



Australia's position in global and bilateral foreign direct investment

At the end of 2013, Australia was the destination for US\$592 billion of global inwards foreign direct investment (FDI), representing 2.3 per cent of global inwards FDI (ranked 14th in the world). Australia was the source of US\$472 billion of global outwards FDI, representing 1.8 per cent of global outwards FDI (ranked 18th). Australia's 2013 share of global combined FDI was significantly higher than its 2013 share of global trade, and slightly higher than its 2013 share of global GDP. New global bilateral FDI data shows Australia's increasing importance as an FDI destination from the perspective of many of our major partner economies. The data shows variation in the reciprocity of Australia's FDI partnerships. The data also shows the increasing prominence of third-party countries and investment hubs as conduits for FDI. Charts at **Attachment A** showing the top 10 ranked FDI inwards and outwards partners for a range of Australia's major trading partners and global investment hubs will be of particular interest for many users.

Overview

This article provides data and analysis of Australia's position in global foreign direct investment (FDI) and in bilateral FDI with its major trading and investment partners¹. This includes:

- analysis of Australia's position in global FDI in 2013, compared to 1993 and 2003;
- analysis of Australia's share of 2013 global FDI compared with 2013 global trade and GDP;
- charts showing top 10 ranked FDI destination and source countries for a range of Australia's major economic partners and investment hub economies;
- comparison of Australia's position in bilateral FDI from the Australian and partner country viewpoints, for a range of Australia's major economic partners; and
- analysis of changes in Australia's share of bilateral FDI in 2012 compared to 2002, from the viewpoint of a range of Australia's major economic partners.

For advice on interpreting and understanding international investment concepts and terminology, refer to the Department of Foreign Affairs and Trade (DFAT) *International Investment 2013* publication at <http://www.dfat.gov.au/publications/stats-pubs/international-investment-australia.html>.

Australia's position in global FDI, 1993 and 2013

Table 1 shows the top 25 global FDI destinations and sources ranked on 2013 FDI (stocks) data.

As at the end of 2013, Australia was the destination for US\$592 billion of global inwards FDI (based on FDI stocks), representing 2.3 per cent of global inwards FDI (ranked 14th in the world). This compares with US\$88 billion (3.4 per cent) in 1993 and US\$237 billion (2.5 per cent) in 2003.

¹ Note that investment *stocks* are the basis for analysis in this paper. The volatility of investment flows data across years can impede meaningful analysis on flows data.

**TABLE 1: AUSTRALIA'S POSITION IN GLOBAL FOREIGN DIRECT INVESTMENT
(US\$ million)**

Country	1993	% share	2003	% share	2013	% share	Rank
Inward stock							
World	2,603,959		9,562,675		25,464,173		
United States	768,398	29.5	2,454,877	25.7	4,935,167	19.4	1
United Kingdom	179,233	6.9	634,534	6.6	1,605,522	6.3	2
Hong Kong (SAR of China)	213,491	8.2	431,561	4.5	1,443,947	5.7	3
France	135,078	5.2	653,105	6.8	1,081,497	4.2	4
China	63,579	2.4	228,371	2.4	956,793	3.8	5
Belgium	..	..	351,499	3.7	924,020	3.6	6
Germany	116,134	4.5	394,529	4.1	851,512	3.3	7
Singapore	41,643	1.6	183,623	1.9	837,652	3.3	8
Switzerland	38,714	1.5	162,233	1.7	747,436	2.9	9
Brazil	54,594	2.1	132,818	1.4	724,644	2.8	10
Spain	80,314	3.1	339,652	3.6	715,994	2.8	11
Netherlands	74,472	2.9	458,224	4.8	670,115	2.6	12
Canada	106,868	4.1	289,140	3.0	644,977	2.5	13
Australia	87,643	3.4	237,481	2.5	591,568	2.3	14
Russian Federation	183	0.0	96,729	1.0	575,658	2.3	15
British Virgin Islands	676	0.0	40,158	0.4	459,342	1.8	16
Italy	53,949	2.1	188,164	2.0	403,747	1.6	17
Mexico	40,600	1.6	163,518	1.7	389,083	1.5	18
Sweden	13,127	0.5	158,983	1.7	378,107	1.5	19
Ireland	41,887	1.6	222,837	2.3	377,696	1.5	20
Poland	2,307	0.1	57,872	0.6	252,037	1.0	21
Indonesia	14,016	0.5	10,328	0.1	230,344	0.9	22
India	2,516	0.1	32,549	0.3	226,748	0.9	23
Chile	18,898	0.7	54,570	0.6	215,452	0.8	24
Saudi Arabia	15,788	0.6	18,512	0.2	208,330	0.8	25
Outward stock							
World	2,768,683		10,033,876		26,312,635		
United States	1,061,299	38.3	2,729,126	27.2	6,349,512	24.1	1
United Kingdom	245,629	8.9	1,233,442	12.3	1,884,819	7.2	2
Germany	186,184	6.7	830,754	8.3	1,710,298	6.5	3
France	158,750	5.7	946,736	9.4	1,637,143	6.2	4
Hong Kong (SAR of China)	39,114	1.4	414,557	4.1	1,352,353	5.1	5
Switzerland	91,571	3.3	341,373	3.4	1,259,369	4.8	6
Netherlands	117,781	4.3	554,818	5.5	1,071,819	4.1	7
Belgium	..	..	306,288	3.1	1,009,000	3.8	8
Japan	259,795	9.4	335,500	3.3	992,901	3.8	9
Canada	92,468	3.3	318,955	3.2	732,417	2.8	10
Spain	24,020	0.9	221,021	2.2	643,226	2.4	11
China	13,768	0.5	33,222	0.3	613,585	2.3	12
Italy	81,068	2.9	202,024	2.0	598,357	2.3	13
British Virgin Islands	7,348	0.3	107,497	1.1	523,287	2.0	14
Ireland	15,569	0.6	73,322	0.7	502,880	1.9	15
Russian Federation	2,301	0.1	90,873	0.9	501,202	1.9	16
Singapore	13,209	0.5	121,264	1.2	497,880	1.9	17
Australia	45,425	1.6	197,667	2.0	471,804	1.8	18
Sweden	45,523	1.6	185,602	1.8	435,964	1.7	19
Brazil	42,688	1.5	54,892	0.5	293,277	1.1	20
Denmark	15,799	0.6	102,608	1.0	256,120	1.0	21
Taiwan	36,989	1.3	84,096	0.8	245,882	0.9	22
Austria	7,974	0.3	55,961	0.6	238,033	0.9	23
Norway	12,610	0.5	57,083	0.6	231,109	0.9	24
Republic of Korea	5,441	0.2	24,990	0.2	219,050	0.8	25

.. Data unavailable or not applicable.

Source: UNCTADstat database.

As at the end of 2013, Australia was the source of US\$472 billion of global outwards FDI (based on FDI stocks), representing 1.8 per cent of global outwards FDI (ranked 18th). This compares with US\$45 billion in 1993 (1.6 per cent) and US\$198 billion in 2003 (2.0 per cent).

The change in Australia's share of global inwards FDI between 1993 (3.4 per cent) and 2013 (2.3 per cent) follows a similar pattern for other advanced western economies (including the United States, United Kingdom, Germany, France, and Canada) and also Hong Kong (SAR of China). This reflects the shift of global FDI towards Asian economies (significantly China and Singapore). Other economies with significantly larger shares of global outwards FDI between 1993 and 2013 include the Russian Federation, Switzerland and the British Virgin Islands.

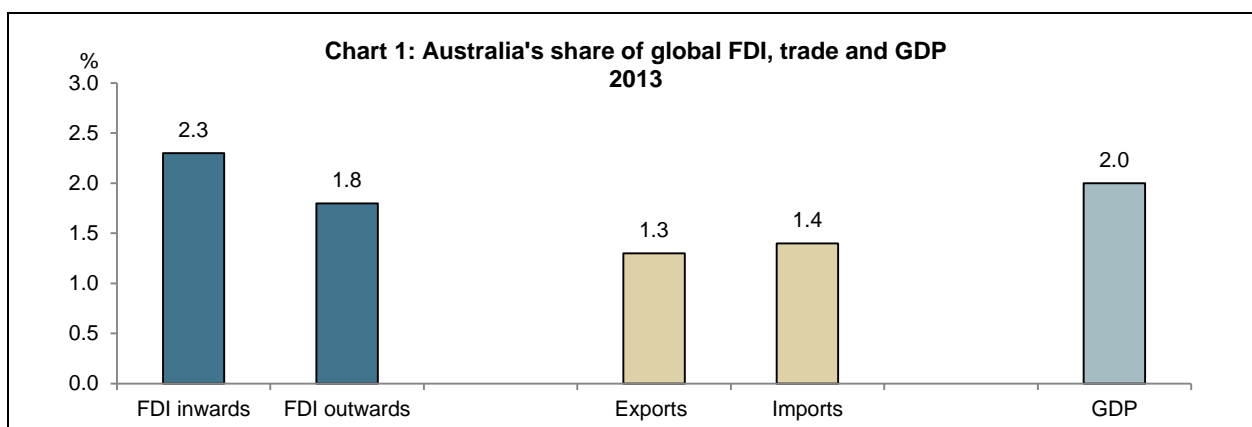
Australia's slight increase in share of global outwards FDI between 1993 (1.6 per cent) and 2013 (1.8 per cent) was at odds with the general trend for developed western economies (the United States, United Kingdom, Germany and Canada shares all decreased). Japan's share of global outwards FDI also decreased significantly (9.4 per cent in 1993 down to 3.8 per cent in 2013). Economies with significantly larger shares of global outwards FDI between 1993 and 2013 include Hong Kong (SAR of China), Spain, China, the British Virgin Islands, the Russian Federation, Ireland and Singapore.

Comparison of Australia's share of global FDI, trade and GDP (2013)

Australia's 2013 position as a global FDI source or destination can be compared with Australia's contributions to global trade and gross domestic product (GDP). In 2013:

- Australia exported US\$309 billion of goods and services, representing 1.3 per cent of global exports (ranked 22nd)²;
- Australia imported US\$319 billion of goods and services, representing 1.4 per cent of global imports (ranked 19th)²;
- Australia's GDP of US\$1,502 billion represented 2.0 per cent of global GDP (ranked 12th)³.

Chart 1 shows Australia's 2013 shares of global FDI inwards and FDI outwards were significantly higher than its 2013 shares of global exports and imports trade, and slightly higher than its 2013 share of global GDP.



Bilateral FDI partnerships for selected economies – 2012

The new *Bilateral FDI Statistics 2014* publication from the United Nations Conference on Trade and Development (UNCTAD) allows for greater analysis of bilateral FDI relationships⁴. This publication provides FDI data up to the 2012 reference year.

Attachment A contains charts on top 10 ranked FDI destinations and sources for selected economies for a selection of Australia's trading partners (including China, Hong Kong [SAR of China], India, Indonesia, Japan,

² Source: Trade statistics database on the WTO website, www.wto.org.

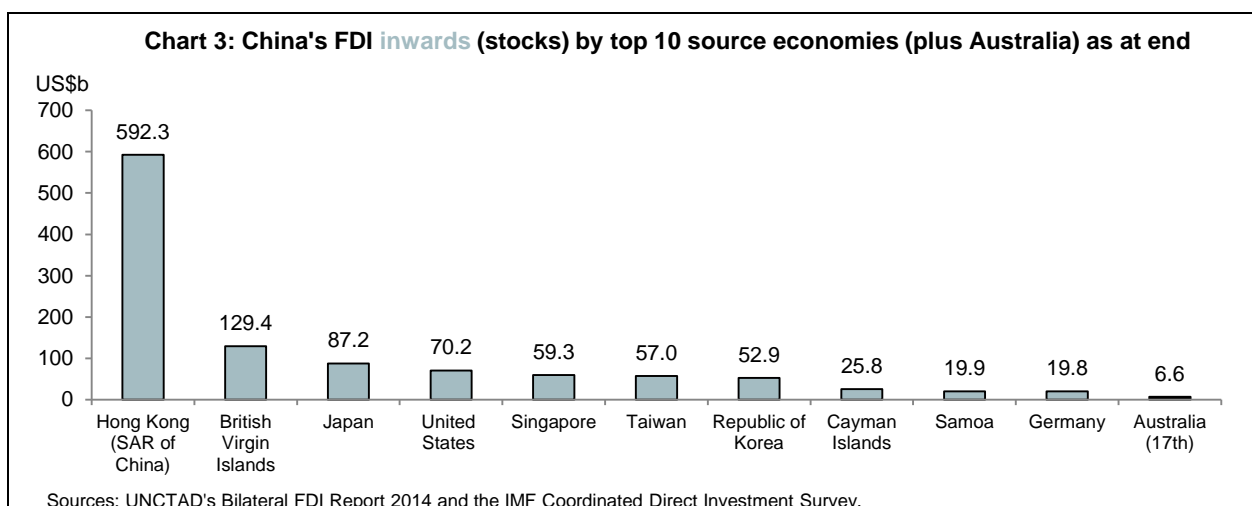
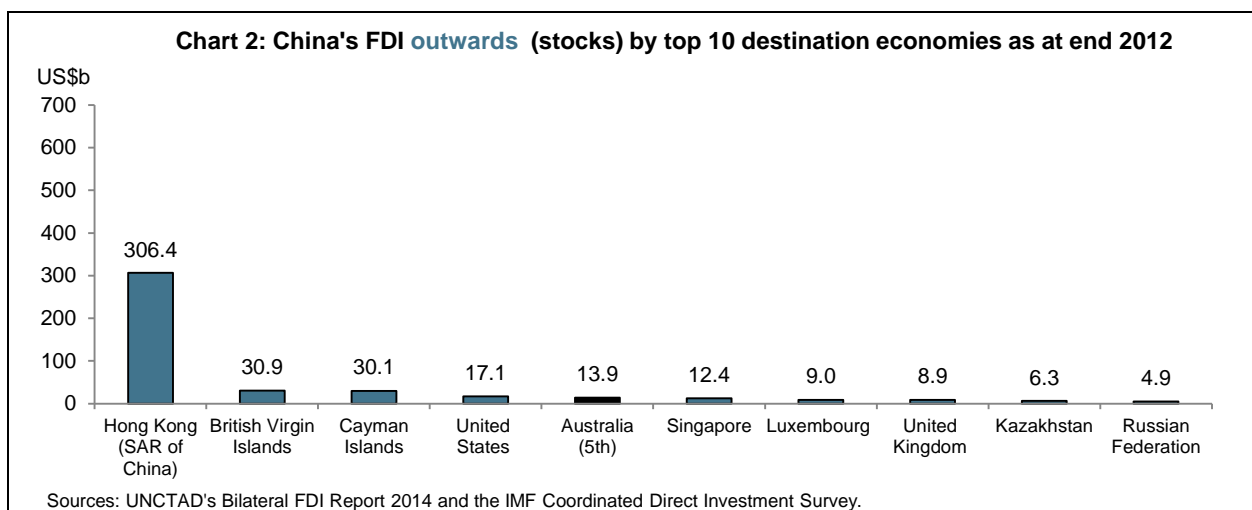
³ Source: International Monetary Fund, World Economic Outlook Database, October 2014, GDP in current price terms (US dollars).

⁴ Previously, data on global bilateral FDI was not available for all countries. The UNCTAD publication is available at <http://unctad.org/en/Pages/DIAE/FDI%20Statistics/FDI-Statistics-Bilateral.aspx>

Malaysia, the Republic of Korea, Singapore, Thailand, United Kingdom, and the United States) as well as investment hubs such as Bermuda, the British Virgin Islands, the Cayman Islands and Mauritius⁵. In most charts, the top 10 partner countries (plus Australia, where data is available) are included. Note that FDI amounts (in US\$ millions) are included above each of the chart columns⁶.

The charts show, for example, that as at the end of 2012 Hong Kong was overwhelmingly the largest destination for China's outwards FDI with US\$306.4 billion, followed by the British Virgin Islands (US\$30.9 billion), Cayman Islands (US\$30.1 billion), the United States (US\$17.1 billion), Australia (US\$13.9 billion) (ranked 5th), and Singapore (US\$12.4 billion). See **Chart 2**.

For China's inwards FDI, Hong Kong was also ranked first with US\$592.3 billion, followed by the British Virgin Islands (US\$129.4 billion), Japan (US\$87.2 billion), United States (US\$70.2 billion), Singapore (US\$59.3 billion) and Taiwan (US\$57.0 billion). Australia ranked 17th with US\$6.6 billion. See **Chart 3**.



Users should note that, although international investment statistics are compiled in accordance with international standards in the *Balance of Payments and International Investment Position Manual, Version 6* (BPM6), reporting economies may have different valuation and surveying methodology which may impact on analysis of FDI data. Also, rankings may be affected by some country-level data being suppressed in line with confidentiality protocols. So, the partner country FDI data and rankings in **Attachment A** and in subsequent sections of this article should be taken as indicative rather than absolute.

⁵ Mauritius is an emerging investment hub, particularly for Indian FDI. Mauritius' two-way FDI is similar in magnitude to the Cayman Islands, and Mauritius is by far the largest source of inwards FDI to India.

⁶ Users should note that the vertical axis in the charts is not consistent across all the selected countries. However, the vertical axis is kept consistent across the pair of charts for each economy, to help highlight the relative size of inwards and outwards FDI.

Users should also exercise care in interpreting international investment data as the data reflects the country of the *immediate* investor, rather than the country of the *ultimate* investor or owner. Further information on international investments through third-party countries is in **Box J** of DFAT's *International Investment 2013* (refer to the link on page 1 of this article).

Comparison of Australia's position in bilateral FDI with major economic partners, from the Australian and partner country viewpoints

The abovementioned UNCTAD publication, along with Australia's FDI data published by the Australian Bureau of Statistics (ABS), allows for comparison of Australia's major FDI partnerships from both an Australian and partner-economy viewpoint⁷.

Table 2 provides comparison of Australia as an FDI *destination* from the Australian and partner country viewpoints for a range of Australia's major economic partners. It provides data on Australia's top 10 ranked FDI sources for 2013 (plus some other economies of interest) including stock of FDI in Australia, ranking and per cent share. For each economy, mirror data (on the 2012 reference period) shows where Australia ranks and its share of outwards FDI from the partner economy's perspective. **Table 3** provides similar data comparing Australia's importance as an FDI *source* from the Australian and partner-country viewpoints.

Partner economy	Partner economy's importance as FDI source from Australia's perspective (a)			Australia's importance as FDI destination from partner economy's perspective (b)	
	A\$ million	Rank	% share	Rank	% share
United States	149,479	1	25.3	10th	3.0
United Kingdom	86,663	2	14.7	5th	3.9
Japan	63,257	3	10.7	4th	5.9
Netherlands	29,371	4	5.0	14th	1.4
Singapore	25,177	5	4.3	4th	8.2
China	20,832	6	3.5	5th	2.6
Virgin Islands, British	np	7	..	5th	3.8
Switzerland	19,096	8	3.2	..	..
Canada	16,576	9	2.8	5th	3.8
Germany	13,775	10	2.3	23rd	1.1
Others of interest					
Malaysia	7,693		1.3	3rd	5.7
Hong Kong (SAR of China)	7,378		1.2	6th	1.2
New Zealand	5,068		0.9	1st	54.2
Thailand	4,637		0.8	13th	2.6
Republic of Korea	1,972		0.3	5th	3.1
India	1,159		0.2	16th	0.9

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(a) Based on ABS catalogue 5352.0. Data is FDI stocks as at end 2013. (b) Based on UNCTAD's Bilateral FDI Report 2014 and the IMF Coordinated Direct Investment Survey. Data is FDI stocks as at end 2012.

Table 2 shows that Australia ranks as an important FDI destination from the perspective of the majority of Australia's top 10 investment sources (Australia is ranked as 5th or higher for the United Kingdom, Japan, Singapore, China, the British Virgin Islands and Canada). Australia also ranks highly for Malaysia, New Zealand and the Republic of Korea. Conversely, Australia ranks as a less important FDI destination from the

⁷ In some cases supplementary data has been sourced from the International Monetary Fund's Coordinated Direct Investment Survey (IMF CDIS).

perspective of the United States (ranked 10th), Netherlands (ranked 14th) and Germany (ranked 23rd)⁸. Australia held a relatively healthy share of outwards FDI for most partner countries (8.2 per cent for Singapore and 5.9 per cent for Japan were the highest, excluding New Zealand).

Table 3 shows that Australia ranks as a less important FDI source from the perspectives of the majority of Australia's top 10 investment destinations: Australia is outside the top 10 for all partners excepting our top ranking for near neighbours New Zealand and Papua New Guinea. Australia held a relatively low share of inwards FDI for most partner countries (1.6 per cent for the United States was the highest, excluding New Zealand and Papua New Guinea).

The data shows, in many cases, an **uneven reciprocal relationship** between an economy's relative importance to Australia as an FDI partner and Australia's relative importance to that economy as an FDI partner. For example, the United States accounted for 25.3 per cent of Australia's inwards FDI at the end of 2013, whilst Australia accounted for just 3.0 per cent of the United States' outwards FDI at the end of 2012. Conversely, New Zealand accounted for 0.9 per cent of Australia's inwards FDI in Australia (2013), while Australia represented 54.2 per cent of New Zealand's outwards FDI (2012). The data also shows Australia is (in general) relatively more important as an FDI destination than as an FDI source⁹.

Partner economy	A\$ million	Partner economy's importance as FDI destination from Australia's perspective (a)		Australia's importance as FDI source from partner economy's perspective (b)	
		Rank	% share	Rank	% share
United States	121,691	1	24.6	12th	1.6
United Kingdom	50,558	2	10.2	13th	1.0
New Zealand	45,871	3	9.3	1st	62.4
Canada	28,814	4	5.8	13th	0.9
Papua New Guinea	17,926	5	3.6	1st	58.1
Germany	12,249	6	2.5	20th	0.4
Indonesia	9,000	7	1.8	19th	0.8
Singapore	8,951	8	1.8	20th	1.4
Brazil	8,099	9	1.6	>20th	0.6
Bermuda	7,108	10	1.4	..	..
Others of interest					
Netherlands	7,018		1.4	23rd	0.5
China	6,350		1.3	17th	0.4
Malaysia	5,858		1.2	10th	2.9
Hong Kong (SAR of China)	3,078		0.6	19th	0.2
India	1,585		0.3	27th	0.2
Fiji	1,142		0.2	..	..
Thailand	883		0.2	17th	0.7
Republic of Korea	534		0.1	17th	1.1
Japan	477		0.1	14th	0.5

.. - not available
(a) Based on ABS catalogue 5352.0. Data is FDI stocks as at end 2013. (b) Based on UNCTAD's Bilateral FDI Report 2014 and the IMF Coordinated Direct Investment Survey. Data is FDI stocks as at end 2012.

⁸ This is not surprising given the United States, Netherlands and Germany are developed economies and established global investors.

⁹ This conclusion is supported by the generally higher rankings and shares in the last 2 columns of **Table 2** relative to those in **Table 3**. The conclusion is also consistent with data in **Table 1** above, showing Australia's rank and share of global inwards FDI is higher than its rank and share of global outwards FDI.

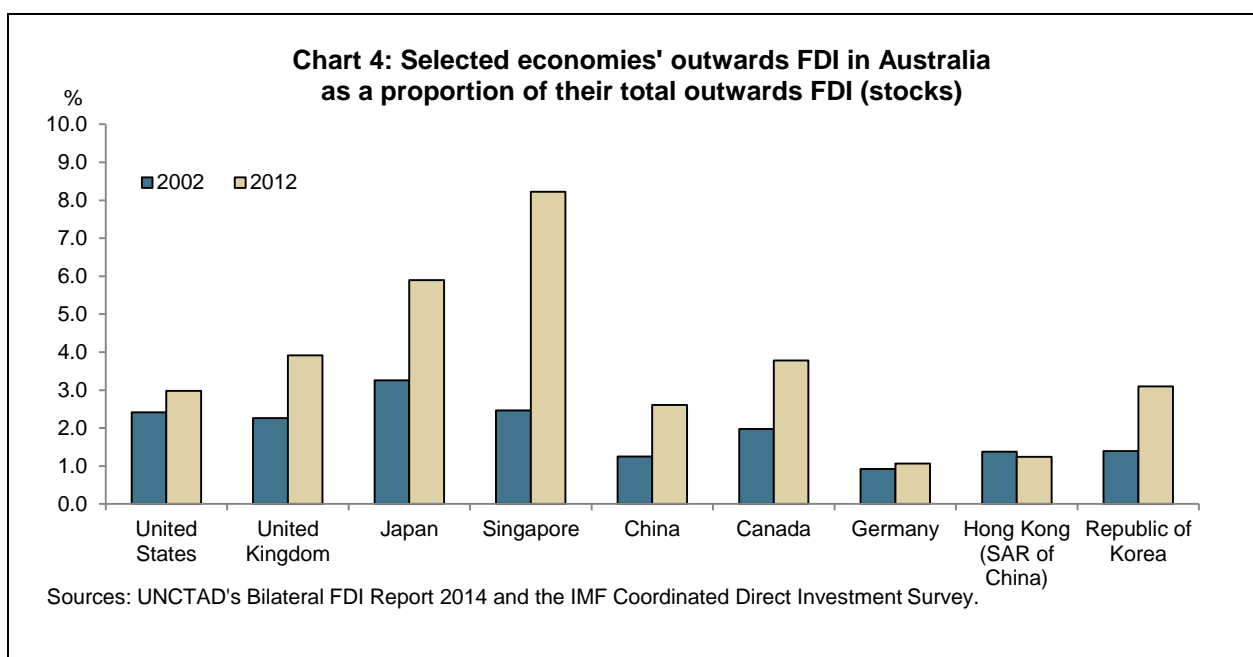
The data above reflects a range of influences affecting bilateral FDI relationships, including colonial and cultural ties, geographic proximity, cost structures, absolute and comparative advantage, supply chain configuration, and economic size differentials:

- The **United States** topped both rankings as Australia's largest FDI source and destination, with around 25 per cent of both of Australia's inwards and outwards FDI at the end of 2013. Australia's share of US outwards FDI was 3.0 per cent (ranked 10th), and Australia's share of FDI in the US was 1.6 per cent (ranked 12th) as at the end of 2012.
- The **United Kingdom** has historically been a large source of and destination for Australia's FDI, consistent with our historic ties. The United Kingdom represented 14.7 per cent and 10.2 per cent of Australia's inwards and outwards FDI respectively (ranked 2nd on both for 2013). Australia had 3.9 per cent (ranked 5th) and 1.0 per cent (ranked 13th) share of the UK's outwards and inwards FDI respectively (2012).
- **Japan** provided 10.7 per cent of Australia's inwards FDI (valued at \$63 billion and ranked third in 2013). Australia was also an important destination for FDI abroad from Japan's perspective (with 5.9 per cent, valued at \$62 billion, ranked 4th in 2012). Australian FDI in Japan was of lesser importance from Australia's viewpoint (ranking outside the top 10 with just 0.1 per cent in 2013), and also from Japan's viewpoint. This reflects the relative absence of greenfield, and merger and acquisition investment opportunities in Japan.
- The **Netherlands** was a relatively important FDI source and destination from Australia's perspective with 5.0 per cent (ranked 4th) and 1.4 per cent (ranked just outside the top 10) respectively at the end of 2013. Australia represented a lower share of Netherlands inwards and outwards FDI from the Netherlands perspective.
- From Australia's perspective, inwards FDI from **Singapore** ranked 5th with 4.3 per cent (2013). From Singapore's perspective, Australia was its 4th largest outwards FDI destination with 8.3 per cent of Singapore's global outwards FDI (2012). Singapore was relatively important as a destination for Australian FDI (ranked 8th with 1.8 per cent in 2013), although Australia was less important as an FDI source from Singapore's perspective (Australia ranked 20th as an FDI source as at the end of 2012).
- **China**, an increasingly important source of inwards FDI to Australia, was ranked 6th in 2013 with 3.5 per cent. Australia was China's 5th ranked FDI destination in 2012 with 2.6 per cent of China's global outwards FDI. Australia's FDI in China was 1.3 per cent of Australia's outward FDI in 2013, whereas this represented 0.4 per cent of global FDI in China.
- In line with our cultural ties, geographic proximity and relatively free people movements, Australia was overwhelmingly the largest destination for **New Zealand** outwards FDI (with 54.2 per cent as at end of 2012). Similarly, Australia provided the majority share of New Zealand's inwards FDI (62.4 per cent, 2012). New Zealand was Australia's 3rd largest FDI destination with 9.3 per cent (2013). Conversely, New Zealand was a relatively minor FDI source from Australia's perspective (with just 0.9 per cent of Australia's FDI inwards as at the end of 2013).
- Australia was the largest source of inwards FDI to **Papua New Guinea** with 58.1 per cent (2012). Papua New Guinea was Australia's 5th ranked FDI destination, with 3.6 per cent of Australia's global outwards FDI (2013).
- Australia was **Malaysia's** 3rd largest destination for outwards FDI with 5.7 per cent of Malaysia's global outwards FDI (2012). From Australia's perspective, Malaysia represented 1.3 per cent of inwards FDI and 1.2 per cent of outwards FDI in 2013.
- Australia was the **Republic of Korea's** 5th largest destination for outwards FDI with 3.1 per cent of Korea's global outwards FDI (2012). From Australia's perspective, this represented less than 1.0 per cent of inwards FDI.

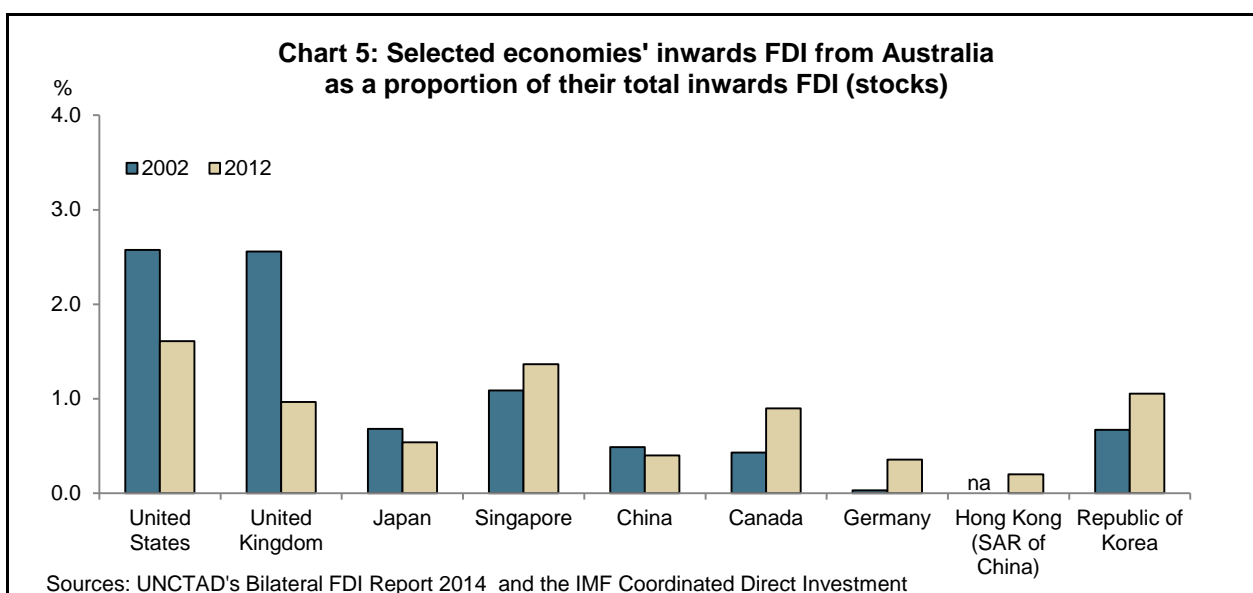
Changes in Australia's share of bilateral FDI 2002-2012 from a partner country viewpoint

Chart 4 provides information on the changes in Australia's share of outwards FDI between 2002 to 2012, from the perspective of selected investment partners.

Similarly, **Chart 5** provides information on the changes in Australia's share of inwards FDI between 2002 to 2012, from the partner country perspective¹⁰.



Australia's share of outwards FDI increased for most partner economies in **Chart 4** between 2002 and 2012. Of particular significance is the strong increase in Australia's share of outwards FDI from Singapore. Australia accounted for 2.5 per cent of Singapore's outwards FDI in 2002, rising to 8.2 per cent in 2012. Similarly, Australia's share of outwards FDI from Japan increased from 3.3 per cent in 2002 to 5.9 per cent in 2012. From Australia's policy perspective, these trends are a positive endorsement of Australia's standing as an attractive investment destination from the perspective of our FDI partners¹¹.



The decline in Australia's share of inwards FDI for the United States (from 2.6 per cent in 2002 down to 1.6 per cent in 2012) and the United Kingdom (2.6 per cent in 2002 down to 1.0 per cent in 2012) (**Chart 5**)

¹⁰ Note that New Zealand and Papua New Guinea (PNG) are not included in these charts, due to data gaps for PNG outwards FDI and also the dominance of Australia as both a FDI destination and source for these countries.

¹¹ Expansion of this analysis across a wider range of Australia's partner countries would be interesting (perhaps in a future version of this article), although this may be impacted by data availability for some economies.

reflects changes in the global investment market. Emerging economies have increased their share of FDI to the United States and United Kingdom, while Australia has looked increasingly to FDI opportunities in emerging regional economies (particularly Singapore, Hong Kong [SAR of China] and the Republic of Korea). Interestingly, Australia's share of global FDI in Germany and Canada increased during the period 2002 to 2012.

Conclusions

In 2013, Australia was an important source and destination for global FDI, consistent with its contributions to global trade and GDP. Analysis of Australia's bilateral FDI relationships shows in many cases an uneven reciprocal relationship between an economy's relative importance to Australia as an FDI partner and Australia's relative importance to that economy as an FDI partner. Australia ranks as an important FDI destination from the perspective of the majority of Australia's top 10 inwards FDI sources, and as a relatively less important FDI source from the perspective of Australia's major outwards FDI destinations. Australia attracted an increasing share of inwards FDI from many of its major FDI partners between 2002 and 2012, which highlights Australia's standing as an attractive investment destination.

Further information

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Attachment A: Bilateral FDI by selected economies, 2012

