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INTERNATIONALIZATION OF CORPORATE FINANCE IN THE EUROPEAN UNION: CHALLENGES AND OPPORTUNITIES FOR GLOBAL COMPETITIVENESS

The article provides a comprehensive analysis of the internationalization of corporate finance in the European Union (EU), focusing on its critical role in fostering global competitiveness and addressing the internal challenges of financial integration. It evaluates the progress achieved through key initiatives, such as the Capital Markets Union (CMU) and the adoption of the euro, which have significantly enhanced cross-border capital flows, improved financial stability, and reduced transaction costs. The study underscores the importance of aligning EU financial markets with global standards to support innovation-driven sectors, including renewable energy, fintech, and digital finance, which are pivotal to sustainable economic growth.

At the same time, the article identifies enduring obstacles that hinder the seamless internationalization of corporate finance in the EU. These include regulatory fragmentation, tax disparities, and structural economic differences among member states, all of which limit the access of firms – particularly small and medium-sized enterprises (SMEs) – to diversified and cost-efficient funding sources. The EU's reliance on a bank-centered financial model is critically examined, with the study highlighting its implications for innovation, competitiveness, and financial resilience.

The article provides a theoretical and methodological foundation for understanding corporate finance internationalization. It emphasizes the structural advantages of market-oriented systems while advocating for comprehensive reforms within the EU. Key recommendations include completing initiatives such as the CMU and Banking Union, achieving regulatory and tax harmonization, and adopting digital finance technologies to enhance cross-border efficiency and reduce operational complexities.

By addressing these challenges, the EU can create a unified and robust financial system that not only strengthens its internal market but also enhances its competitiveness on the global stage. The findings of this study contribute to both academic understanding and practical policymaking by outlining strategies to advance financial integration, foster innovation, and ensure the EU's long-term leadership in the global financial landscape.

Keywords: internationalization, corporate finance, European Union, global competitiveness, financial model

JEL classification: ***F23, F38, F61, G15, G23***

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У статті представлено комплексний аналіз інтернаціоналізації корпоративних фінансів у Європейському Союзі (ЄС) з акцентом на її вирішальній ролі у зміцненні глобальної конкурентоспроможності та вирішенні внутрішніх проблем фінансової інтеграції. У дослідженні оцінюється прогрес, досягнутий завдяки ключовим ініціативам, таким як створення Союзу ринків капіталу (CMU) та запровадження євро, які значно збільшили обсяги транскордонних потоків капіталу, покращили фінансову стабільність та знизили операційні витрати. У роботі підкреслюється важливість гармонізації фінансових ринків ЄС зі світовими стандартами для підтримки інноваційних секторів, зокрема відновлюваної енергетики, фінансових технологій та цифрових фінансів, які мають вирішальне значення для сталого економічного зростання.

Разом з тим, у статті визначено довготривалі перешкоди, які заважають ефективній інтернаціоналізації корпоративних фінансів в ЄС. До них відносяться регуляторна фрагментація, податкові розбіжності та структурні економічні відмінності між країнами-членами, які обмежують доступ компаній, особливо малих і середніх підприємств (SMEs), до диверсифікованих і економічно ефективних джерел фінансування. Було критично проаналізовано залежність ЄС від банкоцентричної фінансової моделі, а також висвітлено її наслідки для інновацій, конкурентоспроможності та фінансової стійкості.

Стаття надає теоретичну та методологічну основу для розуміння інтернаціоналізації корпоративних фінансів. Вона підкреслює структурні переваги ринково орієнтованих систем і пропонує комплексні реформи в ЄС. Основні рекомендації включають завершення таких ініціатив, як створення CMU та Банківського союзу, досягнення регуляторної та податкової гармонізації, а також впровадження цифрових фінансових технологій для підвищення транскордонної ефективності та зменшення операційних складнощів.

Вирішивши ці виклики, ЄС може створити єдину та надійну фінансову систему, яка не лише зміцнить внутрішній ринок Євросоюзу, але й підвищить його конкурентоспроможність на світовій арені. Результати цього дослідження сприяють як академічному розумінню, так і практичному формуванню стратегій, окреслюючи стратегії для просування фінансової інтеграції, стимулювання інновацій та забезпечення довгострокового лідерства ЄС у глобальному фінансовому ландшафті.

Ключові слова: інтернаціоналізація, корпоративні фінанси, Європейський Союз, глобальна конкурентоспроможність, фінансова модель

JEL classification: ***F23, F38, F61, G15, G23***

Introduction

Corporate finance internationalization is a complex process influenced by various factors. As businesses expand across borders, they face a complex landscape of financial structures, regulations, and markets that can either facilitate or hinder their access to capital. These factors are crucial to understanding how firms can remain competitive on the global stage, especially in comparison to financial systems like that of the United States, which has a well-established capital market model. A key challenge within the EU is the fragmentation of its financial systems, which hampers the smooth internationalization of corporate finance. Despite efforts such as the Capital Markets Union (CMU), the lack of harmonized regulations across member states impedes cross-border investment and raises the costs of doing business within the EU.

This issue is particularly important both scientifically, for advancing economic theory on financial integration, and practically, for businesses looking to expand internationally. The EU's ability to adapt its financial structures could significantly impact its global competitiveness. Addressing these issues in corporate finance internationalization, and finding practical solutions, will provide important insights into how the EU can improve its position in the global market and support innovation-driven sectors like technology and renewable energy.

Literature review

The issue of corporate finance internationalization, particularly within the European Union (EU), has been widely studied in recent literature, highlighting both theoretical insights and practical challenges. A key focus has been on the differences between the EU's bank-centered financial model and the US capital market-driven system. These differences have significant implications for corporate access to funding, financial innovation, and global competitiveness.

In their exploration of EU financial integration, Baldwin and Wyplosz highlights that while substantial progress has been made toward creating a single financial market, challenges remain [1, p. 429-458]. The EU's financial system remains fragmented, especially due to diverse national tax policies, banking regulations, and governance frameworks. Such fragmentation hinders the flow of capital across borders and remains a significant barrier to corporate finance internationalization in the region. The analysis reinforces the argument presented in this article about the EU's limited capacity to compete with more integrated systems, such as that of the United States, which boasts more liquid and deeper financial markets.

A pivotal theme in the literature is the fragmented nature of EU financial markets. Baldwin and Wyplosz argue that despite progress on initiatives like the Capital Markets Union (CMU), discrepancies in regulatory frameworks, tax systems, and legal structures across member states continue to hinder the seamless flow of capital [1, p. 429-458]. This fragmentation disproportionately affects small and medium-sized enterprises (SMEs), which face challenges in accessing diversified and cost-efficient funding sources. The European Central Bank echoes this concern, noting that inconsistent regulatory approaches act as a persistent barrier to deeper financial integration [4].

The EU's reliance on a bank-centric financial model remains another focal point of discussion. Authors [3] highlight the structural vulnerabilities inherent in bank-centric financial systems, particularly in the EU. Their analysis of the German interbank lending market reveals a concentrated reliance on intermediary banks, which exacerbates systemic risks during economic uncertainty. These findings underscore the limitations of bank-reliant systems in efficiently redistributing liquidity, contrasting with the resilience offered by more diversified, market-driven financial models, such as those in the United States.

Reports by the International Monetary Fund [2] and the European Commission [6] underscore the urgency of addressing policy misalignments that hinder cross-border financial activities. While initiatives like the CMU aim to reduce these barriers, progress has been sluggish, leaving structural inefficiencies unresolved. Regulatory harmonization and the promotion of innovative funding solutions are necessary to unlock the EU's financial potential.

It can be seen that despite ongoing efforts to integrate the European Union's financial markets, several critical challenges remain unresolved, which this article addresses in order to enhance EU firms' global competitiveness. These issues include:

1. Market Fragmentation and Regulatory Inconsistencies. The EU's financial markets remain fragmented due to inconsistent regulations and tax systems across member states, hindering cross-border capital flow. These barriers continue to limit the access of EU firms. Complex and inconsistent tax policies across EU countries create significant compliance burdens for multinational enterprises (MNEs), leading to increased costs and reduced global competitiveness.

2. Capitalization Gap and Innovation Funding. EU firms face a substantial capitalization gap compared to the US and China, limiting their ability to compete globally. The reliance on bank financing, coupled with underdeveloped capital markets, restricts access to growth capital, particularly for innovative sectors like technology and green energy.

3. Technological Integration and Tax Harmonization Challenges. The EU has been slow to adopt and integrate digital finance technologies, such as blockchain and fintech, due to regulatory frameworks struggling to keep pace with technological advancements. Additionally, disparate corporate tax policies across member states impose administrative burdens and higher costs on firms, weakening their competitiveness in global markets.

These unresolved issues are central to improving the EU's financial integration and competitiveness on the global stage. To solve these challenges, **this article aims** to analyze the theoretical and methodological aspects of corporate finance internationalization, assess the current state and challenges within the European Union's financial system, and propose strategic directions to enhance the global competitiveness of EU firms. The specific tasks include:

1. Define and Contextualize Corporate Finance Internationalization
2. Evaluate the Current Landscape of EU Corporate Finance Internationalization
3. Analyze Challenges in Financial Integration
4. Propose Strategic Directions for Enhancing EU Financial Competitiveness

These asks are intended to provide a thorough exploration of corporate finance internationalization in the EU, assess its challenges, and outline pathways for improvement, contributing to both academic understanding and practical policymaking.

The Concept of Internationalization in Corporate Finance and its interrelation with International Competitiveness

Internationalization in corporate finance means adapting financial structures, capital sources, and risk management to meet the needs of global operations. This requires companies to structure cross-border transactions, manage foreign currency risks, comply with international regulations, and tap into various funding sources. Such practices help firms tailor their financial operations to diverse global markets, enhancing flexibility and supporting long-term growth [8].

Key Drivers of Internationalizing Corporate Finance:

1. Capital Diversification: Many firms expand internationally to diversify capital sources, reducing their dependence on domestic markets. Accessing foreign capital through instruments such as Eurobonds or foreign equity can help firms lower their costs and broaden their investor base.

2. Cost Efficiency: International financing allows firms to seek out more favorable interest rates abroad, reducing the overall cost of capital. The International Monetary Fund highlights the growing trend of arbitrage financing – the practice of borrowing in low-interest markets and exchanging at favorable rates, which allows firms to cut financing expenses [9].

3. Risk Diversification: Through international operations, firms can balance financial exposure across multiple markets, thereby enhancing risk diversification. This aligns with Global Portfolio Theory [10], which suggests that spreading assets across countries and currencies can stabilize returns and reduce risks. With cross-border diversification, firms can manage and offset the impacts of currency fluctuations and local economic volatility, enhancing resilience.

The internationalization of corporate finance has fundamentally reshaped global finance by promoting cross-border capital flows, enhancing financial stability, and increasing economic resilience. For corporations within the European Union (EU), this trend enables access to broader capital sources, mitigates domestic financial risks, and strengthens their competitive positioning on the global stage.

In the European Union, financial integration plays a dual role in aligning regional financial markets with global ones, bridging capital flows within Europe and connecting the EU to global investors. The European Commission's Capital Markets Union (CMU) framework emphasizes the removal of cross-border investment barriers, which enhances EU market interconnectivity and facilitates access to global funding options [6]. Policies like the CMU not only strengthen the EU's capital markets but also align them with international standards, making EU firms more competitive globally.

The dynamic interplay between corporate finance internationalization and global competitiveness is essential to understanding the strategic positioning of firms and economies in the current global landscape. This relationship is of particular significance in the European Union (EU), where financial integration aims to strengthen the region's collective economic resilience and innovation potential.

Access to Global Capital Markets: Firms that internationalize their financial operations gain access to diverse capital sources, which often have more favorable terms than those available domestically. This enables firms to lower their cost of capital, making strategic investments more feasible.

Risk Diversification and Financial Stability: Risk diversification is another essential aspect of international finance that benefits national economies by fostering resilience to economic shocks. By spreading financial activities across different markets and currencies, companies can mitigate the impact of adverse conditions in any single region.

Economies of Scale and Cost Efficiency: Another aspect of this relationship is the realization of economies of scale. International financial strategies enable firms to centralize certain operations, such as procurement and supply chain financing, while decentralizing market-specific activities.

Overall, the relationship between corporate finance internationalization and international competitiveness is vital, particularly in the EU, where financial integration strengthens economic resilience and innovation. Initiatives like the EU's Capital Markets Union (CMU) provide firms with access to diverse funding, boosting productivity, supporting R&D, and enhancing the region's global competitiveness against economic powers like the USA and China. By facilitating efficient resource allocation and risk mitigation, international finance enables firms and regions to adapt to global changes and maintain a competitive advantage.

The Current Landscape of EU Corporate Finance Internationalization

Several initiatives underscore the EU's commitment to financial integration, notably the Capital Markets Union (CMU) and the adoption of the euro. These mechanisms aim to reduce barriers to cross-border financial activities, streamline investment processes, and promote innovation across diverse economic sectors. Nevertheless, the EU's financial landscape remains multifaceted, marked by the coexistence of advanced economies like Germany and France and smaller, developing markets within Eastern Europe.

The EU has achieved several significant milestones in corporate finance internationalization, with notable progress in regulatory harmonization and market integration. The CMU's implementation has strengthened the EU's financial stability by diversifying funding sources and increasing market liquidity. Companies now enjoy improved access to capital markets, while investors benefit from enhanced transparency and reduced transaction costs. Moreover, the initiative supports the twin transitions to green and digital economies, channeling significant private-sector investments into strategic sectors [7].

The euro, introduced in 1999, remains central to the EU's financial integration strategy, serving as both a facilitator and a symbol of economic unity. Its widespread adoption by 20 of the 27 member states underscores its role in eliminating exchange rate risks, reducing transaction costs, and simplifying cross-border business operations.

Globally, the euro has established itself as one of the key reserve currencies, accounting for 20% of international reserves as of 2023 [5]. This status reflects its reliability and appeal in global trade and investment activities. Within the EU, the euro has enhanced market stability by providing businesses and investors with a predictable and unified monetary framework. Small and medium-sized enterprises (SMEs), in particular, have benefited from the reduced complexities associated with cross-border transactions.

The diversification of cross-border investments within the EU reflects the emergence of high-potential sectors that align with the bloc's strategic priorities. Renewable energy, technology, and digital finance are at the forefront of this transformation, attracting significant domestic and foreign investments. In the technology sector, investments in artificial intelligence, blockchain, and fintech have accelerated, further integrating EU economies into global digital ecosystems.

Overall, the current landscape of corporate finance internationalization in the EU illustrates a dynamic process marked by resilience, innovation, and strategic progress. Through robust cross-border capital flows, the euro's centrality, and investments in emerging sectors, the EU continues to strengthen its position in global financial markets. However, significant obstacles remain, and they continue to hinder the full realization of a seamless and integrated financial system.

Challenges in Financial Integration in the EU

Despite the strides made in corporate finance internationalization, significant challenges hinder the EU's full integration. These challenges are multifaceted, encompassing regulatory fragmentation, tax system disparities, structural economic differences among member states, and comparatively low levels of corporate capitalization. The complexity of aligning 27 diverse economies under a unified financial framework amplifies these obstacles, which significantly affect the region's competitiveness on the global stage.

The evolution of financial integration within the euro area has not met expectations, with progress remaining sluggish even in the face of economic resilience during crises. Recent trends highlight a notable decline in financial integration, as measured by price-based and quantity-based composite indicators, over the last two years. This decline has been especially pronounced in the equity and banking market segments, which are key components of the price-based indicator [4].

Despite periodic fluctuations, financial integration within the euro area has not shown consistent improvement in either price-based or quantity-based terms. Following declines in recent years, these indicators stabilized in 2023 around their respective long-term average values. While stabilization is a positive development, it underscores the absence of significant progress in enhancing integration over the long term.

Regulatory fragmentation. The regulatory environment in the EU, while improved through various harmonization initiatives, remains fragmented. This lack of uniformity manifests in several key areas, creating inefficiencies and raising costs for businesses.

This inconsistent application of directives disproportionately affects businesses operating across borders. Multinational enterprises, which depend on predictable regulatory frameworks, often face duplicative compliance measures, raising operational costs. As a result, the potential benefits of a single European market for financial services remain underutilized.

The lack of harmonization extends to licensing and approval processes, which vary widely between member states. Businesses expanding their operations across EU borders often face redundant bureaucratic hurdles, which delay transactions and discourage investment. This stifles the potential for market integration and prevents the EU from achieving the level of financial cohesion seen in other regions, such as the United States.

Tax Harmonization Challenges. Taxation remains one of the most contentious issues within the EU, significantly affecting corporate finance internationalization. The lack of a unified tax system among member states introduces inefficiencies, encourages tax competition, and creates compliance challenges, particularly for multinational enterprises (MNEs) and small and medium-sized enterprises (SMEs).

Corporate tax rates across the EU show significant variation, which creates an environment ripe for tax optimization strategies such as profit shifting. This disparity can distort investment flows and financial decisions, as multinational companies often seek out jurisdictions with the most favorable tax conditions.

Table 1 outlines the corporate tax rates for each EU member state in 2024. It highlights the significant disparity in tax policies, with rates ranging from as low as 9% in Hungary to as high as 35% in Malta. This variation underscores the challenges in achieving tax harmonization across the EU [11].

Table 1

Corporate tax rates in the EU as of 2024 [11]

Country	Corporate Tax Rate (%)	Country	Corporate Tax Rate (%)
Austria	24	Italy	27.8
Belgium	25	Latvia	20
Bulgaria	10	Lithuania	15
Croatia	18	Luxembourg	24.94
Cyprus	12.5	Malta	35
Czech Republic	19	Netherlands	25.8
Denmark	22	Poland	19
Estonia	20	Portugal	21
Finland	20	Romania	16
France	25	Slovakia	21
Germany	30	Slovenia	19
Greece	22	Spain	25
Hungary	9	Sweden	20.6
Ireland	24		

The tax rate disparity also creates challenges for SMEs that wish to expand into multiple EU markets. Smaller firms, lacking the resources to establish complex tax strategies, often face higher effective tax rates than their larger counterparts that can afford to shift profits. This disparity limits the ability of SMEs to scale and compete effectively across the EU.

The lack of tax harmonization within the EU has significant economic implications, particularly for the region's global competitiveness. While individual member states may benefit from favorable tax policies in the short term, the overall inefficiencies created by tax fragmentation reduce the EU's ability to attract long-term investment and compete with other global financial centers such as the United States and China.

Structural Differences Among Member States. Economic and financial disparities among EU member states represent another significant barrier to corporate finance internationalization. These disparities, rooted in diverse historical, economic, and policy contexts, create a fragmented environment that complicates cross-border operations for businesses and hinders the development of a unified European financial market.

Structural differences among member states complicate the European Central Bank's (ECB) efforts to implement effective monetary policy. The ECB's uniform interest rate policies, designed to stabilize the eurozone, often yield uneven outcomes due to varying economic conditions. For instance, while low interest rates stimulate investment and consumption in stronger economies like Germany and the Netherlands, they may exacerbate economic stagnation or inflation in weaker economies such as Portugal or Italy [4].

This divergence underscores the challenge of applying one-size-fits-all monetary tools in a region marked by significant structural heterogeneity. The ECB's 2024 analysis revealed that wealthier member states were able to leverage expansionary monetary policies to bolster financial market activities, while economically weaker states faced higher debt burdens and lower fiscal capacities to respond to economic shocks. These imbalances risk further destabilizing the EU's financial cohesion, especially during periods of economic stress [5].

Strategic Directions for Enhancing EU Financial Competitiveness

To address the financial fragmentation within the European Union (EU) while enhancing the global competitiveness of EU-based firms, the comprehensive strategies are proposed. These strategies target two critical dimensions: advancing financial cohesion within the EU's internal market and reinforcing the EU's position as a global economic leader. Financial unification is essential for creating a seamless operational environment for businesses, while global competitiveness relies on innovation, sustainability, and robust international partnerships. Together, these approaches form the foundation for the EU's future financial resilience and leadership.

Enhancing Financial Unification Within the EU

The EU's internal financial market is hindered by inconsistencies in taxation, regulatory frameworks, and financial integration. These barriers not only increase costs for multinational enterprises but also impede the EU's ability to compete with more streamlined economies, such as the United States. Financial unification requires targeted reforms that create a cohesive, efficient, and supportive environment for businesses operating across the EU.

Tax Harmonization. One of the primary challenges to financial unification in the EU is the fragmented corporate tax system across its 27 member states. Companies operating in multiple countries face significant compliance costs, resulting from the need to adhere to disparate national regulations. The implementation of a *Common Consolidated Corporate Tax Base (CCCTB)* has been proposed as a solution to this issue. This system would establish a unified tax base for companies, enabling them to consolidate profits and allocate them across jurisdictions based on economic activity.

The CCCTB would simplify cross-border tax calculations, reducing administrative burdens for businesses. Resistance to this initiative, particularly from low-tax jurisdictions, remains a critical barrier. However, a phased implementation with transition periods and compensatory incentives could alleviate concerns from these states. Such measures might include economic support programs or development grants to offset potential revenue losses.

The benefits of tax harmonization extend beyond administrative ease. A unified corporate tax system would foster fairness in tax competition across the EU and eliminate the race-to-the-bottom dynamics that some member states currently pursue. For multinational enterprises, the reduction in compliance costs would free up resources for innovation and expansion.

Banking Union and Capital Markets Union (CMU). Deepening financial integration in the EU requires the completion of two complementary initiatives: the Banking Union and the Capital Markets Union (CMU). These frameworks aim to create a single market for financial services, promoting resilience and efficiency in the EU financial system.

The Banking Union includes mechanisms such as the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM) to ensure the stability of the banking sector. However, the European Deposit Insurance Scheme (EDIS), a vital component of the Banking Union, remains incomplete. Establishing EDIS would provide uniform deposit protection across member states, increasing trust and stability in the financial system.

The CMU, on the other hand, focuses on creating a unified capital market. This initiative emphasizes the standardization of financial products, the development of pan-European investment platforms, and the removal of barriers to cross-border investments. By providing businesses, particularly SMEs, with greater access to financing, the CMU would stimulate growth and innovation within the EU.

Both the Banking Union and the CMU are essential for creating a financial system capable of supporting corporate finance internationalization. Their completion would not only bolster internal cohesion but also enhance the EU's attractiveness as an investment destination.

Regulatory Harmonization. Regulatory inconsistencies across member states create significant challenges for businesses operating in the EU. To address this issue, the establishment of a centralized regulatory body for corporate finance, modeled after the European Central Bank (ECB), has been proposed.

Such a body would standardize financial reporting requirements and streamline cross-border compliance procedures. This approach would reduce bureaucratic inefficiencies and promote a level playing field for companies across the EU. Centralized oversight would also improve transparency and accountability, reinforcing trust in the EU financial system.

Regulatory harmonization would have long-term benefits for financial stability and competitiveness. A standardized regulatory framework would reduce the costs of compliance for businesses and foster greater cross-border economic activity. Moreover, it would position the EU as a model for financial integration, potentially influencing global regulatory standards.

Strengthening EU Competitiveness Globally

While financial unification is critical for internal cohesion, the EU must also enhance its competitiveness on the global stage. To achieve this, the EU should focus on leveraging technological innovation, promoting sustainability, strengthening trade partnerships, and addressing talent development.

Leveraging Digital Finance. Digital finance is a transformative force in the global economy, offering opportunities to reduce costs, improve efficiency, and enhance transparency. The EU has taken steps to position itself as a leader in this area through initiatives like the *EU Digital Finance Strategy.*

This strategy aims to facilitate cross-border digital payments, streamline e-invoicing systems, and promote the adoption of emerging technologies such as blockchain and artificial intelligence. Investing in fintech innovation is also critical. By providing funding and regulatory support for startups in this sector, the EU can foster a thriving digital finance ecosystem.

Digital finance initiatives have the potential to significantly enhance the EU's global competitiveness. They would enable businesses to operate more efficiently, reduce transaction costs, and attract investment from technology-focused firms.

Talent Development and Retention. Finally, addressing skills gaps in high-demand sectors is critical for long-term competitiveness. The EU must invest in education and training programs focused on emerging technologies and sustainable finance.

Providing incentives for skilled professionals to remain in the EU and attract global talent is equally important. Measures such as visa facilitation for high-skilled workers and grants for research and innovation can help build a robust talent pool.

The interplay between internal unification and external competitiveness is critical for the EU's success. Unified tax and regulatory systems can simplify operations for global investors, while initiatives in digital and green finance can establish the EU as a leader in innovation and sustainability. Strengthened trade policies can complement internal reforms, creating a cohesive and impactful global presence.

Conclusions

The internationalization of corporate finance in the European Union (EU) reflects a complex but promising trajectory. This study underscores the progress made through initiatives like the Capital Markets Union (CMU) and the euro, which have enhanced cross-border capital flows, reduced transaction costs, and contributed to financial stability. These developments, coupled with the EU's strategic investments in innovation-driven sectors such as renewable energy and digital finance, illustrate the region's potential to strengthen its global competitiveness.

However, significant challenges remain. Regulatory fragmentation, tax disparities, and structural economic differences among member states continue to hinder seamless financial integration. These barriers disproportionately affect small and medium-sized enterprises (SMEs), limiting their access to diverse funding sources and constraining their capacity to scale and compete globally. Furthermore, the reliance on a bank-centered financial model in the EU creates additional obstacles, particularly in fostering innovation and securing alternative sources of capital. Addressing these issues is critical for the EU to unlock its full financial potential and strengthen its economic resilience.

Future research in this area should focus on the role of digital finance technologies, including blockchain and artificial intelligence, in enhancing financial integration and reducing inefficiencies in cross-border transactions. Additionally, exploring effective strategies for achieving regulatory and tax harmonization within the EU remains essential. Such research could provide valuable insights into how the EU can balance the diverse interests of its member states while fostering a more unified and competitive financial environment.

By building on the findings of this study, scholars and policymakers can contribute to practical solutions that advance the internationalization of corporate finance in the EU, ensuring that the region not only addresses its internal challenges but also secures a strong position in the global financial system.

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INTERNATIONALIZATION OF CORPORATE FINANCE IN THE EUROPEAN UNION: CHALLENGES AND OPPORTUNITIES FOR GLOBAL COMPETITIVENESS

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The article provides a comprehensive analysis of the internationalization of corporate finance in the European Union (EU), focusing on its critical role in fostering global competitiveness and addressing the internal challenges of financial integration. It evaluates the progress achieved through key initiatives, such as the Capital Markets Union (CMU) and the adoption of the euro, which have significantly enhanced cross-border capital flows, improved financial stability, and reduced transaction costs. The study underscores the importance of aligning EU financial markets with global standards to support innovation-driven sectors, including renewable energy, fintech, and digital finance, which are pivotal to sustainable economic growth.

At the same time, the article identifies enduring obstacles that hinder the seamless internationalization of corporate finance in the EU. These include regulatory fragmentation, tax disparities, and structural economic differences among member states, all of which limit the access of firms – particularly small and medium-sized enterprises (SMEs) – to diversified and cost-efficient funding sources. The EU's reliance on a bank-centered financial model is critically examined, with the study highlighting its implications for innovation, competitiveness, and financial resilience.

The article provides a theoretical and methodological foundation for understanding corporate finance internationalization. It emphasizes the structural advantages of market-oriented systems while advocating for comprehensive reforms within the EU. Key recommendations include completing initiatives such as the CMU and Banking Union, achieving regulatory and tax harmonization, and adopting digital finance technologies to enhance cross-border efficiency and reduce operational complexities.

By addressing these challenges, the EU can create a unified and robust financial system that not only strengthens its internal market but also enhances its competitiveness on the global stage. The findings of this study contribute to both academic understanding and practical policymaking by outlining strategies to advance financial integration, foster innovation, and ensure the EU's long-term leadership in the global financial landscape.

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