

4. Globalization and Trade-Investment

4.1 Foreign Direct Investment Boom

The average annual growth rate of stock of direct investment abroad increased sharply in the 1970s, fell in the early 1980s, and then returned to high rates of growth over the 1985-1990 period. A preliminary estimate for 1991 indicates that growth in the stock of direct investment has slowed to 10 percent for a total of U.S. \$1.809 trillion. The world stock of direct investment more than doubled from 1973 to 1980 and more than tripled from 1980 to 1990. The broad trend over the 1970s and 1980s has been the continuing decline in the U.S. share of world direct investment abroad from 50.4 percent in 1967 to 25.9 percent in 1990. The decline in the U.S. share has been the result of the high growth rates of Japanese, European, Canadian and Australian direct investment abroad increasing faster than U.S. direct investment abroad (see Chart 3). Over the latter half of the 1980s, U.S. direct investment abroad grew at faster rates than recorded earlier in the decade, but still below the long-term average annual rate before 1980 of 10 percent.¹⁴

Table 5
World Stock of Direct Investment Abroad by Region or Major Country of Origin,
Selected Years, 1960-90
(Billions of U.S. Dollars or Percentages)

	LEVEL					Average Annual % Change			
	1960	1967	1973	1980	1990	60-67	67-73	73-80	80-90
All Countries	67.7	112.3	211.1	516.9	1,644.2	7.5	11.1	13.6	12.3
Developed Countries	67.0	109.3	205.0	503.6	1,593.0	7.2	11.1	13.7	12.2
United States	31.9	56.6	101.3	220.2	426.5	8.5	10.2	11.7	6.8
Europe	30.6	45.1	82.4	231.6	852.6	5.7	10.6	15.9	13.9
Belgium-Luxembourg	1.3	1.3	1.8	4.7	22.6	0.0	5.6	14.7	17.0
France	4.1	6.0	8.8	20.8	114.8	5.6	6.6	13.1	18.6
Germany	0.8	3.0	11.9	43.1	155.1	20.8	25.8	20.2	13.7
Italy	1.1	2.1	3.2	7.0	60.0	9.7	7.3	11.8	24.0
Netherlands	7.0	11.0	15.8	42.4	99.2	6.7	6.2	15.1	8.9
Sweden	0.4	1.7	3.0	7.2	50.7	23.0	9.9	13.3	21.6
Switzerland	2.3	2.5	7.1	22.4	64.9	1.2	19.0	17.8	11.2
United Kingdom	12.4	15.8	27.5	79.2	244.8	3.5	9.7	16.3	11.9
Other Eur. Countries	1.2	1.7	3.3	4.8	40.5	5.1	11.7	5.5	23.8
Japan	0.5	1.5	10.3	19.6	201.4	17.0	37.9	9.6	26.2
Canada	2.5	3.7	7.8	21.6	74.7	5.8	13.2	15.7	13.2
Australia/New Zealand	0.2	0.4	1.1	5.1	30.2	10.4	18.4	24.5	19.5
South Africa	1.3	2.0	2.1	5.5	7.6	6.3	0.8	14.7	3.3
Developing Countries	0.7	3.0	6.1	13.3	51.2	23.1	12.6	11.8	14.4

Source: U.S. Department of Commerce

¹⁴ United States Department of Commerce, *Recent Trends in International Direct Investment*, July 1991, p. 1.