Back to Business: Optimism Amid Uncertainty

Investors are still in a holding pattern amid economic uncertainty, but they are nonetheless upbeat.
It seems like a lifetime ago, yet it was only 2007 when the global economy and foreign direct investment (FDI) soared to all-time highs. Then, standstill: a housing market collapse, banking crises, rising unemployment, and falling consumption, leading to two years of stagnant growth and delayed investment. FDI took a major hit in 2008 and 2009, with a miniscule rebound in 2010.

At last, investors appear ready to get back to business. Despite fiscal policy gridlock and unresolved debt issues plaguing many developed countries around the world, the executives we surveyed for the 2013 A.T. Kearney Foreign Direct Investment Confidence Index® are surprisingly optimistic about the global economic outlook.

The FDI Confidence Index, in its 13th edition since 1998, ranks countries on how political, economic, and regulatory changes will affect FDI (see figure 1 on page 3). Based on a survey of more than 300 executives from 28 countries, we examine where global investment dollars are likely to be headed (see sidebar: About the Study).

At the top of the 2013 FDI Confidence Index is the United States, which leads for the first time since 2001 as it makes progress toward sustainable, steady growth—even, in the context of serious policy uncertainty, as it works to resolve its debt issues and broader fiscal challenges. Other developed nations in the top 10 this year include Canada (4th) and Australia (6th), popular for their unconventional fossil fuels and minerals, and Germany (7th) and the United Kingdom (8th), which offer investment opportunities that are perceived as safe and reliable despite Europe’s ongoing debt and political issues.

About the Study

The FDI Confidence Index® is constructed using primary data from a proprietary survey administered to senior executives of the world’s leading corporations. Respondents include C-level executives and regional and business heads. The 302 participating companies represent 28 countries and span all industry sectors. All companies report global revenue of more than $500 million, and two-thirds report more than $1 billion. To reflect the increasing influence of emerging markets in FDI decision making, more than one-third of respondents’ companies are headquartered in developing countries. The survey was conducted in October and November 2012.

This study reflects upon likely causes for upward or downward changes, but the conclusions must be regarded only as considered judgment on the part of A.T. Kearney’s Global Business Policy Council.

The Index is 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 U.S.-based investors. Higher Index values indicate more attractive investment targets.

While the FDI Confidence Index provides readers with a sense of investor attitudes about the future, it is not designed to reveal specific reasons for the results. Since the inception of the FDI Confidence Index in 1998, the 10 most attractive FDI destinations have consistently received 50 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 Index ratings 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 include investment promotion agencies, central banks, ministries of finance and trade, and major periodicals.

For past editions of the FDI Confidence Index, go to www.atkearney.com/gbpc/foreign-direct-investment-confidence-index.
Meanwhile, emerging markets continue to charge ahead. They account for 16 of the top 25 countries in the Index, with China (2nd), Brazil (3rd), and India (5th) all in the top five once again. Led by Singapore, Thailand, and Indonesia, Southeast Asia’s more empowered consumers continue to attract investors. Mexico, with strong manufacturing and exports and close links to the United States and Canada, is in the top 10. Chile and Argentina reenter the rankings after a more than decade-long absence, highlighting South America’s increased consumer spending and rich endowment of natural resources.

Recalibrated Expectations

At the onset of the global recession, global FDI dropped from a record $2 trillion in 2007 to $1.8 trillion in 2008 and $1.2 trillion in 2009 as profits fell, credit conditions tightened, and asset values plummeted.1 The next year registered a modest gain, with FDI increasing to $1.4 trillion. 

1 All monetary figures are in U.S. dollars unless otherwise noted.
in 2010, reflecting continued concern about economic prospects. In 2011, global FDI continued to improve to $1.7 trillion. The following year, however, the ongoing effects of the economic and sovereign debt crises and concern over systemic uncertainty took their toll (see figure 2). Global FDI took a major step backward, dropping 18 percent to $1.4 trillion.

Our results in this year’s Index suggest that caution will remain a major sentiment among investors over the next three years. The executives surveyed for the 2013 Index report that they are more upbeat today about the world’s prospects than in years past. Yet they are holding back investment amid a range of near-term risks, including U.S. fiscal uncertainty, continued eurozone troubles, and a possible economic slowdown in China.

Indeed, optimism seems to have a new meaning today among investors chastened by economic malaise. For example, 73 percent of executives surveyed for the 2010 Index said they expected global economic recovery that year or in 2011; needless to say, those predictions did not fully come to pass. When asked the same question this year, only 34 percent say the economy will recover this year or next (see figure 3). At the same time, half say they are more optimistic than

Figure 2
World FDI inflows dipped 18% following two years of post-crisis gains

Global FDI inflows
($ trillion)

Source: United Nations Conference on Trade and Development (UNCTAD)

Figure 3
Half of respondents are more optimistic about the global economy than they were a year ago

Note: Percentages do not equal 100 due to rounding.
Source: A.T. Kearney Foreign Direct Investment Confidence Index®, 2013
they were a year earlier (see figure 4). Whether this increased optimism proves justified remains to be seen, of course, but this new attitude could play a positive role in the ongoing recovery.

Most respondents now expect slow, steady growth across most of the world—with the notable exception of Europe—over the next three years (see figure 5). The outlook is rosier for developing markets, with 78 percent of respondents expecting some growth, in spite of economic

Figure 5
Most respondents expect slow, steady growth across the world, except in Europe

When do you expect the global economy to recover?

Responses in 2010 (% of respondents)

<table>
<thead>
<tr>
<th>Year</th>
<th>It already is</th>
<th>Within the year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2015 or later</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>31%</td>
<td>42%</td>
<td>17%</td>
<td>7%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>2011</td>
<td>2%</td>
<td>8%</td>
<td>26%</td>
<td>28%</td>
<td>18%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Responses in 2013 (% of respondents)

<table>
<thead>
<tr>
<th>Year</th>
<th>It already is</th>
<th>Within the year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2015 or later</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2%</td>
<td>8%</td>
<td>26%</td>
<td>28%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>2011</td>
<td>2%</td>
<td>8%</td>
<td>26%</td>
<td>28%</td>
<td>18%</td>
<td>18%</td>
</tr>
</tbody>
</table>


Which scenario best describes your expectations for each economy over the next three years?

(%) of respondents

<table>
<thead>
<tr>
<th>Economy</th>
<th>Healthy recovery</th>
<th>Slow, steady growth</th>
<th>Flatline</th>
<th>Recession</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>40%</td>
<td>28%</td>
<td>42%</td>
<td>13%</td>
</tr>
<tr>
<td>United States</td>
<td>10%</td>
<td>21%</td>
<td>42%</td>
<td>12%</td>
</tr>
<tr>
<td>European Union</td>
<td>22%</td>
<td>15%</td>
<td>31%</td>
<td>35%</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>19%</td>
<td>3%</td>
<td>3%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Source: A.T. Kearney Foreign Direct Investment Confidence Index®, 2013
malaise in developed countries, which still are the source of most of the investment in developing countries.

Respondents are optimistic about the United States, with 63 percent expecting some growth. Although U.S. growth since 2009 has been less than inspiring, glimmers of hope are appearing. U.S. workers are more competitive, exports are improving thanks to a weaker dollar, the housing market may be finally recovering, and the production of unconventional oil and gas is surging. Yet growth may still be disappointing by historical standards, and fiscal gridlock still poses a major risk.

The United States leads the rankings as it makes progress toward sustainable, steady growth—even amid debt issues and broader fiscal challenges.

Respondents are pessimistic about Europe, however, with 62 percent anticipating no growth or a return to recession over the next three years. Six years since the global economic crisis began, Europe may indeed face a lost decade similar to Japan’s in the 1990s, particularly in the eurozone’s periphery countries.

More than half of respondents say FDI has already returned to pre-crisis levels at their companies or will within the year, and another 20 percent expect FDI recovery by 2014 (see figure 6). However, one-quarter of respondents say that pre-crisis FDI levels are at least two years away. This continued reticence by many investors will likely keep overall FDI levels below full capacity again in 2013.

Figure 6

Most respondents expect near-term FDI recovery

When will your company’s FDI return to its pre-crisis level? (% of respondents)

Note: Percentages do not equal 100 due to rounding.
Source: A.T. Kearney Foreign Direct Investment Confidence Index®, 2013
One thing is certain: FDI levels have not remained below pre-recession levels because of a lack of cash. Of the 68 percent of respondents whose companies’ FDI still lags pre-crisis levels, only one-third cite a lack of funds as the reason. Seventy-one percent cite skittishness about the macroeconomic situation as the primary culprit, and 34 percent say they are waiting for discounted prices (see figure 7). In the meantime, companies are amassing record holdings. For example, U.S. firms in the S&P 500 held $900 billion in cash at the end of June 2012, up 40 percent from 2008. Canadians’ holdings are up 25 percent, and Japanese liquid assets are up 75 percent since 2007. This surplus could fuel more rapid global growth when the macroeconomic clouds finally dissipate.

Figure 7

Among companies whose FDI levels have not recovered, macroeconomic uncertainty is the most common culprit

If your company’s FDI hasn’t recovered, why not? (Select two) (% of respondents)

Leveling the Playing Field

Every year we ask respondents whether they are more or less positive in their outlooks for individual countries. This year, reflecting rising optimism, an average of 10 percent more respondents per country have a more positive outlook compared to 2012.

The top three countries on the Index—the United States, China, and Brazil—receive the highest outlook-improvement scores (see figure 8 on page 8). The United States improved dramatically, with 39 percent of respondents more positive this year—up from 21 percent in 2012. And in spite of the overwhelmingly negative presidential election campaign in 2012 and worries about the fiscal cliff, only 11 percent of investors say they are more negative about the U.S. outlook, compared to 30 percent in 2011. Today, rather than a point of worry for the global economy, the United States is a surprising source of hope. Germany and the United Kingdom, Europe’s brightest spots, have a respective 34 and 24 percent of respondents who are more positive about their prospects, compared to 26 and 16 percent in 2012.

2 When asked why their companies’ FDI had not recovered, respondents were allowed to select two reasons. As such, responses may not equal 100 percent.
Rather than serving as temporary safe haven during economic upheaval, developing markets are becoming a complement, not an alternative, to the developed world. They accounted for more than half of global investment in 2011, just as they did for the first time in 2010. The terms “emerging” and “developing” may soon become misnomers for more countries around the world.

Last year, we reported that investors were turning to developing markets for their consumer markets’ size (71 percent) and growth (37 percent)—a contrast to the traditional view that investors go to developing markets for low-cost manufacturing. Thanks to prudent domestic policies and internal investments, developing markets have higher-income consumers that have become attractive targets for multinational investors.

The traditional view of developing markets as high risk, and therefore requiring high returns to enter, is shifting (see figure 9 on page 9). In area after area, from macroeconomic volatility and consumer demand to regulatory barriers and taxation, investors say that developing markets have roughly the same level of risk as developed markets. This year, the only category in which

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**Figure 8**

**Brazil, the United States, and China have the most positive investor outlook compared to a year ago**

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Country</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>United States</td>
<td>39%</td>
</tr>
<tr>
<td>2</td>
<td>China</td>
<td>38%</td>
</tr>
<tr>
<td>3</td>
<td>Brazil</td>
<td>40%</td>
</tr>
<tr>
<td>4</td>
<td>Canada</td>
<td>31%</td>
</tr>
<tr>
<td>5</td>
<td>India</td>
<td>36%</td>
</tr>
<tr>
<td>6</td>
<td>Australia</td>
<td>33%</td>
</tr>
<tr>
<td>7</td>
<td>Germany</td>
<td>34%</td>
</tr>
<tr>
<td>8</td>
<td>United Kingdom</td>
<td>24%</td>
</tr>
<tr>
<td>9</td>
<td>Mexico</td>
<td>25%</td>
</tr>
<tr>
<td>10</td>
<td>Singapore</td>
<td>29%</td>
</tr>
<tr>
<td>11</td>
<td>Russia</td>
<td>26%</td>
</tr>
<tr>
<td>12</td>
<td>France</td>
<td>25%</td>
</tr>
<tr>
<td>13</td>
<td>Japan</td>
<td>25%</td>
</tr>
<tr>
<td>14</td>
<td>United Arab Emirates</td>
<td>29%</td>
</tr>
<tr>
<td>15</td>
<td>South Africa</td>
<td>30%</td>
</tr>
<tr>
<td>16</td>
<td>Spain</td>
<td>30%</td>
</tr>
<tr>
<td>17</td>
<td>Thailand</td>
<td>26%</td>
</tr>
<tr>
<td>18</td>
<td>Switzerland</td>
<td>20%</td>
</tr>
<tr>
<td>19</td>
<td>Poland</td>
<td>22%</td>
</tr>
<tr>
<td>20</td>
<td>Taiwan</td>
<td>22%</td>
</tr>
<tr>
<td>21</td>
<td>South Korea</td>
<td>25%</td>
</tr>
<tr>
<td>22</td>
<td>Chile</td>
<td>24%</td>
</tr>
<tr>
<td>23</td>
<td>Argentina</td>
<td>24%</td>
</tr>
<tr>
<td>24</td>
<td>Indonesia</td>
<td>27%</td>
</tr>
<tr>
<td>25</td>
<td>Malaysia</td>
<td>24%</td>
</tr>
</tbody>
</table>

Source: A.T. Kearney Foreign Direct Investment Confidence Index®, 2013
emerging markets are regarded as significantly riskier is political volatility. Over the past two decades, the leading developing economies have become resilient through improved monetary and fiscal policy, increased trade and financial openness and diversification, and more welcoming business environments. Doing business in any one country has its frustrations, of course, but emerging markets have worked diligently to make impressive improvements. Of course, the flip side of these findings is that investors believe developed countries are riskier and less predictable—a notion difficult to contest after five years of profound upheaval and uncertainty. The perception that developing markets are inherently riskier may be a thing of the past.

Warning Signals in Major Economies

Despite the optimism outlined above, worrying clouds linger on the horizon, from the ideological standoff in the United States about its “fiscal cliff,” to the European Union’s similarly tortuous battle to end its ongoing crisis, to questions about China’s economic model amid rising labor costs and dampened growth rates. What does this mean for investment?

Seventy-seven percent of respondents say their businesses have held back investments because of the prospect of a fiscal squeeze that could push the United States back into recession and dampen growth throughout the world (see figure 10 on page 10). The “sequester,” which entails a $1.1 trillion spending cut over the next 10 years, was originally designed as a doomsday budget plan to force a more rational spending plan. After months of back and forth, including one postponement from January to March, automatic spending cuts on everything from air traffic...
control to childcare kicked in, trapping U.S. growth at mediocre levels despite other promising economic indicators. Even if investors do not expect a debt crisis as profound as Europe’s, the prolonged brinkmanship has had an impact on the U.S. economy, with nearly one-third of investors in our survey reporting that the ongoing political debate has affected their FDI decisions. Another 48 percent say their investments have not yet been impacted but likely will be in the future.

Most respondents now expect slow, steady growth across most of the world. However, the outlook is rosier for developing markets.

Meanwhile, Europe’s seemingly never-ending currency crisis continues to weigh on investors. Sixty percent report that the eurozone crisis has impacted their company’s FDI decisions in Europe; another 29 percent say the crisis will affect future decisions. Of the 60 percent that have already seen this impact, 40 percent say they have significantly reduced investments (see figure 11 on page 11).

For 30 years, China’s large, low-wage manufacturing workforce reshaped its economy—and with it, the global manufacturing landscape. Now, the fundamentals that made China the clear choice for such work are changing rapidly. Chinese labor costs have more than doubled since
Figure 11

The eurozone crisis has impacted or will impact FDI decisions in Europe

Has the eurozone crisis influenced, or will it influence, your company’s FDI decisions in Europe?

If the eurozone crisis has had or will have an influence, how will your company act in response? (% of respondents)

<table>
<thead>
<tr>
<th>Influence</th>
<th>Total divestment</th>
<th>Significantly reduced investment</th>
<th>Somewhat reduced investment</th>
<th>Change in type, industry, nature (not amount) of investment</th>
<th>Increased investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has already influenced</td>
<td>16%</td>
<td>41%</td>
<td>45%</td>
<td>45%</td>
<td>2%</td>
</tr>
<tr>
<td>Will likely influence</td>
<td>5%</td>
<td>29%</td>
<td>13%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Will not influence</td>
<td>29%</td>
<td>45%</td>
<td>45%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Has not influenced</td>
<td>5%</td>
<td>13%</td>
<td>5%</td>
<td>2%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Note: European respondents are filtered out. Percentages may not equal 100 due to rounding.
Source: A.T. Kearney Foreign Direct Investment Confidence Index®, 2013

2007, indicating the country’s success in creating a new consumer class but also sparking internal debates about companies’ future plans. Rising transportation costs and appreciation of the renminbi are also helping to close the gap between China and other low-cost alternatives such as Mexico.

We asked our executive respondents how they planned to react to these shifts, and most (73 percent) say they are staying in China. Six percent have not seen rising labor costs, and 31 percent are not concerned enough to compel change at this point (see figure 12 on page 12). Another 36 percent plan to increase productivity to offset the impact of higher wages. China’s long economic transition has already increased productivity through rounds of liberalization, privatization, and labor reallocation from agriculture to manufacturing. With many of those gains now exhausted, future efficiency gains will come from improved communications and processes, enhanced speed and flexibility, new technologies, and talent development. FDI could play a role in these efforts, as mergers and acquisitions can create economies of scale and add value and experience through new partnerships. As we discuss later, these efforts are well underway in China.

About one-quarter of investors do indeed say they intend to leave China within the next three years. Twenty-one percent say they are moving to different lower-cost markets. Companies in labor-intensive, low-margin sectors such as footwear and apparel have already begun departing for lower-cost Asian destinations (sometimes western China but also Bangladesh, Cambodia, and Vietnam). Though much has been made of “reshoring,” only 6 percent of respondents say their companies will return to the developed world. Those that will return are likely concentrated in bulky, hard-to-transport goods that require highly skilled labor and engineering and are destined for developed markets. General Electric and Ford are among the top U.S. companies that have moved some operations back home.
Of course, this transition in China’s manufacturing base was not unanticipated. Even if China is no longer the world’s lowest-cost producer, the rising wages align with Beijing’s longer-term objective to move up the value chain toward higher-value manufacturing and services. This evolution has created vast technology clusters and a booming market of increasingly well-off consumers, which China anticipates to be its sources of growth in the coming decades. However, this transition to a higher-wage economy is far from guaranteed. How well Beijing steers the economy through this process remains to be seen.

Regional Findings

Asia Pacific

Asia attracts roughly one-third of all FDI and remains a top destination for international investors. Asia’s $468.3 billion in 2012 is an 8 percent drop from 2011, a less dramatic fall than seen in other regions. With the exception of Vietnam, which was ranked 14th in 2012 but misses the top 25 this year by a narrow margin, every Asian country featured in last year’s Index returns to the top 25 in 2013.

China (2nd) drops out of the top spot for the first time since 2001—seven straight editions of the FDI Confidence Index. Its long reign at the top and continued strength reflect its rapid economic growth and its attractiveness as an investment destination. China’s tremendously capable manufacturing and enormous, increasingly attractive consumer market draw massive inflows of FDI—$197.1 billion in 2012 (including Hong Kong), a 12 percent drop from 2011 but nearly $30 billion more than the United States.

Given China’s changing cost dynamics (discussed above) and the vulnerability of its export dependency throughout the global economic crisis, China’s leaders are focusing on increasing their firms’ global positioning on the one hand and strengthening domestic demand on the other. Reflecting this progress, FDI flows to the services sector registered faster growth in 2011 and surpassed those to manufacturing for the first time.
China’s long reign at the top and continued strength reflect its rapid economic growth and its attractiveness as an investment destination.

India (5th) has experienced rapid economic gains for a decade and has a young, large, and fast-growing population. In 2012, the country saw $25.5 billion in FDI inflows, with investors still anticipating enormous potential. British beverage company Diageo bought a controlling stake in United Spirits, India’s biggest liquor company, for $2 billion in November 2012. With access to the world’s largest whiskey market, this purchase enabled Diageo to meet its goal of getting half of its revenue from emerging markets by 2015. In 2012, Starbucks opened its first Indian stores, while IKEA announced plans to invest $1.9 billion in its first 25 stores across India.

However, a cooling off in investor sentiment may be on the way, reflected in India’s slide three spots in the Index. Falling growth and increasing inflation and deficits (due in part to rising consumption of subsidized fuel) are possible signs of a rougher path ahead. Additionally, despite promises of economic reforms, investors may not be entirely reassured that changes are forthcoming. An effort to allow more foreign investment in supermarkets and department stores, which failed in 2011, received parliamentary approval in late 2012, much to the delight of Wal-Mart, Carrefour, Tesco, and other retailers that would like to increase their presence in the world’s second most populous nation. Nonetheless, with individual states still holding the power to authorize investments, local opposition and red tape could throw up roadblocks to India’s retail market.

The reform agenda includes opening investment in pension firms, simplifying approval of large infrastructure projects, and stamping out endemic corruption. A string of scandals, including coalfield sales, telecom licenses, and contracts for the 2010 Commonwealth Games in Delhi,
has sparked a groundswell of domestic debate and increased demands for reform. But political momentum seems to be stalling.

Manufacturing still makes up just 15 percent of India’s economy, but more industrial players are attracted by its booming domestic market. Technology-enabled manufacturing is increasing, and exports are shifting toward engineering products. Doosan Heavy Industries & Construction, South Korea’s biggest power equipment maker, is expected to invest $220 million in an Indian plant. And Swedish aerospace and defense company Saab is investing $38 million in shipbuilder Pipavav to enter India’s naval and defense market. Swiss textile machinery maker Rieter and Japanese automobile component manufacturer Nihon Tokushu have jointly invested $15 million in a new acoustic automotive products unit at Oragadam, near Chennai.

**Australia** (6th) holds steady in the Index as resource development drives continued economic growth. Iron and coal investment dropped due to declining prices and rising production costs, but mineral fuels and gold have drawn interest, particularly from China, which is increasing its holdings to hedge against its exposure to foreign currency and is consuming more gold as its aspiring middle class grows. U.S.-based grain processor Archer Daniels Midland (ADM) recently acquired Australia’s only publicly traded grain handler, GrainCorp, for $3.5 billion. As a result, ADM will control seven of the eight ports that ship grain in bulk from the east coast of Australia, the world’s second-largest wheat exporter. In consumer goods, U.K.-based brewer and beverage company SABMiller’s purchase of Foster’s for $10.8 billion was the world’s largest deal in the food, beverages, and tobacco industry in 2011.

**Singapore** (10th) drops three spots. It received $56.7 billion in investment in 2012, just above its record-setting $55.9 billion in 2011, as investors sought entry into Southeast Asia. In late 2012, Dutch brewer Heineken paid $4.6 billion to take control of Asia Pacific Breweries, maker of the iconic Tiger Beer, and boost its presence in developing Asia’s growing markets. The European Union and Singapore are set to complete a free trade agreement that could further increase FDI from Europe, already the country’s largest investment source.

**Japan** (13th) moves up eight places to its highest ranking since 2004. Japan recovered from two years of outflows exceeding inflows, attracting $1.7 billion in FDI in 2012. Foreign divestments in non-manufacturing sectors such as telecommunications and finance were responsible for most of this outflow. In 2010, AT&T divested its Japanese outsourcing services operations for $109 million, reportedly to focus on higher-potential markets. In late 2012, Frasers Commercial Trust, a developer-sponsored real estate investment trust, divested its Japanese properties because of weak performance. Internet company Yahoo! attempted to sell its 35 percent, $6 billion stake in Yahoo! Japan to Softbank, but the deal collapsed in early 2012. Meanwhile, Japan-based companies are seeking growth elsewhere, as evidenced by brewer Kirin’s recent purchase of a Brazilian beer maker.

FDI flows to the manufacturing sector in Japan, on the other hand, have remained strong. Although Japan’s increasingly formidable regional competitors are challenging it as a production location, logistics hub, and regional headquarters, foreign investors remain attracted to Japan’s R&D competencies, manufacturing technologies, and brands. U.S.-based 3M Health Care, German chemical giant BASF, Singapore-based LCD manufacturer Dou Yee International, French cosmetics firm L’Oreal, Belgian materials technology company Umicore, and Swedish automaker Volvo AB are among the companies that set up new production and R&D bases in Japan in 2011 and 2012.
Defying the odds amid political turmoil and its worst floods in five decades, Thailand (17th) dropped only one spot in the Index this year and received $8.6 billion in investment in 2012, up $828 million from 2011. The deluge forced some companies, including automaker Honda and hard-drive manufacturer Western Digital, to suspend operations and compelled others, such as chip maker ON Semiconductor, to cease production in the country indefinitely. Nevertheless, a rebound may be on the way, with flood-hit manufacturers restoring plants and the government planning spending on infrastructure and flood defenses.

Taiwan (20th) launched a two-year drive to lower FDI barriers in November 2012, responding to plateauing investment along with diminishing land and labor cost advantages in mainland China. In 2012, it rebounded to $3.2 billion in investment after a year of $2 billion in outflows. The primary goal is to lure back local companies that have moved production, primarily to China, in the past two decades. Measures include cutting tariffs on equipment and machinery imports, offering bridge loans and support in acquiring land, simplifying administrative procedures, renovating the main international airport complex, and building a software and precision-machinery park. Taiwan is also considering increasing foreign-worker quotas in some sectors and loosening permanent residency requirements.

One thing is certain: FDI levels have not stayed relatively low due to a lack of cash. Still skittish about the macroeconomic situation, companies are amassing record holdings.

Investment in South Korea (21st) has plateaued—FDI fell from $10.2 billion in 2011 to $9.9 billion in 2012—but the country is hoping to attract FDI in coming years by speeding up corporate restructuring and improving the regulatory environment. Recent free-trade agreements with the European Union and United States and ongoing discussions on additional agreements with China, Canada, and Australia, among other countries, are evidence of this trend. Recent heightened tensions with North Korea will likely cause some prospective investors to pause.

After its best-ever 9th place finish last year, Indonesia drops to 24th, echoing its 2010 ranking of 19th. The country reached $19.9 billion in FDI in 2012, more than doubling its 2008 level of $9.3 billion, as investors sought entry into a huge domestic market with a high-potential labor supply and abundant natural resources. Hon Hai Precision Industry (trading as Foxconn), one of Apple’s key suppliers, is investing up to $10 billion in the country over the next five to 10 years, following a smaller investment in Brazil in 2011, to provide cheaper labor and access a massive labor market.

Indonesia’s return to normal may also be influenced by recent policy changes that may well have rattled already-skeptical investors. For example, foreign miners must sell 51 percent of their operation within 10 years of production and process ore domestically by 2014. While this development has kick-started new investments in local smelters to comply with the new rules, these moves could endanger mining as a top FDI source for Indonesia.
Malaysia (25th) saw $10 billion in FDI in 2012 after a record-setting $12.1 billion in 2011. The Malaysian economy has boomed thanks to government infrastructure spending, solid lending, and rising consumer demand fueled by civil-servant pay raises and cash handouts. The government’s economic transformation program includes a more than $13 billion investment in developing Iskandar, a metropolis three times the size of Singapore. Asian insurance giant AIA Group is paying $1.73 billion to acquire ING’s Malaysian insurance business and become the biggest firm in Malaysia’s lucrative life insurance market. French chemical group Arkema and South Korean biotechnology firm CJ Cheil Jedang are building a $400 million plant to make methionine (a key ingredient in poultry feed) and sulfur compounds for the gas and petrochemical industries, Malaysia’s first international biotech investment.

Although not an immediate crisis, the government will be under increasing pressure to balance the budget in coming years as oil production declines and exploration costs rise. The long-governing National Front coalition won a majority of parliamentary seats in early May against the strongest opposition it has ever faced, but its weakened majority and the increasing polarization it reveals could make deeper economic reforms more challenging and introduce a new level of political uncertainty for the future.

Americas

The Americas make a strong showing this year, highlighted by the return of the United States to number one after more than a decade. In addition to Brazil, Canada, and Mexico in the top 10, Chile and Argentina return to the rankings this year.

The United States reclaims the top spot for the first time since 2001. Losing its previous post-crisis momentum, it recorded just $167.7 billion in FDI in 2012, a 35 percent drop from 2011 as businesses held back their investments during the ongoing political debate over the U.S. budget. Looking forward, however, investors are optimistic about the United States’ solid fundamentals, including an increasingly competitive workforce and improving cost factors that are helping the U.S. business environment.

Field research for this edition of the Index was conducted during the 2012 U.S. elections and budget standoff, which dominated global headlines just a year after the S&P had downgraded U.S. debt. Although the federal budget battle does not necessarily directly impact FDI decision making, investors are keeping an eye on the potential impact on consumer and business sentiment. Nevertheless, the United States is still perceived as a bedrock of stability among developed nations, and its market size and the quality of its technical resources and skills remain important to many multinationals.

U.S. manufacturing productivity has soared since the recession. After weathering downturn-induced cutbacks, companies invested in productivity-enhancing tools and equipment. Coupled with a weaker dollar and rising wages in developing countries, these gains could bring long-term benefits to the U.S. economy. In some less labor-intensive sectors, outsourcing savings will diminish, making the United States a more attractive place to manufacture goods bound for its own consumers.

Some companies, most notably General Electric and Ford, have begun to bring some production back to American shores as they consider costs and decreased time to market, better protection of intellectual property, and the benefits of having designers, salespeople, and engineers at the same facility rather than oceans apart. Wal-Mart plans to buy an additional $50 billion in U.S. products over the next 10 years in categories such as sporting
goods, apparel, games, and paper products, and will help onshore production in textiles, furniture, and higher-end appliances. While manufacturing will never be as central to U.S. employment as it was in the mid-20th century, the renaissance could broaden the economy and help reclaim opportunities.

Much of the manufacturing growth is concentrated in automotive, steel, and other transportation sectors. European firms have been particularly active in taking advantage of wage differentials to boost production of vehicles destined for the U.S. market. Stuttgart-based multinational Daimler invested $350 million to produce another Mercedes model at its largest U.S. plant in Alabama and is planning to add jobs at its truck plant in Oregon. Fellow German BMW plans to invest $900 million in its South Carolina plant by 2014.

Some companies have begun to bring production back to American shores as they consider costs and decreased time to market.

The natural-gas revolution is rapidly bringing down the cost of energy in the United States. Running energy-intensive factories today is much more favorable, and chemical plants using natural gas as their feedstock have a considerable advantage, reshaping the global competitive landscape in this industry. U.S. feedstock costs are already lower than in China, Europe, and Latin America, and could even be lower than in the Middle East in the future. As a result, foreign chemical companies are considering investments in the U.S. industry. Taiwan-based Formosa Plastics plans to invest $1.7 billion to expand its capacity and switch to shale gas at its U.S. affiliate in Texas. And Sasol, a South African chemical and synthetic fuels company, plans to spend up to $14 billion to build the first U.S. gas-to-liquids plant in Louisiana.

The shale oil and gas revolution that could, according to the International Energy Agency, make America the world’s largest oil producer by 2017 has attracted a wave of interest. Although Chinese energy companies remain cautious about North American acquisitions after CNOOC’s politically fraught failure to acquire Unocal for $18.5 billion in 2005, they have taken minority stakes worth almost $6 billion in U.S. energy assets over the past three years. European firms are also engaged; French giant Total paid $2.3 billion for a minority stake in Chesapeake Energy, and Spain’s Repsol paid $1 billion for a share in Oklahoma-based Sand Hill Energy.

Brazil remains in 3rd place, with investors drawn to Brazil’s enticing demographics, a wealth of natural resources, and rising incomes. In 2012, its FDI totaled $65.2 billion, just below its record-setting $66.7 billion in 2011, with more on the way as the country invests up to $200 billion in transportation and infrastructure ahead of the 2014 World Cup and 2016 Olympics. In 2011, Spain’s Telefónica completed its $9.8 billion buyout of Portugal Telecom’s stake in Vivo, Brazil’s largest wireless company, to take advantage of Latin American growth. Japan’s Kirin acquired Schincariol, Brazil’s second-largest brewer and beverage company, for $2.6 billion, to diversify amid lackluster growth prospects at home. On expectations that the government

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will allow increased foreign investment in aviation, Chilean airline LAN acquired Brazil’s TAM in a $3.5 billion share swap, creating the world’s second-largest airline by market value.

Manufacturing receives nearly half of Brazil’s FDI. Brazil has become a central location for multinationals seeking to internationalize R&D, including Fiat, IBM, Motorola, Siemens, and Volkswagen. Natural resources are also a draw. Royal Dutch Shell entered into a $12 billion joint venture with Cosan to produce ethanol, the biggest-ever foray into biofuels by a major oil company. Norway’s Norsk Hydro ASA acquired Vale’s aluminum business for $4.9 billion, and China’s Sinochem bought 40 percent of the Peregrino offshore oil field for $3.1 billion.

**Canada** jumps 16 spots into 4th place. It is the only G7 country to recoup all of its output and employment losses since the recession. In 2012, it recorded $45.4 billion in FDI, up sharply from 2009’s $22.7 billion. Manufacturing remains a primary target, attracting about one-third of FDI. Canada is the first G20 country to offer a tariff-free zone for manufacturers, and by 2015 all industrial tariffs have been eliminated across the country. The country’s oil and gas boom is attracting a wave of interest, as Canada boasts the largest reserves in the world in which private companies can invest. ExxonMobil recently struck a deal to acquire Celtic Exploration for $3.1 billion. From 2010 to 2012, Chinese oil and gas firms have invested $38.2 billion in acquisitions, joint ventures, and stakes across the country, the largest being CNOOC’s $15.1 billion purchase of Nexen. In June 2012, Malaysian energy group Petronas spent $5.3 billion for Progress Energy Resources to secure liquefied natural gas for export to Asia.

After dropping out of the rankings in 2012, **Mexico** returns in 9th place in 2013. Its FDI sank in 2012 to $12.7 billion from $21.5 billion in 2011, but the new government is considering raising foreign ownership limits in energy, transport, and communications to help make the economy more dynamic and competitive as it recovers from the recession. U.S. demand, which drives 80 percent of Mexican exports, is crucial for recovery as well. General Motors is investing $540 million in its Toluca motor plant to build more fuel-efficient engines for the recovering North American automobile market, and more manufacturing may be on the way, as the effects of pay, logistics, and currency fluctuations make Mexico the lowest-cost place for U.S. firms to manufacture goods, ahead of China, India, and Vietnam.5

While some investors may be deterred by perceptions of Mexico’s ongoing security challenges, others appear not to be. Alcoa, Bank of America, and Nestlé are among the firms asserting that their Mexican operations are not significantly affected. For alternatives to U.S. border cities, Central Mexico is emerging as an attractive option. Audi, Bombardier, Eurocopter, Honda, Mazda, and Volkswagen are setting up in cities such as Aguascalientes, Guanajuato, Puebla, and Queretaro.

**Chile** (22nd) appears in the top 25 for the first time since 1998. Its $30.3 billion in FDI in 2012 was a record. Multinational companies are drawn primarily to the service and primary sectors. U.S.-based Sempra bought Chilquinta for $875 million, and Canada’s Alberta Investment Management Corporation acquired Autopista Central for $736 million. Japan’s mining presence is increasing, as evidenced by Mitsui’s $998 million stake in Anglo American Sur and Sumitomo Group’s $700 million interest in Minera Quadra Chile. Australia’s BHP Billiton and U.S.-based Freeport-McMoRan also embarked on metals mining projects.

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5 For an interview with Ernesto Hernandez, president and managing director of General Motors de Mexico, see “Automotive: A Pillar of Mexico’s Economy” at www.atkearney.com.
Argentina returns to the Index for the first time since 2001 in 23rd place. Mining fueled much of the $12.6 billion in FDI in 2012. Coupling Sinopec’s purchase of Occidental Argentina for $2.5 billion in 2011 and CNOOC’s entry in 2010, China is now a major player in Argentina’s energy sector. There have been investments in other sectors, too. Swiss retailer Dufry purchased duty-free operator Interbaires for $285 million, and Brazilian IT firm Contax bought Allus Global BPO Center for $206 million.

Recent inflation and expropriation headlines loom large. Given insufficient progress on addressing the inaccuracy of its inflation statistics, Argentina may become the first country expelled from the International Monetary Fund, further complicating its access to external financing a decade after its major default. In May 2012, Argentina seized Spain-based Repsol’s 50 percent share of energy firm YPF, sending a worrying signal to investors. However, another multinational, U.S.-based Chevron, has moved to develop the country’s vast shale oil and gas riches. Although Chevron faces legal action from Repsol for developing assets that Repsol claims have been wrongfully seized by the Argentine government, it reflects the attractiveness of Argentina’s resources.

Developing markets are becoming a complement, not an alternative, to the developing world.

Europe

The eurozone remains mired in debt, with undercapitalized banks, unemployment, and poor growth. Europe’s FDI dropped 72 percent in 2012 to $275.5 billion, just 20 percent of the global total. Yet investors continue to commit resources to Europe’s large market of rich consumers, high-quality workforce, mature innovation climate, and solid infrastructure.

The market value of the eurozone’s 50 biggest companies fell 17 percent in 2011, a drop of about $502 billion, although they gained 8 percent in 2012. The region’s stock markets have lost an average of 65 percent in value, and some economies have been hit particularly hard. The value of Italy’s stock market is comparable to that of Apple. At $42 billion, the stock markets of Ireland, Portugal, and Spain have roughly the same valuation as U.S. warehouse discounter Costco. The eurozone’s debt crisis has opened a door for emerging-market investors in particular—not only in terms of access to raw materials or patents, but also solid companies, well-known brands, established distribution networks, and R&D capacity at a discount. Recent moves by a more active European Central Bank toward looser monetary policy may help improve the bleak growth prognosis and further encourage companies looking for attractive markets.

Germany (7th) drops two spots, but a strong rebound from the initial economic crisis and the country’s role as Europe’s largest international and industrial economy keep it at the forefront of investors’ minds. In 2011, China became the largest single investor in Germany in terms of number of projects thanks to acquisitions of small- and medium-sized companies, known as the Mittelstand. These businesses, typically privately owned, niche industrial manufacturers, are the backbone of Germany’s export-driven economy and provide shortcuts to a global profile,
leading technologies, local talent, and new markets. In 2012, auto supplier Hebei Lingyun Industrial Group bought passenger car lock system maker Kiekert for an undisclosed sum. Sany Heavy Industry purchased construction group Putzmeister Holding for $472 million, quadrupling its overseas sales and giving it a global distribution and service network. Outside of the Mittelstand, China’s Lenovo acquired consumer electronics firm Medion for $640 million in 2011.

Investors from other countries also see Germany’s strong fundamentals as a solid bet. General Electric spent $114 million in Germany between September 2011 and March 2013 in energy management, healthcare, and finance, among other sectors. It is doubling capacity at its global R&D center near Munich, creating a new customer innovation center and expanding sales and advertising.

The United Kingdom (8th) brought in $62.3 billion in 2012, as it appears to be an increasingly popular target for cash-rich investors seeking stability and resilience in the developed world. In July 2012, a Malaysian consortium including the country’s largest palm oil producer and its largest pension fund purchased London’s iconic Battersea Power Station for about $710 million, for a mixed-use residential and commercial development project. That same month, China Investment Corporation took an 8.68 percent stake in the holding company of Thames Water, which serves London; Abu Dhabi Investment Authority already holds 9.9 percent. China’s Bright Foods acquired U.K. cereals maker Weetabix for $1.9 billion as it seeks an international presence while tapping into Chinese consumers’ desire to pick up Western eating habits.

Buyers from the developed world are also active. France’s GDF Suez bought the remainder of energy group International Power for $10 billion in April 2012. U.S.-based Walgreens took a 45 percent stake in Alliance Boots for $6.7 billion, creating one of the world’s largest drugstore and pharmacy retailers.

Recently, a British exit from the European Union has become a surprisingly realistic prospect that could make a major dent in trade and investment. Prime Minister David Cameron’s promise of a referendum before the end of 2017 will be monitored closely not only by the rest of the continent, but also by governments and businesses around the world that use the United Kingdom as a gateway to Europe.

Russia (11th) advances one position as it seeks economic diversification and modernization. Russia completed its accession to the World Trade Organization in 2012, bringing increased access to export markets and investors and lower tariffs. The accession also commits Russia to integrating into the global economic system and reducing FDI restrictions in many service industries. Coupled with affordable labor costs and domestic-market growth, the move is increasing the services sector’s attractiveness for FDI. Unilever acquired cosmetics maker Kalina for about $800 million, doubling the group’s non-food business in Russia and moving the firm toward its goal of generating at least 70 percent of total revenues in emerging markets by 2020. Russia’s government approved partial privatization of several of Russia’s biggest companies by 2016, including Aeroflot, Rosneft, Sberbank, and United Grain Company, offering new opportunities for entry into the domestic market in the coming years.

Natural resources, particularly oil and gas, have traditionally drawn foreign investors. In recent years, several high-profile failures and stalled deals, such as the abandoned BP-Rosneft offshore exploration partnership and delayed decision on the Shtokman liquid natural gas project, pointed to a potential slowdown in the sector. However, ExxonMobil sealed a deal with state-owned Rosneft in August 2012 to invest an initial $3.2 billion to explore Arctic and Black Sea energy
reserves. According to Exxon, the government’s commitment to keeping taxation stable, removing export duties, and lowering the mineral extraction tax helped make the deal a reality.

**France** (12th), which rises five places this year, is defying skeptics that cite its soaring deficit and stalling growth. France is the world’s fifth-biggest economy and ninth-biggest recipient of FDI, with particular strengths in high-end goods and services. France has the most business-friendly R&D tax treatment in the world, according to the Organisation for Economic Co-operation and Development (OECD), thanks to its many innovation clusters and an R&D tax credit covering up to 40 percent of the amount invested. In 2011, many companies, including Novian Health and Bioscan Inc., developed their R&D operations in France.

**Investors continue to commit resources to Europe’s large market of rich consumers, high-quality workforce, and mature innovation climate.**

Elected triumphantly last year on an anti-austerity platform, President François Hollande’s popularity has declined quickly, with supporters bemoaning job losses and critics citing a lack of bold reform. Throughout 2012, proposed levies on companies and the wealthy and a temporary nationalization threat against ArcelorMittal sparked concerns about the government’s intentions for the business climate, but the conflicts were defused and the concerns never materialized. Facing calls from other eurozone countries and its own business community, France is considering several measures to improve competitiveness. So far, the government has unveiled a $25 billion tax credit for companies, promised vital labor market reforms, and launched an investment campaign under the label “Say ‘oui’ to France.” Nevertheless, the fundamental questions of how to rejuvenate the economy and resolve the country’s fiscal woes remain unanswered.

**Spain** (16th) recorded $27.7 billion in investment in 2012, down just 3 percent from 2011. Spain has been battered by a housing market crash, bankruptcies and insolvent banks, an unemployment crisis, and the renewed Catalan separatist movement. Yet the Index’s forward-looking perspective brings welcome positive news that investors continue to believe in the country’s underlying strengths and future prospects. Investors are already snapping up distressed businesses at low prices, making Spain the fourth most popular European destination by number of projects in 2011. Qatar Holdings bought 6 percent of Iberdrola, Spain’s largest power utility, and Abu Dhabi’s International Petroleum Investment Company gained full ownership of Spanish oil company Cepsa.

Spain’s strengths in renewable energy and infrastructure, access to Latin America, and productive yet low-cost workforce are drawing foreign investors despite the economic woes. Private-equity firms have been particularly active. In August 2011, Bridgepoint purchased a portfolio of 11 wind farms from construction group ACS for $851 million, adding to a wave of renewables buyouts. Later that year, French group PAI purchased Swissport, the airport services company, from Ferrovial for $909 million. Nestlé invested about $58 million to double production of instant coffee at its Girona plant, the largest Nescafé factory in Europe.
**Switzerland** moves up four spots to 18th. Boasting liberal trade and investment policies and a competitive tax regime, Switzerland remains an attractive base for many businesses. Japanese pharmaceutical company Takeda’s $13.7 billion acquisition of generic drug maker Nycomed in 2011 was aimed at Nycomed’s European business infrastructure and high-growth emerging markets segment.

**Poland** also moves up four spots to 19th. While stagnating eurozone demand and the slower pace of new infrastructure projects following the 2012 UEFA European Football Championship are contributing to worries that Poland may not be as immune to the continent’s troubles, Poland is continuing to attract industrial investors hunting for cost savings. The country is particularly strong in automotive components and vehicle assembly and is seeing increased activity around its newly built highways. Volkswagen and Bridgestone invested in Poland’s automotive sector in 2011, and warehouse developers Prologis and Panattoni are building factories to prefabricate modules for warehouse construction.

The country is also seeing more knowledge-centered investments, thanks to a large student population, a breadth of language talent, and an EU grant scheme to support such investments. Krakow, which has 14 universities, is emerging as a hot new location for global services outsourcing. Capita Group, the U.K.’s largest outsourcer, set up a 500-person BPO center in 2011, and Cisco opened a global support center in 2012, starting with 90 employees and expanding to 500. Meanwhile, Warsaw is becoming Eastern Europe’s leading financial center. In 2012, Spain-based bank Santander bought Zachodni WBK for $5.1 billion.

**Middle East and Africa**

With volatility in Bahrain, Egypt, Libya, Syria, Tunisia, and Yemen and ongoing issues between Iran and the world’s big powers, it is little surprise that FDI inflows to the Middle East and Africa dropped 10 percent in 2011, to $91 billion. Flows to the Gulf Cooperation Council countries also suffered from the post-crisis cancellation of large-scale investment projects. However, pockets of strength remain, with the United Arab Emirates (UAE) and South Africa serving as hubs for regional investment.

With strengths in logistics, tourism, and hospitality, the **UAE** (14th) recorded $9.6 billion in inflows, up 20 percent from 2011, and it moves up one place in the Index. Its well-developed infrastructure, strategic location, and tax-free base offer investors easy access to fast-growing African and Middle Eastern markets. In November 2012, Edinburgh-based savings and investment firm Standard Life launched its first on-the-ground presence in the Middle East in Dubai as part of its strategy to reach high-growth, high-value emerging markets. FDI could increase in coming years as the UAE eases foreign ownership laws. A long-anticipated law allowing foreigners to own more than 49 percent of businesses in certain sectors outside of designated free zones is awaiting cabinet approval.

**South Africa** drops four spots to 15th. After a bounce from $1.2 billion to $6 billion in 2011, FDI inflows dropped to $4.5 billion in 2012. South Africa’s FDI figures are volatile, heavily influenced by large single M&A deals rather than more numerous but lower-value greenfield investments. Mining, the economy’s engine, has been battered by the worst labor unrest since the end of apartheid, and the biggest companies have shed thousands of jobs.

Yet South Africa remains a major player in tapping Africa’s resources. In late 2011, Jinchuan, China’s biggest nickel producer, acquired Metorex for $1.3 billion, giving it access to copper and cobalt resources in Zambia and the Democratic Republic of Congo. The government lifted the
moratorium on hydraulic fracturing in September 2012, reopening the possibility of exploiting the country’s shale gas reserves, which are estimated to be the fifth largest in the world. The Karoo reserves, while not yet proven commercially viable, have drawn interest from the world’s biggest energy companies, particularly Royal Dutch Shell, which plans to spend $200 million in exploration alone.6

Upside Opportunities, Downside Risks

For heartened investors, this year’s Index suggests important opportunities in both developed and developing nations. Asia is home to a growing number of economic powerhouses, Latin America’s major economies are gaining ground, Europe has many bright spots despite economic unrest, hubs in the Middle East and Africa thrive despite regional instability, and the United States has become a beacon of raised expectations.

More upbeat investor attitudes point to the potential for better prospects in the years ahead, even as a number of near-term risks loom large and could potentially imperil progress. As investors reorient to this rapidly changing economic landscape, they will play a major role in a strengthening recovery. Whether they choose to deploy their cash reserves in the face of continued uncertainty remains to be seen.

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