

UNITED KINGDOM IN EUROPEAN INVESTMENT SYSTEM

Foreign direct investment; net inflows (% of GDP) in the United Kingdom was last measured at 1.66 in 2014, according to the world bank. This series shows net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors, and is divided by GDP.



Fig. 1. Net inflows (% of GDP) in the United Kingdom

According to the 2015 World Investment Report of the United Nations Conference on Trade and Development (UNCTAD), the United Kingdom is the world's fourth largest recipient of direct foreign investment (FDI). In 2015, FDI reached USD 68 billion, a 29% increase on 2014. The UK economy has key strengths: London remains the financial capital of Europe, while Great Britain has a strong currency and is one of the most important European markets. United Kingdom is an attractive destination for investors across the world because of:

- **Leading Financial Center:** *London which is world's largest financial center is situated in the UK.*
- **Easy property registration:** *Registering property in the UK is easier in comparison to Italy, Ireland, France and Germany.*
- **The easiest place to establish and run a business is Europe:** *According to a World Bank study, it takes 13 days to establish a business in the UK. The World Bank has ranked the UK first in Europe and sixth in the world to operate business.*
 - **Least barriers to entrepreneurship**
 - **World leader in innovation**
- **Stable Political Environments:** *The UK's diverse economy is the perfect location for businesses to explore their international business potential. The UK is the second largest exporter of commercial services and the seventh largest exporter of merchandise. All these factors make it the hotspot for foreign direct investment.*

FDI Inflows by Countries and Industry in the United Kingdom:

- Main investing countries are USA (41%), The Netherlands (28.9%), Luxembourg (12.9%), France (12.5%), Germany (8.2%), Spain (7.5%), Switzerland (6.5%), Japan (6.3%).

- The main invested sectors are Financial services (34.7%), Mining (26.3%), Food, beverages, tobacco (15.3%) and Transport equipment (4.9%)

The largest outflow of foreign direct investment partners of the United Kingdom are US £17.7 billion, France £6.63 billion Canada £2.5 billion, Switzerland £2.5, Germany £1.6 billion, and Luxembourg £1.3 in 2014

Within the services industries, net investment decreased from £21.7 billion in 2013 to £7.6 billion in 2014. The majority of the decline is attributable to flows from Europe, which fell from £8.5 billion in 2013 to a negative flow of £3.3 billion in 2014. The majority of the decline in flows from Europe occurred from financial services, which fell from £11.2 billion in 2013 to £2.8 billion in 2014. The retail and wholesale trade, repair of motor vehicles and motorcycles industries also contributed to the decline, falling from a negative flow in 2013 of £1.7 billion to a negative flow of £7.2 billion in 2014.

Within the production industry, net investment increased rising from £9.4 billion in 2013 to £18.3 billion in 2014. This reflects an increase in the investment flows from Europe, which increased from £0.8 billion in 2013 to £6.8 billion in 2014. The mining and quarrying industries made the largest contribution to the increase within Europe, rising from a negative flow of £1.3 billion in 2013 to a positive flow of £6.2 billion in 2014. The food products, beverages and tobacco products and other manufacturing industries also made notable contributions to the increase, rising by £3.7 billion and £1.7 billion respectively in 2014. Offsetting the increase within Europe was the electricity, gas, water and waste industries, which fell from £1.2 billion in 2013 to a negative flow of £3.5 billion in 2014.

Within the services industries, total net FDI earnings abroad decreased from £33.2 billion in 2013 to £26 billion in 2014. This was mainly due to a decline in Europe within the financial services industries, which fell from £8.4 billion in 2013 to £4.4 billion in 2014. With the exception of the information and communication industries, all services industries experienced a decline in total net FDI earnings abroad in 2014.

Net earnings from FDI investment abroad in the production industries decreased from £34.5 billion in 2013 to £30.5 billion in 2014. The mining and quarrying industries made the largest contribution to the decline, falling by £2.5 billion to £14.7 billion in 2014; most of the decline was experienced within Europe. Other notable declines were experienced within the food products, beverages and tobacco products, and petroleum, chemicals, pharmaceuticals rubber and plastic products industries, with declines of £0.9 and £0.8 billion respectively between 2013 and 2014

REFERENCE

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NETHERLANDS IN GLOBAL FINANCIAL SYSTEM

The UNCTAD 2015 World Investment Report classified the Netherlands as one of the largest potential investors for 2013–2015. In fact, Dutch companies are more likely to invest abroad. Dutch investment is characterized a strong international orientation and a liberal policy towards foreign investment. Many Dutch companies are multinational by nature and some of these are listed on foreign stock markets. Moreover, there are no regulatory restrictions on foreign direct investment. This is potentially high-risk high-reward investment. For example, the Dutch company FDI was the largest European investor country in 2013, but their asset value plummeted in 2014 by 28%. While FDI inflow fell by 5.6% from 2013 to 2014, the country remained one of the five top host economies in 2014. However, according to the Government, the rise of foreign investment alone created 9,300 jobs in 2015.

table 1

FDI of Netherlands

Foreign Direct Investment	2012	2013	2014
FDI Inward Flow (<i>million USD</i>)	17,655	32,039	30,253
FDI Stock (<i>million USD</i>)	684,397	735,361	664,442
Number of Greenfield Investments***	168	161	166
FDI Inwards (<i>in % of GFCF****</i>)	11.2	20.6	18.7
FDI Stock (<i>in % of GDP</i>)	83.1	86.1	76.7

- Strong Points to Invest in the Netherlands:

The country's strengths are its highly developed communication and transport infrastructures, a skilled, productive and multilingual labour force, a strategic geographical location which is a gateway towards major European markets, a stable political and macro-economic environment and a very developed financial sector.

- Weak Points

The country's weak points are the high cost of labour, the limited domestic market, relatively complicated legislation, a cumbersome administrative system and a limited road infrastructure.

- Government Measures to Motivate or Restrict FDI