

While Foreign Investment Falls in Brazil It Grows in LatAm

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Tuesday, 24 January 2006

The worldwide foreign direct investment (FDI) flow reached US\$ 897 billion last year, an increase of 29% when compared to 2004, according to estimates disclosed Monday, January 23, by the United Nations Conference on Trade and Development (Unctad).

The appreciation of oil caused a strong increase in investment in the countries that are producers in Africa and the Middle East, or Western Asia, which is the Unctad denomination for the region.

The estimated flow of funds to Africa grew 55%, from US\$ 18.7 billion in 2004 to US\$ 28.9 billion in 2005, with special attention to Arab countries like Egypt, which received US\$ 4.1 billion, an increase of 226%; Morocco (US\$ 1.2 billion, 38% more); and Sudan (US\$ 2.1 billion, 40% growth).

The most significant increase, however, was registered in funds entering South Africa, which grew 803% to US\$ 7.2 billion.

To the Middle East the flow grew 51%, from US\$ 17.6 billion to US\$ 26.5 billion. According to the Unctad, the sectors that attracted greatest investment were the oil and derivatives, telecommunications and real estate.

The country that received the greatest volume of funds was the United Arab Emirates, an estimated total of US\$ 10 billion, against US\$ 8 billion in 2004

It is estimated that Turkey, which is not an Arab country, received US\$ 4.8 billion, an increase of 77%; Saudi Arabia attracted US\$ 3.5 billion, against US\$ 1.9 billion in 2004; and Jordan received US\$ 900 million in 2005, against US\$ 600 million in 2004.

The head of the department of investment tendencies at the Unctad, Masataka Fujita, said that although Saudi Arabia is the largest producer of oil in the world, the country received less investment than the Emirates as the country oil exploration market is closed to foreign participation.

Brazil

In Latin America there has been an increase of FDI estimated at 5%, growing from US\$ 68.9 billion in 2004 to US\$ 72 billion in 2005. In the case of Brazil, there has been a reduction in the entry of capital, which dropped from US\$ 18.2 billion in 2004 to US\$ 15.5 billion last year, making the country lose its position as main destination for investment in the region to Mexico, which attracted US\$ 17.2 billion.

This, however, does not mean that there has been a worsening of the country economy. "The reduction is mainly due to the fact that 2004 was an exceptional year," stated Fujita.

He recalled that the numbers for 2004 were strongly influenced by the exchange of share participation between Brazilian company Ambev and Belgian company Interbrew, companies in the beverage sector that merged.

The value of the transaction was US\$ 6.1 billion. "If you exclude this deal, the value of direct investment will have grown from 2004 to 2005," he added. In 2003, Brazil attracted US\$ 10.1 billion in FDI, according to the Unctad.

The estimated FDI flow to developing countries in general totaled US\$ 274 billion in 2005, an increase of 13% in comparison to 2004. In the case of developed countries, investment reached US\$ 573.2 billion, a growth of 38% that interrupted four consecutive drops.

Great Britain at the top

The United Kingdom was the developed country that attracted the greatest FDI in 2005, with US\$ 219.1 billion, growth of 182% in comparison to 2004.

This is the first time that Great Britain heads the list since 1977. This was a historic record for a European country and was more than double the flow of capital to the United States, which totaled US\$ 106 billion.

This performance, according to the Unctad, was influenced by the merger of Shell Transport and Trading Company with Royal Dutch Petroleum Company, which resulted in the creation of Royal Dutch Shell.

World Economy Growth

World economy should grow 3.3% this year, pushed mainly by developing countries such as China and India. The information is in the report released Tuesday, January 24, by the United Nations Department of Economic and Social Affairs (UNDESA).

According to the study, the developing countries should grow by 5.6% in 2006, as they have already demonstrated in 2005 dynamism much greater than the developed nations. Latin America, according to the UN, should have an increase in 3.9%.

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