Planning for the future: Ensuring Europe can remain competitive

Adopted during the YEPP Council Meeting – Turin, 12th October 2024

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Recognising:

- The EU faces challenges in financing innovation and expanding companies, particularly startups. Fragmented financial markets make it difficult for businesses to access the capital needed for growth and global competitiveness.
- Europe must address the disconnection between capital availability and the innovative potential of its industries.
- The EU has general strengths – such as strong education and health systems and robust welfare states but we are collectively failing to convert these strengths into productive and competitive industries on the global stage.

- Europe must profoundly refocus its collective efforts on closing the innovation gap with the US and China, especially in advanced technologies

- Without intervention Europe will have to decide if competitiveness is not to improve. We are unlikely to be able to simultaneously lead in fostering new technology, be an example of climate stewardship, and compete on the global stage. Our social model will not be economically viable, and we will have to reduce our goals to some extent, if not entirely.

Acknowledging:

- Capital Markets Union (CMU) reforms are a critical step toward creating a unified financial market across Europe. By removing regulatory and administrative barriers to cross-border investments, Europe can foster a more dynamic and integrated financial ecosystem that supports its innovation and competitiveness goals.

EU Competitiveness: Looking Ahead EU competitiveness: Looking ahead - European Commission (14.09.24)
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- European Commission President Ursula von der Leyen has made European Competitiveness one of her flagship priorities for the 2024-2029 mandate, outlined in a European Parliament speech in July.

- Despite Europe's strong single market, fragmentation in sectors like tech, finance, and defence continues to hinder competitiveness.
- Europe is stuck in a static industrial structure with few new companies rising up to disrupt existing industries or develop new growth engines. As outlined by the Draghi report, there is no EU company with a market capitalisation over EUR 100 billion that has been set up from scratch in the last fifty years, while all six US companies with a valuation above EUR 1 trillion have been created in this period.

- Despite the single market's many achievements, persistent fragmentation in sectors like tech, finance, and defence mean that the EU is unable to compete with US and Chinese behemoths.

- This has created a vicious cycle between tech and finance, in which promising start-ups leave the EU for the USA as they seek larger investments and partnerships with larger tech firms.

YEPP Calls on:

- The European Commission to prioritise harmonisation of capital market regulations across EU member states to deepen and integrate Europe's financial markets, facilitating easier cross-border investments.

YEPP calls on the European Council to fully accept all recommendations of the Draghi Report, and task the European Commission with immediately beginning the implementation of these recommendations by:

1. Boosting Innovation and Digital Transformation by Supporting startups and entrepreneurs creating a favourable environment for startups to thrive, including access to funding, mentorship, and market opportunities. Foster collaboration between academia and industry and encourage partnerships between universities, research institutions, and businesses to accelerate technology transfer and innovation, Invest in digital infrastructure and develop digital skills to support the digital economy.

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2. Promoting sustainable growth by investing in clean energy technologies and the deployment of renewable energy sources like solar, wind, and hydrogen. Encourage the transition to low-carbon manufacturing and services. Improve energy efficiency in buildings, transportation, and industry and create a carbon market and a carbon pricing mechanism to incentivize emissions reductions.

3. Improving infrastructure and connectivity by upgrading digital and physical infrastructure to support economic activities. Enhance connectivity within and between European regions and Invest in smart cities and sustainable urban development.

4. Simplifying the European Regulatory Environment by reducing regulatory burdens and regulations to reduce costs for businesses.
   Improve market access by reducing bureaucracy and red tape to trade and investment within the EU.

5. Encouraging a profound overhaul of Europe's attitude to skills, using data to understand where skills gaps lie and investing in education at every stage in order to ensure that economic progress benefits everyone and no one is left behind.

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