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Foreign Investment in Latin America and the Caribbean, 2004 is the latest edition of a series published annually by the Unit on Investment and Corporate Strategies of the ECLAC Division of Production, Productivity and Management. It was prepared by Álvaro Calderón, Pablo Carvallo, Michael Mortimore and Márcia Tavares, with contributions from the consultants Mónica Baer, Helder Queiroz Pinto Jr., Ángeles Sánchez Díez and Leonardo Stanley and assistance from Juan Eduardo Faúndez and Ole Våge. Chapter III was prepared jointly by the Commission's Division of Production, Productivity and Management and its Natural Resources and Infrastructure Division. The contributions made by Hugo Altomonte in this regard are gratefully acknowledged.

Improvements in the statistical information's quality, coverage and currency have permitted the Unit on Investment and Corporate Strategies to expand upon the more analytical aspects of the report and to benefit from the work of other institutions concerned with quantitative data. The information used in this publication has been drawn from a number of international agencies, including the International Monetary Fund, the United Nations Conference on Trade and Development and the Organisation for Economic Co-operation and Development, as well as a host of national institutions, such as central banks and investment promotion agencies in Latin America and the Caribbean. The data on the operations of leading firms in the region were taken from the specialized journal *América economía*. The use of this information source made it possible to standardize the criteria employed in this regard and to develop valuable inputs for the preparation of this document.

Any comments or suggestions regarding this publication should be addressed to Michael Mortimore (e-mail: michael.mortimore@cepal.org).

Notes and explanations of symbols

The following symbols have been used in this Study:

Three dots (…) indicate that data are not available or are not separately reported.
A minus sign (-) indicates a deficit or decrease, unless otherwise indicated.
A full stop (.) is used to indicate decimals.
Use of a hyphen between years, e.g. 1971-1973, signifies an annual average for the calendar years involved, including the beginning and the end years.
The word "dollars" refers to United States dollars, unless otherwise specified.
Figures and percentages in tables may not necessarily add up to the corresponding totals, because of rounding.

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Abstract

For the first time since 1999, foreign direct investment (FDI) inflows into Latin America and the Caribbean grew in 2004. These inflows topped US$ 56 billion, far exceeding the US$ 39 billion registered in 2003 and representing a 44% increase. This is welcome news for the region, as it may portend the beginning of a new and sustained investment boom. However, it does not mean that the Latin American and Caribbean countries have solved their problems with regard to the limited benefits they receive from the presence of transnational corporations (TNCs) within their borders. In general, existing FDI inflows are not of the quality that is required. If the region's countries are to increase the benefits they reap from the presence of TNCs, the national policies and institutions they have put in place to deal with international commitments regarding investment, establish incentives to attract FDI and evaluate the results of FDI policies will need to be improved.

This year's report focuses on market-seeking investment strategies of TNCs in the region. The second chapter deals with the experience of Brazil, which is a major FDI recipient that mainly attracts this kind of FDI and has begun to demonstrate an interest in attracting other kinds, especially the efficiency-seeking variety that generates exports. The third chapter looks at the experience of the electricity sector in the Southern Cone. This sector was characterized by market-seeking investment during the boom of the 1990s, but that investment failed to redress existing capacity shortages and the industry went into crisis. This chapter suggests that a subregional approach to this sector's development might help to attract FDI from new stakeholders, such as petroleum companies, through the integration of gas and electricity activities.