FOREIGN DIRECT INVESTMENT TRENDS IN ASIA AND THE PACIFIC

The fourth Asia-Pacific Foreign Direct Investment (FDI) Network for Least Developed and Landlocked Developing Countries
25 November 2014, Colombo, Sri Lanka

Presented by Trade and Investment Division, ESCAP
Global foreign direct investment (FDI) showed signs of recovery in 2013, increasing by 9% to $1.45 trillion. Developing and developed economies experienced similar increase in FDI inflows at 8.9% and 9.5%. In 2013, for the second year in a row, more than a half of global FDI inflows went to developing economies, (61% in 2013)
Asia-Pacific Trade and Investment Report 2014

- Trade growth weakened in 2013
- Despite slowdown, Asia-Pacific largest trading area in the world, accounting for 37% of world trade
- More than half of total trade in region is with other AP economies
- China second largest merchandise exporter and third largest merchandise importer globally
- More than 10 other developing economies in the region among the top25 exporters and importers, alongside Australia and Japan
- Global downturn in 2008-2009 showed the need to reduce dependence on external sources of demand growth
- >> need to foster domestic and regional demand through deeper integration
• Share of intraregional exports increased from 44% in 2000 to 52% in 2013.
• Not uniform change, China figures prominently in the trade.
• Heavy reliance on a few trading partners yields extreme level of trade dependence for LDCs and LLDCs.
• Export performance of AP expected to improve in 2015, to reach growth rate of 7% in real terms.
• Dispersed production through GVCs is fuelling growing trade in intermediate imports (now 60% plus of global trade).
• Value addition important focus. Failure to distinguish between gross exports and domestics value added in trade can lead to wrong policies.
APTIR 2014, cont.

- Uneven use of services trade in the region – 65% of services exports attributable to six economies (China, India, Japan, ROK, Singapore and Hong Kong, China)
  - Implying large gap
- Given that the main component is business services, this might indicate a bottleneck of improving competitiveness
- Travel services continue to grow strongly, important for smaller economies
- Inefficient trade regulations continue to drive up costs
- WTO Trade facilitation agreement concluded in December 2013, shows recognition of TF for economic development
- Region making progress in the negotiation of a regional arrangement on facilitation of cross-border trade
- Trade process analysis suggest whole of value chain approach important for TF policy making
FDI flows to Asia and the Pacific

- Asia-Pacific attracted 549 billion USD in FDI in 2013, representing a moderate increase of 6.6%.
- Growth rate lower than global average, much lower than Latin America (14.2%).
- Noticeable diversification – new locations, smaller players, different sectors.
- Intraregional FDI expanding in importance.
- Gaining importance as investors, FDI outflows in 2013 increased by 15%.
- Despite a small dip in 2012, FDI outflows from the region have been increasing continuously since 2009.

A-P FDI inflows and outflows, 2004-2013
FDI inflows to A-P countries, by subregion

FDI inflows to A-P subregions, 2010-2013

Shares of FDI inflows to A-P subregions, 2013

- East & North-East Asia: 40%
- South-East Asia: 23%
- South & South-West Asia: 9%
- North & Central Asia: 18%
- Developed Asia Pacific: 10%
- Pacific: 0%

FDI inflows to A-P subregions, 2010-2013

2010
2011
2012
2013

Millions of US dollars

0
50000
100000
150000
200000
250000
FDI inflows to Least Developed Countries (LDCs) in A-P, 2004-2013

FDI inflows to LDCs

- Afghanistan
- Bangladesh
- Bhutan
- Cambodia
- Kiribati
- Lao PDR
- Myanmar
- Nepal
- Solomon Islands
- Timor-Leste
- Tuvalu
- Vanuatu

Millions of US dollars
FDI inflows to LLDCs

FDI inflows to Landlocked Developing Countries (LLDCs) in A-P, 2004-2013

- Afghanistan
- Armenia
- Azerbaijan
- Bhutan
- Kazakhstan
- Kyrgyzstan
- Lao PDR
- Mongolia
- Nepal
- Tajikistan
- Turkmenistan
ESCAP LDCs and LLDCs

without Kazakhstan and Azerbaijan
FDI Outflows from A-P countries

FDI outflows from A-P subregions, 2010-2013

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Greenfield and mergers and acquisitions

• The region has attracted more than $3 trillion in Greenfield FDI since 2004.
• Traditionally the most significant mode of entry for investors in the Asia-Pacific region, the growth of greenfield FDI has declined notably since 2008, and reached $222 billion in 2013.
• On the other hand, mergers and acquisitions (M&A) has recently gained higher importance. FDI inflows to the region through M&A doubled from $66 billion in 2004 to $130 billion in 2013.

![Greenfield FDI and merger and acquisition inflows to the A-P region, 2004-2013](image-url)
Greenfield and mergers and acquisitions – targeted industries

• There are significant differences in the industries targeted by greenfield and M&A FDI. Greenfield FDI tends to be spread over multiple industries...

Greenfield FDI inflows to A-P by industry, 2008-2013

Total Greenfield inflows to A-P by industry, 2008-2013
Greenfield and mergers and acquisitions – targeted industries

… On the other hand, M&A activity has been more clearly focused on a few key sectors such as the financial sector, consumer products, and energy and power…

FDI to A-P through mergers and acquisitions by industry, 2008-2013

Total FDI to A-P through mergers and acquisitions by industry, 2008-2013
Diversified intraregional investments across industries

- Intraregional investments are made in a broader range of industries.
- It is diversifying away from natural resource-heavy industries to more knowledge-based industries and services.
Further Information

• Please visit UNESCAP homepage, for the full text of Asia Pacific Trade and Investment Report 2014 (FDI in chapter 3)


Thank you.