more than the double of the United States (US$106 billion). This was the first time since 1977 that the U.K. led the world with respect to FDI inflows. However, the increase was largely accounted for by the merger of Shell Transport and Trading Company Plc and Royal Dutch Petroleum Company into Royal Dutch Shell. Other reasons for the significant increase in FDI in developed countries included the virtual end of large loan repayments from affiliated firms to their parent firms abroad. In Germany, for example, such repayments had pushed 2004 FDI inflows into negative territory, at -US$38.6 billion. The increase in FDI flows to the new ten EU members was spectacular. For example, FDI flows to the Czech Republic jumped last year by 177.8 per cent to US$12.5 billion, up from US$4.5 billion in 2004.

FDI into developing countries also increased in 2005, climbing a further 12.5 per cent compared with the 41 per cent recorded in 2004. FDI inflows to the developing world reached an estimated record of US$274 billion, with increases in all regions.

Africa attracted a historic high of US$29 billion in FDI inflows in 2005. This record FDI was mainly directed to the oil sector and to other natural resources industries.

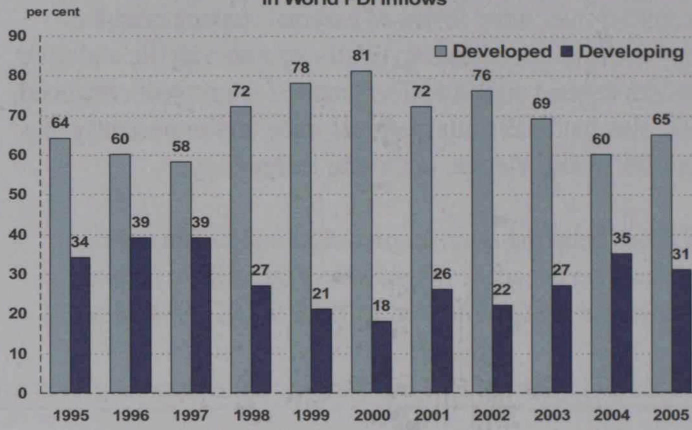
FDI flows to Asia and Oceania continued their upward trend in 2005, rising about 11 per cent to an estimated US$172.2 billion. Since 1999, FDI flows to China - the largest recipient in Asia as well as amongst all developing countries - did not increase, standing at about US$60 billion. Increased investment in Hong Kong and in ASEAN countries more than compensated for the steep decline witnessed in Korea. India saw its inflows jump from US$5.3 billion to an estimated US$6.0 billion.

Latin America and the Caribbean FDI inflows also increased during 2005, growing at about 5.0 per cent to US$72.0 billion. Data suggest that Brazil experienced a decline of 14.8 per cent to US$15.5 billion, and yielded the position of the top recipient in the region to Mexico (US$17.2 billion). Chile maintained a high level of inflows, due in part to rising prices for copper.

FDI inflows in Russia more than doubled to US$26.1 billion, attracted by high oil prices in particular.

Notwithstanding the seemingly spectacular growth in inflows to the developing economies in recent years, their share of world FDI inflows was some 31 per cent in 2005, roughly the same 30 per cent they averaged over the entire 1995-2005 period, meaning that 70 per cent of all FDI flows were still bound for the developed economies.

**Figure 5-1**
**Share of the Developed and Developing Economies in World FDI Inflows**

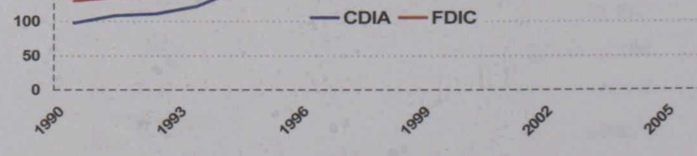



Source: UNCTAD

## Foreign Direct Investment in Canada

Over the last 25 five years, Canada witnessed a substantial growth in both inward and outward FDI stock. Canada's inward FDI stock grew 9.1 per cent to $415.6 billion in 2005, up from $381.0 the year before. The bulk of the increase came from acquisitions and an injection of funds from the parents into the working capital of their Canadian affiliates. The stock of FDI in Canada more than doubled between 1995 and 2005, growing at an annual rate of 9.5 per cent.

**Figure 5-2**
**Canada's Inward and Outward FDI Stock**




Source: Statistics Canada

FDI from the U.S. rose by 7.3 per cent to $266.5 billion, up from $248.5 billion the year before. More than one third (35 per cent) of FDI from the U.S. went to the energy and metallic minerals sector, 21 per cent to the finance and insurance sector