Integrating Central and Eastern Europe in the European Trade and Production Network

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The integration of East European economies into the European Union may be considered as a case-study of the wave of new regionalism which has been taking place in the 80s, and that is characterized by the integration of developing economies with highly developed economies *(De Melo and Panagariya)*. Such regional integration of heterogeneous partners follows different models *(Zysman and alii)*. In Europe, the enlargement of the European Community to Southern countries with a lower level of income (Spain, Portugal, Greece) has been accompanied by policies aimed at reducing disparities among member states through budgetary transfers, and economic integration has aimed at creating an ever-more homogeneous space. In North America, the integration of regional economies across the border has led to the development of the so-called *maquiladoras* in northern Mexico, where assembly plants process US-made components and export the assembled products back to the US, taking advantage of the much lower wages in Mexico. The Asian experience with regional integration is characterized by an intricate division of labor among heterogeneous economies, based on the cross-national production networks of multinational corporations *(Zysman and alii)*. It has resulted in successive waves of industrialization and in the rise of Asia as an economic powerhouse.

This raises two questions about the integration of Central and Eastern Europe in the European economy. The first question is whether cross-national production networks are emerging as an important phenomenon in Europe and whether they could become as significant for the European integration as they are in the case of Asia. The second question concerns the possible changes in the regional competitiveness than can be induced by the new, more heterogeneous European architecture; more specifically, will the low wage areas in Europe provide the European firms the opportunity to withstand Asian competition in labor-intensive production?

The present paper aims to outline some relevant features of the integration of Central and Eastern European economies that can help to answer these questions. First it considers how the strategies of Western firms have influenced the trade and production patterns of Eastern Europe since the beginning of transition. Then it assesses the changes that these new emerging partners are bringing about in EU trade, and points out how individual EU countries have reacted in different ways to the new opportunities offered by the reintegration of Eastern Europe.

I. Cross National Production Networks in Eastern Europe

1.1. The European Context: Regional Hierarchy and Economic Strategy

Differences in Asian and European conditions will influence the process of economic integration and are likely to determine the possibility for European countries to draw lessons from the Asian model.

A first difference pertains to the disparities in the levels of economic development. The disparities among Asian countries are wider than among European countries. The GDP per capita, measured at Purchasing Power Parity, range from one to seven within Europe, and from one to twenty within Asia (from one to eleven if India is excluded) **(Table 1).** Measured at current exchange rates, the differences in GDP per capita are not of the same order of magnitude: the income per capita range from one to 28 within Europe and from one to 110 within Asia **(Table 2).** This reflects the fact that current exchange rates deviate more from their purchasing power parity in Asia than in Europe. The exchange rate deviations imply that wage differentials are much larger in Asia than in Europe, and this should influence the pattern of division of labor.

Although they are narrower than in Asia, the disparities among European countries have considerably widened since Eastern and Central Europe have re-integrated the European economy. In fact, Eastern and Central Europe is itself becoming a heterogeneous economic region. In 1995, the disparities in GDP per capita (at current exchange rates) were even larger within Eastern Europe than within the EU. Since 1992-1993, most Central European countries (Hungary, Poland, Czech Republic, Slovakia, Slovenia) have registered high industrial growth rates, and a real appreciation of their currencies, and are thus engaged in a catching-up process with the Western part of Europe. The inflows of foreign capital have strengthened their economic recovery and their divergence with the Balkan countries (Romania and Bulgaria), where the success of the economic transition is still much more uncertain. If the different republics of the former USSR are included in the European landscape, the heterogeneity is even greater. The Eastern part of Europe thus encompasses two or three tiers of new-comers in the internationalization process.

Another difference between European and Asian latecomers stems from the fact that Eastern European countries have an industrial experience. They have built an important stock of physical capital, especially in industry, and they enjoy a much larger endowment in human capital than the least developed Asian countries. These conditions also influence the pattern of

the international division of labor in the region. In fact, since the beginning of transition in Central and Eastern Europe, it has proved difficult to determine where their real comparative advantage is actually. Although the present differences in wage levels give these countries a comparative advantage in labor-intensive products, it can been argued that their inherited industrial structures give them a comparative advantage in capital intensive goods and that the level of their human capital is likely to accelerate their catching-up process in technology-intensive industries *(CEPR, 1990)*. The regional hierarchy appears much more deeply entrenched in Asia than in Europe.

A third difference, that is likely to influence the way regional integration is working, concerns the industrial and trade policies implemented by the new-comers in Europe and in Asia. Since the inception of their transition to market economy, Central and East European countries have implemented a policy that has favored rapid trade liberalization and has enhanced competition from outside, even though the initial import liberalization has been followed by some reversals in the trade policy *(Drabek and Smith, Messerlin, Csaba)*. The general strategy of economic reform inhibited the design of selective trade or industrial policy, and moreover, the uncertainty over the real comparative advantage of Central and Eastern Europe made hazardous any selective policy. In East and Southeast Asia, industrial policies have aimed at promoting exports and investment. These industrial policies, with selected targets, have served well in situations of catching-up, where comparative advantage is relatively evident *(Audretsh)*.

1.2. From Outward Processing to Foreign Direct Investment: Emerging Production Networks in Europe

Since 1989 trade relations between the EU and Central-Eastern Europe have rapidly intensified, and the surge in trade flows has been accompanied by the establishment and the strengthening of cooperative links between Western and Eastern industries. Western firms have extended their production networks towards Central and Eastern Europe, which has become part of their internationalization strategy. This strategy has responded to two different objectives: to improve price competitiveness and to take advantage of the potential markets. In the early phase of liberalization, the first objective prevailed and industrial cooperation took the form mainly of subcontracting production to East European firms. Later foreign direct investment has become a more and more important component of Western firm's strategies in Central Europe.

Outward Processing: Shifting From Central to Eastern Europe?

Outward Processing trade between the EU and Eastern Europe developed fairly rapidly in the beginning of the nineties. EU firms supplied subcontractors in Eastern Europe with materials, parts or components to be processed or assembled and reimported into the EU afterwards. This enabled Western firms to take advantage of lower wages and to reduce production costs; as it did not imply capital flows, this form of cooperation gave the EU firms a great flexibility to adjust to changing economic environment. OPT was the engine of Central and East European manufacturing exports in the early nineties. OPT accounted for almost one fifth of Central and Eastern European exports in 1992, but for a much larger share in labor intensive products such as clothing, leather and shoes **(Tables 3 and 4)**. As the EU provided preferential tariff quotas for OPT imports, clothing exports soared despite the sensitiveness of the sector in the EU. Most of CEEC clothing exports thus resulted from relocation policies pursued by the EU firms. Subcontracting arrangements also actively contributed to stimulate Central European exports of electrical machinery.

Nevertheless, the importance of OPT in the EU manufactured imports from Central and Eastern Europe declined from more than 20% in 1992-1993 to less than 15% in 1995. During this period the overall exports continued to increase at a rapid pace. This relative decline in OPT can be traced back to several factors.

First, the structural changes in CEEC exports: the sectors that were the most dependent on OPT (clothing, leather and shoes) ceased to be the engine of Central European export performance in the EU market in recent years, whereas they had been at the core of the CEEC export drive up to 1993. In Central European countries the domestic output in these sectors fell behind the industrial average, as they suffered from rising costs and deteriorated competitiveness *(Lemoine, 1996 a)*. At the same time Central European countries have developed their export capacities, independent from OPT, in engineering sectors: machinery, electrical machinery, and transport equipment have led their export growth in the recent years **(Table 5)**. The export performance in these industries has been supported by the establishment of more durable relationships with foreign firms, through FDI; as indicated by the strong involvement of foreign firms in the investment and output of these sectors (see below). Exports of electrical machinery became less dependent on OPT. In the Balkan countries, exports have relied increasingly on the metallurgical industry **(Appendix 1)**.

Second, the decline of Central European countries' competitiveness in labor intensive industries: this is suggested by the fact that the two countries which were characterized by the highest level of wages in dollars (Hungary and Slovenia), have registered the sharpest drop of their dependence on OPT exports **(Appendix 2 and 3)**. Their share in CEEC OPT exports to the EU fell sharply between 1993 and 1995, while at the same time the Balkan countries (Bulgaria and Romania) took a larger share **(Table 6)**. A two-tier, regional cooperation seems to be emerging in Central and Eastern Europe**.**

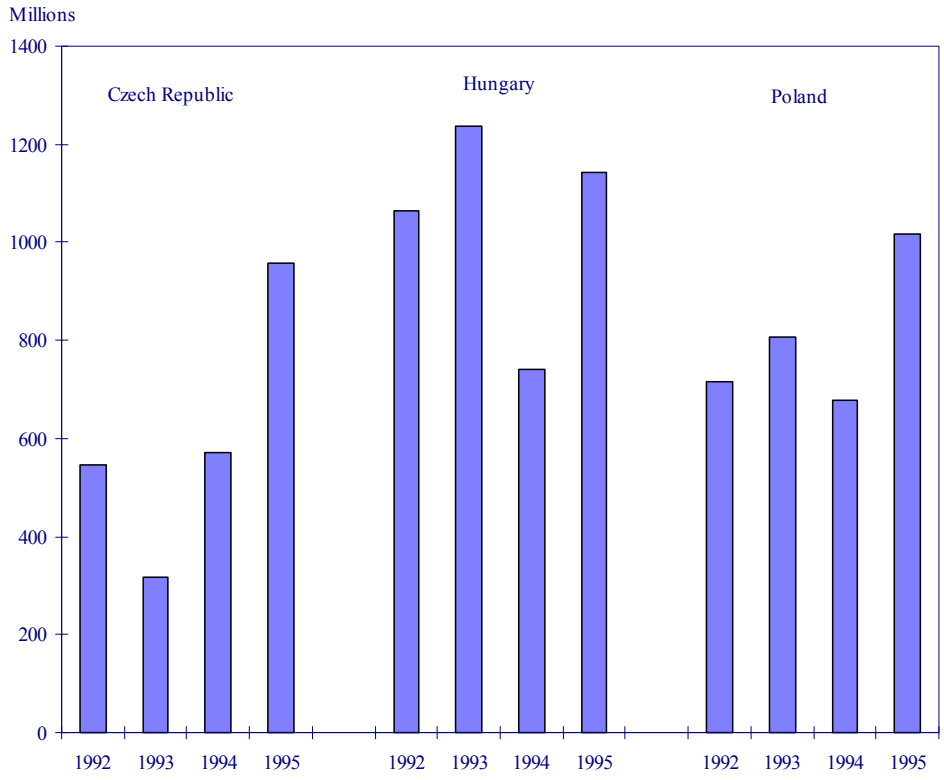
Although subcontracting had a crucial role in the redeployment of Central and Eastern European industries towards Western markets in the first phase of transition, it seems to have rapidly exhausted its potential effect on CEEC export growth. The comparison with Asia shows that this form of the internationalization of production, based exclusively on cost considerations, had much less importance for emerging exporters in Europe than for a country such as China: processing trade represented about half of Chinese exports in the mid-nineties. Central and Eastern Europe economies thus benefited less from the relocation strategies of Western firms than China did from those of Asian firms. This underscores the difference in the nature of comparative advantage between CEECs and Asian less developed countries. Another reason may be found on the side of West European industrial structures: at the end of the eighties, these economies had already lost part of their labor-intensive industries to developing economies and their industries provided less opportunities for developing subcontracting activities.

Foreign Direct Investment: Shaping Manufacturing Industry in Central Europe

Foreign Direct Investment in Central and Eastern Europe expanded later than OPT. The inflows have recently accelerated in Central European countries: Hungary, the Czech Republic and Poland received three quarters of the FDI inflows. They are becoming part of the world-wide strategies of multinational corporations as economic recovery makes them attractive for FDI. FDI flows to Central Europe should remain substantial in the years to come, as an important share of these investments is now accounted for by reinvested earnings and by the following up of previous projects put in operation. Nevertheless, it must be taken into account that "FDI related to privatization is linked to the transitional character of their reintegration in the world economy" (UNCTAD, 1995).

FDI stocks in Central and Eastern Europe represent relatively small amounts compared to world stocks, even though FDI flows in this area have increased rapidly and accounted for 5% of world inflows in 1995. But given the sizes of the economies, the relative importance of FDI has reached levels comparable to that prevailing in the Asian countries, which were the most successful in attracting FDI **(Table 7)**. In the Central European economies, FDI is playing a crucial role in manufacturing industry, in which it was concentrated up to 1994. The large inflows of FDI in 1995, although more oriented towards service sectors, still increased the stock of foreign capital in manufacturing industry **(Figure 1).**

Graph 1
FDI in Manufacturing Industry in Central Europe (flows)



Source: UN/ESC/ECE,1996.

The presence of foreign capital is all the more important for sectoral modernization, as domestic enterprises lack the financial means to launch strategic restructuring. In Poland and in the Czech Republic, FDI represented around one fifth of the total investment in manufacturing industry in 1992-1994, but in some industries the intensity of FDI was much higher **(Table 8)**. In Hungary, which received the bulk of FDI, it was equivalent to two thirds of total investment in manufacturing industry, and FDI flows were even larger than the amount of investment realized

in some sectors, due to the fact that a part of the inflows was not actually translated into capital expenditures, since it was related to privatization deals *(cf. below)*. The Hungarian industry is already internationalized to a large extent; in Poland and in the Czech Republic, this internationalization is under way.

The sectoral pattern of FDI in Central Europe can be considered as an indicator of comparative advantage, with regard to the sources and prospects of future growth *(UN ECE, 1996)*. Comparative advantage is shaping FDI, and at the same time it will be shaped by FDI. The present sectoral distribution of FDI indicates that the future comparative advantages of Central European countries do not lie in labor intensive industry, but in capital intensive, as well as in natural-resource intensive sectors *(Jungnickel)*. FDI in the three countries is targeted at the same sectors (cars and transport equipment, food, chemicals) and Central European economies thus appear as a new competing field for multinational corporations. The sectoral distribution of FDI also confirms that investors are concerned with supplying domestic or regional markets; nevertheless firms with foreign capital are usually more export-oriented than local firms, and they actively contributed to the success achieved by these countries in penetrating Western markets.

Data available for Hungary and Poland indicate that firms with foreign participation are responsible for a large share of exports, especially in industries that improved their performance in foreign markets during the last few years: machinery and electrical equipment, transport equipment **(Tables 9 and 10).** The two countries' export pattern and their competitiveness on world markets thus appear closely linked to the strategy of Western firms through the production of their affiliates. In Hungary, a large part of industrial activity is integrated in international production networks and in a majority of industrial branches, and foreign firms play a dominant role, both in the domestic and foreign markets. The dependence of Polish exports on firms with foreign capital is high in some industries, such as the car industry, machinery and electrical equipment.

This has led to the emergence of industries with a strong export orientation. In sectors such as transport equipment and engineering products, a strong presence of foreign firm affiliates in exports is connected with a high export/output ratio. Other sectors remained oriented towards the domestic markets, despite the high share of foreign firms in their exports **(Tables 11 and 12)**. In both countries, foreign firms' affiliates are also responsible for a large share of imports: they

accounted for 42% of Polish imports in 1995 **(Table 10)** and for 45% of Hungarian imports in 1994 *(Hamar, 1995*). It is likely that a large part of the imports of foreign firms correspond to intra-firm trade as they are related to the supply of intermediate products or capital equipment from parent companies. Foreign firm's affiliates were responsible for 56% of the Hungarian trade deficit in 1994 and for more than two thirds of the Polish trade deficit in 1995. On the one hand, FDI thus contributes to the trade deficit, while on the other hand it is financing the balance of payments deficit.

1.3. Impact on Industrial Performance

Country or sectoral performance suggests that there is no systematic relationship between high FDI and output growth. Hungary has received the largest amount of FDI, but its economic growth clearly lagged behind that of Poland and of the Czech Republic up to 1995. In the three countries, the food industry received quite large amounts of FDI, but registered relatively slow output growth. However, the sector of transport equipment has benefited from large capital inflows and did lead the industrial revival *(Lemoine, 1996 a)*.

The impact of FDI on sectoral performance is thus not straightforward and this may be explained by the fact that " there has not always been a direct and immediate contribution of FDI to gross capital formation" *(Hunya)*. A part of FDI takes the form of acquisitions, namely through privatization sales, and in this case the impact on the capital stock is not direct, since sale revenue goes to the budget and not to the enterprise; in this case, FDI improves the investment capacities of the firms only indirectly, as the foreign affiliates will benefit from restructuring investment following acquisition, from an increase in capital and generally from better access to domestic and foreign credit. The World Investment Report 1996 thus suggests that there is a relationship between a country's economic performance and the level of non-privatization FDI. Poland, where the participation of foreign firms in the privatization program has been rather limited, has received the highest amount of non-privatization investments (greenfield investment and capital increases) and this situation coincides with a remarkable growth performance (*UNCTAD, 1996)*.

In contrast to Asian countries, the level of savings and investment in most Eastern European countries has been relatively low since the beginning of the transition to market economy **(Table 13)**. It must nevertheless be pointed out that the poor quality of the data on

investment does not allow definite conclusions to be drawn from the trends observed. The relationship between FDI flows and investment levels that can be observed at the sectoral level shows different situations and suggests that FDI is likely to have a positive impact on growth only when they top on domestic investment but not in the case where they come as a substitute for local investments (Lemoine, 1996 a).

II. Central and Eastern Europe in the EU Foreign Trade Network

2.1. Central and Eastern Europe and Other Emerging Countries in EU Trade

CEEC international trade is heavily concentrated on Western Europe. Since the end of the eighties, they have been among the most dynamic partners in EU foreign trade. This part of the paper considers their position compared to that of other emerging economies, which have also enlarged their position in EU markets. Their respective performance is assessed by looking at their share in EU imports (excluding intra-EU trade).

To assess how the positions of the different EU suppliers evolved from 1988 to 1995, five main regions outside OECD were identified: Central and Eastern Europe, with a sub-region, corresponding to Central Europe (also referred to as Visegrad countries); North Africa (Tunisia, Algeria, Morocco); China; the first tier of NIEs (Singapore, Hong Kong, South-Korea, Taiwan); the second-tier of NIEs (Malaysia, Thailand, Philippines). The cumulative share of these regions rose from 14% of EU imports in 1988 to 23.7 % in 1995; in manufactured products their share increased from 16% to 26% **(Table 14)**. The respective shares of the different regions in the EU's imports of industrial manufactured products highlight the rise in the competitiveness of the CEECs: they are responsible for half of the gain registered by the five emerging regions, most of the progression stemming from the Visegrad countries. China accounted for a little more than one fourth of the gain, while the first-tier of NIEs just kept their position unchanged. As a result, Central and East European exports of manufactured industrial products overtook those of the first tier of NIEs in 1995. It is worth stressing that the rise in CEEC market share did not take place at the expense of North African exports, which slightly improved their performance over this period.

Since 1988, Central and Eastern Europe recorded its major gains in the following sectors:

- *Clothing industry*: from 1988 to 1995 the increase of CEEC market share was more than twice that registered by Chinese or North African exporters, or put differently, Central and Eastern Europe increased its exports by the same amount as China and North Africa taken together. The region took the lead as the largest clothing supplier from outside the OECD, as the first-tier of NIEs clearly left the market to other competitors, but the second-tier of NIEs fell back also. In this labor-intensive sector, changes in the geographic pattern of EU imports reflect the transfer of production capacities to low wage countries. The bulk of EU clothing imports now results from processing trade, engineered by West European firms in the CEECs, and by Asian firms in China (about half of EU imports from China are linked to subcontracting arrangements with foreign firms). A second point is worth mentioning: the shift in EU imports of clothing products in favor of the CEECs did not displace North-African suppliers and, despite China's progress, it has clearly favored the suppliers from neighbor countries in the Southern and Eastern periphery of the EU.
- The same trends prevailed in the *Leather and shoes sector*: while China crowded the first-tier NIEs out of the market, Asian exporters as a whole lost ground to suppliers from Eastern Europe and North Africa.
- *Wood and paper industry, building materials*: in these two resource-intensive industries, Central and Eastern Europe is well ahead of other exporters, as it takes advantage of its natural resources and geographical proximity to European markets.
- In *Engineering industries* the position of the CEECs differs across sectors: in machinery, Central Europe improved its export performance, but stands far below the first-tier of NIE exports. CEEC electrical machinery exports are also much smaller than those of the second-tier of NIEs. As these industries have recorded accelerated growth rates of output and exports in recent years in Central Europe, it can be expected that competition will increase in this sector. The surge of transport equipment exports from Central Europe, which overtook the first-tier of NIEs in 1994, provides evidence that the region can rapidly expand its competitiveness in capital-intensive industries, as long as foreign investors contribute to the restructuring and the upgrading of capacity.

Since 1988, Central Europe has thus enlarged its share of EU imports in most industrial sectors, whereas other regions have concentrated their progress in some sectors. In labor-intensive sectors, Central Europe is in competition with the most recent emerging exporters (China, North Africa) and they all benefit from the relocation strategies of firms from high wage countries. In these sectors, the integration of the CEECs in the EU economy has increased the competitiveness of the "enlarged Europe" *vis-à-vis* low labor-cost, third-world countries. In more capital-intensive sectors, Central European exports are catching up less rapidly with Asian industrialized exporters.

2.2. Potential Competition

Table 15 presents an indicator which measures the degree of similarity of the commodity structures of bilateral trade flows. The degree of export similarity indicates with which regions Central and Eastern Europe is the most likely to be in competition in the EU market.

The index of export similarity shows that, in 1994, the highest degree of similarity of export structures was observed between the Visegrad countries, the Balkan countries and China **(Table 15A)**. There is strong potential competition between these latecomers. The potential competition is less strong between Visegrad countries and the first and second-tier NIEs. One of the reason for this relatively low degree of similarity is the fact that Central and Eastern Europe has not developed an export capacity in electronic industry (electronic components, computers) comparable to that of Asian countries. The recent changes in Central European exports towards more capital-intensive products may, in the future, dampen the competition with the least-developed Asian countries, such as China. But there is evidence that the latter will also strive to upgrade their export structures. North African exports appear to be relatively similar to those of the Balkan countries, but not with those of Visegrad countries, a situation that should alleviate their fear of being crowded out of the EU market by Eastern competitors.

The patterns of similarity on the import side are quite different from those observed on the export side **(Table 15B)**. Although Chinese and East European exports to the EU were relatively similar, their imports from the EU display the lowest degree of similarity. In contrast, the EU exports to Eastern Europe are relatively similar to its exports to the most-industrialized Asian countries and to North African countries.

2.3. Intra-Industry Trade

Inter-industry trade is typically associated with comparative advantage derived from the exploitation of differing relative endowments of factors of production. In contrast, intra-industry trade, i.e. simultaneous exports and imports within the same industry, is driven by the similarity of relative endowments.

Central European trade with the EU is characterized by a relatively high level of intra-industry trade (IIT). It is well above the level of intra-industry trade which exists in EU trade with other regions, and even with the first tier NIEs in Asia **(Table 16).** As noted by Hoekman

and Djankov, there is already relatively more IIT between the EU and Central Europe than between the EU and some member states. The nature of trade with the EU seems to imply that the relative factor endowments of the Central European countries do not fit their present level of income. It reflects their past industrialization drive and it is also the result of non-equity-based relationships that have been developing rapidly in recent years between Central European countries and EU firms. The level of ITT is likely to reflect the importance of intra-firm trade, resulting from FDI.

In EU trade with Balkan countries, the importance of IIT is much smaller and this confirms the position of the latter as the second-tier of emerging economies in Europe. Balkan countries are, from this point of view, in a similar situation *vis-à-vis* the European Union as the second-tier of Asian industrializing countries.

Intra-industry trade between Central Europe and the EU has been increasing very rapidly, much more rapidly than the overall bilateral trade, especially in the cases of Hungary and of the Czech Republic **(Table 17)**. For these two countries, the largest part of trade with the EU is taking place within industrial sectors. As far as Central Europe is concerned this indicator confirms that the integration in the European economy is not based on inter-sectoral specialization, and that comparative advantage in labor-intensive industries is only part of the story.

Nevertheless the nature of intra-industry trade between the EU and Central Europe remains to be specified: Is it a trade in differentiated products (exchange of different qualities or varieties) which would correspond to a horizontal division of labor? Or is it the result of a vertical division of labor in which intermediate products are exchanged for finished products (division of productive process)? The theory of international trade and empirical studies have shown that the latter plays an important part in international integration (Fontagné, Freundenberg, Ünal-Kesenci). In the case of CEECs there are strong evidence that they are more and more involved in vertical division of labor, but empirical work is still lacking that would show weather their specialization is found upstream in the productive process (primary and transformed products) or more downstream (component parts and finished products).

2.4. The Strategy of European Firms in Eastern Europe

Up to now, the overwhelming share of FDI realized in CEECs has originated from European countries (three-quarters of the total), and most of it from EU countries (two thirds of the total) **(Table 18).** This share is roughly in line with the share of the EU in CEECs foreign trade, and underscores the global integration process of these countries in the European economy. Whereas European firms play a prominent role in FDI inflows in CEECs, they are much less involved in FDI in Russia.

European firms have reacted differently to the opening up of the CEECs to international trade and investments. In some countries, firms have rapidly seized the new opportunities offered by the CEECs, while in others they have not yet done so. This is reflected in the trade intensity of individual EU countries with CEECs **(Table 19)**. France and Germany provide two contrasting examples: France displays a low trade intensity with CEECs, whereas the German position is strengthened by a high trade intensity. French and German firms have followed different strategies which are evident from the importance of their outward processing trade, as well as from the geographic and sectoral pattern of their investment abroad.

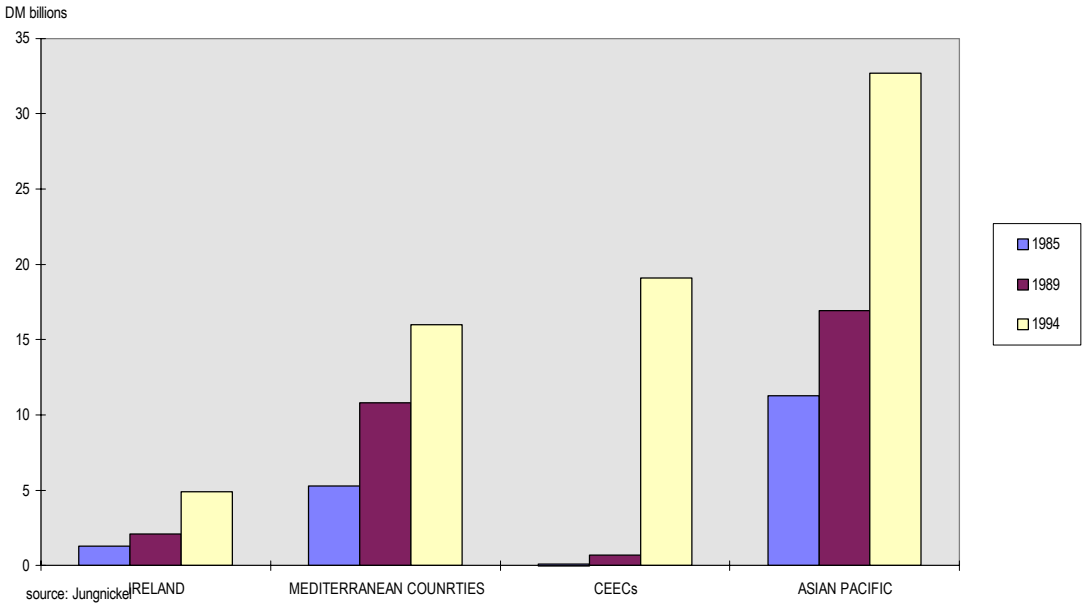
Geographic proximity and historical and cultural links are generally put forward to explain the high intensity of German-CEEC trade. It can also be argued that economic factors have strongly encouraged German firms to take advantage of the business opportunities offered by the opening up of Eastern Europe. Since the end of the eighties, German firms have intensified the transfer of production to low wage countries, given high domestic production costs. This relocation strategy involves outward processing traffic, as well direct investment. Central and East European countries have been among the main beneficiaries of this strategy. From this point of view, German firms were in the same position *vis-à-vis* the CEECs as the Asian industrialized countries had been *vis-à-vis* China and less-developed economies in South East Asia. Faced with declining competitiveness in their labor-intensive industries, firms have relocated their production to low-wage countries.

German firms have been the most active in developing OPT with the CEECs and in 1995 they accounted for two thirds of the EU OPT trade with the CEECs **(Table 20)**. This trade, derived from the relocation policies of German industrial firms, has been an engine for the overall growth of Germany-CEEC trade.

Transfer of production abroad has also led to an increase in FDI. In the mid-nineties, German FDI flows to non-OECD countries accelerated: the amount in DM more than trebled between 1991 and 1996, and although it still accounts for a small part of overall investment abroad, its relative importance has grown rapidly **(Table 21)**. The opening up of the CEECs has contributed to accelerate this trend, as they received about 40% of the increase in German FDI flows to non-OECD countries from 1992 to 1996. The rise in the activity of German firms in Eastern and Central Europe is highlighted by the data on the geographic distribution of their turnover and employment abroad **(Figures 2 and 3)**. In 1994, the CEECs accounted for nearly half of employment in German firms abroad (outside the OECD), more than Asian countries.

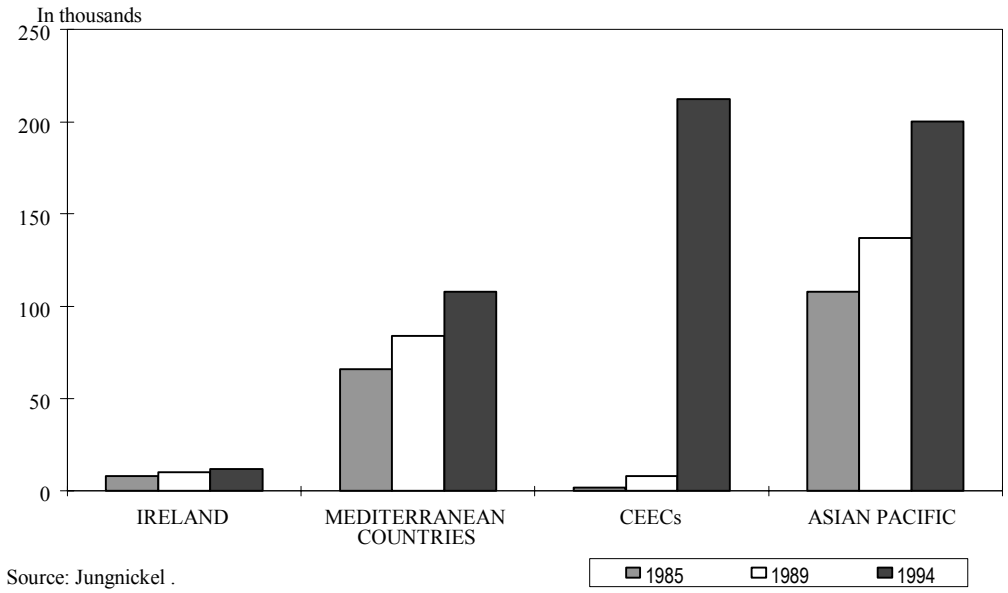
The major share of German foreign direct investment in Central European countries has been directed to manufacturing industry, and especially to the engineering sectors. These investments in production capacity require imports of equipment, technology, and components from the home country, so that German FDI is thus contributing to the expansion of exports **(Table 22)**.

GRAPH 2 :
TURNOVER OF GERMAN SUBSIDIARY AND ASSOCIATED COMPANIES IN HOST COUNTRIES 1985-1994



source: Jungnickel

Graph 3
Employment of German Subsidiary and Associated Companies
Host Countries 1985-1994



Source: Jungnickel .

Of course only a part of these investments has taken place on wage-cost grounds, as German investments in CEECs are also oriented towards the domestic market of host countries. Nevertheless, cost consideration may have played a more pervasive role in German investment in the CEECs than for other European investors, since German FDI involves a lot of small investors (the average size of German FDI is well below the EU average), for which cost considerations are paramount.

French firms have been much less involved in trade and investment with CEECs than German and Italian firms. One reason for the low trade intensity with Eastern Europe may be that French trade relations with its neighbor countries outside the EU have kept a strong traditional orientation towards the Mediterranean countries. French trade is oriented more southward than eastward **(Table 23)**.

French foreign direct investment in Eastern Europe provides the same evidence that CEECs did not display a special attractiveness for French firms up to 1994. In fact, French firms rapidly expanded their direct investment in non-OECD countries, in the first half of the 90, but they directed only a small fraction (around one tenth) towards Eastern Europe. As a result, although employment in French-firm affiliates in Eastern Europe has increased substantially in recent years, it still represents only 10% of their total employment abroad (outside OECD), and

African countries still account for a much larger share. However the surge in French direct investment in Hungary and in Poland, in 1995, may indicate that this situation is changing **(Table 21).** French FDI in Central Europe was not so much directed to industry as to services and infrastructure, and thus was less likely to boost trade in goods between French firms and their Central European affiliates **(Table 24)**. Furthermore, the food industry, which received relatively large amounts of French capital investment, is a sector in which local sourcing is likely to be important.

Although there are no accurate data on direct investment abroad that would allow precise inter-country comparisons to be made, the above analysis tends to show that the geographic pattern of investment abroad bear strong similarities with the geographic pattern of trade. German trade and investment have favored the neighbor countries of Eastern Europe, where German firms have built up a substantial stock of capital in few years. French trade and direct investment provide evidence of the resilience of traditional links with Africa. Italian firms display a pattern of regional preference that lies in between.

Conclusion

There is evidence that the economic structures in Central and Eastern Europe might not fit such a hierarchical model of the international division of labor as exemplified by Asia. The analysis of the data on OPT and FDI in the Eastern European countries suggests that the future comparative advantage of the Central European countries (Hungary, the Czech Republic, and Poland) lie in capital-intensive and natural resource-intensive sectors, rather than in labor-intensive sectors. This suggests a shift from a "least-cost approach" to a "complementary specialization approach" in the strategy pursued by Western firms in these countries (Kurz and Wittke). Trade and investment between the EU and Central Europe indicates that their integration is already driven more by an intra-industrial division of labor than by inter-sectoral complementarities. Nevertheless, as in Asia, the integration process in Europe will to a large extent depend on the strategy of Western firms which are building new productive networks in Central and Eastern Europe. Up to now individual EU countries reacted in different ways to the new opportunities offered by the re-integration of Eastern Europe. German and Italian firms have developed strong regional strategies and have integrated Eastern Europe in their production and trade networks. This has contrasted with the strategy of French firms which, until recently, have

displayed a relatively weak orientation towards these emerging markets, as they have been more strongly involved in trade and investment with the countries located on the southern periphery of Europe.

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Tables

Table 1				
GDP per Capita in Europe and in Asia				
GDP at PPP (1995)				
	US Dollars			US Dollars
Norway	21 324		Singapore	26 018
Switzerland	20 209		Hong Kong	21 641
Denmark	19 370		Japan	19 525
France	18 244		Taiwan	15 214
Belgium-Luxembourg	17 895		South Korea	11 275
Austria	17 891		Malaysia	8 410
Netherlands	17 732		Thailand	6 543
Sweden	17 465		Indonesia	3 272
Italy	17 424		China	2 912
Germany	16 922		Philippines	2 086
United Kingdom	16 922		India	1 197
Finland	15 706			
Ireland	14 604			
Spain	12 902			
Portugal	11 332			
Greece	10 306			
Slovenia*	10 100			
Czech Republic	7 756			
Hungary	6 438			
Poland	5 511			
Slovakia	4 269			
Bulgaria	3 681		Source: CEPII-Chelem.	
Romania	3 252		* Source WIIW.	

Table 2				
GDP per Capita in Europe and in Asia				
GDP at Current Exchange Rates (1995)				
	US Dollars			US Dollars
Switzerland	42 733		Japan	40 846
Norway	33 504		Singapore	28 059
Denmark	33 140		Hong Kong	23 217
Austria	29 210		Taiwan	11 909
Germany	29 084		South Korea	10 118
Belgium-Luxembourg	27 172		Malaysia	4 372
France	26 441		Thailand	2 868
Sweden	26 067		Philippines	1 018
Netherlands	25 546		Indonesia	974
Finland	24 509		China	582
Italy	18 946		India	357
United-Kingdom	18 880			
Ireland	18 021			
Spain	14 306			
Greece	10 895			
Portugal	10 112			
Slovenia*	7 144			
Czech Republic	4 423			
Hungary	4 340			
Poland	3 055			
Slovakia	2 968			
Romania	1 621		Source: CEPII-Chelem.	
Bulgaria	1 456		* Source WIIW.	

Table 3
Share of OPT in EU Imports From Central Europe*
As a % of EU Imports from Central Europe, in Individual Sectors

	1988	1989	1990	1991	1992	1993	1994	1995
Agricultural products	0.1	0.0	0.2	0.3	0.3	0.4	0.5	0.6
Food products	0.4	3.7	6.7	4.5	7.6	8.1	8.3	6.3
Chemical products	1.1	1.3	1.1	1.8	2.9	2.5	2.4	2.3
Leather and shoes	33.3	42.8	43.5	45.6	45.0	36.3	33.2	22.0
Textiles	0.8	1.6	5.4	7.4	8.4	10.4	14.2	14.6
Clothing	70.7	75.1	75.3	93.0	85.3	75.4	79.9	76.1
Wood and paper	0.5	0.7	0.8	1.4	0.9	0.6	0.8	1.1
Building materials	0.1	0.5	0.6	1.9	4.0	3.1	4.7	2.1
Glass	0.2	0.2	0.4	1.7	1.6	1.2	1.4	0.4
Non-ferrous metals	1.4	1.5	1.5	1.8	1.8	1.3	1.2	1.2
Iron and steel	0.2	0.2	0.4	1.2	4.8	5.3	1.0	0.2
Machinery	9.1	10.0	9.0	17.1	13.9	6.6	6.7	5.2
Transport material	20.0	24.9	20.8	11.0	11.6	3.8	4.7	2.6
Electrical machinery	24.0	23.0	17.6	32.7	43.1	21.7	17.0	14.4
NEC	3.5	2.7	3.6	3.8	5.5	1.3	0.4	0.2
Manufactured products	14.5	15.9	16.6	21.5	22.5	19.6	18.3	14.6
TOTAL	10.7	11.4	12.5	17.0	19.0	17.0	16.1	13.2

Source: Eurostat, Comext.

Hungary, Czech Republic, Slovakia, Poland, Slovenia.

Table 4
Share of OPT in EU Imports From Balkan Countries*
as a % of EU Imports from Central Europe, in Individual Sectors

	1988	1989	1990	1991	1992	1993	1994	1995
Agricultural products	0.0	0.7	0.0	0.1	0.1	0.0	0.1	0.1
Food products	0.0	0.0	0.0	0.1	0.6	5.9	5.5	3.7
Chemical products	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2
Leather and shoes	47.6	42.7	46.0	37.3	22.7	19.8	19.8	14.2
Textiles	0.2	0.1	0.5	0.1	0.9	0.9	0.8	1.4
Clothing	48.7	51.3	54.3	57.3	63.0	54.0	58.4	62.3
Wood and paper	0.2	0.2	0.8	0.2	0.1	0.0	0.1	0.0
Building materials	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.8
Glass	0.5	2.2	4.2	4.7	0.9	0.8	0.1	0.3
Non-ferrous metals	0.3	0.1	0.4	1.7	0.1	0.0	0.0	0.4
Iron and steel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Machinery	3.8	4.1	1.8	0.6	0.8	1.6	1.4	1.2
Transport material	13.9	0.0	0.0	2.3	8.3	4.8	1.0	0.3
Electrical machinery	0.8	0.9	1.2	1.3	1.1	9.9	6.0	3.0
NEC	3.1	5.4	2.6	6.3	10.8	6.0	0.4	0.1
Manufactured products	16.6	17.5	21.2	19.6	22.8	18.5	16.4	14.7
TOTAL	11.5	11.3	15.4	15.4	20.6	16.6	15.0	13.8
Source: Eurostat, Comext.								
*Bulgaria and Romania.								

Table 5
Structural Changes in EU Imports From Central Europe

	Sector Shares in %			Changes in % points	
	1988	1992	1995	1988-92	1992-95
Agricultural products	14.9	8.4	5.1	-6.5	-3.3
Food products	3.8	3.2	1.9	-0.6	-1.3
Fuels	10.3	6.2	4.1	-4.1	-2.1
Chemical products	10.3	9.6	9.0	-0.7	-0.6
Leather and shoes	3.4	4.2	2.9	0.8	-1.3
Textiles	2.9	2.3	2.1	-0.6	-0.2
Clothing	9.2	12.9	11.5	3.7	-1.5
Wood and paper	7.3	6.6	6.9	-0.7	0.3
Building materials	0.8	1.3	1.4	0.5	0.1
Glass	2.2	1.8	1.4	-0.4	-0.4
Non-ferrous metals	9.1	10.2	9.4	1.2	-0.8
Iron and steel	4.8	5.3	5.0	0.5	-0.3
Machinery	5.6	7.5	11.5	1.9	4.0
Transport material	5.0	7.1	8.9	2.1	1.8
Electrical machinery	3.5	5.2	9.7	1.7	4.5
NEC	1.1	1.1	1.4	0.0	0.2
Manufactured products	73.5	84.5	90.3	11.0	5.8
TOTAL	100.0	100.0	100.0	0.0	0.0
Source: Eurostat, Comext.					
* Hungary, Czech Republic, Slovakia, Poland, Slovenia.					

Table 6
Share of Balkan* Countries in the EU OPT Imports from CEECs
OPT Imports from Balkan Countries as a % of OPT Imports from the CEECs

	1988	1989	1990	1991	1992	1993	1994	1995
Agricultural products	0.0	61.1	0.4	2.6	4.1	0.0	2.2	2.5
Food products	0.0	0.0	0.0	0.3	1.3	15.7	14.1	12.9
Fuels		0.0		0.0	0.0	0.0	0.0	0.0
Chemical products	0.4	0.7	0.0	0.1	0.5	1.0	1.4	3.1
Leather and shoes	25.6	16.4	15.4	12.7	8.8	16.8	23.4	29.3
Textiles	6.8	2.5	1.3	0.2	1.5	2.2	1.8	2.9
Clothing	27.5	27.2	21.5	14.8	16.6	19.5	22.2	26.6
Wood and paper	6.6	4.6	9.8	1.3	0.6	1.0	1.6	0.2
Building materials	0.0	1.0	0.8	0.0	0.0	0.1	3.0	7.5
Glass	35.9	68.8	54.8	19.7	5.3	13.0	2.5	18.8
Non-ferrous metals	4.4	1.2	4.5	10.5	0.6	0.9	0.5	13.2
Iron and steel	0.0	0.6	0.0	0.0	0.0	0.0	0.1	0.4
Machinery	9.0	8.4	3.1	0.4	0.5	3.1	2.8	2.7
Transport material	9.0	0.0	0.0	1.7	2.3	7.8	2.7	2.1
Electrical machinery	0.7	0.7	0.7	0.5	0.2	4.0	4.3	2.5
NEC	15.1	23.0	12.2	10.9	10.8	25.5	13.1	6.8
Manufactured products	27.3	25.3	20.0	12.6	12.1	16.2	18.3	21.4
TOTAL	27.2	25.4	20.0	12.6	12.1	16.2	18.2	21.3
Source: Eurostat, Comext.								
*Bulgaria and Romania.								

Table 7	
The Importance of FDI in the CEECs and in Other European and Asian Countries	
	Share of FDI flows
	in gross fixed capital formation
	1992
Bulgaria	3.7
Czech Republic	12.3
Hungary	31.9
Poland	9.5
Romania	7.7
SR	6.0
Slovenia	0.0
Portugal	16.6
Spain	10.0
Indonesia	3.6
Korea	1.0
Malaysia	23.8
Philippines	6.0
Taiwan	3.0
Thailand	4.9
China	3.3
Source: CEECs: Author's calculations; data on FDI are from UN/ESC/ECE 1996. Other countries: UNCTAD 1996.	

Table 8
FDI in Manufacturing Industry in Central Europe (in %)

POLAND	Sectoral distribution Of FDI stock*	FDI/sector investment average 1992-94
Manufacturing industry	100.0	19.2
Food industry	28.7	24.0
Textile, clothing	4.3	15.2
Wood, paper, printing	15.3	22.2
Coal and petroleum pro.	0.2	0.7
Chemicals	12.1	23.9
Rubber, plastics	3.3	17.8
Metal products	6.3	33.2
Machinery	4.0	7.2
Telecommunication equipment	0.1	0.7
Vehicles	5.9	23.1
Other transport equipment	0.8	7.6
Other industries	19.2	-
CZECH REPUBLIC	Sectoral distribution Of FDI stock*	FDI/sector investment average 1992-94
Manufacturing industry	100.0	20.9
Food industry	14.8	19.3
Chemicals	9.1	10.1
Machinery	6.6	9.8
Transport equipment	37.0	67.2
Other industries	32.5	-
HUNGARY	Sectoral distribution Of FDI stock*	FDI/sector investment average 1992-94
Manufacturing industry	100.0	67.2
Food industry	33.2	80.8
Textile, clothing	4.1	57.7
Wood, paper, printing	6.8	75.4
Chemicals	13.3	26.0
Non metal products	8.2	118.6
Metallurgy and metal products	6.3	54.0
Machinery	26.9	120.7
Other industries	1.4	73.0
Sources: Lemoine, 1996 a).	* End 1994.	

Table 9				
Hungary - Foreign Firm Affiliates and Export Patterns				
	Foreign firm affiliates		Exports	
	share in		increase	structure
	total sales (%)	exports	1995/1993	1995
	1994	(%)	1993=100	%
Manufacturing industry	**33.0**	**66,0**	**118.8**	**100**
Electrical machinery	78.5	**94.1**	141.4	4.3
Tobacco	99.5	**92.7**	-	0.8
Paper	74.7	**91.0**	129.7	2.5
Other transport equipment	70.1	**81.4**	81.9	0.5
Motor vehicles	72.5	**77.9**	320.1	7.3
Office machinery	40.1	**74.8**	174.2	0.2
Telecommunication equipment	64.0	**72.7**	366.7	2.4
Metal products	49.2	**71.2**	121.2	6.3
Non-metal products	63.7	**70.3**	115.8	3.8
Instruments	47.7	**66.9**	191.0	1.4
Machinery	42.5	**64.7**	128.1	6.2
Leather	43.3	**62.8**	103.6	1.0
Rubber	56.2	**60.4**	114.7	3.9
Food	49.6	**60.0**	145.0	25.1
Textile	43.6	**56.4**	101.2	2.6
Chemicals	53.7	**54.1**	97.4	10.8
Furniture	30.6	**53.7**	264.4	1.6
Clothing	43.5	**52.3**	103.6	1.8
Wood	30.0	**44.3**	124.1	1.7
Printing	42.1	**31.0**	105.1	3.0
Basic metals	20.9	**27.1**	122.1	6.2

Source: GKI and Hungarian Statistical Yearbook

Sectors ranked according to the share of foreign firm affiliates in exports, descending order.

Table 10

Poland-Foreign Firm Affiliates and Foreign Trade Patterns, 1995

	Foreign firms affiliates		Structure of total		Balance of trade	
	share in %		exports	imports	foreign firm	total
	exports	imports	%	%	affiliates	
					million Zloty	
Total	**34.8**	**42.1**	**100**	**100**	**-4347**	**-6155**
Pulp of wood, paper	**67.8**	50.1	2.5	4.6	-290	-777
Miscellaneous manufactured	**56.5**	38.8	6.8	1.8	671	1018
Prepared foodstuffs	**46.8**	70.9	4.5	4.1	-372	-177
Machinery and electrical equipment	**45.6**	48.4	11.5	24.0	-2182	-4357
Transport equipment	**43.0**	71.2	10.1	5.7	-188	653
Leather and articles thereof	**39.4**	36.5	0.9	0.9	-20	-71
Textiles	**39.1**	39.0	12.4	9.7	10	23
Footwear	**38.0**	29.9	1.2	0.6	50	93
Instruments	**34.7**	26.5	0.6	2.7	-166	-666
Wood and articles thereof	**34.5**	57.2	4.2	0.6	223	767
Articles of stone, glass, plaster	**30.6**	36.2	1.9	2.1	-88	-176
Plastics and articles thereof	**30.0**	44.2	3.2	6.8	-666	-1243
Base metals	**23.0**	41.5	16.2	7.3	-27	1588
Mineral products	**12.2**	8.6	10.0	11.0	4	-920
Chemical products	**9.3**	38.4	6.8	11.2	-1104	-1692
Agricultural products	**...**	...	6.9	6.5	-346	-299
Others	**...**	...	0.3	0.4	143	81
Source: FTRI: Polish Foreign Trade in 1995.						

* Sectors ranked according to the share of foreign firms with affiliates in exports, descending order.

Table 11 - Hungary - Export/Sales Ratio in Manufacturing Industry

	Exports/sales in %	
	1993	1995
Manufacturing industry *	**28.8**	**36.3**
Motor vehicles	55.3	79.3
Electrical machinery	57.2	68.8
Clothing	60.5	67.8
Office machinery	43.2	63.8
Leather	48.5	53.2
Textile	37.2	48.5
Chemicals	40.9	45.1
Metal products	33.0	42.3
Furniture	27.1	41.0
Precision instruments	33.2	39.9
Machinery	37.2	39.6
Telecommunication apparatus	32.2	39.5
Basic metals	39.5	38.4
Rubber and plastic	31.1	35.7
Coke products	21.7	28.2
Wood products	20.7	27.6
Other transport equipment	22.9	23.9
Non metal products	21.3	21.3
Food and beverages	14.9	17.8
Paper products	8.9	17.4
Tobacco	1.9	12.6
Printing and publishing	4.2	4.9

Sources: National statistical yearbooks and bulletins.
*Sectors are ranked according to export/sales ratio in 1995, in descending order.

Table 12 - Poland - Export and Import Ratio in Manufacturing Industry

	Exports			Imports		
	in % of output			in % of domestic demand		
	1992	1994	1995	1992	1994	1995
Manufacturing industry*	**19.3**	**23.2**	**23.4**	**21**	**26.8**	**27.4**
Food and beverages	8.6	10.4	8.1	8.5	9.6	8.0
Clothing	31.8	85.7	} 59.3	13.5	52.0	} 55.8
Textile	6.4	6.8	}	13.4	39.9	}
Leather	21.6	32.7	34.7	13.5	30.1	32.0
Wood products	27.5	29.3	} 31.9	} 9.0	} 9.8	} 7.7
Furniture	22.0	39.6	}	}	}	}
Paper products	11.1	12.4	12.4	32.5	38.3	25.7
Coke products	7.7	8.0	8.7	11.3	9.1	10.1
Chemical	32.1	26.9	27.9	42.8	45.8	45.8
Rubber and plastic	15.2	15.5	17.3	32.2	36.7	33.5
Non-metal products	16.2	19.2	17.2	14.5	17.1	17.5
Metal products	24.5	31.6	} 39.3	23.8	31.6	} 26.9
Basic metal	49.2	46.8	}	19.3	24.4	}
Machinery	21.8	21.0	} 25.0	49.2	51.5	} 48.3
Precision instruments	28.7	34.9	}	56.7	58.5	}
Electrical equipment	28.0	30.9	30.5	43.3	460	53.6
Motor vehicles	21.1	27.4	} 38.3	} 25.1	} 28.2.	} 34.4
Other transport equipment	41.6	51.5	}	}	}	}

Sources: 1992 and 1994: Lemoine, 1996 a).

*Sectoral data for 1995 are from FTRI (1996).

Table 13					
Investment Rates in Central and Eastern European Countries 1991-1995					
Gross Fixed-Capital Formation in % to GDP (current prices)					
	1991	1992	1993	1994	1995
Bulgaria	18.2	16.2	13.0	14.2	15.3
Czech Republic	23.1	28.5	26.6	30.0	32.2
Hungary	20.9	19.9	18.9	20.1	19.3
Poland	19.5	16.8	15.9	16.2	17.1
Romania	14.4	19.2	17.9	26.9	21.8
Slovakia	28.3	32.9	32.6	29.5	29.1
Slovenia	20.6	18.4	18.7	19.6	21.2
Source: OECD: Short-term economic indicators. Transition economies. UN 1997.					
OECD: Short-term economic indicators. Transition Economies.					

Table 14

EU Imports From Emerging Economies

Share of countries and regions in % of EU imports (without intra EU trade) Source: Eurostat. COMEXT.

			Change in % point					Change in % point
ALL PRODUCTS	1988	1995	1988-1995		**MANUFACTURED PRODUCTS**	1988	1995	1988-1995
Total EU imports (without intra)	100	100	0,0		Total EU imports (without intra)	100	100	0,0
(a) Central & Eastern Europe	2,7	7,1	4,5		(a) Central & Eastern Europe	3,0	8,1	5,1
of which: Central Europe	2,0	5,7	3,7		of which: Central Europe	2,3	6,4	4,1
(b) North Africa	2,2	2,6	0,3		(b) North Africa	1,1	1,5	0,4
Asia:	8,3	14,0	5,7		Asia:	11,9	16,6	4,7
(c) China	1,8	4,8	3,0		(c) China	2,4	5,7	3,2
(d) NIEs 1	4,7	5,7	1,0		(d) NIEs 1	7,2	6,9	-0,2
(e) NIEs 2	1,8	3,4	1,7		(e) NIEs 2	2,3	4,0	1,7
a + b + c + d + e	13,2	23,7	10,5		a + b + c + d + e	16,0	26,2	10,2
Others	84,8	70,6	-14,2		Others	81,8	67,5	-14,3
CLOTHING	1988	1995	1988-1995		**LEATHER AND SHOES**	1988	1995	1988-1995
Total EU imports (without intra)	100	100	0,0		Total EU imports (without intra)	100	100	0,0
(a) Central & Eastern Europe	7,1	16,2	9,1		(a) Central & Eastern Europe	3,7	11,4	7,7
of which: Central Europe	4,6	11,2	6,6		of which: Central Europe	3,0	6,9	4,0
(b) North Africa	7,5	11,4	3,8		(b) North Africa	1,6	3,0	1,4
Asia:	24,9	18,8	-6,1		Asia:	33,2	31,0	-2,2
(c) China	7,8	12,0	4,2		(c) China	7,7	21,5	13,9
(d) NIEs 1	11,6	2,8	-8,8		(d) NIEs 1	23,1	5,0	-18,0
(e) NIEs 2	5,4	4,0	-1,4		(e) NIEs 2	2,4	4,4	2,0
a + b + c + d + e	39,5	46,4	6,9		a + b + c + d + e	38,5	45,4	6,9
Others	55,9	42,4	-13,5		Others	58,6	47,7	-10,8

TABLE 14 (continued)

WOOD AND PAPER	1988	1995	1988-1995		**CONSTRUCTION MATERIALS**	1988	1995	1988-1995
Total EU imports (without intra)	100	100	0,0		Total EU imports (without intra)	100	100	0,0
(a) Central & Eastern Europe	2,5	11,4	8,9		(a) Central & Eastern Europe	6,1	23,0	16,9
of which: Central Europe	2,1	9,6	7,5		of which: Central Europe	4,5	19,1	14,6
(b) North Africa	0,2	0,4	0,1		(b) North Africa	0,3	1,0	0,7
Asia:	4,2	7,4	3,2		Asia:	18,6	23,5	4,9
(c) China	0,6	2,7	2,0		(c) China	4,9	12,1	7,3
(d) NIEs 1	1,3	1,5	0,2		(d) NIEs 1	11,7	5,6	-6,2
(e) NIEs 2	2,4	3,3	0,9		(e) NIEs 2	2,0	5,8	3,8
a + b + c + d + e	7,0	19,1	12,2		a + b + c + d + e	25,1	47,6	22,5
Others	91,0	71,3	-19,7		Others	70,5	33,3	-37,1
MACHINERY	1988	1995	1988-1995		**TRANSPORT EQUIPMENT**	1988	1995	1988-1995
Total EU imports (without intra)	100	100	0,0		Total EU imports (without intra)	100	100	0,0
(a) Central & Eastern Europe	0,9	4,3	3,4		(a) Central & Eastern Europe	1,8	7,8	6,1
of which: Central Europe	0,7	3,8	3,1		of which: Central Europe	1,5	6,7	5,2
(b) North Africa	0,1	0,2	0,0		(b) North Africa	0,3	0,6	0,2
Asia:	7,9	18,9	11,0		Asia:	4,2	6,8	2,6
(c) China	0,5	3,6	3,2		(c) China	2,1	0,5	-1,6
(d) NIEs 1	6,9	11,9	4,9		(d) NIEs 1	2,0	5,8	3,8
(e) NIEs 2	0,5	3,4	2,9		(e) NIEs 2	0,1	0,5	0,4
a + b + c + d + e	8,8	23,3	14,4		a + b + c + d + e	6,2	15,2	9,0
Others	90,5	72,9	-17,6		Others	92,2	78,1	-14,2

ELECTRICAL MACHINERY	1988	1988-1995	1988-1995	
Total EU imports (without intra)	100	100	0,0	
(a) Central & Eastern Europe	0,9	5,2	4,3	
of which: Central Europe	0,7	4,7	3,9	
(b) North Africa	0,5	1,0	0,5	
Asia:	17,6	30,2	12,5	
(c) China	1,6	6,8	5,2	
(d) NIEs 1	13,6	14,1	0,5	
(e) NIEs 2	2,4	9,3	6,9	
a + b + c + d + e	19,0	36,4	17,4	
Others	80,3	59,0	-21,3	

Table 15 A Table 15 B

Similarity Index* of Exports to the EU 15 Similarity Index of Imports from the EU*

Descending Order (1994)			Descending Order (1994)	
Visegrad / Balkan Countries	65.2		Visegrad / North Africa	76.9
Balkan Countries / China	55.0		Balkan Countries / North Africa	74.9
Visegrad / China	54.1		Visegrad / NIEs1	72.8
Visegrad / NIEs1	46.8		Balkan Countries / NIEs1	71.6
Balkan Countries / North Africa	46.1		Visegrad / NIEs2	62.3
Visegrad / NIEs2	45.6		Balkan Countries / NIEs2	59.3
Balkan Countries / NIEs2	41.2		Visegrad / China	49.0
Balkan Countries / NIEs1	36.5		Balkan Countries / China	47.3
Visegrad / North Africa	35.8			

Source: CEPII. Chelem database.
* Finger index: s(ab,c) = □ min□ Xi(ac), Xi(bc)□ , where Xi(a,c) is the share of commodity i in the exports of country a to c; Xi(b,c) is the share of commodity i in the exports of country b to c.

Table 16							
Index of Intra Industry Trade in EU Trade With Different Regions (1994)							
(Grubel-Lloyd index)							
Central and Eastern Europe	Visegrad* Countries	Balkan Countries	Former USSR	North Africa	First tier Asian NIEs	Second tier Asian NIEs	China
0.59	0.61	0.44	0.29	0.30	0.48	0.43	0.23

Source: CEPII. Chelem database.

*Hungary, Czech Republic, Slovakia, Slovenia, Poland.

Grubel-Lloyd index: , where x=exports, m=imports, i=commodity.

Table 17								
Index of Intra-Industry Trade in EU Trade With Central- Eastern European Countries								
(Grubel-Lloyd index)								
	1988	1989	1990	1991	1992	1993	1994	1995
Bulgaria	0.26	0.28	0.30	0.34	0.33	0.38	0.33	0.31
Hungary	0.45	0.45	0.50	0.52	0.54	0.58	0.61	0.70
Poland	0.40	0.43	0.42	0.42	0.42	0.43	0.43	0.46
Czech Republic	0.44	0.43	0.46	0.53	0.54	0.59	0.61	0.64
Romania	0.31	0.31	0.37	0.39	0.32	0.30	0.33	0.35
Slovakia	-	-	-	-	-	0.42	0.48	0.53
Slovenia	-	-	-	-	0.59	0.62	0.66	0.69

Source: Eurostat. Comext. Calculated at two-digit level of commodity classification.

Table 18

Foreign Direct Investment Stocks in Central and Eastern Europe by Origin of Foreign Investors

(end 1995)

In %	Poland	Hungary	CR	Bulgaria	Romania	Slovakia	Slovenia	**CEEC**	Russia
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	**100.0**	100.0
Western Europe	**68.6**	**78.2**	**78.8**	**80.5**	**61.7**	**68.0**	**73.2**	**74.5**	**60.6**
EU	**63.1**	**73.5**	**64.7**	**72.4**	**51.0**	**64.7**	**67.6**	**67.2**	**41.2**
Austria	4.1	19.6	5.4	5.1	2.4	21.4	23.6	**12.4**	2.8
Germany	17.0	22.0	30.0	39.5	9.1	17.5	19.8	**21.8**	7.1
France	6.2	5.1	9.3	2.3	7.8	5.9	9.7	**6.8**	10.8
Italy	3.7	4.6	2.4	0.0	8.6	2.1	8.3	**4.4**	2.4
Netherlands	18.6	11.2	13.6	5.8	7.3	7.8	0.9	**11.9**	5.1
UK	4.3	4.4	0.0	4.5	5.5	7.2	1.8	**3.4**	11.8
Other Western Europe	5.5	4.8	14.2	8.0	10.7	3.3	5.6	**7.3**	19.4
US	22.9	14.3	13.6	6.6	7.4	11.4	1.3	**14.1**	24.6
OTHER	8.5	7.5	7.6	13.0	30.9	20.6	25.6	**11.3**	14.8

Source: UN/ESC/ECE (1996).

Table 19

Trade Intensity Between The EU Countries and the CEECs in 1995

	Import Intensity (1) Partners									Share in
Reporting countries	Poland	CR	Slovakia	Hungary	Romania	Bulgaria	Slovenia	**CEEC**	Extra EU	imports
										From CEEC
France	0.5	0.3	0.4	0.4	0.8	0.6	1.1	**0.5**	100	6.7
Belgium-Luxembourg	0.6	0.4	0.3	0.6	0.7	0.8	0.2	**0.5**	100	3.3
Netherlands	0.6	0.3	0.4	0.4	0.7	0.5	0.2	**0.5**	100	4.5
Germany	2.1	2.4	2.1	1.9	1.2	0.9	1.8	**2.0**	100	50.4
Italy	0.7	0.6	1.2	1.1	2.7	1.9	1.9	**1.1**	100	12.8
UK	0.4	0.3	0.2	0.3	0.4	0.4	0.2	**0.3**	100	5.3
Ireland	0.3	0.2	0.1	0.1	0.1	0.1	0.1	**0.2**	100	0.2
Denmark	2.5	0.6	0.4	0.3	0.2	0.6	0.5	**1.1**	100	1.9
Greece	0.4	0.7	0.7	0.6	2.7	17.9	0.5	**1.5**	100	1.6
Portugal	0.2	0.2	0.2	0.1	0.2	1.0	0.2	**0.2**	100	0.3
Spain	0.4	0.3	0.3	0.8	0.6	1.2	0.2	**0.4**	100	2.2
Sweden	1.3	0.5	0.6	0.5	0.3	0.3	0.4	**0.7**	100	2.1
Finland	1.3	0.6	0.8	0.5	0.1	0.4	0.3	**0.7**	100	1.1
Austria	1.6	4.7	5.6	5.4	1.2	0.9	4.1	**3.5**	100	7.7
EU	1.0	1.0	1.0	1.0	1.0	1.0	1.0	**1.0**	100	100.0

Export Intensity (1) Partners

Table 19 (continued)

Reporting countries	Poland	CR	Slovakia	Hungary	Romania	Bulgaria	Slovenia	CEEC	Extra EU	Share in exports
										to CEECs
France	0.5	0.4	0.4	0.4	0.8	0.5	0.7	0.5	100	7.4
Belgium-Luxembourg	0.9	0.7	0.7	0.7	0.5	0.6	0.4	0.7	100	3.8
Netherland	1.3	0.7	0.7	0.8	0.9	0.8	0.6	0.9	100	5.1
Germany	1.5	1.8	1.8	1.5	1.2	1.2	1.1	1.5	100	44.8
Italy	0.9	0.6	0.9	0.9	1.9	1.2	2.1	1.1	100	14.5
UK	0.5	0.4	0.2	0.3	0.4	0.5	0.2	0.4	100	4.9
Ireland	0.4	0.4	0.3	0.4	0.2	0.3	0.2	0.4	100	0.6
Denmark	1.5	0.6	0.5	0.5	0.5	0.7	0.3	0.8	100	1.8
Greece	0.7	0.6	0.4	0.7	5.9	27.4	1.1	2.2	100	1.3
Portugal	0.1	0.1	0.4	0.5	0.1	0.5	0.1	0.2	100	0.1
Spain	0.6	0.4	0.4	0.4	0.4	0.3	0.8	0.5	100	1.9
Sweden	1.0	0.4	0.3	0.6	0.3	0.3	0.3	0.6	100	2.6
Finland	1.0	0.5	0.5	0.7	0.1	0.8	0.2	0.6	100	1.5
Austria	1.4	3.8	5.0	6.8	1.8	2.1	5.3	3.6	100	9.7
EU	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	100	100.0

Source: Eurostat. Comext.

(1) Trade intensity: ratio of the share of individual EU countries in EU trade with CEECs, to its share in total EU trade (without intra-EU trade).

Table 20
Share of Individual EU Countries in Outward Processing Trade with CEECs (in %), in 1995

IMPORTS	Partners							
Reporting countries	Poland	CR	Slovakia	Hungary	Romania	Bulgaria	Slovenia	CEECs
France	4.4	2.1	6.8	7.0	9.5	7.4	5.1	5.5
Belgium-Luxembourg	1.0	0.7	2.2	2.7	4.6	2.4	0.0	1.9
Netherland	9.3	1.4	10.5	6.6	3.0	9.6	3.9	6.2
Germany	**71.4**	**86.5**	**59.4**	**55.9**	**51.5**	**47.0**	**78.1**	**67.0**
Italy	1.7	1.8	10.0	13.9	23.2	20.7	10.0	8.9
UK	1.0	0.3	2.6	3.2	6.5	3.1	0.2	2.3
Ireland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Denmark	8.7	0.2	0.2	0.5	0.0	3.3	0.3	3.3
Greece	0.0	0.0	0.0	0.0	0.1	3.0	0.0	0.1
Portugal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Spain	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Sweden	2.0	0.1	0.6	0.8	0.9	0.0	0.4	1.0
Finland	0.1	0.1	0.2	0.1	0.0	0.0	0.0	0.1
Austria	0.3	6.8	7.5	9.2	0.6	3.6	2.0	3.7
EU	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
France	4.0	1.4	6.1	5.6	10.5	6.2	4.3	4.9
Belgium-Luxembourg	1.2	0.8	2.6	2.2	1.8	1.9	0.0	1.4
Netherland	6.8	0.8	3.2	3.9	2.5	6.0	1.9	3.8
Germany	**73.7**	**83.6**	**66.9**	**61.3**	**53.4**	**45.4**	**76.9**	**69.2**
Italy	2.0	1.5	12.1	12.1	27.8	20.7	12.7	9.5
UK	1.0	5.3	1.2	1.0	2.5	1.5	0.7	2.2
Ireland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Denmark	8.0	0.1	0.1	0.4	0.0	2.2	0.2	2.5
Greece	0.0	0.0	0.0	0.0	0.1	13.0	0.0	0.6
Portugal	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Spain	0.4	0.0	0.0	0.0	0.1	0.0	0.0	0.1
Sweden	2.4	0.1	0.3	0.8	0.6	0.0	0.3	1.0
Finland	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Austria	0.4	6.2	7.3	12.8	0.6	3.1	3.0	4.6
EU	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Eurostat. Comext.

Table 21						
French, German and Italian Foreign Direct Investment (flows)						
German FDI Abroad	1991	1992	1993	1994	1995	1996
FDI in non-industrialised countries						
millions DM	3631	3173	4848	6003	11791	12092
as % of total FDI	9.2	10.4	19.1	22.2	21.4	28.9
FDI in CEECs as % of FDI in non OECD	35.0	54.6	49.8	48.8	33.4	35.2
French FDI Abroad	1990	1991	1992	1993	1994	1995
FDI in non-OECD countries						
millions FF	7210	10333	10446	20172	13732	17520
as % of total FDI	4.2	7.3	8.0	20.1	12.9	17.1
FDI in CEECs as % of FDI in non OECD	1.7	8.2	5.6	8.2	10.1	32.3
Italian FDI Abroad	1990	1991	1992	1993	1994	
FDI in non-industrialised countries						
billions lira	712	6716	1166	2001	941	
as % of total FDI	8.2	81.1	15.9	17.6	11.4	
FDI in CEECs as % of FDI in non OECD	7.9	0.7	10.3	34.1	24.3	

Sources:. Banque de France: Balance des Paiements 1995, annexes; Bundesbank: Zahlungbilanz nach Regionen; OECD: International Investment Statistics.

Table 22				
Sectoral Orientation of German FDI in Hungary and the Czech Republic				
Structure of Investment Stocks, end 1995				
		Hungary	Czech Republic	
	Total	**100.0**	**100.0**	
	Manufacturing industry	**51.2**	**60.6**	
	Chemical industry	1.4	1.4	
	Machinery	5..	8.2	
	Transport equipment	26.5	28.8	
	Electrical machinery	3.6	6.5	
	Others	14.7	22.3	
	Other sectors	**48.8**	**39.4**	
	Trade	8..	7.6	
	Banking sector	9.5	7.6	
	Insurance		3.0	
	Holdings	18.2	18.2	
	Private persons	2.1	1.0	
	Source: Bundesbank, 1997.			

Table 23		
EU Trade with Eastern Europe and the Mediterranean Countries*		
Trade with the two regions as a % of total trade (without intra-EU trade)		
Exports to CEECs	1988	1995
EU 12	4.2	8.4
France	2.6	4.4
Germany	6.4	12.3
Italy	5.2	11.1
Exports to Mediterranean C.*	1988	1995
EU 12	8.0	8.6
France	11.3	12.1
Germany	5.5	5.8
Italy	11.9	12.3
Imports from CEECs	1988	1995
EU 12	4.2	7.3
France	3.0	4.1
Germany	7.0	13.9
Italy	7.7	9.4
Imports from Mediterranean C.*	1988	1995
EU 12	6.3	6.6
France	8.4	9.7
Germany	5.6	5.4
Italy	12.9	13.3

Source: Eurostat. Comext.
* The Mediterranean countries include: Algeria, Morocco, Tunisia, Libya, Turkey, Syria, Jordania, Israel.

Table 24						
Sectoral Orientation of French FDI Flows in Central Europe						
	Hungary		Poland		Czech Republic	
	cumul.1989-94	1995	cumul.1989-94	1995	cumul.1993-94	1995
Millions francs	2549	3903	560.0	1081.0	1148	538
Structure	100.0	100.0	100.0	100.0	100	100
Energy	20.7	67.2	2.5	0.4	9.1	7.4
Manufacturing industry	**29.5**	**7.9**	**49.6**	**80.8**	**47.8**	**25.8**
Mineral products				20.9		13.9
Chemicals	3.8	5.4	15.2	3.2	5.2	0.4
Metallurgy	1.1	0.1			1.0	0.7
Agricultural machinery				0.2		0.2
Office machine, instruments			0.4			0.0
Electric and electronic equip.	6.1	1.1	1.6	1.1	1.5	4.1
Transport materials			0.4	0.0	5.1	3.7
Food	16.9	1.3	14.8	30.6	14.8	2.2
Textile, clothing	0.3	0.1	0.2	0.1		0.0
Paper, printing	0.9	0.1	17.0	0.3	0.4	0.2
Rubber, plastics					0.5	0.4
Other products manuf.	0.1	0.0		24.3		0.0
Construction	**7.3**	**1.1**			**5.7**	**6.1**
Services	**37.9**	**23.3**	**39.6**	**7.1**	**15.9**	**54.3**
Trade	6.6	2.2	13.2	3.2	1.0	0.9
Catering, hotel	0.6	0.0	0.0	0.1	1.0	
Communication	1.1	0.0				
Financial sector	10.8	2.6	20.2	1.6	12.7	46.7
Other services	18.7	18.5	3.8	2.2	1.2	6.7
Property	0.6	0.1	0.4	0.3	19.1	0.2
Holdings	2.7	0.2	0.2	10.8	0.6	5.6
nec	1.0	0.2	6.4	0.6		0.2
Source: Banque de France.						

Appendix 1

Structural Changes in EU Imports from the CEECs between 1988 and 1995

	Sector shares			Changes	
Imports from Hungary	in %			in % points	
	1988	1992	1995	88-92	92-95
Agricultural products	23.0	15.2	9.2	-7.8	-6.0
Food products	5.7	5.7	2.7	0.1	-3.0
Fuels	3.6	1.8	1.3	-1.9	-0.5
Chemical products	11.9	11.6	9.9	-0.3	-1.8
Leather and shoes	4.7	6.2	4.0	1.5	-2.2
Textiles	3.2	2.0	1.4	-1.2	-0.5
Clothing	12.7	14.6	10.6	1.9	-4.0
Wood and paper	3.9	3.9	3.0	0.0	-0.9
Building material	0.8	0.9	0.8	0.1	-0.1
Glass	1.2	1.4	0.8	0.2	-0.6
Non ferrous metals	7.5	6.5	7.0	-1.0	0.5
Iron and steel	3.8	3.3	5.2	-0.5	1.9
Machinery	7.1	9.9	19.2	2.7	9.3
Transport material	1.0	3.2	5.8	2.3	2.6
Electrical machinery	4.9	8.1	14.0	3.2	5.9
NEC	4.9	5.7	1.0	0.8	-4.7
Manufacturing products	73.4	83.0	89.1	9.7	6.0
TOTAL	100.0	100.0	100.0	0.0	0.0

Appendix 1 (continued)

	Sector shares			Changes	
Imports from Poland	in %			in % points	
	1988	1992	1995	88-92	92-95
Agricultural products	16.1	10.0	5.9	-6.1	-4.1
Food products	3.9	3.4	2.3	-0.5	-1.1
Fuels	16.7	9.5	7.6	-7.1	-2.0
Chemical products	6.8	8.2	7.6	1.5	-0.6
Leather and shoes	3.2	3.1	2.2	-0.1	-0.9
Textiles	1.4	1.3	1.2	-0.1	-0.1
Clothing	9.2	14.4	15.3	5.2	0.9
Wood and paper	5.4	6.8	7.9	1.4	1.1
Building material	0.4	0.7	1.0	0.3	0.3
Glass	1.1	1.1	0.9	0.0	-0.2
Non ferrous metals	6.8	9.7	10.0	2.9	0.4
Iron and steel	8.4	8.9	6.7	0.4	-2.2
Machinery	3.9	4.6	5.0	0.7	0.4
Transport material	7.3	5.7	8.5	-1.6	2.7
Electrical machinery	2.9	3.0	6.1	0.0	3.1
NEC	5.5	8.0	1.8	2.5	-6.2
Manufacturing products	66.3	79.0	85.9	12.6	6.9
TOTAL	100.0	100.0	100.0	0.0	0.0

Appendix 1 (continued)

	Sector shares		Changes		
Imports from Czech Republic	in %		in % points		
	1993	1995	93-95		
Agricultural products	3.0	1.9	-1.1		
Food products	1.7	1.4	-0.3		
Fuels	6.1	3.9	-2.2		
Chemical products	10.4	11.2	0.8		
Leather and shoes	3.7	2.6	-1.1		
Textiles	3.6	3.5	-0.1		
Clothing	8.1	6.2	-1.8		
Wood and paper	5.8	7.1	1.3		
Building material	2.5	2.3	-0.2		
Glass	3.3	2.9	-0.4		
Non ferrous metals	12.2	12.8	0.6		
Iron and steel	2.2	2.7	0.5		
Machinery	10.1	11.4	1.4		
Transport material	9.3	8.8	-0.5		
Electrical machinery	7.6	10.7	3.0		
NEC	1.7	1.5	-0.2		
Manufacturing products	90.2	93.6	3.5		
TOTAL	100.0	100.0	0.0		

Appendix 1 (continued)

	Sector shares		Changes		
Imports from Slovakia	in %		in % points		
	1993	1995			
Agricultural products	2.7	1.3	-1.4		
Food products	0.6	0.6	0.1		
Fuels	6.1	3.2	-2.9		
Chemical products	10.9	11.5	0.6		
Leather and shoes	4.0	4.5	0.5		
Textiles	3.7	3.7	-0.1		
Clothing	14.2	10.1	-4.1		
Wood and paper	8.5	8.8	0.4		
Building material	2.6	1.3	-1.3		
Glass	3.0	2.3	-0.7		
Non ferrous metals	19.0	17.4	-1.7		
Iron and steel	2.1	2.6	0.5		
Machinery	6.5	6.5	0.0		
Transport material	6.2	13.8	7.6		
Electrical machinery	3.4	6.7	3.3		
NEC	0.7	0.9	0.2		
Manufacturing products	90.6	94.9	4.3		
TOTAL	100.0	100.0	0.0		

Appendix 1 (continued)

	Sector shares		Changes		
Imports from Slovenia	in %		in % points		
	1992	1995			
Agricultural products	2.3	0.8	-1.4		
Food products	0.8	0.6	-0.2		
Fuels	0.3	0.2	-0.1		
Chemical products	5.9	7.0	1.1		
Leather and shoes	5.3	3.7	-1.6		
Textiles	2.5	3.5	1.0		
Clothing	18.8	12.1	-6.8		
Wood and paper	9.2	10.2	1.0		
Building material	1.6	1.4	-0.2		
Glass	0.4	0.8	0.4		
Non ferrous metals	4.8	5.5	0.7		
Iron and steel	4.2	5.2	1.0		
Machinery	11.8	14.2	2.5		
Transport material	15.2	15.8	0.6		
Electrical machinery	8.9	10.4	1.5		
NEC	0.8	0.4	-0.4		
Manufacturing products	97.3	98.7	1.4		
TOTAL	100.0	100.0	0.0		

Appendix 1 (continued)

	Sector shares			Changes	
Imports from Bulgaria	in %			in % points	
	1988	1992	1995	88-92	92-95
Agricultural products	12.0	11.4	6.6	-0.7	-4.8
Food products	11.5	9.1	5.2	-2.3	-3.9
Fuels	8.6	1.4	2.7	-7.2	1.3
Chemical products	18.4	11.2	15.5	-7.3	4.3
Leather and shoes	1.4	6.9	5.0	5.5	-1.9
Textiles	3.3	3.2	3.2	-0.1	-0.1
Clothing	8.0	18.8	13.9	10.8	-4.8
Wood and paper	3.8	4.0	3.5	0.1	-0.5
Building material	0.6	1.3	1.1	0.7	-0.1
Glass	0.8	0.9	0.7	0.1	-0.1
Non ferrous metals	7.7	7.7	17.7	-0.1	10.1
Iron and steel	4.3	7.1	13.4	2.8	6.2
Machinery	7.8	6.9	5.3	-0.9	-1.6
Transport material	0.4	0.9	0.5	0.5	-0.3
Electrical machinery	3.0	3.8	2.9	0.8	-1.0
NEC	6.8	5.1	0.5	-1.7	-4.6
Manufacturing products	77.9	86.8	90.4	8.9	3.7
TOTAL	100.0	100.0	100.0	0.0	0.0

Appendix 1 (continued)

	Sector shares			Changes	
Imports from Romania	in %			in % points	
	1988	1992	1995	88-92	92-95
Agricultural products	3.7	3.8	2.5	0.0	-1.3
Food products	1.0	1.8	1.0	0.8	-0.8
Fuels	29.0	3.1	2.4	-25.9	-0.7
Chemical products	6.1	6.4	6.5	0.3	0.1
Leather and shoes	2.6	6.0	10.4	3.4	4.4
Textiles	2.2	2.1	1.5	-0.1	-0.6
Clothing	15.9	33.1	29.6	17.2	-3.5
Wood and paper	4.4	3.1	2.6	-1.3	-0.5
Building material	0.9	1.1	0.9	0.3	-0.2
Glass	1.3	1.9	1.4	0.6	-0.5
Non ferrous metals	6.2	9.7	13.2	3.5	3.5
Iron and steel	5.9	0.7	7.7	-5.1	6.9
Machinery	3.0	4.2	4.1	1.3	-0.1
Transport material	2.4	2.4	1.8	0.0	-0.6
Electrical machinery	1.7	2.3	3.7	0.5	1.5
NEC	13.3	17.4	0.4	4.1	-17.0
Manufacturing products	66.9	92.4	94.2	25.5	1.8
TOTAL	100.0	100.0	100.0	0.0	0.0
Source: Eurostat. Comext.					

Appendix 2

Share of OPT in EU Imports from Central and Eastern Europe*

OPT Imports in % of Imports from Each Countries in Individual Sectors

Share of OPT in EU Imports from Czech Republic*

	1988	1989	1990	1991	1992	1993	1994	1995
Agricultural products	0.1	0.0	0.0	0.3	0.5	1.6	1.4	0.5
Food products	0.0	0.1	0.2	0.6	0.8	1.2	5.3	9.4
Fuels	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chemical products	0.5	0.8	1.1	1.1	1.8	2.6	2.7	3.1
Leather and shoes	10.7	20.8	22.2	20.6	28.9	31.3	30.2	21.8
Textiles	0.0	0.1	0.5	1.2	2.0	5.3	9.1	12.6
Clothing	29.8	33.2	32.5	47.4	52.4	61.6	69.5	69.8
Wood and paper	0.4	0.4	0.6	1.3	1.1	1.9	2.0	2.8
Building material	0.0	0.0	0.0	1.1	3.3	6.9	9.7	4.5
Glass	0.0	0.0	0.1	1.1	1.0	1.3	1.2	0.5
Non ferrous metals	1.0	1.0	1.6	1.5	1.2	1.4	1.8	2.0
Iron and steel	1.3	0.2	1.5	3.8	11.5	16.5	2.9	0.2
Machinery	2.4	3.9	5.4	16.2	13.6	12.7	13.1	12.4
Transport material	28.1	25.5	19.9	5.9	10.3	6.0	6.6	5.4
Electrical machinery	6.3	4.5	5.5	22.6	36.2	31.1	21.6	21.4
NEC	0.1	0.3	0.2	0.5	0.5	0.9	0.2	0.1
Manufacturing products	5.3	6.1	6.4	9.3	12.0	13.7	13.6	12.1
TOTAL	4.5	5.0	5.4	8.2	10.8	12.4	12.5	11.3

* up to 1992: CSFR.

Share of OPT in EU Imports from Slovak Republic*

Appendix 2 (continued)

						1993	1994	1995
Agricultural products						0.0	0.0	0.0
Food products						4.2	0.0	0.1
Fuels						0.0	0.0	0.0
Chemical products						0.1	0.1	0.7
Leather and shoes						24.0	22.3	12.9
Textiles						0.7	1.2	0.7
Clothing						67.8	70.5	71.9
Wood and paper						0.2	0.2	0.1
Building material						0.1	0.0	0.0
Glass						0.4	0.3	0.0
Non ferrous metals						0.2	0.2	0.6
Iron and steel						0.1	0.2	0.3
Machinery						3.7	7.7	7.9
Transport material						20.4	8.6	2.2
Electrical machinery						51.9	27.6	11.3
NEC						7.5	0.5	0.1
Manufacturing products						14.9	12.9	10.5
TOTAL						13.5	12.0	9.9

* up to 1992: CSFR.

Appendix (continued)								
Share of OPT in EU Imports from Hungary								
	1988	1989	1990	1991	1992	1993	1994	1995
Agricultural products	0,0	0,0	0,1	0,1	0,1	0,1	0,1	0,2
Food products	0,0	0,6	1,0	1,1	1,3	1,9	0,9	0,6
Fuels	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Chemical products	1,6	1,5	0,7	2,9	4,5	3,4	3,1	3,6
Leather and shoes	60,3	60,5	60,6	60,7	57,8	51,9	44,8	28,2
Textiles	1,9	2,5	12,0	14,4	13,4	14,9	24,5	27,1
Clothing	79,8	80,8	79,9	81,0	75,0	75,8	79,0	81,5
Wood and paper	0,2	0,6	0,6	1,0	0,6	0,1	0,1	0,1
Building material	0,0	0,0	0,0	0,0	0,7	0,1	0,1	0,0
Glass	0,1	0,4	0,3	0,3	0,1	0,1	0,1	0,0
Non ferrous metals	1,2	1,7	0,7	0,7	1,5	0,7	0,7	0,7
Iron and steel	0,9	0,4	1,3	1,9	0,7	2,6	0,4	0,3
Machinery	17,6	16,8	11,3	9,7	9,0	4,0	3,5	2,2
Transport material	37,9	29,0	15,8	17,7	15,4	6,4	5,4	1,4
Electrical machinery	18,4	20,5	17,9	27,3	34,1	21,1	19,2	15,4
NEC	1,3	1,0	0,9	0,6	1,1	1,4	0,2	0,1
Manufacturing products	22,6	22,6	21,7	23,5	24,4	24,1	20,4	15,2
TOTAL	16,6	16,4	16,9	18,6	20,3	20,2	17,5	13,5

Appendix 2 (continued)

Share of OPT in EU Imports from Poland								
	1988	1989	1990	1991	1992	1993	1994	1995
Agricultural products	0,1	0,1	0,3	0,3	0,3	0,5	0,7	1,0
Food products	0,8	7,5	13,0	9,0	15,9	16,3	16,5	9,6
Fuels	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Chemical products	1,0	0,7	0,6	0,7	1,4	2,3	2,3	0,8
Leather and shoes	14,1	20,2	25,3	22,0	24,4	32,1	28,4	21,6
Textiles	1,1	3,7	4,5	9,9	16,0	24,4	25,0	23,3
Clothing	67,3	73,5	75,4	79,3	79,9	81,3	84,2	85,4
Wood and paper	0,3	0,4	0,4	0,5	0,2	0,2	0,4	0,6
Building material	0,6	2,3	2,4	2,8	2,0	0,1	0,2	0,1
Glass	0,6	0,5	1,0	1,5	2,1	3,1	2,9	0,5
Non ferrous metals	0,7	0,7	0,5	1,0	1,2	1,5	0,9	0,6
Iron and steel	0,0	0,1	0,0	0,1	2,2	4,7	1,0	0,1
Machinery	4,3	4,4	5,1	7,5	7,0	4,5	4,0	3,7
Transport material	0,7	1,4	2,8	5,7	5,4	1,8	4,1	1,9
Electrical machinery	2,3	2,2	4,0	9,2	14,6	9,8	12,8	10,1
NEC	0,6	0,3	0,3	0,3	0,6	1,2	0,6	0,3
Manufacturing products	12,1	13,9	16,0	18,4	20,1	20,9	22,6	19,1
TOTAL	8,0	9,0	11,0	13,5	15,9	18,6	18,5	16,4

Appendix (continued)								
Share of OPT in EU Imports from Slovenia								
					1992	1993	1994	1995
Agricultural products					0,4	0,5	0,2	0,5
Food products					6,7	4,9	5,0	2,8
Fuels					0,0	0,0	0,0	0,0
Chemical products					0,2	0,2	0,4	0,3
Leather and shoes					23,4	17,9	13,5	12,6
Textiles					1,2	1,8	1,7	4,2
Clothing					53,3	55,5	51,2	46,8
Wood and paper					0,0	0,1	0,1	0,0
Building material					0,0	0,3	0,0	0,4
Glass					0,0	0,0	0,2	0,1
Non ferrous metals					0,4	0,5	0,6	0,4
Iron and steel					0,0	0,1	0,1	0,1
Machinery					1,3	2,0	2,4	1,8
Transport material					0,5	0,7	0,7	0,5
Electrical machinery					3,4	3,8	3,1	1,6
NEC					2,5	3,5	0,4	1,2
Manufacturing products					12,4	12,2	9,1	7,1
TOTAL					12,1	11,9	9,0	7,0

Appendix 2 (continued)								
Share of OPT in EU Imports from Bulgaria								
	1988	1989	1990	1991	1992	1993	1994	1995
Agricultural products	0,0	0,0	0,0	0,1	0,2	0,0	0,0	0,0
Food products	0,0	0,0	0,0	0,0	0,3	4,9	6,1	5,2
Fuels	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Chemical products	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,1
Leather and shoes	6,5	15,7	24,1	6,6	5,8	18,8	20,8	20,4
Textiles	0,0	0,0	0,0	0,0	0,2	1,7	0,4	1,2
Clothing	42,6	45,9	45,1	48,1	49,6	56,2	61,7	69,0
Wood and paper	0,0	0,0	0,0	0,0	0,0	0,0	0,2	0,0
Building material	0,0	0,0	0,2	0,0	0,0	0,0	0,0	0,3
Glass	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Non ferrous metals	0,0	0,1	1,1	3,9	0,3	0,1	0,0	0,0
Iron and steel	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Machinery	0,6	0,8	0,3	0,8	1,0	2,8	1,4	1,7
Transport material	0,0	0,5	0,2	0,1	0,6	0,7	0,1	0,3
Electrical machinery	1,5	1,3	1,1	0,7	1,6	14,0	6,2	4,0
NEC	0,2	0,1	0,1	0,1	0,3	4,5	0,4	0,1
Manufacturing products	4,7	5,8	7,8	8,8	11,5	16,0	13,1	12,4
TOTAL	3,6	4,4	6,0	7,1	10,0	13,6	11,4	11,2

Appendix 2 (continued)								
Share of OPT in EU Imports from Romania								
	1988	1989	1990	1991	1992	1993	1994	1995
Agricultural products	0,0	1,4	0,0	0,0	0,0	0,0	0,2	0,3
Food products	0,0	0,0	0,0	0,4	1,4	10,3	6,1	1,4
Fuels	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Chemical products	0,0	0,0	0,0	0,0	0,2	0,4	0,4	0,8
Leather and shoes	52,2	47,7	51,3	50,2	35,0	26,1	25,6	17,3
Textiles	0,3	0,2	0,7	0,1	1,7	1,4	2,7	4,3
Clothing	49,3	51,9	56,0	59,9	67,8	67,9	74,3	77,8
Wood and paper	0,2	0,2	1,1	0,4	0,1	0,2	0,2	0,0
Building material	0,0	0,0	0,0	0,0	0,0	0,0	2,0	2,0
Glass	0,5	2,5	4,7	5,5	1,1	2,0	0,3	0,9
Non ferrous metals	0,3	0,1	0,0	0,0	0,0	0,1	0,0	1,1
Iron and steel	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Machinery	5,6	6,0	2,7	0,4	0,6	2,3	3,3	2,4
Transport material	14,4	0,0	0,0	4,2	10,1	13,2	5,4	2,4
Electrical machinery	0,6	0,6	1,3	1,9	0,4	14,7	13,3	7,0
NEC	0,1	0,3	0,1	0,3	0,5	13,3	0,9	0,4
Manufacturing products	19,5	20,5	26,4	25,4	29,7	32,4	30,5	27,6
TOTAL	13,1	12,8	18,8	19,6	27,5	29,7	28,0	26,0
Source: Eurostat. Comext.								

Appendix 3

Share of OPT in EU-CEECs Bilateral Trade Flows In 1995

	OPT Imports in % of Total Imports							
	Partners							
Reporting countries	Poland	CR	Slovakia	Hungary	Romania	Bulgaria	Slovenia	CEEC
France	10,8	5,5	13,2	16,2	24,0	10,7	2,4	11,0
Belgium-Luxembourg	4,0	2,9	10,0	8,7	26,9	5,4	0,2	7,5
Netherlands	23,6	4,8	26,4	20,6	12,1	21,5	11,4	18,4
Germany	20,6	14,9	10,2	15,1	41,2	23,8	11,2	17,5
Italy	3,4	2,7	6,7	14,1	19,1	11,1	3,1	9,2
UK	2,6	0,7	7,8	7,0	26,4	4,5	0,4	5,7
Ireland	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Denmark	29,8	1,9	2,9	10,8	0,0	32,6	2,7	22,8
Greece	0,0	0,0	0,1	0,0	0,5	1,7	0,0	1,0
Portugal	1,3	0,1	0,0	0,0	0,0	0,0	0,0	0,4
Spain	0,1	0,6	0,2	0,0	0,4	0,0	0,0	0,2
Sweden	8,1	0,5	3,3	7,0	24,1	0,5	2,0	6,7
Finland	0,5	0,8	2,0	1,6	0,0	0,3	0,0	0,7
Austria	1,5	7,1	5,6	9,9	5,3	19,0	1,4	6,4
EU	15,4	10,8	9,3	12,9	25,4	11,3	6,5	13,2

	OPT Exports in % of Total Exports							
	Partners							
Reporting countries	Poland	CR	Slovakia	Hungary	Romania	Bulgaria	Slovenia	CEEC
France	5,0	2,0	7,9	9,1	17,1	8,4	1,7	6,2
Belgium-Luxembourg	2,3	2,0	5,3	5,8	11,3	4,9	0,1	3,5
Netherlands	8,6	1,7	6,2	8,2	9,9	12,4	2,5	6,9
Germany	14,9	14,1	10,1	13,7	28,0	12,2	10,2	14,5
Italy	1,4	1,6	7,7	9,4	20,4	12,2	1,9	6,2
UK	1,5	8,7	3,4	2,4	8,8	2,4	1,1	4,3
Ireland	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Denmark	21,6	0,6	0,9	3,4	0,1	12,7	1,5	13,2
Greece	0,0	0,1	0,6	0,2	0,6	7,3	0,0	3,9
Portugal	8,3	1,3	0,0	0,3	0,0	0,0	0,0	1,9
Spain	1,4	0,1	0,0	0,0	0,9	0,2	0,0	0,6
Sweden	4,9	0,7	1,9	2,6	9,5	0,0	1,1	3,6
Finland	0,2	0,0	0,1	0,2	0,0	0,1	0,0	0,2
Austria	0,9	5,6	4,3	6,8	2,5	5,2	0,9	4,5
EU	9,1	9,1	7,8	9,7	18,9	9,3	4,3	9,4