

NOTE TO CORRESPONDENTS N°51

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ENLARGEMENT OF THE EUROPEAN UNION: A BOOST TO FDI IN CENTRAL AND EASTERN EUROPE?

With the accession of eight Central and Eastern European countries envisaged for 2004 (and two others for 2007), the integration of operations by EU transnational corporations will increase, says the Overview of the *World Investment Directory: Central and Eastern Europe*,¹ launched today by UNCTAD. It concludes, however, that there are differences in the type of FDI that accession and non-accession countries may attract. These differences are linked to the varying levels of development of the two groups of countries. With the exceptions of Bulgaria and Romania, all accession countries in the region are upper-middle- or high-income countries; all non-accession countries but Croatia are lower-middle-income. All accession countries, but especially those in the top end of the income bracket, can generally expect their GDP to increase as a result of EU membership. They may also attract an increasing concentration of services FDI and higher corporate functions (regional headquarters, R&D, shared services, etc.) from current EU members and third countries. But EU enlargement offers opportunities to non-accession countries as well, since assembly-type manufacturing might shift from relatively higher-cost accession countries.

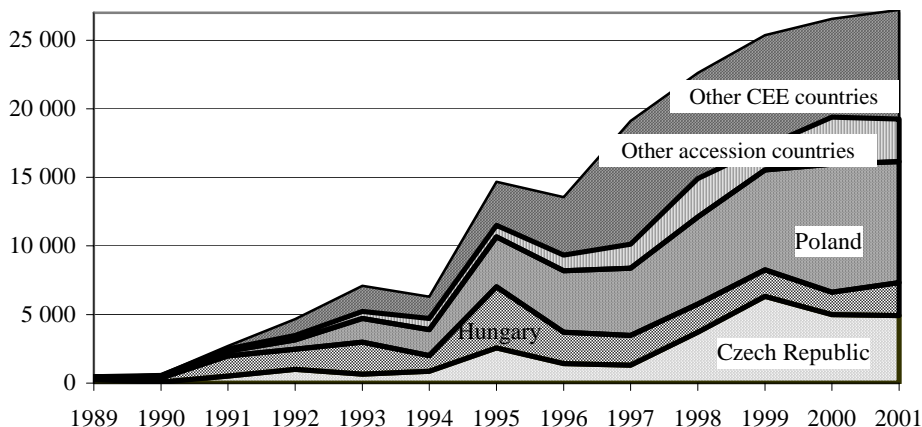
The Overview notes the impact of the EU accession process on the FDI regimes of candidate countries, especially in terms of the harmonization of their legal systems with that of the EU. It also points to the need to update and modernize FDI promotion in the non-accession countries in order to optimize the potential benefit of their status as a “new frontier” for efficiency-seeking FDI.

The *Directory* provides detailed documentation and analysis of inward and outward FDI trends in Central and Eastern Europe from the 1989 fall of the Berlin Wall to the 2002 decision to enlarge the EU. Immediately after transition began – or after independence was gained – liberalization in trade and capital flows became the main vehicle of reintegration for many of these countries with the rest of the world. As a result, from the mid-1990s on, inward FDI has become increasingly important in more and more CEE countries; indeed, data show

¹ The *World Investment Directory: Central and Eastern Europe 2003, Volume VIII* (Sales No. E.03.II.D.12, ISBN 92-1-112584-7) is available for US\$ 25 from United Nations Publications, Two UN Plaza, Room DC2-853, Dept. PRES, New York, NY 10017, USA, tel: +1 800 253 96 46 or +1 212 963 83 02, fax: +1 212 963 34 89, e-mail: publications@un.org, or Section des Ventes et Commercialisation, Bureau E-4, Palais des Nations, CH-1211 Geneva 10, Switzerland, tel: 41 22 917 26 14, fax: +41 22 917 00 27, email: unpubli@unog.ch ; Internet: <http://www.un.org/publications>.

a major FDI boom, with annual inflows for the region as a whole reaching \$27 billion in 2001 (see figure). The *Directory* notes that outward FDI levels are not yet on a par with inward FDI, which is highly concentrated (the Russian Federation alone accounts for 60% of the total volume).

CEE: FDI inflows, 1989-2001
(Millions of dollars)



Source: UNCTAD, World Investment Directory: Central and Eastern Europe 2003

The current volume of the *World Investment Directory: Central and Eastern Europe* systematically documents those FDI trends and patterns – together with data on the activities of TNCs – in all 19 CEE countries². The CD-ROM and online versions (<http://www.unctad.org/en/subsites/dite/>) provide both a brief and a detailed profile for each country covered. In addition to statistical and company data, the profiles contain information on the regulatory framework applicable to FDI, organized country by country. The data on inward and outward FDI stocks and flows are based on information as of December 2002.

The *World Investment Directory: Central and Eastern Europe 2003* is the eighth in a regional series published by UNCTAD since 1992. The seven previous volumes, along with profiles and detailed data on countries from other regions, are available from the same website.

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<http://www.unctad.org/press>

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² Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, the former Yugoslav Republic of Macedonia, Republic of Moldova, Poland, Romania, Russian Federation, Serbia and Montenegro, Slovakia, Slovenia and Ukraine.