

2006 CREP International Conference

Regionalisation in Europe

Ken-ichi Ando
Shizuoka University

Introduction

- EU and MNEs are supportive for FDI and relocation.
- National governments and trade unions are critical against them, and MNEs are required to take CSR.
- It can be justified to assess FDI and MNEs in the context of the EU development for the last two decades.

Literature Survey

- Literature analyses theoretically and empirically the influence of the three EU event on FDI.
 1. SEM: UN (1993a), Krugman (1987), Baldwin (1994), European Commission (1998), Mold (2003)
 2. Euro: Aliber (1970), Manchin (2004), Aristotelous (2005)
 3. Enlargement: Ingham & Ingham (2002), Oxelheim & Ghauri (2004), Landesmann & Rosati (2004)
- There is no general agreement among empirical research.
- Some shortcomings are caused by econometric analysis method such as the highly aggregated independent variables.

Reconsidering the Free Movement of Capital (1)

- Free movement of capital is different from that of goods, since the ownership does not transfer, but remains in the hand of home.
- Because of keeping the ownership of capital in home, the moved capital can be the basis to request the distribution of income.
- FDI is further different from portfolio investment, since the former transfers intangible asset as well as tangible one such as financial capital.

Reconsidering the Free Movement of Capital (2)

- FDI is neither single nor independent transaction, but a part of sequential process of an MNE to expand its international business network.
- UNICE and EU emphasise the allocation aspect of FDI, whose benefit is to improve the efficiency of European economy.
- Network building by FDI contributes to strengthen the MNEs' position against labour through the 'voice & exit strategy'.

General Trend and Characters of FDI of the EU

- General FDI Trend (Exhibition-1,2)
 - EU-15: ~2000 ↑ , 2001~ ↓ ; EU-10: ~2000 ↑ , 2001~ ↑
- Intra-EU FDI share ↑ (Exhibition-3)
- Share of service sector FDI ↑ (Exhibition-4,5)
- M&A (Exhibition-6~9)
 - EU-15: ↑ with some fluctuation; EU-10: ~2000 ↑ , 2001~ ↓
- FDI net stock position (Exhibition-10)
 - EU-15: positive, EU-10: negative
- Investment income (Exhibition-11)
 - EU-15 ↑ , EU-10 ↓

Difference among the Member States of the EU

- Net FDI stock position (Exhibition-12,13)
 - Positive countries: Austria, Finland, France, Germany, Italy, the Netherlands, Sweden, and the UK
- Accumulated net M&A value (Exhibition-14,15)
 - Positive countries: Finland, France, Greece, Ireland, the Netherlands, Portugal, Spain, the UK and Cyprus
- Net FDI income (Exhibition-12,13)
 - Significant positive countries: France, the Netherlands, Sweden, the UK
- Restructuring effects
 - All EU-15 lost jobs (Exhibition-16,17)
 - Czech Republic, Poland, Slovakia are beneficiaries, but not Hungary. (Exhibition-18,19)

Location and feature of some Japanese MNEs in Europe

- Seven Japanese MNEs from auto and pharmaceutical sectors are analysed.
- All of them establish various subsidiaries in Europe in various countries. (Exhibition-20~24)
- The subsidiaries construct a hierarchical network structure.
- The European headquarters plays a significant role to manage European operation and cooperate with other regions.
- The features of Japanese MNEs follow the US and European predecessors in Europe.

Japanese Plants in CEECs

- Japanese plants in CEECs generally do not relocate from the West, but newly enter or expand into the East. (Exhibition-25)
- Japanese plants tend to be attracted to the regions which are more industrialised, better infrastructure, higher wage and lower unemployment rate. (Exhibition-26,27)
- Location pattern of Japanese plants suggests the diversifying effects between better and worse regions.

Conclusion

- Three benchmarks for the comparison with other regions.
 1. FDI has the aspect of the distribution of income, as well as that of the allocation of production factor.
 2. FDI is a part of sequential process to build a hierarchical network involving of restructuring one.
 3. FDI seems to concentrate into better area, and has some risk to widening the economic gap between better and worse.