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2005 EDITION

European Union foreign direct investment yearbook 2005

Data 1998-2003



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Eurostat is the Statistical Office of the European Communities. Its task is to gather and analyse figures from the different European statistical offices in order to provide comparable and harmonised data for the European Union to use in the definition, implementation and analysis of Community policies. Its statistical products and services are also of great value to Europe's business community, professional organisations, academics, librarians, NGOs, the media and citizens.

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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 affiliates 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 from 1999-2003 (Data for 1998-2002 refer to the activity breakdown). Outward flows from the European Union towards extra-EU partners fell from EUR 320 bn in 1999 to EUR 126 bn in 2003. During the same period, foreign investments into the EU markets dropped by 8% from EUR 123 bn in 1999 to EUR 113 bn in 2003. The data of this publication were extracted in June 2005.

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 2005*, 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:

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Banco de Portugal
Banka Slovenije
Národná Banka Slovenska
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Sveriges Riksbank
Office for National Statistics (UK)

European Union direct investment pocketbook 2005

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 and the OECD. The data processing, statistical analyses, writing of the publication and desktop publishing were carried out by the following team under the coordination of Paolo Passerini:

Kounadis Vasileios
Margherita Antonia
Petridou Konstantia

For detailed statistical tables, please see the website:

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Executive summary

The EU had one third of world FDI flows in 2003

The US was the main destination in 2003 with 43% of total extra-EU FDI outflows

- Non-OECD countries were the destination of 45% of total extra-EU flows in 2003
- 42% of FDI income came from the US in 2003

EU FDI inward flows from extra-EU fell by 19% in 2003

- Strong growth in EU FDI inflows from Switzerland and Canada in 2003
- The UK with 25% of the total EU inward stocks in 2002 was the main destination of FDI
- Income from inward EU FDI reached EUR 65 bn in 2003

EU FDI outward flows to emerging markets fell by 11.6% in 2003

- In 2003 Mexico was the main destination of EU FDI in Latin America
- At end-2002 China (including Hong Kong) hosted one half of EU FDI stocks in Far East Asia
- EU FDI flows to Mediterranean partner countries amounted to EUR 3.6 bn in 2003
- EU flows to Central Eastern European countries and Russia tripled in 2003

EU15 net investment abroad was more intense in manufacturing and other sectors

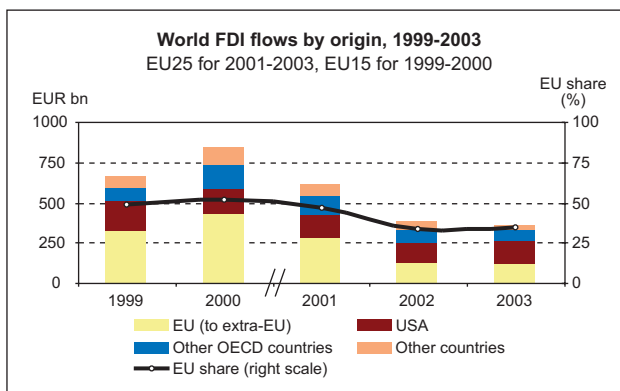
- Services attracted extra-EU FDI outflows of EUR 97 bn and extra-EU FDI inflows of EUR 108 bn in 2002
- EU15 flows to extra-EU15 countries were centred on financial intermediation in 2002
- Outward FDI flows: Intense investment was recorded in R&D. Decline in mining and quarrying
- Inward FDI flows: Intense investment was placed in air transport. Decline was recorded in electricity, gas and water

Overview

In 2003 world FDI flows decreased again

2003 was the third consecutive year of decreased world FDI flows. Nevertheless, the contraction was small in comparison with previous years (2001 and 2002). World FDI flows –excluding intra-EU FDI flows– totalled EUR 367 bn (EUR 386 bn in 2002, -5%). At EUR 126 bn EU FDI outflows were stable in 2003 with respect to 2002 (EUR 128 bn). EU inflows fell by 19%, from EUR 140 bn to EUR 113 bn¹.

Chart 0.1



Source: Eurostat, UNCTAD.

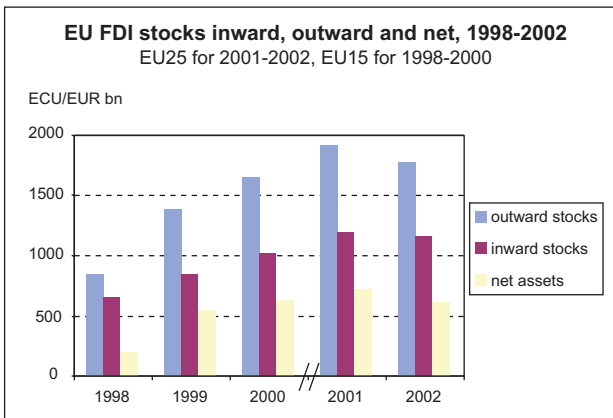
The EU made one third of world FDI in 2003

The geographical distribution of world FDI flows by investor country remained highly concentrated (91%) in favour of developed countries. The share of the EU in world outflows was higher than in 2002, but low in comparison with previous years (1999-2001). The percentage of EU outflows in the world was 34% in 2003, while for the period 1999-2001 it ranged between 47% and 51%. 2003 was the only year since 1999 in which US FDI outflows exceeded EU FDI outflows (EUR 134 bn against EUR 126 bn).

¹ Data in this yearbook consider the EU25 from 2001 onwards and EU15 before 2001. The effect of the enlargement on time comparability of data series varies according to the partner countries considered. For years 2001, 2002 and 2003, EU25 FDI outflows to extra-EU25 were lower than EU15 FDI outflows to extra-EU15 (-5.9%, -4.3% and -3.5% respectively). See Chapter 1 and 2 for more detail on enlargement. Data for world flows were calculated using Eurostat data for the EU and UNCTAD data for other countries.

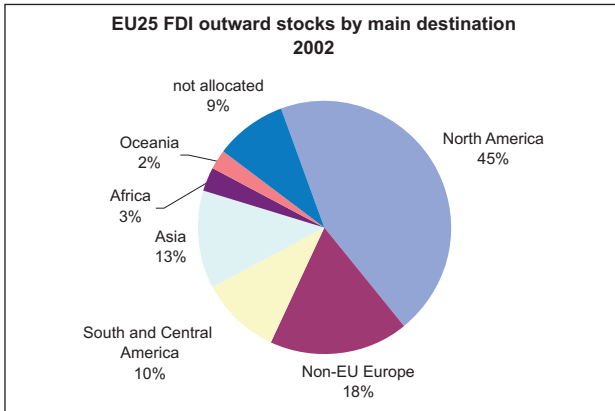
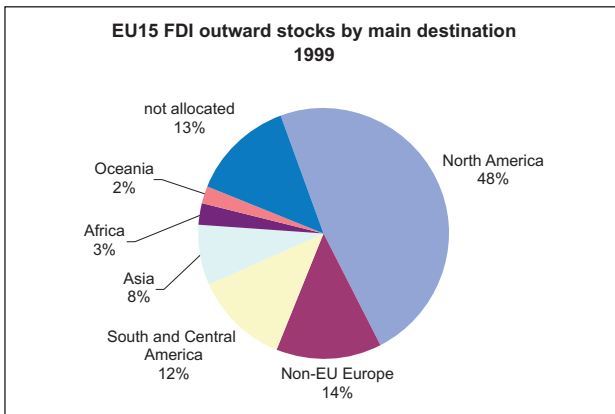
EU outward FDI stocks decreased as well, from EUR 1 907 bn at end-2001 to EUR 1 772 bn at end-2002. This decrease (-7% in spite of a positive flow of EUR 128 bn) was determined by changes in valuation linked to the currency exchange rate effect and to the stock exchange movements. In particular, 2002 was a year of appreciation of the Euro with respect to the main currencies (e.g. from end-2001 to end-2002 the Euro appreciated by 19% with respect to the US dollar) and also a year of decline in stock prices (e.g. at the end of 2002, compared to end-2001, the Dow Jones Industrial Average Index fell by 17%).

Chart 0.2



North America hosted 45% of the EU's outward stocks

The American continent was by far the favourite destination of EU FDI, even though there was a small decline in comparison with 1999. At the end of 2002 North, South and Central America hosted 55% of EU outward FDI stocks (EUR 973 bn), 73% of which were invested in the US. Asia and non-EU Europe increased their shares between 1999 and 2002 (5% and 4% more, respectively).

Chart 0.3**Chart 0.4**

Chapter 1 of this pocketbook contains detailed graphs and tables on EU investment abroad by geographical destination. Chapter 3 provides a focus on EU investment in emerging markets.

The share of the EU in the world inflows grew to 34% in 2003

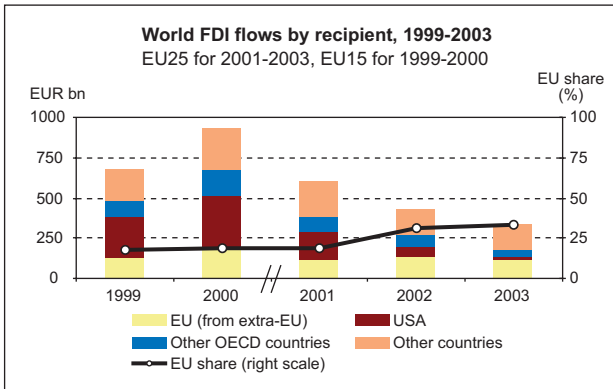
At EUR 336 bn world FDI inflows decreased by 23% in 2003 with respect to 2002 (EUR 438 bn)². EU FDI inflows³ decreased by 19%

² World FDI outflows presented in Chart 0.1 and world FDI inflows presented in Chart 0.5, are not equal due to asymmetry occurring from statistical error. In 2002 the asymmetry was higher compared to 2003 (13% against 9%).

³ For years 2001, 2002 and 2003, EU25 FDI inflows from extra-EU25 were higher than EU15 FDI inflows from extra-EU15 (1.5%, 1.2% and 2.3% respectively).

in relation to 2002 and with EUR 113 bn, the EU absorbed about one third of the world's FDI inflows. This share was higher compared to years 1999-2001, when the EU attracted less than one fifth of world's FDI inflows.

Chart 0.5

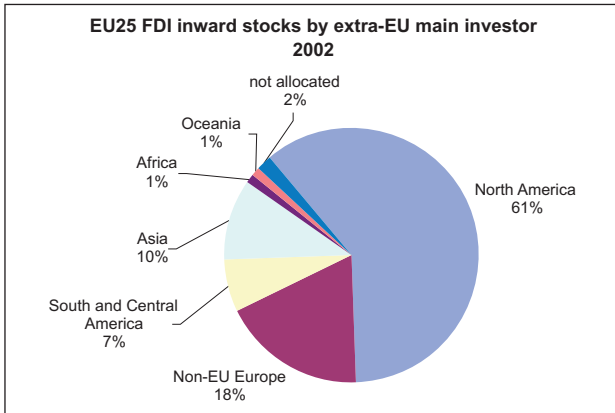
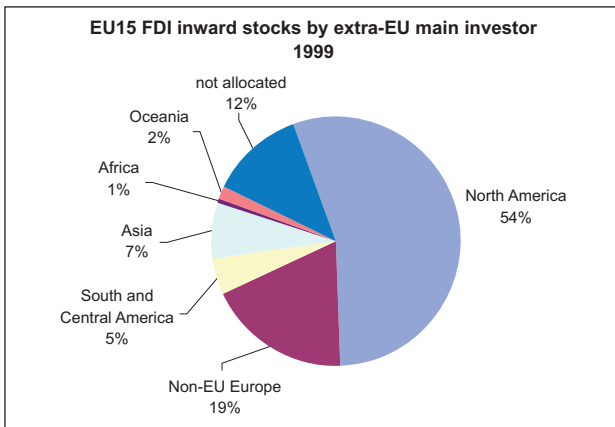


Source: Eurostat, UNCTAD.

The value of inward EU FDI stocks decreased slightly (-3%), from EUR 1 195 bn at end-2001 to EUR 1 155 bn at end-2002 (see *Chart 0.2*). However, end-2002 inward stocks were 79% higher than four years before (EUR 647 bn at end-1998).

North America owned over 60% of the EU FDI inward stocks

At the end of 2002, the United States had EUR 626 bn of FDI invested in the EU and maintained their position as the main foreign investor. They owned a little more than half of the EU FDI inward stocks and their percentage remained stable during the years. For more detailed information concerning inward FDI, see Chapter 2.

Chart 0.6**Chart 0.7**

Services kept receiving a growing share of EU FDI

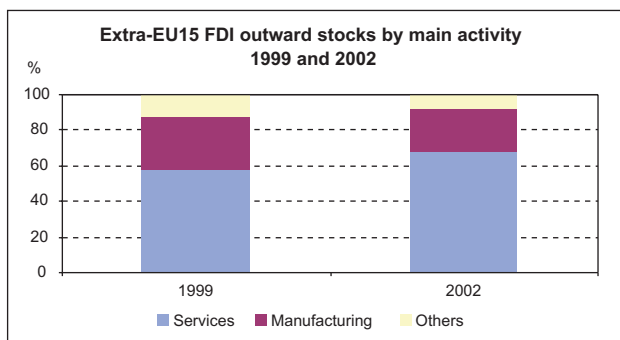
Extra-EU outward stocks were characterised by an increased dominance of services⁴ (from 58% at end-1999 to 68% at end-2002), accompanied by a decline in the share of manufacturing (from 29% at end-1999 to 24% at end-2002). The weight of other sectors⁵ in

⁴ Services consist of the following activities: *Trade, Hotels and restaurants, Transport, Telecommunications, Financial intermediation, Business services, Real estate services, Other services n.i.e.* Business services include *Business and management consulting, Advertising, Computer activities, R&D*.

⁵ Other sectors include *Agriculture and fishing, Mining and quarrying, Electricity, Gas and water, Construction, Not allocated*.

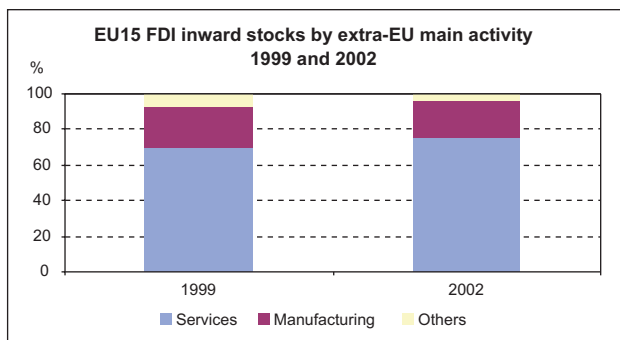
outward EU stocks for the same period decreased slightly. Detailed information on the breakdown by activity is given in Chapter 4, for FDI with main EU partners.

Chart 0.8



At EUR 851 bn, services represented at the end of 2002 75% of FDI inward stocks, increasing by 6% in comparison with 1999. The relative importance of services was even higher for inward than for outward FDI. For more detailed information, see Chapter 4.

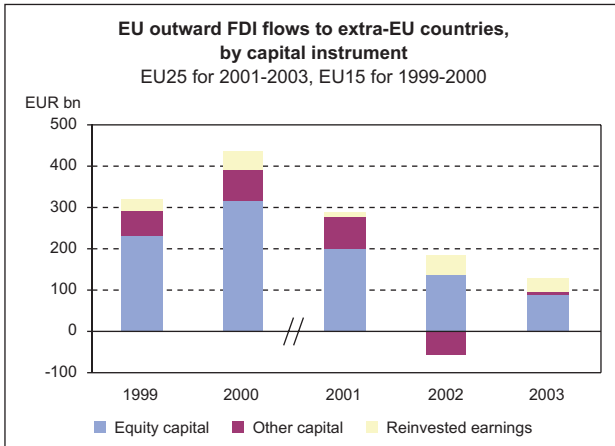
Chart 0.9



Acquisition of shares was the main capital instrument for FDI

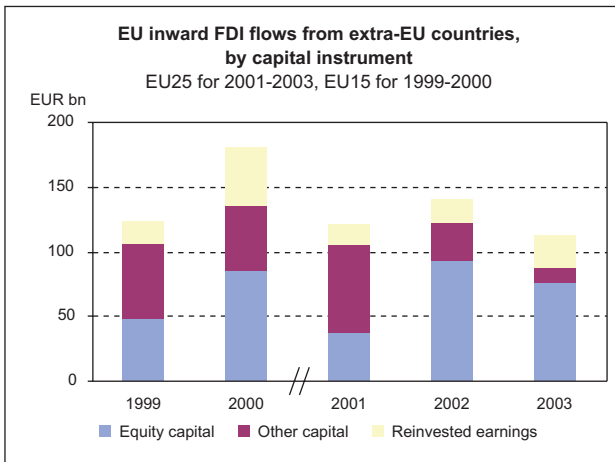
EU FDI data show that *equity capital* (acquisition of shares) was used for at least two thirds of outward FDI in the period considered⁶.

⁶ 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 relation. *Other capital* includes loans made by the investor to its already existing foreign affiliates (Or vice versa. A loan from the

Chart 0.10

For inward FDI *equity capital* represented less than half of the investment between 1999 and 2001, a share that grew to two thirds in year 2002 and in year 2003.

Data presented in Chapters 1, 2 and 3 include the three components of FDI flows. Data by kind of activity (presented in Chapter 4) are available only for *equity capital* and *other capital*.

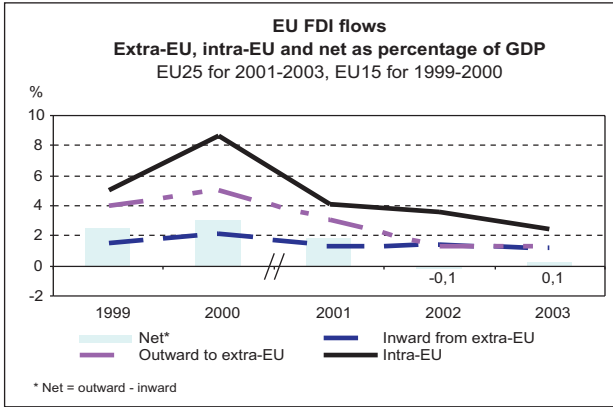
Chart 0.11

foreign affiliate to the mother company is recorded with negative sign). Finally, *reinvested earnings* are profits made by the foreign affiliates and not distributed back to the investor.

The EU was a net investor in 2003, after a year of negative net outflows

In 2003, the difference between outward and inward FDI flows became positive again reaching EUR 13 bn, after a year of negative net outflows (EUR -12 bn in 2002). However, in comparison with previous years net outflows remained at a very low level and represented only 0.1% of GDP.

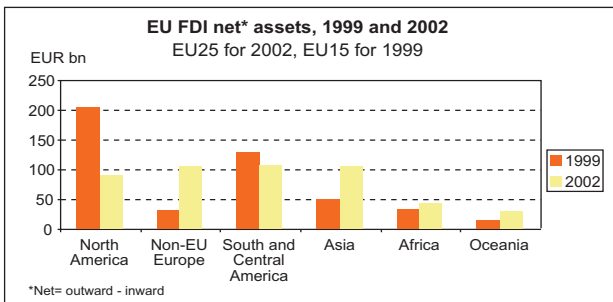
Chart 0.12



Strong decrease of EU FDI net assets in North America at the end of 2002

Total EU FDI net assets (outward stocks minus inward stocks) were EUR 616 bn at end-2002 compared to EUR 544 bn at end-1999 (see *Chart 0.2*). At the end of 2002, net assets with North America were 56% lower than in 1999 (see *Chart 0.13*). This decline was mostly due to the strong increase of EU FDI inward stocks by the US (from EUR 446 bn at end-1999 to EUR 626 bn at end-2002). On the other hand, net assets with Asia and non-EU European countries doubled and tripled respectively in the same period.

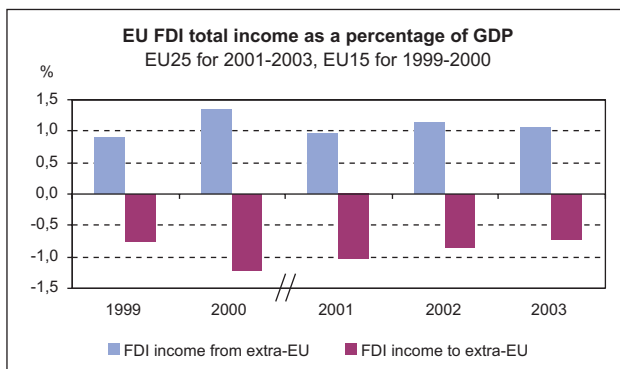
Chart 0.13



Income from FDI abroad slightly exceeded 1% of GDP in 2003

In 2003, the EU had positive net income from FDI of EUR 34 bn (total credits were EUR 104 bn; total debits were EUR 70 bn). FDI income from extra-EU countries as a percentage of GDP was quite stable during the period 1999-2003 and ranged from 0.9% to 1.3%. On the other hand, debit flows decreased over the years and the percentage of GDP of the FDI income paid to extra-EU countries degraded from 1.2% in 2000 to 0.7% in 2003. Detailed information on FDI income is presented in Chapters 1, 2 and 3.

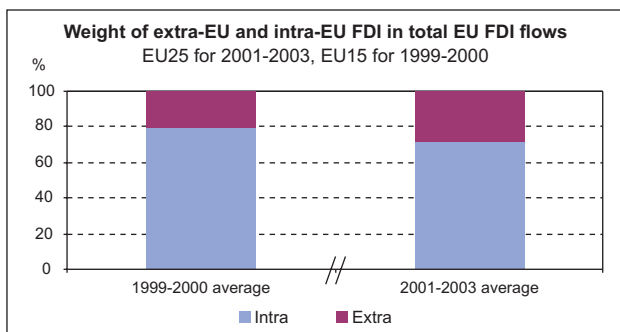
Chart 0.14



In 2003 intra-EU FDI went down by one third

Following a decrease of 20% between 2001 and 2002 (from EUR 425 bn to EUR 340 bn), intra-EU25 FDI transactions decreased even more from 2002 to 2003, (from EUR 340 bn to EUR 223 bn, -34%). Thus, the weight of intra-EU for the period 2001-2003 in comparison with the period 1999-2000 fell from 79% to 73%.

Chart 0.15



EU FDI capital flows 1999-2003 EUR mn
EU25 for 2001-2003, EU15 for 1999-2000

	1999	2000	2001	2002	2003
Total outflows to extra-EU	320,307	435,676	286,352	127,746	126,229
Equity capital	233,051	314,473	201,439	137,299	89,228
Other capital	57,348	77,500	73,540	-54,662	7,748
Reinvested earnings	29,908	43,703	11,373	45,109	29,253
Total inflows from extra-EU	122,764	180,101	120,058	139,793	113,222
Equity capital	47,731	84,135	37,419	92,911	75,902
Other capital	58,524	50,592	67,266	28,544	11,572
Reinvested earnings	16,509	45,374	15,373	18,338	25,748
Total intra-EU flows*	401,686	739,684	381,560	348,435	241,360
Equity capital	299,534	496,614	279,783	262,226	151,606
Other capital	68,608	197,413	78,029	74,840	66,257
Reinvested earnings	33,544	45,657	23,752	11,372	23,497

EU total FDI income 1999-2003 EUR mn
EU25 for 2001-2003, EU15 for 1999-2000

	1999	2000	2001	2002	2003
Extra-EU, credits	72,467	115,223	88,369	110,770	103,882
Extra-EU, debits	59,897	104,949	96,943	82,145	69,848
Extra-EU, net	12,570	10,274	-8,574	28,625	34,034
Intra-EU*	85,011	140,169	147,015	100,639	108,222

EU FDI stocks at the end of the year, 1998-2002 ECU/EUR mn
EU25 for 2001-2002, EU15 for 1998-2000

	1998	1999	2000	2001	2002
Total extra-EU outward stocks	844,230	1,387,653	1,642,892	1,906,658	1,771,738
Equity capital and reinvested earnings	668,780	1,145,536	1,364,886	1,604,320	1,560,601
Other capital	175,450	242,117	278,006	302,338	211,137
Total extra-EU inward stocks	646,810	843,296	1,010,442	1,194,920	1,155,283
Equity capital and reinvested earnings	468,975	605,355	716,455	813,341	809,845
Other capital	177,835	237,941	293,987	381,579	345,438
Total intra-EU stocks*	821,830	1,472,115	2,321,231	2,677,244	2,836,453
Equity capital and reinvested earnings	611,191	1,132,504	1,770,321	2,039,919	2,141,594
Other capital	210,639	339,611	550,910	637,325	694,859

(*) 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 M&As which take place between companies in unrelated activities 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 prevail 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 (sale of a local firm to foreigners) and when it adds 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 2005 edition

- Compared to the previous edition of the *European Union direct investment yearbook*, the 2005 edition adopts the pocketbook format. 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 1998-2002. The EU FDI flows are exhibited from 1999 to 2003 broken down by geographical zones and from 1998-2002 broken down by activity sectors. They also contain statistical tables of FDI income for the period 1999-2003, broken down by geographical zones. The full set of FDI figures is available in Eurostat's online services:
http://epp.eurostat.cec.eu.int/portal/page?_pageid=1072,41673954&_dad=portal&_schema=PORTAL
- The annexes also contain a glossary of terms and basic information on nomenclatures.



Chapter 1: EU DIRECT INVESTMENT ABROAD

From 2001 to 2003 EU FDI outflows contracted sharply after the peak recorded in 2000 (EUR 436 bn). At EUR 126 bn, outflows in 2003 were only 1% lower than in 2002, but more than 71% lower than in 2000.

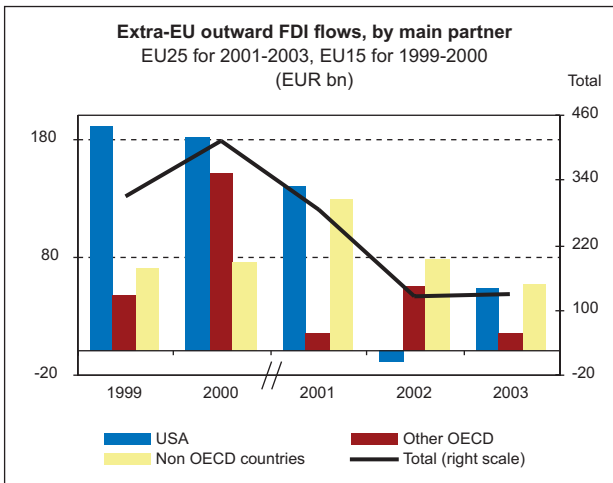
1.1. FDI IN EXTRA-EU COUNTRIES: TREND AND MAIN DESTINATIONS

EU FDI flows: fall after 2000 led by the USA

Investment to the USA strongly contributed to the downturn in FDI, especially in 2002 when it touched a minimum with disinvestment of EUR -9 bn. More information on FDI in the USA by kind of activity in 2002 is contained in chapter 4.

FDI flows to non-OECD countries as a whole were less volatile and recorded their highest level in 2001 (EUR 128 bn).

Chart 1.1



The USA was the main destination in 2003

Rest of America fell, while FDI to Russia and Africa rose

After the disinvestment of 2002, the USA was the most important destination in 2003, with 43% of total extra-EU FDI flows, and 40% of stocks at end-2002 (table 1.1).

FDI flows to Central America fell from EUR 52 bn in 2002 to EUR -2 bn in 2003. South America recorded very low EU investment in both years, compared to the high levels of 1999-2001 (see also chapter 3).

In 2003 a noticeable increase was recorded in EU FDI to Russia, which amounted to EUR 8 bn compared to EUR 1 bn in 2002. FDI to Africa also rose to EUR 8 bn (EUR 3 bn in 2002) and attained the highest share recorded in the period (6% of the total).

Table 1.1. Geographical distribution of EU FDI assets and most recent outward flows, (EUR bn and %)
EU25 for 2001-2003, EU15 for 1999-2000

Stocks at end	1999	2000	2001	2002			
Flows				2002		2003	
Extra-EU	1,388	1,643	1,907	128	1,772	126	
EFTA, of which:	101	135	226	29	255	14%	10
Switzerland	81	106	193	28	222	13%	11
Other Europe, of which:	86	133	73	7	62	4%	42
Russia	4	6	10	1	9	1%	8
Candidate Countries*	8	10	13	3	13	1%	2
Africa	39	46	55	3	54	3%	8
Northern America, of which:	668	771	967	-8	790	45%	56
United States	637	697	874	-9	714	40%	54
Canada	32	74	92	1	84	5%	3
Central America	43	67	95	52	92	5%	-2
South America	125	155	154	3	91	5%	1
Asia, of which:	110	130	226	30	222	13%	13
Near and Middle East	7	12	14	2	13	1%	1
Other Asia, of which:	104	119	213	28	209	12%	12
Japan	24	28	44	10	50	3%	1
China (incl. Hong-Kong)	26	28	85	6	76	4%	5
Oceania	29	34	45	7	43	2%	-2
Not allocated	186	173	66	4	162	9%	0
OECD (non EU)	888	1,062	1,326	46	1,189	67%	70
Non OECD countries	314	408	514	77	420	24%	57

* Bulgaria, Romania and Turkey.

Other OECD countries⁷: Switzerland most important partner in 2002

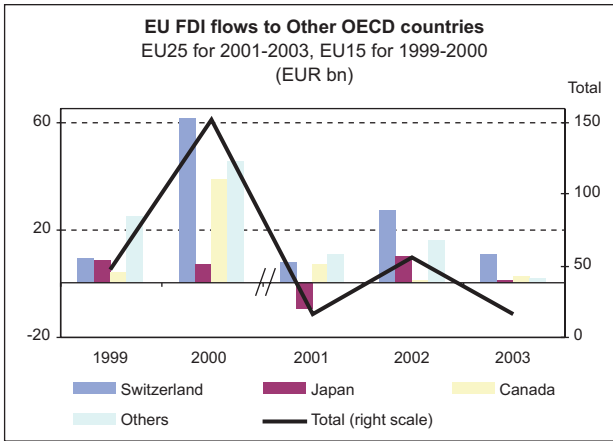
At EUR 28 bn Switzerland was, in terms of flows, the most important country of destination for EU FDI in 2002. Although it lost 61%

⁷ The group of "other OECD countries" comprises OECD countries excluding EU Member States and the USA. The group changed in composition during the period covered because of the EU enlargement. For the years 1999 and 2000 (referring to EU15), it includes thirteen countries (Australia, Canada, Czech Republic, Hungary, Iceland, Japan, Mexico, New Zealand, Norway, Poland, South Korea, Switzerland, and Turkey). For the years 2001-2003 (referring to EU25), it includes ten countries only, as Czech Republic, Hungary and Poland are included in EU25. These three countries received FDI flows from the EU15 for EUR 16 bn in 2001, 2 bn in 2002 and 3 bn in 2003 (see table 1.4). The Slovak Republic became member of the OECD in 2001 and therefore is never included in the group.

in 2003, it was the second most important country destination after the USA.

2003 was a year of decreased FDI also for Japan and for the rest of other OECD countries as a whole. Data for this last group, however, do not include Czech Republic, Hungary and Poland after 2000 (see footnote 7). Canada saw instead an increase in EU FDI in 2003, although investment was the second lowest of the period, after that of 2002.

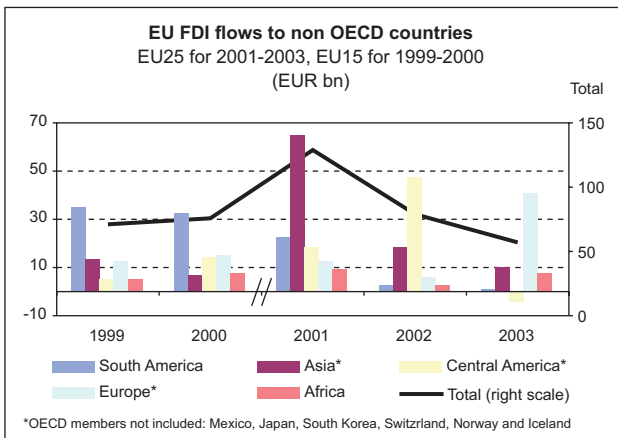
Chart 1.2



Non-OECD countries: 45% of flows in 2003, European countries took the lion's share

In 2003 non-OECD countries as a whole were the destination of EUR 57 bn, 45% of EU outward FDI flows. With EUR 41 bn, European non-OECD countries received the three quarters of this investment. The remaining part was split between Asia (EUR 10 bn, excluding Japan and South Korea) and Africa (EUR 8 bn). In Europe, major destinations were Russia (EUR 8 bn) and the group of European Financial centres (EUR 29 bn, see table 1.2).

Chart 1.3 highlights the decline of EU FDI to South America, from EUR 35 bn in 1999 to EUR 1 bn in 2003. Investment to Central America (excluding Mexico) shows the opposite pattern until 2002, rising from EUR 5 bn in 1999 to EUR 47 bn in 2002, but recording a disinvestment of EUR -4 bn in 2003. FDI to Central America (excluding Mexico) is mostly made up by investment in small countries acting as financial centres. More detail on financial centres is given below, while chapter 3 provides detail on EU FDI in the rest of non-OECD countries.

Chart 1.3

Non-OECD area: the role played by Offshore Financial Centres

At end-2002, EU outward FDI stocks invested in Offshore Financial Centres (OFC)⁸ were EUR 202 bn, 48% of EU investment in non-OECD countries. In 2003, flows were EUR 30 bn, with a share reaching 53% on total non-OECD.

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

In terms of stocks, Asian OFC were the main destination for EU FDI, followed by those located in Central America. In particular, Hong Kong hosted more than half of the stocks in Asian OFC. 2003 confirmed the rising importance of European OFC, which contributed to 52% of flows invested by the EU in non-OECD countries.

⁸ 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 America 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://app.eurostat.cec.eu.int>).

Table 1.2. EU outward FDI to Financial centers

(EUR bn)

	FDI stocks end-2002		FDI flows 2003	
	Value	(%)	Value	(%)
Non-OECD countries	420,3	100%	56,5	100%
Financial centers	202,1	48%	30,1	53%
<i>of which:</i>				
European	36,9	9%	29,1	52%
Central American	66,6	16%	-4,3	-8%
Asian	92,5	22%	6,0	11%
<i>of which:</i>				
Singapore	33,1	8%	4,5	8%
Hong-Kong	56,6	13%	1,7	3%
Other Non-OECD countries	218,2	52%	26,4	47%

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 flows in 2003: the United Kingdom, Germany, France and the Netherlands. These four Member States made up 59% of extra-EU outward stocks and 79% of stocks in the USA.

The United Kingdom made up nearly a fifth of the extra-EU FDI assets at the end of 2002. With EUR 182 bn worth of investment, the United Kingdom held 25% of the EU FDI assets in the USA. Furthermore, 44% of EU FDI stocks in Oceania belonged to UK firms. Germany was the second main investor with 14% of EU FDI stocks. France contributed to 13% of extra-EU FDI stocks and made more than one fourth of the EU FDI stocks in Canada. The 60% contribution to EU FDI stocks in South America by the other EU Member States was largely made up by Spain, which during the period covered was one of the major investor countries in this region.

Table 1.3. Geographical distribution of EU 25 FDI assets, four main contributors

(At end-2002, EUR bn)

Stock at end-2002	EU 25	UK	DE	FR	NL	Other EU
Extra-EU	1,772	371	248	239	179	735
EFTA, of which:	255	35	c	23	29	c
Switzerland	222	28	16	21	27	130
Other Europe, of which:	62	26	c	3	5	c
Russia	9	0	2	1	2	4
Candidate Countries*	13	2	2	2	c	c
Africa	54	17	4	9	6	19
Northern America, of which:	790	194	162	160	91	183
USA	714	182	157	138	84	153
Canada	84	12	5	22	7	38
Central America	92	28	10	5	8	42
South America	91	8	8	11	8	55
Asia, of which:	222	43	35	25	24	94
Near and middle east	13	2	1	3	3	4
Other Asia, of which:	209	41	35	22	21	90
Japan	50	3	8	10	1	28
China (incl. Hong-Kong)	76	14	10	4	3	45
Oceania	43	19	4	3	7	10
Not allocated	162	0	:	0	1	:
OECD (non EU)	1,189	256	202	200	135	396
Non OECD countries	420	115	46	39	43	178

* Bulgaria, Romania and Turkey

: Missing values

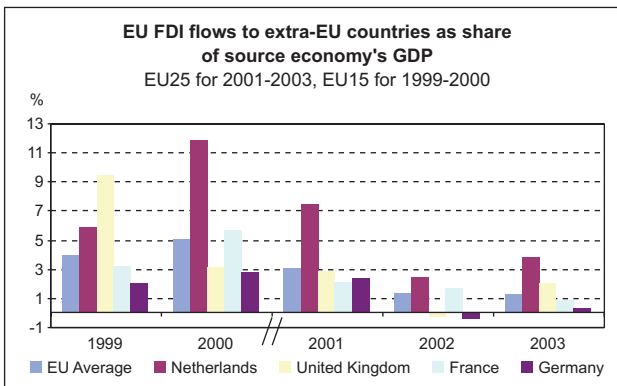
c: Confidential

Extra-EU FDI outflows in terms of GDP

From 4.0% in 1999, the ratio of extra-EU FDI to EU GDP reached 5.1% in 2000, while in 2002 and in 2003 this percentage fell to 1.3%.

At the Member State level, the ratio shows that outward FDI was more important in the Netherlands, in comparison to the size of the economy, than in the top three Member States shown in table 1.3. The Netherlands saw a maximum FDI to GDP ratio of 11.8% in 2000, and a minimum of 2.5% in 2002. The United Kingdom's FDI to GDP ratio was particularly high in 1999 when it reached 9.5%, before decreasing to around 3% in the two following years. In 2002, the United Kingdom recorded disinvestment in extra-EU countries (negative outward flows). France's FDI to GDP ratio fell from 5.8% in 2000 to less than 0.9% in 2003. Germany had a ratio stably above 2% from 1999 to 2001. In 2002, however, also German FDI outflows to extra-EU recorded a negative value and in 2003 they were at 0.3% of GDP.

Chart 1.4

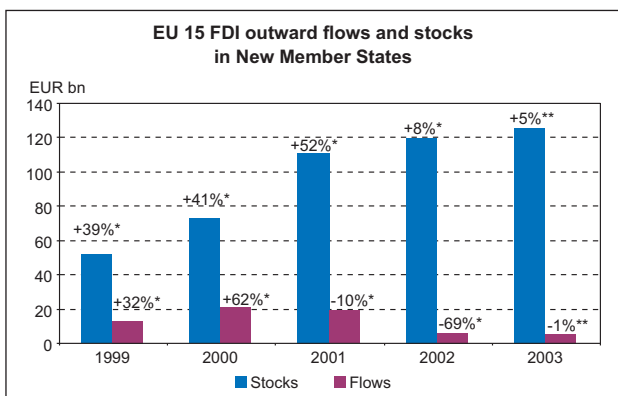


1.2. FOCUS ON EU ENLARGEMENT

EU-15 FDI outflows to new Member States slowed down since 2001

2003 saw a slight reduction in EU outflows to the 10 new Member States (EUR 5.9 bn, -1% compared to 2002)⁹. This result followed two years of stronger decrease, particularly in 2002. In 2003, EU15 FDI outflows were lower than in 2002 for six new Member States, and grew only in the case of Hungary, Malta (in both cases after a disinvestment in 2002), Lithuania, and Slovenia.

Chart 1.5



* Annual growth rate

** Estimated stock value

In 2003 Hungary was the main destination of EU-15 FDI among the 10 new Member States

At EUR 4 bn, Hungary was the most important destination of EU-15 FDI in 2003, followed by Poland (EUR 2 bn). Slovenia came third, with EUR 1 bn, and contrary to the group of the ten Member States shows an overall increase during the period 2001-2003. The same holds for Slovakia in the period 1999-2002, but in 2003 EU investment did not remain at the very high levels of 2002 (EUR 4 bn).

⁹ In this part we consider FDI outflows recorded by the EU15 Member States to the new 10 Member States. From the point of view of EU25 balance of payments, this FDI is classified as intra-EU. Moving from EU15 to EU25 balance of payments, the reclassification causes a reduction in extra-EU FDI (of the size mentioned in footnote 1 of the overview), as the addition of FDI from the 10 new Member States to the extra-EU countries does not compensate the subtraction of EU15 FDI to the 10 new Member States.

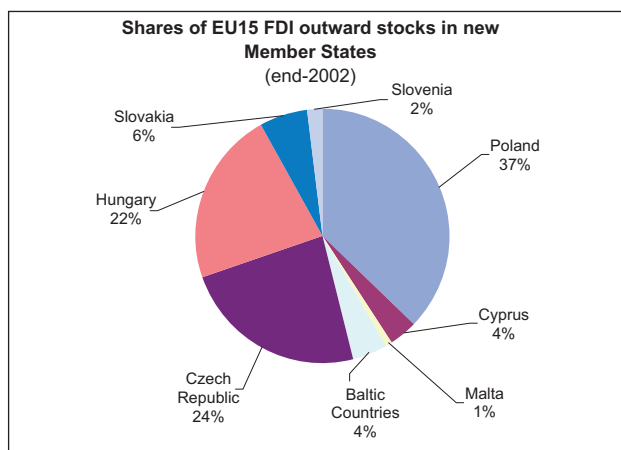
Table 1.4. EU-15 FDI outflows to New Member States, 1999-2003

(EUR mn)

	1999	2000	2001	2002	2003
Extra-EU-15	320,307	435,676	304,466	133,453	130,767
New Member States	13,034	20,754	18,969	5,940	5,854
Share of Extra-EU-15	4%	5%	6%	4%	4%
Poland	7,662	10,568	6,753	2,485	1,988
Cyprus	:	:	170	504	-462
Malta	:	:	-38	-2,218	432
Baltic Countries	685	925	833	733	438
<i>Estonia</i>	331	276	339	404	203
<i>Lithuania</i>	241	211	221	280	335
<i>Latvia</i>	115	435	274	47	-102
Czech Rep.	3,485	2,897	4,732	-199	-2,541
Slovakia	347	1,366	1,489	4,311	876
Hungary	608	4,875	4,451	-751	4,018
Slovenia	481	126	578	1,074	1,104

: Missing values

In terms of stocks, at end-2002, the EU15 held EUR 120 bn in the 10 new Member States (6% of total extra-EU15 FDI stocks). 83% of these stocks were invested respectively in Poland (37%), Czech republic (24%) and Hungary (22%).

Chart 1.6**Germany was the main investor in the new Member States**

At the end of 2002, Germany was by far the main holder of FDI stocks in the new Member States (23%), followed by France (11%), Austria (10%) and Netherlands (9%).

France was the main EU investor in Poland, with EUR 8 bn of stocks that represented more than 60% of French stocks in the new Member States.

Table 1.5. EU 15 FDI assets in New Member States at the end of 2002

(EUR mn)

	EU 15	DE	FR	IT	NL	AT	UK	Other MS*
New Member States	119,875	27,705	13,389	2,925	10,562	11,952	8,224	45,118
Poland	44,532	7,743	8,206	1,920	4,627	1,394	3,786	16,856
Cyprus	4,509	235	68	19	c	48	c	3,887
Malta	874	197	10	127	c	515	c	44
Baltic Countries	5,349	499	72	28	66	17	45	4,622
Czech Republic	28,244	7,211	1,581	137	3,205	4,190	1,651	10,269
Hungary	26,581	9,017	1,620	465	1,898	3,429	2,160	7,992
Slovakia	7,523	2,442	1,492	142	c	1,382	c	1,116
Slovenia	2,260	360	339	87	c	977	c	330

* '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 neighbour countries

Another point of view on EU enlargement consists in comparing the shares of EU15 and new Member States in relation to total FDI in extra-EU25. Table 1.6, which gives this comparison on FDI stocks, shows that the share of new Member States on EU25 stocks in extra-EU25 as a whole was very low, at 0.2%. However, more than 14% of EU25 stocks held in Ukraine, Belarus and Croatia were owned by the 10 new Member States. In general, for neighbouring countries, the new Member States had higher than average shares.

Table 1.6. New Member States FDI outward stocks as % of EU25 FDI stocks in extra-EU25 countries (end-2002)

Extra-EU 25	0.2
Ukraine	18.2
Belarus	15.0
Croatia	14.8
Romania	5.3
Serbia & Montenegro	2.8
Bulgaria	1.7
Russia	1.6
Israel	1.5
Turkey	1.3

1.3. FDI INCOME FROM EXTRA-EU COUNTRIES

A moderate fall in 2003

Income flows from EU FDI abroad grew from EUR 73 bn in 1999 to EUR 104 bn in 2003. FDI income was at its maximum in 2000 (EUR 115 bn), to fall to EUR 88 bn (-23%) the year after. Differently than for FDI flows, however, income recovered by 26% in 2002 (EUR 111 bn) and remained above EUR 100 bn in 2003, though it lost 6% on the year before.

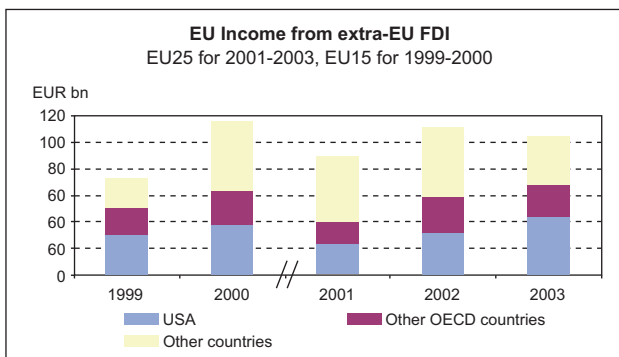
Table 1.7. Geographical distribution of EU income from outward FDI EU25 for 2001-2003, EU15 for 1999-2000

Income Shares	(EUR bn and %)						
	1999	2000	2001	2002	2002	2003	2003
Extra-EU	72,5	115,2	88,4	110,8	100%	103,9	100%
EFTA, of which:	9,5	10,6	8,8	14,6	13%	12,6	12%
Switzerland	8,1	7,9	5,9	11,8	11%	10,7	10%
Other Europe, of which:	5,3	8,7	4,4	4,7	4%	6,1	6%
Russia	0,0	0,5	1,4	1,5	1%	1,5	1%
Candidate countries*	0,6	1,0	0,6	0,5	0%	1,1	1%
Africa	2,5	5,0	6,0	7,4	7%	6,3	6%
Northern America, of which:	32,3	40,9	25,5	34,5	31%	46,2	44%
United States	29,9	37,5	23,2	31,6	29%	43,5	42%
Canada	2,5	3,3	2,3	2,9	3%	2,7	3%
Central America	2,8	5,9	4,8	8,0	7%	7,4	7%
South America	2,1	5,0	3,9	3,1	3%	3,1	3%
Asia, of which:	9,7	16,1	12,8	21,2	19%	15,4	15%
Near and Middle East	1,5	2,7	1,8	2,5	2%	1,9	2%
Other Asia, of which:	8,2	13,4	11,0	18,7	17%	13,6	13%
Japan	1,3	0,9	0,5	1,5	1%	1,2	1%
China (incl. Hong-Kong)	1,7	2,2	3,3	5,9	5%	4,7	5%
Oceania	2,4	3,4	2,9	4,7	4%	4,5	4%
Not allocated	5,7	19,6	19,2	12,6	11%	2,2	2%
OECD (non EU)	49,9	62,5	39,5	58,5	53%	67,8	65%
Non OECD countries	16,9	33,1	29,6	39,6	36%	34,0	33%

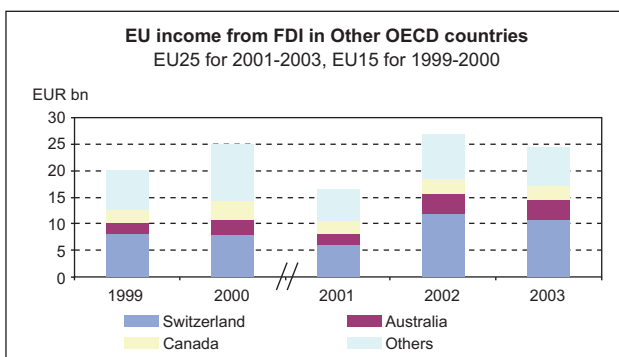
* Bulgaria, Romania and Turkey

42% of FDI income came from the USA in 2003

In 2003 the USA was the origin of EUR 44 bn of FDI income, the highest level recorded in the period, equal to 42% of total extra-EU.

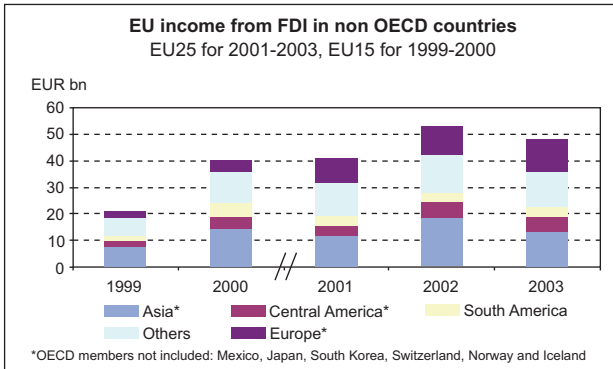
Chart 1.7

Amongst the other OECD countries¹⁰, Switzerland was the largest source of FDI income to the EU during the entire period. The income flows it provided averaged EUR 8.9 bn over the five-year period. Secondly Australia represented a stable source of FDI income, with flows averaging EUR 2.9 bn. Thirdly income from Canada averaged EUR 2.7 bn during the 1999–2003 period.

Chart 1.8

Looking at non-OECD countries, Chart 1.9 shows the main geographical areas from which FDI income originated and table 1.8 provides a focus on the contribution of financial centres.

¹⁰ See footnote 7 of this chapter.

Chart 1.9**Table 1.8. EU FDI income from Financial centers**

(EUR bn)

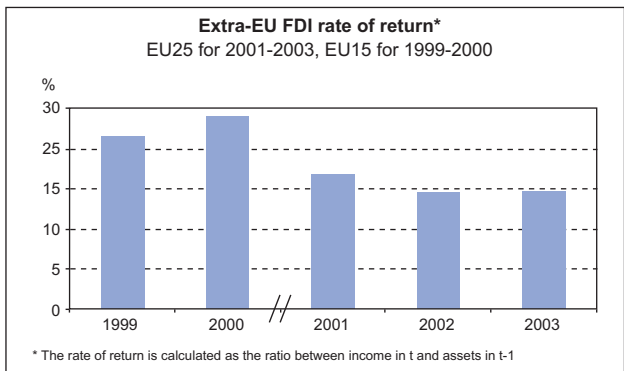
	2002		2003	
	Value	(%)	Value	(%)
Non-OECD countries	39,6	100%	34,0	100%
Financial centers	17,2	43%	14,4	42%
<i>of which:</i>				
European	-3,6	-9%	-3,2	-9%
Central American	6,0	15%	5,6	17%
Asian	8,4	21%	5,4	16%
<i>of which:</i>				
Singapore	3,9	10%	2,4	7%
Hong-Kong	4,3	11%	2,8	8%
Other Non-OECD countries	22,5	57%	19,6	58%

Stocks, income and yield: EU FDI abroad yielded 5.9% in 2003

The ratio¹¹ of income in a given period to stocks at the beginning of that period appears as an indicator of FDI profitability in Chart 1.10. Over the 1999–2003 period, extra-EU outward FDI yielded a yearly average of 6.9%, with the rate of return on extra-EU FDI contracting from 8.6% in 1999 to 5.9% in 2003.

¹¹ Rate of return in t = (Income paid in t) / (Stocks at the end of the period t-1).

Chart 1.10





Chapter 2: Direct investment in the EU

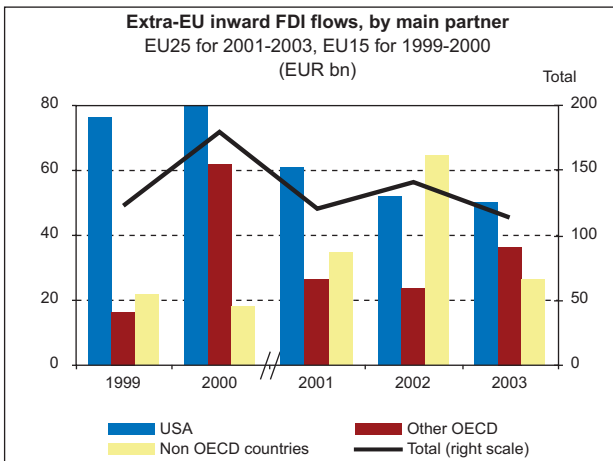
EU inward FDI flows from extra-EU countries show a moderately decreasing trend, going from EUR 123 bn in 1999 to EUR 113 bn in 2003, the lowest level of the period. The rate of growth fluctuated from positive to negative values in each of the years considered. FDI inflows were at their highest level in 2000, when they reached EUR 180 bn.

2.1. TREND AND MAIN INVESTORS

Inward flows fell by 19% in 2003

In 2003, EU FDI inflows decreased from EUR 140 bn to EUR 113 bn, losing 19% in one year. This resulted from a fall by 59% of FDI flows from non-OECD countries (from EUR 64 bn to EUR 26 bn), which was not compensated by the increased investment from the OECD area.

Chart 2.1



The USA made 44% of investment in 2003

Inflows from OECD countries rose by 13%, from EUR 76 bn to EUR 86 bn, although FDI from the USA decreased slightly (-4%). With 44% of share, the USA remained the main investor in 2003, although its share of flows was 10% lower than its share of stocks (see table 2.1).

Table 2.1. Geographical distribution of EU FDI liabilities and most recent inward flows

EU25 for 2001-2003, EU15 for 1999-2000

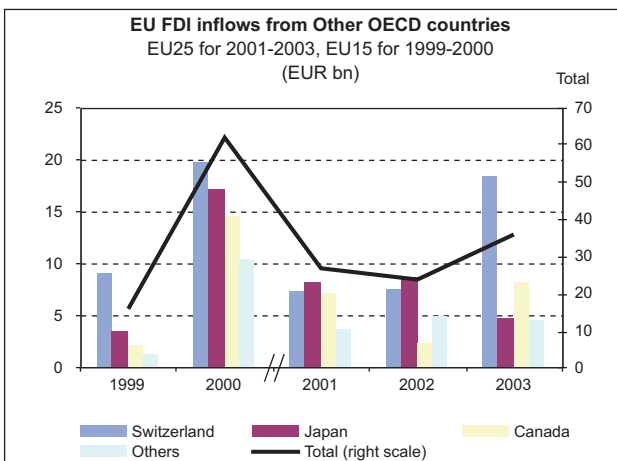
(EUR bn and %)

Stocks at end	1999	2000	2001	2002		2003	
Flows				2002		2003	
Extra-EU	843	1,010	1,195	140	1,155	113	
OECD (non EU), of which:	652	766	953	76	959	83%	86
USA	446	512	650	52	626	54%	50
Switzerland	115	125	132	8	150	13%	19
Japan	40	46	53	9	60	5%	5
Canada	19	41	70	2	71	6%	8
Norway	16	18	20	5	29	3%	2
Australia	10	17	20	0	15	1%	1
Other OECD countries	6	6	8	0	9	1%	2
Non OECD countries	88	129	175	64	175	15%	26
Not allocated	103	116	67	0	22	2%	1

Other OECD countries¹²: strong growth in FDI flows from Switzerland and Canada in 2003

After the USA, Switzerland remained the second most important partner at end-2002 holding 13% of EU inward FDI stocks and 16% of the flows in 2003 (EUR 19 bn, from EUR 8 bn in 2002). At EUR 8 bn, Canada was the third main investor country in 2003, followed by Japan.

¹² The group of "other OECD countries" comprises OECD countries excluding EU Member States and the USA. The group changed in composition during the period covered because of the EU enlargement. For the years 1999 and 2000 (referring to EU15), it includes thirteen countries (Australia, Canada, Czech Republic, Hungary, Iceland, Japan, Mexico, New Zealand, Norway, Poland, South Korea, Switzerland, and Turkey). For the years 2001-2003 (referring to EU25), it includes ten countries only, as Czech Republic, Hungary and Poland are included in EU25. Czech Republic, Hungary and Poland are included in "others" in chart 2.2 only for 1999 and 2000. The highest investment made in the EU by these three countries together in the period 1999-2003 was in 2001, at EUR 1.5 bn.

Chart 2.2

Non-OECD area: the role played by Offshore Financial Centres

In 2003, the total amount invested in the Union by non-OECD countries was EUR 26 bn, i.e. 23% of total extra-EU inflows. At the end of 2002, FDI stocks from non-OECD countries accounted for 15% of total inward stocks (see table 2.1).

Table 2.2. EU inward FDI from Financial centers

(EUR bn)

	FDI Stocks, at end-2002		FDI Flows 2003	
	Value	(%)	Value	(%)
Non-OECD countries	175,2	100%	26,5	100%
Financial centers	137,5	78%	23,8	90%
<i>of which:</i>				
European	31,1	18%	23,6	89%
Central American	60,3	34%	-0,4	-2%
Asian	32,0	18%	0,7	3%
<i>of which:</i>				
Singapore	15,1	9%	0,0	0%
Hong-Kong	14,8	8%	1,0	4%
Other Non-OECD countries	37,7	22%	2,6	10%

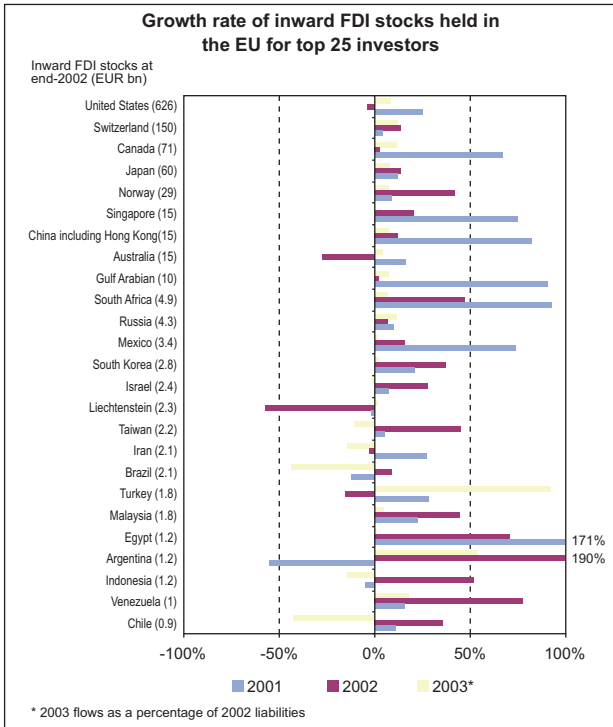
At EUR 24 bn, Offshore Financial Centres¹³ accounted for 90% of the FDI flows coming from the non-OECD area in 2003, and 78% of stocks at end-2002 (table 2.2).

Stocks figures show that financial centres from Central America were the main source of FDI among non-OECD countries with 34%. Asian and European OFC had 18% each. In 2003 European OFC contributed to 89% of flows invested by non-OECD countries in the EU, whereas they held only 18% of non-OECD countries stocks at the end of 2002.

EU FDI inward stocks: top 25 investor countries

Apart from the main partner countries reviewed above and from the group of OFC, the remaining investor countries accounted for far lower shares of EU FDI inward stocks. The chart below summarises the recent evolution of stocks held by the 25 most important partners ranked according to the value at end-2002 (in brackets). In 2003, the highest annual rate of growth for stocks was recorded for Turkey, followed by Argentina and Venezuela.

¹³ 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 America 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>).

Chart 2.3

Major hosts of inward FDI in the EU: the UK had 25% of stocks in 2002

At end-2002, the UK was the main host Member State of direct investment in the EU. 25% of total EU inward stocks were located in the UK, and the share of the UK reached 32% for USA stocks.

Germany (11%) was the second main destination and the most important partner for Swiss investors. EUR 31 bn, 21% of EU stocks from Switzerland, were located in Germany.

The Netherlands (EUR 126 bn) followed Germany closely and were the third Member State of destination for FDI, while France was fourth with 8% of total EU stocks (table 2.3).

Table 2.3. Geographical distribution of EU25 FDI inward stocks, four main contributors

(At end-2002, EUR bn)

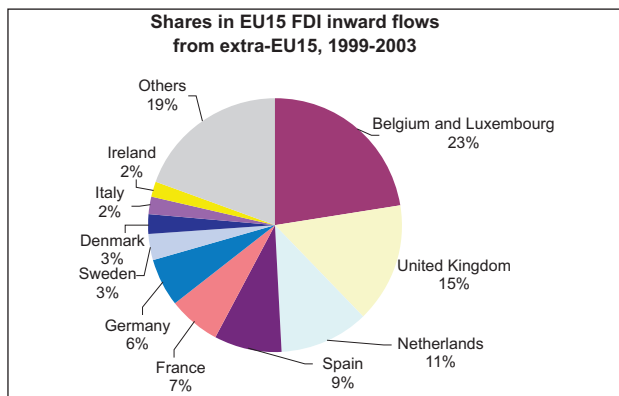
Stock at end-2002	EU25	UK	DE	NL	FR	Other EU
Extra-EU	1,155	288	130	126	98	513
OECD (non EU)	959	263	121	:	86	:
USA	626	201	74	78	52	220
Switzerland	150	16	31	22	15	67
Japan	60	18	9	8	8	16
Canada	71	14	2	1	1	53
Norway	29	2	:	2	2	:
Australia	15	12	0	1	0	2
Other OECD countries	9	1	:	:	8	:
Non OECD countries	175	25	:	:	12	:
Not allocated	22	0	:	1	0	:

: Missing values

Growing attractiveness of Benelux Member States for FDI

Looking more closely at EU15 Member States¹⁴, one notices the growing importance of Benelux (Belgium, Luxembourg and the Netherlands) during the five years covered in this publication.

At the end of 2002, around one quarter of EU inward FDI stocks were located in the three Benelux Member States taken together¹⁵, but data on flows show that, between 1999 and 2003, those three Member States received more than one third of cumulated investment (chart 2.4).

Chart 2.4

¹⁴ Data for the 10 new Member States are presented in section 2.2.

¹⁵ Data for Belgium and Luxembourg exist only for the two Member States together until 2001 included, and separately from 2002 onwards. Stock data for these Member States are not published prior to reference year 2002.

The United Kingdom had 15% of cumulated flows, while Spain, with 9%, came before France and Germany that were the destinations of 7% and 6% respectively of 1999-2003 FDI inflows from extra-EU15.

2.2. FOCUS ON EU ENLARGEMENT

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

Chapter 1 of this publication presents FDI from the EU15 into the new 10 Member States. Here data are presented on investment coming from extra-EU25 countries into the new 10 Member States.

Data on FDI inward stocks at the end of 2002 show that the USA was the main investor, with EUR 11 bn of stocks, followed by Switzerland (EUR 3 bn). Russia was in third position, closely followed by Japan. This compares with EUR 120 bn of FDI stocks held by the EU15 at the same time (see chapter 1, table 1.5).

Table 2.4. New Member States inward FDI stocks from extra-EU25

(EUR mn, end-2002)

Extra-EU25	22,358
of which:	
United States	10,984
Switzerland	2,590
Russia	1,130
Japan	1,100
Canada	544

USA stocks in the new Member States were 1.8% of total USA stocks in the EU25. Considering total extra-EU25 stocks, at end-2002, new Member States were the destination of 1.9% of EU25 stocks. This weight was higher for investment coming from neighbouring countries (table 2.5).

Table 2.5. New Member States inward FDI stocks as % of EU25 from extra-EU25 countries

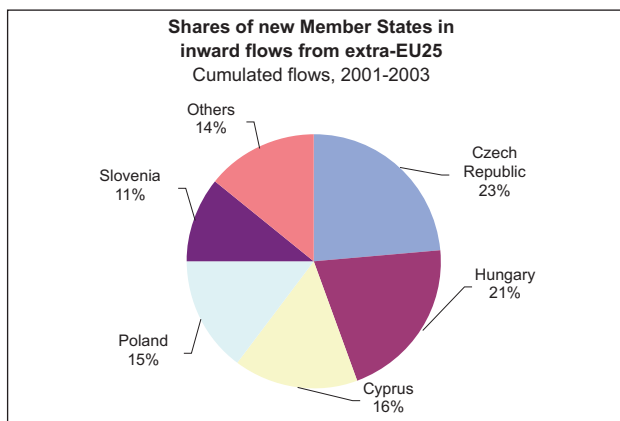
(end-2002)

Extra-EU25	1.9
Belarus	83.7
Croatia	81.7
Ukraine	76.3
Russia	26.2
Serbia & Montenegro	24.8
Bulgaria	23.9
Romania	10.9
Albania	7.1

The Czech Republic was the main target of extra-EU25 investors in recent years

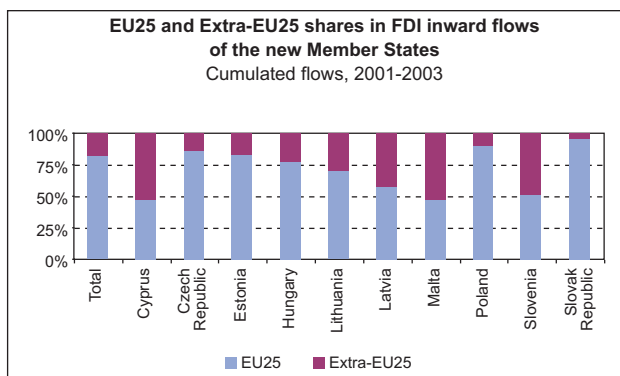
Between 2001 and 2003 the 10 new Member States attracted EUR 10 bn of FDI flows from extra-EU countries. 86% of these flows were directed to the five Member States shown in chart 2.5. With 23% the Czech Republic was the main destination, followed by Hungary that had 21%.

Chart 2.5



The share of extra-EU25 inflows (2001-2003) on total (intra-EU25 and extra-EU25) FDI inward flows of the new Member States was 17%. This share fell to 11% for Poland and to 5% for Slovak Republic, while it was the highest for Cyprus and Malta with 53% each. Slovenia had a share of 49%.

Chart 2.6



2.3. INCOME FROM INWARD EU FDI

Income from inward FDI lost 15% in 2003

Income from inward EU FDI was at EUR 70 bn in 2003, 15% lower than in 2002. 2003 was the third consecutive year of decrease, after the high growth recorded between 1999 and 2000 (table 2.6).

Table 2.6. Geographical distribution of EU income from inward FDI

EU25 for 2001-2003, EU15 for 1999-2000

(EUR bn and %)

Income Shares	1999	2000	2001	2002	2003	
					2002	2003
Extra-EU	59,9	104,9	96,9	82,1	100%	69,8 100%
OECD (non EU)	48,3	67,6	56,0	55,4	67%	58,3 83%
USA	35,5	45,5	33,1	32,2	39%	37,6 54%
Switzerland	10,1	14,0	16,5	14,8	18%	12,6 18%
Japan	1,2	3,0	3,2	4,4	5%	2,0 3%
Canada	0,9	3,1	1,5	1,9	2%	2,1 3%
Norway	0,0	1,2	1,2	1,5	2%	1,2 2%
Australia	0,8	0,4	0,4	0,5	1%	1,0 1%
New Zealand	-0,1	0,0	-0,1	-0,2	0%	0,0 0%
South Korea	-0,2	-0,1	-0,2	-0,1	0%	-0,4 -1%
Other OECD countries	0,2	0,4	0,5	0,4	0%	2,1 3%
Not allocated	7,3	31,2	22,8	7,1	9%	0,4 0%
Non OECD countries	4,3	6,1	18,2	19,7	24%	11,3 16%

In 2003 the USA received 54% of EU FDI income

At EUR 38 bn, EU FDI income accruing to the USA in 2003 was 17% higher than in 2002 and accounted for 54% of total FDI income paid to extra-EU investor countries.

Switzerland (EUR 13 bn) had 18% and was the second main recipient country, while Canada was third overtaking Japan which saw its FDI income halved compared to 2002.

The group of Offshore Financial Centres (see definition in chapter 1) was the recipient of EUR 10.4 bn in 2003, which represented 92% of income on EU FDI paid to non-OECD countries. This percentage increased with respect to 2002, when it was 57%, mainly because of the fall from EUR 8.5 bn to EUR 0.9 bn recorded by the residual investor countries included under "other non-OECD countries" (table 2.7).

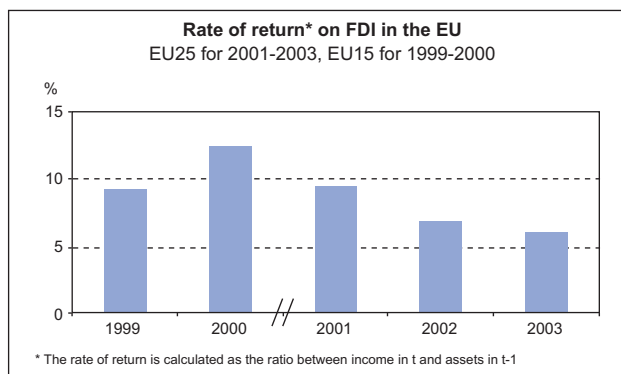
Table 2.7. EU 25 income FDI to Financial centers

(EUR bn)

	FDI flows 2002		FDI flows 2003	
	Value	(%)	Value	(%)
Non-OECD countries	19,7	100%	11,3	100%
Financial centers	11,2	57%	10,4	92%
<i>of which:</i>				
European	-0,7	-4%	0,5	5%
Central American	4,6	24%	7,3	65%
Asian	3,9	20%	0,5	4%
<i>of which:</i>				
Singapore	0,9	5%	0,4	3%
Hong-Kong	2,9	15%	0,1	1%
Other Non-OECD countries	8,5	43%	0,9	8%

Stocks, income and yield: EU inward FDI yielded 6% in 2003

The ratio¹⁶ 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 1999–2003 period, extra-EU inward FDI yielded a five year average of 8.5%. In 2003, the rate of return on FDI capital invested by extra-EU countries contracted to 6%, the lowest level recorded in the period.

Chart 2.7

¹⁶ 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 fell by 11.6% in 2003

Data on the activity of European enterprises in the emerging markets are monitored very closely by policy-makers and analysts. Compared to the high levels of investment that have been recorded in those markets in the past years, constantly less EU FDI outflows targeted the emerging markets. From 2001 onwards sharp decreases in EU FDI have been observed in almost all of the emerging markets' constituent parts (Far East Asia, Latin America, MPCs) with the only exception in CEECR in 2003, in which EU outflows grew by 201%. 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 34 bn in 2002.

This chapter tackles the evolution of direct investments made by the EU in Latin America, Far East Asia, Mediterranean partner countries (MPCs) 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 excluding Near and Middle East countries and Japan
- Mediterranean partner countries (MPCs): 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

EU¹⁷ FDI flows to emerging markets: evolution from 1999 to 2003

Over the 1999–2003 period, EU FDI flows to emerging markets fluctuated, with 2001 being the peak period recording a 74% increase compared to 2000 levels. EU outflows in 2002 and 2003 are featured by negative growth rates dropping from EUR 104 bn in 2001 to EUR 30 bn in 2003.

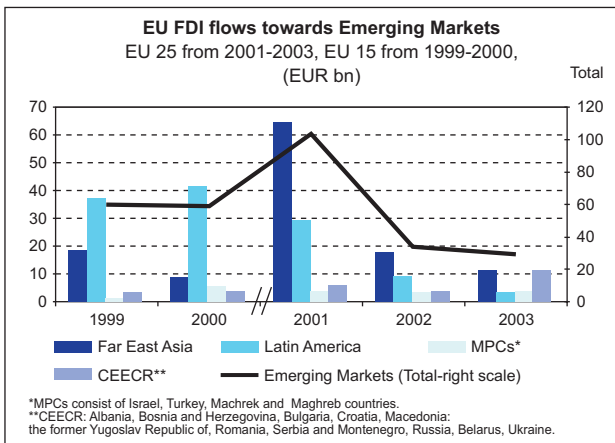
¹⁷ Even though in 2001 there is a break in the series between EU15 and EU25 outflows to the emerging markets the difference is marginal, except for CEECR (please refer to chapter 1)

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 9 bn recorded in 2000. In 1999 and 2002 Far East Asia attracted a similar amount of EU investments, close to EUR 18 bn for each year, whereas 2003 was highlighted by a 34% decrease when compared to 2002.

EU FDI flows to Latin America were at their highest point in 2000 (EUR 42 bn) recording a 12% growth compared to 1999. For the following years the region recorded constantly diminishing EU investments dropping from EUR 29 bn in 2001 to EUR 3 bn in 2003.

CEECR attracted for the first time in 2003 such a lofty amount of EU investment activity reaching EUR 11.6 bn and recording a 201% growth compared to 2002. It is worthwhile noting that the EU FDI outflows to this region was very close to the respective one targeting Far East Asia (EUR 11.7 bn) for the same time period.

Chart 3.1



Where did EU investors invest in emerging markets?

The share of EU FDI outflows to emerging markets in total EU external FDI flows increased from 1999 (18.9%) to 2001 (36.3%), which was the year with the highest amount of EU capital invested in this group. From 2001 onwards this share developed a downward sloping pattern falling to 26.7% in 2002 and ultimately to 23.9% in 2003.

Table 3.1. Share of Emerging Markets in total extra-EU FDI outflows, 1999 to 2003

EU25 for 2001-2003, EU15 for 1999-2000

(%)

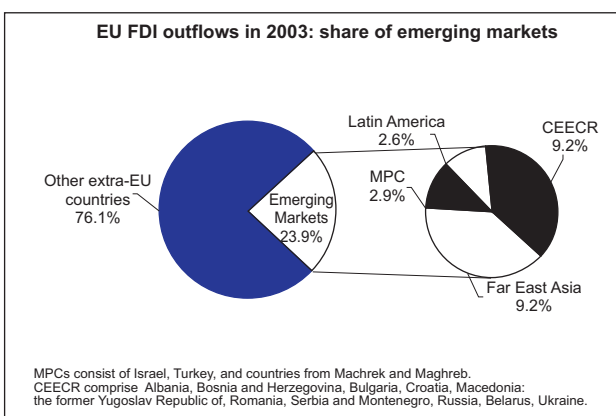
	1999	2000	2001	2002	2003
Emerging Markets	18.9	13.7	36.3	26.7	23.9
Far East Asia	5.7	2.0	22.6	13.9	9.2
Latin America	11.7	9.6	10.2	7.0	2.6
MPC*	0.4	1.2	1.4	2.7	2.9
CEEER**	1.1	0.8	2.1	3.0	9.2
Other extra-EU countries	81.1	86.3	63.7	73.3	76.1

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

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

In 2003, Far East Asia together with CEEER recorded the highest share, representing each 9.2% of EU FDI flows to emerging markets. EU FDI outflows to MPCs totalled 2.9% while FDI flows to Latin America represented 2.6% of the total EU outflows targeting the emerging markets.

Chart 3.2



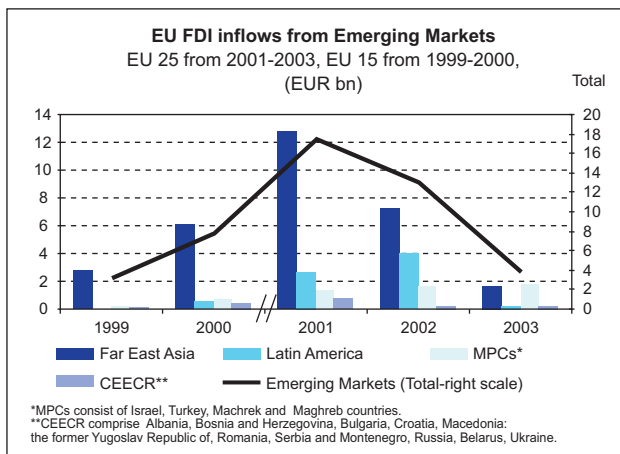
EU FDI inflows from emerging markets: continued reductions of FDI flows to the EU since 2001

EU bilateral relations with the emerging markets are traditionally characterised by a strong prevalence of outward FDI over inward FDI. However, FDI from the emerging markets into the EU amplified from EUR 3 bn in 1999 to EUR 17 bn in 2001, which was the peak point of their investments in the EU over the 1999-2003 period. Since 2001 though, it started contracting continually recording

the sharpest slump in 2003, where the emerging markets' investments to the EU fell from EUR 13 bn in 2002 to EUR 3.9 bn (-70%).

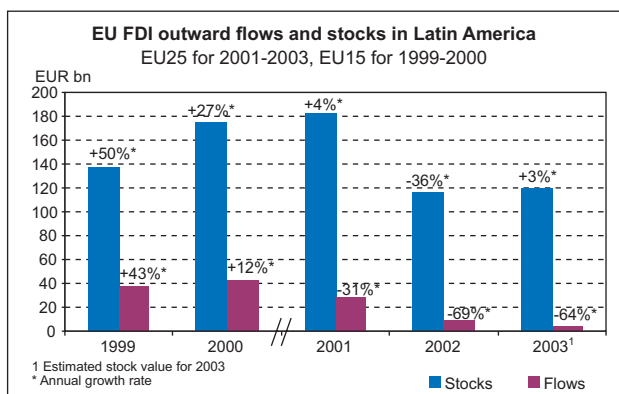
Far East Asia provided the most FDI in the EU over the in 1999-2003 period (representing an average of 67% of total EU FDI inflows from the emerging markets), followed by the MPCs (13%), Latin America (16%) and CEECR (4%).

Chart 3.3



3.1. LATIN AMERICA: SHARP DECLINE IN EU FDI OUTWARD FLOWS SINCE 2001

Chart 3.4



EU FDI outflows towards Latin America increased considerably from EUR 37.5 bn in 1999 reaching the unprecedented point of EUR 41.9 bn in 2000. From 2001 onwards EU investments in that region started retrenching noticeably and dropped from EUR 29.1 bn in 2001 to EUR 3.2 bn in 2003 (-64% compared to 2002). This fall was largely induced by an important disinvestment in Argentina in 2003 and by the reduction of FDI flows towards Brazil, which experienced nearly a threefold decrease between 2002 and 2003 (from EUR 3.4 bn to EUR 1.2 bn).

Table 3.2. EU FDI outflows to Latin American countries, 1999-2003

EU25 for 2001-2003, EU15 for 1999-2000

(EUR mn)

	1999	2000	2001	2002	2003
Extra-EU	320,307	435,676	286,352	127,746	126,229
Latin America	37,539	41,919	29,088	8,976	3,231
<i>of which:</i>					
Mexico	2,148	7,121	5,395	4,949	1,996
Colombia	366	322	369	-482	226
Uruguay	103	153	1,239	275	271
Venezuela	672	2,955	2,561	-1,846	-23
Brazil	11,841	20,883	9,753	3,410	1,165
Chile	4,616	1,295	2,954	165	1,093
Argentina	16,551	5,511	5,154	538	-2,054
NICs2LA	35,153	34,811	23,255	9,055	2,200
MERCOSUR	28,569	26,513	16,148	4,147	-628

NICs2LA = Latin America Newly Industrialised Countries of the 2nd 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 2002

(EUR mn)

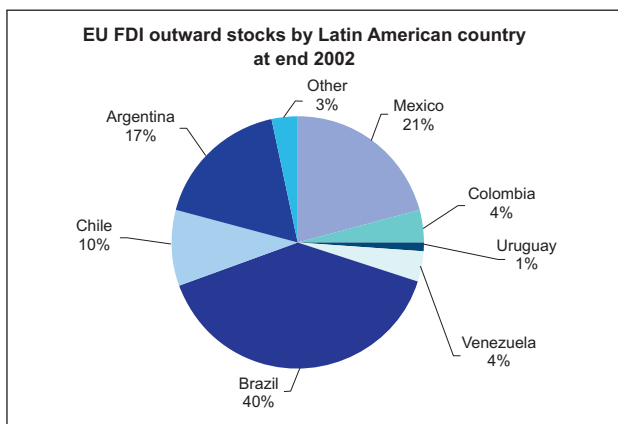
	EU	France	Germany	Netherlands	United Kingdom	Italy	Other MS*
Latin America	116,792	13,060	12,773	11,721	10,901	5,123	63,214
<i>of which:</i>							
Mexico	24,308	1,523	4,427	2,627	:	316	:
Colombia	4,763	175	393	-205	2,647	49	1,704
Uruguay	1,459	447	99	147	26	39	740
Venezuela	4,522	1,449	898	940	-744	189	1,979
Brazil	45,897	6,110	4,815	5,782	3,236	2,413	25,954
Chile	11,632	596	468	526	2,294	105	7,748
Argentina	20,389	2,238	1,160	938	1,399	1,586	14,654
NICs2LA	102,228	10,467	10,871	9,873	:	4,421	:
MERCOSUR	67,957	8,817	6,088	6,903	4,653	4,045	41,496

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

: indicates missing values.

At the end of 2002, 88% of EU FDI outward stocks with Latin American countries were held in the four Latin American NICs¹⁸ 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 40% of the total, followed by Mexico (21%).

Chart 3.5

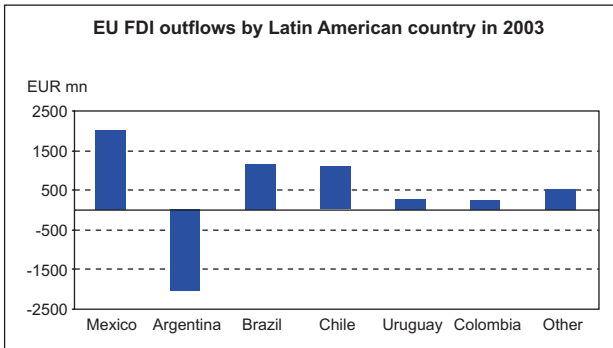


In 2003 Mexico was the main destination of EU FDI

In 2003, Mexico with EUR 1 996 mn became the top destination for EU FDI towards Latin American countries, accounting for 62% of total flows. Brazil ranked second with EUR 1 165 mn, closely followed by Chile with EUR 1 093 mn. Argentina's participation to the total depleted from EUR 538 mn in 2002 to EUR -2 054 mn in 2003.

The year 2003 was characterised by the recovery of the EU FDI flows to Chile from EUR 165 mn in 2002 to EUR 1 093 mn in 2003. With Chile and Colombia being the only exceptions, the rest of the Latin American countries experienced negative growth rates.

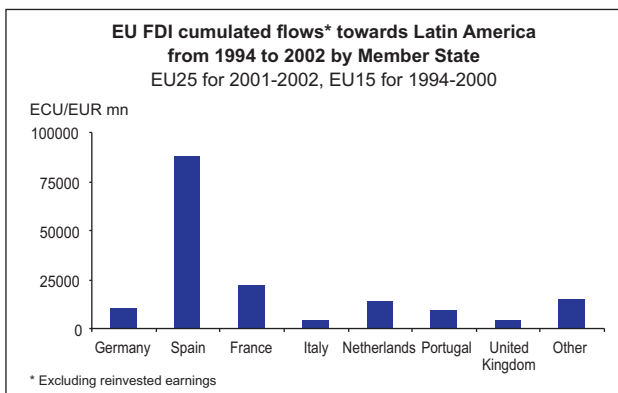
Chart 3.6



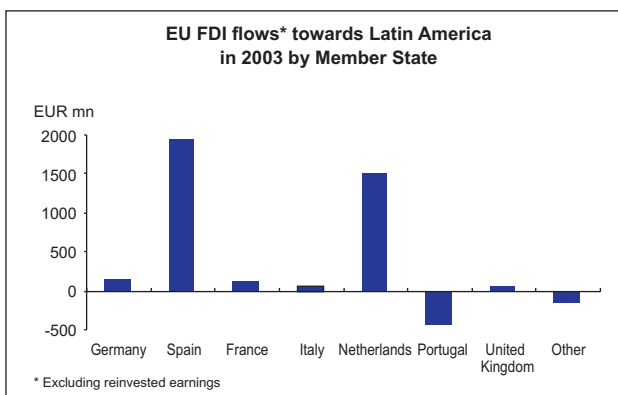
Spain: main EU investor in Latin America

Looking at the cumulated flows (excluding reinvested earnings) from 1994 to 2002, the Spanish investment represented 52% of EU direct investment in Latin America. France and the Netherlands were the second and third largest EU investors, accounting for 13% and 8% respectively of EU FDI.

¹⁸ NICs2LA = Latin American newly industrialising countries of the second wave of industrialisation.

Chart 3.7

In 2003, Spain maintained its position as principal EU investor in Latin America by investing EUR 1 942 mn. The Netherlands ranked second with EUR 1 519 mn while Germany (EUR 156 mn) and France (EUR 134 mn) followed next.

Chart 3.8

EU FDI in Latin America: limited profitability

Table 3.4. EU FDI income by country of origin, 1999-2003
EU25 for 2001-2003, EU15 for 1999-2000

(EUR mn)

	1999	2000	2001	2002	2003
Extra-EU	72,467	115,223	88,369	110,770	103,882
Latin America	3,634	6,591	5,200	5,040	4,904
<i>of which:</i>					
Mexico	1,096	1,358	866	1,618	1,519
Colombia	95	524	404	409	291
Uruguay	20	102	52	117	66
Venezuela	185	179	431	624	171
Brazil	645	2,340	1,739	2,363	2,446
Chile	389	624	518	496	207
Argentina	793	1,128	732	-1,004	-101
NICs2LA	2,918	5,448	3,854	3,472	4,076
MERCOSUR	1,463	3,587	2,563	1,466	2,419

Over the 1999–2003 period, the income generated by EU FDI outward stocks in Latin America fluctuated reaching the level of EUR 4 904 mn in 2003. This represented 4.7% of the total FDI income received by the EU from extra-EU countries. Income payments by Brazil alone represented almost 50% of this amount. Mexico was the second source of income with 31% participation in Latin America's income paid to the EU. The rest of the Latin America's 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 other extra-EU countries. In 2003 the rate of return¹⁹ was 4.2% against 5.9% for the extra EU-total. From 1999 to 2000, Mexico and Uruguay were the most profitable destinations for EU FDI in Latin America (the average rate of return was 12.8% and 11.2% respectively). In 2001 though, Colombia hosted significant EU FDI capital, with a 7.5% rate of return. In 2003 Mexico and Colombia held the top two positions and became the most profitable destinations for EU FDI in Latin America with a rate of return of 6.2% and 6.1% respectively. Brazil followed closely with 5.3% after an increase from 3.5% that was in 2002.

¹⁹ Rate of return $r_t = (\text{income paid in } t) / (\text{stocks at the end of the period } t-1)$. See table 3.4 for income and table 12 in Annex 1 for 2002 stocks.

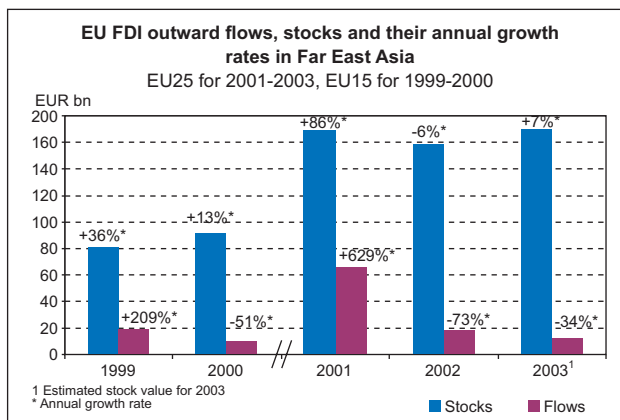
Chart 3.9



3.2. FAR EAST ASIA: EU FDI TO NICs²⁰ ROSE

EU FDI outflows towards Far East Asia²¹: peak period 2001

Chart 3.10



EU investment in the Far East Asia reveals a volatile pattern throughout the period 1999-2003 with the annual growth rate achieving a 629% increase in 2001 but falling -34% in 2003. In particular from 2001 onwards diminishing investments were the main attribute of the Far East Asia as the EU investment level in this region dropped from EUR 65 bn in 2001 to EUR 12 bn in 2003, while EU FDI in extra EU countries was diminished only by 1%. The share of FDI flows directed towards Far East Asia in total EU outward flows shrank to 9% in 2003, compared to 23% in 2001.

²⁰ NICs1 = the core newly industrialising countries (Hong Kong, South Korea, Singapore, Taiwan).

²¹ Far East Asia = Asia excluding Near and Middle East countries and Japan.

Table 3.5. EU FDI outflows to Far East Asian Countries, 1999-2003

EU25 for 2001-2003, EU15 for 1999-2000

(EUR mn)

	1999	2000	2001	2002	2003
Extra-EU	320,307	435,676	286,352	127,746	126,229
Far East Asia	18,253	8,886	64,835	17,809	11,665
<i>of which:</i>					
India	817	871	420	951	818
Thailand	1,557	1,505	-428	664	258
Malaysia	576	475	-727	366	-341
Indonesia	698	485	165	-491	-408
Singapore	4,444	-1,086	10,010	7,901	4,548
Philippines	1,233	393	389	-442	-242
China (includ. Hong Kong)	4,167	-1,672	51,097	6,045	4,808
South Korea	3,635	4,344	1,091	1,669	2,592
Taiwan	478	2,185	1,355	513	26
NICs1	10,527	1,589	61,027	12,915	8,898
NICs2A	3,366	2,372	-764	586	-325
ASEAN	8,620	1,974	9,855	7,817	3,252

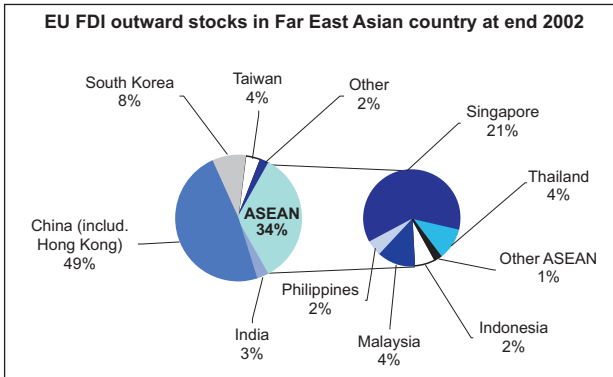
NICs1 = the Core Newly Industrialising Countries (Hong Kong, South Korea, Singapore, Taiwan).

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

ASEAN = Association of the South-East Asian Nations. For more details, see the BOP zones in annex 4.

Dwindled EU FDI flows towards ASEAN countries in 2003

In 2003, EU FDI flows to ASEAN countries dropped significantly (-58% compared to 2002 and -67% compared to 2001). Actually large decreases were recorded for almost all of the ASEAN countries with the biggest one being the outflows to Malaysia dropping by 193% (from EUR 366 mn in 2002 to EUR -341 mn in 2003). At the same time, EU FDI flows to NICs1 diminished from EUR 13 bn in 2002 to EUR 9 bn in 2003. In particular, EU FDI flows to Taiwan decreased by 95% in 2003 (EUR 26 mn) after a heavy cut of investments in 2002 (EUR 513 mn). Only South Korea received 55% more of the EU investments in 2003 when compared to the 2002 levels.

Chart 3.11

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

Table 3.6. EU FDI outward stocks in Far East Asia at end of 2002

(EUR mn)

	EU of which:	United Kingdom	Germany	Netherlands	France	Italy	Other MS*
Far East Asia	158,336	38,363	26,959	19,823	11,635	2,174	59,382
<i>of which:</i>							
India	5,383	2,014	1,496	750	567	358	198
Thailand	5,995	1,665	1,157	543	757	61	1,812
Malaysia	6,806	3,248	1,337	843	144	118	1,116
Indonesia	3,925	1,523	807	1,001	639	97	-142
Singapore	33,065	10,440	5,779	4,330	3,281	302	8,933
Philippines	2,807	526	504	959	268	39	511
China							
(incl. Hong Kong)	76,163	13,980	9,910	3,086	4,033	980	44,174
South Korea	13,290	1,385	4,649	3,460	930	105	2,761
Taiwan	6,265	1,116	740	3,380	268	37	724
NICs1	109,225	21,756	14,778	12,420	6,102	933	53,236
NICs2A	15,605	5,437	2,998	2,345	1,169	217	3,439
ASEAN	53,734	17,459	9,633	7,943	5,773	616	12,310

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

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

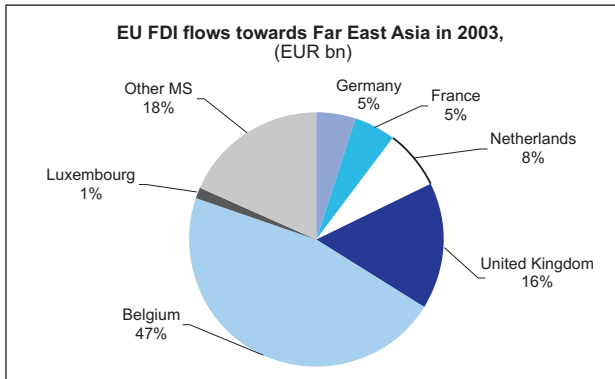
NICs2A = Asian NICs of the second wave of industrialisation (Malaysia, Philippines, Thailand).

ASEAN = Association of the South-East Asian Nations. For more details, see the BOP zones in annex 4 and chart 3.11.

At the end of 2002, 48% of EU FDI outward stocks with Far East Asian countries were held in China including Hong Kong. Singapore (21%) and South Korea (8%) also hosted significant EU FDI capital. Three EU Member States held 54% of EU total FDI outward stocks in Far East Asian countries: the United Kingdom, Germany and the Netherlands.

In 2003, Belgium was the main direct investor in Far East Asia with 47% of the total EU FDI outflows to Far East Asia, while the United Kingdom, the Netherlands, 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. EU FDI inflows from Far East Asian Countries, 1999-2003

EU25 for 2001-2003, EU15 for 1999-2000

(EUR mn)

	1999	2000	2001	2002	2003
Extra-EU	122,764	180,101	120,058	139,793	113,222
Far East Asia	2,761	6,099	12,768	7,200	1,612
<i>of which:</i>					
India	25	83	84	136	598
Thailand	-4	49	278	587	-98
Malaysia	252	272	273	943	83
Indonesia	-16	318	-87	514	-180
Singapore	1,781	2,296	6,387	1,961	-45
Philippines	-22	36	135	-7	49
China (includ. Hong Kong)	537	2,193	6,217	2,419	1,162
South Korea	-35	57	-276	-187	56
Taiwan	213	731	47	729	-237
NICs1	2,266	5,071	12,047	5,039	798
NICs2A	225	356	685	1,522	33
ASEAN	2,003	2,993	6,994	4,049	-117

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. For more details, see the BOP zones in annex 4.

EU FDI inflows from Far East Asia exhibit a bell shaped pattern starting at EUR 2.8 bn in 1999, and reaching their peak level of EUR 12.8 bn in 2001. Since then they decreased relentlessly until 2003 with EUR 1.6 bn. Even though Singapore was the main investor representing 50% of the total FDI flows invested by Far East Asia in the EU in 2001 the situation was totally reversed in 2003 when it started making disinvestments in the EU area. China including Hong Kong occupied the major part of the investments made to the EU in 2003, accounting for 72% of the total Far East Asian inflows to the EU. Significant investments in the EU were also made by India with EUR 598 mn in 2003.

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, 1999-2003

EU25 for 2001-2003, EU15 for 1999-2000

(EUR mn)

	1999	2000	2001	2002	2003
Extra-EU	72,467	115,223	88,369	110,770	103,882
Far East Asia	6,879	12,488	10,464	17,210	12,397
India	335	594	633	974	700
Thailand	418	411	507	596	544
Malaysia	644	1,009	440	1,704	937
Indonesia	549	444	1,279	974	270
Singapore	2,004	4,033	2,648	3,922	2,446
Philippines	9	167	146	213	135
China (includ. Hong Kong)	1,655	2,212	3,282	5,936	4,747
South Korea	541	966	804	1,318	1,155
Taiwan	560	1,958	243	255	538
NICs1	4,561	8,460	5,470	9,766	6,974
NICs2A	1,075	1,584	1,094	2,514	1,617
ASEAN	3,711	6,204	5,177	7,607	4,421

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. For more details, see the BOP zones in annex 4.

Over the 1999–2000 period, the income generated by EU FDI outward stocks in Far East Asia nearly doubled (from EUR 6.9 bn in 1999 to EUR 12.5 bn in 2000). In 2002, this income reached its peak position with EUR 17.2 bn but dropped back to EUR 12.4 bn in 2003 and recorded a 28% decrease compared to the previous year's level.

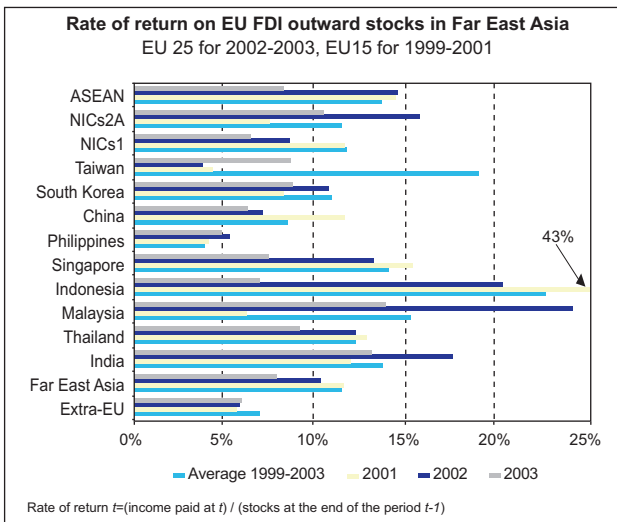
2003 income represented 12% of the total extra-EU income. Between 1999 and 2003, China including Hong Kong was the main source of income with Singapore following closely.

Globally, EU FDIs in Far East Asia were more profitable than FDIs in other extra-EU countries (8% against 6% in 2003) even though the spread was higher in the past years (16% against 8% in 2000).

In terms of investment profitability of individual countries, results differ. For the 1999-2003 period Indonesia was the most profitable Far East Asian destination, with the average rate of return²² reaching 23% for the five year period and 7% for 2003. Taiwan was second in the rank having a 19% five year average rate of return. In 2003, Malaysia became the most profitable destination (with a 14% rate of return), with India (13%), South Korea (9%) and Taiwan (9%) following not far behind.

²² Rate of return $r_t = (\text{income paid in } t) / (\text{stocks at the end of the period } t-1)$. See table 3.8 for income and table 12 in Annex 1 for 2002 stocks.

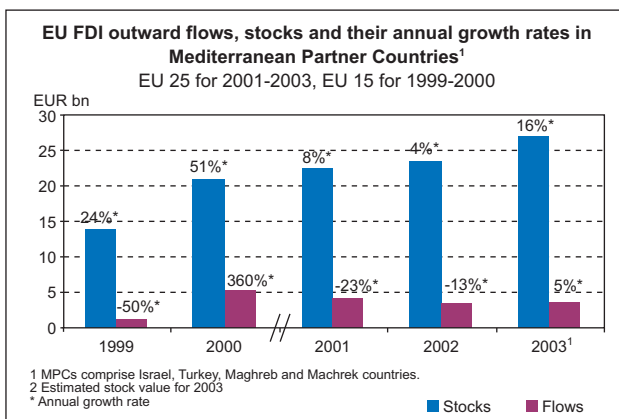
Chart 3.13



3.3. MEDITERRANEAN PARTNER COUNTRIES: TOWARDS A BETTER PARTNERSHIP?

EU FDI flows to Mediterranean partner countries²³ amounted to EUR 3.7 bn in 2003

Chart 3.14



Over the 1999–2003 period, EU FDI flows to Mediterranean partner countries (MPCs) fluctuated with a year of growth followed by a year of contraction peaking at EUR 5.3 bn in 2000. 2003 was characterised by an increase of 5% from EUR 3.5 bn in 2002 to EUR 3.7 bn in 2003.

Morocco was the main destination for FDI in 2003

The increase in 2003 in EU FDI flows was mainly due to augmented investments in the Maghreb countries (from EUR 0.7 bn in 2002 to EUR 1.4 bn in 2003) and particularly in Morocco where the EU FDI flows rose from EUR 0.4 bn in 2002 to EUR 1.6 bn in 2003. Over the same period, EU FDI flows recorded negative annual growth rates for the rest of the MPCs countries.

²³ MPCs 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. EU FDI flows with Mediterranean Partner Countries, 1999-2003

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

(EUR mn)

	1999	2000	2001	2002	2003
Extra-EU	320,307	435,676	286,352	127,746	126,229
MPCs*	1,144	5,261	4,032	3,508	3,679
Turkey	944	1,424	2,978	984	948
Israel	-227	653	-325	63	60
Maghreb countries	-15	872	778	715	1,409
<i>of which:</i>					
Morocco	91	215	235	420	1,635
Machrek countries	442	2,312	601	1,746	1,262
<i>of which:</i>					
Egypt	406	1,387	567	1,357	977

* MPCs 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. Shares of main destination in FDI outflows towards MPC*, 1999-2003²⁴

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

(%)

	1999	2000	2001	2002	2003
Turkey	83	27	74	28	26
Israel	-20	12	-8	2	2
Maghreb countries	-1	17	19	20	38
<i>of which:</i>					
Morocco	8	4	6	12	44
Machrek countries	39	44	15	50	34
<i>of which:</i>					
Egypt	35	26	14	39	27

* MPCs comprise Israel, Turkey, Maghreb and Machrek countries.

In terms of shares, Turkey was the main host country over the 1999–2001 period, and was supplanted in 2002 by Egypt (39% of the EU FDI flows in MPCs versus 28% for Turkey). In 2003, the situation was for the first time in favour of Morocco with 44% of the EU FDI flows in MPCs rising sharply from 12% that was in 2002. On the other hand, the share of Egypt dropped from 39% in 2002 to 27% in 2003.

²⁴ Due to rounding, the sum of all shares does not equal 100% all the time.

France was the main EU investor in MPCs at end-2002

Table 3.11. EU FDI outward stocks in MPCs* at end of 2002
(EUR mn)

	EU of which:	France	United Kingdom	Nether-Germany lands	Italy	Other MS**	
MPCs*	23,444	5,261	4,666	3,268	2,174	1,880	6,195
Turkey	7,216	992	1,837	1,121	1,220	878	1,168
Israel	1,156	207	301	552	109	54	-67
Maghreb countries of which:	7,932	2,747	1,530	273	426	679	2,277
Morocco	3,287	1,998	58	:	179	211	:
Machrek countries of which:	7,140	1,315	998	1,322	419	269	2,817
Egypt	4,327	692	984	:	358	202	:

* MPCs comprise Israel, Turkey, Maghreb and Machrek countries.

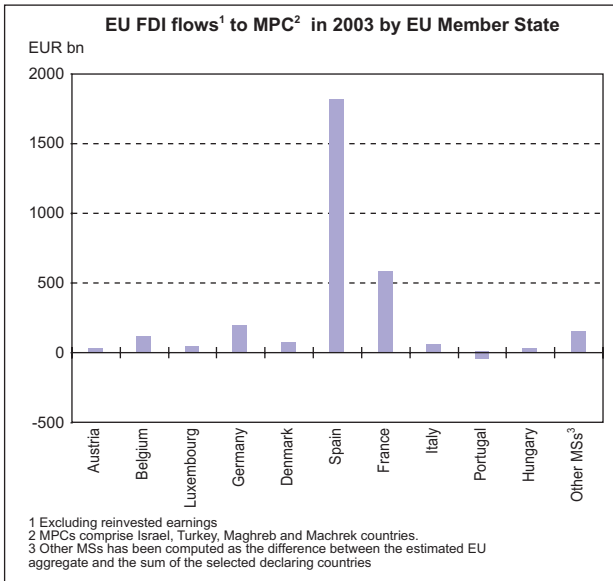
** 'Other MS' has been computed as the difference between the estimated EU aggregate and the sum of the selected declaring countries.

: indicates missing values.

Direct investors from the EU held EUR 23.4 bn worth of FDI outward stocks in MPCs, equal to 1.3% of extra EU at the end of 2002. French, British, Dutch and German investors were the main suppliers of FDI to MPCs (EUR 15 bn or about 66% of total EU outward stocks). Around half of all their respective investments are localised in just one country or zone: the Machrek countries for the Netherlands (41%), Turkey for the United Kingdom (39%) the Maghreb countries for France (52%) and Turkey for Germany (56%).

79% of EU FDI in MPCs came from Spain and France in 2003

Chart 3.15



In 2003, the most active European enterprises in the MPC area were from Spain, accounting for EUR 1.8 bn (of which EUR 1.4 bn were directed to Morocco), France, (EUR 0.6 bn) and to a lesser degree from Germany (EUR 0.2 bn).

German investors mainly focused on Turkey, in which they invested EUR 229 mn in 2003. Disinvestments accounting for 75% of the total German outflows designated to MPCs were recorded in Israel.

EU FDI in MPCs more profitable than FDI in extra-EU as a whole for 1999-2003

Table 3.12. EU FDI income from MPCs* by country of origin, 1999-2003

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

(EUR mn)

	1999	2000	2001	2002	2003
Extra-EU	72,467	115,223	88,369	110,770	103,882
MPC	1,045	2,247	1,850	3,409	2,152
Turkey	418	794	272	353	627
Israel	-11	-100	-36	-71	-21
Maghreb countries	187	336	391	1,126	281
<i>of which:</i>					
Morocco	158	84	175	596	288
Machrek countries	451	1,217	1,223	2,001	1,265
<i>of which:</i>					
Egypt	130	649	898	1,460	635

* MPCs comprise Israel, Turkey, Maghreb and Machrek countries.

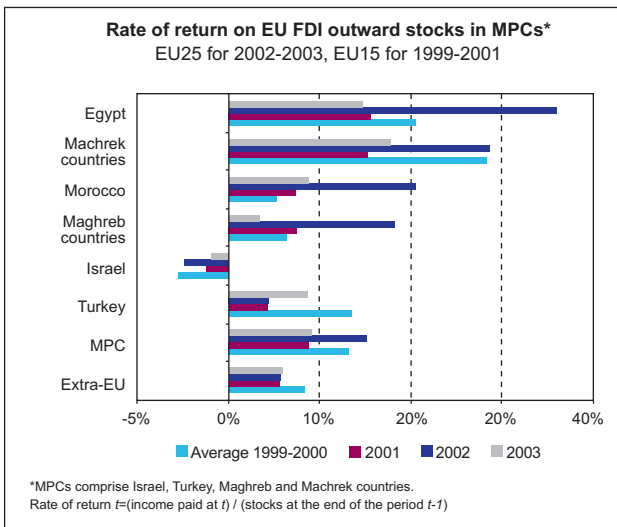
In 2003, EU FDI outward stocks in MPCs generated income payments of EUR 2.2 bn. The Machrek countries were the main source of this income with 59% of which Egypt accounted for 30%, whereas 29% was originated from Turkey. The Maghreb countries accounted for only 13%.

The profitability of FDI in MPCs reached a record level of 15% in 2002 which dropped to 9% the following year. EU investments in MPCs were more profitable than the investments in the rest of the world for the 1999-2003 period. This difference is more evident in 2002 with 15% versus 6%, whereas the magnitude of the investments in MPCs' profitability is less apparent for 2003 where it fell to 9% versus 6% of the investments made to the extra-EU.

Looking at the individual areas and countries inside the MPC group, the rate of return²⁵ on direct investment positions in 2003 shows a high profitability of EU investments in Egypt (15%) followed closely by Morocco (9%) and Turkey (9%).

²⁵ Rate of return $r_t = (\text{income paid in } t) / (\text{stocks at the end of the period } t-1)$. See table 3.12 for income and table 12 in Annex 1 for 2002 stocks.

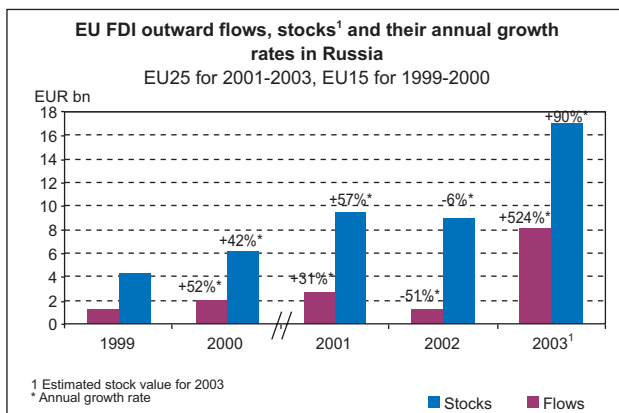
Chart 3.16



3.4. CENTRAL EASTERN EUROPEAN COUNTRIES AND RUSSIA: FLOWS TRIPLED IN 2003

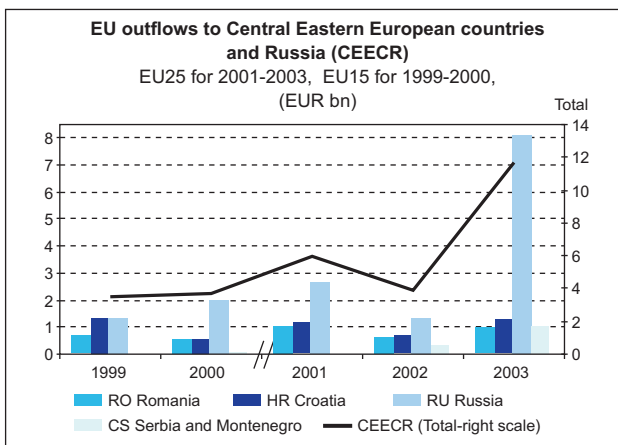
Unprecedented increase in EU investments to Russia in 2003

Chart 3.17



Since 1999 EU investment activity in the CEECR remained relatively stable starting from EUR 3.5 bn in 1999 and growing slightly to EUR 3.9 bn in 2002. In 2003 though, the EU investors changed significantly their engagement in this region by placing there a hefty amount of FDI (EUR 11.6 bn), which is a 201% increase from 2002 levels.

In terms of flows Russia was the main host country of the EU investment capital attracting EUR 8 bn in 2003. The United Kingdom ranked first in terms of investment activity in Russia with EUR 3.7 bn, while the Netherlands followed next with EUR 1.3 bn, always referring to the same period under consideration. Croatia was the second most important destination in 2003 with EUR 1.3 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: FDI by economic activity

This chapter focuses on the industrial allocation of FDI flows and stocks for which a classification consistent with NACE Rev.1 is applied (see Annex 3). Data are shown for 10 core economic activities as well as for six main sub-categories of the manufacturing activity.

Due to data availability, the analysis will be based on EU15 figures and will cover the period 1998-2002. The figures given for flows include equity capital and other capital but exclude reinvested earnings. In table 4.1 FDI flows in 2002 are compared to the total investment positions at the end of 2002.

Table 4.1. Outward and inward FDI stocks (end-2002) and flows* (2002) by economic activity

(EUR mn)

	Abroad		In the reporting economy	
	Flows 2002	Stocks end-2002	Flows 2002	Stocks end-2002
Total	85,428	1,888,341	120,294	1,136,351
Agriculture, hunting and fishing	122	893	147	990
Mining and quarrying	-21,891	70,866	671	16,976
Manufacturing	-13,517	462,467	11,148	239,027
– Food products	-10,292	79,167	382	24,876
– Textiles and wood activities	3,384	37,984	7,989	30,650
– Petroleum, chemical, rubber, plastic products	-4,458	151,388	-327	72,170
– Metal and mechanical products	3,112	44,635	4,746	26,102
– Machinery, computers, RTV, communication	3,563	40,742	-419	24,300
– Vehicles and other transport equipment	6,715	57,643	-1,600	35,638
– Other manufacturing	-15,541	50,908	377	25,291
Electricity, gas and water	-1,428	47,023	-2,608	8,551
Construction	1,284	10,359	214	5,754
Services	97,068	1,280,311	108,457	851,015
– Trade and repairs	2,247	109,401	750	78,610
– Hotels & restaurants	1,191	14,262	-615	6,675
– Transport and communication	-4,256	109,852	-3,017	34,788
– Financial intermediation	86,314	697,116	84,385	423,962
– Business services	8,177	258,193	25,935	259,667
– Other services	3,395	91,487	1,019	47,313
Other sectors	23,790	16,422	2,265	14,038

* Excluding reinvested earnings.

4.1. COMPARING INWARD AND OUTWARD FDI: NET STOCKS BY ECONOMIC ACTIVITY

At the end of 2002, the European Union (EU15) possessed FDI net outward stocks (outward stocks minus inward stocks) worth EUR 752 bn in extra-EU countries, which is a 10% decrease compared to end-2001 (EUR 839 bn). The total EU FDI net outflows amount-

ed to EUR -35 bn as the FDI inward flows to the EU were higher than the EU investments abroad.

Large net outward investments were detected in *vehicles and other transport equipment*, as well as in *machinery, computers, RTV and communication*.

It is interesting to note that the *mining and quarrying* sector was the target of strong net FDI inflows in 2002 (EUR 23 bn) as well as the *business services* (EUR 18 bn) and the following sub-sectors: *food products, textiles and wood activities, petroleum, chemical, rubber, plastic products, and metal and mechanical products*.

Concerning the net outward stocks, high concentrations were observed in *financial intermediation* (EUR 273 bn), as well as in the sub-sector *petroleum, chemical, rubber and plastic products* (EUR 79 bn).

Table 4.2.

(EUR mn)

EU Net (Outward minus inward)	Flows* 2002	Stocks end-2002
Agriculture, hunting and fishing	-25	-97
Mining and quarrying	-22,562	53,890
Manufacturing	-24,665	223,440
– Food products	-10,674	54,291
– Textiles and wood activities	-4,605	7,334
– Petroleum, chemical, rubber, plastic products	-4,131	79,218
– Metal and mechanical products	-1,634	18,533
– Machinery, computers, RTV, communication	3,982	16,442
– Vehicles and other transport equipment	8,315	22,005
Electricity, gas and water	1,180	38,472
Construction	1,070	4,605
Trade and repair	1,497	30,791
Hotels and restaurants	1,806	7,587
Transport and communication	-1,239	75,064
Financial intermediation	1,929	273,154
Business services	-17,758	-1,474
Other services	2,376	44,174
Total	-34,866	751,990

* Excluding reinvested earnings.

Table 4.3 classifies the FDI relationships between the EU and its main partners while employing a ratio calculated on 1998–2002 average bilateral FDI flows. The ratio measures the extent to which reciprocal investments are balanced, as it compares the net FDI flows²⁶ from one country or zone to the other, to the total flows between the two.

²⁶ In this case, 'net flows' are defined as outward minus inward flows. 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 flows which can have a negative sign).

**Table 4.3. Qualifying bilateral FDI flows, 1998 to 2002
(main results)**

Ratio close to:	Bilateral FDI flow	Comment
0 balanced	Manufacturing: EU to Japan, EU to EFTA, Canada to EU Services: EU to USA, EU to extra EU, Canada to EU	Bilateral FDI is balanced
0.5 imbalanced	Manufacturing: EU to USA, EU to extra-EU Services: Japan to EU, EU to EFTA, EU to Others* Other sectors: Japan to EU, EU to USA, EU to Canada	The investing partner invests significantly higher amounts than the recipient partner
1 dominated	Manufacturing: EU to Others* Other sectors: EU to extra EU, EU to EFTA, EU to Others*	FDI mainly flows from one country to the other and there are little or no flows in the reverse direction

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

EU15 net investment abroad was more intense in *manufacturing and other sectors*

By comparing the ratio of FDI bilateral balance calculated on flows from 1998 to 2002 to that calculated on stocks at end-2002, the short and long-term positions (associated with flows and stocks respectively) can be compared for each partner and sector under consideration. Charts 4.1 and 4.2 show that flows had a higher ratio than stocks (in absolute value) for nearly all activities and partners.

Regarding the EU–US bilateral FDI, there were important net flows to the US (ratio of 0.59) in the *manufacturing* sector for the 1998–2002 period, whereas the EU FDI position with the US at end-2002 was close to balance (ratio of 0.04). A similar situation is observed in the *services*²⁷ sector, as the EU FDI position at the end of 2002 was close to balance (ratio = 0.04) while there were net flows from the EU to the US over the 1998–2002 period (ratio of 0.22).

Japan was a net investor into the EU in all activities except *manufacturing*. In the *services* sector flows had a ratio of 0.65 in favour

²⁷ Services includes: sea and coastal water transport, air transport, land transport, telecommunications, monetary intermediation, other financial intermediation, insurance and activities auxiliary to insurance, real estate, computer activities, research and development, business activities (business and management consultancy activities, advertising), trade and repair, hotels and restaurants, and other services n.i.e.

of Japan, while for positions the highest ratio was in *other sectors* (0.54) again in favour of Japan.

Regarding the EU bilateral FDI with Canada, there were important net flows from the EU (ratio of 0.63) in the *Other sectors*²⁸ for the 1998-2002 period, whereas Canada was a net investor into the EU regarding both the *services* and *manufacturing* sectors, while for positions the highest ratio was in *manufacturing* (ratio of 0.56).

Chart 4.1

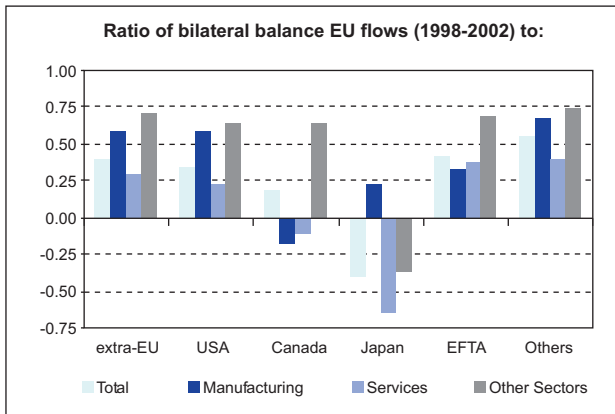
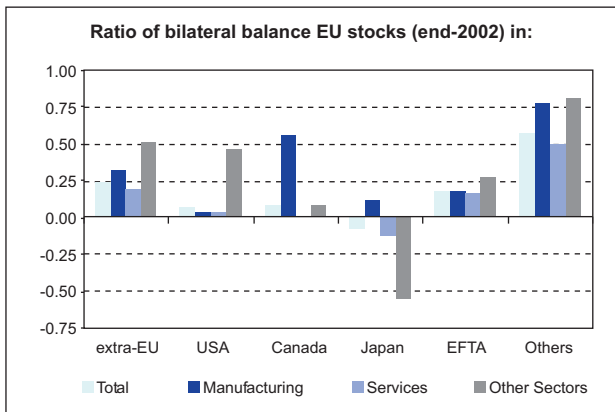


Chart 4.2



²⁸ Other sectors includes: *agriculture and fishing, mining and quarrying, electricity, gas and water, and construction.*

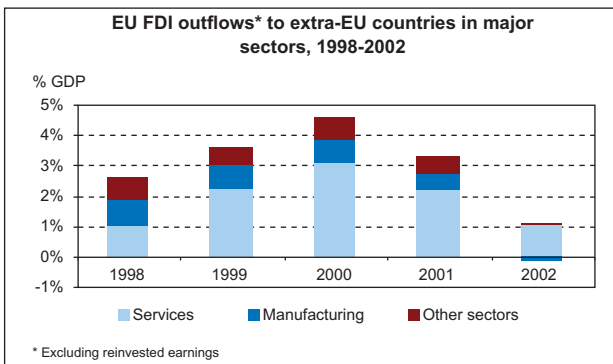
4.2. OUTWARD EU15 FDI BY ECONOMIC ACTIVITY: SERVICES ATTRACTED EXTRA-EU15 FDI OUTFLOWS OF EUR 97 BN IN 2002

EU15 FDI outflows to extra-EU15 countries amounted to EUR 85 bn in 2002²⁹, reaching a cumulative total of ECU/EUR 1 257 bn for the 1998–2002 period.

One of the major characteristics of 2002 was the sharp decrease of investments in the *manufacturing* sector (from EUR 47 bn in 2001 to EUR -14 bn in 2002), as well as in the *services*³⁰ (from EUR 192 bn to EUR 97 bn). Decreases of the same magnitude between 2001 and 2002 were also observed in *business services*, *transport*, *telecommunications*, *trade and repairs*, as well as in the *financial intermediation* sector.

Compared to the EU GDP, the outflows in *services* stood at 2.2% in 2001 and fell to 1.1% in 2002. The share of *services* in cumulated extra-EU outflows was 64% over the 1998–2002 time span; it reached its peak in 2002 (14%), after a sharp increase from 66% in 2001, in contrast to *other sectors*³¹, which fell from 18% in 2001 to a 2% share in extra-EU outflows in 2002.

Chart 4.3



²⁹ Excluding reinvested earnings; see table at the end of the Overview.

³⁰ Services includes: *sea and coastal water transport, air transport, land transport, telecommunications, monetary intermediation, other financial intermediation, insurance and activities auxiliary to insurance, real estate, computer activities, research and development, business activities (business and management consultancy activities, advertising), trade and repair, hotels and restaurants, and other services n.i.e.*

³¹ Other sectors includes: *agriculture and fishing, mining and quarrying, electricity, gas and water, and construction.*

FDI flows to extra-EU countries centred on financial intermediation in 2002

Despite the fact that EU outflows in *financial intermediation* dropped by 24% with respect to 2001, this sector continued to rank first in terms of importance (representing 101%) in 2002³². It is worthwhile noting that 80% of the investments made in *financial intermediation* resulted from the sub-sector *insurance and other financial intermediation* (please refer to Table 11 in Annex1)³³.

Table 4.4. Extra-EU FDI outflows* by kind of activity, 1998-2002

	(ECU/EUR mn)					
	1998	1999	2000	2001	2002	1998-2002
Manufacturing	64,219	62,915	71,098	47,078	-13,517	231,793
Services	76,755	178,882	261,134	192,097	97,068	805,936
of which:						
Trade and repairs	5,759	2,868	13,625	8,635	2,247	33,134
Hotels & restaurants	1,404	334	988	1,031	1,191	4,948
Transport	433	6,400	-187	2,137	300	9,083
Telecommunications	3,405	79,115	20,908	41,702	-4,966	140,164
Financial intermediation	39,764	69,392	150,993	113,020	86,314	459,483
Business Services	21,773	13,499	65,540	32,672	8,177	141,661
Other Services	4,217	7,274	9,267	-7,100	3,805	17,463
Other Sectors	57,695	48,606	59,742	51,755	1,877	219,675
Total	198,669	290,403	391,974	290,930	85,428	1,257,404

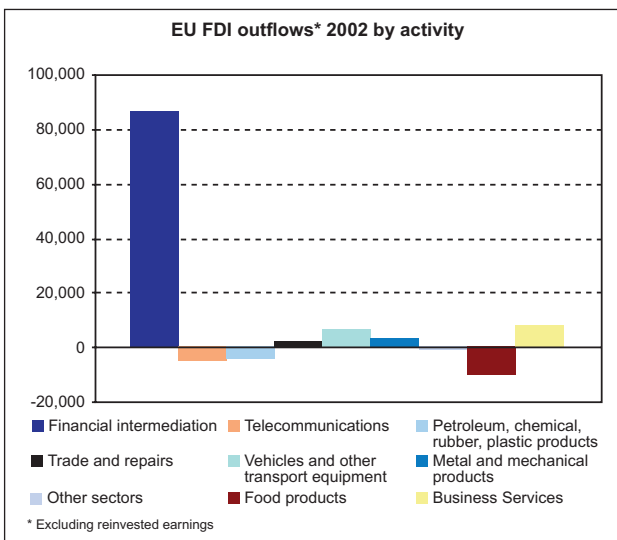
* Excluding reinvested earnings.

The *business services* sector ranked second in 2002, representing 10% of total EU outward FDI flows (EUR 8.2 bn). France occupied the lion's share of total EU outward FDI flows with EUR 9.4 bn.

The third sector, in terms of investment activity in 2002, was *vehicles and other transport equipment* (please refer to chart 4.4) with 8% of the EU total outward FDI flows (EUR 6.7 bn). The United Kingdom was the main investor in this sector accounting for 58%. France followed second with 37% of the investment made in *vehicles and other transport equipment*, of which EUR 1.9 bn was directed towards Japan.

³² A share above 100% for a sector is due to disinvestment in other sectors. Particularly, in 2002 the disinvestment in manufacturing was equal to EUR -13.5 bn and in telecommunications equal to EUR -5 bn.

³³ Major deals concluded in financial intermediation in 2002 were the M&A involving BNP Paribas SA (FR) acquiring United California Bank (US) for EUR 2.6 bn, and Deutsche Bank AG (DE) purchasing Zurich Scudder Investments Inc (US) for EUR 2.7 bn. All deals are quoted in the World Investment Report, (2003), UNCTAD.

Chart 4.4

Extra-EU FDI outward stocks still highly diversified at the end of 2002

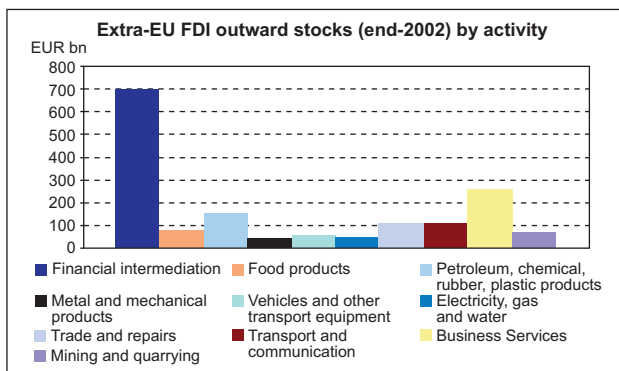
EU15 FDI stocks in extra-EU15 countries amounted to EUR 1 888 bn at the end of 2002 following a drop of 6% when compared to 2001 (EUR 2 014 bn).

As shown in Chart 4.5, these investments were highly diversified. One may note, however, that five activities together accounted for 71% of outward stocks at the end of 2002; namely: *financial intermediation* (37%), *business services* (14%), *petroleum, chemical, rubber, plastic products* (8%), *trade and repair* (6%) and *transport and communication* (6%).

For *financial intermediation*, 78% of these outward stocks were held in the sub-sector *insurance and other financial intermediation*, and 20% in *monetary intermediation*. The sub-sector *insurance and other financial intermediation* was subdivided into two parts: *other financial intermediation* (85%), and *insurance and activities auxiliary to insurance* (15%).

As far as the *petroleum, chemical, rubber, and plastic products* sector is concerned, 56% of outward stocks came from the sub-sector *manufacture of chemicals and chemical products*. For the *transport and communication* sector, nearly 81% resulted from the sub-sector *telecommunications*.

Chart 4.5



Intense investment in research and development (R&D); decline in mining and quarrying

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 4.5 shows that direct investments in extra-EU countries in the sectors *research and development*, *other financial intermediation*, *monetary intermediation*, and *other financial intermediation and insurance* (top four) attracted higher flows in 2002 relatively to the total stocks at end 2001. The R&D sector recorded the highest ratio at 26.5%. On the other hand, the situation is reversed for other sectors, such as *mining and quarrying*, *food products*, *telecommunications*, and *manufacture of chemicals and chemical products* which faced large disinvestments in 2002. *Mining and quarrying* recorded the highest negative ratio at -18.4%

Table 4.5. Extra-EU FDI outward stocks and flows

(EUR mn)

		Stocks (end-2001)	Flows (2002)	Flows/ Stocks (%)
Top four	Research and development	1,630	432	26.5%
	Other financial intermediation	417,879	63,327	15.2%
	Monetary intermediation	123,083	17,660	14.3%
	Other financial interme- diation and insurance	505,064	69,163	13.7%
Bottom four	Mining and quarrying	118,695	-21,891	-18.4%
	Food products	81,275	-10,292	-12.7%
	Telecommunications	100,823	-4,966	-4.9%
	Manufacture of chemicals & chemicals products	96,794	-4,507	-4.7%
TOTAL	1,475,711	244,723	16.6%	

Focus on Services for FDI to US, EFTA, and other partner countries. Focus on Manufacturing for FDI to Japan, and on Other Sectors for Canada

The shares of EU FDI outflows in *manufacturing*, *services* and *other sectors* did not vary significantly from one partner to another. The figures illustrate that throughout the period 1998-2002 the *services* sector attracted on average the biggest share of extra-EU FDI outflows in all major partners under consideration. The only exceptions were Japan and Canada, where the *manufacturing* and the *other sectors* respectively pulled the prime share of extra-EU FDI outflows.

As a whole, EU FDI outflows to extra-EU countries in 2002 exhibited a high preference for the *services* sector accounting for 114% of the total EU outflows, but this high share also depends on the disinvestments being observed in the *manufacturing* sector (-16%)³⁴. The 1998-2002 period showed a prevalence of the *services* sector accounting for 64% of the total, with *manufacturing* following with a big difference and occupying 18% of the total FDI outflows.

More specifically, *services* in the US in 1999 attracted a high share of total EU FDI outflows (74%) but fell down to -57% in 2002. This decrease was mainly attributed to the disinvestments in *trade and repairs* (-55%) and in *transports and communication* (-36%). Despite the drop in 2002, *services* in the US attracted an average of 62% for cumulated flows over the 1998-2002 period.

The EFTA countries exhibited a similar behaviour in the preference for the *services* sector reaching a peak level of 97% in 2002 and maintaining a 73% of extra-EU FDI flows as an average for the 1998-2002 period. In general for the five years period span, the EFTA countries attracted 11% of the total EU FDI outflows, of which 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 74% in 1998 to -26% in 2002. On the other hand, extra-EU outflows were characterised by a strong preference for the *other sectors* rising from 7% in 1998 to 102% in 2002. Japan exhibited as well an increase in the share of *services* on EU FDI outflows during the period 1999-2001 (rising from 46% to 95%) but falling back to 77% in 2002.

Over the time span 1998-2002, the *manufacturing* sector was the biggest one in Japan (with an average of 56%). On the other hand, for the remaining partner countries, extra-EU FDI flows were characterised by a strong preference for *services* (up to 88%, with an average of 69% for the cumulated flows).

³⁴ A share above 100% for a sector is due to disinvestment in other sectors.

**Table 4.6. EU-FDI outward flows to major partners
1998-2002^{35 36}**

(ECU/EUR mn)

		1998	1999	2000	2001	2002	1998-2002
Extra-EU	Manufacturing	32%	22%	18%	16%	-16%	18%
	Services	39%	62%	67%	66%	114%	64%
	Other Sectors	29%	17%	15%	18%	2%	17%
	Total	198,669	290,403	391,974	290,930	85,428	1,257,404
USA	Manufacturing	42%	12%	27%	20%	103%	20%
	Services	16%	74%	61%	65%	-57%	62%
	Others	42%	14%	12%	16%	54%	18%
	Total	119,130	177,451	167,727	135,386	-24,075	575,619
	% of extra-EU	60%	61%	43%	47%	-28%	46%
Canada	Manufacturing	19%	41%	4%	80%	25%	16%
	Services	74%	33%	25%	-12%	-26%	25%
	Other Sectors	7%	26%	71%	32%	102%	59%
	Total	3,266	2,096	36,277	5,914	-832	46,721
	% of extra-EU	2%	1%	9%	2%	-1%	4%
Japan	Manufacturing	91%	64%	48%	21%	23%	56%
	Services	11%	46%	51%	95%	77%	39%
	Other Sectors	-2%	-9%	1%	-16%	1%	5%
	Total	384	8,491	6,435	-8,990	10,025	16,345
	% of extra-EU	0%	3%	2%	-3%	12%	1%
EFTA	Manufacturing	16%	51%	9%	7%	1%	12%
	Services	77%	38%	69%	63%	97%	73%
	Other Sectors	6%	11%	22%	31%	2%	16%
	Total	21,563	8,864	65,518	12,659	23,434	132,038
	% of extra-EU	11%	3%	17%	4%	27%	11%
Other partner countries	Manufacturing	19%	34%	12%	12%	12%	17%
	Services	71%	41%	88%	73%	69%	69%
	Other Sectors	10%	25%	0%	16%	20%	14%
	Total	54,326	93,501	116,017	145,961	76,876	486,681
	% of extra-EU	27%	32%	30%	50%	90%	39%

* Excluding reinvested earnings.

³⁵ The negative percentages in the table are due to disinvestments.³⁶ Due to rounding, the sum of all shares does not equal 100% all the time.

4.3. INWARD FDI BY ECONOMIC ACTIVITY: SERVICES ATTRACTED EXTRA-EU FDI INFLOWS OF EUR 108 BN IN 2002

EU FDI inflows from extra-EU countries amounted to a record of EUR 120 bn in 2002 to reach a cumulative total of ECU/EUR 552 bn for the 1998–2002 period (excluding reinvested earnings).

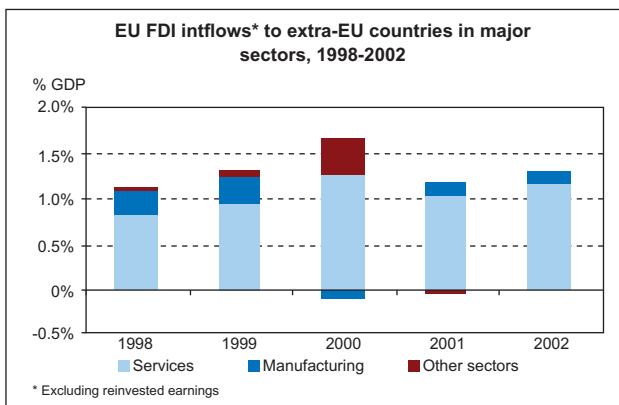
**Table 4.7. Extra-EU FDI inflows* by kind of activity,
1998-2002**

	(ECU/EUR mn)					
	1998	1999	2000	2001	2002	1998- 2002
Manufacturing	20,105	23,390	-7,679	13,280	11,148	60,244
Services	64,655	76,907	109,517	92,549	108,458	452,086
of which						
Trade and repair	-1,896	5,577	8,836	1,641	750	14,908
Hotels & restaurants	426	-39	806	625	-615	1,203
Transport	450	319	122	866	649	2,406
Telecommunications	7,166	3,164	8,939	4,171	-2,145	21,295
Financial						
intermediation	34,860	47,026	37,300	47,938	84,385	251,509
Business services	19,870	19,226	50,044	30,975	25,935	146,050
Other Services	3,779	1,634	3,469	6,330	-502	14,710
Other Sectors	2,223	5,957	32,888	-2,519	688	39,237
Total	86,983	106,254	134,726	103,310	120,294	551,567

* Excluding reinvested earnings.

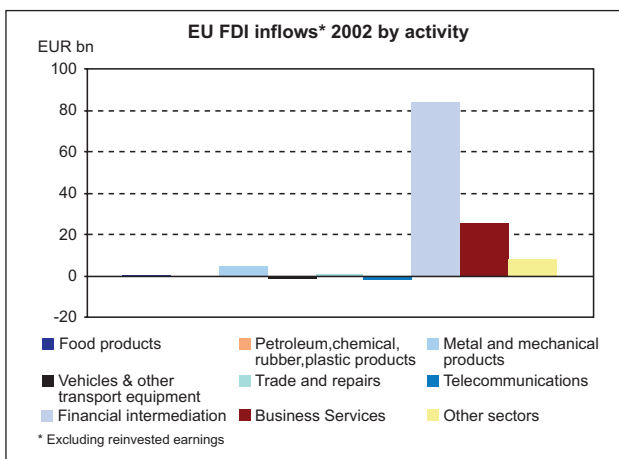
Services accounted for a larger proportion of inflows than for outflows, from 74% of the EU total in 1998 to 90% of the EU total in 2002. The share of *services* in extra-EU inflows reached an average of almost 82% for the period 1998-2002 (the respective one for extra-EU outflows is 64%, refer to Section 4.2) reaching its highest position in 2002 with 90% of the EU total. Inflows of *services* exhibited a constant increase during 1998-2000 (from 0.8% to 1.3% of the EU GDP) and finally stabilised at 1.2% in 2002.

Chart 4.6



FDI flows from extra-EU countries focused on financial intermediation in 2002

Chart 4.7



Investments from extra-EU countries were mostly made in one economic sector but two other sectors also stood out. *Financial intermediation* was the first sector in terms of importance (70%) in the EU total inward FDI flows, which more than doubled from 2000 to 2002 (from EUR 37 bn in 2000 to EUR 84 bn in 2002). In 2002, Luxembourg with 22% of the total occupied the first place of the extra EU investments placed on *financial intermediation*. Germany followed behind with 10% after a nearly quadrupled upsurge compared to 2001 values (from EUR 2 bn to EUR 8 bn). The Nether-

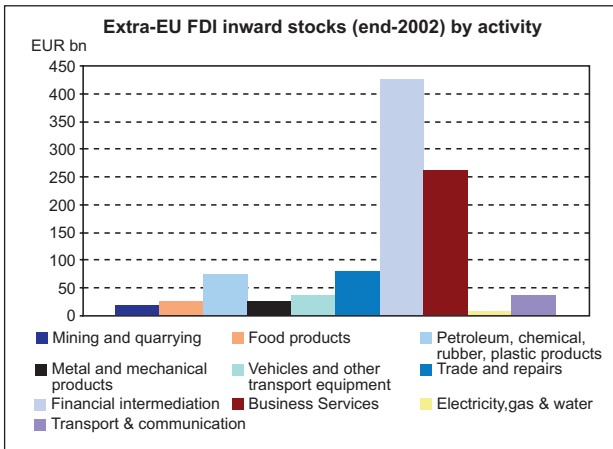
lands came next with 6% of the total despite the sharp slump compared to the 2001 level (from EUR 17 bn to EUR 5 bn).

Next in line came the *business services* sector, making up 22% of total EU inward FDI flows. Spain and France were the major recipients of these investments with respectively 66% and 14% of the total.

The *other sectors*³⁷ occupied the third place with 7% of the total EU inward FDI flows, whereas *metal and mechanical products* followed next with 4%. Germany was the major beneficiary of the investments placed on this sector with EUR 3 bn (65% of the total), whereas Sweden with EUR 0.8 bn occupied 17% of the total extra EU investments on *metal and mechanical products*.

2002: Extra-EU FDI inward stocks concentrated on two activity sectors representing 60%

Chart 4.8



EU FDI inward stocks amounted to EUR 1 136 bn at the end of 2002 following a 3% decrease from the 2001 levels.

Chart 4.8 makes explicitly clear that two activities stood out; *financial intermediation* (37%) and *business services* (23%) comprised 60% of inward stocks at the end of 2002. Next in line were *trade and repairs* (7%) followed by *petroleum, chemical, rubber, plastic products* sector (6%). The remaining sectors altogether represented 27% and FDI stocks in these sectors were of similar sizes.

For *financial intermediation*, one can observe that 87% of inward stocks emanated from the sub-sector *insurance and other financial*

³⁷ Other sectors includes: *agriculture and fishing, mining and quarrying, electricity, gas and water, and construction.*

intermediation, whereas the 12% 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 85 bn and France (EUR 39 bn) followed next having 15% of the total inward stocks.

Intense investment in *air transport*; decline in *electricity, gas and water*.

Having a closer look at the ratio between 2002 FDI inflows and 2001 inward stocks makes it easy to notice that *air transport, agriculture and fishing, textiles and wood activities, and other financial intermediation* sectors exhibited the highest values of that ratio. On the contrary in 2002, *electricity, gas and water, computer activities, hotels and restaurants, and finally transports and communication* sectors had negative ratios.

Table 4.8. Extra-EU FDI inward stocks and flows*

		(EUR mn)		
		Stocks (end-2001)	Flows (2002)	Flows/ Stocks (%)
Top	Air transport	505	722	143%
four	Agriculture and fishing	643	147	23%
	Textiles and wood activities	35,375	7,989	23%
	Other financial intermediation	353,427	74,977	21%
Bottom				
four	Electricity,gas and water	12,745	-2,608	-20%
	Computer activities	14,223	-1,168	-8%
	Hotels and restaurants	8,062	-615	-8%
	Transports and Communication	43,305	-3,017	-7%
TOTAL		1,174,615	120,294	10%

* Excluding reinvested earnings.

Principal investors in the European Union

Over the time span 1998–2002, EU FDI inflows 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 82% of the total FDI inflows, with *manufacturing* following next with a big difference and occupying 11% of the total FDI inflows. The *manufacturing* sector attracted high EU FDI inflows from Canada with a 35% average for 1998–2002, whereas Japan followed next with an average of 16% for the cumulated flows over the five year period.

More specifically, the *services* attracted from the US in 2002 the highest share of total flows (106%) maintaining an average of 81% for the cumulated inflows over the 1998–2002 period. Japan on the

other hand, even though it maintained high weights of *services* on FDI inflows from 1998-2000, started exhibiting decreases from 2001 onwards dropping from 76% in 2001 to 52% in 2002, which has been the lowest level for the five year period.

The EFTA countries exhibited a similar behaviour in the preference for the *services* sector reaching a peak level of 105% in 2001 and maintaining 79% extra-EU FDI inflows as an average for the 1998-2002 period. In general for the five period span, the EFTA countries contributed with 10% in the total EU FDI inflows, of which almost 75% was invested from Switzerland and the rest 25% was originated from Norway.

For the Other partner countries, extra-EU FDI inflows were also characterised by a strong preference for services (up to 124% in 1998, with an average of 94% for the cumulated flows).

Even though the *manufacturing* sector from Canada (35%) attracted the highest share of total flows for 1998-2002 when compared to the rest of the EU main partners, the *services* sector was the one attracting the most of the inflows from Canada, reaching 83% in 2001 and maintaining a 46% of total flows average for the five year period under consideration.

Table 4.9. EU-FDI inward flows* from major partners, 1998-2002^{38 39}

(ECU/EUR mn)

		1998	1999	2000	2001	2002	1998-2002
Extra-EU	Manufacturing	23%	22%	-6%	13%	9%	11%
	Services	74%	72%	81%	90%	90%	82%
	Other Sectors	3%	6%	24%	-2%	1%	7%
	Total	86,983	106,254	134,726	103,310	120,294	551,567
USA	Manufacturing	14%	36%	-13%	14%	-1%	11%
	Services	82%	61%	74%	89%	106%	81%
	Others	4%	3%	39%	-3%	-5%	8%
	Total	47,880	65,541	60,451	62,800	46,163	282,835
	% of extra-EU	55%	62%	45%	61%	38%	51%
Canada	Manufacturing	107%	2%	6%	14%	-6%	35%
	Services	-7%	62%	56%	83%	79%	46%
	Other Sectors	0%	37%	39%	3%	27%	20%
	Total	8,756	1,763	12,687	6,870	1,681	31,757
	% of extra-EU	10%	2%	9%	7%	1%	6%
Japan	Manufacturing	12%	16%	8%	18%	34%	16%
	Services	89%	80%	91%	76%	52%	80%
	Other Sectors	-1%	4%	1%	6%	14%	4%
	Total	2,779	4,207	16,886	7,277	6,701	37,850
	% of extra-EU	3%	4%	13%	7%	6%	7%
EFTA	Manufacturing	27%	-4%	15%	16%	1%	14%
	Services	59%	99%	73%	105%	103%	79%
	Other Sectors	15%	4%	12%	-22%	-4%	7%
	Total	16,361	7,078	19,687	3,728	8,854	55,708
	% of extra-EU	19%	7%	15%	4%	7%	10%
Other partner countries	Manufacturing	-6%	-3%	-18%	8%	16%	3%
	Services	124%	93%	111%	95%	80%	94%
	Other Sectors	-18%	10%	8%	-3%	3%	3%
	Total	11,207	27,665	25,015	22,635	56,895	143,417
	% of extra-EU	13%	26%	19%	22%	47%	26%

* Excluding reinvested earnings.

³⁸ The negative percentages in the table are due to disinvestments.³⁹ 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

	(EUR, mn)				
	1999	2000	2001	2002	2003
World	498,819	966,760	544,994	480,274	336,181
Intra-EU	376,057	786,658	424,938	340,484	222,957
Extra-EU	122,764	180,101	120,058	139,793	113,222
EFTA	9,767	26,597	9,355	13,177	21,042
United States	76,016	79,906	61,143	52,148	50,364
Canada	2,160	14,623	7,250	2,467	8,203
Japan	3,404	17,127	8,290	8,804	4,696

Table 2: Geographical breakdown of FDI flows abroad

Reporter: European Union

	(EUR, mn)				
	1999	2000	2001	2002	2003
World	747,623	1,128,387	624,535	484,130	385,993
Intra-EU	427,314	692,711	338,182	356,385	259,762
Extra-EU	320,307	435,676	286,352	127,746	126,229
EFTA	13,967	69,217	10,393	28,883	10,431
United States	191,437	182,111	139,184	-8,875	53,720
Canada	3,916	38,541	7,221	839	2,550
Japan	8,698	6,729	-9,417	10,191	736

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

EU25 for 2001-2002, EU15 for 1998-2000 (ECU/EUR, mn)

	1998	1999	2000	2001	2002
World	1,467,375	2,272,102	3,188,179	3,774,955	3,949,456
Intra-EU	820,507	1,428,806	2,177,735	2,580,035	2,794,172
Extra-EU	646,810	843,296	1,010,442	1,194,920	1,155,283
EFTA	117,294	135,157	148,552	158,209	180,991
United States	364,956	445,901	512,193	650,235	625,919
Canada	21,594	18,805	41,260	69,609	71,349
Japan	36,613	40,105	46,110	52,546	59,519

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

EU25 for 2001-2002, EU15 for 1998-2000 (ECU/EUR, mn)

	1998	1999	2000	2001	2002
World	1,668,364	2,903,072	4,107,618	4,681,105	4,650,468
Intra-EU	823,151	1,515,419	2,464,726	2,774,449	2,878,730
Extra-EU	844,230	1,387,653	1,642,892	1,906,658	1,771,738
EFTA	88,329	101,474	134,529	225,680	255,281
United States	411,096	636,679	697,050	874,324	714,354
Canada	24,548	31,734	73,827	92,181	83,567
Japan	13,393	23,610	28,267	44,257	50,346

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

EU25 for 2001-2003, EU15 for 1999-2000 (EUR, mn)

	Year	Credit	Debit	Net
World	1999	156,996	145,388	11,608
	2000	244,658	255,851	-11,193
	2001	238,048	241,296	-3,249
	2002	202,129	192,065	10,061
	2003	208,422	181,753	26,669
Intra-EU	1999	84,530	85,491	-961
	2000	129,436	150,901	-21,467
	2001	149,676	144,353	5,323
	2002	91,358	109,919	-18,561
	2003	104,543	111,900	-7,358
Extra-EU	1999	72,467	59,897	12,570
	2000	115,223	104,949	10,274
	2001	88,369	96,943	-8,572
	2002	110,770	82,145	28,623
	2003	103,882	69,848	34,032
EFTA	1999	9,498	10,895	-1,397
	2000	10,578	16,091	-5,513
	2001	8,760	18,498	-9,738
	2002	14,606	16,971	-2,367
	2003	12,645	14,061	-1,419
United States	1999	29,868	35,490	-5,621
	2000	37,547	45,528	-7,980
	2001	23,203	33,055	-9,853
	2002	31,610	32,181	-570
	2003	43,489	37,641	5,847
Canada	1999	2,465	927	1,539
	2000	3,329	3,104	227
	2001	2,337	1,489	849
	2002	2,858	1,887	969
	2003	2,715	2,052	664
Japan	1999	1,323	1,188	134
	2000	921	2,964	-2,042
	2001	495	3,188	-2,692
	2002	1,490	4,355	-2,865
	2003	1,157	2,031	-874

Table 6: Detailed geographical breakdown of 2003 FDI flows
Reporter: European Union

(EUR, mn)

	Abroad	In the reporting economy
Europe	312,080	269,689
Belgium	11,433	19,631
Luxembourg	35070	31853
Denmark	1,902	1,763
Germany	54,717	32,301
Greece	2,415	394
Spain	18,189	2,371
France	11,135	25,728
Ireland	20,657	22,951
Italy	10,247	17,446
Netherlands	27,525	37,610
Austria	5,084	3,237
Portugal	9,129	-340
Finland	690	-384
Sweden	4,115	5,317
United Kingdom	40,870	23,700
Iceland	25	284
Liechtenstein	28	30
Norway	-329	2,156
Switzerland	10,707	18,576
Poland	2,005	766
Cyprus	-413	-143
Malta	431	-70
Baltic countries	541	105
Estonia	203	-70
Lithuania	412	32
Latvia	-77	144
Czech Republic	-2,536	403
Slovakia	1,195	343
Hungary	4,207	-86
Romania	933	48
Bulgaria	485	68
Albania	19	1
Croatia	1,261	-3
Slovenia	1,114	13
Serbia and Montenegro	1,029	103
Turkey	948	1,627
Russia	8,085	499
Belarus	30	13
Ukraine	230	12
Africa	7,664	762
North African countries	2,521	231
Morocco	1,635	41
Egypt	977	20
Other African countries	5,147	531
South Africa	1,038	339
America	55,217	58,342
North American countries	56,269	58,564
United States	53,720	50,364
Canada	2,550	8,203
Central American countries	-1,958	-233
Mexico	1,996	36
South American countries	904	6
Colombia	226	243

	Abroad	In the reporting economy
Uruguay	271	162
Venezuela	-23	186
Brazil	1,165	-940
Chile	1,093	-415
Argentina	-2,054	680
Asia	13,475	6,853
Near and Middle East countries	1,075	543
Iran	-2	-299
Israel	60	-31
Gulf Arabian countries	596	807
Other Near and Middle East countries	417	62
Other Asian countries	12,401	6,308
India	818	598
Thailand	258	-98
Malaysia	-341	83
Indonesia	-408	-180
Singapore	4,548	-45
Philippines	-242	49
China(includ. Hong Kong)	4,808	1,162
Korea, Republic of (South Korea)	2,592	56
Japan	736	4,696
Taiwan	26	-237
Oceania and Polar regions	-2,415	251
Australia	296	608
New Zealand	-3,525	-127
Not allocated (1)	-28	284
World (all entities)	385,993	336,181
EU-25 (2)	259,762	222,957
Extra-EU-25	126,229	113,222
Euro-zone	206,331	190,857
Extra-euro-zone	179,664	145,327
European Free Trade Association	10,431	21,042
OECD countries	327,794	309,539
North American Free Trade Association	58,266	58,604
NICs1	8,898	798
NICs2A	-325	33
NICs2LA	2,200	-640
Commonwealth of Independent States (CIS)	8,650	599
Countries for the Association of South-East Asian Nations	3,252	-117
Organisation of Petroleum Exporting Countries	1,404	-310
Mercado comun de los paises del cono sur	-628	-103
Mediterranean countries in the Euro-Mediterranean Partnership	3696	1615
Offshore financial centers	30,128	23,824
Latin America countries	3,231	187
African, Caribbean and Pacific countries (Lomé convention)	7,264	-8,771
African ACP countries	4,828	537
Caribbean ACP countries	2,403	-9,109
Pacific ACP countries	34	-200
Mediterranean Basin countries	31,882	20,999
Maghrebian countries	1,409	197
Countries from Mashrek	1,262	34
Countries from Central and Eastern Europe	9,812	1,268
French Franc zone	1,420	32

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

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

Table 7: Detailed geographical breakdown of 2002 FDI flows
Reporter: European Union

(EUR, mn)

	Abroad	In the reporting economy
Europe	392,323	359,462
Belgium	23,216	15,547
Luxembourg	24937	114509
Denmark	51	-145
Germany	67,963	60,847
Greece	949	739
Spain	7,518	8,524
France	31,200	20,062
Ireland	26,333	9,639
Italy	17,515	7,151
Netherlands	90,855	49,138
Austria	1,237	3,969
Portugal	3,096	-5,103
Finland	12,719	5,184
Sweden	12,641	9,737
United Kingdom	28,985	36,865
Iceland	16	93
Liechtenstein	-46	209
Norway	1,401	5,232
Switzerland	27,510	7,643
Poland	2,529	489
Cyprus	571	501
Malta	-2,218	149
Baltic countries	821	238
Estonia	402	145
Lithuania	346	23
Latvia	70	70
Czech Republic	-196	354
Slovakia	4,546	282
Hungary	-501	415
Romania	620	5
Bulgaria	1,088	22
Albania	17	16
Croatia	667	-9
Slovenia	1,145	233
Serbia and Montenegro	275	5
Turkey	984	-243
Russia	1,295	210
Belarus	37	5
Ukraine	21	15
Africa	2,908	3,011
North African countries	2,073	1,553
Morocco	420	82
Egypt	1,357	466
Other African countries	837	1,456
South Africa	1,679	-223
America	46,823	100,576
North American countries	-8,034	54,616
United States	-8,875	52,148
Canada	839	2,467
Central American countries	52,084	41,946
Mexico	4,949	-183
South American countries	2,774	4,014
Colombia	-482	187

	Abroad	In the reporting economy
Uruguay	275	21
Venezuela	-1,846	315
Brazil	3,410	1,315
Chile	165	1,559
Argentina	538	402
Asia	30,412	17,318
Near and Middle East countries	2,412	1,314
Iran	146	125
Israel	63	536
Gulf Arabian countries	1,217	529
Other Near and Middle East countries	987	120
Other Asian countries	28,000	16,004
India	951	136
Thailand	664	587
Malaysia	366	943
Indonesia	-491	514
Singapore	7,901	1,961
Philippines	-442	-7
China(includ. Hong Kong)	6,045	2,419
Korea, Republic of (South Korea)	1,669	-187
Japan	10,191	8,804
Taiwan	513	729
Oceania and Polar regions	7,183	360
Australia	6,857	135
New Zealand	308	213
Not allocated (1)	4,481	-453
World (all entities)	484,130	480,274
EU-25 (2)	356,385	340,484
Extra-EU-25	127,746	139,793
Euro-zone	308,014	291,359
Extra-euro-zone	176,117	188,916
European Free Trade Association	28,883	13,177
OECD countries	401,915	415,467
North American Free Trade Association	-3,086	54,432
NICs1	12,915	5,039
NICs2A	586	1,522
NICs2LA	9,055	3,092
Commonwealth of Independent States (CIS)	2,482	285
Countries for the Association of South-East Asian Nations	7,817	4,049
Organisation of Petroleum Exporting Countries	13	2,078
Mercado comun de los paises del cono sur	4,147	1,742
Mediterranean countries in the Euro-Mediterranean Partnership	1,863	2,284
Offshore financial centers	57,045	52,227
Latin America countries	8,976	3,962
African, Caribbean and Pacific countries (Lomé convention)	2,811	1,889
African ACP countries	769	1,423
Caribbean ACP countries	2,008	403
Pacific ACP countries	34	63
Mediterranean Basin countries	6,455	6,056
Maghrebian countries	715	745
Countries from Machrek	1,746	591
Countries from Central and Eastern Europe	10,857	2,055
French Franc zone	-501	362

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

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

Table 8: Detailed geographical breakdown of 2003 FDI income
Reporter: European Union

(EUR, mn)

	Credit	Debit	Net
Europe	123,277	128,811	-5,532
Belgium	8,228	4,605	3,623
Luxembourg	8363	8970	-607
Denmark	1,751	1,388	363
Germany	12,580	16,982	-4,402
Greece	887	-248	1,134
Spain	5,658	612	5,046
France	10,113	14,866	-4,753
Ireland	9,189	4,994	4,194
Italy	4,211	1,194	3,018
Netherlands	21,981	29,283	-7,302
Austria	1,958	1,545	413
Portugal	1,498	465	1,033
Finland	2,451	3,188	-738
Sweden	4,955	5,543	-588
United Kingdom	3,975	17,481	-13,505
Iceland	1	12	-11
Liechtenstein	35	256	-222
Norway	1,922	1,216	705
Switzerland	10,679	12,575	-1,896
Poland	1,176	-26	1,203
Cyprus	188	148	41
Malta	77	35	42
Baltic countries	681	21	658
Estonia	327	4	324
Lithuania	198	7	191
Latvia	158	6	152
Czech Republic	1,656	55	1,600
Slovakia	474	148	325
Hungary	2,162	163	1,999
Romania	292	-5	297
Bulgaria	197	14	183
Albania	6	0	6
Croatia	344	17	327
Slovenia	277	5	271
Serbia and Montenegro	33	48	-15
Turkey	627	1,605	-979
Russia	1,523	469	1,055
Belarus	3	-15	18
Ukraine	41	25	15
Africa	6,275	525	5,750
North African countries	1,237	143	1,094
Morocco	288	35	253
Egypt	635	55	582
Other African countries	5,039	383	4,656
South Africa	2,766	237	2,529
America	56,710	48,488	8,224
North American countries	46,202	39,691	6,512
United States	43,489	37,641	5,847
Canada	2,715	2,052	664
Central American countries	7,417	8,152	-736
Mexico	1,519	449	1,069
South American countries	3,093	641	2,452
Colombia	291	21	272

	Credit	Debit	Net
Uruguay	66	8	59
Venezuela	171	34	135
Brazil	2,446	520	1,925
Chile	207	16	191
Argentina	-101	20	-121
Asia	15,448	2,372	13,076
Near and Middle East countries	1,892	153	1,739
Iran	-5	41	-46
Israel	-21	224	-245
Gulf Arabian countries	1,203	-388	1,590
Other Near and Middle East countries	714	274	441
Other Asian countries	13,554	2,216	11,338
India	700	8	692
Thailand	544	9	534
Malaysia	937	37	900
Indonesia	270	26	243
Singapore	2,446	357	2,088
Philippines	135	14	121
China(includ. Hong Kong)	4,747	148	4,601
Korea, Republic of (South Korea)	1,155	-381	1,536
Japan	1,157	2,031	-874
Taiwan	538	47	491
Oceania and Polar regions	4,541	1,224	3,314
Australia	3,710	1,012	2,700
New Zealand	793	49	744
Not allocated (¹)	2,165	330	1,838
World (all entities)	208,422	181,753	26,669
EU-25 (²)	104,543	111,900	-7,358
Extra-EU-25	103,882	69,848	34,032
Euro-zone	87,174	86,940	234
Extra-euro-zone	121,243	94,807	26,437
European Free Trade Association	12,645	14,061	-1,419
OECD countries	171,081	169,945	1,132
North American Free Trade Association	47,722	40,144	7,579
NICs1	6,974	144	6,828
NICs2A	1,617	65	1,553
NICs2LA	4,076	1,011	3,069
Commonwealth of Independent States (CIS)	1,788	472	1,316
Countries for the Association of South-East Asian Nations	4,421	452	3,966
Organisation of Petroleum Exporting Countries	1,967	-331	2,298
Mercado comun de los paises del cono sur	2,419	553	1,867
Mediterranean countries in the Euro-Mediterranean Partnership	2,425	2,197	229
Offshore financial centers	14,366	10,406	3,958
Latin America countries	4,904	1,498	3,407
African, Caribbean and Pacific countries (Lomé convention)	5,891	969	4,923
African ACP countries	5,000	381	4,618
Caribbean ACP countries	855	141	713
Pacific ACP countries	36	443	-407
Mediterranean Basin countries	3,266	2,229	1,035
Maghrebian countries	281	86	195
Countries from Machrek	1,265	95	1,171
Countries from Central and Eastern Europe	6,651	301	6,349
French Franc zone	991	117	873

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

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

Table 9: Detailed geographical breakdown of 2002 FDI income
Reporter: European Union

(EUR, mn)

	Credit	Debit	Net
Europe	110,658	128,519	-17,860
Belgium	-586	5,616	-6,204
Luxembourg	8898	8800	97
Denmark	3,047	-73	3,120
Germany	11,236	19,491	-8,254
Greece	807	-222	1,029
Spain	4,592	3,854	737
France	8,440	12,669	-4,230
Ireland	6,016	5,059	957
Italy	5,101	3,233	1,867
Netherlands	26,572	29,420	-2,849
Austria	1,046	2,078	-1,032
Portugal	1,529	1,224	304
Finland	2,332	3,125	-793
Sweden	4,644	5,443	-802
United Kingdom	1,523	7,938	-6,415
Iceland	11	14	-1
Liechtenstein	40	673	-633
Norway	2,708	1,476	1,230
Switzerland	11,845	14,804	-2,957
Poland	260	296	-36
Cyprus	221	831	-608
Malta	400	221	177
Baltic countries	602	21	579
Estonia	279	-4	281
Lithuania	181	17	164
Latvia	140	9	131
Czech Republic	1,654	67	1,587
Slovakia	537	130	407
Hungary	2,165	422	1,743
Romania	53	8	45
Bulgaria	143	15	128
Albania	3	0	3
Croatia	222	5	216
Slovenia	219	118	101
Serbia and Montenegro	1	56	-55
Turkey	353	171	182
Russia	1,451	568	883
Belarus	2	-21	23
Ukraine	55	27	27
Africa	7,404	3,581	3,824
North African countries	2,891	1,648	1,243
Morocco	596	153	443
Egypt	1,460	656	804
Other African countries	4,513	1,932	2,583
South Africa	2,240	251	1,989
America	45,548	40,819	4,727
North American countries	34,472	34,073	397
United States	31,610	32,181	-570
Canada	2,858	1,887	969
Central American countries	7,959	5,260	2,700
Mexico	1,618	225	1,393
South American countries	3,113	1,490	1,623
Colombia	409	177	233

	Credit	Debit	Net
Uruguay	117	9	108
Venezuela	624	270	353
Brazil	2,363	497	1,867
Chile	496	67	428
Argentina	-1,004	415	-1,419
Asia	21,165	11,589	9,577
Near and Middle East countries	2,464	967	1,495
Iran	42	91	-49
Israel	-71	262	-333
Gulf Arabian countries	1,695	277	1,418
Other Near and Middle East countries	800	338	463
Other Asian countries	18,700	10,618	8,080
India	974	110	863
Thailand	596	101	495
Malaysia	1,704	851	853
Indonesia	974	534	439
Singapore	3,922	903	3,015
Philippines	213	36	177
China(includ. Hong Kong)	5,936	3,022	2,914
Korea, Republic of (South Korea)	1,318	-128	1,446
Japan	1,490	4,355	-2,865
Taiwan	255	721	-466
Oceania and Polar regions	4,743	434	4,309
Australia	3,794	525	3,269
New Zealand	903	-155	1,056
Not allocated (*)	12,609	7,122	5,484
World (all entities)	202,129	192,065	10,061
EU-25 (†)	91,358	109,919	-18,561
Extra-EU-25	110,770	82,145	28,623
Euro-zone	76,089	94,508	-18,418
Extra-euro-zone	126,039	97,556	28,482
European Free Trade Association	14,606	16,971	-2,367
OECD countries	148,430	164,078	-15,649
North American Free Trade Association	36,084	34,291	1,794
NICs1	9,766	4,440	5,326
NICs2A	2,514	986	1,528
NICs2LA	3,472	1,203	2,270
Commonwealth of Independent States (CIS)	2,063	614	1,448
Countries for the Association of South-East Asian Nations	7,607	2,497	5,110
Organisation of Petroleum Exporting Countries	4,388	1,544	2,844
Mercado comun de los paises del cono sur	1,466	928	540
Mediterranean countries in the Euro-Mediterranean Partnership	4,029	3,070	960
Offshore financial centers	17,163	11,168	5,993
Latin America countries	5,040	2,115	2,925
African, Caribbean and Pacific countries (Lomé convention)	5,324	2,368	2,955
African ACP countries	4,439	1,933	2,509
Caribbean ACP countries	848	41	807
Pacific ACP countries	35	396	-361
Mediterranean Basin countries	4,904	2,688	2,216
Maghreb countries	1,126	853	273
Countries from Machrek	2,001	735	1,266
Countries from Central and Eastern Europe	5,330	1,213	4,114
French Franc zone	570	441	130

(*) Not allocated = World - Europe - Africa - America - Asia - Oceania and Polar regions.

(†) The gap between outward and inward flows corresponds to an intra-EU asymetry.

Table 10: FDI flows by economic activity in 2001
Reporter: European Union



(EUR, mn)

	Abroad (equity capital + other capital)							In the reporting economy (equity capital + other capital)						
	World	Intra-EU	Extra-EU	USA	Japan	Canada	EFTA	World	Intra-EU	Extra-EU	USA	Japan	Canada	EFTA
AGRICULTURE AND FISHING	127	13	114	41	1	0	38	287	290	-4	13	0	-1	-21
MINING AND QUARRYING	24,108	6,542	17,565	6,760	346	1,250	726	-138	322	-460	-308	12	361	-252
MANUFACTURING	60,017	12,939	47,078	26,545	-1,928	4,728	872	77,501	64,220	13,280	8,967	1,305	982	607
Food products	791	-3,708	4,499	3,357	-93	208	-2,523	4,934	6,744	-1,809	-404	183	417	-2,158
Wood, publishing and printing	10,739	10,697	43	0	0	0	0	:	:	:	:	:	:	:
Textiles and wood activities	10,956	11,021	-65	-146	-1	354	-1,171	6,933	5,426	1,507	-1,550	13	61	1,232
Chemical products	283	-1,234	1,517	0	-217	0	443	9,246	12,510	-3,264	1,158	-3,133	:	134
Petroleum, chemical, rubber, plastic products	3,194	-3,528	6,721	-2,692	-258	3,656	908	20,629	20,426	203	3,295	-3,041	90	439
Metal products	0	0	0	0	0	0	0	2,934	1,450	1,484	:	:	:	:
Mechanical products	3,241	362	2,879	0	0	0	0	3,792	2,579	1,213	711	:	:	:
Metal and mechanical products	8,076	1,804	6,272	4,654	75	162	1,091	6,725	4,027	2,698	1,739	85	-721	1,230
Machinery, computers, RTV, communication	5,598	-834	6,432	6,842	-2,105	30	239	11,776	1,601	10,176	5,277	2,344	3	398
Vehicles and other transport equipment	17,820	5,808	12,012	11,292	-54	96	3	6,338	6,152	186	-378	166	597	-602
Miscellaneous manufacturing	13,582	2,376	11,206	3,239	504	222	2,325	20,165	19,845	320	590	1,555	537	68
ELECTRICITY, GAS AND WATER	17,587	12,107	5,460	4,026	27	746	399	2,871	4,297	-1,426	-1,103	118	4	-14
CONSTRUCTION	1,680	914	766	86	6	-95	57	1,400	1,622	-222	174	2	-41	-264
TRADE AND REPAIRS	38,116	29,481	8,635	5,737	50	86	-48	23,133	21,492	1,641	2,067	-245	202	23
HOTELS AND RESTAURANTS	2,072	1,041	1,031	573	-28	-167	-6	1,319	694	625	523	38	5	-11
TRANSPORT AND COMMUNICATION	55,364	11,085	44,279	43,531	-4,855	70	2,302	27,145	21,314	5,831	5,493	68	286	479
Land transport	1,155	873	282	8	-1	2	113	1,488	1,301	184	125	5	36	-25
Sea and coastal water transport	2,250	484	1,766	332	5	-9	16	-270	-613	343	69	0	6	73
Air transport	450	359	91	2	0	20	51	1,338	995	343	202	0	18	74

	Abroad (equity capital + other capital)						In the reporting economy (equity capital + other capital)							
	World	Intra-EU	Extra-EU	USA	Japan	Canada	EFTA	World	Intra-EU	Extra-EU	USA	Japan	Canada	EFTA
Land, sea and air transport	3,854	1,717	2,137	342	5	12	181	2,550	1,684	886	395	4	61	121
Telecommunications	49,813	8,111	41,702	42,327	-4,867	28	2,116	22,487	18,315	4,171	4,712	7	220	-257
Misc. transport and communication	1,697	1,259	438	861	7	30	4	2,108	1,315	793	383	57	5	615
FINANCIAL INTERMEDIATION	247,724	134,704	113,020	24,328	-3,542	-905	7,058	187,943	140,004	47,938	24,352	5,324	2,354	1,710
Monetary intermediation	25,319	9,518	15,801	7,078	395	-27	-189	12,125	8,417	3,708	1,483	-92	199	171
Other financial intermediation	198,923	115,154	83,768	11,217	-4,180	-985	6,307	167,790	126,845	40,945	22,372	6,467	2,107	-85
Insurance and activities auxiliary to insurance	17,951	8,927	9,024	4,685	226	98	738	6,432	4,640	1,792	572	-1,384	90	1,578
Other financial intermediation and insurance	216,869	124,081	92,788	15,900	-3,955	-889	7,044	174,222	131,484	42,738	22,943	5,083	2,198	1,491
Misc. financial intermediation	5,536	1,105	4,431	1,349	19	10	202	1,595	102	1,493	-75	333	-41	47
REAL ESTATE AND BUSINESS ACTIVITIES	107,538	75,504	32,034	19,394	-173	158	-1,228	138,825	104,041	34,784	22,008	-42	2,838	1,975
Real estate	4,768	5,406	-638	-182	-50	-34	87	12,545	8,736	3,809	703	2	11	311
Computer activities	3,000	835	2,165	1,494	7	12	122	5,366	3,950	1,416	1,584	88	9	107
Research and development	397	261	135	102	5	-1	7	2,553	1,669	884	568	3	28	14
Other business activities	85,313	60,801	24,512	13,438	-141	177	-878	110,592	82,786	27,807	19,142	556	2,816	1,185
Computer, research, other business activities	88,708	61,896	26,812	15,037	-132	188	-750	118,511	88,406	30,105	21,297	644	2,853	1,305
Misc. real estate and business activities	14,062	8,202	5,860	4,540	8	4	-566	7,769	6,899	870	8	-688	-25	358
OTHER SERVICES	-617	6,288	-6,905	-6,044	18	43	3,218	3,218	1,488	1,730	1,524	378	1	-248
Not allocated	31,532	3,696	27,836	10,393	1,088	-2	2,641	26,365	26,770	-405	-512	324	-120	-258
SUB-TOTAL	585,226	294,309	290,917	135,373	-8,990	5,914	12,656	489,861	386,552	103,309	62,800	7,277	6,870	3,727
Priv. purchases and sales of real estate	91	77	14	13	0	0	3	-3	-5	2	0	0	0	1
TOTAL	585,318	294,386	290,930	135,386	-8,990	5,914	12,659	489,858	386,547	103,310	62,800	7,277	6,870	3,728

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



(EUR, mn)

	Abroad (equity capital + other capital)							In the reporting economy (equity capital + other capital)						
	World	Intra-EU	Extra-EU	USA	Japan	Canada	EFTA	World	Intra-EU	Extra-EU	USA	Japan	Canada	EFTA
AGRICULTURE AND FISHING	53	-70	122	-8	0	0	88	-148	-295	147	14	0	0	105
MINING AND QUARRYING	-11,656	10,235	-21,891	-12,676	-44	-735	457	520	-151	671	-106	-1	461	-15
MANUFACTURING	27,441	40,958	-13,517	-24,794	2,262	-204	217	38,710	27,562	11,148	-339	2,256	-97	65
Food products	9,500	19,793	-10,292	-11,254	-1	-126	-520	334	-48	382	858	-31	0	-823
Textiles and wood activities	4,212	828	3,384	515	68	176	-1,360	7,825	-163	7,989	1,430	16	40	551
Chemical products	1,604	6,111	-4,507	-4,297	209	-258	402	12,842	11,284	1,558	1,952	183	10	-153
Petroleum, chemical, rubber, plastic products	1,889	6,347	-4,458	-6,368	210	-50	-495	12,904	13,231	-327	1,146	243	-54	-475
Metal and mechanical products	6,990	3,877	3,112	944	-20	-1	-764	12,803	8,057	4,746	811	-39	-309	2,350
Machinery, computers, RTV, communication	1,088	-2,475	3,563	302	60	-110	2,880	-1,911	-1,482	-419	640	179	162	-1,289
Vehicles and other transport equipment	15,379	8,664	6,715	6,119	1,977	-44	599	421	2,020	-1,600	-4,894	1,894	-2	-144
Miscellaneous manufacturing	-11,618	3,926	-15,545	-15,054	-31	-48	-122	6,334	5,958	376	-329	-6	65	-106
ELECTRICITY, GAS AND WATER	10,042	11,470	-1,428	-2,324	-45	22	-38	19,695	22,303	-2,608	-3,086	16	-50	438
CONSTRUCTION	1,778	484	1,284	278	21	32	49	1,651	1,437	214	133	2	122	-138
TRADE AND REPAIRS	24,940	22,693	2,247	-7,533	92	173	9,285	11,328	10,578	750	3,972	-658	6	462
HOTELS AND RESTAURANTS	7,273	6,082	1,191	1,256	3	206	142	-408	207	-615	-142	-3	3	27
TRANSPORT AND COMMUNICATION	4,715	8,971	-4,256	-4,938	86	130	521	15,866	18,883	-3,017	-2,530	2	-5	-198
Land transport	581	236	345	70	-1	92	44	728	774	-46	-47	-7	-2	21
Sea and coastal water transport	-32	3	-35	42	3	-35	2	796	824	-28	-2	2	0	32
Air transport	35	45	-10	3	0	-3	7	736	13	722	694	-4	-1	46
Land, sea and air transport	583	283	300	123	2	55	53	2,259	1,610	649	647	-10	-2	99
Telecommunications	3,313	8,280	-4,966	-5,032	86	44	490	13,688	15,813	-2,145	-2,297	15	-4	122

	Abroad (equity capital + other capital)						In the reporting economy (equity capital + other capital)							
	World	Intra-EU	Extra-EU	USA	Japan	Canada	EFTA	World	Intra-EU	Extra-EU	USA	Japan	Canada	EFTA
Misc. transport and communication	819	409	410	-29	-2	32	-23	-61	1,459	-1,521	-881	-3	1	-419
FINANCIAL INTERMEDIATION	283,061	196,747	86,314	12,487	5,671	-143	9,374	220,658	136,273	84,385	37,373	-686	464	1,378
Monetary intermediation	31,963	14,304	17,660	11,073	188	270	22	17,105	11,960	5,145	1,806	-18	14	44
Other financial intermediation	235,912	172,585	63,327	-4,313	5,787	-292	9,775	192,286	117,309	74,977	31,889	-777	293	1,407
Insurance and activities auxiliary to insurance	15,298	9,458	5,840	6,860	154	-30	-609	10,223	6,673	3,550	2,982	104	194	-143
Other financial intermediation and insurance	251,207	182,044	69,163	2,547	5,941	-322	9,165	202,507	123,963	78,525	34,870	-676	487	1,262
Misc. financial intermediation	-109	399	-508	-1,133	-458	-91	187	1,046	331	715	696	8	-37	73
REAL ESTATE AND BUSINESS ACTIVITIES	72,590	60,261	12,329	12,187	1,851	84	3,729	107,177	80,283	26,894	10,081	5,033	846	7,335
Real estate	4,818	665	4,152	265	7	25	109	12,590	11,632	959	278	178	11	313
Computer activities	6,450	5,524	926	763	-54	28	179	2,985	4,152	-1,168	-1,373	16	7	31
Research and development	550	117	432	395	11	2	40	401	362	19	-37	1	12	20
Other business activities	59,442	53,318	6,124	10,601	1,875	24	3,153	86,864	60,738	26,126	10,917	4,768	820	6,829
Computer, research, other business activities	66,439	58,960	7,479	11,760	1,829	53	3,373	90,250	65,273	24,977	9,504	4,787	835	6,877
Misc. real estate and business activities	1,333	635	698	163	15	6	247	4,336	3,379	958	299	68	0	145
OTHER SERVICES	4,364	5,122	-757	232	-1	-231	-269	1,450	1,389	61	109	-210	9	122
Not allocated	8,244	-15,442	23,686	1,726	126	-168	-126	6,568	4,275	2,293	683	948	-75	-731
SUB-TOTAL	432,849	347,520	85,329	-24,105	10,026	-834	23,427	423,067	302,747	120,320	46,163	6,701	1,680	8,853
Priv. purchases and sales of real estate	160	65	95	30	-1	1	6	255	280	-24	0	1	1	0
TOTAL	433,010	347,585	85,428	-24,075	10,025	-832	23,434	423,322	303,027	120,294	46,163	6,701	1,681	8,854

Table 12: Detailed geographical breakdown of 2002 FDI stocks
Reporter: European Union

(mn EUR)

	Abroad	In the reporting economy
Europe	3,196,252	3,006,025
Belgium	247,899	156,010
Luxembourg	259,330	325,659
Denmark	40,391	32,800
Germany	387,027	317,180
Greece	8,850	1,926
Spain	124,484	41,839
France	257,820	253,775
Ireland	136,838	59,895
Italy	102,379	76,582
Netherlands	562,110	514,155
Austria	36,582	32,320
Portugal	30,832	27,091
Finland	30,503	49,073
Sweden	73,701	77,060
United Kingdom	406,842	815,658
Iceland	110	63
Liechtenstein	1,206	2,320
Norway	31,978	28,891
Switzerland	221,986	149,718
Poland	44,764	942
Cyprus	5,038	3,705
Malta	837	602
Baltic countries	5,910	834
Estonia	2,044	660
Lithuania	2,260	58
Latvia	1,606	115
Czech Republic	28,620	1,079
Slovakia	8,324	402
Hungary	26,938	-362
Romania	3,948	119
Bulgaria	2,248	121
Albania	218	14
Croatia	3,934	241
Slovenia	2,341	321
Serbia and Montenegro	2,563	1,063
Turkey	7,216	1,774
Russia	8,992	4,309
Belarus	60	98
Ukraine	825	149
Africa	54,482	12,720
North African countries	13,681	3,518
Morocco	3,287	654
Egypt	4,327	1,256
Other African countries	40,804	9,200
South Africa	21,449	4,928
America	973,342	776,151
North American countries	789,999	699,709
United States	714,354	625,919
Canada	83,567	71,349
Central American countries	92,169	70,012
Mexico	24,308	3,394
South American countries	91,173	6,425

	Abroad	In the reporting economy
Colombia	4,763	399
Uruguay	1,459	564
Venezuela	4,522	1,053
Brazil	45,897	2,133
Chile	11,632	968
Argentina	20,389	1,252
Asia	221,651	117,777
Near and Middle East countries	12,971	17,047
Iran	901	2,103
Israel	1,156	2,403
Gulf Arabian countries	7,240	10,426
Other Near and Middle East countries	3,672	2,115
Other Asian countries	208,682	100,734
India	5,383	732
Thailand	5,995	864
Malaysia	6,806	1,790
Indonesia	3,925	1,282
Singapore	33,065	15,088
Philippines	2,807	127
China(includ. Hong Kong)	76,163	15,313
Korea, Republic of (South Korea)	13,290	2,858
Japan	50,346	59,519
Taiwan	6,265	2,194
Oceania and Polar regions	42,627	15,234
Australia	37,467	14,602
New Zealand	4,674	457
Not allocated ⁽¹⁾	162,117	21,539
World (all entities)	4,650,468	3,949,456
EU-25 ⁽²⁾	2,878,730	2,794,172
Extra-EU-25	1,771,738	1,155,283
Euro-zone	2,235,023	1,861,125
Extra-euro-zone	2,415,445	2,088,331
European Free Trade Association	255,281	180,991
OECD countries	4,053,903	3,747,249
North American Free Trade Association	822,229	700,661
NICs1	109,225	34,905
NICs2A	15,605	2,781
NICs2LA	102,228	7,745
Commonwealth of Independent States (CIS)	14,744	4,587
Countries for the Association of South-East Asian Nations	53,734	19,617
Organisation of Petroleum Exporting Countries	22,424	14,762
Mercado comun de los paises del cono sur	67,957	3,957
Mediterranean countries in the Euro-Mediterranean Partnership	29,320	13,237
Offshore financial centers	202,081	137,514
Latin America countries	116,792	16,148
African, Caribbean and Pacific countries (Lomé convention)	51,255	15,812
African ACP countries	40,491	9,192
Caribbean ACP countries	10,399	6,450
Pacific ACP countries	365	172
Mediterranean Basin countries	46,079	23,262
Maghrebian countries	7,932	1,583
Countries from Machrek	7,140	3,167
Countries from Central and Eastern Europe	127,319	3,243
French Franc zone	3,527	978

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

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

Table 13: FDI stocks by economic activity in 2002
Reporter: European Union

(EUR, mn)

	Abroad (equity capital + other capital)							In the reporting economy (equity capital + other capital)						
	World	Intra-EU	Extra-EU	USA	Japan	Canada	EFTA	World	Intra-EU	Extra-EU	USA	Japan	Canada	EFTA
AGRICULTURE AND FISHING	1,712	822	893	261	2	42	14	1,774	786	990	299	25	94	132
MINING AND QUARRYING	98,559	27,693	70,866	35,492	-37	333	5,459	74,373	57,396	16,976	10,684	148	2,953	1,369
MANUFACTURING	899,528	437,060	462,467	171,777	14,658	16,001	60,418	664,519	425,493	239,027	157,004	11,501	4,562	41,364
Food products	125,828	46,661	79,167	36,288	216	3,320	5,915	67,581	42,705	24,876	12,541	406	29	9,173
Textiles and wood activities	119,750	81,765	37,984	21,908	274	766	3,479	68,424	37,772	30,650	18,610	537	530	3,746
Chemical products	173,363	88,681	84,682	22,084	2,746	2,939		199,793	141,948	57,845	41,483	1,352		14,923
Petroleum, chemical, rubber, plastic products	271,583	120,193	151,388	36,351	3,323	7,477	29,083	249,571	176,403	72,170	49,618	805	-31	17,283
Metal and mechanical products	93,838	49,203	44,635	20,632	895	1,043	5,286	66,403	39,301	26,102	14,670	1,041	655	6,507
Machinery, computers, RTV, communication	82,072	41,331	40,742	13,779	435	1,578	7,737	64,937	40,637	24,300	19,665	2,855	2,280	958
Vehicles and other transport equipment	106,272	48,630	57,643	22,670	8,481	666	4,540	68,989	33,352	35,638	26,861	3,077	882	2,865
Miscellaneous manufacturing	100,183	49,275	50,908	20,170	1,033	1,151	4,380	80,614	55,322	25,291	15,038	2,780	232	832
ELECTRICITY, GAS AND WATER	88,109	41,088	47,023	23,504	254	195	433	45,699	37,150	8,551	5,831	99	120	1,887
CONSTRUCTION	18,830	8,472	10,359	3,644	54	666	1,053	16,359	10,605	5,754	2,706	11	176	960
TRADE AND REPAIRS	243,384	133,982	109,401	41,860	2,472	1,816	18,120	222,734	144,125	78,610	35,815	14,706	978	14,761
HOTELS AND RESTAURANTS	34,418	20,156	14,262	8,905	48	1,471	278	15,825	9,150	6,675	4,280	79	64	853
TRANSPORT AND COMMUNICATION	358,045	248,194	109,852	43,733	1,491	1,251	5,470	173,288	138,497	34,788	20,742	2,262	313	4,860
Land transport	10,834	5,535	5,299	2,666	44	269	1,551	14,439	12,399	2,039	721	158	26	564
Sea and coastal water transport	8,537	3,578	4,959	931	96	34	317	2,773	2,147	628	161	93	1	119
Air transport	6,234	2,249	3,985	469	176	39	183	2,284	1,793	491	256	2	11	76
Land, sea and air transport	25,605	11,360	14,244	4,066	315	343	2,060	19,497	16,339	3,158	1,138	253	38	758
Telecommunications	314,202	225,418	88,784	31,847	1,366	996	2,861	140,096	111,929	28,168	18,560	1,886	191	3,065

	Abroad (equity capital + other capital)						In the reporting economy (equity capital + other capital)							
	World	Intra-EU	Extra-EU	USA	Japan	Canada	EFTA	World	Intra-EU	Extra-EU	USA	Japan	Canada	EFTA
Misc. transport and communication	18,238	11,415	6,823	7,821	-191	-87	550	13,696	10,229	3,462	1,044	122	84	1,038
FINANCIAL INTERMEDIATION	1,897,542	1,200,425	697,116	168,421	28,620	54,108	121,234	1,556,084	1,132,120	423,962	210,610	13,079	53,377	43,566
Monetary intermediation	255,338	116,736	138,603	50,760	1,651	8,484	12,134	143,174	91,052	52,121	24,335	3,471	5,487	5,348
Other financial intermediation	1,453,854	989,831	464,023	60,204	24,731	43,180	101,627	1,323,940	978,987	344,952	169,963	7,110	43,844	34,119
Insurance and activities auxiliary to insurance	153,847	71,789	82,059	53,329	2,203	4,019	3,766	78,447	53,505	24,943	14,731	2,736	4,007	2,981
Other financial intermediation and insurance	1,607,703	1,061,622	546,082	113,532	26,934	47,199	105,394	1,402,385	1,032,493	369,892	184,692	9,846	47,851	37,097
Misc. financial intermediation	34,501	22,067	12,431	4,128	35	-1,574	3,707	10,526	8,573	1,949	1,583	-237	39	1,142
REAL ESTATE AND BUSINESS ACTIVITIES	917,447	598,715	318,731	195,016	2,425	3,395	28,370	917,149	629,471	287,677	149,141	14,284	6,126	61,626
Real estate	140,303	79,764	60,538	34,567	26	691	3,964	103,803	75,793	28,010	7,255	905	167	9,823
Computer activities	52,734	36,382	16,354	10,813	241	-170	1,033	24,185	14,748	9,437	4,470	-54	276	1,811
Research and development	3,222	1,466	1,755	785	71	115	206	1,236	612	627	740	88	-39	-220
Other business activities	692,989	467,108	225,880	144,215	1,954	2,219	22,055	747,815	506,293	241,519	131,742	12,832	5,586	49,109
Computer, research, other business activities	748,948	504,967	243,990	155,814	2,272	2,163	23,283	773,234	521,652	251,581	136,952	12,867	5,823	50,703
Misc. real estate and business activities	28,196	13,995	14,203	4,635	127	541	1,113	40,111	32,026	8,086	4,934	513	135	1,100
OTHER SERVICES	79,290	48,344	30,945	11,622	112	562	6,322	65,182	45,880	19,303	10,673	767	1,265	3,142
Not allocated	-1,732	-16,484	14,752	9,865	231	3,603	7,133	49,451	35,412	14,034	7,139	1,458	778	4,056
SUB-TOTAL	4,635,133	2,748,465	1,886,667	714,100	50,328	83,444	254,303	3,802,437	2,666,089	1,136,346	614,925	58,419	70,805	178,598
Priv. purchases and sales of real estate	6,242	4,570	1,672	100	13	118	551	80	74	6	10	0	0	36
TOTAL	4,641,375	2,753,035	1,888,341	714,200	50,341	83,561	254,854	3,802,517	2,666,161	1,136,351	614,935	58,419	70,805	178,635

Annex 2: Other tables

Table 1: Exchange Rates
Flows – Average yearly exchange rate

		1998	1999	2000	2001	2002	2003
European Union	ECU(1)	1	1	1	1	1	1
Austria	ATS	13.855	13.76	13.76	13.76	13.76	13.76
Belgium / Luxembourg	BEF	40.621	40.34	40.34	40.34	40.34	40.34
Germany	DEM	1.969	1.956	1.956	1.956	1.956	1.956
Denmark	DKK	7.499	7.436	7.454	7.452	7.431	7.431
Spain	ESP	167.184	166.386	166.386	166.386	166.386	166.386
Finland	FIM	5.983	5.946	5.946	5.946	5.946	5.946
France	FRF	6.601	6.56	6.56	6.56	6.56	6.56
United Kingdom	GBP	0.676	0.659	0.609	0.622	0.629	0.692
Greece	GRD	330.731	325.763	336.63	340.75	340.75	340.75
Ireland	IEP	0.786	0.788	0.788	0.788	0.788	0.788
Italy	ITL	1943.65	1936.27	1936.27	1936.27	1936.27	1936.27
Netherlands	NLG	2.22	2.204	2.204	2.204	2.204	2.204
Portugal	PTE	201.695	200.482	200.482	200.482	200.482	200.482
Sweden	SEK	8.916	8.808	8.445	9.255	9.161	9.124
United States	USD	1.121	1.066	0.924	0.896	0.946	1.131
Japan	JPY	146.415	121.32	99.47	108.68	118.06	130.97
Canada	CAD	1.665	1.584	1.371	1.386	1.484	1.582
Norway	NOK	8.466	8.31	8.113	8.048	7.509	8.003
Switzerland	CHF	1.622	1.6	1.558	1.511	1.467	1.521
Iceland	ISK	79.698	77.18	72.58	87.42	86.18	86.65

(1) ECU up to 1998

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

Table 1: Exchange Rates
Positions – Exchange rate at end of the year

		1998	1999	2000	2001	2002
European Union	ECU(1)	1	1	1	1	1
Austria	ATS	13.76	13.76	13.76	13.76	13.76
Belgium / Luxembourg	BEF	40.34	40.34	40.34	40.34	40.34
Germany	DEM	1.956	1.956	1.956	1.956	1.956
Denmark	DKK	7.449	7.443	7.463	7.437	7.429
Spain	ESP	166.386	166.386	166.386	166.386	166.386
Finland	FIM	5.946	5.946	5.946	5.946	5.946
France	FRF	6.56	6.56	6.56	6.56	6.56
United Kingdom	GBP	0.705	0.622	0.624	0.609	0.651
Greece	GRD	329.689	330.3	330.3	330.3	340.75
Ireland	IEP	0.788	0.788	0.788	0.788	0.788
Italy	ITL	1936.27	1936.27	1936.27	1936.27	1936.27
Netherlands	NLG	2.204	2.204	2.204	2.204	2.204
Portugal	PTE	200.482	200.482	200.482	200.482	200.482
Sweden	SEK	9.488	8.563	8.831	9.301	9.153
United States	USD	1.167	1.005	0.931	0.881	1.049
Japan	JPY	132.8	102.73	106.92	115.33	124.39
Canada	CAD	1.806	1.461	1.397	1.408	1.655
Norway	NOK	8.871	8.077	8.234	7.952	7.276
Switzerland	CHF	1.608	1.605	1.523	1.483	1.452
Iceland	ISK	81.299	72.83	78.8	91.48	84.74

(1) ECU up to 1998

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

Annex 3: Eurostat, ISIC and NACE codes

Economic activity	Questionnaire Y5/Y7 Eurostat
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
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 clas 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

BOP Geographical 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

Includes Occidental Sahara

TN Tunisia

E6 Other African countries (50 countries)

AO Angola

Includes Cabinda

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
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, Curaao, 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 (Antarctica)
- 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

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 Büttnerhardter 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 Barthélemy 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)	
		* Not relevant for Foreign Direct Investment
U3	EU Member States not belonging to euro-area	
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).
4A	European Union Institutions (excluding ECB)	
CY	Cyprus	2004
CZ	Czech Republic	2004
EE	Estonia	2004
HU	Hungary	2004
LT	Lithuania	2004
LV	Latvia	2004
MT	Malta	2004
PL	Poland	2004
SI	Slovenia	2004
SK	Slovakia	2004
D4	Extra-EU-15	
D5	Extra-EU 25	
U4	Extra-euro-zone	
A3	BLEU (Belgo-Luxembourg Economic Union) - 2 countries -	
BE	Belgium	1921-2002
LU	Luxembourg	1921-2002
A5	EFTA (European Free Trade Association) - 4 countries -	
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
A8	OECD (Organisation for Economic Cooperation & Development) -30 countries + 2 entities		
	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)	
		* Not relevant for Foreign Direct Investment	
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
B4	OPEC (Organisation of Petroleum Exporting countries) - 11 countries -	
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
B5	ACP (African, Caribbean and Pacific countries signatories to the Partnership Agreement (Cotonou Agreement))	
	77 countries (48 African 15 Caribbean 14 Pacific countries)	
B6	African ACP countries - 48 countries -	
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
B7	Caribbean ACP countries - 15 countries -	
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 |
| B8 | Pacific ACP countries - 14 countries - | | |
| | 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 |
| B9 | NICs1 (the Core Newly Industrialising Countries) - 4 countries - | | |
| | HK | Hong Kong | |
| | KR | Korea, Republic of (South Korea) | |
| | SG | Singapore | |
| | TW | Taiwan, Province of China | |
| C1 | NICs2A (Asian NICs of the second wave of industrialisation) - 3 countries - | | |
| | MY | Malaysia | |
| | PH | Philippines | |
| | TH | Thailand | |
| C2 | NICs2LA (Latin American NICs of the second wave of industrialisation) - 4 countries - | | |
| | AR | Argentina | |
| | BR | Brazil | |
| | CL | Chile | |
| | MX | Mexico | |
| C3 | Mediterranean Basin - 17 countries (20 countries till end 2003)- | | |
| | 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 | |
| C4 | Offshore financial centers - 38 countries - | | |
| | 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

C5 French Franc zone - 15 countries -

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

C6 Commonwealth of Independent States (CIS) - 12 countries -

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
C7	Countries from Maghreb - 3 countries -		
	DZ	Algeria	
	MA	Morocco	
	TN	Tunisia	
C8	Countries from Mashrek - 5 countries -		
	EG	Egypt	
	JO	Jordan	
	LB	Lebanon	
	PS	Palestinian Territory, Occupied	
	SY	Syrian Arab Republic	
C9	MERCOSUR (Countries of the South Cone Common Market) - 4 countries -		
	AR	Argentina	1991
	BR	Brazil	1991
	PY	Paraguay	1991
	UY	Uruguay	1991
D1	APEC (Asia-Pacific Economic Cooperation) - 21 countries -		
	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
D6	Candidate countries - 13 countries -		
	BG	Bulgaria	1996
	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
	RO	Romania	1995
	SI	Slovenia	1996 - 2003
	SK	Slovakia	1995 - 2003
	TR	Turkey	1987
D7	Mediterranean countries in the Euro-Mediterranean Partnership - 12 countries -		
	CY	Cyprus	
	DZ	Algeria	
	EG	Egypt	
	IL	Israel	
	JO	Jordan	
	LB	Lebanon	
	MA	Morocco	

	MT	Malta	
	PS	Palestinian Territory, Occupied	
	SY	Syrian Arab Republic	
	TN	Tunisia	
	TR	Turkey	
D8	New EU Member States 2004		
	CZ	Czech Republic	2003
	CY	Cyprus	2003
	EE	Estonia	2003
	HU	Hungary	2003
	LT	Lithuania	2003
	LV	Latvia	2003
	MT	Malta	2003
	PL	Poland	2003
	SI	Slovenia	2003
	SK	Slovakia	2003
Z8	Extra EU not allocated		
Z9	Rest of the World (World - Country or Entity)		



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. 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 suppliers' 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 which the reporting economy is in a foreign direct investment relationship with.

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.

European Commission

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