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PRESS RELEASE

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FINANCIAL CRISIS, ECONOMIC DOWNTURN AFFECTING FIRMS' PLANS FOR FUTURE FOREIGN INVESTMENT

Geneva, 24 September 2008 – The economic downturn and financial instability have made the largest transnational corporations (TNCs) more cautious about their medium-term foreign direct investment (FDI) ambitions, UNCTAD's **World Investment Prospects Survey 2008-2010**[1] reports. The percentage of companies planning large increases in investment overseas over the next three years has dropped significantly from 2007 (figure 1). The annual survey, known as the *WIPS*, was released today in conjunction with the **World Investment Report 2008** (UNCTAD/PRESS/PR/2008/028-036). **WIPS** results are based on 226 responses to queries sent to the world's largest TNCs.

The survey indicates that a majority of respondent companies still plan to increase their international investment expenditures, albeit at a more moderate level, over the next three years. This is largely due to an underlying and persistent trend towards expanding the share of TNC production, employment, and sales abroad (figure 2). This trend towards internationalization will affect all corporate functions, including research and development (R&D) and decision-making centres, which so far have tended to remain in TNCs' home countries.

Analysis by home region shows the quickly growing international ambitions of companies from the developing world, particularly Asia, while FDI prospects for companies from developed countries, especially North American and Japan, have dimmed as compared to a year ago (figure 3). Although still very focused on investing in their home regions, companies are expressing a growing interest in "far-shore" investments, providing evidence of a gradual extension of their strategic scope.

Five very large countries are considered by large TNCs as the most attractive destinations for future foreign investment: China, India, the United States, the Russian Federation, and Brazil. Their rankings are unchanged from last year's survey (figure 4). However, the Russian Federation and Brazil have caught up noticeably in attractiveness. It is noteworthy that four of the five top destinations are the emerging economies known collectively as BRICs (Brazil, Russia, India, and China).

Among the top 15 destination countries, Viet Nam again ranks 6th; Germany and Indonesia have improved to 7th and 8th, respectively. Australia, the United Kingdom, Poland, and France have declined slightly in the rankings but still remain in the top 15. Newcomers to the top 15 are South Africa, Canada, and Turkey.
Market growth, market size, and access to international/regional markets are by far the most important factors influencing companies' choices of investment location (50% of answers combined), followed by quality of business environment, including availability of skilled labour (8%), suppliers (6%), and adequate infrastructure (7%). The legal environment and government

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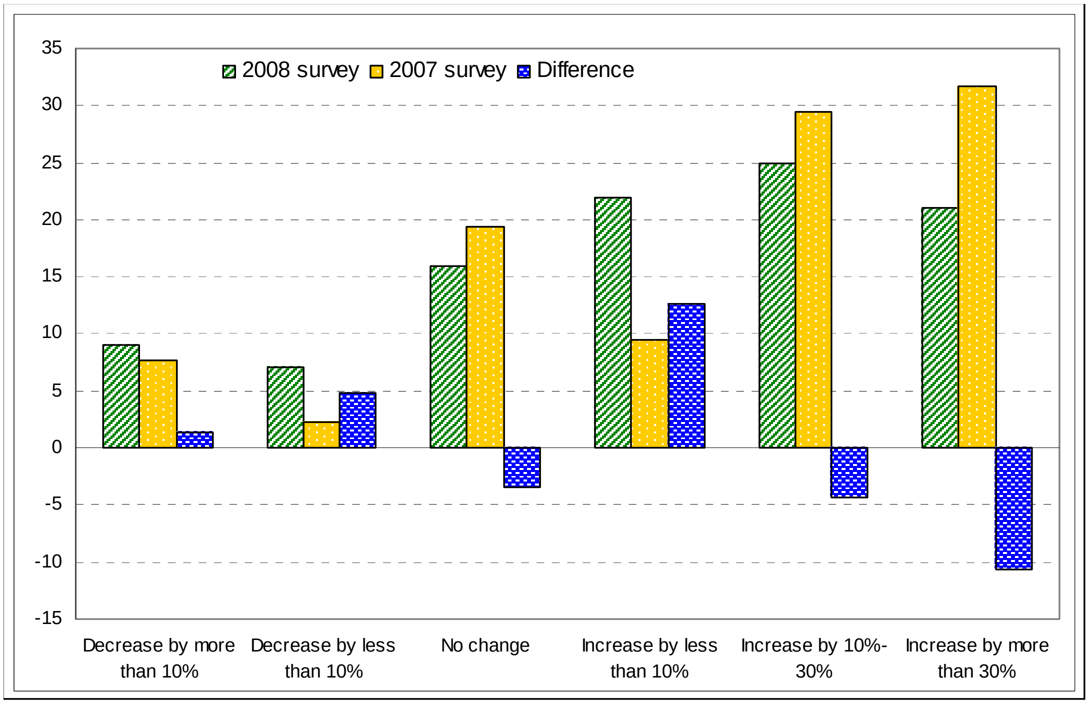
[1] The **World Investment Prospects Survey 2008-2010** is available free of charge. It can be also obtained from the UNCTAD website (http://www.unctad.org/en/docs//wips2008_en.pdf).

effectiveness were also mentioned frequently by TNCs responding to the survey. Availability of cheap labour, although not a negligible factor on average (8% of responses), appears to be a major determinant only for a few labour-intensive manufacturing activities such as garment production (figure 5).

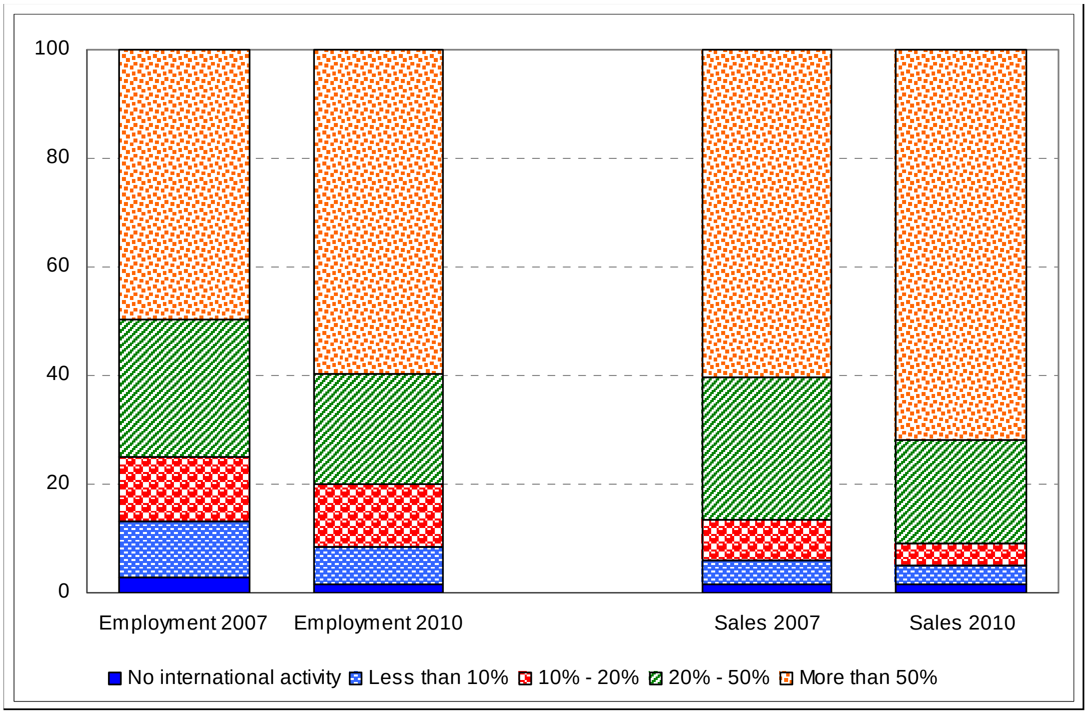
The **World Investment Prospects Survey 2008-2010** is the most recent of a series of surveys on FDI prospects. UNCTAD has carried similar surveys since 1995.

Figure 1. Expected change in FDI expenditures over the next three years [a]
(Per cent of responses to the UNCTAD survey)



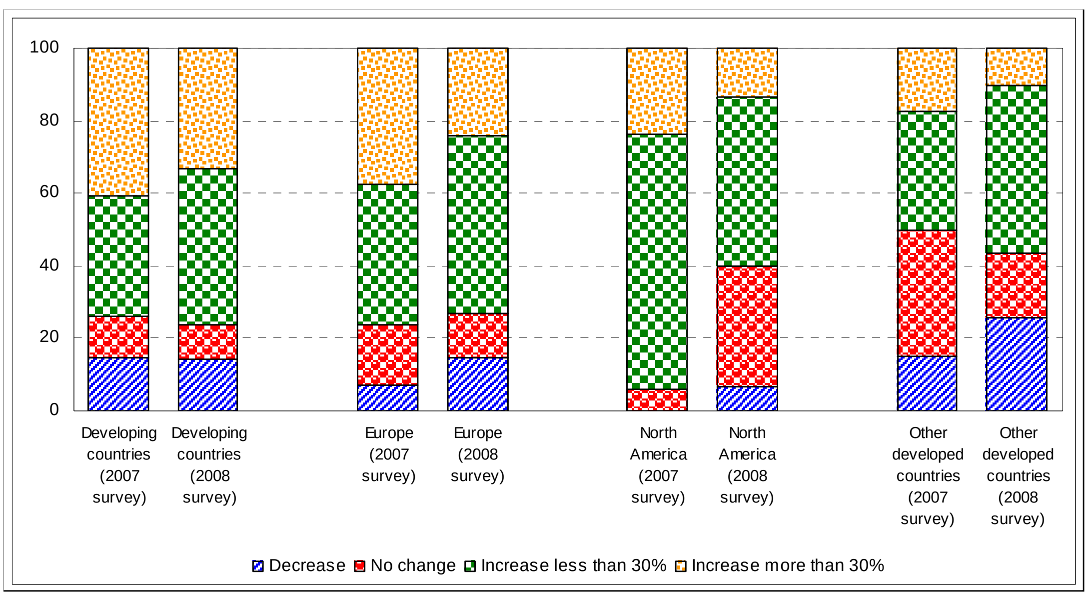
Source: WIPS 2008-2010
[a] Comparisons between this year's survey and last year's relate to the periods 2008-2010 and 2007-2009 respectively.

Figure 2. Expected changes in internationalization of employment and sales, 2008-2010
(Per cent of responses to the UNCTAD survey



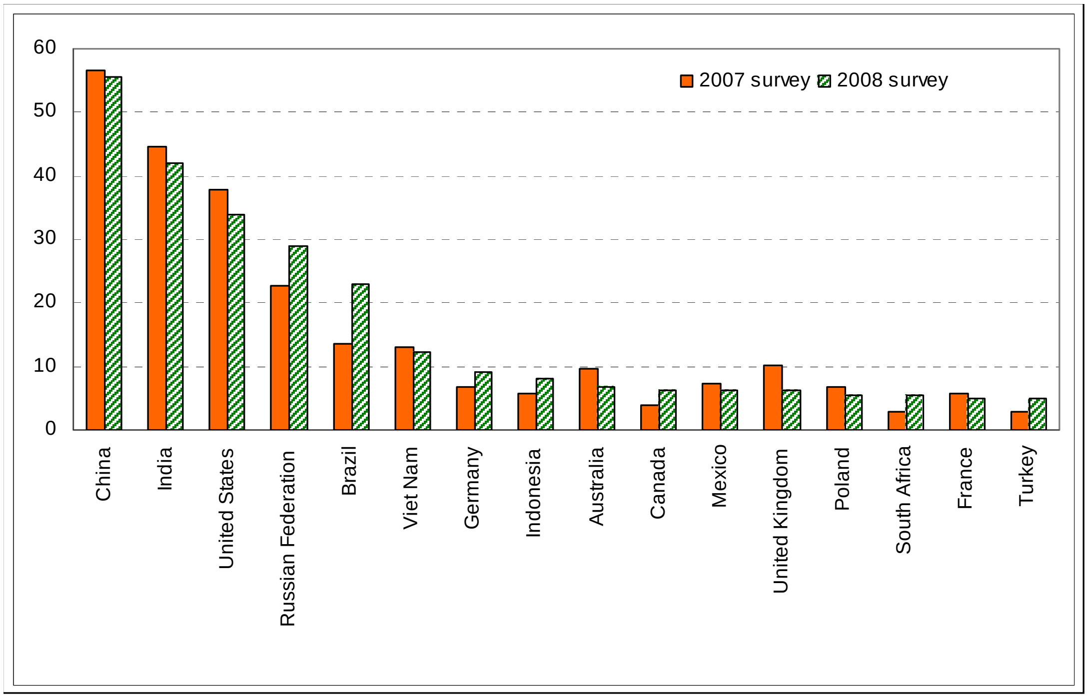
Source: WIPS 2008-2010

Figure 3. Investment prospects, by home region, 2008-2010
(Per cent of responses to the UNCTAD survey)



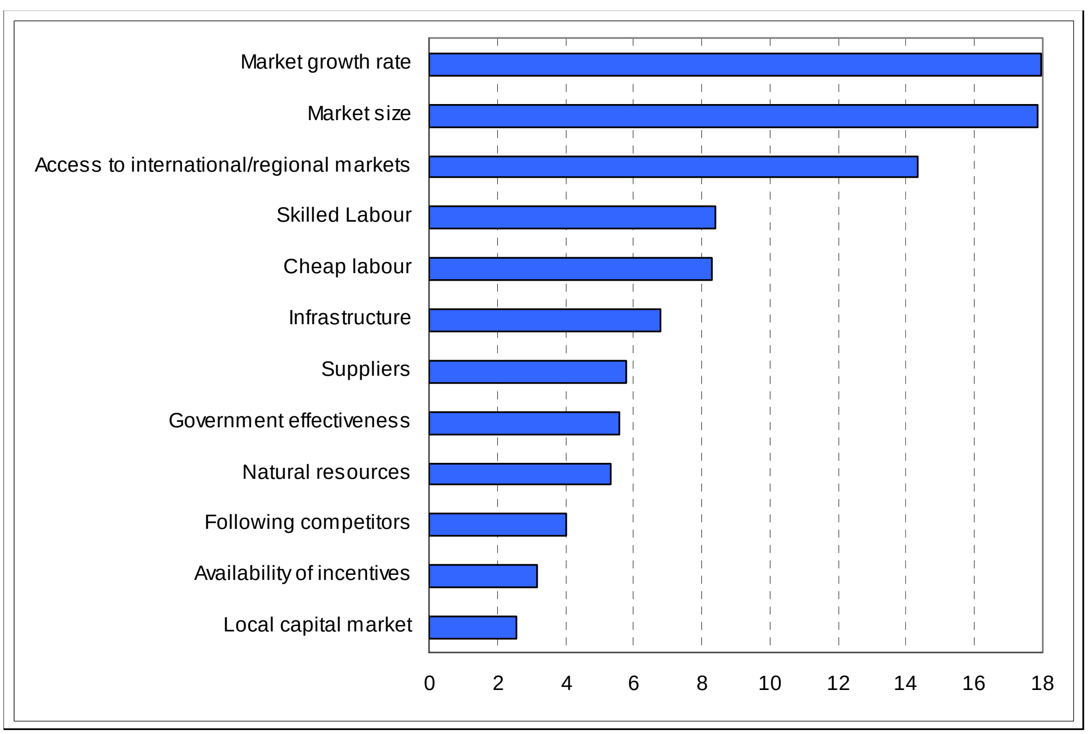
Source: WIPS 2008-2010

Figure 4. The 15 most attractive economies for the location of FDI
(Per cent of responses to the UNCTAD survey)



Source: WIPS 2008-2010

Figure 5. Location criteria in order of importance, 2008-1010
(Per cent of responses to the UNCTAD survey)



Source: WIPS 2008-2010