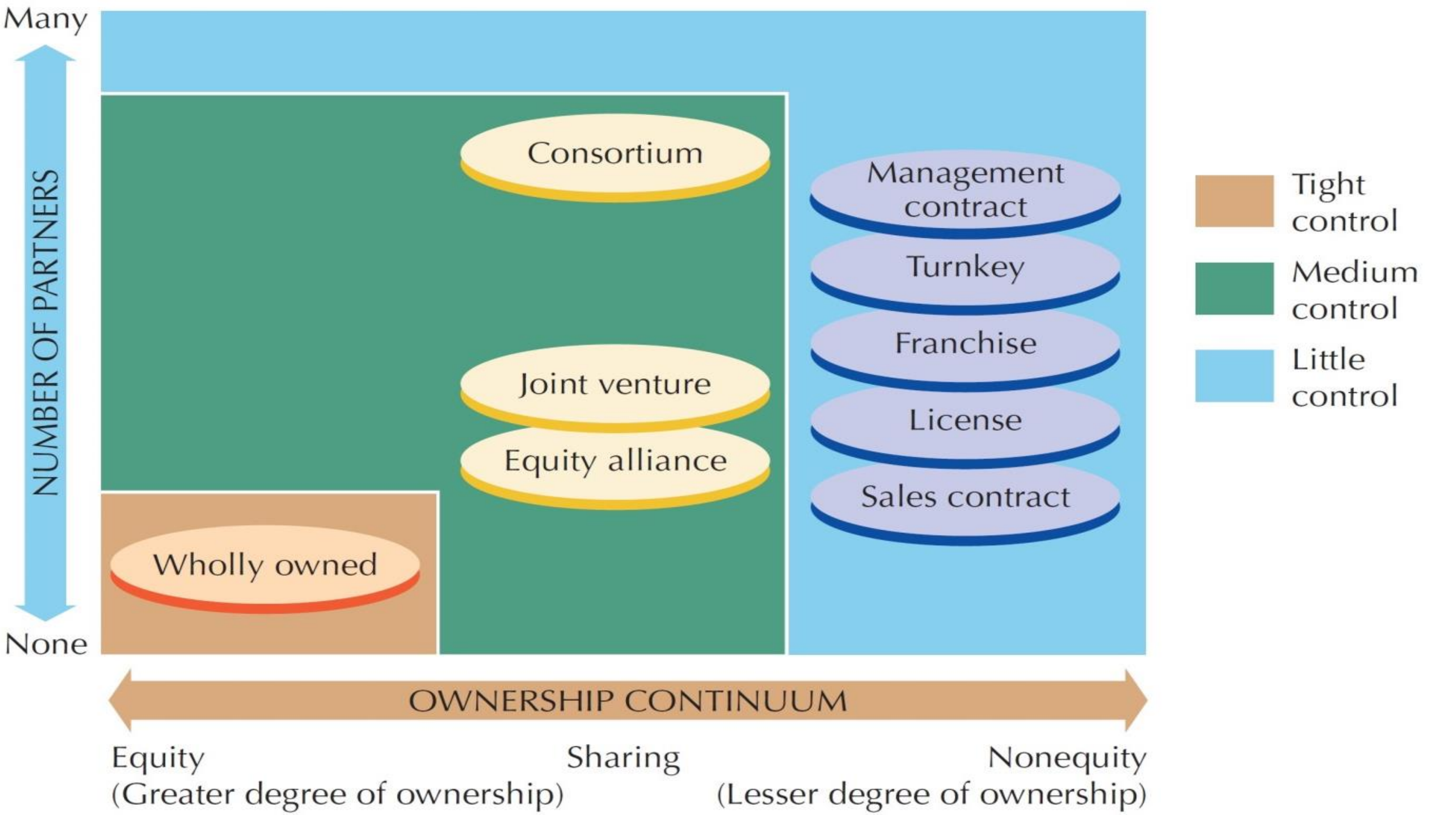
- Trade offs and Limitations
- Alliance types
  - Scale alliances
  - Link alliance
  - Vertical alliance
  - Horizontal alliance
- Prior company expansion
- Compensation

Types of Arrangements

- Licensing
- Franchising
- Management Contracts
- Turnkey Operations
- Joint Ventures
- Equity Alliances

Types of Arrangements

Figure 15.4 Collaborative Strategy and Complexity of Control



Source: Based on Shaker Zahra and Galal Elhagrasey, "Strategic Management of International Joint Ventures," European Management Journal 12:1 (March 1994):83–93. Reprinted with permission of Elsevier.

Reasons for Collaborative Failures

- Why do collaborative arrangements fail?

Considerations for Success

- Things to consider for Collaborative Success

Country Attractiveness/Strength Matrix

Figure 15.5 Country Attractiveness/Company Strength Matrix

In a given scenario, a country in the upper left-hand corner may be the most attractive place for a company to locate operations. Why? Because its market is well suited to the company's greatest competitive strength and thus to its highest level of commitment (e.g., establishing a wholly owned subsidiary). A country in the upper right-hand corner also boasts an attractive market but poses a problem for a company whose competitive strengths don't quite match the opportunity (perhaps it has no experience in this particular market). It needn't forgo the opportunity, but it will probably prefer a joint venture or some other form of collaborative operation. Finally, note that because everything is subject to change—both a company's capabilities and the features of a country's market—firms try to be dynamic in their approach to potential operating modes.