

# European Union foreign direct investment yearbook 2006

Data 1999-2004



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As part of the new dissemination policy, Eurostat has developed its website. All Eurostat publications are downloadable free of charge in PDF format from the website. Furthermore, Eurostat's databases are freely available there, as are tables with the most frequently used and demanded short- and long-term indicators.

Eurostat has set up with the members of the 'European statistical system' a network of support centres which will exist in nearly all Member States as well as in some EFTA countries. Their mission is to provide help and guidance to Internet users of European statistical data. Contact details for this support network can be found on our Internet site.

## Foreword

Foreign direct investment (FDI) is a category of international investment that indicates an intention to acquire a lasting interest in an enterprise operating in another economy. It covers all financial transactions between the investing enterprise and its subsidiaries abroad. It differs from portfolio investments, because the direct investor acquires at least 10 % of capital.

Foreign direct investment acquires increasing importance as an indicator of the international economic climate. This publication covers data for the period 1999-2003 for FDI stocks and 2000-04 for FDI flows. Outward flows from the European Union towards extra-EU partners fell from EUR 437 bn in 2000 to EUR 115 bn in 2004. During the same period, foreign investments into the EU markets dropped by 67 % from EUR 188 bn in 2000 to EUR 62 bn in 2004. The data of this publication were extracted in May-June 2006.

FDI plays a key role in the globalisation process as an important element of international relations and their development. Supplementing trade, FDI creates more direct and deeper links between economies. It is a source of extra capital, encourages efficient production, stimulates technology transfer and fosters the exchange of managerial know-how. It is thus believed to improve the productivity of business and to make economies more competitive.

In the European Union direct investment pocketbook 2006, Eurostat presents and analyses harmonised statistics on FDI flows, stocks and income for the EU as a whole. Faced with increasing globalisation of economic activities, public authorities and policy-makers need new statistics. On the basis of the General Agreement on Trade in services (GATS), Eurostat, in conjunction with the OECD, has started the compilation of foreign affiliate statistics (FATS) on employment, turnover, imports and exports of foreign affiliates. These data, now available for some Member States only, help quantify some of the economic consequences of direct investments and will therefore, together with FDI data, provide an invaluable tool to measure the evolution of the globalisation phenomenon.

Eurostat would like to thank the following national banks and statistical offices without whom the publication of this pocketbook would not have been possible:

Banque Nationale de Belgique  
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Bank of Greece  
Banco de España  
Banque de France  
Central Statistics Office (Ireland)  
Ufficio Italiano dei Cambi  
Central Bank of Cyprus  
Latvijas Banka  
Lietuvos Bankas  
Statec/Banque Centrale du Luxembourg  
Magyar Nemzeti Bank  
National Statistics Office (MT)  
De Nederlandsche Bank  
Österreichisches Nationalbank  
Narodowy Bank Polski  
Banco de Portugal  
Banka Slovenije  
Národná Banka Slovenska  
Suomen Pankki  
Sveriges Riksbank  
Office for National Statistics (UK)

## **European Union Direct Investment Pocketbook 2006**

The direct investment pocketbook provides users with analytical aspects of foreign direct investment stocks, flows and income for the European Union. The pocketbook has a simple objective: to provide political and corporate decision-makers with high quality statistical information on direct investment. Eurostat is able to provide internationally comparable figures, through close cooperation with Member States, the European Central Bank and the OECD. The ECB and Eurostat have a shared responsibility for publishing foreign direct investment data. While the ECB produces the Euro-area infra-annual data on an aggregated level, Eurostat produces annual data covering the EU-25 with detailed breakdowns according to partner countries and economic activities. The data processing, statistical analyses, writing of the publication and desktop publishing were carried out by the following team under the coordination of Merja Hult:

Anne Foltête  
Antonia Margherita  
Konstantia Petridou

Due to significant revisions in the FDI data from the Member States, direct comparison of this year's analysis (regarding the periods until 2003 for flows and 2002 for stocks and activity breakdown) with the analysis in the previous edition of the pocketbook (yearbook 2005) might not be plausible.

For detailed statistical tables, please see the website:

<http://ec.europa.eu/eurostat>

Direct access:

[http://epp.eurostat.ec.europa.eu/pls/portal/url/page/PGP\\_QUEEN/PGE\\_QUEEN\\_TREE?screen=welcomeref&open=/&product=Yearlies\\_new\\_economy&depth=3](http://epp.eurostat.ec.europa.eu/pls/portal/url/page/PGP_QUEEN/PGE_QUEEN_TREE?screen=welcomeref&open=/&product=Yearlies_new_economy&depth=3)

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## Executive summary

### **The EU had 24 % of world FDI outflows in 2004**

- World FDI outward flows increased in 2004 by 36 %, but EU FDI outward flows decreased by 15 %

### **China (including Hong Kong), Mexico and Japan: the top three destinations of extra-EU FDI outflows in 2004**

- EU FDI outflows to China (including Hong Kong) were EUR 11 bn or 10 % of the total extra-EU FDI
- In 2004, there was a disinvestment in the USA (EUR -3 bn) and Switzerland (EUR -10 bn)

### **Net FDI income record high at EUR 46 bn in 2004**

- Income from EU FDI abroad yielded 6.6 % in 2004
- Income paid on inward FDI increased by 47 % in 2004 reaching EUR 85 bn

### **EU FDI inward flows from extra-EU fell by 46 % in 2004**

- The main investor country was the USA with 37 % of the inward flows in 2004
- The United Kingdom with 19 % of the total EU inward stocks at end-2003 was the main destination of FDI

### **EU FDI outward flows to emerging markets increased by 40 % in 2004**

- Emerging markets received 43 % of total EU FDI outward flows in 2004, Far East Asia being the main target
- In 2004, Mexico was the main destination of EU FDI outward flows in Latin America
- EU FDI flows to Mediterranean partner countries amounted to EUR 3.5 bn in 2004
- EU flows to Central Eastern European countries and Russia stable at EUR 11 bn in 2004, of which Russia received EUR 6 bn

### **EU-15 net investment abroad was more intense in manufacturing and other sectors**

- *Services* attracted extra-EU FDI outflows of EUR 98 bn and extra-EU FDI inflows of EUR 104 bn in 2003

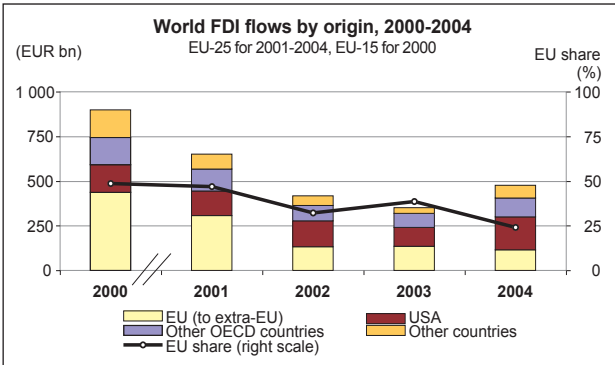


## Overview

### World FDI flows resumed growth in 2004

After three consecutive years of decline, there was a rebound in world FDI flows in 2004. World FDI flows – excluding intra-EU FDI flows – totalled EUR 477 bn (EUR 352 bn in 2003, 36 % increase). EU FDI outflows, at EUR 115 bn, continued to fall, reaching the lowest level since 2000 (EUR 136 bn in 2003). Similarly, EU inflows declined by 46 % from EUR 115 bn to EUR 62 bn<sup>1</sup>.

Chart 0.1



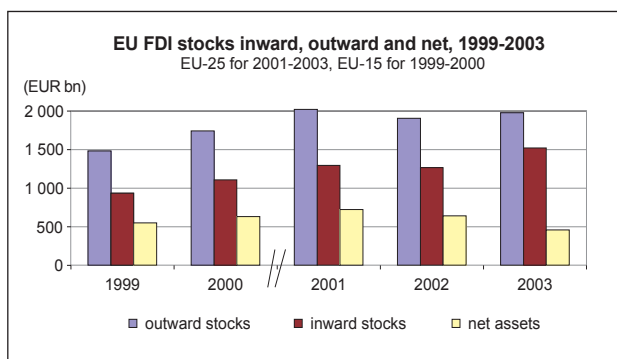
Source: Eurostat, UNCTAD.

### The EU's share of world FDI flows in 2004 declined

The geographical distribution of world FDI flows by investor country continued to show the dominance of developed countries (87 %). The share of the EU in world FDI outflows decreased in 2004 to 24 % (from 38 % in 2003), the lowest level over the period under consideration. The share of the USA and the other countries increased from 2003 (a share of 29 % and 14 % respectively), the USA surpassing the EU FDI outflows for the second time since 1999 (EUR 184 bn against EUR 115 bn).

<sup>1</sup> Data in this yearbook represent the EU-25 from 2001 onwards and EU-15 before 2001. The effect of the enlargement on comparability of the data series varies according to the partner countries considered. For years 2001, 2002, 2003 and 2004 EU-25 FDI outflows to extra-EU-25 were lower than EU-15 FDI outflows to extra-EU-15 (-5 %, -4 %, -4 %, and -7 % respectively). See chapter 1 and 2 for more detail on enlargement. Data for the world flows were calculated using Eurostat data for the EU and UNCTAD data for other countries.

**Chart 0.2**



EU outward FDI stocks increased again, by EUR 71 bn, after a small decline in 2002 (the decline was due to changes in valuation linked to exchange rates and stock exchange movements). The assets held in extra-EU countries were EUR 1 976 bn at end-2003, not quite reaching the 2001 level.

The inward stocks increased by EUR 254 bn to reach EUR 1 519 bn at the end of 2003. Due to this considerable increase, net EU FDI assets declined to the lowest level (EUR 457 bn) during the 1999-2003 period.

## North America hosted 41 % of the EU's outward FDI stocks at the end of 2003

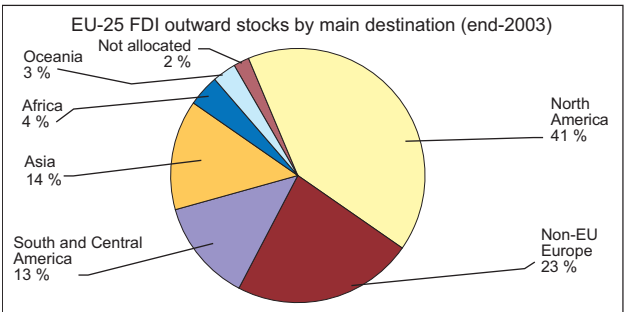
North America continued to be by far the favourite destination of EU FDI, even if its share dropped by eight percentage points from the end-2000 situation.

The stocks held in non-EU Europe represented 23 % of the EU outward stocks at end-2003, an increase of EUR 161 bn and six percentage points from the end-2000 situation.

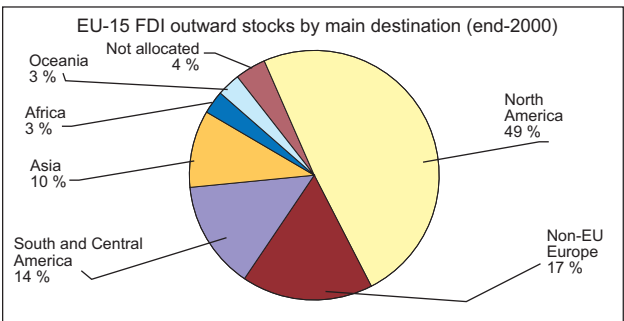
Asia also increased its share of EU FDI outward stocks reaching 14 % at end-2003 being the third most important destination zone. Even if the share of South and Central America remained stable over the period in question (from end-2000 to end-2003), in absolute terms EU FDI outward stocks in South America decreased by EUR 66 bn and increased in Central America by EUR 72 bn.

At the end of 2003, Oceania and Africa kept their share of EU outward FDI stocks at almost the same level as end-2000. In absolute terms the EU FDI stocks held in Oceania reached EUR 61 bn and EUR 79 bn in Africa.

**Chart 0.3**



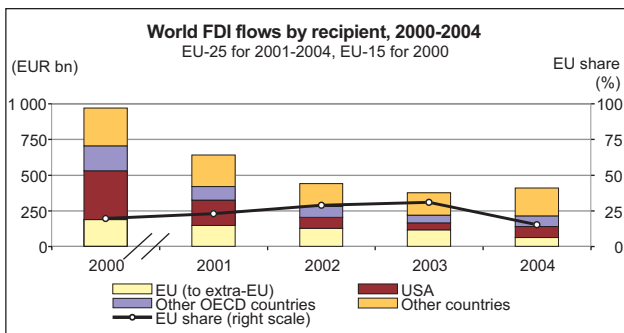
**Chart 0.4**



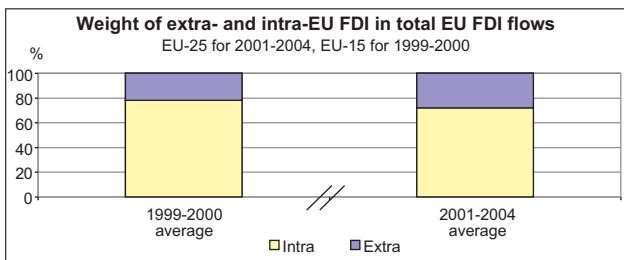
## The EU's share of world FDI inflows dropped to 15 % in 2004

Compared with 2003, world FDI inflows (excluding intra-EU flows) increased by 9 % to EUR 409 bn<sup>2</sup> in 2004. EU FDI inflows declined even more, falling by 46 % to EUR 62 bn, resulting in the lowest share of the world FDI inflows since 2000. The USA received 19 % of world FDI inflows, surpassing EU share for the first time since 2001. The share of world inflows to developing countries increased reaching the highest level since 1997, whereas inflows to developed countries were 59 % of the total flows, the lowest share since 1997.

**Chart 0.5**



**Chart 0.6**



Whereas the EU FDI inflows declined by 46 % between 2003 and 2004, intra-EU flows declined by 38 %. The weight of intra-EU flows out of the total FDI inflows for 2001-04 continues to be high (72 %), even if the weight has slightly dropped in the recent years when comparing with the 1999-2000 period (Chart 0.6).

<sup>2</sup> World FDI outflows presented in Chart 0.1 and world FDI inflows presented in Chart 0.5 are not equal due to the asymmetry occurring from statistical error. In 2003 the asymmetry was lower compared to 2004 (9 % against 14 %).

## China<sup>3</sup>, Mexico and Japan: top three destinations of EU FDI outward flows in 2004

In 2004, there was a disinvestment in the USA and Switzerland, the usual most important destinations of EU FDI outflows. Highest FDI flows targeted instead China (EUR 11 bn), Mexico (EUR 9 bn) and Japan (EUR 8 bn). The USA and Switzerland remained the main investors in the EU in 2004.

**Table 0.1**

	Outward flows		Inward flows	
	EUR bn	%	EUR bn	%
<b>Extra-EU</b>	<b>115</b>	<b>100 %</b>	<b>62</b>	<b>100 %</b>
<b>OECD (non EU)</b>	<b>17</b>	<b>15 %</b>	<b>45</b>	<b>73 %</b>
<b>Europe (non EU), of which:</b>	<b>22</b>	<b>19 %</b>	<b>23</b>	<b>37 %</b>
Switzerland	-10	-9 %	14	23 %
Norway	5	4 %	0	0 %
Russia	6	6 %	0	0 %
Candidate Countries **	4	3 %	0	0 %
<b>Africa</b>	<b>12</b>	<b>10 %</b>	<b>1</b>	<b>1 %</b>
<b>North America, of which:</b>	<b>-1</b>	<b>-1 %</b>	<b>19</b>	<b>31 %</b>
United States	-3	-2 %	23	37 %
Canada	1	1 %	-4	-6 %
<b>Central America, of which:</b>	<b>32</b>	<b>28 %</b>	<b>0</b>	<b>0 %</b>
Mexico	9	8 %	1	1 %
<b>South America, of which:</b>	<b>4</b>	<b>3 %</b>	<b>4</b>	<b>6 %</b>
Brazil	3	2 %	4	6 %
Argentina	-2	-2 %	-1	-1 %
<b>Asia, of which:</b>	<b>31</b>	<b>27 %</b>	<b>5</b>	<b>9 %</b>
Japan	8	7 %	4	6 %
China (includ. Hong Kong)	11	10 %	5	8 %
South Korea	1	1 %	1	1 %
<b>Oceania, of which:</b>	<b>4</b>	<b>4 %</b>	<b>3</b>	<b>4 %</b>
Australia	3	3 %	3	5 %

Note: The sum of continents does not always equal total extra-EU because of not allocated flows. Parts may be higher than totals because of disinvestment.

\*\* Candidate countries: Bulgaria, Croatia, Romania and Turkey.

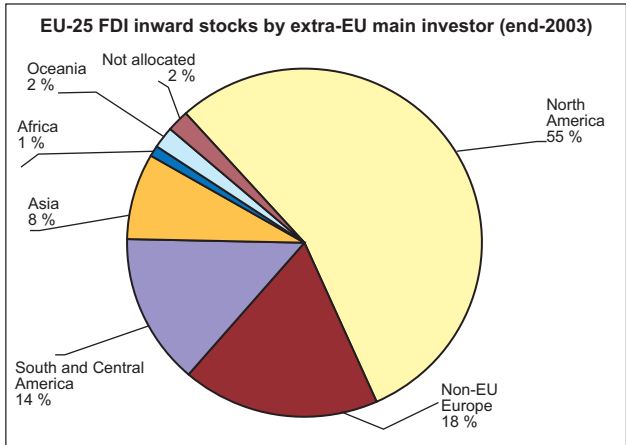
<sup>3</sup> Including Hong Kong.

## North America owned 55 % of the EU FDI inward stocks at end-2003

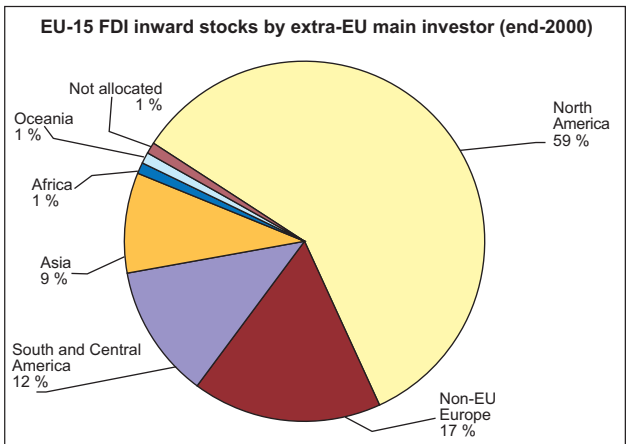
The value of EU FDI inward stocks increased from EUR 1 265 bn at the end of 2002 to EUR 1 519 bn at the end of 2003 (see Chart 0.2). Out of these stocks, North America held 55 % (compared with 59 % in 2000). The share of South and Central America increased slightly from 12 % at the end of 2000 to 14 % at the end of 2003. Inward stocks held by South America increased by EUR 3 bn and stocks held by Central America increased by EUR 85 bn.

The shares of EU FDI inward stocks of the other investor zones remain quite stable between end-2000 and end-2003.

**Chart 0.7**



**Chart 0.8**

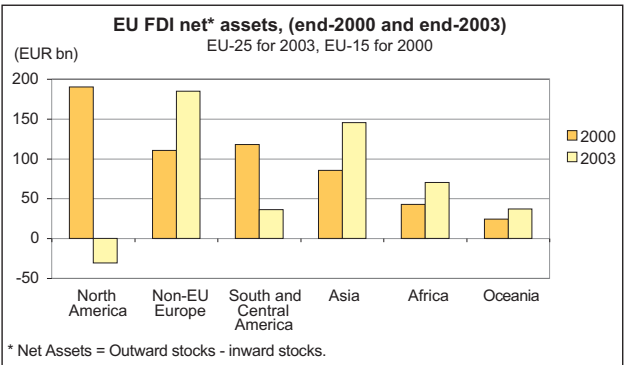


## North American FDI assets in the EU higher than EU FDI assets in North America at the end of 2003

Total EU FDI net assets (outward stocks minus inward stocks) were EUR 457 bn at the end of 2003 compared to EUR 630 bn at end-2000 (see Chart 0.2). At the end of 2003, net assets with North America turned negative (EUR -31 bn) from a net position of EUR 190 bn in 2000. This was mostly due to the strong increase of inward FDI stocks held by the USA (from EUR 562 bn at end-2000 to EUR 773 bn at end-2003).

The sharp decrease in the net assets in South and Central America was mostly due to a decline in EU outward stocks held in South America. Conversely, net assets in Non-EU Europe and Asia increased by over two-thirds.

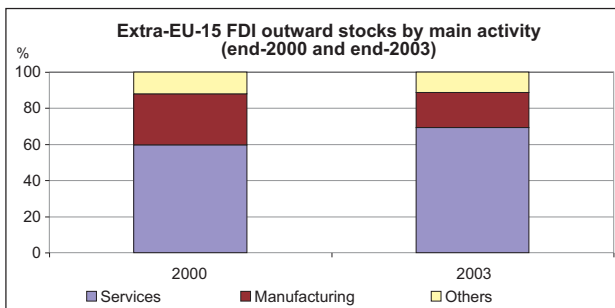
**Chart 0.9**



## Most FDI still going to services

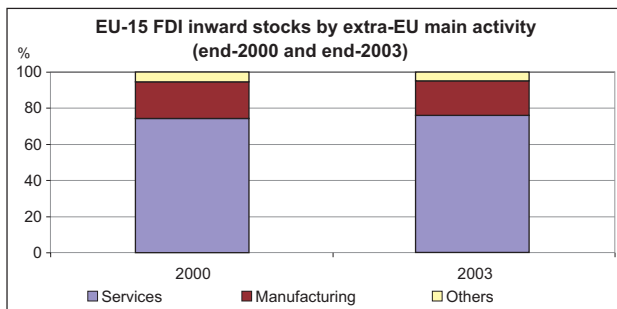
Extra-EU outward stocks were characterised by an increased dominance of *services* activities<sup>4</sup> (from 60 % at end-2000 to 69 % at end-2003), accompanied by a decline in the share of *manufacturing* (from 28 % at end-2000 to 19 % at end-2003). The share of *Other activities*<sup>5</sup> remained stable. Detailed information on the breakdown by activity is given in Chapter 4 for FDI with main EU partners.

**Chart 0.10**



The relative importance of *services* activities was even more pronounced for inward stocks, at EUR 1 140 bn they represented 76 % of the EU FDI inward stocks at the end of 2003.

**Chart 0.11**



<sup>4</sup> Services activities consist of: Trade, Hotels and restaurants, Transport, Telecommunication, Financial Intermediation, Business services (includes Business and Management consulting, Advertising, Computer activities and Research and Development), Real estate services, Other services not elsewhere classified.

<sup>5</sup> Other activities include Agriculture and fishing, Mining and quarrying, Electricity, gas and water, Construction and Not allocated.



## Net FDI income record high EUR 46 bn in 2004

At EUR 131 bn in 2004, EU income earned from FDI abroad reached its highest level over the period under consideration, representing a 32 % rise from 2003. This result confirmed the recovery already observed in 2003 (+15 % at EUR 99 bn) after two years of stagnation (EUR 86 bn both in 2001 and 2002).

Income paid to foreign owners in 2004 recorded a 47 % increase to EUR 85 bn. The resulting net FDI income amounted to a record EUR 46 bn in 2004 to be compared with EUR 16 bn in 1999. These results represented 0.44 % of the EU GDP in 2004 against 0.20 % in 1999.

Rates of return<sup>6</sup> experienced similar results with an increase from 5.2 % in 2003 to 6.6 % in 2004 in the rate of return on EU outward stocks and from 4.6 % to 5.6 % for the rate of return earned by foreign owners. As shown in Chart 0.12 (right scale), in the last two years the rate of return on EU outward FDI was higher than the one on EU inward FDI.

**Chart 0.12**

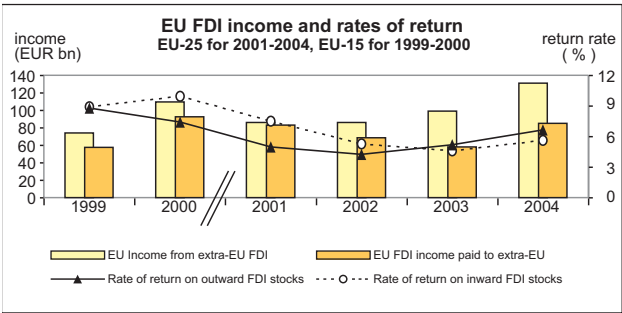
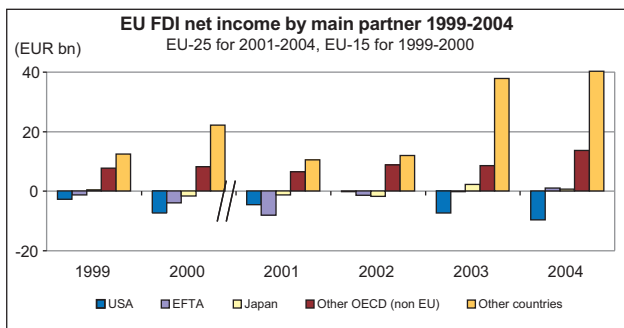


Chart 0.13 gives the detail of net FDI income by main partner. While the EU net income with EFTA countries was negative from 1999 to 2002, it reached equilibrium in 2003 and turned positive at EUR 1 bn in 2004. With the exception of 2002 when EU income from the USA and EU income paid to the USA were balanced, the EU FDI net income with the USA was negative for the whole period covered. With regards to Japan, results were close to equilibrium for all years, varying from EUR -2 bn to EUR 2 bn, while net income with other countries (OECD and non OECD) was positive for the whole period under consideration.

<sup>6</sup> FDI rate of return is measured here as (FDI income of year t) / (stock of FDI at the end of year t-1).

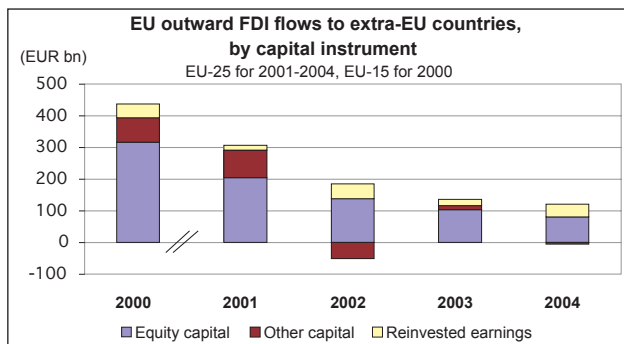
**Chart 0.13**



**Acquisition of shares was the main instrument for EU FDI**

EU FDI data show that equity capital (acquisition of shares) was used for at least two thirds of outward FDI flows during the period under consideration<sup>7</sup>.

**Chart 0.14**

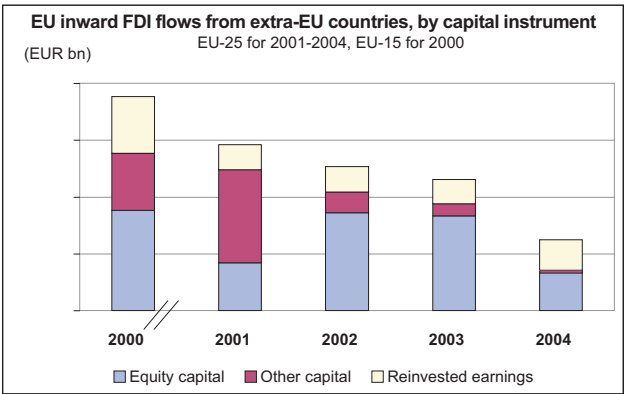


<sup>7</sup> FDI data are available for three different capital instruments. Equity capital represents shares acquired by the investor in the target enterprise (foreign affiliate). An initial investment of at least 10 % of the capital of the affiliate gives rise to a foreign direct investment relationship. Other capital includes loans made by the investor to its already existing foreign affiliates (or vice versa. A loan from the foreign affiliate to the mother company is recorded with a negative sign). Finally, reinvested earnings are profits made by the foreign affiliates and not distributed back to the investor.

For inward FDI flows (Chart 0.15), equity capital represented over two thirds during 2002-03, but dropped to 56 % in 2004. The share of other capital has fluctuated over the period in question and reduced significantly to less than 1% in 2004.

Data presented in Chapters 1, 2 and 3 include the three components of FDI flows. Data by economic activity are presented in Chapter 4. For reasons of data availability the analysis will be based on EU-15 FDI flows figures, which until 2001 include equity capital and other capital but exclude reinvested earnings. FDI flows from 2002 onwards refer to the total FDI flows (equity capital plus other capital plus reinvested earnings).

**Chart 0.15**



**Table 0.2****EU FDI capital flows 2000-2004 (EUR mn)**

EU-25 for 2001-2004, EU-15 for 2000

	2000	2001	2002	2003	2004
<b>Total outflows to extra-EU</b>	<b>437 044</b>	<b>306 140</b>	<b>133 897</b>	<b>135 512</b>	<b>114 951</b>
Equity capital	316 008	204 111	138 210	102 730	80 386
Other capital	77 323	87 473	- 50 685	13 926	- 5 282
Reinvested earnings	43 717	14 556	46 370	18 869	39 847
<b>Total inflows from extra-EU</b>	<b>188 450</b>	<b>145 867</b>	<b>126 567</b>	<b>115 366</b>	<b>62 250</b>
Equity capital	88 083	42 065	85 983	83 468	34 815
Other capital	50 181	81 714	18 384	10 373	222
Reinvested earnings	50 188	22 094	22 204	21 518	27 213
<b>Total intra-EU flows *</b>	<b>726 343</b>	<b>365 510</b>	<b>361 129</b>	<b>247 025</b>	<b>168 016</b>
Equity capital	496 162	280 762	273 176	162 978	107 292
Other capital	192 680	68 906	76 119	63 947	22 159
Reinvested earnings	37 499	15 845	11 833	20 097	38 565

**EU total FDI income 2000-2004 (EUR mn)**

EU-25 for 2001-2004, EU-15 for 2000

	2000	2001	2002	2003	2004
Extra-EU, credits	109 742	86 198	85 769	99 130	131 131
Extra-EU, debits	92 489	83 183	68 407	58 196	85 249
Extra-EU, net	17 253	3 017	17 360	40 935	45 882
Intra-EU *	115 923	117 199	113 709	114 228	130 754

**EU FDI stocks at the end of the year, 1999-2003 (EUR mn)**

EU-25 for 2001-2003, EU-15 for 1999-2000

	1999	2000	2001	2002	2003
<b>Total extra-EU assets</b>	<b>1 479 336</b>	<b>1 738 046</b>	<b>2 017 386</b>	<b>1 904 845</b>	<b>1 976 356</b>
Equity capital and reinvested earnings	1 150 082	1 369 140	1 609 252	1 551 341	1 638 746
Other capital	329 252	368 908	408 131	353 521	337 609
<b>Total extra-EU liabilities</b>	<b>931 943</b>	<b>1 107 574</b>	<b>1 295 598</b>	<b>1 265 279</b>	<b>1 519 062</b>
Equity capital and reinvested earnings	612 490	722 764	810 739	808 642	1 011 803
Other capital	319 451	384 807	484 861	456 637	507 259
<b>Total intra-EU stocks *</b>	<b>1 480 560</b>	<b>2 304 928</b>	<b>2 656 338</b>	<b>2 792 869</b>	<b>3 073 025</b>
Equity capital and reinvested earnings	1 146 329	1 772 990	2 049 913	2 151 806	2 405 282
Other capital	334 233	531 939	606 427	641 055	667 743

\*Intra-EU data are the average between inward and outward as declared by Members States.

## What is direct investment?

- Foreign direct investment is the category of international investment in which an enterprise resident in one country (the direct investor) acquires an interest of at least 10 % in an enterprise resident in another country (the direct investment enterprise). Subsequent transactions between affiliated enterprises are also direct investment transactions.
- As it gives the investor an effective voice in the management of the enterprise and a substantial interest in its business, FDI implies a long-term relationship between the direct investor and the direct investment enterprise.
- Investment may take place through the establishment of an entirely new firm, so-called 'greenfield' investment, or through the complete or partial purchase of an existing firm via a merger or an acquisition.

## Why FDI takes place

Two main reasons are given for why investors engage in foreign direct investment: vertical and horizontal FDI. A mixture of both is possible and is often the case.

### ■ Vertical FDI

In this case, a company 'slices' its production chain by allocating different parts to those countries in which production costs are lower. Progress achieved in recent years in telecommunications and data management has enabled firms to allocate their production processes more easily through so-called supply chain management.

### ■ Horizontal FDI

Here, a company 'duplicates' its production chain in order to place its production closer to foreign markets. The investment decision may result from a trade-off between fixed costs (the new plant) and variable costs (high tariffs and transport costs associated with exporting to that country). Large markets tend to be more competitive, making imports less attractive, and it is there that major investors tend to carry out this type of investment. Acting as a substitute to trade, horizontal FDI gives investors strategic market access and reduces delivery time.

- A third possible explanation for FDI are conglomerate Mergers and Acquisitions (M&As) which take place between companies seeking to diversify risk and to deepen economies of scope.

## Advantages of FDI

### For the investor

- For the investing firm, FDI usually means access to new markets and better knowledge of those markets. This may, however, come at higher international transaction and organisational costs.
- In some service industries, local market presence (e.g. a banking outlet or representative office) may be a prerequisite for serving that market.
- Lower labour, raw material and intermediary input costs may determine where the direct investment enterprise is located.

### For the investee

- As it is less liquid and tradable than portfolio investment, FDI flows are usually less volatile. Especially in the case of developing countries, this type of financing reduces the risk of external speculation and liquidity crises. FDI contributes positively to the recipient's balance of payments, both through the initial transaction and by adding to export growth.
- FDI contributes to growth in the target country by increasing the production base, by creating employment and through multiplier effects (e.g. orders from other local industries). By contributing to higher competition, FDI can lead to an improvement of other domestic firms' efficiency and product quality. It may conversely contribute to the 'crowding out' of local firms, i.e. the closure of other uncompetitive production units. FDI acts as a catalyst for domestic investment and technological progress through the transfer of technology to the recipient. Similarly, it may raise management expertise and marketing skills.

### Direct investment in this publication

The figures in this publication offer an analytical tool to answer questions about:

- direct investment flows over time, broken down by economic activity and geographical destination/origin;
- direct investment stocks, broken down by economic activity and geographical destination/origin;
- direct investment income, broken down by geographical destination/origin;

## The 2006 edition

The 2006 edition continues the popular pocketbook format used in for the first time in the 2005 edition. It contains a descriptive synthesis of major trends and developments in the European Union's direct investments.

The annexes provide general statistical tables of EU FDI stocks for the period 1999-2003. The EU FDI flows are exhibited from 2000 to 2004 broken down by geographical zones and from 1999-2003 broken down by activity sectors. They also contain statistical tables of FDI income for the period 2000-04, broken down by geographical zones. The full set of FDI figures is available in Eurostat's online services:

[http://epp.eurostat.ec.europa.eu/pls/portal/url/page/PGP\\_QUEEN/PGE\\_QUEEN\\_TREE?screen=welcomeref&open=/&product=Yearlies\\_new\\_economy&depth=3](http://epp.eurostat.ec.europa.eu/pls/portal/url/page/PGP_QUEEN/PGE_QUEEN_TREE?screen=welcomeref&open=/&product=Yearlies_new_economy&depth=3)

- The annexes also contain a glossary of terms and basic information on nomenclatures.

# **Chapter 1: EU DIRECT INVESTMENT ABROAD**



After a peak recorded in 2000 (EUR 437 bn), EU FDI outflows decreased continuously reaching EUR 115 bn in 2004, which is 74 % lower than in 2000.

## 1.1 FDI in extra-EU countries: trend and main destinations

### EU FDI flows: Disinvestment in USA in 2004

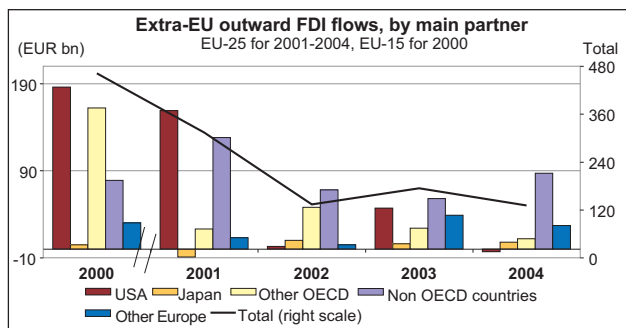
EU FDI outward flows have decreased dramatically since 2000. Investment to Japan and the USA strongly contributed to the downturn, especially in 2001 (EUR -9 bn for Japan), 2002 and 2004 (for USA). After a slight recovery in 2003, EU FDI outflows decreased again in 2004.

After an investment of EUR 47 bn in 2003, EU outward flows to USA turned into a disinvestment of EUR -3 bn in 2004. More information on FDI in the USA by economic activity is contained in Chapter 4.

Until 2001, the most important destination of EU FDI was the USA. Since then, the non OECD countries became the most important target group. With EUR 87 bn, more than three-quarters of 2004 EU FDI outflows were directed towards non OECD countries.

The second major 2004 destination was the group 'other European countries'<sup>8</sup> with EUR 27 bn, followed by other OECD countries (EUR 12 bn).

**Chart 1.1**



<sup>8</sup> The group of 'other European countries' comprises European countries excluding EFTA, EU-15 for 2000 and EU-25 for 2001-04.

## China<sup>9</sup> was the main country destination in 2004

### Northern America fell, while FDI to Central America and Asia increased

The most important destination country in 2004 was China (including Hong Kong) with EUR 11 bn, followed by Mexico (EUR 9 bn), Japan (EUR 8 bn) and Russia (EUR 6 bn).

EU FDI flows to Northern America decreased from EUR 53 bn in 2003 to EUR -1 bn in 2004 (-102 %), due to EU disinvestment in USA.

FDI flows to Central America increased from EUR -4 bn in 2003 to EUR 32 bn in 2004, while investment in South America remained stable during these two years.

EU FDI flows to Switzerland dropped from EUR 13 bn in 2003 to EUR -10 bn in 2004 (-177 %).

EU FDI flows to OECD countries fell from EUR 77 bn in 2003 to EUR 17 bn in 2004 (-78 %), whereas non OECD countries, representing more than three-quarters of EU FDI outflows in 2004, recorded a rise from EUR 58 bn to EUR 87 bn (+50 %).

**Table 1.1**

Geographical distribution of EU FDI assets and most recent outward flows, (EUR bn and %)								
EU-25 for 2001-2004, EU-15 for 2000								
Stocks at end	2000	2001	2002	2003		2004		
Flows								
<b>Extra-EU</b>	1 738	2 017	1 905	136	1 976	100 %	115	100 %
<b>EFTA, of which:</b>	164	235	264	13	307	16 %	-5	-4 %
Switzerland	133	201	228	13	268	14 %	-10	-9 %
<b>Other Europe, of which:</b>	133	108	131	39	151	8 %	27	23 %
Russia	7	11	10	7	13	1 %	6	5 %
Candidate Countries*	14	18	19	5	25	1 %	4	3 %
<b>Africa</b>	51	60	65	10	79	4 %	12	10 %
<b>Northern America, of which:</b>	843	1 001	843	53	814	41 %	-1	-1 %
United States	752	915	760	47	731	37 %	-3	-2 %
Canada	91	85	83	6	83	4 %	1	1 %
<b>Central America, of which:</b>	81	111	125	-4	153	8 %	32	28 %
Mexico	21	28	28	2	27	1 %	9	8 %
<b>South America</b>	167	166	97	3	101	5 %	4	3 %
<b>Asia, of which:</b>	182	250	247	22	268	14 %	31	27 %
Near and Middle East	14	16	15	1	15	1 %	1	1 %
Other Asia, of which:	168	234	232	21	253	13 %	30	26 %
Japan	44	36	52	6	56	3 %	8	7 %
China (includ. Hong Kong)	39	97	85	6	93	5 %	11	10 %
<b>Oceania, of which:</b>	45	53	55	-2	61	3 %	4	3 %
Australia	36	48	49	-2	56	3 %	3	3 %
New Zealand	8	5	5	0	5	0 %	1	1 %
<b>Not allocated</b>	73	34	77	1	42	2 %	11	10 %
<b>OECD (non EU)</b>	1 208	1 359	1 263	77	1 288	65 %	17	15 %
<b>Non OECD countries</b>	457	624	565	58	646	33 %	87	76 %

\* Bulgaria, Romania, Turkey and Croatia.

<sup>9</sup> China includes Hong Kong.

## EU FDI flows to other OECD countries<sup>10</sup> dropped by 75 % between 2002 and 2004

The EU FDI outflows' share towards other OECD countries fell from 37 % in 2000 to 10 % in 2004.

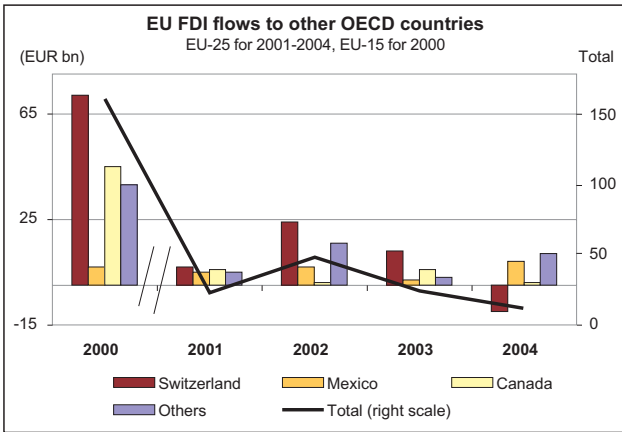
Investment in other OECD countries decreased from EUR 48 bn in 2002, which is the highest level after the peak of 2000 (EUR 162 bn), to EUR 12 bn in 2004.

At EUR 9 bn Mexico was, in terms of flows, the most important country of destination in this group for EU FDI in 2004, recording a significant increase of 350 % between 2003 and 2004.

Switzerland had a disinvestment of EUR -10 bn in 2004, although it was the most important partner during the 2000-03 period. EU FDI to Switzerland fell by 177 % compared to 2003.

2004 was a year of decrease also for EU FDI in Canada, from EUR 6 bn in 2003 to EUR 1 bn in 2004.

**Chart 1.2**



<sup>10</sup> The group of 'other OECD countries' comprises OECD countries excluding EU Member States, Japan and the USA. The group changed in composition during the period covered because of the EU enlargement. For the year 2000 (referring to EU-15), it includes twelve countries (Australia, Canada, Czech Republic, Hungary, Iceland, Mexico, New Zealand, Norway, Poland, South Korea, Switzerland, and Turkey). For the years 2001-04 (referring to EU-25), it includes nine countries only, as Czech Republic, Hungary, Poland and Slovakia (joined OECD in 2001) are included in EU-25. These four countries received FDI flows from the EU-15 for EUR 6 bn in 2002, 6 bn in 2003 and 9 bn in 2004 (see table 1.4).

## Non OECD countries: The main destination group of EU FDI outflows in 2004

As opposed to other OECD countries, the share of EU outward FDI flows to non OECD countries increased from 18 % in 2000 to 76 % in 2004.

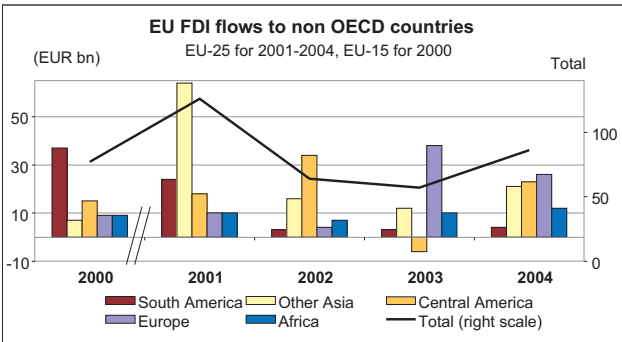
With EUR 26 bn, European countries received one third of EU FDI flows directed to non OECD countries. The remaining part was split between Central America (excluding Mexico) at EUR 23 bn, Asia (excluding Japan and South Korea) at EUR 21 bn, Africa (EUR 12 bn) and to a lesser extent South America (EUR 4 bn).

EU FDI flows to Europe fell from EUR 38 bn in 2003 to EUR 26 bn in 2004. In 2004, investment in Europe was mainly split between Russia (EUR 6 bn, 23 %) and Romania (EUR 3 bn, 12 %).

After a disinvestment in 2003 (EUR -6 bn), Central America received EU FDI flows worth EUR 23 bn in 2004, which represented an increase of 483 %.

Investments in South America were stable for 2002-04, after having recorded a significant decrease from EUR 37 bn in 2000 to EUR 3 bn in 2002.

**Chart 1.3**



## Non OECD area: Major role played by Central American Offshore Financial Centres

EU outward FDI to Financial centres increased by 29 % for stocks between 2002 and 2003 and by 96 % for flows between 2003 and 2004. At end-2003, EU outward FDI stocks invested in Offshore Financial Centres (OFC)<sup>11</sup> were EUR 324 bn, 50 % of EU investment in non OECD countries and 16 % of extra-EU FDI stocks. In 2004, EU FDI flows were EUR 55 bn, with a 63 % share of total EU FDI in non OECD area.

Although detailed data at country level are available only in few cases (Hong Kong, Philippines, Singapore and Liechtenstein), a geographical sub-grouping of OFC can be calculated from Eurostat database and is shown in Table 1.2.

Central American OFC (Stocks EUR 124 bn and Flows EUR 23 bn) were the main destination for EU FDI in this group, followed by those located in Asia with FDI stocks of EUR 121 bn. In particular, Hong Kong hosted more than half of EU FDI outward to Asian OFC (Stocks EUR 73 bn and Flows EUR 8 bn).

**Table 1.2**

EU outward FDI to Financial centres				
(EUR bn)				
	FDI stocks end-2003		FDI flows 2004	
	Value	(%)	Value	(%)
<b>Non-OECD countries</b>	646	100 %	87	100 %
<b>Financial centres</b>	324	50 %	55	63 %
<i>of which:</i>				
<b>European</b>	106	16 %	14	16 %
<b>Central American</b>	124	19 %	23	26 %
<b>Asian</b>	121	19 %	11	13 %
<i>of which:</i>				
Singapore	45	7 %	3	3 %
Hong Kong	73	11 %	8	9 %
<b>Other Non-OECD countries</b>	322	50 %	32	37 %

<sup>11</sup> Offshore Financial Centres is an aggregate used in Eurostat and ECB FDI data that includes 38 countries. In table 1.2 European financial centres, include Liechtenstein, Guernsey, Jersey, the Isle of Man, the Faroe Islands, Andorra and Gibraltar. Central American OFC includes Caribbean islands such as Bermuda, the Bahamas, the Cayman Islands and the Virgin Islands. Asian OFC are Hong Kong, Singapore and Philippines. See Eurostat website for more information (<http://epp.eurostat.cec.eu.int>).

## Main investors among Member States were the United Kingdom, Germany, France and the Netherlands

Four Member States accounted for the bulk of EU outward FDI stocks in 2003: the United Kingdom, Germany, France and the Netherlands. These four Member States made up 54 % of extra-EU outward stocks and 74 % of stocks in the USA.

At the end of 2003, the United Kingdom's share of the extra-EU FDI assets was nearly one fifth.

The third most important destination of EU FDI stocks, after USA (37 %) and EFTA (16 %), was Asia with 14 %. The United Kingdom was the major player in Asia with an investment of EUR 10 bn in Hong Kong (out of the EUR 13 bn in all of China). With EUR 208 bn worth of investment, the United Kingdom held 29 % of the EU FDI assets in the USA. Furthermore, 41 % of EU FDI stocks in Australia, representing 92 % EU FDI stocks in Oceania, belonged to firms in the United Kingdom.

France and Germany were both the second main investors with 12 % of EU FDI stocks, followed by the Netherlands with 9 %. Germany held 19 % of the EU FDI assets in the USA. France held more than one fourth of the EU FDI stocks in Canada.

**Table 1.3**

Geographical distribution of EU-25 FDI assets, four main contributors (At end-2003, EUR bn)						
Stocks at End-2003	EU-25	UK	DE	FR	NL	Other EU
<b>Extra-EU</b>	<b>1 976</b>	<b>422</b>	<b>230</b>	<b>233</b>	<b>178</b>	<b>914</b>
<b>EFTA, of which:</b>	<b>307</b>	<b>34</b>	<b>18</b>	<b>26</b>	<b>38</b>	<b>191</b>
Switzerland	268	27	16	22	35	168
<b>Other Europe, of which:</b>	<b>151</b>	<b>37</b>	<b>9</b>	<b>4</b>	<b>7</b>	<b>93</b>
Russia	13	1	2	1	3	6
Candidate Countries*	25	c	4	3	3	c
<b>Africa</b>	<b>79</b>	<b>24</b>	<b>4</b>	<b>9</b>	<b>6</b>	<b>37</b>
<b>Northern America, of which:</b>	<b>814</b>	<b>221</b>	<b>144</b>	<b>146</b>	<b>79</b>	<b>223</b>
USA	731	208	139	123	71	190
Canada	83	13	5	23	8	34
<b>Central America</b>	<b>153</b>	<b>20</b>	<b>9</b>	<b>4</b>	<b>9</b>	<b>110</b>
<b>South America</b>	<b>101</b>	<b>11</b>	<b>6</b>	<b>9</b>	<b>7</b>	<b>67</b>
<b>Asia, of which:</b>	<b>268</b>	<b>46</b>	<b>34</b>	<b>26</b>	<b>24</b>	<b>138</b>
Near and middle east	15	2	1	3	3	6
Other Asia, of which:	<b>253</b>	<b>44</b>	<b>33</b>	<b>23</b>	<b>21</b>	<b>132</b>
Japan	56	3	7	11	1	33
China (includ. Hong Kong)	93	13	10	4	5	62
<b>Oceania, of which:</b>	<b>61</b>	<b>26</b>	<b>6</b>	<b>4</b>	<b>7</b>	<b>19</b>
Australia	56	23	5	3	7	17
New Zealand	5	2	0	0	0	2
<b>Not allocated</b>	<b>42</b>	<b>3</b>	<b>:</b>	<b>5</b>	<b>0</b>	<b>:</b>
<b>OECD (non EU)</b>	<b>1 288</b>	<b>289</b>	<b>184</b>	<b>191</b>	<b>133</b>	<b>491</b>
<b>Non OECD countries</b>	<b>646</b>	<b>130</b>	<b>:</b>	<b>38</b>	<b>44</b>	<b>:</b>

\* Bulgaria, Romania, Turkey and Croatia.

: Missing values.

C: Confidential data.

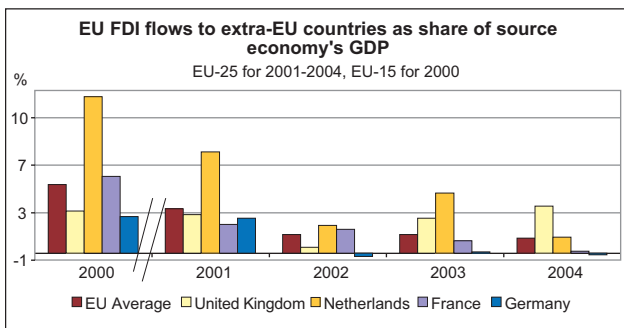
## Extra-EU FDI outflows in terms of GDP: The United Kingdom recorded the highest value in 2004

From 5.1% in 2000, the ratio of extra-EU FDI to EU GDP fell to 1.1% in 2004. Despite this significant decline, the United Kingdom increased its ratio between 2003 and 2004.

At the Member States' level, the Netherlands had the highest ratio of outward FDI until 2003, whereas in 2004 it was the United Kingdom with 3.5%.

The Netherlands recorded a maximum FDI to GDP ratio of 11.5% in 2000, and a minimum of 1.2% in 2004. In 2004, Germany recorded a disinvestment in extra-EU countries (negative outward flows), -0.1% of GDP. France's FDI to GDP ratio fell from 5.7% in 2000 to less than 0.1% in 2004.

**Chart 1.4**



## 1.2 Focus on EU enlargement

### EU-15 FDI outflows to new Member States and Candidate Countries increased in 2004

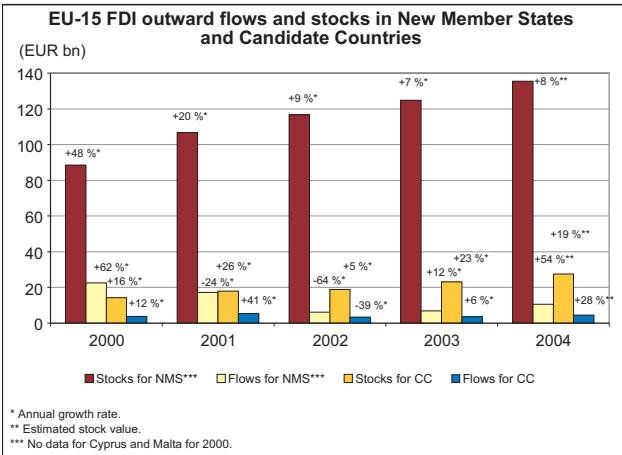
2004 recorded a growth of 54 % in EU outflows to the ten new Member States (from EUR 6.9 bn to EUR 10.6 bn) compared with 2003<sup>12</sup> and of 28 % to the Candidates Countries (from EUR 3.4 bn to EUR 4.4 bn).

The major destination of EU FDI flows among the Candidate Countries in 2004 was Romania with EUR 2.6 bn (60 % of Candidate Countries' total) and Turkey in 2003 with EUR 1.1 bn (31 % of Candidate Countries' total). Regarding the new Member States, the first place was held by Hungary with EUR 6.7 bn (63 % of new Member States' total), followed by Poland with EUR 4.4 bn (42 % of new Member States' total).

The Czech Republic faced disinvestments since 2002 with a highest level in 2003 with EUR -2.7 bn and EUR -2.5 bn in 2004 (see Table 1.4).

Despite the generally positive trend of EU-15 FDI outflows to the new Member States and the Candidate Countries over the period 2003-04, Lithuania, Malta, Slovakia, Slovenia, Bulgaria and Croatia recorded a decrease of more than 50 %.

**Chart 1.5**



<sup>12</sup> In this part we consider FDI outflows recorded by the EU-15 Member States to the new 10 Member States and the Candidates Countries (Bulgaria, Romania, Turkey and Croatia). From the point of view of EU-25 balance of payments, this FDI is classified as intra-EU.



**Table 1.4**

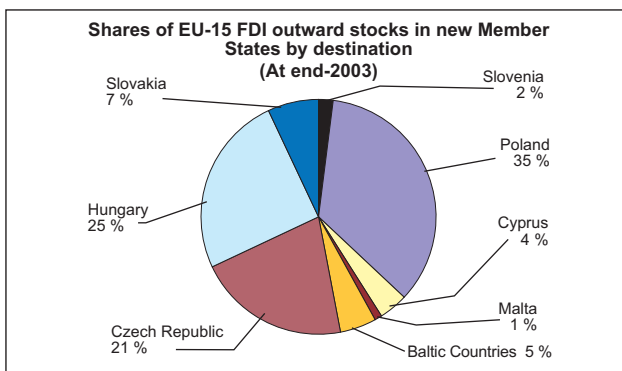
<b>EU-15 FDI outflows to New Member States and Candidate Countries, 2000-2004</b>					
(EUR mn)					
	2000	2001	2002	2003	2004
<b>Extra-EU-15</b>	<b>437 044</b>	<b>322 359</b>	<b>139 795</b>	<b>140 948</b>	<b>124 154</b>
<u>New Member States</u>	:	17 072	6 129	6 862	10 589
<u>Share of Extra-EU-15</u>	:	5.3%	4.4%	4.9%	8.5%
Poland	11 261	6 748	2 920	3 021	4 439
Cyprus	:	249	537	- 493	468
Malta	:	- 13	- 1 906	680	318
<u>Baltic Countries</u>	946	827	744	477	559
Estonia	282	335	335	226	194
Lithuania	214	226	341	343	113
Latvia	447	267	70	- 95	248
Czech Rep.	3 301	4 226	- 256	- 2 716	- 2 506
Slovakia	1 568	1 199	4 059	860	411
Hungary	5 236	3 295	- 981	4 335	6 661
Slovenia	130	541	1 016	696	228
<u>Candidate Countries</u>	3 747	5 280	3 234	3 433	4 378
<u>Share of Extra-EU-15</u>	0.9%	1.6%	2.3%	2.4%	3.5%
Bulgaria	411	412	1 061	500	68
Romania	653	969	647	797	2 644
Turkey	2 149	2 975	800	1 071	1 284
Croatia	534	924	726	1 065	382

: Missing values.

EU FDI stocks held in the new Member States and the Candidate Countries were stable during 2002 and 2003.

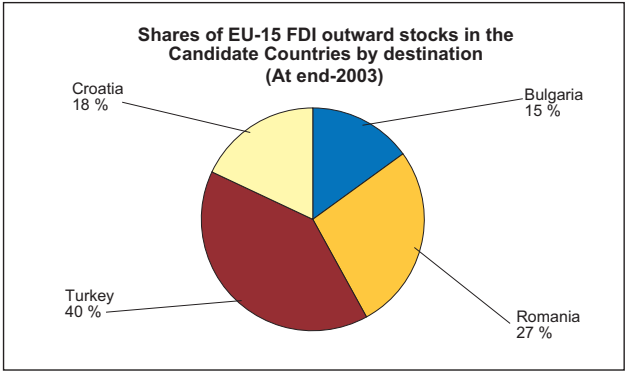
At end-2003, EU-15 held EUR 125 bn in the 10 new Member States (6 % of total extra-EU-15 FDI stocks). 81 % of these stocks were invested in Poland (35 %), Hungary (25 %) and Czech Republic (21 %).

**Chart 1.6**



Only 1 % of EU FDI stocks was directed towards the Candidate Countries and was mainly allocated to Turkey (40 %) and Romania (27 %).

**Chart 1.7**



### **Germany was the main investor in the new Member States**

At the end of 2003, Germany was by far the main holder of FDI stocks in the new Member States (holding 24 % of the EU-15 total), followed by the Netherlands (11 %), Austria (10 %) and France (8 %).

Except for Germany and Austria, the main investment destination was Poland for the countries presented in Table 1.5.

Germany was the main EU investor in Hungary, with EUR 9.5 bn of stocks that represented more than 32 % of German stocks in the new Member States. With EUR 3.5 bn, the Czech Republic was the main destination of Austrian stocks.

Concerning the Candidate Countries, the main destination for the EU FDI stocks was Turkey, except for Austria which invested more in Croatia (EUR 1.2 bn).

**Table 1.5**

<b>EU-15 FDI assets in New Member States and Candidate Countries at the end of 2003</b>								
<b>(EUR mn)</b>								
	EU-15 of which:	DE	FR	IT	NL	AT	UK	Other MS*
<b>New Member States</b>	<b>124 777</b>	<b>29 591</b>	<b>9 822</b>	<b>3 074</b>	<b>13 473</b>	<b>12 632</b>	<b>8 779</b>	<b>47 406</b>
Poland	43 168	7 687	4 068	1 777	5 539	1 944	4 157	17 996
Cyprus	5 231	206	27	19	164	74	81	4 408
Malta	1 726	186	19	122	6	1 043	13	356
Baltic Countries	5 665	581	83	39	44	41	71	4 806
Czech Republic	25 751	7 963	2 001	365	2 495	3 548	1 355	8 024
Hungary	31 261	9 488	1 512	492	4 177	3 453	2 449	9 690
Slovakia	9 135	3 110	1 760	159	942	1 515	471	229
Slovenia	2 840	370	352	101	106	1 014	182	548
<b>Candidate countries</b>	<b>23 109</b>	<b>3 982</b>	<b>2 577</b>	<b>2 310</b>	<b>2 578</b>	<b>2 791</b>	<b>c</b>	<b>c</b>
Bulgaria	3 352	203	112	418	286	1 051	116	1 166
Romania	6 154	683	1 151	386	673	555	365	2 089
Turkey	9 421	1 701	1 283	885	1 428	- 26	1 681	2 488
Croatia	4 182	1 395	31	621	191	1 211	c	c

\* 'Other MS' are computed as the difference between the estimated EU aggregate and the sum of the selected declaring countries.

c : Confidential data.

### **New Member States invest more in neighbouring countries**

The EU enlargement could be seen from another point of view by comparing the shares of EU-15 and new Member States of the total EU-25 FDI in extra-EU-25. Table 1.6, which gives this comparison on FDI stocks, shows that the share of the new Member States of EU-25 stocks in extra-EU-25 as a whole was very low, at 0.2 %.

However, more than 15 % of EU-25 stocks held in Croatia, Serbia and Montenegro and Ukraine were owned by the 10 new Member States.

**Table 1.6**

<b>New Member States FDI outward stocks as % of EU-25 FDI stocks in extra-EU-25 countries (end-2003)</b>	
<b>Extra-EU-25</b>	<b>0.2</b>
Croatia	18.5
Serbia & Montenegro	16.1
Ukraine	15.0
Liechtenstein	12.6
Belarus	7.6
Bulgaria	4.4
Romania	3.3
Russia	1.5
Malaysia	1.4

### 1.3 FDI income from extra-EU countries

#### FDI income rose by 32 % between 2003 and 2004

Income flows from EU FDI abroad decreased in 2001 by 22 % (EUR 86 bn) before rising to EUR 131 bn in 2004.

Table 1.7 illustrates an overall increase of EU income. The most important rise in relative terms is recorded in income from investments in China (including Hong Kong) with 80 %.

**Table 1.7**

<b>Geographical distribution of EU income from outward FDI</b>								
<b>EU-25 for 2001-2004, EU-15 for 2000</b>								
<b>(EUR bn and %)</b>								
<b>Income</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>			
<b>% Shares</b>				<b>2002</b>	<b>2003</b>	<b>2004</b>		
<b>Extra-EU</b>	<b>110</b>	<b>86</b>	<b>86</b>	<b>100%</b>	<b>99</b>	<b>100%</b>	<b>131</b>	<b>100%</b>
<b>EFTA, of which:</b>	13	12	16	19 %	14	14 %	15	11 %
Switzerland	11	9	13	15 %	12	12 %	12	9 %
<b>Other Europe, of which:</b>	8	4	-10	-12 %	5	5 %	5	4 %
Russia	0	1	1	1 %	2	2 %	2	2 %
Candidate countries*	1	0	1	1 %	1	1 %	1	1 %
<b>Africa</b>	6	6	9	10 %	7	7 %	10	8 %
<b>Northern America, of which:</b>	46	31	36	42 %	32	32 %	46	35 %
United States	42	28	33	38 %	29	29 %	41	31 %
Canada	5	2	3	3 %	3	3 %	4	3 %
<b>Central America</b>	5	4	4	5 %	9	9 %	10	8 %
<b>South America</b>	6	5	3	3 %	5	5 %	6	5 %
<b>Asia, of which:</b>	20	17	21	24 %	20	20 %	26	20 %
Near and Middle East	3	2	2	2 %	2	2 %	2	2 %
Other Asia, of which:	17	16	18	21 %	17	17 %	24	18 %
Japan	1	1	2	2 %	3	3 %	2	2 %
China (includ. Hong Kong)	6	7	5	6 %	5	5 %	9	7 %
<b>Oceania, of which:</b>	4	3	5	6 %	5	5 %	7	5 %
Australia	3	2	4	5 %	4	4 %	6	5 %
New Zealand	1	1	1	1 %	1	1 %	1	1 %
<b>Not allocated</b>	2	4	2	2 %	3	3 %	7	5 %
<b>OECD (non EU)</b>	71	49	63	73 %	58	59 %	75	57 %
<b>Non OECD countries</b>	37	33	21	24 %	38	38 %	49	37 %

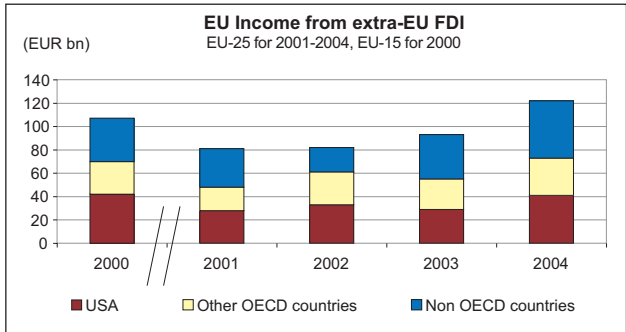
\* Bulgaria, Romania, Turkey and Croatia.

### 31 % of FDI income came from the USA in 2004

In 2004 the USA was the origin of EUR 41 bn FDI income, the highest level recorded in the period after 2000.

FDI income from other OECD<sup>13</sup> and non OECD countries increased between 2000 and 2004 by 14 % and 32 % respectively.

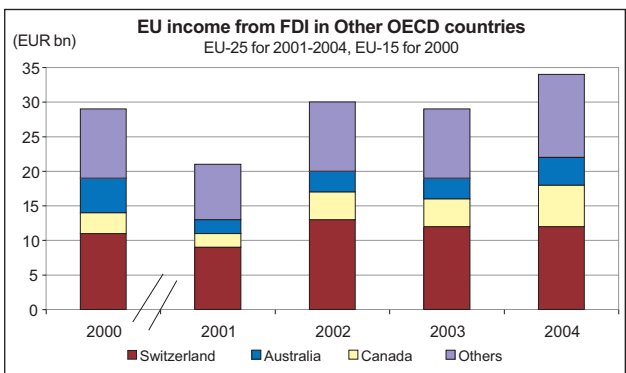
**Chart 1.8**



Amongst the other OECD countries, Switzerland was the largest source of FDI income to the EU during the entire period. The income flows it provided averaged EUR 11.4 bn over the five-year period. Secondly, Australia represented a stable source of FDI income, with flows averaging EUR 3.8 bn.

Norway with EUR 3.3 bn in 2004 was the main source for the group of 'other countries' followed by Mexico with EUR 2.5 bn.

**Chart 1.9**



<sup>13</sup> See footnote 10 of this chapter.

Looking at the non OECD countries, Chart 1.10 shows the main geographical areas from which FDI income originated.

Asia was the largest source of FDI income to the EU during the entire period. The income flows it provided averaged EUR 17.6 bn over the five-year period. The income mainly stemmed from Hong Kong followed by Singapore.

**Chart 1.10**

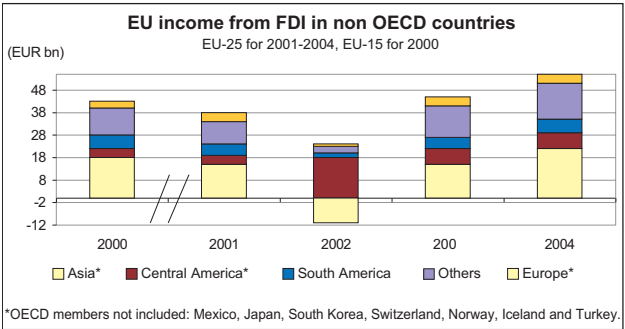


Table 1.8 focuses on the contribution of financial centres. 2004 EU FDI income from Financial centres increased by 73 % compared to 2003.

EUR 26 bn of FDI income came from the OFC in 2004, representing 53 % of all EU investment income from non OECD countries.

Table 1.8 highlights a major increase concerning FDI income from European Financial centres from EUR -6 bn in 2003 to EUR 2 bn in 2004 (+133 % compared to 2003).

The rise of FDI income from Asia (+ 100 % compared to 2003) is mainly due to Hong Kong (+ 133 % compared to 2003), which was the source of more than a half of the Asian OFC FDI income (EUR 7 bn in 2004).

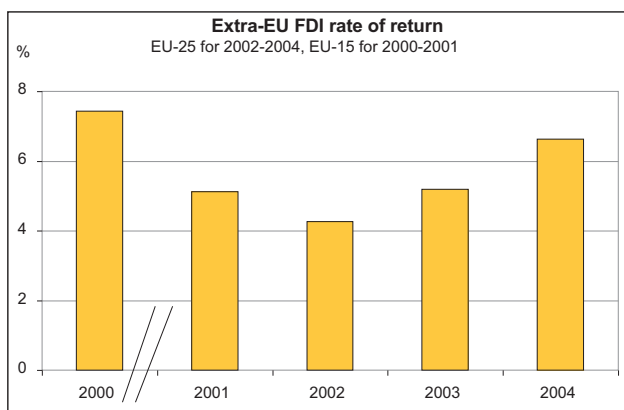
**Table 1.8**

<b>EU FDI income from Financial centres</b>				
(EUR bn)				
	<b>2003</b>		<b>2004</b>	
	<b>Value</b>	<b>(%)</b>	<b>Value</b>	<b>(%)</b>
<b>Non-OECD countries</b>	38	100 %	49	100 %
<b>Financial centres</b>	<b>15</b>	<b>39 %</b>	<b>26</b>	<b>53 %</b>
<i>of which:</i>				
<b>European</b>	-6	-16 %	2	4 %
<b>Central American</b>	7	18 %	8	16 %
<b>Asian</b>	6	16 %	12	24 %
<i>of which:</i>				
Singapore	3	8 %	5	10 %
Hong Kong	3	8 %	7	14 %
<b>Other Non-OECD countries</b>	<b>23</b>	<b>61 %</b>	<b>23</b>	<b>47 %</b>

**Stocks, income and yield: EU FDI abroad yielded 6.6 % in 2004**

The ratio <sup>14</sup> of income in a given period to stocks at the beginning of that period appears as an indicator of FDI profitability in Chart 1.11. Over the 2000-04 period, extra-EU outward FDI yielded a five-year period average of 5.7 %, with the rate of return on extra-EU FDI contracting from 7.4 % in 2000 to 4.3 % in 2002, before increasing from 5.2 % in 2003 to 6.6 % in 2004.

**Chart 1.11**



<sup>14</sup> Rate of return in t = (Income paid in t) / (Stocks at the end of the period t-1).

# **Chapter 2: DIRECT INVESTMENT IN THE EU**



*EU inward FDI flows from extra-EU countries recorded a decrease going from EUR 188 bn in 2000 to EUR 62 bn in 2004, the lowest level of the period. The rate of growth over the last five years was -23 %.*

## **2.1 Trend and main investors**

### **Inward flows decreased continuously over the 2000-2004 period**

EU FDI inward flows have decreased dramatically since 2000. In terms of importance the USA was the main investor in the EU, followed by other OECD countries<sup>15</sup>. Non OECD countries came third followed by Other Europe<sup>16</sup> and finally Japan.

Despite a 74 % fall in FDI flows from the USA over the period 2000-04, the USA remained the main investor in the EU over the five years, with flows dropping from EUR 88 bn in 2000 to EUR 23 bn in 2004.

The group 'Other OECD countries' was at its highest level in 2003 with EUR 34 bn, after the peak of 2000 (EUR 54 bn). In 2004, they invested EUR 18 bn in the EU, representing 29 % of the total EU FDI inflows.

Although EU FDI flows from Japan increased from EUR 3 bn in 2003 to EUR 4 bn in 2004, a fall of 76 % from 2000 to 2004 was recorded.

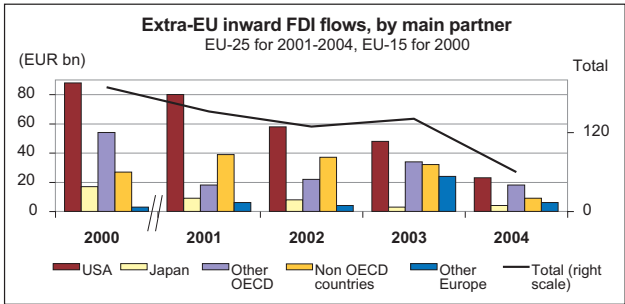
Inflows from 'other European countries' recorded the highest decrease (-75 %) between 2003 and 2004, followed by 'non OECD countries' (-72 %).

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<sup>15</sup> The group of 'other OECD countries' comprises OECD countries excluding EU Member States, the USA and Japan. The group changed in composition during the period covered because of the EU enlargement. For the year 2000 (referring to EU-15), it includes twelve countries (Australia, Canada, Czech Republic, Hungary, Iceland, Mexico, New Zealand, Norway, Poland, South Korea, Switzerland, and Turkey). For the years 2001-04 (referring to EU-25), it includes nine countries only, as Czech Republic, Hungary, Slovakia (joined OECD in 2001) and Poland are included in EU-25. The highest investment made in the EU by these four countries together over the period 2000-04 was in 2004, at EUR 3 bn.

<sup>16</sup> The group of 'other European countries' comprises European countries excluding EFTA, EU-15 for 2000 and EU-25 for 2001-04.

**Chart 2.1**



**The USA made 37 % of total EU inward investment in 2004**

Inflows from the OECD (non EU) countries fell by 47 %, from EUR 85 bn in 2003 to EUR 45 bn in 2004.

FDI flows from the USA decreased by 52 % from EUR 48 bn in 2003 to EUR 23 bn in 2004, although the stocks increased by 3 % between 2003 and 2004. With a 37 % share, the USA remained the main investor in 2004, even though its share was 5 percentage points lower compared with 2003.

The second main investor was Switzerland with EUR 14 bn, representing 23 % of the total EU FDI inflows. Its share increased by six percentage points compared to 2003. With -133 %, Canada recorded the strongest decrease over the 2003-04 period with values going from EUR 12 bn to EUR -4 bn.

Investment from 'Other OECD countries' increased from EUR 1 bn in 2003 to EUR 5 bn in 2004 whereas the EU FDI inflows from 'non OECD countries' decreased from EUR 32 bn to EUR 9 bn in 2004.

**Table 2.1**

**Geographical distribution of EU FDI liabilities and most recent inward flows**  
EU-25 for 2001-2004, EU-15 for 2000  
(EUR bn and %)

Stocks at end	2000	2001	2002	2003		2004		
Flows				2003		2004		
<b>Extra-EU</b>	<b>1 108</b>	<b>1 296</b>	<b>1 265</b>	<b>115</b>	<b>1 519</b>	<b>100 %</b>	<b>62</b>	<b>100 %</b>
OECD (non EU), of which:	899	1 040	1 005	85	1 175	77 %	45	73 %
USA	562	705	660	48	773	51 %	23	37 %
Switzerland	144	145	157	19	200	13 %	14	23 %
Japan	58	60	63	3	73	5 %	4	6 %
Canada	90	81	74	12	65	4 %	-4	-6 %
Norway	18	20	27	1	25	2 %	0	0 %
Australia	19	21	15	1	22	1 %	3	5 %
Other OECD countries	8	8	9	1	17	1 %	5	8 %
Non OECD countries	196	234	223	32	316	21 %	9	15 %
Not allocated	13	22	37	-2	28	2 %	8	13 %

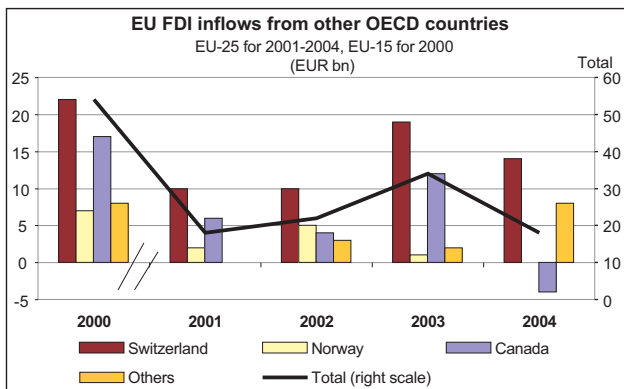
## Other OECD countries<sup>17</sup>: Decreased investment from Switzerland and Canada in 2004

In this group, Switzerland remained the most important partner over the five years, although it recorded a decrease of 36 % during this period, going from EUR 22 bn in 2000 to EUR 14 bn in 2004.

Canada recorded a disinvestment of EUR -4 bn in 2004, after a peak in 2000 (EUR 17 bn). Except in 2002 and 2004, it was the second major investor country in this group.

Among the group of 'other OECD countries' (not separately presented in Chart 2.1 or 2.2), Australia invested EUR 12 bn over all the five years while Iceland, Turkey, Mexico, South Korea and New Zealand invested a smaller amount.

**Chart 2.2**



<sup>17</sup> See footnote 15 of this chapter.

## Non-OECD area: important role played by Offshore Financial Centres

At EUR 18 bn, OFC accounted for the main share of the FDI flows coming from the non-OECD area in 2004 (a share of 200 %, due to disinvestment by other non OECD countries, especially by Gulf Arabian countries), and 93 % of stocks at end-2003.

EU FDI flows from OFC decreased by 44 % in 2004, recording a drop from EUR 32 bn in 2003 to EUR 18 bn in 2004 and representing 29 % of extra-EU FDI flows that year.

European OFC contributed with EUR 13 bn to the flows invested by non OECD countries, whereas Asian OFC held only EUR 7 bn.

2003 FDI stock figures showed that OFC Centres from Central America were the main source of FDI among non-OECD countries with 63 % of the OFC, followed by European OFC with 14 % and Asian OFC with 8 %.

**Table 2.2**

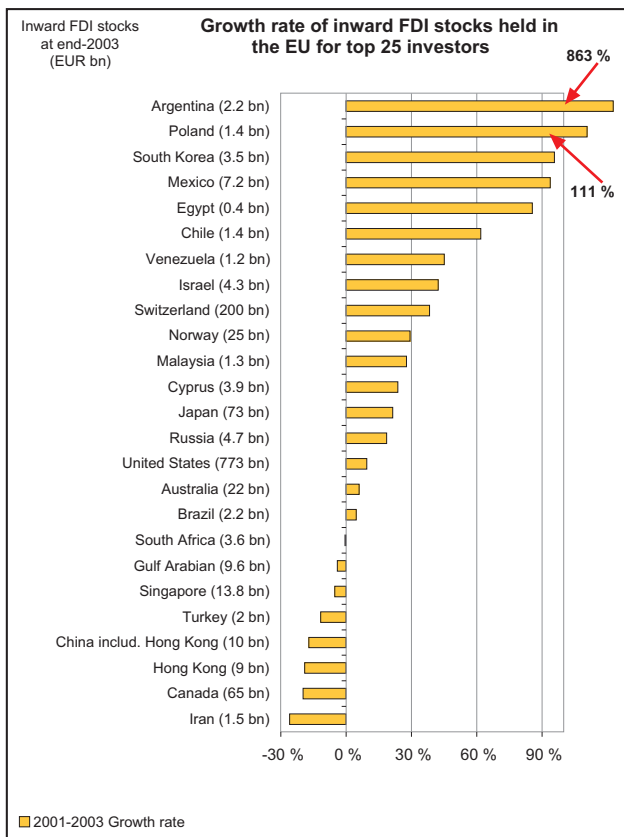
EU FDI inward from Financial centres				
(EUR bn)				
	FDI Stocks, at end-2003		FDI Flows 2004	
	Value	(% )	Value	(% )
<b>Non-OECD countries</b>	316	100 %	9	100 %
<b>Financial centres</b>	<b>294</b>	<b>93 %</b>	<b>18</b>	<b>200 %</b>
of which:				
<b>European</b>	45	14 %	13	144 %
<b>Central American</b>	198	63 %	0	0 %
<b>Asian</b>	24	8 %	7	78 %
of which:				
Singapore	14	4 %	0	0 %
Hong Kong	9	3 %	5	56 %
<b>Other Non-OECD countries</b>	<b>22</b>	<b>7 %</b>	<b>-9</b>	<b>-100 %</b>

## EU FDI inward stocks: top 25 investor countries

Chart 2.3 illustrates the recent evolution of stocks held by the 25 most important partners ranked according to the growth rate between 2001 and 2003.

Argentina recorded the highest rate of growth between 2001-03, followed by Poland, South Korea and Mexico.

**Chart 2.3**



## Major hosts of inward FDI in the EU: the United Kingdom received 19 % of stocks in 2003

At end-2003, the United Kingdom was the main host of direct investment in the EU-25 holding 19 % of the EU-25 total. The United Kingdom's share of EU reached 24 % for the USA's inward stocks.

The Netherlands was the second main destination with 10 % of EU-25 total, followed by Germany (9 %) and France (7 %).

The most important partner for these four countries was the USA. More than 49 % of EU inward stocks held by the USA were hosted in these countries.

With EUR 32 bn and EUR 24 bn respectively, Switzerland was the second main investor in Germany and in France.

Non OECD countries were the second main investor group in the Netherlands with EUR 42 bn. This represented 28 % of the total extra EU FDI investments hosted in the Netherlands. Amongst non OECD countries, Bermuda was the main investor in the Netherlands, followed by Netherlands Antilles and Jersey.

Amongst 'other EU countries', representing 55 % of the EU-25 total, Spain was the main recipient Member State (9 %), followed by Ireland (7 %) and Italy (5 %). The USA was the main investor also for these three countries.

**Table 2.3**

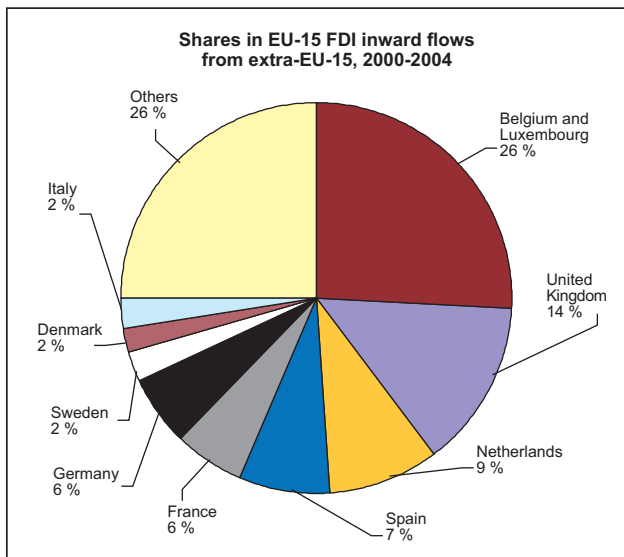
Geographical distribution of EU-25 FDI inward, four main recipients (At end-2003, EUR bn)						
Stocks at end-2003	EU-25	UK	DE	NL	FR	Other EU
<b>Extra-EU</b>	<b>1 519</b>	<b>285</b>	<b>143</b>	<b>151</b>	<b>111</b>	<b>829</b>
<b>OECD (non EU)</b>	1 175	262	131	109	95	577
<b>USA</b>	773	188	81	75	55	373
<b>Switzerland</b>	200	19	32	16	24	110
<b>Japan</b>	73	17	10	13	8	24
<b>Canada</b>	65	:	3	1	5	:
<b>Norway</b>	25	1	2	3	2	18
<b>Australia</b>	22	20	0	1	1	1
<b>Other OECD countries</b>	17	:	2	1	1	:
<b>Non OECD countries</b>	316	:	:	42	15	:
<b>Not allocated</b>	28	0	:	0	2	:

: Missing values.

## Belgium, Luxembourg and the United Kingdom attracted most of inward flows

Belgium and Luxembourg represent one quarter of cumulated investment flows over the 2000-04 period.

**Chart 2.4**



The United Kingdom recorded 14 % of 2000-04 FDI cumulated inflows from extra-EU-15, followed by the Netherlands (9 %), Spain (7 %), Germany and France with (6 %).

In 2004, the highest share in EU-15 FDI inward flows was recorded by Luxembourg with 33 %, followed by Belgium and the United Kingdom which each had 13 %.

## 2.2 Focus on EU enlargement

### The USA was the main extra-EU investor in the new Member States

Table 2.4 presents details on investment coming from extra-EU-25 countries into the 10 new Member States, which amounted to EUR 25 bn.

Data on FDI inward stocks at the end of 2003 show that the USA was the main investor, with EUR 8.7 bn of stocks, followed by Switzerland (EUR 4.5 bn). Japan was in third position, closely followed by Russia.

**Table 2.4**

<b>New Member States</b>	
<b>Inward FDI stocks from extra-EU-25</b>	
<b>(EUR mn, end-2003)</b>	
<b>Extra-EU-25</b>	<b>25 271</b>
<i>of which:</i>	
United States	8 667
Switzerland	4 546
Japan	1 538
Russia	1 508
Norway	957

Table 2.5 below presents the share of new Member States in relation to the total EU-25 inward stocks held by the specified countries.

Of the total inward stocks in the EU-25, 1.7 % were hosted by the new Member States. This weight was higher for the investment coming from neighbouring countries (Table 2.5).

More than 55 % of EU-25 stocks owned by Belarus, Croatia, Ukraine and Serbia and Montenegro were hosted in the 10 new Member States.

**Table 2.5**

<b>New Member States inward FDI stocks as % of EU-25</b>	
<b>from extra-EU-25 countries (end-2003)</b>	
<b>Extra-EU-25</b>	<b>1.7</b>
Belarus	91.1
Croatia	89.6
Ukraine	80.0
Serbia & Montenegro	59.5
Russia	32.0
Liechtenstein	24.4
Bulgaria	11.8
Egypt	11.7
Romania	9.8



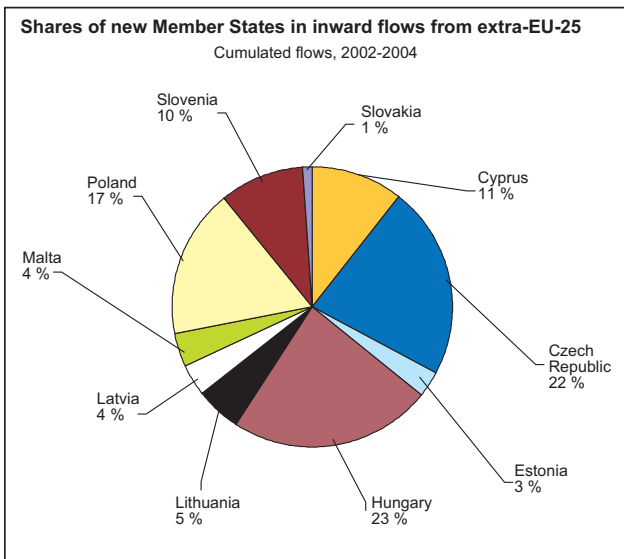
## Hungary was the main target of extra-EU-25 investors in recent years

Between 2002 and 2004 the 10 new Member States attracted EUR 11 bn of FDI flows from extra-EU countries. The three main destinations representing more than 60 % of extra-EU-25 inflows were Hungary with 23 %, followed by Czech Republic with 22 % and Poland with 17 % of extra-EU-25 inflows.

Cyprus and Slovenia were more or less at the same level with 11 % and 10 % respectively.

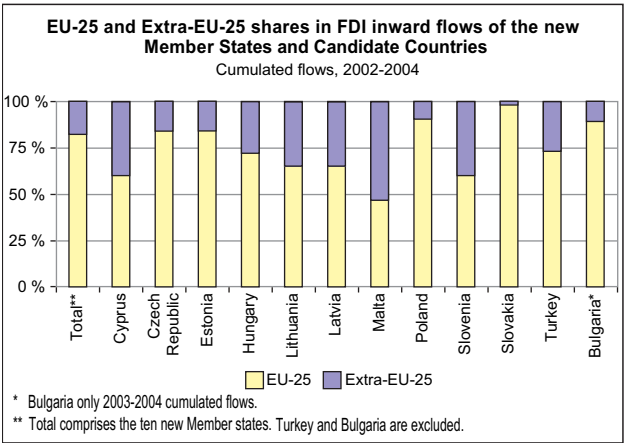
The other five new Member States attracted less extra-EU-25 FDI over the 2002-04 period, Slovakia receiving the least FDI inflows.

**Chart 2.5**



18 % of the total FDI cumulated inflows (2002-04) into the new Member States came from extra-EU-25 countries (Chart 2.6). The highest share was obtained by Malta with 53 %, followed by Cyprus and Slovenia which each had 40 %. The lowest share was recorded by Slovakia with 2 %.

**Chart 2.6**



## 2.3 Income paid on inward EU FDI

### Income paid on inward FDI increased by 47 % in 2004

Income from inward EU FDI recorded an increase of 47 % between 2003 and 2004. It reached EUR 85 bn in 2004, after falling from EUR 92 bn in 2000 to EUR 58 bn in 2003 (-37 %).

At EUR 51 bn, EU FDI income accruing to the USA in 2004 was by 42 % higher than in 2003 and accounted for 60 % of total FDI income paid to extra-EU investor countries.

Switzerland with EUR 13 bn, held 15 % of total inward FDI income and was the second main recipient country, while Canada was third. Japan, Australia and Norway received each EUR 1 bn in 2004.

In 2004, Central American countries with EUR 11 bn were the main destinations of EU FDI income paid to non OECD countries.

**Table 2.6**

Geographical distribution of EU income paid on inward FDI, EU-25 for 2001-2004, EU-15 for 2000 (EUR bn and %)							
Income	2000	2001	2002	2003	2004		
					2003	2004	
% Shares							
<b>Extra-EU</b>	<b>92</b>	<b>83</b>	<b>68</b>	<b>58</b>	<b>100 %</b>	<b>85</b>	<b>100 %</b>
<b>OECD (non EU)</b>	76	56	58	55	95 %	70	82 %
<b>USA</b>	49	33	33	36	62 %	51	60 %
<b>Switzerland</b>	15	19	16	13	22 %	13	15 %
<b>Japan</b>	3	2	4	1	2 %	1	1 %
<b>Canada</b>	5	1	2	2	3 %	2	2 %
<b>Norway</b>	1	1	1	1	2 %	1	1 %
<b>Australia</b>	1	0	1	1	2 %	1	1 %
<b>New Zealand</b>	0	0	0	0	0 %	0	0 %
<b>South Korea</b>	0	0	0	0	0 %	0	0 %
<b>Other OECD countries</b>	2	0	1	1	2 %	1	1 %
<b>Not allocated</b>	2	6	1	1	2 %	2	2 %
<b>Non OECD countries</b>	14	21	9	2	3 %	13	15 %

The OFC group was the recipient of EUR 13 bn of FDI income in 2004, which represented 100 % of income on EU FDI paid to non-OECD countries.

EU-25 FDI income directed to financial centres represented approximately 15 % of extra-EU FDI income in both years 2003 and 2004.

Table 2.7 highlights an increase of EU-25 FDI income to Central American and European OFC, whereas Asian OFC recorded a decrease, due to Hong Kong.

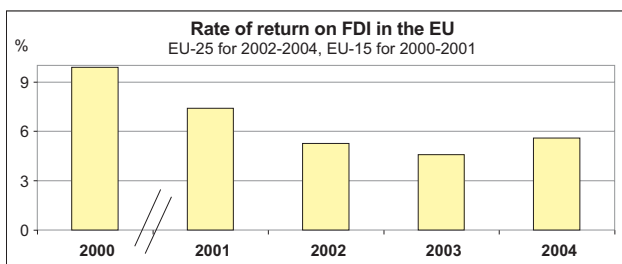
**Table 2.7**

EU-25 FDI income to Financial centres (EUR bn)				
	2003		2004	
	Value	(%)	Value	(%)
<b>Non-OECD countries</b>	2	100%	13	100%
<b>Financial centres</b>	<b>8</b>	<b>400%</b>	<b>13</b>	<b>100%</b>
<i>of which:</i>				
<b>European</b>	-7	-350%	2	15%
<b>Central American</b>	5	250%	10	77%
<b>Asian</b>	0	0%	-1	-8%
<i>of which:</i>				
Singapore	0	0%	0	0%
Hong Kong	0	0%	-1	-8%
<b>Other Non-OECD countries</b>	<b>-6</b>	<b>-300%</b>	<b>0</b>	<b>0%</b>

### Stocks, income and yield: EU inward FDI yielded 5.6 % in 2004

The ratio<sup>18</sup> of income in a given period to stocks at the beginning of that period appears as an indicator of FDI profitability in Chart 2.7. Over the 2000-04 period, extra-EU inward FDI yielded a five-year average of 6.5 %. In 2004, the rate of return on FDI capital invested by extra-EU countries increased to 5.6 %, after three years of consecutive decreases.

**Chart 2.7**



<sup>18</sup> Rate of return in t = (Income paid in t) / (Stocks at the end of the period t-1).

# **Chapter 3:** **THE ROLE OF EMERGING MARKETS**

## EU FDI in emerging markets: flows went up by 40 % in 2004

Data on the activity of European enterprises in the emerging markets are monitored very closely by policy-makers and analysts. Despite the slump in the investment activity that had been recorded in those markets in the past years, 2004 was characterised by a startling growth in the EU FDI outflows targeting the emerging markets.

In 2002-03 noticeable decreases in EU FDI have been observed in almost all of the emerging markets' constituent parts (Far East Asia, Latin America, MPC) with the only exception being CEECR in 2003. Particularly, 2002 was characterised by the sharpest slump of EU FDI outflows in the emerging markets, dropping from EUR 104 bn in 2001 to EUR 39 bn in 2002. The situation was completely reversed in 2004 as the EU FDI in emerging markets increased 40 %.

This chapter tackles the evolution of direct investments made by the EU in Latin America, Far East Asia, Mediterranean partner countries (MPC) and Central Eastern European countries and Russia (CEECR).

### Emerging markets

- Latin America: Argentina, Brazil, Paraguay, Uruguay, Bolivia, Chile, Colombia, Costa Rica, Cuba, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, El Salvador, Venezuela
- Far East Asia: Asia<sup>19</sup> excluding Japan
- Mediterranean partner countries (MPC): Maghreb countries (Algeria, Morocco, Tunisia), Machrek countries (Egypt, Jordan, Lebanon, Palestinian Territory: Occupied, Syrian Arab Republic), Turkey, Israel
- Central Eastern European countries and Russia (CEECR): Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia: the former Yugoslav Republic of, Romania, Serbia and Montenegro, Russia, Belarus, Ukraine

<sup>19</sup> Please refer to Annex 4 for the composition of Asia.

## EU <sup>20</sup> FDI flows to emerging markets: evolution from 2000 to 2004

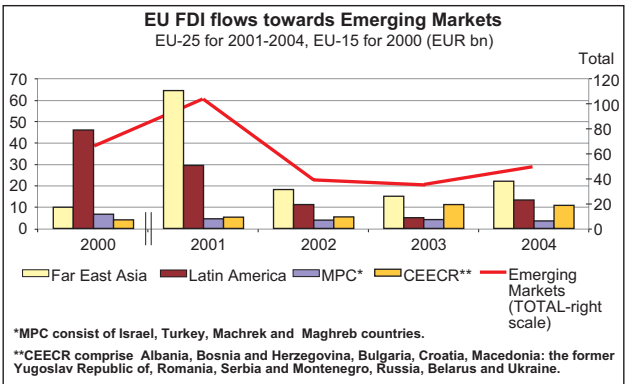
Over the 2000-04 period, EU FDI flows to emerging markets fluctuated, with 2001 being the peak period recording a 56 % increase compared to 2000 levels. EU outflows in 2002 and 2003 were featured by negative growth rates dropping from EUR 104 bn in 2001 to EUR 36 bn in 2003.

2001 was for Far East Asia as well the pinnacle year with EU investments in the region reaching the unprecedented amount of EUR 65 bn from EUR 10 bn that were recorded in 2000. After two years of continuous reductions, the EU investments in the region settled at EUR 22 bn in 2004, with a 47 % increase from 2003.

The constantly diminishing EU investments to Latin America that were recorded from 2000 (EUR 46 bn) until 2003 (EUR 5 bn) were reversed in 2004 with an upsurge of EU FDI flows equal to EUR 13 bn.

CEECR attracted for the first time in 2003 a big amount of EU investment activity reaching EUR 11 bn and recording a 110 % growth compared to 2002. The flows to CEECR remained relatively stable in 2004 with almost EUR 11 bn being invested in this area. MPC on the contrary, recorded a decrease from EUR 4 bn in 2003 to EUR 3 bn in 2004 (-16 %).

**Chart 3.1**



<sup>20</sup> Even though in 2001 there is a break in the series between EU-15 and EU-25 outflows to the emerging markets the difference is marginal, except for CEECR.

## Where did EU investors invest in emerging markets?

The share of EU FDI outflows to emerging markets in total EU external FDI flows tended to increase between 2000 and 2004, rising from 15.3 % in 2000 to 43.3 % in 2004. Far East Asia attracted most of the EU outflows targeting the emerging markets: over the five year period this region received 45.6 % of EU FDI flows to emerging markets, whereas Latin America followed next with almost 29.8 %.

**Table 3.1**

### Share of Emerging Markets in total extra-EU FDI outflows, 2000 to 2004

EU-25 for 2001-2004, EU-15 for 2000

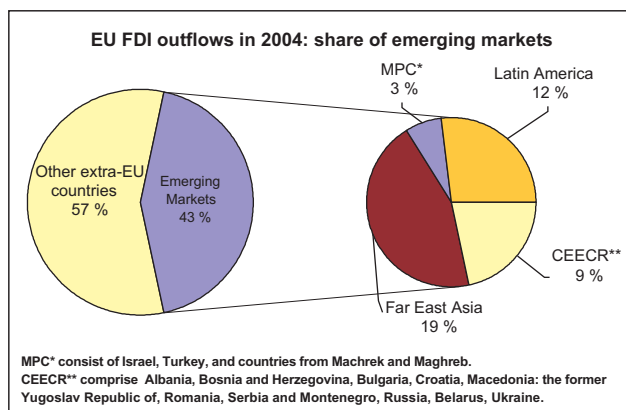
	2000	2001	(%) 2002	2003	2004
Emerging Markets	15.3	34.1	28.9	26.2	43.3
Far East Asia	2.3	21.2	13.6	11.1	19.2
Latin America	10.6	9.7	8.4	3.7	11.6
MPC*	1.5	1.5	2.9	3.1	3.0
CEEER**	0.9	1.7	4.0	8.3	9.4
Other extra-EU countries	84.7	65.9	71.1	73.8	56.7

\*MPC comprise Israel, Turkey, Machrek and Maghreb countries.

\*\*CEEER consist of Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Macedonia: the former Yugoslav Republic of, Romania, Serbia & Montenegro, Russia, Belarus, Ukraine.

In 2004, Far East Asia recorded the highest share (19.2 %), of EU FDI flows to emerging markets. China including Hong Kong accounted for 51.1 % of the total EU outflows to this region. EU FDI outflows to Latin America totalled 11.6 %, while FDI flows to CEEER represented 9.4 % of the total EU outflows targeting the emerging markets.

**Chart 3.2**





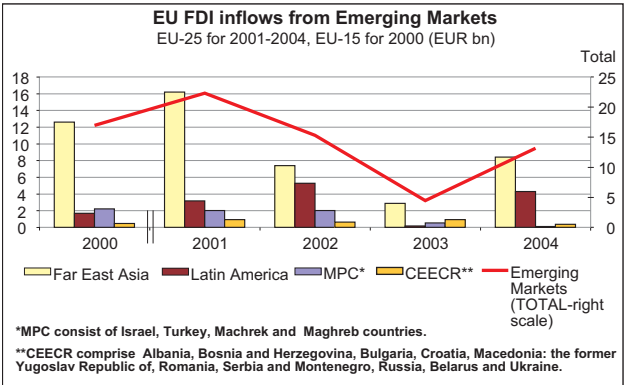
## EU FDI inflows from emerging markets: intensifying FDI flows to the EU in 2004

EU bilateral relations with the emerging markets are traditionally characterised by a strong prevalence of outward FDI over inward FDI. When comparing the five years under consideration, 2001 was the pinnacle year of the FDI flows to the EU from the emerging markets with EUR 22 bn. Far East Asia with EUR 16 bn was the main provider of the EU investment activity coming from the emerging markets.

In the two subsequent years a downward sloping pattern was observed for the emerging markets' investments in the EU. 2003 was the dip year throughout 2000-04, with the largest drop (-71 %, compared to 2002 levels).

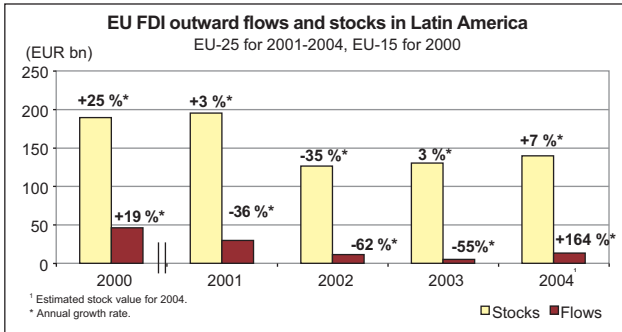
The decline of the emerging markets' investments to the EU was reversed in 2004 with a sharp increase of 195 % (EUR 13 bn) when compared to 2003 levels (EUR 4 bn). Far East Asia was again the main contributor to that increase as it was accountable for 64 % of the total EU inflows from the emerging markets. China including Hong Kong with EUR 5 bn accounted for 57 % of the inward investments to the EU arising from Far East Asia. It is worthwhile noting that Far East Asia provided the most FDI in the EU over the 2000-04 period (representing an average of 66 % of total EU FDI inflows from the emerging markets), followed by Latin America (20 %), the MPC (9 %), and CEECR (5 %).

**Chart 3.3**



### 3.1. Latin America: Promising EU FDI outward flows in 2004

Chart 3.4



EU FDI outflows towards Latin America kept on decreasing noticeably during the period 2000-03 dropping from EUR 46 bn in 2000 to EUR 5 bn in 2003. In fact, 2003 was the dip year in terms of EU investment activity in that region. This fall was largely induced by an important disinvestment by Spain in Argentina of EUR -1.1 bn (71 % of the total EU disinvestment in Argentina). EU FDI in 2004 rose by 164 % to EUR 13 bn mainly due to an increased investment in Mexico (EUR 9.2 bn).

Table 3.2

**EU FDI outflows to Latin American countries, 2000-2004,**  
EU-25 for 2001-2004, EU-15 for 2000

	(EUR mn)				
	2000	2001	2002	2003	2004
<b>Extra-EU</b>	437 044	306 140	133 897	135 512	114 951
<b>Latin America</b>	46 188	29 644	11 244	5 077	13 381
<i>of which:</i>					
Mexico	6 730	4 825	6 608	1 962	9 165
Colombia	320	420	- 369	364	577
Uruguay	201	1 229	450	106	175
Venezuela	3 505	2 914	- 183	- 257	702
Brazil	23 642	10 050	- 1 367	2 182	2 819
Chile	1 537	3 048	1 564	1 431	1 435
Argentina	5 936	5 612	1 159	- 1 503	- 1 773
<b>NICs2LA</b>	37 843	23 534	7 961	4 071	11 649
<b>MERCOSUR</b>	29 756	16 901	172	789	1 178

NICs2LA = Latin American Newly Industrialised Countries of the second wave of industrialisation (Argentina, Brazil, Chile, Mexico).

Mercosur = Countries of the South Cone Common Market (Argentina, Brazil, Paraguay, Uruguay).

## Brazil and Mexico: top Latin American destinations for EU FDI

**Table 3.3**

EU FDI outward stocks in Latin America at end of 2003, (EUR mn)								
	EU	United Kingdom	Netherlands	France	Germany	Italy	Denmark	Other MS*
<b>Latin America</b>	<b>130 149</b>	<b>13 191</b>	<b>11 399</b>	<b>10 734</b>	<b>9 881</b>	<b>5 682</b>	<b>2 723</b>	<b>76 539</b>
<i>of which:</i>								
Mexico	27 433	1 684	3 814	1 680	3 562	317	343	16 033
Colombia	6 503	3 468	241	159	418	49	11	2 157
Uruguay	1 383	:	58	268	78	42	:	:
Venezuela	4 422	- 237	- 150	1 142	538	186	:	:
Brazil	48 026	3 022	4 807	4 941	3 554	2 826	343	28 533
Chile	12 239	2 558	646	513	430	105	40	7 947
Argentina	23 193	2 125	1 081	1 695	804	1 721	1 904	13 863
<b>NICs2LA</b>	<b>110 891</b>	<b>9 390</b>	<b>10 347</b>	<b>8 829</b>	<b>8 350</b>	<b>4 969</b>	<b>2 631</b>	<b>66 375</b>
<b>MERCOSUR</b>	<b>72 811</b>	<b>5 221</b>	<b>5 958</b>	<b>6 934</b>	<b>4 449</b>	<b>4 597</b>	<b>2 259</b>	<b>43 393</b>

: indicates missing values.

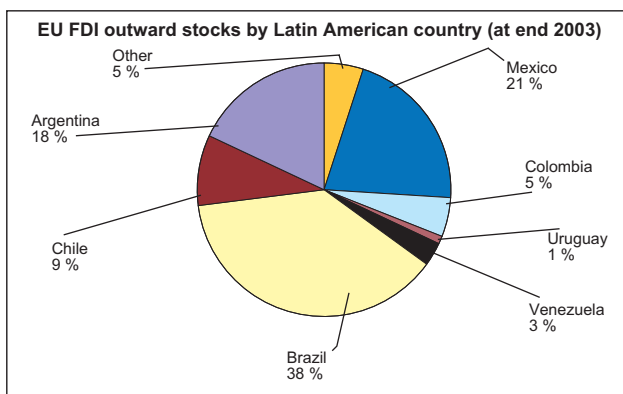
NICs2LA = Latin American Newly Industrialised Countries of the second wave of industrialisation (Argentina, Brazil, Chile, Mexico).

Mercosur = Countries of the South Cone Common Market (Argentina, Brazil, Paraguay, Uruguay).

\* The residual 'Other MS' ('Other Member States') is very significant because it includes Spanish FDI. Indeed the geographical breakdown of FDI stocks is not available for Spain. See the section on cumulated flows below.

At the end of 2003, 85 % of EU FDI outward stocks with Latin American countries were held in the four Latin American NICs of the second wave of industrialisation: Brazil, Argentina, Chile and Mexico. Brazil was the main host of extra-EU FDI stocks in Latin America with 38 % of the total, as France and the Netherlands invested EUR 4.9 bn and EUR 4.8 bn respectively. Mexico followed next with 21 % of the total.

**Chart 3.5**

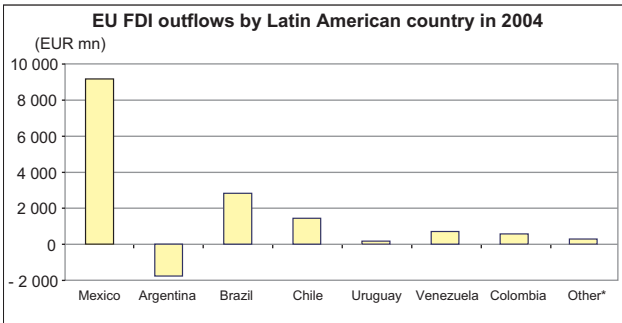


## In 2004 Mexico was the main destination of EU FDI outward flows

In 2004, Mexico with EUR 9 bn remained the top destination for EU FDI flows towards Latin American countries, accounting for 68 % of EU total flows. Spain with EUR 6 bn was the principal investor country (67 % of EU outflows to Mexico).

Brazil ranked second with EUR 3 bn. Chile came third and remained quite stable since 2002 with the EU investment totalling almost EUR 1.5 bn. EU FDI flows to Argentina dwindled from EUR 1.2 bn in 2002 to EUR -1.8 bn in 2004.

**Chart 3.6**



\* 'Other' ('Other Member States') has been computed as the difference between the estimated EU aggregate and the sum of the selected reporting countries.

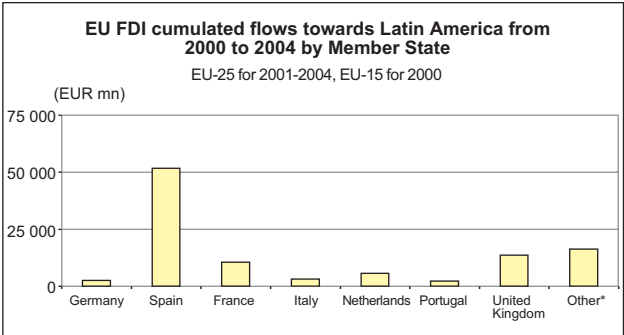
One of the main features of 2004 was the recovery of the EU FDI flows to Venezuela from a disinvestment of EUR -257 mn in 2003 to an investment of EUR 702 mn in 2004. Significant developments of the EU FDI flows to Colombia and Uruguay also took place in 2004 with the EU outward flows to Colombia increasing by 59 % and to Uruguay by 65 % compared to 2003. The British investment represented 72 % of the EU direct investment in Colombia.

As opposed to Argentina, which has for the second consecutive year disinvestments from the EU, the rest of the Latin American countries experienced positive growth rates compared to 2003 levels.

## Spain: main EU investor in Latin America

Looking at the cumulated flows from 2000 to 2004, the Spanish investment represented 49 % of EU direct investment in Latin America. The United Kingdom and France were the second and third largest EU investors, accounting for 13 % and 10 % respectively of the total EU FDI targeting Latin American countries.

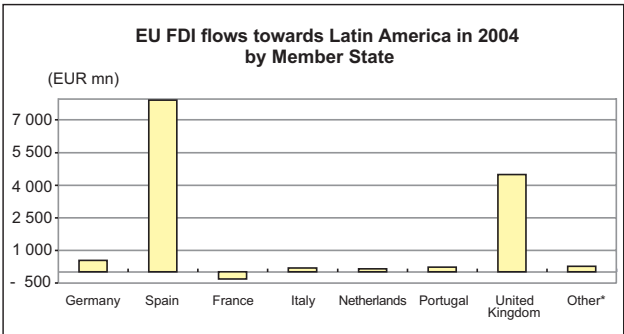
**Chart 3.7**



\* 'Other' ('Other Member States') has been computed as the difference between the estimated EU aggregate and the sum of the selected reporting countries.

In 2004, Spain maintained its position as principal EU investor in Latin America by investing almost EUR 8 bn. The United Kingdom ranked second with EUR 4 bn while Germany invested EUR 0.5 bn in Latin America, recovering its disinvestments in 2003 (EUR -0.3 bn). The Netherlands with EUR 138 mn reduced significantly their investment in the region from 2003 (EUR 2 bn).

**Chart 3.8**



\* 'Other' ('Other Member States') has been computed as the difference between the estimated EU aggregate and the sum of the selected reporting countries.

## EU FDI in Latin America: limited profitability

**Table 3.4**

<b>EU FDI income by country of origin, 2000-2004</b>					
EU-25 for 2001-2004, EU-15 for 2000					
(EUR mn)					
	2000	2001	2002	2003	2004
<b>Extra-EU</b>	<b>109 742</b>	<b>86 198</b>	<b>85 769</b>	<b>99 130</b>	<b>131 131</b>
<b>Latin America</b>	<b>7 855</b>	<b>6 029</b>	<b>5 628</b>	<b>6 543</b>	<b>8 455</b>
<i>of which:</i>					
Mexico	1 405	345	1 884	1 627	2 502
Colombia	536	397	384	413	572
Uruguay	80	8	133	42	58
Venezuela	254	613	769	116	826
Brazil	3 208	2 485	3 249	3 094	2 813
Chile	685	430	774	547	1 180
Argentina	1 202	1 301	-2 147	135	-11
<b>NICs2LA</b>	<b>6 499</b>	<b>4 562</b>	<b>3 760</b>	<b>5 408</b>	<b>6 487</b>
<b>MERCOSUR</b>	<b>4 509</b>	<b>3 836</b>	<b>1 226</b>	<b>3 280</b>	<b>2 868</b>

NICs2LA = Latin American Newly Industrialised Countries of the second wave of industrialisation (Argentina, Brazil, Chile, Mexico).

Mercosur = countries of the Southern Cone Common Market (Argentina, Brazil, Paraguay, Uruguay).

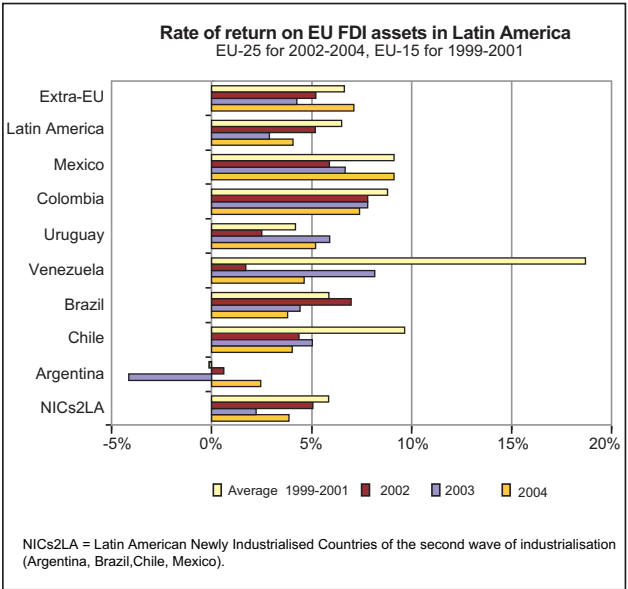
Over the 2000-04 period, the income generated by EU FDI outward stocks in Latin America fluctuated reaching the level of EUR 8.5 bn in 2004. This represented 6 % of the total FDI income received by the EU from extra-EU countries. Income payments by Brazil alone represented almost 33 % of this amount. Mexico was the second source of income with 30 % participation in Latin America's income paid to the EU. The rest of the Latin American countries accounted for much smaller amounts.

Chart 3.9 shows that over the whole period, FDI in Latin America was less profitable than FDI in the extra-EU as a whole. In 2003 the rate of return<sup>21</sup> was 5.2 % and is identical to the one of extra-EU as a whole.

From 1999 to 2001 Mexico and Colombia were the most profitable destinations for EU FDI in Latin America (the average rate of return was 9.1 % and 7.4 % respectively). In 2001, Colombia maintained its position and hosted significant EU FDI capital, with a 7.6 % rate of return far ahead from Mexico (1.6 %). In 2004 Venezuela and Chile held the top two positions and became the most profitable destinations for EU FDI in Latin America with a rate of return of 18.7 % and 9.6 % respectively. Mexico followed next with 9.1 %.

<sup>21</sup> Rate of return  $t = (\text{income paid in } t) / (\text{stocks at the end of the period } t - 1)$ .  
See table 3.4 for income and table 12 in Annex 1 for 2003 stocks.

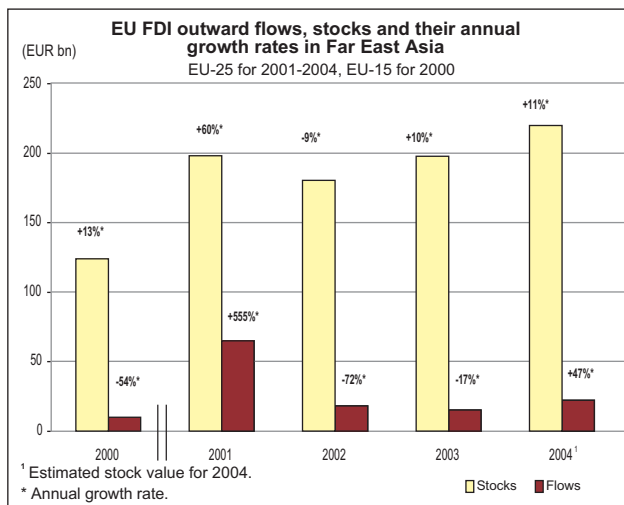
**Chart 3.9**



## 3.2. Far East Asia: EU FDI to NICs<sup>22</sup> rose

EU FDI outflows towards Far East Asia<sup>23</sup>: slight recovery in 2004

Chart 3.10



EU FDI outflows towards Far East Asia kept on decreasing noticeably during the period 2001-03. With EUR 65 bn 2001 was the year that the EU investment in the region reached the unprecedented growth rate of 555 % compared to 2000 levels. Diminishing EU investments in Far East Asia were portrayed in the next two subsequent years with the EU outflows reaching EUR 15 bn in 2003, while at the same time EU FDI in extra-EU countries increased by 1 %. EU investment activity in Far East Asia increased again in 2004 with the total amount of EU investments in the area reaching EUR 22 bn.

The share of FDI flows directed towards Far East Asia in total EU outward flows started from very low levels at 2.3 % in 2000, climbed high in 2001 at 21.2 % and kept on falling during 2002-03. In 2004 it rose up to 19.2 %.

<sup>22</sup> NICs1 = the core newly industrialising countries (Hong Kong, South Korea, Singapore, Taiwan).

<sup>23</sup> Far East Asia = Asia excluding Japan.



**Table 3.5****EU FDI outflows to Far East Asian Countries, 2000-2004**

EU-25 for 2001-2004, EU-15 for 2000

(EUR mn)

	2000	2001	2002	2003	2004
<b>Extra-EU</b>	<b>437 044</b>	<b>306 140</b>	<b>133 897</b>	<b>135 512</b>	<b>114 951</b>
<b>Far East Asia</b>	<b>9 892</b>	<b>64 767</b>	<b>18 227</b>	<b>15 055</b>	<b>22 115</b>
of which:					
India	733	353	1 075	657	1 076
Thailand	1 534	-398	517	365	243
Malaysia	468	-647	308	-192	940
Indonesia	740	121	-434	1 077	158
Singapore	-1 003	9 647	7 669	3 223	3 111
Philippines	280	378	-78	-181	265
China (includ. Hong Kong)	-936	51 408	6 417	6 111	11 307
South Korea	3 182	1 143	1 642	3 002	1 390
Taiwan	2 258	1 182	435	100	1 072
<b>NICs1</b>	<b>1 072</b>	<b>61 088</b>	<b>13 058</b>	<b>9 439</b>	<b>13 912</b>
<b>NICs2A</b>	<b>2 278</b>	<b>-666</b>	<b>744</b>	<b>-5</b>	<b>1 452</b>
<b>ASEAN</b>	<b>2 220</b>	<b>9 535</b>	<b>7 641</b>	<b>4 896</b>	<b>4 574</b>

NICs1 = the Core Newly Industrialising Countries (Hong Kong, South Korea, Singapore, Taiwan).

NICs2A = Asian NICs of the second wave of industrialisation (Malaysia, Philippines, Thailand).

ASEAN = Association of the South-East Asian Nations (10 countries). For more details, see Chart 3.11 and the BOP zones in Annex 4.

**Unprecedented growth in China<sup>24</sup> in 2004**

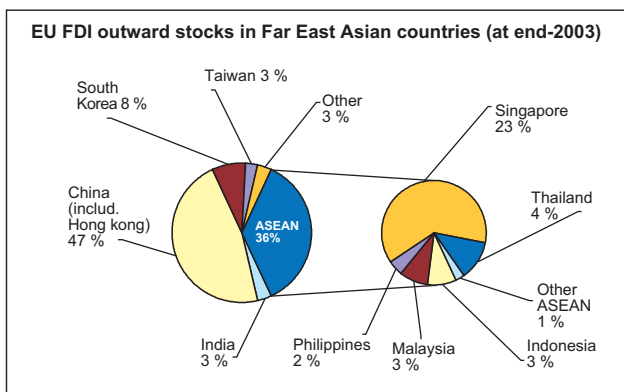
China including Hong Kong saw unprecedented growth in 2004 as the EU FDI outflows almost doubled from EUR 6 bn in 2003 to EUR 11 bn in 2004.

For the same year, EU FDI flows to ASEAN countries (EUR 4.6 bn) remained relatively at the same levels as in 2003 (EUR 4.9 bn). Large decreases were recorded only for Indonesia (-85 %) and for Thailand (-33 %), whereas for the majority of the remaining ASEAN countries sharp increases were observed. The most prevalent ones being the outflows to Malaysia growing from a disinvestment of EUR -0.2 bn in 2003 to an investment of EUR 0.9 bn in 2004 and to Philippines where a capital withdrawal of EUR -0.2 bn in 2003 was compensated with an investment of EUR 0.3 bn in 2004.

At the same time, EU FDI flows to NICs1 grew sharply from EUR 9 bn in 2003 to EUR 14 bn in 2004. The main contributor of this increase was Taiwan in which the EU outward FDI rose from EUR 100 mn in 2003 to EUR 1 bn in 2004. Only South Korea received significantly less EU investments in 2004 (EUR 1.4 bn) when compared to 2003 (EUR 3 bn). EU FDI flows to India increased after a drop in 2003 to EUR 1 bn in 2004.

<sup>24</sup> China including Hong Kong.

**Chart 3.11**



**The United Kingdom, Germany, and the Netherlands account for the main share of FDI outward stocks to Far East Asia**

At the end of 2003, 47 % of EU FDI outward stocks with Far East Asian countries were held in China including Hong Kong. Singapore (23 %) and South Korea (8 %) also hosted significant EU FDI capital. Three EU Member States held 44 % of EU total FDI outward stocks in Far East Asian countries: the United Kingdom, Germany and the Netherlands.

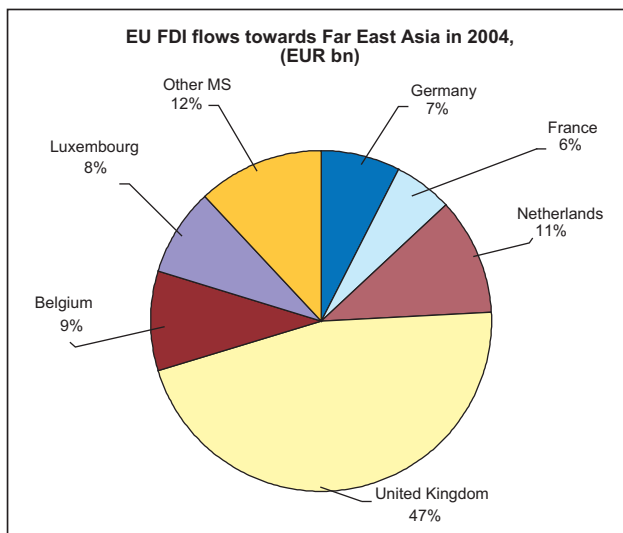
**Table 3.6**

<b>EU FDI outward stocks in Far East Asia at end of 2003</b> (EUR mn)							
	EU <i>of which:</i>	United Kingdom	Germany	Nether- lands	France	Italy	Other MS*
<b>Far East Asia</b>	<b>197 715</b>	<b>41 183</b>	<b>25 478</b>	<b>19 681</b>	<b>11 656</b>	<b>2 211</b>	<b>97 506</b>
<i>of which:</i>							
India	6 570	2 158	1 598	721	632	368	1 093
Thailand	8 798	1 911	1 032	774	883	63	4 135
Malaysia	6 312	1 636	1 370	884	235	117	2 070
Indonesia	6 460	1 852	971	921	711	98	1 907
Singapore	44 638	14 147	4 995	5 196	3 364	268	16 668
Philippines	3 322	829	353	710	191	39	1 200
China (incl. Hong Kong)	92 396	12 795	10 130	4 688	3 715	1 017	60 051
South Korea	15 357	1 959	4 067	2 714	979	115	5 523
Taiwan	5 351	1 063	414	2 114	196	43	1 521
<b>NICs1</b>	<b>137 878</b>	<b>26 999</b>	<b>12 652</b>	<b>12 950</b>	<b>6 012</b>	<b>909</b>	<b>78 356</b>
<b>NICs2A</b>	<b>18 433</b>	<b>4 376</b>	<b>2 756</b>	<b>2 369</b>	<b>1 309</b>	<b>218</b>	<b>7 405</b>
<b>ASEAN</b>	<b>71 563</b>	<b>20 850</b>	<b>8 775</b>	<b>9 060</b>	<b>5 839</b>	<b>622</b>	<b>26 417</b>

\* 'Other MS' (Other Member States) has been computed as the difference between the estimated EU aggregate and the sum of the selected reporting countries.

In 2004, the United Kingdom was the main direct investor in Far East Asia with 47 % of the total EU FDI outflows to Far East Asia, while the Netherlands, Belgium, Luxembourg, Germany and France continued to make significant investments in the region.

**Chart 3.12**



### Inflows from Far East Asia contracted in 2003

**Table 3.7**

<b>EU FDI inflows from Far East Asian Countries, 2000-2004</b>					
EU-25 for 2001-2004, EU-15 for 2000					
(EUR mn)					
	2000	2001	2002	2003	2004
<b>Extra-EU</b>	<b>188 450</b>	<b>145 867</b>	<b>126 567</b>	<b>115 366</b>	<b>62 250</b>
<b>Far East Asia</b>	<b>12 580</b>	<b>16 181</b>	<b>7 384</b>	<b>2 868</b>	<b>8 397</b>
<i>of which:</i>					
India	161	108	133	631	-34
Thailand	186	442	608	-90	29
Malaysia	547	332	1 007	64	47
Indonesia	513	-284	176	-190	72
Singapore	3 249	5 942	1 463	189	-45
Philippines	150	164	14	50	1 828
China (includ. Hong Kong)	6 462	10 092	3 166	1 661	4 813
South Korea	65	-471	- 182	385	937
Taiwan	982	84	737	-258	-90
<b>NICs1</b>	<b>10 433</b>	<b>15 099</b>	<b>4 942</b>	<b>1 680</b>	<b>6 076</b>
<b>NICs2A</b>	<b>883</b>	<b>937</b>	<b>1 632</b>	<b>26</b>	<b>1 906</b>
<b>ASEAN</b>	<b>4 673</b>	<b>6 595</b>	<b>3 341</b>	<b>276</b>	<b>2 652</b>

NICs1 = core newly industrialising countries (Hong Kong, South Korea, Singapore, Taiwan).

NICs2A = Asian NICs of the second wave of industrialisation (Malaysia, Philippines, Thailand).

ASEAN = Association of South-East Asian Nations (10 countries). For more details, see Chart 3.11 and the BOP zones in Annex 4.

EU FDI inflows from Far East Asia fluctuated starting at EUR 12.6 bn in 2000 and reaching their peak level at EUR 16.2 bn in 2001. Since then they decreased relentlessly until 2003 with flows falling to EUR 2.9 bn. In 2004 the downward slopping EU FDI inflows from Far East Asia were reversed as EU inward investments almost tripled when compared to 2003.

China including Hong Kong held the major part of the investments made in the EU for the whole period under consideration, accounting for 57 % of the total Far East Asian inflows to the EU in 2004. Significant investments in the EU were also made by Philippines (EUR 1.8 bn) and by South Korea (EUR 0.9 bn).

Despite Singapore's high share of Far East Asian inflows to the EU that were recorded in the previous years (up to 37 % in 2001), the capital withdrawal from the EU started becoming more evident as it dropped from EUR 6 bn in 2001 to EUR -45 mn in 2004.

## EU FDI in Far East Asia more profitable than FDI in extra-EU as a whole

Table 3.8

EU FDI income by country of origin, 2000-2004					
EU-25 for 2001-2004, EU-15 for 2000					
(EUR mn)					
	2000	2001	2002	2003	2004
<b>Extra-EU</b>	<b>109 742</b>	<b>86 198</b>	<b>85 769</b>	<b>99 130</b>	<b>131 131</b>
<b>Far East Asia</b>	<b>15 643</b>	<b>14 469</b>	<b>16 401</b>	<b>14 183</b>	<b>21 789</b>
India	582	569	989	850	798
Thailand	501	757	862	669	736
Malaysia	1 120	872	1 622	1 048	1 288
Indonesia	390	1 299	1 006	516	1 068
Singapore	4 001	2 517	3 495	2 611	5 286
Philippines	203	200	231	198	115
China (includ. Hong Kong)	5 789	6 904	5 181	5 151	8 735
South Korea	626	615	1 060	1 859	2 020
Taiwan	1 724	165	698	688	696
<b>NICs1</b>	<b>11 341</b>	<b>8 823</b>	<b>8 989</b>	<b>8 384</b>	<b>14 666</b>
<b>NICs2A</b>	<b>1 824</b>	<b>1 828</b>	<b>2 715</b>	<b>1 915</b>	<b>2 142</b>
<b>ASEAN</b>	<b>6 354</b>	<b>5 807</b>	<b>7 276</b>	<b>5 116</b>	<b>8 606</b>

NICs1 = core newly industrialising countries (Hong Kong, South Korea, Singapore, Taiwan).

NICs2A = Asian NICs of the second wave of industrialisation (Malaysia, Philippines, Thailand).

ASEAN = Association of South-East Asian Nations (10 countries). For more details, see Chart 3.11 and the BOP zones in Annex 4.

Over the 2000-03 period, the income generated by EU FDI outward stocks in Far East Asia was stable around EUR 15 bn as an average for 2000-03. In 2004, this income reached its peak position with EUR 22 bn, recording a 54 % increase compared to the previous year's level.

The income recorded for 2004 represented 17 % of the income received by the EU from FDI assets in extra-EU countries. Between 2000 and 2004, China including Hong Kong was the main source of income with Singapore following next.

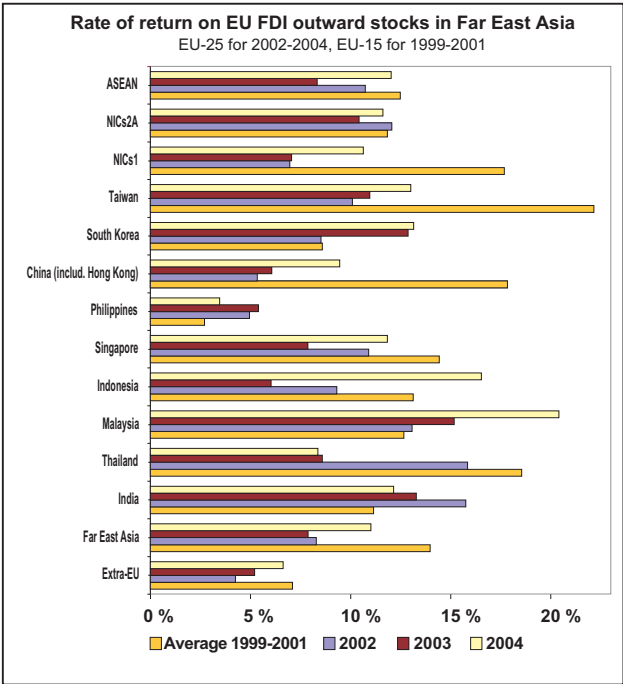
Globally, EU FDI in Far East Asia was more profitable than FDI in extra-EU countries as a whole (11 % against 7 % in 2004) even though the spread was higher in the past years (12 % against 5 % in 2001).

In terms of investment profitability of individual countries, results differ. For the 1999-01 period Taiwan was the most profitable Far East Asian destination, with the average rate of return<sup>25</sup> reaching 22 %. Thailand was second in the rank having 19 % whereas China including Hong Kong followed very closely with 18 %.

<sup>25</sup> Rate of return  $t = \text{income paid in } t / (\text{stocks at the end of the period } t-1)$ . See table 3.8 for income and table 12 in Annex 1 for 2003 stocks.

In 2004, Malaysia continued for the second year in a row to be the most profitable destination (with a 20 % rate of return). Indonesia with 17 % and South Korea together with Taiwan (with almost 13 % each) followed not far behind.

**Chart 3.13**

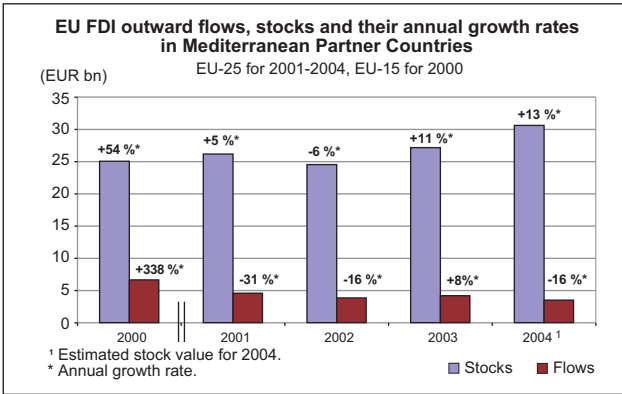


NICs1 = core newly industrialising countries (Hong Kong, South Korea, Singapore, Taiwan).  
 NICs2A = Asian NICs of the second wave of industrialisation (Malaysia, Philippines, Thailand).  
 ASEAN = Association of South-East Asian Nations (10 countries). For more details, see Chart 3.11 and the BOP zones in Annex 4.

### 3.3. Mediterranean partner countries: towards a better partnership?

EU FDI flows to Mediterranean partner countries<sup>26</sup> amounted to EUR 3.5 bn in 2004

Chart 3.14



Over the 2000-04 period, EU FDI flows to Mediterranean partner countries (MPC) fluctuated with 2000 being the year of the utmost growth (EUR 6.6 bn), which was followed by two years of consecutive contraction reaching EUR 3.8 bn in 2002. Even though in 2003 a small increase of 8 % was observed, the EU FDI flows to MPC settled at EUR 3.5 bn in 2004.

#### The Machrek countries were a less favourable destination for FDI in 2004

The dwindling of EU FDI flows in 2004 in the MPC region (-16 % compared to 2003) was induced by the trimmed down investments in the Machrek countries (from EUR 1.2 bn in 2003 to EUR 0.5 bn in 2004) and particularly in Egypt where the EU FDI flows fell by 45 % in 2004. Reduced investment activity was also observed towards Morocco, where EU FDI outflows fell from EUR 1.8 bn in 2003 to EUR 0.2 bn in 2004 (-86 %).

Over the same period, EU FDI flows to Turkey and Israel recorded small positive annual growth rates.

<sup>26</sup> MPC comprise Israel, Turkey, Maghreb and Machrek countries. Maghreb countries = Algeria, Morocco and Tunisia. Machrek countries = Egypt, Jordan, Lebanon, Palestinian Territory, Syrian Arab Republic.

**Table 3.9**

<b>EU FDI outflows to Mediterranean Partner Countries, 2000-2004</b>					
EU-25 for 2001-2004, EU-15 for 2000 (EUR mn)					
	2000	2001	2002	2003	2004
<b>Extra-EU</b>	<b>437 044</b>	<b>306 140</b>	<b>133 897</b>	<b>135 512</b>	<b>114 951</b>
<b>MPC</b>	<b>6 618</b>	<b>4 585</b>	<b>3 840</b>	<b>4 164</b>	<b>3 478</b>
Turkey	2 149	2 940	802	1 109	1 279
Israel	723	309	204	123	150
Maghreb countries	907	781	833	1 775	1 551
<i>of which:</i>					
Morocco	213	209	227	1 757	248
Machrek countries	2 839	555	2 001	1 157	498
<i>of which:</i>					
Egypt	1 872	523	1 306	954	524

MPC comprise Israel, Turkey, Maghreb and Machrek countries. Maghreb countries = Algeria, Morocco and Tunisia. Machrek countries = Egypt, Jordan, Lebanon, Palestinian Territory, Syrian Arab Republic.

**Table 3.10**

<b>Shares of main destination in FDI outflows towards MPC, 2000-2004<sup>27</sup></b>					
EU-25 for 2001-2004, EU-15 for 2000 (%)					
	2000	2001	2002	2003	2004
Turkey	32.5	64.1	20.9	26.6	36.8
Israel	10.9	6.7	5.3	3.0	4.3
Maghreb countries	13.7	17.0	21.7	42.6	44.6
<i>of which:</i>					
Morocco	3.2	4.6	5.9	42.2	7.1
Machrek countries	42.9	12.1	52.1	27.8	14.3
<i>of which:</i>					
Egypt	28.3	11.4	34.0	22.9	15.1

MPC comprise Israel, Turkey, Maghreb and Machrek countries. Maghreb countries = Algeria, Morocco and Tunisia. Machrek countries = Egypt, Jordan, Lebanon, Palestinian Territory, Syrian Arab Republic.

In terms of shares, Turkey was the main host country over the 2000-04 period, and was overtaken in 2002 by Egypt (34 % of the EU FDI flows in MPC versus 20.9 % for Turkey). In 2003, the situation was for the first time in favour of Morocco with 42.2 % of the EU FDI flows in MPC.

In 2004 Turkey became again the principal host country with 36.8 %, as Morocco's shares of the EU FDI flows in MPC dropped sharply from 42.2 % in 2003 to 7.1 % in 2004.

<sup>27</sup> Due to rounding, the sum of all shares does not always equal 100 %.



## France was the main EU investor in MPC at end-2003

**Table 3.11**

EU FDI outward stocks in MPC at end of 2003 (EUR mn)						
	EU of which:	France	Nether- lands	Germany	Italy	Other MS*
<b>MPC</b>	<b>27 143</b>	<b>5 706</b>	<b>3 448</b>	<b>2 557</b>	<b>1 918</b>	<b>13 514</b>
Turkey	9 513	1 283	1 428	1 701	885	4 216
Israel	2 298	396	372	93	55	1 382
Maghreb countries	9 138	3 060	251	337	700	4 790
<i>of which:</i>						
Morocco	4 934	2 442	164	113	214	2 001
Machrek countries	6 194	967	1 397	426	278	3 126
<i>of which:</i>						
Egypt	4 407	422	1 153	358	218	2 256

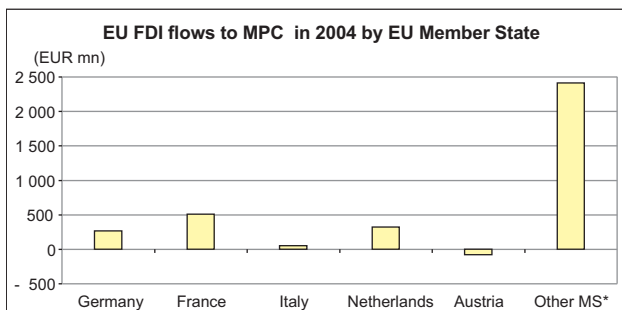
MPC comprise Israel, Turkey, Maghreb and Machrek countries. Maghreb countries = Algeria, Morocco and Tunisia. Machrek countries = Egypt, Jordan, Lebanon, Palestinian Territory, Syrian Arab Republic.

\* 'Other MS' ('Other Member States') has been computed as the difference between the estimated EU aggregate and the sum of the selected declaring countries.

Direct investors from the EU held EUR 27 bn worth of FDI outward stocks in MPC, equal to 1.4 % of extra EU at the end of 2003. The French, Dutch and German investors were the main suppliers of FDI to MPC accounting for EUR 12 bn cumulatively or about 43 % of total EU outward stocks in that region. Around half of all their respective investments in MPC were localised in just one country or zone: the Maghreb countries for France (54 %), and Turkey for the Netherlands (41 %) and Germany (67 %).

## 24 % of EU FDI flows in MPC came from France and the Netherlands in 2004

**Chart 3.15**



\* Other MS has been computed as the difference between the estimated EU aggregate and the sum of the selected declaring countries.

In 2004, the most active European enterprises in the MPC area were from France, accounting for EUR 508 mn (of which EUR 129 mn were directed to Turkey). The Dutch and German investors also focused on Turkey, in which they invested EUR 144 mn and EUR 218 mn respectively in 2004.

In Chart 3.15 the value of EU FDI outflows to the 'Other MS' is very high. This aggregate, which has been calculated as the difference between the EU estimated aggregate and the sum of the declaring EU countries that had sufficient data availability, is substantial as it contains the Spanish FDI, which was not made available for all the MPC constituent parts. In order to give an indication of the Spanish investment's magnitude in MPC it suffices to restate last year's (yearbook 2005) contribution which was 60 % for 2003 EU FDI.

### EU FDI in MPC more profitable than FDI in extra-EU as a whole for 2000-2004

**Table 3.12**

<b>EU FDI income from MPC by country of origin, 2000–2004</b>					
EU-25 for 2001-2004, EU-15 for 2000					
(EUR mn)					
	2000	2001	2002	2003	2004
<b>Extra-EU</b>	<b>109 742</b>	<b>86 198</b>	<b>85 769</b>	<b>99 130</b>	<b>131 131</b>
<b>MPC</b>	<b>2 544</b>	<b>1 991</b>	<b>3 140</b>	<b>2 736</b>	<b>2 902</b>
Turkey	774	377	500	790	920
Israel	-54	-37	-80	50	55
Maghreb countries	319	378	1 042	813	678
<i>of which:</i>					
Morocco	80	160	393	369	301
Machrek countries	1 505	1 273	1 678	1 083	1 249
<i>of which:</i>					
Egypt	963	821	1 170	652	864

MPC comprise Israel, Turkey, Maghreb and Machrek countries. Maghreb countries = Algeria, Morocco and Tunisia. Machrek countries = Egypt, Jordan, Lebanon, Palestinian Territory, Syrian Arab Republic.

In 2004, EU FDI outward stocks in MPC generated income payments of EUR 2.9 bn. The Machrek countries were the main source of this income with 43 % of which Egypt accounted for 69 %, whereas 32 % was generated by Turkey. The Maghreb countries accounted for 23 %.

The profitability<sup>28</sup> of FDI in MPC reached a record level of 16 % in 2000 in terms of rate of return which dropped to 8 % the following year. Over the last three years, the profitability in MPC remained at

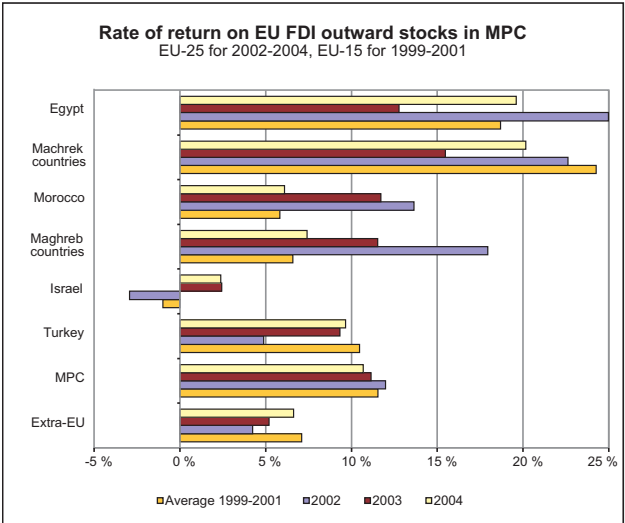
<sup>28</sup> The profitability refers to the rate of return  $t = (\text{income paid in } t) / (\text{stocks at the end of the period } t-1)$ .

similar levels, around 11 %.

EU investments in MPC were more profitable than the investments in the extra-EU countries as a whole for the 2000-04 period.

Looking at the individual areas and countries inside the MPC group, the rate of return on direct investment positions in 2004 shows a high profitability of EU investments in Egypt (20 %) followed by Turkey (10 %) and Morocco (6 %).

**Chart 3.16**

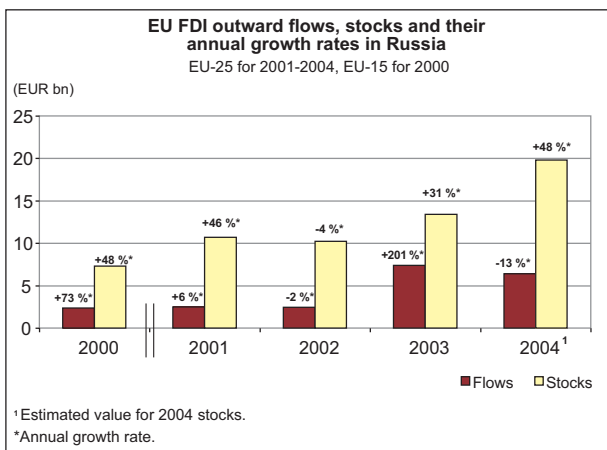


MPC comprise Israel, Turkey, Maghreb and Machrek countries. Maghreb countries = Algeria, Morocco and Tunisia. Machrek countries = Egypt, Jordan, Lebanon, Palestinian Territory, Syrian Arab Republic.

### 3.4. Central Eastern European countries and Russia: Stable EU FDI outflows in 2004

13 % drop in EU investments to Russia in 2004

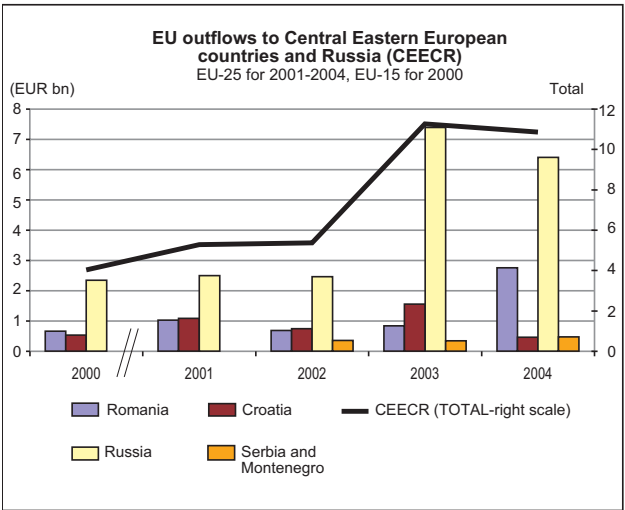
Chart 3.17



EU investment activity in the CEECR remained relatively stable for 2000-02 with the investments being close to EUR 5 bn. In 2003 and 2004 though, the EU investors changed significantly their engagement in this region by placing there a hefty amount of FDI totalling EUR 11 bn in 2003 and 2004 each (110 % increase from 2002).

In terms of flows, Russia was the main host country of the EU investment capital attracting EUR 6 bn in 2004. The United Kingdom ranked first in terms of investment activity in Russia with EUR 2.6 bn, while the Netherlands followed next with EUR 2.2 bn. Romania was the second most important destination in 2004 with EUR 3 bn.

**Chart 3.18**



Central, Eastern European countries and Russia: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia: the former Yugoslav Republic of, Romania, Serbia and Montenegro, Russia, Belarus, Ukraine.

# **Chapter 4: EU FDI BY ECONOMIC ACTIVITY**

This chapter focuses on the industrial allocation of FDI flows and stocks for which we apply a classification consistent with NACE Rev.1.1 (see Annex 3). Data are shown for 10 core economic activities as well as the six main sub-categories of the manufacturing activity.

For reasons of data availability the analysis will be based on EU-15 FDI flows figures, which until 2001 include equity capital and other capital but exclude reinvested earnings. FDI flows from 2002 onwards refer to the total FDI flows (equity capital plus other capital plus reinvested earnings).

Due to significant revisions in the FDI data from the Member States direct comparison of this year's analysis regarding the periods until 2002 with the respective ones of the previous pocketbook (yearbook 2005) might not be plausible.

**Table 4.1**

**EU outward and inward FDI stocks<sup>29</sup> (end-2003) and flows<sup>30</sup> (2003) by economic activity**  
(EUR mn)

	Abroad		In the reporting economy	
	Flows 2003	Stocks end-2003	Flows 2003	Stocks end-2003
<b>Total</b>	<b>140 948</b>	<b>2 097 496</b>	<b>113 366</b>	<b>1 498 593</b>
Agriculture, hunting and fishing	96	970	-43	452
Mining and quarrying	15 821	124 130	-2 992	28 104
Manufacturing	16 960	408 327	14 215	286 373
- Food products	4 141	70 571	3 231	36 517
- Textiles and wood activities	221	39 089	5 174	46 007
- Petroleum, chemical, rubber, plastic products	5 810	115 702	6 384	96 553
- Metal and mechanical products	2 031	39 917	334	26 075
- Machinery, computers, RTV, communication	1 238	28 867	597	21 374
- Vehicles and other transport equipment	-128	53 781	-5 090	25 627
- Other manufacturing	3 647	60 400	3 585	34 220
Electricity, gas and water	520	48 581	-915	9 091
Construction	3 544	13 873	293	7 500
Services	98 003	1 452 678	103 971	1 139 663
- Trade and repairs	8 662	104 843	6 726	79 576
- Hotels & restaurants	1 879	13 777	98	11 873
- Transport and communication	272	115 961	-5 630	29 666
- Financial intermediation	68 623	906 899	78 038	675 746
- Business services	16 141	257 811	23 557	302 216
- Other services	2 425	53 384	1 183	40 586
Other sectors	6 004	48 937	-1 163	27 410

<sup>29</sup> FDI outward stocks are classified according to the activity of the non-resident enterprise. FDI inward stocks are classified according to the activity of the resident enterprise.

<sup>30</sup> FDI outward flows are classified according to the activity of the direct investor. FDI inward flows are classified according to the activity of the recipient of FDI, the direct investment enterprise.

#### 4.1. Comparing EU inward and outward FDI: net position by economic activity

At the end of 2003, the European Union possessed FDI net outward stocks (outward stocks minus inward stocks) worth EUR 599 bn in extra-EU countries, which is a 22 % decrease compared to end-2002 (EUR 772 bn). In 2003 the total EU FDI net outflows amounted to EUR 28 bn as the EU investments abroad were higher than the FDI inward flows to the EU.

Large net outward investments were detected in *mining and quarrying* with EUR 19 bn in 2003, as well as in *transport and communication*, in *construction* and in the sub-sector *vehicles and other transport equipment*.

It is interesting to note that *financial intermediation* was the target of strong net FDI inflows in 2003 (EUR 9 bn) followed by *business services* with EUR 7 bn and the sub-sector '*textiles and wood activities*' with EUR 5 bn.

Concerning the net outward stocks, high concentrations were observed in *financial intermediation* (EUR 231 bn), as well as in *mining and quarrying* (EUR 96 bn) and in *transport and communication* (EUR 86 bn). Actually, in 2003 net outward stocks were observed for all of the sectors presented in Table 4.2. The only exceptions were the *business services* net inward stocks of EUR 44 bn and the sub-sector '*textiles and wood activities*' (EUR 7 bn).



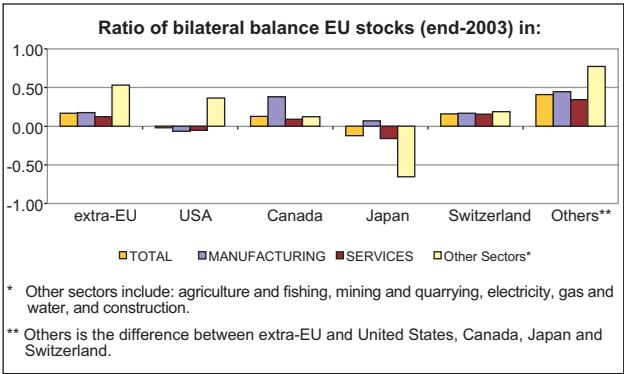
**Table 4.2**

<b>EU net (Outward minus inward) flows (2003) and stocks (end-2003) by economic activity</b> (EUR mn)		
<b>EU Net (Outward minus inward)</b>	<b>Flows 2003</b>	<b>Stocks end- 2003</b>
Agriculture, hunting and fishing	139	518
Mining and quarrying	18 813	96 026
Manufacturing	2 745	121 954
- Food products	910	34 054
- Textiles and wood activities	-4 953	-6 918
- Petroleum, chemical, rubber, plastic products	-574	19 149
- Metal and mechanical products	1 697	13 842
- Machinery, computers, RTV, communication	641	7 493
- Vehicles and other transport equipment	4 962	28 154
Electricity, gas and water	1 435	39 490
Construction	3 251	6 373
Trade and repairs	1 936	25 267
Hotels and restaurants	1 781	1 904
Transport and communication	5 902	86 295
Financial intermediation	-9 415	231 153
Business services	-7 416	-44 405
Other services	1 242	12 798
<b>Total</b>	<b>27 582</b>	<b>598 903</b>

Chart 4.1 presents the FDI relationships between the EU and its main partners while employing a ratio calculated on 2003-end bilateral FDI stocks. The ratio measures the extent to which reciprocal investments are balanced, as it compares the net FDI stocks<sup>31</sup> from one country or zone to the other, to the total stocks between the two. By comparing these ratios, the long-term positions can be compared for each partner and sector under consideration.

## EU net investment abroad was more intense in manufacturing and other sectors

Chart 4.1



The EU FDI position with the USA at end-2003 in *manufacturing* (ratio = - 0.07) and in *services* (ratio = - 0.05) was negatively balanced showing that the USA was a net investor. The *other sectors* with a ratio of 0.36 revealed that there were important net positions from the EU.

Japan was a net investor into the EU in all activities except *manufacturing* regarding the FDI positions at the end-2003. The *other sectors* had the highest ratio (0.66) in favour of Japan. At the same time there were balanced net FDI positions to Japan (ratio=0.07) in the *manufacturing* sector.

At end-2003 the EU bilateral FDI positions with Canada showed that there were important net positions from the EU in *manufacturing* (ratio=0.38), whereas the EU position regarding the rest of the sectors showed ratios close to balance.

For the same period, the EU position with Switzerland was close to balance for *manufacturing* (ratio=0.17), *services* (ratio=0.15) and *other sectors* (ratio=0.19).

<sup>31</sup> In this case, 'net stocks' are defined as outward minus inward stocks. The ratio is thus given by:  $(\text{outward} - \text{inward}) / (\text{outward} + \text{inward})$ . Generally, the ratio is included between - 1 and + 1, excluding exceptional cases for stocks which can have a negative sign.

## 4.2. Outward EU FDI by economic activity: services attracted extra-EU FDI outflows of EUR 98 bn in 2003

EU FDI outflows to extra-EU countries amounted to EUR 141 bn in 2003, reaching a cumulative total of EUR 1 280 bn for the 1999–2003 period.

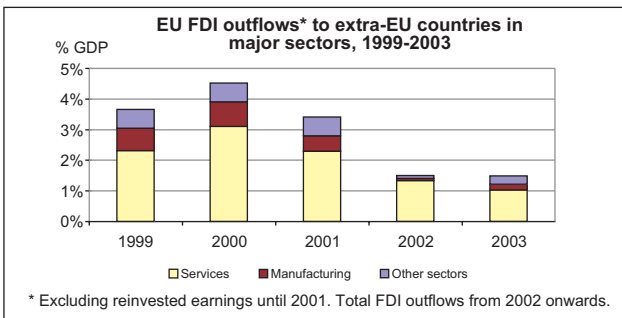
One of the major characteristics of 2003 was the sharp decrease of investments in the *financial intermediation* sector (-32 %) falling from EUR 101 bn in 2002 to EUR 69 bn in 2003. Significant decreases were also observed in the *services* sector (from EUR 124 bn to EUR 98 bn) and in the *business services* (-22 %) dropping from EUR 21 bn to EUR 16 bn.

On the contrary, EU FDI outflows to extra-EU countries more than doubled in the *manufacturing* sector climbing from EUR 7 bn in 2002 to EUR 17 bn in 2003. Further increases, but of a smaller magnitude, were observed in *trade and repairs, transport, and other services* sectors.

Compared to the EU GDP, the outflows in *services* stood at 1 % in 2003 after having followed a bell-shaped pattern: two years of heavy growth (from 2.3 % in 1999 to 3.1 % in 2000) followed by three years of diminishing shares (from 2.3 % in 2001 to 1 % in 2003).

The share of *services* in cumulated extra-EU outflows was 69 % over the 1999–03 time span; it reached its peak in 2002 (89 % of the total extra-EU outflows), and reduced to 70 % in 2003, in contrast to *other sectors*<sup>32</sup>, which tripled from 6 % in 2002 to an 18 % share in extra-EU outflows in 2003.

**Chart 4.2**



<sup>32</sup> Other sectors include: agriculture and fishing, mining and quarrying, electricity, gas and water, and construction.

## FDI flows to extra-EU countries centred on financial intermediation in 2003

Despite the fact that EU outflows in *financial intermediation* dropped by 32 % with respect to 2002, this sector continued to rank first in terms of importance representing 49 % in 2003. It is worthwhile noting that nearly 77 % of the investments made in *financial intermediation* resulted from the sub-sector '*other financial intermediation*' (please refer to Table 10 in Annex 1). This predominance was due to a number of large transactions, especially in the form of Mergers and Acquisitions (M&As) as the one involving the British HSBC Holdings PLC which acquired the Household International Inc (US) for EUR 15 bn<sup>33</sup>.

**Table 4.3**

Extra-EU FDI outflows* by economic activity, 1999-2003 (EUR mn)						
	1999	2000	2001	2002	2003	1999-2003
<b>Manufacturing Services</b>	<b>59 298</b>	<b>70 447</b>	<b>45 641</b>	<b>6 640</b>	<b>16 960</b>	<b>198 986</b>
	<b>188 355</b>	<b>270 142</b>	<b>206 685</b>	<b>124 267</b>	<b>98 003</b>	<b>887 452</b>
of which						
Trade and repairs	3 296	11 273	8 590	7 190	8 662	39 011
Hotels & restaurants	332	988	1 032	2 173	1 879	6 404
Transport	7 667	692	2 340	1 219	1 426	13 344
Telecommunications	79 175	21 267	41 158	-9 642	-1 154	130 804
Financial intermediation	78 138	161 852	127 615	100 522	68 623	536 750
Business Services	13 673	65 472	32 415	20 664	16 141	148 365
Other Services	6 074	8 598	-6 465	2 141	2 426	12 774
<b>Other Sectors</b>	<b>50 348</b>	<b>52 740</b>	<b>55 351</b>	<b>8 888</b>	<b>25 985</b>	<b>193 312</b>
<b>Total</b>	<b>298 001</b>	<b>393 329</b>	<b>307 677</b>	<b>139 795</b>	<b>140 948</b>	<b>1 279 750</b>

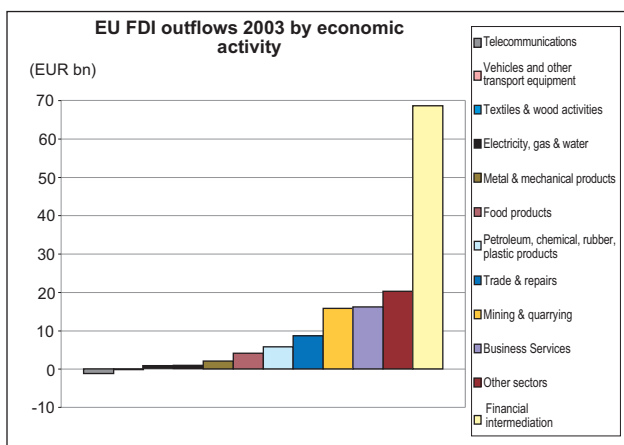
\* Excluding reinvested earnings till 2001. Total outward FDI since 2002.

The sectors *business services* and *mining and quarrying* shared the second ranking place for 2003 with almost EUR 16 bn each and represented cumulatively 22 % of the total EU outward FDI flows. For the *business services* France and Germany were the main investors accounting for 55 % of the total EU outward FDI flows with a cumulative amount of EUR 9 bn, whereas for the *mining and quarrying* sector the Netherlands alone accounted for 26 %, investing nearly EUR 4 bn.

The third sector, in terms of investment activity, was *trade and repairs* (please refer to Chart 4.3) with 6 % of the EU total outward FDI flows (EUR 9 bn). The Netherlands was the main investor in this sector accounting for 47 %. The United Kingdom followed second with 16 % of the investment made in *trade and repairs*, of which EUR 1.5 bn was directed towards the United States.

<sup>33</sup> All deals are quoted in the World Investment Report 2004, UNCTAD.

**Chart 4.3**



**Extra-EU FDI outward stocks still highly diversified at the end of 2003**

EU FDI stocks in extra-EU countries amounted to EUR 2 097 bn in 2003 following a 4 % increase when compared to 2002 (EUR 2 018 bn).

As shown in Chart 4.4, these investments were highly diversified. One may note, however, that the five activities, *financial intermediation* (43 %), *business services* (12 %), *petroleum, chemical, rubber and plastic products* (6 %), *mining and quarrying* (6 %) and *trade and repairs* (5 %) together accounted for 72 % of outward stocks at the end of 2003.

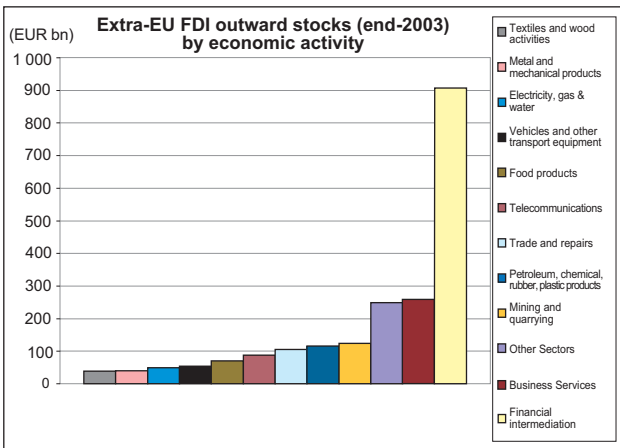
For *financial intermediation*, 79 % of these outward stocks were held in the sub-sector '*other financial intermediation*', and 15 % in '*monetary intermediation*'.

As far as the *business services* sector is concerned, Germany held the biggest share with 40 % of outward stocks invested in this sector.

Regarding the *mining and quarrying* sector, the United Kingdom with EUR 79 bn accounted for 63 % of the extra-EU outward stocks in the above mentioned sector. At the same time the United Kingdom (EUR 37 bn) together with Germany (EUR 24 bn) accounted for more than a half of the extra-EU outward stocks in *trade and repairs* with a cumulative share of 59 %.

At end 2003, 61 % of the total extra-EU outward stocks originated from the sub-sector '*manufacture of chemicals and chemical products*'. In addition, the United Kingdom invested nearly EUR 31 bn in the *petroleum, chemical, rubber, and plastic products* sector, accounting for 27 % of the extra-EU FDI outward stocks in the above mentioned sector.

**Chart 4.4**



**Intense investment in research and development (R&D); decline in land transport**

Combining data on flows and stocks for a given period gives an indication of how intensively the various sectors of activity are approached in that period. Table 4.4 shows that direct investments in extra-EU countries in the sectors *research and development*, *construction*, *computer activities*, and *mining and quarrying* (top four) attracted higher flows in 2003 relatively to the total stocks at end 2002. *Research and development* ranked first with a ratio of 46.4 %, followed by *construction* with 32.7 %, *computer activities* with 22.8 %, and *mining and quarrying* with 16.5 %.

The situation is reversed for other sectors, such as *land transport*, *vehicles and other transport equipment*, *transport and communication*, and *textiles and wood activities* which faced large disinvestments in 2003. *Land transport* recorded the highest negative ratio at -19 %.

**Table 4.4**

Extra-EU FDI outward stocks & flows		(EUR mn)		
		Stocks (end-2002)	Flows (2003)	Flows/Stocks (%)
<b>Top four</b>	Research and development	2 060	955	46.4
	Construction	10 831	3 544	32.7
	Computer Activities	15 462	3 518	22.8
	Mining and quarrying	95 913	15 821	16.5
<b>Bottom four</b>	Land transport	5 773	-1 104	-19.1
	Vehicles and other transport equipment	55 046	-128	-0.2
	Transport and communication	104 711	272	0.3
	Textiles and wood activities	40 570	221	0.5
<b>TOTAL</b>		<b>2 018 148</b>	<b>140 948</b>	<b>7.0</b>

## 1999-2003: Focus on Services for EU FDI to USA, Japan, EFTA<sup>34</sup>, and other partner countries. Focus on Other Sectors for FDI to Canada

As a whole, EU FDI outflows to extra-EU countries in 2003 exhibited a high preference for the *services* sector accounting for 70 % of the total EU outflows. The 1999-03 period showed a prevalence of the *services* sector accounting for 69 % of the total, with *manufacturing* following with a big difference and occupying 16 % of the total FDI outflows.

The shares of EU FDI outflows in *manufacturing*, *services* and *other sectors* did not vary significantly from one partner to another (please refer to Table 4.5). The figures illustrate that throughout the period 1999-03 the *services* sector attracted on average the biggest share of extra-EU FDI outflows in all major partners under consideration. The exception was Canada as the *other sectors* allured the prime share of extra-EU FDI outflows. It is worthwhile noting that the share of *services* (48 %) for FDI in Japan was by only 2 percentage points greater than that of the *manufacturing* (46 %).

More specifically, *services* in the US in 1999 attracted a high share of total EU FDI outflows (76 %) and settled at 89 % in 2003. *Financial intermediation* accounted for 74 % of the *services*' share to total EU FDI outflows with EUR 31 bn. Regarding the five year period average, the *services* in the USA attracted a relatively high share of total EU outflows of 75 %.

EU FDI outflows to the EFTA countries exhibited a similar trend with the *services* sector reaching a peak level of 80 % in 2002 and maintaining 67 % of extra-EU FDI flows as an average for the 1999-03 period. In general for the five years, the EFTA countries attracted 10 % of the total EU FDI outflows, of which for 1999-01 almost 85 % was invested in Switzerland and the remaining 15 % was directed towards Norway.

*Services* in Canada attracted constantly diminishing shares of total EU FDI outflows falling from 60 % in 1999 to 46 % in 2001. From 2002 onwards the declining pattern shifted course and the share of *services* to total EU outflows climbed to 50 % in 2003. For the five year period average though, extra-EU flows were characterised by a strong preference for the *other sectors* with a share of 47 %.

From 1999 until 2002 the share of *services* to total EU-outward flows to Japan showed signs of a volatile pattern. 2001 was the peak period with *services* accounting for 94 % of the total EU outward flows. Regarding the five year period average, the share of *services* was 48 %, whereas the respective one of *manufacturing* was very close at 46 % (the most important EU outward investment in the manufacturing sector).

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<sup>34</sup> EFTA until 2001. Switzerland is used as a proxy since 2002.

For the remaining partner countries, extra-EU FDI flows were characterised by a strong preference for *services* with an average of 68 % for the cumulated flows.

**Table 4.5**

EU-FDI outward flows <sup>35</sup> to major partners 1999-2003 <sup>36 37</sup>		(EUR mn)					
		1999	2000	2001	2002	2003	1999-2003
Extra-EU	Manufacturing	20 %	18 %	15 %	5 %	12 %	16 %
	Services	63 %	69 %	67 %	89 %	70 %	69 %
	Other Sectors	17 %	13 %	18 %	6 %	18 %	15 %
	<b>Total</b>	<b>298 001</b>	<b>393 329</b>	<b>307 677</b>	<b>139 795</b>	<b>140 948</b>	<b>1 279 750</b>
USA	Manufacturing	10 %	25 %	16 %	-656 %	2 %	13 %
	Services	76 %	64 %	70 %	863 %	89 %	75 %
	Other Sectors	14 %	11 %	14 %	-108 %	9 %	12 %
	<b>Total</b>	<b>188 128</b>	<b>170 097</b>	<b>150 303</b>	<b>2 733</b>	<b>47 118</b>	<b>558 379</b>
	<b>% of extra-EU</b>	<b>63 %</b>	<b>43 %</b>	<b>49 %</b>	<b>2 %</b>	<b>33 %</b>	<b>44 %</b>
Canada	Manufacturing	31 %	5 %	110 %	75 %	44 %	20 %
	Services	60 %	37 %	-46 %	40 %	50 %	33 %
	Other Sectors	9 %	58 %	37 %	-15 %	6 %	47 %
	<b>Total</b>	<b>3 323</b>	<b>42 990</b>	<b>4 643</b>	<b>1 395</b>	<b>5 937</b>	<b>58 288</b>
	<b>% of extra-EU</b>	<b>1 %</b>	<b>11 %</b>	<b>2 %</b>	<b>1 %</b>	<b>4 %</b>	<b>5 %</b>
Japan	Manufacturing	45 %	59 %	22 %	38 %	13 %	46 %
	Services	71 %	65 %	94 %	57 %	46 %	48 %
	Other Sectors	-16 %	-25 %	-16 %	5 %	41 %	5 %
	<b>Total</b>	<b>10 566</b>	<b>5 348</b>	<b>-8 771</b>	<b>10 189</b>	<b>5 848</b>	<b>23 180</b>
	<b>% of extra-EU</b>	<b>4 %</b>	<b>1 %</b>	<b>-3 %</b>	<b>7 %</b>	<b>4 %</b>	<b>2 %</b>
EFTA*	Manufacturing	56 %	8 %	9 %	7 %	39 %	14 %
	Services	23 %	76 %	48 %	80 %	42 %	67 %
	Other Sectors	21 %	16 %	43 %	13 %	19 %	19 %
	<b>Total</b>	<b>8 294</b>	<b>73 863</b>	<b>12 707</b>	<b>24 142</b>	<b>12 941</b>	<b>131 947</b>
	<b>% of extra-EU</b>	<b>3 %</b>	<b>19 %</b>	<b>4 %</b>	<b>17 %</b>	<b>9 %</b>	<b>10 %</b>
Other partner countries**	Manufacturing	34 %	16 %	11 %	18 %	11 %	17 %
	Services	39 %	85 %	72 %	74 %	65 %	68 %
	Other Sectors	27 %	-2 %	17 %	8 %	24 %	14 %
	<b>Total</b>	<b>87 690</b>	<b>101 031</b>	<b>148 795</b>	<b>101 336</b>	<b>69 104</b>	<b>507 956</b>
	<b>% of extra-EU</b>	<b>29 %</b>	<b>26 %</b>	<b>48 %</b>	<b>72 %</b>	<b>49 %</b>	<b>40 %</b>

\* EFTA until 2001. Switzerland is used as a proxy since 2002.

\*\* Other partner countries is the difference between extra-EU and United States, Canada, Japan and EFTA.

<sup>35</sup> Excluding reinvested earnings until 2001. Total outward FDI since 2002.

<sup>36</sup> The negative percentages in the table are due to disinvestments.

<sup>37</sup> Due to rounding, the sum of all shares does not always equal 100 %.



### 4.3. Inward FDI by economic activity: services attracted extra-EU FDI inflows of EUR 104 bn in 2003

EU FDI inflows from extra-EU countries amounted to a record of EUR 113 bn in 2003 to reach a cumulative total of EUR 607 bn for the 1999–03 period (excluding reinvested earnings until 2001).

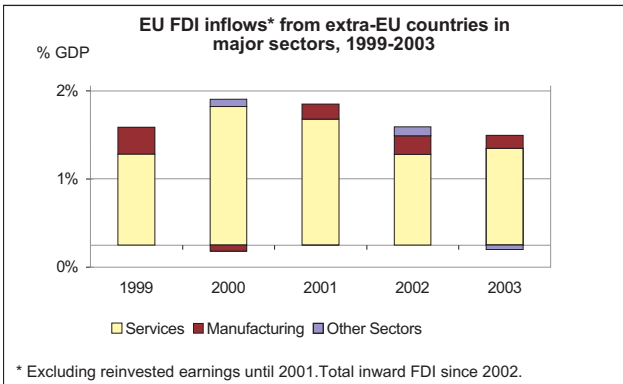
**Table 4.6**

<b>Extra-EU FDI inflows * by economic activity, 1999-2003</b>						
<b>(EUR mn)</b>						
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>1999-2003</b>
<b>Manufacturing</b>	<b>24 746</b>	<b>-5 982</b>	<b>15 044</b>	<b>20 191</b>	<b>14 215</b>	<b>68 214</b>
<b>Services</b>	<b>84 153</b>	<b>136 852</b>	<b>129 163</b>	<b>95 937</b>	<b>103 971</b>	<b>550 076</b>
<i>of which</i>						
Trade and repair	5 981	11 547	1 974	2 934	6 726	<b>29 162</b>
Hotels & restaurants	-25	818	621	-373	98	<b>1 139</b>
Transport	1 181	293	1 680	-1 610	812	<b>2 356</b>
Telecommunications	2 933	8 916	186	-11 689	-6 442	<b>-6 096</b>
Financial intermediation	53 896	61 940	88 120	82 804	78 038	<b>364 798</b>
Business services	19 356	50 012	31 960	23 849	23 557	<b>148 734</b>
Other Services	831	3 326	4 622	22	1 182	<b>9 983</b>
<b>Other Sectors</b>	<b>-1 383</b>	<b>7 392</b>	<b>-21 679</b>	<b>9 346</b>	<b>-4 820</b>	<b>-11 144</b>
<b>Total</b>	<b>107 516</b>	<b>138 262</b>	<b>122 528</b>	<b>125 474</b>	<b>113 366</b>	<b>607 146</b>

\* Excluding reinvested earnings until 2001. Total inward FDI since 2002.

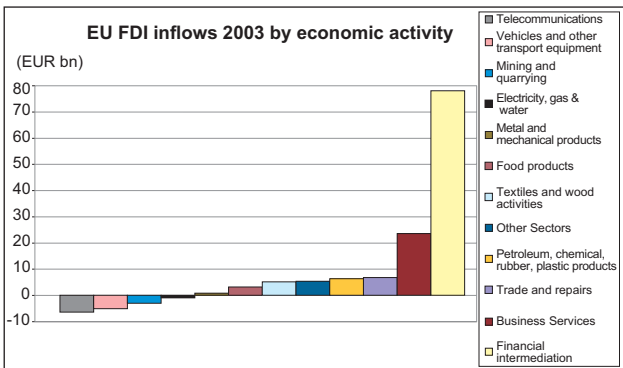
Services accounted for a larger proportion of inflows than for outflows, from 78 % of the EU total in 1999 to 92 % of the EU total in 2003. The share of services in extra-EU inflows reached an average of almost 91 % in the period 1999-03 (the respective one for extra-EU outflows is 69 %, refer to Section 4.2). Inflows of extra-EU FDI into services increased between 1999 and 2000 (from 1 % to 1.6 % of the EU GDP) but finally fell to 1.1 % in 2003.

**Chart 4.5**



**2003: extra-EU inflows focused on financial intermediation. 97 % increase for Luxembourg**

**Chart 4.6**



Investments from extra-EU countries were mostly made in one economic sector but some other sectors also stood out. *Financial intermediation* was the first sector in terms of importance (69 %) in the EU total inward FDI flows despite the 6 % drop from EUR 83 bn in 2002 to EUR 78 bn in 2003. Luxembourg with EUR 37 bn in 2003 (47 % of the total) was the top destination of the extra-EU investments placed in *financial intermediation* showing a 97 % increase since 2002 (EUR 19 bn).

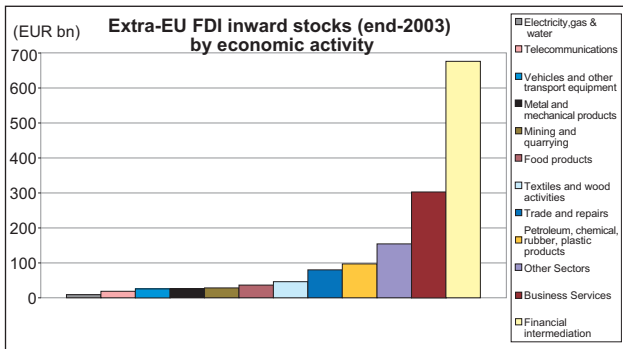
Next in line came the *business services* sector (including *business and management consultancy activities and advertising*), making up 21 % of total EU inward FDI flows. France was the major recipient of these investments with 25 % of the total.

*Trade and repairs* together with the *petroleum, chemical, rubber and plastic products* ranked third with 6 % each of the EU total inward FDI flows. The Netherlands was the main beneficiary of the investments made by extra-EU countries both in *trade and repairs* with EUR 2.6 bn and in *petroleum, chemical, rubber and plastic products* with almost EUR 2 bn.

*Mining and quarrying, vehicles and other transport equipment, electricity, gas and water, as well as telecommunications* were characterised by disinvestments in 2003.

### 2003: Extra-EU FDI inward stocks concentrated in two activity sectors representing 65 %

**Chart 4.7**



EU FDI inward stocks amounted to EUR 1 500 bn at the end of 2003 following a 20 % increase from the 2002 levels. Chart 4.7 makes explicitly clear that two activities stood out; *financial intermediation* (45 %) and *business services* (20 %) comprised 65 % of inward stocks at the end of 2003. Next in line were *petroleum, chemical, rubber, plastic products* (6 %) followed by *trade and repairs* (5 %). The remaining sectors altogether represented 24 %.

For *financial intermediation*, one can observe that 82 % of inward stocks emanated from the sub-sectors 'other financial intermediation', whereas 9 % resulted from 'monetary intermediation'. Concerning the sector *business services*, Germany, which was the main target, represented 33 % of the total EU FDI inward stocks with EUR 100 bn and France (EUR 46 bn) followed next having 15 % of the total inward stocks.

Three Member States accounted for more than the half of the extra-EU inward stocks in *petroleum, chemical, rubber, plastic products*. The Netherlands with EUR 25 bn was the major recipient of EU FDI inward stocks at end of 2003 representing 26 % of the total EU FDI inward stocks, whereas the United Kingdom and France followed next with EUR 14 bn and EUR 11 bn respectively.

The Netherlands held the first place also for the *trade and repairs* sector accounting for 26 % of the extra-EU inward stocks in this sector. The United Kingdom (24 %) and Germany (19 %) were also important targets with EUR 19 bn and EUR 15 bn respectively.

Having a closer look at the ratio between 2003 FDI inflows and 2002 inward stocks makes it easy to notice that the *land transport, air transport, textiles and wood activities, and other financial intermediation* were the most attractive sectors for extra-EU investors. On the contrary in 2003, *transport and communication, vehicles and other transport equipment, mining and quarrying and electricity, gas and water*, sectors had negative rates as extra-EU investors withdrew FDI capital from them. The *transport and communications* sector recorded the highest negative ratio at -29 %.

**Table 4.7**

Extra-EU FDI inward stocks & flows (EUR mn)				
		Stocks (end- 2002)	Flows (2003)	Flows/ Stocks (%)
<b>Top four</b>	Land transport	2 009	7 577	377.2
	Air transport	648	314	48.5
	Textiles and wood activities	29 221	5 174	17.7
	Other financial intermediation	415 791	64 947	15.6
<b>Bottom four</b>	Transport and communications	19 622	-5 630	-28.7
	Vehicles and other transport equipment	37 832	-5 090	-13.5
	Mining and quarrying	27 102	-2 992	-11.0
	Electricity, gas and water	8 314	-915	-11.0
<b>TOTAL</b>		<b>1 246 080</b>	<b>113 366</b>	<b>9.1</b>

### Principal investors in the European Union

EU FDI inflows over the 1999–03 period were characterised by a strong preference for the *services* sector by all the major partners. This prevalence was made evident as the *services* sector accounted for the non-negligible 91 % of the total FDI inflows, with *manufacturing* following next with a big difference and receiving only 11 % of the total FDI inflows. Switzerland, Canada and the USA had especially high FDI inflows to *services* in 2003 (more than 95 % each), whereas only 65 % of inflows from Japan targeted *services*.

The *manufacturing* sector attracted high EU FDI inflows from Japan with a 20 % average for 1999-03, whereas the USA followed next with an average of 12 % for the cumulated flows over the five year period. In 2003, 34 % of FDI inflows from Japan targeted the *manufacturing* activities, whereas the other partner countries presented in Table 4.8 invested 22 %.

**Table 4.8**

**EU-FDI inward flows<sup>38</sup> from major partners, 1999-2003<sup>39 40</sup>**  
(EUR mn)

		1999	2000	2001	2002	2003	1999-2003
<b>Extra-EU</b>	Manufacturing	23 %	-4 %	12 %	16 %	13 %	11 %
	Services	78 %	99 %	105 %	76 %	92 %	91 %
	Other Sectors	-1 %	5 %	-18 %	7 %	-4 %	-2 %
	<b>Total</b>	<b>107 516</b>	<b>138 262</b>	<b>122 528</b>	<b>125 474</b>	<b>113 366</b>	<b>607 146</b>
<b>USA</b>	Manufacturing	38 %	-10 %	12 %	12 %	8 %	12 %
	Services	59 %	89 %	85 %	78 %	99 %	81 %
	Other Sectors	4 %	22 %	3 %	10 %	-7 %	7 %
	<b>Total</b>	<b>66 819</b>	<b>62 520</b>	<b>82 211</b>	<b>56 287</b>	<b>46 866</b>	<b>314 703</b>
<b>Canada</b>	% of extra-EU	62 %	45 %	67 %	45 %	41 %	52 %
	Manufacturing	1 %	6 %	17 %	4 %	5 %	7 %
	Services	86 %	72 %	88 %	78 %	95 %	83 %
	Other Sectors	14 %	23 %	-6 %	18 %	-1 %	10 %
	<b>Total</b>	<b>2 954</b>	<b>13 188</b>	<b>5 648</b>	<b>4 123</b>	<b>11 935</b>	<b>37 848</b>
<b>Japan</b>	% of extra-EU	3 %	10 %	5 %	3 %	11 %	6 %
	Manufacturing	-38 %	8 %	18 %	27 %	34 %	20 %
	Services	143 %	88 %	83 %	73 %	65 %	78 %
	Other Sectors	-5 %	4 %	-1 %	0 %	1 %	2 %
	<b>Total</b>	<b>-1 907</b>	<b>17 328</b>	<b>7 648</b>	<b>8 279</b>	<b>2 551</b>	<b>33 899</b>
<b>EFTA*</b>	% of extra-EU	-2 %	13 %	6 %	7 %	2 %	6 %
	Manufacturing	-2 %	14 %	23 %	8 %	9 %	10 %
	Services	118 %	92 %	206 %	95 %	113 %	110 %
	Other Sectors	-16 %	-6 %	-129 %	-4 %	-22 %	-20 %
	<b>Total</b>	<b>6 874</b>	<b>20 820</b>	<b>4 302</b>	<b>9 810</b>	<b>18 662</b>	<b>60 468</b>
<b>Other partner countries**</b>	% of extra-EU	6 %	15 %	4 %	8 %	16 %	10 %
	Manufacturing	-3 %	-19 %	8 %	22 %	22 %	9 %
	Services	113 %	154 %	171 %	71 %	70 %	106 %
	Other Sectors	-10 %	-36 %	-80 %	7 %	8 %	-15 %
	<b>Total</b>	<b>32 776</b>	<b>24 406</b>	<b>22 719</b>	<b>46 975</b>	<b>33 352</b>	<b>160 228</b>
	% of extra-EU	30 %	18 %	19 %	37 %	29 %	26 %

\*EFTA until 2001. Switzerland is used as a proxy since 2002.

\*\*Others is the difference between extra-EU and United States, Canada, Japan and EFTA.

<sup>38</sup> Excluding reinvested earnings until 2001. Total inward FDI since 2002.

<sup>39</sup> The negative percentages in the table are due to disinvestments.

<sup>40</sup> Due to rounding, the sum of all shares does not equal 100 % all the time.

# **Annex 1: EU Direct investment: Statistical tables**

**Table 1****Geographical breakdown of FDI flows in the reporting economy****Reporter: European Union**

EU-25 for 2001-2004, EU-15 for 1999-2000

(EUR mn)

	1999	2000	2001	2002	2003	2004
<b>World</b>	481 791	951 996	549 061	486 627	348 705	206 314
<b>Intra-EU</b>	356 003	763 546	403 192	360 059	233 339	144 069
<b>Extra-EU</b>	125 789	188 450	145 867	126 567	115 366	62 250
<b>EFTA</b>	9 448	29 710	11 954	15 566	21 003	16 828
United States	75 901	88 354	79 643	57 609	47 603	23 421
Canada	3 599	17 165	5 632	4 019	12 217	-4 121
Japan	-2 175	16 978	8 816	8 331	3 097	3 858

**Table 2****Geographical breakdown of FDI flows abroad****Reporter: European Union**

EU-25 for 2001-2004, EU-15 for 2000

(EUR mn)

	1999	2000	2001	2002	2003	2004
<b>World</b>	738 674	1 126 186	633 969	496 095	396 224	306 913
<b>Intra-EU</b>	411 600	689 140	327 828	362 199	260 710	191 963
<b>Extra-EU</b>	327 073	437 044	306 140	133 897	135 512	114 951
<b>EFTA</b>	13 617	79 765	9 768	25 752	12 999	-5 111
United States	202 122	186 368	158 706	2 704	47 055	-2 681
Canada	5 152	45 480	5 784	1 399	5 936	1 425
Japan	10 744	5 458	-8 875	10 193	5 847	8 116

**Table 3****Geographical breakdown of FDI stocks in the reporting economy****Reporter: European Union**

EU-25 for 2001-2003, EU-15 for 1999-2000

(EUR mn)

	1999	2000	2001	2002	2003
<b>World</b>	2 372 487	3 272 587	3 862 428	4 000 899	4 466 992
<b>Intra-EU</b>	1 440 544	2 165 013	2 566 832	2 735 619	2 947 931
<b>Extra-EU</b>	931 943	1 107 574	1 295 598	1 265 279	1 519 062
<b>EFTA</b>	161 079	168 526	170 516	186 538	228 268
United States	494 925	562 206	704 815	659 920	772 671
Canada	65 902	90 466	81 072	73 763	65 065
Japan	42 091	57 522	60 067	62 910	72 959

**Table 4****Geographical breakdown of FDI stocks abroad****Reporter: European Union**

EU-25 for 2001-2003, EU-15 for 1999-2000

(EUR mn)

	1999	2000	2001	2002	2003
<b>World</b>	2 999 911	4 182 888	4 763 230	4 754 959	5 174 472
<b>Intra-EU</b>	1 520 575	2 444 842	2 745 843	2 850 118	3 198 118
<b>Extra-EU</b>	1 479 336	1 738 046	2 017 386	1 904 845	1 976 356
<b>EFTA</b>	125 337	164 241	234 661	264 408	306 970
United States	693 282	751 521	915 251	760 153	731 310
Canada	40 374	91 095	85 334	83 037	82 779
Japan	34 009	44 025	36 340	52 025	55 557



**Table 5****Geographical breakdown of FDI total income  
Reporter: European Union**

EU-25 for 2001-2004, EU-15 for 1999-2000

(EUR mn)

	Year	Credit	Debit	Net
<b>World</b>	1999	157 274	128 735	28 539
	2000	225 967	208 109	17 858
	2001	214 115	189 665	24 449
	2002	197 676	183 918	13 756
	2003	209 915	175 869	34 043
	2004	262 632	215 256	47 378
<b>Intra-EU</b>	1999	83 194	71 030	12 165
	2000	116 225	115 621	603
	2001	127 915	106 482	21 432
	2002	111 904	115 513	-3 611
	2003	110 782	117 674	-6 890
	2004	131 502	130 006	1 496
<b>Extra-EU</b>	1999	74 080	57 705	16 375
	2000	109 742	92 489	17 253
	2001	86 198	83 183	3 017
	2002	85 769	68 407	17 360
	2003	99 130	58 196	40 935
	2004	131 131	85 249	45 882
<b>EFTA</b>	1999	10 882	12 234	-1 352
	2000	13 351	17 367	-4 016
	2001	12 338	20 401	-8 061
	2002	16 204	17 650	-1 447
	2003	14 139	14 403	-261
	2004	15 452	14 419	1 035
<b>United States</b>	1999	30 709	33 517	-2 809
	2000	41 776	49 190	-7 412
	2001	28 342	32 920	-4 579
	2002	33 245	33 393	-147
	2003	28 862	36 282	-7 421
	2004	41 349	51 041	-9 691
<b>Canada</b>	1999	2 672	1 224	1 448
	2000	4 620	5 133	-512
	2001	2 479	1 078	1 403
	2002	3 098	2 074	1 023
	2003	2 676	1 806	870
	2004	4 229	1 826	2 405
<b>Japan</b>	1999	1 884	1 471	413
	2000	1 305	2 909	-1 604
	2001	1 084	2 354	-1 271
	2002	2 027	3 830	-1 804
	2003	3 299	1 093	2 205
	2004	1 769	1 133	634

**Table 6****Detailed geographical breakdown of 2004 FDI flows  
Reporter: European Union**

(EUR mn)

	Abroad	In the reporting economy
<b>Europe</b>	<b>214 324</b>	<b>166 709</b>
Belgium	-6 514	7 297
Czech Republic	-2 473	522
Denmark	-588	7 761
Germany	12 378	22 928
Estonia	205	180
Greece	72	276
Spain	7 439	21 399
France	4 811	9 350
Ireland	12 339	6 915
Italy	-12 933	2 534
Cyprus	531	697
Latvia	515	80
Lithuania	161	46
Luxembourg	12 836	-9 436
Hungary	6 675	4 468
Malta	315	2 740
Netherlands	68 238	27 817
Austria	3 529	2 826
Poland	4 720	404
Portugal	5 260	2 588
Slovenia	227	54
Slovakia	933	378
Finland	2 823	1 231
Sweden	8 530	7 071
United Kingdom	61 949	23 859
Bulgaria	460	44
Romania	2 755	93
Croatia	457	50
Turkey	1 279	132
Iceland	-74	1 859
Liechtenstein	34	117
Norway	4 949	362
Switzerland	-10 019	14 494
Albania	110	1
Russia	6 400	135
Belarus	-13	11
Ukraine	216	26
<b>Africa</b>	<b>11 830</b>	<b>886</b>
<b>North African countries</b>	<b>1 972</b>	<b>193</b>
Morocco	248	-14
Egypt	524	44
<b>Other African countries</b>	<b>9 857</b>	<b>698</b>
South Africa	4 599	135
<b>America</b>	<b>34 091</b>	<b>22 804</b>
<b>North American countries</b>	<b>-1 252</b>	<b>19 295</b>
United States	-2 681	23 421
Canada	1 425	-4121
<b>Central American countries</b>	<b>31 746</b>	<b>-72</b>
Mexico	9 165	719
<b>South American countries</b>	<b>3 592</b>	<b>3 582</b>
Colombia	577	186
Uruguay	175	210
Venezuela	702	95
Brazil	2 819	3 630
Chile	1435	36
Argentina	-1 773	-611

	Abroad	In the reporting economy
<b>Asia</b>	31 409	5 425
<b>Near and Middle East countries</b>	1 179	-6 830
Iran	-117	76
Israel	150	-234
Gulf Arabian countries	693	-6 653
Other Near and Middle East countries	453	- 19
<b>Other Asian countries</b>	30 231	12 255
India	1 076	-34
Thailand	243	29
Malaysia	940	47
Indonesia	158	72
Singapore	3 111	306
Philippines	265	1 828
China (includ. Hong Kong)	11 307	4 813
Korea, Republic of (South Korea)	1 390	937
Japan	8 116	3 858
Taiwan	1 072	-90
<b>Oceania and Polar regions</b>	4 360	2 774
Australia	3 384	2 779
New Zealand	934	-25
<b>Not allocated <sup>(1)</sup></b>	10 899	7 716
<b>World (all entities)</b>	306 913	206 314
<b>EU-25 <sup>(2)</sup></b>	191 963	144 069
<b>Extra-EU-25</b>	114 951	62 250
<b>Euro-zone</b>	110 246	95 815
<b>Extra-euro-zone</b>	196 667	110 500
<b>European Free Trade Association</b>	-5 111	16 828
<b>OECD countries</b>	207 872	184 675
<b>North American Free Trade Association</b>	7 910	20 018
<b>NICs1</b>	13 912	6 076
<b>NICs2A</b>	1 452	1 906
<b>NICs2LA</b>	11 649	3 775
<b>Commonwealth of Independent States (CIS)</b>	9 388	194
<b>Countries for the Association of South-East Asian Nations</b>	4 574	2 652
<b>Organisation of Petroleum Exporting Countries</b>	2 530	-6 036
<b>Mercado comun de los paises del cono sur</b>	1 178	3 221
<b>Mediterranean countries in the Euro-Mediterranean Partnership</b>	4 333	3 532
<b>Offshore financial centers</b>	55 391	17 531
<b>Latin America countries</b>	13 381	4 291
<b>African, Caribbean and Pacific countries (Lomé convention)</b>	12 197	572
African ACP countries	9 854	702
Caribbean ACP countries	2 309	-140
Pacific ACP countries	28	11
<b>Maghrebian countries</b>	1 551	177
<b>Countries from Mashrek</b>	498	18
<b>French Franc zone</b>	678	46

<sup>(1)</sup> Not allocated = World - Europe - Africa - America - Asia - Oceania and Polar regions.

<sup>(2)</sup> The gap between outward and inward flows corresponds to an intra-EU asymetry.

**Table 7**  
**Detailed geographical breakdown of 2003 FDI flows**  
**Reporter: European Union**

(EUR mn)

	Abroad	In the reporting economy
<b>Europe</b>	<b>313 444</b>	<b>278 471</b>
Belgium	4 197	16 948
Czech Republic	-2 680	458
Denmark	3 666	2 139
Germany	53 085	27 906
Estonia	227	-57
Greece	1 925	359
Spain	15 154	3 693
France	17 170	18 083
Ireland	18 807	22 674
Italy	13 434	18 038
Cyprus	-458	-5
Latvia	-69	138
Lithuania	432	34
Luxembourg	36 289	41 087
Hungary	4 427	-66
Malta	679	-98
Netherlands	28 353	42 498
Austria	2 362	3 270
Poland	3 049	898
Portugal	7 618	69
Slovenia	706	46
Slovakia	1 191	261
Finland	645	-431
Sweden	4 080	5 497
United Kingdom	46 606	30 237
Bulgaria	844	74
Romania	838	57
Croatia	1 557	-10
Turkey	1 109	131
Iceland	19	241
Liechtenstein	53	153
Norway	-28	1 371
Switzerland	12 956	19 241
Albania	16	-2
Russia	7 386	694
Belarus	31	15
Ukraine	234	33
<b>Africa</b>	<b>9 774</b>	<b>644</b>
<b>North African countries</b>	<b>2 558</b>	<b>250</b>
Morocco	1 757	48
Egypt	954	38
<b>Other African countries</b>	<b>7 212</b>	<b>393</b>
South Africa	3 255	162
<b>America</b>	<b>51 604</b>	<b>64 718</b>
<b>North American countries</b>	<b>52 990</b>	<b>59 822</b>
United States	47 055	47 603
Canada	5 936	12 217
<b>Central American countries</b>	<b>-3 972</b>	<b>5 179</b>
Mexico	1 962	152
<b>South American countries</b>	<b>2 585</b>	<b>-279</b>
Colombia	364	222
Uruguay	106	-133
Venezuela	-257	196
Brazil	2 182	-991
Chile	1 431	-276
Argentina	-1 503	685

	Abroad	In the reporting economy
<b>Asia</b>	21 885	6 507
<b>Near and Middle East countries</b>	979	543
Iran	-93	-303
Israel	123	119
Gulf Arabian countries	457	642
Other Near and Middle East countries	489	86
<b>Other Asian countries</b>	20 902	5 965
India	657	631
Thailand	365	-90
Malaysia	-192	64
Indonesia	1 077	-190
Singapore	3 223	189
Philippines	-181	50
China (includ. Hong Kong)	6 111	1 661
Korea, Republic of (South Korea)	3 002	385
Japan	5 847	3 097
Taiwan	100	-258
<b>Oceania and Polar regions</b>	-1 918	507
Australia	-1 777	634
New Zealand	-227	125
<b>Not allocated <sup>(1)</sup></b>	1 435	-2 142
<b>World (all entities)</b>	396 224	348 705
<b>EU-25 <sup>(2)</sup></b>	260 710	233 339
<b>Extra-EU-25</b>	135 512	115 366
<b>Euro-zone</b>	198 846	193 808
<b>Extra-euro-zone</b>	197 377	154 899
<b>European Free Trade Association</b>	12 999	21 003
<b>OECD countries</b>	335 048	318 480
<b>North American Free Trade Association</b>	54 957	59 972
<b>NICs1</b>	9 439	1 680
<b>NICs2A</b>	-5	26
<b>NICs2LA</b>	4 071	-431
<b>Commonwealth of Independent States (CIS)</b>	8 096	827
<b>Countries for the Association of South-East Asian Nations</b>	4 896	276
<b>Organisation of Petroleum Exporting Countries</b>	1 015	-307
<b>Mercado comun de los paises del cono sur</b>	789	-446
<b>Mediterranean countries in the Euro-Mediterranean Partnership</b>	4 395	419
<b>Offshore financial centers</b>	27 765	31 758
<b>Latin American countries</b>	5 077	155
<b>African, Caribbean and Pacific countries (Lomé convention)</b>	9 371	-4 435
African ACP countries	7 231	388
Caribbean ACP countries	2 114	-4 615
Pacific ACP countries	27	-211
<b>Maghrebian countries</b>	1 775	184
<b>Countries from Machrek</b>	1 157	87
<b>French Franc zone</b>	834	76

<sup>(1)</sup> Not allocated = World - Europe - Africa - America - Asia - Oceania and Polar regions.

<sup>(2)</sup> The gap between outward and inward flows corresponds to an intra-EU asymmetry.

**Table 8****Detailed geographical breakdown of 2004 FDI income  
Reporter: European Union**

(EUR mn)

	<b>Credit</b>	<b>Debit</b>	<b>Net</b>
<b>Europe</b>	<b>151 906</b>	<b>145 770</b>	<b>6 136</b>
Belgium	12 729	10 749	1 980
Czech Republic	1 912	93	1 819
Denmark	2 057	1 598	459
Germany	12 081	19 337	-7 256
Estonia	236	128	106
Greece	1 726	-150	1 875
Spain	6 758	-257	7 013
France	12 819	18 172	-5 353
Ireland	6 451	2 215	4 237
Italy	3 251	1 347	1 903
Cyprus	314	285	29
Latvia	176	9	167
Lithuania	150	0	150
Luxembourg	18 185	14 329	3 857
Hungary	2 741	201	2 540
Malta	759	11	748
Netherlands	22 180	30 231	-8 055
Austria	2 712	2 071	640
Poland	1 815	-114	1 928
Portugal	1 461	323	1 137
Slovenia	219	40	179
Slovakia	832	89	743
Finland	2 452	2 875	-422
Sweden	5 132	9 090	-3 959
United Kingdom	12 269	17 318	-5 052
Bulgaria	289	8	281
Romania	319	7	312
Croatia	216	8	208
Turkey	920	126	794
Iceland	5	59	-55
Liechtenstein	56	336	-278
Norway	3 323	753	2 570
Switzerland	12 065	13 269	-1 204
Albania	0	0	0
Russia	1 976	489	1 487
Belarus	-1	-29	28
Ukraine	26	2	24
<b>Africa</b>	<b>9 827</b>	<b>334</b>	<b>9 493</b>
<b>North African countries</b>	<b>1 744</b>	<b>74</b>	<b>1 670</b>
Morocco	301	2	299
Egypt	864	46	818
<b>Other African countries</b>	<b>8 084</b>	<b>261</b>	<b>7 824</b>
South Africa	4 768	166	4 601
<b>America</b>	<b>61 390</b>	<b>64 570</b>	<b>-3 180</b>
<b>North American countries</b>	<b>45 584</b>	<b>52 874</b>	<b>-7 289</b>
United States	41 349	51 041	-9 691
Canada	4 229	1 826	2 405
<b>Central American countries</b>	<b>10 150</b>	<b>11 431</b>	<b>-1 283</b>
Mexico	2 502	463	2 039
<b>South American countries</b>	<b>5 656</b>	<b>263</b>	<b>5 392</b>
Colombia	572	3	568
Uruguay	58	34	23
Venezuela	826	19	807
Brazil	2 813	133	2 679
Chile	1 180	18	1 163
Argentina	-11	32	-43

	Credit	Debit	Net
<b>Asia</b>	25 742	846	24 895
<b>Near and Middle East countries</b>	2 185	505	1 679
Iran	3	56	-53
Israel	55	-55	110
Gulf Arabian countries	1 528	375	1 153
Other Near and Middle East countries	587	129	458
<b>Other Asian countries</b>	23 558	343	23 216
India	798	56	742
Thailand	736	16	720
Malaysia	1 288	-4	1 294
Indonesia	1 068	4	1 064
Singapore	5 286	142	5 144
Philippines	115	5	110
China (includ. Hong Kong)	8 735	-679	9 414
Korea, Republic of (South Korea)	2 020	-441	2 461
Japan	1 769	1 133	634
Taiwan	696	42	654
<b>Oceania and Polar regions</b>	7 104	1 354	5 750
Australia	6 233	1 334	4 899
New Zealand	839	25	813
<b>Not allocated <sup>(1)</sup></b>	6 663	2 382	4 284
<b>World (all entities)</b>	262 632	215 256	47 378
<b>EU-25 <sup>(2)</sup></b>	131 502	130 006	1 496
<b>Extra-EU-25</b>	131 131	85 249	45 882
<b>Euro-zone</b>	102 882	101 250	1 636
<b>Extra-euro-zone</b>	159 748	114 004	45 744
<b>European Free Trade Association</b>	15 452	14 419	1 035
<b>OECD countries</b>	204 899	199 125	5 775
<b>North American Free Trade Association</b>	48 080	53 327	-5 248
<b>NICs1</b>	14 666	-978	15 644
<b>NICs2A</b>	2 142	20	2 122
<b>NICs2LA</b>	6 487	644	5 842
<b>Commonwealth of Independent States (CIS)</b>	2 470	475	1 995
<b>Countries for the Association of South-East Asian Nations</b>	8 606	208	8 399
<b>Organisation of Petroleum Exporting Countries</b>	4 118	308	3 809
<b>Mercado comun de los paises del cono sur</b>	2 868	198	2 668
<b>Mediterranean countries in the Euro-Mediterranean Partnership</b>	3 977	551	3 427
<b>Offshore financial centers</b>	25 965	12 814	13 151
<b>Latin American countries</b>	8 455	840	7 614
<b>African, Caribbean and Pacific countries (Lomé convention)</b>	9 783	338	9 447
African ACP countries	8 079	260	7 819
Caribbean ACP countries	1 684	76	1 606
Pacific ACP countries	22	1	21
<b>Maghrebian countries</b>	678	12	666
<b>Countries from Machrek</b>	1 249	175	1 073
<b>French Franc zone</b>	814	-23	837

<sup>(1)</sup> Not allocated = World - Europe - Africa - America - Asia - Oceania and Polar regions.

<sup>(2)</sup> The gap between outward and inward flows corresponds to an intra-EU asymmetry.

**Table 9****Detailed geographical breakdown of 2003 FDI income  
Reporter: European Union**

(EUR mn)

	<b>Credit</b>	<b>Debit</b>	<b>Net</b>
<b>Europe</b>	<b>129 769</b>	<b>126 029</b>	<b>3 746</b>
Belgium	4 361	4 780	-419
Czech Republic	1 526	96	1 431
Denmark	1 590	704	883
Germany	11 377	16 061	-4 684
Estonia	356	5	352
Greece	1 018	-266	1 282
Spain	4 739	475	4 263
France	9 870	13 146	-3 276
Ireland	10 037	5 321	4 715
Italy	4 893	2 671	2 223
Cyprus	157	-146	302
Latvia	182	5	177
Lithuania	212	12	200
Luxembourg	9 070	17 783	-8 708
Hungary	1 960	103	1 856
Malta	62	7	54
Netherlands	23 773	31 016	-7 243
Austria	1 767	1 914	-148
Poland	2 074	6	2 067
Portugal	1 602	474	1 129
Slovenia	262	9	252
Slovakia	571	49	522
Finland	2 450	3 223	-773
Sweden	5 492	6 515	-1 023
United Kingdom	11 379	13 674	-2 295
Bulgaria	363	13	349
Romania	266	-1	267
Croatia	346	16	331
Turkey	790	133	656
Iceland	3	30	-27
Liechtenstein	66	386	-320
Norway	2 474	990	1 486
Switzerland	11 596	12 995	-1 397
Albania	5	-3	7
Russia	1 820	593	1 228
Belarus	1	-17	19
Ukraine	44	27	17
<b>Africa</b>	<b>7 405</b>	<b>548</b>	<b>6 857</b>
<b>North African countries</b>	<b>1 479</b>	<b>172</b>	<b>1 307</b>
Morocco	369	49	320
Egypt	652	70	582
<b>Other African countries</b>	<b>5 927</b>	<b>377</b>	<b>5 550</b>
South Africa	3 405	191	3 215
<b>America</b>	<b>45 120</b>	<b>45 034</b>	<b>86</b>
<b>North American countries</b>	<b>31 539</b>	<b>38 090</b>	<b>-6 554</b>
United States	28 862	36 282	-7 421
Canada	2 676	1 806	870
<b>Central American countries</b>	<b>9 067</b>	<b>6 225</b>	<b>2 842</b>
Mexico	1 627	386	1 241
<b>South American countries</b>	<b>4 512</b>	<b>724</b>	<b>3 788</b>
Colombia	413	21	392
Uruguay	42	17	27
Venezuela	116	45	72
Brazil	3 094	509	2 585
Chile	547	58	489
Argentina	135	24	111



	Credit	Debit	Net
<b>Asia</b>	19 799	1 670	18 130
<b>Near and Middle East countries</b>	2 316	286	2 030
Iran	5	71	-76
Israel	50	363	-313
Gulf Arabian countries	1 699	-431	2 129
Other Near and Middle East countries	552	281	269
<b>Other Asian countries</b>	17 482	1 382	16 100
India	850	109	740
Thailand	669	14	656
Malaysia	1 048	11	1 039
Indonesia	516	12	504
Singapore	2 611	398	2 214
Philippines	198	4	194
China (includ. Hong Kong)	5 151	-148	5 299
Korea, Republic of (South Korea)	1 859	-199	2 058
Japan	3 299	1 093	2 205
Taiwan	688	56	632
<b>Oceania and Polar regions</b>	4 799	1 464	3 335
Australia	3 697	1 317	2 379
New Zealand	1 067	25	1 042
<b>Not allocated <sup>(1)</sup></b>	3 023	1 124	1 889
<b>World (all entities)</b>	<b>209 915</b>	<b>175 869</b>	<b>34 043</b>
<b>EU-25 <sup>(2)</sup></b>	110 782	117 674	-6 890
<b>Extra-EU-25</b>	99 130	58 196	40 935
<b>Euro-zone</b>	84 955	96 631	-11 674
<b>Extra-euro-zone</b>	124 961	79 239	45 723
<b>European Free Trade Association</b>	14 139	14 403	-261
<b>OECD countries</b>	167 507	172 633	-5 126
<b>North American Free Trade Association</b>	33 162	38 467	-5 306
<b>NICs1</b>	8 384	36	8 348
<b>NICs2A</b>	1 915	30	1 886
<b>NICs2LA</b>	5 408	978	4 431
<b>Commonwealth of Independent States (CIS)</b>	1 905	596	1 311
<b>Countries for the Association of South-East Asian Nations</b>	5 116	452	4 664
<b>Organisation of Petroleum Exporting Countries</b>	2 795	-269	3 064
<b>Mercado comun de los paises del cono sur</b>	3 280	559	2 720
<b>Mediterranean countries in the Euro-Mediterranean Partnership</b>	2 965	605	2 361
<b>Offshore financial centers</b>	15 381	8 355	7 026
<b>Latin American countries</b>	6 543	1 549	4 994
<b>African, Caribbean and Pacific countries (Lomé convention)</b>	7 865	1 154	6 711
African ACP countries	5 928	377	5 551
Caribbean ACP countries	1 898	335	1 562
Pacific ACP countries	40	437	-398
<b>Maghrebian countries</b>	813	93	720
<b>Countries from Machrek</b>	1 083	149	934
<b>French Franc zone</b>	586	161	425

<sup>(1)</sup> Not allocated = World - Europe - Africa - America - Asia - Oceania and Polar regions.

<sup>(2)</sup> The gap between outward and inward flows corresponds to an intra-EU asymmetry.

**Table 10**

**FDI flows by economic activity in 2003**  
**Reporter: European Union**

(EUR mn)

	Abroad										In the reporting economy					
	World	Intra-EU	Extra-EU	USA	Japan	Canada	Switzerland	World	Intra-EU	Extra-EU	USA	Japan	Canada	Switzerland		
<b>AGRICULTURE AND FISHING</b>	150	54	96	38	0	1	1	180	224	-43	6	0	-33	22		
<b>MINING AND QUARRYING</b>	17 204	1 383	15 821	7 485	24	72	2 071	-4 611	-1 617	-2 992	-1 907	13	25	-537		
<b>MANUFACTURING</b>	30 609	13 649	16 960	1 068	775	2 613	4 983	43 726	29 512	14 215	3 789	872	656	1 688		
Food products	4 510	370	4 141	535	79	1 399	-173	7 420	4 193	3 231	1 123	227	-85	1 424		
Textiles and wood activities	770	550	221	-458	-2	33	76	5 423	251	5 174	1 355	2	2	-128		
Chemical products	15 057	9 855	5 203	1 739	341	814	1 723	16 523	14 510	2 014	2 737	22	118	400		
Petroleum, chemical, rubber, plastic products	16 827	11 016	5 810	2 241	460	1 008	1 669	20 764	14 380	6 384	2 810	66	116	973		
Metal and mechanical products	5 726	3 694	2 031	-370	19	745	55	8 801	8 467	334	1 029	144	79	-638		
Machinery, computers, RTV, communication	-2 212	-3 450	1 238	-798	-256	128	1 488	2 838	2 244	597	1 079	252	195	-934		
Vehicles and other transport equipment	-1 387	-1 258	-128	-3 115	735	-745	2 094	-8 045	-2 954	-5 090	-4 449	-19	239	115		
<b>ELECTRICITY, GAS AND WATER</b>	8 632	8 110	520	-1 349	-2	195	-105	7 534	8 448	-915	-1 796	-79	49	401		
<b>CONSTRUCTION</b>	5 260	1 718	3 544	210	-6	378	57	1 657	1 364	293	277	-2	11	57		
<b>TRADE AND REPAIRS</b>	29 374	20 713	8 662	3 163	36	116	1 916	12 195	5 470	6 726	3 906	756	633	984		
<b>HOTELS AND RESTAURANTS</b>	3 067	1 188	1 879	851	0	140	17	1 167	1 068	98	-24	-1	-28	-9		
<b>TRANSPORT AND COMMUNICATION</b>	-9 174	-9 445	272	-870	144	77	150	11 991	17 623	-5 630	-1 999	39	10	471		
Land transport	-1 495	-391	-1 104	8	0	98	12	-928	-8 505	7 577	25	32	3	-5		
Air transport	252	140	111	0	0	-2	1	15	-299	314	177	5	2	-7		

	Abroad										In the reporting economy					
	World	Intra-EU	Extra-EU	USA	Japan	Canada	Switzerland	World	Intra-EU	Extra-EU	USA	Japan	Canada	Switzerland		
Telecommunications	-11 157	-10 004	-1 154	-1 488	118	72	171	9 776	16 218	-6 442	-2 127	0	0	-150		
<b>FINANCIAL INTERMEDIATION</b>	<b>242 520</b>	<b>173 896</b>	<b>68 623</b>	<b>30 928</b>	<b>2 523</b>	<b>954</b>	<b>2 171</b>	<b>166 801</b>	<b>88 767</b>	<b>78 038</b>	<b>36 685</b>	<b>668</b>	<b>-628</b>	<b>9 803</b>		
Monetary intermediation	23 930	12 539	11 386	5 499	158	-30	683	11 555	3 590	7 967	4 213	9	-1 014	2 004		
Other financial intermediation	214 411	161 593	52 819	23 189	1 469	679	1 778	141 022	76 074	64 947	26 742	554	451	7 926		
<b>REAL ESTATE AND BUSINESS ACTIVITIES</b>	<b>56 662</b>	<b>39 400</b>	<b>17 261</b>	<b>7 110</b>	<b>-34</b>	<b>1 660</b>	<b>1 405</b>	<b>80 099</b>	<b>56 108</b>	<b>23 990</b>	<b>7 460</b>	<b>172</b>	<b>11 411</b>	<b>9 664</b>		
Real estate	5 570	4 448	1 120	636	0	41	68	6 845	6 417	433	30	-7	5	-97		
Computer activities	3 409	-106	3 518	3 091	-42	303	81	1 929	917	1 012	184	-1	28	74		
Research and development	4 387	3 434	955	-101	25	300	26	4 989	4 916	73	77	2	0	24		
Other business activities	42 934	31 350	11 584	3 513	-9	1 018	1 226	66 204	43 625	22 575	7 510	171	11 384	9 644		
<b>OTHER SERVICES</b>	<b>2 672</b>	<b>1 368</b>	<b>1 305</b>	<b>707</b>	<b>20</b>	<b>38</b>	<b>-177</b>	<b>3 678</b>	<b>2 930</b>	<b>750</b>	<b>534</b>	<b>18</b>	<b>0</b>	<b>117</b>		
Not allocated	5 197	-313	5 508	-2 316	2 367	-310	364	8 500	10 183	-1 687	-194	91	-169	-3 803		
<b>SUB-TOTAL</b>	<b>392 173</b>	<b>251 719</b>	<b>140 451</b>	<b>47 024</b>	<b>5 847</b>	<b>5 934</b>	<b>12 845</b>	<b>332 919</b>	<b>220 079</b>	<b>112 839</b>	<b>46 734</b>	<b>2 549</b>	<b>11 938</b>	<b>18 856</b>		
Priv. purchases and sales of real estate	931	435	498	95	1	3	96	3 162	2 636	527	133	2	-3	-194		
<b>TOTAL</b>	<b>393 104</b>	<b>252 155</b>	<b>140 948</b>	<b>47 118</b>	<b>5 848</b>	<b>5 937</b>	<b>12 941</b>	<b>336 080</b>	<b>222 714</b>	<b>113 366</b>	<b>46 866</b>	<b>2 551</b>	<b>11 935</b>	<b>18 662</b>		

**Table 11**  
**FDI flows by economic activity in 2002**  
**Reporter: European Union**

(EUR mn)

	In the reporting economy													
	Abroad													
	World	Intra-EU	Extra-EU	USA	Japan	Canada	Switzerland	World	Intra-EU	Extra-EU	USA	Japan	Canada	Switzerland
<b>AGRICULTURE AND FISHING</b>	38	6	33	-22	0	0	30	-131	-320	188	15	0	14	57
<b>MINING AND QUARRYING</b>	15 135	13 652	1 484	-76	-16	343	1 974	4 322	1 457	2 865	1 971	-25	782	-19
<b>MANUFACTURING</b>	52 518	45 879	6 640	-17 915	3 885	1 053	1 754	53 708	33 517	20 191	6 521	2 246	170	808
Food products	15 898	21 226	-5 326	-10 009	67	572	-1 317	3 454	1 737	1 719	878	-5	144	531
Textiles and wood activities	8 357	1 875	6 485	1 920	69	202	55	8 453	-1 240	9 694	3 540	-52	-4	806
Chemical products	3 306	554	2 749	-135	443	-99	639	17 300	13 983	3 317	2 864	162	-24	-206
Petroleum, chemical, rubber, plastic products	6 529	2 284	4 246	-2 024	417	406	-278	17 058	15 712	1 344	2 314	216	-88	-487
Metal and mechanical products	10 078	5 115	4 963	936	-24	120	509	13 553	9 405	4 149	620	-98	-36	1 423
Machinery, computers, RTV, communication	2 107	-1 230	3 340	-234	55	-47	2 743	-271	-277	8	870	175	167	-1 389
Vehicles and other transport equipment	21 048	12 285	8 762	6 255	3 450	-27	364	7 002	4 780	2 223	-1 914	1 933	5	143
<b>ELECTRICITY, GAS AND WATER</b>	8 649	11 423	-2 774	-1 980	5	-147	-148	20 297	22 858	-2 561	-2 850	29	-3	60
<b>CONSTRUCTION</b>	4 358	1 456	2 899	532	0	34	46	2 435	2 101	332	81	2	4	196
<b>TRADE AND REPAIRS</b>	29 360	22 172	7 190	-4 434	114	234	8 850	14 854	11 920	2 934	4 926	219	44	327
<b>HOTELS AND RESTAURANTS</b>	8 668	6 493	2 173	1 750	0	15	-12	434	807	-373	20	2	2	-29
<b>TRANSPORT AND COMMUNICATION</b>	6 907	15 331	-8 423	-8 417	244	75	626	-15 154	-1 855	-13 299	-12 616	48	-6	-683
Land transport	1 126	634	493	81	-1	95	52	1 172	895	280	155	39	-2	7
Air transport	-189	-210	22	2	0	-2	2	363	-358	722	691	6	-1	11

	In the reporting economy													
	World	Intra-EU	Extra-EU	USA	Japan	Canada	Switzerland	World	Intra-EU	Extra-EU	USA	Japan	Canada	Switzerland
<b>Land, sea and air transport</b>	517	-21	539	286	2	73	64	2 119	1 183	937	849	46	-3	39
Telecommunications	5 806	15 446	-9 642	-8 862	208	-70	552	-1 444	10 245	-11 689	-11 808	2	-1	-423
<b>FINANCIAL INTERMEDIATION</b>	300 952	200 430	100 522	21 889	4 970	237	9 433	232 817	150 015	82 804	42 580	1 094	1 673	5 042
Monetary intermediation	40 138	16 735	23 403	14 000	-16	262	-4	18 018	11 061	6 956	3 590	238	93	461
Other financial intermediation	257 296	182 643	74 653	6 029	4 949	-141	9 326	213 423	138 769	74 653	38 193	852	1 582	4 478
<b>REAL ESTATE AND BUSINESS ACTIVITIES</b>	64 573	39 940	24 633	12 097	496	-30	1 731	126 219	101 699	24 520	8 888	4 863	1 481	4 636
Real estate	4 823	855	3 969	202	17	26	84	9 640	8 971	671	241	168	9	29
Computer activities	5 615	3 732	1 883	1 271	-64	29	14	3 194	4 497	-1 302	-1 608	17	7	-58
Research and development	575	-147	725	619	0	4	52	452	313	140	53	1	20	33
Other business activities	52 384	35 285	17 101	9 836	536	-90	1 482	110 790	86 661	24 130	10 003	4 615	1 448	4 443
<b>Computer, research, other business activities</b>	58 574	38 870	19 709	11 726	473	-57	1 547	114 430	91 465	22 968	8 448	4 633	1 475	4 418
<b>OTHER SERVICES</b>	3 192	5 018	-1 824	706	-12	24	-1 282	477	1 127	-651	242	-209	5	56
Not allocated	-2 649	-8 750	6 095	-1 907	454	-470	875	13 198	7 277	5 922	5 430	-92	-60	-1 716
<b>SUB-TOTAL</b>	491 696	353 051	138 644	2 221	10 140	1 370	23 875	453 472	330 601	122 869	55 207	8 176	4 107	8 736
<b>Priv. purchases and sales of real estate</b>	2 786	1 635	1 151	513	49	2	268	8 937	6 332	2 605	1 080	103	-1	1 074
<b>TOTAL</b>	494 482	354 686	139 795	2 733	10 189	1 395	24 142	462 410	336 934	125 474	56 287	8 279	4 123	9 810

**Table 12****Detailed geographical breakdown of 2003 FDI stocks****Reporter: European Union**

(EUR mn)

	Abroad	In the reporting economy
<b>Europe</b>	<b>3 655 682</b>	<b>3 220 749</b>
Belgium	291 885	196 864
Czech Republic	26 139	1 404
Denmark	40 322	37 519
Germany	268 478	265 680
Estonia	2 044	625
Greece	8 861	2 361
Spain	215 513	1 087
France	324 295	260 586
Ireland	193 143	61 905
Italy	130 677	110 308
Cyprus	5 708	3 923
Latvia	1 643	239
Lithuania	2 662	97
Luxembourg	346 308	429 680
Hungary	31 186	-238
Malta	1 698	697
Netherlands	560 095	497 237
Austria	49 772	32 639
Poland	43 413	1 406
Portugal	25 935	14 089
Slovenia	2 925	434
Slovakia	10 260	351
Finland	28 700	52 993
Sweden	84 041	98 559
United Kingdom	489 856	877 165
Bulgaria	3 507	245
Romania	6 366	174
Croatia	5 132	441
Turkey	9 513	2 030
Iceland	693	721
Liechtenstein	1 090	1 949
Norway	36 928	25 401
Switzerland	268 260	200 198
Albania	307	-3
Russia	158	101
Belarus	13 419	4 709
Ukraine	1 452	140
<b>Africa</b>	<b>79 465</b>	<b>9 272</b>
<b>North African countries</b>	<b>14 862</b>	<b>2 185</b>
Morocco	4 934	422
Egypt	4 407	427
<b>Other African countries</b>	<b>64 603</b>	<b>7 090</b>
South Africa	36 690	3 649
<b>America</b>	<b>1 068 284</b>	<b>1 062 944</b>
<b>North American countries</b>	<b>814 088</b>	<b>844 808</b>
United States	731 310	772 671
Canada	82 779	65 065
<b>Central American countries</b>	<b>153 499</b>	<b>210 207</b>
Mexico	27 433	7 224
<b>South American countries</b>	<b>100 697</b>	<b>7 925</b>
Colombia	6 503	405
Uruguay	1 383	351
Venezuela	4 422	1 228
Brazil	48 026	2 209
Chile	12 239	1 434
Argentina	23 193	2 215

	Abroad	In the reporting economy
<b>Asia</b>	267 793	122 281
<b>Near and Middle East countries</b>	14 521	16 715
Iran	1 476	1 593
Israel	2 298	4 341
Gulf Arabian countries	8 214	9 642
Other Near and Middle East countries	2 530	1 142
<b>Other Asian countries</b>	253 272	105 565
India	6 570	1 360
Thailand	8 798	641
Malaysia	6 312	1 315
Indonesia	6 460	192
Singapore	44 638	13 819
Philippines	3 322	860
China (includ. Hong Kong)	92 396	9 834
Korea, Republic of (South Korea)	15 357	3 583
Japan	55 557	72 959
Taiwan	5 351	718
<b>Oceania and Polar regions</b>	61 079	23 982
Australia	55 763	22 164
New Zealand	4 846	1 671
<b>Not allocated <sup>(1)</sup></b>	42 169	27 764
<b>World (all entities)</b>	5 174 472	4 466 992
<b>EU-25 <sup>(2)</sup></b>	3 198 118	2 947 931
<b>Extra-EU-25</b>	1 976 356	1 519 062
<b>Euro-zone</b>	2 456 207	1 925 688
<b>Extra-euro-zone</b>	2 718 265	2 541 306
<b>European Free Trade Association</b>	306 970	228 268
<b>OECD countries</b>	4 469 874	4 115 603
<b>North American Free Trade Association</b>	841 519	844 959
<b>NICs1</b>	137 878	27 210
<b>NICs2A</b>	18 433	2 821
<b>NICs2LA</b>	110 891	13 073
<b>Commonwealth of Independent States (CIS)</b>	19 667	5 518
<b>Countries for the Association of South-East Asian Nations</b>	71 563	17 680
<b>Organisation of Petroleum Exporting Countries</b>	29 187	13 656
<b>Mercado comun de los paises del cono sur</b>	72 811	4 782
<b>Mediterranean countries in the Euro-Mediterranean Partnership</b>	34 546	13 460
<b>Offshore financial centers</b>	323 956	293 683
<b>Latin American countries</b>	130 149	20 096
<b>African, Caribbean and Pacific countries (Lomé convention)</b>	76 311	14 734
African ACP countries	64 339	7 081
Caribbean ACP countries	11 559	7 555
Pacific ACP countries	414	102
<b>Maghrebian countries</b>	9 138	1 026
<b>Countries from Machrek</b>	6 194	1 445
<b>French Franc zone</b>	5 660	961

<sup>(1)</sup> Not allocated = World - Europe - Africa - America - Asia - Oceania and Polar regions.

<sup>(2)</sup> The gap between outward and inward flows corresponds to an intra-EU asymmetry.

**Table 13**

**FDI stocks by economic activity in 2003**  
**Reporter: European Union**

(EUR mn)

	Abroad										In the reporting economy										
	World		Intra-EU		Extra-EU		USA		Japan		Canada		Switzerland		World	Intra-EU	Extra-EU	USA	Japan	Canada	Switzerland
	1 775	805	970	225	5	13	-164	181 087	56 966	124 130	46 704	-5	3 586	6 223	74 902	46 798	28 104	19 001	166	3 906	1 188
<b>MANUFACTURING</b>	876 070	467 744	408 327	138 317	14 391	11 837	49 653	699 574	413 201	286 373	157 893	12 550	5 315	35 588	699 574	413 201	286 373	157 893	12 550	5 315	35 588
Food products	120 403	49 834	70 571	32 711	203	2 292	5 706	78 543	42 023	36 517	24 999	338	-33	9 477	78 543	42 023	36 517	24 999	338	-33	9 477
Textiles and wood activities	140 203	101 114	39 089	15 324	235	699	4 523	86 082	40 076	46 007	18 598	421	474	2 735	86 082	40 076	46 007	18 598	421	474	2 735
Chemical products	168 095	97 205	70 892	14 003	2 533	3 290	21 129	207 185	126 169	81 019	42 891	301	157	13 153	207 185	126 169	81 019	42 891	301	157	13 153
Petroleum, chemical, rubber, plastic products	236 386	120 683	115 702	22 278	3 210	4 197	22 046	248 855	152 301	96 553	48 258	17	-45	14 922	248 855	152 301	96 553	48 258	17	-45	14 922
Metal and mechanical products	96 280	56 363	39 917	14 254	1 305	1 760	4 162	72 055	45 979	26 075	14 120	635	1 176	5 881	72 055	45 979	26 075	14 120	635	1 176	5 881
Machinery, computers, RTV, communication	56 067	27 199	28 867	6 358	332	1 171	7 637	64 812	43 439	21 374	18 539	3 182	2 275	-458	64 812	43 439	21 374	18 539	3 182	2 275	-458
Vehicles and other transport equipment	104 373	50 592	53 781	18 199	8 393	751	2 458	64 388	38 758	25 627	15 376	3 345	1 074	4 702	64 388	38 758	25 627	15 376	3 345	1 074	4 702
<b>ELECTRICITY, GAS AND WATER</b>	104 820	56 245	48 581	22 388	211	1 340	-7 298	49 944	40 853	9 091	5 386	0	120	1 073	49 944	40 853	9 091	5 386	0	120	1 073
<b>CONSTRUCTION</b>	21 327	7 455	13 873	3 967	38	1 249	657	21 209	13 708	7 500	4 354	3	199	524	21 209	13 708	7 500	4 354	3	199	524
<b>TRADE AND REPAIRS</b>	246 251	141 405	104 843	32 017	2 922	2 832	17 713	243 004	163 429	79 576	31 595	19 340	1 804	11 036	243 004	163 429	79 576	31 595	19 340	1 804	11 036
<b>HOTELS AND RESTAURANTS</b>	40 485	26 707	13 777	8 093	14	1 457	-9	23 066	11 193	11 873	7 496	81	85	709	23 066	11 193	11 873	7 496	81	85	709
<b>TRANSPORT AND COMMUNICATION</b>	394 843	278 882	115 961	38 057	1 325	1 101	4 396	170 554	140 886	29 666	17 142	754	411	4 246	170 554	140 886	29 666	17 142	754	411	4 246
Land transport	12 969	6 573	6 393	2 314	8	253	1 709	19 474	16 391	3 037	5 633	54	37	433	19 474	16 391	3 037	5 633	54	37	433
Air transport	8 692	2 962	5 728	395	283	53	225	3 253	2 327	980	1 583	2	12	87	3 253	2 327	980	1 583	2	12	87



	Abroad							In the reporting economy						
	World	Intra-EU	Extra-EU	USA	Japan	Canada	Switzerland	World	Intra-EU	Extra-EU	USA	Japan	Canada	Switzerland
Telecommunications	335 839	248 486	87 353	21 735	519	529	1 633	131 381	112 591	18 792	13 440	280	228	1 862
<b>FINANCIAL INTERMEDIATION</b>	<b>2 286 671</b>	<b>1 379 771</b>	<b>906 899</b>	<b>251 152</b>	<b>33 523</b>	<b>52 824</b>	<b>145 993</b>	<b>1 885 085</b>	<b>1 209 337</b>	<b>675 746</b>	<b>324 068</b>	<b>20 979</b>	<b>32 245</b>	<b>73 722</b>
Monetary intermediation	246 198	106 477	139 723	54 528	1 585	1 200	7 083	157 406	96 379	61 027	23 601	4 782	3 347	6 760
Other financial intermediation	1 907 812	1 194 817	712 995	170 189	29 555	48 255	131 739	1 611 243	1 056 281	554 961	253 730	9 733	24 908	58 680
<b>REAL ESTATE AND BUSINESS ACTIVITIES</b>	<b>896 398</b>	<b>614 318</b>	<b>282 081</b>	<b>166 628</b>	<b>2 758</b>	<b>5 432</b>	<b>34 358</b>	<b>1 003 292</b>	<b>675 914</b>	<b>327 377</b>	<b>177 475</b>	<b>14 725</b>	<b>17 839</b>	<b>59 170</b>
Real estate	68 128	43 857	24 270	9 515	57	880	2 399	110 132	84 972	25 161	8 106	841	227	9 255
Computer activities	58 483	39 953	18 530	13 816	346	249	704	30 078	21 816	8 262	4 942	-143	376	1 999
Research and development	7 128	4 463	2 664	754	100	415	1 691	6 025	5 134	892	973	106	-39	1 101
Other business activities	736 553	511 114	225 437	138 252	2 183	3 665	30 187	833 909	547 343	286 565	159 582	13 606	17 181	47 092
<b>OTHER SERVICES</b>	<b>75 906</b>	<b>46 794</b>	<b>29 114</b>	<b>12 691</b>	<b>130</b>	<b>454</b>	<b>4 022</b>	<b>51 963</b>	<b>36 539</b>	<b>15 425</b>	<b>8 786</b>	<b>619</b>	<b>1 183</b>	<b>2 961</b>
Not allocated	39 023	-9 275	48 294	10 334	241	647	12 546	69 203	42 335	26 868	10 598	2 213	1 080	5 164
<b>SUB-TOTAL</b>	<b>5 164 658</b>	<b>3 067 816</b>	<b>2 096 850</b>	<b>730 569</b>	<b>55 554</b>	<b>82 771</b>	<b>268 090</b>	<b>4 292 899</b>	<b>2 794 646</b>	<b>1 498 053</b>	<b>763 916</b>	<b>71 421</b>	<b>64 231</b>	<b>195 480</b>
Priv. purchases and sales of real estate	1 080	425	655	525	0	10	21	2 973	2 435	538	88	0	3	171
<b>TOTAL</b>	<b>5 165 738</b>	<b>3 068 242</b>	<b>2 097 496</b>	<b>731 095</b>	<b>55 555</b>	<b>82 780</b>	<b>268 111</b>	<b>4 295 873</b>	<b>2 797 281</b>	<b>1 498 593</b>	<b>764 004</b>	<b>71 421</b>	<b>64 234</b>	<b>195 652</b>

# **Annex 2: Other tables**

**Table 1****EXCHANGE RATES – Flows – Average yearly exchange rate**

		1998	1999	2000	2001	2002	2003	2004
European Union	ECU/XEU <sup>(1)</sup>	1	1	1	1	1	1	1
Belgium / Luxembourg	BEF	40.621	40.34	40.34	40.34	40.34	40.34	40.34
Czech Republic	CZK	36.049	36.884	35.599	34.068	30.804	31.846	31.891
Denmark	DKK	7.499	7.436	7.454	7.452	7.431	7.431	7.44
Germany	DEM	1.969	1.956	1.956	1.956	1.956	1.956	1.956
Estonia	EEK	15.748	15.647	15.647	15.647	15.647	15.647	15.647
Greece	GRD	330.731	325.763	336.63	340.75	340.75	340.75	340.75
Spain	ESP	167.184	166.386	166.386	166.386	166.386	166.386	166.386
France	FRF	6.601	6.56	6.56	6.56	6.56	6.56	6.56
Ireland	IEP	0.786	0.788	0.788	0.788	0.788	0.788	0.788
Italy	ITL	1943.65	1936.27	1936.27	1936.27	1936.27	1936.27	1936.27
Cyprus	CYP	0.579	0.579	0.574	0.576	0.575	0.584	0.582
Latvia	LVL	0.66	0.626	0.559	0.56	0.581	0.641	0.665
Lithuania	LTL	4.484	4.264	3.695	3.582	3.459	3.453	3.453
Hungary	HUF	240.573	252.77	260.04	256.59	242.96	253.62	251.66
Malta	MTL	0.435	0.426	0.404	0.403	0.409	0.426	0.428
Netherlands	NLG	2.22	2.204	2.204	2.204	2.204	2.204	2.204
Austria	ATS	13.855	13.76	13.76	13.76	13.76	13.76	13.76
Poland	PLN	3.916	4.227	4.008	3.672	3.857	4.4	4.527
Portugal	PTE	201.695	200.482	200.482	200.482	200.482	200.482	200.482
Slovenia	SIT	185.948	194.473	206.613	217.98	225.977	233.849	239.097
Slovakia	SKK	39.541	44.123	42.602	43.3	42.694	41.489	40.022
Finland	FIM	5.983	5.946	5.946	5.946	5.946	5.946	5.946
Sweden	SEK	8.916	8.808	8.445	9.255	9.161	9.124	9.124
United Kingdom	GPB	0.676	0.659	0.609	0.622	0.629	0.692	0.679
Bulgaria	BGN	1.969	1.956	1.952	1.948	1.949	1.949	1.953
Romania	ROL	9 984.88	16 345	19 922	26 004	31 270	37 551	40 510

<sup>(1)</sup> ECU up to 1998. XEU since 1999 onwards.

Source: Eurostat, Money, finance and the euro statistics.

**Table 2****EXCHANGE RATES Positions – Exchange rate at end of the year**

		1998	1999	2000	2001	2002	2003
European Union	ECU/XEU <sup>(1)</sup>	1	1	1	1	1	1
Belgium / Luxembourg	BEF	40.34	40.34	40.34	40.34	40.34	40.34
Czech Republic	CZK	35.194	36.103	35.047	31.962	31.577	32.41
Denmark	DKK	7.449	7.443	7.463	7.437	7.429	7.445
Germany	DEM	1.956	1.956	1.956	1.956	1.956	1.956
Estonia	EEK	15.563	15.647	15.647	15.647	15.647	15.647
Greece	GRD	329.689	330.3	330.3	330.3	340.75	340.75
Spain	ESP	166.386	166.386	166.386	166.386	166.386	166.386
France	FRF	6.56	6.56	6.56	6.56	6.56	6.56
Ireland	IEP	0.788	0.788	0.788	0.788	0.788	0.788
Italy	ITL	1936.27	1936.27	1936.27	1936.27	1936.27	1936.27
Cyprus	CYP	0.582	0.577	0.574	0.575	0.573	0.586
Latvia	LVL	0.665	0.588	0.576	0.556	0.614	0.673
Lithuania	LTL	4.667	4.017	3.723	3.523	3.453	3.452
Hungary	HUF	252.392	254.7	265	245.18	236.29	262.5
Malta	MTL	0.442	0.415	0.408	0.399	0.418	0.432
Netherlands	NLG	2.204	2.204	2.204	2.204	2.204	2.204
Austria	ATS	13.76	13.76	13.76	13.76	13.76	13.76
Poland	PLN	4.089	4.159	3.85	3.495	4.021	4.702
Portugal	PTE	200.482	200.482	200.482	200.482	200.482	200.482
Slovenia	SIT	188.81	198.906	213.54	218.836	230.158	236.7
Slovakia	SKK	43.209	42.402	43.933	42.78	41.503	41.17
Finland	FIM	5.946	5.946	5.946	5.946	5.946	5.946
Sweden	SEK	9.488	8.563	8.831	9.301	9.153	9.08
United Kingdom	GPB	0.705	0.622	0.624	0.609	0.651	0.705
Bulgaria	BGN	1.956	1.956	1.954	1.946	1.955	1.956
Romania	ROL	12 813.90	18 345	24 142	27 817	35 135	41 158

<sup>(1)</sup> ECU up to 1998. XEU since 1999 onwards.

Source: Eurostat, Money, finance and the euro statistics.

# **Annex 3: Eurostat, ISIC and NACE codes**

<b>Economic activity</b>	<b>Questionnaire Y5/Y7 Eurostat</b>
AGRICULTURE AND FISHING	0595
MINING AND QUARRYING	1495
Extraction of petroleum and gas	1100
Miscellaneous mining and quarrying	1490
MANUFACTURING	3995
Food products	1605
Textiles and wearing apparel	1805
Wood, publishing and printing	2205
Total textiles and wood	2295
Refined petroleum and other treatments	2300
Chemical products	2400
Rubber and plastic products	2500
Total petroleum, chemicals and rubber	2595
Metal products	2805
Mechanical products	2900
Total metal and mechanical	2995
Office machinery and computers	3000
Radio, TV, communication equipments	3200
Total office machinery and radio	3295
Motor vehicles	3400
Other transport equipments	3500
Total motor vehicles and other transport	3595
Miscellaneous, manufacturing	3990
ELECTRICITY, GAS AND WATER	4195
CONSTRUCTION	4500
TRADE AND REPAIRS	5295
HOTELS AND RESTAURANTS	5500
TRANSPORT, COMMUNICATION	6495
Land transport	6000
Sea and coastal water transport	6110
Air transport	6200
Total land, sea and air transport	6295
Telecommunications	6420
Misc. transport and communication	6490
FINANCIAL INTERMEDIATION	6895
Monetary intermediation	6510
Other financial intermediation	6520
Financial holding companies	6524
Insurance and activities auxiliary	6730
Total other fin. intermed. and insurance	6795
Misc. financial intermediation	6890
REAL ESTATE AND BUSINESS ACTIVITIES	7395
Real estate	7000
Computer activities	7200
Research and development	7300
Other business activities	7400
Business and management consultancy	7410
Management holding companies	7415
Advertising	7440
Total computer, research and other bus.	7495
Misc. real estate and business activities	7390
OTHER SERVICES	9995
Not allocated economic activity	9996
SUB-TOTAL	9997
Priv. purchases and sales of real estate	9998
TOTAL	9999

ISIC/NACE codes corresponding to the economic activities used in Eurostat FDI questionnaires Y5/Y7 and codification for economic activity groups.

ISIC Rev. 3	NACE Rev. 1.1
sec A, B	sec A, B
sec C	sec C
div 11	div 11
sec D	sec D
div 15, 16	subsec DA
div 17, 18	subsec DB
div 20, 21, 22	subsec DD, DE
div 23	div 23
div 24	div 24
div 25	div 25
div 27, 28	subsec DJ
div 29	div 29
div 30	div 30
div 32	div 32
div 34	div 34
div 35	div 35
sec E	sec E
sec F	sec F
sec G	sec G
sec H	sec H
sec I	sec I
div 60	div 60
group 611	group 611
div 62	div 62
group 642	group 64.2
sec J	sec J
group 651	group 65.1
group 659	group 65.2
part of class 6599	part of class 65.23
div 66 & group 672	div 66 & group 67.2
sec K	sec K
div 70	div 70
div 72	div 72
div 73	div 73
div 74	div 74
group 741	group 74.1
part of class 7414	part of class 74.15
group 743	group 74.4
sec L, M, N, O, P, Q	sec L, M, N, O, P, Q

# **Annex 4: BOP zones**

**A1 WORLD****E1 EUROPE (49 countries)****D2 EU-15 - see economic zones - (15 countries + 2 entities)****D3 EU-25 - see economic zones - (25 countries + 2 entities)****A5 EFTA - see economic zones - (4 countries)****E2 Other European countries (20 countries)**

AD	Andorra
AL	Albania
BA	Bosnia and Herzegovina
BG	Bulgaria
BY	Belarus
FO	Faroe Islands
GG	Guernsey (No official ISO 3166-1 country code, exceptionally reserved alpha-2 code element)
GI	Gibraltar
HR	Croatia
IM	Isle of Man (No official ISO 3166-1 country code, exceptionally reserved alpha-2 code element)
JE	Jersey (No official ISO 3166-1 country code, exceptionally reserved alpha-2 code element)
MD	Moldova, Republic of MK Macedonia, the Former Yugoslav Republic of RO Romania
RU	Russian Federation
SM	San Marino
TR	Turkey
UA	Ukraine
VA	Holy See (Vatican City State)
CS	Serbia and Montenegro

Until 2003 -30 countries- includes Cyprus (CY), Czech Republic (CZ), Hungary (HU), Malta (MT), Poland (PL), Slovenia (SI), Slovakia (SK) and Baltic countries (E3) -Estonia (EE), Lithuania (LT) and Latvia (LV)

**E4 AFRICA (55 countries)****E5 North Africa (5 countries)**

DZ	Algeria
EG	Egypt
LY	Libyan Arab Jamahiriya
MA	Morocco
TN	Tunisia

Includes Occidental Sahara

**E6 Other African countries (50 countries)**

AO	Angola
BF	Burkina Faso
BI	Burundi
BJ	Benin
BW	Botswana
CD	Congo, the Democratic Republic of the
CF	Central African Republic
CG	Congo
CI	Côte d'Ivoire
CM	Cameroon
CV	Cape Verde
DJ	Djibouti
ER	Eritrea
ET	Ethiopia
GA	Gabon
GH	Ghana
GM	Gambia

Includes Cabinda



GN	Guinea	
GQ	Equatorial Guinea	
GW	Guinea-Bissau	
IO	British Indian Ocean Territory	Includes Chagos Archipelago
KE	Kenya	
KM	Comoros	Includes Anjouan, Grande Comore, Mohéli
LR	Liberia	
LS	Lesotho	
MG	Madagascar	
ML	Mali	
MR	Mauritania	
MU	Mauritius	Includes Rodrigues Island, Agalega Islands and Cargados Carajos Shoals (St Brandon Islands)
MW	Malawi	
MZ	Mozambique	
NA	Namibia	
NE	Niger	
NG	Nigeria	
RW	Rwanda	
SC	Seychelles	Includes Alphonse, Bijoutier, St François Islands, St Pierre Islet, Cosmoledo Islands, Amirantes, Providence, Aldabra, Farquhar and Desroches, Mahé, Silhouette, Praslin (including La Digue), Frégate, Mamelles and Récifs, Bird and Denis, Plate and Coëtivy
SD	Sudan	
SH	St Helena	Includes Ascension, Gough Island, Inaccessible, Nightingale Islands and Tristan da Cunha Islands
SL	Sierra Leone	
SN	Senegal	
SO	Somalia	
ST	Sao Tome and Principe	
SZ	Swaziland	
TD	Chad	
TG	Togo	
TZ	Tanzania, United Republic of	Includes Tanganyika, Zanzibar Island and Pemba
UG	Uganda	
ZA	South Africa	
ZM	Zambia	
ZW	Zimbabwe	

## E7 AMERICA (46 countries)

### E8 North American countries (3 countries)

CA	Canada	
GL	Greenland	
US	United States	Includes Puerto Rico (PR) and Navassa

**E9 Central American countries (30 countries)**

AG	Antigua and Barbuda	
AI	Anguilla	
AN	Netherlands Antilles	Includes Bonaire, Curaçao, Saba, St. Eustatius and Southern part of St. Martin
AW	Aruba	
BB	Barbados	
BM	Bermuda	
BS	Bahamas	
BZ	Belize	
CR	Costa Rica	
CU	Cuba	
DM	Dominica	
DO	Dominican Republic	
GD	Grenada	Includes Southern Grenadines Islands
GT	Guatemala	
HN	Honduras	Includes Swan Islands
HT	Haiti	
JM	Jamaica	
KN	St Kitts and Nevis	
KY	Cayman Islands	
LC	Saint Lucia	
MS	Montserrat	
MX	Mexico	
NI	Nicaragua	Includes Corn Islands
PA	Panama	Includes former Canal zone
SV	El Salvador	
TC	Turks and Caicos Islands	
TT	Trinidad and Tobago	
VC	St Vincent and the Grenadines	Includes Northern Grenadines Islands
VG	Virgin Islands, British	
VI	Virgin Islands, U.S.	

**F1 South American countries (13 countries)**

AR	Argentina	
BO	Bolivia	
BR	Brazil	
CL	Chile	
CO	Colombia	
EC	Ecuador	Includes Galapagos Islands
FK	Falkland Islands (Malvinas)	
GY	Guyana	
PE	Peru	
PY	Paraguay	
SR	Suriname	
UY	Uruguay	
VE	Venezuela	

**F2 ASIA (48 countries)****F3 Near and Middle East countries (17 countries)**

IL	Israel	
IR	Iran, Islamic Republic of	
F4	Gulf Arabian countries (8 countries)	
AE	United Arab Emirates	Abu Dhabi, Dubai, Sharjah, Ajman, Umm al Qaiwain, Ras al Khaimah and Fujairah

BH	Bahrain	
IQ	Iraq	
KW	Kuwait	
OM	Oman	Includes Kuria Muria Islands
QA	Qatar	
SA	Saudi Arabia	
YE	Yemen	Includes North Yemen and South Yemen, Perim, Kamaran, Socotra and associated Islands
F5	Other Near and Middle East countries (7 countries)	
AM	Armenia	
AZ	Azerbaijan	
GE	Georgia	
JO	Jordan	
LB	Lebanon	
PS	Palestinian Territory, Occupied	
SY	Syrian Arab Republic	

**F6 Other Asian countries (32 countries)**

AF	Afghanistan	
BD	Bangladesh	
BN	Brunei Darussalam	
BT	Bhutan	
CN	China	
HK	Hong Kong	
ID	Indonesia	
IN	India	Includes Amindivi Island, Laccadive Island, Minicoy Island, Andaman Islands, Nicobar Islands and Sikkim
JP	Japan	
KG	Kyrgyzstan	
KH	Cambodia (Kampuchea)	
KP	Korea, Democratic People's Republic of (North Korea)	
KR	Korea, Republic of (South Korea)	
KZ	Kazakhstan	
LA	Lao People's Democratic Republic	
LK	Sri Lanka	
MM	Myanmar	
MN	Mongolia	
MO	Macao	
MV	Maldives	
MY	Malaysia	Includes Peninsular Malaysia and Eastern Malaysia (Sabah, Sarawak and Labuan)
NP	Nepal	
PH	Philippines	
PK	Pakistan	
SG	Singapore	
TH	Thailand	
TJ	Tajikistan	
TL	Timor-Leste	Includes the exclave of Oecussi
TM	Turkmenistan	
TW	Taiwan, Province of China	Includes Separate customs territory of Taiwan, Penghu, Kinmen and Matsu

UZ Uzbekistan  
VN Viet Nam

**F7 OCEANIA AND POLAR REGIONS (33 countries)**

AU Australia  
FJ Fiji  
FM Micronesia, Federated States of Caroline Islands except Palau, includes Yap, Chuuk, Pohnpei, Kosrae  
  
KI Kiribati  
MH Marshall Islands  
MP Northern Mariana Islands Includes Mariana Islands except Guam  
NC New Caledonia Includes Loyalty Islands (Maré, Lifou and Ouvéa)  
  
NR Nauru  
NZ New Zealand Includes Antipodes Islands, Auckland Islands, Bounty Islands, Campbell Island, Kermadec Islands, Chatham Islands and Snares Islands. Excluding Ross Dependency (Antartica)  
  
PF French Polynesia Includes Marquesas Islands, Society Islands (including Tahiti), Tuamotu Islands, Gambier Islands and Austral Islands. Also Clipperton Island  
PG Papua New Guinea Includes Bismarck Archipelago, Louisiade Archipelago, Admiralty Islands, Northern Solomon Islands (Bougainville, Buka, Green), d'Entrecasteaux Islands, Lavongai, Trobriand Islands, New Britain, New Ireland, Woodlark and associated Islands  
PN Pitcairn Includes Henderson, Ducie and Oeno Islands  
PW Palau  
SB Solomon Islands Includes Southern Solomon Islands, primarily Guadalcanal, Malaita, San Cristobal, Santa Isabel, Choiseul  
  
TO Tonga  
TV Tuvalu  
VU Vanuatu  
WF Wallis and Futuna Includes Alofi Island  
WS Samoa

**F8 Australian Oceania (4 countries)**

CC Cocos (Keeling) Islands  
CX Christmas Island  
HM Heard Island and McDonald Islands  
NF Norfolk Island

**F9 American Oceania (3 countries)**

AS American Samoa  
GU Guam

UM	US Minor Outlying Islands	Baker, Howland, and Jarvis Islands, Johnston Atoll, Kingman Reef, Midway Islands, Palmyra Atoll and Wake Island
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**G1 New Zealand Oceania (3 countries)**

CK	Cook Islands
NU	Niue
TK	Tokelau

**G2 Polar regions (4 countries)**

AQ	Antarctica	
BV	Bouvet Island	
GS	South Georgia and the South Sandwich Islands	
TF	French Southern Territories	Includes Kerguelén, Amsterdam and Saint Paul Islands, Crozet Archipelago

## BOP Economic Zones

### A1 WORLD

#### D3 EU-25 - 25 countries + 2 entities

##### D2 EU-15 - 15 countries + 2 entities -

##### U2 Euro-area

(from 2001 onwards - 12 countries + 1 entity)

A3	BLEU	Belgium (BE) + Luxembourg (LU)
BE	Belgium	2002
LU	Luxembourg	2002
DE	Germany	Includes Helgoland. Excludes Büsingen and Büttenhardter Höfe (customs free zones belonging to the customs territory of Switzerland)
GR	Greece	2001
ES	Spain	Includes Balearic Islands, Ceuta and Melilla and Canary Islands. Excludes Andorra (AD)
FR	France	Includes France metropolitan (FX), Principality of Monaco (MC), Overseas Departements: French Guyana (GF), Martinique (MQ), Guadeloupe (GP) - Grande Terre, Basse Terre, Marie Galante, Les Saintes, Iles de la Petite Terre, Désirade, Saint Barthélémy and Northern St Martin -, Réunion (RE), Territorial collectivities: Mayotte (YT), Saint Pierre et Miquelon (PM). Excludes Overseas Territories (French Polynesia (PF), New Caledonia (NC) , Wallis and Futuna Islands (WF), Andorra (AD)
IE	Ireland	
IT	Italy	Excludes San Marino (SM) and the Holy See (VA)
NL	Netherlands	Excludes Netherlands Antilles (AN) and Aruba (AW)
AT	Austria	
PT	Portugal	Includes Acores and Madeira. Excludes Macau (MO)
FI	Finland	
4F	European Central Bank (ECB)	

<b>U3</b>	<b>EU Member States not belonging to euro-area</b>		
	DK	Denmark	Excludes Faroe Islands (FO) and Greenland (GL)
	SE	Sweden	
	GB	United Kingdom	Excludes Channel Islands - Guernsey (GG) and Jersey - (JE) and the Isle of Man (IM), Anguilla (AI), Montserrat (MS), the British Virgin Islands (VG), the Turks and Caicos islands (TC), and the Cayman Islands (KY)
	4A	European Union Institutions (excluding ECB)	
<b>D8</b>	<b>New EU Member States 2004</b>		
	CY	Cyprus	
	CZ	Czech Republic	
	EE	Estonia	
	HU	Hungary	
	LT	Lithuania	
	LV	Latvia	
	MT	Malta	
	PL	Poland	
	SI	Slovenia	
	SK	Slovakia	
<b>D4</b>	<b>Extra-EU-15</b>		
<b>D5</b>	<b>Extra-EU 25</b>		
<b>U4</b>	<b>Extra-euro-zone</b>		
<b>A3</b>	<b>BLEU (Belgo-Luxembourg Economic Union) - 2 countries -</b>		
	BE	Belgium	1921-2002
	LU	Luxembourg	1921-2002
<b>A5</b>	<b>EFTA (European Free Trade Association) - 4 countries -</b>		
	CH	Switzerland	1960
	IS	Iceland	1970
	LI	Liechtenstein	1992
	NO	Norway	1960
	AT	Austria	1960-1994
	DK	Denmark	1960-1972
	FI	Finland	1986-1994
	GB	United Kingdom	1960-1972
	PT	Portugal	1960-1985
	SE	Sweden	1960-1994
<b>A8</b>	<b>OECD (Organisation for Economic Cooperation &amp; Development) -30 countries + 2 entities</b>		
	AT	Austria	1961
	AU	Australia	1971
	BE	Belgium	1961
	CA	Canada	1961
	CH	Switzerland	1961
	CZ	Czech Republic	1996
	DE	Germany	1961
	DK	Denmark	1961
	ES	Spain	1961
	FI	Finland	1969
	FR	France	1961
	GB	United Kingdom	1961
	GR	Greece	1961
	HU	Hungary	1996
	IE	Ireland	1961

IS	Iceland	1961
IT	Italy	1961
JP	Japan	1964
KR	Korea, Republic of (South Korea)	1997
LU	Luxembourg	1961
MX	Mexico	1994
NL	Netherlands	1961
NO	Norway	1961
NZ	New Zealand	1973
PL	Poland	1997
PT	Portugal	1961
SE	Sweden	1961
SK	Slovakia	2001
TR	Turkey	1961
US	United States	1961
4A	European Union Institutions (excluding ECB)	
4F	European Central Bank (ECB)	

**A9 Countries from Central and Eastern Europe -  
7 countries (15 countries until 2003) -**

AL	Albania	
BA	Bosnia and Herzegovina	
BG	Bulgaria	
HR	Croatia	
MK	Macedonia, the Former Yugoslav Republic of	
RO	Romania	
CS	Serbia and Montenegro	

Includes CZ (Czech Republic), EE (Estonia), HU (Hungary), LT (Lithuania), LV (Latvia), PL (Poland), SI (Slovenia) and SK (Slovakia) until 2003

**B1 NAFTA (North American Free Trade Association) - 3 countries -**

CA	Canada	1994
MX	Mexico	1994
US	United States	1994

**B2 Latin America - 18 countries -**

AR	Argentina	
BO	Bolivia	
BR	Brazil	
CL	Chile	
CO	Colombia	
CR	Costa Rica	
CU	Cuba	
EC	Ecuador	
GT	Guatemala	
HN	Honduras	
MX	Mexico	
NI	Nicaragua	
PA	Panama	
PE	Peru	
PY	Paraguay	
SV	El Salvador	
UY	Uruguay	
VE	Venezuela	

**B3 ASEAN (Association of South-East Asian Nations) - 10 countries -**

BN	Brunei Darussalam	1984
ID	Indonesia	1967
KH	Cambodia (Kampuchea)	1999
LA	Lao People's Democratic Republic	1997
MM	Myanmar	1997



	MY	Malaysia	1967
	PH	Philippines	1967
	SG	Singapore	1967
	TH	Thailand	1967
	VN	Viet Nam	1995
<b>B4</b>	<b>OPEC (Organisation of Petroleum Exporting countries) - 11 countries -</b>		
	AE	United Arab Emirates	
	DZ	Algeria	1969
	ID	Indonesia	1962
	IQ	Iraq	1960
	IR	Iran, Islamic Republic of	1960
	KW	Kuwait	1960
	LY	Libyan Arab Jamahiriya	1962
	NG	Nigeria	1971
	QA	Qatar	1961
	SA	Saudi Arabia	1960
	VE	Venezuela	1960
	EC	Ecuador	1973-1992
	GA	Gabon	1975-1994
<b>B5</b>	<b>ACP (African, Caribbean and Pacific countries signatories to the Partnership Agreement (Cotonou Agreement))</b>		
	<b>77 countries (48 African 15 Caribbean 14 Pacific countries)</b>		
<b>B6</b>	<b>African ACP countries - 48 countries -</b>		
	AO	Angola	1985
	BF	Burkina Faso	1963
	BI	Burundi	1963
	BJ	Benin	1963
	BW	Botswana	1975
	CD	Congo, the Democratic Republic of the	1963
	CF	Central African Republic	1963
	CG	Congo	1963
	CI	Côte d'Ivoire	1963
	CM	Cameroon	1963
	CV	Cape Verde	1979
	DJ	Djibouti	1979
	ER	Eritrea	1996
	ET	Ethiopia	1975
	GA	Gabon	1963
	GH	Ghana	1975
	GM	Gambia	1975
	GN	Guinea	1975
	GQ	Equatorial Guinea	1990
	GW	Guinea-Bissau	1975
	KE	Kenya	1969
	KM	Comoros	1979
	LR	Liberia	1975
	LS	Lesotho	1975
	MG	Madagascar	1963
	ML	Mali	1963
	MR	Mauritania	1963
	MU	Mauritius	1975
	MW	Malawi	1975
	MZ	Mozambique	1984
	NA	Namibia	1996
	NE	Niger	1963
	NG	Nigeria	1975
	RW	Rwanda	1969
	SC	Seychelles	1979
	SD	Sudan	1975

	SL	Sierra Leone	1975
	SN	Senegal	1963
	SO	Somalia	1963
	ST	São Tome and Principe	1979
	SZ	Swaziland	1975
	TD	Chad	1963
	TG	Togo	1963
	TZ	Tanzania, United Republic of	1969
	UG	Uganda	1969
	ZA	South Africa	1998
	ZM	Zambia	1975
	ZW	Zimbabwe	1984
<b>B7</b>	<b>Caribbean ACP countries - 15 countries -</b>		
	AG	Antigua and Barbuda	1984
	BB	Barbados	1975
	BS	Bahamas	1975
	BZ	Belize	1984
	DM	Dominica	1979
	DO	Dominican Republic	1984
	GD	Grenada	1975
	GY	Guyana	1975
	HT	Haiti	1990
	JM	Jamaica	1975
	KN	St Kitts and Nevis	1984
	LC	Saint Lucia	1979
	SR	Suriname	1979
	TT	Trinidad and Tobago	1975
	VC	St Vincent and the Grenadines	1984
<b>B8</b>	<b>Pacific ACP countries - 14 countries -</b>		
	CK	Cook Islands	2000
	FJ	Fiji	1975
	FM	Micronesia, Federated States of	2000
	KI	Kiribati	1979
	MH	Marshall Islands	2000
	NR	Nauru	2000
	NU	Niue	2000
	PG	Papua New Guinea	1979
	PW	Palau	2000
	SB	Solomon Islands	1979
	TO	Tonga	1975
	TV	Tuvalu	1979
	VU	Vanuatu	1984
	WS	Samoa	1975
<b>B9</b>	<b>NICs1 (the Core Newly Industrialising Countries) - 4 countries -</b>		
	HK	Hong Kong	
	KR	Korea, Republic of (South Korea)	
	SG	Singapore	
	TW	Taiwan, Province of China	
<b>C1</b>	<b>NICs2A (Asian NICs of the second wave of industrialisation) - 3 countries -</b>		
	MY	Malaysia	
	PH	Philippines	
	TH	Thailand	
<b>C2</b>	<b>NICs2LA (Latin American NICs of the second wave of industrialisation) - 4 countries -</b>		
	AR	Argentina	

	BR	Brazil	
	CL	Chile	
	MX	Mexico	
<b>C3</b>	<b>Mediterranean Basin - 17 countries (20 countries till end 2003)-</b>		
	AL	Albania	
	BA	Bosnia and Herzegovina	
	CY	Cyprus	till end 2003
	DZ	Algeria	
	EG	Egypt	
	GI	Gibraltar	
	HR	Croatia	
	IL	Israel	
	JO	Jordan	
	LB	Lebanon	
	LY	Libyan Arab Jamahiriya	
	MA	Morocco	
	MK	Macedonia, the Former Yugoslav Republic of	
	MT	Malta	till end 2003
	PS	Palestinian Territory, Occupied	
	SI	Slovenia	till end 2003
	SY	Syrian Arab Republic	
	TN	Tunisia	
	TR	Turkey	
	CS	Serbia and Montenegro	
<b>C4</b>	<b>Offshore financial centers - 38 countries -</b>		
	AD	Andorra	
	AG	Antigua and Barbuda	
	AI	Anguilla	
	AN	Netherlands Antilles	
	BB	Barbados	
	BH	Bahrain	
	BM	Bermuda	
	BS	Bahamas	
	BZ	Belize	
	CK	Cook Islands	
	DM	Dominica	
	GD	Grenada	
	GG	Guernsey	
	GI	Gibraltar	
	HK	Hong Kong	
	IM	Isle of Man	
	JE	Jersey	
	JM	Jamaica	
	KN	St Kitts and Nevis	
	KY	Cayman Islands	
	LB	Lebanon	
	LC	Saint Lucia	
	LI	Liechtenstein	
	LR	Liberia	
	MH	Marshall Islands	
	MS	Montserrat	
	MV	Maldives	
	NR	Nauru	
	NU	Niue	
	PA	Panama	
	PH	Philippines	
	SG	Singapore	
	TC	Turks and Caicos Islands	
	VC	Saint Vincent and the Grenadines	
	VG	Virgin Islands, British	

	VI	Virgin Islands, U.S.	
	VU	Vanuatu	
	WS	Samoa	
<b>C5</b>	<b>French Franc zone - 15 countries -</b>		
	BF	Burkina Faso	1946
	BJ	Benin	1946
	CF	Central African Republic	1946
	CG	Congo	1946
	CI	Côte d'Ivoire	1946
	CM	Cameroon	1946
	GA	Gabon	1946
	GQ	Equatorial Guinea	1946
	GW	Guinea-Bissau	1997
	KM	Comoros	1946
	ML	Mali	1946
	NE	Niger	1946
	SN	Senegal	1946
	TD	Chad	1946
	TG	Togo	1946
<b>C6</b>	<b>Commonwealth of Independent States (CIS) - 12 countries -</b>		
	AM	Armenia	1992
	AZ	Azerbaijan	1992
	BY	Belarus	1992
	GE	Georgia	1994
	KG	Kyrgyzstan	1992
	KZ	Kazakhstan	1992
	MD	Moldova, Republic of	1992
	RU	Russian Federation	1992
	TJ	Tajikistan	1992
	TM	Turkmenistan	1992
	UA	Ukraine	1992
	UZ	Uzbekistan	1992
<b>C7</b>	<b>Countries from Maghreb -3 countries -</b>		
	DZ	Algeria	
	MA	Morocco	
	TN	Tunisia	
<b>C8</b>	<b>Countries from Mashrek - 5 countries -</b>		
	EG	Egypt	
	JO	Jordan	
	LB	Lebanon	
	PS	Palestinian Territory, Occupied	
	SY	Syrian Arab Republic	
<b>C9</b>	<b>MERCOSUR (Countries of the South Cone Common Market) - 4 countries -</b>		
	AR	Argentina	1991
	BR	Brazil	1991
	PY	Paraguay	1991
	UY	Uruguay	1991
<b>D1</b>	<b>APEC (Asia-Pacific Economic Cooperation) - 21 countries -</b>		
	AU	Australia	1989
	BN	Brunei Darussalam	1989
	CA	Canada	1989
	CL	Chile	1995
	CN	China	1992
	HK	Hong Kong	1992
	ID	Indonesia	1989
	JP	Japan	1989
	KR	Korea, Republic of (South Korea)	1989
	MX	Mexico	1994
	MY	Malaysia	1989
	NZ	New Zealand	1989

PE	Peru	1999
PG	Papua New Guinea	1994
PH	Philippines	1989
RU	Russian Federation	1999
SG	Singapore	1989
TH	Thailand	1989
TW	Taiwan, Province of China	1992
US	United States	1989
VN	Viet Nam	1999
<b>D6</b>	<b>Candidate countries - 13 countries -</b>	
CY	Cyprus	1991 - 2003
CZ	Czech Republic	1996 - 2003
EE	Estonia	1996 - 2003
HU	Hungary	1994 - 2003
LT	Lithuania	1996 - 2003
LV	Latvia	1996 - 2003
MT	Malta	1991 - 2003
PL	Poland	1994 - 2003
SI	Slovenia	1996 - 2003
SK	Slovakia	1995 - 2003
BG	Bulgaria	1996
HR	Croatia	
RO	Romania	1995
TR	Turkey	1987
<b>D7</b>	<b>Mediterranean countries in the Euro-Mediterranean Partnership - 12 countries -</b>	
CY	Cyprus	2001-2003
DZ	Algeria	
EG	Egypt	
IL	Israel	
JO	Jordan	
LB	Lebanon	
MA	Morocco	
MT	Malta	2001-2003
PS	Palestinian Territory, Occupied	
SY	Syrian Arab Republic	
TN	Tunisia	
TR	Turkey	
<b>Z8</b>	<b>Extra EU not allocated</b>	
<b>Z9</b>	<b>Rest of the World (World - Country or Entity)</b>	

# **Annex 5: GLOSSARY**

## Glossary

### Balance of payments

The balance of payments is a statistical statement that systematically summarises, for a specific time period, the economic transactions of a country with the rest of the world. The two main categories of the balance of payments are: the current account (goods, services, income and current transfers) and the capital and financial account (capital transfers, direct investment, portfolio investment, other investment and reserve assets). Foreign direct investment (FDI) flows appear in the financial account of the balance of payments, FDI income flows in the current account.

### Foreign direct investment

Foreign direct investment (FDI) is cross-border investment made by a direct investor with the intent of obtaining a lasting interest in an enterprise resident in another country (direct investment enterprise). International investment is classed as FDI when an investor owns 10 % or more of ordinary shares or voting rights in an incorporated or unincorporated enterprise abroad respectively.

### Foreign direct investment flows

FDI flows are direct investment transactions from the reporting to the partner country (outward FDI) and from the partner to the reporting country (inward FDI). They include the net purchase by the investor of the investment company's equity capital, plus the direct investor's share in the company's reinvested earnings, plus other capital, which is the net increase in trade and other credit, including the net purchase of debt and other financial instruments.

### Foreign direct investment stocks

Also referred to as FDI positions, foreign direct investment stocks are a measure, at a specific point in time, of the value and composition of a country's FDI assets (outward stocks, or claims on the rest of the world) and of its FDI liabilities (inward stocks from the rest of the world).

### Foreign direct investment income

FDI income consists of income on FDI equity and of interest payable on inter-company debt. Income on equity consists of dividends due for payment in the period to the direct investor, gross of withholding taxes, plus the direct investor's share of the company's reinvested earnings. The calculation of income on equity requires information on the total profits from the current operations and the distributed dividends of the enterprise. This information is often available with a delay which leads to the necessity for estimating reinvested earnings from projections of total profits to provide income on equity data. Interest payable on inter-company debt is

interest accrued during the period by the enterprise to the direct investor and includes interest on the borrowing and the lending of funds including debt securities and supplier's credits.

### **Disinvestment**

Disinvestment is the withdrawal of direct investment capital. The most frequent cases are where inter-company debt (e.g. a loan) is paid back or where the direct investor sells participation (e.g. shares) it had invested in the direct investment enterprise.

### **Equity capital**

Equity capital includes equity in branches, ordinary shares (excluding non-participating preference shares) in subsidiaries and associates, and other capital contributions such as the provision of machinery.

### **Market and book value**

Market price is the price that willing buyers would pay to acquire a financial asset from a willing seller. The use of market price is one of the key principles of balance of payments compilation. FDI flows are recorded at market values and, in principle, all asset and liability stocks comprising a country's IIP should be measured at market prices (IMF, BPM5). However, because the evaluation of market prices for the different kinds of assets may be difficult, FDI being less readily marketable than portfolio investments for example, the book value (accounting value) of assets in company balance sheets (or an estimate of market value based thereon) may sometimes be used.

### **Mergers and acquisitions**

As opposed to greenfield investments, where investment is made in building up a new facility, mergers and acquisitions (M&As) involve a change of assets, representing an on-going concern, from domestic to foreign hands. The investor acquires part or all, or merges with an existing foreign direct investment firm. The latter may be privately or State owned as privatisations involving foreign investors count as cross-border M&As and entail a change in the control of the merged or acquired firm. In the case of a cross-border merger, the assets and operations of two firms belonging to two different countries are combined to establish a new legal entity.

M&As have made up a growing proportion of FDI flows but the two must not be confused: FDI statistics include greenfield investments and also include loans (so called 'other capital') and reinvested earnings.



## **Other capital**

Other capital covers inter-company debt between direct investors and direct investment enterprises. It includes short-term loans such as trade credits.

## **Partner economy**

The partner economy is the country or economic zone with which the reporting economy is engaged in a foreign direct investment relationship.

## **Reinvested earnings**

These consist of the direct investor's share, in proportion to equity held, of the undistributed earnings of the direct investment enterprise. Reinvested earnings are conceived of as providing additional capital to the direct investment enterprise and they appear both as an item of the income account and, as they contribute to FDI flows, as an item of the financial account.

## **Reporting economy**

The reporting economy is the country or economic zone whose data are reported.

## **Sign convention**

The balance of payments sign convention records outward direct investment with a minus sign and inward direct investment with a plus sign.

Outward disinvestments should consequently be entered with (+) and inward disinvestment with (-). Following requests from readers, both for inward and outward flows, investment is presented in the statistical tables of this publication with a positive sign and disinvestment with a negative sign.

## **List of abbreviations**

EUR bn is used to denote billions of Euros.

EUR mn is used to denote millions of Euros.