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Foreign investment: Large disparities in the 2015 review of MED countries

+24% for MED-11 countries; +38% globally in 2015: the good foreign investment inflow figures announced by UNCTAD unfortunately do no translate everywhere into a tangible economic rebound.

The recovery in investment worldwide is partly based on major corporate reconfigurations

The United Nations Conference on Trade and Development (UNCTAD) released on 21 June 2016 its annual review on foreign investment. The World Investment Report 2016 (WIR 2016) notes a significant increase in Foreign Direct Investment (FDI) globally (+38%), but partially connects it with relocations of multinational enterprises' headquarters and megadeals of mergers and acquisitions (such as Lafarge-Holcim). The growth in investment, which is limited to 15% when excluding these large-scale corporate reconfigurations, "did not translate into an equivalent expansion in productive capacity in all countries" as underlined by Secretary-General of the United Nations Ban Ki-moon.

Developed countries (and especially Europe and the United States) are the main recipients of FDI inflows in 2015, whereas in 2010-2014 developing and transition countries were the leading destinations attracting foreign investors. Marking the continued fragility of global economy, UNCTAD forecasts a 10 to 15% decrease in foreign investment inflows in 2016.

In the Mediterranean, UNCTAD and ANIMA-MIPO observatory report a significant investment rebound

In the MED-11 countries, South and East of the Mediterranean, the very good performances of Turkey and Israel lead to a 24% rise in total FDI inflows. When discounting these two leaders, the trend is reversely oriented downward (-6%) for the 3rd consecutive year. FDI inflows in 2015 stagnate around 15 billion (bn) dollars in total for Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Palestine and Tunisia (Syria has not recorded any FDI inflow since 2012).

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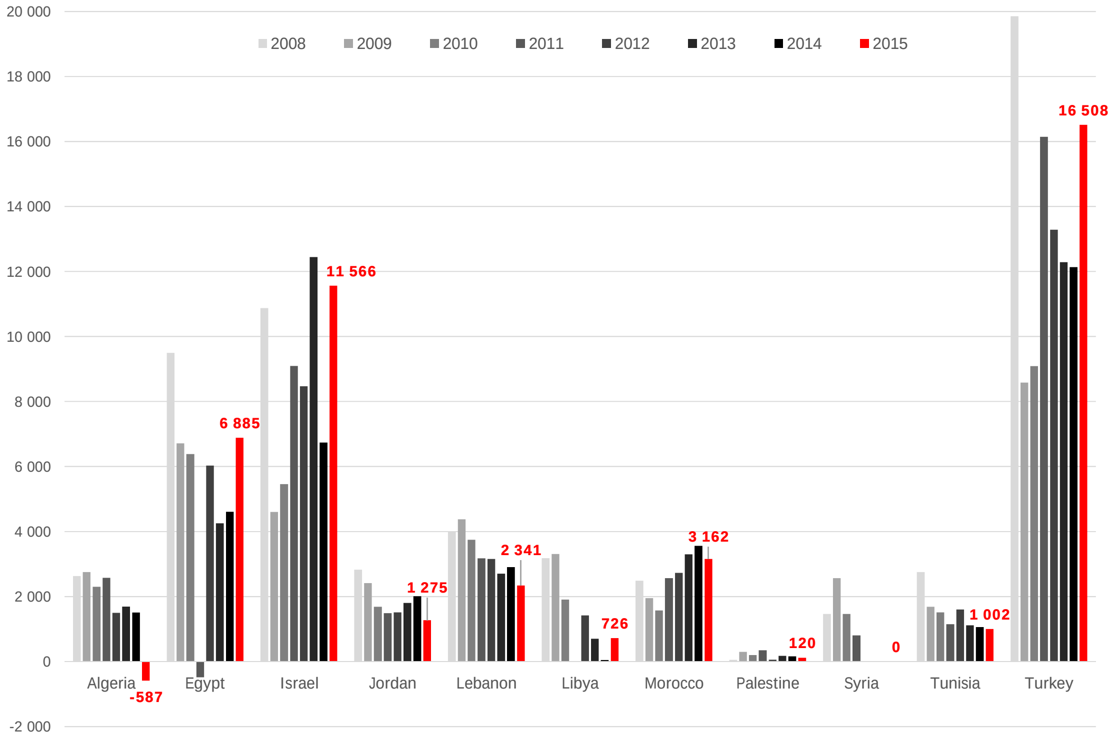

Figure 1: FDI inflows in million dollars ($m) in MED-11 countries (source: UNCTAD)

As for announcements of FDI projects, which are recorded by the ANIMA-MIPO Observatory, the trend is similar to the one followed by real FDI inflows monitored by UNCTAD (cf. Figure 2 below):

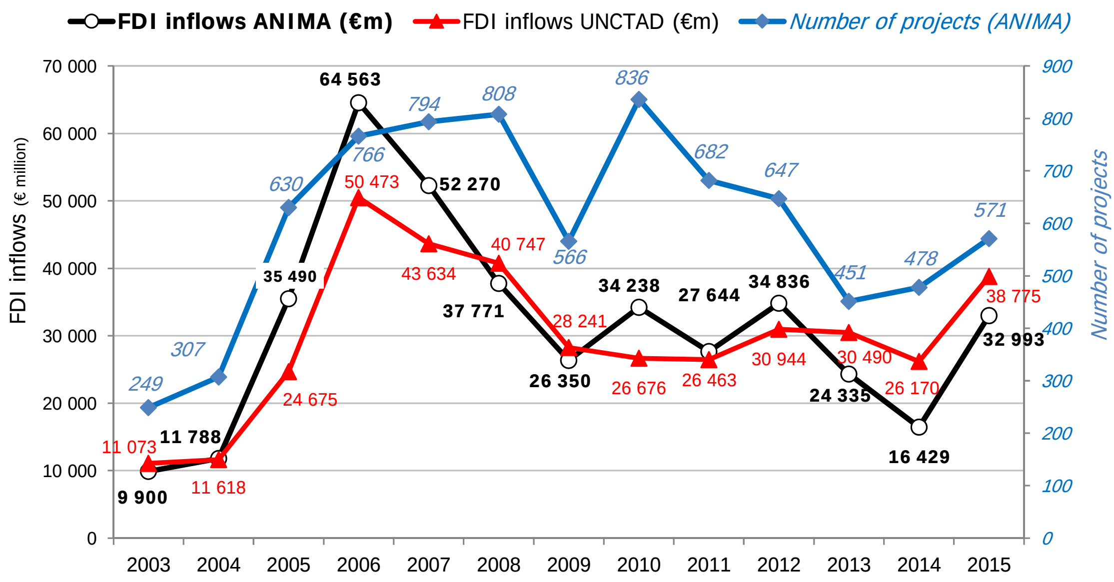

Figure 2: total FDI inflows in MED-11 countries (source: UNCTAD, amounts converted into €m) and FDI announcements in amount and number of detected projects (source: ANIMA-MIPO, €m)

4 countries leading the most attractive MED destinations: Turkey, Israel, Egypt and Morocco

The FDI review in 2015 is mixed from one MED country to another. **Algeria** records a negative inflow for the first time (-$587m), as Egypt did in 2011. The divestment flows indeed overtake the investment flows because of the purchase by the Algerian State of telecom operator Djezzy from Russian VimpelCom, for an amount exceeding $2.6bn.

Egypt on the contrary sees a strong rise (+49%) marking the return to the pre-revolution FDI levels ($6.9bn) and leading to a rise for the 5 North African countries. Egypt is the second most attractive African destination in 2015 for foreign investors, especially in the banking sector (CIB Bank and Citadel Capital), pharmaceuticals (Pfizer), telecommunications (purchase of Mobile Towers Services by British Eaton Towers) and of course hydrocarbons.

Jordan, **Lebanon** and **Palestine** still undergo the consequences of the Syrian conflict and the regional instability and monitor a 37%, 19% and 25% decline respectively.

In **Libya**, after an inflow close to zero in 2014, FDI inflows are back but data from the ANIMA-MIPO Observatory suggest that investments registered by UNCTAD ($700m) exclusively involve the hydrocarbon sector in which Italian ENI still operates.

The slight decrease in **Morocco** (-11%) after a record year in 2014 (over $3.5bn invested) does not prevent the country from confirming its dominant position in Africa, with a net inflow exceeding $3bn for the 3rd consecutive year. Morocco, now recognised as a leading industrial platform (for automotive in particular), also becomes a major investor in Africa with over $600m emitted towards the rest of the continent in 2015, particularly in the financial services, telecommunications and more recently industry.

FDI inflows still remain subdued in 2015 in **Tunisia**: the uncertainties associated with the political transition process and the recent terrorist attacks are as many obstacles to restore investors' confidence.

Finally, the two regional champions, **Israel** and **Turkey**, monitor very good figures with respectively $11bn and $16bn of FDI inflows in 2015, in strong rise since 2014. Turkey thus ranks 20th largest FDI recipient in the world. The biggest deals mentioned by UNCTAD are in the financial sector (acquisition of Turkiye Garanti Bankasi AS by Spanish Banco Bilbao Vizcaya), distribution (participation in Boyner Perakende for Qatari Mayhoola) and media (acquisition of digital television platform Digiturk by Al Jazeera's sport division).

2016: No change in sight in investors' decisions for the MED region

UNCTAD report WIR 2016 as well as project announcements detected by the ANIMA-MIPO Observatory suggest that despite the global decrease in investment expected in 2016, the most attractive MED countries will confirm their good performance over the coming years.

Morocco now offers a privileged destination for many enterprises wishing to expand into Africa, and the national industrial development strategy bears fruit. In the automotive sector - not to mention others, PSA, Renault and Ford will further invest and bring many subcontractors in their wake. **Egypt** has attracted several megadeals in 2015, which will generate multi-year investment plans, some of which in sectors more likely to have a strong impact on the local economy than hydrocarbons: agribusiness (projects of Emirati Al Ghurair), drugs (with Canadian Valeant), distribution (another group of investments launched by the Emirates: MAF - Majid Al

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Futtaim) or also train equipment (project of Chinese Avic). **Israel** and **Turkey** eventually remain undisputed leaders in foreign investment attraction, Turkey being the 13th most attractive destination according to the investment promotion agency survey conducted by UNCTAD.

For the other MED countries, changes in FDI inflows will first of all depend on the security situation (wars in Syria and Libya, Arab–Israeli conflict, etc.) but also longed-for political developments in most countries.

Source and further information:

- United Nations Conference on Trade And Development – UNCTAD (2016). World Investment report 2016 – Investor nationality: Policy Challenges
- ANIMA-MIPO Mediterranean Investment and Partnership Observatory (www.animaweb.org/mipo)

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