



Overview of FDI trends in the Mediterranean

ANIMA General Assembly and Invest in Med workshop

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Med? What does it mean?

- 9 countries associated with EU
- Malta and Cyprus joined EU-27 in 2004
- Turkey is now a candidate to EU
- Libya is an observer

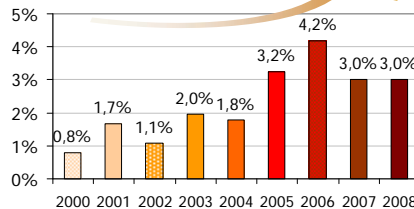


⚠ In these slides, Turkey is included in the Med region ('Med-10') and sometimes Cyprus, Libya, Malta ('Med-13')

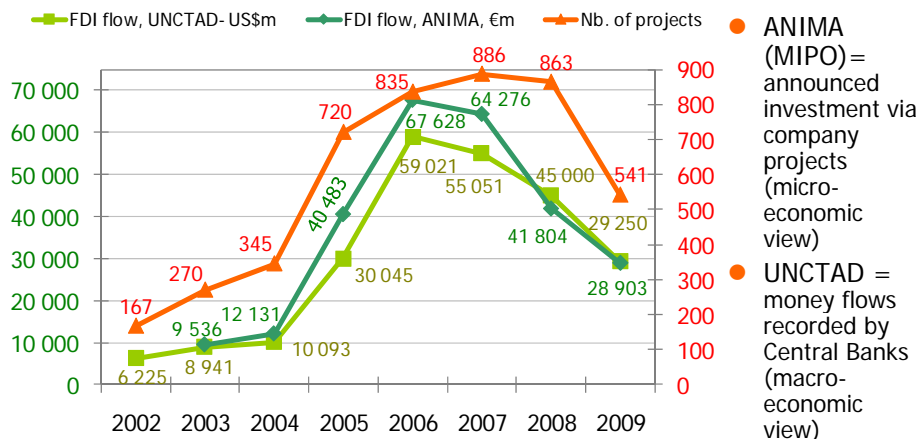
MED countries' FDI recovery

- FDI increase
 - Around €40bn in FDI/year in 2004-8 (€30 bn in 2009)
 - Vs. €10 bn/yr in the 2000s
- Two countries get the most
 - Turkey as EU candidate
 - Egypt, benefiting from strong reforms since 2004
- The whole region is on an upward trend
 - External reasons: proximity with Europe at a time of high energy costs and search for lower labour costs
 - Internal reasons: continued growth since 2000, pressure of domestic demand, full conversion to market economy and business realism (e. g. Syria), clever public investment programmes (Tanger-Med, e-government in Jordan, Tunisian technopoles etc.)
 - Small countries (Jordan, Lebanon, Tunisia and, above all, Israel) have relatively better FDI performances than the large ones

MED share of world FDI, UNCTAD



Soft landing –then impact of world crisis... FDI flows to Med-10 countries



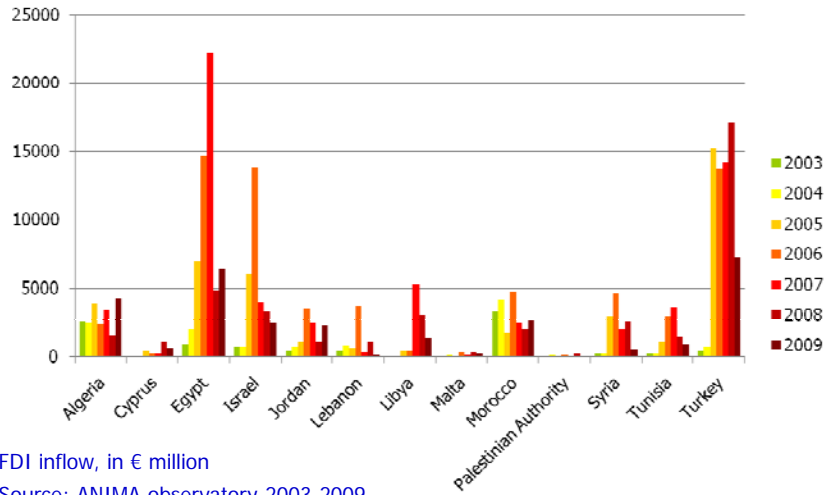
Global picture of FDI in MED countries

- The MED region has received around €255bn through 4,627 FDI projects in the last 7 years (2003-2009)
 - Source: ANIMA records – average €38 bn/year of FDI into Med
 - Vs. UNCTAD records - average of €35 bn/year
- Main beneficiaries
 - Israel & Turkey capture 40% of the flow
 - Mashreq 34%
 - Maghreb 26%
- Four major players involved
 - Europe, the former colonial power and traditional investor
 - The Gulf, concerned in terms of Arab brotherhood and also looking for geographical/profitable expansion
 - North-America, interested in resources and main sponsor of Israel
 - The MED countries themselves, poorly integrated, but developing some in-roads for industrial networking

Recent trends

- ANIMA observatory
 - A relatively strong decline in 2009
 - 541 FDI projects recorded vs. 863 in 2008 (31%)
 - 58 billion euros in gross volumes, vs. €63 bn in 2008 (-8%)
 - 29 billion euros in net volumes (amounts corrected for the multi-stage projects), vs. €39 bn in 2008 (-26%)
- ANIMA data are in line with those of UNCTAD
 - Decrease of 39% in global FDI flows in 2009
- Signs of recovery
 - 10 projects ranging between 1 and 2 billion euros
 - 4 mega-projects higher than 2 billion euros (e. g. Barwa Real Estate in Egypt et al. Maabar in Jordan)
 - 4th quarter of 2009 =the best of the year: 182 FDI projects or one third of the annual total

Med country performances, total FDI



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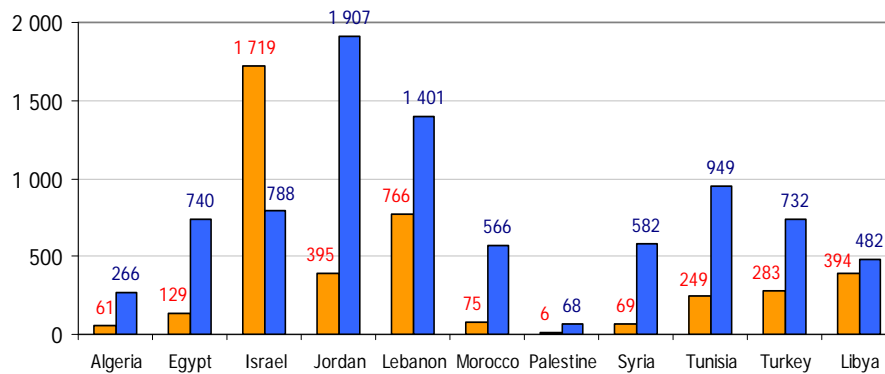
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FDI performances 2006-7-8 (UNCTAD)

- Jordan 1st among Med countries in terms of FDI per unit of GDP
- Israel 1st in FDI per capita (average of 1,700 US\$ /pop. /year)

■ FDI/capita US\$ ■ FDI/GDP (x 10000)



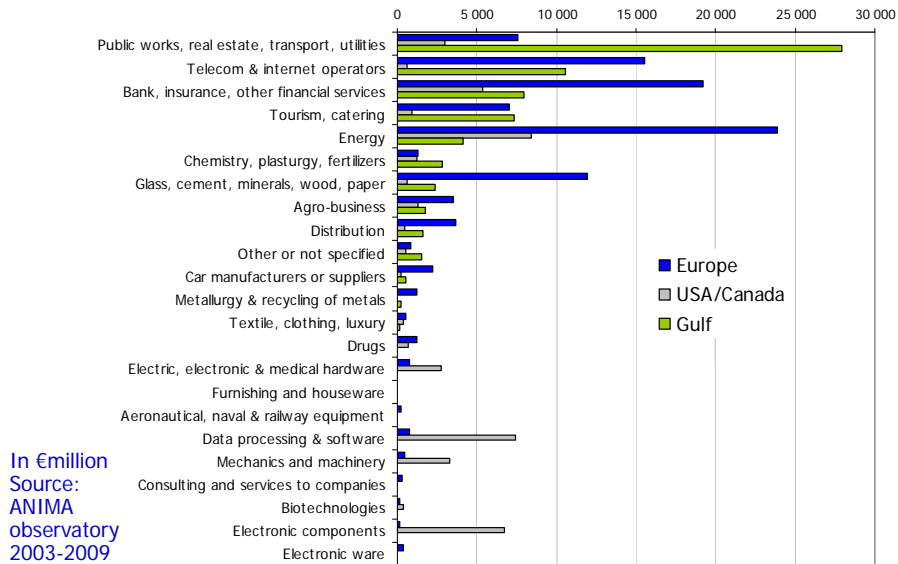
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Main FDI sectors



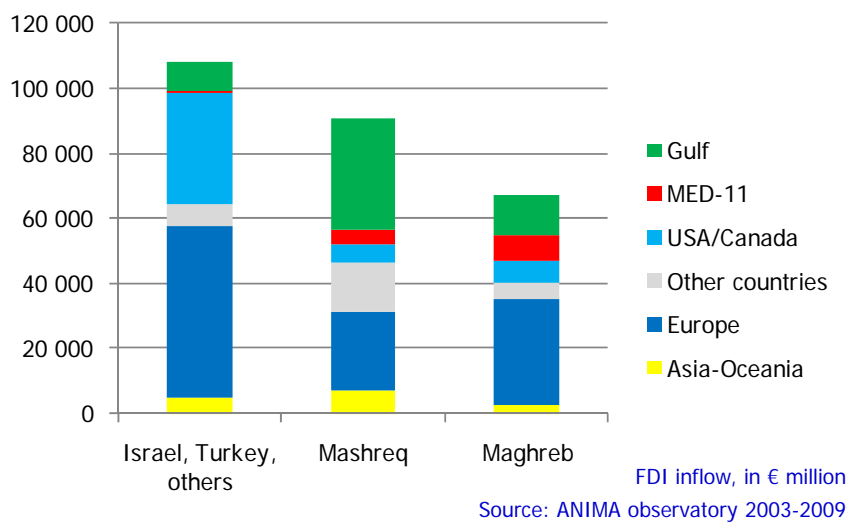
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Origin of MED inward FDIs, 2003-2009



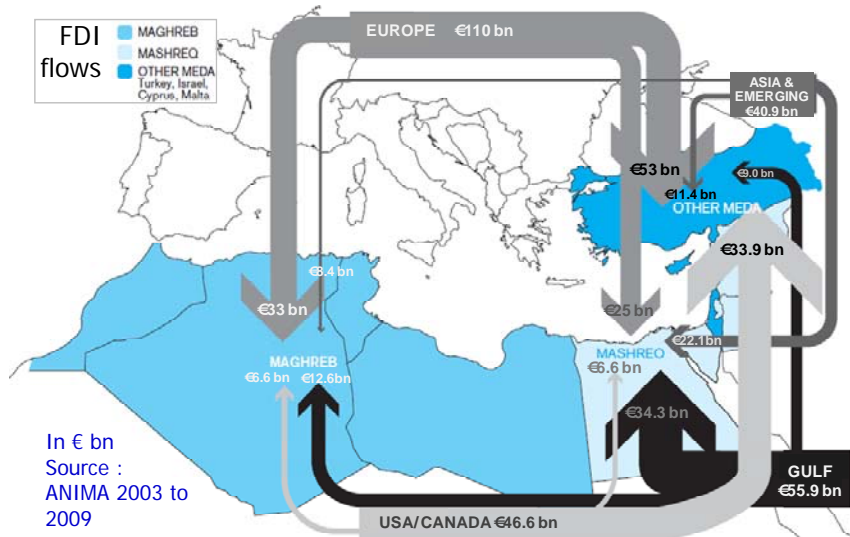
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A new economic map is being drawn...



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FDI should shift from quantity to quality

- Dual impact on MED economies
 - Remarkable recovery in terms of volumes (need for jobs!)
 - But, too often, a poor development model (sub-contracting, mass tourism, garbage plants...)
 - Limited & declining job creation (100,000 direct jobs /yr)
 - Creation of wealth, but limited redistribution, brain drain etc.
- Contradictions **economics vs. sustainability**
 - The weaker an economy, the least it can dominate major operators
 - Southern rim = dominated space: obligation to accept both jobs and pollution...
 - The « new operators » often do not care about persons and environment...

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Beyond FDI: SME development & financing

Source:
FEMISE

- The biggest part of the yearly 3-5 million jobs to be created *will result from SME development*
- If the MED countries are to close rapidly their gap with Europe, it will be via a combination of:
 - Public projects such as Tanger-Med or Algerian highway
 - Big projects developed by major companies
 - Projects by existing SMEs able to *move upwards*
 - Projects by new start-ups ← Might create 0.5 to 1 million jobs/yr?
 - Unformal sector ← Will continue to play a major role
- The benefits of SMEs
 - Grow faster, are more flexible and more innovative
 - Use labour as their first resource- SMEs= between 48% (Morocco) & 61% (Jordan) of total Med workforce

Needed in terms of facilitating framework

FDI: 100 000 direct & 300 000 indirect jobs/yr

Should create 1 or 2 million jobs/yr?

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