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FDI policies in Europe in the aftermath of the 2008+ crisis[1]

Marta Götz[2]

Abstract: In the aftermath of the 2008+ crisis economic protectionism was feared to return. Financial turbulence, trade imbalances, instability of fiscal policies and labour market deterioration made intervention by the state justified. To cushion the blow various measures were launched. Whereas major economic policies such as the fiscal, monetary or labour market policies were adjusted, little is known about possible modifications in other, less popular, areas of government activity such as the policy on foreign direct investment (FDI). By combining available sources – mainly international scoreboards and rankings – this article sought to classify the member states of the European Union (EU MS) according to their policies pursued in respect of outward and inward foreign direct investment (OFDI and IFDI) after 2008. The main value added could be seen in: (i) the selection, compilation and assessment of various indicators proposed as the most suitable approximation of FDI policies; (ii) the coverage of all the EU members without a priori focusing only on some cases; and (iii) touching upon OFDI which is rather rare in FDI literature dominated by studies on IFDI. The major obstacle which may impair the quality of the research outcome was the lack of proper indicators i.e. lack of variables which can stand for genuine FDI policy. The results obtained indicate the dominance of rather more restrictive attitudes in respect of inward and outward FDI amongst the EU member states in the aftermath of the 2008+ crisis.

Keywords: foreign direct investment (FDI), policy, European Union (EU), 2008+ crisis.

JEL codes: F00, F23, F40, F53.

Introduction – The intervention by the State in the economy – fears of protectionism after the 2008+ crisis

During the crisis governments undertook steps that reintroduce the fragmentation of markets along national lines [Evenett 2012]. Previous economic down-

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turns had shown that forms of protectionism not only tend to change during a crises but they continued and stayed even after national economies had recovered [Irwin 2011]. Financial turbulence, huge trade imbalances, instability of fiscal policies in many countries as well as labour market deterioration caused or aggravated by the 2008 financial market meltdown made intervention by the State almost desirable and brought into sharp focus long buried measures. Governments, particularly in crisis-stricken countries, started their rescue operations by launching a variety of projects and instruments by designing initiatives, first aimed at containing the fallout and later at alleviating the painful adjustments of ailing economies [Kowalski 2013: 97]. Actions were undertaken in order to prop up a frozen, dysfunctional credit market, to stimulate domestic consumption, to bail out selected industries and to recapitalize banks "too big to fail" or "too connected to fail" [Kowalski 2013: 79–80, 90–91; Kluza 2011]. Various more or less subtle forms of economic protectionism resurfaced. French politicians urged automakers to locate their plant at home. In Germany the finance industry was named as a "locust". Slogans like "buy American" in the US and "British jobs for British workers" in the UK gained wider acceptance. Also in Poland, although successive governments were rather neutral about OFDI or Polish MNEs, some more active role of government could be perceived. Certain recent activities and declarations; such as the openly supported failed acquisition of a foreign affiliate (BZ WBK) of an Irish multinational bank by a state-owned bank, PKO BP; attempts to "privatize" a regional energy concern, Energa, by selling it to another SOE, PGE (Polish Energy Group); talk about the need to protect the remaining large Polish SOEs or the need to "re-polonize" foreign-owned banks may suggest that government tried to pursue policy of creating "national champions" [Zimny 2013; Naczyk 2013]. "The recent financial crisis demonstrated more than ever that governments seek to steer their economies rather than surrendering to the free play of market forces" [Clift and Woll 2012]. The approach adopted by the State towards foreign capital and internationalisation of domestic firms i.e. in respect of both incoming as well as outflowing FDI can be viewed as economic patriotism. Whereas promotion of outbound investment might be classified as liberal and local economic patriotism, restricting inflowing capital would fall into the category of conservative economic patriotism or even protectionism [Clift and Woll 2012]. The novelty of the topic presented lies in consideration of the recent, 2008+ crisis-induced changes in FDI policies in Europe. This paper constitutes part of a broader research undertaking devoted to the (post) crisis FDI policies in the EU and presents the findings of the mapping of the member states in terms of their approach pursued. The resulting typology was built upon available international scoreboards and rankings.

The basic research question was "how restrictive / liberal are in the member states' policies towards inbound and outbound investment as a consequence of the 2008+crisis?" Evaluation of likely modification of FDI policies should enable some simple classification of EU countries in this respect. In the light of the growing fear of a return to economic protectionism, which can manifest itself in the form of higher barriers to capital inflow or/and special protection to domestic investors, this paper sought to take stock of possible alterations in policies pursued in respect of outflowing and incoming investments [Kee, Neagu, and Nicita 2013]. Given the turbulent economic environment, complex universe of international relations as regulated by dense network of investment treaties and profound legal changes in the EU itself, closer examination of this problem seemed justified [Strik 2014]. Although, "things are still in progress", the sheer duration of the crisis (seven years) made it critical to at least attempt a recapitulation.

This paper is structured as follows. The first section frames the investigation of the institutional perspective and offers a brief review of main types of FDI policies. Section two delineates the methodological approach applied and the indicators adopted of FDI policies. Next the findings of the investigation are discussed and the resulting classification of countries is presented. The paper closes with conclusions.

1. Institutions and FDI policies

The institution-based approach towards internationalization became popular in recent decades [Peng, Wang, and Jiang 2008; North 1991; Williamson 1985; Scott 1995]. Factors understood as both formal and informal rules of the game in a society structure political, economic and social interaction and set boundaries defining the scope of legitimate and accepted activities. They create the context for economic processes including the venturing abroad by domestic companies and the hosting of foreign investors [Gavin 2012; Zhang, and Van Den Bulcke 2014; Cuervo-Cazurra and Genc 2011; Peng, Wang, and Jiang 2008]. In fact, policies adopted by governments towards foreign investments constitute part of a broader institutional FDI setting. Policy in this respect can refer to conceptual aspects such as the general direction of the strategy pursued as well as to administrative and the operational dimension including approvals, issuance, etc.. Hypothetically there can be multiple typologies of FDI policies. They can be based on various criteria which take into account: investors' origin, type of FDI, mode of entry, whether it refers to existing or new investors, the level of authority responsible and accountable for the pursuance of a given policy, measures applied whether fiscal or financial, informational or promotional; the territory of application – at home or abroad and many others. The simplest and most obvious one should identify the direction of capital flows i.e. differentiate between IFDI and OFDI policies.

A foreign company's choice of investment is undoubtedly influenced by the policy pursued, or more narrowly, government incentives with regard to taxes, subsidies, local input and local employment [Wach and Wojciechowski 2016;

Faeth 2009]. There are three types of such incentives: fiscal incentives (i.e. profit-based, labour-based, etc.), financial (grants, credits) and other incentives (such as subsidized dedicated infrastructure). Referring to more practical dimension as applied by OECD measures undertaken towards incoming foreign investors can be divided into those dealing with: entry / screening / approval issues, operational aspects including restrictions such as limits on land purchase or on repatriation of profits or capital, regulations on key foreign personnel as well as requirements concerning equity thresholds.

Over time countries usually tend to evolve from the OFDI restrictive stance through neutral to more positive and often even an explicitly supportive position as far as capital export in the form of FDI is concerned [Mistura 2011]. For emerging economies and most likely for Central Eastern European countries "OFDI promotion is a legitimate political action needed to help compensate for these countries' competitive disadvantages and organizational deficiencies" [Luo, Xue, and Han 2010]. One of approaches towards government OFDI promotional policy distinguishes the provisions of: (1) technical and informational assistance to firms wishing to invest abroad; (2) financial and fiscal incentives; (3) investment protection instruments [Mistura 2011]. According to the Ministry of Economy in Poland firms embarking upon foreign expansion can expect the following four types of help: (1) direct assistance – e.g. export passports from the Polish Agency for Enterprise Development, etc.; (2) indirect – international promotion of the Polish economy financed by EU funds; (3) institutional support for the business environment – pursued by departments of Embassies (Promotion and Trade and Economic Units) as well as Investor and Exporter Support Centres; (4) financial instruments – guarantees, insurance, etc. Other studies distinguish five areas of the system of Poland's promotion abroad [*Promocja* 2014]. Firstly, there are measures aiming at advertising Poland as a brand and improving the image of Polish firms (addressing *Polishness* as a liability). Secondly, during state visits Polish officials are frequently accompanied by representatives of Polish business (economic missions). Thirdly, departments of Polish Embassies offer assistance to Polish firms setting up business in that country. Fourthly, a special system of information provides insight into conditions for business activities on foreign markets. Finally, financial support for export is made available. Gorynia et al. [2013] propose a broad classification of OFDI support policies which includes also wider steps which might be undertaken in order to stimulate the home economy's internationalization and competitiveness, thus indirectly stimulating OFDI in the long run:

- OFDI-dedicated financial measures – aim at lowering the economic risks of foreign investment projects and encourage otherwise reluctant investors to venture abroad [Te Velde 2007; Gorynia et al. 2013].
- Non-OFDI-dedicated financial measures – usually support general internationalization also in a less advanced form of export, by affecting firms competiveness and foreign market experience [Globerman and Chen 2010].

– OFDI-dedicated non-financial measures – are mainly designed to help investors overcome information-related market failures [Gorynia et al. 2013].
– Non-OFDI-dedicated non-financial measures – are for improving firms' capabilities and thus impacting their competitiveness which in the long run might translate into foreign market expansion and include human resource exchange programmes [Gorynia et al. 2013].

Summing up, the theory and practice offer various possible classifications of FDI policies. This paper aimed at mapping the EU members according to their FDI policies pursued in the aftermath of the 2008+ crisis. It neither sought to assess the magnitude of crisis-induced decline of FDI, nor did it aim to document existing incentives dedicated to foreign investors or offered to domestic companies.

2. Methodology

The main goal of this paper was to classify the EU countries in terms of the likely changes of their policies adopted in respect of incoming and outgoing investors, which might have resulted from the financial downturn.

2.1. Classification – matrix of FDI policies

The simplest categorisation of FDI policies would differentiate in both cases (OFDI and IFDI) between hostile/anti and friendly/pro FDI approaches. Each country might thus pursue one of the four combinations of policies towards FDI (Table 1).

Table 1. Possible policies towards FDI, "–"discouraging "+" "encouraging"

	+OFDI	–OFDI
+IFDI	+OUTFDI & +IFDI	–OUTFDI & +IFDI
–FDI	+OUTFDI & –IFDI	–OUTFDI & –IFDI

Outlined in Table 1 are four possibilities taking into account only the direction of capital flows and ignoring other aspects such as the mode of entry, sector, or country of origin. The typology adopted in this paper allows a differentiation between liberal and restrictive policies towards inward as well as outward FDI.

2.2. Data sources and approximation of FDI policies

The 2008+ crisis evoked fears of the return of economic protectionism. However, now the classic narrow metrics of this problem do not suffice [Kee, Neagu, and

Nicita 2013]. Bail-outs, State takeovers and rescue programmes reflect hidden, murky or covert protectionism. As there is no single metric to evaluate the harm caused by innovative measures against foreign commercial interests there is no single universal database or set of indicators which would enable uniform evaluation of FDI policies [Evenett 2013]. It is possible to compare countries in terms of pursued labour, educational, even innovation policies by simply drawing on publicly available statistics. It is very difficult to conduct such comparison with respect to FDI policy. Hence, recent initiatives such as the investment policy hub set by UNCTAD have to be acknowledged. In the light of this lack of FDI policies' variables, it was necessary to tap other sources which can serve as approximations of outward and inward FDI policies. Thus the first step was to conduct a review of possible suitable databases fit for the purpose of this research. Following the survey of the recent literature dealing with this topic, a number of indicators stored by international organizations (UNCTAD, OECD) were selected. In particular reference was made to: IRR – Investment Regulatory Restrictiveness Index (OECD), Reform Responsiveness Index RRI (OECD), concluded Bilateral Investment Treaties (BITs), claims launched under Investment State Dispute Settlement procedures (ISDS), ranking Doing Business and indicators of discriminatory measures reported by the Global Trade Alert. These elements either illustrate the progress in reforms launched (RRI, Doing Business), international openness/closeness (BITs, IRR), or observance of existing anti-discriminatory law (ISDS, Global Trade Alert). Hence, it can be argued that they offer insight into the approach towards FDI, but it would seem, mainly inward FDI. The scarcity of comprehensive databases was particularly acute for OFDI policies. Lack of a proper dedicated dataset hampered precise classification.

2.3. Technique adopted – operationalisation of FDI policies

In the second step, for each source / indicator, the country's policies towards FDI were classified as "pro" or "anti". The following technique – principles of classification was adopted:

- In general, for rankings such as IRR, RRI, Doing Business where it was possible to categorise a country's policies according to the position occupied; best performing countries and/or those recording the most positive changes were classified as running a "pro" FDI policy; laggards and/or those with deteriorating performance as running an "anti" FDI policy. For each ranking the median value were calculated which enabled the sorting of all countries in ascending order and classifying accordingly.
- In the case of bilateral investment treaties (BITs) the categorisation reflects the total number of concluded agreements as well as recently (i.e. in the aftermath of crisis) signed treaties. Similarly, the median value of existing treaties served as reference point for a simple categorisation of countries.

– For irregular information such as the reported ISDS claims, or Global Trade Alert "naming and shaming" i.e. when some countries appeared but some did not, it was decided to regard countries with these negatively notorious cases as pursuing "anti" FDI policies.

Section 3 discusses the EU member states' performance in each selected area. For the purpose of this examination, a country's performance in terms of investment restrictiveness, number of BITs concluded, ISDS cases launched and Global Trade Alert presence were classified as an approximation of policy towards inward FDI, whereas scores in the Doing Business ranking and Reform Responsiveness Index were employed as variables of OFDI policies.

3. Results and discussion

The OECD's FDI Regulatory Restrictiveness Index (IRR) assesses the openness to FDI by considering four types of measures: equity restrictions, screening and approval requirements, restrictions on foreign key personnel, other operational restrictions (e.g. limits on land purchase or on repatriation of profits or capital). It measures statutory restrictions on foreign direct investment in 58 countries and 22 sectors and is currently available for 8 years. OECD [2015] data point to growing restrictions, mostly in primary sectors, but also in media and transport. Statistics for IRR covering the last crisis years show clearly that there were no changes in regulatory restrictiveness as assessed totally for all types of measures and all sectors in the group of EU countries with the exception of the Czech Republic and Estonia, which reduced their IRR after 2010. The highest RRI levels were recorded in Austria, Poland, UK and Sweden; the lowest in Luxembourg, Portugal and Slovenia. Whereas the OECD dataset covers only some of the EU members, the CESifo database [2015] includes all EU MS. The FDI restrictiveness index traces the magnitude of hostility towards foreign investors with a score of 1 meaning a closed economy and 0 – an open economy. It offers insight into both a country's (total index) and sector openness. The most recent scoreboard updated in 2014 refers to year 2012. The total index is a sum of several coefficients covering: limits of foreign equity in acquisitions, screening and approval required when acquiring (other than on security grounds), restrictions on foreign key personnel and other restrictions such as restrictions on profit/capital repatriation or land ownership. The calculated median value enabled countries to be sorted ranging from the worst to the best performing and subsequently allowed a classification of member states as FDI friendly (below median), or rather hostile (above median) (see Table 2).

The Doing Business (DB) project provides objective measures of business regulations and their enforcement across 189 economies at the sub-national and regional level. By gathering and analysing comprehensive quantitative data

Table 2. Investment Regulatory Restrictiveness Index-values (2012)

Values over median (> 0,042)		Values under median (< 0,042)	
Ireland	0,043	Luxembourg	0,004
France	0,045	Portugal	0,007
Slovak Republic	0,049	Slovenia	0,007
Hungary	0,049	Romania	0,008
Italy	0,05	Netherlands	0,015
Czech Republic	0,055	Finland	0,019
Sweden	0,059	Spain	0,021
United Kingdom	0,061	Estonia	0,022
Latvia	0,065	Germany	0,023
Poland	0,072	Greece	0,039
Denmark	0,072	Belgium	0,04
Austria	0,106	Lithuania	0,041

Source: Own calculations based on http://www.cesifo-group.de/ifoHome/facts/DICE/Other-Topics/Product-Markets/Product-Market-Regulations/foreign-direct-investment-regulatory-restrictiveness.html.

it enabled a comparison of the conditions for establishing and operating business across economies and over time (Table 3). A high position in the ranking meant a conducive regulatory environment facilitating business activity. Unfortunately, due to the changes in methodology in the Doing Business ranking only the recent 2014–2015 editions were comparable.

Table 3. Doing Business ranking (change 2015/2014)

Improvement in DB ranking (number of places up)		Deterioration of DB ranking (number of places down)	
Croatia	+2	Austria	–2
Czech Republic	+3	Belgium	–2
Denmark	–0	Bulgaria	–2
France	+2	Cyprus	–2
Greece	+4	Estonia	–1
Hungary	+4	Finland	–1
Ireland	+4	Germany	–1
Lithuania	–0	Italy	–4
Luxembourg	–0	Latvia	–2
Romania	+2	Malta	–4
Sweden	+1	Netherlands	–1
United Kingdom	+1	Poland	–2
		Portugal	–2
		Slovak Republic	–2
		Slovernia	–5
		Spain	–1

Source: Own calculations based on http://www.doingbusiness.org/custom-query.

This index describes conditions for incoming foreign investors. However, it is also informative as to the opportunities for domestic companies and thus their subsequent chances for internationalization. Hence it can be thought of as an indicator of OFDI policy, particularly, if support for internationalisation is regarded as deriving from capacity building [Sauvant 2015].

In 2012 there were more than 3,200 international investment agreements (IIA), with over 2,860 bilateral investment treaties (BITs) and over 340 "other international investment agreements" (e.g. FTAs), economic partnership agreements EPAs or framework agreements with an investment dimension [IIA Issues Note 2013]. Experts identified three types of challenge caused by such a dense and complex legal system: systemic – related to gaps, overlaps and inconsistencies resulting from the multi-faceted and multi-layered regime; capacity challenges – linked to difficulties in navigating a highly fragmented treaty regime and development challenges – defined in terms of the appropriate regulatory space for host countries and balance of rights and obligations of States and investors. From the point of view of this project the number of treaties concluded after the crisis year of 2008 was of special importance. "This evidence is consistent with the proposition that hard economic times lead to concessions to investors that governments might otherwise not make when economic growth is strong" [Simmons 2014: 4–5]. UNCTAD IIA Hub listed 88 of such agreements. In the EU there were 8 new treaties concluded by Slovakia, 7 by the Czech Republic, and 7 by Portugal, 6 by Belgium. 5 BITs were signed by Lithuania and Estonia; 4 – France and Malta; 3 – Austria, Spain, Italy, Denmark, UK, Germany and Cyprus; 2 – Netherlands and Finland and 1 – Croatia, Bulgaria and Slovenia. By reference to the median value of all (not only recently) ratified BITs it was

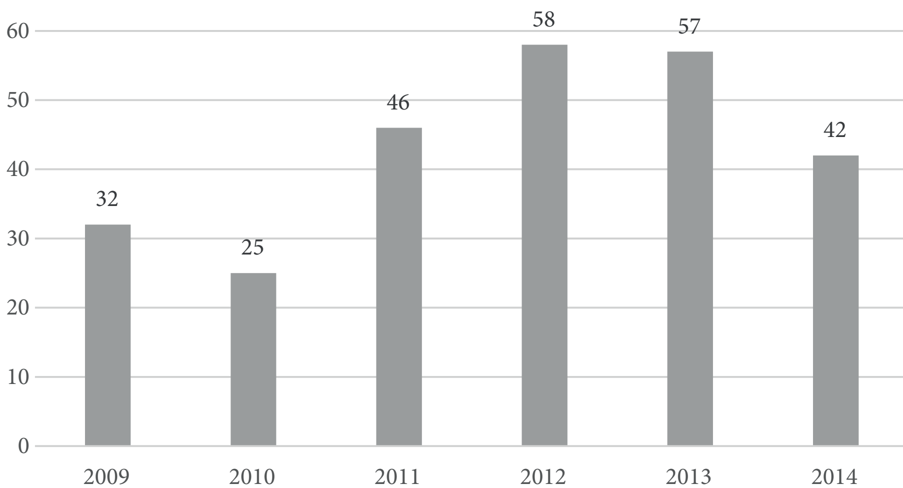
Table 4. BITs performance (updated March 2015)

More than median (> 63,5)		**Less than median (< 63,5)**	
Austria	65	Ireland	0
Bulgaria	68	Malta	22
Sweden	69	Cyprus	27
Finland	72	Estonia	27
Czech Republic	79	Slovenia	37
Romania	82	Greece	43
Spain	82	Latvia	44
Italy	92	Lithuania	54
Belgium	93	Denmark	55
Luxembourg	93	Portugal	55
Netherlands	96	Slovakia	55
France	103	Croatia	58
UK	104	Hungary	58
Germany	134	Poland	62

Source: Own calculations based on http://investmentpolicyhub.unctad.org/IIA/IiasByCountry#footnote possible to sort and classify EU MS in terms of their institutional – treaty performance crucial for FDI flows (Table 4).

Changes in the attitude towards foreign investors (feared in the aftermath of crisis) can be also mirrored in legal procedures brought to courts under the Investor State Dispute Settlement (ISDS) regime [IIA Issues Note 2014]. The crisis raised the question of an adequate balance between the rights and obligations of the State and the investor. Fears of abuses by foreign investors on the one hand and State's discriminatory steps such as the violation of the "firewalls" non-discrimination principle and the minimum standard of treatment or the use of national security exceptions on the other were voiced. In 2009 32 controversial ISDS claims covering mostly issues such as the "definition of investment, most favoured nation treatment applying to both jurisdictional and substantive matters, expropriation, compensation, fair and equitable treatment and full protection and security" apparently did not relate to measures that countries took in response to the financial and economic crisis [IIA Issues Note 2010]. In 2010 there were 25 new cases brought under ISDS, in 2012 – 58 [IIA Issues Note 2011; IIA Issues Note 2012; IIA Issues Note 2013] (Figure). For the first time in that year UNCTAD noted that some of these cases had their origin in the recent financial crisis and the ongoing economic recession [IIA Issues Note 2013].

Quoted examples include – "a pair of Chinese investors who brought an ISDS claim against Belgium relating to that Government's treatment of Fortis and a Cypriot bank who notified its intention to initiate arbitration proceedings against Greece arguing that the latter had discriminated against the claimant's Greek subsidiary when implementing its bank bail-out programme. A number of claims had been brought, or threatened, against governments who had in-



Number of ISDS cases
Source: Recent trends in IIAs and ISDS, no. 1, February 2015

troduced austerity measures affecting renewable energy producers. Reportedly, Italy, the Czech Republic and Spain had been put on notice with respect to possible arbitration regarding those countries' withdrawal of subsidies for solar energy, introduced at a time of a more favourable economic climate." Notwithstanding the common usage of this formula, the ISDS mechanism is under scrutiny and the process of its overhaul already initiated [IIA Issues Note 2013]. For the purpose of this article the number of newly started ISDS claims against given country as well as the change over time in the number of cases dealt with served as an approximation for "hostility/restrictiveness" towards incoming FDI (see Table 5).

Table 5. Changes in the number of initiated ISDS cases

Increase of ISDS cases 2013–2009	Decrease/no change	2014 newly started actions
Bulgaria, Croatia, Czech Republic, Germany, Hungary, France, Poland, Spain, Slovak Republic, Slovenia, United Kingdom, Lithuania, Latvia, Romania, Cyprus, Italy, Greece	Belgium, Estonia, Portugal	Cyprus, Czech Republic, Greece, Estonia, Hungary, Italy, Spain, Slovak Republic, Romania

Source: Own elaboration based on UNCTAD data.

The Global Trade Alert [2015] provides real-time information on State measures taken during the current global downturn that are likely to affect foreign commerce. The evidence collected indicates that, particularly in 2009, some governments launched new trade protection measures also affecting investment flows. The situation improved in 2010 and 2011 when the ratio of "antidiscriminatory measures" versus "discriminatory instruments" improved. Although most measures relate to trade in the narrow sense, around 7% of all instruments were more linked to FDI (issues such as local content requirements and provisions for intellectual property rights). Available statistics filtered by implementing jurisdiction – in this case EU27 – revealed that there were 682 measures implemented, and 570 when excluding trade defence measures. Eighteen measures affected investment directly. Steps undertaken and quoted by the Global Trade Alert include amongst others: in France The law to protect against foreign takeovers in various sectors (15 May 2014), Government pressure on Philips to preserve jobs in Dreux (18 February 2010) and on Total to preserve jobs in Dunkirk (1 February 2010); in the Netherlands: Nationalisation of the bank SNS REAAL and expropriation of its shareholders without compensation (1 February 2013), in Italy the blocked foreign purchase of Ansaldo Energia (13 October 2012), urgent measures for the growth of the country (11 August 2012), investment protection of companies operating in certain sensitive sectors from foreign takeovers (15 March 2012), as well as the protection of Italian companies from foreign takeover (23 March 2011), and in Germany: Nationalisation of the bank Hypo Real Estate and expropriation of the minority shareholders (13 October 2009) and review of foreign investments on national security and public policy grounds (18 April 2009). Almost all cases listed were classified as red or amber i.e. potentially detrimental for foreign commercial interest. Summing up, there were 4 harmful measures introduced in Italy, 3 in France, 2 in Austria and Germany and 1 in the Netherlands, Hungary, Lithuania, Latvia, Poland, UK and Cyprus. Cases reported by the Global Trade Alert might be regarded as substitute information on a country's approach towards foreign investors, hence can be an approximation of IFDI policy.

The progress of reforms undertaken in the aftermath of the crisis and with the aim of "Going for Growth" can be also employed for assessing FDI policy, in particular for evaluating broadly understood indirect and capacity building policy towards OFID [OECD 2012]. OECD assess progress that countries have made in structural reforms since the start of the crisis. It seems that financial turbulence in 2008 and the ensuing recession acted as a catalyst for structural reforms – on the labour market, in public finances, the financial sector but also in terms of competitiveness, improvement in infrastructure, tax systems, education, research areas, etc. The recommendations issued for each country in subsequent Editions of "Going for Growth" were assessed in terms of the responsiveness rate. The pace and the nature of reforms varied markedly throughout the distinct phases of the crisis with some slow-down in the first phase, due to the pressing need to stabilise aggregate demand and provide income support to the unemployed and rebound as the need for medium-term fiscal consolidation became more pressing [OECD 2012: 18–19]. The reform responsiveness indicator is a measure of the extent to which OECD countries have followed up on "Going for Growth" recommendations (...) and it is defined annually for each individual policy priority area, each broad reform field (labour productivity or labour utilisation) and each individual country. OECD data do not cover all EU countries, however, it enabled an assessment of a given country by reference to the EU average (Table 6). When drawing on such statistics one can regard the Czech Republic, Greece, Ireland, Portugal, Italy, UK and Hungary as making significant progress, reforming their own economies and hence offering more friendly conditions most likely to stimulate development of domestic companies ready to start outward FDI.

Due to the lack of other comprehensive and comparable datasets and a certain "IFDI bias" of FDI literature the Reform Responsiveness Index along with the Doing Business ranking may serve as an approximation of policies towards OFDI.[3]

[3] Favourable conditions almost certainly stimulate firms' development and enhance their chances in conquering foreign markets (improved competitiveness). However, a deteriorating

Table 6. Reform Responsiveness Index – change from 2009–10 to 2011–2012

RRI below the EU average (≤ 0,2)		RRI above the EU average (> 0,2)	
Sweden	–0,127	Hungary	0,300
Netherlands	–0,106	United Kingdom	0,345
Denmark	–0,055	Italy	0,364
Belgium	–0,018	Portugal	0,369
Luxembourg	–0,011	Ireland	0,485
Germany	0,073	Greece	0,517
Norway	0,082	Czech Republic	0,545
Poland	0,100		
Slovak Republic	0,100		
France	0,133		
Finland	0,194		
Spain	0,200		
Austria	0,200		

Source: Own calculations based on the change in responsiveness to Going for Growth recommendations across OECD countries from 2009–10 to 2011–2012.

The results of the investigation presented must be treated with caution since the sources of information used are substitutes for variables standing for genuine FDI policies (Table 7).

Countries with negative measures registered by the Global Trade Alert, with a new and/or an increasing number of ISDS cases without new and below the EU median number of concluded BITs and with a high Investment Restrictiveness Index were classified as running unfriendly policy towards incoming investors. Such policy was diagnosed for 13 countries. 10 EU members run rather friendly policy in this respect, given the measures implemented and recorded by GTA, number of ISDS cases, concluded BITS and levels of IRI. EU member states with a value below the EU median of the Reform Responsiveness Index and with decreasing standing in the Doing Business ranking were classified as pursuing a rather unfriendly OFDI policy. 13 EU members belong to this group. Improved Reform Responsiveness performance and scoring in Doing Business ranking were diagnosed for 8 countries which could be hence classified as running rather stimulating OFDI policy.

As some indicators offset each other for a given FDI policy, clear country's classification was in some cases impossible (~ neutral). Hence, based on the results obtained not all EU countries could be classified within the matrix (Table 8).

The preliminary findings underscore the problem of the deficit of proper variables standing for genuine FDI policies. Dedicated databases with indicators of inward and outward FDI policies enabling cross-country comparisons do

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and weak domestic environment might hypothetically force firms to venture abroad as a redress for domestic barriers.

Table 7. Final EU MS classification according to the changes in FDI policy after 2008

Country	IFDI policy							OFDI policy		Summary IFDI	Summary OFDI	IFDI policy	OFDI policy
	Global Trade Alert		ISDS cases		BITs		In. regulatory restrictiveness						
	negative	positive	incr/decr	new 2014	relation to median	new 2014		reform respon. index	doing business				
Austria	–2				>med.	3	high	<med.	decr	2pos 2neg	2neg.	~	anti
Belgium			const		>med.	6	low	<med.	decr	4pos	2neg.	pro	anti
Bulgaria			incr		>med.	1		>med.	decr	2pos 1neg	1pos 1neg	pro	~
Croatia			incr		<med.	1			incr	1pos 2neg	1pos.	anti	pro
Cyprus	–1		incr	new	<med.	3			decr	1pos 4neg	1neg.	anti	anti
Czech R.			incr	new	>med.	7	high	>med.	incr	2pos 3neg	2pos.	anti	pro
Denmark					<med.	3	high	<med.	incr	1pos 3neg	1pos 1neg	anti	~
Estonia			const		<med.	5	low		decr	3pos 1neg	1neg.	pro	anti
Finland					>med.	2	low	<med.	decr	3pos	2neg.	pro	anti
France	–3	1	incr		>med.	4	high	<med.	incr	3pos 3neg	1pos 1neg	~	~
Germany	–2		incr		>med.	3	low	<med.	decr	3pos 2neg	2neg.	pro	anti
Greece			incr	new	<med.		low	>med.	incr	1pos 3neg	2pos.	anti	pro

Hungary	–1		incr	new	<med.		high	>med.	incr	5neg	2pos.	anti	pro
Ireland					<med.		high	>med.	incr	2neg	2pos.	anti	pro
Italy	–4		incr	new	>med.	3	high	>med.	decr	2pos 4neg	1pos 1neg	anti	~
Latvia			incr		<med.		high		decr	3neg	1neg	anti	anti
Lithuania	–1		incr		<med.	5	low		incr	2pos 3neg	1pos.	anti	pro
Luxembourg					>med.		low	<med.	incr	2pos	1pos 1neg	pro	~
Malta					<med.	4			decr	1pos	1neg.	pro	anti
Netherlands	–1				>med.	2	low	<med.	decr	3pos 1neg	2neg.	pro	anti
Poland	–1		incr		<med.		high	<med.	decr	4neg	2neg.	anti	anti
Portugal			const		<med.	7	low	>med.	decr	3pos 1neg	1pos 1neg	pro	~
Romania			incr	new	>med.		low		incr	2pos 2neg	1pos.	~	pro
Slovakia			incr	new	<med.	8	high	<med.	decr	1pos 4neg	2neg.	anti	anti
Slovenia			incr		<med.	1	low		decr	2pos 2neg	1neg.	~	anti
Spain			incr	new	>med.	3	low	<med.	decr	3pos 2neg	2neg.	pro	anti
Sweden					>med.		high	<med.	incr	1pos 1neg	1pos 1neg	~	~
UK	–1		incr		>med.	3	high	>med.	incr	2pos 3neg	2pos.	anti	pro

Table 8. Final classification

Double friendly +OUTFDI & +IFDI (Bulgaria, Luxemburg, Portugal, Romania)	2. Double hostile –OUTFDI & –IFDI Slovak Republic, Poland, Latvia, Cyprus (Denmark, Austria, Slovenia, Italy)
3. Pro +OUTFDI & Anti –IFDI Croatia, Czech Republic, Greece, Hungary, Ireland, Lithuania, United Kingdom (Denmark, Italy, Romania)	4. Anti –OUTFDI & Pro +IFDI Belgium, Malta, Estonia, Finland, Germany, Netherlands, Spain (Austria, Bulgaria, Luxemburg, Portugal, Slovenia)

In brackets countries without specified policies in reverse flows.

not exist. Given the multiple layers, authorities involved and measures applied, available databases can be regarded as some remote substitutes. Attempts to monitor and measure this policy such as the Investment Restrictiveness Index or the Global Trade Alert should be thus even more appreciated.

Conclusions

The observed (post)crisis change of the mind-set as to the role of the State in the economy can be seen as an inspiration for asking if crisis had affected also the less popular policy such as the one pursued towards FDI. The scarcity of reliable and comparable data on national FDI policies necessitated drawing on some substitute approximations. Certainly, the optimal approach would be to cover FDI policies *sensu stricte* – i.e. to focus on dedicated measures addressing either domestic firms willing to expand abroad or foreign entities intending to invest. Such endeavour, although desired, seems very unlikely if not infeasible. Not only because of mentioned deficit of universal comparable statistics but mostly because in the EU measures with such "foreign criterion" would be classified as discriminatory and illegal. Hence, even if countries adopt them, they do it rather unofficially or "pack under" some universally available incentives and seek to improve general business conditions what constitutes FDI policy *sensu largo*. Universal, standardised and reliable information hub (like the one offered by UNCTAD or Global Trade Alert) would alleviate the current problem of patchy data collection, which is particularly acute with respect to the OFDI policies.

This paper offered (post)crisis typology of the EU members according to their FDI policies. It neither sought to assess the actual performance in this respect i.e. to calculate the magnitude of crisis-induced decline of FDI, nor it aimed to document a review of existing incentives dedicated to foreign investors or offered to domestic companies. The main goal was to map the European countries in terms of the likely changes of their policies towards incoming and outgoing direct investment which might have resulted from the financial downturn of 2008.

The main vale added of conducted exploration could be seen in: (i) selecting, and assessing various variables proposed as indicators of FDI policies (i.e. approximating OFDI and IFDI policy); (ii) covering all EU MS without focusing of certain cases; (iii) touching upon OFDI which is rather rare in the literature dominated by IFDI perspective.

Given the mentioned obstacles, there are many avenues of how to improve the research on FDI policies. Further investigation shall insert some refinements of proposed categorisation. In particular, it may take into account the frequency of appearance in certain category (i.e. account for the degree of policy hostility/friendliness). Included might be also even anecdotal evidence gathered from experts' surveys (IPAs). Besides more nuanced division of FDI policies may encompass categories such as country of origin, industry sector, or mode of entry.

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