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European Union foreign direct investment yearbook 2007

Data 2001-2005



2007 edition



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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:

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Central Bank of Cyprus
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Banco de Portugal
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Národná Banka Slovenska
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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:

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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>

Direct access:

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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

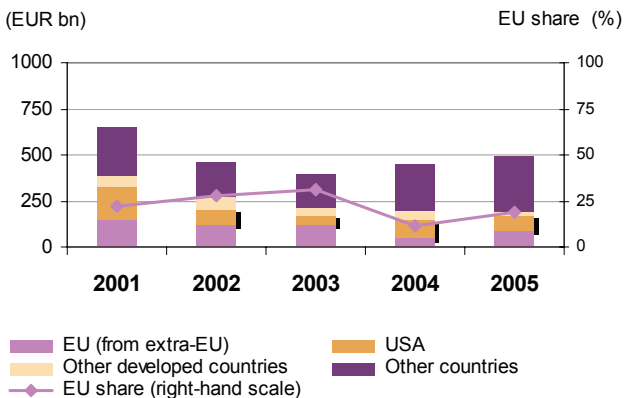
Overview

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

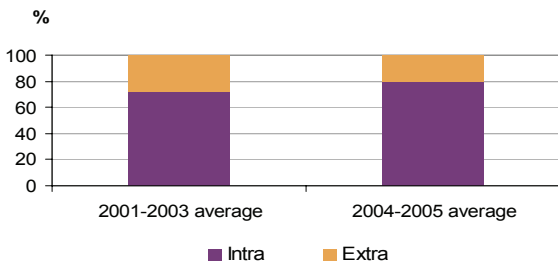
World FDI flows by recipient, 2001-2005, EUR bn



Source: Eurostat, UNCTAD

Chart 0.2

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

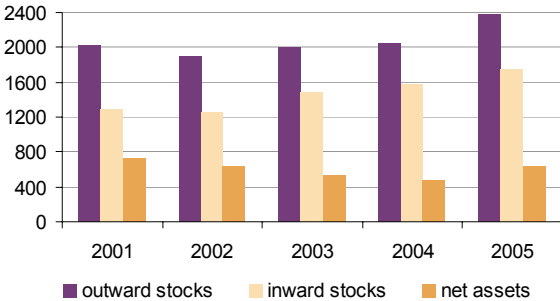


¹ Data in this yearbook relate to the EU-25. See Chapters 1 and 2 for more detail on EU inward and outward FDI. Data for world flows were calculated using Eurostat data for the EU and UNCTAD data for other countries.

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)

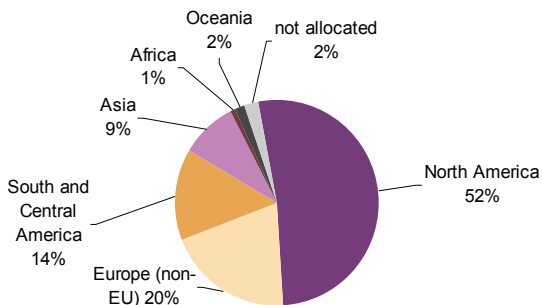
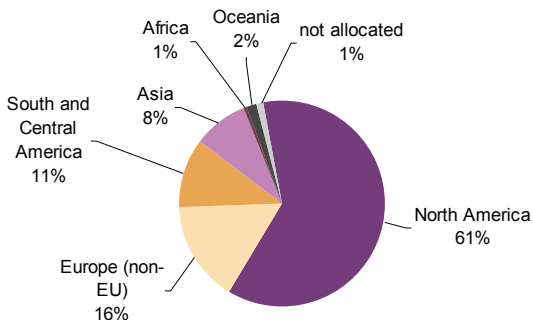


Chart 0.5

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

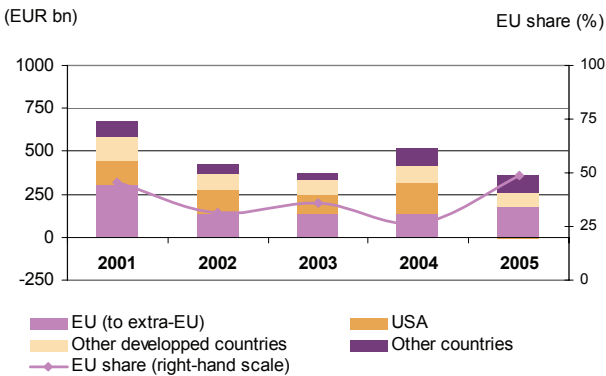


The EU's share of world FDI outflows increased to 49 % in 2005

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)

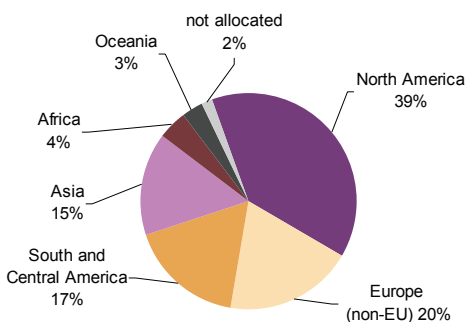
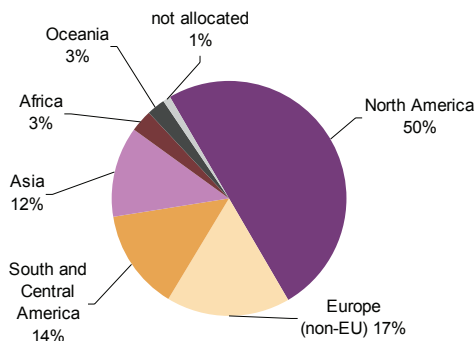


Chart 0.8

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



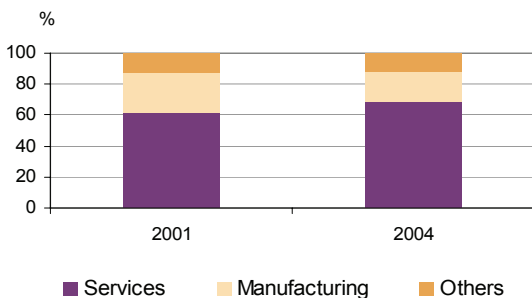
*Net= Outward - inward

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

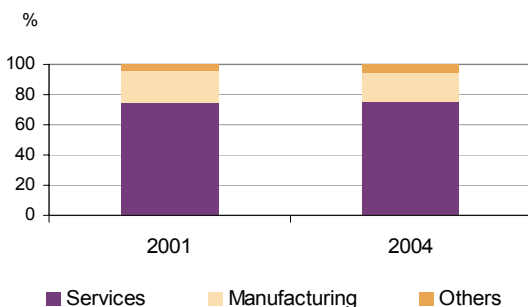
Extra-EU FDI outward stocks by main activity - 2001 and 2004



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

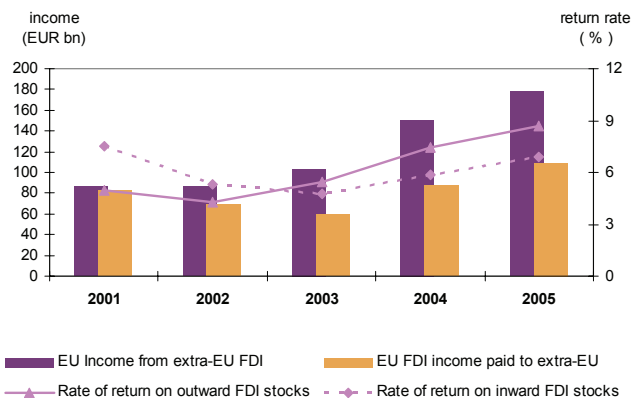


Chart 0.13 details net FDI income by main partner. While the EU net income with the EFTA countries was negative from 2001 to 2003, it turned positive, at EUR 3 bn, in 2004 and remained practically stable at EUR 4 bn in 2005. With the exception of 2002, when EU income from the United States and EU income 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 $t = (\text{Income paid in } t) / (\text{Stocks at the end of the period } t-1)$.

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

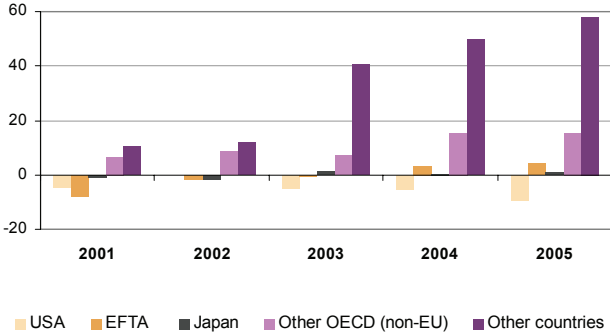


Table 0.2

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.

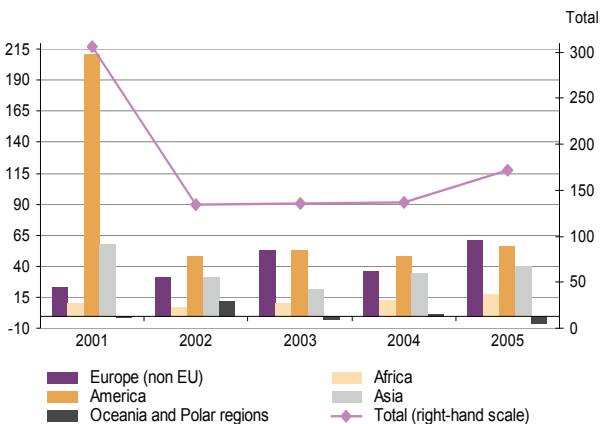
The European continent (non-EU countries), the second main destination since 2002, received 35 % of EU investment flows in 2005, thus becoming the most attractive destination. Asia kept its third place with a 23 % share of the total EU FDI outflows.

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.

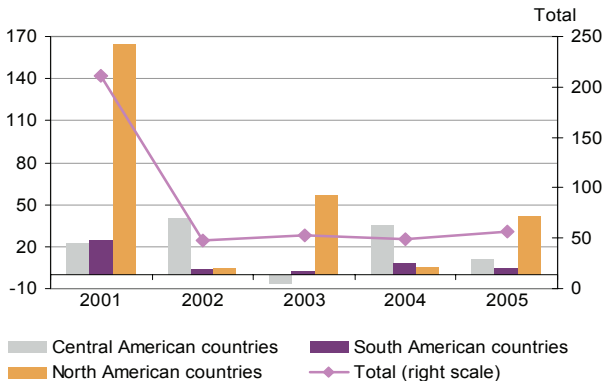
EU FDI flows to South America declined by 43 % between 2004 and 2005. Outflows of EUR 4 bn in 2005 represented a 3 % share of total extra-EU outward flows. The main recipient of EU investments in South America was Brazil, receiving EUR 5 bn in 2005.

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

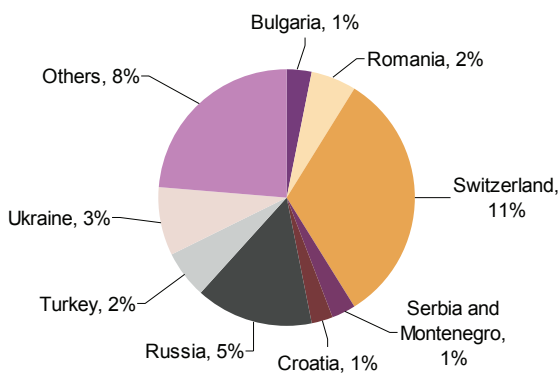
The share of EU FDI outflows directed to European (non-EU) countries has consistently been above 20 % since 2002, reaching 35 % in 2005. In absolute terms, these investments were at their peak in 2005 with EUR 61 bn.

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



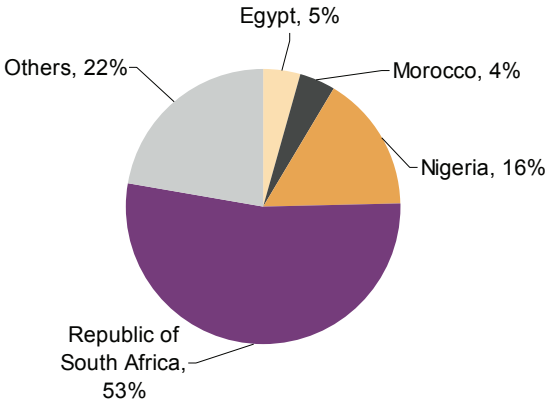
EU FDI flows to Africa up since 2002

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



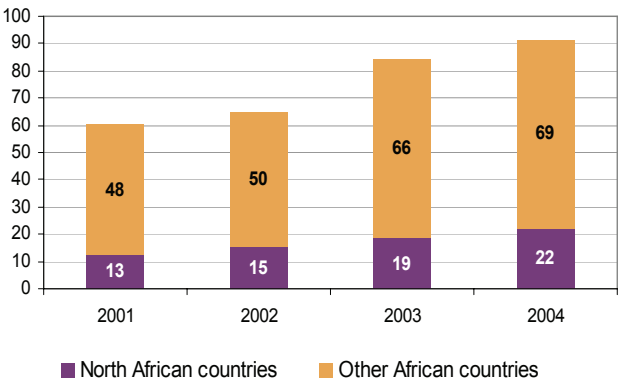
The United Kingdom was the main investor in Africa over the period 2001-05 (59 % of the EU total in 2005), investing principally in South Africa.

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 %.

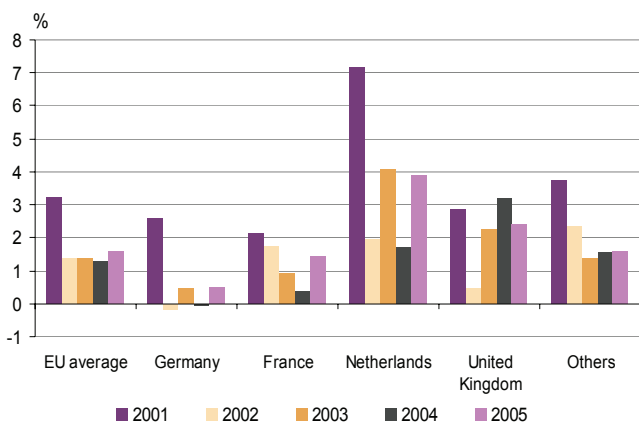
With the exception of 2004, the Netherlands had the highest ratio of outward FDI to GDP over the period 2001-05. In 2005, the ratio was 3.9 %.

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



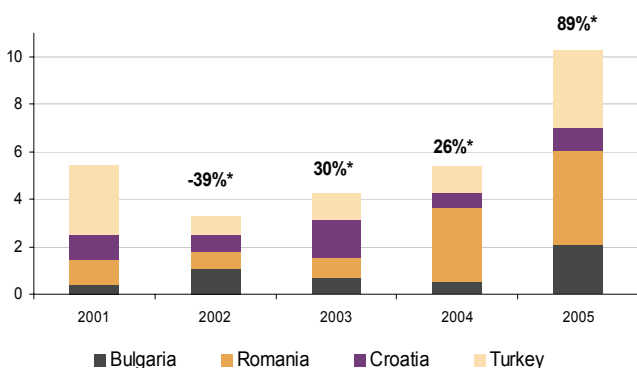
1.2 Focus on Candidate Countries⁸

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.

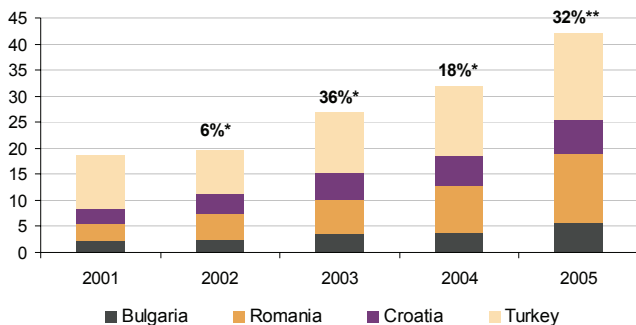
EU FDI stocks rose steadily over the period 2001-05, reaching an estimated EUR 42 bn at end-2005 (Chart 1.9). The stocks grew most (growth rate of 36 %) between 2002 and 2003, mainly due to an increase in EU assets held in Romania.

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

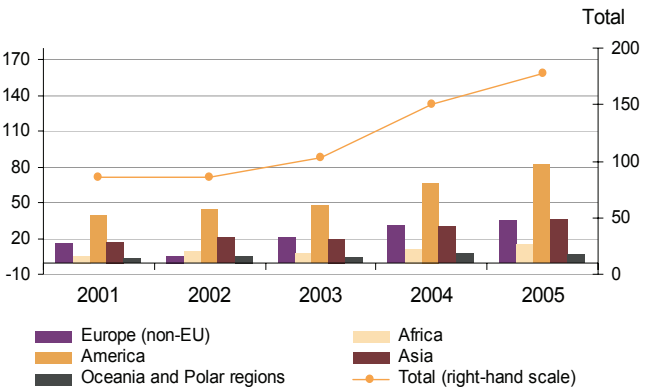


Table 1.5 shows an overall increase in EU income from all the partner continents, except for Oceania and Polar regions. The largest rise in relative terms is recorded in income from investments in Russia, which grew by 44 %.

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

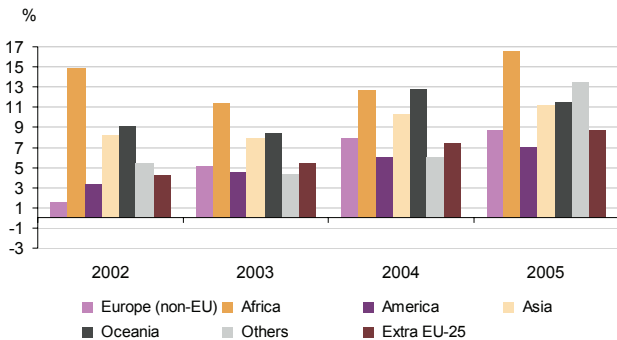
The ratio¹⁰ of income in a given period to stocks at the beginning of that period appears as an indicator of FDI profitability in Chart 1.10. Over the period 2002-05, extra-EU outward FDI yielded an annual average of 6.5 %, with the rate of return on extra-EU FDI rising from 4.3 % in 2002 to 8.7 % in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

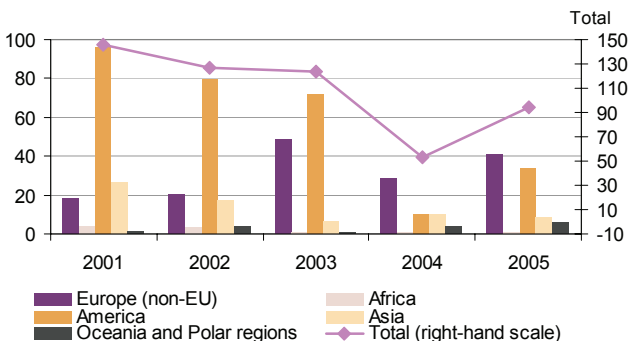
The American continent lost its rank as the main investor in the EU in 2004, when its investments dropped from EUR 72 bn in 2003 to EUR 10 bn (from 58 % to 18 %). In 2005, investments from America increased significantly, reaching EUR 33 bn, representing 36 % of extra-EU inward FDI flows.

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.

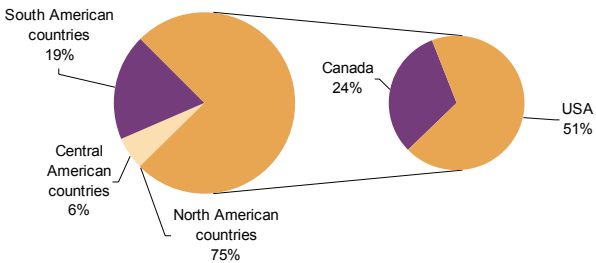
USA represents half of the investments in EU from the American continent

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



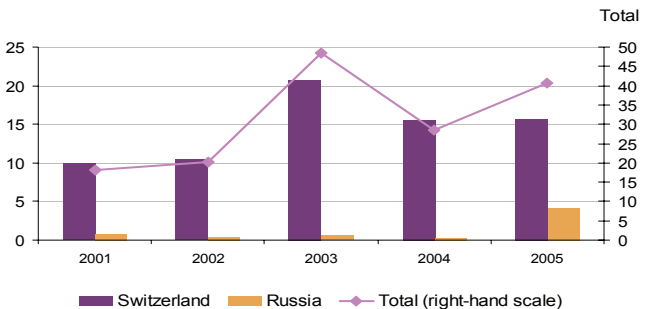
European (non-EU) countries: Switzerland remained the main investor, huge increase of Russia

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.

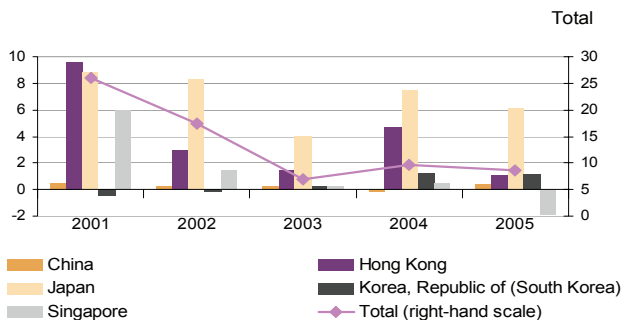
The huge decrease was mainly due to the declining trend in investments by Hong Kong, Japan and Singapore, the main investors in the EU from the Asian continent in 2001. EU FDI inflows from these countries fell between 2001 and 2005 respectively from EUR 9 bn to EUR 2 bn, from EUR 9 bn to EUR 6 bn, and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



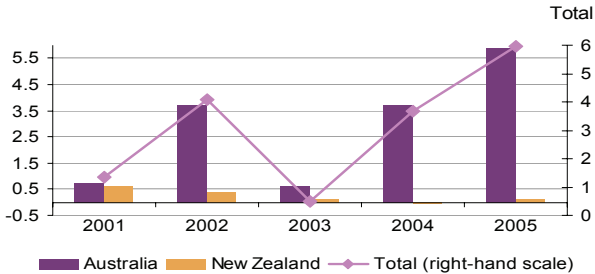
Oceania and Polar regions: significant rise in investments in the EU between 2003 and 2005

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

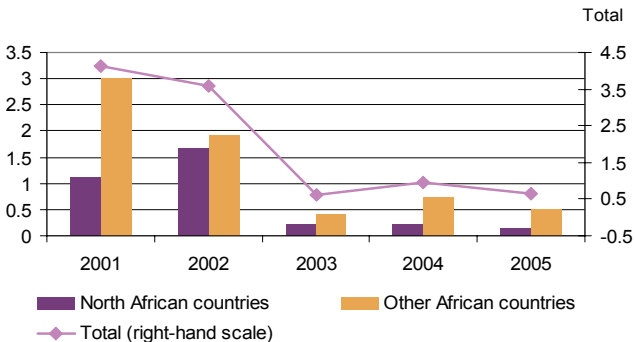
EU FDI inflows from Africa underwent a significant decline, falling from EUR 4 bn in 2001 to a relatively stable amount below EUR 1 bn in 2003, 2004 and 2005.

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.

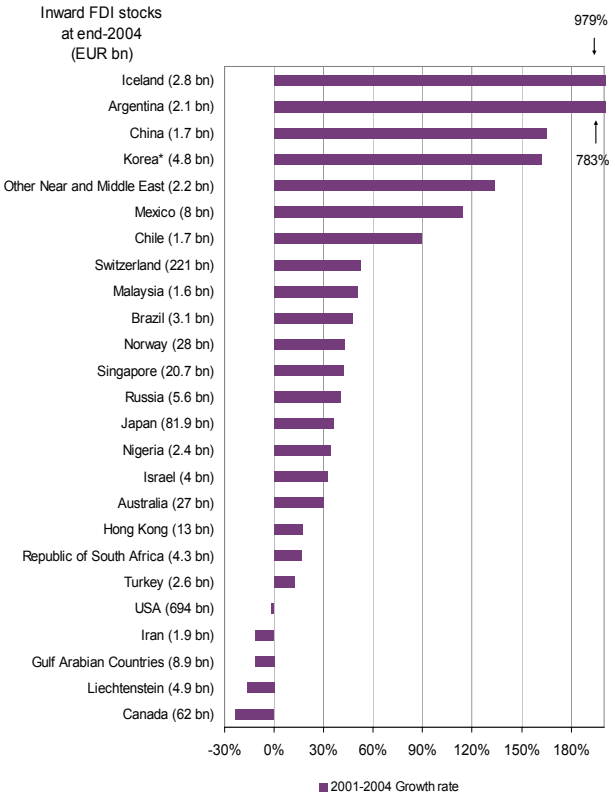
Iceland recorded the highest rate of growth between 2001 and 2004 even if the increase in absolute terms was small, rising from EUR 0.3 bn in 2001 to EUR 2.8 bn in 2004.

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.

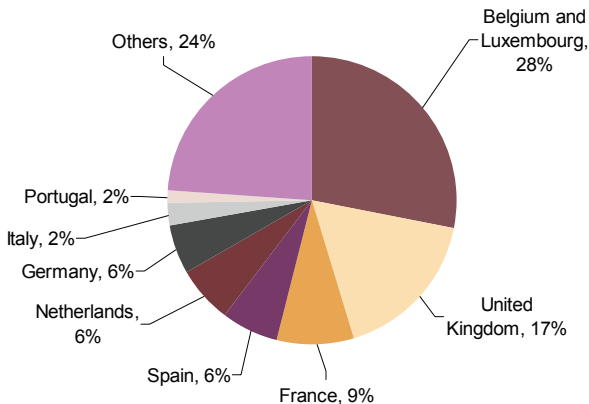
n.a. : Data not available yet.

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.

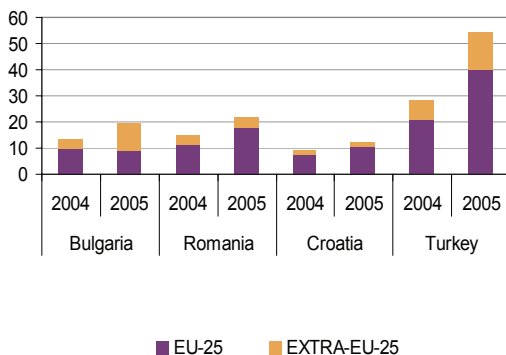
Turkey doubled its inward stocks for both EU-25 (from EUR 21 bn at end-2004 to EUR 40 bn at end-2005) and extra-EU-25 countries (from EUR 7 bn at end-2004 to EUR 15 bn at end-2005).

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

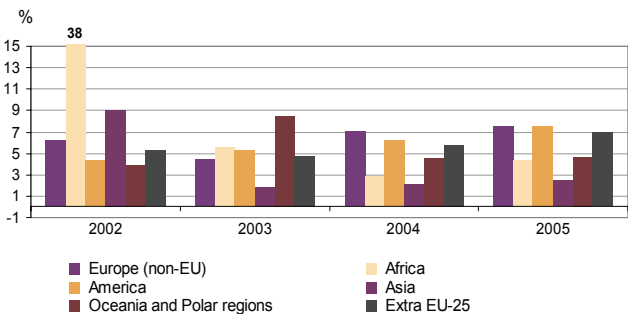
The ratio¹⁴ of income in a given period to stocks at the beginning of that period is used as an indicator of FDI profitability in Chart 2.10. In 2005, the rate of return on FDI capital invested by extra-EU countries rose to 6.9 %.

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 (CEECR) in 2003. EU FDI flows to these markets increased again in 2004 and 2005. The CEECR 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 (CEECR).

Emerging markets

- **Latin America:** Argentina, Brazil, Paraguay, Uruguay, Bolivia, Chile, Colombia, Costa Rica, Cuba, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, El Salvador, Venezuela
- **Far East Asia:** 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 (CEECR):** 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.

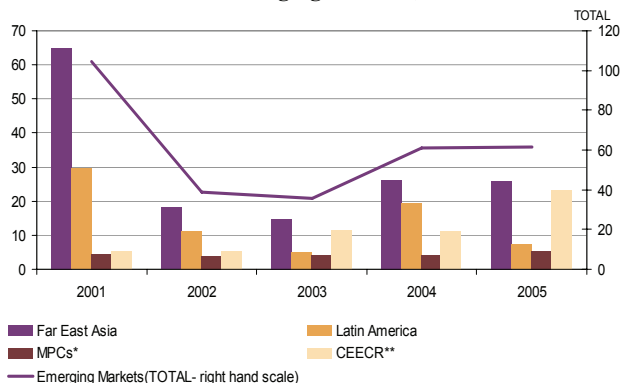
The unbroken downward trend in EU investments in Latin America that was observed from 2001 (EUR 30 bn) until 2003 (EUR 5 bn) was reversed in 2004 with an upsurge in EU FDI flows to EUR 19 bn. EU flows to Latin America fell again in 2005 to EUR 7 bn.

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
CEECR**	2	4	8	8	13
Other extra-EU countries	66	71	74	55	64

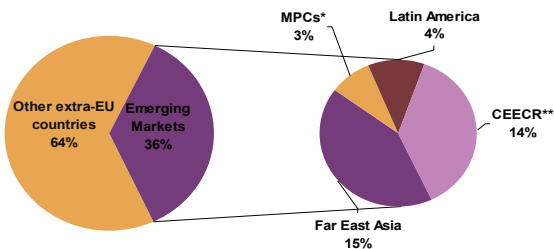
* The MPCs comprise Israel, Turkey, the Maghreb and Mashrek countries.

** The CEECR 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 CEECR 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 CEECR 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.

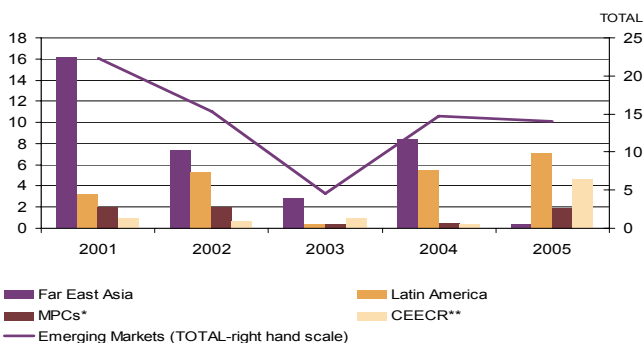
In the subsequent two years the emerging markets' investments in the EU followed a downward trend. 2003 was a trough, with the largest drop during the period 2001-05 (-70 % compared to 2002 levels). The decline in the emerging markets' investments in the EU was reversed in 2004 with a threefold increase (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



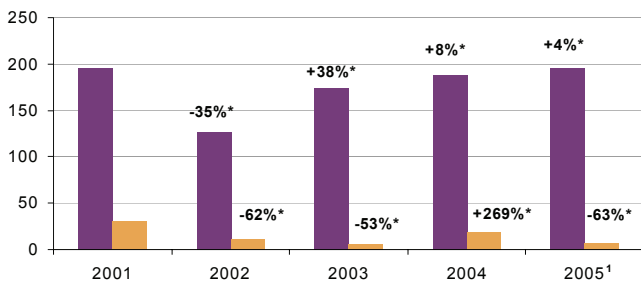
* The MPCs consist of Israel, Turkey, and countries from Mashrek and Maghreb.

** 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).

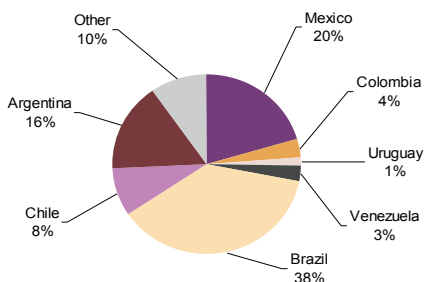
Mercosur = countries of the Southern Cone Common Market (Argentina, Brazil, Paraguay, Uruguay).

* 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



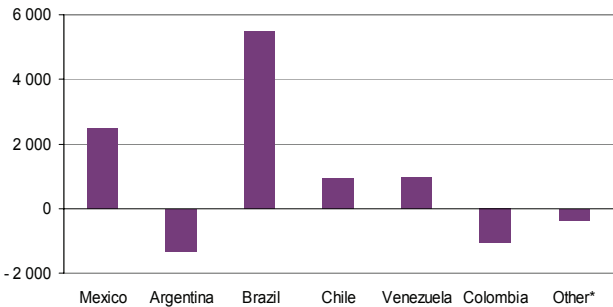
In 2005 Brazil was the main destination of EU FDI outward flows to Latin America

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



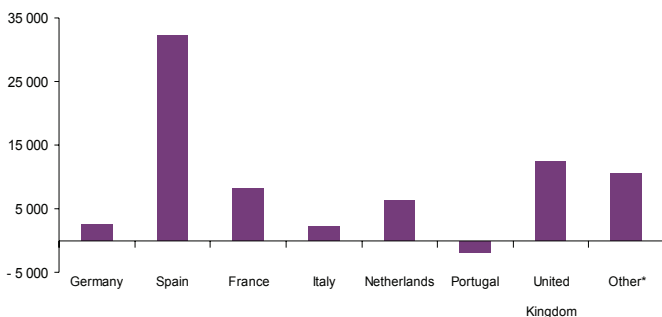
* 'Other' has been computed as the difference between Latin America and the sum of the selected partner countries presented in the graph.

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

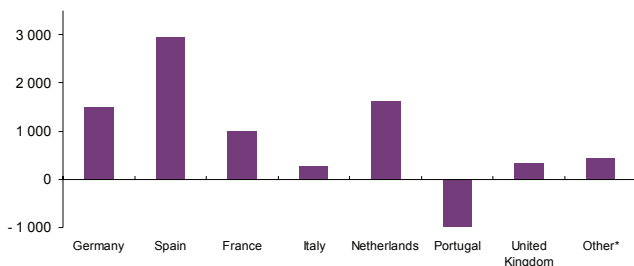
EU FDI cumulated flows towards Latin America from 2001 to 2005 by Member State, EUR mn



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 %.

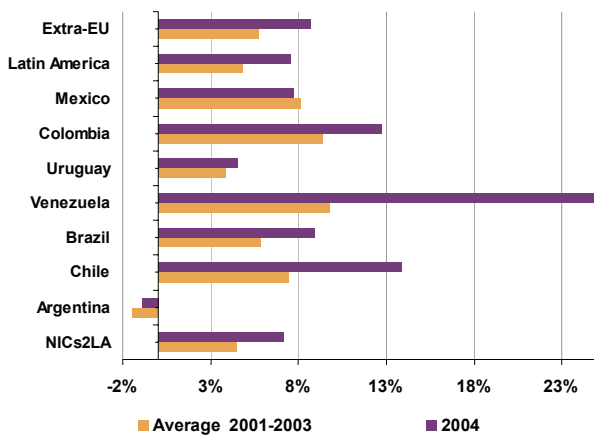
During 2001-03 Venezuela, Colombia and Mexico were the most profitable destinations for EU FDI in Latin America (the average rate of return was 9.7 %, 9.4 % and 8.1 % respectively).

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



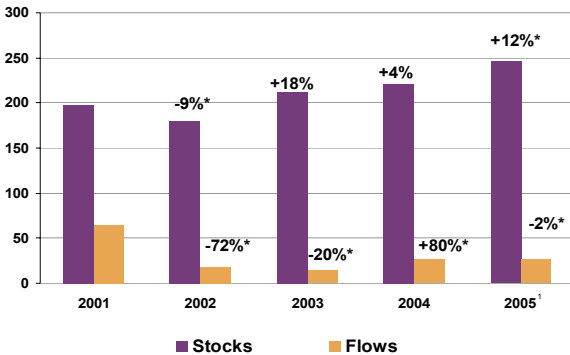
NICs2LA = Latin American newly industrialised countries in the second wave of industrialisation (Argentina, Brazil, Chile, Mexico).

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.

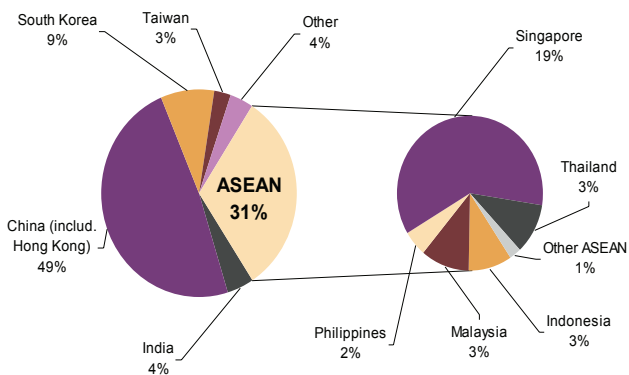
Indonesia saw unprecedented growth in 2005 as EU FDI outflows reached EUR 3.9 bn compared with EUR 138 mn in 2004. At the same time, the EU FDI flows to South Korea shot up from EUR 1.8 bn in 2004 to EUR 4.2 bn in 2005. For the remaining ASEAN countries smaller increases were observed, the main ones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

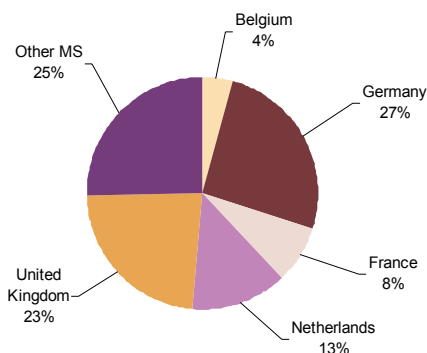
	EU of which:	United Kingdom	Germany	Nether- lands	France	Sweden	Other MS*
Far East Asia	220 376	54 466	27 376	21 263	11 961	3 026	102 284
<i>of which:</i>							
India	9 713	2 386	1 917	920	589	333	3 568
Thailand	7 453	1 343	1 038	815	651	118	3 488
Malaysia	7 367	2 258	1 465	860	197	333	2 254
Indonesia	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 (incl. 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.

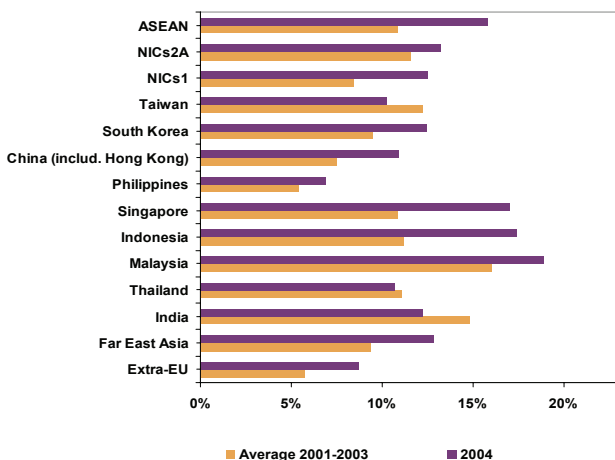
Globally, EU FDI in Far East Asia was more profitable than FDI in extra-EU countries as a whole (13 % against 9 % in 2004).

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 return ²⁰ 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.

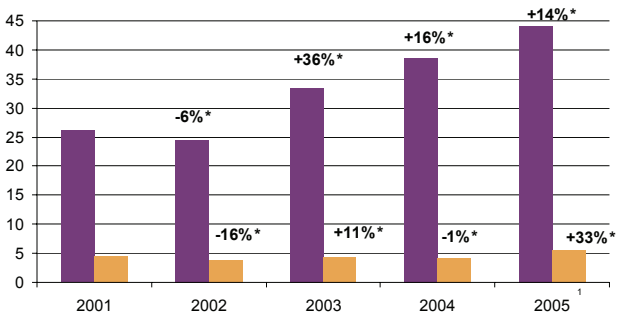
²⁰ Rate of return $t = (\text{income paid in } t) / (\text{stocks at the end of the period } t-1)$. See Table 3.8 for income and Table 12 in Annex 1 for 2004 stocks.

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.

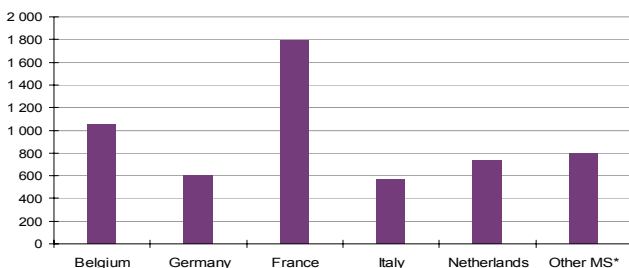
* 'Other MS' ('Other Member States') has been computed as the difference between the estimated EU aggregate and the sum of the selected declaring countries.

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.

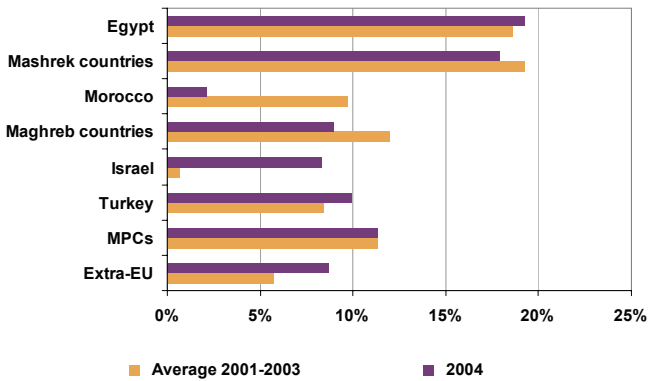
Looking at the individual areas and countries inside the MPC group, the rate of return on direct investment positions in 2004 shows high

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



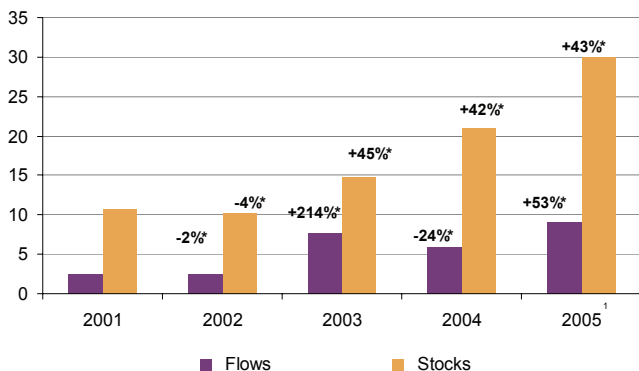
The MPCs comprise Israel, Turkey, the Maghreb and Mashrek countries. Maghreb countries = Algeria, Morocco and Tunisia. Mashrek countries = Egypt, Jordan, Lebanon, Palestinian Territory, Syrian Arab Republic.

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.

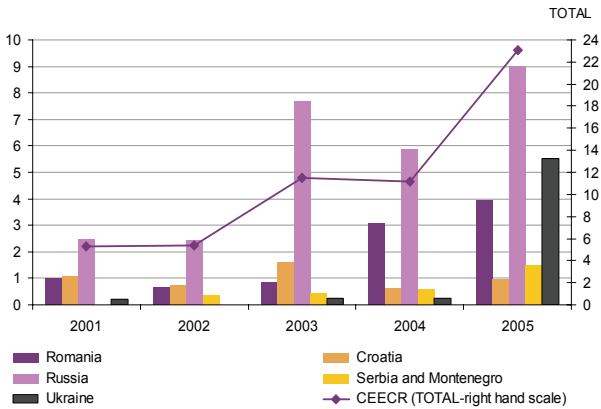
*Annual growth rate.

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.

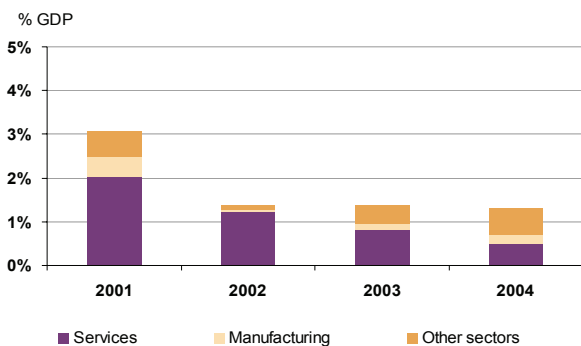
In contrast, EU FDI outflows to extra-EU countries more than doubled in the *telecommunications* sector, climbing from EUR 2 bn in 2003 to almost EUR 4 bn in 2004. Significant increases were also observed in *other sectors*²⁷ (59 %), in the *manufacturing* sector (31 %), and in *other services* (32 %).

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.

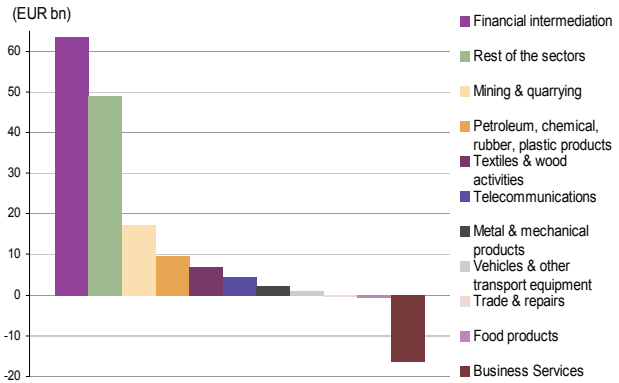
**Rest of the sectors includes: agriculture and fishing, electricity, gas and water, construction, private purchases & sales of real estate, and unallocated.

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'.

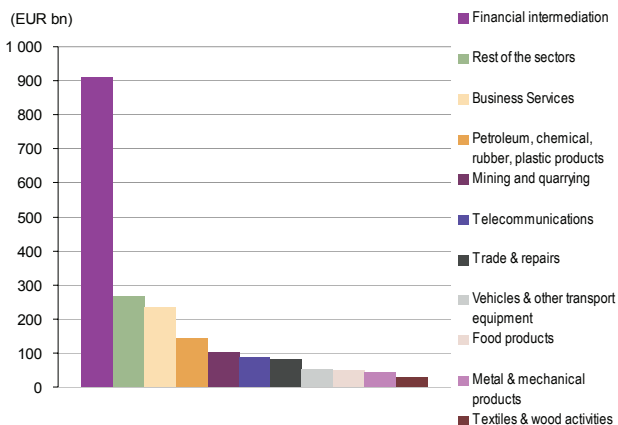
Regarding *business services*, France and Germany together, with EUR 192 bn, held a significant share (82 %) of the cumulated extra-EU outflows directed towards that sector in 2004. The biggest recipient was Switzerland, with total extra-EU outflows reaching EUR 29 bn, of which EUR 10 bn originated in 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%	-65%	6%	-1%	5%
	Services	70%	86%	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 produ	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

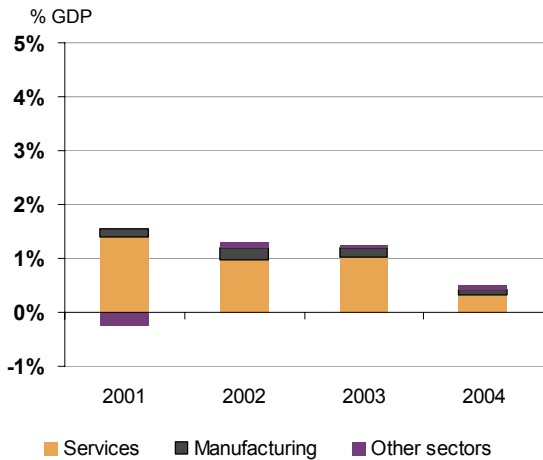
* Excluding reinvested earnings until 2001. Total EU inward FDI since 2002.

** 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

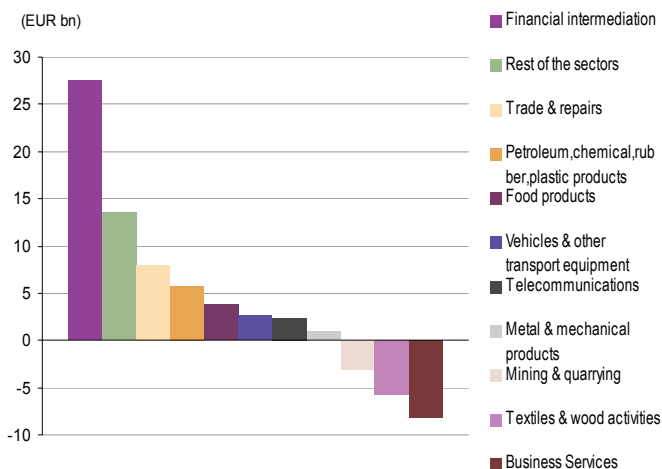
EU FDI inflows* from extra-EU countries in major sectors, 2001-2004, % GDP

* 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.

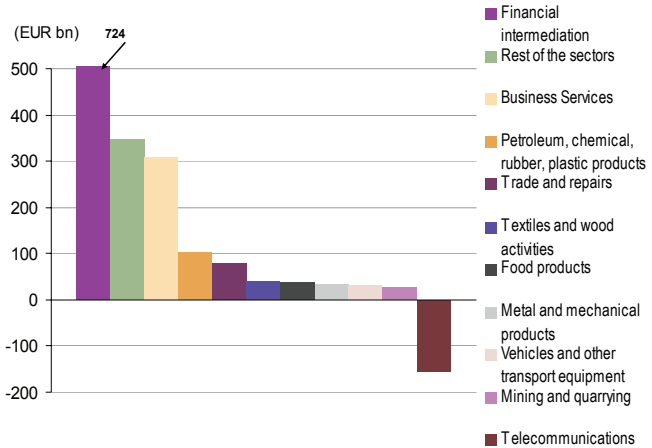
Petroleum, chemical, rubber and plastic products followed not far behind with EUR 6 bn and made up 11 % of total extra-EU inflows. Ireland, with EUR 2 bn, and the Netherlands and the United Kingdom, with almost EUR 1 bn each, were the main beneficiaries of the investments made by extra-EU countries in 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 flows ³³ 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		
Israel	19 343	17 061
Iran	2 490	4 042
Gulf Arabian Countries	3 033	1 908
Other Near and Middle East countries	10 374	8 871
Other Asian countries	3 445	2 240
China	296 464	130 887
Hong Kong	21 278	1 692
Indonesia	85 559	13 148
India	6 567	364
Japan	9 713	1 224
Korea, Republic of (South Korea)	76 088	81 852
Malaysia	19 423	4 793
Philippines	7 367	1 552
Singapore	3 727	1 015
Thailand	42 781	20 678
Taiwan	7 453	435
	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	10 586	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	8 657	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	- 364	- 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	- 137
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	15 597	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	346 607	224 068	122 537	51 750	4 002	12 699	22 416
AGRICULTURE AND FISHING	350	215	135	63	0	2	19	- 129	- 1 064	935	- 1 033	- 57	- 28	31
MINING AND QUARRYING	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 & chemicals 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	- 257	- 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	109	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	1 851	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	17 300	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	1 877	1 275	285	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	1126	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	1 580 632	694 338	81 852	62 187	256 441
SUB-TOTAL	5 426 858	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	2 244	1 412	832	319	20	49	149
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	811 265	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	39 004	13 670	- 351	559	2 762
Total petroleum,chemical,rubber,plastic products	291 770	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	108 852	57 149	51 703	10 268	17 781	987	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	850	- 11 379	67 920	57 656	10 264	3 811	176	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	3 882	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	266 132	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 and 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 64.2	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) 2007
SI	Slovenia	
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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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.

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

