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Inward FDI in the United Kingdom and its policy context

by
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Over the past 30 years, the United Kingdom (UK) has performed exceptionally well in consistently attracting significant volumes of inward foreign direct investment (IFDI). Of all foreign affiliates located in the EU-27 in 2010, 15% were in the United Kingdom (more than 45,000 affiliates). These foreign affiliates employed over 3.7 million workers, representing 13% of the employed UK labor force. IFDI stock represented an impressive 48% of the United Kingdom's GDP in 2009, as well as in 2010, when it reached US$ 1.1 trillion, the second largest globally after that of the United States. IFDI flows, which declined considerably in 2008 as well as 2009 and 2010, amounted to US$ 51 billion in 2010 and were just over 20% of gross fixed capital formation. According to UNCTAD data, in 2011, IFDI stock in the United Kingdom rose to US$ 1.2 trillion and IFDI flows, to US$ 54 billion. The recent global financial and economic crisis has had a significant negative impact on the investment of foreign multinational enterprises (MNEs) and has interrupted the upward trend in UK IFDI seen till then. However, it is hoped that the continued strength and the location of the UK economy, together with coordinated policy measures by the Government, will lead to a renewed surge in IFDI.

Trends and developments

Country-level developments

Among developed economies, the United Kingdom consistently ranks second or third in terms of attracting IFDI.[1] The stock of IFDI has been gradually increasing, and rose from around US$ 444

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in 2000 to US$ 1,242 billion in 2007 (annex table 1). This compares to the stock level in France, but is almost twice as high as that in Germany and nearly ten times that in Japan. In terms of IFDI flows, the trend is similar: flows reached a reached a peak during the IT or dot.com bubble of early 2000, and then declined in subsequent years before reaching record levels in 2005 and 2007 (annex table 2). However, with the onset of the global financial crisis in 2008, the IFDI stock fell by 14% in 2009, while flows fell by 51% in 2008 and continued to fall in 2009 and 2010. IFDI stock has made a modest recovery and amounted to US$ 1,131 billion in 2010 and, according to UNCTAD data, to US$ 1,199 billion in 2011 (annex table 1). UNCTAD data also indicate a modest rise in IFDI flows to the United Kingdom in 2011 (annex table 2). IFDI stock as a percentage of GDP was as high as 48% in 2009 as well as 2010, while IFDI flows in 2010 amounted to US$ 51 billion in 2010, representing 20% of gross fixed capital formation.[2]

The decrease in inward FDI flows since 2007 has been mainly driven by a significant reduction in net equity transactions, which fell from US$ 137 billion in 2007 to US$ 74 billion in 2010. Reinvested earnings also fell notably during 2007-2010 (from US$ 40 billion in 2007 to a disinvestment of US$ 1 billion in 2010).[3]

In terms of sectoral distribution, in 2010, 65% of all IFDI stock in the United Kingdom was targeted toward the services sector, followed by around 23% in the manufacturing sector and 13% in the primary sector (annex table 3). The shares of the primary and services sectors in IFDI stock have risen since 2000, at the expense of that of the manufacturing sector. In 2010 the main industries in the manufacturing sector that attracted significant IFDI were the food, chemical, textile and wood, metal and mechanical products industries, whereas in the services sector the financial services, transport and communication and retail/wholesale trade industries were the leading industries that attract IFDI.

The overwhelming share of the United Kingdom's IFDI comes from other developed economies (annex table 4). In 2010, 58% of the total IFDI stock came from other countries in Europe, 30% from North America and 7% from Asia (including Japan). Between 2000 and 2010, foreign investment from Europe and Asia saw a three-fold increase, whereas FDI from North America doubled. Although negligible in 2000, FDI by some developing and emerging economies in the United Kingdom (e.g. India, Singapore, Republic of Korea and Middle Eastern countries such as the United Arab Emirates) has increased considerably.

The corporate players

More than 45,000 affiliates of foreign MNEs were located in the United Kingdom in 2010, comprising 15% of foreign affiliates located in the EU-27. These foreign affiliates employed

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[1] UNCTAD, *World Investment Report 2012: Towards a New Generation of Investment Policies* (New York and Geneva: United Nations); UNCTAD, *World Investment Report, 2011: Non-equity Modes of International Production and Development* (New York and Geneva: United Nations, 2011).

[2] Ibid.

[3] Office for National Statistics, United Kingdom (2010), "Foreign ownership of businesses in the United Kingdom", table 5(a), on Count, Employment and Turnover of VAT and/or PAYE based Enterprises by Country of Immediate Foreign Ownership by Region and Country of the UK for 2010, available at www.ons.gov.uk/ons/publications/re-reference-tables/html.

over 3.7 million workers – 13% of the employed labor force in the United Kingdom.[4] These figures in themselves may understate the importance of foreign ownership in the United Kingdom. Typically official data use a definition of 50% foreign ownership to designate a firm as "foreign," though holdings below this may still represent a good degree of control.

Among the top 10 foreign affiliates in non-financial industries in 2010, the largest in terms of total assets was in mining and quarrying, followed by several in the services sector (annex table 5). The largest was Hanson Quarry Products, with total assets of US$ 81 billion, followed by eight services-sector firms with assets ranging from US$ 21.5 billion to US$ 7.9 billion. The only firm in the top 10 foreign affiliates from the manufacturing sector was Chivas Brothers Limited.

The top 10 foreign affiliates in financial services located in the United Kingdom in 2010 were owned by world-renowned leading financial MNEs (annex table 5). The majority of these MNEs parent firms are located in the United States and from other countries in Europe. The top affiliates' total assets range for banks from over US$ 750.7 billion (Goldman Sachs International) to US$ 65.9 billion (RBC Europe Limited) and for insurance firms, and pension funds they are between US$ 116.5 billion (Blackrock Asset Management Pension Ltd) and US$ 61.3 billion (Hanson Overseas Holdings Ltd).

Annex table 6 shows that the majority of the top merger and acquisition (M&A) deals in the United Kingdom by foreign companies during 2008-2010 were investments within the same broad industry. In common with cross-border M&As in other countries, these can be dominated in individual years by certain very large transactions, such as the acquisition of Cadburys by Kraft, for example. The attractiveness of UK firms to be either acquired or merged with is truly global, with investor firms coming from a range of countries, including the United States, India, Qatar, and Singapore. The acquired shares in the target companies were overwhelmingly majority-owned by the MNEs involved after the transactions, which is not uncommon in M&A deals. Annex table 6 shows that the amounts recorded on the top M&A deals fell in 2009, following a peak in 2008, and then recovered in 2010.

Annex table 7 shows the main greenfield projects announced in the United Kingdom by foreign companies during 2008-2010. Most of the greenfield investments were concentrated in the electricity and construction industries. There were four greenfield projects in the manufacturing sector, two in extractive industries and seven in the services sector. Like the top M&A deals which were predominantly by MNEs from other developed countries but included several by MNEs from emerging markets, the greenfield investments show that MNEs from a few emerging markets around the world are also attracted to the United Kingdom economy (e.g. India, Singapore, Russia).

Effects of the recent global crises

While there is some evidence of reduced IFDI in the United Kingdom since the financial and economic crisis of 2008-2009, the biggest impact has been, not on the volume of FDI, but on the

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[4] Ibid.

types of FDI that the United Kingdom has attracted, and the way that it is funded. While there has been a general decline in inward investment projects globally since the crisis, it is questionable whether all of the investment in many of the projects that have been historically registered as "inward investment" projects in the United Kingdom represents FDI inflows. While it is undeniable that foreign firms or individuals have undertaken the investment, it is also clear that much of the financing, particularly in terms of debt, was raised from United Kingdom financial institutions. Perhaps the best-known examples of this have been the various purchases of English Football teams by foreign investors using debt finance raised from UK banks. It is this type of investment that has seen the biggest decline since the crisis, as UK banks retrench their lending.

Furthermore, in the ten years up to the Asian financial crisis of 1997, the United Kingdom had attracted more than its fair share of FDI, thanks to investment motivated by cheap capital at home, particularly from the United States. There is now significant evidence that overvalued stock markets in the world's richest economies fuelled FDI, up to the Asian crisis of 1997.[5] After that crisis, the process was re-started, with capital flows between parent firms and foreign affiliates driven by cheap capital in home countries. This resulted either from the availability of capital in large financial centers such as the United States or Germany, or alternatively the biases in capital markets that supported borrowing by leading firms in emerging markets. This level of finance was sustained by high share prices. This type of investment has also dried up since the onset of the current crisis. The United Kingdom Trade and Investment (UKTI) recently reported that inward FDI project numbers from most countries were down again in 2011, but it is noticeable that the number of projects from India rose.[6]

The United Kingdom is seeking to attract inward investment from emerging markets, particularly from the cash-rich firms in India and China. What is noticeable however is that these firms are, in common with global trends, eschewing greenfield investments in favor of M&As. It is also the case that M&A activity by MNEs from these countries in the United Kingdom is focused, not merely on the acquisition of technology in general, but on the acquisition of brand names, presumably to reach larger markets within and outside the United Kingdom.

The policy scene

The United Kingdom has had an open-door policy regarding inward FDI for over 40 years. Historically, the United Kingdom was for many years second only to the United States in terms of inward FDI flows, though the United Kingdom has been overtaken by China in recent years. Nevertheless, the United Kingdom still remains a major recipient of inward FDI. A major focus of the country's policy agenda with respect to FDI was on attracting investment to those regions of the country that experienced structural unemployment through the 1980s and 1990s.

The national agency for the promotion of inward investment in the United Kingdom is UK Trade and Investment. The bodies responsible for development at a regional level for much of the past

[5] See David Schmidt, Nigel Driffield and Jim Love "Financial market bubbles, the funding of FDI and future crises" Working Paper, Aston Business School, Birmingham (2010).

[6] UK Trade and Investment, *UKTI Inward Investment Report* 2010/2011 (London: UK Trade and Investment, July 2011), available at: www.ukti.gov.uk.

30 years evolved into the Regional Development Agencies, which were created in their final form in 1999 (though most existed in similar form prior to this). In turn, they reported to the Department for Business Innovation and Skills (BIS, formally the Department for Trade and Industry, DTI). The Regional Development Agencies (RDAs) were the main agents for the promotion of inward investment at the local level until the announcement of their abolition in 2011; the agencies were closed down by the end of March 2012.[7] With the decentralization of industrial policy to RDAs, there was a good deal of inter-regional competition, not only for inward FDI, but also with RDAs seeking to retain the benefits from the investment they had received, in terms of buyer-supplier links, spillovers or technology transfer agreements within the host region. Typically, the marketing of regions for inward investment promotion has been better resourced in Wales, Scotland and Northern Ireland, which in part is reflected in their performance in attracting inward investment. This became synonymous with policies seeking to develop clusters of activity. Indeed, it could be argued that, for the United Kingdom, regional policy was synonymous with inward investment policy, where regions sought to attract inward investment, using EU regional policy funds, and UK Government Regional Selective Assistance to provide financial incentives.

For the British regions at least, the emphasis has been on using inward investment to (i) reduce structural unemployment; and (ii) to reduce inequalities, both intra-regionally and inter-regionally, by raising productivity through technology transfer and spillover effects. It is interesting to note that successive UK Governments and regional policy agencies have placed a heavy emphasis on the scope for inward investment to boost regional performance in this way, despite the fact that much of the evidence suggests that FDI projects that create large-scale employment typically do not involve much technology transfer, and vice versa.[8] This has led to concerns that, while the attraction of inward investors to peripheral regions of the UK has become a fundamental area of UK regional policy, it also makes regions particularly vulnerable to the repositioning of activities and supply chains by inward investors, particularly where that investment is not well embedded into the local economy.[9]

Since the announcement of the abolition of the RDAs in 2011, there is something of a vacuum, with the onus to develop strategies placed on Local Enterprise Partnerships made up of volunteers from the local business communities. These have in turn charged organizations with the role, which has historically been one of location marketing, to develop inward investment strategies. In practice, the demise of the RDAs means that the body responsible for IFDI promotion nationally, UKTI, is now the only policy body with respect to FDI in England, with some devolved powers to the other regions of the United Kingdom.

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[7] For further discussion of the inception of the English RDAs see www.parliament.uk/briefing-papers/RP02-50.pdf. For details of their demise see http://www.bis.gov.uk/policies/economic-development/englands-regional-development-agencies

[8] See Nigel Driffield, Jim Love and K.Taylor , "Productivity and labor demand effects of inward and outward FDI on UK industry," *The Manchester School* vol. 77 (2), (March 2009), pp 171-203.

[9] For a historical position analysis of this in the context of the United Kingdom, see Nigel Driffield and David Bailey, "Hymer and uneven development revisited: FDI and regional inequalities," *Contributions to Political Economy*, vol. 21 (1) (2002), pp. 55-69, and, Nigel Driffield and David Bailey, "Industrial policy, FDI and employment: still 'missing a strategy' *Journal of Competition, Industry and Trade*, vol.7 (3) (2007), pp. 189-211.

The specific policy stance of the United Kingdom Government with respect to IFDI is outlined above; beyond that, it is important to note that successive Governments have sought to emphasize the "business friendly" aspect of policy. The World Bank declared the United Kingdom to be the best place in the EU and G8 to do business in 2011.[10] The only other policy setting relating to FDI that has been discussed in recent years has been the United Kingdom's membership of the Euro area, with businesses arguing that the country would become less appealing for inward investment were it to remain outside the Eurozone.[11] The debate on this issue has however died down since the Euro crisis.

Conclusions

There is a wide body of academic evidence that points to the beneficial effects that inward FDI has had on the United Kingdom.[12] While some of the findings are open to debate, such as the extent to which inward FDI generates technology or productivity spillovers for domestic firms, in general the findings are that inward FDI has generated new employment, protected existing employment and led to an increase in skill levels. While some issues surrounding this are still worthy of investigation -- such as employment substitution (the extent to which some jobs created by inward investors replace ones lost through increased competition in goods or labor markets), the extent to which multinational enterprises may reallocate resources away from the United Kingdom, or switch to foreign suppliers, impacting particularly on certain sectors or regions of the country, and the extent to which some employment is transitory, with firms being "footloose" -- overall the benefits far outweigh the costs.

Traditionally, FDI into the United Kingdom has come overwhelmingly from economies and sectors with a technological advantage over the corresponding UK sectors, and this is reflected in the effects that IFDI has. Technology differences matter much more than labor cost differences in terms of the effects of inward FDI, at least in an advanced economy such as the United Kingdom: acquiring technology through inward investment increases the demand for skilled labor, decreases demand for unskilled labor and produces positive spillovers to domestic productivity. More recently, the United Kingdom has attracted a higher proportion of its inward investment from industries and countries with lower unit labor costs than the UK equivalents, coupled with some evidence of a trend toward technology-sourcing FDI into the country. These

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[10] The World Bank and the International Finance Corporation, *Doing Business 2011: Making a Difference for Entrepreneurs* (Washington, D.C.: The World Bank, 2011), available at: www.worldbank.org.

[11] See for example "Head to head: inward investment" in *BBC News*, July 3, 2000, available at: http://news.bbc.co.uk/1/hi/business/817058.stm

[12] See for example Nigel Driffield, Jim Love and Karl Taylor, "Productivity and labor demand effects of inward and outward foreign direct investment on UK industry," *op.cit.*; Sourafel Girma, and Katharine Wakelin, "Local productivity spillovers from foreign direct investment in the U.K. electronics industry," *Regional Science and Urban Economics*, vol. 37 (3) (2007) , pp. 399-412; Sourafel Girma, David Greenaway, Katharine Wakelin, "Wages, Productivity and Foreign Ownership in UK Manufacturing," *Scottish Journal of Political Economy*, vol. 48 (2001), pp. 119-33; R.I.D. Harris and C. Robinson, "The impact of foreign acquisitions on total factor productivity: plant level evidence from UK manufacturing 1987-1992," *Review of Economics and Statistics*, vol. 84 (3) (August 2002), pp. 562-568; J. Jones and C. Wren, *Foreign Direct Investment and the Regional Economy* (Aldershot: Ashgate, 2005).

factors suggest that the policy preoccupation with a flexible labor market as a major attractor of inward investment may be overstated.

There are also other specific events that are being used as vehicles to promote investment in the UK. London hosts the Olympics later in 2012, and there are a succession of large-scale transport infrastructure projects that are being marketed, not only as beneficial for business, but also as large-scale investment opportunities.

The United Kingdom remains an attractive location for inward investment for a number of reasons. Possibly the most important is the United Kingdom's flexible labor market and a relatively low minimum wage. The flexible labor market means that firms can adjust employment levels easier than in other parts of the EU-15, making expansion perhaps less risky in that country than elsewhere. This shows up in the latest UKTI figures, suggesting that there are three times as many expansions by inward investors as there are M&As by foreign firms in the United Kingdom.[13] Equally important, the United Kingdom has a low effective corporate tax rate, after considering investment allowances and support for investment in research and development.

Additional readings

Driffield, N.L., M. Munday and A. Roberts, . "Inward investment, transactions linkages, and productivity spillovers," *Papers in Regional Science*, paper number 83 (2004), pp. 699-722.

Taylor, K. and N. Driffield. "Wage dispersion and the role of multinationals: Evidence from UK panel data," *Labour Economics*, vol. 12 (1)(2005), pp. 223–249.

Hart, M., N. Driffield, S. Roper, and K. Mole, "Evaluation of regional selective assistance (RSA) and its successor, selective finance for investment in England (SFIE*)*," BERR occasional paper number 2, United Kingdom Department for Business, Enterprise and Regulatory Reform (March 2008).

M. Hart, N. Driffield, S. Roper, and K. Mole, "Evaluation of regional selective assistance (RSA), in Scotland 2000-2004," Scottish Executive Social Research, Edinburgh (2008).

N. Driffield and J. Love, "Linking FDI motivation and host economy productivity effects: conceptual and empirical analysis," *Journal of International Business Studies*, vol. 38 (3**)** (2007), pp 460-473.

Useful websites

[13] UK Trade and Industry, *UKTI Inward Investment Report, 2010/2011*, *op. cit.*

Department of Business, Innovation and Skills, United Kingdom, available at: http://www.bis.gov.uk/

"Who really gains from inward investment? A national and regional analysis" (research project), available at: http://esrc.ac.uk/my-esrc/Grants/RES-000-22-0468/read:

Investment Promotion Agencies' listing portal, by region, United Kingdom, available at: http://www.locations4business.com/europe/uk/

NESTA (National Endowment for Science, Technology and the Arts), United Kingdom, available at: http://www.nesta.org.uk

UKTI, "The UK economy at a glance," UKTI information sheet (UKTI: 2011), United Kingdom, available at: http://www.ukti.gov.uk/

UKTI, *UK Inward Investment Report 2010/11* (UKTI: 2011), United Kingdom, available at: http://www.ukti.gov.uk/

UK Statistics, United Kingdom, available at: http://www.statistics.gov.uk/hub/index.html

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The Vale Columbia Center on Sustainable International Investment (VCC), led by Lisa Sachs, is a joint center of Columbia Law School and The Earth Institute at Columbia University. It is a leading forum on issues related to foreign direct investment (FDI), paying special attention to the impact of such investment on sustainable development. Its objectives are to analyze important topical policy-oriented issues related to FDI and to develop and disseminate practical approaches and solutions (www.vcc.columbia.edu).

Statistical annex

Annex table 1. United Kingdom: inward FDI stock, 2000-2010 [a]

(US$ billion)

Economy	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
United Kingdom	444	503	488	555	666	888	1,069	1,242	1,245	1,067	1,131	1,199
Memorandum: comparator economies												
United States	2,783	2,560	2,022	2,455	2,717	2,818	3,293	3,551	2,487	3,027	3,451	3,509
France	391	385	441	653	868	889	1,107	1260	921	1,133	1,008	964
Germany	272	272	298	395	512	476	592	696	668	677	674	714
Japan	50	50	78	90	97	101	108	133	203	200	215	226

Source: Data for 2009 and 2010 for the United Kingdom are from the Office for National Statistics (ONS), United Kingdom, "Foreign direct investment involving UK companies, 2010" in *Statistical Bulletin*; data for 2000-2008 are from ONS, "Business monitor MA4: foreign direct investment, 2009," available at: www.statistics.gov.uk.

Figures in the *Statistical Bulletin* and the *Business Monitor MA4* are based on annual surveys of business. The Bank of England collects information for the banking sector, and the ONS surveys other sectors. The banking surveys collect information from all banks. Other sector surveys are based on samples only.

(Data converted from British pounds sterling to US dollars using end of the year exchange rates (US$ 1.00 = GB£ 0.67 for 2000, US$ 1.00 = GB£ 0.70 for 2001, US$ 1.00 = GB£ 0.62 for 2002, US$ 1.00 = GB£ 0.56 for 2003, US$ 1.00 = GB£ 0.52 for 2004, US$ 1.00 = GB£ 0.58 for 2005, US$ 1.00 = GB£ 0.51 for 2006, US$ 1.00 = GB£ 0.50 for 2007, US$ 1.00 = GB$ 0.69 for 2008, US$ 1.00 = GB£ 0.62 for 2009, and US$ 1.00 = GB£ 0.65 for 2010) from the International Monetary Fund, available at:
http://www.imf.org/external/np/fin/data/param_rms_mth.aspx.)

Data for comparator economies for 2000-2010 are from UNCTAD, *World Investment Report 2010: Transnational Corporations, Agricultural Production and Development* (New York and Geneva: United Nations, 2010), pp. 191-194, and UNCTAD's FDI/TNC database, available at: www.unctad.org/fdistatistics.

Data for 2011 for the United Kingdom as well as the comparator economies are from UNCTAD, *World Investment Report 2012: Towards a New Generation of Investment Policies* (New York and Geneva: United Nations), annex table I. 2).

Note: The UK Offshore Islands consisting of the Channel Islands (Guernsey and Jersey) and the Isle of Man are excluded from the definition of the economic territory of the United Kingdom from 1997 onwards.

Annex table 2. United Kingdom: inward FDI flows, 2000-2011

(US$ billion)

Economy	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
United Kingdom	118.9	52.6	24.1	16.8	56.0	193.8	156.4	186.5	90.6	76.7	50.7	53.9
Memorandum: comparator economies												
United States	314.0	159.5	74.5	53.1	135.8	104.8	237.1	216.0	306.4	152.9	228.2	226.9
China	40.7	46.9	52.7	53.5	60.6	72.4	72.7	83.5	108.3	95.0	105.7	124.0
France	43.3	50.5	49.0	42.5	32.6	84.9	71.8	96.2	64.2	34.0	33.9	40.9
Germany	198.3	26.4	53.5	32.4	-10.2	47.4	55.6	80.2	4.2	37.6	46.1	40.4
Japan	8.3	6.2	9.2	6.3	7.8	2.8	-6.5	22.5	24.4	11.9	-1.3	-1.8

Source: For the United Kingdom between 2000 and 2010, Office for National Statistics (ONS), "Foreign direct investment involving UK companies, 2010" in *Statistical Bulletin*, and *Business Monitor MA4: Foreign Direct Investment, 2009*, available at: www.statistics.gov.uk
Figures in the *Statistical Bulletin* and the *Business Monitor MA4* are based on annual surveys of business. The Bank of England collects information for the banking sector and the ONS surveys other sectors. The banking surveys collect information from all banks. Other sector surveys are based on samples only.

(Data converted from British pounds sterling to US dollars using end-of- the- year exchange rates (US$ 1.00 = GB£ 0.67 for 2000, US$ 1.00 = GB£ 0.70 for 2001, US$ 1.00 = GB£ 0.62 for 2002, US$ 1.00 = GB£ 0.56 for 2003, US$ 1.00 = GB£ 0.52 for 2004, US$ 1.00 = GB£ 0.58 for 2005, US$ 1.00 = GB£ 0.51 for 2006, US$ 1.00 = GB£ 0.50 for 2007, US$ 1.00 = GB$ 0.69 for 2008, US$ 1.00 = GB£ 0.62 for 2009, and US$ 1.00 = GB£ 0.65 for 2010) from the International Monetary Fund, available at: http://www.imf.org/external/np/fin/data/param_rms_mth.aspx).
For comparator economies, data for 2000-2011 are from UNCTAD's FDI/TNC database, available at: www.unctad.org/fdistatistics

Data for 2011 for the United Kingdom as well as the comparator economies are from UNCTAD, *World Investment Report 2012: Towards a New Generation of Investment Policies* (New York and Geneva: United Nations), annex table I. 1).

Note: The UK Offshore Islands consisting of the Channel Islands (Guernsey and Jersey) and the Isle of Man are excluded from the definition of the economic territory of the United Kingdom from 1997 onwards.

[a] The UK FDI inflow data are collected and published on a net basis. UNCTAD data on FDI inflows for the comparator countries and for the United Kingdom inflows in 2011 are also on a net basis.

Annex table 3. United Kingdom: sectoral distribution of inward FDI stock, 2000, 2008 and 2010

(US$ billion)

Sector/industry	2000	2008	2010
All sectors/industries	**438.6**	**905.7**	**1064.9**
Primary	**39.0**	**126.8**	**134.5**
Agriculture, forestry and fishing	0.2	1.3	3.2
Mining and quarrying (including oil/gas)	38.8	125.4	131.3
Secondary	**104.1**	**189.5**	**241.3**
Food products	9.5	46.1	61.3
Textile and wood, printing and publishing	24.4	14.8	8.9
Chemical, plastic and fuel products	21.4	52.1	46.9
Metal and mechanical products	16.2	20.6	24.5
Office, IT and communications equipment	10.6	13.3	23.7
Transport equipment	11.6	15.2	22.9
Other manufacturing	10.5	27.5	53.1
Services	**295.5**	**589.4**	**689.2**
Electricity, gas and water	17.6	36.6	56.1
Construction	2.7	12.8	7.6
Retail/ wholesale trade and repairs	45.1	117.2	100.5
Transport and communications	81.8	125.0	181.6
Financial services	89.5	208.7	257.6
Other services	58.7	89.0	85.8

Source: Office for National Statistics, United Kingdom, *Business Monitor MA4: Foreign Direct Investment 2002*, and *Business Monitor MA4: Foreign Direct Investment 2008*, available online at http://www.ons.gov.uk
(Data converted from British pounds sterling to US dollars using end of the year exchange rates of (US$ 1.00 = GB£ 0.67 for 2000, and US$ 1.00 = GB£ 0.65 for 2010) from the International Monetary Fund, available at: http://www.imf.org/external/np/fin/data/param_rms_mth.aspx).

Notes:

The UK Offshore Islands consisting of the Channel Islands (Guernsey and Jersey) and the Isle of Man are excluded from the definition of the economic territory of the United Kingdom from 1997 onwards.

The figures show the book value of net liabilities at year-end.

Annex table 4. United Kingdom: geographical distribution of inward FDI stock, 2000, 2010[a]

(US$ billion)

Economy	2000	2010
World	443.9	1,133.9
Europe	**226.8**	**662.7**
European Union	**206.8**	**564.0**
Austria	0.9	1.7
Belgium	3.3	11.9
Cyprus	0.2	3.6
Denmark	4.2	7.0
Finland	1.6	1.1
France	73.9	105.1
Germany	39.5	78.5
Greece	n.a.	1.0
Hungary	0.0	0.0
Irish Republic	5.2	15.2
Italy	3.6	6.2
Luxembourg	2.8	101.0
Malta	0.0	0.2
Netherlands	62.8	177.8
Poland	0.1	0.0
Portugal	0.3	1.4
Spain	0.7	47.3
Sweden	5.9	4.9
Other developed Europe	**15.0**	**54.0**
Norway	1.3	2.7
Switzerland	13.7	51.3
North America	**166.9**	**337.4**
Canada	14.1	27.1
United States	152.9	310.4
Other developed economies	**n.a.**	**n.a.**
Australia	14.9	14.7
Japan	15.9	42.5
New Zealand	1.2	0.4
Developing economies	**n.a.**	**n.a.**
Africa	2.0	2.4
South Africa	1.5	0.9
Asia	11.1	41.9
Other Asian economies	**9.0**	**35.4**
China	0.1	0.6
Hong Kong (China)	n.a.	15.0

India	0.3	4.3
Singapore	2.5	9.7
Korea (Rep. of)	-0.4 [b]	4.5
Middle East countries	**2.1**	**6.5**
Other European economies	**4.8**	**43.1**
Russia	n.a.	1.9

Source: Office for National Statistics, United Kingdom*, Foreign Direct Investment involving UK companies 2010, Business Monitor MA4 Foreign Direct Investment 2008,* available at: http://www.ons.gov.uk/ons
(Data converted from British pounds sterling to US dollars using end of the year exchange rates of (US$ 1.00 = GB£ 0.67 for 2000, and US$ 1.00 = GB£ 0.65 for 2010) from the International Monetary Fund, available at: http://www.imf.org/external/np/fin/data/param_rms_mth.aspx).

Note: The figures show the book value of net liabilities at year-end.

[a.] Data for the UK Offshore Islands are not included. The UK Offshore Islands consist of the Channel Islands (Jersey and Guernsey) and the Isle of Man, excluded from the definition of the economic territory of the United Kingdom from 1997 onwards.
[b] The negative sign before the value shown indicates a net disinvestment from the United Kingdom.

Annex table 5. United Kingdom: principal foreign affiliates in non-financial and financial industries of the economy, ranked by total assets, 2010

Rank	Name	Industry	Total assets (US$ billion)
Affiliates in non-financial industries			
1	Hanson Quarry Products	Mining and quarrying	81.1
2	Telefonica UK Limited	Information and communication	21.5
3	Heathrow Airport Limited	Transportation and storage	19.8
4	EDF Energy Nuclear Generation Limited	Electricity, gas, steam and air conditioning supply	18.2
5	ASDA Stores Limited	Wholesale and retail trade	12.8
6	Credit Susse BG Strategy Investment (UK)	Real estate	9.0
7	RWE Npower PLC	Electricity, gas, steam and air conditioning supply	8.8
8	Chivas Brothers Limited	Manufacturing	8.1
9	Pfizer Limited	Wholesale and retail trade	7.9
10	ESSO Exploration	Mining and quarrying	7.4
Affiliates in financial industries			
1	Goldman Sachs International.	Bank	750.7
2	Merrill Lynch International	Bank	325.9
3	JP Morgan Securities Ltd	Bank	294.0
4	Citigroup Global Markets Limited	Bank	265.7
5	UBS Limited	Bank	255.2
6	Blackrock Asset Management Pension Limited	Mutual and pension fund	116.5
7	UDS	Financial and insurance	67.3
8	RBC Europe Limited	Bank	65.9
9	Zurich Assurance Ltd	Insurance	61.5
10	Hanson Overseas Holdings Ltd	Financial and insurance	61.3

Source: Orbis Company information, Bureau van Dijk, available at: https://orbis2.bvdep.com
(Data converted from British pounds sterling to US dollars using end-of the year exchange rate of (US$ 1.00 = GB£ 0.65) from the International Monetary Fund, available at: http://www.imf.org/external/np/fin/data/param_rms_mth.aspx).

Note: The UK Offshore Islands consisting of the Channel Islands (Guernsey and Jersey) and the Isle of Man are excluded from the definition of the economic territory of the United Kingdom from 1997 onwards.

[a.] Industry categorization according to NACE Rev. 2 from Eurostat, available at: http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/publication?p_product_code=KS-RA-07-015.

Annex table 6. United Kingdom: main M&A deals, by inward investing firm, 2008-2010

Year	Acquiring company	Home economy	Target company	Target industry	Shares acquired (%)	Estimated/ announced transaction value (US$ million)
2010	Kraft Foods Inc	United States	Cadbury PLC	Confectionery products	100	18,768.5
2010	Investor Group	Hong Kong (China)	EDF Energy-PLC	Electric services	100	9,056.4
2010	Pinafore Acquisitions Ltd	Canada	Tomkins PLC	Mechanical power transmission equipment	100	4,380.4
2010	Investor Group	United States	RBS WorldPay	Depository banking	80	3,018.7
2010	KNOC	Korea (Rep. of)	Dana Petroleum PLC	Crude petroleum and natural gas	100	2,570.8
2010	Deutsche Bahn AG	Germany	Arriva PLC	Local bus charter service	100	2,426.1
2010	Qatar Holding LLC	Qatar	Harrods	Clothing and accessory stores	100	2,227.1
2010	JPMorgan Chase & Co	United States	JPMorgan Cazenove Ltd	Security brokers, dealers, and flotation companies	50	1,665.5
2010	JPMorgan Chase & Co	United States	RBS Sempra Commodities LLP-Ops	Commodity contracts brokers and dealers	100	1,600.0
2009	Thomson Reuters Corp	United States	Thomson Reuters PLC	Information retrieval services	100	4,938.4
2009	Global Infrastructure Partners	United States	London Gatwick Airport Ltd	Airports and terminal services	100	2,473.5
2009	Blackstone Group LP	United States	British Land Co PLC-Broadgate	Operators of non-residential buildings	50	1,749.8
2009	Watson Pharmaceuticals Inc	United States	The Arrow Group	Pharmaceutical preparations	100	1,737.5
2009	Mitsubishi Rayon Co Ltd	Japan	Lucite International Ltd	Plastics materials and synthetic resins	100	1,600.0
2009	Investor Group	Qatar	Songbird Estates PLC	Land sub-dividers and developers, except cemeteries	n.a.	1,456.2
2009	Liberty Acquisition Holdings	British Virgin Islands	Pearl Group Ltd	Life insurance	100	1,169.4
2009	OAO Gazprom Neft	Russia	Sibir Energy PLC	Crude petroleum and natural gas	33	1,000.6
2009	Protium Finance LP	Cayman Islands	Barclays PLC-Credit Market	Mortgage bankers and loan correspondents	100	861.2
2009	Oman Investment Fund	Oman	Bishops Square	Operators of non-residential buildings	75	725.2
2008	Shareholders	Switzerland	British American Tobacco PLC	Cigarettes	27	19,826.7
2008	Thomson Corp	United States	Reuters Group PLC	News syndicates	100	17,628.1

2008	Akzo Nobel NV	Netherlands	ICI PLC	Paints, varnishes, lacquers, and allied products	100	16,258.2
2008	Shining Prospect Pte Ltd	Singapore	Rio Tinto PLC	Gold ores	12	14,284.2
2008	Investor Group	Australia	Angel Trains Ltd	Rental of railroad cars	100	7,011.0
2008	Qatar Holding LLC	Qatar	Barclays PLC	Banks	8	3,482.8
2008	Jarpeno Ltd	Cyprus	Imperial Energy Corp PLC	Crude petroleum and natural gas	100	2,608.1
2008	Banco Santander SA	Spain	Alliance & Leicester PLC	Banks	100	2,518.0
2008	Tata Motors Ltd	India	Jaguar Cars Ltd	Motor vehicles and passenger car bodies	100	2,300.0

Source: The authors, based on Thomson ONE Banker, Thomson Reuters.

Note: The UK Offshore Islands consisting of the Channel Islands (Guernsey and Jersey) and the Isle of Man are excluded from the definition of the economic territory of the United Kingdom from 1997 onwards.

Annex table 7. United Kingdom: main greenfield projects announced, by inward investing firm, 2008-2010

Year	Investing company	Home economy	Industry	Business activity	Investment (US$ million)
2010	Orascom Development Holding	Switzerland	Hotels and tourism	Construction	1,600.0
2010	Ford	United States	Automotive OEM	Manufacturing	1,500.0
2010	GMR Group	India	Coal, oil and natural gas	Electricity	794.1
2010	McDonalds	United States	Food and tobacco	Retail	655.5
2010	Apache	United States	Coal, oil and natural gas	Extraction	504.5
2010	The GEO Group	United States	Real estate	Construction	447.2
2010	Tata Group	India	Automotive OEM	Manufacturing	443.1
2010	RWE	Germany	Renewable energy	Electricity	372.4
2010	Iberdrola	Spain	Renewable energy	Electricity	370.4
2010	Stena Line	Sweden	Transportation	Logistics, distribution and transportation	313.2
2009	Best Buy	United States	Consumer electronics	Retail	2,105.4
2009	Statkraft	Norway	Renewable energy	Electricity	1,829.0
2009	Ryanair	Ireland	Aerospace	Logistics, distribution and transportation	1,368.6
2009	Wal-Mart	United States	Food and tobacco	Retail	980.8
2009	Bombardier	Canada	Aerospace	Manufacturing	860.0
2009	EirGrid Plc	Ireland	Transportation	Logistics, distribution and transportation	798.0
2009	Dong Energy	Denmark	Renewable energy	Electricity	746.9
2009	Statkraft	Norway	Renewable energy	Electricity	651.2
2009	Fraser & Neave (Fraser and Neave)	Singapore	Real estate	Construction	588.9
2009	Royal BAM Group (Koninklijke BAM Groep)	Netherlands	Real estate	Construction	588.9
2009	Mirax Group	Russia	Real estate	Construction	588.9
2009	Multi Development (Multi Vastgoed)	Netherlands	Real estate	Construction	588.9
2008	Treasury Holdings	Ireland	Real estate	Construction	7,986.0
2008	Total	France	Coal, oil and natural gas	Extraction	3,724.1
2008	Dong Energy	Denmark	Renewable energy	Electricity	3,595.4
2008	RWE	Germany	Renewable energy	Electricity	2,804.0
2008	Iberdrola	Spain	Renewable energy	Electricity	2,565.0
2008	RWE	Germany	Renewable energy	Electricity	2,400.0
2008	News Corporation	United States	Paper, printing and packaging	Manufacturing	1,300.0
2008	Wal-Mart	United States	Food and tobacco	Retail	1,261.0
2008	Econcern	Netherlands	Renewable energy	Electricity	1,212.8.0
2008	ING Groep (ING Group)	Netherlands	Real estate	Construction	682.5

Source: The authors, based on fDi Intelligence, a service from the Financial Times Ltd.
Note: The UK Offshore Islands consisting of the Channel Islands (Guernsey and Jersey) and the Isle of Man are excluded from the definition of the economic territory of the United Kingdom from 1997 onwards.
[a] Estimated investment