



EUROCHAMBRES ANALYSIS:

Draghi Report on “The future of European competitiveness”

The future of European competitiveness

Part A | A competitiveness strategy for Europe

SEPTEMBER 2024



Eurochambres Analysis: Draghi Report on “The future of European competitiveness”

Introduction

The Draghi Report represents a comprehensive analysis of the European Union's competitiveness, setting out a compelling case for reform and revitalization of the EU's economic and industrial landscape. The report, led by former European Central Bank President Mario Draghi, identifies key challenges and opportunities for the EU to regain its global competitiveness and achieve a strong, sustainable, and inclusive growth.

The recommendations provide strong arguments and ideas for reform and revitalization of the EU's growth, innovation, and competitiveness in key sectors, building on strengths and addressing challenges.

It is open to question if it should be branded as a strategy given that it lacks specificity in terms of implementation and timing of the many recommended measures. Nonetheless, it is a valuable framework for the pursuit of a more ambitious competitiveness agenda throughout the new EU term. It is the proverbial ‘wake-up call’, with the onus now on policy-makers to respond swiftly and meaningfully.

About this analysis

This document provides an analysis of the Draghi Report by the Eurochambres policy team. The objective is to identify aspects of the report that align with Eurochambres' positions, those that diverge, and elements that are notably absent.

The analysis largely mirrors the structure of the Draghi Report (“Part B: In-depth analysis and recommendations”), dividing the content into Sectoral Policies and Horizontal Policies. Each section is further broken down into subsections, following the order of the original report. To ensure an evaluation of Eurochambres' core focus areas, two additional Horizontal Policies—Trade and Single Market—have been included.

Within each subsection, the evaluation categorizes elements as positive, negative, or missing.

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Sectoral Policies

1. Energy

Positive Elements

- The report recognizes that lowering **energy prices** is crucial for EU competitiveness.
- Calls for **simplified permitting processes** to accelerate renewables, energy storage, and grid deployment.
- Emphasizes the need for **network upgrades** and **investments in grids** and recommends developing **new financing mechanisms** to achieve them.
- Supports expanding the use of **long-term contracts**, e.g., Purchase Power Agreements (PPAs).
- Promotes the development of Carbon Capture, Utilisation, and Storage (**CCUS**) technologies.
- Advocates for partnerships with diversified, reliable trade partners and encourages **transitioning from natural gas to hydrogen and green gases** when cost-effective.
- Pushes for a true **Energy Union**, including a reduction and harmonisation of energy taxes and a revision of single market energy governance.

Negative Elements

- Suggests implementing a **cap on market revenues** for inframarginal producers during crisis periods. Eurochambres views this approach cautiously, as it may deter investments in clean energy by limiting potential returns.
- Proposes that suppliers are required to allocate a predefined minor share of publicly subsidized production through PPAs at 'production cost plus mark-up' for specific industries. This approach **risks introducing price distortion** and adding **administrative complexity**.
- While Eurochambres agrees with using PPAs due to the planning security they provide for generators and consumers, it is **cautious about CfDs**. If implemented, CfDs should be limited to new generation sources that are not yet market-ready and should remain voluntary.
- Supports further **regulating financial markets** for energy. Eurochambres generally advocates for minimal market intervention. Regulatory measures should only be used to restore a fully functioning, competitive energy market.

Missing Elements

- The report primarily addresses large companies and energy-intensive industries, with **limited measures specifically tailored for SMEs**.
- While the report underscores the importance of cross-border energy cooperation, it lacks **concrete strategies for a collaborative framework** to implement energy policies and infrastructure across borders.
- Although grid upgrades are addressed, there is **limited focus on digitalisation and smart grid technologies** for energy efficiency and advanced energy management.
- A **clear financing plan** for the transition, particularly for SMEs, is missing. Although ETS revenues are mentioned, they may not be sufficient to meet all transition funding needs.

2. Critical Raw Materials (CRM)

Positive Elements

- The report recognizes that the **reduction of CRM dependencies** faced by the EU, especially in the area of critical raw materials, is essential for the green transition.
- The EU should further develop its **resource diplomacy for CRMs**, such as through the **Global Gateway**, which should be leveraged for the necessary investments. Draghi goes further promoting EU joint purchases for CRM, which we haven't expressed ourselves on.

Negative Elements

- None identified

Missing Elements

- None identified

3. Digitalisation

Positive Elements

- Draghi's analysis underlines the significant potential of digitalisation to **enhance competitiveness** in all strategic sectors.
- Emphasises the need for **foundational computing infrastructure** to enable an effective implementation of AI.
- Addresses the role of **regulatory barriers** in impeding the commercialisation of innovations and ideas within the EU.
- The **fragmented implementation of digital legislation** across the single market is identified as a key problem.
- Addresses the interconnection between digitalisation and strategic autonomy, particularly in the context of the **security risk** posed by the **potential loss of European data** to other continents. It mentions that approximately 90% of EU data is lost or transferred to third countries. The loss of data to third countries can be a significant security concern for businesses.
- Outlines the necessity for significant **public and private funding** across the three areas of (1) broadband networks, (2) computing and AI, and (3) semiconductors.

Negative Elements

- **Overemphasis on frontier and disruptive technologies.** Innovation ambitions are confined to 'breakthrough innovation,' with minimal recognition of the role large industrial companies play as originators, enablers, and implementers of **incremental innovation**.
- **Overemphasis on physical digital infrastructure**, with insufficient attention given to the data economy, digital platforms, and services.

Missing Elements

- Insufficiently addresses the need to provide SMEs with adequate **financial assistance** and **guidance** on the implementation of technological advancements, including AI tools.
- As regulations continue to develop new standards that businesses are required to

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purchase, the **cost of purchasing these standards** for businesses remains unaddressed.

a. Broadband Network

Positive Elements

- The report recommends **boosting** the deployment of competitive high-speed, low-latency, ubiquitous mobile and fixed **broadband services** and increasing **private investment** in digital networks (5G standalone and fibre) as well as **leading in strategic areas** such as O-RAN, edge computing, network API standardisation, IoT and other M2M business services.
- Advocates for a reinforcement of the EU's security and open strategic autonomy by **supporting EU-based providers** of communications equipment and software.
- Critiques the EU's **ex-ante regulatory approach**, which often disincentivises investments and risk-taking. It rightly points out the unavoidable **trade-off** between stronger ex-ante regulatory safeguards for fundamental rights and product safety, and looser regulatory rules to promote EU investment and innovation, e.g. through sandboxing.
- Encourages the **harmonisation** of EU-wide spectrum licensing rules and processes, as well as of the orchestration of EU-wide auction design features, technical standards for the deployment of Network APIs, edge computing and IoT through appropriate EU bodies. Recognises this is crucial to obtain scale benefits.
- Supports the ‘**same rules for same services**’ principle across the EU as a way of removing regulatory arbitrage across providers from adjacent sub-sectors offering similar services.
- Advocates for **cut-off dates** for older technologies (such as the usage of 2G frequencies).

Negative Elements

- Eurochambres views **relaxed merger control** cautiously, as it could lead to very harmful anti-competitive effects such as higher prices, lower investment and reduced innovation, thus potentially widening the competitiveness gap with the US. Higher telecom prices would also increase business' fixed cost. Draghi somewhat addresses the risk of lower investment resulting from increased consolidation by proposing obligatory investment commitments. However, these are very difficult to enforce.
- Europe must be vigilant against allowing one or two companies to monopolize the available spectrum, as **larger size does not inherently equate to superior performance**. In fact, many of the largest telecommunications operators have frequently lagged in implementing fibre-to-the-premises (FTTP) solutions and often demonstrate a lack of agility and willingness to use their **R&D capabilities to fund disruptive innovations**.
- It seems **unlikely** that Member States will agree to a **harmonisation** of spectrum licensing rules and common technical standards for new technologies (e.g., IoT, edge computing, Network APIs etc.). Furthermore, this harmonisation would not necessarily equate to achieving a fully integrated EU-wide telecoms market.

Missing Elements

- The chapter fails to adequately address the **considerable disparities** in the capacity and rollout of broadband networks among differing member states and regions.
- Even though the urban-rural digital divide is considered, the report does not address whether the EU should **prioritise cohesion**, thus investing in lagging regions, **or**

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rather focus on **enhancing already existing strengths**.

b. Computing and AI

Positive Elements

- The chapter addresses the shortage of data scientists and digital skills among the European labour force and suggests a **"Tech Skills Acquisition Programme"**, which we are greatly in favour of.
- The report addresses the **risk of overlaps and inconsistencies between the GDPR and the AI Act**. This may exclude some European companies from early AI innovations due to uncertainty regarding regulatory frameworks. To mitigate this risk, Draghi calls for the development of simplified rules and the enforcement of harmonised GDPR implementation across all Member States.
- Supports **fast review** processes of the main **AI-related regulations** every few years.
- Recognises that the implementation of the **Digital Services Act (DSA)** and **Digital Markets Act (DMA)** must **avoid producing** administrative and compliance burdens and legal uncertainties, and ideally must be enforced within shorter timeframes.
- Proposes an **EU Cloud and AI Development Act**, which we support as it is alarming that the largest European cloud operator accounts for just 2% of the EU market.
- Proposes an **EU Vertical AI Priorities Plan**. EU-wide coordination across sectors is needed to reach scale in terms of data, investment and market share.
- Advocates for **harmonisation of AI sandboxes regimes**.
- Encourages a **Single Market Passporting** regime for cloud services. A European regulatory approval needed for entry to the single market would prevent single Member States from adding stricter regulations beyond the requirements of GDPR and AI Act.
- Proposes to create an EU-wide framework for providing **‘computing capital’** from public institutions to innovative SMEs in exchange for financial returns (equity options, royalties or dividends to be reinvested in capacity and maintenance).¹

Negative Elements

- Draghi's proposal to safeguard EU data sharing from **anti-trust enforcement** could potentially have a **detrimental impact on businesses** that are **willing to share their data**. It is therefore crucial for the EU to ensure that trade secrets are protected and that this data will not be exploited for collusion, price fixing or other forms of anti-competitive behaviour.
- Proposes to create an EU-wide framework for providing **‘computing capital’** from public institutions to innovative SMEs in exchange for financial returns (equity options, royalties or dividends to be reinvested in capacity and maintenance).

Missing Elements

- The report does not address the urgent need for **talent acquisition and retention in AI**.
- An EU-wide strategy to **accelerate AI adoption** among businesses and especially SMEs is missing.

¹ While we recognise the critical need for greater SME access to computing capital, such high costs could also discourage SMEs from participating.

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c. Semiconductors

Positive Elements

- The report addresses the EU's vulnerability due to its **strong dependence on non-EU players**, as well as its scarce presence in high-value innovative segments.
- Urges the EU to adopt a bolder and more rapid approach to **strengthening its semiconductor industry**.
- Suggests introducing EU preferences in procurement and a new **"fast-track" IPCEI**.
- Proposes an **EU-wide permitting procedure** to streamline approvals and reduce investment duplication.
- Recommends a **semiconductor sub-component** in the Tech Skills Acquisition Programme to develop technical skills particularly needed in the semiconductor industry.
- We agree with the recommendation to focus on **advanced 3D packaging** to enhance Europe's position in high-value semiconductor manufacturing, particularly as packaging is expected to grow in value.

Negative Elements

- The proposals are similar to **ideas already put forth in the EU Chips Act**, but with a somewhat bolder approach. They do not introduce any particularly novel concepts.
- Very heavily focused on public investment, **lacking mention of private investment**.
- **Manufacturing is not supported** under the EU Competition Policy state aid, which is a significant change from previous schemes.
- Over-emphasis on becoming excellent in production of smallest node-size semiconductors. It does not address how to ensure enough supply of **semiconductors with greater node-sizes**, which are needed the most in the current key growth sectors.

Missing Elements

- Some suggestions could be more detailed or better explained. For instance, the report does not address the **proof needed** from manufacturers to obtain the **EU chips certification** and does not specify what would be the **source of the higher investments**.
- The issue of **raw material shortages** and potential **semi-conductor partnerships** with like-minded countries remains unaddressed. It also does not sufficiently elaborate on strategies to secure supply for the internal market.

4. Energy-Intensive Sectors

Positive Elements

- The chapter acknowledges the **importance of energy-intensive industries (EIIs)** for the European economy, recognizing their role in **reducing strategic dependencies**.
- Recommends advancing **financial solutions for EIIs**, e.g., simplifying the EU Taxonomy for Sustainable Finance.
- Calls for ensuring **access** to an affordable supply of natural **gas** and affordable, **clean electricity and hydrogen**.
- Highlights the pros and cons of Carbon Border Adjustment Mechanism (CBAM),

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suggesting **close monitoring and improvement of CBAM** during the transition phase. Considers evaluating whether to postpone the reduction of free ETS allowances if CBAM's implementation is ineffective.

- Stresses the importance of effectively designed **global trade arrangements** that support decarbonisation efforts and reduce unfair competition for energy-intensive industries.
- Encourages creating **green regional industrial clusters** around the EU's EILs.
- Advocates for **improved coordination** across EU policies impacting EILs such as energy, climate, environment, trade, and circularity.

Negative Elements

- Proposal for **temporary electricity price relief for EILs**. This could risk market distortion, particularly if not harmonised across Member States, and it potentially disadvantages SMEs.
- While Eurochambres supports the report's recommendation to simplify the EU Taxonomy, we do **not support expanding it to SMEs**, as this could disproportionately impact them. Eurochambres advocates for a simplified, voluntary approach tailored to SMEs.
- Competitive bidding mechanisms, such as in the EU Hydrogen Bank auctions, have their advantages, but may **reinforce regional disparities**. For instance, the European Hydrogen Bank auction has favoured countries with cheaper energy resources, leaving others behind in terms of hydrogen production.

Missing Elements

- There is limited examination of **international collaboration frameworks** beyond CBAM, with few actionable pathways for creating a globally competitive level playing field for EILs.
- **Few specific incentives** or support mechanisms to help **SMEs** in energy-intensive supply chains meet decarbonisation targets without disproportionate cost burdens.
- Insufficient focus on **technological innovation specific to EILs** and on how to push these technologies forward.

5. Clean Technologies

Positive Elements

- Supports the mobilisation of **private and public financing for clean tech solutions**, in particular by streamlining and simplifying access to EU public funding and increasing the level of resources.
- Encourages **diversifying supply sources and establishing industrial partnerships with third countries**.
- Supports the development and enforcement of a **single model** of sustainable and innovative technology certification. Eurochambres supports this only if it really delivers on simplifying ESG compliance.
- Suggests reinforcing EU-level collaborations **with industry and research centres**, addressing supply chain monitoring, definition of standards and minimal critical capacities, and coordination of R&D efforts.

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Negative Elements

- Suggests introducing an explicit **minimum quota** for selected, locally-produced, innovative and sustainable products and components in public procurement and in Contract for Difference auctions to reach EU manufacturing targets. Eurochambres finds this approach restrictive, advocating instead for companies to determine their own supply chain optimisations.
- Promotes other forms of offtake for selected locally-produced, innovative, sustainable technologies, such as **requirements and rewards in EU and EIB financing schemes** and in other national support schemes. Eurochambres cautions that such requirements could create rigidities for companies and increase reliance on complex eligibility requirements for financial access.
- Suggests introducing (realistic) **import diversification targets per technology**. Eurochambres is wary of this due to the potential for increased compliance costs and cost burdens on companies.
- Supports the optimisation of foreign direct investment and protection of EU know-how by leveraging **knowledge transfer clauses** and protecting intellectual property rights. Eurochambres supports facilitating foreign direct investment, but is sceptical of stringent knowledge transfer clauses, which could deter foreign investors and limit competitiveness.

Missing Elements

- The report accurately identifies Europe’s high operating and capital costs, particularly due to high input costs (raw materials, energy, labour), as a main barrier. However, while the issue is recognised, **concrete measures to reduce labour and raw material costs** remain unclear.
- Although the report notes that subsidies and trade barriers heavily impact the competitiveness of the EU clean tech sector, it leans towards advocating for compensatory subsidies rather than aiming for an international level playing field free of retaliatory subsidies. Eurochambres would prefer the report to propose more **cooperative global frameworks** to mitigate imbalances.
- There is limited discussion on the importance of “**technological neutrality**” in clean technology development.
- Insufficient emphasis is placed on the need for **coordinated R&D efforts across the EU**, ensuring that research objectives align with industrial and market needs, especially in emerging fields like hydrogen and Carbon Capture, Utilisation, and Storage (CCUS).
- While the report highlights that the regulatory framework is not always aligned with the needs of EU industrial policy on clean technologies, it does not provide **actionable proposals** to address these challenges. For example, PFAS substances critical for clean tech production (e.g., batteries and electrolyzers) could be banned by frameworks like REACH.

Horizontal Policies

1. Innovation

Positive Elements

- The report advocates for **simpler regulations** for innovative companies and proposes a **platform** to bring together all the relevant information on existing regulations and fundings.
- Advocates for **more coordination** of different EU instruments (e.g., EIC, EIF, InvestEU). It specifically mentions improving the coordination of EIF with EIC, as well as increasing its budget, which we are in great favour of.
- Proposes an **Innovative European Company statute** to provide companies with harmonised legislation.
- Encourages the promotion of **EU stock markets for IPOs**. Recognises that harmonising IPO rules across the EU is a required step.
- Proposes a **review of Solvency II requirements** on insurance and pension funds capital requirements to free up more private capital for investments.
- Highlights the need to turn academic research's outputs into commercialised products. Acknowledges the **weak links between education and business**, which give few incentives to researchers to become entrepreneurs. Also recognises the lack of a suitable legal framework that incentivises universities, researchers, and firms to register Intellectual Property Rights.
- Recognises **Europe's leadership** in green technologies, advanced manufacturing and advanced materials, the automotive industry and biotechnology. Also underlines Europe's **strong start-up proliferation**, comparable to US levels.

Negative Elements

- None identified

Missing Elements

- Does not mention **direct consultations with companies** to gather information on entrepreneurs' experience with EU policies and regulations.
- Overlooks the **role of chambers of commerce** as direct links between on-the-ground entrepreneurs and EU policymakers.
- **Unclear definition** of an Innovative European Company and of its legal implications.

2. Skills

Positive Elements

- The chapter recognises the need to improve **data collection** on skills needs.
- Encourages Member States' cooperation on **mutual recognition** of qualifications and skills.
- Supports an improved inclusion of **third-party organisations** (e.g., social partners and businesses) to improve skills and education's alignment with the labour market needs (e.g., through VETs).
- Recognises the under-used potential of **on-the-job trainings** and **adult learning**.
- Mentions the need to better assist **SMEs** in their skills investments.

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Negative Elements

- The analysis centres around scale-ups specifically and fails to take into account the **broader SME community** as well as **shortages in lower-skills jobs**.
- Underlines the necessity to rethink EU funding allocation and the way it is being spent but **lacks concrete reform proposals**.

Missing Elements

- No references to fostering **entrepreneurship** in education and training.

3. Investments

Positive Elements

- The report recognises the need to accelerate the development of the **CMU** and of the **Banking Union**, by reducing fragmentation and standardising financial products. It proposes transforming ESMA into a regulatory and supervisory agency similar to the SEC and creating a **separate jurisdiction** for European banks with substantial cross-border operations.
- Advocates for a **strengthened role of equity financing** with respects to bank financing. In this respect, it specifically proposes a securitisation platform to underpin a European securitisation market. This would, in turn, increase demand for risk capital and raise higher financing capital.
- Proposes **common insolvency frameworks** to facilitate cross-border activities, observing that businesses are less likely to invest in countries where their knowledge of insolvency procedures is limited. It also highlights the negative impact of **double-taxation** on capital gains for citizens investing in different Member States, thus emphasizing the need to rapidly address this issue.
- Highlights the need to use the **EU budget** more effectively and to reallocate its resources more flexibly.
- Proposes a **common safe asset** to finance **joint investment projects**.

Negative Elements:

- None identified

Missing Elements

- Does not properly clarify **how to raise the EUR 800 billion investment boost** nor how to simplify the political discussions with Member States. It also **ignores the need to repay the NextGenerationEU** and does not provide any direction on the new own resources.

4. EU Governance

Positive Elements

- The report supports shifting most of the European Semester priorities to a new **Competitiveness Coordination Framework**, organised in "Action Plans" (energy, innovation, skills, defence, digital).
- Encourages **extending the use of QMV** in the Council to more areas.
- Acknowledges the **need to calculate the cumulative** (aggregate) **regulatory burden**, making clear quantitative estimates of proposals (based on the EC Standard Cost Model), EP and Council amendments.

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- Recognises the need to **measure the impact** of transposed EU law at national level. It also acknowledges the issue of **gold-plating** and the need for **mitigating measures** for SMEs and small mid-caps.
- Suggests streamlining the EU acquis under a new **Vice-President for Simplification**. It proposes 6 months at the start of the European Commission’s mandate to assess and stress-test all existing regulation.
- Proposes the **raise of the current SME definition thresholds** to allow small mid-caps to benefit from mitigating measures designed for SMEs.
- Proposes a review of the **competitiveness test** (and SME test), an improved consultative process of stakeholders, and a reduced number of Expert Groups in the European Commission.
- Promotes the use of **regulatory sandboxes** at national level, coordinated by EU representations in Member States (EU innovation hubs), which is probably linked to a previous idea to establish Single Market Offices.

Negative Elements

- Proposes the introduction of a **lex specialis** principle: in case of conflict among EU laws, sectoral or more specific rules would automatically prevail, to the benefit of legal certainty.

Missing Elements

- Lacks reference to the **EU SME Envoy**.
- It does not clarify **how the legislative framework would need to be adapted** to an extended **SME definition**, nor how to avoid negative impacts on SMEs in terms of legal uncertainty or prioritisation of funding.

5. Trade

Positive Elements

- Acknowledges trade policy as being **fundamental** to combine decarbonisation with competitiveness, securing supply chains, growing new markets and offsetting state-sponsored competition.
- At the same time in times of global competition it is essential that trade policy is well coordinated with other EU policies and priorities in particular industrial policy, and to strike the right balance between an open and assertive trade policy. On the one hand it must guarantee a level playing field where trading partners are systematically not playing by the rules, while also ambitiously opening new doors for European companies in the world top growth centres, considering our raw material dependencies and the fact that 90% of global growth will be coming from outside the EU in the coming years. In this context, Eurochambres explicitly calls for the swift conclusion of trade negotiations, with key partners such as MERCOSUR, India, Indonesia, or countries in the ASEAN.
- The report rightly underlines the need for Europe to strengthen, and make **multilateral** rules fit for purpose, with the explicit mention of the needed WTO reform and the reform of the dispute settlement in particular, which are key asks for Eurochambres.

Negative Elements:

- None identified

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Missing Elements

- Further recognition of the importance of growing new markets and the importance of Europe’s **network of trade agreements** for supplying key inputs and raw materials and giving companies the ability to grow in foreign markets. The significance of a strategic and open trade policy for European competitiveness is vital for European business.

6. Single Market

Positive Elements

- The report argues that the EU should use its trade policy arsenal to keep barriers low, to level the playing field and to secure critical supply chains - overall valid strategic points. Recommendations rightly focus on the elements needed to address Europe’s competitiveness gap, with a focus on both **national measures** and on the **supporting role of international trade** (as in the case of the decarbonization of the economy).
- It is in full support of the **Letta report’s** conclusions.
- Supports **streamlining of laws transposition and implementation** at the national level.
- Encourages strengthening the **Single Market Enforcement Task Force**.
- Recognises **gold-plating** as a major source of fragmentation and legal uncertainty in the EU.

Negative Elements

- There is **no specific chapter** dedicated to deepening the single market and the few references relate to **specific sectors** instead of adopting a structural approach to tackling barriers.
- The voluntary **28th company rulebook** to harmonise legislation on corporate law and insolvency, as well as a few key aspects of labour law and taxation are **over-ambitious goals** with strong possibilities to fail due to the inherent complexity of the policy areas and the likely divergences across Member States. **Similar initiatives** were put forward by the European Commission in the past and **failed**.

Missing Elements:

- Fragmentation of the single market is the **main obstacle to the growth of innovative companies**.
- Does not fully address the need to develop a **new horizontal single market strategy** with clear actions and targets.
- Does not sufficiently emphasise the need to reduce the growing legal complexity, correctly implement and enforce EU legislation, uphold the principle of mutual recognition and mitigate the most pressing single market barriers.



[Eurochambres](#) – the association of European chambers of commerce and industry – represents more than 20 million businesses through its members and a network of 1700 regional and local chambers across Europe. Eurochambres is the leading voice for the broad business community at EU level, building on chambers' strong connections with the grass roots economy and their hands-on support to entrepreneurs. Chambers' member businesses – over 93% of which are SMEs – employ over 120 million people.

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