

European Construction Sector Observatory

Fostering the international competitiveness of EU construction enterprises

Executive summary

This Analytical Report is part of the European Construction Sector Observatory (ECSO) and provides insight into the Thematic Objective 5 “Fostering the international competitiveness of EU construction enterprises” of the EU Construction 2020 Strategy.

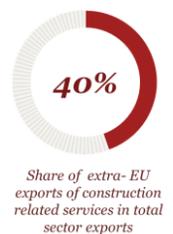
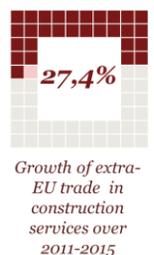
1 Internationalisation of construction companies

Foreign direct investment in construction appears to go both to catching-up and to well-established economies, with Bulgaria, the UK and the Netherlands being the highest recipients

Outward foreign direct investment flows are originated primarily in strong economies, with *Italy, the Netherlands, and France concentrating the highest amounts of outward FDI.*

In all EU MS imports of construction services come largely from within the EU; however, extra-EU imports of construction services are sizeable for a number of countries, such as Denmark, the Netherlands, Belgium and Estonia (above EUR 1,000 per employee).

Looking at geographic patterns in the internationalisation of construction, it is suggested that “proximity” is a key factor in determining trade in construction products.

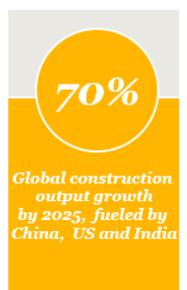


The exports value across non-EU28 trading partners is heavily concentrated on deals with the US, Switzerland, Norway, and Russia, with total exports above EUR 1,000 million and 54.4% of exports

2 Internationalisation opportunities

After the global financial crisis, the slow growth of the European construction sector is particularly striking when compared to the buoyancy of foreign construction markets.

Consequently, European construction companies are seeking new opportunities abroad to take advantage of the better prospects that foreign markets can offer. The rising number of cross-border deals, and in particular inter-continental deals, is evidence of this dynamic.



The outlook for the European construction sector is moderate, with growth being forecast at an annual average of 1.5% until 2025

The EU's trade policy and international trade negotiations are opening up a number of opportunities for construction companies, in particular as procurement markets are being included in recent and upcoming trade agreements

The Trade in Services Agreement (TiSA), the Comprehensive Economic and Trade Agreement (CETA) signed with Canada, and the EU Korea Free Trade Agreement are expected to have wide-ranging implications for the construction sector in terms of new opportunities

SMEs in the construction sector are among the least internationalised compared to other sectors, with **only around 7% of European SMEs exporting internationally** in 2006-2008

The EU is actively implementing policies to strengthen economic ties with developing countries, in particular in Africa, where infrastructure needs are high.

Despite the fact that European companies are already present in these markets, opportunities to expand their market share can still be seized.

The EU is implementing policies that aim at supporting economic development at local level and at the same time underpin prospects for the construction sector, notably in the areas of **resource efficiency, infrastructure and green economy**.

EU-AITF

*The EU-Africa Infrastructure Trust Fund (EU-AITF) is a 'blending instrument' seeking to support **infrastructure projects in Sub-Saharan Africa***

EIP

*European External Investment Plan (EIP) with a **budget of EUR 3.35 billion** promotes investment in Africa and EU Neighbourhood countries, to reach sustainable development goals*

*The EIP will support innovative guarantees to stimulate private investment of up to **EUR 44 billion***

3 Obstacles to internationalisation





To address some of the challenges faced by construction companies in their efforts to expand internationally, policymakers across the EU have implemented various policy initiatives.

Most MS have introduced an **internationalisation strategy**, whereby they support companies and particularly SMEs in access to foreign markets, many through **financial support**.



Trade missions and trade fairs are another important support measure, as they serve as platforms for showcasing the latest technologies, exchanging knowledge, developing contacts in export markets, as well as monitoring latest business trends. These are often organised by national export agencies as a way to support internationalisation.

Clusters are an effective way of fostering internationalisation, as they bring together a variety of stakeholders, from companies to research organisations, allowing SMEs to team up, join efforts and develop joint internationalisation strategies to access global value chains

Furthermore, **guidance and tools** are commonly used to support companies wishing to export and expand abroad. These can take the form of **websites and applications, informative materials and courses**, and can be implemented by the public and private sector

The competitiveness of European construction companies is strengthened through the **application of European standards abroad**. Indeed, harmonised standards open up trade opportunities by enabling reducing technical barriers to trade. The European Commission is particularly active in promoting the international application of Eurocodes.

The promotion and harmonisation of European standards represents another key area of activity aimed at the international expansion of European construction companies



To take advantage of the benefits that internationalisation can offer to the European construction sector, **efforts should focus on international collaboration to harmonise construction standards**.

Furthermore, identifying priority countries for internationalisation would allow developing a targeted approach for market entry of construction players given the various constraints in foreign markets, including regulatory barriers and political risk.

Finally, **financing models for international construction projects** need to be better adapted to the specificities of the construction sector to increase their effectiveness.

For more details download the full report at:

<https://ec.europa.eu/docsroom/documents/24261>