

IFC Satellite meeting at the ISI World Statistics Congress on *"Assessing international capital flows after the crisis"*
Rio de Janeiro, Brazil, 24 July 2015

Relevance of country allocation of FDI flows and positions¹

Alejandro Barajas del Pino, Bank of Mexico

¹ This presentation was prepared for the meeting. The views expressed are those of the author and do not necessarily reflect the views of the BIS, the IFC or the central banks and other institutions represented at the meeting.

Relevance of country allocation of FDI flows and positions

Alejandro Barajas del Pino
Chief Capital movements office
Banco de México

Relevance of country allocation of FDI Flows and Positions

The Case of Mexico

Outline

- 1) Why it is important?
- 2) Estimation Methods of inward FDI flows and position.
- 3) Different ways to get involved in the globalization
- 4) Round trip position
- 5) Ultimate investor and immediate counterpart country
- 6) Conclusion

Inward estimation

- 1) All the firms with foreign owners have to send information to the National Register of Foreign Investment (RNIE in Spanish) of the secretary of Economy.
- 2) A committee of Bank of Mexico and Ministry of Economy staff using the register information estimates the FDI flow each quarter.
- 3) The investment position is estimated by the Bank of México with information from the RNIE.
- 4) Some firms present late reports so the historical information is subject to revisions.

Outward estimation

- 1) Bank of Mexico estimates outward flows and position using surveys to the main Mexican corporations.
- 2) The quarterly survey collects information for the FDI flows.
- 3) An annual survey is used to correct the quarter flows estimates.
- 4) The investment position es estimated with data from the annual survey.

Relevance

- 1) Does it matter the source of foreign saving?
- 2) Is FDI different? It moves more than just purchasing power
 1. Technology
 2. Know how
 3. Access to trade chains
 4. Managerial practices
- 3) Spillovers? Depends on:
 1. Investment firm origin, sector
 2. Domestic resources and institutions.

FDI Strategies

FDI Motivations

- A. Efficiency seeking FDI
- B. Pure market seeking FDI
- C. Market seeking FDI to overcome policy barriers

Relevance 2

- 4) Yes, to know what country influence come and go is central for understanding globalization.
 1. “Look through” when it is important?
 - i. Legal framework and taxes
 2. Ultimate investor. Who takes de final decision on what ? Who takes the risk?
 - i. Financial Risk.
 - ii. Loosing non tangible assets risk.
 3. Round trip.
 4. National security and national pride.

Relevance 3

- 5) Globalization.
 1. One global economy
 - i. Geography, culture heritage, legal framework.
 2. Network
 - i. Complex interlinked relationship. challenge
 3. Nationality. First step
 - i. What nationality matters?

Majority foreign owned firms listed in Mexican Stock Exchange

These firms use local and foreign saving for additional funding

- 1) IENOVA. Sempra Energy USA
- 2) Grupo Financiero Santander. Banco Santander Spain
- 3) Wal Mart de México y Centro America. Wal Mart Stores USA
- 4) OHL México. OHL Spain.

Majority foreign owned firms issuing debt in Mexican Stock Market

These firms use local and foreign saving for additional funding

- 1) IENOVA. Sempra Energy USA
- 2) Volkswagen
- 3) General Motors
- 4) Daimler
- 5) Caterpillar
- 6) ABENGOA
- 7) Telefónica

Majority foreign owned firms that use Mexico as investment platform

- 1) Wal Mart (Centro America)
- 2) CITICORP. (USA)
- 3) BBVA (USA)

Mexican firms that use third countries as investment platform

- 1) CEMEX (Spain)
- 2) Minera Mexico (USA)
- 3) Bimbo (USA and Spain)
- 4) Kuo (Spain)
- 5) America móvil (Austria)

Mexican firms partners of global firms out of Mexico

- 1) Femsa (Heineken, global)
- 2) Coca Cola Femsa (Coca Cola, Latin America, Philippines)
- 3) Arca (Coca Cola , Latin America)
- 4) Alsea (Starbucks, Latin America)
- 5) Grupo Kuo (Repsol, Asia)
- 6) Gigante (Office Depot, Latin America)

FDI Position in Mexico 2013

	Immediate Counterpart		Adjusting for Roundtrip			Immediate Counterpart		Adjusting for Roundtrip	
	Million USD	%	Million USD	%		Million USD	%	Million USD	%
Total	391,879.1	100.0	391,879.1	100.0	11 Luxembourg	5,842.4	1.5	5,842.4	1.5
1 United States	177,504.9	45.3	172,722.6	44.1	12 France	4,584.9	1.2	4,584.9	1.2
2 Spain	45,020.8	11.5	44,900.6	11.5	13 India	3,212.4	0.8	3,212.4	0.8
3 Netherlands	41,162.9	10.5	41,162.9	10.5	14 Sweden	2,094.4	0.5	2,094.4	0.5
4 Belgium	31,311.7	8.0	31,311.7	8.0	15 US Virgin Islands	1,847.7	0.5	1,847.7	0.5
5 Canada	16,823.8	4.3	16,823.8	4.3	16 Denmark	1,816.5	0.5	1,816.5	0.5
6 United Kingdom	15,497.8	4.0	13,551.2	3.5	17 Brazil	1,751.4	0.4	1,751.4	0.4
7 Switzerland	10,138.8	2.6	10,138.8	2.6	18 Italy	1,313.6	0.3	1,313.6	0.3
8 México		0.0	6,849.2	1.7	19 Bermuda	1,209.8	0.3	1,209.8	0.3
9 Germany	9,975.5	2.5	9,975.5	2.5	20 Korea, Republic of	1,160.8	0.3	1,160.8	0.3
10 Japan	8,621.7	2.2	8,621.7	2.2	21 Singapore	1,160.0	0.3	1,160.0	0.3

Outward FDI Position of Mexico 2013

Rank	Country or territory	Million USD	%	Rank	Country or territory	Million USD	%
	Total	136,523.0	100.0				
1	United States	36,981.0	27.1	11	Costa Rica	1,401.0	1.0
2	Netherlands	25,392.7	18.6	12	Hungary	1,182.0	0.9
3	Spain	25,388.8	18.6	13	Honduras	1,102.2	0.8
4	Brazil	19,146.2	14.0	14	Guatemala	827.2	0.6
5	Chile	3,882.1	2.8	15	Venezuela, República Bolivariana de	815.7	0.6
6	United Kingdom	3,616.3	2.6	16	Austria	781.1	0.6
7	Colombia	2,252.3	1.6	17	Philippines	753.0	0.6
8	El Salvador	1,873.2	1.4	18	Panama	717.6	0.5
9	Ecuador	1,633.1	1.2	19	Nicaragua	440.2	0.3
10	Switzerland	1,455.1	1.1	20	Germany	353.3	0.3

FDI flows ultimate investor and Immediate counterpart Country

Foreign Direct Investment in Mexico									
Millions USD. Sample of transactions of 2013 to 2015									
Country or Territories	Ultimate investor			Immediate counterpart country			Differences		
	Rank	Million USD	%	Rank	Million USD	%	Rank change	Million USD	%
United States of America	1	11,339.5	27.7	1	12,212.4	29.8	0	-872.9	-2.1
Spain	2	6,301.5	15.4	3	5,979.8	14.6	-1	321.7	0.8
Netherlands	3	5,643.5	13.8	2	9,139.3	22.3	1	-3,495.8	-8.5
Canada	4	4,563.2	11.2	4	4,523.6	11.1	0	39.6	0.1
Mexico	5	2,295.6	5.6			0.0	5	2,295.6	5.6
Luxemburg	6	1,734.9	4.2	5	2,548.5	6.2	1	-813.6	-2.0
Japan	7	1,715.9	4.2	7	1,073.7	2.6	0	642.1	1.6
Germany	8	1,672.0	4.1	6	1,661.9	4.1	2	10.1	0.0
Belgium	9	1,233.7	3.0	109	-123.1	-0.3	-100	1,356.8	3.3
Korea, Republic of	10	1,126.8	2.8	22	58.4	0.1	-12	1,068.4	2.6
France	11	623.1	1.5	11	510.9	1.2	0	112.2	0.3
United Kingdom	12	543.7	1.3	9	567.6	1.4	3	-23.9	-0.1
Brazil	13	420.7	1.0	10	391.8	1.0	3	28.9	0.1
Switzerland	14	379.7	0.9	8	704.2	1.7	6	-324.6	-0.8
Italy	15	340.0	0.8	13	355.2	0.9	2	-15.2	0.0
Total 15 Countries or Territories		39,933.7	97.6		39,604.4	96.8		329.3	0.8
Total 111 Countries or Territories		40,921.4	100.0		40,921.4	100.0		0.0	0.0

Conclusion

- 1) It is very important to know all the property chain of the multinational companies.
 - 1) The origin and destination of the FDI help to understand the globalization process and to study the benefits and costs of cross border investment.
 - 2) All the countries need to work in producing better statistics. The statistics compiler need to find ways to cooperate despite confidentiality restrictions.
- 2) Where the resources used for investment were saved is less important than the nationality and sector of those who use this savings



Assessing international capital flows after the crisis

THANK YOU