LOPSIDED DIRECT INVESTMENT BALANCE FOR EUROPE

In 1998, the latest year for which worldwide figures are available, global FDI flows reached a record level despite the financial crises and recessions in Asia and Latin America. FDI inflows and outflows from the industrialised countries soared to new heights – to about $460 billion and $595 billion, respectively, led by the United States as the biggest foreign investor by far. Recent estimates for 1999 put foreign direct investment by U.S. manufacturers at a new record, with a 72% increase over 1998.

Nonetheless, the United States remains the biggest net importer of foreign capital, in stark contrast to Europe which, according to the European Central Bank, was again a big net exporter of direct investment funds in 1999. Among the European countries, Germany and the United Kingdom are responsible for the largest net outflows of FDI (see Table).

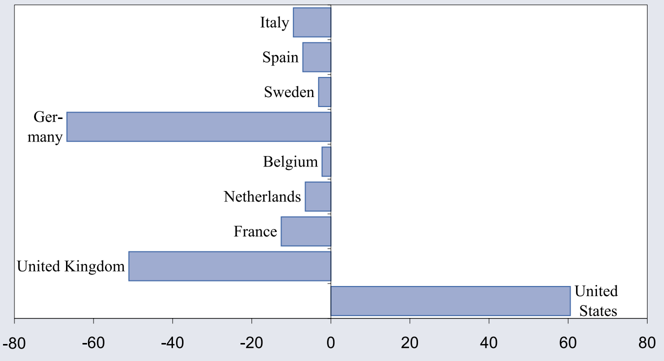
Foreign Direct Investment 1998
(Dollar billions)

	Inflows	Outflows	Net Inflows (+) Net Outflows (–)
United States	193.375	132.829	+ 60.546
United Kingdom	63.124	114.195	– 51.071
France	28.039	40.587	– 12.548
Netherlands	31.859	38.310	– 6.451
Belgium/Lux.	20.889	23.111	– 2.222
Germany	19.877	86.591	– 66.714
Sweden	19.358	22.465	– 3.107
Spain	11.307	18.387	– 7.080
Italy	2.611	12.076	– 9.465

Source: UNCTAD, World Investment Report 1999.

Affiliates of foreign direct investors in the United States created 6.3% of GDP and more than 5 million jobs, according to the latest benchmark survey for 1997of the U.S. Bureau of Economic Analysis. The unemployment problem in Europe could be eased if it were able to attract more foreign capital for the establishment of additional production plants and/or service facilities here rather than sending an ever higher volume of job-creating FDI abroad. Faster economic growth and a more investment-friendly tax environment might correct, if not reverse, the lopsided FDI balance of Europe in the early 2000s. H.C.S.

NET FOREIGN DIRECT INVESTMENT FLOWS 1998
Dollar billions



Source: UNCTAD, World Investment Report 1999..