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EU Position in the Global Flows of FDI

Abstract

The aim of this paper is to analyse and evaluate the European Union (EU) position with respect to global FDI flows, as well as factors influencing it. A comparative analysis of the position is made against a group of highly developed countries, including Union's main competitors (e.g. USA and Japan). The paper discusses also the intra-EU flows of FDI. Special attention is paid to the monetary union and common currency (the euro) and how they shape FDI flows going inward and outward of the European Union and the euro zone.

Introduction

Capital mobility is the dominant feature of a modern global economy. Foreign direct investment (FDI) represents an important element of capital flows that take place between countries, integrated groups and within such groups. This study analyses and evaluates EU position with respect to global FDI flows, as well as factors that make it vary. In addition, a comparative analysis of the position is made against a group of highly developed countries, including Community's main competitors (e.g. USA and Japan). The analysis discusses also the intra-Community flows of FDI. Special attention is paid to the monetary union and common currency (the euro) and how they shape FDI flows going inward and outward of the European Union and the euro zone.

1. Global and regional regulations applying to FDI

Due to the failure of negotiations concerning the Multilateral Agreement on Investment, a general agreement regulating all aspects of foreign direct investments at the global level does not exist. The multilateral laws in force apply to selected aspects of foreign investment.

WTO members have to comply with the Agreement on Trade-Related Investment Measures (TRIMs), which bans to subject foreign investors to policy measures that might either distort or disorganize international trade. Some regulations governing investments in the services sector are imposed by the General Agreement on Trade in Services (GATS). Foreign investments are also covered by numerous multi- and bilateral agreements applying to the area of investment[1].

At the megaregional level, understood as a body of standards and regulations developed by organizations associating countries at a similar level of development, some rules pertaining to international business are in force[2]. There are, for instance, the OECD rules influencing the organization's member states. The most important of them are the Code of Liberalization of Capital Movements, the Code of Liberalization of Current Invisible Transactions and guidelines referring to various areas in economic policy.

Regional regulations provide standards and directives that have bearing on the regional, integrated economic groups (such as EU, MERCOSUR, NAFTA, and AFTA). The European Union, being world's most advanced integrated group, has attained the highest degree of deregulation of the international economic movements (i.e. of the markets), including the movement of capital.

Processes aimed to integrate the capital and financial markets in the EU member states were long-lasting and encountered many obstacles. For a long time, the removal of barriers impeding the movement of capital was viewed as a secondary goal of European integration[3]. Successive directives issued in years 1960-1988 gradually lifted restrictions on individual types of capital transactions between the member states, starting with transactions considered the safest in

[1] *World Investment Report 2003. FDI Policies for Development: National and International Perspectives*, N. New York and Geneva 2003, p. 17.

[2] Z. Wysokińska, J. Witkowska, *Regulation And Deregulation Processes In CEE Countries And International Business: the Case of Poland*, [in:] *Entry And Marketing Strategies Into And From Central And Eastern Europe*, J. Larimo (ed.), University of Vaasa, Vaasa 2002, pp. 35-61.

[3] More on this subject in J. Witkowska, *Rynek czynników produkcji w procesie integracji europejskiej. Trendy, współzależności, perspektywy*, Wyd. UŁ, Łódź 2001, p. 35 and also; Z. Wysokińska, J. Witkowska, *Integracja europejska. Rozwój rynków*, Wyd. Naukowe PWN, Warsaw-Łódź 1999, p. 128 and next.

terms of member states' financial stability (e.g. foreign direct investments, short and medium-term commercial credit, personal capital movements), and ending with the most controversial and difficult to introduce, such as liberalization of the short-term flows. Formally, the liberalization of capital movements was assumed complete, when the Maastricht Treaty was accepted. The Treaty confirmed the freedom of capital movements and provided a stable legal basis for the transactions. According to article 56 (73b) of the Treaty establishing the European Community „all restrictions on the movement of capital between Member States and between Member States and third countries shall be prohibited", and additionally „ all restrictions on payments between Member States and between Member States and third countries shall be prohibited"[4]. The discussed regulations are directly applicable, i.e. no additional legal acts are necessary to make them effective[5]. The right of establishment and the free movement of capital are now enshrined in articles 43 and 56 of the EC Treaty, as amended by the Treaty of Nice in 2001[6].

2. Effects of strengthening European integration on FDI flows from and to the European Union

Direct investors operating in both EC member states and other places reacted to the strengthening European integration, composed of successive stages. The introduction of a customs union in the years 1958-1968 attracted FDI inflows from the third countries, mainly the USA[7]. The emergence of a single internal market clearly made the area more appealing to investors. In the period 1987-1993, the annual average of global FDI flows directed to the European Community accounted for almost 40% of their total[8]. The trend broke down in 1994. The main cause of the collapse was economic crisis in the first half of the 1990s. The accession of new countries to the EU in 1995 and the wave of transborder mergers and acquisitions, including those within the Community,

[4] *Consolidated Version of the Treaty Establishing the European Community*, http.www.europa. eu.int/ eur-lex/en/treaties/dat/EC-consol.html.

[5] See W. Postulski, *Swoboda przepływu kapitału i płatności*, [in:] *Wprowadzenie do prawa Wspólnot Europejskich (Unii Europejskiej)*, A. Wróbel (ed.), Kantor Wydawniczy Zakamycze, Zakamycze 2002, pp. 382-396.

[6] *The Legal Aspects of Intra-EU Investment*, http://www.eu.scadplus/leg/en/lvb/124403.htm.

[7] More in J. Witkowska, *Bezpośrednie inwestycje zagraniczne w Europie Środkowowschodniej. Próba interpretacji na gruncie teorii bezpośrednich inwestycji zagranicznych i teorii integracji*, Wyd. UŁ, Łódź 1996.

[8] UNCTAD data and author's calculations.

that could be observed in the second half of the 1990s improved again the relative EU position in the total FDI inflows. The surge in mergers and acquisitions, mostly non-hostile, was actually a „redeployment of forces and resources" in the face of globalization and integration processes taking place in various parts of the world. It is believed that the strengthening integration of the European Union in the 1990s, the political stability of the area, the size of its market and good infrastructure were factors attracting investors; the introduction of the euro is considered another catalyst inducing mergers and acquisitions[9]. The intensifying competition forced transnational corporations to pursue new strategies. However, a phase of short respite and strategy reformulation was unavoidable in the period of decelerated economic growth.

FDI inflows peaked in 2000, when the EU share in global FDI inflows increased to over 49% (see table 1). The proportion of transborder mergers and acquisitions in the inflows accounted for 85.8%[10]. Most of them were intra-Community mergers. The trend broke down drastically in 2001. FDI inflows to the EU member states decreased by more than 40% compared with the previous year, and the total EU share in global FDI inflows dropped to 43.7%. The intra-Community mergers and acquisitions fell by more than 60% in one year. It is believed that the global FDI flows, including their part targeting the EU, plunged because of the slowing down economic growth[11]. As a consequence, the numbers and values of transborder mergers and acquisitions that in the previous years had spurred a rapid increase in flows directed to the highly developed countries dropped on an unprecedented scale. According to the UNCTAD data, the downward trend that emerged in 2001 continued also in the next years, i.e. 2002 and 2003[12]. The negative trend in the global economy reversed as late as 2004. The next year, i.e. 2005, also turned out favourable in that respect. Global FDI inflows were then estimated at US$ 916 bn.[13] The trend change was caused by the improving world economy, higher profitability of enterprises, recovery of mergers and acquisitions and increased investors' confidence. Nevertheless, the level of FDI flows was still lower than in the record year 2000.

[9] *World Investment Report 2001. Promoting Linkages*, UN, UNCTAD, N. York and Geneva 2001, p. 15; J. C. Trichet, *The Euro after Two Years*, "Journal of Common Market Studies" 2001, vol. 39, No 1, p. 8.

[10] UNCTAD data and author's calculations.

[11] *World Investment Report 2002. Transnational Corporations and Export Competitiveness*, UN, N. York and Geneva 2002, pp. XVI–XVII.

[12] *Word Investment Report 2006. FDI From Developing And Transition Economies: Implications For Development*, UN, New York and Geneva 2006, Annex table B.1.

[13] Ibidem.

EU participation in global FDI inflows grew in that difficult period for the world economy, and for the first time after early 1990s EU received more than half of the inflows (55.3%, see table 1). Between 2003 and 2004, when foreign investors were more interested in placing investments in the developing countries, EU shares in global FDI flows decreased. In 2004, when the EU enlarged after receiving 10 new member states, its share in the global FDI inflows dropped to one of the lowest levels in the analysed period and accounted for only 30.1%. In the next year, the EU improved her position as a recipient of the flows and the percentage went up to 46% of global FDI inflows.

From data presented in table 1 it follows that among the developed countries the USA is the second destination for FDI. Depending on the period, USA received from 10% to 25% of global FDI flows. Growing EU's shares in global FDI inflows are coupled with the decline in US shares. For instance, in 2002 the EU held more than 55% and in the same year the US share dropped by almost 10 percentage points compared with the previous year and made up 11%. On the other hand, Japan still receives limited amounts of FDI. In the years 1991-2005, her participation in the global FDI inflows did not exceed 1.5%. In 2005, the rate was only 0.3%.

In the analysed period, FDI outflows going outside the European Union showed similar trends (see table 2). However, the relative EU share in global outflows exceeded her share in total FDI inflows. While in 2000 the former surpassed 68%, it kept falling between 2001 and 2004 to reach 41.2% in 2004. On the other hand, in 2005 as much as 71.2% of global FDI outflows originated in EU member states. In the same year, US outward FDIs decreased and disinvestment appeared. This situation is utterly different from that in the previous years, when US shares in global FDI outflows ranged from 10 to 27%. It is possible that results for the years 2004-2005 are seriously biased because of considerable differences between data on global FDI inflows and outflows.

From a comparison of the absolute amounts of FDI inflows and outflow it follows that the EU was a net capital exporter throughout the analysed period. Also the 2005 UNCTAD data on the amounts of FDI stock for the world, the main countries of its origin, and countries of destination prove that in the last twenty years the EU (treated as a group) took the lead among the major global investors[14]. Still in 1980 estimates of FDI stock provided by the USA (around US$ 215 bn) slightly exceeded its counterpart made available by the EC member states at that time (US$ 205 bn), but in 2005 cumulated EU investments

[14] *Developed Countries Dominate World FDI Stock*, UN News Update, 25 Aug. 2003 and *World Investment Report 2006…*, op.cit., Annex table B.2.

(together with the intra-Community FDI) stood at US$ 5.5 trillion, i.e. they were more than 2.5 times larger than US FDI stock (US$ 2 trillion).

3. The importance of the euro for FDI flows

The introduction of the euro was a fundamental act for processes affecting all segments of the capital and financial market. According to the European Commission, the accelerated integration of EU's financial markets was made possible owing to the operation of three interrelated factors:[15]

- globalization supported by the liberalization of international movements of capital, deregulation of finance, and technological progress;
- establishment of a common regulatory framework for financial services in the EU in the process of building a single European market, accompanied by financial reforms implemented by the member states;
- introduction of a common currency – the euro.

The behaviour of investors inside the European Union and in the euro zone can be explained via the integration theory that defines basic effects appearing at individual stages of integration, and by means of the eclectic paradigm of international production formulated by J. Dunning (the OLI paradigm) that at this cognitive level seems to be the most universal FDI theory. Effects produced by the establishment of an economic and monetary union that potentially important for foreign investors include reduced transaction costs (owing to the introduction of a single currency) and lower capital acquisition costs (interest rates decline because inflation rates progressively gravitate toward the lowest rates in the member states), etc. Therefore, investors active in the euro zone can adjust their strategies, but essential changes were compelled by the need to operate in the single European market[16].

Besides, higher market transparency in the monetary union area enhances the entire area's attractiveness to investors from the third countries, especially investors pursuing horizontal investments in order to take advantage of specific assets of their firms[17].

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[15] *Communication From the Commission. The Euro Area In The World Economy – Developments In The First Three Years*, Directorate General Economic and Financial Affairs, "Euro Paper" No 46, July 2002, p. 29

[16] D. G. Mayes, *The External Implications of Closer European Integration*, "National Institute Economic Review" 1990, No 134, pp. 73-83; J. Witkowska, *Bezpośrednie inwestycje zagraniczne w Europie Środkowowschodniej…*, op.cit., p. 193.

[17] N. Pain, D. van Welsum, *Untying the Gordian Knot:...*, op.cit., p. 838.

Two databases can be used to analyse the dynamics of FDI inflows directed to the European Union and the euro zone, i.e. Eurostat and UNCTAD. One registers FDI flows denominated in the euro and the other one in the US dollars. FDI flows show different dynamics depending on which database was used to calculate it. This finding highlights imperfections in the data-gathering systems. The results can also be affected by substantial flows occurring within the economic union between Belgium and Luxembourg (BLEU), which have the character of financial transfers[18].

From data presented in table 3 it follows (Eurostat data) that in the first year after the monetary union was introduced the European Union as a whole showed a slightly higher speed of FDI inflow than the euro zone, but in both cases the rate of growth of FDI flows was spectacularly high (207.4% and 196.8%, respectively). In the next year, i.e. 2000, a record year in the world economy, the dynamics of FDI inflows to the euro zone was higher and amounted to 214.7% against 197.6% for EU-15. The high dynamics of FDI inflow to the euro zone in years 1999-2000 coincided with the growth trends in the entire world economy. The reason for the trends to appear was, among others, strong activity shown by investors in the area of transborder mergers and acquisitions. The scale of FDI inflows to the euro zone can also be associated with euro depreciation in that period. Presumably, its sinking value was another factor that attracted investors' projects to the zone.

In 2001, the world FDI flows collapsed, causing a dramatic decline in FDI inflows directed to the entire EU and the euro zone. The annual FDI inflow received by the EU made up only 55.3% of the previous year's value and in the euro zone it was less than 50%. The FDI downturn in 2001, both on global scale and in the EU, had many sources connected with the world business cycle, termination of mergers and acquisitions and the terrorist attack against the USA[19].

In years 2002-2004, an unfavourable period for the world economy, trends in FDI inflows to the euro zone were also rough, but delayed by one year. According to the Eurostat data, FDI flows directed to the euro zone in 2002 were larger by 10.3% than in 2001; in the next two years their absolute values dropped and in 2003 they made up only 71.7% of their amount in the previous year; in 2004, they made up 54.3% of their 2003 value. This adverse trend reversed in 2005, when investments flowing to the euro zone increased by

[18] Ch. Tylor, *Foreign Direct Investment And The Euro: The First Five Years*, "Cambridge Journal of Economics", online 10.01.2007, Abstract, http://cje.oxfordjournals.org/cgi/content/abstract/be1044v1.

[19] See *World Investment Report 2002. Transnational Corporation and Export Competitiveness*, UN, New York and Geneva 2002, pp. 3-13.

72.6% against the year 2004. It has to be stressed that the absolute amount of FDI inflow in that period did not exceed its level in 2000. In addition to factors generally shaping global FDI flows, we need to mention that after 2002 the euro zone was also affected by euro appreciation (with some tendency to fluctuate). As theoretical analyses show, the situation could discourage foreign investors from placing their projects in that area.

Table 4 presents the amounts and dynamics of FDI inflows to three EU-15 non-euro countries against the dynamics of FDI flowing to the euro zone. The fact that the countries stayed outside the euro zone did not deter foreign investors from investing there in the first period (years 1999-2000). A particularly high dynamics of FDI inflow was noted in the countries in the first year of the monetary union. FDI flows grew then by almost 90% in the case of Denmark, as much as 243.4% for Sweden and over 30% for the UK. The strong upward trend maintained in Denmark and the UK also in the next year (growth by almost 260% and 56%, respectively). Apparently, the establishment of the monetary union with eleven EU member states did not weaken the investment appeal of countries staying outside the union. Years 2001-2003 were a period of declining FDI inflows to the countries. The flows were smaller and smaller every year. The UK observed another meaningful inflow of FDI only in the period 2004-2005.

Data in table 5 show how intra-Community FDI relates to total investments received by the euro zone, by all countries comprising EU-15 and by countries remaining outside the monetary union. According to the data, the intra-Community FDIs flowing to the euro zone combined from three-fourths to four-fifths of total FDI directed to the euro zone. The only exception to this pattern was the year 2001. Such high proportion of intra-Community FDI in the total FDI inflow to the euro zone proves strengthening ties among the members of the monetary and economic union, and that the union was attractive to the non-euro member states. The data evidently underline the already discussed positive effects of the monetary and economic union.

Data in table 5 show also that EU-originated investments placed in the euro zone made up from 45% to over 60% of total FDI directed to EU-15 (excluding the year 2001, when they accounted for only 30%). On the other hand, three EU-15 countries staying outside the monetary union received investments mostly from third countries, but also from other member states. In the first period, the share of intra-Community FDI in total investments flowing to the non-euro member states represented almost one-fourth. Between 2000 and 2003, the share decreased to less than one-tenth and then grew again to nearly one-fourth in the years 2004-2005. As the data show, countries outside the euro zone are attractive for investors based in third countries.

UNCTAD data in table 6 confirm the general trends outlined by analyses based on the Eurostat data. Therefore, in the first period of the monetary union both EU-15 and the euro zone had high rates of growth of FDI inflows. Data for the year 2001 confirm that FDI inflows broke down, but in 2002 both the euro zone and EU-15 received increased inflows of FDI. Years 2003-2004 was a period when FDI inflows directed to both areas decreased again. The trend reversed in 2005, as EU-15 and the euro zone noted larger FDI inflows. Nevertheless, the absolute amount of FDI inflows is still below the record level of 2000.

The difference observable between Eurostat and UNCTAD data concerns the dynamics of FDI inflow to the euro zone. Calculations based on the UNCTAD data indicate a higher rate of FDI inflow to the euro zone than to EU-15 in the first period of the monetary union.

Throughout the analysed period, EU-15 was a net exporter of FDI stock, which means that FDI outflows from the EU area exceeded the received inflows. This observation is confirmed by data in table 7. In the analysed period, the euro zone as a whole was a net exporter of FDI stock too, excluding years 2002-2003, when FDI inflows exceeded FDI outflows in the zone. All the results are basically correspondent to outcomes provided by theoretical research. The EU-15 countries combine a highly developed area and investors based there hold proprietary advantages of monopolistic character. The advantages allow them to compensate for additional costs that have to be incurred when foreign direct investments are launched. In the case of firms based in the euro zone, one of such advantages can be their membership in a currency area with a strong and stable monetary unit. Changes in the dynamics of FDI flows from and to EU-15 can be explained in terms of variations in euro's external value. At this point, however, some of the data resist interpretation. In the period when the external value of the euro started to stabilise (2002) and the euro appreciation trend emerged (2003), the euro countries became a net importer of FDI stock. This short-lived situation can be explained through the impacts of factors other than currency-related, or in terms of the special configuration of international production. When the euro is appreciating, manufacturing and sale of products utilizing intermediate goods imported from investors' home countries in the same place where an investment was made may encourage an inflow of projects from outside the euro zone. Successive years, i.e. 2004 and 2005, brought a surplus in FDI coming from the euro zone. At the same time, the euro appreciation trend became stronger.

Conclusions

1) Processes aimed to integrate the capital and financial markets in the EU member states were long lasting and encountered numerous obstacles. Formally, the liberalization of the movement of capital ended with the approval of the Maastricht Treaty. The Treaty guarantees the freedom of capital movement within the Community and in dealings with third countries. The guarantees cover also flows of FDI and so they affect them.
2) As an entire integrated group, the EU is a leader in global FDI flows. It is a net exporter of FDI stock. EU's share in global FDI inflows varies in time and ranges from 30 to 55%, depending on the period. EU's share in global FDI outflows is usually higher and fits within the interval 41-71%.
3) The high dynamics of FDI inflow to the EU and the euro zone in years 1999 and 2000 coincided with growth trends in the world economy that were triggered by investors' strong involvement in transborder mergers and acquisitions. The amount of increase in FDI inflows directed to the euro zone can be attributed also to the depreciation of the euro in that period.
4) In the hard years for the world economy (2002-2004), trends characterising FDI inflows in the EU and the euro zone was unfavourable as well, and delayed by one year. The situation changed in 2005. In addition to factors generally shaping FDI flows in the world economy, starting from 2002 the euro zone was affected by euro appreciation, with some tendency to fluctuate. According to theory, the situation could discourage foreign investors from placing their projects in the euro zone.
5) A high share of intra-Community FDI in the total FDI inflow to the euro zone evidences the consolidation of ties linking member states combining the monetary and economic union and the union's appeal to other members, remaining outside the euro zone.
6) In the first period of the monetary union, the non-euro countries (Denmark, Sweden, and UK) had no reason to feel that their economies were less appealing to foreign investors. In the next years, FDI inflows to the countries declined, but this situation cannot be explicitly attributed to their being outside the euro zone. Countries not participating in the monetary union seem to be more attractive for investments from third countries than for the intra-Community projects.

Table 1. Annual FDI flows received by developed countries and EU, years 1991-2005 (%)

Specification	Share in total FDI (%)									
	1991-96	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
1. Total FDI flowing to all countries	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2. Developed countries	60.8	56.0	68.8	76.4	80.4	69.9	76.5	64.3	55.7	59.2
including: **- Western Europe[a)]**	35.8	28.9	38.3	46.0	51.0	45.1	59.7	49.1	30.6	47.3
including: **- European Union[b)]**	**34.4**	**26.5**	**36.4**	**44.1**	**49.1**	**43.7**	**55.3**	**45.5**	**30.1**	**46.0**
- North America	21.0	23.8	28.7	28.6	27.3	22.8	13.0	10.9	17.4	14.5
including: **USA**	18.4	21.5	25.4	26.3	22.5	19.5	10.0	9.5	17.2	10.9
- Other developed countries	4.0	3.2	1.7	1.9	2.1	1.9	3.8	4.2	7.7	-2.7
including: **Japan**	0.4	0.7	0.5	1.2	0.6	0.8	1.3	1.4	1.1	0.3

a) from 2002 data on Europe.
b) from 2004 EU-25.
Source*:* UNCTAD data and author’s calculations.

Table 2. Annual outflows of foreign direct investment from the developed countries, years 1991- 2002, (%)

Specification	Share in total FDI (%)									
	1991-96	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
1. Total FDI outflows directed to all countries	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2. Developed countries	85.7	83.1	92.3	93.1	91.4	92.9	92.0	91.7	84.4	83.0
including: **- Western Europe[a)]**	50.0	51.2	63.8	70.3	72.7	65.9	60.9	56.5	45.3	79.5
including: **- European Union[b)]**	**45.5**	**46.3**	**60.8**	**66.7**	**68.2**	**63.5**	**58.7**	**50.3**	**41.2**	**71.2**
- North America	26.8	24.9	24.2	20.7	15.8	19.7	24.8	26.9	32.7	2.7
including: **USA**	23.9	20.1	19.2	19.1	11.9	14.6	20.7	23.1	27.4	-1.6
- Other developed countries	9.0	6.9	4.2	2.2	3.0	7.2	6.3	8.4	6.4	0.8
including: **Japan**	7.4	5.5	3.5	2.1	2.6	5.4	4.9	5.1	3.8	5.8

a) from 2002 data on Europe.
b) from 2004 EU-25.
Sources: UNCTAD data and author's calculations.

Table 3. Dynamics of foreign direct investment flowing to the European Union and the euro zone, years 1999-2005, %

Specification	1999	2000	2001	2002	2003	2004	2005
	Previous year=100	Previous year=100	Previous year=100	Previous year=100	Previous year=100	Previous year=100	Previous year=100
EU 25[a)]	**-**	**-**	**-**	**88.6**	**72.6**	**61.5**	**217.3**
EU 15	**207.4**	**197.6**	**55.3**	**87.8**	**73.7**	**57.3**	**227.1**
Euro zone, including:	**196.8**	**214.7**	**49.2**	**110.3**	**71.7**	**54.3**	**172.6**
Belgium	-	-	-	-	171.7	118.2	74.1
BLEU[b)]	719.4	179.2	45.3	-	-	-	-
Germany	121.5	409.1	13.7	192.9	45.5	-47.1	215.6
Ireland	220.5	164.9	37.6	285.2	65.6	42.1	-294.1
Greece	-	-	141.7	-	-	-	-
Spain	167.6	244.3	73.7	131.5	54.9	86.9	93.0
France	157.8	106.6	132.2	84.6	72.4	67.1	202.4
Italy	282.6	223.1	114.5	93.4	93.5	93.8	117.6
Luxemburg	-	-	-	-	65.0	78.0	144.8
The Netherlands	114.2	179.1	83.7	45.9	69.9	9.1	1958.8
Austria	68.3	342.9	68.8	6.6	157.5	49.2	235.5
Portugal	40.7	654.5	97.2	27.1	400.0	25.0	131.6
Finland	39.8	223.3	43.8	202.4	34.1	82.8	133.9

a) from 2001 data on countries comprising EU-25.
b) BLEU – economic union between Belgium and Luxembourg.
Source: Eurostat data and author's calculations.

Table 4. Dynamics of FDI flowing to the euro zone and EU-15 countries outside the monetary union, years 1999-2005, %

Specification	1999	2000	2001	2002	2003	2004	2005
	Previous year=100	Previous year=100	Previous year=100	Previous year=100	Previous year=100	Previous year=100	Previous year=100
Euro zone	196.8	214.7	49.2	110.3	71.7	154.3	60.7
Denmark	189.5	359.2	27.6	48.6	-44.2	-	-
Sweden	343.4	38.2	61.0	-	-	-	-
UK	131.0	156.1	45.7	43.4	58.4	303.4	283.8

Source: Eurostat data and author's calculations.

Table 5. Intra-Community foreign direct investment as a % of FDI inflows to the euro zone and a % of total FDI inflows to EU-15, years 1998-2005

Specification	1998	1999	2000	2001	2002	2003	2004	2005
Intra-Community FDI flowing to the euro zone as a % of total FDI inflow to the euro zone	73.3	78.1	85.9	46.4	72.4	72.1	86.1	79.2
Intra-Community FDI flowing to the euro zone as a % of total FDI inflow to EU-15	51.1	51.6	61.7	29.6	58.1	56.3	63.7	44.5
Intra-Community FDI received by the non-euro countries[a)] as a % of total FDI inflow to EU-15	27.6	24.9	9.0	6.7	6.3	2.8	22.5	27.3

a) concerns EU-15 countries, i.e. Denmark, Sweden and the UK.
Source: Eurostat and author's calculations.

Table 6. Foreign direct investment received by the EU and euro zone, years 1999-2005, (UNCTAD data; %)

Specification	1999	2000	2001	2002	2003	2004	2005
	Previous year=100	Previous year=100	Previous year=100	Previous year=100	Previous year=100	Previous year=100	Previous year=100
Total world	157.3	127.7	58.9	87.6	77.9	127.5	128.9
EU 25[a)]						-	197.3
EU 15	191.9	140.1	53.2	111.0	60.6	77.1	209.1
Euro zone, including:	211.8	157.9	56.9	126.0	60.9	59.0	160.6
Austria	66.7	293.3	67.0	6.8	1775.0	54.9	228.2
Belgium	-			-	214.1	125.7	56.4
Belgium and Luxembourg	527.3	74.1	99.4				
Finland	230.0	173.9	46.3	213.5	41.8	106.1	131.4
France	150.0	93.1	116.6	97.0	86.7	73.9	202.5
Germany	228.0	353.5	10.6	239.3	57.8	-51.7	216.6
Greece	-	-	145.5	3.1	2600.0	161.5	28.6
Ireland	211.6	141.8	37.6	299	78.6	49.1	-203.6
Italy	265.4	194.2	111.2	97.3	113.1	102.4	119.0
Luxembourg	-	-	-	-	3.3	102.6	92.5
The Netherlands	111.4	155.1	81.2	48.2	86.8	1.8	10900
Portugal	38.7	566.7	86.8	30.5	477.8	27.9	129.2
Spain							
EU-15 countries outside the euro zone							
Denmark	216.9	202.4	34.0	54.8	41.3	-411.5	49.5
Sweden	307.6	38.0	51.3	98.3	42.7	252.0	106.3
UK	118.4	135.0	44.3	45.6	70.0	334.5	292.7

Source: UNCTAD and author's calculations.

Table 7. FDI outflows from EU-15 and the euro zone, years 1999-2005, (% and billions of euros)

Specification	1999	2000	2001	2002	2003	2004	2005
FDI outflows from EU-15 (Previous year = 100)	200.6	152.5	56.2	78.2	81.5	87.0	169.2
FDI outflows from the euro zone (Previous year = 100)	149.6	149.1	58.2	81.8	79.8	95.9	179.9
Balance of FDI outflows and inflows in EU-15 (billions of euros)	256.9	174.2	106.0	321.0	62.2	155.1	149.5
Balance of FDI outflows and inflows in the euro zone (billions of euros)	146.9	9.8	67.4	-40.8	-2.2	108.5	205.8

Source: Eurostat data and author's calculations.