Enhancing European Competitiveness – Input for the Leaders' Retreat on 12 February 2026

Europe is falling behind. Since the early 2000s, the growth gap vis-à-vis the US and China has widened while many new competitors are increasing their influence globally. This threatens European standard of living and European sovereignty. Continuing on the current path is not an option. Europe must act now. And we are all confident that we can succeed in it. We proved to be able to live up to such challenges in the past when we integrated our market based on the principles of fair competition and cooperation. This is what we need to do now.

Against this backdrop and as the two main industrial European Nations, Germany and Italy strongly believe we must use the upcoming Leaders' Retreat and the European Council in March to agree on a clear agenda and concrete commitments to strengthen European competitiveness. Our goal should be both to support European business and attract new business from outside the EU.

European competitiveness is a strategic priority requiring an integrated and coherent approach to ensure growth, strategic autonomy, and reduced vulnerability to external shocks.

The greatest potential lies within our own hands: the European Single Market, the world's second-largest market, accounting for 18 percent of global GDP and around 450 million consumers. But barriers remain, as figures by the IMF show that our internal barriers add up to internal tariffs of 44 percent for trade in goods and even more than 110 percent for services trade. We need an ambitious ease of regulatory burden for our businesses. Too often, we have imposed additional, unnecessary, complex, and often overlapping rules to our businesses. The Single Market is a reliable regulatory framework, a framework that we shape ourselves, but which we must adapt to current geo-economic realities. This is how to do it.

Eliminate regulatory barriers that hamper growth

Businesses and citizens must feel the relief of regulatory burden. We therefore call for further withdrawals and simplifications of EU initiatives across the board and will work on this together with the European Commission.

Planning and approval procedures across Europe take far too long. We call for a targeted, cross-sectoral initiative in the form of an **Omnibus for permitting** that aims at fundamentally accelerating administrative procedures in all sectors. Companies and citizens should be entitled to get an administrative permitting decision within a short period of time. Otherwise, the matter shall be deemed approved. This needs to be the new standard for Europe.

We urgently need to implement a strict **principle of discontinuity**. Numerous COM initiatives that no longer fit current political objectives are however lingering around in legislative procedures. These zombie initiatives must come off the table. We therefore call on the COM to commit itself to a regular clean sweep and to repealing laws that appear to be outdated, as well as withdrawing as many pending initiatives as possible.

Less is more. Simplicity by design and legislative restraint are general principle too often neglected. Therefore, we propose an **emergency break** with the possibility to intervene if legislative activities of a Council formation raise serious concerns regarding additional administrative burden both on enterprises and on national authorities and when the impact on the EU economy, primarily on SMEs and SMCs, is not clearly assessed.

Often bureaucratic burden is being created during the legislative process in either the Council or the European Parliament. We therefore call for **systematic monitoring and assessment** of amendments proposed by the co-legislators in the legislative process to assess whether the proposed changes are associated with additional burdens and/or infringe the principles of subsidiarity, proportionality, and attribution.

Simplification is a matter for the Heads of State or Government. We therefore call on the COM President to report, from now on, to the European Council on cost savings and simplification in order to hold every actor accountable.

Push for a stronger Single Market

Analyses show that all EU Member States would benefit from deeper economic integration. For Italy and Germany, the growth effects would amount to around 2 to 3 percent of GDP; in many other Member States, they would even be two to three times as high as the total benefits already realised from European integration as such. We need an agreement at Leaders' level to commit to an ambitious joint approach to **deepen the Single Market in strategic sectors**, starting from services, energy, capital markets, digital, and telecommunications and to ensure its enforcement.

To close the innovation gap vis-à-vis the US and China, Europe must become more productive. We therefore call for the **establishment of a 28th regime by the end of this year**. It shall serve as a common framework for innovative companies. This new regime will be key to increasing cross-border mobility, reducing regulatory burden, and overcoming complex and costly procedures across fragmented national systems. A particularly ambitious framework for highly innovative companies could be implemented in the form of a regulatory sandbox.

Bureaucratic requirements for cross-border worker mobility continue to hinder activities in the Single Market. We call for the **conclusion of the eDeclaration** by the first half of 2026.

In order to stay competitive on the global markets, EU companies must be able to rely on fast and unbureaucratic State funding if needed. Therefore, we urge the Commission to continuously **simplify EU State aid law and speed up authorization procedures**, especially in the case of the ongoing revision of the General Block Exemption Regulation (GBER).

This year we will decide on how we are going to spend our common money until 2034. We **need to be serious about our competitiveness agenda**, and this needs to be reflected in the next MFF. In particular, we support the establishment of a European Competitiveness Fund that promotes the best projects with strong impact.

Growth needs investment, in particular in breakthrough technologies and innovation. Venture capital financing is essential in order to promote innovative companies (start-ups, scale-ups). We therefore call for an expansion of venture capital financing and stronger exit options for investors – e.g. through the creation of a pan-European stock exchange, a pan-European secondary market, and a review of capital requirements for lending without impeding financial stability.

Competition is global. We need **European champions** to compete with other players on the global stage. But, all too often, mergers of EU companies are evaluated through a European lens only. It is therefore necessary to make sure that corporate mergers are also evaluated against the global market. We call for the immediate presentation of revised merger control guidelines that reflect this approach, while not prejudging consumer protection.

We must accelerate the simplification and reduction of administrative burdens over the whole value chain, in particular for key innovative European industries such as the **automotive** sector. Companies need to focus on investment, research, innovation, and partnerships in key fields such as AI, road safety, energy, and clean technologies. The Commission proposals go in the right direction, yet full and swift implementation of the technological neutrality principle and further simplification will be needed to ensure that the transition the European automotive sector is undergoing will lead to a competitive European regulatory system.

Implement a differentiated, pragmatic, and rules-based trade policy

Europe must address the challenge of a world characterised by less stable geopolitics, coupled with protectionism and coercion. It remains essential that we ensure open, fair, and rules-based international trade and we call for an **ambitious EU trade policy** taking full account of the potentials and needs of all economic sectors, including agriculture. The finalisation of the EU-Mercosur Agreement was an important step in that direction. However, more than 25 years of negotiations have been far too long. We need more ambition, more focus, and more speed. We support the European Commission in the ongoing negotiations, with a view to safeguarding our standards and respecting the level playing field with our partners. We therefore call for an ambitious EU trade policy and a swift conclusion of further ambitious free trade agreements, in particular with India, Australia, UAE, and ASEAN Countries.

Our openness to free trade shall not be mistaken. We are neither naïve nor defenseless. While trade should not be weaponised, we have equipped ourselves with instruments to increase our economic security and counter unfair practices, and we will use them whenever needed. To protect our interests, this might include making use of EU-preference rules in crucial and core strategic sectors, while taking due account of our trade policy interests and of like-minded partners.