

Overview of Foreign Direct Investment: US, Europe, Japan and Emerging Asia

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1. Introduction

Global foreign direct investment (FDI) flows have expanded over the last several decades, although they declined temporarily in 2001–2003 mainly because of slow economic growth in Europe and Japan. Global FDI inflows reached \$1.3 trillion in 2006, approaching the peak of \$1.4 trillion recorded in 2000. Global FDI outflows also rose to \$1.2 trillion in the same year. Both developed and emerging market economies have seen rapid increases in FDI flows.

While developed countries—the United States and the European Union—are major recipients of FDI flows, dynamic emerging market economies—Hong Kong, China, Mexico, Brazil, Singapore and Russia—are also key recipients of FDI. Hong Kong and China are the world's third and tenth largest recipients measured by inward FDI stocks as of 2006. While developed country multinational corporations (MNCs)—particularly those from the US, Europe and Japan—have been, and remain, the leading sources of FDI, emerging economy multinational business firms have, in recent years, also become active as investors of FDI. For example, Hong Kong and Russia were the world's fifth and fifteenth largest investors measured by outward FDI stocks in 2006.

The geographical pattern of FDI activity has been undergoing a rapid transformation, with new economies rising as large sources as well as hosts of FDI. It used to be the case that developed country outward FDI went to either developed countries (north-north FDI) or emerging/developing economies (north-south FDI) and that emerging economy outward FDI was relatively limited. However, the growth of FDI flows from emerging market economies to emerging/developing economies (south-south FDI) has been an important recent trend. Bilateral FDI links among the US, the UK, Canada, the Netherlands, and Germany used to dominate the global picture of bilateral relationships. Today, the pattern of bilateral FDI activities is considerably more diversified and complex, reflecting the participation of many more economies, particularly emerging market economies, in international production. For example, the bilateral FDI linkage between Hong Kong and China is the world's second largest after

the one between the US and UK.

This paper gives an overview of recent developments of global FDI activities by developed and emerging economies. In Section 2, we focus first on the US, the EU-15 and Japan as major developed country FDI hosts and sources. Then, we focus on FDI activities by major emerging market economies, particularly those in East Asia, Latin America, Eastern Europe and offshore markets. In Section 3, we examine the rising intensity of intra-East Asian FDI activities and argue that the web of FDI activities among Japan, the Asian newly industrialized economies (NIEs), the Association of Southeast Asian Nations (ASEAN) members and China has intensified FDI and trade linkages within East Asia through the formation of closely intertwined production networks. In Section 4, the paper extracts some policy lessons from the East Asian experience for other developing countries as (potential) FDI recipients as well as for emerging market economies as FDI providers, to help achieve sustained economic growth and development through FDI and trade. The final section concludes the paper.

2. Trends in FDI Activities

Global trends. Table 1 summarizes FDI stocks (outward, inward, and net) of all developed countries (OECD-23 countries) and major emerging market economies in the world for the years 1990, 2000 and 2006. The table shows that the world total FDI stock grew from \$1.8 trillion (about the same for both outward and inward FDI stocks) in 1990 to \$12.5 trillion for outward FDI stock and \$12.0 trillion for inward FDI stock in 2006.¹ It also shows that while developed countries are both the main sources and hosts of FDI, emerging market economies have primarily been recipients of FDI—with some exceptions. This is confirmed by the fact that in 2006 developed countries and emerging market economies respectively accounted for 85 percent and 15 percent of world total outward FDI stock and they accounted for 66 percent and 34 percent of world total inward FDI stock, respectively.² As a result, developed countries, as a group, were net creditors of FDI stocks, recording \$2.6 trillion in 2006, and emerging market economies were net recipients of FDI, amounting to \$2.2 trillion in the same year.

The US had the largest FDI stocks, both outward (\$2.38 trillion) and inward (\$1.79

¹ Though outward and inward FDI stocks (as well as flows) should in principle match, they usually do not because of data deficiency.

² A similar trend is observed by looking at Tables 2A and 2B, which summarize the size of cumulative FDI outflows and inflows, respectively in three periods, 1980–89, 1990–99, and 2000–06.

trillion), with the largest net FDI asset of \$595 billion. The UK had the second largest FDI stocks (both outward and inward), with the third largest net FDI asset. France, Germany, Hong Kong, Netherlands, Switzerland, Spain, Belgium-Luxembourg and Japan were among the world's top 10 FDI investors in 2006. Japan's outward FDI ranking has declined over time; it fell from number 3 in the global ranking in 1990 to number 10 in 2006. Note that the Asian NIEs collectively would rank as a number 5 FDI investor in the world after Germany. France, Hong Kong, Belgium-Luxembourg, Germany, Netherlands, Spain, Canada and Italy were the world's top 10 recipients of FDI. Inward FDI in Japan has been small among developed countries; its global ranking was between 25 (in 1990) and 21 (in 2006). The Asian NIEs and ASEAN would respectively rank as number 3 and number 10 FDI recipients in the world. Germany and Japan respectively had the second and fourth largest net FDI assets.

The rise of emerging market economies as FDI investors is a relatively recent phenomenon: By 2000, Hong Kong had become the world's fifth largest FDI provider—in addition to being the second largest FDI recipient. Russia, British Virgin Islands and Singapore were among the top 4 FDI investors as emerging economies and among the top 20 FDI investors in the world in 2006. China, Mexico, Brazil, Singapore and Russia were among the top 6 FDI recipients in the emerging economy group and among the top 20 FDI recipients in the world in the same year. All major emerging economies, except British Virgin Islands and Taipei, China, were net FDI recipients, with China having the largest net FDI liability in the world (\$219 billion), followed by Mexico (\$193 billion) and Brazil (\$135) as the second and fourth largest, respectively.³ It is interesting to note that ASEAN and the Asian NIEs, as groups, had net FDI liabilities of \$249 billion and \$133 billion, respectively.

Geographical proximity is becoming increasingly important in FDI activities. For example, of the top 31 pairs of economies with the largest bilateral FDI stocks in 1985 (for which data were available), 30 (97% of the total) were north-north pairs, 1 (3%) was a south-south pair, and there was no north-south pair. In 1995, of the top 47 pairs with the largest bilateral FDI, 39 (83% of the total) were north-north pairs, 3 (6%) were north-south pairs, and 5 (11%) were south-south pairs. Of the top 50 bilateral pairs in 2005, 41 (82% of the total) were north-north pairs, 4 (8%) were north-south pairs, and 5 (10%) were south-south pairs (see Table 3). Clearly emerging economies have become important players in bilateral FDI activities in recent years. In particular, the two-way

³ Belgium-Luxembourg had the third largest net FDI liability in the world.

FDI linkage between China and Hong Kong, which was already observed in 1995, has been strengthened over the last ten years.

Developed country FDI activities. Tables 4A and 4B summarize the distribution of developed country FDI stocks, outward and inward, respectively. Table 4A shows that developed countries have allocated more than 70 percent of their outward FDI stocks in developed countries and close to 20 percent in emerging/developing economies. Table 4B shows that the developed country group has received most of the FDI from this group, that is, developed countries have not received much FDI from emerging market economies. Essentially, developed countries have provided FDI in both developed and emerging economies, while they tend to receive most of their FDI from developed countries.

Inward FDI to developed countries has been driven mainly by cross-border M&As spurred by attractive financing conditions, high corporate profits, sustained economic growth and rising stock market prices. The inward FDI growth has been widespread across all the developed regions and economic sectors—in manufacturing, energy, telecommunications and transportation. Private equity and hedge funds have also played an important role. This explains why developed countries tend to receive FDI from other developed countries

Tables 5A and 5B summarize the distribution of US outward and inward FDI stocks. Table 5A shows that the US has invested most heavily in the EU-15 (more than 45%), Latin America (more than 15%), and emerging/developing Asia (8%). In terms of individual-economy destinations, the US has invested most heavily in the UK, Canada, the Netherlands, Switzerland, France and Germany (see also Table 3). Table 5B shows that the US inward FDI stock is contributed largely by the EU-15 (the UK, Germany, the Netherlands and France), Japan, Canada and Switzerland. The growth of US inward FDI stock has been linked to some large cross-border M&As.

Table 6A demonstrates that the EU-15 has invested about 50 percent of its FDI in EU-15, 15–20 percent in the US, and 10–15 percent in emerging/developing Asia. Table 6B shows that inward FDI stock in EU-15 has been contributed mainly by other EU-15 members (60% of the total) and the US. Much of the growth in the EU-15's inward FDI stock has again been driven by cross-border corporate M&As; in 2006, 8 of the world's largest cross-border M&As took place within the EU.

Table 7A demonstrates that Japan's outward FDI has gone to the US (close to 40% of the total), EU-15 (25%), and emerging/developing Asia (20%). The US has long been the single largest recipient country of Japanese FDI, followed by China. Table 7B shows that inward FDI in Japan, though small among developed countries, has been contributed mainly by the US (more than 40% of the total) and EU-15. FDI inflows to Japan turned negative in 2006, falling to -\$6.5 billion, which made it impossible to achieve the ambitious target set by the Koizumi Government to double Japan's inward FDI stock by the end of 2006.

Emerging economy inward FDI activities. Table 8 lists most-favored locations of top MNCs from developed and emerging economies as measured by "location intensity."⁴ Based on this measure, Brazil hosts the largest number of affiliates of the world's largest MNCs (81), followed by Mexico (78), Singapore (74), Poland (72), Czech Republic (70), Argentina (68), China (66) and Hong Kong (66). The table also indicates that the investment locations most favored by emerging economy MNCs tend to be in East Asia, such as Hong Kong (34), China (30), Singapore (26), Malaysia (20) and Taipei, China (13).

The cumulative values of FDI inflows during 2000–06, as reported in Table 2B, show that China (number 4 in the world), the Asian NIEs (number 5), and ASEAN are the major recipients of FDI in recent years. Other large emerging market FDI recipients during the recent period are Mexico, Brazil, Russia, Poland, Bermuda and India. The Asian NIEs and ASEAN have always attracted large FDI flows, while the rise of Poland, Russia and India is a relatively recent phenomenon.

Hong Kong and China are the largest FDI hosts among all the emerging market economies, having attracted \$769 billion and \$293 billion of inward FDI stock, respectively, in 2006. Table 9 shows the geographical distribution of China's inward FDI over the period 1995–2006. According to the table, China has received most of its FDI from Asian NIEs (particularly Hong Kong), OECD-23 countries (particularly Japan, EU-15 and the US) and offshore centers (like the Cayman Islands and British Virgin Islands). China will remain a magnet for FDI, but is becoming more selective with respect to the quality of inward FDI.

⁴ "Location intensity" is defined as the total number of MNCs having at least one affiliate in the host economy, divided by 100, minus the number of MNCs from this economy listed in the top 100.

Looking at annual FDI inflows, however, China saw a decline for the first time in seven years in 2006. The modest decline was due mainly to reduced inflows to the financial services sector. Rising production costs and labor shortages in China's coastal regions, as well as policy measures to encourage quality rather than quantity in FDI, may have begun to influence the geographic distribution of FDI. China has also unified its two previously separate income tax systems for foreign affiliates and domestic enterprises, which will take effect in 2008.

In Asia, India has shown significant potential for market-seeking FDI. Table 9 also indicates that the country has received FDI largely from emerging market economies, including Mauritius, and from OECD-23 countries (particularly EU-15 and the US). Nonetheless, the country faces a number of disadvantages that could impede progress in attaining its goal of increasing its annual FDI inflows to \$50 billion by 2010.⁵

Vietnam appears to be poised to become an important site for manufacturing FDI, while Thailand is attracting high-value-added FDI. These two countries as well as China and India are among the top five countries in which Japanese manufacturing MNCs expect to invest.

Emerging economy outward FDI activities. The Asian NIEs, Russia, British Virgin Islands, Brazil, China, and ASEAN 9 (excluding Singapore) are among the top 25 global investors in terms of outward FDI stocks in 2006 (Table 1). More specifically, Hong Kong (\$689 billion), Russia (\$157 billion) British Virgin Islands (\$124 billion), Singapore (\$118 billion), Taipei, China (\$114 billion), Brazil (\$87 billion), and China (\$73 billion) are the largest emerging market investors measured by outward FDI stocks. Outward FDI activities by emerging market economies are a relatively new phenomenon and have not attracted much attention until recently.⁶

The NIEs have been the main emerging economy sources of FDI in Asia. China and India are now beginning to challenge the dominance of these Asian NIEs as the main investors of FDI in emerging Asia. Six out of the seven developing country MNCs listed in the world's top 100 non-financial MNCs are from Asia, the other being from Mexico

⁵ First, poor infrastructure prevents the country from attracting efficiency-seeking FDI. Second, while the Indian government is making efforts to attract FDI projects, these projects are not necessarily welcomed by local communities.

⁶ Recent papers on this subject include Sauvart (2005) and Aykut and Goldstein (2006).

(UNCTAD, 2007).

China's FDI outflows have increased over time and its outward FDI stock is the seventh largest of the emerging market economies. Part of this overseas expansion has involved considerable investment in other emerging market economies. Table 9 shows that almost 90 percent of China's cumulative FDI outflows during the period 1995–2005 went to emerging and developing economies, particularly to the Asian NIEs and ASEAN as well as offshore centers (such as the Cayman Islands and British Virgin Islands). Its overseas investment in developed economies has been limited, but is expected to grow over time.

China established in 2007 a state investment company, called the China Investment Company (CIC) to manage a \$200 billion fund drawn from the country's huge foreign exchange reserves. This follows the example of a proactive approach to reserve management implemented in countries such as Singapore and Korea. Although the CIC's investment strategy and policy have yet to be clarified, it is expected to invest in foreign companies, partly through direct investment. In May 2007, for example, the CIC, before its formal establishment, invested \$3 billion for a 9.9 percent stake in the US private equity firm Blackstone.

India's FDI outflows in 2006 grew to almost four times the level in 2005 and its outward FDI stock reached \$13 billion. Although this figure still does not place India among the top 15 emerging market economies, it is expected to rise fast. As in the case of China, a large proportion (70%) of India's FDI outflows have been directed to emerging and developing economies (Table 9). In contrast to China, however, FDI outflows from India have been dominated by privately owned conglomerates, such as the Tata group.⁷

3. Intraregional FDI in East Asia

Expansion of intra-East Asia FDI activities. Intraregional FDI activities are important for many economies in East Asia, and a few of the region's bilateral FDI relationships are among the most active in the world. This reflects East Asia's attractiveness for many global and regional business firms. According to an interview survey reported by

⁷ With a total investment of \$11 billion, for example, Tata Steel acquired Corus Group (of the UK and the Netherlands) in early 2007. This move was one of a series of large cross-border M&As undertaken by

UNCTAD (2007), 65 percent of the respondent MNCs already have FDI stocks in the region, and over 74 percent of MNCs anticipate increasing investments there. In terms of the investment locations, China (52% of respondents) ranks number one among the six most attractive sites—the others being India (41%), US (36%), Russia (22%), Brazil (12%) and Vietnam (11%). The respondents who regarded China as most attractive were mainly attracted by the size and growth of its domestic market and the availability of low-cost labor. China and Vietnam were thus considered the most attractive locations for FDI in East Asia.

The FDI stock Hong Kong holds in China is the largest in the region and the second largest in the world, while the FDI stock China holds in Hong Kong is the second largest in the region and the eighth largest in the world (Table 3). Mutual FDI activities between the two economies have grown significantly since the mid-1990s, but “round-tripping” of FDI accounts for a large share of these bilateral flows, as much of this bilateral FDI activity may have been generated by tax and other distortions.⁸ It is also said that outward FDI from Taipei,China to mainland China takes the form of “trans-shipping,” i.e., via third countries (like offshore financial centers), to avoid regulatory barriers. Within East Asia, many economies have high inward FDI stocks as a ratio of GDP, and some have high outward FDI stocks per GDP—like Hong Kong; Singapore; Taipei,China; and Malaysia (see Table 10).

The source country (area) breakdown of FDI inflows into East Asia deserves attention. Table 11 indicates that global MNCs from the major industrialized countries remain important investors in emerging East Asia, with the EU, the US, and Japan accounting for 15 percent, 14 percent and 11 percent, respectively, of emerging East Asia’s cumulative FDI inflows over the period 1995–2005. More specifically, the largest investors in the Asian NIEs, particularly in Singapore and Taipei,China, come from the US. In contrast, the EU is the largest source of FDI flows to Korea, and Japan is the largest developed country investor in Thailand. In the case of China, however, Hong Kong is the largest investor; no major industrial country dominates FDI activity in China. Notable is the

Tata Steel and other members of the Tata Group in the past two years.

⁸ FDI “round-tripping” is defined as the channeling by direct investors of local funds to special purpose entities (SPEs) abroad and the subsequent return of the funds to the local economy in the form of FDI. Round-tripping takes place because, for example, Chinese local firms can benefit from special treatment and incentives given to foreign investors by sending funds to Hong Kong and then having their Hong Kong affiliates reinvest the funds in China. FDI “trans-shipping” is defined as the channeling by direct investors to SPEs abroad and the subsequent investment of the funds in a third country. In the case of financial centers, most of their inward FDI tends to be redirected to other countries.

rising importance of the Asian NIEs' firms, which account for 54 percent of total FDI inflows to China and 29 percent of those to ASEAN—particularly in Vietnam. In recent years, relatively advanced middle-income ASEAN countries such as Malaysia and Thailand are also investing in lower-income ASEAN countries and China.

Table 11. Emerging East Asia's FDI Inflows, 1995–2005 (percent)

FDI Inflows to:	Source Regions/Countries of FDI Inflows to Emerging East Asia						Total (Mill. US\$)
	US %	EU %	Japan %	Asian NIEs %	ASEAN 9 %	100.0	
Asian NIEs	16.8	15.8	8.1	5.2	3.9	100.0	(437,999)
Hong Kong	5.1	7.4	5.7	5.3	1.8	100.0	(215,999)
Korea	22.4	40.1	13.3	4.1	7.4	100.0	(55,975)
Singapore	31.7	19.3	8.5	4.0	5.8	100.0	(142,748)
Taipei, China	19.9	13.1	15.5	14.2	2.5	100.0	(23,277)
ASEAN 9	18.4	29.1	19.1	29.2	4.2	100.0	(116,413)
Indonesia	5.7	50.9	3.3	15.0	9.3	100.0	(11,839)
Malaysia	27.4	23.4	13.6	22.0	2.1	100.0	(44,651)
Philippines	23.4	10.3	23.1	16.9	1.1	100.0	(13,709)
Thailand	10.5	10.5	25.1	27.6	0.9	100.0	(37,428)
Vietnam	4.8	19.1	14.4	39.2	6.6	100.0	(18,225)
China	8.1	8.1	8.6	54.0	1.6	100.0	(537,163)
Total	13.9	14.7	10.5	34.9	3.1	100.0	(992,516)

Note: FDI recipient data compiled by the Institute for International Trade and Investment (IITI) are adjusted to make them consistent with BOP figures.

Source: IMF, *International Financial Statistics*; ASEAN Secretariat for ASEAN data; *China Statistical Yearbook* for China data; OECD publication for Korea data; IITI for Hong Kong and Taipei, China data.

Production networks and supply chains. Table 12 provides a typology of FDI motives and FDI-trade relationships. Over several decades, the composition of FDI in East Asia has changed from labor-seeking (or assembly-based) FDI, which often utilizes export-processing zones, and from resource-extracting FDI—in Malaysia and Indonesia—to more recent production-fragmenting (a form of efficiency-seeking) FDI.

Table 12. Typology of FDI-Trade Linkages

FDI Activity	Motives for FDI Activity	FDI-Trade Relationships
Labor-seeking	Comparative advantage (low relative labor costs)	Substitutability; Export promoting if host used as an export platform
Market-seeking	Host market protection; Host market information	Import substitution in final products; Host's import promoting in parts and components
Resource-extracting	Availability of natural resources; Security of raw materials	Trade creating
Production-fragmenting	Comparative advantage; Increasing returns	Vertical intra-firm, intra-industry trade; Trade creating in parts and components
Differentiated product-delivering	Love of similarity	Horizontal intra-industry trade; Trade creating in final products
Services-providing	Thick-market externalities	Uncertain

Source: Kawai (2005), Table 7.5.

Since the late 1980s East Asia has seen a rapid expansion of production-fragmenting FDI. Production-fragmenting FDI has been driven largely by MNCs' decisions to fragment their production processes into different sub-processes to be located in different economies—based on required factor proportions and relative technological capabilities. This has generated vertical intra-industry trade in parts, components, semi-finished products and finished products. The expansion of intra-industry trade has been one of the biggest factors behind the rising share of intra-East Asian trade over the last several decades (see Table 13).⁹ Clearly, liberal trade and FDI policies have been essential for this type of FDI and vertical intra-industry trade to expand within the region's production network and supply chains.

Table 13. Intra-Regional Trade Share, 1980–2006 (%)⁽¹⁾

Region	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006
NIEs (4)⁽²⁾	8.6	9.2	11.9	15.5	15.5	15.3	15.8	15.2	14.6	13.9	13.6
ASEAN (10)⁽³⁾	17.9	20.3	18.8	24.0	24.7	24.1	24.4	26.6	26.7	27.2	27.2
ASEAN + China + Korea + Hong Kong + Taipei,China (14)	22.7	27.2	33.0	39.1	40.6	41.1	43.4	44.7	45.2	45.5	45.8
ASEAN+3 (13)⁽⁴⁾	30.2	30.2	29.4	37.6	37.3	37.1	37.9	39.0	39.2	38.9	38.3
ASEAN+3 + HK + Taipei,China (15)	36.8	39.0	43.1	51.9	52.1	51.9	53.8	55.4	55.9	55.4	54.5
ASEAN+6 (16)⁽⁵⁾	34.6	34.8	33.7	40.8	40.5	40.6	41.3	42.4	43.0	43.1	42.6
ASEAN+6 + HK + Taipei,China (18)	40.5	42.7	46.3	54.5	54.6	54.5	56.3	57.7	58.5	58.4	57.6
NAFTA (3)	33.8	38.7	37.9	43.1	48.8	49.1	48.4	47.4	46.4	46.1	44.3
MERCOSUR	11.1	7.2	10.9	19.2	20.3	17.9	13.6	14.7	15.2	15.5	15.7
Old EU (15)	60.7	59.8	66.2	64.2	62.3	62.2	62.5	63.0	62.2	60.4	59.5
New EU (27)	61.5	60.0	66.8	66.9	66.3	66.7	67.4	68.1	67.6	66.2	65.8

Notes: (1) Intra-regional trade share is computed as $X_{ii} / [(X_{iw} + X_{wi}) / 2]$, where X_{ii} is the value of intraregional exports, X_{iw} is the value of total exports of the region to the world, and X_{wi} is the value of total exports of the world to the region.

(2) NIEs = Hong Kong (HK); Korea; Singapore; and Taipei,China.

(3) ASEAN = Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

(4) ASEAN+3 = 10 ASEAN countries, China, Japan, and Korea.

(5) ASEAN+6 = 13 ASEAN+3 countries, Australia, New Zealand, and India.

Sources: IMF Direction of Trade Statistics CD-ROM (June 2007). Data for Taipei,China from 1989–2006 sourced from the Bureau of Foreign Trade website, and 1980–1988 from the Statistical Yearbook published by the Directorate-General of Budget, Accounting and Statistics.

This change has required the host economies to provide adequate industrial infrastructure, well-educated, highly-disciplined labor forces, rule of law to enforce contracts and protect property rights, and stable business environments with low political and social risks. Following the Asian NIEs and middle-income ASEAN countries, China is now fully integrated in this process, and the production network is still expanding to many

⁹ See Kawai (1997, 2005), Kawai and Urata (1998, 2004), Urata (2001), Fukao, Ishido and Ito (2003), and Athukorala (2003).

parts of East Asia, including Vietnam, Cambodia and Laos. India is also beginning to participate in this activity as they improve their investment climates through such means as institution building, better physical infrastructure and economic connectivity. Regional free trade agreements have the potential to further expand such opportunities (Kawai and Wignaraja, 2007).

Rapid economic growth in East and South Asia is likely to continue, underpinned by the strong growth performance of China and India. Growth in market-seeking FDI to the region will also continue to keep pace with rapid economic growth. In addition, the region will begin to see differentiated product-delivering and services-providing FDI as their market environments are upgraded.¹⁰

4. Policy Lessons for Developing Countries and Emerging Investor Economies

East Asia's historical experience of rapid growth and development—based on FDI and trade—reveals that three essential elements contributed to the region's successes:¹¹

- Political stability, sound policies, right institutions, and national ownership;
- Outward orientation with a focus on private sector development and the investment-trade nexus; and
- Conducive developed country policies.

Political stability, policies, institutions and ownership. Political stability, sound policies, and right institutions played an essential role in the economic development process in East Asia for two to three decades leading up to the financial crisis in 1997–98.

Needless to say, the East Asian crisis revealed the inadequacies and weaknesses of economic institutions—particularly in the financial and corporate sectors and public sector governance—across crisis-affected East Asia, which should have been addressed earlier in a way commensurate with the pace of greater liberalization and openness. Nonetheless, until the age of globalization, the East Asian economies had reasonable institutional and governance capabilities that facilitated sustained economic growth and

¹⁰ As a country industrializes, on the one hand it acquires technologies for the production of a variety of manufactured products and, on the other hand, it faces rising demand for differentiated products and a variety of services with an increase in income of the population. High-quality services tend to be provided by multinational corporations from advanced industrialized nations. These last two types of FDI have yet to develop extensively in East Asia.

¹¹ Some of these elements, but not all, and others have been analyzed by World Bank (1993). See Fukasaku, Kawai, Plummer and Trzeciak-Duval (2005) for details.

development. The presence of sound policies, right institutions and stable, predictable policy regimes was important.

In addition, the East Asian economies had clear national ownership over long-term economic development programs and structural reforms. Diligent implementation of policy and institutional reforms backed by national ownership was an important driver of successful economic development. Institutional capacities and human resources were indispensable to develop national ownership.

Outward orientation and private sector development. The East Asian economies embraced the notion of trade and FDI openness by adopting outward-oriented policies with increasing emphasis on private sector development, trade and investment. Many of them initially focused on import substitution and then shifted to export promotion. A major mechanism for export sector growth was through the exploitation of dynamic comparative advantage. Export expansion in turn helped each economy overcome the limits of the domestic markets and the foreign exchange constraints, and promoted learning, technology upgrading, and economies of scale. It was also accompanied by liberalization of imports, inward FDI, and use of foreign technologies and ideas. All of these led to the emergence of spatially concentrated clusters of firms, supplier networks and logistics support industries within their economies. Creation of regional FDI-trade linkages was a natural consequence of their market-based, outward-orientated policies combined with the business strategy of the foreign MNCs.

These East Asian economies emphasized the role of investment—in capital equipment, physical infrastructure, human resources, and market knowledge—and its nexus with trade as a basis for sustained economic growth. Their governments focused on the creation of a favorable investment climate, the reduction of risks and uncertainties associated with investment activity, and the availability of finance for productive investment opportunities. Their pro-growth development strategies were supported by mutually reinforcing interactions between investment and trade. Investment—by both domestic firms and foreign MNCs—and trade stimulated each other, thereby contributing to output growth. Output growth in turn stimulated further investment and trade.

Conducive policies in FDI source economies. Developed countries helped developing economies in East Asia by maintaining stable macroeconomic and financial conditions

as well as open trading systems. Providing both manufacturing FDI and market access to developing countries—through reductions of industrial tariffs and non-tariff barriers—to their exports of labor-intensive manufactured products was crucial. For this purpose, the developed countries have accepted economic and industrial adjustment on their part by making their labor markets more flexible. Transfers of production technology and organizational skills through FDI are also crucial to enabling developing countries to participate in the innovation process (see Kawai, 2005).

One of the implications of this analysis is that newly emerging economies that have begun investing in developing economies are also expected to assume traditional developed country responsibilities. That is to say, as the new sources of FDI to developing and other emerging economies, they need to maintain stable macroeconomic and financial conditions, keep their trade regimes open so as to absorb products from FDI-recipient developing countries, and constantly pursue structural and industrial adjustment domestically. These practices would assist their FDI recipients in achieving economic growth and development through trade and FDI.

Implications for other developing countries. On balance, greater trade and FDI openness can be an effective driving force for economic growth and development, if accompanied by domestic complementary reforms to establish effective policies and institutions, market-friendly investment climates, and supporting physical infrastructure in developing countries. To the extent that trade and FDI openness provides significant benefits as well as costs, policymakers should focus on how to maximize benefits and minimize costs. To maximize benefits from liberalizing trade and FDI regimes, a country must not only introduce a nationally-owned development strategy and pursue a variety of complementary structural reforms—including improvements of market infrastructure, regulatory frameworks, and market competition—but also strengthen the capacity of policymakers to manage economic and social risks due to such liberalization. The latter is quite important to minimize potential costs associated with trade and FDI openness. Simply maintaining sound macroeconomic policy and pursuing external liberalization and domestic deregulation is not enough for this purpose. A country must go beyond the usual prescriptions for the “Washington Consensus” and focus on wide-ranging reforms of policy and institutional frameworks.

The key to a nation’s success is to set up market-friendly environments for private sector activity, particularly to encourage private investment, by maintaining political

and social stability, increasing business predictability, establishing the rule of law and property rights, and providing the necessary physical infrastructure. Creation of a dense and spatially concentrated network of input-output linkages among domestic firms can provide spillover benefits to the rest of the economy. Both external and internal market integration will deepen simultaneously and interact with each other. A flexible supply response capacity by domestic private firms is the basis for benefiting from trade and FDI openness.

5. Conclusion

This paper has reviewed the recent developments of FDI activities by both developed and emerging market economies. While developed countries continue to be major FDI investors and recipients, several dynamic emerging market economies have risen as new sources of FDI in addition to their being FDI recipients. This implies that we have begun to observe not only north-north and north-south FDI flows, but also south-south FDI flows.

The paper has emphasized the important role played by trade, FDI and the links between them for economic growth and development in East Asia. Trade is critical because it requires economies to pursue their dynamic comparative advantage and to allocate domestic productive resources efficiently. FDI is also critical because it brings with it not only risk capital (financing) but production technologies, management know-how, and global business networks that encourage the host economy's trade. The paper has argued that since the mid-1980s the East Asian economies have experienced a rapid expansion of both FDI and trade, largely due to unilateral liberalization of trade and FDI regimes and the right domestic policies and institutions that attracted multinational corporations (MNCs) and supported private sector-driven economic activities.

The paper has noted that global MNCs and more recently regional MNCs formed production networks and supply chains in East Asia as a key driving force behind deepening regional economic linkages. These networks have promoted intra-regional division of labor through fragmentation of the production process into different sub-processes located in different countries based on comparative advantage—relative factor proportions and technological capabilities. This strategy has stimulated vertical intra-industry trade in parts, components, semi-finished and finished products within

East Asia. Trade and FDI contributed to economic growth and development as well as regional economic integration.

An important implication of this analysis is that FDI tends to create trade and promote economic growth and development. Essentially, large inflows of FDI to emerging East Asia have stimulated the region's engagement with trade, in a way that reflects the stages of industrial development. China has begun to participate in such activities in a vigorous way. India is also expected to participate in this process as a provider of offshore services such as IT and back office support.

The task of promoting FDI inflows is particularly important for low-income ASEAN members and other developing countries in the rest of the world. They are encouraged to pursue domestic and external liberalization and structural reforms to strengthen the institutional foundations for better functioning market economies through building infrastructure—hard and soft—and developing skilled human resources. Newly emerging investor economies are encouraged to support this process by maintaining stable flows of FDI, macroeconomic and financial stability domestically and liberal trading regimes, and by constantly adjusting their economic and industrial structure. Efforts by both FDI recipients and providers will assist the former in achieving economic growth and development and the latter in upgrading the economic structure towards higher value-added industries.

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Table 1. FDI Stocks (Outward, Inward and Net) of Major Economies in the World, 1990, 2000, 2006
(Billions of US dollars)

	1990			2000			2006		
	Outward FDI Stock	Inward FDI Stock	Net FDI Position	Outward FDI Stock	Inward FDI Stock	Net FDI Position	Outward FDI Stock	Inward FDI Stock	Net FDI Position
World Total	1,815	1,779	36	6,209	5,810	399	12,474	11,999	475
OECD-23	1,638	1,393	245	5,250	3,850	1,400	10,586	7,959	2,627
Austria	5	11	-6	25	30	-6	77	78	0
Belgium-Luxembourg	41	58	-18	180	195	-15	498	676	-179
Denmark	7	9	-2	73	74	0	150	138	12
Finland	11	5	6	52	24	28	91	64	27
France	110	87	23	445	260	185	1,080	783	297
Germany	152	111	40	542	272	270	1,005	502	503
Greece	3	6	-3	6	14	-8	18	37	-19
Iceland	0	0	0	1	0	0	13	8	6
Ireland	15	38	-23	28	127	-99	125	179	-54
Italy	60	60	0	180	121	59	376	295	81
Netherlands	107	69	38	305	244	62	653	451	201
Norway	11	12	-2	46	25	21	121	66	54
Portugal	1	11	-10	20	32	-12	55	86	-31
Spain	16	66	-50	168	156	11	508	443	65
Sweden	51	13	38	123	94	29	263	218	45
Switzerland	66	34	32	232	87	145	545	207	338
UK	229	204	25	898	439	459	1,487	1,135	352
Canada	85	113	-28	238	213	25	449	385	64
US	431	395	36	1,316	1,257	59	2,384	1,789	595
Japan	201	10	192	278	50	228	450	108	342
Australia	31	74	-43	85	111	-26	227	246	-19
New Zealand	6	8	-2	8	25	-16	13	63	-50
Emerging Economies	177	386	-209	959	1,960	-1,001	1,888	4,040	-2,152
Czech Republic	--	1	-1	1	22	-21	5	77	-72
Hungary	0	1	0	1	23	-22	13	82	-69
Poland	0	0	0	1	34	-33	11	104	-93
Russia	--	--	--	20	32	-12	157	198	-41
Turkey	1	11	-10	4	19	-16	9	79	-70
Argentina	6	9	-3	19	68	-48	24	59	-35
Bermuda	29	14	15	64	59	5	46	98	-52
Brazil	41	37	4	52	103	-51	87	222	-135
British Virgin Islands	1	0	1	67	32	35	124	56	67
Cayman Islands	1	2	-1	21	26	-5	40	50	-10
Chile	1	10	-9	11	46	-35	27	81	-54
Mexico	3	22	-20	8	97	-89	35	229	-193
Hong Kong	12	45	-33	388	455	-67	689	769	-80
China	4	21	-16	28	193	-166	73	293	-219
Korea	2	5	-3	27	38	-11	47	71	-24
Malaysia	1	10	-10	16	53	-37	28	54	-26
Taipei, China	30	10	21	67	18	49	114	50	64
Singapore	8	30	-23	57	113	-56	118	210	-93
Thailand	0	8	-8	2	30	-28	6	68	-62
India	0	2	-2	2	18	-16	13	51	-38
Saudi Arabia	2	22	-20	3	18	-15	5	52	-47
Israel	1	4	-3	9	23	-13	34	47	-13
South Africa	15	9	6	32	43	-11	43	77	-34
References:									
EU-15	807	747	60	3,045	2,082	963	6,385	5,087	1,298
ASEAN	9	63	-54	84	263	-179	171	420	-249
Asian NIEs	52	90	-38	539	624	-85	967	1,100	-133

Note: All OECD-23 countries and those economies whose outward FDI stocks exceeded \$30 billion or inward FDI stocks exceeded \$50 billion are listed.

Source: UNCTAD, *World Investment Report, 2007*.

Table 2A. Cumulative Values of FDI Outflows: Top 40 Economies in the World

Economies/Regions	1980-1989			1990-1999			2000-2006		
	Ranking	Mill. US\$	%	Ranking	Mill. US\$	%	Ranking	Mill. US\$	%
United States	1	175,491	18.8	1	869,488	20.8	1	978,642	16.3
France	5	61,831	6.6	4	346,803	8.3	2	660,545	11.0
United Kingdom	2	166,051	17.8	2	573,791	13.7	3	658,897	11.0
Netherlands	6	52,995	5.7	7	237,687	5.7	4	394,468	6.6
Belgium-Luxembourg	13	15,950	1.7	8	208,298	5.0	5	394,124	6.6
Spain	18	5,666	0.6	12	108,019	2.6	6	344,792	5.7
Asian NIEs	9	30,011	3.2	5	275,336	6.6	7	335,532	5.6
Germany	4	74,703	8.0	3	430,993	10.3	8	270,778	4.5
Japan	3	140,187	15.0	6	247,945	5.9	9	257,970	4.3
Canada	7	44,339	4.7	11	128,878	3.1	10	252,880	4.2
Switzerland	10	26,659	2.9	10	137,466	3.3	11	248,726	4.1
Hong Kong	15	11,731	1.3	9	164,968	3.9	12	210,028	3.5
Italy	12	19,996	2.1	14	80,457	1.9	13	163,101	2.7
Sweden	8	34,213	3.7	13	105,454	2.5	14	152,898	2.5
British Virgin Islands	24	3,395	0.4	23	29,279	0.7	15	90,839	1.5
ASEAN	19	5,259	0.6	15	74,238	1.8	16	84,080	1.4
Ireland	29	2,372	0.3	28	13,792	0.3	17	79,007	1.3
Russian Federation	--	--	--	33	11,059	0.3	18	63,493	1.1
Norway	17	7,870	0.8	22	29,379	0.7	19	58,825	1.0
Denmark	20	5,251	0.6	18	42,367	1.0	20	57,792	1.0
Singapore	33	2,154	0.2	16	46,415	1.1	21	52,638	0.9
China	23	3,625	0.4	25	23,228	0.6	22	47,063	0.8
Austria	28	2,510	0.3	26	18,234	0.4	23	44,231	0.7
Taipei, China	14	12,146	1.3	20	34,841	0.8	24	43,321	0.7
Brazil	31	2,241	0.2	35	9,245	0.2	25	43,282	0.7
Finland	16	8,774	0.9	17	43,176	1.0	26	40,899	0.7
Australia	11	22,951	2.5	21	31,986	0.8	27	39,275	0.7
Portugal	45	239	0.0	32	12,476	0.3	28	35,703	0.6
Korea	22	3,980	0.4	24	29,112	0.7	29	29,546	0.5
Israel	34	1,125	0.1	38	6,359	0.2	30	28,947	0.5
Cayman Islands	42	299	0.0	31	12,772	0.3	31	27,256	0.5
Mexico	36	820	0.1	39	6,142	0.1	32	23,576	0.4
India	--	--	--	51	700	0.0	33	19,814	0.3
Malaysia	30	2,367	0.3	27	15,027	0.4	34	16,642	0.3
Iceland	--	--	--	62	427	0.0	35	15,892	0.3
Chile	--	--	--	34	9,265	0.2	36	14,194	0.2
Bermuda	35	910	0.1	19	38,620	0.9	37	11,310	0.2
Indonesia	--	--	--	37	6,693	0.2	38	10,560	0.2
Greece	--	--	--	60	473	0.0	39	10,467	0.2
United Arab Emirates	--	--	--	47	1,442	0.0	40	10,316	0.2
Thailand	44	257	0.0	42	4,095	0.1	56	2,618	0.0
Philippines	41	383	0.0	46	1,535	0.0	61	1,224	0.0
World		933,688	100.0		4,179,651	100.0		6,015,753	100.0

Note: (1) Shading denotes emerging market economies.
(2) Both the Asian NIEs and ASEAN include Singapore.
Source: UNCTAD, *World Investment Report, 2007*.

Table 2B. Cumulative Values of FDI Inflows: Top 40 Economies in the World

	1980-1989			1990-1999			2000-2006		
	Ranking	Mill. US\$	%	Ranking	Mill. US\$	%	Ranking	Mill. US\$	%
United States	1	336,805	35.9	1	890,636	22.1	1	1,013,316	15.8
United Kingdom	2	103,919	11.1	2	324,769	8.0	2	601,395	9.4
Belgium-Luxembourg	12	22,451	2.4	4	227,093	5.6	3	425,529	6.6
China	18	16,187	1.7	3	290,427	7.2	4	396,344	6.2
Asian NIEs	3	48,422	5.2	6	214,335	5.3	5	393,328	6.1
Germany	17	17,071	1.8	10	124,615	3.1	6	380,122	5.9
France	6	37,480	4.0	7	205,465	5.1	7	379,958	5.9
Canada	5	37,823	4.0	12	106,084	2.6	8	221,695	3.5
Hong Kong	13	21,333	2.3	14	90,326	2.2	9	219,547	3.4
ASEAN	4	40,534	4.3	5	220,159	5.5	10	214,486	3.3
Netherlands	9	25,129	2.7	8	154,309	3.8	11	209,812	3.3
Spain	8	33,814	3.6	11	118,286	2.9	12	202,747	3.2
Mexico	10	23,873	2.5	15	84,819	2.1	13	141,111	2.2
Italy	14	19,235	2.0	22	42,523	1.1	14	135,150	2.1
Brazil	16	17,214	1.8	13	99,217	2.5	15	133,965	2.1
Singapore	15	19,068	2.0	16	84,765	2.1	16	110,008	1.7
Sweden	24	7,064	0.8	9	130,128	3.2	17	100,346	1.6
Switzerland	23	8,581	0.9	20	44,418	1.1	18	76,086	1.2
Russian Federation	--	--	--	38	18,642	0.5	19	73,824	1.1
Australia	7	37,085	4.0	18	62,491	1.5	20	72,241	1.1
Denmark	38	2,291	0.2	21	42,643	1.1	21	63,152	1.0
Poland	94	155	0.0	28	31,348	0.8	22	60,191	0.9
Ireland	39	2,210	0.2	23	38,649	1.0	23	58,606	0.9
Bermuda	21	8,839	0.9	25	33,804	0.8	24	51,151	0.8
India	51	1,048	0.1	44	15,166	0.4	25	48,335	0.8
Czech Republic	--	--	--	39	18,453	0.5	26	43,801	0.7
Korea	35	3,305	0.4	30	24,654	0.6	27	41,891	0.7
Thailand	27	5,153	0.5	27	31,824	0.8	28	41,550	0.6
Turkey	44	1,683	0.2	54	7,717	0.2	29	40,029	0.6
Chile	31	4,376	0.5	24	34,067	0.8	30	38,001	0.6
Portugal	30	4,453	0.5	40	18,285	0.5	31	36,920	0.6
United Arab Emirates	69	555	0.1	117	709	0.0	32	35,522	0.6
Austria	37	2,882	0.3	33	22,176	0.5	33	35,444	0.6
Israel	49	1,182	0.1	48	12,355	0.3	34	35,430	0.6
Finland	40	2,074	0.2	31	24,428	0.6	35	35,146	0.5
Saudi Arabia	11	23,529	2.5	76	2,513	0.1	36	34,250	0.5
Japan	41	1,806	0.2	29	26,319	0.7	37	34,213	0.5
British Virgin Islands	102	105	0.0	34	22,108	0.5	38	33,999	0.5
Cayman Islands	46	1,497	0.2	42	16,258	0.4	39	32,133	0.5
Argentina	25	5,844	0.6	17	68,131	1.7	40	30,786	0.5
Malaysia	19	9,647	1.0	19	48,158	1.2	45	24,667	0.4
Taipei,China	29	4,717	0.5	46	14,591	0.4	46	21,882	0.3
Vietnam	--	--	--	47	13,255	0.3	61	11,185	0.2
Pakistan	60	888	0.1	60	4,780	0.1	65	9,641	0.2
Philippines	36	3,178	0.3	49	11,938	0.3	67	9,355	0.1
Indonesia	34	3,383	0.4	35	21,567	0.5	70	7,809	0.1
World Total		938,781	100.0		4,038,023	100.0		6,423,796	100.0

Note: (1) Shading denotes emerging market economies.

(2) Both the Asian NIEs and ASEAN include Singapore.

Source: UNCTAD, *World Investment Report, 2007*.

Table 3. Top 50 Bilateral FDI Relationships, 1985, 1995, 2005

2005 Rank	Source Economy	Host Economy	Bilateral FDI Stock (Billion US\$)		
			1985 ⁽²⁾	1995 ⁽²⁾	2005 ⁽²⁾
1	United Kingdom	United States	44	116	282
2	Hong Kong	China	..	120	242
3	United States	United Kingdom	48	85	234
4	Japan	United States	19	105	190
5	Germany	United States	15	46	184
6	United States	Canada	49	83	177
7	Netherlands	United States	37	65	171
8	China	Hong Kong	0.3	28	164
9	British Virgin Islands	Hong Kong	..	70	164
10	Canada	United States	17	46	144
11	France	United States	7	36	143
12	Switzerland	United States	11	27	122
13	Luxembourg	United States	0.3	6	117
14	Netherlands	Germany	5	34	111
15	Netherlands	France	10	31	102
16	United Kingdom	France	9	26	96
17	Netherlands	United Kingdom	17	27	93
18	Germany	United Kingdom	3	14	86
19	United States	Netherlands	8	25	84
20	France	United Kingdom	5	13	80
21	United States	Switzerland	..	14	79
22	United States	France	12	36	79
23	Germany	France	6	21	79
24	Netherlands	Ireland	..	..	76
25	Belgium	France	..	17	73
26	United States	Germany	14	41	68
27	United Kingdom	Netherlands	4	18	67
28	France	Germany	2	15	59
29	Germany	Netherlands	2	12	58
30	United States	Australia	..	33	54
31	Belgium	Netherlands	1	11	50
32	United Kingdom	Germany	3	11	49
33	United States	China	..	18	48
34	Japan	China	..	19	47
35	Luxembourg	France	..	2	44
36	Australia	United States	3	10	44
37	United States	Japan	..	15	44
38	Netherlands	Switzerland	..	10	43
39	Netherlands	Hong Kong	..	16	42
40	United Kingdom	South Africa	..	..	40
41	Netherlands	Italy	..	6	40
42	Luxembourg	Germany	0.3	3	40
43	Taipei, China	China	..	18	40
44	Switzerland	France	5	19	39
45	United States	Sweden	1	6	39
46	United Kingdom	Australia	..	25	38
47	Virgin Islands	China	..	3	37
48	Belgium-Luxembourg	Ireland	..	..	37
49	Netherlands	Sweden	1	6	36
50	United Kingdom	Sweden	..	2	35
51	United States	Ireland	..	..	35
52	Bermuda	Hong Kong	..	26	35

Note: (1) Economies are ranked by the value of inward FDI stock in 2005 as reported by the host economy.

(2) Or latest year available.

(3) Shading denotes emerging market economies.

Source: UNCTAD, *World Investment Report 2007*, p. 20.

Table 4A. OECD-23 Countries' Total Outward FDI Stock Position by Destination

4A-1. Million US\$												
Destination	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	1,159,870	1,911,312	2,350,893	2,198,976	2,688,152	3,160,620	3,827,263	4,102,132	4,672,390	5,507,187	5,592,788	4,453,635
United States	336,645	461,858	540,108	551,203	734,052	922,122	959,188	1,064,670	1,071,107	1,185,439	1,220,659	860,658
EU-15	568,105	1,096,605	1,412,842	1,269,698	1,531,254	1,769,181	2,309,275	2,436,053	2,891,612	3,473,674	3,526,349	2,749,401
Japan	31,407	54,999	58,719	50,433	59,727	82,776	89,673	82,704	105,817	120,420	132,930	129,144
Other 6 OECD-23 Countries	223,713	297,849	339,224	327,642	363,118	386,541	469,127	518,705	603,853	727,655	712,849	714,432
Emerging/Developing Economies	155,656	396,298	517,616	519,970	565,520	632,727	715,993	739,261	1,022,950	1,293,348	1,429,125	1,143,224
Asia	75,896	176,923	231,996	228,993	234,214	237,399	262,367	309,637	348,367	397,374	412,790	386,745
Asian NIEs	45,922	95,719	120,977	128,169	126,444	141,305	152,293	186,280	223,263	256,152	256,088	235,853
ASEAN	43,865	100,481	135,437	112,966	117,006	117,582	126,159	156,514	169,667	184,142	182,909	166,502
China	2,363	12,568	19,381	33,748	32,800	28,574	34,475	39,924	44,198	49,237	60,063	53,696
India	1,447	3,616	5,368	5,362	5,925	7,291	8,548	9,266	12,246	14,255	18,364	16,960
Africa	7,586	17,815	19,140	19,890	20,382	32,723	30,673	27,295	44,321	64,519	71,340	47,599
Middle East	4,694	4,451	4,237	5,058	6,259	10,328	15,588	11,134	20,301	26,781	30,483	18,101
Western Hemisphere	63,706	172,805	217,623	226,358	249,564	273,334	303,142	267,730	435,818	558,344	644,188	571,958
Other Europe	3,773	24,304	44,621	39,672	55,101	78,943	104,223	123,464	174,144	246,331	270,322	118,821
Unallocated	226,397	160,805	114,609	225,642	273,790	383,396	446,137	566,962	431,662	303,722	631,036	825,299
World Total	1,541,923	2,468,415	2,983,119	2,944,588	3,527,462	4,176,742	4,989,392	5,408,356	6,127,002	7,104,257	7,652,949	6,422,158
4A-2. Percent of Total												
Destination	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	75.22	77.43	78.81	74.68	76.21	75.67	76.71	75.85	76.26	77.52	73.08	69.35
United States	21.83	18.71	18.11	18.72	20.81	22.08	19.22	19.69	17.48	16.69	15.95	13.40
EU-15	36.84	44.43	47.36	43.12	43.41	42.36	46.28	45.04	47.19	48.90	46.08	42.81
Japan	2.04	2.23	1.97	1.71	1.69	1.98	1.80	1.53	1.73	1.70	1.74	2.01
Other Six OECD-23 Countries	14.51	12.07	11.37	11.13	10.29	9.25	9.40	9.59	9.86	10.24	9.31	11.12
Emerging/Developing Economies	10.09	16.05	17.35	17.66	16.03	15.15	14.35	13.67	16.70	18.21	18.67	17.80
Asia	4.92	7.17	7.78	7.78	6.64	5.68	5.26	5.73	5.69	5.59	5.39	6.02
Asian NIEs	2.98	3.88	4.06	4.35	3.58	3.38	3.05	3.44	3.64	3.61	3.35	3.67
ASEAN	2.84	4.07	4.54	3.84	3.32	2.82	2.53	2.89	2.77	2.59	2.39	2.59
China	0.15	0.51	0.65	1.15	0.93	0.68	0.69	0.74	0.72	0.69	0.78	0.84
India	0.09	0.15	0.18	0.18	0.17	0.17	0.17	0.17	0.20	0.20	0.24	0.26
Africa	0.49	0.72	0.64	0.68	0.58	0.78	0.61	0.50	0.72	0.91	0.93	0.74
Middle East	0.30	0.18	0.14	0.17	0.18	0.25	0.31	0.21	0.33	0.38	0.40	0.28
Western Hemisphere	4.13	7.00	7.30	7.69	7.07	6.54	6.08	4.95	7.11	7.86	8.42	8.91
Other Europe	0.24	0.98	1.50	1.35	1.56	1.89	2.09	2.28	2.84	3.47	3.53	1.85
Unallocated	14.68	6.51	3.84	7.66	7.76	9.18	8.94	10.48	7.05	4.28	8.25	12.85
World Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note:

- (1) OECD-23 countries include United States, the original EU-15, Japan, Australia, Canada, Iceland, New Zealand, Norway, and Switzerland
- (2) OECD data for 2005 is tentative as several countries (Austria, Germany, Ireland, New Zealand, Norway, Portugal, Sweden, and Switzerland) do not have data. It appears that Germany, Switzerland, and Sweden have approximately 1.2 trillion dollars.
- (3) OECD data for Japan in the years 1990–94 (though only the data for 1990 are reported here) are not consistent with the total stock figure reported in the IMF's *International Financial Statistics* (IFS), line 79abd, and are hence proportionally adjusted such that the total is equal to the IFS direct investment abroad figure.
- (4) AS OECD does not provide Japan's data for 1995, the 1995 stock composition data are constructed by averaging the two estimates of the 1995 stock position, i.e., the 1994 stock data plus the 1995 flow data and the 1996 stock data minus 1996 flow data. Both estimates of the 1995 stock position are adjusted such that each total stock figure equals the IFS number for 1995.
- (5) Both the Asian NIEs and ASEAN include Singapore.

Source:

OECD, *International Direct Investment Statistics*.

Table 4B. OECD-23 Countries' Total Inward FDI Stock Position by Origin

4B-1. Million US\$

Origin	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	1,086,334	1,661,397	2,006,006	1,863,346	2,287,208	2,700,540	3,368,684	3,636,545	4,227,272	5,031,217	5,146,599	4,185,646
United States	269,910	371,214	451,742	409,836	518,103	573,953	614,239	705,165	845,768	992,046	1,019,989	819,426
EU-15	534,998	903,063	1,097,524	1,013,288	1,261,560	1,590,852	2,155,078	2,306,794	2,699,552	3,232,145	3,196,426	2,515,211
Japan	126,012	157,523	176,952	173,866	186,344	200,250	217,693	207,912	217,721	251,513	276,783	270,419
Other Six OECD-23 Countries	155,414	229,596	279,787	266,356	321,201	335,484	381,673	416,674	464,230	555,513	653,401	580,590
Emerging/Developing Economies	23,032	89,203	99,901	51,013	49,891	77,584	98,634	94,078	161,093	229,747	253,107	158,456
Asia	8,230	19,861	22,613	24,282	22,443	24,586	31,503	38,629	34,383	37,164	48,447	45,341
Asian NIEs	7,246	16,711	18,905	21,339	19,807	21,974	28,182	35,628	28,242	29,939	40,217	35,773
ASEAN	2,688	6,681	8,782	9,479	7,761	7,805	13,482	15,801	13,039	13,575	16,945	15,040
China	251	403	548	625	418	550	580	538	1,256	1,244	1,622	2,285
India	74	141	199	96	121	312	406	397	754	1,631	2,157	2,862
Africa	334	5,701	5,572	3,978	5,303	4,715	5,771	5,487	5,793	5,551	6,096	1,500
Middle East	1,953	4,034	2,893	2,708	3,498	2,689	2,604	6,450	8,092	17,193	8,733	2,233
Western Hemisphere	10,731	51,734	57,278	12,973	11,776	34,441	45,107	29,958	90,972	127,826	141,881	90,266
Other Europe	1,783	7,872	11,546	7,073	6,871	11,153	13,650	13,554	21,852	42,013	47,949	19,116
Unallocated	98,293	113,687	105,278	201,270	225,150	222,807	271,995	348,913	290,187	265,035	461,559	682,809
World Total	1,207,659	1,864,286	2,211,185	2,115,629	2,562,249	3,000,931	3,739,313	4,079,535	4,678,552	5,525,998	5,861,265	5,026,911

4B-2. Percent of Total

Origin	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	89.95	89.12	90.72	88.08	89.27	89.99	90.09	89.14	90.35	91.05	87.81	83.26
United States	22.35	19.91	20.43	19.37	20.22	19.13	16.43	17.29	18.08	17.95	17.40	16.30
EU-15	44.30	48.44	49.64	47.90	49.24	53.01	57.63	56.55	57.70	58.49	54.53	50.03
Japan	10.43	8.45	8.00	8.22	7.27	6.67	5.82	5.10	4.65	4.55	4.72	5.38
Other Six OECD-23 Countries	12.87	12.32	12.65	12.59	12.54	11.18	10.21	10.21	9.92	10.05	11.15	11.55
Emerging/Developing Economies	1.91	4.78	4.52	2.41	1.95	2.59	2.64	2.31	3.44	4.16	4.32	3.15
Asia	0.68	1.07	1.02	1.15	0.88	0.82	0.84	0.95	0.73	0.67	0.83	0.90
Asian NIEs	0.60	0.90	0.85	1.01	0.77	0.73	0.75	0.87	0.60	0.54	0.69	0.71
ASEAN	0.22	0.36	0.40	0.45	0.30	0.26	0.36	0.39	0.28	0.25	0.29	0.30
China	0.02	0.02	0.02	0.03	0.02	0.02	0.02	0.01	0.03	0.02	0.03	0.05
India	0.01	0.01	0.01	0.00	0.00	0.01	0.01	0.01	0.02	0.03	0.04	0.06
Africa	0.03	0.31	0.25	0.19	0.21	0.16	0.15	0.13	0.12	0.10	0.10	0.03
Middle East	0.16	0.22	0.13	0.13	0.14	0.09	0.07	0.16	0.17	0.31	0.15	0.04
Western Hemisphere	0.89	2.77	2.59	0.61	0.46	1.15	1.21	0.73	1.94	2.31	2.42	1.80
Other Europe	0.15	0.42	0.52	0.33	0.27	0.37	0.37	0.33	0.47	0.76	0.82	0.38
Unallocated	8.14	6.10	4.76	9.51	8.79	7.42	7.27	8.55	6.20	4.80	7.87	13.58
World Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note:

- (1) OECD-23 countries include United States, the original EU-15, Japan, Australia, Canada, Iceland, New Zealand, Norway, and Switzerland.
- (2) OECD data for 2005 is tentative as several countries (Austria, Germany, Ireland, New Zealand, Norway, Portugal, Sweden, and Switzerland) do not have data. It appears that Germany, Switzerland, and Sweden have approximately 1.2 trillion dollars.
- (3) The 2003 data for EU-15 has been adjusted due to the adjustment of US inward data for 2003 from EU-15 (see footnote 3 in Table 5B).
- (4) OECD data for Japan in the years 1990–94 (though only the data for 1990 are reported here) are not consistent with the total stock figure reported in the IMF's *International Financial Statistics* (IFS), line 79abd, and are hence proportionally adjusted such that the total is equal to the IFS direct investment abroad figure.
- (5) AS OECD does not provide Japan's data for 1995, the 1995 stock composition data are constructed by averaging the two estimates of the 1995 stock position, i.e., the 1994 stock data plus the 1995 flow data and the 1996 stock data minus 1996 flow data. Both estimates of the 1995 stock position are adjusted such that each total stock figure equals the IFS number for 1995.
- (6) Both the Asian NIEs and ASEAN include Singapore.

Source:

OECD, *International Direct Investment Statistics*.

Table 5A. United States' Total Outward FDI Stock Position by Destination

5A-1. Million US\$

Destination	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	323,642	511,582	566,780	609,226	718,682	825,461	898,102	992,678	1,114,386	1,250,422	1,360,700	1,457,212
United States	--	--	--	--	--	--	--	--	--	--	--	--
EU-15	183,935	325,980	370,437	405,915	496,433	564,037	609,674	684,161	758,171	852,108	959,865	936,477
Japan	22,599	37,309	34,578	33,854	41,423	55,120	57,091	55,651	66,468	57,794	68,071	75,491
Other Six OECD-23 Countries	117,108	148,293	161,765	169,457	180,826	206,304	231,337	252,866	289,747	340,520	332,764	445,244
Emerging/Developing Economies	57,144	174,265	211,504	242,978	262,061	301,420	327,774	282,174	446,520	459,301	500,502	552,526
Asia	23,495	56,362	68,816	75,179	80,418	93,989	108,981	136,725	148,925	148,987	153,045	178,547
Asian NIEs	14,951	33,758	40,287	46,815	48,758	57,642	68,384	92,536	113,284	112,525	108,675	118,068
ASEAN	11,793	30,247	37,508	38,842	40,478	44,314	50,426	70,376	71,794	71,386	78,762	83,197
China	354	2,765	3,848	5,150	6,350	9,401	11,140	12,081	10,570	11,261	15,006	16,877
India	372	1,105	1,344	1,563	1,592	2,390	2,379	2,496	4,232	4,868	7,677	8,456
Africa	0	4,179	4,979	7,001	7,346	8,255	8,114	3,070	4,235	4,680	5,431	4,468
Middle East	3,130	2,631	3,044	3,550	4,039	4,629	4,821	2,557	8,699	8,598	9,619	11,033
Western Hemisphere	29,124	108,065	129,897	152,124	163,008	175,188	186,740	123,823	267,933	276,386	307,803	330,672
Other Europe	1,395	3,028	4,768	5,124	7,250	19,359	19,118	15,999	16,728	20,650	24,604	27,806
Unallocated	49,735	13,168	16,911	19,112	19,960	89,079	90,371	185,500	55,642	59,890	190,002	60,245
World	430,521	699,015	795,195	871,316	1,000,703	1,215,960	1,316,247	1,460,352	1,616,548	1,769,613	2,051,204	2,069,983

5A-2. Percent of Total

Destination	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	75.17	73.19	71.28	69.92	71.82	67.89	68.23	67.98	68.94	70.66	66.34	70.40
United States	--	--	--	--	--	--	--	--	--	--	--	--
EU-15	42.72	46.63	46.58	46.59	49.61	46.39	46.32	46.85	46.90	48.15	46.80	45.24
Japan	5.25	5.34	4.35	3.89	4.14	4.53	4.34	3.81	4.11	3.27	3.32	3.65
Other Six OECD-23 Countries	27.20	21.21	20.34	19.45	18.07	16.97	17.58	17.32	17.92	19.24	16.22	21.51
Emerging/Developing Economies	13.27	24.93	26.60	27.89	26.19	24.79	24.90	19.32	27.62	25.95	24.40	26.69
Asia	5.46	8.06	8.65	8.63	8.04	7.73	8.28	9.36	9.21	8.42	7.46	8.63
Asian NIEs	3.47	4.83	5.07	5.37	4.87	4.74	5.20	6.34	7.01	6.36	5.30	5.70
ASEAN	2.74	4.33	4.72	4.46	4.04	3.64	3.83	4.82	4.44	4.03	3.84	4.02
China	0.08	0.40	0.48	0.59	0.63	0.77	0.85	0.83	0.65	0.64	0.73	0.82
India	0.09	0.16	0.17	0.18	0.16	0.20	0.18	0.17	0.26	0.28	0.37	0.41
Africa	0.00	0.60	0.63	0.80	0.73	0.68	0.62	0.21	0.26	0.26	0.26	0.22
Middle East	0.73	0.38	0.38	0.41	0.40	0.38	0.37	0.18	0.54	0.49	0.47	0.53
Western Hemisphere	6.76	15.46	16.34	17.46	16.29	14.41	14.19	8.48	16.57	15.62	15.01	15.97
Other Europe	0.32	0.43	0.60	0.59	0.72	1.59	1.45	1.10	1.03	1.17	1.20	1.34
Unallocated	11.55	1.88	2.13	2.19	1.99	7.33	6.87	12.70	3.44	3.38	9.26	2.91
World	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note: (1) OECD-23 countries include United States, the original EU-15, Japan, Australia, Canada, Iceland, New Zealand, Norway, and Switzerland.
(2) OECD data for 2005 is tentative as several countries (Austria, Germany, Ireland, New Zealand, Norway, Portugal, Sweden, and Switzerland) do not have data.
(3) Both the Asian NIEs and ASEAN include Singapore.

Source: OECD, *International Direct Investment Statistics*.

Table 5B. United States' Total Inward FDI Stock Position by Origin

5B-1. Million US\$												
Origin	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	366,268	517,449	581,787	629,892	735,336	898,127	1,173,994	1,235,788	1,203,683	1,270,459	1,381,272	1,491,346
United States	--	--	--	--	--	--	--	--	--	--	--	--
EU-15	228,487	326,699	363,020	386,680	465,441	581,885	813,441	841,566	806,895	851,425	913,352	983,730
Japan	83,091	104,997	116,144	125,041	134,340	153,815	159,690	149,859	147,372	157,176	175,728	190,279
Other Six OECD-23 Countries	54,690	85,753	102,623	118,171	135,555	162,427	200,863	244,363	249,416	261,858	292,192	317,337
Emerging/Developing Economies	6,967	61,613	67,409	22,086	19,574	30,589	46,062	23,172	73,311	76,792	83,679	84,651
Asia	3,089	7,175	6,324	8,337	8,154	8,154	13,237	8,411	9,986	9,375	13,599	17,018
Asian NIEs	2,627	5,982	4,987	7,793	7,835	7,962	12,864	8,044	9,038	8,447	12,198	14,772
ASEAN	1,597	2,203	1,874	3,079	2,133	1,542	5,449	1,588	1,866	2,458	2,290	2,814
China	124	0	0	0	0	0	0	0	385	284	435	481
India	30	0	0	0	0	0	0	0	227	352	630	1,355
Africa	0	2,761	2,995	1,433	833	1,341	2,260	576	482	382	344	361
Middle East	1,812	1,538	1,684	78	29	72	19	0	42	46	23	606
Western Hemisphere	1,377	47,856	52,981	9,854	7,939	18,249	27,215	11,055	59,700	63,673	65,841	62,304
Other Europe	689	2,283	3,425	2,384	2,619	2,773	3,331	3,130	3,101	3,316	3,872	4,362
Unallocated	21,676	-43,509	-51,175	29,864	23,508	27,010	36,811	85,027	50,176	47,908	55,778	59,294
World	394,911	535,553	598,021	681,842	778,418	955,726	1,256,867	1,343,987	1,327,170	1,395,159	1,520,729	1,635,291
5B-2. Million US\$												
Origin	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	92.75	96.62	97.29	92.38	94.47	93.97	93.41	91.95	90.70	91.06	90.83	91.20
United States	--	--	--	--	--	--	--	--	--	--	--	--
EU-15	57.86	61.00	60.70	56.71	59.79	60.88	64.72	62.62	60.80	61.03	60.06	60.16
Japan	21.04	19.61	19.42	18.34	17.26	16.09	12.71	11.15	11.10	11.27	11.56	11.64
Other Six OECD-23 Countries	13.85	16.01	17.16	17.33	17.41	17.00	15.98	18.18	18.79	18.77	19.21	19.41
Emerging/Developing Economies	1.76	11.50	11.27	3.24	2.51	3.20	3.66	1.72	5.52	5.50	5.50	5.18
Asia	0.78	1.34	1.06	1.22	1.05	0.85	1.05	0.63	0.75	0.67	0.89	1.04
Asian NIEs	0.67	1.12	0.83	1.14	1.01	0.83	1.02	0.60	0.68	0.61	0.80	0.90
ASEAN	0.40	0.41	0.31	0.45	0.27	0.16	0.43	0.12	0.14	0.18	0.15	0.17
China	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.02	0.03	0.03
India	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.03	0.04	0.08
Africa	0.00	0.52	0.50	0.21	0.11	0.14	0.18	0.04	0.04	0.03	0.02	0.02
Middle East	0.46	0.29	0.28	0.01	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.04
Western Hemisphere	0.35	8.94	8.86	1.45	1.02	1.91	2.17	0.82	4.50	4.56	4.33	3.81
Other Europe	0.17	0.43	0.57	0.35	0.34	0.29	0.27	0.23	0.23	0.24	0.25	0.27
Unallocated	5.49	-8.12	-8.56	4.38	3.02	2.83	2.93	6.33	3.78	3.43	3.67	3.63
World	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note:

- (1) OECD-23 countries include United States, the original EU-15, Japan, Australia, Canada, Iceland, New Zealand, Norway, and Switzerland.
- (2) OECD data for 2005 is tentative as several countries (Austria, Germany, Ireland, New Zealand, Norway, Portugal, Sweden, and Switzerland) do not have data.
- (3) As the original OECD data for 2003 apparently contained some errors for the EU-15 composition data—probably due to incorrect data for France—but not necessarily for other composition data or the world total stock data, the 2003 stock composition data for EU-15 was constructed through the following procedure. First, two stock composition estimates for 2003 were calculated by adding the 2003 flow data to the 2002 stock data, and by subtracting the 2004 flow data from the 2004 stock data. Second, each of these two estimates was proportionally adjusted so that each total stock figure would become equal to the inward stock total of 2003. Third, these two adjusted estimates were averaged to arrive at our constructed stock composition data for 2003. Finally, the original EU-15 data (2,079,480) was replaced by the constructed data (851,425), while retaining all other original data.
- (4) Both the Asian NIEs and ASEAN include Singapore.

Source:

OECD, *International Direct Investment Statistics*.

Table 6A. EU-15's Total Outward FDI Stock Position by Destination

6A-1. Million US\$

Destination	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	598,351	975,670	1,339,170	1,101,300	1,435,491	1,753,440	2,248,394	2,393,172	2,777,543	3,331,658	3,432,969	2,580,043
United States	192,323	256,360	320,107	310,328	458,994	615,648	597,230	694,246	704,543	765,095	798,781	607,231
EU-15	312,539	598,444	864,591	664,106	819,234	974,055	1,427,616	1,458,620	1,787,314	2,200,174	2,266,816	1,657,786
Japan	7,794	12,264	18,672	11,520	13,273	21,488	25,847	20,045	27,673	49,898	57,534	47,390
Other Six OECD-23 Countries	85,694	108,602	135,799	115,346	143,991	142,249	197,702	220,261	258,014	316,491	309,838	267,637
Emerging/Developing Economies	45,045	112,783	174,862	148,698	172,912	222,303	260,645	287,775	391,812	619,612	705,635	391,294
Asia	16,762	43,429	65,811	53,666	55,166	71,136	74,970	88,006	106,130	146,323	161,406	118,572
Asian NIEs	11,838	27,748	41,003	31,874	30,701	42,438	40,425	47,687	60,717	94,311	103,498	84,183
ASEAN	10,616	24,991	36,706	29,317	26,457	33,047	31,908	37,278	44,844	58,289	55,561	39,693
China	183	2,348	6,347	5,846	7,110	10,138	13,002	15,862	19,139	19,679	23,572	12,021
India	923	1,763	2,724	2,416	2,911	3,463	4,652	5,185	5,801	7,201	8,713	6,561
Africa	3,794	11,189	13,000	11,505	11,487	22,771	19,966	21,039	36,145	53,553	59,114	41,845
Middle East	347	1,145	1,047	1,263	1,915	5,333	9,663	7,289	10,291	16,713	19,234	5,438
Western Hemisphere	21,910	38,405	57,608	51,850	61,679	69,380	81,141	78,284	98,329	195,823	234,203	142,229
Other Europe	2,232	18,615	37,396	30,413	42,664	53,682	74,905	93,158	140,916	207,200	231,678	83,210
Unallocated	74,179	98,767	47,300	141,523	177,761	211,164	268,772	312,008	294,306	144,280	412,844	762,102
World Total	717,575	1,187,220	1,561,331	1,391,521	1,786,164	2,186,907	2,777,812	2,992,955	3,463,662	4,095,549	4,551,449	3,733,439

6A-2. Percent of Total

Destination	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	83.39	82.18	85.77	79.14	80.37	80.18	80.94	79.96	80.19	81.35	75.43	69.11
United States	26.80	21.59	20.50	22.30	25.70	28.15	21.50	23.20	20.34	18.68	17.55	16.26
EU-15	43.55	50.41	55.38	47.73	45.87	44.54	51.39	48.74	51.60	53.72	49.80	44.40
Japan	1.09	1.03	1.20	0.83	0.74	0.98	0.93	0.67	0.80	1.22	1.26	1.27
Other Six OECD-23 Countries	11.94	9.15	8.70	8.29	8.06	6.50	7.12	7.36	7.45	7.73	6.81	7.17
Emerging/Developing Economies	6.28	9.50	11.20	10.69	9.68	10.17	9.38	9.62	11.31	15.13	15.50	10.48
Asia	2.34	3.66	4.22	3.86	3.09	3.25	2.70	2.94	3.06	3.57	3.55	3.18
Asian NIEs	1.65	2.34	2.63	2.29	1.72	1.94	1.46	1.59	1.75	2.30	2.27	2.25
ASEAN	1.48	2.10	2.35	2.11	1.48	1.51	1.15	1.25	1.29	1.42	1.22	1.06
China	0.03	0.20	0.41	0.42	0.40	0.46	0.47	0.53	0.55	0.48	0.52	0.32
India	0.13	0.15	0.17	0.17	0.16	0.16	0.17	0.17	0.17	0.18	0.19	0.18
Africa	0.53	0.94	0.83	0.83	0.64	1.04	0.72	0.70	1.04	1.31	1.30	1.12
Middle East	0.05	0.10	0.07	0.09	0.11	0.24	0.35	0.24	0.30	0.41	0.42	0.15
Western Hemisphere	3.05	3.23	3.69	3.73	3.45	3.17	2.92	2.62	2.84	4.78	5.15	3.81
Other Europe	0.31	1.57	2.40	2.19	2.39	2.45	2.70	3.11	4.07	5.06	5.09	2.23
Unallocated	10.34	8.32	3.03	10.17	9.95	9.66	9.68	10.42	8.50	3.52	9.07	20.41
World Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note: (1) OECD-23 countries include United States, the original EU-15, Japan, Australia, Canada, Iceland, New Zealand, Norway, and Switzerland.
(2) Data for 2005 is tentative as several countries (Austria, Germany, Ireland, New Zealand, Norway, Portugal, Sweden, and Switzerland) do not have data.
(3) Both the Asian NIEs and ASEAN include Singapore.

Source: OECD, *International Direct Investment Statistics*.

Table 6B. EU-15's Total Inward FDI Stock Position by Origin

6B-1. Million US\$

Origin	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	527,281	818,630	1,077,732	897,658	1,184,256	1,365,693	1,709,771	1,928,133	2,437,092	3,005,156	3,031,009	2,108,642
United States	167,836	215,876	283,691	248,288	338,289	355,857	393,204	483,865	571,804	636,886	635,745	495,685
EU-15	242,157	455,395	604,104	496,126	652,022	839,522	1,127,578	1,257,151	1,633,547	2,055,104	2,024,658	1,336,427
Japan	25,567	29,809	40,439	31,478	34,778	28,225	41,458	42,675	52,783	70,800	77,259	53,390
Other Six OECD-23 Countries	91,722	117,551	149,498	121,767	159,167	142,089	147,531	144,441	178,958	242,366	293,347	223,140
Emerging/Developing Economies	10,737	17,352	20,255	17,040	18,901	35,686	40,452	49,979	69,705	132,103	138,424	39,257
Asia	1,485	4,785	6,352	4,745	4,674	6,640	8,025	13,559	11,384	12,573	15,681	8,417
Asian NIEs	1,304	3,691	5,045	3,509	3,427	5,135	6,040	11,910	8,708	9,216	11,514	5,138
ASEAN	76	1,797	2,145	2,586	2,124	2,988	5,074	4,873	6,555	4,289	5,269	4,314
China	66	218	285	254	188	308	260	329	405	703	979	533
India	44	135	194	87	114	290	397	370	499	1,224	1,441	1,372
Africa	334	2,932	2,574	2,491	3,482	2,949	2,991	4,184	4,363	4,963	5,592	1,092
Middle East	141	2,494	1,208	2,629	3,469	2,617	2,585	6,450	8,050	17,147	8,706	1,624
Western Hemisphere	7,808	2,028	2,364	2,909	3,507	15,838	17,310	16,372	27,969	59,611	65,314	14,848
Other Europe	969	5,114	7,757	4,266	3,770	7,642	9,542	9,414	17,938	37,810	43,130	13,277
Unallocated	30,915	136,953	130,980	145,527	180,037	168,545	212,331	241,632	213,860	172,340	359,995	575,088
World Total	568,933	972,935	1,228,967	1,060,225	1,383,195	1,569,924	1,962,554	2,219,744	2,720,658	3,309,599	3,529,428	2,722,987

6B-2. Percent of Total

Origin	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	92.68	84.14	87.69	84.67	85.62	86.99	87.12	86.86	89.58	90.80	85.88	77.44
United States	29.50	22.19	23.08	23.42	24.46	22.67	20.04	21.80	21.02	19.24	18.01	18.20
EU-15	42.56	46.81	49.16	46.79	47.14	53.48	57.45	56.63	60.04	62.10	57.37	49.08
Japan	4.49	3.06	3.29	2.97	2.51	1.80	2.11	1.92	1.94	2.14	2.19	1.96
Other Six OECD-23 Countries	16.12	12.08	12.16	11.48	11.51	9.05	7.52	6.51	6.58	7.32	8.31	8.19
Emerging/Developing Economies	1.89	1.78	1.65	1.61	1.37	2.27	2.06	2.25	2.56	3.99	3.92	1.44
Asia	0.26	0.49	0.52	0.45	0.34	0.42	0.41	0.61	0.42	0.38	0.44	0.31
Asian NIEs	0.23	0.38	0.41	0.33	0.25	0.33	0.31	0.54	0.32	0.28	0.33	0.19
ASEAN	0.01	0.18	0.17	0.24	0.15	0.19	0.26	0.22	0.24	0.13	0.15	0.16
China	0.01	0.02	0.02	0.02	0.01	0.02	0.01	0.01	0.01	0.02	0.03	0.02
India	0.01	0.01	0.02	0.01	0.01	0.02	0.02	0.02	0.02	0.04	0.04	0.05
Africa	0.06	0.30	0.21	0.23	0.25	0.19	0.15	0.19	0.16	0.15	0.16	0.04
Middle East	0.02	0.26	0.10	0.25	0.25	0.17	0.13	0.29	0.30	0.52	0.25	0.06
Western Hemisphere	1.37	0.21	0.19	0.27	0.25	1.01	0.88	0.74	1.03	1.80	1.85	0.55
Other Europe	0.17	0.53	0.63	0.40	0.27	0.49	0.49	0.42	0.66	1.14	1.22	0.49
Unallocated	5.43	14.08	10.66	13.73	13.02	10.74	10.82	10.89	7.86	5.21	10.20	21.12
World Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

- Note: (1) OECD-23 countries include United States, the original EU-15, Japan, Australia, Canada, Iceland, New Zealand, Norway, and Switzerland.
(2) Data for 2005 is tentative as several countries (Austria, Germany, Ireland, New Zealand, Norway, Portugal, Sweden, and Switzerland) do not have data.
(3) Both the Asian NIEs and ASEAN include Singapore.

Source: OECD, *International Direct Investment Statistics*.

Table 7A. Japan' Total Outward FDI Stock Position by Destination

7A-1. Million US\$

Destination	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	135,695	149,976	152,797	173,154	173,628	179,423	201,011	219,303	220,394	240,050	267,803	264,720
United States	84,451	91,240	94,320	102,313	110,724	118,295	132,222	140,300	135,589	139,027	141,837	149,528
EU-15	34,558	41,060	42,078	51,188	47,745	46,962	52,771	66,433	68,303	83,358	106,636	96,844
Japan	--	--	--	--	--	--	--	--	--	--	--	--
Other Six OECD-23 Countries	16,685	17,676	16,399	19,653	15,159	14,166	16,018	12,570	16,502	17,666	19,331	18,348
Emerging/Developing Economies	41,468	65,720	82,561	83,510	77,424	51,553	55,169	59,692	64,265	72,035	99,363	116,619
Asia	30,396	59,020	78,755	75,806	69,848	44,275	48,592	52,340	57,171	63,167	75,030	86,462
Asian NIEs	15,057	22,335	28,323	33,337	26,990	21,430	23,153	23,674	24,813	24,904	29,409	32,573
ASEAN	17,682	37,880	52,958	31,438	33,483	22,966	24,421	27,666	29,081	31,295	34,866	39,302
China	1,826	6,690	8,097	21,244	17,850	7,332	8,699	10,018	12,354	15,277	20,142	24,553
India	71	467	785	785	985	912	1,171	1,146	1,305	1,505	1,750	1,795
Africa	3,773	1,324	48	255	520	421	366	288	517	1,068	964	789
Middle East	1,218	538	3	2	7	1	4	4	5	5	900	1,621
Western Hemisphere	5,937	4,573	3,755	6,509	6,327	6,839	6,178	7,041	6,521	7,781	22,382	27,592
Other Europe	145	265	0	938	722	18	28	18	50	14	87	156
Unallocated	24,277	22,756	23,251	15,241	18,986	17,802	22,265	21,122	19,576	23,419	3,375	5,245
World Total	201,440	238,452	258,609	271,906	270,037	248,778	278,444	300,116	304,234	335,504	370,542	386,583

7A-2. Percent of Total

Destination	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	67.36	62.90	59.08	63.68	64.30	72.12	72.19	73.07	72.44	71.55	72.27	68.48
United States	41.92	38.26	36.47	37.63	41.00	47.55	47.49	46.75	44.57	41.44	38.28	38.68
EU-15	17.16	17.22	16.27	18.83	17.68	18.88	18.95	22.14	22.45	24.85	28.78	25.05
Japan	--	--	--	--	--	--	--	--	--	--	--	--
Other Six OECD-23 Countries	8.28	7.41	6.34	7.23	5.61	5.69	5.75	4.19	5.42	5.27	5.22	4.75
Emerging/Developing Economies	20.59	27.56	31.93	30.71	28.67	20.72	19.81	19.89	21.12	21.47	26.82	30.17
Asia	15.09	24.75	30.45	27.88	25.87	17.80	17.45	17.44	18.79	18.83	20.25	22.37
Asian NIEs	7.47	9.37	10.95	12.26	10.00	8.61	8.32	7.89	8.16	7.42	7.94	8.43
ASEAN	8.78	15.89	20.48	11.56	12.40	9.23	8.77	9.22	9.56	9.33	9.41	10.17
China	0.91	2.81	3.13	7.81	6.61	2.95	3.12	3.34	4.06	4.55	5.44	6.35
India	0.04	0.20	0.30	0.29	0.36	0.37	0.42	0.38	0.43	0.45	0.47	0.46
Africa	1.87	0.56	0.02	0.09	0.19	0.17	0.13	0.10	0.17	0.32	0.26	0.20
Middle East	0.60	0.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.24	0.42
Western Hemisphere	2.95	1.92	1.45	2.39	2.34	2.75	2.22	2.35	2.14	2.32	6.04	7.14
Other Europe	0.07	0.11	0.00	0.34	0.27	0.01	0.01	0.01	0.02	0.00	0.02	0.04
Unallocated	12.05	9.54	8.99	5.61	7.03	7.16	8.00	7.04	6.43	6.98	0.91	1.36
World Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

- Note:
- (1) OECD-23 countries include United States, the original EU-15, Japan, Australia, Canada, Iceland, New Zealand, Norway, and Switzerland.
 - (2) Data for 2005 is tentative as several countries (Austria, Germany, Ireland, New Zealand, Norway, Portugal, Sweden, and Switzerland) do not have data.
 - (3) OECD data for Japan in the years 1990–94 (though only the data for 1990 are reported here) are not consistent with the total stock figure reported in the IMF's *International Financial Statistics* (IFS), line 79abd, and are hence proportionally adjusted such that the total is equal to the IFS direct investment abroad figure.
 - (4) AS OECD does not provide Japan's data for 1995, the 1995 stock composition data are constructed by averaging the two estimates of the 1995 stock position, i.e., the 1994 stock data plus 1995 flow data and the 1996 stock data minus 1996 flow data. Both estimates of the 1995 stock position are adjusted such that each total stock figure equals the IFS number for 1995.
 - (5) Both the Asian NIEs and ASEAN include Singapore.

Source: OECD, *International Direct Investment Statistics*.

Table 7B. Japan's Total Inward FDI Stock Position by Origin

7B-1. Million US\$

Origin	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	8,288	27,970	23,727	22,789	22,534	39,949	41,971	44,269	71,281	79,321	89,378	86,707
United States	4,581	16,655	15,391	13,618	14,602	18,690	14,147	18,418	35,585	36,568	40,739	43,705
EU-15	1,799	7,482	6,473	6,794	5,541	18,373	23,016	21,828	29,760	35,891	39,810	36,451
Japan	1,113	1,019	--	--	--	--	--	--	--	--	--	--
Other Six OECD-23 Countries	795	2,814	1,862	2,377	2,391	2,886	4,809	4,023	5,937	6,863	8,829	6,552
Emerging/Developing Economies	275	215	598	3,315	2,607	3,726	3,975	3,402	3,733	4,947	8,609	12,323
Asia	275	220	597	3,301	2,562	3,664	3,920	3,348	3,674	4,879	5,858	6,664
Asian NIEs	275	198	591	3,276	2,414	3,484	3,762	3,297	3,514	4,661	5,640	6,448
ASEAN	0	-539	45	126	285	374	466	272	550	1,157	1,494	2,255
China	0	18	2	15	83	94	84	72	80	90	89	102
India	0	6	4	8	8	10	9	8	8	9	10	10
Africa	0	7	0	0	0	0	0	0	0	0	0	0
Middle East	0	1	0	0	0	0	0	0	0	0	4	3
Western Hemisphere	0	-1	0	0	13	16	13	12	14	18	2,695	5,611
Other Europe	0	-12	1	15	32	46	42	42	45	50	53	46
Unallocated	1,287	5,322	5,612	973	924	2,440	4,377	2,649	3,128	5,460	-1,000	1,870
World Total	9,850	33,508	29,937	27,077	26,065	46,115	50,323	50,320	78,143	89,729	96,987	100,901

7B-2. Percent of Total

Origin	1990	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OECD-23 Countries	84.14	83.47	79.26	84.16	86.45	86.63	83.40	87.98	91.22	88.40	92.15	85.93
United States	46.51	49.71	51.41	50.29	56.02	40.53	28.11	36.60	45.54	40.75	42.00	43.31
EU-15	18.27	22.33	21.62	25.09	21.26	39.84	45.74	43.38	38.08	40.00	41.05	36.13
Japan	11.30	3.04	--	--	--	--	--	--	--	--	--	--
Other Six OECD-23 Countries	8.07	8.40	6.22	8.78	9.17	6.26	9.56	7.99	7.60	7.65	9.10	6.49
Emerging/Developing Economies	2.79	0.64	2.00	12.24	10.00	8.08	7.90	6.76	4.78	5.51	8.88	12.21
Asia	2.79	0.66	2.00	12.19	9.83	7.95	7.79	6.65	4.70	5.44	6.04	6.60
Asian NIEs	2.79	0.59	1.98	12.10	9.26	7.56	7.48	6.55	4.50	5.19	5.81	6.39
ASEAN	0.00	-1.61	0.15	0.47	1.10	0.81	0.93	0.54	0.70	1.29	1.54	2.23
China	0.00	0.05	0.01	0.05	0.32	0.20	0.17	0.14	0.10	0.10	0.09	0.10
India	0.00	0.02	0.01	0.03	0.03	0.02	0.02	0.02	0.01	0.01	0.01	0.01
Africa	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Middle East	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Western Hemisphere	0.00	0.00	0.00	0.00	0.05	0.03	0.03	0.02	0.02	0.02	2.78	5.56
Other Europe	0.00	-0.04	0.00	0.05	0.12	0.10	0.08	0.08	0.06	0.06	0.05	0.05
Unallocated	13.06	15.88	18.75	3.60	3.54	5.29	8.70	5.26	4.00	6.09	-1.03	1.85
World Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Note:

- (1) OECD-23 countries include United States, the original EU-15, Japan, Australia, Canada, Iceland, New Zealand, Norway, and Switzerland.
- (2) Data for 2005 is tentative as several countries (Austria, Germany, Ireland, New Zealand, Norway, Portugal, Sweden, and Switzerland) do not have data.
- (3) OECD data for Japan in the years 1990–94 (though only the data for 1990 are reported here) are not consistent with the total stock figure reported in the IMF's *International Financial Statistics* (IFS), line 79abd, and are hence proportionally adjusted such that the total is equal to the IFS direct investment abroad figure.
- (4) AS OECD does not provide Japan's data for 1995, the 1995 stock composition data are constructed by averaging the two estimates of the 1995 stock position, i.e., the 1994 stock data plus 1995 flow data and the 1996 stock data minus 1996 flow data. Both estimates of the 1995 stock position are adjusted such that each total stock figure equals the IFS number for 1995.
- (5) Both the Asian NIEs and ASEAN include Singapore.

Source:

OECD, *International Direct Investment Statistics*.

Table 8. Most-favored Locations of Top 100 MNCs from the World and Emerging Economies

For Largest World MNCs			For Largest Emerging Economy MNCs		
	Host Economy	Location intensity		Host Economy	Location intensity
1.	United States	92.0	1.	United States	50.0
2.	United Kingdom	91.0	2.	Hong Kong	33.9
3.	Netherlands	89.6	3.	United Kingdom	33.7
4.	Germany	87.4	4.	China	30.0
5.	France	83.5	5.	Singapore	26.4
6.	Italy	81.4	6.	Netherlands	25.0
7.	Brazil	81.0	7.	Japan	22.5
8.	Belgium	80.0	8.	Malaysia	20.3
9.	Switzerland	79.4	9.	Canada	16.2
10.	Mexico	78.0	10.	Australia	15.0
11.	Canada	77.3	11.	Germany	15.0
12.	Spain	76.4	12.	Cayman Islands	13.7
13.	Singapore	73.7	13.	Taipei,China	13.2
14.	Poland	72.0	14.	British Virgin Islands	12.5
15.	Japan	70.3	15.	Bermuda	11.2
16.	Czech Republic	70.0	16.	France	11.2
17.	Australia	69.7	17.	Brazil	10.4
18.	Argentina	68.0	18.	Belgium	10.0
19.	China	66.0	19.	Mexico	9.5
20.	Hong Kong	65.6	20.	Poland	8.8
21.	Austria	64.0	21.	Czech Republic	7.5
22.	Portugal	64.0	22.	Italy	7.5
23.	Denmark	61.0	23.	Spain	7.5
24.	Finland	55.1	24.	Korea	6.7
25.	Hungary	55.0	25.	Austria	6.2
26.	Sweden	54.5	26.	Colombia	6.2
27.	Luxembourg	54.0	27.	Denmark	6.2
28.	Russian Federation	54.0	28.	Panama	6.2
29.	Malaysia	53.5	29.	Sweden	6.2
30.	Norway	53.5	30.	Switzerland	6.2
31.	Venezuela	52.0	31.	United Arab Emirates	6.2
32.	Turkey	50.0	32.	Argentina	5.0
33.	Korea	49.5	33.	Chile	5.0
34.	New Zealand	49.0	34.	Hungary	5.0
35.	Taipei,China	49.0	35.	Nicaragua	5.0

Note: (1) Location intensity is defined as the total number of MNCs having at least one affiliate in a host economy, divided by 100, minus the number of MNCs from this economy listed in the top 100.

(2) Shading denotes emerging/developing economy FDI hosts.

Source: UNCTAD, *World Investment Report 2006*, p. 35.

Table 9. Geographical Distribution of Cumulative FDI Outflows and Inflows for China and India

Outflows to or Inflows from:	China				India			
	Cumulative FDI Outflows (1995–2005)		Cumulative FDI Inflows (1995–2006)		Cumulative FDI Outflows (1996–2006)		Cumulative FDI Inflows (1991–2005)	
	Million US\$	(%)	Million US\$	(%)	Million US\$	(%)	Million US\$	(%)
OECD-23	3,939	(11.5)	153,149	(25.8)	3,483	(30.3)	19,179	(41.4)
US	2,294	(6.7)	44,452	(7.5)	1,507	(13.1)	6,112	(13.2)
EU-15	719	(2.1)	47,486	(8.0)	1,432	(12.4)	9,337	(20.2)
Japan	157	(0.5)	49,335	(8.3)	3	(0.0)	2,590	(5.6)
Emerging/Developing Economies	30,424	(88.5)	440,804	(74.2)	8,023	(69.7)	27,098	(58.6)
Asian NIEs-4	7,942	(23.1)	309,254	(52.1)	873	(7.6)	2,550	(5.5)
ASEAN 10	5,212	(15.2)	36,765	(6.2)	790	(6.9)	1,584	(3.4)
ASEAN 9	4,896	(14.2)	9,635	(1.6)	259	(2.3)	360	(0.8)
Offshore Centers, Western Hem.	5,657	(16.5)	64,729	(10.9)	987	(8.6)	428	(0.9)
Mauritius	--		--		1,070	(9.3)	14,220	(30.7)
World Total	34,363	(100.0)	593,953	(100.0)	11,506	(100.0)	46,277	(100.0)

Note: (1) Offshore centers, Western Hemisphere, refer to the Cayman Islands and British Virgin Islands in the case of China.

(2) FDI data compiled by IITI are adjusted to make them consistent with BOP figures for every year.

Sources: *China Statistical Yearbook* for China; Institute for International Trade and Investment (IITI) for India.

Table 10. Inward and Outward FDI Stock as a Percentage of GDP, 1980–2006

Economy		1980	1985	1990	1995	2000	2005	2006
Japan	Inward	0.3	0.3	0.3	0.6	1.1	2.2	2.5
	Outward	1.8	3.2	6.7	4.5	6.0	8.5	10.3
Korea	Inward	2.1	2.3	2.0	1.9	7.4	8.0	8.0
	Outward	0.2	0.5	0.9	2.1	5.2	4.6	5.3
China	Inward	0.4	2.0	5.4	14.4	17.9	14.3	11.1
	Outward	--	0.3	1.2	2.5	2.6	2.1	2.8
Hong Kong	Inward	73.2	75.2	58.6	50.1	269.9	299.9	405.7
	Outward	0.5	6.6	15.5	55.6	230.1	264.7	363.5
Taipei,China	Inward	5.8	4.7	5.9	5.9	5.5	12.1	14.2
	Outward	31.4	21.4	18.3	16.1	20.7	28.1	32.0
Singapore	Inward	52.9	73.6	82.6	78.2	121.5	158.6	159.0
	Outward	31.7	24.8	21.2	41.8	61.2	94.1	89.0
Brunei	Inward	0.4	0.8	0.9	12.4	89.6	145.2	86.2
	Outward	--	--	--	6.3	10.3	8.7	5.5
Malaysia	Inward	21.1	23.7	23.4	32.3	58.4	36.5	36.0
	Outward	0.8	4.4	1.7	12.4	17.6	34.0	18.7
Thailand	Inward	3.0	5.1	9.7	10.5	24.4	33.5	33.0
	Outward	0.0	0.0	0.5	1.4	1.8	2.3	2.7
Philippines	Inward	3.9	8.5	7.4	8.2	17.1	14.4	14.6
	Outward	0.5	0.6	0.3	1.6	2.1	2.1	1.8
Indonesia	Inward	6.5	6.7	7.0	10.2	15.0	7.7	5.2
	Outward	0.0	0.1	0.1	2.9	4.2	5.0	4.8
Vietnam	Inward	32.9	24.8	25.5	34.5	66.1	61.2	54.8
	Outward	--	--	--	--	--	--	--
Cambodia	Inward	1.8	1.6	2.2	10.8	43.1	45.6	41.6
	Outward	--	--	--	4.2	5.3	4.8	3.8
Laos	Inward	0.3	0.0	1.4	11.9	32.1	24.5	24.9
	Outward	--	--	--	0.4	1.2	1.0	0.6
Myanmar	Inward	0.0	0.0	5.4	5.3	9.3	43.6	38.5
	Outward	--	--	--	--	--	--	--

Note: "--" indicates that data are not available or not separately reported.

Source: UNCTAD, *World Investment Report*, various issues.