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A STUDY OF FDI INFLOWS AT DEVELOPED COUNTRIES LEVEL: AN ANALYSIS OF TRENDS

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ABSTRACT

Foreign direct investment (FDI) is an essential part of an open and effective international economic system and a major catalyst to development. Yet, the profits of FDI do not accrue automatically and evenly across countries, sectors and local communities. National policies and the international investment architecture matter for attracting FDI to a larger number of developing countries and for reaping the full benefits of FDI for development. The objective of this paper to analyze the emerging dimension of FDI inflows at developed countries level from 1991 to 2011 i.e. 20 years. The study concludes that developed countries have benefited from FDI inflows and their strong economic base motivated these countries to invest their surplus funds in transition and developing countries which provides abundance opportunities and strong consumer demand and poor infrastructure.

KEYWORDS: UNCTAD, Transition Economies, FDI, Investment, Developed Economies

Foreign investment can be categorized into two forms i.e. foreign direct investment (FDI) and portfolio investment. The present study focuses only on the FDI. Further, FDI may be outward FDI and inward FDI. Outward FDI refers to direct investment in abroad while inward FDI refers to direct investment in host countries. Other categorizations of FDI include vertical and horizontal FDI. The former takes place when a multinational corporation owns some shares of a foreign enterprise which supplies input for it or uses the output produced by the MNCs. The horizontal FDI happens when MNCs carries out a similar business operation in different countries. FDI is defined as a long-term investment made by a foreign investor directly in an enterprise resident in an economy other than that in which the foreign investor is based. FDI is one of the most real means by which transition economies and developed countries become integrated to the world economy as FDI provides capital, technology and management know-how necessary for restructuring firms in the host economies (Estrin, Hughes, and Todd; 1997); (Lankes and Venables; 1996). There is also evidence that there is a positive correlation between FDI inflows and economic growth of the host country via the spillover effects of advanced technology (Borenzstein, De Gregorio, and Lee, 1998). The global financial crisis originated in the developed world, and has been rapidly spreading to developing and transition economies. Its economic impact varies widely, depending on region and country. Developed countries have been directly hit, and FDI inflows to these countries were the most affected. Indeed, UNCTAD estimates show that FDI inflows have fallen in many developed countries in 2008, mainly as a result of the protracted and deepening problems affecting financial institutions and the liquidity crisis in financial markets.

REVIEW OF LITERATURE

A substantial amount of empirical studies have been conducted on the factors determining foreign direct investment (FDI). There exists a large amount of literature on the variables that determine the FDI inflows and outflows to and from any country. The existing literature includes a large number of surveys, case studies and a number of econometric studies relating to Asian countries, European countries and rest of world. Lucas (1993) examined the determinants of FDI flows in seven East and Southeast Asian economies i.e. South Korea, Malaysia, Indonesia, Philippines, the Singapore, Taiwan and Thailand over the period 1960-1987, employing a model based on the derived demand for foreign capital of a profit maximizing, multiple product monopolists. FDI inflows were found less elastic with respect to the costs of capital than to wages and more elastic with respect to aggregate demand in export markets than domestic demand. Billington (1999) analyzed those factors which determine the choice of location for FDI by employing two models: multicountry models which containing seven industrialized countries; and a multi-region model, consisting of the 11 regions of the United Kingdom (UK). At country level, it was found that market size, variables (income and growth), unemployment, level of host country imports and certain policy variables (corporate tax and interest rates) were significant determinants of location for FDI. At regional level, population density, unit labour costs and unemployment (again positive) were the most influential variables.

Carstensen and Toubal (2004) examined the determinants of FDI in Central and European countries and found that traditional determinants like market potential, low relative unit labour costs, skilled workforce and relative endowments had significant and plausible effect. In addition, transition-specific factors like the level and method of privatization and country risk played important roles in determining the flows of FDI. McDermott (2008) investigated the effect of fluctuations in and volatility of the real exchange rate on foreign direct investment by using panel data of 55 countries from 1980 to 1997. The result found that both weak host currencies and greater volatility of exchange rate discourage FDI flows. Singla (2011) examined the determinants of FDI inflows in India from 1993 to 2010 by using correlation and multiple regression analysis. The findings revealed that FDI inflows depend on stock market, index of industrial production (IIP), gross domestic product (GDP) and foreign institutional investors (FIIs) net investment. On the other hand, exchange rate and foreign exchange reserves do not have any significant effect on FDI inflows in India.

OBJECTIVE & METHODOLOGY OF THE STUDY

The main objective of the study is to analyze the emerging dimension of FDI at developed countries level. The present study is based on secondary time series data ranging from 1991 to 2011 i.e. 20 years. Further, the study period is sub-divided into four parts and each part consists of five years to make comparison of time series data. Data used in this study have been collected from World Investment Report (various issues), For the purpose of analysis, simple average, percentage to point, and annual percentage change in comparison to previous year have been used. For presentation of data, tables are used.

ANALYSIS & INTERPRETATION

1991-95

Table 1 reveals that FDI inflows to the developed countries in 1991 were $114035 million and the FDI inflows as a percentage of GDP and FDI inflows as a percentage of GFCF and developed countries' share in global FDI inflows were 0.62 per cent (Table 2), 2.84 per cent (Table 3) and 74 per cent (Table 4) respectively. However, the picture differed considerably by region and country. Table 5 exhibits that developed America[1], Asia[2], Europe[3], and Oceania[4] together represents the inward FDI received by developed countries. In 1991, developed Europe accounted for $82760 million, which was the largest share of inward FDI to developed countries followed by developed America to $25680 million, developed Oceania to $4261 million and developed Asia to $1334 million.

FDI inflows to the developed countries fell in 1992 by 2.54 per cent from the previous year (Table 1). Several factors i.e. sluggish economic growth, declining profitability, poor business performance in banking, finance and real estate industries was responsible for the decline (UNCTAD, 1993). Therefore, FDI-to-GDP ratio and FDI-to-GFCF ratio decreased to 0.56 per cent (Table 2) and 2.64 per cent (Table 3) respectively. The share of developed countries also reduced to 67 per cent by 7 percentage points from the 1991(Table 4). Table 5 reveals that developed Europe recorded 6 per cent decline in inflows in 1992 ($78111 million, down from $82760 million in 1991). Developed America recorded 6.75 per cent decline in inflows in 1992 ($23946 million, down from $25680 million in 1991). Developed Asia FDI inflows increased by more than 128 per cent and developed Oceania FDI inflows increased by more than 41 per cent.

Table 1 exhibits that a new wave of FDI inflows in developed countries began in 1993 following the end of the FDI recession. FDI inflows in developed countries accounted for $143435 million in 1993, $150575 million in 1994 and $222484 million in 1995 in absolute terms, whereas in percentage terms, FDI inflows in developed countries increased by 29 per cent in 1993, 5 per cent in 1994 and 48 per cent in 1995. FDI inflows in developed countries increased between 1991 and 1995, except 1992. Inflows of FDI to developed countries increased from 1991 to 1995, to $222484 million. Table 2 reveals that FDI inflows as a percentage of GDP was 0.72 per cent in 1993, 0.71 per cent in 1994 and further increased and reached to the level of 0.95 per cent in 1995. The position of FDI inflows as a percentage of GFCF was also somewhat similar to the FDI-to-GDP ratio, i.e. 3.46 per cent in 1993, 3.38 per cent in 1994 and 4.52 per cent in 1995 (Table 3).

However, the share of developed countries in world FDI inflows fell in next two years and again rose in 1995 and reached to the level of 64.98 per cent (Table 4). Table 5 reveals that after experiencing a decline in 1992, FDI inflows in the developed Europe recovered and accounted for $79857 million in 1993, $88823 million in 1994 and $136637 million in 1995. The growth of inflows has slowed down due to lingering economic recession in some countries of Europe combined with the slow transition towards a market economy. The 1995 level is, however, the first highest yet reached during the period from 1991 to 1995. Developed America FDI inflows increased substantially by 131 per cent in 1993 but declined by 3.79 per cent in 1994 and again increased by 27.64 per cent in 1995. The 1995 level is, however, the first highest yet reached during the period from 1991-1995. Developed Asia recorded more than 77 per cent decline in inflows in 1993, a further increase of 100 per cent

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was registered, which accounted for $1364 million in absolute terms in 1994 and increased again by 18.62 per cent and accounted for $1618 million in 1995 with signs of recovery in inward FDI thereafter. Developed Oceania FDI inflows increased by more than 24 per cent in 1993 but declined by 5.41 per cent in 1994 and again increased by 128 per cent and accounted for $16203 million in 1995.

During 1991-1995, average FDI inflows to GDP ratio and FDI inflows to GFCF ratio was 0.71 per cent (Table 2) and 3.4 per cent (Table 3) respectively. However, the average world FDI inflows during the period of 1991-1995 were $148334 million, which were more than first three years FDI inflows (Table 1). The average percentage share of developed countries in global FDI inflows was 65.81 per cent during the period of 1991-1995 (Table 4). Table 5 reveals that average share of America, Asia, Europe and Oceania in total share of developed countries was $45269 million, $1611 million, $93238 million and $8217 respectively during the period of 1991-1995. Europe region accounted for 62.86 per cent followed by 30.52 per cent America region, 5.54 per cent Oceania region and 1.09 per cent Asia region of average total inflows in developed countries over the period 1991-1995.

1996-2000

FDI inflows in developed countries accounted for $236035 million in 1996 as compared to $222484 million in 1995; growth rate of 6 per cent was recorded from the previous year (Table 1). Their share of world total FDI inflows declined to 60.75 per cent in 1996, from 64.98 per cent in the previous year (Table 4). Both FDI-to-GDP ratio and FDI-to-GFCF ratio increased to 1.00 per cent (Table 2) and 4.79 per cent (Table 3) respectively. Table 5 reveals that developed America have strengthened its role as the second largest developed country FDI inflows recipient region, with $94094 million of inflows in 1996 (an increase of 38.32 per cent over 1995), accounted for 39.86 per cent of total developed country FDI inflows. Developed Asia FDI inflows increased by 14.03 per cent over the 1995 level, accounted for $1845 million in 1996. Developed Europe recorded 3.75 per cent decline in inflows in 1996 ($131517 million, down from $136637 million in 1995, accounted for 55.72 per cent (the largest developed country FDI inflows recipient region) of total developed country FDI inflows. Inflows to developed Oceania fell to $8580 million in absolute terms and declined by 47 per cent in 1996.

Table 1 exhibits that Inflows of FDI increased by 21 per cent in 1997. FDI inflows to developed countries reached new heights of $508743 million, accounted for 78 per cent increase in 1998 over 1997. FDI inflows as a percentage of GDP were 1.23 per cent in 1997 and 2.18 per cent in 1998 (Table 2), whereas FDI inflows as a percentage of GFCF were 5.92 per cent in 1997 and 10.43 per cent in 1998 (Table 3). Developed countries remained the prime destination of FDI inflows, accounting for nearly 72 per cent of global inflows in 1998. Cross-border mergers and acquisitions (M&As) remained the main stimulus behind FDI, and these are still concentrated in the developed countries.

Table 4 exhibits that the share of developed countries in world FDI inflows declined to 58.68 per cent in 1997 and increased by 13.22 per cent and accounted for 71.90 per cent in 1998.

Table 5 shows that developed America attained record FDI inflows in 1997 and 1998 to the level of $114966 million (22.18 per cent increase over 1996) and to $197345 million (71.66 per cent increase over 1997). Developed Asia recorded 182.66 per cent increase in inflows in 1997 ($5215 million up from $1845 million in 1996) but declined to $5159 million in 1998.

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After confronting a decline in 1996, inflows into developed Europe were increased by 17.85 per cent in 1997 and 91.33 per cent in 1998. Developed Oceania FDI inflows increased by 19.14 per cent over 1996 and further fell to $9705 million in 1998.

Table 1 reveals that inflows in developed countries have risen substantially in 1999, to reach $852131 million from $508743 million in 1998. FDI inflows as a percentage of GDP increased by 1.29 percentage points and reached to 3.47 per cent in 1999 (Table 2), whereas FDI inflows as a percentage of GFCF rose by 5.97 percentage points and reached to 16.40 per cent (Table 3), which was the second highest percentage during the period under study. Therefore, the share of developed countries in world FDI inflows rose to 78.21 per cent and it was also second highest percentage in the period under study (Table 4).

Table 1 showes that inflows to developed countries increased by 34 per cent in 2000 and amounted to a little over $1 trillion. However, the average world FDI inflows during the period of 1996-2000 were $604066 million. In the decade of 1990s, the highest FDI inflows in developed countries was in the year of 2000 in absolute terms and highest percentage increase on year-on-year basis was in 1998 i.e. 78 per cent. Average FDI inflows during the period of 1996-2000 were four times greater than average FDI inflows during the period of 1991-1995. Table 2 depicts that FDI inflows as a percentage of GDP increased to 4.58 per cent which was the highest percentage in the decade of 1990s. During the period of 1996-2000, average FDI-to-GDP ratio was 2.50 per cent.

Table 3 depicts that FDI-to-GFCF ratio showed an increasing trend over the period of 1996-2000 and reached to the level of 21.53 per cent in 2000. However, during the period of 1996-2000, average FDI inflows to GFCF ratio was 11.81 per cent. Table 4 exhibits that developed countries share in global FDI inflows rose to level of 81.13 per cent in 2000. During the period of 1996-2000, average share of developed countries in world FDI inflows was 70.13 per cent. Table 5 reveals that developed America recorded an increasing trend in inflows and reached to $380859 million in 2000. Developed Asia inflows increased by 228.14 per cent in 1999 and decline by 9.74 per cent and accounted for $15280 million in 2000. Developed Europe recorded increasing trend in inflows and accounted for $523381 million (76.5 per cent increase over 1998) in 1999 and again increased to $724934 million in 2000. Developed Oceania recorded decline in inflows by 65.58 per cent in 1999 and increased by 407.8 per cent in 2000. From 1996 to 2000, average share of America, Asia, Europe and Oceania in developed countries was $219149 million, $8886 million, $366271 million and $9761 million respectively. Europe region accounted for 60.63 per cent followed by 36.28 per cent America region, 1.62 per cent Oceania region and 1.47 per cent Asia region of average total inflows in developed countries over the period of 1996-2000.

2001-2005

Table 1 depicts that FDI inflows to developed countries amounted to $601041 million in 2001, a drop of 47 per cent was recorded. FDI inflows to GDP decreased to 2.43 per cent (Table 2) and FDI inflows to GFCF fell to 11.79 per cent (Table 3). A decrease of more than 45 per cent recorded in both FDI inflows to GDP and FDI inflows to GFCF in 2001 as compared to 2000. The share of developed countries also declined by 8.38 percentage point, which accounted for 72.75 per cent in 2001(Table 4). Table 5 shows that developed America FDI inflows decreased by more than 50 per cent over the 2000 level, accounted for $187183 million. Developed Asia recorded a decline of 47.55 per cent in inflows in 2001. The position of developed Europe FDI inflows considerably declined and accounted for $395156 million (45.49 per cent decrease over 2000). Developed Oceania recorded a 37 per cent decline in inflows in 2001.

FDI inflows to developed countries fell by 27 per cent, from $601041 million in 2001 to $440732 million in 2002 (Table 1). Both FDI-to-GDP ratio and FDI-to-GFCF ratio were 1.71 per cent (Table 2) and 8.67 per cent (Table 3) and share of developed countries in world FDI inflows was 70.31 per cent (Table 4). Both developed America and Europe FDI inflows decreased by more than 48 per cent and 19 per cent over the 2001 level respectively, whereas developed Asia and Oceania FDI inflows increased by more than 35 per cent and 54 per cent over the level 2001 (Table 5).

Table 1 shows that in 2003, FDI inflows fell by 16 per cent and it was a continuous decline from 2001. Again, FDI inflows as a percentage of GDP and FDI inflows as a percentage of GFCF fell to 1.27 per cent (Table 2) and 6.49 per cent (Table 3) respectively. Both ratios showed a continuous down from 2001. Table 4 shows that the share in world FDI inflows reached to 64.45 per cent, however there was a decline in inflows in all developed country regions in 2003 (Table 5). Developed America recorded 37.27 per cent, developed Asia recorded 10.87 per cent, developed Europe recorded 9.31 per cent and developed Oceania recorded 29.5 per cent decline in inflows in 2003. Table 1 exhibit that inward FDI in developed countries registered an increase in 2004, after three years of significant decline from 2001. That decline was mainly due to sluggish growth in the developed countries, in particular in the euro area and Japan. Inflows reached to the level of $418830 million with 13 per cent growth rate in 2004 over the 2003 level and recorded a 48 per cent growth rate in 2005 over the 2004 level, accounted for $619171 million. In 2004 and 2005, inward FDI rose by 13 per cent and 48 per cent respectively. Inward FDI as a percentage of GDP increased to 1.30 per cent in 2004 and 1.83 per cent in 2005 (Table 2). Inward FDI as a percentage of GFCF rose to 6.51 per cent in 2004 and 8.93 per cent in 2005 (Table 3). However, the share of developed countries in global FDI inflows increased to 63.01 per cent in 2005 (Table 4).

Table 5 depicts that developed America FDI inflows considerably increased by more than 124 per cent, developed Asia inflows increased by 11.57 per cent, developed Oceania inflows increased by 285 per cent over the 2003 level, while developed Europe inflows decreased by 21 per cent over the 2003 level. The picture differed considerably by region and country in 2005 as compared to 2004. Developed Europe recorded a growth rate of 121.9 per cent in inflows and reached to $503730 million over the 2004 level. All other developed country region recorded a decline in inflows in 2005. However, the average inward FDI from 2001 to 2005 were $489789 million. Average FDI inflows during the period of 2001-2005 were down by nearly 19 per cent than average FDI inflows from 1996 to 2000 (Table 1). During 2001-05, average FDI inflows to GDP ratio and FDI inflows to GFCF ratio was 1.71 per cent (Table 2) and 8.48 per cent (Table 3) respectively. During the period of 2001-05, average share in world FDI inflows was 65.39 per cent (Table 4). During the period of 2001-05, an average share of America, Asia, Europe and Oceania in developed countries was $122252 million, $9368 million, $345966 million and $12203 million respectively. Europe region accounted for 70.64 per cent followed by 24.96 per cent America region, 2.49 per cent Oceania region and 1.91 per cent Asia region of average total inflows in developed countries over the period of 2001-05 (Table 5).

2006-2010

FDI inflows to developed countries in 2006 rose by 58 per cent, well over the growth rates of the previous two years, to reach $977888 million (Table 1). Inward FDI to GDP ratio increased by 0.92 percentage points and reached to 2.75 per cent (Table 2), whereas inward FDI to GFCF ratio rose by 4.24 percentage points and reached to 13.17 per cent in 2006 (Table 3). The share of inward FDI to global FDI inflows increased to 66.89 per cent (Table 4). Table 5 depicts that all developed country regions maintained their upward trend of FDI inflows in 2006 i.e. developed America inflows increased by more than 128 per cent, developed Asia inflows increased by more than 15 per cent, developed Europe inflows increased by more than 26 per cent and developed Oceania inflows increased by more than 56 per cent over the 2005 level.

In 2007, inward FDI rose by 34 per cent, to $1306818 million (Table 1). Both FDI-to-GDP ratio (Table 2) and FDI-to-GFCF ratio (Table 3) increased to the level of 3.35 per cent and 16.03 per cent respectively. However, the share of developed countries to world FDI inflows fell to 66.30 per cent (Table 4). In 2007, all developed country regions maintained an upward trend of FDI inflows as compared to previous year. FDI inflows of developed countries plunged in 2008, with inflows declined by 26 per cent, to $965113 million (Table 1). FDI inflows fell further as the financial crisis entered a new phase in September 2008 following the collapse of Lehman Brothers (one of the largest financial institution in the United States), and as major developed economies fell into economic recession.

Following the 2008 decline, FDI inflows to developed countries further contracted by 38 per cent in 2009 (Table 1). Falling profits resulted in lower reinvested earnings and intra-company loans, weighing on FDI flows to developed countries. At the same time, a drop in leveraged buyout transactions continued to dampen cross-border M&As. After six years of uninterrupted growth, FDI inflows to developed countries contracted further in 2010, accounted for $601906 million (Table 1). FDI inflows as a percentage of GDP reached to the level of 1.48 per cent in 2010 (Table 2). The FDI inflows as a percentage of GFCF fell to the level of 8.52 per cent in 2009 (Table 3). The share of developed countries in global FDI inflows was down to 48.40 per cent in 2010 (Table 4).

Table 5 exhibits that developed America recorded an increase of 9.73 per cent in inflows in 2008 and a decrease of 52.06 per cent in 2009. In 2010, inflows increased to the level of $251872 million with 44.58 per cent growth rate over the 2009 level. Developed Asia recorded 12.61 per cent increase in inflows in 2008 and a decrease of 53.61 per cent in 2009 and 76.17 per cent in 2010, accounted for $3902 million. Developed Europe maintained a downward trend in inflows in 2008, 2009 and 2010 and reached to the level of $313100 million in 2010. Developed Oceania recorded an increase of 5.99 per cent in inflows in 2008 and a decrease of 52.5 per cent in 2009 and with 35.24 per cent increase in inflows in 2010 reached to the level of $33032 million.

It is found that during the period of 2006-2010, average inward FDI were $890912 million, which were up by nearly 82 per cent than average FDI inflows during the period of 2001-2005. The cumulative developed countries FDI inflows during the period under study were $10665508 million. The highest inward FDI to developed countries was in the 2007 ($1306818 million) in absolute terms and in percentage terms, the highest growth rate was in 1998 i.e. 78 per cent (Table 1). Average FDI inflows to GDP ratio were 2.3 per cent (Table 2) and during the period of 2006-2009, FDI inflows to GFCF ratio were 12.27 per cent (Table 3). During the period under study, both FDI inflows as a percentage of GDP and FDI inflows as a percentage of GCFC were highest in 2000 i.e. 4.58 per cent (Table 2) and 21.53 per cent (Table 3) respectively.

During the period of 2006-2010, average share of developed countries in global FDI inflows was 57.56 per cent. The highest share of inward FDI in developed countries to global FDI inflows was also in the year 2000 i.e. 81.13 per cent (Table 4). Table 5 reveals that average share of America, Asia, Europe and Oceania in developed countries was $283670 million, $19143 million, $549497 million and $38601 million respectively. Europe region accounted for 61.68 per cent followed by 31.84 per cent America region, 4.33 per cent Oceania region and 2.15 per cent Asia region of average total inflows in developed countries over the period 2006-2010.

Table 1: FDI Inflows by Host Region and Economy (1991-2010)

(US$ million)

Year	Developed Countries	Year	Developed Countries	Year	Developed Countries	Year	Developed Countries
1991	114035	1996	236035 (6)	2001	601041 (47)	2006	977888 (58)
1992	111141 (-2.54)	1997	285390 (21)	2002	440732 (-27)	2007	1306818 (34)
1993	143435 (29)	1998	508743 (78)	2003	369173 (-16)	2008	965113 (-26)
1994	150575 (5)	1999	852131 (67)	2004	418830 (13)	2009	602835 (-38)
1995	222484 (48)	2000	1138032 (34)	2005	619171 (48)	2010	601906 (-0)
Average	**148334**	Average	**604066**	Average	**489789**	Average	**890912**
Total FDI Inflows (1991-2010) : US$ 10665508 million							

Note: The figures in parentheses shows growth rate calculated on year-on-year basis.

Source: www.unctad.org/fdistatistics

Table 2: FDI Inflows as a percentage of Gross Domestic Product (1991-2010)

(per cent)

Year	Developed Countries	Year	Developed Countries	Year	Developed Countries	Year	Developed Countries
1991	0.62	1996	1.00 (0.05)	2001	2.43 (-2.15)	2006	2.75 (0.92)
1992	0.56 (-0.06)	1997	1.23 (0.23)	2002	1.71 (-0.72)	2007	3.35 (0.6)
1993	0.72 (0.16)	1998	2.18 (0.95)	2003	1.27 (-0.44)	2008	2.32 (-1.03)
1994	0.71 (-0.01)	1999	3.47 (1.29)	2004	1.30 (0.03)	2009	1.54 (-0.78)
1995	0.95 (0.24)	2000	4.58 (1.11)	2005	1.83 (0.53)	2010	1.48 (-0.06)
Average	**0.71**	Average	**2.50**	Average	**1.71**	Average	**2.30**

Note: The figures in parentheses show percentage point change compared to previous year.

Source: www.unctad.org/fdistatistics

Table 3: FDI Inflows as a percentage of Gross Fixed Capital Formation (1991-2009)

(per cent)

Year	Developed Countries	Year	Developed Countries	Year	Developed Countries	Year	Developed Countries
1991	2.84	1996	4.79 (0.27)	2001	11.79 (-9.74)	2006	13.17 (4.24)
1992	2.64 (-0.2)	1997	5.92 (1.13)	2002	8.67 (-3.12)	2007	16.03 (2.86)
1993	3.46 (0.82)	1998	10.43 (4.51)	2003	6.49 (-2.18)	2008	11.34 (-4.69)
1994	3.38 (-0.08)	1999	16.40 (5.97)	2004	6.51 (0.02)	2009	8.52 (-2.82)
1995	4.52 (1.14)	2000	21.53 (5.13)	2005	8.93 (2.42)	2010	N.A.
Average	**3.37**	Average	**11.81**	Average	**8.48**	Average	**12.27**

Note: The figures in parentheses show percentage point change compared to previous year.

Source: www.unctad.org/fdistatistics

Table 4: Percentage of Global FDI Inflows into Developed Countries (1991-2010)

(per cent)

Year	Developed Countries	Year	Developed Countries	Year	Developed Countries	Year	Developed Countries
1991	74.01	1996	60.75 (-4.23)	2001	72.75 (-8.38)	2006	66.89 (3.88)
1992	67.00 (-7.01)	1997	58.68 (-2.07)	2002	70.31 (-2.44)	2007	66.30 (-0.59)
1993	64.23 (-2.77)	1998	71.90 (13.22)	2003	64.45 (-5.86)	2008	55.34 (-10.96)
1994	58.82 (-5.41)	1999	78.21 (6.31)	2004	56.42 (-8.03)	2009	50.87 (-4.47)
1995	64.98 (6.16)	2000	81.13 (2.92)	2005	63.01 (6.59)	2010	48.40 (-2.47)
Average	**65.81**	Average	**70.13**	Average	**65.39**	Average	**57.56**

Note: The figures in parentheses show percentage point change compared to previous year.

Source: www.unctad.org/fdistatistics

Table 5: FDI Inflows by Host Region and Economy (1991-2010)
(US$ million)

Year	Developed Countries (Total)	America	Asia	Europe	Oceania
1991	114035	25680	1334	82760	4261
1992	111141	23946 (-6.75)	3059 (128.35)	78111 (-0.06)	6025 (41.40)
1993	143435	55396 (131.34)	682 (-77.71)	79857 (2.24)	7500 (24.48)
1994	150575	53295 (-3.79)	1364 (100)	88823 (11.23)	7094 (-5.41)
1995	222484	68027 (27.64)	1618 (18.62)	136637 (53.83)	16203 (128.4)
Average	**148334**	**45269**	**1611**	**93238**	**8217**
1996	236035	94094 (38.32)	1845 (14.03)	131517 (-3.75)	8580 (-47.05)
1997	285390	114966 (22.18)	5215 (182.66)	154987 (17.85)	10222 (19.14)
1998	508743	197345 (71.66)	5159 (-1.07)	296534 (91.33)	9705 (-5.07)
1999	852131	308481 (56.32)	16929 (228.14)	523381 (76.50)	3340 (-65.58)
2000	1138032	380859 (23.46)	15280 (-9.74)	724934 (38.51)	16959 (407.8)
Average	**604066**	**219149**	**8886**	**366271**	**9761**
2001	601041	187183 (-50.85)	8015 (-47.55)	395156 (-45.49)	10687 (-37)
2002	440732	96661 (-48.36)	10823 (35.03)	316728 (-19.85)	16520 (54.58)
2003	369173	60636 (-37.27)	9647 (-10.87)	287238 (-9.31)	11653 (-29.5)
2004	418830	136236 (124.68)	10763 (11.57)	226980 (-20.98)	44851 (284.9)
2005	619171	130545 (-4.18)	7594 (-29.44)	503730 (121.9)	-22697 (-49.4)
Average	**489789**	**122252**	**9368**	**345966**	**12203**
2006	977888	297691 (128.04)	8789 (15.74)	635832 (26.22)	35575 (56.8)
2007	1306818	331181 (11.25)	31348 (256.67)	895753 (40.88)	48535 (36.43)
2008	965113	363397 (9.73)	35300 (12.61)	514975 (-42.51)	51441 (5.99)
2009	602835	174210 (-52.06)	16377 (-53.61)	387825 (-24.69)	24423 (-52.5)
2010	601906	251872 (44.58)	3902 (-76.17)	313100 (-19.27)	33032 (35.24)
Average	**890912**	**283670**	**19143**	**549497**	**38601**
Total (1991-2010)	**10665508**	**3351701**	**195043**	**6774858**	**343909**

Note: The figures in parentheses shows growth rate calculated on year-on-year basis.

Source: www.unctad.org/fdistatistics

CONCLUSION

The overall benefits of FDI for developed country economies are well documented. Given the appropriate home-country policies and a strong level of development, a preponderance of studies shows that FDI triggers technology spillovers, assists human capital formation, contributes to international trade integration, helps create a more competitive b

usiness environment and enhances enterprise development. All of these contribute to higher economic growth and development. In addition to economic benefits, FDI may help improve

environmental and social conditions in the developed countries. The study concludes that developed countries have benefited from FDI inflows and their strong economic base motivated these countries to invest their surplus funds in transition and developing countries which provides abundance opportunities and strong consumer demand and poor infrastructure.

Notes

1 Developed America consists of Canada and United States.

2 Developed Asia consists of Israel and Japan.

3 Developed Europe includes the following economies: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Czechoslovakia, Denmark, Estonia, Faeroe Islands, Finland, France, Germany, Gibraltar, Greece, Holy See, Hungary Iceland, Italy, Latvia, Lithuania, Luxemberg, Malta, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Slovakia, Slovenia, Spain, Sweden, Switzerland and United Kingdom.

4 Developed Oceania consists of Australia and New Zealand.

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