12 April 2008

UNCTAD XII

Potential and Prospects for Trade and Investment between Developing countries and Transition Economies

13:00-15:00, 24 April 2008

Executive Summary

Trade

- Trade between transition economies and developing countries showed a massive increase in the period between 2000 and 2006, although starting from a low base in the 1990s. Trade between these groups of countries expanded at a much higher rate than the world trade, representing, in many instances, genuinely new trade flows. The share of trade between the two groups in the total world trade increased from 0.7 per cent in 2000 to 1.3 per cent in 2006.
- A large part of trade between transition economies and developing countries is between the CIS members and the developing Asia. Asian developing countries accounted for over 80 per cent of transition economies' total exports to, and imports from, developing countries in 2006.
- The top five exporters of transition economies to developing countries in 2006 were Russia, Ukraine, Kazakhstan, Romania and Bulgaria. The top five importers of transition economies form developing countries were Russia, Romania, Ukraine, Kazakhstan and Bulgaria. China is the most significant developing-country trading partner for transition economies. Among developing countries, China is most the significant exporter, accounting for more than a half of developing countries' total exports to transition economies. Other major exporters include Republic of Korea, Turkey, Brazil and the United Arab Emirates.
- Main sectors of exports from transition economies to developing countries are fuels, which include crude oil, natural gas and coals, and base metals. Sectors of imports from developing countries are more versatile, and largely in the category of manufacturing sectors such as: textiles and clothing, electric/electronic goods, vehicles and machinery, however, imports of agricultural and food products are also increasing and becoming more prominent.
- The trade-weighted average of applied tariffs imposed on imports from developing countries by transition economies is at 11 per cent, while that applied by developing countries to imports from transition economies amount to 4 per cent.
- The policy challenge is to sustain and impart the dynamism of this trade to other developing regions, especially to African countries. Expansion of trade between developing countries and transition economies should also involve trade in services, which has an evident sizeable potential. Further development of this trade will be substantially driven by energy-related demand of Asian developing countries and will also include manufactures, particularly with a more advanced technological content.

Foreign Direct Investment

- Although bilateral FDI between developing countries and transition economies is still small relative to total South-South FDI, there is a clear trend that FDI relationship has grown during the past decade and is continuing to get momentum.
- Virtually all outward FDI stock from transition economies to developing countries reflects the expansion abroad of Russian TNCs. The majority of cross-border M&As from transition to developing countries was undertaken only in the past three years. The data set on greenfield (new or expansion) FDI show that transition economies invested almost equally between developed and developing countries.
- FDI (both outflows and stock) from developing countries to transition economies increased more than five times in the past decade, driven by rising demand for energy, seeking large markets, the state support as well as proximity, cultural affinity and historical relationships.
- FDI between developing countries and transition economies, involving large State-owned outward investors, is partly supported by regional integration initiatives (Shanghai Cooperation Organisation (SCO)), bilateral partnerships as well as regional initiatives (Silk Road Initiative).
- The governments of developing countries and transition economies could diversify their investments abroad, away from focusing on mining and other strategic-assets to those based on own competitive advantages to avoid strong competition from developed country firms in the former industries.
- Outward FDI from transition economies, mainly the Russian Federation, is expected in particular to grow fast in the near future, including Africa.

I. MERCHANDISE TRADE BETWEEN TRANSITION ECONOMIES AND DEVELOPING COUNTRIES

1. General trends

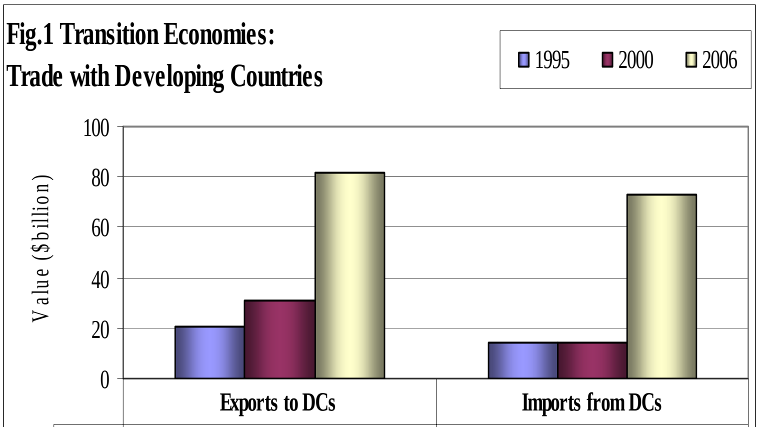
a. Trade between two groups expanded rapidly after 2000

Trade between transition economies and developing countries showed a massive increase in the period between 2000 and 2006. In 2006, transition economies' total exports to developing countries were US$ 82 billion, having increased by 290 per cent from the value in 2000. Their total import from developing countries showed an even higher growth: it increased by 424 per cent to reach US$ 73 billion in 2006 (Annex Table 1, Figure 1).

Trade between these groups of countries expanded at a much higher rate than the world trade: the rate of growth of world trade during the same period was 88 per cent.

The share of trade between the two groups in the total world trade increased from 0.7 per cent in 2000 to 1.3 per cent in 2006.

Fig.1 Transition Economies: Trade with Developing Countries



	Exports to DCs	Imports from DCs
1995	21.0	14.0
2000	31.1	14.1
2006	81.9	73.3

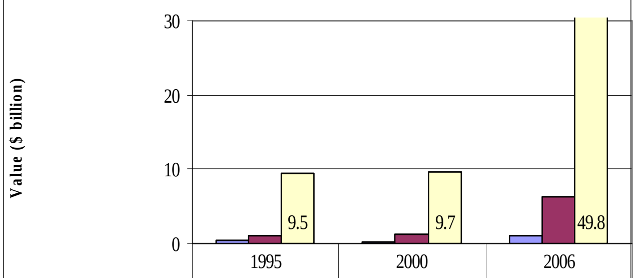
b. Much of trade takes place between the CIS members and the Developing Asia

A large chunk of trade between transition economies and developing countries is between the CIS members and the developing Asia (Annex Table 2, Figure 2). Asian developing countries accounted for over 80 per cent of transition economies' total exports to, and imports from, developing countries in 2006. CIS countries' exports to (imports from) Developing Asia accounted for 68 per cent (77 per cent) of the total from transition economies.

While imports from Asia showed an increase, imports from Africa fell considerably, from 3.9 per cent (6.3 per cent in 1995) of total imports from developing countries in 2000 to 1.8 per cent in 2006. Imports from the developing Americas remained at around 11 per cent.

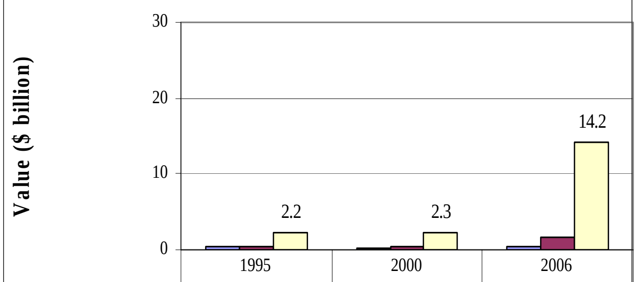
Figure 2. Geographical distribution of trade between transition economies and developing regions

CIS members (2006, US$ billion)

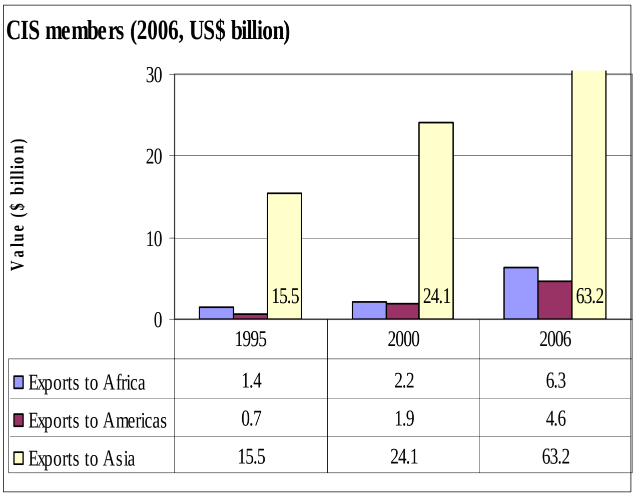


	1995	2000	2006
Imports from Africa	0.4	0.3	1.0
Imports from Americas	1.1	1.3	6.3
Imports from Asia	9.5	9.7	49.8

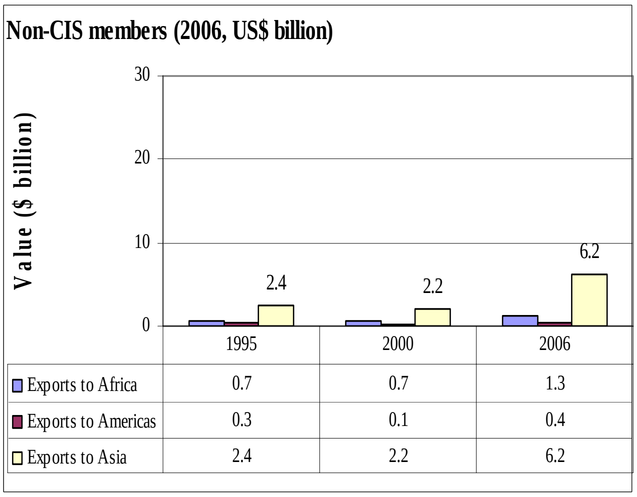
Non-CIS members (2006, US$ billion)



	1995	2000	2006
Imports from Africa	0.5	0.3	0.3
Imports from Americas	0.4	0.4	1.7
Imports from Asia	2.2	2.3	14.2



	1995	2000	2006
Exports to Africa	1.4	2.2	6.3
Exports to Americas	0.7	1.9	4.6
Exports to Asia	15.5	24.1	63.2

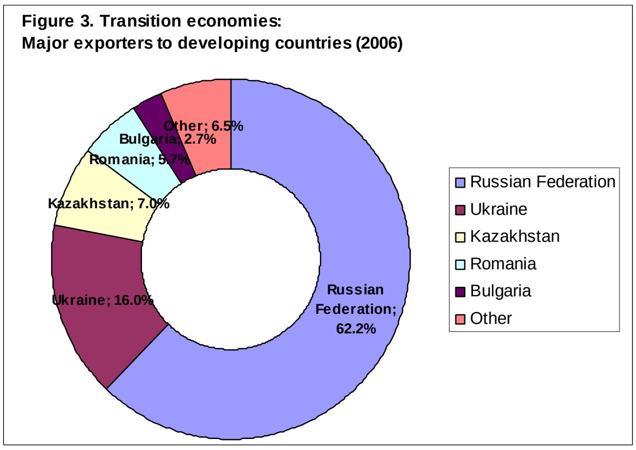


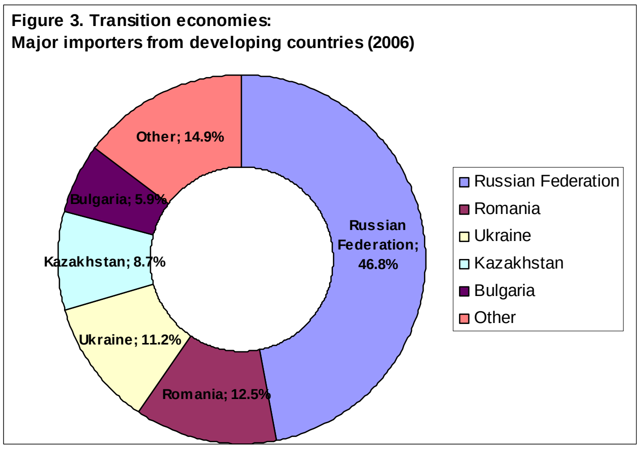
	1995	2000	2006
Exports to Africa	0.7	0.7	1.3
Exports to Americas	0.3	0.1	0.4
Exports to Asia	2.4	2.2	6.2

c. Among the transition economies, Russia trades most with developing countries

Russia is by far the largest trader among transition economies with developing countries. Russia accounted for 62% of exports to developing countries and 47 per cent of imports from developing countries in 2006 (Annex Table 3, Figure 3).

The share decreased slightly from 2000, indicating that trade with developing countries has been increasing in other transition economies. The top five exporters of transition economies to developing countries in 2006 were Russia, Ukraine, Kazakhstan, Romania and Bulgaria. The top five importers of transition economies form developing countries were Russia, Romania, Ukraine, Kazakhstan and Bulgaria.





d. But trade with developing countries carries a higher weight in countries in Central Asia

Trade with developing countries is important for CIS members, particularly those in Central Asia, i.e. Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan (Annex Table 3.3). The share of developing countries in total imports by Central Asia CIS members ranges from 16 per cent to 35 per cent. As for exports, the share is around 20 per cent.

e. Among developing countries, China trades most with transition economies

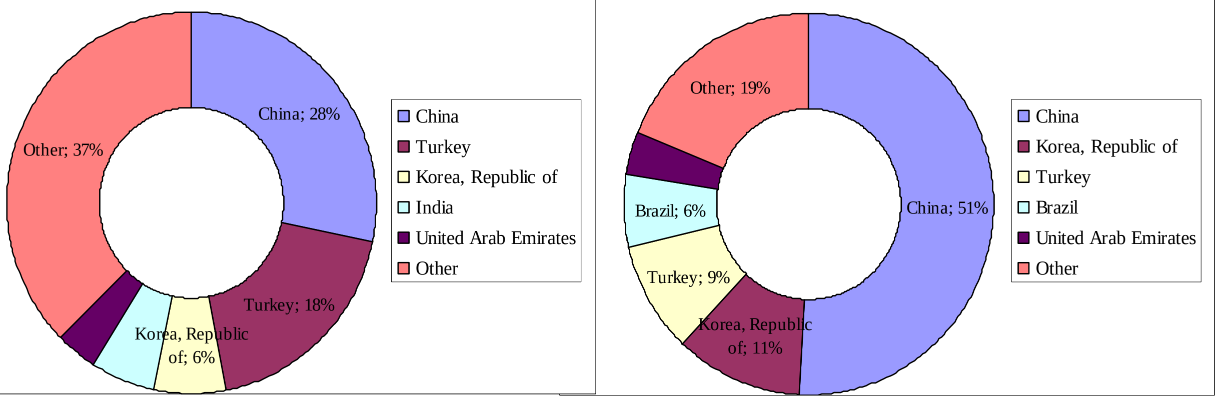
China is the most significant developing-country trading partner for transition economies (Annex Table 4, Figure 4). China is the biggest market for exports from transition economies: it receives 28 per cent of all exports destined to developing countries. Major developing-country importers following

China are Turkey (18 per cent), Republic of Korea (6.4), India (5.5), and the United Arab Emirates (3.8).

But China's presence is most significant as an exporter, accounting for more than a half of developing countries' total exports to transition economies. Other major exporters include Republic of Korea (11 per cent of total exports to transition economies), Turkey (9.4), Brazil (6.3) and the United Arab Emirates (3.5).

Figure 4. Transition Economies: Major importers from Transition Economies (2006)

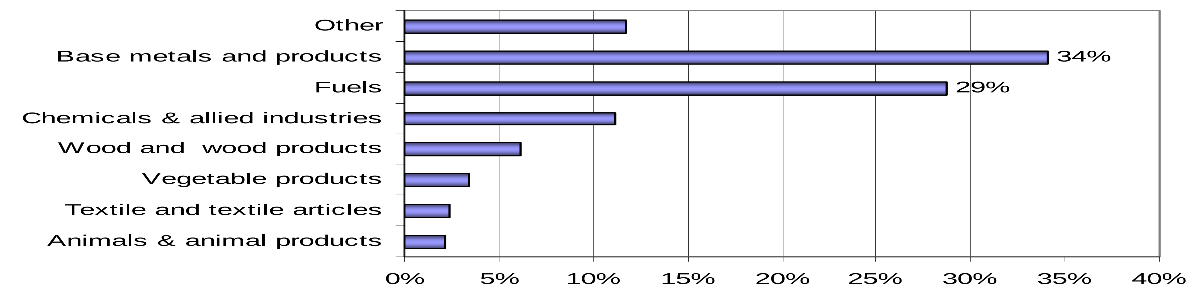
Transition Economies: Major exporters to Transition Economies (2006)



f. Major sectors of exports of transition economies are energy and natural resources

Main sectors of exports from transition economies to developing countries are fuels, which include crude oil, natural gas and coals, and base metals. These sectors together accounted for 63 per cent of total exports to developing countries in 2006 (Annex Table 5, Figure 5.1). Fuels also showed the fastest growth in the period between 1995 and 2006. The growth reflects the rise in prices but also in volumes.

Figure 5.1 Major exports from Transition Ecnomies (2006)



Among the sectors, key products (defined at the HS-4 digit level of product classification) are given in Annex Table 6.

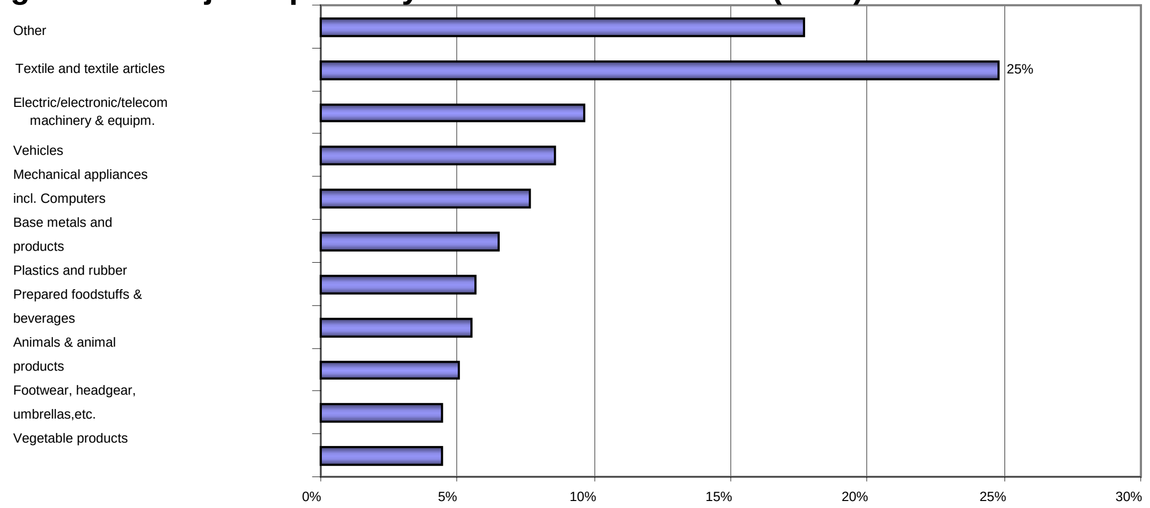
g. Major sectors of imports from developing countries are manufacturing sectors

Sectors of imports from developing countries are more versatile, and largely in the category of manufacturing sectors (Annex Table 5, Figure 5.2).

Textile and clothing articles accounted for about a quarter of total imports from developing countries. They are followed by imports of manufactured goods such as those belonging to electric/electronic goods, vehicles and machinery, which together accounted for 26 per cent of total imports. Agricultural and food products (code 01 to 04 in Table 5) are also important, together accounting for 16 per cent of total imports.

Among the sectors, key products (defined at the HS-4 digit level of product classification) are given in Annex Table 6.

Figure 5.2 Major Imports by Transition Economies (2006)

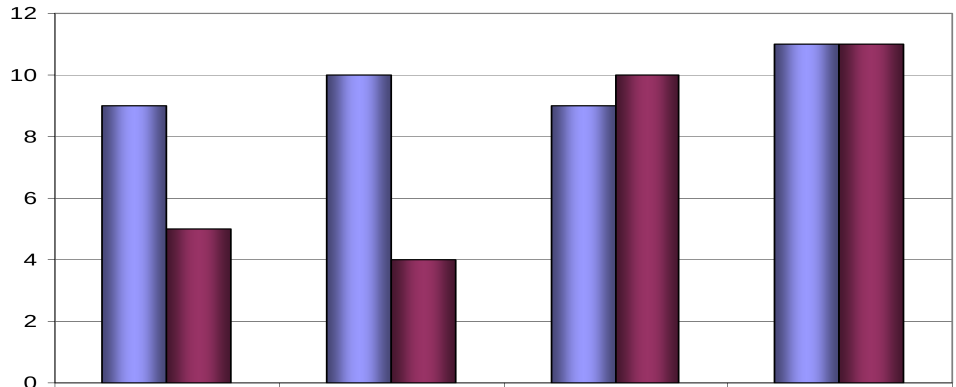


h. Tariffs applied

Figure 6 provides the average tariffs effectively applied: (i) by developing countries to imports from the world and from transition economies; and (ii) by transition economies to imports from the world and from developing countries.

There is little difference with regard to the simple average of applied tariffs, all ranging between 9 and 11 per cent. However, the trade-weighted average tariffs applied by developing countries are much lower than the simple average, and that applied to imports from transition economies is 4 per cent, slightly lower than the average tariff applied to imports form the world.
On the other hand, trade-weighted average tariffs applied by transition economies are the same or even higher than the simple average. The trade-weighted average of effective tariffs imposed on imports from developing countries is at 11 per cent.

Figure. 6 Applied tariffs (2006)



	Developing countries tariffs to imports from WLD	Developing countries tariffs to imports from ET	Transition economies tariffs to imports from WLD	Transition economies tariffs to imports from DC
Simple Average	9	10	9	11
Trade-weighted Average	5	4	10	11

Average tariffs that are applied by developing countries to exports from transition economies are given in Annex Table 7.1.

2. Policy response

The recent dynamism of trade between developing countries and transition economies has been quite impressive, although it has been spread among a few countries, mostly situated in the CIS and developing Asia. As compared to the past, these new trade flows are conducted on a market-oriented basis, in accordance with economic interests and comparative advantage of trade partners, and thus are more sustainable and complementary.

The policy challenge is therefore to sustain and impart this dynamism to other developing regions, especially to African countries. For that, a careful analysis of all factors involved should be undertaken, including development implications of these trade flows, market access conditions, including the role of non-tariff barriers, and trade supporting instruments (such as trade financing and trade promotion tools). In particular, the role of regional trade agreements (RTAs), in addition to the growing importance of multilateral trade rules and disciplines in this segment of international trade, should be explored in this regard. Finally, expansion of trade between developing countries and transition economies should also involve trade in services, which has an evident sizeable potential.

3. Prospects

The impressive dynamism of trade between developing countries and transition economies is likely to continue in the coming years and will be supported by more diversification, increasingly involving also services sectors as economic relations become more mature and sophisticated.

Further development of this trade will be substantially driven by energy-related demand of Asian developing countries and will also include manufactures, particularly with a more advanced technological content. Trade in agricultural products, reflecting general trends of international trade in this sector, would be subject to more volatile fluctuations.

II. FDI BETWEEN DEVELOPING COUNTRIES AND TRANSITION ECONOMIES

The landscape of international investment has been shaped to take on an important new dimension in recent years with the expansion of FDI from developing and transition economies. The rapid economic growth, high commodity prices and liberalization have been feeding a boom in outward investment from these groups of economies, reaching together $193 billion in 2006, the highest level ever recorded, and corresponding to 16% of world outflows; ten years ago that share was only 7%. This rise is of particular relevance to low-income countries since most of the outflow investment remains within developing and transition economies (*WIR06*).

Although the bulk of South-South FDI is intraregional in the nature, there are some indications that TNCs based in developing countries and transitions economies are increasingly venturing beyond their neighbouring regions and have begun to invest in each other. For example, natural-resource-based TNCs in transition economies (in particular Russian Federation) are expanding their presence in Africa. However, technology and other firm-specific advantages are the key to further growth of investment between these groups of economies amid intensified competition in FDI in general, and in the oil and mining sector in particular where the bulk of investment between these two groups of economies is taking place. The main purpose of this note is to describe the general patterns of the FDI relationship between developing countries and transition economies, to discuss policies conducive to outward FDI among those two groups of economies and, finally, to look at the way forward.

1. General patterns

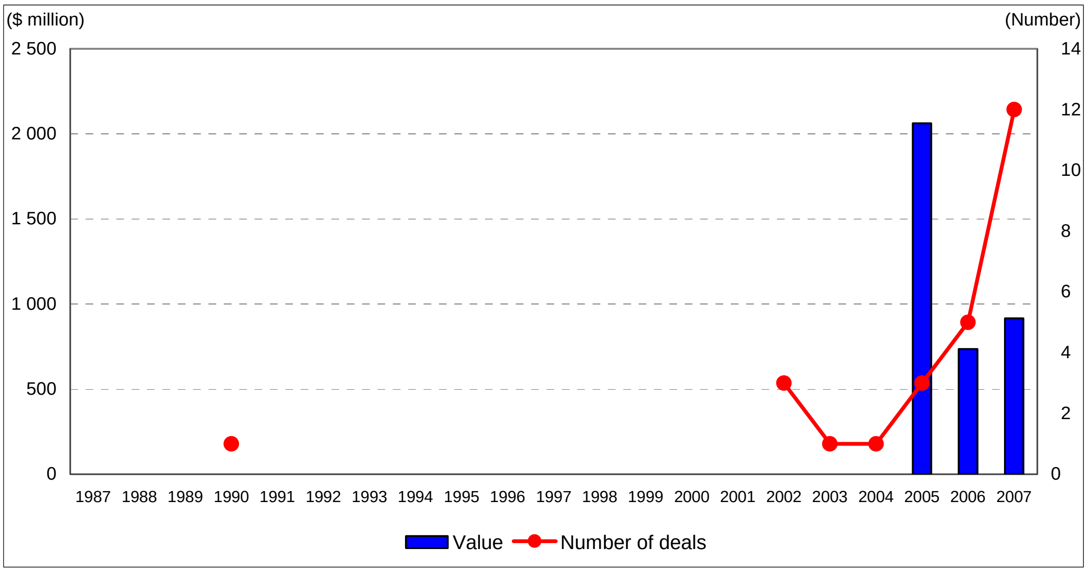
The available evidence[1] suggest first that the bilateral FDI between developing countries and transition economies is small relative to total South-South FDI, and second there is a clear trend that the FDI relationship has grown during the past decade and is continuing to get momentum. For instance, developing countries accounted for 16% of total cross-border M&A sales in transition economies in 2006, compared with a mere 1% in 2005 (*WIR07*), though the share of transition economies in developing country M&A sales remained very small, 1-2% in these years.

a. Outward FDI from transition economies to developing countries

Abundant funds, a drive to acquire strategic assets worldwide and control global markets segments spurred outward FDI from transition economies to record levels. By the end of 2006, this outward FDI stock amounted to $165 billion representing a 28 times increase from 1996. Virtually all (95%) of the outward FDI stock from South-East Europe and CIS countries reflected the expansion abroad of Russian TNCs, which made the country the second largest investor among all developing and transition economies in 2006 in terms of outward stock and the third in terms of FDI outflows.[2]

Increasingly, Russian companies have found their way to the developing markets of Africa, Asia, and Latin America.[3] While available data are limited, data on cross-border M&As provide evidence on the investment by firms based in transition economies, mainly Russian Federation, followed, at far distance, by Kazakhstan, as source of FDI for developing countries. However, this trend just started only in 2005: until that year there is no sizeable investment recorded (figure 1). Thus significant investment was undertaken only in the past three years (table 1). Data on greenfield show that, as far as the number of such investment is concerned, transition economies invest almost equally between developed and developing countries. But the most important direction is within the region (annex table).

Figure 1. Value and number of cross-border M&As in developing countries concluded by tranisition economy TNCs, 1987-2007



Source: UNCTAD cross-border M&A database.
Note: The data cover only those deals that involved an acquisition of an equity stake of more than 10%.

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[1] There is an underestimation of total FDI from developing and transition economies since only few of these countries and economies report outward FDI and bilateral FDI data. In addition, in the case of Russian Federation some outward investments are made through offshore financial subsidiaries located in the countries like British Virgin Island, Netherlands and Cyprus (*WIR06*).
[2] There are only a few non-Russian companies investing in developing countries: for example, Pliva (Croatia) opened its new Research and Development facility in India and Bank TuranAlem (Kazakhstan) acquired 34% of SekerBank in Turkey. (table 1)
[3] Lukoil, one of the largest company in the Russian Federation, has exploration and production activities in Africa, Latin America and West Asia.

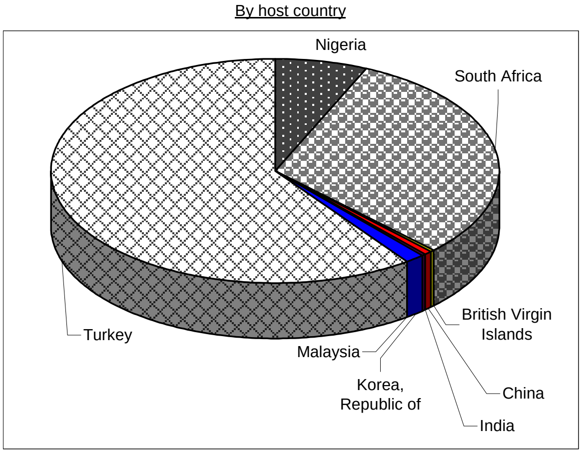
Table 1. The ten largest cross-border M&A deals in developing countries concluded by transition economy TNCs, 1987-2007

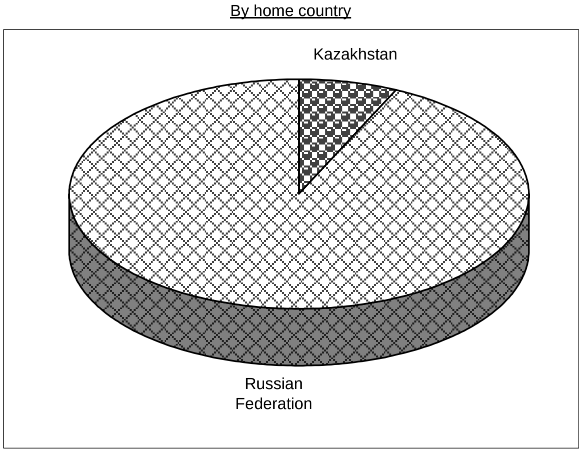
Year	Value ($ million)	Acquired company	Host economy	Industry of the acquired company	Acquiring company	Home economy	Industry of the acquiring industry
2005	1 593	Turkcell Iletisim Hizmetleri	Turkey	Telephone communications, except radiotelephone	Alfa Group	Russian Federation	Investors, nec
2006	675	Highveld Steel & Vanadium Corp	South Africa	Steel foundries, nec	Investor Group	Russian Federation	Investors, nec
2005	469	Samancor Chrome	South Africa	Miscellaneous metal ores, nec	Kermas Group	Russian Federation	Chemicals and chemical preparations, nec
2007	340	Sungate Port Royal Hotel	Turkey	Hotels and motels	Mirax Group Corp	Russian Federation	Land subdividers and developers, except cemeteries
2007	257	Sekerbank TAS	Turkey	Banks	TuranAlem Securities JSC	Kazakhstan	Investment advice
2007	250	Aluminium Smelter Co of	Nigeria	Aluminum foundries	Russian Aluminium	Russian Federation	Primary production of aluminum
2006	39	Empas Corp	Korea, Republic of	Information retrieval services	SK Communications Intl	Russian Federation	Telephone communications, except radiotelephone
2007	22	Sichuan Bdcstg TV Network Co	China	Television broadcasting stations	Sibrsko-Uralskaya	Russian Federation	Petroleum refining
2006	22	Turcas Petrol AS-Aliaga oil	Turkey	Fuel oil dealers	OAO LUKOIL Holdings AG	Russian Federation	Crude petroleum and natural gas
2007	13	Zap Medya Tanitim ve Iletsim	Turkey	Business services, nec	IMSG	Russian Federation	Management consulting services

Source: UNCTAD cross-border M&A database.
Note: The data cover only those deals that involved an acquisition of an equity stake of more than 10%.

Among the developing markets, other than Turkey, the single largest host economy according to the cross-border M&A data (figure 2), African countries are the most popular destinations for the Russian FDI.[4] The acquisitions by the Russian companies in these regions have been mostly *resource seeking* in nature to enhance their raw material supplies and expanding to new segments of strategic commodities. They enter in the market either directly (for examples the acquisitions of South African Highveld Steel and Vanadium by Evraz group) or through acquisitions of parent firms in developed countries (e.g. through the purchase of LionOre Mining (Canada), Norilsk Nickel controlled two major nickel mining of South Africa and Botswana, with the aim of diversifying its resource base and potentially engaging in new commodity sectors such as iron ore and diamonds). RusAl, the world's largest aluminium producer has established the strongest presence in the African continent with operations in Angola, Guinea, Nigeria and South Africa. Recently Russian banks are moving into Africa. Vneshtorgbank for instance opened the first foreign majority owned bank in Angola in 2006 while Renaissance Capital own 25% of the shares in Ecobank, one of the largest Nigerian bank with branches in 11 other African countries. Although *market-seeking* is by far the most common strategy for developing country TNCs in their process of internationalizations (*WIR06*), only the Russian telecom operators have been active in extending their reach in other developing countries.[5]

Figure 2. Distribution of cross-border M&As in developing countries concluded by transition economy TNCs, by host and home country, cumulative 1987-2007
(Per cent of total value)





Source: UNCTAD cross-border M&A database.
Note: The data cover only those deals that involved an acquisition of an equity stake of more than 10%.

Geographical distribution of foreign affiliates shows that although the concentration of Russian Federation TNCs is in Europe there are companies as Evraz and Novoship with large number of

[4] Russia Federation strong relations with Africa dates back in 1960, during Soviet times. The largest investment in that period was the building of Aswan Dam on the river Nile, while many African leaders were graduates of Soviet universities.
[5] While Altimo, the telecommunications arm of a leading Russian financial conglomerate, Alfa group, acquired 20% of Turkcell, another operator (table 1), VimpelCom participated in tenders for Vietnamese state-owned operators.

foreign affiliates in Africa, Alrosa in Middle East, Norislk Nickel in South-East Asia and Rusal in Latin America (table 2).

Table 2. Regionality index of selected Russian Federation TNCs[a]

Name	CIS	Europe	Middle East	Africa	North America	Latin America	South East Asia	Offshores
Lukoil	15	59	3	2	7	1	1	12
Gazprom	12	76	1	-	2	1	1	7
Rusal	16	32	-	11	-	16	5	21
Norilsk Nickel	-	31	-	-	15	-	31	23
Novoship	-	33	-	17	-	-	-	50
Evraz	-	22	-	33	44	-	-	-
Alrosa	-	29	29	14	14		14	-

Source : SKOLKOVO - CPIIsurvey of Russian multinationals
Note:The Regionality Index is calculated by dividing the number of a firm's foreign affiliates in a particular region of the world by its total number of foreign affiliates and multiplying the result by 100.

b. Outward FDI from developing countries to transition economies

FDI outflows from developing countries have grown considerably, reaching $174 billion in 2006 or 14% of world outward flows. A vast majority share of the FDI went to other developing countries and increased dramatically (excluding offshore financial centres) from $2 billion in 1985 to $60 billion in 2002-2004 (*WIR06*).

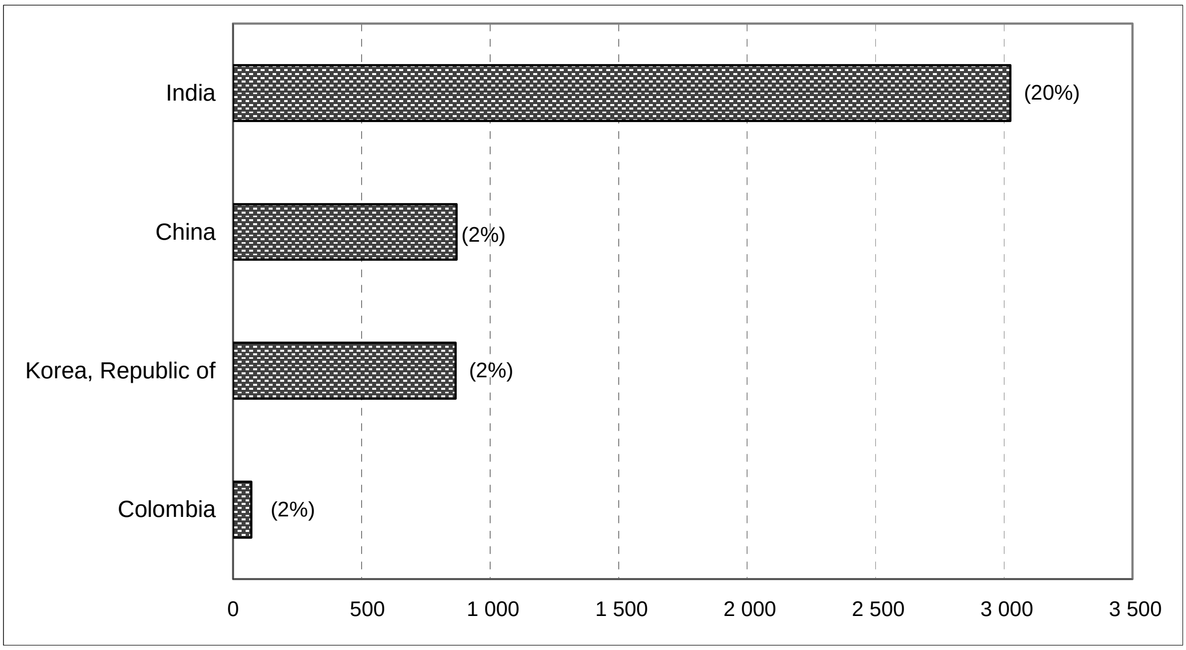
Available data on bilateral FDI (table 3) shows that developing country FDI outflows and outward stock to transition economies increased more than five times in the past decade (figure 3). Major investors are India, China and the Republic of Korea, in that order (figure 3). While one fifth of outward FDI stock from India was located in transition economies in 2006, in other cases such as China and the Republic of Korea this share was still as low as 2%. Cross-border M&A data also show that these three countries are the largest investors and much of their investment is directed to the Russian Federation (figure 4).

Table 3. FDI outflows/outstock from developing country to transition economies
(million of dollars)

Host region/economy (home)	**Transition economies (host)**			
	FDI outflows (annual average)		FDI outward stock	
	1995-1999	2000-2005	1999	2005
Developing economies	**133**	**684**	**884**	**4 814**
Latin America and the Caribbean	-	-	70	1
Brazil	-	-	-	1
Colombia	-	-	70	70.2[b]
Asia	133	684	814	4 813
China [a]	11	151 [a]	104.3[c]	870
India [a]	-	497 [a]	32	3 024
Korea, Republic of	119	16	769	866
Malaysia	4	-	13	53
Turkey	-	20	-	-

Source: UNCTAD, FDI/TNC database.
[a] Data are on an approval basis.
[b] The latest data available 2000
[c] The latest data available 1995
[d] The latest data available 1996

Figure 3. Major developing country investors in transition economies, 2006 outward stock
(Millions of dollars)

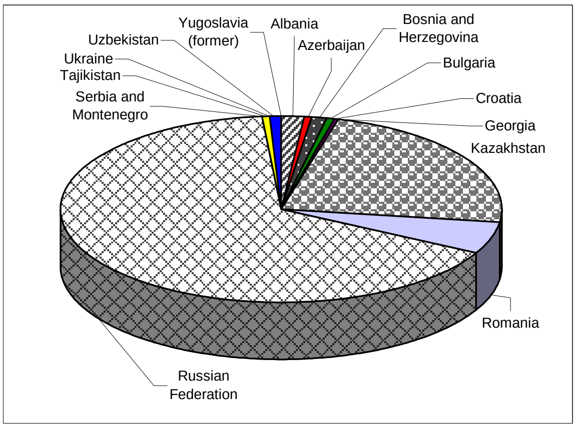


Source: UNCTAD, FDI/TNC database.

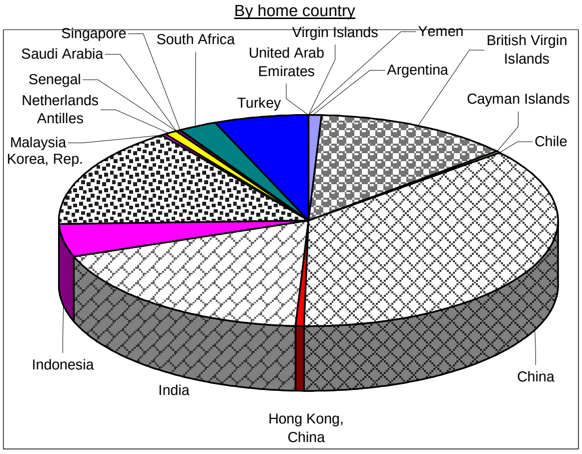
Note: Figures in parenthesis show the share of transition economies in the country's total outward FDI stock in 2006 or latest year available. Data for India are on an approval basis.

Figure 4. Distribution of cross-border M&As in transition economies concluded by developing country TNCs, by host and home country, cumulative 1987-2007
(Per cent of total value)

By host country



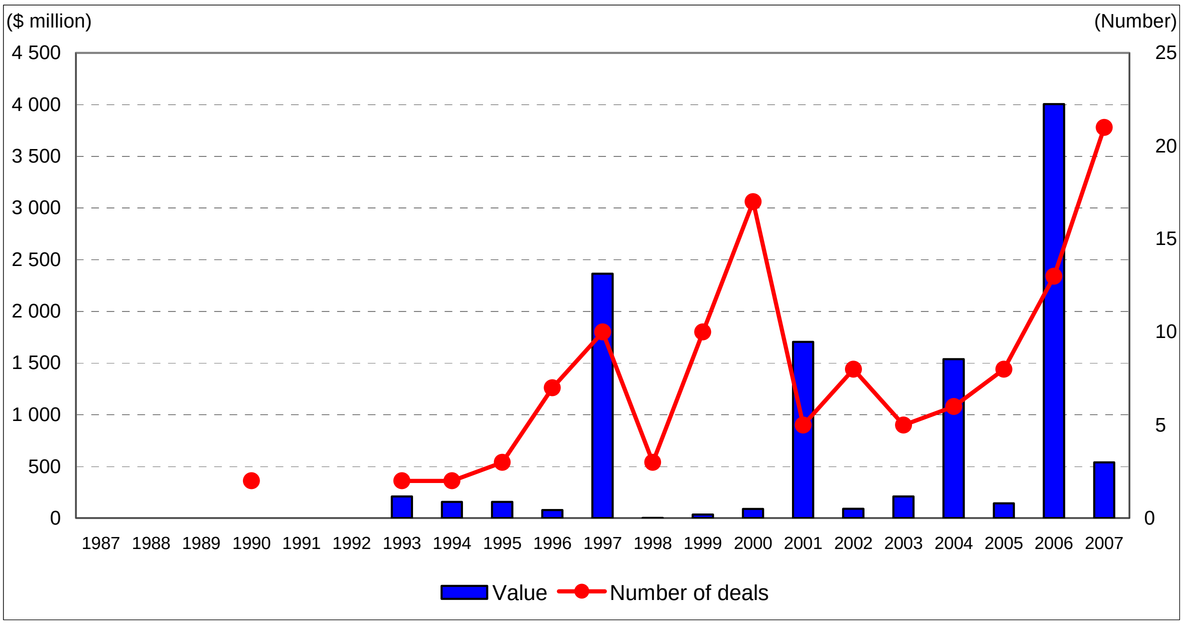
By home country



Source : UNCTAD cross-border M&A database.
Note: The data cover only those deals that involved an acquisition of an equity stake of more than 10%.

Data on cross-border M&As provide additional evidence of the rise of developing countries as a source of FDI for transition economies from \$3 billion in 1987-99 to \$4.7 billion in the last two years (figure 5). The companies from the Republic of Korea, India and China were responsible for the large acquisitions in three periods respectively (table 4).

Figure 5. Value and number of cross-border M&As in transition economies concluded by developing country TNCs, 1987-2007



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Year	Value ($ million)	Acquired company	Host economy	Industry of the acquired company	Acquiring company	Home economy	Industry of the acquiring industry
2006	3500	OAO Udmurtneft	Russian Federation	Crude petroleum and natural gas	Sinopec Corp	China	Petroleum refining
2001	1700	Sakhalin-1	Russian Federation	Crude petroleum and natural gas	ONGC Videsh	India	Crude petroleum and natural gas
2004	1430	Vimpelcom OJSC	Russian Federation	Radiotelephone communications	Alfa Telecom Ltd	British Virgin Islands	Telephone communications, except radiotelephone
1997	1370	Kaztelekom	Kazakhstan	Radiotelephone communications	Daewoo Corp	Korea, Republic of	Industrial buildings and warehouses
1997	576	Mangistau Oil & Gas	Kazakhstan	Crude petroleum and natural gas	Central Asia Petroleum(Setdco)	Indonesia	Crude petroleum and natural gas
1997	325	Aktyubinskmunaygaz	Kazakhstan	Crude petroleum and natural gas	China National Petroleum Corp	China	Crude petroleum and natural gas
2006	265	OAO LUKOIL-Tankers(10)	Russian Federation	Deep sea foreign transportation of freight	Palmali Shipping	Turkey	Deep sea foreign transportation of freight
1993	208	Sovcomflot-Four Tankers	Russian Federation	Deep sea foreign transportation of freight	Essar Tankers Ltd	India	Deep sea foreign transportation of freight
2003	200	N Buzachi Oilfield	Kazakhstan	Crude petroleum and natural gas	CNPC	China	Crude petroleum and natural gas
2007	165	Mail.ru	Russian Federation	Information retrieval services	Naspers Ltd	South Africa	Cable and other pay television services

Source: UNCTAD cross-border M&A database.
Note: The data cover only those deals that involved an acquisition of an equity stake of more than 10%.

What drives FDI from developing countries to transition economies?

- *Rising demand for energy in developing countries.* Many companies in China and India are actively pursuing joint ventures and other forms of collaboration in transition economies. For example, CNPC (China) formed with Rosneft a joint venture to develop oil projects in the Russian Federation and downstream operations in China; the same Chinese company formed a joint venture with Kazakhstan's state-owned nuclear energy company Kazatomprom to invest in uranium production in Kazakhstan; and India's State-owned group ONGC Videsh Limited participated in the development of Sakhalin I project, the single largest investment abroad.
- *Market seeking* is common type strategy for developing-country-based TNCs investing in the transition economies (the investment of Chinese companies in the automotive industry in the Russian Federation was fuelled mainly by a market with pent-up demand or the Turkish Koc Holding's Migros group expanding in Azerbaijan, Bulgaria, Kazakhstan and the Russian Federation). Investments by Korean firms in Rumania (a $156 million investment by Daewoo Automobile in 1996 which was subsequently purchased by Ford in 2007) and the Russian Federation (e.g. a $480 million production agreement with Ssangyong Motor in 2004, a $400 million Hyundai's new car assembly plant in 2007) are also this type.
- *Outward FDI support.* Governments from developing countries (China, India) are actively promoting outward FDI through different schemes (*WIR06*), in particular in strategic industries such as oil and mining.
- *Proximity, cultural affinity and historical relationships.* TNCs often invest in countries that share the same cultural and ethnic and heritage (e.g. Turkey investment in South-East Europe,

China investment in some of Central Asian countries). After 1990s,[6] Russian Federation and Vietnam have resumed cooperation in coal mining, electricity and natural gas. Russia for instance currently runs about 50 energy and energy-related projects in Viet Nam.

2. Policy response

FDI between developing countries and transition economies involves large State-owned outward investors which reflect the priorities and strategies of their governments. In that context regional integration schemes and summits encompassing these two groups of economies play an important role. For example Shanghai Cooperation Organisation (SCO), a permanent intergovernmental regional organisation with Kazakhstan, China, Kyrgyzstan, Russian Federation and Tajikistan as members, has become an increasingly important political platform in the region where a number of bilateral and multilateral political, economic, energy and security issues are discussed and decided. Other important measures are bilateral partnerships. Examples include the "Sino-Russian Beijing declaration" that was the principal guiding line for strategic partnership between two countries in the 21st century, or the "Russian Federation-India declaration on strategic partnership" signed in 2000 that helps promote outward investment among the two countries.

International agreements can also underpin cooperation conducive to South-South investment. In that context, transition and developing economies have to consider the role of international investment agreements (IIAs) in not only facilitating inward FDI but also creating better opportunities for their own firms to expand abroad. A growing number of bilateral agreements such as bilateral investment treaties (BITs) and double taxation treaties (DTTs) are concluded between developing countries and transition economies. As of the end of 2006, 258 BITs had been concluded or 10% of total number. Transition economies have signed the largest number of BITs with Asia, followed by Africa and then Latin America. Romania was the transition country with the largest number of BITs concluded with developing country (40) while China has signed 19 BITs with all transition economies. By the end of 2006, the number of DTTs has grown to 190, representing 7% of the total number of DTTs.

Another regional initiative worth mentioning is the Silk Road Initiative. This Initiative is a UNDP programme established in cooperation with State Governments, private sectors and civil society. Inspired by the tradition of the old route of silk trade, the programme seeks to enhance regional cooperation between China and the Central Asian countries of Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. An important part of the Initiative is the Silk Road Investment Forum that provides a platform where cooperation among Silk Road countries can be launched. It is an important step in establishing networks, encouraging dialogue, bridging cultural divides and promoting awareness of a potential for cooperation in the investment area among countries of the region.

3. Prospects

South-South FDI can be expected to further increase in the years ahead (*WIR06*). Despite stricter regulations and conditions in participating in natural-resources projects in the Russian Federation and other transition economies, foreign companies can still continue to access the natural resources in these economies mainly through two options: 1) either through asset-swap deals which allow oil and gas firms of these economies to enter downstream markets in investor's economy in exchange for letting foreign firms take (minority) share in exploration and extraction projects in host economies or 2) through provision of some cutting-edge-technology for oil and gas projects in return for minority shareholding. As there is high competition from developed country firms in the extractive sector, these options make their investment difficult. TNCs based in developing and transition economies run a risk of losing markets. In order to avoid this, governments could consider focusing more on long-lasting relationship by nurturing various kinds of businesses based on own competitive advantages, away from focusing on mining and other strategic-assets only. Policies targeting investments from these emerging investors - from the region as well as from developing economies (e.g. India, China, Republic of Korea) – can help raise the level of investment in non-EU member states or in countries

[6] During the 1970s and 1980s, for instance, the Soviet Union helped to develop Viet Nam's coal-mining industry, most notably around Cam Pha in northern Viet Nam.

that are lagging others in attracting FDI. In this context technology and other firm-specific advantages are crucial for firms from developing countries and transition economies to compete with developed country firms.

Outward FDI from transition economies, mainly the Russian Federation, is expected in particular to grow fast in the near future, including Africa (box 1). Some large resource-based firms are seeking to become regional and global players, while some banks are expanding into other countries in the region. State-owned TNCs such as Gazprom can play a major role in that expansion. The state leadership and strategy in outward FDI is expected to be further strengthened in the future with the establishment of the country's first sovereign wealth funds.[7]

Box 1. Future FDI projects in Africa by Russian firms

With cooperation between the Russian Federation and Africa on the rise,[a] outward FDI from the former is expected to grow fast, in both Southern Africa and North Africa.

In *Southern Africa*, Russian mining companies are currently involved in developing manganese deposits in the Kalahari Desert (for example Renova Group, a leading Russian asset management company, is expected to invest up to $1 billion). Other potential areas of cooperation include the construction of an aluminium plant in South Africa. Russia's major diamond producer, Alrosa, seeing the expansion of economic cooperation with African countries as one of its most important strategic drives, [b] it plans to build two electric power plants in Namibia to avoid the effects of the energy crisis in South Africa, the main energy supplier today in Africa. Alrosa has also two joint projects in neighbouring Angola, has built a hydroelectric dam and is expected to receive permission from the Government for large-scale oil and gas prospecting and exploration in the country.
In *North Africa*, for example, Gazprom is planning to invest in three projects in Libyan Arab Jamahiriya: an exploration and production sharing agreement with Libya's National Oil Corporation (NOC) to explore the deposits the Ghadames Basin (signed in February 2008); investment of around $200 million in another production-sharing agreement (already signed) with NOC for a sector in the Mediterranean; and acquisition of 49.9% in two oil concessions from Germany's BASF under an asset swap agreement in this country. In Egypt Russian Federation signed an agreement in March 2008 on cooperation in the civilian nuclear sphere, allowing Russian companies to bid for deals to build nuclear power plants in Egypt.[c]
Source: UNCTAD.
a. Cooperation between Russian Federation and South Africa has been intensified since President Vladimir Putin's visit to the country in 2006.
b. The board of Alrosa has decided to set up a 100% subsidiary in the form of a holding to run its assets in Africa in 2008.
c. A tender for the construction of Egypt's first nuclear power plant is expected to be announced this year. The project is estimated to be worth $1.5-$2 billion.

As FDI between developing and transition economies is still a relatively recent phenomenon, there is a need to better understand its drivers and its specificities, as well as its potential impact on host economies.

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[7] The Russian Federation established in February 2008 a government investment company to manage a $32 billion fund drawn from Oil Stabilization Fund. This follows the examples of proactive approach to petrodollar by West Asian Governments.

Annex

Cross-border M&A sales of developing economies to the transition countries
(Number of deals and value in million dollars)

		Home economy (acquiror)				
Period	**Host region/economy (seller)**	**Transition countries**	Bulgaria	Croatia	Kazakhstan	Russian Federation
1987-2007	**Developing economies**	26	1	1	1	23
	Africa	5	-	-	-	5
	Egypt	1	-	-	-	1
	Nigeria	1	-	-	-	1
	South Africa	3	-	-	-	3
	Latin America and the Caribbean	2	-	-	-	2
	British Virgin Islands	2	-	-	-	2
	Asia	19	1	1	1	16
	Cambodia	1	-	-	-	1
	China	2	-	-	-	2
	India	1	-	-	-	1
	Korea, Republic of	3	-	-	-	3
	Malaysia	1	-	-	-	1
	Mongolia	2	-	-	-	2
	Syrian Arab Republic	1	-	1	-	-
	Turkey	8	1	-	1	6
1987-1999	**Developing economies**	1	-	-	-	1
	Asia	1	-	-	-	1
	Turkey	1	-	-	-	1
2000-2004	**Developing economies**	5	-	1	-	4
	Asia	5	-	1	-	4
	China	1	-	-	-	1
	Mongolia	2	-	-	-	2
	Syrian Arab Republic	1	-	1	-	-
	Turkey	1	-	-	-	1
2005-2007	**Developing economies**	20	1	-	1	18
	Africa	5	-	-	-	5
	Egypt	1	-	-	-	1
	Nigeria	1	-	-	-	1
	South Africa	3	-	-	-	3
	Latin America and the Caribbean	2	-	-	-	2
	British Virgin Islands	2	-	-	-	2
	Asia	13	1	-	1	11
	Cambodia	1	-	-	-	1
	China	1	-	-	-	1
	India	1	-	-	-	1
	Korea, Republic of	3	-	-	-	3
	Malaysia	1	-	-	-	1
	Turkey	6	1	-	1	4
		(b) Value in millions of dollars				
1987-2007	**Developing economies**	3 713	-	-	257	3 456
	Africa	1 394	-	-	-	1 394
	Nigeria	250	-	-	-	250
	South Africa	1 144	-	-	-	1 144
	Latin America and the Caribbean	9	-	-	-	9
	British Virgin Islands	9	-	-	-	9
	Asia	2 311	-	-	257	2 053
	China	22	-	-	-	22
	India	11	-	-	-	11
	Korea, Republic of	46	-	-	-	46
	Malaysia	6	-	-	-	6
	Turkey	2 225	-	-	257	1 968
2005-2007	**Developing economies**	3 713	-	-	257	3 456
	Africa	1 394	-	-	-	1 394
	Nigeria	250	-	-	-	250
	South Africa	1 144	-	-	-	1 144
	Latin America and the Caribbean	9	-	-	-	9
	British Virgin Islands	9	-	-	-	9
	Asia	2 311	-	-	257	2 053
	China	22	-	-	-	22
	India	11	-	-	-	11
	Korea, Republic of	46	-	-	-	46
	Malaysia	6	-	-	-	6
	Turkey	2 225	-	-	257	1 968

Source : UNCTAD cross-border M&A database.
Note: The data cover only those deals that involved an acquisition of an equity stake of more than 10%.

Cross-border M&A purchases of developing economies with the transition countries

Period	Home region/economy (acquiror)	Host economy (seller)									
		Transition countries	Albania	Azerbaijan	Bosnia and Herzegovina	Bulgaria	Kazakhstan	Romania	Russian Federation	Serbia and Montenegro	Uzbekistan
		Value in million dollars									
1987-2007	**Developing economies**	11 321.4	177.1	62.5	136.5	59.2	2 612.5	637.0	7 435.4	21.7	85.0
	Africa	307.9	-	-	-	-	-	-	286.2	21.7	-
	Senegal	21.7	-	-	-	-	-	-	-	21.7	-
	South Africa	286.2	-	-	-	-	-	-	286.2	-	-
	Latin America and the Caribbean	1 684.6	-	-	80.0	-	16.0	113.4	1 438.5	-	1.5
	Argentina	102.0	-	-	-	-	-	102.0	-	-	-
	British Virgin Islands	1 449.2	-	-	-	-	16.0	-	1 431.5	-	1.5
	Cayman Islands	7.0	-	-	-	-	-	-	7.0	-	-
	Chile	27.0	-	-	-	-	-	-	-	-	-
	Netherlands Antilles	91.4	-	-	80.0	-	-	11.4	-	-	-
	Virgin Islands	8.0	-	-	-	-	-	-	-	-	-
	Asia	9 328.9	177.1	62.5	56.5	59.2	2 596.5	523.6	5 710.7	-	83.5
	China	4 106.1	-	26.0	-	-	525.0	-	3 500.0	-	-
	Hong Kong, China	57.5	-	36.5	-	21.0	-	-	-	-	-
	India	2 101.6	-	-	24.7	6.8	-	43.5	1 945.6	-	81.0
	Indonesia	576.0	-	-	-	-	576.0	-	-	-	-
	Korea, Republic of	1 759.9	-	-	-	22.3	1 370.0	365.0	0.1	-	2.5
	Malaysia	31.0	-	-	-	-	31.0	-	-	-	-
	Saudi Arabia	6.2	-	-	-	-	-	5.2	-	-	-
	Singapore	20.0	-	-	-	-	20.0	-	-	-	-
	Turkey	666.2	177.1	-	31.8	9.1	71.0	109.0	265.0	-	-
	United Arab Emirates	3.5	-	-	-	-	3.5	-	-	-	-
	Yemen	1.0	-	-	-	-	-	1.0	-	-	-
1987-1999	**Developing economies**	3 001.6	-	-	-	52.4	2 322.0	406.0	208.0	-	4.0
	Latin America and the Caribbean	7.5	-	-	-	-	-	-	-	-	1.5
	British Virgin Islands	1.5	-	-	-	-	-	-	-	-	1.5
	Virgin Islands	6.0	-	-	-	-	-	-	-	-	-
	Asia	2 994.1	-	-	-	52.4	2 322.0	406.0	208.0	-	2.5
	China	325.0	-	-	-	-	325.0	-	-	-	-
	Hong Kong, China	21.0	-	-	-	21.0	-	-	-	-	-
	India	208.0	-	-	-	-	-	-	208.0	-	-
	Indonesia	576.0	-	-	-	-	576.0	-	-	-	-
	Korea, Republic of	1 759.8	-	-	-	22.3	1 370.0	365.0	-	-	2.5
	Malaysia	31.0	-	-	-	-	31.0	-	-	-	-
	Singapore	20.0	-	-	-	-	20.0	-	-	-	-
	Turkey	52.3	-	-	-	9.1	-	40.0	-	-	-
	Yemen	1.0	-	-	-	-	-	1.0	-	-	-
2000-2004	**Developing economies**	3 630.2	16.0	62.5	104.7	-	204.5	74.0	3 138.5	-	-
	Latin America and the Caribbean	1 547.5	-	-	80.0	-	-	-	1 438.5	-	-
	British Virgin Islands	1 431.5	-	-	-	-	-	-	1 431.5	-	-
	Cayman Islands	7.0	-	-	-	-	-	-	7.0	-	-
	Chile	27.0	-	-	-	-	-	-	-	-	-
	Netherlands Antilles	80.0	-	-	80.0	-	-	-	-	-	-
	Virgin Islands	2.0	-	-	-	-	-	-	-	-	-
	Asia	2 082.7	16.0	62.5	24.7	-	204.5	74.0	1 700.0	-	-
	China	226.0	-	26.0	-	-	200.0	-	-	-	-
	Hong Kong, China	36.5	-	36.5	-	-	-	-	-	-	-
	India	1 729.7	-	-	24.7	-	-	5.0	1 700.0	-	-
	Saudi Arabia	1.0	-	-	-	-	-	-	-	-	-
	Turkey	86.0	16.0	-	-	-	1.0	69.0	-	-	-
	United Arab Emirates	3.5	-	-	-	-	3.5	-	-	-	-
2005-2007	**Developing economies**	4 689.6	161.1	-	31.8	6.8	86.0	157.0	4 088.9	21.7	81.0
	Africa	307.9	-	-	-	-	-	-	286.2	21.7	-
	Senegal	21.7	-	-	-	-	-	-	-	21.7	-
	South Africa	286.2	-	-	-	-	-	-	286.2	-	-
	Latin America and the Caribbean	129.6	-	-	-	-	16.0	113.4	-	-	-
	Argentina	102.0	-	-	-	-	-	102.0	-	-	-
	British Virgin Islands	16.2	-	-	-	-	16.0	-	-	-	-
	Netherlands Antilles	11.4	-	-	-	-	-	11.4	-	-	-
	Asia	4 252.1	161.1	-	31.8	6.8	70.0	43.6	3 802.7	-	81.0
	China	3 555.1	-	-	-	-	-	-	3 500.0	-	-
	India	163.8	-	-	-	6.8	-	38.5	37.6	-	81.0
	Korea, Republic of	0.1	-	-	-	-	-	-	0.1	-	-
	Saudi Arabia	5.2	-	-	-	-	-	5.2	-	-	-
	Turkey	527.9	161.1	-	31.8	-	70.0	-	265.0	-	-

Source : UNCTAD cross-border M&A database.
Note: The data cover only those deals that involved an acquisition of an equity stake of more than 10%.

Cross-border M&As of developing economies with the transition economies
(Number of deals and value in million dollars)

Variable	Host region (sellers)	Home region (acquirors)	1987-2007	1987-1999	2000-2004	2005-2007
Number of deals	Developing economies	Transition economies	26	1	5	20
	Developing economies	South-East Europe	2	-	1	1
	Developing economies	CIS	24	1	4	19
	Africa	Transition economies	5	-	-	5
	Africa	CIS	5	-	-	5
	Latin America and the Caribbean	Transition economies	2	-	-	2
	Latin America and the Caribbean	CIS	2	-	-	2
	Asia	Transition economies	19	1	5	13
	Asia	South-East Europe	2	-	1	1
	Asia	CIS	17	1	4	12
	Transition economies	Developing economies	122	39	41	42
	Transition economies	Africa	8	1	2	5
	Transition economies	Latin America and the Caribbean	27	4	14	9
	Transition economies	Asia	87	34	25	28
	South-East Europe	Developing economies	51	18	18	15
	South-East Europe	Africa	1	-	-	1
	South-East Europe	Latin America and the Caribbean	9	1	5	3
	South-East Europe	Asia	41	17	13	11
	CIS	Developing economies	71	21	23	27
	CIS	Africa	7	1	2	4
	CIS	Latin America and the Caribbean	18	3	9	6
	CIS	Asia	46	17	12	17
Value ($ million)	Developing economies	Transition economies	3 713	-	-	3 713
	Developing economies	CIS	3 713	-	-	3 713
	Africa	Transition economies	1 394	-	-	1 394
	Africa	CIS	1 394	-	-	1 394
	Latin America and the Caribbean	Transition economies	9	-	-	9
	Latin America and the Caribbean	CIS	9	-	-	9
	Asia	Transition economies	2 311	-	-	2 311
	Asia	CIS	2 311	-	-	2 311
	Transition economies	Developing economies	11 321	3 002	3 630	4 690
	Transition economies	Africa	308	-	-	308
	Transition economies	Latin America and the Caribbean	1 685	8	1 548	130
	Transition economies	Asia and Oceania	9 329	2 994	2 083	4 252
	Transition economies	Asia	9 329	2 994	2 083	4 252
	South-East Europe	Developing economies	1 059	458	223	378
	South-East Europe	Africa	22	-	-	22
	South-East Europe	Latin America and the Caribbean	220	-	107	113
	South-East Europe	Asia	817	458	116	243
	CIS	Developing economies	10 262	2 543	3 408	4 311
	CIS	Africa	286	-	-	286
	CIS	Latin America and the Caribbean	1 464	8	1 441	16
	CIS	Asia	8 511	2 536	1 967	4 009

Source : UNCTAD cross-border M&A database.
Note: The data cover only those deals that involved an acquisition of an equity stake of more than 10%.

Cross-border M&A purchases of developing economies with the transition countries

		Host economy (seller)									
Period	**Home region/economy (acquiror)**	**Transition countries**	Albania	Azerbaijan	Bosnia and Herzegovina	Bulgaria	Kazakhstan	Romania	Russian Federation	Serbia and Montenegro	Uzbekistan
		Value in million dollars									
1987-2007	**Developing economies**	11 321.4	177.1	62.5	136.5	59.2	2 612.5	637.0	7 435.4	21.7	85.0
	Africa	307.9	-	-	-	-	-	-	286.2	21.7	-
	Senegal	21.7	-	-	-	-	-	-	-	21.7	-
	South Africa	286.2	-	-	-	-	-	-	286.2	-	-
	Latin America and the Caribbean	1 684.6	-	-	80.0	-	16.0	113.4	1 438.5	-	1.5
	Argentina	102.0	-	-	-	-	-	102.0	-	-	-
	British Virgin Islands	1 449.2	-	-	-	-	16.0	-	1 431.5	-	1.5
	Cayman Islands	7.0	-	-	-	-	-	-	7.0	-	-
	Chile	27.0	-	-	-	-	-	-	-	-	-
	Netherlands Antilles	91.4	-	-	80.0	-	-	11.4	-	-	-
	Virgin Islands	8.0	-	-	-	-	-	-	-	-	-
	Asia	9 328.9	177.1	62.5	56.5	59.2	2 596.5	523.6	5 710.7	-	83.5
	China	4 106.1	-	26.0	-	-	525.0	-	3 500.0	-	-
	Hong Kong, China	57.5	-	36.5	-	21.0	-	-	-	-	-
	India	2 101.6	-	-	24.7	6.8	-	43.5	1 945.6	-	81.0
	Indonesia	576.0	-	-	-	-	576.0	-	-	-	-
	Korea, Republic of	1 759.9	-	-	-	22.3	1 370.0	365.0	0.1	-	2.5
	Malaysia	31.0	-	-	-	-	31.0	-	-	-	-
	Saudi Arabia	6.2	-	-	-	-	-	5.2	-	-	-
	Singapore	20.0	-	-	-	-	20.0	-	-	-	-
	Turkey	666.2	177.1	-	31.8	9.1	71.0	109.0	265.0	-	-
	United Arab Emirates	3.5	-	-	-	-	3.5	-	-	-	-
	Yemen	1.0	-	-	-	-	-	1.0	-	-	-

Source : UNCTAD cross-border M&A database.
Note: The data cover only those deals that involved an acquisition of an equity stake of more than 10%.

FDI inflows/inward stock in developing country from transition economies
(million of dollars)

Host region/economy (host)	Transition economies (home)			
	FDI inflows (annual average)		FDI inward stock	
	1995-1999	2000-2006	1999	2006
Developing economies	**477**	**1 297**	**862**	**2 476**
Latin America and the Caribbean	-	2	8	3
Brazil	-	1	-	-
Colombia	-	-	5	5[b]
Chile	-	-	3	3
Peru	-	1	-	-
Asia	477	1 295	853	2 473
Bangladesh [a]	20	-	-	-
China [a]	90	17	-	-
India [a]	13		-	-
Iran	1	21	-	-
Korea, Republic of	1	2	6	21
Malaysia [a]	3	6 [a]	10	31.3[b]
Mongolia [a]	9	6 [a]	46	63.6[c]
Saudi Arabia	-	1 099	-	1 100
Sri Lanka [a]	-	4 [a]	5	14[d]
Turkey [a]	6	9	-	-
Vietnam [a]	336	133	786	1338[e]

Source: UNCTAD, FDI/TNC database.

[a] Data are on an approval basis.

[b] The latest data available 2005

[c] The latest data available 2002

[d] The latest data available 2004

[e] The latest data available 2005

Cross-border M&As of developing economies with the transition economies, by industry of the host region
(Number of deals and value in million dollars)

Variable	Host region (sellers)	Home region (acquirors)	Industry of the host region	1987-2007	1987-1999	2000-2004	2005-2007
Number of deals	Developing economies	Transition economies	**Total**	26	1	5	20
			Primary	4	-	1	3
			Mining, quarrying and petroleum	4	-	1	3
			Manufacturing	5	-	1	4
			Food, beverages and tobacco	1	-	-	1
			Chemicals and chemical products	1	-	1	-
			Metals and metal products	3	-	-	3
			Services	17	1	3	13
			Electricity, gas and water	1	-	1	-
			Trade	1	-	-	1
			Hotels and restaurants	1	-	-	1
			Transport, storage and communications	5	1	1	3
			Finance	2	-	-	2
			Business services	3	-	-	3
			Public administration and defence	1	-	1	-
			Community, social and personal service a	2	-	-	2
			Other services	1	-	-	1
	Transition economies	Developing economies	**Total**	122	39	41	42
			Primary	31	9	10	12
			Agriculture, hunting, forestry and fishing	1	-	-	1
			Mining, quarrying and petroleum	30	9	10	11
			Manufacturing	49	18	16	15
			Food, beverages and tobacco	5	1	3	1
			Textiles, clothing and leather	4	2	-	2
			Wood and wood products	2	2	-	-
			Coke, petroleum and nuclear fuel	1	-	1	-
			Chemicals and chemical products	7	-	1	6
			Rubber and plastic products	3	2	1	-
			Non-metallic mineral products	3	1	1	1
			Metals and metal products	8	3	3	2
			Machinery and equipment	3	1	1	1
			Electrical and electronic equipment	5	1	3	1
			Precision instruments	1	1	-	-
			Motor vehicles and other transport equipm	7	4	2	1
			Services	42	12	15	15
			Trade	6	4	-	2
			Hotels and restaurants	3	1	2	-
			Transport, storage and communications	12	3	5	4
			Finance	16	4	5	7
			Business services	3	-	1	2
			Community, social and personal service a	2	-	2	-
Value ($ million)	Developing economies	Transition economies	**Total**	3 713	-	-	3 713
			Primary	469	-	-	469
			Mining, quarrying and petroleum	469	-	-	469
			Manufacturing	933	-	-	933
			Food, beverages and tobacco	9	-	-	9
			Metals and metal products	925	-	-	925
			Services	2 311	-	-	2 311
			Trade	22	-	-	22
			Hotels and restaurants	340	-	-	340
			Transport, storage and communications	1 604	-	-	1 604
			Finance	257	-	-	257
			Business services	59	-	-	59
			Community, social and personal service a	22	-	-	22
			Other services	6	-	-	6
	Transition economies	Developing economies	**Total**	11 321	3 002	3 630	4 690
			Primary	6 508	927	1 970	3 611
			Mining, quarrying and petroleum	6 508	927	1 970	3 611
			Manufacturing	937	420	183	334
			Food, beverages and tobacco	22	-	-	22
			Textiles, clothing and leather	84	3	-	81
			Coke, petroleum and nuclear fuel	2	-	2	-
			Chemicals and chemical products	89	-	1	88
			Rubber and plastic products	8	3	5	-
			Non-metallic mineral products	42	3	1	38
			Metals and metal products	213	6	105	102
			Machinery and equipment	31	-	31	-
			Electrical and electronic equipment	41	-	37	3
			Precision instruments	40	40	-	-
			Motor vehicles and other transport equipm	366	365	1	-
			Services	3 877	1 655	1 478	744
			Trade	1	1	-	-
			Hotels and restaurants	49	22	27	-
			Transport, storage and communications	3 438	1 578	1 434	426
			Finance	223	54	16	153
			Business services	165	-	-	165
			Community, social and personal service a	2	-	2	-

Source : UNCTAD cross-border M&A database.
Note: The data cover only those deals that involved an acquisition of an equity stake of more than 10%.

Greenfield FDI projects of developing countries as a region, by investor/destination region, 2003-2007
(Number)

Partner region/economy	Developing countries as destination					Developing countries as investors				
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
			By source					By destination		
World	4 508	4 858	4 536	5 442	4 916	1 430	1 319	1 360	1 823	1 618
Developed countries	3 507	3 923	3 610	4 080	3 742	368	354	377	458	441
Transition economies	41	40	35	55	53	102	70	92	58	56
South-East Europe	-	1	2	-	4	7	5	3	2	5
Croatia	-	1	2	-	4	-	-	1	1	-
Serbia and Montenegro	-	-	-	-	-	1	1	-	-	4
CIS	41	39	33	55	49	95	65	89	56	51
Russian Federation	33	31	32	48	40	56	39	70	35	29
Ukraine	4	2	1	1	7	3	6	8	5	5

Source: UNCTAD, based on information from the OCO monitor website (www.ocomonitor.com).

Greenfield FDI projects of South-East Europe and the CIS, by investor/destination region, 2003-2007
(Number)

Partner region/economy	South-East Europe and the CIS as destination					South-East Europe and the CIS as investors				
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
			By source					By destination		
World	799	708	946	801	748	158	169	192	216	191
Developed countries	622	561	748	653	621	42	52	51	71	67
Developing economies	102	70	92	58	56	41	40	35	55	53
Africa	2	3	3	-	4	10	6	5	9	10
South Africa	2	3	3	-	4	-	1	2	2	1
Latin America and the Caribbean	1	4	2	1	1	4	2	5	2	3
South and Central America	1	4	2	1	1	4	2	3	2	3
Brazil	-	2	1	-	-	-	-	1	-	-
Mexico	-	-	-	1	-	1	-	-	-	-
Caribbean	-	-	-	-	-	-	-	2	-	-
Asia	99	63	87	57	51	27	32	25	44	40
West Asia	51	27	41	20	13	7	8	10	8	16
Saudi Arabia	1	1	-	-	-	-	1	1	-	2
United Arab Emirates	2	3	2	4	2	2	3	2	1	5
South, East and South-East Asia	48	36	46	37	38	20	24	15	36	24
China	14	8	19	16	8	7	11	6	15	10
Hong Kong, China	2	-	2	2	1	-	-	1	1	1
India	9	6	5	6	6	2	3	4	9	5
Korea, Republic of	12	13	9	8	13	1	1	1	-	-
Malaysia	3	1	2	-	2	-	-	-	-	1
Singapore	1	1	4	3	1	-	1	-	2	1
Taiwan Province of China	1	2	2	-	3	-	-	-	-	1
Thailand	-	-	1	-	-	-	-	-	-	-
Viet Nam	4	2	1	1	3	6	7	3	7	1
South-East Europe and the CIS	75	77	106	90	71	75	77	106	90	71

Source: UNCTAD, based on information from the OCO monitor website (www.ocomonitor.com).

DTTs between Developing countries and transition economies

Partner/ Reporter	Transition economies	Southeast Europe	Albania	Bosnia and Herzegovina	Bulgaria	Croatia	Romania	Serbia and Montenegro	Yugoslavia (former)	Macedonia, TFYR	Commonwealth of Independent States (CIS)	Armenia	Azerbaijan	Belarus	Georgia	Kazakhstan	Kyrgyzstan	Moldova,Republic of	Russian Federation	Tajikistan	Turkmenistan	Ukraine	Uzbekistan
Developing countries	190	90	4	1	18	15	29	13	5	5	100	10	4	14	2	8	5	2	26	4	4	11	10
Africa	28	20	-	-	5	3	6	4	1	1	8	1	-	1	-	-	-	-	3	-	-	2	1
Algeria	4	2	-	-	1	-	1	-	-	-	2	-	-	-	-	-	-	-	1	-	-	1	-
Egypt	8	6	-	-	1	1	1	1	1	1	2	1	-	-	-	-	-	-	-	-	-	-	1
Morocco	3	2	-	-	1	-	1	-	-	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Tunisia	1	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ghana	1	1	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guinea	1	1	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nigeria	1	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mauritius	2	1	-	-	-	1	-	-	-	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Zimbabwe	2	2	-	-	1	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
South Africa	5	3	-	-	1	1	1	-	-	-	2	-	-	1	-	-	-	-	-	-	-	1	-
Latin America and the Caribbean	9	4	-	-	-	1	3	-	-	-	5	-	-	-	-	-	-	-	4	-	-	1	-
Argentina	1	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Brazil	1	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Chile	2	1	-	-	-	1	-	-	-	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Ecuador	1	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Costa Rica	1	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mexico	2	1	-	-	-	-	1	-	-	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Cuba	1	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	1	-
Asia	153	66	4	1	13	11	20	9	4	4	87	9	4	13	2	8	5	2	19	4	4	8	9
Iran, Islamic Republic of	12	5	-	-	-	2	1	1	-	1	7	1	1	1	1	1	1	-	1	-	-	-	-
Jordan	2	2	-	-	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kuwait	6	4	-	-	1	1	1	1	-	-	2	-	-	-	-	-	-	-	1	-	-	-	1
Lebanon	6	2	-	-	1	-	1	-	-	-	4	1	-	1	-	-	-	-	1	-	-	1	-
Oman	1	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Qatar	3	1	-	-	-	-	1	-	-	-	2	1	-	-	-	-	-	-	1	-	-	-	-
Syrian Arab Republic	5	2	-	-	1	-	1	-	-	-	3	2	-	1	-	-	-	-	-	-	-	-	-
Turkey	17	7	1	1	1	1	1	1	-	1	10	-	1	1	-	1	1	1	1	1	1	1	1
United Arab Emirates	6	1	-	-	-	-	1	-	-	-	5	1	-	1	-	-	-	-	-	1	1	1	-
South, East and South-east Asia	95	42	3	-	9	6	12	6	4	2	53	3	2	8	1	6	3	1	13	2	2	5	7
China	18	8	1	-	1	2	1	1	1	1	10	1	1	1	1	1	1	1	1	-	-	1	1
Hong Kong, China	1	1	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Korea, Democratic People's Rep	5	3	-	-	1	-	1	1	-	-	2	-	-	1	-	-	-	-	1	-	-	-	-
Korea, Republic of	9	4	1	-	1	1	1	-	-	-	5	-	-	1	-	1	-	-	1	-	-	1	1
Macao, China	1	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Mongolia	6	1	-	-	1	-	-	-	-	-	5	-	-	1	-	1	1	-	1	-	-	1	-
Taiwan Province of China	1	1	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Bangladesh	1	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
India	7	3	-	-	1	-	1	1	-	-	4	-	-	1	-	-	-	-	1	-	1	-	1
Pakistan	8	1	-	-	-	-	1	-	-	-	7	-	1	1	-	1	1	-	-	1	1	-	1
Sri Lanka	4	3	-	-	-	-	1	1	1	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Indonesia	8	3	-	-	1	1	1	-	-	-	5	1	-	-	-	-	-	-	2	1	-	-	1
Malaysia	7	5	1	-	-	1	1	1	1	-	2	-	-	-	-	1	-	-	1	-	-	-	-
Philippines	4	3	-	-	-	-	1	1	1	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Singapore	2	1	-	-	1	-	-	-	-	-	1	-	-	-	-	1	-	-	-	-	-	-	-
Thailand	7	2	-	-	1	-	1	-	-	-	5	1	-	1	-	-	-	-	1	-	-	1	1
VietNam	6	2	-	-	1	-	1	-	-	-	4	-	-	1	-	-	-	-	1	-	-	1	1

Source: UNCTAD, IIAs database

BITs between Developing countries and transition economies

Partner/ Reporter	Transition economies	**Southeast Europe**	Albania	Bosnia and Herzegovina	Bulgaria	Croatia	Romania	Serbia and Montenegro	Macedonia, TFYR	**Commonwealth of Independent States (CIS)**	Armenia	Azerbaijan	Belarus	Georgia	Kazakhstan	Kyrgyzstan	Moldova,Republic of	Russian Federation	Tajikistan	Turkmenistan	Ukraine	Uzbekistan
Developing countries	258	126	9	10	27	21	40	12	7	132	9	6	22	4	10	8	4	21	11	9	18	10
Africa	49	35	2	1	8	5	12	6	1	14	1	1	2	1	1	-	-	4	-	1	2	1
Algeria	3	2	-	-	1	-	1	-	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Egypt	16	7	1	1	1	1	1	1	1	9	1	1	1	1	1	-	-	1	-	1	1	1
Libyan Arab Jamahiriya	4	3	-	-	1	1	-	1	-	1	-	-	1	-	-	-	-	-	-	-	-	-
Morocco	4	3	-	-	1	1	1	-	-	1	-	-	-	-	-	-	-	-	-	-	1	-
Sudan	2	2	-	-	1	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tunisia	3	3	1	-	1	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ghana	3	3	-	-	1	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guinea	1	1	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mauritania	1	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nigeria	3	3	-	-	1	-	1	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Senegal	1	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cameroon	1	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gabon	1	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethiopia	1	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Mauritius	1	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Zambia	1	1	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Zimbabwe	2	2	-	-	-	1	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
South Africa	1	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Latin America and the Caribbean	23	14	1	-	2	3	8	-	-	9	2	-	1	-	-	-	-	3	-	-	3	-
Argentina	7	4	1	-	1	1	1	-	-	3	1	-	-	-	-	-	-	1	-	-	1	-
Bolivia	1	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chile	3	2	-	-	-	1	1	-	-	1	-	-	-	-	-	-	-	-	-	-	1	-
Ecuador	2	1	-	-	-	-	1	-	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Paraguay	1	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Peru	1	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Uruguay	2	1	-	-	-	-	1	-	-	1	1	-	-	-	-	-	-	-	-	-	-	-
Cuba	6	3	-	-	1	1	1	-	-	3	-	-	1	-	-	-	-	1	-	-	1	-
Asia	186	77	6	9	17	13	20	6	6	109	6	5	19	3	9	8	4	14	11	8	13	9
Bahrain	1	-	-	-	-	-	-	-	-	1	-	-	1	-	-	-	-	-	-	-	-	-
Iran, Islamic Republic of	18	7	1	1	1	1	1	1	1	11	1	1	1	1	1	1	1	-	1	1	1	1
Jordan	6	4	-	1	1	1	1	-	-	2	-	-	1	-	-	-	-	-	-	-	1	-
Kuwait	10	5	-	1	1	1	1	1	-	5	-	-	1	-	1	-	1	1	1	-	-	-
Lebanon	7	2	-	-	1	-	1	-	-	5	1	1	1	-	-	-	-	1	-	-	1	-
Oman	3	1	-	-	-	1	-	-	-	2	-	-	1	-	-	-	-	-	-	-	1	-
Qatar	5	3	-	1	-	1	1	-	-	2	1	-	1	-	-	-	-	-	-	-	-	-
Syrian Arab Republic	5	2	1	-	1	-	-	-	-	3	-	-	1	-	-	-	-	1	-	-	1	-
Turkey	18	7	1	1	1	1	1	1	1	11	-	1	1	1	1	1	1	1	1	1	1	1
United Arab Emirates	4	1	-	-	-	-	1	-	-	3	-	-	1	-	-	-	-	-	1	1	-	-
Yemen	4	1	-	-	1	-	-	-	-	3	-	-	1	-	-	-	-	1	-	-	1	-
China	19	7	1	1	1	1	1	1	1	12	1	1	1	1	1	1	1	1	1	1	1	1
Korea, Democratic People's Rep.	6	4	-	-	1	-	1	1	1	2	-	-	1	-	-	-	-	1	-	-	-	-
Korea, Republic of	10	4	1	-	1	1	1	-	-	6	-	-	1	-	1	-	-	1	1	-	1	1
Mongolia	7	2	-	-	1	-	1	-	-	5	-	-	1	-	1	1	-	1	-	-	1	-
Taiwan Province of China	1	1	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-
Bangladesh	2	1	-	-	-	-	1	-	-	1	-	-	-	-	-	-	-	-	-	-	-	1
India	14	5	-	1	1	1	1	1	-	9	1	-	1	-	1	1	-	1	1	1	1	1
Pakistan	10	3	-	1	1	-	1	-	-	7	-	1	1	-	1	1	-	-	1	1	-	1
Sri Lanka	1	1	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cambodia	1	1	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Indonesia	8	3	-	-	1	1	1	-	-	5	-	-	-	-	-	1	-	-	1	1	1	1
Lao People's Democratic Republic	1	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Malaysia	8	5	1	1	-	1	1	-	1	3	-	-	-	-	1	1	-	-	-	1	-	-
Philippines	2	1	-	-	-	-	1	-	-	1	-	-	-	-	-	-	-	1	-	-	-	-
Singapore	2	1	-	-	1	-	-	-	-	1	-	-	1	-	-	-	-	-	-	-	-	-
Thailand	5	3	-	-	1	1	1	-	-	2	-	-	-	-	-	-	-	1	1	-	-	-
VietNam	8	2	-	-	1	-	1	-	-	6	1	-	1	-	-	-	-	1	1	-	1	1

Source: UNCTAD, IIAs database