



PRESS RELEASE

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EXPANSION OF FDI FLOWS THROUGH 2009 ANTICIPATED BY TRANSNATIONAL CORPORATIONS

Foreign direct investment (FDI) flows are expected to increase over the next three years despite concerns about global financial instability and protectionism in some countries, according to the *UNCTAD World Investment Prospects Survey 2007-2009*¹, released today. Results are based on 192 respondents among the largest transnational corporations (TNCs) in the world. More than two-thirds of the respondent companies plan to increase their FDI expenditures in each of the years 2007 through 2009 (figure 1).

FDI is expected to increase across practically all sectors and home countries due to continued world economic growth, high profitability, and the availability of external finance. Greenfield investments (the new establishment of affiliates in foreign countries) will be more commonly used as an entry mode into developing economies, while investment in developed countries will more frequently take the form of mergers and acquisitions (M&As) (figure 2).

Access to large and growing markets will be by far the main driver of FDI growth -- this factor was mentioned as a major investment determinant by more than half of TNC respondents, followed by access to resources (17% of respondents), especially skilled labour. Access to low-cost labour was also mentioned by many TNCs surveyed (9%).

On the other hand, geopolitical and financial instability were mentioned by companies as the major uncertainties that could potentially hinder their FDI expansion. Also mentioned as a factor was a possible increase in protectionism. More than 80% of respondents mention these three risks as "important" or "very important" (figure 3).

Further internationalization is expected to affect a wide range of corporate functions. Almost half of respondents said they plan further overseas expansion of research and development operations (figure 4).

A rising number of companies will consider investing in locations away from their home regions. Emerging markets, notably in Asia and Europe, are expected to receive more attention than before. In particular, South and East Asia will be an increasingly attractive destination for FDI: China and India were mentioned as the top two most favoured

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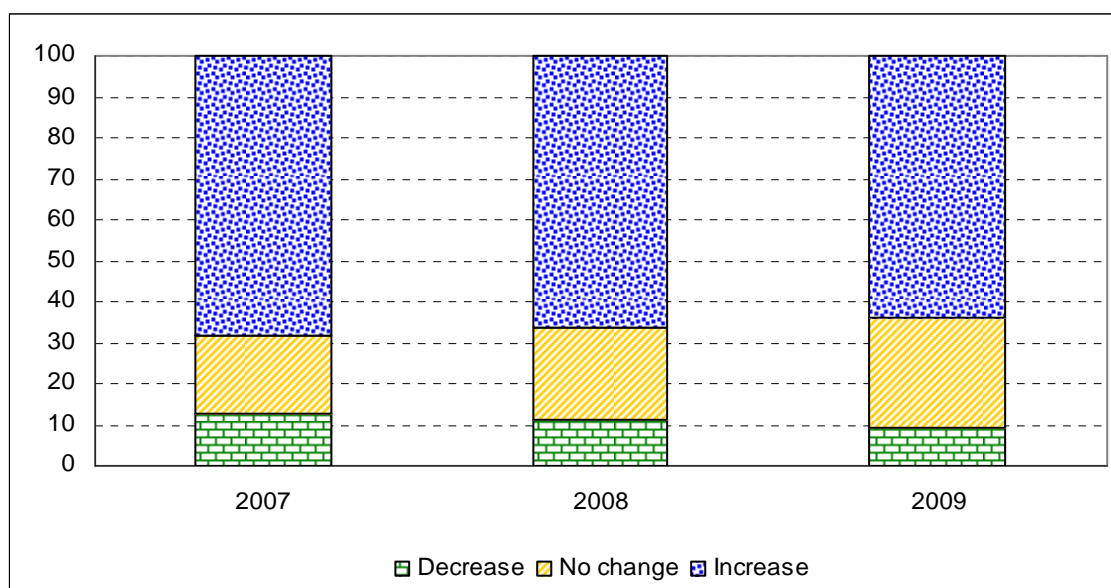
¹ The *World Investment Prospects Survey 2007-2009* is available free of charge. It can be also obtained from the UNCTAD website (http://www.unctad.org/en/docs/wips2007_en.pdf)

destinations by TNCs. Viet Nam is a rising star in the region, ranked the sixth priority location in the world by TNCs. North America and Western Europe remain at the top of the priority list for investors. The United States is the third most favoured location in the world. Two Western European countries -- the United Kingdom and Germany -- rank in the top 10, closely followed by France (figure 5). Poland is a rising destination in Europe.

Eastern Europe and Commonwealth of Independent States (CIS) countries are also the focus of a growing preference by investors. Russia features among the top 5 destinations; it was mentioned by one-fifth of the TNCs surveyed. In Latin America, Brazil and Mexico were mentioned among the top 10 most favoured locations for FDI. West Asia and Africa are expected to attract less interest despite investment niches in extractive industries and the recent growth of FDI in North Africa.

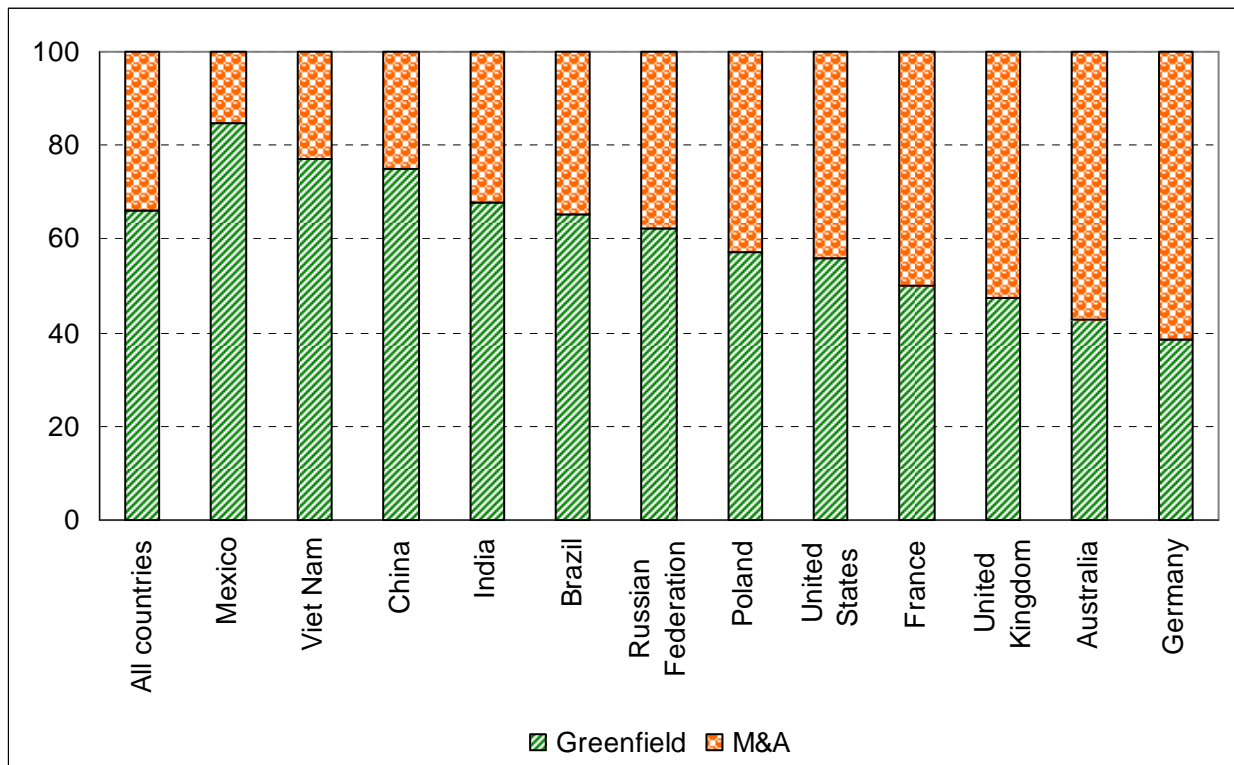
The **World Investment Prospects Survey 2007-2009** is the most recent of a series of surveys on FDI prospects. UNCTAD has carried similar surveys since 1995.

Figure 1. Expected annual changes in global FDI inflows, 2007-2009



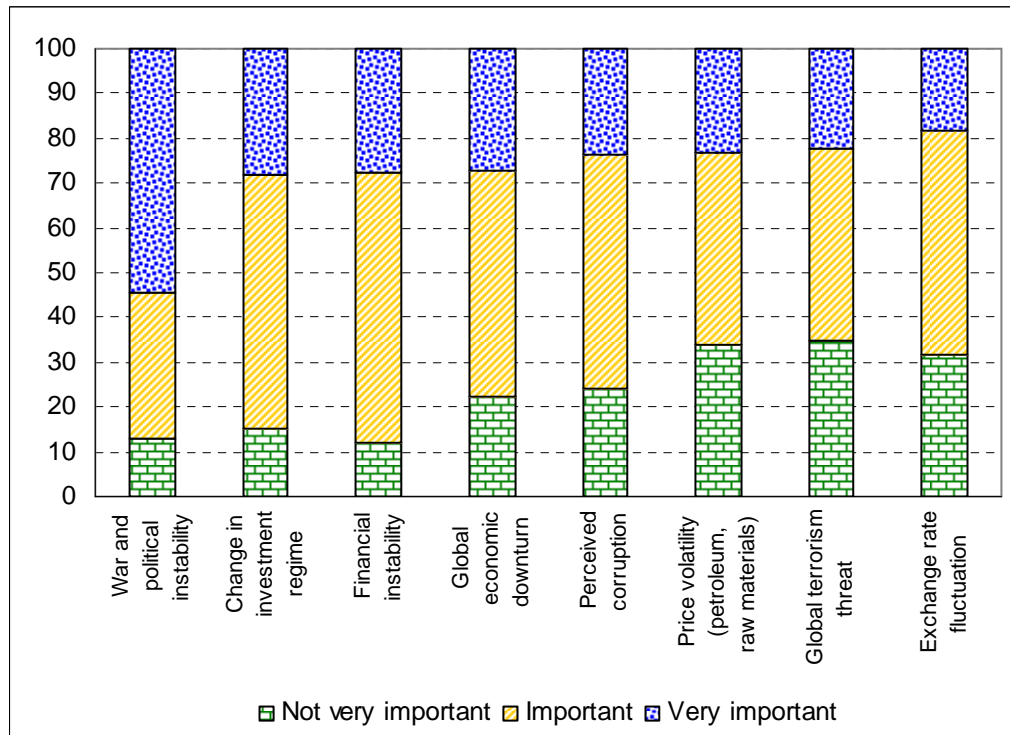
Source: UNCTAD World Investment Prospects Survey 2007-2009

**Figure 2. Entry mode of FDI for selected host countries:
M&As or greenfield investments, 2007-2009**



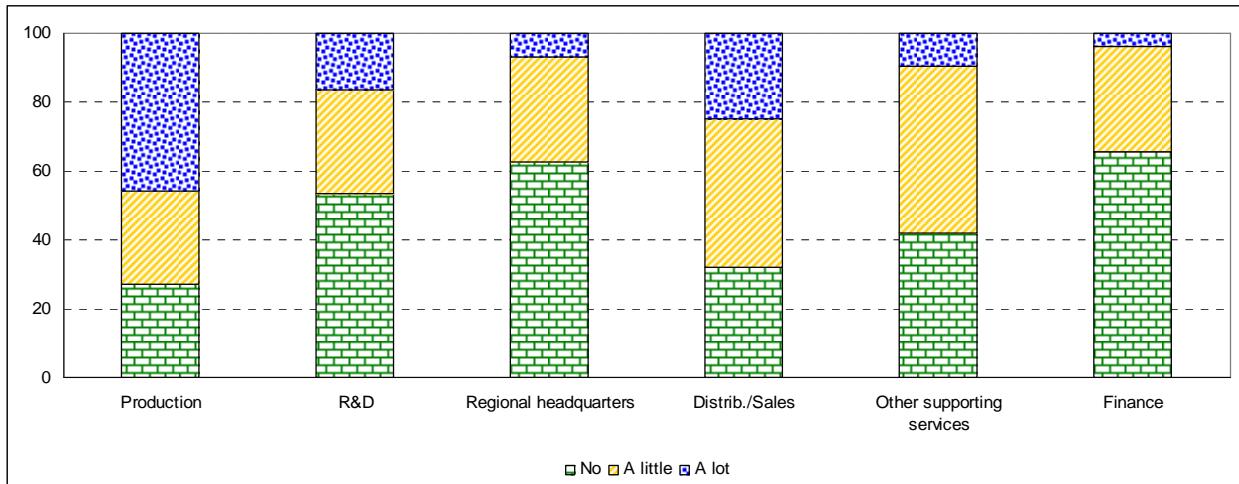
Source: UNCTAD World Investment Prospects Survey 2007-2009

Figure 3. Importance of risk factors for FDI decision, 2007-2009



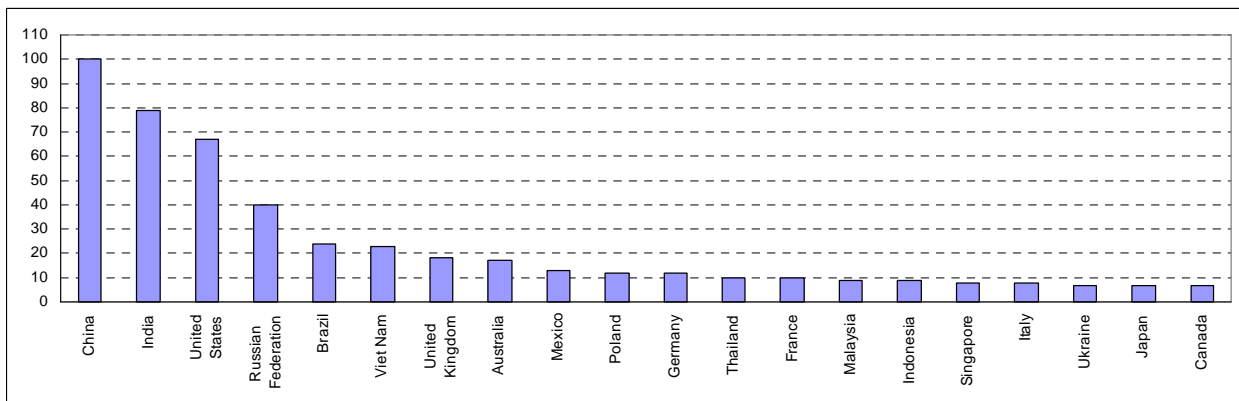
Source: UNCTAD World Investment Prospects Survey 2007-2009

Figure 4. FDI prospects by corporate function, 2007-2009



Source: UNCTAD World Investment Prospects Survey 2007-2009

Figure 5. The top 20 most attractive economies for the location of FDI.



Source: UNCTAD World Investment Prospects Survey 2007-2009