



Plenary session

26.06.2018

RESOLUTION

on Foreign direct investment in the EU Member States and Eastern Partner countries

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The Euronest Parliamentary Assembly,

- having regard to the Constituent Act of the Euronest Parliamentary Assembly of 3 May 2011 and the Joint Declaration of the Eastern Partnership Summit of 24 November 2017,
 - having regard to the Association Agreements between the EU on one side and Georgia, Moldova and Ukraine on the other side, in particular the Deep and Comprehensive Free Trade Areas (DCFTA),
 - having regard to the Action Plan for 2016-2017 of the Conference of the Regional and Local Authorities for the Eastern Partnership,
 - having regard to the World Investment Reports published by the United Nations Conference on Trade and Development,
 - having regard to the Organisation for Economic Co-operation and Development investment policy, "Foreign Direct Investment (FDI) in figures" of October 2017,
 - having regard to the European Commission and External European Action Service Joint Staff Working Document of 9 June 2017 on "Eastern Partnership - 20 Deliverables for 2020 focusing on key priorities and tangible results",
 - having regard to the EU-Armenia Comprehensive and Enhanced Partnership Agreement signed in November 2017 in Brussels,
 - having regard to the Revised European Neighbourhood Policy (ENP) of 2015 and to the European Neighbourhood Instrument (ENI) for 2014-2020,
 - having regard to the 2030 Agenda for Sustainable Development adopted at the United Nations Sustainable Development Summit on 25 September 2015,
 - having regard to the Joint Statement of the Visegrad Group's Ministers of Foreign Affairs on the Eastern Partnership, following the results of their meeting in Warsaw on 12 April 2017, providing prospects for EU membership to the Eastern Partnership countries interested in it,
- A. whereas the cooperation in the framework of the Euronest Parliamentary Assembly aims at bringing about positive effects by serving as a platform to exchange views, find common positions on the global challenges of our times with respect to democracy, politics, economics, energy security and social affairs, and strengthen ties between the Eastern Partner countries and with the EU;

- B. whereas the bonds forged through the Eastern Partnership make both the EU and the partners stronger and better able to deal with internal and external challenges; whereas the Eastern Partnership is based on commitments to the principles of international law and to fundamental values, which include democracy, the rule of law and respect for human rights and fundamental freedoms, as well as to the market economy, sustainable development and good governance; whereas the Eastern Partnership is committed to the promotion of the inclusive engagement of all parts of society, and is committed to strengthening economic inclusion, in particular gender equality, as provided for by the EU Gender Action Plan;
- C. whereas during the 2017 Brussels Eastern Partnership Summit, all participants underlined the important role that Association Agreements have in accelerating political association and economic integration with the European Union and confirmed the EU's support for their implementation;
- D. whereas Association Agreements between the EU and the Eastern Partners and the comprehensive and enhanced partnership agreement signed with Armenia should be based on concrete progress made by EaP governments in implementing economic reform commitments;
- E. whereas it is widely accepted that FDI can be essential for long-term economic growth, whereas FDI can provide spill-over benefits through technology and skills transfer;
- F. whereas remittances from expatriates make for a significant share of FDI in some of the Eastern partners; whereas remittances can constitute a major share of GDP in those countries;
- G. whereas under the ENP, the EU is committed to supporting the economic development of its partner countries, and to improving the aspirations, hopes and prospects of local populations, while maintaining a strong focus on good governance, democracy and the rule of law;
- H. whereas the establishment of the DCFTA which also abolishes barriers to FDI and capital movements can provide a broad spectrum of potential benefits to the contracting parties, which will result from a synergy between the DCFTA and the approximation process provided for by the Association Agreement;
- I. whereas the cooperation between Armenia and EU, as well as the cooperation between Armenia and EEU serve a good example of non-confrontational policies in terms of collaboration with different economic unions;
- J. whereas trade with the EU represents a substantial part of international trade flows and capital, and the economies of the Eastern Partner countries are dependent on it;
- K. whereas foreign investors might take into consideration the developing legislation of the Eastern Partnership countries in areas such as environmental protection and labour, etc. with the purpose of lowering costs in order to obtain competitive price advantages by engaging in short-lived "nomadic" investments, which create and leave behind deep

employment issues; whereas this goes against the Sustainable Development Goals (SDGs) espoused both by the EU and its Member States, and by the Eastern Partners; highlights the fact that a sustainable and decisive fight against corruption is necessary in order for FDI to benefit the whole of society;

1. underlines the strategic importance of the ENP, as a policy creating multi-layered relations; highlights that the fundamental challenge of the ENP lies in delivering tangible and concrete improvements to the citizens of the partner countries; considers that the ENP should become a stronger and more efficient policy, also through the reinforcement of its positive elements, including a greater focus on developing effective investment policies based on best practices of the EU;
2. believes in the continued value of the ENP's initially stated objectives of creating an area of prosperity, stability, security, and good neighbourliness, based on the common values and principles of the European Union, by providing assistance and incentives for deep structural economic reforms in the neighbouring countries, carried out under their own responsibility and agreed with them, which will allow for reinforced engagement with the EU; stresses, therefore, the need to attract more FDI in order to ensure economic development;
3. emphasises that FDI attraction, transparency, good governance, mutual accountability and inclusiveness should be key aspects of the new approach so as to ensure that the benefits of the ENP reach all levels of society in the countries concerned, rather than being concentrated within particular groups;
4. recalls the shared interest of the European Union in helping the Eastern Partnership countries to pursue long-term stable and sound economic growth and to establish a modern economic governance, which can be achieved by linking the economies of the Eastern Partnership countries with the Single Market of the European Union via DCFTAs in full respect of greater differentiation reflecting the diversity among Eastern Partnership countries; underlines the fact that FDI is essential to ensure competitiveness boost and should lead to productivity enhancement, job creation, and long term sustainable growth;
5. stresses that deeper market integration between the EU and the Eastern Partner countries could contribute to stimulating economic growth in both the EU and the EaP, in eliminating regional economic imbalances and social inequalities between and within these countries and regions, and therefore enhance the welfare of their respective populations, a significant outcome in particular in a time of slow economic recovery and rising social and economic inequality as well as geopolitical instability;
6. stresses that FDI can be instrumental in achieving the economic paradigm shift towards productive and sustainable investments and exports; FDI can contribute to the required competitiveness boost by developing skills and infrastructure, as well as opening new markets for goods and services from Eastern Partner countries and facilitating their participation in pan-European value chains;
7. recognises that in their transition towards a market economy, the Eastern Partnership countries have opened up to FDI, but have so far attracted a rather limited amount; further

efforts are needed to provide for a stable business environment and in the area of the rule of law in order to reach full potential;

8. notes that FDI could help Eastern Partners with the diversification of their energy supply and with improving energy infrastructure, thus helping to achieve supply independence and greater efficiency;
9. notes that the Eastern Partnership countries have undertaken major efforts towards the improvement of their general investment environment. Recent and ongoing reforms have focused on two main pillars: the harmonization to EU rules and regulations, and the introduction of international best practices in support of private sector development;
10. recognises that EU financial and technical assistance financed through instruments such as the ENI and MFA have had a role in creating a better business climate in Eastern Partners and have contributed to attracting greater amounts of FDI;
11. emphasizes that good laws do not automatically translate into a conducive investment climate. The quality of the public administration and its capacity to implement these laws have an important role to play. In this respect, additional efforts are required in the Eastern Partner countries. Implementation of reforms in public administration and the judiciary, as well as the fight against corruption, are essential to achieving excellence. Civil services must be professionalized and better remunerated; whilst public service reform will require better use of IT facilities, training and rationalization of resources. A strong focus must also be placed on improving governance.
12. notes that the Eastern Partner countries can attract more and higher-value FDI with appropriate policies; affirms that more FDI would help to achieve the countries' national development goals and the Sustainable Development Goals by contributing to job creation, technology transfer, export promotion, sustainable growth and poverty alleviation; notes that higher-value FDI would lead to improvements in infrastructure development, sectorial diversification and improvement of the education system;
13. highlights that transparent FDI could be instrumental into reducing the share and role of the informal economy in Eastern Partners, thus helping to combat tax evasion, organised crime and corruption;
14. argues that the creation of jobs through FDI could be advantageous in terms of reducing youth unemployment; further believes that FDI in sectors requiring skilled labour would help decrease the number of young unemployed or low-paid graduates when coupled with active labour market policies and an emphasis on relevant skills in education and training;
15. stresses that promoting women entrepreneurship could be an effective tool in stimulating economic growth, decreasing unemployment, promoting inclusivity and gender equality, and reducing social imbalances;
16. emphasises the importance of SMEs for the economies of Eastern Partners; argues that investments in SMEs offer the best opportunity for sustainable growth, combating unemployment, and increasing trade between the Eastern Partnership countries and the

EU; urges the EU and its Member States, and the Eastern Partners to work together towards attracting more FDI to SMEs in the latter;

17. realizes that Eastern Partner countries will also be in a better position to reconsider the tax base, which in turn will permit financing to improve standards of living and, with time, reduce the dependence on international assistance and remittances; believes that this would eventually allow Eastern Partnership countries to turn to more progressive taxation to bridge inequalities and social divides in their societies;
18. recognises that while an objective of the Eastern Partnership countries is to receive more FDI relying on skilled labour, the Partners must undertake additional efforts to enhance certain professional skills of their populations. FDI can help in this process in various ways, but it cannot substitute the role of national education systems in providing the necessary skills for a strong economy, which is the role of government;
19. calls for a large injection of investment in the Eastern Partnership countries' infrastructure, labour skills and economic development, which goes beyond enhancing the capacity of the local public or private sectors;
20. urges the authorities of the Eastern Partners to develop a set of incentives for job creation in order to attract FDI, with the purpose of significantly increasing the weight of the private sector in job generation;
21. urges that short-, medium- and long-term priorities and strategic objectives be defined, bearing in mind that the ENP should aim to create a differentiated approach to promote investment attraction; stresses that in defining its approach, the EU should look at its interests and priorities and those of the individual countries concerned, together with their level of development, considering the interests and aspirations of their societies, political ambitions and the geopolitical environment;
22. urges the EU to focus its relations with the Eastern Partners, where necessary, on shared common interests and own merits, in particular on economic development, and FDI attraction; also urges the EU to assist Eastern Partner countries to speed up work on the reform of their industrial policy, which could determine a transition to a knowledge-based competitive economy;
23. calls on the authorities of the Eastern Partnership countries associated to the EU, and those which have signed comprehensive and enhanced partnership agreements with the EU, to speed up the approximation of their legislations to EU legislation relating to improvement of the investment climate, which is stipulated in their respective agreements;
24. calls on the European Commission to increase its support and assistance with capacity building to the Eastern Partners that are engaged in implementing measures which have an impact on the investment climate;
25. calls on the European Commission and the authorities of the EU Member States to assist Eastern Partners develop national plans for attracting FDI;

26. calls for the monitoring of the quality of investments as well as the evaluation and identification of long – term investment selection measures; in turn calls for any problematic outcomes of the monitoring of investments to be dealt with accordingly;
27. calls on the national parliaments of the Eastern Partnership countries to accelerate the process of harmonization of the national economic legislations with the Acquis Communautaire and supports the national parliaments in enacting the DCFTA-related reforms by adopting relevant recommendations; encourages the setting-up of multilateral working groups to assist each other in the regulatory approximation process across the whole spectrum of the EU acquis related to trade and investment;
28. calls on the EU Member States and the Eastern Partners to develop cooperation to combat climate change, especially in the framework of COP21; encourages cooperation on resource-efficient and low-emission technologies, particularly their transfer and innovation, in order to increase the adaptive capacity of their economies in the process of attracting FDI; emphasises the importance of research and innovation in general for enhancing competitiveness, productivity, sustainability and job-creation; notes the EU's target of investing 3% of its GDP in research and development by 2020;
29. emphasises the importance for the Eastern Partners of strengthening the role of diplomacy to promote policies and programmes, the sharing of lessons learned and best practices related to the attraction of FDIs;
30. emphasises the importance of communication policies and the need to demonstrate the benefit of reforms to the citizens of the Eastern Partnership countries, and the need therefore to further strengthen strategic communications efforts;
31. supports the implementation of best practices promoted by the EU, Eastern European Partners and international and regional organisations, including financial institutions, banks and donors of individual countries to promote FDI;
32. encourages the EU Member States to develop stronger bilateral and multilateral links with the Eastern Partnership countries and to be actively involved in transitional assistance, technical support, capacity building and experience sharing for promoting FDIs, as well raising awareness on perspectives offered by DCFTA;
33. recognises that many of the challenges faced by the Eastern Partners are shared ones, therefore encourages stronger cooperation and forward-looking political dialogue between the Eastern Partnership countries to address common challenges as well as to encourage investment;
34. instructs its Co-Presidents to forward this resolution to the President of the European Parliament, the European Council, the European Commission, the Vice-President of the Commission/High Representative of the EU for Foreign Affairs and Security Policy, the Commissioner for European Neighbourhood Policy and Enlargement Negotiations, the European External Action Service, the governments and parliaments of the EU Member States and the Eastern European partner countries;

35. urges to prevent money laundering, as well as ensure transparency and social responsibility regarding foreign investments.