

FOREIGN DIRECT INVESTMENT INTO ASEAN IN 2010

Foreign direct investment (FDI) is defined in the methodological notes at the end of this publication. At present, ASEAN Secretariat is not in a position to provide a picture of outward ASEAN FDI (direct investment capital flows from ASEAN Members to foreign countries). Furthermore, the statistics presented below are not yet fully harmonised and the reader is invited to have a careful look at the methodological notes at the end of this publication in order to avoid misinterpretation.

HIGHLIGHTS

In 2010, foreign direct investment (FDI) into ASEAN recovered from the world economic crisis and regained its 2007 level (US\$ 76 thousand million). The share of Intra-ASEAN in this total was 16%, witnessing ASEAN efforts of integration.

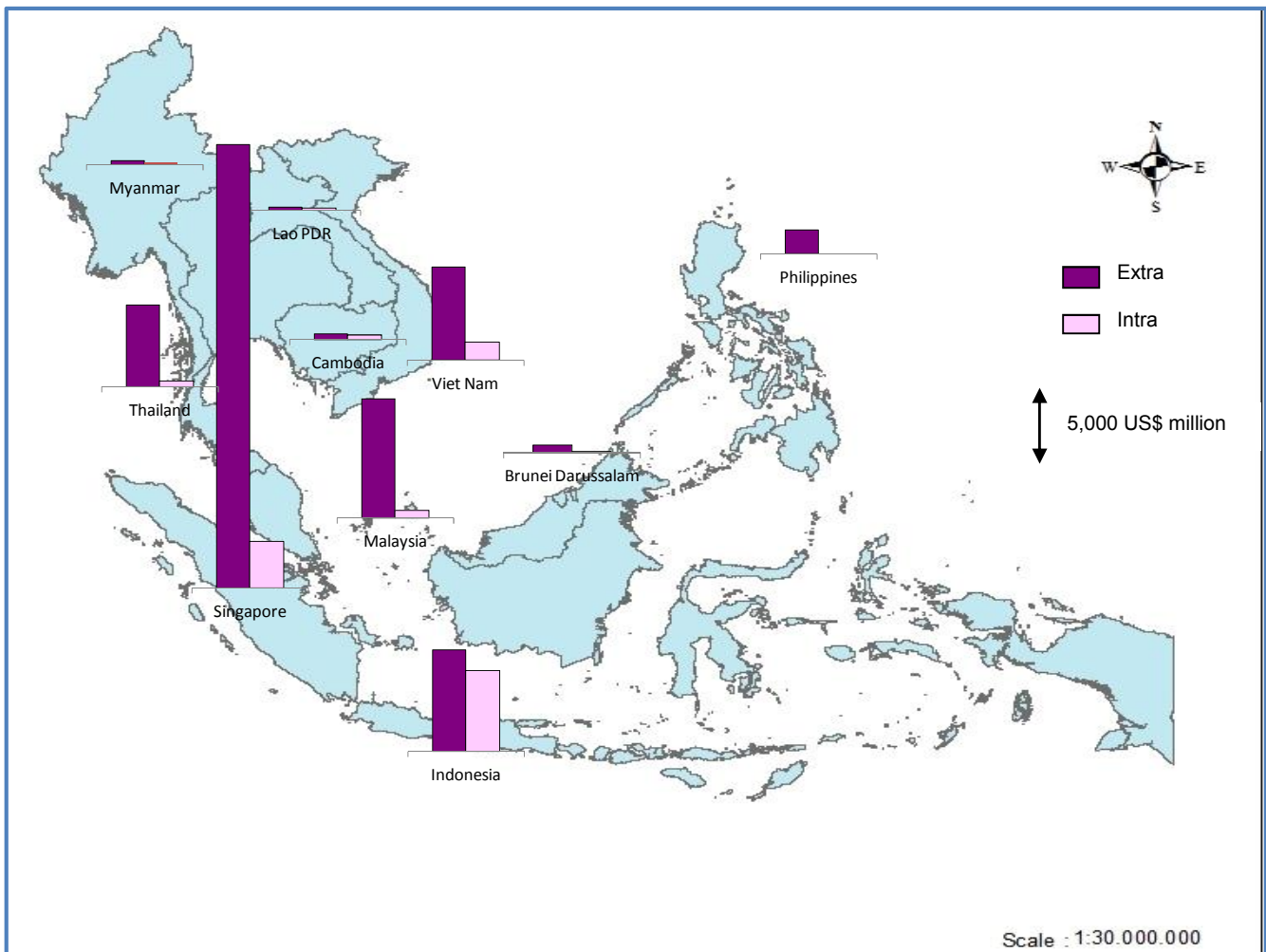
ASEAN Dialogue Partners accounted for the bulk (73%) of US\$ 64 thousand million of the Extra-ASEAN FDI capital flows. Among them, with US\$ 17 thousand million, the EU appeared as the major investor in ASEAN, followed by USA and Japan, both over US\$ 8 thousand million.

As usual, Singapore was, by far, the most important host country of Extra-ASEAN FDI. As it was also the most important provider of Intra-ASEAN FDI, it confirmed its role of financial center for the region, in the field of FDI, too.

2010 Extra-ASEAN FDI were mainly oriented towards manufacturing, financial intermediation and other activities (mainly services), while investment in real estate dominated Intra-ASEAN FDI flows.

For the last ten years except 2008, in regard with its size and economic development level, ASEAN as a group has been more attractive than other countries or zones. If we turn to individual countries, Lao PDR, Cambodia, Viet Nam and, of course, Singapore show higher and growing relative attractiveness.

Map 1 - Extra and Intra-ASEAN FDI received by ASEAN Members in 2010



1 INTRA- VIS-A-VIS EXTRA-ASEAN FDI

For ASEAN as a group of countries, we can define Extra-ASEAN FDI as foreign direct investment to ASEAN member countries made by countries not belonging to ASEAN and Intra-ASEAN FDI as foreign direct investment to ASEAN countries made by other ASEAN member countries. This publication will examine these two types of FDI successively, but an interesting picture is offered by their respective share in the total FDI received by ASEAN Member States (AMS).

The share of intra-ASEAN FDI in the total FDI received by ASEAN Members was 16 percent in 2010. If we exclude two peaks observed in 2002 (22%) and 2008 (20%), the share of Intra-ASEAN seems more or less growing from 2000, when it was only 3%. This growth can be linked to the efforts towards integration made by ASEAN Members. The peaks in the percentage can be explained by important troughs in Extra-ASEAN FDI flows due to global economic conditions (following 11 September 2001 attack and 2008 global financial crisis), while Intra-ASEAN flows were still high.

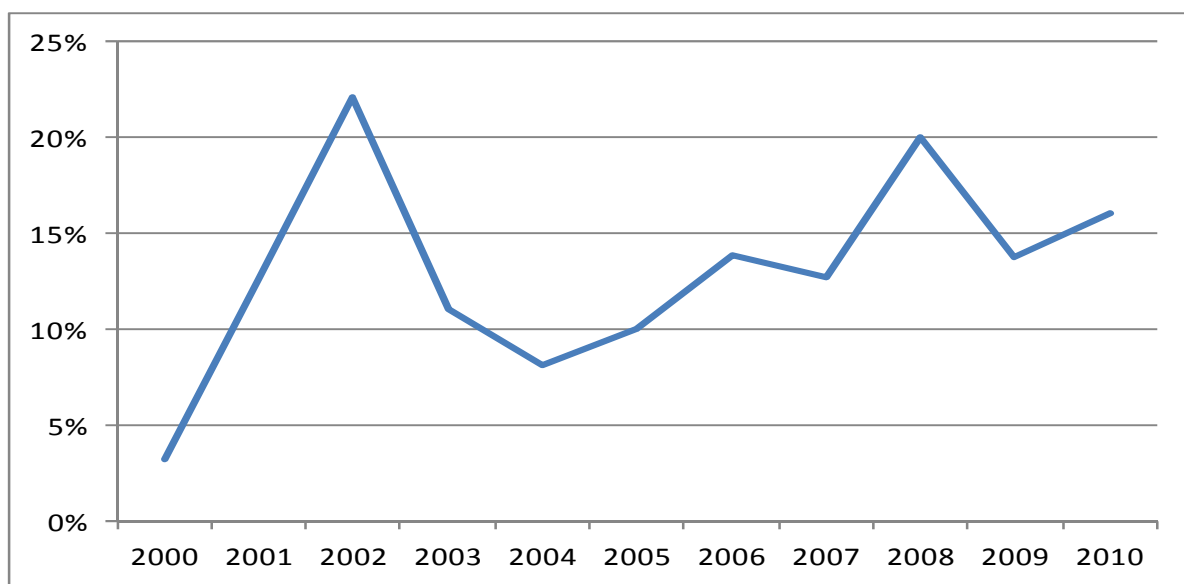


Chart 1 - Share of Intra in the total FDI capital flows received by ASEAN Members

2 EXTRA-ASEAN FDI

Trend in 2010 and Major Host Countries

Chart 2 shows regular increase of FDI flows from outside to ASEAN as well as a sudden decline in 2008 and 2009 at the time of the global economic crisis. In 2010, the total extra-ASEAN FDI flows nearly recovered from this crisis (US\$ 64 thousand millions in 2010 against US\$ 66 thousand millions in 2007).

Singapore has been by far the most important host country of extra-ASEAN FDI throughout the period. However, as Singapore hosts many financial intermediaries and holding companies, some of the extra-ASEAN FDI may pass through Singapore to other countries, with some transformed into Intra-ASEAN FDI.

Negative FDI have prevented a significant graph for a longer time series. Indeed, large negative figures have been recorded for Indonesia from 2000 to 2003. These are due to settlement of loans previously made by the foreign investors to their direct investment enterprises in Indonesia which were, in these years, more important than new investment in form of equity capital.

The share of Viet Nam in total Extra-ASEAN flows began to increase in 2007 and in 2010, Viet Nam extra-ASEAN FDI had approximately reached the level of Thailand, Indonesia or Malaysia.

The respective contributions of Brunei Darussalam, Cambodia, Lao PDR and Myanmar to Extra-ASEAN FDI remained marginal in 2010 (less than US\$ 1,000 million).

Chart 2 - FDI Flows from Extra-ASEAN

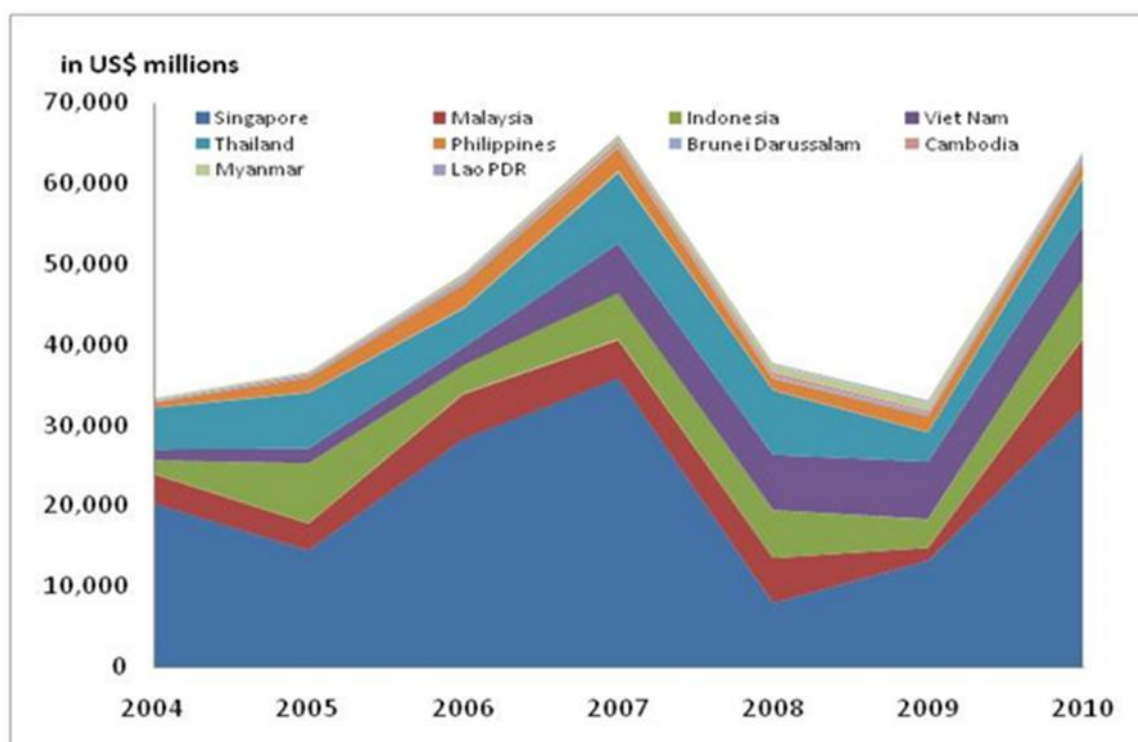


Table 1 - FDI flows from Extra-ASEAN (US\$ millions)

Host Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Brunei Darussalam	539	516	1,014	3,086	192	269	424	198	238	367	540
Cambodia	149	112	137	64	99	252	328	596	574	365	434
Indonesia	-4,317	-2,757	-1,152	-980	1,690	7,453	3,560	5,820	5,920	3,497	7,400
Lao PDR	20	21	22	17	9	21	177	223	180	261	197
Malaysia	3,530	474	3,203	2,222	3,644	3,343	5,611	4,758	5,603	1,651	8,630
Myanmar	134	125	166	267	242	198	357	621	872	896	279
Philippines	2,114	-4	1,455	316	617	1,841	2,964	2,910	1,404	1,968	1,721
Singapore	16,564	14,668	5,637	11,284	20,318	14,474	28,301	35,864	7,929	13,171	32,143
Thailand	2,961	3,350	1,927	4,175	5,173	6,947	4,833	8,841	8,031	3,650	5,886
Viet Nam	1,086	1,059	1,000	1,350	1,367	1,856	2,218	6,193	6,874	7,171	6,699
ASEAN TOTAL	22,779	17,563	13,409	21,800	33,352	36,654	48,772	66,025	37,626	32,995	63,929

Major Investors in 2010

In the recent years, ASEAN Dialogue Partners have always made the majority of FDI into ASEAN (73 % in 2010). The worst value of their share (53%) was observed in 2008, year of a financial crisis which seems to have affected ASEAN Dialogue Partners more than other ASEAN partners, excluding China, Canada and Russia.

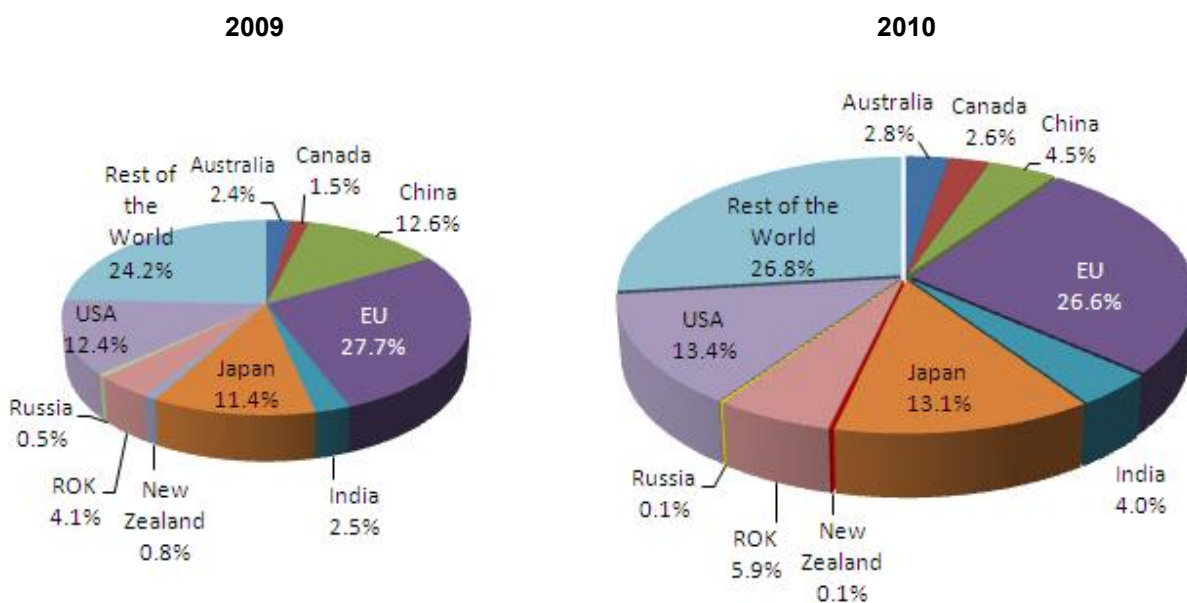
In all years, European Union has been the most important direct investor in ASEAN among extra-ASEAN investors (36% of total inward Extra-ASEAN FDI in 2010). In 2010, other important investors were USA and Japan, both with a share of around 13 %. In the same year, investment by Republic of Korea (US\$ 3,770 million) overtook the amount invested by China.

Table 2 - FDI flows from Dialogue Partners to ASEAN (US\$ millions)

Source Country	2005	2006	2007	2008	2009	2010 p/
Australia	212	467	1,491	787	776	1,765
Canada	741	252	391	661	504	1,641
China	608	1,035	1,741	1,874	4,158	2,861
EU	11,290	13,387	18,611	7,010	9,132	17,025
India	418	-282	1,453	547	811	2,584
Japan	6,645	10,413	8,844	4,129	3,763	8,386
New Zealand	512	-209	99	-82	263	93
ROK	515	1,256	2,714	1,596	1,347	3,770
Russia	n.a	1	31	81	157	61
USA	3,216	3,041	8,340	3,518	4,087	8,578
Total DPs	24,156	29,361	43,715	20,121	24,997	46,765
Rest of the World	12,498	19,411	22,309	17,505	7,998	17,164
Extra-ASEAN Total	36,654	48,772	66,025	37,626	32,995	63,929
Share of DPs in ASEAN Total	65.9 %	60.2 %	66.2 %	53.5 %	75.8 %	73.2 %

Chart 3 shows that, with inflows nearly doubling between 2009 and 2010, the respective shares of main Dialogue Partners have not changed much except that of China which fell from 12.6% to 4.5%.

Chart 3 - FDI from Selected Dialogue Partners, 2009 and 2010



Breakdown by economic activity in 2010

As ASEAN favours the development of some priority sectors of activity, the breakdown by activity of FDI capital flows can partly show the success of ASEAN policies.

Unfortunately, there was not much detail is available as regards the breakdown by activity of Extra-ASEAN FDI flows. This is mainly due to inconsistencies between the breakdowns supplied by ASEAN Members.. Notably, no detail is available for activities such as healthcare, transportation or information and telecommunication services.

It should be noted that the activity presented below is that of the ASEAN FDI enterprises which has received FDI during the corresponding period. (The activity of the foreign investor can be different.)

In 2010, the economic activity receiving the biggest amount of Extra-ASEAN FDI was manufacturing. The second in the rank was other activities, which mainly include services other than financial intermediation and real estate. However, the recovery of the financial intermediation sector of activity is quite obvious in Table 3.

Table 3 - Extra-ASEAN FDI Flows to ASEAN by economic activity (US\$ millions)

Activity	2005	2006	2007	2008	2009	2010p/
Agriculture, Fishery and Forestry	156	131	454	263	-38	92
Mining and Quarrying	2,935	2,274	4,135	3,486	4,426	3,953
Manufacturing	13,659	11,763	20,387	13,765	17,633	17,656
Construction	17	185	305	416	519	470
Financial Intermediation (incl. Insurance)	5,713	15,143	12,682	5,224	4,755	15,083
Real Estate	850	2,181	6,805	3,992	3,668	9,329
Other Activities	12,215	15,170	19,687	9,597	1,405	15,986
Unspecified	1,123	1,925	1,563	883	597	1,299
TOTAL	36,666	48,771	66,016	37,627	32,966	63,867

Actually, the large pie portion for manufacturing in 2009 is due to a decrease of investment in diverse services rather than to a larger investment in manufacturing this year. The total amounts of FDI in the manufacturing sector are quite similar in 2009 and 2010 (around US\$ 17,600 million).

Chart 4 - Extra-ASEAN FDI by economic activity

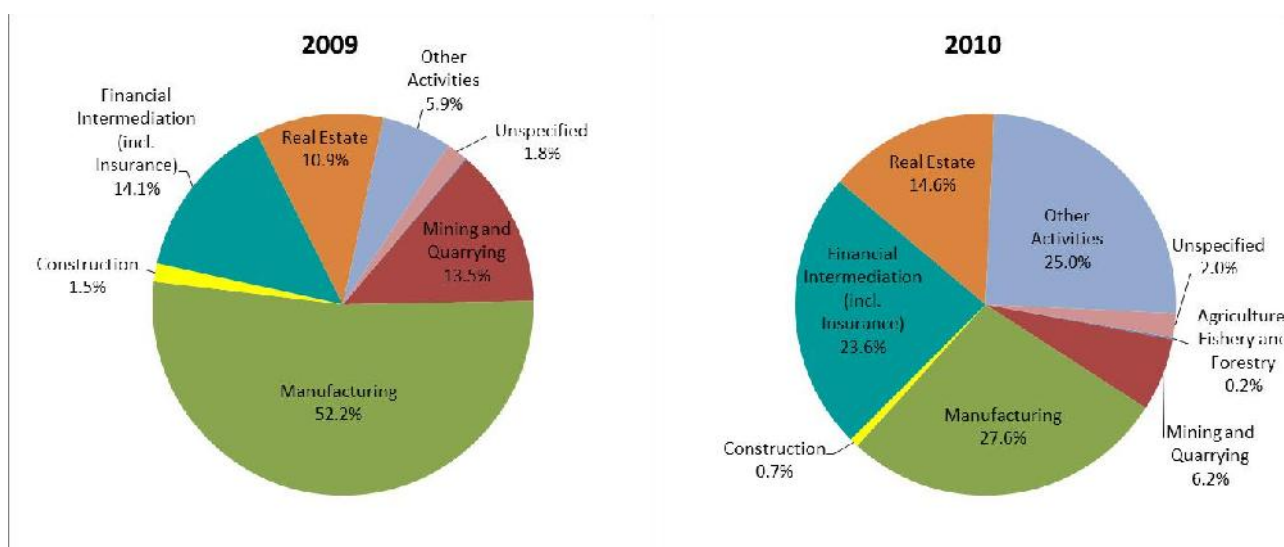


Table 4 - Extra-ASEAN FDI Flows by Host Country and Activity, 2010

	Agriculture, Fishery and Forestry	Mining and Quarrying	Manufacturing	Construction	Financial Intermediation (incl. Insurance)	Real Estate	Other Activities	Unspecified	TOTAL
Host Country									
Brunei Darussalam	-	486	23	0.2	0.1	-	30	-	540
Cambodia	-	-	-	-	-	-	-	434	434
Indonesia	83	1,711	3,250	-26	-988	4	3,368	-	7,400
Lao PDR	4	9	33	-	-	-	141	-	188
Malaysia	-9	814	4,960	-22	1,967	104	817	-	8,630
Myanmar	0	278	0	-	-	-	-	-	279
Philippines	2	278	-10	-3	35	167	335	865	1,669
Singapore	2	146	4,578	68	12,403	6,624	8,322	-	32,143
Thailand	4	236	2,750	-227	1,635	542	946	-	5,886
Viet Nam	8	0	2,078	681	31	1,887	2,014	-	6,699
ASEAN TOTAL	258	3,803	17,655	477	15,083	9,329	15,965	1,299	63,867

The table above shows that, in 2010, some ASEAN Member States have received FDI in a limited number of activities, as if foreign investors were identifying a specialization in them:

- Myanmar got investment in the mining and quarrying sector only.
- Investment in Lao PDR appeared as concentrated in the service sector.
- Investment in Brunei Darussalam was more diversified, but the primary sector (mining and quarrying) received the majority of the investment.
- Malaysia and Thailand had appeal for investors in manufacturing.
- Indonesia and Vietnam showed a rather balance between manufacturing and non financial services.
- For the Philippines, the balance was rather between mining and quarrying and non financial services.
- Majority of investments into Singapore were in the financial sector and other service activities.

3 INTRA-ASEAN FDI

Trend in 2010 and Main Host Countries

Intra-ASEAN FDI flows have multiplied 16 times in the last 10 years. In the same period, it should be reminded that Extra-ASEAN FDI have only grown by less than three-fold.

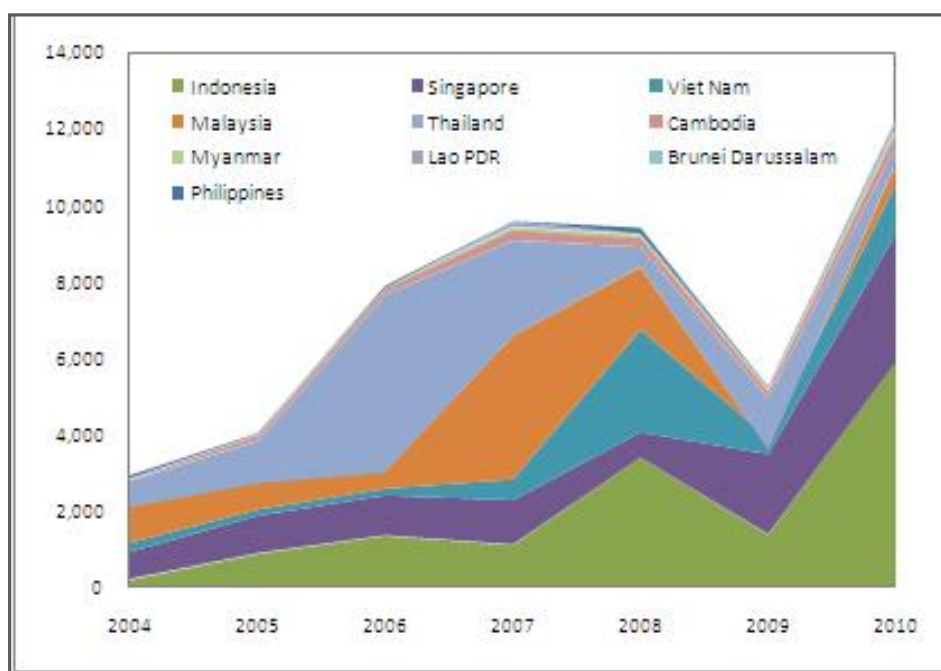
Chart 5 shows a different picture from its counterpart Extra-ASEAN FDI time series in Chart 2:

- the gap following the global financial crisis of 2008 lasted only one year (2009), as if ASEAN investors had been hit later ;
- The domination by one AMS is not as strong as it is for Extra-ASEAN: Thailand had received the largest investment for the periods 2000 to 2006 except in 2004, when it was led by Malaysia (as well as in 2007). In recent years, Indonesia has taken the lead, contributing or receiving (?) nearly half of the Intra-ASEAN FDI in 2010.
- Singapore also recorded increasing Intra-ASEAN FDI flows in 2009 and 2010.

Table 5 - Intra-ASEAN FDI Flows (US\$ millions)

Host Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Brunei Darussalam	11	11	21	37	20	19	10	62	1	3	90
Cambodia	0	37	9	20	32	129	156	271	241	174	349
Indonesia	-233	-221	1,297	383	204	883	1,354	1,108	3,398	1,380	5,904
Lao PDR	14	3	3	3	8	7	11	100	48	57	135
Malaysia	258	80	0	251	980	721	462	3,780	1,646	-270	526
Myanmar	74	67	25	24	9	38	71	94	103	68	172
Philippines	125	199	87	175	71	13	-43	6	140	-5	-8
Singapore	-79	420	765	657	707	984	1,048	1,168	660	2,108	3,377
Thailand	389	1,711	1,408	1,060	689	1,101	4,627	2,489	508	1,326	434
Viet Nam	202	241	200	100	243	165	182	546	2,705	429	1,301
ASEAN TOTAL	762	2,548	3,815	2,712	2,963	4,060	7,876	9,626	9,449	5,271	12,279
Share of CLMVs	38%	14%	6%	5%	10%	8%	5%	11%	33%	14%	16%

Chart 5 - Intra-ASEAN FDI Flows by Host Countries



Major Investors in 2010

In 2010, as in 2005, Singapore was the most important provider of Intra-ASEAN FDI. Malaysia was still the second investor in 2010, but Indonesia was catching up.

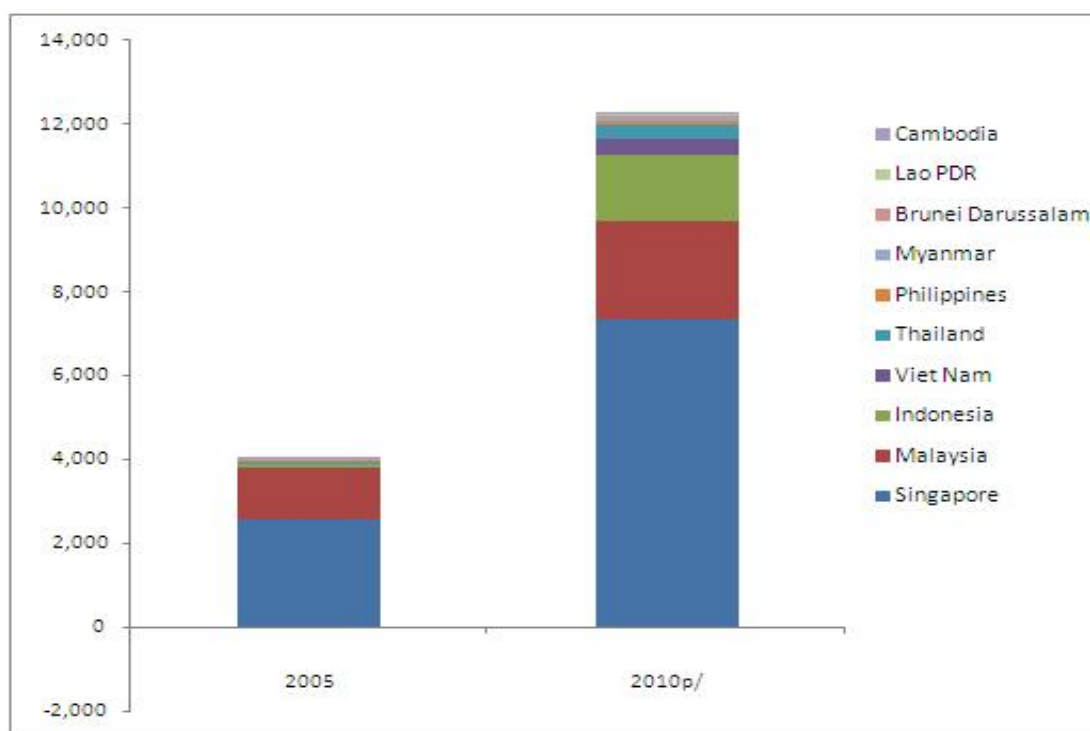
It should be reminded that Singapore hosts a number of investment holding companies which receive high capital flows of FDI¹ which do not necessarily stay in Singapore (pass-through capital) and may be partly reinvested in other AMS.

¹ See, for example, *Foreign equity investment in Singapore 2009*, Department of Statistics, Ministry of Trade & Industry, Republic of Singapore

Table 6 - Intra-ASEAN FDI Flows by Source Country, 2000-2010 (US\$ millions)

Source Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Brunei Darussalam	33	38	18	-14	19	27	-37	-4	87	23	51
Cambodia	2	1	1	6	3	0	0	1	16	15	37
Indonesia	110	325	322	262	288	131	626	263	846	965	1,560
Lao PDR	10	0	0	0	0	0	42	10	-72	0	40
Malaysia	87	214	1,054	627	713	1,224	888	1,038	3,530	2,056	2,332
Myanmar	6	3	13	8	7	13	39	70	57	71	65
Philippines	92	34	23	-13	156	74	150	162	-307	15	111
Singapore	641	1,997	2,045	1,684	1,593	2,577	5,915	7,132	4,443	2,546	7,363
Thailand	-225	-68	275	147	176	6	249	801	704	-108	331
Viet Nam	6	2	64	6	7	8	4	152	146	-314	389
ASEAN TOTAL	762	2,548	3,815	2,711	2,963	4,060	7,876	9,626	9,449	5,271	12,279

Chart 6 - Intra-ASEAN FDI Flows by Source Country (US\$ million)



Map 2 is an attempt to visualize most important origins and destinations of 2010 Intra-ASEAN FDI. Only flows above US\$ 100 million have been reported in the map. For a better readability, Malaysia's flows have been put on Malaysian Borneo.

This map (let's label the map) (as well as the following table) shows the dominant role played by Singapore as a direct investor as well as its Indonesian counterpart as receiver of FDI. It also displays the triangle of most important actors: Singapore, Indonesia and Malaysia, the flows being on both directions for each pair of countries.

Malaysia also appears as highly diversifying its Intra-ASEAN FDI.

Map 2 Intra-ASEAN most important flows of FDI in 2010

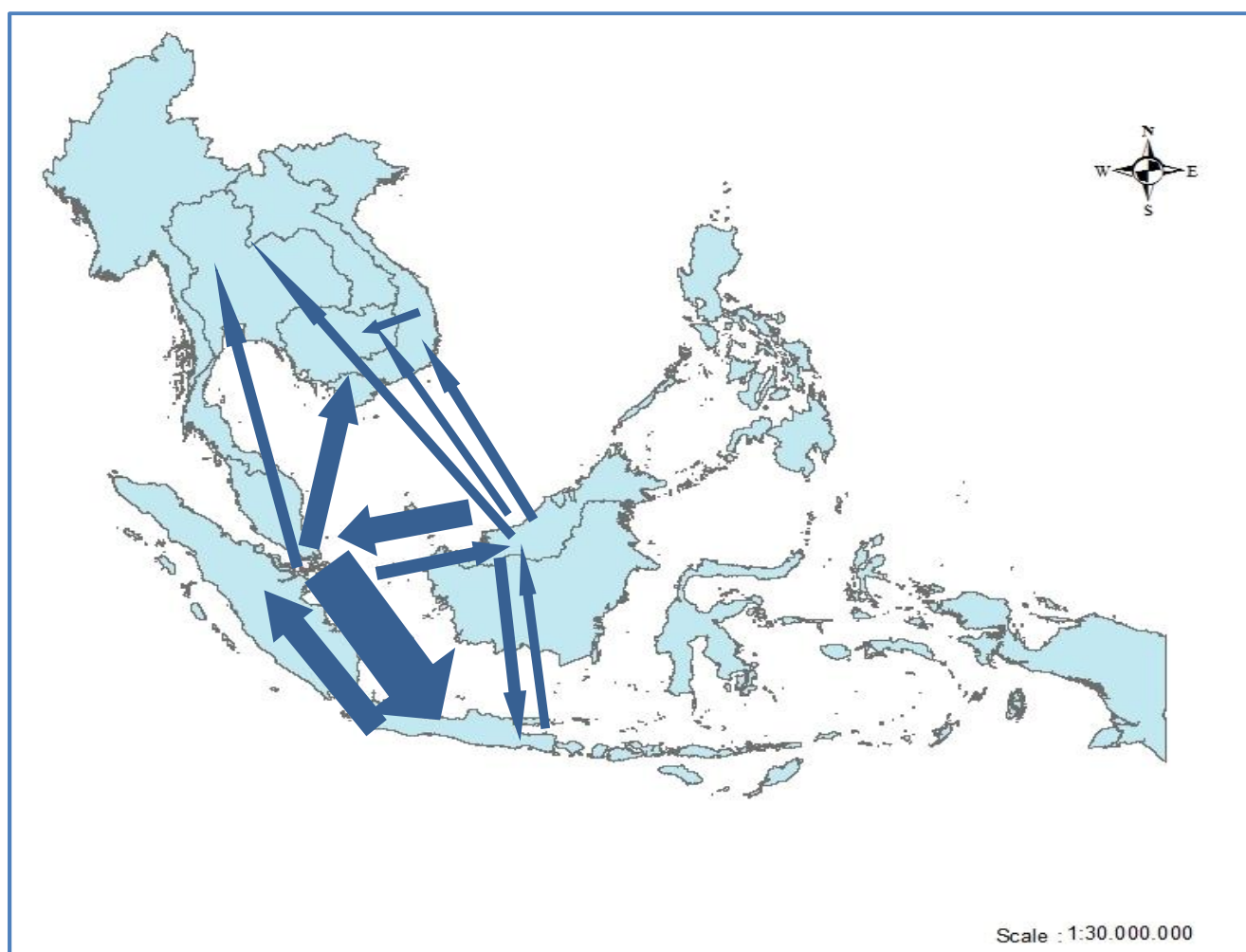


Table 7 - Intra-ASEAN FDI Flows by Source and Host Country, 2010 (US\$ millions)

Source Country \ Host Country	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	Total
Brunei Darussalam		0	1	0	45	0	0	44	0	0	90
Cambodia	0		0	0	110	0	0	28	12	199	349
Indonesia	0	0		0	341	0	2	5,479	82	1	5,904
Lao PDR	0	27	0		0	0	0	0	90	17	135
Malaysia	31	-15	110	0		0	7	457	-141	76	526
Myanmar	0	0	9	0	0		0	1	162	0	172
Philippines	0	0	1	0	-6	0		-5	2	0	-8
Singapore	7	18	1,442	0	1,607	65	58		86	95	3,377
Thailand	0	6	-4	6	105	0	39	280		0	434
Viet Nam	13	0	1	34	131	0	4	1,078	39		1,301
TOTAL	51	37	1,560	40	2,332	65	111	7,363	331	389	12,279

Breakdown by Activity in 2010

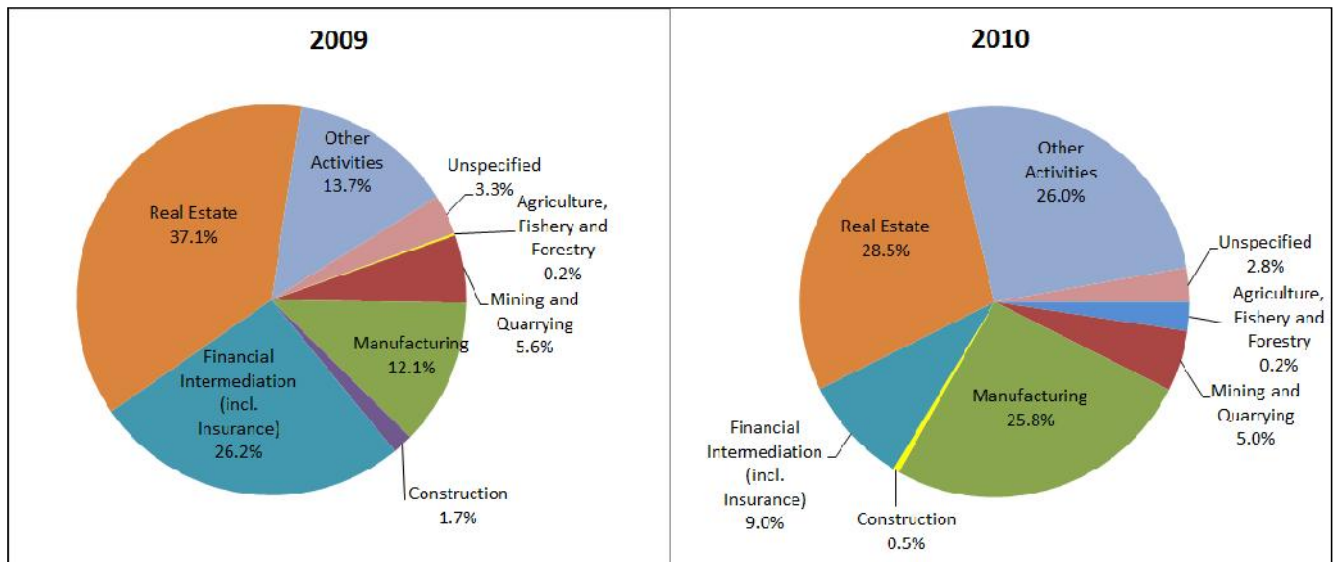
The breakdown of Intra-ASEAN FDI flows by activity displays a different scenario than that of Extra-ASEAN FDI. But the same high variability of the breakdown of FDI by activity may be observed..

Table 8 - Intra-ASEAN FDI flows by economic activity, 2005-2010 (US\$ millions)

Sectors	2005	2006	2007	2008	2009	2010p/
Agriculture, Fishery and Forestry	29	64	2,101	256	10	295
Mining and Quarrying	37	-70	718	766	297	620
Manufacturing	1,542	1,556	2,210	3,284	643	3,181
Construction	46	169	415	833	90	61
Financial Intermediation (incl. Insurance)	723	2,816	2,389	2,209	1,391	1,107
Real Estate	503	961	819	1,524	1,968	3,518
Other Activities	1,000	2,224	711	336	727	3,209
Unspecified	168	156	271	241	174	349
ASEAN TOTAL	4,048	7,876	9,634	9,450	5,300	12,341

Real estate, which is quite important for Intra-ASEAN FDI, may include purchases of private properties by individuals residing in another AMS. Such investment does not provide the same development opportunities as investment in production activities.

Chart 7 - Intra-ASEAN FDI by economic activity



4 ASEAN MEMBER STATES PERFORMANCE IN INWARD FDI

The inward FDI performance index² shows the relative success of a country in attracting FDI. This index has been built by the United Nations Conference on Trade and Development (UNCTAD).

A value close to 1 means that the country has an average attractiveness of FDI in comparison with its economic size. A value less than 1 indicates that a country receives less FDI than its relative economic size, while a value greater than 1 shows that the country receives more.

In the following table, inward FDI performance indexes have been compiled including Intra-ASEAN FDI for ASEAN Members and excluding them for ASEAN as a group.

Table 9 - Inward FDI performance index of AMS, 2004-2010

Country	2004	2005	2006	2007	2008	2009	2010
Brunei Darussalam	1.5	1.4	1.3	0.6	0.6	1.7	2.5
Cambodia	1.4	2.8	2.2	2.8	2.6	2.5	3.5
Indonesia	0.4	1.4	0.5	0.5	0.6	0.4	0.9
Lao PDR	0.4	0.4	1.8	2.2	1.5	2.8	2.5
Malaysia	2.1	1.4	1.3	1.3	1.1	0.3	1.9
Myanmar	1.4	1.0	1.1	1.1	1.3	1.5	0.5
Philippines	0.4	0.9	0.8	0.6	0.3	0.6	0.5
Singapore	10.6	5.7	6.8	5.9	1.6	4.1	7.9
Thailand	2.1	2.1	1.5	1.3	1.1	0.9	1.0
Viet Nam	2.0	1.8	1.3	2.7	3.7	3.9	3.7
ASEAN	2.3	1.9	1.5	1.4	0.9	1.1	1.7

Table 9 shows that, apart from 2008, ASEAN as a group has been quite attractive for FDI (index over 1). Among ASEAN Members, Singapore has been a very attractive investment destination, throughout the period. Lao PDR, Cambodia and Viet Nam have become more and more attractive, particularly Viet Nam which has reached an index of 3.7 in 2010. The index of Brunei Darussalam shows a variability which reflects a size effect: new investment quickly distorts a series of FDI which can be limited to reinvested earnings in current years.

² Definition of the *inward FDI performance index*: $IND_i = \frac{FDI_i / FDI_w}{GDP_i / GDP_w}$ where:

IND_i = Inward FDI performance index of country i

FDI_i = FDI inflows in country i

FDI_w = World FDI inflows (source UNCTAD)

GDP_i = GDP in country i

GDP_w = World GDP (source IMF WEO database)

METHODOLOGICAL NOTES

Definition of a Foreign Direct Investment

“Direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy”. (Source: IMF Balance of Payment and International Investment Position Manual 6th edition)

The direct investor is assumed to have control if it owns more than 50 percent of the voting power in the direct investment enterprise. By international convention, a significant degree of influence is acquired if the direct investor owns from 10 to 50 percent of the voting power. Under 10%, the cross-border investment is classified as a portfolio investment.

Portfolio investors are primarily concerned about the safety of their investment, its return and/or the likelihood of its appreciation. Direct investors look for other types of benefit in addition to the investment income that their capital may return, for instance access to new markets, or lower production costs.

Through FDI, investors improve the competitive position of the investing (home) economy. FDI also improves the competitive position of the recipient (host) economy, because it is less liquid, tradable and volatile than portfolio investment, creates employment, and often comes with transfers of technology which improve other domestic firms' efficiency and product quality.

The Organisation for Economic Cooperation and Development (OECD) has developed further the definition of foreign direct investment as well as several indicators in order to analyse this type of investment.

Data sources:

Brunei Darussalam: Department of Economic Planning and Development

Cambodia: National Bank of Cambodia

Indonesia: Bank Indonesia

Lao PDR: Bank of Lao PDR

Malaysia: Department of Statistics Malaysia

Myanmar: Directorate of Investment and Company Administration

Philippines: Bangko Sentral ng Pilipinas

Singapore: Department of Statistics

Thailand: Bank of Thailand

Viet Nam: State Bank of Viet Nam

Data Quality

FDI data still shows lack of comparability. The international concept, above reminded, is not fully applied. For instance:

- The 10 percent threshold which breaks foreign investment into FDI and portfolio investment is not applied in Lao PDR, Myanmar, Viet Nam. But other types of thresholds are met when collecting data (in terms of amounts in Cambodia, Thailand, in terms of number of companies surveyed in Indonesia).
- Flows with fellow companies (companies which have the same foreign direct investor)
- FDI is made of three components: equity capital, debt instruments and reinvested earnings. Lao PDR can only provide a total, excluding reinvested earnings. Reinvested earnings are not available for Lao PDR, Myanmar and Viet Nam. They regard only the banking sector in Cambodia. They cannot be broken down by partner country or activity for the Philippines.
- Estimates for underreporting in surveys are rarely compiled.
- Data periodicity varies from year, semester to quarter.

There are still minor inconsistencies in the data sets, notably the totals by country are not equal to total by economic activity. ASEANstats, in collaboration with its focal points in ASEAN Members, is working on these inconsistencies and hopes to present the next edition with fully harmonised and consistent data series.

Further Information:

You may visit, call or email us at:

ASEANstats,

The ASEAN Secretariat

70A Sisingamangaraja, Jakarta 12110, Indonesia

Tel: 62-21-7262991, 7243372 Ext.275/385/216/184

Fax: 62-21-7398234, 7243504

Email: stats@asean.org

Website: www.asean.org



This publication has been prepared with the support of EU-ASEAN Statistical Capacity Building (EASCAB) Programme. The Programme provides technical assistance to the ASEAN Secretariat and the ASEAN Member States in various statistical fields, including FDI statistics.