THE TRIAD ACCOUNTS FOR FOUR-FIFTHS OF GLOBAL FDI OUTFLOWS AND OUTWARD STOCK

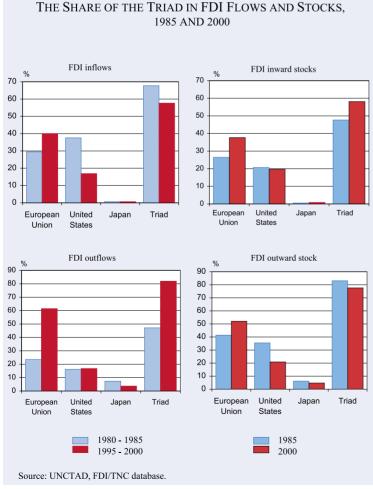
According to the World Investment Report 2001, FDI inflows continued their strong recent growth to reach \$1.3 trillion in 2000. The pace was slightly slower, however, than in previous years. In 2001 they are expected to have declined. By all measures (assets, sales, trade and employment of foreign affiliates), FDI rose more rapidly in 1999 and 2000 than gross domestic product (GDP), domestic investment, licensing payments and trade. Interestingly enough, activities of multinational corporations rose rapidly in 1999 (as well as during the preceding three years) when world trade was stagnant, supporting the notion that FDI has become the main force in international economic integration. The ratio of foreign affiliates' sales to global GDP was almost 50 percent, with the sales value being more than twice as high as the value of world exports of goods and services.

The developed countries continued to attract over three quarters of global FDI inflows in 1999/2000. The share of the developing countries in total FDI inflows declined in 1999 by 6 percentage points to 21%; in 2000 it fell yet further to 19%. This was the lowest share since 1990.

The Triad – Japan, the European Union and the United States – has long accounted for the bulk of international production, providing and receiving most of global FDI. During the period 1995 to 2000, the Triad accounted for 58% of global FDI inflows and for 82% of global FDI outflows, and for 48% of FDI inward stock and 78% of FDI outward stock. Compared to 1985, the Triad's share of world FDI inward stock has risen, whereas that of the FDI outward stock has declined. The EU's shares of stocks and flows, inward as well as outward, has increased. Those of the United States and Japan have largely declined, with those of Japan remaining relatively small. The rise in EU

shares is largely due to crossborder M&As. The United States remains the single largest host country, but its role as the largest outward investor has been taken over by the United Kingdom and France. The EU as a group continues to be dominant as both investor and recipient. As a result, intra-Triad stocks account for the bulk of the Triad's FDI stocks. Flows between the Triad members are rising, with 40% of total outward FDI stock being located in other Triad members as compared to one-third in 1985.

H.C.S.



CESifo Forum 1/2002