

FDI inflows to African countries were almost unchanged in 2007 at US\$35.6 billion, although this is almost double the inflows in 2003. Growth in flows to Africa surged between 2003 and 2006 partially as a result of high oil and gas prices that have fuelled cross-border mergers and acquisitions in the extraction industries. In the African continent, Egypt was the largest FDI recipient in 2007 at US\$10.2 billion, followed by Morocco at US\$5.2 billion.

FDI inflows into Russia, the largest of the Transition economies, rose by 70.3 percent to US\$48.9 billion in 2007, this following a 125.1 percent increase in 2006. FDI flows into Russia have increased by over 500 percent since 2003 despite increasing restrictions on FDI in extractive industries. It remains to be seen if future flows will be impacted by new laws passed in 2008 which place further restrictions on foreign investment in certain sectors, including oil and gas, but which may also provide greater clarity for investors.

Canadian inward and outward FDI

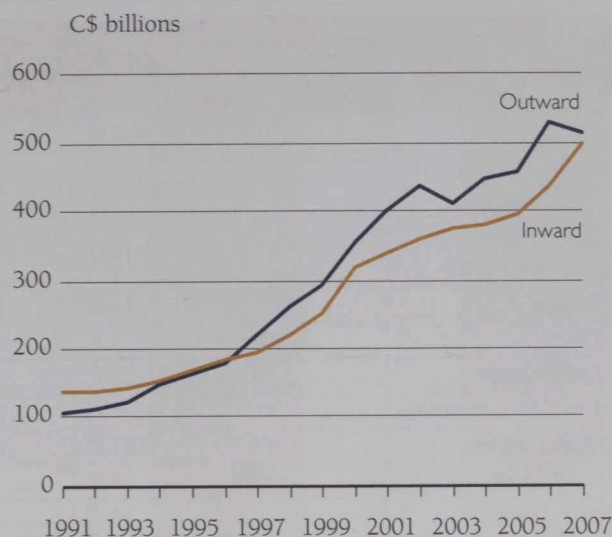
Canada has been an active participant in rising global FDI flows, and has experienced significant growth in both inward and outward stocks of FDI over the past 25 years. Despite this, Canada's share of world investment declined during the 1980s, 1990s, and into the 2000s. Faster growth in developing countries is increasing the competition for FDI; at the same time these countries are becoming more and more important investors abroad, which is reflected in Canada's diversifying investment position.

In 2007 surging global FDI flows helped contribute to a 14.4 percent increase in the stock of FDI in Canada (bringing it to \$500.9 billion), the largest rise in 7 years (Figure 5-2). This increase was primarily the result of a jump in cross border mergers and acquisitions (M&As).

Canadian direct investment flows abroad were substantial in 2007 at just over \$53.1 billion. However, as a result of the appreciation of the Canadian dollar against several major currencies, the value of Canadian assets abroad declined by \$67.0 billion

FIGURE 5-2

Canada's inward and outward FDI stocks



when converted back into Canadian dollars. The net effect was a decline in Canada's stock of direct investment abroad to \$514.5 billion from \$530.0 billion in 2006.

Canada's net direct investment position, which is the difference between Canadian direct investment abroad and FDI in Canada, narrowed to just \$13.7 billion in 2007, down from \$92.2 billion in 2006. Despite this drop, 2007 was the eleventh consecutive year that Canadian direct investment abroad has exceeded foreign direct investment in Canada.

The stock of foreign direct investment in Canada in 2007

Investors from the United States continued to hold the majority of Canada's FDI stock, with a 57.6 percent share at \$288.6 billion (Table 5-2, Figure 5-3). However, the growth in U.S. investments has been below the average of other countries and the U.S. share has declined by 5 percentage points from 62.9 percent two years ago, continuing a trend towards greater diversity of FDI holders in Canada. Some of the U.S. share shifted to EU countries in the 1990s, but since 2000 the declining U.S. share has shifted to non-European countries. In 2007 the share belonging to investors from outside the U.S. and EU was 15.1 percent of Canada's total inward