

# Commission welcomes European Parliament's support for investment screening framework

President of the European Commission Jean-Claud **Juncker** said: *"The speed at which we were able to reach an agreement pays testimony to the urgent need to create European level rules on foreign investment screening. We want Europe to keep the most open investment regime in the world, but we must defend Europe's strategic interests and for that we need scrutiny over purchases by foreign companies that target Europe's strategic assets. I welcome the Parliament's decision and expect now European governments to swiftly follow suit."*

Trade Commissioner Cecilia **Malmström** said: *"I'm very pleased that the European Parliament has given its backing to this initiative. Foreign investment is essential to the health of the European economy. At the same time, it is clear that we have to address the concerns about the security risk posed by certain investments in critical assets, technologies and infrastructure. Member States and the Commission will have a much better overview of foreign investments in the European Union and, for the first time, will have the possibility to collectively address potential risks to their security and public order."*

The proposal to create the first EU-wide framework for screening of foreign direct investments was unveiled by President Juncker during the 2017 State of the Union speech. The text approved today by the Parliament was the result of three-way talks between the European Parliament, the Council and the Commission that concluded on 20 November 2018.

The European framework for screening of foreign direct investments will allow Member States and the Commission to cooperate and exchange information on investments from third countries that may affect security or public order in the EU.

The new framework:

- creates a cooperation mechanism where Member States and the Commission will be able to exchange information and raise concerns related to specific investments.
- allows the Commission to issue opinions when an investment threatens the security or public order of more than one Member State, or when an investment could undermine a project or programme of interest to the whole EU, such as Horizon 2020 or Galileo.
- encourages international cooperation on investment screening, including sharing experience, best practices and information on issues of common concerns.

- sets certain requirements for Member States who wish to maintain or adopt a screening mechanism at national level. Member States also keep the last word whether a specific investment operation should be allowed or not in their territory.
- takes into account the need to operate under short business-friendly deadlines and strong confidentiality requirements.

The Regulation will enter into force once the Council also give its approval. After that, Member States and the Commission will have 18 months to put in place the necessary arrangements for the new mechanism to operate.

## **Background**

The EU has one of the world's most open investment regimes, as acknowledged by the OECD in its investment restrictiveness index. The EU is the main destination for foreign direct investment in the world: foreign direct investment stocks held by third country investors in the EU amounted to €6 295 billion at the end of 2017.

Currently 14 Member States have national screening mechanisms in place. Although they may differ in their design and scope, they share the same goal of preserving security and public order at national level. Several Member States are in the course of reforming their screening mechanisms, or adopting new ones.

In parallel to this proposal, the Commission services are finalising a detailed analysis of foreign direct investment in the EU. The Commission has also set up a coordination group with Member States to help identify joint strategic concerns and solutions in the area of foreign direct investment.

## **For More Information**

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