

EU investment in Asia grew in 2007

Both EU-27 outflows and the stock of EU investment in Asia¹ increased in 2007 compared with 2006: outflows grew by 80 % and total investment by 10 %. Japan, Singapore, Hong Kong² and China³ were the main recipients of EU investment. Japan, Singapore, India and Indonesia were the foremost investors in the EU.

EU FDI in Asia reached a peak in 2007

EU-27 investment in Asia rose to EUR 57.8 bn in 2007 compared with EUR 32.1 bn in 2006, representing growth of 80 %. This significant rise also led to an increase in Asia's share of EU investment, to 12 % of extra EU-27 FDI. Despite the fall in 2006, this trend shows that EU investment in the Asian economy recovered in 2007, becoming again an attractive market for Member States to invest in, although in 2008 it was probably affected by the global economic crisis, as indicated in Eurostat news release n. ° 68/2009. The EU investment towards Japan, China and India, already reflect decreases of 57 %, 87 % and 83 %, respectively, in the 2008's FDI flows preliminary results.

FDI stocks rose to EUR 415.0 bn in 2007 from EUR 377.5 bn in 2006, an annual growth rate of 10 %. EU FDI in Asia accounted for 13 % of total EU-27 FDI in countries outside the EU.

Japan was the destination of most of the EU flows, recording a large increase in FDI to EUR 12.9 bn. Hong Kong peaked in 2004 with EUR 11.3 bn before falling back, but its annual inflows doubled again to EUR 7.2 bn in 2007. Singapore's FDI fell slightly to EUR 8.1 bn in 2007, but it is now the second-largest Asian recipient of EU-27 investment. China was also one of the preferred destinations, with EUR 7.1 bn from the EU in 2007.

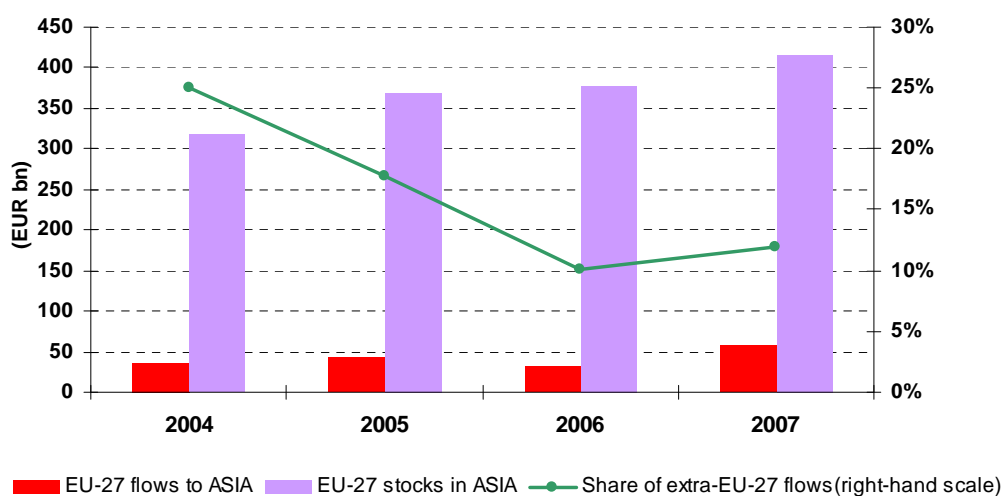
FDI stocks increased in the main Asian countries, most significantly in India (55.3 %), Malaysia (26.4 %), China (18.9 %) and Singapore (14.4 %).

¹ See Methodological Notes for the list of countries.

² Hong Kong as special administrative region of China.

³ China excludes Hong Kong throughout this publication.

Figure 1: EU-27 outward FDI flows and stocks in Asia



Source: Eurostat [bop_fdi_main](#)

EU-27 investment in Asia

The region 'Asian countries other than Near and Middle East' accounted for 86% of the total Asian continent's share of EU-27 investment flows in 2007. Japan stands out as the main recipient, with 22%. 'Asian countries other than Near and Middle East' also had the largest share of

FDI stocks, accounting for more than 90% of EU investment in Asia. In the 'Near and Middle East Orient' region, which received 14% of total EU flows to Asia, the 'Gulf Arabian countries' accounted for the largest share both of flows and stocks from the EU.

Table 1: EU-27 FDI flows and stocks, 2004-2007

(EUR bn)	flows					Share, 2007	stocks				
	2004	2005	2006	2007	2004		2005	2006	2007	Share, 2007	
Extra EU-27	142.3	239.5	317.5	484.2			2023.6	2426.2	2737.7	3134.9	
Asia, of which	35.5	42.6	32.1	57.8	100%		317.4	369.2	377.5	415.0	100%
Near and Middle East	2.1	3.5	4.1	8.0	14%		20.3	25.8	32.6	36.6	9%
Israel	0.2	0.8	-0.2	1.2	2%		2.3	3.6	4.2	3.5	1%
Iran (Islamic Republic of)	0.0	0.1	0.5	-0.1	0%		3.5	3.8	3.6	:	:
Gulf Arabian Countries	1.2	2.3	2.4	3.8	7%		10.8	14.1	18.9	22.5	5%
Other Near and Middle East countries	0.7	0.2	1.4	3.0	5%		3.7	4.3	5.9	7.9	2%
Asian countries other than Near and Middle East	33.5	39.2	28.0	49.8	86%		297.1	343.5	344.9	378.4	91%
China	3.9	6.1	6.7	7.1	12%		21.3	27.5	32.3	38.4	9%
Hong Kong	11.3	3.8	3.6	7.2	13%		86.3	87.3	86.4	87.0	21%
Japan	5.8	12.3	-0.1	12.9	22%		76.0	90.3	74.1	73.8	18%
Taiwan	1.2	3.0	-0.9	-3.4	:		6.6	10.4	13.5	8.1	2%
Indonesia	0.2	4.1	-0.7	0.0	0%		6.4	11.2	10.6	9.9	2%
Korea, Republic of (South Korea)	2.0	5.0	2.0	1.7	3%		19.9	28.5	28.4	30.8	7%
Malaysia	1.1	0.8	2.0	4.2	7%		7.1	8.0	9.4	11.9	3%
Philippines	0.4	0.2	0.4	0.4	1%		3.9	4.7	5.9	6.0	1%
Singapore	2.7	-0.5	9.5	8.1	14%		41.9	49.2	52.9	60.6	15%
Thailand	0.3	0.2	1.2	0.9	2%		7.4	8.8	9.5	10.6	3%
India	1.6	2.5	2.5	5.4	9%		8.1	10.6	12.3	19.1	5%

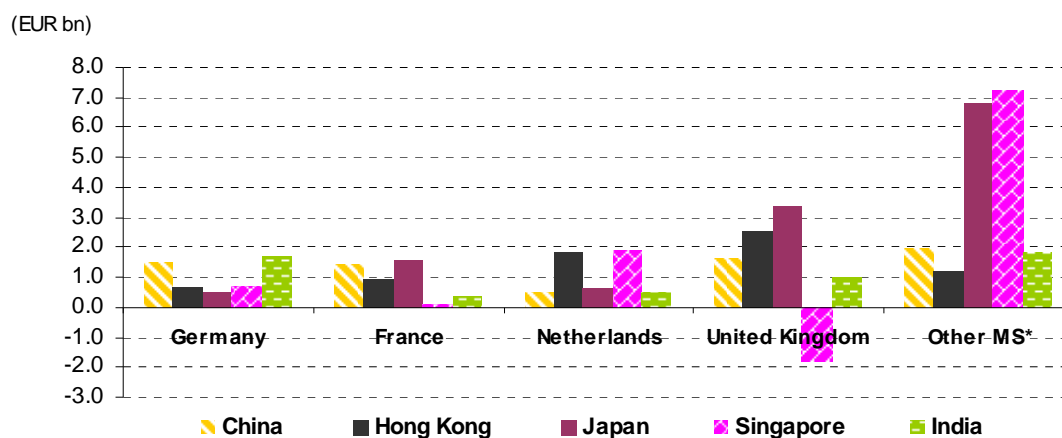
Source: Eurostat [bop_fdi_flows](#) and [bop_fdi_pos](#)

China, Hong Kong, Japan, Singapore and India were the main recipients of EU-27 FDI flows in 2007

In 2007, the United Kingdom was the largest source of EU investment in Japan (EUR 3.3 bn), Hong Kong (EUR 2.5 bn) and China (EUR 1.7 bn), while disinvesting in Singapore with EUR -1.8 bn. The Netherlands were the

main investor in Singapore with EUR 1.9 bn, while Germany was the main actor in India with EUR 1.7 bn. The rest of the EU invested mainly in Japan and Singapore.

Figure 2: Main EU-27 investors in Asia: FDI flows in 2007

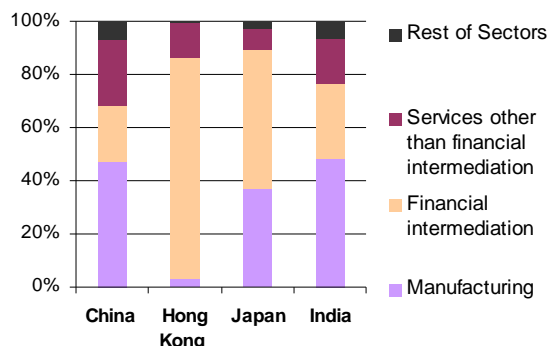


* Other MS is EU-27, excluding Germany, France, Netherlands and United Kingdom

Source: Eurostat [bop_fdi_flows](#)

The EU invested mainly in *manufacturing* and in *financial intermediation* in Asia in 2006

Figure 3: EU FDI stocks by main activity in China, Hong Kong, Japan and India, in 2006



The key activities in which the EU-27 invested most in 2006 in the Asian markets were *financial intermediation* in Hong Kong (EUR 72.3 bn) and Japan (EUR 38.8 bn) and *manufacturing* in China (EUR 15.2 bn) and India (EUR 5.9 bn).

Japan was also a target for the EU in *manufacturing*, in which investment stood at EUR 27.4 bn. For the developed economies Japan and Hong Kong, financial services were the most attractive sector for the EU Member States. In *vehicles and other transport equipment*, Japan attracted EU investment of EUR 20.2 bn.

Source: Eurostat [bop_fdi_pos](#)

EU inward FDI from Asia

Japan and Singapore lead in 2007

Asian investors were more active in the EU in 2006 and 2007 than in previous years.

In 2007, Asian countries outside the Near and Middle East accounted for 84 % of EU inward investment from

Asia, both for FDI flows and stocks, with Japan and Singapore the main actors. Japan had the largest stocks of Asian FDI in the EU-27 (EUR 120.2 bn), followed by Singapore (EUR 40.2 bn).

Gulf Arabian countries accounted for 12 % of flows and 11 % of stocks of EU FDI from Asia in 2007.

Table 2: EU-27 inward FDI flows and stocks 2004-2007

(EUR bn)	flows					Share, 2007	stocks				
	2004	2005	2006	2007	Share, 2007		2004	2005	2006	2007	Share, 2007
Extra EU-27	58.3	129.2	201.3	360.1			1611.7	1835.1	2000.0	2307.0	
Asia, of which	11.2	-0.2	34.3	34.8	100%		146.1	161.2	197.8	246.0	100%
Near and Middle East	-6.2	2.1	10.7	5.5	16%		17.0	20.8	34.5	40.2	16%
Israel	-0.2	1.2	0.1	-0.2	:		4.0	5.7	5.8	6.3	3%
Iran (Islamic Republic of)	0.2	0.5	0.4	0.6	2%		2.0	2.1	2.3	:	:
Gulf Arabian Countries	-6.5	-0.1	10.1	4.3	12%		8.9	10.3	23.2	27.3	11%
Other Near and Middle East countries	0.3	0.5	0.1	0.8	2%		2.1	2.7	3.2	4.0	2%
Asian countries other than Near and Middle East	17.4	-2.3	23.6	29.3	84%		129.1	140.4	163.3	205.8	84%
China	0.5	-0.1	2.2	0.6	2%		1.7	1.2	3.6	4.6	2%
Hong Kong	4.8	1.2	-0.2	-1.6	:		12.9	16.8	17.5	16.0	7%
Japan	8.2	-4.2	15.7	18.2	52%		81.9	78.2	97.6	120.2	49%
Taiwan	-0.1	-0.2	0.4	-0.1	0%		0.7	0.6	0.6	0.5	0%
Indonesia	0.1	0.4	-0.5	0.8	2%		0.4	-2.6	-3.5	-3.2	:
Korea, Republic of (South Korea)	1.4	1.3	0.9	0.3	1%		5.1	6.2	7.4	7.9	3%
Malaysia	0.0	0.4	-0.3	0.6	2%		1.5	1.7	2.6	2.8	1%
Philippines	1.8	0.2	-0.1	0.2	0%		1.0	1.1	1.0	1.1	0%
Singapore	0.5	-2.0	6.0	9.1	26%		17.2	28.5	28.3	40.2	16%
Thailand	0.0	0.0	0.0	0.1	0%		0.2	0.2	0.4	0.6	0%
India	0.0	0.5	0.5	0.9	3%		0.6	2.5	2.2	4.3	2%

Source: Eurostat [bop_fdi_flows](#) and [bop_fdi_pos](#)

Methodological Notes

This publication focuses on the **major** countries and regions for FDI in the Asian continent, referred to here as Asia. These countries are: Israel, Iran (Islamic Republic of), China, Hong Kong, Japan, Taiwan, Indonesia, Korea Republic of (South Korea), Malaysia, Philippines, Singapore, Thailand and India. The regions are: 'Near and Middle East', 'Gulf Arabian Countries', 'Other Near and Middle East countries' and 'Asian countries other than Near and Middle East'.

The methodological framework used is that of the OECD Benchmark Definition of Foreign Direct Investment Third Edition, a detailed operational definition fully consistent with the IMF Balance of Payments Manual, Fifth Edition, and BPM5.

Foreign Direct Investment (FDI) is the category of international investment made by an entity resident in one economy (*direct investor*) to acquire a lasting interest in an enterprise operating in another economy (*direct investment enterprise*). The lasting interest is deemed to exist if the direct investor acquires at least 10% of the voting power of the direct investment enterprise.

FDI flows, stocks and income. Through outward FDI flows, an investor country builds up FDI assets abroad (outward FDI stocks). Correspondingly, inward FDI flows accumulate into liabilities towards foreign investors (inward FDI stocks).

However, changes in FDI stocks differ from FDI flows because of the impact of revaluation (changes in prices and, for outward stocks, exchange rates) and other adjustments such as catastrophic losses, cancellation of loans, and reclassification of

existing assets or liabilities. FDI flows are components of the financial account of the Balance of Payments, while FDI assets and liabilities are components of the International Investment Position. Finally, FDI income consists of the income accruing to the direct investor from its affiliates abroad. Income earned from outward FDI is recorded among credits in the current account of the Balance of Payments, while income paid to foreign owners of inward FDI stocks is recorded among debits.

FDI flows and positions are recorded according to the immediate host/investing country criterion. The economic activity for both flows abroad and flows in the reporting economy are classified according to the economic activity of the resident enterprise. The same applies to FDI positions in the reporting economy, while FDI positions abroad are classified according to the activity of the non-resident enterprise.

This article is based on detailed data that were published in the Eurostat database in February 2009. Series for FDI contain data for 1992-2007 with detail by partner country and kind of investment (equity capital, loans and reinvested earnings). Data by Member State, by economic activity and by main partner are available for the period 1992-2007, from 2001 for EU-25 and from 2004 for EU-27. Data for income cover 1995-2007 and data for FDI stocks from end-1994 to end-2007.

Further information

Data: [Eurostat Website: http://ec.europa.eu/eurostat](http://ec.europa.eu/eurostat)

Data on "Balance of Payment statistics":

http://epp.eurostat.ec.europa.eu/portal/page/portal/balance_of_payments/data/database

More information about "Balance of Payment statistics":

http://epp.eurostat.ec.europa.eu/portal/page/portal/balance_of_payments/introduction

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