

Press release

Climate for FDI improving in Middle East and North African countries, but political risk abounds

September 5, 2006—Foreign direct investment (FDI) into the Middle East and North Africa almost doubled in 2005 to \$43.2bn, boosted by high oil prices and some economic reforms, according to *World Investment Prospects: Boom or Backlash?*, released today by the Economist Intelligence Unit and the Columbia Program on International Investment (CPII). “But this is growth from a low base,” observes Laza Kekic, Director, Country Forecasting Service at the Economist Intelligence Unit and one of the report’s editors. Adds Karl P. Sauvant, Executive Director, CPII, and the other editor of the report, “the political risks in the region are likely to hold FDI back in the years ahead”.

FDI inflows into the Middle East and North Africa (US\$ bn)

	2005	2006	2010
In current US\$ terms			
Inflows	49.3	54.9	45.1
% of world total	5.1	4.7	3.2
Algeria	3.8	4.2	5.5
Bahrain	0.9	1.0	1.4
Egypt	5.4	5.8	4.1
Iran	5.4	5.8	4.1
Israel	6.1	8.6	6.0
Jordan	1.5	1.8	0.9
Kuwait	0.1	0.2	0.5
Libya	1.3	1.5	1.6
Morocco	3.0	2.4	2.4
Qatar	2.3	2.5	2.5
Saudi Arabia	0.9	1.4	1.8
Tunisia	0.5	2.7	1.0
UAE	14.5	13.0	7.5

Source: *World Investment Prospects to 2010: Boom or Backlash?*

The main findings include the following:

- **FDI inflows into MENA hit record highs in 2005.** The oil price boom and some policy reforms have pushed FDI inflows to record totals, almost doubling in 2005 in both the developing Middle East (excluding Israel) from US\$14.2bn in 2004 to US\$26.8bn in 2005, and in North Africa (from US\$8.8bn in 2004 to US\$16.4bn in 2005). However, this strong performance is from a low base as globalization trends have tended to bypass much of the region, parts of which have been afflicted by political instability.
- **Egypt achieves fourfold increase.** In North Africa, every country in the region, except for Tunisia, experienced a rise in FDI inflows in 2005. The most significant was in Egypt, where there was a more than fourfold increase, to US\$5.4bn. In the Middle East, the UAE accounted for a large share (more than 50%) of the regional total in 2005, as well as the bulk of the increase in regional inflows in 2005 compared with 2004.
- **Privatizations drive FDI boost in Israel.** FDI inflows into Israel jumped to US\$6.1bn in 2005, or more than three times the level recorded in 2004. This was mainly the result of several large-scale privatizations, including some in the financial sector.
- **Many deterrents to FDI remain.** Despite the recent extensive moves towards liberalization in the region, progress is likely to be slow over the remainder of the decade. High political risk—in particular in relation to the situation in Iraq, the tensions over Iran's nuclear program and the Israeli-Arab conflict, and the threat of terrorist attacks in various parts of the region—will continue to deter investors. In some countries economic liberalization will remain difficult, and entrenched vested interests are liable to delay the restructuring and liberalization of certain sectors. Business environments should generally improve compared with the past, but change will generally not keep pace with that in other regions.

The full version of ***World Investment Prospects to 2010*** is available from <http://www.store.eiu.com> and is priced at £50/\$95

A **free Special Edition** is available from www.eiu.com/wip or www.cpii.columbia.edu

Copies are available for members of the press from the PR contacts below.

FDI Trends Webcast: Visit www.eiu.com/world or www.cpii.columbia.edu for views and analysis from the authors of *World Investment Prospects*. Registration for the webcast will begin on September 1st. The webcast itself will begin at 11:00am EDT on September 5th.

For further information please contact:

Economist Intelligence Unit	Columbia University
Sheila Allen: +44 (0)20 7576 8188 or sheilaallen@eiu.com	Clare Oh, Office: 1 (212) 854-5479 or mobile: (646) 415-2479, E-mail: coh@ei.columbia.edu
Laza Kekic: +44 (0)20 7576 8320 or lazakekic@eiu.com	Robert Hornsby, Office: 1 (212) 854-9752 E-mail: rh2239@columbia.edu
	Karl P. Sauvant, office: 1 (212) 854-0689 or mobile: 1-646-724-5600 or Karl.Sauvant@law.columbia.edu

About the Economist Intelligence Unit

The Economist Intelligence Unit is the business information arm of The Economist Group, publisher of *The Economist*. Through our global network of over 500 analysts, we continuously assess and forecast political, economic and business conditions in 195 countries. As the world's leading provider of country intelligence, we help executives make better business decisions by providing timely, reliable and

impartial analysis on worldwide market trends and business strategies. More information about the Economist Intelligence Unit can be found on the Web at www.eiu.com.

About the Columbia Program on International Investment

The Columbia Program on International Investment (CPII), headed by Karl P. Sauvant, is a joint undertaking of the Columbia Law School, under Dean David M. Schizer, and The Earth Institute at Columbia University, directed by Jeffrey D. Sachs. It seeks to be a leader on issues related to foreign direct investment (FDI) in the global economy. The CPII focuses on the analysis and teaching of the implications of FDI for public policy and international investment law. Its objectives are to analyze important topical policy-oriented issues related to FDI, develop and disseminate practical approaches and solutions, and provide students with a challenging learning environment. More information about the Program can be found on the Web at www.cpii.columbia.edu.