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The automotive industry in the New Member States: a brief review

BY DORIS HANZL-WEISS

The automotive industry is among the most important industries in many New Member States (NMS). It accounts for a large amount of production value and employment and plays an important role for research and innovation.¹ Since the collapse of communism in 1989, the automotive industry in the NMS has benefited from a strong inflow of FDI which turned it into a competitive and export-oriented industry and defined its role in global value chains.² This article provides an overview of the automotive sector in selected NMS, here including Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia. It concentrates on the industry's importance in the domestic economy as well as its position in international trade.

The automotive industry in the domestic economy

The automotive industry, defined according to the NACE rev. 2 classification system as division 29 'motor vehicles, trailers and semi-trailers', is among the most important manufacturing sector in all NMS, with the exception of Bulgaria. In the Czech Republic, Hungary, Romania and Slovakia it is in fact the largest manufacturing sector in terms of production value, with shares of 22%, 19%, 15% and even 29%, respectively. Also in Poland and Slovenia it holds large shares of about 11% and is, respectively, the second and third largest producer. In terms of production volume, the Czech Republic and Poland show the largest values (see Table 1). Due to its high capital intensity, the role of the automotive sector is less pronounced in employment terms, although it is still important. In the Czech Republic and in Slovakia it is even the largest employer, with a share of 13%. In the other countries the automotive industry also holds a

prominent place – in Hungary it is the second largest employer behind the food industry, in Romania it is on third place behind the food and the wearing apparel industries. In absolute terms, Poland and the Czech Republic have the highest number of employees (see Table 1).

What surprises most is the growing importance of the automotive industry in Romania. Looking at the detailed structure (at the NACE three digit-level) in this country, more than 60% of production is made up of car parts (group 29.3), while in the Czech Republic and Hungary this share is about 50% and in Slovenia and Slovakia around 40%. Thus the production of motor vehicles (29.1) accounts for 60% in the latter two countries.³

In all NMS the automotive industry was an important growth driver before the outbreak of the crisis. Production growth rates were significantly above those of total manufacturing. The crisis had some negative impact on the industry already in 2008, but the strongest production decline occurred in 2009, with the automotive industry suffering more than total manufacturing. Growth recovered faster in the following years but was rather volatile then. Romania was the only country to experience no production decline in 2009 and a continuous increase can be observed from the beginning of the 2000s (see Fig. 1). The Slovak automotive industry experienced the same development path as the industry in the other NMS. Thanks to FDI inflows in the 2000s production capacities expanded and the automotive industry became also the growth driver in Slovakia. While also hit in 2009, the industry recovered fast and grew by almost 6% in 2012. All three main car companies in Slovakia introduced a third shift at the beginning of 2012 and the number of cars produced increased by 45% in that year, reaching about 927,000 cars (see Fig. 2). With 171 automobiles produced per 1000 inhabitants, Slovakia was the largest producer in the world (the Czech Republic was on second place). Slovenia's car industry still

¹ See, for example, Hanzl-Weiss (2012).

² See, for example, IMF (2013).

³ The remaining category, 29.2 – 'manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers', is rather small (between 1% and 3%) and thus not mentioned here.

AUTO INDUSTRY

suffers from the crisis and car production figures declined in 2011 and 2012. In Poland, the once large producer FSO in Warsaw – orphaned by col-

lapsing Daewoo of Korea – practically went out of business at the beginning of 2011 thus contributing to a sharp decline in the country's car production.

Table 1

Automotive industry overview (NACE 29), 2011

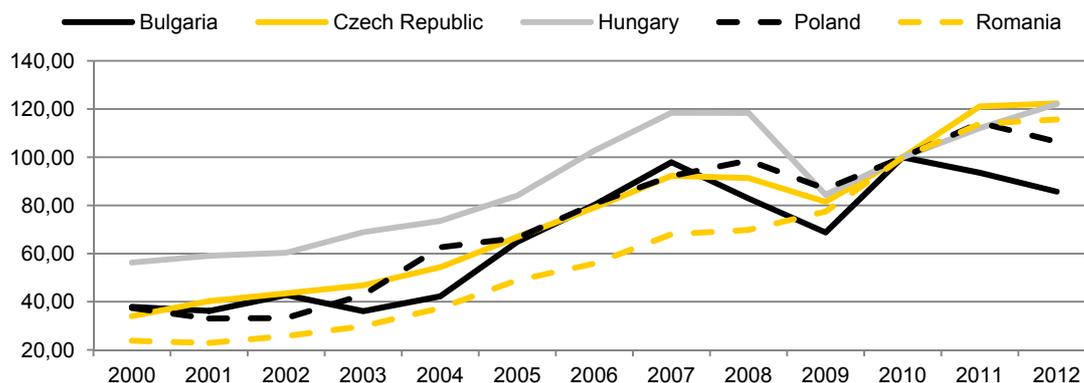
	Production		Employment ¹⁾		Foreign direct investment ²⁾	
	in mn EUR	in % of manuf.	persons	in % of manuf.	in mn EUR	in % of manuf.
Bulgaria	561.1	2.3	10,087	2.0	n.a.	n.a
Czech Republic	31,647.8	22.4	138,575	13.1	8,091	27.4
Hungary	15,800.8	18.6	65,022	10.3	3,382	19.6 ³⁾
Poland	26,669.1	11.2	146,685	6.7	7,456	15.3
Romania	9,046.0	14.9	116,156	10.4	2,838	16.3
Slovakia	16,435.8	28.5	50,998	13.2	2,425	18.6
Slovenia	2,598.5	11.7	12,837	6.8	201	7.6

Notes: 1) Employment defined as number of employees, 2010. - 2) Inward FDI stock for CL 'Manufacture of transport equipment'. - 3) 2010.

Source: Eurostat SBS, wiiw FDI Database.

Figure 1

Automotive industry (NACE 29): Volume index of production, 2010 = 100

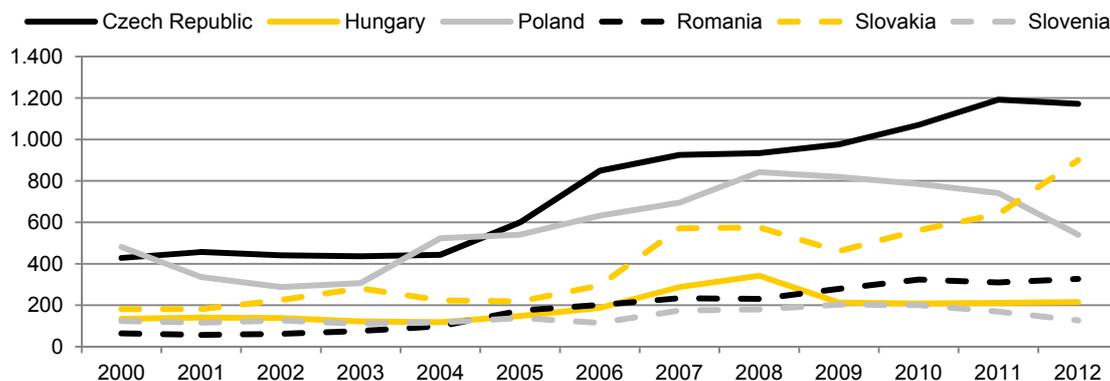


Notes: No data available for Slovakia and Slovenia.

Source: Eurostat STS.

Figure 2

Passenger car production, in thousands



Source: OICA.

The history of foreign direct investment

Since the collapse of communism in 1989, the inflow of foreign direct investment (FDI) shaped the automotive industry in the New Member States and transformed it into a competitive, export-oriented industry. Historical ties played a role in this process, such as in case of Renault's investment in Slovenia, or FIAT's in Poland, while the accession to the European Union in 2004/2007 was an important motive for overseas companies (from South Korea, Japan, recently China).

In **Slovenia**, the French car company Renault had historical ties and created a joint venture called Revoz already in 1988. In the **Czech and Slovak Republics**, the first foreign company to arrive was Volkswagen in 1991 (still Czechoslovakia then). Volkswagen formed joint ventures with already existing companies which became Škoda Auto and VW Bratislava respectively (Hanzl, 1999). However, the foreign investment climate was unfavourable in these first years in the Czech Republic and Slovakia, other than in Hungary. **Hungary** opened its economy to foreign investors soon after 1989 and automotive investors arrived quickly in the country: GM/Opel (car assembly, engines) and Suzuki came in 1992, Audi (engines) in 1993 – all by means of green-field investments – and suppliers soon followed. In **Poland**, large foreign companies bought existing firms, e.g. Fiat bought FSM in 1992, Daewoo FSO in 1995, or established assembly plants, e.g. General Motors. In **Romania**, Daewoo from South Korea formed a joint venture in 1994, and Renault acquired 51% of Automobile Dacia Pitești in 1999 with whom it had a long-time licence agreement (see Hanzl, 1999).

After this first wave of privatisation and investments in the 1990s, the automotive industry continued to attract FDI in the 2000s as well: Choosing **Slovakia**, PSA Peugeot Citroën announced to build a green-field plant in 2003; Kia Motors in 2004. Production started in both plants in 2006. Locating in the **Czech Republic**, Toyota Peugeot Citroën made an investment decision in 2002 and started production in early 2005. Hyundai announced to invest in the Czech Republic in 2005, following its

sister company KIA, and the plant was completed in 2008. Finally in **Hungary**, Mercedes decided to build an assembly plant in Kecskemét in 2008. Production began in March 2012. Only in **Romania**, the investment path was not that smooth: Due to the collapse of the main parent company Daewoo, the Romanian company got into trouble and the state took over shares from the Automobile Craiova company in 2006. Stakes of the company were sold step-by-step to Ford between 2007 and 2009. In **Bulgaria**, the Chinese company Great Wall opened a car factory in February 2012, together with the Bulgarian company Litex.

Today, the inward FDI stock for the whole transport equipment industry (this includes other transport equipment as well, but serves as a good proxy for the automotive industry) ranges between EUR 3 billion in Hungary, Romania and Slovakia and 8 billion in the Czech Republic and Poland. Only in Slovenia is the amount lower (see Table 1). Again, the transport equipment industry holds an important position within manufacturing, being the largest recipient of FDI in all countries, except in Poland (behind the food industry) and in Slovenia (on a lower rank, here the pharmaceutical industry is the major recipient).

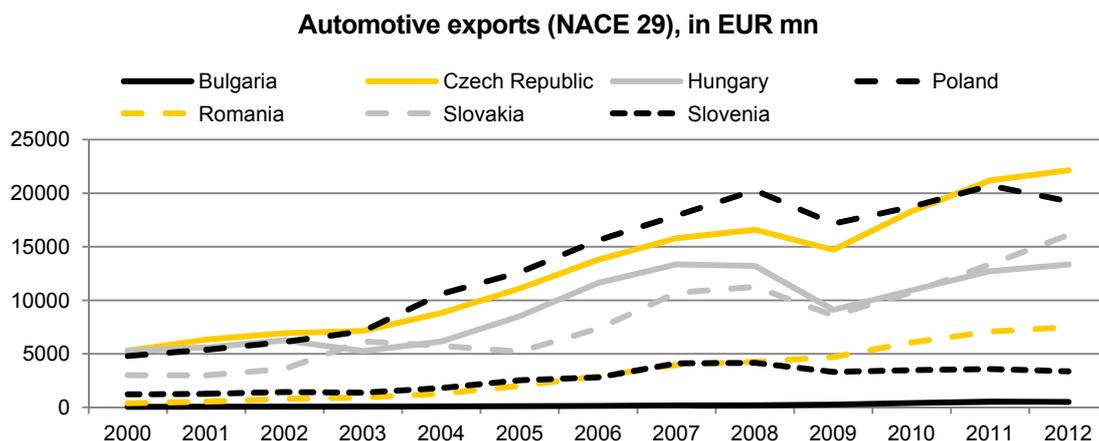
International trade

The automotive industry is a highly internationalised sector with external trade playing a major role. Foreign firms use their companies in the NMS as export bases to the European market – for example, Kia in Slovakia sells less than 1% of its cars on the domestic Slovak market. Thus the automotive industry is the largest export industry in manufacturing in all NMS, excepting Hungary (here it is on second place behind the computer and electronic industry). The automotive industry accounts for an exceptionally large share of manufacturing exports in Slovakia with 27% in 2012, while shares range at about 19% in the Czech Republic, Hungary and Romania. In Poland the share is somewhat smaller with 14%. In Bulgaria, exports of the automotive industry are less important and account for just 3% of manufacturing exports.

Between 2000 and 2007 automotive exports expanded rapidly but were halted by the economic crisis in 2008. In 2009 automotive exports plunged in all NMS except in Romania and Bulgaria, where export growth continued. Exports recovered successfully in the Czech Republic and Slovakia and

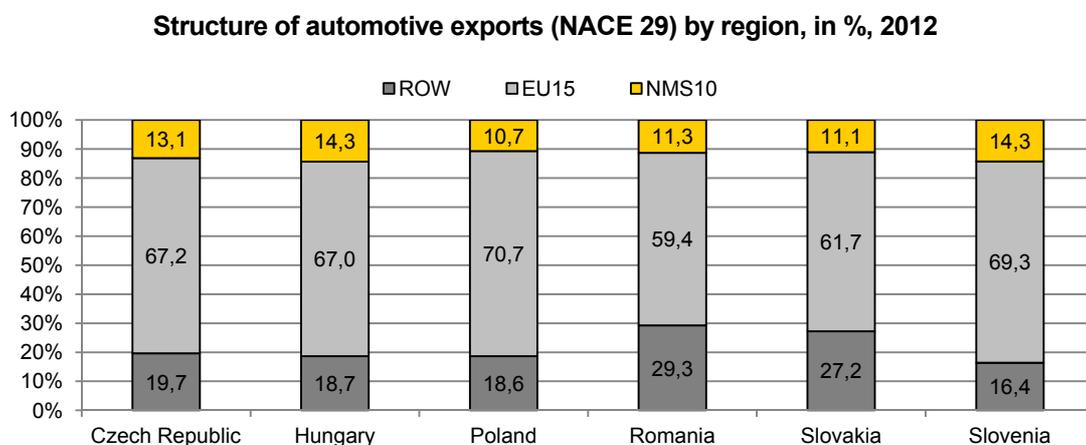
returned to their previous growth path. In Hungary and Poland automotive exports recovered as well but less dynamically: they reached the 2008 level only in 2012. In Slovenia automotive exports did not recover but remained 20% below their 2008 level (see Fig. 3).

Figure 3



Source: Eurostat COMEXT.

Figure 4



Source: Eurostat COMEXT.

The focus on different export markets might be one reason why export performance varied across countries. While car registration plummeted on the European markets in the years after the crisis, potential growth markets were the US, China and Russia. Thus, automotive producers focusing only on the European market faced harder times than producers diversifying their exports also to markets outside Europe. Overall, the majority of NMS automotive exports go to the EU-15 countries, with a share of up to 70%. Exports to the NMS-10 are

rather small and range between 11% and 14%. Exports going outside the EU-27 account for about 20% of total exports. Only in Romania and Slovakia is this share about 30%, which might explain their relatively better performance. In Slovenia this share is the lowest among all countries (16%, see Fig. 4).

Prospects and trends

In the past twenty years, the automotive industry in the NMS has become an important, export-oriented

industry, successfully integrated in the (Western) European economy. This process was facilitated by a massive inflow of foreign direct investment. The crisis has hit the industry hard. While some countries recovered quickly (Czech Republic, Slovakia), others are still dealing with the effects of the crisis (especially Slovenia). The Romanian automotive industry seems to become the new star among the NMS. Based on passenger car production data in the first six months of 2013⁴ prospects for the automotive industry in the NMS are excellent for Romania (+45%) and good for Slovakia (+11%). In Hungary, passenger car production remained almost the same as in the previous year (+2%). Prospects are less promising for the Czech Republic (-13%), Poland (-19%) and Slovenia (-30%).

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⁴ See www.oica.net

Migration plans and expected length of stay: the case of Romanian migrants in Italy*

BY ISILDA MARA AND MICHAEL LANDESMANN

Introduction

The mobility of people is an important factor of development. Freedom of movement and decline of transport costs make people more mobile, thus changing migration modes. The free access to the labour market in the EU countries is presumed to facilitate and make more frequent temporary and circular migration. The underlying assumption is that migrants are being driven by the 'saving motive'; after achieving this target they will choose to return home with subsequent short spells of stay abroad, as long as the option to return or move back and forth is open to them. Nevertheless, this is a hypothesis that has to be tested and as such would require an extensive analysis of the principal determinants of migration plans, change of migration plans and how the change of plans affects the length of stay.

One group of studies argues that the intentions before migration are good predictors of realisations (see e.g. Van Dalen and Henkens, 2008). Other studies argue that changes in post-migration intentions are very likely to occur (see e.g. Adda et al., 2006). The latter study suggests that migration policies or changes of migration regimes might moderate the migration plans during the experience in the host country. Mostly, however, research on international migration focuses on observed behaviour while migration intentions/plans are less explored. The literature assumes that the factors that influence the current behaviour of individuals similarly affect their migration intentions/plans. However, this is not always the case and the change of migration plans may be the cause of different migration modes which in the

literature are defined as permanent migration, return or circular migration or onward migration.

In the following, we first look at different migration preferences with regard to the expected length of stay in the host country, distinguishing short-term, medium-term, long-term and permanent stay. Second, we analyse the expected length of stay. Third, we aim to produce new empirical evidence on the particular case of Romanian migrants in Italy, examining whether migration is becoming more fluid or more permanent, especially after the change from a free visa regime to full accession to the EU.

The research reported here is based on a new survey conducted with Romanian migrants in Italy. The survey was carried out in 2011 in the context of the TEMPO/NORFACE project¹. This database is unique as it provides information concerning migration plans upon arrival and current intentions (the latter refers to the point of time when the survey was conducted) of migrants that moved to Italy between 2004 and 2011. The survey covers migrants who arrived before and after the change in the migration regime due to Romania's accession to the EU in 2007 and covers different geographic locations, in particular Rome, Turin and Milan. The data show that over the span of time (the interval from the arrival moment until the survey was carried out) individuals may have changed their intentions which includes preference change towards more permanent migration but also shortening of planned migration stay or keeping plans open.

Our representative sample is composed of planners, the ones with steady migration plans, and switchers, the ones who modified their initial migration plans. Concerning planners, the steadiness in migration plans can be short-term, medium-term, long-term and permanent. For the switchers, the change in migration plans can be towards short-term, medium-term, long-term and permanent stay.

* This note is based on the study 'The Steadiness of Migration Plans and Expected Length of Stay – Based on a Recent Survey of Romanian Migrants in Italy', forthcoming in the *wiiw Working Papers* series.

¹ See <http://www.norface-migration.org/currentprojectdetail.php?proj=10>

Estimation results for the planners

Economic determinants

According to migration theory, economic determinants are the main pulling factors of moving to a destination country and we would expect that employment, income and satisfaction with job placement would induce migrants to stay longer and extend the duration of stay in the host country. Thus, simply by using a number of explanatory variables which determine the expected length of stay, we find that migrants who work in the health sector are more likely to choose permanent migration while the opposite is true for those who work in the service sector, especially those that provide home-based services. Furthermore, subjective determinants, e.g. self-assessment whether the skills required for the current job match the level of qualification and whether the earnings level matches the expectations, are important and migrants would be induced to remain permanently if they attain a good match not only for the job to skill level but also for the level of earnings to income expectations. In addition, migrants who remit more on a yearly/monthly basis are those who are less prone to choose permanent migration, confirming that the migration decision is driven by raising consumption levels in the country of origin and achieving a saving target.² Moreover, migrants who are happy with the migration experience are also more inclined to stay longer and choose permanent migration.

Family-related determinants

Family- and network-related determinants have been stressed by several studies as very important pull factors on the migration decision especially as concerns the joint decision of couples or the effect of the partner, family member, friends and networks on the decision to migrate to a particular location. Our results confirm that migrants who have moved to the destination country together with their partner are more likely to choose staying

permanently so that the permanence in the host country is also strongly dependent on the partner's migration plan and as such is a consensual decision. As concerns migration with children, it is shown that in spite of the fact that education of the children in the host country matters, migrating only with the child reduces the chances of staying permanently. Thus to some extent the joint decision with the partner increases the likelihood to migrate permanently while the opposite is true if the migrant is accompanied by the child only. The effect of networks, in particular the influence that friends, family members or acquaintances exercise on the location choice, confirms that for those migrants who move to Turin it is less likely that the decision to migrate is of a permanent type while for those who moved to Milan there is no significant effect. This finding is in line with other studies which maintain that the effect of a network on permanent migration could be also negative, especially if the information provided by the network is not always consistent with expectations. Besides, skilled migrants compared to those less skilled appear to be less affected by the network or the flow of other migrants from the country of origin.

Personal and demographic characteristics

The literature attributes an important role to age for the decision to migrate and consequently for the migration plans/expected length of stay because of the flexibility and degrees of risk-averse behaviour that individuals have in different age groups. Moreover, age of migration is relevant because the younger you are when you migrate, the lower are the costs of mobility and the longer is the period that you might obtain the benefits from migration. However, our first results show no significant effect of age on the expected length of stay. In terms of gender, we find that for males the choice of permanent migration is less likely to happen. As concerns education, the estimates indicate that migrants who have a secondary and vocational level of education are more likely to choose permanent migration while no significant effect is found for the highly skilled. Thus, we can discern that migration plans can be oriented towards long-term and permanent

² This is also in line with the findings of other studies which maintain that migrants who remit more are the ones who show shorter duration of stay abroad (Dustmann and Mestres, 2010).

migration especially among migrants with a medium level of education.

Welfare-related determinants

The migration literature has addressed the issue of the welfare magnet and how it might influence migration decisions. The results indicate that, overall, having access to health and/or social services does not play a significant role in the migration decision regarding the length of stay. By comparison, as concerns accommodation and the effect that this factor has on migration plans, it is shown that migrants who have their own accommodation in the host country show also a higher preference for settlement in the host country and consequently permanent migration is more likely to be observed. Furthermore, migrants who state that they are very happy or relatively happy with the migration experience in Italy, as expected, are more prone to migrate permanently.

Gender estimation results for planners

The estimation results obtained separately for males and females capture important differences. Comparing the results for males and females, we find that there are gender differences in terms of age, education, employment, family-related variables, network effects, remittances and motives of switching migration plans. In terms of age, the coefficient estimates for females are positive for the age groups 25-34 and 35-44. For men, by contrast, the coefficient estimates are not significant. These results suggest that particularly women in these age groups are more likely to choose more permanent migration. In addition, we find that positive/negative estimates for those working in the health/services sectors were driven by females as the separate estimates yield significant results for women but not for men. Certainly, an explanation of this result could be the fact that there are more women than men working in these sectors. On the other hand, the coefficient estimates about educational attainment turn positive and significant for males but remain insignificant for females, implying that male migrants with a secondary level of education are more inclined to permanent migration, but

no effect is found for women. As regards the match job to skill level, the results are positive and significant for males but not for females, suggesting that better job adequacy to the level of qualification is an important determinant for the permanent migration of males but not for females. On the other hand, what emerges to be relevant for the migration plans of women are family-related variables; e.g. migration with the partner affects positively the permanent stay for women but no effect is found for men. Education of the children in the host country matters particularly for women but migrating with a child only would reduce the probability of choosing to stay permanently. This difference with respect to family-related determinants might be related to the fact that the decision of women strongly follows the decision of the partner while the opposite is not true. As the descriptive statistics showed, the majority of women who migrated with a child were also migrating with the partner, thus the migration of the partner matters mostly for females but not for males. Moreover, to explain why women who migrated with children are less likely to choose permanent migration, we looked at the employment situation separately for women who migrated with a child and those who did not. The disaggregation of the data revealed that women who migrated with children mostly work part-time, are less satisfied with their current jobs and consequently have a less advantageous employment status compared to women who migrated without children. Such differences might explain this result.

From the gender comparison we also find that the monthly amount of remittances appears to be significant among women but not among men, suggesting that the higher the monthly amount of remittances sent by women, the less likely it is that women choose to stay permanently. This result confirms other studies that find a negative correlation between the attitudes related to remittances or higher preference for consumption in the country of origin and expected duration of stay in the host country.

Further, males in the age group of 35-44 are less likely to keep the same migration plans while no

effect is found for women. These results suggest that men, especially those who are young and of working age, are more likely to change their migration plans. Another relevant difference in terms of gender is that for men employment-related changes affect negatively the maintenance of the same migration plans, whereas for women not only employment-related but also family-related changes exercise a significant and negative effect on the steadiness of migration plans.³ This finding is in line with the findings above, about the expected length of stay, where it was shown that mostly women's migration plans are affected by family-related determinants. Looking at previous migration experience variables, we find that women who have previously migrated to Italy during the past ten years are more likely to preserve their migration plans. One explanation of this result could be attributed to the fact that especially before Romania's accession to the EU the migration of Romanians has been predominantly female. Accordingly, women having the comparative advantage of prior information regarding the destination country make a choice which is closer to the original migration intentions. Finally, in terms of location choice, women who moved to Milan because family and friends were there are more likely to maintain the same migration plans while no such effect is found for men.

Estimation results for switchers

The comparison of estimation results for the switchers demonstrates that the migration intentions of switchers are similarly affected by those determinants that appeared to be significant for the planners.

Concerning the propensity to change the migration plans towards permanent migration, it is shown that such choice is positively determined by the duration of stay in the first order and second order. This

³ Family-related changes include family reunification, marriage, child birth, engagement etc. Employment-related changes include change related to work contract from short-term to permanent, change of employment status, starting of an activity on one's own, change to a better and more satisfactory job etc.

result suggests that migrants are more likely to revise their plans towards permanent migration as the duration of stay abroad lengthens.

As concerns family-related determinants, migrating with the partner increases the likelihood to switch to permanent migration while the opposite is true for migrants moving to Italy together with their children. Estimates related to changes in employment, family and better standard of living conditions raise the probability to modify migration plans in favour of permanent stay.

Another determinant of the probability of switching migration plans towards permanent migration is location choice because of the network support. It appears that migrants who moved to Milan are less likely to modify their plans in favour of permanent stay versus migrants in Rome. Certainly, this effect may be because of differences in information concerning employment or type of support that the network provides in the host country. This finding is also in line with other studies' findings, which suggest that in certain cases networks might have a negative influence on migration plans if we do not control for the economic conditions of the host region.

Gender estimation results for switchers

The estimates of expected length of stay show similar patterns with the earlier findings. The main difference in terms of gender is found in the equation of switching of migration plans. We find that women are more likely to modify their migration plans in favour of permanent stay for long migration spells. As concerns men, the younger ones and particularly those in the age groups 25-34 and 35-45 and those who moved with the partner are more likely to modify their intentions towards permanent migration, indicating that among male switchers the family context is relevant. This result is also in line with the findings that migration with the partner and child leads to steadiness of migration plans, suggesting that migrating with the partner might erode the possibility to maintain the same migration intentions over time but migrants are more likely to

choose permanent migration if they migrate with the partner.

Conclusions

Our main findings are that, first, almost half of the migrants do not have a predefined migration plan; this is particularly true for those migrants that moved to Italy after Romania's accession to the EU. There is a higher preference for long-term and permanent migration among pre-EU accession migrants. Second, migrants who arrived in Italy after May 2004 have modified their migration plans; the main determinants have been employment and family reasons. Third, pre-EU accession planners have the highest frequency in the category of permanent migration, whereas post-EU accession planners have corresponding shares in the category of short-term and permanent planners but the majority is in the category of medium-term and long-term migrants. Lastly, pre-EU accession switchers have modified their migration plans from short- and medium-term to long-term and permanent ones, whereas post-EU accession switchers have been mostly moving to medium-term and long-term stays and less frequently to permanent ones.

Thus we find that temporary migration has become more prevalent amongst post-EU accession migrants whereas long-term and permanent migration still remains the main choice of pre-EU accession migrants. One explanation of this new phenomenon can be attributed to the EU enlargement in 2007 which contributed to relaxing the restrictions on mobility. Under the regime of free movement and access to the labour market migrants have the flexibility to freely choose and adopt their migration plans. Such opportunity might induce migrants to not make any prior plans on length of time to be spent abroad.

Based on migration plans, we classified migrants into planners, those who preserve the same migration intentions over time, and switchers, those who changed their migration plans over time. As, expected, the estimation results confirmed that the main determinants of expected length of stay are

similar for both groups of migrants. In particular, education level, employment and family-related determinants, satisfaction with the migration experience, networks and remittances strongly affect the expected length of stay. In addition, migrants who mutually confirm to have a job appropriate to their level of qualifications as well as a level of earnings fitting to their expectations are more likely to have permanent migration intentions. This result suggests that a satisfactory match job–qualification or income–expectation will increase the probability to choose permanent migration if both conditions are achieved. In terms of remittances, migrants who remit frequently for consumption purposes or for satisfying the daily needs of family members left behind are less likely to choose permanent migration, suggesting that preference for temporary migration is saving and consumption oriented.

As concerns the steadiness/switching of migration plans, it was found that among planners/switchers the younger ones are less/more likely to preserve/change their migration intentions about the length of stay. Changes related to employment and family conditions raise the probability to switch to permanent migration. Further, during the initial phase of the migration experience a switch of migration plans is more likely, and the longer migrants stay in the country, the more likely they will revise their plans towards permanent migration.

In terms of gender differences, respective estimates for males and females suggest that younger women differently from men have a higher probability to prefer permanent migration. It emerges that family-related variables, e.g. migration with the partner, positively affect the more permanent stay for women but no effect is found for males. In addition, we find significant results for women but not for men working in the health/services sectors. On the other hand, education levels seem to affect positively men's but not women's preference for permanent migration. As regards the match of jobs and skill levels, the results appear to be positive and significant for males but not for females, suggesting that adequacy of jobs to the level of qualification are an important determinant for more per-

manent migration of males but not for females. Among women, apart from employment determinants, the family context plays a significant role for the migration plan.

In conclusion, migration intentions could be a good predictor of migration behaviour if we account for the endogeneity of steadiness or switching of such intentions.

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Debt and financial stability

BY JAN TOPOROWSKI*

Debt as a voluntary contract

A liability to pay debts is an obligation that arises from the law surrounding contracts, that is, agreements between legal persons. If person A borrows one hundred dollars from person B and they agree that person A will pay interest at a certain rate on that borrowing until it is repaid on a particular date in the future, then this is deemed to be a voluntary contract between the two persons. The law enters into the matter because it is socially desirable for debt obligations to be enforced through law courts, rather than through social pressure, which can only be effective within a self-policing community, or unregulated confiscation, which may turn violent and excessive. The law also defines who may incur debts: in feudal jurisdictions, serfs could not borrow money and it is only relatively recently that women acquired the right to borrow money. Even today in the most liberal jurisdictions the law specifies the age at which persons may borrow money and forbids the feeble-minded and bankrupts from borrowing.

The presumption of voluntary borrowing reinforces the liability of a debtor to repay his or her debts. If a person were somehow forced into debt, then they might have a legal case that their debt contract is unfair and was entered into under duress. The notion that people should not be forced into debt is the foundation for a Dutch Roman law recently revived in South Africa. According to this law, when interest arrears exceed the original amount of the loan, then the debt contract is deemed to be invalid because the debtor has been 'forced' into debt. The law is obviously a way of discouraging banks from marketing loans to poor people who may not be able to pay them back, as well as a way of obliging lenders to come to some kind of accom-

modation with those who have borrowed from them and are now unable to pay back their loans. However, if all borrowing is voluntary and between consenting adults, then commitments to repay money with interest have to be upheld in law to avoid fraud, irresponsible borrowing and a decline in the integrity of credit.

It was with a view to upholding the integrity of credit that Adam Smith (1723-1790) favoured usury laws as a device to ensure that banks only lend to reputable, established businesses. The British usury laws, in Adam Smith's time, fixed the maximum rate of interest that could be charged at 5% per year. Smith argued that, if the rate of interest were to be set by the free market, then those merchants trading in competitive markets would be squeezed out of credit markets by 'prodigals' (the spendthrift, or gamblers) and 'projectors', i.e., entrepreneurs who, in Smith's view, always exaggerated their business prospects. It should be pointed out here that this has nothing to do with what is now called 'asymmetric information'. Rather it has to do with the way in which the rate of interest operates in determining the kind of demand for credit. If the rate of interest is too high then merchants would not borrow from banks, but would, in Smith's day, pay their bills with promissory notes, a form of inter-business credit that did not go through banks. (Joseph Stiglitz, a leading theorist of 'asymmetric information', argued that, in order to prevent the rate of interest from rising – which would exclude reliable borrowers in competitive markets – banks would prefer to ration credit.)

Smith was opposed in his view of usury by the legal theorist and part-time political economist and 'projector', Jeremy Bentham (1748-1832). In his *Letters on Usury*, Bentham argued that lending money was like trading horses, and it was no business of governments to prevent individuals from coming to whatever voluntary agreements they wished in the matter of debt. Bentham's rather than Smith's view has prevailed among economists that debt contracts are voluntary.

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'Forced' indebtedness

At the end of the eighteenth century the debts were incurred by merchant capitalists who needed to finance their stocks or cargoes. However, towards the end of the nineteenth century, another type of debt emerged. This was long-term debt, financing industrial production. The merchants' credit of the eighteenth century was on terms requiring repayment within months: merchants' credit may be repaid on sale of stocks, whereas industrial equipment and premises require much greater financing and take much longer to realise their value. When traded in markets as stocks and shares, such long-term financial obligations required elaborate systems of secondary financing to keep those markets liquid, so that financial investors did not end up having to hold such debts for their full term, that is, until they were repaid. In this way complex credit systems emerged in the advanced capitalist countries as a response to the financing needs of business.

Complex credit systems are formally integrated as balance sheets, with layers of financial intermediaries (banks, insurance companies, mutual funds and so on) most of whose assets are the liabilities of some other financial intermediary, and often having liabilities to other financial intermediaries. At the extreme ends of credit systems are firms, governments and households. These have financial liabilities but must generate the cash flow to service those liabilities either by refinancing liabilities due for payment (i.e., borrowing in order to make payments) or the sale or transfer of financial assets or savings, or from non-financial sources. These non-financial sources are sales revenue, in the case of firms, tax revenue, in the case of governments, or income in the case of households.

Every credit, or financial asset, has a counterpart debt or financial obligation. But shifts in expenditure in different parts of the economy automatically create saving and the counterpart changes in debts. A system in which there are only firms and households would stay at a constant level of economic activity ('in equilibrium') if households spend all their incomes on goods produced by firms, and

firms spend all their sales revenue paying incomes (wages, salaries, interest, rent and dividends) to households. If households decide to reduce their expenditure in order to save money, the system can stay in equilibrium if firms borrow the money saved and spend it on investment goods bought from other firms. In this way, the shortfall in revenue on the sale of consumption goods to households is made up by revenue from the sale to firms of investment goods.

Consider what happens if firms do not invest the income that households are now saving. Firms will find that their sales revenue has fallen off and is below what has been paid as incomes to households. Taken as a whole, firms will now be in a financial deficit, with outgoings exceeding sales revenue. How will they make up this deficit? They will make it up by borrowing from the banks. They will have to do this in order to avoid defaulting on their commitments to pay incomes to households. Alternatively they may try to sell some of their productive assets. But another firm cannot buy those assets without borrowing money or using its own savings to buy the assets. In effect firms are running down their savings to make payments to households. The running down of the savings reduces the equity value of firms. Since all firms may be said to be ultimately owned by (entrepreneurs') households, the reduction in firms' equity means a decrease in the equity owned by households

In short, therefore, household saving that is not covered by investment forces non-financial firms to borrow that saving, or run down their equity. This is a process that Josef Steindl (1912-1993) called 'enforced indebtedness'. According to him, total saving in an economy is determined by the amount of firms' investment. But if households save in excess of this investment, then that excess is matched by firms' borrowing. Firms will respond to this increase in debt or reduction in equity by reducing their investment (rather than increasing it to match household saving), and this will reduce household incomes up to the point at which households' saving is matched by firms' investment, when the overall cash-flow deficit of firms disappears.

Typically, firms with savings will run down their savings rather than borrow. Even so, the deficit in their income and expenditure accounts, and the reduction in their savings relative to their borrowing, will discourage investment. Additional borrowing will therefore be concentrated among small and medium-sized enterprises, which account for most private sector employment in most countries. This will further discourage investment and production, as firms try to use income to reduce the unanticipated debts.

Thus, the survival needs of capitalist firms in the face of a cash-flow deficit 'force' firms into debt. A similar kind of 'forced indebtedness' may occur within the household sector. Supposing that some households increase their saving, but the consumption of the household sector overall, and the sales revenue of firms, is maintained by other households increasing their consumption. Unless household incomes rise, the increased consumption is obviously financed by reducing saving, or by borrowing. That borrowing is the counterpart of the increased saving of the thrifty households.

Debt and financial stability

The American economist Hyman P. Minsky (1919-1996) argued that balance sheets should be viewed as sets of dated claims and obligations stretching into the future. Such obligations (liabilities) require cash-flows through the economy that are sufficient to maintain the payments on them. In the case of many financial intermediaries the cash-flow is from claims on other financial intermediaries, that is, from their financial assets.

In Minsky's view, balance sheets are 'financing structures' of which there are three essential types. First, a 'hedge' financing structure has all future financial obligations covered by income from the assets in the balance sheet. Second, a 'speculative' financing structure usually has insufficient income from assets to cover contracted payments in some periods. But overall assets are expected to generate sufficient income to cover payments with

a margin for profits. Typically, sound household residential or business investment is of this kind, with large deficits in the early years of the investment, covered by surpluses in later years. Third, 'Ponzi' financing structures have deficits overall and require additional borrowing to cover those deficits. The most obvious example of this kind of financing is pyramid banking, where additional deposits (bank liabilities) are necessary to pay returns to existing depositors.

Minsky argued that periods of economic boom were characterised by a build-up of debt in the economy. When, eventually, investment slows down, the cash-flow in the economy is insufficient to cover payments (interest and repayments) on debt. At this point financing structures deteriorate, in the sense that 'hedge' financing structures become 'speculative', and 'speculative' financing structures become 'Ponzi'. The debt crisis plunges the economy into recession until, eventually, investment recovers.

Minsky's analysis of financial instability coincides with Steindl's analysis of 'enforced indebtedness' in their implicit critiques of the notion of debt as a voluntary contract that prevails among economists who know little of finance and credit. Among those economists debt is incurred in order to acquire some kind of asset, be it stocks of goods, in the case of the eighteenth-century mercantile capitalists of Adam Smith's time, or productive machinery in the case of the industrial capitalists. In both cases there is an asset that is the counterpart of the increased debt. However, in Minsky's Ponzi finance, or Steindl's 'enforced indebtedness', debts are incurred that have no asset counterpart: liabilities therefore exceed assets, a condition of technical insolvency, and payments on the debts have to be taken out of future income. With 'Ponzi' finance and 'enforced indebtedness', the use of income to pay debts, rather than buying goods and services, reduces the sales revenue of firms and causes them to fall into financial deficit, forcing further resort to 'Ponzi' finance or 'enforced indebtedness'. In this way, financial crisis spreads through the economy.

Government debt

A similar kind of 'enforced indebtedness' may arise in an economy with a government that imposes a fiscal surplus on the country, by increasing taxes or decreasing government expenditure. If these taxes are levied on businesses, and the reduction in expenditure consists of cuts in orders for business, businesses will be forced to borrow, or run down their equity, to pay the surplus to the government. If the taxes are levied on households, and the latter receive reduced transfer payments from the government, then households will reduce buying from businesses, forcing businesses to make up the shortfall in their sales revenue by borrowing (or running down their savings). Alternatively, households may be forced into debt to maintain their consumption.

Fortunately, in civilised countries, efforts at such fiscal austerity are offset by 'automatic stabilisers'. Automatic stabilisers are reductions in tax revenue as profits and economic activity fall off, and increases in social welfare expenditure as people are forced into poverty. In Keynesian theory these autonomous changes in revenue and expenditure are supposed to stabilise the economy. In practice they frustrate reductions in government debt and the consequent 'enforced indebtedness' of households and firms. In this sense they stabilise debt as well. Such stabilisers account for the long duration of public debt crises, from the international debt crisis of the 1980s to the European debt crisis since 2009. In both cases banks and public finances suffered needlessly from the stigmatisation of public debt. In both cases the crises arise out of the mismanagement of government debt markets, are

prolonged by the 'stabilisers', and are resolved eventually by the stabilisation of those markets and economic growth. Effective fiscal austerity is impossible to sustain in a democracy. Even if it were possible to achieve a reduction in government debt, then the processes of 'enforced indebtedness' described above would merely transfer debt and the deterioration in the quality of debt from the government to the private sector.

Conclusion

The traditional view in political economy has been that debt is a voluntary contract entered into by calculating individuals. However, this view takes no account of the way in which market activity in a capitalist economy is integrated with credit, so that firms, households and governments accommodate deficiencies in their income (income falling below contracted or necessary expenditure) by borrowing. Market economies are not in continuous equilibrium, as many economists believe, and only appear to be stable because the imbalances that arise daily between income and expenditure are absorbed by the debt system. In such a situation, debt management is compulsory, rather than voluntary, and debt repayment must be matched by new debt if it is not to result in falling equity and income. Moreover, debt requires free spending in the economy for the secure management of such debt. As soon as spending is replaced by efforts to reduce debt then recession (often combined with deflation) sets in. The failure to understand that paradox lies at the heart of the inability of contemporary economies to achieve and sustain financial stability.

The days of the Arab Spring are gone

BY ARNO TAUSCH^{*}

The days of the Arab Spring are gone, and everywhere in the region of the Arab 'Middle East', it seems, winter has begun. The German political scientist Brigitte Weiffen predicted as early as 2008 that, if radical Islamist forces continue to be mass phenomena or even manage to topple regimes and instal an Islamic state in the region, the likelihood of democracy will diminish further. For these reasons, Weiffen advocated to talk about a **cultural-economic syndrome**, which will most probably prevail in the near future and will continue to draw the countries of the region towards autocracy.¹ In the present short article, we will try to analyse elements of this 'cultural-economic syndrome' with new opinion survey data from a) the Arab countries and b) Muslim samples across the globe, showing the degree of underdevelopment of liberal civil society by international comparison.

The Arab Opinion Index of the Arab Center for Research and Policy Studies

In the following, we will briefly try to evaluate Arab public opinion with the *Arab Opinion Index* by the Arab Center for Research and Policy Studies (ACRPS) in Doha, Qatar. The Index project is currently the largest of its kind in the world. It covers 12 Arab countries, representing 85 per cent of the population of the Arab world. It is thus a larger Arab opinion survey project than any other scholarly effort to estimate Arab opinion. The Index compiles the findings of 16,173 face-to-face interviews with subjects who were drawn from a random, representative sampling of the populations of their countries of origin. The questionnaire was prepared in 2010 and the survey was conducted in the first half

of 2011. The findings are freely available from the ACRPS website. Undoubtedly, the Arab Center for Research and Policy Studies as a centre for academic policy research in the region is one of the most important think tanks in the Arab World, clearly reflecting an 'Arab national viewpoint' in international affairs.

For the purpose of this article, the data of the Index were weighted by UNDP population figures for the year 2010/2011 so that we can arrive at conclusions about the totality of opinions in the Arab states. The population-rich countries Egypt, Sudan, Algeria, Iraq and Morocco account for some 62.5% of the total population of the 22 Arab countries.

For one, the Index shows indeed the overwhelming support for democracy and change in the region. At the same time, the data show basic weaknesses of the civil society support for the structures of democracy. Support for the separation of religious practices from political and social life is only expressed by 46.6% of the population, and the separation of religion from politics is only supported by 42.8%. That political freedom and civil liberties are a requirement of democracy is only supported by 36.3%, and that equality and justice among citizens are a requirement of democracy is supported by only 19.5% of the Arab world.

Equally astonishing is the true and real extent of Arab rejection of what is denominated as the 'peace process'. A resounding 83.7% of Arabs are against the recognition of the State of Israel, and 59.6% support nuclear proliferation in the region to counter the perceived Israeli possession of nuclear weapons. 41.5% fully support the takeover of political power by religious people, and 32.2% prefer to deal only with religious people in their personal relationships.

A very high percentage (85.6%) of the population is declaring itself to be religious or deeply religious, while the opinion that there is only one Arab nation is only supported by 35.6%.

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¹ Brigitte Weiffen (2008), 'Liberalizing Autocracies in the Gulf Region? Reform Strategies in the Face of a Cultural-Economic Syndrome', *World Development*, Vol. 36, No. 12, December, pp. 2586-2604.

Judging by the percentage of people who say that political freedom and civil liberties are an absolute requirement of democracy, we arrive at the conclusion that in no Arab country more than 50% of the population support the above opinion: in Sudan, Iraq, Algeria and Lebanon this position was supported by 40-49%; in Jordan, Saudi Arabia, Egypt, the Palestinian territories and Yemen support for this opinion was expressed by 30-39%; and in Tunisia, Mauritania and Morocco support for this notion was below 30%.

Evidence from the *World Values Survey*

There is another particular research tradition which is also willing and able to question many myths in this context. This research tradition is the *World Values Survey* project at the University of Michigan, headed by Professor Ronald F. Inglehart.² The *World Values Survey* (WVS), in collaboration with the *European Values Study* (EVS), carried out representative national surveys in 97 societies containing almost 90 per cent of the world's population.³

If the Arab world wants positively to confront the 21st Century and become a full and mature democracy, issues such as tolerance, the overcoming of male dominance in economic and political life, and the overcoming of authoritarian thought patterns become important for the future of the democratic system. Seen from such a perspective, and with the free online data analysis version of the *World Values Survey* project, the reasons for the unsatisfactory and incomplete path towards democracy in the Arab world become suddenly clearer. For our article, we selected from the WVS questions the item which asks respondents: 'On this list are various groups of people; could you please sort out any that you would not like to have as neighbours?'

(V35) people of a different race

(V37) immigrants/foreign workers

(V39) people of a different religion

² <http://www.worldvaluessurvey.org/>
(download 10 September 2013).

³ Ronald Inglehart and Wayne Baker (2000), 'Modernization, Cultural Change, and the Persistence of Traditional Values', *American Sociological Review*, Vol. 65, No. 1, pp. 19-51.

The date of the analysis is the *World Values Survey* wave 4 from 1999/2000 and wave 5 from 2005 to 2008. So our data refer to the average xenophobia rate against people of a different race, immigrants/foreign workers, and people of a different religion. The countries were ranked according to their average xenophobia rates. The Arab countries with available data rank very badly, but so does also the EU member country France; while advanced democracies and also some Latin American new democracies rank very favourably:

Average xenophobia rates:

- 50.0% or more: Bangladesh, Jordan
- between 40.0% and 49.9%: India, Iran, Vietnam
- between 30.0% and 39.9%: Saudi Arabia, Rwanda, Indonesia, South Korea, Malaysia, France, Thailand, Turkey
- between 20.0% and 29.9%: Nigeria, Georgia, Zambia, Morocco, Algeria, Ghana, Mali, Moldova, Russian Federation, Serbia
- between 10.0% and 19.9%: Cyprus, Romania, Bulgaria, Slovenia, China, Venezuela, Ethiopia, Ukraine, Pakistan, Italy, Poland, Finland, Taiwan, South Africa, Mexico, Burkina Faso, Germany
- 9.9% or below: Chile, Spain, Great Britain, Uruguay, Netherlands, Peru, Brazil, United States, Switzerland, Norway, Australia, Andorra, Trinidad and Tobago, Canada, Argentina, Sweden

Available *World Values Survey* data suggest that the following societal opinions and positions are held by the absolute majority of all the interviewed Muslims included in the global *World Values Survey* samples:

World Values Survey: Majority positions (at least 50% +1) among the 'umma' (listed by descending magnitude of mass support):

- better if more people with strong religious beliefs in public office
- never justifiable: homosexuality
- agree/strongly agree: traits in a woman: woman wearing veil

- rejecting neighbours: homosexuals
- agree/strongly agree: men make better political leaders than women do
- agree/strongly agree: politicians who don't believe in God are unfit for public office
- only laws of the sharia
- never justifiable: abortion
- agree/strongly agree: being a housewife just as fulfilling
- rejecting neighbours: Jews
- there is very little chance to escape from poverty
- agree/strongly agree: problem if women have more income than husband

In the following, we will present some further materials, which shed even more light on the strength or weakness of liberal civil society in the Arab world and in the Muslim world in general.

Evidence from the Pew Report *The World's Muslims: Religion, Politics and Society* (April 2013)

In April 2013, the Pew Research Center presented its report on *The World's Muslims: Religion, Politics and Society*.⁴ This report is a watershed in the hitherto existing debate about the issues, since for the first time such contentious issues as the acceptability rate of honour killings, stoning as a punishment for adultery, and rejection of mixed marriages were included in the questionnaire for the representative samples of the Muslim populations in 23 countries, comprising at least 56.6% of the global Muslim population, now estimated to be 1.486 billion people. The Pew Report is based on the following 18 indicators (low numerical values on these indicators are regarded as an indicator of ecumenical and social tolerance):

1. honour killings permissible: male offender
2. honour killings permissible: female offender
3. wife must obey husband

4. Islam alone leads to Heaven
5. per cent not worried by Muslim extremists
6. suicide bombing justified
7. per cent favour making sharia the law of the country
8. sharia should apply for all citizens, not Muslims only
9. stoning adequate punishment for adultery
10. death penalty for leaving Islam
11. gender bias in accepting honour killings
12. polygamy morally acceptable
13. converting others is a religious duty
14. no knowledge about Christianity
15. Islam and Christianity are very different
16. not comfortable with son marrying a Christian
17. not comfortable with daughter marrying a Christian
18. gender bias being uncomfortable with religiously mixed marriage

The Pew sample included representative samples (sample sizes from around 1000 to 1800 interview partners) of Muslims in the following countries: Kazakhstan, Albania, Bosnia, Kosovo, Turkey, Russia, Azerbaijan, Kyrgyzstan, Lebanon, Indonesia, Tajikistan, Tunisia, Uzbekistan, Morocco, Thailand, Iraq, Bangladesh, Malaysia, Pakistan, Jordan, Palestinian territories, Egypt, Afghanistan.

Applying appropriate population weights, we arrived at the following insight into the true mass support for Islamism in the Muslim world:

Per cent of total Muslims in the world saying or of the opinion (population weighted results):

- not comfortable with daughter marrying a Christian.....92.29%
- no knowledge about Christianity87.63%
- wife must obey husband.....86.14%
- Islam alone leads to Heaven85.58%
- not comfortable with son marrying a Christian85.56%
- per cent in favour making sharia the law of the country70.08%

⁴ <http://www.pewforum.org/2013/04/30/the-worlds-muslims-religion-politics-society-overview/> (download 10 September 2013).

- Islam and Christianity are very different68.65%
- per cent not worried by Muslim extremists.....65.45%
- converting others is a religious duty.....60.32%
- stoning adequate punishment for adultery45.37%
- honour killings permissible: female offender45.15%
- honour killings permissible: male offender42.65%
- death penalty for leaving Islam34.82%
- polygamy morally acceptable31.86%
- sharia should apply for all citizens, not Muslims only31.48%
- suicide bombing justified 15.25%

Also, the country results for the different indicators of the Pew study are really shocking. Let us just take one example: the acceptability of stoning as an adequate punishment for adultery:

Acceptability of stoning as an adequate punishment for adultery among the total Muslim population of the country

Albania.....	3.00%
Kazakhstan.....	3.10%
Bosnia.....	3.15%
Turkey.....	3.48%
Kosovo.....	5.00%
Russia.....	10.92%
Lebanon.....	13.34%
Kyrgyzstan.....	13.65%
Tajikistan	13.77%
Tunisia.....	24.64%
Indonesia.....	34.56%
Thailand.....	39.27%
Bangladesh	45.10%
Jordan.....	47.57%
Malaysia	51.60%
Iraq.....	52.78%
Egypt.....	59.94%
Pakistan.....	74.76%
Palestinian territories.....	74.76%
Afghanistan	84.15%

In general terms, Arab Muslims in Lebanon, Tunisia and Morocco show the least support for the combined 18 indicators of Islamism. Compared to other Muslim experiences around the globe, one can say that the other Arab countries in the sample – Iraq, Jordan, the Palestinian territories and Egypt – severely lack a liberal civil society. Prospects for democracy in the region (with the possible exceptions of Lebanon, Tunisia and Morocco) are rather poor.

Preliminary multivariate analyses, whose details are beyond the scope of this article, have shown that with development levels and past Soviet or Communist rule constant, interestingly enough ‘social variables’ such as social security expenditure per GDP, comparative price levels, the UNDP education index, the Human Development Index (HDI), and the World Economic Forum scores of closing of the gender gap are among the most significant positive predictors of Muslim tolerance, i.e. a good and decent social policy can increase the amount of Muslim tolerance in a country.

One of the main reasons for the mass support for radicalism, hatred and intolerance could be the dire state of higher education. The highest ranking Arab university or research institute in the recent, very comprehensive SCIMAGO/SIR Global University Ranking report is Cairo University, and it enjoys only a rank at 526 out of all 3290 ranked institutions. And even this is rather thanks to their respectable performance in science and medicine, and not in the humanities and social sciences.

The counter-position advanced here is that the West should do everything possible to strengthen those moderate forces, making up already 2/5 of Arab society, which favour the separation of religion and politics. Respect of other religions and civilisations does not imply that the West negates its own liberal heritage, which was born by the movement of enlightenment and democracy.

STATISTICAL ANNEX

Selected data on FDI in Central, East and Southeast Europe

The tables are taken from the *wiiw FDI Report Central, East and Southeast Europe*, June 2013. The whole set on FDI data can be accessed online from wiiw's website via an easy query tool. Members have **free access** to this database until the end of this year. Please feel free to navigate through the database – data.wiiw.ac.at.

From 2013 a new premium membership will be launched with access to all wiiw services. More information is available online: www.wiiw.ac.at/subscriptions-and-membership.html

Table 1	FDI inflow, EUR million, 2004-2012
Table 2	FDI outflow, EUR million, 2004-2012
Table 3	Inward FDI stock, EUR million, 2004-2012
Table 4	Outward FDI stock, EUR million, 2004-2012
Table 5	Inward FDI stock per capita in EUR, 2004-2012
Table 6	FDI inflow as a percentage of gross fixed capital formation, 2004-2012
Table 7	Inward FDI stock in NMS-10 by major home countries, share in per cent, 2011
Table 8	Inward FDI stock in SEE-7 and some selected CIS by major home countries, share in per cent, 2011
Table 9	Inward FDI stock in NMS-10 by economic activities, share in per cent, 2011
Table 10	Inward FDI stock in SEE-5, Kazakhstan, Russia and Ukraine by economic activities, share in per cent, 2011

Table 1

	FDI inflow, EUR million ¹⁾								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Bulgaria	2736	3152	6222	9052	6728	2437	1151	1315	1478
Czech Republic	4007	9374	4355	7634	4415	2110	4637	1668	8248
Estonia	771	2307	1432	1985	1182	1325	1207	185	1144
Hungary ²⁾	3439	6172	5454	2852	4191	1476	1646	3739	10462
Latvia	513	568	1326	1698	863	68	286	1045	768
Lithuania	623	826	1448	1473	1341	-10	604	1041	650
Poland ³⁾	10237	7112	12711	15920	9736	7940	9152	12178	7267
Romania	5183	5213	9061	7250	9496	3489	2220	1814	1746
Slovakia	2441	1952	3741	2618	3200	-4	1336	1542	2199
Slovenia	665	473	513	1106	1330	-470	271	719	113
New Member States-10	30615	37148	46264	51588	42481	18360	22511	25245	34075
Albania	278	213	259	481	665	717	793	745	745
Bosnia and Herzegovina	412	282	442	1329	684	180	220	290	493
Croatia	950	1468	2765	3683	4246	2404	326	1080	973
Macedonia	261	77	345	506	400	145	160	337	105
Montenegro	53	403	496	683	656	1099	574	401	474
Serbia	772	1268	3392	2513	2018	1410	1003	1949	274
Turkey	2239	8063	16075	16086	13435	6211	6816	11528	9668
Southeast Europe	4964	11773	23774	25281	22103	12166	9893	16331	12732
Belarus	131	246	282	1313	1544	1321	1041	2787	1120
Kazakhstan	3346	1583	5002	8123	9732	9497	8698	9987	10909
Moldova	118	153	206	396	483	104	149	202	124
Russia	12425	10338	23667	40223	51107	26203	32635	39558	39997
Ukraine	1380	6263	4467	7220	7457	3453	4893	5177	6094
Selected CIS	17400	18584	33624	57275	70323	40576	47417	57710	58244
Total region	52978	67505	103662	134144	134907	71102	79821	99287	105051

Bulgaria: equity capital + reinvested earnings from 1997 + loans from 1996.

Czech Republic: equity capital + reinvested earnings from 1998 + loans from 1998.

Estonia: equity capital + reinvested earnings + loans.

Hungary: equity capital + reinvested earnings from 1995 + loans from 1995.

Latvia: equity capital + reinvested earnings from 1996 + loans from 1996.

Lithuania: equity capital + reinvested earnings from 1995 + loans from 1997.

Poland: equity capital + reinvested earnings + loans from 1991.

Romania: equity capital + reinvested earnings from 2003 + loans from 1998.

Slovakia: equity capital + reinvested earnings from 1995 + loans from 1995.

Slovenia: equity capital + reinvested earnings from 1994 + loans from 2001.

Albania: equity capital + reinvested earnings from 2008 + loans from 1999. From 2011 BOP 6th edition.

Bosnia and Herzegovina: equity capital + reinvested earnings from 2004 + loans from 2004. From 2004 BOP 6th edition.

Croatia: equity capital + reinvested earnings from 1997 + loans from 1997.

Macedonia: equity capital + reinvested earnings from 2003 + loans from 1996.

Montenegro: equity capital cash + loans from 2005.

Serbia: equity capital + reinvested earnings from 2007 + loans.

Turkey: equity capital + reinvested earnings from 1995 + loans from 2002.

Belarus: equity capital + reinvested earnings from 1997 + loans from 2000. From 2005 BOP 6th edition.

Kazakhstan: equity capital + reinvested earnings from 1996 + loans.

Moldova: equity capital + reinvested earnings from 1997 + loans from 1995.

Russia: equity capital + reinvested earnings from 1998 + loans from 1997. From 2011 BOP 6th edition.

Ukraine: equity capital + reinvested earnings from 2002 + loans from 2003.

1) Excluding Special Purpose Entities (SPEs – see data.wiiv.ac.at/fdi-database.html). So far only Hungary and Poland provide also data including SPEs. - 2) The respective values including SPE in 2005-2012 are: 16240, 15709, 51015, 49786, 3538, -27659, 17011, 10557. - 3) The respective values including SPEs in 2005-2012 are: 8330, 15741, 17242, 10128, 9343, 10507, 13646, 2664.

Source: wiiv FDI Database based on Balance of Payments statistics of the respective National Banks.

Table 2

	FDI outflow, EUR million ¹⁾									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Bulgaria	-166	249	141	206	522	-68	174	116	177	
Czech Republic	817	-15	1170	1184	2959	684	881	-236	1044	
Estonia	217	556	882	1277	760	1114	107	-1049	689	
Hungary ²⁾	892	1756	3127	2643	1514	1348	878	3162	8210	
Latvia	89	103	136	270	166	-45	14	44	147	
Lithuania	212	278	232	437	229	142	-4	40	312	
Poland ³⁾	757	1574	4107	2698	2680	1932	4129	3808	3959	
Romania	56	-24	337	204	189	-62	-16	-24	32	
Slovakia	-17	120	408	438	362	651	714	353	-57	
Slovenia	441	516	687	1362	1002	187	-160	81	-73	
New Member States-10	3297	5112	11227	10719	10384	5883	6718	6295	14441	
Albania	11	3	8	17	55	28	5	30	18	
Bosnia and Herzegovina	1	13	65	47	27	-68	59	1	28	
Croatia	279	192	208	216	970	887	-110	22	-77	
Macedonia	1	2	0	-1	-9	8	1	0	-6	
Montenegro	2	4	26	115	74	33	22	12	21	
Serbia	-2	18	70	-692	-193	-38	143	122	42	
Turkey	627	855	736	1537	1733	1113	1104	1688	3180	
Southeast Europe	919	1087	1113	1239	2657	1964	1224	1875	3206	
Belarus	1	2	2	11	22	72	38	87	76	
Kazakhstan	-1029	-117	-306	2304	818	2266	5938	3326	1231	
Moldova	-1	0	-1	13	11	5	3	15	15	
Russia	11088	10243	18447	33535	37882	31346	39597	48008	39719	
Ukraine	3	221	-106	491	690	116	555	138	938	
Selected CIS	10062	10348	18037	36354	39423	33805	46131	51575	41980	
Total region	14278	16547	30377	48312	52463	41652	54072	59744	59626	

Bulgaria: equity capital + reinvested earnings from 1999 + loans from 1997.

Czech Republic: equity capital + reinvested earnings from 1998 + loans from 1998.

Estonia: equity capital + reinvested earnings from 1996 + loans from 1993.

Hungary: equity capital + reinvested earnings from 1995 + loans from 1995.

Latvia: equity capital + reinvested earnings from 1996 + loans.

Lithuania: equity capital + reinvested earnings from 1997 + loans from 1997.

Poland: equity capital + reinvested earnings + loans from 1996.

Romania: equity capital + reinvested earnings from 2005 + loans from 2005.

Slovakia: equity capital + reinvested earnings from 1995 + loans from 1995.

Slovenia: equity capital + reinvested earnings from 1994 + loans from 2001.

Albania: equity capital + reinvested earnings from 2008 + loans from 2006. From 2011 BOP 6th edition.

Bosnia and Herzegovina: equity capital + reinvested earnings from 2006 + loans. From 2004 BOP 6th edition.

Croatia: equity capital + reinvested earnings from 1997 + loans from 1997.

Macedonia: equity capital.

Montenegro: equity capital cash + loans from 2010.

Serbia: equity capital + reinvested earnings from 2007 + loans.

Turkey: equity capital + reinvested earnings from 1999 + loans from 2002.

Belarus: equity capital+ reinvested earnings from 2007 + loans from 2002. From 2005 BOP 6th edition.

Kazakhstan: equity capital + reinvested earnings from 2004 + loans from 2000.

Moldova: equity capital + loans.

Russia: equity capital + reinvested earnings from 1998 + loans from 1997. From 2011 BOP 6th edition.

Ukraine: equity capital + reinvested earnings from 2008 + loans from 2005.

1) See footnote 1) in Table 1. - 2) The respective values including SPEs in 2005-2012 are: 10126, 14964, 48709, 48471, 3048, -30628, 16051, 8301. - 3) The respective values including SPEs in 2005-2012 are: 2792, 7137, 4020, 3072, 3335, 5484, 5276, -644.

Source: wiiw FDI Database based on Balance of Payments statistics of the respective National Banks.

Table 3

	Inward FDI stock, EUR million ¹⁾								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Bulgaria	7421	11757	17830	25770	31658	34170	35347	36567	37798
Czech Republic	42035	51424	60621	76338	81302	87330	96153	93184	103417
Estonia	7374	9561	9644	11386	11775	11670	12495	12928	14269
Hungary ²⁾	45134	51644	60876	65044	62455	68608	67847	65341	78543
Latvia	3324	4159	5702	7466	8126	8072	8184	9360	10015
Lithuania	4690	6921	8377	10283	9191	9206	10031	11029	11922
Poland ³⁾	63332	75231	91072	115980	110419	121507	152882	143270	167180
Romania	15040	21884	34512	42771	48797	49985	52585	55139	56216
Slovakia	16068	19968	25517	29058	36226	36469	37665	39642	42000 ⁴⁾
Slovenia	5580	6134	6822	9765	11236	10540	10827	11676	11768
New Member States-10	209998	258682	320973	393861	411184	437558	484015	478135	533126
Albania	614	865	1057	1830	2061	2261	2667	3036	3700 ⁴⁾
Bosnia and Herzegovina	1679	1951	2432	3666	4385	4767	4985	5394	6000 ⁴⁾
Croatia	9114	12332	20782	30607	22199	25409	26180	23855	23957
Macedonia	1610	1769	2099	2545	2969	3141	3270	3649	3758
Montenegro	178	580	1076	1759	2414	3514	3167	3302	4000 ⁴⁾
Serbia	2848	4116	7508	10021	13459	14641	15711	17677	18000 ⁴⁾
Turkey	28314	60439	72228	105405	57758	99775	139932	108212	137238
Southeast Europe	44356	82052	107181	155832	105246	153510	195910	165126	196654
Belarus	1510	2014	2077	3044	4778	5952	7479	10035	10902
Kazakhstan	16425	21579	24986	30400	41720	50080	62400	73824	80551
Moldova	620	862	972	1276	1832	1882	2173	2464	2518
Russia	89756	151710	201742	335523	152966	264025	369763	352294	380000 ⁴⁾
Ukraine	7061	14553	17559	25905	33336	36282	43663	50807	55226
Selected CIS	115373	190718	247335	396147	234632	358221	485478	489424	529196
Total region	369727	531451	675490	945840	751062	949289	1165404	1132685	1258976

Bulgaria: equity capital + reinvested earnings from 1997 + loans from 1996.

Czech Republic: equity capital + reinvested earnings from 1997 + loans from 1997.

Estonia: equity capital + reinvested earnings + loans.

Hungary: equity capital + reinvested earnings from 1995 + loans from 1995.

Latvia: equity capital + reinvested earnings + loans.

Lithuania: equity capital + reinvested earnings + loans from 1996. From 2005 joint stock companies valued at market value (book value before).

Poland: equity capital + reinvested earnings + loans from 1992.

Romania: equity capital + reinvested earnings from 2003 + loans from 1994.

Slovakia: equity capital + reinvested earnings + loans.

Slovenia: equity capital + reinvested earnings + loans.

Albania: equity capital + reinvested earnings + loans.

Bosnia and Herzegovina: equity capital + reinvested earnings from 2003 + loans from 2003. From 2004 BOP 6th edition.

Croatia: equity capital + reinvested earnings from 1997 + loans from 1997.

Macedonia: equity capital + reinvested earnings + loans.

Montenegro: equity capital + reinvested earnings + loans; cumulated inflows until 2009 of equity capital cash + loans from 2006.

Serbia: equity capital + reinvested earnings + loans; cumulated inflows until 2007.

Turkey: equity capital + reinvested earnings + loans from 2001.

Belarus: equity capital + reinvested earnings + loans from 2002. From 2004 BOP 6th edition.

Kazakhstan: equity capital + reinvested earnings + loans from 2000.

Moldova: equity capital + reinvested earnings from 1997 + loans from 1994.

Russia: equity capital + reinvested earnings from 1998 + loans from 1997.

Ukraine: equity capital + reinvested earnings + loans from 2002.

1) See footnote 1) in Table 1. - 2) The respective values including SPEs in 2005-2012 are: 74725, 91003, 133420, 181940, 184259, 159090, 174144, 185717. - 3) The respective values including SPEs in 2004-2012 are: 63601, 76785, 95554, 121280, 116634, 128494, 161396, 153349, 174839. - 4) wiiw estimate.

Source: wiiw FDI Database based on International Investment Position of the respective National Banks.

Table 4

Outward FDI stock, EUR million ¹⁾

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Bulgaria	-129	105	344	552	1038	971	1171	1272	1415
Czech Republic	2760	3061	3810	5812	9002	10275	11166	10213	11503
Estonia	1040	1639	2732	4193	4764	4604	4322	3664	4390
Hungary ²⁾	4412	6601	9394	11801	12485	13704	15337	18602	26350
Latvia	175	238	363	638	742	620	670	668	833
Lithuania	310	608	793	1072	1413	1602	1577	1607	1903
Poland ³⁾	2188	3776	6451	9192	10889	13347	24750	28341	35956
Romania	200	181	668	842	1054	970	1131	1050	1074
Slovakia	618	504	1006	1267	2113	2188	2587	3253	3500 ⁴⁾
Slovenia	2224	2789	3452	5456	6353	6285	6118	6030	5909
New Member States-10	13799	19500	29012	40825	49852	54567	68828	74700	92832
Albania	18	17	29	51	105	116	115	142	150 ⁴⁾
Bosnia and Herzegovina	1	15	80	127	154	85	144	145	173
Croatia	1563	1730	1833	2580	3750	4556	3290	3515	3415
Macedonia	40	53	29	46	61	67	82	83	80
Montenegro	7	11	37	152	226	259	281	293	314
Serbia	140	158	227	919	2750	2787	2944	3070	3100 ⁴⁾
Turkey	5183	7048	6732	8295	12823	15445	16845	20401	23105
Southeast Europe	6953	9031	8967	12169	19868	23315	23700	27650	30337
Belarus	6	12	14	31	52	101	155	185	304
Kazakhstan	-713	-962	-765	1473	2299	4937	12240	15416	15805
Moldova	18	21	18	28	41	45	51	69	82
Russia	78744	123469	164258	252899	145728	210605	276580	279529	320000 ⁴⁾
Ukraine	146	396	261	4136	4969	5065	5992	6298	7093
Selected CIS	78200	122936	163787	258568	153088	220753	295019	301496	55284
Total region, Poland incl.SPE	98952	151467	201766	311563	222807	298635	387547	403846	178453

Bulgaria: equity capital + reinvested earnings + loans.

Czech Republic: equity capital + reinvested earnings from 1997 + loans from 1997.

Estonia: equity capital + reinvested earnings + loans.

Hungary: equity capital + reinvested earnings from 1995 + loans from 1995.

Latvia: equity capital + reinvested earnings + loans.

Lithuania: equity capital + reinvested earnings + loans from 1996. From 2005 joint stock companies valued at market value (book value before).

Poland: equity capital + reinvested earnings + loans from 1996.

Romania: equity capital + reinvested earnings + loans from 2004.

Slovakia: equity capital + reinvested earnings + loans.

Slovenia: equity capital + reinvested earnings + loans.

Albania: equity capital + reinvested earnings + loans from 2008.

Bosnia and Herzegovina: equity capital + reinvested earnings from 2006 + loans; cumulated outflows from 2004. From 2004 BOP 6th edition.

Croatia: equity capital + reinvested earnings + loans.

Macedonia: equity capital + reinvested earnings + loans.

Montenegro: equity capital cash; cumulated outflows from 2001.

Serbia: equity capital + reinvested earnings + loans; cumulated outflows until 2007.

Turkey: equity capital + reinvested earnings + loans from 2009.

Belarus: equity capital + reinvested earnings + loans from 2001. From 2004 BOP 6th edition.

Kazakhstan: equity capital + reinvested earnings + loans from 2000.

Moldova: equity capital + loans from 1995.

Russia: equity capital + reinvested earnings from 1997 + loans from 1997.

Ukraine: equity capital + reinvested earnings + loans from 2005.

1) See footnote 1) in Table 1. - 2) The respective values including SPEs in 2005-2012 are: 25981, 43378, 90710, 134149, 129994, 109064, 131945, 138655. - 3) The respective values including SPEs in 2004-2012 are: 2457, 5330, 10933, 14492, 17104, 20334, 33264, 38420, 43615. - 4) wiw estimate.

Cumulated outflow (Table 2 in EUR) for some countries as mentioned in the remarks.

Source: wiw FDI Database based on International Investment Position of the respective National Banks.

Table 5

	Inward FDI stock per capita in EUR ¹⁾								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Bulgaria	956	1523	2322	3373	4162	4518	4710	4991	5191
Czech Republic	4113	5016	5893	7354	7767	8312	9129	8870	9834
Estonia	5473	7110	7184	8491	8784	8708	9324	9987	11091
Hungary	4470	5125	6048	6475	6226	6851	6794	6579	7929
Latvia	1441	1813	2499	3288	3594	3590	3670	4584	4935
Lithuania	1369	2034	2475	3055	2744	2765	3092	3664	3999
Poland	1659	1972	2389	3043	2895	3184	4002	3718	4339
Romania	694	1013	1600	1987	2270	2329	2456	2896	2963
Slovakia	2984	3705	4731	5380	6693	6722	6930	7335	7762
Slovenia	2793	3062	3394	4858	5529	5149	5281	5681	5718
New Member States-10	2051	2530	3143	3858	4026	4285	4748	4822	5387
Albania	196	275	335	577	645	708	827	1076	1313
Bosnia and Herzegovina	437	508	633	954	1141	1240	1297	1405	1561
Croatia	2053	2776	4681	6900	5006	5737	5926	5573	5615
Macedonia	791	867	1027	1245	1448	1530	1589	1772	1819
Montenegro	285	931	1724	2809	3840	5564	5118	5325	6441
Serbia	382	554	1015	1360	1835	2004	2159	2462	2517
Turkey	418	881	1041	1501	812	1385	1917	1463	1898
Southeast Europe	497	911	1179	1699	1137	1642	2074	1743	2113
Belarus	156	209	217	319	502	627	789	1060	1152
Kazakhstan	1090	1418	1623	1952	2644	3090	3795	4427	4763
Moldova	172	240	271	357	513	528	610	692	707
Russia	624	1059	1412	2350	1072	1848	2588	2463	2651
Ukraine	149	310	376	559	722	789	954	1113	1212
Selected CIS	526	872	1134	1819	1078	1643	2226	2241	2418
Total region	899	1293	1643	2298	1821	2295	2812	2747	3064

1) Data are affected by the new population census 2011 (Kazakhstan 2009).

Source: wiiw calculations based on Table 3 and wiiw Annual Database.

Table 6

	FDI inflow as a percentage of gross fixed capital formation								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Bulgaria	65.9	52.6	85.1	102.5	56.5	24.2	14.0	15.8	17.4
Czech Republic	16.8	34.7	14.3	21.4	10.7	6.0	12.6	4.5	22.9
Estonia	25.8	64.3	29.7	34.8	24.0	44.9	44.2	5.3	27.0
Hungary	18.4	30.5	28.0	13.2	18.3	7.8	9.3	20.9	62.4
Latvia	16.6	14.2	25.2	23.7	12.7	1.7	8.7	24.3	14.7
Lithuania	15.2	17.2	23.8	18.2	16.3	-0.2	13.4	19.0	11.9
Poland	27.7	16.0	23.8	23.7	12.0	12.1	13.0	16.2	9.6
Romania	39.0	27.5	36.2	19.2	21.3	12.1	7.2	5.3	5.0
Slovakia	29.9	19.1	31.7	18.2	20.0	0.0	9.6	9.7	14.3
Slovenia	9.8	6.5	6.2	11.5	12.5	-5.7	3.8	10.7	1.8
New Member States-10	33.5	25.3	26.9	23.9	17.1	9.6	11.5	12.1	16.4
Albania	12.7	8.8	9.3	15.9	19.7	22.0	27.3	24.9	27.3
Bosnia and Herzegovina	20.3	11.5	19.1	46.8	19.8	6.5	9.0	10.8	17.8
Croatia	11.6	16.5	26.7	32.4	32.7	22.0	3.5	12.7	12.0
Macedonia	33.8	9.7	37.4	43.3	28.4	10.8	11.9	21.9	6.2
Montenegro	18.4	123.4	105.5	78.7	55.6	137.8	87.6	67.3	79.1
Serbia	21.1	32.9	69.2	36.4	26.0	26.0	20.1	33.5	5.1
Turkey	3.5	9.9	17.2	15.9	13.5	8.4	6.5	9.5	7.8
Southeast Europe	6.1	11.8	20.6	19.9	17.1	12.3	7.9	11.4	8.7
Kazakhstan	38.4	12.3	25.7	35.3	40.0	41.3	32.1	35.3	33.2
Russia	14.2	9.5	16.2	20.2	20.2	13.5	13.1	13.4	11.6
Ukraine	11.7	41.3	21.1	25.2	23.0	22.4	26.3	23.7	23.6

Source: wiiw calculations based on Table 1 and wiiw Annual Database.

Table 7

Inward FDI stock in NMS-10 by major home countries

as of December 2011, share in per cent

	BG	CZ	EE	HU	LV	LT	PL	RO	SK	SI	NMS-10
Austria	16.0	13.2	1.4	12.1	1.8	0.4	3.5	17.5	15.0	48.9	10.7
Belgium	1.2	3.1	0.4	2.7	0.5	0.5	2.8	2.0	3.3	1.7	2.5
Cyprus	5.8	3.6	2.9	2.0	6.1	1.8	2.5	4.6	3.8	1.3	3.3
Denmark	0.7	0.7	2.2	0.4	4.4	4.2	2.0	0.4	0.7	0.6	1.2
Finland	0.1	0.2	23.8	0.3	4.0	4.6	0.9	0.3	0.3	0.2	1.2
France	2.3	5.2	1.6	4.6	0.5	2.3	12.5	9.1	3.9	5.3	7.3
Germany	5.0	14.9	2.3	29.7	4.9	10.1	13.5	11.4	12.3	6.2	14.3
Greece	7.8	0.0	0.1	0.0	.	-0.1	0.5	5.3	0.0	0.1	1.3
Hungary	2.8	0.4	0.0	.	0.0	0.1	0.4	1.1	5.4	0.7	1.0
Italy	1.9	1.0	0.6	-4.3	0.6	0.1	5.3	6.1	8.2	6.5	3.0
Japan	0.1	1.1	0.0	1.3	.	.	0.7	0.3	0.2	0.3	0.7
Luxembourg	3.5	6.1	1.9	6.5	2.3	1.2	10.4	2.3	3.8	1.8	6.3
Netherlands	20.0	27.4	10.3	17.5	8.1	7.7	15.1	21.7	23.7	4.3	18.9
Norway	0.3	0.1	3.6	0.7	5.4	6.6	0.5	0.4	0.3	.	0.7
Russia	3.9	0.3	4.2	-0.1	4.1	5.4	0.0	0.0	-0.7	0.8	0.6
Spain	2.4	3.2	0.2	1.1	0.1	0.1	5.7	1.7	0.6	0.1	3.0
Sweden	0.3	1.3	28.6	0.7	23.7	20.6	6.0	0.7	0.7	0.4	4.1
Switzerland	2.7	4.8	1.7	2.8	1.6	2.1	2.6	3.3	1.5	7.9	3.1
United Kingdom	6.4	2.4	1.9	2.5	2.9	1.3	3.8	1.3	0.9	3.2	2.9
United States	3.1	3.4	2.5	3.7	2.9	1.3	4.9	2.6	1.4	0.5	3.5
Other countries	13.9	7.7	9.7	16.0	26.2	29.7	6.4	7.6	14.7	9.4	10.5
EU-15	69.6	78.1	76.3	74.3	56.4	53.5	83.0	80.7	74.5	79.1	77.5
EU-27	82.6	87.1	83.2	77.4	72.6	76.3	87.1	88.7	90.0	81.9	83.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total, EUR mn	36567	93184	12928	65341	9360	11029	153349	55139	39642	11676	488215

CZ: Czech Republic, HU: Hungary, PL: Poland, SK: Slovakia, SI: Slovenia, BG: Bulgaria, RO: Romania, EE: Estonia, LV: Latvia, LT: Lithuania, NMS: New Member States.

Source: wiiw FDI Database.

Table 8

Inward FDI stock in SEE-7 and some selected CIS by major home countries

as of December 2011, share in per cent

	AL	BA	HR	MK	ME	RS	TR	SEE-7	KZ	RU	UA
Austria	15.6	22.1	29.2	11.4	2.7	17.1	7.8	12.5	1.8	1.8	6.8
Belgium	.	.	1.3	0.1	0.8	0.5	4.7	3.3	0.3	0.5	0.2
Croatia	0.5	12.6	.	2.1	1.7	1.9	.	0.7	.	0.0	.
Cyprus	3.9	.	0.4	1.3	11.9	0.7	.	0.5	0.7	28.3	26.5
France	1.6	.	2.6	3.6	1.1	3.7	5.2	4.3	7.8	3.4	4.5
Germany	2.8	5.3	13.7	2.4	0.9	9.1	9.4	9.4	0.7	4.1	14.7
Greece	17.3	.	0.0	10.7	2.5	9.6	3.3	3.7	0.0	0.0	0.9
Hungary	0.1	.	13.9	9.5	5.0	2.6	0.0	2.7	0.0	0.2	1.4
Italy	12.3	2.3	3.7	1.8	14.0	6.0	2.2	3.2	0.1	0.3	1.9
Liechtenstein	.	.	0.9	0.6	0.3	0.2	.	0.2	0.1	0.1	0.2
Luxembourg	.	.	5.5	0.4	0.2	7.8	4.4	4.5	0.1	4.5	1.0
Netherlands	8.2	3.0	8.4	20.4	3.7	10.1	20.8	16.7	42.1	13.1	9.7
Russia	.	11.3	0.5	0.3	11.6	3.5	2.5	2.7	1.7	.	7.2
Serbia	.	17.4	0.0	1.9	7.2	.	.	0.8	0.0	0.0	0.1
Slovenia	0.2	10.1	4.4	11.1	3.2	4.2	.	1.7	0.0	0.0	0.1
Sweden	.	.	2.2	0.6	0.1	0.1	0.2	0.5	0.1	3.5	3.5
Switzerland	2.1	4.7	1.7	3.5	2.4	2.7	2.8	2.7	1.6	1.4	1.9
Turkey	9.3	2.6	0.0	3.2	.	0.0	.	0.4	0.5	0.2	0.3
United Kingdom	0.0	.	3.3	1.3	3.9	2.5	6.8	5.3	1.8	1.4	5.2
United States	0.0	.	0.9	1.2	1.1	1.5	5.9	4.2	11.4	0.7	2.0
Other countries	26.2	8.5	7.3	12.4	25.7	16.1	24.2	20.1	29.3	36.6	12.1
EU-15	57.7	37.6	71.5	52.9	34.6	67.2	74.5	70.4	54.9	36.2	49.4
EU-27	61.8	46.8	90.9	78.7	57.7	77.4	74.8	76.0	56.3	65.1	80.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total, EUR mn	3036	5394	23855	3649	3302	14761	103958	157956	73824	352294	39052

AL: Albania, BA: Bosnia and Herzegovina, HR: Croatia, MK: Macedonia, ME: Montenegro, RS: Serbia, TR: Turkey, SEE: Southeast Europe, KZ: Kazakhstan, RU: Russia, UA: Ukraine.

Source: wiiw FDI Database.

Table 9

Inward FDI stock in NMS-10 by economic activities

as of December 2011, share in per cent

NACE Rev. 2 classification:	BG	CZ	EE	HU	LV	LT	PL	RO	SK	SI	NMS-10
A Agric., forestry, fishing	.	0.2	2.1	0.5	2.8	0.9	0.4	2.4	0.2	0.1	0.7
B Mining and quarrying	.	2.5	0.5	0.3	0.7	0.7	0.4	5.0	1.2	0.1	1.5
C Manufacturing	.	31.7	16.8	15.1	11.9	26.6	31.8	31.5	32.9	22.6	28.2
D Electricity, gas, steam etc.	.	7.6	3.3	3.5	3.2	5.3	3.5	7.2	13.7	2.4	5.7
E Water supply, waste manag.	.	0.8	0.8	0.2	0.2	0.1	0.3	0.7	0.2	0.5	0.4
F Construction	.	2.0	1.7	1.4	5.8	2.7	5.8	5.5	2.0	1.1	3.7
G Trade and repair	.	10.5	12.8	12.9	13.5	12.9	14.6	11.4	9.5	14.8	12.5
H Transportation, storage	.	1.4	5.9	2.0	4.3	2.1	1.3	1.4	0.8	0.8	1.6
I Accommod., food serv.act.	.	0.4	0.6	0.7	0.7	0.5	0.5	0.8	0.1	0.3	0.5
J Information, communication	.	5.7	3.0	6.6	3.3	9.3	4.1	5.4	3.8	2.0	4.9
K Financial, insurance act.	.	21.2	23.5	7.3	27.5	19.6	21.1	18.2	23.1	43.9	19.7
L Real estate activities	.	8.5	15.7	7.2	13.1	11.0	7.0	5.2	6.1	6.7	7.5
M Prof., scientific, techn.act.	.	4.0	9.0	28.3	2.2	4.9	7.8	3.8	4.1	2.3	8.9
N Admin., support serv.act.	.	0.8	2.8	.	1.0	1.0	1.2	1.1	1.8	0.7	1.0
O Public admin., defence etc.	.	.	.	.	.	.	.	.	.	.	.
P Education	.	0.0	.	.	.	0.0	0.0	0.1	.	0.0	0.0
Q Human health, soc.work	.	0.1	0.0	.	0.0	0.2	0.2	0.3	0.2	0.0	0.1
R Arts, entert., recreation	.	0.0	0.1	.	0.7	0.2	0.1	0.1	0.3	0.0	0.1
S Other service activities	.	0.1	0.0	.	0.1	0.0	0.0	0.0	0.0	0.1	0.0
T Act.of househ.as employers	.	0.0	.	.	.	.	.	.	.	.	0.0
Other activities (A-U)	.	0.0	1.4	11.8	8.9	.	.	0.1	0.0	1.6	1.9
Private purch.of real estate	.	2.4	.	2.1	.	2.0	-0.1	.	.	.	0.9
Total by activities	.	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total by activities, EUR mn	.	93184	12928	65341	9360	11029	153349	55139	39642	11676	451648
NACE Rev. 1 classification:	BG	CZ	EE	HU	LV	LT	PL	RO	SK	SI	NMS-10
		2009	2009	2010		2010	2009	2008	2010	2007	
A_B Agric., forestry, fishing	0.4	0.2	0.6	0.4	2.8	1.0	0.5	1.0	0.2	0.1	0.5
C Mining and quarrying	1.2	2.6	0.5	0.3	0.6	0.5	0.2	4.0	1.1	0.1	1.3
D Manufacturing	17.7	32.0	14.4	24.8	11.9	27.0	31.8	31.5	34.5	26.9	28.8
E Electricity, gas and water supply	5.5	8.0	3.8	5.5	3.2	6.2	4.1	5.5	15.0	3.0	6.2
F Construction	7.1	1.4	1.5	0.8	1.4	1.4	2.5	3.7	1.3	0.8	2.3
G Wholesale, retail trade, repair of motor vehicles etc.	12.8	9.9	11.2	12.8	13.5	13.0	15.9	12.2	9.8	13.1	12.8
H Hotels and restaurants	2.2	0.5	0.6	0.4	0.8	0.6	0.4	0.4	0.1	0.2	0.6
I Transport, storage and communication	11.6	5.2	5.4	7.4	7.1	12.2	5.8	6.8	4.5	3.4	6.5
J Financial intermediation	18.4	20.4	30.1	9.5	23.1	18.1	18.6	20.5	21.1	40.4	18.8
K Real estate, renting and business activities	21.6	16.2	30.5	30.7	24.6	17.5	17.6	13.7	11.5	11.5	19.0
L Public administration, defence, compuls.soc.security	0.0	0.0	.	.	.	.	.	.	.	.	0.0
M Education	0.0	0.0	0.0	.	0.0	.	.	.	0.0	0.0	0.0
N Health and social work	0.0	0.2	0.0	.	0.0	.	.	.	0.2	0.0	0.1
O Other community, social and personal services	1.0	1.1	1.0	.	1.0	.	.	.	0.6	0.4	0.4
Other not elsewhere classified activities (A-Q)	0.3	.	0.4	5.0	10.0	0.7	0.5	0.7	0.0	0.2	1.3
Private purchases & sales of real estate	.	.	.	.	.	.	2.1	.	.	.	1.4
Total by activities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total by activities	36567	87330	11268	67846	9360	10031	128494	48798	37665	9765	447125

Source: wiiw FDI Database.

STATISTICS

Table 10

Inward FDI stock in SEE-5, Kazakhstan, Russia and Ukraine by economic activities

as of December 2011, share in per cent

NACE Rev. 2 classification:	AL	BA	HR	MK	TR	SEE-5	KZ	RU	UA
A Agric., forestry, fishing	.	.	.	0.8	0.3	.	0.0	.	.
B Mining and quarrying	.	.	.	4.9	1.7	.	17.6	.	.
C Manufacturing	.	.	.	36.1	26.2	.	11.4	.	.
D Electricity, gas, steam etc.	.	.	.	6.4	11.8	.	0.6	.	.
E Water supply, waste manag.	.	.	.	0.0	0.2	.	0.0	.	.
F Construction	.	.	.	2.3	0.5	.	0.7	.	.
G Trade and repair	.	.	.	11.0	7.9	.	3.4	.	.
H Transportation, storage	.	.	.	1.3	0.9	.	0.5	.	.
I Accommod., food serv.act.	.	.	.	1.5	0.4	.	0.2	.	.
J Information, communication	.	.	.	3.2	20.3	.	0.7	.	.
K Financial, insurance act.	.	.	.	26.8	24.4	.	4.8	.	.
L Real estate activities	.	.	.	1.9	0.9	.	0.8	.	.
M Prof., scientific, techn.act.	.	.	.	1.7	0.1	.	57.1	.	.
N Admin., support serv.act.	.	.	.	1.1	1.6	.	0.3	.	.
O Public admin., defence etc.	.	.	.	.	.	.	.	.	.
P Education	.	.	.	0.1	0.0	.	0.0	.	.
Q Human health, soc.work	.	.	.	0.1	2.0	.	.	.	.
R Arts, entert., recreation	.	.	.	0.6	0.0	.	.	.	.
S Other service activities	.	.	.	0.1	0.8	.	1.7	.	.
T Act.of househ.as employers	.	.	.	.	.	.	.	.	.
Other activities (A-U)	.	.	.	0.0	.	.	.	.	.
Total by activities	.	.	.	100.0	100.0	.	100.0	.	.
Total by activities, EUR mn	.	.	.	3649	103958	.	73824	.	.
	AL	BA	HR	MK	TR	SEE-5	KZ	RU	UA
				2008	2010				
NACE Rev. 1 classification:									
A_B Agriculture, hunting, forestry, fishing	0.3	0.3	0.6	1.0	0.2	0.3	0.1	1.2	1.4
C Mining and quarrying	20.8	1.8	1.2	5.7	1.8	2.1	15.7	14.5	2.6
D Manufacturing	15.6	30.6	25.4	29.9	29.4	28.6	9.8	32.1	25.7
E Electricity, gas and water supply	6.6	1.3	0.9	5.5	6.8	5.7	0.6	2.7	1.5
F Construction	6.1	1.0	1.7	3.9	0.7	1.0	1.5	7.4	1.6
G Wholesale, retail trade, repair of motor vehicles etc.	6.6	15.0	13.7	.	11.7	11.8	3.8	8.7	10.7
H Hotels and restaurants	2.3	1.4	2.1	.	0.4	0.7	0.2	0.4	1.4
I Transport, storage and communication	12.9	16.1	8.6	.	16.9	15.3	1.4	3.4	5.4
J Financial intermediation	23.1	22.2	33.8	.	25.3	25.9	4.7	13.5	32.2
K Real estate, renting and business activities	2.7	7.0	10.1	.	3.7	4.6	60.3	15.5	16.4
L Public administration, defence, compuls.soc.security	.	.	.	.	.	.	.	.	0.0
M Education	0.2	.	.	.	0.0	0.01	.	0.0	0.0
N Health and social work	1.5	0.5	0.0	.	0.9	0.8	0.1	0.1	0.2
O Other community, social and personal services	0.3	0.2	1.3	.	2.4	2.1	1.8	0.6	0.7
Q Extra-territorial organizations & bodies	1.2	.	.	.	.	0.02	.	.	.
Other not elsewhere classified activities (A-Q)	.	2.7	0.5	53.9	.	1.1	.	.	.
Private purchases & sales of real estate	.	.	.	.	.	.	.	.	.
Total by activities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total by activities, EUR mn	3036	5394	23855	2969	134876	170130	72429	107527	39052

Remark: Data NACE Rev. 1 for Kazakhstan are unrevised.

Source: wiiw FDI Database.

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