



V OVERVIEW OF CANADA'S INVESTMENT PERFORMANCE

Global Foreign Direct Investment Inflows

Foreign Direct Investment (FDI) flows are usually preferred over other forms of external finance because they are non-debt creating, relatively non-volatile and their returns depend on the performance of the projects financed. FDI also facilitates international trade and importantly, the transfer of knowledge, skills and technology.

FDI has been the main engine of globalization over the last two decades.¹ Worldwide FDI inflows surged from about US\$161 billion in 1991 to US\$1.4 trillion

in 2000, almost a nine-fold increase. Thereafter, FDI inflows posted a sharp drop over 2001-2003, declining by 54 per cent to US\$638 billion. New UNCTAD estimates suggest that global foreign direct investment inflows climbed by a robust 29.0 per cent to reach US\$896.7 billion in 2005.

FDI flows to developed economies dominated global growth in inward FDI ending a four-year slump; they rose from US\$414.7 billion in 2004 to US\$573.2 billion in 2005 or 38.2 per cent. The United Kingdom led all developed economies with inflows of US\$219.1 billion,

Table 5-1: Global FDI Inflows for Selected Regions and Economies, 2003-2005 (US\$ in billion)

Host Region/Economy	2003	2004	2005	Growth Rate 2004-2005
World	637.8	695.0	896.7	29.0
Developed World	441.7	414.7	573.2	38.2
Europe	358.9	258.2	449.2	74.0
EU-25	340.1	259.1	445.3	71.9
France	42.5	24.3	48.5	99.6
Germany	27.3	-38.6	4.9	-112.7
Italy	16.4	16.8	13.0	-22.6
Luxembourg	83.8	67.2	13.4	-80.1
UK	27.4	77.6	219.1	182.3
Czech Republic	2.1	4.5	12.5	177.8
United States	56.8	95.6	106.0	10.9
Japan	6.3	7.8	9.4	20.5
Developing Economies	172.1	243.1	273.5	12.5
Africa	17.2	18.7	28.9	54.5
Latin America and the Caribbean	48.0	68.9	72.0	4.5
Brazil	10.1	18.2	15.5	-14.8
Chile	4.4	7.6	7.0	-7.9
Mexico	12.8	17.9	17.2	-3.9
Asia and Oceania	106.9	155.5	172.2	10.7
China	53.5	60.6	60.3	-0.5
Hong Kong	13.6	34.0	39.7	16.8
India	4.3	5.3	6.0	13.2
Korea	3.8	7.7	4.5	-41.6
Singapore	9.3	16.1	15.9	-1.2
Russia	8.0	12.5	26.1	108.8

Source: UNCTAD

¹ For example, between 1980 and 2004, both world outward and inward FDI stocks grew at an annual average growth of 12.5%, whereas world merchandise trade expanded by 6.9 per cent.