Introduction:

The 2014 World Investment Report (WIR) is part of the ‘flagship reports series’ for the United Nations Conference on Trade and Development (UNCTAD). It is produced within the Division on Investment and Enterprise, which is a global center of excellence that is related to investment and enterprise development I the United Nations System.

The Report provides valuable analysis that can assists the global community in accelerating progress toward the Millennium Development Goals, as encouraged by the UN, and can shape a long term sustainable future well beyond the year 2015.

The main message in the report reveals a positive trend. Since the decline in 2012, global foreign direct investment (FDI) flows rose by 9 percent in 2013, with an even large increase expected for the years to follow.

The 2014 WIR offers a global action plan for introducing an improved-role of business for achieving the future sustainable development goals, and enhancing the private sector position and impact toward the global economy. The 2014 WIR also mentions the gaps in the global economy, especially in economies not performing on par with the rest of the global economies, while also providing options for filling those gaps in.

Key Points:

As stated in the introduction, the global FDI inflows for the 2013 rose a whopping and impressive 9 percent. This number amounts to $1.45 trillion. UNCTAD forecasts that this number could reach $1.6 trillion in 2014, $1.7 trillion in 2015 and $1.8 trillion in 2016. Developing economies held their lead in 2013. FDI inflows to developed countries increased by 9 percent to $566 billion, where they maintain 39 percent of the total FDI inflows. The impressive news is that developing countries (China, India, Russia, Middle East and most of Asia, Africa and Latin America) reached $778 for FDI into their regions, holding a total of 54 percent of the total FDI inflow.

Another striking breakthrough occurred for the developing countries, where they reached a record level for FDI outflows (where they invest outside of their country). Developing and transition economies together, invested a total of $553 billion, or 39 percent of global FDI outflows. While this number for FDI outflows is lower than their developed countries counterparts, this number is still extraordinary, considering that in the early 2000’s the developing and transition economies only accounted for 12 percent of FDI outflows.

Private Equity FDI (Investments from private global firms) reached $1 trillion dollars. UNCTAD expects this number to increase, as much potential is yet to be tapped into.

The well-known FDI investors are ironically the state-owned TNCs, also known as Transnational Corporations. UNCTAD assumed that there were at
least 550 TNCs at the time of analyzing and gathering data for WIR 2014. These TNCs have 15,000 foreign affiliates, meaning branches or foreign companies that are partners for the TNC’s investments. The foreign assets for these TNCs account for at least $2 trillion dollars in foreign assets. The total FDI for the TNCs in the 2013-year was more than $160 billion, which was directly pumped into the global economy.

**Regional Trends Concerning Investments:**

All in all, FDI to all major developing regions increased. Africa witnessed an increase of an extra 4 percent from the previous 2012 year. This was mostly sustained from inside trade between African countries. The developing countries in Asia saw a positive 3 percent increase, which remains the number one global investment destination. Latin America and the Caribbean saw a 6 percent increase to their received FDI levels overall. However this number is mainly due to the increase in Central America’s increase of FDI but South America saw a 6 percent decline.

In West Asia, FDI flows decreased in 2013 by 9 percent to $44 billion. This amount has failed to recover for the fifth consecutive year. Continuous regional tension and political uncertainties are holding back investors, although there are differences between countries. Saudi Arabia and Qatar FDI flows continue to follow a downward trend, while in other countries FDI is slowly recovering but still flows remain lower than previous levels of 2007. Except in Kuwait and Iraq, those countries reached record levels for both 2012 and 2013 years. The great news for West Asia is their FDI outflows, where they jumped a magnificent 64 percent. This was mostly driven by rising flows from GCC countries. Qatar quadrupled its FDI outflows and Kuwait tripled their FDI outflows, and this explains mostly the West Asia FDI outflow boom in increase.

Weak economies, structurally speaking, received mixed results. Least Developed Countries saw an increase in FDI inflows, due to investments in green field projects (energy efficiency). Landlocked countries (countries without access to the sea) saw an overall major decline in FDI inflows. While tourism in these countries improved, manufacturing industries have been negatively affected by the halting of trade preferences.

FDI inflows into developed countries continue to grow and FDI outflows are unchanged. UNCTAD says that they have a long way to go, compared to their former levels in 2007. For instance this past 2013, FDI inflows to developed countries recorded $566 billion and FDI outflows that were unchanged from the previous year recorded $857 billion. Both these levels were doubled the current number in the year-2007. Furthermore, Europe used to be the traditional top receiver of FDI, however now it only accounts for about one third of its 2007 inflows and one-fourth of its 2007 outflows. The USA and the European Union saw their combined share of global FDI inflows decline from well over 50 percent pre-crisis (2007), to 30 percent in 2013.
Top 5 West Asia Countries for FDI Inflows and Outflows:

<table>
<thead>
<tr>
<th>Inflows</th>
<th>Outflows</th>
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<tr>
<td>Turkey $12.8 billion</td>
<td>Kuwait $8.3 billion</td>
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<tr>
<td>UAE $10.4 billion</td>
<td>Qatar $8 billion</td>
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<tr>
<td>Saudi Arabia $9.2 billion</td>
<td>Saudi Arabia $4.9 billion</td>
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<tr>
<td>Iraq $2.85 billion</td>
<td>Turkey $3.1</td>
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<td>Lebanon $2.83 billion</td>
<td>$2.9 billion</td>
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Mentioning of the UAE in the Report:

1. In 2013, the UAE engaged in a total of 59 International Investment Agreements.

2. A portion of the report speaks about how FDI flows are focusing on the USA’s increased Greenfield projects, where Gulf Cooperation Council (GCC) petrochemicals enterprises such as Nova Chemicals (UAЕ) and Sabic (Saudi Arabia) are investing in the USA and the rest of North America.

3. One segment of the report refers to the Sovereign Wealth Funds SWFs, and how they are increasing their roles and funds into private equity funds (money management funds). It mentions Abu Dhabi’s government investment arm, Mubadala, and how it is a shareholder in the American corporation ‘Caryle Group’. This is seen as a safer way for SWFs to secure their funds.

4. According to an UNCTAD survey conducted where they surveyed over 80 Investment Promotion Agencies (IIAs), the UAE ranks 11th in the survey where IIAs chose UAE as the most promising investor home economies. Other countries placed in this list were USA, China, Japan, UK, Germany, India, France, Canada, South Korea, Brazil, Netherlands, Russia and Turkey.

5. In the early 2013, a UAE company ‘Julphar’, with the local African partner company, ‘Medtech’, official opened the first pharmaceutical manufacturing company in Africa (Addis Ababa, Ethiopia.)

6. The UAE transnational corporations (TNCs) were ranked in ranking that placed the TNCs top-100 in developing and transition economies, based on assets. ‘Abu Dhabi National Energy Co’ ranked 26th, ‘Etisalat’ ranked 52nd and ‘DP World’ ranked 69th.

7. A whole paragraph is dedicated to the UAE, as was for other countries. UNCTAD states that “FDI flows to the UAE continued their recovery after the sharp decline in 2009”. This increase has positively increased for a fourth consecutive year. The UAE is the second largest received of FDI in West Asia after Turkey. Their FDI inflow was $10.5 billion, still not rebounding from 2009 levels of $14.5 billion. UNCTAD states that the rebound is driven because of
both oil and non-oil related activities. The manufacturing sector has expanded, lead by industries such as aluminum and petrochemicals. Tourism and transport also benefited by more routes from the “two local air carriers” (Emirates and Etihad). The real estate market recovered thanks to the willingness of banks to resume loans to real estate projects that brought new life for construction business, an industry that suffered the most from the financial crisis, which took the longest to recover. UNCTAD also says that the construction arena has a further reason to develop and expand due to Dubai winning the World Expo 2020.

8. A segment focuses on “new challenges faced by the GCC petrochemicals industry”. UNCTAD explains that the GCC is attempting to diversify their economies by using their abundant oil, gas and capital in order to create more jobs in their countries and to develop industrial capabilities. Since mid-2000, GCC countries have began joint ventures relating to large-scale petrochemical projects with international petroleum companies. These mega scale projects are distributed between Saudi Arabia, the UAE, Qatar and Oman. Yet the problem the industry is facing is a new challenge. The challenge is the new shale gas underway in North America, which has affected the global strategy of petrochemicals for these transnational corporations. These gas revolution in US, combined with the gas shortages in the UAE, causes competition for the GCC from the United States.

9. The UAE has a total of 15,844 Greenfield projects.

10. The UAE ranks 10th in the amount of green-field projects that it currently invests and manages in Small-Island Developing States (SIDS). It has a current total of 1180 green-field projects in SIDS, with 715 in Maldives and 265 in Seychelles alone.

11. Etihad Airways acquired a 50 percent stake in JAT Airways, which is the Serbian national flag carrier.

12. Liberalization was spoken of in the report. Dubai was mentioned as easing the restrictions of establishing a hotel. The new reform by the Dubai Government states that the “usual 10 percent land tax shall be overruled if the company that builds the ‘3 or 4 star hotel’ is up and running by 2017. This initiative by Dubai is driven by the need of non-5 star, economically priced hotels to house the visitors and investors for Dubai Expo 2020.

13. The UAE signed 4 BITs of the global 30 BITs that took place, known as Bilateral Investment Treaties.

**WIR 2012 Recommendations:**

UNCTAD encouraged the global economy to come together and invest in SDGs, also known as Sustainable Development Goals. UNCTAD provides a strategic framework for private investment in the SDGs. The frameworks addresses the following key policy challenges and solutions:
1. Providing leadership to define guiding principles and targets, to ensure policy coherence and to stimulate action.

2. Mobilizing funds for sustainable development, and raising resources in financial markets that can be invested in sustainable development.

3. Channeling funds to sustainable development projects, to ensure that available funds make their way to actual sustainable development directed investment projects on the ground in developing countries, particularly LDCs.

4. Maximizing impact and mitigating drawbacks and obstacles, which could create and enable an environment that could put in place appropriate defense mechanisms that need to accompany increase private sector engagement in often-sensitive sectors.

According to the UNCTAD Secretary-General, Mukhisa Kituyi, this action plan above is meant to serve as a point of reference for policy makers at national and international levels in their discussions on ways and means to implement the SDGs and the formulation of operational strategies for investing in the SDGs.

International Trade Organizations Department Remarks:

The ITO Department commends this report, as it mentions the UAE, particularly Abu Dhabi and Dubai’s strong economic initiatives quite extensively. The UAE is a powerful economic player in the international community, with FDI inflows of $10 billion dollars, the second highest in the West Asia Region.