

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

World Investment Report 2006

**FDI from Developing and
Transition Economies:
Implications for Development**



**United Nations
New York and Geneva, 2006**

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PREFACE

This year's *World Investment Report* highlights the changing role of developing countries and transition economies in global foreign direct investment and the international production system. It examines their emergence as significant sources of foreign direct investment as well as the underlying factors and broader implications.

The *Report* stresses that such outward investment offers an additional avenue for developing countries to link up to global markets and production systems. If managed successfully, these investments can help firms access markets, natural resources, foreign capital, technology or various intangible assets that are essential to their competitiveness but that may not be readily available in their home countries. Appropriate policies are needed to mitigate the risks and costs and seize the opportunities arising from outward investment.

From a host-country perspective the rise of transnational corporations from developing and transition economies expands the range of potential sources of finance, technology and management know-how. This is of particular relevance to low-income countries. As shown in the *Report*, inflows of foreign investment into many least developed countries come primarily from other developing countries. It is important to consider how this form of South-South cooperation can be further strengthened to promote mutual development gains.

Developed countries and their firms will face new competition for various resources and assets, but they will also find new opportunities for economic collaboration. They will have to become accustomed to many more transactions involving investors from developing and transition economies as they expand internationally. In fact, the emergence of these new sources of investment has broader implications for international economic relations as it reflects their growing clout in the world economy.

Finally, the emergence of transnational corporations from developing and transition economies imparts greater momentum to South-South cooperation. New investment corridors are opening up between Latin America, Africa and Asia as part of this dynamic activity, with positive prospects for advancing development. To capitalize on this opportunity, policy-makers from home and host developing countries need to gear themselves into action and, for this, they will require insightful knowledge and analysis. This year's *World Investment Report* is a step towards this goal.



Kofi A. Annan

Secretary-General of the United Nations

New York, July 2006

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