

Brazil Gets Lion Share of Foreign Investment in Latin America

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Foreign direct investment (FDI) in Latin America and the Caribbean was record last year, reaching almost US\$ 106 billion, according to figures disclosed by the Economic Commission for Latin America and the Caribbean (Eclac), an organization connected to the United Nations (UN).

According to the organization, the previous record had been in 1999, when the investment flow reached US\$ 89 billion, boosted by privatization processes of state-owned companies in the region. Last year, however, the factors that attracted foreign funds were the growth of the local economies and the strong global demand for natural resources produced here.

The entry of FDI into Latin America and the Caribbean in 2007 was 46% over the volume that came to the region in 2006, the largest increase among developing nations, according to the Eclac. The main receiver of funds last year, however, was Asia, which received 55% of the total turned to developing economies. Latin America came in second place, with 21%.

Brazil was the country in the region that received the largest volume of funds in 2007, a total of US\$ 34.6 billion, 84% more than in the previous year. According to the Eclac, the sector that received the largest volume of investment was the service sector, followed by the transformation industry and exploration of natural resources.

Mergers and acquisitions of companies also played an important part in the entry of funds. Among the main operations in the region in 2007, the Eclac mentions the purchase of shares of ArcelorMittal Brazil by the ArcelorMittal head office, in India, for the value of US\$ 1.18 billion, the purchase of financial information company Serasa by the Irish Experian Group, for US\$ 1.2 billion, the acquisition of mining company MMX Minas-Rio by Anglo American, from the United Kingdom, for US\$ 1.15 billion, and the purchase of retail chain Atacadão by French retail chain Carrefour for US\$ 1.1 billion.

Brazil, Chile, Colombia and Mexico were responsible for 90% of the growth in FDI flow to the region, according to the Eclac. Mexico was in second place among the receivers, with inflow of US\$ 23.23 billion, followed by Chile, with US\$ 14.46 billion and Colombia, with US\$ 9.03 billion.

If in the case of Brazil, the service sector was the one that received the largest volume of foreign funds, in Chile and Colombia the largest inflow was into the oil and gas area. In Mexico, the main destination for investment was the transformation industry.

The main origins of funds invested in the region were the United States, the Netherlands and Spain.

On the other lane, foreign direct investment by nations in Latin America totaled US\$ 20.62 billion last year, less than half of the US\$ 42 billion in 2006. Brazil once again led as the origin of funds, with US\$ 7.07 billion in investment in 2007, but much less than the US\$ 28.2 billion in the previous year. The figures for 2006, however, were greatly influenced by the purchase of Canadian mining company Inco by the Brazilian Vale do Rio Doce.

Last year, the main acquisitions made by Brazilian companies abroad were the purchase of the North American Chaparral Steel and Quanax Corporation by ironworks Gerdau, for the value of US\$ 5.4 billion, the acquisition of US slaughterhouse Swift & Co. by JBS-Friboi group for US\$ 1.4 billion and acquisitions in the area of services for the petrochemical industry by GP Investments for US\$ 1 billion in Argentina and in other nations.

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