

# General overview of FDI in South-East Europe and Potential for Sub-Regional Cooperation

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Since the transition, flows of foreign direct investment (FDI) to Central and Eastern European Countries (CEECs) have increased significantly. The process of liberalisation undertaken by those countries, and the removal of restrictions on capital movements, allowed Western firms to enter a market of 400 million potential consumers.

FDI flows to the CEE area have grown rapidly since the early 1990s although they are still small when compared with global FDI flows. As a percentage of flows to developing countries, they have significantly gained in importance, growing from 6.8 to 12.1 per cent in 1995, in line with the world-wide upsurge of FDI operations in that year, as a consequence of intense merger and acquisition activity, and of vast privatisation programs implemented in the economies in transition. A more in depth analysis of the impact of FDI flows in the area shows that the infusion of foreign capital, although limited if compared to other regions, is greatly affecting the economic structures of the major host countries.

Aggregated data on FDI flows and stocks allow however only a limited analysis of their contribution to the transformation process. In addition, a balanced view needs to be taken in order to explain the dualism still existing in the region, especially within the Central (namely the CEFTA countries) and the South-East. Instead of the usual aggregate or macro-economic approach adopted by the inter-

national institutions (UN and OECD, for instance), the micro-level approach should contribute a better insights about the FDI determinants in the area and the role of EU firms in promoting a sub-regional cooperation. This approach is also necessary in order to understand the implications of Agenda 2000 and the suggested reinforced strategy for the future enlargement of the European Union. Such an analysis has been carried out, at an unprecedented level of disaggregation, with a newly developed database containing almost 2500 FDI operations in the CEECs, which is at the basis of further studies.

The aggregation of these data at firms level

confirms many of the conclusions derived from the analysis of macro-economic FDI data. As far as the destination is concerned, it shows the formation of three groups of recipient: the Central European - CEFTA countries (i.e. Poland, Hungary and Czech Republic) attracted more than 70% of the initiatives; a second cluster of countries, including Slovenia and Romania, which are approached with caution by foreign investors; and a third cluster of countries, including Bulgaria, Croatia and Albania, which are behind in the transition process and represent a high risk to foreign investors, thus attracting only a limited number of initiatives.

In the host countries under review the discussion of FDI still remain focussed on the (quantitative) level

Since the transition, flows of foreign direct investment (FDI) to Central and Eastern European Countries (CEECs) have increased significantly. As far as the destination is concerned, there are three groups of recipients: the Central European - CEFTA countries (i.e. Poland, Hungary and Czech Republic) which attracted more than 70% of the initiatives; the second cluster of countries, including Slovenia and Romania, which are approached with caution by foreign investors; and the third cluster of countries, including Bulgaria, Croatia and Albania, which are behind in the transition process and represent a high risk to foreign investors, thus attracting only a limited number of initiatives.

**Key words: CEEC, Foreign Direct Investment**



of inflows or in the number of initiatives associated to the privatisation of the SOEs. But what matters in most of the impact evaluations is the quality aspects of FDI. An optimal combination of funds invested for the long run, management capabilities, control of performance and efficiency and other intangible assets linked to Foreign participation generates value added for the host country. As a result of its particular strengths, foreign participation through FDI is able

- \* To expand domestic production of goods and services, thus enhancing employment and exports;

- \* To mobilise resources and allocate three resources efficiently (transfer of know-how for processing and product technologies, marketing and managerial skills);

- \* To contribute to the enrichment of the local technological development and to introduce internationally accepted standards of quality and safety;

- \* To stimulate entrepreneurship and to contribute to the integration into the EU economy.

### Three Groups of Investors

An earlier impression of a new and constructive atmosphere developed in Europe during this decade, suggests that the host countries are looking to better business relations at sub-regional level. Governments and local private sectors are moving in the same direction to mobilise resources. FDI are expected to play an active role in upgrading technological capabilities, management and competition. From the results of the survey we are able to present the EU investments (see table 1 and 2) in the five South-East countries. Over the entire period, the sub-region is the destination of 277 reported operations, of which 151 from the five EU southern members. The cumulated flows of investments is in the order of 2 billion USD. If foreign investment initiatives in the CEE region are primarily an intra-European business, the South-East dimension could also be interpreted as a typical form of sub-regional cooperation. In terms of the number of investments (table 1); Italian, German and French entrepreneurs have been the most active in supporting the transition of the host economies, followed by Austria. However, the patterns of these investment are not homogeneous across the recipients, since a number of clusters can be identified.

Italian firms – the first EU investors with 115 initiatives and 415 million USD invested – show a preference for Romania, followed in the order by Slovenia, Albania, Bulgaria and Croatia. The positive attitude for the region is mainly due to small and medium sized enterprises (SMEs), as witnessed by the lower ranking of the country (Romania, in particular) in terms of total value of investment (table

2). The main beneficiaries are, in the order Slovenia, Albania and Romania. Germany as home country ranks second with 42 initiatives (300 million USD), basically large MNE in the electric and mechanical sectors.

A third group of investors is led by French firms, with 24 initiatives, and a preference for Romania and Bulgaria. The same approach has been followed by Greece. Relatively marginal is the position of Spain and Portugal. A clear regional approach is also followed by Austria, mainly resulting from acquisitions and joint ventures in Croatia, Slovenia and Romania.

Generally speaking FDI decisions can be traced back to sectoral characteristics such as labour cost or production cost differentials, the exploitation of economies of scale and scope, the availability of a qualified labour force and the opportunities for upgrading production techniques and product quality. Thus, at the micro-economic level, a sectoral analysis is crucial for a better understanding of the FDI dynamics in Central and Eastern Europe. The initiatives have been clustered according to specific characteristics which are reflected on the labour market (see OECD (1995), *Industry and Technology*). Sectoral groupings are based on the distinction between high and low skills as well as between high, medium and low wages. This classification helps to identify several main tendencies, both, with respect to industrial as well as labour market restructuring.

As illustrated in tables 3 and 4, the manufacturing sector accounted for about 50 per cent of foreign initiatives, while the wholesale and retail trade sector and the financial sector accounted for the remaining part. A minor role altogether has been played by agriculture and mining activities.

Of the total FDI undertaken in the manufacturing sector the South-East European Region, 60-65 per cent can be attributed to Low Wages/Low skills seeking investment, mostly producing consumer goods with a significant labour content. Less than 10 per cent of the operations is undertaken within High Skill sectors, where the ability of workers and the market size component are important as determinants of FDI flows.

Investors, in some cases supported by international institutions or bilateral government programmes, have followed different investment patterns. From the investor country perspective, Italian initiatives are characterised by the massive participation of SMEs, mainly with cost-cutting objectives or with political support for "regional co-operation". Only few larger Italian multinationals have invested in the region. French multinationals have



been attracted primarily by privatisation opportunities in large markets or strategic sectors. Greek firms invested mostly in sectors in which they have high international standards. Their investment are concentrated in neighbouring countries.

So far Italian investment have been mainly directed towards the key industrial labour intensive sectors (food, textiles, clothing and footwear) in Romania, Albania and Slovenia, while the chemical sector is relevant in Croatia and Slovenia. French companies invested in the production of chemicals and mechanical sectors in Romania, which together account for 30 per cent of initiatives, followed by operations in the food sector in Bulgaria and in the mechanical sector in Slovenia. Greece has a bigger share in the Bulgaria food sector.

In terms of value of the initiative (table 3), the highest amount of investments have been carried out in High/Low skills and Medium Wages/High Skills sectors (96 million USD in both sectors).

Less relevant, in terms of cumulative values, are the Low Wages/Low Skills traditional sectors like textiles, clothing and metal working, because of the smaller average size of the investment operations.

This general picture reflects the strengths and the comparative advantages of the national champions in the different sectors across the CEE and the South-East countries. Some industries, like construction activities, textile and wearing apparel or paper appear to be more sensitive than others to proximity of the host partner, and more prone to efficiency-seeking FDI. The more concentrated and vertically integrated European leaders in industries with large economies of scale, such as the automotive industry (Renault), cement (Heidelberger Zement), paper (Sarrion), food processing (Danone BSN, Carlsberg) and chemicals (SIAD) undertook market-seeking investments in the region taking control of local markets by purchasing local firms. As far as small and medium-sized enterprises are concerned, they account for a large part of the Italian initiatives, establishing local productive subsidiaries mainly for efficiency-seeking reasons.

Traditional sector investments display a steady increasing importance over time, while economies of scale investments peaked during the central period of the transition process. This is consistent with the sudden opening up of the market, since it immediately attracted those firms wishing to exploit first-mover advantages in the region, through the opportunities offered by the privatisation of large state-owned enterprises. Once this first "wave" of investment was absorbed, smaller but numerous investments in traditional sectors took the lead.

Crossing the de-composition of FDI flows with

the geographical variable from both the home and the host countries point of view Low Skills efficiency-seeking investments are more relevant, on a percentage basis, in only three countries, namely Romania, Albania and partly Slovenia, while in Bulgaria and Croatia these initiatives are only slightly less numerous than those in High Skills sectors. The latter investments tend to imply a high financial commitment by investors as they are generally capital intensive. Consequently the dimension of the market and risk factors (including political stability) play a crucial role.

South-East European governments and government institutions play a determinant role influencing the future structure of the local industrial system and the nature of the technological transfer that is the expected consequence of the sub-regional cooperation in investment activities.

They are:

- Privatisation policies. Attitudes toward privatisation, including the timing of the sale of state assets and the involvement by foreign investors has been crucial for the attraction of FDI, the type of investors attracted, the technology transferred in the process and the level of industrial restructuring. The early start in Slovenia has been instrumental in establishing its position as a favourite destination for EU investors, not only because of the creation of opportunities but also as a sign of confidence in the Slovenia transition process. The selection of the most suitable enterprises for privatisation in each phase has been another determinant of the type of investment attracted and the direction given to industrial restructuring.

- Incentives for FDI and the election of investors. Although incentives as they prevail in Western Europe are rare among CEE countries, certain favourable conditions have been offered to foreign investors deemed crucial for the restructuring of domestic firms. Such incentives have generally been linked to favourable or anti-competitive market conditions. With respect to the selection of the most suitable foreign investors, local governments have been particularly careful in privatising large SOEs in capital intensive sectors (cement, mechanical engineering, chemicals), in public utilities (gas, electricity and water supply), in telecommunications and in high-tech sectors.

- Competition policy. Competition is relevant for the attraction of FDI in two ways. Guarantees offered to high-reputation potential investors – often bringing in technological capabilities – have been important in telecommunications, paper, cement, utilities, the automotive industry and in chemicals. Favourable privatisation conditions and protection



from external competition have been obtained by large foreign investors. Examples can be found in the automotive industries in Romania, where South Korean Daewoo started his European adventure. Other examples are favourable anti-competitive conditions in the Croatian cement industry. Apart from the use of competition policies as incentives for investors, the level of competition is a general determinant of the type of FDI attracted. Large natural monopolies attract a different type of firms than sectors where many small firms compete, in some cases alongside large inefficient firms. As a consequence, the technology and skills transferred by investors differ. In the short run, anti-competitive exemptions may help local government to attract FDI and specific technologies (see Romania). However, in the long run, they could frustrate innovation and deter potential new investors. It is important that an appropriate competition policy framework be established in order for the sub-region to continue to attract investors, and to maximise the benefits resulting from FDI.

- **Deregulation.** Both the deregulation of internal markets in South-East Europe and that of relations with foreign markets are a powerful determinant of FDI. One of the factors explaining the relative dominance of investments by large MNEs in the early period of transition is their greater ability to deal with difficult regulatory situations. After this initial period, liberal trade policies, deregulated labour markets and low taxes are likely to be instrumental in attracting SMEs in traditional sectors, where cost-cutting and outward processing trade are important investment motives. A solid regulatory framework is also important as low regulatory standards increase the risk of attracting volatile investments where cost-cutting and outward processing trade are the only investment motives.

- **Sectoral policies.** The previous sections described how various CEECs specialise in certain sectors. Governmental policies towards further developing these sectors in favour of other economic activities are a strong determinant of FDI. Foreign investors may be attracted particularly to cash sectors, assisting in their development through the transfer of technological, managerial and organisational skills.

- **Sectoral policies.** The previous sections described how various South-East Europe countries specialise in certain sectors. Government policies towards further developing these sectors in favour of other economic activities are a strong determinant of FDI. For example the Croatian Investment Promotion Agency (CIPA) focuses on geographical bridge which enable access to other market in the

region and on development of tourism, while other transition countries adopt a more sectoral approach. Foreign investors may be attracted particularly to such sectors, assisting in their development through the transfer of technological, managerial and organisational skills:

- **Financial sector policies.** The financial sector is particularly important for foreign investors, both as an essential part of the business infrastructure, providing financial services, and as an important measure of the health of emerging economies. Recapitalisation and the establishment of solid regulatory frameworks in the banking sector are a precondition for the attraction of foreign banks. Foreign investors are important for restructuring the sector and introducing new products. In Romania, Bulgaria and Albania the situation with respect to financial markets is particularly critical.

- **Improving the business climate.** This includes the regulatory framework for investment and the physical facilities available to businesses. A number of elements need special emphasis:

- \* An overly powerful public sector may crowd out private enterprises, including foreign investors.

- \* The transparency of government decision making is another crucial factor; corrupt practices are a strong disincentive for investment.

- \* The physical business environment, including infrastructure improvements are also very important.

- \* The regulatory framework with respect to intellectual property rights are another important factor.

- \* **Investment and development agencies.** In most South-East European countries specialised Industrial Development Agencies or Regional Development Agencies have been set up by local governments. Together with sectoral associations they support and service local private entrepreneurs as well as (potential) foreign investors with information, assistance and advice. Investment Promotion Agencies specifically aim at foreign investors. Privatisation Agencies also deal with foreign investors seeking to acquire state-owned enterprises.

### The Role of Agenda 2000

Sub-regional cooperation unwittingly influence FDI, in the sense that in a number of cases bilateral relationships have been conducive – though not determinant – to large investment by MNEs or “national champions”. Political relationships may also foster regional assistance programmes that create favourable environments for investments by clusters of SMEs, often in border areas. In addition, fi-



nancial assistance and loans to prospective investors in the region support the firms in the development of their production activities in the region. This role has become increasingly important in the EU. The Italian government, through SIMEST, has supported the involvement of Italian firms in almost all sectors.

The European Union is also deeply involved in promoting the economic and political integration with CEECs, including through FDI. The following EU actions have been critical in encouraging economic integration through investment, and will continue to play a major role in the future.

- Supporting the transition by providing technical assistance, loans, infrastructure development assistance and stimulating co-operation among firms. The Europe Agreements commit EU member states to provide financial and technical assistance to the CEECs, although a specific amount is not established. Assistance is provided mainly through PHARE, as well as through loans from the EBRD and EIB with the aim of reinforcing the institutions and the administrations of the transition countries and undertaking substantial investment in critical sectors for the development of private entrepreneurship. Some actions of the EBRD are specifically aimed at promoting FDI. Others are able to influence the attractiveness of local business climates for foreign investors in facilitating networks of firms, upgrading the education and skills of the local workforce and managers. Complementarity should be sought between the initiative of institutions (host and home governments) and private enterprises.

- Stabilising the local political climate and creating the conditions for deepening bilateral relationships. Since 1989 the EU and its members have begun substantial co-operation activities in the region. Many analyses of the transition process support the positive correlation between political climate and FDI, since a political stability, some sort of positive externality, is a prerequisite for larger, capital and technology-intensive investments.

- Relaxing the tariff and non-tariff barriers to trade, implementing trade and investment agreements and removing bureaucratic obstacles to economic integration. Having lost their main export market with the dissolution of the CMEA and the main source of financial support, the CEECs turned to the EU to become its main trading partner for its significant absorption capacity, the technological/managerial capabilities of the European enterprises and the declared financial commitment to support the transition. The Europe Agreements envisage full market access for industrial products and improved market conditions for agricultural trade. The deepening of

trade relations, given the asymmetric characteristic of the tariff relaxation, is improving the prospects for FDI that originate trade. Patterns of reciprocal trade change. *Ceteris paribus*, efficiency seeking FDI, aimed at re-exporting the output towards the EU members' markets, generate intra-industry trade and production de-localisation in the more traditional sectors. In sectors with high content of imported inputs, given the lower tariffs, competition increases enlarging markets. This will attract market-seeking FDI, mostly from large firms with high economies of scale.

- Creating the prospects for future accession of the host countries to EU. The prospects for further investments in the South-East Europe are increasingly affected by the move towards accession of some of these countries within the EU. The enlargement is becoming an important issue in two respects: it will improve political and social stability and it will accelerate structural economic reforms to converge towards EU standards.

With Agenda 2000 the Commission recommends that accession negotiations start with Hungary, Poland, Estonia, the Czech Republic and Slovenia. Only these countries will satisfy all conditions of membership in the medium term. A reinforced pre-accession strategy has been proposed, including the adoption of all elements of the White Paper (the internal market legislation), the resolution of outstanding border disputes with neighbours, the strengthening of administrations and institutions and the strengthening of investment in business and infrastructure. The stabilising effects of these actions, as already observed, will positively influence FDI.

With respect to FDI in the region, the accession negotiations can be seen in two ways. On the one hand, they are an opportunity for the EU to assist future members in transforming economic and regulatory environment that are favourable to FDI. On the other hand, the accession is only part of the group of countries comprising the CEE region which will reinforce the geographical FDI patterns identified above. The South-East Europe countries not included in the first group are likely to continue to lag behind in attracting investment. As is recognised in Agenda 2000, EU financial assistance over the period 2000-2006 in cohesion and structural projects will amplify the transformation pressure in the recipient countries, including the FDI. Thus, the structural actions in the remaining countries are likely to have more limited effects because of preferential accession prospects.



| Number of initiatives - 1985 - 1996 |               |              |              |               |              |            |              |              |               |              |             |               |              |                 |              |              |
|-------------------------------------|---------------|--------------|--------------|---------------|--------------|------------|--------------|--------------|---------------|--------------|-------------|---------------|--------------|-----------------|--------------|--------------|
| Investor's country                  | 5<br>Bulgaria | 6<br>Romania | 7<br>Albania | 8<br>Slovenia | 9<br>Croatia | Sub1       | Sub1         | 1<br>Czech R | 2<br>Slovak R | 3<br>Hungary | 4<br>Poland | 10<br>Estonia | 11<br>Latvia | 12<br>Lithuania | Sub2         | TOTAL        |
| France                              | 7             | 13           | 0            | 3             | 1            | 24         | 13,0%        | 54           | 5             | 49           | 48          | 2             | 0            | 2               | 160          | 184          |
| Greece                              | 5             | 4            | 0            | 0             | 0            | 9          | 69,2%        | 0            | 0             | 2            | 2           | 0             | 0            | 0               | 4            | 13           |
| Italy                               | 17            | 47           | 18           | 20            | 13           | 115        | 32,1%        | 45           | 19            | 107          | 68          | 3             | 0            | 1               | 243          | 358          |
| Portugal                            | 0             | 0            | 0            | 0             | 0            | 0          | 0,0%         | 0            | 0             | 1            | 0           | 0             | 0            | 0               | 1            | 1            |
| Spain                               | 0             | 2            | 0            | 1             | 0            | 3          | 18,8%        | 6            | 0             | 2            | 5           | 0             | 0            | 0               | 13           | 16           |
| <b>Sub1</b>                         | <b>29</b>     | <b>66</b>    | <b>18</b>    | <b>24</b>     | <b>14</b>    | <b>151</b> | <b>26,4%</b> | <b>105</b>   | <b>24</b>     | <b>161</b>   | <b>123</b>  | <b>5</b>      | <b>0</b>     | <b>3</b>        | <b>421</b>   | <b>572</b>   |
|                                     | 51,8%         | 52,8%        | 90,0%        | 63,2%         | 36,8%        | 54,5%      |              | 23,7%        | 40,0%         | 31,8%        | 26,2%       | 3,7%          | 0,0%         | 5,8%            | 25,0%        | 29,1%        |
| Austrija                            | 4             | 5            | 1            | 4             | 9            | 23         | 9,0%         | 68           | 13            | 115          | 32          | 2             | 1            | 2               | 233          | 256          |
| Belgium                             | 3             | 4            | 0            | 0             | 1            | 8          | 14,8%        | 20           | 1             | 9            | 15          | 0             | 0            | 1               | 46           | 54           |
| Denmark                             | 2             | 1            | 0            | 1             | 3            | 7          | 13,0%        | 3            | 0             | 8            | 18          | 8             | 3            | 7               | 47           | 54           |
| Finland                             | 0             | 1            | 0            | 0             | 0            | 1          | 1,1%         | 3            | 0             | 7            | 10          | 62            | 3            | 5               | 90           | 91           |
| Germany                             | 7             | 20           | 1            | 7             | 7            | 42         | 8,4%         | 149          | 14            | 131          | 137         | 11            | 3            | 12              | 457          | 499          |
| Ireland                             | 1             | 0            | 0            | 0             | 0            | 1          | 6,7%         | 0            | 0             | 1            | 5           | 5             | 0            | 3               | 14           | 15           |
| Liechtenstein                       | 0             | 1            | 0            | 0             | 1            | 2          | 20,0%        | 2            | 0             | 2            | 2           | 0             | 0            | 2               | 8            | 10           |
| Luxemburg                           | 1             | 2            | 0            | 0             | 1            | 4          | 50,0%        | 1            | 0             | 2            | 1           | 0             | 0            | 0               | 4            | 8            |
| Netherlands                         | 2             | 14           | 0            | 0             | 1            | 17         | 13,0%        | 37           | 2             | 27           | 44          | 2             | 1            | 1               | 114          | 131          |
| Sweden                              | 1             | 3            | 0            | 0             | 1            | 5          | 3,4%         | 25           | 3             | 15           | 53          | 32            | 6            | 9               | 143          | 148          |
| United Kingdom                      | 6             | 8            | 0            | 2             | 0            | 16         | 12,7%        | 30           | 3             | 28           | 30          | 8             | 4            | 7               | 110          | 126          |
| <b>Sub2</b>                         | <b>27</b>     | <b>59</b>    | <b>2</b>     | <b>14</b>     | <b>24</b>    | <b>126</b> | <b>9,1%</b>  | <b>338</b>   | <b>36</b>     | <b>345</b>   | <b>347</b>  | <b>130</b>    | <b>21</b>    | <b>49</b>       | <b>1.266</b> | <b>1.392</b> |
|                                     | 48,2%         | 47,2%        | 10,0%        | 36,8%         | 63,2%        | 45,5%      |              | 76,3%        | 60,0%         | 68,2%        | 73,8%       | 96,3%         | 100,0%       | 94,2%           | 75,0%        | 70,9%        |
| <b>TOTAL</b>                        | <b>56</b>     | <b>125</b>   | <b>20</b>    | <b>38</b>     | <b>38</b>    | <b>277</b> |              | <b>443</b>   | <b>60</b>     | <b>506</b>   | <b>470</b>  | <b>135</b>    | <b>21</b>    | <b>52</b>       | <b>1.687</b> | <b>1.964</b> |

| Table 2 - Cumulated value of initiatives - 1985 - 1996 (million USD) |               |              |              |               |              |             |              |               |               |               |               |               |              |                 |               |               |
|--|---------------|--------------|--------------|---------------|--------------|-------------|--------------|---------------|---------------|---------------|---------------|---------------|--------------|-----------------|---------------|---------------|
| Investor's country   | 5<br>Bulgaria | 6<br>Romania | 7<br>Albania | 8<br>Slovenia | 9<br>Croatia | Sub1        | Sub1         | 1<br>Czech R  | 2<br>Slovak R | 3<br>Hungary  | 4<br>Poland   | 10<br>Estonia | 11<br>Latvia | 12<br>Lithuania | Sub2          | TOTAL         |
| France   | 6             | 62           | 0            | 69            | 1            | 138         | 6,3%         | 318           | 58            | 758           | 899           | 21            | 0            | 2               | 2.056         | 2.194         |
| Greece   | 33            | 346          | 0            | 0             | 0            | 379         | 98,4%        | 0             | 0             | 2             | 4             | 0             | 0            | 0               | 6             | 385           |
| Italy  | 2             | 93           | 101          | 182           | 37           | 415         | 21,1%        | 290           | 17            | 588           | 648           | 8             | 0            | 0               | 1.550         | 1.965         |
| Portugal   | 0             | 0            | 0            | 0             | 0            | 0           | 0,0%         | 0             | 0             | 0             | 0             | 0             | 0            | 0               | 0             | 0             |
| Spain  | 0             | 11           | 0            | 75            | 0            | 86          | 44,4%        | 12            | 0             | 11            | 85            | 0             | 0            | 0               | 108           | 194           |
| <b>Sub1</b>  | <b>41</b>     | <b>511</b>   | <b>101</b>   | <b>327</b>    | <b>37</b>    | <b>1018</b> | <b>21,5%</b> | <b>619,76</b> | <b>75,2</b>   | <b>1359,7</b> | <b>1635,5</b> | <b>28</b>     | <b>0</b>     | <b>2,2</b>      | <b>3.720</b>  | <b>4.738</b>  |
|  | 14,2%         | 55,3%        | 100,0%       | 74,6%         | 22,4%        | 53,0%       |              | 9,4%          | 14,3%         | 17,6%         | 29,7%         | 9,8%          | 0,0%         | 1,8%            | 17,6%         | 20,5%         |
| Austrija   | 5             | 26           | 0            | 55            | 28           | 114         | 5,2%         | 629           | 288           | 740           | 380           | 14            | 0            | 5               | 2.057         | 3.171         |
| Belgium  | 30            | 11           | 0            | 0             | 25           | 66          | 10,4%        | 22            | 0             | 256           | 89            | 0             | 0            | 0               | 567           | 633           |
| Denmark  | 0             | 2            | 0            | 0             | 7            | 9           | 2,4%         | 7             | 0             | 0             | 156           | 27            | 182          | 16              | 388           | 398           |
| Finland  | 0             | 0            | 0            | 0             | 0            | 0           | 0,0%         | 4             | 0             | 34            | 74            | 91            | 25           | 22              | 248           | 248           |
| Germany  | 106           | 134          | 0            | 32            | 27           | 298         | 3,1%         | 3.364         | 125           | 4.688         | 1.181         | 8             | 1            | 13              | 9.382         | 9.680         |
| Ireland  | 27            | 0            | 0            | 0             | 0            | 27          | 13,8%        | 0             | 0             | 0             | 164           | 3             | 0            | 2               | 169           | 196           |
| Liechtenstein  | 0             | 4            | 0            | 0             | 10           | 14          | 66,8%        | 0             | 0             | 0             | 4             | 0             | 0            | 3               | 7             | 21            |
| Luxemburg  | 0             | 1            | 0            | 0             | 1            | 2           | 7,4%         | 15            | 0             | 10            | 0             | 0             | 0            | 0               | 25            | 27            |
| Netherlands  | 22            | 164          | 0            | 0             | 19           | 204         | 7,6%         | 1.283         | 9             | 371           | 823           | 3             | 11           | 1               | 2.500         | 2.705         |
| Sweden   | 2             | 7            | 0            | 0             | 13           | 22          | 2,5%         | 189           | 11            | 97            | 432           | 77            | 6            | 34              | 847           | 869           |
| United Kingdom   | 55            | 65           | 0            | 25            | 0            | 144         | 10,5%        | 286           | 15            | 171           | 568           | 34            | 148          | 25              | 1.230         | 1.374         |
| <b>Sub2</b>  | <b>247</b>    | <b>414</b>   | <b>0</b>     | <b>112</b>    | <b>130</b>   | <b>901</b>  | <b>4,9%</b>  | <b>5.981</b>  | <b>449</b>    | <b>6.367</b>  | <b>3.871</b>  | <b>258</b>    | <b>372</b>   | <b>121</b>      | <b>17.420</b> | <b>18.321</b> |
|  | 85,8%         | 44,7%        | 0,0%         | 25,4%         | 77,6%        | 47,0%       |              | 90,6%         | 85,7%         | 82,4%         | 70,3%         | 90,2%         | 100,0%       | 98,2%           | 82,4%         | 79,5%         |
| <b>TOTAL</b>   | <b>287</b>    | <b>925</b>   | <b>101</b>   | <b>438</b>    | <b>167</b>   | <b>1919</b> |              | <b>6.601</b>  | <b>524</b>    | <b>7.727</b>  | <b>5.506</b>  | <b>286</b>    | <b>372</b>   | <b>123</b>      | <b>21.140</b> | <b>23.059</b> |



Table 3 - Cumulated value of initiatives by sector - 1985 - 1996 (million USD)

| Investor's country | Wages | 5         |          | 6         |           | 7         |          | 8          |            | 9         |           | TOTAL      |            |            |
|--------------------|-------|-----------|----------|-----------|-----------|-----------|----------|------------|------------|-----------|-----------|------------|------------|------------|
|                    |       | Bulgaria  |          | Romania   |           | Albania   |          | Slovenia   |            | Croatia   |           | TOTAL      |            |            |
|                    |       | HS        | LS       | HS        | LS        | HS        | LS       | HS         | LS         | HS        | LS        | HS         | LS         |            |
| France             | HW    | 0         | 0        | 6         | 0         | 0         | 0        | 0          | 69         | 0         | 0         | 6          | 69         | 75         |
|                    | LW    | 6         | 0        | 0         | 0         | 0         | 0        | 0          | 0          | 0         | 0         | 6          | 0          | 6          |
|                    | MW    | 0         | 0        | 11        | 8         | 0         | 0        | 0          | 0          | 0         | 0         | 11         | 8          | 19         |
|                    |       | <b>6</b>  | <b>0</b> | <b>17</b> | <b>8</b>  | <b>0</b>  | <b>0</b> | <b>0</b>   | <b>69</b>  | <b>0</b>  | <b>0</b>  | <b>23</b>  | <b>77</b>  | <b>100</b> |
| Italy              | HW    | 1         | 0        | 3         | 0         | 0         | 0        | 73         | 27         | 7         | 0         | 84         | 27         | 111        |
|                    | LW    | 0         | 1        | 5         | 10        | 10        | 0        | 0          | 44         | 4         | 9         | 19         | 64         | 83         |
|                    | MW    | 0         | 0        | 5         | 62        | 0         | 0        | 0          | 0          | 0         | 6         | 5          | 68         | 73         |
|                    |       | <b>1</b>  | <b>1</b> | <b>13</b> | <b>72</b> | <b>10</b> | <b>0</b> | <b>73</b>  | <b>71</b>  | <b>11</b> | <b>15</b> | <b>108</b> | <b>159</b> | <b>267</b> |
| Greece             | LW    | 15        | 0        | 0         | 0         | 0         | 0        | 0          | 0          | 0         | 0         | 15         | 0          | 15         |
|                    | MW    | 0         | 0        | 4         | 0         | 0         | 0        | 0          | 0          | 0         | 0         | 4          | 0          | 4          |
|                    |       | <b>15</b> | <b>0</b> | <b>4</b>  | <b>0</b>  | <b>0</b>  | <b>0</b> | <b>0</b>   | <b>0</b>   | <b>0</b>  | <b>0</b>  | <b>19</b>  | <b>0</b>   | <b>19</b>  |
| Spain              | MW    | 0         | 0        | 0         | 4         | 0         | 0        | 75         | 0          | 0         | 0         | 75         | 4          | 80         |
|                    |       | <b>0</b>  | <b>0</b> | <b>0</b>  | <b>4</b>  | <b>0</b>  | <b>0</b> | <b>75</b>  | <b>0</b>   | <b>0</b>  | <b>0</b>  | <b>75</b>  | <b>4</b>   | <b>80</b>  |
| TOTAL              | HW    | 1         | 0        | 9         | 0         | 0         | 0        | 73         | 96         | 7         | 0         | 90         | 96         | 186        |
|                    | LW    | 21        | 1        | 5         | 10        | 10        | 0        | 0          | 44         | 4         | 9         | 40         | 64         | 104        |
|                    | MW    | 0         | 0        | 21        | 74        | 0         | 0        | 75         | 0          | 0         | 6         | 96         | 80         | 176        |
|                    |       | <b>21</b> | <b>1</b> | <b>34</b> | <b>84</b> | <b>10</b> | <b>0</b> | <b>149</b> | <b>140</b> | <b>11</b> | <b>15</b> | <b>225</b> | <b>240</b> | <b>465</b> |

Table 4- Number of initiatives by sector - 1985 - 1996

| Investor's country | Wages | 5        |          | 6         |           | 7        |          | 8        |           | 9        |          | TOTAL     |           |           |
|--------------------|-------|----------|----------|-----------|-----------|----------|----------|----------|-----------|----------|----------|-----------|-----------|-----------|
|                    |       | Bulgaria |          | Romania   |           | Albania  |          | Slovenia |           | Croatia  |          | TOTAL     |           |           |
|                    |       | HS       | LS       | HS        | LS        | HS       | LS       | HS       | LS        | HS       | LS       | HS        | LS        |           |
| France             | HW    | 0        | 0        | 2         | 0         | 0        | 0        | 0        | 2         | 0        | 0        | 2         | 2         | 4         |
|                    | LW    | 1        | 0        | 0         | 1         | 0        | 0        | 1        | 0         | 0        | 0        | 2         | 1         | 3         |
|                    | MW    | 0        | 0        | 2         | 4         | 0        | 0        | 0        | 0         | 0        | 0        | 2         | 4         | 6         |
|                    |       | <b>1</b> | <b>0</b> | <b>4</b>  | <b>5</b>  | <b>0</b> | <b>0</b> | <b>1</b> | <b>2</b>  | <b>0</b> | <b>0</b> | <b>6</b>  | <b>7</b>  | <b>13</b> |
| Italy              | HW    | 1        | 0        | 1         | 0         | 0        | 0        | 2        | 1         | 2        | 0        | 6         | 1         | 7         |
|                    | LW    | 4        | 4        | 3         | 15        | 1        | 7        | 1        | 7         | 2        | 4        | 11        | 37        | 48        |
|                    | MW    | 0        | 3        | 3         | 10        | 0        | 0        | 1        | 3         | 1        | 2        | 5         | 18        | 23        |
|                    |       | <b>5</b> | <b>7</b> | <b>7</b>  | <b>25</b> | <b>1</b> | <b>7</b> | <b>4</b> | <b>11</b> | <b>5</b> | <b>6</b> | <b>22</b> | <b>56</b> | <b>78</b> |
| Greece             | LW    | 2        | 0        | 1         | 0         | 0        | 0        | 0        | 0         | 0        | 0        | 3         | 0         | 3         |
|                    | MW    | 0        | 0        | 1         | 0         | 0        | 0        | 0        | 0         | 0        | 0        | 1         | 0         | 1         |
|                    |       | <b>2</b> | <b>0</b> | <b>2</b>  | <b>0</b>  | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>  | <b>0</b> | <b>0</b> | <b>4</b>  | <b>0</b>  | <b>4</b>  |
| Spain              | MW    | 0        | 0        | 0         | 1         | 0        | 0        | 1        | 0         | 0        | 0        | 1         | 1         | 2         |
|                    |       | <b>0</b> | <b>0</b> | <b>0</b>  | <b>1</b>  | <b>0</b> | <b>0</b> | <b>1</b> | <b>0</b>  | <b>0</b> | <b>0</b> | <b>1</b>  | <b>1</b>  | <b>2</b>  |
| TOTAL              | HW    | 1        | 0        | 3         | 0         | 0        | 0        | 2        | 3         | 2        | 0        | 8         | 3         | 11        |
|                    | LW    | 7        | 4        | 4         | 16        | 1        | 7        | 2        | 7         | 2        | 4        | 16        | 38        | 54        |
|                    | MW    | 0        | 3        | 6         | 15        | 0        | 0        | 2        | 3         | 1        | 2        | 9         | 23        | 32        |
|                    |       | <b>8</b> | <b>7</b> | <b>13</b> | <b>31</b> | <b>1</b> | <b>7</b> | <b>6</b> | <b>13</b> | <b>5</b> | <b>6</b> | <b>33</b> | <b>64</b> | <b>97</b> |