Council of the European Union

Brussels, 25 November 2024
(OR. en)

15909/24

LIMITE

COMPET 1127
IND 521
MI 949

PUBLIC

NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee
No. prev. doc.:	15516/24
Subject:	*Preparation of the Competitiveness Council (Internal Market, Industry, Research and Space) on 28 November 2024* Conclusions on the future of European competitiveness *- Approval*

I. INTRODUCTION

1. The European Union's competitiveness has been severely impacted by recent crises. The COVID-19 pandemic has had a lasting economic and social impact, and the Russian war of aggression against Ukraine led to supply chain disruptions and increased energy costs, heavily affecting Europe. Additional external pressure on European companies may arise from unequal competition with third countries. The new geopolitical realities and economic and demographic challenges have a detrimental impact on the EU economy and, despite its strong assets, risk jeopardising the overall competitiveness of Europe's economic and industrial base.

2. The European Council, in its conclusions of 17 and 18 April 2024[1], underlined the EU's commitment to acting decisively to ensure its long-term competitiveness, prosperity and leadership on the global stage and to strengthen its strategic sovereignty. It advocated an integrated approach across all policy areas to increase productivity and sustainable and inclusive growth throughout Europe, build a robust, innovative and resilient economy and advance Europe's unique social and economic model that will boost the Union's competitive transition towards digital sovereignty in a self-determined and open manner and towards climate neutrality.

3. Following a call of Commission President von der Leyen, former Italian Prime Minister and European Central Bank President Mario Draghi presented a report on "The future of European competitiveness" on 9 September 2024. It provides a comprehensive overview of the main challenges to Europe's competitiveness and outlines a vision of a competitiveness strategy for Europe, which includes a series of measures to revitalise the EU economy, relaunch sustainable growth and boost productivity.

4. The Competitiveness Council, at its meeting on 26 September 2024, held a policy debate on the future of European competitiveness, tackling the challenges facing industry and businesses in the Single Market. During the debate, Ministers gave an overall assessment of the findings of the Draghi report and indicated which elements of the report's recommendations they consider most important.

[1] Doc. EUCO 12/24.

5. EU Heads of State or Government, at their informal meeting on 8 November 2024, agreed on the Budapest Declaration on the New European Competitiveness Deal. They confirmed their determination to ensure the EU's common economic prosperity and boost its competitiveness, making the EU the first climate-neutral continent in the world and ensuring the EU's sovereignty, security, resilience and global influence, and to make the Union more competitive, productive, innovative and sustainable, building on economic, social and territorial cohesion, and ensuring convergence and a level playing field both within the Union and globally. EU Leaders stressed the need for decisive action to overcome the critical challenges to Europe's competitiveness and called for determined and collective efforts on a number of competitiveness drivers.

6. The principal aim of this proposal for Council conclusions is to lay the foundations for the future of European competitiveness in line with the New European Competitiveness Deal.

II. STATE OF PLAY

7. On 8 October 2024, the Presidency circulated a proposal for draft Council conclusions on the future of European competitiveness[2] to the Working Party on Competitiveness and Growth (Industry).

   The Presidency's proposal and its subsequent revised versions[3] were discussed by the Working Party on Competitiveness and Growth (Industry) at its meetings on 11 and 22 October, and on 5 and 13 November 2024.

8. The main discussions during the examination of the proposals for draft Council conclusions focused on the following issues:

   – the removal of barriers in the Single Market, notably with regard to the cross-border supply of services and essential goods;

   – the complementarity of industrial policy and trade policy, and the wording relating to trade policy instruments as a means of ensuring that EU businesses can compete on fair terms on an international level playing field;

[2] Doc. 14258/24.
[3] Docs. 14444/24, 14998/24 and 15502/24.

- the objective of simplified permitting procedures;
- the mention of specific measures in response to the high cost of energy in the EU compared to third countries, which is seen as a major obstacle to growth;
- the orientation of these measures in the overall context of decarbonising the EU's energy mix, as well as the definition of the technologies to be used;
- enabling preference for European products in the context of the revision of the legislative framework on public procurement;
- the assessment of the Commission's intention to define a new category of "small mid-caps";
- the precise wording regarding clean technologies and net-zero technologies, especially with regard to their safety and sustainability;
- the support for the manufacturing of key strategic technologies in Europe;
- the references to public investment;
- the wording regarding State aid rules and their implementation.

9. The Permanent Representatives Committee examined the draft conclusions at its meeting on 22 November 2024. Member States largely agreed to the text of the draft conclusions. Nevertheless, it became clear that changes were still needed in the wording of the reference to the cross-border movement of essential goods, the mention of a Member State's right to determine its choice between different energy sources and the general structure of its energy supply, the reference to the Carbon Border Adjustment Mechanism, concerning the definition for "small mid-cap" companies, and relating to the funds devoted to boosting the competitiveness in Europe.

PUBLIC

10. After completing the discussions in the Permanent Representatives Committee, and after further consultations with Member States, the Presidency proposes to approve the draft conclusions in the ANNEX to this note as it considers that this text strikes a balance between the different interests and objectives of the Member States and represents a compromise acceptable to all parties.

Changes compared to document 15516/24 are indicated in **bold underlined** for additions and in ~~strikethrough~~ for deletions.

III. CONCLUSION

10. The Permanent Representatives Committee is invited to examine the text of the draft conclusions as set out in the ANNEX and confirm its agreement, with a view to submitting the draft conclusions for approval by the Council (Competitiveness) at its meeting on 28 November 2024.

PUBLIC

ANNEX

DRAFT COUNCIL CONCLUSIONS
on the future of European competitiveness

PUBLIC

THE COUNCIL OF THE EUROPEAN UNION,

RECALLING:

- the conclusions of the European Council at its special meeting on 17 and 18 April 2024, calling for a new European competitiveness deal, anchored in a fully integrated Single Market;

- the Strategic Agenda 2024-2029 agreed on 27 June 2024;

- the conclusions of the European Council of 17 October 2024;

- the Budapest Declaration agreed on 8 November 2024, which is based on the work started by EU Leaders in Versailles, and pursued further in Granada, Brussels and in the Strategic Agenda 2024-2029,

BUILDING ON:

- the commitments and calls for action contained in the Council conclusions of 24 May 2024 on "A competitive European industry driving our green, digital and resilient future", and on "A Single Market for the benefit of all",

General framework

1. WELCOMES the report on "The future of European competitiveness"[4], and AGREES that competitiveness should be a high priority on the European agenda; SHARES the report's main diagnosis that, despite its strong assets, the European economic performance is falling behind and, to reverse this trend, the EU's productivity should be raised in order to reignite competitiveness and support inclusive and sustainable growth while maintaining the European social and economic model, and CALLS FOR effective and urgent action, drawing upon the recommendations in the report; ACKNOWLEDGES that the green and digital transitions as drivers for growth, innovation and investment significantly contribute to strengthening the EU's competitiveness;

Single Market

2. UNDERLINES that the Single Market is a cornerstone of European competitiveness that should be further deepened, including through harmonisation or, as appropriate, mutual recognition, or by removing remaining barriers, especially in the cross-border provision of services and the cross-border movement of goods, including such essential goods as medicines, ~~based on the needs of businesses, public institutions and citizens, while addressing transparency in supply chains~~**without prejudice to the responsibilities of the Member States for the definition of their health policy and delivery of health services and medical care**, in order to fully unlock its potential for all EU companies to increase their productivity and scale-up, in particular for small and medium-sized enterprises, and to benefit consumers, and EMPHASISES the importance of connectivity in this regard; STRESSES that benefitting from the full scale of the Single Market is a necessary condition for strengthening the competitiveness of businesses; ACKNOWLEDGES the importance of a level playing field in the Single Market, including in the areas of e-commerce and foreign subsidies; FOLLOWS the issue of territorial supply constraints; HIGHLIGHTS that a fully functioning Single Market should be based on the principles of subsidiarity and proportionality;

[4] Report on "The future of European competitiveness", delivered by Mario Draghi on 9 September 2024.

3. UNDERLINES the key role of cohesion policy to stimulate long-term sustainable growth and promote economic, territorial and social convergence in the Single Market; POINTS OUT that translating innovations into commercial success is a priority; EMPHASISES the vital role of education, training, research and innovation and the contribution of a skilled workforce for the development of a competitive and innovative Single Market, also with regard to the demographic challenges the EU is facing;

4. RECALLS the request by the European Council to the Commission to present a new horizontal strategy for the Single Market by June 2025; POINTS OUT that this strategy should be prepared by taking into account Member States' views; CONSIDERS that its focus should primarily be on deepening and modernising the Single Market, that it should draw upon the Letta[5] and Draghi reports, and that it should include a working plan for its implementation with regular monitoring of the progress and a dedicated roadmap with timelines and milestones for concrete actions, especially for services;

5. EMPHASISES that joint efforts at EU and Member States' level towards reducing regulatory, administrative and reporting burdens, simplifying regulation, achieving coherence and predictability, and better implementing in a uniform manner and enforcing existing rules are crucial factors to improve the business environment in the EU; in this regard, ADVOCATES for an increased uptake and use of digitalisation and standardisation; ENCOURAGES the Commission to effectively implement instruments such as "implementation dialogues" and "reality checks" and POINTS OUT that the "think small first" principle should be applied to all legislation; STRESSES that, in the case of small and medium-sized enterprises and start-ups, it is necessary to go beyond the announced commitment of achieving 25% reduction of reporting requirements without compromising the policy objectives of existing rules; in this regard, CALLS ON the Commission to clarify the methodology for achieving the 25% reduction threshold; HIGHLIGHTS that the Commission should systematically analyse and stress-test the existing legislation and assess any new measures that have a significant impact with high quality impact assessments;

---

5 Report "Much more than a market" delivered by Enrico Letta in April 2024.

Industry

6. REAFFIRMS the EU's ambition of sustaining the goals of the green and digital transitions and pursuing the objective of climate neutrality by 2050; STRESSES that all instruments and policies should be harnessed in a comprehensive and coherent manner at EU, national and regional level to reach the objective of increasing competitiveness across the EU; CONSIDERS that it is essential to focus on strategic priorities and to ensure that these are the common thread through industrial, research and innovation policies, to meet the broader ambitions of the EU; UNDERLINES the importance of an ambitious, robust, open, sustainable and rules-based trade policy, including new partnerships with third countries, and the need to ensure that EU businesses can compete on fair terms on an international level playing field and that, to this end, the EU should use all available instruments where and when needed, in line with its international commitments;

7. EMPHASISES that industry needs a clear and predictable environment and enabling framework conditions at EU and national level so that companies are able and willing to invest for the long run; NOTES that a new industrial strategy is needed for Europe, consisting of measures to close the innovation and skills gaps and achieve European leadership in key emerging technologies, a joint plan for decarbonisation and competitiveness as well as digital sovereignty, notably of cloud services, in an open manner, and heightened focus on security, reducing dependencies and strengthening the EU's strategic autonomy in an open economy and the economic security of the EU; ACKNOWLEDGES that EU, national and regional policies have to be more consistent and better coordinated in a multi-level governance model, where applicable, to ensure a coherent European policy framework;

PUBLIC

8. WELCOMES the Commission's plans for making industrial policy and the boosting of European competitiveness an integral part of its agenda for the next legislative mandate and drawing up a new Clean Industrial Deal for competitive industries and quality jobs in the early days of its next political mandate; STRESSES that the Clean Industrial Deal should pursue a holistic approach, have a compehensive scope and improve the business case for competitiveness and decarbonisation, including through access to affordable energy and critical raw materials, to infrastructure, to finance, to markets, and to skills, simplified permitting procedures where necessary and conditional to an ex ante impact assessment, and promoting a level playing field internationally and ensuring it internally;

9. RECOGNISES that the EU's high energy costs as compared to third countries are a major obstacle to growth, which hinders the performance not only of the energy-intensive sectors, but of the industry in general, including the spread and uptake of digitalisation and artificial intelligence (AI); therefore STRESSES that increasing the affordability of energy, notably through the reduction of energy prices, is a key condition for improving industrial competitiveness and enabling a just and fair green and digital transition; CALLS FOR the recently adopted legislation aiming at ensuring a more flexible energy system and a well-functioning, integrated and interconnected internal energy market to be fully implemented, and for urgent measures to be taken to address the situation resulting from high and volatile electricity prices in Europe and their causes while safeguarding the internal level playing field, and for using energy more efficiently; STRESSES the need to continue working on the decarbonisation of the EU's energy mix and the supply of affordable and clean energy to all citizens and businesses**, without prejudice to a Member State's right to determine its choice between different energy sources and the general structure of its energy supply**; ADVOCATES for restoring the competitiveness of energy-intensive industries, including by developing targeted sectoral action plans at EU level;

PUBLIC

10. REITERATES the importance of effective implementation and enforcement of the regulatory framework that has been put in place, notably the Net-Zero Industry Act and the Critical Raw Materials Act as part of the Green Deal Industrial Plan, as well as the Chips Act, the initiatives deriving from the Circular Economy Action Plan, and the Carbon Border Adjustment Mechanism **to prevent carbon leakage and risks of circumvention**; NOTES with interest the Commission's intention to propose an Industrial Decarbonisation Accelerator Act, a Circular Economy Act, a European Biotech Act, a Chemicals Industry Package and the update of the EU Bioeconomy Strategy; UNDERLINES that circularity and the circular economy provide new business opportunities and reduce the EU's dependencies with regard to raw materials; SUPPORTS the development of a long-term EU quantum chips plan and a semiconductor strategy complementing the Chips Act; TAKES NOTE of the Commission's intention to revise the existing legislative framework on public procurement to enhance its strategic role, including by enabling preference to European products in certain strategic sectors and technologies in line with the EU's international commitments, and by strengthening the security of supply; TAKES NOTE of the Commission's intention to advance work towards a new harmonised definition ~~of a European~~**for** "small mid-cap~~s~~" ~~category~~**companies**;

11. STRESSES that the development of AI and advanced manufacturing technologies and their integration into traditional and strategic sectors can lead to productivity gains and high-quality employment prospects; CONSIDERS that in particular small and medium-sized enterprises require special attention in this regard;

12. ADVOCATES for boosting European development and manufacturing capacity, notably of the sectors which can play a significant role in reducing the EU's strategic dependencies and strengthening the EU's security of supply; in this context, CALLS FOR strengthening the industrial and technological base for defence and space across the Union with the objective to enhance industrial competitiveness, standardisation, and interoperability;

PUBLIC

13. ENCOURAGES the development of an EU industrial action plan for the automotive sector including electromobility and the related battery value chain, based on a holistic approach; in this respect, CONSIDERS the need for a more integrated automotive ecosystem value chain, from materials through components manufacturing to infrastructure and digital technologies such as connected and autonomous driving and software-defined vehicles, as well as the possible support for collaborative research and development or strategic technology projects relevant to the automotive sector, subject to an evidence-based analysis;

14. ACKNOWLEDGES the need for appropriate investments in the EU in order to reach its strategic goals; EMPHASISES that mobilising private and public investment into world-class basic and applied research, enhancing knowledge valorisation, strengthening the innovation performance of companies, particularly small and medium-sized enterprises, in all Member States, and translating innovations into commercial success are priorities for closing the innovation gap both with our global competitors and within the EU; POINTS OUT that companies and research performing organisations need adequate funding along the different stages of investment, from research to market, and notably in the crucial scale-up phase, and that a special focus should be devoted to the needs of small and medium-sized enterprises in access to finance; STRESSES the importance of combining public and private funding to leverage investments via de-risking and risk-sharing mechanisms in cooperation with the European Investment Bank Group and other financial institutions, building on the lessons learned from the InvestEU programme; UNDERLINES the urgency of further deepening and improving the functioning of the Capital Markets Union; NOTES that public funding should be simplified and better coordinated across different sources; HIGHLIGHTS the need to increase investment in connectivity, including transport and digital infrastructures, energy grids and storage, and in clean technology manufacturing;

PUBLIC

15. CONSIDERS that the funds devoted to boosting the competitiveness ~~of manufacturing~~ in Europe, including of clean technologies, should be prioritised and better coordinated; TAKES NOTE of the Commission's intention to propose to set up a new European Competitiveness Fund, which is planned to be used to invest in key strategic technologies to boost the EU's innovation, competitiveness and resilience; AFFIRMS that Important Projects of Common European Interest (IPCEIs) are a key instrument for strengthening European competitiveness, particularly by driving breakthrough innovations in critical industrial sectors, and EMPHASISES the need for a continued improvement of the IPCEI framework to further streamline and accelerate the entire process and make it easier for companies of all sizes to participate in IPCEIs; also NOTES the Commission's plan to develop a Competitiveness Coordination Tool to improve coordination to better target investment and other policy priorities; CONSIDERS that EU financing should contribute to the development and manufacturing of these key strategic technologies in Europe, by using EU funds to leverage and de-risk private investments, and through a simpler EU funding system covering the entire investment journey; UNDERLINES the importance of effective State aid rules and their implementation, supporting synergies with EU objectives and funding, contributing to the green and digital transitions and to the reduction of strategic dependencies, and boosting the competitiveness of European businesses while preserving the level playing field and the integrity and cohesion of the Single Market;

16. RECALLS that these conclusions are without prejudice to the negotiations on the post-2027 multiannual financial framework.

PUBLIC