



European Union foreign direct investment yearbook 2008

Data 2001-2006

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>

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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 voting power.

Foreign direct investment acquires increasing importance as an indicator of the international economic climate. This publication covers data for the period 2002-06 for FDI stocks and 2001-06 for FDI flows. Data in this yearbook represent EU-27 from 2004 onwards and EU-25 before 2004. This split in the series is denoted with the use of two parallel lines in the charts throughout this publication.

Outward flows from the European Union towards extra-EU partners fell from EUR 306 bn in 2001 to EUR 260 bn in 2006, but increased by 11% from 2005. During the same period, foreign investments into the EU markets increased by 8 % from EUR 146 bn in 2001 to EUR 157 bn in 2006. The data of this publication were extracted in March-May 2008.

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 foreign direct investment pocketbook 2008, 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. In the context of the General Agreement on Trade in services (GATS), Eurostat started the compilation of foreign affiliate statistics (FATS) on employment, turnover, imports and exports of foreign affiliates on a voluntary basis. The new FATS Regulation foresees mandatory compilation of FATS on employment and turnover and will improve the data availability considerably. These data help quantify some of the economic consequences of direct investments and will therefore, together with FDI data, provide an invaluable tool to measure the evolution of the globalisation phenomenon.

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

Banque Nationale de Belgique
 Българската народна банка
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 Banca Națională a României
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 Sveriges Riksbank
 Office for National Statistics (UK)

European Union Foreign Direct Investment Pocketbook 2008

The foreign 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**:

Corsini Cristina
Demianova Vladimira
Foltête Anne
Gori Sylvie
Kärkkäinen Arja
Petridou Konstantia

Due to significant revisions in the FDI data from the Member States, direct comparison of this year's analysis (regarding the periods until 2005 for both flows and stocks) with the analysis in the previous edition of the pocketbook (yearbook 2007) might not be realistic.

For detailed statistical tables, please see the Eurostat website:

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

Direct access to FDI data:

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

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EXECUTIVE SUMMARY

The EU had 34 % of world FDI outflows in 2006

- United States, Canada and Switzerland remain the top three destinations of EU FDI outward flows in 2006
- World FDI inward flows increased in 2006 by 56 % from 2005, EU FDI inward flows increased by 24 %

2006: strong year for foreign investment into the EU

- The United States was the main investor in total EU inward flows with a share of 48 % in 2006
- Sharp increase in FDI inflows to the EU from Japan in 2006
- At the end of 2005, the United Kingdom was the main host of direct investments in the EU-27

EU FDI outward flows to extra-EU countries EUR 260.2 bn in 2006, increase of 11 % from 2005

- EU FDI outward flows to the United States doubled in 2006, reaching EUR 72.0 bn, 28 % of the total extra-EU FDI
- FDI income from extra-EU countries EUR 211.3 bn in 2006
- Income from EU FDI abroad yielded 8.7 % in 2006

Increased EU FDI outward flows to emerging markets in 2006

- At EUR 12 bn EU FDI outward flows to Latin America remained stable
- In 2006 Singapore and China were the top EU FDI destinations in Far East Asia
- EU outflows to the Mediterranean partner countries more than doubled in 2006
- EU flows to Central/Eastern European countries and Russia remained stable in 2006. Russia continues to be the main host country

Recovery of EU outward FDI in the services sector in 2005

- FDI flows to extra-EU countries centred on financial intermediation in 2005

Overview

World FDI inflows increased by 56 % in 2006

Compared with 2005, world FDI inflows (excluding intra-EU flows) increased by 56 % to EUR 774 bn in 2006 (EUR 496 bn in 2005). EU FDI inflows ⁽¹⁾ increased by 24 % to EUR 157 bn, resulting in a share of 20 % of world FDI inflows and surpassing the United States (18% of world FDI inflows). The share of world inflows to developing countries dropped to 46 %, from 58 % in 2005, whereas inflows to developed countries were 54 % of the total flows.

Chart 0.1

World FDI-flows by recipient, 2001-2006, EUR bn

EU-27 for 2004-2006, EU-25 for 2001-2003

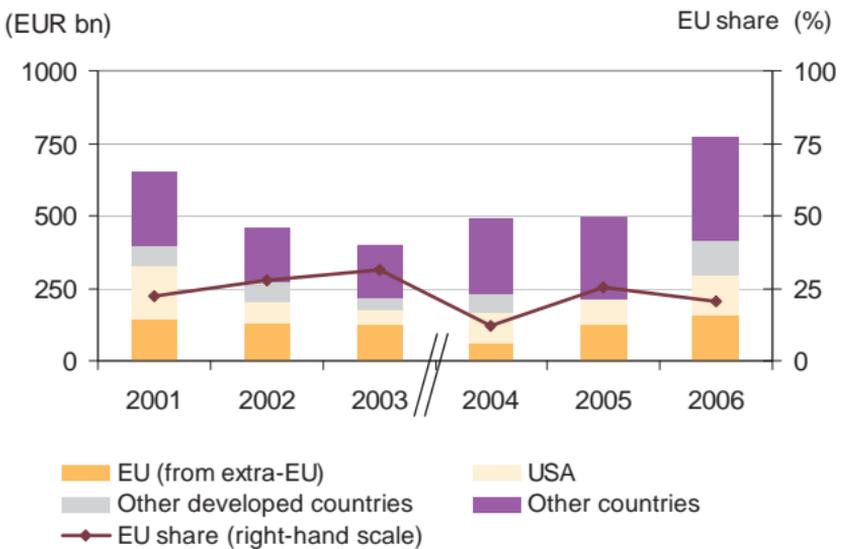
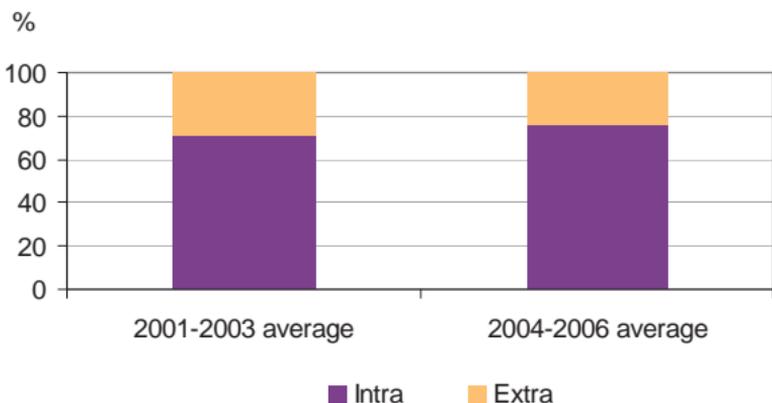


Chart 0.2

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

EU-27 for 2004-2006, EU-25 for 2001-2003



While EU FDI inflows increased by 24 % between 2005 and 2006, intra-EU flows decreased slightly by 3 %. However, the percentage

(1) Data in this yearbook relate to the EU-27 unless otherwise stated. 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.

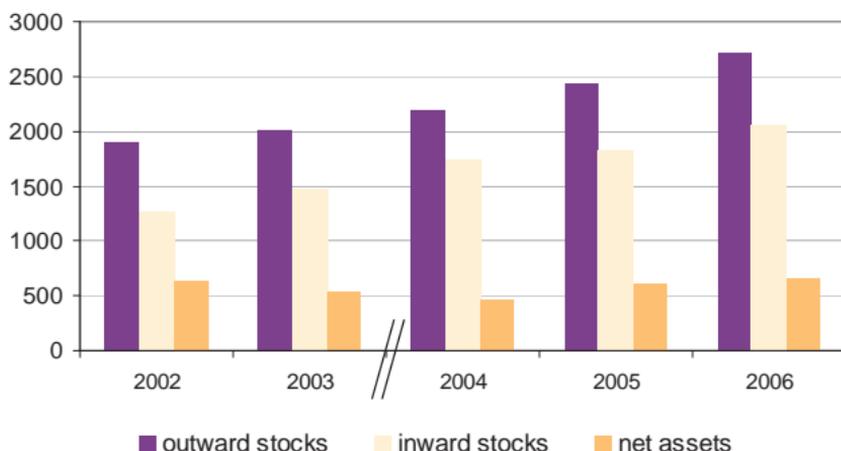
of intra-EU flows out of total FDI inflows remains high and has even increased over the past few years. The weight of cumulative intra-EU flows reached 76 % for the period 2004-06.

Chart 0.3

EU FDI stocks: outward, inward and net, 2002-2006

EU-27 for 2004-2006, EU-25 for 2002-2003

(EUR bn)



EU outward FDI stocks have increased over the period 2002-06 by 42 % and by 11 % between 2005 and 2006. Inward stocks are growing at an even higher pace; an increase of 13 % was recorded between 2005 and 2006 and of 63 % from 2002 to 2006.

In absolute terms the outward stocks increased between 2005 and 2006 by EUR 271 bn resulting to an increase of the net EU FDI assets to EUR 649 bn at the end of 2006. The net asset position increased for the second consecutive year after continued decline since 2001.

North America owned 50 % of EU FDI inward stocks at the end of 2006

The value of EU FDI inward stocks increased from EUR 1 265 bn at the end of 2002 to EUR 2 057 bn at the end of 2006 (see Chart 0.3). Of these stocks, North America held 50 %, eight percentage points less than at the end of 2002.

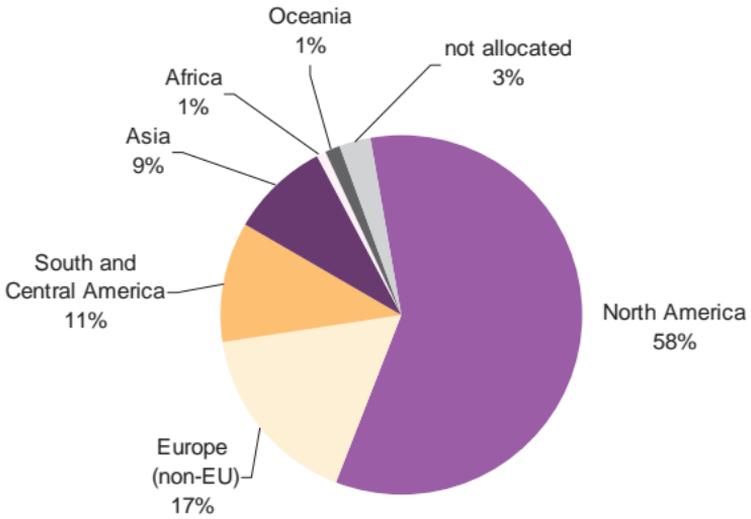
The share of Europe (non-EU) increased from 17 % at the end of 2002 to 22 % at the end of 2006, totalling EUR 457 bn.

Inward stocks held by South and Central America increased by 112 %, accounting for a share of 14 % of EU FDI inward stocks.

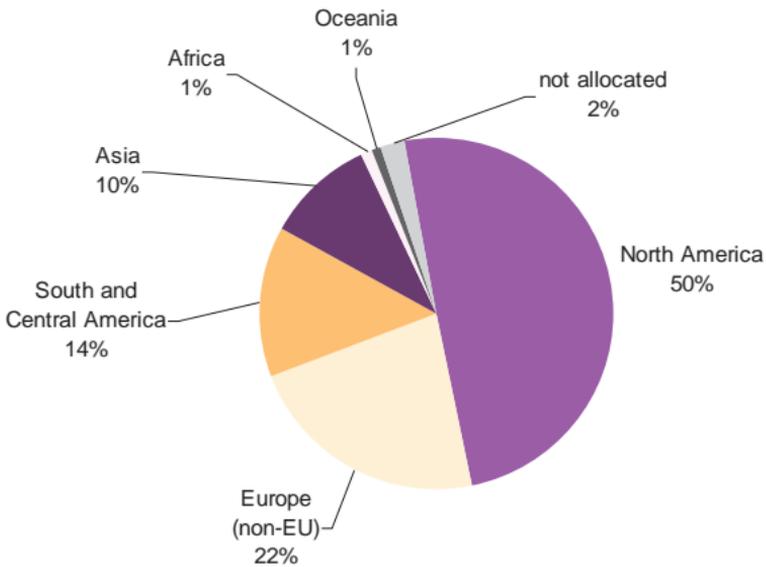
The shares of EU FDI inward stocks of other investor zones remained fairly stable between 2002 and the end of 2006.

Chart 0.4

EU-25 FDI inward stocks by extra-EU main investor (end - 2006)



(end - 2002)



The EU's share of world FDI outflows 34 % in 2006

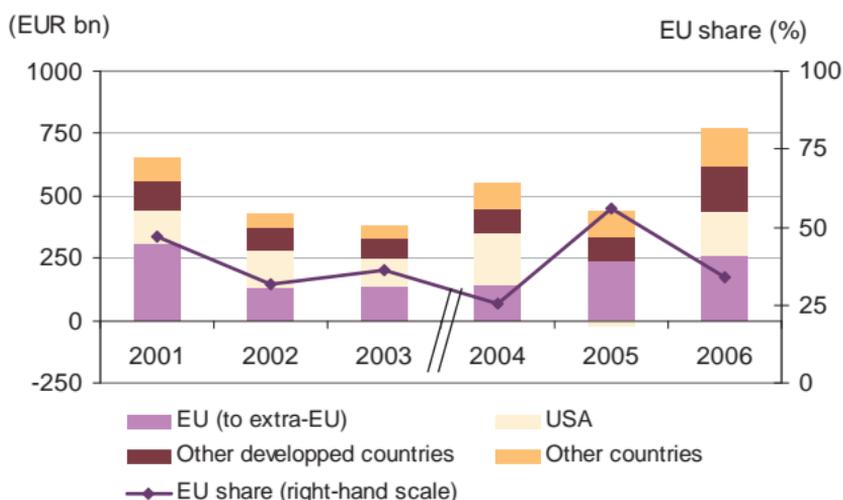
In 2006 the world FDI outflows picked up again. World FDI flows – excluding intra-EU FDI flows – totalled EUR 772 bn (EUR 418 bn in 2005, an 85 % increase)⁽²⁾. EU FDI outflows, at EUR 260 bn, increased by 11 % from 2005, reaching the highest level since 2001 (EUR 306 bn).

(2) World FDI inflows presented in Chart 0.1 and world FDI outflows presented in Chart 0.5 are not equal due to the asymmetry resulting from statistical error. In 2006 the asymmetry was lower than in 2005 (0.2 % against 15 %).

Chart 0.5

World FDI-flows by origin, 2001-2006, EUR bn

EU-27 for 2004-2006, EU-25 for 2001-2003



The geographical distribution of world FDI outflows by investor country continued to show the dominance of developed countries (80 %). The share of the EU in world FDI outflows was 34 % in 2006. It decreased considerably due to the remarkably high share in 2005. The EU share in world FDI outflows increased considerably in 2005 (to 56 % from 26 % in 2004) due to a significant decline in outward FDI flows from the United States, dropping from EUR 207 bn in 2004 to a disinvestment of EUR -22 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⁾.

United States, Canada and Switzerland remain the top three destinations of EU FDI outward flows in 2006

In 2006, there was a new upsurge of FDI flows to the United States and Canada. Of the EUR 260 bn total of EU FDI outward flows, EUR 72 bn was invested in the United States (130 % increase from 2005). Canada received EUR 30 bn (12 % of total extra-EU investments), followed by Switzerland (EUR 21 bn and share of 8 %).

The United States and Switzerland also remained the main investors in the EU in 2006, accounting for respective shares of 48 % and 11 % of the total extra-EU investments received (EUR 157 bn).

(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.

Table 0.1

Main partners for EU FDI outward and inward flows in 2006*

	Outward flows		Inward flows	
	EUR bn	%	EUR bn	%
Extra EU of which	260.2	100.0%	157.1	100.0%
Europe (non-EU) of which	66.8	25.7%	25.8	16.4%
Switzerland	20.9	8.0%	16.7	10.6%
Norway	5.9	2.3%	1.6	1.0%
Candidate Countries**	12.0	4.6%	-0.5	-0.3%
Croatia	1.5	0.6%	-0.1	0.0%
Turkey	10.5	4.0%	-0.4	-0.3%
Russia	10.4	4.0%	-0.5	-0.3%
Ukraine	2.0	0.8%	-0.1	0.0%
Africa	11.8	4.5%	1.9	1.2%
North America of which	102.5	39.4%	82.7	52.6%
USA	72.0	27.7%	75.6	48.1%
Canada	30.4	11.7%	7.0	4.5%
Central America of which	30.2	11.6%	17.8	11.3%
Mexico	1.2	0.5%	0.1	0.1%
South America of which:	9.3	3.6%	1.9	1.2%
Brazil	5.1	1.9%	1.1	0.7%
Argentina	1.5	0.6%	0.1	0.0%
Asia of which	30.6	11.8%	29.5	18.8%
Japan	0.5	0.2%	13.6	8.7%
China (incl. Hong Kong)	8.9	3.4%	1.8	1.1%
Indonesia	-2.0	-0.8%	-0.5	-0.3%
India	2.5	0.9%	0.5	0.3%
South Korea	1.3	0.5%	1.0	0.6%
Oceania of which	7.6	2.9%	4.5	2.9%
Australia	7.2	2.8%	3.7	2.3%
OECD (non-EU)	150.4	57.8%	120.5	76.7%
Offshore financial centres***	50.8	20.0%	29.2	18.6%

*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: Croatia and Turkey.

*** Offshore financial centres is an aggregate used in Eurostat and ECB FDI data which includes 38 countries (for example Hong Kong, Singapore, Jersey, Bahamas, Bermuda, Cayman Islands). For the complete list of countries please refer to Annex 4.

North America hosted 39 % of the EU's outward FDI stocks at the end of 2006, stocks in Asia remain at 13 %

The value of EU FDI outward stocks increased from EUR 1 905 bn at the end of 2002 to EUR 2 706 bn at the end of 2006 (an increase of 42 %).

North America, hosting EU FDI stocks of EUR 1 078 bn, continued to be by far the favourite destination of EU FDI, even if its share dropped by 4 percentage points from the situation at the end of 2002.

The stocks held in non-EU Europe accounted for 23 % of EU's outward stocks in 2006, an increase of EUR 225 bn and 2 percentage points from the situation at the end of 2002.

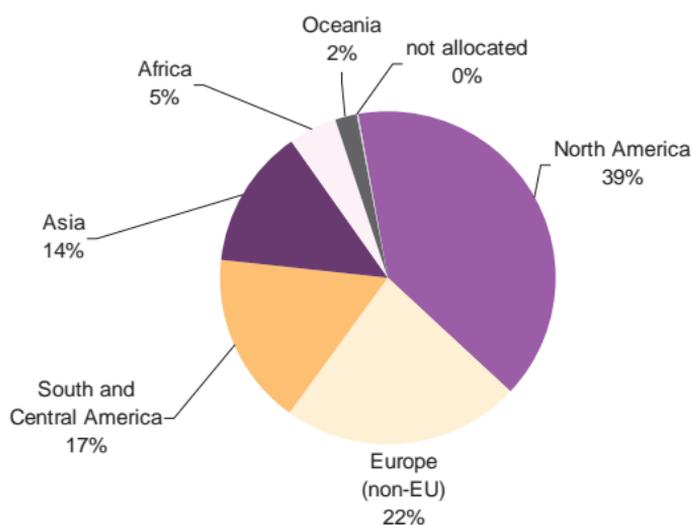
The combined share of South and Central America increased from 12 % at the end of 2002 to 17 % at the end of 2006. However, FDI stocks held in South America increased by 73 % and by 127 % in Central America over the period in question.

Whereas Africa increased its share by two percentage points to 5 % at the end of 2006, the shares of the rest of the continents remained at same level as in 2002.

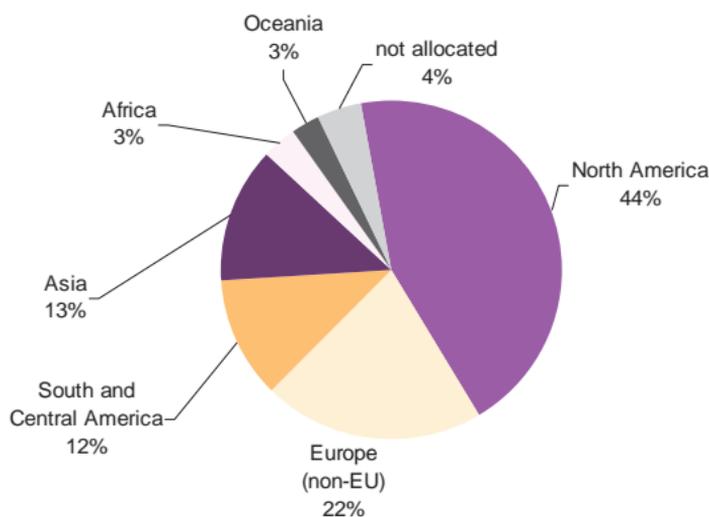
Chart 0.6

EU-25 FDI outward stocks by main destination

(end - 2006)



(end - 2002)



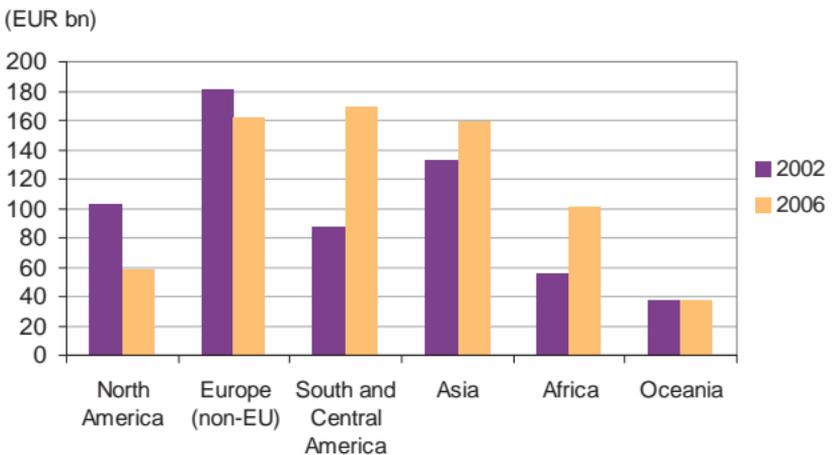
North American FDI assets in the EU higher than EU FDI assets in North America at the end of 2006

Total EU FDI net assets (outward minus inward stocks) amounted to EUR 649 bn at the end of 2006 returning to a similar level than at the end of 2002 (EUR 640 bn) after some decline in the previous years (Chart 0.3). At the end of 2006, net assets with North America were EUR 59 bn dropping from a net position of EUR 103 bn in 2002.

Whereas net assets in Europe (non-EU) and in Oceania decreased between 2002 and 2006, net assets in South and Central America, Asia and Africa increased by 93 %, 19 % and 84 % respectively.

Chart 0.7

EU FDI net* assets, 2002 and 2006



*Net= Outward - inward

Most FDI still going to services

Extra-EU outward stocks were marked by continued gradual increase in the dominance of *services* activities⁽⁴⁾ (from 65 % at the end of 2002 to 68 % at the end of 2005), accompanied by a decline in the share of *manufacturing* (from 25 % at the end of 2002 to 21 % at the end of 2005). 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.

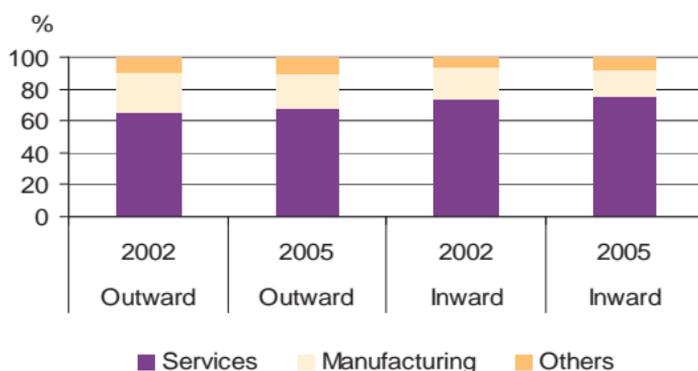
(4) Services activities consist of: trade, hotels and restaurants, transport, telecommunication, financial intermediation, business services (includes business and management consulting, advertising, computer activities and research and development), real estate services, other services not elsewhere classified.

(5) Other activities include agriculture and fishing, mining and quarrying, electricity, gas and water, construction and not allocated.

The relative importance of *services* activities was even more pronounced for inward stocks: at EUR 1 359 bn they accounted for 75 % of total EU FDI inward stocks at the end of 2005.

Chart 0.8

Extra-EU FDI outward stocks by main activity 2002 and 2005



Net FDI income record high at EUR 87 bn in 2006

At EUR 211 bn in 2006, EU income earned from FDI abroad reached its highest level over the period under consideration, making for a 10 % rise from 2005. This can be compared with the 11 % increase in the EU FDI outward stocks from 2005 to end-2006.

Income paid to foreign owners in 2006 recorded a 13 % increase to EUR 124 bn. The resulting net FDI income amounted to a record EUR 87 bn in 2006 (EUR 18 bn in 2002) representing 0.75 % of EU's GDP in 2006.

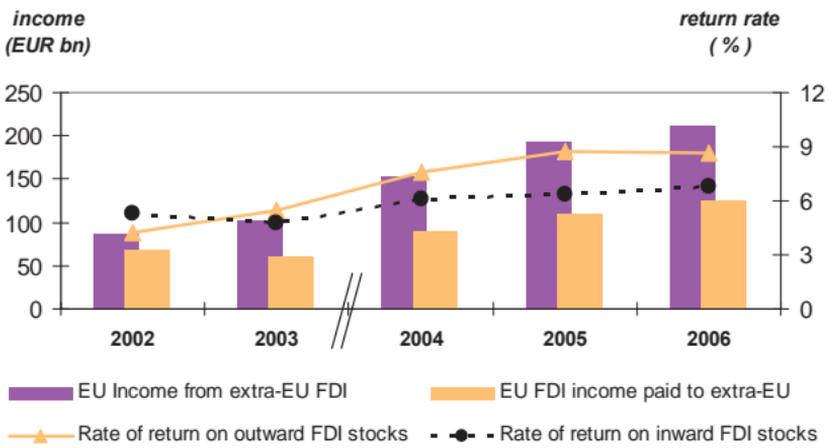
The rate of return⁽⁶⁾ gained on the EU outward stocks remained stable between 2005 and 2006 at 8.7 %. The rate of return earned by foreign owners continued to increase peaking at 6.8 % in 2006. As shown in Chart 0.9 (right-hand scale), in the last four years, the rate of return on EU outward FDI was higher than on EU inward FDI.

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

Chart 0.9

EU FDI income and rates of return 2002-2006, EUR bn

EU-27 for 2004-2006, EU-25 for 2002-2003



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, rising to EUR 260.2 bn in 2006

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

EU FDI outward flows in 2006 up 11 % on 2005

After the sharp decline in 2002, and the period of moderate growth during 2003-04, foreign direct investment outflows from the EU picked up by 65 % in 2005 and continued to grow in 2006.

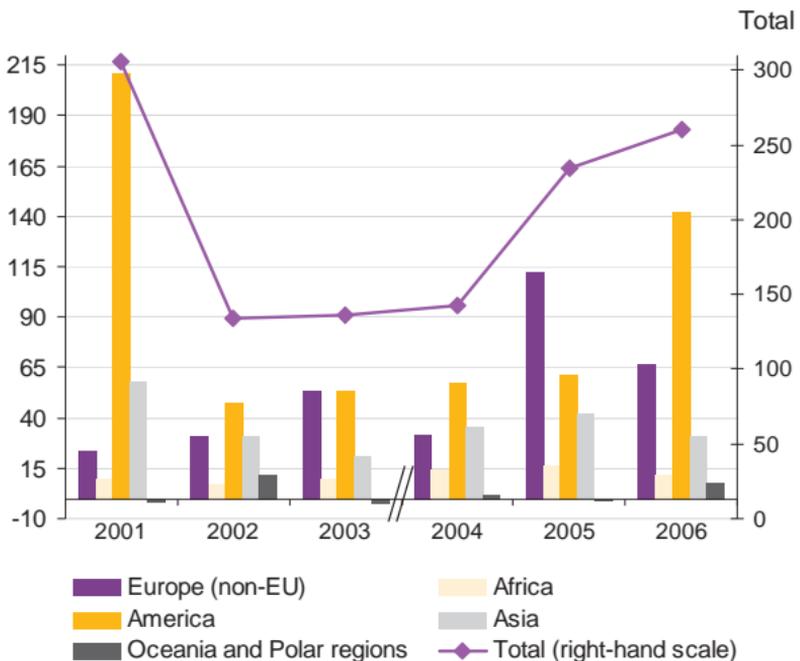
In 2006, the American continent was the main destination of EU FDI outflows with a share of 55 %. The outflows to America more than doubled in value compared with 2005, reaching EUR 141.9 bn, the highest level since 2002.

The record outflows of EUR 112.5 bn in 2005 to the European continent (non-EU countries) were explained by the recovery of investment flows to Switzerland. In 2006 non-EU Europe attracted investment flows worth EUR 66.8 bn (26 % of total extra-EU flows).

The United Kingdom, with outflows of EUR 67.2 bn and a share of 26 % of the EU total, was the largest investor in extra-EU in 2006, followed by France (EUR 41.8 bn or 16 %) and Germany (EUR 31.1 bn or 12 %).

Chart 1.1

Extra-EU outward FDI flows, by main continents, EUR bn
EU-27 for 2004-2006, EU-25 for 2001-2003



Outflows to the United States doubled in 2006, reaching EUR 72 bn

Table 1.1
Geographical distribution of EU FDI outflows 2004-2006*

	Flows (EUR bn)			Share (%) in 2006
	2004	2005	2006	
Extra-EU-27	142.3	234.5	260.2	100%
Europe (non-EU)	31.6	112.5	66.8	26%
EFTA	-4.3	74.7	26.9	10%
Switzerland	-11.9	74.4	20.9	8%
Norway	7.6	0.3	5.9	2%
Croatia	0.6	1.1	1.5	1%
Russia	6.0	9.6	10.4	4%
Turkey	1.2	4.4	10.5	4%
Ukraine	0.3	5.8	2.0	1%
Africa	13.9	16.3	11.8	5%
North African countries	3.4	1.8	5.9	2%
Egypt	1.2	0.8	3.3	1%
Morocco	0.2	1.1	1.2	0%
Other African countries	10.4	14.6	5.9	2%
Nigeria	0.4	3.2	1.9	1%
Republic of South Africa	6.0	7.4	4.5	2%
America	57.4	61.3	141.9	55%
North American countries	13.2	43.3	102.5	39%
Canada	-2.3	12.0	30.4	12%
United States	15.5	31.3	72.0	28%
Central American countries	36.1	8.5	30.2	12%
Mexico	10.8	2.8	1.2	0%
South American countries	8.1	9.5	9.3	4%
Argentina	-1.3	1.7	1.5	1%
Brazil	5.7	7.4	5.1	2%
Chile	2.0	0.9	0.3	0%
Venezuela	1.1	1.0	1.8	1%
Asia	35.5	42.3	30.6	12%
Near and Middle East countries	2.1	3.4	3.6	1%
Gulf Arabian Countries	1.2	2.4	2.5	1%
Other Asian countries	33.5	38.9	27.0	10%
China	3.9	6.2	6.0	2%
Hong Kong	11.3	3.9	2.9	1%
India	1.6	2.5	2.5	1%
Indonesia	0.2	4.0	-2.0	-1%
Japan	5.8	11.9	0.5	0%
Korea**	2.0	5.0	1.3	0%
Singapore	2.7	-0.2	10.2	4%
Taiwan	1.2	3.0	0.8	0%
Oceania and Polar regions	1.7	-1.2	7.6	3%
Australia	0.9	-1.9	7.2	3%
New Zealand	0.7	0.5	0.4	0%
ACP countries***	12.5	18.4	20.0	8%
OECD countries (non-EU)	30.1	140.7	150.4	58%
Offshore financial centres****	65.0	25.4	50.8	20%

* 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.

** Republic of South Korea.

*** African, Caribbean and Pacific countries (Lomé convention)

**** Offshore financial centres is an aggregate used in Eurostat and ECB FDI data which includes 38 countries (for example Hong Kong, Singapore, Jersey, Bahamas, Bermuda, Cayman Islands). For the complete list of countries please refer to Annex 4.

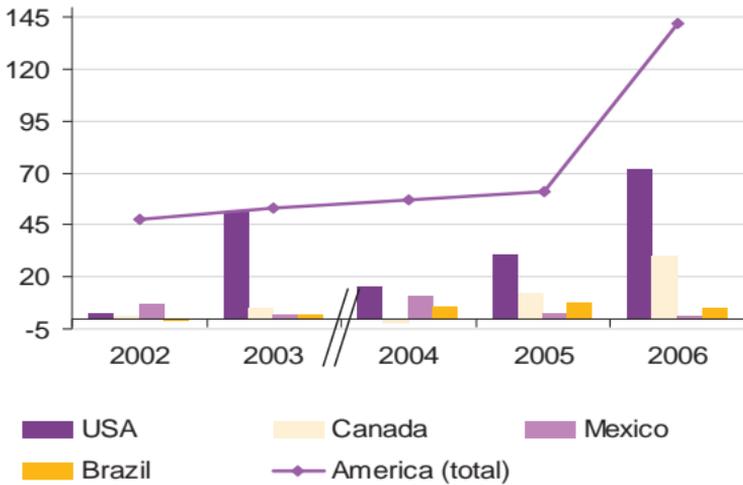
The United States strengthened its position as the main destination of EU investment with outflows of EUR 72 bn in 2006, up 130 % on the previous year.

In 2006 FDI outflows from the United Kingdom to the United States went down drastically (decrease of EUR 24 bn from 2005), but this decline was largely offset by considerably higher German outflows (increase of EUR 20 bn from 2005) and growth in outflows from Luxembourg, Ireland, Spain, Hungary and France.

Large growth was also recorded in EU outflows to Canada, as they reached the highest level since 2001 with EUR 30.4 bn (12 % of total extra-EU). Canada was the country attracting most FDI from the United Kingdom in 2006.

Chart 1.2

EU outflows to America 2002-2006, EUR bn
EU-27 for 2004-2006, EU-25 for 2002-2003



European (non-EU) countries: Switzerland main partner, investments in Turkey and Russia rising

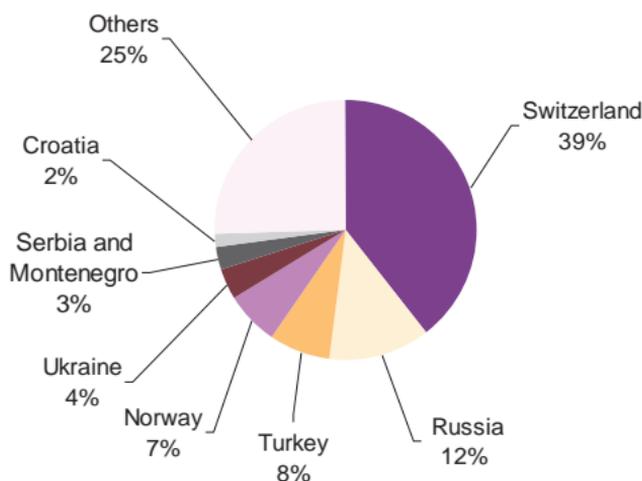
The share of EU FDI outflows directed to European (non-EU) countries has consistently been above 20 % since 2002, reaching 48 % in 2005. In absolute terms, these investments were at their peak in 2005 with EUR 112.5 bn.

Investments in Switzerland have been fluctuating in recent years, from a disinvestment of EUR -11.9 bn in 2004 to a record investment of EUR 74.4 bn in 2005. In 2006, it was still the major European partner with outflows of EUR 20.9 bn.

Investments in Russia and Turkey have been rising steadily since 2002. In 2006, outflows to Turkey jumped to EUR 10.5 bn (EUR 4.4 bn in 2005), which was mainly due to acquisitions of companies in the *financial* and *telecommunication* sectors (further information in Chapter 3).

Chart 1.3

Extra-EU cumulated FDI outflows towards Europe (non-EU) in 2004-2006



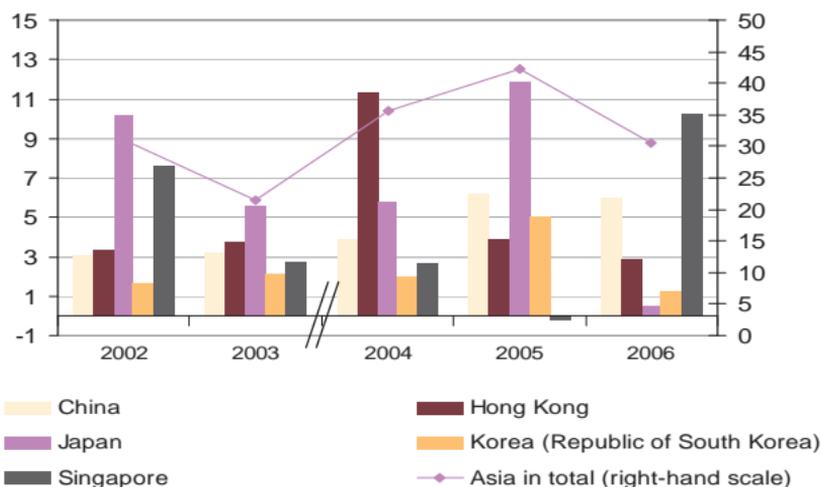
Asia: EUR 11 bn drop in investments in Japan

2006 saw a drop in investments in Asia, with outward investment flows down from EUR 42.3 bn in 2005 to EUR 30.6 bn in 2006. The most significant change with an individual partner was recorded with Japan. In 2004 and 2005 the investment flows were EUR 5.8 bn and EUR 11.9 bn, but in 2006 investments in Japan dropped to EUR 0.5 bn, mainly explained by a disinvestment of EUR -5.4 bn recorded in equity capital in 2006. This disinvestment was due to some large sell-offs of foreign affiliates to Japanese companies, for example Vodafone Group Plc.'s withdrawal from the Japanese mobile phone markets ⁽⁷⁾.

Chart 1.4

EU FDI outflows to Asia 2002-2006, EUR bn

EU-27 for 2004-2006, EU-25 for 2002-2003



(7) Source: UNCTAD, "World investment report 2007".

57 % of EU FDI outward stocks in America

Table 1.2
Geographical distribution of EU FDI assets 2004-2006*

	Stocks at end (EUR bn)			Share (%) in 2006
	2004	2005	2006	
Extra-EU-27	2 199.9	2 435.2	2 706.2	100%
Europe (non-EU)	406.5	509.5	619.8	23%
EFTA	297.7	352.3	376.8	14%
Switzerland	250.4	310.8	333.2	12%
Norway	45.	39.4	41.5	2%
Croatia	5.8	8.2	11.8	0%
Russia	21.6	33.3	52.2	2%
Turkey	13.7	23.3	33.	1%
Ukraine	1.8	7.7	:	:
Africa	110.2	119.2	125.1	5%
North African countries	23.	26.1	32.9	1%
Egypt	7.5	8.9	11.5	0%
Morocco	9.5	11.4	12.9	0%
Other African countries	87.2	93.1	92.1	3%
Nigeria	11.3	14.7	22.5	1%
Republic of South Africa	43.5	47.1	44.	2%
America	1 252.5	1 370.4	1 533.6	57%
North American countries	895.8	947.2	1 078.5	40%
Canada	80.5	97.	119.6	4%
United States	815.8	850.4	934.3	35%
Central American countries	211.6	255.4	287.1	11%
Mexico	40.3	44.8	43.2	2%
South American countries	145.1	167.8	168.	6%
Argentina	31.2	33.7	32.3	1%
Brazil	72.8	84.4	88.	3%
Chile	17.6	17.	13.5	0%
Venezuela	5.6	9.4	11.1	0%
Asia	345.5	368.4	367.7	14%
Near and Middle East countries	22.1	26.	27.3	1%
Gulf Arabian Countries	12.	14.2	14.8	1%
Other Asian countries	323.4	342.4	340.5	13%
China	22.5	28.2	32.7	1%
Hong Kong	97.7	85.4	83.4	3%
India	9.1	11.1	13.4	0%
Indonesia	7.1	10.9	9.5	0%
Japan	79.5	90.2	75.5	3%
Korea**	20.6	28.9	29.2	1%
Singapore	45.8	48.8	54.3	2%
Taiwan	7.1	10.4	9.3	0%
Oceania and Polar regions	67.2	58.7	55.7	2%
Australia	60.3	52.8	50.6	2%
New Zealand	6.5	5.8	5.2	0%
ACP countries***	96.5	108.3	120.7	4%
OECD (non-EU)	1 413.6	1 544.	1 661.9	61%
Offshore financial centres****	398.3	443.2	543.6	20%

* 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.

** Republic of South Korea.

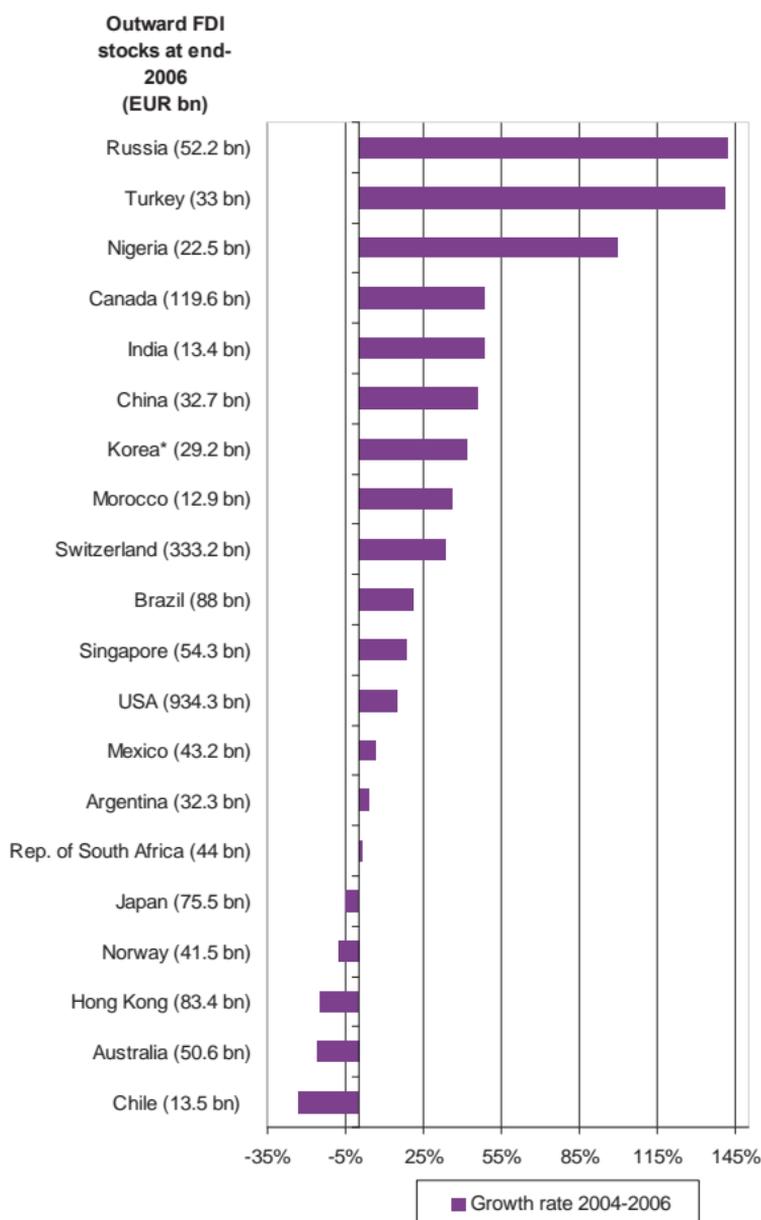
*** African, Caribbean and Pacific countries (Lomé convention).

**** Offshore financial centres is an aggregate used in Eurostat and ECB FDI data which includes 38 countries (for example Hong Kong, Singapore, Jersey, Bahamas, Bermuda, Cayman Islands). For the complete list of countries please refer to Annex 4.

EU FDI outward stocks: top 20 countries

Chart 1.5

Growth rate of outward FDI stocks held in the EU for top 20 destinations



* Republic of South Korea.

Chart 1.5 shows the recent evolution of extra-EU stocks held in the 20 largest partners, ranked according to the growth rate between 2004 and 2006.

Fastest growth in extra-EU stocks was recorded in Russia and Turkey: the value of stocks held in those countries rose by over 140 %. In absolute terms the value of stocks in Russia went up by EUR 30.6 bn and in Turkey by EUR 19.3 bn from 2004 to 2006. The main investment partners, namely the United States and Switzerland, recorded the highest growth in absolute terms

(EUR 118.5 bn for the United States and EUR 82.8 bn for Switzerland).

The investment stocks held in Japan, Norway, Hong Kong, Australia and Chile fell between 2004 and 2006, leading to negative growth rates.

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

Three Member States accounted for the bulk of EU outward FDI stocks at the end of 2004: the United Kingdom, France and Germany. These three Member States made up 45 % of extra-EU outward stocks.

At the end of 2005, the United Kingdom's share of extra-EU stocks was more than one fifth. 46 % of the United Kingdom's stocks were held in the United States (EUR 241 bn).

France was the second main investor, with a 12 % share of EU FDI stocks, followed by Germany with 11 %. With a value of EUR 145 bn, 49 % of French stocks were held in the United States, 9 % in Switzerland and 8 % in Japan. For Germany the United States was the main partner too, with a share of 56 % of German stocks (EUR 155 bn).

Table 1.3

Geographical distribution of EU FDI assets, three main investors abroad at end-2005, EUR bn

Stocks at end-2005	EU-27	United Kingdom	France	Germany	Other EU Member States
Extra-EU-27	2 435	520	295	277	1 343
Europe (non-EU)	509	70	40	36	364
EFTA	352	19	34	17	283
Switzerland	311	12	28	16	256
Russia	33	3	2	7	22
Turkey	23	:	2	3	:
Ukraine	8			5	3
Africa	119	30	18	5	66
Republic of South Africa	47	20	1	4	23
America	1 370	315	186	185	685
North American countries	947	260	167	164	356
Canada	97	19	23	9	47
United States	850	241	145	155	310
Central American countries	255	42	5	10	198
Mexico	45	4	2	4	34
South American countries	168	13	13	11	131
Brazil	84	5	10	8	62
Asia	368	80	45	45	199
Near and Middle East countries	26	5	5	1	14
Other Asian countries	342	75	39	44	184
China	28	4	3	11	11
Hong Kong	85	30	3	4	49
India	11	3	1	3	4
Japan	90	9	24	8	49
Singapore	49	10	3	6	30
Oceania and Polar regions	59	23	7	6	23
Australia	53	21	6	5	20

: Missing or confidential data.

In 2006 extra-EU outflows from the United Kingdom EUR 67.2 bn, France second with EUR 41.8 bn

Table 1.4

Geographical distribution of EU FDI outflows, three main investors abroad in 2006, EUR bn

	EU-27	United Kingdom	France	Germany	Other EU Member States
Extra-EU-27	260.2	67.2	41.8	31.1	120.1
Europe (non-EU)	66.8	18.1	15.9	5.7	27.1
EFTA	26.9	:	12.4	1.8	:
Switzerland	20.9	10.2	10.8	0.8	-0.8
Russia	10.4	0.0	1.0	2.3	7.1
Turkey	10.5	0.7	0.6	0.7	8.5
Africa	11.8	0.4	2.9	1.3	7.1
Republic of South Africa	4.5	2.1	0.2	0.5	1.7
America	141.9	29.8	17.1	18.0	77.0
North American countries	102.5	12.5	15.6	16.3	58.1
Canada	30.4	12.0	0.8	0.7	16.8
United States	72.0	0.4	14.8	15.6	41.2
Central American countries	30.2	14.4	0.4	0.0	15.4
Mexico	1.2	0.5	0.0	0.8	0.0
South American countries	9.3	2.9	1.2	1.7	3.5
Brazil	5.1	0.5	0.8	1.0	2.7
Asia	30.6	12.2	5.2	6.2	7.0
Near and Middle East countries	3.6	2.0	1.0	0.7	-0.2
Other Asian countries	27.0	10.2	4.2	5.5	7.1
China	6.0	0.5	0.3	2.4	2.7
Hong Kong	2.9	2.9	0.6	0.5	-1.1
India	2.5	0.4	0.5	0.7	0.9
Japan	0.5	0.6	1.7	-0.5	-1.4
Singapore	10.2	3.8	0.5	1.2	4.7
Oceania and Polar regions	7.6	5.4	0.7	-0.1	1.6
Australia	7.2	4.8	0.7	-0.1	1.9

: Missing or confidential data.

The main partner for the United Kingdom in 2006 was Canada with EUR 12 bn. Investments in the United States were at their lowest level since 2002, dropping from EUR 24.4 bn in 2005 to EUR 0.4 bn in 2006 due to large intercompany flows from subsidiaries in the United States to their parents in the United Kingdom.

In recent years there have been several major cross-border takeovers where French companies have been involved. In 2006 the major partners for France were the United States (with EUR 14.8 bn) and Switzerland (with EUR 10.8 bn). Major takeovers by French companies that were completed in 2006 were the acquisition of Lucent Technologies Inc. (United States) by Alcatel SA for EUR 10.8 bn and acquisition of the Swiss company Winterthur by AXA SA for EUR 8 bn.⁽⁸⁾

Some large takeovers with the United States where German enterprises were involved in 2006 were the acquisition of Engelhart Corp. (United States) by BASF AG (EUR 3.9 bn), acquisition of Reebok International Ltd. (United States) by Adidas-Salomon AG for

(8) Source: UNCTAD "World investment report 2007".

EUR 3.3 bn and acquisition of Renal Care Group Inc (United States) by Fresenius Medical Care AG & Co for EUR 3.2 bn⁽⁹⁾.

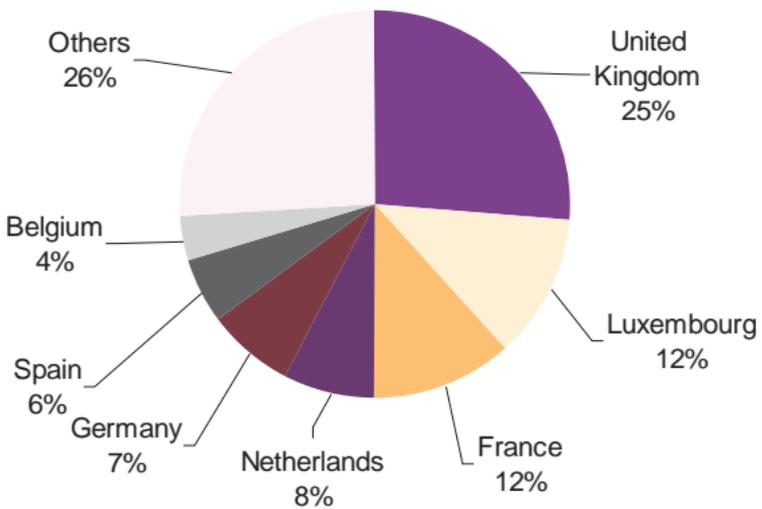
Cumulated flows 2004-2006: 25 % from the United Kingdom

The cumulated flows 2004-06 confirm the United Kingdom's position as the leading investor among the EU Member States: one fourth of the EU outward flows in 2004-06 originated from the United Kingdom.

Luxembourg's importance as the second largest investor is mainly explained by its role as a centre of *financial intermediation* activities.

Chart 1.6

Share in EU FDI outward flows to extra-EU-27, 2004-2006



(9) Source: UNCTAD "World investment report 2007".

Extra-EU FDI outflows in terms of GDP: the Netherlands recorded the highest value in 2006

The ratio of extra-EU FDI flows to EU GDP was 2.2 % in 2006, up slightly on the previous year.

The four main EU investor countries increased their outward FDI to GDP ratio between 2005 and 2006.

With the exception of 2004, the Netherlands had the highest ratio of outward FDI to GDP over the period 2002-06. In 2006, the ratio was 4.2 %.

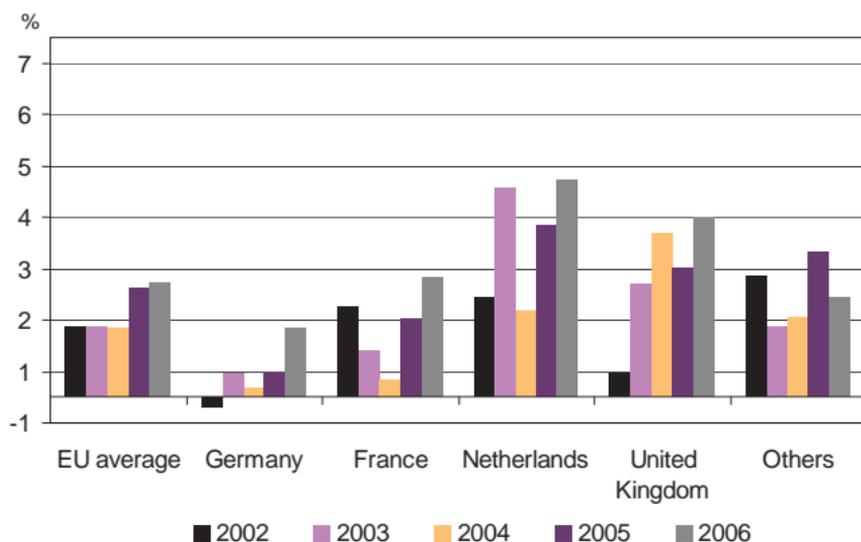
Generally, Germany recorded the lowest ratios among the main investor countries presented in Chart 1.7. However, in 2006 the ratio reached 1.3 %.

France's FDI to GDP ratio increased from 1.8 % in 2002 to 2.3 % in 2006, with the lowest level in 2004 at 0.3 %.

Chart 1.7

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

EU-27 for 2004-2006, EU-25 for 2002-2003



1.2 FDI income from extra-EU countries

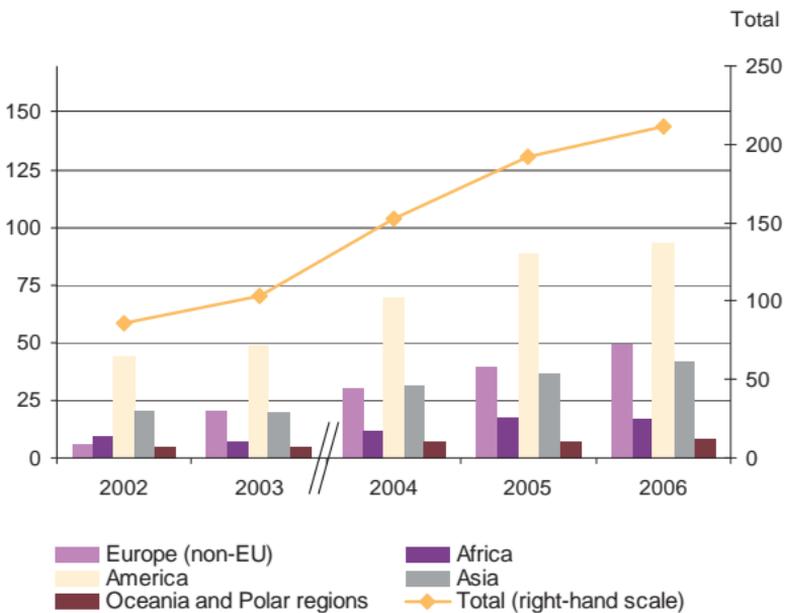
FDI income 10 % up between 2005 and 2006

EU FDI income from extra-EU FDI grew steadily over the period 2002-06, with values rising from EUR 85.8 bn to EUR 211.3 bn.

With EUR 92.9 bn in 2006, America was the main source of FDI income to the EU during the entire period. The income flows it provided averaged EUR 68.7 bn over the five-year period. Asia was the second largest provider of FDI income to the EU during the entire period, averaging EUR 30.1 bn over the five years.

Chart 1.8

EU FDI income from extra-EU FDI, EUR bn
EU-27 for 2004-2006, EU-25 for 2002-2003



Stocks, income and yield: 8.7 % yield on EU FDI abroad in 2006

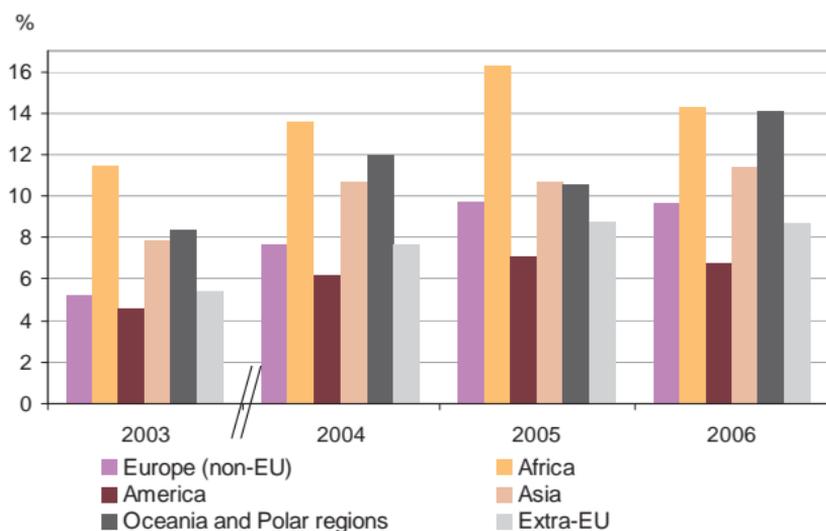
The ratio⁽¹⁰⁾ of income in a given period to stocks at the beginning of that period appears as an indicator of FDI profitability in Chart 1.9. Over the period 2003-06, extra-EU outward FDI yielded an annual average of 7.7 %, with the rate of return on extra-EU FDI rising from 5.4 % in 2003 to 8.7 % in 2006.

Africa had the highest rate of return over the period 2003-06. America, where most of EU FDI stocks are held (57 % in 2006), yielded rather low rates of return on EU investments, ranging from 4.5 % in 2003 to 6.8 % in 2006.

Chart 1.9

Extra-EU FDI rate of return

EU-27 for 2004-2006, EU-25 for 2003



(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 extra-EU countries continued to grow and reached EUR 157.1 bn in 2006.

2.1 FDI from extra-EU countries: trend and main investors

EU FDI inward flows up by 170 % from 2004 to 2006

After a sharp decline in 2004, EU FDI inward flows increased by 118 % between 2004 and 2005 and by 24 % between 2005 and 2006. This amounts to an increase of EUR 30.1 bn in 2006.

In 2005, America regained its position as the main investor in the EU and this trend is confirmed in 2006 by a further growth in investment of EUR 21.2 bn – corresponding to a 26 % rise from 2005. Investment from America accounted for 65 % of the global amount invested in the EU in 2006.

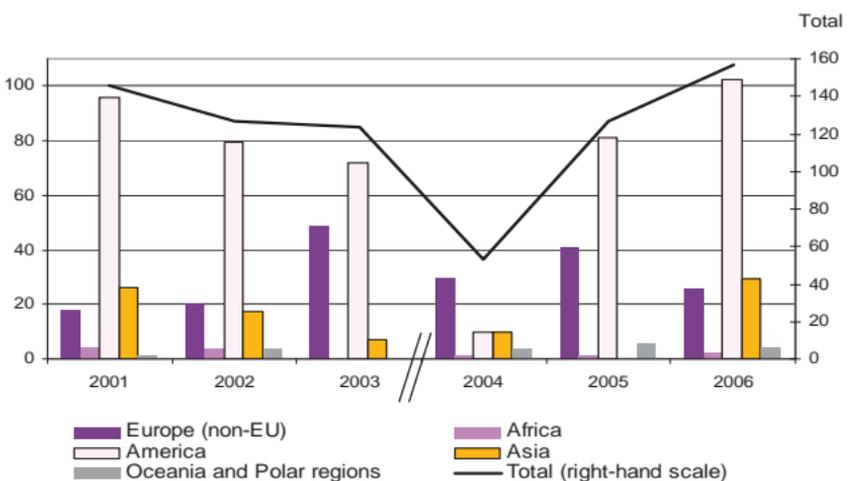
Asia was the second largest investor in 2006, with EUR 29.5 bn and a 19 % share. Its investment in 2006 was the highest since 2002 and increased by EUR 31.8 bn compared to 2005. Asian investment in the EU originated mainly from Japan, which invested EUR 13.6 bn in 2006.

The European continent (non-EU countries) was the third largest investor in the EU, with EUR 25.8 bn, representing 16 % of extra-EU inward FDI flows. Following the sharp decline of inward flows from European non-EU countries in 2004 and the steep rise by 37 % in 2005, EU FDI inward flows fell by 36 % in 2006.

With EUR 4.5 bn and a 3 % share, Oceania and the Polar regions was the fourth biggest investor in the EU, followed by Africa with EUR 1.9 bn and a share of 1 %.

Chart 2.1

Extra-EU inward FDI flows, by main continents, EUR bn
EU-27 for 2004-2006, EU-25 for 2001-2003



2006: extremely strong year for foreign investment into the EU

Inward FDI into EU countries reached its highest levels since 2000. This was mainly linked to the record level of global merger and acquisition transactions in 2006.

Table 2.1

Geographical distribution of EU-27 FDI inward flows 2004-2006*

	Flows (EUR bn)			Share (%) in 2006
	2004	2005	2006	
Extra-EU-27	58.3	127.0	157.1	100%
Europe (non-EU)	29.6	40.6	25.8	16.4%
EFTA	17.2	22.1	20.1	12.8%
Switzerland	16.6	18.8	16.7	10.6%
Norway	-1.1	1.3	1.6	1.0%
Russia	0.3	2.8	-0.5	-0.3%
Africa	1.0	1.1	1.9	1.2%
North African countries	0.2	0.1	0.4	0.3%
Other African countries	0.8	0.9	1.5	1.0%
Republic of South Africa	0.2	0.4	0.8	0.5%
America	11.7	81.2	102.4	65.1%
North American countries	7.4	75.1	82.7	52.6%
Canada	-4.1	7.8	7.0	4.5%
United States of America	11.5	67.3	75.6	48.1%
Central American countries	-0.6	2.4	17.8	11.3%
Mexico	1.2	1.2	0.1	0.1%
South American countries	4.9	3.7	1.9	1.2%
Brazil	4.0	2.9	1.1	0.7%
Asia	11.2	-2.2	29.5	18.8%
Near and Middle East countries	-6.2	2.1	11.0	7.0%
Other Asian countries	17.4	-4.3	18.5	11.8%
China	0.5	-0.1	2.2	1.4%
Hong Kong	4.8	1.1	-0.4	-0.3%
Indonesia	0.1	0.4	-0.5	-0.3%
India	0.0	0.5	0.5	0.3%
Japan	8.2	-4.6	13.6	8.7%
Korea**	1.4	1.3	1.0	0.6%
Singapore	0.5	-2.0	5.0	3.2%
Taiwan	-0.1	-0.2	0.4	0.2%
Oceania	3.7	5.3	4.5	2.9%
Australia	3.7	5.1	3.7	2.3%
New Zealand	-0.1	0.1	0.3	0.2%
ACP countries ***	1.1	0.2	4.5	2.9%
Offshore financial centres ****	17.1	17.0	29.2	18.6%
OECD countries (non-EU)	39.3	100.2	120.5	76.7%

* 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.

** Republic of South Korea.

*** African, Caribbean and Pacific countries (Lomé convention).

**** Offshore financial centres - refer to Annex 4.

USA at the top in total EU inward investment in 2006

With a share of 48 % in 2006, the United States was the main investor in total EU inward flows. Following the sharp drop in EU inward flows from the United States in 2004 (EUR 11.5 bn), inflows expanded to EUR 67.3 bn in 2005 and EUR 75.6 bn in 2006 (+12 % on the year before).

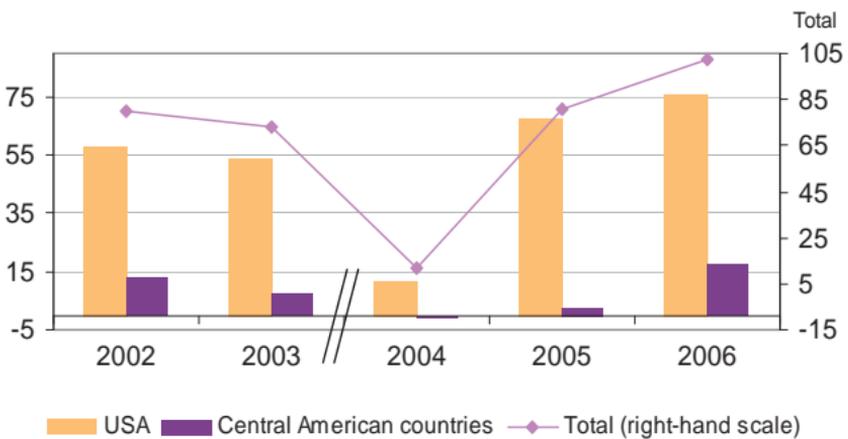
Big strategic deals were put in place in 2006, which reinforced the position of the United States. These included the acquisition of TDC A/S (Denmark) by Nordic Telephone Co ApS for EUR 8.4 bn, VNU NV (Netherlands) by Valcon Acquisition BV for EUR 7.6 bn and Philips Semiconductors (Netherlands) by Investor Group for EUR 7.5 bn. Several other transactions were made in the domains of *telecommunications*, *hotels*, *courier services*, *banks* and *pharmaceuticals* ⁽¹¹⁾.

Significant growth was recorded in FDI inflows from Central America, which surged to EUR 17.8 bn in 2006 due to investment from central American offshore financial centres in particular.

Chart 2.2

EU FDI inflows from America, EUR bn

EU-27 for 2004-2006, EU-25 for 2002-2003



Switzerland remained the main investor in the EU among non-EU countries in 2006

The second main investor in the EU was Switzerland, with EUR 16.7 bn, representing 11 % of total EU FDI inflows. Unlike the United States, Switzerland reduced its investments in the EU by 11 % compared with the previous year.

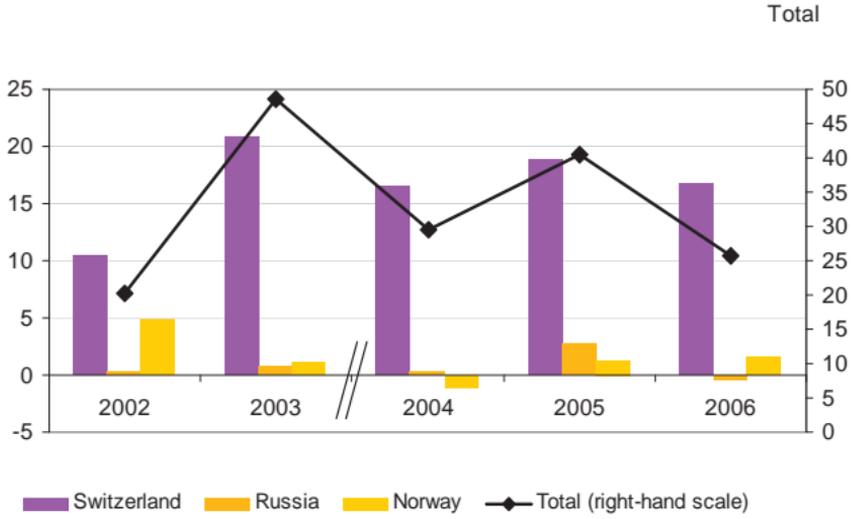
Russia also reduced its investment in the EU, with a disinvestment of EUR -0.5 bn in 2006 compared with the EUR 2.8 bn invested in 2005.

(11) Source: UNCTAD, "World Investment Report 2007".

Chart 2.3

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

EU-27 for 2004-2006, EU-25 for 2002-2003



Japan: sharp increase in FDI inflows to the EU

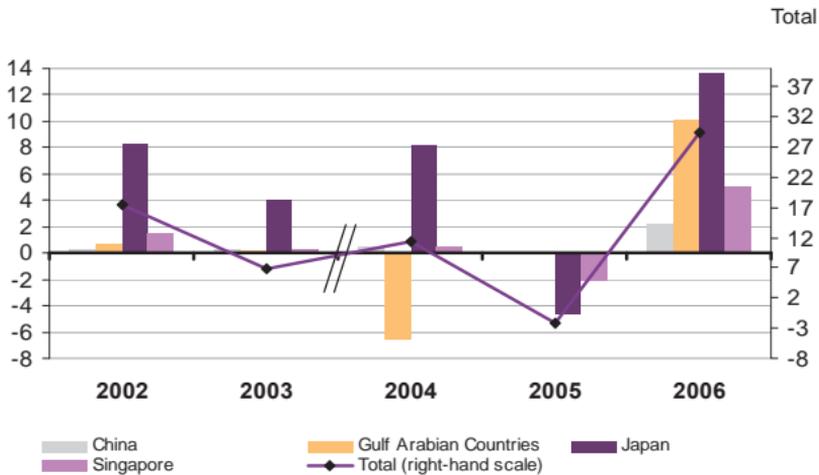
Japan recorded the strongest increase over the period 2005-06, with values jumping from a disinvestment of EUR -4.6 bn to investments of EUR 13.6 bn in 2006. This is the highest level since 2001 (55 % rise between 2001 and 2006). Japan's share of total extra-EU FDI inflows picked up from -4 % to 9 %, placing it third among the top investors in the EU.

One of the transactions of Japanese investors in the EU was the acquisition of Pilkington Plc. (United Kingdom) by Nippon Sheet Glass Co Ltd. for EUR 1.9 bn ⁽¹²⁾.

Chart 2.4

EU FDI inflows from Asia, EUR bn

EU-27 for 2004-2006, EU-25 for 2002-2003



(12) Source: UNCTAD, "World Investment Report 2007".

The same trend as for Japan was recorded in the volume of EU inflows from Singapore, reversing from the EUR -2.0 bn of disinvestment in 2005 to EUR 5.0 bn invested in the EU in 2006.

Mention can be made of two transactions by United Arab Emirates' investors in 2006 targeting the United Kingdom: acquisition of Travelodge Hotels Ltd. and Doncasters Plc. by Dubai International Capital (both for EUR 1 bn) ⁽¹³⁾.

Although with relatively small investments in absolute values, China also stepped up its investments between 2005 and 2006 (from a disinvestment of EUR -0.1 bn to an investment of EUR 2.2 bn), reaching 7 % of EU FDI inflows from Asia.

EU FDI inward stocks – the strong capital inflows resulted in a substantial increase in the stock of inward FDI

Table 2.2

Geographical distribution of EU-27 FDI liabilities 2004-2006

	Stocks at end (EUR bn)			Share (%) in 2006
	2004	2005	2006	
Extra-EU-27	1 732.5	1 823.2	2 057.3	100%
Europe (non-EU)	339.4	402.4	457.4	22.2%
EFTA	269.8	298.8	324.7	15.8%
Switzerland	233.5	240.1	247.8	12.0%
Norway	28.6	45.9	63.0	3.1%
Russia	5.8	12.3	12.7	0.6%
Africa	14.7	19.5	23.5	1.1%
North African countries	3.1	3.6	4.4	0.2%
Other African countries	11.6	15.9	19.2	0.9%
Republic of South Africa	4.5	4.2	4.0	0.2%
America	1 143.9	1 180.6	1 306.2	63.5%
North American countries	907.7	937.3	1 019.9	49.6%
Canada	70.9	76.8	81.0	3.9%
United States of America	842.2	874.5	953.7	46.4%
Central American countries	224.2	229.2	261.3	12.7%
Mexico	8.1	8.8	8.4	0.4%
South American countries	11.9	14.1	25.0	1.2%
Brazil	3.3	6.2	10.5	0.5%
Asia	160.9	162.6	208.7	10.1%
Near and Middle East countries	18.6	21.5	35.2	1.7%
Other Asian countries	142.3	141.1	173.5	8.4%
China	1.8	1.1	3.6	0.2%
Hong Kong	16.9	16.8	16.4	0.8%
Indonesia	0.4	-2.6	-3.3	-0.2%
India	0.7	2.5	3.2	0.2%
Japan	89.2	82.7	99.3	4.8%
Korea *	5.5	6.1	7.6	0.4%
Singapore	17.7	28.2	40.0	1.9%
Taiwan	0.8	0.6	0.8	0.0%
Oceania	37.9	23.5	17.8	0.9%
Australia	37.1	22.8	17.3	0.8%
New Zealand	0.7	1.0	1.8	0.1%
ACP countries **	17.3	22.3	28.2	1.4%
Offshore financial centers ***	351.3	378.5	393.8	19.1%
OECD countries (non-EU)	1 321.8	1 371.3	1 492.7	72.6%

* Republic of South Korea.

** African, Caribbean and Pacific countries (Lomé convention).

*** Offshore financial centres - refer to Annex 4.

(13) Source: UNCTAD, "World Investment Report 2007".

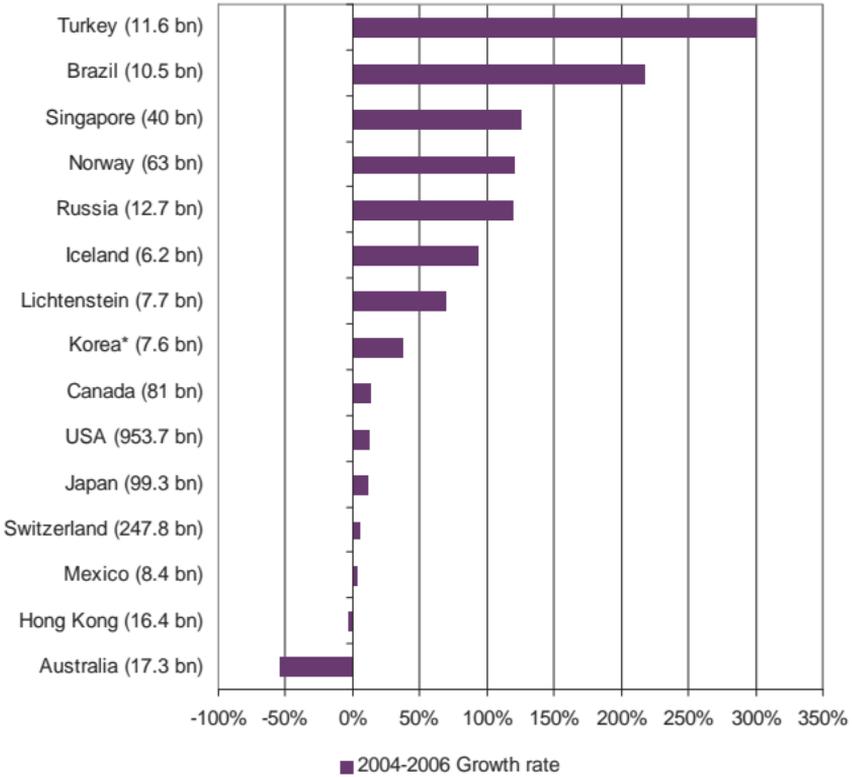
Top 15 investor countries

Chart 2.5 illustrates the recent evolution of stocks held by the 15 largest partners, ranked according to growth rate between 2004 and 2006.

Chart 2.5

Growth rate of inward FDI stocks held in the EU for top 15 investors

Inward FDI stocks
at end-2006
(EUR bn)



*Republic of South Korea.

The highest rate of growth was recorded by Turkey, followed by Brazil and Singapore. This was due to the steady growth of stocks at the end of each period, even if the increase in absolute value was relatively small (rising from EUR 2.9 bn in 2004 to EUR 11.6 bn in 2006 for Turkey, from EUR 3.3 bn to EUR 10.5 bn for Brazil and from EUR 17.7 bn to EUR 40 bn for Singapore) when comparing with the United States.

United States, the main investor in the EU, recorded the biggest growth in absolute terms between the years 2004-06, investment stocks increasing from EUR 842.2 bn in 2004 to EUR 953.7 bn in 2006.

In absolute terms, Norway recorded the second biggest growth, EUR 34.4 bn during the period in question.

The investment stocks held in the EU by Switzerland, the second biggest investor, rose from EUR 233.5 bn in 2004 to EUR 247.8 bn in 2006, representing a growth rate of 6 %.

Major hosts of inward FDI in the EU: the United Kingdom took a fifth of stocks in 2005

Table 2.3

Geographical distribution of EU-27 FDI liabilities, three main recipients at end-2005, EUR bn

Stocks at end-2005	EU-27	United Kingdom	Netherlands	France	Other EU Member States
Extra-EU-27	1 823.2	355.8	154.5	144.5	1 168.4
Europe (non-EU)	402.4	47.6	36.4	45.3	273.2
EFTA	298.8	36.5	21.4	42.5	198.4
Switzerland	240.1	31.6	17.7	39.8	151.1
Norway	45.9	1.6	3.7	2.5	38.1
Russia	12.3	:	0.1	0.5	:
Candidate countries*	7.5	:	:	0.1	:
Africa	19.5	0.7	0.5	2.1	16.1
North African countries	3.6	0.2	0.1	1.0	2.2
Other African countries	15.9	0.5	0.4	1.1	13.9
Republic of South Africa	4.2	0.3	0.0	0.1	3.9
America	1 180.6	254.0	106.4	75.9	744.4
North American countries	937.3	:	:	70.6	:
Canada	76.8	22.7	:	6.6	:
USA	874.5	218.5	73.2	64.0	518.8
Central American countries	229.2	12.6	30.9	4.5	181.3
Mexico	8.8	:	0.0	0.4	:
South American countries	14.1	:	:	0.7	:
Brazil	6.2	:	0.8	0.3	:
Asia	162.6	35.2	10.7	18.4	98.3
Near and Middle East Countries	21.5	4.3	2.5	4.5	10.3
Other Asian countries	141.1	30.8	8.2	14.0	88.1
China	1.1	0.2	0.0	0.1	0.8
Hong Kong	16.8	:	0.1	1.2	:
Japan	82.7	15.3	7.0	11.4	49.0
Singapore	28.2	1.5	0.2	0.6	25.9
Oceania and Polar regions	23.5	18.3	0.6	1.4	3.2
Australia	22.8	18.0	0.6	1.1	3.2

* Turkey and Croatia.

: missing or confidential data.

At the end of 2005, the United Kingdom was the main host of direct investments in the EU-27, holding 19.5 % of the EU-27 total.

The Netherlands was the second most attractive country of destination for investment, with 8.5 % of the EU-27 total, followed by France (7.9 %) and Germany (7.8 %). For all of these four countries, the largest partners at the end of 2005 were the United States, Switzerland and Japan. About 50 % of the EU FDI stocks held by the United States, Switzerland and Japan were hosted in the four countries in question.

The amount of EU FDI stocks held by the United States in the three main host countries totalled EUR 356 bn at the end of 2005, which is an increase of 21 % compared with the previous year. The United States' FDI stocks increased in all three countries between 2004 and 2005: by 31 % in the United Kingdom, 6 % in the Netherlands and 11 % in France.

The main host of FDI from Switzerland at the end of 2005 was France, with an increase of 5 % between 2004 and 2005.

Switzerland's FDI stocks increased sharply in the United Kingdom, from EUR 20 bn to EUR 32 bn (57 %), but decreased by 2 % in the Netherlands.

Japan's FDI stocks dropped in the United Kingdom (-9 %), in France (-3 %) and decreased considerably in the Netherlands (-35 %). The United Kingdom remained the main host of FDI stocks from Japan.

United Kingdom, Luxembourg and Germany attracted most of the inward flows in 2006

Table 2.4

Geographical distribution of EU-27 FDI flows, three main recipients in 2006, EUR bn

2006 Flows	EU-27	United Kingdom	Luxembourg	Germany	Other EU Member States
Extra-EU-27	157.1	57.1	25.2	15.0	59.9
Europe (non-EU)	25.8	9.2	4.8	1.1	10.8
EFTA	20.1	7.6	1.8	-0.2	10.8
Switzerland	16.7	6.9	1.4	-0.4	8.8
Norway	1.6	0.3	0.1	0.1	1.1
Russia	-0.5	:	-1.0	0.5	:
Candidate countries*	-0.5	:	-0.1	0.0	:
Africa	1.9	0.2	0.0	0.1	1.6
Republic of South Africa	0.8	0.1	0.0	0.2	0.5
America	102.4	27.7	18.1	12.0	44.5
North American countries	82.7	:	7.9	5.1	:
Canada	7.0	5.2	0.6	0.1	1.1
USA	75.6	20.5	7.3	5.0	42.8
Central American countries	17.8	1.9	10.0	6.7	-0.8
South American countries	1.9	:	0.2	0.2	:
Brazil	1.1	:	0.2	0.1	:
Asia	29.5	17.3	1.9	1.8	8.5
Near and Middle East countries	11.0	0.4	0.0	7.4	3.2
Other Asian countries	18.5	9.9	1.9	1.4	5.2
China	2.2	0.0	2.1	0.3	-0.2
Japan	13.6	5.4	0.0	0.6	7.6
Singapore	5.0	:	-0.3	0.0	:
Oceania and Polar regions	4.5	2.7	0.3	-0.1	1.5
Australia	3.7	2.1	0.3	-0.1	1.3

* Turkey and Croatia.

: missing or confidential data.

The United Kingdom was the largest recipient of direct investment flows in the EU-27, hosting 36 % of the EU-27 total in 2006.

Luxembourg was the second main destination, with 16 % of the EU-27 total, followed by Germany (10 %).

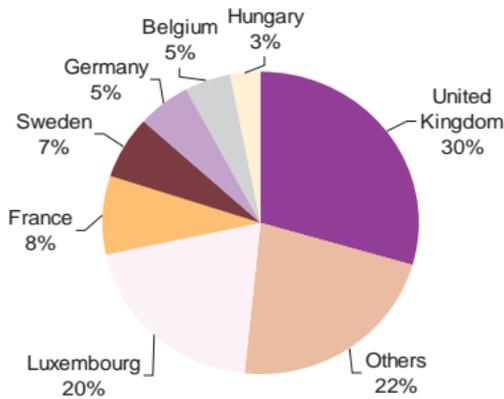
United Kingdom confirms its leading position – receiving 30 % of cumulated investment flows over the period 2004-2006

The United Kingdom was the main destination of 2004-06 FDI cumulated inflows from outside the EU, followed by Luxembourg (20 %), France (8 %) and Sweden (7 %).

Luxembourg's importance as the second biggest destination of EU FDI inflows is mainly explained by its role as a centre of *financial intermediation* activities.

Chart 2.6

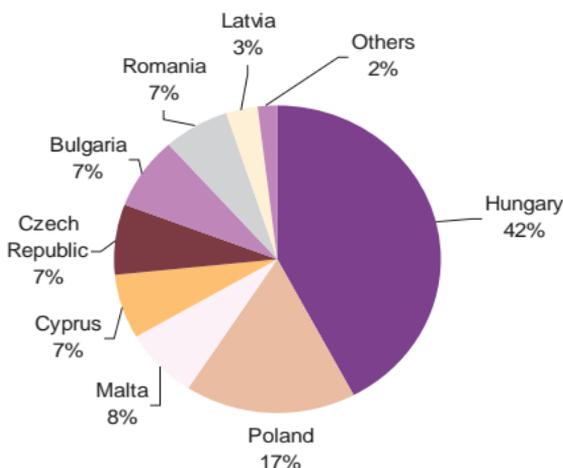
Share in EU-27 FDI inward flows from extra-EU 2004-2006



The largest cumulated 2004-2006 inflows among the 12 new Member States went to Hungary

Chart 2.7

Share of new MSs in FDI inflows from extra-EU27



FDI inflows to the 12 new Member States continued their upward trend. Total FDI inflows from extra-EU countries to these countries more than doubled from 2004 to 2006. Hungary was the top

recipient of that group, followed by Poland, Malta and the Czech Republic.

2.2 Income paid on inward EU FDI

Income paid on inward FDI shows steady growth since 2003: up 13 % in 2006

Income paid to foreign investors reached EUR 124 bn in 2006, increasing 13 % between 2005 and 2006. At the same time, the FDI stocks held by extra-EU countries experienced the same growth in percentage terms, with an increase from EUR 1 823.2 bn to EUR 2 057.3 bn (Table 2.2).

At EUR 65 bn, EU FDI income accruing to the United States in 2006 was 8 % higher than in 2005 and accounted for more than half (52 %) of total FDI income paid to extra-EU investor countries.

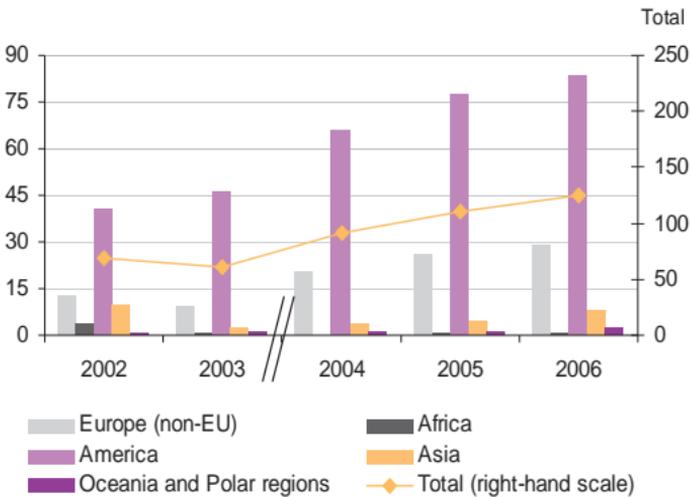
Switzerland, with EUR 21.5 bn (12 % more than in 2005), received 17 % of the total inward FDI income and was the second main recipient country.

Japan recorded the biggest growth of inward EU FDI income (55 %) between 2005 and 2006, reaching EUR 5.2 bn in 2006, which was 4 % of total inward FDI income.

Chart 2.8

Income paid on inward EU FDI, EUR bn

EU-27 for 2004-2006, EU-25 for 2002-2003



Stocks, income and yield: 6.8 % return on EU inward FDI in 2006

The ratio ⁽¹⁴⁾ of income in a given period to stocks at the beginning of that period is used as an indicator of FDI profitability (Chart 2.9). In 2006, the rate of return on FDI capital invested by extra-EU countries rose from 6.3 % to 6.8 %.

The geographical breakdown shows that America, Asia and Oceania registered increases in their rate of return during the period 2003-06.

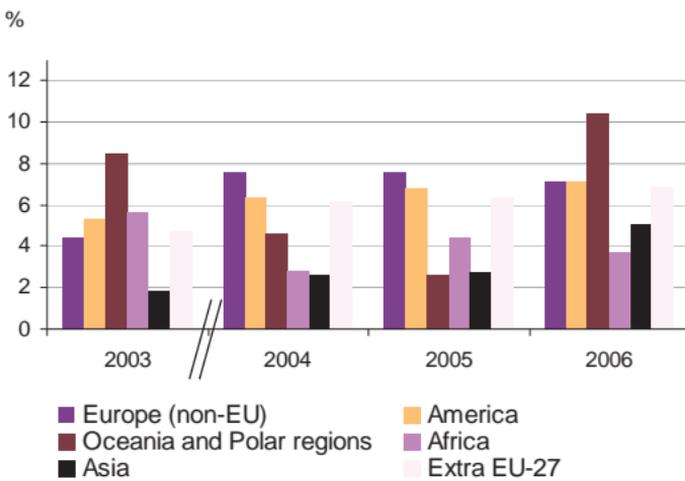
Oceania's yield picked up more than three-fold to 10 % in 2006 while Africa's yield increased by 84 % to 5.1 %. America's rate of return increased only by 4 %, reaching a yield of 7.1 %.

Europe (non-EU) and Africa observed a small dip in the rate of return in 2006.

Chart 2.9

Rate of return on FDI in the EU

EU-27 for 2004-2006, EU-25 for 2003



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

Chapter 3:

The role of emerging markets

Chapter 3: The role of emerging markets

EU FDI in emerging markets: increased flows in 2006

Data on the activity of European enterprises in emerging markets are monitored very closely by policy-makers and analysts. Despite the plunge in investment activity that had been recorded in those markets in previous years, EU FDI outflows to emerging markets showed a constant growth for the whole period under review - the only exception being 2003, when EU outflows reached their lowest point (EUR 34 bn).

EU outward flows to emerging markets increased in the subsequent years to reach EUR 73 bn in 2006, after increasing by 14 % from 2005 (EUR 64 bn). This increase was mainly due to a more than two-fold increase in the Mediterranean partner countries (MPCs) from EUR 7 bn in 2005 to EUR 15 bn in 2006, and lesser increases in Latin America and Central/Eastern European countries and Russia (CEEER).

This chapter examines the trend in direct investments made by the EU in Latin America, Far East Asia, MPCs and CEEER.

Emerging markets

- **Latin America:** Argentina, Brazil, Paraguay, Uruguay, Bolivia, Chile, Colombia, Costa Rica, Cuba, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, El Salvador, Venezuela
- **Far East Asia:** Asia ⁽¹⁵⁾ excluding Japan
- **Mediterranean partner countries (MPCs):** Maghreb countries (Algeria, Morocco, Tunisia), Machrek countries (Egypt, Jordan, Lebanon, Palestinian Territory: Occupied, Syrian Arab Republic), Turkey, Israel
- **Central/Eastern European countries and Russia (CEEER):** Albania, Bosnia and Herzegovina, Croatia, Macedonia: the former Yugoslav Republic of, Serbia, Montenegro, Russia, Belarus, Ukraine

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

Trend in EU FDI flows to emerging markets: from 2002 to 2006

During the period 2002-06, EU FDI flows to emerging markets increased, peaking in 2006 at EUR 73 bn. The increase was more prominent in 2004, when outflows were up 73 % on 2003 levels. This rise was mainly due to enhanced EU outflows to Latin America.

2004 was a record year for Far East Asia with EU investments in that region reaching EUR 28 bn. Thereafter, EU investments in the region settled at EUR 27 bn in 2005 and remained unchanged in 2006.

EU outflows to Latin America recorded their lowest level in 2003, at EUR 5 bn, which represented a 54 % drop compared to the 2002 figure of EUR 11 bn. 2004 was the year when an upsurge in EU FDI flows brought investments in Latin America to the unprecedented level of EUR 20 bn. EU flows to Latin America fell back to EUR 12 bn in 2005 and 2006.

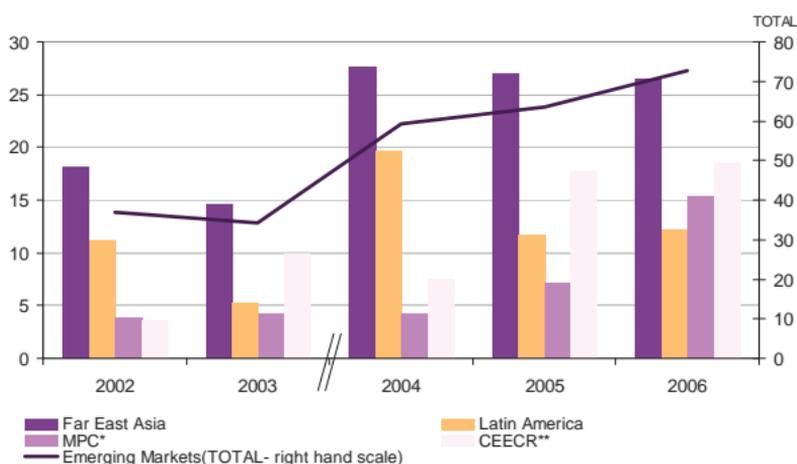
The CEECR attracted significant EU investment activity throughout the period into question. EU outflows in the area started low, at EUR 4 bn in 2002, and peaked in 2006 at EUR 19 bn, slightly above the 2005 level (EUR 18 bn).

EU FDI outflows to the MPCs remained stable at EUR 4 bn during the period 2002-04. In 2005, EU investment activity in the region almost doubled, reaching EUR 7 bn. This startling level of growth continued in 2006, when EU flows to the MPCs almost doubled again, reaching EUR 15 bn.

Chart 3.1

EU FDI flows towards Emerging Markets, EUR bn

EU-27 for 2004-2006, EU-25 for 2002-2003



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

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

In which emerging markets did EU investors invest?

EU FDI outflows to emerging markets, as a share of total EU external FDI flows, remained rather constant throughout the period in question. 2004 was the peak period, with 42 %. In 2006, the share fell back to 28 %, which is the same level as in 2002.

Table 3.1

Share of emerging markets in total extra-EU FDI outflows, 2002 to 2006

EU-27 for 2004-2006, EU-25 for 2002-2003

	2002	2003	2004	2005	2006
Emerging Markets	28	25	42	27	28
Far East Asia	14	11	19	12	10
Latin America	8	4	14	5	5
MPC*	3	3	3	3	6
CEEER**	3	7	5	8	7
Other extra-EU countries	72	75	58	73	72

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

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

In 2006, Far East Asia took the highest share (10 %) of EU FDI flows to emerging markets. The main recipients of investments were Singapore (EUR 10.2 bn) and China including Hong Kong (EUR 8.9 bn). EU FDI outflows to the CEEER totalled 7 %, while FDI flows to MPCs represented 6 % and to Latin America 5 % of total EU outflows targeting the emerging markets.

EU FDI inflows from emerging markets: lower FDI flows to the EU in 2006

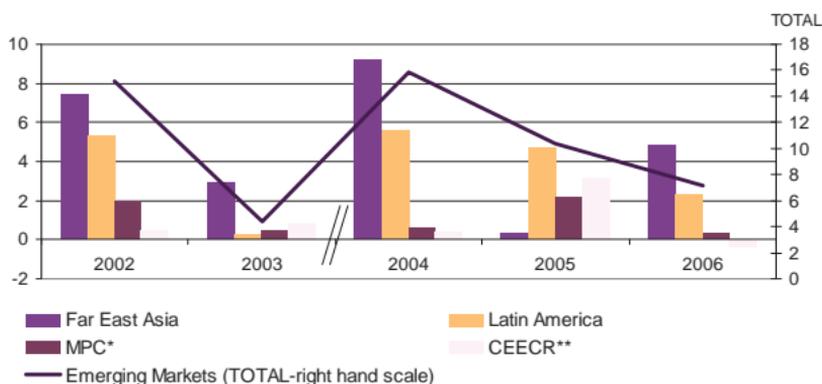
A traditional feature of the EU's bilateral relations with emerging markets is that outward FDI outstrips inward FDI by a wide margin. When comparing the five years under consideration, 2004 was the peak year for FDI flows to the EU from the emerging markets, with EUR 16 bn. Far East Asia, with EUR 9 bn, was the main source of EU investment coming from the emerging markets.

In the subsequent two years, investments in the EU by the emerging markets followed a downward trend. 2006 saw a considerable dip in EU inflows, as investments from the emerging markets fell to EUR 7 bn. Investments from Latin America, the MPCs and the CEECR contributed most to the fall in EU FDI inflows from the emerging markets. This decrease was largely offset by increased investments from Far East Asia.

Chart 3.2

EU FDI inflows from Emerging Markets, EUR bn

EU-27 for 2004-2006, EU-25 for 2002-2003



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

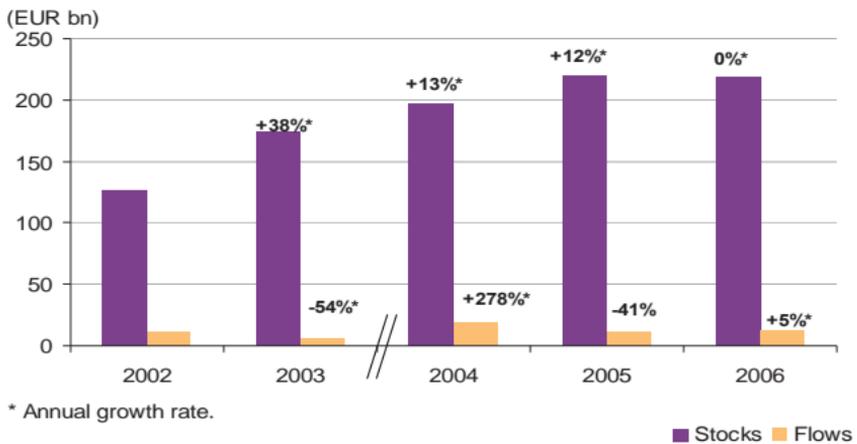
**The CEECR comprise Albania, Bosnia and Herzegovina, Croatia, Macedonia: the former Yugoslav Republic of, Serbia, Montenegro, Russia, Belarus and Ukraine.

3.1. Latin America: stable EU FDI outward flows in 2006

Chart 3.3

EU FDI outward flows and stocks in Latin America

EU-27 for 2004-2006, EU-25 for 2002-2003



EU FDI outflows towards Latin America continued to decrease markedly during the period 2002-03, dropping from EUR 11.2 bn in 2002 to EUR 5.2 bn in 2003. In 2004, EU FDI flows to the region picked up, EUR 19.7 bn, but fell back to just over half that level in 2005 and remained there in 2006. This fall was mainly due to decreased investments (-88 %) in EU outflows to Mexico, due to the decrease in Spain's investments (EUR 200 mn in 2006 compared to EUR 7 bn in 2004). In addition, the Netherlands withdrew capital from all Latin American countries except Brazil, and contributed significantly to the trimming of EU investments in Latin America in 2006. Brazil was the main recipient of EU investments in Latin America in both 2005 and 2006, having Spain as the principal EU investor.

Table 3.2

EU FDI outflows to Latin American countries, 2002–2006, EUR mn

EU-27 for 2004-2006, EU-25 for 2002-2003

	2002	2003	2004	2005	2006
Extra-EU	133 897	135 873	142 278	234 538	260 202
Latin America	11 244	5 220	19 720	11 699	12 288
<i>of which:</i>					
Mexico	6 608	2 000	10 756	2 765	1 245
Colombia	- 369	369	626	- 1 015	473
Uruguay	450	88	187	130	- 135
Venezuela	- 183	- 275	1 071	983	1 776
Brazil	- 1 367	2 135	5 709	7 389	5 061
Chile	1 564	1 643	1 987	861	303
Argentina	1 159	- 1 455	- 1 257	1 676	1 541
NICs2LA	7 961	4 323	17 198	12 688	8 155
MERCOSUR	172	750	4 599	9 195	6 451

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-2005,
EUR mn

	EU	Spain	United Kingdom	Netherlands	Germany	France	Other MS
Extra-EU	2 435 244	145 613	520 095	198 999	277 135	294 718	998 684
Latin America	219 927	93 440	17 302	15 980	15 468	14 867	62 870
<i>of which:</i>							
Brazil	84 419	27 086	4 699	8 088	7 592	9826	27 128
Mexico	44 760	21 059	4 173	4 338	4 398	1785	9 007
Argentina	33 748	21 704	1 801	1 236	901	1342	6 764
Chile	16 960	9 075	4 106	550	585	466	2 178
Venezuela	9 444	:	353	517	699	619	7 256
Colombia	5 831	2 411	1 652	341	655	155	617
Uruguay	2 717	:	18	:	:	298	2 401
NICs2LA	179 887	:	14 779	14 212	13 477	13 419	124 000
MERCOSUR	122 999	:	6 527	9 361	8 565	11 491	87 055

: missing or confidential values.

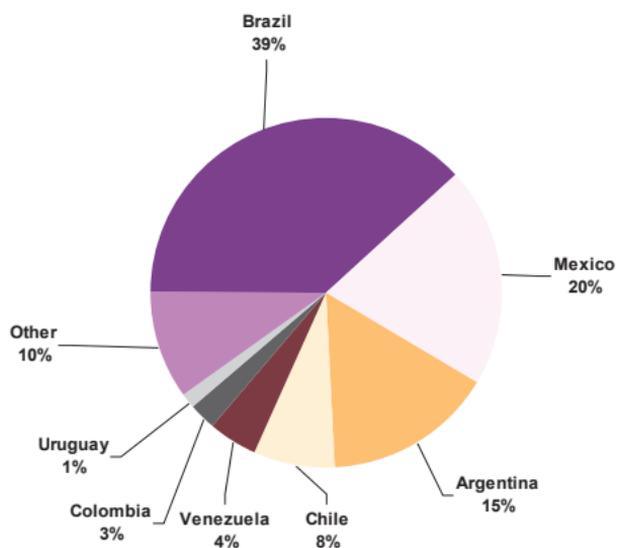
NICs2LA = Latin American newly industrialised countries in the second wave of industrialisation (Argentina, Brazil, Chile, Mexico).

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

At end-2005, 82 % 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, Mexico, Argentina and Chile. Brazil was the main host of extra-EU FDI stocks in Latin America, with 39 % of the total; Spain with EUR 27 bn, France with EUR 9.8 bn and the Netherlands with EUR 8 bn increased their investment in Brazil compared to end-2004 levels. France's bulk of FDI stocks in Brazil at end-2005 (EUR 6.6 bn) targeted the *business and management consultancy activities including those of holding companies* sector, whereas the Dutch FDI concentrated on *financial intermediation* activities.

Chart 3.4

EU FDI outward stocks in Latin America by country at end-2005

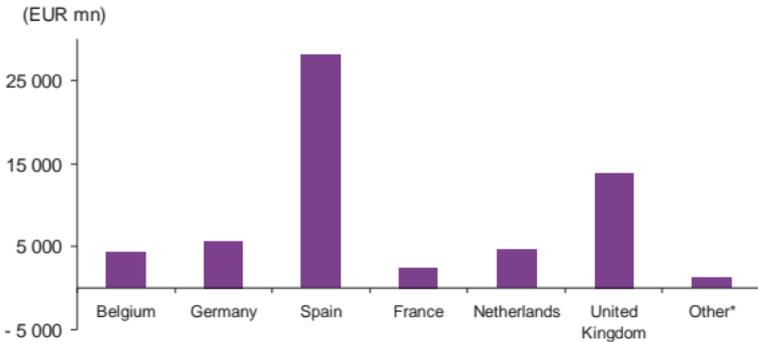


Spain: the main EU investor in Latin America

Chart 3.5

EU FDI cumulated flows towards Latin America from 2002 to 2006 by Member State

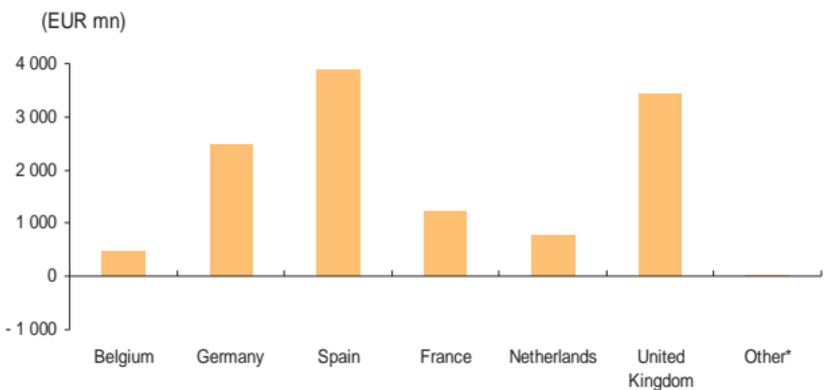
EU-27 for 2004-2006, EU-25 for 2002-2003



Looking at the cumulated flows from 2002 to 2006, Spanish investment represented 47 % of EU direct investment in Latin America. The United Kingdom was the second largest EU investor, accounting for 23 % of total EU FDI targeting Latin American countries. All the other Member States accounted for much smaller shares.

Chart 3.6

EU FDI flows towards Latin America in 2006 by Member State



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

Despite the 30 % drop since 2005, Spain maintained its position as principal EU investor in Latin America by investing EUR 3.9 bn in 2006. The United Kingdom, with EUR 3.4 bn, was next, while Germany took the third place with EUR 2.5 bn. France, with EUR 1.2 bn, also increased its investment in the region. In contrast, investments in Latin America by Belgium and the Netherlands nearly halved in 2006.

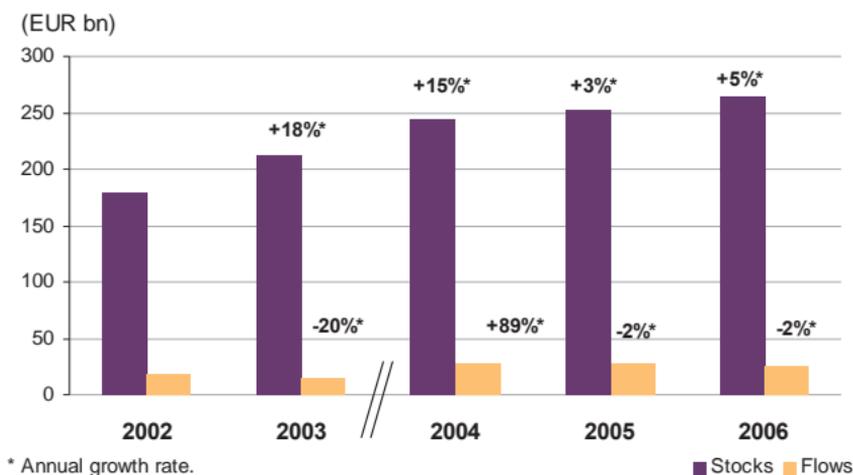
3.2. Far East Asia: EU FDI to NICs⁽¹⁶⁾ rose

EU FDI outflows towards Far East Asia⁽¹⁷⁾ stable in 2006

Chart 3.7

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

EU-27 for 2004-2006, EU-25 for 2002-2003



EU FDI outflows towards Far East Asia continued to decrease noticeably during the period 2002-03. EU investment reached its peak in the region in 2004 at EUR 27.6 bn. Over the following two years EU investments in Far East Asia stabilised at EUR 27 bn.

FDI flows to Far East Asia as a share of total EU outward flows reveal a fluctuating pattern; climbing from 14 % in 2002 to peak at 19 % in 2004, and then dropping back to 10 % in 2006.

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

(17) Far East Asia = Asia excluding Japan.

Table 3.4

EU FDI outflows to Far East Asian countries, 2002–2006, (EUR mn)

EU-27 for 2004-2006, EU-25 for 2002-2003

	2002	2003	2004	2005	2006
Extra-EU	133 897	135 873	142 278	234 538	260 202
Far East Asia	18 227	14 651	27 649	27 014	26 503
<i>of which:</i>					
India	1 075	759	1 562	2 452	2 471
Thailand	517	314	316	162	1 164
Malaysia	308	- 121	1 094	683	1 692
Indonesia	- 434	1 102	204	4 038	- 2 047
Singapore	7 669	2 772	2 696	- 188	10 246
Philippines	- 78	- 190	446	171	812
China (includ. Hong Kong)	6 417	6 959	15 202	10 127	8 893
South Korea	1 642	2 103	1 953	5 006	1 277
Taiwan	435	116	1 182	2 972	760
NICs1	13 058	8 760	17 165	11 674	15 174
NICs2A	744	6	1 858	1 018	3 672
ASEAN	7 641	4 476	4 726	4 754	12 101

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, the BOP zones in Annex 4.

2006: Singapore and China⁽¹⁸⁾ were the top EU FDI destinations.

In 2006, EU FDI flows to ASEAN countries (EUR 12.1 bn) were up 155 % on the previous year (EUR 4.7 bn).

Singapore saw unprecedented growth in 2006 as EU FDI outflows reached EUR 10.2 bn, compared to a disinvestment of EUR -188 mn in 2005. As a financial centre in the Far East Asia region, Singapore accounted for 85 % of the total EU outflows to ASEAN countries.

EU FDI flows to China continued to slide for the second consecutive year. Despite this, China is the second largest EU FDI recipient in the ASEAN region, with EUR 8.9 bn in 2006. Large M&As, particularly the acquisition of Tommy Hilfiger Corp⁽¹⁹⁾ (Hong Kong) by Apax Europe IV Fund (United Kingdom) for EUR 1.3 bn, contributed to the total EU outflows to the country.

In 2006, EU outflows to Thailand, Malaysia and Philippines improved slightly over 2005, while India continued to attract stable amounts of EU FDI at EUR 2.4 bn for a second consecutive year. In contrast, Indonesia, South Korea and Taiwan witnessed a significant decline in 2006. EU FDI outflows dropped by 151 % for Indonesia and by 74 % for South Korea and Taiwan.

(18) China including Hong Kong.

(19) Source: UNCTAD, "World Investment Report 2007".

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

Table 3.5

EU FDI outward stocks in Far East Asia at end-2005, EUR mn

	EU of which:	United Kingdom	Germany	Nether- lands	France	Other MS*
Extra-EU	2 435 244	520 095	277 135	198 999	294 718	1 439 015
Far East Asia	252 223	65 824	35 797	23 486	15 199	127 116
<i>of which:</i>						
India	11 142	3 102	2 591	1 234	1 065	4 215
Thailand	8 665	1 869	1 170	821	763	4 805
Malaysia	7 961	2 123	1 877	686	139	3 275
Indonesia	10 890	1 704	1 165	760	520	7 261
Singapore	48 752	10 425	5 649	5 287	2 925	27 391
Philippines	4 844	935	406	359	723	3 144
China (includ. Hong Kong)	113 586	33 733	14 614	3 368	5 604	61 871
South Korea	28 873	6 692	5 974	3 749	1 719	12 458
Taiwan	10 357	1 313	1 550	5 499	190	1 995
NICs1	173 396	48 245	17 094	16 074	7 388	91 983
NICs2A	21 471	4 928	3 453	1 866	1 625	11 224
ASEAN	82 838	17 495	10 353	8 396	5 377	46 594

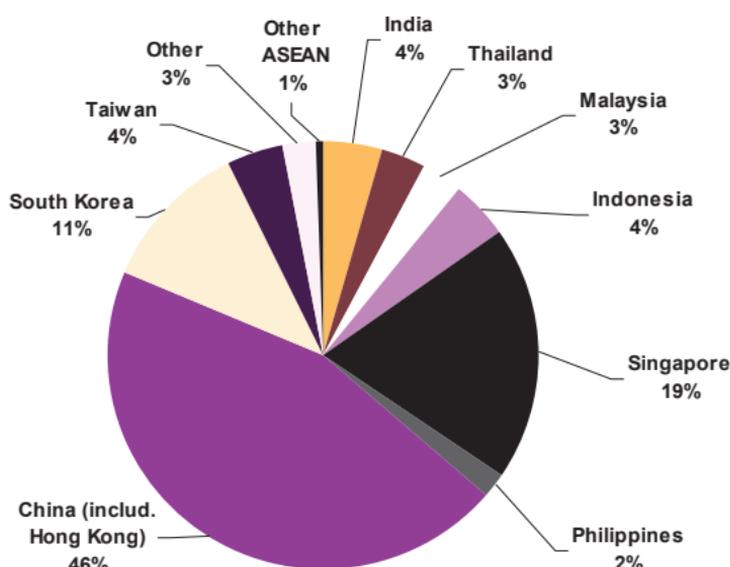
NICs1 = core newly industrialising countries (Hong Kong, South Korea, Singapore, Taiwan).
NICs2A = Asian NICs in the second wave of industrialisation (Malaysia, Philippines, Thailand).

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

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

Chart 3.8

EU FDI outward stocks in Far East Asian countries at end-2005



At end-2005, 46 % of EU FDI outward stocks in Far East Asian countries were held in China, including Hong Kong. Singapore (19 %) and South Korea (11 %) also hosted significant EU FDI capital. Three EU Member States held 46 % of total EU FDI outward stocks in Far East Asian countries: they were the United Kingdom, Germany and the Netherlands.

In 2005, the United Kingdom was the main direct investor in Far East Asia with 26 % of total EU FDI outflows to the area, followed by Germany with 14 %. The Netherlands and France also continued to make significant investments in the region.

Inflows from Far East Asia grew in 2006

Table 3.6

EU FDI inflows from Far East Asian countries, 2002-2006, EUR mn

EU-27 for 2004-2006, EU-25 for 2002-2003

	2002	2003	2004	2005	2006
Extra-EU	126 567	125 323	58 286	127 021	157 134
Far East Asia	7 384	2 861	9 248	323	4 871
<i>of which:</i>					
India	133	615	0	547	480
Thailand	608	- 92	15	32	10
Malaysia	1 007	72	13	431	- 244
Indonesia	176	- 193	80	400	- 495
Singapore	1 463	247	451	- 2 026	5 009
Philippines	14	50	1 841	154	- 122
China (includ. Hong Kong)	3 166	1 726	5 271	1 018	1 769
South Korea	- 182	304	1 420	1 276	960
Taiwan	737	- 283	- 88	- 179	382
NICs1	4 942	1 705	6 530	208	5 924
NICs2A	1 632	31	1 867	615	- 357
ASEAN	3 341	336	2 407	- 1 059	3 817

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 the BOP zones in Annex 4.

EU FDI inflows from Far East Asia reveal a particular pattern, with a year of substantial growth being followed by a year of considerable contraction. In 2006, EU inward investments from the region settled at EUR 5 bn following their lowest-ever level of EUR 323 mn in 2005. Singapore was the biggest investor in the EU in 2006, with EUR 5 bn. The United Kingdom was the main EU country that hosted the FDI capital from Singapore.

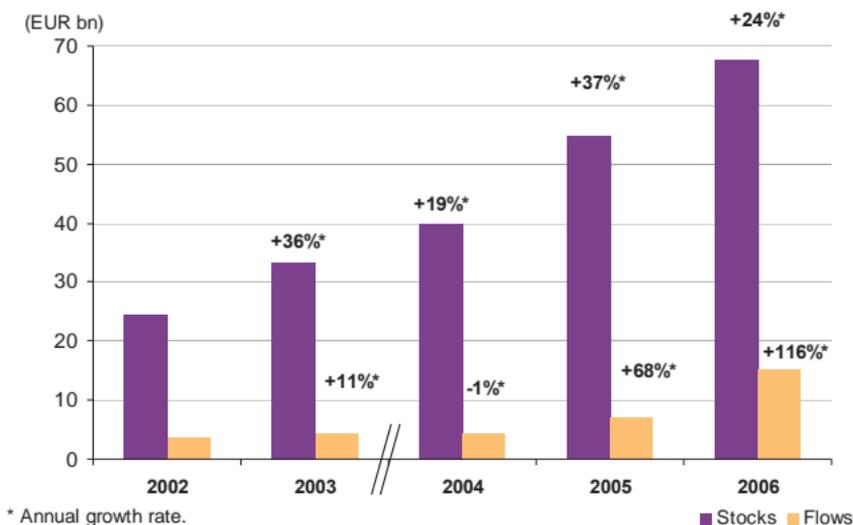
China and Taiwan were the other two ASEAN member countries that increased their investment activity in the EU. Luxembourg, with EUR 2.2 bn, accounted for 60 % of the total EU investments from China. In contrast, all the other ASEAN member countries withdrew capital from the EU.

3.3. Mediterranean partner countries ⁽²⁰⁾: more than doubled EU outflows in 2006

Chart 3.9

EU FDI outward flows, stocks and their annual growth rates in Mediterranean partner countries

EU-27 for 2004-2006, EU-25 for 2002-2003



Over the period 2002-04, EU FDI flows to Mediterranean partner countries (MPCs) remained relatively stable at around EUR 4 bn. 2005 was the first year that EU outflows to MPCs experienced unparalleled growth (EUR 7 bn). The positive trend continued in 2006 when the EU outward FDI in the region more than doubled (EUR 15.3 bn).

Turkey was the most favoured destination for EU FDI in 2006

The increase in EU FDI flows to MPCs in 2006 was mainly due to Turkey, with EUR 10.5 bn, which accounted for 69 % of total EU outflows to MPCs. The Machrek countries reached their highest-ever level of EU investment activity, at EUR 3.5 bn. Egypt, in particular, accounted for 94 % of the EU outward FDI in the Machrek countries.

Morocco attracted 84 % of the total EU investment in the Maghreb countries. In contrast, EU outflows to Israel dropped significantly from EUR 682 mn in 2005 to a disinvestment of EUR - 79 mn in 2006.

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

Table 3.7

EU FDI outflows to Mediterranean partner countries, 2002–2006, EUR mn

EU-27 for 2004-2006, EU-25 for 2002-2003

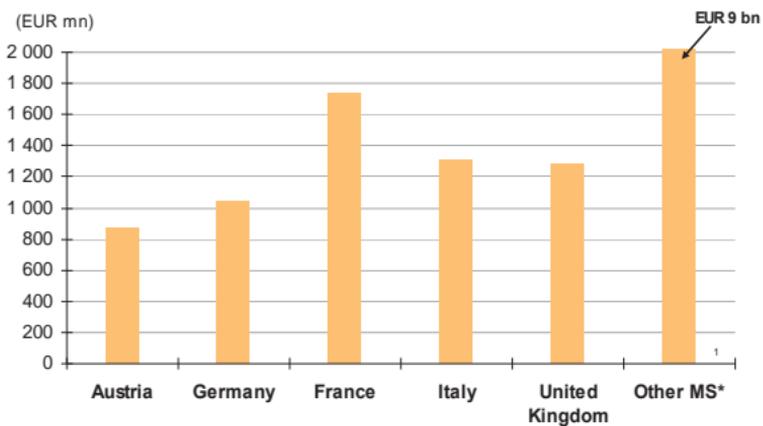
	2002	2003	2004	2005	2006	% share in MPCs in 2006
Extra-EU	133 897	135 873	142 278	234 538	260 202	
MPC	3 840	4 255	4 210	7 074	15 293	
Turkey	802	1 164	1 150	4 425	10 496	69
Israel	204	131	165	682	- 79	- 1
Maghreb countries	833	1 731	1 714	1 183	1 398	9
of which:						
Morocco	227	1 707	166	1 096	1 179	
Machrek countries	2 001	1 229	1 181	784	3 478	23
of which:						
Egypt	1 306	995	1 172	773	3 285	

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

France remains the biggest investor in MPCs in 2006

Chart 3.10

EU FDI flows to MPCs in 2006 by EU Member State



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

In 2006 the most active European enterprises in the MPC area were from France, accounting for EUR 1.7 bn (of which EUR 700 mn targeted the Maghreb countries and EUR 600 mn were invested in Turkey).

Italy and the United Kingdom also invested significant FDI in the area, with around EUR 1 bn each. Italy focused its investments in the Machrek countries, whereas the United Kingdom devoted significant FDI to the Machrek countries and Turkey.

Germany and Austria devoted significant levels of FDI to the MPC area too, with the focus once again on Turkey. Austrian investors, in particular, concentrated chiefly on Turkey, as it was by far the main host country with 69 % of the total EU outflows to MPCs in 2006. A

major deal in the petroleum refining sector, in the form of a M&A ⁽²¹⁾ where OMV AG (Austria) acquired Petrol Ofisi AS (Turkey), could explain the focus on Turkey.

In Chart 3.10 the value of EU FDI outflows from 'Other MS' is relatively high. Three deals ⁽²²⁾ targeting Turkey may to some extent explain the considerable flows of 'Other MS' to MPCs: two of these deals, by the National Bank of Greece to purchase Finansbank AS (Turkey), were worth a combined total of EUR 4.1 bn and one by Dexia Participation Belgique (Belgium), which acquired DenizBank Financial Services (Turkey).

France was the main EU investor in MPCs at end-2005 in terms of FDI stocks

Table 3.8

EU FDI outward stocks in MPCs at end-2005, EUR mn

	EU of which:	France	Germany	Netherlands	Other MS*
Extra-EU	2 435 244	294 718	277 135	198 999	1 664 392
MPC	54 642	12 773	4 345	3 336	34 188
Turkey	23 261	2 473	3 168	1 557	16 063
Israel	3 575	532	106	821	2 116
Maghreb countries	16 366	7 790	419	183	7 974
of which:					
Morocco	11 366	7 066	190	:	:
Machrek countries	11 440	1 978	652	775	8 035
of which:					
Egypt	8 949	1 624	413	718	6 194

: missing or confidential values.

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

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

Direct investors from the EU held EUR 54.6 bn worth of FDI outward stocks in MPCs, equal to 2.2 % of extra-EU stocks at end-2005. France, Germany and the Netherlands were the main suppliers of FDI to MPCs, together accounting for EUR 20.5 bn or about 37 % of total EU outward stocks in that region. Around half of all their respective investments in MPCs were localised in a single country: Morocco for France (55 %), and Turkey for Germany (73 %) and the Netherlands (47 %).

(21) Source: UNCTAD, "World Investment Report 2007".

(22) Source: UNCTAD, "World Investment Report 2007".

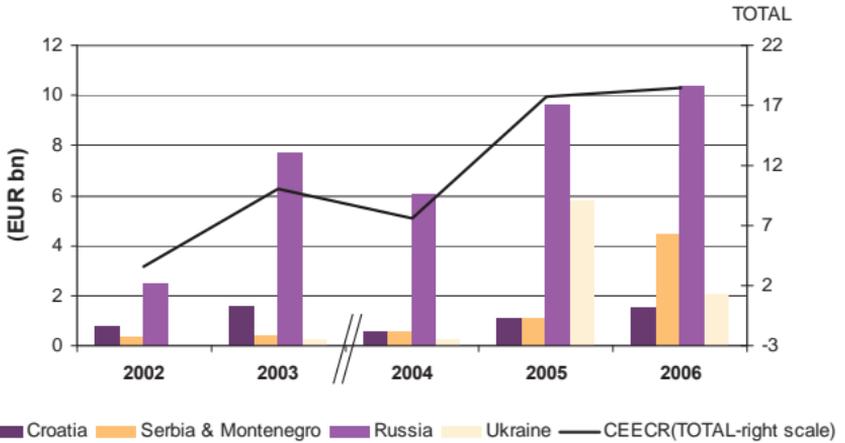
3.4. Central/Eastern European countries and Russia: stable EU FDI outflows in 2006

2006: Russia remains the main host country for EU investments in CEECR

Chart 3.11

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

EU-27 for 2004-2006, EU-25 for 2002-2003



CEECR = central/Eastern European countries and Russia.

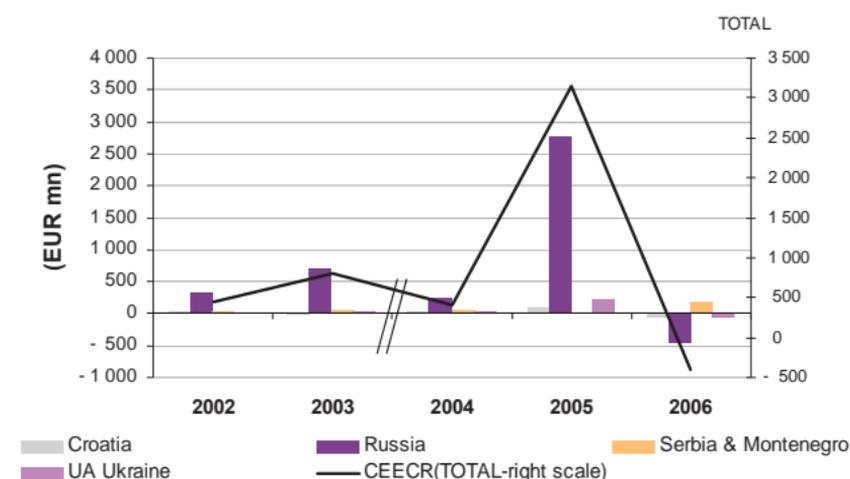
CEECR comprises Albania, Belarus, Croatia, Macedonia: the former Yugoslav Republic of, Serbia, Montenegro, Bosnia and Herzegovina, Russia and Ukraine.

EU investment activity in the CEECR saw an almost fivefold increase during the period in question. EU FDI outflows in the region started at EUR 3.6 bn in 2002 and settled at EUR 18.5 bn in 2006, which is their highest level.

In terms of flows, Russia was the main host country for EU investment capital, attracting EUR 10.4 bn in 2006. The Netherlands ranked first in terms of investment activity in Russia, with EUR 6 bn. Serbia and Montenegro was the second most important destination in 2006, receiving EUR 4.4 bn. In contrast, EU FDI outflows to Ukraine fell by 65 % in 2006 (EUR 2 bn from EUR 5.8 bn in 2005).

Chart 3.12 EU inflows from Central/Eastern European countries and Russia, EUR mn

EU-27 for 2004-2006, EU-25 for 2002-2003



CEECR = central/Eastern European countries and Russia.

CEECR comprises Albania, Belarus, Croatia, Macedonia: the former Yugoslav Republic of, Serbia, Montenegro, Bosnia and Herzegovina, Russia and Ukraine.

EU inflows from the region started at EUR 450 mn in 2002 and reached the unprecedented level of EUR 3.2 bn in 2005. In 2006, investors from CEECR withdrew capital from the EU, realising a disinvestment of EUR - 400 mn. Two Member States were chiefly affected by the disinvestment from the CEECR countries, namely Luxembourg and Lithuania. The withdrawal of capital from the latter was due to the sale of Yukos's controlling stake (53.7%) in the Lithuanian refinery, Mazheikiu Nafta.

Chapter 4: EU FDI by economic activity

This chapter focuses on the economic activity 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-27 FDI flows and stocks figures. The data refer to total FDI flows and stocks (equity capital plus other capital plus reinvested earnings).

Owing to the switch to EU-27 data and to significant revisions in the FDI data from the Member States, direct comparison of this year's analysis regarding the periods up to 2004 with the respective periods in the previous pocketbook (yearbook 2007) might not be realistic.

Table 4.1

EU outward and inward FDI stocks⁽²³⁾ (end-2005) and flows⁽²⁴⁾ in 2005, by economic activity, EUR mn

	Abroad		In the reporting economy	
	Flows 2005	Stocks end-2005	Flows 2005	Stocks end-2005
Total	234 538	2 435 244	127 021	1 823 203
Agriculture, hunting and fishing	167	1 229	41	1 103
Mining and quarrying	- 8 291	84 020	14 736	42 137
Manufacturing	45 260	508 190	764	317 396
- Food products	11 158	57 936	- 1 937	45 329
- Textiles and wood activities	393	41 826	2 447	44 221
- Petroleum, chemical, rubber, plastic products	63	196 541	- 17 358	105 250
- Metal and mechanical products	14 704	99 201	2 468	47 090
- Machinery, computers, RTV, communication	15 249	17 649	2 606	20 989
- Vehicles and other transport equipment	4 106	53 196	4 631	21 586
- Other manufacturing	- 413	41 841	7 907	32 931
Electricity, gas and water	7 415	47 463	5 549	13 901
Construction	4 523	25 906	1 473	6 053
Services	165 564	1 662 892	112 774	1 359 059
- Trade and repairs	17 255	102 691	6 713	86 245
- Hotels & restaurants	210	15 929	750	14 189
- Transport and communication	- 3 179	126 792	9 642	46 449
- Financial intermediation	78 727	1 049 069	17 821	766 030
- Business services	68 886	284 900	59 618	410 661
- Other services	3 639	83 506	18 236	35 472
Other sectors	19 900	105 544	- 8 316	83 554

(23) 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.

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

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

At the end of 2005, the European Union held FDI net outward stocks (outward stocks minus inward stocks) worth EUR 612 bn in extra-EU countries, which is 31 % up on end-2004 (EUR 467.4 bn). In 2005 total EU FDI net outflows amounted to EUR 108 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 60.9 bn in 2005, as well as in *petroleum, chemical, rubber and plastic products* with EUR 17.4 bn and *food products* with EUR 13 bn. It is interesting to note that *mining and quarrying* together with *transport and communications* were the target of strong net FDI inflows in 2005, with EUR 23 bn and EUR 12.8 bn respectively.

Concerning net outward stocks, high concentrations were observed in *financial intermediation* (EUR 283 bn), as well as in *petroleum, chemical, rubber and plastic products* (EUR 91.3 bn) and in *transport and communication* (EUR 80.3 bn). The only sector in which inward FDI investments largely exceeded EU outward FDI stocks was *business services*.

Table 4.2

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

	Flows 2005	Stocks end-2005
Agriculture, hunting and fishing	126	126
Mining and quarrying	- 23 027	41 883
Manufacturing	44 496	190 794
- Food products	13 095	12 607
- Textiles and wood activities	- 2 054	- 2 395
- Petroleum, chemical, rubber, plastic products	17 421	91 291
- Metal and mechanical products	12 236	52 111
- Machinery, computers, RTV, communication	12 643	- 3 340
- Vehicles and other transport equipment	- 525	31 610
- Other manufacturing	0	- 8 320
Total services	52 790	303 833
- Electricity, gas and water	1 866	33 562
- Construction	3 050	19 853
- Trade and repairs	10 542	16 446
- Hotels and restaurants	- 540	1 740
- Transport and communication	- 12 821	80 343
- Financial intermediation	60 906	283 039
- Business services	9 268	- 125 761
- Other services	- 14 597	48 034
Total	107 517	612 041

4.2. Outward EU FDI by economic activity: recovery in services

EU FDI outflows to services increased from EUR 37.7 bn in 2004 to EUR 165.6 bn in 2005.

Table 4.3

Extra-EU FDI outflows by economic activity, 2002-2005, EUR mn

EU-27 for 2004-2005, EU-25 for 2002-2003

	2002	2003	2004	2005	2002-2005
Mining and quarrying	1 242	14 200	18 876	- 8 291	26 027
Manufacturing	5 838	14 513	32 072	45 260	97 683
<i>of which</i>					
Food products	- 5 725	4 149	- 8 018	11 158	1 564
Textiles & wood activities	6 470	- 3 516	6 400	393	9 747
Petroleum, chemical, rubber, plastic products	4 218	7 542	30 055	63	41 878
Metal & mechanical products	4 887	1 597	2 100	14 704	23 288
Machinery, computers, RTV, communication	3 370	191	2 503	15 249	21 313
Vehicles & other transport equipment	- 8 571	46	- 870	- 4 106	- 13 501
Services	119 485	80 454	37 668	165 564	403 171
<i>of which</i>					
Trade and repairs	6 815	7 768	- 569	17 255	31 269
Hotels and restaurants	2 065	1 314	- 101	210	3 488
Transport	1 222	- 128	- 2 549	- 774	- 2 229
Telecommunications	- 9 949	1 876	4 408	- 2 405	- 6 070
Financial intermediation	97 258	62 447	45 829	78 727	284 261
Business services	20 031	4 680	- 11 497	68 886	82 100
Other services	2 043	2 497	2 147	3 665	10 352
*Rest of the sectors	7 332	26 706	53 662	32 005	119 705
Total	133 897	135 873	142 278	234 538	646 586

*Rest of the sectors includes: agriculture and fishing, electricity, gas and water, construction, private purchases & sales of real estate, and not allocated.

One of the major features of 2005 was the recovery of investments in *services*, which went up from EUR 37.7 bn in 2004 to EUR 165.6 bn in 2005. One of the main sectors accounting for this in terms of magnitude is *trade and repairs*, which rose from a disinvestment of EUR -600 mn in 2004 to an investment of EUR 17.3 bn in 2005. Significant increases were observed also in *financial intermediation* (72 %) and in *business services*. For the latter sector, the sharp increase in 2005 levels when compared to 2004 is due to the inclusion of data on SPEs⁽²⁵⁾ by one Member State. Decreases in *transport* and *telecommunications* slightly offset the huge ascent of *services* in 2005.

Sizeable increases were seen in *manufacturing* too, rising from EUR 32 bn in 2004 to EUR 45.3 bn in 2005. The most prominent increases noted in this sector were in the sub-sectors *food products* (from a disinvestment of EUR -8 bn in 2004 to an investment of EUR 11.2 bn in 2005), *metal and mechanical products* (from EUR 2.1 bn in 2004 to EUR 14.7 bn in 2005) and *machinery, computers, RTV and communication* (from EUR 2.5 bn in 2004 to EUR 15.2 bn in 2005). The increase in *food products* could be

(25) Special Purpose Entities are legal entities created for a particular purpose and are used in structuring a wide range of capital markets products across the globe.

attributed to some deals ⁽²⁶⁾ finalised in 2005 such as the acquisition of Bavaria SA (Colombia) by SABMiller Plc. (United Kingdom). This increase in manufacturing was counterbalanced by disinvestments in the following sub-sectors: *textiles and wood activities; petroleum, chemical, rubber and plastic products; and vehicles and other transport equipment.*

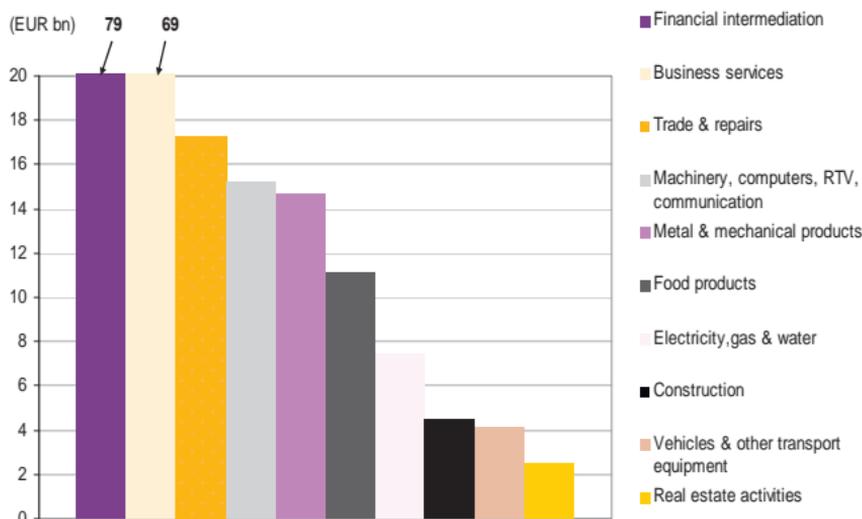
In contrast, EU FDI outflows to extra-EU countries decreased in the *telecommunications* sector, dropping from EUR 4.4 bn in 2004 to a disinvestment of EUR -2.4 bn in 2005. Extra-EU outflows fell significantly in *mining and quarrying*, from EUR 18.9 bn in 2004 to a disinvestment of EUR -8.3 bn in 2005.

The share of services in cumulative extra-EU outflows was 62 % over the period 2002-05; it reached its peak in 2002 (89 % of total extra-EU outflows) before falling to 26 % in 2004, and rising again to 71 % in 2005.

FDI flows to extra-EU countries centred on financial intermediation in 2005

Chart 4.1

EU FDI outflows 2005 by economic activity



EU outflows in *financial intermediation* stood at EUR 78.7 bn in 2005, a significant increase on 2004 (EUR 45.8 bn). This sector ranked first in value terms, representing 34 % of the total in 2005. It is worth noting that nearly 85 % of the investments made in *financial intermediation* resulted from the sub-sector *financial intermediation except insurance and pension funding* (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). The recent surge in M&As activity in *financial intermediation*, as

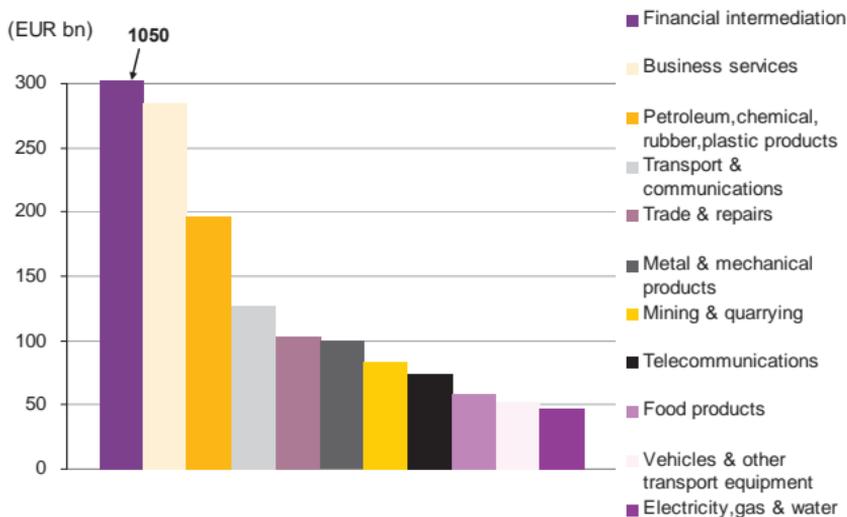
(26) Source: UNCTAD, "World Investment Report 2006".

manifested by several major transactions, might have been partly fuelled by the recovery of stock markets in 2005.

More than half of extra-EU FDI outward stocks in financial intermediation and business services

Chart 4.2

Extra-EU FDI outward stocks (end-2005) by economic activity



The dominance of the financial industry, as was also seen in EU FDI outward flows in 2005, resulted in a 43% share of total EU FDI outward stocks at end-2005.

Regarding *business services*, France and Germany together held the dominant share (79 %) of the cumulative extra-EU outward stocks directed towards that sector at end-2005. The biggest recipient was the United States, with total extra-EU outward stocks reaching EUR 172.2 bn, of which EUR 76.2 bn originated in France and EUR 74.6 bn in Germany.

The Netherlands invested EUR 48.6 bn in *petroleum, chemical, rubber, and plastic products*, accounting for 25 % of extra-EU FDI outward stocks in that sector. EUR 9.7 bn of that amount targeted the United States and EUR 8.4 bn was invested in Switzerland.

2005: focus on services for most extra-EU FDI partners

Table 4.4

EU FDI outward flows to major partners, 2005⁽²⁷⁾ ⁽²⁸⁾, EUR mn

		2005
Extra-EU	Manufacturing	19%
	Services	71%
	*Other sectors	10%
	Total	234,538
USA	Manufacturing	-13%
	Services	72%
	*Other sectors	41%
	Total	31,292
	% of extra-EU	13%
Canada	Manufacturing	69%
	Services	39%
	*Other sectors	-8%
	Total	11,986
	% of extra-EU	5%
Japan	Manufacturing	-3%
	Services	81%
	*Other sectors	22%
	Total	11,920
	% of extra-EU	5%
Switzerland	Manufacturing	-2%
	Services	95%
	*Other sectors	7%
	Total	74,442
	% of extra-EU	32%
Russia	Manufacturing	36%
	Services	16%
	*Other sectors	49%
	Total	9,596
	% of extra-EU	4%
Brazil	Manufacturing	36%
	Services	39%
	*Other sectors	25%
	Total	7,389
	% of extra-EU	3%
China	Manufacturing	48%
	Services	37%
	*Other sectors	15%
	Total	6,241
	% of extra-EU	3%
Hong Kong	Manufacturing	19%
	Services	66%
	*Other sectors	14%
	Total	3,886
	% of extra-EU	2%
India	Manufacturing	14%
	Services	43%
	*Other sectors	43%
	Total	2,452
	% of extra-EU	1%
**Other partner countries	Manufacturing	43%
	Services	63%
	*Other sectors	-6%
	Total	75,334
	% of extra-EU	32%

*Other sectors is the difference between total activity, manufacturing and services.

**Other partner countries is the difference between extra-EU and the list of partners presented in the table.

(27) The negative percentages in the table are due to disinvestments.

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

The shares of EU FDI outflows in *manufacturing*, *services* and *other sectors* varied significantly from one partner to another (see Table 4.4). As a whole, EU FDI outflows to extra-EU countries in 2005 displayed a marked preference for *services*, which accounted for 71 % of total EU outflows. *Manufacturing* came far behind with 19 %, whereas the *other sectors* accounted for a much smaller share of total extra-EU outflows, with 10 %.

The United States, Japan and Switzerland show a similar pattern when it comes to the shares of extra-EU flows allocation in *services*, *manufacturing*, and *other sectors*. Particularly, the *services* sector attracted on average the biggest share of extra-EU outflows with *other sectors* ranking second. *Manufacturing* shows negative shares for all three partners as a result of a disinvestment.

Regarding Brazil, Russia, India and China ⁽²⁹⁾ (BRICs), no particular pattern emerges. At 39%, the *services* sector came top in Brazil, only slightly ahead of *manufacturing* at 36 %. With reference to China and Hong Kong it should be noted that, on the one hand, the Mainland attracted the highest shares of extra-EU outflows in *manufacturing* with 48 %, thus confirming the pattern of EU companies outsourcing *manufacturing* activities in China to reduce their production costs and remain competitive in their marketplace. On the other hand, the largest shares of EU FDI outflows in Hong Kong are in *services*, with 66 %, attesting to Hong Kong's status as a major financial centre.

(29) China includes Hong Kong.

4.3. Inward FDI by economic activity: services attracted 89 % of extra-EU FDI inflows in 2005

EU FDI inflows from extra-EU countries amounted to EUR 127 bn in 2005, an almost twofold increase from EUR 58.3 bn in 2004. This rise was due to a general boost in *services*; it was counterbalanced by significant reductions in *manufacturing* and *rest of the sectors*.

Table 4.5

Extra-EU FDI inflows by economic activity, 2002–2005, EUR mn

EU-27 for 2004-2005, EU-25 for 2002-2003

	2002	2003	2004	2005	2002-2005
Mining and quarrying	2 992	- 1 037	- 3 248	14 736	13 443
Manufacturing	20 703	17 625	25 718	764	64 810
<i>of which</i>					
Food products	1 778	3 306	4 321	- 1 937	7 468
Textiles & wood activities	10 221	5 561	- 1 638	2 447	16 591
Petroleum, chemical, rubber, plastic products	1 161	9 082	21 069	- 17 358	13 954
Metal & mechanical products	4 213	196	1 196	2 468	8 073
Machinery, computers, RTV, communication	11	926	- 1 496	2 606	2 047
Vehicles & other transport equipment	2 261	- 4 383	- 875	4 631	1 634
Services	96 671	104 670	19 522	112 774	333 637
<i>of which</i>					
Trade and repairs	2 894	6 093	8 426	6 713	24 126
Hotels and restaurants	- 405	495	- 343	750	497
Transport	- 1 497	868	3 286	9 750	12 407
Telecommunications	- 12 469	- 5 924	3 539	- 108	- 14 962
Financial intermediation	84 699	79 340	10 046	17 821	191 906
Business services	23 591	22 642	- 2 613	59 618	103 238
Other services	- 142	1 156	- 2 819	18 230	16 425
*Rest of the sectors	6 201	4 065	16 294	- 1 253	25 307
Total	126 567	125 323	58 286	127 021	437 197

*Rest of the sectors includes: agriculture and fishing, electricity, gas and water, construction, private purchases & sales of real estate, and not allocated.

The share of *services* in extra-EU inflows was larger than in outflows and reached an average of almost 76 % in the period 2002-05 (its share in extra-EU outflows is 62 %, see Section 4.2).

One of the major features of 2005 was the recovery of EU inward investments in *services*, which went up from EUR 19.5 bn in 2004 to EUR 112.8 bn in 2005. This was the result of a general boost in most sub-sectors of *services*. Significant increases were in fact observed in all the sub-components of *services* with the exception of *trade and repairs*, *telecommunications* and *the rest of the sectors*. The main sub-sector accounting for the phenomenal increase is *business services*, which grew from a disinvestment of EUR -2.6 bn in 2004 to an investment of EUR 59.6 bn in 2005. This enhancement at the EU aggregate level is, however, due to the inclusion of data on SPEs⁽³⁰⁾ by one Member State, making the data not directly comparable.

Major developments were noted in EU inward investments in the *mining and quarrying sector*, which rose from a disinvestment of

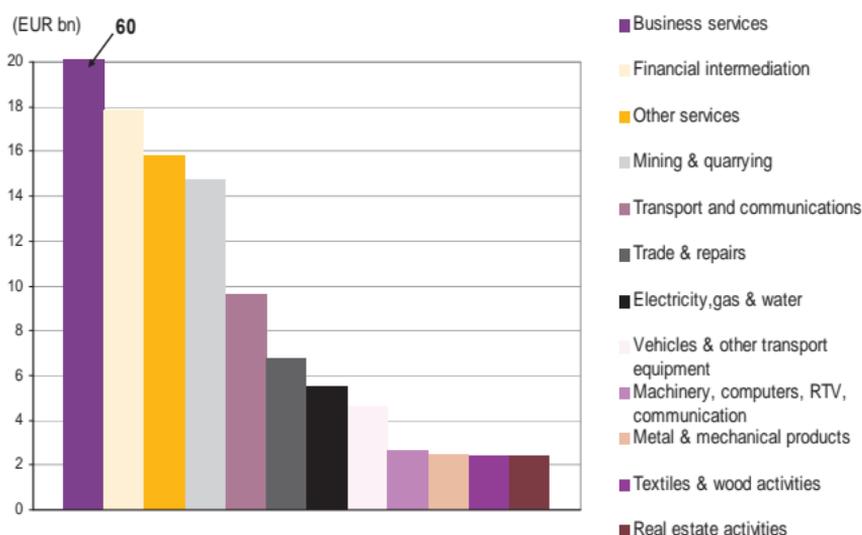
(30) Special Purpose Entities are legal entities created for a particular purpose and are used in structuring a wide range of capital markets products across the globe.

EUR -3.2 bn in 2004 to an investment of EUR 14.7 bn in 2005. In contrast, EU inflows in *manufacturing* contracted markedly from EUR 25.7 bn in 2004 to EUR 764 mn in 2005. Despite the fact that most sub-sectors of *manufacturing* increased, the sharp fall in *petroleum, chemical, rubber and plastic products* from EUR 21 bn in 2004 to a disinvestment of EUR -17.4 bn in 2005 together with a decrease in *food products* was enough to instigate the plunge in *manufacturing*.

2005: extra-EU inflows focused on financial intermedia-tion

Chart 4.3

EU FDI inflows 2005 by economic activity



Inward investments from extra-EU countries seem to be more diversified than outward investments. Business services held the highest share (47%) of total EU inward investments from extra-EU countries; however, this is due to the inclusion of data on SPEs by one Member State.

It is worth noting that *financial intermediation* accounted for 14% of total extra-EU inflows in 2005. Extra-EU inflows in *financial intermediation* increased significantly in 2005, to EUR 17.8 bn from EUR 10 bn in 2004. Nearly 71 % of the investments made in *financial intermediation* resulted from the sub-sector *financial intermediation except insurance and pension funding* (see Table 11 in Annex 1).

Luxembourg, with EUR 22.9 bn in 2005, was the top destination for extra-EU investments placed in *financial intermediation*. It is interesting to note that EUR 14.7 bn of the amount invested in Luxembourg originated in the offshore financial centres. Canada with EUR 4.6 bn was also a major partner having invested in Luxembourg.

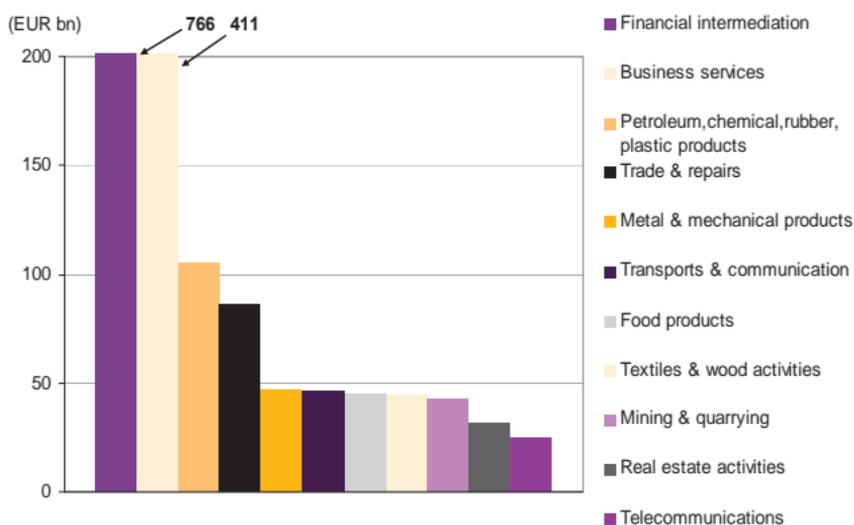
Notable increases were also observed in the *transport and communications; electricity, gas and water; vehicles and other*

transport equipment; machinery, computers, RTV and communication; metal and mechanical products; textiles and wood activities; and real estate sectors.

2005: Financial intermediation stood out in extra-EU FDI inward stocks

Chart 4.4

Extra-EU FDI inward stocks (end-2005) by economic activity



EU FDI inward stocks amounted to EUR 1 823 bn at the end of 2005, 5 % up on the 2004 levels. Chart 4.4 makes it clear that *financial intermediation* and *business services* were the leading sectors. *Financial intermediation* stood out, with 42 % of total EU FDI inward stocks.

Regarding *business services*, Germany, France and the Netherlands together held the dominant share (47 %) of the cumulative extra-EU inward stocks directed towards that sector at end-2005. The biggest provider was the United States, with total extra-EU inward stocks reaching EUR 235.2 bn, of which EUR 52.2 bn targeted Germany and EUR 33.5 bn was invested in France.

Next in line was *petroleum, chemical, rubber and plastic products* (6 %), followed by *trade and repairs* (5 %). All the other sectors accounted for much smaller shares of total EU FDI inward stocks.

The United States with EUR 48 bn was the major investor in EU inward stocks in *petroleum, chemical, rubber and plastic products*, with 46 % of total extra-EU FDI inward stocks in this sub-sector. The United Kingdom received EUR 13 bn and France obtained EUR 11 bn of the United States' stocks targeting the *petroleum, chemical, rubber and plastic products* sector.

Switzerland invested significant capital in the same field and constituted the second largest investor with EUR 29.3 bn of total extra-EU FDI inward stocks. The Netherlands, with EUR 26.6 bn,

was the major recipient of EU FDI inward stocks at end-2005, representing 25 % of the total in this sub-sector, followed by France and the United Kingdom with EUR 24.4 bn and EUR 15.8 bn respectively.

The United Kingdom with EUR 22 bn held the first place for trade and repairs, accounting for 25 % of extra-EU inward stocks in this sector. The Netherlands also attracted significant FDI capital from outside the EU with EUR 17.7 bn. All the other Member States accounted for much smaller shares of the extra-EU inward stocks in trade and repairs.

2005: focus on services for EU FDI from the United States, Canada, Japan, EFTA, and other partner countries

EU FDI inflows in 2005 were characterised by the strong preference for the *services* sector shown by most major partners presented in Table 4.6, with the exception of Hong Kong and Russia. This prevalence is evident as *services* accounted for 89 % of total FDI inflows, with *other sectors* ⁽³¹⁾ following at a distance and receiving only 11 % of total FDI inward flows. The share of manufacturing in total EU inflows was only 1 %.

EU FDI inward flows from Russia focused on *other sectors*. Russia invested EUR 1.5 bn in the *extraction of petroleum and gas* sub-sector. It is important to note that in 2005, the investments in this sub-sector accounted for 91 % of total Russian FDI investments in the EU.

For Hong Kong the focus was on *other sectors*, whereas the share of EU inflows from the Mainland targeted *services* with 182 % due to disinvestments in *manufacturing* and *other sectors*. A similar allocation amongst the shares of the three main economic activities examined here was observed in the United States and Japan.

(31) Other sectors is the difference between total activity, manufacturing and services.

Table 4.6
EU-FDI inward flows from major partners 2005 ^{(32) (33)}
EUR mn

		2005
Extra-EU	Manufacturing	1%
	Services	89%
	*Other sectors	11%
	Total	127,021
USA	Manufacturing	-11%
	Services	115%
	*Other sectors	-4%
	Total	67,289
	% of extra-EU	53%
Canada	Manufacturing	5%
	Services	62%
	*Other sectors	34%
	Total	7,847
	% of extra-EU	6%
Japan	Manufacturing	-24%
	Services	158%
	*Other sectors	-34%
	Total	-4,622
	% of extra-EU	-4%
Switzerland	Manufacturing	-5%
	Services	68%
	*Other sectors	37%
	Total	18,849
	% of extra-EU	15%
Russia	Manufacturing	6%
	Services	-16%
	*Other sectors	110%
	Total	2,777
	% of extra-EU	2%
Brazil	Manufacturing	5%
	Services	97%
	*Other sectors	-2%
	Total	2,885
	% of extra-EU	2%
China	Manufacturing	-60%
	Services	182%
	*Other sectors	-22%
	Total	-116
	% of extra-EU	0%
Hong Kong	Manufacturing	21%
	Services	26%
	*Other sectors	54%
	Total	1,134
	% of extra-EU	1%
India	Manufacturing	20%
	Services	71%
	*Other sectors	9%
	Total	547
	% of extra-EU	0%
**Other partner countries	Manufacturing	22%
	Services	72%
	*Other sectors	5%
	Total	30,431
	% of extra-EU	24%

*Other sectors is the difference between total activity, manufacturing and services.

**Other partner countries is the difference between extra-EU and the list of partners presented in the table.

(32) The negative percentages in the table are due to disinvestments.

(33) 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 (27 Member States)

	2004	2005	2006
World	244 179	578 870	597 521
Intra-EU	185 893	451 848	440 388
Extra-EU	58 286	127 021	157 134
EFTA	17 237	22 068	20 058
United States	11 522	67 289	75 624
Canada	- 4 148	7 847	7 045
Japan	8 156	- 4 622	13 648

Table 2

**Geographical breakdown of FDI flows abroad, (EUR mn)
Reporter: European Union (27 Member States)**

	2004	2005	2006
World	369 134	665 084	699 528
Intra-EU	226 857	430 549	439 324
Extra-EU	142 278	234 538	260 202
EFTA	- 4 296	74 690	26 910
United States	15 496	31 292	71 970
Canada	- 2 260	11 986	30 400
Japan	5 814	11 920	491

Table 3

Geographical breakdown of FDI stocks in the reporting economy, (EUR mn) – Reporter: European Union (27 Member States)

	2004	2005	2006
World	5 068 489	5 624 867	6 331 311
Intra-EU	3 336 031	3 801 664	4 273 999
Extra-EU	1 732 457	1 823 203	2 057 312
EFTA	269 802	298 791	324 692
United States	842 190	874 540	953 716
Canada	70 884	76 800	81 043
Japan	89 211	82 701	99 264

Table 4

**Geographical breakdown of FDI stocks abroad, (EUR mn)
Reporter: European Union (27 Member States)**

	2004	2005	2006
World	5 804 141	6 342 658	7 021 654
Intra-EU	3 604 206	3 907 413	4 315 422
Extra-EU	2 199 935	2 435 244	2 706 231
EFTA	297 683	352 330	376 826
United States	815 787	850 366	934 309
Canada	80 493	96 950	119 566
Japan	79 463	90 161	75 516

Table 5

**Geographical breakdown of FDI total income
(EUR mn) Reporter: European Union (27 Member States)**

	Year	Credit	Debit	Net
World	2004	307 635	251 760	55 874
	2005	379 606	316 307	63 299
	2006	432 046	365 360	66 684
Intra-EU	2004	154 714	161 131	- 6 420
	2005	187 179	206 441	- 19 260
	2006	220 715	240 875	- 20 161
Extra-EU	2004	152 921	90 630	62 294
	2005	192 433	109 867	82 563
	2006	211 331	124 488	86 846
EFTA	2004	17 873	16 504	1 367
	2005	24 245	21 486	2 758
	2006	23 709	23 891	- 182
United States	2004	46 637	52 424	- 5 787
	2005	57 009	60 555	- 3 547
	2006	61 336	65 327	- 3 986
Canada	2004	4 245	1 510	2 736
	2005	5 598	2 887	2 709
	2006	6 512	4 475	2 034
Japan	2004	3 174	2 971	201
	2005	3 791	3 350	440
	2006	4 042	5 185	- 1 141

Table 6

**Detailed geographical breakdown of 2006 FDI flows
(EUR mn) Reporter: European Union (27 Member States)**

	Abroad	In the reporting economy
World	699 528	597 521
Europe	506 088	466 188
Belgium	30 371	18 051
Bulgaria	1 453	22
Czech Republic	3 394	1 387
Denmark	3 836	4 060
Germany	32 523	11 909
Estonia	193	285
Ireland	1 738	8 728
Greece	3 830	1 147
Spain	15 982	50 777
France	27 558	38 963
Italy	43 683	16 554
Cyprus	2 375	7 282
Latvia	366	151
Lithuania	2 426	186
Luxembourg	16 749	29 093
Hungary	4 380	- 1 351
Malta	12 067	3 272
Netherlands	66 748	106 187
Austria	- 2 657	2 384
Poland	3 663	2 166
Portugal	5 801	1 889
Romania	7 630	193
Slovenia	398	97
Slovak Republic	3 289	485
Finland	12 793	12 473
Sweden	9 596	15 098
United Kingdom	129 040	108 765
Switzerland	20 889	16 714
Iceland	- 11	1 203
Liechtenstein	86	562
Norway	5 945	1 580
Other European countries	39 859	5 736
Albania	71	3
Belarus	50	- 3
Serbia and Montenegro	4 427	193
Croatia	1 548	- 76
Russia	10 389	- 460
Turkey	10 496	- 401
Ukraine	2 028	- 58
Africa	11 779	1 937
North Africa countries	5 860	434
Egypt	3 285	117
Morocco	1 179	89
Other African countries	5 919	1 504
Nigeria	1 888	301
Republic of South Africa	4 544	788
America	141 865	102 353
North American countries	102 452	82 667
Canada	30 400	7 045
United States of America	71 970	75 624
Central American countries	30 150	17 797
Mexico	1 245	87
South American countries	9 259	1 891
Argentina	1 541	56
Brazil	5 061	1 064
Chile	303	171
Colombia	473	26
Uruguay	- 135	40
Venezuela	1 776	128

	Abroad	In the reporting economy
Asia	30 625	29 515
Near and Middle East countries	3 630	10 997
Israel	- 79	60
Iran	0	465
Gulf Arabian Countries	2 479	10 070
Other Near and Middle East countries	1 224	396
Other Asian countries	26 994	18 519
China	6 000	2 198
Hong Kong	2 893	- 429
Indonesia	- 2 047	- 495
India	2 471	480
Japan	491	13 648
Korea, Republic of (South Korea)	1 277	960
Malaysia	1 692	- 244
Philippines	812	- 122
Singapore	10 246	5 009
Thailand	1 164	10
Taiwan	760	382
Oceania and Polar regions	7 642	4 494
Australia	7 188	3 681
New Zealand	391	324
African, Caribbean and Pacific countries (Lomé convention)	20 013	4 522
African ACP countries	5 917	1 506
Caribbean ACP countries	14 047	2 556
Pacific ACP countries	50	464
Non European International Organizations	21	- 203
European Free Trade Association	26 910	20 058
OECD countries	562 693	549 356
Countries from Central and Eastern Europe	8 385	223
North American Free Trade Association	103 617	82 753
Latin America	12 288	2 273
Countries for the Association of South-East Asian Nations	12 101	3 817
Organization of Petroleum Exporting Countries	4 583	10 792
Core Newly Industrializing Countries	15 174	5 924
Asian NICs of the second wave of industrialization	3 672	- 357
Latin American NICs of the second wave of industrialization	8 155	1 378
Offshore financial centers	50 784	29 198
French Franc zone	526	187
Community of Independent States	14 725	- 3 069
Maghreb countries	1 398	180
Countries from Machrek	3 478	537
Mercado comun de los paises del cono sur	6 451	1 158
EU-27 (1)	439 324	440 388
Extra EU-27	260 202	157 134
Mediterranean countries in the Euro-Mediterranean Partnership	15 299	384
Acceding Countries (CY, CZ, EE, HU, LV, LT, MT, PL, SK, SI)	32 560	13 964
Euro-zone	255 219	298 153
Extra Euro-zone	444 308	299 369

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

Table 7

**Detailed geographical breakdown of 2005 FDI flows
(EUR mn) Reporter: European Union (27 Member States)**

	Abroad	In the reporting economy
World	665 084	578 870
Europe	543 065	492 433
Belgium	24 184	21 471
Bulgaria	2 231	48
Czech Republic	5 102	155
Denmark	1 227	3 087
Germany	37 195	37 845
Estonia	2 161	225
Ireland	16 930	39 056
Greece	238	1 048
Spain	21 798	25 478
France	20 039	39 800
Italy	26 635	29 587
Cyprus	2 747	3 139
Latvia	155	98
Lithuania	52	79
Luxembourg	6 297	51 986
Hungary	15 206	12 559
Malta	2 656	- 352
Netherlands	59 046	112 445
Austria	6 452	12 566
Poland	2 908	2 001
Portugal	5 895	857
Romania	3 367	158
Slovenia	540	8
Slovak Republic	1 721	579
Finland	3 961	- 1 805
Sweden	6 138	19 213
United Kingdom	155 669	40 525
Switzerland	74 442	18 849
Iceland	- 136	1 461
Liechtenstein	66	410
Norway	320	1 345
Other European countries	37 826	18 520
Albania	42	7
Belarus	74	6
Serbia and Montenegro	1 139	2
Croatia	1 128	120
Russia	9 596	2 777
Turkey	4 425	408
Ukraine	5 801	238
Africa	16 345	1 087
North Africa countries	1 764	141
Egypt	773	105
Morocco	1 096	- 3
Other African countries	14 583	949
Nigeria	3 161	- 319
Republic of South Africa	7 391	417
America	61 302	81 172
North American countries	43 293	75 141
Canada	11 986	7 847
United States of America	31 292	67 289
Central American countries	8 517	2 350
Mexico	2 765	1 154
South American countries	9 492	3 683
Argentina	1 676	389
Brazil	7 389	2 885
Chile	861	- 25
Colombia	- 1 015	143
Uruguay	130	- 29
Venezuela	983	286

	Abroad	In the reporting economy
Asia	42 291	- 2 239
Near and Middle East countries	3 356	2 059
Israel	682	1 167
Iran	116	509
Gulf Arabian Countries	2 433	- 137
Other Near and Middle East countries	128	519
Other Asian countries	38 934	- 4 299
China	6 241	- 116
Hong Kong	3 886	1 134
Indonesia	4 038	400
India	2 452	547
Japan	11 920	- 4 622
Korea, Republic of (South Korea)	5 006	1 276
Malaysia	683	431
Philippines	171	154
Singapore	- 188	- 2 026
Thailand	162	32
Taiwan	2 972	- 179
Oceania and Polar regions	- 1 210	5 298
Australia	- 1 875	5 128
New Zealand	516	125
African, Caribbean and Pacific countries (Lomé convention)	18 369	178
African ACP countries	14 583	930
Caribbean ACP countries	3 651	- 773
Pacific ACP countries	138	25
Non European International Organizations	- 8	239
European Free Trade Association	74 690	22 068
OECD countries	557 307	548 698
Countries from Central and Eastern Europe	- 664	- 104
North American Free Trade Association	46 046	76 294
Latin America	11 699	4 743
Countries for the Association of South-East Asian Nations	4 754	- 1 059
Organization of Petroleum Exporting Countries	10 259	1 482
Core Newly Industrializing Countries	11 674	208
Asian NICs of the second wave of industrialization	1 018	615
Latin American NICs of the second wave of industrialization	12 688	4 405
Offshore financial centers	25 388	17 031
French Franc zone	787	173
Community of Independent States	17 125	1 604
Maghreb countries	1 183	17
Countries from Machrek	784	601
Mercado comun de los paises del cono sur	9 195	3 246
EU-27 (1)	430 549	451 848
Extra EU-27	234 538	127 021
Mediterranean countries in the Euro-Mediterranean Partnership	7 075	2 193
Acceding Countries (CY, CZ, EE, HU, LV, LT, MT, PL, SK, SI)	33 239	18 488
Euro-zone	228 672	370 312
Extra Euro-zone	436 410	208 558

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

Table 8

**Detailed geographical breakdown of 2006 FDI income
(EUR mn) – Reporter: European Union (27 Member States)**

	Credit	Debit	Net
World	432 046	365 360	66 684
Europe	269 956	269 581	374
Belgium	13 590	11 997	1 596
Bulgaria	598	11	588
Czech Republic	4 257	217	4 042
Denmark	5 316	2 946	2 369
Germany	18 495	28 927	- 10 429
Estonia	289	150	140
Ireland	7 993	6 148	1 845
Greece	930	352	577
Spain	9 880	6 650	3 229
France	24 025	29 469	- 5 441
Italy	12 425	17 599	- 5 174
Cyprus	1 158	1 911	- 756
Latvia	301	30	271
Lithuania	336	14	321
Luxembourg	23 214	25 495	- 2 279
Hungary	3 746	994	2 751
Malta	166	728	- 564
Netherlands	32 801	55 168	- 22 368
Austria	3 817	4 297	- 478
Poland	5 026	149	4 879
Portugal	2 093	858	1 236
Romania	1 493	1	1 492
Slovenia	280	49	230
Slovak Republic	2 174	57	2 116
Finland	6 832	3 090	3 744
Sweden	10 231	11 613	- 1 382
United Kingdom	29 145	31 839	- 2 693
Switzerland	18 100	21 508	- 3 405
Iceland	16	420	- 405
Liechtenstein	92	549	- 455
Norway	5 500	1 417	4 083
Other European countries	25 535	4 817	20 717
Albania	30	4	25
Belarus	30	11	19
Serbia and Montenegro	265	15	250
Croatia	572	2	568
Russia	7 571	1 174	6 398
Turkey	1 760	- 178	1 937
Ukraine	591	38	553
Africa	17 031	730	16 303
North Africa countries	6 429	86	6 343
Egypt	2 310	34	2 276
Morocco	458	19	440
Other African countries	10 603	643	9 958
Nigeria	2 401	8	2 393
Republic of South Africa	3 827	475	3 352
America	92 927	83 489	9 441
North American countries	67 858	69 802	- 1 943
Canada	6 512	4 475	2 034
United States of America	61 336	65 327	- 3 986
Central American countries	13 394	13 054	340
Mexico	3 509	513	2 996
South American countries	11 673	630	11 042
Argentina	1 972	21	1 952
Brazil	6 107	482	5 626
Chile	1 636	15	1 621
Colombia	634	7	627
Uruguay	94	10	85
Venezuela	960	78	882

	Credit	Debit	Net
Asia	42 070	8 309	33 760
Near and Middle East countries	4 389	2 462	1 926
Israel	248	318	- 72
Iran	67	465	- 398
Gulf Arabian Countries	2 591	1 157	1 434
Other Near and Middle East countries	1 481	521	960
Other Asian countries	37 681	5 847	31 835
China	2 902	20	2 883
Hong Kong	9 443	- 776	10 219
Indonesia	1 795	- 131	1 925
India	2 001	217	1 785
Japan	4 042	5 185	- 1 141
Korea, Republic of (South Korea)	2 816	273	2 543
Malaysia	1 555	377	1 180
Philippines	426	15	412
Singapore	6 928	694	6 233
Thailand	508	37	468
Taiwan	2 549	93	2 456
Oceania and Polar regions	8 285	2 451	5 835
Australia	6 929	1 807	5 121
New Zealand	1 254	149	1 104
African, Caribbean and Pacific countries (Lomé convention)	12 518	1 634	10 885
African ACP countries	10 599	643	9 953
Caribbean ACP countries	1 835	496	1 339
Pacific ACP countries	87	492	- 405
Non European International Organizations	3	22	- 21
European Free Trade Association	23 709	23 891	- 182
OECD countries	327 865	338 872	- 11 008
Countries from Central and Eastern Europe	1 108	77	1 030
North American Free Trade Association	71 361	70 314	1 047
Latin America	15 888	1 426	14 461
Countries for the Association of South-East Asian Nations	12 097	1 022	11 075
Organization of Petroleum Exporting Countries	10 802	1 534	9 269
Core Newly Industrializing Countries	21 737	283	21 450
Asian NICs of the second wave of industrialization	2 489	427	2 060
Latin American NICs of the second wave of industrialization	13 228	1 028	12 199
Offshore financial centers	39 985	17 197	22 789
French Franc zone	1 265	8	1 258
Community of Independent States	10 389	1 010	9 380
Maghreb countries	1 960	30	1 929
Countries from Machrek	2 734	553	2 183
Mercado comun de los paises del cono sur	8 191	511	7 679
EU-27 (1)	220 715	240 875	- 20 161
Extra EU-27	211 331	124 488	86 846
Mediterranean countries in the Euro-Mediterranean Partnership	6 705	733	5 971
Acceding Countries (CY, CZ, EE, HU, LV, LT, MT, PL, SK, SI)	17 734	4 304	13 430
Euro-zone	156 185	190 161	- 33 975
Extra Euro-zone	275 859	175 197	100 662

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

Table 9

**Detailed geographical breakdown of 2005 FDI income
(EUR mn) - Reporter: European Union (27 Member States)**

	Credit	Debit	Net
World	379 606	316 307	63 299
Europe	226 624	232 333	- 5 710
Belgium	10 032	10 184	- 152
Bulgaria	387	23	363
Czech Republic	3 718	151	3 565
Denmark	3 029	2 497	532
Germany	18 602	24 042	- 5 441
Estonia	377	125	252
Ireland	12 136	3 916	8 220
Greece	1 326	368	957
Spain	9 230	3 547	5 682
France	23 289	28 119	- 4 831
Italy	8 122	12 111	- 3 987
Cyprus	734	1 089	- 354
Latvia	189	14	175
Lithuania	203	- 5	209
Luxembourg	17 650	29 039	- 11 388
Hungary	3 405	780	2 625
Malta	267	130	136
Netherlands	24 369	44 911	- 20 543
Austria	4 357	4 053	304
Poland	4 871	212	4 660
Portugal	3 674	412	3 261
Romania	970	20	951
Slovenia	280	39	242
Slovak Republic	1 644	99	1 546
Finland	3 648	3 898	- 250
Sweden	7 789	10 398	- 2 611
United Kingdom	22 867	26 266	- 3 400
Switzerland	18 133	19 132	- 998
Iceland	9	295	- 286
Liechtenstein	66	378	- 313
Norway	6 036	1 687	4 350
Other European countries	15 202	4 408	10 790
Albania	34	4	30
Belarus	28	7	22
Serbia and Montenegro	237	20	217
Croatia	521	- 3	524
Russia	4 548	862	3 684
Turkey	1 379	230	1 149
Ukraine	326	39	285
Africa	17 896	646	17 247
North Africa countries	4 205	86	4 119
Egypt	1 267	29	1 239
Morocco	410	19	391
Other African countries	13 692	561	13 131
Nigeria	1 528	13	1 514
Republic of South Africa	7 461	411	7 053
America	88 451	77 431	11 019
North American countries	62 607	63 441	- 834
Canada	5 598	2 887	2 709
United States of America	57 009	60 555	- 3 547
Central American countries	11 750	12 159	- 411
Mexico	3 011	343	2 668
South American countries	14 093	1 829	12 266
Argentina	2 603	- 10	2 613
Brazil	6 654	1 722	4 933
Chile	2 116	11	2 106
Colombia	833	4	831
Uruguay	85	23	61
Venezuela	1 458	72	1 387

	Credit	Debit	Net
Asia	36 861	4 472	32 388
Near and Middle East countries	3 842	1 679	2 164
Israel	228	248	- 19
Iran	- 80	466	- 546
Gulf Arabian Countries	2 673	455	2 218
Other Near and Middle East countries	1 016	508	507
Other Asian countries	33 022	2 793	30 226
China	2 741	- 27	2 769
Hong Kong	9 067	- 913	9 978
Indonesia	1 247	2	1 247
India	1 451	109	1 343
Japan	3 791	3 350	440
Korea, Republic of (South Korea)	2 897	- 12	2 908
Malaysia	1 372	- 52	1 424
Philippines	239	33	206
Singapore	7 248	343	6 906
Thailand	727	11	717
Taiwan	726	36	690
Oceania and Polar regions	7 108	967	6 141
Australia	6 191	913	5 275
New Zealand	879	44	835
African, Caribbean and Pacific countries (Lomé convention)	15 550	1 060	14 489
African ACP countries	13 691	561	13 130
Caribbean ACP countries	1 837	499	1 335
Pacific ACP countries	23	0	23
Non European International Organizations	54	37	17
European Free Trade Association	24 245	21 486	2 758
OECD countries	288 700	294 430	- 5 729
Countries from Central and Eastern Europe	532	87	437
North American Free Trade Association	65 615	63 783	1 832
Latin America	18 468	2 392	16 077
Countries for the Association of South-East Asian Nations	11 030	350	10 681
Organization of Petroleum Exporting Countries	8 517	945	7 572
Core Newly Industrializing Countries	19 937	- 543	20 481
Asian NICs of the second wave of industrialization	2 339	- 8	2 348
Latin American NICs of the second wave of industrialization	14 383	2 065	12 320
Offshore financial centers	32 341	15 445	16 896
French Franc zone	1 334	0	1 333
Community of Independent States	6 200	767	5 432
Maghreb countries	1 461	22	1 437
Countries from Machrek	1 613	543	1 069
Mercado comun de los paises del cono sur	9 352	1 733	7 619
EU-27 (1)	187 179	206 441	- 19 260
Extra EU-27	192 433	109 867	82 563
Mediterranean countries in the Euro-Mediterranean Partnership	4 687	1 046	3 640
Acceding Countries (CY, CZ, EE, HU, LV, LT, MT, PL, SK, SI)	15 687	2 639	13 050
Euro-zone	136 441	164 601	- 28 159
Extra Euro-zone	243 169	151 706	91 464

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

Table 10

**Detailed geographical breakdown of 2005 FDI stocks
(EUR mn) – Reporter: European Union (27 Member States)**

	Abroad	In the reporting economy
World	6 342 658	5 624 867
Europe	4 416 905	4 204 098
Belgium	307 363	243 726
Bulgaria	6 129	248
Czech Republic	47 671	2 707
Denmark	52 582	49 055
Germany	367 404	375 244
Estonia	3 926	1 077
Ireland	198 347	125 383
Greece	10 462	5 096
Spain	296 019	58 263
France	395 256	372 861
Italy	161 953	143 990
Cyprus	9 419	13 756
Latvia	2 337	488
Lithuania	3 442	357
Luxembourg	449 764	513 529
Hungary	56 845	14 309
Malta	4 377	4 604
Netherlands	489 483	679 309
Austria	63 220	61 264
Poland	62 205	2 116
Portugal	45 057	20 692
Romania	16 792	736
Slovenia	3 967	507
Slovak Republic	14 427	1 834
Finland	32 308	31 016
Sweden	109 872	131 373
United Kingdom	696 779	948 013
Switzerland	310 806	240 110
Iceland	846	5 540
Liechtenstein	1 248	7 215
Norway	39 428	45 925
Other European countries	157 160	103 640
Albania	1 527	155
Belarus	364	114
Serbia and Montenegro	3 327	1 859
Croatia	8 193	580
Russia	33 277	12 315
Turkey	23 261	6 901
Ukraine	7 747	417
Africa	119 206	19 501
North Africa countries	26 104	3 576
Egypt	8 949	637
Morocco	11 366	796
Other African countries	93 105	15 927
Nigeria	14 743	2 797
Republic of South Africa	47 141	4 211
America	1 370 358	1 180 626
North American countries	947 165	937 281
Canada	96 950	76 800
United States of America	850 366	874 540
Central American countries	255 425	229 246
Mexico	44 760	8 773
South American countries	167 767	14 098
Argentina	33 748	1 775
Brazil	84 419	6 166
Chile	16 960	1 304
Colombia	5 831	363
Uruguay	2 717	596
Venezuela	9 444	2 143

	Abroad	In the reporting economy
Asia	368 400	162 592
Near and Middle East countries	26 013	21 536
Israel	3 575	5 503
Iran	4 003	2 284
Gulf Arabian Countries	14 187	11 069
Other Near and Middle East countries	4 249	2 677
Other Asian countries	342 384	141 055
China	28 171	1 112
Hong Kong	85 415	16 809
Indonesia	10 890	- 2 607
India	11 142	2 517
Japan	90 161	82 701
Korea, Republic of (South Korea)	28 873	6 143
Malaysia	7 961	1 729
Philippines	4 844	1 100
Singapore	48 752	28 173
Thailand	8 665	114
Taiwan	10 357	588
Oceania and Polar regions	58 720	23 451
Australia	52 816	22 837
New Zealand	5 758	995
African, Caribbean and Pacific countries (Lomé convention)	108 337	22 345
African ACP countries	88 386	13 307
Caribbean ACP countries	19 544	8 854
Pacific ACP countries	409	181
Non European International Organizations	96	863
European Free Trade Association	352 330	298 791
OECD countries	5 401 071	5 151 156
Countries from Central and Eastern Europe	15 406	3 043
North American Free Trade Association	992 078	960 114
Latin America	219 927	29 597
Countries for the Association of South-East Asian Nations	82 838	29 394
Organization of Petroleum Exporting Countries	51 587	13 076
Core Newly Industrializing Countries	173 396	51 711
Asian NICs of the second wave of industrialization	21 471	2 943
Latin American NICs of the second wave of industrialization	179 887	18 020
Offshore financial centers	443 171	378 498
French Franc zone	7 522	1 380
Community of Independent States	49 796	11 110
Maghreb countries	16 366	1 702
Countries from Machrek	11 440	3 077
Mercado comun de los paises del cono sur	122 999	10 242
EU-27	3 907 413	3 801 664
Extra EU-27	2 435 244	1 823 203
Mediterranean countries in the Euro-Mediterranean Partnership	54 645	17 186
Acceding Countries (CY, CZ, EE, HU, LV, LT, MT, PL, SK, SI)	208 584	41 755
Euro-zone	2 816 661	2 630 376
Extra Euro-zone	3 526 012	2 994 491

Table 11: FDI flows by economic activity in 2005 – Reporter: European Union(27 Member States), (EUR mn)

	Abroad							In the reporting economy						
	World	Intra-EU	Extra-EU	EFTA	United States	Canada	Japan	World	Intra-EU	Extra-EU	EFTA	United States	Canada	Japan
TOTAL	665 084	430 549	234 538	74 690	31 292	11 986	11 920	578 870	451 848	127 021	22 068	67 289	7 847	- 4 622
SUB-TOTAL	662 042	428 499	233 547	74 553	31 011	11 978	11 917	571 531	445 115	126 414	21 996	67 262	7 854	- 4 628
AGRICULTURE AND FISHING	297	129	167	26	19	1	11	- 86	- 123	41	49	- 25	- 12	20
MINING AND QUARRYING	9 847	18 139	- 8 291	1 567	- 10 107	496	74	97 326	82 591	14 736	5 973	5 675	589	63
MANUFACTURING	187 104	141 845	45 260	- 1 338	- 3 928	8 267	- 350	57 601	56 838	764	- 1 062	- 7 384	362	1 118
Food products	22 260	11 101	11 158	- 1 156	6 591	427	64	2 867	4 804	- 1 937	- 4 242	2 238	130	53
Total textiles & wood activities	7 981	7 587	393	480	- 5 549	1 028	123	10 169	7 721	2 447	482	174	- 169	18
Total petroleum,chemical,rubber,plastic products	100 066	100 005	63	2 384	- 13 522	6 191	249	16 441	33 801	- 17 358	3 041	- 26 199	144	451
Manufacture of chemicals & chemicals products	12 158	11 051	1 107	206	- 2 264	3 128	230	- 1 935	17 538	- 19 471	2 467	- 26 099	156	414
Total metal and mechanical products	20 458	5 751	14 704	619	6 755	160	- 76	8 392	5 924	2 468	- 495	2 340	45	- 4
Total machinery, computers, RTV, communication	16 101	854	15 249	- 4 020	- 304	- 20	135	1 767	- 838	2 606	495	1 689	- 10	124
Total vehicles & other transport equipment	7 401	3 295	4 106	211	2 708	279	- 898	7 563	2 934	4 631	193	3 635	382	223
ELECTRICITY, GAS AND WATER	20 650	13 235	7 415	25	5 757	346	3	26 293	20 743	5 549	126	1 095	780	595
CONSTRUCTION	3 542	- 980	4 523	242	2 360	- 96	8	3 155	1 683	1 473	- 42	- 1	27	- 30
TOTAL SERVICES	390 015	224 452	165 564	71 032	22 491	4 659	9 636	330 247	217 474	112 774	15 011	77 560	4 852	- 7 297
TRADE AND REPAIRS	30 787	13 532	17 255	- 19	17 400	132	- 185	1	520	- 231	750	2 239	- 42	2 192
HOTELS AND RESTAURANTS	3 846	3 637	210	40	- 513	- 9	1	39 282	29 640	9 642	4 754	1 659	52	127
TRANSPORTS AND COMMUNICATION	41 966	45 146	- 3 179	258	- 4 992	76	178	7 543	5 543	2 000	- 180	3 423	229	305
Land transport	1 968	1 807	162	19	111	77	6	3 024	3 251	- 226	144	78	28	- 29
Water transport	3 803	3 920	- 117	72	301	10	95	3 209	3 68	- 59	42	- 41	- 3	0
Air transport	- 634	1 039	- 1 673	42	118	- 10	1	19 701	19 973	- 273	279	- 787	15	177
Post and telecommunications	34 958	37 336	- 2 379	- 56	- 5 855	- 12	29	1 248	1 413	- 166	0	- 24	8	- 73
Post and courier activities	1 027	1 003	25	49	- 300	6	112	18 452	18 559	- 108	277	- 765	8	250
Telecommunications	33 930	36 334	- 2 405	- 106	- 5 555	- 19	- 83	10 877	9 161	1 715	6	56	25	44
Total land, sea and air transport	5 138	6 766	- 1 628	133	530	77	102	10 877	9 161	1 715	6	56	25	44
FINANCIAL INTERMEDIATION	172 001	93 274	78 727	5 447	15 239	1 906	10 498	122 918	105 097	17 821	4 295	- 3 288	3 364	1 714
Monetary intermediation	59 224	33 882	25 346	1 856	4 924	609	7 173	46 295	38 165	8 130	1 689	3 829	968	540
Other financial intermediation	102 728	61 118	41 610	2 033	6 472	887	7 637	58 588	54 029	4 558	2 027	- 11 054	1 959	1 167
REAL ESTATE & BUSINESS ACTIVITIES	133 997	62 585	71 412	64 619	- 6 929	2 442	- 672	121 540	59 532	62 009	4 803	62 836	1 261	- 11 660
Real estate activities	13 081	10 557	2 526	118	1 203	52	- 3	13 785	11 394	2 391	89	719	118	95
Computer activities	8 391	8 314	75	245	- 1 125	81	- 114	6 841	7 176	- 336	- 220	- 444	251	20
Research and development	153	- 176	329	- 18	336	- 17	0	- 385	- 1 220	834	249	460	1	162
Other business activities	112 070	43 933	68 137	64 321	- 7 395	2 327	- 524	97 585	39 387	58 196	4 662	62 271	- 7	- 11 976
OTHER SERVICES	7 399	6 285	1 113	687	2 293	112	- 183	20 890	5 043	15 845	814	10 691	- 10	24
Not allocated	50 587	31 677	18 910	3 001	14 421	- 1 688	2 534	56 988	65 911	- 8 925	1 941	- 9 659	1 256	904
Private purchases & sales of real estate	3 041	2 050	992	137	282	8	3	7 340	6 732	607	72	28	- 7	- 7

Table 12: FDI flows by economic activity in 2004 – Reporter: European Union (27 Member States), (EUR mn)

	Abroad										In the reporting economy					
	World	Intra-EU	Extra-EU	EFTA	United States	Canada	Japan	World	Intra-EU	Extra-EU	EFTA	United States	Canada	Japan		
TOTAL	369 134	226 857	142 278	-4 296	15 496	-2 260	5 814	244 179	185 893	58 286	17 237	11 522	-4 148	8 156		
SUB-TOTAL	367 326	225 867	141 460	-4 344	15 315	-2 258	5 815	235 805	177 993	57 812	17 268	11 453	-4 145	8 156		
AGRICULTURE AND FISHING	- 342	- 340	- 3	4	12	4	1	- 584	- 670	87	21	54	17	28		
MINING AND QUARRYING	14 269	-4 606	18 876	229	-1 593	912	22	9 252	12 500	-3 248	180	-4 095	739	51		
MANUFACTURING	96 618	64 546	32 072	-1 914	-6 546	-282	1 060	74 418	48 700	25 718	3 198	17 204	158	1 574		
Food products	9 138	17 156	-8 018	-423	-8 465	-1 652	-7	767	-3 555	4 321	2 753	-215	187	250		
Total textiles & wood activities	857	-5 544	6 400	-1 596	1 676	158	112	-5 738	-4 102	1 638	284	968	102	26		
Total petroleum, chemical, rubber, plastic products	61 893	31 839	30 055	418	1 313	448	169	48 901	27 834	21 069	815	16 680	84	704		
Manufacture of chemicals & chemicals products	37 685	24 768	12 917	448	-2 588	-102	71	27 321	7 660	19 661	-160	16 652	39	705		
Total metal and mechanical products	4 714	2 613	2 100	89	-409	268	30	8 801	7 605	1 196	677	-322	-4	-66		
Total machinery, computers, RTV, communication	-825	-3 328	2 503	-312	-44	46	14	802	2 297	-1 496	-893	-400	-271	266		
Total vehicles & other transport equipment	3 706	2 837	870	-132	-1 004	222	693	6 221	7 096	-875	-53	-615	92	4		
ELECTRICITY, GAS AND WATER	1 430	4 488	-3 058	19	-4 868	77	3	9 480	5 542	3 937	141	-536	15	911		
CONSTRUCTION	5 513	1 498	4 014	-2	629	-29	4	-1 008	113	-1 122	64	-245	11	68		
TOTAL SERVICES	223 113	185 443	37 668	-3 185	9 391	-3 993	-3 036	140 735	121 212	19 522	10 070	-5 010	-4 577	4 498		
TRADE AND REPAIRS	17 431	18 000	- 569	142	-4 534	120	196	11 644	3 218	8 426	120	3 829	412	1 730		
HOTELS AND RESTAURANTS	- 565	- 463	- 101	13	- 383	28	- 3	- 133	211	- 343	44	267	16	1		
TRANSPORTS AND COMMUNICATION	14 825	12 967	1 859	- 319	- 2 893	- 445	- 390	6 737	- 88	6 825	338	28	- 474	85		
Land transport	736	308	429	12	169	30	64	-1 068	-1 245	179	53	69	3	24		
Water transport	- 588	-1 580	993	-261	44	6	8	1 287	-290	1 577	53	815	0	44		
Air transport	12 248	12 332	-83	-99	-3 175	11	-474	3 547	930	258	53	147	3	-47		
Post and telecommunications	-7 050	-2 560	-4 491	14	-407	-5	163	-80	224	-304	1	-288	24	5		
Telecommunications	19 299	14 890	4 408	-113	-2 768	16	-637	3 626	87	3 539	43	-2 457	12	36		
Total land, sea and air transport	555	-1 247	1 805	-247	618	46	73	1 407	-605	2 014	159	-7 000	6	20		
FINANCIAL INTERMEDIATION	146 378	100 548	45 829	-3 155	31 403	-3 130	27	87 151	77 104	10 046	5 188	-7 700	-6 234	2 367		
Monetary intermediation	54 531	26 650	27 880	-3 919	17 912	375	-142	35 551	27 772	7 778	1 153	3 742	-326	660		
Other financial intermediation	76 210	62 975	13 235	578	12 085	-3 639	125	44 176	37 706	6 470	2 295	-4 530	-5 891	1 439		
REAL ESTATE & BUSINESS ACTIVITIES	43 308	52 342	-9 033	-5	-14 781	-622	-2 813	35 021	36 066	-1 045	3 956	4 379	1 689	169		
Real estate activities	7 565	5 101	2 464	128	228	94	34	6 539	4 972	1 568	132	80	431	40		
Computer activities	4 492	601	3 891	73	514	59	-63	2 097	1 241	857	271	721	260	0		
Research and development	133	294	-162	4	366	-49	-2	2 567	2 171	396	405	-97	2	10		
Other business activities	30 113	45 538	-15 425	-209	-15 876	-726	-2 781	23 337	27 518	-4 183	3 417	3 353	967	97		
OTHER SERVICES	1 725	2 064	-338	141	587	62	-52	308	4 695	-4 387	429	-5 813	14	145		
Not allocated	26 734	-25 156	51 890	505	18 292	1 050	7 761	3 507	-9 407	12 914	3 595	4 083	-507	1 026		
Private purchases & sales of real estate	1 807	990	817	48	181	-2	1	8 375	7 900	475	-31	69	-3	0		

Table 13: FDI stocks by economic activity in 2005 – Reporter: European Union (27 Member States), (EUR mn)

	Abroad						In the reporting economy						
	World	Intra-EU	Extra-EU	United States	Canada	Japan	World	Intra-EU	Extra-EU	EFTA	United States	Canada	Japan
TOTAL	6 342 658	3 907 413	2 435 244	352 330	850 366	96 950	5 624 867	3 801 664	1 823 203	298 791	874 540	76 800	82 701
SUB-TOTAL	6 277 975	3 861 412	2 416 564	351 545	842 608	96 775	5 588 162	3 780 446	1 807 716	298 465	867 543	76 793	75 977
AGRICULTURE AND FISHING	2 136	908	1 229	86	461	29	3 349	2 247	1 103	286	508	69	22
MINING AND QUARRYING	144 687	60 667	84 020	6 658	21 897	1 547	153 398	111 260	42 137	7 948	16 808	9 483	356
MANUFACTURING	1 108 078	599 886	508 190	71 443	164 649	22 363	896 318	578 922	317 396	67 813	185 413	6 954	17 327
Food products	121 641	63 706	57 936	3 712	22 003	2 308	109 540	64 211	45 329	12 345	32 987	156	123
Total textiles & wood activities	142 123	100 298	41 826	1 989	13 146	1 585	117 711	73 491	44 221	3 314	26 290	331	- 583
Total petroleum, chemical, rubber, plastic products	414 058	217 518	196 541	47 240	51 142	14 138	313 024	207 774	105 250	36 436	48 010	- 201	1 008
Manufacture of chemicals & chemicals products	226 653	120 494	106 159	39 211	34 097	7 623	231 649	151 377	80 274	30 399	38 766	- 6	75
Total metal and mechanical products	166 145	66 945	99 201	5 439	37 274	2 394	113 699	66 608	47 090	14 793	16 399	1 279	3 270
Total machinery, computers, RTV, communication	48 179	30 529	17 649	2 687	4 473	139	57 233	36 245	20 989	- 1 527	20 068	2 228	3 239
Total vehicles & other transport equipment	112 850	59 654	53 196	7 280	12 266	611	78 798	57 203	21 586	2 267	10 474	2 968	5 503
ELECTRICITY, GAS AND WATER	96 139	48 675	47 463	2 364	22 626	1 372	80 983	67 082	13 901	579	5 470	1 257	- 104
CONSTRUCTION	48 330	22 426	25 906	606	10 868	612	20 869	14 814	6 053	562	1 995	56	20
TOTAL SERVICES	4 727 113	3 064 219	1 662 892	260 523	587 277	68 042	4 268 923	2 909 861	1 359 059	212 677	634 689	57 655	54 738
TRADE AND REPAIRS	281 761	179 069	102 691	20 762	45 074	2 370	320 384	234 139	86 245	16 277	28 248	1 569	16 217
HOTELS AND RESTAURANTS	49 024	33 097	15 929	300	9 978	68	33 804	19 614	14 189	711	8 707	64	116
TRANSPORTS AND COMMUNICATION	382 499	255 706	126 792	8 586	39 485	2 929	222 036	175 587	46 449	8 574	15 666	438	1 015
Land transport	9 964	5 451	4 513	1 070	2 138	352	24 675	19 009	5 666	946	389	48	354
Water transport	12 986	7 190	5 796	24	1 371	24	62	4 951	2 506	260	456	27	5
Air transport	12 822	6 321	6 502	229	818	179	7 193	5 757	1 434	218	229	9	- 5
Post and telecommunications	298 513	221 659	76 854	4 282	29 445	263	140 775	114 024	26 751	1 584	9 811	92	471
Post and courier activities	1 189	- 968	2 157	1 081	2 002	13	244	- 1 369	1 612	153	- 202	- 58	795
Telecommunications	297 319	222 624	74 695	3 201	27 442	250	140 531	115 393	25 137	1 431	10 012	150	- 325
Total land, sea and air transport	35 772	18 962	16 811	1 323	4 327	555	39 325	29 717	9 607	1 425	1 074	84	354
FINANCIAL INTERMEDIATION	2 775 499	1 726 430	1 049 069	164 891	289 343	53 863	2 361 297	1 595 268	766 030	98 869	327 889	31 820	29 306
Monetary intermediation	327 491	170 763	156 728	7 690	75 517	1 176	264 515	191 078	73 437	12 784	36 178	3 930	3 770
Other financial intermediation	2 271 639	1 463 338	808 300	146 278	188 931	46 353	1 948 784	1 318 647	630 137	71 778	253 935	23 157	18 901
REAL ESTATE & BUSINESS ACTIVITIES	1 111 029	804 371	306 659	29 108	183 936	7 677	1 253 659	811 163	442 497	82 772	247 057	22 479	7 588
Real estate activities	85 127	63 367	21 759	2 527	11 704	1 634	153 771	121 934	31 836	11 254	11 868	350	708
Computer activities	43 712	22 269	21 442	1 338	7 568	112	51 702	36 683	15 019	2 821	8 962	1 195	- 269
Research and development	10 284	6 071	4 215	59	1 819	341	11 896	8 687	3 210	937	2 105	- 30	329
Other business activities	957 604	708 112	249 492	25 042	161 599	5 554	1 013 166	626 791	386 378	67 401	221 010	20 012	6 774
OTHER SERVICES	127 287	65 539	61 747	36 876	19 463	1 135	77 725	74 089	36 366	5 473	7 123	1 288	502
Not allocated	151 494	64 636	86 861	9 868	34 830	2 811	164 312	96 252	68 061	8 598	22 659	1 319	3 617
Private purchases & sales of real estate	64 685	46 001	18 684	785	7 759	175	36 704	21 216	15 488	326	6 996	7	6 724

ANNEX 2

Exchange rates

Table 1: Exchange rates**Flows – Average yearly exchange rate**

		2002	2003	2004	2005	2006
European Union	XEU	1	1	1	1	1
Austria	ATS	13.760	13.760	13.760	13.760	13.760
Belgium/Luxembourg	BEF	40.340	40.340	40.340	40.340	40.340
Cyprus	CYP	0.575	0.584	0.582	0.577	0.576
Czech Republic	CZK	30.804	31.846	31.891	29.782	28.342
Germany	DEM	1.956	1.956	1.956	1.956	1.956
Denmark	DKK	7.431	7.431	7.440	7.452	7.459
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	6.560	6.560	6.560	6.560	6.560
United Kingdom	GBP	0.629	0.692	0.679	0.684	0.682
Greece	GRD	340.750	340.750	340.750	340.750	340.750
Hungary	HUF	242.960	253.620	251.660	248.050	264.260
Ireland	IEP	0.788	0.788	0.788	0.788	0.788
Italy	ITL	1 936.270	1 936.270	1 936.270	1 936.270	1 936.270
Lithuania	LTL	3.459	3.453	3.453	3.453	3.453
Latvia	LVL	0.581	0.641	0.665	0.696	0.696
Malta	MTL	0.409	0.426	0.428	0.430	0.429
Netherlands	NLG	2.204	2.204	2.204	2.204	2.204
Poland	PLN	3.857	4.400	4.527	4.023	3.896
Portugal	PTE	200.482	200.482	200.482	200.482	200.482
Sweden	SEK	9.161	9.124	9.124	9.282	9.254
Slovenia	SIT	225.977	233.849	239.087	239.568	239.596
Slovakia	SKK	42.694	41.489	40.022	38.599	37.234
Bulgaria	BGN	1.949	1.949	1.953	1.956	1.956
Romania	RON	3.127	3.755	4.051	3.621	3.526

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

Table 2 : Exchange rates**Positions – Exchange rate at end of the year**

		2002	2003	2004	2005	2006
European Union	XEU	1	1	1	1	1
Austria	ATS	13.760	13.760	13.760	13.760	13.760
Belgium/Luxembourg	BEF	40.340	40.340	40.340	40.340	40.340
Cyprus	CYP	0.573	0.586	0.580	0.574	0.578
Czech Republic	CZK	31.577	32.410	30.464	29.000	27.485
Germany	DEM	1.956	1.956	1.956	1.956	1.956
Denmark	DKK	7.429	7.445	7.439	7.461	7.456
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	6.560	6.560	6.560	6.560	6.560
United Kingdom	GBP	0.651	0.705	0.705	0.685	0.672
Greece	GRD	340.750	340.750	340.750	340.750	340.750
Hungary	HUF	236.290	262.500	245.970	252.870	251.770
Ireland	IEP	0.788	0.788	0.788	0.788	0.788
Italy	ITL	1 936.270	1 936.270	1 936.270	1 936.270	1 936.270
Lithuania	LTL	3.453	3.452	3.453	3.453	3.453
Latvia	LVL	0.614	0.673	0.698	0.696	0.697
Malta	MTL	0.418	0.432	0.434	0.429	0.429
Netherlands	NLG	2.204	2.204	2.204	2.204	2.204
Poland	PLN	4.021	4.702	4.085	3.860	3.831
Portugal	PTE	200.482	200.482	200.482	200.482	200.482
Sweden	SEK	9.153	9.080	9.021	9.389	9.040
Slovenia	SIT	239.640	239.640	239.640	239.640	239.640
Slovakia	SKK	41.503	41.170	38.745	37.880	34.435
Bulgaria	BGN	1.955	1.956	1.956	1.956	1.956
Romania	RON	3.514	4.116	3.939	3.680	3.384

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 642	group 64.2
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

Economic activity	Questionnaire Y5/Y7 Eurostat	ISIC Rev. 3	NACE Rev. 1.1
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
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
RS	Serbia
RU	Russian Federation
SM	San Marino
TR	Turkey
UA	Ukraine
VA	Holy See (Vatican City State)

E4 AFRICA (55 countries)

E5 North Africa (5 countries)

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

E6 Other African countries (50 countries)

AO	Angola
BF	Burkina Faso
BI	Burundi
BJ	Benin
BW	Botswana
CD	Congo, the Democratic Republic of the
CF	Central African Republic
CG	Congo
CI	Côte d'Ivoire
CM	Cameroon
CV	Cape Verde
DJ	Djibouti
ER	Eritrea
ET	Ethiopia
GA	Gabon
GH	Ghana
GM	Gambia
GN	Guinea
GQ	Equatorial Guinea
GW	Guinea-Bissau
IO	British Indian Ocean Territory
KE	Kenya
KM	Comoros
LR	Liberia
LS	Lesotho
MG	Madagascar
ML	Mali
MR	Mauritania
MU	Mauritius
MW	Malawi

BOP GEOGRAPHICAL ZONES

MZ	Mozambique
NA	Namibia
NE	Niger
NG	Nigeria
RW	Rwanda
SC	Seychelles
SD	Sudan
SH	St Helena
SL	Sierra Leone
SN	Senegal
SO	Somalia
ST	Sao Tome and Principe
SZ	Swaziland
TD	Chad
TG	Togo
TZ	Tanzania, United Republic of
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

E9 Central American countries (30 countries)

AG	Antigua and Barbuda
AI	Anguilla
AN	Netherlands Antilles
AW	Aruba
BB	Barbados
BM	Bermuda
BS	Bahamas
BZ	Belize
CR	Costa Rica
CU	Cuba
DM	Dominica
DO	Dominican Republic
GD	Grenada
GT	Guatemala
HN	Honduras
HT	Haiti
JM	Jamaica
KN	St Kitts and Nevis
KY	Cayman Islands
LC	Saint Lucia
MS	Montserrat
MX	Mexico
NI	Nicaragua
PA	Panama
SV	El Salvador
TC	Turks and Caicos Islands
TT	Trinidad and Tobago
VC	St Vincent and the Grenadines
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
FK	Falkland Islands (Malvinas)

BOP GEOGRAPHICAL ZONES

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
BH	Bahrain
IQ	Iraq
KW	Kuwait
OM	Oman
QA	Qatar
SA	Saudi Arabia
YE	Yemen

F5 Other Near and Middle East countries (7 countries)

AM	Armenia
AZ	Azerbaijan
GE	Georgia
JO	Jordan
LB	Lebanon
PS	Palestinian Territory, Occupied
SY	Syrian Arab Republic

F6 Other Asian countries (32 countries)

AF	Afghanistan
BD	Bangladesh
BN	Brunei Darussalam
BT	Bhutan
CN	China
HK	Hong Kong
ID	Indonesia
IN	India
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
NP	Nepal
PH	Philippines
PK	Pakistan
SG	Singapore
TH	Thailand
TJ	Tajikistan
TL	Timor-Leste
TM	Turkmenistan
TW	Taiwan, Province of China
UZ	Uzbekistan
VN	Viet Nam

BOP GEOGRAPHICAL ZONES

F7 OCEANIA AND POLAR REGIONS (33 countries)

AU	Australia
FJ	Fiji
FM	Micronesia, Federated States of
KI	Kiribati
MH	Marshall Islands
MP	Northern Mariana Islands
NC	New Caledonia
NR	Nauru
NZ	New Zealand
PF	French Polynesia
PG	Papua New Guinea
PN	Pitcairn
PW	Palau
SB	Solomon Islands
TO	Tonga
TV	Tuvalu
VU	Vanuatu
WF	Wallis and Futuna
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

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

Source: BoP Vademecum November 2007

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

I4 Euro Area (from 2008 onwards - 15 countries + 1 entity) -

A3	BLEU	Belgium (BE) + Luxembourg (LU) (up to end 2002)	
BE	Belgium		2002
LU	Luxembourg		2002
DE	Germany		
GR	Greece		2001
ES	Spain		
FR	France		
IE	Ireland		
IT	Italy		
CY	Cyprus		2008
MT	Malta		2008
NL	Netherlands		
AT	Austria		
PT	Portugal		
SI	Slovenia		2007
FI	Finland		
4F	European Central Bank (ECB)		

K4 EU Member States not belonging to Euro Area (from 2008 onwards - 12 countries + 1 entity)

DK	Denmark		
SE	Sweden		
GB	United Kingdom		
CZ	Czech Republic		2007
EE	Estonia		2007
HU	Hungary		2007
LT	Lithuania		2007
LV	Latvia		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

J4 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

BOP ECONOMIC ZONES

HU	Hungary	1996
IE	Ireland	1961
IS	Iceland	1961
IT	Italy	1961
JP	Japan	1964
KR	Korea, Republic of (South Korea)	1997
LU	Luxembourg	1961
MX	Mexico	1994
NL	Netherlands	1961
NO	Norway	1961
NZ	New Zealand	1973
PL	Poland	1997
PT	Portugal	1961
SE	Sweden	1961
SK	Slovakia	2001
TR	Turkey	1961
US	United States	1961
4A	European Union Institutions (excluding ECB)	
4F	European Central Bank (ECB)	
A9	Countries from Central and Eastern Europe - 6 countries (15 countries up to end 2003) -	
AL	Albania	
BA	Bosnia and Herzegovina	
HR	Croatia	
ME	Montenegro	2007
MK	Macedonia, the Former Yugoslav Republic of	
RS	Serbia	2007
B1	NAFTA (North American Free Trade Association) - 3 countries -	
CA	Canada	1994
MX	Mexico	1994
US	United States	1994
B2	Latin America - 18 countries -	
AR	Argentina	
BO	Bolivia	
BR	Brazil	
CL	Chile	
CO	Colombia	
CR	Costa Rica	
CU	Cuba	
EC	Ecuador	
GT	Guatemala	
HN	Honduras	
MX	Mexico	
NI	Nicaragua	
PA	Panama	
PE	Peru	
PY	Paraguay	
SV	El Salvador	
UY	Uruguay	
VE	Venezuela	
B3	ASEAN (Association of South-East Asian Nations) - 10 countries -	
BN	Brunei Darussalam	1984
ID	Indonesia	1967
KH	Cambodia (Kampuchea)	1999
LA	Lao People's Democratic Republic	1997
MM	Myanmar	1997
MY	Malaysia	1967
PH	Philippines	1967
SG	Singapore	1967
TH	Thailand	1967
VN	Viet Nam	1995
B4	OPEC (Organisation of Petroleum Exporting countries) - 11 countries -	
AE	United Arab Emirates	
DZ	Algeria	1969
ID	Indonesia	1962
IQ	Iraq	1960
IR	Iran, Islamic Republic of	1960
KW	Kuwait	1960
LY	Libyan Arab Jamahiriya	1962
NG	Nigeria	1971
QA	Qatar	1961
SA	Saudi Arabia	1960
VE	Venezuela	1960
EC	Ecuador	1973-1992
GA	Gabon	1975-1994

BOP ECONOMIC ZONES

B5	ACP (African, Caribbean and Pacific countries signatories to the Partnership Agreement (Cotonou Agreement))	
	77 countries (48 African 15 Caribbean 14 Pacific countries)	
	B6	African ACP countries - 48 countries -
	AO	Angola 1985
	BF	Burkina Faso 1963
	BI	Burundi 1963
	BJ	Benin 1963
	BW	Botswana 1975
	CD	Congo, the Democratic Republic 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 Príncipe 1979
	SZ	Swaziland 1975
	TD	Chad 1963
	TG	Togo 1963
	TZ	Tanzania, United Republic of 1969
	UG	Uganda 1969
	ZA	South Africa 1998
	ZM	Zambia 1975
	ZW	Zimbabwe 1984
	B7	Caribbean ACP countries - 15 countries -
	AG	Antigua and Barbuda 1984
	BB	Barbados 1975
	BS	Bahamas 1975
	BZ	Belize 1984
	DM	Dominica 1979
	DO	Dominican Republic 1984
	GD	Grenada 1975
	GY	Guyana 1975
	HT	Haiti 1990
	JM	Jamaica 1975
	KN	St Kitts and Nevis 1984
	LC	Saint Lucia 1979
	SR	Suriname 1979
	TT	Trinidad and Tobago 1975
	VC	St Vincent and the Grenadines 1984
	B8	Pacific ACP countries - 14 countries -
	CK	Cook Islands 2000
	FJ	Fiji 1975
	FM	Micronesia, Federated States of 2000
	KI	Kiribati 1979
	MH	Marshall Islands 2000
	NR	Nauru 2000
	NU	Niue 2000
	PG	Papua New Guinea 1979
	PW	Palau 2000
	SB	Solomon Islands 1979
	TO	Tonga 1975
	TV	Tuvalu 1979
	VU	Vanuatu 1984
	WS	Samoa 1975
B9	NICs1 (the Core Newly Industrialising Countries) - 4 countries -	
	HK	Hong Kong
	KR	Korea, Republic of (South Korea)
	SG	Singapore
	TW	Taiwan, Province of China
CI	NICs2A (Asian NICs of the second wave of industrialisation) - 3 countries -	
	MY	Malaysia
	PH	Philippines
	TH	Thailand

BOP ECONOMIC ZONES

C6	Commonwealth of Independent States (CIS) - 12 countries -	
	AM Armenia	1992
	AZ Azerbaijan	1992
	BY Belarus	1992
	GE Georgia	1994
	KG Kyrgyzstan	1992
	KZ Kazakhstan	1992
	MD Moldova, Republic of	1992
	RU Russian Federation	1992
	TJ Tajikistan	1992
	TM Turkmenistan	1992
	UA Ukraine	1992
	UZ Uzbekistan	1992
C7	Countries from Maghreb -3 countries -	
	DZ Algeria	
	MA Morocco	
	TN Tunisia	
C8	Countries from Mashrek - 5 countries -	
	EG Egypt	
	JO Jordan	
	LB Lebanon	
	PS Palestinian Territory, Occupied	
	SY Syrian Arab Republic	
C9	MERCOSUR (Countries of the South Cone Common Market) - 4 countries -	
	AR Argentina	1991
	BR Brazil	1991
	PY Paraguay	1991
	UY Uruguay	1991
D1	APEC (Asia-Pacific Economic Cooperation) - 21 countries -	
	AU Australia	1989
	BN Brunei Darussalam	1989
	CA Canada	1989
	CL Chile	1995
	CN China	1992
	HK Hong Kong	1992
	ID Indonesia	1989
	JP Japan	1989
	KR Korea, Republic of (South Korea)	1989
	MX Mexico	1994
	MY Malaysia	1989
	NZ New Zealand	1989
	PE Peru	1999
	PG Papua New Guinea	1994
	PH Philippines	1989
	RU Russian Federation	1999
	SG Singapore	1989
	TH Thailand	1989
	TW Taiwan, Province of China	1992
	US United States	1989
	VN Viet Nam	1999
D6	Candidate countries (up to end 2006) -	
	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
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	

BOP ECONOMIC ZONES

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)

Source: *BoP Vademecum November 2007*

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 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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