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**FDI into OECD countries jumps 27% in 2005**

Foreign direct investment (FDI) into OECD countries jumped 27% to reach USD 622 billion in 2005, up from USD 491 billion in 2004 and USD 465 billion in 2003, according to the latest estimates from the OECD. These are the highest inflows since 2001 and the near-term outlook for FDI remains strong, with OECD economies forecast to stay buoyant for the rest of 2006.

The United Kingdom was the world's largest recipient of inward FDI in 2005, attracting USD 165 billion of FDI from OECD countries, according to Trends and Recent Developments in Foreign Direct Investment, a new OECD report. This is the largest inward direct investment ever recorded in the UK, and triple the USD 56 billion received in 2004.

The rise in FDI in the UK was due in part to the restructuring of multi-national firms, such as Royal Dutch Shell, and in part due to several large cross-border mergers and acquisitions, such as the takeover of Peninsular & Oriental Steam Navigation Company by Dubai Ports World of the United Arab Emirates for USD 8.2 billion..

(In addition to greenfield investment and mergers and acquisitions, FDI includes reinvested earnings, cross-border loans and capital transactions between related firms. Exchange rate fluctuations had little impact on FDI accounting in 2005, with exchange rates between US dollars, British pounds and the euro little changed from 2004.)

Concerns over security and other strategic interests have arisen in some countries as new major players become outward investors, prompting a number of OECD and other countries to review their FDI regulations. Governments have in some cases sought to discourage foreign takeovers, triggering accusations of protectionism.

The challenge for governments is to find ways to safeguard essential interests while keeping their investment regimes transparent and non-discriminatory. At a national level, countries that have introduced tougher regulations or are perceived to have become less open to foreign investment could put off potential investors and so miss out on investment opportunities. At a global level, this in turn could have larger implications on investment and economic growth.

France was the world's most active outward investor in 2005, with aggregate flows totalling 116 billion. This is largely attributed to a few very large foreign corporate takeovers by companies domiciled in France, with the largest four such transactions valued at a total of USD 48 billion.

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Outside the OECD area, China continues to hit new records. In 2005 its total FDI inflows reached USD 72 billion – their highest level ever, and world wide exceeded only by the United Kingdom and United States. Outward investment from China is also rising. Chinese official figures estimate the 2005 outflows at close to USD 7 billion. Outward investors appear to have broadened their interests, from previously targeting the resource and raw materials sectors to investing in a range of high-tech activities as well.

The report cited above is available on the OECD's website at <http://www.oecd.org/dataoecd/54/58/37010986.pdf> and will be included as a chapter in the upcoming annual publication OECD International Investment Perspectives, due out in September 2006.

For further comment, journalists are invited to contact Hans Christiansen, Senior Economist in OECD's Investment Division, which serves as secretariat to the OECD Investment Committee (tel. + 33 1 45 24 88 17).