ISBN 978-92-64-03748-9
International Investment Perspectives:
Freedom of Invesment in a Changing World
2007 Edition

Chapter 2

Trends and recent developments in foreign direct investment*

The global environment for FDI continued to improve in 2006. Macroeconomic growth continued, stock prices remained firm and profitability improved. In addition, new players made their presence more strongly felt. Multinational enterprises based in developing or emerging economies became more active acquirers of enterprises in the OECD area and new categories of financial investors, such as private equity companies, allocated large amounts of money to corporate takeovers.

Reflecting this, FDI flows to and from OECD countries increased significantly in 2006, outflows by 29 per cent to USD 1 120 billion and inflows by 22 per cent to USD 910 billion. These are the second-highest levels in the history of OECD, exceeded only in the boom year 2000. The numbers were lifted by a small number of very large cross-border mergers and acquisitions. The biggest five such transactions valued at close to USD 120 billion.

There may be reasons to fear the potential impact on FDI of growing public concerns about the impact of globalisation. Business allegations of cross-border investment being dissuaded by hostile attitudes in the host country have also become more frequent. On balance, however, it appears that the negative political undercurrents have not yet translated into a slowdown of direct investment flows.

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Introduction

The international environment for foreign direct investment (FDI) remains buoyant. The factors identified in previous issues of this publication are still at play: robust macroeconomic growth in most major economies; strong corporate profitability; generally low interest rates; high stock prices notwithstanding some recent corrections; and high real estate prices. This amounts to an international corporate environment offering profit opportunities as well as relatively ample liquidity. Enterprises have responded by stepping up their international investment activity and, in particular, corporate takeovers.

One factor that may have changed the balance between cross-border corporate investors is the low value of the US dollar. In the world as a whole this strengthens the hand of would-be investors based in other currencies and puts dollar-based investors at a comparative disadvantage. Insofar as the present exchange rates are perceived as transitory, it also encourages an active investment strategy by foreign companies into the United States and other dollar-based economies.

A factor further underpinning global direct investment flows is the emergence of a number of companies based in developing and emerging economies as active outward investors. Until relatively recently the most visible consequence of this was "south-south" investment within regions of the developing world, but multinational enterprises based in emerging economies (Brazil and India are cases in point) have also been behind some of the most highly profiled cross-border corporate acquisitions within the OECD area in the last couple of years. In a parallel development other countries such as China have pursued "go global" strategies, encouraging national enterprises to expand abroad partly in response to broader economic and strategic considerations.

Another recent development is the increasingly active global investment strategies of a new class of investors such as hedge funds and private equity capital companies. Some of the most widely publicised mergers and acquisitions in 2006 and 2007 have reflected these companies' global search for investment opportunities.

Reflecting the changing international environment, policy makers in a number of OECD countries have had to take into account a growing public

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uneasiness about the consequences of globalisation. The takeover of prized national enterprises is controversial in most countries. It frequently leads to allegations that the foreign investors plan to transfer jobs or know-how out of the host economy, operate on lower standards of corporate behaviour than is common in the host country or pursue aggressive corporate strategies at the cost of social cohesion. In addition, the heightened international awareness of a need to safeguard national security has contributed to concerns about takeovers of national enterprises that may, however remotely, be related to broader strategic concerns. As demonstrated in later articles in this publication some countries have already tightened their practices toward inward FDI on grounds of national security and others are considering following suit.

Perhaps ironically, as globalisation fears have led to concerns about inward direct investment in some quarters they have equally triggered concerns about excessive outward investment. Public debate in recent years has focused on "outsourcing" of productive activities to low-wage countries as a cause of job losses. On the balance of the evidence it is not clear that these concerns are well founded. The home countries of outward investors generally benefit from the investments – as discussed in a later article in this publication. However, the benefits often occur in tandem with a process of domestic restructuring, the adjustment costs of which may have to be mitigated through appropriate policy measures.

On balance, the negative political undercurrents have not yet translated into a slowdown of direct investment flows. On the contrary, as will be demonstrated in the following sections, FDI is booming.

1. Foreign direct investment in OECD countries continued to grow in 2006

FDI flows to and from OECD countries increased significantly in 2006, outflows by 29 per cent to 1 120 billion US dollars (USD) and inflows by 22 per cent to USD 910 billion (Table 2.1). These are the second-highest levels in the history of OECD, exceeded only in the boom year 2000.

The growth in outward FDI in 2006 was boosted by a return-to-normal of the US figures which increased almost USD 240 billion after having dropped to an exceptionally low level in 2005. Conversely, the increase in totals was held back by the Netherlands outflows which dropped by USD 120 billion after a one-off effect the previous year. A further factor complicating the comparison between 2005 and 2006 is the fact that corporate restructuring in Australia in 2005 appeared in the overall investment statistics as sharp disinvestment in both inward and outward direction.

Table 2.1. **Direct investment flows to and from OECD countries: 2001-2006**

(USD billion)

	Outflows						Inflows					
	2001	2002	2003	2004	2005p	2006e	2001	2002	2003	2004	2005 p	2006e
Australia	12.0	7.9	16.2	10.8	–34.3	21.0	8.3	17.0	8.0	36.0	-35.0	24.5
Austria	3.1	5.8	7.1	8.3	10.0	4.1	5.9	0.4	7.2	3.9	9.0	0.2
Belgium/Luxembourg	100.6	..	..	..	..	..	84.7	..	..	..	..	..
Belgium	..	12.7	36.9	34.0	31.8	62.6	..	15.6	32.1	43.6	33.9	71.5
Canada	36.0	26.8	21.5	43.2	34.1	42.1	27.7	22.1	7.6	1.5	33.8	66.6
Czech Republic	0.2	0.2	0.2	1.0	0.0	1.3	5.6	8.5	2.1	5.0	11.7	6.0
Denmark	13.4	5.7	1.1	–10.4	15.0	8.2	11.5	6.6	2.6	–10.7	13.1	7.0
Finland	8.4	7.4	–2.3	–1.1	4.5	..	3.7	8.1	3.3	3.0	4.5	3.7
France	86.8	50.5	53.2	56.8	120.9	115.1	50.5	49.1	42.5	32.6	81.0	81.1
Germany	39.7	19.0	5.8	14.8	55.5	79.5	26.4	53.6	32.4	–9.2	35.8	42.9
Greece	0.6	0.7	0.4	1.0	1.5	4.2	1.6	0.1	1.3	2.1	0.6	5.4
Hungary	0.4	0.3	1.6	1.1	2.3	3.0	3.9	3.0	2.1	4.5	7.6	6.1
Iceland	0.3	0.3	0.4	2.6	7.1	4.2	0.2	0.1	0.3	0.7	3.1	3.2
Ireland	4.1	11.0	5.6	18.1	13.6	22.1	9.7	29.4	22.8	–10.6	–31.1	12.8
Italy	21.5	17.1	9.1	19.3	41.8	42.1	14.9	14.6	16.4	16.8	20.0	16.6
Japan	38.3	32.3	28.8	31.0	45.8	50.2	6.2	9.2	6.3	7.8	2.8	–6.5
Korea	2.4	2.6	3.4	4.7	4.3	7.1	3.5	2.4	3.5	9.2	6.3	3.6
Luxembourg	..	125.9	99.9	84.1	124.0	81.6	..	115.3	89.3	79.1	116.3	97.0
Mexico	4.4	0.9	1.3	4.4	6.5	5.8	27.2	18.3	14.2	22.3	19.6	19.0
Netherlands	50.6	32.0	44.1	26.6	142.8	22.7	51.9	25.1	21.1	2.1	41.4	4.4
New Zealand	0.4	–1.1	0.2	1.1	–0.3	–1.6	4.6	–1.3	2.0	2.9	3.1	1.6
Norway	0.5	4.6	2.7	3.5	21.1	12.2	2.2	0.7	3.7	2.5	6.4	1.6

Notes: data are converted to US dollars using average exchange rates; p: preliminary; e: estimates.

Source: OECD International Direct Investment database.

Table 2.1. **Direct investment flows to and from OECD countries: 2001-2006** *(cont.)*

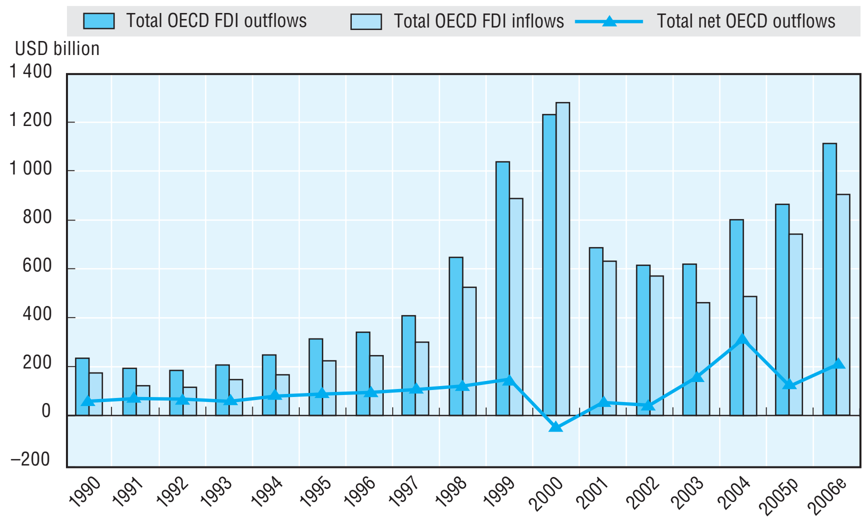
(USD billion)

	Outflows						Inflows					
	2001	2002	2003	2004	2005p	2006e	2001	2002	2003	2004	2005 p	2006e
Poland	-0.1	0.2	0.3	0.8	3.1	4.1	5.7	4.1	4.9	12.5	9.5	13.9
Portugal	6.3	-0.1	8.0	7.8	2.1	3.5	6.2	1.8	8.6	2.3	4.0	7.4
Slovak Republic	0.1	..	..	0.2	0.1	0.4	1.6	4.1	0.6	1.1	1.9	4.2
Spain	33.1	32.7	28.7	60.6	41.8	89.7	28.3	39.2	25.8	24.8	25.0	20.0
Sweden	7.3	10.6	21.1	20.8	26.5	24.1	10.9	12.2	5.0	11.7	10.2	27.8
Switzerland	18.3	8.2	15.4	26.3	54.2	81.5	8.9	6.3	16.5	1.4	–1.3	25.1
Turkey	0.5	0.2	0.5	0.9	1.1	0.9	3.4	1.1	1.8	2.9	9.8	20.2
United Kingdom	58.9	50.3	62.4	91.1	83.7	79.5	52.7	24.1	16.8	56.0	193.7	139.6
United States	142.3	154.5	149.9	244.1	9.1	248.9	167.0	84.4	64.0	133.2	109.8	183.6
Total OECD FDI flows	690.5	619.2	623.7	807.4	869.4	1120.1	635.0	575.0	464.9	490.9	746.6	910.2

Notes: data are converted to US dollars using average exchange rates; p: preliminary; e: estimates.

Source: OECD International Direct Investment database.

Figure 2.1. **FDI flows to and from OECD**



Source: OECD International Direct Investment database.

The pickup in inward direct investment in 2006 is largely due to brisk growth in the inward FDI of Canada and the United States as well as a reversal of previous declines in the inflows of Australia, Ireland and Switzerland. The increase was tempered by UK investments, which dropped sharply from an extraordinarily high level in 2005 due to internal restructurings in the Shell/ Royal Dutch conglomerate.

The OECD area as a whole has further bolstered its traditional role as net direct investor toward the rest of the world. Net outflows rose by 70 per cent from the year before to reach USD 210 billion in 2006 – the second-highest level ever, only exceeded in the record year 2004 (Figure 2.1).

1.1. Remarkable trends in selected countries

The *United States* continues to occupy a dominant position as foreign investor and as recipient of direct investment (after a one-off drop in outflows in 2005 due to changes in the corporate tax code). The United States' outflows in 2006 were USD 249 billion – more than twice the next country (France) in the league table. Of this amount almost half was reinvested earnings – particularly striking in comparison with 2005 which saw massive withdrawals of funds. Despite the global upsurge in merger and acquisition (M&A) activity in 2006, multinational enterprises based in the United States were not particularly active in acquiring new corporate assets abroad. Equity capital investment remained almost unchanged close to USD 40 billion, which is thought to reflect a cautious approach by companies in the face of the weakness of the US dollar.

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US inflows in 2006 were USD 184 billion, returning the country to the top of the league table after being briefly eclipsed by the United Kingdom in 2005. According to additional information released by the Bureau of Economic Analysis the amount is almost identical to the "outlays" by foreign enterprises to acquire or establish US businesses. The vast majority of this money went into takeovers of existing businesses, while greenfield investment accounted for a comparably limited USD 14 billion. Around two thirds of the investment originated with European companies, with UK, French and German investors accounting for broadly equal shares.

FDI into the *United Kingdom* dropped by 28 per cent in 2006, but the country nevertheless was the world's second-largest recipient of direct investment with inflows totalling USD 140 billion. The United Kingdom is one of the OECD countries whose inflows were to the largest extent influenced by cross-border mergers and acquisitions. The five largest foreign acquisitions alone of UK companies in 2006 were estimated to be worth around USD 60 billion (see further Section 1.3).

The outward direct investments of UK companies dropped by around 5 per cent to USD 80 billion, placing the United Kingdom behind not only the United States but also Spain, Luxembourg and Switzerland. The figures for some of these countries are influenced by pass-through via financial holding companies and special-purpose entities which complicates a direct comparison, but the same may apply to UK data for instance due to financial flows through the City of London. However, the United Kingdom's drop in the league table also reflects some substantial developments. For example, a certain disinvestment by UK companies from corporate assets previously required was registered in 2006, and while UK companies were active acquirers of foreign companies in 2006 the deal sizes were mostly limited.

The large outward direct investments of *France* in 2006, following even higher outflows the year before, to some extent reflect a high level of activity in foreign acquisitions. Of the estimated USD 115 billion outflows, about one third are accounted for by the five largest foreign M&As by French companies, including notably Alcatel's acquisition of US-based Lucent and AXA's takeover of the Swiss insurer Wintherthur.

The fact that inward investment flows to France remained unchanged in 2006 at USD 81 billion is not easily attributable to any one factor. In the absence of large cross-border takeovers into France (with the partial exception of foreign investment in a privatised toll roads operator) a main factor appears to have been inter-company loans and extensions of capital by foreign multinational companies to the subsidiaries they already had in France. Greenfield investment in small and medium-sized enterprises and stand-

Box 2.1. **Foreign direct investment statistics: main concepts**

Direct investment is a category of cross-border investment made by a resident entity in one economy (the "direct investor") with the objective of establishing a "lasting interest" in an enterprise resident in an economy other than that of the investor (the "direct investment enterprise").

The *lasting interest* is evidenced when the direct investor owns 10 per cent of the voting power of the direct investment enterprise.

A *foreign direct investor* is an entity that has a direct investment enterprise operating in a country other than the economy of residence of the foreign direct investor. A direct investor could be: an individual (or a group of related individuals; an incorporated or unincorporated enterprise; public or private enterprise (or a group of related enterprises); a government; estates, or trusts or other organisations that own enterprises.

A *direct investment enterprise* is as an incorporated or unincorporated enterprise (including a branch) in which a non-resident investor owns 10 per cent or more of the voting power of an incorporated enterprise or the equivalent of an unincorporated enterprise.

Direct investment is composed of: equity capital, reinvested earning and other capital.

Equity capital comprises: (i) equity in branches; (ii) all shares in subsidiaries and associates (except non-participating, preferred shares that are treated as debt securities and included under direct investment, other capital); and (iii) other capital contributions.

Reinvested earnings of a direct investment enterprise reflect earnings on equity accruing to direct investors less distributed earnings; they are income to the direct investor. However, reinvested earnings are not actually distributed to the direct investor but rather increase direct investor's investment in its affiliate.

Other capital (or inter-company debt transactions) is defined as borrowing and lending of funds between direct investors and subsidiaries, associates and branches.

alone production plants continue to be of macroeconomic importance but generally have not involved amounts that make them visible in the total figures.

Outward direct investment from *Germany*, at USD 80 billion in 2006, rose to its highest level since the 1990s. The partly reflects a handful of large corporate acquisitions in the United States and United Kingdom, but also historically large reinvested earnings. Inward FDI in 2006 was USD 43 billion,

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up 20 per cent from the year before. Following a few years of low direct investment inflows the German economy has consequently regained its position among the major FDI destinations in the OECD, although in this respect it continues to lag behind comparable European economies like the United Kingdom and France.

Canada's direct investment inflows reached USD 67 billion in 2006 – twice the amount of transactions of the preceding year and at par with the previous record during the investment boom in 2000. Two major takeovers in the mining sector account for more than half of the total amount. Among the more "normally sized" transactions, as in previous years, a large number of companies from the United States invested in Canada. So did investors based in the United Kingdom and continental European countries, apparently attracted by the weakness of the Canadian dollar vis-à-vis sterling and euro. Canadian investment abroad also increased in 2006 – by more than 20 per cent to reach USD 42 billion. While corporate Canada was relatively active in undertaking takeovers abroad, a significant part of this amount seems to reflect capital transactions with existing subsidiaries in the United States.

In 2006, outward direct investment from *Japan* – traditionally a major net capital exporter – rose to its highest level since 1990. At USD 50 billion the total outflows were 10 per cent above the already high levels recorded the year before. The United States and China remain important recipients of Japanese FDI, but the increase between 2005 and 2006 was largely due to higher investment in the Netherlands and United Kingdom. Inward FDI, at USD –6.5 billion, became negative in 2006 indicating a divestment by foreign companies from Japan. This figure is understood to be the result of contrasting underlying trends. In a couple of sectors (automobiles and chemicals) foreign companies significantly increased their participation. However, this is overshadowed in the total figures by the withdrawal by, in particular, one European (in telecommunications) and one North American company that had previously committed large amounts of capital to the Japanese economy.

The outward FDI of *Switzerland* increased from an already high USD 54 billion in 2005 to USD 82 billion in 2006 – the highest level on record. A significant share of this amount reflects capital increases in foreign subsidiaries, especially by financial institutions domiciled in Switzerland. However, new acquisitions abroad were also part of the story, notably by finance and holding companies, banks, chemical industries and some other manufacturing industries. Direct investment inflows reached USD 25 billion in 2006 bringing to an end a two-year period of considerable divestment and repatriation of funds from Switzerland. By far the largest individual transaction was the acquisition of an insurance company already mentioned.

Among the other OECD countries listed in Table 1 the following developments in 2006 bear mentioning:

- *Sweden* saw its FDI inflows more than double to USD 28 billion. The increase largely reflects corporate takeovers, with a small number of investments by UK-based investors accounting for almost half of the total amount.
- Inward FDI in *Turkey* at USD 20 billion recent its highest level in history. Most of the increase, from already high levels in 2005, is due to a few large takeovers in the financial and telecommunications sectors.
- *Greece* also hit a new record in investment inflows, largely due to a couple of major takeovers in the financial sector.
- Other countries recording record-breaking inward FDI in 2006 include *Poland* and *the Slovak Republic*. In the case of Slovakia the figures were lifted by a large takeover in the energy sector by an Italian company, but in itself this can explain only a fourth of total flows. The Polish figures include historically very large reinvested earnings.

1.2. The longer perspective

Over the last decade the role of OECD countries as the world's foremost provider of direct investment funds has been firmly established. Net outflows from OECD countries reached USD 1 242 billion over the last decade (1997 to 2006 – see Table 2.2). France, Japan, the United Kingdom, Switzerland, the Netherlands and Spain have been the main net exporters among OECD countries during this period.

A number of macroeconomic and structural factors determine a countries' importance as a net contributor of capital to the rest of the world. Large current account surpluses are one such factor, inducing nations to reinvest their collective gains abroad – though not necessarily in the form of FDI or other types of corporate investment. This would appear to have been an important factor in the case of Japan and Switzerland.

Some countries' main corporate actors have also pursued deliberately active policies of international diversification, sometimes with the encouragement of governments. This would appear to have been the case in the utilities sector in some OECD countries, and outside the OECD area state-encouraged outward investment strategies have become commonplace particularly in eastern Asia.

Countries with traditionally close relations with certain regions of the world, including the former colonial powers, maintain business links with these regions that often affect their FDI flows. This has at times been visible in the outward investment patterns of Spain, France and the United Kingdom toward Latin America and Africa. Preferred locations for incorporation of large

Table 2.2. **Cumulative FDI flows in OECD countries 1997-2006**
(USD billion)

Inflows		Outflows		Net outflows	
United States	1 637.2	United States	1 580.4	France	391.0
Belgium/Luxembourg	1 188.7	Belgium/Luxembourg	1 181.7	Japan	277.5
United Kingdom	797.2	United Kingdom	1 045.3	United Kingdom	248.2
France	480.8	France	871.8	Switzerland	215.0
Germany	473.2	Netherlands	513.1	Netherlands	214.0
Netherlands	299.1	Germany	510.2	Spain	181.0
Canada	285.3	Spain	420.8	Italy	69.4
Spain	239.8	Japan	330.9	Canada	37.9
Sweden	192.9	Canada	323.1	Germany	37.0
Mexico	178.4	Switzerland	318.5	Norway	27.5
Italy	128.8	Sweden	210.4	Sweden	17.5
Switzerland	103.4	Italy	198.2	Finland	17.4
Australia	89.7	Ireland	90.1	Iceland	7.4
Ireland	88.5	Denmark	81.3	Austria	6.7
Denmark	86.7	Finland	71.5	Ireland	1.6
Poland	78.6	Norway	67.0	Portugal	1.6
Korea	55.5	Austria	52.3	Greece	-3.1
Czech Republic	55.2	Australia	46.0	Denmark	-5.4
Finland	54.0	Portugal	45.0	Belgium/Luxembourg	-7.0
Japan	53.4	Korea	42.9	Korea	-12.6
Austria	45.6	Mexico*	23.2	Slovak Republic	-16.7
Portugal	43.5	Iceland	15.5	New Zealand	-19.9
Turkey	42.6	Greece	10.7	Hungary	-30.5
Hungary	40.9	Hungary	10.4	Turkey	-36.4
Norway	39.4	Poland	8.8	Australia	-43.7
New Zealand	19.0	Turkey	6.2	Czech Republic	-51.9
Slovak Republic	17.3	Czech Republic	3.2	United States	-56.9
Greece	13.8	Slovak Republic	0.6	Poland	-69.7
Iceland	8.1	New Zealand	-0.9	Mexico*	-97.4
Total OECD	**6 836.3**	**Total OECD FDI outflows**	**8 078.1**	**TOTAL OECD****	**1 241.8**

* Mexico = 2001-2006 for outflows and net outflows.
** OECD net outflows may not add up to total.
Source: OECD International Direct Investment database.

enterprises such as the Netherlands are also likely to serve to some extent as a conduit for direct investment toward the rest of the world.

The main net recipients of FDI in the OECD area over the last decade have been Mexico, Poland, the United States, the Czech Republic, Australia, Turkey and Korea. The United States and Australia stand out in this group, which consists mainly of countries with below-average incomes, and with a recent history of rapid economic development, market opening and privatisation. The United States' prominence as a destination for FDI may be partly linked with the country's traditionally large current account deficits, but it also reflects the country's persistently high levels of economic growth and traditional openness to foreign acquisitions.

The gross inflows and outflows, on the other hand, mostly reflect the economic weight of countries. The United States has been by far the largest recipient and outward investor over the last decade, followed near the top of the league table by countries like the United Kingdom, France, Germany, the Netherlands and Canada. What may perhaps surprise is the fact that Belgium and Luxembourg come out near the top. Without neglecting the fact that both countries are, relatively to their size, attracting large investment in their own right, the fact that they eclipse most G7 countries in Table 2.2 reflects their popularity as a location for corporate holding companies and other special-purpose entities.

Some large economies score less highly than might have been expected. Japan, for example, has attracted only USD 53 billion of cumulative direct investment over the last 10 years, bringing it at par with the smaller West European countries. To some extent this reflects the remoteness of Japan from most other highly developed countries (Japanese outflows, while higher, are also below what could be expected from so large an economy). Moreover, as Japan is hardly a low-cost production location most inward FDI would normally be market seeking investment aimed at serving a Japanese client base. However, while investment regulation in Japan is actually quite permissive by international standards, foreign companies have nevertheless found it notoriously difficult to "break in" to the Japanese market.

By European standards Italy has attracted comparatively little FDI over the last decade. The USD 129 billion in cumulative inflows that the country received is between one third and one fifth of the amounts attracted by the other three large European economies. While this may reflect a number of factors, including the geographic isolation of large parts of Italy relative to the main economic poles of Europe, it seems somewhat related to the difficulty in undertaking cross-border takeovers into the Italian economy. Many of the largest companies are closely held or have corporate governance arrangements that militate against unsolicited bids, and according to press reports would-be investment has in the past given rise to controversy at the political level.

1.3. Further information from M&A data: looking ahead

While mergers and acquisitions are only one element in total FDI flows, in many OECD countries they account for more than half of total direct investment. This is especially the case in times of strong investment activity, as they tend to be the component of FDI that responds most strongly, or most immediately to changes in the business climate, financial conditions or macroeconomic performance.

Overall data for cross-border M&As in 2006 and early 2007 may hence provide additional guidance on where FDI is heading. Some caution is, however, called for: privately collected M&A data tend to be more inclusive than official FDI statistics. FDI data include only the value of corporate assets actually transferred, whereas published M&A data take as their starting point the market value of the enterprises acquired. Moreover, in overall FDI figures divestment is subtracted from the totals, whereas the M&A data used in this article concerns gross cross-border flows.

As would be expected given their volatile nature M&A flows have recovered more briskly since the lows of 2002 and 2003 than total direct investment. Since 2003 the value of both inward and outward M&As in OECD countries has almost tripled. Cross-border M&A with the acquirer located in the OECD area were valued at USD 848 billion in 2006 (Table 2.3). The "inward M&As" (the target located in an OECD country) were a bit lower at USD 818 billion. Both figures represent an increase of more than 25 per cent over the year before.

A second interesting finding from Table 2.3 is the fact that the average deal size is growing strongly. To some extent this is a consequence of the weak US dollar appearing to inflate the value of corporate takeovers in other

Table 2.3. **Total number of cross-border M&As into and out of OECD countries**

Date	Outward			Inward		
	Amount (USD mill.)	Number	Average deal size	Amount (USD mill.)	Number	Average deal size
1995	134 602	2 258	59.6	146 603	2 132	68.8
1996	171 528	2 692	63.7	175 598	2 498	70.3
1997	285 189	3 427	83.2	254 315	3 088	82.4
1998	526 089	5 173	101.7	486 157	4 451	109.2
1999	801 080	6 560	122.1	775 757	5 697	136.2
2000	1 166 386	7 799	149.6	1 136 093	7 082	160.4
2001	605 716	6 464	93.7	584 784	6 198	94.4
2002	376 217	5 169	72.8	409 844	5 050	81.2
2003	321 960	4 383	73.5	338 164	4 131	81.9
2004	422 761	5 061	83.5	443 800	4 661	95.2
2005	673 647	6 490	103.8	635 262	5 361	118.5
2006	847 999	6 655	127.4	818 480	5 244	156.1
Jan-May 2007	428 517	2 457	174.4	430 474	2 006	214.6
Estimate 2007	1 028 440	5 897		1 033 138	4 814	

Source: Dealogic.

currency areas. But it also reflects a higher valuation of individual corporate assets plus the effect of a few multi-billion dollar deals, the like of which has not been seen since the last boom year 2000.

Judging by the first five months of 2007 (Table 2.3 includes transactions undertaken up to the first week of June) the surge in international M&As is continuing apace. The average value of deals in this part of the year was the highest on record for both inward and outward transactions. And, if the months January through May are indicative of the year 2007 as a whole then the total value of cross-border M&As in OECD countries will exceed USD 1 trillion for only the second time in history.

Based on historic patterns of co-variation between cross-border M&As and FDI this can be translated into a projection of FDI flows. If mergers and acquisitions stay at broadly the current levels for the rest of 2007 we are likely to see inward FDI into OECD countries rise by more than 20 per cent over 2006 to around USD 1 160 billion for the year as a whole. Outward FDI from OECD countries (which in 2006 was rather high compared with cross-border M&As) could increase by a somewhat more modest 5-10 per cent to around USD 1 200 billion.

1.4. Sectoral trends in cross-border M&As

1.4.1. Large sectoral diversity in 2006

Cross-border corporate M&As in 2006 were relatively evenly split across some of the main sectors of the private economy. Companies whose main activities were in the area of raw materials, telecommunication, real estate, media and entertainment, manufacturing and financial services were in each case the target of international acquisitions in excess of USD 40 billion. The data in this sub-section is based on Thomson Financials and include only large cross-border transactions defined as deals whose value exceed USD 500 million. Transactions are not limited to the OECD area.

The sector that saw the greatest amount of cross-border M&As in 2006 was the mining and processing of *raw materials*. Total "large" transactions in this area according to financial market estimates amounted to USD 119 billion. More than one fourth of the total amount was due to one transaction – the much publicised takeover of the Luxembourg-based steel maker Arcelor by Mittal Steel of the Netherlands, which had a market value of about USD 32 billion. Two major international M&As in this area targeted Canadian companies, namely the takeover of aluminium producer Falconbridge through Xstrata of Switzerland and the nickel maker Inco by Brazilian Cia Vale do Rio Doce. Each transaction was valued at USD 17 billion. The takeover of a third large Canadian company also figured prominently in this category, namely the

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purchase of the steel maker Dofasco for close to USD 5 billion by Arcelor of Luxembourg prior to the latter's acquisition by Mittal Steel.

Other high-profile cases in this sector involved British and American enterprises. These include the takeover of the UK industrial gas maker BOC Group by Linde AG of Germany for an estimated USD 14 billion. The mining company Glamis Gold of the United States was bought by Canadian GoldCorp for close to USD 9 billion, and the materials maker Engelhard Corp, likewise from the United States, was acquired by German BASF for about USD 5 billion.

The second-most important sector in terms of the value of deals (USD 94 billion in total) was *telecommunication*. A number of large acquisitions targeted companies in developing countries, including the Dominican Republic, Thailand, Sudan, Brazil and India, but more than half of the total deal value related to three intra-OECD transactions. By far the largest cross-border takeover in this sector was Spanish Telefonica's acquisition of O2 plc of the United Kingdom for USD 31 billion. Second on the league table is the takeover of Lucent Technologies of the United States by French Alcatel (already referred to earlier) for almost USD 14 billion. Thirdly, a consortium of foreign private equity companies paid USD 11 billion for the main Danish telephone operator TDC.

In the *financial sector* the total value of cross-border takeovers in 2006 was estimated at USD 85 billion. Fourteen transactions were valued above USD 2 billion, but no single deal stands out by its sheer size. The largest takeover was the aforementioned acquisition of Wintherthur of Switzerland by French AXA for USD 10 billion. In second place, Old Mutual of the United Kingdom paid USD 6 billion for the Swedish insurer Försäkrings AB Skandia. A couple of bank mergers in Italy were much discussed in the media during 2006, namely the acquisition of Banca Nazionale del Lavoro through BNP Paribas of France for USD 6 billion and Dutch ABM Amro's purchase of Banca Antonveneta for just over USD 4 billion. A further large bank takeover took place outside the OECD area when the Erste Bank der österreichischen Sparkassen of Austria paid almost USD 5 billion for the Romanian Banca Comerciala Romana.

In the *media and entertainment* sector, defined broadly to include restaurant and hotel business, the largest individual transaction was the acquisition of the Dutch publishing group VNU through a consortium of private equity companies for close to USD 10 billion. In second place, the UK-incorporated Hilton Group plc sold its hotels division to Hilton Hotels Corporation of the United States for just under USD 6 billion. And, the US gaming services company GTECH Holdings was bought by Lottomatica of Italy for USD 4½ billion.

A few large-scale international M&As in 2006 not mentioned elsewhere took place in what could be described as *high-tech sectors*. For example, Phillips Semiconductors of the Netherlands was sold for 9½ billion to a group of international investors and Advanced Micro Devices of the United States acquired the Canadian computer processing unit producer ATI Technologies for USD 5 billion. In the medical and pharmaceutical area IVAX Corp of the United States was acquired by Israeli Teva Pharma for more than USD 7 billion, and the US biotechnology firm Chiron Corp was bought for USD 6 billion by Novartis of Switzerland.

1.4.2. Growth in the first half of 2007: the energy sector and the others

The cross-border M&A activity in the first half of 2007 has remained very buoyant. The prior to the second week of June (the cut-off date for this article) the total amount of completed deals with an individual value exceeding USD 500 million was USD 395 billion. If the first months turn out to be indicative for the year as a whole, this points to a further strengthening of activity in 2007 (this is discussed further in the following subsection).

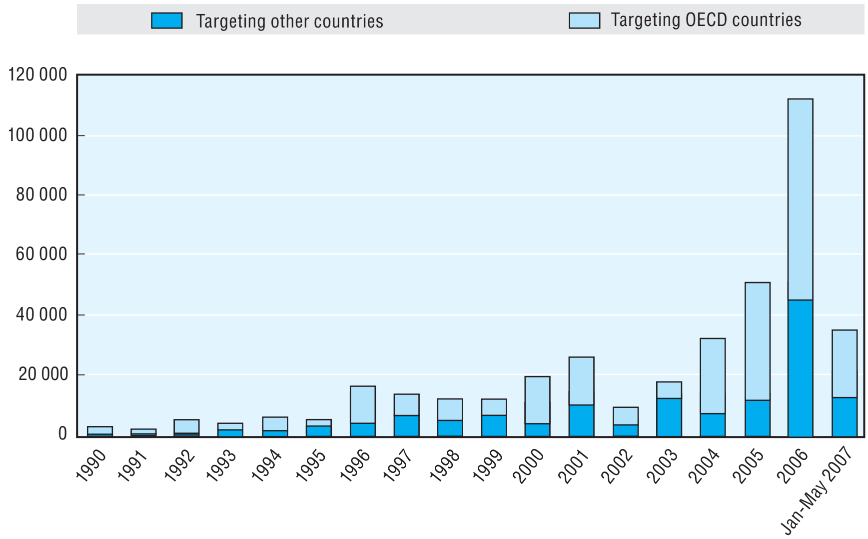
An interesting feature of the first months of 2007 is that there appears to be particularly strong activity in the *energy sector*. Four of the top-10 deals were in this category, including the biggest one. The acquisition of Scottish Power plc through Iberdrola of Spain for USD 22 billion created what is thought to be Europe's third-largest utilities group. In a series of much publicised developments, Enel of Italy built a strategic stake in the Spanish energy group Endesa at an estimated cost of more than USD 11 billion. In Canada, the acquisition of Shell Canada through Royal Dutch of the Netherlands/United Kingdom and the investment by ConocoPhillips in an upstream partnership with EnCana were each valued at around USD 7½ billion.

Among the other large transactions in the first part of 2007 several were valued above USD 10 billion. The takeover of the UK Corus Group through Tata Steel, though formally an intra-UK transaction, is treated in the following section. The takeover of the UK tobacco manufacturer and wholesaler the Gallaher Group by Japan Tobacco was valued at almost USD 15 billion. In the financial sector the largest deal was the takeover of the stock market Euronext by New York Stock Exchange of the United States for USD 10 billion. And, outside the OECD area, the UK-based telecommunication operator Vodafone paid more than USD 12 billion for a controlling stake in the Indian mobile phone operator Hutchinson Essar.

2. A greater role for multinational enterprises based in emerging economies[1]

The international expansion of large companies from emerging markets (commonly referred to as emerging economies' multinational enterprises – EMNEs) is a new and dynamic feature of the global investment landscape[2]. A small number of particularly big mergers and acquisitions have attracted

Figure 2.2. **Cross-border M&As by companies domiciled outside the OECD area**



Source: Thomson OneBanker.

considerable media interest. Examples include the purchase of Wind of Italy by the owners of Orascom of Egypt, which at the same time was Europe's largest-ever leveraged buyout; an acquisition by India's Tata Steel of the Anglo-Dutch Corus to create the world's fifth-biggest steel firm; Brazilian CVRD becoming the world's second-largest mining company by acquiring Inco of Canada; and Mexican Cemex's USD 16.8 billion bid for Rinker of Australia. Figure 2.2 illustrates how 2006 became the highest year on record for cross-border M&As originating in non-OECD countries, reaching an estimated USD 115 billion. More than half of this money flowed into OECD economies.

The phenomenon is not limited to a few takeover deals, however. Rapid economic growth, especially in Asia and oil-exporting countries, high prices for raw material and continuing investment liberalisation in some countries have been feeding a boom in outward investment from emerging economies. Of increasing importance has also been the so-called "south-south investment" toward other developing or emerging economies which, unlike most "south-north investment", often takes the form of greenfield investment rather than M&As.

2.1. The growing importance of EMNEs in the world economy

Globalisation of business operations and complex corporate strategies has made it generally harder to define and monitor international activities of a multinational enterprise. This problem is particularly pronounced in the case of FDI outflows from emerging economies, whose statistics tend to be patchy and relatively unreliable. Important players such as Malaysia and Mexico just started reporting outward FDI in recent years. Moreover, for several countries estimates of FDI outflows are considerably smaller than the actual level of flows measured by international standards. Official statistics do not usually include financing and reinvested components of outward FDI as well as the capital that is raised abroad. Also, they in general only reflect the large investments while excluding small and medium size transactions.

In addition, countries with exchange and capital controls or high taxes on investment income provide a substantial incentive for deliberate underreporting by investors. Another problem has to do with over-reporting of inward FDI. The inflows to countries such as China and Russia are commonly considered as having been inflated by "round-tripping" of domestic money via overseas business locations. The existence of tax havens makes it hard to correlate the bilateral flows reported by statistical authorities in home and host countries. Finally, criteria for defining corporate ownership are complex; to give just one example, while the media considers Mittal Steel an Indian company because the owner and many top managers are Indian, the world's largest steel maker is registered in the Netherlands and has its headquarters in London[3].

With all such caveats in mind, IMF and UNCTAD data do allow for a reasonable approximation[4]. Developing countries invested USD 133 billion in 2005 and their share of world outward flows reached about 17 per cent. Excluding FDI from offshore financial centres, the total outflow was USD 120 billion – the highest level ever recorded. The value of the stock of FDI from emerging economies (here defined broadly to refer to all countries the UN characterise as "developing") was estimated at USD 1.4 trillion in 2005, or 13 per cent of the world total. In another illustration of the growing trend, as recently as 1990, only six emerging economies reported outward FDI stocks exceeding USD 5 billion. By 2005, that threshold had been exceeded by 25 emerging economies.

The share of companies from emerging economies in world rankings has also increased fast, no matter which metrics is used to measure corporate size. The number of *Fortune Global 500* companies headquartered outside the Triad (the North Atlantic economies and Japan) and Oceania has risen from 26 in 1988 to 61 in 2005. In April 2006, Russian Gazprom surpassed Microsoft to become the world's third most valuable company. Also, China Mobile's market capitalisation exceeds United Kingdom's telecom company Vodafone's. In less than a decade, Samsung has become one of the top 20 most valuable brand names in the world. EMNEs rank high in sectoral ranking – for example, Cemex and CVRD were number one and four in their respective industries in the 2006

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Fortune Global 500. EMNEs' estimated total sales are estimated to have reached USD 1.9 trillion in 2005 and they employed some 6 million workers. Five EMNEs (three of them state-owned) are among the 100 largest in the world.

However, there still remains a large gap between the two groups in terms of "transnationality", an index developed by UNCTAD to evaluate the range and degree of foreign activity by MNEs. The total foreign assets of the top 100 EMNEs in 2004 amounted to less than the foreign assets of U.S.-based General Electric. The geographic spread of MNE operations, another aspect of transnationality, shows that companies from developing countries have, on average, affiliates in six countries, mostly in their own region. By way of contrast, on average the largest EMNEs have affiliates in 40 foreign countries, spread across a number of regions.

2.2. Regional trends: where did the upsurge in investment come from?

In many regions south-south FDI flows are particularly important in size. This is a natural reflection of the fact that most corporate strategies for cross-border expansion are in fact regional as opposed to truly global. In consequence, most bilateral FDI flows tend to involve geographically proximate locations. However, insofar as FDI data are often poor, and particularly sketchy in developing countries, the present article limits itself to sketching broad trends rather than rely on "precise" figures for each continent.

A further incomplete illustration is found by considering the subset of outward FDI that takes the form of cross-border M&As. According to Table 2.4, the most active outward investor since 1990 by this measure has been Singapore, both in respect of south-south and south-north investment. The second-most active south-north investor (still in terms of M&As) was Brazil, followed by the United Arab Emirates, South Africa and Israel – hence generally not countries like China and India that have most recently been portrayed by the public and press as "trying to take over" prized assets in the OECD area. Following Singapore, the most active south-south investors were China, Malaysia and South Africa.

Investors from emerging economies appear to play an important role especially in *sub-Saharan Africa*, with South Africa emerging in recent years as one of the largest source countries all across Anglophone Africa. China and, to a lesser extent, Brazil, India, Malaysia, and Russia have been very active in natural resources, especially in the Gulf of Guinea and Sudan. In the Middle East and North Africa, investment from the Gulf countries in services has been on a clear upwards trend. In Tunisia, for instance, Dubai became in 2006 the largest investor in terms of non-energy FDI stock, ahead of France and Italy. The role of Morocco in Senegal is also noteworthy.

In other developing regions that since the early 1990s have attracted considerable FDI from OECD, south-south flows are slightly less vigorous, although also on the rise. In China, in particular, the four largest *emerging Asia* investors (Hong Kong [China], Korea, Chinese Taipei and Singapore) accounted for 41 per cent of the FDI amount invested in 2006, with Hong Kong (China) alone representing 29 per cent. Conversely, Hong Kong (China) and overseas locations such as the Cayman Islands and the British Virgin Islands, received 81 per cent (USD 9.9 billion) of total Chinese outward investment (and perhaps explaining why these destinations in turn are some of the largest sources of « foreign » investment coming back into China). It is also worth noting that Latin America passed Asia as the top regional recipient of Chinese investment.

According to MOFCOM China's outward FDI, excluding the financial sector, reached USD 16.1 billion in 2006, up 32 per cent over 2005. By the end of 2006, cumulative FDI abroad had reached USD 73.3 billion[5]. Overseas acquisitions accounted for about 30 per cent of China's outward FDI in 2006. By the end of 2005, China's cumulative FDI abroad had reached USD 57.2 billion, 81 per cent of which was from state-owned enterprises that are directly managed by the State Assets Supervision and Administration Commission. Coastal and border provinces together accounted for 62.5 per cent of China's outward FDI. Nonetheless, problems related to the classification of flows to and from Hong Kong (China) and Macau make it difficult to arrive at a precise estimate.

Elsewhere in the region, FDI inflows between Asian countries accounts for almost half of all FDI inflows to the region and is particularly pronounced

Table 2.4. **Top-10 locations for non-OECD companies engaging in cross-border M&A (1990 to May 2007)**

Rank	Target located in OECD			Target located in other country		
	Home country	Value of deals (USD bn.)	Share of group total (%)	Home country	Value of deals (USD bn.)	Share of group total (%)
1	Singapore	36.0	14.5	Singapore	35.8	25.3
2	Brazil	32.1	13.0	China	18.3	12.9
3	U.A. Emirates	24.2	9.8	Malaysia	12.7	9.0
4	South Africa	20.1	8.1	South Africa	11.6	8.2
5	Israel	19.2	7.8	U.A. Emirates	7.2	5.1
6	Egypt	18.1	7.3	Brazil	6.7	4.7
7	Saudi Arabia	12.1	4.9	Chile	6.1	4.3
8	Russia	11.2	4.5	India	4.7	3.3
9	Malaysia	10.1	4.1	Qatar	4.7	3.3
10	Bahrain	9.1	3.7	Russia	4.2	3.0

Note: Includes only transactions valued at more than USD 100 million.
Source: Thomson OneBanker.

between and within East Asian economies and South-East Asia economies[6]. There is evidence of increasing intra-ASEAN flows. Almost three-fifths of flows from East Asia to South-East Asia have been destined for the relatively higher-income South-East economies, viz. Singapore, Malaysia, Philippines and Thailand. Singapore in particular has attracted about half of all of East Asian FDI destined for South-East Asia, while Singaporean companies stand out as key regional investors. Thailand's CP Group is also said to be the largest single foreign investor in China.

In *Central and Eastern Europe* (CEE), three underlying trends are clear. First, flows among new EU members have risen in anticipation of the entry and this is now gaining momentum. Non-EU emerging companies, especially from Asia but also from Latin America, have also made greenfield investments in CEE to access the European market. Second, in the countries that were created after the break-up of the Soviet Union and Yugoslavia, there are considerable intra-area FDI flows. In the CIS countries, it is Russia that accounts for a large share of inward FDI. In the former Yugoslavia, the consolidation of some sectors around Slovenia, Croatian, and Serb multinationals has taken place (Slovenia's Mercator retail chain being a good example). Third, Russian companies have concluded major deals in OECD countries, including the USD 2.3 cash buyout of Oregon Steel Mills by Evraz. Turkey has also been actively investing regionally, particularly in West and Central Asia and Russia.

In *Latin America*, EMNEs that have made direct investments outside their home countries ("Translatinas") have become an increasingly important phenomenon, particularly since the mid-1990s. Indeed, FDI by Translatinas is accounting for an increasing share of total FDI in Latin America. The total OFDI of the countries of the region amounted to USD 40.6 billion in 2006, more than twice the level observed in 2005[7]. A notable example comes from Brazil, whose investments outside its borders (USD 28 billion in 2006) surpassed the total entering the country from foreign investment (USD 18.8 billion).

In high-income OECD countries, on the other hand, media attention to the rise of the new giants from emerging economies has been somewhat disproportionate with respect to the dimension of actual flows from these sources. To give but one example, fewer Americans work for companies from Mexico (the emerging economy which accounts for the largest number of jobs in the United States) than for a single Dutch company, Phillips[8].

Nonetheless, this should not obscure the fact that new source countries are becoming more important. In France, recent estimates show that investors from China were responsible for 17 projects and 1 388 new jobs in 2004-06, making it the 12th most important foreign investor in this respect during this period[9]. According to London's investment promotion agency, India has become the second-largest biggest source of FDI into the British capital, accounting for 16 per cent of new inflows between 2003 and 2007. In the case of the hotel business, Jones Lang LaSalle estimates that strategic investment by investors from the Middle East accounted for more than 9 per cent of total transaction value in Europe last year.

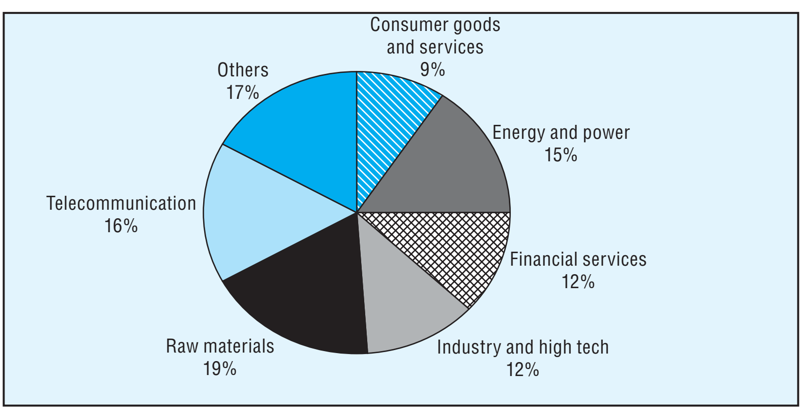
2.3. Sectoral trends: are any parts of the economy particularly affected?

Global FDI activity is increasingly taking place in services and companies from emerging economies are playing an active role in this phenomenon. Taking the cross-border M&As as indicative of the broader trends in FDI, it would appear from Figure 2.3 that at least 44 per cent of the outflows from emerging economies since 1990s (the sum of telecommunications, financial services and energy and power) have targeted enterprises in the service sectors. Another 19 per cent concerned the access to raw materials or the companies that process them. The remainder of this section further examines the evidence that has been produced by specific or targeted sectoral studies.

In the *telecommunication* sector the importance south-south FDI appears to be growing. Such investment accounted for over 36 per cent of total flows and close to 20 per cent of the total number of telecommunications projects from 2001 to 2003, compared with only 23 per cent and 11 per cent, respectively, in 1990-99[10].

As far as *financial services* are concerned, World Bank research shows that 27 per cent of all foreign banks in developing countries are owned by a bank from another developing country, while these banks hold 5 per cent of the foreign assets[11]. The importance of developing country foreign banks is much

Figure 2.3. **Cross-border M&A by companies domiciled outside the OECD area, by target sector (1990 to May 2007)**



Source: Thomson OneBanker.

larger in low-income countries (both in number of banks and in terms of assets) and this type of foreign banking is strongly regionally concentrated.

Natural resources are also attracting increasing interest, as record-high world prices and high financial market liquidity make it viable to invest in riskier projects than in the past. In the case of oil, ongoing research at the OECD Development Centre and the World Bank reveals that FDI flows are not only north-south but also and increasingly south-north and south-south[12].

Finally, in *manufacturing* companies from emerging economies occupy leadership positions in undifferentiated industrial commodities such as aluminium, basic chemicals, cement, paper and pulp, steel. In each case, FDI has played an important role to access new markets, either because the product is hard to transport (e.g. cement) or because trade barriers are sizeable (e.g. steel). Emerging MNEs are now also targeting more complex industries such as car making – in late 2004 SAIC took a 51 per cent stake of SsangYong Motor Company in Korea, one year later Nanjing Autos took over MG Rover for £ 53 million, and a Russian aluminium magnate is partnering with Canada's Magna to buy the struggling Chrysler Group. Argentina's Tenaris (although it is owned by an Italian family and is also listed in New York) is the world's largest producer of seamless tubes thanks to its technological edge.

2.4. What factors have been at play?

The internationalisation of developing country firms is partially explained by the so-called investment development path (IDP) theory: outward FDI is undertaken when the country reaches a certain minimum development. As countries move along the IDP from the initial stage of only receiving inward FDI, domestic firms acquire ownership and other advantages to go abroad and the country reaches the final stage and becomes an important outward investor.

However, there is some evidence indicating that EMNEs are investing abroad at earlier stages of IDP, mainly because many such firms do not have the luxury of waiting given the fierce competition at home and export markets as a result of increased the level of globalisation[13]. They may also develop comparative advantages *vis-à-vis* other countries/companies in certain sectors – ranging from a patent, recognised brand, production capacity to access to certain resources, knowledge of culture, language. For example, EMNEs experience some comparative advantages in services sector *vis-à-vis* northern MNEs in their regional investments – particularly in other developing countries (south-south FDI) – because services sector often requires proximity between producer and consumer and favour language and culture similarities. As a result, southern telecom giants Mexican América Movil, Egyptian Orascom and South African MTN compete fiercely with northern firms in their regions.

In manufacturing, specialisation in production has brought comparative advantages to many developing country firms. Brazilian bus and coach producer Marcopolo have developed a flexible production system to produce custom-made busses, which they have carried to Portugal and other Latin American countries. Jordanian Hikma's ability to produce low-cost, diverse and high-quality pharmaceuticals enable them to expand in other Arab countries as well as other regions. In the primary sector, southern firms' access to resources has helped them in terms of access to funding as well as their scale of production while they expand their operations abroad.

Firms may also engage in internationalisation by acquiring "strategic" assets (commonly through M&A[14]) such as technology, brands and distribution networks in case of lack or limited comparative advantages (asset augmentation). In an environment with the increased competition in the domestic and foreign markets due to globalisation and technological advances that can erode the comparative advantages quickly, developed and developing country firms alike use cross-border takeovers as an important strategy. Developing country firms expand abroad using combination both of these strategies. For example, Orascom Telecom has become a major regional telecom provider in Africa and the Middle East after investing heavily in the neighbouring countries as an asset-exploiting strategy, while buying Italy's Wind served to augment assets.

3. Offshoring, outsourcing and globalisation

One of the recurrent topics in discussions about globalisation is concerns by the public in the more mature economies that the growing international trade and investment implies the shifting of domestic jobs to low-cost locations abroad. Until a few years ago the debate focused on blue-collar jobs where developing countries were assumed to be most competitive, but the recent upsurge in skill-intensive activities in developing and emerging economies (discussed in more details in a later article in this publication) has broadened the issue to the technology intensive and service sectors. The present section reviews some of the indicators of the changing role of multinational enterprises' foreign affiliates in corporate value chains.

First, the debate about multinational enterprises' foreign activities often suffers from the confusion of a couple of commonly used terms: offshoring and outsourcing. Outsourcing does not necessarily imply an international dimension: it simply means the use of goods and services produced outside the enterprise. An unfolding example of domestic outsourcing is the streamlining of many industrial companies' value chains in recent decades by ceasing to provide auxiliary services (e.g. transportation; information and communications; financial services) in-house.

Offshoring is the case when an enterprise moves part of its value chain to a foreign location. The offshore economic activities may be own subsidiaries of the enterprise or they may be unrelated corporate entities (in which latter case outsourcing occurs jointly with offshoring). Some high-tech recent foreign investments – including by the ICT sector in emerging economies – have actually involved offshoring as well as in-sourcing, because they took place as multinational enterprises chose to established foreign subsidiaries to produce the services that they had previously purchased from independent providers. A recent study consider by the OECD Committee on Industry, Innovation and Entrepreneurship, on which the present section is based, documented in detail the extent and economic consequences of offshoring (see Box 2.2)[15].

A centrepiece of the study was the calculation of "indices of offshoring", which essentially consist of weighted averages of the share of certain

Box 2.2. **New OECD publication: Offshoring and Employment – Trends and Impacts**

The impact of offshoring on the labour market has become one of the major issues of concern to policy makers and public opinion. The phenomenon of offshoring is not really new, but it arouses just as much debate and concern because it is no longer confined to the manufacturing industry and low skills but now involves services themselves, particularly those to business. More recently the jobs affected by recent offshoring also involve more highly skilled jobs.

- In this context, what is the scale of the offshoring phenomenon and how many jobs are affected?
- What are the chief reasons for offshoring? Which types of jobs are affected, which countries and which sectors are offshored more?
- What are the benefits of offshoring and how can they be evaluated?
- What are the policy responses on offshoring and which measures could be proposed in order to facilitate adjustments and restore confidence?

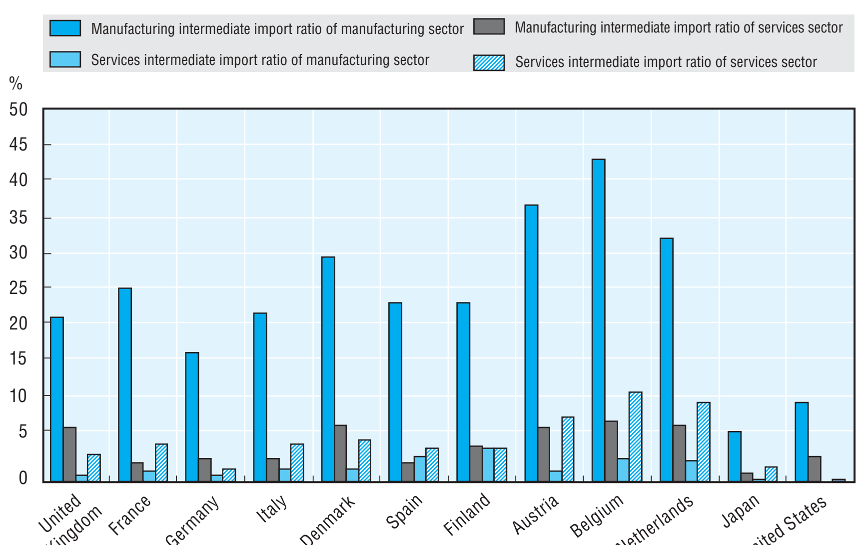
This report answers these questions. It discusses the main motivations for offshoring and presents the latest developments in the theoretical debate concerning trade, offshoring and employment. It emphasises the difficulties involved in the quantities evaluation of jobs affected by offshoring and presents results, first to identify cases of offshoring and then to measure the impact on employment. Several positive aspects of offshoring are also quantified. The last chapter sets out policies and regulatory measures to offshoring as well as measures which could contribute to reduce adjustment costs and restore confidence.

categories of input goods to certain sectors that are purchased from enterprises abroad. The calculations are based on input-output tables. In consequence, while the foreign origin of sourced inputs can normally be firmly established it is in practice very difficult to make a firm separation between related and unrelated suppliers[16]. Figure 2.5 shows the indices of offshoring for the manufacturing and services sectors of a number of countries in 2000, broken down by main category of inputs.

The figure indicates, first, that the offshoring of manufactured goods is widespread. In the manufacturing sector itself, more than one fifth of all such inputs goods in most countries is bought abroad. The service sector's foreign sourcing of manufactured goods in most cases comes in second place, notable exceptions being the Low Countries and Germany. The figure also points to a strong impact of the size of a country on the outsourcing pattern: unsurprisingly, enterprises in small open economies like the Austria, Belgium and the Netherlands are far more likely to rely on foreign suppliers (to the tune of 35 to 45 per cent in the case of manufacturing) than is the case in the United States and Japan.

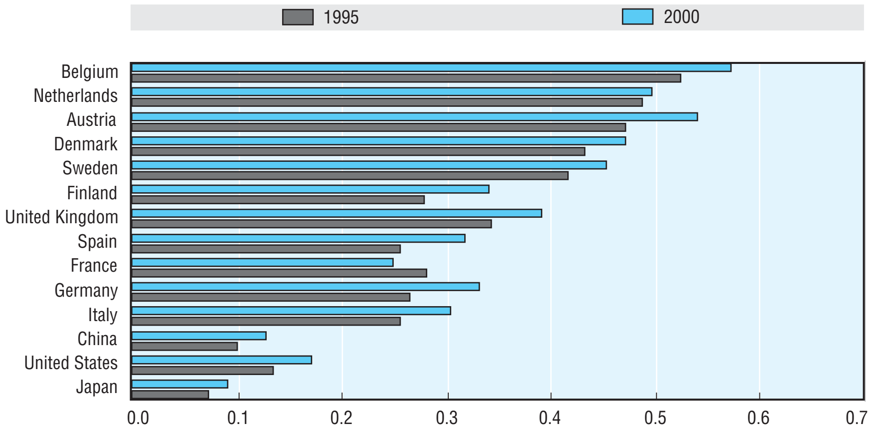
The trend appears to be upward. Comparing the overall index of outsourcing abroad of goods in 2000 and 1995 in 13 OECD countries plus China shows an increasing tendency to outsource abroad in all countries except France (Figure 2.5). The increases were particularly pronounced in Austria, Germany and Spain, countries reported to have undergone considerable

Figure 2.4. **Index off offshoring in selected OECD countries, 2000**



Source: OECD (2007), Offshoring and Employment: Trends and Impacts.

Figure 2.5. **Index of offshoring of goods, 1995 and 2000**



Source: OECD (2007), Offshoring and Employment: Trends and Impacts.

industrial restructuring in the late 1990s. Interestingly, Chinese enterprises are already about as likely to outsource abroad as their competitors in Japan and the United States.

Offshoring by the service sector – notwithstanding the great publicity surrounding call centres and software developing in South Asia – appears from Table 2.4 to be very limited. However, it is growing at high rates from the lowly starting point and increasingly involves activities characterised as medium to high tech.

Notes

1. This section draws on Goldstein, A. (2007), *Multinational Companies from Emerging Economies. Composition, Conceptualization and Direction in the Global Economy*, *www.palgrave.com/products/Catalogue.aspx?is=023000704X*, as well as complementary research with Dilek Aykut of the World Bank.
2. Emerging markets include both OECD countries such as the Czech Republic, Hungary, Korea, Mexico, Poland, and Turkey and non-OECD economies such as Argentina, Brazil, Chile, China, Colombia, Egypt, Hong Kong (China), India, Indonesia, Israel, Jordan, Malaysia, Morocco, Pakistan, Peru, Philippines, Russia, South Africa, Chinese Taipei and Thailand.
3. Although Bunge & Born (now Bunge) is often cited as one of the first Argentine companies to invest abroad its nationality is not easy to determine. The location of the company's headquarters has changed several times over its history. The company was founded in Holland in 1818, soon after which it moved to Belgium and then Argentina. It was in Argentina that it really expanded, becoming one of the world's leading marketers of agricultural commodities. It was also one of the first Argentina-based companies to start investing outside the country. In the 1970s the company moved again because of political instability, this time to Brazil.

By the following decade, Bunge & Born had diversified into numerous activities up and down the food production chain throughout the American continent. In 1999, after undergoing a deep restructuring and refocusing on its core business (agriculture), the company changed its "nationality" yet again and set up its headquarters in New York, United States, where Bunge began to trade its shares on the stock exchange in 2001. Thus, it is hard to determine whether this company is still Argentine, and what the local implications of its transnationalisation might be. (Source: UN Economic Commission for Latin America and the Caribbean (2007), *Foreign Investment in Latin America and the Caribbean.*)

4. UNCTAD (2006), *World Investment Report*.
5. China's total outward FDI reached USD 12.3 billion in 2005, a leap of 123 per cent over 2004 and the first time that the annual figure passed the USD 10 billion mark.
6. See ICRIER International Workshop on Intra-Asian FDI Flows, Delhi, 25-26 April 2007, *www.icrier.org/conference/2007/26april07.html*.
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11. Van Horen, Neeltje (2007), "Foreign Banking in Developing Countries: Origin Matters", *Emerging Markets Review*, Vol. 8, No. 2: 81-105.
12. Aykut, Dilek and Andrea Goldstein (2007), "FDI in the Oil Sector", *mimeo*, DECPG-International Finance Team-The World Bank and OECD Development Centre.
13. Bonaglia, Federico, Andrea Goldstein and John Mathews (2007), "Accelerated Internationalization by Emerging Multinationals: The Case of White Goods", *Journal of World Business*, forthcoming.
14. According to UNCTAD, between 1987 and 2005, emerging economies' share of global cross-border M&As rose from 4 per cent to 13 per cent in value terms, and from 5 per cent to 17 per cent in terms of the number of deals concluded.
15. OECD (2007), *Offshoring and Employment: Trends and Impacts*, Paris.
16. The quoted study uses the term "index of outsourcing abroad", but as no formal separation between related and unrelated enterprises can be made the present article prefers a more general title.

ANNEX 2.A1

International Direct Investment Statistics

Table 2.A1.1. **OECD direct investment abroad: Outflows**

USD million

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005p	2006e
Australia	992.3	1 199.4	5 266.9	1 947.0	2 816.5	3 281.8	7 087.6	6 427.9	3 344.8	–420.7	3 158.5	11 962.0	7 852.1	16 184.9	10 799.7	–34 288.5	20 987.1
Austria	1 627.2	1 285.3	1 697.5	1 190.5	1 257.2	1 130.6	1 935.0	1 988.2	2 745.2	3 300.7	5 740.9	3 137.9	5 812.0	7 143.0	8 305.4	10 017.4	4 089.4
Belgium/ Luxembourg	5 956.0	6 066.2	10 955.9	3 850.5	1 205.4	11 728.4	7 811.3	7 884.5	29 107.8	132 325.8	218 364.4	100 624.7	0.0	0.0	0.0	0.0	0.0
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12 705.4	36 932.9	34 037.8	31 761.1	62 586.9
Canada	5 235.2	5 832.3	3 589.2	5 699.9	9 293.5	11 462.3	13 094.3	23 059.2	34 349.2	17 250.1	44 678.5	36 037.2	26 761.1	21 526.0	43 247.8	34 084.3	42 134.4
Czech Republic	0.0	0.0	0.0	90.2	119.6	36.6	152.9	25.2	127.1	89.8	42.8	165.4	206.5	206.7	1 014.4	–18.7	1 344.7
Denmark	1 618.2	2 051.8	2 236.0	1 260.5	3 955.1	3 063.5	2 519.1	4 206.6	4 476.6	16 433.9	23 093.2	13 376.1	5 694.9	1 123.9	–10 370.7	15 026.4	8 194.5
Finland	2 708.5	–124.0	–751.7	1 407.1	4 297.8	1 497.3	3 596.5	5 291.7	18 641.5	6 615.5	24 034.7	8 372.0	7 377.8	–2 281.6	–1 080.1	4 474.7	8.9
France	36 228.4	25 137.6	30 407.1	19 736.1	24 372.3	15 758.1	30 419.5	35 580.9	48 612.7	126 859.2	177 481.6	86 783.3	50 486.1	53 197.0	56 762.3	120 891.1	115 101.0
Germany	24 231.9	22 947.0	18 595.1	17 196.1	18 857.8	39 051.6	50 806.3	41 794.1	88 837.2	108 691.6	56 567.5	39 691.1	18 963.5	5 827.0	14 836.7	55 480.6	79 466.4
Greece	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–275.6	552.1	2 136.5	616.1	655.3	412.6	1 029.7	1 450.0	4 169.2
Hungary	0.0	0.0	0.0	10.6	48.3	59.1	–3.6	461.9	278.3	250.1	620.2	368.1	278.1	1 644.0	1 119.4	2 327.4	3 015.4
Iceland	11.5	28.6	6.3	14.3	23.7	24.8	63.4	56.0	74.1	123.1	392.6	341.8	320.0	373.2	2 553.1	7 063.2	4 159.9
Ireland	364.7	192.6	214.4	217.8	436.3	819.8	727.9	1 013.7	3 902.1	6 109.1	4 629.6	4 066.1	11 035.2	5 554.7	18 079.3	13 559.5	22 113.7
Italy	7 611.7	7 325.9	5 948.5	7 230.6	5 108.8	5 731.4	6 464.9	12 244.7	16 077.6	6 721.7	12 318.5	21 475.9	17 138.3	9 079.3	19 273.2	41 794.7	42 059.7
Japan	50 772.1	31 687.0	17 301.6	13 915.3	18 117.0	22 627.8	23 419.4	25 990.9	24 154.6	22 746.5	31 538.5	38 348.7	32 280.1	28 798.5	30 963.5	45 830.2	50 244.1
Korea	1 051.6	1 488.6	1 161.5	1 340.0	2 461.1	3 552.0	4 670.1	4 449.4	4 739.5	4 197.8	4 998.9	2 420.1	2 616.5	3 425.5	4 657.9	4 298.1	7 128.7
Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	125 945.1	99 861.4	84 088.5	123 955.3	81 552.3
Mexico	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4 404.0	890.8	1 253.5	4 431.9	6 474.0	5 758.5
Netherlands	13 660.6	12 825.9	12 697.1	10 063.3	17 553.8	20 175.5	32 098.1	24 522.1	36 475.1	57 611.3	75 648.7	50 602.3	32 046.0	44 075.9	26 585.9	142 839.9	22 704.9
New Zealand	2 360.7	1 472.4	391.4	–1 388.7	2 008.2	1 783.5	–1 239.7	–1 565.5	401.4	1 072.5	608.7	407.7	–1 133.0	195.0	1 082.8	–315.3	–1 640.5
Norway	1 431.5	1 823.6	394.2	933.0	2 172.5	2 856.2	5 892.5	5 015.3	3 200.7	5 503.6	8 620.5	538.6	4 622.1	2 655.2	3 526.0	21 055.7	12 229.4
Poland	0.0	0.0	13.2	18.2	29.0	42.1	53.1	45.2	316.2	31.0	17.0	–88.8	228.6	305.0	769.7	3 069.6	4 134.0
Portugal	164.8	473.6	684.2	107.3	282.5	684.6	728.8	2 092.0	4 028.5	3 191.4	8 133.6	6 262.7	–149.2	8 035.2	7 849.7	2 077.2	3 509.5

Notes: Data are converted to US dollars using average exchange rates; p: preliminary; e: estimate.

Source: OECD International Direct Investment database.

Table 2.A1.1. **OECD direct investment abroad: Outflows** *(cont.)*

USD million

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005p	2006e
Slovak Republic	0.0	0.0	0.0	12.8	17.7	43.0	62.9	95.1	146.6	–377.2	28.7	64.5	11.2	13.3	152.1	146.4	369.0
Spain	3 441.7	4 424.4	2 171.0	3 173.6	4 110.8	4 157.8	5 590.1	12 546.8	18 937.7	44 383.5	58 224.0	33 112.6	32 744.0	28 744.9	60 566.5	41 804.5	89 728.3
Sweden	14 748.2	7 057.6	408.7	1 357.7	6 701.1	11 214.3	5 024.8	12 647.5	24 379.4	21 928.6	40 976.4	7 328.2	10 596.3	21 120.7	20 757.6	26 543.9	24 146.2
Switzerland	6 708.4	6 211.6	6 049.2	8 764.5	10 797.2	12 214.0	16 150.4	17 747.7	18 768.8	33 264.3	44 698.0	18 326.1	8 212.4	15 443.4	26 287.2	54 177.9	81 547.0
Turkey	–16.0	27.0	65.0	14.0	49.0	113.0	110.0	251.0	367.0	645.0	870.0	497.0	175.0	499.0	859.0	1 078.0	934.0
United Kingdom	17 953.8	16 412.1	17 740.9	26 063.1	32 205.7	43 560.0	34 055.9	61 620.0	122 861.2	201 436.7	23 3487.7	58 885.2	50 346.5	62 439.3	91 082.8	83 692.1	79 470.0
United States	37 183.0	37 889.0	48 266.0	83 950.0	80 167.0	98 750.0	91 885.0	104 803.0	142 644.0	224 934.0	15 9212.0	142 349.0	154 460.0	149 897.0	244 128.0	9 072.0	248 856.0
Total OECD FDI	236 046.2	193 735.4	185 509.4	208 175.3	248 465.0	315 419.1	343 176.3	410 295.2	651 719.3	1 045 470.9	1 240 322.1	690 475.6	619 178.5	623 686.4	807 396.8	869 422,6	1 120 102,7

Notes: Data are converted to US dollars using average exchange rates; p: preliminary; e: estimate.

Source: OECD International Direct Investment database.

Table 2.A1.2. **OECD direct investment from abroad: Inflows**

USD million

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005p	2006e
Australia	8 115.8	4 302.1	5 719.8	4 281.7	5 024.6	11 963.2	6 111.0	7 633.4	6 002.6	3 268.4	13 949.9	8 297.1	16 996.1	7 981.2	35 963.4	-34 967.2	24 546.8
Austria	650.9	351.3	1 432.7	1 136.5	2 102.9	1 904.2	4 428.6	2 655.6	4 534.1	2 974.6	8 841.7	5 920.5	357.0	7 150.9	3 892.4	9 039.3	248.5
Belgium/ Luxembourg	7 516.0	8 919.4	10 957.3	10 467.8	8 313.2	10 894.2	13 924.4	16 510.1	30 146.9	142 512.3	220 987.8	84 717.6	0.0	0.0	0.0	0.0	0.0
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15 640.5	32 127.2	43 583.1	33 949.8	71 518.8
Canada	7 580.3	2 880.0	4 721.6	4 730.3	8 204.1	9 255.4	9 632.6	11 522.0	22 802.8	24 747.2	66 795.5	27 669.9	22 145.9	7 618.5	1 533.2	33 823.6	66 605.0
Czech Republic	0.0	0.0	0.0	653.4	868.3	2 561.9	1 428.2	1 301.1	3 716.4	6 326.2	4 980.2	5 644.6	8 483.5	2 108.7	4 975.0	11 654.4	5 963.1
Denmark	1 206.7	1 459.9	1 014.7	1 669.0	4 897.6	4 179.8	768.0	2 798.6	7 725.7	14 657.1	31 305.8	11 525.3	6 633.4	2 597.1	-10 721.4	13 108.5	7 033.5
Finland	787.5	-246.6	406.2	864.4	1 577.7	1 062.9	1 109.0	2 115.8	12 140.7	4 610.2	8 835.6	3 732.2	8 053.2	3 322.1	3 004.9	4 503.9	3 707.5
France	15 612.6	15 170.9	17 849.2	16 442.7	15 574.0	23 679.1	21 959.5	23 171.5	30 984.5	46 545.9	43 258.4	50 485.1	49 078.7	42 538.4	32 585.4	81 006.7	81 120.9
Germany	2 962.0	4 729.3	-2 088.9	368.3	7 133.9	12 025.4	6 572.8	12 243.4	24 596.7	56 077.3	198 313.0	26 419.0	53 570.8	32 398.3	-9 201.3	35 844.9	42 891.4
Greece	1 688.4	1 718.1	1 588.6	1 243.6	1 166.1	1 197.7	1 196.4	1 088.6	72.1	561.5	1 108.1	1 589.4	50.3	1 276.4	2 102.6	606.1	5 366.4
Hungary	312.1	1 474.4	1 477.2	2 446.2	1 143.5	5 101.9	3 300.4	4 170.9	3 337.1	3 313.1	2 763.0	3 936.0	2 993.6	2 137.5	4 508.2	7 620.9	6 097.4
Iceland	22.0	18.2	-12.7	0.4	-1.5	9.2	83.1	147.9	147.8	66.6	170.5	172.6	90.9	327.9	653.8	3 074.7	3 233.4
Ireland	622.6	1 360.8	1 458.1	1 068.5	856.2	1 441.5	2 615.7	2 709.6	8 856.3	18 211.2	25 784.2	9 652.7	29 350.0	22 802.8	-10 613.7	-31 113.6	12 817.9
Italy	6 343.4	2 481.5	3 210.8	3 751.4	2 235.6	4 816.2	3 534.9	4 962.5	4 279.8	6 911.4	13 377.3	14 873.4	14 558.2	16 430.2	16 824.5	19 959.0	16 587.2
Japan	1 805.9	1 286.2	2 755.2	210.5	888.2	41.5	227.9	3 224.0	3 192.8	12 743.0	8 317.7	6 243.8	9 239.2	6 324.0	7 818.8	2 778.4	-6 502.8
Korea	788.5	1 179.8	728.3	588.1	809.0	1 775.8	2 325.4	2 844.2	5 412.3	9 333.4	9 283.4	3 527.7	2 392.3	3 525.5	9 246.2	6 309.0	3 645.0
Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	115 276.1	89 290.1	79 126.1	116 303.7	97 013.2
Mexico	2 633.0	4 761.5	4 393.0	4 389.0	15 069.1	9 678.8	10 086.7	14 164.8	12 408.6	13 631.2	17 587.8	27 150.9	18 274.7	14 183.8	22 300.9	19 642.7	19 037.4
Netherlands	10 516.2	5 778.9	6 169.4	6 443.1	7 158.4	12 306.8	16 660.1	11 136.5	36 924.9	41 206.1	63 865.6	51 936.8	25 060.3	21 063.0	2 124.5	41 431.8	4 373.0
New Zealand	1 683.1	1 695.6	1 089.2	2 211.6	2 615.7	2 849.7	3 922.0	1 917.2	1 825.5	940.4	1 344.4	4 590.4	-1 251.3	2 040.6	2 850.7	3 140.5	1 570.4
Norway	1 176.7	-48.9	810.4	1 460.7	2 777.6	2 408.0	3 168.5	3 946.4	4 353.7	7 061.7	6 907.7	2 232.0	669.6	3 701.0	2 546.6	6 392.2	1 635.1
Poland	84.0	359.2	678.0	1 715.9	1 874.8	3 658.1	4 499.7	4 913.8	6 368.0	7 275.8	9 446.1	5 696.6	4 121.2	4 867.0	12 484.0	9 542.4	13 859.8
Portugal	2 255.4	2 291.6	1 903.8	1 516.2	1 254.6	660.1	1 343.8	2 361.7	3 004.7	1 156.8	6 636.5	6 231.8	1 800.8	8 600.9	2 328.2	3 962.5	7 374.7

Notes: Data are converted to US dollars using average exchange rates; p: preliminary; e: estimate.

Source: OECD International Direct Investment database.

Table 2.A1.2. **OECD direct investment from abroad: Inflows** *(cont.)*

USD million

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005p	2006e
Slovak Republic	0.0	0.0	0.0	179.1	272.9	241.4	395.7	230.6	706.8	428.5	2 383.1	1 584.1	4 126.5	593.8	1 107.5	1 907.2	4 232.1
Spain	13 838.6	12 445.2	13 350.7	9 571.6	9 275.8	6 285.1	6 820.6	6 387.8	11 798.4	18 743.9	39 582.4	28 347.0	39 248.7	25 843.9	24 774.5	25 005.2	20 026.9
Sweden	1 971.4	6 355.8	41.0	3 845.1	6 349.7	14 446.9	5 436.6	10 967.4	19 842.7	60 963.7	23 430.5	10 905.1	12 156.6	4 990.1	11 668.7	10 170.1	27 836.6
Switzerland	5 484.6	2 643.3	411.4	-83.1	3 367.7	2 224.0	3 078.4	6 641.9	8 942.1	11 714.4	19 266.0	8 859.0	6 283.8	16 505.3	1 372.7	-1 263.0	25 101.4
Turkey	684.0	810.0	844.0	636.0	608.0	885.0	722.0	805.0	940.0	783.0	982.0	3 352.0	1 137.0	1 752.0	2 883.0	9 801.0	20 165.0
United Kingdom	30 470.7	14 849.2	15 474.8	14 821.3	9 254.6	19 968.4	24 441.3	33 244.9	74 348.9	87 972.8	118 823.8	52 650.2	24 051.9	16 845.9	56 002.2	193 657.5	139 565.7
United States	48 494.0	23 171.0	19 823.0	51 362.0	46 121.0	57 776.0	86 502.0	105 603.0	179 045.0	289 444.0	321 274.0	167 021.0	84 372.0	63 961.0	133 162.0	109 754.0	183 571.0
Total OECD FDI	175 306.5	122 197.7	116 206.7	147 991.3	166 793.1	225 298.5	246 295.4	301 420.1	528 457.9	894 181.6	1 289 602.1	634 963.8	574 961.6	464 905.2	490 886.7	746 646.0	91 0242.2

Notes: Data are converted to US dollars using average exchange rates; p: preliminary; e: estimate.

Source: OECD International Direct Investment database.

Table 2.A1.3. **OECD direct investment abroad: Outward position**

USD million

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005p	2006e
Australia	30 494.9	30 897.0	34 559.6	40 503.6	47 786.3	53 009.0	66 857.9	71 968.4	78 647.9	89 583.6	85 385.3	109 688.2	114 847.6	161 886.8	204 196.9	178 335.2	226 171.4
Austria	4 746.9	5 993.6	6 584.5	7 974.2	9 514.1	11 832.0	13 059.8	14 011.4	17 468.4	19 127.3	24 819.9	28 510.6	42 483.2	55 961.0	67 785.0	68 186.7	80 337.0
Belgium/ Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Canada	84 812.7	94 387.4	87 867.3	92 469.1	104 308.0	118 106.1	132 321.9	152 959.3	171 784.7	201 446.8	237 646.9	250 691.0	275 711.3	318 973.5	373 008.5	394 681.0	449 009.4
Czech Republic	0.0	0.0	0.0	181.4	300.4	345.5	498.0	548.2	804.1	697.9	737.9	1 135.6	1 473.1	2 283.5	3 758.9	3 610.4	5 058.2
Denmark	0.0	15 612.0	16 305.7	15 799.2	19 613.7	24 702.5	27 601.6	28 127.7	38 836.8	51 376.0	73 074.2	78 236.2	86 696.8	102 586.9	123 146.6	127 101.1	150 110.0
Finland	11 227.3	10 845.3	8 564.6	9 178.2	12 534.0	14 993.2	17666.0	20 297.5	29 405.9	33 850.3	52 108.7	52 224.4	63 930.7	76 049.7	85 022.5	81 368.6	90 877.5
France	110 120.6	129 900.5	156 326.6	158 750.3	182 331.8	204 430.3	231 112.8	237 248.9	288 035.9	334 102.9	445 087.0	508 842.0	586 306.6	724 445.4	845 450.6	882 287.2	1 075 917.9
Germany	130 760.3	150 517.4	154 741.3	162 365.0	194 523.4	233 107.4	248 634.1	296 274.9	365 195.7	412 881.3	486 749.8	551 083.1	602 780.0	720 718.3	810 621.7	801 351.5	940 363.0
Greece	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2 792.2	3 217.9	5 851.7	7 020.4	9 000.6	12 337.0	13 791.3	13 601.9	195 60.1
Hungary	0.0	0.0	223.6	224.6	291.2	278.1	265.3	646.6	785.1	924.2	1 279.1	1 554.5	2 165.8	3 509.4	6 022.1	7 992.5	12 695.8
Iceland	75.2	101.1	98.1	113.5	148.5	177.2	240.1	275.0	360.5	451.8	662.9	840.2	1 255.0	1 733.4	4 024.6	10 084.8	12 990.2
Ireland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20 314.4	25 232.1	27 925.0	40 818.7	58 880.0	74 490.5	106 042.3	102 865.1	0.0
Italy	60 195.3	70 419.3	70 382.3	81 086.6	89 688.3	106 318.6	117 278.0	139 437.2	176 985.2	181 855.5	180 273.6	182 373.3	194 488.3	238 887.6	280 481.1	293 475.2	375 754.6
Japan	201 440.0	231 790.0	248 060.0	259 800.0	275 570.0	238 452.0	258 612.4	271 905.7	270 034.0	248 776.0	278 441.5	300 115.7	304 237.5	335 499.5	370 543.6	386 581.3	449 567.4
Korea	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19 967.0	20 734.5	24 986.4	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.0	0.0	0.0	4 703.3	4 695.4	5 022.3	7 982.8	8 467.8	7 927.0	8 810.2	18 139.5	21 354.8	27 883.0	33 410.2	0.0
Mexico	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12 077.5	12 868.7	16 587.0	22 218.8	28 040.1	0.0
Netherlands	106 896.1	117 262.8	121 052.5	120 116.2	142 944.0	172 675.1	194 015.6	198 539.0	228 983.2	263 761.3	305 459.2	332 151.2	396 514.3	523 206.6	597 887.4	629 941.0	729 672.0
New Zealand	0.0	0.0	5 899.0	4 430.7	5 896.2	7 675.6	9 293.1	5 646.0	5 490.8	7 006.2	6 065.1	8 807.8	9 162.2	11 458.3	12 495.1	12 592.2	12 601.7
Norway	10 889.2	12 149.1	11 794.4	12 717.7	17 648.0	22 520.7	25 439.1	27 494.5	31 609.4	42 452.9	46 301.5	55 403.2	72 487.3	82 787.7	89 980.1	0.0	0.0
Poland	0.0	0.0	100.8	198.2	461.2	539.3	735.2	678.1	1 164.7	1 024.4	1 018.5	1 157.2	1 456.5	2 145.6	3 223.6	6 438.9	0.0
Portugal	0.0	0.0	0.0	0.0	0.0	0.0	4 195.5	5 747.9	10 225.9	11 492.9	19 792.5	22 264.9	21 324.5	36 059.9	46 113.9	44 072.4	54 850,4

Notes: Data are converted to US dollars using average exchange rates; p: preliminary; e: estimate.

Source: OECD International Direct Investment database.

Table 2.A1.3. **OECD direct investment abroad: Outward position** *(cont.)*

USD million

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005p	2006e
Slovak Republic	0.0	0.0	0.0	0.0	166.4	138.5	185.0	236.4	408.2	346.0	379.1	506.6	485.6	633.2	583.5	617.2	1176.1
Spain	0.0	0.0	22 046.8	24 014.3	30 044.8	36 547.3	41 999.6	53 035.2	74 109.4	118 042.9	167 717.9	191 648.9	233 937.3	292 464.3	370 931.1	372 943.8	507 970.1
Sweden	50 719.5	54 797.6	48 844.6	45 522.5	60 309.0	73 142.5	72 187.8	78 201.2	93 533.7	106 273.8	123 234.0	123 268.1	146 509.8	183 631.4	214 826.0	208 835.9	262 952.4
Switzerland	66 086.5	75 880.9	74 411.8	91 570.3	112 588.0	142 481.4	141 586.8	165 354.1	184 237.3	194 598.3	232 175.8	252 238.3	292 210.1	341 384.4	399 297.3	426 195.3	545 420.3
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3 668.0	4 581.0	5 847.0	6 138.0	7 060.0	8 315.0	8 866.0
United Kingdom	229 306.7	232 140.8	221 678.9	245 628.9	276 743.8	304 864.9	330 432.5	360 796.3	488 372.0	686 420.4	897 844.8	869 700.5	994 135.7	1 187 045.0	1 247 190.3	1 228 325.6	1 486 948.9
United States	616 655.0	643 364.0	663 830.0	723 526.0	786 565.0	885 506.0	989 810.0	1 068 063.0	1 196 021.0	1 414 355.0	1 531 607.0	1 693 131.0	1 867 043.0	2 059 850.0	2 399 224.0	2 453 933.0	0.0
Total OECD FDI	1 714 426.2	1 876 058.6	1 953 372.4	2 096 170.3	2 369 976.2	2 656 546.5	2 928 723.6	3 202 514.8	3 783 589.3	4 457 765.5	5 243 233.9	5 708 847.0	6 437 112.1	7 619 095.1	8 732 809.7	8 805 183.2	.

Notes: Data are converted to US dollars using average exchange rates; p: preliminary; e: estimate.

Source: OECD International Direct Investment database.

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Table 2.A1.4. **OECD direct investment from abroad: Inward position**

USD million

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005p	2006e
Australia	73 615.1	77 077.7	75 821.7	82 877.7	95 543.8	104 074.3	116 797.2	101 089.0	105 961.7	120 625.7	111 138.5	111 826.7	141 086.3	198 420.0	259 145.3	20 6348.0	247 054.6
Austria	10 971.8	11 510.1	12 040.8	12 105.5	14 636.0	19 721.0	19 629.2	19 522.2	23 564.8	23 471.6	30 430.8	34 328.0	43 506.7	53 844.2	62 336.5	62 524.1	70 064.4
Belgium/ Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Belgium	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Canada	112 850.3	117 031.5	108 500.1	106 869.7	110 210.1	123 182.3	132 970.2	135 935.6	143 348.8	175 000.9	212 722.7	213 755.4	225 902.1	289 157.5	318 610.2	350 030.1	385 165.0
Czech Republic	0.0	0.0	0.0	3 422.8	4 546.6	7 349.8	8 573.1	9 233.2	14 377.1	17 549.5	21 647.0	27 092.8	38 672.3	45 286.3	57 246.1	60 662.3	77 456.8
Denmark	0.0	14 747.0	14 387.3	14 617.9	17 846.3	23 800.9	22 337.0	22 267.8	35 704.8	47 725.6	73 573.0	75 382.6	82 743.2	100 236.3	115 190.4	115 494.7	138 454.4
Finland	5 132.4	4 220.5	3 688.9	4 216.7	6 714.1	8 464.5	8 797.5	9 529.8	16 454.8	18 320.4	24 272.3	24 069.8	33 985.7	50 256.6	57 363.1	54 308.3	64 172.4
France	84 930.9	97 450.5	127 881.4	135 077.8	163 451.4	191 433.0	200 095.8	195 913.0	246 215.9	244 672.5	259 773.0	295 308.0	385 186.7	527 624.6	641 807.0	627 930.8	783 025.0
Germany	74 066.8	77 927.8	74 730.1	71 095.4	87 338.1	104 367.2	104 658.1	190 732.9	252 392.5	290 457.1	462 529.1	416 826.5	529 322.6	666 174.4	709 432.5	660 428.0	761 106.2
Greece	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13 084.0	15 890.0	14 113.0	13 941.0	15 560.0	22 453.6	28 481.5	29 189.3	41 316.9
Hungary	568.8	2 106.7	3 424.1	5 575.6	7 083.5	11 303.5	13 274.9	17 953.6	20 752.9	23 259.7	22 856.2	27 377.5	36 213.4	48 344.9	62 623.6	61 886.0	81 781.1
Iceland	147.1	165.6	123.8	116.5	127.5	148.7	197.4	331.9	468.7	478.4	491.4	676.5	797.4	1 189.7	1 998.0	4 696.3	6 993.1
Ireland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	62 453.1	72 817.0	127 087.6	134 051.3	182 890.1	222 959.9	209 675.0	166 230.4	0.0
Italy	60 008.5	61 592.3	49 972.7	53 961.9	60 416.0	65 347.2	74 599.9	85 401.8	108 835.3	108 640.7	121 168.7	113 433.5	130 813.8	180 890.6	220 720.3	224 079.3	294 790.7
Japan	9 850.0	12 290.0	15 510.0	16 890.0	19 170.0	33 507.7	29 939.7	27 079.8	26 064.0	46 115.3	50 321.9	50 319.0	78 140.3	89 729.2	96 984.2	100 898.5	107 633.5
Korea	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	53 207.5	62 658.3	66 069.7	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.0	0.0	0.0	18 503.4	18 232.7	17 279.7	20 766.1	20 362.0	23 491.7	26 346.5	34 970.2	41 729.6	49 732.9	43 721.3	0.0
Mexico	22 424.4	30 790.0	35 680.0	40 600.4	33 197.7	41 129.6	46 912.0	55 810.0	63 610.4	78 060.0	97 170.2	140 376.0	158 650.7	172 834.5	191 508.8	209 563.6	0.0
Netherlands	68 728.8	72 479.6	74 434.3	74 474.2	93 402.9	116 051.2	126 536.4	122 183.1	164 461.1	192 591.9	243 730.3	282 879.2	349 954.9	426 611.1	469 935.7	447 120.5	487 475.7
New Zealand	0.0	0.0	11 779.5	15 539.1	22 062.2	25 727.6	34 743.7	31 365.3	33 169.9	32 860.8	28 069.8	23 714.7	29 501.9	38 154.7	49 517.9	49 996.9	55 111.0
Norway	12 403.8	15 865.2	13 644.9	13 642.5	17 018.0	19 835.9	20 623.8	20 704.4	26 081.4	29 433.0	30 261.4	32 589.6	42 649.2	48 966.9	76 109.8	0.0	0.0
Poland	109.5	425.3	1 369.9	2 306.9	3 789.1	7 843.5	11 463.8	14 589.4	22 479.8	26 079.1	34 232.9	41 253.7	47 900.5	57 840.5	85 506.4	89 544.1	0.0
Portugal	0.0	0.0	0.0	0.0	0.0	18 973.4	21 103.2	22 413.7	30 089.6	26 910.8	32 043.4	36 022.7	44 635.1	62 200,2	69 144,3	65 598,4	85 520,7

Notes: Data are converted to US dollars using average exchange rates; p: preliminary; e: estimate.

Source: OECD International Direct Investment database.

Table 2.A1.4. **OECD direct investment from abroad: Inward position** *(cont.)*

USD million

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005p	2006e
Slovak Republic	0.0	0.0	0.0	0.0	897.0	1 297.1	1 899.8	2 103.4	2 919.6	3 227.6	4 679.4	5 729.8	8 530.6	11 283.9	14 503.7	15 795.5	25 482.3
Spain	0.0	0.0	85 989.4	80 295.6	96 302.3	110 290.5	111 532.2	105 265.6	126 018.5	125 363.6	156 346.8	177 252.0	257 095.4	339 652.0	395 983.6	371 451.4	443 274.4
Sweden	12 636.0	18 085.0	14 057.0	13 126.9	22 649.4	31 089.3	34 784.1	41 512.7	50 984.6	73 312.5	93 972.5	91 958.9	119 315.4	157 083.9	196 369.1	171 768.2	218 374.3
Switzerland	34 244.6	35 747.2	32 989.3	38 713.3	48 668.4	57 063.7	53 916.7	59 515.2	71 997.1	76 000.2	86 809.9	88 766.3	124 808.0	162 238.3	197 671.7	168 988.5	207 126.2
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19 209.0	19 677.0	18 795.0	33 536.0	38 519.0	64 433.0	0.0
United Kingdom	203 905.3	208 345.5	172 986.4	179 232.6	189 587.5	199 771.8	228 642.5	252 958.6	337 386.1	385 146.1	438 630.7	506 685.6	523 319.2	606 157.3	701 913.4	831 357.2	1 135 263.8
United States	505 346.0	533 404.0	540 270.0	593 313.0	617 982.0	680 066.0	745 619.0	824 136.0	920 044.0	1 101 709.0	1 421 017.0	1 518 473.0	149 9952	1 576 983	1 727 062	1 874 263	0.0
Total OECD FDI	1 291 940.0	1 391 261.4	1 469 281.7	1 558 071.7	1 732 639.7	2 020 343.3	2 187 879.6	2 384 827.6	2 939 686.2	3 376 081.0	4 241 790.1	4 583 321.1	5 247 556.8	6 297 909.5	7 105 092.1	7 128 307.8	..

Notes: Data are converted to US dollars using average exchange rates; p: preliminary; e: estimate.

Source: OECD International Direct Investment database.