

Malaysia's Attractiveness as Destination for Foreign Investment Grows – The Malay Mail, Dec 2011



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December 27th, 2011

NEW YORK: Malaysia's attractiveness as a destination for foreign direct investment (FDI) has considerably improved in 2011, according to the latest evaluation released by management consultant, A.T. Kearney.

Although the study, known as "The 2011 Foreign Direct Investment Confidence Index List", is dominated by three economies – China, India and Brazil, Malaysia made a significant upward climb from its 21st ranking to 10th by the year-end.

Other Southeast Asian countries which improved their ratings were Singapore at 7 up from 24 and Indonesia at 9 from 20. But, clearly, the winners were China, India and Brazil which even surpassed the United States in terms of attractiveness as a FDI destination, according to A.T. Kearney.

Nearly half of those surveyed saw a more positive outlook for Brazil (46 per cent) than in 2010. More than one third saw improvements for both India (37 per cent) and China (34 per cent). China maintained its number one position in the Index.

Investors are looking to capitalise on the country's growing consumer market and service industry, as well as, its move up the value chain in the technology sector.

India also advanced in the standings, assuming the United States' former position, second place. "Given its strong growth and huge market potential, India should see a sustainable rebound if it can continue to reassure investors that it is committed to its current reform path," a senior executive at A.T. Kearney observed.

Brazil is also a magnet of opportunity, moving to third place from last year's fourth and attracted more than half of all the FDIs in Latin America, and this year China became Brazil's largest foreign direct investor, with the focus of the inflows in commodities and energy.

The United States has slipped to fourth ranking, pulled down by its debt gridlock that shocked many investors.

Germany asserted its position as a main driver of the European economy, ranking fifth in the index.

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Martin Sonnenschein, partner and managing director for Central Europe at A.T. said a "paradigm change" was taking place with the economic forces shifting from West to East.

"The foreign direct investment currents are increasingly turning away from established industry nations to emerging economies, Kearney added.

A variety of factors—including the sovereign debt crisis, the slow recovery in the United States and unrest in the Arab world made corporate investors cautious about the short-term future.

More than 60 per cent felt the recession had significantly changed the global business environment.

Given this realisation, Malaysia could make a strong pitch as an investment site that offers access to a 500 million strong hinterland combined market of the ASEAN group of which it is a founding member.