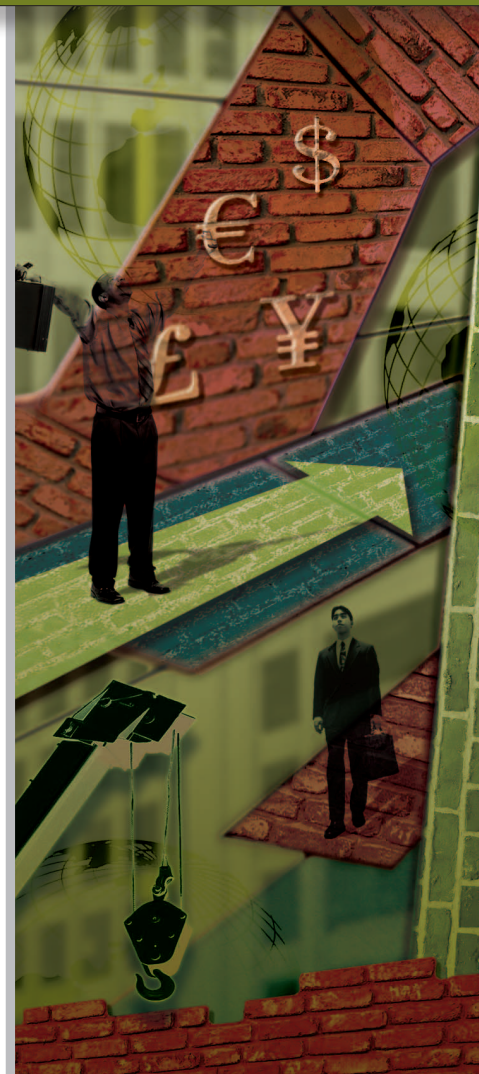


Investing in a Rebound

The 2010 A.T. Kearney FDI Confidence Index[®]



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In the two years since A.T. Kearney released its last Foreign Direct Investment Confidence Index, the global economy has faced unprecedented turmoil—a housing market collapse, a banking system teetering on the edge, rising unemployment and falling sales across almost all industries. In the 2010 FDI Confidence Index[®], we examine the future prospects for international investment flows in the context of these tumultuous times. While conditions have improved, senior executives at the world’s largest companies remain wary of investing during the current climate, and few expect a full turnaround before 2011.

Amid the economic downturn of the past two years, several emerging markets remain attractive to foreign investors. China, India and Brazil are in the top five of the 2010 Foreign Direct Investment (FDI) Confidence Index, while emerging markets with large consumer bases, such as Indonesia and Vietnam, also rank highly. However, some smaller, more open emerging economies dropped in the rankings. For example, Hong Kong, a globalized economy according to the A.T. Kearney Globalization Index, fell to 14th.¹

In Asia, investors are confident about China and India, the 1st- and 3rd-ranked countries, respectively, but the more advanced economies, Japan and South Korea, both fall out of the Index for the first time since its inception in 1998. Meanwhile, Brazil continues to benefit from

strong demand for major commodities such as iron ore and soybeans and sound economic management, and the largest economy in Latin America now ranks as the 4th most attractive destination for FDI. To the north, Mexico faces a number of domestic economic problems, including declining oil production and the loss of manufacturing jobs to Asia, yet it rises to 8th in the new Index as it remains a top destination for light industry and American companies seeking lower costs. In Europe, Poland and Romania move up to 6th and 16th, respectively, while Russia slips to 18th amid concerns that its pre-crisis boom times are now over.

Meanwhile, the developed world has benefited as investors seek cover during the worst recession since World War II. In particular, a flight to

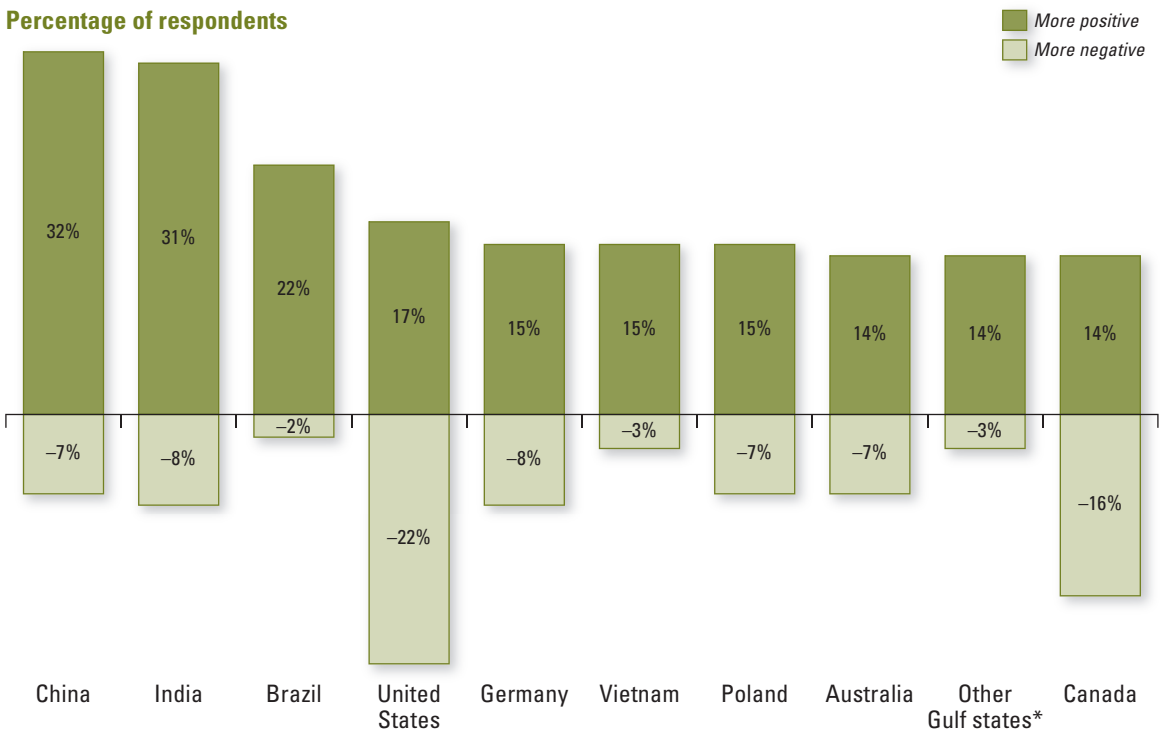
¹ For more information about the Globalization Index, visit www.atkearney.com.

safety has drawn investors to the United States, which moves from 3rd to 2nd place in the Index, highlighting the paradox in how international investors view the United States. Overall, the United States' role as an investment safe harbor is clear, as the bullish ranking suggests. Investors made large purchases of U.S. Treasury securities during the height of the economic crisis, temporarily driving up the value of the dollar. On one hand, investors see lucrative investment opportunities in the United States. On the other hand, the longer-term attitude about the United States today is more pessimistic than in the 2007 survey. In fact, more executives have a negative long-term outlook for the United States than for any other country (see figure 1).

Other developed nations drawing investors during the downturn include Germany, which rises from 10th to 5th place, and France, which retains its position this year at 13th. Canada and Australia, whose abundance of resources have helped them weather the recession, move into the top 10. In contrast, the United Kingdom has faced an erosion of confidence, due to the severity of the financial crisis and increased fiscal deficits, and falls to 10th place from 4th in 2007.

Following are the major findings of the 2010 FDI Confidence Index survey, which tracks the impact of likely political, economic and regulatory changes on the foreign direct investment intentions and preferences of the leaders of top companies around the world (see sidebar: About

Figure 1
Change in investor outlook compared to 2007



*Other Gulf states include Bahrain, Kuwait, Oman and Qatar.

Source: A.T. Kearney Foreign Direct Investment Confidence Index, 2010

About the Study

The FDI Confidence Index® was constructed using primary data from a proprietary survey administered to senior executives of the world's leading corporations. Respondents were selected from the Global 1,000 population, and the largest corporations in emerging economies. Participating companies represent 44 countries and span 17 industry sectors across all six inhabited continents. Together, the companies comprise more than \$2 trillion in annual global sales and are responsible for more than 75 percent of global FDI flows. Respondents include C-level executives as well as regional and business heads. The survey was conducted October through December 2009.

The Index was calculated as a weighted average of the number of high, medium and low responses to questions about the likelihood of direct investment in a market over the next three years. Index values are based on non-source country responses. For example, the Index value for the United States was calculated without responses from investors based in the United States. Higher Index values indicate more attractive investment targets.

Since the inception of the FDI Confidence Index in 1998, the 10 most attractive FDI destinations have consistently received 40 percent or more of global FDI inflows roughly one year after the survey. Over the same period, on average,

the top five countries captured 35 percent of global FDI inflows. There is an even stronger correlation between the Index rankings and future bricks-and-mortar FDI, especially after correcting for anomalies, such as those stemming from tax havens.

FDI flow figures are the latest statistics available from the United Nations Conference on Trade and Development (UNCTAD). Other secondary sources of information used in this year's FDI Confidence Index include the International Monetary Fund (IMF), investment promotion agencies, central banks, ministries of finance and trade, and major periodicals.

the Study).² With responses from executives from 44 countries and 17 industry sectors, the survey offers a unique window into present and future prospects for international investment flows.

Recovery in Investment Flows?

Global FDI flows fell amid the deep recession that began in 2008. According to the United Nations Conference on Trade and Development (UNCTAD), global FDI inflows fell from an all-time high of \$1.98 trillion in 2007 to \$1.7 trillion in 2008, and preliminary data for 2009 suggests that overall flows have fallen to about \$1 trillion.³ UNCTAD predicts a slow recovery for 2010 and 2011.

Our findings, similarly, do not indicate near-

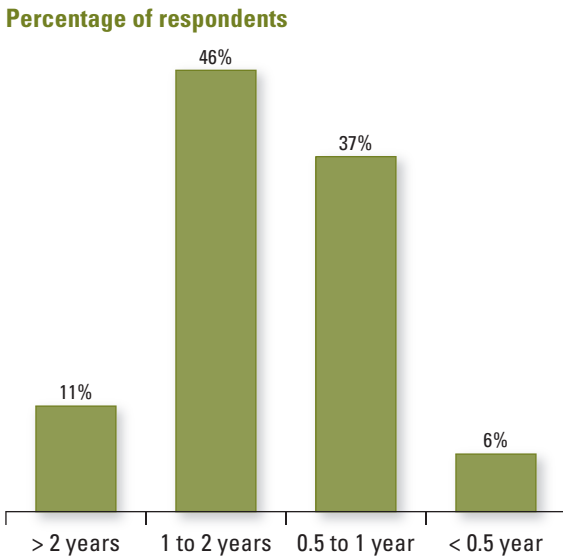
term relief, and in fact the picture may be bleaker than UNCTAD's predictions. Forty-eight percent of the companies in our survey are postponing investments, with the largest share of companies planning to wait between one and two years (*see figure 2 on page 4*). Based on expectations for a slow recovery, many investors will bide their time until 2011, when most believe recovery will finally be complete and capacity can be added for a new period of economic expansion. Only 36 percent of companies, however, say they are building up capacity today to prepare for this rebound.

The recession is a driving factor for postponing investments, and it is clear that reduced FDI flows are based on problems in the economy. Two-thirds of respondents cite uncertain future

² Foreign direct investment includes investment in physical assets, such as plants and equipment, in a foreign country. Holdings of 10 percent or more equity in a foreign enterprise is the commonly accepted threshold between direct and portfolio investment as it demonstrates an intent to influence management of the foreign entity. The main types of FDI are acquisition of a subsidiary or production facility, participation in a joint venture, licensing and establishment of a greenfield operation. The last is defined as a direct investment in new facilities or the expansion of existing facilities.

³ All prices are in U.S. dollars unless otherwise noted.

Figure 2
Length of time investments will be postponed

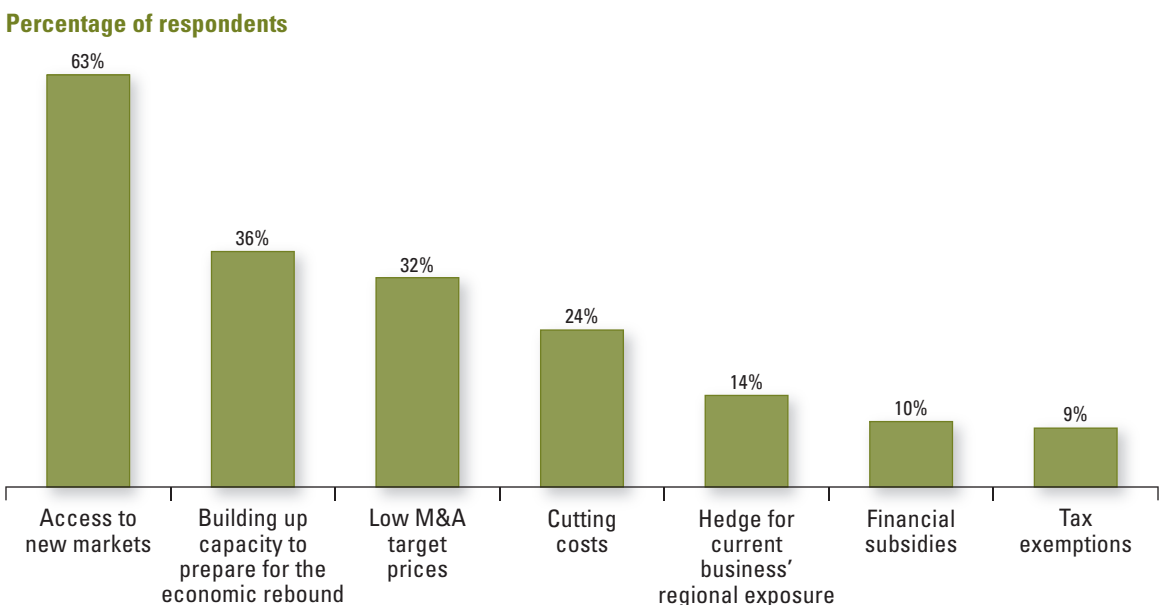


Source: A.T. Kearney Foreign Direct Investment Confidence Index, 2010

market opportunities as the major obstacle; other major obstacles include insufficient credit from banks (29 percent), company liquidity problems (28 percent) and difficulties getting credit outside of banks (23 percent). While the downturn has been felt in terms of employment and consumption, it is evident now that the supply side has also been hit, as FDI flows are being delayed and investment is down.

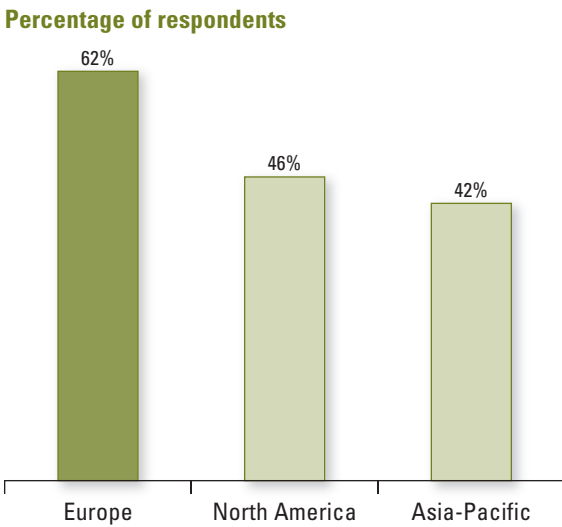
Companies that are still investing cite the search for new markets and positioning for the recovery as the biggest reasons for investment (see figure 3). This indicates that the companies daring enough to invest in this climate can move forward to take maximum advantage once the economy starts growing again. Asian investors appear to be thinking most about the long term; only 42 percent have postponed investments, compared with more than 60 percent of European investors (see figure 4). With an earlier recovery projected for

Figure 3
Main drivers of investment decisions in the current economic climate



Source: A.T. Kearney Foreign Direct Investment Confidence Index, 2010

Figure 4
Companies planning to postpone investment by select region



Source: A.T. Kearney Foreign Direct Investment Confidence Index, 2010

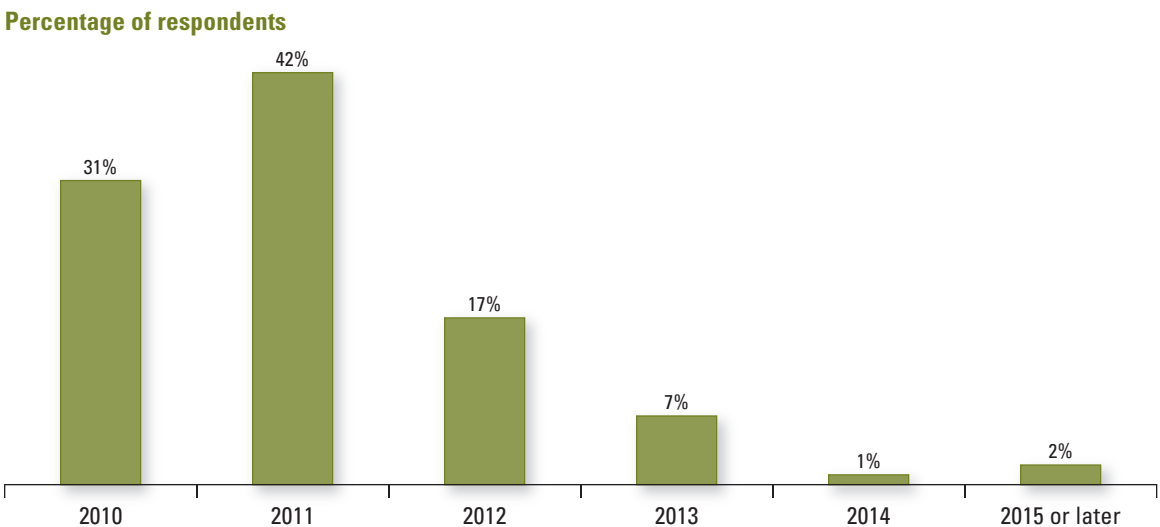
their home markets and strongly positioned for foreign advancement, Asian companies should hit the ground running once the world economy recovers.

Another driver for FDI cited by respondents is low prices for merger and acquisition (M&A) targets, and a third of respondents believe that M&A will drive future FDI activities. Valuations remain attractive to buyers with cash-rich balance sheets, and M&A activity, which had been low early in the downturn, is on the rise again, with levels in the fourth quarter of 2009 the highest since the crisis began.

Cost-cutting and hedging regional business exposure will also drive FDI, according to nearly one in four respondents. However, incentives such as subsidies and tax exemptions offered by host governments, both national and local, are not motivating FDI, drawing in only about 10 percent of respondents.

The majority of executives surveyed believe full recovery will take at least a year. Only 31 percent expect the world economy to recover in

Figure 5
When will the global economy recover?

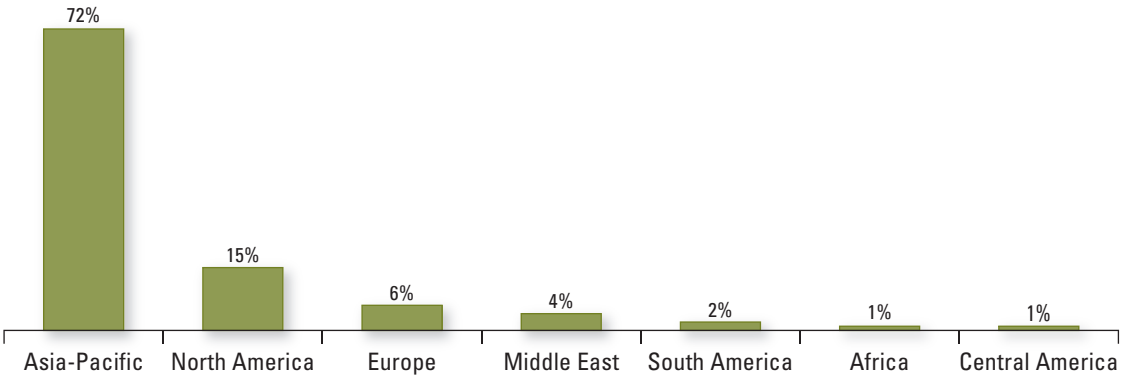


Source: A.T. Kearney Foreign Direct Investment Confidence Index, 2010

Figure 6

Region that will recover first

Percentage of respondents



Source: A.T. Kearney Foreign Direct Investment Confidence Index, 2010

2010, while 42 percent believe that it will recover in 2011 (see figure 5). Almost three-quarters of investors surveyed believe that the Asia-Pacific region will lead the world out of this recession, however there are also wide disparities in investor confidence among Asian countries (see figure 6). Traditional leaders such as Japan and South Korea are far off investors’ radar screens this year (and out of the Index), but attitudes about India’s and China’s ability to emerge from the crisis are more positive than ever. At the same time, only 15 percent of respondents believe that North America would be the first region to emerge from the crisis.

Staying Close to Home

Investors from Asia-Pacific, Europe and North America make up the majority of survey participants, and respondents from each of these groups rank China, India and the United States highly among top investment locations. However, each group also demonstrates a clear preference for near-abroad locations (see figure 7). Asia-Pacific investors select China and Vietnam as their top two location choices, respectively, with India

(4th), Hong Kong (5th), Indonesia (6th), Australia (8th) and Thailand (9th) trailing close behind. The United States also moves up among Asia-Pacific investors, to 3rd place from 7th, demonstrating the view that the United States is a center of relative stability.

Figure 7

Investors’ top 10 regional preferences

Asian investors	European investors	North American investors
1. China	1. China	1. United States
2. Vietnam	2. United States	2. China
3. United States	3. India	3. India
4. India	4. Germany	4. Brazil
5. Hong Kong	5. Brazil	5. Mexico
6. Indonesia	6. Romania	6. Poland
7. Brazil	7. Italy	7. United Kingdom
8. Australia	8. France	8. Canada
9. Thailand	9. Poland	9. Australia
10. UAE	10. Russia	10. Germany

Color indicates countries in the same region

Source: A.T. Kearney Foreign Direct Investment Confidence Index, 2010

For European executives, China, the United States and India are the top three destinations, but neighbors Germany (4th), Romania (6th), Italy (7th), France (8th), Poland (9th) and Russia (10th) are right behind. Russia falls among European investors, slipping from 3rd in 2007, while Germany makes a great leap. European investors see Germany with great favor this year: 69 percent of respondents who indicate a “high likelihood” of investing there are from Europe, the highest home region preference of any country in the ranking and an indication of confidence in its ability to adjust and recover.

North American investors see the United States as the leading investment location, and North American Free Trade Agreement (NAFTA) partners Mexico and Canada are 5th and 8th, respectively.

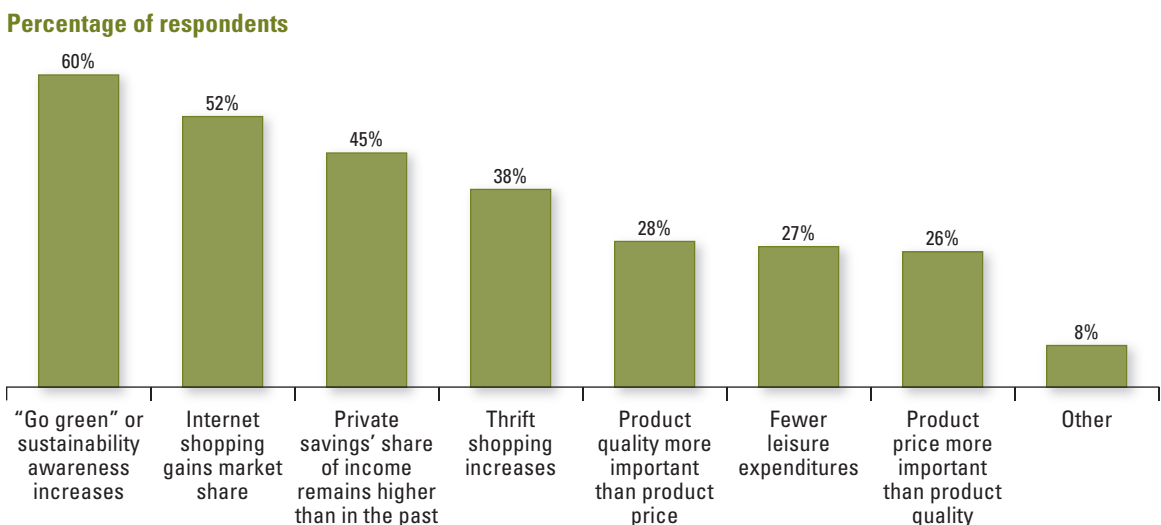
Consumer Trends

How will consumer behavior change after recovery? The vast majority of executives surveyed

predict that sustainability will endure as a major theme, and that the consumer driven by what has been characterized as irrational exuberance has been replaced by a chastened saver with a penchant for Internet shopping. Prior to the crisis, consumers in many developed economies, notably the United States, spent large proportions of their income and saved little. The illusion of easy wealth spurred consumption well beyond income levels, particularly in housing. As stock values, savings and retirement funds dwindled during the crisis, Americans were forced to consume less.

Even before the crisis, consumers began demanding more sustainable practices from companies. Most respondents believe that these demands will continue into the future, and that companies will be urged to consider ecological and social performance in addition to financial results (see figure 8). While many observers have worried that sustainability would take a backseat to other pressing concerns during the downturn,

Figure 8
Consumption patterns likely to persist post-recession



Source: A.T. Kearney Foreign Direct Investment Confidence Index, 2010

executives from across the spectrum say they expect consumers to continue pushing sustainability, considering rising concerns over resource scarcity and ongoing climate change negotiations. General Electric, Wal-Mart and Google are among the firms that have forged ahead with eco-friendly policies and energy-efficiency programs to reduce both their environmental impact and costs and improve their corporate image. Additionally, corporate scandals and recent economic woes have increased the scrutiny on companies that focus more on short-term profits and risk-taking than on sustainable profitability, which involves a focus on longer-term, steadier profits.

Executives expect that changes in consumer spending behavior during the crisis will have a long-term impact. Forty-five percent of executives surveyed for the Index forecast higher private savings than in the past. Other sources echo these findings, including a survey from British market research firm Mintel that found that 81 percent of consum-

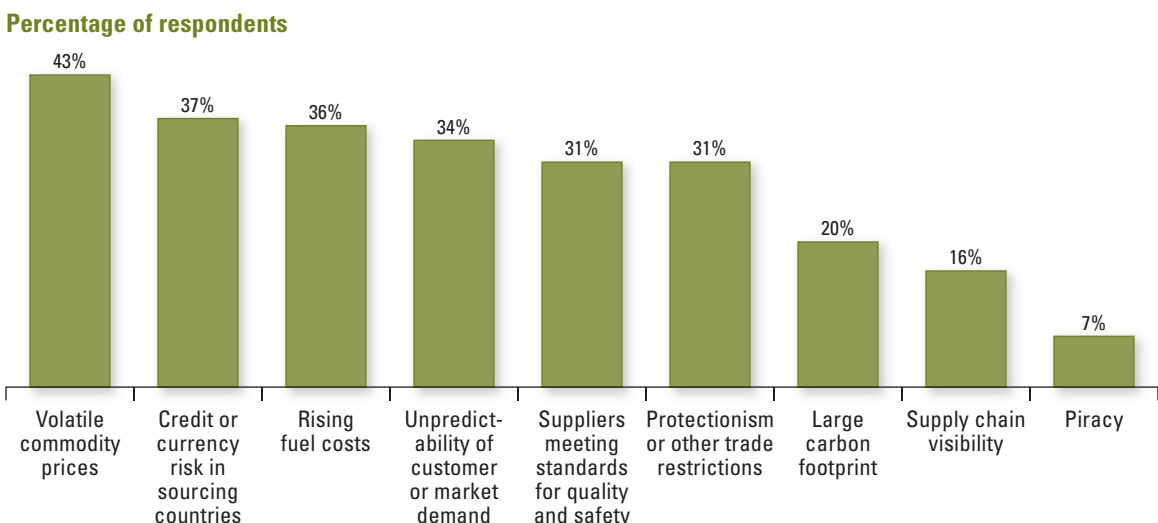
ers plan to be more conservative with their money and 86 percent believe their previous consumption patterns were too focused on materialism.

Consumers with less disposable income will likely become even more cautious about purchasing decisions, spending more time to identify the products that meet their needs. Just over half of executives surveyed anticipate that Internet shopping will grow, and executives will increasingly have to react to a world of 24-7 information that enhances consumer skepticism as product claims can be rapidly and publicly refuted.

Supply Chain Changes

Shifting trends in the global business environment have led many analysts to question the sustainability of ever-longer and leaner global supply chains. Soaring oil prices—which reached \$147 per barrel in the summer of 2008—seemed to portend a new era of near-shoring as transportation costs threatened to erase the labor arbitrage advan-

Figure 9
Major challenges for supply chains



Source: A.T. Kearney Foreign Direct Investment Confidence Index, 2010

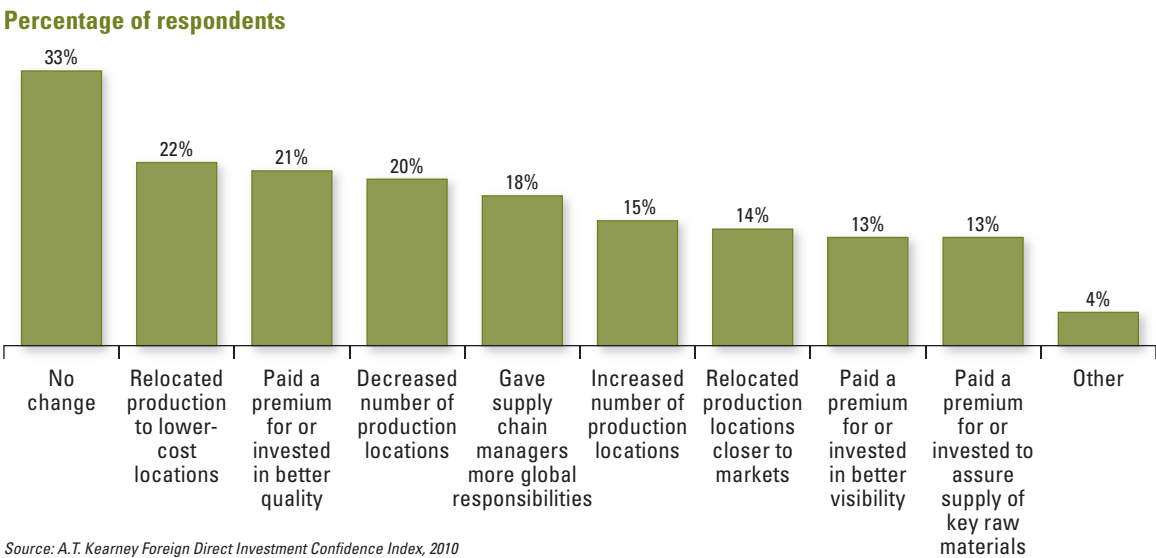
tages of far-flung manufacturing destinations. Adding to these concerns is the threat of protectionist measures that many countries considered and implemented during the depths of the economic crisis—an “incipient but worrisome trend,” as two World Bank economists put it. Nevertheless, while executives appear to recognize the challenges ahead, there is no overwhelming evidence to suggest that they are scaling back their global operations.

Chief among supply chain issues is volatility, particularly in commodities (see figure 9). Forty-three percent of respondents identify volatile commodity prices as a major concern, with unpredictable prices for energy, food and raw materials hampering corporate planning for the past two years. Rising fuel costs are problematic, according to 36 percent of respondents. While oil has retreated from its highs of last year, stabilizing around \$80 per barrel, executives still believe shifting prices could disrupt their supply chains.

Thirty-seven percent of executives also cite credit and currency risk as a major challenge, as many countries struggle with fiscal challenges that put increasing pressure on their currencies. Premiums for these countries’ sovereign debt have risen amid mounting economic distress.

While two-thirds of executives report that they will change their supply chain strategy, no single approach emerged as a favorite (see figure 10). Twenty-two percent of respondents say their companies have considered relocating to lower-cost locations, while 20 percent say their firms may cut the number of production locations. On the other hand, some companies have made quality a central priority, with 21 percent paying a premium to secure better products and 18 percent empowering supply chain managers to make more independent decisions. Despite the concerns over higher fuel and shipping costs, only 14 percent of executives say their companies plan to move production closer to consumer markets to cut transportation costs.

Figure 10
Change in supply chain strategies over the past year



Regional Findings

While China once again takes the top spot in the FDI Confidence Index, a regional breakdown offers a glimpse of other global trends (see figure 11). The placement of China, India and Brazil in the top five indicates a vote of confidence for these economies to emerge strong from the economic crisis. At the same time, large developed economies such as the United States and Germany rise in the Index as investors seek safety. The Middle East also fares well, as the United Arab Emirates and other Gulf states are in the top 15, and Egypt emerges as

a rising star (see sidebar: *The Middle East as a Major Investment Destination*).

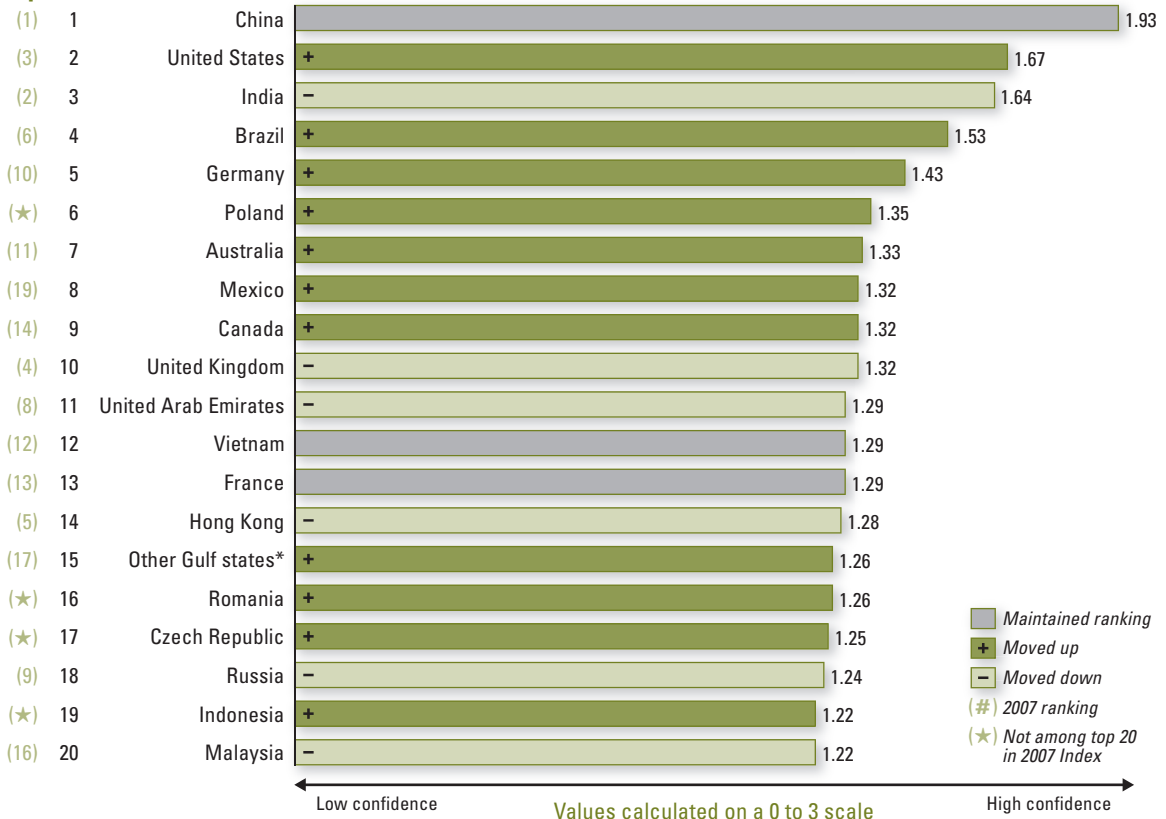
Asia-Pacific

China is the Index leader again, but the biggest news in Asia-Pacific is the disappearance of the region's more advanced economies, Japan and South Korea, from the Index for the first time since its inception. India is the second highest-ranked Asian country, taking 3rd place.

Large countries with strong consumer bases, such as Australia (7th), Vietnam (12th overall) and Indonesia (19th), hold up well in the Index, but

Figure 11
2010 FDI Confidence Index®

Top 20



*Other Gulf states include Bahrain, Kuwait, Oman and Qatar.

Source: A.T. Kearney analysis

some smaller, open economies that function most prominently as intermediaries in Asian trade flows—notably Hong Kong—have plunged as economic activity slowed down.

China. Foreign investors continue to flock to China—the Index leader since 2002—drawn by the country’s continued transformation toward increased domestic demand and reduced depen-

dency on exports. The continued enthusiasm from decision-makers in this survey points to sustained economic growth and commercial progress.

The strong optimism is spread among almost all industries: China is the top destination for executives from retail, telecom, utilities, heavy industry and financial services, among other industries. China also ranks as the top investment

The Middle East as a Major Investment Destination

In less than a decade, the Middle East became a major global investment destination. In 2000, FDI inflows to the Middle East were \$3 billion, but this grew to \$78 billion by 2008.

A.T. Kearney’s FDI Confidence Index 2010 confirms the importance of the region. The most attractive Middle Eastern destination is the United Arab Emirates (UAE), which ranks 11th, followed by other Gulf states.* Egypt also is an up-and-coming destination.

Taking a closer look at the region, Dubai is the top survey destination. Investors express confidence in Dubai’s ease of doing business,

access to best-in-class infrastructure, advanced logistics facilities and safe environment. When asking those with investments in the region about their first choice for future investments, Dubai is the preferred destination (*see figure*).

Dubai is a gateway destination, much like Hong Kong for mainland China and Singapore in Southeast Asia. Dubai is a hub for a region ranging from North Africa, Middle East, Central Asia all the way to Pakistan, encompassing more than 500 million consumers. Despite negative publicity, 81 percent of investors surveyed that have investments in Dubai plan to maintain or

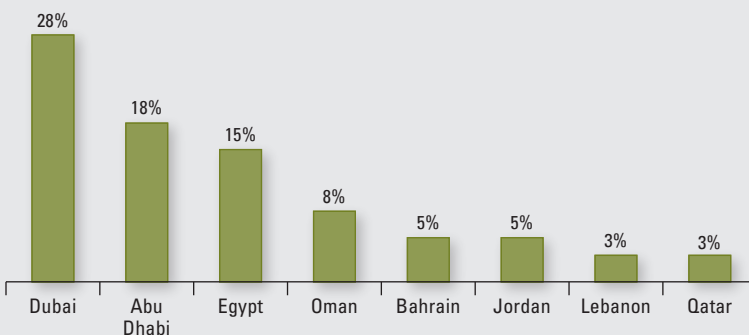
increase their investments in the next three years. Investors report confidence in Dubai’s ability to rebound from the global crisis.

The Middle East is experiencing a major transition, from an economy predominantly driven by natural resources to one that is more diversified. The Index results are a testament to its success at diversification, with investors noting access to Middle East markets and consumers as their main priority, as opposed to access to resources.

The Middle East still has its challenges—ranging from geopolitical concerns to cultural issues. Investors remain divided between those with little or no exposure to the region and those familiar with it. The former stress geopolitical concerns as obstacles to investment, while the latter are comfortable with safety, but point to more mundane challenges such as corporate governance. This is a sign of the region’s economic maturity and globalization.

Perception and reality can be quite different, particularly in the Middle East. However, companies that so far have avoided the region may want to reassess their analysis.

Figure: Preferred choices for future investment in the Middle East



Source: A.T. Kearney analysis

*Other Gulf states include Bahrain, Kuwait, Oman and Qatar.

destination for Asia-Pacific and European investors, and the second biggest for North American investors. FDI inflows in 2008 were \$108.3 billion, up from \$83.5 billion in 2007, and announcements about future investments reflect China's continued attractiveness as the most populous consumer market.

Part of China's appeal stems from increased domestic consumption, as demonstrated by the automotive industry. More new cars were sold in China in 2009 than in the United States, the erstwhile largest car market, and foreign firms are rushing in. For example, German carmaker BMW and its Chinese partner Brilliance Automotive Holdings are planning to invest more than \$800 million to increase yearly production capacity to 100,000 units.

Another booming area for investment is healthcare. Swiss pharmaceutical giant Novartis recently unveiled a plan to invest \$1 billion over five years to build the largest pharmaceutical R&D institute in China, where the firm hopes to profit from extended coverage in China's recent healthcare reform. Not only is this a sign of the growth of the Chinese market but also a testament to the increasing quality and sophistication of the talent pool.

China's outlook remains unambiguously positive in the short term, and investors expect Asia to lead the world through economic recovery, yet there are variables that may undermine Chinese competitiveness in the years ahead. The most pressing issue is Chinese labor costs, which have climbed and could hurt the market for low-value manufacturing. For example, the Association of German Engineers estimates that 20 percent of the 1,600 German companies in China are planning to pull out due to cost considerations.

India. India slips slightly in the 2010 Index and now sits in 3rd place, but it is still a well-

regarded foreign investment destination. European and North American investors place it 3rd, while Asia-Pacific investors rank it 4th. India is the top location for nonfinancial services investment, and it also scores highly in heavy industry, light industry and financial services. FDI inflows soared from \$25.1 billion in 2007 to \$41.6 billion in 2008 even as the economic crisis grew, but they are estimated to have dropped to \$33.6 billion in 2009, according to UNCTAD.

India offers many opportunities for those firms with patience and resourcefulness. If the Indian retail sector becomes more open in the future, it could become a vital, high-potential market, as outlined in A.T. Kearney's 2009 Global Retail Development Index (GRDI) and 2009 Global Services Location Index (GSLI), which both ranked India first.⁴

International investment in India requires some creativity because of limited access to skilled labor, difficulty getting licenses and other issues. For example, a recent survey by the Federation of Indian Chamber of Commerce and Industry (FICCI) and the World Bank reveals that 64 percent of Indian employers are "somewhat" to "not at all" satisfied with the quality of engineering graduate skills, and that India needs education reforms in order to remain competitive. The survey also finds India's R&D spending, number of researchers and gross enrollment ratios to be low compared to China. These issues must be addressed so it can not only compete against China, but also against other Asian competitors.

U.S. retailer Wal-Mart's success in India offers insight into how multinational companies can manage FDI restrictions and supply chain challenges. In urban markets, a lack of physical space prevents people from buying in bulk, and consumers' modest and sometimes inconsistent cash flow makes large purchases impractical. Addition-

⁴ For more information on the 2009 GRDI, see "Windows of Hope for Global Retailers" at www.atkearney.com. For more information on the 2009 GSLI, see "The Shifting Geography of Offshoring" at www.atkearney.com.

ally, there are many intermediaries in Indian supply chains, which means a product may go through six different middlemen before reaching the consumer. Wal-Mart is taking steps to overcome these challenges, by developing supply chains that remove inefficiencies. It is procuring 30 to 35 percent of its produce directly from local farmers. It has also changed stocking policies to reduce inventory and physical footprint, along with the related property and energy costs.

Novartis unveiled a plan to invest \$1 billion over five years to build the largest pharmaceutical R&D institute in China, and profit from China's recent healthcare reform.

As in China, the growing automotive sector also attracts foreign capital and expertise. Among major automotive manufacturers, Ford recently released plans to invest \$500 million in its Chennai plant to transform it into a strategic global production hub, and Nissan-Renault will produce an ultra-low-cost car with local partner Bajaj Auto. Automotive suppliers are also investing in India, highlighted by French tire maker Michelin's announced \$874 million investment in its first Indian manufacturing facility, which will produce radial tires for buses and trucks.

Australia. Australia climbs to 7th in the Index; it had dropped to 11th in 2007 after placing 8th in 2005. The country has long been popular for FDI because of its natural resources and agreeable business environment. This year,

Australia is the third most attractive destination (behind the United States and Canada) among primary sector and retail investors, thanks to its abundance of commodities and consumer base. Australia's major sources of FDI capital were the United Kingdom (31 percent of total) and the United States (20 percent). According to UNCTAD, 2008 cross-border M&A included \$33.7 billion in sales and \$17.3 billion in purchases, and total 2008 inflows reached \$46.8 billion.

In October 2009, Australia approved Yanzhou Coal's \$3.2 billion takeover of Australian miner Felix, the biggest acquisition by a Chinese firm and yet another sign of China's scramble for resources.

Vietnam. Economic progress and increased openness have helped Vietnam maintain 12th place in the Index after it entered the top 25 in 2007. In particular, Vietnam is a top destination among telecommunications and utilities firms.

Since its entrance to the World Trade Organization (WTO) in 2007, Vietnam has improved its regulatory conditions to promote foreign investment, and the 2009 free-trade agreement between India and the Association of Southeast Asian Nations (ASEAN) will remove tariff barriers. Although Vietnam is opening fast and benefits from relative political stability, it still suffers from poor infrastructure and a shortage of skilled labor.

In 2008 FDI inflows to the country reached \$8 billion, up from \$6.7 billion in 2007 as opposed to many other countries that suffered large drops in investments. In terms of exports, manufactured goods have overtaken commodities as the main export. Vietnam is subsequently drawing more FDI from other emerging countries in labor-intensive

manufacturing, yet the United States was Vietnam's top foreign investor for 2009. The largest single deal was in the tourism and hospitality sector. The \$100 million Dragon Ecological Tourism Complex, developed by TANO Capital and Global C&D, will cover 1.5 square miles in Quang Nam, with nine high-grade hotels (15,000 rooms in total), a 10,000-seat convention center, a trade center and office area, villas and apartments.

Hong Kong. Hong Kong has long been one of Asia's top recipients of FDI, given its proximity to and special relationship with mainland China. However, after its economy shrank by 3.3 percent in 2009, a sharp decline in investor confidence leads to its drop to 14th place. Nevertheless, according to our survey, Hong Kong remains a top investment destination in financial services, wholesale and retail. Forecasters expect gross domestic product (GDP) growth of 3.8 percent in 2010-11, buoyed by increasing trade flows and tourist and business travel, coming mainly from Asia-Pacific.

Hong Kong attracted \$63 billion in inward investment in 2008 but, according to UNCTAD, this figure fell to \$36 billion in 2009. The government is expected to be more aggressive in attracting FDI in coming years, by providing access to cheap land for healthcare and creative industries. Changes in the regulation governing investments between Hong Kong and mainland China also bode well for post-recession Hong Kong. As part of the recent round of the Closer Economic Partnership Arrangement (CEPA), Hong Kong-based companies can now invest in R&D and rail transportation in mainland China. Hong Kong's financial services industry also gets a boost, as it is granted access to investment advisory firms in China while mainland Chinese can invest in exchange-traded funds in the Hong Kong stock market.

Indonesia. Indonesia moves up two slots to 19th place, as it is a popular destination for many

heavy and light industry investors, particularly from Asia. President Susilo Bambang Yudhoyono is expected to use his strong electoral mandate to push reforms to improve the country's business environment in his second term. At times, FDI in Indonesia has been hampered by the country's weak legal system and poor infrastructure.

Indonesia's economy has been one of the least affected by the financial crisis, its growth rate slowing from 6.1 percent in 2008 to an estimated 4.5 percent in 2009. The country is less exposed to external demand fluctuations because exports make up a relatively small proportion of GDP.

Indonesia's FDI inflows in 2009 were a moderate \$5.1 billion, yet chemicals, pharmaceuticals, mining and transport were areas that benefited from the inflows. Recently, Chinese companies such as Geely announced they will expand operations in Indonesia to use it as a base to serve the Southeast Asian markets. China Investment Corporation, China's sovereign wealth fund, also recently bought a \$1.9 billion stake in PT Bumi Resources, Indonesia's biggest coal company.

Malaysia. Malaysia falls to 20th in the 2010 Index from 16th in 2007. The government has expressed concerns that the country's competitiveness has slipped over the past decade. To regain its edge, there have been calls for wide-ranging reforms and more private-sector investment to help offset soaring fiscal deficits.

Like other economies that have staked their fortunes on manufacturing exports, Malaysia has been hit by slowing global demand, and declining commodities prices have added to the troubles. Malaysia's government introduced two stimulus packages totaling \$19.5 billion, but they could not prevent Malaysia's worst recession since the Asian financial crisis of the late 1990s.

FDI inflows in Malaysia have plummeted from \$8.4 billion in 2007 to \$2.7 billion in 2009, according to UNCTAD. Recently, investors from

the United Arab Emirates bought a 25 percent stake in Malaysian bank RHB Capital for \$1.2 billion. U.S.-based energy company First Solar is exploring spending as much as \$900 million in Malaysia for new module assembly plants that use advanced semiconductor technology, betting on increased orders from Europe and the United States as sustainability moves to the forefront.

In April 2009, Malaysia's government relaxed regulations in 27 service categories including tourism, health and transport services; dropped requirements that 30 percent of equity be held by Bumiputras (ethnic Malays); raised foreign equity limits for financial services; and allowed foreign firms to have full ownership of regional distribution and international procurement centers.

The Americas

The United States continues to be the brightest investment destination in the Americas, as it has been since the first FDI Confidence Index in 1998.

Latin American stalwarts Brazil and Mexico are always on investors' radar screens, and both move forward to take 4th and 8th place, respectively. Brazil has weathered the economic storm well, and the government's economic stewardship has been met with admiration by investors. In North America, Canada moves ahead into 9th place.

United States. Despite its role as the epicenter of the current financial crisis, the United States remains a top FDI destination. The United States is the top location among primary sector investors and light industry; it also scores highly in nonfinancial and financial services. While 2008 was turbulent, the United States received \$316 billion in FDI—more than any other country in

the world, and up from \$271 billion in 2007. In 2009, inflows dropped to \$135.9 billion, according to UNCTAD, the lowest level since 2005. As the most mature M&A marketplace, the United States offers a strong environment for corporate finance transactions. Equity capital inflows rose 61 percent in 2008, mainly targeting finance and manufacturing.

The financial crisis made several investment targets available in the banking sector as several American banks collapsed. After the collapse of Lehman Brothers in September 2008, Barclays

Despite its role as the epicenter of the current financial crisis, the United States continues to be the brightest investment destination in the Americas.

acquired Lehman Brothers' U.S. assets and Nomura Holdings snapped up the firm's assets in Asia-Pacific. Shortly thereafter, Japanese commercial bank Mitsubishi UFJ Financial Group acquired a 21 percent stake in troubled investment bank Morgan Stanley.

The pharmaceutical industry has witnessed significant consolidation. For example, in 2008 Switzerland's Novartis purchased Alcon for \$10.5 billion, while Israel's Teva Pharmaceutical Industries bought Barr Pharmaceuticals for \$8.8 billion. In 2009, the roughly \$47 billion hostile takeover of Genentech by Swiss giant Roche reflected the continuity of the industry's consolidation. In the same light, Belgian beer producer InBev's takeover

of U.S. brewer Anheuser-Busch was the biggest reported cross-border M&A deal, worth over \$52 billion in 2008.

For all its momentum, green energy in the United States remains at a nascent stage of development. Supporting policies have attracted new investments, although it remains unknown how many specific projects will have access to federal funding. Nonetheless Chinese wind turbine manufacturer A-Power Energy Generation Systems intends to invest in a \$1.5 billion wind farm project in Texas, while Spanish energy group Iberdrola has announced plans to invest \$2 billion in U.S. wind power projects.

Brazil. Abundant agricultural and energy commodities have fueled Brazil's economic growth during the so-called "commodity super-cycle." Latin America's largest economy has risen to 4th place in the Index, after placing 6th in 2007 and 7th in 2005, and is at its highest ranking since placing 3rd in 2001. Brazil is the third most popular destination among heavy industry investors and fifth in light industry.

Brazil continues to grow despite the severity of the financial crisis. FDI inflows in 2008 were \$45.1 billion, up from \$34.6 billion in 2007, and are estimated by UNCTAD to have fallen by half to \$22.8 billion in 2009. In energy, BG Group, the U.K.-based natural gas company, has invested \$5 billion of its planned \$20 billion over 10 years to develop its Brazilian assets.

Brazilian consumer markets are also attractive to investors. Wal-Mart invested \$809 million in Brazil in 2009, a third more than in 2008, as it bets that economic recovery will stoke consumer demand. U.S. beverage giant Coca-Cola is expanding its operations in Brazil, in preparation for the 2014 World Cup and the 2016 Olympics, both held in Brazil. Coke says its investments in Brazil will grow more than 75 percent in the next five years to \$5.8 billion.

In 2009, taxes on incoming FDI in equities and fixed-income instruments were introduced to slow the appreciation of the real, and while this should only affect portfolio investment, such measures still raise questions about Brazil's investor-friendliness. However, since coming to power President Luiz Inacio Lula da Silva has pursued market-friendly policies and Brazil has seen more FDI and increased growth. As da Silva's term runs out at the start of 2011, the next presidential race will be watched with interest.

Mexico. After a brief stint out of the Index's top 10, Mexico moves up to 8th this year and remains a top destination among light industry investors. Despite GDP contraction of 7.1 percent in 2009 and its worst economic performance since the 1930s, investors remain relatively upbeat about Mexico. After 15 years of NAFTA membership, Mexico ranks highly among middle-income countries, with a \$1 trillion annual GDP. NAFTA has also deepened Mexico's dependence on the United States, which consumes 85 percent of Mexican exports and is the source of half of its FDI. As the United States fell into recession, FDI flows to Mexico plummeted. UNCTAD estimates that 2008 inflows of \$21.9 billion fell to \$13 billion in 2009.

Mexico may benefit in the wake of the crisis, as firms contemplate moving manufacturing facilities from the United States to Mexico to cut costs. Companies that have pursued this "near-shore" strategy (or have announced tentative plans to do so) include Whirlpool, Panasonic and Dell. European financial services companies have also made significant investments, including La Caixa of Spain, which acquired a 20 percent share of Grupo Financiero Inbrusa for \$2.2 billion, and France's AXA SA, which purchased ING Seguros SA de CV for \$1.5 billion. In the primary sector, Canada's Goldcorp has made new investments of close to \$2.2 billion in various mining projects.

Canada. The country's close ties to the U.S. economy meant that the American downturn had immediate, large repercussions for Canada. However, a sound financial system and newfound energy resources have dulled the effects of the recession, and Canada remains a popular place for foreign investment. Though FDI inflows more than halved from \$108.4 billion in 2007 to \$44.7 billion in 2008, investors are bullish on Canada, which moves up to 9th place in the Index. Canada is a top location for primary sector investors, second only to the United States. Including unconventional liquids, Canada has the second largest crude reserves after Saudi Arabia. As a result, Canada benefited when oil prices were high and was hit when they dropped.

Major transactions include Korea National Oil Corp.'s \$1.7 billion takeover of Canada's Harvest Energy Trust, securing oil and gas reserves and also taking on an old refinery in need of investment, and PetroChina's \$1.7 billion deal for a 60 percent stake in two Alberta oil sands projects estimated to contain as many as five billion barrels.

Though a recipient of much FDI, Canada is actually a net exporter of FDI. Inward stock (assets in Canada held by foreigners) as of 2008 was \$412 billion, while outward stock (assets held abroad by Canadian firms) was \$520 billion.

Europe

The two European countries most attractive to executives in 2007, the United Kingdom and Russia, take a beating in the 2010 FDI Confidence Index. The United Kingdom, 4th in 2007 behind confident consumers and thriving banks, dropped to 10th this year amid a financial services meltdown. Similarly, a boom fueled by high energy prices ended in Russia, and falling energy prices and other difficulties mean a loss in investor confidence. Europe's new leaders in the Index are Germany

(5th) and Poland (6th), where executives see large, relatively stable economies. Another large consumer market, Romania, enters the Index this year.

Germany. Foreign investors appear encouraged by stable economic policy and strong management of the economic crisis in Germany, which rises from 10th to 5th in this year's Index. Europe's largest economy ranks highly among both non-financial and financial services investors. Nevertheless, Germany has been hit hard by the economic crisis, with a 5 percent GDP contraction hurting both financial institutions and the country's export-driven manufacturing business. Inward FDI flows plunged to \$25 billion in 2008, less than half of 2007 levels, but UNCTAD estimates that inflows rebounded to \$35.1 billion in 2009.

The majority of new investments in Germany came from major industrial powers, including the United States with 149 projects, the United Kingdom with 51 and Japan with 36. Among the companies that invested in Germany were Australia's Intico Solar, Japan's Casio, and Canada's Research in Motion. Additionally, Gulf countries' sovereign wealth funds are investing in German industry. For example, automaker Daimler raised its equity capital and sold a new 9.1 percent stake to Abu Dhabi's Aabar Investments. Noteworthy also was Qatar Holding LLC's investment in a 10 percent voting stake in the Stuttgart-based automaker Porsche, which was in financial distress after a failed takeover of Volkswagen in 2008. This marks the family-owned carmaker's first external investor.

Poland. Less reliant on exports than its Eastern European peers, Poland's economy has weathered the external economic shocks relatively well, and the country jumped to 6th in the 2010 Index. The country's relatively strong performance during the crisis gives investors cause for confidence, particularly in financial and nonfinancial services and retail.

Poland's GDP grew an estimated 1.4 percent in 2009, making it the only European country to avoid contraction. Looking forward, foreign investors are drawn to the country's comparatively low wages and the extensive investment opportunities through privatization. Poland confronts challenges in its preparation for adopting the euro and recently postponed its entry to the European Union's economic and monetary union (EMU) by three years to 2015.

More spending on EU-supported infrastructure projects is expected as the government simplifies the procedures for accessing EU funds. The Euro 2012 soccer championships, hosted by Poland and Ukraine, will also boost investment spending. Recently, IBM unveiled plans for a Wrocław-based facility where specialists will provide services and administer servers, databases, networks and applications for IBM customers with headquarters in Europe. Fujitsu also opened a new service center in the country to provide technical support for clients from the financial and insurance sectors in Eastern Europe and Scandinavia. Finnish investor Cargotec made 2009's largest single investment in Poland: a \$91.3 million facility that will produce forklifts, cranes, gantry carts and tractors.

United Kingdom. The recession has been severe in the United Kingdom, and as a result, 2008 FDI inflows of \$96.9 billion plummeted to \$7 billion in 2009 according to UNCTAD. Its fall from 4th to 10th place in the Index can in this context be interpreted as reason for modest optimism that investors have not altogether given up on the United Kingdom.

Until 2009 the United Kingdom was Europe's top destination for foreign investors. As in most economies, multinational companies and investment firms form a large part of the country's FDI, such as the \$17.9 billion acquisition of British American Tobacco by Denmark's House

of Prince in 2008. Since the beginning of the financial crisis, many sovereign wealth funds have made high-profile investments in troubled banks. For example, Singapore and Qatar have invested in Barclays.

Creative industries have seen large investments in recent years. Investments to that industry increased by 65 percent compared to financial services, which recorded 20 percent growth. Other fast growers were business services (34 percent) and software and computer services (36 percent), according to the U.K.'s inward investment report for 2008-2009.

France. A concerted effort by the government to improve the country's investment climate helps France maintain 13th place in the 2010 Index. In particular, investors in the nonfinancial services category cite France as a vital locale.

The "Law of Modernization of the Economy" includes many reforms designed to attract more investors in an increasingly competitive European landscape. The law will promote the employment of foreign workers, provide tax exemptions for companies locating in certain areas, mandate the installation of ultra-fast Internet for all new buildings, and simplify rules for starting businesses.

According to the Invest in France agency, 32,000 jobs were created or maintained in the country in 2008 through FDI. However in 2009, FDI inflows plunged to \$65 billion from \$100.7 billion the year before. Foreign companies planning to scale back operations in France in 2009 due to the economic crisis encountered some resistance. Executives at foreign companies such as 3M were held hostage by upset workers after announcing downsizing plans.

Romania. Romania returns to the Index in 16th place, in spite of a severe recession, fiscal troubles and a standoff over budget deficits in 2009 that marred relations with the EU and International Monetary Fund (IMF).

However, investors are positive about the future. The 2007 EU membership has made Romania a safer destination, and its large population, the continent's 10th biggest, is attractive to investors. Many investors see Romania as an attractive, low-cost near-shore destination for European operations, especially as the established regional leaders, the Czech Republic, Hungary and Poland, have seen costs rise rapidly in recent years.

The country's oil and gas endowments have drawn foreign investors in recent years. In July 2009 KazMunaiGaz of Kazakhstan acquired Rompetrol, which operates two oil refineries in

Europe's new leaders are Germany and Poland where investors see large, relatively stable economies; Romania is the highest-ranking newcomer.

Romania with combined annual capacity of four million tons and a network of 350 petrol stations. Czech power company CEZ is developing Europe's largest seaside wind farm in Romania, a 600-megawatt project that began in late 2008 and should finish this year.

Czech Republic. The Czech Republic jumped to 17th this year. While FDI inflows halved in 2009, the good news is that the nature of recent investment in the country is shifting toward higher-value activities—away from manufacturing toward R&D and business support services. In 2008, for the first time investments flowing

to services were greater than those going to industrial production. The trend continued in 2009, as 85 percent of the 140 projects initiated in the first half of the year were dedicated to R&D and services, namely in automotive, IT and software development.

According to the Czech National Bank, EU countries accounted for more than 97 percent of total FDI in the first half of 2009, but Asian investors have been active in automotive. South Korea's Hyundai opened a manufacturing plant in Nošovice in September 2009 and another Korean giant, Doosan Heavy Industries and Construction, has agreed to buy steam turbines maker Skoda Power and its proprietary turbine technologies used in power plants.

Russia. Russia's economic slump was unexpectedly severe, worse than any in the BRIC bloc of emerging economies.⁵ The country falls to 18th from 9th in 2007 as European investors recalibrate their opinion of Russia's prospects.

Investment flows to Russia in 2009 were still substantial at \$41.1 billion, though far from the \$70.3 billion of 2008. The majority of investments were aimed for the growing consumer market, such as Pepsi's 2009 announcement that it plans to invest \$1 billion in Russia over three years. Though opportunities abound in Europe's most populous country, transparency remains a major obstacle for foreign investors. For instance, Swedish retailer IKEA halted new investments, citing excessive bureaucracy.

The country is courting oil and gas investors. In September 2009, Russia's Prime Minister Vladimir Putin met with representatives of major Western oil companies to discuss developing

⁵ Brazil, Russia, India and China.

natural-gas resources on the Yamal Peninsula. Foreign investment would be part of a strategy to develop the huge natural gas deposits in the Arctic and for Russia to enter the LNG market.

Middle East and Africa

Investor confidence in the economies of the Middle East is higher than in past years. The top destination in the region, the United Arab Emirates, home to Dubai and Abu Dhabi, has held up well despite a flurry of negative publicity during the survey period, and demonstrates that it continues to be a leading destination in the region. Additionally, other Gulf states (Bahrain, Kuwait, Oman and Qatar) improve this year, while South Africa falls out of the Index as concerns about its fundamentals grow.

United Arab Emirates. Among the top 15 investment destinations for the second consecutive survey, the UAE has developed a stable business environment and created investment opportunities that have drawn investor interest far beyond what the country's size suggests. For investors with existing or planned investments in the Middle East, the UAE is the 5th most attractive FDI market in the world, a testimony to the region's growth and a reward for the efforts of Dubai and Abu Dhabi to develop the country into an attractive foreign investment destination.

Though the UAE slips in this year's rankings, investors maintain confidence and see large potential for economic rebound in the UAE over the longer term. Compared with Hong Kong, a comparably small, open economy acting as trade and finance hub for its region, the UAE fares well,

falling only three places while Hong Kong drops nine. U.S. retailer Crate & Barrel announced 2010 openings of two stores in Dubai; its first outlets outside North America.

Other Gulf states. Bahrain, Kuwait, Oman and Qatar have used their oil and gas wealth to diversify their economies and attract FDI into the service sectors. This group rises to 15th this year, from 17th in 2007. Investors from the

Among the top 15 investment destinations for the second consecutive survey, the UAE has developed a stable business environment and opportunities, drawing investor interest far beyond what the country's size suggests.

primary, heavy industry and financial services sectors see these states as a source of interest going forward.

The Economist Intelligence Unit (EIU) predicts that Qatar's economy will grow by more than 15 percent over the next three years. The country's gas wealth will help exports triple to \$114 billion by 2014, giving it the capacity to diversify its economy. FDI is important in Qatar and other GCC countries, not as much for its financial contribution as for the technology transfer and managerial expertise that it brings. Oil giant Shell is participating in a joint venture

in Qatar called Pearl GTL, which will be the world's largest gas-to-liquids plant, and other major oil companies, such as French Total, are also participating in joint ventures in Qatar.

Economic diversification is a major theme throughout the Middle East, particularly in Bahrain, with its relatively small oil reserves and declining production. In 2008, the country reported \$1.8 billion in FDI into financial services, telecommunications and real estate. For example, Saudi Telecommunications Company (STC) was awarded Bahrain's third mobile phone license in 2009 after bidding \$231 million. STC is also investing roughly \$100 million to develop the required infrastructure to establish its activities, such as base stations, repeaters and relay masts.

Kuwait has received relatively little FDI the past five years: Between 2003 and 2008 FDI inflows halved and stand at just \$56 million, or less than 0.1 percent of the inflows to the Middle East, according to UNCTAD.

Runners-Up

Four economies come close to ranking among the top 20 FDI locations in this year's Index: Chile, Egypt, Singapore and Turkey. Singapore and Turkey were among the top 20 locations in 2007, but they fall out of the top 20 this year. Chile and Egypt are moving up in investor preference and are approaching the top 20.

Chile. Chile has performed admirably during the crisis, with forecasts of 4.2 percent GDP growth in 2010. Chile's long history of sound economic policy and political stability have paid off: In 2010, the country is set to become a member of the Organisation for Economic Co-operation and Development (OECD), joining Mexico as the exclusive group's only Latin American representatives.⁶ The country openly welcomes FDI and grants foreign investors access to develop new ven-

tures and acquire existing ones. FDI as a percentage of GDP was 9.9 percent in 2008, compared to 1.3 percent in Argentina, 2.9 percent in Brazil, 4.3 percent in Colombia and 1.7 percent in Mexico.

Though the economy has performed relatively well during the crisis, reduced demand for commodities has cut export earnings. However, the government saved \$35 billion in revenues from copper export sales during the boom years, enabling it to launch a vast stimulus plan to counteract falling private consumption. Chile broadened its social safety net to include a generous minimum pension system, the payment of bonuses to women for each birth, and the distribution of a solidarity bonus to each family member in the 1.7 million households that make less than \$750 per month.

FDI inflows to Chile rose from \$12.5 billion in 2007 to \$16.8 billion in 2008 and back to \$12.9 billion in 2009, according to UNCTAD. Examples of major investors include Japanese wholesale trading company Marubeni, which purchased a 30 percent share in copper producer Antofagasta PLC for \$1.3 billion, and Canada's Investor Group's, which acquired Sociedad Austral de Electricidad for \$1.3 billion. New capital market reforms that eliminate tax rules discouraging foreign institutional investors aim to promote Chile as a regional financial center.

Egypt. Egypt is emerging as an attractive destination because of its oil and gas resources, a privatization scheme and, increasingly, its large consumer market. In recent years, reforms have streamlined investment procedures to attract increased foreign interest. Heavy industry and primary sector investors from this year's survey give the country high marks.

Egypt's economic stimulus package, like so many around the world, provided funding for labor-intensive infrastructure projects, with

⁶ For more on Chile, see "Chile: A Top Destination for Global Services," at www.atkearney.com.

a particular emphasis on water treatment installations, roads and bridges. The improved infrastructure provides an added incentive for further foreign investment in the country, and the government hopes that these initiatives, along with a global economic recovery, will help the country reach 5.5 percent growth in 2010. However, deficit problems are expected to worsen with additional outlays.

In recent years, Egypt has improved its investment climate making it one of the World Bank's top reformers in the World Bank Doing Business report, though challenges remain. Starting a business, registering property and paying taxes are easier, and various free industrial zones have been established to encourage foreign investment. The government is keen to promote Egyptian IT/BPO centers as a new area of investment, capitalizing on the country's proximity to Europe and the strong language skills borrowed from the tourism sector. The sector is growing fast, attracting major firms including Microsoft and Vodafone.

Inflows to Egypt fell by 14 percent from 2008 to 2009, according to UNCTAD, but there were still major deals and investment expansions. Lafarge SA of France acquired Egypt's OCI Cement Group in a deal worth \$15 billion, while U.S.-based Edison International secured a 40 percent stake in a mature gas field in Egypt for \$1.4 billion. Makro Egypt, a division of Germany's Metro Group, launched work on the first of a series of planned wholesale stores across Egypt.

Singapore. The city-state is known for its investor-friendly business environment and is a past top performer on the Index. This year, however, it falls just below the top 20. Singapore's renowned openness left it vulnerable to shriveling global demand, and the economy is projected to have shrunk by a record 2.1 percent in 2009. As an open, trade-dependent economy, Singapore

saw FDI inflows drop from \$32 billion in 2007 to \$23 billion in 2008 and \$18.3 billion in 2009.

Singapore's stimulus package to combat the recession has been credited with averting an even-worse retrenchment. The \$14.6 billion program included a jobs-credit arrangement in which employers received a grant to maintain workers and a retraining program for laid-off employees. Companies were also offered access to government-backed bridge loans to see them through the crisis. The 2009-10 budget includes a large investment component with public-sector construction spending. These efforts, along with general global economic recovery, are expected to lead to growth of around 4.8 percent in 2010-11.

Almost all sectors are open to foreign investment, with the exception of a few restrictions in financial services, professional services and media. The government remains especially keen to attract investment that involves the transfer of technology or expertise. Recent investments in the country include China's Huaneng Group's acquisition of Tuas Power for \$3.1 billion; Japan's Lion Power's purchase of Senoko Power; investors from the UAE's purchase of Labroy Marine Ltd. for \$1.6 billion; and Bahrain's Arcapita Bank BSC's acquisition of land developer JTC Corporation for \$1.3 billion.

Turkey. Turkey was hit hard by the crisis, with an estimated GDP contraction of 6 percent in 2009. However, forecasts remain bullish, as an EU economic report estimates that Turkey will become the fastest growing country in Europe in 2010, at 2.8 percent.

The privatization process in Turkey has proceeded despite economic turmoil, yielding \$30 billion to the Treasury over the five years ending in July 2009. Recent deals include the purchase of Sabiha Gökçen International Airport for \$2.6 billion by an Indian investor group, a 50 percent purchase of petroleum refiner Petkim Petrokimya

Holding AS by a Kazakh investor group for \$2 billion, and British American Tobacco's purchase of Turkey's state-owned producer of tobacco products and alcohol beverages for \$1.7 billion.

Other notable investments and expansions include plans by DiaSA, a Carrefour-owned discount supermarket chain, to open 80 more stores after recording sales of more than \$400 million in 2008 at its 620 existing stores. Turkey is also set to become a regional production base for Fujitsu, a Japanese IT-based business solutions provider.

Outlasting the Turmoil

Nearly two years of financial turmoil have shaken global markets, causing many investors to retrench and postpone major investments until recovery is firmly underway. However, burgeoning economic powerhouses such as China, India and Brazil con-

tinue to enjoy high levels of investor enthusiasm, as economic forecasts remain promising. Meanwhile, established markets such as the United States and Germany, despite their internal economic challenges, are moving forward as investors remain confident in their ability to rebound.

The turnaround may be halting at times, but green shoots are on the horizon. In spite of the difficulties and uncertainties, firms continue to invest in new markets and position themselves for recovery. Executives surveyed in the 2010 FDI Confidence Index agree that the way we do business will change as sustainability remains a consumer priority.

Ultimately, the companies daring enough to continue investing for the inevitable rebound and a new consumer landscape will be the leaders once the global economy returns to health.

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