

Regionalisation in Europe;
A Theoretical and Empirical Examination from the Perspective of the
Multinational Enterprise.

Abstract

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Europeanisation by multinational enterprises (MNEs) may well be expected to be based on the 'free movement' of capital, but it must be distinguished from that of goods. The foreign direct investment (FDI) would transfer the intangible assets as well as a certain amount of money as 'capital', which is not a commodity, but one of production factors with the right to request the division of income. At the same time, FDI is not a simple transaction, but a sequential process to establish a network of subsidiaries for an MNE in question. This network structure gives MNEs the flexible and efficient operation base along with the asymmetrical character of the EU economy. These features are generally missed in the present literature, which tends to analyse the determinant factors of FDI, facing with the main developments of the EU, such like the Single European Market, the single currency, and the eastern enlargement.

The FDI in the EU has been increasing for the last two decades, and led more and more by the investment among the old EU member states rather than those from outside. FDI into new member states accelerates this intra-orientation. In addition, MNEs come to conduct the FDI through the cross-border merger and acquisition (M&A). Along with this trend, the dynamic restructuring process has been undergoing in Europe. It is also worthy to point out some EU countries have to bear the burden of the investment income payment to abroad.

The case studies of Japanese MNEs clearly show the network building in Europe, which does not only suggest the importance of the location advantage for the MNEs in question, but is also influenced by the industry-specific factors. In addition, the location pattern of Japanese plants in CEECs makes anxious about the widening gap within a host country, due to the concentration to the relatively prosperous regions in CEECs.

From the experience of Europeanisation by MNEs, some issues to be kept in mind in

Asian case can be pointed out. Even if the FDI can be a part of the engine for the growth in Asia, it must be carefully assessed from the dynamic point of view. This is mainly because of the transfer of investment income to abroad, the international network building, and the industrial agglomeration effects.