environments for investors were produced, and there continues to be uncertainty about future policies in those countries. Mexico and Brazil, however (the two largest recipient countries), were able to maintain inflows at roughly the same levels as the year prior, and Chile saw 48.4 per cent growth thanks to earnings from mining profits being reinvested into the country.

As with Africa, FDI flows to Asia and Oceania reached a record high in 2006, rising 15.0 per cent to $229.9 billion US$. China's flows dipped slightly, but continue to be the highest in the region at $70.0 billion US$, with investments in high-tech industries growing quickly, and Hong Kong at second attracted an additional $41.4 billion, up 15.4 per cent. India, by comparison, while experiencing growth in FDI flows of 44.4 per cent, garnered a total of only $9.5 billion. This was enough to surpass South Korea as the fourth most important recipient in the area, but UNCTAD notes that the current data for Korea is likely an underestimation of actual flows for that country. Singapore took the number three spot, experiencing quick growth of 58.8 per cent. Interestingly, outward FDI from the region is also rising, with China and India being important sources.

Oil-rich countries in the Gulf region of the Middle East, as well as Turkey, continue to attract substantial FDI inflows; FDI to Turkey grew 76.3 per cent, nearly doubling to $17.1 billion. Gulf countries also increased their FDI outflows in 2006, led by the United Arab Emirates, primarily through mergers and acquisitions.

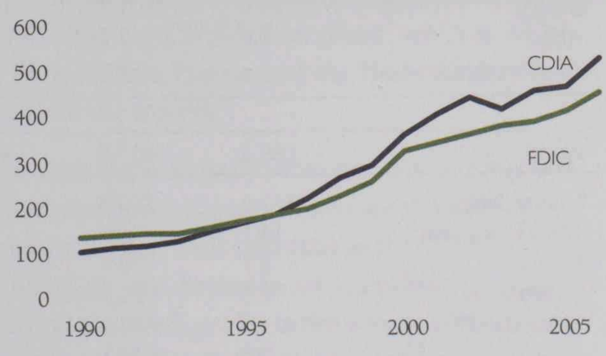
In Eastern Europe, FDI inflows to Russia rose 94.6 per cent, totalling $28.4 billion USD by the end of 2006. But the future pace of this inflow may be affected by recent tightening of natural resource regulations and disputes which emerged in 2006 over such issues as environmental protection and extraction costs.

## Canadian Inward and Outward FDI

The openness of the Canadian economy and the importance of international trade are reflected in the significant growth in total stocks of both inward and outward FDI Canada has experienced over the past 25 years. 2006 saw both Canadian direct investment abroad and FDI in Canada posting their highest percentage increases in six years—that is, the most since the technology boom of 2000. Canada's inward FDI stock grew by 10.1 per cent in 2006, to stand at $448.9 billion by the end of the year. Canada's investments abroad also grew rapidly, advancing 13.8 per cent to $523.3 billion in the same year. However, the primary reasons behind these increases differ. The increase in FDI stock in Canada was due mostly to foreign investors acquiring major Canadian firms. Meanwhile, roughly three quarters of the increase in Canadian direct investment abroad was due to changes in the value of capital transactions, as the Canadian dollar depreciated at the end of the year[1], and Canadian FDI abroad is denominated in foreign currencies.

Overall, Canada's net direct investment position[2] increased from $52.0 billion in 2005 to $74.4 billion by the end of 2006, such that Canada continued to

**FIGURE 5-2**
Canada's inward and outward FDI stock
(billions CAD)




Data: Statistics Canada.
Canadian Direct Investment Abroad (CDIA) = outward
Foreign Direct Investment in Canada (FDIC) = inward

1 The value of foreign direct investment is calculated as of the last business day in December, and uses the exchange rates on that date.

2 The net direct investment position is defined as the difference between Canadian direct investment abroad and foreign direct investment in Canada.