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FOREIGN DIRECT INVESTMENT AS A FACTOR OF ECONOMIC EMPOWERMENT OF THE EUROPEAN UNION

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ABSTRACT

At the end of the 20th and beginning of the 21st century the role of the European Union in foreign direct investment flows has increased, but also the growing role of transnational companies from EU countries in the world economy is noticeable. Cross-border corporate takeover has become the dominant form of movements in foreign direct investments.

The main role in this process had the European Union countries, such as suppliers, as well as recipients of foreign direct investment. Excluding flows within the European Union, this regional integration refers to approximately 40 % of all outbound foreign direct investment in the last decade.

The undisputable fact is also that the global financial crisis has affected, among other things, the decline in foreign direct investment in the European Union, increasement of regional disparities, both at the global and lower regional level.

This fact committed authors of this paper to ask a question – is there any inconsistency (and / or gap) in the distribution (allocation) of foreign direct investment in EU countries , taking into consideration that there is a significant gap in the inflows and outflows of foreign investment between industrialized countries and developing countries ?

In order to answer the question, the paper provides an overview of trends in foreign direct investment in the European Union, stating data and rating in terms of impact of FDI on the economic growth in general, and in the countries of the European Union in particular.

***Keywords**: foreign direct investment inflows, outflows, EU*

GENERAL NOTES ON FOREIGN DIRECT INVESTMENT

Foreign direct investment in the last decade have had a significant effect on the economy of the EU member states, as they represent a significant source of capital, which in many cases affected the economic growth of countries. These effects differed depending on the characteristics of the country that is recipient of foreign investment.

It is known that some of the EU member states do not have enough their own resources for financing economic growth and development, and reducing regional uniformity, so because of this they are forced to use foreign funds, which function as the main drivers and key development factor, not only for certain national economies, but also for the entire world economy.

It is an indisputable fact, too, that the world financial crisis has affected, among other things, the decline in the inflow of foreign investments and increasement in regional disparities, both at the global and lower regional level. This fact also committed authors of this paper to ask a question – *is there any inconsistency in the schedule (or distribution) of foreign direct investment in the EU countries, since there is a significant gap in the inflows and outflows of foreign investment between industrialized countries and developing countries?*

The contribution of FDI to economic development of the country, and to reduction of regional unevenness, is primarily reflected through additional resources within them, and they are: transfer of capital, technology, managerial and organizational skills, access to export markets, increasing the efficiency of the domestic economy lowering production costs (direct) and encouraging competition in the domestic market (indirectly), using economics volume, etc. In addition, their importance is not only reflected in the inflow of necessary resources for investment, but above all in the process of developing partnerships with companies from developed countries that represent holders in the development in their activities. They raise the level of exports and domestic economic activities to a level above that which would exist if these investments were not taken.

A state can improve the balance of payments and increase its budget revenues. The effects of FDI on employment may be different depending on the period of observation. It can happen that foreign direct investment in the short term has an impact on employment reduction (degradation by domestic and other foreign companies that are unable to withstand the competitive match, etc.), but it is clear that in countries in transition, foreign direct investment cannot be blamed for such negative appearance. In the medium and long terms, foreign direct investment encourages employment, increases salaries of employees and overall economic progress of the economy of certain country, and thus of its parts, which has a direct impact on reducing poverty and regional diversity.

It is important to note that the claim that FDI will automatically bring about high growth in production and employment, and to reduce regional disparities , can often lead people to make wrong conclusions, because what is more important is not the level of foreign direct investment, but the kind of FDI. Only Greenfield investments lead to new jobs in short,medium and long terms, while other types of foreign direct investment (e.g. M & A, privatization) encourage employment. In this way, over the time, FDI has an impact on the total contribution to the international competitiveness of the host country.

Bearing in mind all the above mentioned benefits that FDI brings, all countries, and some regions within them, are trying to attract to their territory as much capital in the form of foreign investment. It is not an easy task, especially at the present time when almost all countries liberalized their national policies.

DEVELOPMENTS AND ARRANGEMENT OF FDI ON THE GLOBAL LEVEL

FDI has been present and used since the ancient times. As a result of globalization internalization of the world economy, foreign direct investment, together with the international tradof goods and services, promote economic growth, increase employment and raise living standard worldwide. The extraordinary expansion experienced in late 20th and at the beginning of 21st century and the total FDI inflows in the world in the amount 2.099 milliard dollars in 2007 recorded the highest inflow of foreign investment in mankind history. In 2008,there was the reduction in the global foreign direct investment (1,770 milliard dollars), so in 200 the global FDI investments reached the amonut of 1.114 billion dollars, a decline of almost 50 % compared to 2007.[1]

There is a great concern in all countries because of declining global flows of foreign direct investment, which is primarily a consequence of the global economic crisis. The concern is especially present in developing countries and conutries in transition because of the fact that those countries have almost ended privatization process of state and social enterprises and do not have their own startup capital to get out of the vicious circle of poverty.

Figure 1: Countries with the highest outflows FDI from 2002 - 2012

	2002.		**2007.**		**2011.**		**2012.**	
	mlrd. $	Rank	mlrd. $	Rank	mlrd. $	Rank	mlrd. $	Rank
United States	134,9	1	393,5	1	396,7	1	328,9	1
Japan	32,3	5	73,5	8	107,6	2	122,6	2
China	2,5	28	26,5	19	74,7	6	84,2	3
Hong Kong	16,2	9	67,9	10	95,9	4	84,0	4
United Kingdom	52,5	2	325,4	2	106,7	3	71,4	5
Germany	18,9	8	170,6	3	52,2	11	66,9	6
Canada	26,8	7	64,6	11	49,8	12	53,9	7
Russian Federation	3,5	25	45,9	14	66,9	7	51,1	8
Switzerland	8,2	16	51,0	13	47,3	13	44,3	9
British Virgin Islands	10,6	14	43,7	15	52,2	10	42,4	10

Source:UNCTAD, World Investment Report 2013 – Global Value Chains: Investment and Trade for Development
Authors'own analysis and sum

According to the data from the previous table, the most important investor in the last decade are the United States of States, whichin 2012 invested 328.9 billions $. Japan has maintained a different position compared to the previous (2011) and achieved a total of 122.6 billion $. Especially interesting is the penetration of China in the top countries with the largest share of FDI outflows (3rd place in the 2012) which has moved more than 25 places compared to 2002 (28th place and earned 2.5 billion. $) from other countries, should be set aside and Hong Kong, which has been among the top ten investors during the several previous years.

[1]See: WIR, 2010.

Figure 2: Countries with the highest FDI inflow from 2002 - 2012

	2002.		2007.		2011.		2012.	
	mlrd. $	Rank	mlrd. $	Rank	mlrd. $	Rank	mlrd. $	Rank
United States	74,5	1	216,0	1	226,9	1	167,6	1
China	52,7	3	83,5	7	124,0	2	121,1	2
Hong Kong	6,7	19	62,1	10	96,1	4	74,6	3
Brazil	16,6	12	34,6	15	66,7	5	65,3	4
British Virgin Islands	1,5	45	31,8	17	62,7	7	64,9	5
United Kingdom	25,2	7	200,0	2	51,1	10	62,4	6
Australia	15,0	14	45,5	13	65,3	6	57,0	7
Singapore	6,2	22	47,0	12	55,9	8	56,7	8
Russian Federation	3,5	28	57,0	11	55,1	9	51,4	9
Canada	22,2	10	116,8	4	41,4	12	45,4	10

Source: UNCTAD,World Investment Report 2013 – Global Value Chains: Investment and Trade for Development
Authors' own analysis and sum

When it comes to the inflow of FDI, the U.S., as the economically strongest country in the world, retains top position in foreign direct investment over the last decade. In 2012 the U.S. has absorbed a total of $ 167.6 billion of FDI. The second is China with $ 121.1 billion, while the third is Hong Kong with $ 74.6 billion, which in the last decade has made significant progress in terms of FDI inflow (of 19 positions in 2002 to position 3 in 2012). Among the ten most attractive destinations for FDI are Brazil, British Virgin Islands, the United Kingdom, Australia, Singapore, Russia and Canada.

DYNAMICS FOREIGN DIRECT INVESTMENT IN THE EUROPEAN UNION

The European Union as a whole is the largest economy in the world and as such is known by a very favorable policies for investors. According to IMF data, the EU in 1992 included half of total world FDI. When it comes to investment policy, it should be noted that the EU gives more and more attention to investors in order to achieve stability and security. In addition to favorable legislation, the EU has significant natural resources, and industry on the rise. Regarding to this, it can be said that there is no sector in the EU that cannot be invested into. However, the most important to distinguish is the services sector, followed by the automotive industry, biotechnology, ICT, etc.[2]

According to data from the World Investment Report for last year, foreign direct investments in Eastern Europe have increased, but less than what was expected, especially in Central Europe. Data for the first half of 2012 show that influx of foreign direct investment in Eastern Europe increased for about 16 %. Although FDI are on the rise, the increase was slightly lower than expected. However, the increase in FDI is unevenly across the region. The increase in FDI of 27% that are poured into the Balkans, as well as a slightly lower increase in the Baltic states, has far exceeded the increase in FDI recorded in the traditional leading countries that receive FDI Central European. This trend highlights the relative change in the direction of investment that ranges from major new EU member states.

[2]Available data from the report WIR 2013.

The report *Outlook for global investments, Economist Intelligence Unit* from May 2004 stated that this trend reflects the beginning of the process of transfer of some activities further to the East, and this process will gain strength. On the whole, the beginning of the new millennium, more precisely, in 2003 the inflow of FDI in Eastern Europe decreased compared to the previous year to 33 billion dollars from 37 billion dollars in 2002. The amount of 10 billion dollars that has flowed into the countries that are leading in the amount of FDI in Central Europe was less than half of which came in the sub-region in 2002 which is the lowest annual inflow and the first decline since 1997. At the same time, it was by far the smallest share of central Europe in total regional FDI (27%) since the transaction has started.

Low activity of FDI in Central Europe, surprised many observers who had predicted a new increase in FDI in the region which expects membership in the EU. Results of research conducted among 500 global investors by the Office of the European Commission last year were similar to the results of the analysis of economic trends and predictions for SDI. New EU member states have even found themselves behind India according to the criteria of expertise workforce, and another surprise is that they are behind China by criterion l of ocation for research and development activities. Short-term influences of FDI in new EU member states should continue to be high. Favorable business environment should continue to go in favor of the newly arrived members in many other emerging markets. Location is still a big advantage and gives these countries a permanent advantage over the southern EU member states such as Greece, Portugal and Spain.

However, when you actually examine the images of movement and dynamics of FDI in transition countries, the situation is as follows. In fact, in all the post-communist transition countries basic model included the following components: the privatization of state-owned enterprises, liberalization of prices and the abandonment of state subsidies as an integral part liberalize domestic trade, the elimination of barriers to the establishment of new private enterprises and economic organizations, the liberalization of financial markets, liberalization of foreign trade, closing foreign trade organization owned by state, establishment of an efficient management of economic organizations, balancing the state budget by increasing taxes and ithe reduction of public sector spending.

The basic prerequisite for successful political and economic transition of the former socialist countries to market economies is their integration into the world economy, including taking part foreign trade flows and the flows of private foreign capital.

In the transition period possibilities for the influx of private foreign capital in the form of FDI are more realistic, because they put far less demands on the host country in relation to the investment portfolio as well as other forms of private foreign capital. Necessity precondition for the inflow of portfolio investment is a developed financial market, which most countries in the transition will not be able to provide in the near future , bearing in mind the state of its financial structure. Former socialist, today transitional economy, passed the different stages in regard to the role of foreign direct investments (FDI) in the process of transformation of their economies. We would go from a phase of doubt, through stages of euphoria and the last step again doubts regarding the role and importance of FDI for the development of national economy.
In comparison with the dynamics of FDI flows in developing countries, inbound investments in the countries of Central and Eastern Europe are modest. Inbound FDI flows in CEE countries rose from 367 million dollars in 1990 to 14.5 billion dollars 1995, or 19.5 billion from $ 1997. In 1998, FDI in transition economies recorded a slight decline of 5% to 18.7 billion dollars (see the following table). Behind these

figures in 1998 there are hidden consequences of the financial crisis that has engulfed Russia, and which resulted in two trends: a) trend of significant decline in FDI in the Russian Federation for more than 60% in only 2 billion dollars, and b) the trend of record growth in FDI in other regions of the sections CIE , to 26%, which is the value of incoming investment flows of about 16 billion dollars. It follows from this argument that the effects of the Russian financial crisis in the 1998 on other countries in Central and Eastern Europe were very limited , at least when it comes to foreign direct investment

The basic characteristics of the investment trends in the CIE is the concentration on the economies with the best results of the reform - Hungary, Poland and the Czech Republic - which together attract the 1996 the 81 % and the 1998 55 % of European SDI input streams transitory economy.

Although significantly greater flow of FDI countries of Central and Eastern Europe in the 1999 reached about 110 billion $ (Corresponding to SDI during the Hong-Kong) and represents only 2.2 % of global FDI flows. The achieved level of FDI flow confirms that in the category of countries in transition and persist determinants that are negatively correlated with the influx of FDI, such as: long duration of transitional recession which brought a very unfavorable macroeconomic environment, insufficient liberalization of regulations, inadequate business infrastructure, political uncertainty as well as certain inexperience of these countries in terms of the use of promotional and incentive mechanisms or measures.

In addition to the concentration of FDI flows into the country with the most successful results of the transient, as the characteristics of FDI flows in these economies can also specify the following:

- The difference between the contracted and realized investment projects in the countries of CEE, contracted investment projects are mainly small and medium engaged with the level of investment between 45,000 and 1.5 million dollars
- Privatization process as the most important mode of entry of FDI in transition economies

Otherwise, the choice of possible models of engagement of FDI in Central and Eastern Europe is as follows:

- Establishment of a new company wholly owned by the foreign partner so-called Greenfield operations - this is rarer option thanks to the still high risk and unstable economic conditions in the economies of CIE;
- All other engagements of foreign capital through the purchase (mergers and aquisition) domestic companies are closely linked to the process of privatization in these countries, or to change the ownership of local partners .

When it comes to the dynamics of FDI inflow in European Union a growing trend has been noticed until 2007, when it was recorded the highest level of FDI inflow ($ 854.0 billion). This followed in the next two years (to $ 356.6 billion in 2009), but then there was a slight recovery in 2010 (379.4 billion $) and 2011 (441.6 billion $). In 2012 the proceeds reached the amount of 258.5 billion $, a decline of about 40 % compared to the 2011.

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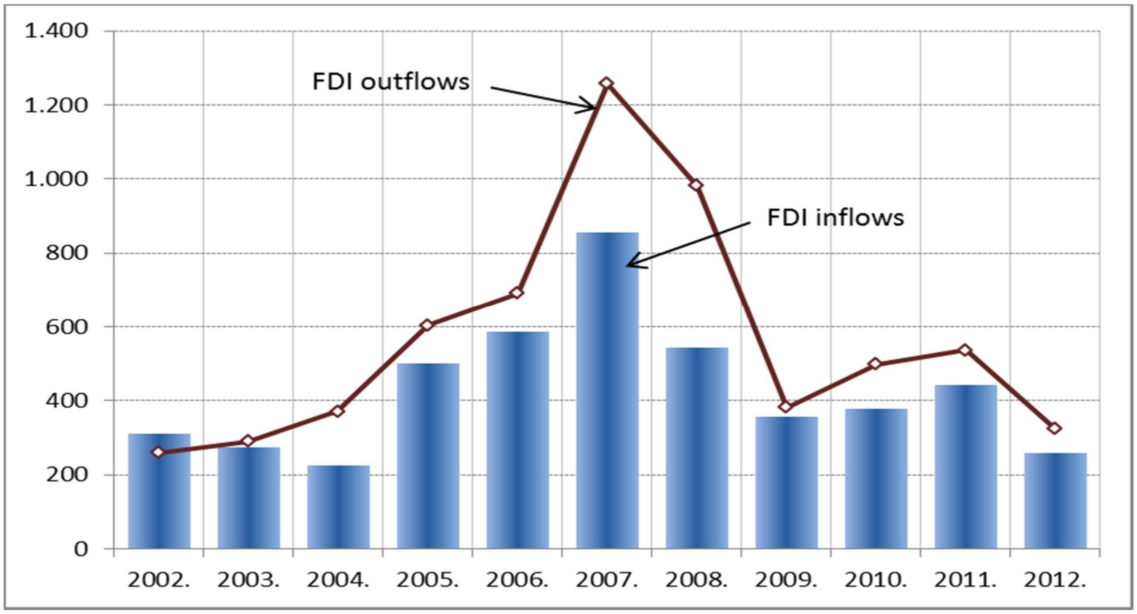
Chart 1: The dynamics of inflows and outflows of FDI in the EU in the period 2002-2012



Source: UNCTAD, World Investment Report 2013, Global Value Chains: Investment and Trade for Development
Authors' own analysis and sum

Outbound FDI flows (outflows) in the European Union had the similar dynamics as the input stream. The Total FDI of these countries in the period 2002-2011 were estimated to be 6.197 billion and thus make the 43.2% of the total FDI outflow in the world during this period.

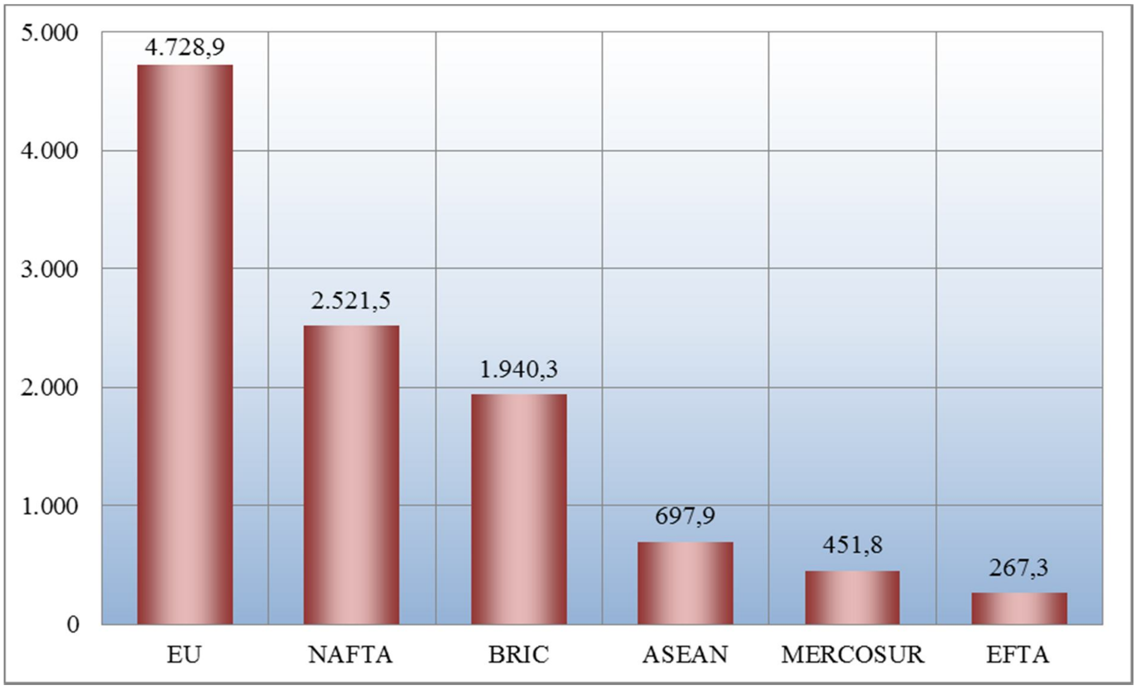
According to the data presented in chart 1, there can be seen a growing trend of FDI outflows in the period of 2002 to 2007 (from 259.9 to $1257.9 billion), then a drastic decline in 2009, when the outflows were $382.0 billion (30% of outflows from 2007). What followed was a slight increase to the amount around $536.5 billion in 2011, and then again decline to $323.6 billion in 2012.

REGIONAL AND SECTOR DISTRIBUTION OF FOREIGN DIRECT INVESTMENTS IN INDIVIDUAL EUROPEAN UNION COUNTRIES

Country which are investors in CEE region - the highest amount of capital coming to the countries in transition is from developed market economies of Western Europe, whose investments make 65-80% of total inward FDI in most countries of the region. EU member countries are the largest investors in FYR Macedonia, Bulgaria, Hungary, Croatia, Poland, Slovakia, Slovenia, Lithuania and Belarus (60-75 %). USA and Germany are two individual countries with 10% to 20% of total SDI status of the most countries**.** Beside these, other countries investors which stand out are Austria, Great Britain, Switzerland, Holland, France and Italy. On the other hand, in most of the transitional economies Japanese FDI have marginal value.

According to the data available to UNCTAD, the European Union in the last decade recorded the highest level of FDI inflow (total $4,729 billion in the period for 2002-2012, or $430 billion annually). In second place is a group of NAFTA with the amount of $2.521 billion, that is 229 billion annually, while the BRIC group is in the third place with the amount of $1.9440 billion or $176 billion annually.

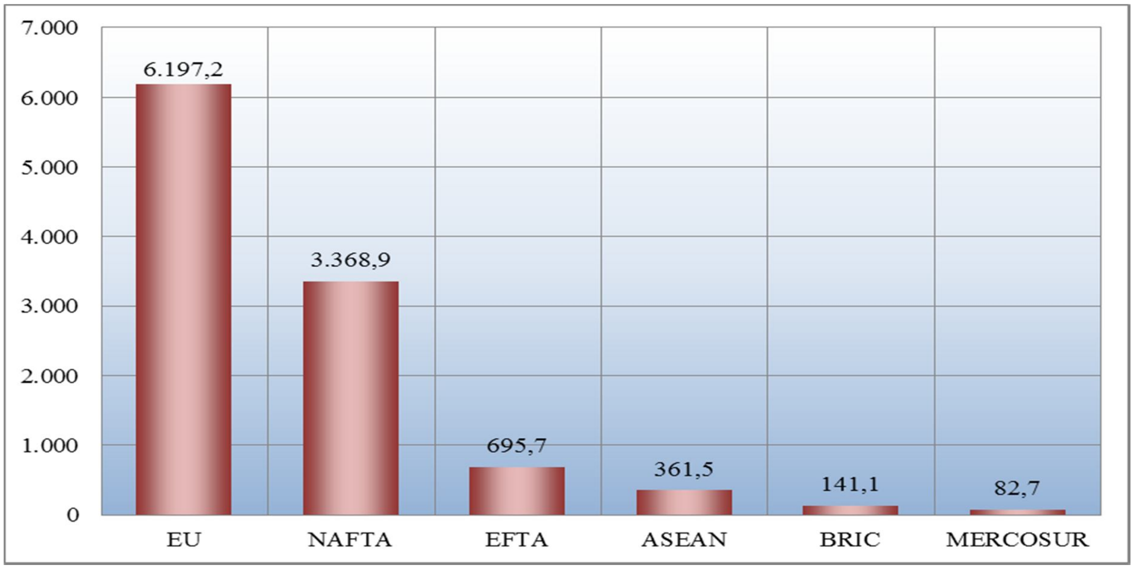
Chart 2: Inflow of FDI by region (cumulative 2002-2012)



source: The FDI Report 2013 – Global greenfield investment trends (http://ftbsitessvr01.ft.com/forms/fDi/report2013/files/The_fDi_Report_2013.pdf, 10.10.2013.)
Authors' own sum and analysis

Similar situation is with the outflows of FDI. Thus, in the period from 2002 to 2012 the EU has invested a total of $6197.2 billion or $563.4 billion per year. In second place is NAFTA with $3368.9 billion, or $306 per year. The only difference compared to the inflow of FDI is the third position where instead of the BRIC group is EFTA with $695.7 billion FDI.

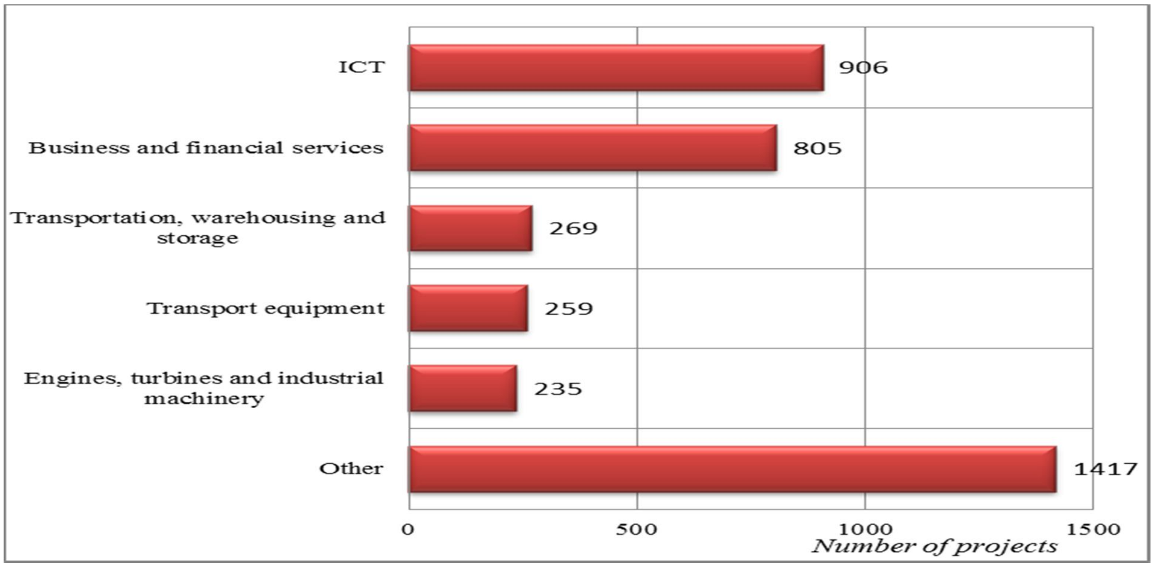
Chart 3: Outflows of FDI by region (cumulative 2002-2012)



source: The FDI Report 2013 – Global greenfield investment trends (http://ftbsitessvr01.ft.com/forms/fDi/report2013/files/The_fDi_Report_2013.pdf, 10.10.2013.)
Authors' own sum and analysis

When it comes to the sector structure, in Europe in 2012 the highest investment was made in the ICT sector (in 2011 it was in the second place), which has absorbed nearly a quarter of total FDI. Business and financial services, as a result of the weakening of the financial sector in Europe, fell to the second place. Despite of that, they continue to participate significantly in the total FDI investment and make a fifth of FDI projects in the region. Transport and storage are on the third place, which have improved their position for two places, when compared to 2011. While the top five sectors have experienced a decline in the number of projects and the amount of investments, oil and natural gas retained the same level from 2011, while renewable energy sources recorded a number of projects.

Chart 2: The sector structure of foreign direct investment in Europe in the 2012



source: The FDI Report 2013 – Global greenfield investment trends
(http://ftbsitessvr01.ft.com/forms/fDi/report2013/files/The_fDi_Report_2013.pdf, 10.10.2013.)
Authors' own sum and analysis

Foreign direct investment affects the process of transition of CEE countries to the market economy in a direct and indirect way. The direct impacts are those that are related to economic growth in key industries, commerce and the development of trade relations with the West, and technology transfer. Indirect impact of FDI is reflected in the institutional systems of these countries, encouraging the privatization process and the creation of conditions of competition. Industries in transition countries in which foreign capital came usually achieved good business results and must be encouraged in the overall economic recovery of the country. Linking Western and Eastern companies have a major role in strengthening trade ties between these two regions. Direct investment encouraged trade in countries in transition. Significant direct effect of the TNC in countries in transition reveals transfer technology to local partners. One of the first indirect, and therefore harder measurable effects of FDI on transition economies is good effect on building the institutional and legal framework necessary for market activity. The market economy cannot be realized without realizing the privatization process in economies in transition. Third indirect impact of FDI on the economies in transition is related to the stimulation of competition in these economies.

From the stage of theoretical interpretation of the positive effects of FDI, most transitory economy has gone into the stage when the foreign capital actually entered the industry and became dominant in certain sectors, significantly encouraging the processes of modernization. Therefore, local firms are faced with stiff competition from rivals in foreign ownership. However, what most transitory economy recorded in terms of business and foreign-owned companies is reduced to the following, namely:

- A local company owned by foreigner is doing well under his direction,
- A large number of local firms reported access to new knowledge, technology, markets, financial resources , thanks to the partners,
- Foreign-owned companies invest more, achieve higher levels of productivity and achieve export more than local firms.

On the other hand, opponents of such operating results substantiate the fact that the foreign partner buys only the best and most successful local companies. The countries of Central and Eastern Europe are the most direct competitors in attracting foreign capital, so that the knowledge and monitoring of their previous experience in this field is of great importance for the proper setting investment framework in local conditions.

TRENDS ANALYSIS OF FOREIGN DIRECT INVESTMENT IN THE EU DURING AND AFTER THE GLOBAL FINANCIAL CRISIS

In 2007 and during the crisis, around the world there has been a sharp decline in international investment flows in all their forms (foreign direct investment , portfolio investment and other flows of international investment) . This drastic decline was different from anything seen in recent decades. After the reduction of the intensity of flows of international investment unprecedented in early 2010 at the global level there has been a recovery of about 14 %. This recovery has primarily affected regions outside Europe, such as the U.S., Asia and Latin America (specifically in Brazil, Russia, India and China), with regard to the EU in 2010 decrease in the remittances, as well as sinks SDI. It is very important to emphasize the fact that an increasing amount of FDI continues to receive the developing countries and their economies.

In the EU, both incoming and outgoing flows of investment (from the third countries and to the third countries) continued to decline and ended far below the record level in 2007. Flows of FDIflows have increased slightly in 2010, but in 2012 a sharp decline was recorded again. Volume of incoming FDI between 2007 and 2009 fell from 854.0 billion $ in 2007 to only 356.6 billion $ in 2010, representing a decrease of approximately 60 % .

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Figure 3: Flows of FDI inflows in the EU during the crisis and post-crisis period (in billions**.** $)

	2007	***Period of crisis***			***Post crisis***	
		2008	2009	2010	2011	2012
Austria	31,2	6,9	9,3	0,8	11,4	6,3
Belgium	93,4	194,0	61,0	85,7	103,3	-1,6
Denmark	11,8	1,8	3,9	-11,5	12,7	2,9
Finland	12,5	-1,1	0,4	7,4	2,7	-1,8
France	96,2	64,2	24,2	33,6	38,5	25,0
Germany	80,2	8,1	24,2	57,4	48,9	6,6
Greece	2,1	4,5	2,4	0,3	1,1	2,9
Netherlands	119,4	4,5	36,0	-7,4	17,2	-0,2
Ireland	24,7	-16,5	26,0	42,8	11,5	29,3
Italy	43,8	-10,8	20,1	9,2	34,3	9,6
Luxembourg	-28,3	16,9	19,9	34,8	22,2	27,9
Portugal	3,1	4,7	2,7	2,6	11,1	8,9
Spain	64,3	77,0	10,4	39,9	26,8	27,8
Sweeden	27,7	37,2	10,0	0,0	9,2	13,7
United Kingdom	196,4	91,5	71,1	50,6	51,3	62,3
EU 15	**778,5**	**482,7**	**321,7**	**346,2**	**402,2**	**219,6**
Czech Republic	10,4	6,5	2,9	6,1	2,3	10,6
Cyprus	2,2	1,4	3,5	0,8	1,4	0,8
Estonia	2,7	1,7	1,8	1,6	0,3	1,5
Hungary	4,0	6,3	2,0	2,2	5,6	13,5
Latvia	2,3	1,3	0,1	0,4	1,5	1,0
Lithuania	2,0	2,0	0,1	0,8	1,4	0,8
Malta	0,8	0,8	0,7	1,0	0,4	0,2
Poland	23,6	14,8	12,9	13,9	18,9	3,4
Slovakia	3,6	4,7	0,0	1,8	2,1	2,8
Slovenia	1,5	1,9	-0,7	0,4	1,0	0,1
EU 25	**831,7**	**524,2**	**345,2**	**375,1**	**437,1**	**254,3**
Bulgaria	12,4	9,9	3,4	1,5	1,8	1,9
Romania	9,9	13,9	4,8	2,9	2,5	2,2
EU 27	**854,0**	**542,2**	**356,6**	**379,4**	**441,6**	**258,5**
World	**2.002,7**	**1.816,4**	**1.216,5**	**1.408,5**	**1.651,5**	**1.350,9**

source: UNCTAD, World Investment Report 2013 – Global Value Chains: Investment and Trade for Development
Authors' own sum and analysis

Generally, incoming investment in EU-27 from third countries were significantly affected by the economic crisis. Reduction in investment flows during the financial crisis mainly hit the new member states. Outgoing SDI have gone through a similar trend of previous trends. Outbound investments have sharply declined from 1257.9 billion $ in 2007, to 382.0 billion $ in 2009, representing a reduction of about 70 %. In addition, the outgoing flows declined below the level from 2004, which is totally eliminated trend outgoing flows that occurred from 2004 to 2007.

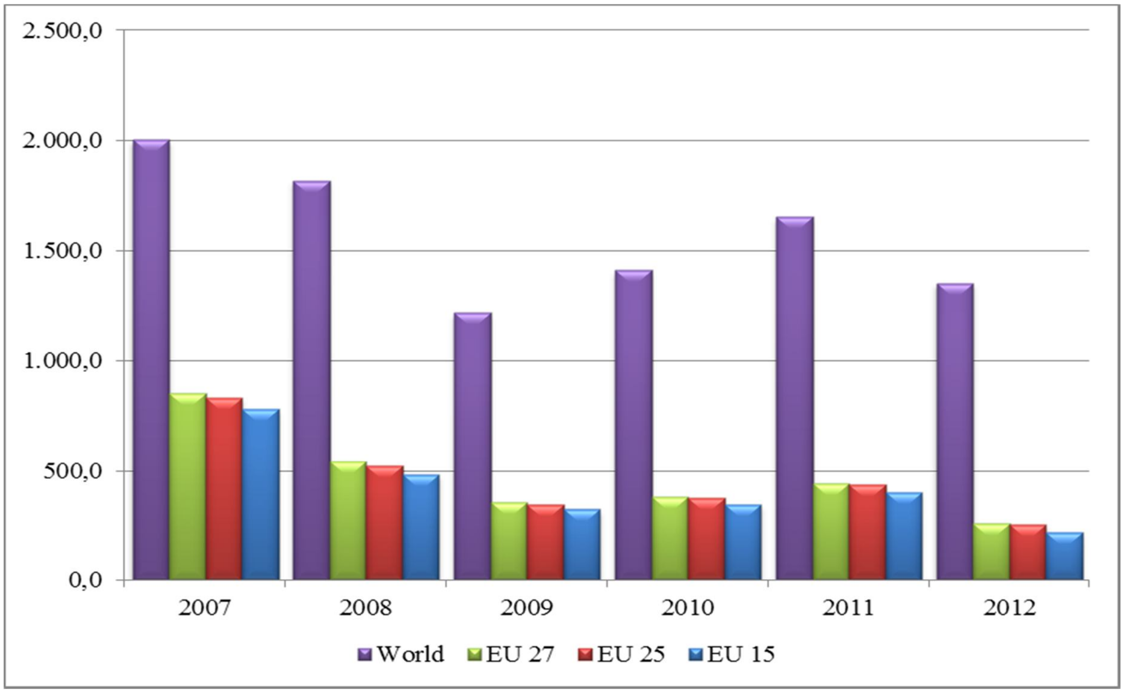
Figure 3 a: Flows of FDI outflows in the EU during the crisis and post-crisis period (in billions. $)

	2007	*Period of crisis*			*Post crisis*	
		2008	2009	2010	2011	2012
Austria	39,0	29,5	10,0	10,0	24,8	16,6
Belgium	80,1	221,0	7,5	43,9	82,5	14,7
Denmark	20,6	13,2	6,3	-0,1	13,3	7,6
Finland	7,2	9,3	5,7	10,2	4,9	4,5
France	164,3	155,0	107,1	64,6	59,6	37,2
Germany	170,6	72,8	69,6	121,5	52,2	66,9
Greece	5,2	2,4	2,1	1,6	1,8	0,0
Netherlands	55,6	68,3	34,5	68,3	40,9	-3,5
Ireland	21,1	18,9	26,6	22,3	-4,3	19,0
Italy	96,2	67,0	21,3	32,7	53,6	30,4
Luxembourg	73,3	14,8	1,5	21,4	9,2	17,3
Portugal	5,5	2,7	0,8	-7,5	14,9	1,9
Spain	137,1	74,7	13,1	37,3	36,6	-4,9
Sweeden	38,8	31,3	25,9	20,2	28,2	33,4
United Kingdom	325,4	183,2	39,3	39,5	106,7	71,4
EU 15	**1.240,2**	**964,3**	**371,3**	**485,9**	**524,9**	**312,5**
Czech Republic	1,6	4,3	0,9	1,2	-0,3	1,3
Cyprus	1,2	2,7	0,4	0,7	0,8	-1,9
Estonia	1,7	1,1	1,5	0,1	-1,5	0,9
Hungary	3,6	2,2	2,0	1,1	4,7	10,6
Latvia	0,4	0,2	-0,1	0,0	0,0	0,2
Lithuania	0,6	0,3	0,2	0,0	0,0	0,4
Malta	0,0	0,3	0,1	0,1	0,0	-0,1
Poland	5,4	4,4	4,7	7,3	7,2	-0,4
Slovakia	0,6	0,5	0,9	0,9	0,5	0,0
Slovenia	1,8	1,4	0,3	-0,2	0,1	-0,1
EU 25	**1.257,2**	**981,9**	**382,3**	**497,1**	**536,4**	**323,4**
Bulgaria	0,3	0,8	-0,1	0,2	0,2	0,2
Romania	0,3	0,3	-0,1	0,0	0,0	0,0
EU 27	**1.257,9**	**982,0**	**382,0**	**497,8**	**536,5**	**323,6**
World	**2.272,0**	**2.005,3**	**1.149,8**	**1.504,9**	**1.678,0**	**1.391,0**

source: UNCTAD, World Investment Report 2013 – Global Value Chains: Investment and Trade for Development
Authors' own sum and analysis

The economic crisis and the subsequent difficult recovery, continued to take its toll, and the diminution of outgoing FDI from the EU, when companies from the EU remain reluctant to invest in the country and abroad, and access to finance, and its costs, remained a serious issue in terms of continued difficult economic environment. FDI flows in the EU are only slightly offset reduction in flows of FDI from outside the EU. During 2009 and 2010 these flows have increased for 176 billion to $ 199 billion $. Thus, the flow of investment in the EU has increased, while the inbound and outbound investment in the Union and from it fell.

Chart 5: Flows of FDI inflows in the EU during the crisis and post-crisis period
(in billions**.** $)



Source: UNCTAD, World Investment Report 2013, Global Value Chains: Investment and Trade for Development

Although investment in the EU declined sharply after reaching the maximum in 2007, they showed early signs of recovery. In the short period during the crisis it seems thst flows of FDI into the EU again focused the investments within the Union, and not so much on investments abroad. Nevertheless, the level of investment flows within the EU has remained quite modest.

Important role in the results in 2010 played FDI flows through dedicated institutions (e.g. "Czech Invest"). The current economic, debt and financial crisis casts a shadow over the economic environment and the climate. While the debt crisis is not resolved, it is not expected to significantly recover no confidence in the market, and even investments. Differences between changes in FDI flows, observed in the EU and other parts of the world could only partially be attributed to the uncertainty caused by the debt crisis in the EU. Important role played by other factors, such as the perception of the market and long-term perspectives.

During the crisis, not only did it come to the drop in the pace of investment, but also it came to the noticeable reduction of the investment, i.e., the relationship between the volume of investment and GDP. This fact also confirms that, during the crisis in Europe as a whole, the decline in investment was more significant than decline in GDP growth. While the level of investment in long-term in EU reached approximately 22% of GDP before the crisis had increased to over 23% at the end of 2011 was 20.2 %, and on the transition between 2009 and 2010 was below 20 %.

CONCLUSION REMARKS

Bearing in mind the previous discussion and analysis of inflows and outflows of FDI in the European Union before, during and after the crisis, the following characteristic facts can be noticed:

- Foreign direct investments, represent the main generator of economic growth. Effects of SDI are numerous: stimulate trade, create new jobs, optimize the allocation of its resources and technology transfer.
- The European Union is the world's largest investor in other countries, but also the largest recipient of foreign direct investment in the world. In the period from 2002 to 2012 EU has had about 6,197 billion $ outflows of FDI and about 4,728.9 billion $ Inflow .
- When it comes to the dynamics of FDI inflow in European Union a growing trend has been until 2007 when it was recorded the highest level of FDI inflow ($ 854.0 billion). This was followed by a sudden drop in the next two years (to $ 356.6 billion in 2009), But then there was a slight recovery in the 2010 (379.4 billion $) and 2011 (441.6 billion $). In 2012 the proceeds reached the amount of 258.5 billion $ a decline of about 40 % compared to the 2011.
- A similar situation is with FDI outflows, which have seen a growing trend in the period between 2002- 2007 (from 259.9 to 1257.9 billion $), then a drastic drop in 2009, when outflows reached the amount of 382.0 billion $ (30% of outflows from 2007). In 2011 slightly growth was noticed, but in 2012 fell again to the level of 323.6 billion $.
- When it comes to sector structure, in Europe in 2012 the most invested into was the ICT sector, which has absorbed nearly a quarter of total FDI . Business and financial services are, thanks to the crisis of the financial sector in Europe, fell to second place. Despite this, they continue to participate significantly in the total FDI investment and make up a fifth of FDI projects in the region. The third position is a transport and storage, which compared to 2011 moved to position 2.

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