FOREIGN DIRECT INVESTMENT, TRADE, AND GLOBAL PRODUCTION NETWORKS IN ASIA AND EUROPE

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1. Introduction

Global production networks (GPNs) are embedded within – as well as drivers of – aggregate flows of trade and investment. The dynamic configuration and re-configuration of firms' production networks helps to configure and re-configure the global map of trade and investment, both directly and indirectly. As Feenstra (1998: 34) has argued, a major process underlying the rapid growth of world trade in the past decades has been the increasing 'disintegration of production' that "itself leads to more trade, as intermediate inputs cross borders several times during the manufacturing process". The purpose of this paper is to provide a broad description of the aggregate trade and foreign direct investment (FDI) flows connecting East Asia and Europe as context for the firm- and sector-specific elements of the GPN analysis itself.

The analysis is conducted at two scales: (1) the broad *regional* scale of the European Union and of East Asia; (2) the *national* scale of selected economies in each region: primarily the UK, Germany, and France in the case of the EU; Japan, South Korea, and Singapore in East Asia. The choice of these particular national economies was determined primarily by their significance as key players in the economic relationships between Europe and East Asia, although availability of data also played a part. For example, data for Taiwan are difficult to obtain on a consistent basis for both trade and FDI.

As we shall see, there are considerable differences in the 'international-ness' of each of these economies outside their 'home regions' and in the geography of their trade and FDI relationships. However, the distinctiveness of the UK, in these respects, is especially significant for this research project. Hirst and Thompson (2000: 335) have described the UK in typically provocative terms as "an over-internationalized economy in an under-globalized world". In a slightly confusing shift in terminology they argue that "the UK is the only really 'globalized' large industrial country in the G7 group. Its pattern of heavy dependence on overseas trade and foreign investment makes it comparable with much smaller and traditionally highly internationalized countries like Belgium or the Netherlands…The UK is uniquely structurally vulnerable to the pressures off internationalisation in a way that is just not the case for its nearest G7 rivals" (336, 344). But, as we shall see in the following analysis, the difference between the UK and the other leading European economies appears to be narrowing, even though substantial differences certainly persist.

The primary time frame for the analysis – with the occasional longer historical perspective - is the period from the late 1980s to the late 1990s, a period that encompassed considerable volatility in the world economy in general and, more especially, in the regions of the world that are the focus of this research project. For example, the late 1980s/early 1990s witnessed massive political and economic changes in the former Soviet-led system of Eastern Europe. These changes transformed the countries of that part of the region into market-driven economies and intensified their resolve to achieve closer integration with the European Union. Within the EU itself the moves to complete the Single Market in 1992 (involving all member states) and the subsequent move to a European Monetary System in 1999 (involving most, but not all member states) have begun materially to reconfigure the economic situation. In consequence, the economic landscape of Europe as a whole has been transformed in ways that have enormous implications for geographically differentiated economic development through their influence on private and public investment decisions.

Within East Asia, economic volatility between the late 1980s and late 1990s was no less substantial. For example, Japan, the region's dominant economy and the world's third largest exporter, has been in continuous recession for most of the period. At the same time, China continued to emerge as an increasingly important international player both regionally and globally and to move towards membership of the WTO, a development that will greatly intensify China's involvement in the East Asian and the global economies. For the first two-thirds of the 1990s the East Asian NIEs (both first and second generation) continued to display high rates of economic growth. In July 1997, however, the sky seemed to fall in on the so-called East Asian economic miracle as the financial crisis first manifested in Thailand rapidly spread through much of the region.

Although the doom-laden predictions of some commentators (including the *schadenfreude*-like reactions of some US observers) have not been fully realized there is no doubt that the shock of the crisis triggered off substantial re-evaluation of many East Asian economies, both internally and externally. In particular, changes in the valuation of productive assets within several East Asian economies (including Japan) have led to a substantial wave of corporate restructuring, often involving acquisition and merger. Similar (re)-organizational trends are also evident within Europe as shown, for example, by the massive growth of merger and acquisition (M & A) activity during the late 1980s and through the 1990s. UNCTAD (2000: 35) estimates that while M & As grew by an average of 43% per year in that period "the EU accounted for almost half of all global cross-border sales and as much as 70% of global purchases. Companies of the EU were involved in all but one of the ten largest cross-border M & As in 1999".

In the following analysis we will, for convenience, look separately at trade and at foreign direct investment although we should bear in mind that the two are, in fact, intimately related. A significant proportion of international trade consists of *intra-firm* and *inter-affiliate* trade; in other words movement of goods and services *across* national boundaries but *within* the managed framework of transnational corporations.

2. Trends and patterns of international trade

2.1 Aggregate growth trends

Figure 1 shows the temporal pattern of world merchandise exports and production between 1980 and 1999. Two points are worthy of emphasis. First, annual growth rates were extremely volatile throughout the period: periods of recession (1980-1982) or relatively slow growth (early 1990s, late 1990s) contrasted with years of extremely high growth, especially of exports (1984, 1988, 1994, 1997). Second, in virtually every year (the exceptions being 1980-1982 and 1985) the growth of exports greatly exceeded the growth of production, one indication of the increasing geographical connectivity of the world economy. Whether such integration is greater now than it was in the period between 1870 and 1913 is the subject of much debate (see, for example, Feenstra 1998, Hirst and Thompson 1999, Kitson and Michie 1995, Krugman 1995, Maddison 1995).

However, such increased integration through trade at the global scale is made up of very considerable national variation in the actual degree of integration. Comparing ratios of merchandise trade to GDP as an indicator of trade integration over time yields ambiguous results as Feenstra's (1998) analysis reveals. However, he shows that by using a ratio of merchandise trade to merchandise value-added the picture is a little clearer. Figure 2 illustrates the position for four of the countries in this research project (the UK, France, Germany, and Japan, with the US included as a comparator). For France, Germany, and the United States the value of merchandise trade relative to merchandise value-added grew markedly between1913 and 1989/90; these economies had clearly become more highly integrated into the world economy through trade. Conversely, both the United Kingdom and Japan had higher ratios in 1913 than in 1987 and 1990 respectively; in these cases their degree of trade integration was actually higher in 1913 than today.

2.2 Europe and East Asia as major foci of world trade

Europe and East Asia are two of the three dominant foci of world trade (the third being North America). Table 1 shows how the relative significance of these regions has changed in the fifty years following the end of the Second World War. In the immediate aftermath of the war, Western Europe was responsible for 31% of world exports compared with 28% from North America. Not surprisingly, Western Europe was the destination of twice as many imports as North America. Since then, the trade trajectories of these two major economic regions have changed in rather different ways. Western Europe's share of world exports increased dramatically, from 31% to

43% whilst, conversely, North America's export share declined from 28% to 17%. The major turning point occurred between 1953 and 1963, which was the period of major economic recovery in Europe as well as the establishment of the European Community. On the other hand, North America's importance as an importer increased to almost one-quarter of the world total. The Western Europe figures are, of course inflated by the fact that a much larger proportion of its trade is intra-regional (69% of its exports and 68% of its imports in 1999) than is the case for North America (40% of exports; 27% of imports in 1999). The data for Eastern Europe show the dramatic effect of the collapse of the Soviet-led system in 1989.

Of course, as is now the stuff of legend, it was the remarkable growth of East Asia – particularly as a merchandise exporter – that constituted the major global economic shift in the post-war period. East Asia's share of world merchandise exports grew from 4% in 1948 to 21% in 1999. In this case, the initial take-off occurred between 1963 and 1973 but, most importantly, the high growth rates were sustained throughout the 1980s and 1990s until the 1997 crisis. Although East Asia's share of world merchandise exports fell back slightly it still stood at more than one-fifth of the total in 1999. The region's import share also grew substantially – from 5% to 17% - as it pulled in not only intermediate products for processing but also grew as a consumer market in its own right.

Table 2 summarizes the broad intra- and inter-regional pattern of trade flows for Europe, Asia and North America. For the most part, intra-regional trade dominates. This is especially so for Western Europe where almost 70 per cent of its exports are intra-regional. Only 7.5 per cent of Western Europe's exports go to Asia compared with the 18 per cent of Asia's exports that go to Western Europe. But, as Table 2 shows, North America is a substantially more significant export market (26.3%) and import market (21.1%) for Asia than Western Europe. Indeed, the East Asian economies as a group have such a heavy dependence on the United States market, in particular, that they are potentially extremely vulnerable to any major or prolonged economic downturn (or increase in protectionism) in the United States. Eastern Europe presents a rather special case as might be expected. Just over one-quarter of its exports are intra-regional but more than half of all Eastern European exports go to Western Europe. Asia, with 7.4 per cent, is a more important export destination for Eastern European exports than North America (4.4 per cent)

2.3 Trading relationships of leading European and East Asian countries

Individual European and East Asian countries' trade patterns reflect, to some degree, the trade characteristics of the region in which they are embedded. However, within these broad regional aggregates lie some significant differences in trade orientation and intensity between individual countries. The purpose of this section is to focus on the more important of these variations.

We begin by contextualizing the major European and East Asian economies in terms of their importance in the world trading system. Table 3 shows the fifteen leading exporting and importing countries in the world in 1999. These accounted for 71 per cent of total world exports and 70 per cent of total world imports. The significance of the two regions in world trade is abundantly clear: twelve of the world's fifteen largest exporters and importers are either European or East Asian. In contrast, in the early 1960s, the only East Asian economies in the top fifteen exporters were Japan (5^{th}) and Hong Kong (15^{th}).

Figures 3 and 4 display the broad geographical profiles for the three leading EU economies (Germany, France, United Kingdom) and three of the major East Asian economies (Japan, South Korea, Singapore). Of the three leading EU countries, France has an export profile closest to the EU average, with roughly two-thirds of its total exports going to other EU countries, a little over 6 per cent to East Asia and around 10 per cent to NAFTA countries. However, only 3.3 per cent of France's exports in 1999 went to Eastern Europe compared with the EU average of 5.4 per cent. The United Kingdom's profile is substantially different from the EU average in almost every respect. Only 52 per cent of UK exports in 1999 went to other EU countries while its exports to NAFTA were almost 70 per cent greater than the EU average. UK exports to East Asia were almost 10 per cent of total exports but only 2.4 per cent of UK exports went to Eastern Europe. Germany's export profile lies between that of France and the UK: 56 per cent of its exports went to the EU in 1999, 12 per cent to NAFTA, 10 per cent to East Asia and 9 per cent to Eastern Europe.

The import profiles for the three leading EU countries differ in several important respects. Imports from within the EU constituted 76 per cent of all France's imports in 1999 compared with only 47 per cent of the UK's and 53 per cent of Germany's imports. Conversely, imports into the UK from East Asia amounted to over 16 per cent of the UK's total imports, 13 per cent of Germany's but only 9 per cent of France's imports. For the UK, NAFTA countries were the source of almost 15 per cent of the country's total imports but for only 9 per cent of France's and Germany's imports. Lastly, only in the case of Germany was Eastern Europe a major source of imports (almost 11 per cent of the German total. Only around 2-3 per cent of both the UK's and France's imports came from Eastern Europe.

Figure 4 shows the trade profiles for the three selected East Asian economies. The dominance of the 'home region' is, once again, immediately apparent, although more so for Singapore and, to a lesser extent South Korea than for Japan. In 1999, only 36 per cent of Japan's exports went to other East Asian countries compared with 55 per cent of Singapore's and 43 per cent of South Korea's. Conversely, the NAFTA countries constituted a much more important export market for Japan than for the other two although, in all three cases, NAFTA was a more important export market than the EU. What is interesting, however, about all three export profiles is that the substantial growth in the importance of East Asia as an export market for these economies between 1993 and 1996 had been reversed by 1999, a clear reflection of the region's financial crisis of 1997-1998. As a consequence, the EU's share of exports increased. On the other hand, intra-regional imports increased somewhat in importance for all three East Asian economies. As far as trade with Eastern Europe is concerned, Figure 5 shows that only in the case of South Korean exports and Japanese imports were there any significant flows and that these were small.

3. Trends and patterns of foreign direct investment

In analyzing trends and patterns of FDI in the world economy it is important to distinguish between *stocks*, which are the current accumulated book values of FDI at a given date, and *flows*, which are the net annual increases or decreases in a firms' overseas assets/liabilities. Stock measures are more stable measures than flows and, therefore, give a better long-term picture of FDI trends. By definition, however, they do not show short-term changes in FDI positions. Flows are more volatile than stocks; indeed, a single large investment (say an acquisition) can give a highly distorted impression. On the other hand, periods of sustained increases or decreases in flows will eventually be translated into changes in stocks.

3.1 Aggregate growth trends

In discussing aggregate trends in merchandise trade in Section 2.1 we noted that, although the growth of world trade had been very rapid (though highly uneven) in the past few decades, it had grown substantially faster than production. When we turn to foreign direct investment we find, as Table 4 shows, that FDI growth rates have outpaced trade growth rates by a substantial margin since the mid-1980s. The differential in growth rates was especially great between 1986 and 1990 and again between 1996 and 1999. Although FDI measures only a proportion of the total cross-border activities of TNCs, its growth is symptomatic of the increasing extensiveness of international production and, as such, has a significant relationship with the development of global production networks. One such indicator is the substantial proportion of total world trade – at least 30 per cent in aggregate terms and probably much higher in certain sectors – that is *intra-firm*. The proportion of world trade that is coordinated and controlled by TNCs through various forms of customer and supplier relationships is very much greater than that.

As a result of their differential growth rates, FDI has increased substantially as a proportion of world GDP. In 1980, world FDI was around 5 per cent of world GDP; by 1998 it had increased to around 14 per cent. However, as Table 5 shows, there is marked variation in the relative significance of both outward and inward FDI between individual regions.

The relative importance of the different modalities of FDI – greenfield investment or acquisition/merger - is difficult to ascertain. UNCTAD (2000: 10)) claims that "over the past decade, most of the growth in international production has been via cross-border M & As rather than greenfield investment…The value of completed cross-border M & As (defined as the acquisition of more than 10 per cent equity share) rose from less than $100 billion in 1987, to $720 billion in 1999." International M & A activity grew by an average of 43 per cent per year during the 1980s and 1990s. UNCTAD (2000: 8) estimates that "the number of firms that have become transnational has risen exponentially over the past three decades. In the case of 15 developed countries, that number increased from some 7,000 at the end of the 1960s to some 40,000 in the second half of the 1990s. The number of parent firms worldwide is now in the range of 60,000…more and more TNCs hail from countries that have only recently begun to undertake international production."

3.2 Europe and East Asia as major foci of world FDI

Figures 5 and 6 map FDI stocks and flows respectively for 1999. The overwhelming dominance of Europe, North America and, to a lesser extent, East Asia is immediately apparent. These three regions account for 90 per cent of world outward FDI and for 79 per cent of inward FDI. Although both maps project a broadly similar picture, careful scrutiny shows some significant differences in the balances of outward/inward stocks and flows.

Table 6 summarizes the relative significance of Europe, East Asia and North America as foci for FDI in the world economy at the aggregate level. The Table corresponds to that shown earlier for trade (Table 1). In both cases, Western Europe emerges as the dominant world region. Its share of outward FDI grew by ten percentage points between 1980 and 1999 while the North American share fell by almost twenty percentage points. What is also striking is the significant increase of the East Asian share of the world's outward FDI total: from less than 5 per cent in 1980 to more than 13 per cent in 1999. In each case, the major change occurred between 1985 and 1990, the period when world FDI accelerated dramatically. The pattern of inward FDI is slightly different. Western Europe's dominance is substantially less (37 per cent in 1999); the North American share of the total in 1999 was little different from that in 1980 although it had been higher in the intervening period. The interesting trend relates to East Asia, especially if we compare its inward investment share with its outward share. In 1980, East Asia was almost three times more important as a destination for inward than as a source of outward FDI. But by 1999, the difference was far smaller (16 per cent and 13 per cent).

These regional FDI data do not differentiate between intra- and inter-regional flows. In terms of intra-regional FDI, country-specific evidence suggests that a high proportion of FDI is intra-regional in each case. This is especially so in the case of the European Union where around half of both inflows and outflows in the 1990s were within the EU itself (UNCTAD 2000: 35) although, as we shall in a later section, there are substantial differences between EU member states in this regard. During the 1990s, the growth of intra-regional FDI within the EU was driven primarily by cross-border mergers and acquisitions (UNCTAD 2000: 35). There is also evidence to suggest that a growing proportion of East Asian FDI is also 'contained' within the East Asian region (Dicken and Yeung 1999: 111-115). In terms of inter-regional flows, the three 'triad' economies hold most of their FDI assets amongst each other with the most substantial links being between the EU and the US, which constitute the largest FDI flow components in the world(European Commission 2000: 49).

Taken as a whole, the EU's external FDI relationships are dominated by links with the United States (EC 2000):

- 45% of the EU's external FDI *stocks* are located in the United States conversely, 43% of the US's external FDI stocks are located in the EU (EC 2000).
- In terms of annual *flows* of FDI, in 1998 EU outflows were three times greater than those of the US and eight times greater than those of Japan.

The FDI relationships between the EU and the US and between the EU and Japan were significantly different:

- EU outflows to the US were 112.3bn ecu; US outflows to the EU were 62bn ecu
- EU outflows to Japan, on the other hand, were only 1bn ecu compared with an inflow from Japan of 2.5bn ecu.

It was the relative weakness of the EU's FDI relationships with East Asia that stimulated the publication of two reports in 1996 by the European Commission and UNCTAD: *Investing in Asia's Dynamism: European Union Direct Investment in Asia* (EC 1996) and *Sharing Asia's Dynamism: Asian Direct Investment in the European Union* (UNCTAD 1996).

3.3 FDI relationships of leading European and East Asian countries

Table 7 contextualizes the leading European and East Asian economies as sources of, and destinations for, foreign direct investment. It should be compared with the equivalent for trade (Table 1). As Table 7 shows, the total world stock of FDI is still generated by a very small number of countries: the fifteen countries shown accounted for 91 per cent of the world outward stock and for 74 per cent of inward stock in 1999. This is a significantly higher degree of concentration than in the case of trade. It is also less balanced: outward investment is much more concentrated geographically than inward investment.

The relative significance of the leading sources of FDI – including those that are the focus of this project – was much the same in 1999 as in 1990. However, Japan's share of outward FDI had fallen to 6 per cent in 1999 compared with almost 12 per cent in 1990, while Hong Kong's share had grown from less than 1 per cent in 1990 to just under 4 per cent by 1999. Singapore's share of world outward FDI had also doubled. The biggest change in inward FDI was undoubtedly the rapid growth of China as an FDI destination: from 1.4 per cent of the world total in 1990 to 6.4 per cent in 1999 when China had become the third most important FDI destination in the world.

Table 8 and Figures 7 to 9 show the geographical configuration of outward foreign direct investment from the United Kingdom, Germany and France. As in the case of these countries' trade patterns there is a strong, but very variable, 'home region' dimension. Of these three European economies, the United Kingdom has the lowest proportion of its outward FDI going to the European Union (41 per cent in 1997) although the importance of the EU for UK outward investment has increased considerably since the late 1980s. At the same time, the importance of North America as a destination for UK outward investment declined in relative terms whilst its importance for Germany and France remained fairly stable. As a result, by 1997, North America was roughly of similar importance for all three European economies as an FDI destination. Where there are substantial relative differences is in the relative importance of East Asia and Eastern Europe. Although small compared with the importance of the EU and North America, East Asia is significantly more important for the UK as an FDI destination that for either Germany or France. Conversely, Eastern Europe in 1997 attracted very small shares of UK and French FDI but a significant proportion of German FDI, a reflection, almost certainly, of a stronger neighborhood effect.

The geographical orientation of outward FDI from the three East Asian economies is shown in Table 9 and Figures 10 to 12. Compared with the three European economies the geographical pattern of East Asian outward direct investment is more variable over time. Both Japanese and South Korean FDI in the EU grew gradually over the 1987-1997 period although at different relative levels while Singapore's FDI in the EU doubled in relative terms between 1992 and 1997. North America is a relatively unimportant destination for Singaporean FDI but very significant indeed for both Japan and South Korea. In the case of Japan, North America accounted for more or less the same proportion of the Japanese FDI total in 1997 as in 1987, although it had been more important during the 1990s and then fallen back. In the case of South Korea, North America's relative importance declined by more than twelve percentage points between 1992 and 1997. For both Japan and South Korea, East Asia has become the dominant regional destination for their outward FDI. The share of Japanese FDI going to East Asia increased from 19 per cent in 1987 to

30 per cent in 1997. For South Korea the shift in geographical orientation was even more marked, from 26 per cent of the total in 1987 to 46 per cent in 1997.

4 Conclusion

The objective of this Working Paper has been to provide a broad statistical context for the firm-focused studies of global production networks. Such nationally-based aggregative data provide one, macro-level, view of the economic interconnections between Europe and East Asia. It is clear that the relationships, through both trade and foreign direct investment, show patterns of similarity and of difference both between Europe and East Asia and between individual countries in each of the two regions. It is also clear that we cannot focus on Europe and East Asia in isolation from the rest of the world, especially North America. For this reason, data for North America have been included as a reference point. The sheer dominance of the United States and its international economic and political scope ensures that it often constitutes the major partner for trade and investment for both European and East Asian economies.

Beyond that, there is clear evidence of a strong regional effect in both trade and investment for both European and East Asian firms, although its degree varies considerably between individual countries. Of the three European economies analyzed in this paper, France is the most strongly EU-oriented and the United Kingdom the least. Conversely, the UK has a much stronger trade and FDI relationship with East Asia than France and a slightly stronger one than Germany. Singapore and South Korea are more deeply connected into their home region than Japan, although Japan's East Asian integration through imports and through outward FDI has increased in recent years. Eastern Europe, in contrast is only very marginally connected into both the European and East Asian economies. For the United Kingdom, France, Japan and Singapore it hardly registers on either the trade or FDI fronts. Only Germany, in terms of both trade and FDI, and South Korea, in terms of FDI, have a more substantial interest in Eastern Europe. Of course, these are early days in one sense and one of the objectives of the GPN project is to ascertain the extent to which Eastern Europe is becoming more integrated into European and East Asian production networks. On the other hand, anecdotal evidence suggests that South Korea's considerable involvement in Eastern Europe may have been a casualty of the financial crisis and the restructuring of the *chaebol*, notably in the automobile industry.

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Table 1: Changes in the relative significance of Europe, East Asia and North America in the world trade system, 1948-1999

Exports (per cent of world total)

Region	1948	1953	1963	1973	1983	1993	1999
Western Europe	31.0	34.9	41.0	44.8	39.0	43.7	43.0
Eastern Europe*	6.0	8.2	11.0	8.9	9.5	2.9	3.9
East Asia	4.3	5.5	7.2	10.5	15.0	22.2	21.3
North America	27.5	24.6	19.4	17.2	15.4	16.8	17.1

Imports (per cent of world total)

Region	1948	1953	1963	1973	1983	1993	1999
Western Europe	40.4	39.4	45.4	47.4	40.0	42.9	42.2
Eastern Europe	5.8	7.6	10.3	8.9	8.4	2.9	3.7
East Asia	5.1	8.0	8.1	11.1	13.9	19.1	16.8
North America	19.8	19.7	15.5	16.7	17.8	19.8	22.3

* 'Eastern Europe' includes Central and Eastern Europe, Baltic States, CIS

Source: based on WTO (2000), Table II.2

Table 2: The relative significance of intra- and inter-regional trade flows, 1999

Share of intra- and inter-regional trade flows in each region's total merchandise exports

Destination

Origin	Western Europe	Eastern Europe	Asia	North America
Western Europe	**69.1**	5.1	7.5	9.9
Eastern Europe	56.0	**26.1**	7.4	4.4
Asia*	18.1	0.9	**46.6**	26.3
North America	19.4	0.7	21.1	**39.6**

* 'Asia' includes South Asia

Source: based on WTO 2000, Table III.3

Table 3: Contextualizing the leading European and East Asian economies: trade position, 1999.

Exports			*Imports*		
Country	**%**	**Rank**	**Country**	**%**	**Rank**
United States	12.4	1	United States	18.0	1
Germany	**9.6**	**2**	**Germany**	**8.0**	**2**
Japan	**7.5**	**3**	**United Kingdom**	**5.5**	**3**
France	**5.3**	**4**	**Japan**	**5.3**	**4**
United Kingdom	**4.8**	**5**	**France**	**4.9**	**5**
Canada	4.2	6	Canada	3.7	6
Italy	4.1	7	Italy	3.7	7
Netherlands	3.6	8	Netherlands	3.2	8
China	**3.5**	**9**	**Hong Kong**	**3.1**	**9**
Belg-Luxg	3.3	10	Belg-Luxg	2.9	10
Hong Kong	**3.1**	**11**	**China**	**2.8**	**11**
South Korea	**2.6**	**12**	Mexico	2.5	12
Mexico	2.4	13	Spain	2.5	13
Taiwan	**2.2**	**14**	**South Korea**	**2.0**	**14**
Singapore	**2.0**	**15**	**Taiwan**	**1.9**	**15**
Sub-total	*70.6*		*Sub-total*	*70.0*	

(*Source:* based on data in WTO *Annual Reports*, 1996, 2000)

Table 4: The increasing significance of FDI in the world economy, 1986-1999

Annual percentage change

	1986-1990	1991-1995	1996-1999	1998	1999
FDI outward stock	20.5	10.7	14.5	17.6	17.1
FDI inward stock	18.2	9.4	16.2	20.1	18.8
FDI outward flows	27.6	15.7	27.0	45.6	16.4
FDI inward flows	24.0	20.0	31.9	43.8	27.3
GDP at factor cost	11.7	6.3	0.6	-0.9	3.0
Exports of goods and non-factor services	15.0	9.5	1.5	-1.8	3.0

Source: based on UNCTAD 2000 Table I.1

Table 5: Outward and inward FDI as a percentage of gross domestic product, 1980-1998

	Outward			*Inward*	
	1980	**1998**		**1980**	**1998**
World	**5.4**	**14.1**		**4.9**	**13.7**
Western Europe	**6.5**	**24.3**		**5.5**	**17.6**
France	3.6	15.9		3.4	11.7
Germany	4.7	17.3		4.0	9.3
United Kingdom	15.0	35.9		11.7	23.3
North America	**8.2**	**12.5**		**4.6**	**10.5**
East Asia	**0.8**	**11.3**		**7.9**	**23.3**
Japan	1.9	7.1		0.3	0.7
South Korea	0.2	6.5		1.8	6.1
Singapore	31.7	56.1		52.9	85.8

Source: UNCTAD 2000 Appendix Table B6

Table 6: Changes in the relative significance of Europe, East Asia and North America as sources and destinations for foreign direct investment, 1980-1999

Outward FDI stock (per cent of world total)

Region	1980	1985	1990	1995	1998	1999
Western Europe	44.9	45.1	50.5	51.2	52.5	54.1
Eastern Europe	-	-	0.02	0.2	0.3	0.3
East Asia	4.6	7.5	14.2	14.8	14.1	13.3
North America	46.6	41.6	30.0	28.5	28.2	27.6

Inward FDI stock (per cent of world total)

Region	1980	1985	1990	1995	1998	1999
Western Europe	40.5	33.3	43.7	41.1	38.5	36.8
Eastern Europe	-	-	0.2	1.3	2.1	2.2
East Asia	12.1	13.0	10.6	16.0	16.8	16.3
North America	28.1	33.0	30.1	25.5	25.3	27.8

Source: calculated from UNCTAD 2000, Annex Tables B3, B4

Table 7: Contextualizing the leading European and East Asian economies: foreign direct investment position, 1990-1999 (ranked by 1999 share of world total)

Per cent of world total

Outward investment				**Inward investment**			
Country of origin	**1990**	**1995**	**1999**	**Country of destination**	**1990**	**1995**	**1999**
United States	25.1	24.4	23.8	United States	22.4	19.5	22.8
United Kingdom	**13.4**	**10.6**	**14.0**	**United Kingdom**	**11.6**	**7.3**	**8.3**
Germany	**8.8**	**9.4**	**8.8**	**China**	**1.4**	**5.0**	**6.4**
Netherlands	6.4	6.3	6.4	**Germany**	**6.3**	**6.1**	**4.7**
France	**6.4**	**6.4**	**6.3**	Netherlands	4.2	4.5	4.5
Japan	**11.7**	**8.3**	**6.2**	**France**	**4.9**	**5.2**	**3.8**
Switzerland	3.9	5.0	4.2	Belgium/Luxembourg	3.3	4.3	3.8
Canada	4.9	4.1	3.7	Canada	6.4	4.5	3.5
Hong Kong	**0.8**	**3.0**	**3.6**	Brazil	2.1	1.6	3.4
Italy	3.3	3.8	3.5	**Hong Kong**	**2.7**	**2.6**	**2.8**
Belgium/Luxembourg	2.4	3.1	3.4	Australia	4.2	3.7	2.5
Sweden	2.9	2.6	2.2	Spain	3.7	3.9	2.4
Spain	0.9	1.2	2.1	Italy	3.3	2.3	2.3
Australia	1.8	1.7	1.2	**Singapore**	**1.6**	**2.2**	**1.7**
Singapore	**0.5**	**1.2**	**1.1**	Switzerland	1.9	2.1	1.5
Sub-total	*93.2*	*91.1*	*90.5*	*Sub-total*	*80.0*	*74.1*	*74.4*

Source: based on UNCTAD 2000, Annex Tables B2, B4

Table 8: Geographical orientation of outward foreign direct investment: the United Kingdom, Germany, France, 1987-1997

Per cent of national total

Source country	**Destination**	**1987**	**1992**	**1997**
United Kingdom	European Union	25.1	27.7	41.0
	East Asia	6.6	7.3	6.9
	Eastern Europe	..	0.1	0.8
	North America	43.0	42.3	29.5
Germany	European Union	44.1	56.1	52.1
	East Asia	3.8	4.0	4.9
	Eastern Europe	0.2	1.3	4.5
	North America	32.0	25.4	25.4
France	European Union	46.7	59.3	49.6
	East Asia	1.9	2.0	2.7
	Eastern Europe	..	0.3	1.5
	North America	26.4	19.4	25.9

Source: calculated from OECD (1999) various tables

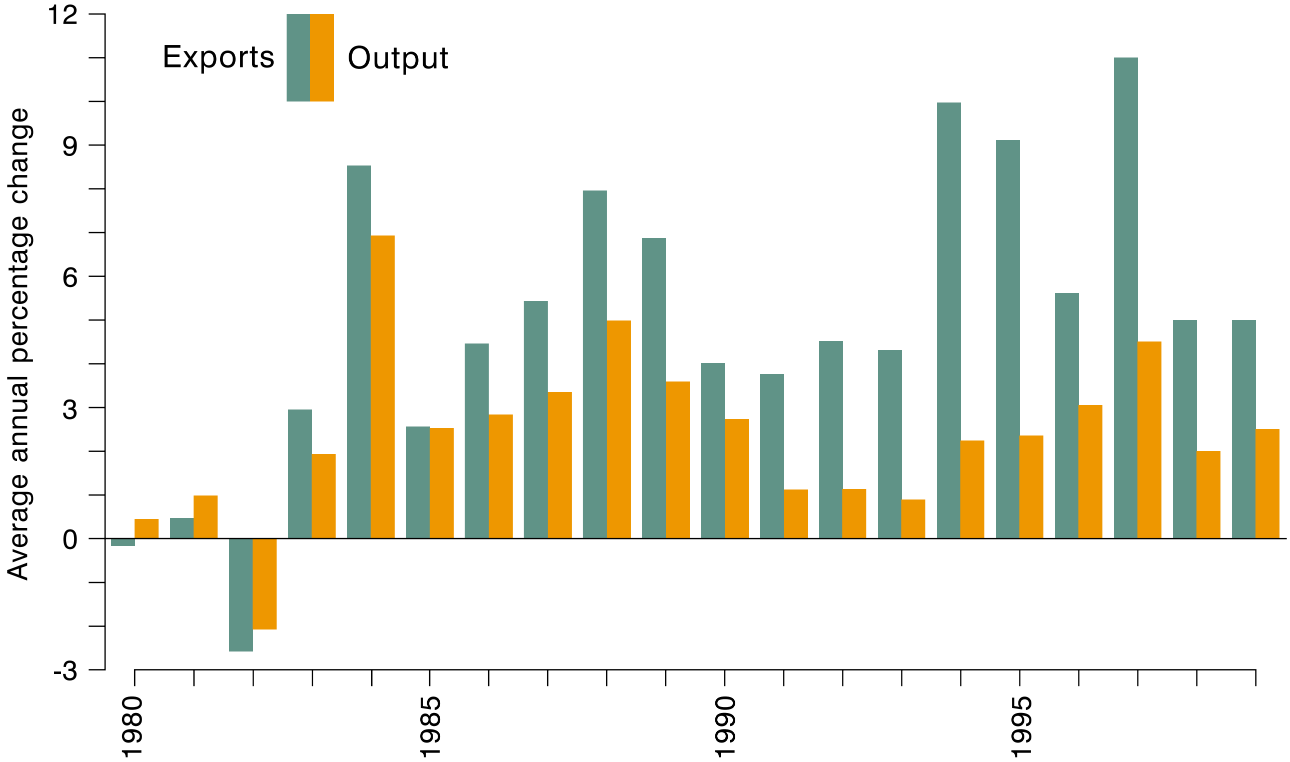
Table 9: Geographical orientation of outward foreign direct investment: Japan, South Korea, Singapore, 1987-1997

Per cent of national total

Source country	**Destination**	**1987**	**1992**	**1997**
Japan	European Union	12.7	18.4	16.3
	East Asia	19.0	15.4	30.3
	Eastern Europe	-	0.2	0.1
	North America	38.9	44.4	37.8
South Korea	European Union	2.2	6.4	8.9
	East Asia	25.9	35.7	45.5
	Eastern Europe	-	0.7	3.7
	North America	41.0	42.8	30.1
Singapore	European Union	..	8.3	16.1
	East Asia	..	51.9	52.8
	Eastern Europe	..	..	..
	North America	..	8.9	4.2

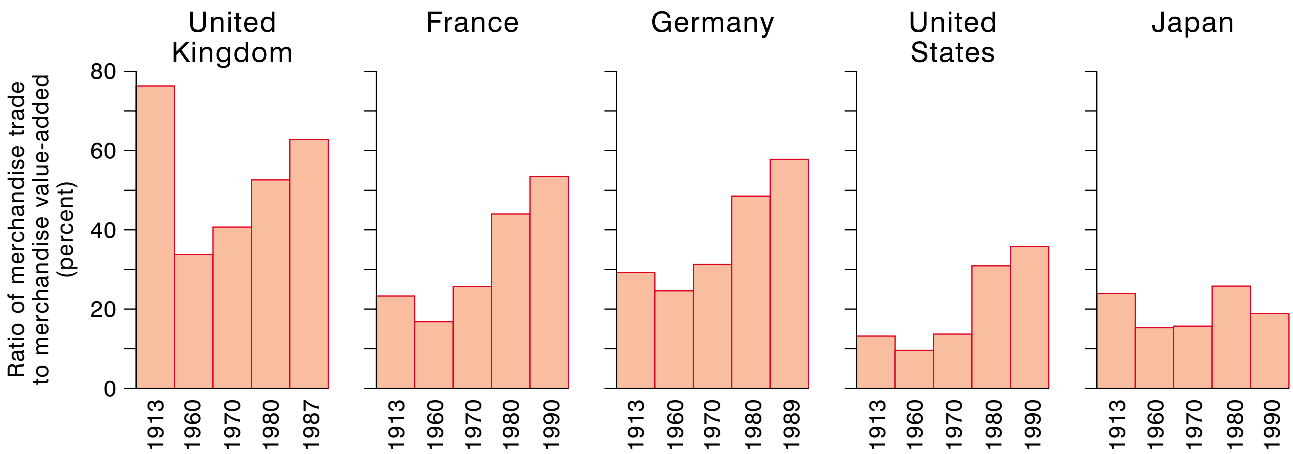
Source: calculated from OECD (1999) various tables.

Figure 1: World merchandise trade and output, 1980-1999



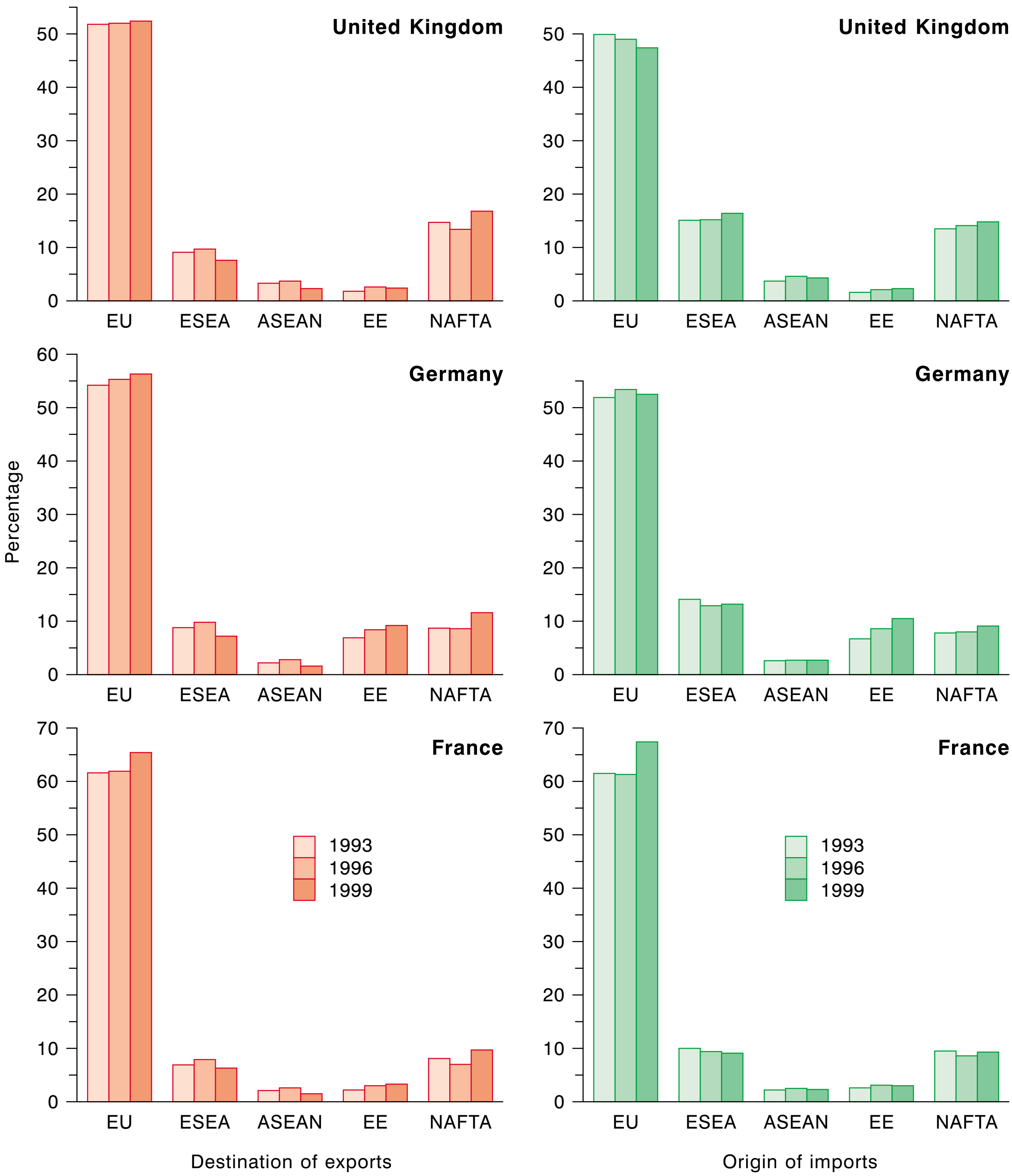
Source: based on Dicken (1998), Figure 2; WTO 2000, Chart II.1

Figure 2: Changes in the degree of integration through trade, 1913-1990



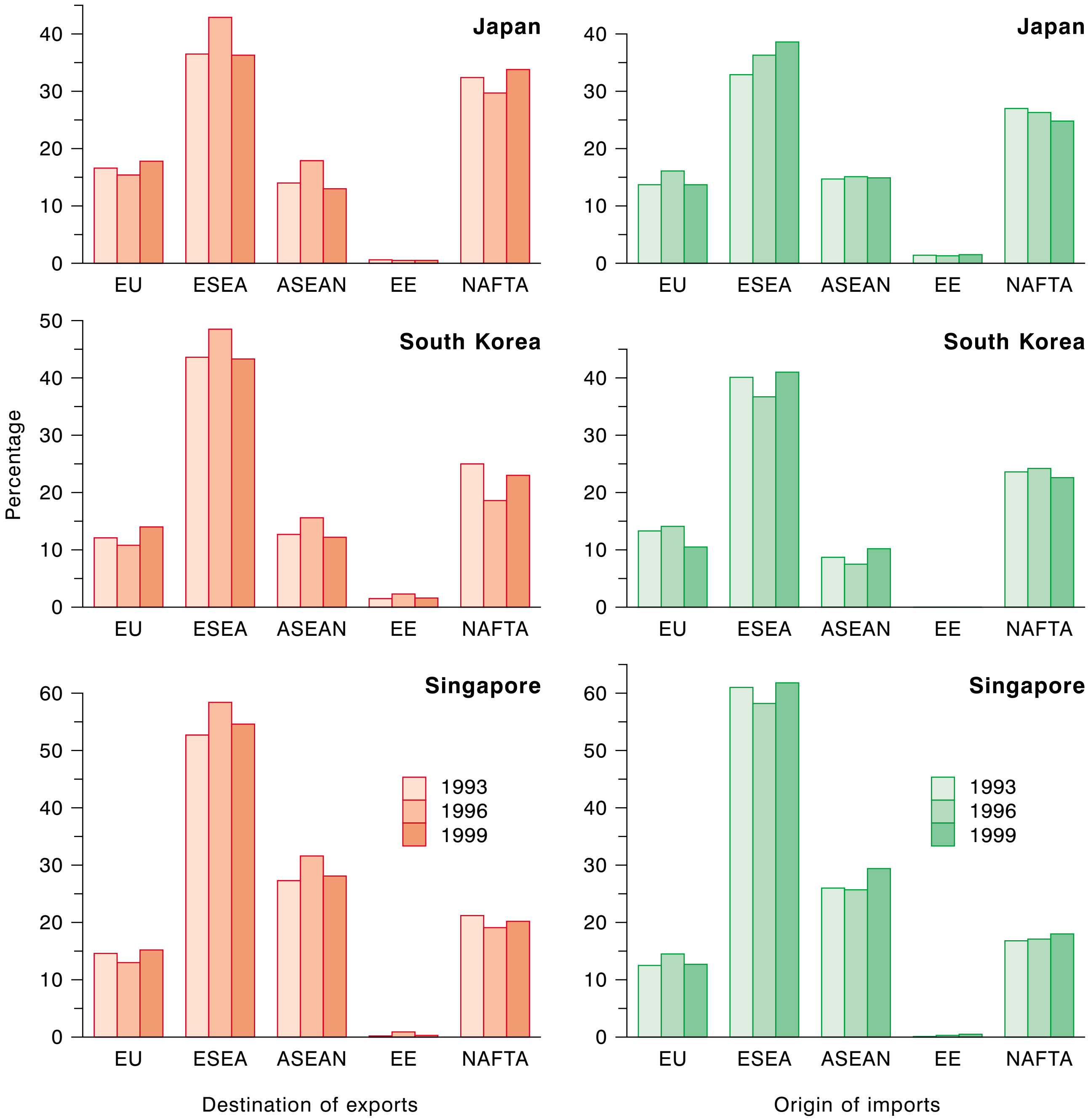
Source: based on Feenstra (1988), table 2

Figure 3: Regional patterns of exports and imports; United Kingdom, Germany, France, 1993-1999



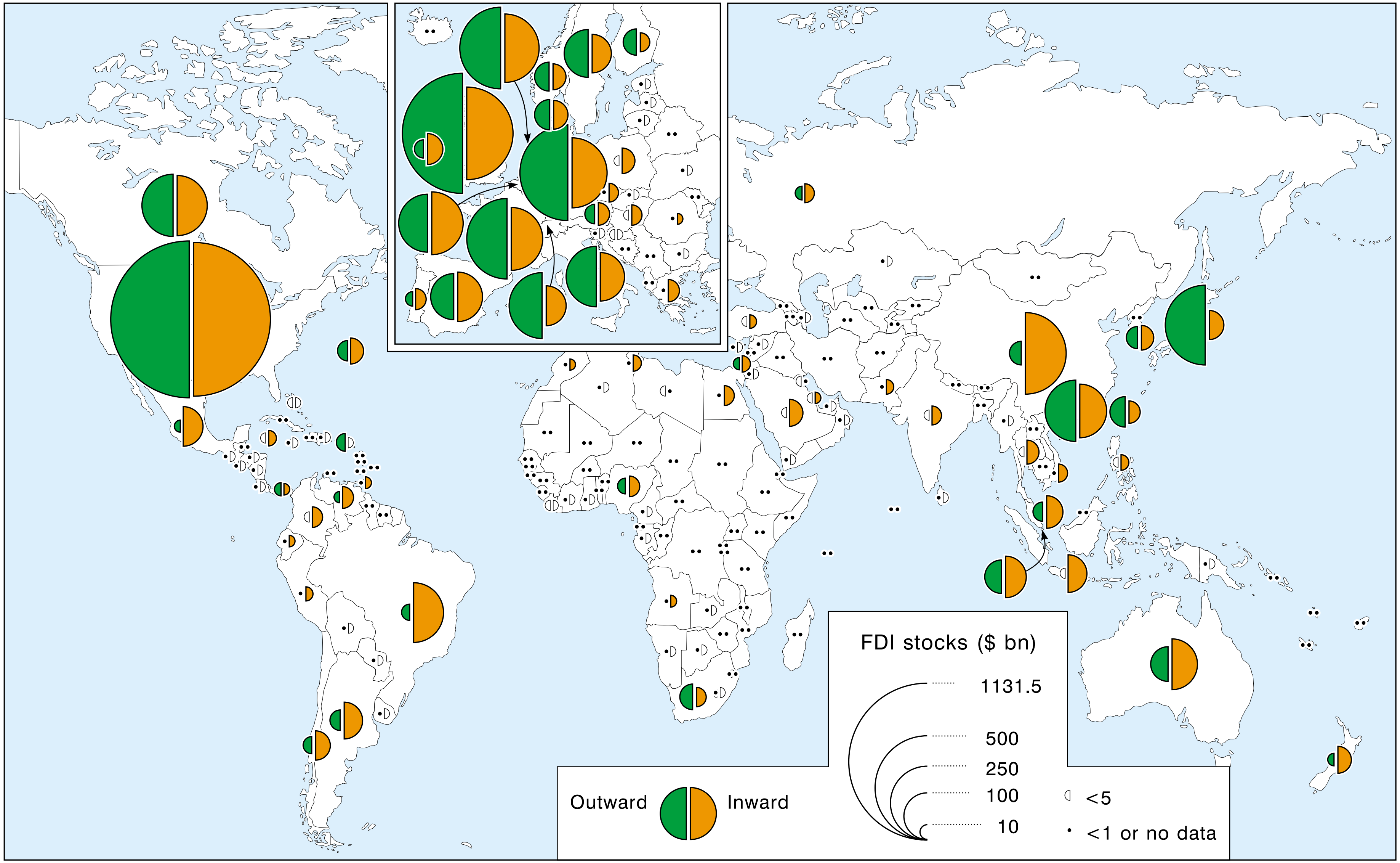
Source: calculated from IMF (2000)

Figure 4: Regional patterns of exports and imports; Japan, South Korea, Singapore, 1993-1999



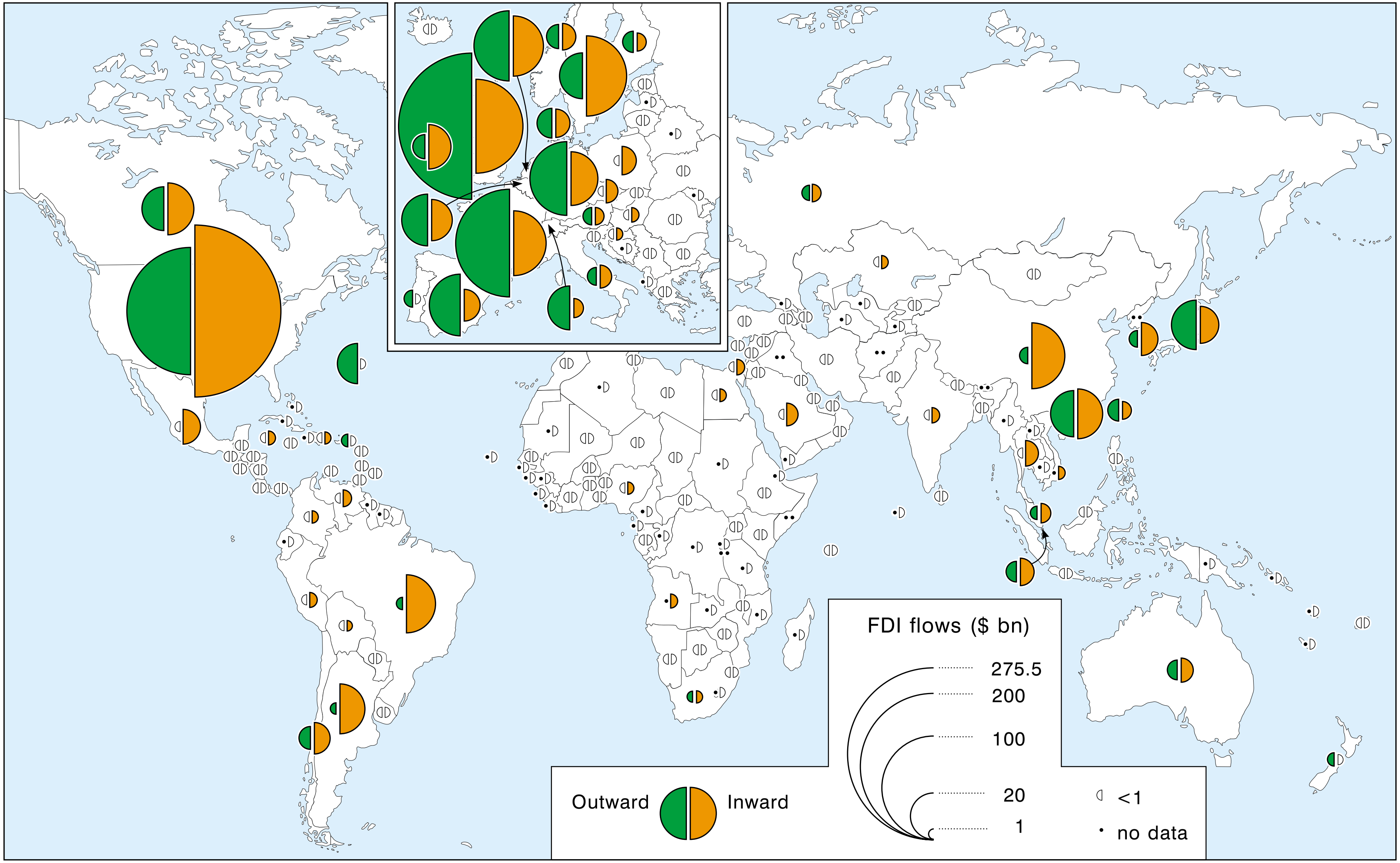
Source: calculated from IMF (2000)

Figure 5: World distribution of foreign direct investment stocks, 1997



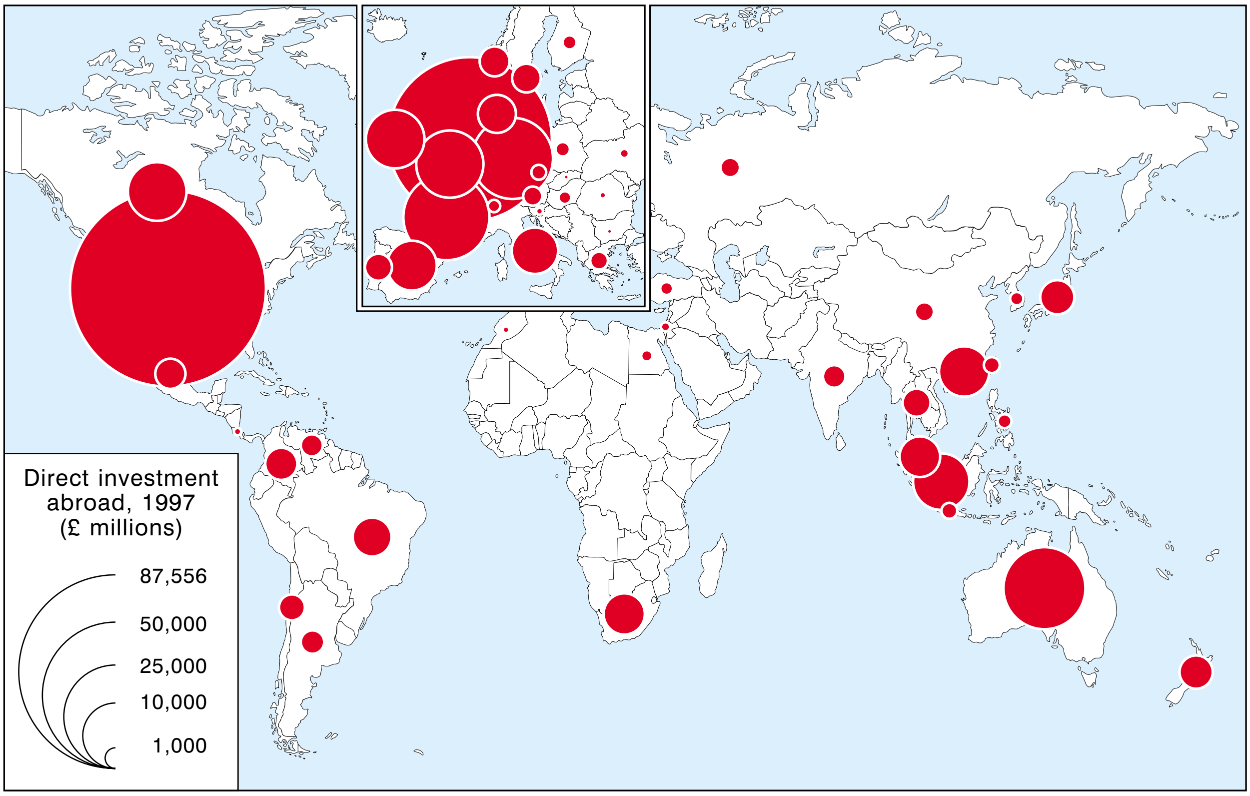
Source: calculated from OECD (1999)

Figure 6: World distribution of foreign direct investment flows, 1997



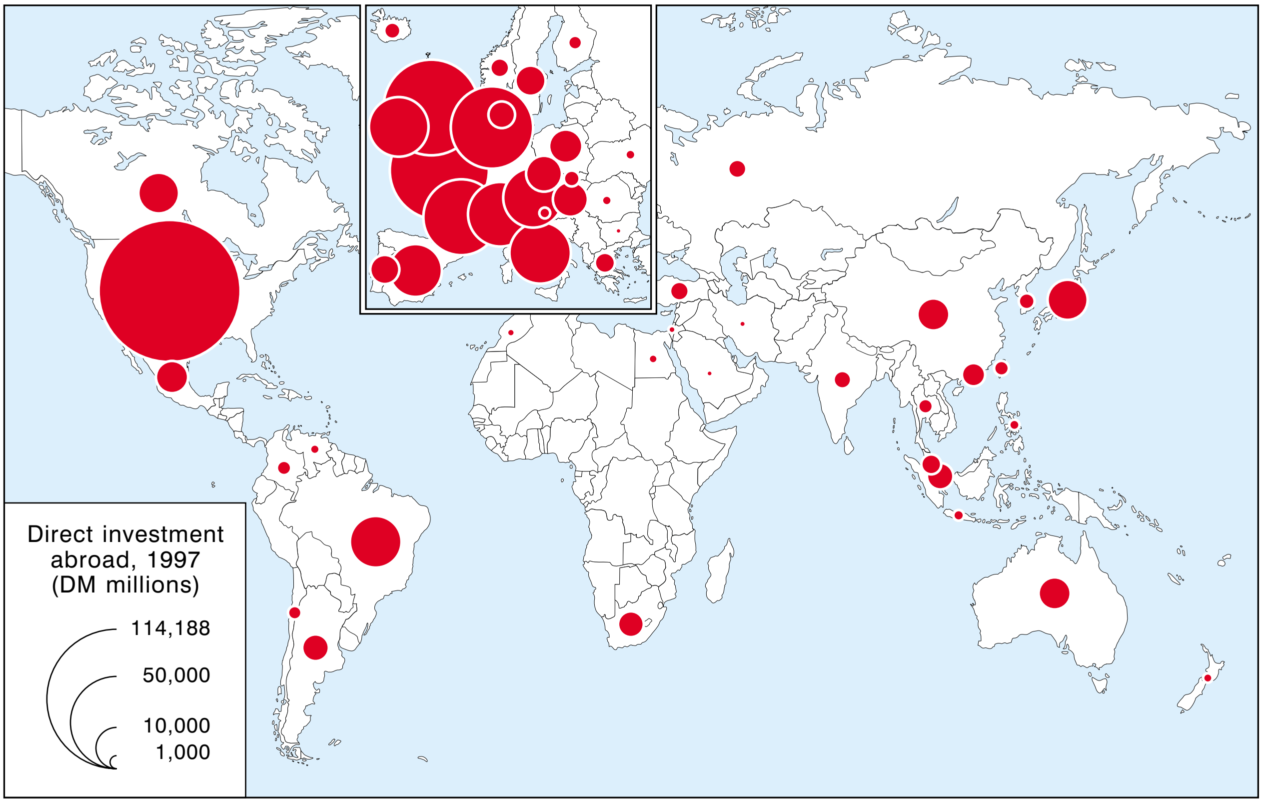
Source: calculated from OECD (1999)

Figure 7: United Kingdom foreign direct investment, 1997



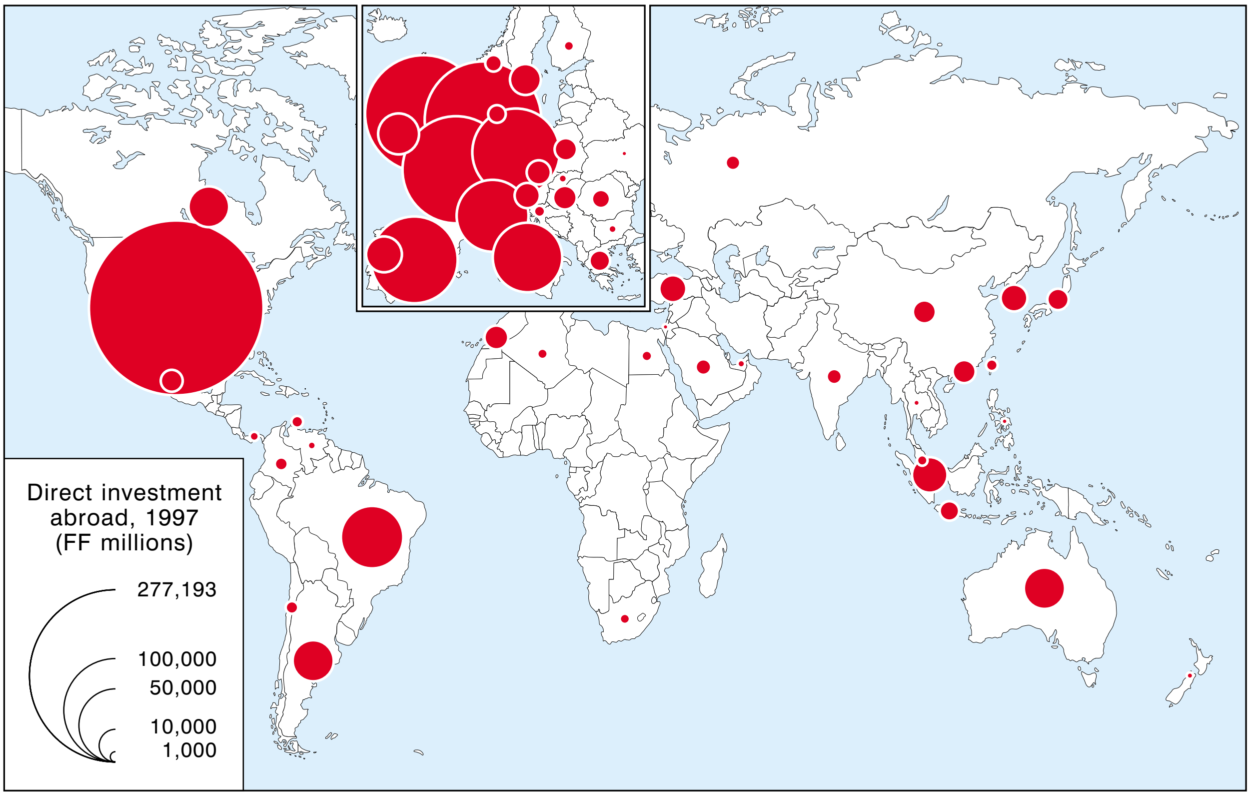
Source: calculated from OECD (1999)

Figure 8: German foreign direct investment, 1997



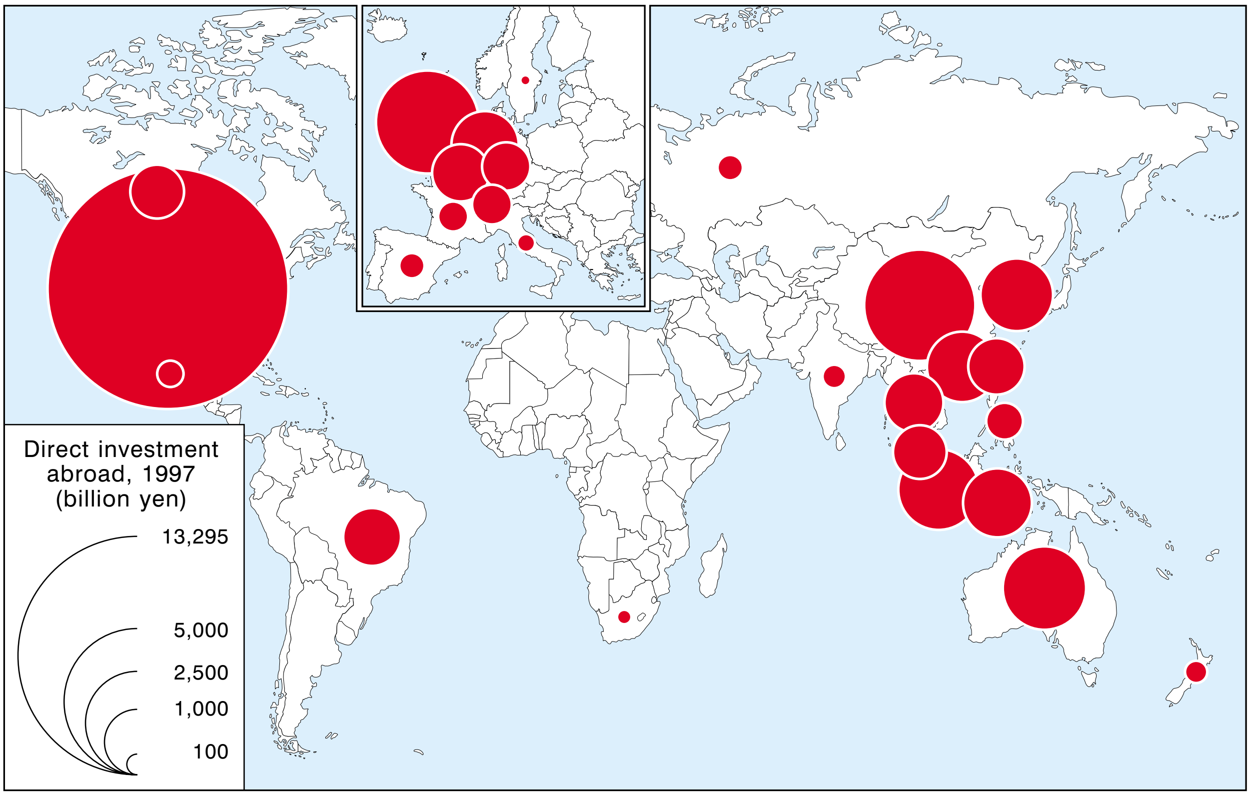
Source: calculated from OECD (1999)

Figure 9: French foreign direct investment, 1997



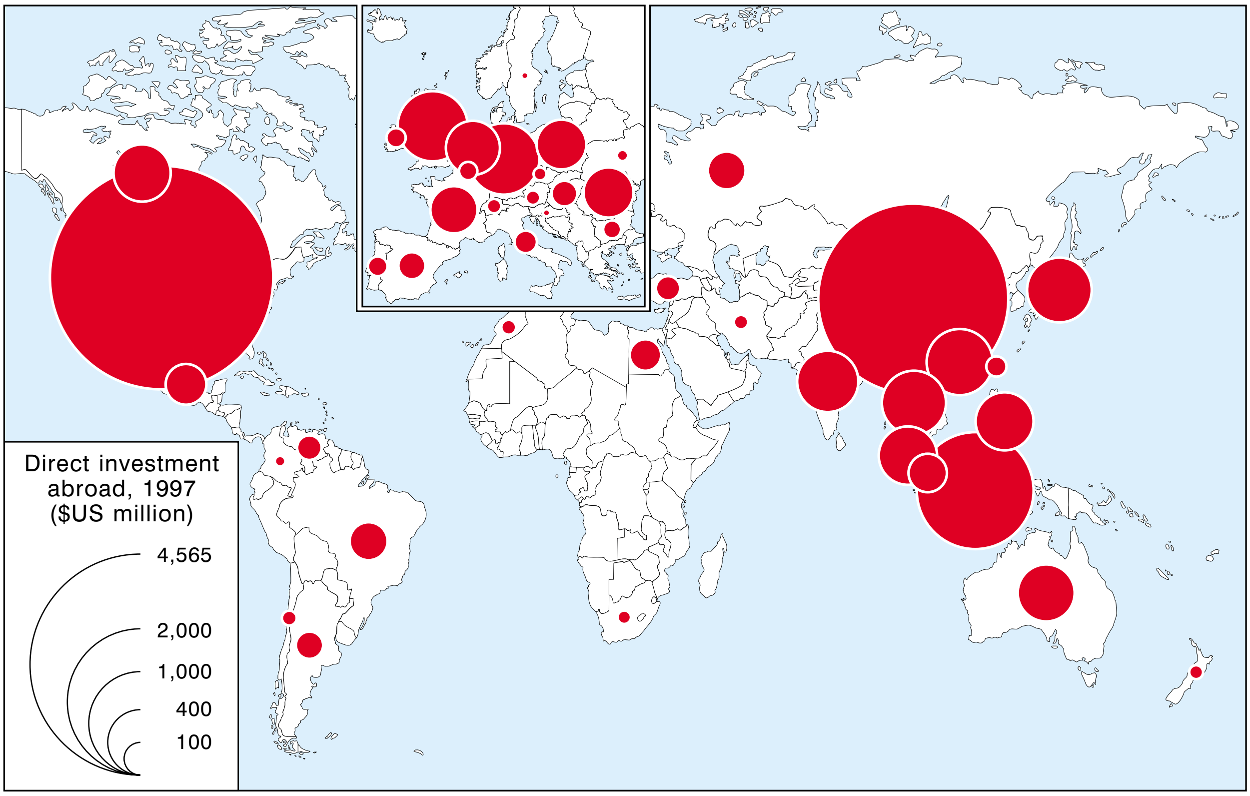
Source: calculated from OECD (1999)

Figure 10: Japanese foreign direct investment, 1997



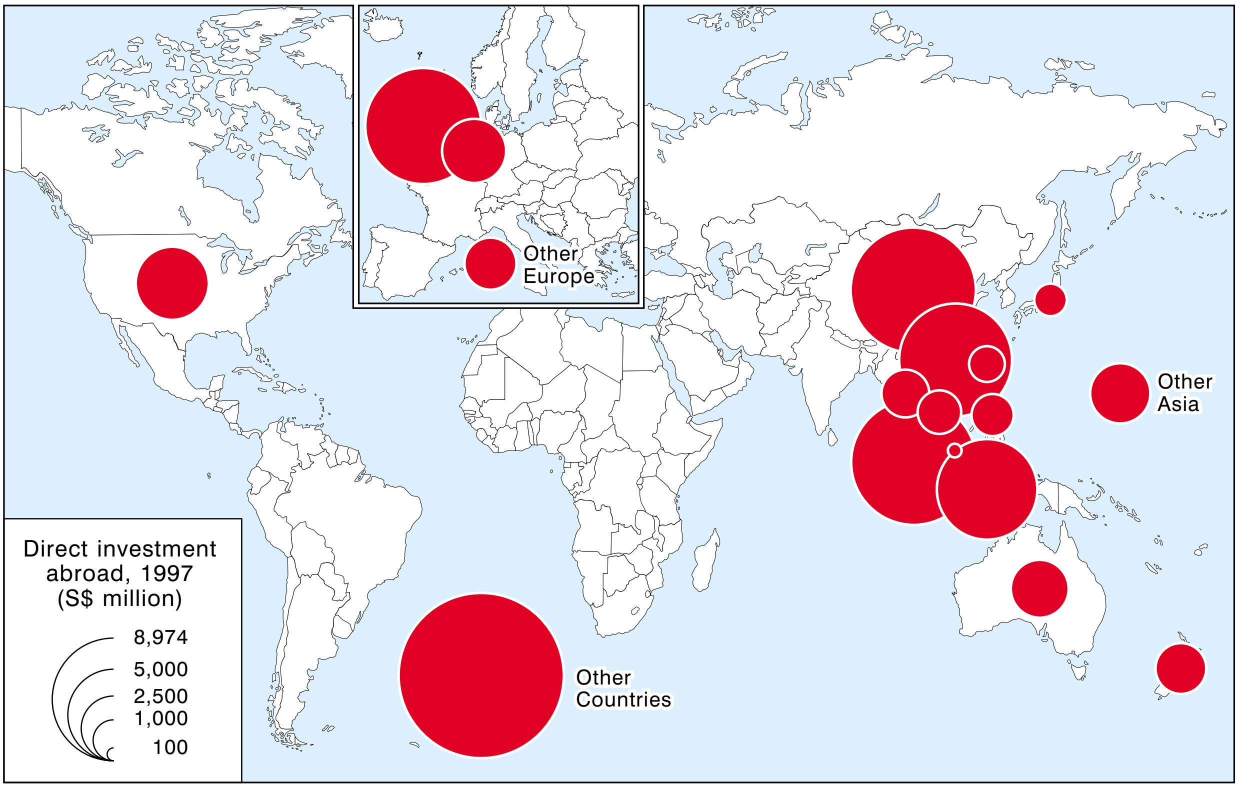
Source: calculated from OECD (1999)

Figure 11: South Korean foreign direct investment, 1997



Source: calculated from OECD (1999)

Figure 12: Singaporean foreign direct investment, 1997



Source: calculated from OECD (1999)