

**Slump in FDI 'blessing in disguise': UN report**  
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The slump in foreign direct investment (FDI) from developed countries to South Asia, East Asia and South-East Asia is a blessing in disguise as it has incited a spike in intra-regional investment.

"The intra-regional FDI now accounted for as much as half of the region's inward FDI stock," said the United Nations Conference on Trade and Development (Unctad) in its World Investment Report 2010 released in Geneva on Thursday.

Malaysia, India and China were among the substantial sources of FDI to Africa with state-owned Petronas and Telekom Malaysia having been responsible for more than 24 per cent of all merger and acquisition (M&A) purchases in the African continent during the 1987–2005 period, it said.

Hence, Unctad said, although the region experienced the largest FDI decline since 2001, they were the first to bottom out from the current downturn.

Inflows to the region dropped 17 per cent to US\$233 billion last year, reflecting mainly a decline in cross-border M&A purchases, which was particularly severe in services, declining by 51 per cent.

Total outflows from the region declined by eight per cent to US\$153 billion, with cross-border M&A purchases dropping by 44 per cent, said the inter-governmental body.

"FDI in South Asia, East Asia and South-East Asia has already started to rebound and is likely to pick up speed as the region plays a leading role in the global economy recovery," it said in the 220-page report.

In particular, inflows to China and India started picking up as early as mid-2009, and their sustained FDI outflows are expected to drive the region's outward investment back to growth in 2010.

Vehicle for technology diffusion

However, recovery of FDI in and from the four newly industrialising economies - Hong Kong, South Korea, Singapore and Taiwan - is likely to be slow.

Growing intra-regional investment in Asia has served as a vehicle for technology diffusion, "recycling" of comparative advantages and competitiveness enhancement, Unctad said.

It has been instrumental in the sequential upgrading of industries across countries at various stages of development.

"In addition, this process of sequential upgrading has expanded beyond industries such as electronics, and more high tech products have been involved," it said.

Unctad said regional integration and China's take-off are now accelerating this process, creating development opportunities for wider range of countries, including least developed countries such as Cambodia, Laos and Myanmar.

Investment from developing economies such as China, India, Malaysia and South Africa to least developed countries is on the rise in both relative and absolute terms.

In recent years, the relocation of some manufacturing activities from Asian economies that have become more advanced such as China and Malaysia has provided opportunities for the latecomers to become part of Latin American Transnational Corporations' regional production networks.

Vietnam, for instance, is an increasingly important node in such networks, thanks in part to the multi-billion dollar investments undertaken by companies from within the region.

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