Briefing paper

2017

Foreign Direct Investment
in Latin America and the Caribbean

United Nations

ECLAC

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The 2017 version of *Foreign Direct Investment in Latin America and the Caribbean* is the most recent edition of an annual series published by the Unit on Investment and Corporate Strategies of the Division of Production, Productivity and Management of the Economic Commission for Latin America and the Caribbean (ECLAC). This year's edition was prepared by Álvaro Calderón, Wilson Peres, Cecilia Plottier and Mathilde Closset, under the coordination of Giovanni Stumpo. The databases were prepared by Leandro Cabello.

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Explanatory notes

- Three dots (…) indicate that data are missing, are not available or are not separately reported.
- A dash (-) indicates that the amount is nil or negligible.
- A full stop (.) is used to indicate decimals.
- The word “dollars” refers to United States dollars unless otherwise specified.
- A slash (/) between years (e.g. 2013/2014) indicates a 12-month period falling between the two years.
- Individual figures and percentages in tables may not always add up to the corresponding total due to rounding.

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Executive summary

This publication sets out and analyses the main foreign direct investment (FDI) trends in the countries of Latin America and the Caribbean. The 2017 edition shows that the region is at a difficult juncture. FDI inflows declined by 7.9% in 2016, to US$ 167.043 billion, representing a cumulative fall of 17.0% since the peak in 2011.[1] The fall in commodity prices continues to affect investments in natural resources, sluggish economic growth in several countries has slowed the flow of market-seeking capital, and the global backdrop of technological sophistication and expansion of the digital economy has concentrated transnational investments in developed economies.

A. Foreign direct investment in Latin America and the Caribbean

FDI inflows declined by 7.9% in 2016, to US$ 167.043 billion.

The perception of globalization and its economic and social effects reached a turning point in 2016. Political events, such as the referendum in the United Kingdom which resulted in the vote to leave the European Union (Brexit) and the presidential election in the United States, reflected trends that had developed over time in global production and trade. Developed economies have been more interested in repatriating production, which together with the rapid technological transition and greater competitive pressure, has redirected businesses towards more technology-intensive markets.

In 2016, global FDI inflows amounted to US$ 1.7 trillion, higher than any of the annual figures between 2008 and 2014, but 2% lower than in 2015. Developed economies regained the lead, receiving 59% of FDI flows, with their inflows climbing by 5%. Developing economies received 37% of the total and their FDI inflows fell by 14%. All the developing subregions received less investment, with Asia seeing decreases of 15% and Africa, 3%. Cross-border mergers and acquisitions played a large role, especially in developed economies, driven by greater international liquidity and industry strategies that led to major operations. Meanwhile, China was the second biggest provider of global FDI, after the United States, as its foreign investments increased steadily, particularly acquisitions in the European Union and the United States. China's "Go Global" strategy, launched more than a decade ago, has consolidated its role as a global player that is integrating into the workings of increasingly sophisticated sectors, by actively engaging with new technological trends of the fourth industrial revolution.

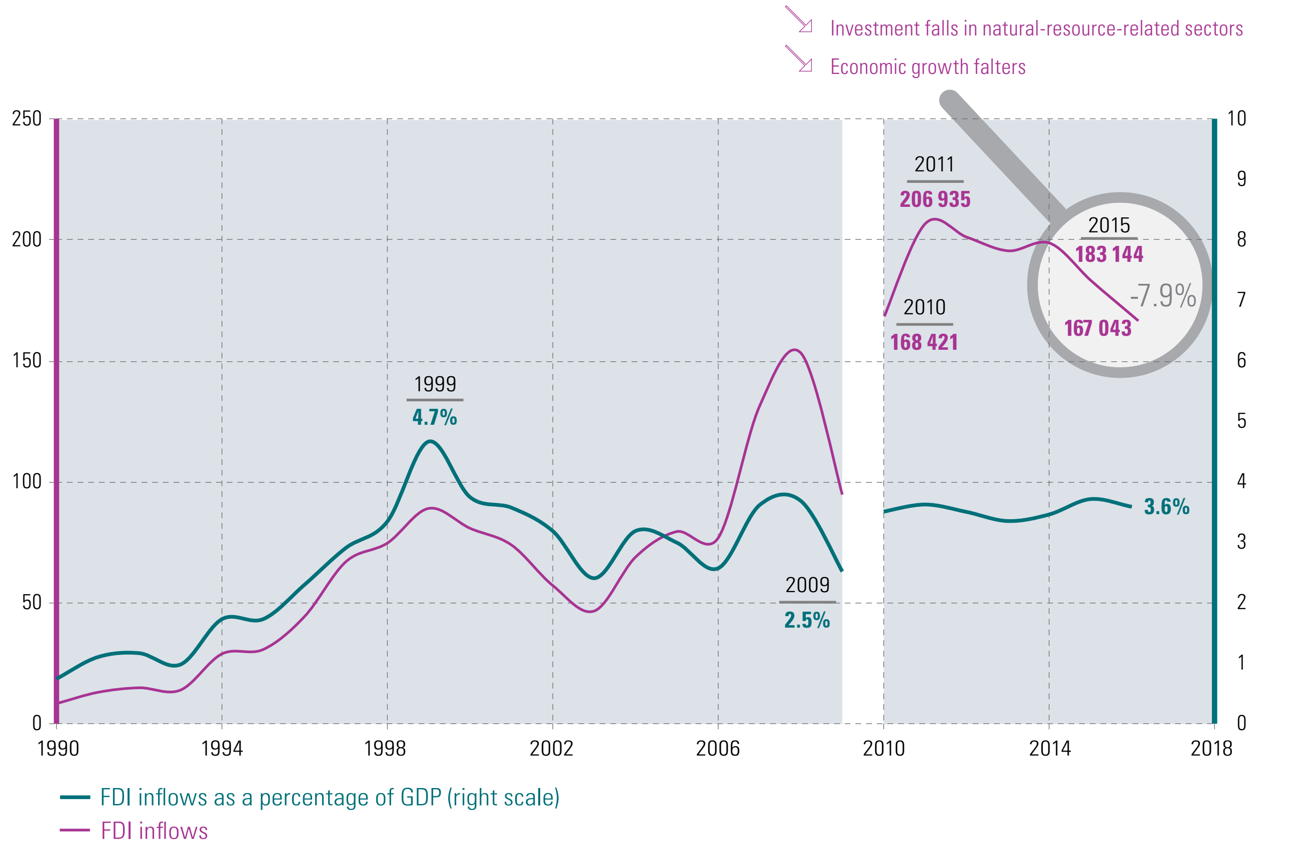
In this scenario, the Latin American and Caribbean region is losing ground as a recipient of FDI, with inflows decreasing for the second year in a row to levels similar to those seen six years ago (see figure 1). In spite of this, FDI flows stood at 3.6% of gross domestic product (GDP), while the global average was 2.5%, revealing the importance of transnational corporations in the region's economies.

[1] The variations were calculated on the basis of data that exclude the Bolivarian Republic of Venezuela and Trinidad and Tobago as no information is available for those countries for 2016.

Figure 1

Latin America and the Caribbean: foreign direct investment inflows, 1990-2016

(Billions of dollars and percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures as of 15 June 2017.

Note: FDI figures do not include flows to the main financial centres of the Caribbean. FDI figures indicate FDI inflows, minus disinvestments (repatriation of capital) by foreign investors. These figures differ from those used in the 2017 editions of the *Economic Survey of Latin America and the Caribbean*) and the *Preliminary Overview of the Economies of Latin America and the Caribbean*, because they show the net balance of foreign investment, that is, direct investment in the reporting economy (FDI) minus outward FDI. The figure for 2016 does not include the Bolivarian Republic of Venezuela or Trinidad and Tobago as no information is available for those countries. Since 2010, figures for Brazil include reinvested earnings from FDI; as a result, these figures are not directly comparable with those from before that date. This is represented by the break in the lines.

The situation among countries and subregions has been heterogeneous, but few economies saw higher levels of FDI. Despite the recession, Brazil remained the main recipient of FDI (47% of the total) and investments increased by 5.7%, albeit not as a result of new capital inflows, but owing to an increase in loans between transnational corporations. Mexico failed to maintain the growth of previous years with FDI falling by 7.9%. Nevertheless FDI in Mexico remained at historically high levels and the country was the second largest host country (19%). Inflows into Colombia rose by 15.9%, making it the economy with the third highest inflows (8% of the total). This was the result of a major acquisition in the energy sector and higher investment in services, although inflows still did not reach the levels seen at the peak of the commodity price boom. With the exception of Paraguay, FDI inflows to other South American countries decreased. Chile was the region's fourth largest destination country despite inflows falling by 40.3% In Central America, 44% of inflows to the subregion went to Panama, which saw its fourth consecutive year of growth (up 15.9%), while Costa Rica received 27%, up by just 1.1%. In the Caribbean, the Dominican Republic received 49% of inflows to the subregion, up 9.2%. Jamaica was in second place, with 16% of the total and a fall of 14.5%. The members of the Organisation of Eastern Caribbean States (OECS) received 5.8% less than in 2015, and accounted for 11% of inflows to the subregion.

After the end of the commodity price boom, investment in extractive industries slowed and this sector's share of FDI has been falling since 2010, down to 13% of the total in 2016. By contrast, the share of manufactures and services increased to 40% and 47%, respectively. The new investments announced were concentrated in renewable energies, telecommunications and the automotive industry, with the region receiving 17%, 21% and 20%, respectively, of overall investment. Meanwhile, for a second year in a row, the renewable energy sector attracted the most investment, receiving 18% of the total announced for the region, with a third of those investments going each to Chile and Mexico.

There has been no diversification in terms of investor countries. Of total inflows, 73% came from either the United States (20%) or the European Union (53%). Of those from the European Union, 12% came from the Netherlands and 8% from Luxembourg, which both offer tax advantages, meaning that they are used as a base by transnational corporations from third countries so that the ultimate origin of funds from these two countries is not immediately clear. Spain accounted for 8% of outflows, Canada and the United Kingdom, 5% each, Germany, Italy and France, 4%, and Japan, 3%. According to official statistics, China, which has ramped up its FDI outflows significantly, accounted for just 1.1% of inflows to the region. This figure underestimates the amount of Chinese capital in the countries of Latin America and the Caribbean; in fact, when the value of mergers and acquisitions in 2016 is taken into account, China was the fourth largest investor in the region, after the United States, the European Union and Canada. Given the major operations that China has undertaken in the first half of 2017, its share is expected to increase next year.

Declining returns on assets could worsen the investment outlook for the region. The FDI stock expanded by 12.8% in 2016 to reach a new all-time high, while average returns —calculated as the ratio between FDI earnings and capital stock— declined again and reached a 15-year low, at 4.2%. Around 55% of this income was repatriated to home countries, meaning that there was a relative increase in reinvested earnings compared with the repatriated earnings. Average FDI profitability fell in all the countries except Panama, and the falls were steepest in the mining countries.

As well as being a year of lower investment in general, 2016 was also a weak year for the trans-Latins, with FDI outflows from the Latin American and Caribbean countries down by 50% to US$ 24.609 billion. Unlike in 2015, when the heaviest fall was posted in Brazil, in 2016 outward investment was down almost across the board, with the exception of Colombia, which it climbed 7%. Firms from Mexico, Colombia and Chile engaged in the most cross-border mergers and acquisitions, especially in construction and construction materials.

Lastly, in 2016 global FDI flows stagnated, although they remained at high levels. Developed countries resumed the leading role that they had lost in previous years. In contrast, a number of developing countries and regions that had benefited from the price boom in natural resources saw their FDI inflows drop.

In this scenario, foreign investments that help to narrow the region's production and social gaps are increasingly important. FDI can be a key factor in technology transfer and the adoption of new management systems and business models that increase competitiveness and productivity. However, the positive effects of FDI are not automatic. The results in terms of integrating technology, promoting research and development and creating good-quality jobs have, in most cases, fallen short of expectations. It is therefore important to review and improve Latin American and Caribbean countries' strategies for attracting FDI, so that they focus more on modernizing the economy and diversifying production.

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B. Disruptive change in a leading sector: relocation, business models and technological revolution in the global automotive industry

Over previous decades, manufacturing became markedly global, with many operations moved from advanced economies to developing economies to cut costs. This paradigm has been called into question recently, however, by both firms and governments, and manufacturing has gained increasing importance as a source of productive linkages, scientific and technological capabilities and innovation in domestic economies.

The automotive industry is in the throes of a far-reaching transformation and is becoming a catalyst and driver of major technological and productive changes. Although vehicle manufacturers have been leading this process for many decades, suppliers of parts, components and accessories have recently become increasingly important in the production chain, powering technological development.

In stylized terms, the industry is concentrated in three macroregions: North America, the European Union and Asia. A small group of countries maintain strong hegemony in terms of production, vehicle manufacturing, supply and technological development: the United States, Germany, Japan, Republic of Korea and China. The first three of these have dominated the industry for decades, but China has been growing rapidly and has now become the world's largest vehicle producer (see figure 2).

In this context, fierce competition, consumer pressure and rapid technological progress have favoured the consolidation of manufacturers and suppliers, the emergence of new alliances between firms in the production chain and with enterprises from other industries, and the need to deploy flexible production models that offer customers a wide range of alternatives.

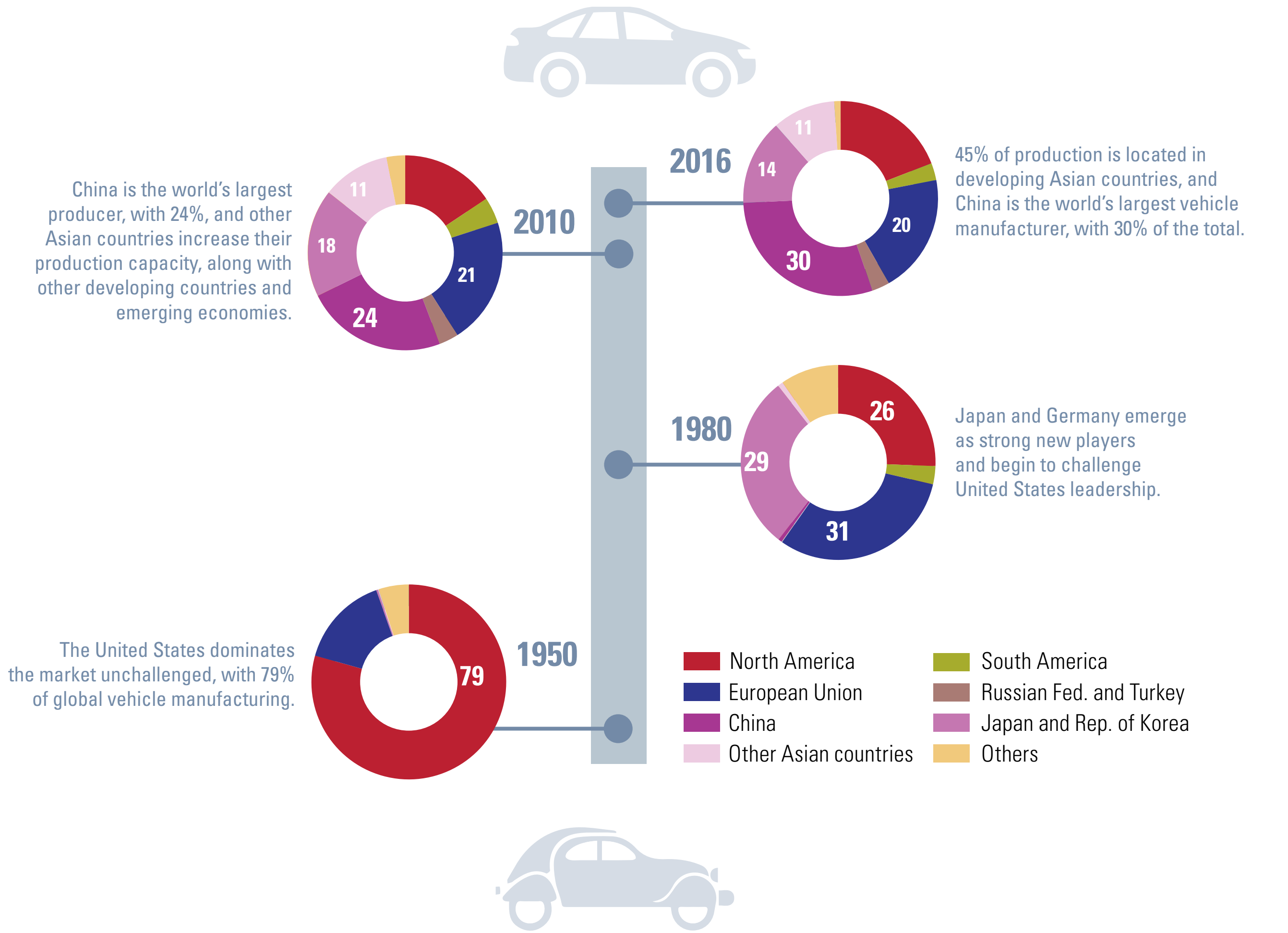
In the production sphere, new platforms are appearing that combine large-scale manufacturing with increasing flexibility. Over the coming years, the main manufacturers will concentrate much of their global production in a small number of new modular platforms, increasingly focused on areas of specialization and passing increasing areas of responsibility to their suppliers. In fact, manufacturers are caught in a crowding-out dynamic whereby they constantly require more and better highly innovative and technological features to remain competitive.

This dynamic is forcing firms to increase funding for research, development and innovation. In fact, 5 of the 20 firms that invest the most in R&D worldwide are in the automotive sector. While manufacturers invest an average of around 5% of their sales in R&D, suppliers of parts, accessories and components have an R&D intensity of close to 10%. Supplier firms thus try to satisfy the manufacturers' demanding requirements in order to hold on to the contracts signed between them.

The industry now faces new, potentially disruptive challenges that could greatly alter its structure in the near future.

Despite the good results achieved by the industry since the 2008 financial crisis, it now faces new, potentially disruptive challenges that could greatly alter the structure of the sector in the near future. There are at least three major trends that will determine its dynamic in the coming years: convergence with the digital economy, changes in the concept of mobility and in consumption patterns, and regulatory requirements in the fields of safety, the environment and energy efficiency.

Figure 2
Vehicle production, selected regions and countries, 1950-2016
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from International Organization of Motor Vehicle Manufacturers (OICA).

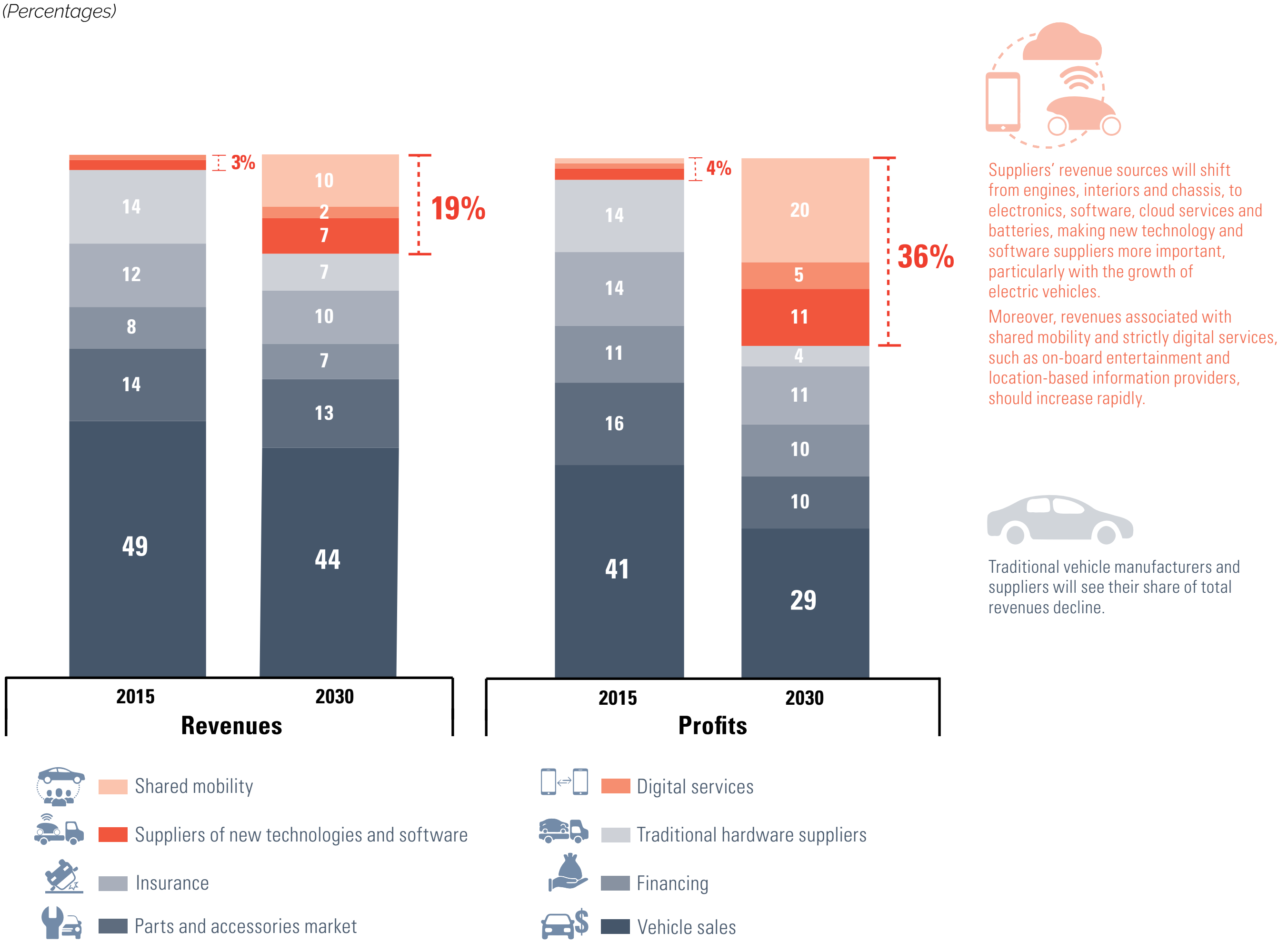
Faced with these changes, the broader industry market is also set to change significantly. Between 2015 and 2030, while the share of vehicle sales can be expected to fall from 50% to 28%, shared mobility services will grow from 0% to 20%. Traditional suppliers will see their market share decline from 10% to 3%, while suppliers of new technologies, electronics and software will grow theirs from 1% to 10% (see figure 3).

The industry is experiencing a colossal disruption in which electronics, digitization and software are the key elements. A vehicle today has about 60 microprocessors, four times more than a decade ago. In 2005, electronics and software accounted for about 20% of the total cost of a vehicle; today this figure reaches 35% and is expected to be over 50% by 2030, and as much as 75% in the case of electric vehicles.

The incorporation of digital technologies in vehicles allows for rapid progress in connectivity and autonomous driving. About 75% of the new vehicles sold in 2020 are expected to be connected. The rapid spread of these features will help lower their cost and incorporate them into most vehicles, regardless of the sale price. While many of these features are currently limited to high-end models, which use them as a differentiating factor, they will quickly become generalized and extended to mass-market vehicles. Thus, the incorporation of new technologies will not necessarily translate into higher prices.

The incorporation of digital technologies in vehicles allows for rapid progress in connectivity and autonomous driving.

Figure 3
Global automotive industry: revenues and profits, 2015 and 2030
(Percentages)

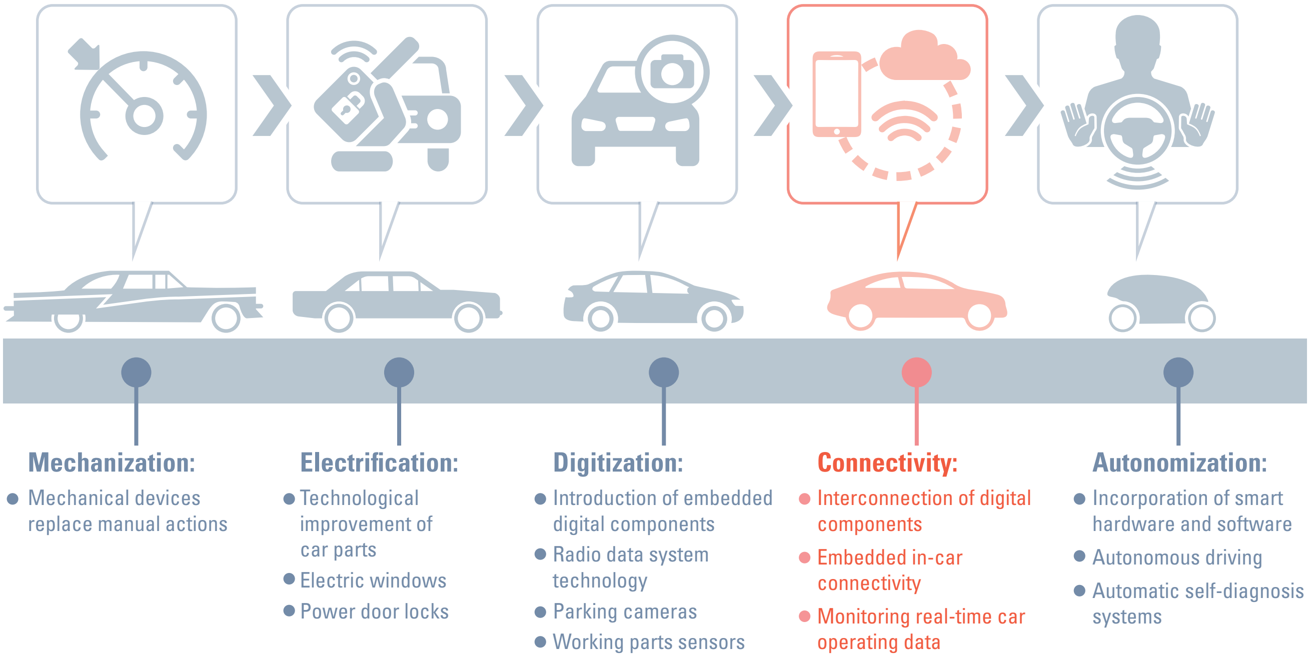


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of PwC, *Connected Car Report 2016: Opportunities, Risk, and Turmoil on the Road to Autonomous Vehicles*, 28 September 2016 [online] https://www.strategyand.pwc.com/media/file/Connected-car-report-2016.pdf.

Alongside connectivity, autonomous driving is also spreading rapidly (see diagram 1). Major manufacturers are announcing new models with a high degree of automation by 2020. Although German and Japanese firms are at the forefront in this area, United States manufacturers also aim to gain a major stake. These advances are attracting digital platforms that have not previously shown interest in the automotive industry. Examples include Apple, Google, Uber, Intel and Samsung, which are becoming involved in different areas, from vehicle manufacture to the development of components and services linked to connectivity and autonomous driving.

These advances, coupled with other macro trends, such as overpopulation, congestion in large cities and pollution, are changing consumption patterns and the regulatory requirements facing the industry. Firstly, manufacturers see consumer loyalty weakening, as people begin to doubt the urgency of purchasing a vehicle or even the need. Against this backdrop, many firms are expanding the frontiers of the industry and entering new shared mobility and private transport services. Secondly, technological progress (mainly in batteries) and public policies that seek to mitigate the effects of climate change are driving the development of electromobility. Some countries, led by China, Norway and the United States, have introduced incentives that help overcome consumer fears about electric vehicles: low autonomy, high prices, and sparse recharging infrastructure.

Diagram 1
Automotive industry: technology embedding



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Statista, *Digital Market Outlook. Connected Car Market Report*, New York, March 2017.

In short, the automotive industry is experiencing the greatest revolution in its history: its frontiers are expanding and new products and business models are emerging. The convergence between traditional manufacturing and software is shifting the structure of the production chain and the leaderships within it. Although great expectations surround the new forms of mobility and the role of the automotive industry in it, many questions remain to be answered in this regard.

C. The automotive industry in Mexico: a success story under pressure

Although North America remains one of the three main hubs of the global industry, it has lost ground over the past few decades. Among the member countries of the North American Free Trade Agreement (NAFTA), however, Mexico has gained in stature: by virtue of intensive investment, it has become one of the leading suppliers to the United States, the world's second largest motor vehicle market (see figure 4).

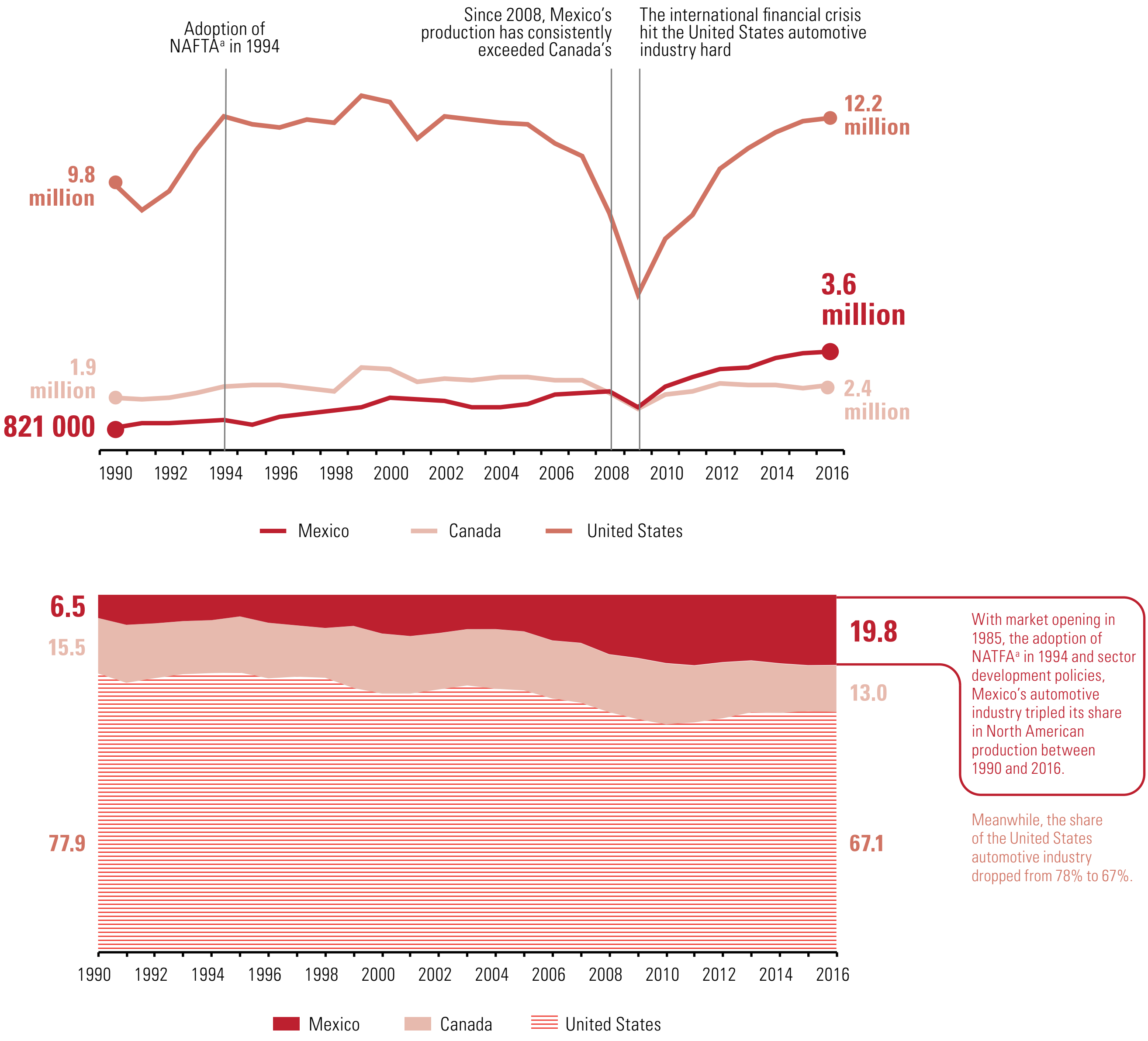
The Mexican automotive industry now contributes over 3% of the country's GDP and 18% of its manufacturing output. It runs a yearly trade surplus of US$ 52 billion, represents over US$ 51.2 billion in cumulative FDI inflows between 1999 and 2016 (11% of the total) and employs 900,000 workers directly. Today, 80% of Mexico's motor vehicle production is exported and 86% of these exports go to Canada and the United States. Mexico has thus become the world's seventh largest supplier and the fourth largest exporter.

This process has gathered pace over the past few years, especially since the international financial crisis, and in the process Mexico has gone from being a low-cost platform for mass-market vehicle assembly to an integrated production chain that is more diversified in terms of products and technological sophistication. This is leading Mexico to develop a denser and higher-tech productive fabric, which should strengthen its position in an industry that is under heavy pressure from the new —and potentially highly destabilizing— trends.

Figure 4

North America: vehicle production by country, 1990-2016

(Units and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from International Organization of Motor Vehicle Manufacturers (OICA).

[a] North American Free Trade Agreement.

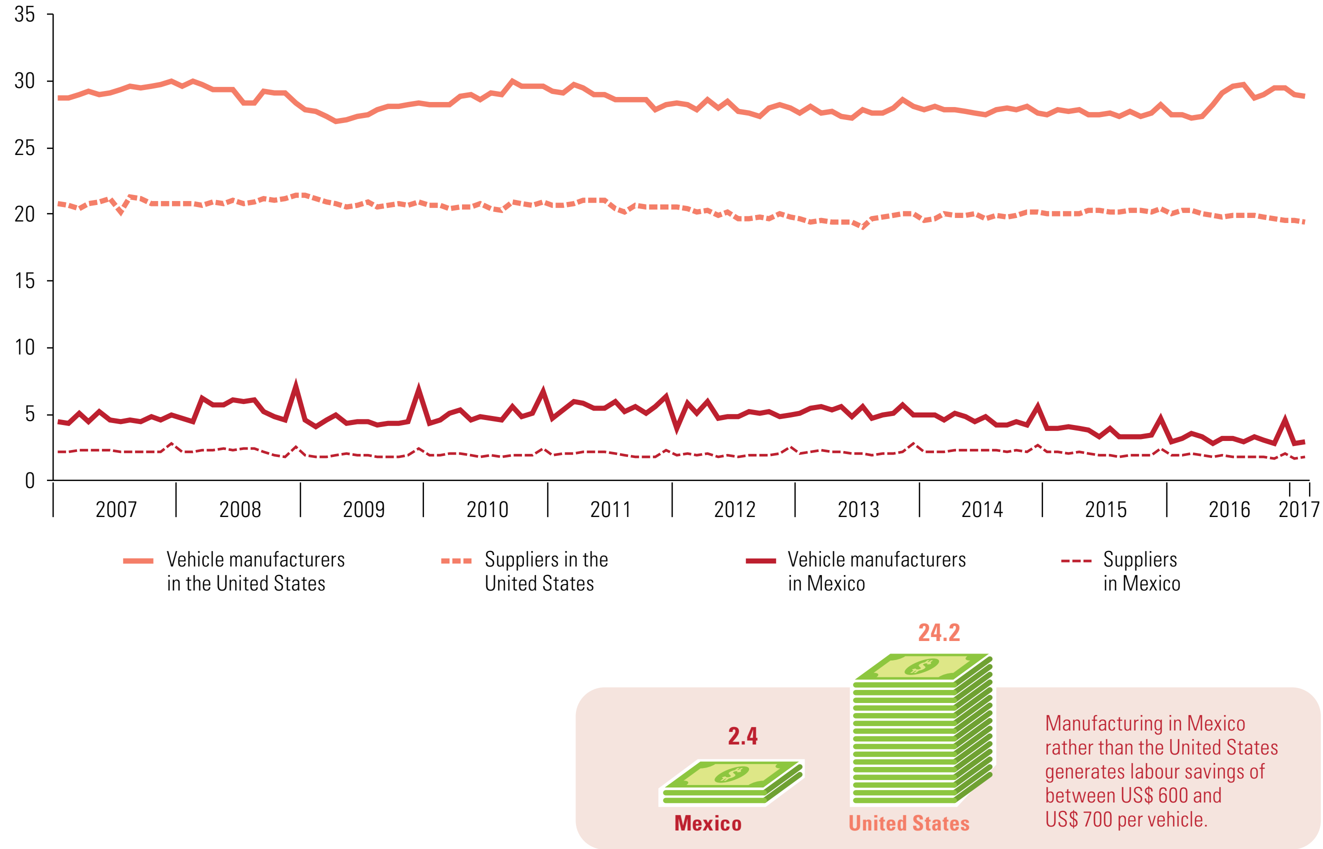
The outlooks for Mexico's motor vehicle industry will depend on at least two independent sets of factors. On the one hand is the transformation driven by the technology revolution under way in the global automotive industry, changes in the concept of mobility and consumptions patterns, and regulatory pressure in the fields of safety, the environment and energy efficiency. On the other hand is the uncertainty triggered by the announcements of the new Administration in the United States.

Despite its recent sound performance, the Mexican industry is not immune to global developments in the sector. First of all, although Mexico has been able to attract many of the global carmakers and a large number of first- and second-tier suppliers, it still lags behind in terms of third- and fourth-tier companies. This points to the weakness of the local production structure, especially in relation to small and medium-sized high-tech, knowledge-intensive companies. This not only represents a lost opportunity to build local value added into automotive products; it also limits the spillover of indirect production and technology benefits to the rest of the local economy.

A second, related factor is the creation and optimization of local capabilities in human resources, science, technology, innovation and enterprise development. Mexico has made notable progress on these fronts, but not enough given the fast pace of the industry and of capacity-building in these areas in other parts of the world, especially China. A denser industrial fabric and more solid local capacities would lessen the risks to the Mexican automotive industry from the changes beginning to occur in the sector.

In addition, given the rapid pace of technological change in the motor vehicle industry, the advantages of Mexico's wage gap with respect to the United States and Canada (which is a major source of competitiveness for the country) will dissipate rapidly. Advances and falling costs in robotics could threaten jobs in the industry in the medium term, at least for some of the best paid workers (see figure 5).

Figure 5
United States and Mexico: average hourly wage for workers and unsupervised employees in the automotive industry, 2007-2017
(Dollars per hour)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from United States Department of Labor, Bureau of Labor Statistics, and National Institute of Statistics and Geography (INEGI) of Mexico.

Lastly, recent policy changes by the new Administration in the United States have been focused in particular on the foreign trade and industrial policy fronts. The economic platform of the new President's election campaign was presented as an alternative to the globalization agenda and included, among other items, the withdrawal of the United

States from the Trans-Pacific Partnership (TPP) and from NAFTA, tariffs of 45% on imports from Mexico, the reduction of the trade deficit and the reform of corporate tax legislation to stimulate the repatriation of companies, jobs and capital. These proposals were grouped under the collective slogan and policy of "American First", which is aimed at repositioning the United States as the main hub of global manufacturing, especially in the automotive industry.

The effects of the new trade and industrial policy discourse began to be felt immediately after the elections. In the first 10 weeks that elapsed between the elections and his taking office, the President-elect concentrated heavily on the automotive industry and concluded a number of agreements with United States manufacturers in the sector to withdraw planned investments in Mexico or commit to reshoring plants and jobs to the United States.

On the basis of these initial actions, once the new Administration took office in January 2017, the President signed executive orders on a broad range of issues, in order to create institutions, streamline regulatory process and authorizations and strengthen mechanisms for boosting manufacturing in the United States. The Administration also began to review environmental regulations affecting the motor vehicle industry, including Corporate Average Fuel Economy (CAFE) Standards, which the outgoing Administration had recently strengthened as part of efforts to combat climate change and drive the development of hybrid and electric vehicles.

After this first raft of reforms and deregulation, the Administration shifted its attention to NAFTA. Although it was initially thought that the United States would withdraw from the agreement, on 18 May 2017 the Administration asked Congress to approve the initiation of talks with Mexico and Canada after a 90-day period, with a view to updating NAFTA. The idea is apparently to modernize the agreement's provisions on intellectual property rights, regulatory practice, public enterprises, e-commerce, services, customs procedures, sanitary and phytosanitary measures, employment, the environment and small and medium-sized enterprises.

Both Mexico and Canada have given their support for updating NAFTA, which was adopted 23 years ago, and have indicated a desire to preserve the regional automotive production chains. Although the United States has afforded emphasis thus far to regulatory issues, the negotiations on tariffs and rules of origin will be crucial in reaching a new agreement. In this framework, any major changes to the existing trade preferences could significantly upset production and supplier chains in North America.

Although it is too soon to gauge the effect of these new policies —many of which have yet to be implemented— and the scope of the NAFTA negotiations is not fully clear, the alteration of automotive production chains would be highly damaging to jobs and competitiveness. In such a scenario, China could see its dominant role reinforced as a producer of parts, components and specialized machinery, given the sheer size and low costs of its motor vehicle industry.

Mexico's automotive industry is strongly positioned at this juncture of pressures from the technological revolution combined with the shifting focus of trade and industrial policies in the United States. However, this will not shield it from significant challenges to its stature as one of the largest global producers and exporters. Beyond the trade negotiations currently under way, Mexico will have to base its responses on new sectoral and technology policy efforts, framed by the current reality of the global automotive industry.

CHAPTER

I

Foreign direct investment in Latin America and the Caribbean

A. 2016: a turning point in globalization

The 12 months since the publication of *Foreign Direct Investment in Latin America and the Caribbean 2016* represent a turning point in the perception of globalization and its economic and social effects. Political events, such as the referendum in the United Kingdom which resulted in the vote to leave the European Union (Brexit) and the presidential election in the United States, reflect trends that developed over time in global production and trade. The difficulties of large middle-income sectors in developed countries resulted from years of slow growth, high unemployment —particularly among young people—, wage stagnation or deterioration and pressure from migratory flows of a magnitude not seen since the end of the 1940s.

These events were accompanied by widespread acknowledgment that the technological revolution has picked up pace and is now universal. Only a few years ago, terms such as robotics and artificial intelligence were associated with a distant reality, whereas they are now included in all forums and discussions on economic growth, employment and equality. The World Economic Forum's dissemination of the concept of the fourth industrial revolution has resulted in the technological dimension being incorporated into political concerns, or at least the political discourse.

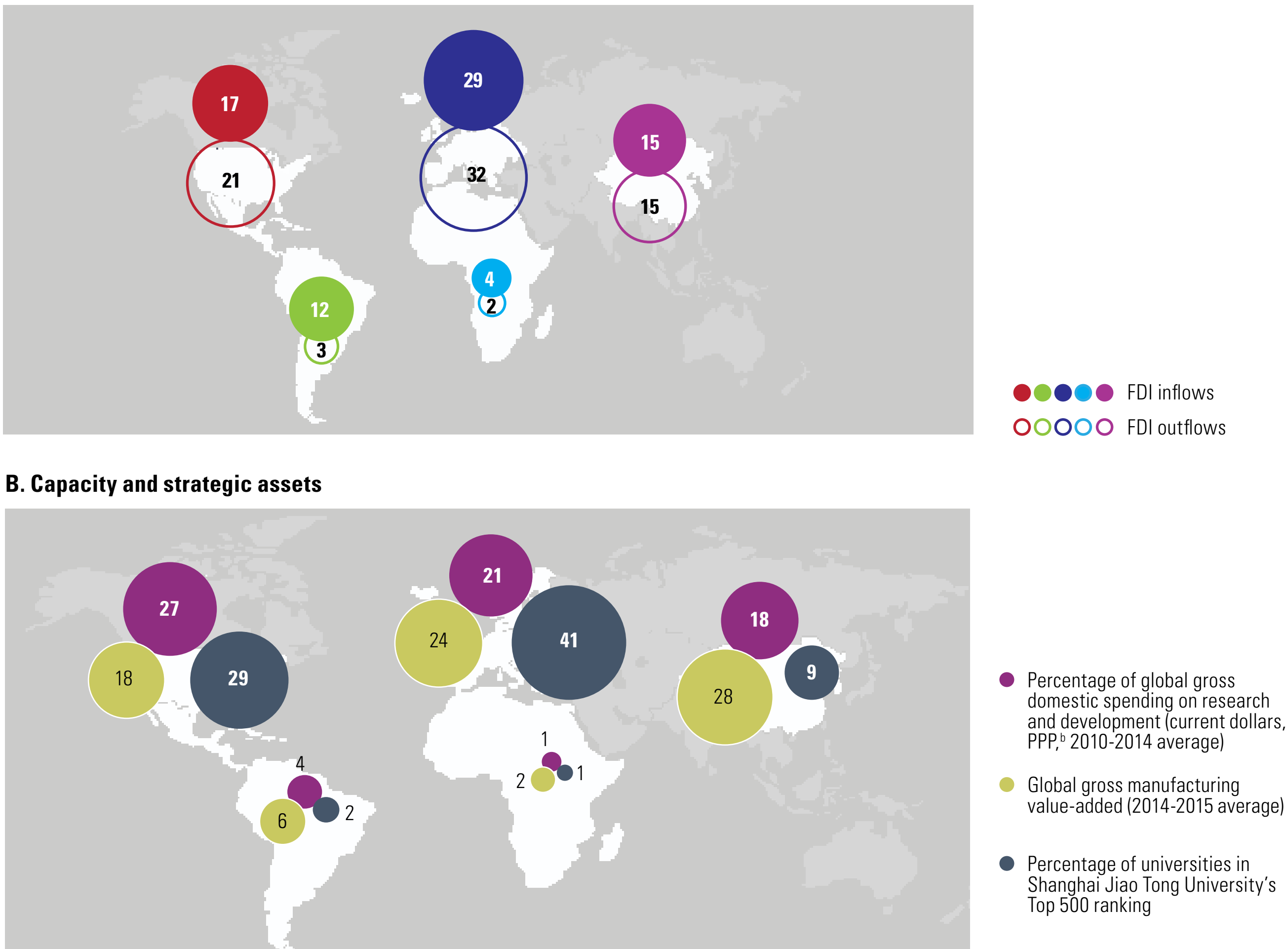
The combination of these political and economic factors has increased the pressure to relocate production to developed countries and set off a trend towards economic nationalism, which was unthinkable less than two years ago. China's productive, technological and geopolitical progress —as well as its consolidated position as the world's second-largest economy— has strengthened resistance to globalization, which was already reflected in weaker growth in global production chains, owing partly to increasing interest in the advantages deriving from the close proximity of production, research, development and innovation activities to one another. At the same time, although the growing weight of global digital platforms in goods and services production and consumption reduces barriers to entry to third markets and increases competition, national economies reflect various levels of openness in terms of production, trade and investment.

Against the backdrop of a rapid technological transition and greater interest in keeping production at home, growing competitive pressure is redirecting businesses towards more technology-intensive markets. Greater competition and pressure to innovate stimulate foreign investment in quality assets (patents and highly-skilled human resources) which are more abundant in the triad comprising the United States and the advanced regions of Western Europe and East Asia where products and production processes are manufactured and where standards are set and later disseminated. As shown in figure I.1, this triad combines manufacturing, technological research and development, and training of highly-skilled human resources in the world's 500 leading universities.

Against the backdrop of a rapid technological transition and greater interest in keeping production at home, growing competitive pressure is redirecting businesses towards more technology-intensive markets.

Figure I.1
Africa, Latin America and the Caribbean, China,[a] the United States and Europe: share of FDI flows and selected indicators of strategic assets
(Percentages)

A. FDI inflows and outflows, 2012-2016 average



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Conference on Trade and Development (UNCTAD), *World Investment Report, 2017: Investment and the Digital Economy* (UNCTAD/WIR/2017), Geneva; United Nations Statistics Division; UNESCO Institute for Statistics (UIS) and Shanghai Jiao Tong University, Academic Ranking of World Universities (ARWU), 2015.
[a] Data cover China and Hong Kong Special Administrative Region of China.
[b] Purchasing power parity.

The economic recovery in the United States and the European Union, which is based more on monetary and supply policies than on demand policy, has reinforced these trends. The increase in explicit or inexplicit support mechanisms for advanced manufacturing and the spread of the fourth industrial revolution are reflected in programmes such as Germany's *Industrie 4.0*, China's *Made in China 202*5, and in the modernization and automation of the United States defence industry.

Although there are still good reasons to invest abroad, the relative weight of these investments is decreasing. The pursuit of natural resources continues to follow the boom-bust cycles of the past in response to global demand and the long-term nature of the investments. Investments that seek to take advantage of domestic markets continue to focus on the largest or most dynamic countries, while those seeking efficiency through export platforms have been hit the hardest by the new trends.

These conditions have slowed the momentum of foreign direct investment in Latin America and the Caribbean. Multiple editions of this report have highlighted the failure of transnational companies with subsidiaries in the region to prioritize the search for quality assets. Instead they have focused on domestic markets (in large and medium-sized countries), on the extraction or exploitation of natural resources (in countries specialized in agriculture, mining and tourism), or on building platforms for exports to the United States (in Mexico, Central America and the Caribbean).

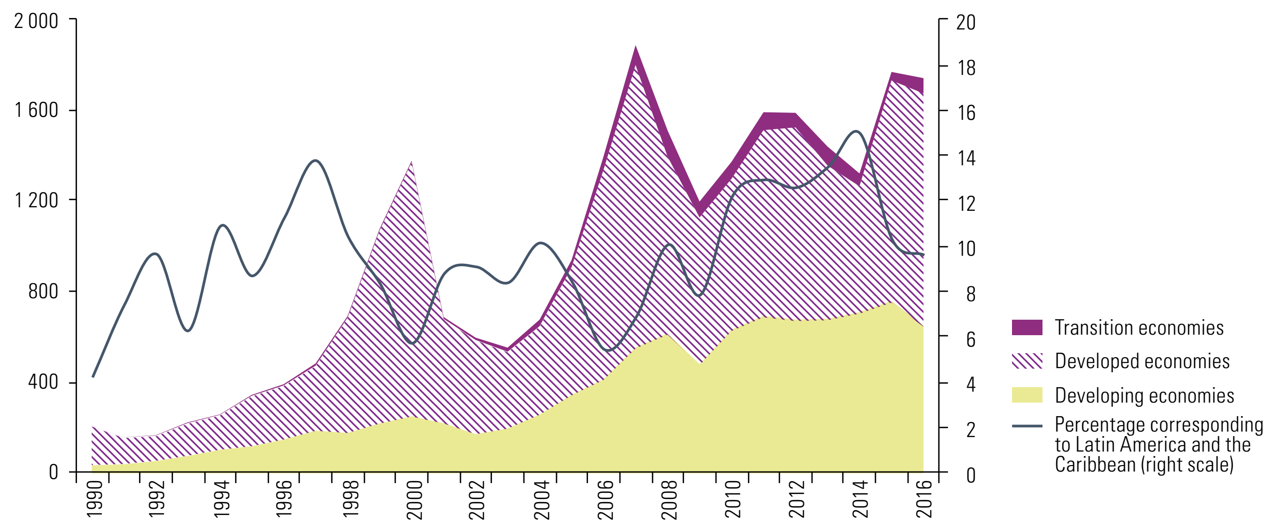
FDI strategies for the domestic market face slow growth in the region, after three years of stagnant or declining per capita GDP, down 3.6% between 2013 and 2016. Investment in natural resources softened following the end of the commodity price boom and, after overcoming the effects of the global crisis in 2009, the development of new export platforms looks highly uncertain environment in the light of the renegotiation of the North American Free Trade Agreement (NAFTA), the cancelation of the Trans-Pacific Partnership (TPP) and the possible shift from multilateral trade negotiations to a more bilateral stance driven by the United States.

Against this backdrop, FDI inflows into the region continue to fall, down 17.0% since the peak level seen in 2011.

B. Global FDI flows are returning to advanced economies

Global FDI flows amounted to US$ 1.7 trillion in 2016, higher than any of the annual performances between 2008 and 2014. Nonetheless, this figure reflects a 2% drop compared with 2015, owing mainly to the fact that inflows into developing countries fell by 14%, returning to 2010 levels. Meanwhile, inflows into developed countries climbed by 5% and those into transition economies by 81% after two years of sharp declines (see figure I.2)

Figure I.2
Global FDI flows by groups of economies, and proportion corresponding to Latin America and the Caribbean, 1990-2016
(Billions of dollars and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and United Nations Conference on Trade and Development (UNCTAD), World Investment Report, 2017: Investment and the Digital Economy (UNCTAD/WIR/2017), Geneva.

The percentage share of the different groups of economies varied considerably between 2014 and 2016. Developed economies regained their position as the largest FDI recipients, accounting for 59% of the global total (higher than the levels seen in 2008 and 2009), while FDI flows into developing countries fell from 53% in 2014 to 37% in 2016 (see table I.1).

Table I.1
Global FDI inflows, variation rate and distribution by region, 2007-2016

Region	Investment flows *(billions of dollars)*						Variation rate *(percentages)*					Distribution by region *(percentages of global total)*					
	2007-2011[a]	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016	2007-2011[a]	2012	2013	2014	2015	2016
Global total	**1 515**	**1 593**	**1 443**	**1 324**	**1 774**	**1 746**	**0**	**-9**	**-8**	**34**	**-2**	**100**	**100**	**100**	**100**	**100**	**100**
Developed economies	**846**	**857**	**684**	**563**	**984**	**1032**	**4**	**-20**	**-18**	**75**	**5**	**56**	**54**	**47**	**43**	**55**	**59**
European Union	464	492	337	257	484	566	13	-31	-24	89	17	31	31	23	19	27	32
United States	219	199	201	172	348	391	-13	1	-15	103	12	14	12	14	13	20	22
Transition economies	**82**	**65**	**84**	**57**	**38**	**68**	**-19**	**30**	**-33**	**-34**	**81**	**5**	**4**	**6**	**4**	**2**	**4**
Developing economies[b]	**587**	**671**	**675**	**704**	**752**	**646**	**-2**	**1**	**4**	**7**	**-14**	**39**	**42**	**47**	**53**	**42**	**37**
Latin America and the Caribbean[c]	151	201	196	199	183	167	-3	-3	2	-8	-8	10	13	14	15	10	10
Africa	65	78	75	71	61	59	17	-4	-4	-14	-3	4	5	5	5	3	3
Developing Asia	379	401	421	460	524	443	-6	5	9	14	-15	25	25	29	35	30	25

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures for Latin America and the Caribbean and United Nations Conference on Trade and Development (UNCTAD), *World Investment Report, 2017: Investment and the Digital Economy* (UNCTAD/WIR/2017), Geneva.

[a] Simple average.

[b] Not equal to the total for the subregions as the figure for Latin America and the Caribbean is not taken from UNCTAD (2017).

[c] Calculation of the variation in 2016 excludes the Bolivarian Republic of Venezuela and Trinidad and Tobago because data for those countries are unavailable for 2016.

The percentage share of the different groups of economies varied considerably between 2014 and 2016. Developed economies regained their position as the largest FDI recipients, accounting for 59% of the global total.

FDI flows into North America climbed by 9%, including a record-high increase of 12% in the United States, while flows into European Union countries jumped by 17%, thanks to the United Kingdom, which saw investment surge from US$ 33 billion in 2015 to US$ 254 billion in 2016.[1] Although there are currently no signs of Brexit having a negative impact on FDI flows, just two acquisitions accounted for 67% of inflows, reflecting sectoral growth and transnational companies' consolidation strategies: the Belgian-based Anheuser-Busch Inbev SA/NV acquired the brewer SABMiller PLC for US$ 101.5 billion and Royal Dutch Shell bought the oil and gas company, BG Group PLC, for US$ 69.4 billion.

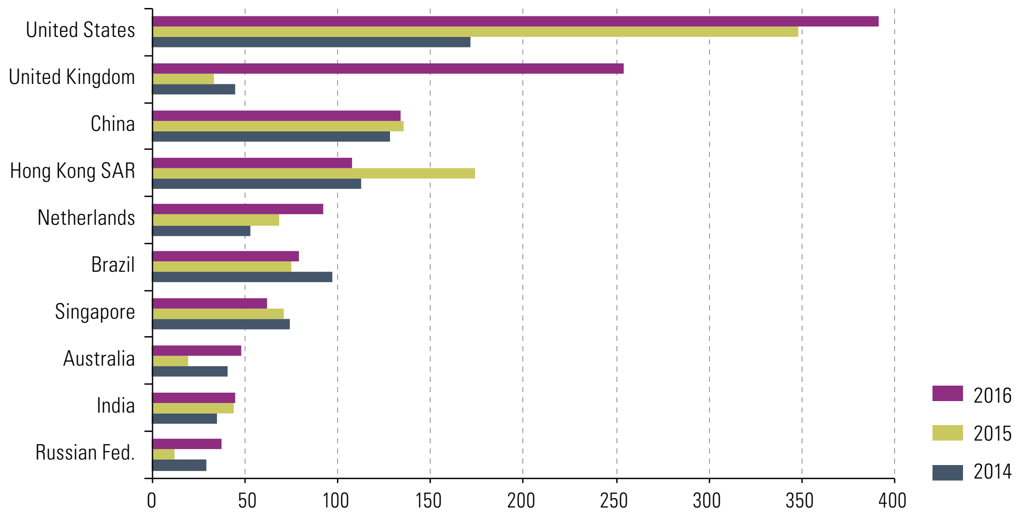
Among developing countries, FDI declined in Africa (3%) owing to weak mineral prices, and in Asia (15%) where flows towards China were relatively stable (down 1%) and investment in Hong Kong Special Administrative Region (SAR) of China fell sharply (18%). Average inflows dropped by 7.1% in Latin America, albeit with stark differences among countries and subregions, as will be seen below. With respect to transition economies, flows to the Russian Federation increased considerably, to almost US$ 38 billion. While this figure was much lower than the peak reached in 2008 (US$ 118 billion), it was also much higher than the level seen in 2015, reflecting an increase 217.7% following the privatization of State-owned oil and gas companies. These sectors also played a key role in the increase in FDI towards Kazakhstan.

1 FDI flows into Europe were down by 6% in 2016, despite large mergers and acquisitions totalling US$ 337 billion, the highest level seen since 2007 in the European Union. If the United Kingdom is excluded, FDI inflows plunged 31% in 2016.

1. The United States and European Union are leading host countries

In 2016, the main recipients of FDI were the United States, the United Kingdom and China and Hong Kong SAR. This, together with the considerable weight of mergers and acquisitions in investment flows, is line with the aforementioned search for high-quality strategic assets, and consolidates the triad of regions as the top FDI recipients (see figure I.3). With regard to FDI trends, flows to Hong Kong SAR declined, while those towards Australia and the Russian Federation increased.[2]

Figure I.3
Ten leading host economies of FDI, 2014-2016
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Conference on Trade and Development (UNCTAD), *World Investment Report, 2017: Investment and the Digital Economy* (UNCTAD/WIR/2017), Geneva and official figures.

Cross-border mergers and acquisitions accounted for a large share of investment in 2016 and rose by 18% compared with the previous year, to a net total of US$ 869 billion (49.7% of FDI inflows). This confirmed the upward trend in these transactions, driven by high global liquidity. At the same time, the relative weakness of the euro against the dollar led to more mergers and acquisitions in the European Union (up 36.7% in 2016), underpinned by sectoral growth that facilitated large deals. In the past, such transactions have tended to be carried out in the developed economies, and this trend regained momentum in 2016, with 91% of all transactions taking place in developed economies in 2016 up from 75% in 2010 (see table I.2).[3]

2 In Australia, the largest investments targeted the services sector: information management, insurance and credit services.

3 The value of net mergers and acquisitions increased by 24.2% in developed countries, while it fell by 17.8% in developing economies. In the European Union and United States, their value grew by 36.7% and 18.7%, respectively, but fell by 19.7% in Asia. In Latin America, transaction values were up by 62.2%, although this was still below the levels reached in 2010 and 2014, and accounted for less than 2% of the global total in 2016.

Table I.2
Value of net cross-border mergers and acquisitions and share by region or economy of the seller, 2010-2016
(Billions of dollars and percentages)

	Amount			Share			Variation
	2010	2015	2016	2010	2015	2016	2016
World	**347.094**	**735.126**	**868.647**	**100**	**100**	**100**	**18**
Developed economies	**259.926**	**640.762**	**794.317**	**75**	**87**	**91**	**24**
Transition economies	118.187	265.256	362.593	34	36	42	37
United States	84.344	303.981	360.797	24	41	42	19
Japan	7.114	3.065	20.088	2	0	2	555
Transition economies	**4.095**	**10.000**	**5.014**	**1**	**1**	**1**	**-50**
Transition economies	**83.072**	**84.364**	**69.315**	**24**	**11**	**8**	**-18**
Latin America and the Caribbean	29.013	10.952	17.762	8	1	2	62
Africa	7.493	21.259	9.689	2	3	1	-54
Developing Asia	37.723	49.919	41.861	11	7	5	-16
China and Hong Kong SAR	19.443	13.626	12.436	6	2	1	-9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Conference on Trade and Development (UNCTAD), *World Investment Report, 2017: Investment and the Digital Economy* (UNCTAD/WIR/2017), Geneva.

With regard to the origin of mergers and acquisitions, that is, the country where the transnational company acquiring the assets is based, developed countries accounted for 20% more of these transactions in 2016, with 45% more originating in the European Union and 39% fewer in the United States (see table I.3). Developing economies also saw an increase (14%), mainly as a result of Chinese companies' acquisitions: up 80% in 2016 compared with 2015, to a record high of US$ 92.221 billion. If Chinese companies' acquisitions are excluded, mergers and acquisitions originating in developing countries fell for the second year in a row (28% in 2016 and 31% in 2015). This pattern is linked to the new role of Chinese firms as international investors, which began developing in 2000 with the Go Global strategy, introduced in the President's report to the National People's Congress (ECLAC, 2011), and which will affect not just FDI in the coming years, but also the global economic growth.

Table I.3
Value of net cross-border mergers and acquisitions and share by region or economy of the purchaser, 2010-2016
(Billions of dollars and percentages)

	Amount			Share			Variation
	2010	2015	2016	2010	2015	2016	2016
World	**347.094**	**735.126**	**868.647**	**100**	**100**	**100**	**18**
Developed economies	**224.759**	**587.455**	**707.528**	**65**	**80**	**81**	**20**
European Union	23.108	270.224	391.042	7	37	45	45
United States	85.104	127.879	77.949	25	17	9	-39
Japan	31.271	50.623	80.646	9	7	9	59
Transition economies	**5.378**	**4.501**	**-0.809**	**2**	**1**	**0**	**-118**
Developing economies	**100.378**	**131.153**	**149.857**	**29**	**18**	**17**	**14**
Latin America and the Caribbean	16.725	4.953	0.686	5	1	0	-86
Africa	3.792	3.533	6.061	1	0	1	72
Developing Asia	79.865	122.609	143.235	23	17	16	17
China	29.828	51.117	92.221	9	7	11	80
Hong Kong SAR	13.318	19.598	0.089	4	3	0	-100

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Conference on Trade and Development (UNCTAD), *World Investment Report, 2017: Investment and the Digital Economy* (UNCTAD/WIR/2017), Geneva.

The number of greenfield investment projects, which fell sharply after the global financial crisis, increased for the second year in a row in 2016 (7%) (see figure I.4). Unlike mergers and acquisitions, developing economies were the top host countries for new projects (62% of the total in 2016). This improvement, together with expectations of stronger economic growth in several regions, points to a modest recovery in global FDI in 2017 (UNCTAD, 2017)

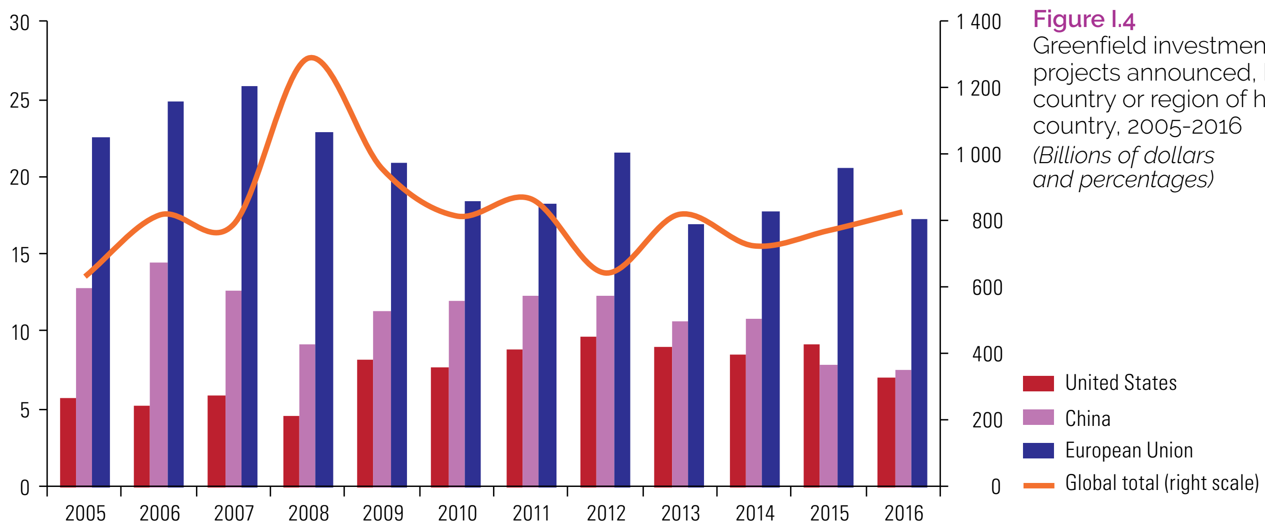


Figure I.4
Greenfield investment projects announced, by country or region of host country, 2005-2016
(Billions of dollars and percentages)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, *fDi Markets*.

2. China's growing influence is consolidating the globalization triad

China's investments abroad set a new record of US$ 183.1 billion in 2016, an increase of 43.5% over the previous year. And, for the first time, FDI outflows exceeded inflows (see figure I.5).

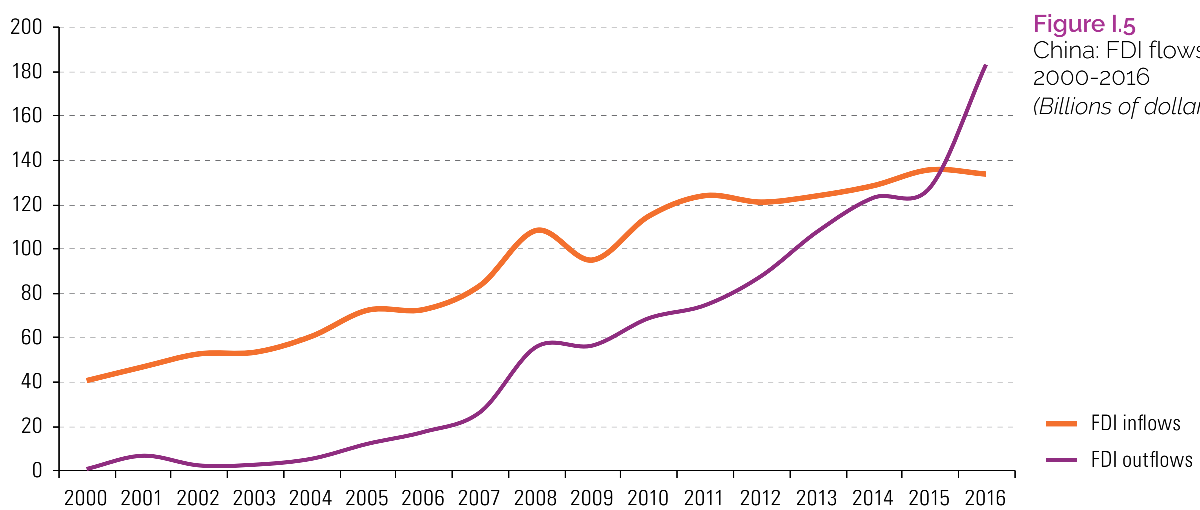
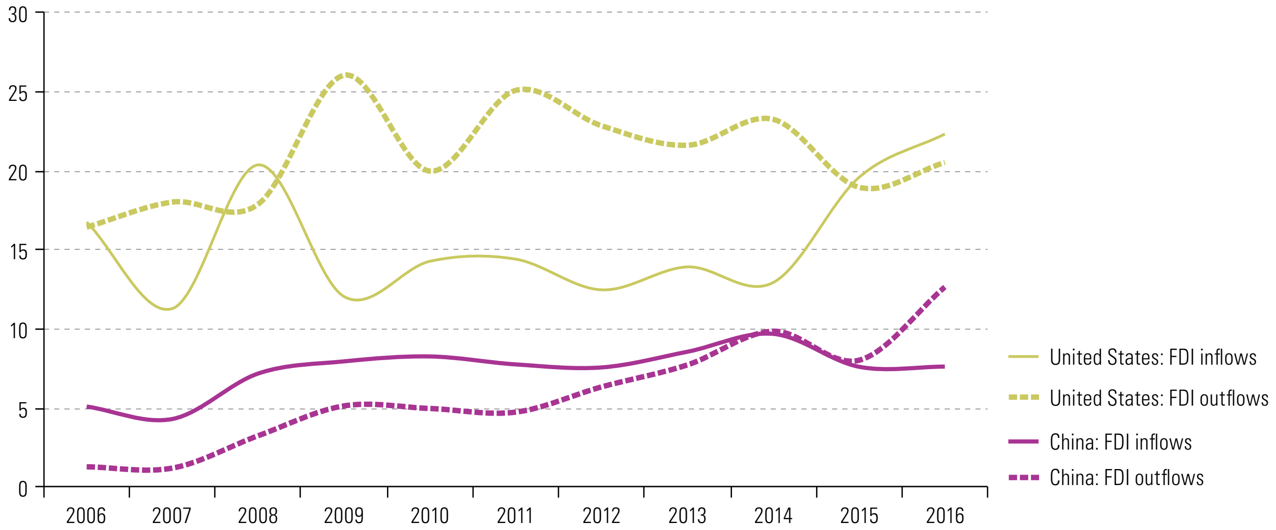


Figure I.5
China: FDI flows, 2000-2016
(Billions of dollars)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Conference on Trade and Development (UNCTAD), *World Investment Report, 2017: Investment and the Digital Economy* (UNCTAD/WIR/2017), Geneva.

FDI inflows into China have increased considerably over the past decade, representing almost 10% of global flows in 2014. However, the country's share of the global total has declined in the past two years, while the relative and absolute importance of Chinese transnational companies' investments abroad continues to grow. In 2006, they accounted for barely 1.3% of global FDI flows, compared with 16.5% for the United States (the largest investor), yet in 2016 they accounted for 12.6%, placing China second behind the United States (20.6%) (see figure I.6).

Figure I.6
United States and China: share of global FDI inflows and outflows, 2006-2016
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Conference on Trade and Development (UNCTAD), *World Investment Report, 2017: Investment and the Digital Economy* (UNCTAD/WIR/2017), Geneva.

By 2016, China's share of global FDI flows had risen to 12.6%, making it the world's second largest investor after the United States.

China is thus strengthening its position in the global economy as a major market for commodities and manufactured goods from developed and developing countries, and as a global player which, through its transnational companies, is successfully integrating into increasingly sophisticated sectors and actively participating in the new technology trends of the fourth industrial revolution.

While China's domestic market remains highly attractive for both developing and developed economies, for several years now the initiatives taken by the country's major companies have been changing the global geography of production in many sectors.

ECLAC has conducted an analysis of some mining products whose global value chains have been significantly altered by Chinese companies' strategies. Over the past 15 years, these firms have stepped up mineral extraction and increased demand for minerals on the global market, driving the boom in metal prices. At the same time they have invested in metal refining and smelting, and moved up the mining and metallurgy value chain. These companies have thus taken on a central role in iron, steel and aluminium manufacture, overtaking countries such as Germany, Japan, the Russian Federation and the United States, and providing serious competition for the Latin American industry (ECLAC, 2016a). Although this is part of China's industrialization project, there are signs that much more sophisticated products could start to follow a similar path.

It is inevitable that the weight of many Chinese firms in the global economy will continue to increase, given their size. According to *The Economist* (2017), the increase in FDI from China and in the mergers and acquisitions carried out by Chinese firms is not merely part of an industrialization strategy. In fact, mergers and acquisitions by Chinese transnational corporations target a wide variety of sectors, from football clubs to hotel chains, making it difficult to detect the industrial logic behind many of these deals.

The increasing size of many Chinese firms, the availability of cheap loans from State-owned banks and the difficulty of maintaining high profits solely in the domestic market explain in large part the growth in investment flows from China. However, the most recent mergers and acquisitions by Chinese transnational corporations present a more complex picture.

Although China's investment in the United States and Europe has been growing since 2011, it shot up by 130% in 2016, from US$ 41 billion in 2015 to US$ 94 billion, accounting for some 51% of total FDI outflows from that country.[4] The total amount would have been even higher if antitrust authorities in the United States and the European Union had not blocked the acquisition of Syngenta,[5] a Swiss agrochemical and seed company, by ChemChina, in 2016. The deal, worth US$ 44 billion, was later approved in June 2017.

Most of the flows from China to these two regions took the form of mergers and acquisitions, an important tool that allows purchasing companies to acquire knowledge, technological capacity, brands, a client base and market access quickly, sparing them the otherwise lengthy and difficult process they would have to undertake to develop their own.

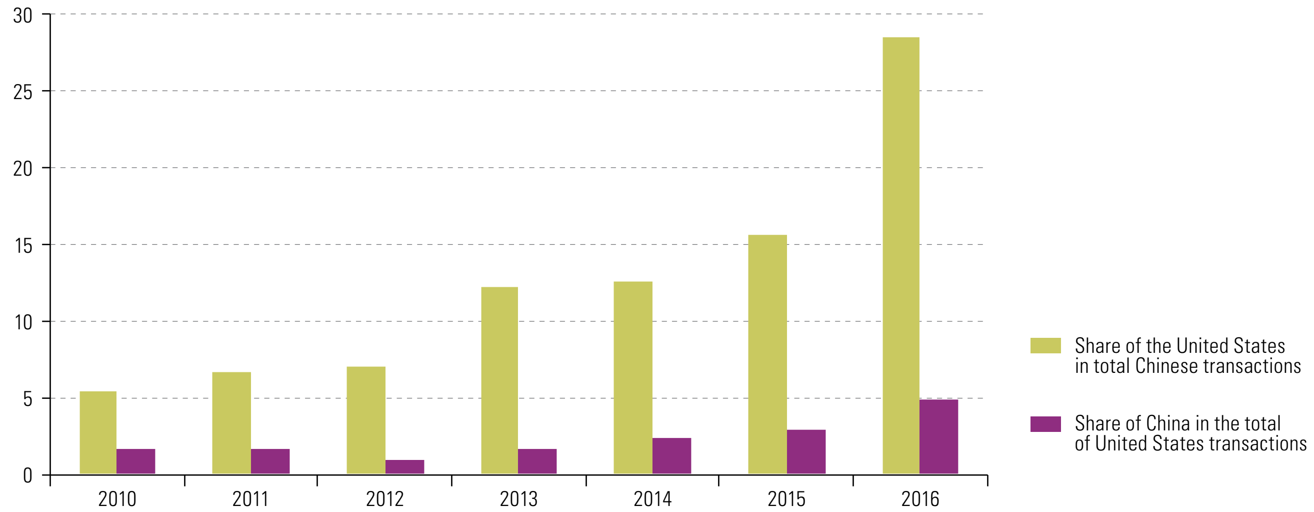
Chinese firms' interest in the United States has grown in the past five years. Figure I.7 shows the relative weight of the United States as a host country for mergers and acquisitions by Chinese companies, and vice versa. Between 2010 and 2016, the share of United States companies in the total acquisitions by Chinese firms rose from 5.4% to 28.6%. At the same time, Chinese corporations accounted for just 4.9% of United States companies' acquisitions.

Chinese firms made major acquisitions in the hardware, consumer electronics, real estate and entertainment sectors in the United States in 2016. In hardware, Apex Technology bought the printer company Lexmark International for US$ 3.6 billion and, in consumer electronics, Haier acquired the household appliance company GE Appliances (one of the largest United States brands in history) for US$ 5.6 billion.

Major deals were also closed in the hotel sector: Anbang Insurance Group (a Chinese financial services firm) acquired the luxury hotel chain Strategic Hotels & Resorts for US$ 5.5 billion; HNA Group, a multi-sector conglomerate (aviation, real estate, tourism, logistics and financial services) acquired Carlson Hotels Inc for an estimated US$ 2 billion; and China Life Insurance Company Limited bought a stake in Starwood Capital Group for US$ 2 billion. Meanwhile in the entertainment sector, Wanda Group, owner of the world's largest cinema chain (including Wanda Cinemas and Hoyts Group) acquired Legendary Entertainment, a film production company, for US$ 3.5 billion (Baker McKenzie, 2017).

4 Before 2008, both regions received less than US$ 1 billion in investment from China (Baker McKenzie, 2017).
5 Syngenta is one of the world leaders in this market and, in 2015, had rejected an acquisition bid from Monsanto.

Figure I.7
Relative weight of acquisitions by China in the United States and by the United States in China, 2010-2016
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg.

Chinese investments in Europe focused on information and communications technologies (ICTs), and totalled US$ 13.7 billion, followed by transport, energy and infrastructure, totalling US$ 12.2 billion, and industrial equipment, amounting to US$ 6.2 billion (Baker McKenzie, 2017). Some of the largest deals include the purchases of Supercell, a Finnish company specializing in mobile game development, by Tencent Holdings Limited —which offers Internet and mobile phone services ranging from e-commerce to interactive entertainment— for US$ 7.8 billion; Skyscanner, a travel website and search engine, by Ctrip, the largest Chinese travel company, for US$ 1.7 billion; and Global Switch, a British company specializing in operating and developing large scale data centres, by a consortium of Chinese investors.

In the industrial equipment sector, the Chinese transnational Midea Group, which manufactures electrical appliances, acquired KUKA AG, one of the world's leading manufacturers of industrial robots and factory automation systems for US$ 4.7 billion, while ChemChina acquired KraussMaffei, which manufactures industrial equipment and automated production systems, for US$ 1 billion. Both acquisition targets were high-tech German firms.

Various Chinese transnational companies have also invested in the air transport and energy sectors: HNA Group bought Avolon, an Irish aircraft leasing company, for US$ 2.5 billion, and Swissport International, for US$ 2.8 billion; and Beijing Enterprise acquired EEW Energy, a German company that produces energy from waste, for US$ 1.6 billion.

Several of these deals, particularly in the United States, reflect the diversity of targeted sectors and the finance background of acquiring firms. A large number of investments do not aim to upgrade technology or to build capacity in strategic sectors for industrial development. Instead, they focus on maintaining high profitability, facilitated by high global liquidity and easy access to public credit.

This growing trend looks set to continue, although probably not to the extent seen over the past two years, owing to tighter controls by the Chinese monetary authorities because of the negative impact of FDI outflows on the balance of payments and pressure on the national currency (Hanemann and Huotari, 2017) and to concerns about the high debt levels of some Chinese transnational firms. Although the Chinese authorities have not tweaked regulations on investments abroad, which have been loosened considerably in recent years, administrative checks have increased since 2016. This change may curb transactions that do not follow the industrial development logic, particularly those carried out by investment funds.

At the same time, efforts to acquire strategic industrial assets that would allow China to integrate into the new global industrial and technological landscape have raised concerns in Europe and the United States (Hanemann and Huotari, 2017). One example of this is the decision by the German and United States Governments in 2016 to block the acquisition of Aixtron (a German semiconductor equipment maker with assets in the United States) by Grand Chip, a Chinese investment company, citing national security risks, as the components produced could be used in the military electronics industry.

The new United States administration has clearly expressed its concern about the lack of restrictions on foreign investment in strategic sectors and technologies, particularly the semiconductor industry, where the United States is the world leader and China is the largest consumer and competitor (Skadden, 2017).

In short, while some factors are curbing FDI outflows from China, others are driving the continued international expansion of its major companies. The size of many Chinese firms, the country’s level of technological progress and industrial development, and the need to promote and strengthen its economic development are factors that will increasingly have an impact on many global sectors and on the global economy as a whole.

Efforts to acquire strategic industrial assets that would allow China to integrate into the new global industrial and technological landscape have raised concerns in Europe and the United States.

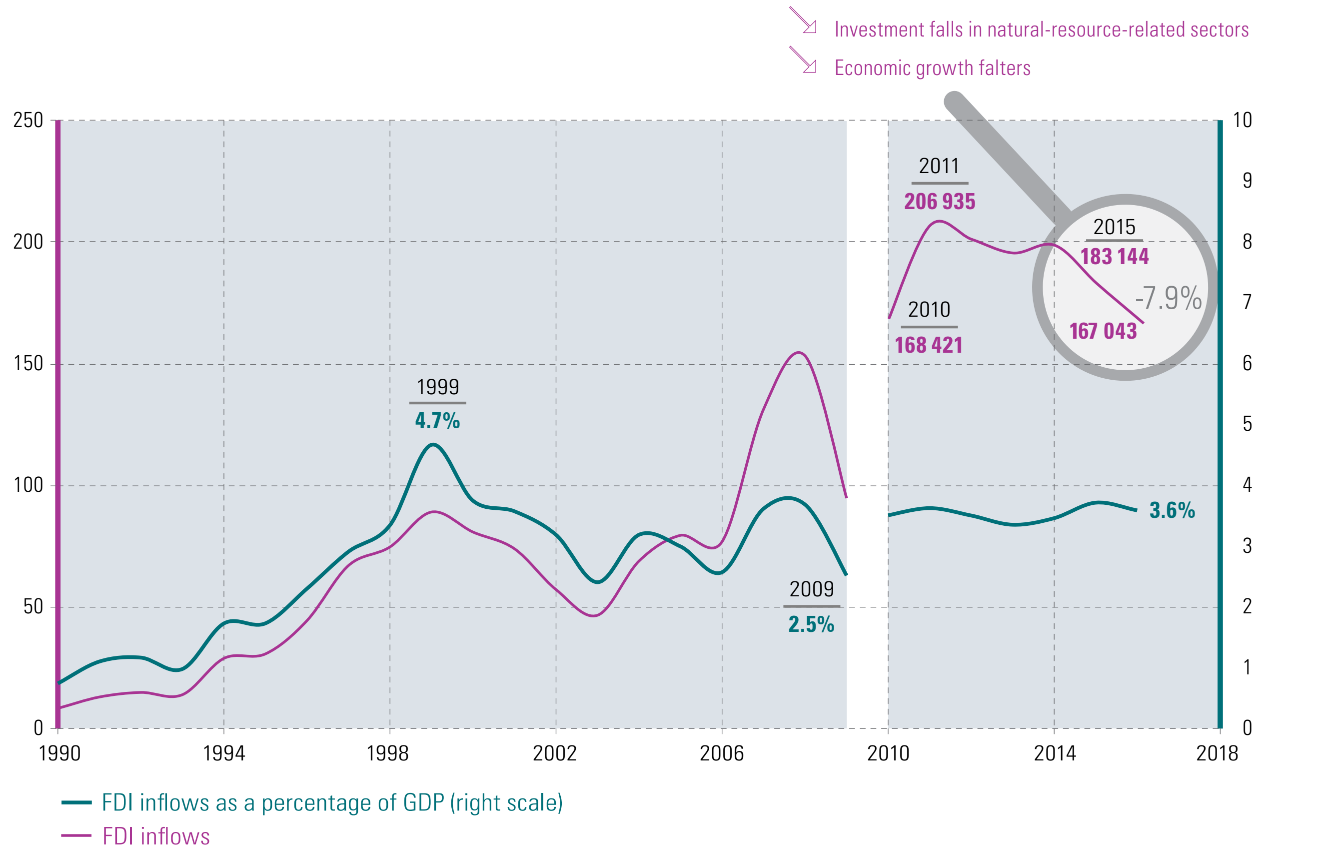
C. The region’s complex scenario

1. FDI fell by 7.9% in Latin America and the Caribbean in 2016

FDI flows into Latin America and the Caribbean declined by 7.9% to US$ 167.043 billion in 2016. This was just below the level seen in 2010 and 17.0% lower than the peak reached in 2011 (see figure I.8). This outcome derived from weaker investment in natural resources, particularly metal mining, and slow economic growth in the region.

The largest economies are the most attractive targets for transnational companies. In 2016, Brazil was still the biggest recipient of FDI in the region (47% of the total), followed by Mexico (19%), Colombia (8%) and Chile (7%) (see table I.4). Performances were mixed from one country to the next and FDI fluctuated considerably year-on-year, as large transactions in a given year can cause flows to vary dramatically in the short-term, without this setting a trend.

Figure I.8
Latin America and the Caribbean: FDI inflows, 1990-2016
(Billions of dollars and percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 15 June 2017.
Note: FDI figures do not include flows to the main financial centres of the Caribbean. FDI figures indicate FDI inflows, minus disinvestments (repatriation of capital) by foreign investors. These figures differ from those used in the 2017 editions of the *Economic Survey of Latin America and the Caribbean* and the *Preliminary Overview of the Economies of Latin America and the Caribbean*, because they show the net balance of foreign investment, that is, direct investment in the reporting economy (FDI) minus outward FDI. The figure for 2016 does not include the Bolivarian Republic of Venezuela or Trinidad and Tobago as no information is available for those countries. Since 2010, figures for Brazil include reinvested earnings from FDI; as a result, these figures are not directly comparable with those from before 2010. This is represented by the break in the lines.

At the subregional level, FDI in South America fell by 9.3%, while flows into Central America and the Caribbean rose by 3.7% and 3.3%, respectively. Within South America, Colombia posted the biggest increase in inflows (15.9%) and investment in Brazil climbed 5.7%. The largest declines in FDI were seen in Argentina (64.0%), Ecuador (43.7%) and Chile (40.3%). Investment in Mexico dropped by 7.9%, although it remained high compared with the levels seen in the past decade. Central America received a larger share of FDI, jumping from 3.7% of the total in 2010 to 7.0% in 2016. In this subregion, investment in Panama was at an all-time high, up 15.9% to US$ 5.209 billion. In the Caribbean, inflows to the Dominican Republic grew by 9.2%, totalling US$ 2.407 billion.

Table I.4

Latin America and the Caribbean: FDI inflows by recipient country and by subregion, 2005-2016

(Millions of dollars and percentage variation)

Subregion and Country	2005-2009[a]	2010	2011	2012	2013	2014	2015	2016	Absolute variation 2016-2015 *(millions of dollars)*	Relative variation 2016-2015 *(percentages)*
South America[b]	**68 400**	**135 957**	**168 689**	**170 153**	**134 545**	**150 895**	**131 724**	**118 219**	**-12 122**	**-9.3**
Argentina	6 204	11 333	10 840	15 324	9 822	5 065	11 759	4 229	-7 530	-64.0
Bolivia (Plur. State of)	259	643	859	1 060	1 750	657	555	410	-145	-26.1
Brazil	32 331	88 452	101 158	86 607	69 181	96 895	74 694	78 929	4 235	5.7
Chile	12 268	16 153	24 374	30 562	21 092	24 011	20 469	12 225	-8 243	-40.3
Colombia	8 894	6 430	14 648	15 039	16 209	16 163	11 732	13 593	1 860	15.9
Ecuador	465	166	644	568	727	772	1 322	744	-578	-43.7
Paraguay	137	462	581	697	252	382	260	274	13	5.1
Peru	4 978	8 455	7 341	11 788	9 800	4 441	8 272	6 863	-1 409	-17.0
Uruguay	1 461	2 289	2 504	2 536	3 032	2 188	1 279	953	-326	-25.5
Venezuela (Bol. Rep. of)[c]	1 403	1 574	5 740	5 973	2 680	320	1 383	...		0.0
Mexico	**26 276**	**21 035**	**23 792**	**17 101**	**46 597**	**29 296**	**34 878**	**32 113**	**-2 766**	**-7.9**
Central America	**5 815**	**6 309**	**9 061**	**9 230**	**10 495**	**11 655**	**11 412**	**11 833**	**421**	**3.7**
Costa Rica	1 584	1 907	2 733	2 696	3 205	3 195	3 145	3 180	35	1.1
El Salvador	662	-226	218	484	176	311	399	374	-25	-6.2
Guatemala	640	806	1 026	1 245	1 295	1 389	1 221	1 181	-40	-3.3
Honduras	742	969	1 014	1 059	1 060	1 417	1 204	1 002	-201	-16.7
Nicaragua	394	490	936	768	816	884	950	888	-62	-6.5
Panama	1 792	2 363	3 132	2 980	3 943	4 459	4 494	5 209	715	15.9
The Caribbean[b]	**6 598**	**5 121**	**5 393**	**4 635**	**3 880**	**6 843**	**5 129**	**4 878**	**155**	**3.3**
Antigua and Barbuda	237	101	68	138	101	155	154	146	-8	-5.2
Bahamas	1 265	1 097	1 409	1 034	1 133	1 599	408	522	113	27.8
Barbados	416	446	458	548	56	559	69	228	159	228.5
Belize	131	97	95	189	95	153	65	33	-32	-49.7
Dominica	45	43	35	59	25	35	36	33	-2	-6.9
Dominican Republic	1 782	2 024	2 277	3 142	1 991	2 209	2 205	2 407	202	9.2
Grenada	117	64	45	34	114	38	61	63	3	4.6
Guyana	135	198	247	294	214	255	122	58	-64	-52.3
Haiti	69	178	119	156	161	99	106	105	-1	-0.7
Jamaica	882	228	218	413	545	582	925	790	-135	-14.5
Saint Kitts and Nevis	136	119	112	110	139	120	78	69	-9	-11.7
Saint Lucia	183	127	100	78	95	93	95	97	2	2.2
Saint Vincent and the Grenadines	108	97	86	115	160	110	121	104	-17	-14.0
Suriname	-141	-248	70	174	188	164	279	222	-57	-20.4
Trinidad and Tobago	1 232	549	55	-1 849	-1 134	672	406	...		0.0
Total[b]	**107 088**	**168 421**	**206 935**	**201 118**	**195 518**	**198 687**	**183 144**	**167 043**	**-14 312**	**-7.9**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 15 June 2017.

Note: Information based on the *Balance of Payments and International Investment Position Manual Sixth Edition* (BPM6) of the International Monetary Fund (IMF, 2009), except for Argentina, the Bahamas, Barbados, Belize, Ecuador, El Salvador, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Peru, the Plurinational State of Bolivia, Suriname and Uruguay.

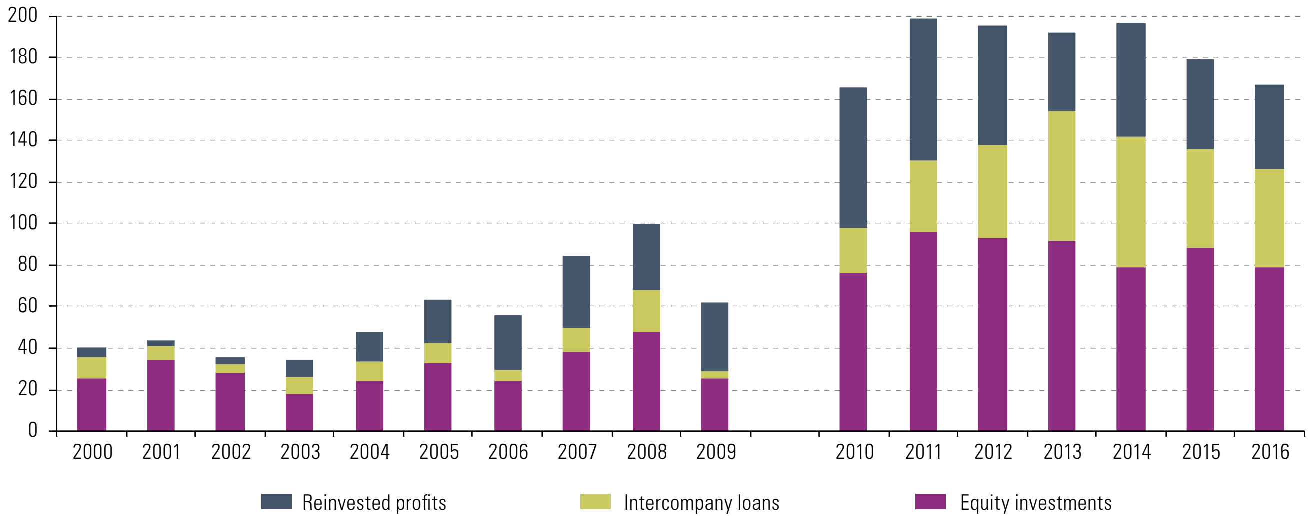
[a] Simple averages. Due to methodological changes, data prior to 2010 are not directly comparable with data for 2010 and after.

[b] The total and regional subtotal variations were calculated on the basis of annual data for all the countries except the Bolivarian Republic of Venezuela and Trinidad and Tobago.

[c] Data for the first three quarters of 2015.

With respect to FDI components, capital contributions posted the largest decline (10%), followed by reinvested earnings (6%). This suggests a defensive wait-and-see stance by transnational companies operating in the region in the light of less attractive prices for natural resources and the contraction of several countries' domestic markets. At the same time, these patterns could be the result of the collapse in asset profitability, which was strongest during the boom in prices for metals and other commodities. Reinvested earnings decreased for the second year in a row, to US$ 40.807 billion in 2016, equivalent to just 59.2% of the level seen in 2011, when the region's FDI inflows were at an all-time high (see figure I.9).

Figure I.9
Latin America and the Caribbean: FDI inflows by component, 2000-2016
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 15 June 2017.
Note: Data before and after 2010 and as of that year onward are not directly comparable, because they refer to a different selection of countries. In both cases, the data exclude Bolivarian Republic of Venezuela, Suriname and Trinidad and Tobago; before 2010, they also exclude Brazil.

2. Rising star: non-conventional energy

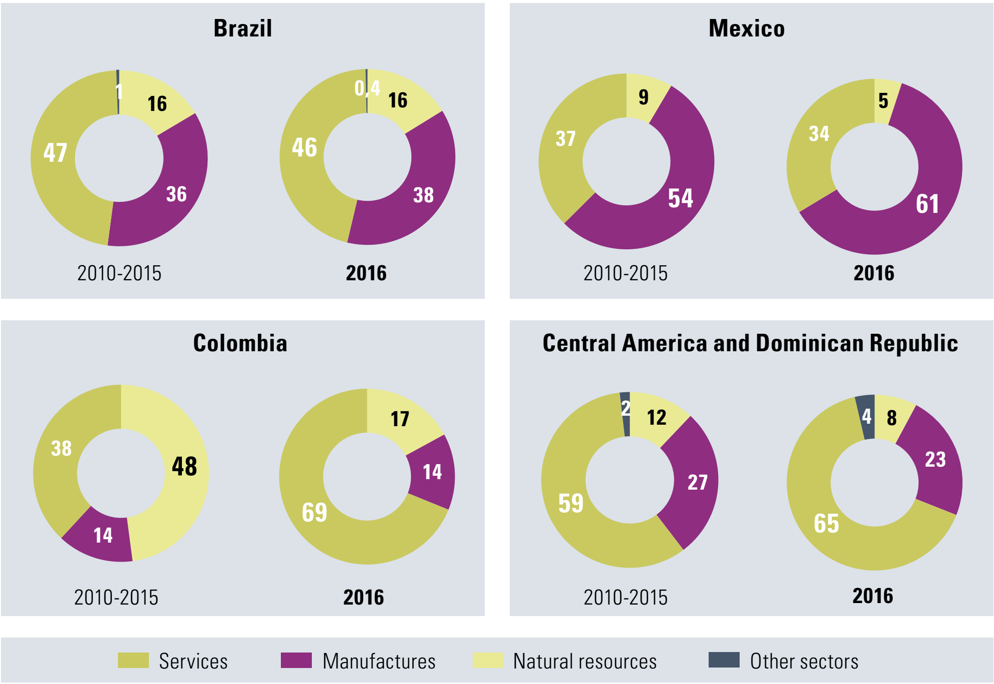
With the boom in commodity prices now over, capital flows to natural resource extraction in Latin America and the Caribbean have slowed. This is reflected in the sectoral make-up of FDI inflows. The natural resources sector's share of FDI declined from 2010 onwards and fell from 18% of the total in 2010-2015 to 13% in 2016,[6] while the weight of manufacturing and services rose to 40% and 47%, respectively, of the total.

The sectoral structural changes were greater in countries where extractive industries have traditionally attracted foreign capital. In Colombia for example, FDI in natural resources plunged from 48% of the total in 2010-2015 to 17% in 2016 (see figure I.10). The share of natural resources in FDI in Brazil peaked at 31% in 2010 and subsequently declined sharply to 16% in 2016. In Mexico, natural resources accounted for just 5% of FDI in 2016, while manufacturing saw its share increase to 61%. The long-term growth

[6] Not all countries in the region publish FDI statistics disaggregated by sector.

in FDI in manufacturing, mainly in Brazil and Mexico, is linked to the development of the automobile industry and technological disruption in the sector (which is analysed in chapters II and III of this document). Meanwhile, in Colombia and in Central America and the Dominican Republic, services now account for the lion's share of FDI, standing at 69% and 65%, respectively.

Figure I.10
Latin America (selected subregions and countries):[a] distribution of FDI by sector, 2010-2016
(Percentages)



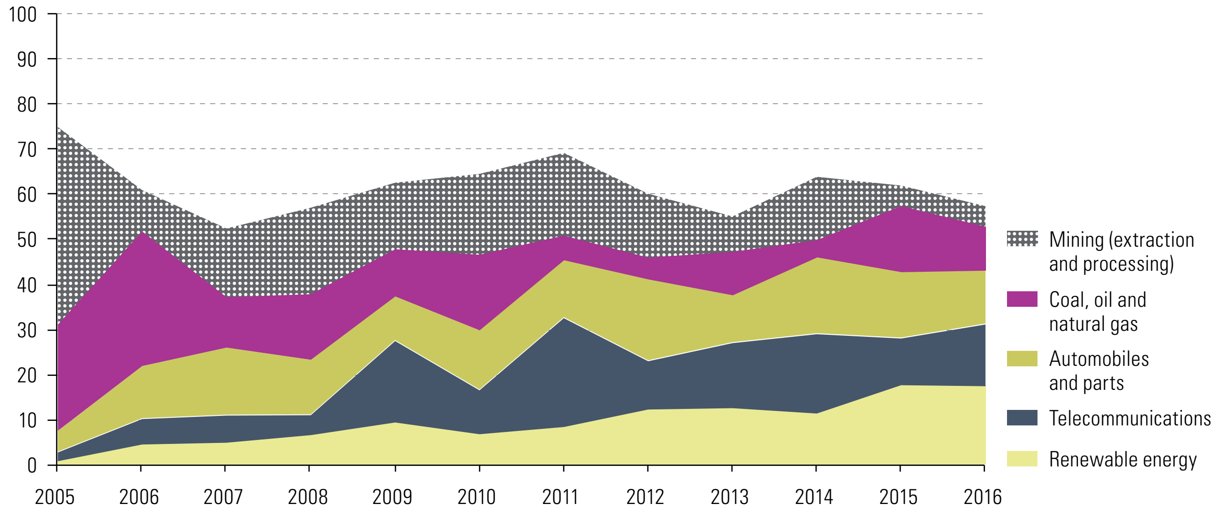
Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures and estimates as of 15 June 2017.
[a] Figures for Central America do not include Costa Rica or Panama, because data for 2016 are not available.

The services category covers a range of economic activities and the weight of FDI in each subsector varies from one country to another and from one year to the next, as transactions often require large investments in infrastructure or electricity, for example. In spite of this, four areas stand out as the largest recipients: financial services; trade; electricity, gas and water services; and telecommunications.

Given the limitations in coverage and detail of national FDI statistics disaggregated by economic activity, the present analysis is supplemented with information compiled by the Financial Times publication, *fDi Markets*, (see figure I.11).[7] The sectoral make-up of announced investment projects changed following the end of the commodity boom, when the number of projects announced in extractive industries began falling steadily and was offset by the increase in investments announced in other sectors, mainly renewable energy, telecommunications and the automobile industry, in which the region received 17%, 21% and 20% of world overall investment, respectively.

[7] This base includes the figures announced for greenfield investments, which are not strictly comparable with FDI inflow statistics, as they refer to investment plans which may materialize over a long period of time, including several years after the announcement, and for which the final amount invested may differ from what had been previously announced. Meanwhile, FDI statistics correspond to foreign exchange inflows used to finance transnational companies' activities over a period of one year in a recipient economy. Announced project information reveals the medium- and long-term strategies of transnational firms broken down by sector.

Figure I.11
Latin America and the Caribbean: distribution of announced FDI projects by sector, 2005-2016
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, *fDi Markets*.
Note: This analysis excludes the 2013 announcement of the Nicaragua Canal, for a value of US$ 40 billion.

The data presented in the figure I.11 reveal the following general trends:

- Announced greenfield investments in the extractive industry dropped from an average of 38% of the total for the period 2005-2010, to 14% in 2016. In both 2015 and 2016, the amounts announced were the lowest of the last 10 years, which is consistent with the strategy of focusing on key assets and halting new investments by transnational companies in that sector.
- Renewable energy project announcements have increased steadily over the past decade. This sector attracted the most greenfield investment in 2016, with its share of the total climbing from an average of 6% for 2005-2010 to 18% in 2016, making it the fastest-growing sector in that period.
- The telecommunications sector accounted for 14% of the announced total in 2016, making it the second-largest recipient of investments announced in the region. Infrastructure development, the speed of technological change and strong competition forced operators, mainly transnational companies, to invest in order to remain competitive.
- Global digital platforms have also invested in the region, mainly in data centres that provide cloud services and related activities. The 16 projects announced would require an investment in the order of US$ 2.7 billion (4% of the total).

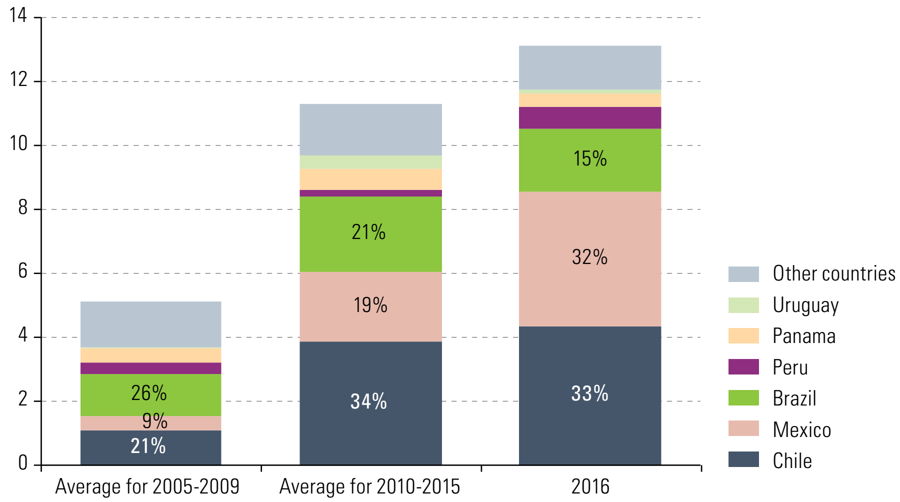
Renewable energy project announcements have increased steadily over the past decade and this sector attracted the most greenfield investment in 2016.

When the amounts of investment projects announced for the region over the last three years are broken down, the automotive industry is clearly the most geographically concentrated, with 76% of the total in Mexico, 11% in Brazil and 9% in Argentina. That sector also accounts for the majority of announcements concerning Mexico (31% of the total). Meanwhile, in telecommunications, 59% of the projects' value was concentrated in Brazil and Mexico; yet it was the main sector in several countries of the region, in particular Colombia and Argentina (accounting for 19% and 16% of announced investments for the country, respectively).

The production of renewable energy has taken off in the region in the last two years. Through tenders and auctions conducted in many countries, this sector has become firmly established in the energy matrix: for example, in Honduras, 9.8% of the electricity supply comes from solar photovoltaic energy and in Uruguay, 22.8% of the electricity consumed in 2016 came from wind power (REN21, 2017). Many of these developments are the result of investment by transnational corporations, led by Spanish firms including Abengoa, Iberdrola and Acciona; the Italian company, Enel; Ireland's Mainstream Renewable Power; France's Engie; and firms from the United States and Canada. Among the region's companies, two Brazilian firms announced projects in recent years: Eletrobras, with projects in Panama, Peru and Uruguay; and Latin America Power, with projects in Chile, Panama and Peru. In 2016, two Chinese firms, Jinko Solar and Envision Energy, entered the Mexican market.

Of the countries of the region, Chile was the recipient of the most announced investments in renewable energy, with 33% of the total value announced for the sector in 2016, followed by Mexico, where energy market reforms and the consequent renewable energy tenders led to the country receiving 32% of the total amount announced (see figure I.12).

Figure I.12
Latin America and the Caribbean: value of announced FDI projects in renewable energy by country, 2005-2016
(Billions of dollars and percentages of the total)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, *fDi Markets*.

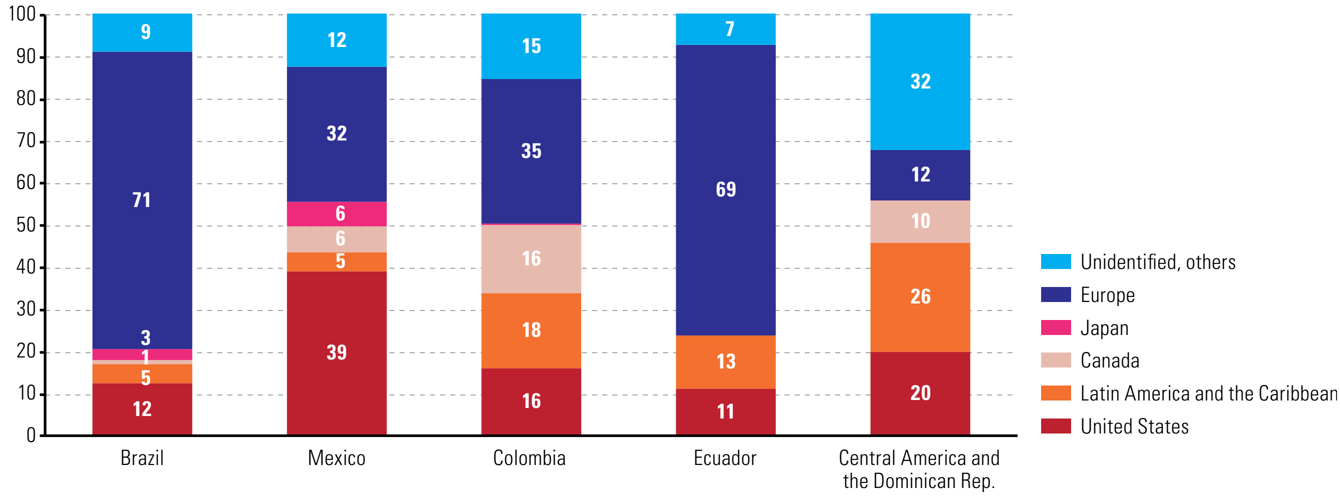
It should be remembered that investment in renewable energy worldwide decreased in 2016 owing to lower generation costs —average per-megawatt (MW) costs for solar photovoltaic and wind power fell by more than 10%— which meant that less investment was needed to increase supply, and to the investment slowdown in key markets such as China and Japan. Investment in renewable energy is expected to continue, though perhaps at a slower clip, particularly in smaller markets such as Uruguay, whose wind power market is close to saturation point, or Chile, where the low prices offered at solar energy auctions could make it difficult to secure funding (Frankfurt School-UNEP Collaborating Centre for Climate and Sustainable Energy Finance, 2017).

3. Little diversification among home countries

As in 2015, the United States was the leading investor in the region in 2016 (accounting for 20% of the total); nonetheless, as a block, Europe led the field in investment in Latin America and the Caribbean with 53% of the total, with the Netherlands accounting for the largest share of FDI flows (12%).[8]

The profile of investors differs within the region. European investors are more prevalent in South American countries, while in Mexico, Central America and the Caribbean, investment comes predominantly from United States firms. In 2016, European investors accounted for 71% of total investment in Brazil, a similar percentage to that seen in Ecuador, while in Central America and the Dominican Republic only 12% of investment came from Europe. Mexico had the highest flow of investment from the United States (39%) (see figure I.13).

Figure I.13
Latin America and the Caribbean (selected subregions and countries): origin of FDI, 2016
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 15 June 2017.

With respect to cross-border mergers and acquisitions of companies located in the region, the United States and the European Union together accounted for half of the total value of transactions concluded in 2016 (29% and 24%, respectively), while Canada and China accounted for 15% and 12%, respectively. In terms of the number of transactions, the United States continued to lead the way (23% of the total), followed by Canada (15%), Spain (10%) and the United Kingdom (8%). Among the 20 largest transactions were energy sector acquisitions by firms from the United States, European countries, China and Canada (see table I.5).

8 The weight of the Netherlands in the statistics bears little relationship to the presence of Dutch firms in the region, because many transnational corporations establish their subsidiaries in the Netherlands, attracted by its tax advantages, and the flows are registered as originating from that country (ECLAC, 2016a).

Table I.5
Latin America and the Caribbean: 20 largest cross-border mergers and acquisitions, 2016

Firm/ country of origin	Assets acquired/ country of assets	Sector	Amount (millions of dollars)	Country of seller
Brookfield Renewable Partners Canada	ISAGEN S.A., E.S.P. (99.6%) Colombia	Energy	3 528	Colombia
Statoil ASA Norway	Cuenca de Santos exploration block (66%) Brazil	Oil and gas	2 500	Brazil
Teva Pharmaceutical Industries Ltd. Israel	Representaciones e Investigaciones Médicas S.A. Mexico	Pharmaceuticals	2 300	Mexico
Anadarko Petroleum Corp. United States	Freeport-McMoRan-Gulf of Mexico Mexico	Oil and gas	2 000	United States
Vinci SA France	Línea Amarilla concession Peru	Services	1 661	Brazil
China Molybdenum Co. Ltd. China	Anglo American-niobium and phosphates Brazil	Mining	1 500	United Kingdom
I Squared Capital Advisors US LLC United States	Duke Energy Latin America Argentina, Chile, Ecuador, El Salvador, Guatemala and Peru	Energy	1 200	United States
China Three Gorges Corporation China	Duke Energy International Brazil Brazil	Energy	1 200	United States
FleetCor Technologies Inc. United States	Serviços e Tecnologia de Pagamentos S.A. Brazil	Services	1 089	Brazil
Coca-Cola Femsa S.A.B. de C.V. Mexico	Vonpar S.A. Brazil	Beverages	1 029	Brazil
Abertis Infraestructuras S.A. Spain	Autopista Central concession (remaining 50%) Chile	Services	1 028	Canada
Coty Inc. United States	Hypermarcas, beauty and personal care section Brazil	Manufacturing and retail	985	Brazil
Infraestructura Energética Nova, subsidiara de Sempra Energy United States	Ventika I and II wind farms Mexico	Energy	852	United States
Fintech Telecom LLC United States/Mexico	Telecom Argentina S.A. (46.31%) Argentina	Telecommunications	849	Argentina
Enel S.p.A. Italy	CELG Distribuição S.A. (94.8%) Brazil	Energy	647	Brazil
Prudential Financial Inc. United States	Administradora de Fondos de Pensiones Habitat S.A. (40.23%) Chile	Finance	625	Chile
Grupo de Inversiones Suramericana S.A. Colombia	RSA Insurance Group Latin America Argentina, Brazil, Chile, Colombia, Mexico and Uruguay	Finance	619	United Kingdom
Cubico Sustainable Investments Ltd. United Kingdom	Two wind farms from Casa dos Ventos Energias Renováveis (total 392 MW) Brazil	Energy	494	Brazil
Compass Minerals International Inc. United States	Produquímica Indústria e Comercio S.A. (remaining 65%) Brazil	Chemicals	480	Brazil
Hainan Airlines Co. Ltd. China	Azul S.A. (23.7%) Brazil	Transport	450	Brazil

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg figures.

United States firms concluded a number of large transactions in 2016, including the acquisition of Freeport-McMoRan oil assets in the Gulf of Mexico by Anadarko Petroleum Corp. for US$ 2 billion and the purchase of Duke Energy's Latin American portfolio by I Squared Capital Advisors for US$ 1.2 billion. United States and European firms were also eager to acquire road concessions or toll road operations, as evidenced by the acquisition of the Línea Amarilla highway in Peru by French group Vinci S.A. for US$ 1.66 billion, the purchase of Serviços e Tecnologia de Pagamentos S.A., Brazil's largest electronic toll payments firm, by United States group FleetCor Technologies Inc for US$ 1.089 billion, and Spanish company Abertis' buyout of the concession of Chile's Autopista Central for US$ 1.028 billion.

The largest transaction of the year was made by the Canadian firm Brookfield Renewable Partners, which purchased Colombian hydroelectric company ISAGEN for US$ 3.5 million, including the Colombian Government's 57.6% interest in that company. Canada was on par with the United States in terms of the number of transactions; however, as these primarily involved small mining deals, Canada had only one of the 20 largest transactions.

Conversely, Chinese firms carried out 3 of the largest 20 transactions, with the highest value purchases concentrated in the energy and mining sectors in Brazil. China Molybdenum Co. acquired the niobium and phosphates businesses of the British company, Anglo American, for US$ 1.5 billion and China Three Gorges Corporation bought the hydropower plants of the American firm Duke Energy Corp for US$ 1.2 billion. The US$ 450 million acquisition by Hainan Airlines Co. Ltd. of a 23.7% stake in Brazilian airline, Azul S.A., signalled a novel diversification of China's investment profile. China has thus cemented its role as a leading investor in Latin America and the Caribbean in recent years, and while it is only just beginning to participate in sectors other than extractive industries, the aforementioned transactions could point to a widening of the sectoral profile of Chinese capital in the region, as has been the case in Europe and the United States in the last two years (see section B of this chapter).

Two of the 20 largest transactions of 2016 were carried out by trans-Latin firms; both the Mexican Coca-Cola franchise and the Colombian company Sura extended their reach in the regional market (see section D). The sale of the Mexico-based pharmaceutical company, Representaciones e Investigaciones Médicas S.A., to the Israeli multinational Teva Pharmaceutical Industries was the second largest transaction of the year. However, a legal battle ensued between buyer and seller, leading to the shutdown of the manufacturing plant.[9] Unlike in previous years, there were few major telecoms transactions, with only one among the 20 largest.

One of the largest divestment operations of 2016 occurred in the financial sector. The British bank, HSBC Holdings, sold all of its Brazilian operations to Banco Bradesco S.A. for US$ 5.186 billion, in line with its strategy of retreating from emerging markets (see table I.6).

The divestment strategy undertaken by Petrobras was reflected in the sale of assets in Brazil and abroad. In particular, a 67.19% stake of Petrobras Argentina S.A. was sold to Argentine company Pampa Energía S.A. for US$ 892 million. While the energy sector has received major investments from transnational corporations, local firms have also been making acquisitions. For example, the Brazilian company CPFL Energia purchased Distribuidora Gaúcha de Energia S.A. from United States-based AES Corporation for US$ 464 million, and the Argentine group Desarrolladora Energética S.A. expanded its presence in the province of Buenos Aires by acquiring control of the concessions granted to Empresa Distribuidora de Energía Norte S.A. and Empresa Distribuidora de Energía Sur S.A.

9 At the time of writing, it was not known whether the dispute had been resolved, although there were suggestions in April 2017 that the company might resume operations within a few months (see Reuters, 2017).

Table I.6
Latin America and the Caribbean: 10 largest divestments, 2016

Selling firm/ country of seller	Assets sold/ buyer	Sector	Amount *(millions of dollars)*	Country of buyer
HSBC Holdings PLC United Kingdom	HSBC Bank Brazil S.A.-Banco Multiplo, HSBC Serviços e Participações Ltda. Banco Bradesco S.A.	Finance	5 186	Brazil
Petroleo Brasileiro S.A. Brazil	Petrobras Argentina S.A. (67.19%) Pampa Energia S.A.	Oil and gas	892	Argentina
AES Corp. United States	AES Sul Distribuidora Gaucha de Energia S.A. CPFL Energia S.A.	Energy	464	Brazil
Institutional investors United States, Venezuela (Bolivarian Repepublic of)	Empresa Distribuidora de Energia Norte S.A., Empresa Distribuidora de Energia Sur S.A. Desarrolladora Energetica S.A.	Energy	220	Argentina
Lyondell Basell Industries Netherlands	Petroken Petroquimica Ensenada S.A. Grupo Inversor Petroquimica	Manufacturing	184	Argentina
EDP-Energias de Portugal S.A. Portugal	Pantanal Energetica Ltda. Cachoeira Escura Energetica S.A.	Energy	124	Brazil
Sears Holdings Corp. United States	Sears Operadora Mexico S.A. de C.V. (remaining 14%) Grupo Sanborns S.A.B. de C.V.	Retail	106	Mexico
KLS Ltd. Republic of Korea	Marcobre S.A.C. (remaining 30%) Minsur S.A.	Mining	85	Peru
Host Hotels & Resorts Inc. United States	Hotel Sheraton Santiago and San Cristóbal Tower Larrain Vial S.A.	Hotels	76	Chile
International Meal Co. Alimentaçao S.A. Brazil	Inversionistas en Restaurantes de Carnes y Cortes Taco Holding SAPI de CV (subsidiary of Nexxus Capital)	Restaurants	61	Mexico

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg.

4. FDI remains the most stable component of capital inflows

The effects of FDI on external accounts can be assessed based on several factors. First, foreign investment continues to be the largest and most stable financial account component. In 2016, despite a 7.9% decline, FDI accounted for 71% of foreign capital inflows. The other two components were worth less and were more volatile: portfolio investment increased by 4.5%, but remained much lower than levels attained between 2010 and 2014, while other investment inflows collapsed (see figure I.14).

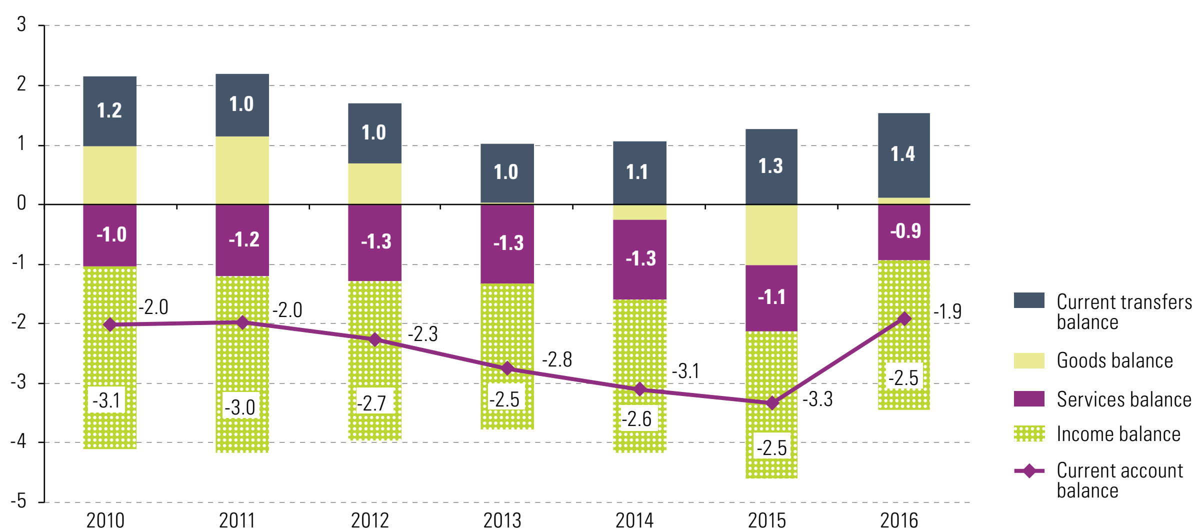
In 2016, despite a 7.9% decline, FDI accounted for 71% of foreign capital inflows.

Figure I.14
Latin America and the Caribbean: cross-border capital inflows, 2005-2016
(Billions of dollars)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 15 June 2017.
Note: FDI data prior to 2010 are not directly comparable with those for 2010 and later. This is represented by a white line on the graph.

Secondly, it is important to consider the effect of FDI income on the balance-of-payments current account, which has declined steadily since 2006 reaching a negative value equivalent to -3.3% of GDP in 2015, largely as a result of the deteriorating goods balance. In 2016, however, the deficit narrowed, reaching the equivalent of -1.9% of GDP, thanks to the sharp fall in the goods balance deficit caused by the economic downturn, which led to a contraction in imports that outweighed the drop in exports. The services balance deficit also narrowed, though to a lesser extent, and current transfers increased (see figure I.15).

Figure I.15
Latin America and the Caribbean: balance-of-payments current account by component, 2010-2016
(Percentages of GDP)



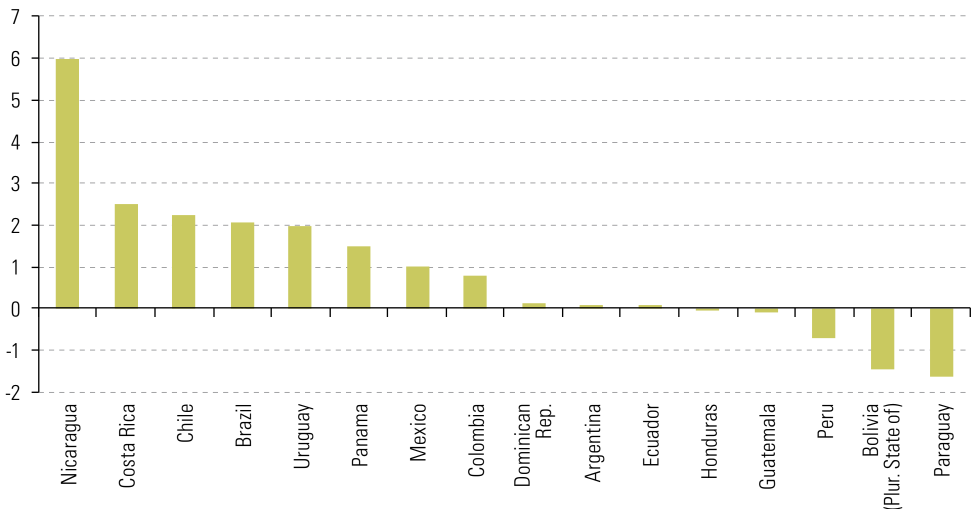
Source: Economic Commission for Latin America and the Caribbean (ECLAC), *Economic Survey of Latin America and the Caribbean, 2017*, briefing paper, Santiago.

The income balance is the component with the largest deficit and the one that produces the greatest net outflows of funds abroad. Within this item, the biggest component is the repatriation of FDI profits by transnational firms to their parent companies and, despite the drop in FDI income in 2016, the income balance deficit is still equivalent to -2.5% of GDP.

When FDI inflows and income outflows derived from FDI stock in each country are combined, their impact on the balance of payments becomes clear. While the impact of FDI is generally positive, the picture is more complex when considering the different countries of the region.

From 2010 to 2016, FDI had a positive impact on the balance of payments in Brazil, Chile, Colombia, Costa Rica, Mexico, Nicaragua, Panama and Uruguay, while net balances were close to zero in Argentina, the Dominican Republic, Ecuador, Guatemala and Honduras. By contrast, the income generated by FDI stock exceeded new capital inflows in Paraguay, Peru and the Plurinational State of Bolivia (see figure I.16). As FDI inflows stagnate or drop, the resultant increase in capital stock and income (even with lower profitability) could weigh even more heavily on the balance of payments.

Figure I.16
Latin America and the Caribbean (selected countries): balance between FDI inflows and FDI income outflows, average for the period 2010-2016
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 15 June 2017.

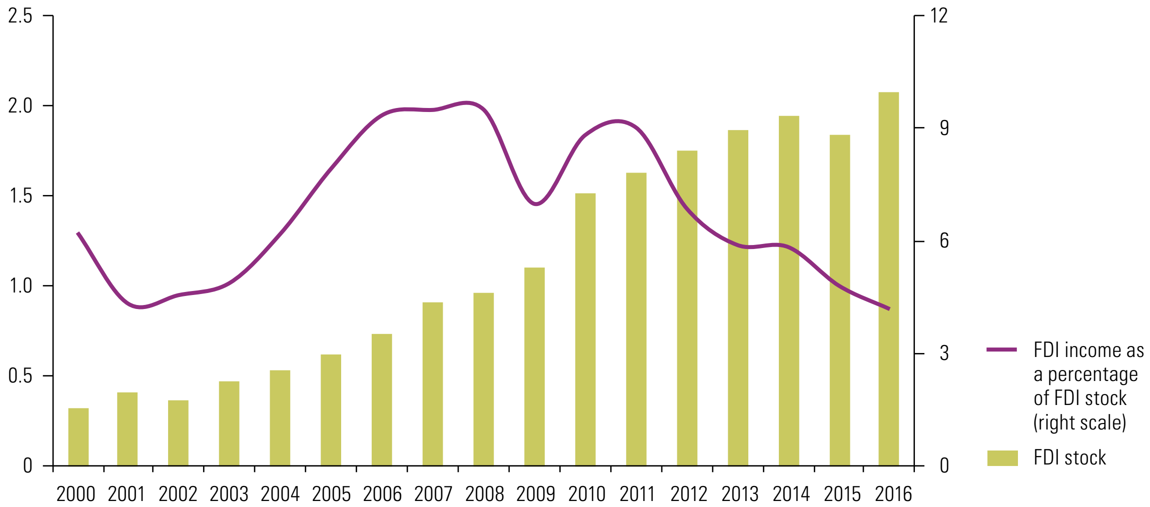
5. Decreasing FDI profitability is damaging investment prospects

Despite a 12.8% rise in FDI stock in 2016 to a record high, the average profitability of foreign capital stock[10] fell again, reaching its lowest level of the last 15 years (4.2%) (see figure I.17). Around 55% of this income was repatriated to the countries of origin, meaning that there was a relative increase in reinvested earnings compared with the repatriated earnings, which were as high as 70% in 2013.

Average FDI profitability differs depending on each country's specialization. In 2016, economies that invested heavily in mining and hydrocarbons saw a much steeper decline, as was the case in Colombia, Peru, the Plurinational State of Bolivia, and, to a lesser extent, Chile. Nevertheless, profitability fell in all of the countries under consideration in 2016, with the exception of Panama (see figure I.18).

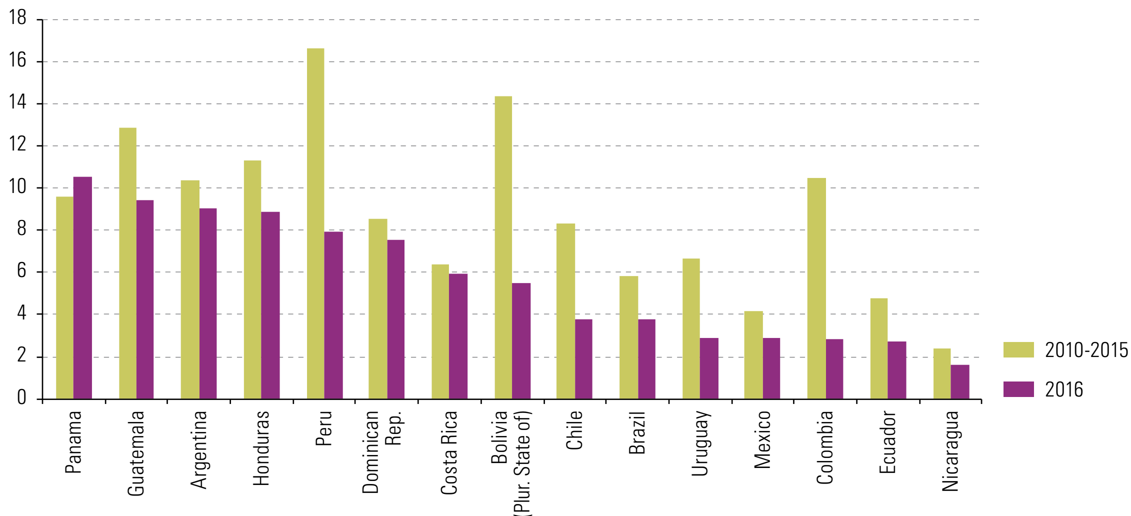
10 Calculated as the ratio of FDI income to capital stock, based on balance-of-payment data.

Figure I.17
Latin America and the Caribbean:[a] stock and average profitability of FDI, 2000-2016
(Trillions of dollars and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 15 June 2017.
Note: Average profitability is measured as FDI income divided by FDI stock.
[a] Does not include data for the Bolivarian Republic of Venezuela, Jamaica, Trinidad and Tobago or the member countries of the Organisation of Eastern Caribbean States (OECS).

Figure I.18
Latin America and the Caribbean (selected countries): average profitability of FDI, 2010-2016
(Percentages)



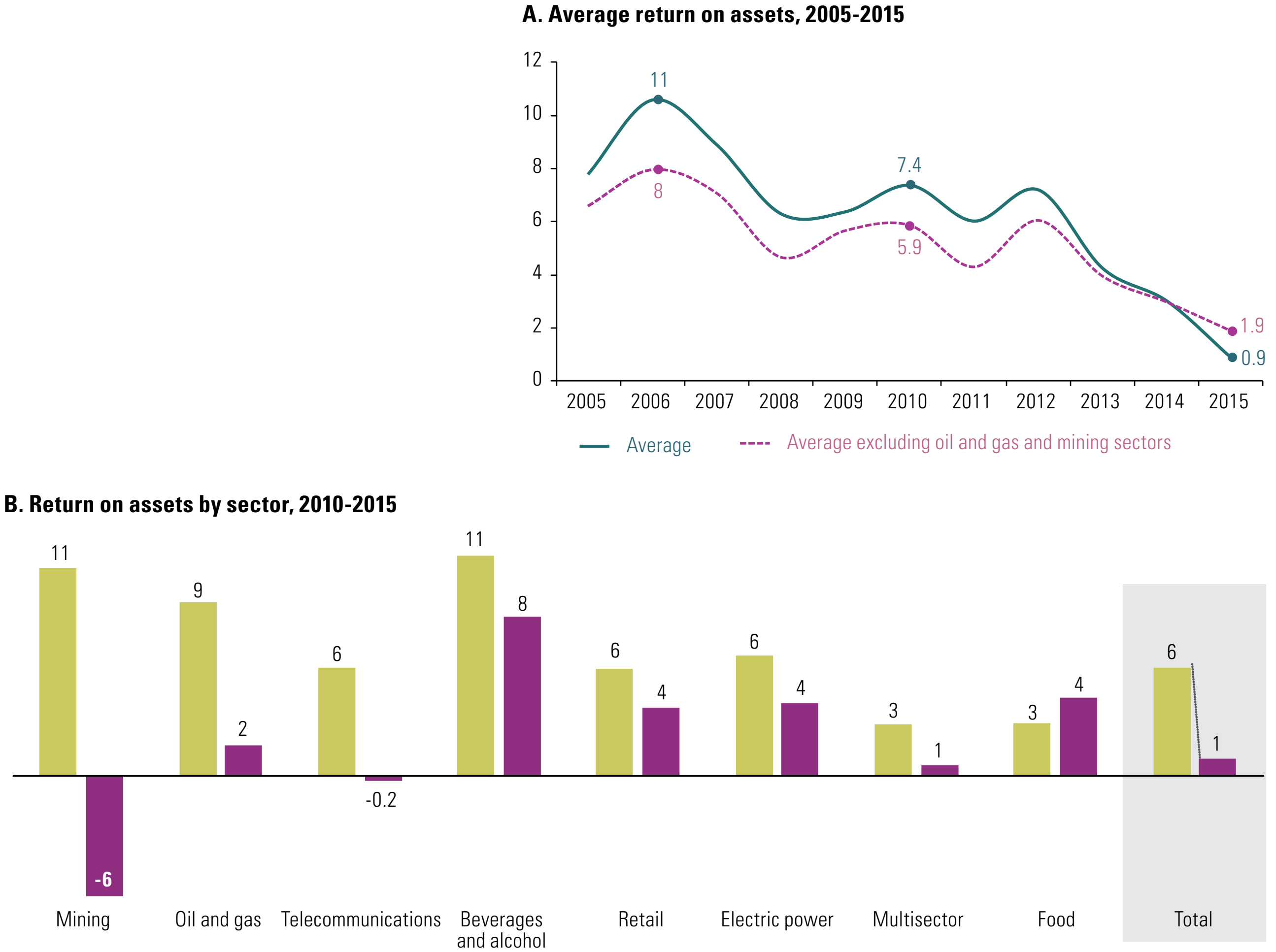
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 15 June 2017.
Note: Average profitability is calculated as the ratio between FDI income and FDI stock.

At the company level, available data for the 500 largest companies in the region, both domestic and foreign-owned, show that the return on assets has been falling since 2010,[11] when it was 7.4% (5.9% excluding natural resources). Since then it has continued to drop, reaching 0.9% (1.9% excluding natural resources) in 2015.

[11] Unlike average FDI profitability, the return on assets is calculated on the basis of data from the 500 largest companies in Latin America as ranked by *América Economía*, based on the ratio of profits to the published value of assets for a given year.

Although the decline in average return on assets has primarily been the result of the plummeting prices of mining products, almost all sectors of the economy have experienced a downturn (see figure I.19). A comparison of the average for the period 2011-2014 with 2015 shows that the mining and oil and gas sectors were dealt the heaviest blow, and that the telecommunications sector also saw a significant decline.

Figure I.19
Latin America and the Caribbean: return on assets, average and by sector
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from *América Economía*.
Note: The data show results for the 500 biggest firms, by annual turnover, in Latin America and the Caribbean, excluding those firms that do not publish specific data on their subsidiaries abroad. The data cover cross-border and national firms, but not State-owned firms. The sectors included in figure B are the eight sectors with the highest turnover, according to *América Economía* (2015). The average sectoral return on assets is calculated as the ratio between profits and assets.

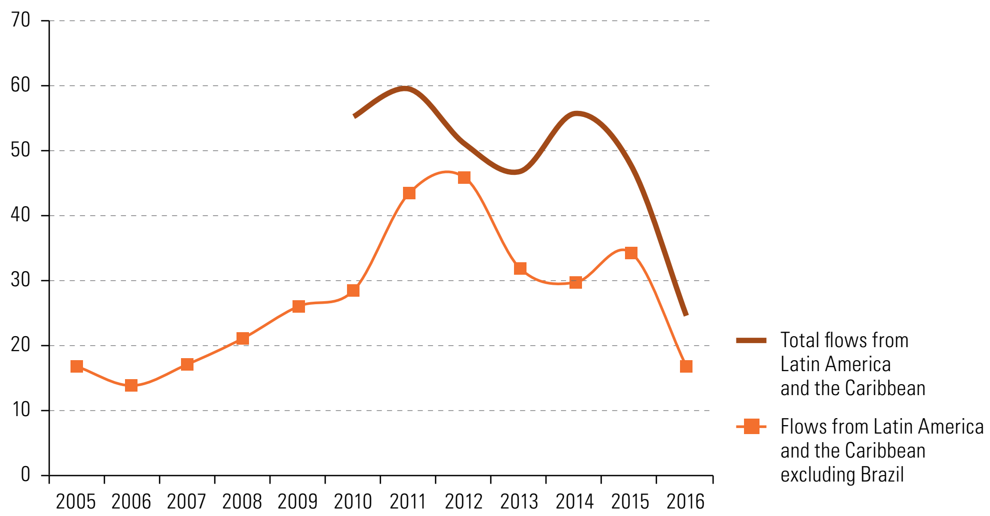
Sectors geared more towards the domestic market (for example beverages) or that have natural advantages strengthened by innovation processes (such as food and agribusiness) have seen relatively stable rates of return, at least in the case of the large companies. The pattern is similar in service activities such as retail or electric power, which, despite a slight fall, continue to maintain above-average rates of return.

While lower returns for transnational firms and levels of repatriation of profits might be considered positive for the balance of payments, the trend is worrying because it has a negative effect on these companies' investment prospects and, consequently, those of major production sectors.

D. A weak year for trans-Latin firms

In 2016, outward FDI flows from Latin American and Caribbean countries tumbled by 50% to US$ 24.609 billion. In 2015, Brazil had posted the sharpest fall in investment outflows, while those from the other countries had grown; in 2016, outward FDI flows from those other countries were also strongly affected and investment values returned to levels seen in the mid-2000s (see figure I.20).[12]

Figure I.20
Latin America and the Caribbean: outward FDI flows, 2005-2016
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 15 June 2017.

Three countries are the main sources of external capital flows: Brazil, Chile and Mexico, accounting for 81% of FDI originating in the region, on average, between 2010 and 2016. However, FDI outflows from the three countries dropped significantly in 2016 and their combined share of the total fell to 76%. Brazil invested most abroad (32%), followed by Chile (29%), with Mexico in fourth place, with 15% of the total. This relative drop in Mexico's ranking was due to the sharp drop in investments originating in Mexico and the jump in investments from Colombia, which moved into third place with 18% of total of FDI outflows in 2016 (see table I.7).

Table I.7
Latin America and the Caribbean (selected countries): outward FDI flows, 2005-2016
(Millions of dollars and percentage variation)

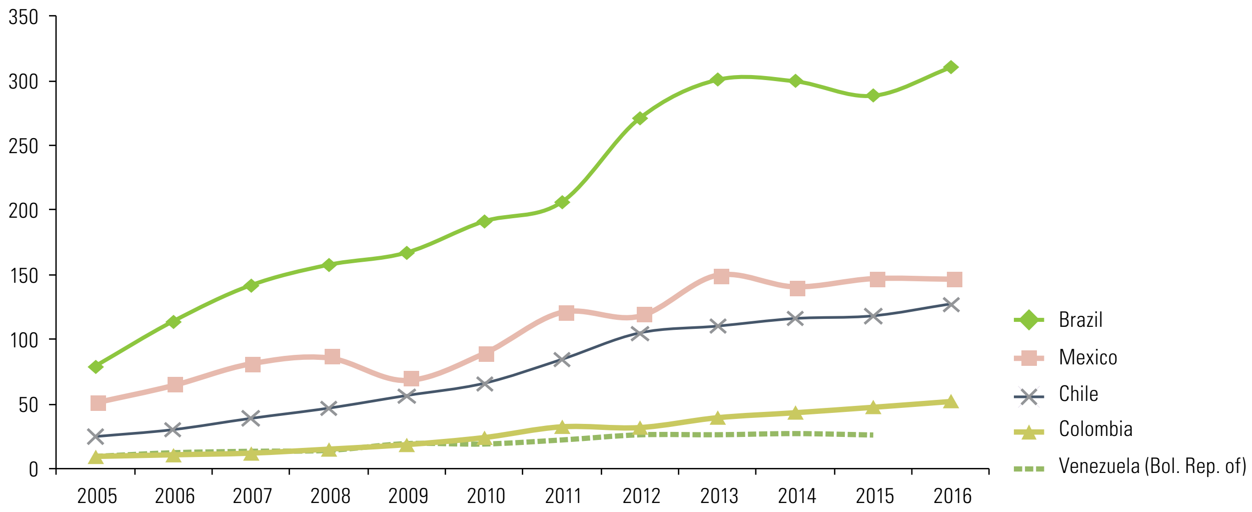
	2005-2009[a]	2010	2011	2012	2013	2014	2015	2016	Absolute variation 2016-2015 *(millions of dollars)*	Relative variation 2016-2015 *(percentages)*
Argentina	1 471	965	1 488	1 055	890	1 921	875	887	12	1
Brazil[b]	14 067	26 763	16 067	5 208	14 942	26 040	13 518	7 815	-5 703	-42
Chile	5 117	9 461	20 252	20 556	9 888	12 800	16 742	7 125	-9 617	-57
Colombia	2 786	5 483	8 420	-606	7 652	3 899	4 218	4 516	299	7
Mexico	7 097	8 910	11 856	18 908	11 609	8 530	12 301	3 657	-8 644	-70
Venezuela (Bolivarian Republic of)[c]	1 227	2 492	-370	4 294	752	1 024	-1 112	…		
Latin America and the Caribbean[d]	**33 036**	**55 279**	**59 532**	**51 091**	**46 824**	**55 756**	**47 818**	**24 609**	**-24 321**	**-50**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 15 June 2017.
[a] Simple averages.
[b] The 2005-2009 figure for Brazil does not include reinvestment of profits, and is therefore not directly comparable to the figures from 2010 onward.
[c] Data for the first three quarters of 2015.
[d] For the region overall, the variation between 2016 and 2015 was calculated excluding the Bolivarian Republic of Venezuela.

[12] The expansion operations of trans-Latin firms into third markets, new projects or already established subsidiaries may not be recorded in the FDI outflows of the country if external financing mechanisms are used.

In 2016, Brazil had the largest stock of outward FDI in the region, followed by Mexico (see figure I.21). Both countries' stock showed strong growth until 2013, and did not increase significantly thereafter. Over the period 2005-2016, Brazil quadrupled its stock while that of Mexico tripled. Chilean and Colombian FDI stock abroad continued to grow, with fivefold and sixfold increases, respectively. In contrast, the FDI stock of the Bolivarian Republic of Venezuela stalled in 2012 at levels that were three times higher than in 2005, and there are no data for 2016.

Figure I.21
Latin America (selected countries): stock of FDI abroad, 2005-2016
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as of 15 June 2017.

An analysis of complementary variables, such as mergers and acquisitions or project announcements, gives a more detailed picture of the evolution of FDI flows originating in the region. The difficulties faced by the main Brazilian transnational companies in 2016 explains why there are no companies from that country among the main mergers and acquisitions of 2016, when in previous years they were the main investors abroad. Mexican companies made large acquisitions abroad, as did firms in Chile and Colombia (see table I.8). The Mexican group Carso carried out the largest transaction of the year, acquiring an additional 25.66% of the share capital of the Spanish construction company, Fomento de Construcciones y Contratas S.A., for US$ 6.919 billion to become the majority shareholder. The other billion-dollar transaction was the acquisition of Brazilian beverage bottling and distribution company Vonpar S.A. by Mexican bottler Coca-Cola FEMSA. Meanwhile, three other Mexican companies and one Colombian company acquired operations in the construction materials sector in the United States, a market which could see significant growth in the coming years, if the infrastructure investments proposed by the new administration come to fruition.

According to the FDI announcements compiled in *fDi Markets*, companies from the region had high prospects for growth until 2013, but average annual values fell after 2014, particularly in Brazil, Colombia and Mexico (see figure I.22). Following the slump, Brazilian companies have announced a higher number of FDI project announcements in the last three years, albeit for smaller amounts than in the past.

For the region as a whole, 21% of the value of all announced projects over the last three years was concentrated in telecommunications, on the back of transactions

According to the FDI announcements compiled in *fDi Markets*, companies from the region had high prospects for growth until 2013, but average annual values fell after 2014.

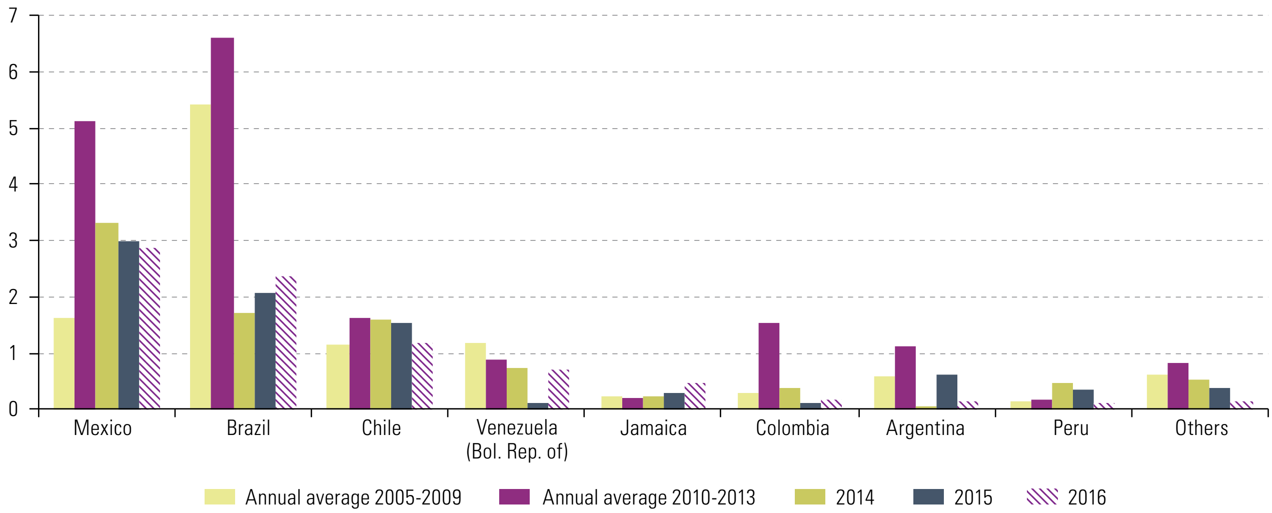
conducted by Mexico's América Móvil and Jamaica's Digicel, which accounted for 83% and 15%, respectively, of the total announced in the sector for the period 2014-2016. In addition, most of the announcements (14% of the total) concerned the food and tobacco sector, and 83% of the projects announced for that sector were led by companies from Brazil, Chile and Mexico. The retail and construction materials sectors also stood out, accounting for 8% and 7% of the total, respectively. The leaders in the retail sector were the Chilean companies Cencosud and Falabella, while in the construction materials sector, more than half of the total value of investments announced came from Mexico, primarily driven by CEMEX.

Table I.8
Latin America and the Caribbean: largest cross-border acquisitions by trans-Latin firms, 2016

Firm/ country of origin	Assets acquired/ country of assets	Sector		Country of seller
Inmobiliaria Carso S.A. de C.V. Mexico	Fomento de Construcciones y Contratas S.A. 25.66%, to total 51.3%) Spain	Construction	6 919	Spain
Coca-Cola FEMSA S.A. B. de C.V. Mexico	Vonpar S.A. Brazil	Beverages	1 029	Brazil
Vitro S.A.B. de C.V. Mexico	PPG industries (flat glass section) United States and Canada	Construction materials	750	United States
Cementos Argos S.A. Colombia	Heidelberg Cement Group plant and assets in the United States United States	Construction materials	660	Germany
Grupo de Inversiones Suramericana S.A. Colombia	RSA Insurance Group (in Latin America) Argentina, Brazil, Chile, Colombia, Mexico and Uruguay	Finance	619	United Kingdom
Empresas COPEC S.A. Chile	MAPCO Express Inc. chain United States	Retail	535	United States
Elementia S.A.B. de C.V. Mexico	Giant Cement Holding Inc. (55%) United States	Construction materials	525	Spain
Grupo Cementos de Chihuahua S.A.B. de C.V. Mexico	CEMEX S.A.B. de C.V. cement plants in the United States United States	Construction materials	306	United States
Empresas COPEC S.A. Chile	Solgas Peru	Oil and gas	302	Spain
Grupo Industrial Saltillo S.A.B. de C.V. Mexico	Infun Group S.A. Spain and China	Automotive	296	Spain

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Bloomberg.

Figure I.22
Latin America and the Caribbean: foreign investment announcements by companies from the region, 2005-2016
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, *fDi Markets*.

Between 2014 and 2016, 10 companies accounted for 48% of the total value of investments announced for the region, most of which was destined for countries in Latin American and the Caribbean (see table I.9). Chile and Mexico had the most companies in this group, while Brazil had only two.

Table I.9
Latin America and the Caribbean: companies with highest announced amount of foreign investment, 2014-2016

Firm	Percentage of total value announced for the region, 2014-2016	Country of origin	Sector	Main destination of projects (percentage of total value of the company)
America Móvil	17	Mexico	Telecommunications	Brazil (43), Argentina (11), Dominican Republic (11)
CEMEX	5	Mexico	Construction materials	Philippines (53), Dominican Republic (22)
Cencosud	4	Chile	Food and tobacco	Brazil (59), Colombia (22)
Natura	4	Brazil	Beauty products	Argentina (51), Mexico (12), France (12)
GMR Empreendimentos e Participações	3	Brazil	Renewable energies	Chile (100)
LATAM Airlines	3	Chile	Transport	Brazil (98)
Petróleos de Venezuela (PDVSA)	3	Venezuela (Bolivarian Republic of)	Oil and gas	Germany (52), Bolivia (Plurinational State of) (24), United States (16)
Digicel	3	Jamaica	Telecommunications	Trinidad and Tobago (63), El Salvador (27)
Falabella	3	Chile	Retail	Colombia (64), Peru (18)
Grupo Posadas	2	Mexico	Hotels and tourism	United States (100)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, *fDi Markets*.

E. It is essential to rethink strategies to attract FDI

In 2016, global FDI flows stagnated, although they remained at high levels. Developed countries resumed the leading role that they had lost in previous years. In contrast, a number of developing countries and regions that had benefited from the price boom in natural resources saw their FDI inflows drop.

One new development is China's increasing importance as a foreign investor. Chinese transnational companies have played a large role in increasing FDI flows to developing economies. Today, FDI outflows from China have diversified. Given the country's level of industrial development, controlling natural resources (in particular mineral resources) is less important than incorporating technology. Meanwhile, the rapidly shifting international technological frontier following the fourth industrial revolution means that any country that seeks stable and sustainable economic development must act quickly and boldly to incorporate new technologies into production processes.

The consolidation of the globalization triad (developed economies of the United States, Western Europe and East Asia) has had an impact on inflows into Latin America and the Caribbean. In nominal terms, the total value of FDI flows into the region in 2016 was similar to the level seen in 2010, while several countries saw sizeable decreases. The region's poor macroeconomic results over the last three years have undermined investments that sought to take advantage of growing domestic markets or to co-finance public infrastructure projects. The economic recovery in European countries and the United States, together with the resurgence of protectionist forces in the latter, created an external climate that was less conducive to FDI inflows to the region for export platforms (see box I.1).

From a structural point of view, the production pattern of the region —especially of the South American countries— with heavy reliance on natural resources makes it difficult to boost FDI inflows.

ECLAC expects economic activity in the region to pick up slightly (1.1%) in 2017, which is unlikely to lead to greater FDI for domestic markets and infrastructure development. Moreover, the declining return on investments in some key sectors, such as telecommunications, may make them less appealing to foreign investors.

South American economies, specialized in the production of commodities, in particular oil and minerals, and with strong commercial ties to China, will be affected by the global economic situation, as well as their very low growth rates (ECLAC expects 0.6% growth for 2017). While the growth forecasts for Central America and Mexico are more favourable, 3.6% and 2.2%, respectively, the uncertainty surrounding the NAFTA renegotiation may affect the flow of investment to those countries.

Taking all of this into account, ECLAC expects FDI inflows to the region to fall again by up to 5% in 2017.

Taking all of that into account, ECLAC expects FDI inflows to the region to fall again by up to 5% in 2017.

In this scenario, foreign investments that help to narrow the region's production and social gaps are increasingly important. FDI can be a key factor in technology transfer and the adoption of new management systems and business models that increase competitiveness and productivity. It can also play an important role in the development of road, port, energy and telecommunications infrastructure, especially in the context of fiscal spaces that are narrower than they were during the most recent commodity price boom.

However, the positive effects of FDI are not automatic. The results in terms of integrating technology, promoting research and development and creating good-quality jobs have, in most cases, fallen short of expectations (ECLAC, 2016a). It is therefore important to review and improve Latin American and Caribbean countries' strategies for attracting FDI, so that they focus more on modernizing the economy and diversifying production.

Box I.1
United States: the new Administration and foreign direct investment

The new United States Administration has stated that one of its priorities is to reform corporate taxes, in order to boost the economy and increase FDI.[a] The United States has tax legislation that has remained unchanged for the last 30 years, a tax system that has global reach and a higher corporate tax rate than the other economies of the Organization for Economic Cooperation and Development (OECD), although the effective rate may be lower.

The current United States tax regime has pushed many transnationals to establish their headquarters in more favorable jurisdictions, such as Ireland or the Netherlands. Meanwhile, the high cost of repatriating profits leads firms to keep their earning —an estimated US$ 2.1 trillion (Bloomberg, 2015)— abroad. Many of these profits belong to digital technology and pharmaceutical companies such as Apple, Microsoft or Pfizer, which generate substantial international earnings thanks to intellectual property rights.

Corporate income tax, 2016

Country	Rate
Switzerland	8.5
Ireland	12.5
Canada	15.0
Germany	15.8
United Kingdom	20.0
Japan	23.4
Netherlands	25.0
Mexico	30.0
France	34.4
United States	35.0

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Organization for Economic Cooperation and Development (OECD), "Corporate and capital income taxes", OECD Tax Database, 2016.

Although no official reform has been presented yet, proposals made to date include moving to a territorial system and cutting the corporate rate from 35% to between 15% and 20%.

Implementing a sweeping tax reform could disrupt the global investment landscape, particularly in the light of the United States' already dominant position. If this reform goes hand in hand with policies that encourage innovation and research and development, it could have a positive impact on FDI inflows to the country, particularly in digital technologies, the pharmaceutical industry (already the main recipient of FDI), the services sector and the financial sector (Ernst and Young, 2017).

However, future FDI inflows, particularly those originating in China, could be subject to further review by the authorities. The Committee on Foreign Investment in the United States (CFIUS) allows the government to examine and, possibly, block mergers and acquisitions that threaten national security. It was established in 1975 in response to concerns about the increase in investments from the countries of the Organization of the Petroleum Exporting Countries (OPEC), because they were considered to be driven primarily by political rather than economic reasons. Today, with increased Chinese investments raising similar concerns in both the United States and Europe, CFIUS is expected be given a more prevalent role.

Source: Bloomberg, "U.S. Companies are Stashing $2.1 Trillion Overseas to Avoid Taxes", 4 March 2015 [online] https://www.bloomberg.com/news/articles/2015-03-04/u-s-companies-are-stashing-2-1-trillion-overseas-to-avoid-taxes; Ernst and Young, *The Outlook for Global Tax Policy In 2017: United States Tax Reform*, Washington, D.C., 2017 [online] http://www.ey.com/Publication/vwLUAssets/ey-the-outlook-for-global-tax-policy-in-2017-us-tax-reform/$FILE/ey-the-outlook-for-global-tax-policy-in-2017-us-tax-reform.pdf.

[a] See "A Better Way: Our Vision for a Confident America" [online] https://abetterway.speaker.gov/_assets/pdf/ABetterWay-Tax-PolicyPaper.pdf.

FDI has been crucial to expanding export activities, to growth (the automotive industry) and to creating new sectors (digital economy), but wide productivity and technology gaps and technological lags show the limitations of these positive effects. The fourth industrial revolution is a double-edged sword for the region that could heighten the risk of further widening the divide between winners and losers, among other things. Some developed countries with intensive manufactures production, and probably China, will become more competitive and will increasingly focus on the highest value added stages of global production chains.

Given that the benefits FDI depend not only on the type of investment, but also on the characteristics of the production systems of recipient countries, countries' ability to take ownership of these benefits is closely linked to factors such as the workforce's level of education, the competitiveness of local industry and its ability to develop links as suppliers to foreign companies, or the existence of a cluster of related businesses. The production and entrepreneurial context of the region —with its large productivity gaps among economic sectors and actors— means that policies that build local capacities must be implemented. These policies, together with FDI inflows, will help to create more dynamic production systems capable of producing higher value-added goods.

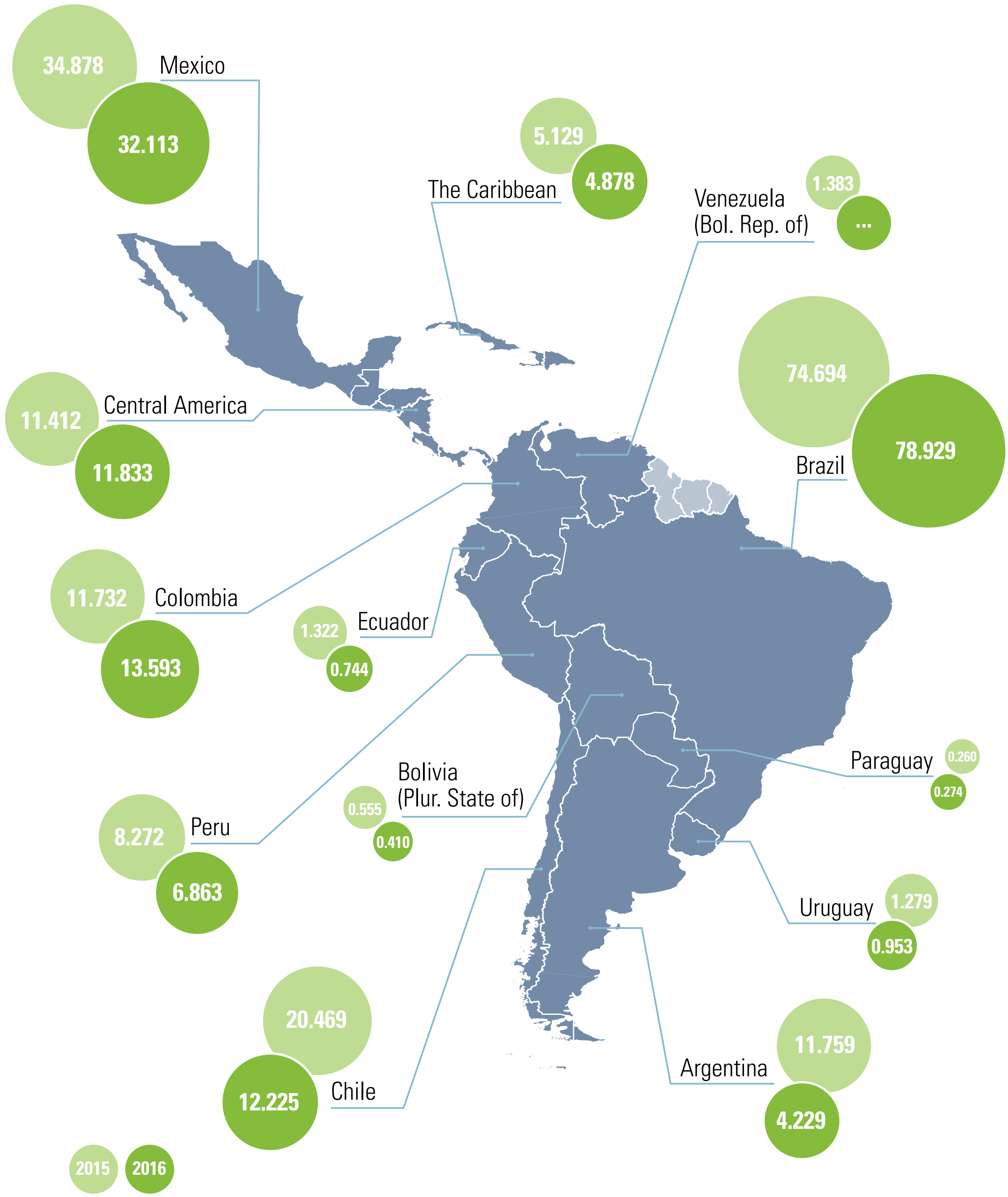
In short, to attract FDI, policies are needed that are holistic and coordinated with capacity-building in recipient countries. This is essential for creating the conditions that, on the one hand, make a country attractive to investors and, on the other, enhance the capacity of local production systems to absorb the potential benefits of FDI.

F. Country analysis: instances of FDI growth are few and far between

FDI inflows to South America fell 9.3% to US$ 118.219 billion, with only three countries receiving greater volumes of FDI than in 2015: Colombia, which recorded the highest growth, Brazil and Paraguay (see map I.1). In Central America, where FDI expanded by 3.7% to US$ 11.833 billion, only Panama and Costa Rica registered higher levels of FDI. In the Caribbean, FDI reached US$ 4.878 billion, with five countries —the Bahamas, Barbados, the Dominican Republic, Grenada and Saint Lucia— recording larger inflows than in 2015.

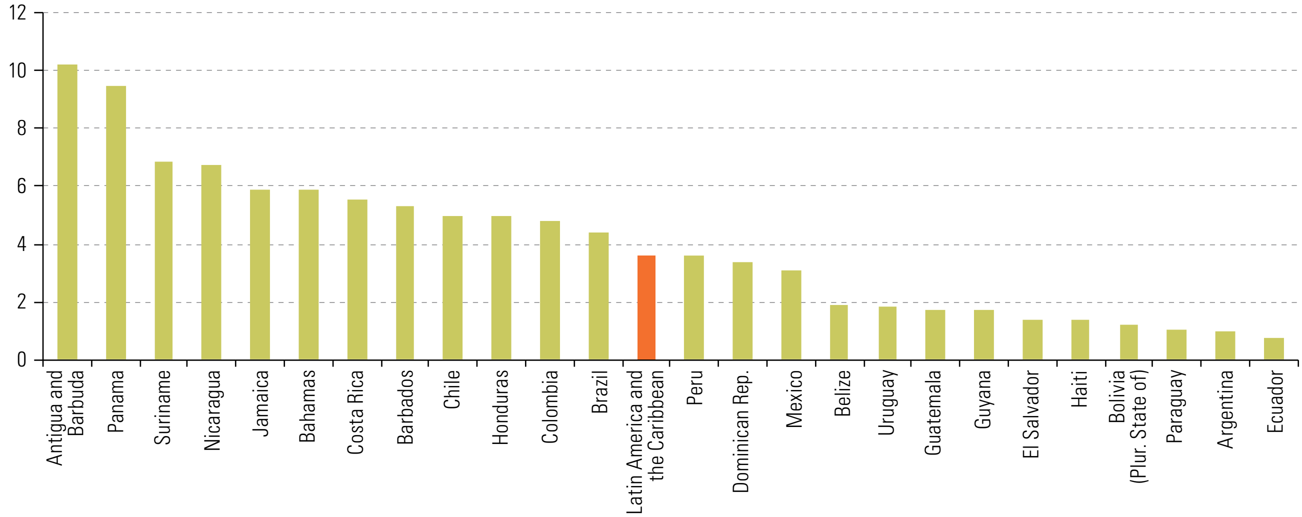
The region of Latin America and the Caribbean has received a larger share of FDI as a percentage of GDP than the rest of the world, underscoring the relative weight of transnational companies in the region's economies. Inward FDI was equivalent to 3.6% of GDP, while the global average stood at 2.5% (UNCTAD, 2015). In general, the region's smaller economies received larger amounts of FDI relative to their GDP; for example, in Antigua and Barbuda, Barbados or Suriname, inflows are small in absolute terms, but are significant for the economy (see figure I.23). Similarly, in economies that have promoted FDI as part of their development strategies —such as Chile and Panama— inflows as a percentage of GDP are larger (4.9% and 9.4%, respectively), while Brazil's inward FDI as a share of GDP (4.4%) was higher than that of other emerging economies which are also large recipients of this type of investment, such as China (1.2%) and India (2.0%).

Map I.1
Latin America and the Caribbean (selected subregions and countries): foreign direct investment inflows, 2015 and 2016
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of preliminary figures and official estimates at 15 June 2017.
Note: The subregional total for the Caribbean excludes Trinidad and Tobago in 2016, since the respective information was not available. The data for Bolivarian Republic of Venezuela refer to the first three quarters of 2015.

Figure I.23
Latin America and the Caribbean: FDI flows, 2016
(Percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of preliminary figures and official estimates at 15 June 2017.

1. Investment in Brazil remains resilient despite the recession

In 2016, Brazil's inward FDI was up 5.7% from the year before and came in at US$ 78.929 billion. Since the mid-2000s, Brazil has been the most attractive market for foreign investment in the region, apart from being an important destination for transnational companies worldwide. In 2015 and 2016 it was the eighth largest recipient of FDI in the world, and the third emerging economy behind China and Singapore.

The recovery cannot be explained by new incoming capital, but rather by continued and greater investment by transnational companies domiciled in the country.

Capital inflows —excluding reinvested earnings— were the most important component of FDI (57%), but fell 9.3% in 2016. Hence, the recovery cannot be explained by new incoming capital, but rather by continued and greater investment by transnational companies domiciled in the country. Intercompany lending and reinvestment of earnings increased, with the first accounting for 32% of total inward FDI after growing 38% in 2016. This increase followed the sharp contraction of 2015, and despite being much lower than in 2013 and 2014, transnational companies did receive greater volumes of external financing in 2016. Reinvested earnings represented a lower share of inflows (12%) but grew significantly, up 28%, which could be explained by the greater confidence of foreign companies in the Brazilian market.

Capital inflows (excluding reinvested earnings) were mostly directed at the services sector (46%), once again highlighting the importance of this market's size. Of this, the largest share went to commercial activities (11% of the total) and to electricity, gas and water services (6%), while investment in telecommunications fell, after having led for several years. Meanwhile, the manufactures industry received a larger share of inflows in 2016, up to 38% of the total. The automotive industry has been growing as a recipient of FDI in recent years and was the largest recipient within manufactures in 2016 (up 45% compared with 2015). The chemical industry also attracted a substantial part of manufactures investment, as did machinery and equipment, while investments in the metallurgical industry recovered modestly, although 2016 values only represented 70% of annual FDI in the 2007-2012 period. In the primary sector, oil and natural gas extraction benefitted the most from foreign investment, while metals mining also recorded greater inflows.

As in previous years, one third of foreign capital invested in Brazil in 2016 (excluding reinvested earnings and loans) came from the Netherlands (20%) and Luxembourg (14%), making it difficult to identify the primary origin of these investments, as transnational companies attracted by the tax advantages use these markets to establish subsidiaries, and then invest in third markets. Putting these accounting difficulties aside, 50% of FDI came from the European Union, with the largest investments being made by Italy and the United Kingdom, while those from Germany, Spain and France declined. Outside Europe, the United States was the largest foreign investor in Brazil (12% of the total), although 2016 was the fourth year running in which investments from this country have fallen. As in 2015, Japanese investment also fell. In contrast, investments from China recovered in 2016 after dropping the year before, with the country once again positioning itself as one of the leading investors in Brazil, despite total investment figures not being fully captured by official statistics.

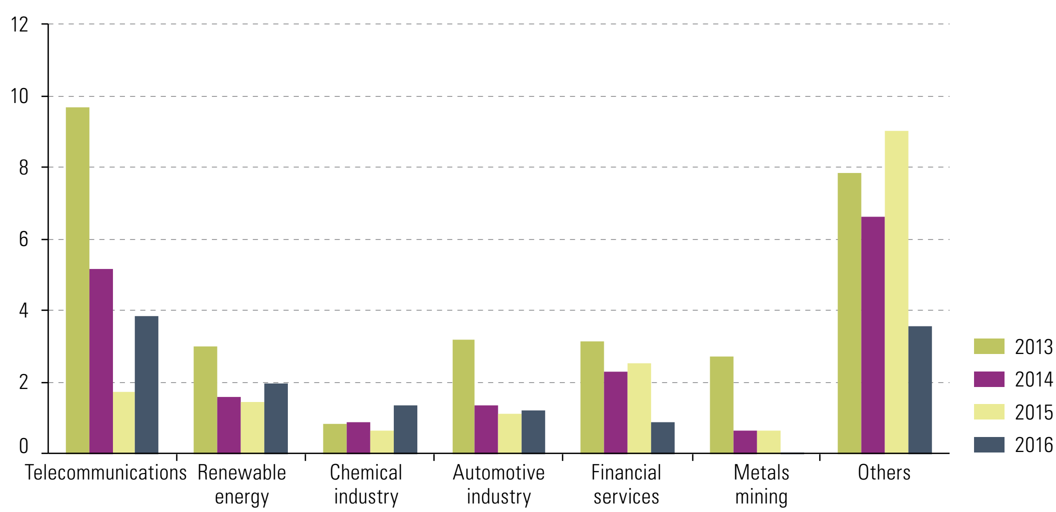
In fact, two of the largest cross-border acquisitions of 2016 were carried out by Chinese companies. China Molybdenum Co. Ltd. acquired the niobium and phosphate business units of British company Anglo American, for US$ 1.5 billion, thus becoming the second largest supplier of niobium worldwide and the second largest supplier of phosphate in Brazil, while China Three Gorges Corporation acquired Duke Energy Corporation's hydroelectricity plants, for US$ 1.2 billion, after the United States company decided to sell its Latin American business units in 2016. The Brazilian market is a priority for China Three Gorges Corporation's international expansion, as reflected in its 30-year concession —awarded in 2015— to operate the Jupiá and Ilha Solteira hydroelectricity plants, through which the firm consolidated its position as the second largest privately-owned energy company in Brazil. Smaller investments in other areas reflect a certain degree of diversification in the interests of Chinese companies in Brazil. For example, Hainan Airlines acquired a 23.7% stake in the Brazilian airline Azul, for US$ 450 million; Hunan Dakang International Food and Agriculture Co. Ltd. bought 57.6% of Friagril, a Brazilian grains trader, for US$ 200 million; and China Communications Construction Co. Ltd. took over the construction consultancy services provider Concremat Engenharia e Tecnologia, in a deal valued at US$ 106 million. Also, in keeping with China's strategy of expanding its presence abroad to provide services to Chinese companies operating in international markets, the Bank of Communications of China acquired an 80% stake in the Brazilian bank BMM, for US$ 155 million, in what was the first transatlantic acquisition by China's fifth largest commercial bank. This move is in addition to the launch of China Construction Bank's Brazilian operations, which began in 2014 after its acquisition of the Brazilian firm BicBanco.

The sheer size of the Brazilian market means that several business areas remain attractive despite the recession. For example, the United States group FLEETCOR, LCC acquired Serviços e Tecnologia de Pagamentos S.A. (known as Sem Parar), Brazil's largest electronic road toll payment firm, for US$ 1.089 billion. In the beverage sector, the Mexican Coca-Cola FEMSA bought the bottling and beverage distributor Vonpar Refrescos S.A., for US$ 1.029 billion, thus consolidating its position in Brazil, while the United States firm Coty Inc. took over the beauty and personal care division of Brazilian pharmacy Hypermarcas S.A., in a deal valued at US$ 985 million. In the financial sector, the largest operation involved a US$ 619 million acquisition by Colombian group Suramericana S.A. of the Latin American operations of British insurer Royal & Sun Alliance Insurance Group (RSA), as part of RSA's divestment in Latin America (including its subsidiaries in Argentina, Brazil, Chile, Colombia, Mexico and Uruguay). In the energy sector, through its subsidiary in Brazil, Italian company Enel was awarded privatization rights over electricity distributor Celg Distribuição in a deal worth US$ 647 million and in the light of which Brazil became Enel's third largest market —in terms of customer volume— after Italy and the Iberian peninsula.

Activity in the hydrocarbon sector was boosted by both Petrobras's divestment strategy and by the opening up of deepwater hydrocarbon extraction to foreign capital. At the close of 2016, Petrobras had reached asset sales agreements, in Brazil and abroad, totalling US$ 13.6 billion (90% of the target set in its 2015-2016 strategic plan). Among the most important was the disposal of a 66% stake in an exploratory block in the pre-salt fields of the Santos basin to Norwegian State-owned Statoil, valued at US$ 2.5 billion (of which US$ 1.25 billion were received in 2016).

Judging by greenfield announcements published in *fDi Markets*, it seems unlikely that FDI inflows to Brazil will increase substantially in 2017. In the last decade, there have been two distinctive periods of investment announcements in Brazil which have followed different trajectories: FDI grew consistently up to 2011, when it peaked at US$ 48 billion, and then began to fall, down to US$ 13 billion in 2016. With regard to large-scale projects —those that represent investment above US$ 100 million— only 36 were announced in 2016, in line with the 37 announcements made in 2015; yet in the period 2011-2013 87 projects were announced per year. Investments announced concerning the most important sectors also fell, although in 2016 there was an uptick in announcements in the telecommunications, renewable energy, automotives and chemical industries, four sectors that together accounted for close to 65% of the total (see figure I.24).

Figure I.24
Brazil: announced FDI projects by sector, 2013-2016
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, *fDi Markets*.

In telecommunications, there were announcements in the services and data centres segment by United States companies Equinix, Alphabet Inc. (Google), Level 3 Communications and 8x8, Inc., as well as investments by the Spanish firm Telefónica S.A. and Mexican América Móvil. Enel of Italy announced investments in wind energy, while the Spanish firm Elecnor and Norwegian Scatec Solar announced solar energy projects. In the automotive industry, activity revolved around expansion projects announced by General Motors, Volkswagen, Toyota Motor and Fiat Chrysler Automobiles, and the announcement of a new plant in 2018 by China's Zotye International Automobile

Trading Co. Ltd. In the chemical industry, the largest projects were in agrochemicals, including India's United Phosphorus Limited (UPL) announcement of a US$ 310 million investment to build a new plant, and the US$ 300 million project to expand the Brazilian subsidiary of United States firm Albaugh, LLC.

These sectors thus remain attractive for FDI in a context where others have not recovered, owing to either external factors —metals mining projects for example have been severely affected by falling commodity prices— or specific country or regional factors, such as the contraction of GDP or the uncertainty caused by corruption cases involving important companies in the country.

Official figures for May 2017 reflect an increase in FDI flows for the year, with continued large-scale acquisitions by Chinese companies, especially in the energy market. Inflows for the first five months of 2017 totalled US$ 32.456 billion, up 8.5% compared with the same period in 2016. In contrast with 2016, this increase can be explained by a rise in capital inflows. However, given that FDI flows are heavily influenced by large-scale transactions, this partial data point is insufficient to confirm that FDI will effectively grow in 2017.

2. The rest of South America has yet to recover

Colombia posted FDI growth of 15.9% in 2016, making it Latin America's third largest recipient of FDI, with inflows totalling US$ 13.593 billion. This improvement was mainly attributable to a large acquisition in the energy sector and to higher investment in services, although total investment remained below the levels seen during the commodities boom —between 2011 and 2014, Colombia received annual FDI inflows of US$ 15.5 billion. Capital inflows accounted for close to half of FDI (46%), but energy-related inflows failed to offset contraction in other areas, especially the oil and mining industries, resulting in a net decline of 15% compared with 2015. Conversely, intercompany lending, which accounted for 34% of total FDI, increased 133%, while reinvested earnings remained relatively flat compared with 2015 (falling just 2%), accounting for 20% of the total.

The fall in commodities prices modified the sectoral composition of investment in Colombia. The extraction industries suffered a significant decline, while investment in services increased. Between 2006 and 2014, one third of foreign capital that entered in Colombia was invested in the oil sector (33%), and about 20% went to mining (mainly coal). Investment in extractive industries has contracted sharply in the last two years. So much so that in 2016, oil accounted for 16% of the total, a 14% drop compared with 2015, while there was no investment in mining, in fact, there was a slight divestment. Conversely, electricity, gas and water received large investments, by virtue of which the sector accounted for 27% of total FDI in 2016. The privatization of the energy company ISAGEN was the largest transaction in the energy sector in 2016. The Canadian investment fund Brookfield Asset Management acquired the Colombian State's 57.61% stake and bought the remaining 42% of ISAGEN through other transactions, for a total investment of some US$ 3.5 billion. FDI in financial and business services also grew (22%), overtaking the oil sector (19% of total investment), as did FDI inflows for transport and communications (37%, reaching 8% of total investments). The manufactures sector remained one of the main recipients of FDI in Colombia (14% of the total), although it failed to sustain the upward trend it had maintained until 2014 and fell by 23%.

The main foreign investors increased FDI flows to Colombia. With the acquisition of ISAGEN, Canada positioned itself as one of the two largest investors in 2016, on a par with the United States (16% of the total). The European Union accounted for 29%

of the total, with most of the investment coming from Germany, Spain, France and the United Kingdom, although there was a decline in flows from Germany. However, investments from Latin America fell 9% in 2016, representing 18% of the total, with Panama as the main source, providing 10% of the total.

According to *fDi Markets*, announced investment remained at a similar level to that of 2015. There were only a few large-scale projects, with only 5 of 97 announcements in 2016 valued at over US$ 100 million, specifically the expansion of oil extraction activities, valued at US$ 660 million, by GeoPark, a Bahamas-based company that operates in several Latin American countries; two shopping centre investments by Chile's Parque Arauco and Cencosud, worth US$ 226 million and US$ 150 million, respectively; and investments in telecommunications by the United States firms Level 3 Communications and MVS USA, for a data centre project and a satellite telephone project, both worth around US$ 150 million.

Recent FDI trends are positive and, excluding the sale of ISAGEN, which was accounted for in the first quarter of 2016, by March 2017 FDI inflows had grown 8.1% year-on-year. The rebound in flows to the manufactures sector made it the leading recipient in the first quarter (28% of the total), overtaking the oil sector, which was relegated to second place (24%).

In 2016, FDI in Chile fell for the second year in a row and recorded its lowest level in 10 years after dropping by 40.3%, to US$ 12.225 billion. This was mainly due to the fall in intercompany lending —one of the most volatile components of FDI— which was down 72% and accounted for 23% of the total. Reinvested earnings fell slightly (5%) and accounted for 29% of total revenues, while capital contributions also declined, albeit at a slower pace (10%), and accounted for about half of total FDI flows.

Although at the time of publication information disaggregated by economic sector was not available, according to the report by the Central Bank of Chile, *Balanza de Pagos, Posición de Inversión Internacional y Deuda Externa Resultados al primer trimestre 2017* (2017), the largest recipients of FDI were mining, transport, and electricity, gas and water.

The trends in cross-border mergers and acquisitions confirmed the importance of the services and financial sector in a market that witnessed greater activity in 2016, with transactions valued at US$ 5.4 billion. The largest transaction was the purchase of the Autopista Central highway concession by Spain's Abertis from Canadian firm Alberta Investment Management Corporation (AIMCo), for US$ 1.028 billion, which allowed the Spanish company to gain control of the six concessions it has in Chile —its third largest market in terms of income, after Spain and France. The second largest was the sale of a 40.2% stake in the Chilean pension fund management firm AFP Habitat to the United States insurer Prudential Financial, Inc., for US$ 625 million. A similar figure (US$ 613 million) was paid by Qatar Airways for a 10% stake in the Chilean-Brazilian airline Latam Airlines Group S.A.

According to *fDi Markets*, investment announcements fell 36% in 2016, although their value was higher than in 2014. About a quarter of the projects announced in Chile involve investments of more than US$ 100 million, and announcements for this level of investment have remained relatively stable in the last decade, at around 18 per year (16 projects of this magnitude were announced in 2016). As in 2015, renewable energy was the most attractive sector for greenfield projects, accounting for 70% of announced investment values. In the energy sector, the Irish firm Mainstream Renewable Power will invest US$ 1.65 billion in new wind farms after it was awarded 20-year power purchase contracts to supply 3,366 GWh per year, allowing it to start providing energy to the Chilean grid from 2021 and 2022. The growth of renewable energies in the country has been driven by foreign investment, mainly from European companies —in the last 10 years, 73% of the value of announced investments in renewable energies in Chile came from European firms. In 2016, France's EDF Energies Nouvelles announced wind and solar energy projects valued at US$ 600 million, while Germany's Anumar announced two solar energy projects worth US$ 515 million. In same year, the Brazilian company Latin America Power (LAP) announced investments totalling US$ 587 million in wind energy projects in southern Chile.

Mining —which up to 2012 represented close to half of announced investments in Chile— has fallen sharply in recent years, with projects accounting for only 11% of the total in 2016. However, Chilean mining resources continue to attract foreign capital, with the downturn in copper offset by growing interest in lithium. In 2016, Rockwood Holdings Inc., a subsidiary of the United States group Albemarle Corporation, announced it had earmarked US$ 500 million for the expansion of its lithium extraction activities in the Atacama desert, while BHP Billiton reported that it would expand its copper operations to the tune of US$ 200 million.

Chilean mining resources continue to attract foreign capital, with the downturn in copper offset by growing interest in lithium.

In telecommunications, several projects for the development of data centres and cloud services were announced in 2016. Investments in these types of projects may be smaller, but they are important because of the capabilities they require and the potential they offer to companies to broaden their range of services. The largest project was announced by Spain's Telefónica S.A., which will invest an estimated US$ 344 million to install a strategic data centre, which will allow it to offer local Open Cloud solutions. Other important milestones in 2016 were the web hosting and content project announced by Amazon Web Services, estimated to be worth US$4 million, and a project valued at US$ 1 million announced by Spain's Gigas Hosting S.A.

The increase in the number of such projects may not be reflected in the balance-of-payments, as they do not generally require large cross-border capital transfers. However, they are of great value in terms of both diversification and the country's inclusion in new production modes, where digital platforms and associated services play an increasingly pivotal role.

FDI flows into Peru dropped by 17% and totalled US$ 6.863 billion in 2016. The country has been unable to attain the maximum levels it saw in 2012, when inflows, mainly attracted by the mining industry, reached close to US$ 12 billion. Reinvested earnings grew 39% year-on-year and were the largest component of investment in 2016 (61% of the total). However, this increase could not offset the decline in the other components, which meant that the drop in 2016 was largely the result of lower capital inflows —down 47% and accounting for 32% of FDI— and, to a lesser extent, of lower intercompany lending, which fell 57% and accounted for 7% of FDI.

The volume of FDI that entered the country through cross-border mergers and acquisitions totalled some US$ 1.8 billion, similar to 2015 levels. The largest transaction in Peru was for a highway concession, with the French group VINCI purchasing Vía Expresa Línea Amarilla for US$ 1.66 billion. After falling to their lowest level in 10 years in 2015, investment announcements rebounded in 2016, with the highest values earmarked for transportation and logistics and renewable energies projects (33% and 25% of the total value of announcements, respectively). Dubai World, the maritime terminal operator based in the United Arab Emirates, is pursuing its investment plan in the port of Callao and announced investments in new logistics centres. Meanwhile, European companies won tenders for solar and wind energy projects, with investments announced by Italy's Enel, Spain's Grenergy Renovables and France's EnerSur (ENGIE Energía Perú).

The absence of major new projects in mining, a sector that in recent years attracted the greatest inflows of FDI to Peru, has had a negative impact on the inflow of new capital. However, in the first quarter of 2017, FDI inflows were up 61%, driven by increased reinvestment of earnings rather than the inflow of new capital.

In 2016, Argentina received FDI in the amount of US$ 4.229 billion, 64% less than in 2015, but this decline should be considered in the context of regulatory changes that were introduced in 2016. Up to the end of 2015, there were various restrictions on the repatriation of funds that tended to exaggerate FDI flows associated with reinvestment of earnings.

In 2016, Argentina received FDI in the amount of US$ 4.229 billion, 64% less than in 2015. However, this decline should be considered in the context of regulatory changes that were introduced in 2016. Up to the end of 2015, there were various restrictions on the repatriation of funds that tended to exaggerate FDI flows associated with reinvestment of earnings. The removal of these restrictions by the new government led to a fall in reinvestment of earnings in 2016. As a result of this relaxation of the rules, the debts incurred with parent companies and subsidiaries were also reduced. The lower level of reinvested earnings and the payment of debts to parent companies and subsidiaries more than compensated for new capital inflows, which increased significantly compared with the previous year (177%, totalling US$ 3.649 billion).

In contrast, the volume of cross-border mergers and acquisitions increased significantly from a total of less than US$ 200 million in 2015, to US$ 2 billion in 2016. After a number of disputes regarding the ownership structure of Telecom Argentina, the Mexican group Fintech Telecom LLC acquired a stake for US$ 849 million in 2016, granting it a controlling interest of 68%. Another major transaction in telecommunications was the acquisition of the free-to-air broadcaster Televisión Federal S.A. (Telefe) by the United States firm Viacom Inc. from Spain's Telefónica S.A., for US$ 345 million. With this purchase, Viacom Inc. plans to continue developing the content market, expanding into Argentina and other Spanish-speaking markets. Telefónica S.A. has stated that it remains committed to investing in the country and is looking to concentrate on improving connectivity for the digital society.

The FDI outlook could start to show positive results if the investments announced in 2016 actually materialize. The downward trend in the number and value of announced investments that had prevailed since 2012 was broken in 2016, with announcements hitting a record US$ 12 billion. Investments in the automotive industry, power plants, lithium production and telecommunications led the way with a 58% share of the total. Investment in the amount of US$ 2 billion was announced for the automotive industry, with expansion projects by General Motors, Fiat Chrysler, Nissan Motor Company and Grupo PSA worth between US$ 320 million and US$ 740 million. A call for tenders for fossil fuel concessions in the electricity sector led to announcements of worth US$ 1.5 billion, with the United States firms Stoneway Energy and APR Energy investing US$ 580 million and US$ 450 million, respectively, while Germany's Siemens AG will invest US$ 270 million. Argentina's energy infrastructure requires higher levels of investment and the flow of capital into the sector is expected to continue. In other areas, lithium production continues to attract foreign capital: Canada's Enirgi Group will expand its operations in Salta, with an investment of US$ 720 million, while the joint venture between the Canadian firm Lithium Americas and Chile's Sociedad Química y Minera de Chile S.A. (SQM) announced investments in Jujuy worth US$ 550 million (the Chinese group Ganfeng Lithium Co. Ltd., the largest integrated producer of lithium in China, acquired a stake in this joint venture in 2017). The South Korean steelmaker POSCO broke ground on a lithium plant in Salta, as part of a US$ 300 million project. Technological advances in telecommunications and new connectivity requirements boosted investments in all countries of the region. In Argentina, the largest broadband development projects were announced by Telefónica S.A. and América Móvil, in the amount of US$ 644 million and US$ 500 million, respectively, with total investments in the sector of US$ 1.1 billion. In consumer goods, Brazilian cosmetics company Natura plans to expand its operations with a US$ 460 million project, while the British firm Unilever is seeking to increase its installed capacity in Argentina with a US$ 360 million investment, and Dutch brewer Heineken, through its subsidiary Compañía Cervecerías Unidas (CCU), plans to invest US$ 300 million in a plant expansion project.

In 2016, Uruguay saw a drop in FDI levels for the third year in a row, down to US$ 953 million, 25.5% less than in 2015 and the lowest level seen since 2005. Reinvested earnings rose, but not enough to offset the fall in capital inflows and intercompany loans, with the latter actually posting negative results. If only capital inflows and reinvested earnings are considered, FDI in 2016 was similar to levels in 2015 (2% less).

The services sector has been the main recipient of FDI flows (on average 61% of the total in the period 2014-2015, according to the latest available data by sector), while renewable energy has been an attractive sector for foreign capital. The value of investment announcements fell in 2016, with only one project valued at more than US$ 100 million, namely the wind farm construction project announced by Germany's ENERCON, valued at an estimated US$ 110 million. The second largest announcement was Hyatt's US$ 65 million hotel construction project, while the French group Virbac acquired all of Laboratorios Santa Elena, the leading manufacturer of vaccines, particularly for cattle, and announced plans to increase capacity in a project estimated to be worth US$ 51 million. The sale of Tienda Inglesa, an established national supermarket chain, to United States investment groups Goldman Sachs Group, Inc. and Klaff Realty, for US$ 140 million, was the largest transaction recorded in the year. Other smaller transactions were carried out in the renewable energy and casino sectors.

After reaching record levels in 2015, FDI in Ecuador fell 44% in 2016, returning to levels seen in previous years, with inflows standing at US$ 744 million. All FDI components decreased, but the biggest drop was in intercompany loans, which were negative.

The oil industry remains the leading recipient of foreign capital (64% of the total in 2016) and the drop in FDI was smallest in this sector (14%). Manufactures and services were hit the hardest, with declines of 86% and 57%, respectively. The European Union was the largest investor bloc, while the four leading countries were China, Spain, the United States and the Netherlands, which accounted for around 80% of the total. Investments from the Netherlands were up 30%, and accounted for about half of the total, but, as was noted above, the origin of much of the capital entering through the Netherlands cannot be identified. FDI flows from Spain also increased, while investments originating in China and the United States fell, with each of these three countries accounting for around 10% of total inflows.

Infrastructure development attracted large-scale projects. Dubai World, the maritime terminal operator based in the United Arab Emirates, was awarded the concession for Ecuador's first deepwater port in Posorja, a US$ 1.0 billion investment that will allow Ecuador to receive post-Panamax vessels. Other smaller manufactures projects will together represent investment of around US$ 200 million. These include the expansion of the German tyre manufacturer Continental AG, valued at US$ 74 million, and a new plant to be built by the Swiss construction materials company Sika AG, for an estimated US$ 64 million.

FDI in the Plurinational State of Bolivia fell by 26% in 2016 to US$ 410 million, the lowest level since 2007. Despite the slowdown in investment in extractive industries, the country's mineral wealth continues to attract foreign capital. Oil and gas exploration and development plans announced by a consortium made up of Spain's Repsol S.A. and Dutch-British Shell was the largest project announced in 2016 —US$ 500 million for the next five years—, followed by the construction of a steel plant by the Chinese company Sinosteel Corporation, with a planned investment of US$ 450 million. This project is currently in the final stage of the approval process required by the Export-Import Bank of China (EximBank) to provide financing.

Some Chilean companies operating in the country also announced expansions in 2016. The Coca-Cola Embonor S.A. franchise will expand its production capacity and infrastructure in its operations in the Plurinational State of Bolivia, with a project valued at US$ 35 million. In the telecommunications sector, Empresa Nacional de Telecomunicaciones S.A. (Entel) announced a project worth US$20 million to expand the optical fibre network.

Paraguay received US$ 274 million in FDI in 2016, a 5% increase compared with the previous year, 90% of which was new capital, a component that fell 10%. The total increase was attributable to reinvested earnings, which rose 65%. Intercompany loans registered negative values and were lower than the previous year.

Although data by sector are not available for 2016, in recent years the financial services sector has been the main recipient of FDI in Paraguay (54% between 2013 and 2015), followed by commerce, hotels and restaurants (25% in the same period), with most investments coming from Brazil and the United States.

Announced investments rose during 2016. Italian cement firm Financo, together with its subsidiary Colacem, announced one of the biggest projects, a new plant valued at US$ 200 million, which will supply Paraguay and central South America. In telecommunications, Swedish-based firm Millicom, operator of Tigo, announced plans to open a tier III data centre, which would require US$ 12 million of investment and will provide more advanced services for companies. In manufactures , the Brazilian meat processing company JBS S.A. opened its third processing plant —one of the most modern in Latin America— after investing US$ 80 million.

3. Mexico: end of the growth run?

FDI flows into Mexico in 2016 remained at historically high levels, totalling US$ 32.113 billion, despite falling 7.9% compared with 2015.[13] As a result, the country was the second largest foreign capital market in the region, after Brazil. With regard to FDI components, intercompany loans have grown steadily over the past five years (up 21.6% in 2016) and accounted for 42% of total investments. Capital inflows declined 19.8% and made up 33% of total FDI, while reinvested earnings fell for the third year in a row (23.9%), accounting for 25% of total inflows.

The Mexican manufactures sector has been the main recipient of foreign capital inflows to the country. Between 1999 and 2015, 48% of FDI went to manufactures, while in 2016 the figure reached 61%. The automotive industry is the most attractive, receiving 19% of FDI, followed by the chemical industry (14%) and beverages and tobacco (7%).[14] Once again, the United States was the largest investor in Mexico, with 39% of the total, although its share fell in relation to the figure for 2015 and the average for the period 1999-2016 (46%). Investments from the European Union accounted for 31% of the total, similar to that of 2015. Spain remained the most important European investor (11%) despite a fall in FDI outflows, while capital flows from Germany increased (9% of the total). Other major investors were Canada and Japan, both with a 6% share, while Brazil was the largest investor from Latin America and the Caribbean (3%).

The energy market reform undertaken in 2013 established the basis for a wholesale electricity market, allowing private companies to supply electricity and develop transmission and distribution infrastructure through contracts with the Federal Electricity Commission (CFE). It also established a target for Mexico to generate 35% of its electricity from clean energy sources by 2025 (Reyes, 2014). To carry out the investments linked to this reform, foreign capital will have to enter the country, the bulk of it in the immediate future. The first two auctions of electricity concessions took place in 2016, with contracts awarded to Mexican and foreign companies. Following the first auction, 18 contracts were awarded to 11 companies, while the second saw

[13] Figures according to the *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)* of the International Monetary Fund (IMF, 2009).

[14] Data by sector and country of origin are according to the fifth edition of the *Balance of Payments and International Investment Position Manual, fifth edition (BPM5)* (FMI, 1993). The results may change in the light of subsequent updates of sectoral information in BPM6.

56 contracts distributed among 23 companies, mostly in the field of solar photovoltaic energy, but also in wind energy. In 2016, US$ 1.131 billion was invested in electricity generation, more than double the amount of 2015 (for the period 1999-2016, annual investment in the sector averaged US$ 440 million). In telecommunications, although recent reforms had allowed new operators to enter the market and large investments were seen in 2015, FDI fell in 2016 to US$ 753 million, well below the annual average for the period 1999-2016 of US$ 1.03 billion.

Cross-border mergers and acquisitions activity was fairly muted in 2016, although two transactions exceeded the US$2 billion mark. The first was the acquisition of the Mexican laboratory Representaciones e Investigaciones Médicas, S.A. de C.V. by Teva Pharmaceutical Industries Ltd., the Israeli leader in generic pharmaceuticals, for US$ 2.3 billion. The deal led to a legal dispute between the seller and buyer which decided to close the plant. Although to date there is no indication that the problem was resolved, in April 2017 there was news of a possible resumption of operations in the coming months (Reuters, 2017). The second was the sale by Freeport-McMoRan Inc. of its oil assets in the Gulf of Mexico to Anadarko Petroleum Corporation, based in the United States, for US$ 2.0 billion, as part of its strategy to reduce debts and concentrate on metal mining, mainly copper. Thus, the only Freeport-McMoRan Inc. operations in Latin America are in Chile and Peru. A smaller but still noteworthy transaction was the acquisition for US$315 million of Grupo Productos Internacionales Mabe, a leading Mexican manufacturer of disposable hygiene products for babies, women and adults, by the Belgian Ontex Group N.V., which is seeking to consolidate its global presence with an Americas division.

Investment announcements published by *fDi Markets* kept a healthy pace in 2016, with 50 projects over the US$ 100 million mark, in line with the annual average of the last ten years and 14% higher than in 2015. Despite the fact that the total value of announced investments for the automotive industry fell, the sector attracted some 20% of the total (in number and value). Unlike previous years, there were no big announcements, although there were announcements of smaller-scale projects (less than US$ 500 million) by companies based in Mexico to expand existing operations and build new facilities. The largest project in manufactures was the construction of a new brewery in Mexicali by the United States-based Constellation Brands, worth an estimated US$ 1.5 billion and which is expected to start production in 2019.

The energy market was particularly active, with a quarter of the total value of investments announced in 2016 earmarked for energy projects. Renewable energy, mainly solar, accounted for most of the amount. The Italian firm Enel and the Spanish companies ACCIONA, Fisterra Energy, Grenergy Renovables and Iberdrola accounted for 61% of the total announced, followed by the Chinese firms Envision Energy and Jinko Solar, with 15%. The hydrocarbon projects announced included the construction of a liquefied natural gas plant in Yucatán by Korea Gas Corporation (KOGAS), based in the Republic of Korea, which will require an estimated investment of between US$ 1 billion and US$ 1.5 billion, and the expansion of TransCanada's investment portfolio. In 2016, the Canadian firm was awarded two 25-year contracts for the construction and operation of gas pipelines, one for the Tula-Villa de Reyes pipeline as the sole investor (US$ 550 million) and another for the South Texas-Tuxpan pipeline in partnership with the Mexican firm IEnova (US$ 2.1 billion).

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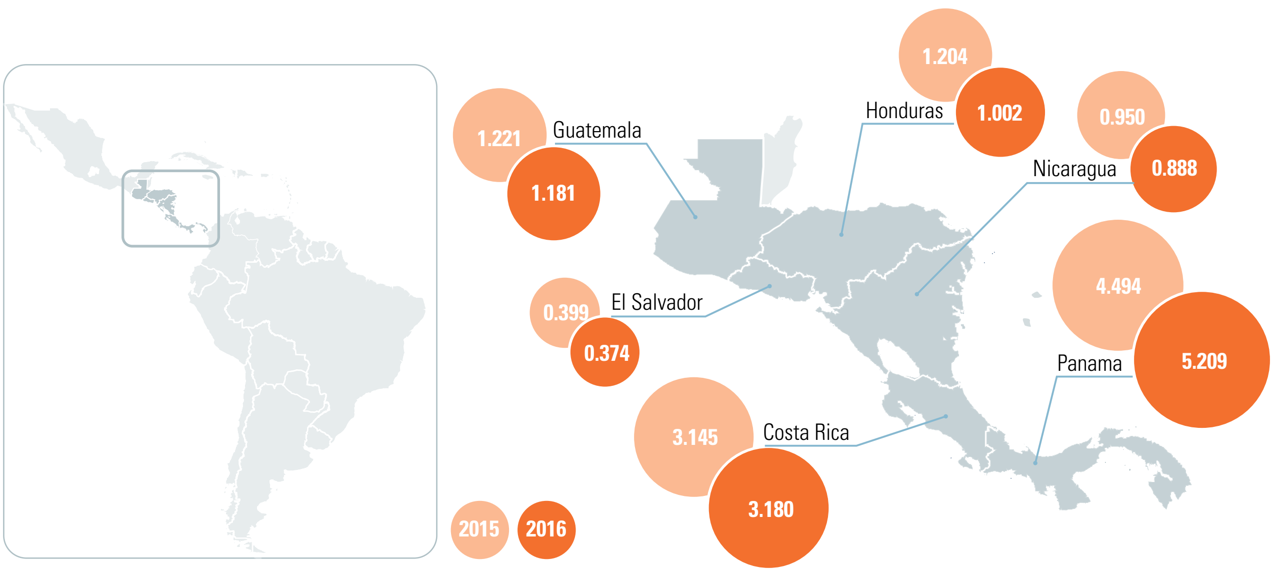
Telecommunications operators expressed their continued interest in investing during 2016, making the sector the fifth-largest recipient of announced investments, despite a drop in the total value compared with 2015. The United States operator AT&T reported that it would continue to pursue its investment plan to consolidate its position in the Mexican market, as did Spain's Telefónica S.A., which announced that it would continue to invest in mobile telephony. Investments in telecommunications are expected to rise in the next few years, as a result of the Red Compartida project, a public-private partnership that seeks to increase coverage of advanced 4G LTE services and is expected to generate more than US$ 7 billion in investment over the next 20 years, which was put out to tender in 2017.—The winning bid was made by Altán Redes, a multinational consortium whose strategic partner is the Spanish Groupo Multitel and whose main investor is North Haven Infrastructure Partners II, an infrastructure fund managed by Morgan Stanley Infrastructure, and which comprises other international investment funds and Mexican partners. In April 2017, this consortium completed the US$ 2.3 billion financing process: 33% in the form of capital contributions by the partners, 37% in the form of loans from technology suppliers (China's Huawei and Finland's Nokia) and the remaining 30% will be provided by national development banks (the National Bank for Public Works and Services, Nacional Financiera and the National Foreign Trade Bank).

4. Central America: Panama performs well

FDI to Central America grew 3.7% in 2016 and stood at US$ 11.833 billion. Higher investments in the subregion's two main recipients —Panama, which received 44%, and Costa Rica, with 27%— offset the drop in FDI to the other Central American countries.

Map I.2
Central America (selected countries): foreign direct investment inflows, 2015 and 2016
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of preliminary figures and official estimates at 15 June 2017.

FDI flows to Panama rose 15.9% to US$ 5.209 billion in 2016, a record after four consecutive years of increases, following the upward trend that began in the mid-2000s. This level of investment placed Panama in sixth place in terms of FDI inflows for the whole of Latin America and the Caribbean, behind Peru. Reinvested earnings were the largest component of FDI in Panama, with 66% of the total, and the amount was just 2% higher than that seen in 2015. Intercompany loans made up 19% of FDI, down 7%, while capital inflows accounted for 15% of the total, making it the smallest component of FDI for the fourth year running.

No sectoral data are available for 2016, but based on past performance, investment in Panama is clearly concentrated in the services sector, which received 91% of inflows on average between 2013 and 2015, primarily in the areas of commerce, financial services, telecommunications and media, and transport. In 2015, the most recent year for which data by origin are available, the United States and Colombia were the main sources of investment in Panama, accounting for 23% and 19%, respectively, followed by the European Union, with 13%, and South Africa, with 7%.

According to data compiled by *fDi Markets*, the number of greenfield renewable energy projects in Panama declined in 2016, with the Taiwanese firm General Energy Solutions making the only announcement, with plans for a photovoltaic power plant. Meanwhile, in the area of natural gas-fired electricity generation, the United States-based multinational AES Corporation —with operations in Panama through two subsidiaries spanning almost 20 years— broke ground on a natural gas-fired power plant, the first of its kind in Central America, a project that will require investment in the amount of US$ 1.15 billion, to be made in conjunction with the Panama-based Inversiones Bahía.

The expansion of the Panama Canal was completed in 2016 and the country is moving forward with a national strategy to improve its logistics position, seizing the opportunities offered by the port area. In line with the national maritime strategy, the Panamanian Maritime Authority has promoted a plan for the strategic development of the sector by 2040, which includes building a terminal for cruise liners on the Pacific side and a dock for related maritime industries, first on the Pacific side and later on the Atlantic side of the Canal. These tender processes will attract transnational companies and could potentially boost FDI inflows into the country, especially from Chinese companies looking to establish a greater presence in Central America through these bidding processes. Construction of the Panama Colon Container Port began in June 2017 —the first with the capacity to serve neopanamax vessels— after Chinese firm Shanghai Gorgeous Investment Development Co. Ltd. was awarded the concession. The associated investments will reach US$ 900 million, with the building work to be carried out by China Communications Construction Co. Ltd. In addition to the port, Shanghai Gorgeous Investment Development Co. Ltd. announced plans to build a natural gas-fired power plant, a project valued at US$ 900 million which is still awaiting environmental approval.

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Costa Rica was the second largest recipient of FDI in the subregion, with inflows totalling US$ 3.18 billion, up 1.1%. FDI to the country had been on a clear upward trend until 2013, after which it stabilized at around US$ 3 billion annually. Intercompany loans and reinvested earnings accounted for 80% of investments (42% and 38%, respectively) and increased compared with 2015, while capital inflows fell for the fourth year in succession, down 4%, accounting for 20%.

Information by sector is only available for 2015, but this shows that services, manufactures and real estate were the main recipients of FDI in Costa Rica, with 29%, 28% and 11% of the total, respectively. The share of manufactures and services is similar to the average levels of the last decade, but the real estate share contracted compared with its past performance (23% of FDI in 2005-2015).[15] The United States, which accounted for half the FDI inflows in 2015, remains the largest investor in Costa Rica. The European Union had a 28% share, with the Netherlands accounting for the lion's share (17%)—which, as was mentioned above, makes it difficult to identify the exact origin of the funds— followed by Germany and Spain, with 4% each. Latin America accounted for 17% of FDI inflows to Costa Rica, led by Colombia (5%) and Mexico (4%).

15 Data by sector and country of origin are taken from the fifth edition of the *Balance of Payments and International Investment Position Manual, fifth edition (BPM5)* (FMI, 1993). The results may change in the light of subsequent updates of sectoral information in BPM6.

In the energy sector, Globeleq Mesoamerica Energy —which began its Costa Rican operations in 1996 with a 23 MW wind farm and which by the end of 2016 had an operational capacity footprint of 394 MW in wind and solar energy, and has projects in Costa Rica, Honduras and Nicaragua— was taken over by Guatemala's Corporación Multi Inversiones (CMI), which thus consolidated its position in the Central American renewable energy market, which it entered in the mid-2000s. The subregion currently has an installed generating capacity of 711 MW from hydraulic, wind and solar energy plants, with plans to add 135 MW of capacity. In the financial sector, a major transaction was the acquisition of a 70% stake in Instacredit, a holding company that grants loans to the low and medium-low income segments of the population and has 52 branches in Costa Rica, 8 in Panama and 1 in Nicaragua, by the Mexican firm Crédito Real in a deal valued at US$ 70 million.

A similar number of investment announcements were made in 2016 as in 2015, albeit for smaller-scale projects —none were valued above US$ 100 million— which is in line with investors' focus on services, an area where projects tend to be comparatively less capital intensive. Most of the project announcements published by *fDi Markets* in 2016 were concentrated in software and information technology (IT) services and the medical industry. One of the largest projects was the opening of a new manufacturing plant for orthopaedic sports medicine supplies in the Coyol free zone by the British company Smith & Nephew, for an estimated US$ 55 million. Also in the area of medical services, Precision Coating, a supplier of plastic coating solutions for medical devices based in the United States, announced a US$ 21 million project in Coyol to supply the local market, while Edwards Lifesciences, also based in the United States, will build a plant to manufacture cardiac valve components for export, with an initial investment of US$ 10 million in the La Lima free zone.

FDI into Guatemala totalled US$ 1.181 billion in 2016, down 3.3% from 2015. It was the second consecutive year of contraction, although the value remains above the average of the 2000s. Reinvested earnings were the largest component (91%), up 12% compared with the previous year, so the contraction is the result of lower capital inflows and intercompany loans, which accounted for 8% and 1% of the total, respectively.

The commerce sector attracted 26% of FDI in 2016, the value of which grew 76% compared with 2015. Investments in electricity fell, but it was still the second largest sector, receiving 22% of the total, while FDI flows to manufactures (19% of the total) and telecommunications(13% of the total) grew 11% and 39%, respectively. Once again, the United States was the principal investor in the country, accounting for 34% of the total in 2016. The European Union accounted for 13%, with most of those investments originating in Spain (6%) and Luxembourg (5%), followed by Colombia, with 9%, and Mexico, 7%. Of those leading investors, only Colombia saw a drop in its outflows to Guatemala. Canadian investments, which had boomed between 2010 and 2014, also fell.

One of the biggest projects announced was the construction of an oil refinery by the United States-based Maple Resources Corporation, for an estimated value of US$ 88 million. In the logistics sector, the Danish company A.P. Moller-Maersk will invest US$ 80 million to expand its container terminal in Puerto Quetzal, while the largest project in manufactures was the expansion of the maize flour production plant of the Mexican company GRUMA, one of the world's leading producers of maize flour and tortillas, estimated at US$ 47 million.

Honduras suffered one of the steepest falls in FDI inflows of the subregion, down 16.7%, receiving only US$1.002 billion in 2016. Despite this and the fact that it was the second consecutive year of contraction, total FDI was still higher than the income received by Honduras in the 2000s. Reinvested earnings were the largest component of investment, with 78%, despite falling by 7%, while capital inflows accounted for 20% of the total, up 43% compared with 2015.

Investment in financial services has grown steadily over the past three years and accounted for 40% of FDI in 2016. The telecommunications and manufactures sectors also received a significant share of foreign capital, 24% and 22%, respectively, up slightly compared with 2015. Investments in commerce fell by 8%, accounting for 11% of the total, while the share of FDI received by the maquila sector fell from 18% over the past decade to 3% in 2016. The origin of investment was relatively diverse compared with other countries of the region. Despite a drop in its outflows to Honduras, Panama was the main investor (15% of the total). The United States and Mexico invested more in Honduras, with each accounting for 14% of the total, while Colombia, Guatemala and Luxembourg accounted for 12%, with only FDI outflows from Colombia decreasing.

In telecommunications, the Swedish firm Millicom, owner of the Tigo brand, announced that it would expand its 4G network to reach 33% of the population in 2016, a project valued at US$ 220 million. The United States textile firm Nike, which has seven factories in Honduras, announced the opening of a logistics centre in the north of the country, a project worth US$ 40 million. Textiles, together with tourism, agribusiness, business support services, intermediate manufacturing (spare parts) and housing, has been a priority area for the proposed strategy to attract investment as part of the Honduras 20/20 development plan, launched in 2016, which aims to secure 70% of the investment needed to fulfil its goals from foreign sources.

Although investment inflows to Nicaragua fell by 6.5% in 2016, total FDI was US$ 888 million, higher than the average for the 2000s. Manufactures and telecommunications remained the main recipients of foreign capital in 2016, with 31% and 26% of the total, and values were similar to those of 2015 (manufactures investment values dropped 2% and telecommunications rose 2%). Investment in commerce and services fell by 7%, accounting for 16% of the total, while the energy sector made up 14% of total FDI, with a small increase of 3%. Mining investments have been falling steadily over the past three years to reach negative territory in 2016, down from an average 18% share of the total between 2011 and 2013.

According to *fDi Markets*, fewer projects were announced in 2016. Major manufactures projects included the opening of a new plant by the Japanese auto parts manufacturer Yazaki Corporation, which already has five factories in Nicaragua, a project valued at US$ 27 million, and the new shrimp feed processing plant project, valued at US$ 10 million, announced by the United States transnational company Cargill. Next Level Apparel, a textile company based in the United States, opened a storage and distribution centre to supply companies in Nicaragua and the United States, in a project with associated investments in the amount of US$ 10 million. In the financial sector, Banco de la Producción, a subsidiary of the Panamanian Promerica Financial Corporation, expanded its activities in the country by opening new branches.

El Salvador received US$ 374 million of FDI in 2016, 6.2% less than the previous year. However, this decline was rather unusual because capital inflows increased in 2016, up to US$ 457 million, meaning that the contraction in total FDI was due to the decrease in intercompany lending, which was negative in 2016.

Analysis of sectoral trends shows that investment in manufactures accounted for 79% of the total, with a similar value to that of 2015 (up 1.2%). Within the services sector, which accounted for the rest of the inflows, investments in the financial sector, the main recipient, increased, investments in commerce dropped and there were divestments in communications and electricity. The leading investors were Panama, which doubled its level of investment compared to 2015 and accounted for 59% of the total, the United States, with a 20% share despite a 71% decline in investments, and Honduras, with 12% of the total.

Investment announcements increased in 2016, with projects concentrated in telecommunications and renewable energy. Spain's Telefónica S.A., which trades as Movistar in El Salvador, announced an investment of US$ 250 million to roll out its LTE network. The Swedish firm Millicom, owner of the Tigo brand, expanded its mobile and 4G networks, with investments estimated at US$ 100 million and US$ 200 million, respectively. In the renewable energy sector, Neoen, a subsidiary of France's Direct Energie, broke ground for a 100 MW photovoltaic power plant, which will be the largest in the country. In the financial sector, Banco Agrícola, a subsidiary of the Colombian concern Grupo Bancolombia, will invest US$ 55 million in a new operations centre.

5. The Dominican Republic still leads in the Caribbean

Foreign direct investment to the Caribbean increased by 3.3% in 2016 and totalled US$ 4.878 billion. The largest recipient of investment was the Dominican Republic, which accounted for 49% of total FDI into the subregion, followed by Jamaica, with 16%. The countries of the Organisation of Eastern Caribbean States (OECS) together received 11% of total FDI in 2016.

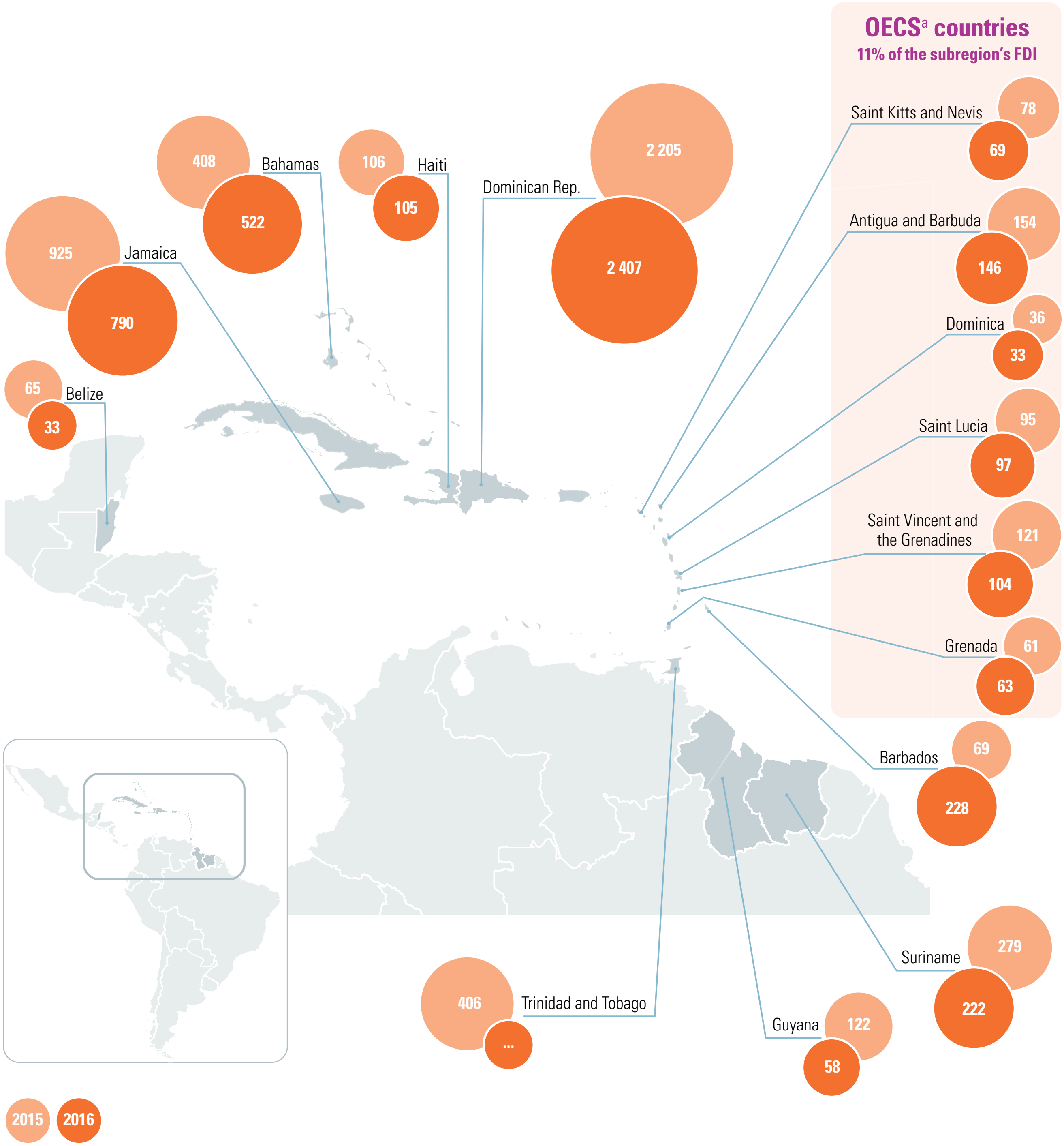
FDI flows to the Dominican Republic have been trending upwards for the past decade. In 2016 they increased by 9.2% to US$ 2.407 billion, making the country the ninth largest recipient of FDI in Latin America and the Caribbean. More than half of FDI took the form of reinvested earnings (55%), while new capital inflows represented 40%, a similar level to that of 2015, down just 0.6%. Tourism and real estate accounted for more than half of the investments, with 33% and 24%, respectively, while after three years of sharp falls, investments in mining and commerce and industry picked up, accounting for 17% and 13%of the total, respectively.

Canada and the United States were once again the two main sources of FDI, with 20% and 15% of the total in 2016, even though investments from the United States contracted by 12%. The European Union was responsible for 17%, of which the largest investor was Spain (12% of the total), while Mexico was the largest contributor from Latin America and the Caribbean, with 5%.

The tourism sector continues to develop and attracted fresh FDI (a rise of 17%), with Spanish companies announcing numerous projects in Punta Cana. For example, Riu Hotels & Resorts invested US$ 140 million in a new five-star hotel for adults only with 1,007 rooms and 3 million euros in its first water park. Another Spanish company, Grupo Piñero, invested an estimated US$ 103 million in a new luxury hotel also in Punta Cana, making it the group with the most hotels in the Dominican Republic.

While FDI inflows for telecommunications and energy were quite modest in 2016, there have been several advances and investment announcements in these sectors, which could boost investment in the future. In 2016, work began on the first phase of the Monte Plata Solar plant, the first large-scale solar power plant in the Dominican Republic, led by General Energy Solutions, based in Taiwan province of China, and Soventix of Germany , with an investment of US$ 110 million. In the first phase of the project, 132,000 solar panels will be set up and generation capacity will be 30 MW, to be expanded to 60 MW in the second phase. The German firm F&S Solar announced that it will build two 107 MW and 115 MW solar parks, which will require an estimated investment of US$ 225 million. In telecommunications, in line with its investment plans for 2015-2017, Mexico's América Móvil, through Claro República Dominicana, announced that it will invest US$ 265 million to expand its 4G LTE network and fibre optic services. The Dutch company Altice, which operates in the Dominican Republic under its Orange and Tricom brands, announced a project to build an entrepreneurship and innovation centre, with an estimated investment of US$ 67 million.

Map I.3
The Caribbean (selected countries and groupings): foreign direct investment inflows, 2015 and 2016
(Millions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of preliminary figures and official estimates at 15 June 2017.
[a] Organisation of Eastern Caribbean States.

FDI flows to the Dominican Republic have been trending upwards for the past decade. Tourism and real estate accounted for more than half of the investments.

Transnational companies have also expressed interest in other production and business services sectors. In the agrifood sector, Kılıç Holding, a Turkish firm specializing in aquaculture and fisheries, is examining the possibility of producing fish for export, with investment of US$ 200 million. Australia's Acquire Business Process Outsourcing (Acquire BPO), which specializes in business services, announced the opening of a contact centre in the Dominican Republic, with an investment of US$ 30 million, while the Italian firm Ritrama, specialists in self-adhesive materials, continues to expand its operations in the region and opened a slitting and distribution centre in the Dominican Republic to service the whole Caribbean subregion, with an estimated investment of US$ 29 million.

FDI inflows to Jamaica fell by 14.5% to US$ 790 million, with most going to tourism, a sector that the government expects will grow by at least 5% per year. The United States-based group, Karisma Hotels, announced that it would begin building the first of three hotels in the Sugar Cane megaproject, an initiative first announced in 2015 (Jamaica Observer, 2016a), while the Spanish group, Riu Hotels & Resorts, will invest US$ 60 million in the construction of its sixth hotel in Jamaica; hotel Riu Reggae will be a five-star, adults only hotel with 454 rooms.

The renewable energy sector has also attracted foreign capital. Jamaica's National Energy Policy, 2009-2030, states that the country will seek to increase investments and establishes a goal of 20% of renewable energy in the energy mix by 2030. In 2016, a 36 MW wind farm, a project valued at US$ 90 million, was opened to the west of Kingston. The farm was acquired later that year by British investor Sir Richard Branson, making it the largest private renewable energy project in Jamaica (*Jamaica Observer*, 2016b). In addition, the United States biofuel company, Benchmark Renewable Energy, announced a project for a large-scale bioethanol plant, with an annual production capacity of 10 million gallons and an additional 3 MW of electricity for the local grid, which will require investment to the tune of US$ 95 million. In the same area, the German fund MPC Capital AG will invest US$ 50 million in a photovoltaic power plant at Paradise Park, which is being developed by Eight Rivers Energy Company (comprised of the French firm Neoen, which is the majority shareholder, and the Jamaican company Rekamniar Frontier Ventures) (MPC Capital, 2016).

The business services market continues to develop thanks to foreign investors and in 2016 India's Hinduja Global Solutions (HGS) announced the opening of its fourth customer service centre in Kingston, a project valued at US$ 100 million. Jamaica has 7.3% of the world's bauxite reserves (ECLAC, 2016a) and, in a transaction valued at US$ 229 million, the Chinese firm Jiuguan Iron & Steel Co. Ltd. (JISCO) purchased the vertically-integrated Alpart aluminium refinery —which has been inactive since 2009— from the Russian company UC RUSAL. Reopening and improving the plant will require an initial investment of US$ 220 million and JISCO has also announced that it will invest some US$ 2 billion over the next four years to create an industrial zone (*Jamaica Observer*, 2016c).

FDI inflows to the Bahamas were up 27.8% to US$ 522 million in 2016, but that is still below the average for the last decade.[16] Capital inflows accounted for a lower share of FDI (37%) and almost doubled their 2015 level.

In October 2016, Hurricane Matthew hit the Bahamas directly, causing severe damage to infrastructure and property, as well as power outages and floods. The material costs of that disaster together with those incurred following Hurricane Joaquin, which preceded Matthew, are estimated at US$ 800 million (Bahamas Information Services, 2016). Most of the FDI that comes to the Bahamas goes to the tourism sector, which

[16] The statistics from the Central Bank of the Bahamas are not fully comparable with those of other countries. In this document, FDI data represent the sum of two items on the financial account: direct investment and other private flows.

is the key to rebuilding and boosting the economy. In 2016, work began on the first phase of the controversial Baha Mar hotel megaproject, which was acquired by CTF BM Holdings Ltd., a subsidiary of the conglomerate Chow Tai Fook Enterprises Ltd. based in Hong Kong SAR. This venture is expected to kick start the local economy (*New York Times*, 2017).

The cruise business continues to thrive, with companies announcing expansion plans. MSC Cruises, a company founded in Italy and with headquarters in Switzerland, announced a project for a private island, Ocean Cay MSC Marine Reserve, in which it plans to invest US$ 200 million, while the United States-based Norwegian Cruise Line will invest to improve its private island in the Bahamas, Great Stirrup Cay. Meanwhile, Carnival Cruise Line, the other major United States cruise line, is planning to build a new port on the east side of Grand Bahama, with an investment estimated at between US$ 100 million and US$ 200 million.

Barbados received US$ 228 million of FDI in 2016, which is triple the amount received in 2015, but still below the average for the last decade. In telecommunications, the Jamaican Digicel Group announced an infrastructure expansion project valued at US$ 84 million, which is expected to extend access to the fibre optic network to households. As part of the same project, it also launched its 4G LTE mobile telephone network, the first of its kind in the country.

In the area of tourism, the Jamaican firm Sandals Barbados plans to double the size of the hotel complex it opened in 2015, by adding another 222 rooms, while United States-based group Hyatt announced the construction of a hotel on Lower Bay Street that will have 232 rooms and 30 condominiums, with an estimated investment of US$ 100 million. In 2017, work will finally begin on the long-delayed, US$ 200 million project to build a 450 room hotel on the site of historic Sam Lord’s Castle Hotel in Saint Philip, to be operated by the United States-based firm Wyndham Grand Resort. As it is linked to a transnational company, this project is expected to receive investment from abroad, which would boost FDI inflows, but in the meantime, the bulk of the funding will be provided by the Government of Barbados directly. In this particular case, Barbados has secured a loan from the Government of China to finance construction of the hotel, which will be built by China National Complete Plant Import & Export Co. Ltd. (*Barbados Today*, 2017).

FDI in Suriname fell 20.4% to US$ 222 million. However, 2015 saw the highest reported amount of investment of the last 10 years, so inflows in 2016 were still above the average of previous years. The country’s natural resources have been the main attraction for foreign capital. In mining, the Canadian firm Iamgold signed an agreement with the Government of Suriname to acquire a stake in the Saramacca project and the encouraging results of the initial explorations mean that drilling will continue (Iamgold, 2017). In 2016, production began at the Merian open-pit gold mine, a project led by the United States-based group Newmont Mining Corporation and in which the State-owned oil company, Staatsolie, holds a 25% stake. This site has an estimated mine life of 11-13 years and reserves of approximately 3.8 million ounces. Annual production is expected to reach between 400,000 and 500,000 ounces in the first five years of operation.

FDI flows to Haiti remained relatively stable, reaching US$ 105 million in 2016, despite being a year marked by political turmoil and the trail of destruction wreaked by Hurricane Matthew, with the ensuing damages estimated to be in the region of 21% of GDP.

The maquila industry, particularly in the textile sector, has seen some activity. MAS Holdings, a Sri Lankan conglomerate specializing in the manufacture of underwear, announced the opening of a new plant in the Caracol industrial park, with an estimated investment of US$ 27 million. This project would make it the second foreign investor in the park, following in the wake of SAE-A Trading Co. Ltd., the global leader in textiles based in the Republic of Korea, which has been operating in the industrial park since 2012. Meanwhile Winds Group of Hong Kong SAR has opened a new sportswear factory where 12 million garments will be manufactured for mid-range brands in the United States, and announced that it will open a second plant in 2018 to double its production capacity. Both projects are expected to require investment totalling US$ 90 million.

Although the government continues to pursue its efforts to promote Haiti as a tourist destination and improve the quality and range of services, the tourism sector and the country's image have been hurt in 2016 by the political instability surrounding the presidential elections and the damage caused by Hurricane Matthew. The government has tried to promote the mining sector, whose potential value is estimated at US$ 20 billion in gold and precious metals, by establishing a new legal framework that allows exploitation by foreign companies. However, this is a controversial issue, as establishing a framework that ensures sustainable mining activities that contribute to development is a complex task for the industry, and civil society continues to voice concerns about the lack of assurances in this regard (*Huffington Post*, 2016).

Guyana received US$ 58 million of FDI in 2016, close to half the value of investment received in 2015 (a decrease 52.3%) and of average inflows received during the first half of the 2000s. The energy sector received the lion's share of FDI (34%) and more capital than in 2015, followed by the mining sector, 26% of the total, despite a 58% decrease. Investment in tourism, manufactures and agriculture was also down.

Hydrocarbon exploitation is expected to effect major changes in the country's economy in the coming years. Exploration of the Stabroek block by United States-based ExxonMobil yielded positive results and in June 2017 the company announced that it will begin the first phase of exploitation, which is expected to cost US$ 4.4 billion and develop approximately 450 million barrels of oil.

FDI in Belize decreased by 49.7% in 2016, to US$ 33 million. With this second consecutive year of decline FDI reached levels similar to those of the 2000s. Capital inflows were the largest FDI component, accounting for 58%, and their contraction could not be offset by the increase in reinvested earnings.

Services and natural resources have attracted much of the investment in previous years. In the agriculture sector, the Guatemalan company Santander Group completed the construction of a sugar mill and exported the first sugar shipment to Europe, while in the tourism sector, Norwegian Cruise Line launched a project which will see at least 130 cruise ships visit Belize every year, generating 500 direct jobs and 1,500 indirect jobs by 2020 (*Cruise Industry News*, 2016).

In the first half of 2016, Trinidad and Tobago saw negative FDI flows of US$ 30 million, after reaching US$ 406 million in 2015.[17] The capital outflows of transnational oil companies explains why FDI was negative in the first two months, while FDI totalled US$ 177 million in the other sectors in the first six months of 2016. In the past, hydrocarbon exploitation and petrochemicals have been the main recipients of FDI, meaning that movements by transnational companies have a major impact on the balance of payments and FDI inflows may be negative in some years.

In the financial sector, National Commercial Bank Jamaica Ltd. acquired a 29.9% stake in the insurance and financial services firm Guardian Holdings Ltd., a leader in

[17] In 2017, the Central Bank of Trinidad and Tobago adopted the methodology set out in the *Balance of Payments and International Investment Position Manual, sixth edition* (BPM6) of the International Monetary Fund (IMF, 2009) and modified part of the data sources, as a result only information for the first half of 2016 was available at the time of writing the present report.

financial transactions in the Caribbean, while in telecommunications, the Jamaican company Digicel Group remains active in the market and announced a project in 2016, estimated at US$ 305 million, to expand its fibre optic network to households.

FDI flows to member countries of the Organisation of Eastern Caribbean States (OECS) fell for the third year in a row, coming in at US$ 513 million in 2016, 5.8% less than in 2015.

Antigua and Barbuda received inflows totalling US$ 146 million, which is in line with the average for the last five years, even though it fell 5.2%. Capital income accounted for 93% of FDI and was the main factor behind the contraction, as reinvested earnings and intercompany loans increased. FDI flows have been concentrated in tourism and most investment projects were announced in that sector.

After being announced in 2015, the construction of the Hideaway at Royalton Antigua Resort & Spa in Deep Bay by Canada's Sunwing Travel Group was finally approved in 2016, with total investments estimated at US$ 400 million. In Barbuda, the Paradise Found project, led by Robert De Niro, also received the necessary construction permits, despite opposition from local residents. This US$ 250 million project aims to upgrade and redevelop the site of the former K Club, which was once frequented by Princess Diana and closed its doors more than a decade ago (Forbes, 2016a). The boutique division of the United States chain Marriott announced the construction of Coconut Bay Beach Resort, its first hotel in the country, a project that will require a US$ 40 million investment and will consist of 40 luxury condominiums and a 70-room five-star hotel.

Saint Vincent and the Grenadines received FDI totalling US$ 104 million in 2016, down 14% on 2015 but still within the range of investment received by the country in the past decade. Almost all of the investment came in the form of new capital (97%) and went to the tourism sector. In 2016, the real estate firm Sotheby's International Realty began operating in the country, which is expected to boost the real estate market. In hotels, a three-year, US$ 100 million luxury tourism project was also announced. In 2016, work began on the first phase of the Pink Sands Club, an exclusive hotel complex with 26 rooms and 6 villas (Forbes, 2016b). In addition, a new international airport was opened in February 2017, with Air Canada announcing in May that it would start weekly flights from Toronto by the end of the year. This will be the first regular international service to the islands from North America and is expected to boost tourism.

Saint Lucia received US$ 97 million in FDI in 2016, up 2.2% on 2015 and in line with inflows seen in the last four years. The increase was due to higher capital inflows, accounting for 76% of the total, and reinvested earnings and intercompany loans (12% of the total each). Tourism is the main economic activity in Saint Lucia. The Jamaican chain Sandals announced the construction of its fourth property in the country: a six-star luxury resort with 350 rooms, which will require an estimated investment of US$ 65 million. Luxury tourism is one the country's major attractions, and in 2016 Serenity at Coconut Bay, a luxury all-inclusive-boutique resort, was opened, and a project to build 20 villas in the south of the island —the Domaine Resort Development Project—was also announced, requiring investment of around US$ 6 million. Saint Lucia launched its citizenship by investment programme in early 2016, and will expand it in 2017 by eliminating the minimum net worth requirement of US$ 3 million.

FDI flows to member countries of the Organisation of Eastern Caribbean States (OECS) fell for the third year in a row, coming in at US$ 513 million in 2016, 5.8% less than in 2015.

FDI in Saint Kitts and Nevis fell for the third year in a row in 2016, amounting to US$ 69 million, down 11.7% on 2015. Of this total , 97% was new capital. The government has implemented several reforms to its citizenship by investment programme in recent years, mainly to preserve the credibility of the programme and of the passport, as well as other changes to facilitate the process of including family members in the application. As in other Caribbean islands, tourism has been the main attraction for foreign capital.

The United States-based Wyndham Hotel Group sees the country as one of the most desirable and exclusive destinations in the Caribbean, and will begin operations with a complex of 170 suites, condominiums and villas. The investment in this venture, due to be complete in 2019, is estimated at US$ 160 million.

Among OECS countries, the largest increase in FDI was in Grenada, which rose 4.6% to US$ 63 million, 91% of which corresponded to capital income and the remaining 9% to reinvested earnings. The tourism sector has been growing since 2014, when the JetBlue service began operating and Sandals opened a resort. In 2016, JetBlue increased the number of direct flights from New York. In line with this growth, new tourism projects were announced. Construction began on the Levera Beach Resort, a 176-room hotel located on the least developed north-east coast of the island, a project that was green lighted as part of the country's citizenship by investment programme. Plans were also announced for a new 146-room hotel to be developed by True Blue Development and operated by the United States boutique hotel chain Kimpton Hotels & Restaurants, a subsidiary of Intercontinental Hotels Group. The hotel will open in 2019.

FDI in Dominica declined 6.9% to US$ 33 million, owing to lower capital inflows, accounting for 77% of the total, while reinvested earnings and intercompany loans remained steady (12% of the total each). Since its introduction in 2014, the citizenship by investment programme has been Dominica's main source of FDI and was indispensible for the reconstruction effort following Tropical Storm Erika. As part of this programme, hotel projects by Kempkinski and Hilton were given the go-ahead and are scheduled to open in 2018. Another real estate project approved as part of the citizenship for investment programme is the announcement by the international chain Marriott, already present in the Dominican market thanks to its acquisition of Silver Beach Resort & Spa Dominica, that it will open a boutique hotel, part of its Autograph Collection brand.

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Annex I.A1

Table I.A1.1
Latin America and the Caribbean: inward foreign direct investment by country, 2002-2016
(Millions of dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Antigua and Barbuda	80	179	95	238	361	341	161	85	101	68	138	101	155	154	146
Argentina	2 149	1 652	4 125	5 265	5 537	6 473	9 726	4 017	11 333	10 840	15 324	9 822	5 065	11 759	4 229
Bahamas	354	713	804	1 054	1 492	1 623	1 512	646	1 097	1 409	1 034	1 133	1 599	408	522
Barbados	228	185	228	390	342	476	615	255	446	458	548	56	559	69	228
Belize	25	-11	111	127	109	143	170	109	97	95	189	95	153	65	33
Bolivia (Plurinational State of)	677	197	85	-288	281	366	513	423	643	859	1 060	1 750	657	555	410
Brazil[a]	16 587	10 123	18 161	15 460	19 418	44 579	50 716	31 481	88 452	101 158	86 607	69 181	96 895	74 694	78 929
Chile[b]	2 550	4 059	6 848	7 526	7 659	13 563	18 627	13 966	16 153	24 374	30 562	21 092	24 011	20 469	12 225
Colombia[a]	2 134	1 720	3 116	10 235	6 751	8 886	10 565	8 035	6 430	14 648	15 039	16 209	16 163	11 732	13 593
Costa Rica[c]	659	575	794	861	1 469	1 896	2 078	1 615	1 907	2 733	2 696	3 205	3 195	3 145	3 180
Dominica	21	32	27	32	29	48	57	58	43	35	59	25	35	36	33
Dominican Republic[d]	917	613	909	1 123	1 085	1 667	2 870	2 165	2 024	2 277	3 142	1 991	2 209	2 205	2 407
Ecuador	783	872	837	493	271	194	1 057	309	166	644	568	727	772	1 322	744
El Salvador[a]	496	123	366	398	267	1 455	824	366	-226	218	484	176	311	399	374
Grenada	57	91	66	73	96	172	141	104	64	45	34	114	38	61	63
Guatemala[e]	205	263	296	508	592	745	754	600	806	1 026	1 245	1 295	1 389	1 221	1 181
Guyana	44	26	30	77	102	152	178	164	198	247	294	214	255	122	58
Haiti	6	14	6	26	161	75	29	55	178	119	156	161	99	106	105
Honduras	275	403	547	600	669	928	1 006	509	969	1 014	1 059	1 060	1 417	1 204	1 002
Jamaica[f]	481	721	602	682	882	866	1 437	541	228	218	413	545	582	925	790
Mexico[g]	24 055	18 225	24 916	26 018	20 701	33 058	32 150	19 451	21 035	23 792	17 101	46 597	29 296	34 878	32 113
Nicaragua[g]	204	201	250	241	287	382	627	434	490	936	768	816	884	950	888
Panama[h]	78	771	1 012	1 027	2 498	1 777	2 402	1 259	2 363	3 132	2 980	3 943	4 459	4 494	5 209
Paraguay	6	25	28	36	114	202	263	71	462	581	697	252	382	260	274
Peru	2 156	1 335	1 599	2 579	3 467	5 491	6 924	6 431	8 455	7 341	11 788	9 800	4 441	8 272	6 863
Saint Kitts and Nevis	81	78	63	104	115	141	184	136	119	112	110	139	120	78	69
Saint Lucia	57	112	81	82	238	277	166	152	127	100	78	95	93	95	97
Saint Vincent and the Grenadines	34	55	66	41	110	121	159	111	97	86	115	160	110	121	104
Suriname	-74	-76	-37	28	-163	-247	-231	-93	-248	70	174	188	164	279	222
Trinidad and Tobago[i]	791	808	998	940	883	830	2 801	709	549	55	-1 849	-1 134	672	406	…
Uruguay	194	416	332	847	1 493	1 329	2 106	1 529	2 289	2 504	2 536	3 032	2 188	1 279	953
Venezuela (Bolivarian Republic of)[j]	782	2 040	1 483	2 589	-508	3 288	2 627	-983	1 574	5 740	5 973	2 680	320	1 383	…

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of estimates and official figures as at 15 June 2017.
[a] The data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[b] From 2003 to 2016 the data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[c] From 2009 to 2016 the data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[d] From 2010 to 2016 the data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[e] From 2008 to 2016 the data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[f] From 2012 to 2016 the data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[g] From 2006 to 2016 the data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[h] From 2015 to 2016 the data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[i] From 2011 to 2015 the data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[j] The 2015 data correspond to the first three quarters only.

Table I.A1.2
Latin America and the Caribbean: inward foreign direct investment by destination sector, 2007-2016
(Millions of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Argentina[a]										
Natural resources	2 464	2 627	1 600	2 544	1 222	2 816	5 631	4 000	-740	...
Manufactures	3 020	5 144	474	4 861	5 446	5 709	4 295	6 947	7 979	...
Services	1 961	2 426	2 220	2 622	4 567	4 787	3 924	5 775	6 044	...
Belize										
Natural resources	9	37	7	13	29	100	22	10	12	22
Manufactures	0	0	0	0	0	0	0	0	0	0
Services	101	117	93	79	59	90	64	113	40	5
Other	34	16	9	5	5	6	9	9	13	6
Bolivia (Plurinational State of)[b]										
Natural resources	486	859	420	530	622	1 166	1 550	1 558	869	...
Manufactures	164	154	74	274	240	119	317	390	23	...
Services	303	290	193	132	171	220	162	164	168	...
Brazil[c]										
Natural resources	4 751	12 995	4 597	16 261	10 297	6 528	9 990	5 621	8 310	8 696
Manufactures	13 481	14 013	13 481	21 273	26 837	22 206	15 218	16 922	20 967	20 138
Services	16 103	17 449	13 601	14 702	31 987	31 444	23 880	33 357	28 628	24 647
Chile										
Natural resources	6 495	4 599	7 772	5 216	18 222	13 881	4 304	4 370	10 681	...
Manufactures	-657	1 570	441	637	942	2 602	1 454	1 648	424	...
Services	6 481	8 725	4 113	6 838	4 876	8 999	8 911	11 620	4 401	...
Other	215	256	1 065	2 818	-732	3011	4 694	4 704	4 952	...
Colombia										
Natural resources	4 452	5 176	5 672	4 976	7 336	7 970	8 385	6 517	3 257	2 319
Manufactures	1 760	1 696	1 364	210	1214	1985	2481	2 837	2 471	1 914
Services	2 673	3 693	1 000	1 244	6 098	5 084	5 343	6 810	6 005	9 360
Costa Rica										
Natural resources	33	467	73	31	38	-15	-9	97	442	...
Manufactures	689	555	407	966	737	600	382	503	799	...
Services	1 170	1 031	845	446	1 401	1 674	2 717	2 148	1 609	...
Other	4	26	22	23	2	0	0	0	0	...
Dominican Republic										...
Natural resources	30	357	758	240	1 060	1 169	93	-39	6	418
Manufactures	184	574	280	566	355	1 257	404	607	368	320
Services	1 453	1 938	1 128	1 218	862	716	1 494	1 640	1 831	1 669
Ecuador										
Natural resources	-77	265	58	189	380	243	274	725	628	521
Manufactures	99	198	118	120	122	136	138	108	264	37
Services	173	595	133	-143	143	189	316	-60	430	186
El Salvador										
Natural resources	109	31	9	1	-1	-3	6	1	1	1
Manufactures	23	28	92	-65	149	-47	285	88	292	296
Services	1 315	479	243	-225	66	502	-147	245	77	83
Other (maquila)	103	365	21	59	4	29	35	-23	28	-6
Guatemala										
Natural resources	70	174	139	120	325	418	335	201	156	49
Manufactures	210	175	51	299	150	145	186	179	205	228
Services	437	369	401	363	544	636	707	951	759	818
Other	28	36	9	23	7	46	67	58	101	86

Table I.A1.2 (concluded)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Honduras										
Natural resources	30	4	10	84	62	41	70	72	65	10
Manufactures	384	267	98	341	392	438	325	667	395	237
Services	513	736	402	545	560	579	665	678	744	756
Other	0	0	0	0	0	0	0	0	0	0
Mexico[d]										
Natural resources	1 931	4 604	1 502	1 498	988	3 217	5 776	2 687	1 263	1 347
Manufactures	13 670	9 111	7 227	14 280	10 947	9 143	30 694	16 576	16 310	16 401
Services	16 855	15 666	9 382	11 485	12 771	8 701	11 066	8 245	15 608	8 990
Nicaragua										
Natural resources	11	57	47	77	191	123	272	109	32	-19
Manufactures	121	122	70	108	226	302	234	246	280	275
Services	250	447	318	323	550	347	350	378	501	499
Other	0	0	0	0	0	22	125	151	137	134
Panama										
Natural resources	-59	-59	-34	77	94	1 164	468	-18	11	…
Manufactures	161	161	104	-114	298	520	142	181	238	…
Services	2 106	2 106	1 190	2 760	2 761	1 526	2 957	4 296	4 245	…
Other	-11	-11	0	0	0	0	0	0	0	…
Paraguay										
Natural resources	-2	7	7	-1	20	34	45	83	-25	…
Manufactures	8	201	-33	302	210	409	-30	-12	100	…
Services	196	55	98	160	351	254	237	311	185	…
Uruguay										
Natural resources	338	604	253	329	383	220	378	136	124	…
Manufactures	263	261	242	131	190	340	240	290	70	…
Services	592	1 003	962	1 010	1 360	1 536	1 642	1 274	824	…
Other	136	238	71	820	572	440	772	487	261	…

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of estimates and official figures as at 15 June 2017.

[a] Data from the Central Bank of the Argentine Republic.

[b] Gross foreign direct investment flows, excluding divestments.

[c] Based on capital inflow data only.

[d] Figures according to the *Balance of Payments and International Investment Position Manual*, fifth edition (BPM5).

Table I.A1.3

Latin America and the Caribbean: inward foreign direct investment by country of origin, 2007-2016

(Millions of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Argentina[a]										
United States	870	2 720	1 862	2 168	2 945	3 623	3 726	5 668	3 899	...
Spain	1 191	-2 652	1 296	1 349	-154	-907	1 643	1 737	2 697	...
Netherlands	616	1 074	-97	108	481	2 362	2 060	2 595	1 405	...
Brazil	828	1 421	-71	1 654	2 054	1 634	755	610	1 140	...
France	833	351	51	202	184	531	649	1 058	879	...
Chile	438	751	240	589	586	649	85	666	856	...
Germany	301	298	384	701	217	687	1 049	862	706	...
Uruguay	427	614	519	-47	-152	470	-127	266	463	...
Bolivia (Plurinational State of)[b]										
Spain	50	25	145	271	246	364	676	537	310	...
France	13	36	22	89	55	73	220	200	185	...
United Kingdom	24	48	70	11	2	111	309	442	142	...
Sweden	242	339	23	169	280	178	347	15	79	...
United States	322	295	162	85	76	89	61	140	79	...
Brazil[c]										
Netherlands	8 129	4 639	6 515	6 702	17 582	12 213	10 511	8 791	11 573	10 524
Luxembourg	2 857	5 937	537	8 819	1 867	5 965	5 067	6 659	6 599	7 395
United States	6 073	7 047	4 902	6 144	8 909	12 310	9 024	8 580	6 866	6 544
United Kingdom	1 053	693	1 032	1 030	2 749	1 978	1 203	1 726	1 649	3 596
Spain	2 202	3 851	3 424	1 524	8 593	2 523	2 246	5 962	6 570	3 489
Italy	313	385	232	300	457	986	902	868	1 720	2 835
France	1 233	2 880	2 141	3 479	3 086	2 155	1 489	2 945	2 841	2 778
Norway	284	207	671	1 540	1 073	936	405	554	2 445	2 186
Chile										
Spain	0	0	1 886	1 529	2 087	144	3 951	5 452	1 642	...
United States	0	0	469	2 902	4 749	8 162	335	1 823	1 543	...
Netherlands	0	0	763	2 962	2 746	4 573	5 025	2 034	1 362	...
Bahamas	0	0	-65	1 160	361	204	19	562	658	...
Bermuda	0	0	1 014	128	1 152	1 478	288	-2 144	540	...
Colombia										
Canada	159	145	116	268	273	291	258	437	322	2 194
United States	2 697	2 874	2 343	1 593	2 155	2 476	2 839	2 238	2 031	2 140
Spain	572	1 040	830	113	1164	628	884	2 214	1 332	1 527
Bermuda	82	404	645	624	924	367	848	1 017	1 292	1 520
Panama	839	1 141	789	1 368	3 508	2 395	2 040	2 436	1 660	1 387
Netherlands	-660	60	197	1	1 072	-1 792	632	450	945	1 028
Costa Rica										
United States	962	1 328	1 022	1 036	1 376	1 015	1 392	1 182	1 503	...
Netherlands	51	24	27	7	30	32	109	-59	471	...
Honduras	1	5	3	13	7	1	18	3	171	...
Colombia	30	50	6	98	152	106	79	109	141	...
Mexico	71	20	7	40	183	336	172	237	123	...
Spain	57	141	79	28	247	311	247	291	120	...
Dominican Republic										
Canada	113	383	773	696	1 126	851	143	158	91	480
United States	536	360	455	1 055	499	252	374	321	405	356
Spain	605	181	151	203	137	128	33	7	32	281
Mexico	-124	1 055	273	433	73	-32	6	244	-19	118
Italy	32	11	16	8	16	1	0	10	-1	48
Ecuador										
Netherlands	8	-8	-4	11	7	11	48	76	293	383
Spain	85	190	51	-16	52	50	71	67	71	100
United States	50	-29	-607	-535	12	94	42	10	186	87
China	85	47	56	45	80	86	94	79	114	72
Italy	11	17	1	10	25	27	61	27	25	42
United Kingdom	5	6	6	5	15	19	1	25	21	34
El Salvador										
Panama	841	321	80	206	27	-480	323	2	120	221
United States	499	129	74	-124	23	6	-72	111	260	76
Honduras	0	0	0	-4	0	47	-1	8	-14	46

Table I.A1.3 (concluded)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Guatemala										
United States	326	229	151	343	127	227	221	441	385	404
Colombia	3	15	21	22	155	48	155	142	164	108
Mexico	76	76	50	97	81	96	143	105	60	79
Spain	42	66	64	50	2	49	74	43	62	72
Luxembourg	37	37	21	6	0	0	25	39	47	54
Switzerland	13	22	6	43	4	29	19	25	15	37
Republic of Korea	13	4	23	63	38	35	48	34	33	34
Honduras										
Panama	22	16	1	14	16	22	63	152	195	150
United States	460	449	92	185	141	173	128	-256	137	139
Mexico	92	30	168	124	154	192	266	140	134	138
Colombia	0	0	0	0	20	22	31	128	127	121
Guatemala	15	44	14	61	44	52	37	88	65	121
Luxembourg	0	0	171	133	149	124	150	133	92	120
Mexico[d]										
United States	13 157	11 929	7 615	7 298	12 722	10 180	15 003	8 930	17 242	10 410
Spain	5 493	5 034	3 042	4 211	3 693	-400	329	4 459	3 409	2 856
Germany	649	710	22	457	561	994	1 693	1 689	1 451	2 395
Israel	2	2	2	28	6	114	8	9	1	2 015
Canada	886	3 485	1 805	2 043	1 474	1 838	4 479	3 021	1 190	1 672
Japan	452	554	366	1 074	929	1 829	1 961	1 425	1 734	1 522
Belgium	228	142	346	40	179	21	13 254	1 292	842	1 088
Nicaragua										
United States	84	126	88	88	159	121	244	…	…	…
Mexico	128	164	48	90	115	149	125	…	…	…
Venezuela (Bolivarian Republic of)	47	132	147	29	45	210	108	…	…	…
Panama	5	4	1	1	34	78	77	…	…	…
Spain	45	59	25	33	116	-19	74	…	…	…
Panama										
United States	163	224	-19	1 120	652	28	715	612	1 039	…
Ecuador	9	20	-4	9	13	533	305	912	866	…
South Africa	13	19	26	879	191	612	246	199	320	…
Mexico	60	69	154	-9	171	-51	367	297	225	…
Switzerland	146	122	301	444	216	152	232	184	188	…
Spain	77	91	327	-50	133	68	147	191	165	…
United Kingdom	208	6	68	114	486	-701	78	154	156	…
Paraguay										
United States	107	216	35	332	240	86	-98	62	104	…
Brazil	41	2	22	108	84	169	73	170	101	…
Panama	26	-13	-1	25	20	11	13	22	77	…
Uruguay	2	2	4	9	-3	9	7	-1	34	…
Spain	19	16	24	35	22	94	19	11	30	…
Trinidad and Tobago										
United States	574	403	469	363	488	560	1 272	361	…	…
India	21	16	17	13	2	1	2	348	…	…
Canada	3	2 194	4	3	994	1 586	357	248	…	…
United Kingdom	159	146	152	118	64	25	21	31	…	…
Uruguay										
Argentina	373	534	432	588	809	975	672	616	366	…
Germany	16	4	0	15	12	18	36	-1	144	…
Brazil	86	183	110	108	170	178	255	253	105	…
Italy	0	4	0	2	0	2	20	-1	100	…
Belgium	46	-2	53	55	51	59	64	51	84	…
Canada	3	3	0	14	18	66	7	12	60	…

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of estimates and official figures as at 15 June 2017.

[a] Data from the Central Bank of the Argentine Republic.

[b] Gross foreign direct investment flows, excluding divestments.

[c] Based on capital inflow data only.

[d] Figures according to the *Balance of Payments and International Investment Position Manual*, fifth edition (BPM5).

Table I.A1.4

Latin America and the Caribbean: inward foreign direct investment by component, 2007-2016

(Millions of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Antigua and Barbuda										
Capital contributions	328	149	79	96	61	110	65	106	143	135
Intercompany loans	0	0	1	1	2	6	29	41	3	3
Reinvested earnings	12	12	5	5	5	22	7	7	7	8
Argentina										
Capital contributions	2 578	4 552	2 133	2 504	4 508	4 861	2 784	-112	1 319	3 649
Intercompany loans	1 846	4 777	-1 010	3 507	2 600	3 120	-783	-945	2 382	-3 747
Reinvested earnings	2 050	396	2 894	5 322	3 732	7 343	7 821	6 121	8 058	4 327
Bahamas										
Capital contributions	887	1 032	753	960	971	575	410	374	104	194
Intercompany loans	736	481	-107	137	438	458	723	1225	304	328
Reinvested earnings	0	0	0	0	0	0	0	0	0	0
Barbados										
Capital contributions	420	340	140	393	227	230	118	307	398	274
Intercompany loans	24	231	103	41	324	113	-119	-76	-216	-137
Reinvested earnings	32	45	13	13	-93	206	56	329	-112	91
Belize										
Capital contributions	100	141	80	80	103	193	101	145	57	19
Intercompany loans	13	8	6	2	1	0	0	0	0	0
Reinvested earnings	30	21	23	15	-8	-4	-6	7	7	14
Bolivia (Plurinational State of)[a]										
Capital contributions	27	45	1	1	5	19	17	313	20	406
Intercompany loans	654	850	177	141	130	282	331	889	741	470
Reinvested earnings	272	407	509	793	899	1204	1682	919	405	208
Brazil										
Capital contributions	26 074	30 064	19 906	40 117	54 782	52 836	41 648	47 220	49 495	44 884
Intercompany loans	18 505	20 652	11 575	13 470	16 451	22 541	38 346	38 977	18 053	24 908
Reinvested earnings	0	0	0	34 865	29 925	11 230	-10 813	10 698	7 145	9 137
Chile										
Capital contributions	2 622	7 775	1 905	4 662	10 921	8 532	4 806	10 524	6 612	5 936
Intercompany loans	661	1 869	763	3 318	3 155	10 949	8 598	8 807	10 177	2 804
Reinvested earnings	10 280	8 983	11 298	8 174	10 297	11 080	7 689	4 681	3 680	3 485
Colombia										
Capital contributions	7 024	7 861	4 907	3 741	8 282	9 088	9 749	9 176	7 353	6 224
Intercompany loans	-121	47	731	-635	1 872	1 239	2 368	2 493	2 006	4 675
Reinvested earnings	1 983	2 657	2 396	3 325	4 494	4 712	4 091	4 495	2 373	2 694
Costa Rica										
Capital contributions	1 377	1 594	1 050	818	959	852	1 704	1 333	967	641
Intercompany loans	-2	39	-174	150	711	1 136	714	912	1 078	1 345
Reinvested earnings	521	446	471	497	509	708	788	949	1 100	1 193
Dominica										
Capital contributions	28	39	39	28	25	45	16	28	29	26
Intercompany loans	9	9	13	13	7	9	4	4	4	4
Reinvested earnings	10	9	6	3	2	4	5	4	4	4
Dominican Republic										
Capital contributions	1 616	2 199	704	870	883	983	623	778	972	967
Intercompany loans	-446	278	1 096	351	389	1 177	81	11	40	121
Reinvested earnings	498	394	365	803	1 005	982	1 286	1 420	1 192	1 319
Ecuador										
Capital contributions	151	229	278	265	252	227	424	848	985	679
Intercompany loans	-368	530	-225	-312	65	40	-7	-390	50	-146
Reinvested earnings	411	298	256	213	328	301	310	314	287	211

Table I.A1.4 (concluded)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Grenada										
Capital contributions	140	128	97	56	39	29	109	33	55	58
Intercompany loans	17	1	2	3	1	0	0	0	0	0
Reinvested earnings	15	12	5	5	5	5	5	5	6	6
Guatemala										
Capital contributions	260	198	94	265	198	446	208	138	712	91
Intercompany loans	-30	75	19	-102	58	219	416	431	-452	14
Reinvested earnings	515	482	488	643	770	580	672	820	961	1 076
Honduras										
Capital contributions	220	568	84	29	284	310	174	248	137	196
Intercompany loans	203	-40	65	378	56	52	240	253	229	27
Reinvested earnings	505	479	360	562	674	697	645	917	838	779
Mexico										
Capital contributions	18 097	12 989	11 468	15 869	9 551	4 640	22 450	5 815	13 099	10 512
Intercompany loans	6 458	9 876	2 648	-40	4 096	2 586	7 213	7 925	11 041	13 430
Reinvested earnings	8 504	9 285	5 335	5 205	10 146	9 875	16 934	15 556	10 738	8 171
Panama										
Capital contributions	719	918	898	948	759	1 561	1 614	687	77	781
Intercompany loans	178	136	105	540	1 224	682	550	343	1 035	966
Reinvested earnings	879	1 348	257	874	1 150	737	1 779	3 429	3 382	3 463
Paraguay										
Capital contributions	43	66	152	93	399	421	355	386	277	249
Intercompany loans	129	73	-58	149	316	40	-325	-197	-57	-42
Reinvested earnings	31	124	-23	220	-134	236	222	193	41	67
Peru										
Capital contributions	733	2 981	1 828	2 445	896	5 393	2 490	-1 786	4 170	2 213
Intercompany loans	924	656	-782	693	2 117	-508	3 202	2 705	1 105	477
Reinvested earnings	3 835	3 287	5 385	5 317	4 328	6 903	4 107	3 522	2 997	4 172
Saint Kitts and Nevis										
Capital contributions	135	178	132	116	107	106	137	118	76	67
Intercompany loans	3	3	1	1	1	2	0	0	1	1
Reinvested earnings	2	2	2	2	4	1	1	1	2	2
Saint Lucia										
Capital contributions	254	135	135	109	80	54	76	71	72	74
Intercompany loans	8	21	13	13	15	16	10	11	12	12
Reinvested earnings	15	11	3	4	5	8	9	11	11	12
Saint Vincent and the Grenadines										
Capital contributions	102	142	100	91	79	112	157	101	118	101
Intercompany loans	8	8	8	2	2	2	2	2	2	3
Reinvested earnings	11	9	2	4	4	1	1	7	1	1
Suriname										
Capital contributions	0	0	0	0	0	0	0	0	...	...
Intercompany loans	-247	-231	-93	-248	-51	113	71	-21	...	...
Reinvested earnings	...	...	...	0	121	11	69	27	...	...
Trinidad and Tobago										
Capital contributions	554	2 322	426	309	530	-196	-1 904	528	...	...
Intercompany loans	-21	-16	-12	-11	-476	-1 653	769	143	...	...
Reinvested earnings	297	495	296	251	0	0	0	0	...	...
Uruguay										
Capital contributions	550	1 012	990	1 617	1 412	1 665	1 866	2 267	1 012	806
Intercompany loans	448	540	82	8	263	94	306	-527	81	-222
Reinvested earnings	331	554	457	664	828	777	860	448	186	369
Venezuela (Bolivarian Republic of)										
Capital contributions	-806	302	-3 348	-1 319	-495	-307	-79	139	...	...
Intercompany loans	773	-11	367	1 457	2 752	3 292	1 784	-967	...	...
Reinvested earnings	3 321	2 336	1 998	1 436	3 483	2 988	975	1 148	...	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of estimates and official figures as at 15 June 2017.
[a] Gross foreign direct investment flows, excluding divestments.

Table I.A1.5

Latin America and the Caribbean: inward foreign direct investment stock by country, 2001-2016

(Millions of dollars and percentages of GDP)

	2001	2005	2011	2012	2013	2014	2015	2016	2001	2005	2011	2012	2013	2014	2015	2016
Argentina	79 504	55 139	93 199	100 821	91 557	100 821	91 557	82 399	27	27	18	17	15	18	14	15
Bolivia (Plurinational State of)	5 893	4 905	7 749	8 809	10 558	11 785	11 633	11 504	72	51	32	33	34	36	35	34
Brazil	121 949	181 344	695 505	742 144	741 436	738 874	597 539	763 749	22	20	27	30	30	30	33	43
Chile	0	79 138	179 375	211 793	220 175	231 576	238 194	255 647	0	63	71	79	79	89	98	103
Colombia	15 377	36 987	97 364	112 926	128 191	141 783	149 157	164 249	16	25	29	31	34	37	51	58
Costa Rica	3 600	7 510	19 353	22 302	26 271	30 079	33 761	37 407	21	37	46	48	53	59	62	65
Dominican Republic	…	…	21 740	25 143	26 660	29 035	31 309	33 820	…	…	38	41	43	45	46	47
Ecuador	6 876	9 861	12 502	13 070	13 797	14 569	15 891	16 635	28	24	16	15	15	14	16	17
El Salvador	2 252	4 167	8 120	8 918	9 341	10 025	10 025	10 307	16	24	35	37	38	40	38	38
Guatemala	0	3 319	7 751	8 938	10 255	11 977	13 189	14 575	0	12	16	18	19	20	21	21
Haiti	99	150	744	900	1 061	1 160	1 265	1 370	3	4	10	12	13	13	15	18
Honduras	1 585	2 870	7 965	9 024	10 084	11 501	12 704	13 707	21	29	45	50	55	60	63	68
Jamaica	3 931	6 918	11 705	12 119	12 664	13 246	14 171	14 961	43	62	81	82	89	95	101	111
Mexico	156 583	211 235	388 802	385 545	455 397	480 873	486 931	509 292	23	24	33	33	36	37	42	49
Nicaragua	1 565	2 461	5 617	6 385	7 200	8 084	9 034	9 922	29	39	58	61	66	69	71	75
Panama	7 314	10 167	23 875	26 762	30 677	35 135	39 629	44 839	59	62	69	67	68	71	76	81
Paraguay	1 016	1 127	3 877	5 288	5 077	5 439	4 411	4 685	13	13	15	21	18	18	16	17
Peru	11 835	15 889	50 317	62 105	71 905	76 346	84 618	91 480	23	21	29	32	36	38	45	48
Suriname	…	…	859	1 035	1 232	1 397	1 676	…	…	…	19	21	24	27	33	…
Uruguay	2 406	2 844	15 147	17 407	19 564	21 240	…	…	12	16	32	34	34	37	…	…
Venezuela (Bolivarian Republic of)	39 074	44 518	40 206	40 180	33 018	30 139	…	…	32	31	13	11	9	6	…	…

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of estimates and official figures as at 15 June 2017.

Table I.A1.6
Latin America and the Caribbean: outward foreign direct investment flows by country, 2001-2016
(Millions of dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Antigua and Barbuda	13	14	13	15	17	2	2	2	4	5	3	4	6	6	6	6
Argentina	161	-627	774	676	1 311	2 439	1 504	1 391	712	965	1 488	1 055	890	1 921	875	887
Bahamas	94	40	72	169	143	333	459	410	217	150	524	132	277	397	158	359
Barbados	26	25	25	54	157	44	82	73	27	343	558	41	39	-213	141	-11
Belize	0	0	0	0	1	1	1	3	0	1	1	1	1	3	0	2
Bolivia (Plurinational State of)	3	3	3	3	3	3	4	5	-4	-29	0	77	-255	-33	-2	15
Brazil[a]	-1 489	2 479	229	9 822	2 910	28 798	17 061	26 115	-4 552	26 763	16 067	5 208	14 942	26 040	13 518	7 815
Chile[b]	0	0	1 709	2 145	2 135	2 212	4 852	9 151	7 233	9 461	20 252	20 556	9 888	12 800	16 742	7 125
Colombia[a]	16	857	938	192	4 796	1 268	1 279	3 085	3 505	5 483	8 420	-606	7 652	3 899	4 218	4 516
Costa Rica[c]	68	132	152	206	150	219	430	197	274	318	405	894	804	424	459	496
Dominica	4	1	0	1	13	3	7	0	1	1	0	0	2	2	2	2
El Salvador[a]	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grenada	2	3	1	1	3	6	16	6	1	3	3	3	1	1	1	1
Guatemala[d]	0	0	0	0	0	0	0	16	26	24	17	39	34	106	117	111
Honduras	3	7	12	-6	1	1	2	-1	4	-1	2	208	68	103	91	201
Jamaica[e]	89	74	116	60	101	85	115	76	61	58	75	3	-86	-2	4	226
Mexico[f]	4 404	891	1 253	4 432	6 474	5 312	8 858	3 913	10 928	8 910	11 856	18 908	11 609	8 530	12 301	3 657
Paraguay	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Peru	74	0	60	0	0	0	66	736	411	266	147	78	137	801	127	303
Saint Kitts and Nevis	2	1	2	7	11	4	6	6	5	3	2	2	2	2	2	3
Saint Lucia	4	5	5	5	4	4	6	5	6	5	4	4	3	3	3	3
Saint Vincent and the Grenadines	0	0	0	0	1	1	2	0	1	0	0	0	0	0	0	0
Suriname	0	0	0	0	0	0	0	0	0	0	3	-1	0	0	0	0
Trinidad and Tobago[g]	58	106	225	25	341	370	0	700	0	0	67	189	63	-18	153	…
Uruguay	-6	-14	-15	-18	-36	1	-89	11	-16	60	7	3	-5	-39	13	4
Venezuela (Bolivarian Republic of)[h]	204	1 026	1 318	619	1 167	1 524	-495	1 311	2 630	2 492	-370	4 294	752	1 024	-1 112	…

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of estimates and official figures as at 15 June 2017.
[a] The data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[b] From 2003 to 2016 the data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[c] From 2009 to 2016 the data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[d] From 2008 to 2016 the data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[e] From 2012 to 2016 the data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[f] From 2006 to 2016 the data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[g] From 2011 to 2015 the data are standardized according to the methodology of the sixth edition of the IMF Balance of Payments Manual.
[h] The 2015 data correspond to the first three quarters only.

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