



European Union foreign direct investment yearbook 2007

Data 2001-2005

Foreign direct investment (FDI) plays a key role in the globalisation process and is an important element affecting international relations.

An international investment is classified as FDI when at least 10% of the capital of the target enterprise is acquired. The publication provides detailed data on EU - FDI for recent years, for both EU FDI abroad and FDI into the EU. It provides an overview of the position of the EU in World FDI and a comparison with the US. For EU FDI abroad, a particular focus is put on EU FDI in emerging countries. Finally, FDI data with major partners are detailed according to the kind of activity in which the investment takes place. Data focus on the EU as whole and, to a lesser extent, on the Member States.

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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 subsidiaries abroad. It differs from portfolio investments, because the direct investor acquires at least 10% of capital.

Foreign direct investment acquires increasing importance as an indicator of the international economic climate. This publication covers data for the period 2001-04 for FDI stocks and 2001-05 for FDI flows. Outward flows from the European Union towards extra-EU partners fell from EUR 306 bn in 2001 to EUR 172 bn in 2005. During the same period, foreign investments into the EU markets dropped by 35 % from EUR 146 bn in 2001 to EUR 94 bn in 2005. The data of this publication were extracted in March-June 2007.

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 2007, Eurostat presents and analyses harmonised statistics on FDI flows, stocks and income for the EU as a whole. Faced with increasing globalisation of economic activities, public authorities and policy-makers need new statistics. On the basis of the General Agreement on Trade in services (GATS), Eurostat, in conjunction with the OECD, has started the compilation of foreign affiliate statistics (FATS) on employment, turnover, imports and exports of foreign affiliates. These data, now available for some Member States only, help quantify some of the economic consequences of direct investments and will therefore, together with FDI data, provide an invaluable tool to measure the evolution of the globalisation phenomenon.

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

Banque Nationale de Belgique
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Central Bank of Cyprus
Latvijas Banka
Lietuvos Bankas
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Narodowy Bank Polski
Banco de Portugal
Banka Slovenije
Národná Banka Slovenska
Suomen Pankki
Sveriges Riksbank
Office for National Statistics (UK)

European Union Direct Investment Pocketbook 2007

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

Cristina Corsini
Anne Foltête
Sylvie Gori
Antonia Margherita
Konstantia Petridou
Rozsypal Rostislav

Due to significant revisions in the FDI data from the Member States, direct comparison of this year's analysis (regarding the periods until 2004 for flows and 2003 for stocks and activity breakdown) with the analysis in the previous edition of the pocketbook (yearbook 2006) might not be realistic.

For detailed statistical tables, please see the website:

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

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http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,45323734&_dad=portal&_schema=PORTAL&screen=welcomeref&open=/economy/bop&language=en&product=EU_MAIN_TREE&root=EU_MAIN_TREE&scrollto=178

For more information, or if you have any suggestions on how we might improve the publication please contact:

European Commission
Eurostat

Balance of Payments, Unit C4
Head of Unit Ms. Maria-Helena Figueira
Bâtiment Bech E4/816
L-2721 Luxembourg
Tel. (352) 4301 34730
Fax (352) 4301 33 859

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EXECUTIVE SUMMARY

The EU had 19 % of world FDI inflows in 2005

- World FDI inward flows increased in 2005 by 9%;but EU FDI inward flows increased by 77%

EU FDI inward flows from extra-EU EUR 94 bn in 2005

- The main investor country was the USA with 18 % of the inward flows in 2005
- The United Kingdom with 18 % of the total EU inward stocks at end-2004 was the main destination of FDI

United States, Switzerland and Canada: the top three destinations of extra-EU FDI outflows in 2005

- EU FDI outward flows to extra-EU countries EUR 172 bn in 2005, increase of 26 % from 2004
- EU FDI outward flows to United States were EUR 29 bn or 17% of the total extra-EU FDI

Net FDI income record high at EUR 68 bn in 2005

- Income from EU FDI abroad yielded 8.76 % in 2005
- Income paid on inward FDI increased by 26 % in 2005 reaching EUR 110 bn

Stable EU FDI outward flows to emerging markets in 2005

- Emerging markets received 36 % of total EU FDI outward flows in 2005, Far East Asia being the main target
- In 2005, Brazil was the main destination of EU FDI outward flows to Latin America
- EU FDI flows to Mediterranean partner countries amounted to EUR 5.6 bn in 2005
- EU flows to Central/Eastern European countries and Russia more than doubled in 2005. Russia continues to be the main host country

Sharp fall in EU-25 outward FDI in the services sector in 2004

- Services attracted extra-EU FDI outflows of EUR 52 bn and extra-EU FDI inflows of EUR 34 bn in 2004
- FDI flows to extra-EU countries centred on financial intermediation in 2004

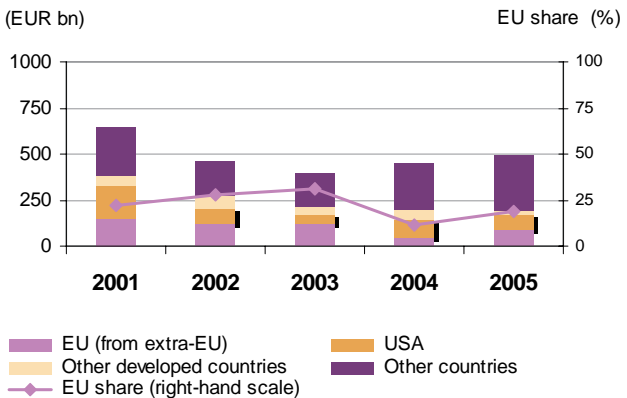
Overview

World FDI inflows increased by 9 % in 2005

Compared with 2004, world FDI inflows (excluding intra-EU flows) increased by 9 % to EUR 492 bn in 2005 (EUR 453 bn in 2004). EU FDI inflows¹ increased by 77 % to EUR 94 bn, resulting in a share of 19 % of world FDI inflows and surpassing the United States, which accounted for 16 % of world FDI inflows. The share of world inflows to developing countries increased to 61 %, the highest level since 1997, whereas inflows to developed countries were 39 % of the total flows.

Chart 0.1

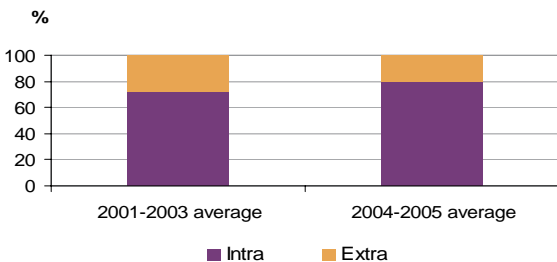
World FDI flows by recipient, 2001-2005, EUR bn



Source: Eurostat, UNCTAD

Chart 0.2

Weight of extra- and intra-EU FDI in total EU FDI flows

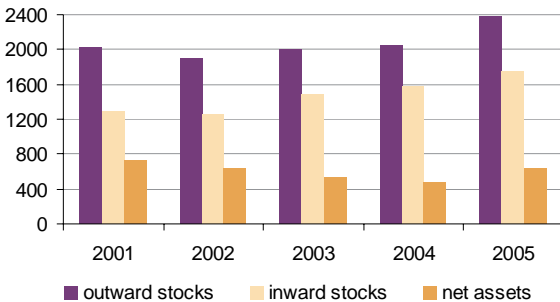


¹ Data in this yearbook relate to the EU-25. See Chapters 1 and 2 for more detail on EU inward and outward FDI. Data for world flows were calculated using Eurostat data for the EU and UNCTAD data for other countries.

Whereas EU FDI inflows increased by 77 % between 2004 and 2005, intra-EU flows increased by 114 % (see Table 0.2). The percentage of intra-EU flows out of total FDI inflows remains high and has even increased over the past few years. The weight of cumulative intra-EU flows reached 80 % for the period 2004-05.

Chart 0.3

EU FDI stocks inward, outward and net, 2001-2005, EUR bn



EU outward FDI stocks increased for the third consecutive year, rising by 16 %, from EUR 2 048 bn at end-2004 to EUR 2 380 bn at end-2005.

Similarly, EU FDI inward stocks increased by 10 % to EUR 1 745 bn at end-2005. Given the sizeable increase in outward stocks, net EU FDI assets increased to EUR 625 bn at end-2005. The net asset position increased for the first time after continued decline since 2001.

North America owned 52 % of EU FDI inward stocks at end-2004

The value of EU FDI inward stocks increased from EUR 1 296 bn at end-2001 to EUR 1 581 bn at end-2004 (see Chart 0.3). Of these stocks, North America held 52 % (compared with 61 % at the end-2001).

The share of Europe (non-EU) increased from 16 % at the end-2001 to 20 % at the end-2004, totalling EUR 316 bn.

Inward stocks held by South and Central America increased by 61 %, accounting for a share of 14 % of EU FDI inward stocks.

The shares of EU FDI inward stocks of other investor zones remained fairly stable between 2001 and the end-2004.

Chart 0.4

EU-25 FDI inward stocks by extra-EU main investor (end-2004)

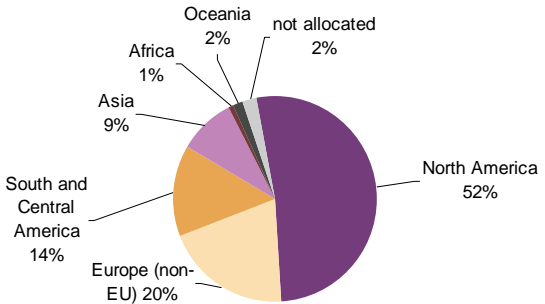
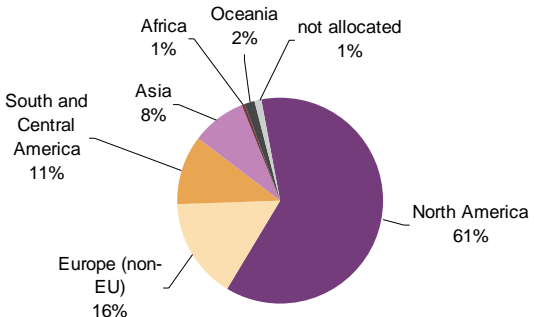


Chart 0.5

EU-25 FDI inward stocks by extra-EU main investor, (end-2001)

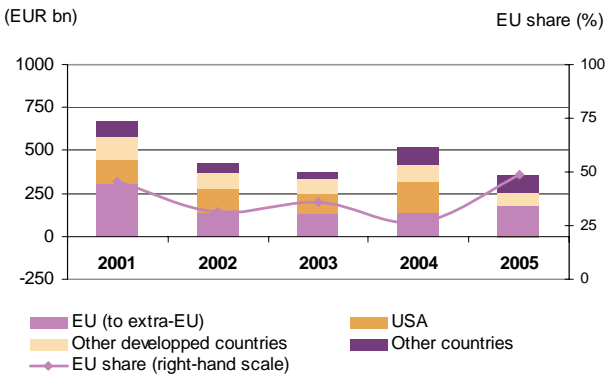


The EU's share of world FDI outflows increased to 49 % in 2005

After the rebound of world FDI outflows in 2004, a decline was observed in 2005. World FDI outflows – excluding intra-EU FDI flows – totalled EUR 352 bn (EUR 521 bn in 2004, a 32 % decrease)². EU FDI outflows, at EUR 172 bn, increased by 26 % from 2004, reaching the highest level since 2001 (EUR 306 bn). Similarly, EU inflows increased by 77 % from EUR 53 bn to EUR 94 bn.

Chart 0.6

World FDI flows by origin, 2001-2005, EUR bn



The geographical distribution of world FDI outflows by investor country continued to show the dominance of developed countries (70 %). This share is lower than in previous periods due to disinvestments by the United States. Conversely, the share of the EU in world FDI outflows increased considerably in 2005, to 49 % (from 26 % in 2004).

There was a significant decline in outward FDI flows from the United States, dropping from EUR 179 bn in 2004 to a disinvestment of EUR -10 bn in 2005. This was mainly due to an increase in distributed profits of US-owned foreign affiliates, which led to a large decline in reinvested earnings.³

² World FDI inflows presented in Chart 0.1 and world FDI outflows presented in Chart 0.6 are not equal due to the asymmetry resulting from statistical error. In 2004 the asymmetry was lower than in 2005 (15 % against 8 %).

³ For more details, refer to the UNCTAD World Investment 2006 report on the effects of the Homeland Investment Act on the United States outward FDI.

United States, Switzerland and Canada top three destinations of EU FDI outward flows in 2005

In 2005, the United States and Switzerland regained their positions as the main destinations of EU FDI outflows. Of the EUR 172 bn total of EU FDI outward flows, EUR 29 bn was invested in the United States. Switzerland received EUR 20 bn, followed by Canada (EUR 12 bn) and Japan (EUR 11 bn).

The United States and Switzerland also remained the main investors in the EU in 2005, accounting for respective shares of 18 % and 17 % of the total extra-EU investments received (EUR 94 bn).

Table 0.1

Main partners for EU FDI outward and inward flows in 2005*

| | Outward flows 2005 | | Inward flows 2005 | |
|---------------------------------|-----------------------|-------------|----------------------|-------------|
| | EUR bn | % | EUR bn | % |
| Extra EU of which | 172 | 100% | 94 | 100% |
| Europe (non-EU) of which | 61 | 35% | 41 | 43% |
| Switzerland | 20 | 11% | 16 | 17% |
| Norway | 0 | 0% | 3 | 3% |
| Candidate Countries** | 10 | 6% | 1 | 1% |
| Bulgaria | 2 | 1% | 0 | 0% |
| Romania | 4 | 2% | 0 | 0% |
| Croatia | 1 | 1% | 0 | 0% |
| Turkey | 3 | 2% | 0 | 0% |
| Russia | 9 | 5% | 4 | 4% |
| Belarus | 0 | 0% | 0 | 0% |
| Ukraine | 6 | 3% | 0 | 0% |
| Africa | 17 | 10% | 1 | 1% |
| North America of which | 41 | 24% | 25 | 27% |
| USA | 29 | 17% | 17 | 18% |
| Canada | 12 | 7% | 8 | 8% |
| Central America of which | 11 | 6% | 2 | 2% |
| Mexico | 3 | 1% | 1 | 1% |
| South America of which: | 4 | 3% | 6 | 7% |
| Brazil | 5 | 3% | 5 | 6% |
| Argentina | -1 | -1% | 0 | 0% |
| Asia of which | 40 | 23% | 9 | 9% |
| Japan | 11 | 6% | 6 | 7% |
| China (incl. Hong Kong) | 9 | 5% | 1 | 2% |
| Indonesia | 4 | 2% | 0 | 0% |
| India | 2 | 1% | 0 | 0% |
| South Korea | 4 | 2% | 1 | 1% |
| Taiwan | 3 | 2% | 0 | 0% |
| Oceania of which | -6 | -3% | 6 | 6% |
| Australia | -7 | -4% | 6 | 6% |
| OECD (non-EU) | 76 | 44% | 59 | 63% |
| Offshore financial centres | 26 | 15% | 18 | 19% |

* The sum of continents does not always equal total extra-EU because of not allocated flows.

Parts may be higher than totals because of disinvestment.

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

North America hosted 39 % of the EU's outward FDI stocks at end-2004

North America, hosting EU FDI stocks of EUR 801 bn, continued to be by far the favourite destination of EU FDI, even if its share dropped by 11 percentage points from the situation at end-2001.

The stocks held in non-EU Europe accounted for 20 % of the EU's outward stocks in 2004, an increase of EUR 58 bn and 3 percentage points from the situation at end-2001.

The combined share of South and Central America increased from 14 % at end-2001 to 17 % at end-2004. However, FDI stocks held in South America decreased by 14 % and increased by 89 % in Central America over the period in question.

Asia also increased its share of EU FDI outward stocks to 15 % at end-2004, making it the fourth biggest destination zone. EU FDI stocks in Asia amounted to EUR 316 bn at end-2004, a rise of 26 % since 2001.

At end-2004, the share of total extra-EU FDI stocks in Africa increased only by one percentage point to 4 %, but in absolute terms investments grew by 51 %, from EUR 60 bn at end-2001 to EUR 91 bn at the end-2004.

Oceania kept its 3 % share of total extra-EU FDI stocks. The value of the stocks held in Oceania increased from EUR 53 bn at end-2001 to EUR 60 bn at end-2004.

Chart 0.7

EU-25 FDI outward stocks by main destination (end- 2004)

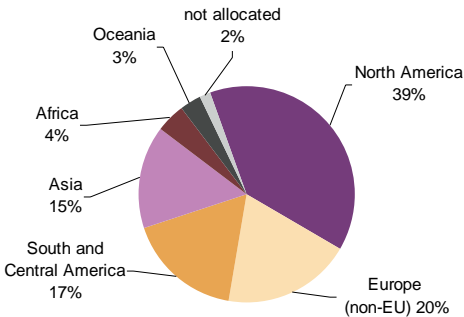
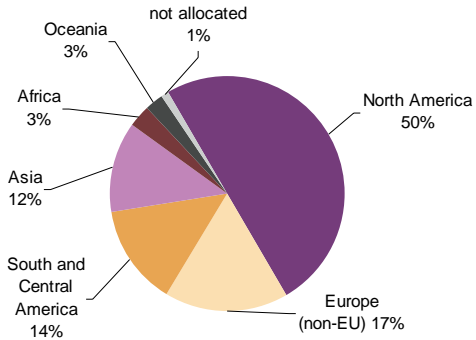
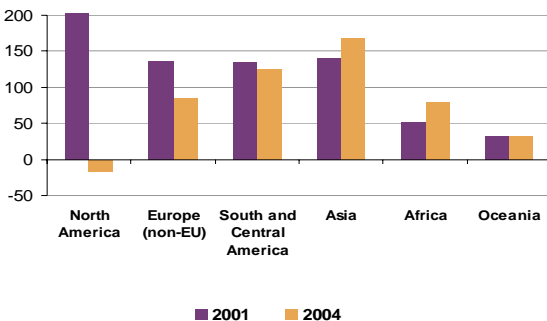


Chart 0.8**EU-25 FDI outward stocks by main destination (end - 2001)****North American FDI assets in the EU higher than EU FDI assets in North America at end-2004**

Total EU FDI net assets (outward stocks minus inward stocks) amounted to EUR 468 bn at end-2004 compared to EUR 722 bn at end-2001 (see Chart 0.3). At end-2004, net assets with North America turned negative (EUR -16 bn) from a net position of EUR 215 bn in 2001.

Whereas net assets in Europe (non-EU) and in South and Central America decreased between 2001 and 2004, net assets in Asia and Africa increased by 19 % and 54 % respectively.

Chart 0.9**EU FDI net* assets, 2001 and 2004, EUR bn**

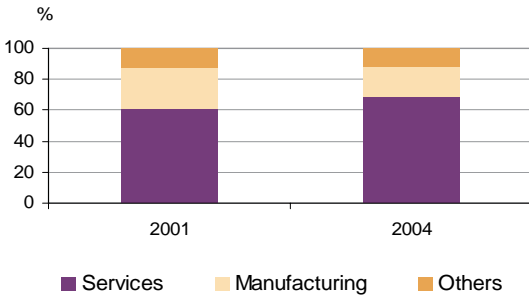
*Net= Outward - inward

Most FDI still going to services

Extra-EU outward stocks were marked by the increased dominance of *services* activities⁴ (from 62 % at end-2001 to 69 % at end-2004), accompanied by a decline in the share of *manufacturing* (from 26 % at the end-2001 to 19 % at the end of 2004). The share of *Other activities*⁵ remained stable. Detailed information on the breakdown by activity is given in Chapter 4 for FDI with the main EU partners.

Chart 0.10

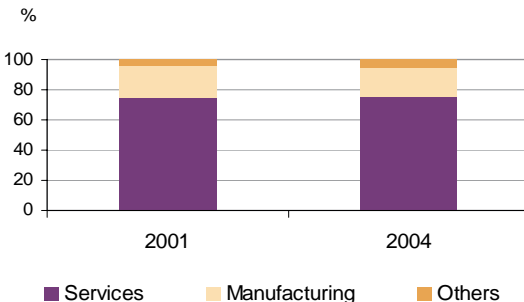
Extra-EU FDI outward stocks by main activity - 2001 and 2004



The relative importance of *services* activities was even more pronounced for inward stocks: at EUR 1 198 bn they accounted for 76 % of total EU FDI inward stocks at the end-2004.

Chart 0.11

EU FDI inward stocks by extra-EU main activity– 2001 and 2004



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

⁵ Other activities include Agriculture and fishing, Mining and quarrying, Electricity, gas and water, Construction and unallocated.

Net FDI income record high at EUR 68 bn in 2005

At EUR 178 bn in 2005, EU income earned from FDI abroad reached its highest level over the period under consideration, making for an 18 % rise from 2004. This result confirmed the recovery observed since 2003: after two years of being stable at EUR 86 bn (both in 2001 and 2002), EU income from FDI abroad increased significantly, gaining 75 % between 2002 and 2004.

Income paid to foreign owners in 2005 recorded a 26 % increase to EUR 110 bn. The resulting net FDI income amounted to a record EUR 68 bn in 2005, as compared with EUR 3 bn in 2001. These results made up 0.63 % of the EU's GDP in 2005, as against 0.03 % in 2001.

Rates of return⁶ experienced similar results with an increase from 7.5 % in 2004 to 8.7 % in 2005 for the rate of return on EU outward stocks and from 5.8 % to 6.9 % for the rate of return earned by foreign owners. As shown in Chart 0.12 (right-hand scale), in the last three years, the rate of return on EU outward FDI was higher than on EU inward FDI.

Chart 0.12

EU FDI income and rates of return 2001-2005, EUR bn

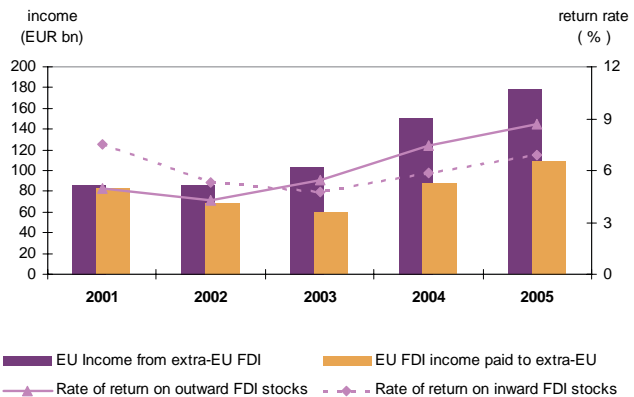


Chart 0.13 details net FDI income by main partner. While the EU net income with the EFTA countries was negative from 2001 to 2003, it turned positive, at EUR 3 bn, in 2004 and remained practically stable at EUR 4 bn in 2005. With the exception of 2002, when EU income from the United States and EU income paid to the United States were balanced, EU FDI net income with the United States was negative for the whole period covered.

⁶ Rate of return in t = (Income paid in t) / (Stocks at the end of the period t-1).

As regards Japan, results were close to equilibrium for all years, varying from EUR -2 bn to EUR 1 bn, while net income with other countries (OECD and non-OECD) was positive for the whole period under consideration.

Chart 0.13

EU FDI net income by main partner 2001-2005, EUR bn

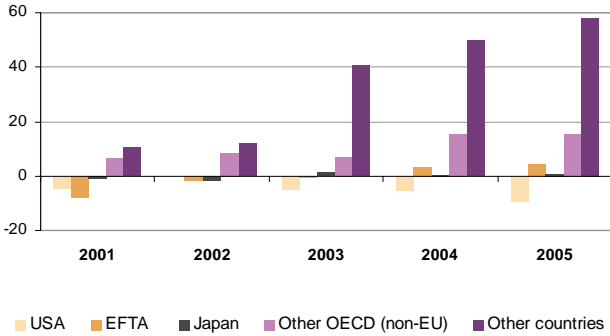


Table 0.2

| EU FDI capital flows 2001-2005, EUR mn | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| Total outflows to extra-EU | 306 140 | 133 897 | 135 711 | 136 388 | 171 757 |
| Equity capital | 204 111 | 138 210 | 106 051 | 86 037 | 102 349 |
| Other capital | 87 473 | - 50 685 | 7 761 | - 6 379 | 17 495 |
| Reinvested earnings | 14 556 | 46 370 | 21 910 | 56 721 | 51 907 |
| Total inflows from extra-EU | 145 867 | 126 567 | 123 541 | 53 072 | 94 149 |
| Equity capital | 42 065 | 85 983 | 85 906 | 36 318 | 71 823 |
| Other capital | 81 714 | 18 384 | 14 409 | - 10 641 | 33 420 |
| Reinvested earnings | 22 094 | 22 204 | 23 221 | 27 397 | - 11 093 |
| Total intra-EU flows* | 365 510 | 361 129 | 251 268 | 194 985 | 416 680 |
| Equity capital | 280 762 | 273 176 | 164 864 | 128 194 | 257 058 |
| Other capital | 68 906 | 76 119 | 61 069 | 19 518 | 95 697 |
| Reinvested earnings | 15 845 | 11 833 | 25 334 | 47 275 | 63 928 |

| EU total FDI income 2001-2005, EUR mn | | | | | |
|---------------------------------------|---------|---------|---------|---------|---------|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| Extra-EU, credits | 86 198 | 85 769 | 103 704 | 150 424 | 178 097 |
| Extra-EU, debits | 83 183 | 68 407 | 60 137 | 86 827 | 109 514 |
| Extra-EU, net | 3 017 | 17 360 | 43 567 | 63 599 | 68 583 |
| Intra-EU* | 117 199 | 113 709 | 121 139 | 152 976 | 182 295 |

| EU FDI stocks at the end of the year, 2001-2004, EUR mn | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| | 2001 | 2002 | 2003 | 2004 | 2005 |
| Total extra-EU assets | 2 017 386 | 1 904 845 | 2 011 069 | 2 048 346 | 2 380 303 |
| Equity capital and reinvested earnings | 1 609 252 | 1 551 341 | 1 678 283 | 1 721 461 | 2 040 244 |
| Other capital | 408 131 | 353 521 | 332 780 | 326 884 | 340 062 |
| Total extra-EU liabilities | 1 295 598 | 1 265 279 | 1 484 575 | 1 580 532 | 1 744 823 |
| Equity capital and reinvested earnings | 810 739 | 808 642 | 993 326 | 1 082 754 | 1 207 533 |
| Other capital | 484 861 | 456 637 | 491 247 | 497 768 | 537 292 |
| Total intra-EU stocks* | 2 656 338 | 2 792 869 | 3 054 812 | 3 300 533 | 3 810 415 |
| Equity capital and reinvested earnings | 2 049 913 | 2 151 806 | 2 389 280 | 2 609 054 | 3 040 227 |
| Other capital | 606 427 | 641 055 | 665 536 | 691 479 | 770 189 |

* 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 seeking to diversify risk and to deepen economies of scope.

Advantages of FDI

For the investor

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

For the investee

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

Chapter 1: EU direct investment abroad

Since 2002, EU FDI outflows have been increasing, reaching EUR 172 bn in 2005.

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

EU FDI outward flows in 2005 increased by 26 % from 2004

After the sharp decline in 2002, and the period of moderate growth during 2003-04, EU FDI outward flows increased by 26 % from 2004 to 2005.

Between 2001-04, the main recipient of EU FDI outflows was the American continent. The highest share was recorded in 2001, with 69 % of total extra-EU flows, dropping to 33 % in 2005.

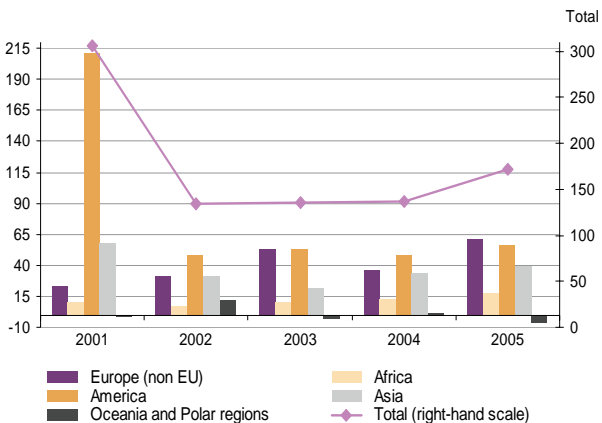
The European continent (non-EU countries), the second main destination since 2002, received 35 % of EU investment flows in 2005, thus becoming the most attractive destination. Asia kept its third place with a 23 % share of the total EU FDI outflows.

With EUR 17 bn and a share of 10 %, Africa was fourth, followed by Oceania and Polar regions, for which a disinvestment of EUR -6 bn was observed.

The United Kingdom, with outflows of EUR 43 bn and a share of 25 % of the EU total, was the largest investor in extra-EU in 2005, followed by Luxembourg (EUR 34 bn or 20 %) and France (EUR 25 bn or 14 %).

Chart 1.1

Extra-EU outward FDI flows, by main continents, EUR bn



The USA was the main recipient of EU FDI flows in 2005

At country level, the largest recipient of EU FDI investment flows in 2005 was the United States (EUR 29 bn), followed by Switzerland (EUR 20 bn), Canada (EUR 12 bn) and Japan (EUR 11 bn). EU investment flows into these countries represented respectively 17 %, 11 %, 7 % and 6 % of total extra-EU investment flows.

EU FDI outflows to all these destinations increased between 2004 and 2005, with Switzerland experiencing the highest rise in absolute terms, jumping from a disinvestment of EUR -11 bn to an investment of EUR 20 bn.

EU investments in China (including Hong Kong) declined from EUR 14 bn in 2004 to EUR 9 bn in 2005, representing 5 % of total extra-EU FDI outflows.

The EU invested EUR 9 bn in Russia in 2005, 50 % up on 2004. Ukraine emerged as a significant partner, receiving investment flows of EUR 6 bn, representing 3 % of the total extra-EU investments in 2005.

EU investment flows to Indonesia increased considerably, rising from EUR 0.1 bn in 2004 to EUR 3.9 bn in 2005, whereas investments in India doubled in 2005, reaching EUR 2 bn.

Table 1.1

| Geographical distribution of EU FDI assets and most recent outward flows, (EUR bn and %) | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|------------|-------------|--------------|------------|-------------|
| Stocks at end | 2001 | 2002 | 2003 | 2004 | | | 2005 | | |
| Flows | | | | | 2004 | | 2005 | | |
| Extra-EU | 2 017 | 1 905 | 2 011 | 2 048 | 136 | 100% | 2 380 | 172 | 100% |
| Europe (non-EU) | 343 | 395 | 403 | 401 | 36 | 26% | 172 | 61 | 35% |
| EFTA | 235 | 264 | 310 | 292 | - 4 | -3% | n.a. | 20 | 12% |
| Switzerland | 201 | 228 | 269 | 247 | - 11 | -8% | 268 | 20 | 11% |
| Russia | 11 | 10 | 15 | 21 | 6 | 4% | 31 | 9 | 5% |
| Ukraine | 1 | 1 | 1 | 2 | 0 | 0% | n.a. | 6 | 3% |
| Candidate Countries* | 19 | 20 | 27 | 32 | 5 | 4% | n.a. | 10 | 6% |
| Africa | 60 | 65 | 84 | 91 | 13 | 10% | n.a. | 17 | 10% |
| North African countries | 13 | 15 | 19 | 22 | 3 | 2% | n.a. | 1 | 0% |
| Other African countries | 48 | 50 | 66 | 69 | 11 | 8% | n.a. | 17 | 10% |
| Republic of South Africa | 23 | 27 | 37 | 37 | 6 | 4% | n.a. | 9 | 5% |
| America | 1 277 | 1 066 | 1 123 | 1 154 | 49 | 36% | n.a. | 57 | 33% |
| North American countries | 1 001 | 843 | 829 | 801 | 6 | 4% | n.a. | 41 | 24% |
| Canada | 85 | 83 | 81 | 75 | - 3 | -2% | 98 | 12 | 7% |
| USA | 915 | 760 | 748 | 740 | 8 | 6% | 856 | 29 | 17% |
| Central American countries | 111 | 125 | 157 | 210 | 35 | 26% | n.a. | 11 | 6% |
| Mexico | 28 | 28 | 30 | 39 | 11 | 8% | n.a. | 3 | 1% |
| South American countries | 166 | 97 | 137 | 142 | 8 | 6% | n.a. | 4 | 3% |
| Brazil | 73 | 44 | 59 | 71 | 5 | 4% | 80 | 5 | 3% |
| Asia | 250 | 247 | 296 | 316 | 35 | 25% | n.a. | 40 | 23% |
| Near and Middle East countries | 16 | 15 | 15 | 19 | 2 | 1% | n.a. | 3 | 2% |
| Other Asian countries | 234 | 232 | 281 | 296 | 32 | 24% | n.a. | 37 | 21% |
| China | 19 | 20 | 19 | 21 | 3 | 2% | 31 | 6 | 3% |
| Hong Kong | 78 | 65 | 85 | 86 | 11 | 8% | 96 | 3 | 2% |
| India | 6 | 6 | 7 | 10 | 1 | 1% | n.a. | 2 | 1% |
| Indonesia | 11 | 9 | 7 | 7 | 0 | 0% | 0 | 4 | 2% |
| Japan | 36 | 52 | 69 | 76 | 6 | 4% | 79 | 11 | 6% |
| Korea** | 12 | 14 | 16 | 19 | 2 | 1% | n.a. | 4 | 2% |
| Taiwan | 7 | 6 | 5 | 6 | 1 | 1% | n.a. | 3 | 2% |
| Oceania and Polar regions | 53 | 55 | 60 | 60 | 2 | 1% | n.a. | - 6 | -3% |
| Australia | 48 | 49 | 55 | 54 | 1 | 1% | n.a. | - 7 | -4% |
| New Zealand | 5 | 5 | 4 | 5 | 1 | 1% | n.a. | 1 | 0% |
| Extra-EU not allocated | 34 | 77 | 56 | 35 | 2 | 1% | 382 | 3 | 2% |
| OECD countries (non-EU) | 1 372 | 1 264 | 1 323 | 1 312 | 24 | 17% | n.a. | 76 | 44% |

* Bulgaria, Romania, Turkey and Croatia.

** Republic of South Korea.

n.a. : Data not available yet.

The American continent: Investments in Latin America down in 2005

EU FDI flows to America fell by 73 % between 2001 and 2005, from EUR 211 bn to EUR 57 bn. However, the great decline was observed between 2001 and 2002, and since then, EU investments in America have been picking up again.

In 2005, North American countries received 24 % of total extra-EU outflows. EU investment flows to North America have varied widely, mainly as a result of the fluctuations in EU investments in the United States.

EU investment flows to Central America reached their peak in 2002, with EUR 41 bn. This was followed by a disinvestment of EUR -7 bn in 2003 and investment flows of EUR 35 bn in 2004 and EUR 11 bn in 2005. The main recipient of EU investments in Central America in 2005 was Mexico, with investments of EUR 3 bn.

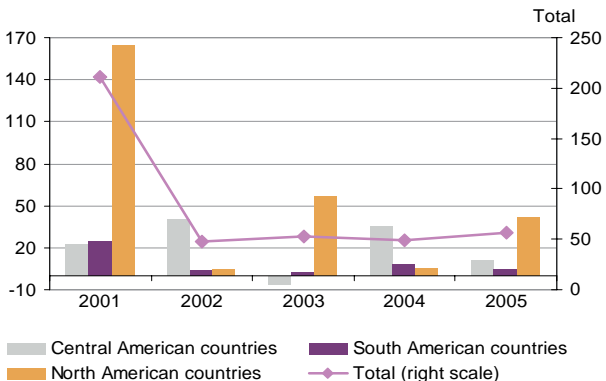
EU FDI flows to South America declined by 43 % between 2004 and 2005. Outflows of EUR 4 bn in 2005 represented a 3 % share of total extra-EU outward flows. The main recipient of EU investments in South America was Brazil, receiving EUR 5 bn in 2005.

The biggest investors in the American continent in 2005 were the United Kingdom for North American countries, with EUR 34 bn, and France for South American countries, with EUR 1 bn. The Central American countries were most attractive for Italy (EUR 3 bn) and Spain (EUR 2 bn).

Further information on EU investments in Latin America can be found in Chapter 3.

Chart 1.2

Extra-EU FDI flows towards America, EUR bn



European (non-EU) countries: 35 % of EU FDI extra-EU outflows in 2005

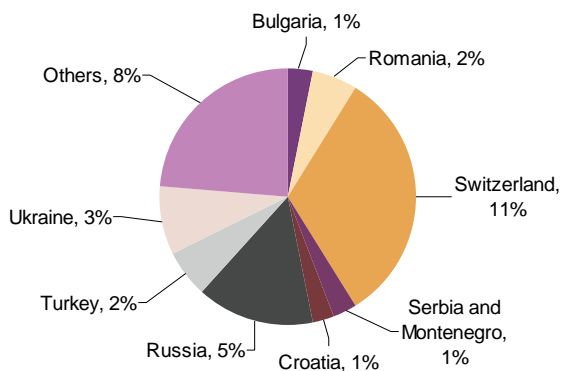
The share of EU FDI outflows directed to European (non-EU) countries has consistently been above 20 % since 2002, reaching 35 % in 2005. In absolute terms, these investments were at their peak in 2005 with EUR 61 bn.

Switzerland, receiving investment flows worth EUR 20 bn in 2005, was the main partner country during the period in question, except in 2004, when the EU disinvested EUR -11 bn.

Investments in Russia, Turkey, Bulgaria and Romania have been rising steadily since 2002. Chart 1.3 illustrates the shares of extra-EU FDI flows received by the main European partner countries. Further details on EU investments in the Candidate Countries are given in section 1.2 and the Central and Eastern European countries in Chapter 3.

Chart 1.3

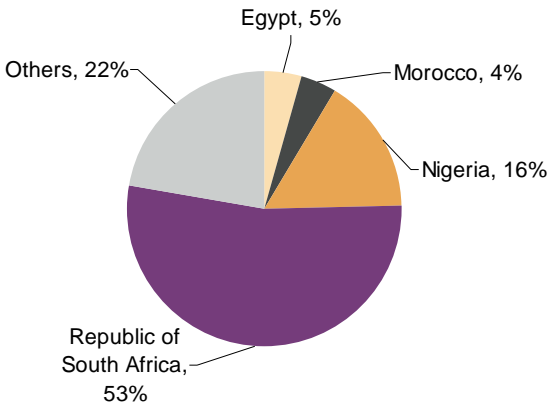
Extra-EU FDI flows towards Europe (non-EU) as % share of total extra-EU in 2005



EU FDI flows to Africa up since 2002

Since 2002 EU FDI outflows towards Africa increased by 146 %, rising going from EUR 7 bn in 2002 to EUR 17 bn in 2005. The share of total extra-EU FDI flows invested in Africa remained stable at 10 % in 2004 and 2005.

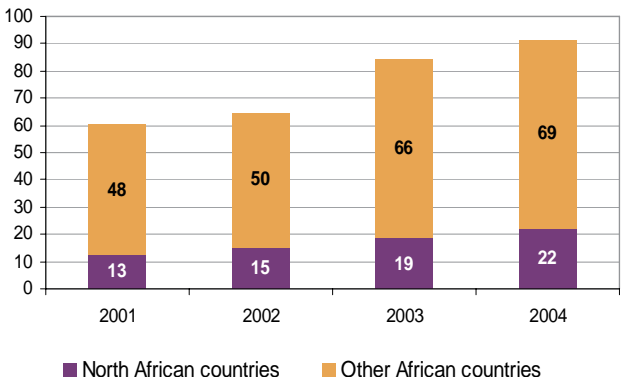
The Republic of South Africa attracted more than half of the EU FDI outflows to Africa in 2005 (EUR 9 bn) and was the main recipient of EU FDI in the continent during the whole period in question.

Chart 1.4:**EU FDI flows towards Africa in 2005**

The United Kingdom was the main investor in Africa over the period 2001-05 (59 % of the EU total in 2005), investing principally in South Africa.

France, the second main EU investor in Africa for the period in question, invested predominantly in Morocco. The Netherlands is the third largest EU investor country in Africa, investing most in Nigeria.

EU FDI stocks held in Africa have increased steadily, growing by 51 % between end-2001 (EUR 60 bn) and end-2004 (EUR 91 bn).

Chart 1.5:**EU FDI stocks in Africa 2001-2004, EUR bn**

EU FDI in the Offshore Financial Centres: Asia most attractive

EU outward FDI stocks held in Offshore Financial centres (OFCs)⁷ increased by 11 % between 2003 and 2004 whereas the flows decreased by 59 % from 2004 to 2005.

At end-2004, EU outward FDI stocks invested in Offshore Financial Centres stood at EUR 372 bn, 18 % of extra-EU FDI stocks. In 2005, EU FDI flows to OFCs amounted to EUR 26 bn, with a 15 % share of total extra-EU FDI flows.

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

Asian OFCs were the main destination for EU FDI stocks in this group, with EUR 132 bn, followed by those located in Central America, with EUR 111 bn.

As regards the 2005 FDI flows, Central American OFCs were the main recipient, with EUR 8 bn, followed by Asian and European OFCs, both receiving EUR 4 bn worth of investments.

Hong Kong hosted more than half of EU outward FDI to Asian OFCs for both stocks and flows (stocks EUR 86 bn and flows EUR 3 bn).

Table 1.2

| EU outward FDI to Offshore Financial Centres (EUR bn) | | | | |
|--|------------------------|-------------|-------------------|-------------|
| | FDI stocks end-2004 | | FDI flows 2005 | |
| | Value bn | (%) | Value bn | (%) |
| Extra-EU | 2 048 | 100% | 172 | 100% |
| Financial Centres | 372 | 18% | 26 | 15% |
| <i>of which:</i> | | | | |
| European | 33 | 2% | 4 | 3% |
| Central American | 111 | 5% | 8 | 5% |
| Asian | 132 | 6% | 4 | 3% |
| <i>of which:</i> | | | | |
| Singapore | 43 | 2% | 1 | 1% |
| Hong Kong | 86 | 4% | 3 | 2% |

⁷ Offshore Financial Centres is an aggregate used in Eurostat and ECB FDI data which includes 38 countries. In Table 1.2, European financial centres include Liechtenstein, Guernsey, Jersey, the Isle of Man, the Faroe Islands, Andorra and Gibraltar. Central American OFCs include Caribbean Islands such as Bermuda, the Bahamas, the Cayman Islands and the Virgin Islands. Asian OFCs include Hong Kong, Singapore and the Philippines. See Eurostat's website for more information (<http://epp.eurostat.ec.europa.eu>).

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

Four Member States accounted for the bulk of EU outward FDI stocks at end-2004: the United Kingdom, France, Germany and the Netherlands. These four Member States made up 52 % of extra-EU outward stocks.

At end-2004, the United Kingdom's share of extra-EU FDI stocks was more than one fifth. Its share remained stable over the period 2001-04.

With investment stocks worth EUR 201 bn, the United Kingdom held 27 % of EU FDI stocks in the United States, 21 % of EU FDI assets in Asia, 27 % of EU FDI stocks in Africa and 38 % of EU FDI stocks in Australia.

France was the second main investor, with a 12 % share of EU FDI stocks, followed by Germany with 11 % and the Netherlands with 9 %. France had the highest share of EU FDI in North Africa, whereas Germany had the highest share of EU FDI in China. The Netherlands had the highest share of EU FDI in Taiwan.

For all four countries, the main recipient of their extra-EU FDI was the United States. The Asian continent received the second largest share of their outward FDI, except for the Netherlands, which invested more in Switzerland and the EFTA countries.

Table 1.3

| Geographical distribution of EU FDI assets, four main investors abroad (At end-2004, EUR mn) | | | | | | |
|---|------------------|----------------|----------------|----------------|----------------|----------------|
| Stocks at End-2004 | EU-25 | United Kingdom | France | Germany | Netherlands | Other EU |
| Extra EU | 2 048 346 | 421 888 | 243 620 | 232 847 | 176 414 | 973 577 |
| Europe (non-EU) | 400 553 | 47 869 | 35 364 | 27 680 | 43 400 | 246 240 |
| EFTA | 292 151 | 20 521 | 29 334 | 16 035 | 33 689 | 192 572 |
| Switzerland | 247 351 | 12 913 | 24 974 | 14 813 | 30 305 | 164 346 |
| Russia | 20 983 | 2 308 | 1 726 | 3 735 | 5 152 | 8 062 |
| Ukraine | 1 682 | 132 | 25 | 266 | 151 | 1 108 |
| Candidate Countries* | 31 823 | : | 3 488 | 5 493 | : | : |
| Africa | 91 458 | 24 570 | 13 492 | 4 604 | 5 935 | 42 857 |
| North African countries | 22 016 | 1 998 | 7 078 | 1 096 | 1 417 | 10 427 |
| Other African countries | 69 443 | 22 571 | 6 414 | 3 509 | 4 517 | 32 432 |
| Republic of South Africa | 37 415 | 15 551 | 642 | 3 184 | 641 | 17 397 |
| America | 1 153 872 | 258 194 | 149 411 | 158 729 | 94 422 | 493 116 |
| North American countries | 801 329 | 213 538 | 136 395 | 140 585 | 75 149 | 235 662 |
| Canada | 74 751 | 12 654 | 17 392 | 5 796 | 8 580 | 30 329 |
| United States | 739 650 | 200 857 | 119 003 | 134 789 | 66 570 | 218 431 |
| Central American countries | 210 169 | 31 179 | 3 741 | 10 370 | 10 398 | 154 481 |
| Mexico | 38 594 | 3 491 | 1 406 | 3 520 | 3 678 | 26 499 |
| South American countries | 142 375 | 13 477 | 9 275 | 7 774 | 8 875 | 102 974 |
| Brazil | 70 768 | 5 563 | 5 882 | 5 000 | 6 188 | 48 135 |
| Asia | 315 806 | 66 982 | 37 367 | 36 002 | 25 014 | 150 441 |
| Near and Middle East countries | 19 343 | 4 249 | 3 386 | 840 | 2 915 | 7 953 |
| Other Asian countries | 296 464 | 62 733 | 33 981 | 35 162 | 22 099 | 142 489 |
| China | 21 278 | 2 669 | 2 124 | 8 195 | 1 344 | 6 946 |
| Hong Kong | 85 559 | 27 182 | 1 508 | 3 117 | 3 025 | 50 727 |
| India | 9 713 | 2 386 | 589 | 1 917 | 920 | 3 901 |
| Indonesia | 6 567 | 1 671 | 673 | 959 | 805 | 2 459 |
| Japan | 76 088 | 8 267 | 22 020 | 7 786 | 836 | 37 179 |
| Korea** | 19 423 | 1 728 | 1 294 | 3 861 | 3 939 | 8 601 |
| Taiwan | 6 139 | 1 245 | 225 | 661 | 2 474 | 1 534 |
| Oceania and Polar regions | 59 901 | 22 961 | 5 061 | 5 831 | 7 660 | 18 388 |
| Australia | 54 078 | 20 688 | 4 656 | 5 504 | 7 246 | 15 984 |
| New Zealand | 5 391 | 2 069 | 310 | 316 | 383 | 2 313 |
| OECD countries non-EU) | 1 312 180 | 272 150 | 196 742 | 179 998 | 126 400 | 536 890 |

* Bulgaria, Romania, Turkey and Croatia.

** Republic of South Korea.

: Missing or confidential data.

Extra-EU FDI outflows in terms of GDP: The Netherlands recorded the highest value in 2005

The ratio of extra-EU FDI flows to EU GDP was 1.6 % in 2005, rising slightly from the lowest level of 1.3 % in 2003, but remaining well below the peak of 3.2 % in 2001.

The four main EU investor countries, except the United Kingdom, increased their outward FDI to GDP ratio between 2004 and 2005. The United Kingdom's FDI to GDP ratio fell from 3.2 % in 2004 to 2.4 % in 2005, with the lowest level in 2002 at 0.4 %.

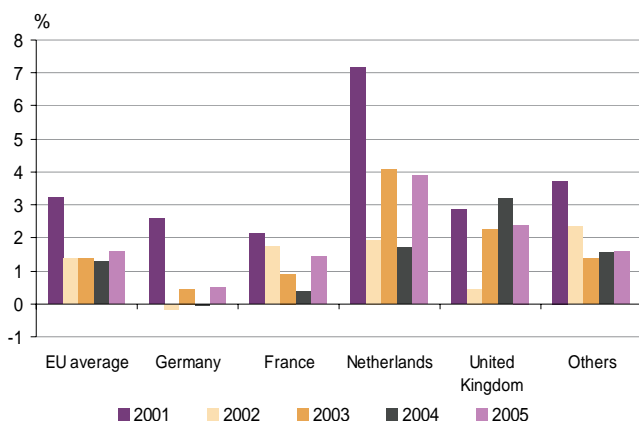
With the exception of 2004, the Netherlands had the highest ratio of outward FDI to GDP over the period 2001-05. In 2005, the ratio was 3.9 %.

Generally, Germany recorded the lowest ratios among the main investor countries presented in the graph. After a ratio of 2.6 % in 2001, it recorded disinvestments in extra-EU countries in 2002 and 2004 (-0.2 % and -0.1 % of GDP respectively). In 2005, the ratio was 0.5 %.

France's FDI to GDP ratio fell from 2.1 % in 2001 to 1.4 % in 2005, with the lowest level in 2004 at 0.4 %.

Chart 1.6

EU FDI flows to extra-EU countries as share of investor economy's GDP



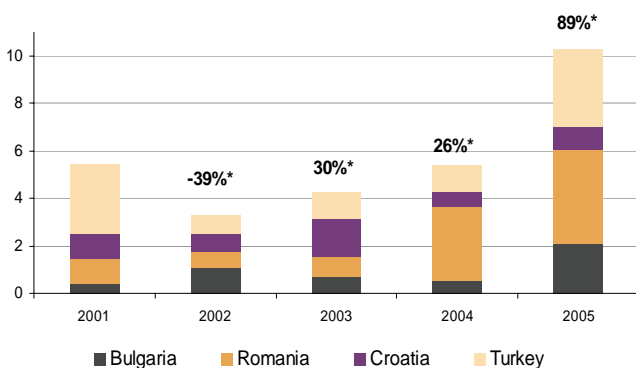
1.2 Focus on Candidate Countries⁸

Substantial increase in EU-25 FDI flows to Candidate Countries in 2005

2005 saw 89 % growth in EU FDI outflows to the Candidate Countries, with values leaping from EUR 5 bn in 2004 to EUR 10 bn in 2005. This increase was due to higher investment flows to all the Candidate Countries, but the largest growth was observed in the flows to Turkey (from EUR 1.1 bn in 2004 to EUR 3.3 bn in 2005).

Chart 1.7

EU FDI outward flows to Candidate Countries, EUR bn



* Year on year growth rate.

** Estimated stock value.

The main destination of EU FDI flows among the Candidate Countries since 2004 was Romania, which received EUR 3.1 bn in 2004 and EUR 3.9 bn in 2005 (57 % and 39 % of the Candidate Countries' total). In 2005, EU FDI flows to Turkey amounted to EUR 3.2 bn, whereas Bulgaria received EUR 2 bn and Croatia EUR 1 bn.

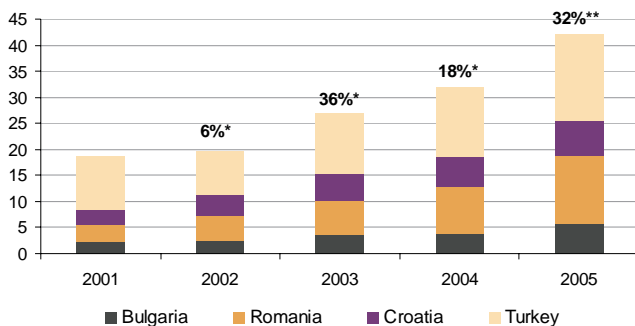
EU FDI stocks rose steadily over the period 2001-05, reaching an estimated EUR 42 bn at end-2005 (Chart 1.9). The stocks grew most (growth rate of 36 %) between 2002 and 2003, mainly due to an increase in EU assets held in Romania.

During the period 2001-05, Turkey and Romania were able to attract most EU FDI investments among the four countries in question. The stock of EU FDI in Turkey at end-2005 stood at EUR 16.6 bn and in Romania at EUR 13.1 bn.

⁸ The Candidate Countries are Bulgaria, Croatia, Romania and Turkey. (Bulgaria and Romania joined the EU in 2007).

Chart 1.8

EU FDI outward stocks in Candidate Countries, EUR bn



* Year on year growth rate.

** Estimated stock value.

Germany was the main investor in the Candidate Countries

Looking at the bilateral data available for end-2004, Germany was the main holder of FDI stocks in the Candidate Countries, with 17 % of the EU FDI stocks allocated in these countries followed by France (11 %), Italy (8 %) and Sweden (5 %). The United Kingdom and the Netherlands were also significant investors in the Candidate Countries, but due to data confidentiality, the details cannot be included in Table 1.4.

Of the countries presented in Table 1.4, Turkey is the main investment destination for Germany, Italy and Sweden, whereas France invested most in Romania and Turkey; Hungary and Slovenia invested most in Croatia.

Table 1.4

| EU FDI assets in Candidate Countries at end – 2004 (EUR mn) | | | | | | | | |
|--|-----------------|--------------|--------------|--------------|--------------|------------|------------|---------------|
| | EU of which: | DE | FR | IT | SE | HU | SI | Other MS* |
| Candidate countries | 31 823 | 5 493 | 3 488 | 2 582 | 1 609 | 811 | 703 | 17 137 |
| Bulgaria | 3 683 | 253 | 133 | 440 | 32 | 218 | 5 | 2 602 |
| Romania | 9 155 | 1 053 | 1 941 | 524 | 51 | 202 | 25 | 5 359 |
| Croatia | 5 684 | 1 474 | 75 | 712 | 134 | 360 | 673 | 2 256 |
| Turkey | 13 301 | 2 713 | 1 339 | 906 | 1 392 | 31 | 0 | 6 920 |

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

1.3 FDI income from extra-EU countries

FDI income 18 % up between 2004 and 2005

EU FDI income from extra-EU FDI grew steadily over the period 2001-05, with values rising from EUR 86 bn to EUR 178 bn.

With EUR 82 bn in 2005, America was the main source of FDI income to the EU during the entire period. The income flows it provided averaged EUR 56 bn over the five-year period. Asia was the second largest provider of FDI income to the EU during the entire period, averaging EUR 25 bn over the five years.

Chart 1.9

EU FDI income from extra-EU FDI, EUR bn

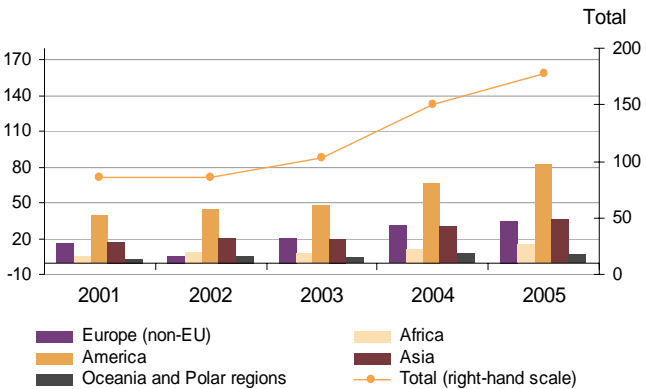


Table 1.5 shows an overall increase in EU income from all the partner continents, except for Oceania and Polar regions. The largest rise in relative terms is recorded in income from investments in Russia, which grew by 44 %.

With 31 % of the EU FDI total, the United States was the main country source of EU FDI income, followed by Switzerland (10 %).

Among the Far East Asian countries, Hong Kong was the main source of EU FDI income, providing EUR 9 bn or 5 % of total EU FDI income.

In 2005, the United Kingdom received 42 % of total EU FDI income (EUR 76 bn), the Netherlands received EUR 21 bn (12 %) and France EUR 14 bn (8 %). The respective shares of total extra-EU FDI stocks at end-2004 held by these countries are 21 %, 9 % and 12 % (see Table 1.3).

Table 1.5

| Geographical distribution of EU income from outward EU FDI (EUR bn and %) | | | | | | | | |
|--|------|------|------|------|------|------|------|------|
| Income | 2001 | 2002 | 2003 | | 2004 | | 2005 | |
| % Shares | | | | 2003 | | 2004 | | 2005 |
| Extra-EU | 86 | 86 | 104 | 100% | 150 | 100% | 178 | 100% |
| Europe (non-EU) | 16 | 6 | 20 | 20% | 32 | 21% | 35 | 20% |
| EFTA | 12 | 16 | 15 | 14% | 19 | 12% | 23 | 13% |
| Switzerland | 9 | 13 | 12 | 11% | 14 | 10% | 17 | 10% |
| Russia | 1 | 1 | 2 | 2% | 3 | 2% | 4 | 2% |
| Candidate Countries* | 1 | 1 | 2 | 2% | 2 | 2% | 3 | 1% |
| Africa | 6 | 9 | 7 | 7% | 11 | 7% | 15 | 9% |
| North African countries | 1 | 3 | 2 | 2% | 2 | 1% | 3 | 2% |
| Other African countries | 4 | 6 | 6 | 6% | 9 | 6% | 12 | 7% |
| Republic of South Africa | 2 | 3 | 3 | 3% | 5 | 4% | 7 | 4% |
| America | 40 | 44 | 48 | 47% | 67 | 45% | 82 | 46% |
| North American countries | 31 | 36 | 35 | 34% | 49 | 32% | 60 | 34% |
| Canada | 2 | 3 | 3 | 3% | 4 | 3% | 5 | 3% |
| USA | 28 | 33 | 32 | 31% | 45 | 30% | 55 | 31% |
| Central American countries | 4 | 4 | 9 | 9% | 11 | 7% | 11 | 6% |
| Mexico | 0 | 2 | 2 | 2% | 3 | 2% | 3 | 2% |
| South American countries | 5 | 3 | 5 | 4% | 7 | 5% | 11 | 6% |
| Brazil | 2 | 3 | 3 | 3% | 4 | 3% | 6 | 4% |
| Asia | 17 | 21 | 20 | 19% | 31 | 20% | 36 | 20% |
| Near and Middle East countries | 2 | 2 | 2 | 2% | 3 | 2% | 4 | 2% |
| Other Asian countries | 16 | 18 | 17 | 16% | 28 | 19% | 32 | 18% |
| China | 1 | 1 | 2 | 2% | 2 | 1% | 3 | 2% |
| Hong Kong | 6 | 4 | 4 | 4% | 8 | 5% | 9 | 5% |
| Japan | 1 | 2 | 3 | 3% | 3 | 2% | 4 | 2% |
| Korea** | 1 | 1 | 1 | 1% | 2 | 2% | 2 | 1% |
| Taiwan | 0 | 1 | 1 | 1% | 1 | 1% | 1 | 0% |
| Singapore | 3 | 3 | 3 | 3% | 6 | 4% | 7 | 4% |
| Oceania and Polar regions | 3 | 5 | 5 | 4% | 8 | 5% | 7 | 4% |
| Australia | 2 | 4 | 4 | 3% | 7 | 5% | 6 | 3% |
| New Zealand | 1 | 1 | 1 | 1% | 1 | 0% | 1 | 1% |
| Extra-EU not allocated | 4 | 2 | 3 | 3% | 3 | 2% | 4 | 2% |
| OECD countries (non-EU) | 49 | 63 | 60 | 58% | 85 | 57% | 100 | 56% |

* Bulgaria, Romania, Turkey and Croatia.

** Republic of South Korea.

EUR 29 bn of FDI income came from the Offshore Financial Centres (OFCs)⁹ in 2005 (Table 1.6), representing 16 % of all EU investment income from extra EU countries. While FDI EU income from the Asian centres increased, the contribution of Central American centres remained stable over the period 2004-05. FDI income from the European financial centres halved, amounting to EUR 3 bn in 2005.

⁹ Offshore Financial Centres is an aggregate used in Eurostat and ECB FDI data which includes 38 countries. In Table 1.5, European financial centres include Liechtenstein, Guernsey, Jersey, the Isle of Man, the Faroe Islands, Andorra and Gibraltar. Central American OFCs include Caribbean Islands such as Bermuda, the Bahamas, the Cayman Islands and the Virgin Islands. Asian OFCs include Hong Kong, Singapore and the Philippines. See Eurostat's website for more information (<http://epp.eurostat.ec.europa.eu>).

Table 1.6

| EU FDI income from Offshore Financial Centres | | | | |
|---|----------|------|----------|------|
| | 2004 | | 2005 | |
| | Value bn | (%) | Value bn | (%) |
| Extra-EU | 150 | 100% | 178 | 100% |
| Financial Centres | 29 | 19% | 29 | 16% |
| of which: | | | | |
| European | 6 | 4% | 3 | 2% |
| Central American | 7 | 5% | 7 | 4% |
| Asian | 14 | 9% | 16 | 9% |
| of which: | | | | |
| Singapore | 6 | 4% | 7 | 4% |
| Hong Kong | 8 | 5% | 9 | 5% |

Stocks, income and yield: 8.7 % yield on EU FDI abroad in 2005

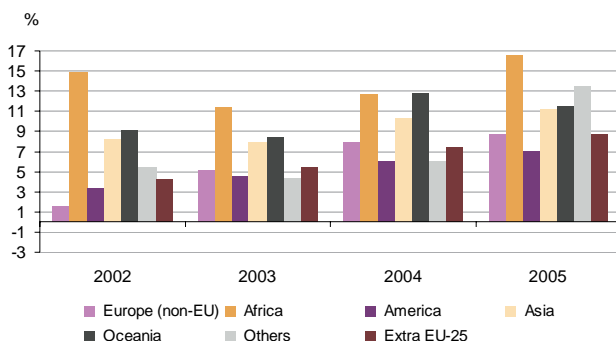
The ratio¹⁰ of income in a given period to stocks at the beginning of that period appears as an indicator of FDI profitability in Chart 1.10. Over the period 2002-05, extra-EU outward FDI yielded an annual average of 6.5 %, with the rate of return on extra-EU FDI rising from 4.3 % in 2002 to 8.7 % in 2005.

Africa had the highest rate of return over the period 2002-05 except in 2004, when Oceania and Polar regions yielded the top rate of return. In 2005, the yield from EU investments in Africa reached a record high at 17 %.

America, where most of EU FDI stocks are held (36 % in 2005), yielded rather low rates of return on EU investments, ranging from 3.4 % in 2002 to 7.1 % in 2005.

Chart 1.10

Extra-EU FDI rate of return



¹⁰ Rate of return in t = (Income paid in t) / (Stocks at the end of the period t-1).

Chapter 2: Direct investment in the EU

EU inward FDI flows from outside the EU experienced an upturn in 2005, reversing the steady decline registered during the period 2001-04

2.1 FDI from Extra-EU countries: Trend and main investors

EU FDI inward flows increased by 77 % from 2004 to 2005

EU FDI inward flows shrank by 24 % between 2001 and 2004. After the sharp decline in 2004, when the lowest level of the period was recorded (-57 %), EU FDI inward flows increased by 77 % between 2004 and 2005, rising from EUR 53 bn to EUR 94 bn.

The European continent (non-EU countries) was the main investor in the EU, with a 43 % share. It increased considerably the volume of investments, from EUR 28 bn in 2004 to EUR 41 bn in 2005.

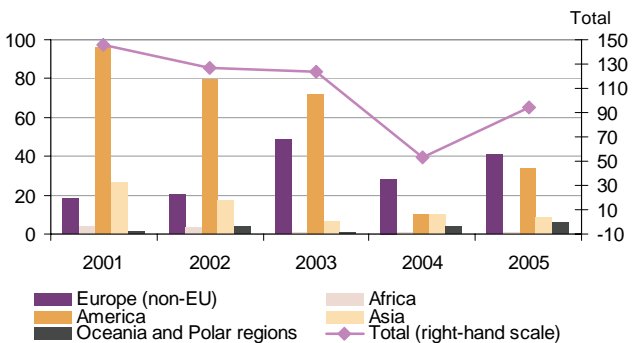
The American continent lost its rank as the main investor in the EU in 2004, when its investments dropped from EUR 72 bn in 2003 to EUR 10 bn (from 58 % to 18 %). In 2005, investments from America increased significantly, reaching EUR 33 bn, representing 36 % of extra-EU inward FDI flows.

Asia was the third largest investor, with EUR 9 bn and a 9 % share. The amount of its investments fell by EUR 1 bn compared to 2004, but the share dropped from 18 % to 9 %.

With EUR 6 bn and a 6 % share, Oceania and the Polar Regions was the fourth investor in the EU, followed by Africa with EUR 1 bn and a share of 1 %.

Chart 2.1

Extra-EU inward FDI flows, by main continents, EUR bn



The USA made 18 % of total EU inward investment in 2005

The United States was the main investor in the EU, with an 18 % share of total extra-EU inflows. The share was the same as in 2004 although there was a considerable rise in absolute terms, from EUR 9 bn to EUR 17 bn.

The second main investor was Switzerland, with EUR 16 bn, representing 17 % of total EU FDI inflows. The share decreased by 12 percentage points compared to 2004, even if the value remained stable at EUR 16 bn.

Canada recorded the strongest increase over the period 2004-05, with values jumping from a disinvestment of EUR -4 bn to an investment of EUR 8 bn. It holds the third place in 2005 with an 8 % share.

Japan's investments in the EU went down from EUR 8 bn in 2004 to EUR 6 bn in 2005. Its share of total extra-EU FDI inflows dropped from 14 % to 7 %.

Investments by Australia and Brazil each represented in 2005 a share of 6 % of total FDI inflows. Both countries registered an increase between 2004 and 2005, rising respectively from EUR 4 bn to EUR 6 bn and from EUR 4 bn to EUR 5 bn.

Table 2.1

| Geographical distribution of EU FDI liabilities and most recent inward flows, (EUR bn and %) | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|-----------|-------------|--------------|-----------|-------------|
| Stocks at end Flows | 2001 | 2002 | 2003 | 2004 | | | 2005 | | |
| | | | | | 2004 | | | 2005 | |
| Extra-EU | 1 296 | 1 265 | 1 485 | 1 581 | 53 | 100% | 1 745 | 94 | 100% |
| Europe (non-EU) | 207 | 213 | 265 | 316 | 28 | 54% | n.a. | 41 | 43% |
| EFTA | 171 | 187 | 217 | 256 | 16 | 31% | n.a. | 20 | 21% |
| Switzerland | 145 | 157 | 186 | 221 | 16 | 29% | 237 | 16 | 17% |
| Russia | 4 | 4 | 5 | 6 | 0 | 0% | n.a. | 4 | 4% |
| Candidate Countries* | 3 | 2 | 2 | 3 | 0 | 1% | n.a. | 1 | 1% |
| Africa | 9 | 9 | 10 | 12 | 1 | 2% | n.a. | 1 | 1% |
| North African countries | 2 | 2 | 2 | 3 | 0 | 0% | n.a. | 0 | 0% |
| Other African countries | 7 | 8 | 7 | 9 | 1 | 1% | n.a. | 0 | 1% |
| Republic of South Africa | 4 | 5 | 4 | 4 | 0 | 0% | n.a. | 0 | 0% |
| America | 927 | 876 | 1 032 | 1 045 | 10 | 18% | n.a. | 33 | 36% |
| North American countries | 786 | 741 | 808 | 818 | 5 | 10% | n.a. | 25 | 27% |
| Canada | 81 | 74 | 66 | 62 | - 4 | -7% | 75 | 8 | 8% |
| USA | 705 | 660 | 687 | 694 | 9 | 18% | 769 | 17 | 18% |
| Central American countries | 137 | 130 | 215 | 216 | - 1 | -2% | n.a. | 2 | 2% |
| Mexico | 4 | 3 | 7 | 8 | 1 | 2% | n.a. | 1 | 1% |
| South American countries | 4 | 5 | 9 | 12 | 5 | 9% | n.a. | 6 | 7% |
| Brazil | 2 | 2 | 2 | 3 | 4 | 8% | 7 | 5 | 6% |
| Asia | 109 | 114 | 134 | 148 | 10 | 18% | n.a. | 9 | 9% |
| Near and Middle East countries | 16 | 17 | 22 | 17 | - 6 | -12% | n.a. | 2 | 2% |
| Other Asian countries | 93 | 96 | 112 | 131 | 16 | 30% | n.a. | 7 | 7% |
| China | 1 | 1 | 0 | 2 | 0 | 0% | 1 | 0 | 0% |
| Hong Kong | 11 | 12 | 8 | 13 | 5 | 9% | 17 | 1 | 1% |
| India | 1 | 1 | 1 | 1 | 0 | 0% | 3 | 0 | 0% |
| Indonesia | 0 | 0 | 0 | 0 | 0 | 0% | n.a. | 0 | 0% |
| Japan | 60 | 63 | 75 | 82 | 8 | 14% | 90 | 6 | 7% |
| Korea** | 2 | 2 | 4 | 5 | 1 | 2% | n.a. | 1 | 1% |
| Taiwan | 2 | 1 | 1 | 1 | 0 | 0% | n.a. | 0 | 0% |
| Singapore | 15 | 15 | 17 | 21 | 0 | 1% | n.a. | -2 | -2% |
| Oceania and Polar regions | 22 | 17 | 23 | 28 | 4 | 7% | n.a. | 6 | 6% |
| Australia | 21 | 15 | 22 | 27 | 4 | 7% | n.a. | 6 | 6% |
| New Zealand | 1 | 1 | 1 | 1 | 0 | 0% | n.a. | 0 | 0% |
| Extra-EU not allocated | 22 | 37 | 20 | 33 | 1 | 1% | 180 | 5 | 5% |
| OECD countries (non-EU) | 1 040 | 1 005 | 1 076 | 1 133 | 36 | 67% | n.a. | 59 | 63% |

* Bulgaria, Romania, Turkey and Croatia.

** Republic of South Korea.

n.a. : Data not available yet.

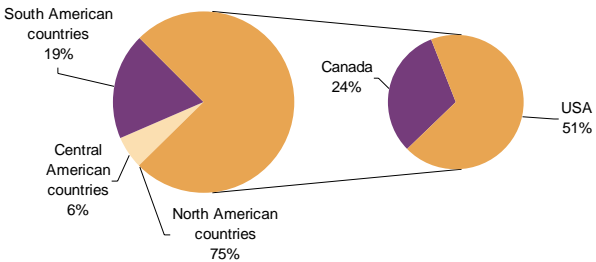
USA represents half of the investments in EU from the American continent

With a share of 75 % (EUR 25 bn) in 2005, the North American countries remained the main investors in the total inward flows from America, followed by South American countries with 19 % (EUR 6 bn) and Central American countries with 6 % (EUR 2 bn).

51 % of the investments from America, corresponding to 68 % of the investments from Northern American countries, originated from the United States.

Chart 2.2

2005 EU FDI inflows from America



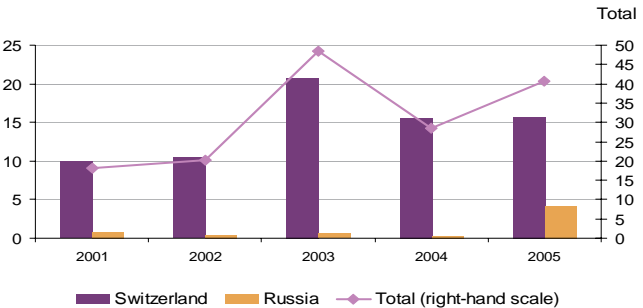
European (non-EU) countries: Switzerland remained the main investor, huge increase of Russia

Switzerland was the main investor in the EU among the European non-EU countries in 2005, representing 38 % of total EU FDI inflows from those countries.

Russia emerged as the second investor in the EU with a 10 % share of total inward flows from Europe (non-EU) and an unprecedented share of 4 % of total extra-EU FDI inflows (EUR 4 bn).

Chart 2.3

EU FDI inflows from Europe (non-EU), EUR bn



EU FDI inflows from Asia in 2005 70 % down on 2001.

Asian investments in the EU dropped over the period under review, from EUR 26 bn in 2001 to EUR 9 bn in 2005.

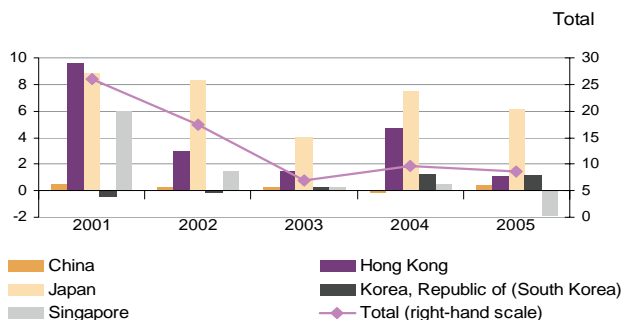
The huge decrease was mainly due to the declining trend in investments by Hong Kong, Japan and Singapore, the main investors in the EU from the Asian continent in 2001. EU FDI inflows from these countries fell between 2001 and 2005 respectively from EUR 9 bn to EUR 2 bn, from EUR 9 bn to EUR 6 bn, and from EUR 6 bn to a disinvestment of EUR -2 bn.

Despite the decline in its investments, Japan remained the main investor in the EU from Asia, with a share of 71 % in 2005.

Even with small investments in absolute values, China stepped up its investments between 2004 and 2005 (from a disinvestment of EUR -0.1 bn to a positive investment of EUR 0.4 bn), reaching 5 % of EU FDI inflows from Asia.

Chart 2.4

EU FDI inflows from Asia, EUR bn



Oceania and Polar regions: significant rise in investments in the EU between 2003 and 2005

Australia experienced an increase in its investments in the EU since 2003, reaching EUR 6 bn in 2005.

New Zealand recorded a reverse trend, falling from EUR 0.6 bn in 2001 to EUR 0.1 bn in 2005.

Chart 2.5

EU FDI inflows from Oceania and Polar regions, EUR bn



Investments from Africa down during the period 2001-2005

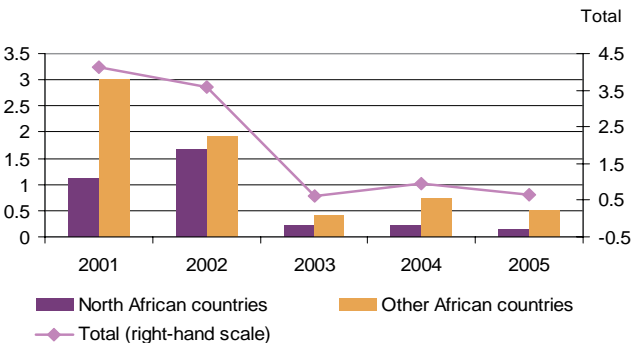
EU FDI inflows from Africa underwent a significant decline, falling from EUR 4 bn in 2001 to a relatively stable amount below EUR 1 bn in 2003, 2004 and 2005.

The main investor in 2005 was Egypt, with a share of 17 % of the total African continent and 76 % of the North African countries.

South Africa dropped from the role of the biggest investor in the EU among the African countries in 2001 (EUR 3 bn) to a disinvestment in 2005.

Chart 2.6

EU FDI inflows from Africa, EUR bn



EU inward FDI from Offshore Financial Centres

At EUR 18 bn, the Offshore Financial Centres (OFCs)¹¹ accounted for 19 % of total extra-EU FDI inflows in 2005 and 21 % of inward stocks at end-2004.

Investments from OFCs grew by 5 % in 2005 after the drop from EUR 33 bn in 2003 to EUR 17 bn in 2004.

European OFCs contributed EUR 16 bn to the flows invested in the EU and Central American OFCs EUR 1 bn, whereas Asian OFCs registered a disinvestment of EUR -1 bn.

2004 FDI inward stocks showed that OFCs from Central America were the main source of FDI among the OFCs, with a 60 % share (13 % of total extra-EU), followed by European OFCs with 13 % (3 % of total extra-EU) and Asian OFCs with 10 % (2 % of total extra-EU).

Table 2.2

| EU inward FDI from Offshore Financial Centres (EUR bn) | | | | |
|---|------------------------|------------|-------------------|------------|
| | FDI stocks end-2004 | | FDI flows 2005 | |
| | Value | (%) | Value | (%) |
| Extra-EU | 1 581 | 100% | 94 | 100% |
| Financial Centres | 337 | 21% | 18 | 19% |
| <i>of which:</i> | | | | |
| European | 44 | 3% | 16 | 17% |
| Central American | 202 | 13% | 1 | 1% |
| Asian | 35 | 2% | -1 | -1% |
| <i>of which:</i> | | | | |
| Singapore | 21 | 1% | -2 | -2% |
| Hong Kong | 13 | 1% | 1 | 1% |

¹¹ Offshore Financial Centres is an aggregate used in Eurostat and ECB FDI data which includes 38 countries. In Table 2.2, European financial centres include Liechtenstein, Guernsey, Jersey, the Isle of Man, the Faroe Islands, Andorra and Gibraltar. Central American OFCs include Caribbean Islands such as Bermuda, the Bahamas, the Cayman Islands and the Virgin Islands. Asian OFCs include Hong Kong, Singapore and the Philippines. See Eurostat's website for more information (<http://epp.eurostat.ec.europa.eu>).

EU FDI inward stocks: top 25 investor countries

Chart 2.7 illustrates the recent evolution of stocks held by the 25 largest partners ranked according to the growth rate between 2001 and 2004.

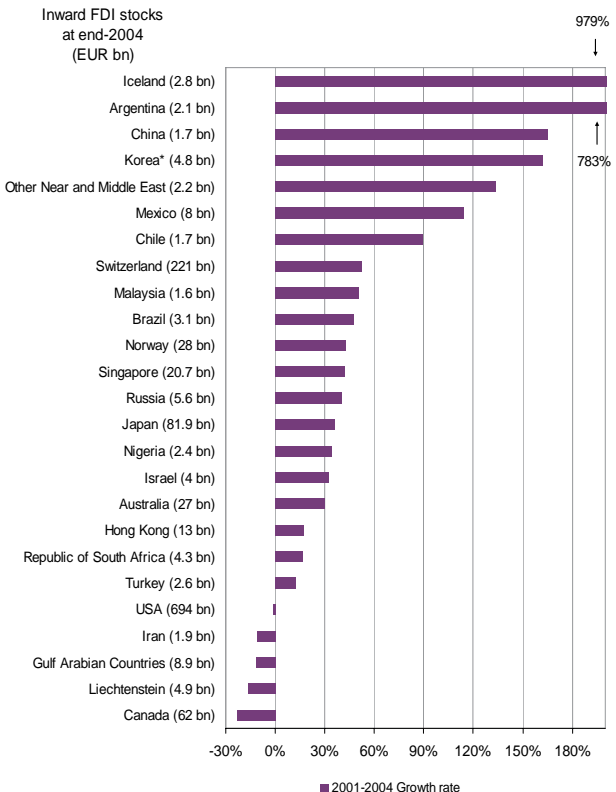
Iceland recorded the highest rate of growth between 2001 and 2004 even if the increase in absolute terms was small, rising from EUR 0.3 bn in 2001 to EUR 2.8 bn in 2004.

Argentina had the next highest growth rate (783%), followed by China and Korea.

The investment stocks held in the EU by the United States fell from EUR 705 bn in 2001 to EUR 694 bn in 2004, leading to a growth rate of -1%.

Chart 2.7

Growth rate of inward FDI stocks held in the EU for top 25 investors



* Republic of South Korea

Major hosts of inward FDI in the EU: the United Kingdom took 18 % of stocks in 2004

At end-2004, the United Kingdom was the main host of direct investments in the EU-25, holding 18 % of the EU-25 total. The share remained almost stable compared to 2003.

Germany was the second main destination with 10 % of the EU-25 total, followed by the Netherlands (9 %) and France (8 %).

For all these four countries, the largest partners at end-2004 were the United States, Switzerland and Japan.

The amount of EU FDI stocks held by the United States in these countries totalled EUR 380 bn at end-2004. The United States' FDI stocks increased in Germany (8 %) and France (5 %) and decreased in the Netherlands (-18 %) and the United Kingdom (-8 %) between 2003 and 2004.

The main host of FDI from Switzerland at end-2004 was France, with an increase of 50 % between 2003 and 2004. Switzerland's FDI stocks increased also in the United Kingdom (12 %) and the Netherlands (11 %) but decreased in Germany (-6 %).

61 % of the EU FDI stocks held by Japan in 2004 were hosted in the four countries in question. Its FDI stocks remained almost stable in the United Kingdom, Germany and the Netherlands and increased in France by 15 % from 2003 to 2004.

Table 2.3

| Geographical distribution of EU FDI liabilities, four main recipients (at end-2004, EUR mn) | | | | | | |
|--|-----------|-------------|----------------|---------|---------|----------|
| Stocks at end-2004 | EU-25 | Netherlands | United Kingdom | Germany | France | Other EU |
| Extra-EU | 1 580 532 | 136 247 | 286 641 | 151 457 | 125 866 | 880 321 |
| Europe (non EU) | 315 626 | 28 517 | 28 184 | 38 419 | 39 599 | 180 907 |
| EFTA | 256 441 | 19 542 | 22 342 | 33 078 | 38 358 | 143 121 |
| Switzerland | 220 567 | 17 198 | 20 828 | 30 457 | 36 351 | 115 733 |
| Norway | 28 109 | 2 199 | 343 | 2 021 | 1 814 | 21 732 |
| Russia | 5 558 | 114 | : | 918 | 420 | : |
| Candidate countries* | 3 322 | : | : | : | 204 | : |
| Africa | 11 533 | 285 | 752 | 1 223 | 2 306 | 6 967 |
| North African countries | 2 803 | 77 | : | : | 1 045 | : |
| Other African countries | 8 729 | 209 | : | : | 1 261 | : |
| Republic of South Africa | 4 281 | 40 | 420 | 1 161 | 58 | 2 602 |
| America | 1 045 235 | 89 214 | 198 695 | 96 032 | 66 937 | 594 357 |
| North American countries | 817 615 | 63 061 | : | 90 884 | 62 599 | : |
| Canada | 62 187 | 1 108 | : | 3 314 | 4 943 | : |
| USA | 694 338 | 61 956 | 173 135 | 87 570 | 57 655 | 314 022 |
| Central American countries | 215 558 | 25 999 | 8 297 | 4 952 | 3 655 | 172 655 |
| Mexico | 7 971 | 17 | 21 | 60 | 197 | 7 676 |
| South American countries | 12 060 | 153 | : | 196 | 683 | : |
| Brazil | 3 109 | 45 | : | 101 | 267 | : |
| Asia | 147 948 | 17 456 | 35 175 | 15 509 | 14 795 | 65 013 |
| Other Asian countries | 130 887 | 14 949 | 31 253 | 13 879 | 11 511 | 59 295 |
| China | 1 692 | 65 | 169 | 163 | 147 | 1 148 |
| Hong Kong | 13 148 | 298 | : | 80 | 661 | : |
| Japan | 81 852 | 12 788 | 17 446 | 10 442 | 9 624 | 31 552 |
| Singapore | 20 678 | 390 | 1 312 | 164 | 478 | 18 334 |
| Oceania and Polar regions | 27 868 | 774 | 23 811 | 275 | 853 | 2 155 |
| Australia | 27 164 | 753 | 23 588 | 275 | 660 | 1 888 |
| New Zealand | 501 | 15 | 217 | 0 | 93 | 176 |

* Bulgaria, Romania, Turkey and Croatia.

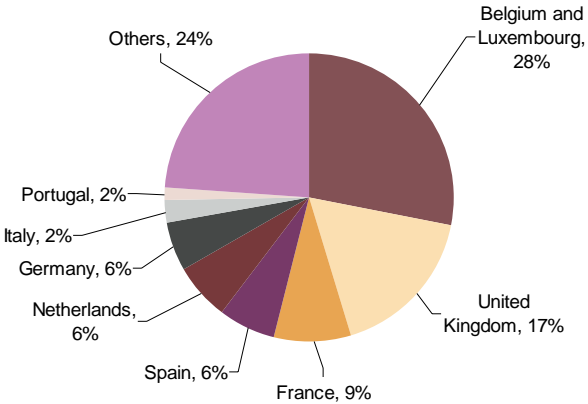
n.a. : Data not available yet.

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

Belgium and Luxembourg together received 28 % of cumulated investment flows over the 2001-05 period.

Chart 2.8

Share in EU FDI inward flows from extra-EU, 2001-2005



The United Kingdom received 17 % of 2001-05 FDI cumulated inflows from outside the EU, followed by France (9 %) and Spain, Germany and the Netherlands with 6 %.

In 2005, the highest share of EU-25 FDI inward flows was received by the United Kingdom with 53 %, followed by Luxembourg (25 %) and France (15 %).

2.2 Focus on Candidate Countries¹²

FDI stocks in the Candidate Countries 64 % up between 2004 and 2005

The total FDI stocks held by EU and extra-EU investors in the Candidate Countries rose from EUR 66 bn at end-2004 to EUR 108 bn at end-2005, with all four countries experiencing increases.

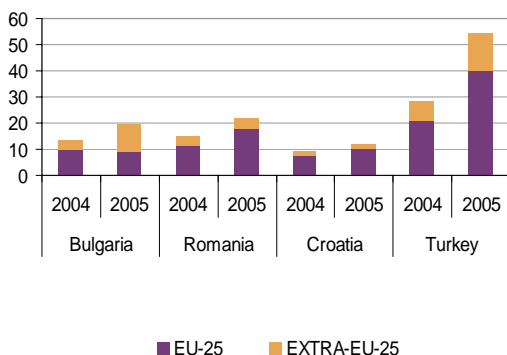
Turkey doubled its inward stocks for both EU-25 (from EUR 21 bn at end-2004 to EUR 40 bn at end-2005) and extra-EU-25 countries (from EUR 7 bn at end-2004 to EUR 15 bn at end-2005).

Investments in Croatia and Romania increased, especially from EU-25 countries, rising by 58 % and 35 % respectively. Extra-EU-25 FDI inward stocks increased by 31 % in Croatia and by 8 % in Romania.

Bulgaria recorded a remarkable increase in extra-EU-25 inward stocks (200 %) and a decline in stocks held by EU-25 countries (-12 %).

Chart 2.9.

Candidate Countries' inward FDI stocks from EU-25 and extra-EU-25 in 2004 and 2005, EUR bn



¹² The Candidate Countries are Bulgaria, Croatia, Romania and Turkey. (Bulgaria and Romania joined the EU in 2007).

Table 2.4 presents details on FDI inward stocks held by the EU-25 in the Candidate Countries at end-2005, which amounted to EUR 77 bn.

Among the 25 Member States, the main investor was the Netherlands, with a 23 % share (EUR 17 bn), followed by Germany with EUR 10 bn. Austria was in third position, closely followed by France.

Table 2.4

| Candidate Countries' inward FDI stocks from EU-25 (EUR mn, end-2005) | |
|---|---------------|
| EU-25 | 76 832 |
| <i>of which:</i> | |
| Netherlands | 17 479 |
| Germany | 10 366 |
| Austria | 8 959 |
| France | 8 594 |
| Italy | 6 135 |

Table 2.5 gives details of investments coming from extra-EU-25 countries into the Candidate Countries, which amounted to EUR 31 bn in total.

Data on FDI inward stocks at the end of 2005 show that the United States was the main investor, with EUR 5.5 bn of stocks, followed by Switzerland (EUR 4 bn) and Gulf Arabian countries (EUR 3.6 bn). These three countries held 42 % of the extra-EU-25 FDI inward stocks hosted in the Candidate Countries.

Table 2.5

| Candidate Countries' inward FDI stocks from Extra-EU-25 (EUR mn, end-2005) | |
|---|---------------|
| Extra-EU-25 | 30 889 |
| <i>of which:</i> | |
| United States of America | 5 509 |
| Switzerland | 3 991 |
| Gulf Arabian Countries | 3 611 |
| Canada | 880 |
| Russia | 836 |

FDI flows to Candidate Countries increased from EUR 11 bn in 2004 to EUR 17 bn in 2005. With EUR 4 bn, Turkey was the most attractive destination for extra-EU FDI flows among the Candidate Countries. Croatia (15 %) and Bulgaria (8 %) accounted for less than EUR 1 bn. Romania registered in 2005 a slight disinvestment from extra-EU-25 countries, but received most of the EU-25 FDI flows (EUR 5 bn) to the Candidate Countries.

Table 2.6

| FDI flows to Candidate Countries in 2005 – (EUR mn) | | |
|--|---------------|--------------|
| | EU-25 | extra-EU-25 |
| Total | 11 516 | 5 297 |
| Bulgaria | 1 896 | 430 |
| Romania | 5 320 | - 108 |
| Croatia | 619 | 776 |
| Turkey | 3 681 | 4 199 |

2.3 Income paid on inward EU FDI

Income paid on inward FDI 26 % up in 2005

Income paid on inward EU FDI reached EUR 110 bn in 2005, increasing 26 % between 2004 and 2005. At the same time, the FDI stocks held by extra-EU countries increased by 10 % from EUR 1 581 bn to EUR 1 745 bn (Table 2.1).

At EUR 64 bn, EU FDI income accruing to the United States in 2005 was 28 % higher than in 2004 and accounted for 59 % of total FDI income paid to extra-EU investor countries.

Switzerland, with EUR 16 bn, received 15 % of the total inward FDI income and was the second main recipient country, while Japan was third (EUR 3 bn and 3 %).

Table 2.7

| Geographical distribution of EU income paid on inward FDI (EUR bn and %) | | | | | | | | |
|---|-----------|-----------|-----------|-------------|-----------|-------------|------------|-------------|
| Income | 2001 | 2002 | 2003 | | 2004 | | 2005 | |
| % shares | | | | 2003 | | 2004 | | 2005 |
| Extra-EU | 83 | 68 | 60 | 100% | 87 | 100% | 110 | 100% |
| Europe (non-EU) | 23 | 13 | 9 | 16% | 19 | 22% | 24 | 22% |
| EFTA | 20 | 18 | 15 | 26% | 15 | 18% | 18 | 17% |
| Switzerland | 19 | 16 | 14 | 23% | 14 | 16% | 16 | 15% |
| Russia | 0 | 0 | 1 | 1% | 1 | 1% | 2 | 2% |
| Candidate Countries* | 0 | 0 | 0 | 2% | 0 | 2% | 0 | 1% |
| Africa | 2 | 3 | 1 | 1% | 0 | 0% | 0 | 0% |
| North African countries | 1 | 1 | 0 | 0% | 0 | 0% | 0 | 0% |
| Other African countries | 1 | 2 | 0 | 1% | 0 | 0% | 0 | 0% |
| Republic of South Africa | 1 | 1 | 0 | 0% | 0 | 0% | 0 | 0% |
| America | 39 | 40 | 46 | 77% | 64 | 74% | 79 | 73% |
| North American countries | 34 | 35 | 39 | 65% | 52 | 60% | 66 | 61% |
| Canada | 1 | 2 | 2 | 4% | 2 | 2% | 2 | 2% |
| USA | 33 | 33 | 37 | 62% | 50 | 58% | 64 | 59% |
| Central American countries | 3 | 3 | 6 | 10% | 11 | 12% | 11 | 10% |
| Mexico | 0 | 0 | 0 | 1% | 0 | 0% | 0 | 0% |
| South American countries | 1 | 1 | 1 | 1% | 1 | 1% | 2 | 2% |
| Brazil | 1 | 0 | 0 | 1% | 1 | 1% | 2 | 2% |
| Asia | 13 | 10 | 2 | 4% | 3 | 3% | 4 | 3% |
| Near and Middle East countries | 0 | 1 | 1 | 1% | 1 | 1% | 1 | 1% |
| Other Asian countries | 12 | 9 | 2 | 3% | 2 | 2% | 3 | 2% |
| China | 0 | 0 | 0 | 0% | 0 | 0% | 0 | 0% |
| Hong Kong | 8 | 2 | 0 | 0% | -1 | -1% | -1 | -1% |
| India | 0 | 0 | 0 | 0% | 0 | 0% | 0 | 0% |
| Indonesia | 0 | 0 | 0 | 0% | 0 | 0% | 0 | 0% |
| Japan | 2 | 4 | 1 | 2% | 3 | 3% | 3 | 3% |
| Korea** | 0 | 0 | 0 | -1% | 0 | 0% | 0 | 0% |
| Taiwan | 0 | 1 | 0 | 0% | 0 | 0% | 0 | 0% |
| Singapore | 1 | 1 | 0 | 1% | 0 | 0% | 0 | 0% |
| Oceania and Polar regions | 0 | 1 | 1 | 2% | 1 | 1% | 1 | 1% |
| Australia | 0 | 1 | 1 | 2% | 1 | 1% | 1 | 1% |
| New Zealand | 0 | 0 | 0 | 0% | 0 | 0% | 0 | 0% |
| Extra-EU not allocated | 6 | 1 | 0 | 1% | 0 | 0% | 1 | 1% |
| OECD countries (non-EU) | 56 | 57 | 57 | 95% | 71 | 82% | 89 | 81% |

* Bulgaria, Romania, Turkey and Croatia.

** Republic of South Korea.

The Offshore Financial Centres (OFCs)¹³ received EUR 14 bn FDI income in 2005 from the EU, which represented 13 % of income on EU FDI paid to extra-EU countries.

The income directed to OFCs remained quite stable in absolute terms between 2004 and 2005, but decreased in terms of the share of the total FDI income paid abroad.

Asian OFCs recorded a fall in their EU FDI income, owing to Hong Kong.

Table 2.8

| EU FDI income to Offshore Financial Centres (EUR bn) | | | | |
|---|-----------|-------------|------------|-------------|
| | 2004 | | 2005 | |
| | Value | (%) | Value | (%) |
| Extra-EU | 87 | 100% | 110 | 100% |
| Financial Centres | 13 | 15% | 14 | 13% |
| <i>of which:</i> | | | | |
| European | 2 | 3% | 3 | 2% |
| Central American | 11 | 12% | 11 | 10% |
| Asian | -1 | -1% | -1 | -1% |
| <i>of which:</i> | | | | |
| Singapore | 0 | 0% | 0 | 0% |
| Hong Kong | -1 | -1% | -1 | -1% |

¹³ Offshore Financial Centres is an aggregate used in Eurostat and ECB FDI data which includes 38 countries. In Table 2.8, European financial centres include Liechtenstein, Guernsey, Jersey, the Isle of Man, the Faroe Islands, Andorra and Gibraltar. Central American OFCs include Caribbean Islands such as Bermuda, the Bahamas, the Cayman Islands and the Virgin Islands. Asian OFCs include Hong Kong, Singapore and the Philippines. See Eurostat's website for more information (<http://epp.eurostat.ec.europa.eu>).

Stocks, income and yield: 6.9 % return on EU inward FDI in 2005

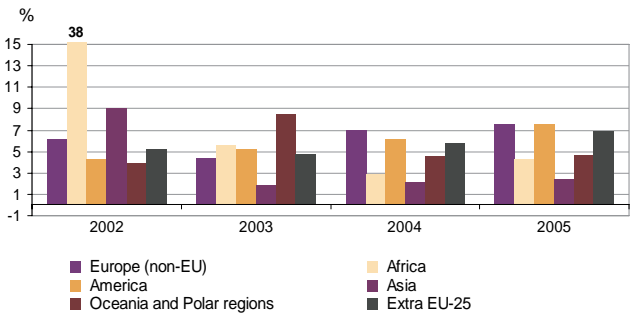
The ratio¹⁴ of income in a given period to stocks at the beginning of that period is used as an indicator of FDI profitability in Chart 2.10. In 2005, the rate of return on FDI capital invested by extra-EU countries rose to 6.9 %.

The geographical breakdown shows that Europe (non-EU), America and Asia registered an increase in their rate of return during the period 2003-05.

Oceania received a stable rate of return in 2004 and 2005 after a considerable decrease between 2003 and 2004, while Africa's yield picked up again in 2005 after the huge drop in 2003 (from 38 % to 6 %).

Chart 2.10

Rate of return on FDI in the EU



¹⁴ 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: stable flows in 2005

Data on the activity of European enterprises in emerging markets are monitored very closely by policy-makers and analysts. Despite the slump in investment activity that had been recorded in those markets in previous years, EU FDI outflows to emerging markets stabilised over the last two years of the period under review, reaching EUR 62 bn in 2005.

In 2001-03, noticeable decreases or stagnant growth in EU FDI were observed in almost all emerging markets: Far East Asia, Latin America, the Mediterranean partner countries (MPCs). The only exception was Central/Eastern European countries and Russia (CEEER) in 2003. EU FDI flows to these markets increased again in 2004 and 2005. The CEEER saw the biggest growth in 2005 as EU FDI flows more than doubled in volume compared with 2004.

This chapter examines 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 (CEEER).

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:** Asia¹⁵ excluding Japan
- **Mediterranean partner countries (MPCs):** Maghreb countries (Algeria, Morocco, Tunisia), Mashrek countries (Egypt, Jordan, Lebanon, Palestinian Territory: Occupied, Syrian Arab Republic), Turkey, Israel
- **Central/Eastern European countries and Russia (CEEER):** Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia: the former Yugoslav Republic of, Romania, Serbia and Montenegro, Russia, Belarus, Ukraine

¹⁵ Please refer to Annex 4 for the composition of Asia.

EU FDI flows to emerging markets: evolution from 2001 to 2005

Over the period 2001-05, EU FDI flows to emerging markets fluctuated, peaking in 2004 when they were 71 % up on 2003 levels. EU outflows in 2005 remained at almost the same level as in 2004, standing at EUR 62 bn.

2001 was a record year for Far East Asia with EU investments in the region reaching an unprecedented EUR 65 bn. Thereafter, following two years of steady decline, EU investments in the region settled at EUR 26 bn in 2004 and remained unchanged in 2005.

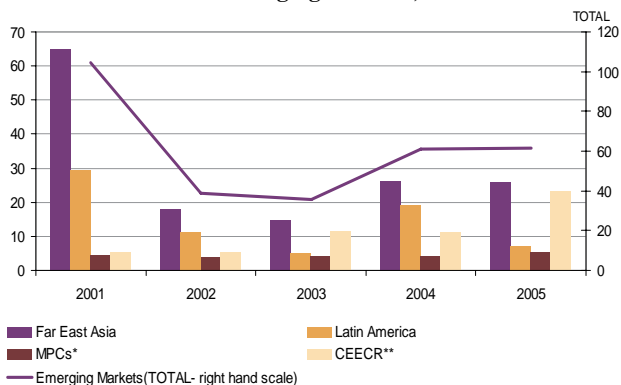
The unbroken downward trend in EU investments in Latin America that was observed from 2001 (EUR 30 bn) until 2003 (EUR 5 bn) was reversed in 2004 with an upsurge in EU FDI flows to EUR 19 bn. EU flows to Latin America fell again in 2005 to EUR 7 bn.

The CEECR attracted for the first time in 2003 a noteworthy amount of EU investment activity, rising to EUR 12 bn. After one year of dormant growth EU flows to the region more than doubled in 2005 to reach EUR 23 bn.

EU FDI outflows to the MPCs fluctuated throughout the whole period under examination. The highest increase was recorded in 2005 with EUR 6 bn (+33 % on 2004 levels).

Chart 3.1

EU FDI flows towards Emerging Markets, EUR bn



*The MPCs consist of Israel, Turkey, Mashrek and Maghreb countries.

**The CEECR comprise Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia; the former Yugoslav Republic of, Romania, Serbia and Montenegro, Russia, Belarus and Ukraine.

Where did EU investors invest in Emerging Markets?

The share of EU FDI outflows to emerging markets in total EU external FDI flows increased between 2001 and 2004, rising from 34 % in 2001 to 45 % in 2004, but fell to 36 % in 2005. Far East Asia attracted most of the EU outflows targeting the emerging markets: over the five-year period this region received 47 % of such FDI flows, whereas Latin America followed next with 24 %.

Table 3.1

Share of emerging markets in total extra-EU FDI outflows, 2001 to 2005

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------------------------|------|------|------|------|------|
| Emerging Markets | 34 | 29 | 26 | 45 | 36 |
| Far East Asia | 21 | 14 | 11 | 19 | 15 |
| Latin America | 10 | 8 | 4 | 14 | 4 |
| MPCs* | 1 | 3 | 3 | 3 | 3 |
| CEEER** | 2 | 4 | 8 | 8 | 13 |
| Other extra-EU countries | 66 | 71 | 74 | 55 | 64 |

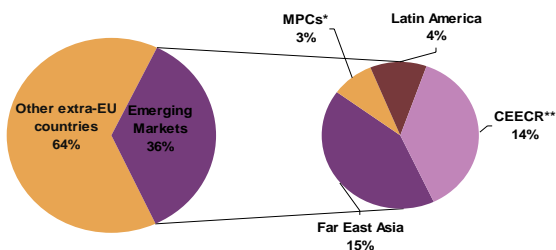
* The MPCs comprise Israel, Turkey, the Maghreb and Mashrek countries.

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

In 2005, Far East Asia took the highest share (15 %) of EU FDI flows to emerging markets. China including Hong Kong accounted for 23 % of total EU outflows to this region. EU FDI outflows to the CEEER totalled 14 %, while FDI flows to Latin America represented 4 % and to the MPCs 3 % of total EU outflows targeting the emerging markets.

Chart 3.2

EU FDI outflows in 2005: share of emerging markets



* The MPCs consist of Israel, Turkey, and countries from Mashrek and Maghreb.

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

EU FDI inflows from emerging markets: lower FDI flows to the EU in 2005

A traditional feature of the EU's bilateral relations with emerging markets is that outward FDI outstrips inward FDI by a wide margin. When comparing the five years under consideration, 2001 was the peak year for FDI flows to the EU from the emerging markets, with EUR 22 bn. Far East Asia, with EUR 16 bn, was the main source of EU investment coming from the emerging markets.

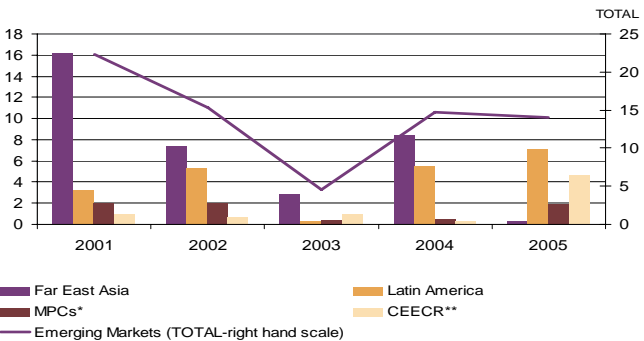
In the subsequent two years the emerging markets' investments in the EU followed a downward trend. 2003 was a trough, with the largest drop during the period 2001-05 (-70 % compared to 2002 levels). The decline in the emerging markets' investments in the EU was reversed in 2004 with a threefold increase (EUR 15 bn) compared to 2003 levels (EUR 5 bn). Far East Asia was again the main contributor to that increase as it accounted for 57 % of total EU inflows from the emerging markets.

2005 saw a small dip in EU inflows as investments from the emerging markets dropped to EUR 14 bn. Investments from Singapore, the Philippines and Hong Kong contributed most to the fall in EU FDI inflows from the emerging markets. This decrease was largely offset by increased investments from the CEECR and by Latin America to a lesser extent.

Despite the drop in 2005, Far East Asia provided the most FDI in the EU over the period 2001-05 (representing an average of 50 % of total EU FDI inflows from the emerging markets), followed by Latin America (30 %), the CEECR (11 %) and the MPCs (10 %). It is worth noting that the drop in 2005 was largely compensated by increased investments from the CEECR.

Chart 3.3

EU FDI inflows from Emerging Markets, EUR bn



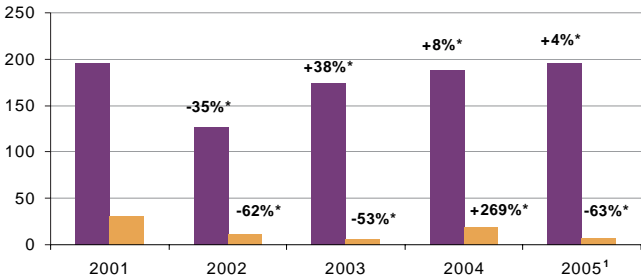
* The MPCs consist of Israel, Turkey, and countries from Mashrek and Maghreb.

** The CEECR comprise Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia; the former Yugoslav Republic of, Romania, Serbia and Montenegro, Russia, Belarus, Ukraine.

3.1. Latin America: reduced EU FDI outward flows in 2005

Chart 3.4

EU FDI outward flows and stocks in Latin America, EUR bn



¹ Estimated stock value for 2005.

* Annual growth rate.

■ Stocks ■ Flows

EU FDI outflows towards Latin America kept on decreasing noticeably during the period 2001-03, dropping from EUR 30 bn in 2001 to EUR 5 bn in 2003. In 2004 EU FDI flows to the region picked up, at EUR 19 bn, but halved in 2005. This fall was mainly induced by a massive drop (-77 %) in EU outflows to Mexico, which was caused by Spain (EUR 2.3 bn in 2005 compared to EUR 7.3 bn in 2004). In addition, Spain, by withdrawing capital from Argentina of EUR -1.4 bn, and the United Kingdom, with a disinvestment of EUR -1 bn in Colombia (99 % of the total EU investment in Colombia), contributed significantly to the trimming-down of EU investments in Latin America in 2005.

Table 3.2

EU FDI outflows to Latin American countries, 2001–2005, EUR mn

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------|---------|---------|---------|---------|---------|
| Extra-EU | 306 140 | 133 897 | 135 711 | 136 388 | 171 757 |
| Latin America | 29 644 | 11 244 | 5 233 | 19 293 | 7 127 |
| of which: | | | | | |
| Mexico | 4 825 | 6 608 | 1 999 | 10 805 | 2 512 |
| Colombia | 420 | - 369 | 369 | 605 | - 1 057 |
| Uruguay | 1 229 | 450 | 88 | 192 | - 25 |
| Venezuela | 2 914 | - 183 | - 275 | 1 064 | 945 |
| Brazil | 10 050 | - 1 367 | 2 149 | 5 180 | 5 490 |
| Chile | 3 048 | 1 564 | 1 643 | 1 976 | 939 |
| Argentina | 5 612 | 1 159 | - 1 455 | - 1 166 | - 1 313 |
| NICs2LA | 23 534 | 7 961 | 4 336 | 16 798 | 7 626 |
| MERCOSUR | 16 901 | 172 | 764 | 4 169 | 4 164 |

NICs2LA = Latin American newly industrialised countries in the second wave of industrialisation (Argentina, Brazil, Chile, Mexico).

Mercosur = countries of the Southern 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-2004, EUR mn

| | EU | United Kingdom | Netherlands | France | Germany | Italy | Denmark | Other MS* |
|----------------------|----------------|----------------|---------------|---------------|---------------|--------------|--------------|----------------|
| Latin America | 188 660 | 17 172 | 12 918 | 10 776 | 11 540 | 5 812 | 2 366 | 128 076 |
| <i>of which:</i> | | | | | | | | |
| Mexico | 38 594 | 3 491 | 3 678 | 1 406 | 3 520 | 331 | 706 | 25 462 |
| Colombia | 6 723 | 2 658 | 254 | 131 | 569 | 53 | 4 | 3 054 |
| Uruguay | 2 116 | : | : | 257 | : | 46 | 3 | : |
| Venezuela | 5 630 | 306 | 235 | 669 | 472 | 188 | 59 | 3 701 |
| Brazil | 70 768 | 5 563 | 6 188 | 5 882 | 5 000 | 3 003 | 488 | 44 644 |
| Chile | 16 031 | 3 025 | 676 | 476 | 450 | 111 | 28 | 11 265 |
| Argentina | 30 599 | 1 681 | 953 | 1 648 | 1 021 | 1 635 | 967 | 22 694 |
| NICs2LA | 155 993 | 13 759 | 11 495 | 9 412 | 9 991 | 5 080 | 2 190 | 104 066 |
| MERCOSUR | 104 264 | 7 337 | 7 178 | 7 819 | 6 091 | 4 692 | 1 459 | 69 688 |

: indicates missing values

NICs2LA = Latin American newly industrialised countries in the second wave of industrialisation (Argentina, Brazil, Chile, Mexico).

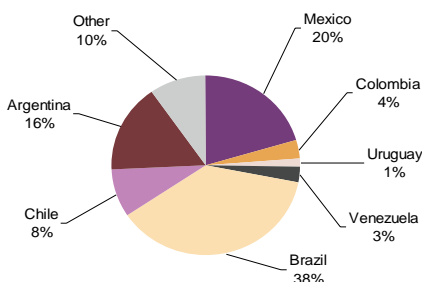
Mercosur = countries of the Southern Cone Common Market (Argentina, Brazil, Paraguay, Uruguay).

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

At end-2004, 83 % of EU FDI outward stocks in Latin American countries were held in the four Latin American NICs belonging to the second wave of industrialisation: Brazil, Argentina, Chile and Mexico. Brazil was the main host of extra-EU FDI stocks in Latin America with 38 % of the total, as the Netherlands with EUR 6.2 bn, France with EUR 5.9 bn and the United Kingdom with EUR 5.6 bn increased their investment in Brazil compared to end-2003 levels.

Chart 3.5

EU FDI outward stocks in Latin America by country at end-2004



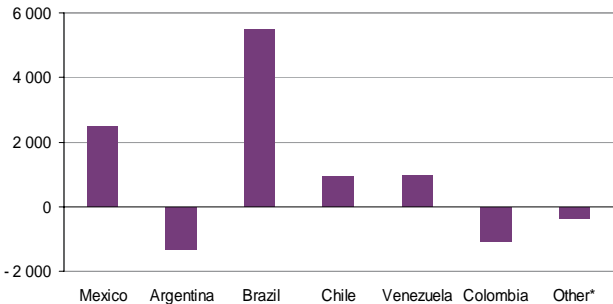
In 2005 Brazil was the main destination of EU FDI outward flows to Latin America

In 2005 Brazil, with EUR 5 bn, remained the top destination for EU FDI flows towards Latin American countries, accounting for 77 % of EU total flows. Spain was the principal investor country, accounting for 32 % of EU outflows to Brazil.

After a sharp drop from 2004 levels (EUR 10.8 bn), Mexico ranked second with EUR 3 bn. Spain, with a drop of 69 %, and the United Kingdom, with a reduction of 90 %, were the main FDI players instigating the lower EU FDI outward flows to Mexico. Chile and Venezuela shared the third place with nearly EUR 1 bn each. Argentina experienced disinvestments of more than EUR 1 bn for the third consecutive year, while Colombia saw a 275 % decrease in EU investments.

Chart 3.6

EU FDI outflows by Latin American country in 2005, EUR mn



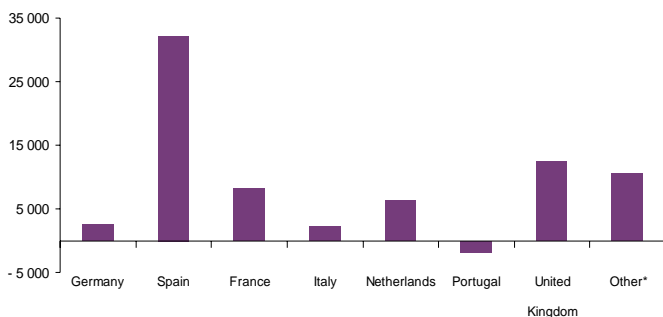
* 'Other' has been computed as the difference between Latin America and the sum of the selected partner countries presented in the graph.

Spain: the main EU investor in Latin America

Looking at the cumulated flows from 2001 to 2005, Spanish investment represented 44 % of EU direct investment in Latin America. The United Kingdom and France were the second and third largest EU investors, accounting for 17 % and 11 % respectively of total EU FDI targeting Latin American countries.

Chart 3.7

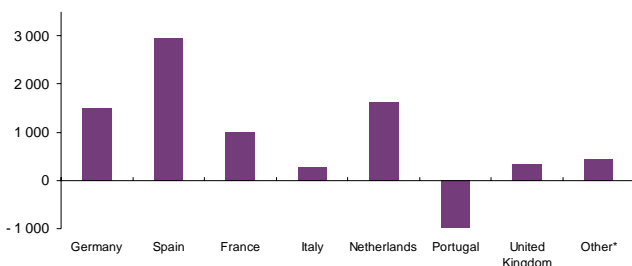
EU FDI cumulated flows towards Latin America from 2001 to 2005 by Member State, EUR mn



Despite the 70 % drop since 2004, Spain maintained its position as principal EU investor in Latin America by investing EUR 2.9 bn in 2005. The Netherlands, with EUR 1.6 bn, followed next, while Germany took third place with EUR 1.4 bn. France, with EUR 1 bn, increased significantly its investment in the region in 2004 (EUR 337 mn). In contrast, Portugal realised disinvestments in the region reaching EUR 1 bn in 2005.

Chart 3.8

EU FDI flows towards Latin America in 2005 by Member State, EUR mn



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

EU FDI in Latin America: limited profitability

Table 3.4

EU FDI income by country of origin, 2001-2005, EUR mn

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|----------------------|---------------|---------------|----------------|----------------|----------------|
| Extra-EU | 86 198 | 85 769 | 103 704 | 150 424 | 178 097 |
| Latin America | 6 029 | 5 628 | 6 501 | 11 173 | 14 273 |
| <i>of which:</i> | | | | | |
| Mexico | 345 | 1 884 | 1 612 | 3 471 | 2 994 |
| Colombia | 397 | 384 | 527 | 744 | 858 |
| Uruguay | 8 | 133 | 41 | 69 | 96 |
| Venezuela | 613 | 769 | 105 | 1 017 | 1 402 |
| Brazil | 2 485 | 3 249 | 2 931 | 3 785 | 6 282 |
| Chile | 430 | 774 | 733 | 1 756 | 2 218 |
| Argentina | 1 301 | - 2 147 | 113 | - 249 | - 280 |
| NICs2LA | 4 562 | 3 760 | 5 392 | 8 760 | 11 212 |
| MERCOSUR | 3 836 | 1 226 | 3 095 | 3 620 | 6 112 |

NICs2LA = Latin American newly industrialised countries in the second wave of industrialisation (Argentina, Brazil, Chile, Mexico).

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

Over the period 2001-05, the income generated by EU FDI outward stocks in Latin America fluctuated, reaching EUR 14 bn in 2005. This represented 8 % of total FDI income received by the EU from extra-EU countries. Income payments by Brazil alone represented almost 44 % of this amount. Mexico was the second source of income accounting for 21 % of income paid by Latin America to the EU. The rest of the Latin American countries accounted for smaller shares.

Chart 3.9 shows that over the whole period, FDI in Latin America was less profitable than FDI in the extra-EU as a whole. In 2004 the rate of return¹⁶ was 7.6 %.

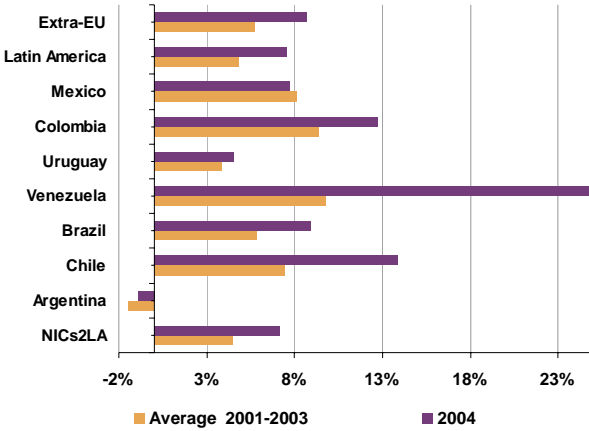
During 2001-03 Venezuela, Colombia and Mexico were the most profitable destinations for EU FDI in Latin America (the average rate of return was 9.7 %, 9.4 % and 8.1 % respectively).

In 2004 Venezuela held the top position and became the most profitable destination for EU FDI in Latin America with a rate of return of 24.9 %. Chile followed next with 13.8 %.

¹⁶ Rate of return $t = (\text{income paid in } t) / (\text{stocks at the end of the period } t - 1)$. See Table 3.4 for income and Table 12 in Annex 1 for 2004 stocks.

Chart 3.9

Rate of return on EU FDI assets in Latin America



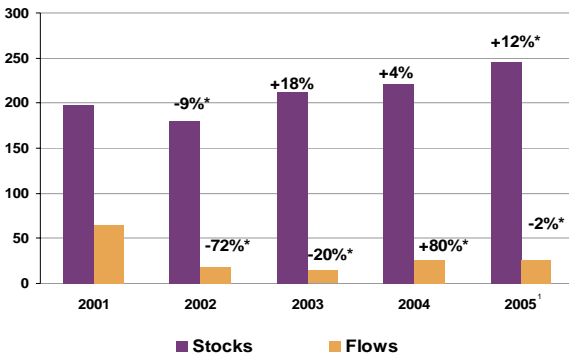
NICs2LA = Latin American newly industrialised countries in the second wave of industrialisation (Argentina, Brazil, Chile, Mexico).

3.2. Far East Asia: EU FDI to NICs¹⁷ rose

EU FDI outflows towards Far East Asia¹⁸ stable in 2005

Chart 3.10

EU FDI outward flows, stocks and their annual growth rates in Far East Asia, EUR bn



¹ Estimated stock value for 2005.

* Annual growth rate.

EU FDI outflows towards Far East Asia kept on decreasing noticeably during the period 2001-03. With EUR 65 bn, 2001 was the year that EU investment reached its peak in the region. In the next two years EU investments in Far East Asia fell, standing at EUR 15 bn in 2003. EU investment activity in the region picked up again in 2004 and continued at the same level of EUR 26 bn in 2005.

The share of FDI flows directed towards Far East Asia in total EU outward flows shows a fluctuating pattern. It started from 21 % in 2001 and fell to 11 % in 2003. In 2005 it rose again to 15 %.

¹⁷ NICs1 = the core newly industrialising countries (Hong Kong, South Korea, Singapore, Taiwan).

¹⁸ Far East Asia = Asia excluding Japan.

Table 3.5

EU FDI outflows to Far East Asian countries, 2001–2005,

EUR mn

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------------------|----------------|----------------|----------------|----------------|----------------|
| Extra-EU | 306 140 | 133 897 | 135 711 | 136 388 | 171 757 |
| Far East Asia | 64 767 | 18 227 | 14 666 | 26 367 | 25 872 |
| <i>of which:</i> | | | | | |
| India | 353 | 1 075 | 767 | 1 452 | 2 170 |
| Thailand | - 398 | 517 | 315 | 349 | 366 |
| Malaysia | - 647 | 308 | - 120 | 1 074 | 696 |
| Indonesia | 121 | - 434 | 1 104 | 138 | 3 942 |
| Singapore | 9 647 | 7 669 | 2 772 | 2 679 | 1 082 |
| Philippines | 378 | - 78 | - 190 | 431 | 334 |
| China (includ. Hong Kong) | 51 408 | 6 417 | 6 960 | 14 240 | 8 638 |
| South Korea | 1 143 | 1 642 | 2 103 | 1 790 | 4 207 |
| Taiwan | 1 182 | 435 | 116 | 1 258 | 2 910 |
| NICs1 | 61 088 | 13 058 | 8 761 | 16 761 | 11 105 |
| NICs2A | - 666 | 744 | 7 | 1 856 | 1 399 |
| ASEAN | 9 535 | 7 641 | 4 480 | 4 631 | 6 299 |

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

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

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

2005: China ¹⁹ is a top EU FDI destination. Indonesia and South Korea are on the rise

In 2005 EU FDI flows to ASEAN countries (EUR 6.3 bn) were up 36 % on the previous year (EUR 4.6 bn).

China experienced diminishing EU investment activity since in 2005 it received FDI of EUR 8.6 bn, a comparatively large drop of some 39 % on 2004 (EUR 14 bn). The Netherlands and the United Kingdom were the main EU countries that withdrew capital from China in 2005. Despite this decrease, China continued to be the top EU FDI destination among the Far East Asian countries.

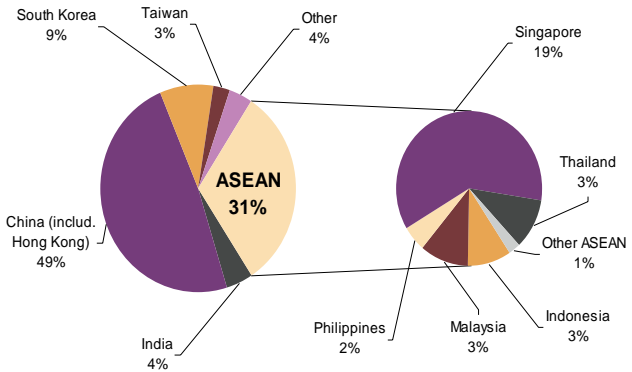
Indonesia saw unprecedented growth in 2005 as EU FDI outflows reached EUR 3.9 bn compared with EUR 138 mn in 2004. At the same time, the EU FDI flows to South Korea shot up from EUR 1.8 bn in 2004 to EUR 4.2 bn in 2005. For the remaining ASEAN countries smaller increases were observed, the main ones being outflows to India, growing from EUR 1.5 bn in 2004 to EUR 2.2 bn in 2005, and to Taiwan, from EUR 1.3 bn in 2004 to EUR 2.9 bn in 2005.

Significant decreases were recorded in EU investments in Singapore (-60 %), Malaysia (-35 %) and the Philippines (-23 %).

¹⁹ China including Hong Kong.

Chart 3.11

EU FDI outward stocks in Far East Asian countries at end-2004



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

At end-2004, 49 % of EU FDI outward stocks with Far East Asian countries were held in China including Hong Kong. Singapore (19 %) and South Korea (9 %) also hosted significant EU FDI capital. Three EU Member States held 47 % of total EU FDI outward stocks in Far East Asian countries: the United Kingdom, Germany and the Netherlands.

Table 3.6

EU FDI outward stocks in Far East Asia at end-2004, EUR mn

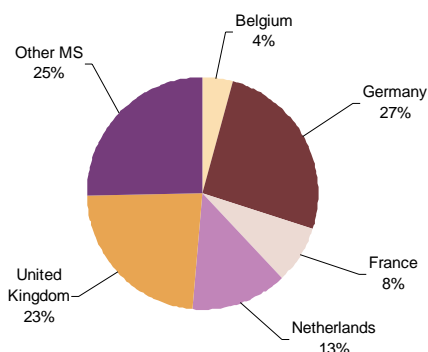
| | EU of which: | United Kingdom | Germany | Netherlands | France | Sweden | Other MS* |
|---------------------------|----------------|----------------|---------------|---------------|---------------|--------------|----------------|
| Far East Asia | 220 376 | 54 466 | 27 376 | 21 263 | 11 961 | 3 026 | 102 284 |
| <i>of which:</i> | | | | | | | |
| India | 9 713 | 2 386 | 1 917 | 920 | 589 | 333 | 3 568 |
| Thailand | 7 453 | 1 343 | 1 038 | 815 | 651 | 118 | 3 488 |
| Malaysia | 7 367 | 2 258 | 1 465 | 860 | 197 | 333 | 2 254 |
| Indonesia | 6 567 | 1 671 | 959 | 805 | 673 | 65 | 2 394 |
| Singapore | 42 781 | 9 375 | 5 271 | 5 383 | 3 601 | - 1 | 19 152 |
| Philippines | 3 727 | 828 | 319 | 669 | 222 | 49 | 1 640 |
| China (includ. Hong Kong) | 106 837 | 29 851 | 11 312 | 4 369 | 3 632 | 1 169 | 56 504 |
| South Korea | 19 423 | 1 728 | 3 861 | 3 939 | 1 294 | 772 | 7 829 |
| Taiwan | 6 139 | 1 245 | 661 | 2 474 | 225 | 49 | 1 485 |
| NICs1 | 153 902 | 39 531 | 12 911 | 14 822 | 6 628 | 917 | 79 093 |
| NICs2A | 18 550 | 4 429 | 2 822 | 2 344 | 1 070 | 500 | 7 385 |
| ASEAN | 69 767 | 16 030 | 9 109 | 8 997 | 5 750 | 573 | 29 308 |

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

In 2005, Germany was the main direct investor in Far East Asia with 27 % of total EU FDI outflows to the area, while the United Kingdom followed very closely with 23 %. The Netherlands, France and Belgium also continued to make significant investments in the region.

Chart 3.12

EU FDI flows towards Far East Asia in 2005



Inflows from Far East Asia contracted in 2005

Table 3.7

EU FDI inflows from Far East Asian countries, 2001-2005, EUR mn

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------------------|---------|---------|---------|--------|---------|
| Extra-EU | 145 867 | 126 567 | 123 541 | 53 072 | 94 149 |
| Far East Asia | 16 181 | 7 384 | 2 861 | 8 419 | 362 |
| <i>of which:</i> | | | | | |
| India | 108 | 133 | 615 | 1 | 220 |
| Thailand | 442 | 608 | - 92 | 16 | 49 |
| Malaysia | 332 | 1 007 | 72 | 12 | - 41 |
| Indonesia | - 284 | 176 | - 193 | 74 | 391 |
| Singapore | 5 942 | 1 463 | 247 | 487 | - 1 878 |
| Philippines | 164 | 14 | 50 | 1 823 | 206 |
| China (includ. Hong Kong) | 10 092 | 3 166 | 1 726 | 4 601 | 1 472 |
| South Korea | - 471 | - 182 | 304 | 1 278 | 1 201 |
| Taiwan | 84 | 737 | - 283 | - 68 | 159 |
| NICs1 | 15 099 | 4 942 | 1 705 | 6 439 | 556 |
| NICs2A | 937 | 1 632 | 31 | 1 849 | 212 |
| ASEAN | 6 595 | 3 341 | 336 | 2 440 | - 1 340 |

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

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

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

EU FDI inflows from Far East Asia fluctuated, starting at EUR 16.2 bn in 2001, which was the peak year. They declined significantly for the next two years and grew to EUR 8.4 bn in 2004. EU inward investments from the region reached a new low at EUR 362 mn in 2005. The main country that contributed to that decrease was Singapore, which realised disinvestments of EUR -1.9 bn in the EU.

Even though China's investment activity in the EU dropped significantly in 2005 from the previous year (-68 %), it held the major share of the investments made in the EU throughout the period under consideration.

Significant investments in the EU were also made by South Korea, with EUR 1.2 bn. Indonesia, India, the Philippines, Thailand and Taiwan accounted for much smaller investments in the EU in 2005. The rest of the ASEAN countries withdrew capital from the EU.

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, 2001–2005, EUR mn

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|---------------------------|---------------|---------------|----------------|----------------|----------------|
| Extra-EU | 86 198 | 85 769 | 103 704 | 150 424 | 178 097 |
| Far East Asia | 14 469 | 16 401 | 14 252 | 25 026 | 28 271 |
| India | 569 | 989 | 969 | 923 | 1 186 |
| Thailand | 757 | 862 | 634 | 832 | 798 |
| Malaysia | 872 | 1 622 | 1 082 | 1 333 | 1 393 |
| Indonesia | 1 299 | 1 006 | 552 | 1 171 | 1 143 |
| Singapore | 2 517 | 3 495 | 2 804 | 5 807 | 7 275 |
| Philippines | 200 | 231 | 211 | 192 | 258 |
| China (includ. Hong Kong) | 6 904 | 5 181 | 6 045 | 10 483 | 11 704 |
| South Korea | 615 | 1 060 | 732 | 2 387 | 2 422 |
| Taiwan | 165 | 698 | 701 | 795 | 629 |
| NICs1 | 8 823 | 8 989 | 8 249 | 17 255 | 19 226 |
| NICs2A | 1 828 | 2 715 | 1 930 | 2 358 | 2 450 |
| ASEAN | 5 807 | 7 276 | 5 364 | 9 461 | 11 051 |

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

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

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

Over the period 2001-03, the income generated by EU FDI outward stocks in Far East Asia was stable, at an average of around EUR 15 bn. For the next two years it kept on escalating, reaching its peak in 2005 at EUR 28 bn, 13 % up on the previous year.

The income recorded for 2005 represented 16 % of the income received by the EU from FDI assets in extra-EU countries. Between 2001 and 2005, China, including Hong Kong, was the main source of income, followed by Singapore.

Globally, EU FDI in Far East Asia was more profitable than FDI in extra-EU countries as a whole (13 % against 9 % in 2004).

In terms of the investment profitability of individual countries, results differ. For the period 2001-03 Malaysia was the most profitable Far East Asian destination, with the average rate of return²⁰ reaching 16 %. India followed closely with a rate of return of 15 % whereas Taiwan took third place in the ranking with 12 %.

In 2004, Malaysia continued to be the most profitable destination (with a 19 % rate of return). Indonesia together with Singapore ranked second in terms of investment profitability with around 17 % each and South Korea together with India (with almost 12 % each) followed not far behind.

Chart 3.13

Rate of return on EU FDI outward stocks in Far East Asia



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

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

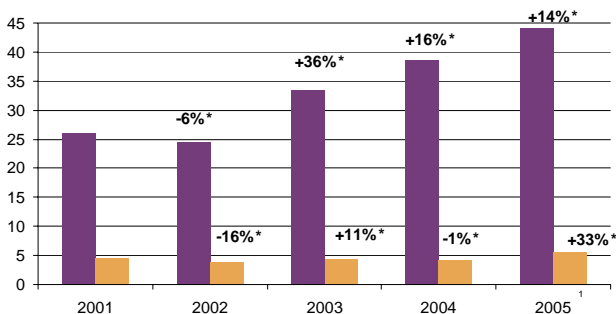
²⁰ Rate of return $t = (\text{income paid in } t) / (\text{stocks at the end of the period } t-1)$. See Table 3.8 for income and Table 12 in Annex 1 for 2004 stocks.

3.3. Mediterranean partner countries: towards a better partnership?

EU FDI flows to Mediterranean partner countries²¹ amounted to EUR 5.6 bn in 2005

Chart 3.14

EU FDI outward flows, stocks and their annual growth rates in Mediterranean Partner Countries, EUR bn



¹ Estimated stock value for 2005.

* Annual growth rate.

■ Stocks ■ Flows

Over the period 2001-04, EU FDI flows to Mediterranean partner countries (MPCs) remained relatively stable at around EUR 4 bn. 2005 was the year of the highest growth (EUR 5.6 bn).

Turkey was the most favourable destination for EU FDI in 2005

The increase in EU FDI flows in 2005 to MPCs was mainly due to Turkey, with EUR 3.3 bn, accounting for 59 % of total EU outflows to MPCs. EU outflows to Israel increased too and that country's share of EU outward flows to MPCs was 13 % in 2005.

Unlike Turkey and Israel, the Maghreb countries faced trimmed down investments (from EUR 1.7 bn in 2004 to EUR 0.8 bn in 2005). Reduced investment activity was also observed towards the Mashrek countries and particularly towards Egypt, where EU FDI outflows fell from EUR 1.1 bn in 2004 to EUR 0.8 bn in 2005.

²¹ The MPCs comprise Israel, Turkey, the Maghreb and Mashrek countries. Maghreb countries = Algeria, Morocco and Tunisia. Mashrek countries = Egypt, Jordan, Lebanon, Palestinian Territory, Syrian Arab Republic.

Table 3.9

EU FDI outflows to Mediterranean partner countries, 2001–2005, EUR mn

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|-------------------|----------------|----------------|----------------|----------------|----------------|
| Extra-EU | 306 140 | 133 897 | 135 711 | 136 388 | 171 757 |
| MPCs | 4 585 | 3 840 | 4 244 | 4 185 | 5 550 |
| Turkey | 2 940 | 802 | 1 163 | 1 131 | 3 252 |
| Israel | 309 | 204 | 131 | 180 | 702 |
| Maghreb countries | 781 | 833 | 1 731 | 1 713 | 775 |
| <i>of which:</i> | | | | | |
| Morocco | 209 | 227 | 1 707 | 167 | 690 |
| Mashrek countries | 555 | 2 001 | 1 219 | 1 161 | 821 |
| <i>of which:</i> | | | | | |
| Egypt | 523 | 1 306 | 995 | 1 131 | 787 |

The MPCs comprise Israel, Turkey, the Maghreb and Mashrek countries. Maghreb countries = Algeria, Morocco and Tunisia. Mashrek countries = Egypt, Jordan, Lebanon, Palestinian Territory, Syrian Arab Republic.

Table 3.10

Shares of main destination in FDI outflows towards MPCs, 2001–2005²² – (%)

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|-------------------|-----------|-----------|-----------|-----------|-----------|
| Turkey | 64 | 21 | 27 | 27 | 59 |
| Israel | 7 | 5 | 3 | 4 | 13 |
| Maghreb countries | 17 | 22 | 41 | 41 | 14 |
| <i>of which:</i> | | | | | |
| Morocco | 5 | 6 | 40 | 4 | 12 |
| Mashrek countries | 12 | 52 | 29 | 28 | 15 |
| <i>of which:</i> | | | | | |
| Egypt | 11 | 34 | 23 | 27 | 14 |

The MPCs comprise Israel, Turkey, the Maghreb and Mashrek countries. Maghreb countries = Algeria, Morocco and Tunisia. Mashrek countries = Egypt, Jordan, Lebanon, Palestinian Territory, Syrian Arab Republic.

In terms of shares, Turkey was by far the main host country in 2005 with 59 %. In 2002 it was overtaken by Egypt (34 % of EU FDI flows to MPCs versus 21 % for Turkey). In 2003, the situation was for the first time in favour of Morocco, with 40 % of EU FDI flows to MPCs. 2004 was the year when Egypt together with Turkey shared the principal host country position with 27 % each.

²² Due to rounding, the sum of all shares does not always equal 100%.

France was the main EU investor in MPCs at end-2004 in terms of FDI stocks

Table 3.11

EU FDI outward stocks in MPCs at end-2004, EUR mn

| | EU of which: | France | United Kingdom | Germany | Netherlands | Sweden | Other MS* |
|-------------------|---------------|--------------|----------------|--------------|--------------|--------------|---------------|
| MPCs | 38 612 | 9 261 | 4 245 | 3 718 | 3 672 | 2 462 | 15 254 |
| Turkey | 13 301 | 1 339 | 1 916 | 2 713 | 1 507 | 1 392 | 4 434 |
| Israel | 2 490 | 430 | 352 | 103 | 510 | 48 | 1 047 |
| Maghreb countries | 14 030 | 6 304 | 672 | 323 | 229 | 1 004 | 5 498 |
| of which: | | | | | | | |
| Morocco | 9 366 | 5 627 | 102 | 140 | . | 996 | 2 501 |
| Mashrek countries | 8 791 | 1 188 | 1 305 | 579 | 1 426 | 18 | 4 275 |
| of which: | | | | | | | |
| Egypt | 6 893 | 738 | 1 299 | 343 | 1 188 | 19 | 3 306 |

The MPCs comprise Israel, Turkey, the Maghreb and Mashrek countries. Maghreb countries = Algeria, Morocco and Tunisia. Mashrek countries = Egypt, Jordan, Lebanon, Palestinian Territory, Syrian Arab Republic.

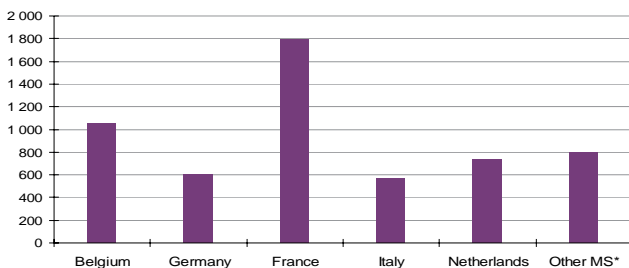
* 'Other MS' ('Other Member States') has been computed as the difference between the estimated EU aggregate and the sum of the selected declaring countries.

Direct investors from the EU held EUR 39 bn worth of FDI outward stocks in MPCs, equal to 1.9 % of extra-EU stocks at end-2004. France, the United Kingdom and Germany were the main suppliers of FDI to MPCs, accounting for EUR 17 bn cumulatively or about 45 % of total EU outward stocks in that region. Around half of all their respective investments in MPCs were localised in just one country or zone: the Maghreb countries for France (68 %), and Turkey for Germany (73 %) and the United Kingdom (45 %).

51 % of EU FDI flows in MPCs came from France and Belgium in 2005

Chart 3.15

EU FDI flows to MPCs in 2005 by EU Member State, EUR mn



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

In 2005 the most active European enterprises in the MPC area were from France, accounting for EUR 1.8 bn (of which EUR 0.8 bn was directed to the Maghreb countries). Belgian investors focused on Turkey, in which they invested EUR 1.1 bn.

In Chart 3.15 the value of EU FDI outflows from the 'Other MS' is relatively high. This aggregate, which has been calculated as the difference between the EU estimated aggregate and the sum of the declaring EU countries that had sufficient data availability, is substantial as it contains Spanish FDI, which was not made available for all the MPC constituent parts.

EU FDI in MPCs more profitable than FDI in extra-EU as a whole for 2001-2005

Table 3.12

EU FDI income from MPCs by country of origin, 2001-2005, EUR mn

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|-------------------|---------------|---------------|----------------|----------------|----------------|
| Extra-EU | 86 198 | 85 769 | 103 704 | 150 424 | 178 097 |
| MPCs | 1 991 | 3 140 | 2 907 | 3 364 | 4 364 |
| Turkey | 377 | 500 | 853 | 1 191 | 1 323 |
| Israel | - 37 | - 80 | 43 | 67 | 207 |
| Maghreb countries | 378 | 1 042 | 827 | 780 | 1 258 |
| <i>of which:</i> | | | | | |
| Morocco | 160 | 393 | 378 | 261 | 199 |
| Mashrek countries | 1 273 | 1 678 | 1 184 | 1 326 | 1 576 |
| <i>of which:</i> | | | | | |
| Egypt | 821 | 1 170 | 723 | 903 | 1 327 |

The MPCs comprise Israel, Turkey, the Maghreb and Mashrek countries. Maghreb countries = Algeria, Morocco and Tunisia. Mashrek countries = Egypt, Jordan, Lebanon, Palestinian Territory, Syrian Arab Republic.

In 2005, EU FDI outward stocks in MPCs generated income payments of EUR 4.4 bn. The Mashrek countries were the main source of this income with 36 %, of which Egypt accounted for 84 %, whereas 30 % was generated by Turkey. The Maghreb countries accounted for 29 %.

The profitability²³ of FDI in MPCs over the whole period under investigation remained at similar levels, around 11 %.

EU investments in MPCs were more profitable than investments in the extra-EU countries as a whole for the period 2001-04.

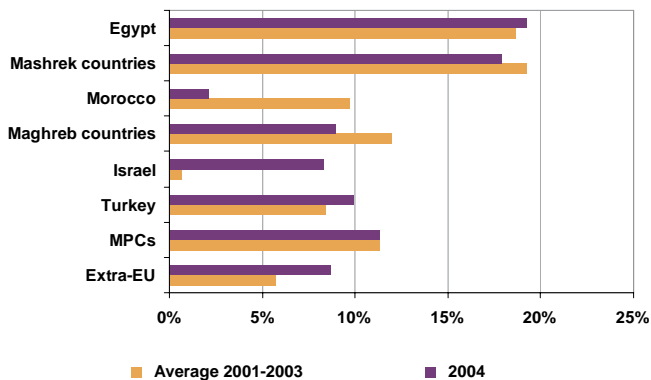
Looking at the individual areas and countries inside the MPC group, the rate of return on direct investment positions in 2004 shows high

²³ Profitability refers to the rate of return $t = (\text{income paid in } t) / (\text{stocks at the end of the period } t-1)$.

profitability for EU investments in Egypt (19 %) followed by Turkey (10 %) and the Maghreb countries (9 %).

Chart 3.16

Rate of return on EU FDI outward stocks in MPCs



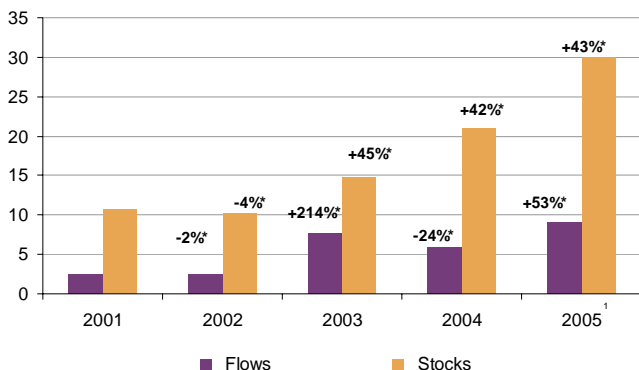
The MPCs comprise Israel, Turkey, the Maghreb and Mashrek countries. Maghreb countries = Algeria, Morocco and Tunisia. Mashrek countries = Egypt, Jordan, Lebanon, Palestinian Territory, Syrian Arab Republic.

3.4. Central/Eastern European countries and Russia: more than double EU FDI outflows in 2005

53 % increase in EU investments in Russia in 2005

Chart 3.17

EU FDI outward flows, stocks and their annual growth rates in Russia, EUR bn



¹ Estimated value for 2005 stocks.

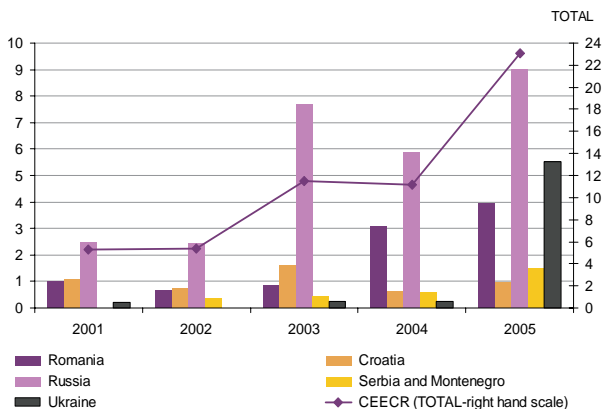
*Annual growth rate.

EU investment activity in the CEECR followed an upward trend, starting from EUR 5 bn in 2001 and escalating to EUR 11 bn in 2004. In the following year EU investors stepped up still further their engagement in this region by placing there a hefty amount of FDI totalling EUR 23 bn (108 % increase on 2004).

In terms of flows, Russia was the main host country for EU investment capital, attracting EUR 9 bn in 2005. The Netherlands ranked first in terms of investment activity in Russia, with EUR 3 bn. Ukraine was the second most important destination in 2005, receiving EUR 6 bn. Germany, with EUR 4 bn, was the main investor in Ukraine.

Chart 3.18

EU outflows to Central/Eastern European countries and Russia, EUR bn



CEECR = central/Eastern European countries and Russia.

CEECR comprises Albania, Bulgaria, Belarus, Croatia, Former republic of Macedonia, Romania, Serbia, Bosnia, Russia and Ukraine.

Chapter 4: EU FDI by economic activity

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

The analysis will be based for the first time on EU-25 FDI flows figures²⁴. FDI flows from 2002 onwards refer to the total FDI flows (equity capital plus other capital plus reinvested earnings).

Owing to significant revisions in the FDI data from the Member States, direct comparison of this year's analysis regarding the periods until 2003 with the respective periods in the previous pocketbook (yearbook 2006) might not be realistic.

Table 4.1

EU outward and inward FDI stocks²⁵ (end-2004) and flows²⁶ (2004) by economic activity, EUR mn

| | Abroad | | In the reporting economy | |
|---|------------|-----------------|--------------------------|-----------------|
| | Flows 2004 | Stocks end-2004 | Flows 2004 | Stocks end-2004 |
| Total | 136 388 | 2 048 346 | 53 072 | 1 580 532 |
| Agriculture, hunting and fishing | 7 | 1 062 | 90 | 832 |
| Mining and quarrying | 17 197 | 102 775 | - 3 086 | 26 517 |
| Manufacturing | 18 922 | 391 224 | 10 580 | 292 644 |
| - Food products | - 482 | 49 750 | 3 862 | 36 317 |
| - Textiles and wood activities | 7 088 | 29 328 | - 5 763 | 39 004 |
| - Petroleum, chemical, rubber, plastic products | 9 657 | 144 268 | 5 797 | 103 629 |
| - Metal and mechanical products | 2 313 | 43 140 | 1 007 | 31 967 |
| - Machinery, computers, RTV, communication | 1 028 | 20 812 | - 2 688 | 16 287 |
| - Vehicles and other transport equipment | 993 | 51 703 | 2 652 | 30 858 |
| - Other manufacturing | - 1 675 | 52 223 | 5 713 | 34 582 |
| Electricity, gas and water | - 365 | 45 943 | 5 269 | 10 264 |
| Construction | 4 019 | 15 391 | - 1 014 | 4 151 |
| Services | 52 473 | 1 411 463 | 34 292 | 1 198 344 |
| - Trade and repairs | - 464 | 81 433 | 8 029 | 77 064 |
| - Hotels & restaurants | 54 | 9 841 | - 452 | 9 132 |
| - Transport and communication | 2 437 | 117 173 | 5 374 | 30 557 |
| - Financial intermediation | 63 571 | 909 625 | 27 534 | 723 999 |
| - Business services | - 16 414 | 235 582 | - 8 215 | 309 201 |
| - Other services | 3 272 | 57 804 | 2 017 | 48 382 |
| Other sectors | 44 135 | 80 488 | 6 941 | 47 780 |

²⁴ EU-25 FDI flows figures for 2001 include equity capital and other capital but exclude reinvested earnings.

²⁵ FDI outward stocks are classified according to the activity of the non-resident enterprise. FDI inward stocks are classified according to the activity of the resident enterprise.

²⁶ FDI outward flows are classified according to the activity of the direct investor. FDI inward flows are classified according to the activity of the recipient of FDI, the direct investment enterprise.

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

At end-2004, the European Union held FDI net outward stocks (outward stocks minus inward stocks) worth EUR 468 bn in extra-EU countries, which is 11 % down on end-2003 (EUR 526 bn). In 2004 total EU FDI net outflows amounted to EUR 83 bn as EU investments abroad were higher than FDI inward flows to the EU.

Large net outward investments were detected in *financial intermediation*, with EUR 36 bn in 2004, as well as in *mining and quarrying*, with EUR 20 bn.

It is interesting to note that *trade and repairs* together with *business services* were the target of strong net FDI inflows in 2004, with around EUR 8 bn each. They were followed by *electricity, gas and water*, with EUR 6 bn, and the sub-sector '*food products*', with EUR 4 bn.

Concerning net outward stocks, high concentrations were observed in *financial intermediation* (EUR 186 bn), as well as in *transport and communication* (EUR 87 bn) and in *mining and quarrying* (EUR 76 bn). In 2004 net outward stocks were in fact observed for all of the sectors presented in Table 4.2. The only exceptions were *business services*, with net inward stocks of EUR 74 bn, and the sub-sector '*textiles and wood activities*' (EUR 10 bn).

Table 4.2

EU FDI net (outward minus inward) flows and stocks, EUR mn

| EU Net (Outward minus inward) | Flows 2004 | Stocks end-2004 |
|---|---------------|-----------------|
| Agriculture, hunting and fishing | - 83 | 230 |
| Mining and quarrying | 20 283 | 76 258 |
| Manufacturing | 8 342 | 98 580 |
| - Food products | - 4 344 | 13 433 |
| - Textiles and wood activities | 12 851 | - 9 676 |
| - Petroleum, chemical, rubber, plastic products | 3 860 | 40 639 |
| - Metal and mechanical products | 1 306 | 11 173 |
| - Machinery, computers, RTV, communication | 3 716 | 4 525 |
| - Vehicles and other transport equipment | - 1 659 | 20 845 |
| Electricity, gas and water | - 5 634 | 35 679 |
| Construction | 5 033 | 11 240 |
| Trade and repairs | - 8 493 | 4 369 |
| Hotels and restaurants | 506 | 709 |
| Transport and communication | - 2 937 | 86 616 |
| Financial intermediation | 36 037 | 185 626 |
| Business services | - 8 199 | - 73 619 |
| Other services | 1 255 | 9 422 |
| Total | 83 316 | 467 814 |

4.2. Outward EU FDI by economic activity: sharp fall in services

EU FDI outflows to extra-EU countries amounted to EUR 136 bn in 2004, reaching a cumulative total of EUR 698 bn for the period 2001–04.

One of the major features of 2004 was the sharp drop in investments in *services*, which fell from EUR 80 bn in 2003 to EUR 52 bn in 2004. The main sector accounting for this in terms of magnitude is *business services*, which fell from EUR 5 bn in 2003 to a disinvestment of EUR -16 bn in 2004. Significant decreases were observed also in *trade and repairs* (-106%), in *hotels and restaurants* (-96%) and in the *transport* sector, down from EUR -171 mn in 2003 to EUR -2 bn in 2004.

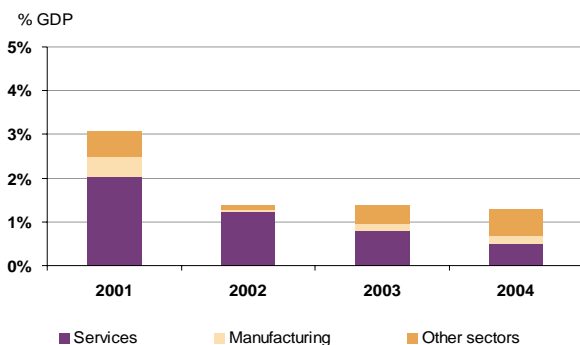
In contrast, EU FDI outflows to extra-EU countries more than doubled in the *telecommunications* sector, climbing from EUR 2 bn in 2003 to almost EUR 4 bn in 2004. Significant increases were also observed in *other sectors*²⁷ (59%), in the *manufacturing* sector (31%), and in *other services* (32%).

Compared to EU GDP, the outflows in *services* followed a downward trend in the years under consideration as they started at 2% in 2001 and stood at 0.5% in 2004.

The share of *services* in cumulated extra-EU outflows was 64% over the 2001-04 time span; it reached its peak in 2002 (89% of total extra-EU outflows) before falling to 38% in 2004, in contrast to *other sectors*, which grew from 30% in 2003 to a 48% share of extra-EU outflows in 2004.

Chart 4.1

EU FDI outflows* to extra-EU countries in major sectors, 2001-2004



* Excluding reinvested earnings until 2001. Total FDI outflows from 2002 onwards.

²⁷ Other sectors includes: agriculture and fishing, mining and quarrying, electricity, gas and water, construction, private purchases & sales of real estate, and not allocated.

FDI flows to extra-EU countries centred on financial intermediation in 2004

EU outflows in *financial intermediation* remained at almost the same levels as in 2003. This sector ranked first in volume terms, representing 47 % in 2004. It is worth noting that nearly 52 % of the investments made in *financial intermediation* resulted from the sub-sector '*other financial intermediation*' (see Table 10 in Annex 1). This predominance was due to a number of large transactions, especially in the form of Mergers and Acquisitions (M&As).

Table 4.3

Extra-EU FDI outflows* by economic activity, 2001-2004, EUR mn

| | 2001 | 2002 | 2003 | 2004 | 2001-2004 |
|---|----------------|----------------|----------------|----------------|----------------|
| Mining and quarrying | 17 221 | 1 242 | 14 200 | 17 197 | 49 860 |
| Manufacturing | 45 031 | 5 838 | 14 472 | 18 922 | 84 263 |
| of which | | | | | |
| Food products | 5 381 | - 5 725 | 4 149 | - 482 | 3 323 |
| Textiles & wood activities | - 907 | 6 470 | - 3 516 | 7 088 | 9 135 |
| Petroleum, chemical, rubber, plastic products | 6 498 | 4 218 | 7 501 | 9 657 | 27 874 |
| Metal & mechanical products | 5 869 | 4 887 | 1 597 | 2 313 | 14 666 |
| Vehicles & other transport equipment | 12 906 | 8 571 | - 46 | 993 | 22 424 |
| Services | 191 858 | 119 485 | 80 316 | 52 473 | 444 132 |
| of which | | | | | |
| Trade and repairs | 6 877 | 6 815 | 7 768 | - 464 | 20 996 |
| Hotels and restaurants | - 972 | - 2 065 | - 1 314 | - 54 | - 4 405 |
| Transport | 2 165 | 1 222 | - 171 | - 1 948 | 1 268 |
| Telecommunications | 40 783 | - 9 949 | 1 919 | 4 385 | 37 138 |
| Financial intermediation | 119 825 | 97 258 | 62 448 | 63 571 | 343 102 |
| Business Services | 28 342 | 20 031 | 4 541 | - 16 414 | 36 500 |
| Other Services | - 5 162 | 6 173 | 5 125 | 3 397 | 9 533 |
| **Rest of the sectors | 37 474 | 7 332 | 26 723 | 47 796 | 119 325 |
| Total | 291 584 | 133 897 | 135 711 | 136 388 | 697 580 |

*Excluding reinvested earnings until 2001. Total outward FDI since 2002.

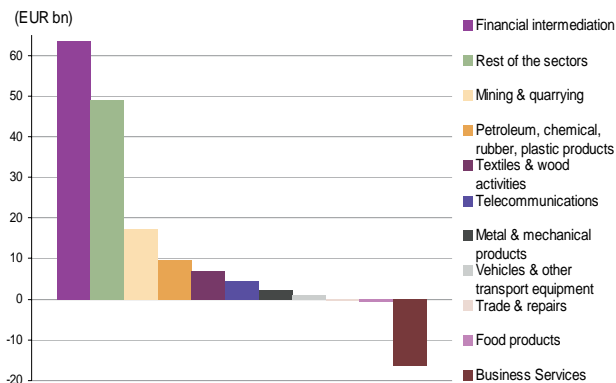
**Rest of the sectors includes: agriculture and fishing, electricity, gas and water, construction, private purchases & sales of real estate, and unallocated.

The second sector, in terms of investment activity, was *mining and quarrying* (see Chart 4.2), with 13 % of EU total outward FDI flows (EUR 17 bn). The United Kingdom was the main investor in this sector, accounting for 89 % of investment made in *mining and quarrying*, of which EUR 900 mn went to Canada.

It is worth noting that the *business services* sector slumped from EUR 5 bn in 2003 to a disinvestment of EUR -16 bn in 2004. Almost all the major FDI players significantly scaled back their investment in this sector (i.e. Germany from EUR 9 bn in 2003 to EUR -4 bn in 2004). The negative flows could be attributed to inter-company loans between affiliated enterprises and sales of EU companies active in *business services*.

Chart 4.2

EU FDI outflows* 2004 by economic activity, EUR bn



*Excluding reinvested earnings until 2001. Total outward FDI since 2002.

Rest of the sectors includes: agriculture and fishing, electricity, gas and water, construction, private purchases & sales of real estate, and unallocated.

Extra-EU FDI outward stocks still highly diversified at end-2004

EU FDI stocks in extra-EU countries amounted to EUR 2 048 bn in 2004, 2 % up on 2003 (EUR 2 011 bn).

As shown in Chart 4.3, these investments were highly diversified. It can be noted, however, that the four activities *financial intermediation* (44 %), *business services* (12 %), *petroleum, chemical, rubber and plastic products* (7 %), and *mining and quarrying* (5 %) together accounted for 68 % of outward stocks at end-2004.

For *financial intermediation*, 76 % of these outward stocks were held in the sub-sector 'other financial intermediation', and 18 % in 'monetary intermediation'.

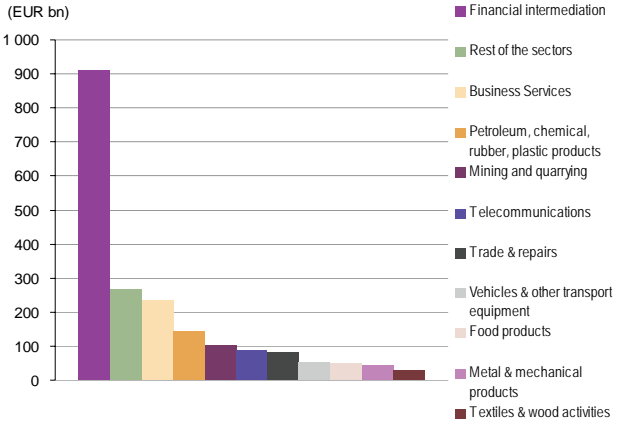
Regarding *business services*, France and Germany together, with EUR 192 bn, held a significant share (82 %) of the cumulated extra-EU outflows directed towards that sector in 2004. The biggest recipient was Switzerland, with total extra-EU outflows reaching EUR 29 bn, of which EUR 10 bn originated in France and EUR 5 bn in Germany.

The Netherlands invested EUR 42 bn in *petroleum, chemical, rubber, and plastic products*, accounting for 29 % of extra-EU FDI outward stocks in that sector. EUR 13 bn of that amount targeted the United States. The United Kingdom also had significant investments in the sector, with EUR 28 bn, of which EUR 5 bn was invested in the United States.

In *mining and quarrying*, the United Kingdom with EUR 81 bn accounted for 79 % of extra-EU outward stocks in the sector.

Chart 4.3

Extra-EU FDI outward stocks (end-2004) by economic activity, EUR bn



Rest of the sectors includes: agriculture and fishing, electricity, gas and water, construction, private purchases & sales of real estate, and unallocated.

Intensive investment in construction; decline in other business activities

Combining data on flows and stocks for a given period gives an indication of how intensively the various sectors of activity are targeted in that period. Table 4.4 shows that direct investments in extra-EU countries in *construction*, *textiles and wood activities*, *computer activities*, and *mining and quarrying* (the top four sectors) attracted higher flows in 2004 relative to total stocks at end-2004. *Construction* ranked first, with a ratio of 26.1 %, followed by *textiles and wood activities* with 24.2 %, *computer activities* with 18.3 %, and *mining and quarrying* with 16.7 %.

The situation is reversed for other sectors, such as *other business activities*, *research and development*, *real estate*, *renting and business activities*, and *food products*, which faced large disinvestments in 2004. *Other business activities* recorded the highest negative ratio at -9.9 %.

Table 4.4

Extra-EU FDI outward stocks and flows, EUR mn

| | | Stocks (end-2004) | Flows (2004) | Flows/ Stocks (%) |
|------------------------|--|----------------------|-----------------|-------------------------|
| Top four | Construction | 15 391 | 4 019 | 26.1 |
| | Textiles and wood activities | 29 328 | 7 088 | 24.2 |
| | Computer activities | 21 054 | 3 858 | 18.3 |
| | Mining and quarrying | 102 775 | 17 197 | 16.7 |
| Bottom four | Other business activities | 205 360 | - 20 339 | -9.9 |
| | Research and development | 3 422 | - 235 | -6.9 |
| | Real estate, renting and business activities | 257 351 | - 14 125 | -5.5 |
| | Food products | 49 750 | - 482 | -1.0 |
| TOTAL | | 2 048 346 | 136 388 | 6.7 |

2001-2004: focus on services for EU FDI to United States, EFTA and other partner countries. Focus on manufacturing for FDI to Canada and on other sectors (agriculture and fishing, mining and quarrying, electricity, gas and water, and construction) for FDI to Japan

As a whole, EU FDI outflows to extra-EU countries in 2004 displayed a marked preference for *other sectors*²⁸, which accounted for 48 % of total EU outflows. The period 2001-04 was dominated by the *services* sector, which accounted for 64 % of the total, with *other sectors* following at a distance and representing 24 % of total FDI outflows. *Manufacturing* took third place with 12 %.

The shares of EU FDI outflows in *manufacturing*, *services* and *other sectors* varied significantly from one partner to another (see Table 4.5). The figures show that throughout the period 2001-04 the *services* sector attracted on average the biggest share of extra-EU FDI outflows in the United States, EFTA and other partner countries. In Canada *manufacturing* drew the prime share of extra-EU FDI outflows, whereas in Japan, *other sectors* attracted the biggest share of extra-EU outflows. A disinvestment in *services* was observed in the latter two countries again for the period 2001-04.

More specifically, *services* in the United States attracted a high share of total EU FDI outflows in 2001 (70 %) but fell back to -46 % in 2004. Regarding the four-year period average, *services* in the United States attracted a relatively high share of total EU outflows of 72 %.

EU FDI outflows to the EFTA countries followed a different pattern, with the *services* sector reaching a peak of 121 % in 2004 and maintaining 57 % of extra-EU FDI flows as an average over the period 2001-04. In general for the four years, the EFTA countries attracted 7 % of total EU FDI outflows, of which almost 73 % was invested in Switzerland and the remaining 27 % went to Norway.

Services in Canada attracted growing shares of total EU FDI outflows, starting from -46 % in 2001 and reaching the peak position in 2004 with 210 %. For the four-year period average, though, extra-EU flows were characterised by a strong preference for *manufacturing*.

From 2001 until 2004 the share of *services* in total EU-outward flows to Japan followed a steadily declining trend. 2001 was the peak period, with *services* accounting for 94 % of total EU outward flows, and 2004 was the trough year with 3 %. Regarding the four-year period average, the share of *services* was -12 %, whereas that of *other sectors* was 79 % (the largest EU outward investment in *other sectors*).

²⁸ Other sectors includes: agriculture and fishing, mining and quarrying, electricity, gas and water, construction, private purchases & sales of real estate, and unallocated.

For the remaining partner countries, extra-EU FDI flows were characterised by a strong preference for *services*, with an average of 65 % for the cumulated flows.

Table 4.5

EU-FDI outward flows²⁹ to major partners, 2001-2004,^{30 31} EUR mn

| | | 2001 | 2002 | 2003 | 2004 | 2001-2004 |
|--------------------------|----------------------|----------------|----------------|----------------|----------------|----------------|
| Extra-EU | Manufacturing | 15% | 4% | 11% | 14% | 12% |
| | Services | 66% | 89% | 59% | 38% | 64% |
| | Other sectors | 19% | 6% | 30% | 48% | 24% |
| | Total | 291 584 | 133 897 | 135 711 | 136 388 | 697 580 |
| USA | Manufacturing | 16% | -655% | 6% | -1% | 5% |
| | Services | 70% | 863% | 58% | -46% | 72% |
| | Other sectors | 14% | -108% | 36% | 147% | 23% |
| | Total | 150 308 | 2 704 | 51 388 | 8 423 | 212 823 |
| | % of extra-EU | 52% | 2% | 38% | 6% | 31% |
| Canada | Manufacturing | 110% | 75% | 41% | -55% | 112% |
| | Services | -46% | 40% | 38% | 210% | -57% |
| | Other sectors | 37% | -15% | 20% | -55% | 46% |
| | Total | 4 641 | 1 399 | 5 380 | - 2 619 | 8 801 |
| | % of extra-EU | 2% | 1% | 4% | -2% | 1% |
| Japan | Manufacturing | 22% | 38% | 16% | 24% | 33% |
| | Services | 94% | 57% | 12% | 3% | -12% |
| | Other sectors | -16% | 5% | 72% | 73% | 79% |
| | Total | - 8 775 | 10 193 | 5 585 | 6 122 | 13 125 |
| | % of extra-EU | -3% | 8% | 4% | 4% | 2% |
| EFTA | Manufacturing | 9% | 7% | 40% | 6% | 17% |
| | Services | 48% | 80% | 39% | 121% | 57% |
| | Other sectors | 43% | 13% | 21% | -27% | 26% |
| | Total | 12 724 | 25 752 | 13 922 | - 3 593 | 48 805 |
| | % of extra-EU | 4% | 19% | 10% | -3% | 7% |
| *Other partner countries | Manufacturing | 12% | 18% | 5% | 13% | 13% |
| | Services | 69% | 74% | 71% | 52% | 65% |
| | Other sectors | 19% | 8% | 24% | 36% | 22% |
| | Total | 132 686 | 93 849 | 59 436 | 128 055 | 414 026 |
| | % of extra-EU | 46% | 70% | 44% | 94% | 59% |

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

²⁹ Excluding reinvested earnings until 2001. Total outward FDI since 2002.

³⁰ The negative percentages in the table are due to disinvestments.

³¹ Due to rounding, the sum of all shares does not always equal 100 %.

4.3. Inward FDI by economic activity: services attracted extra-EU FDI inflows of EUR 34 bn in 2004

EU FDI inflows from extra-EU countries amounted to EUR 53 bn in 2004, after dropping from EUR 123 bn in 2003. This drop was due to a general cutback in almost all of the economic sectors and particularly in *services*.

Table 4.6

Extra-EU FDI inflows* by economic activity, 2001–2004, EUR mn

| | 2001 | 2002 | 2003 | 2004 | 2001-2004 |
|---|----------|---------|---------|--------|-----------|
| Mining and quarrying | - 388 | 2 992 | -1 037 | -3 086 | -1 519 |
| Manufacturing | 15 033 | 20 703 | 17 633 | 10 580 | 63 949 |
| of which | | | | | |
| Food products | - 878 | 1 778 | 3 306 | 3 862 | 8 068 |
| Textiles & wood activities | 1 550 | 10 221 | 5 561 | -5 763 | 11 569 |
| Petroleum, chemical, rubber, plastic products | 369 | 1 161 | 9 041 | 5 797 | 16 368 |
| Metal & mechanical products | 2 747 | 4 213 | 245 | 1 007 | 8 212 |
| Vehicles & other transport equipment | 309 | 2 261 | -4 383 | 2 652 | 839 |
| Services | 131 483 | 96 671 | 102 891 | 34 292 | 365 337 |
| of which | | | | | |
| Trade and repairs | 1 850 | 2 894 | 6 168 | 8 029 | 18 941 |
| Hotels and restaurants | 641 | - 405 | 345 | - 452 | 129 |
| Transport | 1 718 | -1 497 | 847 | 2 943 | 4 011 |
| Telecommunications | 36 | -12 469 | -6 151 | 2 431 | -16 153 |
| Financial intermediation | 90 258 | 84 699 | 79 326 | 27 534 | 281 817 |
| Business Services | 32 270 | 23 591 | 21 199 | -8 215 | 68 845 |
| Other Services | 4 710 | - 142 | 1 157 | 2 022 | 7 747 |
| **Rest of the sectors | - 22 350 | 6 201 | 4 054 | 11 286 | - 809 |
| Total | 123 778 | 126 567 | 123 541 | 53 072 | 426 958 |

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

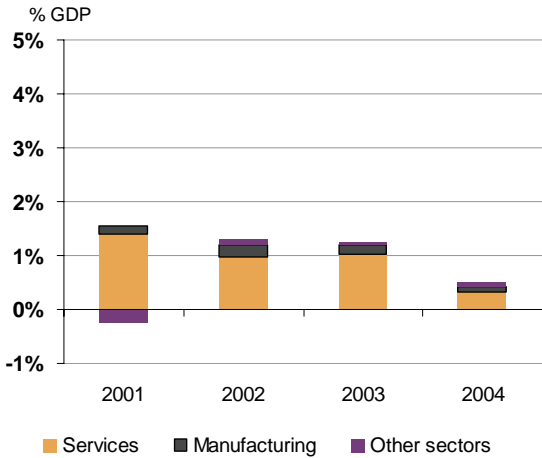
** Rest of the sectors includes: agriculture and fishing, electricity, gas and water, construction, private purchases & sales of real estate, and unallocated.

Services accounted for a larger share of inflows than of outflows, from 106 % of the EU total in 2001 to 65 % of the EU total in 2004. The share of *services* in extra-EU inflows reached an average of almost 86 % in the period 2001-04 (that of extra-EU outflows is 64 %, see Section 4.2).

Inflows of extra-EU FDI into *services* fell steadily over the whole period under examination, from 1.4 % in 2001 to 0.3 % of EU GDP in 2004.

Chart 4.4

EU FDI inflows* from extra-EU countries in major sectors, 2001-2004, % GDP

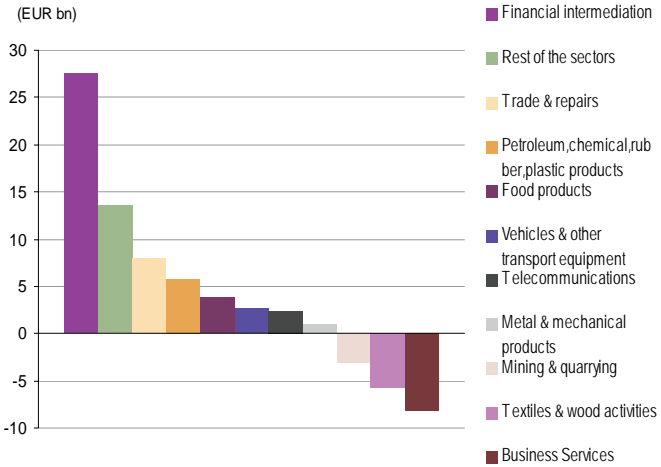


* Excluding reinvested earnings until 2001. Total inward FDI since 2002.

2004: extra-EU inflows focused on financial intermediation.

Chart 4.5

EU FDI inflows* 2004 by economic activity, EUR bn



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

Rest of the sectors includes: agriculture and fishing, electricity, gas and water, construction, private purchases & sales of real estate, and unallocated.

Investments from extra-EU countries were mostly made in one economic sector but some other sectors also stood out. *Financial intermediation* was the first sector in terms of volume (52 %) in EU total inward FDI flows despite a massive drop of 65 % (from EUR 79 bn in 2003 to EUR 28 bn in 2004). Luxembourg, with EUR 19 bn in 2004 (70 % of the total), was the top destination for extra-EU investments placed in *financial intermediation*. It is worthwhile noting that EUR 16 bn of that amount invested in Luxembourg originated in the OFCs.

Next in line came *trade and repairs* with 15 % of EU total inward FDI flows. The United Kingdom together with Germany accounted for 71 % of total extra-EU inflows in this sector.

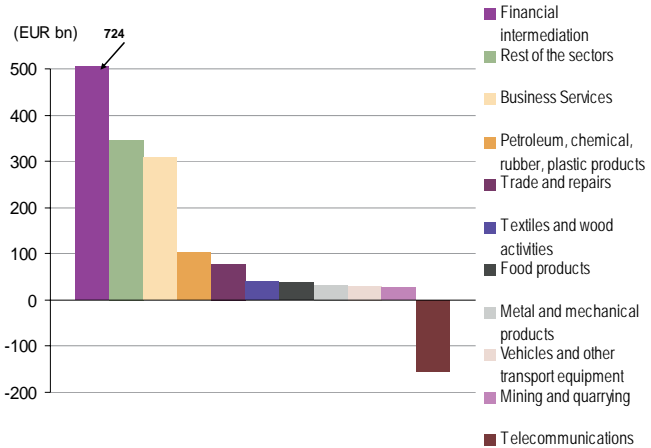
Petroleum, chemical, rubber and plastic products followed not far behind with EUR 6 bn and made up 11 % of total extra-EU inflows. Ireland, with EUR 2 bn, and the Netherlands and the United Kingdom, with almost EUR 1 bn each, were the main beneficiaries of the investments made by extra-EU countries in this sector.

Extra-EU inflows in *business services, textiles and wood activities, and mining and quarrying* were characterised by disinvestments in 2004.

2004: Extra-EU FDI inward stocks concentrated in two activity sectors representing 66 %

Chart 4.6

Extra-EU FDI inward stocks (end-2004) by economic activity, EUR bn



Rest of the sectors includes: agriculture and fishing, electricity, gas and water, construction, private purchases & sales of real estate, and unallocated.

EU FDI inward stocks amounted to EUR 1 581 bn at end-2004, 6 % up on the 2003 levels. Chart 4.6 makes it clear that two activities stood out: *financial intermediation* (46 %), and *business services* (20 %) comprised 66 % of inward stocks at end-2004. Next in line were *petroleum, chemical, rubber, plastic products* (7 %), followed by *trade and repairs* (5 %).

For *financial intermediation*, it is worth pointing out that 84 % of inward stocks came from the sub-sector 'other financial intermediation', whereas 9 % resulted from 'monetary intermediation'. In the *business services* sector, Germany, which was the main target, represented 31 % of total EU FDI inward stocks, with EUR 97 bn, and France (EUR 50 bn) came next having 16 % of EU FDI inward stocks in this sector.

Three Member States accounted for more than half of the extra-EU inward stocks in *petroleum, chemical, rubber, plastic products*. The Netherlands, with EUR 27 bn, was the major recipient of EU FDI inward stocks at end-2004, representing 26 % of total EU FDI inward stocks, whereas France and the United Kingdom followed with EUR 19 bn and EUR 15 bn respectively.

The United Kingdom held the first place for *trade and repairs*, accounting for 38 % of extra-EU inward stocks in this sector. Germany (26 %) and France (15 %) also attracted significant FDI

capital from outside the EU with EUR 21 bn and EUR 12 bn respectively.

Taking a closer look at the ratio between 2004 FDI inflows and 2004 inward stocks, it is easy to see that *water transport, electricity, gas and water, transport, storage and communications*, and *research and development* were the most attractive sectors for extra-EU investors. In contrast, in 2004, *construction, machinery, computers, RTV³² and communication, textiles and wood activities*, and *mining and quarrying* had negative rates as extra-EU investors withdrew FDI capital from those sectors. The construction sector recorded the highest negative ratio at -24.4 %.

Table 4.7

Extra-EU FDI inward stocks and inward flows, EUR mn

| | | Stocks (end-2004) | Flows (2004) | Flows/ Stocks (%) |
|------------------------|--|----------------------|-----------------|-------------------------|
| Top four | Water transport | 2 300 | 1 299 | 56.5 |
| | Electricity, gas and water | 10 264 | 5 269 | 51.3 |
| | Transport, storage and communications | 30 557 | 5 374 | 17.6 |
| | Research and development | 2 487 | 379 | 15.2 |
| Bottom four | Construction | 4 151 | - 1 014 | -24.4 |
| | Machinery, computers, RTV & communications | 16 287 | - 2 688 | -16.5 |
| | Textiles and wood activities | 39 004 | - 5 763 | -14.8 |
| | Mining and quarrying | 26 517 | - 3 086 | -11.6 |
| TOTAL | | 1 580 532 | 53 072 | 3.4 |

2001-2004: focus on services for EU FDI from the United States, Canada, Japan, EFTA, and other partner countries

EU FDI inflows over the period 2001-04 were characterised by the strong preference for the *services* sector shown by all the major partners. This prevalence can be seen in the fact that *services* accounted for 86 % of total FDI inflows, with *manufacturing* following at a distance and receiving only 15 % of total FDI inflows. The EFTA countries, Canada and Japan had high FDI inflows to *services* in 2004 (more than 50 % each), whereas *services* received only 41 % of inflows from the United States.

The *manufacturing* sector attracted high EU FDI inflows from Japan with a 21 % average for 2001-04, while the other partner countries came next with an average of 17 % for cumulated flows over the four-year period. In 2004, 48 % of FDI inflows from the United States targeted *manufacturing* activities, whereas EFTA invested 27 %.

³² RTV=Radio and television.

Table 4.8

EU-FDI inward flows³³ from major partners, 2001–2004,^{34 35}
– EUR mn

| | | 2001 | 2002 | 2003 | 2004 | 2001-2004 |
|--------------------------|----------------------|----------------|----------------|----------------|----------------|----------------|
| Extra-EU | Manufacturing | 12% | 16% | 14% | 20% | 15% |
| | Services | 106% | 76% | 83% | 65% | 86% |
| | Other sectors | -18% | 7% | 2% | 15% | -1% |
| | Total | 123 778 | 126 567 | 123 541 | 53 072 | 426 958 |
| USA | Manufacturing | 12% | 12% | 10% | 48% | 13% |
| | Services | 85% | 78% | 84% | 41% | 81% |
| | Other sectors | 3% | 10% | 5% | 11% | 6% |
| | Total | 83 182 | 57 609 | 51 935 | 9 292 | 202 018 |
| | % of extra-EU | 67% | 46% | 42% | 18% | 47% |
| Canada | Manufacturing | 17% | 4% | 6% | -5% | 11% |
| | Services | 88% | 78% | 94% | 119% | 83% |
| | Other sectors | -6% | 18% | 0% | -14% | 5% |
| | Total | 5 825 | 4 019 | 12 699 | - 3 802 | 18 741 |
| | % of extra-EU | 5% | 3% | 10% | -7% | 4% |
| Japan | Manufacturing | 18% | 27% | 32% | 10% | 21% |
| | Services | 83% | 73% | 61% | 77% | 75% |
| | Other sectors | -1% | 0% | 7% | 13% | 4% |
| | Total | 7 988 | 8 331 | 4 002 | 7 513 | 27 834 |
| | % of extra-EU | 6% | 7% | 3% | 14% | 7% |
| EFTA | Manufacturing | 23% | 8% | 12% | 27% | 16% |
| | Services | 206% | 95% | 90% | 65% | 93% |
| | Other sectors | -129% | -4% | -2% | 8% | -9% |
| | Total | 4 377 | 15 566 | 22 325 | 16 418 | 58 686 |
| | % of extra-EU | 4% | 12% | 18% | 31% | 14% |
| *Other partner countries | Manufacturing | 7% | 25% | 23% | 3% | 17% |
| | Services | 178% | 67% | 76% | 79% | 93% |
| | Other sectors | -85% | 8% | 1% | 18% | -10% |
| | Total | 22 406 | 41 042 | 32 580 | 23 651 | 119 679 |
| | % of extra-EU | 18% | 32% | 26% | 45% | 28% |

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

³³ Excluding reinvested earnings until 2001. Total inward FDI since 2002.

³⁴ The negative percentages in the table are due to disinvestments.

³⁵ Due to rounding, the sum of all shares does not always equal 100 %.

ANNEXES

ANNEX 1

Statistical tables

Table 1
Geographical breakdown of FDI flows in the reporting economy, EUR mn
Reporter: European Union

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|-----------------|---------|---------|---------|---------|---------|
| World | 549 061 | 486 627 | 355 390 | 225 328 | 500 281 |
| Intra-EU | 403 192 | 360 059 | 231 847 | 172 255 | 406 133 |
| Extra-EU | 145 867 | 126 567 | 123 541 | 53 072 | 94 149 |
| EFTA | 11 954 | 15 566 | 22 325 | 16 418 | 19 965 |
| United States | 79 643 | 57 609 | 51 935 | 9 292 | 17 110 |
| Canada | 5 632 | 4 019 | 12 699 | - 3 802 | 7 979 |
| Japan | 8 816 | 8 331 | 4 002 | 7 513 | 6 161 |

Table 2
Geographical breakdown of FDI flows abroad, EUR mn
Reporter: European Union

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|-----------------|---------|---------|---------|---------|---------|
| World | 633 969 | 496 095 | 406 399 | 354 104 | 598 988 |
| Intra-EU | 327 828 | 362 199 | 270 688 | 217 714 | 427 226 |
| Extra-EU | 306 140 | 133 897 | 135 711 | 136 388 | 171 757 |
| EFTA | 9 768 | 25 752 | 13 922 | - 3 593 | 19 939 |
| United States | 158 706 | 2 704 | 51 388 | 8 423 | 29 493 |
| Canada | 5 784 | 1 399 | 5 380 | - 2 619 | 11 884 |
| Japan | - 8 875 | 10 193 | 5 585 | 6 122 | 10 933 |

Table 3
Geographical breakdown of FDI stocks in the reporting economy, EUR mn
Reporter: European Union

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|-----------------|-----------|-----------|-----------|-----------|-----------|
| World | 3 862 428 | 4 000 899 | 4 454 940 | 4 801 894 | 5 486 920 |
| Intra-EU | 2 566 832 | 2 735 619 | 2 970 364 | 3 221 358 | 3 742 097 |
| Extra-EU | 1 295 598 | 1 265 279 | 1 484 575 | 1 580 532 | 1 744 823 |
| EFTA | 170 516 | 186 538 | 216 706 | 256 441 | : |
| United States | 704 815 | 659 920 | 687 134 | 694 338 | 769 166 |
| Canada | 81 072 | 73 763 | 66 171 | 62 187 | 74 847 |
| Japan | 60 067 | 62 910 | 75 070 | 81 852 | 89 500 |

: Missing or confidential data

Table 4
Geographical breakdown of FDI stocks abroad, EUR mn
Reporter: European Union

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|-----------------|-----------|-----------|-----------|-----------|-----------|
| World | 4 763 230 | 4 754 959 | 5 150 330 | 5 428 052 | 6 259 034 |
| Intra-EU | 2 745 843 | 2 850 118 | 3 139 259 | 3 379 707 | 3 878 733 |
| Extra-EU | 2 017 386 | 1 904 845 | 2 011 069 | 2 048 346 | 2 380 303 |
| EFTA | 234 661 | 264 408 | 309 858 | 292 151 | : |
| United States | 915 251 | 760 153 | 747 548 | 739 650 | 855 638 |
| Canada | 85 334 | 83 037 | 81 445 | 74 751 | 97 781 |
| Japan | 36 340 | 52 025 | 68 738 | 76 088 | 78 534 |

: Missing or confidential data

Table 5

Geographical breakdown of FDI total income, EUR mn,
Reporter: European Union

| | Year | Credit | Debit | Net |
|----------------------|-------------|---------|---------|---------|
| World | 2001 | 214 115 | 189 665 | 24 449 |
| | 2002 | 197 676 | 183 918 | 13 756 |
| | 2003 | 220 416 | 185 704 | 34 712 |
| | 2004 | 298 615 | 244 588 | 54 025 |
| | 2005 | 358 139 | 294 063 | 64 077 |
| Intra-EU | 2001 | 127 915 | 106 482 | 21 432 |
| | 2002 | 111 904 | 115 513 | - 3 611 |
| | 2003 | 116 712 | 125 566 | - 8 855 |
| | 2004 | 148 189 | 157 762 | - 9 571 |
| | 2005 | 180 041 | 184 549 | - 4 508 |
| Extra-EU | 2001 | 86 198 | 83 183 | 3 017 |
| | 2002 | 85 769 | 68 407 | 17 360 |
| | 2003 | 103 704 | 60 137 | 43 567 |
| | 2004 | 150 424 | 86 827 | 63 599 |
| | 2005 | 178 097 | 109 514 | 68 583 |
| EFTA | 2001 | 12 338 | 20 401 | - 8 061 |
| | 2002 | 16 204 | 17 650 | - 1 447 |
| | 2003 | 14 584 | 15 365 | - 782 |
| | 2004 | 18 664 | 15 277 | 3 386 |
| | 2005 | 22 513 | 18 403 | 4 108 |
| United States | 2001 | 28 342 | 32 920 | - 4 579 |
| | 2002 | 33 245 | 33 393 | - 147 |
| | 2003 | 31 994 | 37 199 | - 5 206 |
| | 2004 | 44 780 | 50 359 | - 5 579 |
| | 2005 | 54 830 | 64 169 | - 9 338 |
| Canada | 2001 | 2 479 | 1 078 | 1 403 |
| | 2002 | 3 098 | 2 074 | 1 023 |
| | 2003 | 2 788 | 2 185 | 603 |
| | 2004 | 4 030 | 1 739 | 2 290 |
| | 2005 | 5 361 | 2 115 | 3 247 |
| Japan | 2001 | 1 084 | 2 354 | - 1 271 |
| | 2002 | 2 027 | 3 830 | - 1 804 |
| | 2003 | 2 820 | 1 374 | 1 446 |
| | 2004 | 2 910 | 2 554 | 354 |
| | 2005 | 3 602 | 2 936 | 665 |

Table 6

**Detailed geographical breakdown of 2005 FDI flows, EUR mn,
Reporter: European Union**

| | Abroad | In the reporting economy |
|-----------------------------------|----------------|--------------------------|
| World | 598 988 | 500 281 |
| Europe | 487 847 | 446 922 |
| Austria | 4 625 | 9 403 |
| Belgium | 24 433 | 13 235 |
| Luxembourg | 11 177 | 47 872 |
| Germany | 32 306 | 31 068 |
| Spain | 22 170 | 27 073 |
| Finland | 3 739 | 1 123 |
| France | 24 188 | 25 618 |
| Greece | 533 | 93 |
| Ireland | 19 036 | 37 921 |
| Italy | 26 455 | 24 971 |
| Netherlands | 57 838 | 117 686 |
| Portugal | 5 427 | 1 650 |
| Denmark | 5 049 | 688 |
| United Kingdom | 156 720 | 39 058 |
| Sweden | 6 155 | 15 616 |
| Cyprus | 2 699 | 1 958 |
| Czech Republic | 5 037 | - 252 |
| Hungary | 11 053 | 8 824 |
| Malta | 2 175 | - 22 |
| Poland | 2 509 | 1 667 |
| Slovenia | 503 | 27 |
| Slovak Republic | 1 174 | 462 |
| Bulgaria | 2 090 | 71 |
| Romania | 3 957 | 128 |
| Switzerland | 19 660 | 15 627 |
| Iceland | - 35 | 1 406 |
| Liechtenstein | 76 | 316 |
| Norway | 240 | 2 617 |
| Estonia | 2 086 | 220 |
| Lithuania | - 6 | 88 |
| Latvia | 20 | 90 |
| Other European countries | 40 685 | 20 819 |
| Albania | 29 | - 4 |
| Belarus | 57 | 4 |
| Serbia and Montenegro | 1 518 | - 11 |
| Croatia | 951 | 116 |
| Russia | 8 997 | 4 107 |
| Turkey | 3 252 | 302 |
| Ukraine | 5 516 | 203 |
| Africa | 17 403 | 632 |
| North Africa countries | 769 | 140 |
| Egypt | 787 | 106 |
| Morocco | 690 | 6 |
| Other African countries | 16 633 | 493 |
| Nigeria | 2 812 | - 345 |
| Republic of South Africa | 9 234 | - 78 |
| America | 56 551 | 33 430 |
| North American countries | 41 393 | 25 095 |
| Canada | 11 884 | 7 979 |
| United States of America | 29 493 | 17 110 |
| Central American countries | 10 767 | 1 974 |
| Mexico | 2 512 | 798 |
| South American countries | 4 389 | 6 362 |
| Argentina | - 1 313 | 449 |
| Brazil | 5 490 | 5 488 |
| Chile | 939 | 30 |
| Colombia | - 1 057 | 130 |
| Uruguay | - 25 | - 26 |
| Venezuela | 945 | 240 |

| | Abroad | In the reporting economy |
|---|----------------|--------------------------|
| Asia | 40 198 | 8 628 |
| Near and Middle East countries | 3 395 | 2 104 |
| Israel | 702 | 1 152 |
| Iran | 37 | 182 |
| Gulf Arabian Countries | 2 609 | 513 |
| Other Near and Middle East countries | 44 | 265 |
| Other Asian countries | 36 805 | 6 523 |
| China | 5 736 | 401 |
| Hong Kong | 2 902 | 1 071 |
| Indonesia | 3 942 | 391 |
| India | 2 170 | 220 |
| Japan | 10 933 | 6 161 |
| Korea, Republic of (South Korea) | 4 207 | 1 201 |
| Malaysia | 696 | - 41 |
| Philippines | 334 | 206 |
| Singapore | 1 082 | - 1 878 |
| Thailand | 366 | 49 |
| Taiwan | 2 910 | 159 |
| Oceania and Polar regions | - 5 877 | 5 967 |
| Australia | - 6 682 | 5 864 |
| New Zealand | 687 | 124 |
| African, Caribbean and Pacific countries (Lomé convention) | 18 916 | - 158 |
| African ACP countries | 16 626 | 474 |
| Caribbean ACP countries | 2 183 | - 637 |
| Pacific ACP countries | 98 | 5 |
| Non European International Organizations | - 11 | 202 |
| European Free Trade Association | 19 939 | 19 965 |
| OECD countries | 495 886 | 462 964 |
| Countries from Central and Eastern Europe | 12 360 | - 278 |
| North American Free Trade Association | 43 889 | 25 886 |
| Latin America | 7 127 | 7 080 |
| Countries for the Association of South-East Asian Nations | 6 299 | - 1 340 |
| Organization of Petroleum Exporting Countries | 9 202 | 1 751 |
| Core Newly Industrializing Countries | 11 105 | 556 |
| Asian NICs of the second wave of industrialization | 1 399 | 212 |
| Latin American NICs of the second wave of industrialization | 7 626 | 6 767 |
| Offshore financial centers | 26 458 | 17 609 |
| French Franc zone | 555 | 192 |
| Community of Independent States | 16 063 | 2 754 |
| Maghreb countries | 775 | 26 |
| Countries from Machrek | 821 | 462 |
| Mercado comun de los paises del cono sur | 4 164 | 5 915 |
| EU-15 | 399 981 | 393 074 |
| EU-25 (2) | 427 226 | 406 133 |
| Extra EU-15 | 199 006 | 107 212 |
| Extra EU-25 | 171 757 | 94 149 |
| Mediterranean countries in the Euro-Mediterranean Partnership | 5 547 | 1 941 |
| Acceding Countries | 27 248 | 13 060 |
| Euro-zone | 232 047 | 337 708 |
| EU member states not belonging to Euro-zone | 167 923 | 55 368 |
| Extra Euro-zone | 366 937 | 162 576 |
| Not allocated (1) | 2 866 | 4 702 |

(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 2004 FDI flows,
EUR mn, Reporter: European Union**

| | Abroad | In the reporting economy |
|-----------------------------------|----------------|--------------------------|
| World | 354 104 | 225 328 |
| Europe | 253 755 | 200 726 |
| Austria | 4 045 | 3 305 |
| Belgium | - 8 569 | 5 247 |
| Luxembourg | 20 751 | - 7 382 |
| Germany | 13 568 | 24 757 |
| Spain | 11 523 | 23 161 |
| Finland | 2 151 | - 47 |
| France | 12 198 | 14 216 |
| Greece | - 251 | 189 |
| Ireland | 12 056 | 8 572 |
| Italy | - 13 228 | 7 935 |
| Netherlands | 67 424 | 32 095 |
| Portugal | 6 107 | 2 579 |
| Denmark | - 1 698 | 6 959 |
| United Kingdom | 65 910 | 33 883 |
| Sweden | 9 211 | 6 793 |
| Cyprus | 805 | 858 |
| Czech Republic | - 2 047 | 497 |
| Hungary | 7 625 | 4 418 |
| Malta | 1 476 | 2 764 |
| Poland | 6 360 | 674 |
| Slovenia | 187 | 55 |
| Slovak Republic | 1 304 | 331 |
| Bulgaria | 551 | 36 |
| Romania | 3 089 | 21 |
| Switzerland | - 11 296 | 15 562 |
| Iceland | - 89 | 1 822 |
| Liechtenstein | 90 | 23 |
| Norway | 7 704 | - 982 |
| Estonia | 126 | 182 |
| Lithuania | 201 | 44 |
| Latvia | 483 | 86 |
| Other European countries | 39 633 | 12 047 |
| Albania | 134 | 1 |
| Belarus | 1 | 6 |
| Serbia and Montenegro | 578 | 47 |
| Croatia | 645 | 43 |
| Russia | 5 878 | 196 |
| Turkey | 1 131 | 170 |
| Ukraine | 249 | 23 |
| Africa | 13 185 | 942 |
| North Africa countries | 2 649 | 213 |
| Egypt | 1 131 | 41 |
| Morocco | 167 | 9 |
| Other African countries | 10 534 | 732 |
| Nigeria | 429 | 294 |
| Republic of South Africa | 5 962 | 120 |
| America | 48 797 | 9 583 |
| North American countries | 5 812 | 5 493 |
| Canada | - 2 619 | - 3 802 |
| United States of America | 8 423 | 9 292 |
| Central American countries | 35 320 | - 826 |
| Mexico | 10 805 | 1 180 |
| South American countries | 7 661 | 4 916 |
| Argentina | - 1 166 | - 705 |
| Brazil | 5 180 | 4 014 |
| Chile | 1 976 | 22 |
| Colombia | 605 | 187 |
| Uruguay | 192 | 617 |
| Venezuela | 1 064 | 98 |

| | Abroad | In the reporting economy |
|---|----------------|--------------------------|
| Asia | 34 519 | 9 632 |
| Near and Middle East countries | 2 029 | - 6 300 |
| Israel | 180 | - 223 |
| Iran | - 57 | 207 |
| Gulf Arabian Countries | 1 191 | - 6 571 |
| Other Near and Middle East countries | 711 | 286 |
| Other Asian countries | 32 489 | 15 932 |
| China | 3 207 | - 147 |
| Hong Kong | 11 033 | 4 748 |
| Indonesia | 138 | 74 |
| India | 1 452 | 1 |
| Japan | 6 122 | 7 513 |
| Korea, Republic of (South Korea) | 1 790 | 1 278 |
| Malaysia | 1 074 | 12 |
| Philippines | 431 | 1 823 |
| Singapore | 2 679 | 487 |
| Thailand | 349 | 16 |
| Taiwan | 1 258 | - 68 |
| Oceania and Polar regions | 1 856 | 3 661 |
| Australia | 1 052 | 3 720 |
| New Zealand | 746 | - 69 |
| African, Caribbean and Pacific countries (Lomé convention) | 12 597 | 1 039 |
| African ACP countries | 10 526 | 737 |
| Caribbean ACP countries | 2 030 | 301 |
| Pacific ACP countries | 28 | 4 |
| Non European International Organizations | - 7 | 25 |
| European Free Trade Association | - 3 593 | 16 418 |
| OECD countries | 238 191 | 203 944 |
| Countries from Central and Eastern Europe | 9 364 | 308 |
| North American Free Trade Association | 16 615 | 6 667 |
| Latin America | 19 293 | 5 449 |
| Countries for the Association of South-East Asian Nations | 4 631 | 2 440 |
| Organization of Petroleum Exporting Countries | 3 675 | - 5 821 |
| Core Newly Industrializing Countries | 16 761 | 6 439 |
| Asian NICs of the second wave of industrialization | 1 856 | 1 849 |
| Latin American NICs of the second wave of industrialization | 16 798 | 4 515 |
| Offshore financial centers | 64 045 | 16 845 |
| French Franc zone | 623 | 70 |
| Community of Independent States | 9 297 | 308 |
| Maghreb countries | 1 713 | 203 |
| Countries from Machrek | 1 161 | 319 |
| Mercado comun de los paises del cono sur | 4 169 | 3 919 |
| EU-15 | 201 183 | 162 351 |
| EU-25 (2) | 217 714 | 172 255 |
| Extra EU-15 | 152 921 | 62 976 |
| Extra EU-25 | 136 388 | 53 072 |
| Mediterranean countries in the Euro-Mediterranean Partnership | 4 182 | 470 |
| Acceding Countries | 16 530 | 9 905 |
| Euro-zone | 127 766 | 114 626 |
| EU member states not belonging to Euro-zone | 73 412 | 47 730 |
| Extra Euro-zone | 226 338 | 110 703 |
| Not allocated (1) | 1 992 | 784 |

(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 2005 FDI income,
 EUR mn, Reporter: European Union**

| | Credit | Debit | Net |
|-----------------------------------|----------------|----------------|----------------|
| World | 358 139 | 294 063 | 64 077 |
| Europe | 215 140 | 208 333 | 6 805 |
| Austria | 3 612 | 3 008 | 604 |
| Belgium | 10 319 | 9 414 | 906 |
| Luxembourg | 18 039 | 24 493 | - 6 453 |
| Germany | 17 186 | 22 722 | - 5 537 |
| Spain | 8 172 | 2 810 | 5 362 |
| Finland | 3 453 | 4 192 | - 739 |
| France | 21 781 | 23 716 | - 1 937 |
| Greece | 1 255 | 26 | 1 229 |
| Ireland | 12 440 | 3 830 | 8 611 |
| Italy | 7 204 | 8 139 | - 936 |
| Netherlands | 29 645 | 42 524 | - 12 880 |
| Portugal | 4 100 | 605 | 3 496 |
| Denmark | 2 850 | 2 364 | 483 |
| United Kingdom | 19 477 | 25 497 | - 6 020 |
| Sweden | 7 103 | 9 432 | - 2 330 |
| Cyprus | 643 | 503 | 139 |
| Czech Republic | 3 079 | 107 | 2 971 |
| Hungary | 3 265 | 669 | 2 595 |
| Malta | 273 | 64 | 209 |
| Poland | 4 078 | 149 | 3 929 |
| Slovenia | 251 | 36 | 215 |
| Slovak Republic | 1 089 | 88 | 1 000 |
| Bulgaria | 240 | 20 | 218 |
| Romania | 699 | - 1 | 699 |
| Switzerland | 16 968 | 16 110 | 857 |
| Iceland | 7 | 222 | - 215 |
| Liechtenstein | 79 | 312 | - 234 |
| Norway | 5 457 | 1 757 | 3 702 |
| Estonia | 233 | 127 | 107 |
| Lithuania | 158 | 7 | 153 |
| Latvia | 182 | 11 | 171 |
| Other European countries | 12 585 | 5 382 | 7 204 |
| Albania | 22 | 1 | 21 |
| Belarus | 19 | 6 | 13 |
| Serbia and Montenegro | 178 | 17 | 161 |
| Croatia | 353 | 0 | 352 |
| Russia | 4 115 | 2 354 | 1 763 |
| Turkey | 1 323 | 122 | 1 199 |
| Ukraine | 273 | - 7 | 279 |
| Africa | 15 182 | 495 | 14 688 |
| North Africa countries | 3 063 | 93 | 2 971 |
| Egypt | 1 327 | 37 | 1 289 |
| Morocco | 199 | 28 | 171 |
| Other African countries | 12 117 | 401 | 11 717 |
| Nigeria | 1 289 | 10 | 1 277 |
| Republic of South Africa | 6 570 | 216 | 6 355 |
| America | 81 711 | 79 486 | 2 224 |
| North American countries | 60 196 | 66 288 | - 6 094 |
| Canada | 5 361 | 2 115 | 3 247 |
| United States of America | 54 830 | 64 169 | - 9 338 |
| Central American countries | 10 640 | 11 297 | - 658 |
| Mexico | 2 994 | 326 | 2 668 |
| South American countries | 10 873 | 1 898 | 8 974 |
| Argentina | - 280 | 61 | - 342 |
| Brazil | 6 282 | 1 702 | 4 581 |
| Chile | 2 218 | 22 | 2 199 |
| Colombia | 858 | 3 | 855 |
| Uruguay | 96 | 28 | 68 |
| Venezuela | 1 402 | 61 | 1 341 |

| | Credit | Debit | Net |
|---|----------------|----------------|-----------------|
| Asia | 35 572 | 3 701 | 31 870 |
| Near and Middle East countries | 3 699 | 1 047 | 2 652 |
| Israel | 207 | 123 | 85 |
| Iran | - 82 | 102 | - 184 |
| Gulf Arabian Countries | 2 539 | 392 | 2 147 |
| Other Near and Middle East countries | 1 029 | 431 | 598 |
| Other Asian countries | 31 873 | 2 651 | 29 221 |
| China | 2 806 | 95 | 2 712 |
| Hong Kong | 8 898 | - 906 | 9 804 |
| Indonesia | 1 143 | - 11 | 1 153 |
| India | 1 186 | 116 | 1 069 |
| Japan | 3 602 | 2 936 | 665 |
| Korea, Republic of (South Korea) | 2 422 | 156 | 2 265 |
| Malaysia | 1 393 | - 27 | 1 421 |
| Philippines | 258 | 50 | 207 |
| Singapore | 7 275 | 255 | 7 021 |
| Thailand | 798 | 12 | 785 |
| Taiwan | 629 | 49 | 580 |
| Oceania and Polar regions | 6 896 | 1 294 | 5 601 |
| Australia | 5 749 | 1 259 | 4 488 |
| New Zealand | 1 096 | 39 | 1 057 |
| African, Caribbean and Pacific countries (Lomé convention) | 13 787 | 787 | 12 999 |
| African ACP countries | 12 115 | 401 | 11 715 |
| Caribbean ACP countries | 1 643 | 377 | 1 264 |
| Pacific ACP countries | 29 | 6 | 21 |
| Non European International Organizations | 3 | 8 | - 3 |
| European Free Trade Association | 22 513 | 18 403 | 4 108 |
| OECD countries | 278 106 | 273 015 | 5 091 |
| Countries from Central and Eastern Europe | 1 671 | 105 | 1 566 |
| North American Free Trade Association | 63 188 | 66 610 | - 3 422 |
| Latin America | 14 273 | 2 386 | 11 887 |
| Countries for the Association of South-East Asian Nations | 11 051 | 310 | 10 741 |
| Organization of Petroleum Exporting Countries | 7 070 | 499 | 6 571 |
| Core Newly Industrializing Countries | 19 226 | - 439 | 19 666 |
| Asian NICs of the second wave of industrialization | 2 450 | 38 | 2 412 |
| Latin American NICs of the second wave of industrialization | 11 212 | 2 109 | 9 102 |
| Offshore financial centers | 28 519 | 13 945 | 14 574 |
| French Franc zone | 1 050 | 9 | 1 041 |
| Community of Independent States | 5 656 | 2 236 | 3 419 |
| Maghreb countries | 1 258 | 39 | 1 219 |
| Countries from Machrek | 1 576 | 452 | 1 125 |
| Mercado comun de los paises del cono sur | 6 112 | 1 794 | 4 318 |
| EU-15 | 166 789 | 182 782 | - 15 994 |
| EU-25 (2) | 180 041 | 184 549 | - 4 508 |
| Extra EU-15 | 191 351 | 111 283 | 80 066 |
| Extra EU-25 | 178 097 | 109 514 | 68 583 |
| Mediterranean countries in the Euro-Mediterranean Partnership | 4 365 | 736 | 3 629 |
| Acceding Countries | 13 255 | 1 770 | 11 482 |
| Euro-zone | 137 349 | 145 486 | - 8 137 |
| EU member states not belonging to Euro-zone | 29 436 | 37 296 | - 7 864 |
| Extra Euro-zone | 220 790 | 148 580 | 72 210 |
| Not allocated (1) | 3 638 | 754 | 2 889 |

(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 9

**Detailed geographical breakdown of 2004 FDI income,
 EUR mn , Reporter: European Union**

| | Credit | Debit | Net |
|-----------------------------------|----------------|----------------|----------------|
| World | 298 615 | 244 588 | 54 025 |
| Europe | 179 794 | 176 434 | 3 359 |
| Austria | 2 818 | 2 704 | 116 |
| Belgium | 11 726 | 10 085 | 1 639 |
| Luxembourg | 20 412 | 18 313 | 2 098 |
| Germany | 13 883 | 20 897 | - 7 015 |
| Spain | 7 188 | 282 | 6 907 |
| Finland | 2 984 | 3 925 | - 941 |
| France | 13 905 | 19 361 | - 5 454 |
| Greece | 2 050 | 106 | 1 945 |
| Ireland | 7 452 | 2 629 | 4 823 |
| Italy | 4 287 | 2 934 | 1 354 |
| Netherlands | 24 103 | 39 562 | - 15 461 |
| Portugal | 2 290 | 522 | 1 766 |
| Denmark | 2 564 | 1 978 | 586 |
| United Kingdom | 14 907 | 23 682 | - 8 778 |
| Sweden | 6 008 | 9 346 | - 3 339 |
| Cyprus | 642 | 399 | 244 |
| Czech Republic | 2 655 | 111 | 2 542 |
| Hungary | 2 960 | 216 | 2 745 |
| Malta | 286 | 77 | 208 |
| Poland | 3 320 | 75 | 3 246 |
| Slovenia | 103 | 47 | 56 |
| Slovak Republic | 1 200 | 57 | 1 143 |
| Bulgaria | 230 | 18 | 212 |
| Romania | 551 | 6 | 545 |
| Switzerland | 14 490 | 14 283 | 208 |
| Iceland | 5 | 29 | - 25 |
| Liechtenstein | 110 | 319 | - 211 |
| Norway | 4 058 | 646 | 3 412 |
| Estonia | 172 | 128 | 42 |
| Lithuania | 102 | 1 | 101 |
| Latvia | 175 | 13 | 163 |
| Other European countries | 12 939 | 3 395 | 9 544 |
| Albania | 41 | 0 | 41 |
| Belarus | 14 | 7 | 8 |
| Serbia and Montenegro | 52 | 0 | 52 |
| Croatia | 416 | 4 | 413 |
| Russia | 2 857 | 729 | 2 128 |
| Turkey | 1 191 | 191 | 1 000 |
| Ukraine | 72 | 10 | 62 |
| Africa | 10 736 | 284 | 10 452 |
| North Africa countries | 1 765 | 81 | 1 684 |
| Egypt | 903 | 36 | 865 |
| Morocco | 261 | 28 | 233 |
| Other African countries | 8 971 | 203 | 8 768 |
| Nigeria | 827 | 1 | 826 |
| Republic of South Africa | 5 416 | 131 | 5 285 |
| America | 67 097 | 64 029 | 3 066 |
| North American countries | 48 816 | 52 112 | - 3 296 |
| Canada | 4 030 | 1 739 | 2 290 |
| United States of America | 44 780 | 50 359 | - 5 579 |
| Central American countries | 10 862 | 10 791 | 72 |
| Mexico | 3 471 | 431 | 3 040 |
| South American countries | 7 418 | 1 131 | 6 287 |
| Argentina | - 249 | 52 | - 302 |
| Brazil | 3 785 | 500 | 3 286 |
| Chile | 1 756 | 18 | 1 738 |
| Colombia | 744 | 4 | 739 |
| Uruguay | 69 | 38 | 31 |
| Venezuela | 1 017 | 17 | 999 |

| | Credit | Debit | Net |
|---|----------------|----------------|-----------------|
| Asia | 30 601 | 2 906 | 27 693 |
| Near and Middle East countries | 2 665 | 814 | 1 852 |
| Israel | 67 | - 75 | 141 |
| Iran | 28 | 87 | - 59 |
| Gulf Arabian Countries | 1 914 | 433 | 1 482 |
| Other Near and Middle East countries | 658 | 369 | 288 |
| Other Asian countries | 27 936 | 2 094 | 25 843 |
| China | 2 215 | 55 | 2 160 |
| Hong Kong | 8 268 | - 983 | 9 252 |
| Indonesia | 1 171 | 5 | 1 166 |
| India | 923 | 19 | 904 |
| Japan | 2 910 | 2 554 | 354 |
| Korea, Republic of (South Korea) | 2 387 | 176 | 2 211 |
| Malaysia | 1 333 | - 25 | 1 360 |
| Philippines | 192 | 4 | 188 |
| Singapore | 5 807 | 190 | 5 615 |
| Thailand | 832 | 12 | 820 |
| Taiwan | 795 | 38 | 758 |
| Oceania and Polar regions | 7 726 | 1 053 | 6 674 |
| Australia | 6 974 | 1 126 | 5 848 |
| New Zealand | 724 | - 89 | 813 |
| African, Caribbean and Pacific countries (Lomé convention) | 9 726 | 428 | 9 299 |
| African ACP countries | 8 956 | 196 | 8 761 |
| Caribbean ACP countries | 752 | 224 | 529 |
| Pacific ACP countries | 17 | 9 | 8 |
| Non European International Organizations | 2 | 6 | - 4 |
| European Free Trade Association | 18 664 | 15 277 | 3 386 |
| OECD countries | 231 730 | 228 543 | 3 186 |
| Countries from Central and Eastern Europe | 1 420 | 121 | 1 298 |
| North American Free Trade Association | 52 282 | 52 531 | - 249 |
| Latin America | 11 173 | 1 223 | 9 951 |
| Countries for the Association of South-East Asian Nations | 9 461 | 225 | 9 237 |
| Organization of Petroleum Exporting Countries | 5 004 | 386 | 4 618 |
| Core Newly Industrializing Countries | 17 255 | - 581 | 17 836 |
| Asian NICs of the second wave of industrialization | 2 358 | - 11 | 2 369 |
| Latin American NICs of the second wave of industrialization | 8 760 | 999 | 7 763 |
| Offshore financial centers | 28 592 | 12 780 | 15 813 |
| French Franc zone | 747 | 6 | 741 |
| Community of Independent States | 3 446 | 743 | 2 703 |
| Maghreb countries | 780 | 40 | 740 |
| Countries from Machrek | 1 326 | 402 | 923 |
| Mercado comun de los paises del cono sur | 3 620 | 591 | 3 030 |
| EU-15 | 136 578 | 156 633 | - 20 056 |
| EU-25 (2) | 148 189 | 157 762 | - 9 571 |
| Extra EU-15 | 162 039 | 87 956 | 74 082 |
| Extra EU-25 | 150 424 | 86 827 | 63 599 |
| Mediterranean countries in the Euro-Mediterranean Partnership | 3 367 | 562 | 2 804 |
| Acceding Countries (CY, CZ, EE, HU, LV, LT, MT, PL, SK, SI) | 11 613 | 1 128 | 10 485 |
| Euro-zone | 113 094 | 121 625 | - 8 528 |
| EU member states not belonging to Euro-zone | 23 482 | 35 009 | - 11 528 |
| Extra Euro-zone | 185 521 | 122 965 | 62 556 |
| Not allocated (1) | 2 661 | - 118 | 2 781 |

(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 10

Detailed geographical breakdown of 2004 FDI stocks, EUR mn,
Reporter: European Union

| | Abroad | In the reporting economy |
|-----------------------------------|------------------|--------------------------|
| World | 5 428 052 | 4 801 894 |
| Europe | 3 780 260 | 3 536 984 |
| Austria | 50 159 | 39 469 |
| Belgium | 263 521 | 213 923 |
| Luxembourg | 399 220 | 429 550 |
| Germany | 285 323 | 304 251 |
| Spain | 249 584 | 22 767 |
| Finland | 34 717 | 51 215 |
| France | 325 849 | 297 070 |
| Greece | 9 645 | 2 248 |
| Ireland | 182 131 | 69 105 |
| Italy | 132 191 | 114 992 |
| Netherlands | 535 238 | 573 619 |
| Portugal | 36 072 | 15 011 |
| Denmark | 45 779 | 41 846 |
| United Kingdom | 564 293 | 913 436 |
| Sweden | 96 889 | 110 818 |
| Cyprus | 6 207 | 6 016 |
| Czech Republic | 34 957 | 1 820 |
| Hungary | 41 111 | 5 850 |
| Malta | 4 669 | 3 860 |
| Poland | 58 119 | 1 838 |
| Slovenia | 2 855 | 488 |
| Slovak Republic | 12 400 | 806 |
| Bulgaria | 3 683 | 299 |
| Romania | 9 155 | 81 |
| Switzerland | 247 351 | 220 567 |
| Iceland | 807 | 2 817 |
| Liechtenstein | 1 247 | 4 947 |
| Norway | 42 743 | 28 109 |
| Estonia | 2 756 | 711 |
| Lithuania | 4 052 | 179 |
| Latvia | 1 949 | 298 |
| Other European countries | 108 402 | 59 185 |
| Albania | 408 | 20 |
| Belarus | 236 | 88 |
| Serbia and Montenegro | 1 716 | 320 |
| Croatia | 5 684 | 375 |
| Russia | 20 983 | 5 558 |
| Turkey | 13 301 | 2 567 |
| Ukraine | 1 682 | 162 |
| Africa | 91 458 | 11 533 |
| North Africa countries | 22 016 | 2 803 |
| Egypt | 6 893 | 445 |
| Morocco | 9 366 | 580 |
| Other African countries | 69 443 | 8 729 |
| Nigeria | 12 161 | 2 397 |
| Republic of South Africa | 37 415 | 4 281 |
| America | 1 153 872 | 1 045 235 |
| North American countries | 801 329 | 817 615 |
| Canada | 74 751 | 62 187 |
| United States of America | 739 650 | 694 338 |
| Central American countries | 210 169 | 215 558 |
| Mexico | 38 594 | 7 971 |
| South American countries | 142 375 | 12 060 |
| Argentina | 30 599 | 2 129 |
| Brazil | 70 768 | 3 109 |
| Chile | 16 031 | 1 678 |
| Colombia | 6 723 | 598 |
| Uruguay | 2 116 | 686 |
| Venezuela | 5 630 | 1 452 |

| | Abroad | In the reporting economy |
|---|------------------|--------------------------|
| Asia | 315 806 | 147 948 |
| Near and Middle East countries | 19 343 | 17 061 |
| Israel | 2 490 | 4 042 |
| Iran | 3 033 | 1 908 |
| Gulf Arabian Countries | 10 374 | 8 871 |
| Other Near and Middle East countries | 3 445 | 2 240 |
| Other Asian countries | 296 464 | 130 887 |
| China | 21 278 | 1 692 |
| Hong Kong | 85 559 | 13 148 |
| Indonesia | 6 567 | 364 |
| India | 9 713 | 1 224 |
| Japan | 76 088 | 81 852 |
| Korea, Republic of (South Korea) | 19 423 | 4 793 |
| Malaysia | 7 367 | 1 552 |
| Philippines | 3 727 | 1 015 |
| Singapore | 42 781 | 20 678 |
| Thailand | 7 453 | 435 |
| Taiwan | 6 139 | 781 |
| Oceania and Polar regions | 59 901 | 27 868 |
| Australia | 54 078 | 27 164 |
| New Zealand | 5 391 | 501 |
| African, Caribbean and Pacific countries (Lomé convention) | 84 843 | 16 386 |
| African ACP countries | 69 413 | 8 718 |
| Caribbean ACP countries | 15 102 | 7 571 |
| Pacific ACP countries | 328 | 97 |
| Non European International Organizations | - 8 015 | - 1 114 |
| European Free Trade Association | 292 151 | 256 441 |
| OECD countries | 4 669 398 | 4 342 678 |
| Countries from Central and Eastern Europe | 22 916 | 1 603 |
| North American Free Trade Association | 852 998 | 764 497 |
| Latin America | 188 660 | 25 541 |
| Countries for the Association of South-East Asian Nations | 69 767 | 24 893 |
| Organization of Petroleum Exporting Countries | 34 526 | 13 194 |
| Core Newly Industrializing Countries | 153 902 | 39 399 |
| Asian NICs of the second wave of industrialization | 18 550 | 3 002 |
| Latin American NICs of the second wave of industrialization | 155 993 | 14 887 |
| Offshore financial centers | 371 621 | 337 118 |
| French Franc zone | 6 357 | 1 060 |
| Community of Independent States | 29 333 | 6 542 |
| Maghreb countries | 14 030 | 1 510 |
| Countries from Machrek | 8 791 | 2 335 |
| Mercado comun de los paises del cono sur | 104 264 | 7 349 |
| EU-15 | 3 210 631 | 3 199 496 |
| EU-25 (2) | 3 379 707 | 3 221 358 |
| Extra EU-15 | 2 217 421 | 1 602 393 |
| Extra EU-25 | 2 048 346 | 1 580 532 |
| Mediterranean countries in the Euro-Mediterranean Partnership | 38 611 | 10 454 |
| Acceding Countries | 169 076 | 21 864 |
| Euro-zone | 2 503 651 | 2 133 221 |
| EU member states not belonging to Euro-zone | 706 978 | 1 066 275 |
| Extra Euro-zone | 2 924 401 | 2 668 667 |
| Not allocated (1) | 34 770 | 33 438 |

Table 11: FDI flows by economic activity in 2004 – Reporter: European Union, EUR mn

| | Abroad | | | | | | In the reporting economy | | | | | | | |
|--|---------|----------|----------|---------|--------|--------|--------------------------|---------|----------|----------|---------|-------|--------|--------|
| | World | Intra-EU | Extra EU | USA | Japan | Canada | EFTA | World | Intra-EU | Extra EU | USA | Japan | Canada | EFTA |
| TOTAL | 354 104 | 217 714 | 136 388 | 8 423 | 6 122 | -2 619 | -3 593 | 225 328 | 172 255 | 53 072 | 9 292 | 7 513 | -3 802 | 16 418 |
| SUB-TOTAL | 352 363 | 216 776 | 135 588 | 8 240 | 6 121 | -2 624 | -3 633 | 217 064 | 164 495 | 52 563 | 9 226 | 7 515 | -3 801 | 16 443 |
| AGRICULTURE AND FISHING | - 311 | - 319 | 7 | 15 | 1 | 5 | 4 | - 610 | - 699 | 90 | 51 | 28 | 17 | 27 |
| MINING AND QUARRYING | 14 592 | -2 605 | 17 197 | -1 594 | 29 | 909 | 201 | 3 251 | 6 337 | -3 086 | -3 937 | 21 | 719 | 178 |
| MANUFACTURING | 73 381 | 54 456 | 18 922 | - 59 | 1 485 | 1 439 | - 206 | 48 556 | 37 976 | 10 580 | 4 470 | 744 | 188 | 4 498 |
| Food products | 11 351 | 11 836 | - 482 | - 939 | - 6 | 85 | - 392 | 8 185 | 4 323 | 3 862 | 18 | 250 | 231 | 2 744 |
| Total textiles & wood activities | 5 852 | -1 236 | 7 088 | -1 690 | - 24 | 149 | - 12 | -3 096 | 2 668 | - 5 763 | 1 038 | 26 | 328 | 641 |
| Total petroleum,chemical,rubber,plastic products | 28 500 | 18 845 | 9 657 | 3 605 | 687 | 339 | 309 | 14 732 | 8 934 | 5 797 | 3 862 | 264 | 160 | 1 726 |
| Manufacture of chemicals & chemicals products | 24 937 | 17 010 | 7 927 | 805 | 599 | - 41 | 363 | 13 852 | 6 617 | 7 233 | 4 030 | 259 | 75 | 1 525 |
| Total metal and mechanical products | 3 215 | 898 | 2 313 | - 49 | - 2 | 239 | 177 | 6 227 | 5 217 | 1 007 | - 242 | - 36 | - 95 | 398 |
| Total machinery, computers, RTV, communication | 5 839 | 4 811 | 1 028 | 571 | 14 | 47 | - 274 | - 621 | 2 068 | - 2 688 | - 242 | 134 | - 226 | - 824 |
| Total vehicles & other transport equipment | 2 136 | 1 140 | 993 | -1 304 | 674 | 277 | - 116 | 7 416 | 4 762 | 2 652 | - 860 | - 20 | - 118 | - 137 |
| ELECTRICITY, GAS AND WATER | 1 484 | 1 850 | - 365 | - 2 030 | 3 | - 197 | 17 | 9 496 | 4 226 | 5 269 | 1 314 | 412 | 15 | 140 |
| CONSTRUCTION | 5 419 | 1 396 | 4 019 | 629 | 4 | - 37 | - 11 | - 477 | 534 | - 1 014 | - 252 | 23 | 11 | 59 |
| TOTAL SERVICES | 233 626 | 181 145 | 52 473 | -3 862 | 172 | -5 509 | -4 354 | 141 843 | 107 542 | 34 292 | 3 801 | 5 784 | -4 527 | 10 620 |
| TRADE AND REPAIRS | 17 533 | 17 995 | - 464 | -4 558 | 183 | 126 | 119 | 8 261 | 229 | 8 029 | 3 942 | 1 568 | 406 | - 79 |
| HOTELS AND RESTAURANTS | 927 | 874 | 54 | - 231 | - 3 | 38 | 9 | 72 | 529 | - 452 | 217 | 2 | 15 | 57 |
| TRANSPORTS AND COMMUNICATION | 18 038 | 15 957 | 2 437 | -2 929 | - 398 | - 447 | - 20 | 10 119 | 4 742 | 5 374 | - 2 611 | 42 | - 474 | 323 |
| Land transport | 750 | 328 | 423 | 169 | 64 | 30 | 11 | 506 | 354 | 154 | 68 | 24 | 3 | 45 |
| Water transport | -1 060 | -2 601 | 1 542 | 45 | 0 | 3 | 24 | 606 | - 692 | 1 299 | 814 | 1 | 0 | 54 |
| Air transport | 751 | 382 | 369 | 404 | 1 | 10 | 1 | 997 | 754 | 243 | 146 | - 47 | 3 | 34 |
| Post and telecommunications | 15 546 | 15 639 | - 94 | - 3 253 | - 474 | 11 | - 84 | 6 263 | 4 130 | 2 132 | - 5 361 | 42 | 36 | 61 |
| Post and courier activities | -7 037 | -2 560 | -4 476 | - 405 | 163 | - 5 | 15 | 1 158 | 1 457 | - 300 | - 288 | 5 | 24 | 0 |
| Telecommunications | 22 584 | 18 198 | 4 385 | - 2 847 | - 637 | 16 | - 99 | 5 105 | 2 675 | 2 431 | - 5 071 | 35 | 12 | 61 |
| FINANCIAL INTERMEDIATION | 155 085 | 91 516 | 63 571 | 22 571 | 3 264 | -4 421 | -4 558 | 99 078 | 71 542 | 27 534 | 4 011 | 3 764 | -6 421 | 6 439 |
| Monetary intermediation | 51 765 | 26 012 | 25 753 | 17 568 | - 4 | 382 | -3 450 | 33 285 | 26 375 | 6 910 | 3 397 | 323 | - 369 | 0 |
| Other financial intermediation | 87 949 | 55 102 | 32 851 | 3 371 | 3 220 | -4 929 | -1 232 | 57 542 | 32 622 | 24 924 | 7 562 | 3 178 | -6 027 | 3 543 |
| REAL ESTATE & BUSINESS ACTIVITIES | 40 584 | 54 707 | -14 125 | -19 160 | -2 821 | - 852 | 10 | 22 023 | 28 697 | - 6 679 | - 1 197 | 261 | 1 925 | 3 910 |
| Real estate activities | 7 247 | 4 959 | 2 289 | 158 | 37 | 35 | 104 | 6 481 | 4 950 | 1 536 | 167 | 40 | 432 | 106 |
| Computer activities | 4 485 | 627 | 3 858 | 504 | - 63 | 60 | 61 | 2 099 | 1 280 | 817 | 716 | 0 | 265 | 247 |
| Research and development | 248 | 481 | - 235 | 300 | - 2 | - 49 | 4 | 3 032 | 2 651 | 379 | - 124 | 10 | 1 | 407 |
| Other business activities | 27 614 | 47 954 | -20 339 | -20 107 | -2 793 | - 903 | - 173 | 10 343 | 20 055 | - 9 714 | - 2 278 | 189 | 1 198 | 3 429 |
| OTHER SERVICES | 1 436 | 454 | 983 | 452 | - 52 | 50 | 88 | 2 284 | 1 802 | 481 | - 560 | 147 | 22 | - 23 |
| Not allocated | 24 174 | - 19 149 | 43 334 | 15 143 | 4 426 | 764 | 715 | 14 999 | 8 579 | 6 432 | 3 779 | 503 | - 223 | 921 |
| Private purchases & sales of real estate | 1 739 | 939 | 800 | 183 | 2 | 6 | 40 | 8 265 | 7 761 | 508 | 66 | - 1 | - 1 | - 25 |

Table 12: FDI flows by economic activity in 2003 – Reporter: European Union, EUR mn

| | Abroad | | | | | | | In the reporting economy | | | | | | |
|---|---------|----------|----------|---------|---------|--------|--------|--------------------------|----------|----------|---------|-------|---------|---------|
| | World | Intra-EU | Extra EU | USA | Japan | Canada | EFTA | World | Intra-EU | Extra EU | USA | Japan | Canada | EFTA |
| TOTAL | 406 399 | 270 688 | 135 711 | 51 388 | 5 585 | 5 380 | 13 922 | 355 390 | 231 847 | 123 541 | 51 935 | 4 002 | 12 699 | 22 325 |
| SUB-TOTAL | 405 274 | 269 997 | 135 277 | 51 292 | 5 585 | 5 377 | 13 815 | 346 067 | 224 068 | 122 537 | 51 750 | 4 002 | 12 699 | 22 416 |
| AGRICULTURE AND FISHING | 350 | 215 | 63 | 0 | 2 | 2 | 19 | - 129 | - 1 064 | 935 | 1 033 | - 57 | - 28 | 31 |
| MINING AND QUARRING | 18 498 | 4 299 | 14 200 | 4 433 | 25 | 536 | 2 061 | - 3 538 | - 2 498 | - 1 037 | - 199 | 13 | 34 | - 581 |
| MANUFACTURING | 38 838 | 24 367 | 14 472 | 2 913 | 886 | 2 229 | 5 596 | 56 342 | 38 710 | 17 633 | 5 382 | 1 286 | 722 | 2 635 |
| Food products | 4 117 | - 30 | 4 149 | 519 | 97 | 1 380 | - 321 | 7 443 | 4 138 | 3 306 | 1 238 | 236 | - 86 | 1 607 |
| Total textiles & wood activities | - 2 365 | 1 152 | - 3 516 | - 458 | 35 | 37 | - 265 | 5 969 | 408 | 5 561 | 1 512 | 18 | 40 | - 17 |
| Total petroleum, chemical, rubber, plastic products | 19 454 | 11 952 | 7 501 | 5 002 | 396 | 731 | 2 621 | 24 730 | 15 688 | 9 041 | 4 017 | 147 | 131 | 1 993 |
| Manufacture of chemicals & chemical products | 17 579 | 13 416 | 4 161 | 1 983 | 363 | 774 | 2 635 | 18 183 | 13 397 | 4 786 | 3 878 | 63 | 140 | 1 303 |
| Total metal and mechanical products | 8 159 | 6 564 | 1 597 | - 853 | 32 | 775 | 48 | 10 040 | 9 794 | 245 | 1 039 | 190 | 88 | - 1 129 |
| Total machinery, computers, RTV, communication | - 3 479 | - 3 671 | 191 | - 1 622 | - 27 | - 17 | 1 534 | 3 735 | 2 812 | 926 | 1 341 | 176 | 231 | - 1 058 |
| Total vehicles & other transport equipment | - 903 | - 857 | - 46 | - 3 233 | 806 | - 790 | 2 163 | - 6 228 | - 1 844 | - 4 383 | - 3 941 | 199 | 267 | 180 |
| ELECTRICITY, GAS AND WATER | 11 034 | 10 257 | 776 | - 1 076 | - 3 | 178 | - 117 | 8 944 | 9 053 | - 110 | - 1 087 | - 64 | 54 | 512 |
| CONSTRUCTION | 2 427 | 1 557 | 872 | 178 | - 7 | 102 | 50 | 1 203 | 719 | 482 | 600 | 43 | 24 | 59 |
| TOTAL SERVICES | 324 392 | 244 073 | 80 316 | 29 982 | 690 | 2 053 | 5 427 | 287 270 | 184 378 | 102 891 | 43 738 | 2 429 | 11 914 | 20 028 |
| TRADE AND REPAIRS | 29 119 | 21 352 | 7 768 | 3 673 | 56 | 171 | 2 020 | 13 540 | 7 372 | 6 168 | 2 511 | 1 425 | 597 | 1 307 |
| HOTELS AND RESTAURANTS | 2 345 | 1 031 | 1 314 | 1 029 | 3 | - 185 | 14 | 1 280 | 937 | 345 | 200 | 9 | - 20 | 42 |
| TRANSPORTS AND COMMUNICATION | - 3 768 | - 5 517 | 1 748 | - 1 749 | 85 | 77 | 136 | 9 863 | 15 169 | - 5 304 | - 1 754 | 64 | 9 | 530 |
| Land transport | 844 | 1 355 | - 509 | - 395 | 6 | 21 | 37 | 521 | - 68 | 590 | - 99 | - 8 | - 5 | 410 |
| Water transport | 289 | 326 | - 35 | 67 | 3 | 3 | - 9 | 194 | 24 | 170 | 109 | 14 | - 15 | 97 |
| Air transport | 418 | 301 | 117 | 62 | 0 | - 2 | 3 | - 19 | - 275 | 258 | 199 | 7 | - 7 | 31 |
| Post and telecommunications | : | : | : | : | : | : | : | : | : | : | : | : | : | : |
| Post and courier activities | : | : | : | : | : | : | : | : | : | : | : | : | : | : |
| Telecommunications | - 3 838 | - 5 757 | 1 919 | - 1 702 | 52 | 39 | 168 | 6 236 | 12 387 | - 6 151 | - 1 932 | 13 | 1 | - 99 |
| Total land, sea and air transport | 1 551 | 1 981 | - 427 | - 265 | 8 | 22 | 31 | 696 | - 319 | 1 018 | 208 | 14 | - 27 | 538 |
| FINANCIAL INTERMEDIATION | 221 793 | 159 343 | 62 448 | 30 401 | 2 510 | 676 | 1 730 | 172 011 | 92 688 | 79 326 | 36 574 | 699 | - 531 | 10 557 |
| Monetary intermediation | 22 983 | 14 021 | 8 962 | 4 871 | 47 | - 157 | 693 | 14 372 | 6 784 | 7 587 | 3 768 | 16 | - 1 007 | 2 124 |
| Other financial intermediation | 194 430 | 144 750 | 49 677 | 23 634 | 1 557 | 536 | 1 284 | 145 763 | 79 278 | 66 483 | 26 969 | 575 | 535 | 8 546 |
| REAL ESTATE & BUSINESS ACTIVITIES | 73 393 | 68 025 | 5 371 | - 3 655 | - 1 986 | 1 270 | 1 375 | 85 696 | 64 007 | 21 690 | 5 691 | 236 | 11 815 | 7 640 |
| Real estate activities | 5 835 | 5 006 | 830 | 319 | 0 | 45 | 71 | 4 748 | 4 260 | 491 | 48 | 113 | 17 | - 181 |
| Computer activities | 3 685 | 227 | 3 459 | 3 076 | - 45 | 287 | 73 | 2 152 | 1 275 | 285 | 1 877 | 1 | 241 | 86 |
| Research and development | 4 362 | 3 497 | 866 | - 100 | 26 | 298 | 26 | 4 954 | 4 892 | 63 | 65 | 1 | 0 | 19 |
| Other business activities | 59 349 | 59 141 | 211 | - 6 914 | - 1 953 | 646 | 1 204 | 72 915 | 52 791 | 20 127 | 5 801 | 123 | 11 563 | 7 698 |
| OTHER SERVICES | 1 512 | - 159 | 1 671 | 286 | 21 | 42 | 153 | 4 879 | 4 208 | 671 | 520 | - 1 | 47 | - 41 |
| Not allocated | 9 735 | - 14 771 | 24 507 | 14 794 | 3 993 | 278 | 785 | - 3 487 | - 5 233 | 1 744 | 2 287 | 352 | - 23 | - 269 |
| Private purchases & sales of real estate | 1 126 | 692 | 435 | 96 | 1 | 3 | 107 | 8783 | 7780 | 1004 | 185 | 0 | 0 | - 91 |

Table 13: FDI stocks by economic activity in 2004— Reporter: European Union, EUR mn

| | Abroad | | | | | | | In the reporting economy | | | | | | |
|---|------------------|------------------|------------------|----------------|---------------|---------------|-----------------|--------------------------|------------------|------------------|----------------|---------------|---------------|----------------|
| | World | Intra-EU | Extra EU | USA | Japan | Canada | EFTA | World | Intra-EU | Extra EU | USA | Japan | Canada | EFTA |
| TOTAL | 5 428 052 | 3 379 707 | 2 048 346 | 739 650 | 76 088 | 74 751 | 292 151 | 4 801 894 | 3 221 358 | 1 580 532 | 694 338 | 81 852 | 62 187 | 256 441 |
| SUB-TOTAL | 5 426 958 | 3 379 241 | 2 047 617 | 739 098 | 76 088 | 74 740 | 292 121 | 4 797 746 | 3 217 924 | 1 579 818 | 694 204 | 81 851 | 62 155 | 256 225 |
| AGRICULTURE AND FISHING | 1 871 | 812 | 1 062 | 327 | 6 | 15 | - 236 | 4 795 875 | 3 216 862 | 1 578 491 | 694 138 | 81 845 | 62 140 | 256 089 |
| MINING AND QUARRYING | 174 513 | 71 737 | 102 775 | 35 659 | 59 | 311 | 4 231 | 62 690 | 36 172 | 26 517 | 14 518 | 208 | 6 975 | 1 571 |
| MANUFACTURING | 903 852 | 512 628 | 391 224 | 122 311 | 23 645 | 16 473 | 53 278 | 811 268 | 518 618 | 292 644 | 157 843 | 15 409 | 4 608 | 62 575 |
| Food products | 105 834 | 56 085 | 49 750 | 17 920 | - 344 | 3 914 | 5 136 | 91 202 | 54 886 | 36 317 | 21 696 | 283 | 20 | 14 575 |
| Total textiles & wood activities | 125 906 | 96 579 | 29 328 | 8 683 | 187 | 640 | 1 635 | 93 046 | 54 039 | 33 004 | 13 670 | - 351 | 559 | 2 762 |
| Total petroleum,chemical, rubber,plastic products | 391 770 | 147 503 | 144 268 | 39 416 | 3 725 | 7 649 | 23 473 | 296 269 | 192 642 | 103 629 | 52 620 | - 180 | - 467 | 31 953 |
| Manufacture of chemicals & chemicals products | 182 510 | 115 433 | 67 076 | 20 710 | 2 910 | 2 950 | 21 705 | 224 729 | 140 722 | 84 006 | 45 472 | 291 | - 229 | 29 564 |
| Total metal and mechanical products | 105 463 | 62 321 | 43 140 | 16 291 | 969 | 1 361 | 4 821 | 99 366 | 67 400 | 31 967 | 13 042 | 1 818 | 1 268 | 11 261 |
| Total machinery, computers, RTV, communication | 46 860 | 26 047 | 20 812 | 3 286 | 259 | 881 | 7 641 | 56 250 | 39 963 | 16 287 | 14 632 | 3 367 | 2 045 | - 1 508 |
| Total vehicles & other transport equipment | 108 952 | 57 149 | 51 703 | 10 266 | 17 781 | 857 | 7 151 | 82 063 | 51 206 | 30 858 | 20 576 | 4 946 | 920 | 2 057 |
| ELECTRICITY, GAS AND WATER | 80 133 | 34 191 | 45 943 | 21 123 | 201 | 980 | - 11 379 | 67 920 | 57 656 | 3 811 | 176 | 15 | 15 | 720 |
| CONSTRUCTION | 25 995 | 10 604 | 15 391 | 3 908 | 26 | 1 149 | 785 | 16 767 | 12 616 | 4 151 | 2 098 | 20 | 142 | 1 642 |
| TOTAL SERVICES | 4 116 161 | 2 704 698 | 1 411 463 | 520 022 | 52 552 | 55 021 | 224 971 | 3 713 777 | 2 515 431 | 1 198 344 | 555 059 | 63 438 | 47 663 | 182 621 |
| TRADE AND REPAIRS | 247 897 | 166 465 | 81 433 | 22 145 | 2 652 | 2 800 | 20 381 | 283 819 | 206 753 | 77 064 | 21 832 | 20 511 | 1 614 | 14 059 |
| HOTELS AND RESTAURANTS | 41 051 | 31 207 | 9 841 | 6 344 | 32 | 86 | 308 | 19 199 | 10 065 | 9 132 | 4 602 | 420 | 38 | 505 |
| TRANSPORTS AND COMMUNICATION | 421 507 | 304 335 | 117 173 | 37 890 | 1 401 | 1 002 | 4 044 | 195 331 | 164 774 | 30 557 | 12 231 | 925 | - 438 | 4 620 |
| Land transport | 10 308 | 6 472 | 3 837 | 2 010 | 32 | 334 | 1 190 | 115 624 | 4 148 | 111 475 | 482 | 201 | 72 | 1 690 |
| Water transport | 9 028 | 3 892 | 5 146 | 544 | 38 | 18 | 263 | 6 256 | 3 955 | 2 300 | 277 | 140 | 15 | - 84 |
| Air transport | 20 740 | 9 930 | 10 810 | 873 | 537 | 167 | 138 | 5 990 | 3 970 | 2 020 | 1 121 | 57 | 325 | 341 |
| Post and telecommunications | 332 567 | 286 132 | 66 436 | 29 198 | 290 | 172 | 1 647 | - 29 159 | 114 467 | - 143 627 | 5 970 | 369 | - 1 035 | 690 |
| Post and courier activities | - 20 785 | 2 134 | - 22 918 | 2 204 | - 193 | - 19 | 748 | - 22 388 | - 33 720 | 11 332 | - 261 | - 6 | - 55 | - 699 |
| Telecommunications | 353 354 | 263 998 | 89 355 | 26 995 | 483 | 190 | 900 | - 6 772 | 148 186 | - 154 958 | 6 230 | 375 | - 979 | 1 389 |
| TOTAL land, sea and air transport | 40 075 | 20 283 | 19 793 | 3 427 | 608 | 519 | 1 591 | 127 871 | 12 072 | 115 795 | 1 880 | 397 | 412 | 1 947 |
| FINANCIAL INTERMEDIATION | 2 394 890 | 1 485 265 | 909 625 | 263 728 | 39 084 | 44 246 | 156 184 | 2 060 113 | 1 336 114 | 723 999 | 324 521 | 24 920 | 24 826 | 90 817 |
| Monetary intermediation | 288 391 | 125 556 | 162 835 | 94 598 | 1 051 | 891 | - 4 816 | 198 560 | 136 679 | 61 883 | 28 442 | 4 997 | 3 147 | 8 986 |
| Other financial intermediation | 1 974 319 | 1 280 502 | 693 816 | 153 974 | 34 645 | 39 508 | 153 266 | 1 737 741 | 1 132 197 | 605 544 | 260 770 | 13 163 | 18 685 | 69 273 |
| REAL ESTATE & BUSINESS ACTIVITIES | 934 532 | 677 183 | 257 351 | 170 542 | 9 518 | 6 703 | 37 055 | 1 087 740 | 749 835 | 337 903 | 181 787 | 16 154 | 19 628 | 68 818 |
| Real estate activities | 70 728 | 48 959 | 21 769 | 9 363 | 517 | 893 | 2 510 | 130 235 | 101 532 | 28 702 | 8 877 | 739 | 644 | 10 725 |
| Computer activities | 32 614 | 11 560 | 21 054 | 7 623 | 5 944 | 217 | 624 | 38 018 | 25 883 | 12 136 | 7 506 | - 252 | 650 | 2 281 |
| Research and development | 10 399 | 6 978 | 3 422 | 971 | 50 | 358 | 2 422 | 10 842 | 8 357 | 2 487 | 2 116 | 148 | - 8 | 2 439 |
| Other business activities | 810 111 | 604 752 | 205 360 | 152 010 | 3 003 | 5 210 | 33 724 | 894 513 | 603 039 | 291 477 | 160 255 | 15 492 | 18 312 | 54 926 |
| OTHER SERVICES | 76 276 | 40 240 | 36 035 | 19 370 | - 136 | 180 | 6 995 | 67 564 | 47 885 | 19 680 | 10 086 | 506 | 1 999 | 3 803 |
| Not allocated | 124 333 | 44 572 | 79 761 | 35 747 | - 401 | 923 | 20 472 | 123 083 | 76 019 | 47 067 | - 39 441 | 2 580 | 2 701 | 6 947 |
| Private purchases & sales of real estate | 1195 | 466 | 728 | 552 | 0 | 11 | 29 | 4148 | 3433 | 715 | 134 | 1 | 32 | 216 |

ANNEX 2

Exchange rates

Table 1: Exchange rates

Flows – Average yearly exchange rate

| | | 2001 | 2002 | 2003 | 2004 | 2005 |
|--------------------|-----|---------|---------|---------|---------|---------|
| European Union | XEU | 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 |
| Cyprus | CYP | 0.576 | 0.575 | 0.584 | 0.582 | 0.577 |
| Czech Republic | CZK | 34.068 | 30.804 | 31.846 | 31.891 | 29.782 |
| Germany | DEM | 1.956 | 1.956 | 1.956 | 1.956 | 1.956 |
| Denmark | DKK | 7.452 | 7.431 | 7.431 | 7.44 | 7.452 |
| Estonia | EEK | 15.647 | 15.647 | 15.647 | 15.647 | 15.647 |
| 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 | 0.622 | 0.629 | 0.692 | 0.679 | 0.684 |
| Greece | GRD | 340.75 | 340.75 | 340.75 | 340.75 | 340.75 |
| Hungary | HUF | 256.59 | 242.96 | 253.62 | 251.66 | 248.05 |
| Ireland | IEP | 0.788 | 0.788 | 0.788 | 0.788 | 0.788 |
| Italy | ITL | 1936.27 | 1936.27 | 1936.27 | 1936.27 | 1936.27 |
| Lithuania | LTL | 3.582 | 3.459 | 3.453 | 3.453 | 3.453 |
| Latvia | LVL | 0.56 | 0.581 | 0.641 | 0.665 | 0.696 |
| Malta | MTL | 0.403 | 0.409 | 0.426 | 0.428 | 0.43 |
| Netherlands | NLG | 2.204 | 2.204 | 2.204 | 2.204 | 2.204 |
| Poland | PLN | 3.672 | 3.857 | 4.4 | 4.527 | 4.023 |
| Portugal | PTE | 200.482 | 200.482 | 200.482 | 200.482 | 200.482 |
| Sweden | SEK | 9.255 | 9.161 | 9.124 | 9.124 | 9.282 |
| Slovenia | SIT | 217.98 | 225.977 | 233.849 | 239.087 | 239.568 |
| Slovakia | SKK | 43.3 | 42.694 | 41.489 | 40.022 | 38.599 |
| Bulgaria | BGN | 1.948 | 1.949 | 1.949 | 1.953 | 1.956 |
| Romania | ROL | 2.6 | 3.127 | 3.755 | 4.051 | 3.621 |

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

Table 2 : Exchange rates

Positions – Exchange rate at end of the year

| | | 2001 | 2002 | 2003 | 2004 | 2005 |
|--------------------|-----|---------|---------|---------|---------|---------|
| European Union | XEU | 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 |
| Cyprus | CYP | 0.575 | 0.573 | 0.586 | 0.58 | 0.574 |
| Czech Republic | CZK | 31.962 | 31.577 | 32.41 | 30.464 | 29 |
| Germany | DEM | 1.956 | 1.956 | 1.956 | 1.956 | 1.956 |
| Denmark | DKK | 7.437 | 7.429 | 7.445 | 7.439 | 7.461 |
| Estonia | EEK | 15.647 | 15.647 | 15.647 | 15.647 | 15.647 |
| 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 | 0.609 | 0.651 | 0.705 | 0.705 | 0.685 |
| Greece | GRD | 330.3 | 340.75 | 340.75 | 340.75 | 340.75 |
| Hungary | HUF | 245.18 | 236.29 | 262.5 | 245.97 | 252.87 |
| Ireland | IEP | 0.788 | 0.788 | 0.788 | 0.788 | 0.788 |
| Italy | ITL | 1936.27 | 1936.27 | 1936.27 | 1936.27 | 1936.27 |
| Lithuania | LTL | 3.523 | 3.453 | 3.452 | 3.453 | 3.453 |
| Latvia | LVL | 0.556 | 0.614 | 0.673 | 0.698 | 0.696 |
| Malta | MTL | 0.399 | 0.418 | 0.432 | 0.434 | 0.429 |
| Netherlands | NLG | 2.204 | 2.204 | 2.204 | 2.204 | 2.204 |
| Poland | PLN | 3.495 | 4.021 | 4.702 | 4.085 | 3.86 |
| Portugal | PTE | 200.482 | 200.482 | 200.482 | 200.482 | 200.482 |
| Sweden | SEK | 9.301 | 9.153 | 9.08 | 9.021 | 9.389 |
| Slovenia | SIT | 218.836 | 239.64 | 239.64 | 239.64 | 239.64 |
| Slovakia | SKK | 42.78 | 41.503 | 41.17 | 38.745 | 37.88 |
| Bulgaria | BGN | 1.946 | 1.955 | 1.956 | 1.956 | 1.956 |
| Romania | ROL | 2.782 | 3.514 | 4.116 | 3.939 | 3.68 |

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

ANNEX 3

Nomenclature

Nomenclature

| Economic activity | Questionnaire Y5/Y7 Eurostat | ISIC Rev. 3 | NACE Rev. 1.1 |
|---|------------------------------|----------------|--|
| AGRICULTURE AND FISHING | 0595 | sec A, B | sec A, B |
| MINING AND QUARRYING | 1495 | sec C | sec C |
| Extraction of petroleum and gas | 1100 | div 11 | div 11 |
| MANUFACTURING | 3995 | sec D | sec D |
| Food products | 1605 | div 15, 16 | subsec DA |
| Textiles and wearing apparel | 1805 | div 17,18 | subsec DB |
| Wood, publishing and printing | 2205 | div 20, 21, 22 | subsec DD, DE |
| Total textiles & wood activities | 2295 | | subsec DB, DD, DE |
| Refined petroleum products & other treatments | 2300 | div 23 | div 23 |
| Manufacture of chemicals & chemical products | 2400 | div 24 | div 24 |
| Pharmaceuticals, medical chemical and botanical products | 2423 | | group 24.4 |
| Rubber and plastic products | 2500 | div 25 | div 25 |
| TOTAL petroleum, chemicals, rubber & plastic products | 2595 | | Sum(div 23, 24, 25) |
| Metal products | 2805 | div 27, 28 | subsec DJ |
| Mechanical products | 2900 | div 29 | subsec DK |
| TOTAL metal & mechanical products | 2995 | | Sum(subsection DJ and DK) |
| Office machinery and computers | 3000 | div 30 | div 30 |
| Radio, TV, communication equipments | 3200 | div 32 | div 32 |
| Total machinery, computers, RTV & communication equipment | 3295 | | Sum(div 30, 32) |
| Medical, precision and optical instruments, watches ad clocks | 3300 | | div 33 |
| Motor vehicles | 3400 | div 34 | div 34 |
| Other transport equipment | 3500 | div 35 | div 35 |
| Manufacture of aircraft and spacecraft | 3530 | | group 35.3 |
| TOTAL vehicles & other transport equipment | 3595 | | Sum(div 34, 35) |
| Manufacturing n.i.e (Residual of all manufacturing activities not covered above) | 3990 | | div 19, 26, 31, 36, 37 |
| ELECTRICITY, GAS AND WATER | 4195 | sec E | sec E |
| CONSTRUCTION | 4500 | sec F | sec F |
| TOTAL SERVICES | 5095 | | Sum(sec G, H, I, J, K, L, M, N, O, P, Q) |
| TRADE AND REPAIRS | 5295 | sec G | sec G |
| Sale, maintenance and repair of motor vehicles and motor cycles; retail sale of automotive fuel | 5000 | | div 50 |
| Wholesale trade and commission trade, except motor vehicles and motor cycles | 5100 | | div 51 |
| Retail trade, except of motor vehicles and motor cycles; repair of personal and household goods | 5200 | | div 52 |
| HOTELS AND RESTAURANTS | 5500 | sec H | sec H |
| COMMUNICATIONS | 6495 | sec I | sec I |
| Transport and storage | 6395 | | div 60, 61, 62, 63 |
| Land transport; transport via pipelines | 6000 | div 60 | div 60 |
| Water transport | 6100 | | div 61 |
| Air transport | 6200 | div 62 | div 62 |
| Supporting and auxiliary transport activities; activities of travel agencies | 6300 | | div 63 |
| Post and telecommunications | 6400 | | div 64 |
| Post and courier activities | 6410 | | group 64.1 |
| Telecommunications | 6420 | group 642 | group 64.2 |

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

| Economic activity | Questionnaire Y5/Y7 Eurostat | ISIC Rev. 3 | NACE Rev. 1.1 |
|--|------------------------------------|----------------------|---|
| FINANCIAL INTERMEDIATION | 6895 | sec J | sec J |
| Financial intermediation, except insurance and pension funding | 6500 | | div 65 |
| Monetary intermediation | 6510 | group 651 | group 65.1 |
| Other financial intermediation | 6520 | group 659 | group 65.2 |
| Financial holding companies | 6524 | part of clas 6599 | part of class 65.23 |
| Insurance companies, pension funds, except compulsory social security | 6600 | | div 66 |
| Activities auxiliary to financial intermediation | 6700 | | div 67 |
| REAL ESTATE, RENTING & BUSINESS ACT | 7395 | sec K | sec K |
| Real estate activities | 7000 | div 70 | div 70 |
| Renting of machinery and equipment without operator and of personal and household goods | 7100 | | div 71 |
| Computer activities | 7200 | div 72 | div 72 |
| Research and development | 7300 | div 73 | div 73 |
| Other business activities | 7400 | div 74 | div 74 |
| Legal, accounting, book-keeping and auditing activities; tax consultancy; market research and public opinion polling; business and management consulting; holdings | 7410 | group 741 | group 74.1 |
| Legal activities | 7411 | | class 7411 |
| Accounting, bookkeeping and audit; tax consultancy | 7412 | | class 7412 |
| Market research and public opinion polling | 7413 | | class 7413 |
| Business and management consultancy activities including those of holding companies | 7419 | | class 7414,7415 |
| Architectural, engineering and other technical. activities | 7420 | | group 74.2 |
| Advertising | 7440 | group 743 | group 74.4 |
| Business activities n.e.c. (residual) | 7490 | | group 74.3, 74.5, 74.6, 74.7, 74.8 |
| EDUCATION | 8000 | | sec M |
| HEALTH AND SOCIAL WORK | 8500 | | sec N |
| SEWAGE AND REFUSE DISPOSAL | 9000 | | sec O, div 90 |
| ACTIVITIES OF MEMBERSHIP ORGANIS. N.E.C. | 9100 | | sec O, div 91 |
| RECREATIONAL, CULTURAL & SPORTING ACTIVITIES | 9200 | | sec O, div 92 |
| Motion picture, radio, television & other entertainment activities | 9235 | | group 92.1, 92.2, 92.3 |
| News agency activities | 9240 | | group 92.4 |
| Library, archives, museums, other cultural activities | 9250 | | group 92.5 |
| Sporting and other recreational activities | 9275 | | group 92.6, 92.7 |
| Other Service Activities | 9300 | | sec O, div 93 |
| OTHER SERVICES-Aggregate L-Q | 9995 | sec L, M, N, O, P, Q | sec L, M, N, O, P, Q |
| Not allocated economic activity | 9996 | | |
| SUB-TOTAL | 9997 | | sec A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q |
| Private purchases & 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

ANNEX 4

Economic and geographical 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)

V1 EU-27 - see economic zones - (27 countries + 2 entities)

A5 EFTA - see economic zones - (4 countries)

E2 Other European countries (19 countries)

| | |
|----|--|
| AD | Andorra |
| AL | Albania |
| BA | Bosnia and Herzegovina |
| BG | Bulgaria |
| BY | Belarus |
| FO | Faroe Islands |
| GG | Guernsey |
| GI | Gibraltar |
| HR | Croatia |
| IM | Isle of Man |
| JE | Jersey |
| MD | Moldova, Republic of |
| ME | Montenegro |
| MK | Macedonia, the Former Yugoslav Republic of |
| RO | Romania |
| RS | Serbia |
| RU | Russian Federation |
| SM | San Marino |
| TR | Turkey |
| UA | Ukraine |
| VA | Holy See (Vatican City State) |
| CS | Serbia and Montenegro |

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 | |

BOP GEOGRAPHICAL ZONES

| | | |
|-----------|--|--|
| GW | Guinea-Bissau | |
| IO | British Indian Ocean Territory | Includes Chagos Archipelago |
| KE | Kenya | |
| KM | Comoros | Includes Anjouan, Grande Comore, Mohéli |
| LR | Liberia | |
| LS | Lesotho | |
| MG | Madagascar | |
| ML | Mali | |
| MR | Mauritania | |
| MU | Mauritius | Includes Rodrigues Island, Agalega Islands and Cargados Carajos Shoals (St Brandon Islands) |
| MW | Malawi | |
| MZ | Mozambique | |
| NA | Namibia | |
| NE | Niger | |
| NG | Nigeria | |
| RW | Rwanda | |
| SC | Seychelles | Includes Alphonse, Bijoutier, St François Islands, St Pierre Islet, Cosmoledo Islands, Amirantes, Providence, Aldabra, Farquhar and Desroches, Mahé, Silhouette, Praslin (including La Digue), Frégate, Mamelles and Récifs, Bird and Denis, Plate and Coëtivy |
| SD | Sudan | |
| SH | St Helena | Includes Ascension, Gough Island, Inaccessible, Nightingale Islands and Tristan da Cunha Islands |
| SL | Sierra Leone | |
| SN | Senegal | |
| SO | Somalia | |
| ST | Sao Tome and Principe | |
| SZ | Swaziland | |
| TD | Chad | |
| TG | Togo | |
| TZ | Tanzania, United Republic of | Includes Tanganyika, Zanzibar Island and Pemba |
| UG | Uganda | |
| ZA | South Africa | |
| ZM | Zambia | |
| ZW | Zimbabwe | |
| E7 | AMERICA (46 countries) | |
| E8 | North American countries (3 countries) | |
| CA | Canada | |
| GL | Greenland | |
| US | United States | Includes Puerto Rico (PR) and Navassa |
| E9 | Central American countries (30 countries) | |
| AG | Antigua and Barbuda | |
| AI | Anguilla | |
| AN | Netherlands Antilles | Includes Bonaire, Curaçao, Saba, St. Eustatius and Southern part of St. Martin |
| AW | Aruba | |
| BB | Barbados | |
| BM | Bermuda | |
| BS | Bahamas | |
| BZ | Belize | |
| CR | Costa Rica | |

BOP GEOGRAPHICAL ZONES

| | | |
|----|-------------------------------|--------------------------------------|
| 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 | |

BOP GEOGRAPHICAL ZONES

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 |
| 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) |

BOP GEOGRAPHICAL ZONES

| | | |
|---|--|--|
| 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 Kerguelen, Amsterdam and Saint Paul Islands, Crozet Archipelago |

BOP ECONOMIC ZONES

A1 WORLD

V1 EU-27 - 27 countries + 2 entities

D3 EU-25 - 25 countries + 2 entities

D2 EU-15 - 15 countries + 2 entities

I3 Euro Area (from 2007 onwards - 13 countries + 1 entity) -

| | | |
|----|-----------------------------|---|
| A3 | BLEU | Belgium (BE) + Luxembourg (LU) (up to end 2002) |
| BE | Belgium | 2002 |
| LU | Luxembourg | 2002 |
| DE | Germany | Includes Helgoland. Excludes Büsingen and Büttenhardter Höfe (customs free zones belonging to the customs territory of Switzerland) |
| GR | Greece | 2001 |
| ES | Spain | Includes Balearic Islands, Ceuta and Melilla and Canary Islands. Excludes Andorra (AD) |
| FR | France | Includes France metropolitan (FX), Principality of Monaco (MC), Overseas Departements: French Guyana (GF), Martinique (MQ), Guadeloupe (GP) - Grande Terre, Basse Terre, Marie Galante, Les Saintes, Iles de la Petite Terre, Désirade, Saint Barthélémy and Northern St Martin -, Réunion (RE), Territorial collectivities: Mayotte (YT), Saint Pierre et Miquelon (PM). Excludes Overseas Territories (French Polynesia (PF), New Caledonia (NC) , Wallis and Futuna Islands (WF)), Andorra (AD). |
| IE | Ireland | |
| IT | Italy | Excludes San Marino (SM) and the Holy See (VA) |
| NL | Netherlands | Excludes Netherlands Antilles (AN) and Aruba (AW) |
| AT | Austria | |
| PT | Portugal | Includes Acores and Madeira Excludes Macau (MO) |
| SI | Slovenia | 2007 |
| FI | Finland | |
| 4F | European Central Bank (ECB) | |

BOP ECONOMIC ZONES

K3 EU Member States not belonging to Euro Area (from 2007 onwards - 14

| | | |
|----|---|---|
| DK | Denmark | Excludes Faroe Islands (FO) and Greenland (GL) |
| SE | Sweden | |
| GB | United Kingdom | Excludes Channel Islands - Guernsey (GG) and Jersey - (JE) and the Isle of Man (IM), Anguilla (AI), Montserrat (MS), the British Virgin Islands (VG), the Turks and Caicos islands (TC), and the Cayman islands (KY). |
| CY | Cyprus | 2007 |
| CZ | Czech Republic | 2007 |
| EE | Estonia | 2007 |
| HU | Hungary | 2007 |
| LT | Lithuania | 2007 |
| LV | Latvia | 2007 |
| MT | Malta | 2007 |
| PL | Poland | 2007 |
| SK | Slovakia | 2007 |
| BG | Bulgaria | 2007 |
| RO | Romania | 2007 |
| 4A | European Union Institutions (excluding ECB) | |

D4 Extra EU-15**D5 Extra EU-25****V2 Extra EU-27****J3 Extra Euro Area****A3 BLEU (Belgo-Luxembourg Economic Union) - up to end 2002 -**

| | | |
|----|------------|-----------|
| 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 |

BOP ECONOMIC ZONES

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

A9 Countries from Central and Eastern Europe - 6 countries (15 countries up to end 2003) -

| | | |
|---------------|--|----------------|
| AL | Albania | |
| BA | Bosnia and Herzegovina | |
| BG | Bulgaria | up to end 2006 |
| HR | Croatia | |
| ME | Montenegro | 2007 |
| MK | Macedonia, the Former Yugoslav Republic of | |
| RO | Romania | up to end 2006 |
| RS | Serbia | 2007 |
| CS | Serbia and Montenegro | 2003-2006 |

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 |

BOP ECONOMIC ZONES

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 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 | 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 |

BOP ECONOMIC ZONES

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 - 18 countries (20 countries up to end 2003) -

| | | |
|----|--|----------------|
| AL | Albania | |
| BA | Bosnia and Herzegovina | |
| CY | Cyprus | up to end 2003 |
| DZ | Algeria | |
| EG | Egypt | |
| GI | Gibraltar | |
| HR | Croatia | |
| IL | Israel | |
| JO | Jordan | |
| LB | Lebanon | |
| LY | Libyan Arab Jamahiriya | |
| MA | Morocco | |
| ME | Montenegro | 2007 |
| MK | Macedonia, the Former Yugoslav Republic of | |
| MT | Malta | up to end 2003 |
| PS | Palestinian Territory, Occupied | |
| SI | Slovenia | up to end 2003 |

BOP ECONOMIC ZONES

| | | | |
|-----------|--|----------------------------------|-------------|
| | SY | Syrian Arab Republic | |
| | TN | Tunisia | |
| | TR | Turkey | |
| | RS | Serbia | 2007 |
| | CS | Serbia and Montenegro | 2003 - 2006 |
| 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 |

BOP ECONOMIC ZONES

| | | |
|-----------|---|-------------|
| 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 - | |
| | CY Cyprus | 1991 - 2003 |
| | CZ Czech Republic | 1996 - 2003 |
| | EE Estonia | 1996 - 2003 |
| | HU Hungary | 1994 - 2003 |
| | LT Lithuania | 1996 - 2003 |
| | LV Latvia | 1996 - 2003 |
| | MT Malta | 1991 - 2003 |
| | PL Poland | 1994 - 2003 |
| | SI Slovenia | 1996 - 2003 |
| | SK Slovakia | 1995 - 2003 |
| | BG Bulgaria | 1996 - 2006 |
| | HR Croatia | 2004 |
| | RO Romania | 1995 - 2006 |
| | TR Turkey | 1987 |

BOP ECONOMIC ZONES

| | | |
|-----------|---|-------------|
| D7 | Mediterranean countries in the Euro-Mediterranean Partnership - 12 countries - | |
| | CY Cyprus | 2001 - 2003 |
| | DZ Algeria | |
| | EG Egypt | |
| | IL Israel | |
| | JO Jordan | |
| | LB Lebanon | |
| | MA Morocco | |
| | MT Malta | 2001 - 2003 |
| | PS Palestinian Territory, Occupied | |
| | SY Syrian Arab Republic | |
| | TN Tunisia | |
| | TR Turkey | |
| D8 | New EU Member States 2004 (up to end 2007) | |
| | CY Cyprus | |
| | CZ Czech Republic | |
| | EE Estonia | |
| | HU Hungary | |
| | LT Lithuania | |
| | LV Latvia | |
| | MT Malta | |
| | PL Poland | |
| | SI Slovenia | |
| | SK Slovakia | |
| W4 | Extra Euro Area not allocated | |
| 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. The calculation of income on equity requires information on the total profits from the current operations and the distributed dividends of the enterprise. This information is often available with a delay which leads to the necessity for estimating reinvested earnings from projections of

total profits to provide income on equity data. Interest payable on inter-company debt is interest accrued during the period by the enterprise to the direct investor and includes interest on the borrowing and the lending of funds including debt securities and 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.

List of abbreviations

EUR bn is used to denote billions of Euros.

EUR mn is used to denote millions of Euros.

European Commission

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