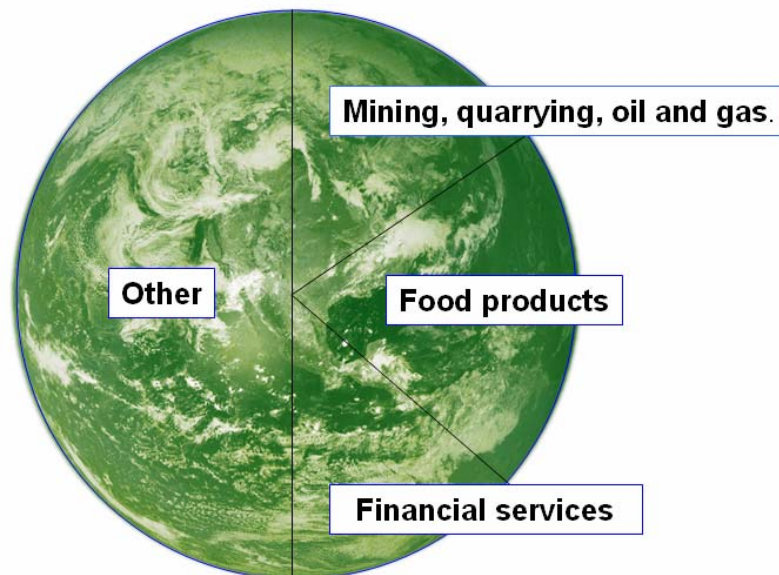


Tracking UK Foreign Direct Investment (FDI) into
selected overseas economies
Phase I report



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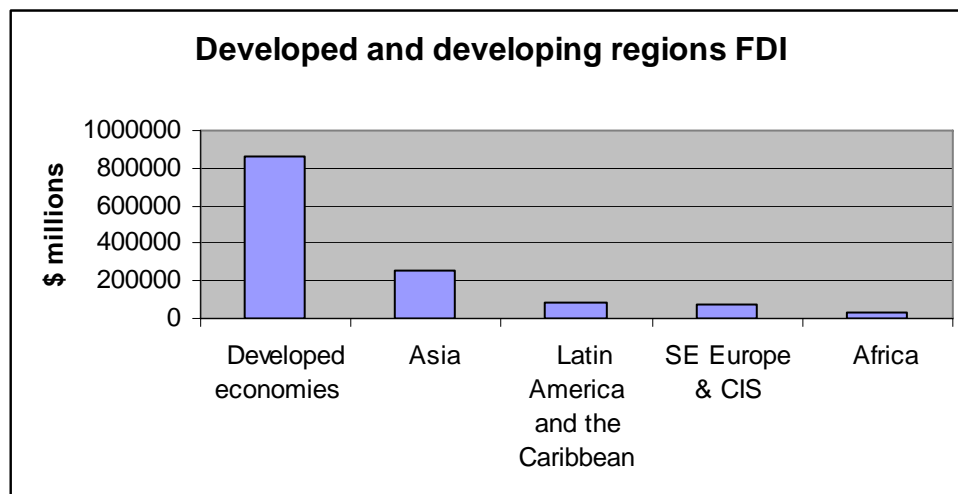
1. Summary

1.1 Global Foreign Direct Investment (FDI)

In 2006 global flow of FDI exceeded \$1.3 trillion (£800 billion at the then exchange rates) with inflows of FDI accounting for half of all net capital flows to developing countries. The established pattern of FDI flows, with investments moving from 'north' to 'south', is changing. New countries are emerging as significant originating and receiving economies. FDI from developing and transition economies and the growth of 'South-South' FDI are important recent trends. Well established bilateral relationships between individual countries, which have dominated international investment flows, are being replaced by a more complex global position reflecting the involvement of more countries.

In spite of these changing patterns of FDI flow, the developed countries currently provide the major source of funding with outflows from developed countries growing by 45% in 2006 to \$1 trillion. This investment flow carries with it the potential to impact upon the environment in countries receiving investment and also the potential for corporations and investment institutes based in developed countries to apply and share sustainability best practice within their business sector. The United States and four EU countries comprised the 5 largest outward investor economies in the world. The EU as a whole was the greatest single global source of FDI contributing \$572 billion out of a total of \$1.3 trillion global flows. Within the EU France, Spain, the UK and Germany are the major FDI sources.

Three principal investment groups are recognised, namely **primary resources, manufacturing and services**. Since 2002, there has been a steady overall growth in FDI¹ with increased investment in services and less in manufacturing. Until recently there had been a decline in investment into primary resources but in some regions this changed in 2006 as a response to increased primary commodity prices.



¹ The effects of recent stock market falls and the uncertainties within the global financial system will certainly affect this upward trend.

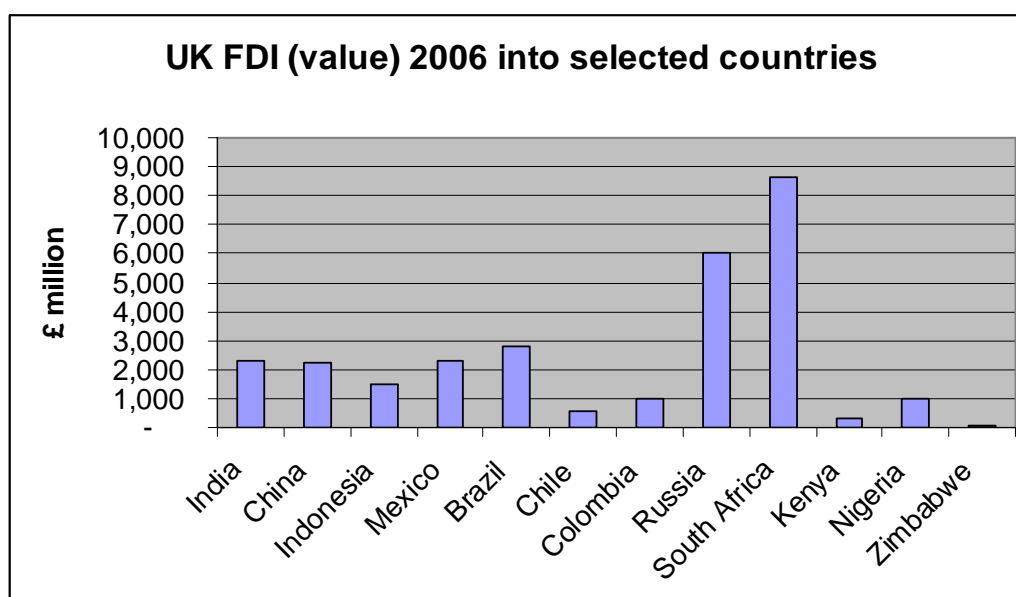
1.2 UK Foreign Direct Investment

There has been an overall increase in *annual flows* of investment funds from the UK over the period 2002-2006 reaching £49 billion in 2006 with the *value*² of these investments reaching £735 billion in that year. In 2006 the UK was the 4th largest global source of outward FDI, after the USA, France and Spain.

In 2006 UK investment flows overseas changed from previous years with a greater emphasis on investment into resource industries. The trend of UK FDI flows between the three principal industry sectors in 2006 was as follows:

- UK FDI into **Services** in general fell to £14.5 billion (down 59 per cent compared to the £35.5 billion reported in 2005) but financial services FDI rose to £22.1 billion (up from £10.5 billion in 2005);
- UK FDI into **Manufacturing** fell to £16.4 billion (down 11 per cent compared to the £18.5 billion reported in 2005) but FDI into food products rose to £15.5 billion (up from £5.0 billion in 2005);
- UK FDI into **Resources** rose to £18.5 billion (compared with a net disinvestment of £9.5 billion reported in 2005) with the emphasis on the extractive industries, mining, quarrying and hydrocarbons.

In 2006 54% of UK FDI went into Europe and 25% into North America. The principal areas of interest for this report are outside these geographical areas, and outside the OECD, and in particular in a suite of countries across South America, Africa, Asia and eastern Europe. These regions currently attract less than 5% of total UK FDI, but they represent investment in some of the major growing global economies including the Sustainable Development Dialogue countries³ (Brazil, South Africa, India, China, Mexico) and Indonesia and Russia which are referred to in this report collectively as the 'SDD+2' countries.



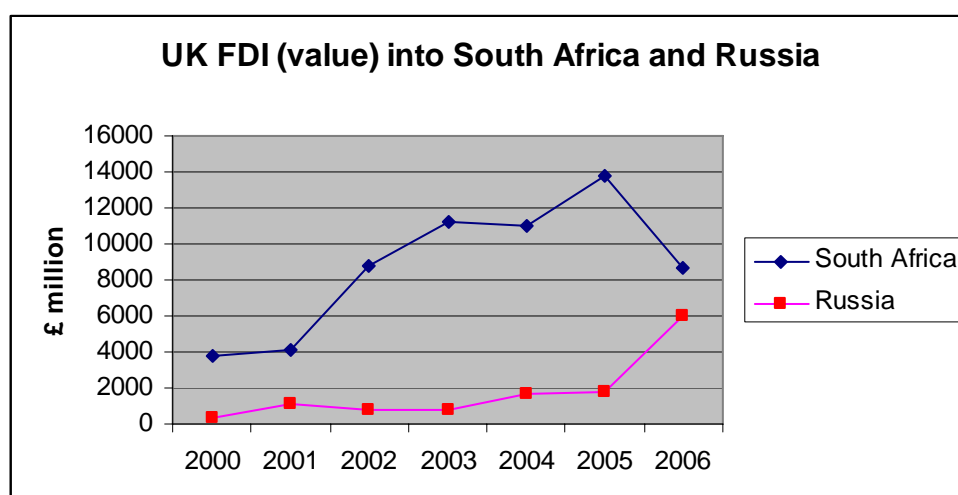
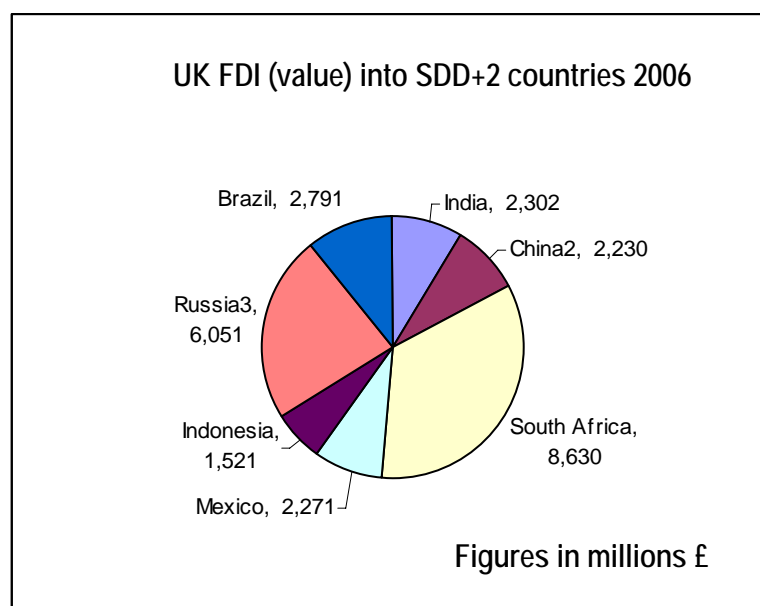
² Annual **flow** and cumulative investment **value** (net investment position) are both used in this report.

³ <http://www.sustainable-development.gov.uk/international/dialogues/>

1.3 UK investment into the 'SDD + 2' countries

General conclusions in respect of FDI investment into the 'SDD+2' countries are:

- The share of the UK FDI (by value) in the 'SDD+2' countries was approximately £26 billion (3.5% of global value) in 2006;
- **South Africa and Russia** are the largest recipients of UK FDI onto the 'SDD+2' with the latter growing in importance.
- **India, China and Brazil** receive a relatively high proportion of UK investment in the manufacturing sectors, accounting for just over half of all UK investment in each of these three countries relative to a global average for UK FDI of 33%.
- **Mexico, South Africa, Indonesia and Russia**, all have a relatively low proportion of UK investment in manufacturing sectors, compared to the global average.



1.4 Sustainable Development implications for UK FDI

The seven the 'SDD+2' countries referred to in this document include some of the fastest growing global economies, in particular the BRICs countries (Brazil, Russia, India, China) which are forecast to be the major centres of economic growth in the future.

Understanding the UK investment role in these growing economies is essential to understand the ways and means through which UK corporations, and government, may be involved in generating or alleviating growing environmental pressures resulting from economic expansion in South America, Africa, the CIS and Asia. Understanding the relative importance of UK investment in different countries and different business sectors, and the different sustainability issues associated with each sector within each country is also essential.

Analysis of global and UK patterns of FDI suggests that on the basis of global investment trends, and likelihood of environmental impact, the following sectors are of prime importance:

- **financial services;**
- **food products;**
- **the extractive industries;**
- **forestry, fisheries and agriculture** - although attracting low levels of direct investment these activities are highly significant from an ecosystem impact perspective, and are also related to investment in financial services (which may involve investment into these sectors) and the food industry.

This Phase I report makes no attempt to analyse the sustainability implications of UK FDI into the 'SDD+2' countries but does identify UK government and other work that will be collated, along with additional FDI data, into the next work phase. This work is in progress, undertaking such an analysis against the following provisional framework;

- **extending the analysis from the current seven countries** to include other non-OECD countries;
- **identification of existing indicators and reviews of sustainability impacts for the four key sectors**, including biodiversity specific impacts;
- **use industry and UK Stock Exchange indicators** to identify UK companies that qualify as 'Sustainability leaders' in their respective sectors;
- **link UK FDI analysis** to ongoing JNCC work on identifying high conservation value areas within priority countries which have strong political and economic links to the UK;
- **link the FDI research to ongoing JNCC work on biomass for bioenergy programmes** identifying links between UK FDI and bioenergy programmes in selected countries;
- **integrate results – statistics and analysis – into the project website.**

A Phase II report will be available in late Summer 2008 complimented by additional content on the project website – www.ukglobalinfluence.org.

2. Background and project objectives

As part of its Global Impacts Programme, the Joint Nature Conservation Committee is developing techniques to track commodities coming into the UK and investments flowing out with the objective of linking these flows of resources (material and monetary) to potential ecosystem impacts around the world. The work is focussing on set of key natural resource and agricultural commodities supplied to the UK and EU by a set of key countries outside the OECD⁴, and the counter flows of investment from the UK into these global economies.

Work undertaken and in progress on commodity flows, including the increasing use of biomass for bioenergy through global biofuels programmes, is reported on elsewhere, including through the Global Impacts Programme website (www.ukglobalinfluence.org) which allows access to selected commodity datasets in a UK, EU and global context.

The work on tracking overseas UK investment – termed Foreign Direct Investment – was initiated by JNCC in 2007 with an initial scoping study designed to assess data availability and the possibility of acquiring and manipulating this data to analyse potential positive and negative environmental impacts of UK businesses investing in selected overseas economies. The scoping study showed that data was available in a format suitable for analysis and in particular there is scope to link investment flow data to potential impacts in receiving countries with the possibility of expressing these in either broad terms of ‘sustainability’ or ‘ecosystem services’ or more narrowly as biodiversity impacts.

The scoping study defined a basic model for both acquiring and subsequently using FDI data. The basic principles of this model are:

For data **acquisition**:

- UK and UN agencies gather FDI based on inflows and outflows per country and per ‘business’ sector;
- A three fold high level classification of business sectors is used by the UN, allocating investment to Primary resources, Manufacturing and Service sectors;
- UK statistics are available which provide a more detailed breakdown of investment by sub-sector under the three main categories;
- The statistics available from UK and UN sources contain significant gaps and uncertainties in respect of assigning FDI to specific sub-sectors but other sources exist that can be used to partially fill these gaps.

With country, sector and sub-sector specific FDI data available the following **analysis** is possible:

- Analyse UK (and global) FDI trends through time in respect of geographical and sector distribution of investments with historical analysis and assessment of new growth areas;
- Identification (through use of existing studies) of the key, sector specific, environmental impacts in terms of sustainability, ecosystem services and biodiversity;

⁴ With the exception of OECD member Mexico.

- Prioritisation of business sectors/sub-sectors to highlight those with the greatest scope for negative environmental impacts;
- Combine individual analytical elements into a synthesis that identifies key countries and identifies key business sectors (in terms of FDI importance and potential impacts) allowing priority issues to be identified for further investigation and future monitoring;
- Identification of UK companies active within specific countries and their sector of operations, identifying sector 'sustainability' leaders

An additional principle underpinning this work is that the work is directed towards establishing a dynamic procedure – rather than produce reports - that can be used in future years to monitor trends on the basis of annual publication of new FDI data. This monitoring and regular updating can be achieved through the project website or its successor providing access to up to date statistics and updated analysis.

Based on these basic principles JNCC contracted GHK to undertake a basic review of available FDI data for a selected set of seven countries determined to be of priority interest to the UK in terms of the level of FDI, political links and overall significance in the global economy.

The objectives of the GHK review were to:

- Review the existing UK and global FDI datasets for the 'SDD+2' countries;
- Determine data gaps in sector analysis and identify potential sources of information to fill these;
- Provide JNCC with FDI data sets for the 'SDD+2' countries, including adjusted sector analysis where possible;
- Provide individual country FDI summaries for the seven countries;
- Identify key UK companies operating in the seven countries;
- Undertake an analysis of potential biodiversity impacts of individual business sectors.

The GHK report was completed in March 2008 and the results have been partially incorporated into this document. The full GHK report is available on the Global Impacts Project website. The current report, authored by JNCC, provides an introduction to the FDI analysis undertaken by JNCC and GHK and briefly describes additional work currently in progress which will be completed during the summer of 2008. Results of ongoing work will be posted to the project website: www.ukglobalinfluence.org.

3. Data source for Foreign Direct Investment – UK Office for National Statistics and global sources

3.1 Overview

This report summarises global FDI patterns, looking more closely at UK investment flows into selected key trade and investment partners (the 'SDD+2' countries). UK and UN sources of FDI statistics and analysis of statistics have been utilised in preparation of this report. These sources have been accessed either directly by JNCC or through contracted work undertaken by GHK on JNCC's behalf⁵.

Principal sources include:

- UK Office for National Statistics:

UK business investment abroad (Foreign Direct Investment) is surveyed annually by the Office for National Statistics (ONS), the government department responsible for collecting and publishing official statistics about the UK's society and economy. The investment figures are published net of disinvestments by a company into its subsidiaries, associate companies and branches. The UK ONS publishes FDI statistics in two forms, a 'First Release' followed by a more detailed analysis 'MA4 - Foreign Direct Investment'⁶. GHK contacted National Statistics statisticians regarding the ONS Foreign Direct Investment (FDI) Survey to better understand the collection and availability of sectoral data by country.

- UNCTAD country and sector reports.

UNCTAD analyses FDI trends and their impact on development, compiles data on FDI⁷ and has a comprehensive on line database⁸.

These sources have been supplemented by:

- UKTI country⁹ listings provide background on global trade and investment partners and an analysis of key business sectors in these countries.
- Information published on websites for UK embassies in the priority countries
- Information published on websites for foreign embassies in the UK.
- An internet, media and literature review to identify trends in UK overseas investment in key sectors and in recipient countries. This provided a qualitative description of the trends in key countries and sectors, the nature of investment, the key players involved, and examples of particular investments and their value. The qualitative information provided a useful insight, particularly for those countries where comprehensive statistical information was unavailable.

5 Available on www.ukglobalinfluence.org/UKFDI/index.cfm

6 available through: <http://www.statistics.gov.uk/default.asp>

7 <http://www.unctad.org/Templates/WebFlyer.asp?intltemID=4361&lang=1>

8 <http://www.unctad.org/Templates/StartPage.asp?intltemID=2527&lang=1>

9 <https://www.uktradeinvest.gov.uk/>

3.2 Significant Data Gaps

Vital for understanding the implications of UK outward FDI is an analysis of which business sectors are involved in the key partner countries but significant gaps have been identified. GHK analysis of the 2006 data from the UK ONS Business Monitor MA4 report suggests the following in respect of UK FDI into the 'SDD+2' countries:

- i. good sectoral data coverage is available for Mexico, India, South Africa, where sectoral data is undisclosed for only between 6% and 12% of the total UK investment in each respective country;
- ii. there is reasonable sectoral data for Brazil (28% unknown) and China (37% unknown). The 2004 sectoral data for China was virtually complete with almost all of the total investment allocated to individual sectors;
- iii. there are significant confidentiality issues concerning UK investment in Indonesia (73% unknown) and Russia (99.5% unknown).

These data sets, and their limitations, are discussed in the GHK report ¹⁰.

¹⁰ GHK report for JNCC available at: <http://www.ukglobalinfluence.org/UKFDI/index.cfm>

4. Global trends in FDI – investors, recipients and sector analysis

4.1 Foreign Direct Investment background

Overseas (out of country) investment by private sector business is a major driver of the global economy. This Foreign Direct Investment is defined as investment *'made to acquire lasting interest in enterprises operating outside of the economy of the investor'*.

In terms of targeting investments, and funding sources, there are three main categories of FDI:

- Greenfield investment in new facilities or the expansion of existing facilities
- Mergers and Acquisitions (M&A) - Cross-border acquisitions occur when the control of assets and operations is transferred from a local to a foreign company, with the local company becoming an affiliate of the foreign company.
- Reinvested earnings where local profits are reinvested in the country in which they are made rather than repatriated as net earnings.

4.2 Foreign Direct Investment overview for 2006

In 2006 global Foreign Direct Investment flows (FDI) reached \$1,306 billion (£810 billion ¹¹) – a growth of 38% on the previous year and the third consecutive annual increase. This increased global flow of investment funds reflected the strong economic performance seen in many parts of the world across all three national economic groups, developed countries, developing countries and the transition economies of South-East Europe and the Commonwealth of Independent States (CIS).

The rise in global FDI flows was partly driven by increasing corporate profits worldwide and resulting higher stock prices that raised the value of cross-border mergers and acquisitions which account for a high share of FDI flows. Greenfield investment also increased, especially in developing and transition economies. Higher corporate profits resulted in higher levels of reinvested earnings and this funding source has become an important component of FDI with almost 50% of FDI in developing countries comes from this source.

In 2006, developed-country Trans National Companies (TNCs) were the leading sources of FDI, accounting for 84% of global outflows and almost half of world outflows of investment funds originated from the European Union. TNCs from developing and transition economies are growing in importance with \$193 billion, or 16% of world FDI, originating in these countries in 2006 led by China and Russia. This contribution to global investment flows will increase in coming years.

In 2006, FDI inflows accounted for half of all net capital flows to developing countries and represents a significant source of funding for developing countries.

11 WORLD INVESTMENT REPORT 2007 UNITED NATIONS New York and Geneva, 2007.
<http://www.unctad.org/Templates/WebFlyer.asp?intItemID=4361&lang=1>

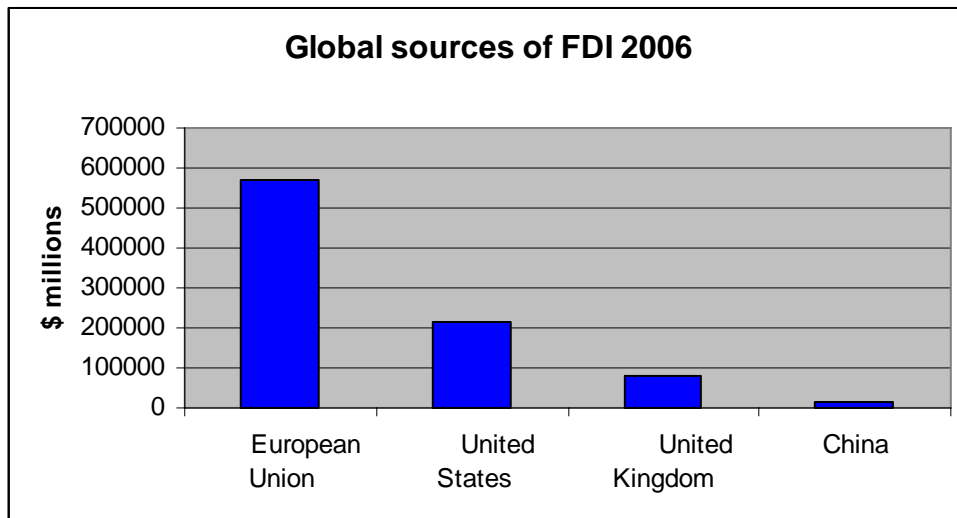


Fig 1: Global sources of FDI (flow) for 2006. Source: data from UNCTAD

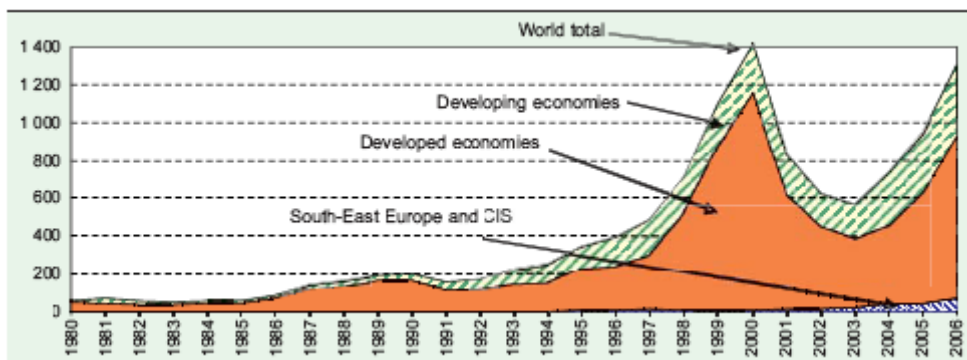


Figure 2: Global FDI inflows (billions of US\$) by world economy group, 1980 – 2006. Source: UNCTAD.

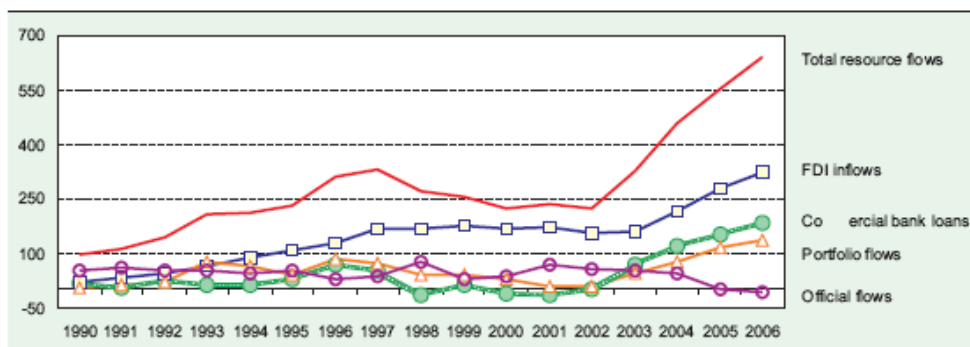


Fig 3: Net resource flows (billions of US\$) to developing countries by type of flow, 1990-2006. Source: UNCTAD

4.3 Geographic patterns of FDI flow in 2006

The established pattern of FDI flows, with investments moving from 'north' to 'south', is changing. New countries are emerging as significant originating and receiving economies. FDI from developing and transition economies and the growth of 'South-South' FDI are important recent trends. Well established bilateral relationships between individual countries, which have dominated international investment flows, are being replaced by a more complex global position, reflecting the involvement of more countries.

In spite of these changing patterns of FDI flow, the developed countries currently still provide the major source of funding with outflows from developed countries growing by 45% in 2006 to \$1 trillion. The United States and four EU countries comprised the 5 largest outward investor economies in the world. Within the EU France, Spain, the UK and Germany are the major FDI sources.

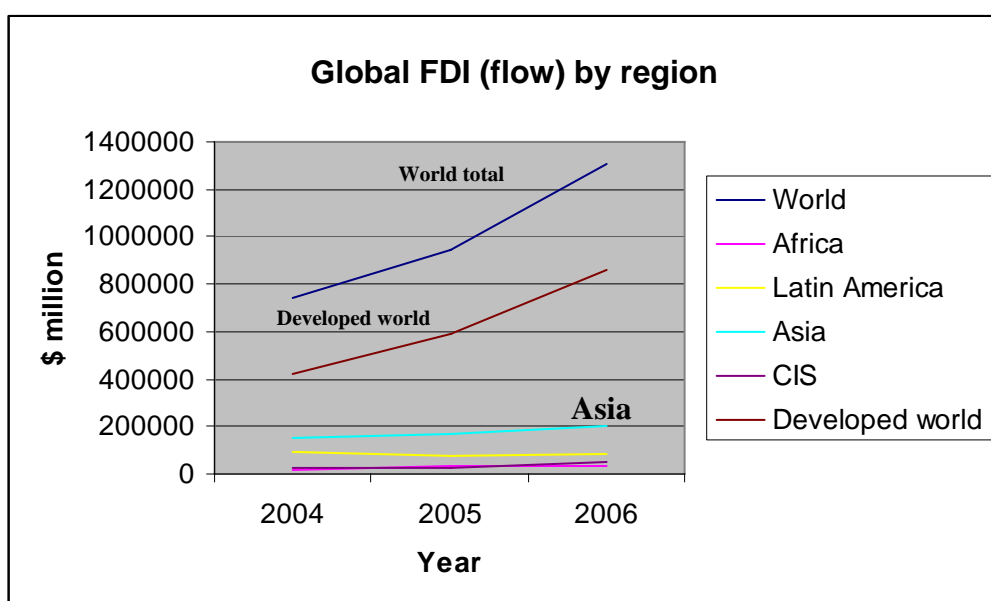


Figure 4: Global FDI inflow (millions of US\$) by region. Statistics from UNCTAD.

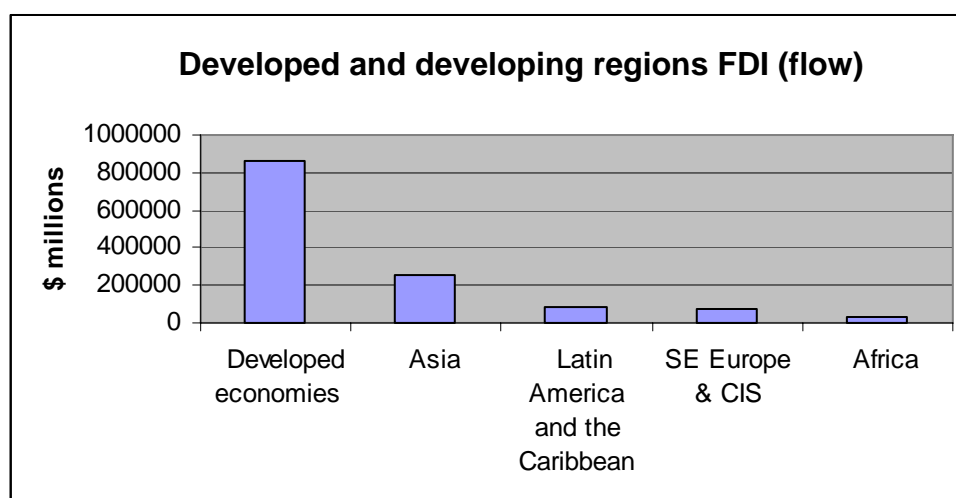


Figure 5: Global FDI inflow (millions of US\$) by region. Source: UNCTAD

Inward FDI flows in 2006 rose in all regions though their rates growth differed. FDI inflows to developing countries grew at a slower rate than those to developed countries, but all developing regions except Latin America and the Caribbean registered record flows. Some key points for 2006 in respect of FDI into the developing world (drawn from UN data) are as follows:



Africa

- FDI in the region reached \$36 billion in 2006 with increased interest in natural resources
- Half the FDI was due to M&As with half of these coming through transnationals originating in SE Asia
- Greenfield investment grew significantly
- In spite of absolute growth, African share of global FDI in 2006 was down to 2.7% compared with 3.1% in 2005



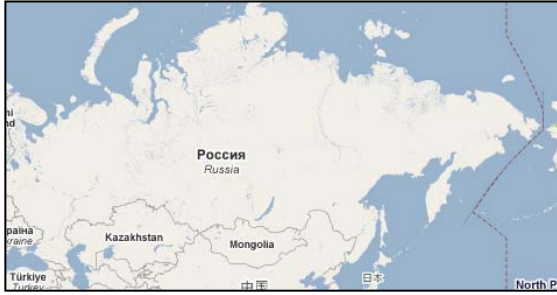
South, East and South- East Asia

- FDI inflows to South, East and South-East Asia increased in 2006, rising by 19% to \$200 billion
- China, Singapore and India were the largest recipients
- There has been a shift towards knowledge intensive activities.



Latin America and the Caribbean

- Most countries showed a strong growth, with total FDI reaching \$84 billion but with declines in Colombia and Venezuela
- Greenfield investment was more important than M&As with manufacturing dominating
- Primary sectors were also attractive reflecting high commodity prices



South-East Europe and the Commonwealth of Independent States

- FDI flows into this region grew by 68% to \$69 billion in 2006
- The Russian Federation, Romania, Kazakhstan, Ukraine and Bulgaria (in that order) accounted for 82% of the total inflows
- Those to the Russian Federation almost doubled to \$28.7 billion
- There was also significant outward FDI from Russian TNCs, especially large resource-based firms
- Increased natural resource demand has led high FDI inflows into the region, particularly Russia.

4.4 Sectoral and industrial distribution of FDI

Three sectors are recognised and recorded for global FDI purposes: **primary resources** (mining, agriculture, forestry, fisheries), **manufacturing** and **services**. During the past 25 years there has been a steady shift away from FDI in the primary sector and manufacturing and a shift towards services. Recent increases in global demand for raw materials, driven by the growth of the Chinese economy in particular has, however, resulted in a resurgence of FDI flows into resource rich countries, in particular within Africa and South America.

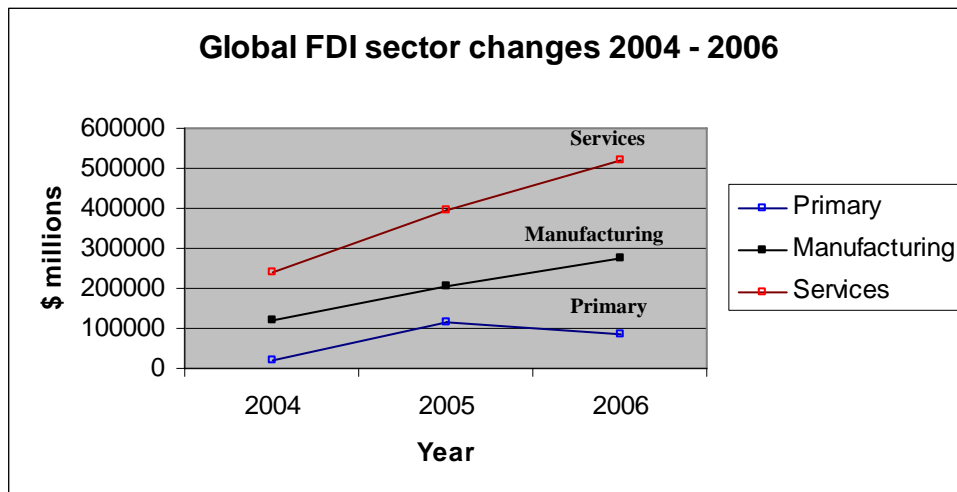
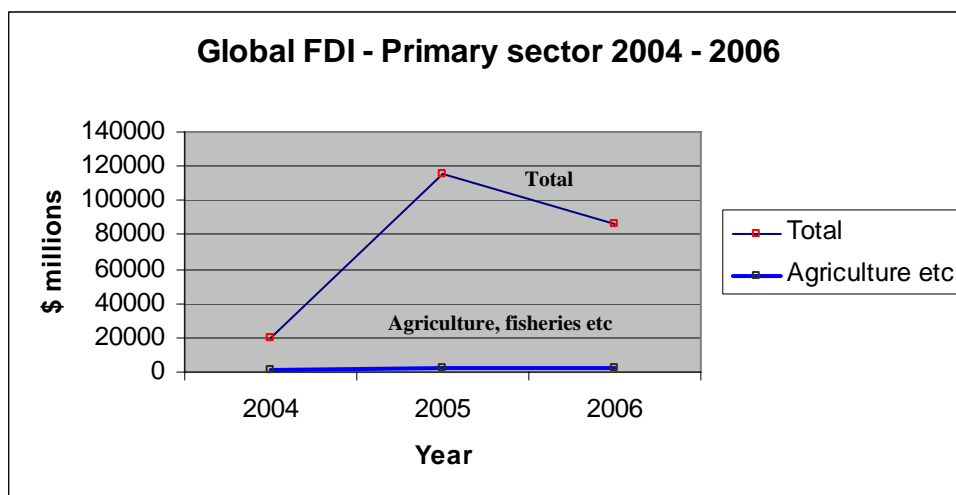


Figure 6: Global outward FDI (flow) sector changes 2004-2006 Source: UNCTAD



Primary	2004	2005	2006
Total	19414	115420	86133
Agriculture etc	1245	1824	2191
Extractive	18169	113596	83942

Figure 7: Global outward FDI flow (millions of US\$) Primary sector changes 2004-2006

Source: Statistics from UNCTD

5. UK Foreign Direct Investment

5.1 UK FDI overview

The UK Office for National Statistics (ONS), the government department responsible for collecting and publishing official statistics about the UK's society and economy, reports annually on FDI. The investment figures published are net of disinvestments by companies into its subsidiaries, associate companies and branches.

Within the UK ONS systems, UK investment flows into and out of the country are measured in three ways (see Fig. 12):

- *Net direct investment abroad by UK companies* – a measure of *annual net flows* of UK investment money into overseas economies;
- *Net international investment position* – direct investment abroad by UK companies' – a measure of the *cumulative value* of UK business investments overseas;
- *Net earnings from direct investment abroad by UK Companies* – a measure of *net earnings* repatriated from overseas economies.

Note: The two key reporting mechanism used in this report are measures of annual FDI **flows** and the cumulative FDI **value** (investment position). The former statistics reflect year-by-year trends, the latter are an indication of long term value and growth of FDI. Care should be taken when reading numbers within the text or in diagrams to discriminate between these two indicators. In some cases value is a more useful indicator being independent of year by year flow fluctuations which, in years of net disinvestments, may actually be negative.

There has been an overall increase in annual outflows of investment funds from the UK over the period 2002-2006 reaching £49 billion in 2006 with the value of these investments reaching £735 billion in that year. In 2006 the UK was the 4th largest source of outward FDI, after the USA, France and Spain.

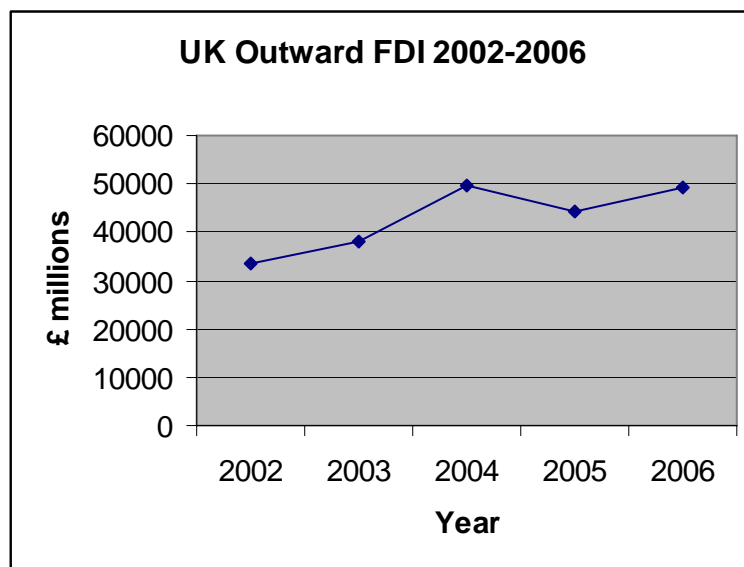


Fig 8: UK outward FDI (flow). Source: UK ONS. Note figures in £.

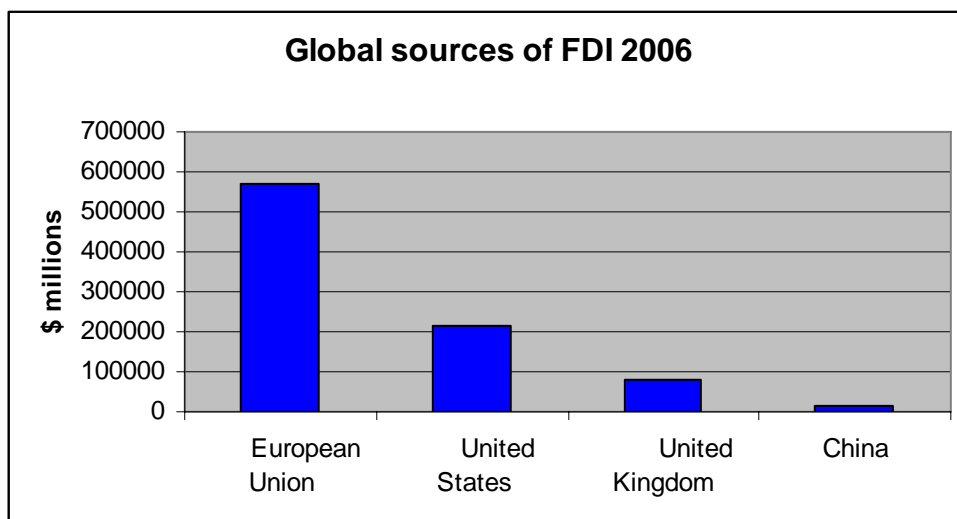
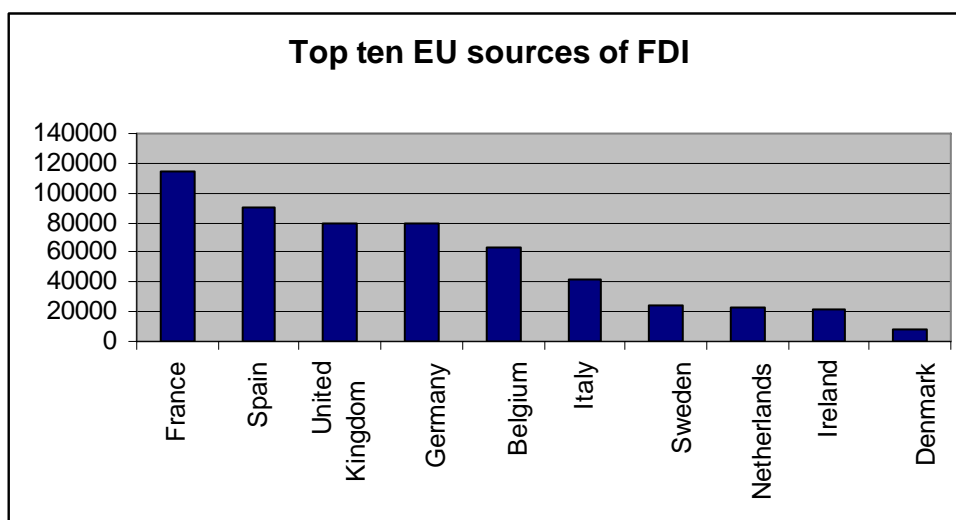


Fig 9: Major global sources of FDI (flow). Source data: UNCTAD. Note figures in US dollars



Country	Outward FDI flow (\$ millions)
France	115,036
Spain	89,679
United Kingdom	79,457
Germany	79,427
Belgium	63,005
Italy	42,035
Sweden	24,600
Netherlands	22,692
Ireland	22,101
Denmark	8,181
Other	26,226
EU Total	572,440

Figure 10: Pie chart and tabulation. EU outwards FDI (flow) for 2006: key countries.

5.2 UK FDI – geographical analysis

The UK ONS statistics for UK FDI gather data for individual countries receiving UK FDI, grouped in five categories. Figures 11 and 12 shows a breakdown of outward UK FDI according to these regions for 2006. Based on all three measures – annual flow, investment position (value) and earnings, the bulk of UK FDI goes into Europe and North America. Outside these regions Asia, Australasia and Africa follow in importance in that order.

Foreign direct investment¹ 2006			
Direct investment abroad by UK companies			
	Flows in 2006	Level at end 2006	Earnings in 2006
Europe	16.0	393.8	39.0
The Americas	21.2	259.7	27.1
Asia	8.3	53.0	11.8
Australasia & Oceania	3.6	12.6	3.2
Africa	0.3	15.5	3.5
Total	49.4	734.7	84.6

Figure 11: UK FDI, 2006. Figures (flow, value and earnings) in £ billions. Source: UK ONS

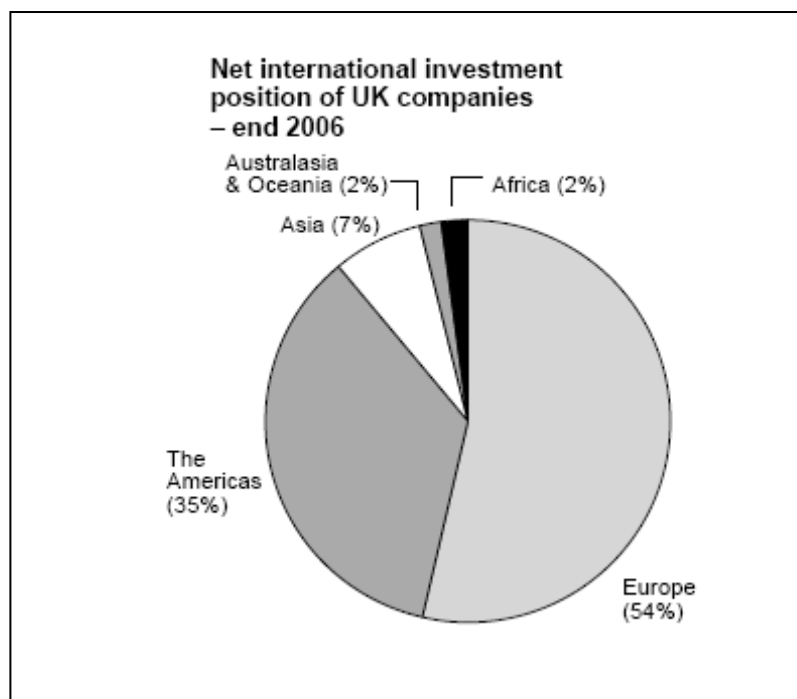


Figure 12: UK FDI, investment position (FDI value) 2006. Source: UK ONS

The principal areas of interest for the JNCC work lie outside the OECD where UK FDI is focussed on 11 countries across South America, Africa, Asia and eastern Europe. To these can be added the OECD member Mexico which is of special interests as an SDD country. In 2006 the UK had investments with a total value of approximately £29 billion in these 12 countries.

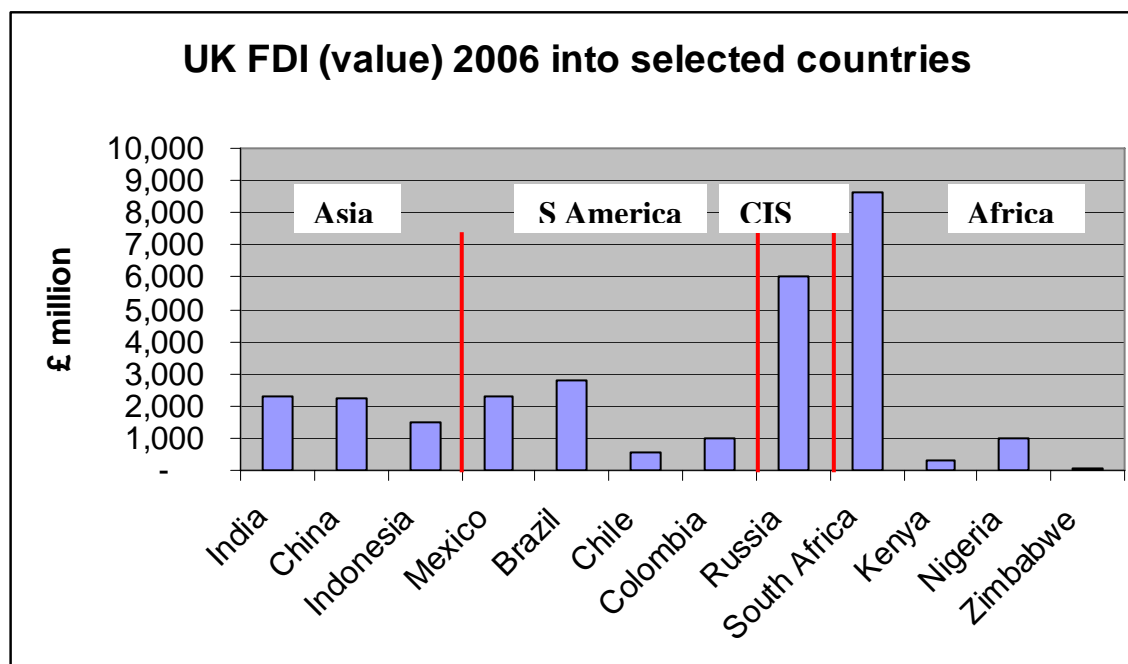


Figure 13: UK FDI (value) as of 2006 into 12 key countries outside North America and Europe.

5.3 UK FDI – sectoral analysis

In 2006 the pattern of UK investment flows overseas changed from previous years with a greater emphasis on investment into resource industries. The breakdown, and trends, of UK FDI flows abroad (as reported by ONS) between the three principal sectors in 2006 was as follows:

- FDI into Services in general fell to £14.5 billion (down 59 per cent compared to the £35.5 billion reported in 2005) but financial services FDI rose to £22.1 billion (up from £10.5 billion in 2005);
- FDI into Manufacturing fell to £16.4 billion (down 11 per cent compared to the £18.5 billion reported in 2005) but FDI into food products rose to £15.5 billion (up from £5.0 billion in 2005);
- FDI Primary Resources rose to £18.5 billion (compared with a net disinvestment of £9.5 billion reported in 2005) with the emphasis on the extractive industries, mining, quarrying and hydrocarbons.

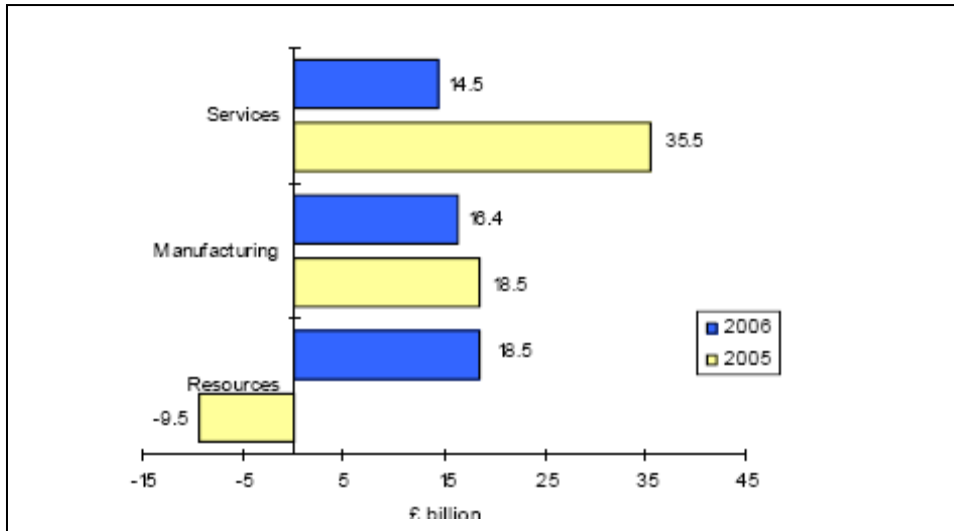


Figure 14: shifting pattern of UK FDI (flow) by major industry type (£ billions) 2005-2006.

Source: ONS

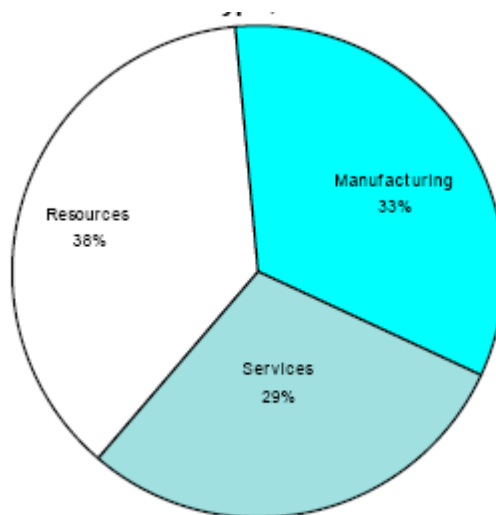


Figure 15: Percentage split of UK FDI (flow) by major industry type for 2006. Source: ONS

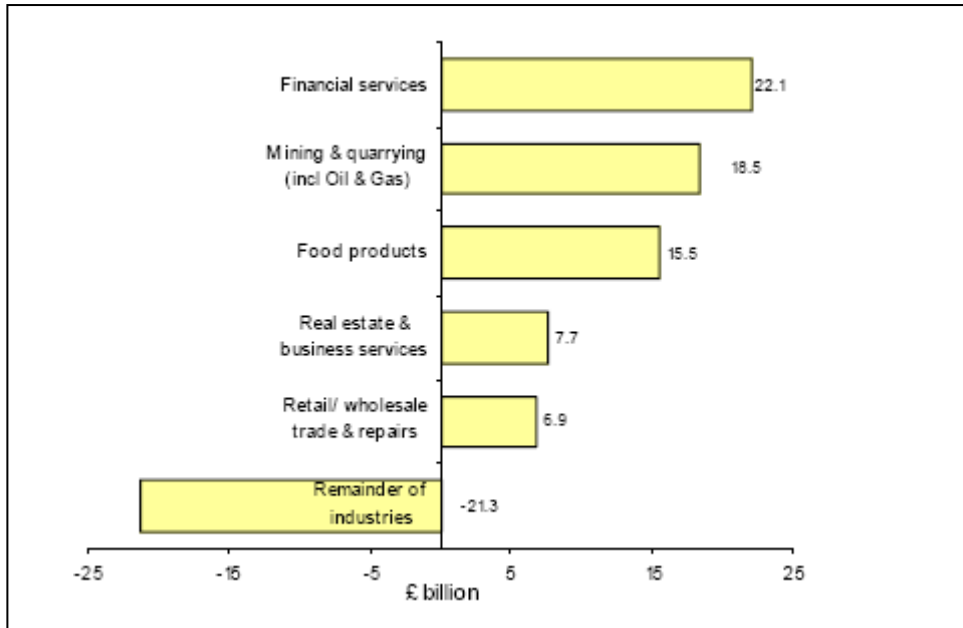


Figure 16: sectoral trends in UK global FDI (flow) for 2006

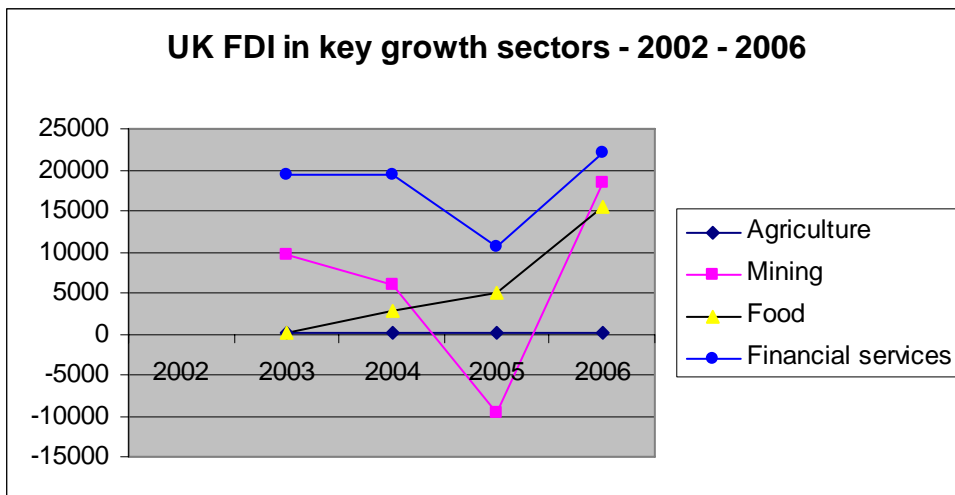


Figure 17: changing pattern of UK FDI (flow) in four key industry types, 2002-2006

Figures 14 – 17 show the relative distribution of UK FDI by sector and recent trends. Figure 17 highlights recent trends in UK FDI into the four sectors seen as most significant in the context of sustainability, ecosystem impacts and biodiversity.

6. UK FDI in the 'Sustainable Development Dialogue + 2 countries' ¹²

6.1 Overview

Section 5.2 identified the 12 key global economies outside the OECD that received UK FDI in 2006. Of these 12, seven represent the 'SDD+2' countries which form the focus of this report and the GHK report commissioned by JNCC. This section summarises the conclusions of the GHK report.

The UK's net FDI investment position was £735 billion at the end of 2006, an increase of 6% over the 2005 figure, with an additional outward flow of £49 billion in that year. The largest recipients of UK FDI are based in Europe (54%) and the US (25%) with the share of the net investment in the 'SDD+2' countries at approximately £26 billion (3.5% of global value)

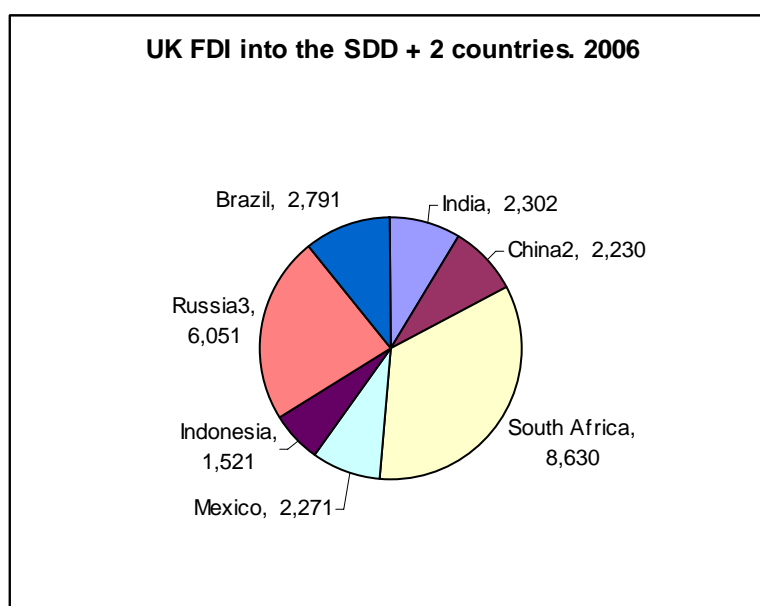


Fig 18: Split of UK FDI (value) into 'SDD + 2' countries for 2006. Values in £ millions

Figure 18 presents a breakdown of UK FDI into the 'SDD+2' countries' the largest recipients being South Africa (£8.6 billion) and Russia (£6.1 billion), followed by Brazil, India, Mexico, China and Indonesia. Table 1 shows a breakdown of FDI into these countries by sector based solely on UK ONS statistics.

The GHK report identified differences in data quality according to country, specifically in the ability of ONS data to track FDI to specific sectors. For the seven priority countries the percentage of FDI that cannot be identified using UK ONS statistics varies as shown in Figure 20. GHK identified, at JNCC's request, additional data sources for China and Russia in particular to help fill these gaps and Table 2 represents the adjusted data set derived as a result. This approach is explained in greater detail in the relevant country briefing notes below, but has reduced the unaccounted proportion of investment data across the seven countries from 39% using the 2006 ONS FDI data to 13%.

¹² China, India, South Africa, Mexico, Brazil plus Indonesia and Russia = 'SDD+2' countries

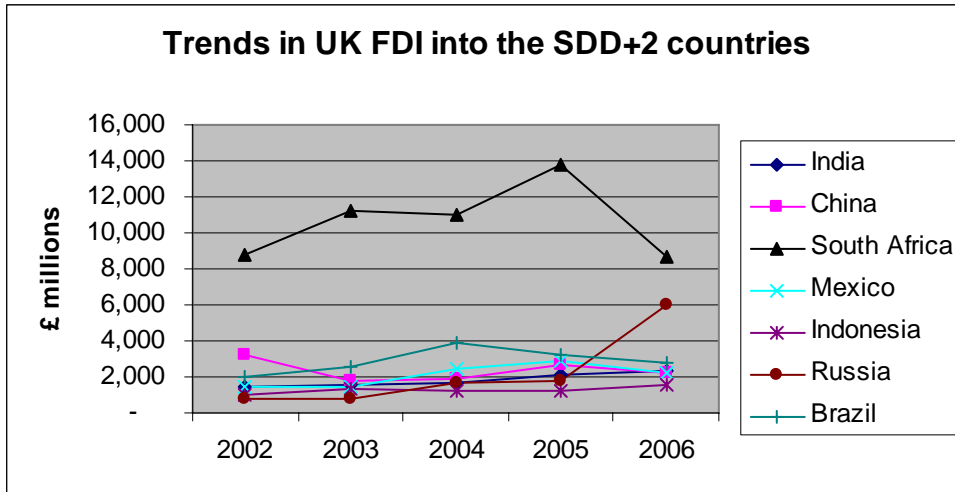


Figure 19: trends in UK FDI (value) into the "SDD+2" countries

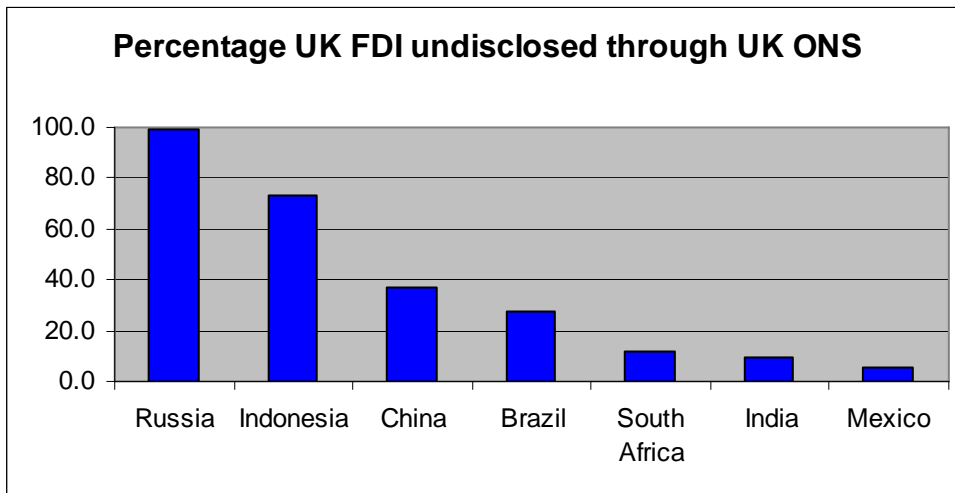


Figure 20: Variation in traceability of UK FDI into the 'SDD+2' countries showing percentage of FDI undisclosed by UK ONS statistics.

Source: ONS and GHK

6.2 Sector analysis across the 'SDD+2' countries

In terms of sectors receiving investment, some key points emerge from the GHK analysis:

- **India, China and Brazil** receive a relatively high proportion (compared with the global average) of UK investment in the manufacturing sectors, accounting for just over half of all UK investment in each of these three countries relative to a global average of 33%.
- **Mexico, South Africa, Indonesia and Russia**, all have a relatively low proportion of UK investment in manufacturing sectors, compared to the global average.

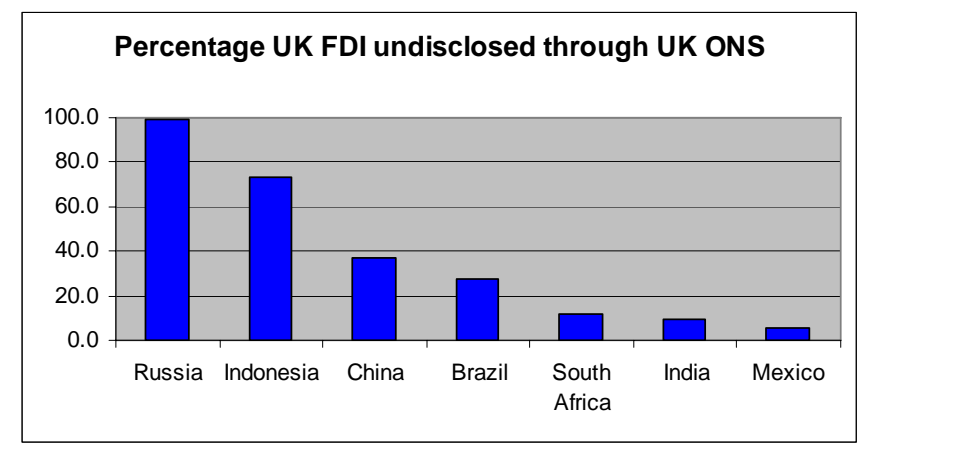
Table 2 provides a breakdown of sectoral FDI adjusted using national sources for China and Russia.

(£ million)									
	India	China	South Africa	Mexico	Indonesia	Russia	Brazil	Total	Global
Total UK Investment: 2006 Data ¹	2,302	2,230	8,630	2,271	1,521	6,051	2,791	25,796	734,674
Manufacturing Industries ²	1,235	1,155	237	319	73	443	1,400	4,862	200,263
Non-Manufacturing Industries ³	1,067	1,075	8,393	1,953	1,448	5,608	1,391	20,935	534,412
Agriculture, forestry & fishing ¹	-	-	-	-	..	-	-	-	140
Mining & quarrying (including oil/gas) ¹	243	..	..	..	..	..	..	..	99,868
Food products ¹	748	274	..	8	..	..	453	..	35,128
Textile & wood, printing & publishing ¹	16	13	..	8	..	..	..	..	314
Chemical, plastic & fuel products ¹	224	450	246	196	43	..	350	..	95,956
Metal & mechanical products ¹	159	86	204	2	..	4	..	..	10,408
Office,IT & communications equipment ¹	..	..	..	..	..	..	..	..	3,124
Transport equipment ¹	..	..	37	..	..	..	..	..	13,069
Other manufacturing ¹	28	252	60	23	10	..	80	..	42,264
Electricity, gas & water ¹	..	-	-	..	..	-	..	..	16,683
Construction ¹	..	..	-	..	..	..	..	..	18,423
Retail/ wholesale trade & repairs ¹	40	16	..	30	..	..	26	..	68,675
Hotels & restaurants ¹	..	-	..	-	-	..	-	..	19,467
Transport & communications ¹	192	138	115	10	164	..	28	..	89,377
Financial services ¹	171	102	6,359	1,858	162	..	1,008	..	124,272
Real estate & business services ¹	230	72	595	21	29	26	69	..	45,189
Other services ¹	26	..	..	..	..	..	..	..	52,318
Sum of sectors	2,077	1,403	7,616	2,136	408	30	2,014	15,684	734,675
Actual Difference from Total	225	827	1,014	135	1,113	6,021	777	10,112	1
% Difference from Total	9.8%	37.1%	11.7%	5.9%	73.2%	99.5%	27.8%	39.2%	0.0%

Sources/Notes:

1 = National Statistics 'Business Monitor MA4 - Foreign Direct Investment 2006'.
2 = ONS, Manufacturing industries cover MA4 sectors 'Food products' to 'Other manufacturing' (SIC2003 codes 15 to 36).
3 = ONS, Non-manufacturing industries cover MA4 sectors 'Agriculture, forestry & fishing' to 'mining & quarrying (including oil & gas)' and sectors 'Electricity, gas & water' to 'Other services'. (SIC2003 codes 01 to 14 and 37 to 99).
- = Indicates that no data was found in the survey responses.
.. = Indicates that data is disclosive and cannot be published.

**Table 1. UK FDI (value) in “SDD+2” countries’ for 2006.
GHK derived tabulation using UK ONS data.**



(£ million)									
	India	China ²	South Africa	Mexico	Indonesia	Russia ³	Brazil	Total	Global
Total UK Investment: 2006 Data ¹	2,302	2,230	8,630	2,271	1,521	6,051	2,791	25,796	734,674
Agriculture, forestry & fishing ¹	-	..	-	-	..	48	-		140
Mining & quarrying (including oil/gas) ¹	243	930	..	..	..	1,253	..		99,868
Food products ¹	748	217	..	8	..	224	453		35,128
Textile & wood, printing & publishing ¹	16	38	..	8	..	133	..		314
Chemical, plastic & fuel products ¹	224	296	246	196	43	660	350		95,956
Metal & mechanical products ¹	159	68	204	2	..	647	..		10,408
Office,IT & communications equipment ¹	..	..	..	..	..	73	..		3,124
Transport equipment ¹	..	25	37	..	..	67	..		13,069
Other manufacturing ¹	28	224	60	23	10	-	80		42,264
Electricity, gas & water ¹	..	..	-	..	..	42	..		16,683
Construction ¹	..	..	-	..	..	54	..		18,423
Retail/ wholesale trade & repairs ¹	40	56	..	30	..	1,289	26		68,675
Hotels & restaurants ¹	..	..	..	-	-	18	-		19,467
Transport & communications ¹	192	120	115	10	164	502	28		89,377
Financial services ¹	171	127	6,359	1,858	162	405	1,008		124,272
Real estate & business services ¹	230	117	595	21	29	557	69		45,189
Other services ¹	26	6	..	..	..	48	..		52,318
Sum of sectors	2,077	2,223	7,616	2,136	408	6,021	2,014	22,495	734,675
Actual Difference from Total	225	7	1,014	135	1,113	30	777	3,301	- 1
% Difference from Total	9.8%	0.3%	11.7%	5.9%	73.2%	0.5%	27.8%	12.8%	0.0%

Sources/Notes:

1 = National Statistics 'Business Monitor MA4 - Foreign Direct Investment 2006'.
2 = China data applies 2004 ONS sectoral distribution to 2006 data.
3 = Russia data applies sectoral distribution from total foreign investments in Russia (Source: Russia Federal State Statistics Service) to 2006 ONS data of UK total investment in Russia.
- = Indicates that no data was found in the survey responses.
.. = Indicates that data is disclosive and cannot be published.

Table 2. UK FDI (value) in “SDD+2’ countries’ for 2006. GHK derived tabulation using UK ONS data but with supplementary analysis for China and India.

6.3 'SDD+2' country profiles

India

UK FDI into India has increased steadily and significantly over time from £1.4 billion in 2002, at an average rate of more than 13% per annum to reach a value of £2.3 billion at the end of 2006 (Appendix I and Figure 21).

Key points are:

- The ONS data for India looks reliable given the consistent trends over time, including the low and consistent proportion of investments excluded for reasons of confidentiality;
- Investments by UK manufacturing industries are particularly high in India, accounting for around 54% of all UK investment in the country (Figure 22). This is higher than all other 'SDD+2' countries and the UK global average;
- The most significant sector in India for UK investors has consistently been the food processing sector over each of the last five years, which at the end of 2006 accounted for approximately one-third of all UK investment into India.
- Other major sectors for UK investment include mining and quarrying, real estate and business services, and manufacturing of chemical, plastic and fuel products.
- IRIS Business Services in India reports that India is one of the largest recipients of FDI in the world, receiving \$3.75 billion in 2004/05 alone. It also states that the UK is the third largest investor in India with cumulative FDI of US\$4.13 billion. The UK is also reported to be one of the major contributors of technology to India with 860 technical collaborations in the past 17 years.

China

The UK is one of the largest foreign investors in China, and the largest EU investor, with over 5,480 UK-invested projects at the end of March 2007 with an FDI value of £2.2 billion at the end of 2006, slightly lower than the Indian total (Appendix I and Figure 22). As with India there is significant UK investments into the Chinese manufacturing sector, which accounts for more than half of all UK investment in China.

Key points are:

- The data for China is apparently more inconsistent over time than the other 'SDD+2' countries, with the UK investment position fluctuating between £1.8 and £3.2 billion during the last five years. This could reflect unreliability in the data, caused by changes in the sample of companies from year to year, or it could suggest that significant investment and disinvestment is relatively common for UK companies in relation to China.
- The proportion of UK investment excluded for reasons of confidentiality is also highly variable over time. In 2004, practically all UK investment in China could be allocated to its relevant sector but not for 2006 using UK ONS statistics.

- GHK have calculated an alternative 2006 dataset for China which suggests that mining and quarrying is the most significant sector for UK investors in China, accounting for some 42% of the total invested by UK companies (Figure 23). The data is not available from the ONS data for 2006, but qualitative evidence suggests that UK companies are still investing significantly in China's mining and quarrying sector.
- The other key Chinese sectors for UK investment are the manufacture of chemical, plastic and fuel products, food processing, and 'other manufacturing'.

Indonesia

The net value of UK investments into Indonesia at the end of 2006 was £1.5 billion according to UK ONS statistics (Appendix I and Figure 21). This total figure has been relatively consistent over time, increasing from £1 billion in 2002 at an average of almost 11% per annum.

Key points are:

- There is a lack of comprehensive sectoral data for Indonesia for confidentiality reasons. Unlike for Russia and China, GHK could not identify supplementary sources of data for Indonesia that can provide more comprehensive sector analysis than that offered by the UK ONS;
- The data do suggest that UK companies are much more likely to invest in primary / extractive sectors and / or service sectors, rather than manufacturing, which accounts for less than 5% of total UK investments to the end of 2006.
- The most significant sector, for which data is available, is transport and communications, although this represents only 11% of total UK investment into Indonesia.
- According to official Indonesian statistics, the UK is fifth in terms of foreign investors. Although accurate figures for total UK investment appear to be unavailable (as much of the investment described as British comes through the British Virgin Islands), estimates suggest the figure could be US\$20 billion or more, around US\$11 billion of which is likely to be concentrated in the oil and gas sector. This suggests a large disparity between the ONS FDI data described above and these Indonesian statistics.

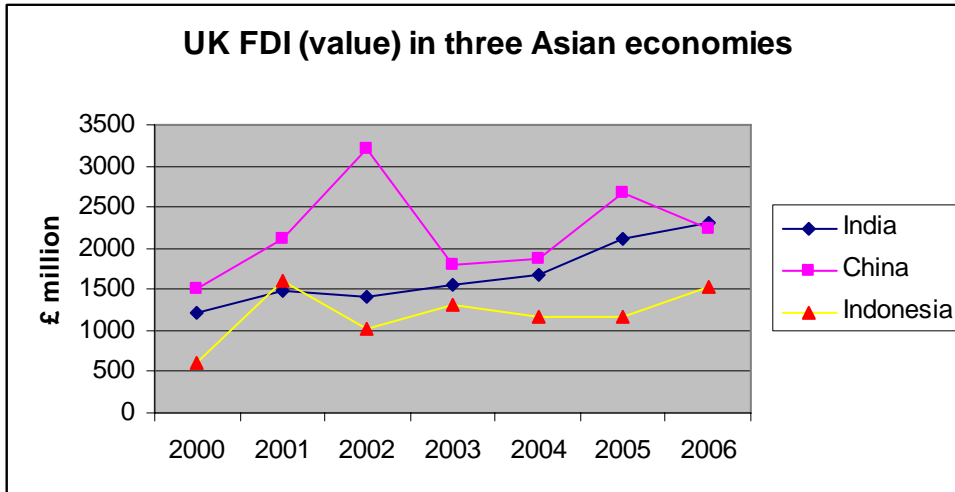


Figure 21: UK FDI (value) through time in three Asian countries

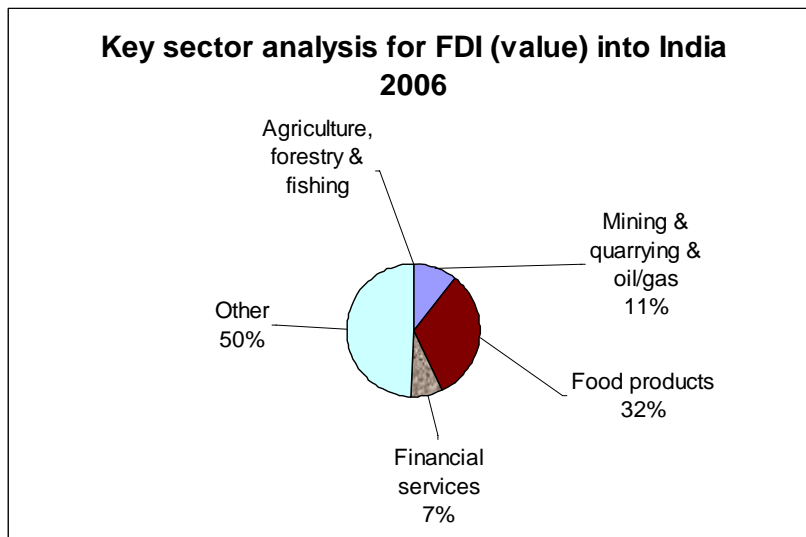


Figure 22: UK FDI (value) in key sectors in India 2006

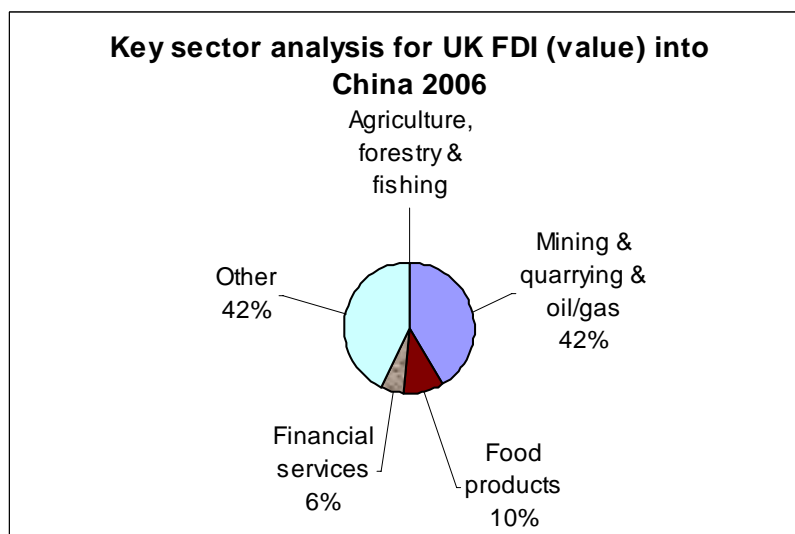


Figure 23: UK FDI (value) in key sectors in China 2006

Brazil

The net FDI position (value) for UK investment into Brazil was reported by UK ONS to be £2.8 billion at the end of 2006 (Appendix I and Figure 24).

Key points:

- GHK regard the UK ONS data trends for Brazil as consistent, increasing steadily between 2002 and the peak in 2004 before declining to 2006.
- The significance of UK investments into the manufacturing sector is particularly high in Brazil, accounting for just over half of all UK investment in the country (Figure 26).
- The proportion of UK investment excluded for reasons of confidentiality has fluctuated between 20% and 50% over the period 2002 -2006. In 2006, just over one quarter of UK investment could not be allocated to individual sectors for confidentiality reasons.
- The ONS FDI data do suggest that the financial services sector in Brazil is of growing significance in terms of UK investment, accounting for 69% of the total in 2006.
- The data for 2006 and previous years suggest mining and quarrying, the manufacture of chemical, plastic and fuel products, and the food processing sectors are also significant recipients of UK investment.

Mexico

UK ONS data suggest that the net FDI position (value) for UK investment into Mexico stood at £2.3 billion at the end of 2006 (Appendix I and Figure 24).

Key points:

- The data is relatively consistent over time, increasing between 2002 and 2005 before falling back slightly in 2006. The 2006 data has a relatively small proportion of data excluded for reasons of confidentiality (only 6% of the total);
- The ONS data suggest the most significant sector in Mexico is financial services, accounting for 82% of UK total investment in the country with the next significant sector manufacturing of chemical, plastic and fuel products, although the data suggest that only 14% of UK investments are in this sector.
- There is no data available for the mining and quarrying although GHK believe FDI into this sector may be significant.

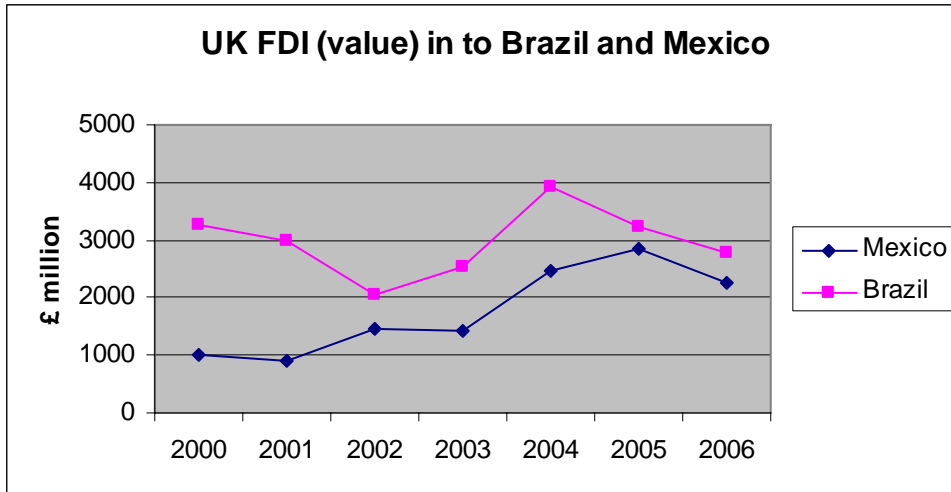


Figure 24: UK FDI (value) through time in the two Latin American SDD countries

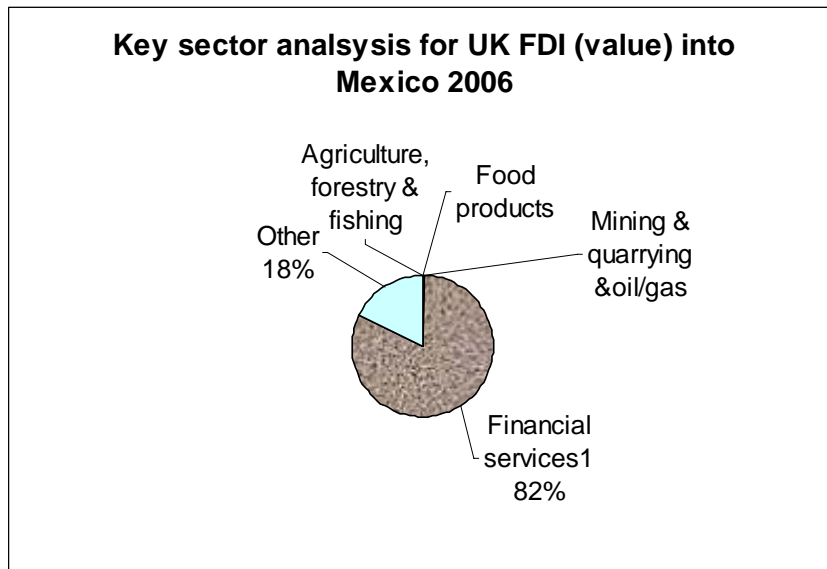


Figure 25: UK FDI (value) in key sectors in Mexico 2006

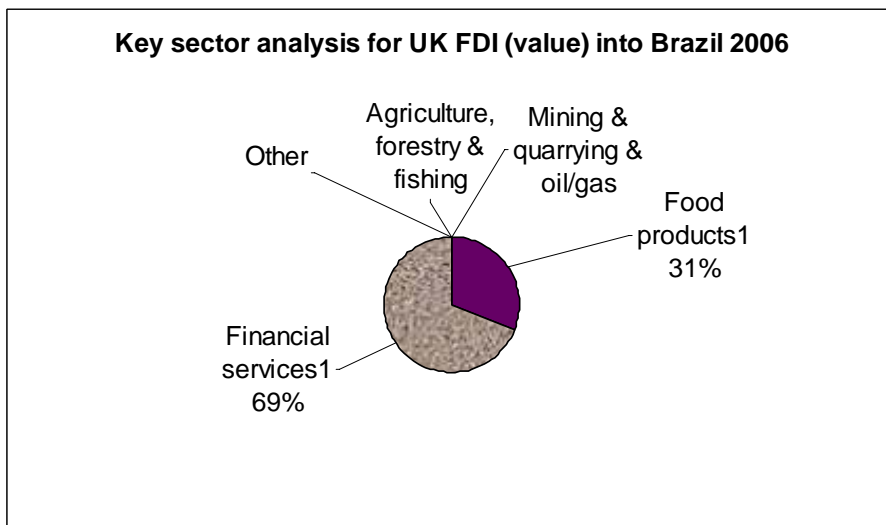


Figure 26: UK FDI (value) in key sectors in Brazil 2006

South Africa

The net FDI position (value) for UK investment into South Africa was £8.6 billion at the end of 2006 (Appendix I and Figure 27). This suggests UK investment into South Africa is the highest of all seven 'SDD+2' countries.

Key points:

- In the 2006 UK ONS data the financial services sector is the dominant destination of UK investment, accounting for almost 75% of the total (Figure 28).
- South Africa has the lowest share of manufacturing investment at less than 3% of total UK investment.
- The data for earlier years suggests that the retail and wholesale, and mining and quarrying sectors also receive a significant amount of investment from the UK, although the data are not available in 2006 for reasons of confidentiality.
- The data for South Africa is also inconsistent over time and the 2006 total for UK investment is 37% lower than the 2005 figure. This suggests significant fluctuations in levels of investment and disinvestment, but may also reflect currency fluctuations and variations in data reliability.
- The proportion of UK investment excluded for reasons of confidentiality is also highly variable over time. The 2006 data actually has the lowest proportion of unaccounted investments by sector, at just 12%.

Russia

The net FDI (value) position for UK investment into Russia was more than £6 billion at the end of 2006 (Appendix I and Figure 30). This represents a significant increase over previous years which reflects a number of large recent UK investments in Russia.

Key points:

- The ONS data shows a steady increase in UK investment in Russia between 2002 and 2005 before a threefold increase between 2005 and 2006. In Russia, FDI as a proportion of GDP is already higher than India and is set to overtake China.
- There are over 400 UK companies involved in Russia and the UK is consistently among the top five foreign investors in Russia. The UKTI reports that the UK was the largest overall investor in Russia in the first half of 2007.
- The ONS data suggest that the vast majority of UK investment is into primary and extractive sectors and service sectors, rather than manufacturing, which accounts for just 7% of total UK investment into Russia. However the ONS FDI data for Russia has a particularly high proportion of UK investment data

excluded for confidentiality, which is consistently high over time. This makes any sectoral analysis impossible, using ONS FDI data for Russia.

- The Russia State Federal Statistics Service does provide detailed sector information for *total foreign investment* in Russia. An adjusted data set has been created by GHK for JNCC using the original 2006 ONS FDI total for UK investment in Russia and this Russian analysis based on an assumption that UK investment in Russia is representative of all foreign investment in Russia. This may not be correct.
- The adjusted total suggests that mining and quarrying, and retail and wholesale are the most significant sectors, accounting for some 42% of the total invested. The significance of mining and quarrying in this analysis is likely to be correct given the significant recent activities of BP and Shell in Russia.

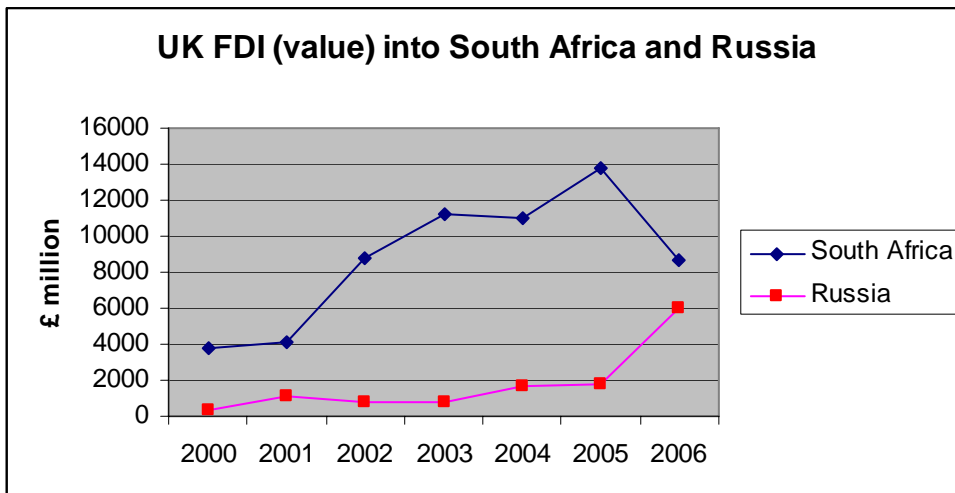


Figure 27: UK FDI (value) through time in Russia and South Africa

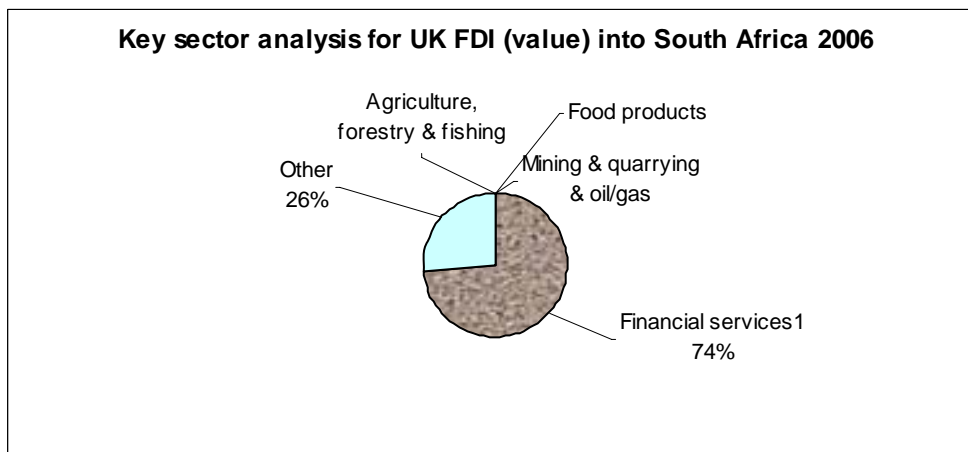


Figure 28: UK FDI (value) in key sectors in South Africa 2006

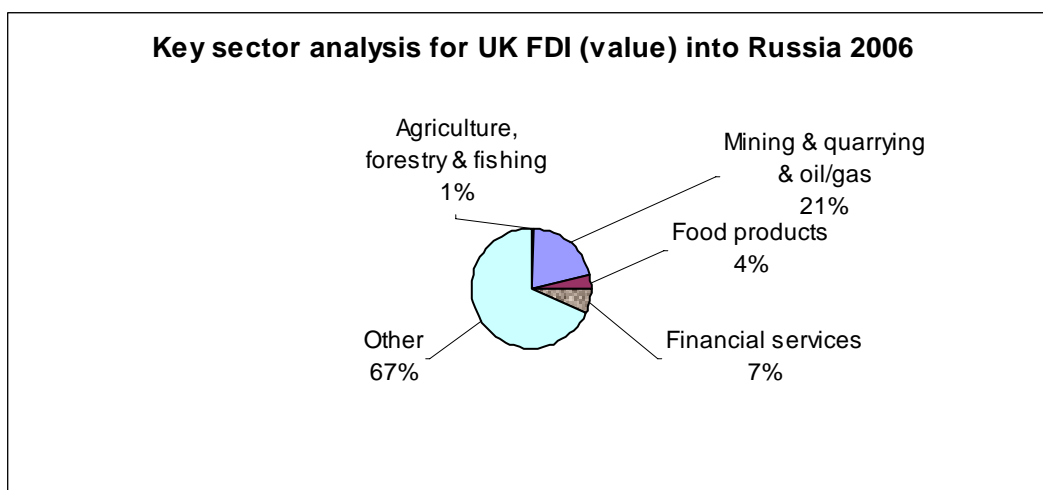


Figure 29: UK FDI (value) in key sectors in Russia 2006

7. Sustainability implications for UK FDI – future JNCC work.

7.1 Key investment sectors

The seven the 'SDD+2' countries (China, India, South Africa, Mexico, Brazil plus Indonesia and Russia) referred to in this document include some of the fastest growing global economies, in particular the BRICs countries (Brazil, Russia, India, China) which are forecast to be the major centres of economic growth in the future. Current global GDP is dominated with Europe, the US and Japan, accounting for 75% of GDP in 2007 but Goldman Sachs predict the BRICs economies will reach parity with these economies by 2030¹³.

Understanding the UK role in these growing economies is essential to understand the ways and means through which UK corporations, and government, may be involved in generating or alleviating growing environmental pressures resulting from economic expansion in South America, Africa, the CIS and Asia. Understanding the relative importance of UK investment in different countries and different sectors, and the different sustainability issues associated with each sector within each country is also essential.

Analysis of global and UK patterns of UK FDI suggests that the following sub-sectors are of prime importance in terms of level of investment and/or likely environmental impacts within receiving countries:

- **Financial services** (within the Service Industries sector) including:
 - i. financial intermediation services/banks/building societies/investment trusts/venture capital companies;
 - ii. insurance services/life/non-life/pensions
 - iii. other financial intermediation services
- **Food products** (within the Manufacturing industries sector) which includes food/tea/coffee/beverage production;
- **The extractive industries** (within the Primary Resources sector) including:
 - i. Coal/peat mining
 - ii. Oil/gas extraction and related services
 - iii. Mining of uranium/thorium ores
 - iv. Mining of metal ores
 - v. Other mining and quarrying
- **Agriculture, forestry & fishing** (within the Primary Resources sector) - although attracting low levels of direct investment these activities are highly significant from an ecosystem impact perspective, and are related to investment in financial services (which may direct investment into these

13 www.unglobalcompact.org/docs/summit2007/g_s_esg_embargoed_until030707pdf.pdf

sectors) and to the food industry. Sub-sectors within this group, within UK ONS dataset, are:

- i. Agriculture/hunting and trapping;
- ii. Forestry/logging;
- iii. Fishing/fish hatcheries

7.2 Initial sustainability analysis

This Phase I report makes no attempt to analyse the sustainability implications of UK FDI into the 'SDD+2' countries. Phase II work – in progress – will undertake such an analysis of sector impacts in general sustainability terms and more specifically in relation to biodiversity impacts. The GHK report for JNCC has undertaken a generic analysis of biodiversity impacts of individual business sub-sectors which will be further developed.

Significant work has been done by Defra on the impact of consumption and production¹⁴ in the context of the UK economy and its relationship to the rest of the world and by Dfid on the impact of specific business sectors.

Defra work has examined the general environmental¹⁵ and biodiversity¹⁶ impacts of the production of a range of specific mineral and food products with the intention of:

- Identifying vulnerable ecosystems around the world;
- Identifying policy areas where efforts should be targeted to ensure biggest gains in reducing impacts, including biodiversity loss;
- Identifying the evidence base to inform policy.

This Sustainable Consumption and Production (SCP) research is complemented by a strategic review of the global biodiversity impacts of a series of industry sectors undertaken by Dfid¹⁷. There is therefore already a significant body of research into the impacts of the UK economy on global ecosystems through consumption, production and specific business sectors. The Dfid review provides high level impact analysis for energy, food, forestry and mining 'sectors'. The Defra review includes detailed analysis of more specific sector impacts. Figure 30 summarises the extent of Defra and Dfid reviews/case studies relevant to sustainability assessment of UK FDI. A key role for future JNCC work is to collate such research in the context of global ecosystem impacts.

14 <http://www.defra.gov.uk/Environment/business/scp/>

15 SCP Evidence Base: Sustainable Commodities. Scott Wilson Planning Environment & Landscape (Defra research project number EV02019)

16 International impacts of UK and EU consumption: biodiversity. Scott Wilson Planning Environment & Landscape (Defra research project number EV02002)

17 UK Impacts on International Biodiversity, October 2007

7.3 Phase II work

Work is in progress to extend and collate analysis of the impacts and policy relevance of UK FDI against the following framework;

- **identify existing indicators and reviews of sustainability impacts of the four key sectors.** These include use of UK Dfid reports on biodiversity impacts of industry sectors ¹⁸ (Figure 30), and industry sector analysis of the kind promoted by Goldman Sachs ¹⁹ and Covalence ²⁰;
- **extend the analysis from the current seven countries** to include other non-OECD countries (such as Colombia, Argentina, Mozambique, Malaysia etc.);
- **link the FDI research to ongoing JNCC work on biomass for bioenergy programmes** across South America, Africa and Eurasia;
- **use industry and UK Stock Exchange indicators** to identify UK companies that qualify as 'Sustainability leaders' in their respective sectors;
- **link UK FDI analysis** to ongoing work on identifying high conservation value areas within priority countries which have strong political and economic links to the UK
- **integrate results – statistics and analysis – into the project website** to allow access to up-to-date statistics, maps, links to commodity and biofuels data and analysis.²¹

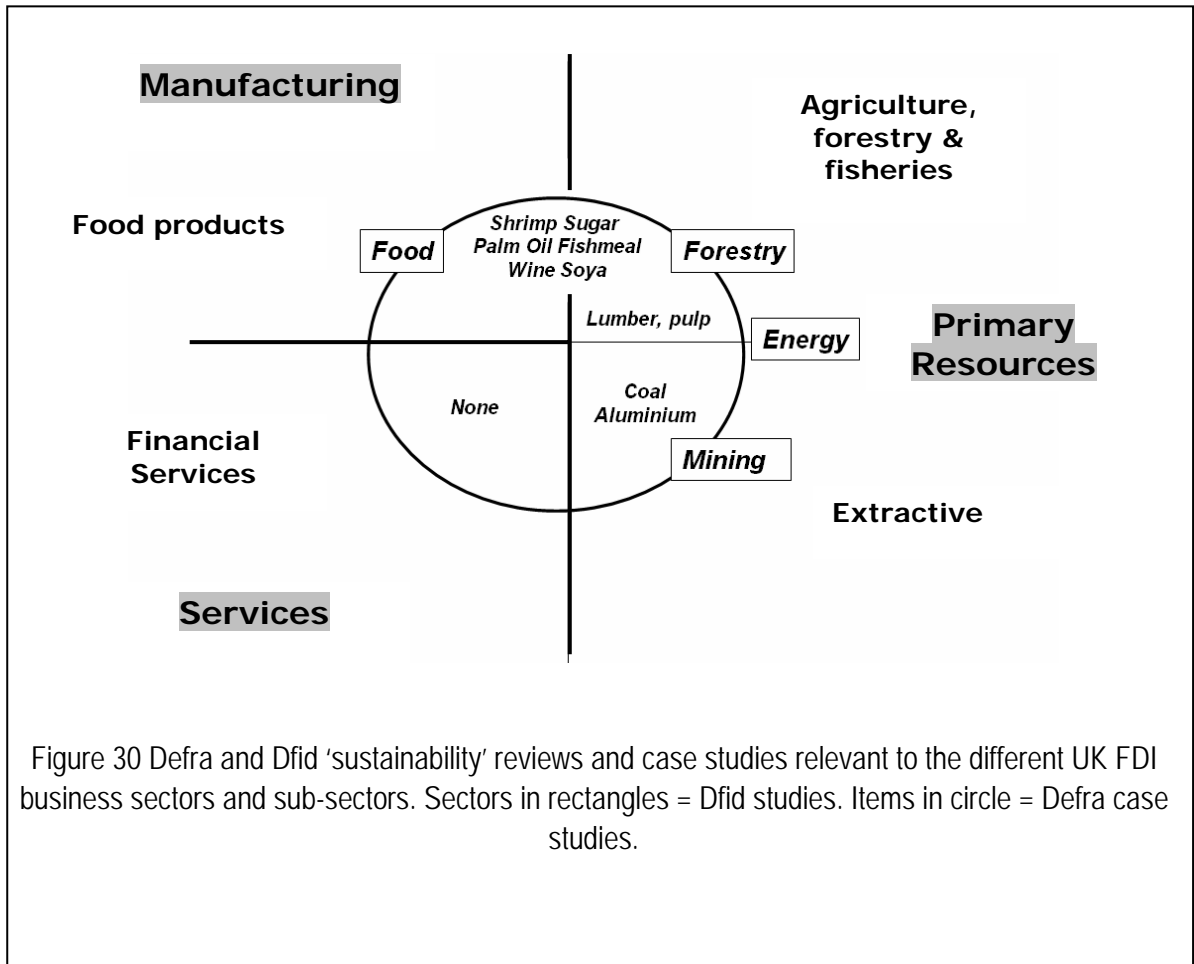
Context for this analysis will be provided by the Defra and Dfid reports referred to in section 7.2, the Millennium Ecosystem Assessment analysis of drivers of biodiversity loss and country specific information on ecosystem threats in the priority countries identified through the JNCC Global Impacts Programme. A Phase II report will be available in late Summer 2008 but delivery of results of this work will also be through the project website to give access to data and map sets.

18 www.ukglobalinfluence.org/Backgrounders/EconomicSectors.cfm

19 www.unglobalcompact.org/docs/summit2007/g_s_esg_embargoed_until030707pdf.pdf

20 www.covalence.ch/

21 www.ukglobalinfluence.org



Appendix I 'SDD+2' datasheets

The following tabulations are based on UK ONS statistics. They record UK FDI net investment position (value) in the 'SDD+2' countries (China, India, South Africa, Mexico, Brazil plus Indonesia and Russia). They provide a breakdown of the investment position by country and by business sector. For China and Russia the ONS statistics are supplemented from other sources to provide an analysis of sector investment not directly available from ONS statistics.

See GHK report (www.ukglobalinfluence.org/UKFDI/index.cfm) for additional details.

India	2002	2003	2004	2005	2006
Total UK Investment ¹	1,409	1,555	1,682	2,126	2,302
Manufacturing Industries ²					1,235
Non-Manufacturing Industries ³					1,067
Agriculture, forestry & fishing ¹	-	-	-	-	-
Mining & quarrying (including oil/gas) ¹	..	..	..	..	243
Food products ¹	759	755	772	858	748
Textile & wood, printing & publishing ¹	89	106	45	45	16
Chemical, plastic & fuel products ¹	165	186	198	257	224
Metal & mechanical products ¹	77	44	56	131	159
Office,IT & communications equipment ¹	..	..	..	..	..
Transport equipment ¹	..	..	..	..	..
Other manufacturing ¹	18	5	6	31	28
Electricity, gas & water ¹	..	..	..	..	..
Construction ¹	..	..	..	..	..
Retail/ wholesale trade & repairs ¹	10	11	9	16	40
Hotels & restaurants ¹	-	..	..	..	..
Transport & communications ¹	91	144	173	243	192
Financial services ¹	39	106	111	125	171
Real estate & business services ¹	33	53	62	85	230
Other services ¹	-	..	33	..	26
Sum of sectors	1,281	1,410	1,465	1,791	2,077
Actual Difference from Total	128	145	217	335	225
% Difference from Total	9.1%	9.3%	12.9%	15.8%	9.8%

Sources/Notes: 1 = National Statistics 'Business Monitor MA4 - Foreign Direct Investment 2006'.

2 = ONS, Manufacturing industries cover MA4 sectors 'Food products' to 'Other manufacturing' (SIC2003 codes 15 to 36).

3 = ONS, Non-manufacturing industries cover MA4 sectors 'Agriculture, forestry & fishing' to 'mining & quarrying (including oil & gas)' and sectors 'Electricity, gas & water' to 'Other services'. (SIC2003 codes 01 to 14 and 37 to 99).

- = Indicates that no data was found in the survey responses.

.. = Indicates that data is disclosive and cannot be published.

China	2002	2003	2004	2005	2006	2006 Adjusted ⁴
Total UK Investment ¹	3,212	1,809	1,882	2,685	2,230	2,230
Manufacturing Industries ²					1,155	
Non-Manufacturing Industries ³					1,075	
Agriculture, forestry & fishing ¹	-	-	..	-	-	..
Mining & quarrying (including oil/gas) ¹	..	..	785	..	..	930
Food products ¹	..	127	183	215	274	217
Textile & wood, printing & publishing ¹	55	64	32	47	13	38
Chemical, plastic & fuel products ¹	194	204	250	365	450	296
Metal & mechanical products ¹	140	78	57	64	86	68
Office,IT & communications equipment ¹	..	..	..	3	..	..
Transport equipment ¹	59	72	21	62	..	25
Other manufacturing ¹	165	136	189	161	252	224
Electricity, gas & water ¹	..	..	..	..	-	..
Construction ¹	..	..	..	..	..	..
Retail/ wholesale trade & repairs ¹	..	..	47	138	16	56
Hotels & restaurants ¹	..	-	..	-	-	..
Transport & communications ¹	131	127	101	..	138	120
Financial services ¹	..	119	107	..	102	127
Real estate & business services ¹	66	262	99	98	72	117
Other services ¹	-	7	5	21	..	6
Sum of sectors	810	1,196	1,876	1,174	1,403	2,223
Actual Difference from Total	2,402	613	6	1,511	827	7
% Difference from Total	74.8%	33.9%	0.3%	56.3%	37.1%	0.3%

Sources/Notes: 1 = National Statistics 'Business Monitor MA4 - Foreign Direct Investment 2006'.

2 = ONS, Manufacturing industries cover MA4 sectors 'Food products' to 'Other manufacturing' (SIC2003 codes 15 to 36).

3 = ONS, Non-manufacturing industries cover MA4 sectors 'Agriculture, forestry & fishing' to 'mining & quarrying (including oil & gas)' and sectors 'Electricity, gas & water' to 'Other services'. (SIC2003 codes 01 to 14 and 37 to 99).

4 = Adjusted 2006 data applies 2004 ONS sectoral distribution to 2006 total.

- = Indicates that no data was found in the survey responses.

South Africa	2002	2003	2004	2005	2006
Total UK Investment ¹	8,765	11,250	10,964	13,733	8,630
Manufacturing Industries ²					237
Non-Manufacturing Industries ³					8,393
Agriculture, forestry & fishing ¹	-	-	-	-	-
Mining & quarrying (including oil/gas) ¹	..	2,023	..	..	..
Food products ¹	289	514	581	287	..
Textile & wood, printing & publishing ¹	..	..	..	..	..
Chemical, plastic & fuel products ¹	196	233	254	328	246
Metal & mechanical products ¹	445	381	512	319	204
Office, IT & communications equipment ¹	2	..	..	..	..
Transport equipment ¹	12	23	..	15	37
Other manufacturing ¹	127	91	78	88	60
Electricity, gas & water ¹	-	-	-	-	-
Construction ¹	..	..	..	..	-
Retail/ wholesale trade & repairs ¹	4,535	3,072	3,484	3,266	..
Hotels & restaurants ¹	..	..	..	-	..
Transport & communications ¹	95	152	..	..	115
Financial services ¹	232	..	..	..	6,359
Real estate & business services ¹	1,793	2,626	421	298	595
Other services ¹	..	..	..	..	..
Sum of sectors	7,148	8,087	3,326	4,027	7,616
Actual Difference from Total	1,617	3,163	7,638	9,706	1,014
% Difference from Total	18.4%	28.1%	69.7%	70.7%	11.7%

Sources/Notes: 1 = National Statistics 'Business Monitor MA4 - Foreign Direct Investment 2006'.
2 = ONS, Manufacturing industries cover MA4 sectors 'Food products' to 'Other manufacturing' (SIC2003 codes 15 to 36).
3 = ONS, Non-manufacturing industries cover MA4 sectors 'Agriculture, forestry & fishing' to 'mining & quarrying (including oil & gas)' and sectors 'Electricity, gas & water' to 'Other services'. (SIC2003 codes 01 to 14 and 37 to 99).
- = Indicates that no data was found in the survey responses.
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Indonesia	2002	2003	2004	2005	2006
Total UK Investment ¹	1,014	1,309	1,178	1,168	1,521
Manufacturing Industries ²					73
Non-Manufacturing Industries ³					1,448
Agriculture, forestry & fishing ¹	..	..	..	..	..
Mining & quarrying (including oil/gas) ¹	..	..	..	..	..
Food products ¹	70	..	..	118	..
Textile & wood, printing & publishing ¹	..	..	-	..	..
Chemical, plastic & fuel products ¹	42	43	44	53	43
Metal & mechanical products ¹	..	..	..	..	..
Office,IT & communications equipment ¹	..	..	-	..	..
Transport equipment ¹	..	..	..	-	..
Other manufacturing ¹	24	..	..	8	10
Electricity, gas & water ¹	..	..	..	..	..
Construction ¹	..	..	..	..	..
Retail/ wholesale trade & repairs ¹	30	32	..	..	..
Hotels & restaurants ¹	-	-	-	-	-
Transport & communications ¹	146	137	242	192	164
Financial services ¹	19	22	53	91	162
Real estate & business services ¹	25	29	29	25	29
Other services ¹	-	..	..	..	..
Sum of sectors	356	263	368	487	408
Actual Difference from Total	658	1,046	810	681	1,113
% Difference from Total	64.9%	79.9%	68.8%	58.3%	73.2%

Sources/Notes: 1 = National Statistics 'Business Monitor MA4 - Foreign Direct Investment 2006'.

2 = ONS, Manufacturing industries cover MA4 sectors 'Food products' to 'Other manufacturing' (SIC2003 codes 15 to 36).

3 = ONS, Non-manufacturing industries cover MA4 sectors 'Agriculture, forestry & fishing' to 'mining & quarrying (including oil & gas)' and sectors 'Electricity, gas & water' to 'Other services'. (SIC2003 codes 01 to 14 and 37 to 99).

- = Indicates that no data was found in the survey responses.

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(£ million)

Russia	2002	2003	2004	2005	2006	2006 Adjusted ⁴
Total UK Investment ¹	744	777	1,627	1,814	6,051	6,051
Manufacturing Industries ²					443	
Non-Manufacturing Industries ³					5,608	
Agriculture, forestry & fishing ¹	-	-	-	-	-	48
Mining & quarrying (including oil/gas) ¹	..	121	..	..	..	1,253
Food products ¹	..	..	360	366	..	224
Textile & wood, printing & publishing ¹	..	4	..	..	..	133
Chemical, plastic & fuel products ¹	..	..	..	..	..	660
Metal & mechanical products ¹	..	34	28	..	4	647
Office,IT & communications equipment ¹	..	..	..	..	..	73
Transport equipment ¹	-	-	..	-	..	67
Other manufacturing ¹	..	..	4	6	..	-
Electricity, gas & water ¹	-	-	-	-	-	42
Construction ¹	..	..	..	..	..	54
Retail/ wholesale trade & repairs ¹	..	..	..	..	..	1,289
Hotels & restaurants ¹	..	..	..	..	..	18
Transport & communications ¹	-	4	3	..	..	502
Financial services ¹	..	..	..	..	..	405
Real estate & business services ¹	-	2	..	-	6	26
Other services ¹	..	..	..	..	..	48
Sum of sectors	-	165	395	366	30	6,021
Actual Difference from Total	744	612	1,232	1,448	6,021	30
% Difference from Total	100.0%	78.8%	75.7%	79.8%	99.5%	0.5%

Sources/Notes: 1 = National Statistics 'Business Monitor MA4 - Foreign Direct Investment 2006'.

2 = ONS, Manufacturing industries cover MA4 sectors 'Food products' to 'Other manufacturing' (SIC2003 codes 15 to 36).

3 = ONS, Non-manufacturing industries cover MA4 sectors 'Agriculture, forestry & fishing' to 'mining & quarrying (including oil & gas)' and sectors 'Electricity, gas & water' to 'Other services'. (SIC2003 codes 01 to 14 and 37 to 99).

4 = Russia data applies sectoral distribution from total foreign investments in Russia (Source: Russia Federal State Statistics Service) to 2006 ONS data of UK total investment in Russia.

- = Indicates that no data was found in the survey responses.

(£ million)

Brazil	2002	2003	2004	2005	2006
Total UK Investment ¹	2,050	2,532	3,922	3,220	2,791
Manufacturing Industries ²					1,400
Non-Manufacturing Industries ³					1,391
Agriculture, forestry & fishing ¹	-	..	..	..	-
Mining & quarrying (including oil/gas) ¹	317	406	793	621	..
Food products ¹	..	369	439	453	453
Textile & wood, printing & publishing ¹	66	..	14	5	..
Chemical, plastic & fuel products ¹	237	127	192	505	350
Metal & mechanical products ¹	106	404	357	- 77	..
Office,IT & communications equipment ¹	..	..	-	..	..
Transport equipment ¹	86	109	..	..	..
Other manufacturing ¹	205	118	126	55	80
Electricity, gas & water ¹	..	..	..	..	..
Construction ¹	..	-	..	4	..
Retail/ wholesale trade & repairs ¹	34	51	..	..	26
Hotels & restaurants ¹	..	..	..	-	-
Transport & communications ¹	..	63	51	..	28
Financial services ¹	165	..	..	894	1,008
Real estate & business services ¹	24	23	20	46	69
Other services ¹	-	..	..	..	..
Sum of sectors	1,240	1,670	1,992	2,506	2,014
Actual Difference from Total	810	862	1,930	714	777
% Difference from Total	39.5%	34.0%	49.2%	22.2%	27.8%

Sources/Notes: 1 = National Statistics 'Business Monitor MA4 - Foreign Direct Investment 2006'.

2 = ONS, Manufacturing industries cover MA4 sectors 'Food products' to 'Other manufacturing' (SIC2003 codes 15 to 36).

3 = ONS, Non-manufacturing industries cover MA4 sectors 'Agriculture, forestry & fishing' to 'mining & quarrying (including oil & gas)' and sectors 'Electricity, gas & water' to 'Other services'. (SIC2003 codes 01 to 14 and 37 to 99).

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Appendix II – business sector classification for FDI statistics.

Source: UK ONS Business Monitor MA4 Foreign Direct Investment 2006.

February 2008

Definitions of industry sectors (numbers represent SIC2003 two digit codes)

Resource industries

Agriculture, forestry & fishing

01 Agriculture/hunting and trapping

02 Forestry/logging

05 Fishing/fish hatcheries

Mining & quarrying (including oil & gas production)

10 Coal/peat mining

11 Oil/gas extraction and related services

12 Mining of uranium/thorium ores

13 Mining of metal ores

14 Other mining and quarrying

Manufacturing industries

Food products

15 Food/tea/coffee/beverage production

16 Tobacco products

Textile & wood, printing & publishing

17 Textiles/weaving/textile products

18 Manufacture of clothing/hats/furs

20 Wood/timber/cork/straw products

21 Pulp/paper/cardboard/other paper products

22 Publishing/printing/other recorded media

Chemicals, plastic & fuel products

23 Manufacture of coke/refined petroleum products/ processing of nuclear fuel

24 Chemical/agrochemical/pharmaceutical products

25 Rubber/plastic products

Metal & mechanical products

27 Manufacture of basic metals/wire/tubes/strip products

28 Manufacture of fabricated metal products

29 Manufacture of machinery and equipment not elsewhere classified

Office, IT & communications equipment

- 30 Office/computer/other IT equipment
- 32 Communications/radio/TV equipment/components

Transport equipment

- 34 Manufacture of vehicles/coachwork/accessories/spare parts/caravans/trailers
- 35 Manufacture of other transport equipment/ships/trains/aircraft/bicycles/motorcycles

Other manufacturing

- 19 Leather tanning/leather products/footwear
- 26 Glass/cement/ceramic/stone/other mineral products
- 31 Electrical machinery (motors, generators, transformers)
- 33 Medical instruments/industrial control products/optical products/timepieces/measuring instruments
- 36 Furniture/jewellery/sports goods/musical instruments/toys and games/other non classified manufacturing
- 37 Recycling of scrap/waste materials

Service industries

Electricity, gas & water

- 40 Electricity/gas/steam production/distribution
- 41 Water collection/purification/ distribution

Construction

- 45 Construction/building installation and completion/civil engineering/rental of construction equipment with operator/ demolition services

Retail/wholesale trade & repairs

- 50 Sale/repair of vehicles/parts/accessories and fuel
- 51 Wholesale/commission trading (excl motor vehicles)
- 52 Retail trading & non classified repairs

Hotels & restaurants

- 55 Hotels/holiday sites/restaurants/bars/catering

Transport & communications

- 60 Land transport/rail/road/pipelines
- 61 Water transport/sea/coastal/inland
- 62 Air transport/passenger/freight/space
- 63 Transport support/cargo storage/travel services
- 64 Postal/courier/telecommunications services

Financial services

- 65 Financial intermediation services/banks/building societies/investment trusts/venture capital companies
- 66 Insurance services/life/non-life/pensions
- 67 Other financial intermediation services

Real estate & business services

- 70 Real estate/buying/selling/developing/managing/rent
- 71 Equipment rental services (excl operator)

- 72 Data processing/IT maintenance and repair /hardware and software consultancies/other related activities
- 73 Research & development services
- 74 Business services/advertising/accounting/industrial/technical/recruitment/security/legal/architects etc

Other services

- 75 General public service activities
- 80 Education/primary/secondary/higher/adult
- 85 Medical/dental/veterinary/social services
- 90 Sewage/sanitation/refuse services
- 91 Activities of membership organisations
- 92 Recreational/cultural/sports activities/news agencies
- 93 Other services not elsewhere classified
- 95 Domestic services in private households
- 96 Undifferentiated goods producing activities*
- 97 Undifferentiated services producing activities*
- 99 Extra territorial organisations & bodies

Split 2 digit SIC2003 industry codes

- 65 Financial intermediation services
 - 651 Other non banking intermediation services
 - 652 Banks
- 66 Insurance services
 - 661 Life (long term) insurance services
 - 662 Non-life (general) insurance & pension services
- 67 Other financial intermediation services
 - 671 Security dealers
 - 672 Other financial intermediation services
- 74 Business services
 - 741 Holding companies
 - 742 Other business services