

ANIMA-MIPO - Mediterranean Investment and Partnership Announcement Observatory
Review - First three quarters of 2011

The current political transitions in several MED countries and the European debt crisis result in a decrease in announcements of Foreign Direct Investment (FDI) and partnership projects in the south of the Mediterranean Region. The fall in the number of announced projects during the first three quarters of 2011 is substantial in all Arab countries except in Morocco and Algeria, where the 2011 situation of FDI should be similar to that of 2010. Turkey and Israel are the first FDI recipients in the MED region in 2011.

Investment intentions in 2011 fall back to their 2009 level

After the upturn in Foreign Direct Investment in the Mediterranean region during the year 2010, investment intentions unsurprisingly encounter a new slowing down during the first three quarters of 2011 (Q1-Q3 2011). According to the ANIMA-MIPO Mediterranean Investment and Partnership Announcement Observatory, supported by the Invest in Med project, **the number of FDI project announcements in the MED¹ countries decreased by 26% compared with the same period in 2010**: 467 projects have been detected during Q1-Q3 2011, against 625 during Q1-3 2010. **The drop in announced amounts is also severe: around 20 billion Euro have been announced in 9 months** against 40 during 2010 (-34%, see Figure 1).

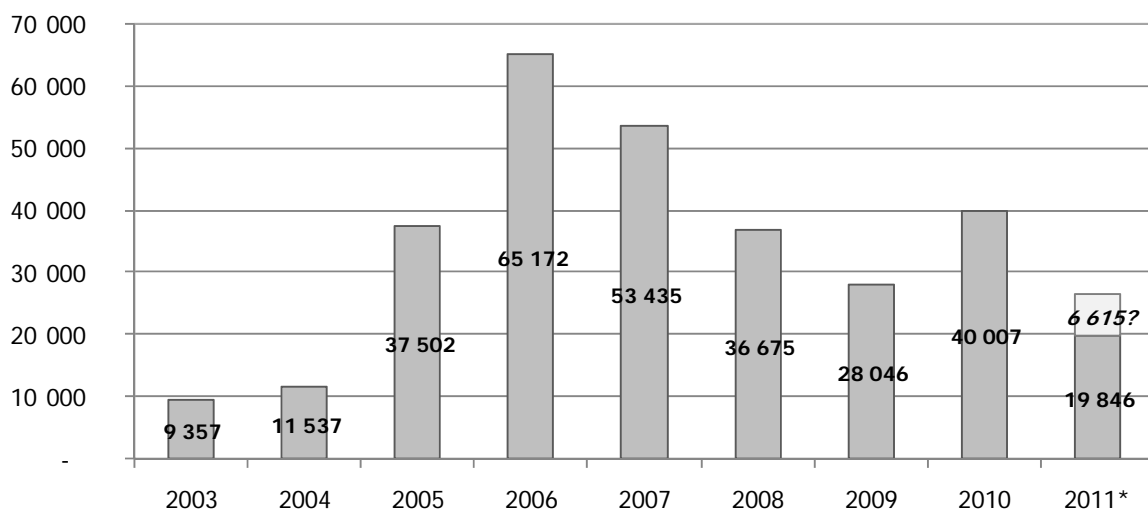


Figure 1. Amounts of FDI projects announced in the MED countries, 2003 to 2011 (in million Euro, * hypothesis for the fourth quarter of 2011, in light grey). Source: ANIMA-MIPO

Partnership² projects recorded an even sharper decline, with 223 projects detected during the first three quarters of 2011, against 517 for the whole year 2010 (-38%).

¹ Group of 11 countries neighbouring Europe, i.e. 9 Mediterranean partner countries of the EU (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia), one with observer status (Libya) and one in the membership process, Turkey. Malta and Cyprus joined the Union on May 2004.

² Defined as projects where a foreign corporation approaches a domestic market, either through an identified partner or by opening a local representation (branch, network, etc.).



Investors delay their investment projects in Arab countries; Turkey still widens the gap

The drop in number of FDI announcements detected by the ANIMA-MIPO Observatory during the first three quarters of 2011 is stronger in the countries subject to ongoing political changes: Tunisia, Egypt, Libya and Syria; and subsequently, in their close neighbourhood: Lebanon and Jordan (Figure 2).

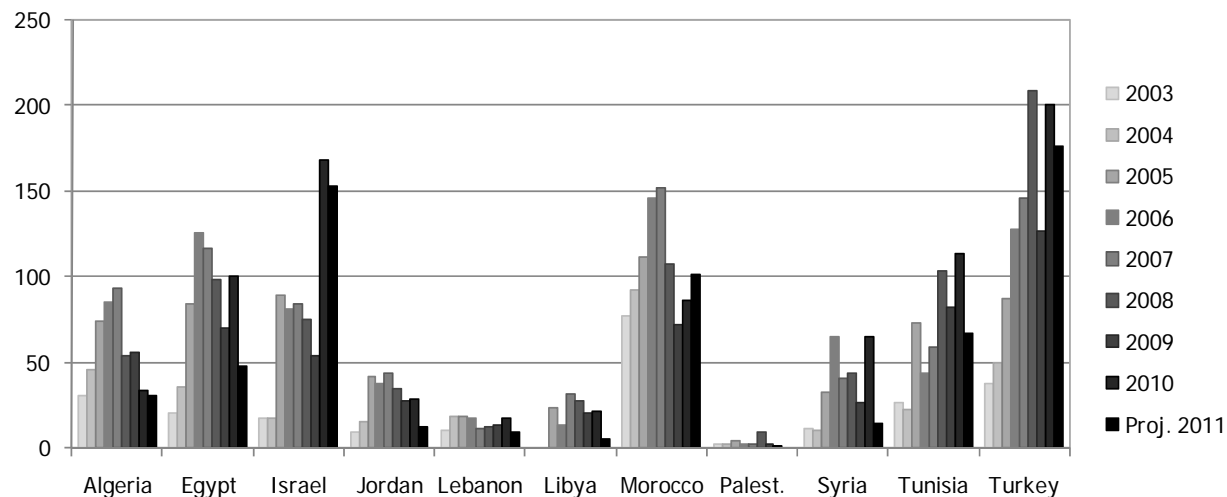


Figure 2. Number of FDI projects announced by country (2003 to 2011, projection for the 4th quarter 2011). Source: ANIMA-MIPO.

In **Tunisia**, the number of FDI projects decreased by 40% in comparison with 2010. The Foreign Investment Promotion Agency (FIPA) also registered a 27% drop in FDI flows during the first nine months of 2011, which especially affected tourism, hardly hit by the ongoing events. 2011 could be even more difficult in **Egypt**, where the number of FDI announcements was reduced by approximately 50% according to the ANIMA-MIPO Observatory. Several experts assume that the total FDI flows will reach around 2 billion Euro in 2011, half of what occurred in 2010.

The situation is hardly any better in **Libya**, **Syria**, **Lebanon** and **Jordan**: the strongest drops were registered in Libya and Syria with around -75% in number of announced projects in comparison with 2010, while Lebanon and Jordan lost half of their investment announcements. The trends detected by the ANIMA-MIPO Observatory are in line with the results of the survey conducted by MIGA (World Bank group) during the summer 2011 for the preparation of the *World investment and political risks 2011* report, released in December 2011. According to this survey, based on the intentions of 115 large multinational corporations investing in developing countries, over half of the companies with an investment project in the MENA (Middle East and North Africa) region decided to place their current plans on hold, to reconsider them or to cancel them because of the recent turmoil.

Algeria and **Morocco** are exceptions within the Maghreb and Mashreq countries: the number of FDI announcements is stable in Algeria (though it has to be put in perspective with the bad 2010 record), and it grew by 15% in Morocco in comparison with the same period in 2010, which results in Morocco ranking third in number of FDI projects behind Turkey and Israel. However, investors further lowered their financial involvement in Morocco as in other MED countries - a continuous trend since 2009: the FDI amounts announced in Morocco halved during the first nine months of 2011 compared to 2010.

Turkey and **Israel** should confirm their leading regional position regarding FDI attractiveness in 2011, with almost one quarter of total regional FDI announcements (in number of projects as in announced flows) for Israel and over one third for Turkey during Q1-Q3 2011. Israel could thus outperform Egypt in announced FDI flows in 2011 for the first time in 5 years. Turkey, which ranks first among the MED countries, still widens the gap: it attracted a record share of announced flows according to the ANIMA-MIPO Observatory. Recent data released by the Central Bank of Turkey confirms this trend: Turkey attracted over 8 billion Euro of FDI in the first ten months of 2011, a 84% increase when compared with the same period of the previous year.



Europeans are still predominant in spite of the European crisis; Gulf investments are at their lowest level

Despite the euro area debt crisis, investment intentions from the European countries still accounted for almost half of the FDI announcements in 2011 (Figure 3). The stability of the number of FDI announcements from the United States and Canada is also noteworthy, as this number decreased for all the other regions of the world in 2011. The relative weight of North American investments thus reached about one third of the total number of FDI announcements during the Q1-Q3 2011 (against 20% on average since 2003), while investment intentions from the Gulf countries were at their lowest level since 2005, with 8% of the total number of projects against 15% on average.

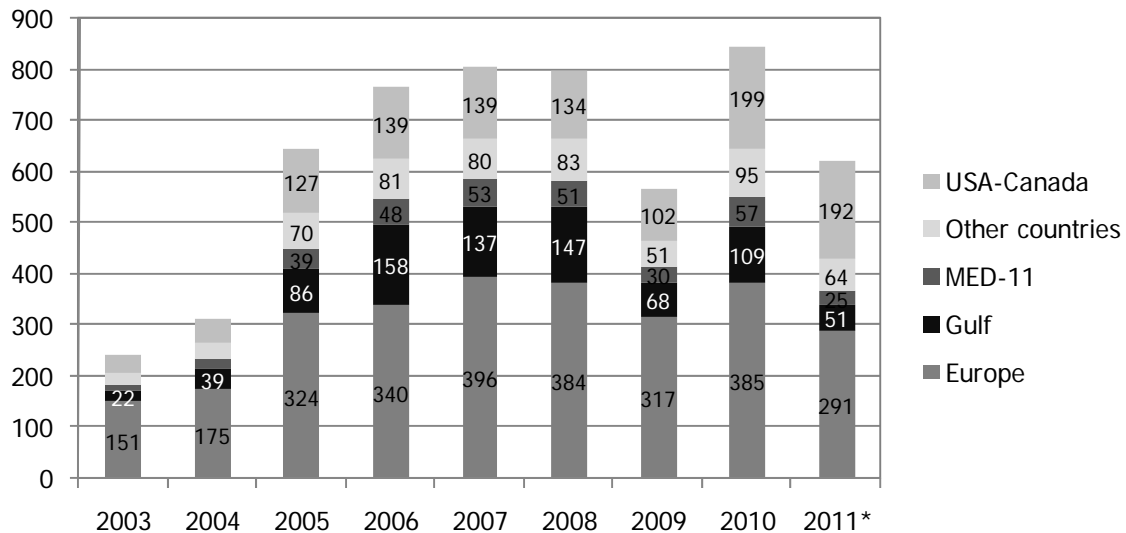


Figure 3. Number of FDI projects announced by region of origin, 2003 to 2011 (projection for the fourth quarter 2011). Source: ANIMA-MIPO.

The overall development dynamic of investment in the region will obviously depend on the political situation in each country but also on the global economic conditions. A few weeks before the end of the year 2011, the World Bank forecasts indicate that FDI flows towards the MENA region will decrease in 2011 and 2012 before starting to recover in 2013. The World Bank adds that in the medium and long term, the region nevertheless remains attractive thanks to several economic and demographic factors, an attractiveness which could be even more reinforced if a better governance and a reduced bureaucracy are achieved.

The **Invest in Med project** aims at developing sustainable trade relationships, investments and enterprise partnerships between the two rims of the Mediterranean. Funded at 75% by the European Union over the 2008-2011 period, it is implemented by the MedAlliance consortium, which associates economic development organisations (ANIMA, leader of the project), CCIs (ASCAME, EUROCHAMBRES), and business federations (BUSINESSMED). The members of these networks, as well as their special partners (UNIDO, GIZ, EPA Euroméditerranée, World Bank, etc.), gather a thousand of economic actors - mobilised through pilot initiatives centered on key Mediterranean promising niches. Each year, a hundred operations associate the 27 countries of the European Union and 9 Mediterranean partner countries: Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestinian Authority, Syria and Tunisia. www.invest-in-med.eu

ANIMA Investment Network is a multi-country platform supporting the economic development of the Mediterranean. The network gathers around 80 governmental agencies and international networks. The objective of ANIMA is to contribute to a better investment and business climate and to the growth of capital flows into the Mediterranean region. www.anima.coop

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