



## Statement by President von der Leyen on the EU Competitiveness Compass

Brussels, 29 January 2025

Good afternoon,

Today we discussed the Competitiveness Compass. And I want to start by emphasising the strengths of the European Union. We have a very strong manufacturing and industrial base. We have a highly trained and well-educated workforce, if not the most educated workforce in the world. We have a continental-size Single Market. We have the second-largest economy, and we are the biggest trading sector in the world. We have a stable and predictable legal environment. And we have a longer life expectancy and lower inequalities than all our global competitors. But, at the same time, Europe is also held back by weaknesses. In a nutshell, over the last 20 to 25 years, our business model has basically relied on cheap labour from China, presumably cheap energy from Russia, and partially outsourced security and security investments. These days are gone. And we see that today Europe continues to lag behind the United States and China in productivity growth. And we must fix our weaknesses to regain competitiveness.

That is why, at the end of my last term in the preparation of a potential second term, I asked Mario Draghi to write his report on the competitiveness of the European Union. The report is exactly what we needed. It is a very clear-eyed assessment with a set of excellent recommendations. And the Competitiveness Compass we agreed on today in the College is basically the translation of the Draghi report with inputs of the Letta report into a communication of the Commission. It also describes where we are going to go in the years to come. The Competitiveness Compass focuses on three pillars: The first one is closing the innovation gap; the second is a joint roadmap for decarbonisation and competitiveness; the third one is reducing our dependencies and increasing our resilience and economic security. These three pillars are complemented by horizontal cross-cutting enablers that are very important for our competitiveness: it is simplification; it is lowering barriers to the Single Market – our biggest asset in a world of giants; it is about financing the competitiveness; it is about skills and quality jobs; and it is about coordination.

Let me have a brief look at the first pillar: driving our productivity through innovation. Europe's industrial structure has become too static, with too few start-ups emerging with new disruptive technologies. We need to reignite Europe's innovation engine. If you look at research and the talents in Europe, that is impressive, because Europe's global share of patent applications is on par with the United States and China. But only one-third of these are commercially exploited. And that makes the difference. And only a small share of EU businesses are seizing the opportunity of digital change. If you look at our companies, only 13.5% are using AI, so one in seven is using AI for example. This must change. This year we will therefore launch a broad AI Strategy for our continent. It will include an 'Apply AI' initiative to drive industrial adoption of Artificial Intelligence in key sectors. It will also include an 'AI Factories Initiative' which basically offers to our companies the possibility to train and develop their models with supercomputers. And after looking at AI, we will also table different action plans for example concerning advanced materials, quantum, biotech, robotics and space technologies. These are all components of the markets of the future. Then there is a second element, and this is important for our innovation, and it offers possibilities for our start-ups to scale up, in our Start-up and Scale-up Strategy. We will address the obstacles in the Single Market that prevent our innovative companies to scale up through the European Single Market, and we will improve access to capital. Let me first have a look at the Single Market. We see today that our innovative companies, if they want to scale up, are basically confronted with 27 different fragmented requirements in the Single Market, and therefore we will offer them the possibility of a so-called 28th regime. That is, we say: Voluntarily you can opt-in a 28th regime that is one simple and single set of rules across the whole European Union.

The second element that is crucial for our start-ups to scale up is the access to venture capital. I want to give you some figures. If you look at the global venture capital, only 5% is raised in the EU, compared to 52% in the US and 40% in China. We do not lack capital. If you look at the European household savings, it is EUR 1.4 trillion per year, compared to EUR 800 billion in the US. What we lack is an efficient capital market that turns these savings into investments and the venture capital that is so much needed, particularly for early-stage technologies that have a game-changing potential. This is why we will, building on a capital markets union and a banking union, present a European Savings and Investment Union this year. It will create new savings and investment products, provide incentives for risk capital and ensure investments flow seamlessly across the European Union. Of course, this is private capital, public investment will also continue to play an important role if we speak about investment and innovation. And therefore, the next European budget is our chance to refocus the priorities and of course to simplify access to EU funding.

Let us have a look at the second pillar of the Compass, the Joint Plan for Decarbonisation and Competitiveness. The transition to a net-zero economy is essential for prosperity. I want to be very clear, the European Union stays the course of the Green Deal objectives, without any question. It is a unique strength we have. And we must provide predictability for clean-tech investors and companies. Clean-tech industry is looking for opportunities. Europe is open to business. We are already a world leader in clean technologies like wind turbines, electrolyzers and low-carbon fuels. More than one-fifth of the world's clean technologies are developed right here in Europe. So we have to work hard so that we stay number one. Therefore, first movers will be rewarded with investment certainty, with preference in public procurement and simplified state aid in targeted sectors. We will also, of course, work with the more traditional industries so that they are supported in the transition. Actually, tomorrow, I will launch the Strategic Dialogue on the Future of the Automotive Industry. We will support it through its deep transition. And we will ensure that the future of cars remains firmly rooted in Europe. We will also roll out tailored action plans for energy-intensive sectors – just to speak about steel and metals as well as chemicals. We will work on the acceleration of permitting. You know that this is a constant complaint, rightly so. And very importantly, we have to address structurally too high energy prices and energy costs in the European Union. You all know the story. We already had structurally high energy prices before Russia's war in Ukraine started. Then Putin cut us off the gas supplies, we were heavily dependent on Russian gas supplies. We had skyrocketing prices for energy over a certain time – tenfold partially. But now we are back to pre-war prices. But still, these prices are too high. Therefore, in a few weeks, we will introduce the Affordable Energy Action Plan to work on the structural issues to lower energy prices for our industry.

The third pillar of the Compass is about strengthening our resilience and economic security. Europe is a champion in trade. We have agreements with 76 countries. We are the largest trading partner for 72 of them, representing 38% of the world's GDP. Interestingly, there is a growing global appetite in these times to engage more closely with us, not only because our market is big and attractive but also because of our reputation as a partner. In Europe's offers, there are no hidden strings attached. Others may focus on exploiting and extracting, we look at investing locally along the entire value chain in partner countries and taking the finished products to the European Union. So everyone wins. With this in mind, we have launched a new generation of trade deals. They will secure supplies of raw materials, clean energy and clean tech from around the world.

Let me now finish with a view on two horizontal enablers. The first one is simplification. We have a very clear signal from the European business sector that there is too much complexity, the duration of permitting is too long and administrative procedures are too cumbersome. We have to cut red tape. We will deliver an unprecedented simplification effort. We will start with a first simplification omnibus proposal next month. This includes a far-reaching simplification in the fields of sustainable finance reporting, sustainability due diligence and taxonomy. Other omnibuses for different sectors will follow. This will be another major step in delivering on our target of reducing EU reporting obligations by 25% for all companies and by 35% for SMEs. And we want to go further. Because reporting is not the only obstacle that is there. There are other types of administrative costs imposed on our industry. So we are expanding the commitment to cover 25% of all these recurring administrative burdens, and 35% for SMEs. Our goal is that by the end of the mandate, we will have made proposals that could save companies over EUR 37 billion a year.

Finally, the issue of skills is absolutely central. We have excellent figures: 75% of employment, only 6% of unemployment. But hidden behind it is not only a successful labour market policy, but it is already the lack of labour and skilled labour. So we will deliver a Union of Skills this year to reskill and

upskill Europe's workforce in a world of a fast technology change where it is absolutely needed to have a success in our competitiveness.

This was a glimpse at the width and depth of the Competitiveness Compass. I want to be very clear: We have a plan; we have a roadmap. We have the political will. Now, what really matters is speed and unity. Speed, because the world is not waiting for us. So it is high time that we accelerate. And unity is important to really implement this political will. It is good that the European Council strongly endorses the Draghi report. We had a debate in Budapest, and the Budapest Declaration is very clear: full endorsement by the 27 leaders of the way forward. Here is now the translation with the Competitiveness Compass.

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