

OECD REVIEWS ON
FOREIGN
DIRECT INVESTMENT

SWEDEN

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Foreword

This report examines Sweden's foreign direct investment policies. It is part of a new series of country examinations carried out jointly by the OECD Committee on Capital Movements and Invisible Transactions and the Committee on International Investment and Multinational Enterprises. These two committees, whose members are officials from ministries of finance, commerce, trade and industry, and from central banks, promote liberal, non-discriminatory foreign investment policies through the OECD Codes of Liberalisation and the National Treatment Instrument.

The report has been reviewed and adopted by both committees and was derestricted by the OECD Council on 8 March 1993. Factual updating has been made through November 1992.

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Introduction

The Swedish government has fundamentally reorientated its foreign direct investment (FDI) policies, moving away from a complex system of overlapping governmental and private restrictions towards a more open and liberal regime. The most fundamental recent initiative has been easing restrictions on foreign ownership of Swedish firms: foreign investors are no longer required to get permission to acquire shares in Swedish firms beyond certain levels, and legislation was enacted at the end of 1992 to prohibit discriminatory rules in company by-laws on share ownership. In addition to fewer restrictions on foreign ownership of Swedish companies, foreigners will also be freer to create and transact their own business in Sweden. On 1 July 1992 foreigners were no longer required to get permission to transact business in Sweden.

Sector restrictions have also been reduced or dropped: restrictions on foreign investment in real estate have been removed or narrowed, national security restrictions have been limited to investment in arms and munitions, and the banking and financial sectors have largely been opened to full-fledged competition. Remaining formal governmental restrictions are essentially confined to fishing, transport, and communications. Importantly, the far-reaching liberalisation of Sweden's FDI policies is being applied *erga omnes*, which means that it is applied equally to all foreign investors.

Despite these liberalisations, certain barriers to market entry - while non-discriminatory in the application between residents and non-residents - may have the practical effect of deterring foreign investment. These impediments, which are not formally subject to the OECD instruments' liberalisation commitments, include a wide-ranging system of concessions and authorisations in the transport and communication sectors, the extent of closely-held company shares, and the level of concentration of Swedish industry.

Foreign direct investment, especially Swedish investment abroad, has played a relatively important role for the Swedish economy in the 1980s, and is expected to play an even more important role in the 1990s. Over the period 1980-90, Swedish outward direct investment flows as a percent of GDP were the highest in the OECD area at 3.2 per cent; the next largest shares are found in the United Kingdom (2.75 per cent), the Netherlands (2.6 per cent) and Switzerland (2.5 per cent). Foreign direct investment inflows however were only the 13th highest at 0.6 per cent, higher none the less than in Japan, Germany, Finland, Denmark, Canada and Austria. As in some other OECD member countries, the persistent excess of FDI outflows over inflows has been a feature of the Swedish economy. Equally interesting for Sweden during the 1980s was the relatively small amount of FDI going to and coming from North America, and the relatively low level of greenfield investment.

This study is organised as follows: FDI's role in Sweden's economy and Sweden's policies toward FDI are examined in Chapters 1 and 2. Chapter 3 then provides concluding comments and the prospect of future liberalisations within Sweden. There are four Annexes. Annex 1 explains the nature and role of the OECD instruments in promoting liberal FDI policies, and details Sweden's position with respect to these agreements as a result of its recent examination. Annexes 2 and 3 provide a recent chronology of main events affecting FDI in Sweden and other references. Annex 4 contains statistics on direct investment flows in OECD countries.

Chapter 1

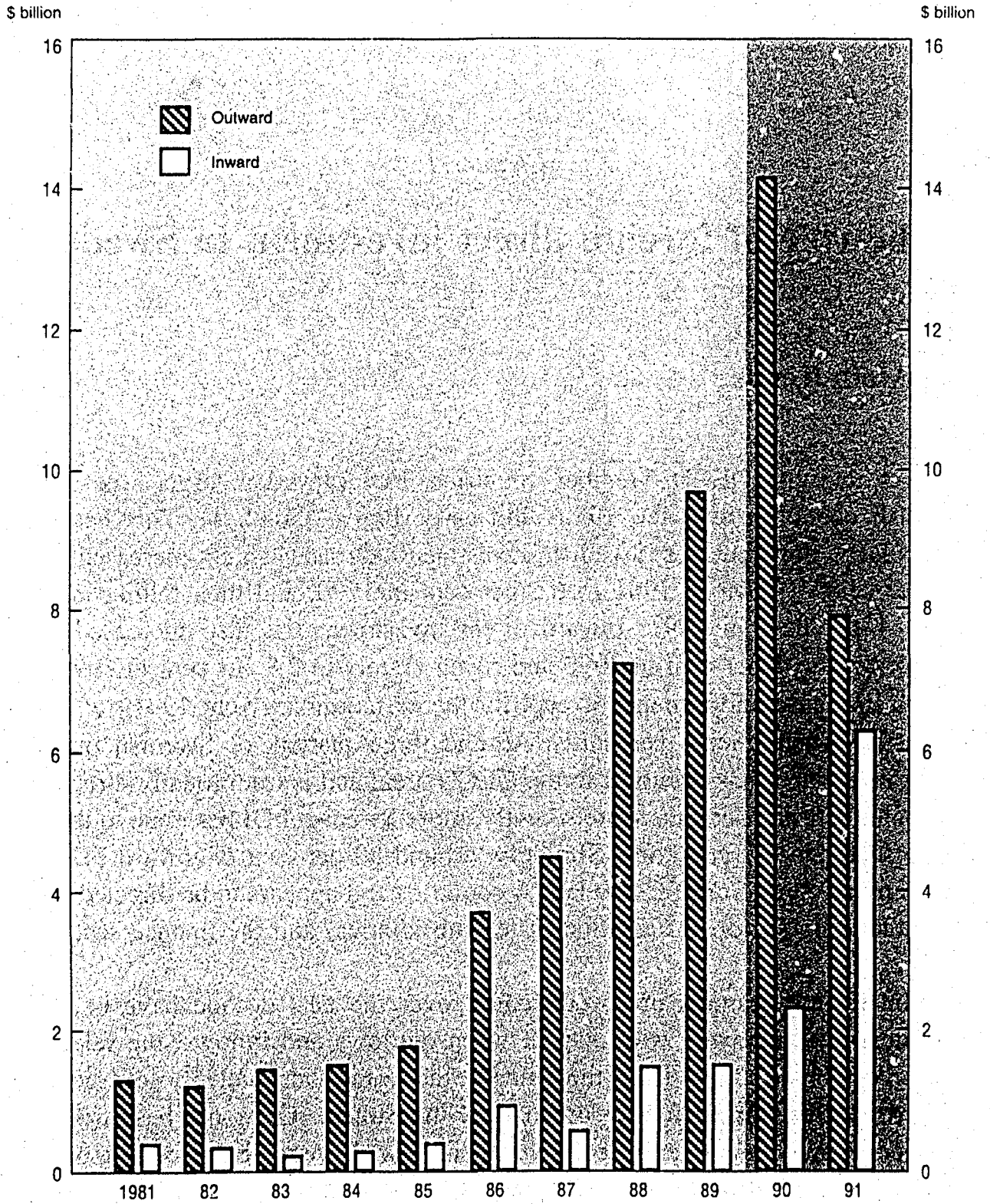
The role of foreign direct investment in Sweden

1. Main trends

As in most OECD Member countries, FDI played a larger role in the Swedish economy over the 1980s and early 1990s (Graph 1). This has been particularly apparent for Swedish investment abroad, which increased from 1.2 per cent of GDP in 1981 to 6.2 per cent in 1990, and then falling back to about 4 per cent in 1991. Inward direct investment has also increased from 0.4 per cent to 1 per cent in 1990 and rising steeply to 2.8 per cent in 1991, but from a low base and remains, except for the extraordinary year 1991, relatively modest by international standards. Around three-quarters of Swedish outward direct investment has occurred in the OECD area, and is traditionally directed to the manufacturing sectors. More recently, more Swedish FDI has gone to the real estate sector in EC countries. Similarly, around 80 per cent of inward FDI into Sweden has come from EC and EFTA countries and appears to be directed to the manufacturing sector, distribution (sales subsidiaries) and the finance sector.

Interesting features of Swedish FDI over the past decade have been the persistent and relatively wide gap between outflows and inflows, the relatively low level of investment from the United States, and the relatively low share of inward FDI accounted for by green field investment. On a net basis (inflows minus outflows) moreover, direct investment flows have not behaved as a balancing item in the balance of payments over the last five years; rather, net outflows tend to fluctuate in direct relationship with the swings in the current account deficit (Table 1).

Graph 1. International direct investment from and to Sweden
1981-1991



Source: OECD/DAF - Balance of payments figures converted to \$ at average daily exchange rate.

Table 1. **Balance of payments¹**
SKr billion

	1987	1988	1989	1990	1991
Exports of goods ²	278.4	301.9	329.1	336.9	330.3
Imports of goods ²	255.9	278.4	314.0	322.1	297.8
Trade Account	22.5	23.5	15.1	14.8	32.5
Transport, net	11.3	10.7	11.3	11.2	12.7
Travelling, net	-11.1	-13.6	-15.6	-19.0	-20.5
Other non-factor services, net	-4.7	-4.4	-4.4	-7.0	-1.6
Total non-factor services, net	-4.5	-7.3	-8.7	-14.8	-9.4
Investment income, net ¹	-9.7	-10.6	-14.3	-24.5	-24.1
<i>of which:</i>					
Interest income	-18.6	-21.2	-27.8	-42.2	-43.7
Dividends	2.0	2.2	2.1	6.7	6.9
Transfers, net	-8.8	-10.0	-13.2	-13.5	-12.2
Current account ¹	-0.7	-4.4	-21.2	-37.9	-13.2
Direct investment, net	-24.8	-35.1	-52.6	-69.7	-16.3
Other private capital flows, net	29.5	62.6	129.3	165.1	44.8
Total private capital flows, net	4.7	27.5	76.7	95.4	28.5
Government net borrowing abroad	1.8	-12.3	-12.5	-13.9	-18.0
<i>Memorandum items:</i>					
Terms of trade (change in per cent)	-1.2	1.1	0.9	-1.1	1.4
Exchange reserves, stock at end of year	50.3	53.7	60.7	103.8	99.7

1. Investment income contains non-repatriated earnings from direct investments in accordance with the new statistical practice adopted in 1990.

2. Including corrections to trade statistics.

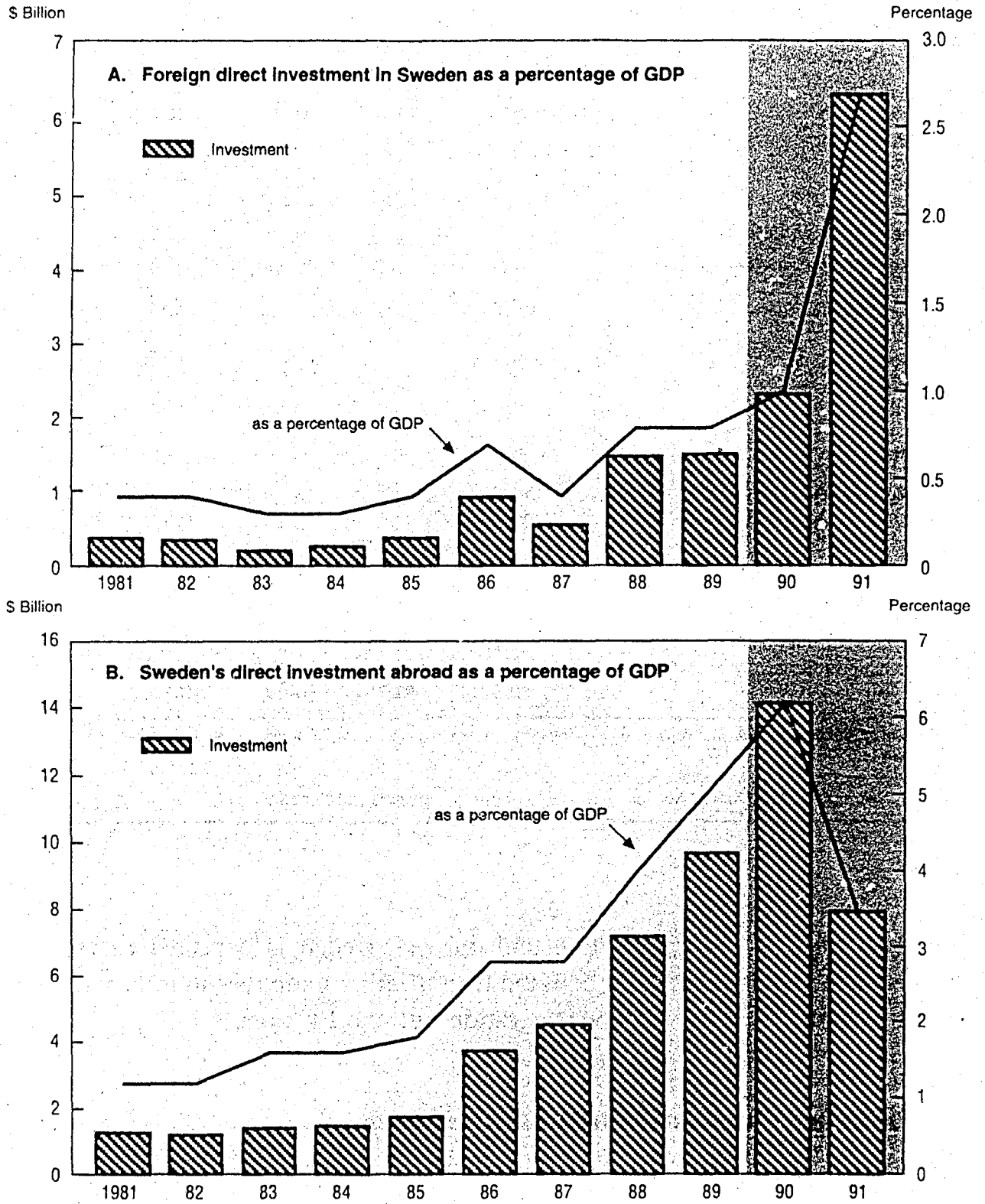
Source: Submission from Sveriges Riksbank, Swedish Ministry of Industry and Commerce.

Foreign direct investment in and out of Sweden is expected to increase further in the 1990s, reflecting both the liberalisation initiatives introduced by the Swedish authorities and greater integration into the EC area.

2. Foreign direct investment into Sweden

Foreign direct investment in Sweden as measured by FDI statistics* has been modest, both in relation to outflows and to GDP (Graph 2). In nominal terms, FDI in Sweden did grow somewhat during the decade: from \$0.3 billion in

Graph 2. Direct investment flows to and from Sweden as a percentage of GDP



Source: OECD/DAF.

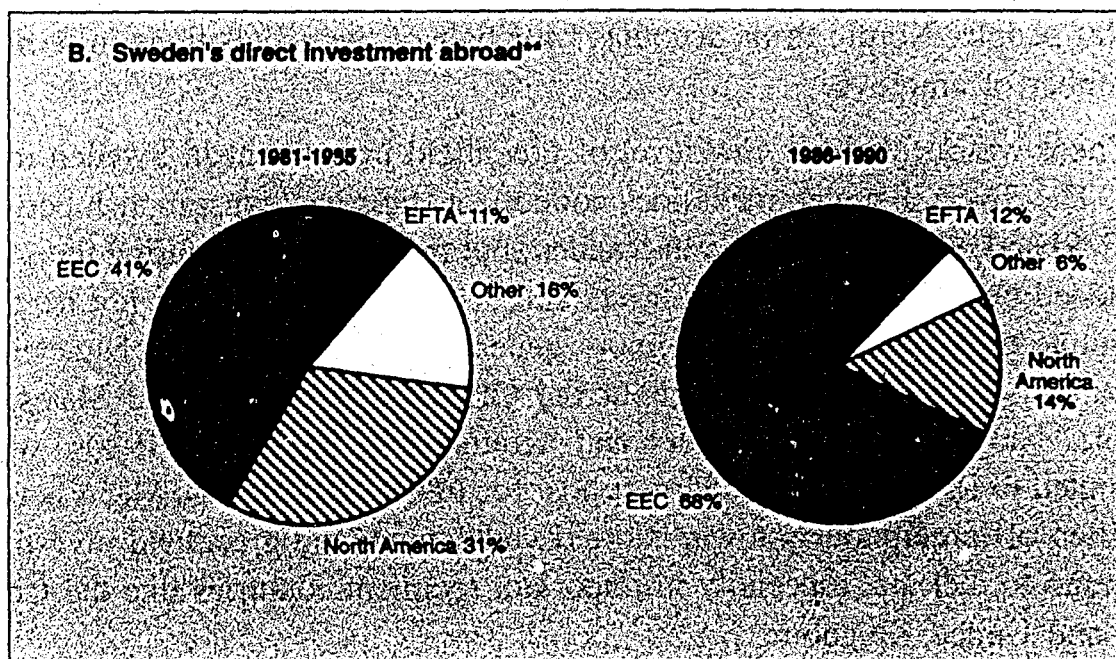
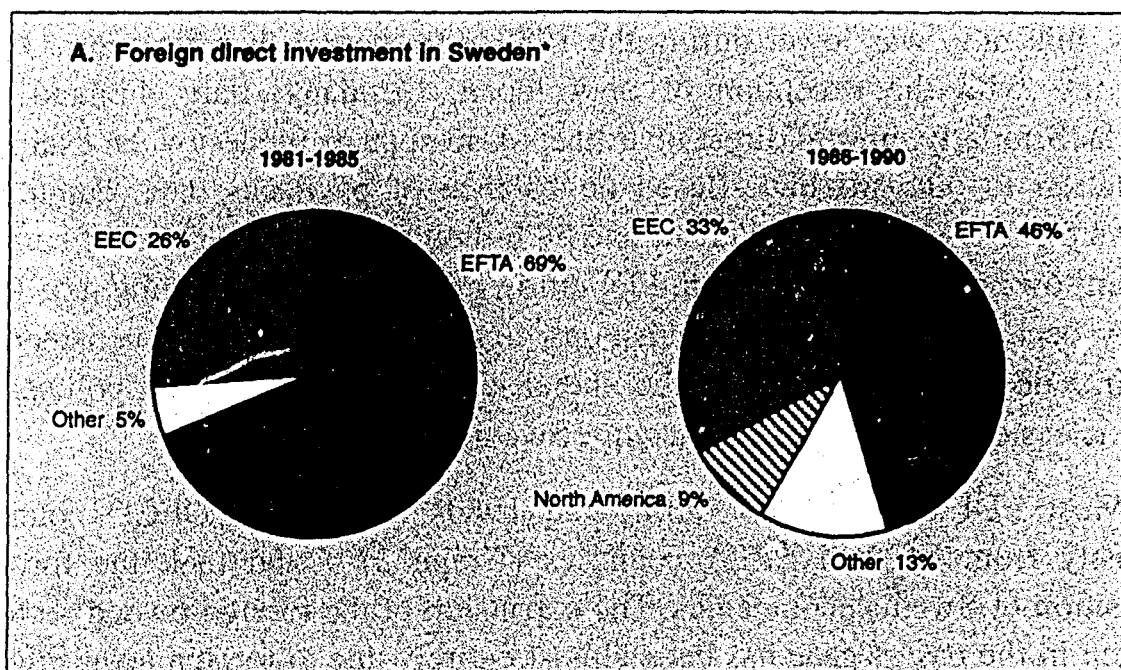
1981 to around \$2.2 billion in 1990. As a proportion of GDP however, Sweden's inward direct investment remained fairly steady throughout the 1970s and 1980s. Although Sweden's inward FDI/GDP ratio increased in the latter part of the 1980s, this ratio was lower during the 1980-1990 period than for most OECD countries, with the exception of only Japan, Germany, Italy, Finland, and Canada. Similarly, inward direct investment also appears modest when examined in relation to outward FDI. Based on balance of payments data, cumulative inflows from 1981-1990 totalled around \$8 billion or only 20 per cent of cumulative outflows of about \$40 billion. FDI inflows rose steeply to \$7 billion in 1991, mainly because of two large acquisitions, and might therefore be considered a one-time development, although the liberalisation of Sweden's FDI policies did make it easier for foreigners to acquire Swedish companies.

Most FDI into Sweden during the 1980s came from OECD countries – mostly from EC and EFTA countries (Graph 3) – and took the form of acquisition of Swedish companies. The expansion of the foreign-owned sector in Sweden in the past decade has been almost entirely due to foreign acquisition of Swedish firms. Between 1980 and 1990 foreigners acquired on a majority basis 925 Swedish firms, which at the time of the acquisitions employed about 150 000 people. Nordic firms accounted for half of the acquisitions in terms of the number of employees.

There was a relatively low level of greenfield investment in Sweden in the 1980s. The Swedish government does not collect statistics to distinguish between greenfield and other investments in Sweden, but most FDI there during the 1980s had indeed been made through mergers and acquisitions. This was not necessarily unique to Sweden, but was a more general development that characterised FDI patterns in the 1980s throughout the OECD area. The United States, for example, had seen major mergers and acquisitions during the 1980s, which contributed to its becoming the largest host for FDI. Nevertheless, M&A activity had fallen off precipitously towards the decade's end, and greenfield investment had begun to pick up, especially in important recipient countries like the United States and United Kingdom.

* Any investment constituting over 10 per cent of the share capital of a company is considered a direct investment in Sweden. Inter-company loans, except long-term loans not funded through wholly-owned financial subsidiaries abroad, are not included in the FDI statistics, but retained earnings are, except when investments are distributed among countries and industries.

Graph 3. Geographical distribution of direct investment flows to and from Sweden
1981-1985 and 1986-1990



* Excluding reinvested earnings, which cannot be determined by country.

** Excluding reinvested earnings, which cannot be determined according to geographic destination.

Source: OECD/DAF.

A feature of international investment to Sweden during the 1980s is the relatively small amounts coming from North America. Only about 5 per cent of FDI in Sweden came from North America during this period, with the large majority of investment coming from European countries. In fact, European countries were both the largest host and home for Sweden's FDI during the 1980s. EFTA countries dominated by accounting for more than half of the total investments, while almost one third was coming from EC-countries; in 1990 and 1991 EC-countries' investors accounted for 60 per cent and 90 per cent of the direct investments into Sweden. Japanese investment in Sweden is negligible.

About 80 per cent of all foreign investment going into Sweden from 1981-1990 came from EC and EFTA countries. North American investment constituted only a very small part of the total foreign investment in Sweden over the same period, some 5 per cent. This is smaller than the EFTA average of 50 per cent. The main investors in Sweden during the last few years have been, in addition to the Nordic countries, Switzerland, France, Germany, the United Kingdom. Foreign direct investment inflows are expected to increase further in the decade of the 1990s, in part because of liberalisation of establishment regulations and also because of Sweden's plans to join the EC.

The extent of foreign investment in Sweden can be illustrated by the number of employees in foreign-owned businesses there. Available information shows a significant increase in the number of employees in foreign companies in Sweden during the 1980s. In 1991 almost 230 000 people worked in enterprises owned 50 per cent or more by foreign-based companies, compared to 114 000 in 1980. This constitutes about 10 per cent of total private sector employment in Sweden (Table 2). In manufacturing the number of employees in foreign majority-owned subsidiaries increasing by 80 000 people during the 1981-1990 period. By 1991 employees in foreign-owned manufacturing companies in Sweden numbered about 130 000, representing 16 per cent of total employment in that industry compared to 6 per cent in 1980.

Swiss subsidiaries have been the largest foreign employer since the Asea-Brown Boveri merger in 1989, employing some 45 000 people or almost one-fifth of the foreign-owned sector. Finland is ranked next, employing 16 per cent of the foreign-owned sector, followed by the United States with 14 per cent. US subsidiaries' relative importance as foreign employer decreased in the 1980s, while Finland's and Norway's increased. Major industrial countries such as

Table 2. Foreign majority-owned companies in various business sectors: 1980, 1990 and 1991
Number of companies and employees

	1980		1990		1991		
	Number of employees	Share of employment in the sector (per cent)	Number of employees	Share of employment in the sector (per cent)	Number of companies	Number of employees	Share of employment in the sector (per cent)
Agriculture, forestry electric works, construction (ISIC 1,4 et 5)	2 187	1	7 303	3	89	6 980	2
Mining and manufacturing (ISIC 2 + 3) of which:	56 082	6	123 886	14	696	133 639	16
Food (31)	8 693	12	13 645	19	43	13 279	19
Textiles and clothing (32)	2 053	8	1 562	6	28	2 703	12
Wood working (33)	456	1	1 648	3	26	1 212	2
Pulp and paper and printing (34)	2 973	3	9 310	8	57	8 637	8
Chemicals (35)	8 595	12	17 289	25	120	18 141	28
Non-metallic minerals (36)	1 910	8	7 703	33	28	7 106	30
Iron, Steel and metal-working (37)	1 895	5	2 364	6	15	4 367	11
Engineering (38)	28 572	69 166	16	358	76 701	18	
Wholesale Trade (ISIC 61)	35 392	19	37 790	20	11 069	40 746	21
Retail business, hotels and restaurants (ISIC 62 + 63)	4 058	1	6 059	2	86	6 807	2
Transport ⁷	8 160	3	13 026	5	148	13 431	5
Business services ⁸	5 100	2	12 641	5	496	13 860	5
Other services ⁹	3 193	3	5 330	4	73	14 140	11
Total	114 172	5	206 035	9	2 657	229 603	10

Source: The Central Register of Enterprises, Statistics, Sweden.

Japan and Italy are negligible employers in Sweden, accounting for less than 1 per cent of the foreign-owned sector.

In the manufacturing industry, foreign ownership as a percentage of equity and total capital had increased from around 5 per cent in 1980 to around 10 per cent in 1989. In terms of company turnover, there was a corresponding increase in foreign ownership in the manufacturing industry; from 1980 to 1989 foreign ownership had increased from 7.8 per cent to 15 per cent of companies' turnover.

3. Sweden's direct investment abroad

Sweden's direct investment abroad, most of which goes to OECD countries, and in particular EEC countries, grew in the 1980s six or seven times its level of the seventies, mostly due to very large investments in 1989 and 1990. This is much higher than the OECD countries' average, whose annual outward investment flows in the 1980s doubled the level of the seventies. Based on balance of payments data, cumulative outward flows from Sweden (excluding reinvested earnings) rose from \$4.6 billion in the 1971-1980 period to around \$40 billion in the 1981-1991 period, of which the last three years accounted for two thirds of these investments. This year-on-year growth was nearly uninterrupted, with a fall only in 1991. The fall of outward flows (including reinvested earnings) in 1991 (\$9.5 billion) from 1990 levels (\$14 billion) may be explained by two large acquisitions that took place in 1990, but it should also be noted that FDI growth slowed generally in the OECD area during 1991.

Sweden's outward direct investment took an especially strong upturn in the latter half of the 1980s. Starting in 1986, when outward FDI had risen to almost \$4 billion from less than \$2 billion the year before, outward flows rose to \$4.5 billion in 1987, \$7 billion in 1988, almost \$10 billion in 1989, and over \$14 billion in 1990. The deregulation of exchange controls in 1989 and the abolition of restrictions on real estate abroad partly account for the increase in Swedish investment abroad during the second part of the 1980s.

Another reason for Sweden's unusually large FDI outflows, most of which goes to the EEC (Graph 3), is the exceptionally high concentration of very large multinational corporations there. Seventeen of the 500 biggest industrial companies in the world are Swedish, and these companies have since the 1960s been

moving into foreign markets – mostly in Europe and in the USA – investing abroad and establishing distribution and other networks.

About 75 per cent of Sweden's investments during the latter part of the 1980s were made in OECD countries, with more and more of this investment going to the European Community as the decade's end approached. This pattern had already begun in the early 1980s, but it gathered momentum as the decade wore on. By 1990 approximately 55 per cent of Sweden's investment stock was located in the EC. This was in line with a general trend among Sweden's EFTA partners, who were also investing more and more in the EC: in the 1986-1990 period more than half (51 per cent) the EFTA countries' FDI was made in the EC, with 13 per cent going to North America and almost 11 per cent to other EFTA countries.

Sweden's outward investment flows to the EFTA countries had been small relative to its flows to the EEC during the 1980s, in part because of the differences in the size of the markets. Swedish companies have a long history of investing in EFTA and EEC markets, however, and it could be slightly misleading to look only at statistics over the last ten years. An examination of the statistics over the long term would reveal a substantial volume of Swedish investment in the EFTA countries.

The total employment in subsidiaries abroad at Swedish companies totalled 590 000 persons in 1990, of which Swedish industrial groups employed slightly more than 500 000 people in their foreign subsidiaries, which was a 50 per cent increase over the 1980 level. Almost all of the growth took place in the latter part of the 80s and was partly due to acquisitions. About half of Sweden's employees abroad are in subsidiaries in the EC, a share which has remained steady throughout the decade. The share in North America is 20 per cent, Nordic countries 10 per cent, and the rest (20 per cent) are employed mainly in subsidiaries in Latin America and Asia.

Concerning the sectors into which Swedish companies were investing abroad over the course of the 1980s, it would appear, based on the number of employees in Swedish subsidiaries broad, that manufacturing industries have traditionally accounted for the largest share (89 per cent), with engineering accounting for a very substantial share (62 per cent) of all employees abroad.

There was a shift in Sweden's foreign investment toward the end of the 1980s, however, reflecting a broader movement away from manufacturing towards more investment in services. Manufacturing industry's share of total overseas investment, as measured by FDI statistics, played a smaller role, while other business sectors, especially property management, increased their direct investment abroad very rapidly. Indeed, a very substantial increase in the total direct investment in 1989 was accounted for by Swedish investment in overseas properties, and by 1991 the purchase of foreign real estate had reached \$6 billion.

Up to the late 1980s there were exchange controls on Swedish investment abroad in real estate, and the abolition of these controls on 1 January 1989 gave Swedish investors the opportunity to invest in foreign real estate. Swedish investors, enjoying surplus liquidity and facing high domestic real estate prices, invested large amounts in various European markets, with the expectation that real estate prices would continue to rise.

Sweden's FDI outflows represent a more important part of its gross domestic product than for most OECD countries. FDI abroad was about 2 per cent of Sweden's GDP during the first half of the 1980s, but by 1990 this figure had jumped to 6 per cent, before falling to just over 3 per cent in 1991 (Graph 2). This represents a much larger share than the OECD average, which was less than one per cent for the same period. The next largest shares in the outward FDI/GDP ratios are found in the United Kingdom (2.8 per cent), the Netherlands (2.6 per cent), and Switzerland (2.5 per cent).

Chapter 2

Sweden's foreign direct investment policies

Sweden's traditional approach to direct investment from abroad was rather restrictive. A complex system of overlapping public and private rules and regulations acted as formal barriers to foreign investment in Sweden. Laws that allowed Swedish companies to restrict foreigners from acquiring their shares, laws that required foreigners to get permission to transact business in Sweden, and a system of concessions and authorisations all made investing in Sweden somewhat difficult, even though there was a wave of foreign acquisitions in Sweden in the 1980s.

FDI was seen in the 1970s and 1980s as generally positive, but there were concerns about foreign acquisitions of Swedish firms. This concern was centered around the possibility that the acquired firm's competitive activities could be hampered or transferred abroad by the parent company. Laws governing foreign acquisition of Swedish firms were therefore based on the need to try and avoid the supposedly negative effects of foreign investment, while at the same time reaping the benefits. The 1982 Law on Foreign Acquisition of Swedish Firms, whereby foreigners had to get permission to acquire shares exceeding 10, 20, 40, or 50 per cent of the share capital or voting strength in a Swedish company, was designed with this in mind.

By the late 1980s doubts were raised about the effectiveness and desirability of controlling foreign acquisition of Swedish companies, in part because the rules were rather vague and follow-up was weak. It was also argued that control over acquisitions was impossible in the long run in an internationalised economy, and that it would eventually lead to decreasing efficiency in Sweden. Finally, the problems associated with foreign investment were seen to have been exaggerated,

and confused with more fundamental structural changes which are always a part of a market economy.

These considerations have led to changes in attitude and legislation on FDI in Sweden. The Swedish authorities have also undertaken reforms to improve the business regulatory environment that will benefit investment inflows, and are looking for ways to ensure wider ownership in Swedish industry, which they feel will increase competitive pressures and lead to greater efficiency. FDI liberalisation was also related to Sweden's participation in the European Economic Area and possible membership in the EEC, but reflects changes which had started long before EEA and EEC membership became factors.

The law requiring foreigners to get permission to acquire shares or holdings in Swedish firms has been abolished, and the real estate rules have been changed so that foreigners can now acquire commercial real estate and land for mining in Sweden. The abolition on 1 July 1992 of the law that required foreigners to get permission to transact business in Sweden makes it easier for foreigners to invest there in any form, including greenfield investments which have been modest. And changes in the laws that allow Swedish companies to restrict non-residents from acquiring shares have made for a more open regime for foreign mergers and take-overs.

The regime for foreigners in financial services has been liberalised, too. A bill passed by the Swedish Parliament that entered into force on 1st August 1991 allows foreign brokerage firms, joint stock companies, and co-operative mortgage institutions to establish branches in Sweden on equal terms with domestic firms. Banks had already been given this opportunity one year earlier.

The fundamental changes that have taken place in Sweden's FDI regime make Sweden's investment policies comparable to those in other OECD countries; nevertheless, there remain a number of practical impediments to direct investment in Sweden. These include a fairly extensive, though non-discriminatory, system of concessions and authorisations needed to engage in many activities there, and the dominance of a few, very large players in certain sectors like construction and wholesale grocery trade.

1. General issues

a) General authorisation/Notification procedures

Acquisitions of shares of most Swedish corporations above certain levels of equity capital had, until recently, required authorisation from the Swedish authorities. Until January 1992 authorisation was required to acquire shares in Swedish corporations exceeding 10, 20, 40, or 50 per cent of the share capital, or the votes by foreign corporations or Swedish corporations without a "foreign ownership restriction clause" in their articles of association. Permission was also required to acquire shares in Swedish partnerships by foreign or Swedish corporations that did not have a so-called "foreigners clause". This measure applied to all sectors except insurance, where no restrictions applied.

The abolition in January 1992 of the Law on Foreign Acquisition of Swedish Firms did away with these restrictions. Foreign investors are no longer required to get permission to acquire shares in Swedish companies, irrespective of the kind of property owned by the company (for example, real estate property). This change marks an important liberalisation of Sweden's regime for inward direct investment.

Another important aspect of Sweden's authorisation procedures for inward foreign investment is covered under the Law on Right for Foreigners to Transact Business in Sweden. This law stipulates that foreign citizens and corporations must have permission to transact business in Sweden, and also regulates the conditions under which business should be transacted. The law was abolished on 1 July 1992 and replaced by a new law requiring only a non-discriminatory registration procedure.

Limitations on the right of establishment are seen to have negative effects on competition, and increased foreign competition is considered important in the effort to strengthen the Swedish economy. In addition, the European Economic Area (EEA) Agreement and future membership in the EEC will make it impossible for Sweden to maintain laws on establishment which are contrary to EC rules and regulations.

b) Concessions and authorisations

Concessions and authorisations can have the same effect as monopolies in restricting foreign competition, particularly if they are consistently given to domestic firms, or if foreign enterprises are not in a position to vie for them. To the extent that opportunities do arise for new participants, foreign investors may be unfamiliar with the system for securing concessions and authorisations, or there may be a tendency to favour local or national companies over foreign companies with whom local authorities are less familiar.

In Sweden, as in other OECD countries, concessions and authorisations must be granted to engage in some economic activities. These activities in Sweden include road, rail, air and sea transportation, restaurants and hotels, and accounting and health services. While there is no legal prohibition against foreigners participating in these activities, the practical effect of the system for concessions and authorisations has, in some cases, limited entry of new participants.

In the transportation sector, for example, entry barriers in the form of concession rights still hamper competition in the markets for inter-regional transportation (except for trucking). Most of this sector remains highly concentrated and largely closed, and concession rights are generally not granted to foreign enterprises, even though there is no discrimination on the basis of nationality. In air and maritime transport, on the other hand, permits have been granted to foreign companies, usually on the basis of existing bilateral agreements.

Sweden's system of concessions and authorisations in accounting and health services is under review to bring it into line with the EEA Agreement. All citizens from EEA countries will have to meet special requirements in order to receive permission to engage in accounting and health services in Sweden. The reasons are related to the need to maintain high standards in these two fields, which is not uncommon in OECD countries.

On accounting there is no nationality requirement, although certain requirements such as a diploma and other certifications are needed, as is generally the case in other countries. Foreign accounting companies are free to establish in Sweden and many have. On health services Sweden's National Board of Health and Welfare is responsible for reviewing the qualifications of permit applicants.

On restaurants and hotels, owners need permission to serve alcoholic beverages. In order to obtain such permission the hotel or restaurant owner must know enough Swedish to understand the Swedish legislation on alcohol. This requirement does not seem to have had a discriminatory effect since the majority of restaurants in the Stockholm area are run by foreigners.

c) Corporate organisation

Three laws in Sweden allowed corporations to include in their by-laws clauses that were essentially used to restrict foreign acquisition of shares in Swedish companies. The Swedish Companies Act, the Swedish Banking Companies Act, and the Swedish Insurance Business Act allowed corporations to have in their by-laws rules stipulating that all or part of the shares in the company may not be acquired by any person who is not a Swedish citizen. The company's shareholders were free to decide whether to retain or remove these clauses, but for banks, other credit institutions, and insurance companies any change in the company by-laws needed to be confirmed by the Swedish authorities.

The Swedish Parliament decided in December 1992 that the laws on restricted shares be repealed on 1 January 1993, and that clauses in corporate by-laws dealing with restricted shares should cease to be valid at that time.

The repeal of these laws on restricted shares and of the clauses in corporate by-laws dealing with such shares is an important development in liberalising FDI in Sweden. In effect, the Swedish government has taken action against company laws that are discriminatory, and has reduced by statute informal restrictions that could effectively shut out foreign investment. The fact that the Swedish Parliament has legislated against such private practices could in itself constitute an important precedent for the regulation of FDI, and provides a possible avenue for the future strengthening of the obligations of the OECD instruments in this area.

As of 1 January 1991, there were no government-imposed nationality requirements for directors of foreign-controlled limited corporations. Half of the board of directors and the managing director must be resident in Sweden, however. This requirement can be waived in special cases. The Swedish government planned to present a bill to the Parliament to change the resident requirement and prescribe that half the members of the board of directors and the managing director of foreign-controlled corporations be resident in the European Economic Area. This proposal, which is designed to comply with the EEA Agreement, will

be discussed by the Parliament and should become law the same day the EEA Agreement enters into force.

d) Other rules, regulations

Various regulations, restrictions, and requirements have the effect, if not the intent, of frustrating foreign investors. Often these rules are not aimed at foreigners specifically but apply to all enterprises; their practical impact, however, falls more heavily and sometimes exclusively on the foreign investor.

In the construction business in Sweden, for example, there are special rules for foreigners, and a tight web of regulations limits competition in all stages of the building process. Foreigners seem to be particularly discouraged by licensing requirements, restrictions on the use of their own machines and equipment in Sweden, residence and work permit requirements for foreign workers (except Nordics), and requirements to pay Swedish salaries, insurance, and certain union fees, even for foreign workers. While there are no special rules restricting foreign construction companies from using their own equipment in Sweden, there are requirements for testing and certification of certain machines and equipment. These regulations apply to all companies, however, irrespective of origin, and are not directed against foreign companies. But the collective effect of these regulations seems to have stifled the entry of foreign contractors in Sweden, of which there are very.

Retail sales is another area where foreigners may have been at a disadvantage because of various rules. The Building and Planning Act gives local authorities the power to allocate land for various purposes and impose ceilings on shop floor space. This protected small retailers but made it more difficult for foreign companies to apply their scale economies. The Swedish authorities, recognising that there was not enough foreign competition in this sector, revised the law in April 1992 to address this problem. Under the revised Act local authorities' power in allocating property is limited, so that they can no longer stipulate all details concerning the way shops will be used, and decisions on floor space and other allocations cannot be made if they harm competition.

e) Private practices

Barriers to market entry can result from the ownership and control structure in certain industries, particularly those characterised by a high degree of concen-

tration. The three biggest construction companies in Sweden, for example, all of which rank in the top twenty largest building corporations in Europe, account for half of all building activity in Sweden. The markets for cement and for reinforced steel, too, are not subject to much competition, and are in fact dominated by a single producer. The wholesale grocery trade is another activity that is highly concentrated and largely closed: three large wholesalers control 75 per cent of the super market and grocery trade. And in the beverage sector, exclusive agreements and discount arrangements between breweries and wholesalers, retailers, and restaurants hinder new entry.

The Swedish authorities recognise the dominance of a few, very large players in the construction sector and in the wholesale grocery trade in Sweden, and that regulations prohibit national but especially foreign competition in both of these activities. In the food sector, for example, tariffs affect food imports. In construction, regulations on technical standards for building materials, building norms, rent regulations, and special subsidies stifle foreign competition. Foreign participation in these sectors is quite low, and entry barriers hamper competition, but the Swedish authorities are making efforts to deregulate these sectors and open markets to greater competition, including foreign competition. There is a proposal for a new act on competition, which is aligned on the corresponding EC rules.

In the beverage sector, the Swedish Wine and Liquor Company has a total monopoly on imports, exports and production of alcoholic beverages, while another state company has total retail rights for all alcoholic beverages. No plans are foreseen to change this.

f) National security

Sweden has very few restrictions on FDI for national security purposes, and those that exist are strictly limited to foreign investment in arms and munitions.

When the Swedish Parliament abolished the Law on Foreign Acquisition of Swedish Firms on 1 January 1992, the Act concerning Control of Manufacture of Military Equipment and related matters was also changed. Under the revised law a government permit to produce munitions in Sweden may be given only to companies whose by-laws restrict foreign ownership to less than 20 per cent of the voting rights and less than 40 per cent of the capital. The Government may grant a permit in special cases, as in recent years when such permits were given

to two foreign-controlled enterprises that were incorporated as Swedish companies.

A proposal was submitted to the Parliament in June 1992 to abolish using company by-laws to restrict foreign ownership of Swedish companies involved in the manufacture of arms and munitions. The proposal stipulates that permission will be needed to produce defence equipment, and that such permission may be conditioned on the extent of foreign ownership in the company. The 40 per cent foreign ownership limit will not be retained after next year according to the new proposal, but there will still be the possibility to limit foreign ownership in defence industries.

g) Monopolies

Monopolies limit participation in the activities they cover, and can have the effect of frustrating foreign investment and stifling competition. While there is no discriminatory legislation with respect to foreign investment in monopolised activities, access to them is, by definition, closed. In many OECD countries monopolies are being or have already been broken up, and private competitors, including foreigners, are free to engage in activities that were formerly monopolised.

A number of activities in Sweden are under monopolies. Segments of the telecommunications, energy, water and transportation industries are government monopolies, even though more and more of these activities are being opened to competition. Local networks of electricity, water and sewage are often operated by companies owned by local authorities, but many of these, too, are being opened to competition.

Sweden also has statutory monopolies for the sale of pharmaceuticals and alcoholic beverages, and for running lotteries and delivering standard letters. Job placement is also a monopoly, but the Ministry of Labour is proposing to abolish it by 1 July 1993 at the latest. Private employment agencies will complement the public ones in an effort to improve the functioning of the labour markets. An authorisation will likely be required to operate an employment agency, but there will probably not be any discrimination between Swedes and foreigners in granting such authorisation. There are no plans to abolish the monopolies on the retail sale of pharmaceuticals and in the distilling, import, and retail sale of alcoholic beverages, mainly because of political and social factors.

The Swedish government has recognised the need to open its economy to competition, including foreign competition, and has embarked on a programme to enhance competition's role in promoting efficiency and economic growth. Part of this effort includes re-evaluating the role of monopolies and exposing them to market forces.

h) Privatisation

The transfer of public enterprises to the private sector is an important element of the economic programme of the government that took office in October 1991. The Government has already announced the partial or complete sale of its shares in 35 companies, all of which are operating in competitive markets. Indeed, a decision has been made to begin the privatisation programme by selling off only those units or groups of enterprises operating under commercial conditions in competitive markets. Public enterprises whose activities contain monopolistic elements will not be put up for sale until they have been restructured and are able to operate in a competitive environment.

An important objective of the privatisation programme is wide share ownership, and the public and employees in Sweden will be given particular attention concerning the subscription of shares and acquisition of stakes in privatised companies. In certain circumstances, however, a privatised company may be sold directly to another company in cases where it would achieve an industrially appropriate structure.

Indeed, every sale of a government enterprise will be treated on its own merits; no one set of principles will apply to every privatisation, but generally, the public and employees in Sweden and abroad will be given particular attention when it comes to share subscriptions. Sometimes the initial offer of shares in state companies will be directed only to the general public in Sweden and not to private citizens abroad, reflecting a desire to spread ownership to the Swedish public; thus, shares will not always be made available to foreigners and non-residents on the same terms and conditions as Swedes. Swedes who buy shares, however, will be allowed to re-sell them freely to foreigners or non-residents.

No restrictions will be placed on foreign acquisition of the privatised company's shares, except in special circumstances applicable to the production of war munitions.

The Swedish authorities do not at present intend to keep permanently any "golden" or other shares in privatised companies, nor is there any intention at present to maintain a government or Swedish interest in these companies or to keep seats on the board of directors. Taking into account that every sale will be decided on its own merits, however, a sale may very much be arranged following a step by step procedure, gradually loosening government control.

2. Sectoral issues

Sweden's sector restrictions on inward direct investment are in the primary and service sectors. As in a number of other OECD countries, foreign investment in air and maritime transport and communications, and commercial fishing are subject to restrictions.

The restrictions on foreign investment in real estate have been narrowed significantly. Restrictions in mining have been removed, as have the restrictions in banking and financial services. Restrictions on foreign establishment of enterprises engaged in credit information activities were abolished on 1 January 1993.

a) Real estate

At the same time as the Law on Foreign Acquisition of Swedish firms was abolished, the Law of Foreign Acquisition of Real Property was changed to allow greater foreign participation in the real estate sector. Under the old law aliens and foreign corporations had to get a special permit to acquire real property. Although the practice was liberal, this represented an impediment to foreign direct investment throughout the Swedish economy. With the changes in the law, foreigners no longer had to get permission to acquire real estate intended for commercial use in industry, including mining, or for rent as offices, commercial premises or blocks of flats. This further marked Sweden's shift towards greater receptivity of foreign investment in what had been, and in many OECD countries remains, a sensitive sector.

The reasons behind the decision to change the real estate law to allow greater foreign participation in this sector were similar to those for changing the law on foreign acquisitions. Under the new law non-residents and resident foreign-controlled enterprises would be treated the same. In addition, foreign acqui-

sition of real property for use in industry are made in the same way as domestic acquisitions; those restrictions on foreigners that remain were withdrawn on 1 January 1993, with the exception for secondary residences.

b) Mining

The change in the Law on Foreign Acquisition of Real Property also lifted restrictions on foreign investment in mining. Whereas before, foreign companies needed a license to obtain rights to explore and exploit claimable mineral deposits, or to acquire such rights, the new law makes it clear that there are no longer any restrictions for foreigners in the mining sector. Under the new law foreigners will be free to engage in all mining activities, including exploration and development, under the same terms and conditions as Swedes, and they will also be free to acquire Swedish firms engaged in mining activities.

c) Banking, insurance and financial services

Legislation came into force on 1 August 1991 that enabled foreign financial institutions other than banks to establish branches in Sweden on equal terms with domestic firms. The most recent liberalisation of foreign investment in banking and financial services followed the abolition of the Law on Foreign Acquisition of Swedish Firms in January 1992. Foreign acquisition of shares in Swedish banks and other credit institutions above certain thresholds are no longer subject to government permission, marking another important opening for foreigners into Sweden's banking and financial sector. In insurance, permission has never been required for foreigners to acquire holdings in Swedish insurance companies.

The Credit Information Act restricted trade in credit information services to Swedish persons and legal entities registered in Sweden, the by-laws of which limited foreign ownership to less than 40 per cent of the capital and 20 per cent of the voting rights. These rules were reviewed in late 1992, and however, the Parliament abolished the restrictions on foreign establishment in this field on 1 January 1993.

EEC directives in the financial sector, once the EEA Agreement comes into force, will raise important questions about how Sweden might honour its non-discrimination obligations under the OECD Capital Movements Code. More specifically, the question involves reciprocity toward third countries which could result from the application of EC Directives in this field.

d) Maritime transport

In principle, a ship is considered Swedish and may be registered in Sweden if a Swedish subject or "Swedish legal person" owns more than 50 per cent of it. A "Swedish legal person" is any separate entity incorporated under the laws of Sweden. This fulfils the "genuine link" requirement between the ship's owner and Sweden. In addition, only Swedish vessels are entitled to carry out coastal shipping between Swedish ports (Foreign ships may be authorised to do so on the basis of agreements with the ships' home countries, or on the basis of a special permit. Sweden also has bilateral agreements in this field). A foreign company or any other foreign subject that complies with these requirements could create a Swedish corporate entity. A vessel owned by such an entity would qualify as a Swedish vessel and could engage in cabotage in Sweden.

Cabotage is reserved to vessels flying the national flag, which a ship can only fly if its majority owner is Swedish.

e) Air transport

Certain provisions regarding traffic rights refer to the nationality of the aircraft under Swedish and international law. An aircraft may be registered in Sweden only if it is owned by the Swedish government, a Swedish municipality, Swedish citizens, or a Swedish legal person. Exemptions may be granted from these restrictions only if the aircraft, as a rule, is used outside Sweden or if provided for under bilateral agreements. As from 1 July 1992, competition between domestic airlines is allowed, but there are no plans at present to open this to foreigners.

Unlike the situation regarding maritime cabotage, the Swedish Civil Aviation Act lays down a number of prerequisites with regard to ownership and representation on decision-making bodies of entities that may be authorised to carry out air transport cabotage and non-scheduled air transport. The reason given by the Swedish authorities for the current restrictions on foreign ownership, and in general, the provisions barring foreign subjects from carrying out air cabotage and international air transport (except as provided by international agreements or special derogations) is that similar regimes exist in most countries. A number of measures have been taken and are being contemplated, however, to

liberalise the air transport market in Sweden, but none of these measures would affect the nationality criteria described above.

It was recognised that international principles governing investment in airlines have a long history, in particular the need to show a "genuine link" between the owner of the airline and the country whose flag it was flying (the "Chicago Convention"). But it was also pointed out that OECD countries are liberalising their rules on foreign investment in airlines, and that more and more foreign investment was possible in this sector. It was also said the Chicago Convention might be amended to reflect these changes in the airlines industry, and that this might allow for greater foreign participation in Sweden and elsewhere.

The Swedish authorities have not considered it necessary to amend any of Sweden's rules on foreign investment in the airline industry to comply with the requirements of the EEA agreement.

f) Commercial fishing

The fishing regulations from the Law on Acquisition of Swedish Firms have been maintained and will be transferred to another law. These regulations concern the right of foreign citizens or foreign-owned companies to fish in Swedish waters, and provide that a legal entity owned 50 per cent or more by foreign citizens must get permission to fish in Swedish waters. These regulations will be kept in force during a two-year transitional period under the EEA agreement.

Chapter 3

Conclusion

The far-reaching liberalisation of Sweden's FDI policies is a welcome sign of its ongoing commitment to OECD agreements regarding free and non-discriminatory policies in this area. With growing economic integration between OECD member countries, foreign access to ownership of Swedish enterprises is rightly easier today than it had been at the turn of the decade. This should help in boosting inward FDI in Sweden from what have appeared historically low levels, at least in relation to its outflows and its GDP. Such investment, where and when profitable opportunities arise, can only be of benefit to all parties concerned. Sweden has recognised the value of FDI in boosting competition and promoting economic efficiency.

Notwithstanding the impressive liberalisation already achieved, Sweden is to be encouraged further down the liberalisation path. Indeed, proposed legislation to prohibit companies from restricting, on the basis of nationality, ownership of company shares and to de-restrict foreign trade in credit information services were important steps in strengthening Sweden's openness to FDI. The Swedish authorities are encouraged to take steps to further increase opportunities for foreign participation in sectors where concessions, authorisations and monopolies may still unduly frustrate market entry, such as in transport and communications. More generally, as Sweden implements the undertakings under regional agreements, especially the European Economic Area, the authorities are encouraged to pursue the liberalisation of foreign direct investment on an *erga omnes* basis, as policy statements thus far suggest will be the case.

Annex 1

Sweden's current position under the Code of Liberalisation of Capital Movements and the National Treatment Instrument

Introduction

As a signatory to the OECD Code of Liberalisation of Capital Movements (the Code) and the National Treatment Instrument (NTI), Sweden has undertaken a number of obligations in the foreign direct investment field. This annex highlights the main provisions of these instruments as well as Sweden's position under them.

The OECD commitments

The Code and the NTI are the two main instruments for co-operation among OECD member countries in the field of foreign direct investment.

The Code, which has the legal status of OECD Council Decisions and is binding on all Member countries, covers the main aspects of the right of establishment for non-resident enterprises and requires OECD members to progressively liberalise their investment regimes on a non-discriminatory basis and treat resident and non-resident investors alike.

The NTI is a "policy commitment" by Member countries to accord to established foreign-controlled enterprises treatment no less favourable than that accorded to domestic enterprises in like situations. While the NTI is a non-binding agreement among OECD Member countries, all measures constituting exceptions to this principle and any other measures which have a bearing on it must be reported to the OECD.

Member countries need not, however, liberalise all their restrictions upon adherence to the above instruments. Rather, the goal of full liberalisation is to be achieved progressively over time. Accordingly, members unable to fully liberalise are permitted to maintain "reservations" to the Code of Capital Movements and "exceptions" to the NTI for outstanding foreign investment restrictions. These limitations to the liberalisation obligations may be lodged at the time a member adheres to the Codes, whenever specific obligations begin to apply to a member, or whenever new obligations are added to the instruments.

The investment obligations of the Code and the NTI are, in fact, complementary, both dealing with the laws, policies and practices of Member countries in the field of

direct investment. However, the Code addresses the subject from the point of view of non-resident investors in an OECD host country, while the NTI is concerned with the rights of established foreign-controlled enterprises. Limitations on non-resident (as opposed to resident) investors affecting the enterprises' operations and other requirements set at the time of entry or establishment are covered by the Code. The investment operations of foreign-controlled enterprises after entry, including new investment, is covered by the National Treatment Instrument.

Measures pertaining to **subsidiaries** fall under the purview of the Code or the NTI, depending on whether they set conditions on entry/establishment or concern the activities of foreign-controlled enterprises already established. As to **branches**, the *1991 review of the OECD Declaration and Decisions on international investment and multinational enterprises* introduced a distinction between "direct" branches of non-resident enterprises and "indirect" branches, that is branches of already established foreign-controlled enterprises. The latter are subject to all the five categories of measures covered by the NTI (investment by established enterprises, government procurement, official aids and subsidies, access to local financing and tax obligations). The investment activities of "direct" branches of non-resident enterprises, which concerns the category of measures covered by the NTI, fall however, exclusively under the purview of the Code.

The Committee on Capital Movements and Invisible Transactions and the Committee on International Investment and Multinational Enterprises together conduct country examinations of Member country measures covered by these OECD commitments. These examinations involve a face to face discussion between representatives of the two Committees and experts from the country being examined. The discussion is based on submission by the Member concerned and a document prepared by the Secretariat. The objective is to clarify the nature and purpose of remaining restrictions and to identify possible areas for further liberalisation. The examinations usually conclude with modifications to the Member country's position, and recommendations by the OECD Council to the Member's authorities concerning the future direction of the country's foreign direct investment policies.

Sweden's position under the Code and the National Treatment Instrument

Since joining the Code in 1961 and the NTI in 1976, Swedish restrictions in the foreign direct investment field have been the subject of reservations and exceptions. Since then, however, these reservations and exceptions have been significantly narrowed to reflect new measures of liberalisation and the result of excessive OECD examinations. These adjustments have been particularly significant since the mid 80s when Sweden embarked on a gradual programme of liberalisation which have culminated with the measures reported in this publication (see also chapter 2 of the publication entitled *International Direct Investment: Policies and Trends in the 1980s*, OECD, 1992).

In the course of the examination carried out by the CMIT and CIME in mid-1992, Sweden proposed a substantial limitation the scope of these reservations and exceptions. As shown in the attached list, these are now essentially confined to the sectors of fishing, transport and communications. In doing so, Sweden agreed to a higher level of obliga-

tions under the instruments and to work from this base in considering further liberalisation.

a) Sweden's reservations on inward direct investment under the Capital Movements Code

“List A, Direct investment:
I/A

– In the country concerned by non-residents.

Remark: The reservation applies only to:

- i) Acquisition of freehold and leasehold rights to real property for use other than;
 - a) in industry, including mining, or
 - b) for rent as offices, commercial premises, or blocks of residential flats;
- ii) Establishment or acquisition of shares in firms engaged in credit information services;
- iii) Acquisition of aircraft registered in Sweden except through an enterprise incorporated in Sweden. Investment to carry out air cabotage and international air transport;
- iv) Acquisition of 50 per cent or more of Swedish flag vessels, except through an enterprise incorporated in Sweden;
- v) Investment, whether directly or indirectly through residents, in other fields of transport and in communications, unless a license, concession, or other similar authorisation is granted;
- vi) Establishment of, or acquisition of 50 per cent or more of shares in firms engaged in commercial fishing activities in Swedish waters unless a permission is granted.”

b) List of measures reported as exceptions to National Treatment Instrument

A. Exceptions at national level

I. Investment by established foreign-controlled enterprises

Real estate

Aliens and foreign corporations must have a special permit to acquire real property according to the Law on Foreign Acquisition of Real Property. Permission is not required

for real property for commercial use in industry, including mining, or for rent as offices, commercial premises or blocks of residential flats.

Fishing

A legal entity, owned up to 50 per cent or more by foreign citizens, is subject to permission for having the right to pursue commercial fishing activities in Swedish waters without holding a private fishing right.

Financial services

In principle, permit to engage in credit information activities is not granted to foreign companies, or to Swedish corporations not having a foreigner's clause in their articles of association.

Air transport

Cabotage reserved to national airlines.

Air transport

Foreign enterprises may be restricted from access to international air routes unless bilateral intergovernmental agreements provide otherwise.

Maritime transport

Cabotage is reserved to vessels flying the national flag.

II. Official aids and subsidies

None.

III. Tax obligations

None.

IV. Government purchasing

None.

V. Access to local finance

None.

B. Exceptions by territorial subdivisions

None.

c) List of measures reported for transparency purposes

A. Transparency measures at the level of national government

I. Measures based on public order and essential security considerations

a) Investment by established foreign controlled enterprises

Defence

A government permit is required for both foreign-controlled and domestic enterprises to produce war munitions in Sweden. In practice, a foreign-controlled enterprise is allowed to produce war munitions only to a small extent. Only companies with a clause in their articles of association restricting foreign ownership to 20 per cent of the votes and 40 per cent of the capital can normally obtain a permit to manufacture defence material and war munitions.

b) Corporate organisation

None.

c) Government purchasing

None.

d) Official aids and subsidies

None.

II. Other measures reported for transparency

None.

B. Measures reported for transparency at the level of territorial subdivisions

None.

Annex 2

Chronology of main events affecting foreign direct investment

1989-1993

1989

July

Abolition of most exchange controls.

1990

August

Foreign banks permitted to establish branches in Sweden on the condition they meet certain non-discriminatory requirements, primarily of a prudential nature.

Foreign banks permitted to set up representative offices in Sweden subject only to a notification requirement.

The ban on non-resident acquisition of shares in domestic commercial banks, brokerage firms, and finance houses lifted.

1991

August

In addition to banks, other foreign financial institutions may establish branches in Sweden on same terms as domestic firms.

1992

January

Law on Foreign Acquisition of Swedish Firms abolished. Authorisation no longer required for foreign acquisition of shares in Swedish firms. Government permit no longer needed to remove "foreign ownership restriction clause" in Swedish corporations' articles of association.

Law on Foreign Acquisition of Real Property changed so that foreigners no longer need permission to acquire real estate intended for commercial use in industry, including mining, or for rent as offices, commercial premises, or blocks of flats. Change in law also lifted restrictions on foreign investment in mining.

July

Foreigners no longer need permission to transact business in Sweden. Law on Right for Foreigners to Transact Business in Sweden replaced by new law requiring only non-discriminatory registration procedure.

October

Government announces measures to deregulate the railway, telecommunications and postal services, and abolish the state monopoly of labour market institutions.

1993

January

Clauses in corporate by-laws on restricted shares ceased to be valid on 1 January.

Remaining restrictions on foreign acquisition of real property, except for secondary residences, removed 1 January.

Restrictions on foreign establishment in credit information activities abolished 1 January.

Annex 3

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Annex 4

Statistics on direct investment flows in OECD countries

Table 1. Foreign direct investment in OECD countries: inflows 1971-1991

\$ million

	Cumulative Flows		Flows of Foreign Direct Investment													
	1971-1980	1981-1990	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991			
Australia	11 295	38 902	2 349	2 286	2 994	428	2 099	3 457	3 852	7 599	7 289	6 549	4 400			
Austria	1 455	3 301	318	206	220	117	168	182	403	444	590	653	265			
Belgium-Luxembourg	9 215	28 182	1 352	1 390	1 271	360	957	631	2 338	4 990	6 731	8 162	9 377			
Canada	5 534	10 949	-3 670	-831	243	1 313	-2 050	990	3 469	3 614	2 027	5 844	5 100			
Denmark	1 561	3 461	100	135	64	9	109	161	88	504	1 084	1 207	1 459			
Finland	376	2 841	99	-4	84	138	110	340	265	530	488	791	32			
France ¹	16 908	43 385	2 426	1 563	1 631	2 198	2 210	2 749	4 621	7 204	9 552	9 231	11 109			
Germany ¹	13 957	17 678	340	819	1 775	553	587	1 190	1 901	1 203	6 997	2 313	2 200			
Greece	..	6 145	520	436	439	485	447	471	683	907	752	1 005	1 165			
Ireland	1 659	1 212	204	241	168	119	159	-43	89	91	85	99	..			
Italy ¹	5 698	24 993	1 146	636	1 190	1 290	1 003	-15	4 059	6 839	2 529	6 316	2 542			
Japan ¹	1 424	3 281	189	439	416	-10	642	226	1 165	-485	-1 054	1 753	1 400			
Netherlands	10 822	27 715	1 520	965	757	587	641	1 861	2 307	4 071	6 772	8 234	3 700			
New Zealand	2 598	3 945	177	275	243	119	227	390	238	156	434	1 686	1 724			
Norway ¹	3 074	4 708	686	424	336	-210	-112	1 023	184	285	1 511	881	-352			
Portugal ²	535	6 440	177	145	144	196	273	242	465	925	1 740	2 133	2 022			
Spain	7 060	46 000	1 714	1 801	1 647	1 773	1 945	3 442	4 548	7 016	8 433	13 681	11 100			
Sweden	897	7 972	182	357	223	289	398	939	585	1 499	1 523	1 977	6 286			
Switzerland	..	12 405	..	..	286	520	1 050	1 778	2 044	42	2 254	4 431	1 996	
Turkey ³	228	2 356	95	55	46	113	99	125	106	354	663	700	783			
United Kingdom	40 503	122 255	5 891	5 286	5 132	-241	4 960	7 311	13 863	18 206	28 043	33 804	21 100			
United States	56 276	365 995	25 195	13 810	11 518	25 567	20 490	36 145	59 581	58 571	69 010	46 108	12 619			
TOTAL	188 249	789 096	41 112	30 659	31 081	35 874	36 508	64 223	107 165	124 734	158 010	159 730	102 370			

1. Reinvested earnings are not included in national statistics.

2. Figures for Portugal are only available from 1975 onward.

3. Included cumulated direct inflows since 1954.

Source: OECD/DAF - Based on official national statistics from the balance of payments converted in \$ at daily average exchange rate.

Table 2. Foreign direct investment in OECD countries: inflows 1981-1991
As a percentage of GDP

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Australia	1.3	1.3	1.7	0.2	1.3	2.0	1.8	2.9	2.5	2.2	1.5
Austria	0.5	0.3	0.3	0.2	0.3	0.2	0.3	0.4	0.5	0.4	0.2
Belgium-Luxembourg	1.4	1.6	1.5	0.5	1.2	0.6	0.5	3.2	4.3	4.2	4.8
Canada	-1.2	-0.3	0.1	0.4	-0.6	0.3	0.8	0.7	0.4	1.0	0.9
Denmark	0.2	0.2	0.1	0.0	0.2	0.2	0.1	0.5	1.0	0.9	1.1
Finland	0.2	0.1	0.2	0.3	0.2	0.5	0.3	0.5	0.4	0.6	0.0
France*	0.4	0.3	0.3	0.4	0.4	0.4	0.5	0.7	1.0	0.8	0.9
Germany*	0.1	0.1	0.3	0.1	0.1	0.1	0.2	0.1	0.6	0.2	0.1
Greece	1.4	1.1	1.3	1.4	1.3	1.2	1.5	1.7	1.4	1.5	1.7
Ireland	1.1	1.3	0.9	0.7	0.8	-0.2	0.3	0.3	0.2	0.2	0.0
Italy*	0.3	0.2	0.3	0.3	0.2	-0.0	0.5	0.8	0.3	0.6	0.2
Japan*	0.0	0.0	0.0	-0.0	0.0	0.0	0.0	-0.0	-0.0	0.1	0.0
Netherlands	1.1	0.7	0.6	0.5	0.5	1.1	1.1	1.8	3.0	2.9	1.3
New Zealand	0.7	1.2	1.0	0.5	1.0	1.4	0.7	0.4	1.0	3.8	4.0
Norway*	1.2	0.8	0.6	-0.4	-0.7	1.5	0.2	0.3	1.7	0.8	-0.3
Portugal	0.7	0.6	0.7	1.0	1.3	0.8	1.3	2.2	3.8	3.6	2.9
Spain	0.9	1.0	1.1	1.1	1.2	1.5	1.6	2.0	2.2	2.8	2.1
Sweden	0.2	0.4	0.2	0.3	0.4	0.7	0.4	0.8	0.8	0.9	2.7
Switzerland	0.0	0.0	0.3	0.6	1.1	1.3	1.2	0.0	1.3	2.0	0.9
Turkey	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.5	0.8	0.6	0.7
United Kingdom	1.2	1.1	1.1	-0.1	1.1	1.3	2.0	2.2	3.4	3.5	2.1
United States	0.8	0.4	0.3	0.7	0.5	0.9	1.3	1.2	1.3	0.9	0.2

* Reinvested earnings are not included in national statistics.

Source: OECD/DAF - Based on official national statistics from the balance of payments.

Table 3. Direct investment abroad from OECD countries: outflows 1971-1991
\$ million

	Cumulative Flows		Flows of direct investment abroad												
	1971-1980	1981-1990	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991		
Australia	2 510	22 610	734	693	518	1 403	1 887	3 419	4 981	4 860	2 831	1 284	100		
Austria	578	4 071	206	150	186	67	49	296	347	287	859	1 624	1 295		
Belgium-Luxembourg	3 213	21 454	30	-77	358	282	231	1 627	2 680	3 609	6 114	6 600	6 165		
Canada	11 335	36 636	5 756	709	2 758	2 277	2 855	4 066	7 069	5 278	4 603	1 265	3 200		
Denmark	1 063	6 292	141	77	159	93	303	646	618	719	2 027	1 509	2 050		
Finland	605	12 169	129	85	143	493	810	810	1 141	2 608	3 108	3 300	2 100		
France ¹	13 940	85 810	4 615	3 063	1 841	2 126	2 226	5 230	8 704	12 756	18 137	27 112	20 508		
Germany ¹	23 130	85 709	3 862	2 481	3 170	4 389	4 804	9 616	9 105	11 419	14 536	22 327	20 700		
Italy ¹	3 597	27 859	1 404	1 025	2 126	1 995	1 818	2 661	2 326	5 450	2 003	7 051	6 675		
Japan ¹	18 052	185 826	4 894	4 540	3 612	5 965	6 452	14 480	19 519	34 210	44 130	48 024	31 200		
Netherlands	27 829	52 182	3 629	2 610	2 098	2 530	2 829	3 147	7 087	4 056	11 475	12 721	9 300		
New Zealand	375	4 563	103	87	404	31	174	87	562	615	135	2 365	528		
Norway ¹	1 079	8 975	185	317	360	612	1 228	1 605	890	968	1 352	1 458	1 842		
Portugal ²	38	372	20	10	18	10	22	0	-11	81	85	137	464		
Spain	1 274	8 196	272	505	245	249	252	377	754	1 227	1 470	2 845	3 500		
Sweden	4 597	45 257	854	1 237	1 461	1 506	1 783	3 707	4 498	7 229	9 684	13 298	7 956		
Switzerland	..	31 862	..	..	492	1 139	4 572	1 461	1 274	8 696	7 852	6 376	4 502
Turkey ³	..	147	..	..	..	..	..	..	27	8	56	56	182
United Kingdom	55 112	188 492	12 065	7 145	8 211	8 027	10 851	17 647	31 419	37 140	35 201	20 786	17 300		
United States	134 354	173 917	9 624	967	6 695	11 587	13 161	18 679	31 046	17 880	30 167	34 111	28 197		
TOTAL	302 306	1 008 057	48 581	25 694	35 276	44 824	56 152	89 701	134 771	159 763	195 999	217 296	168 482		

1. Reinvested earnings are not included in national statistics.

2. Figures for Portugal are only available from 1975 onward.

3. Includes cumulated direct inflows since 1954.

Source: OECD/DAF - Based on official national statistics from the balance of payments converted in \$ at daily average exchange rate.

Table 4. Direct investment abroad from OECD countries: outflows 1981-1991
As a percentage of GDP

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Australia	0.4	0.4	0.3	0.7	1.1	1.9	2.4	1.8	1.0	0.4	0.0
Austria	0.3	0.2	0.3	0.1	0.1	0.3	0.3	0.2	0.7	1.0	0.8
Belgium-Luxembourg	0.0	-0.1	0.4	0.4	0.3	1.4	1.7	2.3	3.9	3.4	3.1
Canada	2.0	0.2	0.8	0.7	0.8	1.1	1.7	1.1	0.8	0.2	0.6
Denmark	0.2	0.1	0.3	0.2	0.5	0.8	0.6	0.7	1.9	1.2	1.6
Finland	0.3	0.2	0.3	1.0	0.7	1.1	1.3	2.5	2.7	2.4	1.7
France*	0.8	0.6	0.4	0.4	0.4	0.7	1.0	1.3	1.9	2.3	1.7
Germany*	0.6	0.4	0.5	0.7	0.8	1.1	0.8	1.0	1.2	1.5	1.3
Italy*	0.3	0.3	0.5	0.5	0.4	0.4	0.3	0.6	0.2	0.6	0.6
Japan*	0.4	0.4	0.3	0.5	0.5	0.7	0.8	1.2	1.5	1.6	0.9
Netherlands	2.6	1.9	1.6	2.0	2.2	1.8	3.3	1.8	5.1	4.6	3.2
New Zealand	0.4	0.4	1.7	0.1	0.8	0.3	1.5	1.4	0.3	5.4	1.2
Norway*	0.3	0.6	0.7	1.1	2.1	2.3	1.1	1.1	1.5	1.4	1.7
Portugal	0.1	0.0	0.1	0.1	0.1	0.0	-0.0	0.2	0.2	0.2	0.7
Spain	0.1	0.3	0.2	0.2	0.2	0.2	0.3	0.4	0.4	0.6	0.7
Sweden	0.7	1.2	1.6	1.6	1.8	2.8	2.8	4.0	5.1	6.2	3.4
Switzerland	0.0	0.0	0.5	1.3	4.9	1.1	0.7	4.7	4.5	2.8	1.9
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2
United Kingdom	2.4	1.5	1.8	1.9	2.4	3.2	4.6	4.5	4.2	2.1	1.7
United States	0.3	0.0	0.2	0.3	0.3	0.4	0.7	0.4	0.6	0.6	0.5

* Reinvested earnings are not included in national statistics.

Source: OECD/DAF - Based on official national statistics from the balance of payments.

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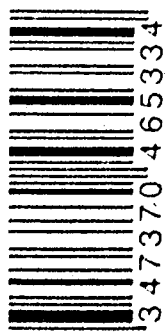
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