ENLARGEMENT AND GLOBALISATION:
LOCATION AND COMPETITIVENESS OF FIRMS IN EUROPE
June 17, 2005 , EESC Brussels

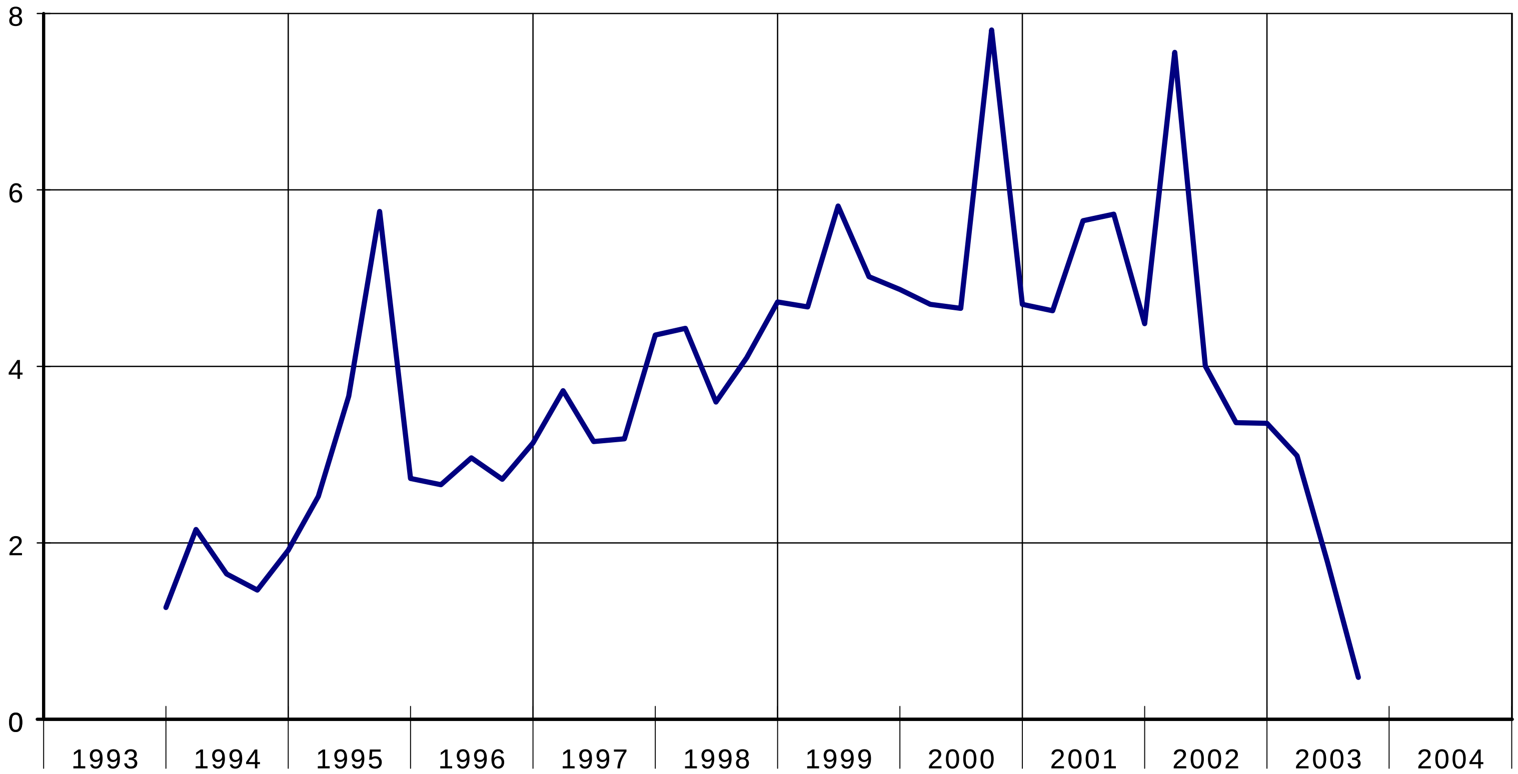
European Enlargement, globalization and ICT

Michel Martinez

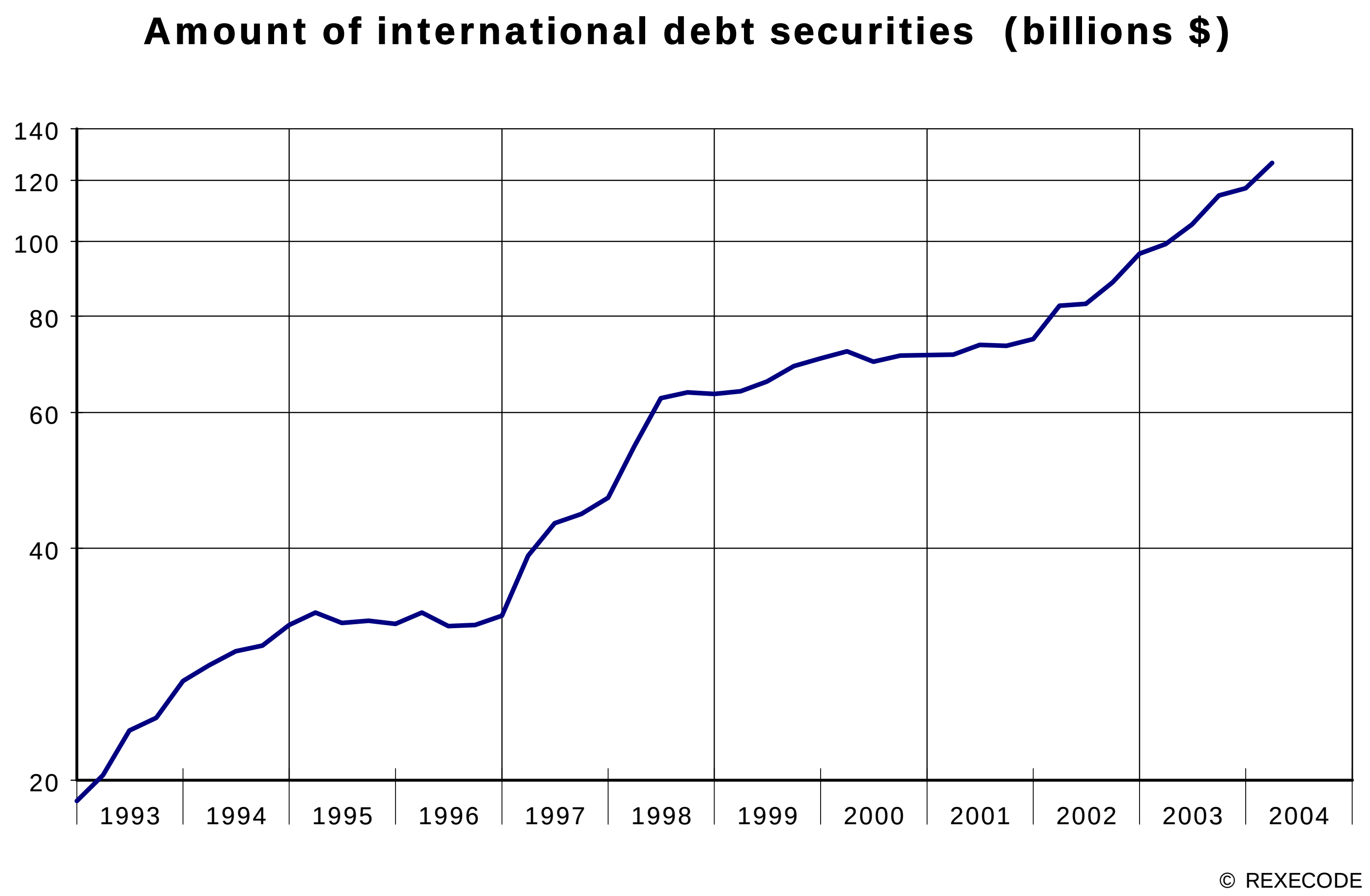
REXECODE

Since 2 years, FDI flows slumped

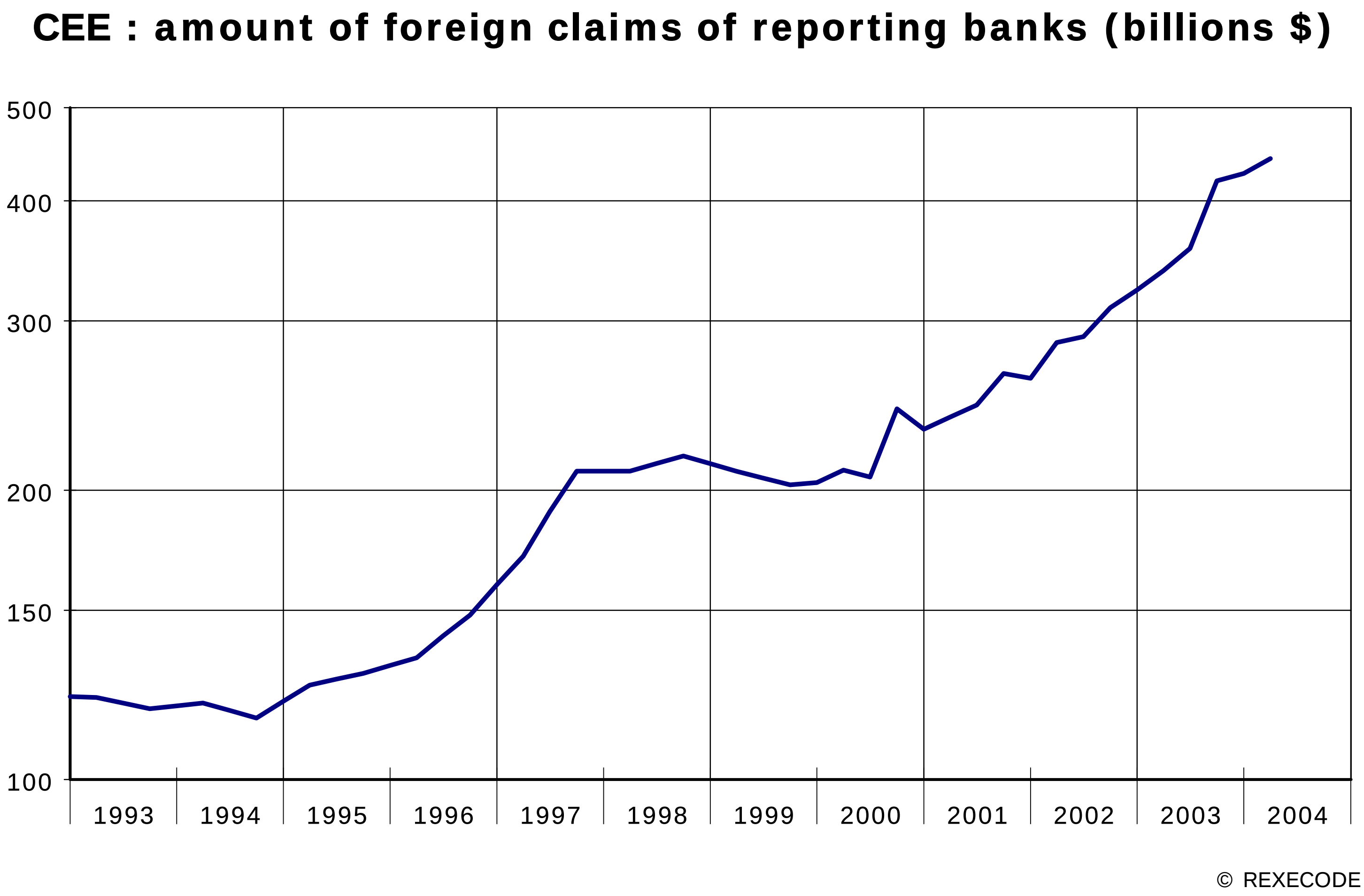
CEE (excepted Russia)
Balance of foreign direct investment (in % of GDP)



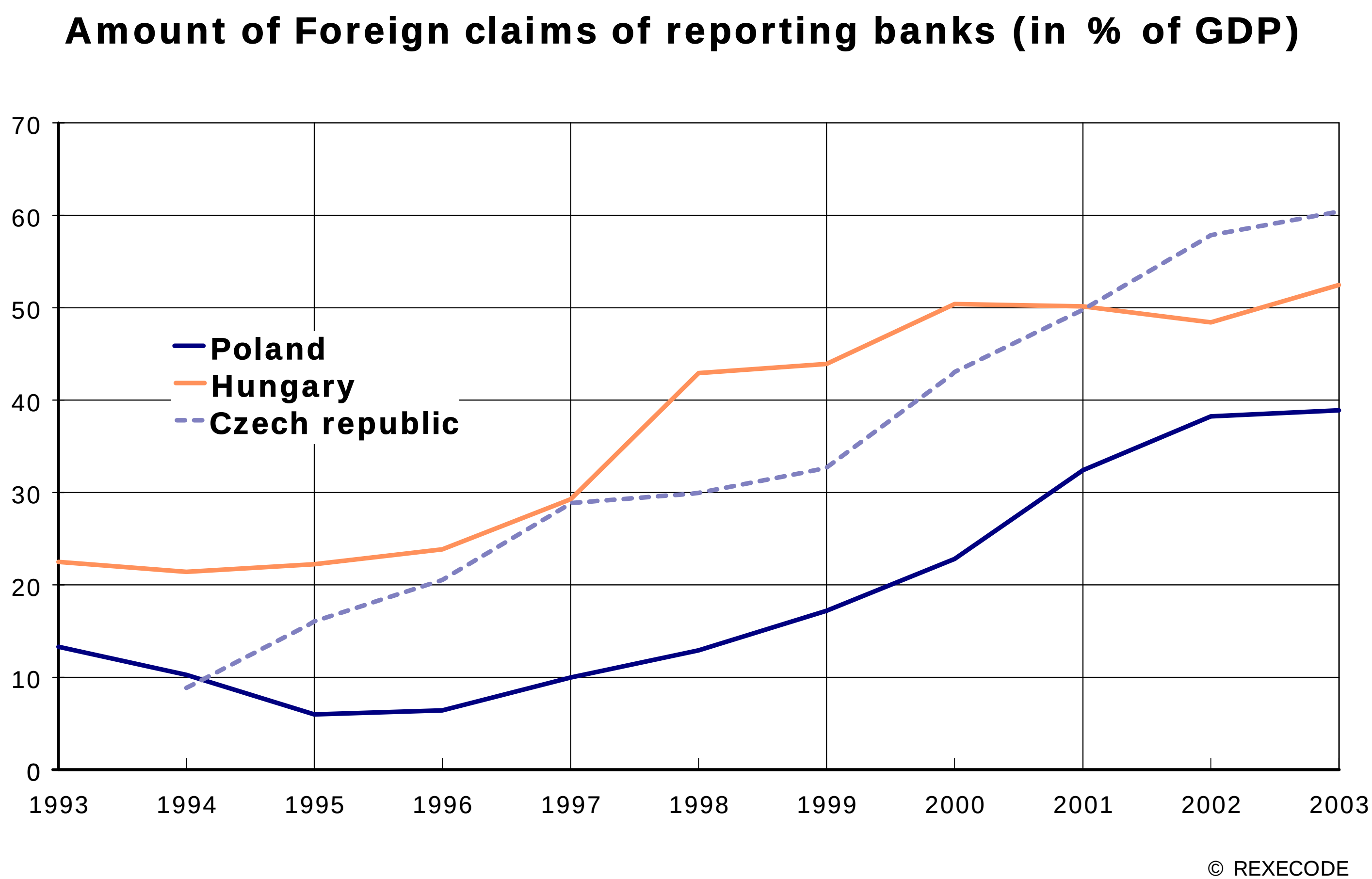
But the amount of international debt securities increased by 60 % since 2000



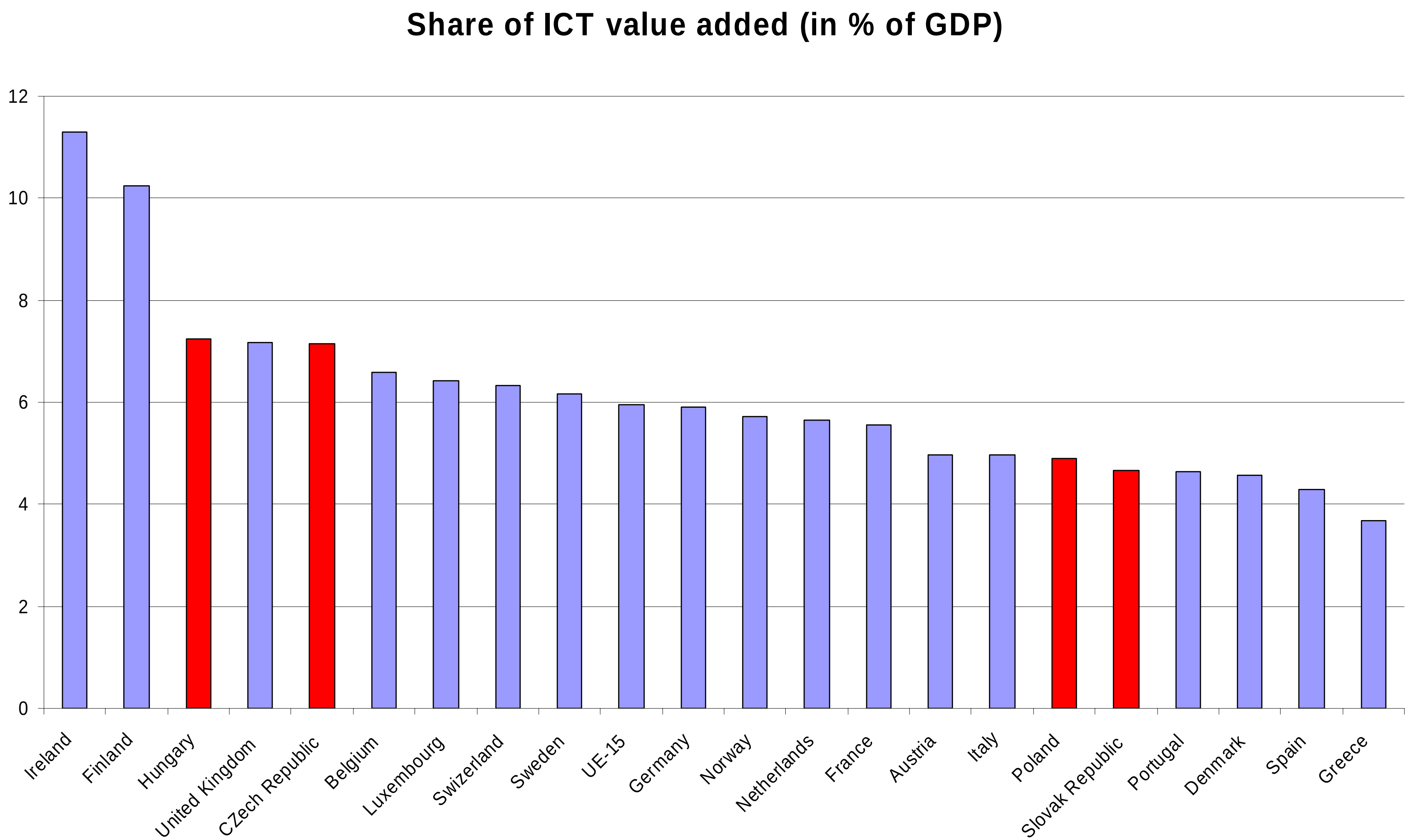
But the foreign claims were multiplied by two since 2000



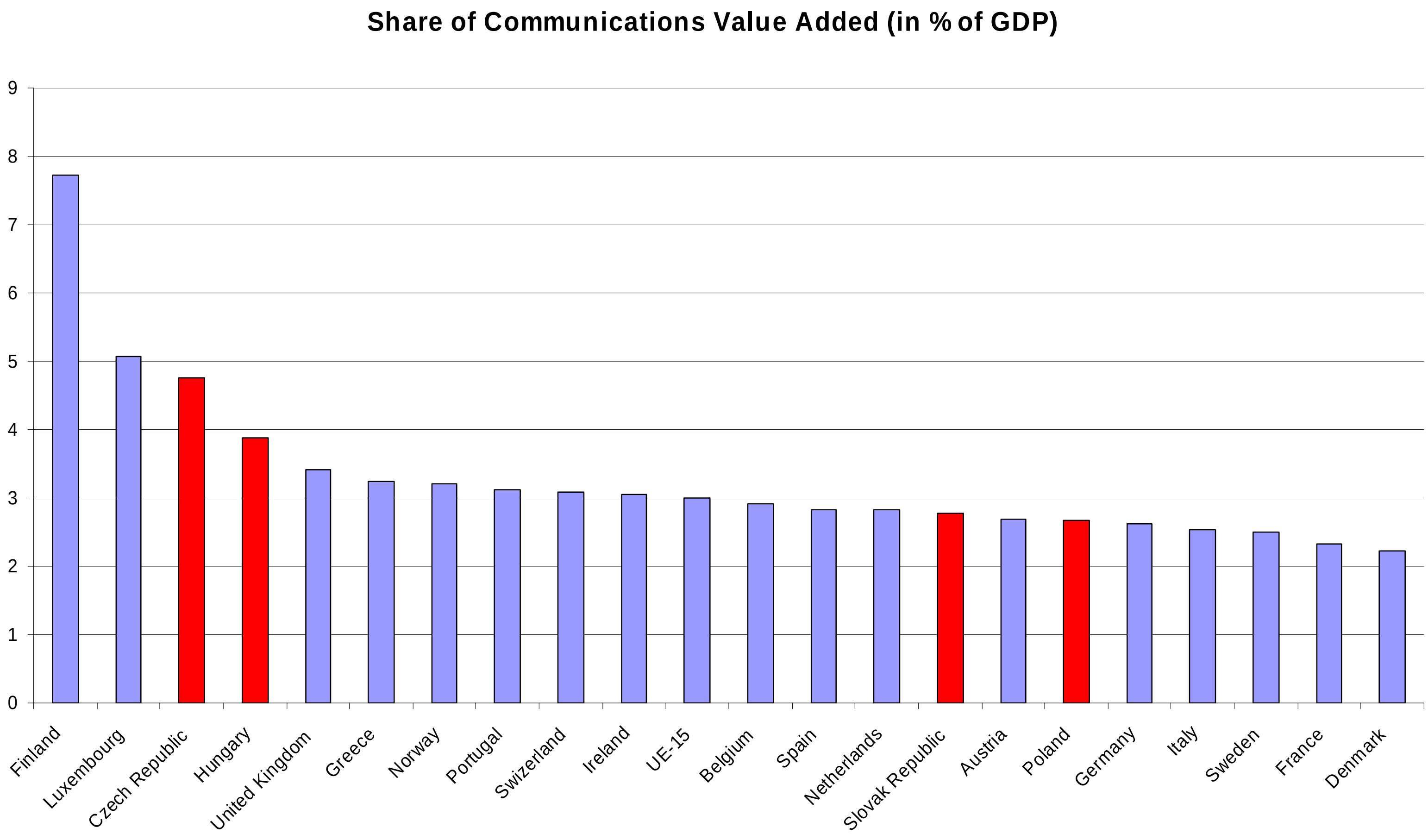
European Eastern countries are also good productors of ICT



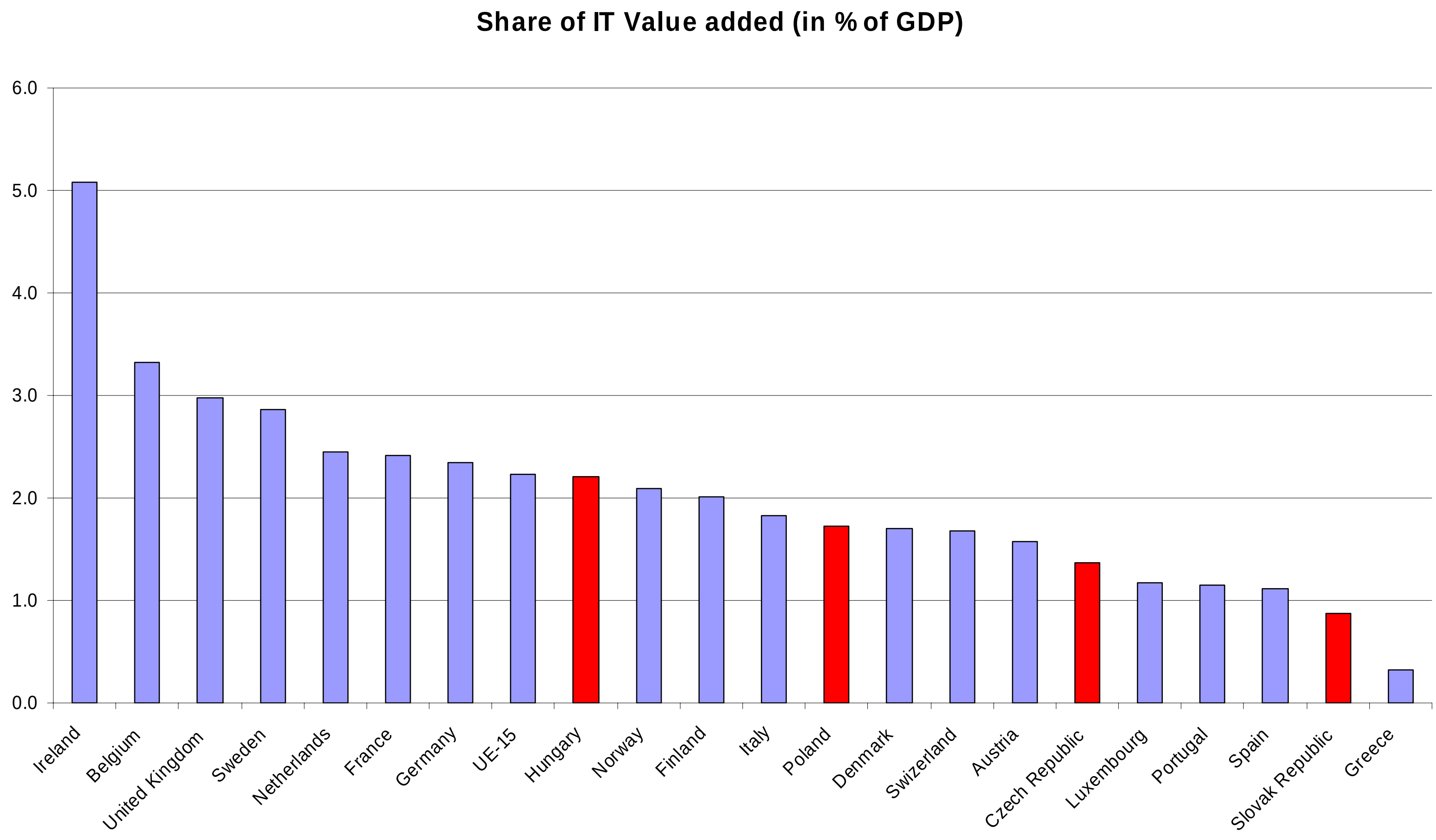
Eastern European countries have high level of ICT production



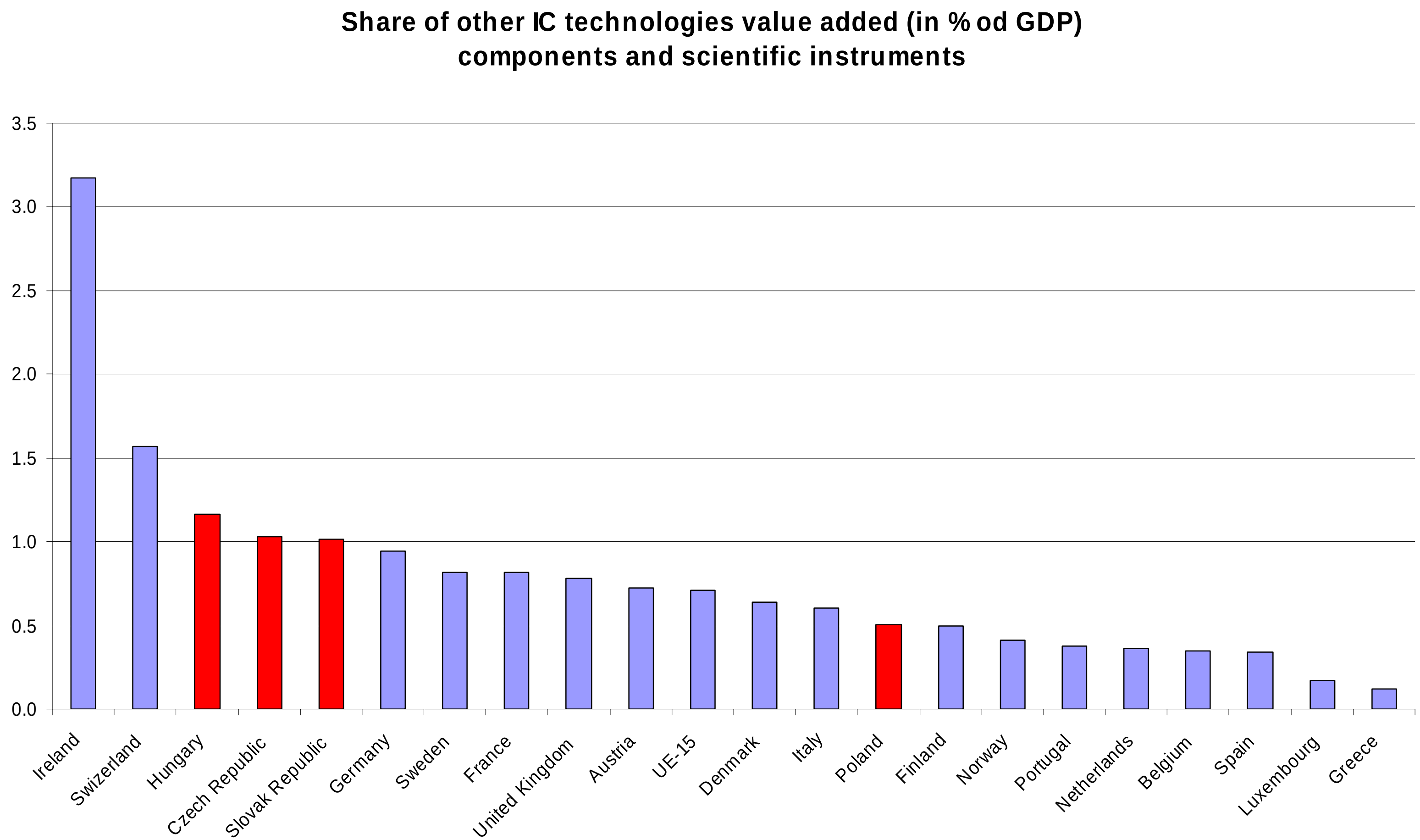
Eastern European countries have high level of Telecommunication production



The Eastern European countries are less better ranked in IT production



But they are very well positioned in the production of components and scientific instrument



Two aspects for Offshoring/location trends

1. **Access to (new) markets**

2. **Competitiveness Improvement**

1. Access to (new) markets: reasons for locating activities

ICT commercialisation

ICT services near customers

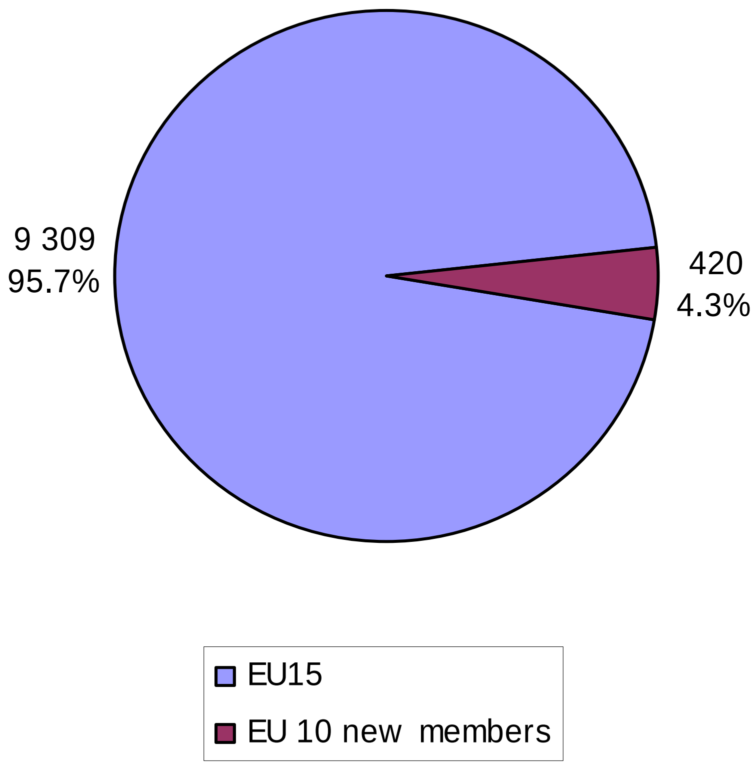
some ICT services are produced when and where they are consumed.

ICT products costly to transport (??)

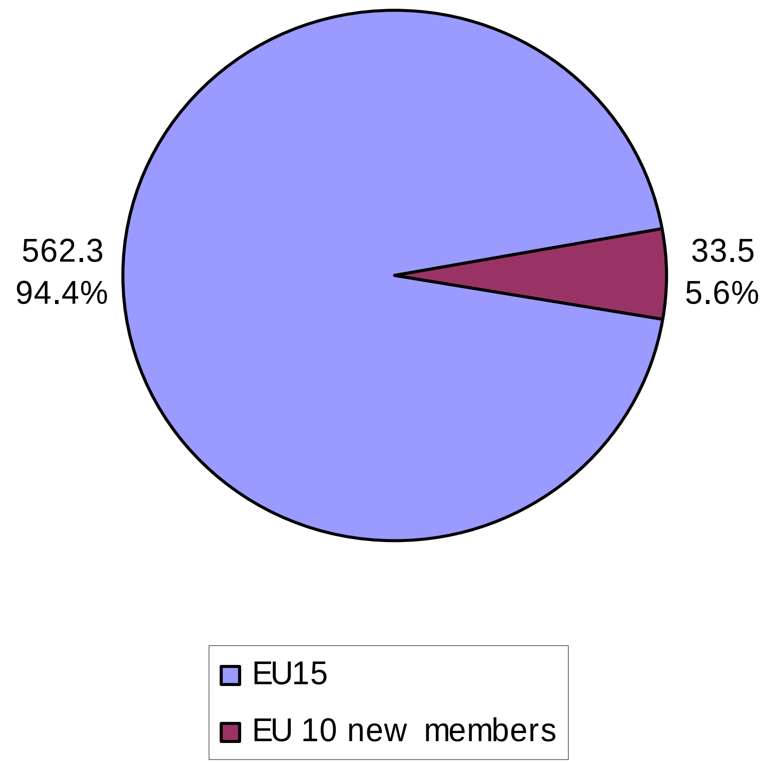
which is the size of ICT markets of CEE countries and which will be their growth?

The 10 new members represent already a larger share of ICT market than of GDP

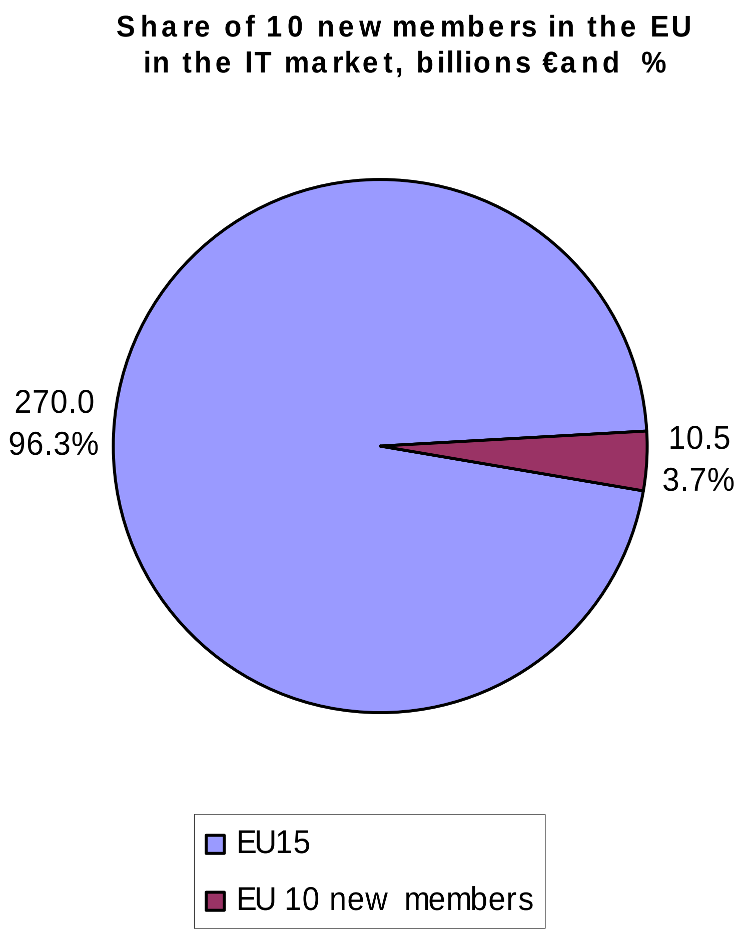
Share of 10 new members in the EU in the GDP, billions € and %

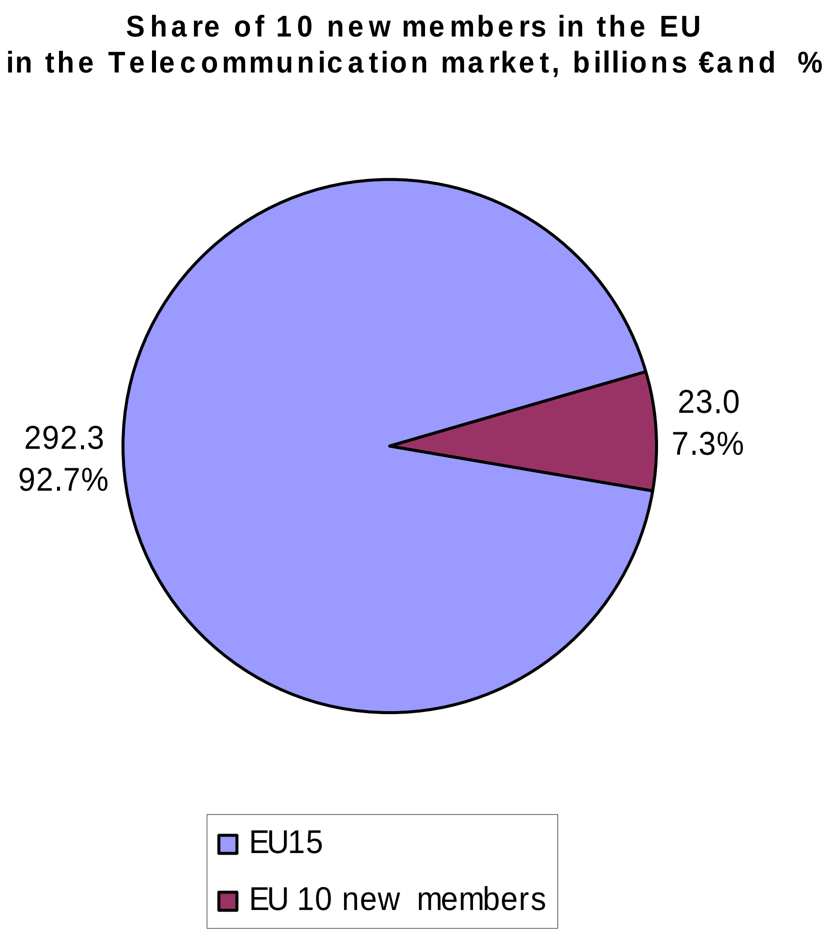


Share of 10 new members in the EU in the ICT market, billions € and %



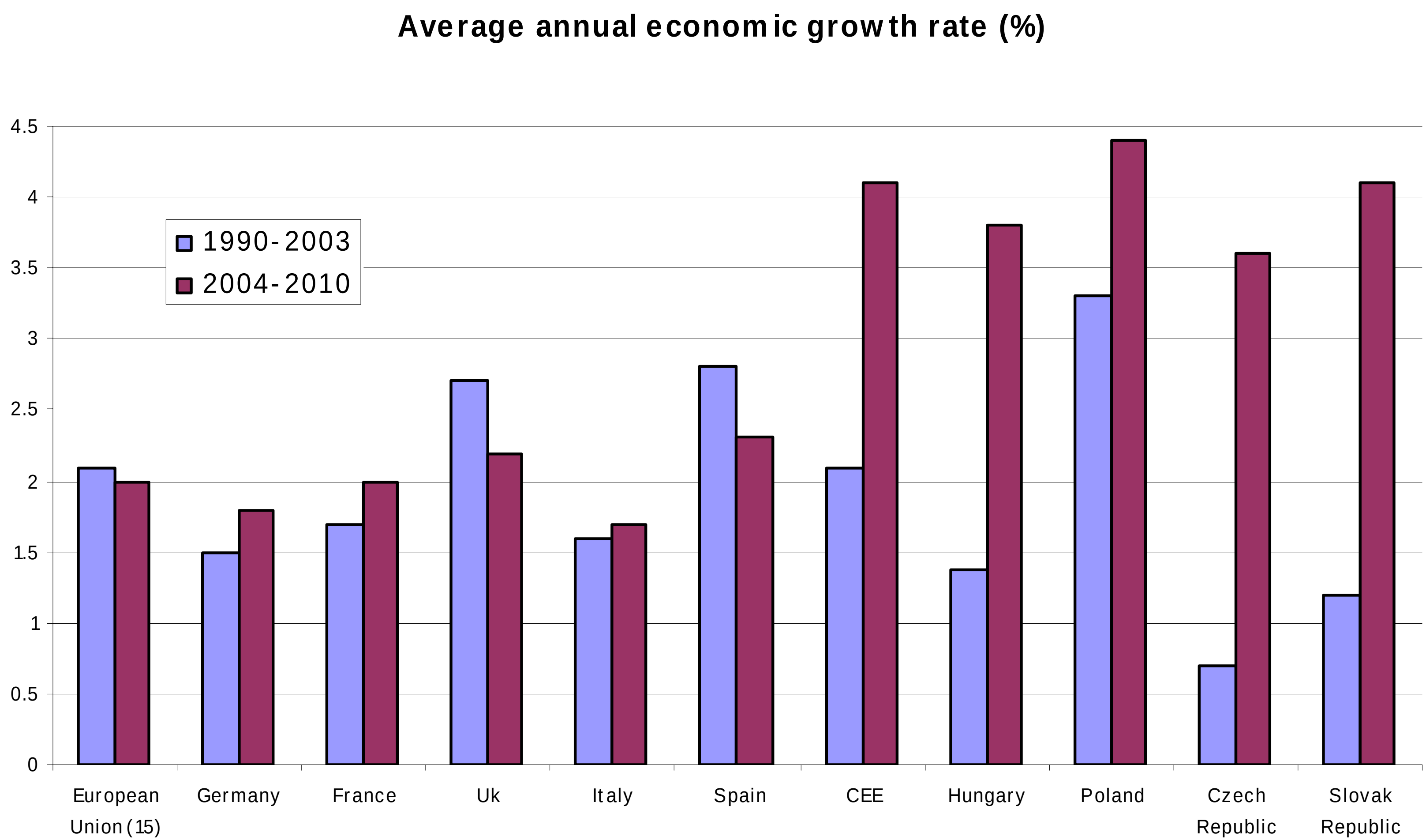
This is particularly the case on the Telecommunication market, not on the IT market





Trends of economic growth:

better prospects 2004-2010 for new members as during the last 10 years



Trends of ICT markets

IT: Low penetration rate and high needs of investments

Telecommunication Which impact of deregulation?

?

2. Competitiveness Improvement : reasons for locating activities

wages costs

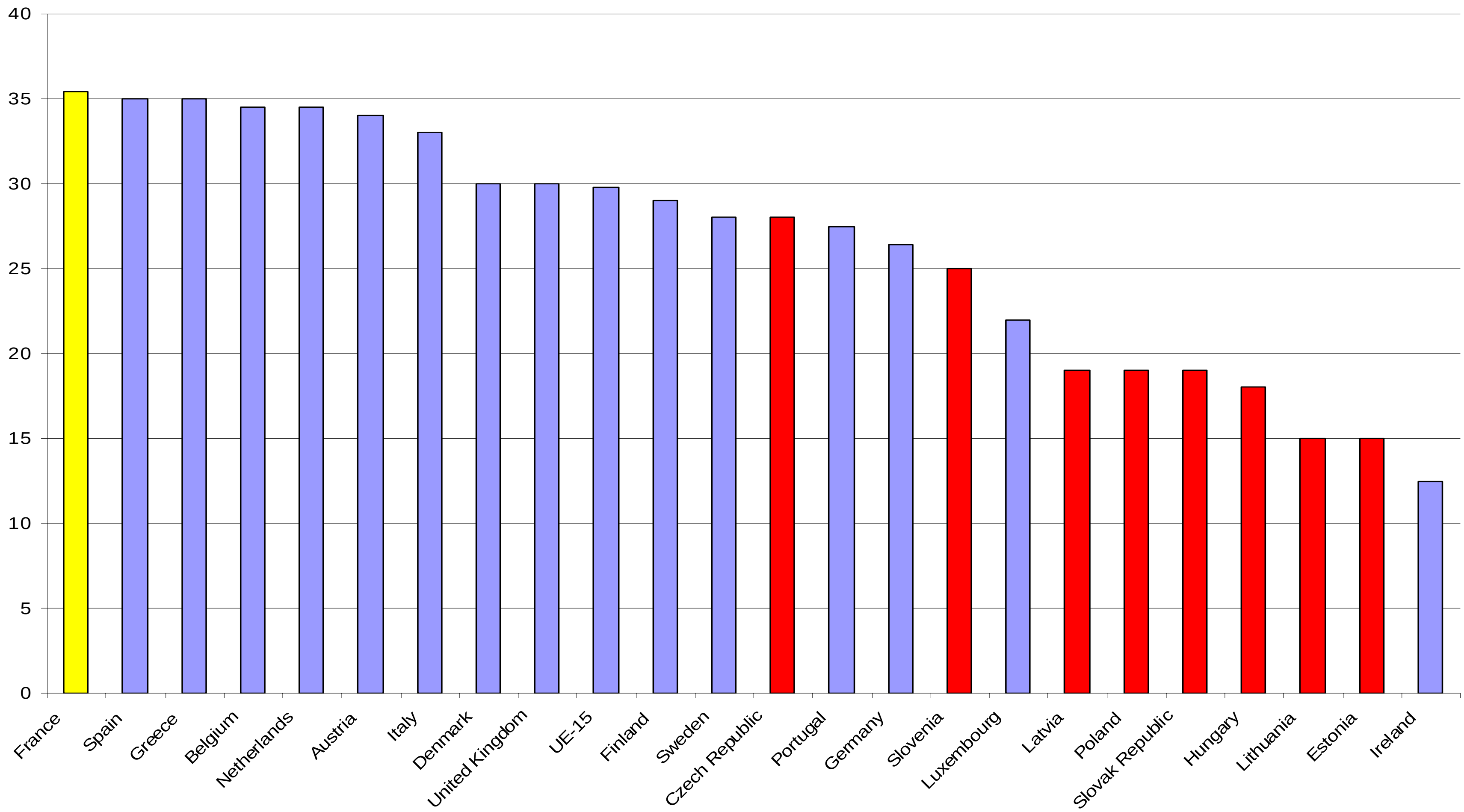
taxes on benefits

infrastructures

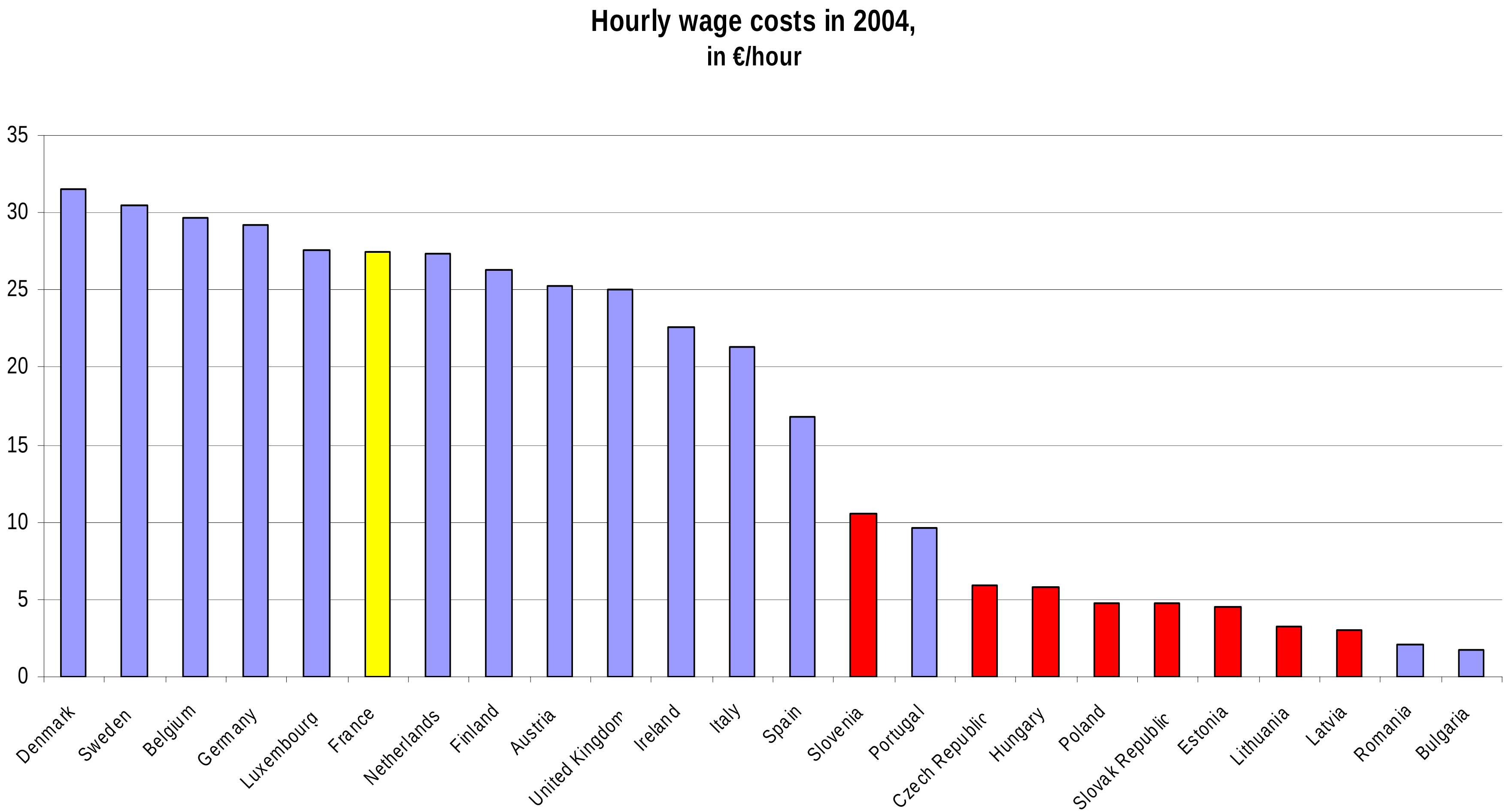
innovation and R&D

Eastern european countries have, with Ireland, the lower profit taxes

Profit taxe in 2004 (%)



Eastern european countries have, with Ireland, the lower profit taxes



Conclusion

Low cost

Low profit tax

EU subsidies

highly skilled workforce

High growth rate of domestic It market

attractive locations for FDI