

**FACTORS AFFECTING FOREIGN INVESTMENT  
IN US REAL ESTATE**

by  
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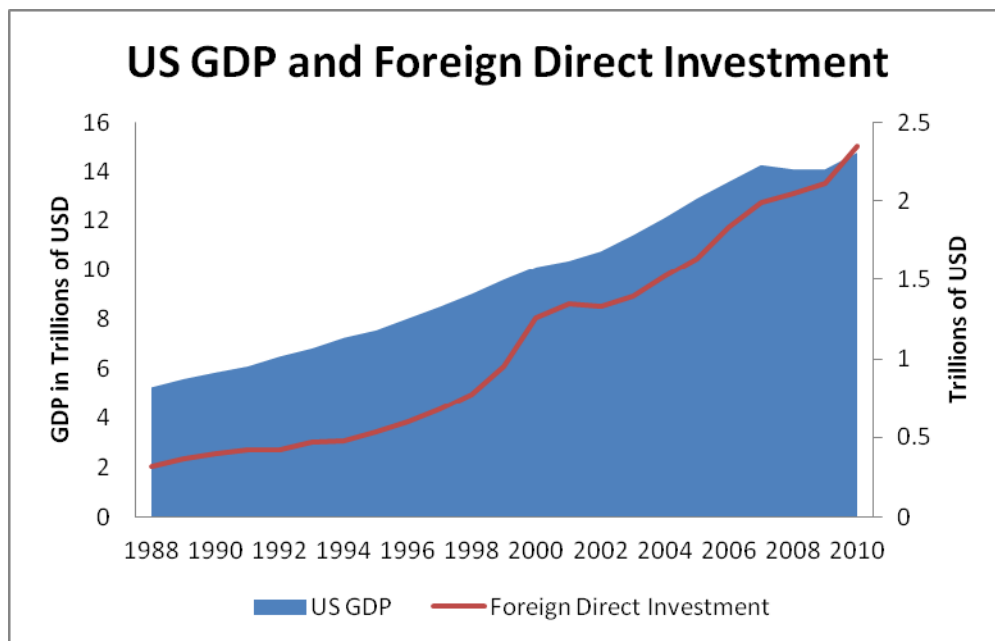
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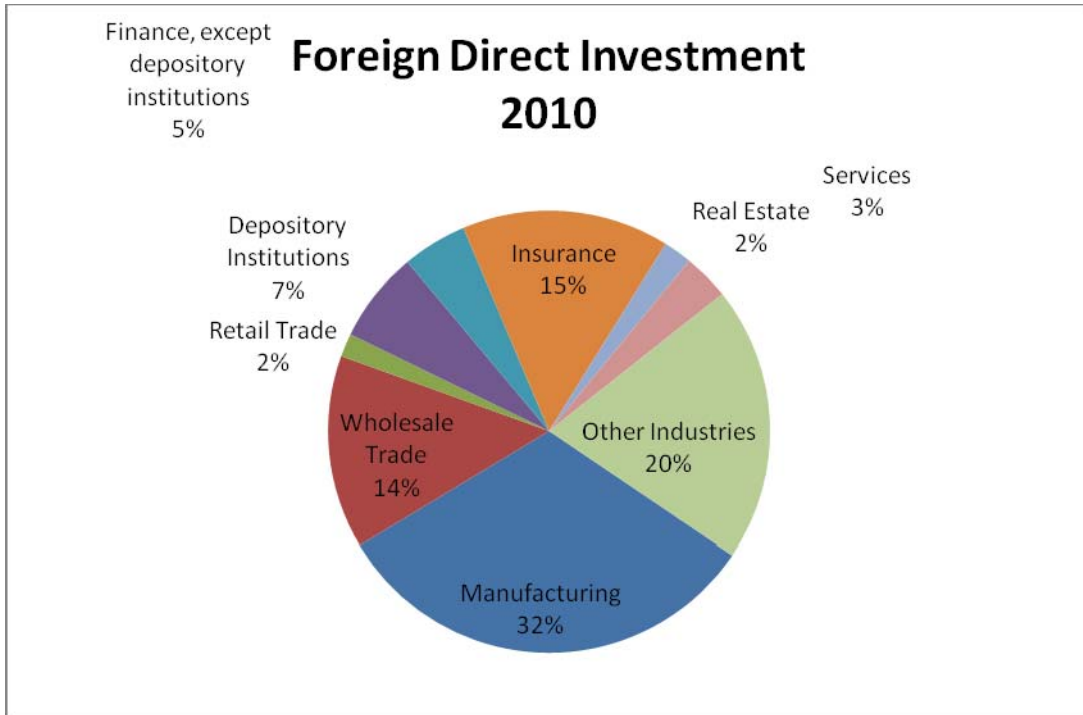
## Introduction

The United States has always been an attractive destination for foreign capital. The relatively steady growth and strength of the US economy has enticed an ever increasing amount of foreign investment. The US GDP has grown nearly every year for the past 20 years and Foreign Direct Investment in the United States has grown right along with it. According to data from the Department of Commerce, US GDP grew by 181% from 1988-2010, while Foreign Direct Investment increased by 644% in the same period. US GDP was \$14.7 trillion in 2010, while the total amount of Foreign Direct Investment was an impressive \$2.3 trillion.

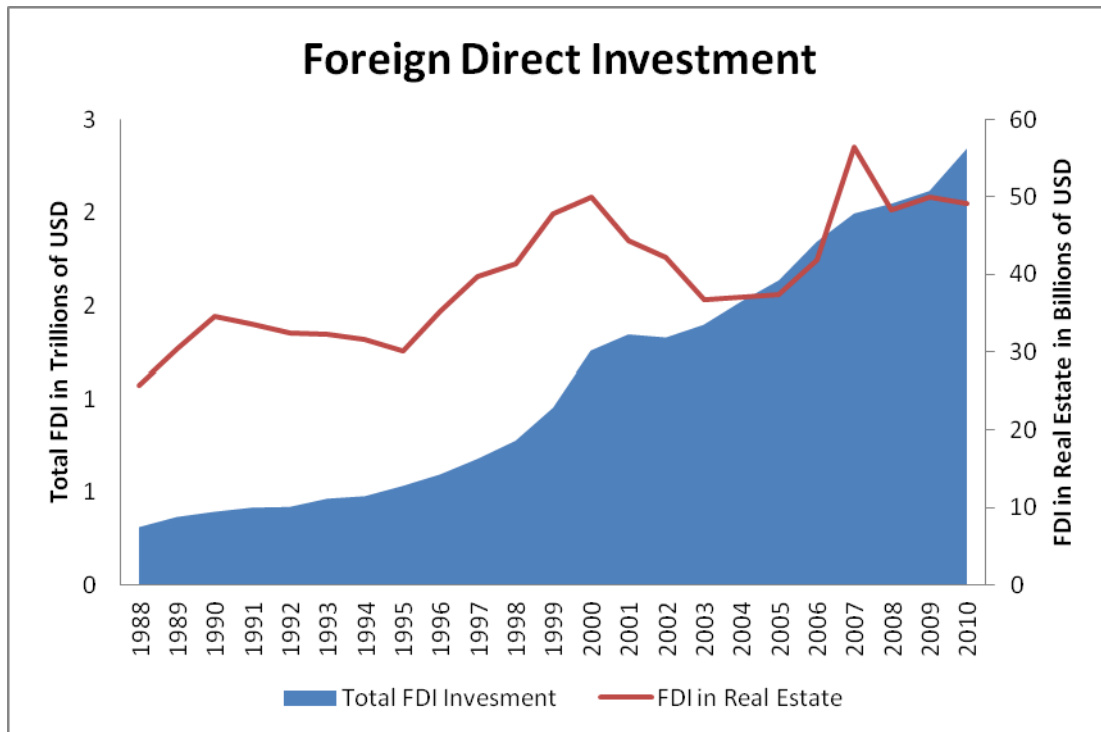


Foreign Direct Investment flows into a variety of different industries. Historically, the most attractive destination for Foreign Direct Investment has been manufacturing, followed by wholesale trade, insurance and the financial institutions. The manufacturing sector, while declining in size in recent years, still comprises 32% of all Foreign Direct investment in 2010. The other industries category accounts for 20% of FDI, while the insurance and wholesale trade categories account for 14% and 15% respectively. Finance and depository institutions combined

make up 12% of FDI. In 2010, about 2.00% of all Foreign Direct Investment, or \$49 billion was in the Real Estate Industry.



Foreign Direct Investment in Real Estate grew in a much different pattern than overall Foreign Direct Investment in the United States. There are some similarities between the total FDI and the FDI in real estate, but the FDI in real estate was much more volatile. FDI steadily grew over the last 20 years. The only year in which there was a negative growth in overall Foreign Direct Investment was 2002, while there were several periods of negative growth in Foreign Direct Investment in Real Estate.



The pattern of Foreign Direct Investment in Real Estate of individual foreign investors was even more erratic. What drives Foreign Direct Investment in Real Estate? Are foreign investors driven to invest in the United States because of advantageous conditions in the US real estate market or economy? Do favorable conditions or unfavorable conditions exist in the foreign nation’s economy that are driving the search for investment elsewhere?

**Statement of the Problem**

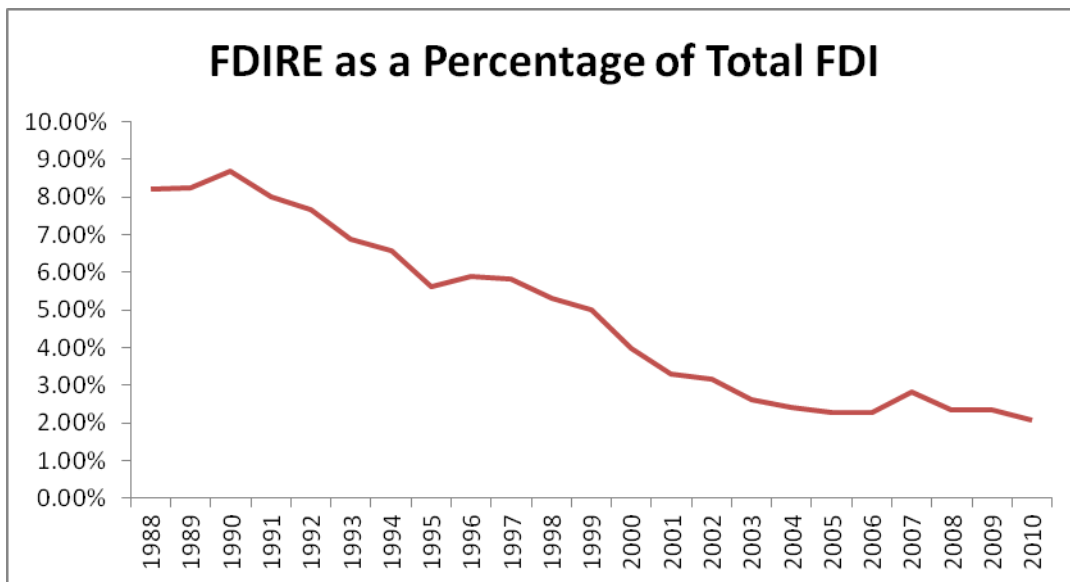
The paper seeks to determine any patterns or trends within Foreign Direct Investment in Real Estate by examining both the general economic conditions and the real estate conditions of the United States and that of the foreign investor.

“The central question for international portfolio investment in real estate is the following: Do the Portfolio Advantages outweigh the disadvantages of being a foreign land owner?” (Holsapple 40).

### **Significance of Problem and Relevance to Real Estate**

According to Prudential Real Estate Research, the US boasts approximately \$6.9 trillion of investment grade commercial real estate, or 25.43% of investment grade commercial real estate available worldwide (Prudential). With the largest real estate market in the world and more than a quarter of the available institutional grade real estate, the US Real Estate market is very attractive to the foreign investor. In recent years, foreign direct investment in real estate has declined in amount and as a percentage of foreign direct investment.

There is an estimated \$2.8 trillion of global capital that could be potentially be invested in US real estate at a time when the market is in need of equity and when the global real estate market is becoming increasingly competitive (Rosen Consulting Group). It is important to understand what attracts foreign investors to the United States.



### **Review of the Literature and How the Problem is Related to Previous Studies**

It is important to understand the motivations of the foreign investor in order to evaluate the decision to invest outside of their own country. A number of studies have sought to explain

patterns and trends in Foreign Direct Investment. Many studies focus on the application of Modern Portfolio Theory. Others seek to find macroeconomic factors that may help to explain the patterns and trends of FDIRE.

*“Foreign ‘Direct’ and ‘Portfolio Investment’ in Real Estate: Eclectic Paradigm”*

Eric J. Holsapple, Terutomo Ozawa and John Olienyk build on John Dunning’s Eclectic Model of Foreign Direct Investment and apply it more specifically to real estate. In Dunning’s theory, a foreign investor chooses to invest in the host nation because the foreign investor has both an ownership and a location advantages (Holsapple, 2006). An ownership advantage can take the form of know-how, technology, patents etc., but in any case the foreign entity must have enough of an advantage to be able to compete in the market of the host nation (Holsapple, 2006). The foreign firm must also gain a location advantage, whether it is low-cost labor or an untapped market or another advantage (Holsapple, 2006). If the foreign firm possesses an organizational and locational advantage, then it must evaluate whether or not it also has an internalization advantage to determine whether it will make the investment (Holsapple, 2006). The internalization advantage requires that the firm be able to minimize the cost of the direct transaction (Holsapple, 2006). The firm must be able to enter into the direct investment in a way that is cheaper than all alternatives such as a joint venture or leasing relationship, in order for the transaction to take place (Holsapple, 2006).

Dunning applied his Eclectic Model to the hotel industry and found that while some major multinational firms were able to achieve the ownership, locational and internationalization advantages, others were motivated for other reasons (Holsapple, 2006). Dunning noted that the

foreign investor is often interested in taking advantage of exchange rates or capitalization rates, or simply interested in diversifying their portfolio (Holsapple, 2006).

Holsapple, Ozawa and Olienyk build on Dunning's observations and his earlier Eclectic Model and develop a "portfolio sub-paradigm." The authors argue that this "sub-paradigm" should include the capital arbitrage and diversification theories to better explain the behavior of foreign investors (Holsapple, 2006). The authors also provide an example to illustrate their addition to the theory. In that example, a foreign investor is able to lease a building to a tenant at lower than market rent, but still able to capitalize the income stream at an acceptable level because of favorable interest rates (Holsapple, 2006).

The Eclectic Model and the addition of the "portfolio sub paradigm" provide the framework to evaluate the foreign investor's motivation. This study seeks to determine if foreign investors are able to obtain these advantages by investing in US real estate.

*"The Determinants of International Commercial Real Estate Investments"*

Karsten Lieser and Alexander Peter Groh's article "The Determinants of International Commercial Real Estate Investments" evaluates 47 countries using panel data to determine what makes the host nation an attractive destination for investment (2011). The study seeks to evaluate factors that contribute to investment as a whole, rather than investment in a particular country. Lieser and Groh find that the most important qualities are "(1) real estate investment opportunities; (2) depth and sophistication of capital markets; (3) administrative burdens and regulatory limitations; and (4) investor protection and legal framework" (Lieser, 2011, Page 30).

As one of the largest and most successful economies in the world, the United States easily meets 3 of the qualifications described by Lieser and Groh—real estate investment opportunities, depth



and sophistication of capital markets and investor protections and legal framework.

Administrative burdens and regulatory limitations are increasingly becoming a concern and will be evaluated as a possible deterrent to investment in US real estate.

*“A Model for Examining Foreign Direct Investment in Real Estate”*

Stuart Ross examines macroeconomic factors that may affect Foreign Direct Investment in Queensland, Australia. Ross evaluates foreign direct investment stemming from the United Kingdom by evaluating exchange rates, GDP per capita of both the UK and Australia, National savings per capita of both the UK and Australia, the inflation rate of both the UK and Australia, the Cost of Capital as published by the Bank of England and the Reserve Bank of Australia and the 10-year bond yields of both the UK and Australia (2011).

Ross notes that currency rates were influential on the levels of foreign direct investment (2011).

Ross also found that there was consistent growth in UK investment in Australia as GDP grew, and a decline in years that GDP fell (2011). The patterns in National savings for both countries were also consistent with the patterns of GDP (Ross 2011). Ross notes that real estate appears to be used as a hedge to inflation (2011). In years with higher inflation, investment in real estate increased ( Ross, 2011).

The independent variables evaluated by Ross provide the basic framework of the macroeconomic regression model used in this study. While Ross is specifically focusing on investment at a more regional level, the method is still useful for determining if favorable conditions exist in the host and foreign nation that attract investment.

*“Modeling Foreign Real Estate Investment: The Spanish Case”*

Carlos Rodriguez and Ricardo Bustillo seek to explain the patterns of investment in Foreign Real Estate Investment in Spain by evaluating a number of different macroeconomic factors.

Rodriguez and Bustillo build a regression model that draws on the earlier principles of the Eclectic Model (2010). The model is designed to evaluate the influx of foreign investment in investment residential properties, but many of the variables are still relevant to a study of foreign direct investment in the United States (Rodriguez, 2010). GDP per capita and the exchange rate are both evaluated as drivers of investment in foreign real estate, along with treasury rates and several other factors unique to the housing market that are not relevant to the analysis of investment in commercial real estate (Rodriguez, 2010). Rodriguez and Bustillo found GDP per Capita to be a significant indicator of foreign investment (Rodriguez, 2010).

The regression model used by Rodriguez and Bustillo helped contribute to the regression model used in this study. All variables used by Rodriguez and Bustillo were evaluated for inclusion.

*“International Evidence of Real Estate as a Portfolio Diversifier”*

Martin Hoesli, Jon Lekander and Witold Witkiewicz explore the possible benefits of including both domestic and international real estate in a portfolio. The U.S., U.K., France, Netherlands, Sweden, Switzerland are evaluated in the study (2003). For each of the seven countries the financial assets evaluated in the portfolio allocation models are: domestic cash, domestic stocks, domestic bonds, domestic real estate, international stocks, international bonds, and international real estate (Hoesli, 2003). Direct and indirect real estate are included in the analysis because of the different characteristics of each investment (Hoesli, 2003).

Domestic real estate is determined to be negatively correlated with domestic bonds (Hoesli, 2003). The relationship between real estate returns and stock returns was nebulous. In some countries real estate returns were positively correlated with the stock returns, while in others real estate returns were negatively correlated with stock returns (Hoesli, 2003). Direct real estate returns were not highly correlated with indirect real estate returns (Hoesli, 2003).

Hoesli, Lekander and Witkiewicz find that when evaluating un-hedged returns, adding real estate in a mixed portfolio at an allocation of 5-15% reduces risk by 5-10% (Hoesli, 2003). When international real estate is added, risk is reduced by 10-20% (Hoesli, 2003). The optimal allocation of real estate in the portfolio across all countries is 15% (Hoesli, 2003). Hedged returns produced similar results. The addition of real estate reduced the portfolio's risk by 10-20% (Hoesli, 2003). The optimal allocation ranged from 15-25% depending on the country (Hoesli, 2003). Hoesli, Lekander and Witkiewicz find that real estate provides significant diversification benefits to mixed-asset portfolios (2003).

*“Benefits of Global Diversification on a Real Estate Portfolio”*

Adam Hastings and Hans Norby evaluate 18 different global office real estate markets and try to create a more efficient portfolio by incorporating global real estate (Hastings, 2007). The study uses Property & Portfolio Research's metro level return data for 6 major cities in North America, 6 major cities in Asia and 6 major cities in Europe to determine the optimal allocations. Hastings and Norby note that while choosing the correct portfolio allocation is important, the exchange rate is critical in a long-term investment like real estate (Hastings, 2007). Property income and sale income must be repatriated into the foreign nation's currency and an unfavorable exchange rate at the time of sale could severely diminish otherwise acceptable returns (Hastings, 2007).

Hastings and Norby found that a portfolio including global real estate out-performed a US only real estate portfolio both with and without adjustments for exchange rates (2007).

### **Methods of Gathering and Processing Data**

After reviewing the available literature and data, this study seeks to first evaluate the overall trends in Foreign Direct Investment in Real Estate and examine macroeconomic factors with a regression model based on the work of Stuart Ross and Rodriguez and Bustillo. Next, this paper will evaluate the trends in the commercial real estate market and within foreign direct investment since 2001 by examining the more specific transaction-related data available from Real Capital Analytics. The diversification benefits of US commercial real estate will be evaluated by developing a correlation matrix to compare the returns of US real estate with the returns of real estate in Australia, Canada and the United Kingdom.

### **Regression Model**

To evaluate the effects of macroeconomic factors on Foreign Direct Investment, a regression model built on the principles outlined by Stuart Ross and Rodriguez and Bustillo was used. The number of independent variables was reduced due to the sample size of the data. The exchange rate, GDP per capita, national savings and inflation index acted as the independent variables in determining the outcome of the dependent variable, FDI in Real Estate.

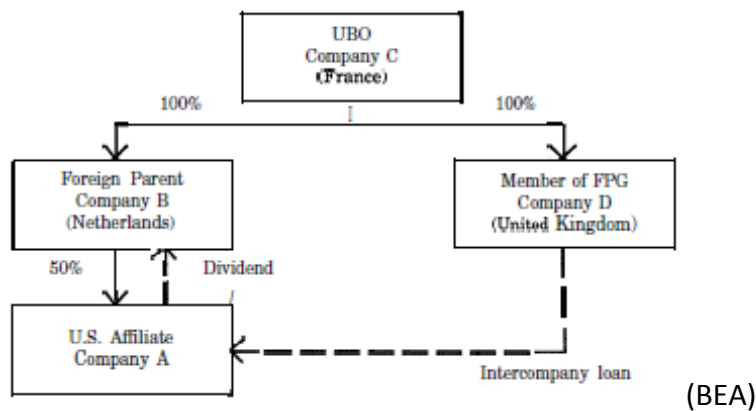
This model used the FDI in Real Estate data provided by the Department of Commerce in an effort to cover the longest time frame available. The 20 largest foreign investors were evaluated.

| Dependent Variable   | Source  |
|----------------------|---|
| FDI in Real Estate   | US Department of Commerce, Bureau of Economic Affairs       |
| Independent Variable |   |
| Exchange Rate        | IMF International World Economic Outlook Database Sept 2011 |
| GDP per Capita       | IMF International World Economic Outlook Database Sept 2011 |
| National Savings     | IMF International World Economic Outlook Database Sept 2011 |
| Inflation Index      | IMF International World Economic Outlook Database Sept 2011 |

### Regression Model Data

#### *Foreign Direct Investment in the United States Data*

Foreign Direct Investment in the United States data was compiled from the information published by the Bureau of Economic Affairs, a division of the Department of Commerce. The data set used was Foreign Direct Investment on a Historical Costs Basis, separated by industry and country of Ultimate Beneficial Owner. The Ultimate Beneficial Owner is defined as having more than a 50% share of investment, and is traced through foreign parent companies. As the diagram below describes if the Ultimate Beneficial Owner owns a foreign parent that owns a U.S. affiliate, it is counted as the owner of the investor in the calculations (BEA).



The amount invested in real estate, rental leasing or a listed REIT or real estate company is aggregated together and published as a single figure. The International Investment and Trade in Services Act requires that all Foreign Direct Investment be reported to the Bureau of Economic Affairs (33). The Act also protects the confidentiality of the foreign investors' survey. The data is made available in totals for each industry, but the information is not available to the Internal Revenue Service(33). The industry totals are not reported in the event that the figure would expose the position of a specific company.

The data was available from 1998-2010, so the regression model was restricted to this timeframe. Data for several different countries throughout the time period was not reported. Data that was not disclosed, was reported as a "D" by the BEA, but was altered to a value of 0 in all cases (33). This limited data prevented the inclusion of some countries in the study.

#### *Exchange Rate Data*

The historical exchange rates from each respective country were gathered from the International Monetary Fund's World Economic Outlook database. The IMF reviews and assembles the data published by the finance ministries of each respective country. All exchange rates are published as the value of local currency per US dollar.

#### *GDP per Capita Data*

The Gross Domestic Product per Capita figures were gathered from the International Monetary Fund's World Fact Economic Outlook database from September 2011. All values are published in US dollars.

### *National Savings Data*

National Savings figures were gathered from the International Monetary Fund's World Economic Factbook from September 2011. National Savings is calculated as a percentage of Gross Domestic Product.

### *Inflation*

Inflation figures were gathered from the International Monetary Fund's World Economic Factbook from September 2011. Inflation is calculated as an index.

### **Analysis of Commercial Real Estate Market Activity**

#### Real Capital Analytics Cross Border Capital Tracker

Foreign Direct Investment data from Real Capital Analytics from 2001 to present was also used in the analysis. The Real Capital Analytics data consists of a database of all acquisitions, dispositions and refinancings above \$2m recorded in the time period. The data includes specific information related to location, property type and ownership structure. The data differs from that provided by the Bureau of Economic Affairs because it only relates directly to property acquisitions and disposition and does not include rental leasing.

### **Diversification Analysis**

In order to evaluate the diversification benefits of US Real Estate, correlation matrices were used to determine the strength of the relationships between the major equity indices, property indices and REIT indices of Australia, Canada, the United Kingdom and the United States. The Investment Property Databank's property indices for all product types were used as proxies for real estate returns for Australia, Canada and the United Kingdom. The MIT CRE index was used as a proxy for US real estate. The Dow Jones Industrial Average and the S&P 500 were used as equity proxies for the United States. The S&P TSX was used as an equity proxy for

Canada. The S&P ASX 200 was used as a proxy for the equity markets in Australia and the FTSE 100 was used as an equity proxy for the United Kingdom. The NAREIT All-REIT index was used as a proxy for the U.S. indirect property. The AREIT Index was as a proxy for Australian indirect property.

### **Currency Implications**

To evaluate the effect of changes in exchange rates, the year-over-year change in Foreign Direct Investment in real estate was graphed along with the year-over-year change in exchange rate. Australia, Canada and the United Kingdom were evaluated again, along with Germany and Switzerland. The FDI data from the US Bureau of Economics was used because it covers a great period of time than the data available from Real Capital Analytics. Exchange rates from the International Monetary Fund's World Economic Outlook database were used.

### **Analysis and Findings**

#### **Regression Analysis**

A regression model drawing on the principles outlined by Stuart Ross and Rodriguez and Bustillo was used to evaluate the 19 largest foreign direct investors in real estate in the United States. The study was reduced to the largest 19 investors due to the high frequency of data points that were not disclosed by the Bureau of Economic Analysis for the smaller investors. Foreign Direct Investment for each nation was regressed against the nation's exchange rate, GDP per Capita, national savings index and inflation index.

The regression analysis proved inconclusive for the most part. While a strong linear relationship was found in many cases yielding a high coefficient of determination, the regression failed to



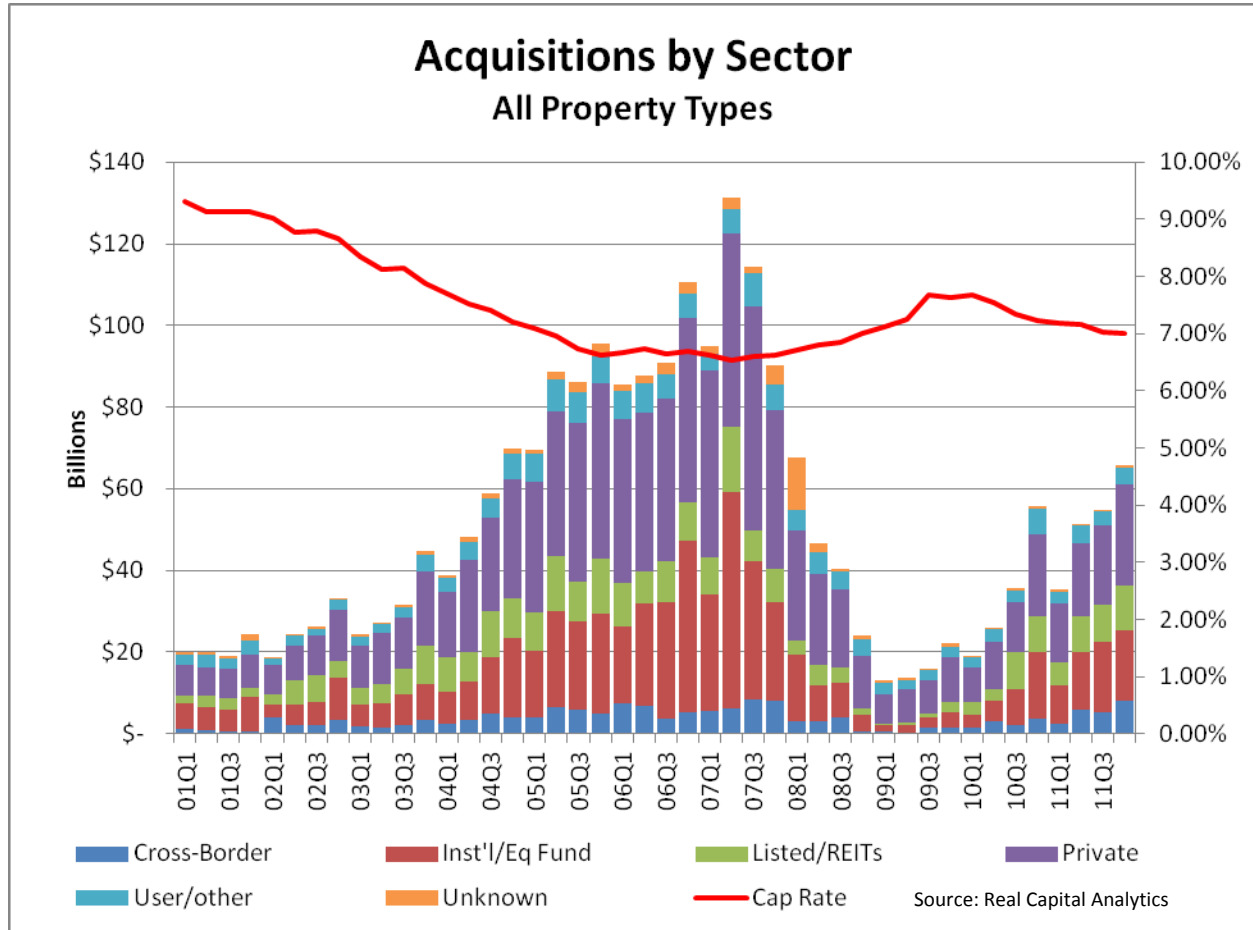
produce a significant F-test, or goodness of fit value. Individual variables for some countries proved significant, but were not evident in enough models to be clearly identified as significant.

The limited number of data points available for Foreign Direct Investment made it difficult to generate a statistically significant result. In many cases, the independent variables were highly correlated. The inter-relationship of the variables themselves made it difficult to produce a statistically significant result. Several re-expressions of the data for the dependent and independent variables were also evaluated, but did not improve the overall outcome of the regression analysis. SPSS was used to determine if several non-linear regressions might better explain the variables, but results again proved inconclusive.

While other studies found certain factors to be significant in helping to determine Foreign Direct Investment in real estate, it is unsurprising that similar results were not seen when US real was evaluated. There are a number of factors that make the largest real estate market in the world attractive to foreign investors and they all cannot be quantified.

## Analysis of Commercial Real Estate Market Activity

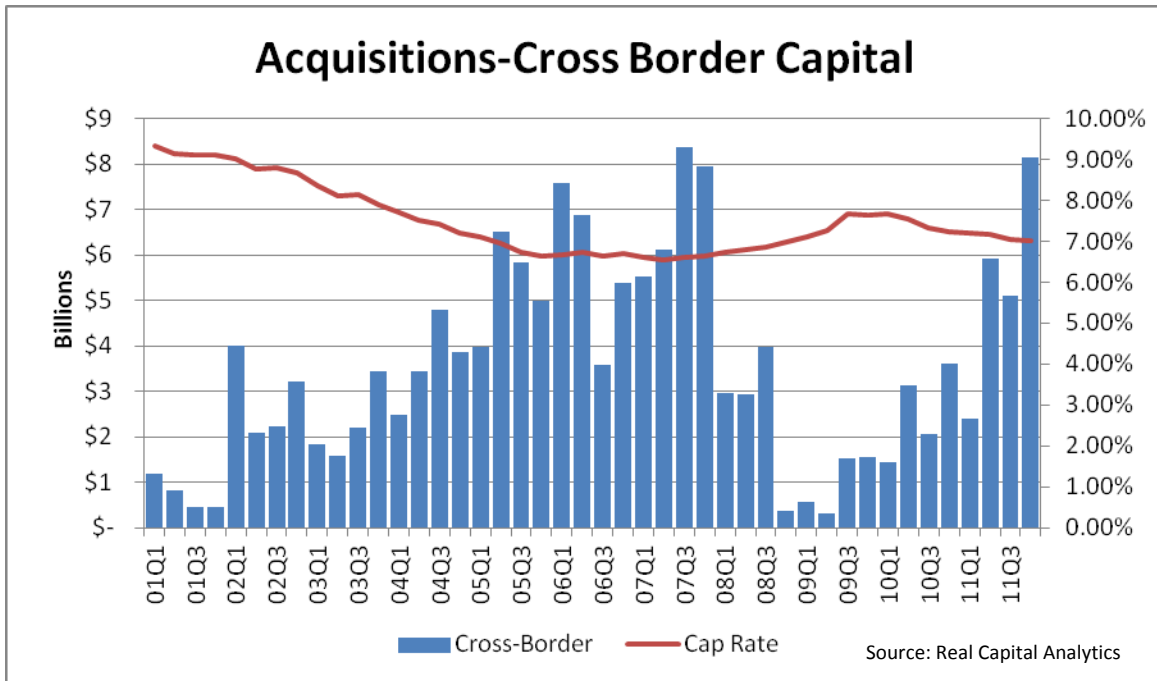
### Analysis of Acquisitions of Commercial Real Estate since 2001



From 2001-2006, acquisitions steadily increased. Acquisitions hovered near the \$20 billion per quarter mark until the 4<sup>th</sup> quarter of 2003, when total acquisitions jumped to \$33 billion.

Institutional funds and private investors made up the largest portion of the market. In 2004, as the average cap rate across all property types continued to decrease, investment topped the \$40 billion and eventually the \$60 billion dollar mark per quarter. Institutional and private investors were by far the largest investors from 2005-2006, but there were large increases in all investor types.

From 2007 to 2011, acquisitions saw the highest amount in the reporting period committed in the 3<sup>rd</sup> quarter of 2007 followed by a precipitous decline and subsequent recovery. The 3<sup>rd</sup> and 4<sup>th</sup> quarter were the highest amounts of capital committed in the period, with increases in all categories and institutional, listed REITs and private investors contributing the majority. In 2008, investment fell to levels not seen since 2001. Cross-Border investors, institutional investors and listed REITs drastically reduced their activity in the market. Private investors remained active, but at very reduced levels. In 2009, investment dropped to the lowest levels in the period and remained below \$30 billion per quarter until the 3<sup>rd</sup> quarter of 2010 and the average cap rate increased to 8.00%. Private investors were the most active during this lull, accounting for more than 50% of the market. Institutional investment plummeted below 20% of total investment for the year for the only time in the reporting period. In the 3<sup>rd</sup> quarter of 2010, property acquisitions increased to above \$30 billion and grew to nearly \$50 billion in the 4<sup>th</sup> quarter. Total acquisitions dropped off in the first quarter of 2011, but the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> were strong. Quarterly investment was above \$50 billion for consecutive quarters for the first time since 2007. Private and institutional investors were the largest investors, but there were increases in foreign and REIT investment as well. The average cap rate also decreased from 2010 to the end of 2011, indicating improved market conditions.

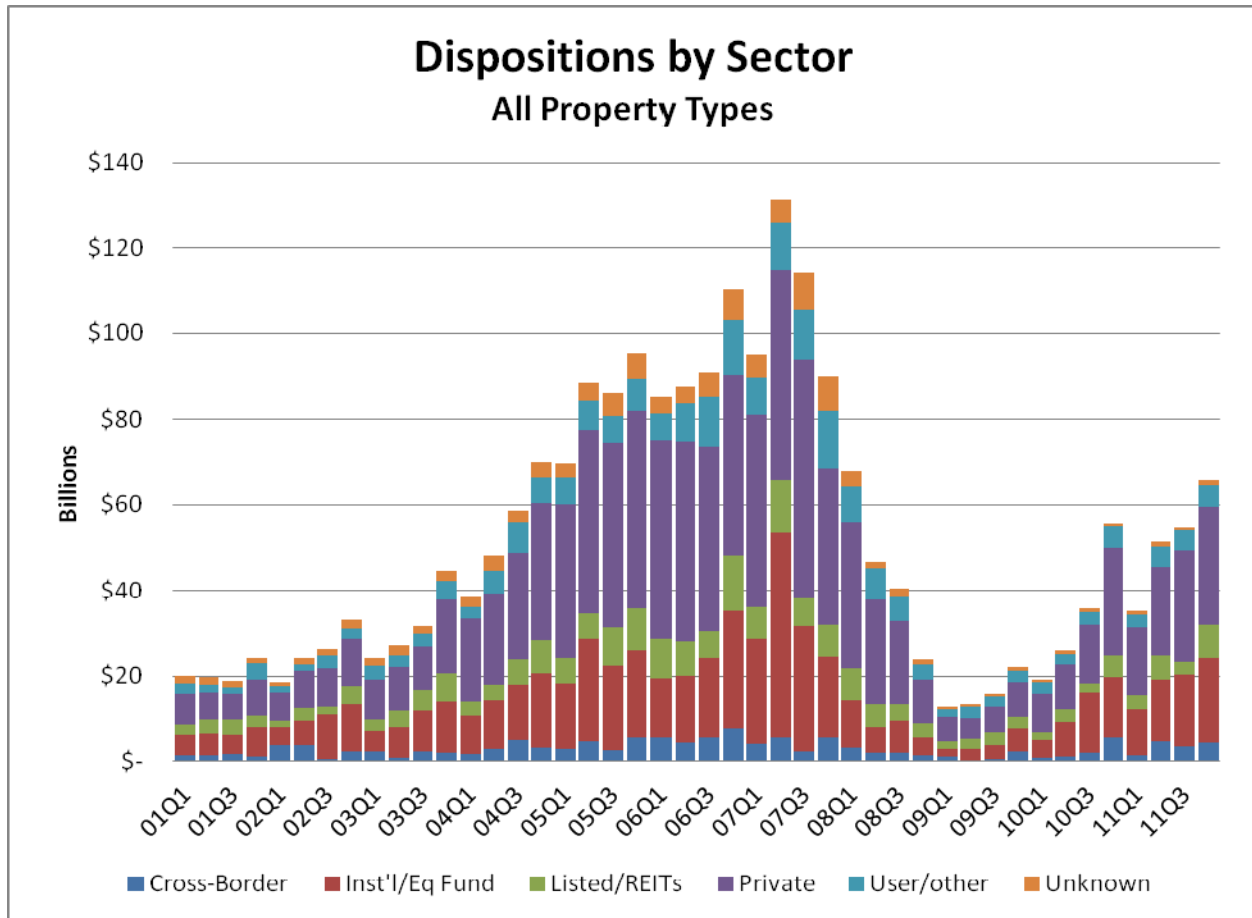


From 2001 to 2006, foreign acquisitions steadily increased as the real estate market heated up. In 2001, foreign investment per quarter hovered at or below the \$1 billion mark. In the 1<sup>st</sup> quarter of 2002, investment increased to \$4.0 billion before dropping to just above \$2.2 billion in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters and increasing to \$3.4 billion in the 4<sup>th</sup> quarter. In 2002, foreign investment comprised 11.27% of real estate acquisition investment, the highest percentage between 2001 and 2011. In 2004, foreign investment increased to \$3.4 billion and then to a 3-year high of \$4.8 billion in the 3<sup>rd</sup> quarter. As the average cap rate dropped below 7.0%, foreign investment grew to \$6.5 billion in the 2<sup>nd</sup> quarter of 2005. Cross border investment climbed to a 5-year high of \$7.6 billion in the first quarter of 2006, and declined but finished the 4<sup>th</sup> quarter at \$5.3 billion. Foreign investment in real property steadily increased along with the other sectors and comprised about 6% of acquisition capital from 2001-2006.

From 2007 to present, foreign investment showed a pattern similar to the overall change in the market. In the 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2007, both approached or exceeded the \$8 billion mark.

Foreign investment fell by 62% to \$2.9 billion in the first quarter of 2008, but saw a slight rebound to \$3.9 billion in the following quarter. Foreign investors reacted harshly to the growing economic uncertainty in 2009, investing only \$381 million, \$562 million and \$325 million in the first three quarters respectively. The next several quarters enjoyed moderate growth. In the second quarter of 2011, foreign investment soared to \$5.9 billion, and closed out the year with \$5.1 billion invested in the 3<sup>rd</sup> quarter and the third highest quarter since 2001 with \$8.1 billion invested in the 4<sup>th</sup> quarter. The \$21.5 billion of foreign investment in 2011 was the third highest year as well, behind the \$23.4 billion invested in 2006 and the \$28 billion invested in 2007. Foreign investment comprised 10.4% of all investment in 2011, the second highest percentage since 2002.

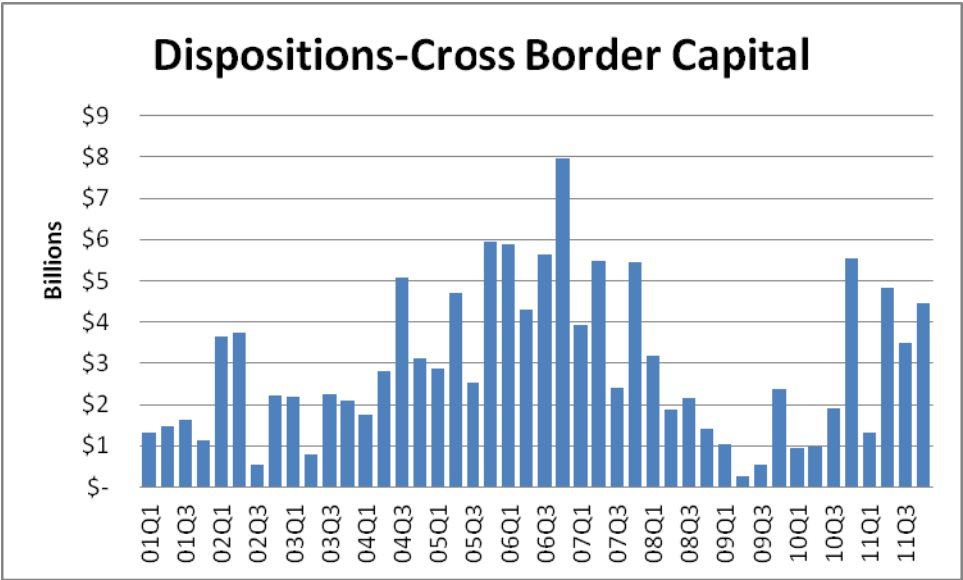
## Analysis of Commercial Real Estate Dispositions since 2001



Source: Real Capital Analytics

The most active sellers from 2001 to 2006 were the private investors, followed by the institutional funds. Sales hovered around the \$20 billion per quarter mark for 2001 and the beginning of 2002. Dispositions began a gradual increase in the 2<sup>nd</sup> quarter of 2002 and began to steadily increase until their peak in the 2<sup>nd</sup> quarter of 2007. Total sales exceeded \$40 billion in the 4<sup>th</sup> quarter of 2003. One year later, sales had exceeded \$60 billion. Beginning in the 2<sup>nd</sup> quarter of 2005, sales exceeded \$80 billion and remained above that level through the end of 2006.

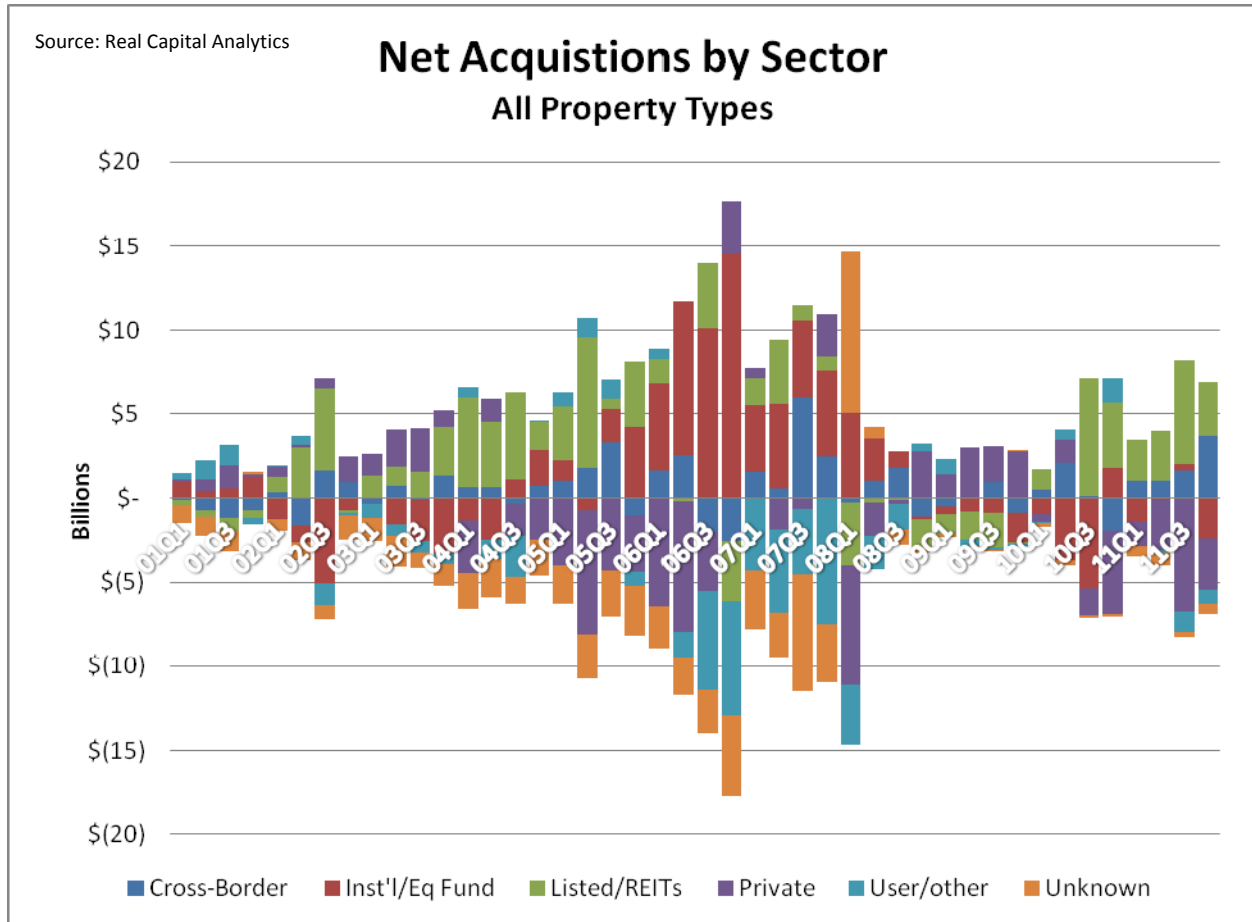
In 2007, sales reached the highest point in the entire reporting period; \$131 billion. After this point, quarterly sales rapidly diminished. Sales dropped below the \$100 billion mark in the 4<sup>th</sup> quarter of 2007, and a year later were \$23 billion total. In the course of a year, sales returned to 2001 levels. Sales remained at or below the \$20 billion mark until the 2<sup>nd</sup> quarter of 2010. Sales per quarter began to gradually rise as the economy began to recover. Sales peaked again the 4<sup>th</sup> quarter of 2011 at \$65 billion. As with acquisitions, private investors were most active during the economic slowdown and recovery. Institutional activity increased in the 3<sup>rd</sup> quarter of 2010.



Source: Real Capital Analytics

Dispositions by foreign investors followed a pattern very similar to the overall trends in dispositions. Foreign investors maintained high levels of activity in the years leading up to 2007. In the 3<sup>rd</sup> quarter of 2006, disposition activity peaked. Property sales dropped to levels below the \$2 billion mark. The decline coincided with the economic collapse and the passage of an extension of the FIRPTA tax regulations, which created uncertainty for the foreign investor (AFIRE News). The 2<sup>nd</sup> and 3<sup>rd</sup> quarter of 2009 saw the lowest levels of activity across the entire reporting period. In 2010, sale activity increased as the market continued to recover.

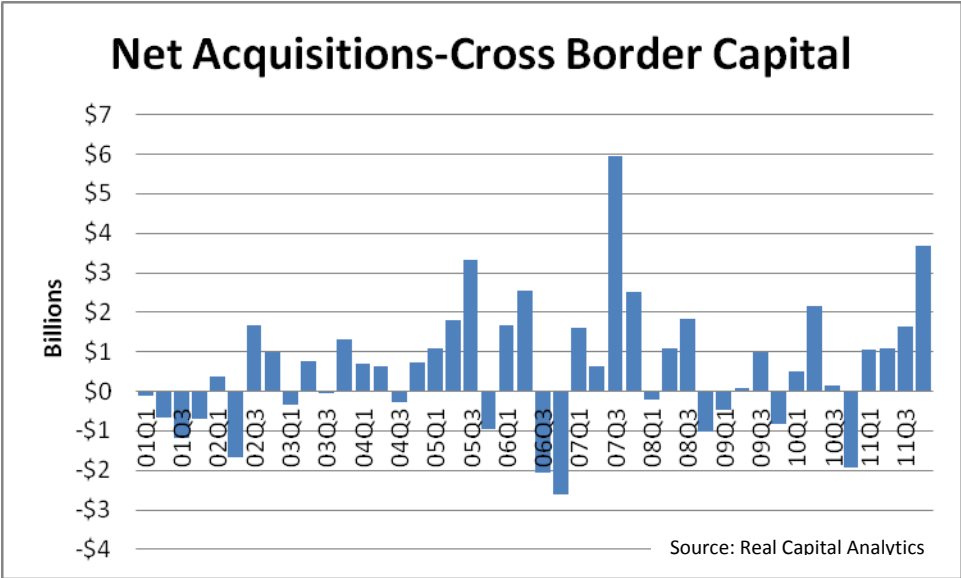
## Analysis of Net Acquisitions since 2001



Net acquisitions varied by sector from 2001 to 2006. Listed/REIT funds were net buyers of property for the most part. Private investors were buyers of property until the 3<sup>rd</sup> quarter of 2003. From the 3<sup>rd</sup> quarter of 2003 to the 3<sup>rd</sup> quarter of 2007, private investors disposed of more real estate than they acquired. Institutional funds were net buyers of property for all quarters of 2001, but remained sellers until the 4<sup>th</sup> quarter of 2003. The unknown category was a net seller of real estate for every quarter until the 2<sup>nd</sup> quarter of 2008. Transactions steadily increased as the real estate market approached the top of the expansion cycle.

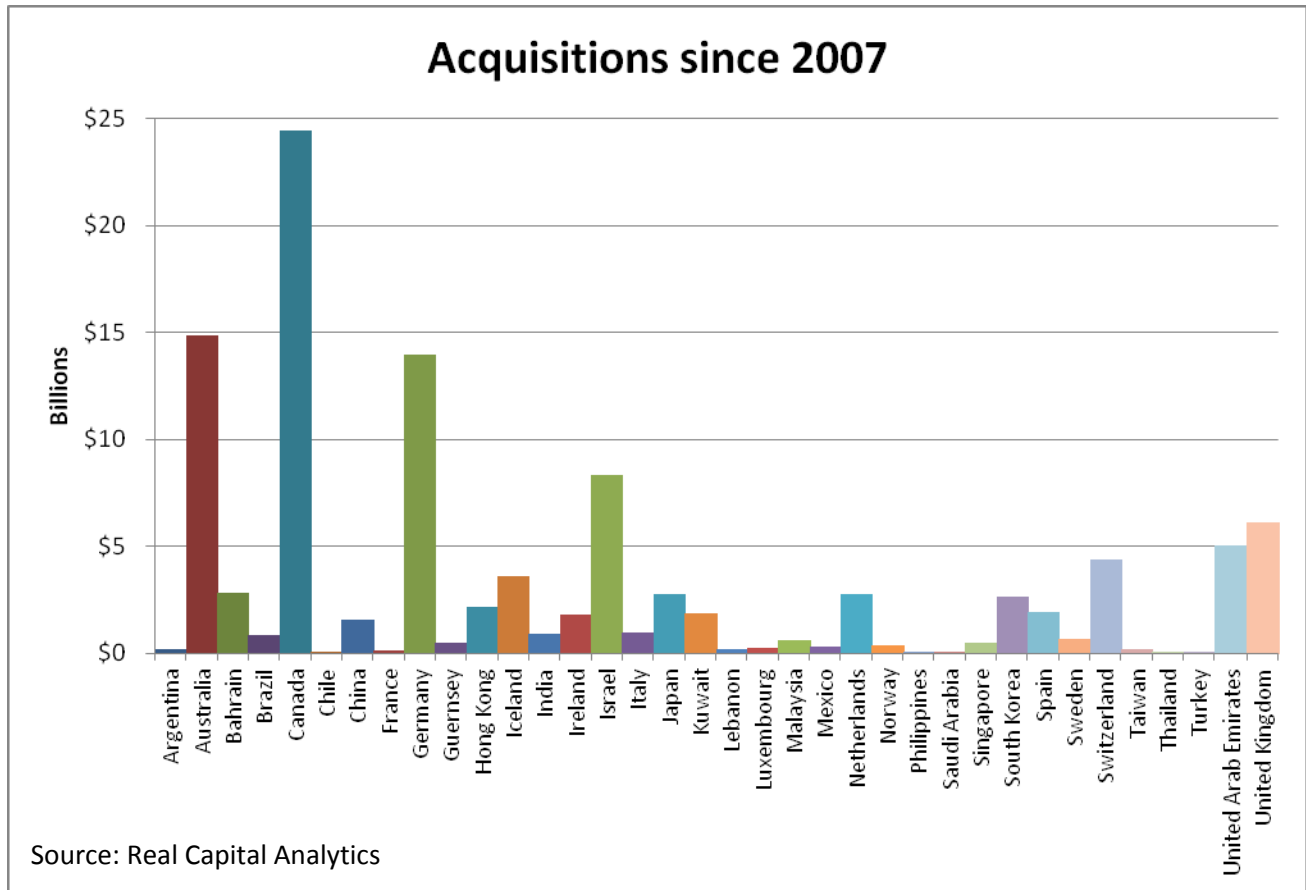


From 2006 to present, net acquisition activity had a much different make-up than it did in the first part of the decade. During the beginning of the economic slowdown, REITs were net sellers of property as they struggled to make returns for investors. During the recovery, REITs became net purchasers of real estate. Private sellers were net purchasers during 2008 and 2009, but became net sellers during the recovery.



From 2001 to 2002, foreign investors were net sellers of real estate assets in every quarter except for one. The margins by which the foreign investors were net buyers or net sellers were slim in many quarters until 2005. In 2005, the foreign investors became net purchasers of assets for 4 consecutive quarters. The 3<sup>rd</sup> and 4<sup>th</sup> quarter of 2006 marked the largest period of net sales for the foreign investor. From 2007 to the 3<sup>rd</sup> quarter of 2008, foreign investors were net purchasers of real estate. During the economic slowdown, foreign investors alternated between being net purchasers and net sellers of real estate assets. 2011 marked the first period since 2007 that foreign investors were net purchasers for four consecutive quarters. The overall pattern of net acquisition for the foreign investor was similar to the overall pattern.

## Foreign Acquisitions since 2007 by Nation



The largest foreign investors in US commercial real estate from 2007 to 2011 were Canada, Australia and Germany. Canada purchased \$24.4 billion of US commercial real estate or 22.67% of all real estate purchased by foreign investors since 2007. Australia was the next largest investor at \$14.8 billion, a 13.8% share of the total foreign investment. Germany poured \$13.9 billion into acquisitions since 2007. Israel and the United Kingdom contributed \$8.3 billion and \$6.1 billion respectively. The Middle East was also fairly active in acquiring US properties with the United Arab Emirates purchasing \$5.1 billion and Kuwait purchasing \$1.9 billion. Switzerland purchased \$4.4 billion of commercial real estate and Iceland purchase \$3.6 billion. Japan purchased a modest \$2.8 billion of real estate compared to the levels of investment

in the 1980s. Of these acquisitions, 48% were made by institutional investors; 25% by public investors; 15% by private investors; 9% by equity funds; and 3% by investors that fall in the “user/other” category.

### **Diversification**

As noted in the literature review section, real estate has been shown to be an effective diversifier in many portfolios. Over 75% of foreign investment made in the United States since 2007 has been by institutional, public or equity fund investors. These sophisticated investors likely employ some type of diversification strategy. While the exact strategy of each firm is not known, it is possible to evaluate

Three of the largest investors in US real estate in recent years are Australia, Canada and the United Kingdom. To evaluate if these foreign investors are motivated by diversification benefits, correlation matrices comparing returns between major equity indices, direct real estate indices and indirect real indices were constructed. The returns were evaluated on a 3-year, 5-year and 9-year basis. The study was restricted to 9-years beginning in March to cover the maximum possible time because IPD real estate indices were not available for all countries evaluated prior to 2000. IPD real estate indices are published for several different nations, but only Australia, Canada and the United Kingdom offer quarterly updates. The study was restricted to these nations to maximize the number of data points available. The IPD indices are measures of the return of all property types and relate to direct real estate investment.

|                        | 3-Year<br>3/07-3/10 |                       | 5-Year<br>3/05-3/10 |                       | 9-Year<br>3/01-3/10 |                       |
|------------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
|                        | Average<br>Return   | Standard<br>Deviation | Average<br>Return   | Standard<br>Deviation | Average<br>Return   | Standard<br>Deviation |
| <b>Dow Jones</b>       | -2.11%              | 24.36%                | 0.84%               | 19.59%                | 1.79%               | 18.94%                |
| <b>S&amp;P 500</b>     | -3.47%              | 25.78%                | 0.76%               | 20.83%                | 1.28%               | 20.52%                |
| <b>S&amp;P ASX 200</b> | 3.90%               | 27.82%                | 12.01%              | 24.19%                | 10.85%              | 20.77%                |
| <b>S&amp;P TSX</b>     | 0.92%               | 23.85%                | 7.30%               | 20.68%                | 7.13%               | 19.29%                |
| <b>FTSE 100</b>        | -2.53%              | 22.67%                | 4.06%               | 19.74%                | 1.30%               | 19.23%                |
| <b>MITCRE</b>          | -10.03%             | 17.03%                | -0.94%              | 18.18%                | 2.52%               | 15.40%                |
| <b>IPD Australia</b>   | 7.01%               | 10.39%                | 10.81%              | 9.54%                 | 11.00%              | 7.58%                 |
| <b>IPD Canada</b>      | 8.71%               | 8.29%                 | 11.95%              | 7.82%                 | 10.93%              | 6.38%                 |
| <b>IPD UK</b>          | -6.05%              | 15.74%                | 3.51%               | 17.48%                | 6.02%               | 14.35%                |
| <b>NAREIT</b>          | -5.11%              | 39.46%                | 5.23%               | 34.01%                | 11.27%              | 29.58%                |
| <b>AREIT</b>           | -12.52%             | 33.76%                | 0.00%               | 31.09%                | 5.71%               | 26.14%                |

Source: Bloomberg, IPD, Real Capital Analytics

Over the 3-year period, one of the most volatile in recent economic history, mediocre returns and large standards of deviation are expected. The Dow Jones had an average return of -2.11% and a standard deviation of 24.36%. The S&P 500 posted an average return of -3.47% with a large standard of deviation of 25.78%. The Australian S&P ASX 200 fared the best of all the equity indices with an average return of 3.90%, but the highest risk with a standard deviation of 27.82%. The Canadian S&P TSX posted a return of .92% and a standard deviation of 23.85%. The UK FTSE 100 had an average return of -2.53% with the lowest standard deviation of 22.67%. Of the real estate indices, the MIT CRE had the worst performance with average return of -10.03% and the largest standard deviation of 17.03%. The IPD UK Index also had a negative return and a high standard deviation. The IPD Australia and IPD Canada indices posted positive returns and had the lowest standard deviations of all asset classes. The low standard deviation is expected given the relative illiquidity of the real estate market. The NAREIT and Australia's AREIT index both posted negative returns and had the largest standards of deviation among all

asset classes. The high measure of risk is expected given that REITs are exposed to fluctuations in the real estate market and the stock market.

When expanded to the 5-year time period, average returns improved across all asset classes. The standard deviations of the equity indices decreased as two years of more stable market activity were added to counterbalance the volatile years of 2007-2010. The MIT had a slightly negative return of -0.94% and a standard deviation that exceeded that of the other direct property real estate indices. The IPD Australia and IPD Canada indices posted the best returns at 10.81% and 11.95% with the lowest measures of risk with 9.54% and 7.98% respectively. The NAREIT and AREIT indices again were the most volatile assets with standard deviations of 34.01% and 31.09%.

When evaluated over a 9-year holding period, the average returns and standard deviations improved. The inclusion of the more stable first portion of the decade lessened risk and improved the average return. All equity indices achieved a positive average return with a standard deviation of at least 18.94%. The real estate indices as an asset class had the lowest standard deviations. The MIT CRE and IPD UK indices had average returns of 2.52% and 6.02% respectively, while the IPD Canada and IPD Australia indices had more impressive returns of 11.00% and 10.93%. The NAREIT index had the best average return, 11.27%, but the highest standard deviation of 29.58%. The AREIT index had an average return of 26.14%, and a high standard deviation of 26.14%.

After evaluating the average for the different holding periods, it is clear that each asset class has a different risk profile. REITs proved to be the most volatile in all of the holding periods. Equities represented a slightly less volatile asset class, and real estate was the most stable of all.

| 3-Year        | Dow Jones | S&P 500 | S&P     |         | FTSE 100 | MIT CRE | IPD Aus | IPD Can | IPD UK | NAREIT | AREIT |
|---------------|-----------|---------|---------|---------|----------|---------|---------|---------|--------|--------|-------|
|               |           |         | ASX 200 | S&P TSX |          |         |         |         |        |        |       |
| Dow Jones     | 1.00      |         |         |         |          |         |         |         |        |        |       |
| S&P 500       | 0.99      | 1.00    |         |         |          |         |         |         |        |        |       |
| S&P ASX 200   | 0.96      | 0.96    | 1.00    |         |          |         |         |         |        |        |       |
| S&P TSX       | 0.96      | 0.97    | 0.94    | 1.00    |          |         |         |         |        |        |       |
| FTSE 100      | 0.96      | 0.98    | 0.95    | 0.94    | 1.00     |         |         |         |        |        |       |
| MIT CRE       | 0.27      | 0.19    | 0.20    | 0.21    | 0.03     | 1.00    |         |         |        |        |       |
| IPD Australia | 0.45      | 0.37    | 0.38    | 0.42    | 0.23     | 0.96    | 1.00    |         |        |        |       |
| IPD Canada    | 0.27      | 0.19    | 0.18    | 0.27    | 0.03     | 0.96    | 0.97    | 1.00    |        |        |       |
| IPD UK        | 0.70      | 0.64    | 0.62    | 0.61    | 0.52     | 0.84    | 0.90    | 0.80    | 1.00   |        |       |
| NAREIT        | 0.89      | 0.91    | 0.79    | 0.85    | 0.89     | 0.03    | 0.18    | 0.05    | 0.51   | 1.00   |       |
| AREIT         | 0.96      | 0.95    | 0.95    | 0.90    | 0.91     | 0.36    | 0.50    | 0.33    | 0.78   | 0.85   | 1.00  |

The 3-year correlation matrix shows that the equity indices are all highly correlated with values 0.94 being the lowest. The high co-movement is expected as the equity markets are all very connected and are the most liquid asset type. The MIT CRE has a low correlation with all of the equity indices with the highest correlation being 0.27. The MIT CRE was highly correlated with the IPD Australia, IPD Canada and IPD indices. This could be explained in the short-term by the volatility of the global economy and particularly the instability of the real estate market. The IPD Australia and IPD Canada index had low correlations with all equity indices. The IPD UK index was more highly correlated with the equity indices than the other real estate markets. The REIT indices were highly correlated with the equity indices and with one another, but were weakly correlated with the direct property indices.

| 5-Year        | S&P       |         |         |         |          |         |         |         |        |        |       |
|---------------|-----------|---------|---------|---------|----------|---------|---------|---------|--------|--------|-------|
|               | Dow Jones | S&P 500 | ASX 200 | S&P TSX | FTSE 100 | MIT CRE | IPD Aus | IPD Can | IPD UK | NAREIT | AREIT |
| Dow Jones     | 1.00      |         |         |         |          |         |         |         |        |        |       |
| S&P 500       | 0.99      | 1.00    |         |         |          |         |         |         |        |        |       |
| S&P ASX 200   | 0.90      | 0.94    | 1.00    |         |          |         |         |         |        |        |       |
| S&P TSX       | 0.90      | 0.94    | 0.94    | 1.00    |          |         |         |         |        |        |       |
| FTSE 100      | 0.90      | 0.95    | 0.96    | 0.95    | 1.00     |         |         |         |        |        |       |
| MIT CRE       | 0.29      | 0.29    | 0.43    | 0.42    | 0.32     | 1.00    |         |         |        |        |       |
| IPD Australia | 0.49      | 0.45    | 0.50    | 0.52    | 0.39     | 0.90    | 1.00    |         |        |        |       |
| IPD Canada    | 0.34      | 0.30    | 0.36    | 0.41    | 0.26     | 0.89    | 0.97    | 1.00    |        |        |       |
| IPD UK        | 0.62      | 0.62    | 0.70    | 0.66    | 0.63     | 0.88    | 0.91    | 0.85    | 1.00   |        |       |
| NAREIT        | 0.86      | 0.90    | 0.81    | 0.84    | 0.89     | 0.27    | 0.35    | 0.26    | 0.61   | 1.00   |       |
| AREIT         | 0.90      | 0.92    | 0.93    | 0.87    | 0.90     | 0.55    | 0.64    | 0.52    | 0.84   | 0.86   | 1.00  |

The 5-year correlation matrix again shows a high correlation between all of the equity indices with each value being above 0.90. The MIT CRE index was weakly correlated with all equity indices and the REIT indices, but highly correlated with the other real estate indices. The IPD Australia and IPD Canada indices were weakly correlated with the equity and REIT indices. The REIT indices were strongly correlated with all of the equity markets, but weakly correlated with the real estate indices.

| 9-Year        | S&P       |         |         |         |          |         |         |         |        |        |       |
|---------------|-----------|---------|---------|---------|----------|---------|---------|---------|--------|--------|-------|
|               | Dow Jones | S&P 500 | ASX 200 | S&P TSX | FTSE 100 | MIT CRE | IPD Aus | IPD Can | IPD UK | NAREIT | AREIT |
| Dow Jones     | 1         |         |         |         |          |         |         |         |        |        |       |
| S&P 500       | 0.98      | 1       |         |         |          |         |         |         |        |        |       |
| S&P ASX 200   | 0.85      | 0.88    | 1       |         |          |         |         |         |        |        |       |
| S&P TSX       | 0.92      | 0.95    | 0.92    | 1       |          |         |         |         |        |        |       |
| FTSE 100      | 0.88      | 0.93    | 0.92    | 0.94    | 1        |         |         |         |        |        |       |
| MIT CRE       | 0.27      | 0.27    | 0.38    | 0.37    | 0.23     | 1       |         |         |        |        |       |
| IPD Australia | 0.44      | 0.40    | 0.49    | 0.47    | 0.35     | 0.86    | 1       |         |        |        |       |
| IPD Canada    | 0.25      | 0.22    | 0.35    | 0.34    | 0.25     | 0.75    | 0.94    | 1       |        |        |       |
| IPD UK        | 0.53      | 0.52    | 0.63    | 0.57    | 0.49     | 0.89    | 0.89    | 0.75    | 1      |        |       |
| NAREIT        | 0.82      | 0.83    | 0.76    | 0.80    | 0.76     | 0.32    | 0.35    | 0.17    | 0.61   | 1      |       |
| AREIT         | 0.72      | 0.71    | 0.82    | 0.70    | 0.65     | 0.59    | 0.62    | 0.42    | 0.85   | 0.83   | 1     |

The 9-year correlation matrix showed similar patterns to the 3 and 5-year correlation matrices. The strength of the correlations weakened across all asset classes for the most part. All equities were highly correlated with a value of at least 0.88. The MIT CRE showed weak correlation with the equity markets, but still demonstrated a strong relationship with the other property indices. The IPD Australia and IPD Canada indices were weakly correlated with all the equity indices. The IPD UK index was more highly correlated with the equity indices. The IPD Australia index showed a stronger relationship with the AREIT index and the S&P ASX 200 than the MIT CRE.

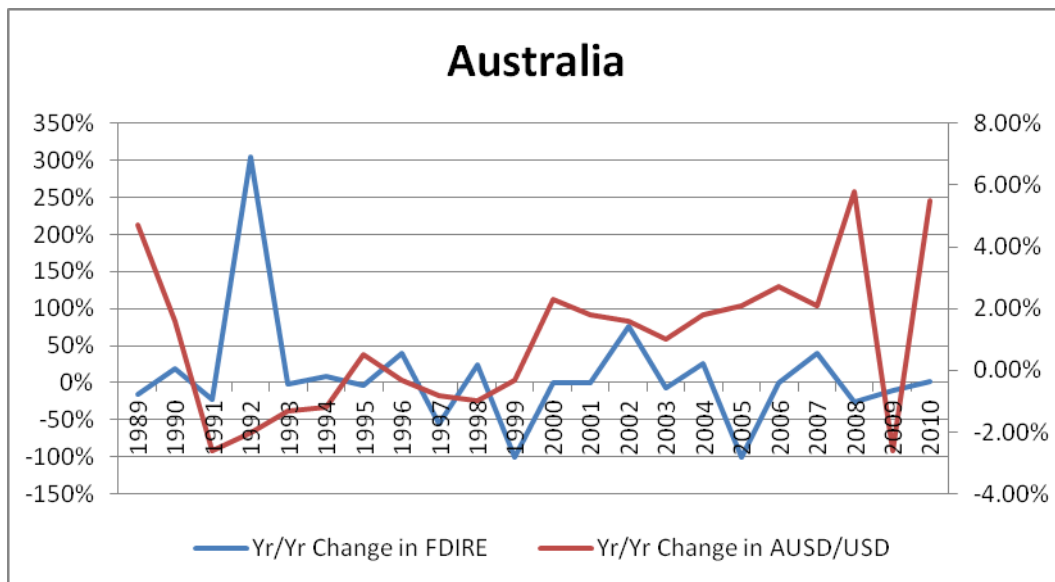
Using the MIT CRE as a proxy for US real estate, it is clear that in each scenario evaluated in the correlation matrices US real estate can serve as an effective diversifier for both domestic and international investments. US real estate, while it had one of the lower returns in each holding period, had a different risk profile than many of the other investment alternatives. US real estate was weakly correlated with the equity indices for Australia, Canada, the United Kingdom and the United States. US real estate was also weakly correlated with the NAREIT index and the large AREIT index, making it an effective diversifier for portfolios that contain those assets.

The MIT CRE was highly correlated with other property indices, but that does not necessarily preclude US real estate from being an effective diversifier for real estate only portfolios. All indices used in the analysis were national composite indices for all metro-areas and property types, rather than metro-level indices. Poor performing areas and property types weakened the overall return of the index and increased the level of risk. With a quarter of the available institutional grade real estate in the world, it is likely that the foreign investor can find the right risk profile and diversifying real estate asset in the United States.



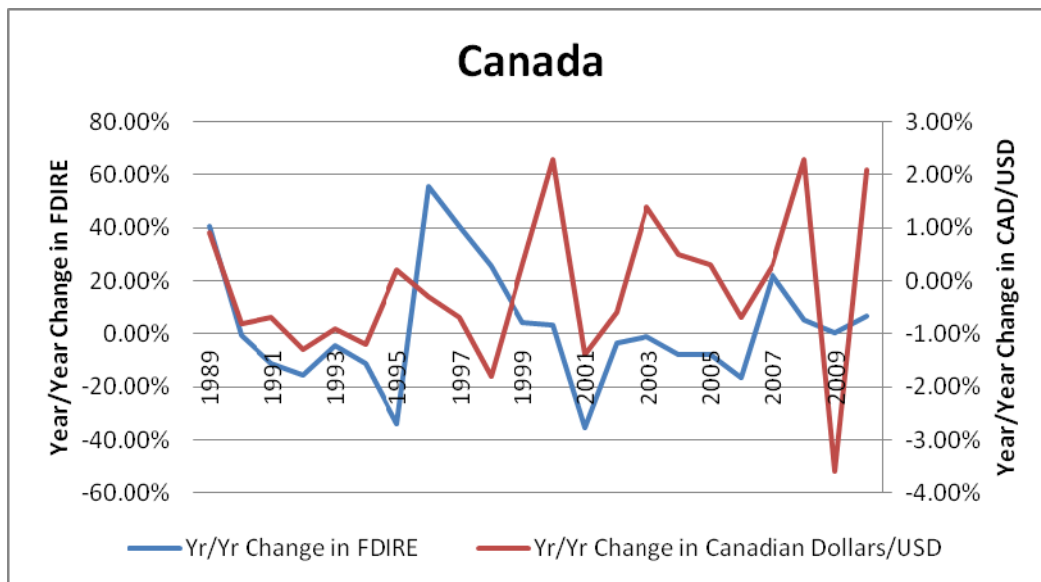
## Currency Implications

As discussed in the literature review section, the exchange rate can dramatically affect the overall return on an investment. Purchasing real estate and repatriating the proceeds from the sale of a property at the right time is essential to the success of a foreign investor. To explore the effect of the exchange rate of foreign direct investment in real estate, the year-over-year change in foreign direct investment was graphed along with the year-over-year change in exchange rate. Five of the largest investors in US real estate were examined: Australia, Canada, the United Kingdom, Germany and Switzerland. All graphs use the foreign country's currency per dollar, so an inverse relationship with the change in foreign direct investment in real estate is expected.



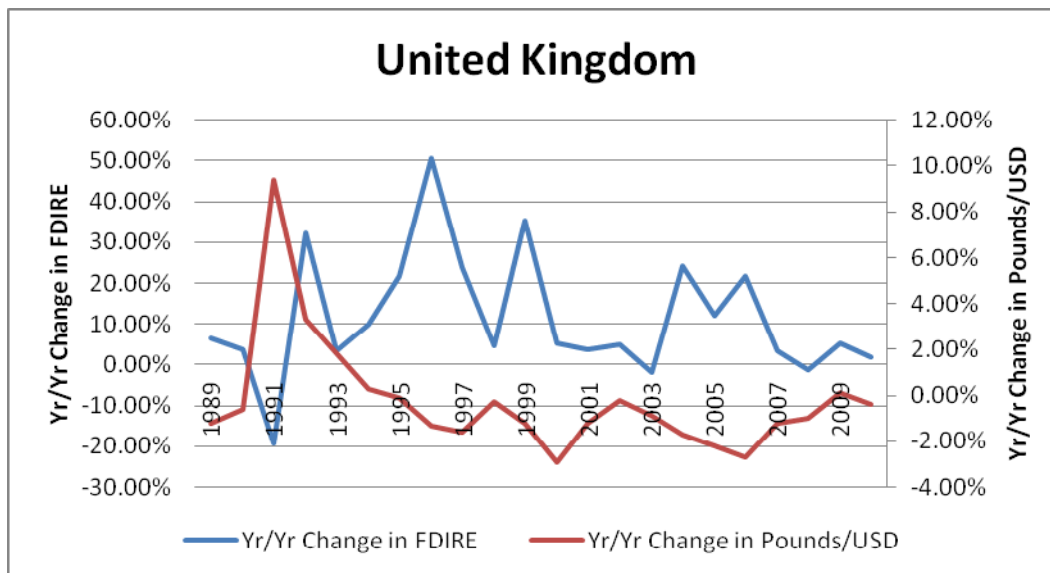
In years in which the value of the Australian dollar increased, foreign direct investment generally showed an increase over the previous year. The year following a drastic change seems to be the most affected. In 1989, the Australian dollar weakened against the US dollar by 4% (again, the exchange rate is in Australian dollars per US dollar, so an increase in percentage is actually a decrease in value) from 1988, and FDIRE dropped by 15% from 1988. In 1991, the exchange

rate improved for the Australian investor by 2.6% over 1990, and the rate improved by 2.0% in 1992 over 1991. The favorable exchange resulted in a change in FDIRE of over 300%. From 1995 to 1998, the exchange rate improved slightly for the Australian investor with mixed results. Beginning in 2004, the Australian dollar saw a sustained decline and FDI had several periods of negative or stagnant growth. In 2008, FDI dropped by 26% over the previous year and the number of Australian dollars to the dollar increased by 5.80%. The fluctuations in foreign direct investment cannot be completely explained by the movement of the exchange rate, but there is evidence that the exchange rate is an important component.



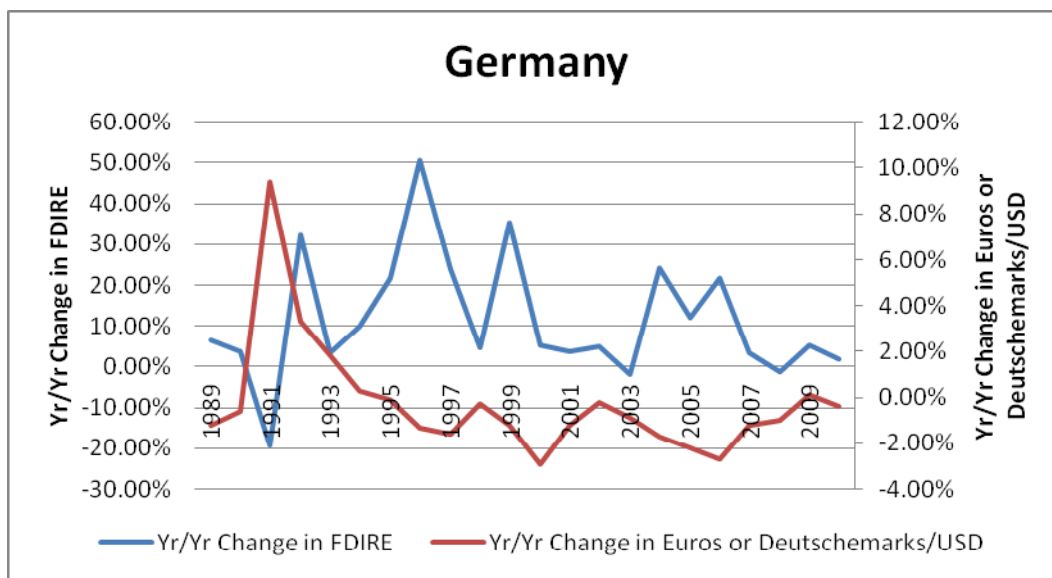
The change in foreign direct investment originating in Canada also was affected by favorable and unfavorable exchange rates. In 1996, foreign direct investment increased by 55.5% when the number of Canadian dollars per US dollar fell by 0.30%. In 1997, the exchange rate continued its favorable trend and fell by 0.70%, while foreign direct investment increased over the previous year by 40.61%. The favorable exchange rates in 1996, 1997 and 1998 helped to contribute to the large levels of foreign direct investment in those years. A weakening Canadian dollar in

2003, 2004, and 2005 played a part in the declining foreign direct investment in those years. In 2003, Canadian dollars per US dollar increased 1.40% and foreign direct investment fell by 1.16%. In the following year, the exchange rate declined to 1.21 Canadian dollars be dollar and foreign direct investment declined by 7.93%. In 2005, the American dollar continued to strengthen by 0.30% and foreign direct investment was reduced by 7.84% over the previous year. There are a number of factors that contribute to changes in foreign direct investment, and the trends indicate that exchange rates have an impact.



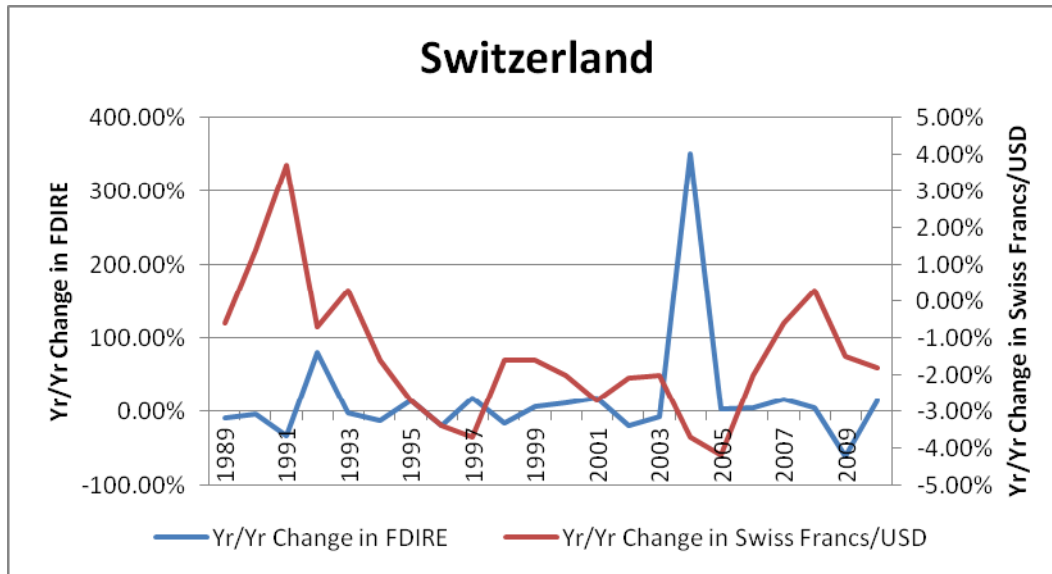
The relative strength and weakness of the pound seems to have had exactly the expected effect on British foreign direct investment in the United States. In 1989, the exchange improved by 1.2% in the UK's favor, which triggered a 6.60% increase in foreign investment. In 1991, a 9.4% increase in pounds/dollar led to a 19.23% decrease in foreign direct investment in real estate. In 1996, the American dollar weakened by 1.30% and British foreign direct investment increased by 50.43%. In 1997, the American dollar weakened again by 1.60% and British investment increased by 23.79%. The value of the pound continued to increase against the dollar

and in each year that there was a significant increase in the value of the pound, there was a corresponding increase in foreign direct investment. In 1999, foreign direct investment increased 35.49% over the previous year as the value of the pound increased by 1.2%. In 2004, a 1.70% increase in the value of the pound led to a 24.33% increase in foreign direct investment. A 2.2% reduction in the number of pounds per dollar in 2005 contributed to the 12.00% increase in foreign direct investment. In 2006, a 2.7% decline in the value of the US dollar coincided with a 21.64% rise in foreign direct investment. While there were some periods where the exchange rate did not have the expected affected on foreign direct investment, in most cases a more favorable exchange rate led to increased investment.



The historical exchange rate for Germany also appeared to have an impact on foreign direct investment. In 1991, the value of the US dollar rose by 9.40% and foreign direct investment declined by 19.23% over the previous year. In 1996, the value of the Deutsche mark increased by 1.3% and foreign direct investment soared by 50.43%. In 1997, the German currency again improved by 1.60% and foreign direct investment increased 23.79% over the previous. In 1999,

there was another significant improvement in the value of the Deutsche mark of 1.20% and an increase of 35.49%. Foreign direct investment in 2004 improved 24.33% over the 2003 value, and the exchange rate improved favorably by 1.7%. There was a large increase in the value of the Euro of 2.7% in 2006 as well as large increase in foreign direct investment of 21.64%.



A favorable or unfavorable exchange rate in Switzerland showed similar effects on foreign direct investment. The largest changes in foreign direct investment occurred in the same year as favorable improvements in the exchange rate. In 1996, the value of the Swiss Franc improved by 1.30% against the dollar and foreign direct investment increased by 50.43%. In 1997, the value of the Swiss Franc continued to improve and foreign direct investment improved over the previous year by 23.79%. Foreign direct investment improved by 24.33% in 2004, 12.00% in 2005 and 21.64% in 2006. Each year saw the value of the Swiss Franc strengthen against the dollar.

The largest years of foreign direct investment generally occur in years in which the exchange rate is favorable. Large positive changes in the value of the foreign investors' currency generally

resulted in an increase in FDI. In years in which the US dollar was stronger against the foreign currency, there was generally a decrease in foreign direct investment. This was not true in all years for all countries evaluated, but occurred frequently. A favorable exchange rate is a contributing factor to the level of foreign investment in the United States.

### **Regulatory Constraints**

In addition to economic factors and real estate conditions, the foreign investor must also consider the regulatory constraints the relevant regulatory constraints in the United States. The Foreign Investment in Real Property Act of 1980 has significant financial ramifications for the foreign investor. The Committee of Foreign Investment in the United States (CFIUS), which is charged with monitoring national security has the authority to block transactions altogether.

### **FIRPTA**

Another major consideration for the foreign investor is that the purchase of real property in the United States is subject to the Foreign Investment in Real Property Tax Act of 1980. FIRPTA was designed to prevent the foreign investor from divesting of a property without paying taxes on the sale (Zarb, 2007). The sale of real property is classified as being effectively connected to a US business by the IRS, which makes related capital gains subject to US taxes (Zarb, 2007). Both direct interests in US real property and US real property holding corporations, which are corporations in which 50% of the value is related to real property, are subject to FIRPTA (Zarb, 2007).

FIRPTA does not affect the property owner until a disposition occurs (Zarb, 2007). At the time of sale, 10% of the sale proceeds must be withheld and transferred to the IRS within 20 days of the sale (Zarb, 2007). 10% of the sale proceeds must be remitted irrespective of the gains or loss

associated with the sale of the property (Zarb, 2007). The withholding amount is not the tax due to the IRS; it is essentially a down payment (Zarb, 2007). An income tax return must be filed on behalf of the seller in the year of sale to determine the actual tax amount due, and the IRS will issue a refund or demand for additional funds based on the final tax obligation (Zarb, 2007).

Realized capital gains from a property disposition by a foreign corporation are subject to a 35% capital gains tax (IRS). There is a tax exemption within FIRPTA that allows a foreign investor to hold up to 5% of a REIT without being subject to tax (National Mortgage news). With Notice 2007-55, the IRS extended FIRPTA, and now requires public REITs or trusts to withhold 35% of dividend distributions to foreign stockholders (IRS).

There are several ways for the foreign investor to avoid the FIRPTA regulation. The foreign entity may obtain a waiver from the IRS in the event that other arrangements have been made to prove ability to pay the tax on sale (Zarb, 2007). The purchaser also is exempt from FIRPTA regulation if the property purchase is a residence that is used as a primary residence more than 50% of the time and is worth less than \$300,000 (Zarb, 2007). Another option is if the foreign entity elects to be taxed as a domestic corporation when the asset is disposed (Zarb, 2007).

An additional strategy to avoid the FIRPTA regulations is for the foreign investor to file an IRC section 1031 exchange (Zarb, 2007). The IRC section 1031 allows the deferred payment of capital gains tax provided the proceeds are reinvested in a replacement property also in the United States of equal or greater value within 180 days of the sale (Zarb, 2007). The foreign investor must provide a list of properties that it is considering for purchase within 45 days and the cash from sale must be held by a bank or other qualifying intermediary (Zarb, 2007).

FIRPTA has significant financial implications for a foreign investor. The withholding of 10% of the sale price is a significant amount of money and prevents the seller from immediately redeploying the proceeds. The 35% tax on capital gains requires significantly affects the total return on investment. A study by the Rosen Consulting Group suggests that foreign investors can pay an effective tax as high as 54.5% after US taxes and domestic taxes are paid (Rosen Consulting Group). The complex nature of FIRPTA rules also generates additional consulting costs for the foreign investor. FIRPTA and the 2007 IRS ruling related expanding the powers of FIRPTA are a serious burden for foreign investors.

### **Committee on Foreign Investment in the United States**

The Committee on Foreign Investment in the United States is a 14-member inter-agency organization responsible for monitoring and reviewing foreign transactions (Richards, 2009). While created in 1975, CFIUS' powers were expanded in the wake of 9/11 (Richards, 2009). Unlike other regulatory bodies related to foreign investment, the primary focus primary focus of CFIUS is national security (Richards, 2009). Modifications made to Department of Treasury regulations in 2009 expanded the definition of what is included in CFIUS' jurisdiction to include real estate acquisitions (Richards, 2009). All real estate transactions involving a foreign investor can be reviewed, blocked and even reversed by CFIUS (Richards, 2009). Foreign investors are subject to a variety of regulation, but only CFIUS has the power to block transactions (Richards, 2009).

CFIUS reviews transactions to determine if these transactions are a threat to “homeland security” or “national security” (Richard, 2009). The terms “homeland security” and “national security” are not defined and the ambiguity allows CFIUS broad authority (Richards, 2009).



CFIUS is charged with protecting “critical infrastructure,” which could include leased buildings with government or defense-related tenants and buildings with iconic status (Richards, 2009). CFIUS regulations also pertain to just about any ownership structure in which the foreign entity is the controlling partner or contributes capital (Richards, 2009). The regulations encourage foreign investors to consult with CFIUS staff prior to pursuing an investment and consider filing an application for approval in advance, rather than waiting to see if the transaction is subject to review (Richards, 2009).

CFIUS regulations could potentially have an impact on any foreign real estate transaction. Due to their nature as quasi-governmental agencies, sovereign wealth funds are subject to the most scrutiny from CFIUS (Richards, 2009). Several transactions that have been restructured by CFIUS have involved real estate as part of a larger transaction, but there has not been any action related to a specific real estate transaction (Richards, 2009). Several high profile buildings including the Chrysler Building and the GM Building were sold to sovereign wealth funds without CFIUS involvement (Richards, 2009). Even with the heightened sense of security since 9/11 and expanded authority, CFIUS intervenes in very few transactions (Richards, 2009). CFIUS is still a relevant concern for foreign investors, particularly sovereign wealth funds.

## **Conclusions and Suggestions for Additional Research**

### ***Conclusions***

The United States is no longer the only option for foreign investors interested in purchasing international institutional grade real estate. As other countries grow and develop, and information related to real estate improves across the globe, there are an increasing number of options for the foreign investor to choose from. While some investors have seen the fallout from the 2007 financial crisis in the United States as an opportunity to purchase real estate at

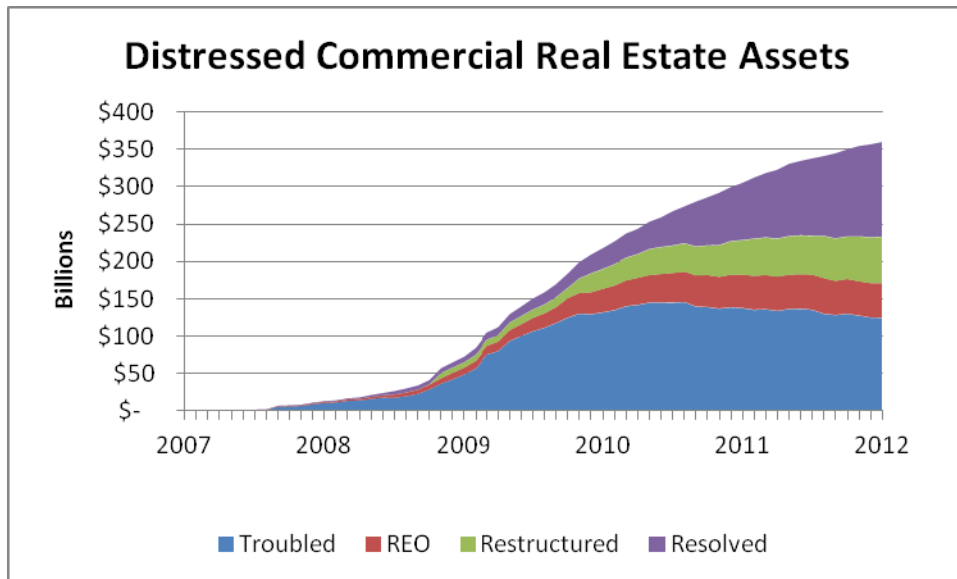
depressed levels, others have looked elsewhere for international real estate. Manhattan was the only US market in the top 10 of all destinations for foreign capital since 2007.

| <b>Top Market Destinations since 2007</b> |                    |                     |
|---|--------------------|---------------------|
| <b>Market</b>                             | <b>Total Props</b> | <b>Total Volume</b> |
| London                                    | 751                | \$63,836.70         |
| Paris                                     | 305                | \$25,400.70         |
| Manhattan                                 | 100                | \$21,842.50         |
| Shanghai                                  | 110                | \$21,560.20         |
| Tokyo                                     | 189                | \$11,460.30         |
| Singapore                                 | 95                 | \$11,343.90         |
| Beijing                                   | 55                 | \$10,023.10         |
| Moscow                                    | 60                 | \$8,802.10          |
| Sydney                                    | 118                | \$8,449.40          |
| Other                                     | 13,564             | \$384,424.50        |
| <b>Total</b>                              | <b>15,347</b>      | <b>\$567,143.30</b> |

AFIRE, the Association for Foreign Investment in Real Estate blames the expansion of FIRPTA regulation for the slowdown in Foreign Direct Investment (AFIRE) in 2008 (AFIRE News).

Recent legislation was introduced in both the House of Representatives and the Senate to reform FIRPTA (Sinnock, 2012). Senator Robert Menendez introduced The Real Estate Investment and Jobs Act of 2011, proposes increasing the allowable ownership interest in REITs for the purpose of tax exemption from 5.00% to 10.00% (S. 1616). The bill was referred to the Senate Finance Committee (S.1616). Representative Kevin Brady introduced The Real Estate Investment Jobs Act of 2011, a nearly identical bill, to the House of Representatives and it was referred to the House Committee on Ways and Means (H.R. 2989). Extending the tax exemption for a foreign entity to the 10% level for REITs could have a very beneficial impact on the real estate market and the economy.

Foreign capital could help fulfill the need for additional equity that has been created by the declining values of real estate and increased equity requirements due to new lending restrictions (Real Estate Roundtable). An estimated \$1 trillion of additional equity will be needed to help owners refinance an ever-growing pool of distressed assets (Real Estate Roundtable). With the vast amount of foreign capital available, it makes for the United States to do everything possible to attract foreign investment and mitigate the impact of the increasing amounts of troubled assets.



Other suggestions for improving foreign investment are to restructure the FIRPTA agreement and tax only 15% of capital gains (Rosen Consulting Group). This structure would also have a caveat that a certain percentage of capital gains be allocated to future investment in the United States in order to avoid paying the full capital gains tax (Rosen Consulting Group). This seems like an effective modification, given that many other industries do not force foreign companies to pay tax on capital gains. A reduced capital gains tax that promotes additional investment in the

country seems like an attractive alternative to the current structure. Other strategies should be evaluated and implemented to try to attract more foreign capital.

### ***Limitations***

The availability of data related to Foreign Direct Investment is extremely limited. The analysis released by the Bureau of Economic Affairs only summarizes data on annual basis. The limited number of data points makes it impossible to produce statistically significant results. Earlier studies all rely on this BEA data set as the basis for studies into Foreign Direct Investment in Real Estate. The transactional data available from Real Capital Analytics

The nature of Foreign Direct Investment itself makes it difficult to track. Investments in joint ventures, the stock market and other methods of investment blur the line of what the foreign entities are actually investing in. The rise of sophisticated Sovereign Wealth Funds with a desire to make their actions less than transparent has also contributed to the mystery.

### ***Suggestions for Additional Research***

As the real estate market becomes more and more transparent, data will improve and it will be much easier to produce more meaningful, statistically significant research on Foreign Direct Investment.

Suggestions for additional research include a more in-depth analysis of FIRPTA and other taxes related to foreign ownership entities. A comparison of other country's real estate tax laws for foreign investors would be useful in evaluating reforms.

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## Appendices

Foreign Direct Investment Position in the United States on a Historical-Cost Basis, by Country of UBO

| Real Estate          | 1988   | 1989   | 1990   | 1991   | 1992   | 1993   | 1994   | 1995   | 1996   | 1997   | 1998   | 1999   | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| All countries        | 25,867 | 30,386 | 34,552 | 33,577 | 32,486 | 32,213 | 31,613 | 30,170 | 35,169 | 39,693 | 41,300 | 47,816 | 49,985 | 44,280 | 42,129 | 36,702 | 36,987 | 37,341 | 41,924 | 56,472 | 48,352 | 49,944 | 49,108 |
| Brazil               | 8      | 10     | 12     | 21     | 39     | 39     | 38     | 72     | 79     | 58     | 49     | 45     | 57     | 75     | 92     | 97     | 89     | 305    | 84     | 58     | 62     | 0      | 0      |
| Australia            | 386    | 329    | 391    | 306    | 1,239  | 1,214  | 1,322  | 1,274  | 1,783  | 800    | 991    | 0      | 0      | 1,853  | 3,252  | 3,008  | 3,802  | 0      | 4,881  | 6,842  | 5,084  | 4,524  | 4,564  |
| Bahamas              | 141    | 124    | 89     | 94     | 164    | 141    | 96     | 66     | 55     | 64     | 87     | 94     | 99     | 154    | 29     | 19     | 19     | 19     | 18     | 11     | 12     | 12     | 12     |
| Belgium              | 128    | 151    | 135    | 101    | 102    | 97     | 161    | 159    | 158    | 133    | 150    | 149    | 159    | 166    | 187    | 85     | 85     | 84     | 84     | 167    | 146    | 148    | 0      |
| Canada               | 3,685  | 5,176  | 5,154  | 4,576  | 3,859  | 3,680  | 3,272  | 2,153  | 3,348  | 4,709  | 5,915  | 6,176  | 6,384  | 4,119  | 3,981  | 3,935  | 3,623  | 3,339  | 2,780  | 3,396  | 3,568  | 3,585  | 3,817  |
| France               | 190    | 130    | 105    | 184    | 0      | 0      | 189    | 215    | 330    | 443    | 517    | 639    | 516    | 286    | 138    | 340    | 320    | 408    | 431    | 522    | 537    | 631    | 591    |
| Germany              | 1,076  | 1,147  | 1,191  | 962    | 1,271  | 1,313  | 1,442  | 1,755  | 2,640  | 3,268  | 3,418  | 4,631  | 4,871  | 5,056  | 5,306  | 5,200  | 6,465  | 7,241  | 8,808  | 9,112  | 9,000  | 9,476  | 9,642  |
| Hong Kong            | 352    | 373    | 377    | 599    | 631    | 665    | 770    | 765    | 770    | 906    | 706    | 460    | 462    | 494    | 684    | 701    | 738    | 689    | 715    | 863    | 735    | 774    | 856    |
| Italy                | 192    | 163    | 261    | 163    | 61     | 127    | 221    | 176    | 166    | 244    | 200    | 203    | 203    | 209    | 72     | 137    | 0      | 0      | 111    | 260    | 151    | 171    | 0      |
| Japan                | 8,245  | 10,741 | 15,426 | 14,532 | 10,477 | 10,047 | 9,456  | 8,735  | 10,546 | 11,382 | 12,468 | 10,651 | 11,658 | 9,046  | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |
| Korea                | 6      | 6      | 25     | 30     | 62     | 65     | 65     | 65     | 70     | 88     | 77     | 72     | 75     | 77     | 6,393  | 5,074  | 5,084  | 3,559  | 5,829  | 5,746  | 5,801  | 6,444  | 6,290  |
| Kuwait               | 1,940  | 2,063  | 2,268  | 2,282  | 2,417  | 2,462  | 2,463  | 2,141  | 2,727  | 3,004  | 929    | 938    | 1,010  | 1,059  | 1,043  | 1,084  | 1,231  | 704    | 1,336  | 2,122  | 826    | 1,107  | 1,096  |
| Malaysia             | 69     | 15     | 0      | 9      | 120    | 210    | 243    | 263    | 278    | 355    | 382    | 338    | 335    | 325    | 108    | 106    | 99     | 92     | 99     | 62     | 67     | 125    | 105    |
| Mexico               | 210    | 135    | 169    | 152    | 287    | 280    | 379    | 383    | 417    | 264    | 234    | 190    | 144    | 192    | 156    | 157    | 120    | 108    | 130    | 230    | 283    | 315    | 381    |
| Netherlands          | 2,296  | 2,794  | 3,592  | 3,874  | 4,351  | 4,550  | 4,605  | 4,556  | 4,699  | 4,343  | 5,009  | 6,124  | 5,153  | 5,350  | 5,007  | 2,358  | 1,131  | 1,234  | 1,226  | 1,125  | 1,029  | 1,092  | 997    |
| New Zealand          | 107    | 60     | 39     | 55     | 21     | 6      | -2     | -9     | 7      | 49     | 75     | 87     | 95     | 99     | 283    | 375    | 375    | 295    | 339    | 163    | 167    | 171    | 169    |
| Panama               | 96     | 89     | 109    | 104    | 120    | 104    | 90     | 92     | 72     | 63     | 66     | 28     | 34     | 20     | 46     | 72     | 46     | 83     | 82     | 116    | 129    | 130    | 128    |
| Saudi Arabia         | 659    | 468    | 334    | 241    | 438    | 801    | 942    | 953    | 1,129  | 1,105  | 1,320  | 1,325  | 1,582  | 1,084  | 1,052  | 1,170  | 1,305  | 1,500  | 1,574  | 1,372  | 1,309  | 2,768  | 2,755  |
| Singapore            | 379    | 0      | 360    | 333    | 444    | 450    | 519    | 952    | 640    | 1,259  | 1,499  | 0      | 0      | 1,119  | 0      | 0      | 366    | 366    | 173    | 158    | 172    | 0      | 1,946  |
| Sweden               | 0      | 104    | 204    | 439    | 432    | 506    | 413    | 388    | 566    | 673    | 909    | 4,915  | 5,060  | 4,657  | 3,634  | 2,916  | 2,934  | 3,381  | 1,079  | 647    | 648    | 792    | 866    |
| Switzerland          | 468    | 427    | 409    | 273    | 490    | 475    | 414    | 476    | 386    | 459    | 388    | 409    | 456    | 536    | 427    | 395    | 1,783  | 1,831  | 1,912  | 2,228  | 2,323  | 886    | 1,021  |
| Taiwan               | 0      | 87     | 30     | 33     | 70     | 72     | 75     | 71     | 90     | 54     | 164    | 176    | 82     | 71     | 79     | 82     | 0      | 88     | 90     | 55     | 57     | 56     | 47     |
| United Arab Emirates | 452    | 408    | 360    | 517    | 424    | 457    | 454    | 583    | 682    | 713    | 933    | 1,110  | 1,076  | 1,214  | 963    | 755    | 835    | 962    | 2,426  | 3,351  | 3,372  | 1,951  | 2,067  |
| United Kingdom       | 3,263  | 3,505  | 2,121  | 2,447  | 3,031  | 2,841  | 2,654  | 2,495  | 2,368  | 3,050  | 2,746  | 4,292  | 5,326  | 4,902  | 4,617  | 4,330  | 3,458  | 3,636  | 4,897  | 13,863 | 8,237  | 0      | 6,112  |
| Venezuela            | 76     | 68     | 50     | 41     | 65     | 63     | 53     | 50     | 53     | 64     | 52     | 44     | 39     | 26     | 51     | 46     | 46     | 46     | 46     | 0      | 0      | 0      | 69     |



## Exchange Rate

| Country                  | 1988    | 1989    | 1990    | 1991    | 1992    | 1993    | 1994    | 1995    | 1996    | 1997    | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007   | 2008    | 2009    | 2010    |
|--------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--------|---------|---------|---------|
| Australia                | 1.309   | 1.356   | 1.372   | 1.346   | 1.326   | 1.313   | 1.301   | 1.306   | 1.303   | 1.295   | 1.285   | 1.282   | 1.305   | 1.323   | 1.339   | 1.349   | 1.367   | 1.388   | 1.415   | 1.436  | 1.494   | 1.468   | 1.523   |
| Belgium                  | 0.943   | 0.952   | 0.942   | 0.936   | 0.946   | 0.962   | 0.962   | 0.936   | 0.923   | 0.914   | 0.921   | 0.91    | 0.908   | 0.907   | 0.91    | 0.909   | 0.906   | 0.899   | 0.891   | 0.886  | 0.883   | 0.884   | 0.89    |
| Canada                   | 1.252   | 1.261   | 1.253   | 1.246   | 1.233   | 1.224   | 1.212   | 1.214   | 1.211   | 1.204   | 1.186   | 1.189   | 1.212   | 1.198   | 1.192   | 1.206   | 1.211   | 1.214   | 1.207   | 1.21   | 1.233   | 1.197   | 1.218   |
| France                   | 1.018   | 1.014   | 1.002   | 0.992   | 0.99    | 0.984   | 0.976   | 0.969   | 0.966   | 0.958   | 0.957   | 0.945   | 0.939   | 0.937   | 0.943   | 0.942   | 0.933   | 0.923   | 0.913   | 0.91   | 0.913   | 0.908   | 0.905   |
| Germany                  | 0.899   | 0.887   | 0.881   | 0.975   | 1.008   | 1.026   | 1.029   | 1.028   | 1.015   | 0.999   | 0.996   | 0.984   | 0.955   | 0.943   | 0.941   | 0.932   | 0.915   | 0.893   | 0.866   | 0.854  | 0.844   | 0.845   | 0.841   |
| Greece                   | 0.251   | 0.277   | 0.322   | 0.373   | 0.418   | 0.468   | 0.51    | 0.548   | 0.578   | 0.606   | 0.631   | 0.641   | 0.662   | 0.668   | 0.68    | 0.692   | 0.697   | 0.702   | 0.702   | 0.703  | 0.71    | 0.714   | 0.722   |
| Hong Kong SAR            | 5.45    | 5.922   | 6.129   | 6.455   | 6.931   | 7.371   | 7.686   | 7.84    | 8.137   | 8.45    | 8.421   | 7.929   | 7.478   | 7.175   | 6.816   | 6.265   | 5.884   | 5.688   | 5.494   | 5.495  | 5.455   | 5.364   | 5.329   |
| Italy                    | 0.675   | 0.691   | 0.721   | 0.749   | 0.764   | 0.776   | 0.787   | 0.81    | 0.833   | 0.839   | 0.852   | 0.854   | 0.852   | 0.858   | 0.872   | 0.881   | 0.883   | 0.875   | 0.863   | 0.86   | 0.865   | 0.875   | 0.871   |
| Japan                    | 196.08  | 193.152 | 190.187 | 188.463 | 187.022 | 183.779 | 180.194 | 175.638 | 171.266 | 169.193 | 167.245 | 162.674 | 156.468 | 151.128 | 146.422 | 141.114 | 135.921 | 129.552 | 124.369 | 119.97 | 116.184 | 114.545 | 110.83  |
| Korea                    | 526.526 | 536.477 | 570.218 | 606.977 | 639.482 | 665.909 | 702.348 | 739.315 | 761.62  | 777.235 | 806.618 | 786.632 | 777.612 | 789.78  | 802.302 | 813.762 | 814.302 | 788.92  | 763.13  | 757.04 | 762.169 | 780.069 | 799.934 |
| Kuwait                   | 0.139   | 0.131   | 0.128   | 0.123   | 0.148   | 0.135   | 0.124   | 0.132   | 0.149   | 0.14    | 0.115   | 0.133   | 0.164   | 0.148   | 0.153   | 0.157   | 0.177   | 0.213   | 0.245   | 0.252  | 0.289   | 0.237   | 0.274   |
| Netherlands              | 0.903   | 0.882   | 0.862   | 0.859   | 0.86    | 0.855   | 0.854   | 0.854   | 0.849   | 0.856   | 0.863   | 0.866   | 0.882   | 0.907   | 0.926   | 0.927   | 0.911   | 0.898   | 0.886   | 0.876  | 0.876   | 0.863   | 0.864   |
| New Zealand              | 1.592   | 1.608   | 1.609   | 1.56    | 1.545   | 1.547   | 1.537   | 1.538   | 1.539   | 1.533   | 1.54    | 1.528   | 1.528   | 1.554   | 1.544   | 1.538   | 1.542   | 1.535   | 1.542   | 1.569  | 1.582   | 1.613   | 1.643   |
| Norway                   | 7.259   | 7.389   | 7.387   | 7.29    | 7.07    | 7.076   | 6.915   | 6.98    | 7.136   | 7.208   | 7.073   | 7.431   | 8.413   | 8.369   | 8.09    | 8.158   | 8.398   | 8.84    | 9.293   | 9.247  | 9.927   | 9.277   | 9.788   |
| Saudi Arabia             | 1.754   | 1.825   | 1.987   | 1.978   | 1.916   | 1.817   | 1.797   | 1.863   | 1.958   | 1.962   | 1.669   | 1.83    | 2       | 1.889   | 1.912   | 1.98    | 2.138   | 2.409   | 2.555   | 2.628  | 3.055   | 2.388   | 2.695   |
| Singapore                | 1.281   | 1.288   | 1.294   | 1.301   | 1.289   | 1.305   | 1.323   | 1.333   | 1.32    | 1.313   | 1.28    | 1.201   | 1.218   | 1.165   | 1.136   | 1.096   | 1.107   | 1.079   | 1.063   | 1.099  | 1.062   | 1.054   | 1.037   |
| Spain                    | 0.542   | 0.558   | 0.577   | 0.596   | 0.622   | 0.643   | 0.652   | 0.66    | 0.67    | 0.675   | 0.684   | 0.691   | 0.7     | 0.713   | 0.732   | 0.747   | 0.757   | 0.768   | 0.774   | 0.778  | 0.779   | 0.775   | 0.774   |
| Sweden                   | 8.495   | 8.837   | 9.25    | 9.735   | 9.603   | 9.716   | 9.765   | 9.921   | 9.816   | 9.792   | 9.734   | 9.679   | 9.609   | 9.62    | 9.612   | 9.58    | 9.414   | 9.243   | 9.128   | 9.115  | 9.197   | 9.269   | 9.279   |
| Switzerland              | 2.013   | 2.007   | 2.021   | 2.058   | 2.051   | 2.054   | 2.038   | 2.011   | 1.977   | 1.94    | 1.924   | 1.908   | 1.888   | 1.861   | 1.84    | 1.82    | 1.783   | 1.741   | 1.721   | 1.715  | 1.718   | 1.703   | 1.685   |
| Taiwan Province of China | 22.033  | 22.093  | 22.026  | 22.069  | 22.372  | 22.641  | 22.55   | 22.604  | 22.833  | 23.072  | 23.668  | 23.074  | 22.539  | 21.846  | 21.413  | 20.782  | 20.083  | 19.342  | 18.532  | 17.918 | 17.011  | 16.97   | 16.496  |
| United Arab Emirates     | 3.15    | 3.027   | 3.04    | 2.918   | 2.897   | 2.902   | 2.846   | 2.897   | 3.011   | 2.926   | 2.766   | 2.966   | 3.24    | 3.094   | 3.26    | 3.106   | 3.274   | 3.632   | 3.975   | 4.214  | 4.774   | 4.188   | 4.481   |
| United Kingdom           | 0.553   | 0.572   | 0.593   | 0.61    | 0.618   | 0.622   | 0.619   | 0.623   | 0.633   | 0.639   | 0.646   | 0.65    | 0.644   | 0.643   | 0.653   | 0.659   | 0.655   | 0.649   | 0.648   | 0.648  | 0.653   | 0.656   | 0.667   |
| United States            | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1       | 1      | 1       | 1       | 1       |

International Monetary Fund, World Economic Outlook Database, September 2011

Implied PPP conversion rate

National currency per current international dollar

See notes for: Gross domestic product, current prices (National currency).

See notes for: Gross domestic product, current prices (National currency).

## GDP Per Capita

| Country                  | 1988      | 1989      | 1990      | 1991      | 1992      | 1993      | 1994      | 1995      | 1996      | 1997      | 1998      | 1999      | 2000      | 2001      | 2002      | 2003      | 2004      | 2005      | 2006      | 2007      | 2008      | 2009      | 2010      |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Australia                | 16,526.55 | 18,438.53 | 19,056.71 | 18,863.30 | 18,253.46 | 17,572.07 | 19,825.31 | 20,982.42 | 23,215.88 | 23,012.64 | 20,311.30 | 21,717.32 | 20,806.10 | 19,414.59 | 21,557.38 | 27,131.42 | 32,533.26 | 35,883.57 | 37,581.22 | 44,849.84 | 48,826.87 | 45,034.38 | 55,671.62 |
| Belgium                  | 16,158.07 | 16,330.38 | 20,377.96 | 20,821.48 | 23,052.22 | 22,018.45 | 23,959.92 | 28,077.11 | 27,057.22 | 24,505.34 | 25,021.15 | 24,844.32 | 22,716.46 | 22,535.48 | 24,461.05 | 29,982.38 | 34,556.38 | 35,940.82 | 37,787.60 | 43,053.66 | 47,123.20 | 43,551.90 | 42,844.77 |
| Brazil                   | 2,526.14  | 3,403.20  | 3,463.91  | 2,986.31  | 2,814.44  | 3,108.22  | 3,814.87  | 4,844.95  | 5,207.26  | 5,321.30  | 5,060.37  | 3,396.20  | 3,750.69  | 3,180.48  | 2,836.12  | 3,103.85  | 3,665.22  | 4,832.39  | 5,892.81  | 7,344.80  | 8,728.79  | 8,360.33  | 10,816.49 |
| Canada                   | 18,621.91 | 20,412.25 | 21,088.87 | 21,374.10 | 20,460.27 | 19,673.56 | 19,491.61 | 20,179.05 | 20,756.80 | 21,345.18 | 20,474.85 | 21,775.27 | 23,653.36 | 23,100.42 | 23,466.71 | 27,402.39 | 31,103.90 | 35,204.73 | 39,301.92 | 43,307.16 | 45,175.58 | 39,727.77 | 46,302.67 |
| France                   | 17,890.34 | 17,889.11 | 22,006.83 | 21,915.36 | 23,994.33 | 22,474.00 | 23,682.89 | 27,170.36 | 27,118.62 | 24,450.51 | 25,196.61 | 24,837.24 | 22,550.19 | 22,539.15 | 24,351.92 | 29,800.41 | 33,849.48 | 34,951.92 | 36,689.38 | 41,752.13 | 45,623.01 | 42,017.83 | 40,704.35 |
| Germany                  | 15,993.71 | 15,720.09 | 19,610.39 | 22,713.25 | 25,731.13 | 24,832.81 | 26,479.95 | 30,935.50 | 29,788.27 | 26,354.64 | 26,598.89 | 26,012.97 | 23,051.29 | 22,916.65 | 24,464.63 | 29,474.15 | 33,136.97 | 33,653.10 | 35,320.49 | 40,505.01 | 44,392.16 | 40,446.70 | 40,273.52 |
| Hong Kong SAR            | 10,508.69 | 12,006.12 | 13,367.51 | 15,275.45 | 17,665.55 | 20,000.72 | 22,148.78 | 23,003.16 | 24,582.64 | 27,055.51 | 25,352.99 | 24,599.77 | 25,198.71 | 24,752.68 | 24,351.11 | 23,442.86 | 24,403.27 | 25,998.54 | 27,488.25 | 29,785.03 | 30,727.50 | 29,620.62 | 31,514.20 |
| Italy                    | 15,207.03 | 15,804.94 | 20,029.19 | 21,129.68 | 22,403.30 | 17,997.61 | 18,557.95 | 19,819.03 | 22,164.10 | 20,985.09 | 21,416.04 | 21,128.39 | 19,334.06 | 19,633.16 | 21,462.64 | 26,343.80 | 29,886.82 | 30,460.29 | 31,745.66 | 35,839.68 | 38,700.51 | 35,250.81 | 34,058.72 |
| Japan                    | 24,243.81 | 24,162.52 | 24,773.80 | 28,119.23 | 30,523.48 | 34,864.33 | 38,196.39 | 41,968.58 | 36,930.26 | 33,821.23 | 30,526.86 | 34,511.71 | 36,800.44 | 32,214.33 | 30,756.08 | 33,134.47 | 36,058.72 | 35,633.04 | 34,150.33 | 34,267.77 | 38,215.59 | 39,458.72 | 42,782.52 |
| Korea                    | 4,570.73  | 5,565.10  | 6,307.66  | 7,288.84  | 7,729.98  | 8,422.05  | 9,757.49  | 11,778.76 | 12,586.60 | 11,582.11 | 7,723.84  | 9,906.50  | 11,346.66 | 10,654.82 | 12,093.73 | 13,451.10 | 15,028.82 | 17,550.88 | 19,706.59 | 21,653.27 | 19,162.04 | 17,110.09 | 20,756.25 |
| Kuwait                   | 9,640.41  | 11,359.51 | 8,588.15  | 7,960.51  | 13,989.93 | 16,435.59 | 16,530.73 | 17,251.97 | 18,524.94 | 13,740.68 | 11,424.92 | 13,358.13 | 17,012.78 | 15,108.11 | 15,759.07 | 18,786.75 | 21,585.56 | 27,014.52 | 31,907.18 | 33,732.55 | 43,224.38 | 31,410.61 | 37,009.26 |
| Malaysia                 | 2,082.17  | 2,238.90  | 2,431.97  | 2,713.63  | 3,200.32  | 3,470.94  | 3,759.35  | 4,358.45  | 4,836.12  | 4,693.25  | 3,303.27  | 3,537.53  | 4,029.68  | 3,863.93  | 4,078.33  | 4,352.38  | 4,815.62  | 5,212.94  | 5,853.18  | 6,878.71  | 8,087.76  | 6,919.67  | 8,423.18  |
| Mexico                   | 2,497.88  | 2,986.19  | 3,458.09  | 4,069.00  | 4,632.67  | 5,578.29  | 5,731.98  | 3,675.31  | 4,181.27  | 4,981.65  | 5,117.82  | 5,861.93  | 6,858.80  | 7,118.50  | 6,990.74  | 6,864.65  | 7,374.02  | 8,163.17  | 9,076.61  | 9,785.67  | 10,254.51 | 8,174.31  | 9,521.65  |
| Netherlands              | 16,471.39 | 16,132.50 | 19,767.94 | 20,201.82 | 22,191.00 | 21,430.99 | 22,881.25 | 27,126.46 | 26,922.47 | 24,791.02 | 25,670.20 | 26,055.94 | 24,270.37 | 25,022.91 | 27,241.37 | 33,280.29 | 37,478.72 | 39,210.14 | 41,542.02 | 47,884.26 | 53,221.08 | 48,148.12 | 46,985.76 |
| New Zealand              | 13,388.89 | 12,778.44 | 13,098.75 | 12,222.46 | 11,483.85 | 12,274.65 | 14,269.39 | 16,579.38 | 18,123.68 | 17,870.60 | 14,558.58 | 15,005.41 | 13,746.03 | 13,391.64 | 15,385.73 | 20,065.16 | 24,385.06 | 26,962.83 | 25,735.67 | 31,062.86 | 30,777.07 | 27,292.76 | 32,162.57 |
| Panama                   | 2,099.27  | 2,080.14  | 2,219.16  | 2,391.93  | 2,669.05  | 2,861.03  | 2,994.62  | 3,004.98  | 3,485.55  | 3,709.15  | 3,954.03  | 4,074.22  | 3,941.83  | 3,930.59  | 4,010.47  | 4,150.21  | 4,469.64  | 4,790.53  | 5,218.40  | 5,920.80  | 6,758.55  | 6,944.38  | 7,601.20  |
| Saudi Arabia             | 6,407.38  | 6,592.09  | 7,689.19  | 8,235.57  | 8,042.29  | 7,648.99  | 7,588.63  | 7,855.13  | 8,489.58  | 8,667.04  | 7,483.87  | 8,065.43  | 9,216.39  | 8,736.41  | 8,785.13  | 9,758.02  | 11,126.52 | 13,657.95 | 14,784.45 | 15,444.42 | 18,495.40 | 14,148.34 | 16,266.74 |
| Singapore                | 9,034.22  | 10,306.54 | 12,387.32 | 13,986.07 | 15,687.80 | 17,687.37 | 20,778.80 | 23,718.15 | 25,073.75 | 25,284.21 | 21,475.01 | 21,073.01 | 22,790.80 | 21,001.23 | 22,027.88 | 23,029.40 | 26,418.80 | 28,497.52 | 31,672.40 | 36,642.86 | 37,970.95 | 36,112.45 | 43,116.69 |
| Sweden                   | 22,767.93 | 23,847.64 | 28,304.65 | 29,649.93 | 30,534.60 | 23,148.90 | 24,750.02 | 28,710.50 | 31,238.76 | 28,591.84 | 28,750.48 | 29,188.77 | 27,841.74 | 25,531.88 | 28,090.69 | 35,096.99 | 40,218.82 | 40,997.73 | 43,946.23 | 50,558.90 | 52,728.71 | 43,403.92 | 49,183.02 |
| Switzerland              | 29,301.51 | 28,062.55 | 35,490.18 | 35,441.77 | 36,504.10 | 35,179.85 | 38,637.49 | 44,874.61 | 43,093.25 | 37,323.36 | 38,344.56 | 37,544.77 | 34,786.16 | 35,284.34 | 38,246.93 | 44,290.98 | 49,121.81 | 50,083.49 | 52,276.34 | 57,490.59 | 65,799.80 | 63,579.55 | 67,778.53 |
| Taiwan Province of China | 6,115.28  | 7,520.98  | 8,086.46  | 8,973.49  | 10,572.62 | 11,028.91 | 11,932.17 | 12,865.45 | 13,376.43 | 13,739.83 | 12,546.01 | 13,534.66 | 14,641.41 | 13,107.64 | 13,369.78 | 13,747.84 | 14,985.79 | 16,022.94 | 16,450.67 | 17,122.38 | 17,372.27 | 16,325.86 | 18,558.09 |
| The Bahamas              | 14,387.10 | 15,944.47 | 14,951.85 | 14,613.09 | 14,071.77 | 13,661.29 | 14,262.15 | 14,606.31 | 15,170.64 | 17,214.06 | 18,255.68 | 20,212.56 | 20,904.70 | 21,217.04 | 22,321.10 | 21,984.76 | 22,142.94 | 23,754.01 | 24,240.47 | 24,987.82 | 24,459.32 | 22,908.81 | 22,350.46 |
| United Arab Emirates     | 18,435.20 | 20,478.53 | 26,621.51 | 25,847.41 | 25,960.97 | 25,654.37 | 25,762.53 | 26,394.42 | 29,058.86 | 29,535.55 | 25,897.65 | 27,321.04 | 34,688.98 | 32,621.29 | 32,790.71 | 35,017.31 | 39,304.51 | 43,988.56 | 52,519.71 | 57,520.09 | 66,074.44 | 53,362.62 | 57,884.23 |
| United Kingdom           | 14,976.44 | 15,090.29 | 17,782.06 | 18,441.42 | 19,072.63 | 17,025.60 | 18,343.34 | 19,947.19 | 20,989.85 | 23,312.43 | 24,902.18 | 25,609.93 | 25,142.25 | 24,891.24 | 27,218.78 | 31,277.10 | 36,820.75 | 37,897.81 | 40,399.45 | 46,118.06 | 43,651.55 | 35,315.27 | 36,164.10 |
| United States            | 20,820.82 | 22,169.18 | 23,197.70 | 23,647.57 | 24,699.63 | 25,629.13 | 26,906.53 | 27,826.60 | 29,076.55 | 30,541.33 | 31,857.84 | 33,501.68 | 35,251.93 | 36,064.52 | 36,949.99 | 38,324.55 | 40,401.20 | 42,628.55 | 44,750.29 | 46,467.47 | 46,900.91 | 45,348.46 | 46,860.24 |
| Venezuela                | 3,277.92  | 2,367.42  | 2,481.68  | 2,673.17  | 2,955.09  | 2,863.09  | 2,729.60  | 3,543.69  | 3,160.29  | 3,768.45  | 3,928.56  | 4,132.34  | 4,845.03  | 5,033.16  | 3,729.00  | 3,285.13  | 4,353.53  | 5,453.19  | 6,796.05  | 8,226.23  | 11,076.52 | 11,382.96 | 10,049.19 |

## National Savings

| Country                  | 1988   | 1989   | 1990   | 1991     | 1992   | 1993   | 1994   | 1995   | 1996   | 1997   | 1998   | 1999   | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   |
|--------------------------|--------|--------|--------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Australia                | 24.78  | 24.983 | 22.172 | 17.468   | 18.608 | 20.466 | 21.378 | 20.146 | 20.704 | 21.052 | 21.38  | 20.557 | 21.611 | 21.31  | 21.08  | 21.398 | 21.2   | 22.257 | 22.381 | 23.001 | 25.083 | 23.622 | 24.918 |
| Belgium                  | 21.858 | 23.093 | 23.279 | 22.392   | 22.751 | 24.021 | 25.206 | 24.864 | 25.457 | 25.66  | 26.296 | 29.171 | 26.582 | 24.447 | 23.584 | 22.681 | 23.86  | 23.774 | 24.33  | 24.395 | 22.049 | 20.089 | 21.07  |
| Canada                   | 20.814 | 19.832 | 17.317 | 14.694   | 13.199 | 13.741 | 16.058 | 18.203 | 18.761 | 19.621 | 19.072 | 20.68  | 23.623 | 22.158 | 21.012 | 21.199 | 23.036 | 23.962 | 24.435 | 24.077 | 23.569 | 17.908 | 19.072 |
| France                   | 20.634 | 21.096 | 20.877 | 20.907   | 20.318 | 19.408 | 19.231 | 18.918 | 19.087 | 20.126 | 20.361 | 21.838 | 20.824 | 21.188 | 20.194 | 19.805 | 19.674 | 19.437 | 20.282 | 20.952 | 20.104 | 17.488 | 18.554 |
| Germany                  | 24.84  | 26.194 | 25.153 | 22.703   | 22.389 | 21.215 | 21.041 | 21.166 | 20.703 | 20.868 | 21.099 | 20.538 | 20.579 | 20.366 | 20.088 | 19.758 | 22.314 | 22.345 | 24.401 | 26.72  | 25.635 | 22.173 | 23.04  |
| Hong Kong SAR            | 37.292 | 37.947 | 35.662 | 33.694   | 33.351 | 35.331 | 33.6   | 31.452 | 31.658 | 29.623 | 30.361 | 31.125 | 31.577 | 30.944 | 30.414 | 32.308 | 31.319 | 31.922 | 33.804 | 33.269 | 34.129 | 29.89  | 29.921 |
| Italy                    | 21.613 | 20.62  | 20.434 | 19.523   | 18.743 | 20.032 | 20.064 | 21.893 | 22.357 | 22.187 | 21.245 | 20.744 | 20.162 | 20.523 | 20.354 | 19.369 | 19.862 | 19.036 | 19.034 | 19.431 | 18.304 | 16.826 | 16.901 |
| Japan                    | 33.503 | 34.072 | 34.124 | 34.337   | 33.691 | 32.374 | 30.969 | 30.391 | 30.342 | 30.645 | 29.227 | 27.496 | 28.028 | 26.895 | 25.93  | 26.08  | 26.765 | 27.205 | 27.693 | 28.459 | 26.714 | 22.93  | 23.796 |
| Korea                    | 40.309 | 37.589 | 37.576 | 37.683   | 36.419 | 36.79  | 35.966 | 35.426 | 33.843 | 33.91  | 36.979 | 34.196 | 33.336 | 30.832 | 30.507 | 32.309 | 34.412 | 31.89  | 31.103 | 31.502 | 31.554 | 30.209 | 31.935 |
| Kuwait                   | 50.532 | 50.929 | 2.789  | -236.428 | -3.49  | 31.197 | 35.479 | 37.72  | 39.922 | 42.617 | 26.986 | 31.362 | 49.566 | 38.142 | 28.288 | 36.264 | 47.295 | 56.799 | 64.716 | 57.245 | 58.911 | 36.793 | 41.963 |
| Netherlands              | 26.117 | 27.873 | 26.198 | 24.984   | 24.614 | 24.629 | 25.735 | 27.173 | 26.82  | 28.738 | 25.97  | 26.659 | 23.889 | 23.89  | 22.148 | 24.89  | 26.752 | 26.602 | 29.678 | 27.124 | 24.893 | 23.513 | 25.817 |
| New Zealand              | 18.629 | 18.379 | 17.483 | 14.997   | 15.055 | 17.573 | 19.203 | 19.873 | 18.593 | 16.841 | 15.865 | 15.393 | 16.905 | 19.82  | 20.167 | 19.554 | 18.547 | 16.44  | 15.183 | 15.576 | 15.23  | 16.272 | 15.69  |
| Saudi Arabia             | 9.646  | 8.477  | 11.512 | -1.56    | 9.401  | 11.525 | 12.047 | 16.053 | 18.528 | 18.485 | 13.342 | 21.337 | 26.256 | 23.939 | 25.918 | 32.844 | 39.8   | 46.716 | 46.447 | 44.751 | 50.494 | 30.67  | 37.752 |
| Singapore                | 40.177 | 43.012 | 43.028 | 44.126   | 45.954 | 43.375 | 47.806 | 49.625 | 48.961 | 52.595 | 51.783 | 48.331 | 44.041 | 39.648 | 36.658 | 38.821 | 38.713 | 41.086 | 45.853 | 48.408 | 44.784 | 45.398 | 46.041 |
| Sweden                   | 21.618 | 22.544 | 20.861 | 18.105   | 15.525 | 14.044 | 17.62  | 20.481 | 20.048 | 20.342 | 21.198 | 21.839 | 22.797 | 23.233 | 22.122 | 24.122 | 23.543 | 24.51  | 27.153 | 29.566 | 28.903 | 23.332 | 24.848 |
| Switzerland              |        |        |        |          |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Taiwan Province of China | 34.056 | 31.99  | 30.997 | 31.436   | 30.718 | 30.316 | 29.123 | 28.68  | 27.758 | 27.444 | 27.223 | 27.642 | 28.417 | 26.292 | 28.026 | 29.137 | 29.531 | 28.449 | 30.298 | 31.691 | 29.104 | 29.033 | 32.193 |
| United Arab Emirates     | 26.498 | 27.605 | 44.831 | 24.999   | 29.229 | 30.543 | 27.584 | 27.798 | 32.603 | 34.326 | 28.239 | 29.581 | 35.578 | 29.249 | 24.256 | 26.635 | 24.915 | 30.797 | 33.455 | 29.735 | 29.624 | 26.813 | 26.364 |
| United Kingdom           | 17.258 | 17.252 | 16.424 | 15.417   | 14.301 | 14.043 | 15.661 | 15.931 | 16.093 | 17.102 | 17.955 | 15.713 | 15.018 | 15.352 | 15.322 | 15.124 | 14.995 | 14.464 | 14.116 | 15.578 | 15.003 | 11.768 | 11.836 |
| United States            | 17.675 | 16.858 | 15.82  | 15.876   | 14.699 | 14.375 | 15.45  | 16.441 | 17.151 | 18.31  | 18.814 | 18.261 | 18.09  | 16.485 | 14.667 | 13.935 | 14.669 | 15.201 | 16.416 | 14.596 | 13.352 | 11.459 | 12.532 |

International Monetary Fund, World Economic Outlook Database, September 2011

Gross national savings

Percent of GDP

## Inflation, end of period consumer prices

| Country                  | 1988    | 1989   | 1990    | 1991   | 1992   | 1993    | 1994    | 1995    | 1996    | 1997    | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    | 2008    | 2009    | 2010    |
|--------------------------|---------|--------|---------|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Australia                | 92      | 99.2   | 106     | 107.6  | 107.9  | 110     | 112.8   | 118.5   | 120.3   | 120     | 121.9   | 124.1   | 131.3   | 135.4   | 139.5   | 142.8   | 146.5   | 150.6   | 155.5   | 160.1   | 166     | 169.5   | 174     |
| Belgium                  | 70.621  | 73.164 | 75.721  | 77.83  | 79.53  | 81.49   | 83.11   | 84.13   | 85.93   | 86.69   | 87.29   | 89.08   | 91.72   | 93.51   | 94.71   | 96.33   | 98.2    | 100.93  | 103.03  | 106.23  | 109.11  | 109.46  | 113.16  |
| Canada                   | 72.271  | 76.031 | 79.769  | 83.049 | 84.533 | 86.067  | 86.1    | 87.867  | 89.667  | 90.567  | 91.6    | 93.767  | 96.7    | 97.733  | 101.467 | 103.2   | 105.567 | 108     | 109.5   | 112.233 | 114.3   | 115.2   | 117.767 |
| France                   | 71.436  | 73.982 | 76.358  | 78.697 | 80.206 | 81.866  | 83.069  | 84.873  | 86.643  | 87.754  | 88.34   | 88.837  | 90.46   | 92.071  | 93.855  | 95.891  | 98.137  | 100.001 | 101.913 | 103.551 | 106.822 | 106.932 | 108.788 |
| Germany                  | n/a     | n/a    | n/a     | 78.377 | 80.989 | 84.406  | 86.516  | 87.822  | 89      | 90.2    | 90.4    | 91.6    | 93.6    | 94.9    | 96      | 97      | 99.2    | 101.3   | 102.7   | 105.9   | 107.1   | 108     | 110     |
| Hong Kong SAR            | 54.5    | 60     | 66.9    | 73.5   | 80.6   | 87.8    | 96.2    | 102.9   | 109.8   | 115.5   | 113.6   | 109     | 106.7   | 102.9   | 101.4   | 99.5    | 99.8    | 101.2   | 103.5   | 107.4   | 109.6   | 111     | 114.4   |
| Italy                    | 54.418  | 57.826 | 63.21   | 66.807 | 69.915 | 73.022  | 75.966  | 80.3    | 82.6    | 84.1    | 85.5    | 87.3    | 89.7    | 91.7    | 94.4    | 96.8    | 99.1    | 101.2   | 103.3   | 106.2   | 108.7   | 109.9   | 112.2   |
| Japan                    | 90.1    | 92.5   | 95.9    | 98.5   | 99.6   | 100.7   | 101.3   | 100.9   | 101.5   | 103.4   | 104     | 102.9   | 102.5   | 101.2   | 100.9   | 100.5   | 100.7   | 100.3   | 100.6   | 101.3   | 101.7   | 100     | 99.6    |
| Korea                    | 46.231  | 48.575 | 53.111  | 58.024 | 60.61  | 64.127  | 67.696  | 70.915  | 74.408  | 79.299  | 82.444  | 83.561  | 85.884  | 88.6    | 91.909  | 95.05   | 97.935  | 100.5   | 102.6   | 106.3   | 110.7   | 113.8   | 117.8   |
| Kuwait                   | 69.449  | 71.742 | 73.432  | 79.289 | 78.591 | 80.729  | 83.129  | 84.874  | 86.925  | 87.493  | 88.54   | 91.856  | 92.249  | 94.911  | 94.67   | 95.497  | 97.979  | 102.344 | 106.067 | 114.064 | 124.358 | 125.825 | 130.984 |
| Netherlands              | 67.605  | 68.476 | 70.287  | 72.87  | 74.539 | 76.486  | 78.502  | 79.228  | 80.757  | 82.526  | 83.733  | 85.341  | 87.831  | 92.341  | 95.311  | 96.841  | 98.051  | 100.061 | 101.751 | 103.351 | 105.071 | 105.821 | 107.771 |
| New Zealand              | 74.713  | 80.115 | 84.023  | 84.828 | 85.977 | 87.126  | 89.655  | 92.184  | 94.598  | 95.402  | 95.747  | 96.207  | 100     | 101.839 | 104.598 | 106.207 | 109.08  | 112.529 | 115.517 | 119.195 | 123.218 | 125.632 | 130.69  |
| Saudi Arabia             | 88.829  | 88.654 | 91.717  | 96.268 | 94.08  | 95.831  | 96.356  | 100.907 | 102.132 | 101.694 | 100.732 | 100.51  | 98.703  | 98.101  | 98.803  | 99.406  | 99.808  | 101.012 | 103.924 | 110.652 | 120.592 | 125.713 | 132.541 |
| Singapore                | 70.156  | 72.478 | 75.245  | 77.411 | 78.792 | 80.806  | 83.129  | 83.83   | 85.505  | 87.256  | 86.01   | 86.593  | 88.378  | 87.858  | 88.242  | 88.901  | 90.063  | 91.21   | 91.946  | 95.642  | 101.179 | 100.41  | 104.393 |
| Sweden                   | 67.597  | 71.613 | 75.764  | 79.043 | 82.731 | 83.897  | 85.566  | 87.07   | 87.68   | 89.96   | 90.05   | 91.1    | 92.32   | 95.21   | 96.78   | 98.53   | 99.41   | 100.72  | 102.16  | 104.73  | 106.97  | 109.96  | 112.27  |
| Switzerland              | 72.935  | 76.598 | 80.639  | 84.854 | 87.756 | 89.935  | 90.313  | 92.072  | 92.792  | 93.15   | 92.993  | 94.544  | 95.956  | 96.268  | 97.126  | 97.702  | 99.004  | 100     | 100.621 | 102.637 | 103.357 | 103.649 | 104.363 |
| Taiwan Province of China | 69.6    | 71.78  | 75.06   | 77.97  | 80.63  | 84.36   | 86.6    | 90.56   | 92.85   | 93.09   | 95.06   | 95.2    | 96.77   | 95.14   | 95.86   | 95.81   | 97.36   | 99.51   | 100.18  | 103.52  | 107.878 | 100.967 | 108.666 |
| United Arab Emirates     | n/a     | n/a    | 102.75  | 109.25 | 112.9  | 119.1   | 125.05  | 129.6   | 133.45  | 136.75  | 139.55  | 141.95  | 144.901 | 149.045 | 153.546 | 159.834 | 168.836 | 181.983 | 200.632 | 224.143 | 238.931 | 241.837 | 245.95  |
| United Kingdom           | 64.6    | 68.2   | 73.5    | 78.7   | 80.8   | 82.7    | 84.2    | 86.7    | 88.8    | 90.4    | 91.7    | 92.8    | 93.6    | 94.6    | 96      | 97.3    | 98.7    | 100.8   | 103.6   | 105.7   | 109.8   | 112.1   | 115.9   |
| United States            | 120.983 | 126.95 | 134.267 | 138.2  | 142.55 | 146.333 | 150.317 | 154.383 | 159.15  | 161.833 | 164.433 | 169.267 | 175.067 | 177.783 | 182.433 | 185.917 | 191.883 | 198.95  | 203.311 | 211.618 | 213.102 | 217.198 | 220.87  |

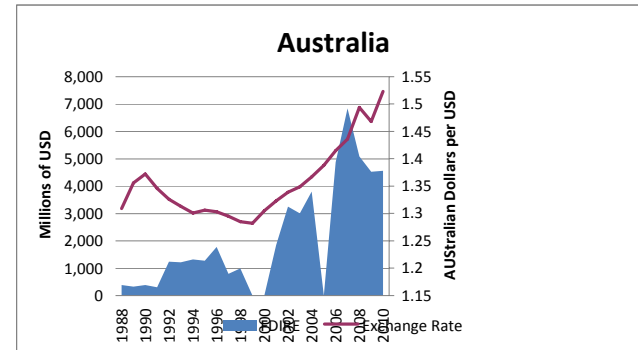
International Monetary Fund, World Economic Outlook Database, September 2011

Inflation, end of period consumer prices

Index

# Australia

| Macroeconomic Data |       |               |                |                  |           |
|--------------------|-------|---------------|----------------|------------------|-----------|
| Year               | FDIRE | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 386   | 1.309         | 16,526.55      | 24.78            | 92        |
| 1989               | 329   | 1.356         | 18,438.53      | 24.983           | 99.2      |
| 1990               | 391   | 1.372         | 19,056.71      | 22.172           | 106       |
| 1991               | 306   | 1.346         | 18,863.30      | 17.468           | 107.6     |
| 1992               | 1,239 | 1.326         | 18,253.46      | 18.608           | 107.9     |
| 1993               | 1,214 | 1.313         | 17,572.07      | 20.466           | 110       |
| 1994               | 1,322 | 1.301         | 19,825.31      | 21.378           | 112.8     |
| 1995               | 1,274 | 1.306         | 20,982.42      | 20.146           | 118.5     |
| 1996               | 1,783 | 1.303         | 23,215.88      | 20.704           | 120.3     |
| 1997               | 800   | 1.295         | 23,012.64      | 21.052           | 120       |
| 1998               | 991   | 1.285         | 20,311.30      | 21.38            | 121.9     |
| 1999               | 0     | 1.282         | 21,717.32      | 20.557           | 124.1     |
| 2000               | 0     | 1.305         | 20,806.10      | 21.611           | 131.3     |
| 2001               | 1,853 | 1.323         | 19,414.59      | 21.31            | 135.4     |
| 2002               | 3,252 | 1.339         | 21,557.38      | 21.08            | 139.5     |
| 2003               | 3,008 | 1.349         | 27,131.42      | 21.398           | 142.8     |
| 2004               | 3,802 | 1.367         | 32,533.26      | 21.2             | 146.5     |
| 2005               | 0     | 1.388         | 35,883.57      | 22.257           | 150.6     |
| 2006               | 4,881 | 1.415         | 37,581.22      | 22.381           | 155.5     |
| 2007               | 6,842 | 1.436         | 44,849.84      | 23.001           | 160.1     |
| 2008               | 5,084 | 1.494         | 48,826.87      | 25.083           | 166       |
| 2009               | 4,524 | 1.468         | 45,034.38      | 23.622           | 169.5     |
| 2010               | 4,564 | 1.523         | 55,671.62      | 24.918           | 174       |



Correlation

|                  | FDIRE       | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|-------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1           |               |                |                  |           |
| Exchange Rate    | 0.744737908 | 1             |                |                  |           |
| GDP Per Capita   | 0.798128833 | 0.919098254   | 1              |                  |           |
| National Savings | 0.385981645 | 0.599043561   | 0.553370284    | 1                |           |
| Inflation        | 0.794397204 | 0.780149619   | 0.909976947    | 0.385584654      | 1         |

## Initial Regression Model

### SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.820339481 |
| R Square              | 0.672956865 |
| Adjusted R Square     | 0.600280613 |
| Standard Error        | 1260.508448 |
| Observations          | 23          |

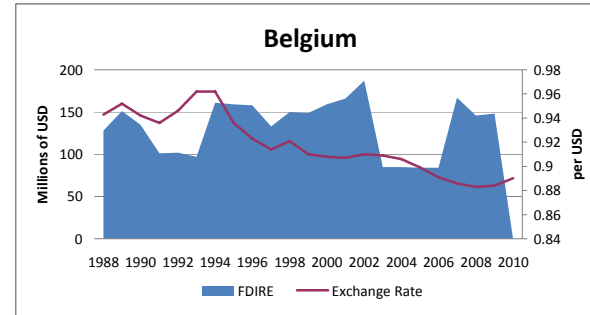
### ANOVA

|            | df | SS          | MS          | F           | Significance F |
|------------|----|-------------|-------------|-------------|----------------|
| Regression | 4  | 58849966.06 | 14712491.51 | 9.259652827 | 0.000302024    |
| Residual   | 18 | 28599867.86 | 1588881.548 |             |                |
| Total      | 22 | 87449833.91 |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%   | Lower 95.0%  | Upper 95.0% |
|--------------|--------------|----------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Intercept    | -13131.44519 | 13977.82226    | -0.939448574 | 0.359937233 | -42497.76005 | 16234.86967 | -42497.76005 | 16234.86967 |
| X Variable 1 | 7543.96913   | 10821.31991    | 0.697139461  | 0.494621867 | -15190.78037 | 30278.71863 | -15190.78037 | 30278.71863 |
| X Variable 2 | 0.028633328  | 0.096970675    | 0.295278221  | 0.771160301 | -0.1750945   | 0.232361157 | -0.1750945   | 0.232361157 |
| X Variable 3 | -37.31957138 | 179.2082727    | -0.208246923 | 0.83737438  | -413.8221813 | 339.1830386 | -413.8221813 | 339.1830386 |
| X Variable 4 | 38.2705288   | 30.23534943    | 1.265754474  | 0.221739569 | -25.2515832  | 101.7926408 | -25.2515832  | 101.7926408 |

## Belgium

| Macroeconomic Data |       |               |                |                  |           |
|--------------------|-------|---------------|----------------|------------------|-----------|
| Year               | FDIRE | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 128   | 0.943         | 16,158.07      | 21.858           | 70.621    |
| 1989               | 151   | 0.952         | 16,330.38      | 23.093           | 73.164    |
| 1990               | 135   | 0.942         | 20,377.96      | 23.279           | 75.721    |
| 1991               | 101   | 0.936         | 20,821.48      | 22.392           | 77.83     |
| 1992               | 102   | 0.946         | 23,052.22      | 22.751           | 79.53     |
| 1993               | 97    | 0.962         | 22,018.45      | 24.021           | 81.49     |
| 1994               | 161   | 0.962         | 23,959.92      | 25.206           | 83.11     |
| 1995               | 159   | 0.936         | 28,077.11      | 24.864           | 84.13     |
| 1996               | 158   | 0.923         | 27,057.22      | 25.457           | 85.93     |
| 1997               | 133   | 0.914         | 24,505.34      | 25.66            | 86.69     |
| 1998               | 150   | 0.921         | 25,021.15      | 26.296           | 87.29     |
| 1999               | 149   | 0.91          | 24,844.32      | 29.171           | 89.08     |
| 2000               | 159   | 0.908         | 22,716.46      | 26.582           | 91.72     |
| 2001               | 166   | 0.907         | 22,535.48      | 24.447           | 93.51     |
| 2002               | 187   | 0.91          | 24,461.05      | 23.584           | 94.71     |
| 2003               | 85    | 0.909         | 29,982.38      | 22.681           | 96.33     |
| 2004               | 85    | 0.906         | 34,556.38      | 23.86            | 98.2      |
| 2005               | 84    | 0.899         | 35,940.82      | 23.774           | 100.93    |
| 2006               | 84    | 0.891         | 37,787.60      | 24.33            | 103.03    |
| 2007               | 167   | 0.886         | 43,053.66      | 24.395           | 106.23    |
| 2008               | 146   | 0.883         | 47,123.20      | 22.049           | 109.11    |
| 2009               | 148   | 0.884         | 43,551.90      | 20.089           | 109.46    |
| 2010               | 0     | 0.89          | 42,844.77      | 21.07            | 113.16    |



### Correlation

|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|--------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | 0.137763964  | 1             |                |                  |           |
| GDP Per Capita   | -0.297487558 | -0.810908272  | 1              |                  |           |
| National Savings | 0.401556029  | 0.113543617   | -0.323564226   | 1                |           |
| Inflation        | -0.270729624 | -0.903337402  | 0.926539519    | -0.214540954     | 1         |

### Initial Regression Model

#### SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.481053642 |
| R Square              | 0.231412606 |
| Adjusted R Square     | 0.060615408 |
| Standard Error        | 40.76874612 |
| Observations          | 23          |

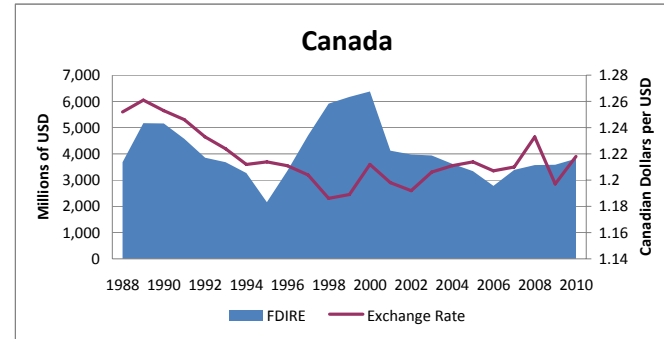
#### ANOVA

|            | df | SS          | MS          | F           | Significance F |
|------------|----|-------------|-------------|-------------|----------------|
| Regression | 4  | 9007.846376 | 2251.961594 | 1.354896967 | 0.288517706    |
| Residual   | 18 | 29917.63189 | 1662.09066  |             |                |
| Total      | 22 | 38925.47826 |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%   | Lower 95.0%  | Upper 95.0% |
|--------------|--------------|----------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Intercept    | 844.714592   | 948.13644      | 0.890920923  | 0.384725813 | -1147.246152 | 2836.675336 | -1147.246152 | 2836.675336 |
| X Variable 1 | -750.8010607 | 836.1356084    | -0.897941737 | 0.381070822 | -2507.456789 | 1005.854668 | -2507.456789 | 1005.854668 |
| X Variable 2 | 0.000191539  | 0.002717076    | 0.070494627  | 0.944577288 | -0.005516825 | 0.005899904 | -0.005516825 | 0.005899904 |
| X Variable 3 | 6.985248402  | 4.840506384    | 1.443082159  | 0.166175057 | -3.184278146 | 17.15477495 | -3.184278146 | 17.15477495 |
| X Variable 4 | -2.204976077 | 2.628038526    | -0.839019693 | 0.412462817 | -7.726280139 | 3.316327986 | -7.726280139 | 3.316327986 |

## Canada

| Macroeconomic Data |       |               |                |                  |           |
|--------------------|-------|---------------|----------------|------------------|-----------|
| Year               | FDI   | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 3,685 | 1.252         | 18,621.91      | 20.814           | 72.271    |
| 1989               | 5,176 | 1.261         | 20,412.25      | 19.832           | 76.031    |
| 1990               | 5,154 | 1.253         | 21,088.87      | 17.317           | 79.769    |
| 1991               | 4,576 | 1.246         | 21,374.10      | 14.694           | 83.049    |
| 1992               | 3,859 | 1.233         | 20,460.27      | 13.199           | 84.533    |
| 1993               | 3,680 | 1.224         | 19,673.56      | 13.741           | 86.067    |
| 1994               | 3,272 | 1.212         | 19,491.61      | 16.058           | 86.1      |
| 1995               | 2,153 | 1.214         | 20,179.05      | 18.203           | 87.867    |
| 1996               | 3,348 | 1.211         | 20,756.80      | 18.761           | 89.667    |
| 1997               | 4,709 | 1.204         | 21,345.18      | 19.621           | 90.567    |
| 1998               | 5,915 | 1.186         | 20,474.85      | 19.072           | 91.6      |
| 1999               | 6,176 | 1.189         | 21,775.27      | 20.68            | 93.767    |
| 2000               | 6,384 | 1.212         | 23,653.36      | 23.623           | 96.7      |
| 2001               | 4,119 | 1.198         | 23,100.42      | 22.158           | 97.733    |
| 2002               | 3,981 | 1.192         | 23,466.71      | 21.012           | 101.467   |
| 2003               | 3,935 | 1.206         | 27,402.39      | 21.199           | 103.2     |
| 2004               | 3,623 | 1.211         | 31,103.90      | 23.036           | 105.567   |
| 2005               | 3,339 | 1.214         | 35,204.73      | 23.962           | 108       |
| 2006               | 2,780 | 1.207         | 39,301.92      | 24.435           | 109.5     |
| 2007               | 3,396 | 1.21          | 43,307.16      | 24.077           | 112.233   |
| 2008               | 3,568 | 1.233         | 45,175.58      | 23.569           | 114.3     |
| 2009               | 3,585 | 1.197         | 39,727.77      | 17.908           | 115.2     |
| 2010               | 3,817 | 1.218         | 46,302.67      | 19.072           | 117.767   |



| Correlation      |              |               |                |                  |           |
|------------------|--------------|---------------|----------------|------------------|-----------|
|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | -0.025191916 | 1             |                |                  |           |
| GDP Per Capita   | -0.341820237 | -0.152071413  | 1              |                  |           |
| National Savings | -0.0022441   | -0.288361792  | 0.509349061    | 1                |           |
| Inflation        | -0.272691799 | -0.530062687  | 0.894788207    | 0.550686241      | 1         |

Initial Regression Model

SUMMARY OUTPUT

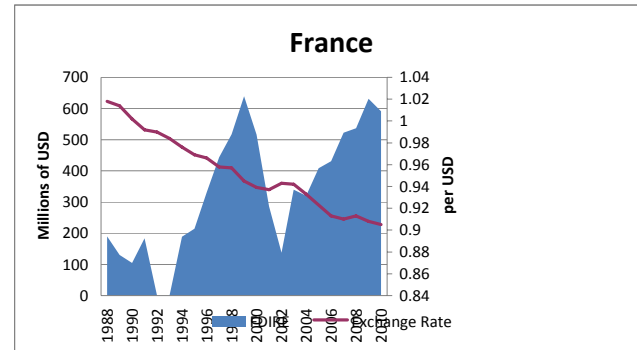
| Regression Statistics |              |
|-----------------------|--------------|
| Multiple R            | 0.396981922  |
| R Square              | 0.157594647  |
| Adjusted R Square     | -0.029606543 |
| Standard Error        | 1078.41778   |
| Observations          | 23           |

| ANOVA      |    |             |             |             |                |
|------------|----|-------------|-------------|-------------|----------------|
|            | df | SS          | MS          | F           | Significance F |
| Regression | 4  | 3916218.608 | 979054.652  | 0.841846395 | 0.516665597    |
| Residual   | 18 | 20933728.35 | 1162984.908 |             |                |
| Total      | 22 | 24849946.96 |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%   | Lower 95.0%  | Upper 95.0% |
|--------------|--------------|----------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Intercept    | 6125.5344    | 35329.47461    | 0.173383116  | 0.864285184 | -68098.93749 | 80350.00629 | -68098.93749 | 80350.00629 |
| X Variable 1 | -1651.814763 | 24813.19732    | -0.066570009 | 0.947657864 | -53782.40791 | 50478.77839 | -53782.40791 | 50478.77839 |
| X Variable 2 | -0.051904195 | 0.105145129    | -0.493643362 | 0.627527328 | -0.272805913 | 0.168997523 | -0.272805913 | 0.168997523 |
| X Variable 3 | 71.57588287  | 83.29932026    | 0.859261308  | 0.401495278 | -103.429495  | 246.5812607 | -103.429495  | 246.5812607 |
| X Variable 4 | -0.326447039 | 86.8597547     | -0.003758323 | 0.997042639 | -182.8120201 | 182.159126  | -182.8120201 | 182.159126  |

## France

| Macroeconomic Data |     |               |                |                  |           |
|--------------------|-----|---------------|----------------|------------------|-----------|
| Year               | FDI | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 190 | 1.018         | 17,890.34      | 20.634           | 71.436    |
| 1989               | 130 | 1.014         | 17,889.11      | 21.096           | 73.982    |
| 1990               | 105 | 1.002         | 22,006.83      | 20.877           | 76.358    |
| 1991               | 184 | 0.992         | 21,915.36      | 20.907           | 78.697    |
| 1992               | 0   | 0.99          | 23,994.33      | 20.318           | 80.206    |
| 1993               | 0   | 0.984         | 22,474.00      | 19.408           | 81.866    |
| 1994               | 189 | 0.976         | 23,682.89      | 19.231           | 83.069    |
| 1995               | 215 | 0.969         | 27,170.36      | 18.918           | 84.873    |
| 1996               | 330 | 0.966         | 27,118.62      | 19.087           | 86.643    |
| 1997               | 443 | 0.958         | 24,450.51      | 20.126           | 87.754    |
| 1998               | 517 | 0.957         | 25,196.61      | 20.361           | 88.34     |
| 1999               | 639 | 0.945         | 24,837.24      | 21.838           | 88.837    |
| 2000               | 516 | 0.939         | 22,550.19      | 20.824           | 90.46     |
| 2001               | 286 | 0.937         | 22,539.15      | 21.188           | 92.071    |
| 2002               | 138 | 0.943         | 24,351.92      | 20.194           | 93.855    |
| 2003               | 340 | 0.942         | 29,800.41      | 19.805           | 95.891    |
| 2004               | 320 | 0.933         | 33,849.48      | 19.674           | 98.137    |
| 2005               | 408 | 0.923         | 34,951.92      | 19.437           | 100.001   |
| 2006               | 431 | 0.913         | 36,689.38      | 20.282           | 101.913   |
| 2007               | 522 | 0.91          | 41,752.13      | 20.952           | 103.551   |
| 2008               | 537 | 0.913         | 45,623.01      | 20.104           | 106.822   |
| 2009               | 631 | 0.908         | 42,017.83      | 17.488           | 106.932   |
| 2010               | 591 | 0.905         | 40,704.35      | 18.554           | 108.788   |



### Correlation

|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|--------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | -0.767425464 | 1             |                |                  |           |
| GDP Per Capita   | 0.643055711  | -0.848136839  | 1              |                  |           |
| National Savings | -0.12746955  | 0.31403743    | -0.466823796   | 1                |           |
| Inflation        | 0.724095188  | -0.980758432  | 0.914669813    | -0.405990571     | 1         |

### Initial Regression Model

#### SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.800843292 |
| R Square              | 0.641349979 |
| Adjusted R Square     | 0.561649974 |
| Standard Error        | 130.4266132 |
| Observations          | 23          |

#### ANOVA

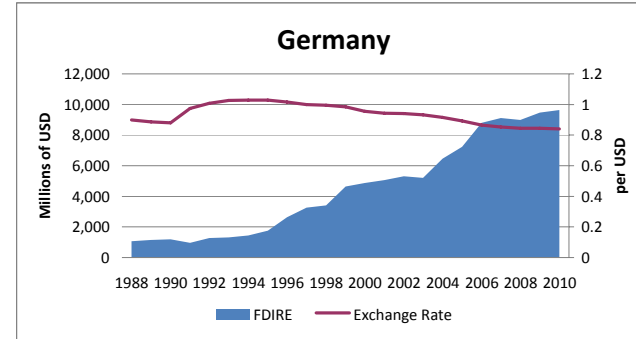
|            | df | SS          | MS          | F           | Significance F |
|------------|----|-------------|-------------|-------------|----------------|
| Regression | 4  | 547556.7827 | 136889.1957 | 8.047050695 | 0.000664912    |
| Residual   | 18 | 306199.826  | 17011.10144 |             |                |
| Total      | 22 | 853756.6087 |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95% | Lower 95.0%  | Upper 95.0% |
|--------------|--------------|----------------|--------------|-------------|--------------|-----------|--------------|-------------|
| Intercept    | 13860.60687  | 7658.357862    | 1.8098667    | 0.087045673 | -2229.005953 | 29950.22  | -2229.005953 | 29950.2197  |
| X Variable 1 | -11749.03615 | 5727.64595     | -2.051285337 | 0.055083174 | -23782.37377 | 284.3015  | -23782.37377 | 284.3014636 |
| X Variable 2 | 0.012885191  | 0.01076879     | 1.19653098   | 0.247012461 | -0.009739198 | 0.03551   | -0.009739198 | 0.03550958  |
| X Variable 3 | 10.20424897  | 34.80188802    | 0.293209637  | 0.772715504 | -62.91180461 | 83.3203   | -62.91180461 | 83.32030255 |
| X Variable 4 | -31.973604   | 23.51978788    | -1.359434199 | 0.190797447 | -81.38684474 | 17.43964  | -81.38684474 | 17.43963674 |



## Germany

| Macroeconomic Data |       |               |                |                  |           |
|--------------------|-------|---------------|----------------|------------------|-----------|
| Year               | FDI   | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 1,076 | 0.899         | 15,993.71      | 24.84            | 0         |
| 1989               | 1,147 | 0.887         | 15,720.09      | 26.194           | 0         |
| 1990               | 1,191 | 0.881         | 19,610.39      | 25.153           | 0         |
| 1991               | 962   | 0.975         | 22,713.25      | 22.703           | 78.377    |
| 1992               | 1,271 | 1.008         | 25,731.13      | 22.389           | 80.989    |
| 1993               | 1,313 | 1.026         | 24,832.81      | 21.215           | 84.406    |
| 1994               | 1,442 | 1.029         | 26,479.95      | 21.041           | 86.516    |
| 1995               | 1,755 | 1.028         | 30,935.50      | 21.166           | 87.822    |
| 1996               | 2,640 | 1.015         | 29,788.27      | 20.703           | 89        |
| 1997               | 3,268 | 0.999         | 26,354.64      | 20.868           | 90.2      |
| 1998               | 3,418 | 0.996         | 26,598.89      | 21.099           | 90.4      |
| 1999               | 4,631 | 0.984         | 26,012.97      | 20.538           | 91.6      |
| 2000               | 4,871 | 0.955         | 23,051.29      | 20.579           | 93.6      |
| 2001               | 5,056 | 0.943         | 22,916.65      | 20.366           | 94.9      |
| 2002               | 5,306 | 0.941         | 24,464.63      | 20.088           | 96        |
| 2003               | 5,200 | 0.932         | 29,474.15      | 19.758           | 97        |
| 2004               | 6,465 | 0.915         | 33,136.97      | 22.314           | 99.2      |
| 2005               | 7,241 | 0.893         | 33,653.10      | 22.345           | 101.3     |
| 2006               | 8,808 | 0.866         | 35,320.49      | 24.401           | 102.7     |
| 2007               | 9,112 | 0.854         | 40,505.01      | 26.72            | 105.9     |
| 2008               | 9,000 | 0.844         | 44,392.16      | 25.635           | 107.1     |
| 2009               | 9,476 | 0.845         | 40,446.70      | 22.173           | 108       |
| 2010               | 9,642 | 0.841         | 40,273.52      | 23.04            | 110       |



| Correlation      |              |               |                |                  |           |
|------------------|--------------|---------------|----------------|------------------|-----------|
|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | -0.706721498 | 1             |                |                  |           |
| GDP Per Capita   | 0.841794351  | -0.447392957  | 1              |                  |           |
| National Savings | 0.178837811  | -0.673487694  | 0.156759148    | 1                |           |
| Inflation        | 0.639449879  | 0.060124559   | 0.735737617    | -0.445051854     | 1         |

Initial Regression Model

SUMMARY OUTPUT

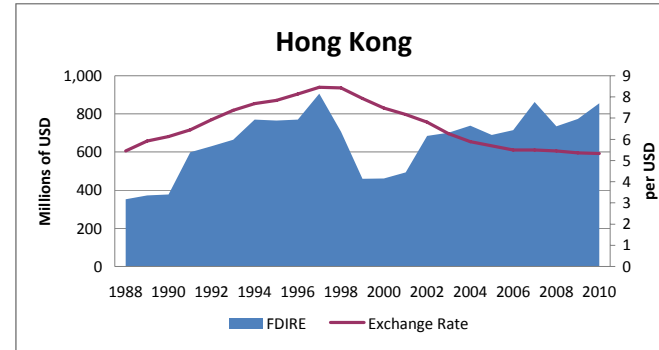
| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.984032645 |
| R Square              | 0.968320246 |
| Adjusted R Square     | 0.961280301 |
| Standard Error        | 614.1119886 |
| Observations          | 23          |

| ANOVA      |    |             |             |             |                |
|------------|----|-------------|-------------|-------------|----------------|
|            | df | SS          | MS          | F           | Significance F |
| Regression | 4  | 207493677.9 | 51873419.46 | 137.5465577 | 3.12229E-13    |
| Residual   | 18 | 6788403.622 | 377133.5346 |             |                |
| Total      | 22 | 214282081.5 |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%    | Lower 95.0%  | Upper 95.0%  |
|--------------|--------------|----------------|--------------|-------------|--------------|--------------|--------------|--------------|
| Intercept    | 36131.68942  | 4820.586774    | 7.495288668  | 6.12082E-07 | 26004.01242  | 46259.36642  | 26004.01242  | 46259.36642  |
| X Variable 1 | -36299.39966 | 3100.312425    | -11.70830377 | 7.49194E-10 | -42812.91436 | -29785.88495 | -42812.91436 | -29785.88495 |
| X Variable 2 | 0.034371993  | 0.044258021    | 0.776627441  | 0.44746477  | -0.058610658 | 0.127354644  | -0.058610658 | 0.127354644  |
| X Variable 3 | -134.0197294 | 123.5099103    | -1.085092921 | 0.292200209 | -393.5044221 | 125.4649634  | -393.5044221 | 125.4649634  |
| X Variable 4 | 53.91284854  | 10.67051674    | 5.052505879  | 8.28799E-05 | 31.49492475  | 76.33077233  | 31.49492475  | 76.33077233  |

## Hong Kong

| Macroeconomic Data |     |               |                |                  |           |  |
|--------------------|-----|---------------|----------------|------------------|-----------|--|
| Year               | FDI | Exchange Rate | GDP per Capita | National Savings | Inflation |  |
| 1988               | 352 | 5.45          | 10,508.69      | 37.292           | 54.5      |  |
| 1989               | 373 | 5.922         | 12,006.12      | 37.947           | 60        |  |
| 1990               | 377 | 6.129         | 13,367.51      | 35.662           | 66.9      |  |
| 1991               | 599 | 6.455         | 15,275.45      | 33.694           | 73.5      |  |
| 1992               | 631 | 6.931         | 17,665.55      | 33.351           | 80.6      |  |
| 1993               | 665 | 7.371         | 20,000.72      | 35.331           | 87.8      |  |
| 1994               | 770 | 7.686         | 22,148.78      | 33.6             | 96.2      |  |
| 1995               | 765 | 7.84          | 23,003.16      | 31.452           | 102.9     |  |
| 1996               | 770 | 8.137         | 24,582.64      | 31.658           | 109.8     |  |
| 1997               | 906 | 8.45          | 27,055.51      | 29.623           | 115.5     |  |
| 1998               | 706 | 8.421         | 25,352.99      | 30.361           | 113.6     |  |
| 1999               | 460 | 7.929         | 24,599.77      | 31.125           | 109       |  |
| 2000               | 462 | 7.478         | 25,198.71      | 31.577           | 106.7     |  |
| 2001               | 494 | 7.175         | 24,752.68      | 30.944           | 102.9     |  |
| 2002               | 684 | 6.816         | 24,351.11      | 30.414           | 101.4     |  |
| 2003               | 701 | 6.265         | 23,442.86      | 32.308           | 99.5      |  |
| 2004               | 738 | 5.884         | 24,403.27      | 31.319           | 99.8      |  |
| 2005               | 689 | 5.688         | 25,998.54      | 31.922           | 101.2     |  |
| 2006               | 715 | 5.494         | 27,488.25      | 33.804           | 103.5     |  |
| 2007               | 863 | 5.495         | 29,785.03      | 33.269           | 107.4     |  |
| 2008               | 735 | 5.455         | 30,727.50      | 34.129           | 109.6     |  |
| 2009               | 774 | 5.364         | 29,620.62      | 29.89            | 111       |  |
| 2010               | 856 | 5.329         | 31,514.20      | 29.921           | 114.4     |  |



### Correlation

|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|--------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | 0.067866407  | 1             |                |                  |           |
| GDP Per Capita   | 0.735673909  | -0.017028046  | 1              |                  |           |
| National Savings | -0.581620366 | -0.352156101  | -0.738855879   | 1                |           |
| Inflation        | 0.711589285  | 0.282617811   | 0.947963618    | -0.850271233     | 1         |

### Initial Regression Model

#### SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.751872642 |
| R Square              | 0.56531247  |
| Adjusted R Square     | 0.468715241 |
| Standard Error        | 118.0007082 |
| Observations          | 23          |

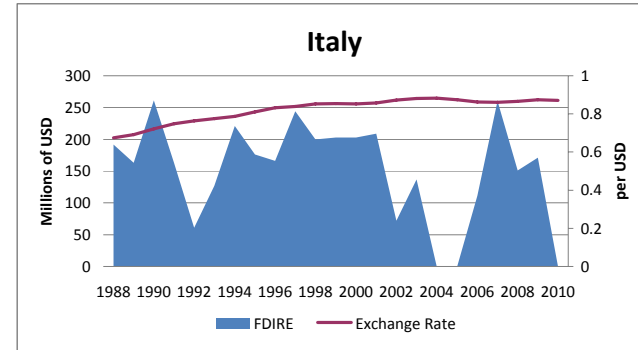
#### ANOVA

|            | df | SS          | MS          | F          | Significance F |
|------------|----|-------------|-------------|------------|----------------|
| Regression | 4  | 325951.6001 | 81487.90002 | 5.85226385 | 0.003373307    |
| Residual   | 18 | 250635.0086 | 13924.16715 |            |                |
| Total      | 22 | 576586.6087 |             |            |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%   | Lower 95.0%  | Upper 95.0% |
|--------------|--------------|----------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Intercept    | 782.8703608  | 1121.23693     | 0.698220278  | 0.49396182  | -1572.761017 | 3138.501739 | -1572.761017 | 3138.501739 |
| X Variable 1 | 70.62129544  | 75.99597075    | 0.929276838  | 0.365041093 | -89.04031449 | 230.2829054 | -89.04031449 | 230.2829054 |
| X Variable 2 | 0.057439621  | 0.044934733    | 1.278290012  | 0.217385286 | -0.036964751 | 0.151843993 | -0.036964751 | 0.151843993 |
| X Variable 3 | -16.05292024 | 25.41250818    | -0.631693658 | 0.535528073 | -69.44261877 | 37.33677828 | -69.44261877 | 37.33677828 |
| X Variable 4 | -14.49707312 | 17.08184928    | -0.848682884 | 0.407203133 | -50.38470677 | 21.39056053 | -50.38470677 | 21.39056053 |

# Italy

| Macroeconomic Data |     |               |                |                  |           |  |
|--------------------|-----|---------------|----------------|------------------|-----------|--|
| Year               | FDI | Exchange Rate | GDP per Capita | National Savings | Inflation |  |
| 1988               | 192 | 0.675         | 15,207.03      | 21.613           | 54.418    |  |
| 1989               | 163 | 0.691         | 15,804.94      | 20.62            | 57.826    |  |
| 1990               | 261 | 0.721         | 20,029.19      | 20.434           | 63.21     |  |
| 1991               | 163 | 0.749         | 21,129.68      | 19.523           | 66.807    |  |
| 1992               | 61  | 0.764         | 22,403.30      | 18.743           | 69.915    |  |
| 1993               | 127 | 0.776         | 17,997.61      | 20.032           | 73.022    |  |
| 1994               | 221 | 0.787         | 18,557.95      | 20.064           | 75.966    |  |
| 1995               | 176 | 0.81          | 19,819.03      | 21.893           | 80.3      |  |
| 1996               | 166 | 0.833         | 22,164.10      | 22.357           | 82.6      |  |
| 1997               | 244 | 0.839         | 20,985.09      | 22.187           | 84.1      |  |
| 1998               | 200 | 0.852         | 21,416.04      | 21.245           | 85.5      |  |
| 1999               | 203 | 0.854         | 21,128.39      | 20.744           | 87.3      |  |
| 2000               | 203 | 0.852         | 19,334.06      | 20.162           | 89.7      |  |
| 2001               | 209 | 0.858         | 19,633.16      | 20.523           | 91.7      |  |
| 2002               | 72  | 0.872         | 21,462.64      | 20.354           | 94.4      |  |
| 2003               | 137 | 0.881         | 26,343.80      | 19.369           | 96.8      |  |
| 2004               | 0   | 0.883         | 29,886.82      | 19.862           | 99.1      |  |
| 2005               | 0   | 0.875         | 30,460.29      | 19.036           | 101.2     |  |
| 2006               | 111 | 0.863         | 31,745.66      | 19.034           | 103.3     |  |
| 2007               | 260 | 0.86          | 35,839.68      | 19.431           | 106.2     |  |
| 2008               | 151 | 0.865         | 38,700.51      | 18.304           | 108.7     |  |
| 2009               | 171 | 0.875         | 35,250.81      | 16.826           | 109.9     |  |
| 2010               | 0   | 0.871         | 34,058.72      | 16.901           | 112.2     |  |



| Correlation      |              |               |                |                  |           |
|------------------|--------------|---------------|----------------|------------------|-----------|
|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | -0.302701236 | 1             |                |                  |           |
| GDP Per Capita   | -0.351690944 | 0.648052285   | 1              |                  |           |
| National Savings | 0.469446737  | -0.328374807  | -0.725401575   | 1                |           |
| Inflation        | -0.345032723 | 0.924673153   | 0.856850813    | -0.574237523     | 1         |

## Initial Regression Model

### SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.532473388 |
| R Square              | 0.283527909 |
| Adjusted R Square     | 0.124311889 |
| Standard Error        | 73.85188234 |
| Observations          | 23          |

### ANOVA

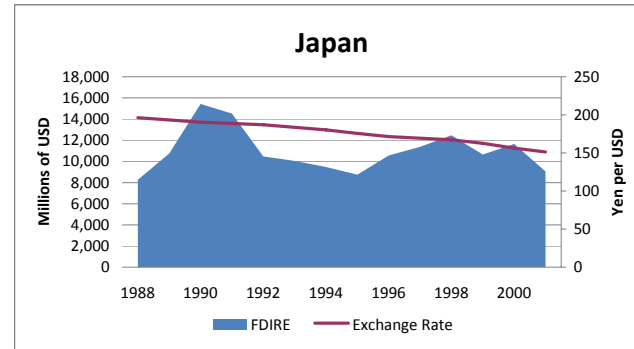
|            | df | SS          | MS          | F           | Significance F |
|------------|----|-------------|-------------|-------------|----------------|
| Regression | 4  | 38850.10359 | 9712.525898 | 1.780775006 | 0.17669979     |
| Residual   | 18 | 98173.80945 | 5454.100525 |             |                |
| Total      | 22 | 137023.913  |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%   | Lower 95.0%  | Upper 95.0% |
|--------------|--------------|----------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Intercept    | 57.55868085  | 515.1528934    | 0.111731258  | 0.912273017 | -1024.737387 | 1139.854749 | -1024.737387 | 1139.854749 |
| X Variable 1 | -1154.285493 | 1066.165659    | -1.082651165 | 0.293254023 | -3394.216425 | 1085.645439 | -3394.216425 | 1085.645439 |
| X Variable 2 | -0.001849519 | 0.006580966    | -0.281040707 | 0.781884207 | -0.015675616 | 0.011976577 | -0.015675616 | 0.011976577 |
| X Variable 3 | 34.09555135  | 17.58184689    | 1.939247428  | 0.068309761 | -2.842538277 | 71.03364098 | -2.842538277 | 71.03364098 |
| X Variable 4 | 4.696702775  | 5.702563275    | 0.823612567  | 0.420938848 | -7.283938094 | 16.67734364 | -7.283938094 | 16.67734364 |

# Japan

| Macroeconomic Data |        |               |                |                  |           |  |
|--------------------|--------|---------------|----------------|------------------|-----------|--|
| Year               | FDI    | Exchange Rate | GDP per Capita | National Savings | Inflation |  |
| 1988               | 8,245  | 196.08        | 24,243.81      | 33.503           | 90.1      |  |
| 1989               | 10,741 | 193.152       | 24,162.52      | 34.072           | 92.5      |  |
| 1990               | 15,426 | 190.187       | 24,773.80      | 34.124           | 95.9      |  |
| 1991               | 14,532 | 188.463       | 28,119.23      | 34.337           | 98.5      |  |
| 1992               | 10,477 | 187.022       | 30,523.48      | 33.691           | 99.6      |  |
| 1993               | 10,047 | 183.779       | 34,864.33      | 32.374           | 100.7     |  |
| 1994               | 9,456  | 180.194       | 38,196.39      | 30.969           | 101.3     |  |
| 1995               | 8,735  | 175.638       | 41,968.58      | 30.391           | 100.9     |  |
| 1996               | 10,546 | 171.266       | 36,930.26      | 30.342           | 101.5     |  |
| 1997               | 11,382 | 169.193       | 33,821.23      | 30.645           | 103.4     |  |
| 1998               | 12,468 | 167.245       | 30,526.86      | 29.227           | 104       |  |
| 1999               | 10,651 | 162.674       | 34,511.71      | 27.496           | 102.9     |  |
| 2000               | 11,658 | 156.468       | 36,800.44      | 28.028           | 102.5     |  |
| 2001               | 9,046  | 151.128       | 32,214.33      | 26.895           | 101.2     |  |
| 2002               | 0      | 146.422       | 30,756.08      | 25.93            | 100.9     |  |
| 2003               | 0      | 141.114       | 33,134.47      | 26.08            | 100.5     |  |
| 2004               | 0      | 135.921       | 36,058.72      | 26.765           | 100.7     |  |
| 2005               | 0      | 129.552       | 35,633.04      | 27.205           | 100.3     |  |
| 2006               | 0      | 124.369       | 34,150.33      | 27.693           | 100.6     |  |
| 2007               | 0      | 119.97        | 34,267.77      | 28.459           | 101.3     |  |
| 2008               | 0      | 116.184       | 38,215.59      | 26.714           | 101.7     |  |
| 2009               | 0      | 114.545       | 39,458.72      | 22.93            | 100       |  |
| 2010               | 0      | 110.83        | 42,782.52      | 23.796           | 99.6      |  |

Study restricted to 1988-2001



|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|--------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | 0.14765277   | 1             |                |                  |           |
| GDP Per Capita   | -0.392968423 | -0.56565603   | 1              |                  |           |
| National Savings | 0.310242309  | 0.961412428   | -0.597525515   | 1                |           |
| Inflation        | 0.052852094  | -0.76698583   | 0.74228359     | -0.701211572     | 1         |

Initial Regression Model

SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.77891877  |
| R Square              | 0.606714451 |
| Adjusted R Square     | 0.431920873 |
| Standard Error        | 1554.131027 |
| Observations          | 14          |

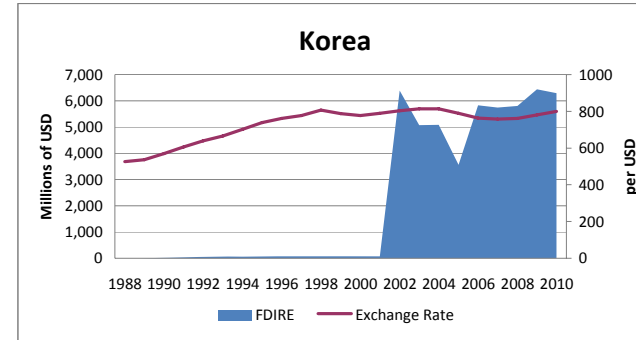
ANOVA

|            | df | SS          | MS          | F        | Significance F |
|------------|----|-------------|-------------|----------|----------------|
| Regression | 4  | 33534676.47 | 8383669.119 | 3.471034 | 0.055965427    |
| Residual   | 9  | 21737909.24 | 2415323.249 |          |                |
| Total      | 13 | 55272585.71 |             |          |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%   | Lower 95.0%  | Upper 95.0% |
|--------------|--------------|----------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Intercept    | -31516.04599 | 26415.42093    | -1.193092704 | 0.263335566 | -91271.87964 | 28239.78767 | -91271.87964 | 28239.78767 |
| X Variable 1 | -128.7788363 | 139.5854877    | -0.922580409 | 0.380293905 | -444.5431472 | 186.9854746 | -444.5431472 | 186.9854746 |
| X Variable 2 | -0.273588192 | 0.130477512    | -2.09682257  | 0.065454892 | -0.56874883  | 0.021572446 | -0.56874883  | 0.021572446 |
| X Variable 3 | 1037.030062  | 690.2698751    | 1.502354513  | 0.167252837 | -524.4688801 | 2598.529004 | -524.4688801 | 2598.529004 |
| X Variable 4 | 418.8991568  | 222.8088704    | 1.880082943  | 0.092794025 | -85.12952526 | 922.9278388 | -85.12952526 | 922.9278388 |

## Korea

| Macroeconomic Data |       |               |                |                  |           |
|--------------------|-------|---------------|----------------|------------------|-----------|
| Year               | FDI   | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 6     | 526.526       | 4,570.73       | 40.309           | 46.231    |
| 1989               | 6     | 536.477       | 5,565.10       | 37.589           | 48.575    |
| 1990               | 25    | 570.218       | 6,307.66       | 37.576           | 53.111    |
| 1991               | 30    | 606.977       | 7,288.84       | 37.683           | 58.024    |
| 1992               | 62    | 639.482       | 7,729.98       | 36.419           | 60.61     |
| 1993               | 65    | 665.909       | 8,422.05       | 36.79            | 64.127    |
| 1994               | 65    | 702.348       | 9,757.49       | 35.966           | 67.696    |
| 1995               | 65    | 739.315       | 11,778.76      | 35.426           | 70.915    |
| 1996               | 70    | 761.62        | 12,586.60      | 33.843           | 74.408    |
| 1997               | 88    | 777.235       | 11,582.11      | 33.91            | 79.299    |
| 1998               | 77    | 806.618       | 7,723.84       | 36.979           | 82.444    |
| 1999               | 72    | 786.632       | 9,906.50       | 34.196           | 83.561    |
| 2000               | 75    | 777.612       | 11,346.66      | 33.336           | 85.884    |
| 2001               | 77    | 789.78        | 10,654.82      | 30.832           | 88.6      |
| 2002               | 6,393 | 802.302       | 12,093.73      | 30.507           | 91.909    |
| 2003               | 5,074 | 813.762       | 13,451.10      | 32.309           | 95.05     |
| 2004               | 5,084 | 814.302       | 15,028.82      | 34.412           | 97.935    |
| 2005               | 3,559 | 788.92        | 17,550.88      | 31.89            | 100.5     |
| 2006               | 5,829 | 763.13        | 19,706.59      | 31.103           | 102.6     |
| 2007               | 5,746 | 757.04        | 21,653.27      | 31.502           | 106.3     |
| 2008               | 5,801 | 762.169       | 19,162.04      | 31.554           | 110.7     |
| 2009               | 6,444 | 780.069       | 17,110.09      | 30.209           | 113.8     |
| 2010               | 6,290 | 799.934       | 20,756.25      | 31.935           | 117.8     |



|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|--------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | 0.508462213  | 1             |                |                  |           |
| GDP Per Capita   | 0.829118327  | 0.659626659   | 1              |                  |           |
| National Savings | -0.731041072 | -0.788727859  | -0.818077133   | 1                |           |
| Inflation        | 0.83006189   | 0.830008894   | 0.915958024    | -0.88806915      | 1         |

Initial Regression Model

SUMMARY OUTPUT

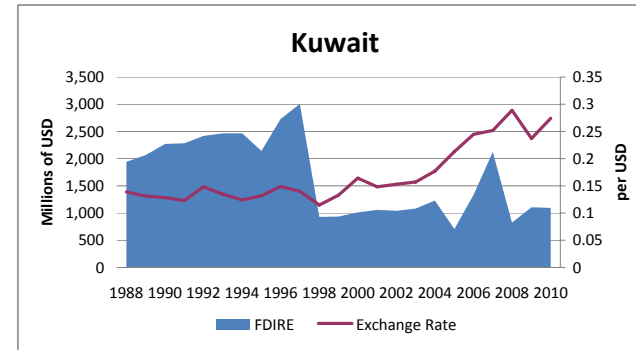
| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.892765388 |
| R Square              | 0.797030037 |
| Adjusted R Square     | 0.751925601 |
| Standard Error        | 1399.993551 |
| Observations          | 23          |

| ANOVA      |    |             |             |             |                |
|------------|----|-------------|-------------|-------------|----------------|
|            | df | SS          | MS          | F           | Significance F |
| Regression | 4  | 138537546.7 | 34634386.69 | 17.67076824 | 4.77839E-06    |
| Residual   | 18 | 35279675    | 1959981.944 |             |                |
| Total      | 22 | 173817221.7 |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%    | Lower 95.0%  | Upper 95.0%  |
|--------------|--------------|----------------|--------------|-------------|--------------|--------------|--------------|--------------|
| Intercept    | 5967.049535  | 11314.37749    | 0.527386464  | 0.604365576 | -17803.5755  | 29737.67457  | -17803.5755  | 29737.67457  |
| X Variable 1 | -17.78081818 | 6.747339681    | -2.635233889 | 0.016804808 | -31.95645283 | -3.605183537 | -31.95645283 | -3.605183537 |
| X Variable 2 | 0.034963823  | 0.166507786    | 0.209983109  | 0.836039333 | -0.314856054 | 0.384783699  | -0.314856054 | 0.384783699  |
| X Variable 3 | -110.2405456 | 236.3402112    | -0.466448536 | 0.646490119 | -606.7729043 | 386.2918131  | -606.7729043 | 386.2918131  |
| X Variable 4 | 151.964847   | 55.35709391    | 2.745173857  | 0.013308646 | 35.66390831  | 268.2657857  | 35.66390831  | 268.2657857  |

## Kuwait

| Macroeconomic Data |       |               |                |                  |           |
|--------------------|-------|---------------|----------------|------------------|-----------|
| Year               | FDI   | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 1,940 | 0.139         | 9,640.41       | 50.532           | 69.449    |
| 1989               | 2,063 | 0.131         | 11,359.51      | 50.929           | 71.742    |
| 1990               | 2,268 | 0.128         | 8,588.15       | 2.789            | 73.432    |
| 1991               | 2,282 | 0.123         | 7,960.51       | -236.428         | 79.289    |
| 1992               | 2,417 | 0.148         | 13,989.93      | -3.49            | 78.591    |
| 1993               | 2,462 | 0.135         | 16,435.59      | 31.197           | 80.729    |
| 1994               | 2,463 | 0.124         | 16,530.73      | 35.479           | 83.129    |
| 1995               | 2,141 | 0.132         | 17,251.97      | 37.72            | 84.874    |
| 1996               | 2,727 | 0.149         | 18,524.94      | 39.922           | 86.925    |
| 1997               | 3,004 | 0.14          | 13,740.68      | 42.617           | 87.493    |
| 1998               | 929   | 0.115         | 11,424.92      | 26.986           | 88.54     |
| 1999               | 938   | 0.133         | 13,358.13      | 31.362           | 91.856    |
| 2000               | 1,010 | 0.164         | 17,012.78      | 49.566           | 92.249    |
| 2001               | 1,059 | 0.148         | 15,108.11      | 38.142           | 94.911    |
| 2002               | 1,043 | 0.153         | 15,759.07      | 28.288           | 94.67     |
| 2003               | 1,084 | 0.157         | 18,786.75      | 36.264           | 95.497    |
| 2004               | 1,231 | 0.177         | 21,585.56      | 47.295           | 97.979    |
| 2005               | 704   | 0.213         | 27,014.52      | 56.799           | 102.344   |
| 2006               | 1,336 | 0.245         | 31,907.18      | 64.716           | 106.067   |
| 2007               | 2,122 | 0.252         | 33,732.55      | 57.245           | 114.064   |
| 2008               | 826   | 0.289         | 43,224.38      | 58.911           | 124.358   |
| 2009               | 1,107 | 0.237         | 31,410.61      | 36.793           | 125.825   |
| 2010               | 1,096 | 0.274         | 37,009.26      | 41.963           | 130.984   |



### Correlation

|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|--------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | -0.435461121 | 1             |                |                  |           |
| GDP Per Capita   | -0.412343684 | 0.96885476    | 1              |                  |           |
| National Savings | -0.256778135 | 0.326432155   | 0.395051254    | 1                |           |
| Inflation        | -0.565448136 | 0.903380914   | 0.91745601     | 0.289644082      | 1         |

### Initial Regression Model

#### SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.66850036  |
| R Square              | 0.446892731 |
| Adjusted R Square     | 0.323980005 |
| Standard Error        | 589.8355412 |
| Observations          | 23          |

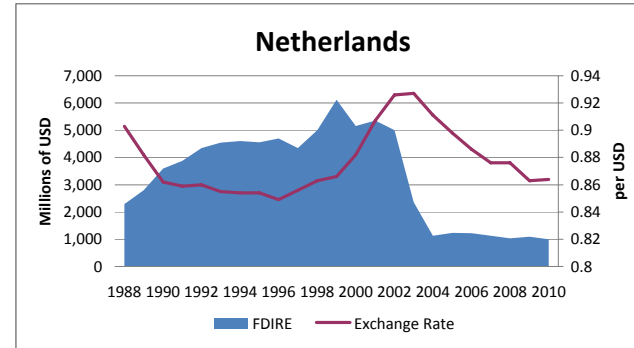
#### ANOVA

|            | df | SS          | MS          | F           | Significance F |
|------------|----|-------------|-------------|-------------|----------------|
| Regression | 4  | 5059741.226 | 1264935.306 | 3.635854027 | 0.024331226    |
| Residual   | 18 | 6262307.383 | 347905.9657 |             |                |
| Total      | 22 | 11322048.61 |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%    | Lower 95.0%  | Upper 95.0%  |
|--------------|--------------|----------------|--------------|-------------|--------------|--------------|--------------|--------------|
| Intercept    | 5922.747648  | 1304.309958    | 4.540905029  | 0.000253117 | 3182.49411   | 8663.001186  | 3182.49411   | 8663.001186  |
| X Variable 1 | -7071.982802 | 9914.302208    | -0.7133112   | 0.484799506 | -27901.15883 | 13757.19322  | -27901.15883 | 13757.19322  |
| X Variable 2 | 0.099264039  | 0.061409371    | 1.616431442  | 0.123391769 | -0.029752263 | 0.22828034   | -0.029752263 | 0.22828034   |
| X Variable 3 | -3.054735966 | 2.402152162    | -1.271666306 | 0.219677685 | -8.101470388 | 1.991998456  | -8.101470388 | 1.991998456  |
| X Variable 4 | -52.54784054 | 18.9834666     | -2.768084548 | 0.01267338  | -92.43062391 | -12.66505717 | -92.43062391 | -12.66505717 |

## Netherlands

| Macroeconomic Data |       |               |                |                  |           |
|--------------------|-------|---------------|----------------|------------------|-----------|
| Year               | FDI   | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 2,296 | 0.903         | 16,471.39      | 26.117           | 67.605    |
| 1989               | 2,794 | 0.882         | 16,132.50      | 27.873           | 68.476    |
| 1990               | 3,592 | 0.862         | 19,767.94      | 26.198           | 70.287    |
| 1991               | 3,874 | 0.859         | 20,201.82      | 24.984           | 72.87     |
| 1992               | 4,351 | 0.86          | 22,191.00      | 24.614           | 74.539    |
| 1993               | 4,550 | 0.855         | 21,430.99      | 24.629           | 76.486    |
| 1994               | 4,605 | 0.854         | 22,881.25      | 25.735           | 78.502    |
| 1995               | 4,556 | 0.854         | 27,126.46      | 27.173           | 79.228    |
| 1996               | 4,699 | 0.849         | 26,922.47      | 26.82            | 80.757    |
| 1997               | 4,343 | 0.856         | 24,791.02      | 28.738           | 82.526    |
| 1998               | 5,009 | 0.863         | 25,670.20      | 25.97            | 83.733    |
| 1999               | 6,124 | 0.866         | 26,055.94      | 26.659           | 85.341    |
| 2000               | 5,153 | 0.882         | 24,270.37      | 23.889           | 87.831    |
| 2001               | 5,350 | 0.907         | 25,022.91      | 23.89            | 92.341    |
| 2002               | 5,007 | 0.926         | 27,241.37      | 22.148           | 95.311    |
| 2003               | 2,358 | 0.927         | 33,280.29      | 24.89            | 96.841    |
| 2004               | 1,131 | 0.911         | 37,478.72      | 26.752           | 98.051    |
| 2005               | 1,234 | 0.898         | 39,210.14      | 26.602           | 100.061   |
| 2006               | 1,226 | 0.886         | 41,542.02      | 29.678           | 101.751   |
| 2007               | 1,125 | 0.876         | 47,884.26      | 27.124           | 103.351   |
| 2008               | 1,029 | 0.876         | 53,221.08      | 24.893           | 105.071   |
| 2009               | 1,092 | 0.863         | 48,148.12      | 23.513           | 105.821   |
| 2010               | 997   | 0.864         | 46,985.76      | 25.817           | 107.771   |



### Correlation

|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|--------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | -0.249471705 | 1             |                |                  |           |
| GDP Per Capita   | -0.729592638 | 0.11167529    | 1              |                  |           |
| National Savings | -0.241966286 | -0.258800181  | 0.028872115    | 1                |           |
| Inflation        | -0.572518677 | 0.340909652   | 0.923090845    | -0.11109633      | 1         |

### Initial Regression Model

#### SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.898403137 |
| R Square              | 0.807128197 |
| Adjusted R Square     | 0.764267797 |
| Standard Error        | 843.053536  |
| Observations          | 23          |

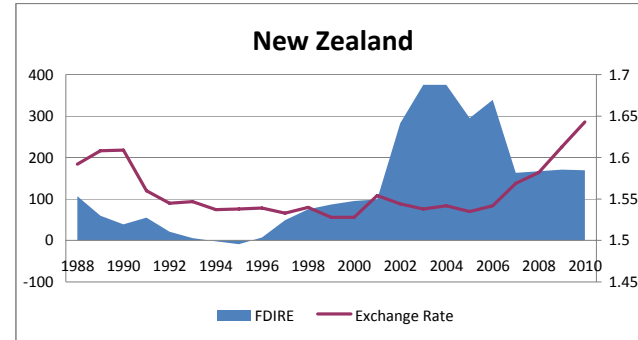
#### ANOVA

|            | df | SS          | MS          | F          | Significance F |
|------------|----|-------------|-------------|------------|----------------|
| Regression | 4  | 53537315.85 | 13384328.96 | 18.8315598 | 3.05223E-06    |
| Residual   | 18 | 12793306.76 | 710739.2645 |            |                |
| Total      | 22 | 66330622.61 |             |            |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%    | Lower 95.0%  | Upper 95.0%  |
|--------------|--------------|----------------|--------------|-------------|--------------|--------------|--------------|--------------|
| Intercept    | 36253.36702  | 8213.125207    | 4.414076994  | 0.000334875 | 18998.23125  | 53508.50279  | 18998.23125  | 53508.50279  |
| X Variable 1 | -40618.35366 | 9712.050139    | -4.182263588 | 0.000559851 | -61022.61386 | -20214.09347 | -61022.61386 | -20214.09347 |
| X Variable 2 | -0.311072897 | 0.053168758    | -5.850670764 | 1.53237E-05 | -0.422776313 | -0.199369482 | -0.422776313 | -0.199369482 |
| X Variable 3 | -171.9055843 | 111.2776582    | -1.544834668 | 0.139785875 | -405.6912691 | 61.88010051  | -405.6912691 | 61.88010051  |
| X Variable 4 | 188.8265871  | 47.3461297     | 3.988215896  | 0.000862164 | 89.35605969  | 288.2971145  | 89.35605969  | 288.2971145  |

## New Zealand

| Macroeconomic Data |     |               |                |                  |           |
|--------------------|-----|---------------|----------------|------------------|-----------|
| Year               | FDI | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 107 | 1.592         | 13,388.89      | 18.629           | 74.713    |
| 1989               | 60  | 1.608         | 12,778.44      | 18.379           | 80.115    |
| 1990               | 39  | 1.609         | 13,098.75      | 17.483           | 84.023    |
| 1991               | 55  | 1.56          | 12,222.46      | 14.997           | 84.828    |
| 1992               | 21  | 1.545         | 11,483.85      | 15.055           | 85.977    |
| 1993               | 6   | 1.547         | 12,274.65      | 17.573           | 87.126    |
| 1994               | -2  | 1.537         | 14,269.39      | 19.203           | 89.655    |
| 1995               | -9  | 1.538         | 16,579.38      | 19.873           | 92.184    |
| 1996               | 7   | 1.539         | 18,123.68      | 18.593           | 94.598    |
| 1997               | 49  | 1.533         | 17,870.60      | 16.841           | 95.402    |
| 1998               | 75  | 1.54          | 14,558.58      | 15.865           | 95.747    |
| 1999               | 87  | 1.528         | 15,005.41      | 15.393           | 96.207    |
| 2000               | 95  | 1.528         | 13,746.03      | 16.905           | 100       |
| 2001               | 99  | 1.554         | 13,391.64      | 19.82            | 101.839   |
| 2002               | 283 | 1.544         | 15,385.73      | 20.167           | 104.598   |
| 2003               | 375 | 1.538         | 20,065.16      | 19.554           | 106.207   |
| 2004               | 375 | 1.542         | 24,385.06      | 18.547           | 109.08    |
| 2005               | 295 | 1.535         | 26,962.83      | 16.44            | 112.529   |
| 2006               | 339 | 1.542         | 25,735.67      | 15.183           | 115.517   |
| 2007               | 163 | 1.569         | 31,062.86      | 15.576           | 119.195   |
| 2008               | 167 | 1.582         | 30,777.07      | 15.23            | 123.218   |
| 2009               | 171 | 1.613         | 27,292.76      | 16.272           | 125.632   |
| 2010               | 169 | 1.643         | 32,162.57      | 15.69            | 130.69    |



### Correlation

|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|--------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | -0.048617768 | 1             |                |                  |           |
| GDP Per Capita   | 0.568455773  | 0.319601894   | 1              |                  |           |
| National Savings | 0.021227566  | -0.160791838  | -0.356201656   | 1                |           |
| Inflation        | 0.602920053  | 0.210716963   | 0.90798855     | -0.307793713     | 1         |

### Initial Regression Model

#### SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.676528617 |
| R Square              | 0.457690969 |
| Adjusted R Square     | 0.337177852 |
| Standard Error        | 100.0213252 |
| Observations          | 23          |

#### ANOVA

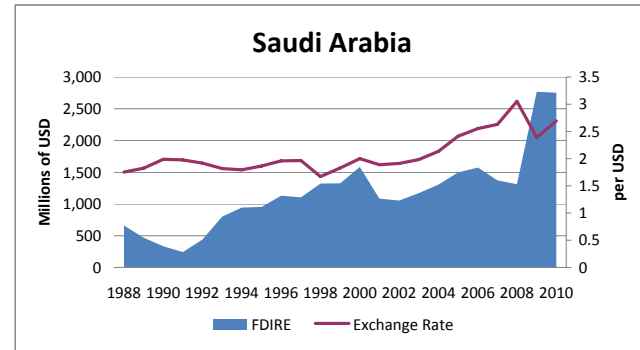
|            | df | SS          | MS          | F           | Significance F |
|------------|----|-------------|-------------|-------------|----------------|
| Regression | 4  | 151978.8733 | 37994.71834 | 3.797851864 | 0.02076946     |
| Residual   | 18 | 180076.7788 | 10004.26549 |             |                |
| Total      | 22 | 332055.6522 |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%   | Lower 95.0%  | Upper 95.0% |
|--------------|--------------|----------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Intercept    | 662.2715597  | 1185.286487    | 0.558743871  | 0.583221526 | -1827.922944 | 3152.466063 | -1827.922944 | 3152.466063 |
| X Variable 1 | -799.2489961 | 710.2723363    | -1.125271189 | 0.275255371 | -2291.475802 | 692.9778097 | -2291.475802 | 692.9778097 |
| X Variable 2 | 0.006699657  | 0.00785223     | 0.853217184  | 0.404750133 | -0.009797265 | 0.02319658  | -0.009797265 | 0.02319658  |
| X Variable 3 | 16.55888117  | 12.94094048    | 1.279573243  | 0.216943338 | -10.6290259  | 43.74678824 | -10.6290259  | 43.74678824 |
| X Variable 4 | 3.024100308  | 3.386956732    | 0.892866531  | 0.383710619 | -4.091631739 | 10.13983235 | -4.091631739 | 10.13983235 |



## Saudi Arabia

| Macroeconomic Data |       |               |                |                  |           |
|--------------------|-------|---------------|----------------|------------------|-----------|
| Year               | FDI   | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 659   | 1.754         | 6,407.38       | 9.646            | 88.829    |
| 1989               | 468   | 1.825         | 6,592.09       | 8.477            | 88.654    |
| 1990               | 334   | 1.987         | 7,689.19       | 11.512           | 91.717    |
| 1991               | 241   | 1.978         | 8,235.57       | -1.56            | 96.268    |
| 1992               | 438   | 1.916         | 8,042.29       | 9.401            | 94.08     |
| 1993               | 801   | 1.817         | 7,648.99       | 11.525           | 95.831    |
| 1994               | 942   | 1.797         | 7,588.63       | 12.047           | 96.356    |
| 1995               | 953   | 1.863         | 7,855.13       | 16.053           | 100.907   |
| 1996               | 1,129 | 1.958         | 8,489.58       | 18.528           | 102.132   |
| 1997               | 1,105 | 1.962         | 8,667.04       | 18.485           | 101.694   |
| 1998               | 1,320 | 1.669         | 7,483.87       | 13.342           | 100.732   |
| 1999               | 1,325 | 1.83          | 8,065.43       | 21.337           | 100.51    |
| 2000               | 1,582 | 2             | 9,216.39       | 26.256           | 98.703    |
| 2001               | 1,084 | 1.889         | 8,736.41       | 23.939           | 98.101    |
| 2002               | 1,052 | 1.912         | 8,785.13       | 25.918           | 98.803    |
| 2003               | 1,170 | 1.98          | 9,758.02       | 32.844           | 99.406    |
| 2004               | 1,305 | 2.138         | 11,126.52      | 39.8             | 99.808    |
| 2005               | 1,500 | 2.409         | 13,657.95      | 46.716           | 101.012   |
| 2006               | 1,574 | 2.555         | 14,784.45      | 46.447           | 103.924   |
| 2007               | 1,372 | 2.628         | 15,444.42      | 44.751           | 110.652   |
| 2008               | 1,309 | 3.055         | 18,495.40      | 50.494           | 120.592   |
| 2009               | 2,768 | 2.388         | 14,148.34      | 30.67            | 125.713   |
| 2010               | 2,755 | 2.695         | 16,266.74      | 37.752           | 132.541   |



### Correlation

|                  | FDIRE       | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|-------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1           |               |                |                  |           |
| Exchange Rate    | 0.560735668 | 1             |                |                  |           |
| GDP Per Capita   | 0.67620425  | 0.980480094   | 1              |                  |           |
| National Savings | 0.641090742 | 0.822277193   | 0.876348144    | 1                |           |
| Inflation        | 0.858518794 | 0.773489298   | 0.828798024    | 0.615646786      | 1         |

### Initial Regression Model

#### SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.945092482 |
| R Square              | 0.8931998   |
| Adjusted R Square     | 0.869466422 |
| Standard Error        | 227.76653   |
| Observations          | 23          |

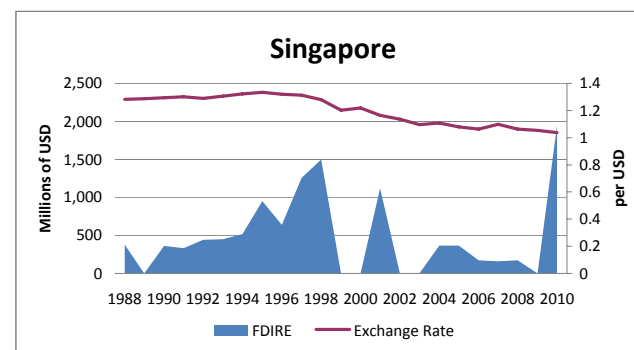
#### ANOVA

|            | df | SS          | MS          | F           | Significance F |
|------------|----|-------------|-------------|-------------|----------------|
| Regression | 4  | 7809601.341 | 1952400.335 | 37.63475237 | 1.63403E-08    |
| Residual   | 18 | 933796.6591 | 51877.59217 |             |                |
| Total      | 22 | 8743398     |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%    | Lower 95.0%  | Upper 95.0%  |
|--------------|--------------|----------------|--------------|-------------|--------------|--------------|--------------|--------------|
| Intercept    | -1805.79179  | 1585.740042    | -1.138769119 | 0.269729035 | -5137.307994 | 1525.724414  | -5137.307994 | 1525.724414  |
| X Variable 1 | -2117.199277 | 950.6552704    | -2.227094661 | 0.038943264 | -4114.451887 | -119.9466667 | -4114.451887 | -119.9466667 |
| X Variable 2 | 0.113612397  | 0.143301147    | 0.79282266   | 0.438206908 | -0.187452142 | 0.414676936  | -0.187452142 | 0.414676936  |
| X Variable 3 | 20.68313959  | 9.698782051    | 2.132550199  | 0.046987321 | 0.306754616  | 41.05952456  | 0.306754616  | 41.05952456  |
| X Variable 4 | 56.41172422  | 11.10715209    | 5.07886484   | 7.82976E-05 | 33.07646359  | 79.74698485  | 33.07646359  | 79.74698485  |

## Singapore

| Macroeconomic Data |       |               |                |                  |           |
|--------------------|-------|---------------|----------------|------------------|-----------|
| Year               | FDI   | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 379   | 1.281         | 9,034.22       | 40.177           | 70.156    |
| 1989               | 0     | 1.288         | 10,306.54      | 43.012           | 72.478    |
| 1990               | 360   | 1.294         | 12,387.32      | 43.028           | 75.245    |
| 1991               | 333   | 1.301         | 13,986.07      | 44.126           | 77.411    |
| 1992               | 444   | 1.289         | 15,687.80      | 45.954           | 78.792    |
| 1993               | 450   | 1.305         | 17,687.37      | 43.375           | 80.806    |
| 1994               | 519   | 1.323         | 20,778.80      | 47.806           | 83.129    |
| 1995               | 952   | 1.333         | 23,718.15      | 49.625           | 83.83     |
| 1996               | 640   | 1.32          | 25,073.75      | 48.961           | 85.505    |
| 1997               | 1,259 | 1.313         | 25,284.21      | 52.595           | 87.256    |
| 1998               | 1,499 | 1.28          | 21,475.01      | 51.783           | 86.01     |
| 1999               | 0     | 1.201         | 21,073.01      | 48.331           | 86.593    |
| 2000               | 0     | 1.218         | 22,790.80      | 44.041           | 88.378    |
| 2001               | 1,119 | 1.165         | 21,001.23      | 39.648           | 87.858    |
| 2002               | 0     | 1.136         | 22,027.88      | 36.658           | 88.242    |
| 2003               | 0     | 1.096         | 23,029.40      | 38.821           | 88.901    |
| 2004               | 366   | 1.107         | 26,418.80      | 38.713           | 90.063    |
| 2005               | 366   | 1.079         | 28,497.52      | 41.086           | 91.21     |
| 2006               | 173   | 1.063         | 31,672.40      | 45.853           | 91.946    |
| 2007               | 158   | 1.099         | 36,642.86      | 48.408           | 95.642    |
| 2008               | 172   | 1.062         | 37,970.95      | 44.784           | 101.179   |
| 2009               | 0     | 1.054         | 36,112.45      | 45.398           | 100.41    |
| 2010               | 1,946 | 1.037         | 43,116.69      | 46.041           | 104.393   |



### Correlation

|                  | FDIRE       | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|-------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1           |               |                |                  |           |
| Exchange Rate    | 0.155288724 | 1             |                |                  |           |
| GDP Per Capita   | 0.211011939 | -0.752715371  | 1              |                  |           |
| National Savings | 0.426600984 | 0.364749347   | 0.22325172     | 1                |           |
| Inflation        | 0.171090148 | -0.803942634  | 0.971516944    | 0.116195647      | 1         |

### Initial Regression Model

#### SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.529333925 |
| R Square              | 0.280194404 |
| Adjusted R Square     | 0.120237605 |
| Standard Error        | 498.0004855 |
| Observations          | 23          |

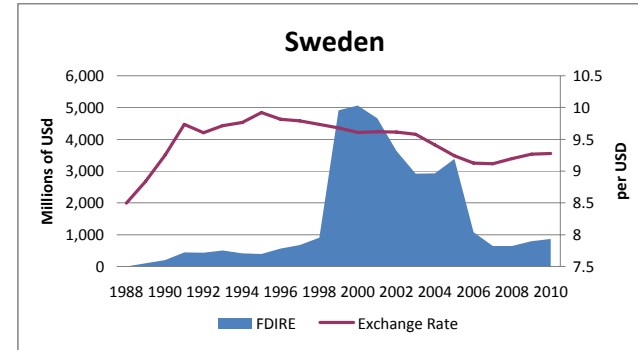
#### ANOVA

|            | df | SS          | MS          | F           | Significance F |
|------------|----|-------------|-------------|-------------|----------------|
| Regression | 4  | 1737705.905 | 434426.4763 | 1.751687994 | 0.182681868    |
| Residual   | 18 | 4464080.704 | 248004.4835 |             |                |
| Total      | 22 | 6201786.609 |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%   | Lower 95.0%  | Upper 95.0% |
|--------------|--------------|----------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Intercept    | -7066.12733  | 5352.182325    | -1.320232926 | 0.203300469 | -18310.64514 | 4178.39048  | -18310.64514 | 4178.39048  |
| X Variable 1 | 3968.771961  | 2751.061341    | 1.442633031  | 0.166300007 | -1810.993443 | 9748.537366 | -1810.993443 | 9748.537366 |
| X Variable 2 | 0.02408011   | 0.059474637    | 0.404880319  | 0.69033659  | -0.100871465 | 0.149031685 | -0.100871465 | 0.149031685 |
| X Variable 3 | -0.768436584 | 46.11793482    | -0.016662424 | 0.986889228 | -97.65862229 | 96.12174913 | -97.65862229 | 96.12174913 |
| X Variable 4 | 25.85455999  | 58.3182495     | 0.443335666  | 0.662805534 | -96.66753574 | 148.3766557 | -96.66753574 | 148.3766557 |

## Sweden

| Macroeconomic Data |       |               |                |                  |           |
|--------------------|-------|---------------|----------------|------------------|-----------|
| Year               | FDI   | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 0     | 8.495         | 22,767.93      | 21.618           | 67.597    |
| 1989               | 104   | 8.837         | 23,847.64      | 22.544           | 71.613    |
| 1990               | 204   | 9.25          | 28,304.65      | 20.861           | 75.764    |
| 1991               | 439   | 9.735         | 29,649.93      | 18.105           | 79.043    |
| 1992               | 432   | 9.603         | 30,534.60      | 15.525           | 82.731    |
| 1993               | 506   | 9.716         | 23,148.90      | 14.044           | 83.897    |
| 1994               | 413   | 9.765         | 24,750.02      | 17.62            | 85.566    |
| 1995               | 388   | 9.921         | 28,710.50      | 20.481           | 87.07     |
| 1996               | 566   | 9.816         | 31,238.76      | 20.048           | 87.68     |
| 1997               | 673   | 9.792         | 28,591.84      | 20.342           | 89.96     |
| 1998               | 909   | 9.734         | 28,750.48      | 21.198           | 90.05     |
| 1999               | 4,915 | 9.679         | 29,188.77      | 21.839           | 91.1      |
| 2000               | 5,060 | 9.609         | 27,841.74      | 22.797           | 92.32     |
| 2001               | 4,657 | 9.62          | 25,531.88      | 23.233           | 95.21     |
| 2002               | 3634  | 9.612         | 28,090.69      | 22.122           | 96.78     |
| 2003               | 2916  | 9.58          | 35,096.99      | 24.122           | 98.53     |
| 2004               | 2934  | 9.414         | 40,218.82      | 23.543           | 99.41     |
| 2005               | 3381  | 9.243         | 40,997.73      | 24.51            | 100.72    |
| 2006               | 1079  | 9.128         | 43,946.23      | 27.153           | 102.16    |
| 2007               | 647   | 9.115         | 50,558.90      | 29.566           | 104.73    |
| 2008               | 648   | 9.197         | 52,728.71      | 28.903           | 106.97    |
| 2009               | 792   | 9.269         | 43,403.92      | 23.332           | 109.96    |
| 2010               | 866   | 9.279         | 49,183.02      | 24.848           | 112.27    |



### Correlation

|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|--------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | 0.231727385  | 1             |                |                  |           |
| GDP Per Capita   | -0.058292609 | -0.282424983  | 1              |                  |           |
| National Savings | 0.21185917   | -0.494335284  | 0.757408107    | 1                |           |
| Inflation        | 0.314797517  | 0.07114848    | 0.824967203    | 0.640750879      | 1         |

### Initial Regression Model

#### SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.742678444 |
| R Square              | 0.551571272 |
| Adjusted R Square     | 0.451920443 |
| Standard Error        | 1246.079868 |
| Observations          | 23          |

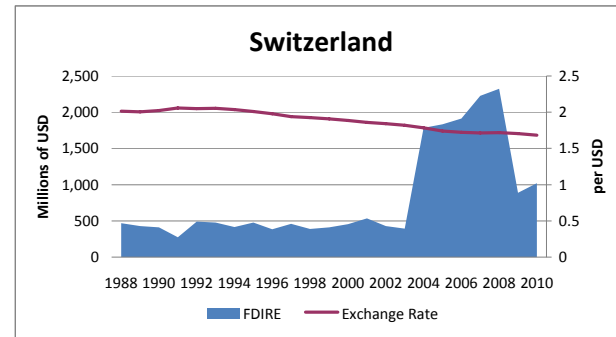
#### ANOVA

|            | df | SS          | MS          | F           | Significance F |
|------------|----|-------------|-------------|-------------|----------------|
| Regression | 4  | 34377356.21 | 8594339.051 | 5.535039494 | 0.004373094    |
| Residual   | 18 | 27948870.66 | 1552715.037 |             |                |
| Total      | 22 | 62326226.87 |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%    | Lower 95.0%  | Upper 95.0%  |
|--------------|--------------|----------------|--------------|-------------|--------------|--------------|--------------|--------------|
| Intercept    | -13441.62964 | 10768.48468    | -1.248237801 | 0.227937213 | -36065.37645 | 9182.117171  | -36065.37645 | 9182.117171  |
| X Variable 1 | 396.099774   | 1164.597018    | 0.340117455  | 0.737704944 | -2050.627768 | 2842.827316  | -2050.627768 | 2842.827316  |
| X Variable 2 | -0.245761187 | 0.064942432    | -3.784292953 | 0.001358103 | -0.382200174 | -0.109322201 | -0.382200174 | -0.109322201 |
| X Variable 3 | 277.5531943  | 132.6832426    | 2.09184814   | 0.050896178 | -1.203954489 | 556.3103431  | -1.203954489 | 556.3103431  |
| X Variable 4 | 145.243799   | 51.99593482    | 2.793368357  | 0.012006083 | 36.00439355  | 254.4832045  | 36.00439355  | 254.4832045  |

## Switzerland

| Macroeconomic Data |      |               |                |                  |           |
|--------------------|------|---------------|----------------|------------------|-----------|
| Year               | FDI  | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 468  | 2.013         | 29,301.51      | 0                | 72.935    |
| 1989               | 427  | 2.007         | 28,062.55      | 0                | 76.598    |
| 1990               | 409  | 2.021         | 35,490.18      | 0                | 80.639    |
| 1991               | 273  | 2.058         | 35,441.77      | 0                | 84.854    |
| 1992               | 490  | 2.051         | 36,504.10      | 0                | 87.756    |
| 1993               | 475  | 2.054         | 35,179.85      | 0                | 89.935    |
| 1994               | 414  | 2.038         | 38,637.49      | 0                | 90.313    |
| 1995               | 476  | 2.011         | 44,874.61      | 0                | 92.072    |
| 1996               | 386  | 1.977         | 43,093.25      | 0                | 92.792    |
| 1997               | 459  | 1.94          | 37,323.36      | 0                | 93.15     |
| 1998               | 388  | 1.924         | 38,344.56      | 0                | 92.993    |
| 1999               | 409  | 1.908         | 37,544.77      | 0                | 94.544    |
| 2000               | 456  | 1.888         | 34,786.16      | 0                | 95.956    |
| 2001               | 536  | 1.861         | 35,284.34      | 0                | 96.268    |
| 2002               | 427  | 1.84          | 38,246.93      | 0                | 97.126    |
| 2003               | 395  | 1.82          | 44,290.98      | 0                | 97.702    |
| 2004               | 1783 | 1.783         | 49,121.81      | 0                | 99.004    |
| 2005               | 1831 | 1.741         | 50,083.49      | 0                | 100       |
| 2006               | 1912 | 1.721         | 52,276.34      | 0                | 100.621   |
| 2007               | 2228 | 1.715         | 57,490.59      | 0                | 102.637   |
| 2008               | 2323 | 1.718         | 65,799.80      | 0                | 103.357   |
| 2009               | 886  | 1.703         | 63,579.55      | 0                | 103.649   |
| 2010               | 1021 | 1.685         | 67,778.53      | 0                | 104.363   |



|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|--------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | -0.751063455 | 1             |                |                  |           |
| GDP Per Capita   | 0.722606945  | -0.828930986  | 1              |                  |           |
| National Savings | #DIV/0!      | #DIV/0!       | #DIV/0!        | 1                |           |
| Inflation        | 0.594387671  | -0.838857861  | 0.805227009    | #DIV/0!          | 1         |

Initial Regression Model

SUMMARY OUTPUT

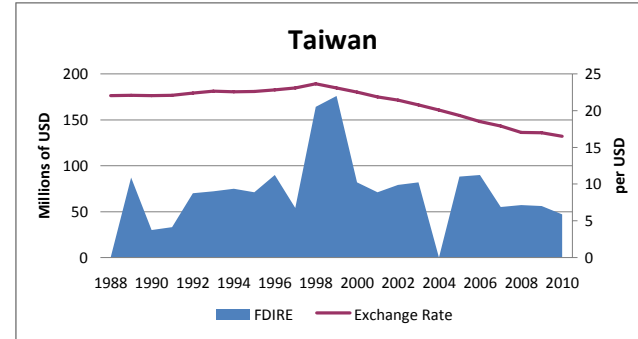
| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.788200636 |
| R Square              | 0.621260242 |
| Adjusted R Square     | 0.537095851 |
| Standard Error        | 456.595581  |
| Observations          | 23          |

| ANOVA      |    |             |             |             |                |
|------------|----|-------------|-------------|-------------|----------------|
|            | df | SS          | MS          | F           | Significance F |
| Regression | 4  | 6155574.296 | 1538893.574 | 7.381509417 | 0.00105692     |
| Residual   | 18 | 3752631.443 | 208479.5246 |             |                |
| Total      | 22 | 9908205.739 |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%    | Lower 95.0%  | Upper 95.0%  |
|--------------|--------------|----------------|--------------|-------------|--------------|--------------|--------------|--------------|
| Intercept    | 7904.595752  | 4554.286639    | 1.735638614  | 0.099714706 | -1663.605426 | 17472.79693  | -1663.605426 | 17472.79693  |
| X Variable 1 | -3238.202131 | 1541.070422    | -2.101268108 | 0.049966106 | -6475.870947 | -0.533315198 | -6475.870947 | -0.533315198 |
| X Variable 2 | 0.024657119  | 0.016475884    | 1.496558185  | 0.151837203 | -0.009957429 | 0.059271667  | -0.009957429 | 0.059271667  |
| X Variable 3 | 0            | 0              | 65535        | #NUM!       | 0            | 0            | 0            | 0            |
| X Variable 4 | -21.75973829 | 22.64110988    | -0.961072068 | #NUM!       | -69.32694505 | 25.80746846  | -69.32694505 | 25.80746846  |

## Taiwan

| Macroeconomic Data |     |               |                |                  |           |
|--------------------|-----|---------------|----------------|------------------|-----------|
| Year               | FDI | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 0   | 22.033        | 6,115.28       | 34.056           | 69.6      |
| 1989               | 87  | 22.093        | 7,520.98       | 31.99            | 71.78     |
| 1990               | 30  | 22.026        | 8,086.46       | 30.997           | 75.06     |
| 1991               | 33  | 22.069        | 8,973.49       | 31.436           | 77.97     |
| 1992               | 70  | 22.372        | 10,572.62      | 30.718           | 80.63     |
| 1993               | 72  | 22.641        | 11,028.91      | 30.316           | 84.36     |
| 1994               | 75  | 22.55         | 11,932.17      | 29.123           | 86.6      |
| 1995               | 71  | 22.604        | 12,865.45      | 28.68            | 90.56     |
| 1996               | 90  | 22.833        | 13,376.43      | 27.758           | 92.85     |
| 1997               | 54  | 23.072        | 13,739.83      | 27.444           | 93.09     |
| 1998               | 164 | 23.668        | 12,546.01      | 27.223           | 95.06     |
| 1999               | 176 | 23.074        | 13,534.66      | 27.642           | 95.2      |
| 2000               | 82  | 22.539        | 14,641.41      | 28.417           | 96.77     |
| 2001               | 71  | 21.846        | 13,107.64      | 26.292           | 95.14     |
| 2002               | 79  | 21.413        | 13,369.78      | 28.026           | 95.86     |
| 2003               | 82  | 20.782        | 13,747.84      | 29.137           | 95.81     |
| 2004               | 0   | 20.083        | 14,985.79      | 29.531           | 97.36     |
| 2005               | 88  | 19.342        | 16,022.94      | 28.449           | 99.51     |
| 2006               | 90  | 18.532        | 16,450.67      | 30.298           | 100.18    |
| 2007               | 55  | 17.918        | 17,122.38      | 31.691           | 103.52    |
| 2008               | 57  | 17.011        | 17,372.27      | 29.104           | 107.878   |
| 2009               | 56  | 16.97         | 16,325.86      | 29.033           | 100.967   |
| 2010               | 47  | 16.496        | 18,558.09      | 32.193           | 108.666   |



### Correlation

|                  | FDIRE       | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|-------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1           |               |                |                  |           |
| Exchange Rate    | 0.311977224 | 1             |                |                  |           |
| GDP Per Capita   | 0.156279087 | -0.690531822  | 1              |                  |           |
| National Savings | -0.55782172 | -0.278870276  | -0.357843792   | 1                |           |
| Inflation        | 0.225781306 | -0.632528104  | 0.982579323    | -0.44493172      | 1         |

### Initial Regression Model

#### SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.636156337 |
| R Square              | 0.404694885 |
| Adjusted R Square     | 0.272404859 |
| Standard Error        | 34.51159571 |
| Observations          | 23          |

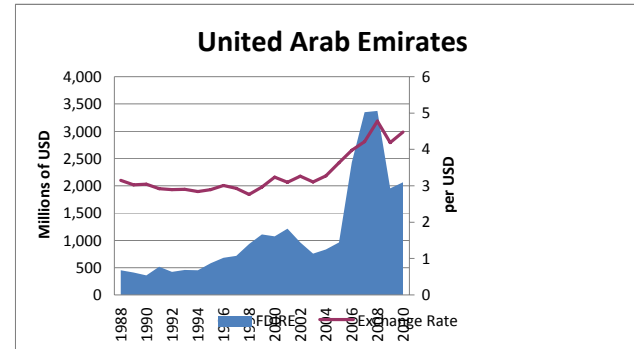
#### ANOVA

|            | df | SS          | MS          | F           | Significance F |
|------------|----|-------------|-------------|-------------|----------------|
| Regression | 4  | 14574.40006 | 3643.600014 | 3.059148889 | 0.043589855    |
| Residual   | 18 | 21438.90429 | 1191.050238 |             |                |
| Total      | 22 | 36013.30435 |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%   | Lower 95.0%  | Upper 95.0% |
|--------------|--------------|----------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Intercept    | -384.1537263 | 526.9287123    | -0.72904307  | 0.47535525  | -1491.189872 | 722.8824191 | -1491.189872 | 722.8824191 |
| X Variable 1 | 11.31978979  | 7.398385959    | 1.530035044  | 0.143392628 | -4.223642337 | 26.86322191 | -4.223642337 | 26.86322191 |
| X Variable 2 | -0.005507766 | 0.013986675    | -0.39378662  | 0.698364363 | -0.03489268  | 0.023877149 | -0.03489268  | 0.023877149 |
| X Variable 3 | -1.980601622 | 7.434072991    | -0.266422138 | 0.79294213  | -17.59900942 | 13.63780617 | -17.59900942 | 13.63780617 |
| X Variable 4 | 3.781359179  | 4.372868401    | 0.864731986  | 0.398563971 | -5.405696424 | 12.96841478 | -5.405696424 | 12.96841478 |

## United Arab Emirates

| Macroeconomic Data |       |               |                |                  |           |
|--------------------|-------|---------------|----------------|------------------|-----------|
| Year               | FDI   | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 452   | 3.15          | 18,435.20      | 26.498           | 0         |
| 1989               | 408   | 3.027         | 20,478.53      | 27.605           | 0         |
| 1990               | 360   | 3.04          | 26,621.51      | 44.831           | 102.75    |
| 1991               | 517   | 2.918         | 25,847.41      | 24.999           | 109.25    |
| 1992               | 424   | 2.897         | 25,960.97      | 29.229           | 112.9     |
| 1993               | 457   | 2.902         | 25,654.37      | 30.543           | 119.1     |
| 1994               | 454   | 2.846         | 25,762.53      | 27.584           | 125.05    |
| 1995               | 583   | 2.897         | 26,394.42      | 27.798           | 129.6     |
| 1996               | 682   | 3.011         | 29,058.86      | 32.603           | 133.45    |
| 1997               | 713   | 2.926         | 29,535.55      | 34.326           | 136.75    |
| 1998               | 933   | 2.766         | 25,897.65      | 28.239           | 139.55    |
| 1999               | 1,110 | 2.966         | 27,321.04      | 29.581           | 141.95    |
| 2000               | 1,076 | 3.24          | 34,688.98      | 35.578           | 144.901   |
| 2001               | 1,214 | 3.094         | 32,621.29      | 29.249           | 149.045   |
| 2002               | 963   | 3.26          | 32,790.71      | 24.256           | 153.546   |
| 2003               | 755   | 3.106         | 35,017.31      | 26.635           | 159.834   |
| 2004               | 835   | 3.274         | 39,304.51      | 24.915           | 168.836   |
| 2005               | 962   | 3.632         | 43,988.56      | 30.797           | 181.983   |
| 2006               | 2,426 | 3.975         | 52,519.71      | 33.455           | 200.632   |
| 2007               | 3,351 | 4.214         | 57,520.09      | 29.735           | 224.143   |
| 2008               | 3,372 | 4.774         | 66,074.44      | 29.624           | 238.931   |
| 2009               | 1,951 | 4.188         | 53,362.62      | 26.813           | 241.837   |
| 2010               | 2,067 | 4.481         | 57,884.23      | 26.364           | 245.95    |



|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|--------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | 0.898484086  | 1             |                |                  |           |
| GDP Per Capita   | 0.916750536  | 0.954637524   | 1              |                  |           |
| National Savings | -0.040766041 | -0.073675933  | -0.046037918   | 1                |           |
| Inflation        | 0.759192553  | 0.736957773   | 0.883726252    | -0.045095398     | 1         |

Initial Regression Model

SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.923229297 |
| R Square              | 0.852352335 |
| Adjusted R Square     | 0.819541743 |
| Standard Error        | 379.4755241 |
| Observations          | 23          |

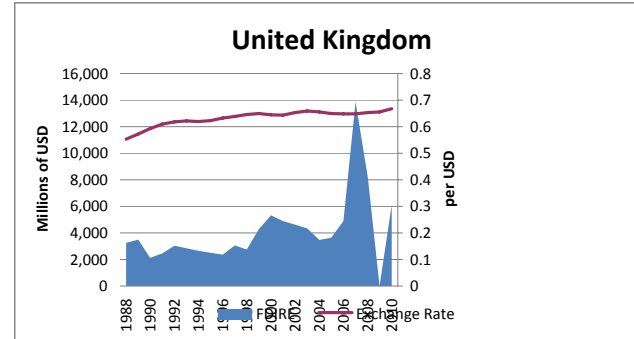
ANOVA

|            | df | SS          | MS          | F           | Significance F |
|------------|----|-------------|-------------|-------------|----------------|
| Regression | 4  | 14963480.31 | 3740870.078 | 25.97796254 | 2.89146E-07    |
| Residual   | 18 | 2592030.122 | 144001.6734 |             |                |
| Total      | 22 | 17555510.43 |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%   | Lower 95.0%  | Upper 95.0% |
|--------------|--------------|----------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Intercept    | -914.5959664 | 1573.249408    | -0.581342006 | 0.568219141 | -4219.870323 | 2390.67839  | -4219.870323 | 2390.67839  |
| X Variable 1 | -64.11379395 | 736.2894834    | -0.087076884 | 0.931571783 | -1611.000598 | 1482.77301  | -1611.000598 | 1482.77301  |
| X Variable 2 | 0.078952558  | 0.046243084    | 1.707337631  | 0.104949713 | -0.018200557 | 0.176105673 | -0.018200557 | 0.176105673 |
| X Variable 3 | -0.184118588 | 18.40921925    | -0.010001434 | 0.99213016  | -38.86045304 | 38.49221587 | -38.86045304 | 38.49221587 |
| X Variable 4 | -3.580878355 | 4.295298008    | -0.833674019 | 0.415391165 | -12.60496461 | 5.443207901 | -12.60496461 | 5.443207901 |

## United Kingdom

| Macroeconomic Data |       |               |                |                  |           |
|--------------------|-------|---------------|----------------|------------------|-----------|
| Year               | FDI   | Exchange Rate | GDP per Capita | National Savings | Inflation |
| 1988               | 3,263 | 0.553         | 14,976.44      | 17.258           | 64.6      |
| 1989               | 3,505 | 0.572         | 15,090.29      | 17.252           | 68.2      |
| 1990               | 2,121 | 0.593         | 17,782.06      | 16.424           | 73.5      |
| 1991               | 2,447 | 0.61          | 18,441.42      | 15.417           | 78.7      |
| 1992               | 3,031 | 0.618         | 19,072.63      | 14.301           | 80.8      |
| 1993               | 2,841 | 0.622         | 17,025.60      | 14.043           | 82.7      |
| 1994               | 2,654 | 0.619         | 18,343.34      | 15.661           | 84.2      |
| 1995               | 2,495 | 0.623         | 19,947.19      | 15.931           | 86.7      |
| 1996               | 2,368 | 0.633         | 20,989.85      | 16.093           | 88.8      |
| 1997               | 3,050 | 0.639         | 23,312.43      | 17.102           | 90.4      |
| 1998               | 2,746 | 0.646         | 24,902.18      | 17.955           | 91.7      |
| 1999               | 4,292 | 0.65          | 25,609.93      | 15.713           | 92.8      |
| 2000               | 5,326 | 0.644         | 25,142.25      | 15.018           | 93.6      |
| 2001               | 4,902 | 0.643         | 24,891.24      | 15.352           | 94.6      |
| 2002               | 4617  | 0.653         | 27,218.78      | 15.322           | 96        |
| 2003               | 4330  | 0.659         | 31,277.10      | 15.124           | 97.3      |
| 2004               | 3458  | 0.655         | 36,820.75      | 14.995           | 98.7      |
| 2005               | 3636  | 0.649         | 37,897.81      | 14.464           | 100.8     |
| 2006               | 4897  | 0.648         | 40,399.45      | 14.116           | 103.6     |
| 2007               | 13863 | 0.648         | 46,118.06      | 15.578           | 105.7     |
| 2008               | 8237  | 0.653         | 43,651.55      | 15.003           | 109.8     |
| 2009               | 0     | 0.656         | 35,315.27      | 11.768           | 112.1     |
| 2010               | 6112  | 0.667         | 36,164.10      | 11.836           | 115.9     |



|                  | FDIRE        | Exchange Rate | GDP per Capita | National Savings | Inflation |
|------------------|--------------|---------------|----------------|------------------|-----------|
| FDIRE            | 1            |               |                |                  |           |
| Exchange Rate    | 0.295262407  | 1             |                |                  |           |
| GDP Per Capita   | 0.61745666   | 0.73158638    | 1              |                  |           |
| National Savings | -0.029002838 | -0.526221549  | -0.479404048   | 1                |           |
| Inflation        | 0.41584036   | 0.913218127   | 0.884233878    | -0.655686289     | 1         |

### Initial Regression Model

#### SUMMARY OUTPUT

| Regression Statistics |             |
|-----------------------|-------------|
| Multiple R            | 0.703858121 |
| R Square              | 0.495416255 |
| Adjusted R Square     | 0.383286534 |
| Standard Error        | 2105.137292 |
| Observations          | 23          |

#### ANOVA

|            | df | SS          | MS          | F           | Significance F |
|------------|----|-------------|-------------|-------------|----------------|
| Regression | 4  | 78319580.1  | 19579895.02 | 4.418242099 | 0.011574233    |
| Residual   | 18 | 79768854.34 | 4431603.019 |             |                |
| Total      | 22 | 158088434.4 |             |             |                |

|              | Coefficients | Standard Error | t Stat       | P-value     | Lower 95%    | Upper 95%   | Lower 95.0%  | Upper 95.0% |
|--------------|--------------|----------------|--------------|-------------|--------------|-------------|--------------|-------------|
| Intercept    | 2031.715183  | 18544.21763    | 0.109560577  | 0.913970096 | -36928.24035 | 40991.67072 | -36928.24035 | 40991.67072 |
| X Variable 1 | -19144.51967 | 45818.92791    | -0.417829935 | 0.681013469 | -115406.5152 | 77117.47584 | -115406.5152 | 77117.47584 |
| X Variable 2 | 0.264439476  | 0.121283596    | 2.180340002  | 0.042748397 | 0.009632096  | 0.519246856 | 0.009632096  | 0.519246856 |
| X Variable 3 | 511.010754   | 447.936011     | 1.14081195   | 0.268899899 | -430.0678842 | 1452.089392 | -430.0678842 | 1452.089392 |
| X Variable 4 | -8.3931189   | 165.5100567    | -0.050710628 | 0.96011461  | -356.1168449 | 339.3306071 | -356.1168449 | 339.3306071 |