Foreign Direct Investment in Latin America and the Caribbean 2024

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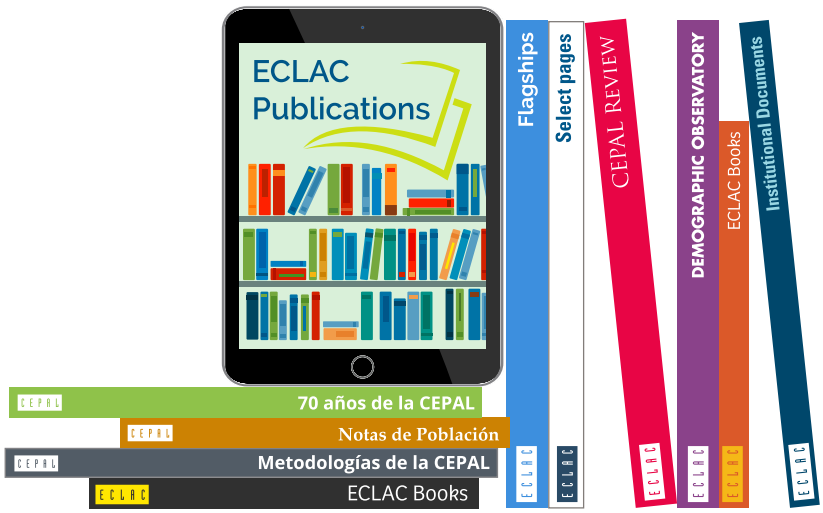

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Foreign Direct Investment in Latin America and the Caribbean 2024

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José Manuel Salazar-Xirinachs
Executive Secretary

Javier Medina Vásquez
Deputy Executive Secretary a.i.

Marco Llinás Vargas
Chief, Division of Production, Productivity and Management

Sally Shaw
Chief, Documents and Publications Division

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Comments and suggestions were received from José Manuel Salazar-Xirinachs, Martín Abeles, Vianka Aliaga, Anahí Amar, Martín Cherkasky, Martha Cordero, Marco Dini, Jorge Mario Martínez, Ana Luíza Matos de Oliveira, Claudia Ospina, Ramón Padilla, Ángela María Penagos and Camilo Quesada.

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Any comments or suggestions concerning the contents of this document should be addressed to Cecilia Plottier (maria.plottier@cepal.org).

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Explanatory notes:

Three dots indicate that data 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. 2023/2024) indicates a 12-month period falling between the two years.
Individual figures and percentages in graphs and tables may not always add up to the corresponding total because of rounding.

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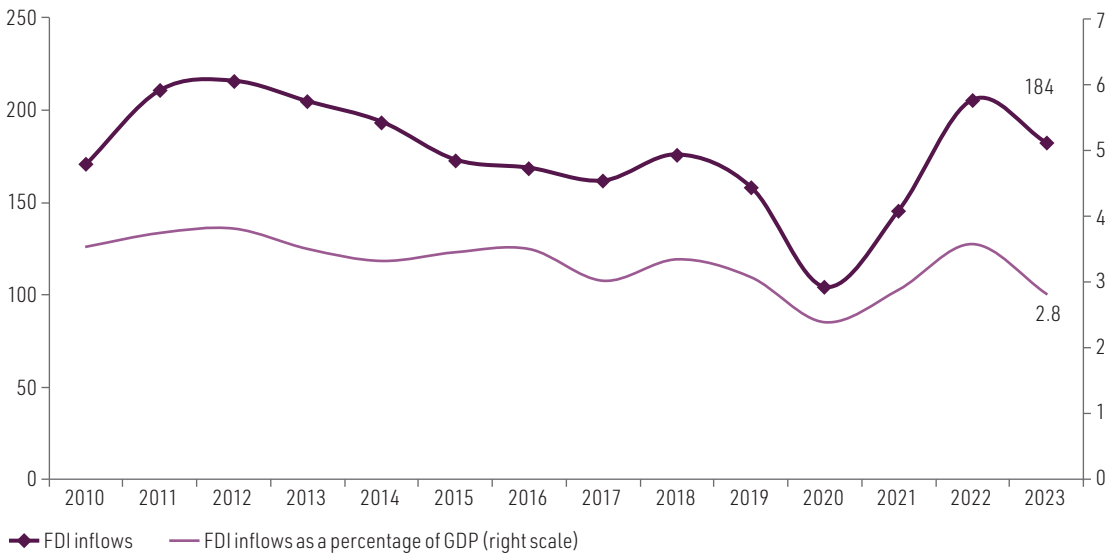
A. Overview of foreign direct investment in Latin America and the Caribbean

The 2024 edition of *Foreign Direct Investment in Latin America and the Caribbean* comes at a very challenging moment, as the region faces a development crisis consisting of three major traps: an inability to grow, characterized by low, volatile, exclusionary and unsustainable economic growth; high inequality, with low mobility and cohesion; and low institutional capacity and ineffective governance (Salazar-Xirinachs, 2023). In this context, it is critical to analyse trends in foreign direct investment (FDI) in the region and linkages with productive development policies in order to design policies that better harness the potential for multinational companies to invest in countries and thus support them at the national and local level to break free of the low growth trap.

Global FDI inflows declined in 2023 for the second year running against a backdrop of persistent geopolitical conflicts and high interest rates. This decrease was observed in almost every region, including in North America (-5%), Africa (-3%) and Asia (-8%), as well as in the European Union, excluding Luxembourg (-56%) (UNCTAD, 2024). In 2023, US$ 184.304 billion in FDI entered Latin America and the Caribbean, a figure that was 9.9% lower than in 2022 but still above the average of the past decade. With this decline, FDI inflows as a share of the region's GDP also fell, representing 2.8% in 2023 (see figure I). Despite this, inflows represented 14% of the world total in 2023, a higher share than the average for the 2010s (11%).

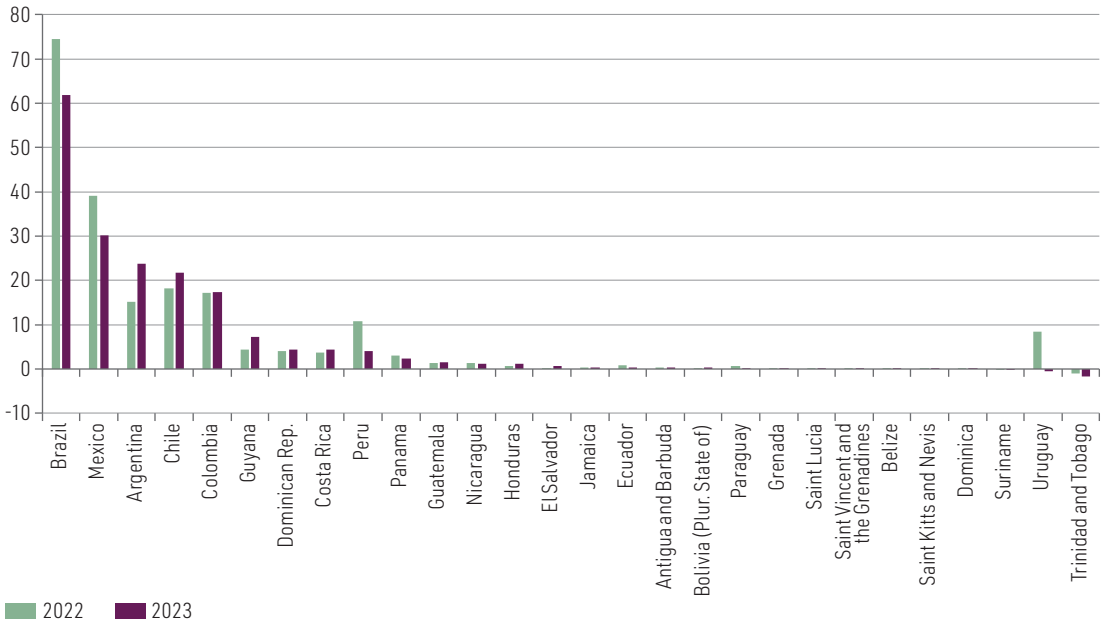
Figure 1
Latin America and the Caribbean: FDI inflows, 2010–2023
(Billions of dollars and percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures to 19 July 2024.

From the perspective of recipient countries, the main contributors to the overall decline in inward FDI in the region were the substantial drops in inflows into its largest FDI recipients, Brazil (-14%) and Mexico (-23%) (see figure 2). Mexico's decline was largely attributable to the extraordinary inflows that it received in 2022 owing to the merger of the television companies Televisa and Univision and the restructuring of the airline AeroMéxico. In South America, Peru also experienced a steep decline (-65%), while inflows to Argentina and Chile increased (57% and 19%, respectively). Inflows to Central America and the Caribbean also increased compared with 2022 (12% and 28%, respectively). This was the case in almost all the countries of Central America, in particular Costa Rica (28% and Honduras (33%), while in the Caribbean it was largely attributable to rising inflows to Guyana (64%) and the Dominican Republic (7%).

Figure 2
Latin America and the Caribbean: FDI inflows, 2022 and 2023



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures to 9 July 2024.

From a sectoral perspective, this negative performance was mainly due to a drop in FDI inflows to the service sector (-24%), contrasting with the sector's strong performance in 2022. Despite this, services remained the leading sector in the region in terms of FDI inflows in 2023. Manufacturing investments grew for the second year in a row, increasing by 9% over the 2022 figure, including in Colombia (105%), Honduras (386%), Mexico (29%) and the Dominican Republic (13%); in Brazil, in contrast, investments in the sector fell. In the natural resources sector, FDI inflows rose by 16% relative to 2022.

The manufacturing increase could be a reflection of multinational companies' interest in setting up manufacturing capacity in countries that are close to the United States (nearshoring) but that offer lower labour costs and, possibly, lower risks of barriers associated with geopolitical rivalries (friendshoring).

An analysis of FDI by component shows that only reinvested earnings grew in 2023, with an increase of 15%, while equity and intercompany loans declined by 22% and 36%, respectively, from the previous year. In 2023, for the first time in the current decade, equity was not the FDI component with the largest share of total inflows, and the total value of equity inflows remained below the average of the previous decade, which may indicate a reduced impetus among multinational companies to invest in Latin America and the Caribbean.

In terms of home countries, the United States and the European Union remained the main investors, although investments from the United States declined. Investments from China and from Hong Kong, China, have always accounted for a small share compared to those from other origins,[1] and these declined significantly in 2023, mainly because investments from Hong Kong, China, were negative.

With regard to mergers and acquisitions, the number of transactions involving assets in Latin America and the Caribbean increased in 2023 (15%), but their total value decreased (-13%). The leading sector for mergers and acquisitions by value was manufacturing, while the electricity, gas and water

[1] One point to consider when analysing investment origin figures is that national accounts reflect the immediate origin of capital, not the ultimate controller, which leads to an underestimate of Chinese FDI that passes through third countries, such as the Kingdom of the Netherlands and Luxembourg. Moreover, investments by Chinese companies since 2010 have mainly taken the form of purchases of companies that, in some cases, were already foreign, so they have not been reflected in the balance of payments. For a detailed analysis of Chinese investment in Latin America and the Caribbean, see ECLAC (2021, chapter II).

supply sector —despite being the sector with the largest recorded transaction in 2023— registered transaction values below the averages of the past 10 years.

The outlook for future investment in Latin America and the Caribbean improved in 2023, as reflected in an increase in the value of new investment project announcements (16%) to US$ 115 billion, compared to US$ 99 billion in 2022. Despite the growth in the amounts announced, the number of announcements decreased by 7%. The growth in total value, together with the decrease in the number of announcements for the region, was owed to the increased number of megaproject announcements, especially in the renewable energy, coal, oil and gas, metals and minerals, and automotive and auto parts sectors.

Lastly, after a record level of FDI by trans-Latins in 2022, there was a 49% drop in outflows in 2023. One notable aspect is that trans-Latins, although less dynamic, have reoriented their investments towards the regional market. The mergers and acquisitions of these players reflect a strong interest in manufacturing assets. Project announcements indicate that trans-Latins are also exploring investment opportunities in countries and sectors that allow them to take advantage of the region's comparative advantages, especially in respect of labour, renewable energy and mineral resources. It will be interesting to see whether this movement contributes to the strengthening of regional value chains in the coming years. This, in turn, could create a more favourable context for regional integration processes, many of which are stagnant or fragmented.

Barring some exceptions, FDI generally continues to be concentrated in sectors and countries that boast natural resources and offer relatively cheap labour. This reinforces existing comparative advantages, although that is not an inevitable outcome. Rather, it represents an invitation for productive development policies to enhance and transform these static advantages into dynamic advantages. The goal should be to ensure that traditional pull factors, such as natural resources or cheaper labour, are only an initial incentive, to be subsequently transformed by spillovers and linkages. The analysis of FDI by sector reaffirms the importance of integrating FDI policies with productive development policies, not only to increase employment and earnings, but also to enhance technology and knowledge transfer. Some of these policies are discussed in chapter II of this report, while chapter III addresses the need for them to be designed and implemented in coordination with not only national but also subnational development policies.

B. Policies to attract FDI and promote its positive effects on the economy

The trends in economic systems in recent decades, including deepening globalization, increased internationalization of firms and lowered barriers to cross-border capital flows, has resulted in a worldwide increase in FDI. This growth has aroused increasing interest among various public, private and academic actors in the impact that FDI can have on countries' development. Although FDI is an important source of financing for the Sustainable Development Goals (SDGs) in developing countries, the investment gap in SDG-related sectors is widening (OECD, 2022; UNCTAD, 2023). Specifically, and as noted by Salazar-Xirinachs and Llinás (2023), FDI is called upon to play a leading role in the productive development policies of Latin American and Caribbean countries and their territories, to address the structural challenge of stagnating or even declining productivity.

The impact of FDI on countries' productive and sustainable development continues to be the subject of debate and research. FDI is considered an important instrument to diversify domestic production and exports, gain access to advanced technologies and more demanding markets, boost competition and, in some cases, build national capacities, including by strengthening national firms that later become major competitors in the global market, such as the Republic of Korea and China. In the case of Latin America and the Caribbean, in particular South America, the crisis of the 1980s, compounded by recurrent exchange-rate appreciation (loss of price competitiveness) and reduction of the depth

of productive development policies, led to reprimarization in the 1990s and 2000s —with significant exceptions, such as Mexico and Costa Rica. Although FDI attraction policies have been adopted in the region, their results in terms of technology absorption and economic sophistication have been insufficient relative to policies in Asia.

While methodological shortcomings and the lack of detailed data mean that study findings on the impact of FDI vary by time period, country and sector, there are some recurring findings that yield what can be considered consolidated lessons. Firstly, the potential of FDI to affect economic growth is greater if the host country has adequate absorption capacity. In general, at the global level, the least developed countries lack the initial absorption capacity needed to obtain the best results from FDI. This depends not only on macroeconomic and institutional factors and good governance, but also on specific conditions in the sectors involved and the policies put in place to promote, regulate and manage FDI. Consequently, FDI attraction policies should be formulated according to the specific characteristics of the country, territory and sectors concerned. The data show that policies focused on strengthening a country's institutional or structural factors, together with robust productive development policies, are more successful in improving social well-being than those based on incentives alone.

According to ECLAC (2007), there are three types of FDI attraction policy: passive, active and integrated. Passive policies facilitate investments that take advantage of market size or static comparative advantages, such as natural resources or cheap labour. Active policies seek specific investments and incentivize them in sectors where there are no static comparative advantages. They are more selective and require a more sophisticated institutional framework, such as institutions dedicated to FDI attraction, and they take into consideration similar incentives in competing countries. Integrated policies incorporate FDI attraction into a broader sustainable development strategy, which also incorporates aspects such as inclusion, productivity and environmental protection. These policies are designed as part of a long-term vision and can include institutions and policies to promote research and development at the national, subnational and local levels; to provide education and technical training; and to encourage cluster initiatives to identify and address other bottlenecks that limit productivity in specific sectors and their potential to attract investments.

While there are a variety of different strategies and approaches for attracting and harnessing FDI, the most successful policies not only promote an efficient use of resources but ensure effective coordination and align with productive development objectives. Integrated policies to attract and leverage FDI should use the SDGs as a reference in all their dimensions, including the recognition of its impact on human rights (Voss, 2020) and sustainability, and not just its impact on production.

Productive development policies must focus on two key aspects of investment to avoid competition through "costly" incentives, which can often trigger a race to the bottom: building the coordination capacity of various stakeholders facing the same FDI attraction bottlenecks, including by strengthening the innovation ecosystem, which attracts investment beyond subsidies; and creating subnational cooperation and coordination mechanisms to avoid the temptation for each party to pursue its own benefit at the expense of the whole, as in the prisoner's dilemma. What really matters for promotion agencies —more than their intentions or numbers— is their political weight in productive development policies.

With a view to illustrating the design of different strategies for different contexts, various FDI attraction instruments and strategies employed in four countries in other regions of the world were studied: Poland's special economic zones, Malaysia's New Industrial Master Plan 2030, the actions of the Investment Office of Türkiye, and the use of FDI for social and productive development in South Africa. These experiences offer valuable lessons for Latin America and the Caribbean in terms of coordinating FDI and development. Although to different extents, all four countries analysed

see FDI as a key instrument driving their economic transformation. Moreover, they all share the practice of establishing sectoral priorities as an integral part of FDI attraction strategies. However, the heterogeneity of situations makes it necessary to implement specific strategies in each case, formulated in response to diverse problems and contexts.

In general, the experiences analysed suggest that the success or failure of FDI attraction policies depends on the capacity for effective coordination on productive development policies between public and private stakeholders, and on initial absorption capacity in terms of human capital, infrastructure and accumulated capabilities. Poland, Malaysia and Turkïye stand out for their ability to integrate FDI into productive development through coordinated strategies, a solid industrial base and advantageous geopolitical positioning. South Africa, meanwhile, has made progress in redesigning its institutional framework to improve policy and stakeholder coordination, which is expected to yield positive outcomes in the future.

A literature review and analysis of international experiences shows that investment promotion agencies are among the main instruments used to attract FDI. The benefits of these agencies include the reduction of information asymmetries and transaction costs, and the improvement of investment regulatory policymaking (Crescenzi, Di Cataldo and Giua, 2021). According to Volpe Martincus and Sztajerowska (2019), the main functions of investment promotion agencies are to attract and facilitate investment by providing assistance services targeted mainly at foreign firms. To this end, their activities include: (i) national image-building, aimed at improving the perception of the country as an attractive destination for FDI; (ii) investment generation, by identifying potential investors and contacting them; (iii) investment facilitation and retention, by providing assistance to investors (including aftercare); and (iv) policy advocacy, through activities to improve the investment climate.

To understand the role of the region's investment promotion agencies and how their activities and strategies are harmonized with the countries' productive development policies, primary data was collected from the investment promotion agencies (or institutions that fulfilled this function in the past) of eight Latin American and Caribbean countries: Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Panama and Uruguay.

The interviews revealed similarities and differences in key areas. The findings indicate regional heterogeneity in the structure of investment promotion agencies, although they face similar organizational challenges. They highlighted the importance of defining a clear strategy and of identifying key sectors and activities, aligning them with the productive development strategies of countries and territories. In addition, the region's investment promotion agencies were found to take a variety of approaches to the pursuit of investor markets and incentives to attract FDI, including different mechanisms, strategies and specific tools. Another notable finding was the difficulty of establishing conditionalities and ensuring rigorous follow-up. Lastly, the findings highlighted the importance of strategic aftercare for maximizing the benefits of investments, and the regional heterogeneity in terms of approaches to follow-up.

The literature review, case studies and interviews with investment promotion agencies reveal the importance of aligning the FDI attraction strategies with long-term productive development policies, designed collaboratively by actors from the public, private, academic and civil society sectors. The lack of coordination and coherence among institutions was identified as a significant obstacle in attracting quality FDI and leveraging it for sustainable development.

In this regard, 17 guidelines —the aim of which is not to be exhaustive but rather to frame debates tailored to the specific reality of each country— are proposed for moving forward on issues related to the formulation of an investment attraction policy that is aligned and integrated with the productive development policies of the countries and their territories (see box 1).

Box 1
Guidelines for formulating and strengthening FDI attraction policies

1. Integrate the investment policy into the productive development policy of the country or territory, to ensure consistency, full alignment with specific objectives and realities, and complementarity with other initiatives that could improve both investment prospects and their potential impact.
2. Support the implementation of policies to attract FDI, as part of the productive development policies of the countries and their territories, in governance arrangements at the highest political level, in order to coordinate with other policy initiatives and expedite decision-making.
3. Involve various public sector actors (such as ministries, agencies and other government bodies) and key actors from the private sector, academia and civil society in the process of building and approving the FDI attraction strategies of the countries and their territories. This would give them legitimacy and gain the support and cooperation of all stakeholders, thus increasing their chances of implementation and success.
4. Update and review FDI attraction strategies periodically, including the performance of investment promotion agencies, to adapt them to changes in the economic and political environment, and to new opportunities and challenges.
5. Increase evaluation of the FDI attraction strategies and instruments deployed, to identify the positive elements, for scaling up, and the negative elements for timely correction, and thus prevent the costs of errors from accumulating. It is important to increase the evaluation capacity of countries and their territories in this area.
6. Implement a rigorous system for monitoring and evaluating the performance of investment promotion agencies. This should include the establishment of specific and systematic key performance indicators.
7. Develop projects and actions that foster the creation of an environment that is conducive to attracting investment and maximizing its effects, with a view to strengthening the economic fundamentals.
8. Promote institutional arrangements, such as cluster initiatives, to articulate FDI attraction effectively with other productive development initiatives.
9. Implement policies that promote collaboration between multinational firms and local suppliers, facilitating the development and integration of the latter into global supply chains, and providing support to improve their technical and productive capacity.
10. Encourage actions that facilitate investment in research and development and the training of human resources by multinational firms in the host country, thereby contributing to technology transfer and the strengthening of local innovative capacity, which broadly define the technological and productive absorption capacity of the host economy. This includes supporting linkages with research centres and fostering collaboration with universities and technical training institutes.
11. Promote transparency and simplification of administrative processes related to foreign investment, to ensure a clear and predictable regulatory framework for investors.
12. Analyse the cost-benefit and opportunity cost of providing incentives and benefits to firms wishing to locate in the country. This assessment should consider broader objectives and strategies, such as achieving the SDGs, fostering regional development and supporting institutional arrangements, such as cluster initiatives. Studies based on the analysis of the effects of the distribution of incentives can be used to obtain a more rigorous assessment of the impact of policies on micro-, small and medium-sized enterprises and the local economy.
13. Design incentives with conditionalities aligned with the productive development policy of the country and its territories; and include provisions on their applicability, validity and duration, accompanied by a constant monitoring and evaluation mechanism.

14. Strengthen investment promotion agencies by providing them with the financial resources, qualified staff and autonomy needed to fulfil their functions effectively. Empowering investment promotion agencies also means giving them a clear and defined mandate, together with the authority to make decisions and act expeditiously in investment promotion and project facilitation.
15. Provide investment promotion agencies with the resources and instruments needed to implement aftercare and follow-up actions, in order to maintain a continuous relationship with investors and promote reinvestment, expansion and diversification of foreign firms' projects in the country.
16. Promote regional integration through the individual FDI attraction initiatives of the countries and their territories, seeking to concentrate such initiatives in the segments of the regional value chains in which each country or territory has competitive advantages. One way of coordinating this specialization of FDI initiatives could be through the cluster initiatives that exist in the different countries.
17. Recognize that each country or territory has its own strategy and that there is no single solution. It is therefore crucial to promote regional mechanisms that facilitate the exchange of good practices in the area of productive development policies, including those related to attracting investment.

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

C. Subnational FDI: trends, determinants, policies and guidelines based on cases from the region

After years of burgeoning FDI in all regions of the world, rising levels of inequality have sparked renewed interest in the effects of foreign investment on uneven development at different geographical scales, in particular the subnational level. Subnational territories differ from each other: they vary in terms of factor endowment, productive and technological capacity, and specialization profiles, and also in their capacity to design and implement active policies to attract investment. This heterogeneity poses challenges and affords opportunities specific to each context, which are further enhanced by transformations such as the reorganization of global value chains and the green and digital transitions.

At the subnational level, Latin America and the Caribbean is extremely heterogeneous, with high levels of inequality in socioeconomic, productive and technological terms and in terms of capacities to design and implement public policies. What is produced matters: the specialization and production profile of each territory affects per capita GDP, income distribution and future growth potential. Specialization patterns that are more technology- and knowledge-intensive, and driven by the expansion of global demand, are more dynamic and boost the demand for skilled labour and better-paid jobs (ECLAC, 2022a). At the same time, they are particularly attractive for FDI (ECLAC, 2022a, 2022b and 2023). Productive and institutional capacities are important factors in determining the location of FDI, which can exacerbate territorial inequalities within a country. However, under the right conditions, FDI can be key to the transformation of the production structure that the region so badly needs to break the cycle of low levels of investment, productivity and growth and, at the same time, reduce territorial disparities (ECLAC, 2022a; OECD and others, 2023).

To align the location decisions of multinational companies more closely with the public interest in promoting subnational development, it is essential to have in place robust public policies and institutions that operate systematically and have staying power. However, attracting FDI inflows is not enough in itself. To maximize the benefits derived from these resources, especially at the subnational level, it is necessary to be proactive in promoting conditions to boost capacities for learning, innovation and the creation of quality jobs. Productive development policies have a central role to play in this process.

Strategies and institutions to promote subnational FDI have been established in several countries around the world. One of the instruments used by subnational governments to boost investment, which has been gaining prominence in recent years, is the local investment promotion agency. However, the existence of coordination and well-defined objectives at different levels of government is more important than institutional design or the presence of subnational agencies. Analyses to determine which instruments work best at the subnational level also underscore the risk that (in the absence of a common vision and coordination to pursue it) subnational tax incentives could trigger a race to the bottom between territories, resulting in more costly and less efficient investment attraction strategies. Conversely, strategies that are coordinated between national and subnational investment promotion agencies, which seek to coordinate actors between sectors and territories, have proven effective in reducing competition in countries and attracting investments to respond to their needs. Subnational productive development agendas that promote productive, technological and innovation capacities proactively, through incentives and services, as well as the development of productive linkages, local suppliers and technology transfer, are the cornerstone of efforts to ensure multilevel coherence and coordination. These agendas can steer and help attract investments that are aligned with territorial capacities and needs, thus generating positive economic impacts. Nonetheless, it is also important to adapt attraction strategies to maximize the effects of FDI on local development and minimize the negative impacts.

To better understand subnational FDI in the region, a preliminary survey was conducted on the basis of project announcements in Argentina, Brazil, Chile, Colombia and Mexico for the period 2005–2021, which offers signs of the attractiveness of specific subnational territories by analysing the sector specialization of FDI relative to the specialization or diversification seen at the national level. The central characteristics that the survey identified are presented in diagram 1.

Diagram 1
Latin America (selected countries): preliminary approach to subnational FDI

Approach	Countries	Selected data	
		Concentration by geographical area *(Project amounts)*	
Analysis of project announcements (2005–2021): heterogeneity of projects and concentration across subnational territories and sectors, on the basis of a relative specialization index	Argentina	17%	Province of Buenos Aires, Argentina (23 provinces + 1 federal district)
	Brazil	27%	State of São Paulo, Brazil (26 states + 1 federal district)
	Chile	25%	Region of Antofagasta, Chile (16 regions)
Policies and institutions to attract FDI for subnational productive development: preliminary survey of investment promotion agencies	Colombia	17%	Capital District of Bogotá, Colombia (32 departments + 1 capital district)
	Mexico	22%	State of Nuevo León (9.5%) + State of Guanajuato (6.5%) + Mexico City (6.2%), Mexico (32 states, including capital city)

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Firstly, areas that are already more developed with higher levels of diversification and a greater supply of capacities are clearly more attractive to investors. This reveals a type of path dependency, in which the territories with more complex economies are also those that attract greater investment which, in turn, fosters further complexity. Thus, productive development policies have an important role to play in generating a diversified supply of local capacities. This is important as an incentive for FDI and an enabler for the local economy to obtain benefits beyond rent extraction when the main factor of attraction is the existence of natural resources. Secondly, the presence of natural

resources, such as oil, gas and minerals, continues to be a magnet for foreign investment into the region. When FDI occurs in natural-resource-intensive sectors, these sectors absorb a very large share of the region's FDI. In contrast, investments in more knowledge-intensive sectors or those requiring a greater supply of local capacities tend to be more evenly balanced. Accordingly, the challenge remains to ensure that FDI can enhance the diversification and economic resilience of territories by incorporating science and technology. Lastly, the data show that, within the same country, several territories share the relative specialization of FDI in certain sectors. This underscores concerns about the type of competition that could be generated between territories and the risk of negative outcomes for all. To avoid this outcome, more attention must be paid to the type of policy instruments used to attract FDI and how they are applied.

Although in the Latin American context, the preliminary approach to subnational foreign investment based on the selected cases augurs a challenging outlook given the persistence of structural heterogeneity, progress has been made in the development of institutional frameworks for subnational FDI. Most national investment promotion agencies either have policy instruments or carry out activities to promote foreign investment in subnational territories, and some countries have specialized agencies at the subnational level. In some larger countries, such as Brazil and Colombia, major challenges remain in terms of coordination between national and subnational FDI promotion agencies, and also among other government bodies. Some of these difficulties arise from the heterogeneity that exists between institutions, especially subnational ones, and their respective operational capacities.

The key message of this chapter is the need to define clearly the productive development policy and the sectors to be targeted, and to strengthen articulation and coordination among agents and local capacities, to make the territories more attractive and enhance the positive impacts of FDI on the recipient economies. Six broad guidelines for implementing public policy measures have been identified for consideration by national and subnational governments:

(i) Formulation of territorial productive development strategies as a framework for attracting foreign investment.

(ii) Strengthening of local capacities for attracting FDI.

(iii) Identification of the appropriate policy instruments for the different phases of the investment cycle.

(iv) Promotion of multi-stakeholder coordination. Cluster initiatives could also be a useful tool here.

(v) Promotion of multilevel inter-agency coordination.

(vi) Strengthening of the evaluation of measures and instruments implemented to attract FDI and maximize its benefits.

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CHAPTER

I

Overview of foreign direct investment in Latin America and the Caribbean

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Introduction

This chapter provides a quantitative analysis of foreign direct investment (FDI) in Latin America and the Caribbean in 2023. Following this introduction, section A presents a brief analysis of the main international trends in FDI. Section B then draws on balance-of-payments data, investment announcement databases and information about cross-border mergers and acquisitions to examine the trends in FDI in the region. The analysis includes flow, stock and income indicators and covers FDI by sector and by country of origin. Section C discusses the region's outward FDI, i.e. the behaviour of trans-Latins in 2023. Most FDI is concentrated in the major host countries; nonetheless, following the conclusions, which are presented in section D, section E reviews the situation in each of the economies with information available for 2023.

A. International overview of inward foreign direct investment in 2023

Global FDI inflows declined in 2023 for the second year running against a backdrop of persistent geopolitical conflicts and high interest rates, with a drop of 1.8% on the 2022 figure. This gave a total of US$ 1.3 trillion, bringing the volume back to a level similar to that seen before the coronavirus disease (COVID-19) pandemic (see table I.1).

Table I.1
Selected countries and regions: foreign direct investment inflows, 2018–2023
(Millions of dollars and percentages)

	2018	2019	2020	2021	2022	2023	2023 share *(Percentages)*	2023/2022 change *(Percentages)*
United States	203 234	229 930	93 296	389 436	332 352	310 947	23	-6.4
China	138 306	141 225	149 342	180 957	189 132	163 253	12	-13.7
Singapore	73 115	97 533	74 857	126 674	141 118	159 670	12	13.1
Hong Kong, China	104 246	73 714	134 710	140 186	109 685	112 676	8	2.7
Brazil	78 163	69 174	38 270	46 441	74 606	64 230	5	-13.9
Canada	37 662	50 544	25 594	60 382	46 175	50 324	4	9.0
European Union (27 countries)	305 556	627 336	154 889	266 502	-84 831	58 645	4	169.1
France	34 671	20 426	13 174	34 109	75 979	42 032	3	-44.7
Germany	72 022	52 684	69 954	51 218	27 411	36 698	3	33.9
Mexico	37 857	29 946	31 524	35 405	39 108	30 196	2	-22.8
Spain	58 063	17 842	14 239	38 318	44 885	35 914	3	-20.0
European Union (excl. Luxembourg)	388 893	463 618	145 050	241 380	274 500	121 453	9	-55.8
World	**1 376 139**	**1 729 239**	**984 578**	**1 621 808**	**1 355 749**	**1 331 813**		**-1.8**

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 2024: Investment Facilitation and Digital Government*, Geneva, 2024; and official statistics for Brazil and Mexico.

This decline extended to almost all regions, with falls in North America (-5%), Africa (-3%) and Asia (-8%) (UNCTAD, 2024a). In the case of the European Union, the large capital movements in Luxembourg that caused the grouping to record negative inflows in 2022 had less of an impact in 2023, and thus inflows into the European Union increased relative to the previous year. When the Luxembourg data are excluded, however, the values were 56% lower than for the same group of countries in 2022, with investment falling in some of the main recipient countries.

The United States remained the largest recipient of FDI globally (23% of the total) but experienced a 6% drop from the previous year, while there was also a decline in China (-14%) (see box I.1).

Box I.1
China: changing trends in FDI

According to data from the United Nations Conference on Trade and Development (UNCTAD), China recorded foreign direct investment (FDI) inflows of only US$ 163.253 billion in 2023, a substantial drop of 13.7% when compared to the previous year. Analysis of investment projects announced for the country confirms the downward trend in both number and value over time (see figure 1). This seems to indicate a decline in China's share of new inward FDI flows, probably reflecting geopolitical tensions that threaten the entry of Chinese-produced goods into other markets, particularly the United States.

Figure 1
China: FDI project announcements, 2005–2023
(Billions of dollars and numbers)

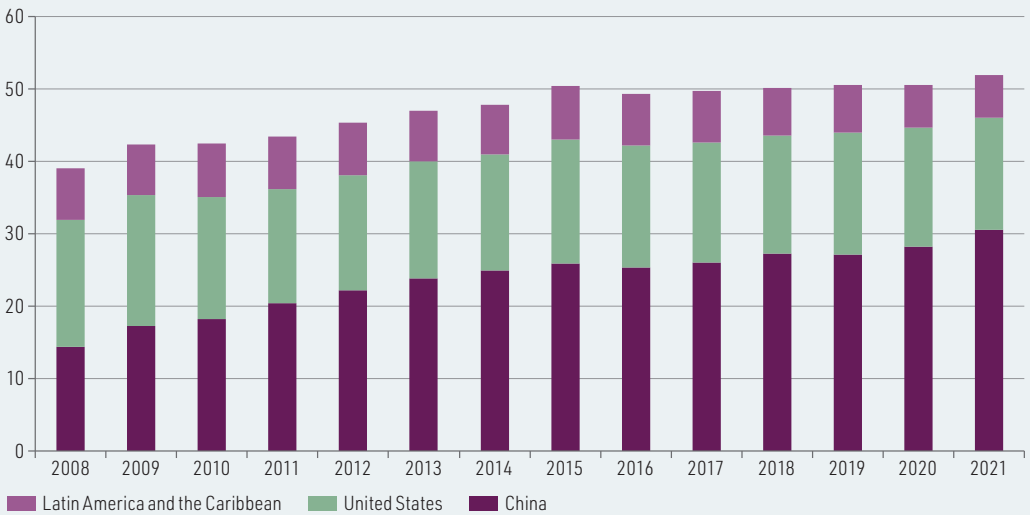
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of *Financial Times*, fDi Markets [online database] https://www.fdimarkets.com/.

According to *Financial Times* (2024), the trend confirms a decline in confidence in the Chinese market, coupled with the geopolitical uncertainties mentioned above. All this seems to have contributed to a drop in FDI in China (*Financial Times*, 2024). However, China does not rely on FDI to finance its investment needs: according to BNP Paribas (2023), FDI accounts for only 30% of total investment in the country. What is important for the development of industry in China are the spillover effects of FDI, such as knowledge transfer, increased competition and better governance, among others, which will be discussed in more detail in chapter II of this report.

However, the drop in FDI in China has not led to a decline in the country's importance in the global manufacturing market. In fact, figure 2 shows that China's share of global manufacturing value added has continued to rise, while that of Latin America and the Caribbean, like that of the United States, has remained virtually

unchanged. According to the United Nations Conference on Trade and Development (UNCTAD, 2024), the phenomenon observed in China represents a transformation of its operating model: the country is moving away from operating in globally integrated production networks towards operating in mainly domestic ones, more oriented towards its own market.

Figure 2
Selected countries and regions: manufacturing value added, 2008–2021
(Percentages of world total in current dollars)



Source: Economic Commission for Latin America and the Caribbean, on the basis of World Bank data.

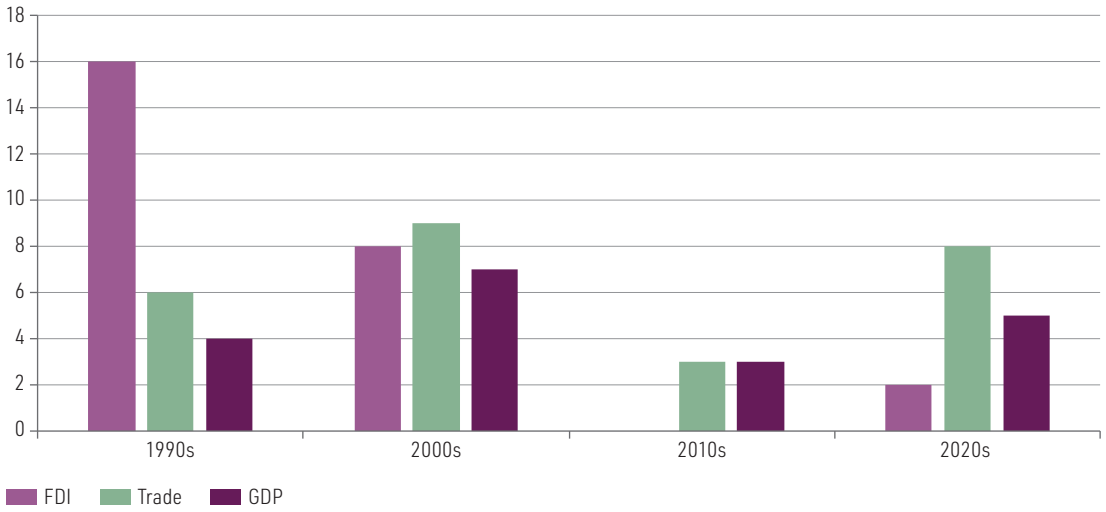
Source: BNP Paribas, "Explaining the plunge in China's foreign direct investment", 8 December 2023 [online] https://viewpoint.bnpparibas-am.com/explaining-the-plunge-in-chinas-foreign-direct-investment/; *Financial Times*, "Foreign direct investment in China falls to lowest level in decades", 19 February 2024 [online] https://www.ft.com/content/bcb1d331-5d8e-4cac-811e-eac7d9448486; and United Nations Conference on Trade and Development (UNCTAD), *Global Economic Fracturing and Shifting Investment Patterns: A Diagnostic of 10 FDI Trends and Their Development Implications*, Geneva, 2024.

According to the United Nations Conference on Trade and Development (UNCTAD, 2024b), while the conflicts and multiple crises of recent years have intensified the trend, FDI growth has been decoupling from trade and from GDP growth since the 2010s. During the 1990s and 2000s, global FDI growth was a robust 16% and 8%, respectively. Growth flatlined in the 2010s, however, after which there was a slight recovery in the 2020s, when it was a modest 2%. Over the same period, fluctuations notwithstanding, the growth of both global GDP and global trade outpaced FDI growth, a trend that has been in place since the 2000s but became more apparent in the 2010s and 2020s (see figure I.1).

The trade component of global value chains[1] has shown a tendency to stagnate in much the same way as FDI. Rather than being circumstantial, this process appears to be structural, linked to trends in technology (automation and digitalization of production), politics (trade and investment policies that are becoming more interventionist and protectionist) and sustainability (a variety of environmental, social and governance (ESG) standards, market-driven product and process changes, for example) (UNCTAD, 2024a).

[1] The UNCTAD study uses the share of foreign value added in exports as a proxy for the trade component of global value chains (UNCTAD, 2024a).

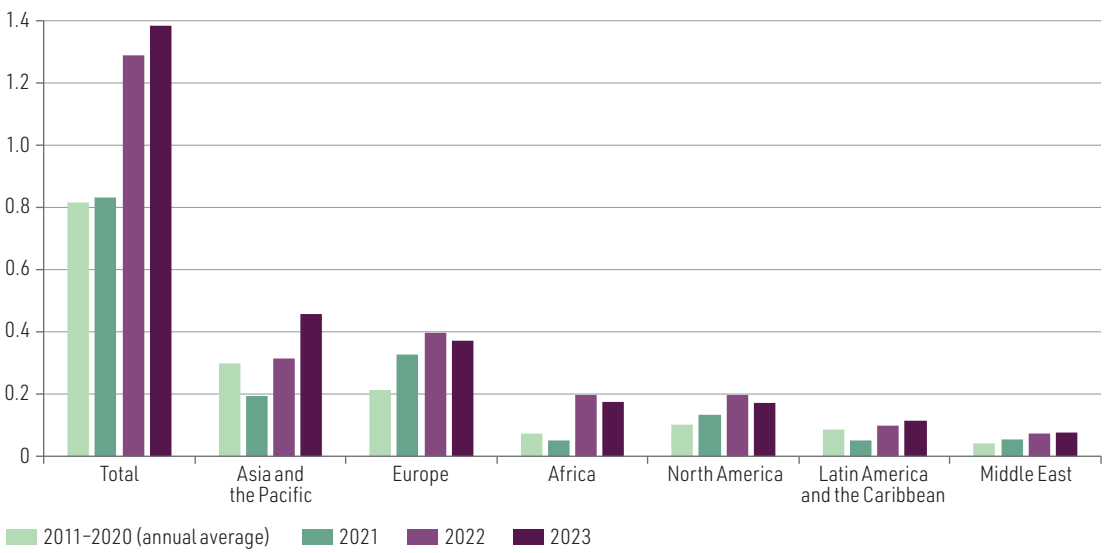
Figure I.1
World: compound annual growth rates of FDI, trade and GDP, 1990s–2020s
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Conference on Trade and Development (UNCTAD), *Global Economic Fracturing and Shifting Investment Patterns: A Diagnostic of 10 FDI Trends and Their Development Implications*, Geneva, 2024.

When it comes to investment project announcements, the picture is quite different. In 2023, there was an overall increase in the value of project announcements globally, with a 7% rise in the total. This increase was mainly due to growth in Asia and the Pacific (45%) and, to a lesser extent, Latin America and the Caribbean (16%) and the Middle East (6%). North America registered a fall of 14%, Africa of 11% and Europe of 6%. Despite growth over the last decade, in 2023 Latin America and the Caribbean was the region with the second-lowest volume of project announcements by value globally: with 8% of the total, it only surpassed the Middle East (see figure I.2).

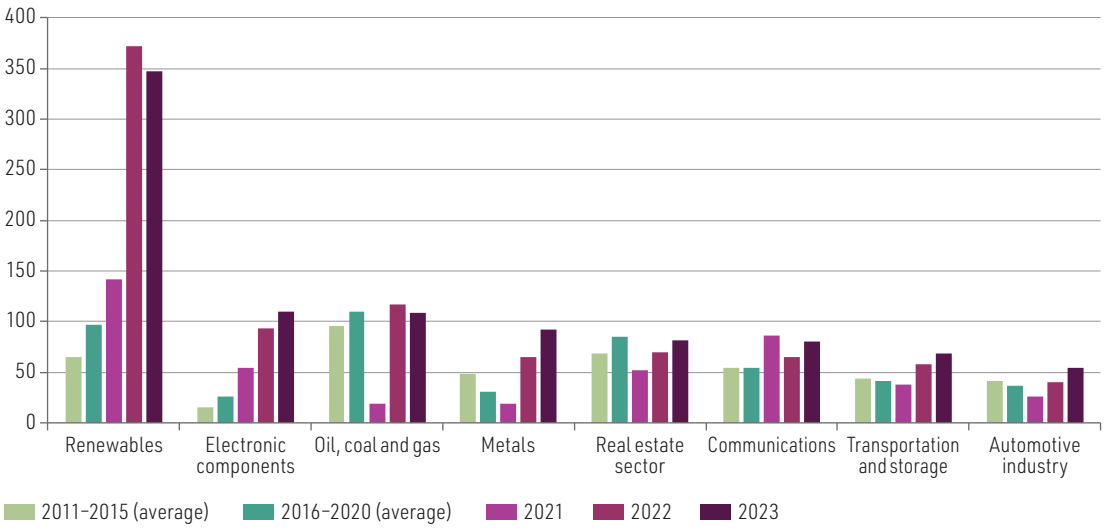
Figure I.2
World regions: FDI project announcements, 2011–2020, 2021, 2022 and 2023
(Trillions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of *Financial Times*, fDi Markets [online database] https://www.fdimarkets.com/.

Despite declining by 7% from 2022, the renewables sector continued to account for the largest share of project announcements by value globally, with 12% of the announced total for the year. Announcements in this sector grew substantially, especially in North America (146%) and Latin America and the Caribbean (146%), in contrast to a marked drop in Europe (22%) (see figure I.3).

Figure I.3
World: FDI project announcements, by major sector, 2011–2023
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of *Financial Times*, fDi Markets [online database] https://www.fdimarkets.com/.

Also of note is that the electronic components sector grew substantially (18%) for the third year in a row, with a striking increase in the value of projects announced for African countries (3,878%). Project announcements for these countries totalled US$ 6.944 billion in 2023, and although this was still well short of the figure for North America (US$ 42.811 billion), it far exceeded the amount allocated to the sector in Latin American and Caribbean countries in 2023 (US$ 1.995 billion).

B. Foreign direct investment in Latin America and the Caribbean in 2023

This section aims to provide an overview of FDI in Latin America and the Caribbean in 2023, first presenting an aggregate analysis of the data obtained from the countries' national accounts. It is important to note that not all countries provide data at the same level of disaggregation, making it challenging to obtain a comprehensive picture of the FDI landscape in 2023.

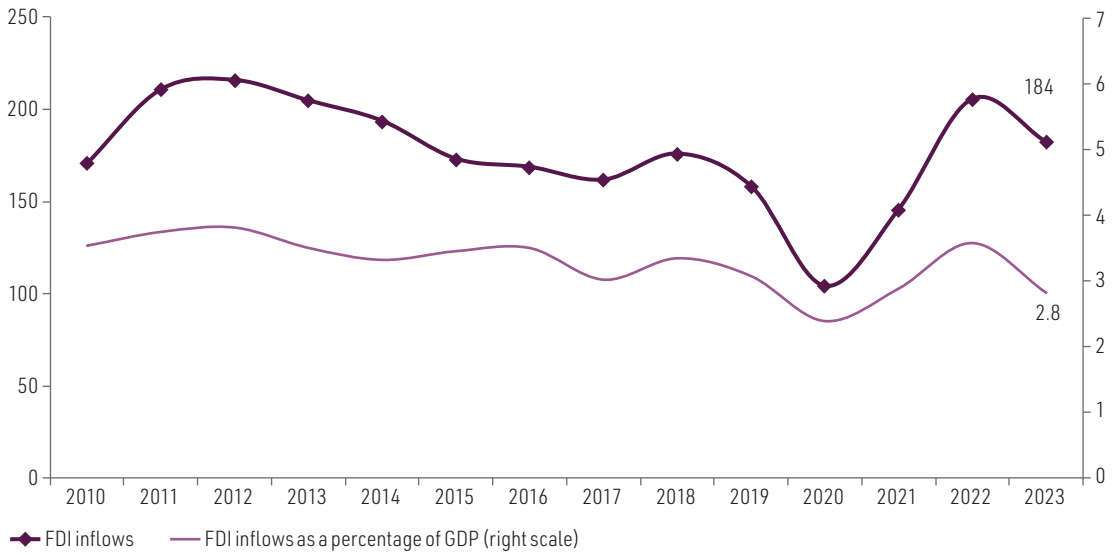
In this section, the aggregate analysis of national accounts data is complemented by analysis of cross-border mergers and acquisitions in 2023 and of investment project announcements by foreign firms. Mergers and acquisitions sometimes fail to translate into capital inflows in the balance of payments, either because of the business or because they involve the purchase of assets already owned by foreign companies. However, these operations do allow the areas of greatest interest to international capital to be identified. Similarly, investment project announcements are indicators of the interest expressed by certain companies in establishing themselves in the region, but do not guarantee that the investment will take place, or provide information as to when.

Section E of this chapter will analyse the indicators in more detail for each country of the region, using the level of disaggregation provided by the respective central banks.

1. Main recipient countries, components and balance-of-payments impact

In 2023, US$ 184.304 billion of FDI entered Latin America and the Caribbean, a figure that was 9.9% lower than in 2022 but still above the average of the last decade. With this decline, FDI inflows as a share of the region's GDP also fell, representing 2.8% in 2023 (see figure I.4). This negative performance was mainly due to a drop in FDI inflows into the service sector in most of the region's economies, contrasting with the sector's strong performance in 2022. There was also a decline in inflows from the region's largest investor, the United States, as will be discussed below. Despite this, inward FDI in the region represented 14% of the world total in 2023, a higher share than the average for the 2010s (11%).

Figure I.4
Latin America and the Caribbean: FDI inflows, 2010–2023
(Billions of dollars and percentages of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures to 19 July 2024.
Note: Information from International Monetary Fund (IMF), *Balance of Payments and International Investment Position Manual: Sixth Edition (BPM6)*, Washington, D.C., 2009, except for Guyana and Peru. No information was available for the Bolivarian Republic of Venezuela from 2016 onward. 2023 data were not available for the Bahamas, Barbados or Haiti.

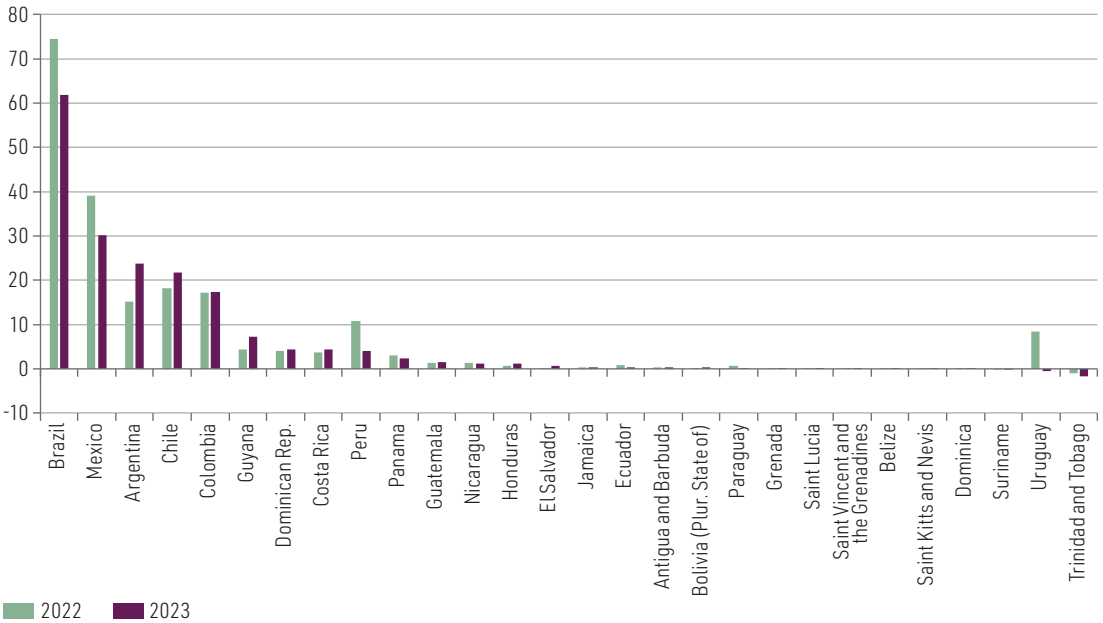
From the perspective of recipient countries, the main contributors to the overall decline in inward FDI in the region were the substantial drops in inflows into its largest FDI recipients, Brazil and Mexico. While still accounting for a third of total inward FDI in the region, Brazil experienced a 14% decline in 2023, when inflows totalled US$ 64.230 billion. This can be explained mainly by a sharp decrease in two areas of FDI: intercompany loans, which fell by 48%, and equity, which declined by 14% (see section I.E). Mexico, the country with the second-largest share of inflows in the region (16.4% of the total in 2023), also saw a considerable decline in FDI in 2023 compared to 2022 (-22.8%), receiving US$ 30.196 billion. It is important to note that there were extraordinary FDI inflows in 2022 owing to the merger of the television companies Televisa and Univision and the restructuring of the airline AeroMéxico. The drop in 2023 in Mexico was mainly due to declines in inflows in the form of equity, which fell by 72% to their lowest level since 2012. Although Peru accounted for just 2.1% of total FDI inflows into the region, it is worth mentioning that Peru also experienced a steep decline, from about US$ 11.201 billion in 2022 to US$ 3.918 billion in 2023, a reduction of 65% (see table I.2, figure I.5 and figure I.6).

Table I.2
Latin America and the Caribbean: FDI inflows, by host country and subregion, 2013–2023
(Billions of dollars and percentages)

Country	2013–2017[a]	2018	2019	2020	2021	2022	2023	Absolute difference 2023–2022	Relative difference 2023–2022 *(Percentages)*	Share of total regional FDI in 2023 *(Percentages)*
South America	**125 011**	**119 546**	**110 809**	**63 416**	**89 965**	**146 512**	**131 377**	**-15 134**	**-10.3**	**71.3**
Argentina	8 285	11 717	6 649	4 884	6 658	15 201	23 866	8 666	57.0	12.9
Bolivia (Plurinational State of)	802	302	-217	-1 129	584	6	294	287	4 608.1	0.2
Brazil	74 169	78 184	69 174	38 270	46 441	74 606	64 230	-10 377	-13.9	34.8
Chile	16 203	7 943	13 579	11 447	15 177	18 237	21 738	3 501	19.2	11.8
Colombia	14 312	11 299	13 989	7 459	9 561	17 183	17 147	-36	-0.2	9.3
Ecuador	843	1 389	979	1 095	649	880	380	-500	-56.8	0.2
Paraguay	652	227	409	198	306	672	241	-431	-64.2	0.1
Peru	7 078	5 873	4 775	663	7 142	11 201	3 918	-7 283	-65.0	2.1
Uruguay	1 983	1 727	1 470	528	3 448	8 526	-436	-8 962	-105.1	-0.2
Venezuela (Bolivarian Republic of)	684	886	...	...	...	...	...	...	...	...
Mexico	**37 526**	**37 857**	**29 946**	**31 524**	**35 405**	**39 108**	**30 196**	**-8 912**	**-22.8**	**16.4**
Central America	**11 551**	**12 526**	**10 233**	**1 556**	**10 813**	**10 396**	**11 642**	**1 246**	**12.0**	**6.3**
Costa Rica	2 990	3 015	2 719	2 103	3 593	3 673	4 687	1 014	27.6	2.5
El Salvador	424	826	636	24	386	171	760	589	344.7	0.4
Guatemala	1 291	981	976	935	3 462	1 442	1 552	110	7.6	0.8
Honduras	1 236	1 380	947	224	800	818	1 085	267	32.6	0.6
Nicaragua	1 007	838	503	747	1 220	1 294	1 230	-64	-4.9	0.7
Panama	4 604	5 487	4 451	-2 477	1 353	2 997	2 327	-670	-22.4	1.3
The Caribbean[b]	**6 242**	**5 979**	**7 264**	**7 569**	**9 149**	**9 946**	**11 090**	**2 438**	**28.2**	**6.0**
Antigua and Barbuda	102	205	128	77	290	302	301	-1	-0.4	0.2
Bahamas	1 603	947	611	897	1 052	1 255	...	...	...	0.0
Barbados	321	242	215	262	237	...	...	...	...	0.0
Belize	76	118	94	76	125	141	50	-91	-64.7	0.0
Dominica	22	78	63	22	28	18	21	3	17.2	0.0
Dominican Republic	2 476	2 535	3 021	2 560	3 197	4 099	4 390	291	7.1	2.4
Grenada	123	186	204	136	152	156	164	8	4.9	0.1
Guyana	172	1 232	1 712	2 074	4 468	4 393	7 198	2 804	63.8	3.9
Haiti	168	105	75	25	51	39	...	...	-1	0.0
Jamaica	774	775	665	265	320	319	377	58	18.1	0.2
Saint Kitts and Nevis	119	40	62	6	24	43	32	-11	-25.8	0.0
Saint Lucia	129	40	69	65	163	70	81	11	15.6	0.0
Saint Vincent and the Grenadines	113	46	76	48	109	33	139	106	320.7	0.1
Suriname	203	131	84	1	-133	-9	-54	-45	484.7	0.0
Trinidad and Tobago	-157	-700	184	1 056	-935	-914	-1 608	-694	76.0	-0.9
Total[b]	**180 330**	**175 908**	**158 253**	**104 065**	**145 333**	**205 961**	**184 304**	**-20 362**	**-9.9**	**100.0**

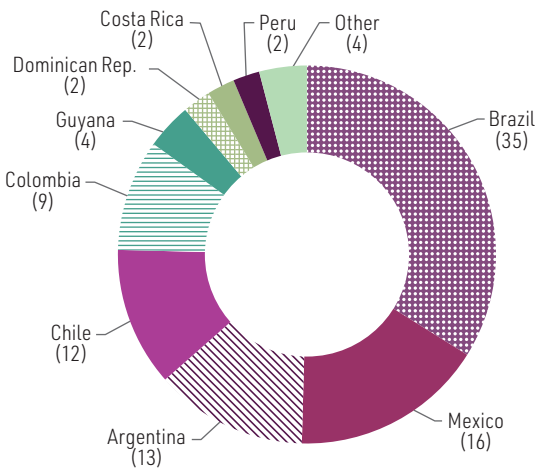
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures to 19 July 2024.
Note: Information from International Monetary Fund (IMF), *Balance of Payments and International Investment Position Manual: Sixth Edition (BPM6)*, Washington, D.C., 2009, except for Guyana and Peru, where it is from IMF, *Balance of Payments and International Investment Position Manual: Fifth Edition (MBP5)*, Washington, D.C., 1993.
[a] Simple averages.
[b] For the purpose of calculating absolute and relative differences, countries for which 2022 data were not available were not included in 2023.

Figure I.5
Latin America and the Caribbean: FDI inflows, by country, 2022 and 2023
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures to 19 July 2024.

Figure I.6
Latin America and the Caribbean: FDI inflows, by country, 2023
(Percentages of total)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures to 19 July 2024.

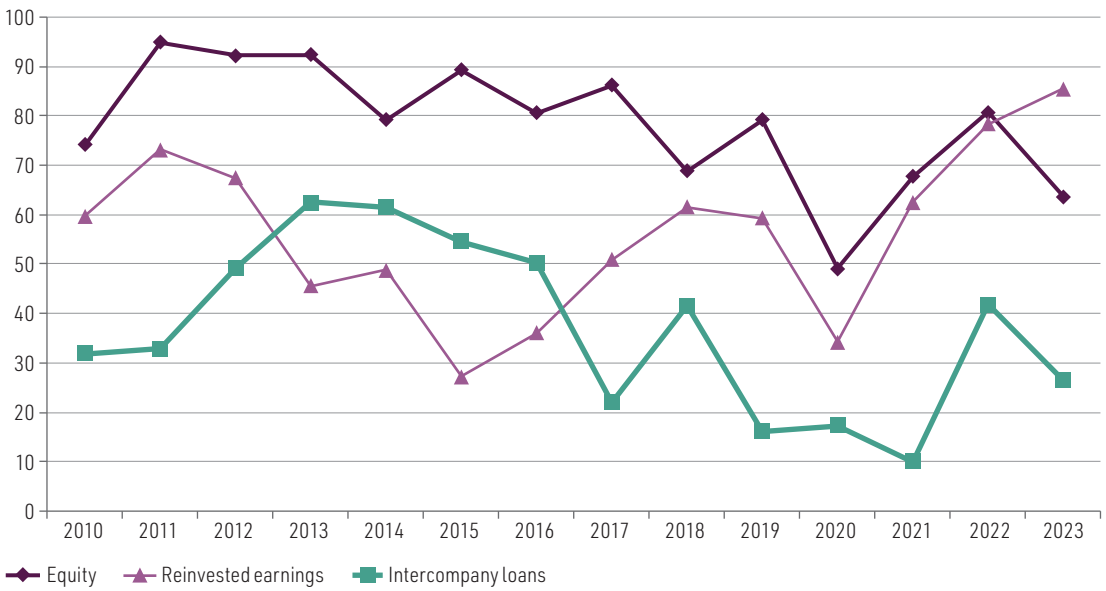
Inward FDI in Argentina increased from US$ 15.201 billion in 2022 to US$ 23.866 billion in 2023, a remarkable rise of 57% and the highest value since 1999. This increase was affected, however, by restrictions on capital movements that triggered large inflows in the form of intercompany loans and reinvested earnings. Inward FDI in Chile rose from US$ 18.237 billion in 2022 to US$ 21.738 billion in 2023, a rise of 19.2%.

Colombia's FDI inflows were similar to 2022 levels, accounting for 9% of the region's inward FDI.

The Caribbean recorded an increase of 27.6% in 2023 over the previous year, mainly due to higher inflows into Guyana and the Dominican Republic. In the case of Guyana, FDI inflows increased strongly (63.8%) to US$ 7.198 billion in 2023. This increase can largely be attributed to growing activity in the oil sector, since the country has emerged as one of the new oil producers in the region, attracting considerable FDI inflows in recent years. In the Dominican Republic, meanwhile, FDI inflows increased by 7.1% in 2023 to US$ 4.39 billion.

When FDI is analysed by component, only reinvested earnings showed growth in 2023, with an increase of 15%, while equity and intercompany loans declined by 22% and 36%, respectively, from the previous year. As a result, reinvested earnings became the largest component of FDI inflows into Latin America and the Caribbean, accounting for almost half the total. The upward trend in reinvested earnings makes sense given the growing stock of FDI, and in some countries it is also explained by regulations that encourage or require the reinvestment of earnings (see figure I.7).

Figure I.7
Latin America and the Caribbean: FDI inflows, by component, 2010–2023
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures to 19 July 2024.
Note: The Bahamas, Barbados, Belize, the Bolivarian Republic of Venezuela and Trinidad and Tobago were excluded because 2023 data were not available for them. El Salvador, Guyana, Haiti and Jamaica were likewise excluded because data were not available by component. The data by component for the Plurinational State of Bolivia are for gross inward FDI.

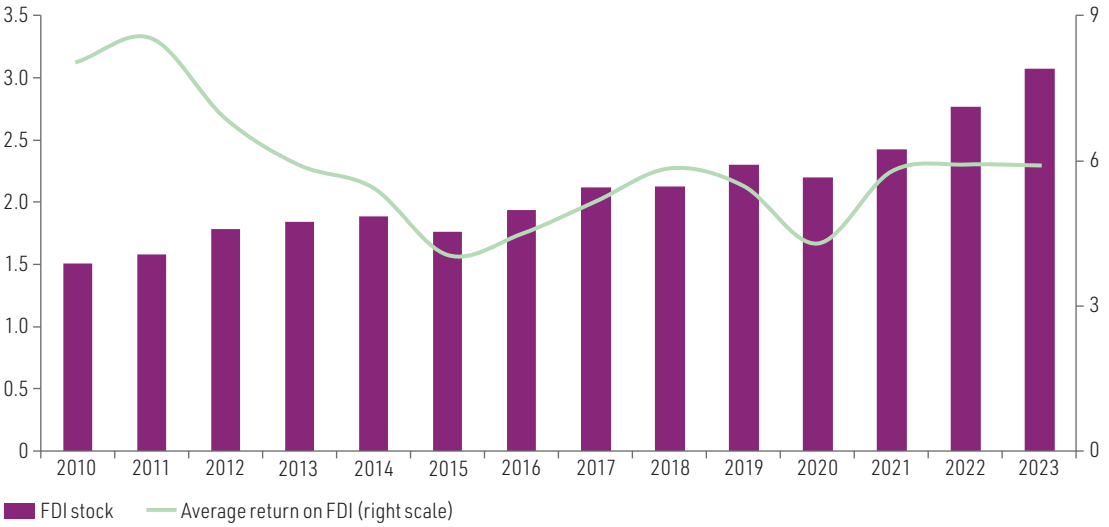
In 2023, for the first time in the decade, equity was not the FDI component with the largest share of total inflows, accounting this time for only 39%. Moreover, the total value of equity inflows remained below the average of the previous decade, which may indicate a reduced investment impetus among multinational companies where Latin America and the Caribbean is concerned.[2]

FDI income, i.e. earnings generated from FDI over the year, totalled US$ 184.445 billion in 2023, representing an average return on FDI of 6.0%, which was slightly higher than in 2022 (see figure I.8).[3] The increase in commodity prices had a positive impact on the earnings of foreign companies operating in the commodity export sector, a factor that contributed to the overall rise in earnings.

2 Reinvested earnings and intercompany loans reflect capital movements by transnational firms already established in the region, while equity inflows reflect mainly, although not exclusively, investments by new entrants to the region. The equity inflows component is thus the closest proxy for interest in investing in the region.

3 The average return is calculated as the ratio between FDI earnings and stock. Only the 10 countries for which data on FDI earnings in 2023 were available were considered for the calculation.

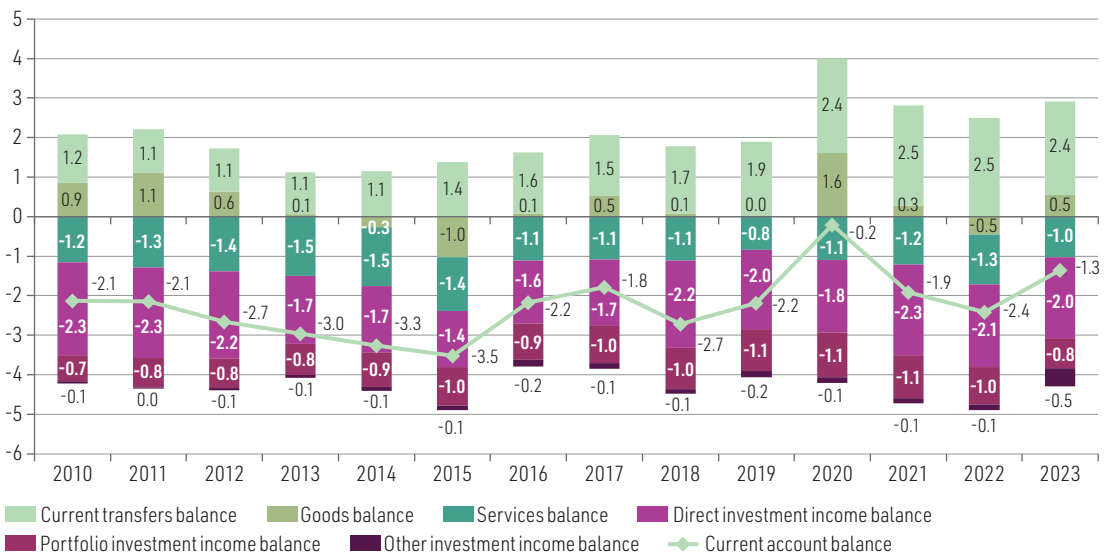
Figure I.8
Latin America and the Caribbean: FDI stock and average return, 2010–2023
(Trillions of dollars and percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures to 19 July 2024.
Note: The Bahamas, Barbados, the Bolivarian Republic of Venezuela, Haiti, Jamaica and Peru were excluded because no 2023 data were available for them. Guyana and Suriname were likewise excluded because the data needed for the calculation were not available.

The income generated by the stock of FDI is one of the components with a negative impact on the balance-of-payments current account. The balance-of-payments current account of Latin America and the Caribbean has been in deficit since 2010. In 2023, the deficit reached 1.3% of GDP and the income balance was the largest deficit component, as has historically been the case, with a total of 3.3%. Within this income balance, the FDI income deficit represented 2.0% of GDP (see figure I.9), reflecting a slight reduction in its impact on the total deficit relative to 2022.

Figure I.9
Latin America and the Caribbean: balance-of-payments current account, by component, 2010–2023
(Percentages of GDP)



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

2. Overview of mergers and acquisitions in the region

Compared to 2022, the number of mergers and acquisitions involving assets in Latin America and the Caribbean increased in 2023 (15.3%), while the total value of these transactions decreased (-13.2%). A total of 370 deals worth a combined US$ 25.959 billion were concluded during 2023. Although the number of transactions has returned to levels seen prior to the coronavirus disease (COVID-19) pandemic and has trended upward since then, the value of these transactions has not yet reached those levels (see figure I.10).

Figure I.10
Latin America and the Caribbean: cross-border mergers and acquisitions, 2013–2023
(Billions of dollars and numbers)

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

As regards destinations, Brazil was once again the country in Latin America and the Caribbean whose assets were of most interest to transnationals seeking mergers and acquisitions. Brazil was the destination for 63% of the amount and 44% of the number of such transactions in the region in 2023. Both the total value of transactions and the number of operations increased substantially (73% and 26%, respectively). Moreover, Brazil was the location for 6 of the 10 largest deals in 2023, underlining its importance as a key market for transnationals seeking to expand their operations in the region (see table I.3 and figure I.11).

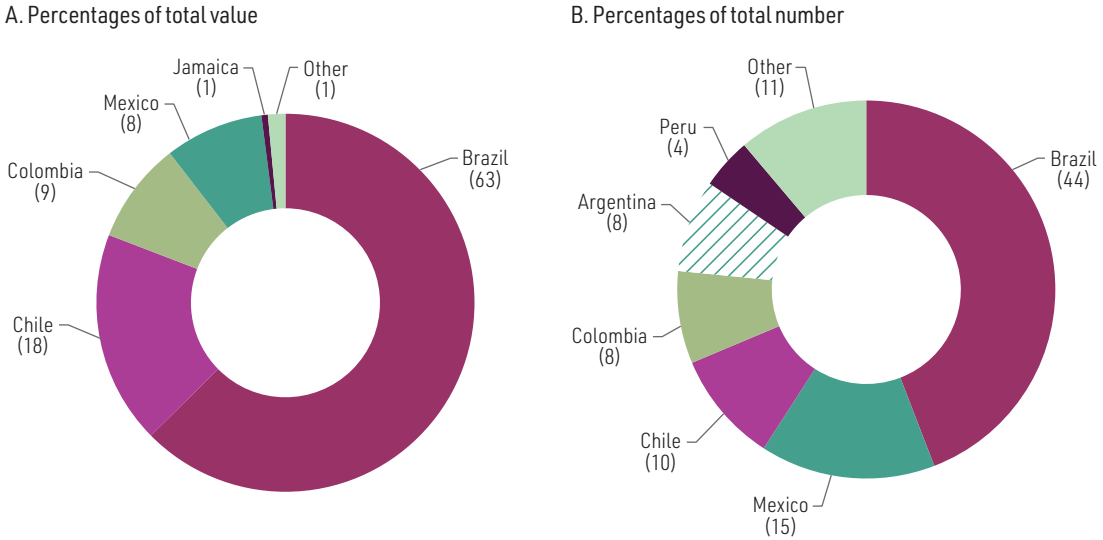
Chile ranked second as a destination for mergers and acquisitions in the region in terms of value, with 18% of the total, followed by Colombia, with 9%. Mexico, having been displaced on the list by these two countries since 2022, accounted for 8% of the total. This change was due to the fact that, while the value of deals in Chile was almost stable between 2022 and 2023 (with growth of 1%), and Colombia experienced 38% growth, total transactions in Mexico declined by a very steep 75%, mainly because of the large size of some deals in 2022. As mentioned, that year saw the merger of Televisa and Univision and the restructuring of AeroMéxico. Regarding the number of operations, Mexico continued to rank second with 15% of the total, followed by Chile in third place with 10% and Colombia and Argentina in joint fourth place with 8%.

Table I.3
Latin America and the Caribbean: 20 largest cross-border mergers and acquisitions, 2023

Firm	Country of origin	Assets acquired	Percentages	Country of assets	Sector	Value *(Millions of dollars)*
Energias de Portugal S.A. (EDP)	Portugal	EDP Brasil	69.4	Brazil	Electricity, gas and water supply	3 933
L'Oréal S.A.	France	Emeis Holdings Pty Ltd	100.0	Brazil	Manufacturing	2 525
Inchcape PLC	United Kingdom	Derco S.A.	92.3	Chile	Commerce	1 555
Talanx AG	Germany	Retail assets of Liberty Mutual Insurance	100.0	Brazil	Commerce	1 478
Darling Ingredients Inc.	United States	Gelnex Industria e Comercio Ltda.	100.0	Brazil	Manufacturing	1 200
Grupo Calleja	El Salvador	Almacenes Éxito S.A.	51.0	Colombia	Commerce	1 170
ACG Acquisition Company Limited	United Kingdom	Mineração Vale Verde Ltda., Atlantic Nickel Mineração Ltda.	100.0	Brazil	Mining and quarrying	1 000
Hapag-Lloyd AG	Germany	SAAM Logistics S.A., SAAM Ports S.A.	100.0	Chile	Transportation and storage	1 000
Group of investors led by General Atlantic and Dragoneer	United States	Arco Platform Ltd	64.0	Brazil	Information and communication	766
Walton Street Capital LLC	United States	Advance Real Estate LP (industrial property portfolio)	100.0	Mexico	Real estate activities	693
Grupo Gloria	Peru	Soprole S.A.	100.0	Chile	Manufacturing	641
Equifax Inc.	United States	Boa Vista Serviços S.A.	100.0	Brazil	Financial and insurance activities	640
Nestlé S.A.	Switzerland	Grupo CRM	100.0	Brazil	Manufacturing	603
Vinci S.A.	France	Vía 40 Express S.A.S.	25.0	Colombia	Transportation and storage	590
Biobest Group NV	Belgium	Biotrop Soluções Biológicas e Participações Ltda	85.0	Brazil	Manufacturing	587
Sonnedix B.V.	Netherlands (Kingdom of the)	Arcadia Generación Solar S.A.	100.0	Chile	Electricity, gas and water supply (renewables)	550
Evertec Inc.	Puerto Rico	Sinqia S.A.	100.0	Brazil	Information and communication	477
Yinson Holdings BHD	Malaysia	AFPS (Atlanta platform)	100.0	Brazil	Mining and quarrying	465
Global Infrastructure Management LLC	United States	Chile Renovables SpA	49.0	Chile	Electricity, gas and water supply	441
Public Sector Pension Investment Board (PSP)	Canada	Hortifrut S.A.	49.0	Chile	Agriculture, forestry and fishing	420

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

Figure I.11
Latin America and the Caribbean: cross-border mergers and acquisitions, by destination country, 2023

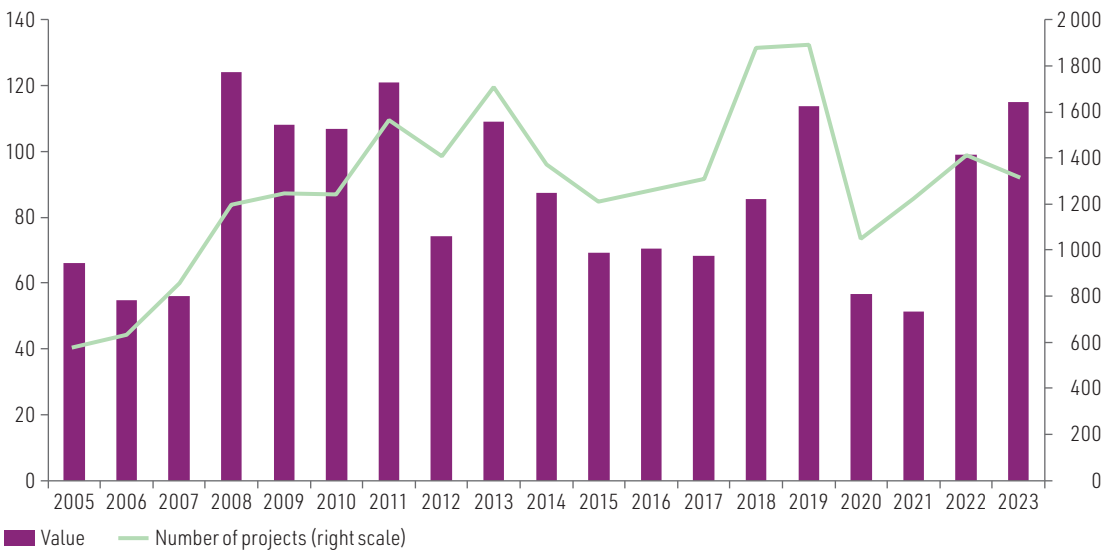


Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Bloomberg.

3. Overview of cross-border investment project announcements in the region

The outlook for future investment in Latin America and the Caribbean improved in 2023, as reflected in an increase in the value of new investment project announcements (see figure I.12). Compared to 2022, the value of announced projects grew by 16% in 2023 to a total of US$ 115 billion, compared to US$ 99 billion in announcements in 2022.

Figure I.12
Latin America and the Caribbean: FDI project announcements, 2005–2023
(Billions of dollars and numbers of operations)



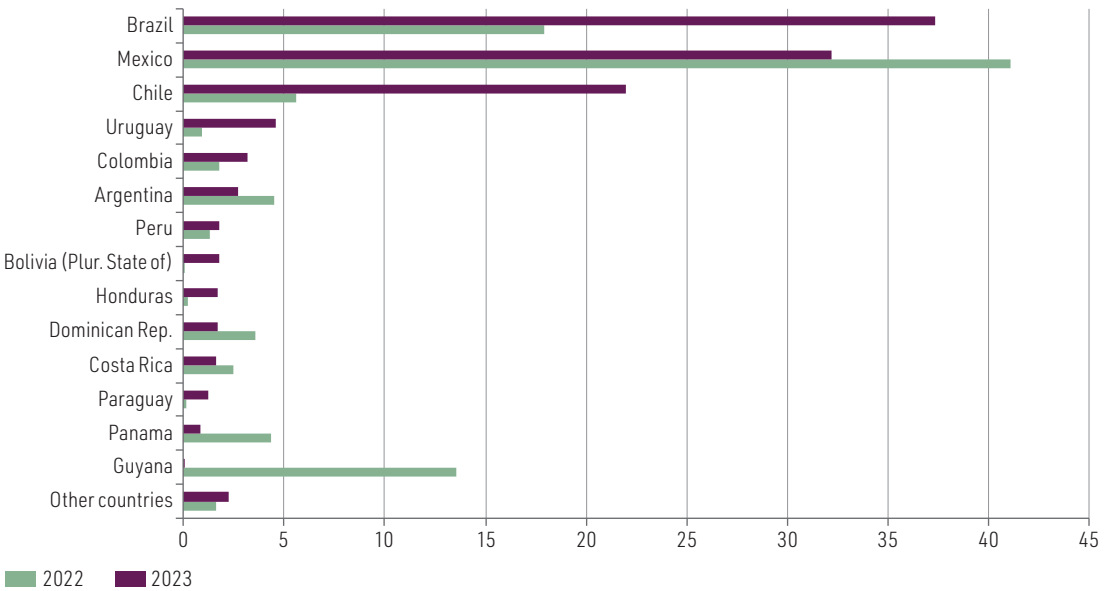
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of *Financial Times*, fDi Markets [online database] https://www.fdimarkets.com/.

Despite the growth in the amounts announced, the number of announcements decreased by 7%, with a total of 1,319 being made in 2023, as against 1,413 in 2022. After dropping at the start of the COVID-19 pandemic in 2020, the number of project announcements recovered in 2021 and 2022. In 2023, new announcements stabilized at levels close to those of 2017. However, the record highs of 2018 and 2019 were not reached.

The growth in total value concomitant with the decrease in the number of announcements for the region was due to the increased number of megaproject announcements, especially in the renewable energy, coal, oil and gas, metals and minerals, and automotive and auto parts sectors. In 2023, the 15 largest projects were worth more than US$ 47.8 billion in total. These megaprojects accounted for more than 40% of the overall value of the year's investment announcements.

FDI project announcements in Latin America and the Caribbean in 2023 mainly concerned Brazil, Mexico, Chile and Uruguay (see figure I.13). In particular, growth in Brazil (109%) and Chile (290%) contributed most to the overall increase. There was also strong growth in the value of projects announced in countries such as Colombia, Peru, Paraguay and the Plurinational State of Bolivia in 2023.

Figure I.13
Latin America and the Caribbean: FDI project announcements, main destination countries, 2022 and 2023
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of *Financial Times*, fDi Markets [online database] https://www.fdimarkets.com/.

The growth in Brazil was mainly due to an increase in project announcements in the coal, oil and natural gas sector, the destination for the largest volume of announcements in the country during 2023. Projects in this sector accounted for 32% of the total value announced in the country and included the largest announcement in the region during 2023: Equinor (formerly Statoil) of Norway, in partnership with Petrobras of Brazil, announced the construction of a new gas and oil extraction plant in the pre-salt fields, with an investment worth an estimated US$ 9 billion (Equinor, 2023).

In the case of Chile, the growth was mainly due to energy and mining megaprojects. Two of the three largest announcements in 2023 concerned Chile. The largest of them involved United Kingdom-based green energy company Hive Energy, which, in a joint venture with Transitional Energy Group (TEG), announced a US$ 8 billion investment to develop the Gente Grande green ammonia project (*Engineering News*, 2023). The country's second-largest investment announcement was in the metals

sector and was made by Antofagasta PLC, also based in the United Kingdom, which plans to invest US$ 4.4 billion in a concentrator for its operations in Chile's Antofagasta region, including water, power and port infrastructure (Antofagasta PLC, 2023).

Meanwhile, Guyana, the third-ranking destination in 2022, with US$ 13.5 billion in investments announced that year, had no significant investment announcements in 2023. In 2022, six investment projects were announced in the country, most notably an oil exploration project worth US$ 10 billion announced by ExxonMobil of the United States (*Money Times*, 2022). In 2023, three projects worth just US$ 14 million between them were announced in the business services sector, with only one of these relating to oil extraction engineering services.

4. Foreign direct investment inflows by sector

An important element in understanding how FDI can contribute to productive and sustainable development is to analyse the economic activities this capital is directed towards. This is based on the understanding that certain activities can have a particular impact on diversification and technological sophistication in the countries of Latin America and the Caribbean, and on the region's energy transition.

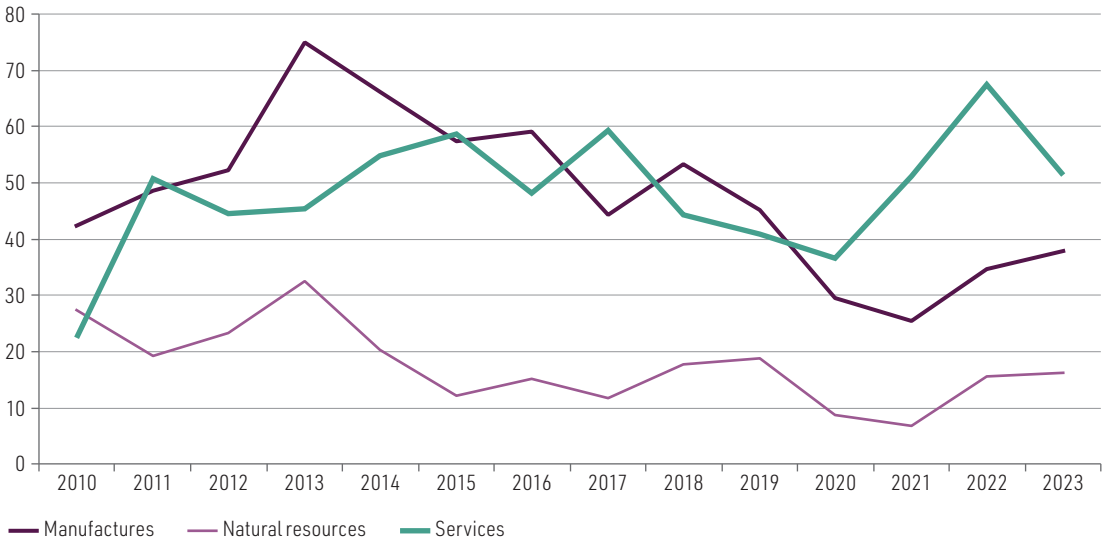
In this regard, use of the information offered by national accounts is limited. For one thing, few countries in the region present data by the destination of FDI (14 countries, representing 85% of total inward FDI in the region, had this information in 2023). For another, the level of aggregation is high, so that it can only be established whether investments went into services (usually financial services, electricity, gas and water, commerce, and information and communications technology (ICT) services, among others), manufacturing (the main sectors have traditionally been refining, cars, metallurgy, food and beverages, and chemicals) or natural resources (generally oil and gas or metal mining).

Regarding FDI inflows by sector, services accounted for the largest share in 2023 (46%), followed by manufacturing (33%) and natural resources (21%) (see figure I.14). The services sector was the only one to experience a decline, with inflows being 24% lower in 2023 than in 2022. However, the amount exactly matched the average for the last decade. Inflows in this sector dropped in all countries reporting sectoral data except Costa Rica and the Dominican Republic, where they increased by 60% and 10%, respectively. In absolute terms, the most substantial declines were in Mexico (-30%) and Brazil (-24%), both with decreases of more than US$ 6 billion.

Manufacturing investments grew for the second year in a row, increasing by 9% over 2022, after three consecutive years of decline. However, the level of inflows into the sector in the region is still below the average of the last decade. In Colombia, FDI inflows in manufacturing grew by 105% over the previous year, which translates into a record level of inflows into the sector (about US$ 3.085 billion). The sector's inflows also grew in Mexico (29%), which accounted for almost half of total inward manufacturing investment in Latin America and the Caribbean, surpassing the country's average values of the last decade. Honduras and Guatemala, after steep declines in manufacturing inflows in 2022, also recorded very strong growth of 386% and 75%, respectively. The amounts received by these countries and by the Dominican Republic, where there was an increase of 13%, were above the average of the last 10 years. Brazil, however, experienced a drop of 18% in the manufacturing sector, after a brief investment rebound in 2022, so that the level of inflows in the sector was well below the average of the last decade.

FDI inflows in the natural resources sector were up 16% from 2022. Colombia saw a 45% increase in FDI inflows in the sector, representing the largest amount since 2014 and accounting for 24% of the regional total. Guyana also performed strongly, with a 64% increase in inflows into the sector. Inflows into Brazil declined by a steep 38%, but the country remains a dominant force, accounting for 21% of total inflows of natural resource investment in the region.

Figure I.14
Latin America and the Caribbean (14 countries): sectoral distribution of FDI inflows, 2010–2023
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures to 19 July 2024.
Note: The countries included are Argentina, Brazil, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua and the Plurinational State of Bolivia, these being the countries with sectoral information available for 2023. The information for Brazil does not include the reinvested earnings component. Sectoral data for Costa Rica and Mexico are computed in accordance with the methodology of International Monetary Fund (IMF), *Balance of Payments and International Investment Position Manual: Fifth Edition (BPM5)*, Washington, D.C., 1993.

(a) Mergers and acquisitions by sector

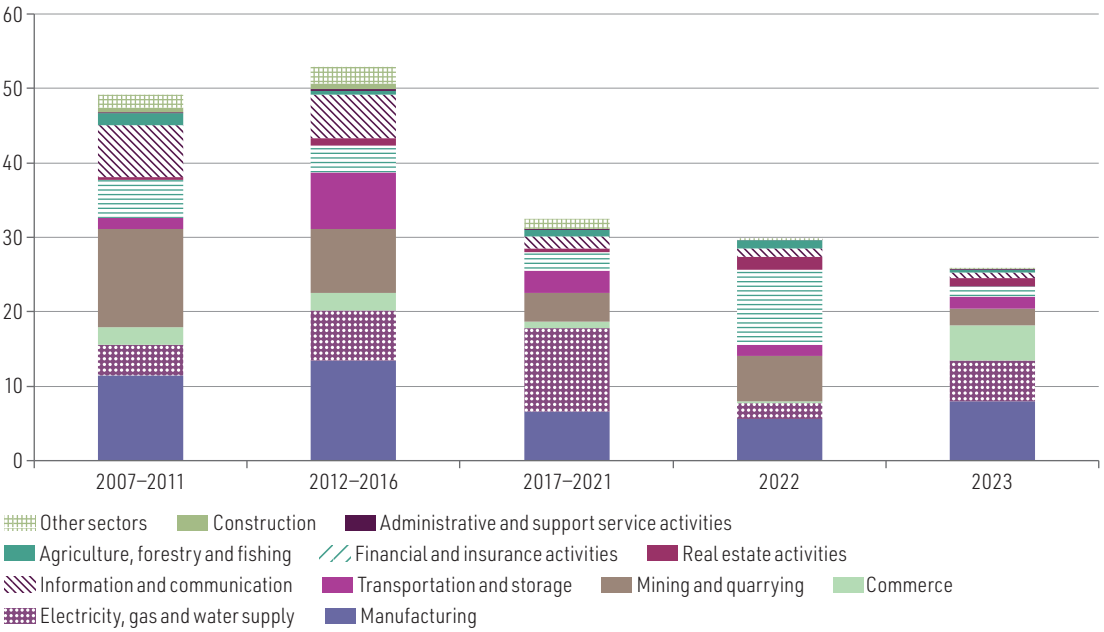
In 2023, four sectors accounted for more than two thirds of mergers and acquisitions by value: manufacturing (31%), electricity, gas and water supply (21%), commerce (18%) and mining and quarrying (9%). This sectoral composition contrasts with that of 2022; it is particularly striking that the amounts negotiated for two of the most prominent sectors in 2022, namely mining and quarrying and information and communication, fell below historical averages (see figure I.15), with both sectors experiencing a drop of more than 60% compared to the previous year.

The leading sector for mergers and acquisitions by value in 2023 was manufacturing, which saw an increase of 45% from 2022, raising its share of the total.[4]

In the manufacturing sector, three transactions relating to the food industry stand out. The largest involved the United States company Darling Ingredients, which completed the acquisition of Gelnex of Brazil, a company specializing in the production of collagen and gelatine, for a total of US$ 1.2 billion (Rousselot, 2023). In the same subsector, Grupo Gloria, the leader in the dairy industry in Peru, acquired 100% of the shares of Chile's Soprole S.A., which belonged to the New Zealand group Fonterra, through its subsidiary Gloria Chile SpA. The value of the transaction is estimated at US$ 640 million (Bloomberg Línea, 2023). Another major deal was the purchase of the Brazilian group CRM, a manufacturer of high-end chocolate, by the Swiss multinational giant Nestlé, the world's largest food company. The estimated value of the transaction exceeds US$ 600 million (UOL, 2023).

[4] A prime example was the acquisition of the Aesop brand, manufactured by the Australian company Emeis Holdings Pty Ltd and belonging to Natura &Co of Brazil, by the French cosmetics giant L'Oréal. According to the firm, this transaction was intended to complement its portfolio, and the value of the transaction was estimated at US$ 2.525 billion (L'Oréal, 2023).

Figure I.15
Latin America and the Caribbean: cross-border mergers and acquisitions, by sector, 2007–2023
(Billions of dollars)



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

Despite registering deals totalling US$ 5.485 billion and growing by 153% over 2022, the electricity, gas and water supply sector showed transaction values below the averages of the last 10 years. However, the largest transaction recorded in 2023 was the acquisition by Portuguese group Energias de Portugal S.A. (EDP) of the remaining shares of its Brazilian subsidiary, EDP Brasil. According to estimates, the final value of the deal was around US$ 4 billion (*Folha de S.Paulo*, 2023).[5]

The commerce sector accounted for 18% of the total amount transacted in mergers and acquisitions deals in 2023 (US$ 4.706 billion). This is the highest figure for the sector in the last decade. The sector saw 20 deals, including the third- and fourth-largest of the year.[6]

Although, as mentioned, mining sector activity was down in 2023 compared to other years, one large deal stands out. The United Kingdom-based special purpose acquisition company ACG Acquisition Company Limited completed the acquisition of the Brazilian assets of Atlantic Nickel, specializing in sulphuric nickel, and of Mineração Vale Verde Ltda, an open cast copper and gold deposit, for a total of US$ 1 billion.[7]

5 The aim of this operation was to delist the Brazilian company and thus provide greater flexibility in financial and operational management (*Folha de S.Paulo*, 2023).

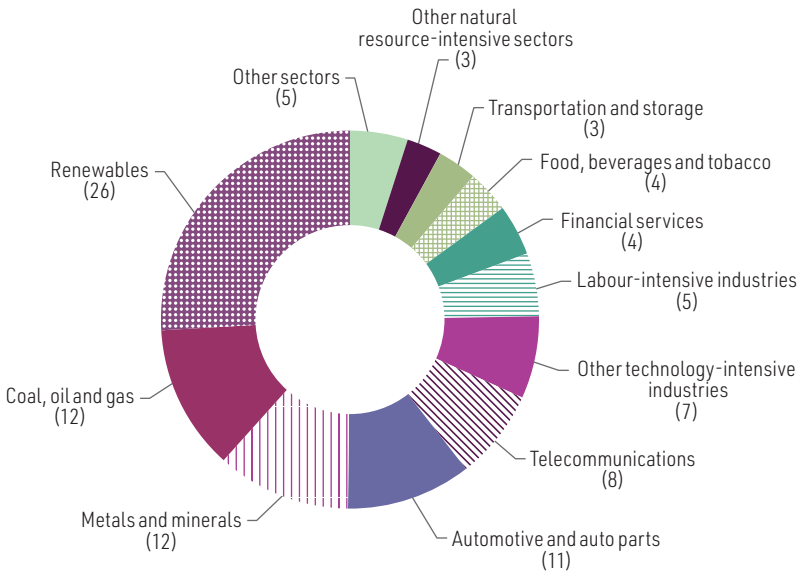
6 United Kingdom-based Inchcape PLC, one of the world's leading multi-brand car dealers, spent more than US$ 1.5 billion to acquire the operations of Chile's Derco in the four countries where it is active: Chile, Colombia, Peru and the Plurinational State of Bolivia (Derco, 2023; *Diario Financiero*, 2022). The second-largest transaction in the sector was an investment of more than US$ 1.47 billion by the German insurance group Talanx to acquire the retail insurance assets of the United States group Liberty Mutual in Brazil, Chile and Colombia. This transaction not only marked a significant expansion for the German company but also positioned it as the third-largest insurer in Latin America by premium volume in property insurance. With this strategic acquisition, Talanx diversified its global portfolio and strengthened its presence in the Latin America region (Liberty Seguros, 2023).

7 Because these assets play a crucial role in the battery and electric vehicle supply chain, the deal had the backing of multinationals Glencore, Volkswagen and Stellantis. In addition, the operations of these companies offer significant advantages in the markets where they operate, including sustainability considerations (Appian Capital Advisory LLP, 2023; PR Newswire, 2023; Reuters, 2023).

(b) Project announcements by sector

In 2023, the sectoral composition of FDI project announcements underwent a reconfiguration relative to the previous year. Whereas in 2022 announcements in the coal, oil and gas sector accounted for 21% of the total value announced, in 2023 renewable energy was the sector of greatest interest to foreign investors, with 26% of the total by value (see figure I.16). This translated into US$ 25.747 billion announced in 79 projects.

Figure I.16
Latin America and the Caribbean: FDI project announcements, by sector, 2023
(Percentages of total value)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of *Financial Times*, fDi Markets [online database] https://www.fdimarkets.com/.

However, non-renewable energies continued to attract foreign investors in 2023. There were some megaprojects in the coal, oil and gas sector, which ranked second with an announced investment total of US$ 14.296 billion, representing 12% of the total announced in the region. Large investments were made by companies such as Equinor, TotalEnergies and CNOOC Petroleum in Brazil.

The metals and minerals sector maintained a substantial share in 2023, accounting, as in the previous year, for 12% of the total value of announcements. The 55 projects announced in the sector were worth a total of US$ 13.185 billion. Of particular note was the third-largest investment announcement of the year, by Minera Centinela, belonging to the United Kingdom's Antofagasta PLC group, which plans to expand a concentrator for a plant in Chile to extract copper and by-products, including gold, with an investment valued at US$ 4.4 billion (Antofagasta PLC, 2023).

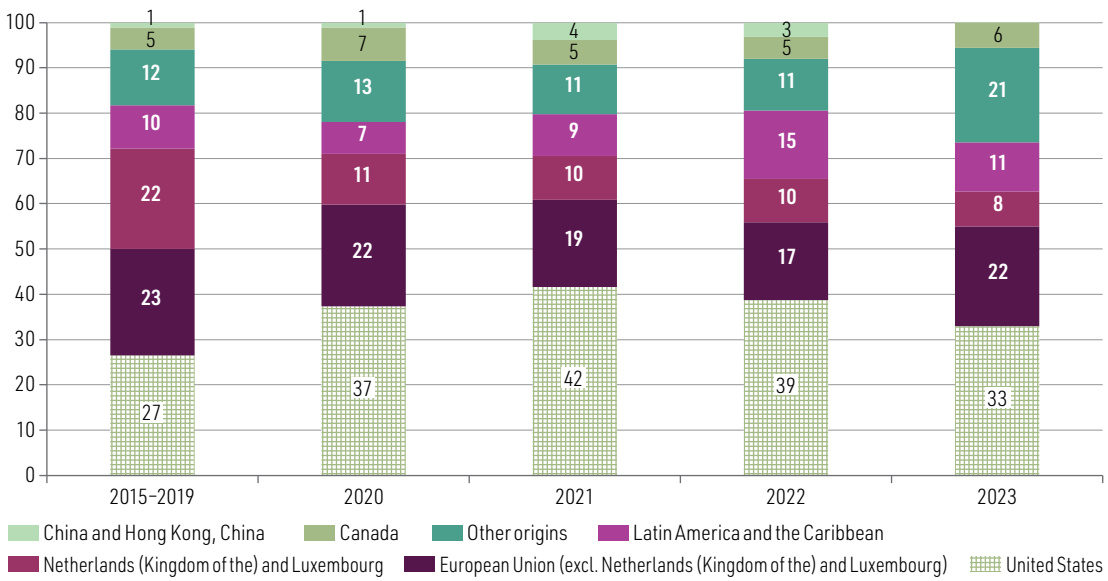
Other technology-intensive industries, although not the sector with the largest volume of investment, accounted for the most project announcements (226), worth a total of US$ 8.091 billion, with industrial equipment, electronic components and electronic equipment to the fore. Next came the software and computer services sector with 164 announcements and US$ 1.443 billion in investment. Despite the large number of announcements, both sectors saw a decrease in the value of announced investments, with a drop of 20% in the former and 57% in the latter.

5. Foreign direct investment by country of origin

The identification of the origin of FDI in national accounts statistics is imprecise, as it records the immediate origin of the capital and not necessarily the actual origin of the company making the investment. Thus, investments made from Luxembourg or the Kingdom of the Netherlands, which are often selected by multinational companies to invest in third countries owing to their tax systems, tend to be overrepresented. National accounts information is therefore supplemented with data on mergers and acquisitions and investment project announcements.

Considering the 11 countries that reported the origin of FDI inflows in 2023, the United States and the European Union remained the main investors, although there were some changes in shares. The United States maintained its position as the leading investor in the region, with 33% of the total, but there was a 29.7% decline in FDI inflows from that source compared to 2022 (see figure I.17). This trend was not reflected in Colombia, where United States FDI inflows increased by 14% over the previous year. This increase positioned Colombia as the third-largest destination for United States investment in Latin America and the Caribbean, accounting for 18% of the total. Although Mexico (41%) and Brazil (33%) remained the main destinations for United States FDI in the region, both experienced a decline in inflows from the country (30% and 21%, respectively).

Figure I.17
Latin America and the Caribbean (11 countries):[a] distribution of FDI inflows, by origin, 2015–2023
(Percentages)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures to 19 July 2024.
[a] The countries included are Brazil, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, the Plurinational State of Bolivia and Trinidad and Tobago, which had sectoral information to 2023. The information for Brazil does not include the reinvested earnings component. Data by sector for Costa Rica and Mexico are computed using the criteria of International Monetary Fund (IMF), *Balance of Payments and International Investment Position Manual: Fifth Edition (BPM5)*, Washington, D.C., 1993.

The share of the European Union countries (excluding the Kingdom of the Netherlands and Luxembourg) increased by 29.4% to 22% of the total. Of the countries in the bloc, Spain stood out as a leading investor in Latin America and the Caribbean in 2023. Spain was the second-largest single investor in the region (11% of the total) and the source of 52% of inflows labelled as being from the European Union, with heavy involvement in Brazil (38% of total investment from Spain), Mexico (35%) and Colombia (15%).

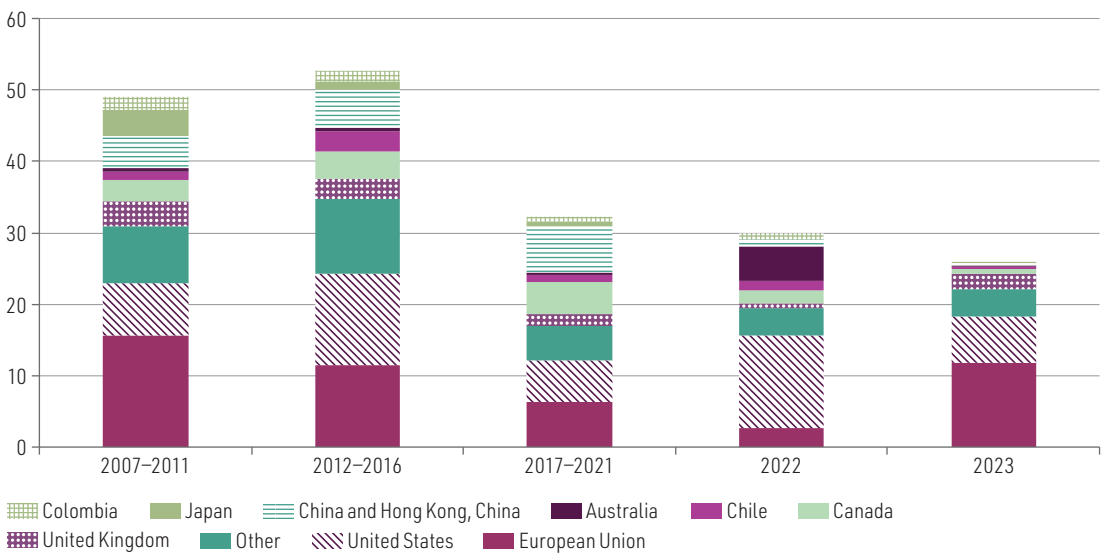
FDI inflows in Latin America and the Caribbean originating in the countries of the region themselves declined by 46% to US$ 10.825 billion (6% of the total). Excepting the record figure in 2022, however, the 2023 value was the highest since 2018. Argentina was the leading source of FDI to the region with 21% of the total, of which a remarkable 97% went to Mexico. It was followed by Panama (18%) and Chile (15%). It is interesting to note that Chile's investments were mainly concentrated in Brazil, the destination of 66% of FDI from that country.

Investments from China and Hong Kong, China[8] have always represented a small share compared to those from other origins, and these inflows declined significantly in 2023, mainly because those from Hong Kong, China were negative. Furthermore, investments originating in these markets accounted for an almost negligible share of total FDI inflows into the region (US$ 790 million from China, or 0.4% of total inward FDI in the region, and a negative inflow of US$ 772 million from Hong Kong, China). While the overall figure was low, about half of Chinese investment went to Brazil, with the rest being distributed between Colombia (19%), Mexico (19%) and Ecuador (9%).

(a) Mergers and acquisitions by country of origin

With regard to the countries of origin of the transnationals that have acquired assets in the region, figure I.18 clearly shows a growing interest on the part of European Union companies, with the value of their mergers and acquisitions increasing by 344%. This phenomenon is due to the sharp increase in the amounts associated with individual mega-deals, highlighted in table I.3. Portugal accounted for a particularly large share, principally owing to the acquisition of EDP Brasil's assets, as mentioned above, which brought the country's share of total mergers and acquisitions in the region up to 15% in 2023. L'Oréal's acquisition of assets belonging to Natura &Co also had a major impact and increased France's share of transactions in the region from 1% to 12%.

Figure I.18
Latin America and the Caribbean: cross-border mergers and acquisitions, by country or region of origin, 2007–2023
(Billions of dollars)



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

[8] An important aspect to consider when analysing origin figures is that national accounts reflect the immediate origin of capital, not necessarily the origin of the ultimate controller. For example, investors from China tend to be underrepresented as the immediate source of capital compared to the amount of ultimate control they exert. Conversely, favourable financial markets in countries such as tax havens, or Luxembourg and the Kingdom of the Netherlands, positions these as common destinations for cross-border investments by companies from elsewhere. Moreover, investments by Chinese companies since 2010 have mainly taken the form of purchases of companies that were sometimes already foreign, so they have not been reflected in the balance of payments. For a detailed analysis of Chinese investment in Latin America and the Caribbean, see ECLAC (2021, chap. II).

Note should also be taken of the purchase of assets belonging to Chile's Derco, a multi-brand car distributor, by Inchcape of the United Kingdom, which explains the 278% increase in the amount associated with United Kingdom companies in the region. This large increase led to a rise in the United Kingdom's share of mergers and acquisitions in Latin America and the Caribbean from 2% in 2022 to 8% in 2023.

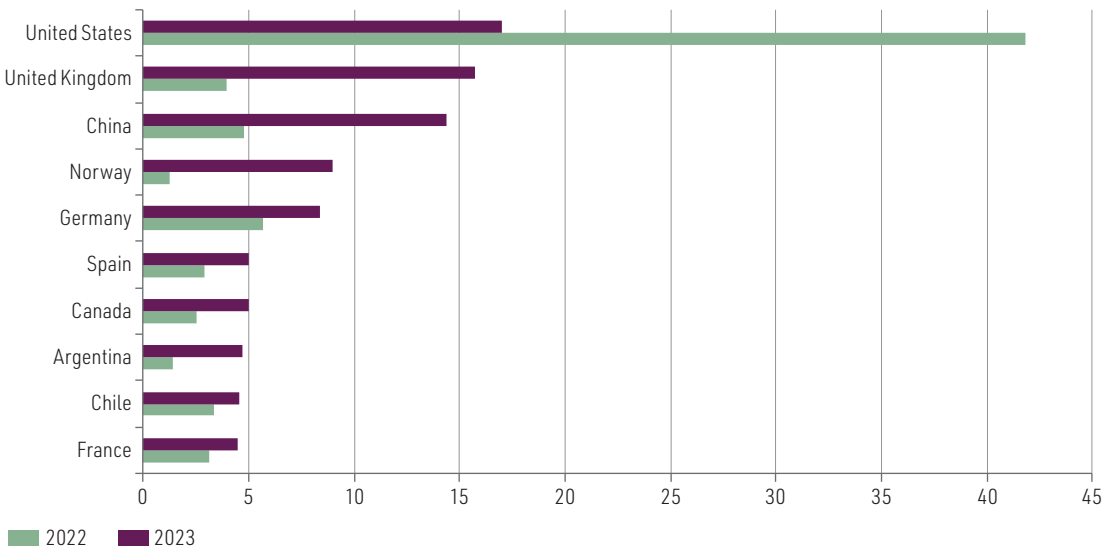
With regard to the United States, interest among the country's firms in acquiring assets in Latin America and the Caribbean declined markedly between 2022 and 2023, with a 49% drop in the total value of mergers and acquisitions. Despite this decline, the country remained the leading source of these operations in the region, although its share decreased from 43% to 25%.

Mergers and acquisitions originating in China were also down, declining by 76% in 2023 from the previous year. The total value represented by these operations was US$ 232 million, below the average for Chinese deals over the past decade, this having been a period when Chinese companies made major acquisitions in strategic sectors such as electricity, strategic minerals and port infrastructure as part of the country's internationalization plans (ECLAC, 2021). Interest in strategic sectors continued despite this reduction, and two of the largest operations ever by Chinese companies in the region were carried out in 2023 in the Colombian copper mining sector, each with a value of US$ 100 million.

(b) Project announcements by country of origin

The United States, the United Kingdom and China were the leaders in investments announced in Latin America and the Caribbean in 2023, with projects worth about US$ 47.173 billion in all, or 41% of the announced total (see figure I.19). Although the United States retained the top position, with US$ 17.031 billion announced, this was a drop of 59% from 2022. In the previous year, the United States had featured strongly as the source of a number of megaprojects, including projects in oil production in Guyana and the automotive industry in Mexico. In 2023, however, only 1 of the 10 largest projects announced during the year, in the telecommunications sector, originated from a United States company. CloudHQ announced a US$ 3 billion project to expand a new campus with up to six buildings in Brazil (DCD, 2023).

Figure I.19
Latin America and the Caribbean: FDI project announcements, by country of origin, 2022 and 2023
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of *Financial Times*, fDi Markets [online database] https://www.fdimarkets.com/.

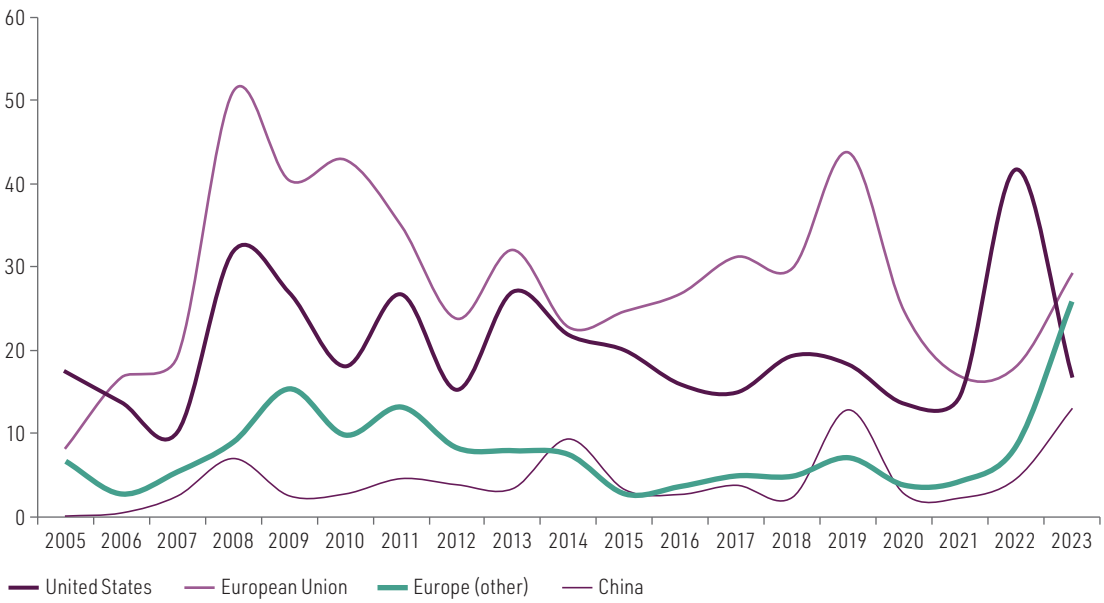
The largest of the United Kingdom announcements were the US$ 8 billion energy project announced by Hive Energy and the US$ 4.4 billion project by Minera Centinela, both in Chile. These two megaprojects represented 78% of the amounts announced by United Kingdom companies in Latin America and the Caribbean, totalling US$ 15.764 billion in 2023.

Project announcements from China regained their 2019 level for the first time since the pandemic, with growth of 201% in 2023, to US$ 14.377 billion, consolidating the country's position as the third-largest source of announcements. The increase was due mainly to renewed interest in the automotive and renewable and non-renewable energy sectors, with the main announcements having Mexico, Brazil and Argentina as their destinations. Major announcements included two projects in Mexico's automotive industry: one led by SAIC Motor, which plans to build an MG Motor factory, and another led by Beiqi Foton Motor, which is planning a second plant in Mexico to manufacture electric trucks for export to the United States (*Financial Times*, 2023; Bloomberg, 2023). Other major investments by Chinese companies were also announced in the chemical sector: China Potassium Chemical Group announced a new US$ 1.25 billion plant in Argentina (Government of the Province of Buenos Aires, 2023), and China National Offshore Oil Corporation (CNOOC) announced an oil extraction project in Brazil (*China Daily*, 2024).

Whereas Australia had played a prominent role as a source of project announcements in the region in 2022, ranking second in the list of investing countries, in 2023 its investment announcements fell from approximately US$ 7.949 billion to US$ 336 million, a drop of 96%.

When the long-term evolution of project announcements in Latin America and the Caribbean is assessed, what stands out is that, after an exceptional performance in 2022, announcements originating in the United States returned to the average levels recorded prior to the COVID-19 pandemic (see figure I.20).

Figure I.20
Latin America and the Caribbean: FDI project announcements from selected countries and regions, 2005–2023
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of *Financial Times*, fDi Markets [online database] https://www.fdimarkets.com/.

Meanwhile, project announcements by companies from both the European Union and elsewhere in Europe grew considerably in 2023 and returned to levels similar to those recorded before the pandemic. European announcements totalled US$ 55 billion, three times the amount announced by United States companies.

Considering only investments from companies headquartered in the European Union, there was a marked increase in the value of announcements from Germany (47%), Spain (71%), France (44%), Italy (52%) and the Kingdom of the Netherlands (83%). This represents an increase of 61% in the value of investment announcements from the European Union, bringing the total up to US$ 29.156 billion. Of European countries not in the European Union, the largest investment announcements came from the United Kingdom and Norway, with increases of 299% and 625%, respectively. The Norwegian oil company Equinor's announcement in Brazil, mentioned above, was the largest of the year in the region.

C. Foreign direct investment outflows from Latin America and the Caribbean

After a record level of FDI by trans-Latins in 2022, there was a 49% drop in 2023, resulting in a total of US$ 39.564 billion in FDI outflows. This decline brought Latin American and Caribbean outflows to levels below the average of the past decade (see table I.4). All countries that were major investors in 2022 experienced a reduction in FDI outflows, particularly Uruguay (185%), which recorded negative values, and Mexico (96%). Brazilian companies continued to be Latin America and the Caribbean's main investors abroad, accounting for 71% of the total, despite a 15% drop from 2022.

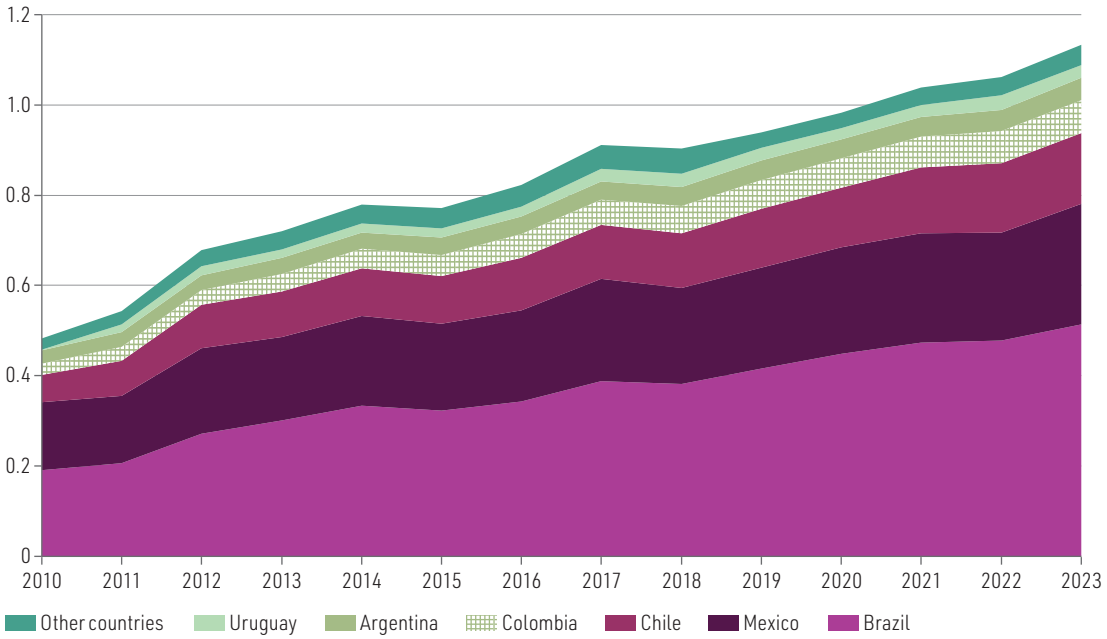
Table I.4
Latin America and the Caribbean (selected countries): FDI outflows, 2013–2017 and 2018–2023
(Millions of dollars and percentages)

	2013–2017[a]	2018	2019	2020	2021	2022	2023	Absolute change 2022–2023	Relative change 2022–2023 *(Percentages)*	Share of total regional FDI, 2023 *(Percentages)*
Argentina	1 326	1 726	1 523	1 177	1 544	2 090	2 961	872	42	7
Brazil	15 084	2 025	22 820	-3 467	16 239	33 355	28 252	-5 103	-15	71
Chile	9 133	1 847	10 345	6 398	14 573	13 206	6 278	-6 928	-52	16
Colombia	4 795	5 126	3 153	1 733	3 181	3 384	1 175	-2 209	-65	3
Mexico	9 104	12 245	6 084	5 033	-207	17 323	758	-16 565	-96	2
Uruguay	1 542	2 456	79	-491	1 940	5 567	-4 739	-10 306	-185	-12
Other countries	2 701	145	1 738	417	4 778	2 263	4 878	2 615	116	12
Latin America and the Caribbean	**43 684**	**25 570**	**45 742**	**10 801**	**42 049**	**77 188**	**39 564**	**-37 624**	**-49**	**100**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures to 19 July 2024.
[a] Simple averages.

In 2023, the stock of outward investment by trans-Latins grew by 7% to US$ 1.133 trillion. Brazil and Mexico were the countries with the largest shares, of 45% and 24%, respectively (see figure I.21). They were followed by Chilean companies with 14%. Uruguay's share of the region's FDI stock, which had been growing strongly in previous years, fell by 14% in 2023.

Figure I.21
Latin America and the Caribbean (19 countries):[a] stocks of outward FDI, 2010–2023
(Trillions of dollars)



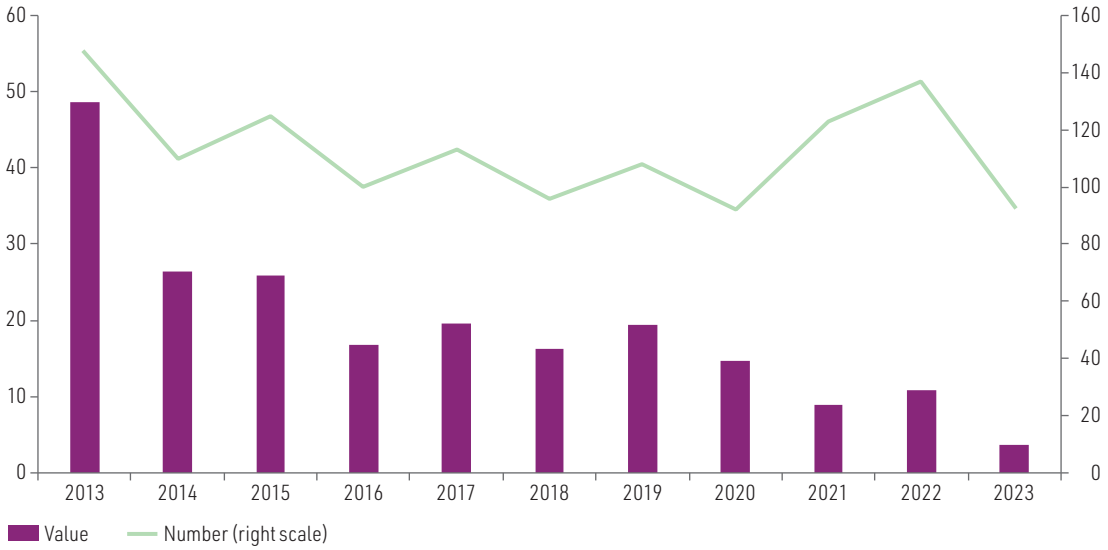
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures to 19 July 2024.
[a] The countries included are those for which information was available up to 2023: Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Plurinational State of Bolivia, Suriname, Trinidad and Tobago and Uruguay.

As established in previous editions of this report, to better capture the behaviour of trans-Latin companies in the region, national accounts information needs to be supplemented with non-official data sources that provide insight into the specifics of some foreign investments. Thus, the volume of assets acquired by Latin American companies in other countries in 2023 was one of the lowest of the last decade. The total value of these transactions decreased by 66% from the previous year to just US$ 3.652 billion, the lowest level since 2005. This decline was due not only to the decrease in the number of transactions, down 32% on the previous year in 2023 to a total of 93, but also to the total value of each individual transaction (see figure I.22). As shown in table I.5, the 10 largest mergers and acquisitions deals in 2023 were worth a total of US$ 3.236 billion, while in 2022 the figure was almost twice as high (US$ 6.461 billion) (ECLAC, 2023).

The largest transaction involving the purchase of assets by a Latin American or Caribbean company was the sale of the stake in the Colombian chain Almacenes Éxito owned by Brazil's Pão de Açúcar retail group and its main shareholder, the French Casino group. This sale consisted of the transfer of its shares to El Salvador's main retail chain, Grupo Calleja. The total value of the shares traded in the deal was estimated at US$ 1.17 billion. This transaction, which started with a capital reduction in the Colombian group in the second quarter of 2023, was part of the French group's debt restructuring plan and included the negotiation of shares in other assets in the region (*América Economía*, 2023c; LexLatin, 2023).

Another major transaction, already mentioned, was the acquisition by a Peruvian company, Grupo Gloria, of 100% of the shares of Chile's Soprole through its subsidiary Gloria Chile SpA. The transaction was worth an estimated US$ 640 million. According to Bloomberg Línea (2023), this was one of the largest acquisitions by a Peruvian company since 2019.

Figure I.22
Latin America and the Caribbean: cross-border mergers and acquisitions by trans-Latins, 2013–2023
(Billions of dollars and numbers)



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

Table I.5
Latin America and the Caribbean: top 10 cross-border mergers and acquisitions by trans-Latins, 2023

Firm	Home country	Assets acquired	Percentages	Country of assets	Sector	Value *(Millions of dollars)*
Grupo Calleja	El Salvador	Almacenes Éxito S.A.	51	Colombia	Commerce	1 170
Grupo Gloria	Peru	Soprole S.A.	100	Chile	Manufacturing	641
Cementos Lima S.A./ Grupo UNACEM	Peru	Cement plant in Tehachapi	100	United States	Manufacturing	317
Eurofarma Laboratórios S.A.	Brazil	Genfar S.A.	100	United States	Manufacturing	315
Empresas CMPC S.A.	Chile	Grupo P.I. Mabe S.A. de C.V.	100	Mexico	Manufacturing	270
PetroReconcavo SA	Brazil	Maha Energy Brasil Ltda.	100	Sweden	Electricity, gas and water supply	174
Massy Holdings Ltd.	Trinidad and Tabago	IGL Ltd./Jamaica	100	Jamaica	Mining and quarrying	140
Tecno Fast S.A.	Chile	Alquibalat S.L.	85	Spain	Manufacturing	75
Aqua Capital Partners	Brazil	Novus Ag LLC	100	United States	Information and communication	65
Grupo Trinity S.A.S.	Colombia	Beauty by Dia S.A.	100	Spain	Manufacturing	46

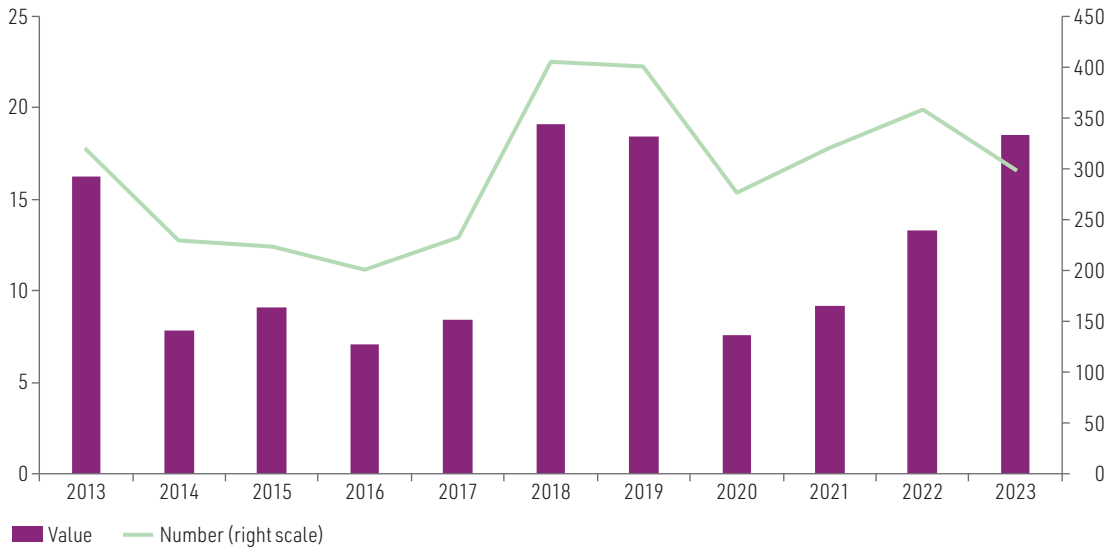
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from Bloomberg.

The third-largest asset purchase in 2023 by a company from the region also involved a Peruvian firm. UNACEM Corp, a firm specializing in cement, concrete and energy production, acquired a cement plant in Tehachapi, California (United States) from the United States company Martin Marietta Materials for US$ 317 million (Martin Marietta, 2023).

Table I.5 also shows that manufacturing assets are the most sought after by Latin American and Caribbean companies. The value associated with mergers and acquisitions in this sector accounted for 51% of the total for transactions by trans-Latins in 2023. Next came the commerce sector, with 33% of the total, mainly owing to the Grupo Calleja deal, the largest of the year, which also made El Salvador the main source of mergers and acquisitions in the region.

With regard to announcements of investment projects by trans-Latins, these totalled US$ 18.538 billion in 2023, an increase of 39% over 2022. In terms of value, the investment amount announced in 2023 was close to the levels reached in 2018 and 2019, prior to the pandemic. However, the absolute number of projects was lower, with a decrease of 16%: 299 projects were announced in 2023, compared to 358 the previous year (see figure I.23).

Figure I.23
Latin America and the Caribbean: FDI project announcements by trans-Latins, 2013–2023
(Billions of dollars and numbers)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of *Financial Times*, fDi Markets [online database] https://www.fdimarkets.com/.

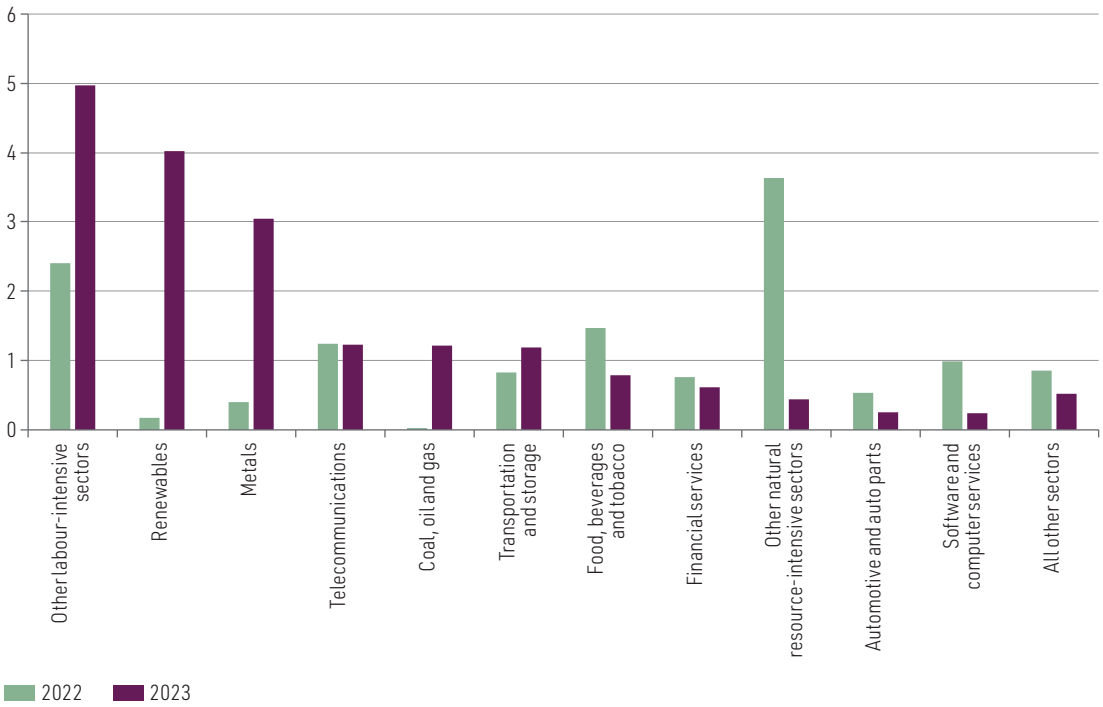
Regarding the sectoral distribution of investment projects announced by the region's companies, other labour-intensive sectors (27% of the total), renewables (22%) and metals (16%) accounted for the largest amounts, together representing almost two thirds of the value announced in 2023 (see figure I.24). There were remarkable increases of 2,185% and 667% in the renewable energy and metals sectors, respectively, while other sectors saw declines, examples being other natural resource-intensive sectors (88%), automotive and auto parts (51%) and software and computer services (76%).

Investment announcements in other labour-intensive sectors were particularly notable in the consumer goods subsector. Specifically, in 2023, the Argentine group Mercado Libre announced eight projects worth a total of US$ 3.841 billion, distributed between Peru, Uruguay, Mexico, Colombia, Chile and Brazil.

Renewables were another prominent sector in 2023. Investments totalling US$ 200 million had been announced in 2022, but in 2023 the figure increased greatly to US$ 4.026 billion. This remarkable performance can be put down to the largest announcement by a trans-Latin in 2023: an efuels production project in Uruguay announced by Chile's HIF Global, with an investment valued at US$ 4 billion (PR Newswire, 2023).[9]

[9] About half of this was to be invested in the creation of a green hydrogen and efuels plant, while the other half was to be used to build the wind and solar farms needed for the production process, in what is considered to be the largest private sector investment in Uruguay's history (Uruguay XXI, 2023). In addition, during the negotiations with the Uruguayan government, HIF Global won a project to capture 150,000 tons of biogenic carbon a year for Uruguay's ALUR, a subsidiary of State-owned ANCAP (*América Economía*, 2023b; PR Newswire, 2023; Uruguay XXI, 2023).

Figure I.24
Latin America and the Caribbean: FDI project announcements by trans-Latins, by sector, 2022 and 2023
(Billions of dollars)



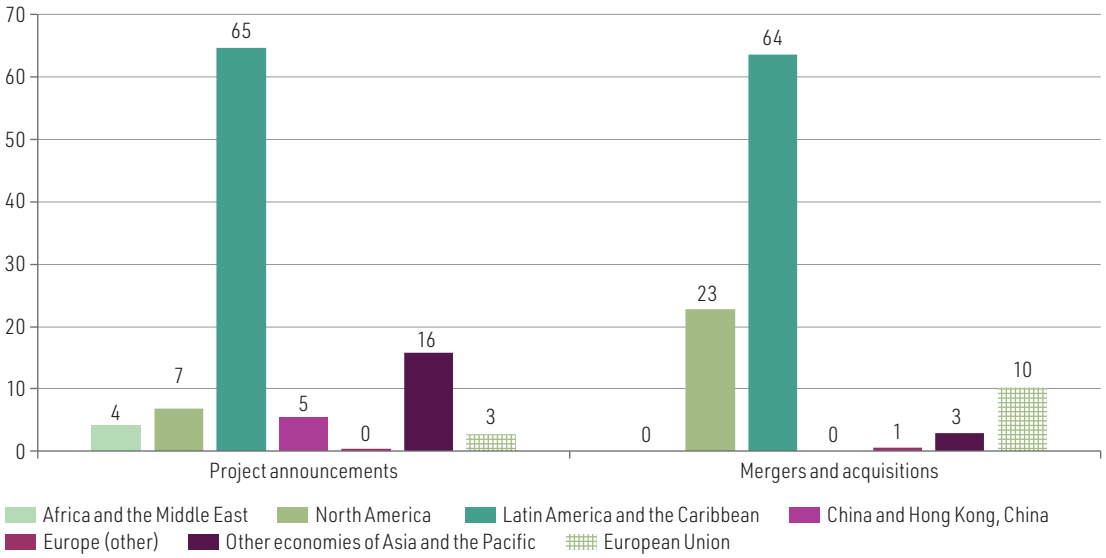
Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of *Financial Times*, fDi Markets [online database] https://www.fdimarkets.com/.

In the metals sector, two major investment projects were announced by the Brazilian mining company Vale: one relating to the electric car value chain and estimated at US$ 2.5 billion, and the other associated with the production of low-carbon steel and valued at US$ 223 million.[10]

Latin America and the Caribbean was the preferred region both for investment announcements by trans-Latin companies, as it accounted for 65% of the total value of announced projects, with other economies of Asia and the Pacific following behind (16%), and for mergers and acquisitions, since 64% of the total assets acquired by trans-Latins were in the region. This figure for mergers and acquisitions in 2023 contrasts with that of 2022, when Latin American and Caribbean companies mainly sought assets in North America, which ranked second in 2023 with 23% of the total, followed by assets in the European Union (10%) and in other economies of Asia and the Pacific (3%) (see figure I.25).

[10] The largest project involved Vale's high pressure acid leaching (HPAL) production operations in Indonesia, worth an estimated US$ 2.5 billion. This project, in partnership with China's Zhejiang Huayou Cobalt Co., Ltd. and car manufacturer Ford Motor Company, related to the electric car value chain (MINING.COM, 2024; Vale, 2023a). Vale's second overseas investment announcement, valued at US$ 223 million, was a land reservation agreement with the company managing the Port of Duqm in Oman for the construction of a facility to process low-carbon products for steel production. Vale's expansion in Oman is part of the establishment of an integrated industrial complex, including a metal pellet production plant and a distribution centre (Gulf Industry, 2023; Vale, 2023b).

Figure I.25
Latin America and the Caribbean: project announcements and mergers and acquisitions by trans-Latin companies, by destination region, 2023
(Percentages of total value)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of *Financial Times*, fDi Markets [online database] https://www.fdimarkets.com/ and Bloomberg.

D. Conclusions

Analysis of FDI behaviour needs to consider changes in four types of variables: (i) changes in FDI levels, which may reflect short-term factors but also indicate longer-term trends; (ii) changes in the sectors receiving such investment, with their implications for competitive advantages and participation in the international economy, technology and knowledge transfer, as well as linkages with other production sectors; (iii) changes in the actors involved, both in the source and destination countries and in the firms involved in FDI flows, including consideration of the behaviour of trans-Latins; and (iv) changes in FDI modalities, in particular the relative weights of greenfield investment and mergers and acquisitions, and the components of FDI, whether equity, reinvested earnings or intercompany loans.

Some conclusions that can be drawn from the reported data are outlined below. These conclusions are necessarily partial, not only because of difficulties with data collection and data quality, but also because of the uncertainty in the international economy itself, since it is difficult to identify firm trends in a world where the international political economy is in transition.

With regard to FDI levels and trends, inflows have declined in almost all countries of Latin America and the Caribbean, a development that the region shares with most of the world's economies. The world map is heterogeneous, but the fall in investment inflows into China indicates that geopolitical tensions are manifesting themselves in a retreat of FDI inflows towards this country. The same is true for the European Union, even if the sharp fall in Luxembourg and the Kingdom of the Netherlands is excluded from the data. In Latin America and the Caribbean, the expected boost from nearshoring or friendshoring does not seem to have been reflected in any great upsurge in FDI inflows, despite some positive signs in that direction (Pietrobelli and Seri, 2023). It should be noted that Mexico, along with Brazil, is among the countries where FDI inflows fell compared to 2022, with impacts on the regional aggregates given its weight as a destination for FDI in the region. This, however, should not be seen as confirmation that FDI is on a longer-term downward trend. The 2023 decline

would appear to be a regression to the mean after the 2022 rebound rather than a structural break. Investment announcement data for 2023 also point to a more positive outlook than actual inflows. Thus, while the more geopolitically fragmented world of 2023 (with increasing threats of geopolitical conflict) gave out negative signals on FDI volume and destinations, these were not yet strong enough to mark a new trend.

These observations are confirmed when FDI is viewed from the perspective of its sectoral destinations. Services continued to hold first place in the region as a whole in 2023, even though inflows into this sector were lower than in 2022. FDI in manufacturing ranked second, but increased significantly in Mexico and Central America, which could be evidence of interest among multinational firms in setting up manufacturing capacity in countries that are close to the United States but have lower labour costs and possibly lower risks of facing barriers associated with geopolitical rivalries, even if nearshoring does not show up in aggregate FDI. Conversely, Brazil, which has traditionally been a major recipient of manufacturing FDI, saw it drop substantially. All this could be the result of opposing movements, with deindustrialization in some countries and greater participation in manufacturing value chains in others. Thus, Mexico receives a particularly large volume of manufacturing FDI (almost half of total inflows into manufacturing in Latin America and the Caribbean), while Brazil leads in natural resources (more than a third of FDI in natural resources in the region). These trends confirm processes that have been visible since the 1990s, as the production structures of the region's two largest economies have been reshaped. The analysis of FDI by sector reaffirms the importance of integrating FDI policies with production development policies, not only to increase employment and earnings, but also to enhance technology and knowledge transfer. Some of these policies are discussed in chapter II of this report, while chapter III addresses the need for them to be designed and implemented in coordination with not only national but also subnational development policies.

With respect to changes in the actors involved, the predominance of the old players in regional FDI is confirmed in respect of both its origin (with the United States and Europe leading) and its recipients (Mexico, Brazil and Chile). The role of FDI from China remains small, by contrast with the country's great importance in trade flows. When the FDI landscape is viewed in terms of project announcements, however, projects of Chinese origin are accounting for an increasing share.

One notable aspect is that trans-Latins, although less dynamic, have reoriented their investments towards the regional market. The mergers and acquisitions of these players reflect a strong interest in manufacturing assets. Project announcements indicate that trans-Latins are also exploring investment opportunities in countries and sectors that allow them to take advantage of the region's comparative advantages, especially in respect of labour, renewable energy and mineral resources. It will be interesting to see whether this movement contributes to the strengthening of regional value chains in the coming years. This, in turn, could create a more favourable context for regional integration processes, many of which are stagnant or fragmented. A network of trade and common interests could help to unblock these processes.

As for the forms of investment, mergers and acquisitions are indicative of processes of market concentration and vertical and horizontal integration, where market power goes together with rising returns. Three aspects stand out. The first is that the industrial sector remains the leader in cross-border mergers and acquisitions. The second is the importance of investment in energy and natural resource megaprojects, indicating that some large companies are seeking to secure access to natural resources or to strengthen their position in the energy market, particularly where renewables are concerned. This is a good sign, as the renewables sector remains crucial in the face of ever-growing evidence of the negative impacts of climate change. In such an uncertain world, moreover, strategic independence in the area of energy and access to natural resources is becoming increasingly important. It should be noted that trans-Latins have also been moving into renewables, although these companies were less dynamic in 2023. Lastly, attention should be drawn to the increasing weight of FDI in water, electricity and gas supply, a sector that is non-tradable and therefore more protected from the fluctuations of unstable global markets.

In sum, there are positive signs. For example, investment announcements in the automotive, telecommunications and research and development (R&D) sectors, usually associated with greater technology intensity and high-quality jobs, together account for a quarter of total announcements. In turn, investment in renewable energy and natural resources can be a gateway to fresh developments, as long as production development policies promote stronger linkages with national and subnational production systems. China is a prime example of the opportunities for attracting new actors to the region, especially given the country's considerable weight in the region's trade. It is essential to understand how China might come to play a role beyond that of the leading importer of raw materials from the region, expanding its investments in the various stages of value chains. Moreover, a greater Chinese presence can promote competition among providers of FDI that at least partially offsets the competition among countries to attract it.

A less favourable aspect is that market concentration and control of natural resources by multinational companies could generate market power that limits governments' ability to negotiate with these companies. However, as discussed in chapters II and III, the coordination capacity and technical capabilities of the State can partially offset this disadvantage. Coordination with other countries of the region is also an important determinant.

As a general conclusion, the overall picture of FDI behaviour has become more volatile, but some structural trends remain. FDI continues to be concentrated in sectors and countries that offer natural resources and relatively cheap labour. This reinforces existing comparative advantages, although that is not an inevitable outcome. Rather, it represents an invitation for production development policies to enhance and transform these static advantages into dynamic advantages. The goal should be to ensure that traditional pull factors, such as natural resources or cheaper labour, are only an initial incentive that is transformed by spillovers and linkages, as discussed in chapters II and III.

E. Analysis of inward foreign direct investment by country

This section presents a brief analysis of the characteristics of the year-on-year changes in investment in countries with data for 2023, looking at FDI components, destination sectors and source countries, while highlighting some key milestones for each country that have not been mentioned in other sections of this document. Specific quantitative information can be found in annex I.A1.

1. Brazil

After two years in which historical FDI levels were gradually restored, Brazil experienced a decline in 2023. FDI inflows that year were US$ 64.230 billion, a 14% drop from 2022 and below the average of the last decade. This decline can be mainly attributed to a sharp fall in two components of FDI: intercompany loans, down by 48%, and equity, down by 14%. The volume of equity inflows was the lowest in the last decade, with the exception of the pandemic period, a pattern that is also reflected in the aggregate data for the region (see figure I.4). This may indicate a reluctance on the part of investors worldwide to make long-term investments in a context of high global uncertainty. Nevertheless, the figure for reinvested earnings increased by 14% over the same period. Despite the fall in inflows, according to UNCTAD (2024a), Brazil ranked as the fifth-largest FDI recipient worldwide in 2023, behind only the United States, China, Singapore and Hong Kong, China.

In sectoral terms, FDI inflows declined in all sectors and were below the average of the last decade.[11] The natural resources sector experienced the largest drop after a strong recovery in 2022. FDI inflows in this sector suffered a substantial decline of 38% in 2023, primarily in hydrocarbons (-96%).

FDI in manufacturing also dropped by 18% to its lowest value since 2009, excluding the pandemic period. This confirms a downward trend in manufacturing FDI into Brazil, which accounted for 33% of inflows in 2023. The fall was mainly due to negative inflows in the industrial subsectors of coke, petroleum products and biofuels and other transport equipment. However, there were sharp increases in FDI inflows in the basic metallurgy and chemicals subsectors, of 975% and 109%, respectively.

In the case of services, lastly, FDI inflows declined by 24%. Negative inflows in the categories of commerce, maintenance of services and information services accounted for about 40% of the decline in service sector FDI inflows. At the same time, there were inflows in ancillary storage and transportation services. FDI inflows in the sector accounted for 54% of total FDI in Brazil.

Despite the drop in FDI inflows, it is clear that Brazilian assets continue to attract the interest of international investors. In 2023, the country's assets accounted for 63% of mergers and acquisitions in the region, with a 73% increase in the value and a 26% increase in the number of transactions. In fact, Brazilian assets were involved in 11 of the 20 largest mergers and acquisitions in the region that year, including the largest transaction on record: the purchase of the assets of energy utility EDP Brasil by its Portuguese parent company for almost US$ 4 billion, as mentioned above.

With regard to the sectors in which these mergers and acquisitions took place, manufacturing accounted for 39% of total transactions in 2023, experiencing growth of 113%. This increase was largely due to the sale of Natura &Co's assets to French giant L'Oréal for US$ 2.525 billion. At the same time, the sector that experienced the highest growth was commerce, with an increase of over 1,150% between 2022 and 2023, mainly owing to the acquisition of United States group Liberty Mutual's retail insurance assets in Brazil, Chile and Colombia by Germany's Talanx insurance group, for around US$ 1.47 billion.

Brazil also featured as the top destination for project announcements by value, accounting for 33% of the total in the region and ranking second by number of projects, with 19%. The amount announced for the country grew by an impressive 109%, the leading sector being coal, oil and gas with an increase of 1,114% over 2022, surpassing even the renewable energy sector, which also recorded a strong increase, of 147%. One of the most prominent investment projects of the year in Latin America and the Caribbean was in the hydrocarbon sector in Brazil. The Norwegian oil company Equinor (formerly Statoil), in partnership with Petrobras, announced the construction of a new gas and oil platform in the pre-salt fields. The value of this investment is estimated at US$ 9 billion (Equinor, 2023).

The main source of FDI inflows into Brazil was the United States, which was responsible for 17% of investment in the country. However, there was a marked decline of 21% in FDI from the country, in line with the fall in investment flows from the United States into the region as a whole. The second-largest source of FDI in Brazil was the United Kingdom, with 7% of the total, representing growth of 89%. It was followed by Spain, which accounted for 7% of total inward FDI in Brazil in 2023, with an increase of 35% over the previous year. In fourth place, with the strongest growth, was Singapore, which contributed 6% of total FDI in Brazil, representing an increase of 272%.

[11] It is important to note that the Central Bank of Brazil does not include the reinvested earnings component in the sectoral data on FDI inflows.

2. Mexico

Mexico ranked as the second-largest recipient of FDI in the region in 2023, accounting for 16.4% of total inflows into Latin America and the Caribbean with an amount of US$ 30.196 billion, marking a 23% decline from 2022.[12] This drop was mainly attributable to a substantial reduction in equity inflows, which fell by 72% to their lowest level since 2012, accounting for only 17% of total FDI inflows into the country, as compared to an average share of 32% over the past decade. Intercompany loans also declined by almost 130% and even recorded negative inflows. Reinvested earnings, meanwhile, grew by 64% to a total of US$ 26.639 billion, the highest figure recorded in the historical series for the country.

In sectoral terms,[13] the largest decline in FDI inflows was in the service sector, which experienced a 29% drop in 2023 compared to the previous year. This reduction was mainly due to negative inflows in the telecommunications and information technology sector, which had received exceptionally large investments in 2022, so that it closed the year with a 104% drop.

By contrast, the natural resources sector experienced a remarkable 85% increase, after a 59% drop in 2022 from the previous year. Revenues in the sector managed to recover and exceed the averages of the last decade. Despite this growth, however, the sector's share of total FDI inflows into Mexico remained relatively low at only 11%. Mining performed strongly, with growth of 105% relative to 2022.

Manufacturing, meanwhile, played a prominent role, being the destination for 50% of total inward FDI in Mexico. Inflows grew by 29% to their highest level for the sector since 2016. Transport equipment manufacturing was particularly notable, accounting for 41% of total FDI inflows in the Mexican manufacturing sector in 2023, representing a 58% increase compared to 2022.

Mexico's automotive sector harbours potential, as it has attracted, in recent years, companies interested in taking advantage of the country's geographical location and the framework of the Agreement between the United States of America, the United Mexican States, and Canada (USMCA) to increase their presence in the region. In this context, two investment project announcements in 2023 stand out: Chinese assemblers SAIC Motor and Beijing Automotive Industry Holding are investing a combined US$2.75 billion for the manufacture of vehicles, including electric trucks.

Mergers and acquisitions also declined in 2023. International investors showed less interest in Mexican assets during this period, as reflected in declines in both the number (23%) and value (75%) of mergers and acquisitions. The manufacturing sector was the most affected, with a 61% drop in the value of deals compared to 2022.

Conversely, the figure for real estate activities grew by a remarkable 1,902%, driven in part by one of the 10 largest deals of the year. In this transaction, Walton Street Capital of the United States acquired all the assets of Advance Real Estate, a Mexican company dedicated to the development and operation of industrial and logistics properties, for close to US$ 700 million. The purpose of this acquisition was to diversify Walton Street Capital's markets in view of the expected growth in Mexico's industrial and logistics sector (Business Wire, 2023).

As regards project announcements, although the number held steady, the value decreased by 22% to around US$ 32.204 billion. Despite this decline, Mexico still ranked second among Latin American and Caribbean countries as a destination for investment projects. The announcement by Italian steelmaker Ternium that it would invest US$ 3.2 billion in its plant in Pesquería, Nuevo León, with the aim of building the continent's most modern and energy-efficient steel plant (*El Financiero*, 2023), was one of the region's largest of the year.

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[12] These values are taken from figures compiled using the *Balance of Payments and International Investment Position Manual: Sixth Edition (BPM6)* (IMF, 2009) and differ from results based on figures compiled using the *Balance of Payments and International Investment Position Manual: Fifth Edition (BPM5)* (IMF, 1993).

[13] Mexico presents information on FDI inflows by sector and origin in accordance with the *Balance of Payments and International Investment Position Manual: Fifth Edition (BPM5)* (IMF, 1993).

With regard to the origin of FDI inflows into Mexico, the United States remained the leader with 46% of the total, despite a 32% decline. Spain ranked second with 13% of the total in 2023, a striking 76% increase over 2022. Canada was in third place with 12% of total FDI, representing an increase of 10%.

3. Other South American countries

In 2023, Argentina recorded its highest FDI inflows since 1999, amounting to US$ 23.866 billion, representing a 57% increase over the previous year. This substantial increase meant that Argentina positioned itself as the third-largest recipient of FDI in Latin America and the Caribbean in 2023, with 13% of the total, although some of this growth was due to regulatory changes that affected equity flows.

All components of FDI grew strongly. There was a particularly large increase in intercompany loan inflows, which grew by 71% to US$ 15.047 billion, a record in the historical series, accounting for 63% of total inflows into the country. This unusual increase in intercompany loans was associated with regulatory restrictions on import payments, which encouraged financing by related companies abroad and was reflected in an increase in commercial debt. Equity inflows, although representing only 8% of the total, also grew by a substantial 220%. Lastly, reinvested earnings rose by 18% and contributed 29% of total FDI inflows into Argentina.

FDI inflows grew in all sectors in Argentina. In particular, the service sector accounted for 50% of total investment and showed an annual increase of 67% to US$ 11.196 billion in 2023, the highest value since 2001. This was followed by inflows in the manufacturing sector, which accounted for 38% of the total and grew by 33%, and the natural resources sector, which represented 12% of the total and increased by 29% over 2022.

Despite the rise in inward FDI, mergers and acquisitions involving Argentine assets were notably absent in 2023. There was also a marked decrease in both the value (40%) and the number (39%) of investment project announcements. Forty-four projects were announced for Argentina during the year, the leading sector being chemicals with a total of US$ 2.677 billion. Among the largest projects was the construction of a plant for the production of urea and other nitrogen, phosphorus and potassium (NPK) fertilizers by China Potassium Chemical Group (CPCG), with an investment of US$ 1.25 billion (*América Economía*, 2023a).

Attention should also be drawn to an outward investment announcement by an Argentine company: the digital commerce giant Mercado Libre announced investments of US$ 3.5 billion in Brazil and US$ 3.841 billion in Chile, Colombia and Mexico (*Exame*, 2023; *Valor Econômico*, 2023).

In 2023, Chile was the fourth-largest recipient of FDI in Latin America and the Caribbean, capturing 12% of the regional total, equivalent to US$ 21.738 billion, the highest figure since 2012. Inflows were up by 19% on 2022, with increases in all FDI components. There was a particularly strong rise in intercompany loans, which grew by 892%, although it still accounted for only 10% of total FDI inflows into Chile.

Reinvested earnings, meanwhile, increased by 15% to reach the highest value for the component in a decade, accounting for 41% of the total. Meanwhile, equity inflows, which constitute almost half of inward FDI in Chile, grew by 4%.

Mergers and acquisitions involving Chilean assets accounted for 18% of the regional total by value. Although the number of these deals grew by 44%, their total value remained almost unchanged. Of the 20 largest deals in the region, 6 involved Chilean assets. These transactions included the third-largest of the year: the acquisition of the assets of Chilean company Derco by Inchcape PLC of the United Kingdom, one of the world's leading multi-brand car dealers, for more than US$ 1.5 billion. In addition, the renewable energy sector continued to attract the interest of external investors, who acquired assets worth almost US$ 1 billion in three deals.

As regards investment project announcements, Chile was the region's third-ranking investment destination in 2023. During that year, there were announcements totalling US$ 21.955 billion, an increase of 291% on 2022. In terms of the number of deals, however, a total of just 86 announcements were made in 2023, a decrease of 12% from 2022. The largest of these announcements by value was the second-largest in the entire region and was especially significant in the renewable energy sector. As noted earlier, United Kingdom green energy company Hive Energy announced a joint venture with Transitional Energy Group (TEG) to develop the Gente Grande green ammonia project in Chile. Hive's investment in this project is estimated at US$ 8 billion (Hive Energy, 2023; *Engineering News*, 2023).

Another notable investment announcement came in the metals sector, where United Kingdom-based Antofagasta PLC announced plans to invest US$ 4.4 billion in Chile. This investment is earmarked for the construction of a second concentrator in the country, to include water, power and port infrastructure (Antofagasta PLC, 2023).

In 2023, Colombia logged FDI inflows totalling US$ 17.147 billion, similar to 2022 values. The country ranked as the fifth-largest recipient of FDI in Latin America and the Caribbean, with 9% of the total. This growth was mainly attributable to the equity component, which, with an 18% increase over the previous year, accounted for 54% of inflows into Colombia. Meanwhile, reinvested earnings, the second-largest component, accounting for 29% of the total, fell by 23% in 2023. Nevertheless, inflows in this category were above the average of the last 10 years. As for intercompany loans, these had a 17% share of FDI inflows into Colombia, a decrease of 1%.

In sectoral terms, the main development was the remarkable growth in FDI inflows in the manufacturing sector, with a 105% increase, the highest level since 2005. However, they represented only a fifth of total inflows into Colombia in 2023. In the case of natural resources, which accounted for 36% of FDI inflows into the country, there was growth of 45% in 2023 compared to the previous year, with a particularly strong performance in mining and quarrying, which experienced an increase of 177%. By contrast, there was a 29% decline in the service sector, which accounted for 46% of the country's inward FDI, mainly owing to a 49% drop in financial and business services and a 31% drop in transportation, storage and communications.

There was growing interest from international investors in Colombian assets in 2023, as evidenced by an increase in both the value (38%) and number (32%) of mergers and acquisitions involving the country. These transactions included the sixth-largest operation in Latin America and the Caribbean: the sale by Grupo Pão de Açúcar, a Brazilian retail group, and its main shareholder, the French group Casino, of their stakes in the Colombian chain Almacenes Éxito. This transaction included the transfer of their remaining shares to El Salvador's main retail chain, Grupo Calleja. The total value of the shares traded in this deal was an estimated US$ 1.17 billion.

With regard to investment project announcements, their total value increased by 80% in 2023, although there was a 16% reduction in the number of announced investments with Colombia as the main destination. It is important to highlight the performance of the renewables sector, which accounted for 33% of the total announced, representing growth of 207% over 2022. One major investment project was that announced by the Canadian company Verano Energy, estimated at US$ 300 million, which included three solar photovoltaic plants (Energías Renovables, 2023). Meanwhile, the contribution of the business services sector, which had been prominent in 2022 with 55 projects, declined significantly in 2023, with only 26 projects and a total value of US$ 88 million, compared to US$ 305 million the previous year.

Regarding the origin of inward FDI in Colombia, the United States was the leader, accounting for 34% of the total, followed by Spain and the British territory of Anguilla, both with 14% of the total. In analysing these figures, it is important to consider that national accounts reflect the immediate origin of capital, not necessarily the ultimate controller. Thus, investments originating in Anguilla do

not always reflect activity by United Kingdom companies, but rather the fact that its financial market makes it attractive for cross-border investments by companies from elsewhere.

Total FDI inflows into Peru dropped by a steep 65% in 2023 from the previous year to US$ 3.918 billion, below the average of the last decade. All components of FDI declined, with negative inflows in the intercompany loans and equity categories. Although inflows in the reinvested earnings category were positive, they were also down 42% from 2022.

After a 2022 that saw few major mergers and acquisitions in Peru, there was a large deal in the mining and quarrying sector in 2023. Australian mining giant Rio Tinto PLC sold 55% of its stake in the La Granja copper project in Peru to Canada's First Quantum Minerals Ltd. for US$ 105 million. This is considered one of the world's largest undeveloped copper deposits, and First Quantum Minerals Ltd. is expected to invest an additional US$ 546 million in the joint venture to advance the project (Rio Tinto, 2023).

With regard to project announcements, Peru attracted attention in 2023 with 47 projects and a total announced investment of US$ 1.773 billion. There were two major projects in the transportation and storage sector, worth an estimated US$ 707 million between them. One was the expansion of the Danish company Maersk's activities in the country (Maersk, 2023).

Ecuador received a total of US$ 380 million in FDI in 2023, a 57% decrease from 2022 and the lowest level of inflows since 2010. This drop was mainly due to a 70% decrease in equity inflows, which fell to their lowest value since 2012, yet remained the largest component of Ecuadorian FDI in 2023. Meanwhile, reinvested earnings, the second-largest component, grew by 15%. Intercompany loans fell again, albeit less sharply than in 2022.

As regards sectors, there were substantial declines in manufacturing and service sector inflows in Ecuador, of 93% and 82%, respectively. After a 2022 with negative inflows in the natural resources sector, inflows were positive in 2023, albeit lower in value than the average of the last decade. With regard to origins, 23% of FDI in Ecuador came from Italy, 20% from Chile, 18% from China and 16% from the United States. Inflows from all these sources were higher in 2023 than in 2022.

FDI in the Plurinational State of Bolivia rose in 2023, with inward investment of US$ 294 million, representing growth of 4,608% over 2022, when the volume of inflows was very small. Inflows in the form of intercompany loans grew by 26%. The other components, equity and reinvested earnings, fell by 27% and 51%, respectively.[14]

In sectoral terms, inflows in the natural resources sector totalled US$ 345 million and help to explain the performance of FDI in the country, even though this figure represented a decrease of 32% from 2022. Inflows in the service sector totalled US$ 283 million, with growth of 1%. Meanwhile, manufacturing investment fell by 64% to US$ 72 million.

FDI announcements in the Plurinational State of Bolivia totalled US$ 1.754 billion in 2023, a more than 24-fold increase on the previous year, when they amounted to US$ 72 million. The mining sector attracted the largest volume of these investment projects, with four announcements totalling US$ 2.4 billion.

After two consecutive years of increase, FDI inflows into Paraguay fell again in 2023, dropping by 64% from 2022 to US$ 241 million, their lowest level since 2009. This decline was mainly attributable to a 196% drop in intercompany loans compared to the previous year, with negative inflows. Equity inflows also fell, by 34%, while reinvested earnings increased by 16% and accounted for the biggest share of inflows into Paraguay in 2023.

Where investment project announcements in Paraguay were concerned, their volume was more than eight times that of 2022, with a total of US$ 1.202 billion. The coal, oil and gas and telecommunications sectors

[14] The data by component and sector are for gross FDI inflows, excluding divestments.

accounted for about 89% of the volume announced in the country. A notable investment announcement was that of Bolivian company Oxsa, which intends to produce renewable diesel in Paraguay (*El Deber*, 2023).

Inward FDI in Uruguay in 2023 was the lowest in the historical series at a negative US$ 436 million, a 105% drop from the previous year. The decline occurred across the board in all components, with a particularly sharp 156% contraction in intercompany loans, which went from being the largest component in 2022 to a negative figure. Although declining by 58%, reinvested earnings were the largest component of FDI in Uruguay. Equity inflows also decreased by 39% from 2022.

Despite the situation recorded in the national accounts, Uruguay had a record US$ 4.562 billion in investment announcements in 2023, an increase of 388% over the year before. This substantial increase was largely due to a US$ 4 billion investment announced by Chilean company HIF Global, which announced that it would expand into Uruguay with an efuels project. This was the highest figure since 2005 (*América Economía*, 2023b; PR Newswire, 2023).

Regarding mergers and acquisitions, Minerva Foods, a Brazilian company specializing in beef exports, acquired the meat packing company Breeders & Packers Uruguay S.A. (BPU Meat), a subsidiary of the Japanese company NH Foods, for US$ 40 million. This acquisition further consolidates the Brazilian presence in Uruguay's cattle slaughtering business, with companies such as Marfrig and Minerva Foods accounting for 51% of the market (Ámbito, 2023; Minerva Foods, 2023).

4. Central America

Costa Rica received a record US$ 4.687 billion of inward FDI in 2023, a rise of 28% on the previous year. All components of FDI increased during the period. Reinvested earnings, the component with the largest share (73%), climbed 33% compared with 2022; equity inflows also increased by 17%, which accounted for 16% of the total. The weakest growth was in intercompany loans, which rose by 14% and had a 10% share of total FDI inflows into the country.

There was growth in all sectors, but the services sector stood out with an increase of 60%, bringing its share of total inward FDI in Costa Rica to 42%. Manufacturing remained the most important sector with 55% of the inflows into the country, although its growth was only 1%. Natural resources represented the smallest share of FDI, with a mere 2% of inflows in 2022. The bulk of investment came from the United States, with 56% of the total and growth of 5%. Belgium ranked second with 9%, followed by Switzerland and Panama, both with 3%.

Costa Rica established itself as the second-ranking destination for investment project announcements in Central America in 2023, with an estimated total of US$ 1.636 billion spread over 117 announcements. This amount, however, was 35% lower than the value announced in 2022, when the country ranked first. As for the sectors projects were announced in, technology-intensive industries dominated, with 26 projects and an estimated combined value of US$ 979 million, representing 60% of the total. One major project announced was the construction of a medical devices production plant by the United States company Johnson & Johnson MedTech. Located in Alajuela, this would be the company's most significant investment outside the United States, taking advantage of Costa Rica's existing capacities in the medical device industry and the high proportion of renewables in the country's energy mix (Johnson & Johnson MedTech, 2023; The Central American Group, 2023).

FDI in Panama fell by 22% in 2023 from the previous year to a total of US$ 2.327 billion. The component that recorded the largest decline was equity, with negative inflows, declining by 133% from 2022. Reinvested earnings also fell by 40% from the previous year to represent 42% of total FDI inflows into Panama in 2023. The only component to show growth in 2023 was intercompany loans, increasing by 8% and accounting for 59% of the total.

With regard to project announcements, after a 2022 in which more than US$ 4 billion was estimated in 16 projects, the number of announcements increased in 2023 to 24, which was close to pre-pandemic levels. Despite this, the total value announced declined by 80% to US$ 866 million, a figure that only exceeded those of 2016, 2018 and 2021 over the past 10 years.

One of the largest projects, estimated at more than US$ 200 million, involved MPC Energy Solutions (MPCES), which also announced investments in Guatemala. In this project, MPCES signed its first service development agreement in Panama. The plan, which is part of the company's expansion in Latin America and the Caribbean, consists in the development of new grid-connected photovoltaic panel projects and the acquisition of other projects to expand the grid (MPCES, 2023a).

FDI in Guatemala increased by 8% in 2023 over 2022. While below the record high of 2021, inflows in 2023, at US$ 1.552 billion, exceeded the average of the last 10 years. The increase was mainly due to the reinvested earnings component, which was 25% higher than the previous year and accounted for more than 97% of FDI inflows into Guatemala. In contrast, intercompany loans fell the most, with a 103% decline and negative inflows, while equity inflows also declined in 2023, by 35%.

As regards sectors, the strongest growth was in manufacturing, with a 75% increase in inflows compared to 2022, although these represented only 21% of total inward FDI in Guatemala. The service sector, accounting for 77% of the total, experienced a small decrease of 1%. Meanwhile, the natural resources sector, which has traditionally had a small share in the country's FDI inflows, accounting for only 3% of these, had a 55% drop.

More than half of Guatemala's FDI inflows originated in countries of the region. Panama accounted for 31%, up 16% from the previous year, and Mexico for 15%, up 33%. FDI from the United States represented 15% of the total and was down 23%. Among the main origins, inflows also came from Peru (6% of the total), El Salvador (5%) and Honduras (5%).

As for project announcements, 11 projects worth US$ 480 million were announced in Guatemala in 2023, a level close to that of 2022. The renewable energy sector was to the fore, with US$ 180 million earmarked by the European company MPCES for a project which includes a long-term power purchase agreement for a solar photovoltaic facility. This contract was signed with Comercializadora de Energía para el Desarrollo S.A., a subsidiary of Ingenio Magdalena S.A. (IMSA), the country's leading producer and exporter of refined sugar, alcohol and energy (MPCES, 2023b).

In 2023, FDI inflows in Nicaragua decreased by 5% compared to 2022, amounting to a total of US$ 1.23 billion. The only component that recorded an increase was intercompany loans, which grew strongly (522%) and accounted for 20% of total FDI inflows into the country in 2023. However, most FDI came in through the reinvested earnings component, which accounted for 59% of the total, although it was down by 24%. Equity inflows accounted for 21% of the total and were down by 14%. No sectoral data are available for the country.

As for project announcements, only one project was announced in Nicaragua in 2023, with an estimated value of US$ 137 million. Sri Lanka-based logistics and value chain company EFL Global announced the opening of another warehouse in Managua, bringing the total to three facilities in the Las Mercedes free trade zone (EFL Global, 2023).

FDI inflows into Honduras increased by 33% in 2023 to a total of US$ 1.085 billion, the highest value since 2018. Intercompany loans, which went from negative inflows in 2022, grew to US$ 39 million, representing 4% of total FDI in Honduras that year. The largest component was reinvested earnings, which accounted for 105% of the total and were up by 42%. Equity inflows were negative in 2023.

With regard to sectors, inflows in the service sector declined by 28% from 2022 so that they accounted for 63% of total FDI in Honduras. Another 36% of inflows went to the manufacturing sector, which experienced an impressive 386% growth. After a negative figure in 2022, the natural

resources sector also showed positive inflows, although they accounted for only 1% of the total. Almost a third of inward FDI in Honduras in 2023 came from Belgium, and these inflows accounted for about half of Belgian-sourced capital flows to the region. Colombia and Panama ranked second and third, accounting for 21% and 20%, respectively, of total FDI in Honduras.

Where investment project announcements are concerned, Honduras recorded a total of US$ 1.729 billion in 2023, approximately eight times as much as the previous year, making it the leading destination for such announcements in Central America. Most FDI was in natural resource- and labour-intensive industries, with a strong Chinese presence, an example being the project announced by the Chinese company Guangzhou Sunda International Trading Company, which plans to invest more than US$ 600 million in the construction of nappy and detergent factories. This project would mark the Chinese company's entry into Central America, making it the second major Asian company to announce investments in Honduras since the country established relations with China (*El Heraldo*, 2023; SGJD, 2023).

El Salvador experienced a 345% increase in FDI inflows to US$ 760 million in 2023, up from US$ 171 million in 2022. The services sector received 87% of total inflows, with the remaining 13% going to manufacturing. Inflows to those two sectors increased 621% and 143%, respectively, compared with 2022.

As regards investment project announcements, the cumulative amount in 2022 fell by more than half (53%) in 2023 to US$ 218 million. However, the telecommunications sector, after having no project announcements in 2022, contributed a sizeable US$ 150 million in 2023. This figure is attributable to a project to build a bitcoin mining site announced by Tether, a company based in the British Virgin Islands that specializes in the bitcoin mining and blockchain technology sectors. El Salvador has been a global pioneer in the adoption of bitcoin as legal tender. In addition, Tether is associated with plans to build a renewable energy park in northern El Salvador as part of a joint venture with the Salvadoran government (*Expansión*, 2023; Yahoo Finance, 2023).

5. The Caribbean

Guyana has attracted large FDI inflows since 2017, when resources related to the discovery of the Stabroek oil block started flowing into the country. In 2023, there were inflows of US$ 7.198 billion, a 64% increase over 2022, positioning Guyana as the sixth-largest inward FDI recipient country in Latin America and the Caribbean that year.

In 2022, Guyana was a leading destination for project announcements, with an estimated total of US$ 13.543 billion allocated to seven projects, mainly in the oil, coal and gas sector. The picture was different in 2023, however, as just three projects were announced in the business sector, with the country attracting a total of US$ 14 million in investment.

The Dominican Republic continued to attract record inward FDI in 2023 and even managed to surpass the historic high of 2022, with inflows totalling US$ 4.39 billion, an increase of 7%. The service sector was the main recipient of these investments, accounting for 78% of the total and growing by 10%. In second place was the manufacturing sector, with a 16% share and 13% growth, while the natural resources sector experienced a 25% drop, albeit its share was a modest 6%.

In 2022, the Dominican Republic was the destination of some US$ 3.5 billion in FDI project announcements, spread across 30 projects. In 2023, while the number of projects fell only slightly to 26, their total value was US$ 1.839 billion, just over half (52%) the previous year's total. Among the most prominent sectors, renewables continued to lead project announcements in the country, with six projects valued at more than US$ 700 million in the aggregate, accounting for 43% of the total.

There were also two major projects in the hotel and tourism sector, both led by Spanish companies, with a combined estimated value of around US$ 420 million.

FDI inflows into Jamaica were 18% higher in 2023 than in 2022. However, the total amount, US$ 377 million, was below the average of the last decade, and the momentum of the pre-pandemic period has never been regained. Inflows were mainly concentrated in the service sector, which accounted for 85% of the total and registered its largest inflows since 2016. The attractiveness of the service sector in Jamaica was also reflected in project announcements, which in the case of business services amounted to some US$ 10 million, 82% higher than the amount announced in 2022.

Mergers and acquisitions in Jamaica were 91% lower in 2023, mainly because of the large deal in the telecommunications sector that took place in the country in 2022. However, in 2023 Trinidad and Tobago's Massy Holdings Ltd. acquired Industrial Gases Ltd. (IGL), a Jamaican company operating in the gas production and distribution sectors, for US$ 140 million (*Trinidad & Tobago Guardian*, 2023).

FDI inflows into Belize were 65% smaller in 2023 than in 2022 at US$ 50 million, the lowest figure since 2017.

Suriname recorded negative FDI inflows in 2023 for the third consecutive year, totalling US$ -54 million. This amount represented a 500% decrease from 2022.

In 2023, the Organisation of Eastern Caribbean States (OECS) (Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines) recorded an 18% increase in FDI inflows compared to the previous year. Although these inflows exceeded pre-pandemic levels, they were still below the record high of 2021. The countries received a total of US$ 737 million between them.

Investment was higher in all the countries except Saint Kitts and Nevis, where FDI inflows were 26% lower than in 2022 at US$ 32 million, so that the previous year's recovery was not sustained. FDI inflows into Antigua and Barbuda were much the same in 2023 as in 2022, with a total of US$ 301 million. The distribution of these inflows by FDI component also remained relatively stable: equity accounted for 94%, 4% less than in 2022, and reinvested earnings for 9%, representing growth of 9%. Intercompany loans made a negative contribution for the third consecutive year, albeit the outflow was smaller than in 2022 at US$ 9 million (this component accounted for -3%).

FDI inflows into Grenada were 5% higher than in 2022, totalling US$ 164 million. In Saint Lucia, inflows totalled US$ 139 million, an increase of 321%. In Saint Vincent and the Grenadines, FDI inflows were 16% higher in 2023 than the previous year, totalling US$ 81 million. In Dominica, inflows were 17% higher than in 2022 at US$ 21 million.

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Annex I.A1

Table I.A1.1
Latin America and the Caribbean: FDI outflows, by country, 2003–2023[a]
(Millions of dollars)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Antigua and Barbuda	179	95	238	361	341	161	85	101	68	138	101	46	114	97	151	205	128	77	290	302	301
Argentina	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	3 260	11 517	11 717	6 649	4 884	6 658	15 201	23 866
Bahamas	713	804	1 054	1 492	1 623	1 512	646	1 097	1 409	1 034	1 590	3 551	713	1 260	901	947	611	897	1 052	1 255	-
Barbados	185	228	390	342	476	615	255	446	456	527	118	592	418	269	206	242	215	262	237	-	-
Belize	-10.9	111	127	109	143	170	109	97	95	189	95	153	65	44	24	118	94	76	125	141	50
Bolivia (Plurinational State of)	197	85	-287.8	281	366	513	423	643	859	1 060	1 750	657	555	335	712	302	-216.6	-1 129.5	584	6	294
Brazil	10 123	18 161	15 460	19 418	44 579	50 716	31 481	82 390	102 427	92 568	75 211	87 714	64 738	74 295	68 885	78 184	69 174	38 270	46 441	74 606	64 230
Chile	3 486	4 969	5 991	4 755	10 545	18 812	12 750	14 849	26 369	31 802	21 121	25 528	17 766	11 363	5 237	7 943	13 579	11 447	15 177	18 237	21 738
Colombia	1 720	3 116	10 235	6 751	8 886	10 564	8 035	6 430	14 647	15 040	16 210	16 169	11 621	13 858	13 701	11 299	13 989	7 459	9 561	17 183	17 147
Costa Rica	575	794	861	1 469	1 896	2 078	1 615	1 907	2 733	2 696	3 205	3 242	2 956	2 620	2 925	3 015	2 719	2 103	3 593	3 673	4 687
Dominica	32	27	32	29	48	57	58	43	35	59	25	12	7	42	23	78	63	22	28	18	21
Dominican Republic	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	3 571	2 535	3 021	2 560	3 197	4 099	4 390
Ecuador	872	837	493	271	194	1 057	309	166	646	567	727	772	1 323	764	631	1 389	979	1 095	649	880	380
El Salvador	141	363	511	241	1 551	903	369	-113.2	123	467	179	306	397	347	889	826	636	24	386	171	760
Grenada	91	66	73	96	172	141	104	64	45	34	114	84	154	109	153	186	204	136	152	156	164
Guatemala	263	296	508	592	745	738	522	658	1 219	1 270	1 479	1 442	1 231	1 174	1 130	981	976	935	3 462	1 442	1 552
Guyana	26	30	77	102	152	178	164	198	247	294	214	255	122	58	212	1 232	1 712	2 074	4 468	4 393	7 198
Haiti	14	6	26	161	75	30	55	186	114	174	159	94	106	105	375	105	75	25	51	39	-
Honduras	403	547	600	669	928	1 006	509	969	1 014	1 059	1 069	1 704	1 317	1 147	941	1 380	947	224	800	818	1 085
Jamaica	721	602	682	882	866	1 437	541	228	218	413	545	582	925	928	889	775	665	265	320	319	377
Mexico	18 158	25 143	25 162	22 127	31 020	29 753	19 652	30 525	23 895	18 232	50 927	28 438	36 250	38 900	33 114	37 857	29 946	31 524	35 405	39 108	30 196
Nicaragua	201	250	241	287	382	627	434	490	936	776	965	1 077	967	989	1 035	838	503	747	1 220	1 294	1 230
Panama	771	1 012	1 027	2 498	1 777	2 402	1 259	2 363	3 132	2 980	3 943	4 459	5 058	5 585	3 977	5 487	4 451	-2 477	1 353	2 997	2 327

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Paraguay	28	70	42	161	443	350	175	714	608	778	375	903	643	755	587	227	409	198	306	672	241
Peru	1 335	1 599	2 579	3 467	5 491	6 924	6 431	8 455	7 682	14 182	9 571	4 263	7 337	6 805	7 413	5 873	4 775	663	7 142	11 201	3 918
Saint Kitts and Nevis	78	63	104	115	141	184	136	119	112	110	139	157	128	121	48	40	62	6	24	43	32
Saint Lucia	112	81	82	238	277	166	152	127	100	78	95	65	152	162	90	46	76	48	109	33	139
Saint Vincent and the Grenadines	55	66	41	110	121	159	111	97	86	115	160	124	124	71	165	40	69	65	163	70	81
Suriname	-76.1	-37.3	28	-163.4	-246.7	-231.4	-93.4	-247.7	70	174	188	164	267	300	96	131	84	1	-132.7	-9.3	-54.4
Trinidad and Tobago	808	998	940	883	830	2 801	709	549	41	-1 904.3	-1 130.0	661	177	-23.6	-470.9	-700.2	184	1 056	-935	-914	-1 608
Uruguay	416	332	847	1 493	1 329	2 106	1 529	2 289	2 504	6 394	987	4 085	2 673	-515.7	2 687	1 727	1 470	528	3 448	8 526	-436.3
Venezuela (Bolivarian Republic of)	2 040	1 483	2 589	-508.0	3 288	2 627	-983.0	1 574	5 740	5 973	2 680	-1 028.0	769	1 068	-68.0	886	...	...	...	...	...
Total	**45 922**	**67 231**	**77 141**	**75 350**	**126 579**	**151 150**	**93 723**	**170 770**	**210 748**	**215 744**	**204 625**	**193 547**	**173 033**	**168 700**	**161 748**	**175 908**	**158 253**	**104 065**	**145 333**	**205 961**	**184 304**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as at 19 July 2024.

[a] Data are compiled using the methodology of International Monetary Fund (IMF), *Balance of Payments and International Investment Position Manual: Sixth Edition (BPM6)*, Washington, D. C., 2009, except in the case of the Bolivarian Republic of Venezuela and Peru. The methodology of the fifth edition (2004) is used in part of the series for the following countries: Antigua and Barbuda, Dominica, Grenada, Plurinational State of Bolivia, Saint Kitts and Nevis, and Saint Lucia (2003-2013); Argentina (2003-2005); Dominican Republic (2003-2009); Ecuador (2003-2015); Guatemala (2003-2007); Guyana (2003-2016); Honduras (2003-2012); Mexico and Nicaragua (2003-2005); Panama (2003-2014); Paraguay (2003-2007); Suriname (2003-2016); Trinidad and Tobago (2003-2010); and Uruguay (2003-2011).

Table I.A1.2
Latin America and the Caribbean: FDI inflows, by destination sector, 2008–2023[a]
(Millions of dollars)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Argentina[b]																
Natural resources	1 537	946	2 741	1 056	6 586	5 084	-828.6	2 141	352	2 072	4 967	3 374	1 985	1 304	2 097	2 707
Manufactures	5 477	264	3 991	4 096	3 963	3 841	5 850	6 420	-1 577.5	5 201	4 336	2 441	769	2 415	6 358	8 435
Services	5 126	2 556	4 140	5 830	6 295	4 511	6 454	6 704	1 620	4 040	5 634	4 694	2 287	4 277	6 689	11 196
Belize																
Natural resources	37	7	13	31	101	22	10	12	28	10	21	-	-	-	-	-
Manufactures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	117	93	79	59	82	64	113	40	10	7	86	79	67	119	-	-
Other	16	9	5	5	6	9	30	13	6	7	11	15	9	9	-	-
Bolivia (Plurinational State of)[c]																
Natural resources	859	420	531	622	1 166	1 550	1 558	916	372	638	448	221	2	495	508	345
Manufactures	154	74	276	240	119	317	390	23	137	260	147	148	39	380	201	72
Services	290	193	128	171	220	162	173	227	592	312	309	206	124	177	281	283
Brazil[d]																
Natural resources	11 210	4 288	20 278	8 901	10 140	17 180	9 391	5 924	10 140	5 030	10 644	11 448	5 283	-244.0	8 861	5 466
Manufactures	9 763	9 952	25 852	33 551	37 580	39 323	42 484	34 349	37 025	21 383	33 494	24 905	15 019	7 647	16 030	13 213
Services	9 091	5 667	7 233	28 574	27 494	23 873	34 585	31 952	22 631	32 317	17 630	12 002	12 352	21 905	28 900	21 943
Other	-	-	223	207	162	123	82	144	157	106	85	67	157	244	258	110
Chile																
Natural resources	4 599	6 062	6 053	12 673	13 184	6 152	6 591	8 966	1 017	993	-1 570.5	1 666	2 722	3 741	7 571	-
Manufactures	1 570	28	1 572	-54.1	1 107	1 465	3 630	526	303	-275.9	-223.9	328	-225.8	167	641	-
Services	8 725	7 092	7 805	12 918	14 288	10 758	14 318	7 759	7 175	636	8 822	8 438	5 576	9 733	8 730	-
Other	256	674	589	-1 387.2	3 224	2 747	989	515	2 868	3 884	915	3 147	3 376	2 292	3 922	-
Colombia																
Natural resources	5 176	5 670	4 976	7 236	7 972	8 513	7 091	3 264	2 501	4 339	3 931	4 482	1 089	1 431	4 380	6 342
Manufactures	1 696	1 260	210	1 108	1 925	2 138	2 826	2 638	1 844	2 368	1 310	1 499	894	1 719	1 508	3 086
Services	3 693	1 105	1 244	6 303	5 143	5 560	6 252	5 718	9 513	6 994	6 058	8 008	5 476	6 411	11 294	8 018

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Costa Rica																
Natural resources	71	78	-3.2	-18.7	20	2	13	403	110	34	93	5	-60.1	-61.1	-4.5	91
Manufactures	431	373	980	887	399	329	614	622	953	1 269	1 352	1 668	1 163	2 425	2 137	2 168
Services	1 696	875	530	1 548	1 847	2 392	2 271	1 726	1 138	1 481	1 038	1 119	650	887	1 032	1 656
Other	122	118	176	45	-7.8	19	27	1	3	-6.1	5	20	10	-20.5	-0.6	6
Dominican Republic																
Natural resources	357	758	240	1 060	1 169	93	-38.5	6	486	410	185	225	-6.5	536	371	279
Manufactures	574	280	566	355	1 257	404	607	368	413	1 365	540	356	441	307	609	689
Services	1 938	1 128	1 218	862	716	1 494	1 640	1 831	1 508	1 796	1 811	2 440	2 125	2 354	3 118	3 422
Ecuador																
Natural resources	265	58	189	380	243	274	724	628	509	194	878	524	524	116	-117.0	204
Manufactures	198	118	120	122	136	138	108	264	38	144	105	110	37	194	83	6
Services	595	133	-143.1	142	189	315	-59.9	431	217	293	406	345	533	338	913	163
El Salvador																
Natural resources	31	9	1	-0.6	-	-	-	-	-	-	-	-	-	-	-	-
Manufactures	28	92	-65.3	149	-47.3	289	82	291	268	458	586	51	-201.0	-45.4	41	99
Services	479	243	-224.8	66	488	-149.3	246	80	80	374	159	553	252	392	93	669
Other (maquila)	365	21	59	4	29	35	-22.5	28	-1.4	58	81	33	-28.3	38	43	-11.3
Guatemala																
Natural resources	209	110	147	391	461	440	51	23	59	-49.6	-98.2	64	19	18	91	41
Manufactures	76	23	199	187	132	190	197	238	242	277	274	227	240	184	173	303
Services	447	383	290	711	644	789	1 159	963	881	804	713	660	589	3 224	1 141	1 130
Other	6	6	23	-69.2	33	60	37	8	-6.6	99	92	26	86	36	37	78
Guyana																
Natural resources	87	65	94	108	122	173	113	59	41	161	1 138	1 480	2 015	4 415	4 345	7 122
Manufactures	12	8	16	30	44	10	31	13	4	2	6	30	26	44	40	28
Services	62	77	70	92	113	17	44	17	1	41	12	4	0	1	2	34
Other	17	14	18	17	14	14	67	33	12	8	76	199	32	9	7	14

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Honduras																
Natural resources	4	10	84	62	41	70	72	64	-94.0	-67.0	57	9	6	62	-96.0	13
Manufactures	267	98	341	392	426	325	667	385	430	635	-37.4	-110.3	70	119	80	389
Services	736	402	545	560	591	665	678	755	803	607	942	600	343	557	936	675
Jamaica																
Natural resources	152	54	31	57	107	87	56	82	118	235	483	342	95	35	29	1
Manufactures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	453	292	155	93	100	155	139	369	371	213	106	121	63	163	188	321
Other	832	195	42	68	206	303	387	474	439	441	186	203	108	122	102	55
Mexico																
Natural resources	4 899	1 352	1 497	1 341	3 246	5 911	3 113	1 994	1 458	1 982	2 007	2 196	1 905	5 002	2 064	3 827
Manufactures	8 891	8 096	14 084	12 138	10 533	32 098	18 807	18 588	18 252	16 871	16 267	16 605	11 648	12 918	14 078	18 118
Services	15 710	8 401	11 607	12 150	7 987	10 342	8 411	15 358	11 473	15 164	15 824	15 811	14 654	15 559	20 174	14 337
Nicaragua																
Natural resources	57	47	77	191	123	272	109	32	-11.8	29	105	136	131	161	315	130
Manufactures	122	70	108	226	302	234	246	280	378	234	110	25	215	263	399	413
Services	447	318	323	550	347	350	378	501	385	541	438	219	267	652	378	478
Other	-	-	-	-	22	125	151	137	147	232	184	124	133	144	202	209
Panama																
Natural resources	-59.0	-33.9	77	94	1 164	468	27	1 679	730	2 043	1 527	918	-346.3	-114.5	...	...
Manufactures	161	104	-113.8	298	520	142	250	-7.6	221	316	27	117	-69.9	234	...	...
Services	2 106	1 190	2 760	2 761	1 526	2 957	4 182	2 885	3 795	1 923	3 197	2 860	588	1 526	...	...
Paraguay																
Natural resources	9	21	10	42	64	110	62	-89.5	151	37	-49.3	-2.6	-45.3	46	7	-
Manufactures	109	14	373	263	172	-16.9	-2.4	130	158	188	178	312	36	71	432	-
Services	199	77	251	374	538	416	616	457	329	189	46	24	158	68	286	-

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Uruguay																
Natural resources	604	253	329	383	435	342	43	42	182	-88.9	-43.0	-61.1	55	65	103	-
Manufactures	261	242	131	190	568	507	677	163	-759.1	-90.9	200	481	506	1 407	1 467	-
Services	1 068	1 027	1 037	1 482	1 035	3 373	1 441	883	-1 205.6	-436.5	-115.5	1 625	209	526	2 093	-
Other	238	71	820	572	36	32	32	20	29	-9.4	-22.1	41	-4.8	-19.2	69	-
Total																
Natural resources	30 103	20 174	37 364	34 609	46 344	46 743	28 157	26 145	18 146	18 002	24 723	27 024	15 370	17 008	30 526	26 568
Manufactures	29 789	21 093	48 639	54 178	59 137	81 731	77 465	65 289	58 330	50 604	58 670	49 193	30 609	30 450	44 277	47 018
Services	52 977	31 249	39 048	75 245	69 644	68 043	83 041	78 655	61 316	67 294	63 115	59 808	46 314	68 868	86 248	64 325
Other	1 851	1 108	1 955	-537.7	3 725	3 467	1 779	1 373	3 652	4 820	1 612	3 874	3 878	2 855	4 640	460

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as at 19 July 2024.

[a] Data are compiled using the methodology of International Monetary Fund (IMF), *Balance of Payments and International Investment Position Manual: Sixth Edition (BPM6)*, Washington, D. C., 2009, except in the case of Costa Rica, Honduras, Mexico, Panama and Paraguay. The methodology of the fifth edition (2004) is used in part of the series for Ecuador (2008–2015).

[b] According to data from the Central Bank of the Argentine Republic.

[c] Gross FDI flows, excluding divestments.

[d] Data do not include reinvested earnings.

Table I.A1.3
Latin America and the Caribbean: FDI inflows, by country or territory of origin, 2007–2023[a]
(Millions of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Argentina[b]																	
United States	564	2 395	1 276	1 060	2 167	2 221	2 310	4 200	3 372	-1 110	1 813	2 717	1 596	754	932	2 668	4 563
Brazil	883	1 626	-380	1 663	1 756	621	367	584	1 077	-527	-1 661	1 634	649	466	313	1 533	3 725
Spain	2 191	812	1 248	1 166	217	2 835	2 354	-2 323	3 310	1 275	1 584	2 102	1 399	740	1 523	2 281	3 037
China	43	30	17	75	47	332	110	126	81	49	161	234	638	160	191	454	1 046
Germany	385	342	317	578	221	525	927	749	528	62	380	514	365	169	151	329	798
France	516	162	112	332	251	448	490	950	546	-53	166	582	355	380	259	550	689
Japan	105	48	-103	99	37	-44	191	160	-83	-171	585	164	90	56	155	297	467
Mauritius	0	0	0	0	0	0	0	0	0	0	-101	362	324	118	435	426	457
Bolivia (Plurinational State of)[c]																	
Netherlands (Kingdom of the)	20	20	10	1	5	31	15	3	0	-13	-3	47	45	60	74	97	120
France	13	36	22	89	55	73	220	200	185	207	131	52	1	-52	7	42	106
Spain	50	25	145	271	235	364	676	537	369	164	167	208	274	64	159	157	76
Peru	35	26	40	82	12	56	102	442	-5	247	13	145	37	121	254	218	57
Brazil	75	155	96	77	125	286	77	123	42	35	43	31	7	7	65	19	48
Brazil[d]																	
United States	2 851	2 207	1 277	7 180	4 531	20 926	10 715	11 530	10 159	8 614	14 820	10 311	7 698	10 399	11 963	13 838	10 952
United Kingdom	816	582	990	1 451	3 302	2 606	1 745	1 904	1 855	-1 735	1 299	602	2 899	-1 178	133	2 515	4 760
Spain	1 732	2 594	3 016	632	9 965	2 450	2 180	6 356	5 311	2 482	753	2 979	2 231	1 543	-632	3 264	4 413
Singapore	24	91	91	59	314	1 114	290	376	251	88	398	818	1 523	2 105	943	1 039	3 866
Luxembourg	2 696	5 337	-648	9 174	2 472	7 771	9 737	8 679	6 936	9 841	4 792	5 261	2 308	96	3 963	-92	3 501
France	1 118	2 167	1 895	3 007	4 352	2 827	2 981	3 947	-477	3 347	4 656	3 171	4 070	2 615	723	4 855	2 624
Netherlands (Kingdom of the)	6 840	3 136	3 803	2 762	18 693	15 365	23 614	24 650	23 907	23 885	8 327	18 416	6 742	5 504	-1 555	10 222	2 496
Germany	1 339	839	2 365	604	1 322	1 200	1 983	2 670	3 877	1 930	3 110	2 148	1 977	-159	921	1 517	2 129

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Chile																	
Canada	0	0	423	515	3 244	2 227	2 430	3 129	-1 226	326	1 104	2 661	1 348	2 085	2 640	4 206	...
Netherlands (Kingdom of the)	0	0	2 036	-847	1 313	3 537	6 496	2 098	1 796	531	332	1 216	1 779	897	2 373	1 720	...
United States	0	0	1 042	1 087	5 141	8 501	2 058	3 538	1 471	1 660	-3 588	52	1 758	1 555	-1 442	1 718	...
Spain	0	0	2 325	-585	2 347	1 136	1 787	7 398	1 523	1 301	861	1 306	-66	1 017	-2 972	1 634	...
Italy	0	0	316	392	268	25	-138	58	69	2 495	17	1 043	2 094	89	7 183	1 290	...
Colombia																	
United States	2 697	2 874	2 343	1 593	2 154	2 476	2 838	2 240	2 123	2 099	2 172	2 410	2 475	1 843	1 733	5 044	5 768
Spain	572	1 040	830	113	1 164	628	884	2 214	1 324	1 463	2 612	1 677	2 536	1 709	1 418	2 766	2 441
Anguilla	1 304	1 224	920	337	482	598	856	-163	-191	-237	35	295	500	11	313	1 305	2 420
United Kingdom	1 580	1 505	1 400	949	1 408	1 357	1 400	1 088	718	879	1 260	1 248	989	285	411	843	1 221
Switzerland	122	140	166	180	994	698	2 096	2 804	958	731	741	877	1 154	583	1 057	1 050	1 140
Mexico	390	573	-464	-296	455	849	556	663	-130	789	1 721	731	506	-934	183	249	547
Costa Rica																	
United States	803	1 352	1 008	1 107	1 499	907	449	796	1 263	764	1 611	1 631	1 962	1 163	2 547	2 481	2 617
Belgium	216	0	0	0	0	12	28	29	27	-4	17	7	41	70	-9	15	436
Switzerland	35	79	-36	68	5	-3	-7	36	-43	40	117	122	54	-15	71	265	161
Panama	-4	19	22	37	-7	1	154	175	39	28	139	72	76	80	81	59	161
Colombia	30	49	6	98	138	104	57	170	135	84	195	69	104	37	206	89	105
Brazil	28	-8	-5	-6	6	80	17	44	-55	2	13	51	6	33	-14	1	80
Dominican Republic																	
United States	536	360	455	1 055	499	252	374	321	405	356	732	709	937	730	1 410	1 553	1 329
Spain	605	181	151	203	137	128	33	7	32	281	206	288	355	194	213	372	668
Mexico	-124	1 055	273	433	73	-32	6	244	-19	118	-45	-80	609	337	392	482	349
Canada	113	383	773	696	1 126	851	143	158	91	480	473	329	259	80	380	372	287
Panama	40	34	162	42	42	20	5	-20	11	5	3	12	12	84	99	264	247

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Ecuador																	
Italy	11	17	1	10	25	27	61	27	25	43	19	13	14	10	10	18	87
Chile	12	5	19	7	16	16	24	18	78	14	44	37	20	32	39	20	77
China	85	47	56	45	80	86	94	79	114	62	98	61	28	57	76	62	68
United States	50	-29	-607	-535	12	94	42	10	186	88	35	60	74	87	83	35	63
Canada	49	58	65	105	252	59	28	229	74	-32	-75	198	262	319	37	-316	33
Colombia	21	21	0	19	21	8	-1	20	14	25	13	18	13	18	23	33	16
El Salvador																	
Panama	841	321	80	206	27	-514	236	12	120	226	367	172	270	320	500	-112	297
United States	499	129	74	-99	23	3	31	116	248	49	24	354	215	-24	146	80	121
Mexico	0	0	0	-49	48	99	13	-36	2	-80	35	74	33	-83	-37	157	77
Guatemala																	
Panama	0	9	5	9	15	28	9	27	53	19	-24	52	24	178	209	413	481
United States	0	224	132	280	151	232	207	372	359	299	263	292	236	96	121	308	238
Mexico	0	75	44	79	97	98	231	181	111	202	203	102	108	-13	167	174	231
Luxembourg	0	36	19	1	10	18	-5	73	70	63	22	23	31	41	2 248	136	118
Peru	0	0	0	10	6	5	12	17	-7	28	36	33	33	27	-78	48	94
El Salvador	0	66	12	1	20	6	11	38	13	-15	-2	28	12	24	-9	33	80
Honduras	0	3	31	-35	16	23	61	31	62	31	14	34	35	26	41	52	78
Honduras																	
Belgium	0	0	0	0	0	0	0	0	0	78	1	127	8	-35	-64	73	332
Colombia	0	0	0	0	20	22	31	128	97	99	31	106	105	156	169	174	224
Panama	22	16	1	14	16	22	63	152	232	273	156	188	89	56	132	259	215
Mexico	92	30	168	124	154	192	266	140	138	161	219	116	140	-25	-39	53	105
Bermuda	0	0	23	11	12	15	16	5	42	11	-24	33	33	25	75	41	61
Switzerland	14	-1	23	25	68	86	3	19	-4	39	-13	7	-3	-37	28	-51	52

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Mexico																	
United States	14 471	11 003	7 388	10 206	13 130	9 103	15 710	10 522	16 887	10 513	15 362	11 290	12 589	9 723	13 755	20 222	13 757
Spain	4 170	4 797	2 400	4 340	2 418	-1 032	222	3 734	4 322	3 451	2 477	4 572	4 437	3 975	4 750	2 146	3 777
Canada	1 954	4 638	2 028	1 960	1 306	1 558	5 342	2 871	1 364	2 575	3 887	4 422	2 207	3 986	2 074	3 168	3 490
Japan	736	830	748	1 147	842	2 034	1 635	2 508	2 110	1 954	2 389	2 266	1 698	1 314	1 454	2 303	2 915
Germany	886	734	306	823	853	1 361	2 097	2 202	1 388	3 108	2 716	3 143	3 814	1 592	2 310	-35	2 445
Argentina	1 933	203	25	-9	180	435	73	359	510	294	340	1 090	614	674	-471	2 322	2 251
Netherlands (Kingdom of the)	430	280	260	5 476	263	417	1 149	177	1 132	437	131	847	883	628	141	-117	878
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																	
Colombia	134	60	135	82	486	9	29	1 162	659	913	446	856	780	357	596	776	...
United States	163	224	-19	1 120	652	28	715	2 154	711	1 059	788	1 201	693	554	-70	486	...
Barbados	0	0	0	0	3	0	2	1	-1	-1	-1	1	1	-1 708	-88	317	...
Switzerland	146	122	301	444	216	152	232	244	161	232	547	-41	-13	-166	353	310	...
Brazil	5	59	33	-2	20	0	0	37	154	64	-50	-170	77	-267	104	152	...
United Kingdom	208	6	68	114	486	-701	78	101	193	313	-1 228	279	203	279	-16	128	...
Taiwan Province of China	28	126	15	130	114	1	3	-487	101	225	373	197	192	62	83	99	...

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Paraguay																	
Brazil	28	55	7	84	59	165	150	150	102	-9	95	56	99	70	129	167	...
Netherlands (Kingdom of the)	196	-55	-116	196	-15	64	29	18	138	86	12	67	162	-67	-36	151	...
United States	89	58	58	128	142	152	-23	-61	26	37	-19	165	145	31	20	116	...
Luxembourg	9	6	-2	4	7	3	11	49	11	23	12	-21	21	-33	-11	72	...
Chile	11	18	12	30	33	-18	38	33	-9	12	5	11	56	22	40	67	...
Trinidad and Tobago																	
United States	574	403	469	363	-12	-16	-520	-153	13	26	0	-15	74	1 008	-403	893	-1 742
Barbados	0	0	0	0	0	0	0	0	0	-162	-46	-259	-163	-201	76	211	-101
Uruguay																	
Switzerland	5	21	6	-1	13	1 637	321	1 188	-719	-176	-596	369	530	-900	-369	1 049	...
Singapore	0	0	0	0	0	58	104	-165	240	106	532	372	110	216	344	787	...
Spain	153	232	55	75	194	208	437	886	-69	568	737	3 814	443	283	319	541	...
United States	43	144	167	-36	77	-361	371	-178	-2 429	3 178	-984	1 347	1 366	-1 263	-2 017	486	...
Brazil	86	183	110	108	170	331	515	-252	534	-884	167	-1 201	468	-1 642	4 431	426	...
Netherlands (Kingdom of the)	10	14	110	-2	172	-104	119	-979	27	-228	-149	-955	129	2 010	-1 769	317	...

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as at 19 July 2024.

[a] Data are compiled using the methodology of International Monetary Fund (IMF), Balance of Payments and International Investment Position Manual: Sixth Edition (BPM6), Washington, D. C., 2009, except in the case of Costa Rica, Honduras, Mexico, Panama and Paraguay. The methodology of the fifth edition (2004) is used in part of the series for Ecuador (2008-2015).

[b] According to data from the Central Bank of the Argentine Republic.

[c] Gross FDI flows, excluding divestments.

[d] Data do not include reinvested earnings.

Table I.A1.4
Latin America and the Caribbean: FDI inflows, by component, 2007–2023
(Millions of dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Antigua and Barbuda																	
Equity	328	149	79	96	61	110	65	67	94	94	156	209	128	93	290	294	284
Intercompany loans	0	0	1	1	2	6	29	-25	-6	-4	7	3	9	15	-7	-17	-9
Reinvested earnings	12	12	5	5	5	22	7	5	26	8	-11	-8	-9	-31	7	24	26
Argentina																	
Equity	2 578	4 552	2 133	2 504	4 508	4 861	2 784	-112	1 319	3 716	1 958	3 259	2 231	1 373	746	628	2 013
Intercompany loans	1 846	4 777	-1 010	3 507	2 600	3 120	-783	-945	2 382	-4 732	2 422	1 424	167	839	974	8 795	15 047
Reinvested earnings	2 050	396	2 894	5 322	3 732	7 343	7 821	6 121	8 058	4 276	7 137	7 034	4 251	2 672	4 938	5 777	6 806
Bahamas																	
Equity	887	1 032	753	960	971	575	868	617	408	511	351	573	373	417	252	252	...
Intercompany loans	736	481	-107	137	438	458	723	2 934	304	749	550	374	238	480	799	1 003	...
Reinvested earnings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	...
Barbados																	
Equity	420	340	140	393	227	230	135	307	398	82	295	321	311	310	215	...	...
Intercompany loans	24	231	103	41	324	113	-110	-76	-190	-260	-192	-165	-154	-100	-27	...	...
Reinvested earnings	32	45	13	13	-95	184	92	361	210	447	102	85	58	53	49	...	...
Belize																	
Equity	100	141	80	80	103	193	101	145	57	29	2	94	57	68	28	118	...
Intercompany loans	13	8	6	2	1	0	0	0	0	0	0	0	0	0	0	0	...
Reinvested earnings	30	21	23	15	-8	-4	-6	7	7	15	22	24	37	8	13	16	...
Bolivia (Plurinational State of)[a]																	
Equity	27	45	0	1	5	19	17	313	20	406	152	70	126	36	70	52	38
Intercompany loans	654	850	177	141	130	282	331	889	741	568	417	438	345	350	444	258	326
Reinvested earnings	272	407	509	793	899	1 204	1 682	919	405	127	640	397	103	-221	538	680	336

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Brazil																	
Equity	26 074	30 064	19 906	40 117	54 782	52 836	42 152	47 501	49 520	44 512	53 950	41 013	42 878	28 118	29 998	36 584	31 630
Intercompany loans	18 505	20 652	11 575	13 470	16 451	22 541	38 346	39 040	22 851	25 440	4 886	20 840	5 543	4 693	-445	17 465	9 102
Reinvested earnings	...	...	...	28 803	31 194	17 192	-5 288	1 174	-7 632	4 342	10 049	16 330	20 753	5 459	16 887	20 557	23 497
Chile																	
Equity	2 622	7 775	1 905	4 662	10 911	8 532	4 778	10 506	6 494	6 148	2 075	2 476	6 361	5 245	11 605	10 309	10 704
Intercompany loans	866	3 086	1 144	3 856	3 233	11 067	8 714	9 619	9 785	2 552	-943	-795	1 846	936	-979	221	2 189
Reinvested earnings	7 058	7 951	9 701	6 332	12 225	12 203	7 629	5 404	1 488	2 663	4 105	6 262	5 372	5 267	4 551	7 707	8 844
Colombia																	
Equity	7 024	7 861	4 903	3 733	8 282	9 091	9 755	9 181	7 423	6 399	8 053	4 558	7 285	3 386	3 269	7 860	9 293
Intercompany loans	-121	47	731	-635	1 872	1 239	2 368	2 493	2 006	4 672	1 794	1 604	2 411	2 527	2 485	2 955	2 923
Reinvested earnings	1 983	2 657	2 400	3 332	4 493	4 710	4 087	4 495	2 191	2 787	3 854	5 137	4 293	1 546	3 807	6 367	4 931
Costa Rica																	
Equity	1 377	1 594	1 050	818	959	852	1 704	1 352	1 180	414	685	769	507	461	900	652	761
Intercompany loans	-2	39	-174	150	711	1 136	714	912	665	1 153	573	794	574	511	693	425	486
Reinvested earnings	521	446	471	497	509	708	788	978	1 110	1 054	1 667	1 452	1 638	1 130	2 000	2 596	3 441
Dominica																	
Equity	28	39	39	28	25	45	16	6	8	36	26	60	52	39	32	27	31
Intercompany loans	9	9	13	13	7	9	4	2	-7	0	15	0	-2	0	-3	-3	-3
Reinvested earnings	10	9	6	3	2	4	5	4	6	6	-19	18	13	-17	-1	-6	-7
Dominican Republic																	
Equity	1 616	2 199	704	667	804	1 256	233	955	995	1 126	2 403	1 513	1 583	1 688	1 629	2 401	2 837
Intercompany loans	-446	278	1 096	554	468	904	471	-166	18	66	-162	-141	225	-330	-82	309	-155
Reinvested earnings	498	394	365	803	1 005	982	1 286	1 420	1 192	1 214	1 331	1 164	1 213	1 201	1 650	1 389	1 708
Ecuador																	
Equity	151	229	278	265	252	227	424	848	985	679	521	470	431	837	579	1 171	356
Intercompany loans	-368	530	-225	-312	66	40	-7	-390	51	-115	-51	687	379	101	-72	-436	-142
Reinvested earnings	411	298	256	213	328	301	310	314	287	200	161	232	170	157	142	145	166

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Grenada																	
Equity	140	128	97	56	39	29	109	58	122	85	122	123	149	130	121	138	145
Intercompany loans	17	1	2	3	1	0	0	14	-2	20	-6	24	5	-12	-6	2	2
Reinvested earnings	15	12	5	5	5	5	5	12	34	4	38	40	49	19	37	16	17
Guatemala																	
Equity	260	177	-33	168	405	448	288	439	772	157	112	212	31	53	2 209	74	48
Intercompany loans	-30	153	175	-136	149	318	382	269	-255	392	250	-57	46	40	34	159	-4
Reinvested earnings	515	408	381	626	666	505	809	734	714	625	768	825	899	841	1 219	1 210	1 508
Honduras																	
Equity	220	568	84	29	284	310	174	247	137	201	474	120	27	-18	-178	37	-88
Intercompany loans	203	-40	65	378	56	52	250	540	342	-34	79	614	231	-73	-60	-20	39
Reinvested earnings	505	479	360	562	674	697	645	917	838	981	388	647	689	314	1 038	802	1 135
Mexico																	
Equity	18 027	13 054	11 009	15 637	9 699	4 316	22 039	5 763	13 449	10 992	11 940	11 324	13 569	6 742	15 342	18 152	5 032
Intercompany loans	4 483	7 370	3 278	9 583	3 439	3 251	10 392	4 639	10 845	17 225	9 193	13 220	-1 802	8 647	7 151	4 754	-1 475
Reinvested earnings	8 510	9 329	5 365	5 306	10 756	10 664	18 497	18 037	11 955	10 683	11 981	13 313	18 179	16 135	12 913	16 202	26 639
Nicaragua																	
Equity	0	0	0	0	0	567	360	686	595	446	630	496	247	226	359	308	264
Intercompany loans	0	0	0	0	0	29	321	235	145	209	55	40	109	44	247	39	244
Reinvested earnings	0	0	0	0	0	180	285	157	227	335	351	302	147	477	615	946	722
Panama																	
Equity	719	918	898	948	759	1 561	1 614	687	77	923	-24	31	-25	-668	119	87	-29
Intercompany loans	178	136	105	540	1 224	682	550	343	1 599	2 258	2 211	3 557	2 756	-1 108	-375	1 273	1 377
Reinvested earnings	879	1 348	257	874	1 150	737	1 779	3 429	3 382	2 404	1 790	1 900	1 720	-700	1 608	1 637	978
Paraguay																	
Equity	22	146	203	123	631	352	453	601	411	344	397	200	283	284	230	160	106
Intercompany loans	282	-11	-91	292	101	232	-290	31	247	292	200	-255	300	178	-136	216	-208
Reinvested earnings	139	214	63	298	-124	194	212	271	-16	119	-10	282	-173	-264	212	296	342

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Peru																	
Equity	733	2 981	1 828	2 445	896	7 337	4 258	3 589	2 876	3 325	5 297	4 921	392	96	6 726	8 276	4 781
Intercompany loans	924	656	-782	693	2 117	1 459	2 300	2 460	401	906	173	-811	1 419	88	500	1 080	-663
Reinvested earnings	3 835	3 287	5 385	5 317	4 670	5 387	3 013	-1 786	4 060	2 574	1 944	1 763	2 965	480	-84	1 845	-200
Saint Kitts and Nevis																	
Equity	135	178	132	116	107	106	137	161	132	113	34	39	78	14	15	20	12
Intercompany loans	3	3	1	1	1	2	0	-7	-7	0	8	-5	2	-5	8	19	16
Reinvested earnings	2	2	2	2	4	1	1	2	3	9	6	6	-18	-3	1	4	4
Saint Lucia																	
Equity	254	135	135	109	80	54	76	25	83	136	68	64	40	44	60	30	61
Intercompany loans	8	21	13	13	15	16	10	2	11	11	15	-31	17	10	17	-42	31
Reinvested earnings	15	11	3	4	5	8	9	38	58	14	7	12	18	-7	32	45	47
Saint Vincent and the Grenadines																	
Equity	102	142	100	91	79	112	157	99	123	99	167	62	77	71	149	62	91
Intercompany loans	8	8	8	2	2	2	2	15	4	-15	11	-10	2	3	8	11	-6
Reinvested earnings	11	9	2	4	4	1	1	10	-3	-14	-13	-12	-11	-8	6	-3	-3
Suriname																	
Equity	0	0	0	0	0	0	0	0	0	0	-205	-184	-276	-265	-295	-212	-80
Intercompany loans	-247	-231	-93	-248	-51	113	71	-21	186	254	55	89	96	-32	31	55	-131
Reinvested earnings	...	...	...	0	121	11	69	27	1 291	1 519	246	226	264	298	131	148	157
Trinidad and Tobago																	
Equity	554	2 322	426	309	517	-251	-1 899	518	-223	-268	-367	-790	137	669	-1 040	-332	...
Intercompany loans	-21	-16	-12	-11	-476	-1 653	769	143	400	245	-104	90	47	387	105	-582	...
Reinvested earnings	297	495	296	251	0	0	0	0	0	0	0	0	0	0	0	0	...
Uruguay																	
Equity	550	1 012	990	1 617	1 412	1 242	2 057	1 708	1 422	1 019	646	277	636	905	733	945	574
Intercompany loans	448	540	82	8	263	2 676	-1 704	1 569	2 501	-924	854	332	1 445	-186	-562	4 276	-2 392
Reinvested earnings	331	554	457	664	828	2 476	634	809	-1 250	-610	1 187	1 117	-611	-190	3 276	3 304	1 382

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Venezuela (Bolivarian Republic of)																	
Equity	-806	302	-3 348	-1 319	-495	-307	-79	67	123	21	20	20	...	...	...	...	...
Intercompany loans	773	-11	367	1 457	2 752	3 292	1 784	-1 605	1 051	622	-1 440	-697	...	...	...	...	...
Reinvested earnings	3 321	2 336	1 998	1 436	3 483	2 988	975	510	-405	425	1 352	1 563	...	...	...	...	...
Total																	
Equity	64 144	78 082	44 491	74 652	96 302	94 701	92 778	86 335	88 999	81 744	89 938	72 299	77 690	50 353	74 162	88 093	68 865
Intercompany loans	28 744	39 565	16 446	33 500	35 896	51 387	65 638	62 913	56 071	51 549	20 870	41 162	16 256	18 003	10 743	42 217	26 593
Reinvested earnings	31 252	31 118	31 219	61 481	76 532	68 704	45 346	44 368	28 237	36 206	49 073	60 112	62 010	34 615	55 587	71 704	82 476

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as at 19 July 2024.

[a] Data are compiled using the methodology of International Monetary Fund (IMF), *Balance of Payments and International Investment Position Manual: Sixth Edition (BPM6)*, Washington, D. C., 2009, except in the case of the Bolivarian Republic of Venezuela and Peru. The methodology of the fifth edition of (2004) is used in part of the series for the following countries: Antigua and Barbuda, Dominica, Grenada, Plurinational State of Bolivia, Saint Kitts and Nevis, and Saint Lucia (2003-2013); Argentina (2003-2005); Dominican Republic (2003-2009); Ecuador (2003-2015); Guatemala (2003-2007); Guyana (2003-2016); Honduras (2003-2012); Mexico and Nicaragua (2003-2005); Panama (2003-2014); Paraguay (2003-2007); Suriname (2003-2016); Trinidad and Tobago (2003-2010); and Uruguay (2003-2011).

Table I.A1.5
Latin America and the Caribbean: FDI stock, by country, 2001–2023
(Millions of dollars and percentages of GDP)

	2001	2005	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2001	2005	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Argentina	79 504	55 139	98 706	88 338	89 716	79 773	74 868	80 700	72 589	70 458	85 269	99 995	116 627	130 302	27	27	17	14	16	12	13	13	13	16	22	21	19	20
Belize	355	608	1 738	1 833	1 986	2 051	2 095	2 119	2 237	2 331	2 409	2 538	2 679	2 728	30	41	92	91	93	93	93	93	98	98	118	105	95	89
Bolivia (Plurinational State of)	5 893	4 905	8 809	10 992	11 785	11 598	11 565	12 241	11 835	11 710	10 276	10 586	9 839	9 633	72	51	33	36	36	35	34	33	29	29	28	26	22	21
Brazil	121 949	181 344	731 175	724 781	725 872	568 226	703 328	767 757	737 894	873 979	765 401	901 421	1 056 406	1 181 531	22	20	30	29	30	31	39	37	38	47	52	54	54	54
Chile	...	78 089	204 775	210 344	222 558	222 984	236 752	257 748	254 160	257 709	260 715	253 725	268 394	286 747	...	64	77	76	86	92	95	93	86	93	102	80	89	85
Colombia	15 377	36 987	112 949	128 213	141 810	149 073	164 428	179 334	188 833	204 916	212 299	219 677	233 919	254 329	16	25	30	34	37	51	58	58	56	63	78	69	68	70
Costa Rica	3 600	7 510	22 960	26 938	30 788	34 278	37 309	40 788	44 524	47 753	50 129	53 721	57 492	62 180	23	37	49	53	59	61	63	67	71	74	80	83	83	72
Dominican Republic	...	...	25 143	26 660	29 035	31 309	33 820	37 396	40 209	43 038	45 499	48 849	52 899	57 649	...	...	41	43	43	44	45	47	47	48	58	52	47	47
Ecuador	6 876	9 861	13 072	13 799	14 571	15 894	16 671	17 301	18 691	19 670	20 765	21 414	22 294	22 674	30	24	15	14	14	16	17	17	17	18	22	20	19	19
El Salvador	2 252	4 167	8 763	8 895	9 314	9 995	10 178	10 351	10 877	11 591	11 972	12 921	12 962	13 720	18	28	41	40	41	43	42	41	42	43	48	44	41	40
Guatemala	...	3 319	7 071	9 094	10 872	12 228	13 850	15 099	15 587	16 670	17 574	21 367	22 409	24 080	...	12	14	17	19	20	21	21	21	22	23	25	23	23
Haiti	99	150	900	1 061	1 160	1 265	1 370	1 745	1 850	1 925	1 940	1 992	2 031	...	2	2	7	7	8	9	10	11	12	14	12	10	11	...
Honduras	1 585	2 870	10 671	12 018	13 564	14 900	15 461	16 503	17 029	17 421	18 225	19 180	20 310	20 668	21	29	58	65	69	71	71	71	71	70	78	68	65	60
Jamaica	3 931	6 918	12 119	12 664	13 246	14 171	15 099	15 988	16 762	17 428	17 693	18 013	18 332	18 709	43	62	82	89	95	100	107	108	106	110	128	123	107	96
Mexico	...	212 374	461 350	507 876	502 688	478 453	486 671	544 480	570 381	616 321	592 508	641 301	712 355	821 953	...	23	37	38	37	39	44	46	45	47	52	49	49	46
Nicaragua	1 565	2 461	5 154	5 892	6 471	7 208	7 935	8 620	9 056	9 240	9 986	11 206	12 500	13 730	29	39	49	54	54	57	60	63	70	73	79	79	80	77
Panama	7 314	10 167	26 762	30 677	35 135	39 629	44 839	55 110	59 869	65 937	62 914	62 118	64 668	66 994	56	59	64	65	68	71	75	85	89	95	110	92	85	80
Paraguay	1 016	1 127	5 624	5 712	6 842	6 461	7 340	8 323	8 197	8 127	7 909	8 345	8 665	8 906	12	10	17	15	17	18	20	21	20	21	22	21	21	21
Peru	11 835	15 889	70 032	79 603	83 866	91 203	98 008	105 421	111 294	116 069	116 733	123 875	135 076	138 995	23	21	36	40	42	48	51	50	50	51	58	55	55	52
Suriname	...	...	1 035	1 232	1 397	1 477	1 894	2 034	2 173	2 266	2 275	2 144	2 138	2 065	...	...	19	22	25	29	57	57	54	53	55	64	59	59
Trinidad and Tobago	...	...	10 984	10 413	10 368	10 049	9 545	9 083	8 452	8 455	10 496	11 105	...	...	...	...	40	36	35	37	40	38	34	36	50	45	34	27
Uruguay	2 406	2 844	43 047	42 892	46 951	47 419	46 563	50 404	51 257	51 599	49 870	51 796	61 151	60 848	11	15	77	68	75	81	81	78	78	83	93	85	87	78
Venezuela (Bolivarian Republic of)	39 074	44 518	40 180	33 018	32 016	28 142	23 569	22 175	22 918	...	...	...	...	...	32	31	11	10	12	19	12	14	17	...	...	...	...	...
Total	**304 630**	**681 246**	**1 923 022**	**1 992 944**	**2 042 009**	**1 877 785**	**2 063 156**	**2 260 721**	**2 276 677**	**2 474 614**	**2 372 857**	**2 597 289**	**2 903 292**	**3 207 248**	**28**	**44**	**45**	**46**	**47**	**52**	**58**	**57**	**60**	**69**	**80**	**75**	**74**	**75**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as at 19 July 2024.

Table I.A1.6
Latin America and the Caribbean: FDI outflows, by country, 2002–2023
(Millions of dollars)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Antigua and Barbuda	14	13	15	17	2	2	2	4	5	3	4	6	6	14	38	12	-1	-11	2	-15	7	7
Argentina	-627	774	676	1 311	2 439	1 504	1 391	712	965	1 488	1 055	890	1 921	875	1 787	1 156	1 726	1 523	1 177	1 544	2 090	2 961
Bahamas	40	72	169	143	333	459	410	217	150	524	158	277	2 679	170	359	151	117	148	157	66	226	...
Barbados	25	25	54	157	44	82	73	27	345	556	39	40	-229	52	-194	-28	9	28	8	28	...	...
Belize	0	0	0	1	1	1	3	0	1	1	1	1	3	0	2	0	1	2	4	2	1	2
Bolivia (Plurinational State of)	3	3	3	3	3	4	5	-4	-29	0	77	-255	-33	-2	89	80	-84	48	-111	91	-81	257
Brazil	2 479	229	9 822	2 910	28 798	17 061	26 115	-4 552	26 763	16 067	2 083	15 644	20 607	3 134	14 693	21 341	2 025	22 820	-3 467	16 239	33 355	28 252
Chile	0	1 819	1 951	1 997	2 027	4 361	8 463	5 806	8 561	16 892	19 935	9 323	10 080	15 851	7 876	2 535	1 847	10 345	6 398	14 573	13 206	6 278
Colombia	857	938	192	4 796	1 268	1 279	3 085	3 505	5 483	8 420	-606	7 652	3 899	4 218	4 517	3 690	5 126	3 153	1 733	3 181	3 384	1 175
Costa Rica	132	152	206	150	219	430	197	274	318	405	894	804	424	414	493	273	581	24	459	447	613	987
Dominica	1	0	1	13	3	7	0	1	1	0	0	2	-2	-12	1	-1	0	0	0	2	-1	-1
El Salvador	-26	19	-3	113	-26	95	79	3	112	-96	-36	66	200	98	132	-385	-413	61	384	427	-131	-92
Grenada	3	1	1	3	6	16	6	1	3	3	3	1	7	19	17	4	18	24	-19	-9	12	13
Guatemala	0	0	0	0	0	0	17	31	50	80	44	30	55	183	209	196	201	180	149	476	723	665
Honduras	7	12	-6	1	1	2	-1	4	-1	2	208	77	390	365	247	-94	485	419	-105	288	21	228
Jamaica	74	116	52	101	85	115	76	61	58	75	90	75	59	34	270	34	13	446	7	56	60	-4
Mexico	-3 036	1 161	4 559	5 835	6 676	8 332	688	11 663	17 895	11 573	18 775	18 032	5 594	10 978	7 870	3 045	12 245	6 084	5 033	-207	17 323	758
Panama	0	0	0	0	0	0	0	0	0	176	-274	331	329	1 091	933	-338	570	725	-2 535	-9	125	786
Paraguay	0	0	0	0	0	0	33	63	143	-11	-91	176	448	260	290	431	-2	-125	40	217	-53	-86
Peru	0	-60	0	0	0	-66	-736	-411	-436	-343	2 308	237	837	-663	1 526	1 422	-790	-500	1 880	1 969	-587	1 476
Saint Kitts and Nevis	1	2	7	11	4	6	6	5	3	2	2	2	5	-5	-3	6	29	12	3	0	5	1
Saint Lucia	5	5	5	4	4	6	5	6	5	4	4	3	-32	23	12	-6	-9	45	-6	-18	-19	-3
Saint Vincent and the Grenadines	0	0	0	1	1	2	0	1	0	0	0	0	5	8	-9	21	7	5	2	0	-1	-2
Suriname	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-2	12	92	1	-9	-13	10
Trinidad and Tobago	106	225	25	341	370	0	700	0	0	67	189	63	-18	128	-25	-12	65	114	98	770	1 354	633
Uruguay	-14	-15	-18	-36	1	-89	11	-16	60	7	4 154	-2 058	1 838	1 898	1 308	4 724	2 456	79	-491	1 940	5 567	-4 739
Venezuela (Bolivarian Republic of)	1 026	1 318	619	1 167	1 524	-495	1 311	2 630	2 492	-370	4 294	752	1 024	-399	-1 041	-2 234	-661	...	...	...	...	...
Total	**1 069**	**6 811**	**18 333**	**19 037**	**43 782**	**33 114**	**41 939**	**20 030**	**62 947**	**55 525**	**53 310**	**52 170**	**50 096**	**38 736**	**41 397**	**36 019**	**25 570**	**45 742**	**10 801**	**42 049**	**77 188**	**39 564**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures and estimates as at 19 July 2024.

CHAPTER

II

Policies to attract FDI and promote its positive effects on the economy

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Introduction

The way economic systems have evolved in recent decades, including the deepening of globalization, the increased internationalization of firms and the lowering of barriers to cross-border capital flows, has resulted in an increase in FDI in the various regions of the global economy.[1] These phenomena have occurred alongside the development of global value chains, which account for almost 50% of world trade and have displayed tremendous resilience in the face of recent disruptions to economic systems (such as the coronavirus disease (COVID-19) pandemic), which are closely linked to FDI. FDI is one of the key means used by multinational enterprises to create, establish and develop their global value chains (Crescenzi and Harman, 2022; Gereffi, 2022; Iammarino and McCann, 2018).

Globalization and the increasing vibrance of FDI have aroused increasing interest among various public, private and academic actors in the impact that FDI can have on the development of countries and their territories. While FDI can be considered an important source of financing to enable developing countries to achieve the Sustainable Development Goals (SDGs), there is a stark contrast between the sustainability trends observed in global capital markets and the widening investment gap in SDG-related sectors (OECD, 2022; UNCTAD, 2023). Specifically, and as noted by Salazar-Xirinachs and Llinás (2023), FDI is called upon to play a leading role in the productive development policies of Latin American and Caribbean countries and their territories, to address the structural challenge of stagnating or even declining productivity.

This chapter presents lessons learned from the literature and case studies undertaken by the Economic Commission for Latin America and the Caribbean (ECLAC) itself, with a view to identifying the most effective policies for attracting FDI, promoting its positive effects on the productive, sustainable and inclusive development of the host economy, and avoiding negative impacts.

The positive effects are evaluated through the lens of SDGs in all their dimensions (economic, social and environmental), but, in particular, from the standpoint of productive development. To what extent did FDI-oriented strategies contribute to the achievement of the Goals? To this end, section A presents a brief review of the literature on the effects of FDI on the host economies and the main instruments used to attract it. Section B describes and analyses the policy frameworks, programmes and instruments applied in four international benchmark cases: Poland, Malaysia, Türkiye and South Africa; and it identifies some interesting policy lessons for Latin American and Caribbean countries. Section C reviews the role of investment promotion agencies, as one of the specific instruments used to promote and enhance FDI. Primary data are compiled on a number of Latin American and Caribbean investment promotion agencies, to understand how they fulfil their functions and align with development objectives —particularly those of productive development— in the region's countries. Lastly, section D sets forth conclusions and provides guidelines for the countries of the region and their territories on the underlying "what" and "how" of FDI endeavours.

[1] The literature on the subject is extensive. See, for example, Crescenzi and Iammarino (2017), Esquivel and Larraín (2001), González and Hernández (2008), Oman (2000), Ozturk (2007) and Sunesen (2009).

A. Effects of FDI on host economies and attraction mechanisms

1. FDI as a factor of sustainable and inclusive productive development

Foreign direct investment affects economic activity in various ways, depending on the type of investment, the target sector, and the institutional and policy context in which the investment is immersed.[2] The following is a brief review of the literature on the direct and indirect effects of FDI on the recipient economy. Direct effects occur through gross capital formation, job creation and exports. Indirect effects occur through secondary technological or productive impacts, backward and forward linkages with firms operating in the country, and increased competition in the local market.

An initial factor to consider is the impact of FDI on economic growth. The results reported in the literature on this issue, and on the effects of FDI in other areas (such as employment and exports), vary significantly from one study to another, partly owing to differences between the countries considered, the periods reviewed and the methodology used. According to Padilla Pérez and Gomes Nogueira (2015), FDI has the potential to generate several qualitative and quantitative effects in the host countries. In quantitative terms, FDI can enhance productivity and foster gross capital formation, contribute to creating quality jobs, drive improvements in the labour market and promote social well-being. It can also improve a country's balance of payments by increasing exports and providing access to new sources of financing, thus strengthening the external financial position. Qualitatively, FDI fosters technology transfer, thus promoting the development of local technological capabilities and human capital formation. This, in turn, stimulates product and process innovations, generating gains in productivity and competitiveness that benefit the host economy as a whole.

Notwithstanding the above, researchers seem to disagree about the impact of FDI on economic growth (Mamingi and Martin, 2018). Based on an analysis of more than 50 empirical studies conducted on the subject since 1986, Ozturk (2007) reports that, while many detect a positive link between FDI and growth in relatively less developed countries, the effect is not clear in the case of developed ones. In an econometric study, Chowdhury and Mavrotas (2006) find no empirical evidence of causality between FDI and GDP in Chile; but they do find a two-way relationship in the cases of Malaysia and Thailand. The authors conclude that the relationship between FDI and growth should be studied on a case-by-case basis, at the country level. Adeniyi and others (2012) reach a similar conclusion from an analysis of African economies. This is consistent with reviews made years earlier by De Mello (1997) and Crespo and Fontoura (2007), who argue that the effects of FDI should be evaluated in the light of the context and policies implemented in each country.

Ullah and others (2023) conduct an empirical review of the impact of sectoral FDI on growth and the role of recipient economy norms, based on data for 85 countries in three developing regions (Asia, Latin America and the Caribbean, and South-East Asia) relating to the period 1996–2019. These authors note that the impact of FDI on the economy varies according to the destination sector and the income level of the country in question. As a corollary, FDI policies must be sector-specific to be effective —that is, they must take into account the most relevant pull factors or entry barriers and the expected benefits of FDI. They must also prioritize sectors with the greatest potential to generate

[2] For a discussion of the different effects of FDI on host economies, see Borensztein, De Gregorio and Lee (1995), Chowdhury and Mavrotas (2006), Crespo and Fontoura (2007), De Mello (1997) and Ozturk (2007).

spillovers and linkages, such as the most technology-intensive ones. Along the same lines but with a smaller-scale approach, Pasali and Chaudhary (2020) find that the effects of FDI vary according to the characteristics of the firms involved.

Another key factor in determining the magnitude of spillovers is the absorption capacity of the recipient economy. This depends on the ability of firms and agents acting in the productive sectors, and of innovation and research and development agencies, to recognize the value of external information, adopt it, internalize it, and harness it to drive productivity growth and innovation (Cohen and Levinthal, 1990; Mamingi and Martin, 2018; Ozturk, 2007). FDI only generates significant technological spillovers when there is sufficient absorption capacity in the host economy (Crespo and Fontoura, 2007; Mamingi and Martin, 2018; Ozturk, 2007; Ullah and others, 2023). Moreover, absorption capacity depends on the existence of a network of public and private agencies that support science and technology, together with a culture of close interaction and coordination between these organizations and firms in the productive sector that facilitates innovation and technology diffusion, and an education and training system that can provide the skilled labour and professionals needed for a transforming economy. This network of institutions and virtuous interactions must, in turn, be fostered by productive development policies to articulate public and private investment in a crowding-in relationship. Lastly, macroeconomic stability, the quality of institutions and the transparency and efficiency of regulation, among other factors, are also necessary conditions for this absorption capacity to exist.

The effects are not all positive, however, and FDI may have a negative impact on the local economy in some cases. Examples include when FDI leads to market concentration that destroys local production capacities or networks, especially in greenfield investments;[3] or when it exacerbates income inequality and predatory exploitation of natural resources; or when it promotes changes in the ownership of innovative national firms, whose innovation teams are transferred abroad or eliminated; or when FDI is accompanied by regressive environmental and labour practices that multinational enterprises cannot apply in their own countries of origin but transfer to poorer countries where standards are less strict. It should also be noted that the positive effect on exports may be diminished if the exports of multinational firms are highly import-intensive (which also indicates weak linkages with the local economy). This could result in relatively low domestic value added in the ensuing exports. Another negative impact to be considered occurs when the profits of multinational companies can be repatriated easily to the parent countries (Nam and Ryu, 2023).

Crescenzi and Harman (2023) identify some potentially adverse consequences of investments by multinational enterprises —for example, on net job creation, when the jobs created by multinational firms do not make up for the job losses caused by increased competition generated by the foreign firms' more advanced technology. While incorporating technical progress is crucial for the long-term survival of an industry, the disruptive effect of FDI can generate unemployment and tensions in the short run. It is also necessary to consider the fiscal costs that may arise as a result of fiscal, tax or other incentives granted to multinational companies to set up in a given country or region (Morales, Guerrero and López, 2009), as discussed below.

With respect to the potential increase in market concentration mentioned above, it is important to consider that the increasing returns from static or dynamic economies of scale —which, frequently, only large foreign firms can access— can put local firms at a disadvantage in niches of low technological intensity, or else simply exclude them from the market. In a case study of Spain based on data from 1,799 manufacturing firms in 1990–2002, Garcia and others (2022) found that the innovative performance of local firms declined rather than increased in sectors that received larger FDI inflows.

[3] Greenfield investments are a type of FDI in which a firm invests in the construction or creation of new production or service facilities in a foreign country.

Moreover, when considering the SDGs, the impact of FDI should be evaluated more broadly, to include effects beyond growth and productivity. Gam, Oanh and Dang (2023) address the relationship between FDI and income inequality in 36 developing countries between 2008 and 2020 and find inequality increases, especially when the investment is concentrated in certain regions. There are also examples in the literature where FDI ignores certain aspects of human rights, such as child labour, or environmental care, which are nonetheless adhered to in the home countries.

In short, the relationship between FDI, productive development and growth, and the SDGs depends largely on the target of the investment and the technology absorption capacity of the country concerned. FDI will only be channelled into higher value-added and technology-intensive sectors if the country already has a base of domestic productive and technological capabilities to complement it. Moreover, it will only fulfill the role expected of it in the SDG framework if there are productive development policies in place to steer the investment and generate the necessary interventions, management and instruments, to shift the economy's production matrix towards more knowledge-intensive activities and processes that are more respectful of environmental constraints, and also enhance inclusion. Without productive development policies that seek coordination within and across sectors, FDI will only exploit static comparative advantages. At the extreme, it will tend to take advantage of cheap labour or environmental resources at a social, environmental and, often, political cost that can be contrary to the SDGs. The extent to which countries succeed in putting FDI at the service of sustainable and inclusive productive development is the main issue addressed in the following sections.

2. The role of FDI attraction policies in promoting investment

The literature has also displayed great interest in the key determinants of FDI and policies for attracting it, because, as noted above, they are closely related to its quality and impact.

Gligo (2007) and ECLAC (2007) provide an extremely useful classification of FDI attraction policies, which elucidates the debate on instruments, attraction and effects. Policies classified as "passive" are those that merely facilitate investments that aim to take advantage of market size or static comparative advantages, such as natural resources or cheap labour. The success of these policies is measured by the volume of investment they attract. Increasingly, however, countries are concerned with the quality of the investment and its effects on key variables, such as the balance of payments or employment. Policies that respond to more sophisticated demands for investment quality are considered "active", because they seek a certain type of investment and create incentives for it in sectors where there are no static comparative advantages. The incentives of this second group of policies are more selective and require a more developed institutional framework, such as a dedicated FDI attraction agency. In addition, these policies must take account of similar incentives offered by other countries that are competing to attract investment into the same sectors. Lastly, "integrated" policies are those that make FDI attraction an integral part of the strategy of sustainable productive development, broadly defined, by incorporating elements of inclusion, productivity and environmental protection. Integrated policies can also be seen as active policies that are designed as part of a broader productive development policy, coordinated and embedded in a long-term productive development strategy. These policies may include research and development and capacity-building institutions at the national level (such as education and technical training policies in general), or at the subnational or local levels (such as the promotion of cluster initiatives characterized by cooperation and knowledge flows within a sector or territory, which create public goods specific to that sector or territory).[4]

[4] For a description of how investment attraction efforts are articulated with cluster initiatives in the case of the Bogotá-Cundinamarca Metropolitan Region, see Llinás (2021).

What follows is a brief review of the available data on these policies. While the Latin American and Caribbean economies have applied passive policies and, in particular, active policies, the most successful cases have been integrated policies, of which China and the Republic of Korea offer very clear examples. It is also important to distinguish between cases in which active policies seek merely to extract rents and those that aim to strengthen the foundations of competitiveness in the longer term.

Several studies have sought to identify the factors involved in attracting FDI (Altomonte and Guagliano, 2001). A particularly worrying element is the type of competition in which countries or even subnational territories engage to persuade foreign capital to invest in the country. According to Oman (2000), there is potential for prospective investors to play two territories or countries off each other in the project bidding process, at high cost to the bidders. Esquivel and Larraín (2001) identify the instruments available to a country to attract FDI and classify them in two types: (i) institutional or structural factors and (ii) incentive policies. The former seek to improve macroeconomic fundamentals, provide infrastructure, enhance the legal and regulatory framework, and increase the level of education and suitability of the labour force. The latter are basically of three types: fiscal (involving tax breaks for firms established through FDI); financial (through subsidies or economic support for production); and promotion policies (in which the government acts as a facilitator of FDI, generally through investment promotion agencies) (see table II.1).

Table II.1
Policy tools and instruments of FDI attraction

Institutional or structural factors		– Macroeconomic stability – Transparency and rule of law – Openness and predictability – Provision of infrastructure – Suitable workforce – Productive development policies, including technology policies, innovation agencies, education and training system, promotion of cluster initiatives and institutional cooperation networks (especially in innovation and innovation diffusion) that generate an environment that is conducive to productive diversification and sophistication
Incentive policies	Tax incentives	– Corporate income tax reduction – Income tax reduction or deduction – Tax holiday – Exemption from labour taxes – Exemption from import taxes on capital goods and equipment, among others – Tax relief on the investment or investment tax credits
	Financial incentives	– Direct subsidies (investment subsidies) – Government guarantees – Government insurance at privileged rates or government investment bonds
	Promotion policies	– One-stop-shop facilities – Active search for strategic investors – Country image or brand building – Investment aftercare and follow-up programmes – Policy advocacy

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of G. Esquivel and F. Larraín, *¿Cómo atraer inversión extranjera directa?*, Caracas, Andean Development Corporation (CAF), 2001; Organisation for Economic Co-operation and Development (OECD), *Policy Framework for Investment: A Review of Good Practices*, Paris, OECD Publishing, 2006; United Nations Conference on Trade and Development (UNCTAD), "Tax incentives and foreign direct investment: a global survey", *ASIT Advisory Studies*, No. 16, Geneva, 2000; and UNCTAD, "Incentives", *UNCTAD Series on Issues in International Investment Agreements*, Geneva, 2004.

These two factors are supported by the interaction between incentive policies (which are not necessarily granted to foreign firms alone, but may form part of a more general investment policy) and the construction of the structural and institutional bases needed to absorb FDI efficiently. If the incentives are implemented appropriately, they can enhance these foundations, which could increase the attraction of higher quality investment and generate positive development impacts. Moreover, if these incentives and structural improvements stem from the adoption of a productive development agenda, they may generate a virtuous cycle of growth and productivity, involving a shift

from active to integrated FDI attraction policies. Furthermore, a productive development agenda targeted to a specific sector becomes an additional point of attraction for foreign investors in that sector. This could be materialized in the form of cluster initiatives, for example. Such an agenda could offer solutions to specific current or future problems that the investor would need to address, which would be crucial not only for making the investment decision, but also to increase the return on it. In the long run, this interaction is one of the cornerstones of a successful FDI attraction policy and of investment promotion policies in general.

In general, while there seems to be consensus on the benefits of FDI if instruments related to institutional or structural factors are applied, there are reservations in the case of incentives, as it is argued that they would tend to generate costly bidding wars. Moreover, some incentives may not be applied effectively. For example, a study conducted by Delevic (2020) for the case of Serbia found that the policy of FDI incentives, conditional on the creation of jobs in the host economy, does not necessarily lead to a sustainable growth pattern. This is because, in the absence of conditions enabling the development of multiplier effects or externalities, this approach does not create a sustainable employment growth pattern.

Nonetheless, incentives are widely used to attract FDI in countries and territories throughout the world. This results partly from coordination problems, such as the lack of rules accepted by different countries that help to avoid negative sum games in the subsidy race to attract investment. Political variables also count, as shown by the findings of Jensen and others (2014), who argue that, in the cases studied, the offer of incentives can have a positive impact on the politicians' re-election chances. However, the resources deployed in providing incentives to multinational firms could be more beneficial and efficient if they were used to provide public goods and, in particular, those specific to the sector and territory in question. Moreover, incentives discriminate against established investors (whether domestic or foreign) who do not access the benefit. This can lead to "round tripping", when investors pull out of the country and then return as "new" investors to obtain the benefits granted to new investments (Oman, 2000).

In terms of investment incentives generally, and not necessarily related to FDI attraction, Bartik (2019) analyses the case of the United States and claims that the use of incentives would make sense in three specific cases: (i) when they are granted in the form of customized business services, also known as technology extension services (advisory services related to the identification of new markets or the adoption of new technologies, for example); (ii) when they prioritize regions that have high unemployment rates; or (iii) when they target high-tech clusters. The author argues that the benefits granted could be recovered by reducing the number of unemployed people, boosting national productivity and increasing revenue through corporate taxation. However, there are issues surrounding the fiscal feasibility of their de facto implementation, or even their constitutionality, because the regulation of the type of incentives granted by Governments could infringe on the autonomy accorded to them by the federal system.

In the case of Latin America and the Caribbean, and in keeping with the above, Morales, Guerrero and López (2009) argue that while the measures adopted to attract FDI have positive effects, tax and policy incentives do not attract FDI on their own. They need to be part of a more comprehensive programme that encompasses macroeconomic stability, social investment and infrastructure modernization. This argument is reinforced by evidence that investors make a two-stage decision, when deciding where to set up business (Oman, 2000): first, they look for locations that meet their fundamental requirements; and then, from the shortlist of locations, they look for the one that offers them the best conditions. It is at this point that discretionary government offers come into play and start to have an effect.

Esquivel and Larraín (2001) argue that incentive policies tend to be extremely costly for countries, while those aimed at strengthening physical and human capital infrastructure are likely to have beneficial spillover effects that would affect not only FDI but also domestic investment and economic activity

in general. There is also an extensive literature analysing evidence of the importance of institutional and governance issues for attracting FDI flows, the results of which suggest that improving the quality of the regions —including human development indicators— in these areas enhances FDI attraction (Crescenzi and Harman, 2023). Similarly, Nam and Ryu (2023) argue that many developing countries have weak regulatory frameworks or little capacity to enforce existing laws; and this allows FDI to be channelled into activities that may harm the environment or violate human rights. At the same time, corruption can help facilitate these activities through FDI. Accordingly, the quality of rules is essential for managing FDI and safeguarding human rights and the environment, as well as for raising living standards. Good governance would protect against these negative effects.

The importance of improving governance and FDI absorption capacity in the host economy is highlighted in many of the studies on the subject. This would serve not only to increase FDI attraction, but also to enable and promote the positive spillover effects that it can generate.

On the basis of the findings of a study of the effects of FDI on the productivity of domestic firms in Viet Nam, Nguyen and others (2020) argue that capturing the benefits of positive spillovers from FDI requires enhancing the skills of the local workforce and creating more training programmes and opportunities to bridge the technology gap —in other words by incorporating innovations generated in advanced countries and diffusing them into the domestic economy. Government support becomes critical in terms of investment in education, research and development and infrastructure, in order to increase the absorption capacity of local firms. Brunini Fuentes (2022) reaches similar conclusions in a study of Uruguay covering the period 2007–2017, which did not detect any increase in the quality of exports of local firms in response to FDI growth. He concludes that these findings might indicate the need to enhance interrelationships between foreign and domestic firms, to enable domestic firms to benefit from the horizontal and vertical spillovers of the former. From the public-policy standpoint, for example, it might be possible to contribute to this objective by developing supplier programmes.

The United Nations Conference on Trade and Development (UNCTAD, 2021) reports similar findings and recommendations in relation to gender policies. The mechanisms through which positive spillover effects are transmitted, especially with regard to gender policies and practices, depend on country- and sector-specific conditions. A specific case study of Bangladesh, Brazil, Costa Rica, South Africa and Viet Nam underscores the importance of policies and programmes aimed at increasing local absorption capacity.

Accordingly, there seems to be a consensus in the literature on the type of competencies that territories need to develop for FDI attraction, if they wish to obtain positive effects on local economic development. This means that an FDI attraction policy that is not associated with a broader government policy related to the productive development of the country and its territories will not have the expected positive development effects.

In an econometric analysis based on a sample of more than 90 countries, Esquivel and Larraín (2001) find that, while country structural factors such as size and geographic characteristics influence FDI attraction, economic policies and the quality of institutions are decisive.[5]

In this regard, Oman (2000) argues that it may be counterproductive for governments to offer costly incentives if the region's economic fundamentals do not meet the basic requirements of long-term investors, because the region would then attract "the wrong kind of investor". Moreover, if the region does not have the minimum fundamentals, the provision of incentives may detract from government credibility and diminish its capacity to attract stronger long-term investors. In addition, choosing the wrong incentives can render the policymaking process more vulnerable to rent-seeking behaviour and perhaps corruption, to the detriment of state modernization, democracy and territorial development. To move in the right direction, international cooperation could be considered to establish behavioural rules based on social and environmental standards in FDI attraction mechanisms.

5 See also De Mello (1997) and Crespo and Fontoura (2007).

3. In conclusion: FDI attraction policies should be part of a coordinated productive development strategy

The previous section, which reviews international data on FDI attraction and its effects, indicates that the topic continues to be a subject of intense debate and research. This is explained partly by methodological shortcomings and the lack of data of sufficient detail, which hinders the availability of information on FDI at the local, sectoral and subsectoral levels and, consequently, makes it difficult to estimate its effects accurately. Although the results are disparate and vary considerably between periods, countries and sectors, there are some recurrent findings that can be considered as consolidated lessons.

Firstly the potential of FDI to affect economic growth is greater if the host country has adequate absorption capacity. In general, the least developed countries lack the initial absorption capacity needed to obtain the best results from FDI. This depends not only on macroeconomic and institutional factors and good governance, but also on the sectors involved and the policies put in place to promote, regulate and manage FDI.

Consequently, FDI attraction policies should be formulated in accordance with the specific characteristics of the country, territory and sectors concerned. The data show that FDI attraction policies focused on strengthening a country's institutional or structural factors, including productive development policies in particular, tend to be more successful in promoting social well-being than those based on incentives alone. According to the classification of FDI policies suggested by Gligo (2007) and ECLAC (2007), these should be integrated and not merely active.

FDI policies should reduce territorial and market concentration, in particular by opening spaces for micro- , small and medium-sized enterprises. In analysing the example of the Basque Country, Monge González and Salazar-Xirinachs (2017) highlight the importance of interaction between heterogeneous private actors (large and small firms) and public actors around technological development, to maximize the capacity to attract quality investment and spillover effects on the entire productive fabric, and not just on the leading firms. In the case studied, this occurs by developing knowledge creation centres (such as universities) and technological support centres for enterprises.

It is thus necessary to avoid competition through "costly" incentives that can often trigger a race to the bottom, through the unnecessary lowering of standards or the introduction of unnecessary distortions in the allocation of investments, which weaken the public finances (Oman, 2000). Disputes over FDI can result in a suboptimal distribution of spillovers in the local economy, especially if labour or environmental rights are ignored in such competition (González and Hernández, 2008; Oman, 2000).

Productive development policies have two key elements for diminishing the risk of a race to the bottom. The first are policies to strengthen the innovation ecosystem, which generate other factors for attracting investment beyond subsidies. The second involve the creation of international and subnational cooperation and coordination mechanisms, to avoid the temptation for each unit to pursue its own benefit at the expense of the whole, as in the prisoner's dilemma, in which the result, in the absence of cooperation, is suboptimal for all parties. The effectiveness of public policies in building capacity and coordinating different actors is fundamental. More than declarations or intentions, or the number of promotion agencies that exist, what really matters is the political weight that these agencies and actors have in productive development policies. As noted in the following section, interventions at the highest, and even presidential, political level play a more significant role in the development strategy than an uncoordinated set of institutions with few resources and little influence on the executive branch.

In terms of the development impact of FDI, integrated policies to attract and leverage FDI should use the SDGs as a reference in all their dimensions, including the recognition of its impact on human rights (Voss, 2020) and sustainability, and not just its impact on production.

B. International experiences

As noted in the previous section, FDI flows produce impacts that differ according to the specific conditions prevailing in the host country, the destination sector, and the policies and instruments used to attract them. These conditions also foster FDI attraction, thus generating a virtuous cycle for countries that have favourable conditions. However, the path is more complex for other countries. In the latter group, to which Latin American and Caribbean countries tend to belong, the implementation of instruments to attract FDI should maximize the impact of the flows, with a view to creating conditions that are conducive to both attracting and benefiting from them. FDI should be placed at the service of productive transformation, and it should interact positively with other productive development policies, in order to contribute to the diversification and sophistication of production structures.

This section describes a number of case studies to illustrate the design of specific strategies for different contexts. To this end, various FDI attraction instruments and strategies employed in four countries in other regions of the world were studied: Poland's special economic zones, Malaysia's New Industrial Master Plan 2030, the actions of the Investment Office of Türkiye, and the use of FDI for social and productive development in South Africa. These countries were chosen because of their different experiences in developing FDI attraction strategies, with a view to identifying elements that could be useful for formulating FDI attraction policies in Latin American and Caribbean countries. In addition, aspects such as geographical diversity, historical context, and socioeconomic similarities and differences compared to countries in the region were also considered.

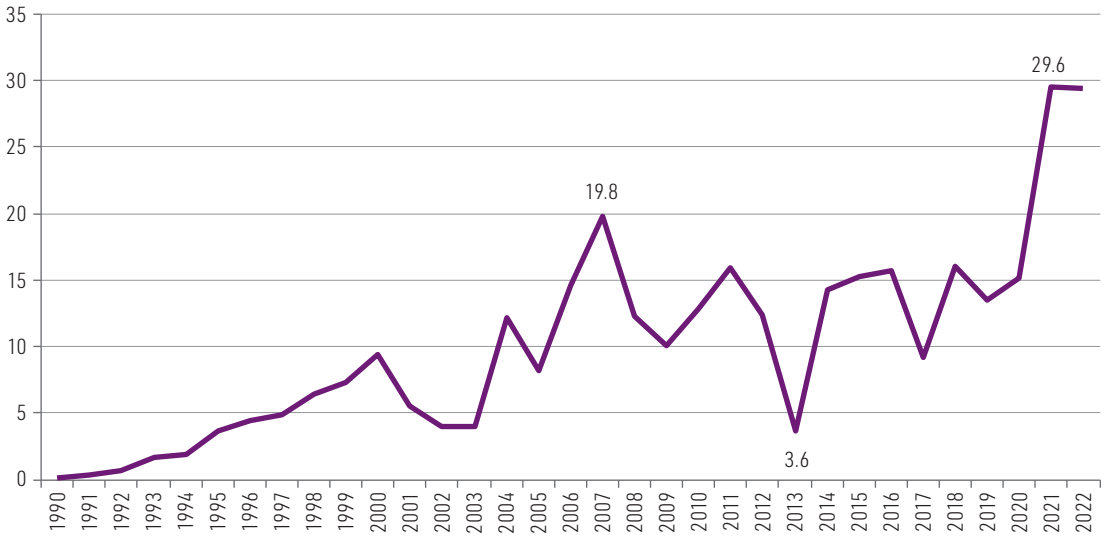
1. FDI attraction policies in Poland: special economic zones

The importance of FDI is not a new phenomenon in Poland, since it played a key role in the process of transforming the Central and Eastern European economies into market economies. The Polish Government invited many private investors to participate actively in the process of change, which became known as the "mass privatization" process. This resulted in the privatization of more than 400 medium-sized and large State-owned enterprises (Hunter and Lozada, 2023).

History is highly relevant, especially in terms of lessons learned by the Polish economy and society during the process of transforming the economy following the change of regime and the consequent attraction of FDI in the post-1989 period. Nonetheless, an analysis of the past few years alone shows a remarkable growth of FDI inflows to the country. According to UNCTAD data, Poland has attracted an increasing flow of FDI over the years, albeit with some periods of fluctuation and others of significant growth (see figure II.1). In 2021 and 2022, Poland experienced record FDI inflows of US$ 29.58 billion and US$ 29.462 billion, respectively (UNCTAD, 2023) (see table II.2). These figures represent growth of about 95% compared to 2020 (US$ 15.195 billion), which resulted in an almost 30% increase in Poland's share of global FDI.

Poland was the fourteenth largest FDI recipient in 2022, with a heavy bias towards the services sector, including financial services, which accounted for 60% of these inflows. Manufacturing, especially the petrochemical industry, also played a major role, absorbing 33% of the total (NBP, 2024; UNCTAD, 2023). This success is explained not only by the economic recovery following the COVID-19 pandemic, supported by measures to support entrepreneurs during the health crisis, but also by relocation of the activities of several firms from Ukraine and Belarus to Poland (ITA, 2024; Ministry of Economic Development and Technology, 2020). Moreover, Poland was one of the five economies that attracted the most projects in the electric vehicle sector, a fast-growing industry of great relevance today, demonstrating the buoyancy and potential of the Polish economy on the international stage (UNCTAD, 2023).

Figure II.1
Poland: FDI inflows, 1990–2022
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the United Nations Conference on Trade and Development (UNCTAD).

Table II.2
Poland: selected data, 2014–2022

Poland	2014	2015	2016	2017	2018	2019	2020	2021	2022
FDI inflows *(Millions of dollars)*	14 269	15 271	15 690	9 172	15 996	13 510	15 195	29 580	29 462
Annual variation *(Percentages)*	293.6	7.0	2.7	-41.5	74.4	-15.5	12.5	94.7	-0.4
GDP at current prices *(Millions of dollars)*	539 081	477 111	470 025	524 641	588 780	596 058	599 443	681 346	688 125
FDI inflows/GDP *(Percentages)*	2.6	3.2	3.3	1.7	2.7	2.3	2.5	4.3	4.3
Global FDI share *(Percentages)*	1.01	0.74	0.78	0.56	1.16	0.79	1.58	2.00	2.28
Annual variation *(Percentages)*	309.3	-26.5	5.5	-28.8	108.6	-32.0	99.7	26.7	13.7
FDI project announcements in engineering-intensive sectors *(Millions of dollars)*	1 917	1 272	3 804	2 172	3 358	3 782	1 381	2 428	2 470
Share of total project announcements *(Percentages)*	23.4	20.2	34.1	13.5	16.6	15.7	5.8	10.3	13.7
Share of machinery and electronic goods in total exports *(Percentages)*	24.7	25.2	24.6	24.0	24.2	23.8	24.9	25.1	NA

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the United Nations Conference on Trade and Development (UNCTAD), the United Nations Statistics Division, fDi Markets and the World Bank.

Poland's sustained success in attracting FDI is explained both by contextual or fundamental factors, and by those related to specific policies. The first group includes the following: economic stability; strategic geographical position; good human capital development; ambitious culture and entrepreneurial spirit; profiling as an innovative country with a high capacity for growth; the existence of a business environment that supports startups and entrepreneurs and promotes research and

development; rapid modernization of infrastructure, including physical (roads and transport) and energy infrastructure; and experience in various sectors, which means few difficulties in finding partners in different sectors and confirms the importance of the existence of the aforementioned absorption capacities.

In the second group, the Polish Government has made national economic growth a key policy and priority, by supporting the development of high-tech investments, boosting productivity and trade, and fostering entrepreneurship, scientific research and innovation with domestic and European Union funding (Hunter and Lozada, 2023). The central institution for FDI development is the Polish Investment and Trade Agency (PAIH), created in 2017 and originally established in 1992 as the Polish Agency for Foreign Investment (PAIZ).

One of the key instruments of Poland's FDI attraction policy was the creation of special economic zones in 1994. The original legislation set out seven broad objectives: (i) to develop certain areas of economic activity; (ii) to develop new technical and technological solutions and promote their use in the national economy; (iii) to expand exports; (iv) to increase the competitiveness of manufactured products and services; (v) to upgrade existing industrial assets and economic infrastructure; (vi) to create new jobs; and (vii) to manage unused natural resources in accordance with the principles of ecological balance (Ministry of Economic Development and Technology, 2024). To attract investors, special economic zones offered state incentives in the form of exemption from income tax, on the basis of capital expenditures and newly created jobs.

This instrument has evolved since it was created. In May 2018, legal amendments were introduced through the Act on Supporting New Investment, which resulted in the creation of the Polish Investment Zone. This change aimed not only to comply with European Union competition rules, but also to address the needs of entrepreneurs (for example, to provide benefits for project expansion and to facilitate access for micro-, small and medium-sized enterprises). The structure of the Polish Investment Zone includes the development of infrastructure and other conditions for venture development and the promotion of innovation. Qualitative criteria are also applied, such as sustainability, environmental protection and corporate social responsibility (PAIH, n.d.; UNCTAD, 2019).

Before this zone was created, government benefits for investors were limited to the territories of special economic zones. The Polish Investment Zone divided the country into 14 special economic zones and extended the benefits throughout Polish territory.

Investments eligible for support must satisfy related qualitative and quantitative criteria, including a minimum investment cost, the unemployment rate in the district where the investment is to be made, and the size of the firm, among others. Research and development activities are also prioritized in the granting of benefits. Other criteria include whether the project involves: (i) the creation of a new establishment; (ii) expansion of the capacity of an existing establishment; (iii) diversification of the production of an establishment into products not produced previously; (iv) a fundamental change in the overall production process of an existing establishment; and (v) the acquisition of assets belonging to an establishment that has closed or would have closed but for the purchase by an investor unrelated to the seller (PAIH, n.d.). These criteria reveal the authorities' interest in increasing production and in fostering productive diversification and expanding the scale of capacities.

The maximum amount of State aid in the form of income tax exemption ranges from 0% to 50%, depending on the region and, in some cases, the municipalities concerned. It is valid for a minimum of 10 years and a maximum of 15 years. In the case of micro-, small and medium-sized enterprises, the support is increased by 10 and 20 percentage points depending on the size of the firm.[6] This again shows the authorities' desire for the productive development policy to generate conditions that have positive spillover effects for these enterprises.

[6] In other words, support increases from 25% to 35% in the case of micro- and small enterprises and to 45% in the case of medium-sized enterprises (PAIH, n.d.).

Considered a great success and still promoted as one of the main investment attractions in Poland, special economic zones achieved significant results up to June 2018, when a cumulative total of 448,000 jobs had been created in the 14 zones with a cumulative investment of US$ 35 billion (UNCTAD, 2019).

However, the success of the special economic zones does not go unchallenged. Prior to the 2018 Act on Supporting New Investment, the lack of incentives for micro-, small and medium-sized enterprises and restrictions on operating in defined territorial areas led many investors to seek the incentives and tax exemptions offered by neighbouring countries (such as Czechia, Hungary and Slovakia). The success of the 2018 reform is evidenced by the fact that the vast majority of investments in the Polish Investment Zone are now located outside the former special economic zones (UNCTAD, 2019).

Imperatives related to the need to maintain competitiveness are currently significant, in terms of acquiring and retaining skilled labour and managing the investment process effectively. In addition, long-term needs have to be considered to ensure their continued success and contribution to sustainable economic development (PAIH, n.d.).

One of these is to maintain the differential elements offered by each zone, in order to keep it competitive and attractive when international production patterns are changing, given the reorganization of global value chains and the demands of the new industrial revolution. Other imperatives relate to sustainable development, since cost efficiency can no longer be prioritized to the detriment of social and environmental standards. In this context, a sound regulatory framework, strong institutions and good governance are crucial for success. Moreover, if the special economic zone strategy is included in the country's productive development policy, active support is needed to promote clusters and productive linkages, which are key to maximizing the positive impact on sustainable development (UNCTAD, 2019).

2. FDI attraction policies in Malaysia: the New Industrial Master Plan 2030 as a key instrument for productive development

Malaysia is a South-East Asian country that occupies a prominent position in global value chains. It is part of the "Asian factory"[7] and participates actively in world trade. More than 50% of its GDP comes from exports (Garrido, 2022). Despite some fluctuations, the overall share of machinery and electronic products in its exports increased between 2014 and 2021 (see table II.3).

Malaysia's strategic geographical position and industrial prowess help to explain why it is a leading destination for FDI project announcements in engineering-intensive sectors. Figure II.2 shows that FDI inflows grew on a sustained basis in the 1990s, followed by sharper fluctuations in the decade of 2000 and a period of recovery in the years following the global financial crisis. Despite the fluctuations in the period under review, the value recorded in these sectors in Malaysia has attained extremely high levels. In 2021, there was an exponential jump in the value of greenfield projects in engineering-related sectors, owing mainly to investments by chip makers in the semiconductor sector. These announcements included Risen Solar Technology (China) for US$ 10 billion, Intel (United States) for US$ 7 billion and AT&S (Austria) for US$ 2.1 billion. (UNCTAD, 2022a). This is reflected in the growing trend of exports of machinery and electronic products (which accounted for 45.4% of the country's exports in 2020) and, at the same time, helps to understand it.

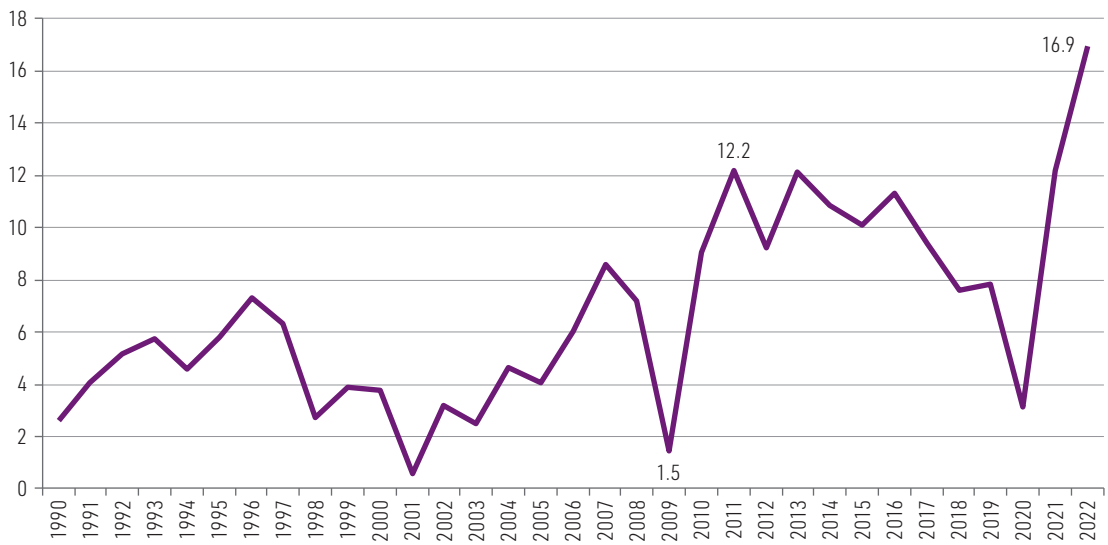
[7] According to Garrido (2022), globalization can be analysed through the lens of factory regions, based on global production chains and global value chains. The author, through an analysis of firms' productive processes that encourage offshoring through trade in intermediate goods, identifies three main factory regions, anchored by the United States, Germany, and the "Asian factory" comprising Japan and China.

Table II.3
Malaysia: selected data, 2014–2022

Malaysia	2014	2015	2016	2017	2018	2019	2020	2021	2022
FDI inflows *(Millions of dollars)*	10 877	10 082	11 336	9 399	7 618	7 813	3 160	12 173	16 940
Annual variation *(Percentages)*	-10.2	-7.3	12.4	-17.1	-18.9	2.6	-59.6	285.3	39.2
GDP at current prices *(Millions of dollars)*	338 066	301 355	301 255	319 109	358 789	365 178	337 339	372 981	406 306
FDI inflows/GDP *(Percentages)*	3.2	3.3	3.8	2.9	2.1	2.1	0.9	3.3	4.2
Global FDI share *(Percentages)*	0.77	0.49	0.57	0.57	0.55	0.46	0.33	0.82	1.31
Annual variation *(Percentages)*	-6.6	-36.4	15.4	1.0	-3.1	-17.4	-28.2	150.8	58.9
FDI project announcements in engineering-intensive sectors *(Millions of dollars)*	2 269	2 056	2 818	1 403	1 203	3 093	1 605	21 602	8 990
Share of total project announcements *(Percentages)*	10.5	14.0	13.7	20.6	7.4	28.4	19.6	76.1	38.2
Share of machinery and electronic products in total exports *(Percentages)*	37.9	40.9	42.2	42.5	43.6	43.2	45.4	42.6	NA

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the United Nations Conference on Trade and Development (UNCTAD), the United Nations Statistics Division, fDi Markets and the World Bank.

Figure II.2
Malaysia: FDI inflows, 1990–2022
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the United Nations Conference on Trade and Development (UNCTAD).

The sophistication of Malaysia's export profile is no coincidence: the country has an active FDI attraction strategy aimed at developing the high-value-added manufacturing sector, mainly for export. Empirical evidence suggests that FDI attraction has the potential to enhance export quality in developing countries (Harding and Javorcik, 2012). Furthermore, according to the Malaysian

Investment Development Authority (MIDA, 2023a), the strategy of attracting FDI in industrial sectors is justified by its capacity to generate employment and spillovers across multiple industries, thereby contributing to the development of productive capacities in the country. These results are expected to have a multiplier effect, as FDI is likely to be related positively with domestic investment.

To enable this transformation, in 2023 Malaysia adopted the New Industrial Master Plan 2030, which is aligned with the Malaysian Government's plans to attract investment into the manufacturing and processing sectors. According to the Government, the strength of the country's manufacturing sector has been forged by implementing "robust and forward-looking" industrial master plans since 1986. The most recent plan is based on the need to build a more advanced industrial base as a prerequisite for achieving socioeconomic prosperity.

The New Industrial Master Plan 2030 has a sectoral focus and includes 21 sector plans, with five priority plans corresponding to the aerospace, chemical, electrical and electronics, pharmaceutical and medical devices sectors. The current focus also stresses investments in new areas of development, such as electric vehicles, the use of 5G technology in factories, supply chain ecosystems and green technology.

The current focus is on opportunities arising from recent geopolitical tensions, including the COVID-19 pandemic, the United States-China trade dispute, and the conflict between the Russian Federation and Ukraine. The shift that has occurred in global value chains and the pressures to build resilience to supply and demand shocks, along with trends in new technologies and climate change-related imperatives, have helped Malaysia position itself as an alternative manufacturing and distribution hub (MIDA, 2023b).

The authorities decided to respond quickly to these trends and have established a mission-based seven-year plan that encourages collaboration between the government and the private sector. The plan was developed through focus group sessions with various key stakeholders, such as ministries, agencies, regulators, industry associations and private actors. This reveals a clear concern for organizing policies around the objectives of the plan in 2030.

The New Industrial Master Plan 2030 organizes the productive development policy for the manufacturing and manufacturing-related service sectors, with the following broad objectives: (i) to set a national strategic direction for industrial development; (ii) to provide a benchmark for investors and other economies on Malaysia's position and direction; and (iii) to establish the Malaysian government's participation in the economy.

The New Industrial Master Plan 2030 proposes distinct objectives, with specific outcomes and associated actions. To achieve these, it establishes four missions: (i) increase economic complexity; (ii) incorporate more technology for a digital nation; (iii) pursue a future in line with sustainable practice objectives; and (iv) ensure economic security and inclusion. To fulfil these missions, the New Industrial Master Plan 2030 proposes four enabling actions: (i) mobilize the financial ecosystem; (ii) stimulate talent development and attraction; (iii) establish a world-class investor experience; and (iv) introduce a nationwide governance framework.

With regard to the third of these enablers, Malaysia needs to establish a unified investment strategy and actions to facilitate investment. These improvements will enable the country to attract new FDI and encourage long-term reinvestment. The improvements needed require: strengthening of synergy among government entities to simplify and speed up business processes; improvement of the communication of information to investors; and improved incentives, both fiscal and non-fiscal. Several actions are proposed to achieve these improvements:

(i) Establish a unified investment strategy and align the evaluation of investment with the parameters defined in 2021 in the national investment aspirations. The objectives of this strategy are to increase economic complexity, create high-value job opportunities, extend national linkages, create new clusters and develop existing ones, increase inclusiveness, and improve environmental, social

and governance practices. This plan will be led by the Ministry of Investment, Trade and Industry in collaboration with relevant stakeholders, such as the Malaysian Investment Development Authority, the Ministry of Finance, the Internal Revenue Board and the Ministry of Economy;

(ii) Harmonize and coordinate functions and key performance indicators among the investment promotion agencies. Malaysia's pool of investment promotion agencies includes more than 30 entities with their own governance and potentially overlapping responsibilities. The Malaysian Investment Development Authority is mandated to centralize promotion and marketing; an existing unit is repurposed to speed up investment and implementation; and the functions of subnational investment promotion agencies are coordinated. The national investment committee is tasked with defining new key performance indicators;

(iii) Renew and design competitive, flexible and relevant incentives. The review of tax incentives is the responsibility of the Ministry of Finance.

In terms of the relationship between FDI and the local economy, the New Industrial Master Plan 2030 notes that the Malaysian authorities wish to implement initiatives to facilitate knowledge and technology transfer to domestic firms through foreign investments. This would be done by strengthening local value chains, promoting linkages and developing cluster initiatives in emerging sectors, while also strengthening existing clusters in the country (MITI, 2023). In addition, in conjunction with the Ministry of Investment, Trade and Industry, the Malaysian Investment Development Authority is establishing policies and initiatives on sustainability. To reduce the carbon footprint and promote sustainable development, the Authority will prioritize investments that benefit people and the planet, and support the financing of green projects and the renewable energy sector. This framework is used as a guide to attract FDI, integrate domestic firms into the global chain and hasten the adoption of environmental, social and governance principles.

3. FDI attraction policies in Türkiye: institutional framework for a coherent and coordinated strategy

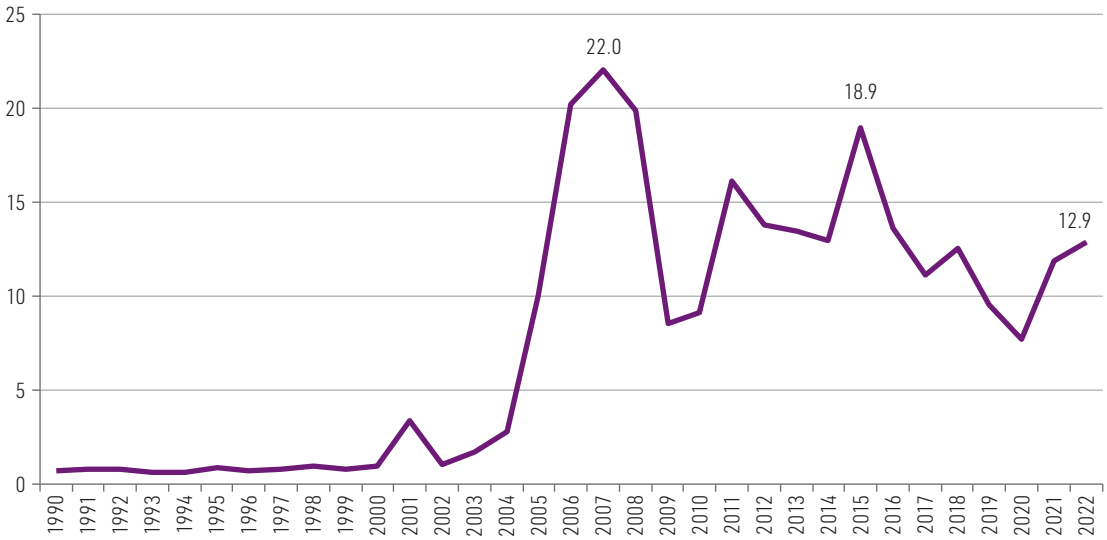
In keeping with the macroeconomic stability priorities of the Government that took office in Türkiye in 2003, which include the debate on accession to the European Union and increased FDI, the country embarked on a major economic reform process, with a view to reducing inflation significantly and boosting GDP growth.[8] Also noteworthy is the implementation of Law No. 4875 of 2003, which broadly liberalized the rules applicable to foreign assets in the country, treating foreign and domestic investments alike. In addition, Türkiye has been implementing an ambitious privatization plan, especially since 2005.

This set of measures resulted in a sharp increase in FDI inflows up to 2015, driven mainly by mergers and acquisitions. At their peak, inflows of US$ 22 billion were recorded in 2007, compared to US$ 805 million in 1997, according to UNCTAD data (see figure II.3). However, the global financial crisis of 2008 caused a sharp drop in FDI inflows in both 2009 and 2010. In 2015, inward FDI amounted to nearly US$ 19 billion, although flows were more subdued (Aydoğan, 2017).

The failed coup attempt in 2016 cast doubt on Türkiye's economic stability, and the pace of inward FDI slackened considerably (Deichmann, 2021). Currently, FDI inflows into the country are highly volatile (see table II.4). Türkiye ranked second as a global recipient of investment projects in 2022, with a total of 24 projects, the leading recipients being the agrifood systems and renewable energy sectors (UNCTAD, 2023). There are also concerns about the effects that the conflict between the Russian Federation and Ukraine and the recent conflict in the Middle East will have on attracting FDI to the country.

8 For a historical review of the evolution of Türkiye's stance on FDI, see Grigoriadis and Kamaras (2008, cited in Deichmann, 2021).

Figure II.3
Türkiye: FDI inflows, 1990–2022
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the United Nations Conference on Trade and Development (UNCTAD).

Table II.4
Türkiye: selected data, 2014–2022

Türkiye	2014	2015	2016	2017	2018	2019	2020	2021	2022
FDI inflows *(Millions of dollars)*	12 969	18 976	13 651	11 113	12 511	9 543	7 686	11 840	12 881
Annual variation *(Percentages)*	-3.7	46.3	-28.1	-18.6	12.6	-23.7	-19.5	54.0	8.8
GDP at current prices (Millions of dollars)	938 934	864 314	869 683	858 989	778 972	761.006	720 338	819 865	907 118
FDI inflows/GDP *(Percentages)*	1.4	2.2	1.6	1.3	1.6	1.3	1.1	1.4	1.4
Global FDI share *(Percentages)*	0.92	0.92	0.68	0.68	0.91	0.56	0.80	0.80	0.99
Annual variation *(Percentages)*	0.2	0.5	-26.2	-0.8	34.6	-38.6	43.0	0.3	24.2
FDI project announcements in engineering-intensive sectors *(Millions of dollars)*	1 444	2 128	2 070	1 298	1 752	977	3 094	2 441	1 205
Share of total project announcements *(Percentages)*	33.2	38.8	23.3	14.0	10.9	25.9	65.1	52.0	28.2
Share of machinery and electronic products in total exports *(Percentages)*	15.5	15.0	14.8	14.6	15.1	15.2	15.4	14.6	NA

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the United Nations Conference on Trade and Development (UNCTAD), the United Nations Statistics Division, fDi Markets and the World Bank.

The Government of Türkiye considers investment attraction a strategic priority, and this is reflected in its institutional framework. The institution tasked with implementing the country's FDI strategy is the Investment Office, which reports directly to the Office of the President of the Republic. Created in 2006, the Investment Office actively seeks investments with a dual focus: key sectors and investments from specific countries.

Firstly, the Investment Office supports projects in high value-added job-creating sectors, including the following: automotive; chemicals; defence and aerospace; energy; financial investments and startups; information and communications technology; infrastructure; life sciences; logistics and transportation; machinery; agrifood; business services; financial services; mining and metals; real estate and tourism. Secondly, it is active in several target countries, including China, France, Germany, Italy, Japan, Malaysia, Qatar, the Republic of Korea, Saudi Arabia, Singapore, Spain, the United Arab Emirates, the United Kingdom and the United States.

The Investment Office provides confidential services free of charge, combining the private sector approach with support from other government agencies. They include consulting, stakeholder coordination, business facilitation, location selection, organization of tailor-made visits, project launch, assistance in partner search and ongoing support (aftercare activities and investment follow-up). The Office also has the prerogative and responsibility to seek out and support projects that benefit the local population and contribute to the development of the national economy. At the same time, projects that are detrimental to them may be prohibited.

The Investment Office is also tasked with formulating and implementing Türkiye's FDI attraction strategy, which is set out in a comprehensive document[9] and described as a target-oriented FDI strategy for obtaining value added, knowledge-intensive investments that create high-quality employment during a critical period for the country and that significantly contribute to the achievement of national targets for 2023 (Investment Office, n.d., p. 5).

The strategy was designed in cooperation with relevant public and private organizations with a specific objective: to increase the FDI market share to 1.5% by 2023, by improving the profile of FDI projects.

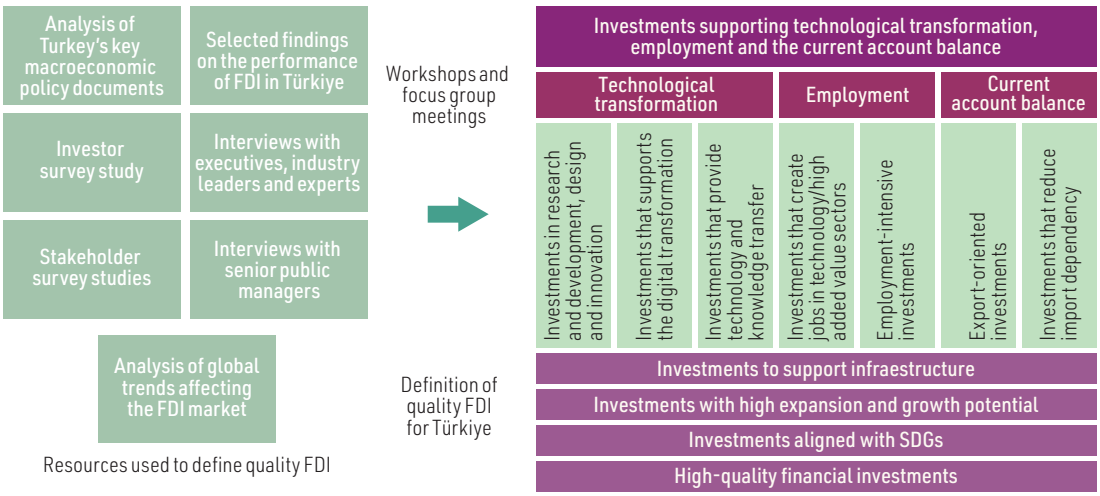
To achieve this objective, the document presents 11 strategies and 72 actions designed by the Investment Office in coordination with stakeholders. The respective guidelines reflect three key principles: (i) investor orientation, as they were based on an analysis of recent changes in investors' needs and expectations; (ii) specialization in quality FDI, by defining this concept for the country and establishing a proactive approach; and (iii) common spirit, which arises from cooperation and coordination, as the strategy was designed with the participation of all stakeholders, including public institutions, professional organizations and investors.

The strategy was prepared in three main stages: (i) analysis of key trends and expectations regarding global and regional FDI and the future of the market; (ii) analysis of Türkiye's performance and a comparative analysis of its investment climate relative to selected countries (see the left panel of diagram II.1); and (iii) definition of quality FDI for Türkiye, objectives, strategies and actions (see right panel of diagram II.1). With regard to the latter, the authorities established a participatory methodology for specifying the type of FDI that the country desired to attract. Thus, quality FDI was defined as investments that support technological transformation, employment and the current account balance (Investment Office, n.d., p. 6) (see diagram II.1).

The country's FDI strategy is also aligned with the Eleventh Development Plan (2019–2023), the New Economy Programme 2020–2022, the Industry and Technology Strategy 2023 and the Turkish Exports Strategy for 2023, in terms of the nature, objectives and strategies to achieve them; and it complements these policy documents. The investment attraction strategy thus appears to be embedded in strategic plans (including productive development policies) at a higher level and in a national development plan.

[9] See Investment Office (n.d.).

Diagram II.1
Türkiye: definition of quality FDI



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Investment Office, *Foreign Direct Investment (FDI) Strategy of Turkey (2021–2023)* [online] https://www.invest.gov.tr/en/pages/turkey-fdi-strategy.aspx.

4. FDI attraction policies in South Africa: investments for social and productive development

A comparison of indicators of South Africa's productive structure relative to those of the other three countries analysed in this section shows that South Africa faces the greatest challenges. According to the data shown in table II.5, the share of exports involving machinery and electronic products has declined steadily from 9.8% in 2014 to 6.8% in 2021. This may indicate that these sectors are uncompetitive in the international market.

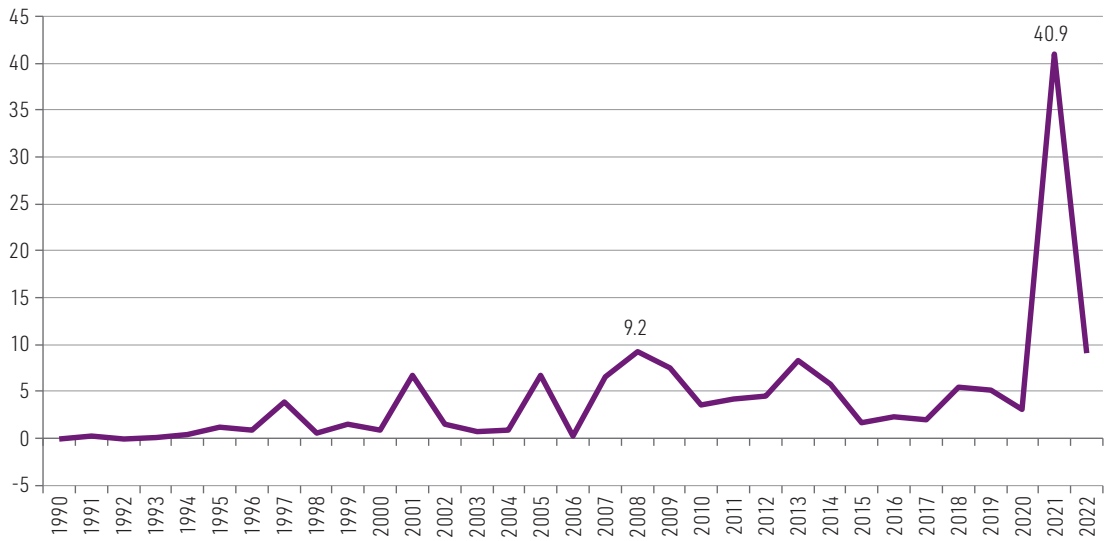
Table II.5
South Africa: selected data, 2014–2022

South Africa	2014	2015	2016	2017	2018	2019	2020	2021	2022
FDI inflows *(Millions of dollars)*	5 771	1 729	2 235	2 008	5 450	5 125	3 062	40 948	9 051
Annual variation *(Percentages)*	-30.5	-70.0	29.2	-10.1	171.3	-6.0	-40.2	1 237.2	-77.9
GDP at current prices *(Millions of dollars)*	380 909	346 486	323 568	380 851	405 047	389 330	338 291	420 118	405 271
FDI inflows/GDP *(Percentages)*	1.5	0.5	0.7	0.5	1.3	1.3	0.9	9.7	2.2
Global FDI share *(Percentages)*	0.41	0.08	0.11	0.12	0.40	0.30	0.32	2.77	0.70
Annual variation *(Percentages)*	-27.7	-79.4	32.7	9.4	224.5	-24.3	6.1	770.3	-74.8
FDI project announcements in engineering-intensive sectors *(Millions of dollars)*	1 022	885	839	250	853	849	359	1 071	371
Share of total project announcements *(Percentages)*	8.7	17.6	11.3	7.4	13.8	17.9	5.4	20.6	1.4
Share of machinery and electronic products in total exports *(Percentages)*	9.8	9.8	9.3	8.1	8.1	8.1	7.6	6.8	NA

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the United Nations Conference on Trade and Development (UNCTAD), the United Nations Statistics Division, fDi Markets and the World Bank.

These challenges are also reflected in the low levels of indicators related to FDI attraction. FDI project announcements in engineering-intensive sectors have been volatile, with peaks in 2014 and 2021. Attracting investment to these sectors could be the key to technological development and economic diversification. In recent decades, South Africa has experienced sharp fluctuations in FDI inflows, with periods of sustained growth followed by spells of greater volatility (see figure II.4). However, the general level of FDI inflows remains very low, with an extremely small global share. The exception was 2021, when approximately 45% of the value of inflows corresponded to a single intra-firm financial transaction in the country (UNCTAD, 2022b). In this context, policies aimed at attracting FDI and the country's productive development become imperative.

Figure II.4
South Africa: FDI inflows, 1990–2022
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of data from the United Nations Conference on Trade and Development (UNCTAD).

The need to restore South Africa's image as a modern and open economy in the post-apartheid era has been a constant concern of the country's economic policies. This led to the adoption of measures to establish a liberal and open investment environment, including the signing of several investment treaties. The resources that have since flowed into the country through FDI have not had the expected impact on national productive development. Accordingly, it has become necessary to alter the FDI attraction policies and make them more selective. FDI is considered beneficial when it contributes to reducing unemployment and promoting an inclusive growth pattern, among other objectives (SAIIA, 2015).

To address these and other challenges, in 2012 South Africa adopted the National Development Plan 2030, with a long-term perspective and the goal of eliminating poverty and reducing inequality by 2030. Ten years later, in 2022, the National Planning Commission[10] conducted a review of the plan, as less than a decade remained to meet the initial targets, which were far from being achieved.

These results, compounded by the lack of structured coordination of the various mandates and processes related to the design and implementation of FDI promotion policies, diminished the country's capacity to achieve the objectives of the National Development Plan. Accordingly, the

[10] The National Planning Commission is an independent think tank tasked with advising the President and the Council of Ministers on the long-term development plan. The commission was first convened in 2010, then again in 2015 and for a third time in March 2021.

Government developed a draft country investment strategy and submitted it for public consultation in 2022. Although this is a strategy that is in development and has not yet been implemented, it is interesting in that it seeks explicitly to articulate different areas of productive policy, with a key role for FDI.

The purpose of the country investment strategy is to establish a clear strategic direction for investment in South Africa, based on the various problems encountered, such as lack of coordination, fragmentation of the investment environment, frequent duplication of work (there are more than 30 investment promotion agencies at the national, provincial and local levels) and scant coordination of the incentive system. It is also important to note the inclusion of social objectives among the various investment objectives (see table II.6).

Table II.6
South Africa: objectives of the country investment strategy to contribute to national priorities

National priority	Strategic objective
Economic transformation and job creation	Increase levels of FDI to stimulate an increase in gross fixed capital formation, which leads to an increase in GDP per capita, increased purchasing power and improvements in productivity. FDI also exerts direct and indirect effects on job creation.
Education and skills	Attract quality FDI to improve the skills base of the host economy and facilitate the technology transfer and knowledge. FDI that includes corporate programmes designed to train employees, suppliers and other local residents can have positive developmental impacts.
Consolidation of the social wage through reliable and quality basic services	Promote blended finance initiatives in public infrastructure, raising the standard of public services available by opening channels outside the treasury.
Spatial integration, human settlements and local government	Address spatial priorities and, specifically, the dilemma posed by the rural-urban divide. The intention is to attract investment to identified areas to redress existing spatial imbalances in economic development. The strategy also highlights the potential of blended financing for catalytic and transformative infrastructure in underserved areas.
Social cohesion and safe communities	Promote social cohesion through enhancing the economic development of local communities where FDI is located. This is achieved by enhancing social inclusion within communities, leading to more cohesive societies.
Building a capable, ethical and developmental State	Increase the technical capacity of investment promotion agency officials (for example, training and exchange programmes between the country and UNCTAD, the World Bank, and others) and articulate measures to improve transparency in the investment attraction and facilitation landscape.

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Government of South Africa, "South Africa Country Investment Strategy", *Government Gazette*, No. 46426, 27 May 2022 [online] https://www.gov.za/sites/default/files/gcis_document/202205/46426gon2118.pdf.

The country investment strategy is an umbrella for all investments, irrespective of source, and has two levels of impact: (i) the investment catalyst; and (ii) the indirect effect on the economic and socioeconomic priorities for growth.

With specific reference to FDI, the importance of attracting investors to develop projects that have major benefits in several areas is reiterated. The country investment strategy proposes a model of socioeconomic maximization through business development. In this framework, strengthening the investment's backward and forward linkages with the local economy is a key need. Major actions mentioned in the strategy in this regard include the establishment of a supplier development programme, although it is noted that this should not be confused with the development of small and medium-sized enterprises, since, initially, large national firms could be the best equipped to meet the requirements of the multinational enterprises. It is also considered important that FDI projects recognize and reinforce the initiatives of local employees, for example by choosing small-scale startups of former employees as suppliers. One of the strategy guidelines on socioeconomic maximization through enterprise development states that investment projects should consider linkages with local small and medium-sized enterprises, in line with the objectives of industrialization, inclusion and job creation.

The country investment strategy argues that the provision of investment incentives should be part of a broader reform to improve the business climate. Incentives cannot be a substitute for other factors that condition investment. Improvements in the institutional design, transparency and administration of incentives can help reduce indirect costs and mitigate economic distortions, bureaucracy and corruption, potentially improving the cost-benefit ratio.[11]

The country investment strategy also specifies the sectors that are considered strategic in terms of impact and potential for attracting investment. According to the methodology used, these are: (i) finance, insurance, real estate and business services; (ii) manufacturing; (iii) transportation, storage and communications; and (iv) construction. In addition to these sectors, the strategy establishes five "big frontiers" to guide investment prioritization, selected on the basis of the Government's ability to play a role in convening, co-investing, encouraging and facilitating investment: (i) green hydrogen; (ii) next generation digital industries; (iii) special economic zones for advanced manufacturing and logistics; (iv) industrial cannabis and other advanced agribusiness opportunities; and (v) environmental, social and governance or impact investments linked to the social and green economy. These five broad areas represent opportunities for private sector participation in the development of an inclusive and growing economy, according to the objectives of the National Development Plan 2030.

It is important to highlight the concern expressed in the strategy about the need to consider local conditions —comprising existing businesses (including informal ones), local assets, access to resources, local skills and competencies— and to adopt measures to preserve and protect cultural practices, social and political heritage and natural endowments. At the same time, the model should take account of and align with other national priorities (such as initiatives to promote women and youth) and other socioeconomic criteria.

5. Reflections on the cases analysed

Although to different extents, all four countries analysed see FDI as a key instrument driving the country's economic transformation. Moreover, they all share the practice of establishing sectoral priorities as an integral part of FDI attraction strategies. However, the heterogeneity of situations makes it necessary to implement specific strategies in each case, formulated in response to diverse problems and contexts.

In the case of Poland, the FDI attraction policy involved establishing special economic zones and strategic subsidies, with the aim of increasing the country's competitiveness as an investment destination. The Polish case shows that special economic zones can be an effective way to implement reforms quickly in a context of major transformations and governance challenges. This has helped the country to maintain its capacity to attract investments in a scenario where neighbouring countries faced similar challenges and competed for such investments. However, the implementation of special economic zones alone was not enough to promote the productive transformation of the economy. The Polish Government has succeeded in attracting FDI not only by applying specific instruments and incentives, but also by harnessing these instruments to productive development, in a context of clear rules and a stable macroeconomic framework, coupled with its geopolitically strategic position.

In the case of Malaysia, the investment attraction strategy involved using FDI as a key driver for the country's integration into global value chains and the diversification and sophistication of its export profile. This reflects the idea that the goods exported by the country are an important determinant of its growth path (Hausmann, Hwang and Rodrik, 2007). The country aimed to develop the productive sector by capitalizing on its strategic geographical position and export tradition, transforming the

[11] Currently, the main financial incentives for investment offered by South Africa are tax breaks, matching funds and concessional loan facilities, which can be combined according to the investor's needs. These incentives are available to both foreign and local investors and are offered by a wide range of institutions. However, the country investment strategy recognizes the need to develop an incentives framework to prioritize and enhance the country's competitiveness in this regard (Government of South Africa, 2022).

profile of Malaysian exports. The strategy is outlined in the mission-driven New Industrial Master Plan 2030, which was developed through focus group sessions with the participation of various key stakeholders, such as ministries, government agencies, regulatory bodies, industry associations and private sector entities. The framework within which the policy is implemented establishes the importance of inter-agency dialogue, including coordination with subnational investment promotion agencies with defined roles and responsibilities, collaboration between government and the private sector, and the establishment of evaluation parameters in the form of key performance indicators.

In the case of Türkiye, FDI attraction is also a strategic component of the Government's economic and political project. The FDI strategy is led by the Investment Office, which reports directly to the Office of the President of the Republic. This strategy is set out in a data-based document, which includes a critical analysis of the country compared to other destinations competing for FDI, and a specific analysis of demand through surveys and focus groups. It also contains a listing of strategic countries of origin, to be prioritized in FDI attraction activities. The document seeks to provide a fundamental tool for articulating the country's various economic and development plans. It also highlights the coordinating role of the Investment Office with respect to multiple actors, both public and private, in defining the targets and specific objectives of its action strategy.

In the case of South Africa, FDI plays a major role in the country's development plan. The South African authorities recognized that the existing institutional framework was inadequate to meet development challenges; and this led them to design a new country investment strategy to catalyse investments and promote spillovers in line with the country's social and productive development priorities. This strategy recognizes key specific features of the country, such as egregious inequality, so that the policy must prioritize employment and income opportunities to reduce this over time. The strategy adopts a forward-looking vision and establishes objectives to maximize the benefits of FDI through the creation of productive linkages. It also recognizes local and regional specifics as fundamental elements in the development of FDI projects.

The key aspects of the international experiences studied in this section are summarized in table II.7.

Table II.7
Highlights of FDI attraction strategies in four selected countries

Country	Highlights
Poland	1. Special economic zones can be an effective way to implement reforms rapidly in a context of major economic transformations.
	2. The implementation of special economic zones must be integrated into the strategic guidelines of a productive development policy to produce a transformative effect on the economy.
	3. Success in attracting FDI depends not only on the application of specific instruments and incentives, but also on the articulation of these instruments with productive development, in a context of clear rules and a stable macroeconomic framework, in addition to a geopolitically strategic position.
Malaysia	1. FDI can be used as a key driver for the country's integration into global value chains and to make its export profile more diversified and sophisticated.
	2. Dialogue and collaboration among various key actor, including ministries, government agencies, regulatory bodies, industry associations and the private sector, are critical for developing a successful FDI attraction strategy.
Türkiye	1. The formulation of an FDI attraction strategy should be based on a critical analysis of the country in comparison with other destinations competing for FDI, as well as on a specific analysis of demand through surveys and focus groups. Strategic sectors and countries are defined.
	2. Coordination among multiple actors, both public and private, in defining the specific targets and objectives of the FDI attraction strategy is essential for its success.
South Africa	1. FDI plays a leading role in the country's development plan, with a focus on reducing inequality through employment and income opportunities.
	2. The design of a country investment strategy can act as a catalyst for investment and promote spillover effects in accordance with the country's priorities in terms of social and productive development.
	3. A forward-looking vision and the consideration of local and regional specificities are fundamental for the development of successful FDI projects.

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

What seems to determine the success or failure of these policies is the extent to which: (i) formal rules empower agencies and ministries to create a stable and transparent incentive framework; (ii) there is articulation between public and private actors around productive development policies and between these and investment attraction efforts; (iii) the initial conditions of human capital, infrastructure and accumulated capabilities drive or restrain FDI externalities (referred to in section A as "absorption capacity").

Thus, the countries analysed provide important lessons on the steps taken to articulate FDI and development, with collective learning processes involving heterogeneous actors. In particular, Poland, Malaysia and Türkiye jointly provide a valuable example of how a development strategy, coupled with well-defined coordination mechanisms, an initial industrial base and an advantageous geopolitical position, can obtain a significant impact from FDI on the country's productive capacities. South Africa offers another interesting example of how the authorities have moved forward in a process of learning and redefining the institutional framework, to make the coordination of policies and actors more effective, the effects of which should be felt in the coming years. These issues are revisited in the next section when analysing the Latin American and Caribbean experience in promoting FDI.

C. FDI attraction policies in Latin America and the Caribbean

Foreign investment is a very important instrument that some countries have harnessed to diversify domestic production and exports and gain access to advanced technologies and more demanding markets. In some cases, FDI has helped build national capabilities, including strengthening national firms that have become major competitors in the global market, such as those of the Republic of Korea and China. In the case of Latin America and the Caribbean, particularly South America, the crisis of the 1980s, compounded by recurrent exchange-rate appreciation (loss of price competitiveness) and reduction of the depth of productive development policies, led to the reprimarization of the 1990s and 2000s, with important exceptions, such as Mexico and Costa Rica. Despite the adoption of FDI attraction policies in the region, their results in terms of technology absorption and economic sophistication have been less favourable than those achieved in Asia.

As noted in the previous sections, investment promotion agencies are among the main instruments used to attract FDI. The benefits of these agencies include the reduction of information asymmetries and transaction costs, and the improvement of investment regulatory policymaking (Crescenzi, Di Cataldo and Giua, 2021). According to Volpe Martincus and Sztajerowska (2019), the number of countries in Latin America and the Caribbean and the Organisation for Economic Co-operation and Development with investment promotion agencies has quadrupled in the last 30 years. Their main functions are to attract and facilitate investment by providing assistance services targeted mainly at foreign firms. To this end, their activities include: (i) national image building, with the aim of improving the perception of the country as an attractive destination for FDI; (ii) investment generation, by identifying potential investors and contacting them; (iii) investment facilitation and retention, by providing assistance to investors; and (iv) policy advocacy, through activities to improve the investment climate.

To understand the role of the region's investment promotion agencies and how their activities and strategies are harmonized with the countries' productive development policies, primary data was collected in December 2023 from the investment promotion agencies (or institutions that fulfilled this function in the past) of eight Latin American and Caribbean countries: Argentina, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Panama and Uruguay (see table II.8).[12] The questionnaire used in the interview revealed similarities and differences in various areas.[13] The objective of this section is to highlight the main findings of this round of interviews.

[12] On 2 August 2023, Costa Rica's Ministry of Foreign Trade terminated its agreement with the Costa Rican Investment Promotion Agency (CINDE) (Alvarado, 2023). Nonetheless, it was decided to interview the CINDE team which, in addition to continuing to operate as a private non-profit organization, has a long track record of successful FDI attraction strategies (CINDE, 2024).

[13] The interview questionnaire is reproduced in annex II.A1.

Table II.8
Latin America and the Caribbean (8 countries): selected data on investment promotion institutions

Country	Investment promotion institution interviewed	Legal nature	Mandate	Year of creation	Priority sectors	Foreign direct investment (FDI) inflows in 2023 *(Millions of dollars and percentages of GDP in 2023)*	Project announcements in 2023 *(Millions of dollars and numbers)* Total	Project announcements in 2023 *(Millions of dollars and numbers)* Expansion projects
Argentina	Argentine Investment and International Trade Agency	State, under the Ministry of Foreign Affairs, International Trade and Worship	Investment attraction and export promotion	2016	Agribusiness, energy, industry, mining, health, technology, tourism	23 866 (3.7)	9 227.5 (48)	216.6 (13)
Brazil	Brazilian Trade and Investment Promotion Agency (Apex-Brasil)	Non-profit entity, of private law, of collective interest and public utility	Investment attraction and export promotion	1997	Food, beverage and agribusiness, infrastructure, oil and gas, renewable energy, real estate, venture capital and private equity	64 230 (4.1)	35 509.8 (254)	4 474.8 (57)
Chile	InvestChile	Public agency	Investment attraction	2016	Global services, mining, clean energy, tourism, food industry, venture capital, infrastructure	21 738 (6.5)	22 004.7 (88)	5 399.5 (11)
Colombia	ProColombia	Public resources and private administrative regime	Investment attraction and export promotion	1992	Agricultural products and food production, energy, infrastructure, tourism and hospitality infrastructure, real estate, health services and life sciences, information technology and creative industries	17 147 (4.7)	2 783.5 (125)	437.3 (20)
Costa Rica	Costa Rican Investment Promotion Agency (CINDE)	Private, apolitical and non-profit	Investment attraction	1982	Corporate and business processes, creative industries, digital technology, life sciences, manufacturing, tourism infrastructure, wellness, etc.	4 687 (5.4)	1 410.3 (62)	330.3 (26)
Dominican Republic	Export and Investment Centre of the Dominican Republic (ProDominicana)	Public	Investment attraction and export promotion	1997	Agribusiness, film, energy, outsourcing services, logistics and connectivity, manufacturing, mining, tourism, etc.	4 390 (3.6)	1 578.1 (25)	200 (4)
Panama	Investment Attraction and Export Promotion Authority (PROPANAMA)	Public	Investment attraction and export promotion	2021	Logistics centre, digital centre, agro-industrial centre, tourism, energy	2 327 (2.8)	983.1 (26)	95 (2)
Uruguay	Uruguay XXI	Non-state public person	Investment attraction and export promotion	1996	Pharmaceuticals and life sciences, information and communications technology, business services, forestry and wood, film industry, manufacturing, tourism, retail trade	-1 608 (-2.1)	4 545.6 (25)	31.3 (3)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on information from the official websites of the institutions, the countries' central banks and fDi Markets.

1. Organizational structure and challenges of investment promotion agencies

The great diversity among Latin American and Caribbean investment promotion agencies interviewed is revealed in multiple ways, starting with the organizational and institutional dimension. While some, such as the Brazilian Export and Investment Promotion Agency (Apex-Brasil), have a robust structure with a large number of career officials, others, such as the Costa Rican Investment Promotion Agency (CINDE), opt for smaller teams. Those with an international presence include InvestChile, Apex-Brasil and ProColombia, the latter with an impressive network of 28 offices outside Colombia. Their mandate also varies, with only InvestChile and CINDE working exclusively on investment attraction, while the others have additional responsibilities, such as export promotion activities.

The differences among the agencies interviewed reflect multiple factors, including the size and administrative structure of the country in question. Representatives of institutions in larger countries, such as Brazil, cite problems in coordinating policies and tools across regions, because their priorities and potential for attracting investment, as well as the existing institutional framework, vary from one agency to another (see chapter III).

The agency's position in the government hierarchy has a crucial influence on the success of the promotion strategy. There is consensus that the agency needs a robust institutional framework, with a wide margin of action and direct decision-making power. The fact that the Dominican Republic's agency is closely linked to the Office of the President is a major advantage of its institutional framework. This type of direct connection with the highest levels of government can expedite decision-making and facilitate the effective implementation of investment promotion policies, in addition to interaction with other policies, especially those pursuing productive development.

Nonetheless, some agencies report that large investment projects are often initiated directly with government offices, owing to their strategic and high-profile nature. In these cases, the senior executives of multinational enterprises often gain direct access to members of the executive branch to negotiate benefits and announce investments, and thus bypass the direct intervention of investment promotion agencies. This dynamic can affect the achievement of strategic and policy objectives defined by these agencies aligned with the countries' productive development priorities. Although this direct dealing may speed up the approval and execution process, thereby potentially hastening the implementation of important development initiatives, it could also hinder the implementation of aftercare and follow-up activities and make it difficult to establish lasting relationships with major investors. Some examples of this situation were mentioned by representatives of investment promotion agencies and institutions from Argentina, Costa Rica, the Dominican Republic and Uruguay.

The challenges of coordinating actions and policies between local and national levels of government (intergovernmental coordination) and among different institutions within the same government (intragovernmental coordination), as well as collaboration among different institutions that influence investment attraction policies, have been particularly apparent in the cases of Argentina, Brazil and the Dominican Republic. Effective coordination is crucial for ensuring the coherence and effectiveness of investment promotion policies and for addressing the needs and concerns of investors in a comprehensive manner. In Brazil, for example, one of the solutions found to compensate for the lack of coordination at different levels of government is the preparation and quarterly updating of a document that presents a road map of the main investment incentives and programmes in the country. Another strategy consists of organizing sector-level dialogues with investors, which make it possible to align strategies more closely and coordinate the investment promotion process more effectively.

2. Importance of the strategy definition

An analysis of the action strategy of each of the investment promotion agencies interviewed reveals a heterogeneous landscape, characterized by a diversity of approaches that reflects the different configurations and mandates of the agencies and the specific contexts and needs of the countries analysed.

Some agencies established their own strategies formalized in documents and action plans, which are often based on national plans and other long-term policies, including productive development policies. The agencies that clearly relate their strategies to government programmes and plans include those of Brazil (New Growth Acceleration Programme) and Colombia (National Development Plan 2022–2026 and National Reindustrialization Policy). Although other agencies take government guidelines into account to focus their actions, they do not refer to specific plans.

It is worth reflecting briefly on the case of Brazil because, given its specific weight in the region, its industrial development in the first few decades of the post-war period and the intense deindustrialization it has experienced since the mid-1980s, it provides an interesting example of the challenges of productive transformation in the region. The mechanisms to stimulate FDI are defined in the framework of the Action Plan for Neoindustrialization 2024–2026 (MDIC, 2024). The Nova Indústria Brasil programme, the newly approved productive development policy, is based on the concept of missions, which encompass the following areas: agribusiness chain; health complex; infrastructure, health and housing; digital transformation of industry; decarbonized bioeconomy; security and national defence (Agência Brasil, 2024). The missions concept provides a systemic view that reduces the risk of excessive policy fragmentation and attends to the science and technology and infrastructure requirements needed for mission success. However, some observers have noted significant shortcomings.[14] First, the agency that will deal with these policies, the National Industrial Development Council, has often promoted the business interests of a handful of poorly articulated industry sectors, rather than a national strategy that coordinates them. Secondly, the resources committed to their implementation might not be sufficient to make a significant difference and are limited by the fiscal ceiling imposed by the federal government. While the National Bank for Economic and Social Development may provide a portion of these resources, the effective capacity to finance the large investments needed to reindustrialize the country is uncertain. As noted in section B, the experiences of coordination and empowerment of productive development policy agencies in other regions of the world could provide interesting examples of effective policy coordination centred on missions.

In the context of Colombia's National Reindustrialization Policy, supported by Document No. 4129 of the National Council for Economic and Social Policy, there are major opportunities for improvement in the country's FDI attraction efforts. This document identifies several bottlenecks in the investment cycle, especially in ProColombia. These include the lack of coordination between the national investment promotion agency and the subnational agencies and the need to improve its operational structure and the tools used. The inadequate prioritization of strategic sectors is also mentioned. Beyond the investment promotion agency, the lack of facilities for investors is highlighted, including the scarcity of information on the country's industrial parks (CONPES, 2023). Accordingly, there would be opportunities to realign the strategy of the Colombian investment promotion agency relative to its new productive development policy.

In several countries, FDI attraction strategies and agendas are being redefined in response to changes in the economic, political and technological environment, as well as the priorities of each government. Owing to recent governmental changes, Brazil and Costa Rica are redefining their actions, both in terms of updating the strategic plan (Apex-Brasil is redefining its action plan for 2024–2027) and

[14] See Martins (2024).

institutional changes (termination of the agreement between CINDE and the Government of Costa Rica and appointment of the Foreign Trade Promoter of Costa Rica (PROCOMER) to be responsible for these activities). Panama's agency also establishes the obligation to redefine its strategic plan at the beginning of each government, in agreement with the private sector.

Although the periodic updating and revision of the strategies of investment promotion agencies ensure their flexibility and adaptability to a constantly changing political and economic environment, it is important that these strategies maintain consistency with each country's objectives and do not undermine confidence in their continuity among foreign investors.

It is also important to highlight the differences in the participatory process of defining the strategies of the agencies interviewed. In some countries, various actors are involved (ministries, committees, government agencies, among others). In the case of Chile, participation by the President of the Republic in the approval of the agency's strategy is mentioned explicitly. In Panama, as noted above, there is an active dialogue with the private sector. Participation by a variety of stakeholders can provide greater support and intersectoral alignment, allowing the agencies' strategy to be aligned with government priorities and private sector strategies. As noted, this is a successful factor present in the design of the Malaysian and Turkish strategies discussed in section B.

3. Definition of key sectors and activities as part of the strategy

All of the agencies and institutions interviewed state that they have a sectoral focus, although not necessarily aligned with the production priorities specified in the country's productive development policies. Each agency has its own strategy for defining and prioritizing key sectors for attracting investments, based on market conditions, comparative advantages (competitiveness) and government policies. Diversification, adaptability and a focus on emerging sectors seem to be common threads in these strategies.

Despite this diversity, several countries and agencies established common strategic sectors, many of them cross-cutting, such as renewable energies, tourism, global services and technology, highlighting the importance of these sectors in the new global value chains and their potential contribution to the sustainable development of the countries (see table II.8). It is also important to highlight the regional competitiveness of some of these sectors, as in the case of renewable energies, which could offer opportunities to promote regional integration and cooperation initiatives.

The degree of specificity of priority sectors and activities also varies considerably among the countries analysed. While some countries define a highly specific sectoral approach, as in the case of Panama, which prioritizes clearly defined activities (such as sustainable tourism, convention tourism, energy, fashion, video games, pineapple and coffee), other countries opt for broader approaches. Examples include Brazil, which focuses on key pillars (for example, transportation, connectivity, social and inclusive infrastructure, sustainable cities, health, energy transition, water, education); Chile, where activities and sectors are prioritized (global services, mining, circular economy, agrotechnology, energy); and Costa Rica, which prioritizes sectors and clusters (medical devices). It is worth mentioning the case of Argentina, where, despite not having a sectoral approach in theory, the most competitive sectors end up being prioritized in practice. For example, Argentina's agribusiness, energy and mining sectors traditionally attract foreign investors.

There is a trend towards the adaptability and flexibility of strategies, as some countries redefine their approaches to respond to changes in the economic and political environment. For example, the Investment Attraction and Export Promotion Authority (PROPANAMA) highlighted the need to modify its sectoral prioritization to adapt to the global changes triggered by the COVID-19 pandemic, especially in relation to the transport and logistics sector, which is so important for the country. However, other agencies stress the importance of maintaining continuity in sectoral work, since maintaining priority

sectors enables countries to capitalize on their experience and competitive advantages, which can make them more attractive to foreign investors and foster sustainable economic growth. For example, Colombia's agency mentions that even as new proposals emerge, it continues to support sectors that have been in development for decades, which has allowed them to specialize. Similarly, the Chilean agency also emphasizes the importance of continuity and taking into account past sector selection when redefining the current prioritization strategy.

4. Diversity of approaches in pursuit of investor markets

In the pursuit of investor markets, the region's investment promotion agencies again display a variety of approaches. However, they all seem to prioritize markets according to their capacity to contribute to sectors and activities defined as priority or strategic; and they take into account the experience or interest of the investor's country of origin in the associated sectors, as observed in the international market in recent years. For example, some agencies note that China could be considered a key market for investments in renewable energies, while the United States, Canada and Europe would be key markets for mining, among other sectors.

In this context, the need for diversification of the origin of investment capital is also notable, as highlighted by CINDE of Costa Rica. Market diversification is crucial for reducing dependence on a single country, such as the United States, in order to mitigate the risks associated with volatility or changes in that country's trade and investment policies.

There are also differences in terms of agency proactivity in seeking investor markets. Some agencies, such as ProColombia and Apex-Brasil, adopt proactive approaches and systematically search for markets for priority sectors. This is done by promoting investment opportunities in the country and participating in fairs and events, both nationally and internationally. In contrast, other agencies, such as the Investment and International Trade Agency of Argentina, tend to have more reactive strategies, without prioritizing the search for investments from specific countries.

The strategy of the Panamanian agency prioritizes the search for sustainable investments, as exemplified by the initiative it develops with B Corp certified firms.[15] On the supply side, the Uruguayan agency also highlights the country's performance in sustainability-related indicators as attractive to foreign investors that are concerned about the sustainability of their investment portfolios. The attraction of sustainable investments is an excellent example of how FDI and the performance of multinational enterprises can contribute to sustainable and environmentally responsible development. This aligns with global trends towards sustainability and corporate responsibility, which improve standards of governance and promote ethical business practices in the region.

5. Incentives for attracting FDI: mechanisms, strategies and tools

Although incentive mechanisms vary considerably among the countries analysed, and their definition and implementation are often not formally under the responsibility of investment promotion agencies but are part of a national FDI strategy, all the agencies recognize the importance of sound economic fundamentals to stimulate investment, particularly with respect to improving the business climate, infrastructure development and human resources training. In terms of the business climate, the roles of most agencies include strengthening the country's image (or "nation branding"). Among the countries studied, this is especially the case in Panama (where it is considered one of the key missions) and Colombia.

[15] B Corp firms are those certified by the B Lab non-governmental organization and recognized for meeting rigorous standards of social and environmental performance, transparency and accountability (B Lab, 2023).

The agencies and institutions interviewed also highlight the importance of promoting the country's differentiating features and attractiveness for investment. Uruguay XXI mentions Uruguay's political stability and its environmental, social and governance indicators, which it deploys as attraction for investment. Argentina promotes the country's natural characteristics and location; Costa Rica recognizes that it is not an economic destination, so it seeks to differentiate itself in other respects, such as the development of human resources, the definition of the country's value proposition and the improvement of the business climate.

Among the wide range of incentives deployed to attract FDI in the countries analysed, such as tax breaks, free trade agreements, exemptions and other specific incentives for different sectors, free trade zones stand out. Mentioned as a commonly used FDI incentive in Costa Rica, Panama, the Dominican Republic and Uruguay, the free zone regime offers investors a variety of benefits, such as tax exemptions and preferential tariffs.[16] Free zones are used in the region as a tool to foster economic development in specific areas of the territories (for example, the Manaus Free Zone in Brazil) and increased exports (for example, the Dominican Republic's National Council of Free Export Zones).[17]

In addition to general incentives, some countries offer specific incentives for particular activities, such as the special exemptions granted for research and development activities in Colombia. There are also special arrangements for public-private partnerships between national and international organizations, especially in infrastructure, energy and transportation projects, among others. These arrangements were mentioned as instruments for attracting FDI by both the Dominican Republic's Export and Investment Centre (ProDominicana) and PROPANAMA.

Other incentives include regional stimulus packages designed to promote economic development in specific areas. In Chile, for example, some regions are developing incentive packages to encourage investment at the local level. In Costa Rica, special benefits, such as exemption from social charges, are offered to firms that invest outside the San José metropolitan area. This policy is intended to boost job creation and development in other regions of the country (for further discussion of FDI at the subnational level, see chapter III).

In the particular case of investment incentives, when available, there is no differential treatment between domestic and foreign investments in any of the countries analysed. However, in the specific case of the Dominican Republic, it was noted that national investors request access to a fast-track mechanism to which international investors have access.

6. Conditionalities and follow-up

Owing to the wide variety of incentive mechanisms existing in the countries analysed, there are also various ways of imposing conditionalities for granting investment benefits and incentives, as well as for verifying compliance with the commitments made.

In terms of the conditionalities established, the agencies consulted adopt a variety of approaches.[18] Firstly, there are differences in conceptualization. Some agencies, such as that of Uruguay, do not establish conditionalities for investors, as they believe that requirements related to job creation or supplier development indicators should not be considered as conditionalities. At the other extreme, Panama's agency clearly speaks of conditionalities for investors to be able to access the benefits,

16 Free zones or free trade zones are geographically defined areas, generally regarded as being outside the country's customs territory, in which special regulations apply (Martínez Piva, 2015, p. 15). By providing an environment conducive to international trade and production of goods, free trade zones promote economic activity and facilitate foreign investment. However, owing to their high fiscal cost, this instrument may also entail a high opportunity cost.

17 See [online] https://www.cnzfe.gob.do/index.php/es/.

18 It is important to note that various agreements within the World Trade Organization (WTO) impose significant restrictions on investment-related conditionality requirements, addressing technology transfer (see the Agreement on Trade-Related Aspects of Intellectual Property Rights) and government procurement (see the Agreement on Trade-Related Investment Measures), among other aspects.

since the incentive instruments were created with the aim of generating employment and transferring technology and knowledge. For example, some of the requirements in that country are related to the creation of local jobs and job training. A similar approach is adopted in Costa Rica, where incentives granted to investors are subject to compliance with requirements for the creation of skilled jobs and the scale of the investment. In Argentina, there are also skilled employment requirements to gain access to benefits.

In other countries, specific requirements are mentioned when a direct agreement is established with the Government, as in the case of the Dominican Republic, especially in the case of infrastructure concessions. The Uruguayan agency cites examples of agreements established between the country and firms in the case of specific large-scale projects (for example, the construction of pulp mills), in which technology transfer considerations were included.

None of the agencies interviewed cites local procurement explicitly as a condition required of the investor firms. Similarly, issues related to local supplier development and the establishment of value chains were seldom addressed, although they were explicitly mentioned as concerns by some of the agencies (for example, PROPANAMA and ProDominicana). On the other hand, all of the agencies interviewed mentioned that the investments received have to comply with the environmental regulations in force in the country. As for monitoring to verify whether investors who received benefits or incentives did comply with the conditionalities, while in some of the countries analysed measurement criteria were established and personnel were designated for this task, in others there is either no systematic monitoring or it is carried out only on a limited basis. The Argentine Investment and International Trade Agency, as well as Apex-Brasil, PROPANAMA and Uruguay XXI, stated explicitly that monitoring is done through other government institutions or authorities. In Costa Rica, this function is fulfilled by PROCOMER, while in the Dominican Republic it varies according to the sector concerned.

Although not all of the countries interviewed provide incentives or comprehensive monitoring, there is clearly an awareness of the importance of monitoring foreign investments to assess their impact and make informed decisions for the future.

7. Strategic importance of aftercare and investment monitoring

Considered by UNCTAD (2007) as one of the main functions of an investment promotion agency, "aftercare programmes comprise all potential services offered at the company level by Government and its agencies designed to facilitate both the successful startup and the continuing development of a foreign affiliate in a host country or region, with a view towards maximizing the local economic development contribution of that affiliate" (Young and Hood, 1994).

Aftercare activities are usually classified into: (i) administrative services (aimed at facilitating the bureaucratic procedures required to establish a multinational enterprise in the host country); (ii) operational services (ranging from finding office space to hiring and training local staff, as well as establishing supply chains and integrating into local clusters); and (iii) strategic services (focused on the expansion and diversification of the enterprise's activities in the region, including strategic advice, research and development of new products, and exploration of investment opportunities in other sectors or countries within the region) (UNCTAD, 2007).

Although not considered costly activities, the most successful and sophisticated aftercare and follow-up strategies require agencies to engage with investors in the long term. This involves continuous follow-up throughout the investment life cycle, in the form of activities that go beyond emergency problem solving, and engaging in activities that include the construction of business networks, conducting consultations and surveys and maintaining strong relationships. These practices not only ensure retention of the existing investment, but can also create opportunities for future expansion and collaboration.

Aftercare and follow-up activities should be seen as an integral part of the strategy for monitoring and evaluating investment promotion agency actions. According to Sztajerowska and Volpe Martincus (2021), surveys, ongoing monitoring and periodic evaluations conducted with investors and other key actors in the investment process are the most common methods used by investment promotion agencies around the world to collect data and judge whether the proposed key performance indicators have been achieved or are the most appropriate. These tools are also crucial for understanding whether the investment promotion agency's strategy, as well as the sectors and, in some cases, the priority investors, are actually contributing to the country's productive development objectives. They also help identify areas for improvement and course correction where necessary. Consultations with the region's investment promotion agencies reveal varying levels of maturity in terms of aftercare and follow-up. This may reflect not only the organizational structure of the agency (the availability of financial and human resources, its hierarchical position in the government structure, among other factors), but also its institutional mandate, its strategy, and even the country's ranking in terms of attractiveness as a destination for FDI.

Consultations with the agencies suggest that post-investment follow-up is a common practice among the region's investment promotion institutions, which consider it a fundamental part of attracting foreign investment. While not all agencies are responsible for follow-up (PROPANAMA engages in follow-up activities, but investment aftercare is not among its core responsibilities), all agree that post-investment follow-up activities contribute significantly to the sustainability and success of investment projects in the region.

Nonetheless, variations can be discerned in the implementation of aftercare and in the priority that each agency assigns to this task. The main concern among the agencies interviewed relates to encouraging re-investment by firms already established in the territory. Apex-Brasil, for example, highlights the importance of aftercare and follow-up actions, by pointing out that a large proportion of new investments in the country come from firms that are already established in Brazil.

Costa Rica and Chile emphasize the importance of aftercare and follow-up for establishing lasting relationships with investors, considering re-investment, and the diversification and expansion of investments as key objectives. According to CINDE, more sophisticated projects, such as those that include research and development, are generally undertaken after an initial investment in the country, once the investor is confident of the labour and other conditions needed for the success of its venture. ProDominicana also adopts this logic of long-term relationships, considering the entire life cycle of an investment project in its activities and follow-up services.

In Argentina, however, aftercare and follow-up activities relate mainly to problematic situations. One of the agency's main follow-up activities is to act as a bridge between investors and the relevant government agencies, in order to re-establish links when problems arise in the relationship between the firm and the Government. This means that, in Argentina, this task is mostly of a short-term, administrative and operational nature (i.e. troubleshooting).

D. Conclusions and guidelines

This chapter analysed policies for attracting FDI, so as to enhance their positive effects on productive development (also considering broader development objectives, including social and environmental variables) and the instruments used for that purpose. A wide-ranging review of the literature and case studies revealed the diversity that exists in the design and implementation of such policies. The chapter also identified and assessed some of the practices and challenges faced by investment promotion agencies in Latin America and the Caribbean, based on interviews with their representatives in a sample of countries, focusing on their strategies and their role in the FDI landscape in the region.

A first point to note is the lack of consensus in the literature and empirical data on the effects of FDI on the host economies. Econometric exercises tend to produce contradictory or inconclusive results. This is explained partly by methodological and data disaggregation problems, as FDI data at the sectoral and sub-sectoral levels are generally not available to enable a better estimation of the effects. Meanwhile, the potential benefits of FDI, such as job creation, technology transfer and increased exports, are evident. These direct and indirect effects depend heavily on factors that are specific to the host country, the sectors that receive the investment, and the policy framework that defines the type of FDI and the externalities it generates. These factors include the strength of institutions, the sectors receiving the investment and, most especially, the policies used both to attract FDI and to connect it with local capabilities, where aftercare and follow-up play an important role. It is crucial to align FDI policies with the host country's broader productive development agenda, which explains the need to promote productive development policies that encompass FDI efforts.

Another subject of debate is whether fiscal and tax incentives are the most appropriate instruments for attracting FDI. The analysis of the literature on the subject presented in section A indicates that it should be approached on a case-by-case basis, precisely because the effects depend on a broad set of variables, pertaining to both the local and the home economies, the type of project, the sectors involved and the FDI attraction instruments used.

In terms of instruments for attracting FDI, those that aim to improve the fundamentals and the absorption capacity of the host economy enhance the positive effects of FDI by strengthening linkages and spillover effects. Policies aimed at forming or strengthening local public-private collaboration networks, in the form of cluster initiatives and other mechanisms of coordination between actors to increase the sophistication and diversification of productive capacities, have a positive impact not only on attracting quality investments but also on their contribution to development. Moreover, collaborative agendas of this type can act as an incentive for potential investors who are about to make an investment decision, as they could be used to solve present and future problems for their businesses.

The literature review, case studies and interviews with investment promotion agencies from the region also reveal the importance of linking the FDI attraction strategy and policies with long-term productive development policies constructed collectively by actors from the public, private, academic and civil society sectors. The lack of coordination and consistency between institutions and their plans, strategies and agendas was identified as one of the major obstacles to attracting quality FDI and harnessing it for the sustainable development of the countries. This lack of coordination between efforts to attract FDI and productive development policies could result in efforts becoming unsystematic, and in a waste of resources that are important for societal development and achievement of the SDGs. These initiatives need to be aligned with each other and to exploit synergies to maximize their impact and contribute effectively to economic and social progress. The case studies reveal the important role played by investment promotion agencies in implementing the strategy and facilitating contact with foreign investors interested in setting up business in the host country. However, to maximize the impact of these institutions, special attention must be paid to governance and institutional design. National agencies with direct access to decision makers (for example, linked to the Office of the President of the Republic, as in the case of Türkiye) and with broad powers of action, are more effective. Similarly, agencies with offices in the territories, or the capacity to coordinate with territorial agencies, would be more successful in promoting productive development (see a more in-depth analysis of FDI at the subnational level in chapter III).

Given the multiplicity of actors, plans and strategies involved in attracting FDI, the corresponding planning and institutional design need to be clear, with well-defined responsibilities and scopes of action; but at the same time they need to be simple. A complex institutional design can generate overlaps, ineffectiveness, confusion and delays in decision-making. Table II.9 provides guidelines on how to move forward on this and other issues related to the formulation of an investment attraction policy that is aligned and integrated with the productive development policies of the countries and their territories.

Table II.9
Guidelines for formulating and strengthening FDI attraction policies

1. Integrate the investment policy into the productive development policy of the country or territory, to ensure consistency, full alignment with specific objectives and realities, and complementarity with other initiatives that could improve both investment prospects and their potential impact.
2. Support the implementation of policies to attract FDI, as part of the productive development policies of the countries and their territories, in governance arrangements at the highest political level, in order to coordinate with other policy initiatives and expedite decision-making.
3. Involve various public sector actors (such as ministries, agencies and other government bodies) and key actors from the private sector, academia and civil society in the process of building and approving the FDI attraction strategies of the countries and their territories. This would give them legitimacy and gain the support and cooperation of all stakeholders, thus increasing their chances of implementation and success.
4. Update and review FDI attraction strategies periodically, including the performance of investment promotion agencies, to adapt them to changes in the economic and political environment, and to new opportunities and challenges.
5. Increase evaluation of the FDI attraction strategies and instruments deployed, to identify the positive elements, for scaling up, and the negative elements for timely correction, and thus prevent the costs of errors from accumulating. It is important to increase the evaluation capacity of countries and their territories in this area.
6. Implement a rigorous system for monitoring and evaluating the performance of investment promotion agencies. This should include the establishment of specific and systematic key performance indicators.
7. Develop projects and actions that foster the creation of an environment that is conducive to attracting investment and maximizing its effects, with a view to strengthening the economic fundamentals.
8. Promote institutional arrangements, such as cluster initiatives, to articulate FDI attraction effectively with other productive development initiatives.
9. Implement policies that promote collaboration between multinational firms and local suppliers, facilitating the development and integration of the latter into global supply chains, and providing support to improve their technical and productive capacity.
10. Encourage actions that facilitate investment in research and development and the training of human resources by multinational firms in the host country, thereby contributing to technology transfer and the strengthening of local innovative capacity, which broadly define the technological and productive absorption capacity of the host economy. This includes supporting linkages with research centres and fostering collaboration with universities and technical training institutes.
11. Promote transparency and simplification of administrative processes related to foreign investment, to ensure a clear and predictable regulatory framework for investors.
12. Analyse the cost-benefit and opportunity cost of providing incentives and benefits to firms wishing to locate in the country. This assessment should consider broader objectives and strategies, such as achieving the SDGs, fostering regional development and supporting institutional arrangements, such as cluster initiatives. Studies based on the analysis of the effects of the distribution of incentives can be used to obtain a more rigorous assessment of the impact of policies on micro-, small and medium-sized enterprises and the local economy.
13. Design incentives with conditionalities aligned with the productive development policy of the country and its territories; and include provisions on their applicability, validity and duration, accompanied by a constant monitoring and evaluation mechanism.
14. Strengthen investment promotion agencies by providing them with the financial resources, qualified staff and autonomy needed to fulfil their functions effectively. Empowering investment promotion agencies also means giving them a clear and defined mandate, together with the authority to make decisions and act expeditiously in investment promotion and project facilitation.
15. Provide investment promotion agencies with the resources and instruments needed to implement aftercare and follow-up actions, in order to maintain a continuous relationship with investors and promote reinvestment, expansion and diversification of foreign firms' projects in the country.
16. Promote regional integration through the individual FDI attraction initiatives of the countries and their territories, seeking to concentrate such initiatives in the segments of the regional value chains in which each country or territory has competitive advantages. One way of coordinating this specialization of FDI initiatives could be through the cluster initiatives that exist in the different countries.
17. Recognize that each country or territory has its own strategy and that there is no single solution. It is therefore crucial to promote regional mechanisms that facilitate the exchange of good practices in the area of productive development policies, including those related to attracting investment.

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

According to Oman (2000), although there is evidence that FDI attraction has supported the development of the poorest regions or those with unemployment problems, especially in developing countries, there is a risk that such policies merely co-opt productive development policies. While the former should be integrated into productive development policies, they do not replace them, because the latter encompass a broader set of instruments and objectives. There is a risk that the scarce resources available for productive development policies will be used mainly or exclusively to attract FDI, ignoring the fact that FDI is only effective as part of a broader strategy for productive, inclusive and sustainable development.

The interaction between FDI and productive development cannot eschew a sectoral approach. This makes it possible to deploy resources more effectively in activities that are aligned with the country's established objectives and to generate greater linkages and spillover effects. The sectoral approach is present in all of the case studies analysed. In Malaysia, for example, it is argued that this is the most efficient way to allocate resources, as each sector has different requirements. However, in this case it is also argued that the sectors should not be defined rigidly, and areas that can permeate multiple sectors should be prioritized. In Latin America and the Caribbean, there is no clear pattern. While Argentina's investment promotion agency does not prioritize certain sectors a priori, InvestChile focuses on activities rather than sectors. Costa Rica favours cluster initiatives, in other words an approach that prioritizes coordination among agents and combines territorial and sectoral dimensions. Apex-Brasil clearly establishes sectoral priorities according to the sectors defined in the New Growth Acceleration Programme of the Ministry of Development, Industry, Trade and Services.

Although there may be a well-defined institutional framework and a plan that is harmonized with the host country's productive development priorities, incentive systems vary when it comes to large-scale FDI projects or those with a major impact on the local economy. This was shown clearly in the case study of Poland, where there is a special and well-defined incentive regime, established a priori, for this type of investment. In Latin America and the Caribbean, such situations are dealt with on an ad hoc basis, as noted in the cases of Argentina, Costa Rica, the Dominican Republic and Uruguay.

The analyses compiled in this chapter highlight the complexity and diversity of FDI attraction policies, both worldwide and in Latin America and the Caribbean. In short, it is very important that FDI attraction policies form part of a broader approach to productive development. The interaction of these strategies with long-term policies, agreed upon by the public and private sectors and focused on improving the fundamentals of the economy and promoting productive linkages, are considered essential for promoting sustainable and equitable growth in the region. The guidelines set out in this chapter are not intended to be exhaustive, but seek to frame debates tailored to the specific reality of each country. ECLAC stands ready to accompany and support countries and their territories in the design and implementation of FDI attraction measures set in comprehensive productive development policies.

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Annex II.A1
Sample questionnaire for interviewing investment promotion agencies

Policies to enhance the impact of investments on the sustainable development of the host economy

A. The institution's strategy and harmonization with the productive development policy

1. Can you say whether your institution's investment promotion strategy and instruments have been designed in line with a national productive development strategy?
   (a) If so, is there a document that addresses this issue?
   (b) If not, on what strategic guidelines is your strategy based?
2. Are there mechanisms for interacting with the institutions that promote productive activity in the country? Which are they?

B. Prioritization of target sectors or source markets for FDI attraction

3. Have priority target sectors or source markets been identified for investment attraction?
4. How have these sectors or markets been chosen (linked to the productive development strategy or other policies, based on the analysis of global demand trends, based on export potential, defined in consultation with stakeholders (companies, territories), selected by the office of your institution, other criteria you may wish to mention)?

C. Instruments and incentives for attracting and sustaining FDI

5. What are the main instruments (tools or incentives) for attracting FDI in your country (for example, one-stop shop, infrastructure facilitation, tax exemptions, active search for strategic investors, others you may wish to mention)?
6. If exceptional benefits are granted (for example, tax exemptions), are quid pro quos required? If so, what would they be?
7. Is there a mechanism for screening or rejecting certain investments (for example, mitigation of socioenvironmental effects)? If so, how does it work?
8. How are investments monitored when specific requirements must be met to access certain benefits? Are there mechanisms in place to deal with cases of noncompliance?

D. Instruments and incentives to increase the positive impact of FDI in your country

9. Are there instruments or tools to enhance the positive impact of investments on the country's sustainable and inclusive development (for example, supplier development policies, technology transfer and local content requirements, policies to boost worker training, etc.)?
   (a) If yes, what are they?
   (b) Could you mention the main results obtained?
10. Please indicate whether the design and implementation of this type of policies have been coordinated with other institutions? If so, which are the institutions with which there has been most coordination?

E. Monitoring and maintenance of investments

11. Are investment aftercare and follow-up mechanisms in place to encourage firms to increase their investments in the country, both in terms of capacity and the type of activities they undertake?

F. Recommendations

12. In your opinion, from a policy and institutional standpoint, what is needed for investments to have a greater positive impact on sustainable development in your country?

CHAPTER

III

Subnational FDI: trends, determinants, policies and guidelines based on cases from the region

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Introduction

A few decades ago, in the midst of intensifying globalization and liberalization, together with internationalization and increased international competition, the prevailing narrative was that these processes would lead to greater convergence of income levels between countries. The mobility of multinational enterprises and, in particular, FDI flows would serve that purpose, and also contribute to reducing the disparities that existed within countries (Iammarino, 2018). After years of burgeoning FDI in all regions of the world, rising levels of inequality have sparked renewed interest in the effects of foreign investment on uneven development at different geographical scales[1] (Pavlínek, 2022).

Subnational territories differ from each other: they vary in terms of factor endowment, productive and technological capacity, and specialization profiles, and also in their capacity to design and implement active policies to attract investment. This heterogeneity poses challenges and affords opportunities specific to each context, which are enhanced further by transformations such as the reorganization of global value chains and the green and digital transitions. Accordingly, an attempt has been made to identify the determinants of subnational location decisions and the key channels through which the effects of FDI can reach the territories in which they are embedded. This will inform future attraction policies and steer them towards investment models that include an integrated territorial perspective, as part of a national strategy.

This chapter explores the geographical distribution of FDI in Latin American countries. Section A reviews the literature on the relationship between FDI and productive development with a territorial approach, the determinants of multinational enterprise location decisions, and the chief characteristics of policies and institutions for attracting subnational investment. Section B makes a preliminary survey of the characteristics of subnational FDI in terms of geographical and sectoral distribution across the region, using data on project announcements in five countries: Argentina, Brazil, Chile, Colombia and Mexico. It also looks for signs of the attractiveness of specific subnational territories by analysing the sector specialization of FDI relative to the specialization or diversification seen at the national level. Section C describes policies and institutional designs to attract subnational FDI in the five countries mentioned, emphasizing the role of investment promotion agencies. Lastly, section D considers how policies can help reduce disparities in investment attraction and maximize the positive effects of FDI on the productive development of the territories. It also puts forward recommendations in this regard.

A. Subnational FDI and its importance for productive development

Recent decades have witnessed growing interest in the role played by the local level in the globalization process. This is especially true in relation to FDI, since, although the capital investments in question are foreign and have a relationship with the exterior, they operate locally, and therefore play an active role at the local level (González and Hernández, 2008). Nonetheless, frequently and with different approaches, the literature has taken the country as the main geographical unit of analysis (Hutzschenreuter, Matt and Kleindienst, 2020; Iammarino, 2018). While the national dimension is highly relevant, aspects such as inequality and competition between territories within the same

[1] According to UNCTAD, global FDI inflows increased from an annual average of US$ 398 billion in the 1990s to US$ 1.6 trillion in 2010. Meanwhile, in the United States, the ratio between the top 10% and bottom 50% of the population in terms of income doubled between 1980 and 2020, and in the European Union, it increased by more than 25% (ECLAC, 2022a).

country, as well as the promotion of administrative decentralization, need to be taken into account. Inclusion of the subnational dimension affords a better understanding of the spatial distribution of FDI and its effects, thus enabling the design of FDI policies that are better aligned with the characteristics of the different territories (Hutzschenreuter, Matt and Kleindienst, 2020; Iammarino and McCann, 2013; Mudambi and others, 2018).

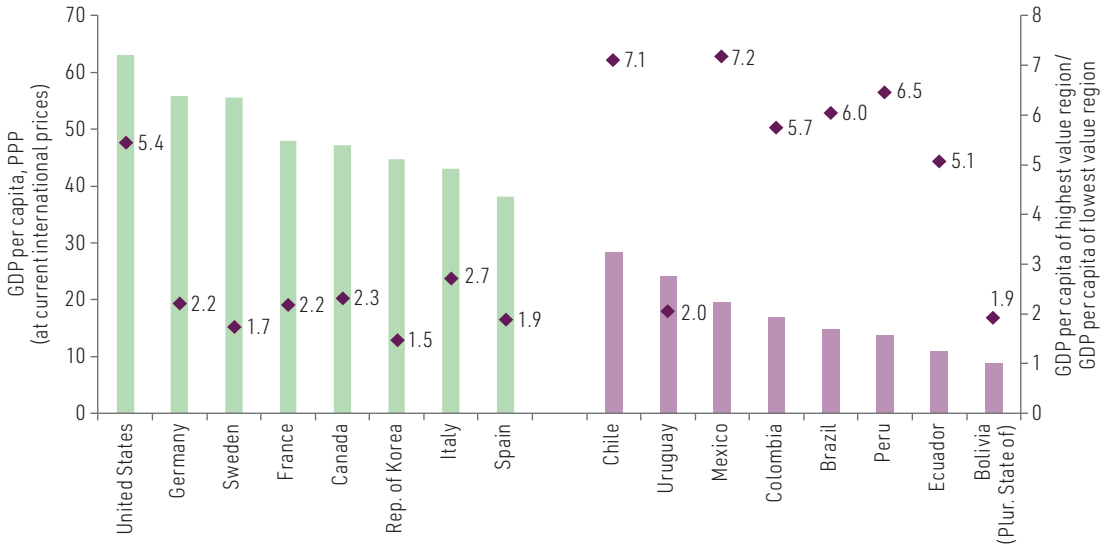
In a broad sense, the subnational dimension is understood as a space within a country, generally defined by an administrative border, such as a federative state, a province, a municipality, or an urban or peripheral area. Subnational geographical areas are generally referred to by the terms "region" or "territory". Although both are used in different contexts and bodies of literature, for the purposes of this chapter, in which the focus is territorial, expressions such as "FDI in the territories" and "subnational FDI" are interchangeable.

At the subnational level, Latin America and the Caribbean is extremely heterogeneous, with high levels of socioeconomic, technological and environmental inequality. These differences are especially salient in the larger countries, where some states or provinces are as large as other countries both in the region and elsewhere.[2] In 2020, the GDP of the State of São Paulo in Brazil (US$ 470 billion) exceeded that of Denmark (US$ 355 billion), and its population of 44 million surpassed that of Canada (36 million). In contrast, the Brazilian states of Roraima and Amapá each had a GDP of about US$ 3 billion, 156 times smaller than that of São Paulo. Differences within the same country are even starker in terms of per capita GDP (see figure III.1). For example, in Chile, the per capita GDP of the Antofagasta region is seven times that of the Ñuble region. These and other contrasts in Latin America and the Caribbean reflect widening gaps between territories that are falling behind and those that are more prosperous and have more vibrant labour markets and prospects that generate greater well-being.

The subnational heterogeneity of the region's economies is also reflected in their production structure. In Colombia, for example, the departments of Antioquia, Valle del Cauca, Cundinamarca and the Capital District concentrate close to 62% of the country's manufacturing activities, whereas manufacturing is scarce in departments such as Vaupés, Vichada and Guainía (see figure III.2A). There are further differences within that sector: while Bogotá, as the capital city, is the key location for the chemical and food industries, Antioquia specializes in textiles and machinery. Chile displays a similar pattern, although more concentrated, with manufacturing activity more prevalent in specific zones of the country: the Metropolitan Region, Biobío, Maule and Los Lagos account for 74% of manufacturing activity. The Metropolitan Region, which includes the capital city, accounts for a large share of manufacturing activity (47%), while Biobío, in the centre-south, specializes in forestry and wood pulp, and also in the manufacture of metal products and machinery (see figure III.2B). Other areas, such as Valparaíso, accommodate a mix of manufacturing industries, focusing on consumer goods production and port activities.

[2] Although this difference is seen more clearly in larger countries, small countries such as Costa Rica have implemented policies to reduce the concentration of FDI in the Greater Metropolitan Area. In this regard, Law No. 10.234 of May 2022 establishes that firms that make new investments in the country outside the Greater Metropolitan Area may access the benefits of the free zone regime, if they meet the respective legal requirements.

Figure III.1
Latin America (selected countries): per capita GDP and territorial disparities compared to developed countries, 2020
(Thousands of dollars)

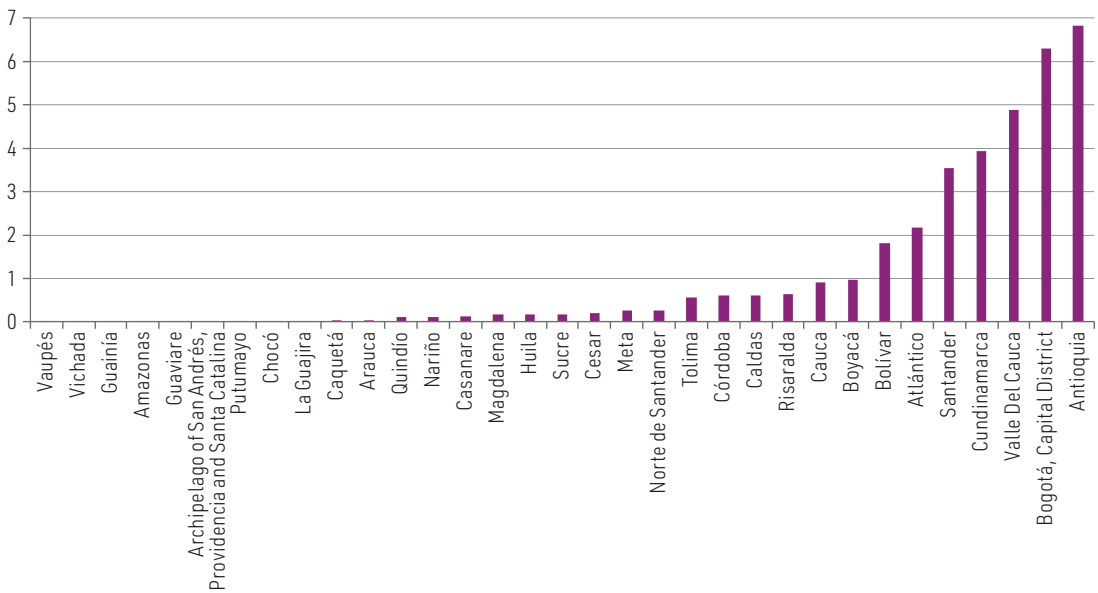


Source: Organisation for Economic Co-operation and Development (OECD) and others (2023), *Latin American Economic Outlook 2023: Investing in Sustainable Development* (LC/PUB.2023/21), Paris, OECD Publishing.

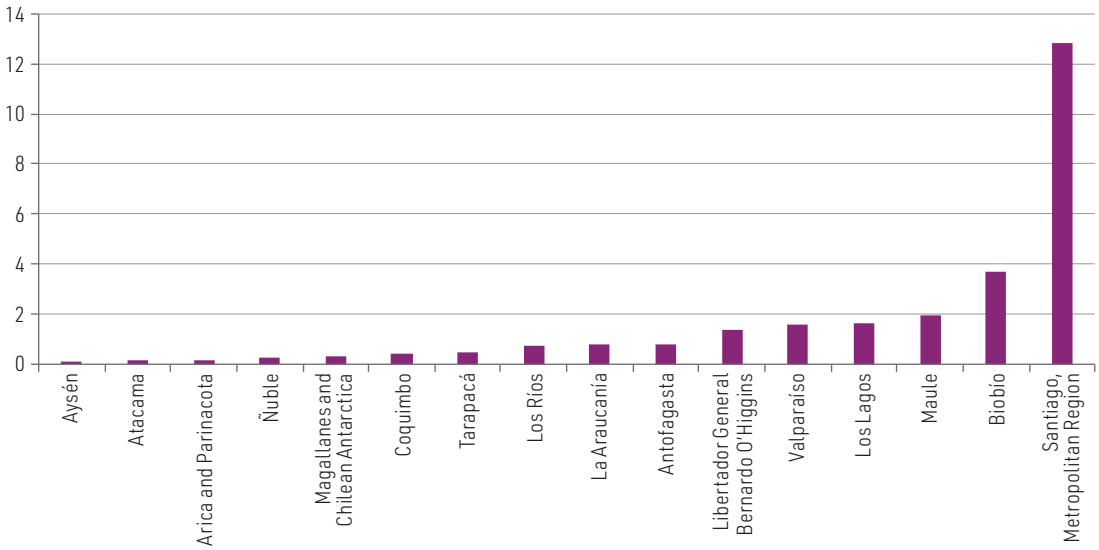
Note: PPP= purchasing power parity. The data measured on the right scale represent the ratio between the per capita GDP of the region of the country with highest value to that of the lowest. Per capita GDP figures were obtained from two data series produced by OECD and the countries' national, regional and city accounts databases. The regions considered in each country are as follows: United States: Washington, D.C., and Mississippi; Germany: Hamburg and Saxony-Anhalt; Sweden: Stockholm and North Middle Sweden; France: Île de France and Mayotte; Canada: Nunavut and Prince Edward Island; Republic of Korea: Seoul and Jeju; Italy: provinces of Bolzano and Calabria; Spain: Madrid and Canary Islands; Chile: Antofagasta and Ñuble; Uruguay: Montevideo and Rivera; Mexico: Campeche and Chiapas; Colombia: Bogotá, Capital District and Vichada; Brazil: Federal District and Maranhão; Peru: Moquegua and San Martín; and the Plurinational State of Bolivia: Tarija and Beni. Data refer to 2021 for Chile, Mexico, Colombia and the Plurinational State of Bolivia and to 2019 for Uruguay.

Figure III.2
Chile and Colombia: manufacturing sector value added at the subnational level, 2021
(Billions of dollars)

A. Colombia



B. Chile



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of CEPALSTAT [online database] https://statistics.cepal.org/portal/cepalstat/index.html?lang=en.

The subnational production structure is the outcome of context-specific productive, institutional and political dynamics that interact with national and international ones. What is produced clearly matters: the specialization and production profile of each territory affects per capita GDP, income distribution and future growth potential. Specialization patterns that are more technology- and knowledge-intensive, and driven by the expansion of global demand, are more dynamic and boost the demand for skilled labour and better-paid jobs (ECLAC, 2022a). At the same time, they are particularly attractive for FDI (ECLAC, 2022a, 2022b and 2023). Under the right conditions, the latter can be key to the transformation of the production structure that the region so badly needs to break the cycle of low levels of investment, productivity and growth and, at the same time, reduce territorial disparities (ECLAC, 2022a; OECD and others, 2023).

Promoting a better distribution of FDI in the territories is key to moving towards more sustainable development. Inward investment can stimulate economic diversification, strengthen productive and technological capacities, and foster innovation at the local level, thus contributing to economic growth and job creation. If the investments in question reach the least prosperous territories, supporting the creation of opportunities, human development and infrastructure improvement, they could promote inclusive growth and reduce disparities in the countries. In addition to targeting sectors that are prioritized in the productive development policies of the countries and their territories, this investment could act as a catalyst for these policies and their productivity impacts. Moreover, if the investment is channelled towards sectors that are aligned with the Sustainable Development Goals, such as renewable energies and environmentally friendly technologies, subnational FDI can contribute to the long-term sustainability and resilience of local economies. It can also promote sustainable practices by integrating environmental and social considerations into investment projects and minimizing negative environmental impacts. In short, attracting FDI and creating the conditions for it to have positive impacts at the subnational level is critical for fostering productive, inclusive and sustainable development, and ensuring that the benefits of investment reach all segments of society while minimizing environmental impacts.

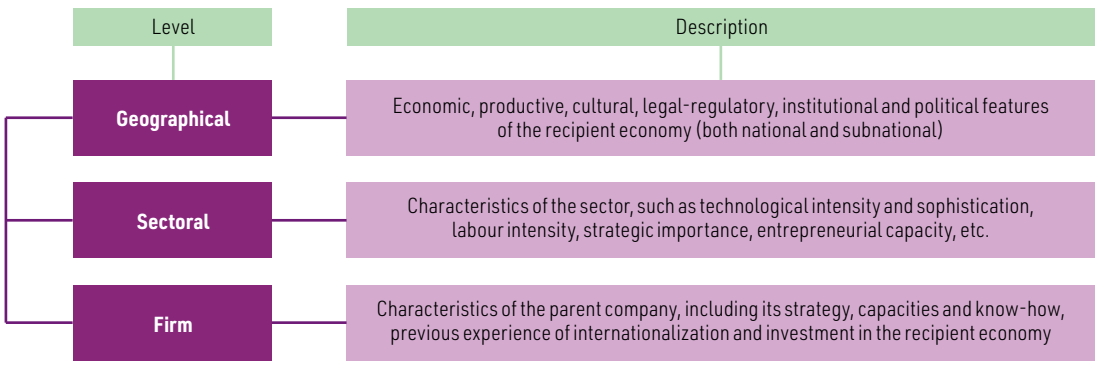
In this context, the perspective from which FDI dynamics are usually analysed, which considers the determinants of location between the home country and the host country (considered as a whole), is not only insufficient (Iammarino and McCann, 2013; Mudambi and others, 2018), but also limiting. It provides scant guidance for the design of investment attraction strategies and policies that are more adapted to territorial specifics and, thus, more effective. Moving in this direction requires a better understanding of

the drivers of subnational FDI (Crescenzi and Harman, 2022). In other words, which factors determine the location decisions of multinational enterprises at the subnational level? How can territories harness FDI for sustainable and inclusive productive development? These issues are addressed in section III.A.1.

1. Factors influencing the location of FDI and its impact on the territories

The decision to locate an FDI project in a specific territory depends on various multilevel factors, such as the characteristics of the geographical location (of both a country and a territory), of the productive sector, and of the firm itself (see diagram III.1). The interaction between these factors and levels can either foster or discourage foreign capital inflows, which determines how attractive a particular location is (Nielsen, Asmussen and Weatherall, 2017).

Diagram III.1
Levels and determinants of FDI localization



Source: Economic Commission for Latin America and the Caribbean (ECLAC).

In terms of geography, the economic, productive, institutional or structural characteristics of the host country, region or territory influence FDI location decisions. Depending on the context, factors such as the size of the market, the presence of infrastructure, the availability of skilled labour and access to technology, may be attractive for multinational enterprises (Kleineick, Ascani and Smit, 2020). The nature and quality of institutions, including the degree of formalization and development of policy and regulatory frameworks, along with mechanisms of incentives and subsidies provided for investments or multinational enterprises, play an important role and can be an attraction factor both nationally and subnationally (Hutzschenreuter, Matt and Kleindienst, 2020). As analysed in chapter II, the productive development policies implemented in a given country or territory are extremely important. By promoting the strengthening of capacities to address both the institutional and the structural challenges of an economy, these policies can contribute to attracting quality investment, which is understood as investment that serves as a source of productivity gains, innovation and incorporation of technological advances, and is oriented towards stable, inclusive and sustainable economic growth (ECLAC, 2020 and 2023).

Other variables more closely related to the production structure are also crucial. According to Nielsen, Asmussen and Weatherall (2017), empirical data on locational choices tend to corroborate the hypothesis that the greater the concentration of firms of a specific sector in a given location, the more likely that the location will be chosen as a destination for FDI by firms in that sector (intra-industry agglomeration or industrial clusters). Another type of agglomeration, which also informs FDI locational choice, refers to the positive synergies and externalities (technological and productive) that are established between firms in different sectors (inter-industry agglomeration), which shows that productive diversification can also represent an FDI attraction factor in a given region.[3]

[3] Similarly, Garcia and others (2023) note that, in the case of Brazil, the more specialized subnational regions, having a smaller and more specific knowledge base, may have fewer opportunities to exploit capabilities and linkages, which would make these even weaker.

The degree of sectoral diversification and potential linkages between sectors can play an important role in attracting investment into the territories for several reasons. Firstly, diversified production structures may be more attractive to multinational enterprises seeking investment opportunities, enabling them to reduce risk by offering a wider range of sectors in which to invest. In this regard, Lu and others (2014) find that, in developing countries, national and territorial industrial diversification has positive effects on international investment diversification, because it enables multinational enterprises to accumulate knowledge and capabilities that are useful for investment diversification. Secondly, more diversified economies are more resilient and better equipped to absorb and deploy the knowledge and technologies that accompany FDI (UNCTAD, 2020); and they can offer opportunities for synergies and collaboration to foreign companies wishing to set up business in the host country or territory.

Industry characteristics influence FDI location decisions at the sector level. As noted in chapter II, sectors are not equally attractive to foreign capital flows, or in terms of the factors that drive FDI. For example, in the case of manufacturing, multinational enterprises tend to find locations that have good market opportunities in less developed countries attractive, and to locate in the most productive regions. Natural resource-intensive industries need access to these resources, while for labour-intensive sectors, labour market institutions and labour costs are more relevant (Klimek, 2020). In the services sector, firms prefer territories with easier market access and larger local markets, which do not necessarily coincide with national characteristics (Kleineick, Ascani and Smit, 2020). Distance from end-markets is especially important for modern service-providing firms. Moreover, other cross-sectoral differences, such as the degree of technological sophistication, the strategic importance of the sector for the home and host countries of the FDI, and the cooperative, associative and organizational capabilities of the firms that comprise a given sector, can be expected to come into play in determining the attractiveness of a locality.

Lastly, the specifics of the firm also condition the choice of FDI location. The strategies that motivate multinational enterprises to invest abroad can be divided into four categories according to their orientation: (i) the search for raw materials; (ii) access to domestic markets; (iii) obtaining efficiency gains; and (iv) access to strategically important assets (technological or highly skilled human capital) (Dunning, 2002). The different strategies of multinational enterprises have different requirements in terms of the spatial characteristics they require and complement their own capabilities (Iammarino and McCann, 2013). When the firm is looking for natural resources or strategic assets, subnational characteristics may become more relevant, whereas the search for market or efficiency based on cheap labour would tend to prioritize national market characteristics (Milberg and Winkler, 2013; Cui, Meyer and Hu, 2014). Another distinctive feature of recognized importance is the firm's integration into global value chains, because multinationals' decisions about which activities of their value chain to localize internationally also entail specific requirements. They also affect the locations or regions that lose or receive such activities. More specific data on the role of each factor in attracting FDI is still incipient.

What ultimately determines the attractiveness of a location for FDI is how the different factors at various levels —geographical (country and subnational), sectoral and firm— and the context of productive development policies combine and impact each other. In considering the interrelationship between geographical and firm characteristics, Nielsen, Asmussen and Weatherall (2017) find evidence that investment processes are path-dependent insofar as there are increasing returns from, for example, the accumulation of capacities in firms, personnel training and infrastructure. As a result, capacities accumulated in one period make investment in the same location more attractive in the subsequent period. The hierarchy and relative weight of the elements present at each level should also vary. For example, it is particularly interesting to find that formal FDI attraction policies and the availability of adequate infrastructure may be more decisive subnationally than nationally (Nielsen, Asmussen and Weatherall, 2017).

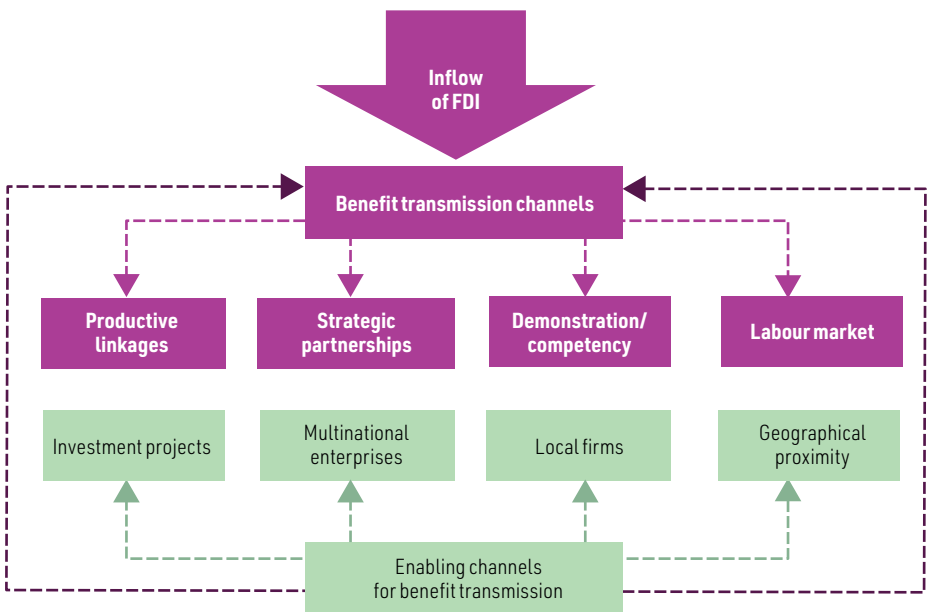
The combination of geographic, sectoral and business factors that contribute, to a greater or lesser extent, to attracting FDI in a given subnational area is also related to the potential impact of this investment on the development of the locality. Uneven development at different geographical scales is the flip side of the aforementioned agglomeration trends (Pavlínek, 2022). While the impact of FDI tends to

be highly localized, it is difficult to separate the effects arising from different geographical levels: those that have been attributed to the national level may actually arise from diverse subnational realities (Beamish and Lupton, 2016). The characteristics of the investment projects launched (in terms of the size and type of investment, the nature of the operation, the mode of entry and its time-horizon, and so on) will also likely affect their impact on the territories (OECD, 2023a; Pavlínek, 2022).

Similarly, as occurs at the national level (see chapter II), the immediate and long-term impacts of FDI in a country's territories can be both positive and negative. They can also encompass quantitative dimensions (such as the effects on productivity, gross capital formation and the balance of payments), and qualitative ones (such as effects associated with technology transfer, the development of local capacities and human capital formation) (Padilla and Nogueira, 2015). This depends on the set of factors that define endogenous learning capacities in the region.

The main channels for transmitting the benefits of FDI to the territories include the productive relationships that may be generated between multinational enterprises and local firms, the integration of the latter into collaboration arrangements or networks with other firms, and the spillovers from interactions between firms and then from firms to nearby territories (see diagram III.2) (Amendolagine and others, 2019). The production structure of the countries and the capacities of the business sector have proven decisive in harnessing the benefits of FDI in the territories. This indicates that territorial production systems that are well integrated and diversified, with developed manufacturing capacities and framed in productive development policies that are sustained over the long term are important, not only for attracting investment into more technology-intensive sectors, but also for absorbing the knowledge generated by multinational enterprises, and adopting or adapting this to the needs of other sectors (Ascani, Balland and Morrison, 2020; Baldwin and von Hippel, 2011). These characteristics of the region help define what is referred to in chapter II as the "absorption capacity" of the host economy, that is, its capacity to use FDI and technology from countries on the technological frontier to raise its own productivity, narrow the technology gap and diversify the production structure.

Diagram III.2
Channels that enable transmission of the benefits of FDI in the territories



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of R. Crescenzi and O. Harman, *Harnessing Global Value Chains for regional development: How to upgrade through regional policy, FDI and trade*, Taylor and Francis, 2023 [online] https://www.researchgate.net/publication/367104551_Harnessing_Global_Value_Chains_for_regional_development_How_to_upgrade_through_regional_policy_FDI_and_trade; Organisation for Economic Co-operation and Development (OECD), "Rethinking Regional Attractiveness in the New Global Environment", *OECD Regional Development Studies*, OECD Publishing, 2023.

The characteristics of the firms are fundamental for enabling channels for transmitting the benefits of FDI, such as technologies and knowledge (see diagram III.2). In the case of multinational enterprise subsidiaries that set up business in the territory, their level of technological development, the intensity of their research and development and innovation activities, and their management capacities, are influential. In the case of the local firms, their absorption capacities are essential for enabling the benefits of international investments to crystallize locally (Ascani and Gagliardi, 2020; Gereffi, Lim and J. Lee, 2021). Moreover, Fu (2008) finds evidence of the contribution of FDI to subnational innovation capacity in a study conducted for China. The author also argues that the strength of the positive effects depends on the absorption capacity and availability of innovation-complementing assets in the host economy. These include information infrastructure; industrial, scientific and technological structure; and the level of development and activity of institutions that facilitate technology transfer in a region, among others. In the case of Brazil, Garcia and others (2023) also find that the regions of the country that have more diverse and complex industrial structures benefit more from FDI spillovers than those with poorly diversified production structures, characterized by low-productivity sectors. Thus, capacities for innovation and its spillovers are more prominent at the local level and less so at the national level.

Studies analysing the subnational presence of multinational enterprises in developing-countries have often identified weak or nonexistent linkages between such firms and local ones (Amendolagine and others, 2013; Morris and others, 2011). For example, in Latin America and the Caribbean, it is common for investments in the territories to seek access to strategic natural resources. Although many natural-resource and mining projects have generated fewer linkages between multinational enterprises and local firms, some countries in the region that have attracted investments in manufacturing have not always been able to take full advantage of the benefits derived from linkages between the two categories of firm (Dussel Peters, 2016). This is mainly due to the production structure of the territories in question, the weak absorption capacities of local firms, the type of activities carried out by multinationals in the territory, and the capacity gap between them and local firms.

Efforts to align multinational enterprise location decisions more closely with the public interest in promoting subnational development should not rely exclusively on market forces. Robust public policies and institutions that operate systematically and are sustained over the long term are essential. However, the evidence shows that attracting FDI inflows is not enough in itself. To maximize the benefits derived from these resources, especially at the subnational level, it is necessary to be proactive in promoting conditions to boost capacities for learning, innovation and the creation of quality jobs. Productive development policies have a central role to play in this process.

2. Policies and institutions for FDI attraction and territorial productive development

Having recognized that public policies are a critical contextual influence on the capacity to attract and absorb the positive effects of FDI in the territories, strategies and institutions to promote subnational investment have been established in several countries around the world (Lewis and Whyte, 2022; OECD, 2023b; Volpe Martincus and Sztajerowska, 2019). International experience in this field is diverse in terms of the pace of progress, degree of maturity, institutional models and results achieved. In general, a common thread has involved efforts to develop an attractive environment for FDI in which a diversity of actors and roles participate and interact.

In this context, local governments have an integral role in the institutional environment and, more proactively, in policies to stimulate FDI, which signal the presence of investment opportunities and thus influence the location decisions of multinational enterprises (Yao and others, 2023). This is not to minimize the importance of national governments in their efforts to attract foreign investment in a balanced manner throughout the country, but instead to highlight the complementary importance of subnational entities —a point on which there seems to be a growing consensus (Fernandez, Blanco and

Larrey, 2021; OECD, 2023a and 2023b; Taylhardat, 2022). One of the instruments used by subnational governments to boost investment, which is gaining prominence, is the investment promotion agency.

At both the national and the subnational levels, investment promotion agencies undertake similar activities and have the general objective of stimulating FDI to boost economic growth and development. However, by concentrating on a territory, subnational actors have a deeper knowledge of the strengths and weaknesses of a given locality, which fosters more targeted assistance to international investors (Fernández, Blanco and Larrey, 2021). This is reflected in the perceptions held by different actors on the relative importance of investment promotion instruments and measures deployed at the national and subnational levels (see table III.1). According to a recent study for Europe, regions with a subnational investment promotion agency in place can attract up to 71% more FDI than those without one and can increase the number of jobs created by up to 102% annually (Crescenzi, Di Cataldo and Giua, 2021).

Table III.1
Organisation for Economic Co-operation and Development: main policy tools and measures to promote subnational FDI, in decreasing order of importance

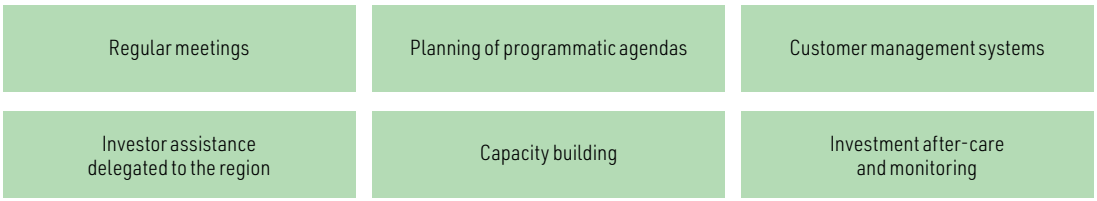
	According to national investment promotion agency	According to subnational investment promotion agency
1	National investment promotion agency services	Subnational investment promotion agency services
2	Non-tax incentives	Local business environment improvements
3	Tax incentives	Provision of infrastructure
4	Industrial parks	National IPA services
5	Provision of infrastructure	Tax incentives
6	Local business environment improvements	Non-tax incentives
7	Special economic zones	Industrial parks
8	Local and regional fairs	Local and regional fairs
9	Others	Special economic zones

Source: Organisation for Economic Co-operation and Development (OECD), "Subnational investment promotion and decentralisation in the OECD: Strategies and institutions", *OECD Business and Finance Policy Papers*, No. 40, OECD Publishing, 2023.

However, because other organizational arrangements are possible (e.g. investment promotion units within local government), the existence of coordination and well-defined objectives at different levels of government is more important than institutional design or the presence of subnational agencies. Without this, the proliferation of investment promotion agencies could even be counterproductive in some cases (Lewis and Whyte, 2022). Analyses to determine which instruments work best at the subnational level also underscore the risk that (in the absence of a common vision and coordination to pursue it) subnational tax incentives could trigger a race to the bottom between territories, resulting in more costly and less efficient investment attraction strategies (Oman, 2000). Conversely, strategies that are coordinated between national and subnational investment promotion agencies, which seek to coordinate actors between sectors and territories, have proven effective in reducing competition in countries and attracting investments to respond to their needs (Fernández, Blanco and Larrey, 2021). Thus, including the subnational perspective in FDI stimulus policies requires consideration of the competencies of the local authorities, adopting an approach that clarifies responsibilities at different administrative levels, and using appropriate multilevel coordination mechanisms (OECD, 2023a).

International experience in this regard points to a variety of combinations of mechanisms, tools and activities that favour good collaboration between multiple levels of government (Taylhardat, 2022). Diagram III.3 shows examples of these components. Although there is no single best model, the case of Spain has been highlighted as an example of successful collaboration between the national and subnational levels (Fernández, Blanco and Larrey, 2021). Its main ingredients include the creation of active communication channels between the different levels of public administration, the development of learning mechanisms that lead to capacity-building, the exchange of good practices in attracting and promoting FDI, the promotion of innovation, and the establishment of a permanent framework for public-private collaboration.

Diagram III.3
Enablers of collaboration between national and subnational investment promotion agencies



Source: A. Taylhardat, *Colaboración nacional-subnacional como factor de competitividad en la atracción y facilitación de inversiones*, Washington, D.C., Inter-American Development Bank (IDB), 2022 [online] https://doi.org/10.18235/0004674.
Note: This list is presented as an example, is not exhaustive and is based on case studies in the following countries: Canada, Costa Rica, the Kingdom of the Netherlands, Spain and Poland.

In terms of public-private collaboration, the role played by small and medium-sized enterprises in attracting investment is an issue of great interest for territorial development (ECLAC, 2022a; Dini and Stumpo, 2020; OECD, 2023a). Given their importance for employment and the productive fabric of the countries of the region, and considering that the potential to generate dynamic and productive linkages with multinational enterprises also depends on them, small and medium-sized enterprises should be directly and frequently involved in the design and implementation of policies aimed at attracting FDI and fostering such linkages. There are various ways to achieve this, such as collaboration with local chambers of commerce, public consultations and participation as stakeholders in dialogue with investment promotion agencies and subnational and national governments, among other actors. For this purpose, strategies to develop cluster initiatives, which seek to strengthen productive development at the territorial level, could be useful (OECD and others, 2023).

Beyond that, as argued in chapter II, broader productive development strategies and policies are needed that take into account the specifics and needs of individual territories, in which FDI attraction is an integral part. Subnational productive development agendas that promote productive, technological and innovation capacities proactively, through incentives and services, as well as the development of productive linkages, local suppliers and technology transfer, are the cornerstone of efforts to ensure multilevel coherence and coordination (ECLAC, 2022a). These agendas can steer and help attract investments that are aligned with the capacities and needs of the territories, thus generating positive economic impacts. Nonetheless, it is also important to adapt attraction strategies to maximize the effects on local development and minimize the negative impacts.

If specific promotion and support tools aligned with the social and environmental objectives of the 2030 Agenda for Sustainable Development are also implemented, within this broader vision of subnational productive development needs, the result is more likely to generate progress in a more beneficial direction for Latin America and the Caribbean —one in which FDI is of the quality and plays the role expected of it in reducing structural heterogeneity, with increased well-being and better income distribution in the territories that need it most, and care for the environment.

B. A preliminary approach to subnational FDI in Latin America

Although there is a degree of consensus on the importance of the subnational dimension of FDI, the analysis of this topic is still incipient and is not free of challenges. One of these concerns the unit of analysis. Owing to the scarcity of more disaggregated data, an administrative categorization is often chosen that restricts the legal, administrative and political contours to specific spaces. However, this does not mean that there is

homogeneity within these limits, so the results of research in this area need to be interpreted with caution. Another difficulty is the scarcity of comparable subnational data and with a sufficiently long timespan.

With this in mind, this section makes a preliminary approach to subnational FDI in Latin America based on investment project announcements made between 2005 and 2021 in five countries: Argentina, Brazil, Chile, Colombia and Mexico. Two main criteria guided the selection: (i) the share of total announcements made in the region; and (ii) the availability of data on subnational FDI project announcements based on information from fDi Markets of the Financial Times. The characteristics of subnational FDI projects are reviewed in terms of their geographical and sectoral distribution, identifying trends and orders of magnitude, as well as indications of the attractiveness of certain areas of countries in the region as a whole. The survey is preliminary and partial, owing to shortcomings in coverage and the type of information available (announcements versus projects implemented).

1. National and subnational specialization profiles

The five selected countries are heterogeneous in many respects, not least in their production and institutional structures. Some central features of this institutional diversity are shown in table III.2. From the political-administrative standpoint, Argentina, Brazil and Mexico are federal countries, while Chile and Colombia are unitary ones. With regard to the institutional system for encouraging FDI, all of the countries have a national investment promotion agency, except for Mexico,[4] where the Ministry of Economy and the Ministry of Foreign Affairs are responsible for this.

Table III.2
Latin America (selected countries): subnational institutional characteristics

Country	Political-administrative organization	First-tier subnational entity nomenclature	Number of subnational entities	Presence of national investment promotion agency	Presence of subnational investment promotion agencies
Argentina	Federal	Provinces	23 provinces and 1 federal district (Autonomous City of Buenos Aires)	Yes	Yes, in 8 provinces and 1 district: Autonomous City of Buenos Aires, La Pampa, Mendoza, Neuquén, Río Negro, Salta, San Juan, Santa Fe and Tucumán.
Brazil	Federal	States	26 states and 1 federal district	Yes	Yes, in each federative unit and in some municipalities.
Chile	Unitary	Regions	16 regions	Yes	No. With support from the national investment promotion agency, regional units were created, linked to the governments of four regions: Aysén, Los Ríos, Ñuble and Tarapacá. Others are being created.
Colombia	Unitary and decentralized	Departments	32 departments and 1 capital district (Bogotá)	Yes	Yes, there are some 23 regional agencies and a number of entities linked to specific cities. In some departments where there is no investment promotion agency as such, investment is promoted through chambers of commerce, and through mayors' and governors' offices.
Mexico	Federal	States	32 states (including 1 capital city, Mexico City)	No (FDI is promoted by the Ministry of Economy and the Ministry of Foreign Affairs)	Yes, there is a regional body for states that belong to the Federalist Alliance. Some states (for example, Nuevo Leon and Chihuahua) have their own agency. The current government of Chiapas is proposing to create a state investment promotion agency. In most states, FDI is promoted through the governments' development secretariats.

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

[4] In April 2023, the Government of Mexico published the agreement to close down ProMéxico, the national investment promotion agency that had been active from June 2007 to May 2019 (*El Universal*, 2023; Forbes Mexico, 2019).

Subnational FDI is analysed in two stages. Firstly, for each recipient country, a brief description is made of the sectoral structure of announcements nationally. This makes it possible to ascertain the number of projects and the amount of capital announced in each sector, and thus gain an idea of the extent to which FDI is diversified across sectors in that country. For the five cases selected there are sector-level data for all projects, so the analysis can be performed for the total amount of announced capital.

Secondly, to focus the analysis at the subnational level, the sectoral structure of announcements is considered in detail for each of the country's subnational entities. This is done using a measure of relative specialization (see box III.1). For each subnational area of a country, the presence of each of the sectors is analysed with a view to detecting possible specializations. The sectoral specialization of FDI makes it possible to infer the potential for investment to open up opportunities, either for diversifying the production structure or else for reinforcing the existing one. It is also important because it gives clues as to the type of direct jobs that these investments can help create in a given territory. Not all announcements have localized information, so the analysis is done for projects that have such data available, the magnitude of which varies according to the country studied, but nearly always represents more than 70% of the national total of announced projects. The results of the survey conducted for each country are analysed below.

Box III.1
The relative specialization approach

Knowledge of the relative specialization of subnational FDI project announcements is important, because it provides detailed information on the geographical areas that are most attractive for foreign investment in specific sectors of the economy. This makes it possible to identify sectors and geographic areas that have comparative advantages, as well as those that may need further support or specific development strategies.

The relative specialization of subnational FDI project announcements is analysed in three main stages:

Firstly, for each country, national FDI project announcements are classified by sector and compared with subnational announcements in the same sector. If the sector's share of subnational project amounts is greater than its share of project amounts nationwide, then that subnational entity is considered to have relative specialization in that sector. In other words, a relative specialization index is calculated as follows:

$$RSI = \frac{fdi_i / fdi}{FDI_i / FDI}$$

Where:

RSI = relative specialization index

fdi_i = sector *i* FDI project announcements in the subnational region (in dollars).

fdi = total FDI project announcements in the subnational region (in dollars).

FDI_i = sector *i* FDI project announcements nationwide (in dollars).

FDI = FDI project announcements nationwide (in dollars).

If RSI > 1, the subnational region has relative sector specialization in its FDI projects.

Secondly, some aspects of the previous analysis are disaggregated among subnational entities. This makes it possible to identify which of those entities registered the most project announcements and the largest amount. The localities thus identified can be considered the most attractive, according to their FDI project announcements. In addition, sectoral diversification in each subnational region is analysed, on the basis of the number of sectors in which projects are announced, the concentration of the capital involved, and the sectors in which the region is relatively specialized.

Lastly, a description of the geographical distribution of FDI at the sector level, and the degree of concentration, is provided for each country. This makes it possible to identify the subnational regions in which the sectors had the greatest presence in terms of announced capital investment. It is also possible to identify any subnational area that predominates in terms of attracting the largest amount of capital at the sector level.

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

2. Argentina

Between 2005 and 2021, 1,608 FDI projects were announced in Argentina, totalling US$ 95.821 billion with 304,694 associated jobs. Subnational location data are available for 79% of the total number of announced projects and 74% of the total amount involved. The announcements are unevenly distributed among the subnational regions and heavily concentrated in the Autonomous City of Buenos Aires (see table III.3).

Table III.3
Argentina: distribution of project announcements by subnational area, 2005–2021

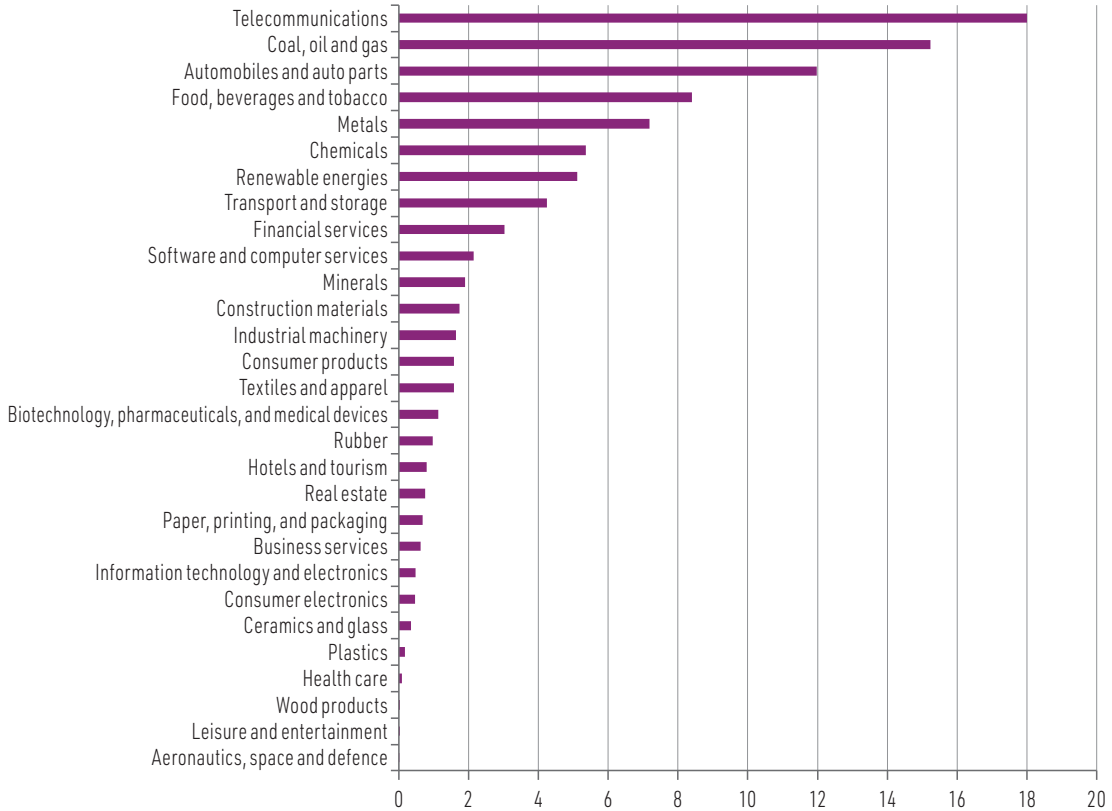
Subnational areas	Projects		Amount	
	Number	Percentages	Millions of dollars	Percentages
Buenos Aires, Province of	269	16.73	16 226	16.93
Buenos Aires, Autonomous City of	525	32.65	13 342	13.92
Santa Fe	101	6.28	6 774	7.07
Neuquén	30	1.87	6 198	6.47
Córdoba	97	6.03	5 801	6.05
Santa Cruz	10	0.62	3 720	3.88
Salta	27	1.68	3 265	3.41
Mendoza	44	2.74	2 199	2.30
Rio Negro	11	0.68	1 902	1.99
Chubut	14	0.87	1 579	1.65
San Juan	23	1.43	1 504	1.57
Jujuy	11	0.68	1 380	1.44
San Luis	10	0.62	1 045	1.09
Patagonia	7	0.44	1 002	1.05
Tucumán	14	0.87	958	1.00
Catamarca	10	0.62	831	0.87
Chaco	13	0.81	793	0.83
Tierra del Fuego	19	1.18	566	0.59
La Rioja	6	0.37	365	0.38
Santiago del Estero	6	0.37	295	0.31
Misiones	12	0.75	275	0.29
Corrientes	5	0.31	172	0.18
La Pampa	2	0.12	77	0.08
Entre Rios	3	0.19	52	0.05
Formosa	6	0.37	28	0.03
Subtotal	1 275	79.29	70 346	73.41
n.a.	333	20.71	25 475	26.59
Total	**1 608**	**100.00**	**95 821**	**100.00**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com/.

Note: n.a. refers to investment project announcements for which location information is not available. The subnational regions comprise the 23 provinces and the federal district (Autonomous City of Buenos Aires), as well as Patagonia, which is composed of six provinces: Chubut, La Pampa, Neuquén, Río Negro, Santa Cruz and Tierra del Fuego, Antarctica and Islas del Atlántico Sur.

The investments are highly concentrated by sector (see figure III.3). Nine sectors attract 80% of the total amount of FDI announcements in Argentina, with just three sectors accounting for 47% of the total. These are telecommunications (which accounted for US$ 17.997 billion, or 18.8% of the total); coal, oil and gas (with a total announced amount of US$ 15.227 billion, or 16% of the total); and automobiles and auto parts (with US$ 11.982 billion, or 13% of the total).

Figure III.3
Argentina: project announcements by sector, 2005–2021
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), based on Financial Times, fDi Markets [online database] https://www.fdimarkets.com/.

The software and computer services sector has the largest number of project announcements and accounts for 15.4% of the national total. It is followed by food, beverages and tobacco with 10.4%, while the business services sector accounts for 8.8% of all projects. Although the software and computer services and business services sectors have a large number of project announcements, their shares of the total volume of capital invested are much smaller, at 2.2% and 0.6%, respectively. In the first of these sectors the average project size is small (US$ 8.69 million), with a maximum of US$ 307 million and a minimum of US$ 100,000. Meanwhile, in the business services sector, the average project size is US$ 4.38 million, with a maximum of US$ 75 million and a minimum of US$ 300,000, thus displaying a much smaller dispersion than in software and computer services.

Consideration of the total number of projects announced between 2005 and 2021 shows that the investments planned for Argentina are relatively concentrated in two geographical areas, the Autonomous City of Buenos Aires and the Province of Buenos Aires, which display higher levels of sectoral diversification (see table III.4). The Autonomous City of Buenos Aires reported announcements in 26 sectors and relative specialization in 46% of them, while the Province of Buenos Aires had announcements in 23 sectors and relative specialization in 57%. The next provinces in terms of the number of sectors represented in the announcements are Santa Fe, with 19 sectors of which 53% show specialization, and Córdoba, with 18 sectors, of which just one third display relative specialization. In contrast, La Pampa and Entre Ríos are regions with announcements in just one and two sectors, respectively. They are also the provinces with the smallest number of total projects announced, which suggests that they are relatively unattractive to investors.

An analysis of the magnitude of the predominant sector in each province gives pride of place to food, beverages and tobacco, which in the province of Río Negro accounts for 85.2% of the amount of capital announced, even though the region has FDI in six different sectors. This is followed by the coal, oil and gas sector, which in Neuquén has a 78.07% share, despite having announcements in 13 sectors. Both of these sectors are also predominant in another four regions.

Table III.4
Argentina: relative specialization of subnational FDI projects, 2005–2021

Subnational areas	Project announcements		Target sectors			Predominant sector	
	Amount *(Millions of dollars)*	Number	Total number	Relative specialization		Name	Share in subnational total *(Percentages)*
				Number	Share *(Percentages)*		
Buenos Aires, Province of	16 226	269	23	13	57	Food, beverages and tobacco	14.1
Buenos Aires, Autonomous City of	13 342	525	26	12	46	Telecommunications	23.7
Santa Fe	6 774	101	19	10	53	Automobiles and auto parts	34.5
Neuquén	6 198	30	13	4	31	Coal, oil and gas	78.1
Córdoba	5 801	97	18	6	33	Automobiles and auto parts	63.5
Santa Cruz	3 720	10	6	3	50	Renewable energies	64.5
Salta	3 265	27	10	3	30	Chemicals	59.9
Mendoza	2 199	44	16	9	56	Chemicals	33.4
Rio Negro	1 902	11	6	3	50	Food, beverages and tobacco	85.2
Chubut	1 579	14	7	2	29	Coal, oil and gas	54.2
San Juan	1 504	23	10	6	60	Metals	51.1
Jujuy	1 380	11	6	4	67	Chemicals	71.0
San Luis	1 045	10	8	7	88	Telecommunications	40.7
Patagonia	1 002	7	4	4	100	Coal, oil and gas	45.9
Tucumán	958	14	9	4	44	Textile and apparel	52.2
Catamarca	831	10	6	3	50	Minerals	52.4
Chaco	793	13	7	5	71	Automobiles and auto parts	63.1
Tierra del Fuego	566	19	9	7	78	Coal, oil and gas	33.7
La Rioja	365	6	4	3	75	Textile and apparel	65.8
Santiago del Estero	295	6	4	4	100	Minerals	52.7
Misiones	275	12	6	6	100	Hotels and tourism	39.1
Corrientes	172	5	4	3	75	Renewable energies	69.9
La Pampa	77	2	1	1	100	Food, beverages and tobacco	100.0
Entre Rios	52	3	2	2	100	Financial services	59.9
Formosa	28	6	5	5	100	Food, beverages and tobacco	36.9

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com/.
Note: The subnational regions comprise the 23 provinces and the federal district (Autonomous City of Buenos Aires), as well as Patagonia, which is composed of six provinces: Chubut, La Pampa, Neuquén, Río Negro, Santa Cruz and Tierra del Fuego, Antarctica and Islas del Atlántico Sur.

Announcements in the food, beverages and tobacco sector are the most widely distributed geographically, covering 19 subnational areas. The sector is also fifth in terms of capital concentration at the national level (see table III.5). It is followed by telecommunications, spanning 15 areas, and the financial services and metals sectors with announcements in 14 areas. In all cases, the aforementioned sectors have

the highest concentration of capital in the Autonomous City of Buenos Aires and in the Province of Buenos Aires. At the other extreme, the most concentrated sectors are health care; aeronautics, space and defence; and wood products. The first two of these are concentrated in the Autonomous City of Buenos Aires, but absorb a very small percentage of the total amount of capital announced nationally.

Table III.5
Argentina: geographical distribution project announcements by sector, 2005–2021

Sectors	Projects announced		Subnational presence	Predominance		
	Amount *(Millions of dollars)*	Share *(Percentages)*	Number of areas	Location	Amount *(Millions of dollars)*	Share of national total *(Percentages)*
Coal, oil and gas	11 972	12.49	13	Neuquén	4 839	31.78
Automobiles and auto parts	10 953	11.43	7	Córdoba	3 681	30.72
Metals	6 434	6.71	14	Autonomous City of Buenos Aires	1 509	20.99
Telecommunications	6 300	6.57	15	Autonomous City of Buenos Aires	3 158	17.55
Food, beverages and tobacco	5 984	6.25	19	Province of Buenos Aires	2 281	27.14
Chemicals	5 056	5.28	13	Salta	1 955	36.48
Renewable energies	4 601	4.80	12	Santa Cruz	2 400	46.89
Transport and storage	3 232	3.37	6	Autonomous City of Buenos Aires	2 003	47.14
Financial services	2 583	2.70	14	Autonomous City of Buenos Aires	1 228	40.57
Minerals	1 904	1.99	5	Salta	616	32.32
Industrial equipment	1 493	1.56	7	Santa Fe	873	53.06
Software and information computer services	1 306	1.36	11	Autonomous City of Buenos Aires	944	43.96
Textiles and apparel	1 291	1.35	12	Tucumán	500	31.55
Construction materials	1 042	1.09	6	Province of Buenos Aires	382	21.93
Consumer products	972	1.01	8	Province of Buenos Aires	733	46.22
Biotechnology, pharmaceuticals and medical devices	748	0.78	4	Province of Buenos Aires	385	33.77
Hotels and tourism	747	0.78	11	Autonomous City of Buenos Aires	337	41.77
Real estate	743	0.78	5	Autonomous City of Buenos Aires	479	62.47
Rubber	683	0.71	3	Province of Buenos Aires	419	42.61
Paper, printing and packaging	608	0.63	4	Province of Buenos Aires	469	68.56
Business services	485	0.51	10	Autonomous City of Buenos Aires	323	51.87
Information technology and electronics	378	0.39	8	Córdoba	155	32.16
Ceramics and glass	357	0.37	3	Province of Buenos Aires	155	43.39
Consumer electronics	265	0.28	6	Province of Buenos Aires	119	25.66
Plastics	140	0.15	6	Province of Buenos Aires	69	38.53
Leisure and entertainment	30	0.03	3	Neuquén	15	50.85

Sectors	Projects announced		Subnational presence	Predominance		
	Amount *(Millions of dollars)*	Share *(Percentages)*	Number of areas	Location	Amount *(Millions of dollars)*	Share of national total *(Percentages)*
Wood products	26	0.03	2	Corrientes	20	50.76
Aeronautics, space and defence	12	0.01	1	Autonomous City of Buenos Aires	12	100.00
Health care	1	0.00	1	Autonomous City of Buenos Aires	1	1.02
Subtotal identified	70 346	73.41				
n.a.	25 475	26.59				
Total	**95 821**	**100.00**				

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com/.
Note: n.a. refers to investment project announcements for which location information is not available.

3. Brazil

In 2005–2021, 5,077 investment projects were announced in Brazil, totalling US$ 382.801 billion with 871,617 associated jobs. Subnational location data are available for 4,135 project announcements, representing 76% of the total amount. The announcements are unevenly distributed across the 27 federative states (see table III.6),[5] with a high concentration in those located in the southeastern region of the country (specifically São Paulo, Rio de Janeiro and Minas Gerais, in that order, owing to their share in the total amount expected for the country).

Table III.6
Brazil: distribution of project announcements by subnational area, 2005–2021

Subnational areas	Projects		Amounts	
	Number	Percentages	Millions of dollars	Percentages
São Paulo	2 237	44.06	104 815	27.38
Rio de Janeiro	526	10.36	36 539	9.55
Minas Gerais	248	4.88	31 521	8.23
Pernambuco	109	2.15	14 237	3.72
Bahia	127	2.50	13 617	3.56
Rio Grande do Sul	145	2.86	13 114	3.43
Parana	176	3.47	11 421	2.98
Ceará	57	1.12	9 514	2.49
Santa Catarina	96	1.89	8 297	2.17
Goiás	43	0.85	7 825	2.04
Pará	32	0.63	6 203	1.62
Rio Grande do Norte	43	0.85	5 919	1.55
Amazon	84	1.65	5 424	1.42
Mato Grosso do Sul	17	0.33	4 617	1.21
Piauí	17	0.33	3 429	0.90
Mato Grosso	23	0.45	3 258	0.85
Espirito Santo	37	0.73	2 657	0.69
Sergipe	5	0.10	2 357	0.62
Paraíba	14	0.28	1 875	0.49

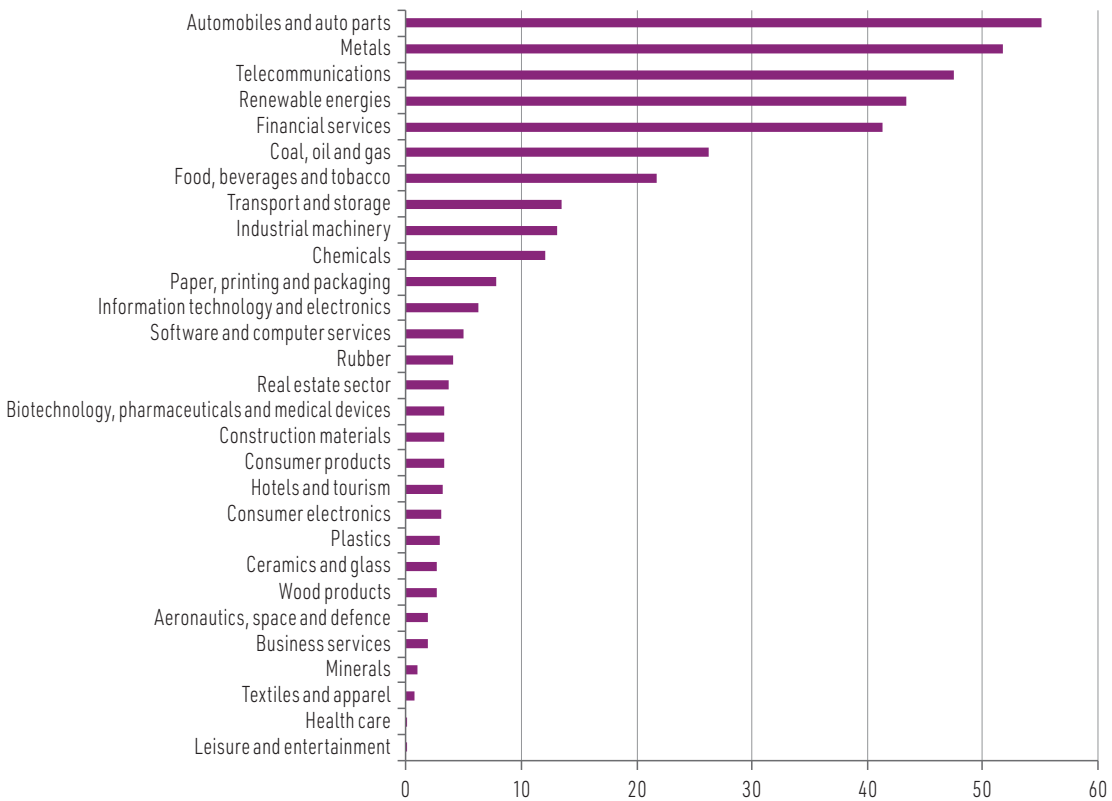
[5] These include 26 states and the federal district of Brasilia.

Subnational areas	Projects		Amounts	
	Number	Percentages	Millions of dollars	Percentages
Federal District	48	0.95	1 682	0.44
Maranhão	15	0.30	1 137	0.30
Amapá	8	0.16	1 121	0.29
Tocantins	9	0.18	842	0.22
Alagoas	10	0.20	403	0.11
Rondônia	6	0.12	352	0.09
Roraima	1	0.02	170	0.04
Acre	2	0.04	133	0.03
Subtotal	4 135	81.46	292 480	76.40
n.a.	942	18.54	90 322	23.59
Total	**5 077**	**100.00**	**382 802**	**100.00**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com/.
Note: n.a. refers to investment project announcements for which location information is not available.

The destination sectors of the announced investments reveal a relatively diversified pattern (see figure III.4). Of the 29 sectors receiving project announcements, nine absorb more than 80% of the total amount announced, while the remaining 20% is distributed across 20 sectors. The automobile and auto parts, metals, telecommunications, and renewable energies sectors each account for an average of between 10% and 15% of the total amount announced.

Figure III.4
Brazil: project announcements by sector, 2005–2021
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com /.

As noted above, of the total number of projects announced between 2005 and 2021, the investments planned for Brazil are very heavily concentrated in three geographical areas: São Paulo, Rio de Janeiro and Minas Gerais. These three states also display a high degree of sectoral diversification (see table III.7). For example, São Paulo has announcements in 29 sectors and relative specialization in 69% of them, which indicates how attractive this location is for FDI flows. Conversely, states such as Bahia, Ceará, Espirito Santo and Pernambuco have FDI in various sectors but account for a smaller share of the national total of announcements. The states with the smallest number of projects announced, such as Acre and Roraima, are also those that received the lowest total FDI, which indicates their low level of attraction.

Table III.7
Brazil: relative specialization of subnational FDI projects, 2005–2021

Subnational areas	Project announcements Total number		Target sectors			Predominant sector	
			Número total	Relative specialization		Name	Share of subnational total (Percentages)
	Amount (Millions of dollars)	Number		Number	Share (Percentages)		
São Paulo	104 815	2 237	29	20	69	Financial services	19.8
Rio de Janeiro	36 539	526	24	10	42	Metals	20.6
Minas Gerais	31 521	248	23	9	39	Metals	38.5
Pernambuco	14 237	109	20	7	35	Automobiles and auto parts	48.4
Bahia	13 617	127	22	7	32	Renewable energies	35.1
Rio Grande do Sul	13 114	145	24	8	33	Coal, oil and gas	31.3
Parana	11 421	176	24	12	50	Automobiles and auto parts	31.9
Ceará	9 514	57	19	8	42	Metals	44.2
Santa Catarina	8 297	96	22	13	59	Automobiles and auto parts	22.7
Goiás	7 825	43	15	7	47	Metals	39.4
Pará	6 203	32	10	3	30	Metals	58.7
Rio Grande do Norte	5 919	43	9	2	22	Renewable energies	89.3
Amazonas	5 424	84	14	7	50	Consumer electronics	28.3
Mato Grosso do Sul	4 617	17	7	3	43	Metals	43.4
Piauí	3 429	17	5	1	20	Renewable energies	92.5
Mato Grosso	3 258	23	6	4	67	Renewable energies	34.2
Espirito Santo	2 657	37	19	11	58	Metals	21.5
Sergipe	2 357	5	4	2	50	Coal, oil and gas	87.2
Paraíba	1 875	14	9	4	44	Renewable energies	49.6
Federal District	1 682	48	13	8	62	Financial services	30.6
Maranhão	1 137	15	8	5	63	Coal, oil and gas	24.6
Amapá	1 121	8	4	3	75	Metals	50.9
Tocantins	842	9	6	5	83	Renewable energies	40.1
Alagoas	403	10	6	5	83	Hotels and tourism	62.7
Rondônia	352	6	6	4	67	Renewable energies	50.6
Roraima	170	1	1	1	100	Telecommunications	100.0
Acre	133	2	2	2	100	Hotels and tourism	55.6

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com/.

An analysis of the magnitude of the predominant sector in each state reveals the importance of the telecommunications sector for Roraima, where it accounts for 100% of projected capital. Also important is the renewable energies sector, which in Piauí and Rio Grande do Norte accounts for 92.5% and 89.3%, respectively, despite these states having FDI announcements in five and nine different sectors, respectively. On a different scale, financial services are predominant among investment announcements in São Paulo, which is a key industrial region in Brazil.

Lastly, in terms of the geographical distribution of announcements by sector, financial services are the most widely dispersed, with projects in 25, or 92.6% of Brazil's 27 federative units.[6] This is the fourth largest sector in terms of the total amount of FDI announced in the country (see table III.8). It is followed by the metals sector (present in 23 states); renewable energies; and food, beverages and tobacco (both present in 19 states). The automobiles and auto parts sector has the largest amount of FDI announced nationally (with a 12.42% share) and is concentrated in 12 states. At the other extreme is the leisure and entertainment sector, which has announcements only in São Paulo and Santa Catarina and has the smallest total amount of investment announced (0.01%).

Table III.8
Brazil: geographical distribution of project announcements by sector, 2005–2021

Sectors	Project announcements		Subnational presence	Predominance		
	Amount *(Millions of dollars)*	Share *(Percentages)*	Number of areas	Location	Amount	Share of national total *(Percentages)*
Automobiles and auto parts	47 530	12.42	12	São Paulo	17 543	31.8
Metals	45 077	11.78	23	Minas Gerais	12 149	23.5
Renewable energies	34 858	9.11	19	Minas Gerais	6 022	13.9
Financial services	27 918	7.29	25	São Paulo	20 744	50.2
Telecommunications	26 845	7.01	16	São Paulo	16 967	35.8
Coal, oil and gas	18 307	4.78	12	Rio de Janeiro	6 544	24.9
Food, beverages and tobacco	12 624	3.30	19	São Paulo	3 980	18.4
Transport and storage	11 974	3.13	17	São Paulo	5 388	39.9
Industrial machinery	11 045	2.89	16	São Paulo	4 519	34.4
Chemicals	10 100	2.64	18	São Paulo	4 347	35.9
Paper, printing and packaging	7 427	1.94	8	São Paulo	2 829	36.1
Information technology and electronics	5 289	1.38	15	São Paulo	3 531	56.8
Software and computer services	4 107	1.07	15	São Paulo	2 559	50.7
Rubber	3 406	0.89	7	Parana	948	23.5
Biotechnology, pharmaceuticals and medical devices	3 121	0.82	11	São Paulo	1 432	42.4
Hotels and tourism	2 794	0.73	13	Rio de Janeiro	800	25.3
Consumer products	2 575	0.67	12	São Paulo	1 606	47.8
Consumer electronics	2 532	0.66	8	Amazonas	1 536	50.4
Ceramics and glass	2 337	0.61	7	São Paulo	1 557	57.1
Real estate	2 336	0.61	13	São Paulo	1 015	27.3
Plastics	2 300	0.60	11	São Paulo	1 674	56.6
Construction materials	1 876	0.49	9	Rio de Janeiro	374	11.1
Wood products	1 806	0.47	3	Rio Grande do Sul	896	34.3
Aeronautics, space and defense	1 674	0.44	6	São Paulo	804	41.4

[6] These include 26 states and the federal district of Brasilia.

Sectors	Project announcements		Subnational presence	Predominance		
	Amount *(Millions of dollars)*	Share *(Percentages)*	Number of areas	Location	Amount	Share of national total *(Percentages)*
Business services	1 406	0.37	15	São Paulo	942	51.4
Minerals	586	0.15	7	Minas Gerais	232	23.2
Textiles and apparel	506	0.13	9	São Paulo	353	48.6
Health care	101	0.03	3	São Paulo	92	90.5
Leisure and entertainment	23	0.01	2	São Paulo	17	41.7
Subtotal identified	292 480	76.40				
n.a.	90 322	23.60				
Total	**382 802**	**100.00**				

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com/.
Note: n.a. refers to investment project announcements for which location information is not available.

4. Chile

Between 2005 and 2021, 1,384 FDI projects were announced in Chile, totalling US$ 125.708 billion with 194,066 associated jobs. Subnational location data are available for 71% of the projects, representing 77% of the total amount. The announcements are unevenly distributed among the country's 16 regions (see table III.9), with the number of announcements concentrated heavily in the Metropolitan Region. In terms of the amount of investment announced, the Antofagasta and Atacama regions predominate, owing to their proximity to strategic natural resources. Three regions (Antofagasta, Atacama and the Metropolitan Region) account for approximately 56% of total FDI.

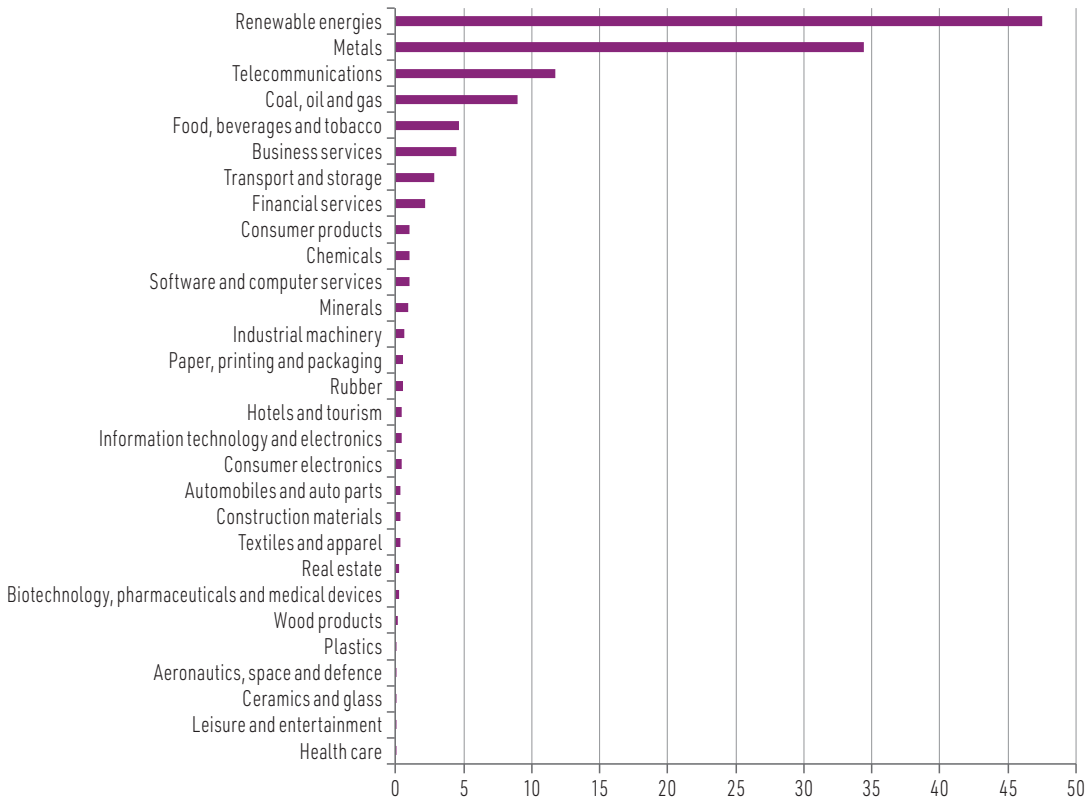
Table III.9
Chile: distribution of project announcements by subnational area, 2005–2021

Subnational areas	Projects		Amount	
	Number	Percentages	Millions of dollars	Percentages
Antofagasta	93	6.72	31 436	25.01
Atacama	52	3.76	20 681	16.45
Metropolitan Region	606	43.79	18 589	14.79
Valparaíso	55	3.97	4 687	3.73
Coquimbo	23	1.66	3 816	3.04
Maule	16	1.16	3 388	2.69
Biobío	33	2.38	3 031	2.41
Tarapacá	21	1.52	2 714	2.16
O'Higgins	19	1.37	2 188	1.74
Los Lagos	33	2.38	2 066	1.64
Aysén	3	0.22	1 336	1.06
Araucania	13	0.94	828	0.66
Magallanes and Chilean Antarctica	7	0.51	534	0.42
Los Ríos	3	0.22	456	0.36
Arica and Parinacota	3	0.22	305	0.24
Ñuble	4	0.29	292	0.23
Subtotal	984	71.10	96 348	76.64
n.a.	400	28.90	29 360	23.36
Total	**1 384**	**100.00**	**125 708**	**100.00**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com/.
Note: n.a. refers to investment project announcements for which location information is not available.

The sectoral distribution of the announced investments is highly concentrated (see figure III.5). Just 2 sectors absorb more than 65% of the total amount announced in the country, while 4 (out of 29 projected FDI destination sectors) attract more than 81% of the total amount announced. The renewable energies sector accounts for 37.8% by amount, followed by the metals sector, with 27.4%.

Figure III.5
Chile: project announcements by sector, 2005–2021
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com /.

The regions receiving the most investment (the Metropolitan Region by number of projects, and Antofagasta and Atacama in terms amount) reveal different patterns. The Metropolitan Region has more sectors with relative specialization, as well as announcements targeting a large number of sectors (it receives investments in all 29 sectors, except ceramics and glass) (see table III.10). Along with Valparaíso, it is also the region in which FDI announcements span the largest number of sectors. Although the announcements in Antofagasta cover 16 sectors and in Atacama six, there is relative specialization in only three and two of them, respectively; and the shares are much smaller than in the Metropolitan Region. At the other extreme, the regions with the least sectoral diversification in their announcements (with project announcements targeting just two or three sectors) show specialization in all of them, with the exception of the Aysén region.)

The renewable energies sector is the most prominent in 11 of the country's 16 regions and accounts for more than 80% in four of them: Araucanía (86.32%), Coquimbo (82.9%), Los Lagos (80.56%) and Los Ríos (84.66%).

Lastly, an analysis of the geographical distribution of the FDI target sectors shows that the renewable energies and metals sectors are the most widely dispersed (see table III.11). On the other hand, these

two sectors remain by far the most concentrated in terms of capital invested. In the case of the metals sector, although spread throughout the country, the largest announced project represents more than 42% of the total announced in the sector. Other sectors with announcements in many regions are food, beverages and tobacco (11) and chemicals (10). At the other extreme, eight sectors have investments concentrated in one or two regions, such as health care, which has a presence in the Metropolitan Region, and ceramics and glass in the O'Higgins region.

Table III.10
Chile: relative specialization of subnational FDI projects, 2005–2021

Subnational areas	Project announcements		Target sectors				
	Amount *(Millions of dollars)*	Number	Total number	Relative specialization		Predominant sector	Share of the subnational total *(Percentages)*
				Number	Percentages		
Antofagasta	31 436	93	16	3	19	Metals	46.91
Atacama	20 681	52	6	2	33	Metals	50.92
Metropolitan Region	18 589	606	28	23	82	Telecommunications	20.56
Valparaíso	4 687	55	20	14	70	Renewable energies	45.09
Coquimbo	3 816	23	7	2	29	Renewable energies	82.90
Maule	3 388	16	7	2	29	Renewable energies	64.52
Biobío	3 031	33	15	7	47	Renewable energies	65.51
Tarapacá	2 714	21	10	4	40	Renewable energies	73.44
O'Higgins	2 188	19	10	6	60	Renewable energies	78.61
Los Lagos	2 066	33	11	6	55	Renewable energies	80.56
Aysén	1 336	3	2	1	50	Metals	66.56
Araucania	828	13	7	4	57	Renewable energies	86.32
Magallanes and Chilean Antarctica	534	7	6	5	83	Coal, oil and gas	60.87
Los Rios	456	3	2	2	100	Renewable energies	84.66
Arica and Parinacota	305	3	3	3	100	Renewable energies	59.02
Ñuble	292	4	2	2	100	Renewable energies	68.18

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com/.

Table III.11
Chile: geographical distribution of project announcements by sector, 2005–2021

Sectors	Project announcements		Subnational presence	Predominance		
	Amount *(Millions of dollars)*	Share *(Percentages)*	Number of areas	Location	Amount *(Millions of dollars)*	Share of the national total *(Percentages)*
Renewable energies	39 179	31.17	16	Antofagasta	11 057	23.29
Metals	30 969	24.64	10	Antofagasta	14 745	42.85
Coal, oil and gas	5 337	4.25	8	Atacama	1 400	15.62
Telecommunications	4 324	3.44	4	Metropolitan Region	3 823	32.43
Business services	4 278	3.40	8	Antofagasta	3 154	70.99
Transport and storage	2 155	1.71	5	Metropolitan Region	1 893	66.99
Food, beverages and tobacco	2 064	1.64	11	Metropolitan Region	1 135	24.27

Sectors	Project announcements		Subnational presence	Predominance		
	Amount *(Millions of dollars)*	Share *(Percentages)*	Number of areas	Location	Amount *(Millions of dollars)*	Share of the national total *(Percentages)*
Financial services	1 374	1.09	7	Metropolitan Region	1 185	54.35
Minerals	917	0.73	4	Antofagasta	503	54.53
Consumer products	753	0.60	5	Metropolitan Region	673	66.33
Software and computer services	683	0.54	4	Metropolitan Region	606	61.19
Chemicals	681	0.54	10	Metropolitan Region	291	28.67
Industrial machinery	583	0.46	9	Metropolitan Region	226	34.82
Rubber	467	0.37	2	Metropolitan Region	406	80.32
Paper, printing and packaging	415	0.33	2	Metropolitan Region	268	50.06
Hotels and tourism	332	0.26	7	Metropolitan Region	120	26.39
Information technology and electronics	302	0.24	4	Metropolitan Region	140	32.11
Real estate	285	0.23	5	Metropolitan Region	195	68.56
Construction materials	218	0.17	4	Metropolitan Region	98	26.53
Biotechnology, pharmaceuticals and medical devices	197	0.16	3	Metropolitan Region	186	77.75
Textile and apparel	186	0.15	5	Metropolitan Region	168	48.95
Consumer electronics	186	0.15	2	Valparaíso	115	27.81
Wood products	148	0.12	3	Los Ríos	70	45.79
Automobiles and auto parts	109	0.09	6	Metropolitan Region	66	17.22
Aeronautics, space and defence	64	0.05	2	Metropolitan Region	64	89.88
Plastics	64	0.05	2	Metropolitan Region	55	63.82
Ceramics and glass	45	0.04	1	O'Higgins	45	100.00
Leisure and entertainment	19	0.01	2	Biobío	13	67.64
Health care	14	0.01	1	Metropolitan Region	14	77.41
Subtotal identified	96 348	76.64				
n.a.	29 360	23.36				
Total	**125 708**	**100.00**				

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com/.
Note: n.a. refers to investment project announcements for which location information is not available.

5. Colombia

Between 2005 and 2021, a total of 2,053 FDI projects were announced in Colombia, for US$ 86.145 billion with 326,956 associated jobs. Subnational data are available for 75% of the projects announced, representing 57% of the total amount. The announcements are unevenly distributed among 27 of the 33 territorial entities,[7] with a heavy concentration in Bogotá, in terms of both number of announcements and amounts invested (see table III.12). Nearly 10 points behind Bogotá are the regions of Bolívar and Antioquia, which account for 7.13% and 6.74%, respectively, of the capital announced nationwide.

[7] Includes the 32 departments plus Bogotá, Capital District.

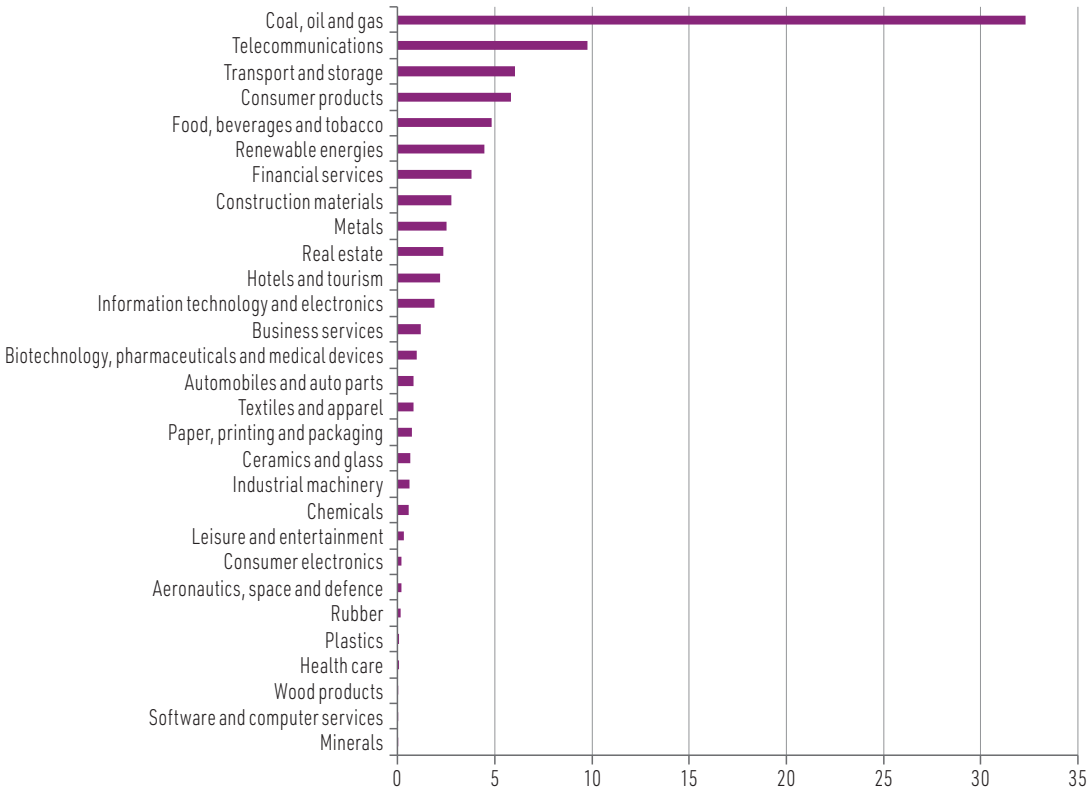
Table III.12
Colombia: distribution of project announcements by subnational entity, 2005–2021

Subnational areas	Projects		Amount	
	Number	Percentages	Millions of dollars	Percentages
Bogotá, Capital District	786	38.29	14 322	16.63
Bolivar	68	3.31	6 141	7.13
Antioquia	179	8.72	5 803	6.74
La Guajira	11	0.54	4 428	5.14
Valle del Cauca	112	5.46	3 581	4.16
Cundinamarca	69	3.36	3 177	3.69
Atlántico	149	7.26	2 950	3.42
Cesar	8	0.39	1 054	1.22
Huila	5	0.24	965	1.12
Meta	8	0.39	894	1.04
Vichada	2	0.10	840	0.97
Magdalena	22	1.07	748	0.87
Putumayo	1	0.05	660	0.77
Caldas	16	0.78	542	0.63
Boyacá	7	0.34	450	0.52
Risaralda	23	1.12	446	0.52
Tolima	10	0.49	412	0.48
Casanare	6	0.29	365	0.42
Santander	22	1.07	342	0.40
Norte de Santander	9	0.44	312	0.36
Cauca	7	0.34	276	0.32
Nariño	3	0.15	232	0.27
Córdoba	2	0.10	192	0.22
Quindío	5	0.24	127	0.15
Sucre	2	0.10	118	0.14
Choco	1	0.05	4	0.00
Caquetá	1	0.05	3	0.00
Subtotal	1 534	74.72	49 383	57.32
n.a.	519	25.28	36 763	42.68
Total	**2 053**	**100.00**	**86 145**	**100.00**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com /.
Note: n.a. refers to investment project announcements for which location information is not available.

The sectors receiving investment announcements reveal a highly concentrated pattern (see figure III.6). Just eight sectors out of a total of 29 attract 80% of the total amount of FDI announcements in Colombia, with just two sectors accounting for almost half of the total: coal, oil and gas, which absorbs 37.5% of the investments, and telecommunications, which accounts for 11.3%.

Figure III.6
Colombia: project announcements by sector, 2005–2021
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com /.

The investments planned in Colombia are heavily concentrated in Bogotá, which also displays higher levels of sectoral diversification and a larger number of sectors in which the investment is relatively specialized (see table III.13). In Bogotá, the telecommunications sector predominates in terms of amount, accounting for 20.27% of the total announced in the department, followed by financial services (12.18%) and consumer products (11.36%). In Bolívar and Antioquia, the degree of diversity is also relatively moderate in terms of sectors, although in the case of Bolívar more than 80% of the announced capital is intended for just three sectors: coal, oil and gas; transport and storage; and hotels and tourism. In Antioquia, meanwhile, announcements are more diversified across sectors.

Table III.13
Colombia: relative specialization of subnational FDI projects, 2005–2021

Subnational areas	Project announcements		Target sectors				
	Amount *(Millions of dollars)*	Number	Total number	Relative specialization		Predominant sector	Share of subnational total *(Percentages)*
				Number	Percentages		
Bogotá	14 322	786	26	19	73	Telecommunications	20.27
Bolivar	6 141	68	17	8	47	Coal, oil and gas	49.15
Antioquia	5 803	179	23	13	57	Construction materials	22.58
La Guajira	4 428	11	4	2	50	Coal, oil and gas	88.95
Valle del Cauca	3 581	112	21	12	57	Transport and storage	38.72

Subnational areas	Project announcements		Target sectors				
	Amount *(Millions of dollars)*	Number	Total number	Relative specialization		Predominant sector	Share of subnational total *(Percentages)*
				Number	Percentages		
Cundinamarca	3 177	69	20	12	60	Food, beverages and tobacco	29.17
Atlántico	2 950	149	23	13	57	Transport and storage	21.74
Cesar	1 054	8	6	4	67	Coal, oil and gas	62.58
Huila	965	5	5	2	40	Renewable energies	93.28
Meta	894	8	7	5	71	Coal, oil and gas	73.09
Vichada	840	2	2	2	100	Coal, oil and gas	78.57
Magdalena	748	22	11	7	64	Coal, oil and gas	18.72
Putumayo	660	1	1	1	100	Coal, oil and gas	100.00
Caldas	542	16	7	5	71	Metals	64.03
Risaralda	450	23	12	9	75	Paper, printing and packaging	32.85
Tolima	446	10	7	7	100	Telecommunications	36.03
Boyacá	412	7	6	5	83	Food, beverages and tobacco	59.98
Casanare	365	6	4	2	50	Renewable energies	88.53
Santander	342	22	11	8	73	Food, beverages and tobacco	33.20
Norte de Santander	312	9	5	5	100	Real estate	38.33
Cauca	276	7	5	4	80	Telecommunications	51.00
Nariño	232	3	3	3	100	Telecommunications	58.70
Córdoba	192	2	2	2	100	Renewable energies	98.17
Quindío	127	5	4	4	100	Food, beverages and tobacco	44.30
Sucre	118	2	2	2	100	Real estate	50.13
Choco	4	1	1	1	100	Business services	100.00
Caquetá	3	1	1	1	100	Food, beverages and tobacco	100.00

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com/.

The magnitude of the predominant sector in each department reveals the importance of the coal, oil and gas sector for La Guajira, Meta and Vichada, where it accounts for more than 70% of the projected capital. The renewable energies sector is also important, with shares of 88.53%, 98.17% and 93.28% in Casanare, Córdoba and Huila, respectively, despite coexisting with announcements in other sectors. The sectors with the highest concentration of capital include coal, oil and gas (predominant in seven regions); food and beverages (predominant in five); and telecommunications (predominant in four).

Lastly, in terms of the geographical distribution of announcements by sector, table III.14 shows that the food, beverages and tobacco sector is the most widespread across the country, with a presence in 18 departments. This is followed by the real estate and consumer products sectors (both present in 15 departments), financial services (13 departments), and the business services and leisure and entertainment sectors (both present in 12 departments). At the other extreme, the minerals and software and computer services sectors are the most highly concentrated, with all of their announcements targeting Antioquia and Bogotá, respectively.

Table III.14
Colombia: geographical distribution of FDI by sector, 2005–2021

Sectors	Project announcements		Subnational presence	Predominance		
	Amount *(Millions of dollars)*	Share *(Percentages)*	Number of areas	Location	Amount *(Millions of dollars)*	Share *(Percentages)*
Coal, oil and gas	11 743	13.63	11	La Guajira	3 939	12.19
Transport and storage	4 846	5.63	7	Bolivar	1 419	23.52
Telecommunications	4 840	5.62	11	Bogotá	2 903	29.78
Consumer products	3 524	4.09	15	Bogotá	1 627	28.00
Food, beverages and tobacco	3 386	3.93	18	Cundinamarca	927	19.21
Financial services	2 964	3.44	13	Bogotá	1 841	48.52
Renewable energies	2 762	3.21	11	Huila	900	20.19
Real estate	2 269	2.63	15	Bogotá	734	30.98
Construction materials	2 179	2.53	9	Antioquia	1 310	47.05
Hotels and tourism	1 822	2.11	10	Bogotá	672	30.83
Information technology and electronics	1 622	1.88	8	Bogotá	1 114	58.22
Metals	1 403	1.63	8	Caldas	347	13.88
Business services	1 010	1.17	12	Antioquia	512	42.38
Biotechnology, pharmaceuticals and medical devices	795	0.92	9	Bogotá	382	39.25
Ceramics and glass	653	0.76	4	Cundinamarca	295	45.21
Paper, printing and packaging	586	0.68	7	Bogotá	247	33.15
Automobiles and auto parts	567	0.66	8	Bogotá	278	34.31
Textile and apparel	559	0.65	11	Bogotá	279	34.48
Chemicals	508	0.59	6	Bolivar	117	20.54
Industrial machinery	481	0.56	10	Bogotá	155	26.34
Leisure and entertainment	296	0.34	12	Bogotá	78	25.82
Rubber	168	0.19	3	Cundinamarca	74	43.63
Consumer electronics	135	0.16	3	Bogotá	114	54.89
Aeronautics, space and defence	127	0.15	2	Bogotá	92	46.71
Plastics	74	0.09	6	Bogotá	37	44.81
Health care	49	0.06	4	Antioquia	29	39.81
Wood products	11	0.01	2	Quindío	10	33.78
Software and computer services	5	0.01	1	Bogotá	5	100.00
Minerals	1	0.00	1	Antioquia	1	100.00
Subtotal identified	49 383	57.32				
n.a.	36 763	42.68				
Total	**86 145**	**100.00**				

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com/.
Note: n.a. refers to investment project announcements for which location information is not available.

6. Mexico

Between 2005 and 2021, a total of 6,553 FDI projects were announced in Mexico, for US$ 389.538 billion with 1,743,674 associated jobs. Subnational data are available for 84% of the projects announced, representing 80% of the total amount. The announcements are unevenly distributed across 32 states,

including Mexico City, where they are highly concentrated in terms of both number and investment amounts (see table III.15). The states in which the largest amounts were announced are Nuevo León and Guanajuato.

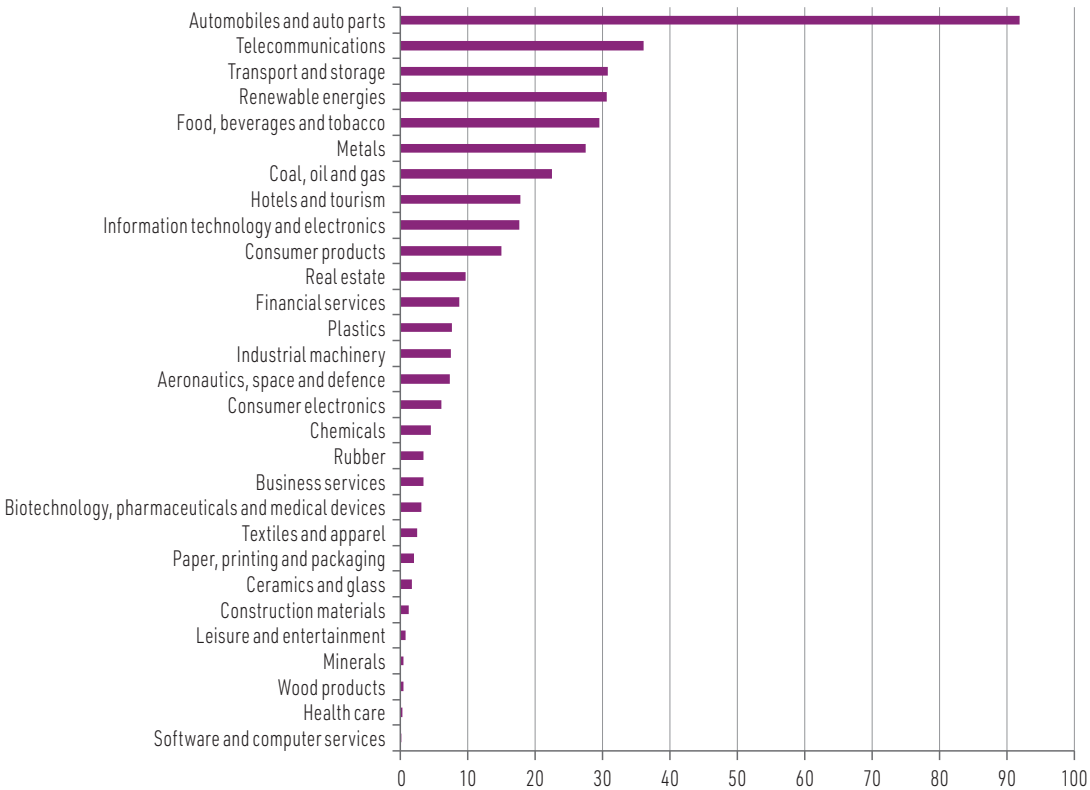
Table III.15
Mexico: distribution of project announcements by subnational entity, 2005–2021

Subnational areas	Project announcements		Amount	
	Number	Percentages	Millions of dollars	Percentages
Nuevo León	583	8.90	36 775	9.44
Guanajuato	417	6.36	25 436	6.53
Mexico City	1 149	17.53	24 319	6.24
Coahuila	275	4.20	20 645	5.30
Baja California	239	3.65	19 733	5.07
Querétaro	429	6.55	18 869	4.84
Mexico State	262	4.00	17 437	4.48
Jalisco	445	6.79	15 938	4.09
Chihuahua	234	3.57	15 369	3.95
Veracruz	74	1.13	13 806	3.54
San Luis Potosí	174	2.66	11 842	3.04
Aguascalientes	128	1.95	11 560	2.97
Tamaulipas	138	2.11	9 869	2.53
Sonora	137	2.09	9 769	2.51
Puebla	146	2.23	8 424	2.16
Quintana Roo	120	1.83	7 631	1.96
Yucatán	66	1.01	6 188	1.59
Zacatecas	57	0.87	5 594	1.44
Durango	57	0.87	3 902	1.00
Baja California Sur	34	0.52	3 523	0.90
Oaxaca	23	0.35	3 301	0.85
Tabasco	29	0.44	3 135	0.80
Sinaloa	52	0.79	2 870	0.74
Michoacán	33	0.50	2 732	0.70
Hidalgo	33	0.50	2 424	0.62
Morelos	42	0.64	2 184	0.56
Colima	20	0.31	2 162	0.56
Campeche	17	0.26	2 030	0.52
Tlaxcala	28	0.43	1 488	0.38
Nayarit	17	0.26	1 381	0.35
Guerrero	16	0.24	1 330	0.34
Chiapas	14	0.21	871	0.22
Subtotal	5 488	83.75	312 533	80.23
n.a.	1 065	16.25	77 005	19.77
Total	**6 553**	**100.00**	**389 538**	**100.00**

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com /.
Note: n.a. refers to investment project announcements for which location information is not available.

The announced investments are highly concentrated by sector (see figure III.7). Of the 29 sectors reporting project announcements, just five attract over half of the total amount: automobiles and auto parts; telecommunications; transport and storage; renewable energies; and food, beverages and tobacco. The highest concentration is in the automobiles and auto parts sector, in terms of both announced capital (23.6%) and number of projects (15%). This is followed, at a considerable distance, by telecommunications, with a 9.3% share of capital, but a comparatively small 3.4% share of the number of projects.

Figure III.7
Mexico: project announcements by sector, 2005–2021
(Billions of dollars)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com /.

As noted above, in terms of amount, the investment projects announced for Mexico between 2005 and 2021 are relatively concentrated in three geographical areas: Mexico City, Guanajuato and Nuevo León. These three areas are highly diversified, with announcements targeting 26, 24 and 27 different sectors, respectively (see table III.16). While in Mexico City and Nuevo León there is relative specialization in more than 40% of these sectors, in Guanajuato, the level of relative specialization is much lower and is present in only four of the FDI target sectors. Along with Aguascalientes, Guanajuato is the state with the smallest proportion of sectors in which it has specialization.

The magnitude of the predominant sector in each state reveals the importance of renewable energies in Oaxaca, and also the coal, oil and gas sector in Tabasco, which represent 86% and 81%, respectively, in terms of projected capital. Similarly, automobiles and auto parts is the predominant sector in Aguascalientes with a 66.21% share, even though this state accounts for almost 3% of the country's total investment.

Table III.16
Mexico: relative specialization of subnational FDI projects, 2005–2021

Subnational areas	Project announcements		Target sectors				
	Amount (Millions of dollars)	Number	Total number	Relative specialization		Predominant sector	Share in subnational total (Percentages)
				Number	Percentages		
Nuevo León	36 775	583	27	11	41	Automobiles and auto parts	25.05
Guanajuato	25 436	417	24	4	17	Automobiles and auto parts	53.10
Mexico City	24 319	1 149	26	12	46	Telecommunications	19.68
Coahuila	20 645	275	22	6	27	Automobiles and auto parts	52.01
Baja California	19 733	239	22	9	41	Information technology and electronics	22.34
Querétaro	18 869	429	23	10	43	Automobiles and auto parts	26.66
Mexico State	17 437	262	24	10	42	Automobiles and auto parts	54.53
Jalisco	15 938	445	25	10	40	Information technology and electronics	19.13
Chihuahua	15 369	234	24	10	42	Automobiles and auto parts	30.89
Veracruz	13 806	74	16	5	31	Transport and storage	43.08
San Luis Potosí	11 842	174	18	6	33	Automobiles and auto parts	61.56
Aguascalientes	11 560	128	15	2	13	Automobiles and auto parts	66.21
Tamaulipas	9 869	138	20	9	45	Renewable energies	17.17
Sonora	9 769	137	22	10	45	Automobiles and auto parts	21.07
Puebla	8 424	146	18	7	39	Automobiles and auto parts	42.43
Quintana Roo	7 631	120	17	7	41	Hotels and tourism	54.04
Yucatán	6 188	66	19	9	47	Coal, oil and gas	29.71
Zacatecas	5 594	57	13	5	38	Metals	58.41
Durango	3 902	57	13	6	46	Renewable energies	28.14
Baja California Sur	3 523	34	13	5	38	Renewable energies	28.21
Oaxaca	3 301	23	8	2	25	Renewable energies	85.62
Tabasco	3 135	29	11	4	36	Coal, oil and gas	80.97
Sinaloa	2 870	52	18	8	44	Coal, oil and gas	27.87
Michoacán	2 732	33	12	8	67	Transport and storage	56.19
Hidalgo	2 424	33	16	8	50	Food, beverages and tobacco	36.04
Morelos	2 184	42	14	9	64	Automobiles and auto parts	31.89
Colima	2 162	20	10	3	30	Transport and storage	40.16
Campeche	2 030	17	6	2	33	Coal, oil and gas	53.12
Tlaxcala	1 488	28	12	6	50	Renewable energies	35.73
Nayarit	1 381	17	6	4	67	Hotels and tourism	65.53
Guerrero	1 330	16	9	4	44	Metals	63.56
Chiapas	871	14	9	7	78	Automobiles and auto parts	44.79

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com/.

Lastly, in terms of the geographical distribution of announcements by sector, those with the broadest coverage are the food, beverages and tobacco, and transport and storage sectors, with announcements in 30 and 29 of the 32 states, respectively. They are very closely followed by the automobiles and auto parts, metals, and the information technology and electronics sectors, all three with announcements in 28 states (see table III.17). At the other extreme, the most concentrated sectors subnationally are software and computer services (present in just two states), health care (in five states), construction materials (in six) and minerals (in seven). These sectors have a small share of total capital announced nationally.

Table III.17
Mexico: geographical distribution of FDI by sector, 2005–2021

Sectors	Project announcements		Subnational presence	Predominance		
	Amount *(Millions of dollars)*	Share *(Percentages)*	Number of areas	Location	Amount *(Millions of dollars)*	Share in the national total *(Percentages)*
Automobiles and auto parts	82 507	21.18	28	Guanajuato	13 506	14.69
Renewable energies	28 169	7.23	26	Oaxaca	2 826	9.25
Transport and storage	24 697	6.34	29	Veracruz	5 948	19.30
Metals	24 450	6.28	28	Nuevo León	6 066	22.13
Food, beverages and tobacco	19 036	4.89	30	Jalisco	2 318	7.85
Coal, oil and gas	16 747	4.30	24	Nuevo León	3 015	13.38
Information technology and electronics	15 755	4.04	28	Baja California	4 408	24.98
Telecommunications	15 575	4.00	16	Mexico City	4 785	13.27
Hotels and tourism	14 849	3.81	23	Quintana Roo	3 895	21.86
Consumer products	10 872	2.79	26	Nuevo León	2 160	14.46
Real estate	8 325	2.14	19	Mexico City	1 321	13.59
Plastics	7 303	1.87	20	Veracruz	2 509	33.08
Aeronautics, space and defense	6 914	1.77	13	Querétaro	2 621	35.76
Industrial Machinery	6 635	1.70	26	Nuevo León	1 446	19.39
Financial services	5 626	1.44	22	Mexico City	2 859	32.80
Consumer electronics	4 866	1.25	14	Tamaulipas	1 470	24.12
Chemicals	4 060	1.04	19	Veracruz	611	13.84
Business services	3 192	0.82	21	Baja California	746	22.18
Rubber	3 161	0.81	16	Guanajuato	902	26.19
Biotechnology, pharmaceuticals and medical devices	2 333	0.60	15	Baja California	653	21.73
Textile and apparel	1 902	0.49	24	Mexico City	595	24.41
Ceramics and glass	1 526	0.39	12	Coahuila	481	30.02
Paper, printing and packaging	1 409	0.36	12	Tamaulipas	230	11.37
Construction materials	1 017	0.26	6	Sonora	400	33.82
Leisure and entertainment	633	0.16	12	Baja California Sur	160	22.90
Minerals	381	0.10	7	Sinaloa	195	50.49
Wood products	378	0.10	9	Durango	132	34.90
Software and computer services	135	0.03	2	Yucatán	130	96.01
Health care	80	0.02	5	Quintana Roo	42	12.30
Subtotal identified	312 533	80.23				
n.a.	77 005	19.77				
Total	**389 538**	**100.00**				

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of Financial Times, fDi Markets [online database] https://www.fdimarkets.com /.
Note: n.a. refers to investment project announcements for which location information is not available.

7. Key preliminary observations

Although the analysis of subnational FDI, based on investment project announcements in Argentina, Brazil, Chile, Colombia and Mexico in 2005–2021, is preliminary and partial, several key characteristics can be identified. The following paragraphs provide a summary of three salient general trends in spite of the prevailing heterogeneity within countries as seen in the unequal distribution of subnational announcements in terms of dollar amounts, number of projects and target sectors.

Firstly, areas that are already more developed with higher levels of diversification and a greater supply of capacities are clearly more attractive to investors. Among the cities or regions of Latin American countries, Bogotá, Buenos Aires, Santiago, São Paulo and Mexico City account for a very large share of the projected announcements, which reflects a pattern of FDI inflows to urban and metropolitan areas, or to more economically developed areas, where the availability of infrastructure, access to markets and skilled labour, among other factors, tend to be important sources of attraction. At the same time, these areas display a broader sectoral diversification and relative specialization in various sectors, confirming the importance of the supply of capacities and economic complexity. This reveals a type of path dependency, in which the territories with more complex economies are also those that attract greater investment which, in turn, fosters further complexity. Thus, productive development policies have an important role to play in generating a diversified supply of local capacities. This is important as an incentive for FDI and an enabler for the local economy to obtain benefits beyond rent extraction when the main factor of attraction is the existence of natural resources.

In addition, the emergence of development poles (with a focus on capacities) outside the original industrialization hubs can help to prevent the overconcentration of FDI. Brazil exemplifies how the spatial decentralization of the production process and of FDI in the automotive sector has been driven by deliberate policies at different levels of government. Althuon and Landi (2020) explain how the share of the regions and their states in automobile production has changed: in the South-East, production fell from 99.3% in 1990 to 57.5% in 2019, while in the South and North-East, it rose to 26% and 15%, respectively, in the same year. These authors argue that the process intensified in the second half of the 2010s, stimulated both by the national scenario of trade liberalization and by the reactivation of sectoral policies in previous decades, as well as by the incentives and tax breaks offered by some states outside the southeastern corridor. In addition to benefiting the southern states (e.g. Paraná and Santa Catarina), where the automobile and auto parts sector accounts for the majority of announcements in 2005–2021, the national sectoral policy and state government tax incentives also benefited Goiás in the Centre-West region in the form of FDI inflows. Some recent analyses indicate that the establishment of local automotive productive clusters have attracted firms in the automobile and auto parts sector, which, albeit incipiently, has triggered labour training and skill development processes. It has also fuelled this industry's growing participation in the economic activities of municipalities in which multinational enterprises have become established (Araújo and others, 2017). An evaluation of the policies behind this particular experience goes beyond the scope of this chapter. However, preliminary results in the example of Goiás elucidate the role that policies need to play to enhance the impact of FDI in the territories of Latin America and the Caribbean —namely, strengthening the capacities and skills of local firms and incentivizing innovation for a more productive development profile, with greater potential to generate virtuous growth processes.

Secondly, the presence of natural resources, such as oil, gas and minerals, continues to be a magnet for foreign investment into the region. This is evident in Brazil, Chile and Colombia, for example, and even more so in certain interior regions of countries, such as the Argentine province of Neuquén and the Colombian department of La Guajira, in relation to the coal, oil and gas sector. However, when there is investment in sectors that make intensive use of natural resources located in regions that are far from large urban centres, the sectors in question account for a large share of the total investment. This type of investment does not appear to be associated with diversification; on the

contrary, it displays strong sectoral concentration. In other words, there is a clear relationship between the share of the top FDI sector in a region and the type of sector involved. When FDI occurs in natural-resource-intensive sectors, these sectors absorb a very large share of the region's FDI. In contrast, investments in more knowledge-intensive sectors or those requiring a greater supply of local capacities tend to be more evenly balanced. For example, in Colombia, investment in oil, coal and gas accounts for approximately 50% of total FDI announcements in Boyacá and close to 70% in Cesar, while the telecommunications sector, the largest sector in Bogotá, represents just over 20% of FDI its total FDI. Accordingly, the challenge remains to ensure that FDI can enhance the diversification and economic resilience of territories by incorporating science and technology.

It is also important to consider the deeper transformations that are unfolding globally, which could have an impact on FDI location decisions and thus be key to attracting investment to the region. As noted in the analysis of the sectors in which the announcements of selected Latin American countries are concentrated, environmental sustainability and the availability of renewable assets have become crucially important. All the countries studied have experienced a significant increase in investments in renewable energies which present both challenges and opportunities.[8] Challenges include the need to generate productive linkages that enable value added and, thus, integration into global value chains beyond the natural resource exploitation. It is also necessary to ensure that inward FDI in sectors linked to traditional natural resources can be combined with the development of activities and modes of production that are more environmentally friendly and have a direct impact on the territories (ECLAC, 2023).

Lastly, the data show that, within the same country, several territories share the relative specialization of FDI in certain sectors. This underscores concerns about the type of competition that could be generated between territories and the risk of negative outcomes for all. To avoid this outcome, more attention must be paid to the type of policy instruments used to attract FDI and how they are applied. As discussed in chapter II, productive development policies have a particularly important role to play in this regard, because they can help to avert a lose-lose situation by strengthening investment pull factors other than subsidies and by fostering the absorption capacities of the recipient territories. The quality of local governance and multilevel coordination in designing investment attraction initiatives is also important, to prevent each subnational entity from pursuing its own benefit at the expense of the others. It is also possible that a policy to coordinate FDI attraction across regions could foster greater regional specialization, with a corresponding increase in returns, economies of scale and greater spillovers in the framework of development poles or clusters in specific sectors.

This could be happening in the production chains associated with the automotive industry located in the Bajío region, which encompasses the states of Aguascalientes, Guanajuato, Jalisco, Michoacán, San Luis Potosí, Querétaro and Zacatecas. Since the 2008–2009 crisis, this region has become a major recipient of investments in the automotive sector, displacing the traditional central and northern border region of Mexico. In most states (Aguascalientes, Guanajuato, Querétaro and San Luis Potosí), FDI project announcements are concentrated in the automobile and auto parts sector, which accounts for more than 53% of all subnational announcements between 2005 and 2021 (except in Querétaro, where the share is approximately 27%). In Michoacán and Zacatecas, announcements are concentrated in the transport and storage sector and the metals sector, respectively. Industrial clusters and corridors were created in the Bajío region, owing to factors including its low production costs and its privileged geographical location, which provides access to the rest of the North American market. As an increasingly important complementary element, local governments have generated a governance framework capable of attracting investments with greater impact on local development and innovation. However, these advances are still insufficient to generate greater productive linkages and integration in value chains that foster additional regional synergies. Long-term, sustained coordination and governance efforts, together with the political will to ensure their fulfilment, are

[8] See ECLAC (2023) for a more detailed analysis of this issue.

important ingredients for aligning the different interests and needs at stake, which make it possible to create conditions for taking better advantage of regional specialization.

As the analysis in this section has revealed, existing capacities are of the utmost importance in attracting diversified investment with a greater impact on technological intensity and job quality. In other cases, this attraction is explained by the presence of non-renewable natural resources and runs the risk of encouraging nothing but rent extraction processes that are not sustainable in the long term.

The three major trends mentioned above, viewed in the light of certain additional contemporary transformations, such as the reorganization of global value chains, the green transition and accelerated of technological change, represent both opportunities and challenges for attracting and leveraging FDI in Latin American and Caribbean territories. Phenomena such as nearshoring and reshoring could make some subnational territories more attractive, especially in the subregion of Mexico and Central America, which has historically been used as an export platform for the United States. Similarly, the transformation of economic models to mitigate the effects of climate change and ensure greater environmental protection opens up opportunities to boost the deployment of new investments in the territories —as in the case of the aforementioned renewable energies, greater innovation and the development of new industries— and it has the potential to generate higher quality jobs (OECD and others, 2023). Likewise, digitalization and the development of new technologies have increased the service intensity of the economies; this could stimulate increased investment in this sector, which has experienced some of the strongest FDI growth in most countries in the region in recent years (ECLAC, 2022b and 2023). While investments in some activities tend to be more widely distributed geographically, as is the case of financial and business services in the territories of the five countries analysed, others tend to be more concentrated, depending on the context, such as information technology services in Chile, Colombia and Mexico. In the case of information technology, this concentration is due, partly, to the need for skilled workers and the demand for the services in question. Nonetheless, an FDI attraction strategy cannot successfully benefit service-based local development without a more developed economic, productive and business base. A key challenge linked to the attraction of service-oriented FDI also concerns job creation and job quality, linked to the risks of increased polarization, instability and job insecurity. Seizing the opportunities and addressing these and other challenges therefore requires the implementation of active policies, in which investment attraction goals are aligned with broader objectives of productive, sustainable and inclusive development.

C. Policies and institutions to attract FDI for subnational productive development in Latin America

As noted above, there is a growing consensus that foreign investment can serve as a tool to foster more balanced development of the different territories within countries. Hence the interest in gaining a better understanding of the factors that determine the location of FDI at different geographical levels and, more specifically, in knowing how to attract capital distributed more widely among subnational areas, especially the most underserved ones. A key concern is that FDI inflows should benefit local development by contributing to the strengthening and diversification of local productive capacity, access to advanced technologies and the development of local innovation capacity, thereby fuelling economic growth with quality jobs. To this end, strategies and institutions dedicated to subnational FDI are being developed internationally, with organizational configurations that vary by country. According to Volpe Martincus and Sztajerowska (2019), in many OECD countries —especially those with a federal structure or a high degree of decentralization— national investment promotion agencies have started to coexist with subnational ones.

In the Latin American context, the preliminary approach to subnational foreign investment based on the cases of Argentina, Brazil, Chile, Colombia and Mexico, in 2005–2021, displayed a highly challenging

panorama given the persistence of structural heterogeneity. As discussed in chapter II, the region has adopted FDI attraction policies, but the results have been negligible in terms of promoting productive linkages and technology and knowledge transfer. Nonetheless, notable progress has been made in the development of the institutional framework for subnational FDI. Volpe Martincus and Sztajerowska (2019) note that subnational agencies are far less common in the countries of the region than in more developed economies. Of the five countries analysed in the present chapter, Chile is just starting to develop institutional structures for foreign investment promotion and attraction that depend directly on regional governments, while the other countries already have a longer track record in building some type of institutional framework for that purpose (InvestChile, 2021). Regardless of the organizational arrangement that exists, the countries still face major difficulties in multilevel coordination, which is considered one of the key factors for the success of productive development policies with a subnational component, in general, and of FDI attraction policies, in particular —so much so that, in Brazil, Chile and Colombia, national agencies have made coordination with subnational promotion entities a priority and strategic objective (Taylhardat, 2022), in order to address the insufficient alignment and meet the specific needs of the territories in terms of investment attraction.

To gain a deeper understanding of the challenges of attracting subnational FDI in the region and of aligning national and subnational efforts, both in terms of FDI specifically and productive development policies more broadly, primary data were collected from investment promotion agencies in Argentina, Brazil, Chile, Colombia and Mexico. The set of semi-structured questions contained in annex III.A1 addresses three main topics: (i) institutional framework (including mechanisms for coordination between the national and subnational levels); (ii) subnational priorities for attracting investment; and (iii) opportunities and challenges for attracting FDI in subnational territories. The survey interviews were conducted in December 2023, and the results are presented and discussed below.

1. Institutional structures for attracting subnational FDI

In recent years, subnational productive development and investment attraction have been among the priorities of many governments in the region. As a result, most national investment promotion agencies either have policy instruments or carry out activities to promote foreign investment in subnational territories, and some countries have specialized agencies at the subnational level. Institutional structures are context specific.

In Argentina, Brazil and Colombia, national investment promotion agencies coexist with subnational agencies dedicated to the subject, either specialized agencies or offices established by subnational governments and other local actors. Mexico had a similar system in the past but has made changes to its institutional structure and no longer has a national agency as such,[9] although several states have promotion agencies or other types of support institutions. Chile relies on the national agency, InvestChile, to promote decentralization, so that subnational areas can develop the capacities needed to implement their own FDI attraction strategies. In some cases, although subnational agencies exist, national investment promotion agencies seek to gain a direct presence in the territories. Examples include ProColombia, which has representation in the country's main capitals or presence in macro regions, and the Brazilian Export and Investment Promotion Agency (Apex-Brasil), which has offices in each of the country's five regions. In these cases, the aim is to establish a bridge between the national agency and local institutions, and to provide a degree of unity to endeavours at the country level, given the enormous heterogeneity that exists among the various subnational regions.

This institutional variety has both strengths and weaknesses depending on the context; and, as in the rest of the world, it makes it impossible to identify a "winning" design that can be implemented in any

[9] Currently, the Ministry of Economy and the Ministry of Foreign Affairs are mandated to promote the country as a destination for international investments, and must respond to the needs of the federated states.

situation and is capable of ensuring a more uniform geographical distribution of FDI and better exploitation of its impacts. In Argentina and Brazil, however, institutional designs that afford greater flexibility to adapt to the needs and capacities of local contexts have potential advantages. The subnational agency model, separate from local governments, is an example of such flexibility: agencies can often deploy more agile contracting instruments than those of entities that are part of subnational governments. Through traditional budgetary channels, subnational governments tend to require longer lead times, which are often incompatible with the celerity needed to participate in international events. In contrast, the agencies, depending on their legal form (public-private, public only, private non-profit or other), may have their own resources which, although subject to periodic audits, afford greater autonomy and facilitate promotional activities, taking into account the processing times.

The conversation with representatives of investment promotion agencies in the region revealed concern about a number of weaknesses. One of these is that it is insufficient for national agencies to adopt a subnational approach; the subnational authorities must be willing to collaborate on the matter and have the capacity to do so. One of the interviewees pointed out that it is precisely in the territories where capacities are less developed that the support of national agencies is needed most. Insofar as the institutional design for attracting investment depends on the willingness and capacity of each subnational government to establish its own FDI attraction mechanisms, this can lead to disparities in the effectiveness of promotion strategies in different territories.

Another weakness mentioned is the lack of continuity in long-term policies, which makes it harder to accumulate institutional capacities to respond more effectively to territorial needs and opportunities. In some cases, possible changes in institutional design in response to changes in political cycles, such as the closure of institutions or agencies, are noted, leading to disruptions and potential discontinuities in policies for attracting investments with a subnational approach. The circumstances are likely to increase investor uncertainty and make long-term planning more difficult. At the subnational level, the determinants of the location of more diversified FDI, with greater development impacts, are related to institutional and political attributes (see section III.A.1). Accordingly, there is a real possibility that the slackening pace of FDI flows and changes in their composition will contribute to a further widening of territorial gaps, in the absence of corrective policies.

Lastly, it is recognized that the inherent complexity of attracting investment to more remote or disadvantaged locations requires a combination of diversified and complex expertise, which no single national or subnational actor could have on its own. The coordination challenges will be even greater when this is compounded by the trend towards greater institutional fragmentation that is being experienced by the region's countries, in the sense of a greater propensity for different organizations or areas of the national public sector to act simultaneously in investment promotion (for example, when they report to different ministries), each with their respective specific support programmes, resources and personnel (Volpe Martincus and Sztajerowska, 2019).

2. Multilevel coordination to strengthen subnational FDI attraction policies: mechanisms and modalities

In their coordination efforts to promote subnational foreign investment, the region's countries have adopted mechanisms with varying degrees of formality, which often coexist. One of the advantages of formal structures is the opportunity to define clearly the roles, responsibilities and relationships of the different parties involved, which contributes to achieving better results in joint actions. On the other hand, informal mechanisms also have their place and importance, as they can enable more fluid interactions and exchanges of information between national investment promotion agencies and subnational entities, and thus contribute to the implementation of strategies that are more closely aligned with the specific characteristics of each territory.

Coordination between public sector FDI attraction agencies can be based on relationships between units within the same entity (for example, between the headquarters and subnational offices of the national investment promotion agency), between national agencies and subnational entities, and between subnational investment promotion entities, among others. Brazil provides an example of the first situation, where relations between the headquarters and regional offices of the national agency tend to be informal rather than subordinating. The relationship between national agencies and subnational institutions varies widely between countries: Argentina, Chile and Mexico have formal mechanisms, while Brazil and Colombia have informal ones. Chile has made use of agreements signed between InvestChile and the regional governments, to support the establishment of subnational investment attraction units that act in line with the national strategy and support the work of the national agency. Argentina has an interesting experience in the Federal Network of Investment and International Trade Agencies and Organizations (the Federal Network), in which the national investment promotion agency and the entities tasked with promoting exports and investment in Buenos Aires (both in the province and in the autonomous city), participate on an equal footing, thereby allowing for coordination, collaboration and exchange of good practices. Lastly, a number of other initiatives illustrate how agendas can be aligned in the context of the relationship between subnational institutions. In Colombia, the National Network of Investment Promotion Agencies was formed in June 2023, encompassing 14 subnational agencies,[10] in order to articulate and share good practices and successful experiences, facilitate knowledge management and be able to participate jointly in dialogues and the construction of public policy guidelines related to investment, trade and internationalization (ProBarranquilla, 2023). In Mexico, the InvestMx agency[11] has been created under the auspices of the Federalist Alliance, with the objective of attracting investments in the manufacturing sector and those that are intensive in strategic assets. The Alianza Centro-Bajío-Occidente, another initiative formed by the states of Aguascalientes, Guanajuato, Jalisco, San Luis Potosí and Querétaro, has proposed creating a joint strategy to promote these territories abroad.

In some larger countries, such as Brazil and Colombia, the interviewees highlight the existence of major coordination challenges between national and subnational FDI promotion agencies, and also among other government bodies. Some of these difficulties arise from the immense heterogeneity that exists between institutions, especially subnational ones, and their respective operational capacities. Another potential difficulty concerns the establishment of more active communication channels between the different actors (in the case of Spain, mentioned in section III.A.2, this was one of the factors that contributed to the success of the improved relationship between the nation and the territories in terms of FDI). In Colombia, the mechanism used to channel efforts to coordinate the strategy and workplan, and explore joint actions, involves the holding of periodic meetings (three or four per year) between the national investment promotion agency and the subnational agencies. Despite the existence of these mechanisms, challenges persist in achieving better coordination, obtaining a diagnostic assessment that is shared by the country's government authorities and defining more clearly the roles of ProColombia and the regional investment promotion agencies (CONPES, 2023). In Argentina and Chile, national investment promotion agencies mention more frequent exchange of information with subnational agencies, especially on investment opportunities, market trends and potential investors, which helps them achieve a unified approach and avoids duplication of efforts. This is relevant in the light of international experience, which shows that, far from occurring spontaneously, such interactions need to be encouraged proactively (Fernández, Blanco and Larrey, 2021; Taylhardat, 2022).

[10] The 14 organizations that make up the network are: Invest in Armenia, Invest in Bogotá, Invest in Cartagena, Invest in Oriente Antioqueño, Invest in Orinoquia, Invest in Santa Marta, Invest Pacific, ProBarrancabermeja, ProBarranquilla, ProMontería, Prosincelejo, Cúcuta Chamber of Commerce, Invest in Pereira, and Invest & Visit Santander.

[11] The 10 states that make up the Federalist Alliance investment organization are: Aguascalientes, Chihuahua, Coahuila, Colima, Durango, Guanajuato, Jalisco, Michoacán, Nuevo León and Tamaulipas.

In addition to information exchanges, the region deploys other mechanisms to facilitate inter-agency collaboration, such as joint promotion initiatives. These enable national and subnational entities to participate together in trade fairs, investment forums and marketing campaigns aimed at attracting foreign investors to specific territories. In Argentina, for example, the Federal Network is the mechanism for sharing spaces in international fairs and events, and also for generating joint promotion tools. Brazil and Chile also carry out joint activities. In the five countries analysed, the emphasis is on collaboration to attract investment in key sectors. This includes multi-stakeholder collaboration in developing sector strategies, offering targeted incentives and coordinating investment promotion efforts. The issue is of utmost importance because the sectors and activities being promoted at the national and local levels often do not coincide. The lack of coordination between national and departmental sectoral targeting of FDI attraction instruments has been documented in the case of Colombia (CONPES, 2022). It was also mentioned in the case of Brazil, where the federal states have autonomy to define their priorities and strategies. In that case, when Apex-Brasil defines a priority sector, it also identifies which federal states are important in the area concerned, with a view to seeking collaboration to mitigate the effects of misalignment.

FDI training programmes and capacity-building initiatives are another essential way to foster interactions that contribute to the adoption of a subnational approach to FDI attraction. This is where the necessary subnational capacities are developed to complement national policies and make them efficient. InvestChile provides training and capacity-building courses to subnational government staff. The Argentine Investment and Trade Promotion Agency assists the provinces in creating their own investment promotion agencies (this has occurred in La Pampa, for example). Good practices and experiences are shared, along with other relevant information. In addition, effective training events may occur in the context of specific programmes. An example is the Proyecta programme in Argentina,[12] which assists small and medium-sized enterprises in formulating private investment projects, and provides training for the evaluation and formulation of projects.

The monitoring and evaluation of investment promotion strategies and policies is another way to foster collaboration and coordination, although this was mentioned less frequently in the interviews. By sharing data, conducting joint assessments and responding to changing needs in each context, it is possible to help align national and subnational policies to attract foreign investment.

Beyond the coordination mechanisms and modalities mentioned above, there is a degree of consensus on the importance of participation by subnational governments and entities in defining national strategies that take into account the specifics of the territories, as well as in the search for closer alignment between the strategies promoted at different levels. This will enable them to complement each other and increase the potential for attracting and taking advantage of FDI in the territories. In Argentina, there is a perception of strong interaction between the nation and the provinces, since the national investment promotion agency has a strong federal orientation that has deepened in recent years. The provinces are expected to put forward proposals, strategies, resources and priorities, although in practice the levels of participation and autonomy vary greatly depending on the capacities that exist. It is precisely in strengthening subnational capacities that national institutions play a fundamental role, as exemplified by the case of Chile. InvestChile takes the lead in the decentralization agenda and supports regional governments in establishing their own FDI promotion and attraction units. These have a mandate to propose, promote and execute a regional strategic plan to encourage, promote and attract FDI, framed by the national strategy. The intention is to work in line with the production attributes of each region, while recognizing that the starting point for improving coordination and multilevel collaboration is the willingness and capacity of subnational institutions. Thus, the challenge of levelling up the expectations of subnational regions to match the complexity and specifics of their environment is highlighted.

[12] See [online] https://www.inversionycomercio.ar/argentinaProyecta.

Although the Chilean experience of decentralization is still very incipient, an interesting aspect to highlight is its pursuit of coordination from the start. In other words, efforts are being made to ensure that regions wishing to define their own FDI strategies can do so from the outset, in line with the guidelines and priorities of the national strategy; and they can adapt to changes over time. The experience of other countries in the region shows that attempting to align strategies, actors and policies that already have a long history of misalignment is not a trivial matter. The key ingredient in meeting this challenge and creating more coordinated and participatory pathways involves building trust between actors at different levels of government, as was mentioned in the cases of Chile and Colombia.

In addition, although there are clear instances of local government participation, in some cases the importance of having broader platforms for policy dialogue is identified, where representatives of the private sector, academia and civil society, as well as other stakeholders, can meet with national and subnational governments. These mechanisms could help align strategies and address common challenges, while also providing legitimacy and informing deliberation and decision-making processes on subnational FDI. In Chile, it is considered that an investment attraction model that effectively integrates national and subnational interests could benefit from broader dialogue and coordination mechanisms. The current model, which is based on agreements between the national investment promotion agency and subnational governments, could be an important step in this direction.

3. Other challenges and opportunities for attracting and benefiting from subnational FDI more effectively: the importance of coordination with productive development policies

Apart from coordination, the interviewees have identified a variety of challenges and opportunities that countries face in attracting investments that are adapted to the characteristics of subnational territories: organizational (for example, having structures in place that allow subnational institutions to act with the necessary agility); institutional (such as achieving consensus on the mandate of investment promotion agencies or levelling up the capacities of subnational institutions); and operational (for example, forming more robust portfolios of investment projects, possibly linking neighbouring regions, through the collaboration of subnational promotion institutions, which could be more attractive to investors, rather than promoting several smaller projects in each subnational area). In addition, as discussed in section III.C.2, there are key coordination and governance challenges. These concern the relationship between institutions and agencies tasked with promoting FDI at the national and subnational levels, and, as will be seen in this section, the relationship with other areas of government and actors that influence productive development policies in a more comprehensive manner.

In this regard, all of the agencies and institutions interviewed note that the creation and strengthening of capacities, as well as the generation of enabling conditions to make subnational territories more attractive to foreign investors, are necessary for the effectiveness of an FDI policy that includes the subnational dimension. Capacity-building is precisely the area of productive development policies that can make a difference. For example, the entities of Argentina and Brazil mention their respective countries' strengths in certain sectors, in terms of capacities and the availability of natural resources, as opportunities for attracting FDI. The Chilean and Colombian agencies mention challenges and opportunities associated with the creation of productive linkages in the territories, which go beyond the exploitation of natural resources and constitute steps towards a productive transformation that provides greater value added. These opportunities all depend on the implementation of productive development policies, including the promotion of science, technology and innovation.

In keeping with the results of the analysis of information on subnational FDI project announcements in Latin America (see section III.B), the entities explicitly recognize the need to diversify their economies; but approaches and priorities vary according to the national and subnational context.

For example, although only InvestChile highlighted the aim of reducing dependency on specific sectors, as also noted in section III.B, this challenge is also present in certain subnational territories in the other countries. To foster diversification, the entities seek to promote investments in sectors and activities that make more intensive use of technology, global services and renewable energies, among other areas, which could generate more widespread positive spillovers on local productive systems. To this end, a comprehensive policy approach is needed, in which foreign investment incentives complement and are aligned with productive development efforts, to take advantage of their benefits. These involve coherent and coordinated actions in areas such as human talent, the formalization of informal enterprises and other types of support for small and medium-sized enterprises, the dissemination of technologies and the development of innovation, along with diversification of production capacities and export promotion. All of this should work mainly in sectors and activities that have greater technological intensity and greater potential for learning, innovation and market expansion, which are prioritized in the framework of these productive development policies (ECLAC, 2022a).

To align these endeavours, it is essential that all stakeholders share this comprehensive policy perspective. It is therefore important to promote participatory processes of dialogue, design and monitoring of productive development strategies, both national and subnational, involving stakeholders from different levels of public administration and different areas of the same government (such as economy, planning, environment, and science and technology). For example, improving the business climate is a recurring theme among interviewees from several countries; and, although it influences FDI attraction, it often depends on other factors and areas of government that are not directly involved in the promotion of foreign investment in particular, or productive development in general. Hence the importance of having mechanisms for harmonization and coordination within national and subnational governments, and between the two levels, to make long-term agendas and policies compatible.

Another point highlighted in the interviews in Argentina, Chile and Colombia, and on which the effectiveness of governance and coordination of FDI efforts with other productive development endeavours depends, is the existence of political will at the highest levels of government and also that of the different types of stakeholders. Considering FDI attraction policy in the strict sense, in Chile the demand to be able to define and promote their own strategies comes from the regions. However, this is only realized through the commitment of national authorities and institutions, with technical support from InvestChile. A similar logic applies to the coordination of efforts around FDI and productive development at the national and subnational levels, where, as noted in the case of Chile, articulation and consensus-building also require private sector participation.

D. Conclusions and guidelines

As discussed in this chapter, the subnational dimension is particularly relevant for analysing FDI dynamics at the national level and for designing more effective investment attraction strategies, and aligning them with other productive development policy endeavours. An analysis of subnational foreign investment trends confirms the results of the literature review, and is complemented by the findings of the review and comparison of national policies made in chapter II.

The attraction factors and subnational distribution of FDI are determinants of the amounts attracted, and also of the quality of the investment and its impacts (in terms of technological and productive spillovers, and the type of jobs created). Positive effects are maximized when incentives are associated with local networks and the availability of inputs and labour with the skills and competencies required by the investment. In contrast, subsidies and tax exemptions can generate both a race to the bottom, in which all subnational territories lose, and persistent processes of rent transfer that do not generate learning (and eventually dry up).

In line with the conclusions of chapter II, the key message is the need to define clearly the productive development policy and the sectors to be targeted, and to strengthen articulation and coordination among agents and local capacities, to make the territories more attractive and enhance the positive impacts of FDI on the recipient economies. The policy tools that have been used to achieve this include cluster initiatives and other measures to coordinate territorial production, such as those mentioned in relation to decentralization of the automotive industry in some regions of Brazil and Mexico (see section III.B.7). Other Latin American countries also have experiences that show that, when implemented with a well-defined strategic vision and coordinated with productive development and other measures, cluster initiatives can provide a way to organize management and collaboration processes for productive development. The stability of these policies and institutions over time, with the political consensus that this entails, is key to achieving the positive effects of FDI in the country and the region. With this horizon, combined with the strengthening of the networks of agents, their institutions and absorption and learning capacities, FDI will have greater incentives to take root in the country, and will do so in the framework of the development strategy of the country itself and of its territories.

The experiences of subnational foreign investment promotion in Argentina, Brazil, Chile, Colombia and Mexico, analysed in this chapter, highlight institutional pathways and designs under construction that are adapted to the reality of each context. Most countries have a national investment promotion agency (except Mexico) and also have such agencies or entities at the subnational level (except Chile, where the process of creating these units is still very incipient). This multiplicity of government actors requires efforts to harmonize and coordinate FDI attraction strategies, policies and activities. The role of national agencies in these efforts varies, and in some cases may be equivalent to that of subnational entities, for example Argentina's investment promotion agency within the Federal Network. In contrast, InvestChile plays a central role not only in identifying subnational investment opportunities, but also in supporting the regions in the process of decentralizing investment attraction. Thus, the mechanisms and modalities of multilevel coordination also differ in each country.

Although there is no single model that can guide strategies to attract subnational FDI most effectively, six broad guidelines for implementing public policy measures should be considered by national and subnational governments, as set out below.

(i) Formulation of territorial productive development strategies as a framework for attracting foreign investment: the territories should frame their FDI attraction efforts within broader territorial productive development strategies, in which FDI attraction is one of several fronts to be addressed, in order to achieve the objectives defined in these strategies. In this regard, it will be essential not only for FDI attraction efforts to be aligned with the production priorities established in these strategies, but also for these FDI efforts to be coordinated with other productive development endeavours (for example, science, technology and innovation, technological outreach, closing gaps in terms of human talent and specific infrastructure).

(ii) Strengthening of local capacities for attracting FDI: it is essential to strengthen the capacities of subnational governments, to enable them to develop their own strategies for attracting investment, appropriate to the production attributes of their territories, so that they can stimulate them actively. This involves the development of analytical skills, access to detailed information on sectors and local resources, and the capacity to assess region-specific opportunities and challenges. National institutions dedicated to attracting FDI have a key role to play in supporting local capacity-building in this area.

(iii) Identification of the appropriate policy instruments for the different phases of the investment cycle: mapping the instruments and tools that have been implemented at the international, national and subnational levels, to achieve the objectives of attracting investments that are framed in productive development agendas. Depending on the context, adopting them will require the creation of new measures and instruments, or the retargeting of existing ones. FDI strategies with

a subnational dimension can be implemented more effectively if they include the deployment of instruments appropriate to the different phases of the investment cycle. Broadly speaking, such instruments could be grouped into four broad categories, according to the objectives being pursued: (a) attraction of FDI through national and subnational investment promotion agencies (for example, by building a developing country image or brand in which the opportunities and strengths of the different territories are profiled, actively seeking investors or promoting policies); (b) installation or "soft landing" of the investment in the territories (providing specific advice and support to investors who decide to set up business in a given locality); (c) measures to maximize the impacts (in terms of technology and knowledge transfer) of this FDI. These include the promotion of business development and supply chain development, networking, and the strengthening of science, technology and innovation, among other measures; and (d) retention of FDI and promotion of reinvestment (through aftercare and investment follow-up programmes).

(iv) Promotion of multi-stakeholder coordination: subnational FDI policies and territorial productive development policies are influenced by a plurality of actors with different perspectives, attitudes, objectives and interests. This requires institutional arrangements (governance schemes) to coordinate FDI attraction measures at the local level with other productive development policy endeavours. There are opportunities for multi-stakeholder participation in all stages of public policies: from baseline diagnostics, to design and implementation, as well as follow-up, monitoring and evaluation. As noted above, cluster initiatives can be a useful tool to this end.

(v) Promotion of multilevel inter-agency coordination: effective collaboration and coordination between different levels of government and agencies are essential. Strategies must be built in a participatory and multilevel manner to ensure coherent decision-making aligned with the national and subnational objectives, which requires a clear definition of the roles and responsibilities of the different actors. One of the various challenges involved in moving in this direction in terms of FDI is for national-level investment promotion agencies to take into account the production priorities defined by the territories in the framework of their local productive development policies and agendas. At the same time, it is important that national strategies be defined not only on the basis of dialogue with subnational entities, but that they are also aligned with the general guidelines of national strategies.

(vi) Strengthening of the evaluation of measures and instruments implemented to attract FDI and maximize its benefits: progress in this area is essential to be able to adjust strategies as necessary. Evaluation makes it possible to learn from past experiences and constantly improve subnational economic development policies and practices. It also makes it possible to correct mistakes and modify strategies when the costs of doing so are relatively lower, and to apply a system of sanctions and rewards in the allocation of public resources, according to whether or not the objectives (in terms of productivity, technology, exports or employment) are being met by the public and private actors involved. While efforts to promote FDI with a subnational dimension are still insufficient, and even incipient in some countries of the region, evaluating these policies and instruments from the outset provides an opportunity to speed up the learning process.

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Annex III.A1
Guiding questions for interviewing investment promotion agencies or organizations

Subnational approximation

A. Subnational institutional framework of investment promotion agencies and organizations (e.g. regions, departments, states and provinces)

1. Does the agency or organization have subnational offices?

If yes:

(a) How many? What year were they established?

(b) What is the main role of the subnational offices? (support multinational enterprises present in the territories, identify investment opportunities, support FDI outflows, administer special economic zones or industrial complexes, other)

(c) Which of the following best describes the relationship between the national and subnational offices?

(i) Close coordinated working relationships, in regular contact

(ii) Joint activities and information exchange

(iii) Complementary mandates, in regular contact but on an ad hoc basis

(iv) Occasionally in contact

If no:

(a) Does the agency or organization have formal or informal mechanisms in place for coordination with subnational government entities?

(i) If yes: what are they?

2. Does the country have subnational investment promotion agencies or organizations (not institutionally linked to the national investment promotion agency or organization)?

If yes:

(a) What is the institutional structure of subnational investment promotion agencies or organizations?

(i) Independent public agency or organization

(ii) Within the office of the president

(iii) Within a ministry

(iv) Federal government

(v) Municipal government

(vi) Public-private agency

(vii) Private agency

(viii) Non-profit organization

(ix) Multiple types

(b) What is the mandate of the subnational agencies or organizations?

(c) Which of the following best describes the relationship between the national investment promotion agency or organization and the subnational entities?

(i) Close coordinated working relationships, in regular contact

(ii) Joint activities and information exchange

(iii) Complementary mandates, in regular contact but on an ad hoc basis

(iv) Occasionally in contact

B. Subnational priorities for attracting FDI

3. Does the national agency serve the investment promotion needs of subnational territories?

(a) If yes: What are the main mechanisms?

4. Does the process of identifying priority sectors take into account the needs of subnational territories?

(a) If yes: What are the main mechanisms?

C. Opportunities and challenges

5. In your opinion, what are your country's main challenges and opportunities in attracting investment to subnational territories?

6. In your opinion, is the current institutional structure adequate to meet the investment attraction needs of the various subnational territories? What are its main strengths? What are its main weaknesses?

7. Is there an ongoing discussion in your country about the need to design investment attraction strategies that better take into account subnational priorities?

(a) If yes: Who are the main stakeholders participating in the discussion?

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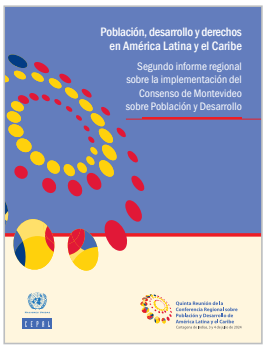

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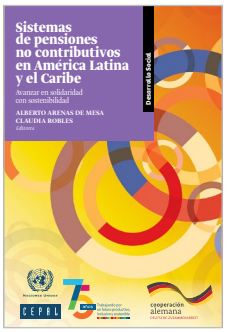

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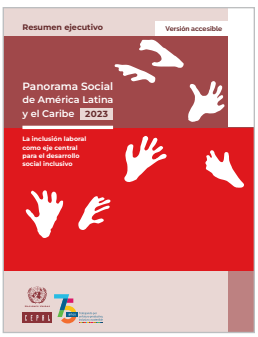

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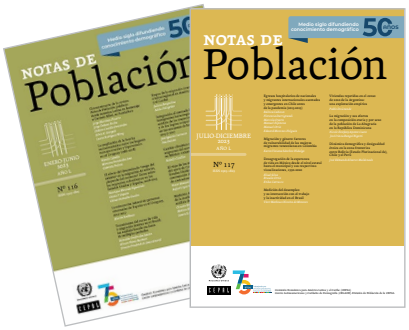

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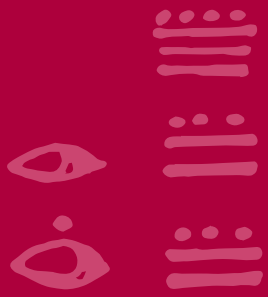

Glyphs from the Mayan numbering system found in pre-Hispanic codices.

Bas-relief on the spiral tower of the ECLAC headquarters building in Santiago.

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Latin America and the Caribbean is caught in three development traps: weak capacity for growth; high inequality and low levels of social mobility; and limited institutional capacities, along with ineffective governance. Incorporating foreign direct investment (FDI) into productive development policies could help to address these challenges. ECLAC presents the 2024 edition of the annual report *Foreign Direct Investment in Latin America and the Caribbean* against this backdrop.

As is the case every year, the first chapter provides an overview of global and regional FDI and identifies the main trends according to type of investment, sector and origin. The other two chapters analyse the link between FDI and productive development policies: the second chapter examines policies to attract FDI and proposes 17 guidelines for ensuring that these investments play a greater role in productive development processes, while the third chapter discusses subnational FDI in five countries of the region, identifies project announcement trends and determinants, and makes recommendations for the use of FDI to close gaps between territories and maximize positive effects to bring about productive transformation.

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