

Attractiveness of investing in Europe

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The Committee on Economic and Monetary Affairs adopted an own-initiative drafted by Rodi KRATSA-TSAGAROPOULOU (EPP, EL) on the attractiveness of investing in Europe.

The report underlines that the **EU still represents the first worldwide destination of foreign direct investment (FDI)** and should as such continue meeting the expectations of investor and beneficiary states while complying with the EU's broader economic, social and environmental policy objectives, thus protecting its leading role at European and national level. It urges the EU to introduce **investment as a key element of all flagship initiatives within the Europe 2020 Strategy** in order to meet the critical need for growth and employment and make use of their major contribution towards tackling the fiscal crisis.

Members call on the Commission and on the Member States to develop an ambitious, eco-efficient and **sustainable EU industrial strategy** in order to revitalise manufacturing capacity across the EU and generate high quality jobs within the EU.

The Commission is called upon to step up **coordination of Member States' economic, tax and social policies** with a view to attracting foreign investment, while taking into account the economic and social divergences observed between euro-area members and between EU Member States.

The main recommendations contained in the report are as follows:

Exploiting the EU's position: Members believe that the EU should fully exploit its position as the world's largest single common market (including its high standard of living, high labour productivity, legal certainty and research and innovation capacity), foreign investor and trader in tackling the fiscal crisis.

The report highlights the need for more efficient tools and methods and new funding mechanisms and investment schemes, such as EU project bonds, which could exploit Europe's competitive advantages and the complementarities between its Member States and achieve the goals of the Europe 2020 growth strategy, in order to combat the recession and the challenge of slow growth.

Maximising cohesion policy: Members believe that a prerequisite for attracting investors is the availability of infrastructures that are competitive in the context of the new challenges facing the EU. The EU and the Member States should take action notably to **enhance the use of the Structural Funds and the Cohesion Fund** as a catalyst for attracting additional funding from the EIB, EBRD, other international financial institutions and the private sector, while encouraging initiatives based on public-private partnerships (PPP), such as EU Project Bonds.

Guaranteeing stability and improving access to financing: Members consider that fiscal consolidation and stabilisation and the completion of the internal market should be carried out, ensuring an assessment of the added value that they can offer. They believe that strong cooperation among economic bodies, as well as **more complementarities** between EU economies, should help reduce the regional disparities in foreign direct investment in order to strengthen the European industrial base and promote sustainable long-term economic development, the latter being the crucial precondition for successful and effective fiscal consolidation.

The report calls on the **ECB** to further act in a decisive way in addressing the current euro-area debt crisis by maintaining price stability while at the same time minimising negative spill-over effects on the real

economy and the investments that the banking sector's liquidity problems might generate. It calls on the Commission to include all **relevant indicators** for measuring macroeconomic imbalances and their effects on the EU's regions in the scoreboard.

Members stress the need for **deepening European capital markets** in order to ensure access to financing from sources other than banks. They call on the Commission and the Member States to encourage institutional investors to participate in European venture capital funds and European social entrepreneurship funds and to eliminate restrictions on the supply of venture capital funding in small and medium-sized enterprises.

Increase public investments: the report stresses in particular the enormous potential for attracting foreign direct investment by promoting education, research and development and job creation in the areas of reducing greenhouse gas emissions, developing renewable energy sources and increasing energy efficiency in order to meet the 2020 targets and make the EU a world leader in **green technology**. Members recall that not increasing through sustainable funding or even reducing public investment, due to the fiscal crisis, in crucial sectors such as health, education, research and infrastructures could adversely affect competitiveness and attractiveness to investors, especially if this becomes a long-term pattern.

Completing the internal market: Members believes that any strategy aimed at attracting foreign and local investment should be linked to completion of the internal market, cross-border investment and flows, open markets, improved market access and fair competition for liberal professions, given the number and variety of new opportunities. They believe, in this regard, that the EU should promote the Trans-European Networks and worker, student and researcher mobility and reinforce cooperation and complementarities between EU economies. The report notes the importance of the Commission's proposals to modernise the European public procurement market.

Addressing human capital needs: Members express concern about the high youth unemployment figures observed in a number of Member States and the negative employment prospects. They note with concern the European Union's limited ability to attract high-quality human capital. The Commission and the Member States are called upon to step up action in order to **tackle youth unemployment through programmes and concrete action at European and national level**. Moreover, the European Union should step up its efforts to achieve the employment objectives of the EU 2020 strategy for smart, sustainable and inclusive growth, including reduced taxes on labour aimed at attracting more investment in the labour-intensive sectors of the economy.

Tax: the report stresses that the fight against tax evasion should be a top priority for the European Union, especially in the current crisis situation, where tax evasion represents a major loss for national budgets and extra revenues could be used to increase public investment. It points out the need to ensure smooth cooperation and coordination between the Commission and the Member States to fight against double taxation, double non-taxation, tax fraud, tax evasion and dumping, and the use of tax havens for illicit purposes. More generally, Members calls for greater fiscal coordination on both the revenue and expenditure sides.

Ensuring fair competition: Members call on the EU to negotiate at global level and in the framework of the WTO, G20 and G8, the establishment of **common rules** that ensure fair competition and a level playing field in the face of international macroeconomic imbalances relating to financial regulation and taxation in order to protect the EU's competitiveness and ensure respect of the social and environmental objectives of the Union. The report urges the Commission to improve international regulatory cooperation, including in multilateral fora, and the **convergence of regulatory requirements** on the basis of international standards and, where possible, to engage in regulatory dialogue to address existing or potential future barriers to trade with a view to limiting disputes and associated trade costs.

The report calls on the Commission to **draw up a communication** on the attractiveness of investing in Europe as opposed to its main partners and competitors and to put forward an integrated strategy including specific policies and recommendations, as well as legislative proposals if appropriate, to improve the EU's investment environment.

Members reiterate its earlier proposal that the Commission, in conjunction with the EIB, engage in a process of strategic analysis of investment funding, without ruling out any possible scenario, including subsidies, the release of sums subscribed to the EIB's capital by the Member States, EU subscriptions to the EIB's capital, loans, etc.

Lastly, Members are in favour of the opinion that the creation of an **ad hoc European Observatory** for foreign direct investments, established within the European Commission, could contribute to reinforcing the coordination of Member States' policies in this field and promote Europe as an investment destination.