Growing Beyond

Ernst & Young's attractiveness survey

Europe 2013

Coping with the crisis, the European way

Ernst & Young
Quality In Everything We Do

Attractiveness

Ernst & Young's attractiveness surveys

Ernst & Young's 2013 European attractiveness survey is based on an original two step methodology that reflects first, Europe's real attractiveness for foreign direct investors, based on Ernst & Young's European Investment Monitor (EIM) and second, the "perceived" attractiveness of Europe and its competitors for a representative panel of 808 international decision-makers.

As we present our eleventh European attractiveness survey, we would like to thank the hundreds of decision-makers and Ernst & Young professionals who have taken the time to share their thoughts with us.

For more information, please visit: www.ey.com/attractiveness

We would like to extend our gratitude to :

Hendrik Bourgeois, Vice President European Affairs, GE; **Jean-Philippe Courtois**, President, Microsoft International; **Patrick Desbiens**, President, GSK France; **Patrick Deconinck**, Senior Vice President, West Europe, 3M Company; **Laurent Freixe**, CEO, Nestlé Europe; **Boris Johnson**, Mayor of London; **Surya Kant**, President Europe, UK & North America, Tata Consultancy Services; **Neelie Kroes**, Vice-President, European Commission; **Antonio Tajani**, Vice-President of the European Commission, responsible for Industry and Entrepreneurship; **Kei Uruma**, President and CEO, Mitsubishi Electric Europe BV; **Klaus Wowereit**, Governing Mayor of Berlin; **William Xu**, CEO, Huawei Enterprise Business Group, Huawei Technologies.

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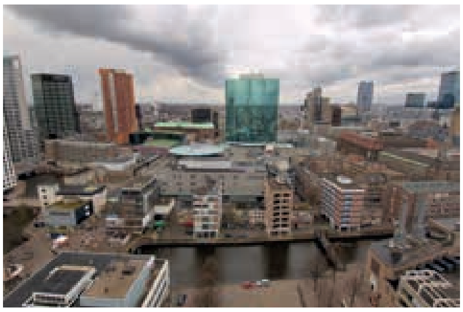


Foreword

Bridging continents, connecting markets

Jay Nibbe
Area Managing Partner, EMEIA — Markets, Ernst & Young

Marc Lhermitte
Partner, Ernst & Young Advisory

2012 was a very difficult year for Europe. Business leaders struggled to protect their bottom line, which was sapped by government austerity measures, chronic global uncertainty and weak consumer confidence. The challenges to growth in Europe persist and will hold back the pace of the recovery that we anticipate. To create long-term confidence, European governments need to reconcile fiscal balance with steps to boost potential growth, as well as implementing necessary structural reforms to enhance productivity.

Ernst & Young's *European attractiveness survey* measures the reality of foreign direct investment (FDI), in terms of projects initiated and jobs created, and reveals the perceptions of more than 800 decision-makers.

Perhaps counter to expectations, this year's study shows that tough times have not destroyed investors' faith in the continent. It seems that they have become accustomed to the economic situation in Europe, learned to live with it, and do not want to miss out on the scarce, but rich, opportunities there.

The 3,797 FDI projects started in 2012 represent a slight (-2.8%) reduction on 2011 figures, while the number of jobs created increased by 8%. Though understandably concerned about Europe's economic prospects, foreign investors seem optimistic that the continent will weather these hard times and emerge stronger. Business investment will play a central role in determining whether this is the case. Meanwhile, European governments recognize the vital role of FDI in creating jobs and stimulating economies.

Geographical differences within Europe were more pronounced in this year's report. Investors see two distinct Europes: Western Europe drew three-quarters of all FDI projects, yet more than half of the FDI jobs were created in Central and Eastern Europe (CEE). The UK narrowly escaped losing its first place to Germany. Further east, Poland overtook Russia to become the leading destination for FDI projects in CEE.

Against this backdrop, respondents to our survey stressed the urgent need to improve Europe's competitiveness and attractiveness. They emphasize the importance of economic stability, a real focus on entrepreneurship and innovation, and a better alignment of Europe's industrial sectors with future consumer demands. Respondents added that further economic integration, fewer regulations and a renewed focus on education would also go a long way to improving Europe's attractiveness.

This is Ernst & Young's 11th *European Attractiveness Survey*. We would like to thank the hundreds of decision-makers and Ernst & Young professionals who have taken the time to share their thoughts with us for more than a decade.

My dream for a reindustrialized and business-friendly Europe

Antonio Tajani
Vice-President of the European Commission
and European Commissioner for Industry and Entrepreneurship

Since the start of the 21st century, Europe has been suffering an industrial decline. Its share of global FDI has fallen from 40% to only 26% today. This process has been accelerated by the economic crisis. Three million jobs have been lost in the industrial sector, investment has slumped by €350b, and the share of manufacturing GDP enjoyed by the European Union (EU) has fallen, both at global and European levels. Despite this trend, Europe is still the world's biggest exporter, as well as the leading destination for FDI. Even with the global economic slowdown, the EU attracted US$421b of FDI in 2011 — more than a quarter of the world total.

"The EU can give a vital boost to the competiveness of European firms."

In October 2012, the European Commission (EC) adopted a new industrial strategy aimed at reversing the industrial decline and restoring our manufacturing capacity, from 15.6% of GDP today to 20% by 2020. The 2012 *European Competitiveness Report*, annexed to the strategy, details EU and Member States' performances on industrial competitiveness.

Globalization is no longer a threat to European industries. On the contrary, the report highlights many ways in which European industries have gained from globalization.

One way that globalization allows the EU to maximize competitive gains is through "value chain positioning," which enables certain tasks and parts of European firms' production processes to be carried out in other parts of the world. Value-chain performance is becoming a more important measure of competitiveness than the traditional focus on exports of final products.

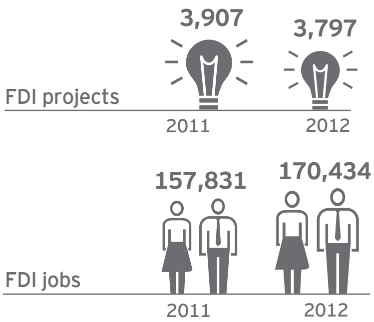
New empirical evidence shows the effectiveness of the EU's sustainable industrial policy and its importance for the competitiveness of European firms within global value chains. The EU leads the world in energy efficiency gains in exports. EU manufacturing firms are global frontrunners in energy-efficiency innovation and investments in clean and more energy-efficient products.

If European industries are going to make the most of opportunities arising from globalization, then international barriers must be removed. The EU should therefore pursue policies that increase openness to trade and better target the promotion of R&D in process and market innovations.

The report also promotes policies that will increase the EU's share of finished-goods exports to trading partners, particularly emerging industrial powers, such as China, Brazil and India. Closer to home, it proposes "neighborhood policies" targeted at fostering trade in Europe's backyards too. By designing policies for attracting FDI and maximizing its benefits, the EU can give a vital boost to the competiveness of European firms.

Executive summary

1 Is Europe still attractive today?

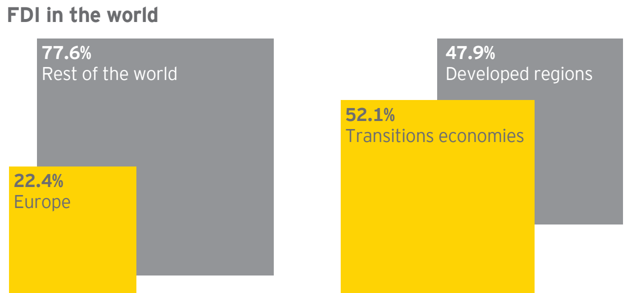


Source: *Ernst & Young's European Investment Monitor*, 2013.

A solid 3,797 FDI projects (-2.8% compared with 2011) creating 170,434 jobs (+8%) were announced in Europe in 2012. This is no small success for one of the world's most challenged regions. What's more, according to our survey, investors' interest in Europe resurged after hitting historic lows in 2012. Despite the ongoing debt crisis, 37% of business leaders interviewed ranked Western Europe as the second most attractive FDI destination in the world. Another 28% considered CEE as the top location, arriving in fourth position ahead of Brazil, Russia and India.

For more on Europe's share in global FDI, turn to p.6 and 13

2 What is Europe's share of global FDI today?

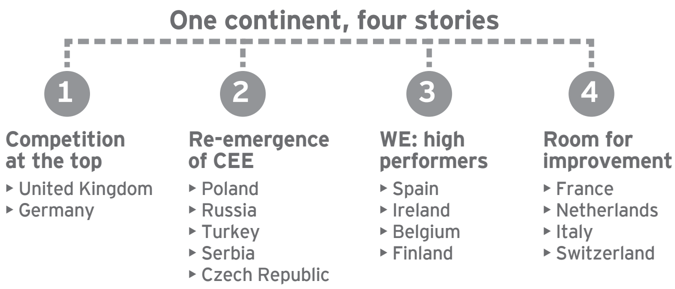


Source: *Global Investment Trends Monitor*, UNCTAD, January 2013.

Europe is still the world's top destination, with 22.4% of global FDI value, although its share has diminished by 6 points since 2011. This is partly due to a prolonged Eurozone crisis impacting investors' confidence and risk appetite, but is also in line with a broader shift of focus toward developing and transition economies, which, according to the United Nations Conference on Trade and Development, secured in 2012, for the first time, more FDI (52.1%) than the developed world.

For more on Europe's share in global FDI, turn to p.6 and 8

3 Which countries capture the most FDI?



The UK and Germany remain Europe's top destinations for foreign investors, with 697 and 624 FDI projects respectively. Beyond that, Europe has a much richer story to tell about FDI in 2012. CEE has re-emerged as a leading location for manufacturing-oriented investment, capturing more than 50% of the jobs created. To the west, one group of high performers, including Spain, Ireland, Belgium and Finland, has been able to attract significantly more projects than in previous years, despite tough economic conditions. On the other hand, another group of Western European countries, including France, the Netherlands, Switzerland and Italy, has attracted relatively fewer projects and jobs.

For more on the performance of countries, turn to p.14

4 Who invests in Europe?

Source: *Ernst & Young's European Investment Monitor*, 2013.

Intra-European investment continues to be the biggest source of FDI in Europe. The US remained Europe's single leading FDI generator, accounting for 27.5% of inward investment projects in 2012. Perhaps more strikingly, only 245 projects (6.5% of the total) came from the BRICs. Many companies from the BRICs and other emerging economies are becoming global leaders, creating investment opportunities Europe shouldn't miss out on. Jobs they create represent, for the most part, net gains for employment in Europe, whereas new jobs created by investment from Europe or the US are often the result of restructuring or relocation.

For more on the origin of FDI in Europe, turn to p.25

Ernst & Young's 2013 Europe attractiveness survey analyzes:
a) The real attractiveness of Europe among foreign investors, based on FDI data from Ernst & Young's European Investment Monitor (EIM), which tracks greenfield FDI projects, but excludes portfolio investments and M&A
b) The perceived attractiveness of Europe among foreign investors, based on a representative number of telephone interviews conducted with a panel of international business leaders

▸ **For more on the methodology, turn to p.44**

5 What impact does the crisis have on FDI in Europe?

Thirty-eight percent of the companies we interviewed are planning to invest in Europe next year, up from 26% in 2012. Despite economic contraction, widespread unemployment and rising public debt, investors have learned to master this "new normal." They find opportunities in the ongoing restructuring – available cheap assets and declining labor costs. Close to half of those willing to invest (45%) are intending to expand their activity; another 20% are looking for an acquisition opportunity. Only 11% of investors established in Europe would consider relocating elsewhere.

▸ For more on investors' plans, turn to p.32

6 Will Europe emerge from the economic crisis?

Seventy-five percent of the business leaders surveyed for this report remain confident about Europe's ability to overcome the economic crisis. The risk of an imminent Eurozone breakup, which weighed heavily on business confidence during much of 2012, has been averted. Yet, investors are "realistically" optimistic and predict a rather long recovery. 57% of our respondents think it will take Europe's economy three years or less to rebound, another 42% expect it to take five years or more.

▸ For more on investors' outlook on recovery, turn to p.10

7 Which sectors will drive Europe's attractiveness?

Information and communication technologies	31%
Energy and utilities	28%
Pharmaceutical and biotechnologies industries	23%
Cleantech	20%
B2B services excluding finance	19%

Source: *Ernst & Young's European attractiveness survey 2013.*

To 31% of the business leaders surveyed, Europe's most attractive sector for investment is information and communication technologies (ICT). Energy and utilities (28%), pharmaceutical and biotechnology (23%) and cleantech (20%) are identified as other growth sectors. Manufacturing also remains pivotal to European growth: 84% of investors said they will continue to manufacture in Europe in the next 10 years.

▸ For more on sectors of the future, turn to p.38

8 Which cities are the most appealing to foreign investors?

London remains the unrivaled leader among Europe's cities, both in terms of opinion (49%) and the number of projects secured (313). Paris comes second, most attractive to 34% of investors and securing 174 decisions. The top 10 urban locations drew 30.1% of FDI projects. And yet, European cities struggle in the face of global competition. When asked about which city was the most likely to host the next Google, London is the only European location investors name among the top 10 – compared with to 3 in India, 3 in the US, 2 in China and 1 in Japan.

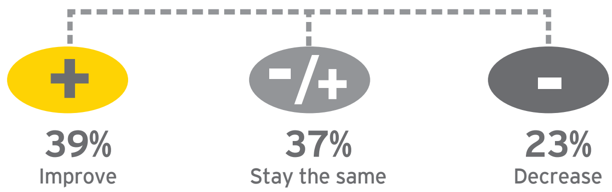
▸ For more on cities, turn to p.22 and 36

9 How can Europe become an innovation hotspot?

To become a global hub for innovation, Europe should improve its education and training programs in new technologies, say 46% of our interviewees. Developing a culture of innovation and creativity is crucial for 36% of investors, while 32% believe that tax incentives for innovative companies should be increased. For 45% of business leaders interviewed, R&D centers will bring most investment in the future for Europe.

▸ For more on boosting innovation, turn to p.35

10 Can Europe ensure its attractiveness for the future?



Can't say: 1%
Source: *Ernst & Young's European attractiveness survey 2013.*

Thirty-nine percent of investors believe that Europe's appeal as an investment destination over the next three years will improve. Nevertheless, to retain its competitiveness, investors expect Europe to make significant improvements. Stabilizing the economy and resolving the public debt crisis are seen as key areas by 19% of investors, followed by focusing on R&D and innovation (14%) and the creation of common European economic governance (10%). Interestingly, these measures are more important to investors than lower labor costs (8%) and improvements in corporate taxation (6%).

▸ For more on Europe's future attractiveness, turn to p.10 and 40

The global context

Global FDI down in 2012

Globally, foreign investments totaled US$1.3t in 2012, down 18.3% on the US$1.6t achieved in 2011 (above the pre-crisis average), according to UNCTAD estimates. Both greenfield investment projects and cross-border mergers and acquisitions (M&A) plummeted in 2012, by 34% and 41% respectively. This slump reflects the lack of investor confidence amid widespread economic and political uncertainties.

Macroeconomic concerns, including the immense US national debt, tax increases and the ongoing Eurozone crisis, are now weighing heavily on the minds of corporate investors and buyers. This has reduced appetites for large FDI projects and M&A deals: many companies have adopted a "wait-and-see" approach.

Developed economies bore the brunt of the global downturn in FDI, accounting for nearly 90% of the US$294b decline. While investments in developing economies also lost some momentum, the 3% FDI fall there was modest. But a turning point has been reached: in 2012, developing countries overtook developed nations as the leading recipients of foreign investment. However, although developed economies' share of global FDI fell from 50% in 2011 to 42% in 2012, mature markets remain the chief drivers of investment and world economic activity, providing 51.1% of world GDP.[1] These economies are a bastion of stable economic power, high-quality infrastructure, and skilled and educated workers.

1. *World Economic Outlook*, International Monetary Fund, October 2012.

FDI inflows

Global FDI totaled US$1.3t in 2012, down 18% on 2011. Developed economies saw a 32% slump in FDI.

Europe still remains the world's most attractive FDI destination, although its share in global FDI declined from 28.6% in 2011 to 22.4% in 2012.

Developing economies saw FDI decline by just 3%. The BRICs attracted US$256b of FDI, down 6.8% on 2011.

2012 FDI inflows

	Value (US$b)	Change (%)
Europe	293.5	-36.1
Latin America and the Caribbean	232.6	+7.2
North America	193.9	-27.7
China	119.7	-3.4
Southeast Asia	106.5	-7.3
Brazil	65.3	-2.0
Australia	48.5	-26.3
Africa	45.8	+5.5
Russia	44.1	-16.6
India	27.3	-13.5

Source: *Global Investment Trends Monitor*, UNCTAD, January 2013.

Investors' perception

China is still perceived as the world's most attractive investment region (43%).

Europe improved its attractiveness in the eyes of investors (to 32% on average). Western Europe, the second most attractive region after China, gained four percentage points in attractiveness, while CEE added seven points.

Thirty-nine percent of respondents are optimistic about Europe's attractiveness. Another 37% believe that it will remain unchanged. But 23% expect it to weaken.

World's most attractive regions to establish operations

		Change from 2012
China	43%	-1 pt
Western Europe	37%	+4 pt
North America	29%	+8 pt
CEE	28%	+7 pt
Brazil	26%	+8 pt
Russia	20%	+1 pt
India	19%	-2 pt

Source: *Ernst & Young's European attractiveness survey 2013* (total respondents: 808).

Interview

My dream for European investment

Kei Uruma
President and CEO, Mitsubishi Electric Europe BV

Our company has been in Europe since 1969, successfully increasing our presence in a growing market. We have seen ups and downs in our business areas, but overall our activities have expanded steadily. Europe is now one of our most important markets.

Integration, through a common currency and the addition of new Member States, has strengthened Europe's attractiveness for us. We operate worldwide, and Europe is the world's biggest single market in which to do business.

In addition, like Japan, Europe is technologically very advanced and consumers appreciate high-quality products. So there is a natural fit between what we offer and what the market demands.

Personally, this is my second time in Europe. I spent the first half of the last decade in Germany. Since then, the Lehman shock and the euro crisis have had a profound impact. Skepticism has largely replaced optimism: from a business perspective, uncertainties about the market are creeping up.

Although a prudent approach has helped to keep the euro crisis in check, I think it is now essential that the EU Member States put their differences aside and focus on stimulating the market for renewed growth.

Europe is well positioned for up-and-coming markets such as Turkey and Russia. More than ever, it is an attractive place for investment — provided it can sort out its internal difficulties.

"It is now essential that the EU Member States put their differences aside and focus on stimulating the market for renewed growth."

Finally, with discussions about a free trade agreement between Europe and Japan now approved by the EU, I hope that the two regions will grow even closer together — not only improving mutual business opportunities, but also fostering cultural exchange.

Europe defends its FDI leadership

Europe still remains the world's largest FDI destination, although its share in global FDI declined from 28.6% in 2011 to 22.4% in 2012. At the same time, business leaders still see Europe as one of the top regions for investment.

▶ **Perception versus reality: Europe remains at the top.**
Investors' interest in Western Europe and the US has resurged after hitting a historic low in 2012, despite the current tough economic outlook for the G8. Developed markets have reasserted their merits and their importance in protecting profitability. So, though emerging or rapid-growth markets (RGMs) are expanding their share of global output, developed markets remain the biggest drivers of world economic activity. Investors realize that, to create a well-rounded portfolio, they need to diversify and include mature markets that are making a comeback in certain areas and sectors.

A long tradition of innovation and exchange of technology allow mature markets to enjoy an edge over their rapid-growth counterparts. Mature markets have excelled in adopting mobile technologies, which help them retain a high share in the export of goods and services, guaranteeing their dominance in some markets. Simultaneously, global organizations are pursuing near-sourcing to combat high energy costs, accelerate their response to market changes and facilitate shorter product life cycles.

▶ **Both Western Europe and CEE are increasing investment appeal.**
Western Europe stands tall, despite disruption from the debt crisis. With an improvement of four percentage points, the region is rated the second most attractive destination in the world to establish operations: Western Europe lags behind China by only 6 percentage points in this year's survey, down from 11 in 2012. Investors were reassured by the apparent determination of Eurozone governments to ensure the survival of the currency and the 17-nation currency bloc.

The CEE region is also back in contention, rated the most attractive region by 28% of our respondents, up a hefty 7 points from last year. Local interviewees are particularly upbeat about the region's prospects: 49% say it is the most attractive investment spot globally. Investors even ranked CEE ahead of Brazil, Russia and India. Despite the uncertain macroeconomic climate in Europe, the continent's drive for fiscal discipline has gone down well. Investors now tend to believe the region will overcome its economic troubles. Thanks to foreign multinationals, particularly in heavy industry and automotive activities, investment is increasing in the vastly improved and still cost-competitive Poland, the Czech Republic and Hungary.

▶ **North America's improving competitiveness.**
Investors rated North America the third most attractive region globally, with an attractiveness score of 29%, up 8 points year on year. A US manufacturing resurgence, aided by plunging gas prices (as shale reserves come on stream) and increasing high-tech and export-fueled growth, have worked in its favor. Many American companies are re-establishing or expanding US production, and foreign investors are also drawn by the revival in the US economy. The US is still the world's leading source of innovation and entrepreneurial successes.

▶ **China is in a league of its own.**
China remains the country of choice for companies seeking international expansion, with a 43% attractiveness rating. Although China's formidable investor-approval rating eased a percentage point, the combination of a huge domestic market and rapid growth, spurred by an additional stimulus package, continues to make China the envy of both its local region and countries around the world competing for investment.

▶ **Brazil overtakes Russia and India.**
Brazil's rating improved by 8 points to 26%, which takes it past Russia and India to become the world's fifth most attractive investment spot. Investors recognize Brazil as a stable economy with a burgeoning domestic market and huge untapped reserves of natural resources. Russia drew 20% of the respondents, up one percentage point; its accession to the World Trade Organization and a renewed privatization drive add to its appeal. In India, infrastructure bottlenecks, lack of reforms, widespread corruption and high interest rates continue to impede the country's progress. The country's attractiveness slipped by 2 points this year to 19%.

Interview

My dream for a competitive Europe

Patrick Deconinck
Senior Vice President, West Europe, 3M Company

No multinational company can afford to overlook Europe. You need to be here and win on both the industrial and the consumer side. Western Europe is a very big economy, accounting for 25%–30% of world GDP. Consumers have a lot of spending power and there is a very skilled workforce, including capable researchers. Yet, on the downside, Europe faces challenges as a manufacturing location. It is not one region, but three.

In southwest Europe, we see very high labor costs without labor flexibility, making it extremely difficult to attract investment. Northwest Europe, including the UK, is still relatively attractive because of its skill set: though labor is very expensive, it is somewhat more flexible in absorbing ups and downs in demand than southwestern Europe.

CEE is increasingly attractive, offering improving infrastructure, investment climate and skills.

What must we do? Firstly, we need to help people understand that the world is becoming smaller and smaller, that Europe is no longer an island that can decide everything and that there are attractive rival investment destinations within the global economy.

Secondly, we need to teach our citizens that Europe as a whole is stronger than its components taken individually. Yet, today, there is a tendency to go back to nationalism rather than strengthen the pan-European approach.

Thirdly, we need to ensure all of Europe is attractive for investment and offers the right skills. And we need to communicate this. Europe is still a big market, but only by working together can we also be strong.

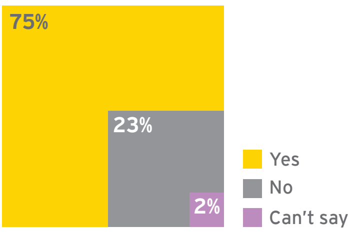
"On the downside, Europe faces challenges as a manufacturing location. It is not one region, but three."

Foreign investors are "realistically" optimistic about Europe's future attractiveness

While many European economies are still in recession and, in some countries, unemployment has reached historic peaks, three in four investors trust Europe's ability to overcome the current economic crisis. This optimism is equally shared by both companies already established in Europe and those who are not. When asked about how long recovery will take, business leaders are cautious. A majority (57%) of them believe it will take Europe three years or less to emerge from the crisis, another 42% believe it will take five years or longer.

Recovery outlook

Will Europe emerge from the economic crisis?

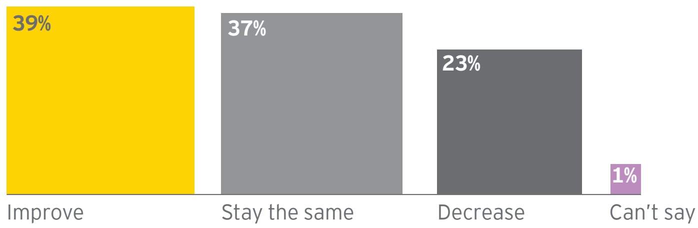


Source: Ernst & Young's *European attractiveness survey 2013* (total respondents: 808).

Most investors believe Europe's attractiveness will improve, or remain unchanged, in the coming three years. Fewer than one in four believe it will decline. The proportion of investors expecting an improvement, at 39%, has scarcely changed since 2011 (38%). Investors not yet established in Europe are more optimistic about the region's prospects than those already present: 60% of BRIC-based respondents and 45% of North American executives believe that Europe will become more attractive for inward investors. The Eurozone crisis has not dampened investor confidence. Policy-makers now look more committed to resolving the crisis and restoring economic growth.

Evolution of Europe's attractiveness

How do you anticipate the evolution of Europe's attractiveness over the next three years?



Figures 2011: improve (38%), stay the same (39%), decrease (22%), can't say (2%).
Source: *Ernst & Young's European attractiveness survey 2013* (total respondents: 808).

Ernst & Young Eurozone Forecast Spring edition – March 2013

The Eurozone economy remains in recession and we continue to believe 2013 will be a year of mild contraction. As per of our latest forecast (Spring 2013) and across the 17-nation bloc as a whole, we expect GDP will decline by 0.5% in 2013, similar to the fall in 2012.

Our latest forecast also foresees a modest recovery in growth during the second half of the year and then growth of about 1% in 2014. That will be followed by slow-paced expansion in subsequent years.

Reflecting the reduced threat of an imminent Eurozone breakup, the European Central Bank's gauge of systemic risk has fallen and is now back to pre-crisis levels. This is a clear signal that the Eurozone financial system now represents much less of a threat to its economy. The Eurozone is much more stable now than during most of 2012. Improving competitiveness and demand from the US and emerging markets will increase Eurozone exports over the coming year.

There is a growing recognition by policy makers about the need of slowing the pace of fiscal consolidation in favor of measures that can stimulate growth. Public sector reforms are under way. In the peripheral countries particularly, a range of measures have been implemented, seeking to reduce bureaucracy and make it easier to start businesses and to hire and fire staff.

However, the Eurozone still faces challenges. Remaining political concerns in Italy, Spain and some smaller Eurozone countries could start to undermine confidence again. This could lead to renewed market volatility and may heighten fears of "austerity fatigue" in some of the peripheral countries. The increasing unemployment also represents a threat to the positive effect of the ease in monetary and fiscal policy that we expect for the coming year.

Interview

My pioneering dream for Europe

Laurent Freixe
CEO, Nestlé Europe

Criticizing the EU for its slow economic growth, lagging competitiveness and bureaucracy is commonplace today. But this negative perception should not become self-fulfilling. The many worst-case scenarios presented as unavoidable have not materialized. The foundations of the unique European project have proven solid.

Today's perception of the EU ignores its merits and achievements. Peace, freedom and democracy deservedly earned the EU the Nobel Prize. The internal market and a common currency have brought stability and radically improved the life of business and consumers. And though our current health and social systems are slowly being made unaffordable by demographic change, the underlying values deserve to be retained.

Yes, the financial and economic crisis has posed existential questions for Europe. An aging society, growing unemployment and tightening natural resource constraints also challenge existing paradigms. But every crisis is an invitation to rethink our ways of working.

As a priority, we need to agree on the concrete long-term targets, objectives and reforms necessary to encourage economic and social development. The EU's 2020 vision of smart, sustainable and inclusive growth is an excellent starting point, and a vision that I am convinced the rest of the world will embrace soon. But, to overcome the crisis, we need an "all-of-society" approach – and that includes business. The competitiveness of our industries should be at the forefront: there is no sustainable development without competitiveness.

How does Nestlé contribute today to the EU's recovery? Firstly, by growing in Europe and investing in building the capabilities of our people to work in the complex and challenging environment we face. We are also investing in R&D and new production capacities, as well as new brands and product platforms. Our growth in Europe is socially responsible, with particular efforts to address youth unemployment and facilitate access to job opportunities. Our sustainable growth involves responsible sourcing, further reducing our environmental impact, and promoting nutrition, health and wellness through our products.

Nestlé is globally successful because we are successful in Europe. Likewise, I believe the world benefits from a strong, sustainable, inclusive and innovative Europe. We must be true to our identity, starting from our own strengths, and avoid copying models that will not work in a European context. By doing so, I am convinced that the EU can look with confidence to the future, and that the old continent can still be the first continent.

"The world benefits from a strong, sustainable, inclusive and innovative Europe."

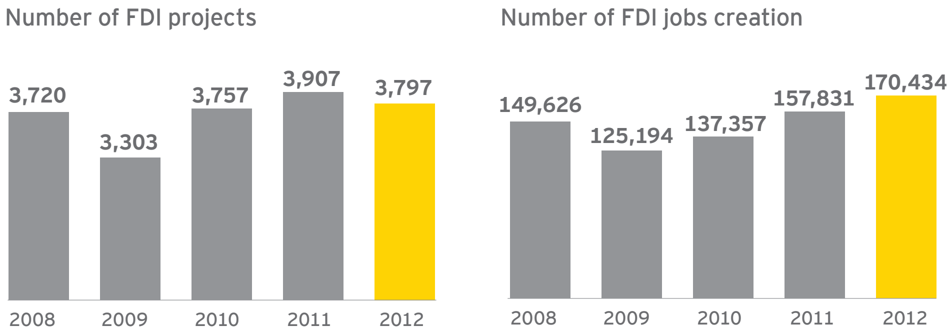
Destinations

FDI in Europe today

Weathering the storm

FDI in Europe 2012: fewer projects, more jobs

FDI in Europe



Source: *Ernst & Young's European Investment Monitor*, 2013.

In 2012, Europe secured 3,797 inward investment projects, down 2.8% from 2011, but still above the pre-crisis level. These projects created 170,434 new jobs, up 8% year on year. The average number of new jobs created per project rose from 40 in 2011 to 45 in 2012.

To a certain extent, Europe's FDI story for 2012 is positive, despite battling an economic crisis marked by debt, unemployment and stagnation. Its fundamental strengths — stability, skills, structure and shoppers — seemed to outweigh the continent's economic weaknesses. Though gloom over the Eurozone crisis lingers, the international business community believes in these strengths and still sees Europe as a good long-term bet.

FDI projects in 2012

3,797 FDI projects started in Europe, down 2.8% on 2011.

170,434 jobs created by FDI, up 8.0% on 2011.

Top 3 UK, Germany and France are the top three destinations for FDI projects. The UK, Russia and Poland get the most FDI jobs.

CEE took the most FDI jobs in Europe, overtaking Western Europe.

Western Europe, however, continues to draw many more FDI projects.

Country perceptions

Germany is ranked Europe's most attractive destination by 38% of investors surveyed, ahead of France and the UK.

Poland and the **Czech Republic** are the leading CEE destinations according to investors, claiming 37% and 15% of the votes respectively.

One continent, four stories

In 2012, geographic differences in Europe were stark and surprising. Four distinct stories stand out. Topping the chart, the UK and Germany are competing head-to-head for foreign investments, in a league of their own. The UK retains its lead in the face of a mounting German challenge. The year also saw the re-emergence of CEE on the back of large job-intensive projects, notably in Poland, Russia, Serbia and Turkey. As a consequence, CEE overtook Western Europe to become the leading destination for FDI jobs in Europe. In Western Europe, Switzerland, the Netherlands, Italy and France saw inbound projects decline. But some countries had increasing success in attracting projects, among them Spain, Finland, Ireland and Belgium, where opportunities and bargains helped sustain otherwise gloomy economies.

1 Competition at the top

The UK remained the most successful country in Europe at attracting FDI in 2012. But Germany's share of inbound European FDI projects continues to increase, and reached 16.4% last year, narrowly behind the UK's 18.4% share. After overtaking the UK in manufacturing sectors, such as machinery and equipment, electronics, scientific instruments, chemicals and electrical during 2011, Germany is now catching up in sectors driven by services.

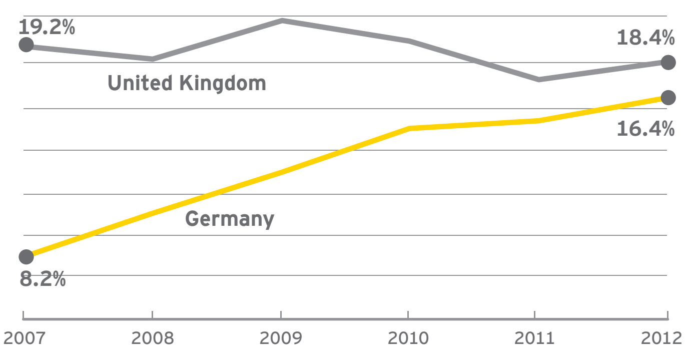
▸ The UK

Maintaining its historic lead in 2012, the UK received nearly one in five of all FDI decisions made and jobs created in Europe. The country captured 697 projects, up 2.7% on 2011, entailing 30,311 new jobs, a rise of 1.4%. US companies remained the UK's biggest investors, bulking up in business services, pharmaceuticals and logistics projects. FDI projects from France, particularly in business services, and from Japan, in machinery and equipment, were also on an uptrend. BRIC companies, especially from India and China, increased their investment in the UK to climb the value chain. For example, India's Firstsource Solutions launched three business services projects in the UK, creating more than 1,000 jobs. The company chose the UK because of its flexible labor market, strong language skills and active government support.[2] Similarly, Chinese telecommunication powerhouse Huawei announced a US$2b investment, which will take advantage of the UK's comparative advantage in ICT, its easy-to-do-business environment and world-class research capability.[3]

The UK automotive sector also did surprisingly well in 2012. On the back of higher car sales, the UK overtook France to become Europe's second-largest carmaker. General Motors Corp, Tata Group, Nissan and Volkswagen AG all increased their UK production capacity.

Share in total projects

(%)



Source: *Ernst & Young's European Investment Monitor*, 2013.

▸ Germany

Germany secured 624 FDI projects in 2012, up 4.5% on 2011, more than double 2007 numbers. With 16.4% of all inbound European FDI projects, the country is challenging the UK to become Europe's FDI champion. But the number of jobs per project fell sharply: Germany won 12,508 jobs, down 27.6% year on year. German manufacturing suffered from weaker demand from Eurozone markets during 2012 and business confidence dipped slightly during 2012 because of fears of a Eurozone breakup, which is potentially damaging to Germany. Companies from the US and Switzerland are the biggest investors in Germany (during 2012 US companies launched 6.5% more projects there and Swiss companies 42.2% more). American and British companies invested in more business services projects while Swiss, Chinese and Japanese investors targeted machinery and equipment, as well as electronics.

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2. Rajesh Subramaniam, "Why did we invest in the UK," *UK Trade & Investment website*, 28 June 2012, available at: http://blog.ukti.gov.uk/2012/06/28/why-did-we-invest-in-the-uk-pt-1/, accessed 24 April 2013.
3. "Huawei plans $2 billion British expansion," *Reuters*, 11 September 2012, available at: http://www.reuters.com/article/2012/09/11/us-huawei-britain-idUSBRE88A02820120911, accessed 24 April 2013.

FDI by country

Ranking by number of projects

Rank	Country	2011	2012	Change	Share (2012)
1	United Kingdom	679	697	2.7%	18.4%
2	Germany	597	624	4.5%	16.4%
3	France	540	471	-12.8%	12.4%
4	Spain	273	274	0.4%	7.2%
5	Belgium	153	169	10.5%	4.5%
6	Netherlands	170	161	-5.3%	4.2%
7	Poland	121	148	22.3%	3.9%
8	Russia	128	128	0.0%	3.4%
9	Ireland	106	123	16.0%	3.2%
10	Turkey	97	95	-2.1%	2.5%
11	Serbia	67	78	16.4%	2.1%
12	Finland	62	75	21.0%	2.0%
13	Czech Republic	66	64	-3.0%	1.7%
14	Switzerland	99	61	-38.4%	1.6%
15	Italy	80	60	-25.0%	1.6%
	Others	669	569	-14.9%	15.0%
	Total	3,907	3,797	-2.8%	100%

Source: *Ernst & Young's European Investment Monitor*, 2013.

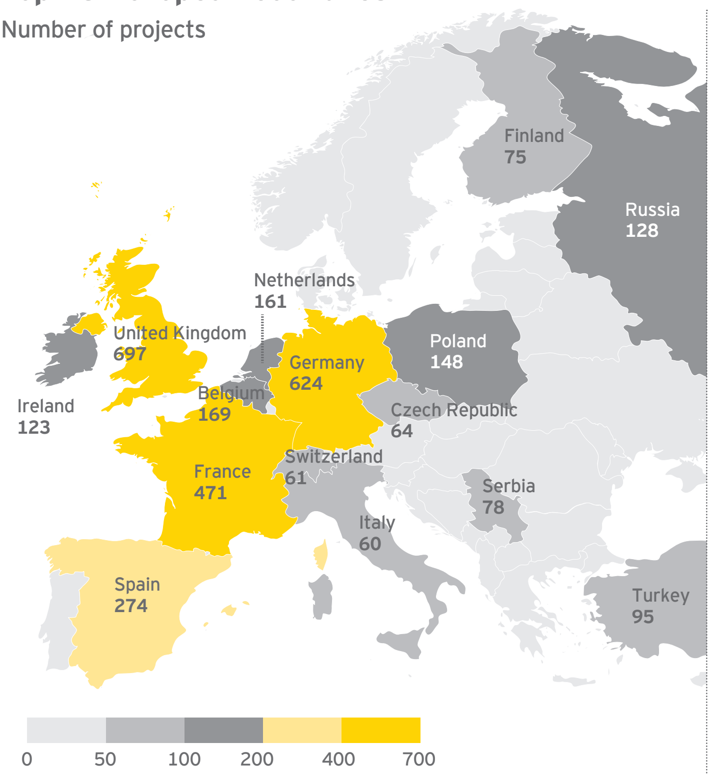
Ranking by jobs created

Rank	Country	2011	2012	Change	Share (2012)
1	United Kingdom	29,888	30,311	1.4%	17.8%
2	Russia	8,362	13,356	59.7%	7.8%
3	Poland	7,838	13,111	67.3%	7.7%
4	Germany	17,276	12,508	-27.6%	7.3%
5	France	13,164	10,542	-19.9%	6.2%
6	Serbia	13,479	10,302	-23.6%	6.0%
7	Turkey	7,295	10,146	39.1%	6.0%
8	Spain	9,205	10,114	9.9%	5.9%
9	Ireland	5,373	8,898	65.6%	5.2%
10	Romania	5,985	7,114	18.9%	4.2%
11	Slovakia	4,007	6,299	57.2%	3.7%
12	Czech Republic	5,168	5,508	6.6%	3.2%
13	FYRO Macedonia	3,040	4,670	53.6%	2.7%
14	Bulgaria	2,680	4,379	63.4%	2.6%
15	Hungary	5,237	3,941	-24.7%	2.3%
	Others	19,834	19,235	-3.0%	11.3%
Total		157,831	170,434	8.0%	100%

Source: *Ernst & Young's European Investment Monitor*, 2013.

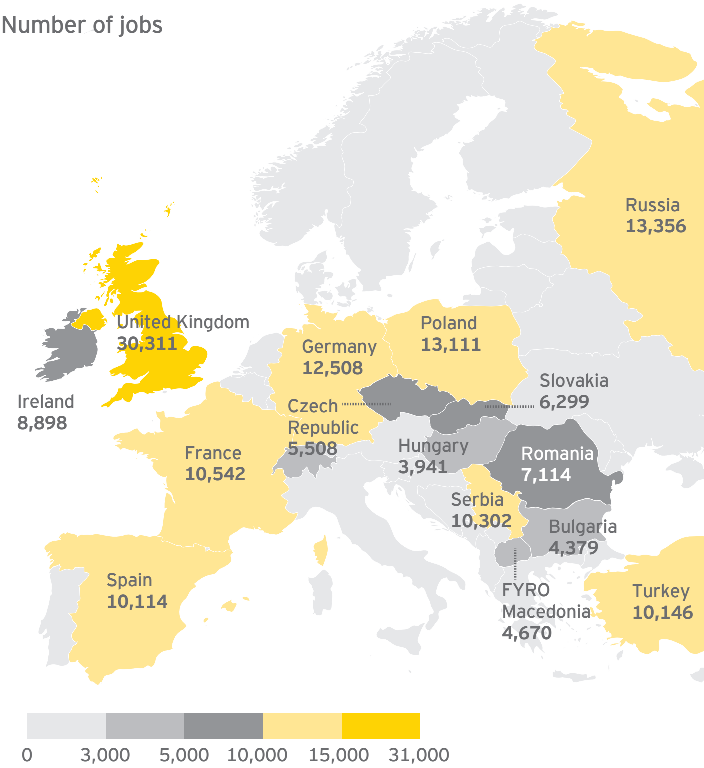
Top 15 European countries

Number of projects



Source: *Ernst & Young's European Investment Monitor*, 2013.

Number of jobs



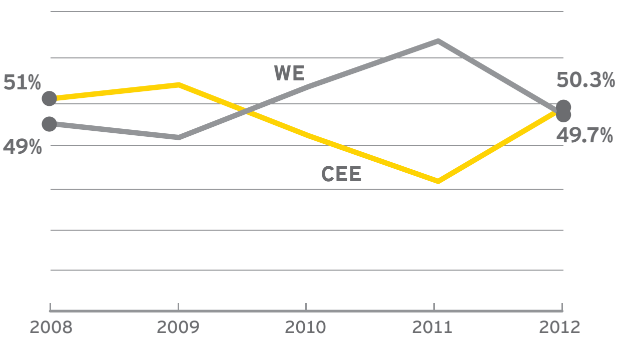
Source: *Ernst & Young's European Investment Monitor*, 2013.

2 Re-emergence of CEE

CEE regained traction as an FDI destination in 2012 after two disappointing years. Though the number of investment decisions slipped 4.8% on the year, the region secured a remarkable 26.1% more jobs. That meant that CEE overtook Western Europe to become the leading recipient of FDI jobs in Europe. Companies from both Europe and beyond are increasingly expanding their manufacturing capacity in CEE or moving their factories there. Carmaker Renault SA, for example, has adopted a low-cost strategy and is setting up factories in Morocco, Slovenia, Turkey and Romania. It now makes only a quarter of its cars in France, its home country. CEE is reaping the benefits of an affordable and capable labor force and its cost base remains competitive compared with Western Europe. According to the Organisation for Economic Co-operation and Development, annual wages in CEE countries, including Poland, Hungary and the Czech Republic remained, on average, half of those in Germany, France or the UK.

Share in jobs creation

(%)



Source: *Ernst & Young's European Investment Monitor*, 2013.

▸ Poland

Poland was the continent's strong performer in 2012, attracting 22.3% more projects than in 2011. Within the CEE region, Poland outpaced Russia to become the leading destination for FDI projects last year. With 13,111 jobs created by FDI, up 67.3%, Poland ranked third in terms of job creation for the whole of the continent (after the UK and Russia) up from seventh place in 2011. US investments rose sharply, notably in services projects, while German companies increased their presence in the automotive and logistics sectors.

Poland is also developing business process outsourcing centers, developed by companies such as WNS, which plans to set up a finance, accounting, contact and research center. Poland was the top improver globally in the past year, according to the World Bank's *Doing Business 2013* report. It has won attention as the fastest-growing EU member since 2008, and benefits from a skilled native workforce and an extensive and able migrant workforce.

▸ The Czech Republic

In 2012, the Czech Republic attracted 64 FDI projects. Though project numbers were down 3% on 2011, FDI created 5,508 jobs in 2012. Companies from Germany, the US, Japan and Austria were the leading investors. The country is fast becoming a favorite among automotive companies, which in 2012, created more than 60% of the Republic's FDI jobs. German automotive companies, including Volkswagen AG and SAS Autosystemtechnik GmbH & Co KG, announced big investment plans in the Czech Republic during the year. The number of heavy machinery and logistics projects also increased.

▸ Russia

Russia secured 128 FDI projects in 2012, unchanged from 2011 figures, but markedly below 2009 and 2010 levels. Russia's exposure to the travails of the EU economies and the slow pace of institutional reforms weighed on investor confidence. Yet with 13,356 jobs created by FDI last year, up 59.7% year on year, Russia ranked second in Europe for FDI jobs created, behind only the UK and up from sixth place last year.

Companies from the US, Germany and France, Russia's top three investors, announced more projects than in 2011 in sectors such as services, chemicals and vehicles. An import-tariff waiver for overseas car manufacturers and suppliers has helped sustain the sector's appeal for investors.[4] German carmaker Volkswagen AG invested in Russia at all levels of the value chain: it opened an assembly plant, created a training center for car manufacturers and set up a sales and marketing office.

▸ Turkey

FDI inflows into Turkey, which secured 95 projects, fell just 2.1% on 2011, but FDI jobs surged 39.1%. The number of FDI projects in the financial services sector more than doubled, as foreign companies sought Turkish banking licenses or entered joint ventures to profit from a boom in consumer lending. Mitsubishi UFJ Financial Group, Japan's largest bank, announced a US$300m commitment in Turkey and, in April 2012, Intesa Sanpaolo, Italy's largest retail bank, sought a banking license and announced plans to open a stand-alone corporate banking headquarters in Istanbul.[5] Construction, automotive and logistics companies are also placing their bets on Turkey's growth potential, relative stability and "gateway" fundamentals.

▸ Serbia

Serbia performed well in terms of FDI in 2012, attracting 78 projects, up 16.4% year on year. FDI created 10,302 jobs in the country, which ranked sixth in Europe for FDI job creation. Serbian projects are among the most labor intensive in Europe, creating 132 jobs each on average. Nearly 90% of projects in Serbia came from European companies. Italian firms provided more than half of the resulting jobs, and companies from Germany and Austria were also big investors, mostly in manufacturing, with automotive components and machinery and equipment the leading sectors. Italian carmaker Fiat SpA announced plans for a €1.3b plant in Serbia, employing 2,400 workers, and applauded Serbian government participation in the joint venture and its provision of incentives, including tax breaks, infrastructure and training.

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4. John Bowker, "Autos parts makers eye Russia ahead of WTO deadline," *Reuters*, 23 April 2012, available at: http://www.reuters.com/article/2012/04/23/russia-autos-idUSL5E8FNCBR20120423, accessed 24 April 2013.

5. "Intesa to open corporate head office in Istanbul," *Reuters*, 11 April 2012, available at: http://in.reuters.com/article/2012/04/11/intesa-turkey-idINL6E8FB4UC20120411, accessed on 24 April 2013.

Interview

My dream for London

Boris Johnson
Mayor of London

As a world-class financial, business and cultural hub, London is Europe's pre-eminent global city, exerting the same magnetic draw that New York does in the United States.

In 2012, hosting the spectacularly successful Olympic and Paralympic Games provided a glossy global advert for our city and helped lay foundations for its future prosperity. The Games demonstrated London's incredible logistical skills, injected billions of pounds into infrastructure, and kick-started the regeneration of a vast swathe of the city.

Uniquely within Western Europe, London faces a population boom of one million people over the next decade. We have identified over 40 areas ripe for development, which have the potential to provide 250,000 homes and 500,000 jobs. Despite budget constraints and the Eurozone crisis, business growth in London has been encouraging, at 7.2% last year (UK average 0.7%), and London's share of the UK economy has reached 21.9%, an historic high. Since 2008, employment has risen by 168,000, the vast majority in the private sector.

London's ongoing attractiveness to foreign investment is clear. We are an open city with a flexible visa regime and a global outlook. Safe and attractive, London is a natural home for the BRICs and a gateway to Europe, with the right time zone, language and professional skills. Besides its European dominance in financial services, London has world-beating creative industries, a growing high-tech sector, and talented workers are drawn here from all over the world.

In an increasingly competitive global economy, London cannot afford to be complacent but, as the Games showed, we are an optimistic, ambitious, modern, successful economy with every reason to be confident in ourselves and the future.

> "London's ongoing attractiveness to foreign investment is clear."

3 Western Europe: high performers

Spain, Belgium, Ireland and Finland each attracted more FDI projects in 2012 than the previous year. Against a weak economic backdrop — Irish GDP rose an estimated 0.6%, but output fell by 1.4% in Spain and by 0.2% in both Belgium and Finland — Spain, Ireland and Finland drew record numbers of projects and Belgium had its best year since 2008. The resulting decline in relative unit labor costs has enhanced the competitiveness of goods and services produced in these peripheral economies.

▸ Spain

With 274 new FDI projects in 2012, against 273 in 2011, Spain ranked fourth in Europe in terms of FDI projects. Better still, in a battered economy with high unemployment, the number of jobs created surged 9.9% to 10,114. Weak consumer spending, severe austerity and a tough battle to reduce the state deficit to 4.5% during 2013, provide a tough investment climate. Yet, investors from the US, Germany and the UK, Spain's leading investment sources, all launched more projects during 2012. While business services and software were the two top sectors for FDI inflow to Spain, foreign investments in financial services, chemicals and the automotive sectors increased. Spain's competitiveness has continued to improve, bolstering investor confidence. Spanish nominal unit labor costs have fallen by 5.5% over the past three years, while rising 1.4% in the Eurozone as a whole. Spanish productivity has surged 11.2% since the beginning of 2008 — far better than the Eurozone average of 0.4%. Spanish trade unions are showing flexibility. When Renault SA announced plans to make new models in Spain in November 2012, creating 1,300 new jobs, Spanish unions agreed a flexibility package including holiday working, 7-day plant operation and 18-month contracts for new workers.[6]

▸ Ireland

A long-standing inward investment champion, Ireland had its best year for FDI in a decade in 2012. It proved the ninth most attractive country in Europe in 2012, both in terms of FDI projects (123, up 16%) and jobs created (8,898 jobs, up 65.6%). This success is sorely needed in an economy suffering from weak consumer spending, high unemployment, high levels of household debt and ongoing austerity.

Nevertheless, increased export competitiveness and improvements in public finances have kept foreign investors optimistic about the country, and a corporate tax rate of just 12.5% remains a key attraction for foreign investors. US companies remain Ireland's biggest investors (accounting for 60% of its FDI projects in 2012) in business services, software, pharmaceuticals and medical technology.

▸ Belgium

Overtaking the Netherlands to become the fifth-largest recipient of FDI projects in Europe last year, Belgium drew 169 projects, up 10.5% to the highest level since 2008. The number of projects launched by companies from the US, France, Germany and the Netherlands, Belgium's leading investment sources, increased. Yet numbers of Chinese, Japanese and British investors fell. Business services remained the favorite FDI sector, but companies active in food, chemicals, machinery and equipment, plastic and rubber, and scientific instruments also increased their investments. The number of manufacturing projects almost doubled from 31 in 2011 to 57 in 2012.

Policy reforms could enhance Belgium's competitiveness and the pace of growth. In particular, more flexible wage bargaining and a transfer of taxation away from labor would improve export prospects and Belgium's attractiveness as a destination for investment from overseas, as well as allowing firms to better exploit its strengths in innovation and R&D.

▸ Finland

The popularity of Finland among foreign investors continues to increase. The country secured 75 FDI projects in 2012, a new record and the third successive yearly increase. US companies doubled their investment projects to 14 in 2012, and Sweden, Estonia, Denmark and the UK were also significant investors in Finland, in business services, software and machinery and equipment. Finland's public finances are among the healthiest in the Eurozone, with government debt below 60% of GDP.

6. "Renault to expand hiring in Spain," *Wall Street Journal*, 21 November 2012.

4 Room for improvement

In 2012, a second group of Western European countries attracted fewer projects and relatively few jobs. This includes France, the Netherlands, Italy and Switzerland. Nevertheless, these four economies together netted more than 750 FDI projects, 20% of the 2012 total.

▸ France

Although France managed to maintain its third place in the overall European ranking for foreign investment, its FDI inflows fell in 2012. The number of FDI projects in France declined 12.8% to 471, while the number of jobs created fell 19.9% to 10,542. Though US companies launched more projects in France, their peers in Germany and the UK announced fewer French projects than in 2011, as did companies from Switzerland, Belgium, Sweden and the Netherlands. France remains the leading European destination for manufacturing projects, but these also fell from 170 in 2011 to 127 in 2012. Amazon announced two new investment projects that will create 2,950 jobs and underpin growth in this sector, and will also help France compete with Germany as Europe's top logistics destination.

Stagnant purchasing power and rising unemployment have prompted concern about weak growth in France. To address these worries, in November 2012, French Prime Minister Jean-Marc Ayrault presented the National Pact for Growth, Competitiveness and Employment, which aims to enhance competitiveness and promote sustained and robust growth. The Ernst & Young *Eurozone Forecast*, using the global economic model, suggested that decreasing labor costs by €20b (1% of GDP), as proposed by the French Government, could boost GDP by around 0.4% and lower unemployment by 350,000 within two years. Labor market measures, aimed at providing more flexibility to companies to adjust staff numbers and working hours in difficult times, were also agreed between the French Government and unions at the start of 2013. These are expected to enhance employment prospects, as well as French competitiveness.[7]

▸ The Netherlands

In 2012, the Netherlands attracted 161 projects, down 5.3% on 2011. Companies from the US, the leading source of FDI inflow to the country, launched more projects, but there were fewer from the UK and Japan. The number of jobs per project fell so sharply that the Netherlands dropped out of the top 15 destinations for job creation. Exports have been hampered by weaker Eurozone demand, while rising consumer debt and unemployment have aggravated the risk of defaults and stress within the banking sector. High real estate prices, high labor costs and challenging labor laws are damaging the business climate. The Government has responded with policies intended to strengthen links between business and science, and labor market reforms have been proposed.

Despite headwinds, the Netherlands was the sixth most attractive destination for FDI in Europe in 2012. Many investors still regard it as a gateway to the European market and a sound location for logistics and headquarters functions.

▸ Italy

The number of inward investment projects in Italy fell for the second successive year in 2012, sliding 25% to 60 projects. Italy's economy remains in poor shape, hampered by fiscal austerity, high unemployment, tight credit and political instability. With domestic and export demand subdued, the number of FDI projects in manufacturing fell sharply in 2012. But bullish companies from the US showed continuing confidence, increasing their investments in business services and logistics in particular. Liberalization measures and reforms to facilitate business, cut bureaucracy and speed up judicial proceedings, pushed through by the caretaker government of Mario Monti in 2012, should enhance Italy's attractiveness. These measures lifted Italy two places in the World Bank's Ease of Doing Business rankings in 2013 — but only to 73rd out of almost 200 countries. Renewed political instability may hinder further progress.

▸ Switzerland

2012 was the worst year for FDI in Switzerland since 2005. The country attracted only 61 FDI projects, down 38.4% year on year. Though US companies remain Switzerland's largest FDI investors, even they are turning elsewhere. The number of FDI projects originating in the US has fallen from 50 in 2010 to 41 in 2011 and just 28 in 2012. German companies are also more cautious, launching only 2 projects in 2012, down from 13 in 2011. By sector, business services, software and financial services all posted large declines in project numbers, while Switzerland captured only 3 manufacturing projects, compared with 10 in 2011. High costs, a strong Swiss franc and weak growth, particularly in export markets and in the surrounding Eurozone, are curtailing Switzerland's appeal for investors.

7. *Ernst & Young Eurozone Forecast Winter edition – December 2012*, p.33.

Perception differs from reality

Once again, Germany is perceived to be the most attractive country in Western Europe for FDI, responses to our survey have shown. The industrial powerhouse received 38% of first-place votes. Germany is seen as the world's most competitive automotive hub for innovation and product quality.* Its economy is among the most resilient in Europe, benefiting from its strength as an exporter, which helps it tap rising demand in RGMs. In Western Europe, France is rated second with 17%, a whisker ahead of the UK with 16%.

In CEE, our respondents saw Poland (37%) as by far the most attractive country, standing head and shoulders ahead of rivals. The perceived attractiveness of the Czech Republic echoes its second place in the reality table, but suggests that it might win a bigger share of FDI inflow to CEE in future. For other CEE countries, including Hungary, Romania and Ukraine, investor perception roughly matched the reality of FDI inflows.

Meanwhile, Turkey and Serbia show a different kind of perception gap. Only 2% of the investors picked Turkey as the most attractive FDI destination in CEE, and Serbia scored only 1%. Yet, in reality, Turkey scooped up 13% of CEE FDI projects in 2012 and Serbia another 11%. This glaring mismatch suggests these countries face perception problems among foreign investors. The governments of Turkey and Serbia may need to do more to educate business leaders about the opportunities their countries offer.

* *European automotive survey 2013*, Ernst & Young, 2013.

Perceived attractiveness vs. actual number of FDI projects

Western Europe

	Perception	Reality**
Germany	38%	21%
France	17%	16%
UK	16%	24%
Netherlands	5%	5%
Italy	4%	2%
Spain	3%	9%
Ireland	1%	4%

Central and Eastern Europe

	Perception	Reality**
Poland	37%	21%
Czech Republic	15%	9%
Hungary	8%	7%
Romania	6%	7%
Ukraine	5%	3%
Turkey	2%	13%
Serbia	1%	11%

** Share in FDI in Europe based on the number of projects.
Source: *Ernst & Young's European attractiveness survey 2013* (total respondents: WE – 301; CEE – 226). Source: *Ernst & Young's European Investment Monitor*, 2013.

Europe's local FDI scorecard

Europe's cities are a magnet for FDI, and their distinctive attractiveness is a vital – and growing – element in sustaining the continent's FDI inflows. In 2012, Europe's top 10 cities drew 30.1% of the continent's FDI projects, up from 28.6% in 2011. Barcelona, Stuttgart, Dublin, Freiburg, Lyon and Amsterdam all attracted more projects in 2012 than 2011.

The importance of cities in attracting FDI cannot be overstated and forms a stark contrast with their national context. The 10 European cities that attracted the most FDI are all in Western Europe. Fifty-one percent of our respondents said cities in Western Europe were the most attractive in the world, though they were challenged by those in Asia (45%) and North America (38%). European cities, such as London, Paris and Berlin, offer an appealing combination of business, culture, skills and infrastructure.

Almost half of respondents voted London Europe's most attractive city. That perception is well founded. In reality, London received 313 FDI projects last year, more than any other European city. Business services, software and financial services accounted for more than 70% of these projects. London topped the Qatar Financial Centre Authority's Global Financial Centres Index 2012 and it was ranked the fourth most innovative city in the world.

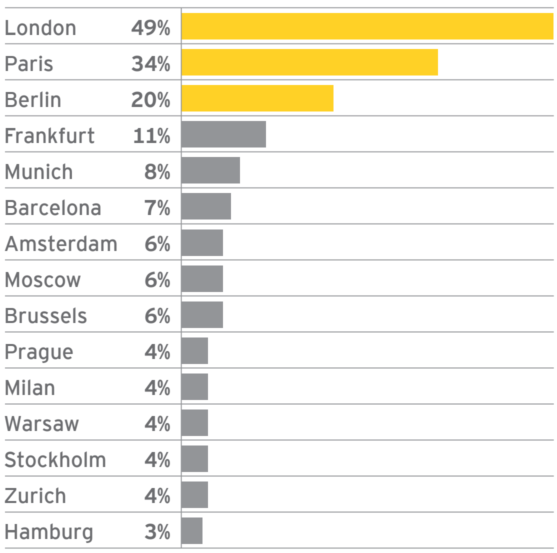
With a 34% score, Paris, the business and tourism capital of France, is the second most attractive investment location in Europe. Matching this perception, the city received 174 FDI projects in 2012, second only to London. Nearly 60% of the projects were in business services and software.

Berlin is favored by 20% of our respondents, making it the third most attractive destination in Europe. However, its appeal has yet to be matched by the reality of investment decisions: in 2012, it attracted just 34 FDI projects.

CEE has yet to develop the cocktail of business services, skills, connections and markets that results in deep-seated urban FDI attractiveness. Only Moscow, with a score of 6%, appeared among investors' 10 preferred cities, and none made it into the top 10 in terms of projects attracted.

However, the region has built some strong industrial clusters that draw fewer, but larger projects, which create many jobs. Cities such as Istanbul, Moscow and Warsaw are now attracting services-related projects and gaining a profile on the FDI map. But further improvements to the business environment remain crucial, to ensure the region is appealing for services-based projects as well as manufacturing.

Three most attractive cities in Europe



Source: Ernst & Young's *European attractiveness survey 2013* (total respondents: 808).

FDI by urban region

Rank	Urban region	Number of projects		
		2012	Change from 2011	Share of FDI (2012)
1	Greater London (London)	313	-4.3%	8.2%
2	Ile-de-France (Paris)	174	-14.7%	4.6%
3	Cataluna (Barcelona)	116	16.0%	3.1%
4	Madrid (Madrid)	93	-1.1%	2.4%
5	Dusseldorf (Dusseldorf)	84	0.0%	2.2%
6	Stuttgart	81	52.8%	2.1%
7	Dublin (Dublin)	72	20.0%	1.9%
8	Freiburg	71	39.2%	1.9%
9	Rhone-Alpes (Lyon)	70	6.1%	1.8%
10	Noord-Holland (Amsterdam)	68	38.8%	1.8%
	Others	2,655	-5.6%	69.9%
	Total	3,797	-2.8%	100%

Source: *Ernst & Young's European Investment Monitor*, 2013.

Interview

My dream for Berlin

Klaus Wowereit
Governing Mayor of Berlin

Right now, Berlin is experiencing a second *Gründerzeit* – a revival of the economic boom that characterized the second half of the 19th century. More and more people from all over the world are moving to Berlin to live and work, to invest money and start new companies. Berlin is Germany's start-up capital; the heart of the European internet industry beats here. We are putting enormous effort into promoting growth and making Berlin even more attractive – as a strong economic location and a metropolitan area with a high quality of life.

We are marketing Germany's capital city around the world as "the place to be." We roll out the red carpet for investors and give targeted support to our region's strongest sectors, life sciences and ICT. To pave the way for more economic growth, we are also building on our already modern infrastructure. Berlin is relying on its excellent colleges and universities to provide the skilled workforce that our innovative companies will need in the future. And huge construction projects, undertaken by both the public sector and private investors, will be creating additional housing for our growing population.

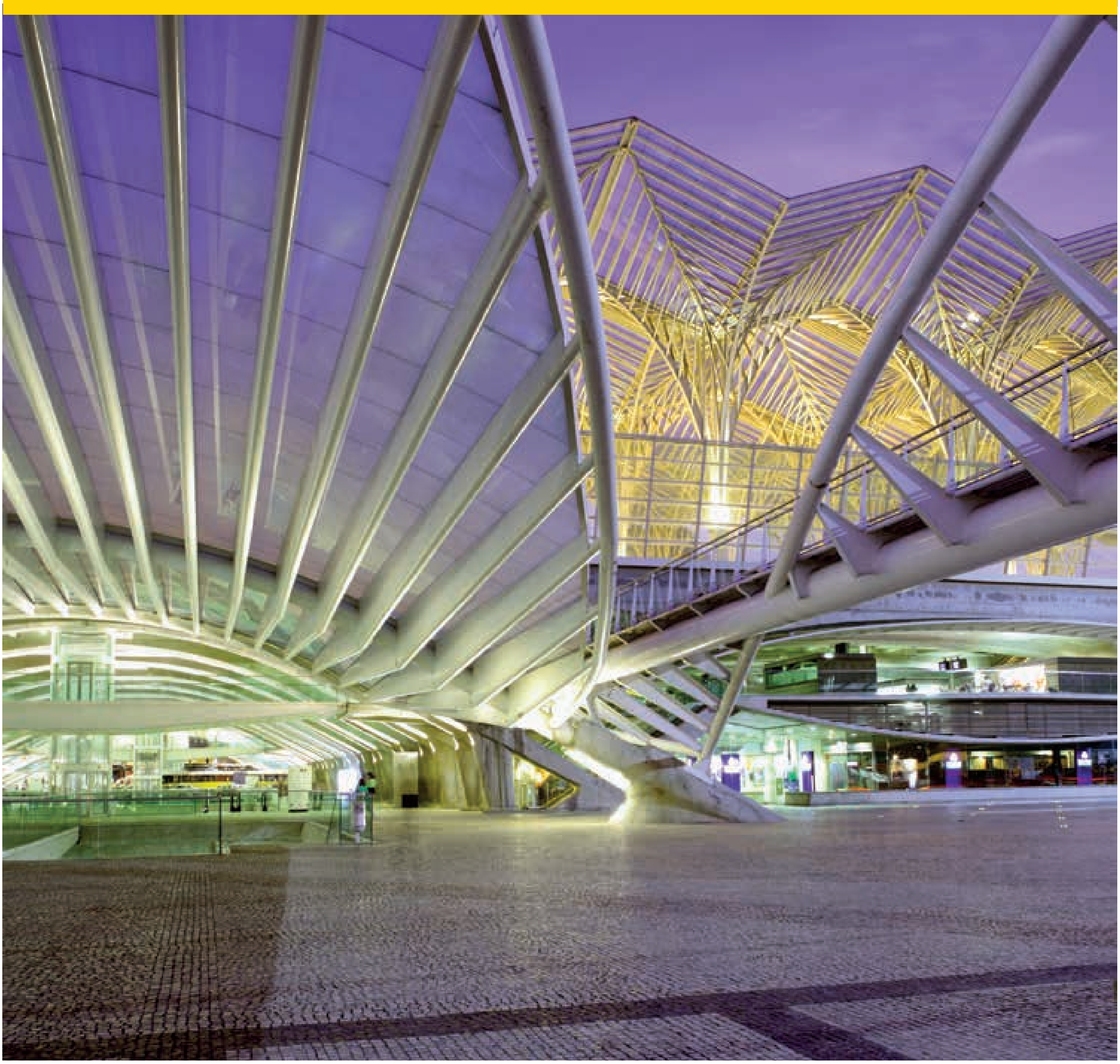
This growth trend is a welcome development for Berlin, and enhancing the city's appeal as an outward-looking, tolerant metropolis with a wealth of cultural attractions is the key to maintaining it. The many years of hard work in pursuit of this goal are paying off: our tourism sector set yet another record last year with 25 million overnight stays.

Will Berlin's current popularity worldwide tempt us to rest on our laurels? No. Instead, it's spurring us to redouble our efforts to make Berlin an even more attractive 21st century city.

"Berlin is Germany's start-up capital; the heart of the European internet industry beats here."

Investors

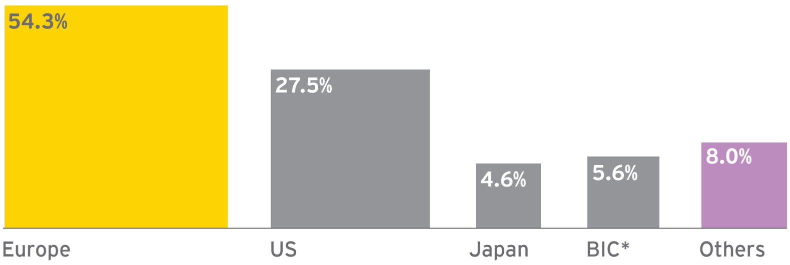
Clients of Europe



Sources and sectors

FDI sources: few new investors

FDI in Europe by region of origin
(by number of projects)



*BIC: Brazil, India and China.
Source: *Ernst & Young's European Investment Monitor*, 2013.

US companies remain the biggest source of FDI in Europe, providing 27.5% of inward investment projects in 2012. And European companies contributed more than half of all European FDI inflows: 7 European countries, led by Germany and the UK, were among the region's top 10 investors. Together, FDI projects from European countries and the US accounted for more than 80% of FDI flows into the region. The share of FDI projects from Brazil, India and China remained very low, at just 5.6%.

US and Europe: words and deeds

US companies invested in 1,045 projects in 2012, up 2% year on year, at a time when total project inflows declined by 2.8%. Business services and software were key vectors of US inflows, accounting for 41.8% of projects. IBM Corp, FedEx Corp, Amazon.com Inc and eBay Inc were among leading investors. But US investors also launched more European FDI in biotechnology, chemicals, logistics and automotive sectors. Though US companies continue to invest in Europe, they are doing so more cautiously: the number of jobs they created fell by 6.8%. In 2012, the average FDI project from the US created 37 European jobs, down from 40 in 2011.

While the UK continued to be the favorite FDI destination for American companies in Europe, France overtook Germany to become the second most attractive location for US-based companies, capturing more projects in business services and logistics. Ireland's appeal remains strong for US companies, which launched 8.8% more projects there, creating 68.5% more Irish jobs. US investors seek opportunity widely. During 2012, CEE countries, including

Key findings

The US is by far the largest investor in Europe. Among the 10 top sources of European cross-border investment, 7 are European countries.

29% is the proportion of FDI projects accounted for by business services and software. Automotive created the most jobs.

35% of investors plan to establish or expand operations in Europe in 2014, up 26% on last year.

11% of European respondents plan to relocate operations outside of Europe.

189,465 European jobs lost after restructuring in 2012.

Interview

My technology dream for Europe

Hendrik Bourgeois
Vice President European Affairs, GE

My vision is of a Europe in which technology transforms the efficiency of energy, transport, industry and health care.

The cost of energy is high in Europe and natural gas is notably more expensive than in the US. So we need to use technology to bring down costs. This includes extracting unconventional fuels in an environmentally sound manner. Europe also needs to continue to invest in renewable energies, such as wind, solar and biogas, and to build more interconnected and "smarter" power grids.

An "industrial internet" provides data on the utilization of equipment in energy, transport and even health care, bolstering efficiency in these sectors and creating a new paradigm.

And with budgets constrained, Europe must seize the potential of eHealth technologies to deliver better health care at lower cost, and improve preventive medicine and remote monitoring of patients in their homes.

To facilitate Europe's technology transition we need more Europe, not less. We need to broaden and deepen the single market. Companies require the largest-possible markets to increase the likelihood that they will obtain the returns they need.

Governments also need to devote a good part of their budgets to innovation and R&D. They need to set up partnerships with the private sector to generate new ideas and promote demonstration projects that encourage private investment.

In tough times, governments need to focus on innovative strategies that will increase competitiveness, create growth and boost employment in the longer term. Ensuring a technology transition should be a top priority.

"Governments need to focus on innovative strategies that will increase competitiveness."

Poland, Russia and Turkey, also garnered more FDI projects from the US, particularly in the business services, software and automotive sectors. These inflows reflect the highly integrated economic relationship between the US and the EU, which are now to explore opportunities for still-closer ties through a new transatlantic free-trade agreement.

Intra-European investment

European companies are still the biggest cross-border investors in Europe, accounting for nearly 54.3% of the continent's FDI projects and 56.4% of FDI jobs. Seven of the top 10 investors in Europe were from Western Europe, with Germany by far the largest investor — followed by the UK, France and Switzerland. Leading cross-border investors included globally renowned companies, such as Draexlmaier, Fiat SpA, ThyssenKrupp AG, Volkswagen AG and Danieli, which created substantial numbers of jobs across the continent through their investments.

In 2012, the number of jobs created by the cross-border investments of German companies surged dramatically, to reach almost 30,000 — the largest number since 2007 and a 32% increase on 2011. The leading sectors for German cross-border investment in both Western Europe and CEE included automotive, other manufacturing and logistics. Poland, Russia, Hungary and the Czech Republic were key German investment destinations in CEE.

Meanwhile, companies from the UK were more inclined to make cross-border investments in service-oriented sectors, such as business services, software and financial services. Preferred destinations were Germany, France and Spain. GlaxoSmithKline, Endava, Rexam and Rolls-Royce were some of the leading UK investors in Europe.

French companies increased their cross-border investments in Europe both in terms of project numbers and jobs created abroad. French investments in the UK almost doubled, to 54 in 2012. Business services, logistics and software companies from France were the most active investors in the UK. Germany, Belgium and Spain also received many FDI projects from France. Investors included La Poste, Alstom SA, Renault SA and Teleperformance Group.

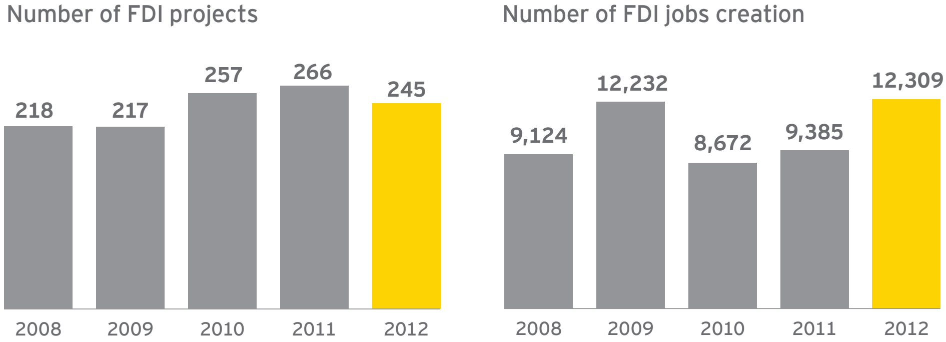
BRICs: a tough sell for Europe

European FDI inflows have benefited from the efforts of leading companies from China and India (80% of the BRICs' FDI group), and other new heavyweights, to access advanced technologies, move up the value chain and find new sources of growth. Many companies from emerging economies have already joined the Fortune Global 500 companies list and their projects created a record 12,309 jobs in Europe, 31.2% more than during 2011. Most of these jobs are net gains in European employment, whereas jobs created by US and European investments are sometimes the result of restructuring or relocation.

Chinese corporate investors are eyeing a wide range of industries, expertise and technology in Europe. A European Chamber of Commerce survey, conducted in January 2013, showed that Chinese business leaders remain optimistic about investment in Europe (though they also complained of operating difficulties, such as high costs). Many Chinese firms, such as Clenergy International, ET Solar Group or Samil Power Co Ltd, continued their investment drive in the region, particularly in Germany and the UK, and with a focus on heavy machinery and cleantech.

Investments by Indian companies were often directed at projects delivering business services. Webhelp TSC opened a contact center in Derby, in the UK, with 400 employees. By December, the company's headcount tripled to 1,200 employees and the company also expanded its contact center in Glasgow. Firstsource Solutions Ltd, SPANCO Telesystems and Solutions Ltd, and WNS Global Services Ltd were other Indian companies that invested in business process outsourcing and contact centers in Europe. Other investments went into the automotive, chemicals and metals sectors. In one prominent project, Tata Group announced the expansion of its Jaguar Land Rover plant in Merseyside, creating 1,500 jobs.

FDI from the BRICs



Source: *Ernst & Young's European Investment Monitor*, 2013.

FDI by country of origin

Rank	Country of origin	Number of projects				Number of jobs	
		2011	2012	Change	Share 2012	2012	Share 2012
1	USA	1,028	1,045	2%	28%	38,526	22.6%
2	Germany	412	406	-1%	11%	30,100	17.7%
3	United Kingdom	294	255	-13%	7%	6,255	3.7%
4	France	193	198	3%	5%	11,356	6.7%
5	Switzerland	188	184	-2%	5%	5,424	3.2%
6	Japan	150	176	17%	5%	8,171	4.8%
7	China	140	122	-13%	3%	4,619	2.7%
8	Spain	82	107	30%	3%	2,587	1.5%
9	Sweden	95	107	13%	3%	1,901	1.1%
10	Italy	95	104	9%	3%	12,794	7.5%
11	Netherlands	137	103	-25%	3%	2,338	1.4%
12	Austria	66	79	20%	2%	3,072	1.8%
13	India	77	74	-4%	2%	6,432	3.8%
14	Canada	73	65	-11%	2%	1,547	0.9%
15	Ireland	47	65	38%	2%	2,847	1.7%
	Others	830	707	-15%	19%	32,465	19.0%
	Total	3,907	3,797	-2.8%	100%	170,434	100.0%

Source : *Ernst & Young's European Investment Monitor*, 2013.

Interview

My skills dream for Europe

Surya Kant
President Europe, UK & North America, Tata Consultancy Services

As a partner to over 350 leading European firms, our company is committed to realizing their dreams of a stronger, more innovative and more competitive Europe. For our own business, we remain bullish about Europe and continue to invest in our growth across the region. Our largest operation is in the UK, but we have expanded significantly in the Nordic belt and Benelux in the past five years, and see immense potential in Germany and France.

In the face of long-standing economic uncertainty, Europe must make policy choices that rein in fiscal deficits, while restoring a healthy pace of growth through innovation and increased private enterprise. The flow of talent to crucial sectors will be essential. Boosting services, for example, will benefit the European economy and help it to stay at the cutting edge of innovation.

The IT services sector is seeing a widening skills gap in Europe, caused by demand for technology outpacing talent creation in universities, and this is compounded by changing demographics. The EC says that, by 2015, the EU could have a shortage of up to 700,000 IT workers. Shortages also loom in health care and scientific research.

Meeting this challenge will require a long-term effort from Europe. It will need to tackle re-skilling and education reform, ease mobility norms for intercorporate transferees and build services trade with natural skills-heavy partners, such as India and the EU's eastern periphery, including Turkey. Skills and talent will be the most essential fuel to boost innovation in Europe. The investments we make on this front today are critical to realizing the Europe 2020 plan and its successive goals.

"Boosting services, for example, will benefit the European economy and help it to stay at the cutting edge of innovation."

Industry focus: the European mix

Manufacturing still strong in Europe

▸ **Manufacturing:** by activity, manufacturing accounted for 25.6% of investment projects, but 59.6% of jobs created on the continent. Though the number of FDI projects fell 6.4%, manufacturing created 4.4% more jobs, and the average number of jobs per manufacturing project rose from 94 in 2011 to 104 in 2012. Investors remain confident about Europe's attractiveness as a manufacturing location: 84% expect to still be manufacturing in Europe in 10 years' time. Yet, in 2012, Russia became the leading recipient of FDI jobs (fifth in 2011) created by manufacturing projects. The UK, Turkey and Serbia were other favored destinations for large manufacturing projects.

▸ **Business support services:** support services accounted for more than 6% of investment decisions and 11.8% of FDI jobs in Europe in 2012. More than 30% of these projects were created in the UK, which was the leading destination for contact, education and training, testing and servicing, and data center projects. Poland and Ireland were leading destinations for shared service centers, together accounting for 48.6% of these new operations in Europe.

▸ **Logistics:** logistics activities provided 6.2% of FDI projects and 7.7% of FDI job creation in Europe during 2012. France, the UK and Germany were the leading recipients of the 236 projects and 13,176 logistics jobs in Europe during the year. To cope better with increasingly complex supply chains, many companies are outsourcing supply functions.[8] Increasingly, companies are working with logistic firms to streamline their processes and find efficiencies.

▸ **Sales and marketing:** as in 2011, sales and marketing offices made up more than half of all FDI projects in Europe in 2012. While the number of projects fell 1.6%, the number of jobs created in sales and marketing increased by 50.3%. Germany, the UK and France were the biggest winners, attracting the most projects in 2012. Germany overtook the UK to become the leading destination for these projects, but Spain, Belgium and Finland also gained more sales and marketing projects in 2012.

▸ **Research and development:** in 2012, R&D activities provided 236 projects, creating 7,625 jobs. The UK and Germany were the top destinations for R&D projects and both saw project numbers rise during 2012. Software, electronics and pharmaceuticals were the leading sectors for R&D projects in Europe. A strong R&D capacity remains Europe's most critical asset and 45% of the investors we surveyed said it will drive future FDI projects in Europe.

▸ **Headquarters:** the number of companies setting up headquarters in Europe reached 168 in 2012, up from 150 in 2011. The number of jobs associated with these rose 30.9%. The UK was the leading recipient of investment decisions in this domain, attracting 17.2% of FDI headquarters projects. Ireland, France, the Netherlands and Germany also attracted more head office projects in 2012.

FDI by activity

Rank	Activity	Number of projects				Number of jobs	
		2011	2012	Change	Share of FDI (2012)	2012	Share (2012)
1	Sales and marketing	1,977	1,945	-1.6%	51.2%	19,403	11.4%
2	Manufacturing	1,039	973	-6.4%	25.6%	101,535	59.6%
3	Research and development	234	236	0.9%	6.2%	7,625	4.5%
4	Logistics	235	236	0.4%	6.2%	13,176	7.7%
5	Headquarters	150	168	12.0%	4.4%	8,825	5.2%
6	Testing and servicing	103	81	-21.4%	2.1%	2,517	1.5%
7	Contact centre	55	48	-12.7%	1.3%	10,156	6.0%
8	Shared services center	42	37	-11.9%	1.0%	6,282	3.7%
9	IDC	36	37	2.8%	1.0%	104	0.1%
10	Education and training	36	36	0.0%	0.9%	811	0.5%
	Total	3,907	3,797	-2.8%	100%	170,434	100%

Source: *Ernst & Young's European Investment Monitor*, 2013.

8. *European attractiveness survey 2012*, Ernst & Young, 2012.

Business services and software continue their winning streak

Business services and software remained the leading FDI sectors in Europe, accounting for 29% of announcements in 2012. The UK was again the leading destination for these projects (27.5%), with Germany a distant second, followed by France and Spain. Most FDI in this sector was located in Western European cities, led by London and Paris. At the same time, the services appeal of CEE countries is gradually increasing.

Business services projects mainly comprised new sales and marketing offices set up by consulting, law, IT services, administration, and cleantech firms, as well as online service providers and training and education firms.

The number of contact center offices in Europe also edged up, particularly in the UK. FDI projects in the software sector included new sales and marketing offices set up by software and IT firms. Many foreign projects entailed the expansion or development of R&D facilities for software companies.

The automotive surprise

EU car sales were at their lowest for almost two decades in 2012. Some of the largest automotive markets of Europe — Germany, France, Spain and Italy — suffered slumping sales and overcapacity. Despite resistance from public authorities and unions, some assemblers sought to pare production and close plants, funding big job cuts to slash capacity and safeguard long-term profitability. The UK was the only bright spot, with a 5.3% growth in car sales. It overtook France to become the second-largest car market in Europe.

But industry difficulties were somewhat disconnected from FDI trends. The number of jobs created by FDI in the automotive sector surged 28% over 2011 and provided 28.4% of all new FDI jobs in Europe during 2012, up from 23.9% in 2011. Of those, component makers accounted for more than 70% of projects and jobs.

The focus of car manufacturing is gradually shifting from the heart of Europe to its periphery. In Western Europe, the number of automotive FDI projects fell 7.9% and

FDI by sector

Rank	Sectors	Number of projects				Number of jobs	
		2011	2012	Change	Share of FDI (2012)	2012	Share (2012)
1	Business services	666	699	5.0%	18.4%	19,418	11.4%
2	Software	436	402	-7.8%	10.6%	6,942	4.1%
3	Machinery and equipment	283	287	1.4%	7.6%	14,610	8.6%
4	Other transport services	181	200	10.5%	5.3%	4,046	2.4%
5	Automotive components and assembly	270	270	-0.7%	7.0%	48,368	28.4%
6	Chemicals	144	173	20.1%	4.6%	5,309	3.1%
7	Electronics	168	168	0.0%	4.4%	7,286	4.3%
8	Food	172	148	-14.0%	3.9%	6,434	3.8%
9	Financial intermediation	149	144	-3.4%	3.8%	3,439	2.0%
10	Plastic and rubber	103	125	21.4%	3.3%	6,558	3.8%
11	Scientific instruments	92	115	25.0%	3.0%	2,591	1.5%
12	Electrical	158	112	-29.1%	2.9%	4,825	2.8%
13	Pharmaceuticals	91	89	-2.2%	2.3%	3,661	2.1%
14	Fabricated metals	102	76	-25.5%	2.0%	3,585	2.1%
15	Non-metallic mineral products	81	58	-28.4%	1.5%	1,752	1.0%
	Others	811	731	-9.9%	19.3%	31,610	18.5%
	Total	3,907	3,797	-2.8%	100%	170,434	100%

Source: *Ernst & Young's European Investment Monitor*, 2013.

jobs were down by 14.7%. More projects in the UK and Spain were amply offset by large declines in France and Germany. In CEE meanwhile, automotive FDI projects increased by 8.4% and jobs surged by 49.4%. Russia, Poland, Hungary and the Czech Republic grabbed the lion's share. German companies, followed by peers from the US and Japan, were the largest investors in CEE countries.

However, some of the FDI projects in CEE arise from restructuring. To cut costs, increase flexibility and agility and improve supply chains, some German automotive companies chose to add capacity in CEE. Proximity gives them a cost advantage and logistical benefits. Japanese companies, such as YAZAKI, Bridgestone and Toyota, have become major investors in the CEE region, launching 16 projects in 2012, almost twice as many as in 2011.

Ernst & Young's *European Automotive Survey 2013* found auto assemblers happier in Europe than their suppliers. Companies in Eastern Europe were significantly more satisfied with their business situation than Western peers, particularly in terms of manufacturing costs (the Czech Republic, Slovakia, Hungary, Poland, Turkey and Russia are 6 of the 10 most competitive countries in the world). In Western Europe, respondents from Germany, the UK and France were more satisfied than Italian companies. In the short and medium term, respondents expected rising demand for cheap cars. Despite the debt crisis, European companies polled intended, on balance, to increase capacity, worldwide and in Europe, and one in three respondents planned higher R&D spending.[9]

9. *European Automotive Survey 2013*, Ernst & Young, 2013.

Interview

My industrial dream for Europe

Patrick Desbiens
President, GSK France

Everyone knows that Europe is at a crossroads. It's time to make difficult choices if we want to pave the way for a sustainable future. Europe has the foundations on which to build a great industry — but the longer we wait, the more we weaken these fundamentals.

Hundreds of committees, think tanks and experts have provided sound perspectives and recommendations on what should be done to remedy Europe's decreasing attractiveness. It is now high time for prioritization, action and implementation.

> "Leadership and decisive action is needed urgently in order to capture the full value of this sector in Europe."

In terms of priorities, Europe needs to decide where to place its bets. One of these bets should be on the health sciences sector and, more specifically, the pharmaceutical industry. In addition to having strong historical building blocks in Europe, this sector offers ample future opportunities for innovation and industrial investments, as we search for ways to make our people healthier and more productive.

Leadership and decisive action is needed urgently in order to capture the full value of this sector in Europe. The continent should develop a more vigorous, integrated, consistent research and industrial policy that enhances and rewards innovation fairly, while valuing industrial investments and responsible practices.

Sector policy should aim to provide early patient access to innovative treatments, while creating an attractive environment for conducting R&D and manufacturing in Europe. Drug regulation policies should ensure patient safety and access, but not drive innovation away from our continent.

Europe has been a major player in the global pharmaceutical sector, but its role has become smaller over the last decade. The question facing us is whether Europe wants to recapture a greater share of value from this innovative sector. It is possible. But it needs decisive action, now.

Restructuring Europe: a call for reindustrialization

Amid the ongoing Eurozone crisis and with more attractive growth prospects in other parts of the world, European companies are wrestling with increasing financial and operational challenges. Revenues and profit margins are under pressure, and business is now more vulnerable to external risks. European governments have been primarily focused on austerity, and many companies have turned to cost cutting.

Restructuring hits Europe hard

In 2012, the Eurozone reported 1,311 restructuring cases. Of these, 858 resulted in job losses, 440 created jobs and 13 involved both job losses and gains. In total, restructuring caused 374,219 job losses and 184,754 job gains. The net effect was a loss of 189,465 jobs, and the pace of job losses through restructuring accelerated compared with 2011, when it cost 177,000 jobs. Moreover, the pace of net job losses accelerated through most of 2012, reaching 74,556 in the third quarter, the highest in two years.

The manufacturing sector, particularly automotive, was the worst hit in 2012. Several companies announced major restructuring programs involving big job losses or necessitating moving some production to lower-cost locations. In 2012, PSA Peugeot-Citroën and Ford unveiled sweeping European restructuring plans involving the loss of thousands of jobs and significantly reducing their European capacity. The companies blamed weak demand for the cutbacks.

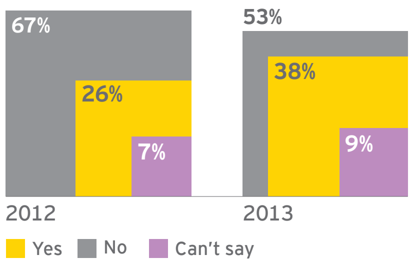
Restructuring also hit the financial services, retail and IT sectors, with concerns over lack of demand arising from constraints on consumers' disposable income. In July 2012, the Italian UBI Banca announced it would close or downsize 122 of its branches, eliminating 1,500 jobs.

Layoffs may seem an obvious strategy for adjusting to challenging times, but companies also risk losing organizational knowledge and skills, and potentially intellectual property. To counter these dangers, some of them have instead developed innovative alternative strategies to reduce staff costs, including giving employees paid leave, reducing shifts, "freezing" or reducing salaries and transferring employees with flexible skills to locations where they are more needed.

Mastering the "new normal"

Though Eurozone growth prospects remain weak, business leaders are becoming used to this economic environment. Of the corporate decision-makers we surveyed, 35% are planning to establish operations in Europe in 2014 or expand those they already have there. This is a striking increase from the 26% recorded in last year's survey. Investors are evidently learning how to master the "new normal."

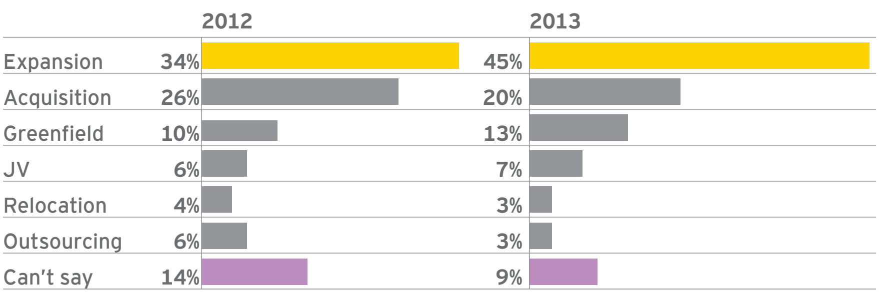
Plans to establish operations over next year



Source: *Ernst & Young's European attractiveness survey 2013* (total respondents: 808).

Overall, Europe remains a good long-term bet and is the target of a significant number of high-performing companies eyeing organic growth and expansion through acquisitions. Of those planning to invest, 45% intend to expand existing operations, 20% are looking for acquisitions in Europe and 13% are planning greenfield investments. Clearly, investors are not aiming to simply snap up distressed assets, but want to expand their European operations to benefit from technological know-how and gain market share — because they have confidence in their long-term prospects.

Plans to establish operations over next year



Source: *Ernst & Young's European attractiveness survey 2012* (total respondents: 220), *Ernst & Young's European attractiveness survey 2013* (total respondents: 309).

Interview

My dream for sustainable European growth

William Xu
CEO, Huawei Enterprise Business Group, Huawei Technologies

Ours is a relatively young business. We started in 1988 and within a relatively short span of 25 years, we have grown to become one of the largest ICT companies in the world.

Success like this arises from a real passion for growth, and one of the key regions that provides this growth to us is Europe.

Europe, to Huawei, is a vital market for sustainable growth. It has a large addressable market offering revenue opportunities, fantastic organizations with strong capabilities in resources and many skilled professionals. Though Europe is going through tough times now, Huawei is committed to operating within this region for the long term and we are focusing on establishing ourselves firmly as a local player. Our vision is to be really international, yet localized in our approach. We aim to contribute to the local economy and bring in local talent to strengthen Huawei's global value chain. We have done this, for example, through our corporate social responsibility efforts, by setting up local research and development centers and by investing in the creation of centers of excellence for internal audit. We aim to continue to grow to become "Europe's Huawei."

"Success like this arises from a real passion for growth, and one of the key regions that provides this growth to us is Europe."

Some investors are also exploiting opportunities embedded in adversity and economic drift. They are altering their strategic focus from securing the present to pursuing future "niche" growth through investment. Those already present in Europe are more optimistic and keen to invest (46%) in the continent

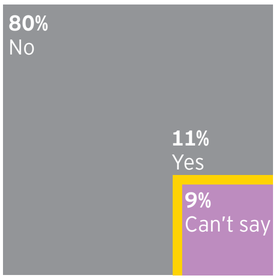
Relocation: fewer plans on the table

Yet, the proportion of investors who plan to relocate has fallen dramatically since our 2007 *European attractiveness survey*, in which 21% of investors polled said they planned to move operations elsewhere. The first decade of the 21st century marked the defining years for emerging markets, when offshoring services and manufacturing was at its peak and business-environment improvement was the key to attracting foreign investors.

Our survey for this report found that only 11% of investors who have labor-intensive operations in Western Europe plan to relocate them elsewhere, mainly to CEE and China.

Relocate operations

Do you have plans to relocate operations from Europe to another region?



Source: Ernst & Young's *European attractiveness survey 2013* (total respondents: 667).

Actions

Europe's future attractiveness

Europe's future in the eyes of investors

Innovative and entrepreneurial

Leader in innovation

What are the main areas of reform to make European a leader in innovation?

Improve education and training in new technologies	46%
Develop a culture of innovation and creativity	36%
Increase tax incentives for innovative companies	32%
Develop entrepreneurship	26%
Develop joint research programs at the European level	25%
Develop venture capital and other financial tools	21%

Source: Ernst & Young's *European attractiveness survey 2013* (total respondents: 808).

Most of our respondents highlight the attractiveness of Europe's research and innovation capacity. Yet they identified only one European city, London, as a contender among the 10 cities worldwide most likely to produce the next Google. The ratings of other European cities, including Moscow, Paris and Berlin, were mediocre. Why is Europe's capacity to turn original ideas into great companies in doubt?

▸ Digital education

Near half of our panel insists that there is an urgent need to enhance education, at all levels, and particularly in the fields of new technology in Europe. And a hefty 36% of respondents emphasized the need to improve the continent's culture of innovation and creativity, and to develop a more "enabling" environment – including more and better financing mechanisms for startups, improved support for entrepreneurship and teaching entrepreneurial skills in secondary and tertiary education.

▸ Private R&D

Europe is confronted with a deficit of innovation and an entrepreneurship emergency. According to the EC's *Innovation Union Scorecard 2013*, since the launch of the Europe 2020 Innovation Union flagship initiative in 2010 (intended to improve Europe's innovation performance), progress has been inadequate. The Lisbon Strategy, unveiled in 2000, set a goal for R&D in the EU to reach 3% of GDP by 2020. State spending dominates R&D funding in the EU27 and, in percentage terms the share of private funding is falling. In the US, Japan

Key findings

R&D will be the engine of future investment in Europe, according to 45% of investors.

London is seen as the only European city among the global 10 most likely to produce the next Google.

84% of investors established in Europe expect to be manufacturing there in 10 years' time.

ICT is the most critical sector driving future European growth, according to 31% of investors, followed by energy (28%) and cleantech (23%).

46% of those polled say improving education is the key to making Europe an innovation leader.

39% of investors believe that further economic integration would improve Europe's future attractiveness.

and South Korea, by contrast, the proportion of R&D financed by the private sector has been rising. And total spending within the EU is lagging badly. The US, Japan and South Korea invest 2.8%, 3.3% and 3.4% of GDP respectively in R&D — compared with just 1.9% within the EU.

▸ Techno-growth

The EC has repeatedly suggested that this innovation gap exists because many EU firms operate in relatively low-tech sectors.[10] Nevertheless, Europe is in the vanguard of technologies such as transportation, wind and solar energy, aeronautics and advanced manufacturing. In terms of key enabling technologies identified by the EC, Europe seems to be performing fairly well in biotechnologies and nanotechnologies, though the US leads. In ICT, the foundation of the information revolution sweeping the planet, Europe still has ample scope for improvement.

10. *The power of simplicity*, Ernst & Young, 2012.

▸ Mid-market money

Small and medium-sized enterprises (SMEs) are the engines of growth and provide more than two-thirds of private sector total employment and 85% of net growth in jobs. Overall, 32% of our respondents call for government action, including targeted and modest investments and tax incentives, to stimulate innovation. In particular, limited financing options and the weakness of networking infrastructure are other factors hindering the growth of innovative companies in Europe. Although banks are generally now on a stronger footing, many are still trying to strengthen their balance sheets and remain shy of lending to SMEs. Financial markets are often fragmented, and regulations still vary across borders. Cross-border venture capital investment remains underdeveloped. Meanwhile, the lack of a single market for e-communications, a problem compounded by Europe's multiple languages, further hampers the creation of a pan-European world-class e-infrastructure.

▸ From "R" to "D"

One critical concern highlighted by a report from the World Economic Forum is that, too often, European countries are failing to transfer the results of academic research into technology and products for the private sector.[11] Moreover, according to the *GE Global Innovation Barometer 2013*, companies in emerging markets are often pursuing the trend toward collaborative innovation more energetically than those in developed economies. The challenge for Europe's innovation hot spots is to originate ideas and develop them into a new generation of commercial products or services with global appeal.

11. *Rebuilding Europe's Competitiveness*, World Economic Forum, January 2013.

Where are Europe's global hot spots?

Responses to our survey suggest that the future of technological innovation is shifting toward the Far East. Of the top 10 cities for technological innovation (according to our survey), 3 are in India, 2 are in China, and 1 in Japan, leaving 3 in the US and London as the only European city.

Innovation capability is improving rapidly in emerging countries. The BRICs, in particular, are rebalancing exports with rising private consumption. Companies recognize the opportunities to use new technologies to deliver goods and services in new, more cost-effective ways to huge populations with rising spending power. Many more companies are expanding innovation capacity close to these new customer pools. They include newborn national champions in these economies, which are reinforcing their innovation capacities.

Next Google

Which three cities in the world offer the best chance of producing the next Google?

San Francisco/Silicon Valley	22%
Shanghai	20%
New York	13%
London	12%
Beijing	11%
Mumbai	8%
New Delhi	8%
Tokyo	7%
Los Angeles	6%
Bangalore	4%
Moscow	4%
Paris	4%
Berlin	4%
Sao Paulo	3%
Singapore	3%

Source: *Ernst & Young's European attractiveness survey 2013* (total respondents: 808).

Interview

My dream for an entrepreneurial Europe

Jean-Philippe Courtois
President, Microsoft International

Europe has a vast reservoir of talent, across gender, age, the sciences and the arts. Effectively tapping into this training, creativity and technological know-how could overcome long-standing structural weaknesses and catapult the region into its rightful place in the global economy.

I'd love to see Europe nurture the entrepreneurs who will create the jobs and growth that are needed to support its traditional values. To do so requires a regulatory environment that fosters entrepreneurism, improves access to venture capital for growing businesses, tolerates risk-taking and failure, and recognizes the many disruptive influences – from economics to global competition – that shape the economy.

Europe needs to recognize the special nature of startups and growth companies. As they develop their service offerings, and try to survive the first three years of operation, they merit – for a while – flexible hiring and dismissal rules, light tax regimes, the ability to file for bankruptcy without putting founders' personal assets at risk and easy access to government funding.

Public-private partnerships, including Microsoft's BizSpark and YouthSpark programs, help align education to our economy. And that economy is being transformed by the cloud, which is spawning new products, services and careers. But Europe's education systems must be developed to equip young people with the skills they need and to promote lifelong learning.

Research firm IDC estimates that cloud computing could generate about two million jobs in the EMEA region by 2015, of which one million will be in eight EU countries. In a region with very high wage and non-wage costs and an aging population, innovation is the main sustainable tool to create competitiveness, growth and, ultimately, prosperity.

"Public-private partnerships help align education to our economy."

Productive and producing

Eighty-four percent of investors already present in Europe claimed that they would still be manufacturing in Europe in 10 years' time, a slight fall from the 87% recorded last year. Companies in northern Europe were especially positive about their long-term manufacturing presence (91%). Commitment was weaker among executives of Asian companies (59%).

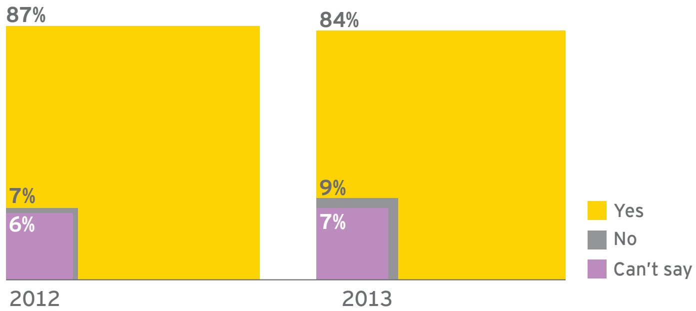
Many traditional European exporters – in sectors ranging from machinery and aircraft to luxury goods – are still relying on heavy European assets and critical skills, yet must improve their export opportunities. Across Europe, countries are seeking to emulate Germany's success, and some are beginning to show results (Ireland, Spain and Portugal for instance), with structural reforms, competitive wages and rising productivity. Near-sourcing (establishing operations close to markets) and in-sourcing (bringing an outsourced function back in-house), has begun to occur in Europe, though such cases are less common than in the US, particularly in the Mediterranean area.

A strong industrial base is central to Europe's future. The scale of restructuring and relocation by European industry, and the scale of the accompanying net job losses revealed by our study, is a wake-up call to European policy-makers to promote reindustrialization more effectively. Manufacturing brings a long tail of services activity and employment in its wake, generating wider prosperity. Europeans are no longer pricing themselves out of markets, and wages are rising in emerging economies, especially for scientists, managers and other highly skilled workers. This is creating a balance between European manufacturers and their competitors in RGMs. The US economy is already reaping the benefits of returning manufacturing jobs, and Europe can do likewise.

ICT is seen as the most powerful driver of future European growth by 31% of business leaders surveyed. Digital technologies are transforming economies and investors from CEE (42%) are especially optimistic about the potential of ICT to spur future European growth. Almost 50% productivity growth is reportedly derived from ICT.

Europe manufacturing

Ten years from now, will you still manufacture in Europe?



Source: Ernst & Young's *European attractiveness survey 2013* (total respondents: 808).

European growth

Which business sectors will drive European growth in the coming years?

	2013	2012 reminder
Information and communication technologies (ICT)	31%	33%
Energy (including nuclear energy) and utilities (waste, water treatment)	28%	24%
Pharmaceutical and biotechnologies industries	23%	19%
Cleantech	20%	26%
B2B services, excluding finance	19%	15%
Banking, finance and insurance	18%	13%
Transport and automotive industries	14%	13%
Consumer goods	14%	12%
Logistics and distribution channels	10%	9%
Real estate and construction	8%	7%

Source: *Ernst & Young's European attractiveness survey 2012* (total respondents: 840), *Ernst & Young's European attractiveness survey 2013* (total respondents: 808).

Viewpoint by Ernst & Young

Olivier Lemaire
Ernst & Young
Telecommunications
Leader, EMEIA

ICT

The fact that ICT has been identified as the leading future growth sector for Europe is clearly a major vote of confidence in the sector. It also reflects my own recent experiences of the market, where companies such as Skype, Microsoft and Apple are still positive about the future of the industry in Europe and can see a lot of potential for growth – irrespective of the continuing challenges facing the Eurozone.

However, it's not all good news. In Europe, the traditional telecommunications sector is facing some uncertain times due to concerns regarding scalability – particularly when compared with the US. There is no European company that mirrors the size and scope of AT&T's services in the US, for example. In this context, it is not surprising that there have been discussions at EU level about how to remove barriers to expansion. This is because today, telecoms companies need to be licensed to operate across multiple borders in order to compete effectively in the global economy.

Governments are also exerting pressure on telecoms operators to invest in fiber infrastructure. However, from the operators' perspective, doubts remain over the commercial imperative of investing in such infrastructure. On the other hand, such investment can lead to new opportunities for growth from innovative services that are bandwidth hungry. With telecoms also underpinning a number of other sectors, such as health care, automotive and media, these opportunities are testament to the enduring strength of the ICT industry in Europe.

Ben Warren
Global Transactions
Leader, Cleantech

Cleantech

I'm not surprised that cleantech has been identified as one of Europe's key growth sectors. This is because there is no getting away from the fact that it has a critical part to play in the ecology of business going forward. Cleantech is seen as an important potential route to diversifying economies, as well as being a factor in driving economic growth. In certain markets across Europe there are a number of hubs where industry has been very strongly focused around cleantech – such as Germany, for example.

It's interesting, though, that this result has occurred in the face of a number of short-tem pressures that the industry is currently facing. Cleantech, particularly renewable energy, is coming to terms with diminishing government support. In Europe, many cleantech-related jobs have been lost – particularly to the Chinese and other Far Eastern nations, which have focused aggressively on cost reduction strategies. Investment in the Far East has led to intense competition, and has prompted the emergence of trade restrictions in the EU and US in an attempt to protect domestic jobs. For too long, the more established industries in Europe and, perhaps to a lesser extent, the US, had enjoyed generous subsidies that funded R&D, rather than incentivized cost reductions. Global competition has been a bit of a wake-up call in that respect.

The carbon and the broader environmental agenda seems to have shifted East recently too, where there is an increasing focus on pollution and reducing emissions. In the meantime, policy-makers in the less financially strong markets in Europe and the US seem to be shying away from taking a longer-term and more strategic approach to energy supply.

Energy and utilities are also seen as engines of future growth (28%), particularly by respondents from Asia (33%) and the BRICs (31%). Europe gets about half its electricity from non-fossil energy, and wind power, for instance, will surge from 5% to 20% of capacity by 2040. Yet, only one investor in five is now convinced that cleantech will play a key role in future European economic growth, down from 26% in last year's survey. However, many cash-strapped countries in Europe have pared down financial support for green energy projects. Some utilities have curtailed their green investment ambitions in response. Many renewable energy companies are now exploring opportunities in emerging economies, including China, Brazil and Chile, in which green energy is increasingly seen as integral to growth.

Pharmaceutical and biotechnologies are now a vital part of future growth in Europe, according to 23% of respondents. Aging populations in developed economies, the expansion of health care systems in emerging economies, and the rise of a global middle class better able to afford medicines, provide ample opportunities for the sector. Meanwhile, advances in scientific knowledge offer the chance to develop new kinds of treatment. This is reflected in our FDI figures: there were 115 projects by scientific instruments companies initiated in 2012, up from 92 in 2011, while the number of scientific research projects reached 35.

Viewpoint by Ernst & Young

Patrick Flochel
Global Life Sciences Markets and EMEIA Life Sciences Leader

Life sciences

The life sciences sector is a key growth enabler in terms of revenue and employment in Europe. Its growth has been nurtured by a well-developed health care industry, with the supporting presence of research centers, academia and sources of finance. In addition, life science companies play a vital role in addressing some of the most pressing challenges faced by economies, such as aging populations and the increasing prevalence of chronic diseases such as diabetes, heart disease and cancer. Rising wealth in developing countries has led to growing demand for better access to the latest medicines and standards of care.

However, the life sciences sector faces multiple challenges. Although, from a corporate perspective, Europe has maintained a leading position in that sector, many companies have shifted their R&D activities to other regions, including the US and Asia. Emerging economies, such as Russia, are also pioneering a trend toward more local manufacturing. It will be Europe's challenge to dedicate sustainable investments in research to preserve its competitive position in order to safeguard the future profitability of its successful pharmaceutical and biotechnology industries.

Decentralized and stabilized

When asked how Europe could strengthen its competitiveness, respondents said European governments should focus on improving business confidence by reducing debt and improving economic stability, and simultaneously focus on research and innovation. Cost differentials now matter less when assessing a region's competitiveness.

The survey shows that wage differentials are of declining importance to international attractiveness. Only 8% of respondents believe reducing labor costs would improve Europe's competitiveness, while another 6% say lower taxes would help. Investors' attention is now focused on the importance of research, innovation and technology (14%).

Investors see European unity as the best solution to the continent's difficulties. Respondents believe in benefits from further economic and political integration (39%). They also feel overburdened by regulations. The complexity and volume of bureaucracy is the second-most important concern, and 36% of respondents think regulation should be reduced.

Business executives call strongly for completion of the single market — for goods and services — underpinned by the free movement of people and capital (28%). Today, though services generate 71% of EU GDP, intra-EU trade in services provides only 3.2% of the total. Many European countries retain barriers to their services markets that deter cross-border entrants, including favorable tax treatment for local providers, residence requirements for practitioners in regulated professions and refusal to recognize foreign qualifications.

Improve competitiveness

How will Europe improve its competitiveness in the coming years?

Stabilize the economic government and reduce the deficit and the debt	19%
Focus on R&D, innovation and technology	14%
Set up a common European economic governance	10%
Lower labor costs	8%
Reduce corporate taxes or reduce taxation	6%
Reduce business regulations	6%
Reduce bureaucracy	4%
Focus on education and training	3%
Relax labour laws	3%
Lower manufacturing costs	3%
Encourage entrepreneurship	2%
Increase autonomy for European countries	2%

How should the European Union improve Europe's attractiveness?

Pursue further economic integration	39%
Cut regulation	36%
Complete the single market (including for services)	28%
Pursue further political integration	27%
Give back power to European countries	21%
Reduce taxation	1%
Stabilize the economic government	1%

Note: None (2%), Can't say (5%).
Source: Ernst & Young's *European attractiveness survey 2013* (total respondents: 808).

My dream for an ultrafast Europe

Neelie Kroes
Vice-President, European Commission

Tomorrow's economy will be built around the internet and digital technology. Today, ICT accounts for half of Europe's productivity growth. Our citizens are enjoying more and more online services — from online shopping and banking to e-health. Our businesses are feeling the digital productivity boost. And governments are seeing the advantages of efficient, effective and modern online public services.

In the future, more and more services will come online. Take cloud computing: a whole new model for IT service that gives every business cheap, flexible, on-demand access and every citizen an online locker to store their favorite music, films or software. All in all, the cloud could be worth hundreds of billions of euros a year to the economy.

But there's one thing the cloud and all those services need: high-speed broadband. Broadband internet is the backbone of the digital economy. It enables huge innovation in products, services and business models and significantly boosts growth. We are on the cusp of a digital revolution: we must provide the infrastructure to support it.

"In the future, more and more services will come online."

Europe needs to keep up. In the USA, ultrafast broadband networks go past four in five households. Japan has over 20 million fiber connections, while South Korea, with a 10th of Europe's population, actually has more 4G subscriptions.

Tomorrow's global, digital businesses will want to locate only where they can access modern infrastructure — broadband networks, 21st century legal frameworks and digital skills. Let's make sure they can find them here in Europe.

Methodology

The Ernst & Young 2013 European attractiveness survey is based on a twofold, original methodology that reflects:

1 The "real" attractiveness of Europe for foreign investors

Our evaluation of the reality of FDI in Europe is based on *Ernst & Young's European Investment Monitor* (EIM). This database tracks FDI projects that have resulted in new facilities and the creation of new jobs. By excluding portfolio investments and M&A, it shows the reality of investment in manufacturing or services operations by foreign companies across the continent. Data is widely available on FDI. An investment in a company is normally included if the foreign investor has more than 10% of its equity and a voice in its management. FDI includes equity capital, reinvested earnings and intracompany loans. But many analysts are more interested in evaluating investment in physical assets, such as plant and equipment, in a foreign country. These figures, rarely recorded by institutional sources, provide invaluable insights as to how inward investment projects are undertaken, in which activities, by whom and, of course, where. To map these real investments carried out in Europe, Ernst & Young created the Ernst & Young EIM in 1997.

The EIM is a leading online information provider, tracking inward investment across Europe. This flagship business information tool from Ernst & Young is the most detailed source of information on cross-border investment projects and trends throughout Europe. The EIM is a tool frequently used by government and private sector organizations or corporations wishing to identify trends and significant movements in jobs and industries, business and investment. Ernst & Young's EIM, researched and powered by Oxford Intelligence, is a highly detailed source of information on cross-border investment projects and trends in Europe, dating back to 1997. The database focuses on investment announcements, the number of new jobs created and, where identifiable, the associated capital investment, thus providing exhaustive data on FDI in Europe. It allows users to monitor trends, movements in jobs and industries, and identify emerging sectors and cluster development. Projects are identified through the daily monitoring and research of more than 10,000 news sources. The research team aims to contact 70% of the companies undertaking the investment directly for validation purposes. This process of direct verification with the investing company ensures that real investment data is accurately reflected.

The following categories of investment projects are excluded from EIM:

- M&A or joint ventures (unless these result in new facilities or new jobs created)
- License agreements
- Retail and leisure facilities, hotels and real estate investment
- Utility facilities including telecommunications networks, airports, ports or other fixed infrastructure investments
- Extraction activities (ores, minerals or fuels)
- Portfolio investments (pensions, insurance and financial funds)
- Factory and other production replacement investments (e.g., a new machine replacing an old one, but not creating any new employment)
- Not-for-profit organizations (charitable foundations, trade associations, governmental bodies)

2 The "perceived" attractiveness of Europe and its competitors by foreign investors

We define the attractiveness of a location as a combination of image, investors' confidence and the perception of a country or area's ability to provide the most competitive benefits for FDI. The field research was conducted by the CSA Institute in November and December 2012, via telephone interviews, based on a representative panel of 808 international decision-makers.

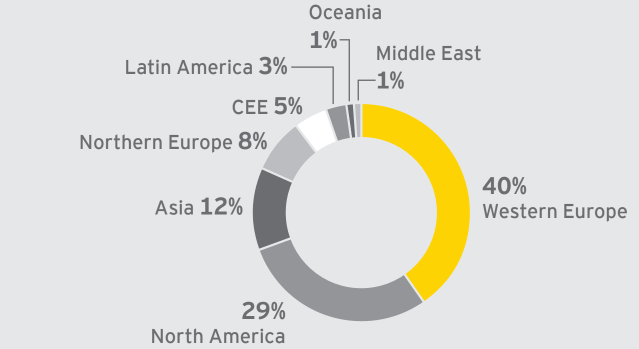
An international panel of decision-makers of all origins, with clear views and experience of Europe:

- 53% European businesses
- 29% North American businesses
- 12% Asian businesses
- 3% Latin American businesses
- 2% Middle East

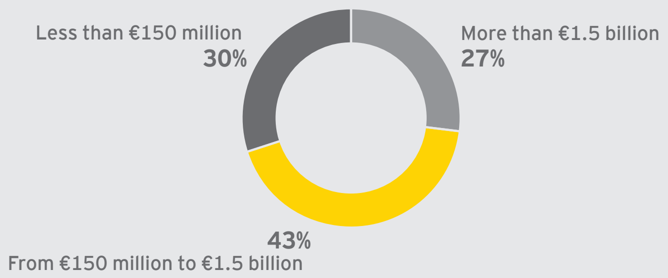
Of the non-European companies, 66% have established operations in Europe. As a result, overall, 81% of the 840 companies interviewed have a presence in Europe.

Profile of companies surveyed

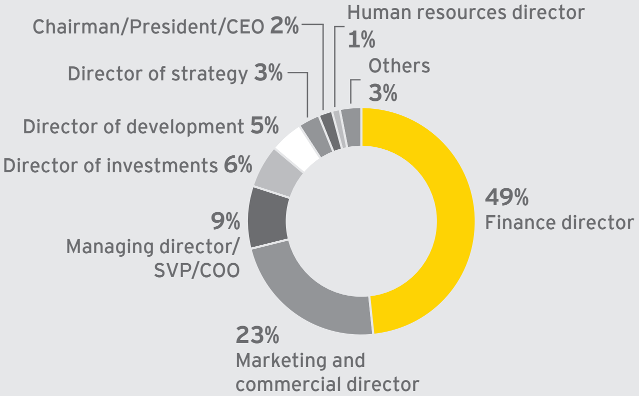
Geography



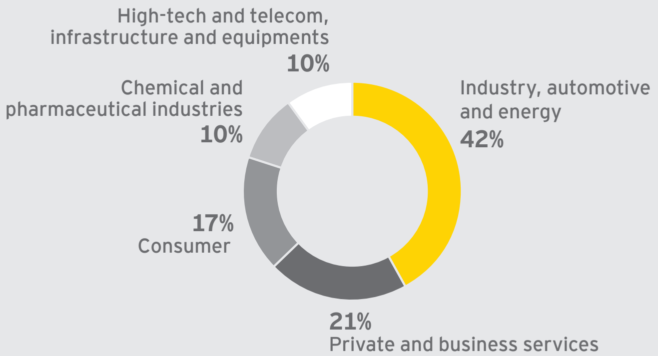
Turnover



Job title



Sector of activity



Source: Ernst & Young's *European attractiveness survey 2013* (total respondents: 808).

Ernst & Young

Building a borderless business

Shifts in demographics and capital flows are marking the global economy and society as a whole. These trends are also having profound effects on our profession. Our response is to be the most integrated professional services organization in both our mind-set and our actions. We have one strong global leadership team that sets a single global strategy and agenda into geographic areas across the Americas, Europe and Asia-Pacific.

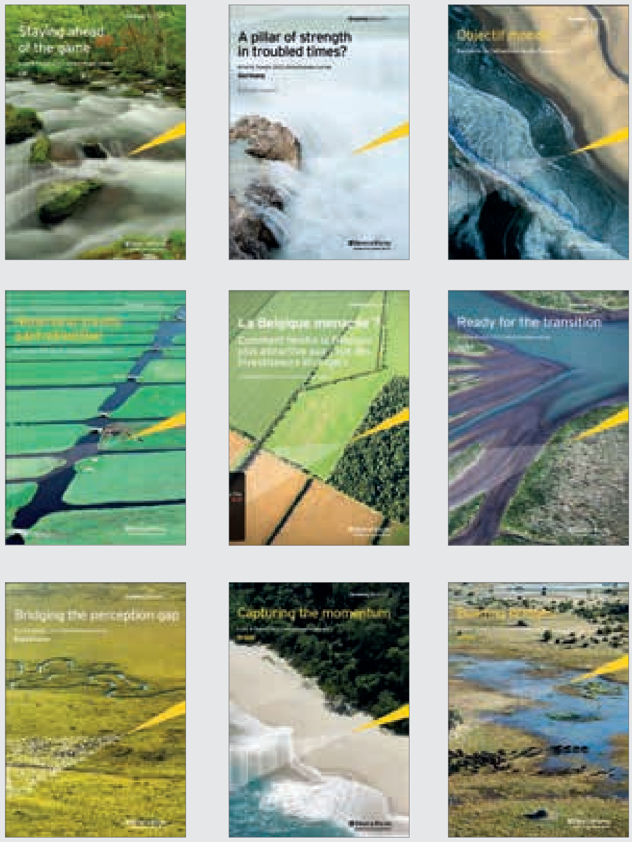
Creating our global mind-set and structure are ongoing processes. We've been working with our partners to bring down the barriers to working together seamlessly across borders, and we have succeeded in realigning our previously country-focused organization into a more integrated global one. This means our clients get faster responses and more tailored services, as well as broader, more experienced teams with deeper industry knowledge. In addition, our people have more opportunities to pursue global careers. And our regulators see our structure as helping us to deliver consistent, high-quality service across the globe.

International Location Advisory Services

Ernst & Young's International Location Advisory Services (ILAS) assists our clients on business expansion and site selection projects worldwide. We go beyond a simple real estate, tax or cost approach by looking at the full scope of factors affecting international operations: geopolitical risks and market opportunities, quality of infrastructure and technology, availability of human resources and incentives, real estate investment and divestment options...and more. With over 20 years of experience and a vast network of relationships with government bodies and location experts, the ILAS team provides its clients with custom-tailored services that fit their specific needs and enable them to make the right decision, for today and tomorrow.

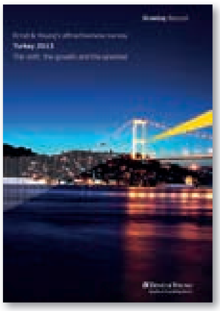
Ernst & Young's attractiveness program

Ernst & Young's attractiveness program covers both mature and emerging markets. As part of the series, we have produced reports on: Africa, Belgium, Brazil, Europe, France, Germany, India, Kazakhstan, the Middle East, the Netherlands, Portugal, Russia, Switzerland, Turkey and the UK.



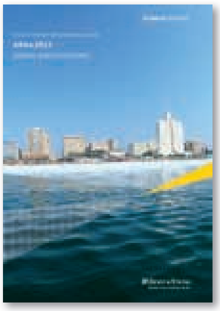
Other publications

Ernst & Young's 2013 Turkey attractiveness survey. The shift, the growth and the promise



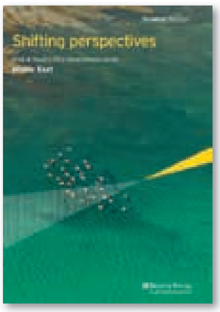
After overcoming a series of political and economic challenges, Turkey is enjoying a period of stable and solid economic growth. The country, which still has great untapped potential, is attracting a number of investors who commend the country's geographical location and domestic market of 74.6 million people, while remaining confident about its future. Find out more in the first edition of our 2013 Turkey attractiveness survey which combines an analysis of FDI in the country with a survey of 201 international business leaders.

Ernst & Young's 2013 Africa attractiveness survey. Getting down to business



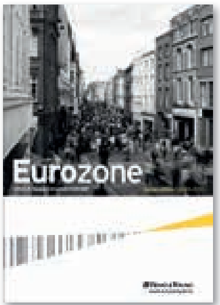
Over the past decade and despite an uncertain global economic landscape, the size of the African economy has more than tripled since 2000. However, FDI numbers do not reflect the broader growth story. Find out more in the third edition of our 2013 Africa attractiveness survey based on an analysis of FDI in the region and a survey of 503 international business leaders, while having in mind the five critical success factors of getting down to business on the continent – perspective, partnerships, planning, places and people.

Ernst & Young's 2012 Middle East attractiveness survey. Shifting perspectives



In 2011, the Middle East attracted headlines because of the Arab Spring. However, that did not stop global companies from initiating projects in the region. In 2011, foreign business leaders invested in 928 new projects in the Middle East, 7.8% more than in 2010. Find out more in the first edition of our 2012 Middle East attractiveness survey which combines an analysis of FDI in the country, with a survey of 355 international business leaders.

Eurozone Forecast Spring 2013.



The Ernst & Young Eurozone Forecast is a quarterly overview of developments across the Eurozone and the 17 individual Member States. The forecast uses the ECB model and governmental statistics to offer insight into the issues that affect the region's governments and businesses.

Ernst & Young's Rapid-Growth Markets Forecast April 2013. Rapid-growth markets, the dominant force in global trade.

In the April edition of our quarterly economic forecast, you will find out how growing trade between rapid-growth markets (RGMs) over the coming decade will create a wide range of new opportunities for them and advanced economies. You will also discover how reliance on commodity revenues in Latin America brings opportunities as well as challenges.

Moving Europe forward. Innovating for a prosperous future

For the third year, we analyze the current EU innovation policy and how government can foster growth. This study on innovation policy measures and strategies, and the result of a survey among 680 European business leaders on how they perceive this policy area from a European and global point of view, provides a strong base for insights on how government and business can create growth.

Ernst & Young

Assurance | Tax | Transactions | Advisory

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This survey was carried out by Ernst & Young, under the direction of Marc Lhermitte, Vincent Raufast, Sanna Östberg and Ankur Sadhwani with the participation of Ross Tieman, Martin Polivka, Marie-Armelle Bénito, Corinne Dreux, Pierre Jarrige and the collaboration of Yves-Marie Cann, Aurélie Mohorcic and the teams of the CSA Institute.