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Budapest Declaration on the New European Competitiveness Deal

We, the Leaders of the European Union, are determined to act now to boost our global competitiveness. Over the past 20 years, the EU's share of world GDP has halved, including with a loss of 3.79 percentage points over the last five years. Retail prices for industrial electricity in the EU are three times higher than for the other major world economies. Lastly, we must invest more on innovation, and reverse previous trends. As a share of GDP, the EU spends one third less on research and development than other major economies in the OECD.

We are therefore committed to a New European Competitiveness Deal to urgently strengthen our competitiveness. We aim to develop our common economic prosperity, while making the EU the first climate-neutral continent in the world and ensuring the EU's sovereignty, security and global influence. We will work through cooperation and solidarity, to the benefit of all EU citizens, businesses and Member States. We reaffirm our shared responsibility to make the Union more competitive, productive, sustainable while ensuring economic, social and territorial cohesion, convergence and a level-playing field within our Union and globally. This requires the engagement of all EU institutions, Member States and stakeholders.

Confronted with a new geopolitical reality, increasingly complex challenges, and demographic trends and building on the strategic course of action for the Union set out at our meetings in Versailles in March 2022 and in Granada in October 2023, we identified in Brussels in April 2024 key competitiveness drivers to deliver a New European Competitiveness Deal. With the adoption of our 2024-2029 Strategic Agenda, we confirmed our resolve to ensure a free and democratic Europe, a strong and secure Europe, and a prosperous and competitive Europe. We also reaffirmed our unflinching determination to deliver just and fair green and digital transitions. These transitions are fundamentally transforming our economies and fostering vast market opportunities for the industries of tomorrow, which must lead to sustainable growth and jobs.

We welcome the reports ‘Much more than a market’ by Enrico Letta and ‘The future of European competitiveness’ by Mario Draghi. They provide a solid foundation from which to ambitiously advance our work, identifying challenges and making future-oriented recommendations. These require an effective political response. It is imperative that we urgently close the innovation and productivity gap, both with our global competitors and within the EU, strengthen our economic resilience and swiftly reap the full benefits of our Single Market: there is not a single moment to waste.

All instruments and policies must be harnessed, in a comprehensive, coherent and joined-up manner, both at EU and Member State level. ‘Business as usual’ is no longer an option. Today, we stress the pressing need for decisive action to meet these challenges.

Single Market

The Single Market and its four freedoms is not only the backbone of EU integration, granting a level-playing field for citizens and businesses, but it is also our most powerful catalyst for growth, prosperity and solidarity among Member States. As one of the largest and most integrated markets in the world, it is key to our global competitiveness, driving innovation, investment, convergence, growth and economic resilience. We must, however, intensify our efforts to unlock the Single Market’s full potential, creating economies of scale that enable businesses to grow, innovate, and compete also across borders, keeping the Union at the forefront of global markets. Enhancing connectivity and mobility also remains key for achieving this deeper integration. As stated in the Letta and Draghi reports, more integration within strategic sectors such as energy, finance and telecommunications, would bring vast opportunities to the Single Market.

In line with our April 2024 conclusions, and building on the Letta and Draghi reports and their recommendations, we invite the Commission to present, by June 2025, a new and comprehensive horizontal strategy on the deepening of the Single Market, including a roadmap with clear timelines and milestones. This strategy should include: (1) the elimination of fragmentation and remaining barriers, while ensuring a level playing field; (2) improving and simplifying current rules and ensuring their uniform implementation and enforcement; and (3) putting forward a stronger and more efficient Single Market governance framework. A special focus should be placed on addressing challenges affecting the competitiveness of businesses, especially of SMEs and start-ups.

Savings and Investments Union

Investments needed to close the growth, productivity and innovation gap require a combination of private and public financing working together. European capital markets need to be truly integrated and accessible to all citizens and businesses across the Union, and benefit all Member States. An environment that fosters investment and enhances access to finance will ensure that our innovative companies have the ability to scale up across the Single Market and compete globally.

To this end, we will continue to pursue an ambitious agenda to achieve a European Savings and Investments Union, which includes both the Banking Union and the Capital Markets Union[, by 2026]. Work needs to be urgently advanced on all measures that are necessary to create truly integrated European capital markets, as identified in the April 2024 European Council conclusions. Likewise, further coordination in relation to tax matters would also increase our European competitiveness and growth. We invite the Council and Member States to take work forward to promote cross-border savings and investment in the Union, particularly by building on existing instruments.

Furthermore, we will explore the establishment of an EU Sovereignty Fund for equity investment, within the European Investment Bank Group, jointly with National Promotional Banks on a voluntary basis, which would contribute to securing EU competitiveness in critical technologies. We invite the EIB and the Council to work on this proposal.

Industry

Europe must remain an industrial and technological manufacturing powerhouse and strengthen its competitive position on the global market. We will create the conditions to allow for successful industrial renewal and decarbonisation. We will develop a European industrial policy to ensure the growth of tomorrow's key technologies, strengthening and improving existing EU instruments such as Important Projects of Common European Interest (IPCEIs), and modernising EU competition rules and practices with a view to enhancing our competitiveness at global level while ensuring a level-playing field in the Single Market. We will make sure to diversify and secure strategic supply chains, including by working on ensuring reliable and unhindered access to critical raw materials. Particular attention should be paid to traditional industries in transition, including the energy-intensive and automotive industries.

All relevant tools, including public procurement, should be leveraged. We invite the Commission and the High-Representative to present, as a priority, a comprehensive industrial strategy for competitive industries and quality jobs.

Defence industry and space

We will strengthen our European defence technological and industrial base, which is key to strengthening our overall defence readiness and capabilities. We call on the European Investment Bank to assess and further adapt its policy for lending to the European defence industry, safeguarding its financing capacity. As requested at the March 2024 European Council, the Commission is to present much needed appropriate public and private funding options as a matter of utmost priority, reflecting our common ambition to reinforce our defence technological and industrial base. We will also exploit the large innovative and commercial potential of the space industry and ensure Europe's long term access to space.

Research and innovation

The Union must be at the forefront of scientific and technological progress, especially in disruptive AI technologies. We must adopt a ‘continuum approach’ to deal with this issue between key players – namely academia, industry and public institutions – through better cooperation and efficient public procurement strategies, and by leveraging private investment. Only by genuinely breaking down barriers will we help patentable and other commercially applicable research to scale up into viable business models.

In order to increase the competitiveness of the European Union as a whole, we need to close the research and innovation divide within the EU and its global competitors. We are ready to work on a ‘fifth freedom’, focusing on the free movement of research, innovation, knowledge and education. We will promote cutting-edge research, knowledge transfer and its economic valorisation within the EU. We commit to increasing investment to meet the public and private expenditure target in research and development of 3 % of GDP by 2030. We will also further strengthen our commitment to the Framework Programmes for Research and Innovation.

Energy

We will pursue the dual objective of strategic energy sovereignty and delivering on our climate neutrality goal by 2050. To this end, we will achieve a genuine energy Union [by 2027] as a matter of priority, through the decarbonisation of our energy mix and supply of affordable and clean energy for all our citizens and businesses. We aim to build a competitive decarbonised energy system through renewables and low carbon technologies, energy efficiency and flexibility. To that end, we will further accelerate the transition of our energy systems, in particular by simplifying EU law, accelerating permitting procedures for renewables and low-carbon energy infrastructure, providing a reliable investment framework and further investing in cross-border electricity grids, storage and interconnections, in order to achieve a fully integrated electricity market.

We call for urgent measures to address the situation resulting from high and volatile electricity prices in Europe to improve the competitiveness of our businesses and industries.

Circular economy

The EU must continue to be a world leader in creating a more circular and resource-efficient economy. We will develop an integrated market for secondary materials, including for critical raw materials. We call for work to be taken forward swiftly to ensure that we change the paradigm of present manufacturing, incorporating sustainable practices and innovation into our economic framework. To this end, we urge the EU institutions to finalise work on pending proposals under the Circular Economy Action Plan and call on the Commission to present its Circular Economy Act as a priority.

Digital

Supporting the digital transformation of business, government and society requires a true Single Market in the digital services and data. Digital transformation needs to be accelerated by investing in digital infrastructure, overcoming cross-border barriers in the telecommunications sector, and using cutting-edge technologies. We will support the development of world-class quantum technology, AI ecosystems and other frontier technologies across Europe.

In this regard, we invite the Commission to present a package of measures by June 2025 to strengthen the EU's technological capabilities and accelerate digitalisation across industries and foster the development of innovative technologies.

Moreover, work should progress on a digital euro to support a competitive European retail payment landscape.

Social

Talent in Europe must be fully mobilised. We will foster high-quality jobs throughout Europe, including by tackling skills and labour gaps in the context of wider demographic trends and the green and digital transitions. Recalling the European Pillar of Social Rights, we will aim to strengthen social dialogue, uphold equal opportunities and reduce inequalities. We invite the Commission to present an updated European Skills Agenda during the course of 2025.

Trade

The EU is a champion of open trade and multilateralism, with the WTO at its core. We renew our call towards an ambitious, robust, open and sustainable trade policy that allows fair free trade agreements to defend the EU's core interests, economic diversification and resilience. In the context of increased geopolitical tensions and accelerated technological shifts, the EU's toolbox should also be used whenever needed, and updated where necessary, to ensure a global level playing field.

In pursuing trade negotiations, the Union will ensure the consistent involvement of Member States and civil society to ensure a shared understanding and ownership of the course of action. We also call on all relevant actors to further enhance the Economic Security Strategy by further developing all pillars – promote, partner and protect – with the goal of protecting our economy and supply chains, while upholding an open economy and building international partnerships.

Regulatory framework

EU regulation must be rendered more efficient in order to make the most of creative forces in business and civil society, and in particular in our SMEs. We must move to an enabling mindset, fostering a climate of trust – rather than distrust – with business, allowing it to flourish without the burden of excessive regulation. Our regulatory framework must be more simple, predictable and stable.

We will work on an ambitious plan to dramatically reduce administrative, regulatory and reporting burdens, in particular taking into account the needs of SMEs and start-ups. We call on the Commission to systematically include in its proposals 'red tape' impact assessments including of cumulative effects, reduce reporting by at least 25%, deploy regulatory sandboxes, and work on more efficient and accelerated procedures.

Agriculture

Our food systems must ensure our food security and value those who provide for it. We must therefore deliver a competitive, sustainable and resilient agricultural sector. Farmers need a stable and predictable framework, including to accompany them in tackling environmental and climate challenges, and to strengthen their position in the food supply chain.

Following the Strategic Dialogue on the Future of EU agriculture and work carried out at Council level, we invite the Commission to present a farmers and citizens' focused vision for agriculture and food to ensure the long-term competitiveness and sustainability of our farming.

Funding fit for the future

Our competitiveness challenges will require massive investment mobilising both public and private financing. The European Council is committed to explore and mobilise all instruments available to allow a sustainable financing of those challenges:

- (1) The next Multiannual Financial Framework will serve as an essential tool to deliver on our strategic priorities. We shall make the EU budget fit for the future and able to meet the challenge of making Europe competitive.
- (2) We will continue to work towards the introduction of New Own Resources, which can also serve as a lever of influence and promote a level playing field.
- (3) We will mobilise private financing by completing the Capital Markets Union, allowing better access to financing for companies and citizens across the Union.
- (4) Increase the involvement of the European Investment Bank and give it the means to meet our objectives (including the recapitalisation of the EIB).
- (5) We will explore the possibility of developing new tools and instruments at the EU level (joint investment, equities, etc.).

A unified response to our challenges has never been more compelling. At the core of our collective action lies solidarity and mutual trust. Financial solidarity must be paired with significant reforms, both at EU and national level, to make our model sustainable and competitive.

We call on all EU institutions, Member States and stakeholders to urgently implement and deliver this New European Competitiveness Deal. We will continue to provide further strategic guidance and regularly review progress over the coming year.
