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**LIMITE**

**NOTE**

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## Draft

### **Budapest Declaration on the New European Competitiveness Deal**

We, the Leaders of the European Union, are determined to urgently strengthen our competitiveness, develop our common economic prosperity, and ensure the EU's sovereignty and global influence, while making the EU the first climate-neutral continent in the world. We shall do so through cooperation and solidarity, to the benefit of all EU citizens and all Member States. We reaffirm that making the Union more competitive, and ensuring cohesion and convergence on our continent, is our shared responsibility, requiring engagement by all EU institutions, Member States and stakeholders.

*[Putting the New European Competitiveness Deal in the broader European Council context]*

Confronted with a new geopolitical reality and increasingly complex challenges, and building on the strategic course of action for the Union set out in our meetings in Versailles in March 2022 and in Granada in October 2023, we identified in April 2024 in Brussels key competitiveness drivers to deliver a New European Competitiveness Deal. With the adoption of our Strategic Agenda for the Union for 2024-2029 in June 2024, 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 the green and digital transitions. These transitions are fundamentally transforming our economies and fostering vast market opportunities for the industries of tomorrow, thereby creating sustainable growth and jobs.

*[Welcoming the Draghi and Letta reports]*

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 for advancing our work, identifying a number of challenges that demand innovative and effective political responses. It is imperative that we urgently close the innovation and productivity gap, strengthen our economic resilience and swiftly reap the full benefits of our Single Market: there is not a single moment to waste.

Today, we stress the extreme urgency of decisive action to meet these challenges, and we underline the following:

### *Single Market*

The Single Market is not only the backbone of EU integration, but 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 and economic resilience. We must however intensify our efforts to unlock its full potential, especially in sectors like services, to create economies of scale that allow businesses to flourish across borders and keep the Union at the forefront of global markets.

In line with our April 2024 conclusions, we invite the Commission to present [by June 2025] a new and comprehensive horizontal strategy on the deepening of the Single Market, building on the Letta and Draghi reports and their recommendations, notably in the areas of energy, finance and telecommunications.

This strategy should address: (1) the elimination of remaining barriers, while ensuring a level playing field; (2) improving current rules and ensuring their implementation and enforcement; and (3) putting forward a stronger and more efficient Single Market governance framework.

### *Savings and Investments Union*

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.

We will 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 therefore 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. Swift progress is in particular needed on: (1) harmonising relevant aspects of national corporate insolvency frameworks; (2) relaunching the securitisation market; (3) improving the convergence and efficiency of the supervision of capital markets across the EU.

More convergence in the Single Market on tax matters would increase productivity and growth. We invite the Council, and Member States to take work forward on fostering tax convergence to promote cross-border savings and investment in the Union, particularly by building on existing instruments.

Furthermore, the establishment of an EU Sovereignty Fund for equity investment would contribute to securing EU competitiveness in critical technologies. In this respect, the option of such a fund being developed within the European Investment Bank Group, jointly with National Promotional Banks on a voluntary basis, should be explored.

### *Industry*

Europe must remain an industrial and technological manufacturing powerhouse. We will develop a European industrial policy to ensure the growth of the key technologies of tomorrow, improving existing EU instruments such as Important Projects of Common European Interest, and modernising EU competition rules and practices with a view to enhancing our competitiveness at global level. We will work on ensuring reliable and unhindered access to critical raw materials. We will create the conditions to allow for successful industrial renewal and decarbonisation. To that end, we invite the Commission to present as a priority a comprehensive industrial strategy for competitive industries and quality jobs.

As it is important for our future defence readiness, we will strengthen our European defence technological and industrial base to improve our defence readiness and competitiveness. We call on the European Investment Bank to assess and further adapt its policy for lending to the European defence industry. As requested in March, the Commission is to present much needed appropriate funding options as a matter of priority reflecting our common ambition to reinforce our industrial base – this presentation is long overdue.

### *Research and innovation*

The Union has to remain at the forefront of technological progress, especially in disruptive technologies. Sectors such as AI, quantum technologies, biotechnology, space, advanced materials and net-zero technologies require particular attention. We must adopt a ‘continuum approach’ to deal with this issue between key building blocks, namely academia, industry and public institutions, through a web of interconnected funding mechanisms and ambitious public procurement strategies. Only by further breaking down barriers will we help patentable research scale up into viable business models. We call for the introduction of a ‘5<sup>th</sup> freedom’, focusing on research, innovation, knowledge and education. We will promote cutting-edge research, research transfer and its economic valorisation within the EU and commit to meet a 4 % GDP expenditure target in research and innovation by [2030]. We will also strengthen the role of the European Innovation Council.

### *Energy*

Achieving a genuine energy Union [by 2027] is key to ensuring our competitiveness and resilience and the security of abundant, affordable and clean energy across the EU. This serves the dual objective of pursuing strategic energy sovereignty, and delivering on our climate neutrality goal by 2050.

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, providing a reliable investment framework and further investing in cross-border electricity grids, storage and interconnections.

### *Circular economy*

The EU must continue to be a world leader in progressing towards a more circular and resource-efficient economy. We will develop an integrated market for secondary 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*

Digital transformation needs to be accelerated by investing in digital infrastructure, overcoming cross-border barriers in the telecommunications sector using cutting-edge technologies. We will support the development of world-class quantum technology and AI ecosystems across Europe.

In this regard, we invite the Commission to present a European Tech Strategy [by mid-2025] that will strengthen the EU's technological capabilities and accelerate digitalisation across industries and foster the development of innovative technologies.

### *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. We invite the Commission to present an updated European Skills Agenda during the course of 2025.

## *Trade*

The EU has always been a champion of open trade and multilateralism but must continue to adapt in the context of increased geopolitical tensions and accelerated technological shifts. Integrating economic, environmental, social and security objectives into our trade policy must be our overarching objective. We thus renew our call towards an ambitious, robust, open and sustainable trade policy that allows fair free trade agreements to promote the EU's interests, economic diversification and resilience. The EU's toolbox should also consistently be used, 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 promoting an open economy.

## *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 and reporting burdens. We notably call on the Commission to systematically include 'red tape impact assessments' in its proposals, reduce reporting by at least 25%, deploy regulatory sandboxes, work on more efficient and accelerated procedures and optimise the potential of IPCEIs.

## *Agriculture*

Our food systems must ensure our food sovereignty and those who provide for it. We must therefore deliver a competitive, sustainable and resilient agricultural sector.

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

## *Multiannual Financial Framework and new own resources*

The European Union's next Multiannual Financial Framework will serve as a tool to deliver on our competitiveness goals. We shall make the EU budget fit for the future and able to meet the challenge of making Europe competitive. We will work on introducing new own resources, and pursue work on those that have been proposed. Our own resources not only ensure sufficient and sustainable funding for our common priorities, but also serve as an important lever of influence and promote a level playing field.

To ensure consistency over the medium term, all instruments and policies must be harnessed, in a coherent and joined-up manner, at both EU and Member State level. Investments needed to close the growth, productivity and innovation gap require a combination of public and private financing working together. There is no longer any scope for 'business as usual'.

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