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Abstract. This article aims to investigate the economic integration between the European Union and its neighbouring countries by exploring the location drivers of Italian Multinational Enterprises in 33 destination countries including the New Member States of the European Union and the European Neighbouring Countries. The article compares market- and efficiency-seeking motivations with asset-seeking strategies. The analysis is based on a mixed-methods approach. The quantitative analysis assesses the location determinants of 518 Italian Multinational Enterprises that invested in the area in the years 2003–2008, whereas qualitative information on strategic location decisions is collected by means of in-depth interviews with executives in two of the largest Italian Multinational Enterprises active in the region. Market-seeking considerations are still predominant drivers of location decisions in European Union Neighbouring Countries together with resource-seeking motivations. However, different Multinational Enterprises develop diversified strategies to increase their access to these areas, which are of increasing interest for global investors.

Keywords: European Union, European Neighbourhood Policy, multinationals, Foreign Direct Investment

Introduction

The progressive enlargement of the European Union (EU) has made the economic and political relationships with its neighbours a highly sensitive policy issue. With the EU Enlargement, the security, political stability and economic prosperity of larger shares of the Union are progressively more intertwined with those of Candidate and Neighbouring Countries (NCs). Following the 2004 and 2007 eastward enlargements, the European Neighbourhood Policy (ENP), and other regional and multi-lateral cooperation initiatives (e.g. Eastern Partnership, the Euro-Mediterranean Partnership, the Black Sea Synergy and the EU-Russia strategic partnership), have aimed at strengthening the links between the EU and its neighbourhood in institutional, political, social and economic terms. The significant increase in trade flows (according to the European Commission total trade between the EU and its ENP partners was worth €230 billion in 2011) and labour mobility (the EU issued 3.2 million Schengen visas to ENP partners in 2012) has been accompanied by a generalised increase in Foreign Direct Investment (FDI), in particular, towards the ENP-South countries. Before the 2007 economic crisis, FDI flows in the Mediterranean region accounted for 2.8% of the world total (2006) while investments in Eastern countries remained largely