



PRESS RELEASE

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**(1 PM New York, 19:00 Geneva, 22:30 Delhi,
02:00 – 17 October Tokyo)**

UNCTAD/PRESS/PR/2006/026*
16 October 2006

GLOBAL FDI INFLOWS RISE FOR SECOND CONSECUTIVE YEAR

Global foreign direct investment (FDI) inflows rose substantially in 2005, the second rise in two years. This growth was spurred by cross-border mergers and acquisitions (M&As), which reflected strategic choices by transnational corporations (TNCs) following increased corporate profits and the recovery of stock markets. "Current growth is broad-based with inflows rising in 126 out of some 200 economies, reflecting high economic growth and strong economic performance in many parts of the world" said Dr. Supachai Panitchpakdi, Secretary-General of UNCTAD, introducing the organization's ***World Investment Report 2006***. The report, subtitled ***FDI from Developing and Transition Economies: Implications for Development***¹, was released today.

At US\$916 billion, global FDI inflows were 29% higher than in 2004 (table 1). Flows to developed countries rose by 37% to US\$542 billion. Those to developing countries surged by another 22% in 2005 to reach a record US\$334 billion. In percentage terms, developed countries attracted 59% of global FDI, developing countries attracted 36% and South-East Europe and the Commonwealth of Independent States (CIS) accounted for the remaining 4% (figure 1).

The largest recipient country was the United Kingdom, followed by the United States and China. Members of the EU were well represented as recipient countries; while nine of the 20 economies with the largest FDI inflows were developing or transition economies (figure 2). FDI is carried out by transnational corporations (TNCs) mainly through cross-border M&As in recent years. M&A activity in 2005 rose to a level approaching that of the M&A boom at the end of the 1990s.

Among developing regions, the highest growth rate in inward FDI was seen in West Asia (85%), followed closely by Africa (78%), both regions experiencing record inflows of US\$34 billion and US\$31 billion respectively. FDI inflows in the 50 least developed countries also recorded a historic high of US\$10 billion. South, East and South-East Asian economies remained the largest recipients among

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¹ The **World Investment Report 2006, FDI from Developing and Transition Economies: Implications for Development** (WIR06) (Sales No. E.06.II.D.11, ISBN 92-1-112703-4) may be obtained from the United Nations sales offices at the addresses below, or from the United Nations sales agents in many countries. Price: US\$80.00; for residents of developing countries: US\$40.00. These prices include both the book and the CD-ROM. Customers who wish to buy the book or the CD-ROM separately or to obtain quotations for large quantities should contact the sales offices. Please send orders or enquiries for Europe, Africa and West Asia to United Nations Publication/Sales Section, Palais des Nations, CH-1211 Geneva 10, Switzerland, fax: +41 22 917 0027, e-mail: unpubli@un.org; and for the Americas and East Asia, to United Nations Publications, Two UN Plaza, DC2-853, New York, NY 10017, USA, tel: +1 212 963 8302 or +1 800 253 9646, fax: +1 212 963 3489, e-mail: publications@un.org. Internet: <http://www.un.org/publications>.

developing countries, with a 20% increase for the region as a whole. In Latin America and the Caribbean, on the other hand, there was only a 3% increase, a much lower growth rate than in 2004. (For individual developing regional trends in FDI, see UNCTAD/PRESS/PR/2006/028 to 033).

In South-East Europe and the CIS, FDI inflows remained almost at the same level as in 2004 (see UNCTAD/PRESS/PR/2006/033). In developed countries, the increase was particularly marked in the EU, but there were major variations in FDI performance among countries. As a result of some major M&A transactions, FDI flows to the EU-15 shot up by 109% (to US\$388 billion), while flows to the 10 new EU Members rose by 19%. Among other non-EU countries, Canada accounted for most of the increase in North America, while FDI inflows to Japan fell by 64% to US\$2.8 billion, the lowest level since 1996 (see UNCTAD/PRESS/PR/2006/029).

Developing countries, as emerging sources of FDI, strengthened their global position in 2005, investing US\$117 billion. "A number of TNCs from developing economies are emerging as major players on the world stage - and they are here to stay. This represents a profound change in the global economy and will have substantial consequences for international economic and political relations" said Anne Miroux, head of the team that produced the UNCTAD report. "Developing-country TNCs are seeking to improve their competitiveness by expanding in the fast-growing markets of emerging economies, as well as in developed country markets, and by seeking new ways to reduce costs" (see UNCTAD/PRESS/PR/2006/034).

Higher prices for many commodities have further stimulated FDI in developing countries rich in natural resources – another trend likely to continue. This has influenced FDI by developing country TNCs, both by companies aiming to secure supplies of natural resources and those able to take advantage of high revenues from commodities. The most notable growth in developing-country FDI outflows was from China and West Asia. A key driver of Chinese outward FDI is the country's growing demand for natural resources, as suggested by its investment projects in this sector in Latin America and Africa. The emergence of developing countries and the transition economies of South-East Europe and the CIS as significant outward investors is examined in detail in this report (see UNCTAD/PRESS/PR/2006/033).

Developed countries continued to account for the bulk of FDI outflows. In fact, almost half of all FDI originated from three countries: the Netherlands, France and the United Kingdom in that order (figure 2). FDI outflows from the Netherlands resulted mainly from the merger of Royal Dutch Shell of the Netherlands with Shell Transport and Trading Company of the United Kingdom. Outward FDI from France doubled to US\$116 billion in 2005, and companies located in the United Kingdom invested US\$101 billion abroad. Other major investors were companies from Germany and Spain.

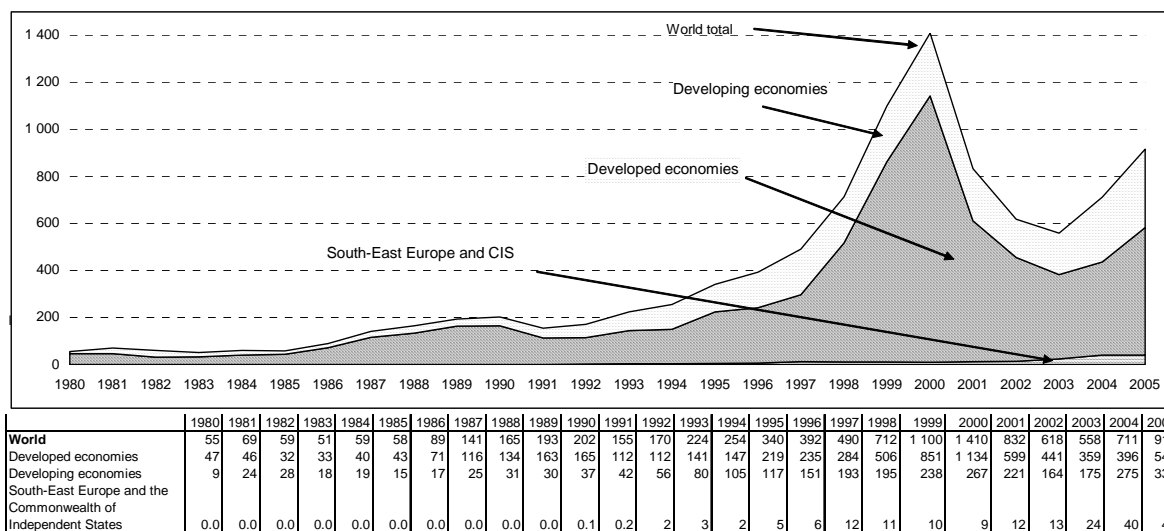
Cross-border M&As have spurred the recent increases in FDI. They rose by 88% in value to US\$716 billion. The number of deals increased by 20% over 2004, to 6,134. These levels are close to those achieved in the first year of the cross-border M&A boom of 1999-2001. There were 141 mega deals valued at more than US\$1 billion – close to the peak of 2000, when 175 such deals were observed. A new feature of the M&A boom is increasing investment by collective investment funds, mainly private equity and hedge funds. These funds, largely concentrated in the United States and the United Kingdom, accounted for US\$135 billion in M&As in 2005, or 19% of total cross-border M&As. Unlike other kinds of FDI, private equity firms tend not to undertake long-term investments, and exit their positions within 5 to 10 years (or an average of 5-6 years), long enough not to be regarded as typical portfolio investors. The report speculates that this trend raises questions about the implications of such investments for the long-term growth and welfare of host economies.

FDI grew in all sectors. While services remained the dominant sector, the report shows that the primary sector gained in importance in 2005. Cross-border M&As in this sector rose more than six fold. Cross-border M&As involving companies in mining and oil accounted for the bulk of the primary-sector FDI. By contrast, the share of the manufacturing sector in the total fell in 2005.

The *World Investment Report* and its database are available online at <http://www.unctad.org/wir> and <http://www.unctad.org/fdistatistics>

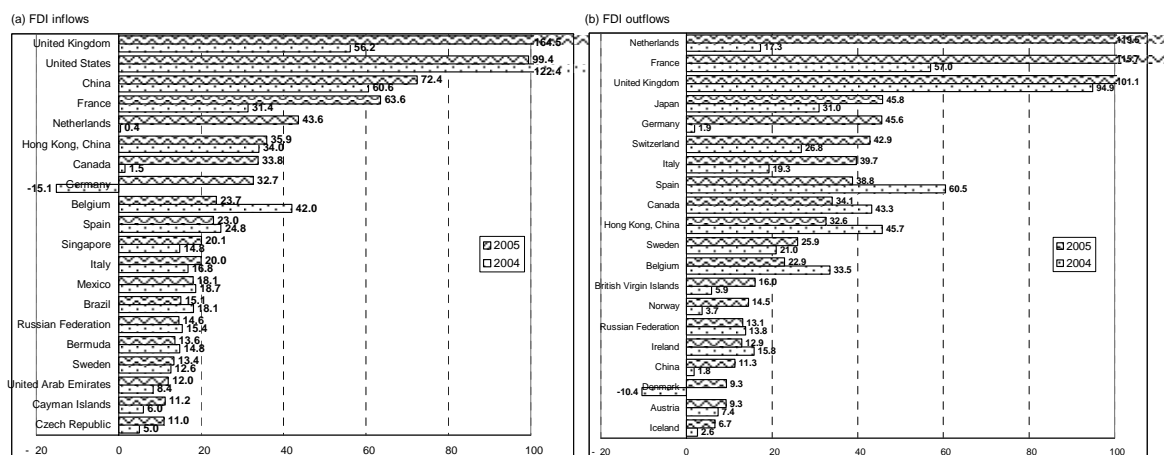
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Figure 1. FDI inflows, global and by group of economies, 1980-2005
(Billions of dollars)



Source: UNCTAD, World Investment Report 2006

Figure 2. Global FDI flows, top 20 economies, 2004-2005^a (Billions of dollars)



Source: UNCTAD, World Investment Report 2006
^a Ranked on the basis of the magnitude of 2005 FDI flows.

Table 1. Selected indicators of FDI and international production, 1990, 2004, 2005
(Billions of dollars)

Item	1990	2004	2005
FDI inflows	202	711	916
FDI outflows	230	813	779
FDI inward stock	1 789	9 545	10 130
FDI outward stock	1 791	10 325	10 672
Income on inward direct investment	76	562	558
Income on inward direct investment	120	607	644
Cross border M&As	151	381	716
Sales of foreign affiliates	6 045	20 986	22 171
Gross product of foreign affiliates	1 481	4 283	4 517
Total assets of foreign affiliates	5 956	42 807	45 564
Export of foreign affiliates	1 366	3 733	4 214
Employment of foreign affiliates (thousands)	24 551	59 458	62 095
GDP (in current prices)	21 898	40 960	44 674
Gross fixed capital formation	4 925	8 700	9 420
Royalties and licences fees receipts	30	111	91
Export of goods and non-factor services	4 261	11 196	12 641

Source: UNCTAD, World Investment Report 2006



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BOOMING SOUTH-SOUTH INVESTMENT CREATES DEVELOPMENT OPPORTUNITIES, SAYS UNCTAD

Foreign direct investment (FDI) from developing and transition economies reached a record level in 2005, according to the *World Investment Report 2006, FDI from Developing and Transition Economies: Implications for Development*¹. The report will be released on 16 October.

Most of these investments end up in other developing countries, contributing to “South-South” economic growth. In fact, many low-income countries now rely mainly on other developing countries for inward FDI. Appropriate policy responses in both source and recipient countries can increase the development gains from this trend, UNCTAD economists report.

Emerging sources of FDI

A number of developing and transition economies have recently surfaced as important home countries of FDI. Between 1990 and 2005, the number of such economies with outward stocks of FDI of more than US\$5 billion increased from 6 to 25. Last year, transnational corporations (TNCs) based in developing or transition economies, but excluding major offshore financial centres,² generated FDI outflows of \$120 billion -- the highest level ever recorded. (See figure 1) Asia accounted for almost 70% of these capital flows. The list of top developing country sources in 2005 was led by Hong Kong (China), the Russian Federation, Singapore, Taiwan Province of China, Brazil and China (see table 1).

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² The excluded are: Bermuda, the British Virgin Islands and the Cayman Islands.

The number of large TNCs from developing and transition economies is rising. While only 19 featured among the Fortune 500 in 1990, 47 such companies did in 2005. The top five TNCs from developing and transition economies are also among the top 100 global TNCs: Hutchison Whampoa (Hong Kong, China), Petronas (Malaysia), Singtel (Singapore), Samsung Electronics (Republic of Korea) and CITIC Group (China).

Major TNCs from all parts of the developing world, as well as from the transition economies, have emerged in the primary sector (oil, gas, mining) and resource-based manufacturing (metals, steel). Another TNC cluster is found in various non-tradable services and goods that are relatively difficult to export (e.g. cement, food and beverages). A third cluster of activities includes some that are the most exposed to global competition, such as automotives, electronics, garments and information technology (IT) services. Almost all the major TNCs from developing countries in these industries are based in Asia.

Factors behind the rise of developing country TNCs – and their implications

The boom in FDI from some developing and transition economies reflects the increasing competitiveness of many firms in these economies. The FDI surge has also partly been fuelled by soaring export revenues from manufactured products and natural resources in some countries, which have contributed to building up the financial strength needed to engage in overseas investment. Perhaps most importantly, firms from these economies have been increasingly affected by global competition. They have come to realize the growing importance of accessing international markets and connecting to global production systems and knowledge networks. Accordingly, their view of business has become far more international and their ambitions increasingly regional or global in scope.

"The rise of developing country TNCs is part of a burgeoning shift in the structure of the world economy" says Anne Miroux, Head of the World Investment Report team. "Although the future global map of business and economic power is not easy to predict, companies from Brazil, China, India and South Africa -- indeed from across the entire developing world -- will increasingly be household names. This is an exciting outlook from the development perspective, especially because these TNCs are also significant investors in other developing countries."

Policy responses boost the trend

The expansion of FDI from these new source economies has attracted some interest, especially from a number of investment promotion agencies (IPAs). More than 90% of African IPAs currently target FDI from other developing countries, notably from within their own region. Developed-country IPAs have also set up local offices in places such as Brazil, China, India, the Republic of Korea, Singapore and South Africa.

From the home country perspective, there is growing recognition that outward FDI can strengthen the competitiveness of firms. Only a handful of developing countries retain outright bans on outward FDI. In fact, some governments have even begun to encourage their firms to invest abroad by providing information, match-making services, incentives and investment insurance. However, the *Report* stresses that whether a country should move to "active promotion" of outward FDI depends on several factors, including the balance-of-payments situation of a country and the capabilities of its enterprise sector. Many low-income countries may be better advised to focus on creating a competitive business environment and enhancing firm capabilities at home, rather than promoting outward FDI.

South-South opportunities

According to the UNCTAD report, the expansion of FDI from developing countries is particularly relevant for South-South cooperation. Excluding offshore financial centres, total South-South flows shot up from \$2 billion in 1985 to \$60 billion in 2004, or 25% of all FDI inflows to developing countries. The bulk of South-South FDI is intraregional (See figure 2). In fact, for a number of least developed countries, FDI from developing home countries makes up a large or preponderant share of their total inward flows. For example, more than 50% of all FDI inflows in Botswana, the Democratic Republic of the Congo, Lesotho, Malawi and Swaziland come from South African investors.

"It is important to consider how this form of "South-South" cooperation can be further enhanced to promote development gains", comments U.N. Secretary-General Kofi Annan.

While developing-country TNCs may lag behind their developed-country counterparts in terms of technological assets and capabilities, their business models and competencies are sometimes better adapted to operating in developing host countries. Compared with developed-country TNCs, a key advantage of developing-country investors is their greater familiarity with the economic conditions of host developing countries. This makes it easier for host countries to attract FDI from these firms. Smaller technological gaps between home and host-country firms also increase the chance of greater technological spillovers from foreign affiliates to firms in host countries.

Some developing home countries have set up dedicated programmes to boost South-South FDI. These efforts can be further explored and supported through closer collaboration among developing-country institutions. UNCTAD's initiative to establish the "G-NEXID" network, which allows for the sharing of experiences among export-import (EXIM) banks from developing countries, is an important step in this direction.

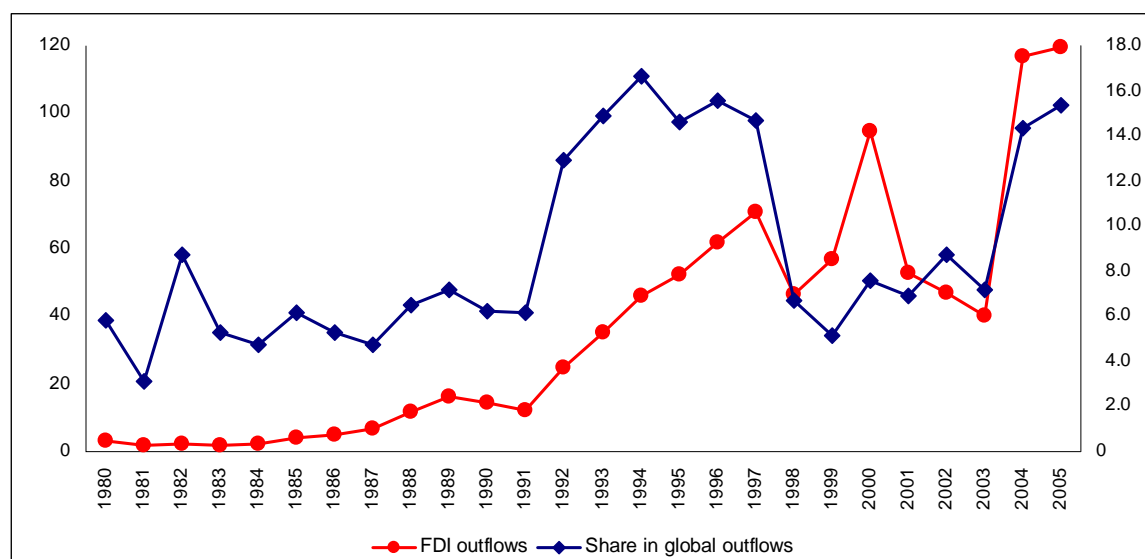
More dialogue needed

Not all FDI has been well received in host countries.. Some cross-border mergers and acquisitions (M&As), especially in the energy sector, along with M&As in infrastructure services or other industries with a "security dimension," have raised concerns. TNCs from developing or transition economies need to be aware of the potential sensitivities of South-South investment flows. Clearly, host country concerns must be weighed against the potential benefits of having more companies competing to acquire local assets. Countries need to be careful in their decisions, keeping in mind the risk of fuelling possible retaliation and protectionism

To mitigate risks and to enhance the benefits from increased FDI from developing and transition economies, UNCTAD urges countries to engage in more dialogue. South-South sharing of experiences may enhance opportunities for cross-border investments and contribute to the mutual development of home and host countries. From a South-North perspective, there is a similar need for dialogue, increased awareness and understanding of the factors that drive FDI from the South and of the potential impacts. UNCTAD and other international organizations can play an important role by providing analysis, technical assistance and -- not least -- fora for exchanging views and experiences, to help countries realize the full benefit of the increase in FDI from developing and transition economies.

The **World Investment Report** and its database are available online at <http://www.unctad.org/wir> and <http://www.unctad.org/fdistatistics>

Figure 1. FDI Outflows from developing and transition economies, 1980-2005



Source: UNCTAD, World Investment Report 2006

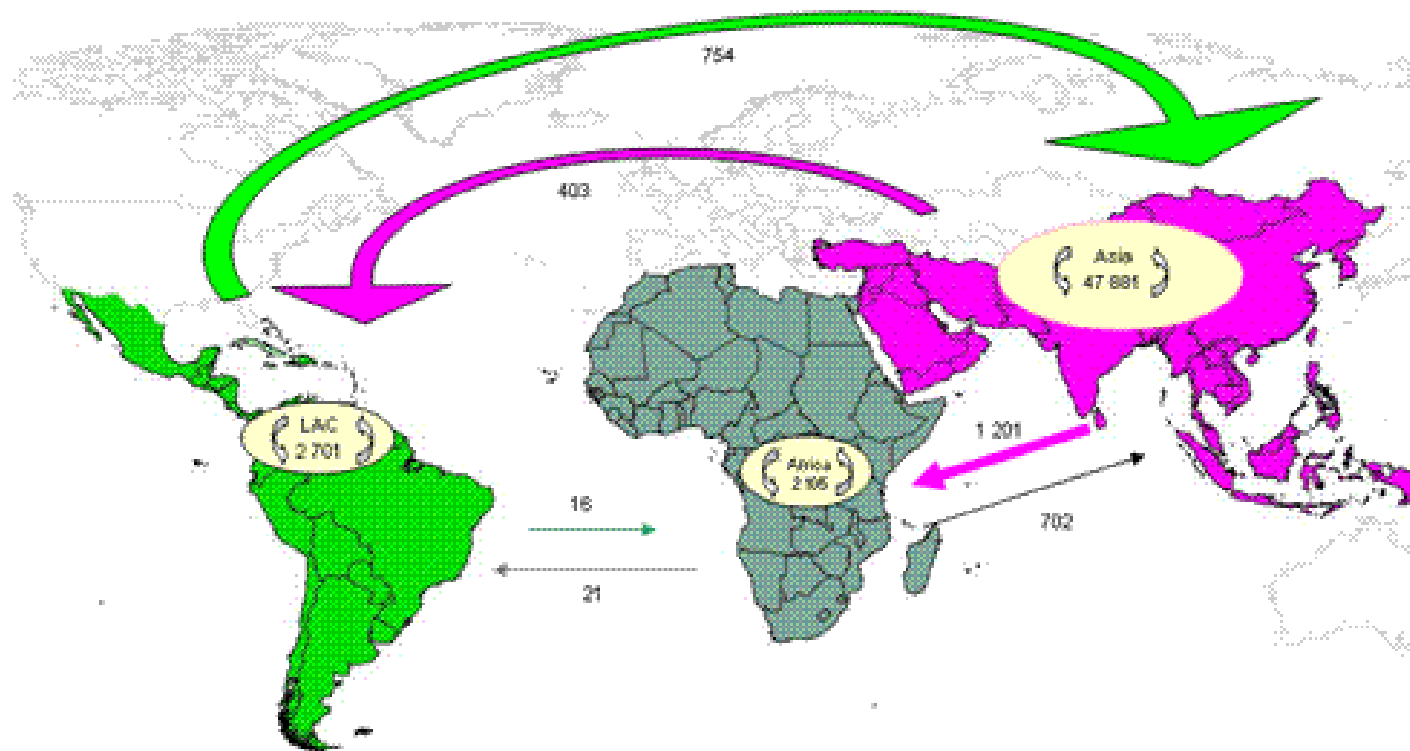
Table 1. Top 15 developing and transition economies in terms of stocks of outward FDI, 1980, 1990, 2000 and 2005
(Millions of dollars)

Rank	Economy	1980	Economy	1990	Economy	2000	Economy	2005
1	Brazil	38 545	Brazil	41 044	Hong Kong, China	368 300	Hong Kong, China	470 450
2	Taiwan Province of China	13 009	Taiwan Province of China	30 356	Taiwan Province of China	66 655	British Virgin Islands	123 167
3	Argentina	5 970	South Africa	15 004	British Virgin Islands	64 483	Russian Federation	120 417
4	South Africa	5 541	Hong Kong, China	11 920	Singapore	58 768	Singapore	110 932
5	Mexico	1 632	Singapore	7 808	Brazil	51 946	Taiwan Province of China	97 293
6	Kuwait	1 046	Argentina	6 057	South Africa	32 319	Brazil	71 556
7	Libyan Arab Jamahiriya	870	China	4 455	China	27 768	China	46 311
8	Panama	811	Panama	4 188	Korea, Republic of	26 833	Malaysia	44 480
9	Bermuda	727	Kuwait	3 662	Malaysia	22 874	South Africa	38 503
10	Singapore	623	Mexico	2 672	Argentina	21 141	Korea, Republic of	36 478
11	Bahrain	598	Malaysia	2 671	Cayman Islands	20 553	Cayman Islands	33 747
12	Botswana	440	Korea, Republic of	2 301	Russian Federation	20 141	Mexico	28 040
13	Bahamas	285	Saudi Arabia	1 673	Bermuda	14 942	Argentina	22 633
14	Saudi Arabia	239	Bermuda	1 550	Chile	11 154	Chile	21 286
15	Malaysia	197	Libyan Arab Jamahiriya	1 321	Mexico	8 273	Indonesia	13 735
	All developing and transition economies	72 307	All developing and transition economies	148 913	All developing and transition economies	893 102	All developing and transition economies	1 399 963

Source: UNCTAD, FDI/TNC database (www.unctad.org/fdistatistics).



Figure 2. Intra-regional and inter-regional flows in developing countries, average 2002-2004



Source: UNCTAD, FDI/MNC database.

Note: The figures above refer to the estimated value of inter-regional and intra-regional flows of the three regions (Africa, Latin America and the Caribbean and Asia). The figures were derived as follows: first total inward FDI flows for each region are calculated from the data of individual recipient countries for the average period 2002-2004 or latest period available. The share of each source group is applied to the total inflows of each recipient group for the period average 2002-2004. Because of this and the fact that there are differences in the coverage of countries, the sum of all figures presented here may not be comparable to the total FDI outflows from developing countries (annex table B.1) and in table [8.00]. Furthermore, the total figures in the table [8.00] were estimated by applying the shares to the total outflows of developing countries including transition economies. Only 11 countries are covered in Africa (accounting for 45% of inward flows to Africa in 2002-2004), 15 countries in Latin America (accounting for 99% of inward flows to Latin America in 2002-2004) and 25 countries in Asia (accounting for 93% of inward flows to Asia in 2002-



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FDI FLOWS TO LATIN AMERICA AND THE CARIBBEAN RISE FOR SECOND STRAIGHT YEAR

Foreign-direct-investment (FDI) inflows to Latin America and the Caribbean experienced a slight increase in 2005, according to UNCTAD's *World Investment Report 2006, FDI from Developing and Transition Economies: Implications for Development*¹, FDI climbed by 3% to US\$104 billion after the strong rebound that took place in 2004, ending four years of marked decline. While the 2004 upturn was widespread, the pattern of FDI inflows in 2005 varied by sub-region. Inflows to South America rose by 20% to US\$45 billion; but those to Central American and Caribbean countries, other than offshore financial centres, remained at the same level (US\$23 billion); and flows to offshore financial centres decreased by 10% to US\$36 billion (figure 1).

In South America the biggest increases were recorded by Andean countries such as Colombia (227%), Venezuela (95%), Ecuador (65%), Peru (61%), and Uruguay (81%). FDI to Argentina climbed slightly (9%), fell in Brazil and Chile (by -16% and -7% respectively), but remained substantial (figure 2). In Central America and the Caribbean, other than offshore financial centres, inflows decreased slightly to Mexico (-3%) and increased in other countries, apart from Cuba, Nicaragua and Honduras. In the region as a whole, Brazil and Mexico remained the main recipients of FDI, accounting for 17% and 15%, respectively, of total inflows.

Outward FDI from Latin America and the Caribbean increased by 19% to US\$33 billion in 2005, of which US\$14 billion originated in offshore financial centres. Excluding the

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latter, Mexico (US\$6.2 billion), Colombia (US\$4.6 billion), Brazil (US\$2.5 billion) and Chile (US\$2.1 billion) were the main foreign investors (figure 2). The largest transnational corporation (TNC) in terms of foreign assets in the region is Cemex (Mexico) (table 1).

The manufacturing sector has been the main regional recipient of FDI inflows (excluding offshore financial centres). Manufacturing was followed by the services sector, which continued to lose importance as compared to the primary sector. Service-related activities saw divestments by some foreign firms, continuing a trend that began in the early years of the decade. For example, EDF (France) withdrew from Argentina; Suez's assets in that country were re-nationalized; and Telecom Italia divested assets in Peru and Chile.

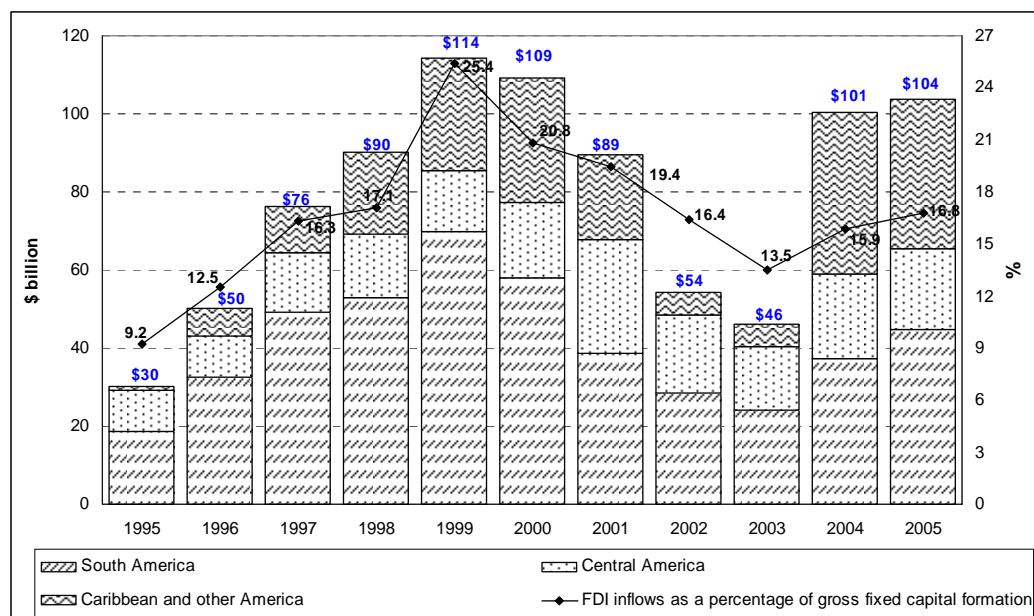
In 2005, some countries registered notable changes towards a greater economic role for the State, as well as shifts in Government policies that directly concern foreign investors or industries. This was particularly the case in the natural resources sector. The most notable example is Bolivia, where the Government decreed the nationalization of hydrocarbon resources and required foreign TNCs to sign new concession contracts. Another example is Venezuela, where the Government took control of 32 oilfields previously under foreign operation. Policy reorientations were also reflected in regional agreements, with some Governments reviewing their affiliations to regional blocks. This resulted in some joining existing blocks, signing new bilateral agreements, or establishing new regional pacts. A number of policy changes in 2005 had potential positive impacts on FDI, such as promotional measures taken on behalf of carmakers in Argentina and Brazil.

FDI inflows to Latin America and the Caribbean, excluding the offshore financial centres, are expected to slow or even decline in 2006. New policy stances resulting from the situation in commodity markets and a reversal in the trend towards acquisition of local services-sector firms and assets by foreign TNCs are among the projected causes of this possible reduction.

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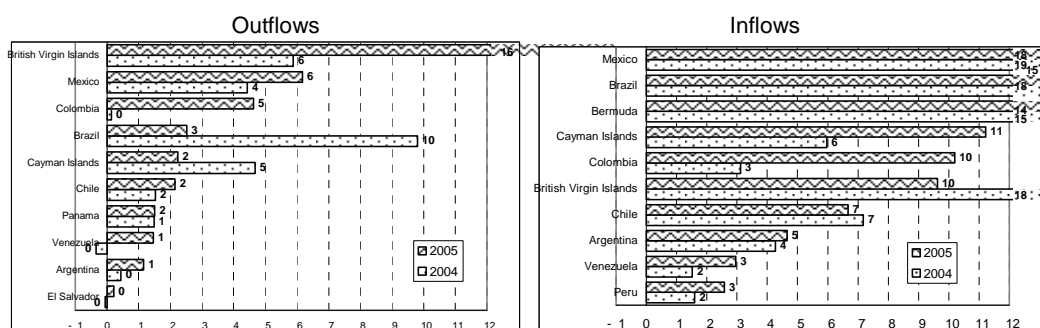
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Figure 1. Latin America and the Caribbean: FDI inflows and their share in gross fixed capital formation, 1995-2005



Source: UNCTAD, *World Investment Report 2006*

Figure 2. Latin America and the Caribbean: FDI flows, top 10 economies, 2004, 2005^a (Billions of dollars)



^a Ranked on the basis of the magnitude of the 2005 FDI flows.

Table 1. The 10 largest non-financial TNCs from Latin America and the Caribbean, ranked by foreign assets, 2004 (Millions of dollars)

Corporation	Home economy	Industry	Assets		Sales	
			Foreign	Total	Foreign	Total
Cemex S.A.	Mexico	Construction	13 323	17 188	5 412	8 059
Petróleos De Venezuela	Venezuela	Petroleum expl./ref./distr.	8 868	55 355	25 551	46 589
Petroleo Brasileiro S.A. - Petrobras	Brazil	Petroleum expl./ref./distr.	6 221	63 270	11 082	52 109
Telmex	Mexico	Telecommunications	4 734	22710	1 415	12 444
América Móvil	Mexico	Telecommunications	4 448	17 277	5 684	11 962
Companhia Vale do Rio Doce	Brazil	Mining & quarrying	4 025	16 382	9 395	10 380
Metalurgica Gerdau S.A.	Brazil	Metal and metal products	3 358	6 842	3 423	6 973
FEMSA-Fomento Economico Mexicano	Mexico	Food & beverages	2 110	10 713	1 761	8 341
Gruma S.A. De C.V.	Mexico	Food & beverages	1 168	2 238	1 528	2 219
Grupo Bimbo SA De Cv	Mexico	Food & beverages	1 166	3 020	1 483	4 592

Source: UNCTAD, *World Investment Report 2006*

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FIRMS BASED IN DEVELOPING COUNTRIES JOINING RANKS OF WORLD'S LARGEST TRANSNATIONAL CORPORATIONS

While the "triad" -- the European Union, Japan, and the United States -- is still home to most of the world's dominant transnational corporations (TNCs), global and regional players are emerging in increasing numbers from developing and transition economies, reveals *World Investment Report 2006, FDI from Developing and Transition Economies: Implications for Development*¹. The report includes lists of the world's top 100 TNCs and the top 100 TNCs from developing economies, both ranked by foreign assets. Tables 1 and 2 show the top 25 from each list.

Although developed-country TNCs account for the bulk of global foreign direct investment (FDI), there is a growing and significant presence of FDI by firms -- both private and State-owned -- from developing and transition economies, the report notes. Data on cross-border mergers and acquisitions (M&As), "Greenfield" investments and expansion projects, as well as statistics related to the number of parent companies based outside the developed world, confirm this. The outward expansion of these firms provides development opportunities for their home economies.

The motor vehicle industry dominates the list of the world's largest TNCs (ranked by foreign assets), followed by pharmaceuticals and telecommunications. By comparison, the largest TNCs from developing economies operate largely in the electrical/electronic equipment and computer industries.

Following a slowdown in their expansion in the early years of the new century, coupled with reduced corporate profits, the transnational activities of the largest TNCs from both

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¹ The **World Investment Report 2006, FDI from Developing and Transition Economies: Implications for Development** (WIR06) (Sales No. E.06.II.D.11, ISBN 92-1-112703-4) may be obtained from the United Nations sales offices at the addresses below, or from the United Nations sales agents in many countries. Price: US\$80.00; for residents of developing countries: US\$40.00. These prices include both the book and the CD-ROM. Customers who wish to buy the book or the CD-ROM separately or to obtain quotations for large quantities should contact the sales offices. Please send orders or enquiries for Europe, Africa and West Asia to United Nations Publication/Sales Section, Palais des Nations, CH-1211 Geneva 10, Switzerland, fax: +41 22 917 0027, e-mail: unpubli@un.org; and for the Americas and East Asia, to United Nations Publications, Two UN Plaza, DC2-853, New York, NY 10017, USA, tel: +1 212 963 8302 or +1 800 253 9646, fax: +1 212 963 3489, e-mail: publications@un.org. Internet: <http://www.un.org/publications>.

developed and developing economies increased significantly in 2003 and 2004. Five companies from developing economies (three of them State-owned) are among the 100 largest in the world. However, there still remains a large gap between the two groups in terms of transnationality (TNI), an index developed by UNCTAD to evaluate the range and degree of foreign activity by TNCs. By way of illustration, the total foreign assets of the top 100 TNCs from developing economies in 2004 amounted to less than the foreign assets of U.S.-based General Electric.

Another aspect of transnationality, the geographic spread of TNC operations, shows that companies from developing countries have, on average, affiliates in six countries, mostly in their own region. By way of contrast, on average the largest TNCs have affiliates in 40 foreign countries, spread across a number of regions.

The **World Investment Report** and its database are available online at <http://www.unctad.org/wir> and <http://www.unctad.org/fdistatistics>

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Table 1. The world's top 25 non-financial TNCs, ranked by foreign assets, 2004
(Millions of dollars and number of employees)

Ranking by:				Assets		Sales		Employment		TNI ^a		No. of affiliates		II ^b	
Foreign assets	TNI ^a	II ^b	Corporation	Home economy	Industry	Foreign	Total	Foreign	Total	Foreign	Total	Foreign	Total		
1	68	55	General Electric	United States	Electrical & electronic equipment	448 901	750 507	56 896	152 866	142 000	307 000	47.8	787	1157	68.02
2	4	93	Vodafone Group Plc	United Kingdom	Telecommunications	247 850	258 626	53 307	62 494	45 981	57 378	87.1	70	198	35.35
3	67	65	Ford Motor	United States	Motor vehicles	179 856	305 341	71 444	171 652	102 749	225 626	48.7	130	216	60.19
4	90	71	General Motors	United States	Motor vehicles	173 690	479 603	59 137	193 517	114 612	324 000	34.0	166	290	57.24
5	10	44	British Petroleum Company Plc	United Kingdom	Petroleum expl./ref./distr.	154 513	193 213	232 388	285 059	85 500	102 900	81.5	445	611	72.83
6	38	37	Exxonmobil	United States	Petroleum expl./ref./distr.	134 923	195 256	202 870	291 252	52 968	105 200	63.0	237	314	75.48
7	25	88	Royal Dutch/Shell Group	United Kingdom/Netherlands	Petroleum expl./ref./distr.	129 399	192 811	170 286	265 190	96 000	114 000	71.9	328	814	40.29
8	62	91	Toyota Motor Corporation	Japan	Motor vehicles	122 967	233 721	102 995	171 467	94 666	265 753	49.4	129	341	37.83
9	20	48	Total	France	Petroleum expl./ref./distr.	98 719	114 636	123 265	152 353	62 227	111 401	74.3	410	576	71.18
10	66	47	France Télécom	France	Telecommunications	85 669	131 204	24 252	58 554	81 651	206 524	48.7	546	227	71.37
11	49	60	Volkswagen	Germany	Motor vehicles	84 042	172 949	80 037	110 463	165 152	342 502	56.4	147	228	64.47
12	16	22	Sanofi-Aventis	France	Pharmaceuticals	82 612	104 548	15 418	18 678	68 776	96 439	77.6	207	253	81.82
13	61	54	Deutsche Telekom AG	Germany	Telecommunications	79 654	146 834	47 118	71 868	73 808	244 645	50.0	266	390	68.21
14	60	62	RWE Group	Germany	Electricity, gas and water	78 728	127 179	23 636	52 320	42 370	97 777	50.1	345	552	62.50
15	19	59	Suez	France	Electricity, gas and water	74 051	85 788	38 838	50 585	100 485	160 712	75.2	546	846	64.54
16	81	79	E.on	Germany	Electricity, gas and water	72 726	155 364	21 996	60 970	32 819	72 484	42.7	303	596	50.84
17	13	6	Hutchison Whampoa	Hong Kong	Diversified	67 638	84 162	17 039	23 037	150 687	180 000	79.3	94	103	91.26
18	39	49	Siemens AG	Germany	Electrical & electronic equipment	65 830	108 312	59 224	93 333	266 000	430 000	62.0	605	852	71.01
19	3	4	Nestlé SA	Switzerland	Food & beverages	65 396	76 965	68 586	69 778	240 406	247 000	93.5	460	487	94.46
20	92	28	Electricite De France	France	Electricity, gas and water	65 365	200 093	17 886	55 775	50 543	156 152	32.4	240	299	80.27
21	29	87	Honda Motor Co Ltd	Japan	Motor vehicles	65 036	89 483	61 621	79 951	76 763	137 827	68.5	76	188	40.43
22	52	73	Vivendi Universal	France	Diversified	57 589	94 439	11 613	26 607	23 377	37 906	55.4	245	435	56.32
23	48	83	ChevronTexaco	United States	Petroleum expl./ref./distr.	57 186	93 208	80 034	150 865	31 000	56 000	56.6	121	250	48.40
24	34	23	BMW AG	Germany	Motor vehicles	55 726	91 826	40 198	55 050	70 846	105 972	66.9	124	153	81.05
25	93	80	Daimler Chrysler B	United States/Germany	Motor vehicles	54 869	248 850	68 928	176 391	101 450	384 723	29.2	324	641	50.55

^a TNI, the Transnationality Index, is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment. Ranking is based on 100 TNCs.

^b II, the "Internationalization Index", is calculated as the number of foreign affiliates divided the number of all affiliates (Note: Affiliates counted in this table refer to only majority-owned affiliates). Ranking is based on 100 TNCs.

Table 2. The top 25 non-financial TNCs from developing countries, ranked by foreign assets, 2004
(Millions of dollars and number of employees)

Ranking by:				Assets		Sales		Employment		TNI ^a		No. of affiliates		II ^b	
Foreign assets	TNI ^a	II ^b	Corporation	Home economy	Industry	Foreign	Total	Foreign	Total	Foreign	Total	Foreign	Total		
1	28	4	Hutchison Whampoa Limited	Hong Kong, China	Diversified	67 638	84 162	11 426	23 080	150 687	182 000	70.9	84	93	90.3
2	80	30	Petronas - Petroleum Nasional Bhd	Malaysia	Petroleum expl./ref./distr.	22 647	62 915	10 567	36 065	4 016	33 944	25.7	167	234	71.4
3	32	24	Singtel Ltd.	Singapore	Telecommunications	18 641	21 626	5 396	7 722	8 676	19 155	67.1	23	30	76.7
4	54	14	Samsung Electronics Co., Ltd.	Republic of Korea	Electrical & electronic equipment	14 609	66 665	61 524	79 184	21 259	61 899	44.7	75	87	86.2
5	86	71	CITIC Group	China	Diversified	14 452	84 744	1 746	6 413	15 915	93 323	20.4	14	59	23.7
6	30	27	Cemex S.A.	Mexico	Construction	13 323	17 188	5 412	8 059	16 822	26 679	69.2	42	56	75.0
7	11	13	LG Electronics Inc.	Republic of Korea	Electrical & electronic equipment	10 420	28 903	36 082	41 782	41 923	32 000	84.5	32	37	86.5
8	62	66	China Ocean Shipping (Group) Company	China	Shipping	9 024	14 994	4 825	11 293	4 230	70 474	36.3	40	134	29.9
9	75	55	Petróleos De Venezuela	Venezuela	Petroleum expl./ref./distr.	8 868	55 355	25 551	46 589	5 157	33 998	28.7	30	65	46.2
10	37	1	Jardine Matheson Holdings Ltd	Hong Kong, China	Diversified	7 141	10 555	5 830	8 988	57 895	110 000	61.7	83	88	94.3
11	66	23	Formosa Plastic Group	China	Industrial chemicals	6 968	58 023	6 995	37 738	61 626	82 380	35.1	14	18	77.8
12	96	72	Petroleo Brasileiro S.A. - Petrobras	Brazil	Petroleum expl./ref./distr.	6 221	63 270	11 082	52 109	6 196	52 037	14.3	23	103	22.3
13	94	33	Hyundai Motor Company	Republic of Korea	Motor vehicles	5 899	56 387	15 245	51 300	4 954	53 218	16.5	13	20	65.0
14	33	12	Flextronics International Ltd.	Singapore	Electrical & electronic equipment	5 862	11 130	8 181	16 085	89 858 [*]	92 000	67.1	100	114	87.7
15	45	82	CapitaLand Limited	Singapore	Real Estate	5 231	10 545	1 536	2 328	5 277 [*]	10 668	55.0	4	23	17.4
16	63	46	Sasol Limited	South Africa	Industrial chemicals	4 902	12 998	5 541	10 684	5 841	31 100	36.1	1	2	50.0
17	90	75	Telmex	Mexico	Telecommunications	4 734	22 710	1 415	12 444	15 616	76 386	17.6	6	28	21.4
18	55	47	América Móvil	Mexico	Telecommunications	4 448	17 277	5 684	11 962	13 949	23 303	44.4	17	34	50.0
19	79	69	China State Construction Engineering Corporation	China	Construction	4 357	11 130	2 513	11 216	21 456	130 813	26.0	4	16	25.0
20	43	22	Hon Hai Precision Industries (Foxconn)	China	Electrical and electronic equipment	4 355	9 505	7 730	16 969	140 518	166 509	58.6	32	41	78.0
21	19	2	Shangri-La Asia Limited	Hong Kong, China	Hotels and motels	4 209	5 208	571	726	14 013 [*]	18 100	79.0	29	31	93.5
22	77	89	New World Development Co., Ltd.	Hong Kong, China	Diversified	4 202	15 567	891	2 865	12 687 ^{**}	47 000	28.4	7	57	12.3
23	27	7	Sappi Limited	South Africa	Paper	4 187	6 150	4 351	4 762	8 936 [*]	16 010	71.8	33	37	89.2
24	100	95	China National Petroleum Corporation	China	Petroleum expl./ref./distr.	4 060	110 393	5 218	68 952	22 000	1167 129	4.4	4	242	1.7
25	60	87	Companhia Vale do Rio Doce	Brazil	Mining & quarrying	4 025	16 382	9 395	10 380	2 736 [*]	36 176	40.9	6	48	12.5

^a TNI is calculated as the average of the following three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment. Ranking is based on 100 TNCs.

^b II is calculated as the number of foreign affiliates divided by number of all affiliates (Note: Affiliates counted in this table refer to only majority-owned affiliates). Ranking is based on 100 TNCs.