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Regional Integration and Capital Mobility in the World Economy: Experiences of the European Union, NAFTA and AFTA

Abstract

The paper discusses the relationship between regional integration and capital mobility in the world economy. The experiences of the EU, NAFTA and AFTA are used to support the thesis that the level of advancement of an international integration process influences capital movement into the integrated area and among the member states. Nevertheless, the typical time sequence of liberalization of markets within an integrated area changed in the 90ies which might be related to globalization processes. Even in less developed countries, capital movement in the form of FDI is liberalized simultaneously to the liberalization of goods movement. Intensive intra-grouping FDI flows show that economic interdependence of member states is increasing. This process is observed not only in the most advanced grouping, i.e. the EU, but also in NAFTA and AFTA.

1. Introduction

Capital mobility is one of the predominant features of the global economy at the beginning of the 21st century. Foreign direct investment (FDI) flows constitute an important element of this mobility. FDI is treated by recipient countries as quite a safe and promising form of foreign involvement in their economies. Recipient countries expect that FDI flows will enhance some positive trends in their economies and they compete against each other for attracting FDI. Recipient countries, even less developed, continue to liberalize their policy towards foreign investors.

Regional integration processes observed in different parts of the world economy influence the capital mobility and especially FDI flows. The impact of regional integration on intensity of FDI flows is a complex problem which has been examined in the case of the European integration process (Yannopoulos 1986; Molle 1990; Pelkmans 1997). The results of this examination show a strong relationship between different stages of an international integration process and capital movement among the member states of the integrated area and in the relations with third countries.

The integration processes have been developed in other parts of the world economy as well but they are not so advanced as in Europe. The lower advancement of regional integration might be the reason of the limited capital movements among these countries. Globalization, however, seems to change some mode of capital mobility observed earlier in the European integration.

Some questions arise in this context, i.e.:

- What is the sequence of integration processes in different integration groupings while globalization is in progress?
- What is the position of the three integration groupings, i.e. the EU, NAFTA and AFTA, in global FDI flows and which factors are determining the changes in FDI flows into and out of these groupings?
- How does regional integration influence intensity of FDI flows among integrating countries when an integration process takes place among countries with different levels of development?

The aim of this paper is to answer these questions using the experiences of the EU, NAFTA and AFTA. The structure of the paper is as follows:

1. The relationship between regional integration and capital movement in the form of FDI under globalization – theoretical aspects
2. Regulations related to capital mobility within the EU, NAFTA and AFTA
3. The position of the EU, NAFTA and AFTA in global FDI flows
4. The role of integration processes in intra-regional FDI flows.

Literature studies and analyses of statistical data were used as the research method. The research limitation arose from the lack of availability of some data.

2. Regional integration and capital movement under the globalization – theoretical aspects

According to the classical integration theory, an economic integration should be treated as a dynamic process which means that it goes through different stages and takes some time before it reaches the final level, i.e. economic and monetary union. Free movement of production factors is characteristic of this stage of integration which is referred to as a common market. In addition, the integration theory says that integrating countries should establish free goods movement earlier than free capital movement. The last statement is supported by the proof that welfare losses appear within an integration process if a proper sequence of liberalization is not respected (Molle 1990).

The integration processes in Western Europe confirmed that the achievement of more advanced stages of regional integration require liberalization of capital movement. The liberalization processes and their time sequence were consistent with theses formulated by the theory. While the liberalization of goods market within the European Communities (EC) had already finished in 10 year transition period, the establishment of free capital movement took more than thirty years. External and internal conditions during the early decades of existence of the EC were not conducive to liberalization of capital flows. The full liberalization of capital flows and current payments was introduced by the Treaty of Maastricht at the beginning of the 90ies. It was unavoidable as an important element of the European single market and a monetary union. The 'old' Member States followed the sequence of the liberalization recommended by the integration theory.

The situation of the new Member States was different. Their preparation for the access to the European Union (EU) required an introduction of so called 'four freedoms'. The establishment of free capital movement proceeded almost simultaneously with the establishment of other freedoms. Some of the new Member States gradually liberalized the capital movement in relations with the OECD countries because that was an important condition of their membership in this organization in the mid 90ies. Hence, they were already prepared to introduce the free capital movement in relations with the EU countries in the pre-accession period. Some of these countries introduced the free capital movement prior to the introduction of the full free goods movement. This liberalization sequence was not fully respected which was connected with the EU membership requirements and globalization processes.

Other examples of international economic integration groupings in the world economy are less advanced than the European Union. Free trade area and customs unions do not require an establishment of free capital movement between the member states like common markets and economic and monetary unions. Nevertheless, countries belonging to these groupings appear to be under pressure of globalization. Developing countries have liberalized first of all foreign direct investment and some of them also short-term capital flows.

3. Regulations related to capital mobility within the EU, NAFTA and AFTA

Regional integration groupings such as the EU, NAFTA and AFTA are aimed at the liberalization of capital movement with special reference to FDI. This issue is regulated by the agreements signed by partner countries.

The European Union, being world's most advanced integrated group, has attained the highest degree of deregulation of the international economic movements (i.e. of the markets), including the movement of capital. Processes aimed to integrate the capital and financial markets of the EU member states were long-lasting and encountered many obstacles. For a long time, the removal of barriers impeding the movement of capital was viewed as a secondary goal of European integration (Witkowska 2001, Wysokińska and Witkowska 1999). Successive directives issued in years 1960–1988 gradually lifted the restrictions on individual types of capital transactions between the member states, starting with transactions considered the safest in terms of member states' financial stability (e.g. foreign direct investments, short and medium-term commercial credit, personal capital movements), and ending with the most controversial and difficult to introduce, such as liberalization of the short-term flows. The Treaty of Maastricht confirmed the freedom of capital movements and provided a stable legal basis for transactions. According to article 56 (73b) of the Treaty establishing the European Community *„all restrictions on the movement of capital between Member States and between Member States and third countries shall be prohibited*", and additionally *„all restrictions on payments between Member States and between Member States and third countries shall be prohibited.*" The discussed regulations are directly applicable, i.e. no additional legal acts are necessary to make them effective. The right of establishment and the free movement of capital are now enshrined in articles 43 and 56 of the EC Treaty, as amended by the Treaty of Nice in 2001.

North American Free Trade Agreement (NAFTA) came into force in 1994 and created the integration grouping that joined countries with different

levels of economic development. Although **NAFTA** is aimed at the establishment of a free trade area and it promotes free trade in goods, it contains some provisions related to free capital movement in the form of FDI. Chapter 11 of the agreement applies to measures adopted or maintained by a Party relating to:

a) Investors of another Party;

b) Investment of investors of another Party in the territory of the Party;

c) With respect to Articles 1106 (Performance Requirements) and 1114 (Environmental Measures), all investments in the territory of the Party (NAFTA, www.nafta-sec-alena.org).

According to Chapter 11, the partners of NAFTA should guarantee a national treatment of investors coming from other partner countries and should accord to them treatment no less favorable than that it accord, in like circumstances, to investors of any other countries with respect to the establishment, acquisition, expansion, management, conduct, operation, and sale or other disposition of investments. All member countries should provide key rights that facilitate business, such as: (1) right to repatriate profits and capital; (2) the right to fair compensation in the event of expropriation; (3) and the right to international arbitration in disputes between investors and governments that involve monetary damages (Office of NAFTA and Inter-American Affairs, www.mac.doc.gov).

Countries belonging to NAFTA are obliged to eliminate barriers to foreign investment defined by the Agreement on Trade-Related Investment Measures (TRIMs/WTO) as forbidden. These are among other things: export, local content and technology transfer requirements as well as import limitation.

ASEAN Free Trade Area (AFTA) is a preferential agreement signed by developing countries of South-East Asia in 1992[6]. ASEAN countries remain outward oriented and also participate in other regional and inter-regional initiatives. AFTA is aimed at creation of a free trade area, now consisting of ten countries. A transition period planned for 15-18 years for the completion of FTA was criticized as being too long (Soesastro 1998). As a consequence of trade liberalization commitments of ASEAN countries under the WTO scheme, members of AFTA agreed to accelerate its implementation. According to the Protocol signed in 2003, AFTA countries shortened the transition period and agreed that the six original members of ASEAN will eliminate import duties by 2010, ahead of the original schedule. The new members of ASEAN should eliminate import duties by 2015. The latter are allowed, however, to use import duties on some sensitive products till 2018 (Protocol 2003).

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[6] These are: Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam (1995), Lao PDR (1997), Myanmar (1997), Cambodia.

In 1998, ASEAN countries signed also the **Framework Agreement on the ASEAN Investment Area (AIA)** that is aimed at enhancing the attractiveness and competitiveness of member countries for foreign direct investment (Framework Agreement, www.aseansec.org/6466.htm). The establishment of the ASEAN Investment Area is foreseen by 2010 and at the same time the national treatment will be granted to ASEAN's investors. Investors from third countries should be offered such treatment by 2020.

According to the Framework Agreement and its amendment from 2001, the AIA aims to make ASEAN a competitive, conducive and liberal investment area through the following measures (ASEAN Investment Area: An Update, www.aseansec.org/6480.htm,):

a) Implementing coordinated ASEAN investment cooperation and facilitation programs;

b) Implementing a coordinated promotion program and investment awareness activities;

c) Immediate opening up of all industries for investment, with some exceptions as specified in the Temporary Exclusion List (TEL) and the Sensitive List (SL), to ASEAN investors by 2010 and to all investors by 2020;

d) Granting immediate national treatment, with some exceptions as specified in the Temporary Exclusion List (TEL) and the Sensitive List (SL), to ASEAN investors by 2010 and to all investors by 2020;

e) Actively involving the private sector in the AIA development process;

f) Promoting freer flows of capital, skilled labor, professional expertise and technology amongst the member countries;

g) Providing transparency in investment policies, rules, procedures and administrative processes;

h) Providing a more streamlined and simplified investment process;

i) Eliminating investment barriers and liberalizing investment rules and policies in the sectors covered by the Agreement.

The agreement defines three categories of exemptions from the national treatment. These are: (1) Temporary Exclusion List (TEL) containing industries and investment measures temporarily closed to investment. This exclusion should be phased out within the specified timeframes. (2) Sensitive List (SL) covering industries and investment measures that are not subject to phase out, but will be reviewed at subsequent intervals. (3) General Exception List consisting of industries and investment measures that cannot be opened up for

foreign investors for reasons of national security, public morals, public health or environmental protection.

As it could be seen from above presented commitments of ASEAN, this group of countries has been undertaking integration initiatives. The aims to integrate their goods market are complemented by the aims to create a freer movement of foreign direct investment. Integration processes among these countries encounter some difficulties which is confirmed by acceptance of long transition periods and different lists of exclusions. Less advanced countries trying to create a free trade area and introducing liberalization of FDI flows are at the same time under pressure of globalization. Their attitudes towards foreign direct investment have been changing and they undertake policy measures that could attract FDI not only from partner but also from third countries. AIA Scheme was introduced almost simultaneously to AFTA initiative.

Three analyzed integration groupings introduced regulations related to capital mobility. The highest level of liberalization of capital movement occurs in the case of the European Union which is rather obvious. But one should remember that the full free capital movement was achieved after a 30 year adjustment period. NAFTA and AFTA introduced some regulations related to capital movement but they were limited to FDI as the safest form of capital mobility. The introduction of these regulations might have been connected with globalization. A typical free trade area does not require implementation of free capital movement. Nevertheless, freer FDI flows could help integrating countries to overcome some restructuring problems that may occur during the integration of goods market.

Apart from collective measures, the less developed member countries of the analyzed groupings have undertaken individual autonomous measures in order to liberalize their investment regimes. In this way they acknowledge the importance of FDI as a major source of financing their economic development.

4.The position of the EU, NAFTA and AFTA in global FDI flows

The EU, NAFTA and AFTA differ substantially as far as their position in global FDI flows is concerned (see tables 1 and 2). In 2005, the EU accounted for 46% of global FDI inflows, NAFTA accounted for 16.5% of these inflows and AFTA only for 4.1%. Their shares in global FDI outflows amounted to 71.2%, 3.5% and 1.5% respectively in the same year. The low share of NAFTA

Table 1. FDI inflows to the EU, NAFTA and AFTA as % of the world FDI inflows, 1990–2005

	1990–95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
FDI inflows in the world economy	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
– European Union[a]	37.4	28.6	26.8	36.2	44.1	48.4	43.7	55.3	45.5	30.1	46.0
– NAFTA	24.5	26.9	27.0	30.3	29.6	28.6	26.1	15.1	13.4	20.1	16.5
– AFTA	7.5	7.6	6.4	3.3	2.6	1.7	2.3	2.0	3.6	3.6	4.1

[a] from 2004 EU-25.

Source: UNCTAD data and own calculations.

Table 2. FDI outflows from the EU, NAFTA, AFTA as a % of the world FDI outflows, 1990–2005, (%)

	1990–95	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total FDI outflows directed to all countries	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
– European Union[a]	45.5	46.3	46.3	60.8	66.7	68.2	63.5	58.7	50.3	41.2	71.2
– NAFTA	25.8	24.7	25.3	24.3	20.9	15.9	22.4	24.9	27.1	33.2	3.5
– AFTA	2.8	3.1	2.7	0.6	0.9	0.6	2.4	1.0	1.0	1.8	1.5

[a] from 2004 EU-25.

Source: UNCTAD data and own calculations.

in global FDI outflows could be treated with some caution because its share was much higher in previous years. For instance, it amounted to 33.2% in 2004 (see table 2).

The high share of **the EU** in global FDI inflows confirms its attractiveness to foreign investors. Direct investors operating in both EC member states and other countries reacted to the deepening of European integration. The introduction of a customs union in the years 1958-1968 attracted FDI inflows from third countries, mainly the USA. The emergence of a single internal market clearly made the area more appealing to investors. In the period 1987-1993, the annual average of global FDI flows directed to the European Community accounted for almost 40% of their total (UNCTAD data and own calculations). The trend collapsed in 1994 due to the economic crisis in the first half of the 1990s. The accession of new countries to the EU in 1995 and the wave of transborder mergers and acquisitions, including those within the Community that could be observed in the second half of the 1990s, improved again the relative EU position in the total FDI inflows.

FDI inflows peaked in 2000, when the EU share in global FDI inflows increased to over 48% (see table 1). The proportion of transborder mergers and acquisitions in the inflows accounted for 85.8% (UNCTAD data and own calculations). Most of them were intra-Community mergers. The trend broke down drastically in 2001. FDI inflows to the EU member states decreased by more than 40% compared with the previous year, and the total EU share in global FDI inflows dropped to 43.7%. The intra-Community mergers and acquisitions fell by more than 60%.

The downward trend that emerged in 2001 continued also in the next years, i.e. 2002 and 2003 (UNCTAD 2006). The negative trend in the global economy reversed as late as 2004. The next year, i.e. 2005, also turned out favourable in that respect. Global FDI inflows were then estimated at US$ 916 billon (UNCTAD 2006). The trend change was caused by the improvement in the world economy, higher profitability of enterprises, recovery of mergers and acquisitions and increased investors' confidence. Nevertheless, the level of FDI flows was still lower than in the record year 2000.

The EU participation in global FDI inflows grew in that difficult period for the world economy, and for the first time after the early 1990s EU received more than half of the inflows (55.3%, see table 1). Between 2003 and 2004, when foreign investors were more interested in placing investments in the developing countries, the EU shares in global FDI flows decreased. In 2004, when the EU enlarged after the access of 10 new member states, its share in the global FDI inflows dropped to one of the lowest levels in the analysed period and accounted for only 30.1%. In the next year, the EU improved her position as

a recipient of the flows and the percentage went up to 46% of global FDI inflows.

In the analysed period, FDI outflows going outside the European Union showed similar trends (see table 2). However, the relative EU share in global outflows exceeded her share in total FDI inflows. While in 2000 the former surpassed 68%, it kept falling between 2001 and 2004 to reach 41.2% in 2004. On the other hand, in 2005 as much as 71.2% of global FDI outflows originated in EU member states.

From the comparison of the absolute amounts of FDI inflows and outflow it follows that the EU was a net capital exporter throughout the analysed period. Similarly the 2005 UNCTAD data on the amounts of FDI stock for the world, the main countries of its origin, and countries of destination prove that in the last twenty years the EU (treated as a group) have taken the lead among the major global investors (UN 2003, UNCTAD 2006). Still in 1980 the estimates of the US FDI outward stock (around US$ 215 billion) slightly exceeded the European Communities' FDI outward stock at that time (US$ 205 billion), but in 2005 the EC FDI outward stock (together with the intra-Community FDI) stood at US$ 5.5 trillion, i.e. it was more than 2.5 times larger than US FDI outward stock (US$ 2 trillion).

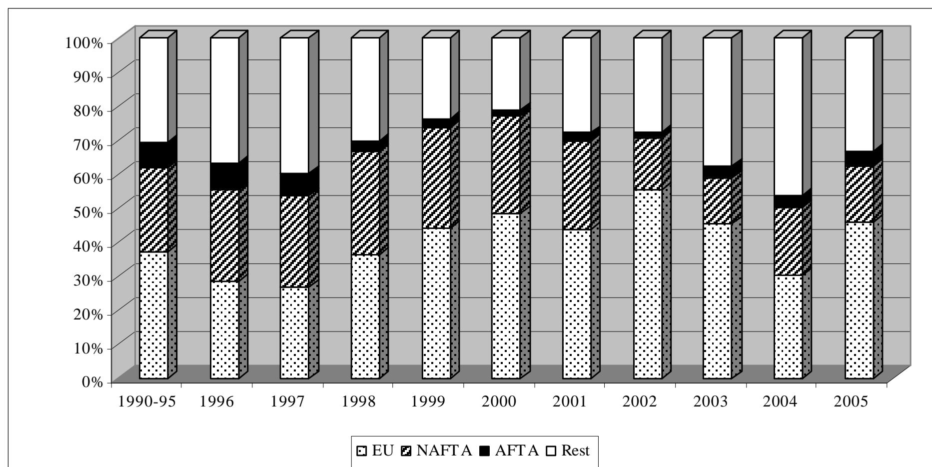
The position of **NAFTA** in global FDI flows was also changing in the analyzed period. NATFA's shares in global FDI inflows ranged between 25 and 30% in the 90ies and at the beginning of the 21st century (see Table 1). These shares diminished in the years 2002-2003 and amounted to about 15%. When the positive trend in the world economy occurred, bringing the recovery of FDI flows, the share of NAFTA in global FDI inflows increased slightly as well. The shares of NAFTA in global outflows were lower than its shares in global FDI inflows in the second half of the 90ies (see Table 2). This proportion reversed in 2002-2004 which was connected with the political and economic situation in the world economy.

NAFTA as a whole grouping was a net exporter of capital in the form of FDI in the first half of the 90ies and a net importer in the second half of the 90ies. From 2002 till 2004, it was a net exporter again. In 2005, the situation changed and NAFTA was a net importer of FDI but the data on the last available year, i.e. 2005, might be unreliable. The position of NAFTA in global FDI flows and a balance of these flows into and out of this grouping are strongly dependent on an economic and political situation of the USA. The role of the other two member countries is of less importance.

AFTA received 7.5% of global FDI inflows on average in the first half of 90ies. This share was decreasing from 1998 till 2000 when it amounted to only 1.7%. The collapse of FDI inflows was connected with the financial crisis in

South-East Asia in the second half of the 90ies. The increase in the shares has been observed again from 2001 but they were lower than in the first half of 90ies. AFTA accounted for 4.1% of global FDI inflows in 2005 (see table 1). The same tendency occurred in shares of AFTA in global FDI outflows, although at a lower level. The share of AFTA in these flows amounted to 1.5% in 2005 and was lower as much as 1.6 percentage points in comparison to 1996.

The analysis carried above shows that the ranking of three integration groupings has not changed during the last fifteen years in terms of their position in global FDI flows. Nevertheless, all three groupings have remained vulnerable, regardless of development levels of member countries, to the changes taking place in the world economy (see also Chart No1).



Graph 1. FDI inflows to the EU, NAFTA and AFTA as % of the world FDI inflows, 1990–2005

Source: UNCTAD data and own calculations.

5. The role of integration processes in intra-regional FDI flows

According to the integration theory, one can expect a rise of FDI flows among integrating countries. The experiences of the EU, NAFTA and AFTA confirm that integration processes stimulate intra-regional FDI flows, although decisions of investors depend on other factors as well.

Intra-EU direct investment inflows constitute a vast portion of the total FDI inflows coming to the EU from all the countries. In 2005, intra-EU FDI inflows accounted for almost 86% of the total FDI inflows to the EU (Eurostat and own calculations). The ratio changed in the previous years but it was always higher than 50%. It is believed that the strengthening integration of the European Union in the 1990s, the political stability of the area, the size of its market and good infrastructure were the factors attracting investors; the introduction of the euro is considered as another catalyst inducing mergers and acquisitions (UNCTAD 2001, Trichet 2001).

Data in table 3 show how intra-Community FDI relates to total investments received by the euro zone, by all countries comprising EU-15 and by countries remaining outside the monetary union. According to the data, the intra-Community FDI flowing to the euro zone ranged from 3/4 to 4/5 of total FDI directed to the euro zone. The only exception to this pattern was the year 2001. Such high proportion of intra-Community FDI in the total FDI inflow to the euro zone shows strengthening ties among the members of the monetary and economic union, and that the union is attractive to the non-euro member states. The data evidently underline positive effects of the monetary and economic union.

Table 3. Intra-Community foreign direct investment as a % of FDI inflows to the euro zone and a % of total FDI inflows to EU-15, years 1998–2005

Specification	1998	1999	2000	2001	2002	2003	2004	2005
Intra-Community FDI flowing to the euro zone as a % of total FDI inflow to the euro zone	73.3	78.1	85.9	46.4	72.4	72.1	86.1	79.2
Intra-Community FDI flowing to the euro zone as a % of total FDI inflow to EU-15	51.1	51.6	61.7	29.6	58.1	56.3	63.7	44.5
Intra-Community FDI received by the non-euro countries[a] as a % of total FDI inflow to EU-15	27.6	24.9	9.0	6.7	6.3	2.8	22.5	27.3

[a] Concerns EU-15 countries, i.e. Denmark, Sweden and the UK.

Source: Eurostat and author's calculations.

Data in table 3 also show that EU-originated investments placed in the euro zone made up from 45% to over 60% of total FDI directed to EU-15 (excluding the year 2001, when they accounted for only 30%). On the other hand, three EU-15 countries staying outside the monetary union received investments mostly from third countries, but also from other member states. In the first period, the share of intra-Community FDI in total investments flowing to the non-euro member states represented almost one-fourth. Between 2000 and

2003, the share decreased to less than one-tenth and then grew again to nearly one-fourth in the years 2004-2005. As the data show, countries outside the euro zone are attractive for investors based in third countries.

NAFTA stimulated trade and investment among the USA, Canada and Mexico. Total two-way trade between the USA and other NAFTA partners grew by 111% between 1993 and 2003, while total two-way trade between the USA and the rest of the world grew by 79% (NAFTA Works Brochure, www.dfait-maeci.gc.ca/nafta-alena/broch-main-en.asp). This trend continued in the following years. In 2005, trade among the NAFTA countries increased by 173% in comparison to 1993 (Trade Facts, www.ustr.gov).

It is believed that NAFTA has enhanced opportunities for intra-investment as well (L. Deily 2002) and the data seem to confirm this opinion. In 1993, the year before NAFTA implementation began, the stock of the USA investment in Mexico amounted to USD 15.4 billion and by 2000, the stock more than doubled, to USD 35.4 billion. As far as FDI flows are concerned, the liberalization of the investment regime in Mexico boosted the total USA investment in this country by 242% from 1994 to 2002. At the same time, Mexico's investment in the USA increased by 280% from 1994 to 2002 (NAFTA Works Brochure). In Canada, since NAFTA came into effect, investment from the USA and Mexico increased more than 69% (data for 1999). Total FDI coming from NAFTA into the USA grew by 92% (data for 1999).

The stimulation of FDI flows among NAFTA member countries is indisputable. The USA and Canada have been important home and host countries for FDI. Their bilateral economic relations have always been intensive. What is new it is the strengthening the position of Mexico as a recipient country.

Intra-AFTA trade and investment is remarkable but not as high as in the other two groupings. Intra-regional trade as a percentage of total trade of AFTA amounted to 22.4% in 2000 while in the same year this ratio for NAFTA and the EU amounted to 54.8% and 61.2% respectively (D. Weber 2006). The economic interdependence of AFTA countries was growing further gradually which was confirmed by an increase in the ratio of intra-regional trade to 29% in 2002 (Chirativat 2006).

The ratio of intra-AFTA foreign direct investment in manufacturing is relatively high but it changes over time. Rough calculations show that this ratio picked from 38.5% in 1999 to 76.5% in 2000 and decreased to the level of 45% in 2002 and 27.7% in 2003 (ASEAN, UNCTAD FDI data base and own calculations). Some other data on intra-AFTA investment confirm that this ratio was relatively high in the case of such countries as Thailand and Malaysia (47.6%, 47.6% respectively in 2000) (Sarivasta and Rajan 2004). Singapore and

Malaysia were major investing countries in other AFTA members (ASEAN Secretariat data).

6. Conclusions

1. The experiences of the EU, NAFTA and AFTA confirm that there is a relationship between the level of advancement of an international integration process and capital movement into the integrated area and among the member states. The high integration of capital and financial market in the EU is a consequence of long term liberalization taking place in this area.
2. The typical time sequence of liberalization of markets within an integrated area changed in the 90ies which might be related to globalization processes. Even in less developed countries, capital movement in the form of FDI is liberalized simultaneously to the liberalization of goods movement.
3. The position of the three analyzed integration groupings in global FDI flows depends not only on a development level of member countries but also on strength of intra-regional ties.
4. Intensive intra-grouping FDI flows show that economic interdependence of member states is increasing. This process is observed not only in the most advanced grouping, i.e. the EU, but also in NAFTA and AFTA. Although, the level of intra-FDI flows within the two latter groupings is considerably lower.

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