

# South American States of the Future 2014/15

SÃO PAULO HAS BEEN DECLARED THE WINNER IN **fDi**'S SOUTH AMERICAN STATES OF THE FUTURE 2014/15 RANKING WITH METROPOLITANA DE SANTIAGO AND RIO DE JANEIRO FOLLOWING IN SECOND AND THIRD PLACES. **CATHY McREYNOLDS** REPORTS



**fDi**

SOUTH AMERICAN STATES OF THE FUTURE 2014/15

**A**s Brazil prepares to host the FIFA Football World Cup later this year and the Olympic Games in 2016, the country is attracting the attention of investors. In **fDi**'s inaugural ranking of the South American States of the Future, Brazilian states stood out in the overall top five, claiming two places in the list.

São Paulo topped the leaderboard and also placed first in terms of its economic potential. The state is a huge recipient of FDI in the region, receiving 20.38% of all of South America's FDI between January 2008 and December 2013, according to data from greenfield FDI monitor **fDi** Markets.

São Paulo also placed second in the categories of Human Capital and Business Friendliness. This, coupled with its first place ranking in the only subjective category, FDI Strategy, marked a strong performance for South America's most populous state. In terms of the FDI Strategy category, judges were impressed with the location's numerous public-private infrastructure projects, which will increase rail, air, power and water connectivity to the city.

"São Paulo state is considered the engine of the Brazilian economy," says the chief executive of investment promotion agency Investe São Paulo. "Occupying 3% of the national territory, it represents 22% of the country's population [42 million people] and 33% of Brazil's GDP."

## Chile's winners

Metropolitana de Santiago was the highest ranking Chilean state, achieving second place overall. Chile's most populous state also ranked second place in the Economic Potential category, as well as placing first of all major South American states in the Cost Effectiveness category and third of all major states in the Infrastructure category, thanks in part to the country's excellent logistics networks and internet connectivity.

Brazilian state Rio de Janeiro placed third in the ranking – also ranking third for Economic

Potential and second of all major South American states in the Infrastructure category. The location also ranked second in the qualitative FDI Strategy category, in part thanks to its creation and implementation of a subsea cluster, "which intends to attract and support the development of subsea suppliers and subsea equipment manufacturers for the oil and gas sector, since Rio represents more than 80% of Brazil's production of oil and 40% of natural gas", according to state officials.

## Small and spirited

Argentina's Buenos Aires Autonomous City ranked first of all large South American states, topping the large category tables Economic Potential, Human Capital and Business Friendliness. The state's low unemployment rate and high GDP, as well as the high number of jobs created by foreign companies and its increased level of education enrolment, ensured its high standing in the tables.

The Chilean state of Antofagasta ranked first of South America's mid-sized states. The state has a huge mining sector, which accounted for it being the fourth largest recipient state in the region for FDI per 100,000 people. Job creation through FDI peaked in 2011, according to **fDi** Markets, when 10,649 jobs were created over six projects, four of which were in the mining sector.

Another Chilean state, Atacama, ranked first of all small locations, as well as placing first of all small states in the Economic Potential category, thanks in part to Chile's low inflation rate and the state's high GDP per capita.

As Brazil's two big FDI players, São Paulo and Rio de Janeiro, prepare for their time in the international spotlight, will these locations hold their places in the 2016/17 rankings? Or will states such as Metropolitana de Santiago, with its rising FDI levels, surge ahead? Chile's economy is growing year on year. With 2014 growth set to reach 3.75% to 4.75% and with three of the top 10 places in this ranking, only time will tell. ▶

# REGIONS

## SOUTH AMERICAN STATES OF THE FUTURE

### TOP 25 OVERALL SOUTH AMERICAN STATES OF THE FUTURE 2014/15

RANK	STATE	COUNTRY
1	São Paulo	Brazil
2	Metropolitana de Santiago	Chile
3	Rio de Janeiro	Brazil
4	Buenos Aires Autonomous City	Argentina
5	Bogotá	Colombia
6	Buenos Aires Province	Argentina
7	Antofagasta	Chile
8	Lima	Peru
9	Rio Grande do Sul	Brazil
10	Valparaiso	Chile
11	Minas Gerais	Brazil
12	Paraná	Brazil
13	Bío Bío	Chile
14	Atacama	Chile
15	Arica y Parinacota	Chile
16	Magallanes y la Antártica Chilena	Chile
17	Santa Catarina	Brazil
18	Coquimbo	Chile
19	Los Lagos	Chile
20	Aysén del General Carlos Ibáñez del Campo	Chile
21	Antioquia	Colombia
22	Bahia	Brazil
23	Montevideo	Uruguay
24	Tarapacá	Chile
25	Libertador General Bernardo O'Higgins	Chile

### TOP 10 OVERALL LARGE SOUTH AMERICAN STATES

RANK	STATE	COUNTRY
1	Buenos Aires Autonomous City	Argentina
2	Valparaiso	Chile
3	Bío Bío	Chile
4	Pichincha	Ecuador
5	Atlántico	Colombia
6	Espirito Santo	Brazil
7	Cundinamarca	Colombia
8	Bolívar	Colombia
9	Guayas	Ecuador
10	Santa Fe	Argentina

### TOP 10 OVERALL MID-SIZED SOUTH AMERICAN STATES

RANK	STATE	COUNTRY
1	Antofagasta	Chile
2	Coquimbo	Chile
3	Los Lagos	Chile
4	Montevideo	Uruguay
5	Libertador General Bernardo O'Higgins	Chile
6	La Araucanía	Chile
7	Maule	Chile
8	Arequipa	Peru
9	Magdalena	Colombia
10	Risaralda	Colombia

### TOP 10 OVERALL MAJOR SOUTH AMERICAN STATES

RANK	STATE	COUNTRY
1	São Paulo	Brazil
2	Metropolitana de Santiago	Chile
3	Rio de Janeiro	Brazil
4	Bogotá	Colombia
5	Buenos Aires Province	Argentina
6	Lima	Peru
7	Rio Grande do Sul	Brazil
8	Minas Gerais	Brazil
9	Paraná	Brazil
10	Santa Catarina	Brazil

### TOP 10 OVERALL SMALL SOUTH AMERICAN STATES

RANK	STATE	COUNTRY
1	Atacama	Chile
2	Arica y Parinacota	Chile
3	Magallanes y la Antártica Chilena	Chile
4	Aysén del General Carlos Ibáñez del Campo	Chile
5	Tarapacá	Chile
6	Los Ríos	Chile
7	Maldonado	Uruguay
8	Tacna	Peru
9	Morona-Santiago	Ecuador
10	Tierra del Fuego	Argentina

### TOP 10 SOUTH AMERICAN STATES (ALL SIZES) – ECONOMIC POTENTIAL

RANK	STATE	COUNTRY
1	São Paulo	Brazil
2	Metropolitana de Santiago	Chile
3	Rio de Janeiro	Brazil
4	Buenos Aires Autonomous City	Argentina
5	Bogotá	Colombia
6	Lima	Peru
7	Antofagasta	Chile
8	Atacama	Chile
9	Rio Grande do Sul	Brazil
10	Buenos Aires Province	Argentina

### TOP 10 MAJOR SOUTH AMERICAN STATES – ECONOMIC POTENTIAL

RANK	STATE	COUNTRY
1	São Paulo	Brazil
2	Metropolitana de Santiago	Chile
3	Rio de Janeiro	Brazil
4	Bogotá	Colombia
5	Lima	Peru
6	Rio Grande do Sul	Brazil
7	Buenos Aires Province	Argentina
8	Minas Gerais	Brazil
9	Paraná	Brazil
10	Santa Catarina	Brazil

SOUTH AMERICAN STATES OF THE FUTURE

**TOP 10 LARGE SOUTH AMERICAN STATES – ECONOMIC POTENTIAL**

RANK	STATE	COUNTRY
1	Buenos Aires Autonomous City	Argentina
2	Valparaíso	Chile
3	Pichincha	Ecuador
4	Atlántico	Colombia
5	Distrito Capital	Venezuela
6	Federal District	Brazil
7	Mendoza	Argentina
8	Bío Bío	Chile
9	Santa Fe	Argentina
10	Piura	Peru

**TOP 10 MID-SIZED SOUTH AMERICAN STATES – ECONOMIC POTENTIAL**

RANK	STATE	COUNTRY
1	Antofagasta	Chile
2	Montevideo	Uruguay
3	Coquimbo	Chile
4	Los Lagos	Chile
5	Arequipa	Peru
6	Libertador General Bernardo O'Higgins	Chile
7	Callao	Peru
8	Cuzco	Peru
9	La Araucanía	Chile
10	Maule	Chile

**TOP 10 SMALL SOUTH AMERICAN STATES – ECONOMIC POTENTIAL**

RANK	STATE	COUNTRY
1	Atacama	Chile
2	Maldonado	Uruguay
3	Tierra del Fuego	Argentina
4	Tarapacá	Chile
5	Aysén del General Carlos Ibáñez del Campo	Chile
6	Madre de Dios	Peru
7	Tacna	Peru
8	Arica y Parinacota	Chile
9	Magallanes y la Antártica Chilena	Chile
10	Moquegua	Peru

**TOP 10 SOUTH AMERICAN STATES (ALL SIZES) – HUMAN CAPITAL**

RANK	STATE	COUNTRY
1	Buenos Aires Autonomous City	Argentina
2	São Paulo	Brazil
3	Buenos Aires Province	Argentina
4	Metropolitana de Santiago	Chile
5	Lima	Peru
6	Pichincha	Ecuador
7	Rio de Janeiro	Brazil
8	Bogotá	Colombia
9	Montevideo	Uruguay
10	Guayas	Ecuador

**TOP 10 MAJOR SOUTH AMERICAN STATES – HUMAN CAPITAL**

RANK	STATE	COUNTRY
1	São Paulo	Brazil
2	Buenos Aires Province	Argentina
3	Metropolitana de Santiago	Chile
4	Lima	Peru
5	Rio de Janeiro	Brazil
6	Bogotá	Colombia
7	Rio Grande do Sul	Brazil
8	Minas Gerais	Brazil
9	Paraná	Brazil
10	Santa Catarina	Brazil

**TOP 10 LARGE SOUTH AMERICAN STATES – HUMAN CAPITAL**

RANK	STATE	COUNTRY
1	Buenos Aires Autonomous City	Argentina
2	Pichincha	Ecuador
3	Guayas	Ecuador
4	Córdoba	Argentina
5	Santa Fe	Argentina
6	Zulia	Venezuela
7	Mendoza	Argentina
8	Distrito Capital	Venezuela
9	Valparaíso	Chile
10	Tucumán	Argentina

**TOP 10 MID-SIZED SOUTH AMERICAN STATES – HUMAN CAPITAL**

RANK	STATE	COUNTRY
1	Montevideo	Uruguay
2	Entre Ríos	Argentina
3	Salta	Argentina
4	Antofagasta	Chile
5	Corrientes	Argentina
6	Río Negro	Argentina
7	La Araucanía	Chile
8	Maule	Chile
9	Chubut	Argentina
10	Falcon	Venezuela

**TOP 10 SMALL SOUTH AMERICAN STATES – HUMAN CAPITAL**

RANK	STATE	COUNTRY
1	La Rioja	Argentina
2	Magallanes y la Antártica Chilena	Chile
3	San Luis	Argentina
4	Aysén del General Carlos Ibáñez del Campo	Chile
5	Catamarca	Argentina
6	Arica y Parinacota	Chile
7	La Pampa	Argentina
8	Atacama	Chile
9	Tarapacá	Chile
10	Santa Cruz	Argentina

**TOP 10 SOUTH AMERICAN STATES (ALL SIZES) – COST EFFECTIVENESS**

RANK	STATE	COUNTRY
1	Cordillera	Paraguay
2	Central	Paraguay
3	Loja	Ecuador
4	Distrito Capital	Paraguay
5	Bío Bío	Chile
6	La Araucanía	Chile
7	Alto Paraná	Paraguay
8	Potaro-Siparuni	Guyana
9	Itapúa	Paraguay
10	Demerara-Mahaica	Guyana

**TOP 10 MAJOR SOUTH AMERICAN STATES – COST EFFECTIVENESS**

RANK	STATE	COUNTRY
1	Metropolitana de Santiago	Chile
2	Lima	Peru
3	Valle del Cauca	Colombia
4	Antioquia	Colombia
5	Maranhão	Brazil
6	Goias	Brazil
7	Ceara	Brazil
8	Bogotá	Colombia
9	Pernambuco	Brazil
10	Santa Catarina	Brazil

## REGIONS

### SOUTH AMERICAN STATES OF THE FUTURE

#### TOP 10 LARGE SOUTH AMERICAN STATES – COST EFFECTIVENESS

RANK	STATE	COUNTRY
1	Central	Paraguay
2	Bío Bío	Chile
3	Guayas	Ecuador
4	Pichincha	Ecuador
5	Valparaíso	Chile
6	Cochabamba	Bolivia
7	Santa Cruz	Bolivia
8	La Paz	Bolivia
9	Cajamarca	Peru
10	La Libertad	Peru

#### TOP 10 SMALL SOUTH AMERICAN STATES – COST EFFECTIVENESS

RANK	STATE	COUNTRY
1	Cordillera	Paraguay
2	Loja	Ecuador
3	Potaro-Siparuni	Guyana
4	Demerara-Mahaica	Guyana
5	Essequibo Islands-West Demerara	Guyana
6	Mahaica-Berbice	Guyana
7	Los Ríos	Chile
8	Arica y Parinacota	Chile
9	Chimborazo	Ecuador
10	Aysén del General Carlos Ibáñez del Campo	Chile

#### TOP 10 MAJOR SOUTH AMERICAN STATES – INFRASTRUCTURE

RANK	STATE	COUNTRY
1	Buenos Aires Province	Argentina
2	Rio de Janeiro	Brazil
3	Metropolitana de Santiago	Chile
4	São Paulo	Brazil
5	Bahia	Brazil
6	Pará	Brazil
7	Pernambuco	Brazil
8	Rio Grande do Sul	Brazil
9	Paraná	Brazil
10	Antioquia	Colombia

#### TOP 10 MID-SIZED SOUTH AMERICAN STATES – INFRASTRUCTURE

RANK	STATE	COUNTRY
1	Los Lagos	Chile
2	Coquimbo	Chile
3	Libertador General Bernardo O'Higgins	Chile
4	Maule	Chile
5	La Araucanía	Chile
6	Antofagasta	Chile
7	Montevideo	Uruguay
8	Canelones	Uruguay
9	Chubut	Argentina
10	Entre Ríos	Argentina

#### TOP 10 SOUTH AMERICAN STATES (ALL SIZES) – BUSINESS FRIENDLINESS

RANK	STATE	COUNTRY
1	Bogotá	Colombia
2	São Paulo	Brazil
3	Buenos Aires Autonomous City	Argentina
4	Metropolitana de Santiago	Chile
5	Rio de Janeiro	Brazil
6	Minas Gerais	Brazil
7	Antofagasta	Chile
8	Paraná	Brazil
9	Buenos Aires Province	Argentina
10	Rio Grande do Sul	Brazil

#### TOP 10 MID-SIZED SOUTH AMERICAN STATES – COST EFFECTIVENESS

RANK	STATE	COUNTRY
1	Distrito Capital	Paraguay
2	La Araucanía	Chile
3	Alto Paraná	Paraguay
4	Itapúa	Paraguay
5	Azuay	Ecuador
6	Coquimbo	Chile
7	Manabí	Ecuador
8	Libertador General Bernardo O'Higgins	Chile
9	Los Lagos	Chile
10	Potosí	Bolivia

#### TOP 10 SOUTH AMERICAN STATES (ALL SIZES) – INFRASTRUCTURE

RANK	STATE	COUNTRY
1	Buenos Aires Province	Argentina
2	Valparaíso	Chile
3	Bío Bío	Chile
4	Los Lagos	Chile
5	Rio de Janeiro	Brazil
6	Metropolitana de Santiago	Chile
7	Coquimbo	Chile
8	Aysén del General Carlos Ibáñez del Campo	Chile
9	São Paulo	Brazil
10	Libertador General Bernardo O'Higgins	Chile

#### TOP 10 LARGE SOUTH AMERICAN STATES – INFRASTRUCTURE

RANK	STATE	COUNTRY
1	Valparaíso	Chile
2	Bío Bío	Chile
3	Espírito Santo	Brazil
4	Buenos Aires Autonomous City	Argentina
5	Guayas	Ecuador
6	Bolívar	Colombia
7	Santa Fe	Argentina
8	Mato Grosso do Sul	Brazil
9	Rio Grande do Norte	Brazil
10	Paraíba	Brazil

#### TOP 10 SMALL SOUTH AMERICAN STATES – INFRASTRUCTURE

RANK	STATE	COUNTRY
1	Aysén del General Carlos Ibáñez del Campo	Chile
2	Magallanes y la Antártica Chilena	Chile
3	Arica y Parinacota	Chile
4	Tarapacá	Chile
5	Atacama	Chile
6	Santa Cruz	Argentina
7	Los Ríos	Chile
8	Maldonado	Uruguay
9	Catamarca	Argentina
10	San Luis	Argentina

#### TOP 10 MAJOR SOUTH AMERICAN STATES – BUSINESS FRIENDLINESS

RANK	STATE	COUNTRY
1	Bogotá	Colombia
2	São Paulo	Brazil
3	Metropolitana de Santiago	Chile
4	Rio de Janeiro	Brazil
5	Minas Gerais	Brazil
6	Paraná	Brazil
7	Buenos Aires Province	Argentina
8	Rio Grande do Sul	Brazil
9	Lima	Peru
10	Antioquia	Colombia

# REGIONS

## SOUTH AMERICAN STATES OF THE FUTURE

### TOP 10 LARGE SOUTH AMERICAN STATES – BUSINESS FRIENDLINESS

RANK	STATE	COUNTRY
1	Buenos Aires Autonomous City	Argentina
2	Cundinamarca	Colombia
3	Valparaíso	Chile
4	Bío Bío	Chile
5	Mato Grosso do Sul	Brazil
6	Atlántico	Colombia
7	Santa Fe	Argentina
8	Bolívar	Colombia
9	Espirito Santo	Brazil
10	Santander	Colombia

### TOP 10 MID-SIZED SOUTH AMERICAN STATES – BUSINESS FRIENDLINESS

RANK	STATE	COUNTRY
1	Antofagasta	Chile
2	Montevideo	Uruguay
3	Canelones	Uruguay
4	Risaralda	Colombia
5	Coquimbo	Chile
6	Arequipa	Peru
7	Quindío	Colombia
8	Caldas	Colombia
9	Distrito Capital	Paraguay
10	Cauca	Colombia

### TOP 10 SMALL SOUTH AMERICAN STATES – BUSINESS FRIENDLINESS

RANK	STATE	COUNTRY
1	Arica y Parinacota	Chile
2	Magallanes y la Antártica Chilena	Chile
3	Lavalleja	Uruguay
4	Treinta y Tres	Uruguay
5	Boquerón	Paraguay
6	Soriano	Uruguay
7	Atacama	Chile
8	Maldonado	Uruguay
9	Presidente Hayes	Paraguay
10	Río Negro	Uruguay

## Editors' choice award

### TOP 10 SOUTH AMERICAN STATES – FDI STRATEGY

RANK	STATE	COUNTRY
1	São Paulo	Brazil
2	Rio de Janeiro	Brazil
3	Minas Gerais	Brazil
4	Pernambuco	Brazil
5	Atlántico	Colombia
6	Rio Grande do Sul	Brazil
7	Bolívar	Colombia
8	Valle del Cauca	Colombia
9	Risaralda	Colombia
10	Santander	Colombia

### METHODOLOGY

To create a shortlist for the fDi South American States of the Future 2014/15, the fDi Intelligence division of the Financial Times collected data using the specialist online FDI tools fDi Benchmark and fDi Markets, as well as other sources. Data was collected for 237 states under five quantitative categories: Economic Potential, Human Capital, Cost Effectiveness, Infrastructure and Business Friendliness.

In addition, surveys were collected under a sixth category, FDI Strategy. This category is the only qualitative category and does not feed into the overall results as in previous rankings. For this category there were 26 submissions; locations submitted details about their strategy for promoting FDI, which was then scored by fDi's judging panel. Locations scored up to a maximum of 10 points for each data-point, which was weighted by importance to the FDI decision-making process in order to compile both the subcategory rankings as well as the overall South American States of the Future 2014/15 ranking.

States were categorised according to population. There were four categories: major, large, mid-sized and small. Major states are those with populations of more than 4 million. Large states have populations of between 1.5 million and 4 million; mid-sized states between 500,000 and 1.5 million; and small states have fewer than 500,000 residents.

### LIST OF DATAPPOINTS

#### ECONOMIC POTENTIAL

- Population
- Population growth rate
- Unemployment rate
- Inflation – average % change
- GDP (at purchasing power parity – PPP, current \$m)
- GDP per capita
- GDP forecast (2012-2013)
- GDP per capita growth (2012-2013)
- Outward FDI (January 2008 to December 2013)
- Outward FDI per 100,000 people (January 2008 to December 2013)
- Inward FDI (January 2008 to December 2013)
- Inward FDI per 100,000 people (January 2008 to December 2013)
- FDI in research and development, and design, development and testing (January 2008 to December 2013)
- FDI in manufacturing (January 2008 to December 2013)
- Number of megaprojects by capital expenditure (more than \$100m) per 100,000 people (January 2008 to December 2013)
- Number of megaprojects by jobs (more than 1000 jobs) per 100,000 people (January 2008 to December 2013)
- Number of patents (2003-2012)
- Number of patents (2003-2012) per 100,000 people

#### HUMAN CAPITAL

- Labour force as a percentage of the population
- Literacy rate
- Secondary enrolment rate
- Tertiary enrolment rate
- Education expenditure

- Number of universities (excludes campuses)
- Number of international baccalaureate schools
- Number of top 500 universities
- Number of students (includes campuses)
- Third-level students as a percentage of the population
- Labour force with tertiary education
- Ability to attract and retain talent (average)
- Human Development Index
- Number of doctors per 1000 people
- Life expectancy

#### COST EFFECTIVENESS

- Average salary (\$)
- Four- and five-star hotels in city centre location (\$)
- Minimum wage (\$ per hour)
- Cost of establishing a business
- Cost of registering a property
- Cost of construction permits
- Petrol prices (\$ per litre)
- Cost of establishing an electricity connection
- Cost to export (\$ per container)
- Cost to import (\$ per container)
- Corporation tax rate
- Value-added tax
- Total tax rate (% of profit)
- Country PPP/exchange rate

#### INFRASTRUCTURE

- Upload speed (kilobytes/second)
- Download speed (kilobytes/second)
- Growth in internet users
- Percentage of people using the internet 2012
- Information and Communication Technologies Development Index
- Number of airports in the state
- Number of international destinations served

- Number of large ports
- Number of medium ports
- Number of small ports
- Liner Shipping Connectivity Index 2012
- Container traffic through local port (TEU)
- Cargo volume through local ports (tonnes)
- Mobile phone subscribers (2012) per 100
- Growth in mobile phone subscribers (2005-2012)
- Environmental Performance Index 2012
- Logistics Performance Index 2012
- Network Readiness Index 2012
- Quality of overall infrastructure
- Quality of roads
- Quality of railroad infrastructure

#### BUSINESS FRIENDLINESS

- Total number of companies in the knowledge-based sector 2012
- Proportion of companies within the knowledge-based sector 2012
- Number of companies in the knowledge based sector per 100,000 people
- Number of jobs created by all inward FDI (January 2008 to December 2013)
- Growth in jobs created by all inward FDI 2012-2013
- Number of colocation/expansion projects
- Top 1000 World Banks 2013
- Corporation tax rate
- Days taken to start a business
- Firing costs
- Ease of Doing Business Index
- Five year cumulative change in Ease of Doing Business Index
- Index of Economic Freedom
- Corruption Perception Index
- Strength of Investor Protection Index
- Country Risk Score
- Credit rating
- Market share of South American FDI (%)