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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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Contents

	<i>Page</i>
Abstract	9
Summary and conclusions	11
Chapter I: Regional overview of foreign direct investment in Latin America and the Caribbean	25
A. Introduction	25
B. Recent FDI trends	26
1. The international situation	26
2. The situation in Latin America and the Caribbean	29
C. The presence of transnational corporations among the leading firms in Latin America	38
1. Transnational corporations	39
2. Transnational banks	47
D. TNC investment strategies	48
1. Natural resource-seeking strategies	50
2. Efficiency-seeking strategies: new services	55
E. Conclusions	59
Chapter II: Brazil: foreign direct investment and corporate strategies	69
A. Foreign capital in the economy	70
1. Determinants of FDI	70
2. FDI flows in the post-privatization period	74
B. Transnational corporations in Brazil: the predominance of market-seeking strategies	81
1. Market-seeking strategies focusing on access to local markets in services and infrastructure sectors ..	82
2. Market-seeking strategies focusing on access to local markets for manufactures	94

	<i>Page</i>
C. The challenges of developing and FDI promotion policy in Brazil	102
1. Reducing the “Brazil cost”	103
2. New investment-specific incentives	105
3. An investment promotion agency	107
D. Conclusions	109
 Chapter III: Electric power: foreign direct investment and corporate strategies in the Southern Cone	 111
A. Introduction	111
B. Overview of energy markets	112
1. The growing significance of natural gas in electricity generation.....	112
2. The Southern Cone countries: paving the way for subregional integration?	115
C. The energy crisis in the Southern Cone	119
1. Energy markets in the Southern Cone before the crisis	119
2. The roots of the crisis	123
D. Strategies of transnational energy corporations in the Southern Cone	128
1. Strategies of electric power TNCs in the Southern Cone	129
2. Transnational hydrocarbons firms with electricity interests in the Southern Cone	140
E. Conclusion	144
 Bibliography	 153
 Tables, figures and boxes	
Table I.1 Determinants and effects of corporate strategies on the recipient economies	26
Table I.2 Regional distribution of net FDI inflows worldwide, 1990-2004	27
Table I.3 Mexico, Central America and the Caribbean: net FDI inflows, 1990-2004	33
Table I.4 South America: net FDI inflows, 1990-2004	35
Table I.5 Latin America and the Caribbean: top 25 “Trans-Latins”, by consolidated sales, 2003	43
Table I.6 Latin America and the Caribbean: TNC strategies	48
Table I.7 Offshoring and outsourcing of service provision	56
Table I.8 Largest call-centre TNCs with operations in Latin America, by sales, 2003	57
Table I-A.1 Latin America and the Caribbean: principal investor countries, 1996-2003	61
Table I-A.2 Latin America and the Caribbean: sectoral distribution of FDI, 1996-2003	63
Table I-A.3 Latin America and the Caribbean: top 50 transnational corporations, by consolidated sales, 2003 ..	64
Table I-A.4 Latin America and the Caribbean: top 25 transnational banks, by consolidated assets, June, 2004 ..	65
Table I-A.5 Latin America and the Caribbean: acquisitions of private firms for amounts in excess of US\$ 100 million in 2004	66
Table I-A.6 Latin America and the Caribbean: proceedings instituted with ICSID	67
 Table II.1 Brazil: main macroeconomic indicators, 1995-2004.....	71
Table II.2 Brazil: net FDI flows, 1994-2004	74
Table II.3 Brazil: FDI flows and stocks, by sector of activity, 1995-2004	76
Table II.4 Brazil: FDI flows and stocks, by geographic origin, 1995-2004	77
Table II.5 Brazil: 50 largest non-financial holdings with foreign-owned equity, by income, 2003.....	79
Table II.6 Brazil: privatization of the electricity system, 1996-2000	83
Table II.7 Brazil: privatization of the Telebras system, 1998.....	87
Table II.8 Brazil: leading cellular telephony operators, 2004	87

	<i>Page</i>
Table II.9	Brazil: largest partially foreign-owned banks, by assets, June 2004 92
Table II.10	Brazil: mergers and acquisitions in the retail sector, 1997-2004 94
Table II.11	Brazil: national output, domestic sales of national output, imports and exports 95
Table II.12	Determinants and effects of corporate strategies on the recipient economies 102
Table III.1	Worldwide electricity generation, by energy source, 1980-2030 113
Table III.2	Southern Cone: primary energy supply, 1990-2002 115
Table III.3	Southern Cone: natural gas reserves and consumption 116
Table III.4	Southern Cone: electricity generation, by source, 2000 117
Table III.5	Southern Cone: private investment in gas and electricity, 1990-2002 120
Table III.6	Southern Cone: causes and aggravating factors in the energy market crisis 124
Table III.7	Brazil: electricity consumption, 1999-2003 126
Table III.8	Southern Cone: integration of electricity and gas operations, by company, 2004 129
Table III.9	Southern Cone: market shares of the main operators in the electricity sector, by installed capacity, 2003 130
Table III.10	AES Corporation: sales by business segment and geographical area, 2001-2003 134
Table III.11	EDP: operating investment in energy markets 137
Table III.12	Total: gas pipeline interests in the Southern Cone 141
Table III.13	Southern Cone: investment needs in natural gas and electricity, 2004-2008 144
Table III-A.1	Endesa: main assets in the electricity sector and in the transport of natural gas in the Southern Cone, 1996-2004 146
Table III-A.2	AES Corporation: main assets in the electricity sector and in natural gas transport in the Southern Cone, 1993-2004 147
Table III-A.3	Suez-Tractebel: main assets in the electricity sector and in natural gas transport in the Southern Cone, 1996-2004 147
Table III-A.4	Energias de Portugal (EDP): main assets in the electricity sector and in natural gas transport in the Southern Cone, 1996-2004 148
Table III-A.5	Électricité de France (EDF): main assets in the electricity sector and in natural gas transport in the Southern Cone, 1992-2004 148
Table III-A.6	Total: main assets in the electricity sector and in natural gas transport in the Southern Cone, 2000-2004 149
Table III-A.7	Petrobras: main assets in the electricity sector and in natural gas transport in the Southern Cone, 1997-2004 150
Table III-A.8	Repsol YPF: main assets in the electricity sector and in natural gas transport in the Southern Cone, 1999-2004 151
Figure I.1	Latin America and the Caribbean: net FDI inflows, by subregion, 1990-2004 30
Figure I.2	Latin America and the Caribbean: net FDI inflows and outflows of FDI-related payments, 1990-2004 31
Figure I.3	Latin America and the Caribbean: principal investor countries, 1996-2003 32
Figure I.4	Latin America and the Caribbean: net FDI inflows, by target sector, 1996-2003 33
Figure I.5	Latin America and the Caribbean: market share of total world imports, world imports of natural resources and resource-based manufactures and world imports of non-resource-based manufactures, 1985-2002 38
Figure I.6	Latin America and the Caribbean: total sales of the top 500 firms, by ownership, 1990-2003 40
Figure I.7	Latin America and the Caribbean: total sales of the top 500 firms, by sector, 1990-2003 40
Figure I.8	Latin America and the Caribbean: total sales of the top 100 manufacturing firms by ownership, 1990-2003 41
Figure I.9	Latin America and the Caribbean: exports of the top 200 export firms, by ownership, 1990-2003 45

	<i>Page</i>
Figure I.10	Latin America and the Caribbean: countries of origin and sectors of activity of the top 50 TNCs, by consolidated sales in the region, 2003 46
Figure I.11	Latin America and the Caribbean: principal countries in which the top 50 TNCs operate, by consolidated sales, 2003 46
Figure II.1	Brazil: FDI inflows, 1980-2004 70
Figure II.2	Brazil: FDI inflows, by sector of activity, 1996-2004 75
Figure II.3	Brazil: electricity demand and installed capacity 84
Figure II.4	Brazil: fixed-lines and mobile telephony customers, 1990-2004 88
Figure II.5	Brazil: foreign banks' share of total banking-system assets 91
Figure II.6	Brazil: export propensity, by firm, 1993-2004 98
Figure III.1	Worldwide primary energy consumption, by energy source, 1970-2025 113
Figure III.2	Southern Cone: network of gas export pipelines 117
Figure III.3	Southern Cone: electricity interconnections 118
Figure III.4	Southern Cone: electric power supply and demand, 2000 121
Figure III.5	Southern Cone: electricity consumption per capita, 1980 and 2001 121
Figure III.6	Stock prices of firms with electricity interests in the Southern Cone 128
Figure III.7	Southern Cone: potential for electricity/gas integration 145
Box I.1	Is China's emergence a real threat to Latin America and the Caribbean? 28
Box I.2	The transnationalization of CEMEX 44
Box I.3	Hydrocarbons: the State's new leadership 52
Box I.4	The restructuring of Royal Dutch/Shell's assets in Latin America 53
Box I.5	New services, new definitions 55
Box II.1	Companhia de bebidas das Américas (AmBev): sale –or globalization?– of a Brazilian group ... 73
Box II.2	Methodological changes in the composition of FDI and in the treatment of reinvested profits in Brazil 75
Box II.3	Tax havens and an analysis of FDI by origin 78
Box II.4	Growth expectations for the electricity sector and the production of electrical materials and equipment in Brazil 85
Box II.5	Impact of Telecoms sector expansion on the component and equipment manufacturing industry 89
Box II.6	Manaus free zone gains momentum 100
Box II.7	A new industrial policy 107
Box III.1	Electricity generation: energy inputs and technologies 114
Box III.2	Bolivian gas: the question of access to the Pacific Ocean 116
Box III.3	Enron: chronicle of a bankruptcy foretold 122
Box III.4	The United States and European Union regulatory models: implications for the Southern Cone 123
Box III.5	Chile's northern interconnected system: excess capacity to generate electricity and transport natural gas 126
Box III.6	Endesa in Latin America: the financial consolidation plan for Enersis 133
Box III.7	Iberdrola: looking North-East 140

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.

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