
From US\$ 1.3 Trillion Global Pie Brazil Gets US\$ 16 Bi, the US US\$ 177 Bi

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The flow of foreign direct investment (FDI) to Latin America and the Caribbean, reached US\$ 99 billion, last year, a reduction of 4.5%. In Brazil, however, investment rose 6% and reached US\$ 16 billion.

Eastern Asia, which includes the Arab countries in the Middle East, had a record inflow of US\$ 43.3 billion in 2006, 25.5% more than in 2005.

In the case of Africa, the entry of investment reached US\$ 38.8 billion, a record value and 26.5% more than last year.

These are the first estimates about the movement of global FDI in 2006 that were disclosed January 9 by the United Nations Conference on Trade and Development (Unctad).

According to the organization, the global investment flow reached US\$ 1.2 trillion last year, an increase of 34% in comparison to 2005. This was the third year running in which there was growth.

According to the Unctad, the performance reflects the good economic performance and the strong growth registered in various areas of the world. According to the organization, some factors that contributed to the expansion of investment flow were the increase of profits of various companies, which resulted in more appreciated shares and in growth of the value of mergers and international acquisitions, as well as the liberalization of investment policies and of the trade regimes of various countries.

The growth took place, according to the Unctad, both in developed countries and in developing nations. In the latter case, the increase in FDI was 10% and it reached US\$ 367.7 billion.

Brazil

In Latin America and the Caribbean, the flow of investment, according to the Unctad, should continue being led by Brazil. While estimates point at stability of US\$ 18.9 billion from one year to the next in Mexico, in Brazil they presented growth of 6% in FDI flows, which reached US\$ 16 billion in 2006, still lower than the US\$ 18.1 billion of 2004 and of the results during the privatizations of companies in Brazil, when large state-owned companies were bought by foreign companies.

To Nicole Moussa, analyst of economic affairs officer at the Unctad, the increase in investment in Brazil from one year to the next, while the number of mergers and acquisition in the country drops - Brazilian companies are now buying companies abroad -, shows that new investment is being made by companies that already operate in the country.

"Personally I believe that a large share of the investment in Brazil comes from companies that are reinvesting their funds in the country," stated the analyst.

The estimates show that, in the region, Chile is the country that grew most as a destination for FDI. The flow reached US\$ 9.9 billion in 2006, 48% more than in the previous year. According to the Unctad, this took place due to reinvestment of profits in the mining sector.

The list of main receivers of FDI, however, was topped by the United States, US\$ 177.3 billion, an increase of 78%. The country took over the place that in 2005 was in the hands of the United Kingdom. The flow of investment to developed countries in general grew 47.7% and reached 800.7 billion in 2006.

In terms of categories of the economy, the flow grew more to transition economies, represented by the countries of southwestern Europe and of the Community of Independent States (former USSR). The investment in these nations reached US\$ 62 billion, an increase of 56%, according to the Unctad.

In the Middle East, according to the Unctad, Turkey, which is not an Arab country, and the countries of the Gulf, which are rich in oil, were the countries that attracted the greatest volume of investment.

"Even if oil prices drop, they will never return to the cheapest levels of some years ago. Therefore, the region has an excess of liquidity due to oil revenues, a fact that generates great investor interest, not only in the oil sector, but also in others," said Moussa.

That is, more than exploring the oil industry, foreign investors want a share of the domestic market of these countries. "In the Gulf the service sector is the one attracting the greatest volume of investment. Of course this is related to the oil boom," said Nicole.

It is not just the entry of FDI into the region that is rising. According to the Unctad, countries of the Gulf, especially the United Arab Emirates have been growing as the origin of investment in other regions.

This, according to the organization, is taking place due to mergers and acquisitions that are being made by state-owned companies from the region. The flows are turned to activities related to the energy sector, mainly in China, India and in other countries in Asia and Africa.

In Africa, Egypt and Morocco are among the greatest receivers of investment, with flows of US\$ 5.3 billion and US\$ 2.3 billion respectively. The estimates show, however, that there has been a reduction in the entry of FDI in these countries in 2006, a drop of 1.9% in the case of Egypt and 20.9% in the case of Morocco.

The increase in the investment flow to Africa in general was caused by high oil prices and a great foreign demand for commodities, especially oil. This may be clearly identified in the case of Nigeria, which received US\$ 5.4 billion in FDI, an increase of 60% when compared to 2005. The country is a great producer of oil.

According to the Unctad, natural resources and related industries played a fundamental part in investment over the last two or three years. The great demand for primary products should not only open new opportunities, like exploration of gas and oil in Algeria, for instance, but should also continue attracting investment in future.

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