DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS

TRENDS AND RECENT DEVELOPMENTS IN FOREIGN DIRECT INVESTMENT*

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1. Recent developments

Foreign direct investment (FDI) in the OECD continued to fall in 2003. One reason for this appears to be the sluggish macroeconomic performance of many of the larger OECD economies, not least in Europe. This would appear to have depressed outward as well as inward investment. Companies operating in economies with poor macroeconomic performance are less attractive to outside investors, and may at the same time – at least insofar as their profitability is affected – scale back their outward investment as well.

Another ground for the limited FDI activity is that several sectors that saw rampant cross-border investment in the late 1990s and 2000 have entered into a phase of consolidation. Enterprises tend to be disinclined to embark on new purchases while still in the process of integrating foreign acquisitions of recent years into their corporate strategies. This caution may be further strengthened by the fact that, in certain sectors, (notably the "new economy" activities) investors would seem to have paid excessively for some of their acquisitions. Finally, companies who have acquired corporate "prized assets" in other countries have in some cases progressed to heave off some of the non-core activities of their acquisitions. Insofar as they sell these corporate assets to domestic investors in the host economy, such disinvestment weighs down on the overall inward FDI figures.

All the same, the contraction of FDI in recent years does not imply that FDI activity is low by any longer-term historic standard. OECD area inflows, for example, compare favourably with the early and mid-1990s, even if they are much below the levels recorded in the peak year 2000.

1.1 Further declines in most OECD countries' FDI

FDI to and from the OECD countries continued to decline in 2003. FDI into the OECD area dropped from 535 billion US dollars (USD) in 2002 to an estimated USD 384 billion in 2003 (Table 1) – a decline of around 28 per cent. The figure is consistent with projections in last year's *International Investment Perspectives,* which, based on mergers and acquisitions data for the first half of the year, predicted that 2003 FDI inflows could drop by another 25-30 per cent. This indicates that, contrary to

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the expectations of many at the time, there was no significant pick-up in activity in the second half of 2003.

FDI outflows remained broadly unchanged. In 2003, they stood at USD 576 billion, compared with USD 567 the year before, or an increase of less than 2 per cent.

OECD countries' traditional role as net providers of direct investment to the rest of the world was greatly strengthened. Net FDI flows to non-member economies reached an impressive USD 192 billion, up from USD 32 billion in 2002 and USD 52 billion in 2001.

Table 1. Direct investment flows to and from OECD countries: 2000-2003

(USD billion)

	Outflows				Inflows			
	2000	2001	2002p	2003e	2000	2001	2002p	2003e
Australia	0.7	12.2	7.6	14.3	13.2	4.7	16.5	7.8
Austria	5.7	3.1	5.3	7.1	8.8	5.9	1.0	6.9
Belgium/Luxembourg	218.4	100.6	..	..	221.0	84.7	..	..
Belgium	..	..	11.0	39.0	..	..	13.1	31.3
Luxembourg	..	..	126.2	81.8	..	..	117.1	73.2
Canada	44.7	36.1	26.4	21.6	66.8	27.5	21.0	6.6
Czech Republic	0.0	0.2	0.2	0.2	5.0	5.6	8.5	2.6
Denmark	26.5	13.4	5.7	1.2	33.8	11.5	6.6	2.6
Finland	24.0	8.4	7.6	-7.4	8.8	3.7	7.9	2.8
France	177.5	86.8	49.5	57.3	43.3	50.5	48.9	47.0
Germany	56.6	36.9	8.6	2.6	198.3	21.1	36.0	12.9
Greece	2.1	0.6	0.7	0.0	1.1	1.6	0.1	0.7
Hungary	0.6	0.4	0.3	1.6	2.8	3.9	2.8	2.5
Iceland	0.4	0.3	0.2	0.2	0.2	0.2	0.1	0.1
Ireland	4.6	4.1	3.1	1.9	25.8	9.7	24.4	25.5
Italy	12.3	21.5	17.1	9.1	13.4	14.9	14.6	17.0
Japan	31.5	38.4	32.3	28.8	8.3	6.2	9.2	6.3
Korea	5.0	2.4	2.6	3.4	9.3	3.5	2.4	3.2
Mexico	..	4.4	1.0	..	16.4	26.6	14.4	10.7
Netherlands	75.6	48.0	34.6	36.1	63.9	51.9	25.6	19.7
New Zealand	0.6	0.9	-1.0	-0.1	1.3	4.2	-0.6	0.8
Norway	7.6	-1.3	4.2	2.6	6.9	2.0	0.7	2.2
Poland	0.0	-0.1	0.2	0.4	9.3	5.7	4.1	4.2
Portugal	7.5	7.6	3.3	0.1	6.8	5.9	1.8	1.0
Slovak Republic	0.0	0.1	0.0	0.0	2.4	1.6	4.1	0.6
Spain	54.7	33.1	31.5	23.4	37.5	28.0	35.9	25.6
Sweden	40.7	6.4	10.7	10.6	23.2	11.9	11.6	3.4
Switzerland	44.7	18.2	7.6	10.9	19.3	8.9	5.7	12.2
Turkey	0.9	0.5	0.2	0.5	1.0	3.3	1.0	0.6
United Kingdom	233.5	58.9	35.2	55.3	118.8	52.7	27.8	14.6
United States	159.2	120.0	134.8	173.8	321.3	167.0	72.4	39.9
Total OECD	**1 235.8**	**661.9**	**566.7**	**576.3**	**1 288.0**	**624.9**	**535.0**	**384.4**

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

Source: OECD International Direct Investment Database.

The fall in FDI inflows affected all major regions, but nowhere more than North America. US inflows of direct investment in 2003 were USD 40 billion – down from USD 72 billion in 2002, or a decline of 45 per cent. This partly reflects an upward revision of the 2002 data. In consequence, 2003 became the first year on record (not 2002 as previously announced) in which China surpassed the United States as the world's foremost recipient of FDI[1]. Canada, on the other hand, saw its inflows of FDI drop by USD 15 billion (or about 70 per cent), as US investors reportedly set sight on further-away investment locations. Japan, not a major host country for direct investment, saw its inflows drop by about a third in 2003 from a level that was already internationally unremarkable.

The 2003 FDI inflows to European countries were 23 per cent lower than in 2002 (the decline in EU and the Euro-zone were of a comparable magnitude). This figure covers very considerable trend differences between individual countries. On the whole, most European nations saw larger-than-average declines, the effect of which on the overall figures was cushioned by the resilience of FDI in a few relatively large economies. Some stylised observations offer themselves:

- Some of the largest relative declines in FDI inflows were seen in Central Europe. FDI into Slovak and Czech Republics dropped by 85 and 70 per cent, owing in part to the one-off effect of large investment projects in 2002 (in the automotive and energy sector, respectively).

- Direct investment flows into Germany fell by 64 per cent, and by the same token recorded the second-largest absolute decline in 2003. FDI inflows were down by USD 23 billion from 2002.

- Other large declines were seen in the Nordic countries. FDI flows into Sweden and Finland fell by around two thirds in 2003, *inter alia* reflecting the effect of changed ownership structures within the Nordic region's largest commercial bank.

- The FDI flows into the United Kingdom fell almost by half in 2003, from a level that was already unimpressive by historical standards.

- Among the countries whose inward FDI has held up France stands out by the sheer volume of investment that the country continues to attract. In 2003, inflows to France were USD 47 billion, only marginally beneath in inflows of 2002 and at three times the levels recorded in Germany and the United Kingdom. The acquisition of real estate by foreign investors has reportedly been an important factor.

- The figures indicate that Spain holds up very well, both as an inward and an outward direct investor. However, some caution is called for. The expansion of foreign securities holding companies (ETVE by their Spanish name) is believed to have boosted gross FDI flows from and to Spain[2].

- Some of the smaller European countries recorded sharp increases in inward FDI in 2003, in most cases reflecting the effect of particularly low investment the year before. Examples include Switzerland, Austria and Norway, all of whom saw their inflows more than double.

Taking a slightly longer perspective, the average OECD economy has seen its FDI inflows drop by 70 per cent since the peak in 2000. The largest relative declines over the period among the larger countries were recorded by Germany (94 per cent), strongly influenced by a major cross-border acquisition in the telecom sector in 2000, and the United States and United Kingdom (87 per cent, respectively). The particularly large, and similarly sized, declines in these two large economies is

illustrative of the fact that a considerable part of the strong activity in the late 1990s and 2000 was ascribed to a flurry of cross-border takeovers between them.

The largest suppliers of FDI to other countries were, in order of importance (disregarding Luxembourg – see footnote 1) United States, France, United Kingdom, Belgium, Netherlands and Japan. US enterprises are by far the world's most active outward direct investors, with USD 174 billion recorded outflows in 2003. On the whole, US outflows have held up surprisingly well during the years after the burst of what may have been an investment bubble in 1999-2000. Outward investment from the United States at no point in time dropped below USD 120 billion – even as other traditional investor countries saw their outflows plummet. Consequently, in what amounts to a sharp reversal of the trends during the "dot-com boom", the United States has become a net provider of direct investment to the rest of the world.

Table 2. Cumulative FDI flows in OECD countries 1994-2003

(USD billion)

Inflows		Outflows		Net outflows	
United States	1 349.6	United States	1 331.0	United Kingdom	415.6
Belgium/Luxembourg	762.7	United Kingdom	878.6	France	301.0
United Kingdom	463.1	Belgium/Luxembourg	767.0	Japan	217.6
Germany	387.0	France	652.7	Switzerland	108.5
France	351.6	Germany	452.7	Netherlands	96.3
Netherlands	286.5	Netherlands	382.8	Germany	65.6
Canada	208.1	Japan	268.0	Spain	46.7
Spain	183.5	Canada	237.3	Canada	29.2
Sweden	168.2	Spain	230.1	Finland	26.7
Mexico	138.2	Switzerland	190.4	Italy	25.9
Ireland	120.0	Sweden	150.2	Belgium/Luxembourg	4.3
Denmark	91.7	Italy	112.4	Portugal	3.4
Italy	86.5	Denmark	82.0	Norway	2.2
Australia	82.2	Finland	72.6	Iceland	0.5
Switzerland	81.9	Australia	57.3	Korea	-3.4
Poland	52.0	Norway	37.7	Greece	-5.0
Japan	50.5	Korea	37.5	Turkey	-7.0
Finland	45.9	Austria	33.6	Austria	-7.6
Austria	41.2	Portugal	29.2	Denmark	-9.7
Korea	40.9	Ireland	26.7	Slovak Republic	-10.9
Czech Republic	37.9	Mexico[1]	5.4	New Zealand	-17.0
Norway	35.5	Hungary	3.9	Sweden	-18.0
Hungary	32.4	Greece	3.7	United States	-18.7
Portugal	25.7	Turkey	3.6	Australia	-24.8
New Zealand	19.9	New Zealand	2.9	Hungary	-28.4
Slovak Republic	11.0	Iceland	1.5	Czech Republic	-36.7
Turkey	10.6	Czech Republic	1.2	Poland	-50.9
Greece	8.7	Poland	1.1	Ireland	-93.3
Iceland	1.0	Slovak Republic	0.1	Mexico[1]	-132.9
TOTAL OECD	**5 174.0**	**TOTAL OECD**	**6 053.1**	**TOTAL OECD**	**879.2**

1. Based on outflow data for 2001 and 2002 only.

Source: OECD International Direct Investment Database.

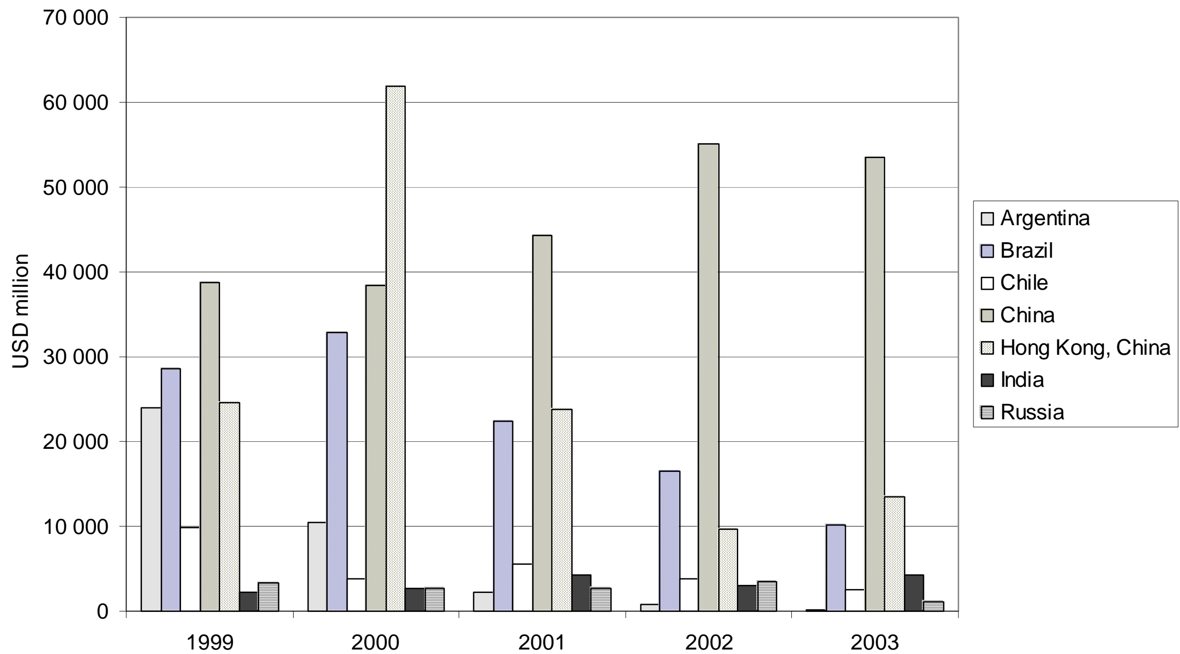
Over the last decade, the role of OECD countries as the world's foremost provider of direct investment funds has been firmly established (see also the following section 3). New outflows from the OECD area reached USD 879 billion over the last decade (1994 to 2003 – see Table 2). The United Kingdom, France, Japan, Switzerland and the Netherlands have been the OECD's main net exporters of FDI. By contrast the United States – which is by fare the top country both as an investor and a recipient of FDI – is close to breaking even between inflows and outflows, and has actually been a net recipient over the last ten years.

1.2 Strong activity among some non-Members

Taken as a whole, non-OECD countries' FDI inflows have held up better in recent years than those in the OECD area. On the one hand, this is hardly surprising given that the build up to the 2000 investment peak also affected OECD countries disproportionately. On the other hand, the nature of FDI to developing countries does appear to have changed somewhat over the last decade. In the past, it was often assumed that multinational enterprises invest in developing countries in order to gain access to resources or to integrate low-wage locations into their global value chains. However, there has been an increasing tendency for companies to invest in especially the largest developing countries as part of strategies to service local clients or to acquire a strategic position in markets that could become prosperous in the future. This trend was further underpinned by the privatisation programmes of many high- and medium-income developing countries in the 1990s, whereby national utilities were transferred into the hands of private strategic investors.

The entry of market-seeking investors is felt nowhere stronger than in mainland China, which has experienced nothing of the trend-decline in investment seen virtually everywhere else since 2000. Following 2002, inward direct investment receded slightly in 2003 (Figure 1). With total inflows topping USD 53 billion, China nevertheless was the world's largest or second-largest recipient of FDI[3]. Inward investment into Hong Kong (China) further boosted inflows to the overall Chinese economy by USD 13 billion in 2003. However, this figure must be interpreted with caution. It is thought to be influenced by Chinese businesses' use of companies registered in Hong Kong (China) for investment in the mainland.

Figure 1. FDI inflows to developing countries



Source: IMF International Financial Statistics and national sources.

The world's second-largest country, India, is nowhere near rivalling China's success with attracting investment, but it has made considerable progress over the last decade. Owing chiefly to a policy change to allow foreign investment into a growing number of sectors, inward FDI rose from almost zero in the 1990s, and annual inflows have been consistently above USD 2 billion since 1995. The 2003 inflows, at USD 4 billion, were only a fraction beneath the peak year 2001.

FDI inflows to Russia, at just over USD 1 billion in 2003, reached its lowest level since the mid-1990s. This is indicative of a long-standing feature of Russian inward investment: it mainly flows into the resource-based sectors – plus a few service-related sectors such as retail and distribution in the larger cities. The Russian investment landscape is the topic of another article in the present issue of *International Investment Perspectives*.

Direct investment into South America has been influenced by two main factors in recent years, namely a slowdown in investor interest similar to what was seen in the OECD area and the fallout from the Argentinean crisis. Unsurprisingly, the inflows to Argentina itself have virtually dried up. From an internationally high USD 24 billion in 1999 they have declined to just USD 230 million in 2003. From 2000 to 2003 the decline was 90 per cent. On the other hand, Brazil has been less affected that might have been expected. FDI inflows have been cut by half since their peak in 2000, which compares favourably with an average OECD decline in inward FDI of around two thirds.

Chile presents another interesting case. With a decline in direct investment inflows of two thirds since the peak levels in 1999/2000 (measured relative to an average of the two years, as 2000 figures were relatively low), this country's FDI performance is worse than Brazil's, but comparable with that of an average OECD country. Some observers have opined that Chile may have reached what is sometimes termed "investment maturity", meaning that not only is it beginning to mark itself as an

important outward investor, but foreign-owned entities in the Chilean economy are increasingly operating like national enterprises, seeking their business partners and (importantly in the FDI context) finance locally. With inward investment positions already very high relative to the size of the economy, and with the national privatisation process having run its course, the challenge for Chile will be broadening its appeal to foreign investors beyond its traditional host sectors.

An area with an apparently great potential, but little success so far, for attracting investors is the Middle East and North Africa (MENA) region. Partly as a result of an enhanced, but limited, openness to foreign investment, FDI has increased in recent years, but not as rapidly as in some other developing regions. Net FDI inflows in those MENA countries for which relevant figures are available grew to USD 7.4 billion in 1998, but subsequently fell to only USD 2 billion in 2003, while in the latter year all other developing world regions received far more FDI[4].

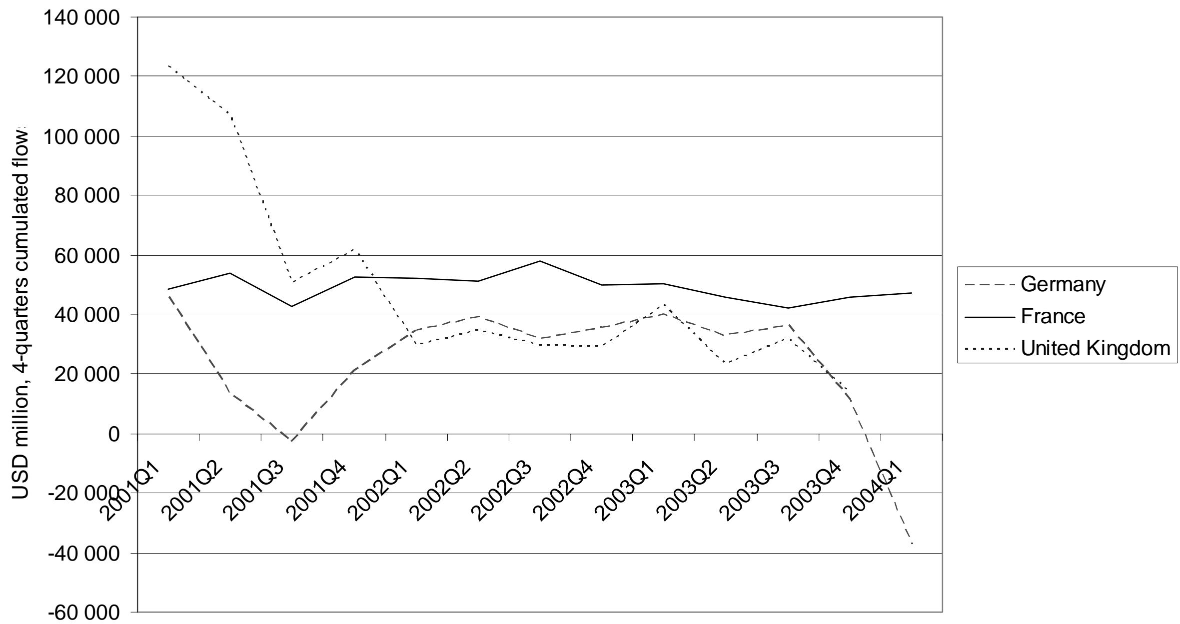
FDI inflows per capita in MENA countries in the period 1998-2000 averaged USD 21 per year, far lower than the comparable figure of USD 1,321 for OECD countries in 2000.[5] During this time a wide variation was displayed between MENA countries, where FDI inflows ranged from USD 0.2 per year per capita in Algeria to USD 155 in Saudi Arabia, with Yemen experiencing an outflow averaging USD 12. Also measured relative to the size of the domestic economies, FDI inflows have played a relatively modest role in MENA countries. In 1998-2000 the average MENA FDI-to-GDP ratio was only 0.9 per cent – the same as for Sub-Saharan African countries, and markedly below the 3 per cent recorded in Latin America and East Asia.

1.3 Prospects for the future

Relatively little information is available at this point in time about FDI trends in the first quarter of 2004, and whatever is available must be interpreted with extreme caution, as quarterly investment figures for individual countries are notoriously volatile. That said, an analysis of recent quarterly trends for the OECD area as a whole yields valuable additional insights[6]. First and foremost, the inward FDI to OECD countries appear to have slowed down throughout 2003. In the fourth quarter of 2003 they stood at USD 75 billion, the lowest quarterly figure registered so far in the 21st century. This runs counter to the assumption by some that, while FDI in 2003 may have been relatively low, there were indications of a turnaround in the course of the year.

Secondly, in some countries there are recent signs of considerable disinvestment by foreign enterprises. Figure 2 shows quarterly trends (smoothed by means of 4-quarter revolving sums) for the largest European economies. In the case of Germany, inward investment in both 2003:Q4 and 2004:Q1 went sharply negative. Preliminary figures indicate a gross outflow of more than USD 30 billion in the first quarter of 2004, as inward investors of the past withdrew funds. Among the other observations that can be made from Figure 2, the United Kingdom's inward FDI remained on a slight downward trend in 2003 (no 2004 figures are yet available), whereby the remarkable resilience of inward French FDI appears to have continued into 2004.

Figure 2. Quarterly foreign direct investment inflows



Source: OECD Main Economic Indicators Database.

Whereas the near-term outlook for FDI may not be particularly encouraging, there are indications that FDI could trend upwards over the slightly longer term. Macroeconomic forecasts, including by the OECD, point to a cyclical recovery in the main OECD countries and an enhanced corporate profitability over the next couple of years. Another key driver of FDI, equity market valuation, has already risen considerably. Hence, one the ongoing structural adjustment in many countries has run its course the outlook is for a renewed strengthening of cross-border mergers and acquisitions and other kinds of direct investment.

Some have argued that the longer-term outlook is clouded by public concerns about cross-border investment. Within the European Union, a factor that could discourage high profile projects in particular is a perceptible change in attitudes toward FDI. The introduction of the euro was widely expected to trigger Europe-wide consolidation in many sectors and attract outside investors keen to establish themselves is an ever-more integrated European markets. A few years back this prospect was hailed, or accepted, by policy makers. However, hesitations to contemplate the takeover of large national enterprises by foreign competitors, including cross-border consolidation within the EU, have been apparent in some countries. It is, admittedly, unlikely that a large number of cross-border acquisitions will be hampered by such considerations, but large enterprises could nevertheless decide to apply a more cautious strategy toward cross-border investment within the EU area.

Another factor that could weigh down on FDI is a discussion about corporate outsourcing that has been resurfacing in some of the OECD's largest member countries. Amid sizeable job losses in the industrial sectors it is unsurprising that societies quiz the location strategies of their biggest enterprises. However, a process of relocating low-skilled production processes, whether in the context of direct investment or otherwise, from high to low wage countries has been ongoing since the early days of industrialisation, and it has contributed greatly to the welfare of both home and host countries.

On the whole, however, most observers expect direct international investment to increase over the medium term. For example, a recent survey of investor intentions released by UNCTAD found that more than 70 per cent of the largest multinational enterprises expect FDI to increase from present levels over the next three years[7]. The expectations to an increase in direct investment are unequally distributed among host countries. On the whole, developing and transition countries appear to figure more prominently in companies' investment plans than the large OECD economies. The survey indicates that the regions that are expected to benefit the most from about stronger direct investment are Central and Eastern Europe and the Asian countries. Within the first category, OECD member Poland figures prominently, as does the Russian Federation. Within Asia, enterprises expect China to receive (even) higher FDI flows than today, and they foresee a pickup in direct investment into India and Thailand.

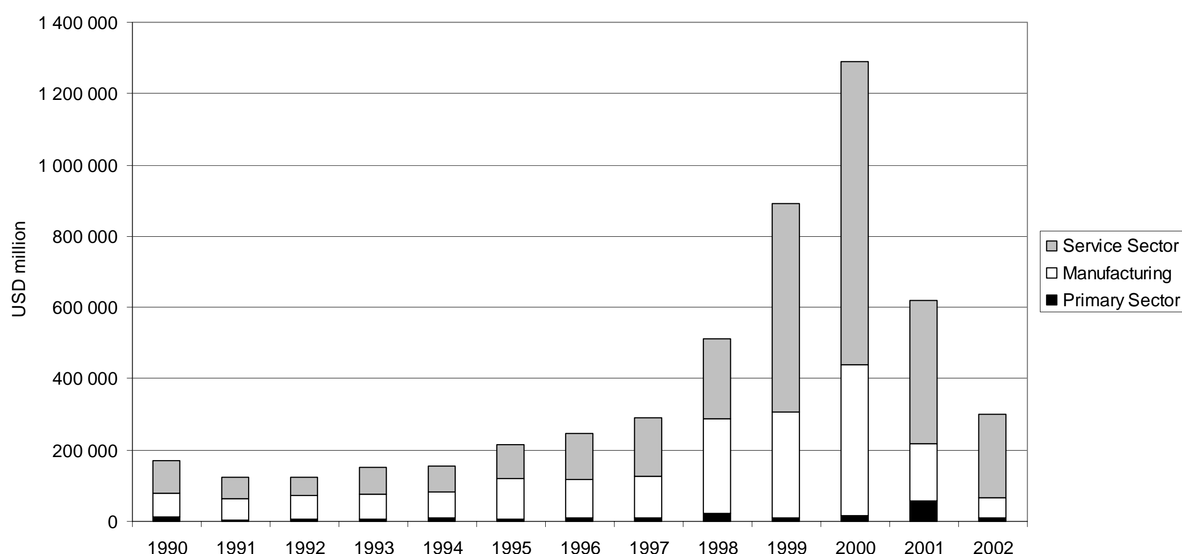
2. Changing sectoral patterns: services to the fore

The sectoral distribution of FDI has changed markedly in recent years. Traditionally, the manufacturing industries have accounted for at least half of annual FDI inflows to OECD countries, with the service sectors (defined broadly to include construction and utilities) recording a slightly lower share, and the primary sectors rarely receiving more then 5 per cent of total flows. During the investment boom of the late 1990s and 2000 the service sectors saw their share increase to two thirds of total OECD inflows (Figure 3). At the time, this was attributed to the fact that many of the "new economy" and other high-tech activities that were in favour with investors were found in the service sectors. However, as the equity price bubble burst and cross-border investment cooled down, the service sector's share in FDI rose even further. In 2002, services accounted for more than 75 per cent of FDI inflows in the OECD area.

It is hardly possible to draw firm inferences about the future role of the service sectors in FDI, but one may speculate that we have witnessed a level-shift, following which services are likely to be the dominant element of FDI. Historically, direct investment has been considered as linked with manufacturing, plus certain industry-related services, because it was seen as motivated principally by the availability of resources abroad and by a wish to internationalise companies' value chains in order to benefit from lower costs (principally labour) in other countries. As services are mostly consumed locally, this has in the past to some extent precluded the service sectors from playing a dominant role in FDI.

However, the nature of FDI is changing, and so are the service sectors. Privatisation in many countries has transformed previous public-sector activities into commercial services and an increasing number of industrial companies are contracting business services from external vendors in preference to providing them in-house. In other words, an average industrial company's value chain involves a larger number of service companies than before. This development has been greatly facilitated by the advent of multi-media technologies such as the internet, which for instance has allowed a large number of companies contract services such as call centres, software development and financial services from providers located in faraway locations.

Figure 3. Total OECD area FDI inflows, by main sector



Source: OECD International Direct Investment Database.

The motivation and corporate strategies behind FDI may also have shifted. Surveys of investor intentions indicate that an increasing number of investment projects over the last decade were motivated, at least in part, by a wish to sell to the host country market and produce locally. Such a paradigm shift, if it has indeed taken place, works in favour of the services sectors whose product palette is comparatively easy to produce by means of local inputs.

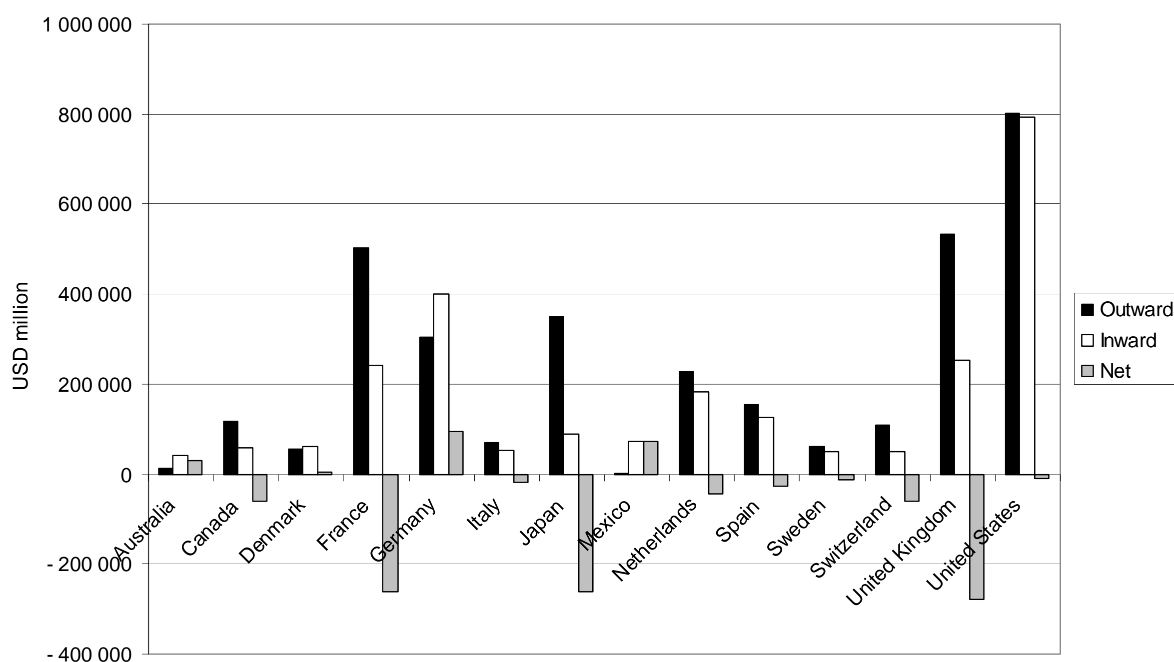
2.1 Differences between countries

The main recipients of FDI into their service sector are generally the countries that figure prominently in FDI flows overall[8]. The United States received close to USD 800 billion worth of service sector FDI between 1990 and 2002, followed by Germany (USD 400 billion), United Kingdom (USD 250 billion) and France (USD 240 billion). Germany's prominent position does to some extent reflect a couple of very large individual cross-border mergers and acquisitions into the county in the late 1990s.

Over the years, the OECD economies have been a major net provider of direct investment to the service sectors in the rest of the world. One the one hand, this is hardly surprising; as regards FDI in general, OECD has always been a major capital exporter. From 1990 to 2002, net overall outflows to the rest of the world exceeded one trillion US dollars. On the other hand, the prominence of the service sector in this amount is striking: no less than three fourths of all the net outflows during this period were due to service sector investment[9].

The vast majority of the service sector net outflows are due to three countries, namely the United Kingdom, Japan and France (Figure 4). Each of these countries saw net outflows between 1990 and 2002 in excess of USD 2000 billion. Conversely, while the United States recorded easily the largest gross flows over the last 13 years, inflows and outflows almost entirely netted each other out. Other countries whose service sectors acted as net exporters of FDI include Canada, the Netherlands and Switzerland.

Figure 4. Service sector FDI in selected OECD countries, 1990-2002



Source: OECD International Direct Investment Database.

2.2 "New" versus "old" services

The dominant share of service-related FDI has traditionally flowed into "old" service sectors such as trade (including retail and whole sale distribution) and financial intermediation. In the first half of the 1990s, these two sectors generally accounted for two thirds of service sector FDI in the OECD area (Table 3). By 2002, these sectors' share had fallen to one third, and the largest recipient of FDI had become the business services sector. Also, the transport and communication sectors, bolstered by privatisation, mobile telephony and the advent of multimedia technology have risen from near-obscurity to receive almost 16 per cent of the service sectors' FDI flows in 2002.

Table 3. Distribution of FDI inflows to the service sector, OECD totals

(percentage shares to total service sector inflows)

	1990	1995	2000	2002
Trade	22.1	19.0	11.2	9.3
Transport and communication	0.9	4.1	12.6	15.7
Financial intermediation	44.6	37.8	37.1	25.7
Business services	3.5	20.0	31.3	31.7
Other services	28.9	19.1	7.7	17.5

Source: OECD International Direct Investment Database.

The country distribution of FDI inflows differ strongly across the various service market segments. In the "old" sectors the distribution is generally more equal than in those that witnessed rapid growth in the late 1990s. On case in point is financial intermediation. The two countries that host the perhaps most important financial centres, United States and United Kingdom unsurprisingly received the largest shares of total inward FDI in this sector over the last decade, but continental European countries also figured prominently (Figure 5, Panel A). In the case of the Netherlands, the figures are however influenced by the fact that many companies, for legal reasons, prefer to establish holding companies and special purpose entities, which are classified as being "financial" in this country.

The UK and US dominance as recipients of FDI in the transport and communication sector since 1990 has been must stronger. The two countries attracted almost 60 per cent of the OECD area's total direct investment in this sector (Figure 5, Panel B). This reflects the long-standing predominance of transatlantic mergers and acquisitions (M&As) between the English-speaking countries in areas such as telecommunication. Germany and Netherlands also emerged as important recipients of such FDI, mainly originating from other EU countries.

In the area of business services Germany stands out as by far the largest recipient of FDI in the OECD between 1990 and 2002 (Figure 5, Panel C). To a large extent this reflects a few very large cross-border take-overs into Germany. Foremost among these was the Vodafone-Mannesmann purchase (the world's largest cross-border M&A so far) which, while the strategic motivation was a linkup of the two companies' mobile telephony business counted as business service FDI because Mannesmann was categorised as an engineering service company. Other European countries, notably France, also figured prominently in this sector, whereas the United States received a comparatively limited 11 per cent of total inflows.

3. FDI in non-OECD countries: a source of development finance

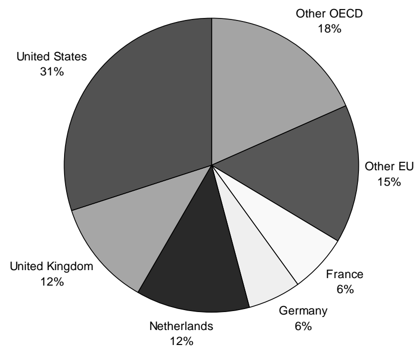
Efforts at enhancing the standard of living in developing countries are guided by the United Nations' Millennium Development Goals (MDGs). It is clear to most observers that financing the MDGs will rely first and foremost on mobilising domestic resources, supplemented by external financing, such as FDI and official development assistance (ODA). The Monterrey Consensus, adopted in March 2002 in support of the Millennium Development Goals, highlights the need for policies within developing countries to mobilise domestic resources and attract private investment, and for utilising aid effectively. In turn, the international community committed to scale up and intensify their efforts to help developing countries by, among other things, improving synergies between ODA and FDI.

ODA is now recovering from all time low levels and further increases are expected up until 2006. In 2002, ODA totalled USD 58 billion, an increase in real terms of 7 per cent over 2001 and the highest real level achieved since 1992. The increase has been quite broad-based across members of OECD's Development Assistance Committee (from whom data are available). In the Monterrey Consensus, donors pledged to increase aid to support the MDGs. Secretariat estimates based on Members' commitments and plans indicate that ODA should increase by 32 per cent in real terms over 2002 - 2006 (USD 19 billion), raising the ODA/GNI level from 0.23 per cent in 2002 to 0.29 per cent in 2006.

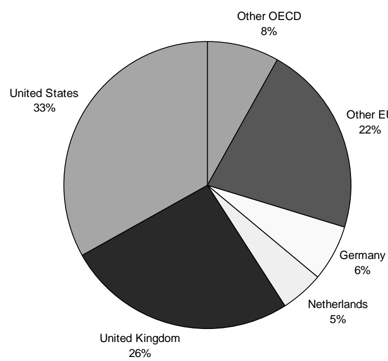
Again, the ODA/FDI has gained in importance because ODA is widely perceived as insufficient as developing countries' main source of external finance. Alternative source of funds include "other official flows" (i.e. non-concessionary public finance), but these have dwindled in recent years and in 2002 even turned negative (Figure 6). Private capital flows other than FDI (e.g. bank loans, portfolio investment) have in some cases been the major source of finance for the developing world, but they are notoriously volatile. Between the mid-1980s and 1990 and again in 2001 and 2002 there was a considerable withdrawal of this "other" private capital from the developing world[10].

Figure 5. Inward FDI in different sectors, 1990-2002

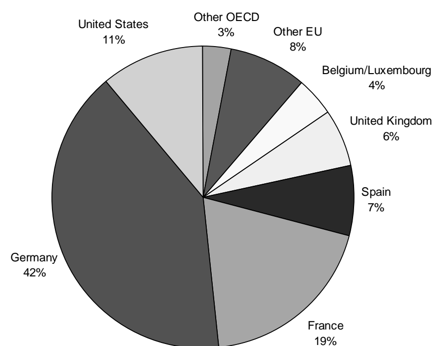
Panel A. Financial intermediation



Panel B. Transport and communication

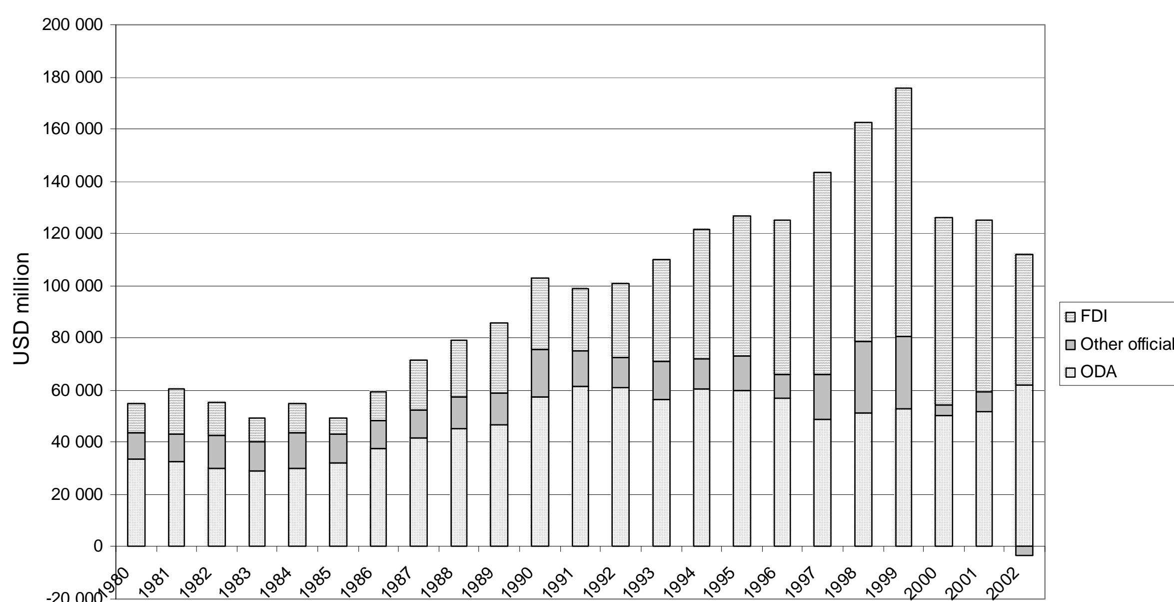


Panel C. Business services



Source: OECD International Direct Investment Database.

Figure 6. Net capital flows from all donors to all developing countries

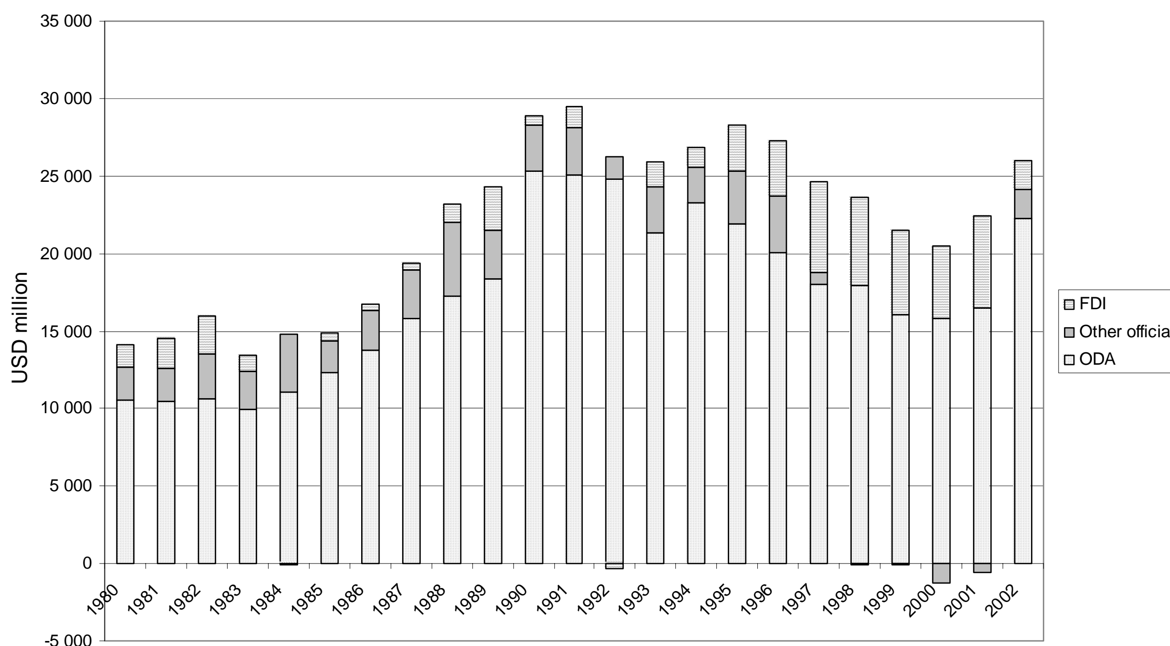


Source: Development Assistance Committee Data.

Direct investment, on the contrary, has proven to be a generally more resilient source of financing[11]. In recent years, gross FDI flows into developing countries have been more than twice the level of aid flows. Figure 6 indicates that, even when applying the narrower measure of net FDI flows from OECD countries to developing countries (which is arguably a more suitable measure for comparing FDI with ODA)[12], the contribution of FDI to the external financing of developing countries has been growing steadily relative to that of ODA over the last twenty years. Furthermore, the amount of FDI among developing countries themselves (the so-called "south-south investment") has increased in the last decade, and while this does not entail a resource transfer to the developing world as a whole, it is nevertheless likely to have had a positive developmental impact.

Direct comparisons of ODA and FDI, and the impact so far of FDI to alleviate financial constraints across a larger group of developing countries, are, however, not straightforward. For instance, a couple of problems relate to often very different national and sectoral distribution of the two. First, according to a well-known adage, almost all of the ODA goes to the poorest countries while almost all of the FDI goes to the middle-income countries. Second, even within the group of middle-income developing countries, FDI is concentrated heavily on a few dozens of nations which possess natural resources or are otherwise particularly attractive for investors. These observations are underpinned by the reality of the world's poorest continent, Africa, which continues to be overwhelmingly dependent on aid for its external finance, although it should be noted that FDI did grow from previously very low levels during the 1990s (Figure 7).

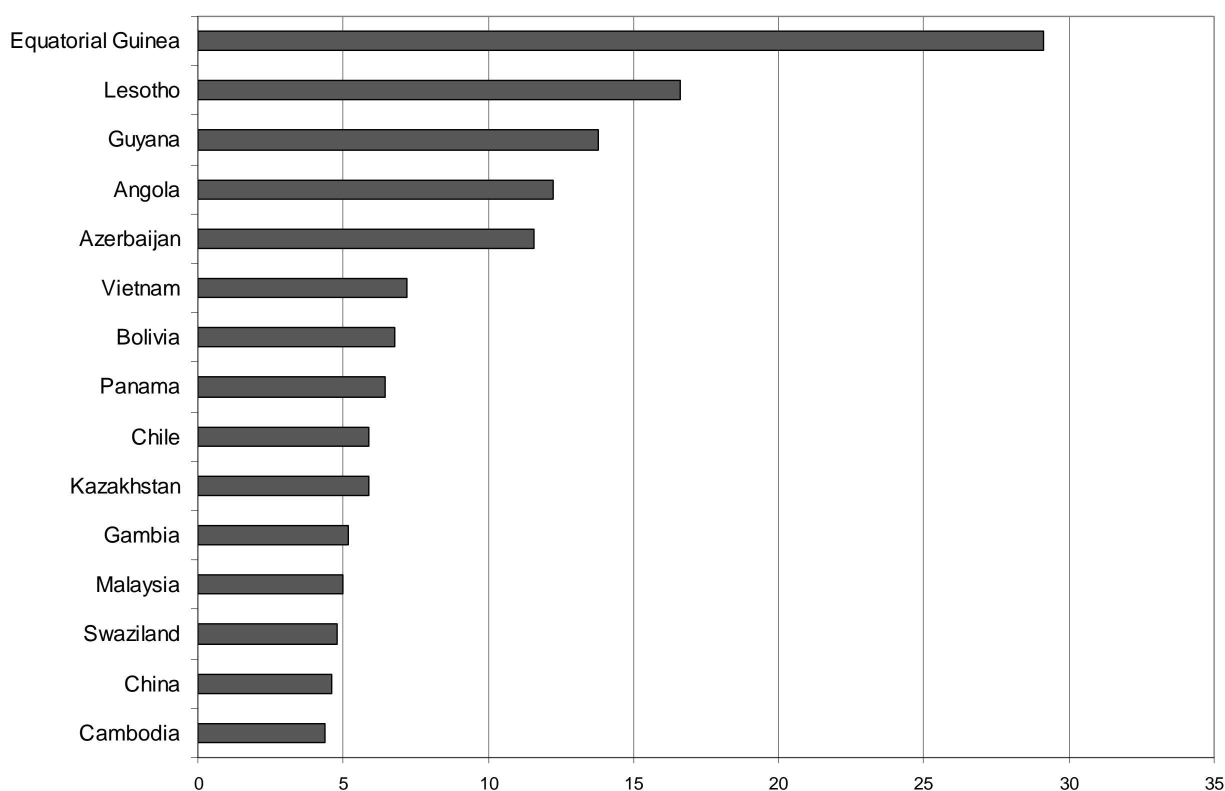
Figure 7. Net capital flows from all donors to all developing countries



Source: Development Assistance Committee Data.

The concentration argument should, however, not be exaggerated. It is true that China attracted almost one third of the developing world's FDI in 2002 (though less so when regional flows are discarded) and briefly became the world's foremost recipient of direct investment, but this needs to be seen relative to the size of the Chinese economy. A measure of FDI's potential benefits to the host country's economic performance is the net inflows relative to domestic value added. Measured thus, the fifteen main developing country recipients of FDI contain several countries that are not usually considered as important FDI recipients[13] (Figure 8). It must be recognised that some of them have attracted investment largely as a result of resource availability (e.g. Equatorial Guinea, Angola, Azerbaijan and Kazakhstan), and others due to the proximity of a comparatively wealthy neighbour (e.g. Swaziland, Lesotho). Others have, however, been able to attract broad-based FDI whose potential domestic economic impact easily rivals that of the largest recipients of direct investment.

Figure 8. The major recipients of FDI as percentage of GDP, 1992-2001



Source: World Bank Development Indicators.

Even as FDI apparently has considerable potential to supplement and complement ODA as a source of external finance, it should be kept in mind that the main source of sustainable growth in most developing countries will be domestic capital accumulation. In this context, it should also be noted that a large share of the upsurge of FDI into the developing world in the mid- and late 1990s was motivated by the privatisation of public utilities in several countries[14] (see also text box). While the positive development impact of international strategic investors' participation in privatisation is well documented[15], and while the proceeds from the privatisations may eventually be sunk into fixed investment, the short-term effect on domestic capital formation of such FDI is limited. Consequently, measures such as FDI relative to domestic investment tend to provide a high-end estimate.

FDI in developing countries: a shift to services

FDI flows to developing countries' service sectors increased rapidly in the late 1980s and early 1990s. Between 1988 and 1999, service sector FDI increased at an annual rate of 28 per cent and accounted for around 37 per cent of total FDI inward stocks in developing countries in 1999. The share of infrastructure in total FDI flows nearly doubled during the period 1990 to 1998. This increase was led by a surge in flows into the telecommunications sector (the increase was around USD 84 billion, or one-tenth of the change in aggregate FDI stock) as global telecom and utility companies took advantage of their rising stock prices and participated in privatization programmes in many developing countries. Such investment peaked in 1998, however, in line with the asset price movements in the information, communication and technology sectors in global markets. Also, privatisation efforts began to slow around this period in many developing countries.

Despite the slump in the telecommunication sector since 1998, developing countries have continued to receive FDI into this sector. The profile of investors is, however, changing. A growing number of new (relatively small) regional firms are now competing with the global players. The mode of investments is changing as well, from privatisation to licensing and joint ventures.

This shift toward services is likely to have increased the benefits of FDI to developing countries. Foreign-owned service companies can be an important source of spillovers to the domestic business sectors, particularly compared with the often limited linkages between extractive industries and the host economies. For example, the entry of foreign banks has helped improve the efficiency of developing countries' financial sectors, a critical input to growth.

Source: Global Development Finance 2003, World Bank.

According to the World Bank's World Development Indicators, which offer data for FDI and gross capital formation in over 130 developing countries, the average share of FDI in total fixed investment over the last decade has been around 15 per cent. The national variations were, however, considerable. In certain resource-rich countries such as Angola, Sudan and Venezuela FDI accounted for at least half of fixed domestic investment, whereas, at the opposite end, Iran, Niger, Sierra Leone, Haiti, Bangladesh and several (other) less-developed countries had almost no direct foreign private involvement in their fixed investment.

As regards the policy options for using ODA in support of investment, the separation of FDI from fixed domestic investment may in most cases be an artificial one. Foreign and domestic companies respond to the same inducements and disincentives to invest, and their assessments of the investment climate in a given host location tend to converge. Domestic investors are sometimes more resilient to shortcomings in governance than foreign companies, owing to their inside knowledge of the host country's social and economic structures. Also, micro-enterprises and producers operating on the edges of the formal economy (e.g. subsistence farmers) may have altogether different perceptions of the investment climate, but private companies operating on a fully commercial basis can in most contexts be treated as equivalent. ODA-backed efforts to enhance the investment climate is relevant in the context of attracting FDI, in mobilising domestic funds for investment and in enhancing the contribution of any kind of investment to economic development.

NOTES

1. Technically, Luxembourg was the largest recipient. However, this is widely considered to be due to the large matching in- and outflows through holding companies and other special purpose entities located in this country.

2. This problem is not limited to Spain. Several of the smaller West European countries are believed to record inflated gross direct investment flows because of comparable corporate structures.

3. Depending on whether or not one includes Luxembourg in the comparison.

4. The World Bank (2004), *Global Development Finance: Harnessing Cyclical Gains for Development*.

5. Calculated from IMF, *International Financial Statistics* FDI inflow and population figures.

6. The quarterly statistics referred to in this section are balance of payment data reported to the OECD by member countries in the context of the OECD Main Economic Indicators.

7. UNCTAD (2004), "Prospects for FDI Flows and TNC Strategies, 2004-2007", Research Note No. 3.

8. According to available statistics, Luxembourg appears prominently on the league table. However, this country is omitted here as the observation is thought to reflect investment into special purpose entities.

9. Some caution is nevertheless called for: the figures may be biased by intra-OECD flows. When, for instance, a financial entity acquires a manufacturing company, the resultant statistics show a net service outflow and a net manufacturing inflow.

10. The implications of this are discussed by Dailami, M., H. Kalsi and W. Shaw (2003), "Coping with Weak Private Debt Flows", *Global Development Finance: Striving for Stability in Development Finance,* World Bank.

11. This point was for instance made in OECD (2002), *Foreign Direct Investment for Development – Maximising Benefits, Minimising Costs*, pp. 60-61.

12. However, this measure fails to take into account FDI flows from wealthy countries other than OECD members to developing countries. During the 1990s such flows accounted for roughly 15-20 per cent of FDI to the developing world.

13. Small island states and off-shore financial centres have been omitted from the sample.

14. For further detail, see Aykut, D., H. Kalsi and D. Ratha (2003), "Sustaining and Promoting Equity-Related Finance for Developing Countries", World Bank.

15. See for example La Porta, R. and F. Lopez de Silanes (1997), "The benefits of privatization: evidence from Mexico", *NBER Working Paper*, No. 6215, and Bortolotti, B., J. d'Sousa, M. Fantini and W. Megginson (2001), "Sources of performance improvements in privates firms: a clinical study of the global telecommunications industry", *University of Oklahoma Department of Finance Working Paper/FEEM Working Paper*, No. 26.

ANNEX

INTERNATIONAL DIRECT INVESTMENT STATISTICS

Table A.1 OECD direct investment abroad: outflows

Million US dollars

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002p	2003e
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	655.1	12 218.8	7 632.7	14 291.3
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	5 256.2	7 089.9
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	..	..
Belgium	..	..	..	..	..	..	..	..	..	..	..	..	10 952.3	38 959.6
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	36 113.4	26 415.3	21 558.8
Czech Republic	..	..	..	90.2	119.6	36.6	152.9	25.2	127.1	89.8	42.8	165.4	206.5	232.7
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	16 988.4	26 542.2	13 376.8	5 694.0	1 158.7
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	7 629.1	- 7 381.4
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	49 478.1	57 332.8
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	36 861.4	8 629.9	2 561.9
Greece	..	..	..	..	..	..	..	..	- 283.9	551.9	2 136.9	616.7	655.9	46.7
Hungary	..	..	..	10.6	48.3	59.1	- 3.6	461.9	278.3	250.1	620.2	368.1	275.0	1 581.1
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	214.9	165.1
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	3 086.9	1 908.0
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	9 127.9
Japan	50 773.5	31 687.7	17 304.8	13 914.4	18 116.0	22 632.1	23 414.8	25 991.7	24 157.7	22 750.0	31 540.4	38 352.0	32 283.3	28 799.4
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	3 429.2
Luxembourg	..	..	..	..	..	..	..	..	..	..	..	..	126 228.5	81 813.1
Mexico	..	..	..	..	..	..	..	..	..	..	..	4 404.0	969.0	..
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	47 977.3	34 584.6	36 126.3
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	911.9	- 1 038.8	- 66.2
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	7 613.8	- 1 322.7	4 200.7	2 565.2
Poland	..	..	13.0	18.0	29.0	42.0	53.0	45.0	316.0	31.3	17.2	- 89.0	230.0	386.0
Portugal	164.8	473.6	684.2	107.3	282.5	684.6	785.4	1 926.2	3 845.9	3 168.4	7 513.8	7 565.6	3 291.3	96.0
Slovak Republic	..	..	..	12.8	17.7	43.0	62.9	95.1	146.6	- 377.2	28.7	64.5	11.2	13.3
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	42 084.5	54 684.6	33 099.5	31 540.2	23 395.0
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	40 667.3	6 374.9	10 679.9	10 587.5
Switzerland	7 176.9	6 542.5	6 058.5	8 765.4	10 798.0	12 213.9	16 150.8	17 747.9	18 768.8	33 264.3	44 698.1	18 246.6	7 586.7	10 921.1
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
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	233 487.7	58 885.2	35 213.0	55 316.4
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	159 212.0	142 349.0	134 835.0	173 799.0
Total OECD	236 516.1	194 067.1	185 521.7	208 175.1	248 464.9	315 423.1	343 228.6	410 130.3	651 531.3	1 043 706.9	1 235 795.2	684 258.2	566 671.0	576 313.5

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

Source: OECD International direct investment database.

Table A.2 OECD direct investment from abroad: inflows

Million US dollars

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002p	2003e
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	13 198.7	4 678.7	16 456.9	7 848.2
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	953.3	6 861.7
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	..	..
Belgium	..	..	..	..	..	..	..	..	..	..	..	..	13 083.1	31 345.5
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	27 487.1	21 035.7	6 585.3
Czech Republic	..	..	..	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	2 591.6
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	16 741.4	33 797.5	11 527.6	6 646.1	2 609.4
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	7 926.7	2 767.7
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	48 949.7	47 025.5
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	21 142.2	36 047.9	12 878.0
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	73.9	561.5	1 108.6	1 589.5	50.1	661.8
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	2 844.6	2 470.0
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	121.6	84.4
Ireland	622.6	1 360.8	1 458.1	1 068.5	856.2	1 441.5	2 615.7	2 709.6	8 856.5	18 210.1	25 783.3	9 652.7	24 392.4	25 463.2
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	16 979.2
Japan	1 809.4	1 286.2	2 755.2	206.9	890.1	42.5	229.7	3 223.1	3 193.5	12 740.4	8 318.6	6 247.9	9 243.2	6 322.2
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	3 222.0
Luxembourg	..	..	..	..	..	..	..	..	..	..	..	..	117 088.2	73 191.4
Mexico	2 633.0	4 761.0	4 393.0	4 389.0	10 973.0	9 647.0	9 943.0	14 160.0	12 170.0	13 165.7	16 448.7	26 569.3	14 435.3	10 731.5
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	25 593.4	19 692.7
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	4 198.0	- 556.0	835.9
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	2 009.3	679.0	2 189.6
Poland	88.0	359.0	678.0	1 715.0	1 875.0	3 659.0	4 498.0	4 908.2	6 364.9	7 269.6	9 341.0	5 713.0	4 131.0	4 225.0
Portugal	2 255.4	2 291.6	1 903.8	1 516.2	1 254.6	660.1	1 488.5	2 478.8	3 143.5	1 233.5	6 788.6	5 893.7	1 846.3	962.5
Slovak Republic	..	..	..	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
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	15 758.8	37 530.2	28 010.1	35 939.8	25 649.3
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	60 929.1	23 245.5	11 900.1	11 643.6	3 435.8
Switzerland	5 484.9	2 642.8	411.2	- 83.3	3 368.4	2 223.2	3 078.2	6 641.8	8 941.9	11 714.0	19 266.0	8 858.9	5 655.8	12 162.3
Turkey	684.0	810.0	844.0	636.0	608.0	885.0	722.0	805.0	940.0	783.0	982.0	3 266.0	1 038.0	575.0
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	27 802.3	14 573.8
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	72 411.0	39 890.0
Total OECD	175 314.4	122 196.5	116 206.5	147 986.6	162 699.9	225 267.7	246 296.4	301 525.8	528 357.4	892 847.2	1 288 013.6	624 946.0	535 019.5	384 424.2

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

Source: OECD International direct investment database.

Table A.3 OECD direct investment abroad: outward position

Million US dollars

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002p	2003e
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	83 442.4	90 717.3	91 380.1	125 778.0
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	39 744.1	55 824.6
Belgium/Luxembourg	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Belgium	..	..	..	..	..	..	..	..	..	..	..	..	..	..
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	250 441.1	272 000.7	308 849.9
Czech Republic	..	..	..	181.4	300.4	345.5	498.0	548.2	804.1	697.9	737.9	1 135.6	1 473.1	1 911.6
Denmark	..	15 612.0	16 305.7	15 799.2	19 613.7	24 702.5	27 601.6	28 127.7	34 857.3	45 574.7	66 227.8	70 133.3	75 913.6	..
Finland	11 227.3	10 845.3	8 564.6	9 178.2	12 534.0	14 993.2	17 666.0	20 297.5	29 405.9	33 850.3	52 108.7	52 224.4	63 920.9	68 702.1
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	586 095.8	..
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	411 952.0	484 854.4	545 168.8	654 927.6	..
Greece	..	..	..	..	..	..	..	..	2 792.2	3 217.9	5 851.7	7 020.4	9 000.6	..
Hungary	..	..	223.6	224.6	291.2	278.1	265.3	646.6	785.1	924.2	1 279.1	1 554.5	2 161.4	3 921.1
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	1 111.6	1 420.7
Ireland	..	..	..	..	..	..	..	..	20 314.4	25 232.1	27 925.0	34 336.8	34 769.3	..
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	..
Japan	201 440.0	231 790.0	248 060.0	259 800.0	275 570.0	238 452.0	258 608.9	271 905.7	270 037.5	248 778.0	278 444.1	300 116.4	304 234.1	335 503.3
Korea	..	..	..	..	..	..	..	..	..	..	..	19 967.0	22 578.0	..
Luxembourg	..	..	..	..	..	4 703.4	4 695.4	5 022.4	7 982.8	8 467.8	7 927.0	8 592.8	..	..
Mexico	..	..	..	..	..	..	..	..	..	..	..	..	13 187.3	14 156.3
Netherlands	102 599.7	112 184.8	116 012.8	114 657.5	138 786.0	167 073.7	190 580.6	194 247.1	220 707.1	253 812.5	296 671.6	322 208.5	374 191.5	..
New Zealand	..	..	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	7 608.6	7 759.0	8 417.5
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	31 578.2	31 871.3	33 651.4	..	..	..
Poland	..	..	101.0	198.0	461.0	539.0	735.0	678.0	1 165.0	1 024.1	1 018.0	1 156.0	1 453.0	..
Portugal	..	..	..	..	..	4 406.3	3 953.9	5 414.0	9 622.4	10 330.8	17 169.7	23 490.5	31 870.5	38 543.1
Slovak Republic	..	..	..	..	166.4	138.5	185.0	236.4	408.2	346.0	379.1	506.6	485.6	633.2
Spain	..	..	22 034.4	24 017.8	30 049.5	36 221.1	40 537.6	50 272.2	70 056.1	112 793.3	159 901.8	184 711.7	225 191.3	281 687.0
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	122 893.1	144 356.9	189 408.5
Switzerland	66 086.9	75 880.8	74 412.2	91 570.3	112 588.0	142 481.4	141 586.8	165 354.1	184 237.1	194 598.5	233 385.2	253 551.9	295 402.6	344 115.9
Turkey	..	..	..	..	..	..	..	..	..	..	3 668.0	4 581.0	5 047.0	..
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	921 445.1	1 128 583.6
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	1 529 725.0	1 598 072.0	1 751 852.0	..
Total OECD	1 710 130.1	1 870 980.6	1 948 320.8	2 090 714.9	2 365 822.7	2 655 025.0	2 923 581.2	3 195 125.9	3 766 649.3	4 424 094.8	5 200 002.1	5 490 454.8	6 126 041.2	..

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

Source: OECD International direct investment database.

Table A.4 OECD direct investment from abroad: inward position

Million US dollars

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002p	2003e
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	109 288.1	107 218.0	131 607.5	179 481.0
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	41 946.3	58 098.0
Belgium/Luxembourg	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Belgium	..	..	..	..	..	..	..	..	..	..	..	..	..	..
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	214 120.8	220 899.4	276 670.6
Czech Republic	..	..	..	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	47 526.9
Denmark	..	14 747.0	14 387.3	14 617.9	17 846.3	23 800.9	22 337.0	22 267.8	31 175.6	42 053.3	66 711.5	67 408.7	73 587.2	..
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	34 005.9	46 400.1
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	386 524.7	..
Germany	74 066.8	77 927.8	74 730.1	71 095.4	85 904.8	102 491.2	102 652.9	188 874.3	250 319.9	288 562.4	460 631.8	404 497.2	510 208.7	..
Greece	..	..	..	..	..	..	..	..	13 088.1	15 533.3	12 479.4	13 638.8	15 560.0	..
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	35 879.4	42 918.7
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	762.8	769.8
Ireland	..	..	..	..	..	..	..	..	62 453.1	72 817.0	118 549.4	143 949.9	184 693.8	..
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	113 046.4	108 005.6	126 474.4	..
Japan	9 850.0	12 290.0	15 510.0	16 890.0	19 170.0	33 507.7	29 937.1	27 077.5	26 064.8	46 115.3	50 322.8	50 319.7	78 142.8	89 728.3
Korea	..	..	..	..	..	..	..	..	..	..	..	53 208.0	62 658.0	..
Luxembourg	..	..	..	..	..	18 503.5	18 232.8	17 279.6	20 766.1	20 362.0	23 491.7	25 631.6	..	..
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	154 344.0	..
Netherlands	66 926.8	70 177.0	71 841.0	72 167.1	90 504.7	112 139.3	125 009.7	120 587.2	160 479.3	187 822.0	238 938.3	276 408.7	344 129.6	..
New Zealand	..	..	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	22 102.5	27 544.9	34 176.0
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	..
Poland	109.0	425.0	1 370.0	2 307.0	3 789.0	7 843.0	11 463.4	14 587.2	22 479.0	26 075.3	34 227.0	41 247.0	47 900.0	..
Portugal	..	..	..	..	..	18 162.1	19 861.1	19 305.9	24 465.6	24 148.4	29 040.2	34 572.9	43 195.5	53 527.5
Slovak Republic	..	..	..	..	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
Spain	..	..	85 979.5	80 267.9	96 300.9	109 116.4	108 016.5	100 101.6	118 248.5	115 985.6	144 932.3	165 255.2	236 257.3	312 637.0
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	92 240.2	117 955.7	143 328.7
Switzerland	34 244.6	35 747.2	32 989.3	38 713.5	48 668.4	57 063.7	53 916.7	59 515.2	71 997.1	76 000.2	86 809.8	88 766.3	125 079.0	153 725.8
Turkey	..	..	..	..	..	..	..	..	..	..	19 209.0	19 677.0	17 621.0	..
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	568 259.4	672 014.5
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	1 418 523.0	1 514 374.0	1 504 428.0	..
Total OECD	1 290 137.5	1 388 958.6	1 466 678.6	1 555 737.2	1 728 306.7	2 012 569.6	2 179 586.8	2 373 096.7	2 915 712.9	3 351 243.1	4 191 178.0	4 536 876.0	5 179 517.3	..

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

Source: OECD International direct investment database.