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Trilateral Business Forum: BDI, Confindustria and Medef jointly call for a growth agenda for Europe

The EU has become less attractive to companies over the last few years. There are many reasons for this, ranging from high taxes to a lack of investment. This must change urgently with the start of the new EU Commission. This is what the three business associations BDI, Confindustria and Medef agreed on at the Trilateral Business Forum in Paris. They are calling for a new growth agenda for Europe. If Europe wants to catch up economically with the rest of the world, efficiency and competitiveness must become central to European policymaking.

The Presidents of MEDEF, BDI, and Confindustria gathered in Paris for the 6th Trilateral Business Forum in Paris, at a critical moment for Europe. The Draghi and Letta reports have sounded the alarm: Europe is at risk of falling further behind economically and must act decisively.

As business leaders from France, Germany, and Italy, our goal is to contribute to the European agenda by calling for swift action to strengthen Europe's industrial base, drive innovation, and secure strategic autonomy. With the EU's new institutional mandate there is a concrete opportunity to reinvigorate growth, attract investments, and implement policies that will restore Europe's growth and competitiveness in the global economy.

"European interests, new European ways":

Catch-up or face the decline of Europe

20 January 2025 will mark a turning point with the inauguration of the new President of the United States. The next two months are essential for Europe to start turning around its stance on innovation, investment and security. Action must be taken urgently, otherwise opportunities will die out, and it will be too late.

The European economy has lost ground and needs to catch up. Since 2010, the U.S. economy has expanded by 37.5% and the EU by 20.9%. The U.S. GDP per capita has risen from $48,374 to $85,373, while the EU has increased from $32,966 to $42,443. The US economy has led on innovation, the digital economy and on several dimensions of costs, in particular on energy, while the EU has fallen behind. The US has become less dependent on foreign countries, while the EU faces tough, often unfair, competition or unjustified trade barriers by third countries. The war on Ukraine has also dealt a specific severe economic blow to our continent.

In this context, the upcoming US-administration plan includes, but is not limited to, a minimum 10-20% tariff increase on every import. If such a measure were to be adopted, it would further depress European growth.

It is time to recognise not only that Europe is lagging behind, but that the risk of decline and deindustrialisation in the EU is even greater.

It is time to act accordingly.

As a result, European businesses urgently call upon the European Union and its member states to undertake a "Catch-up Test": within one year, systematically compare our key policy results with the US' in critical economic domains and adjust policies as necessary. The rationale is simple: to save and promote our European model, our values, and our freedom of action, Europe must secure financial resources based on better practices. In other words: we need "European interests, new European ways".

Based on the Catch-up Test, business leaders from France, Germany, and Italy urgently call upon EU institutions and Member States to undertake four immediate actions that should supersede the others.

1. First priority: To Boost Competitiveness of the European Industry, Adopt a Technology-Neutral Approach Across All Initiatives Within One Year.

Catch-up Test: Energy costs in Europe are currently about twice those in the U.S. While the U.S. is a net exporter of energy, the EU imports 60% of its energy needs. These gaps are one of the main causes of competitiveness divergence between the EU and the US. They also make Europe vulnerable to external supply disruptions and price volatility.

Business leaders from France, Germany, and Italy urgently call upon EU institutions and Member States to adopt a technology-neutral approach across all initiatives to provide equal and fair support to renewable and low-carbon technologies. It is time that the EU supports all low carbon technologies, including nuclear power, renewable energies, low-carbon gases and hydrogen. Harmonised support in the Clean Industrial Deal, EU-ETS, and financing mechanisms will also empower diverse low-carbon solutions to contribute to Europe's green transition.

Addressing high energy costs should also involve resolute additional actions, including:

- On energy: we support further implementation of the Electricity Market Design Reform by integrating decarbonisation mechanisms like PPAs and CfDs to stabilise energy costs and provide market visibility for investors. We also call for strengthening schemes for indirect cost compensation under the EU Emissions Trading System (ETS), promoting flexibility services, deepening energy market integration through investments in energy infrastructure, including renewable energy production and networks.
- On sustainable mobility: in the wake of the latest developments at EU level, we support the request bringing forward from 2026 to 2025 the revision of the CO2 emission standards for car and van Regulation and the submission to the European Parliament and the Council of the first progress report.
- On emissions: we support the review of both ETS and the Carbon Border Adjustment Mechanism (CBAM) to make it fully effective and prevent undue production costs and burdens on industries relying on imported raw materials. In case CBAM proves not to be effective, the phase-out trajectory of free allowances will have to be postponed.

2. Second priority: To Reduce Bureaucratic and Compliance Costs, Review All Relevant Regulations Within One Year

Catch-up Test: According to the Draghi Report, from 2019 to 2024, the EU passed approximately 13,000 acts, compared to only about 3,500 pieces of legislation and 2,000 resolutions at the federal level in the U.S. Similarly, European Member States implemented significantly more regulations than U.S. states, further complicating an already fragmented market. These gaps are one of the main causes of competitiveness divergence between the EU and the US.

Business leaders from France, Germany, and Italy urgently call upon EU institutions and Member States to simplify without delays regulatory framework. This includes: (i) conducting a comprehensive review of existing legislation, delegated acts, and implementing acts to reduce unnecessary compliance costs; (ii) systematically applying better regulation tools - such as competitiveness checks, SME tests, and cumulative impact assessments - to new legislation; (iii) establishing clear targets to reduce compliance costs, with concrete simplification initiatives included in the Commission's annual work programs (including the removal of outdated or redundant legislation); iv) further streamline permitting processes by significantly reducing approval times for green projects and setting defined time limits for environmental impact assessments. Two directives of particular concern are the Corporate Sustainability Due Diligence Directive (CSDDD), which needs a competitiveness assessment before its entry into force, and the Corporate Sustainability Reporting Directive (CSRD), which needs further simplification, including streamlined reporting standards and reduced information requirements.

3. Third priority: To Accelerate Innovation, Start Increasing R&D Investment to 3% of GDP Within One Year

Catch-up Test: Current figures show that the EU's investment in research and development hovers at around 2.2% of GDP, while the United States invests about 3.6%. This gap is another important cause of competitiveness divergence between the EU and the US.

Business leaders from France, Germany, and Italy urgently call upon EU institutions and Member States to start increasing investment in R&D to 3% of GDP by January 2026. To achieve this target, Member States and EU Institutions must be prepared to reallocate resources, including funds from the Multiannual Financial Framework (MFF), to support cutting-edge technological development across the EU. Europe's technological independence and economic future depend on strong investment in critical fields such as artificial intelligence, energy, medicine and biotechnology. These investments will empower European companies to innovate at scale, reduce reliance on non-European technologies, and build a sustainable and competitive economy.

In addition to a strong financial R&D basis it is essential that the existing European Innovation Council undergoes a comprehensive review to make it more ambitious and less cumbersome and to align its priorities more with European industrial needs than with investors interests. The European potentials of dual-use must be fully harnessed and the EU should strategically identify and engage with international innovation partners.

At the same time, although in some sectors fostering disruptive research and innovation is strongly needed, it is also crucial for industry to finance all forms of R&I, including incremental research and innovation. Many industrial sectors still need to be adequately supported in order to invest in their technological consolidation and strengthen international leadership. Supporting SMEs' incremental R&I and keeping them connected to the European R&I ecosystem is crucial to help them remain competitive, improve their processes and respond faster to market needs. It is also crucial to ensure a proper Intellectual Property framework and similar tools (e.g. regulatory data protection and market exclusivity) to maintain competitiveness in high tech sectors and attract global investment in the EU.

4. Fourth priority: To facilitate European Investments, Start Unlocking the €800 Billion Identified in the Draghi Report Within One Year

Catch-up Test: The U.S. operates as a single capital market; the EU does not. Consequently, the total value of all companies on Europe's stock markets is only half of that in the U.S. as a percentage of GDP; U.S. citizens invest three times more in stocks than EU nationals; venture capital funding raised $130 billion in Europe from 2013 to 2023, compared to $942 billion in the U.S.; Europe has not created a single €100 billion company in the past 50 years, while the U.S. has produced six companies each worth over €1 trillion. The absence of the Banking and Capital Markets Unions are a further cause of the competitiveness divergence between the EU and the US.

Business leaders from France, Germany, and Italy urgently call upon EU institutions and Member States strengthen the competitiveness of the corporate financing ecosystem through the Banking and Capital Markets Union within one year. European leaders should aim for progress on securitisation as to free bank assets for new lending.

Strong public investment at the national and EU levels is also needed. The EU should develop a competitiveness-oriented Multiannual Financial Framework (MFF) and more efficient financial instruments adapted to company needs that allocates more resources to strengthen EU innovation, competitiveness, cohesion, adopting a results-oriented approach also at territorial scale. This requires a substantial increase in EU funding for R&I, pan-European infrastructures, in particular in energy and transportation, industrial and energy transformation, critical raw materials and strategic technologies, such as microelectronics and medicines. Defense initiatives like the European Defence Fund and the European Defence Investment Program must also be adequately funded. The financing of those European public goods should also be partly pursued through well-designed EU debt instruments of appropriate size to be refinanced by dedicated new

contributions of Member States to the EU budget or higher own resources. We urge the institutions to settle the issue of debt repayment for NextGeneration EU and own resources in due course.

The EU should expand the support to private financing through the European Investment Bank and the InvestEU programme. Decarbonisation and digitalisation will require and enlarged role of financing programmes backed by the European budget and must substantially strengthen the provision of equity, venture capital, debt, and risk-sharing instruments such as guarantees to unlock private investments.

Our three nations, in cooperation with other Member States, should leverage common projects on strategic investments through IPCEIs and national investment incentives. As recommended in the Draghi report, IPCEIs have to be used more extensively, co-funded from the EU budget and funded by joint efforts of Member States. Their ap-

praisal period should also be capped at 4 months to speed up industrial cooperation. Also, coordinated approaches to provide strong tax incentives and support to those goals at the national level should be enabled by an improved state-aid framework.

Concurrently, Member States should commit to deficit reduction strategies where necessary to strengthen their economic foundations. These measures are essential not only for ensuring sustainable public finances but also for freeing up resources to meet the pressing priorities of defence and innovation funding.

Conclusion: A Decisive Moment for Europe's Future

The coming months present a crucial opportunity for Europe to assert its position on the global stage. The actions proposed here - adopting a technology-neutral approach across all initiatives, review all relevant regulations, raising R&D budgets to 3% of GDP, and starting to unlock €800 billion – all within one year – - are not simply aspirational. They are essential, practical steps to secure Europe's economic, technological, and strategic sovereignty. These measures are also vital for the security of the European Union and for its credibility as a power capable of protecting its territory and supporting allied democracies, first and foremost Ukraine. If these priorities are not implemented, European countries risk losing their voice in the future of the global economy, and the resulting economic strain could very much erode the foundations of the European social model, threatening the stability of our welfare systems and the solidarity they represent.

The first 100 days of the new European Commission can lay the foundation for Europe's economic future. As the leading business organisations of France, Germany, and Italy, we reaffirm our commitment to collaborating with the European Commission and policymakers across Europe to build a stronger, more competitive, and strategically autonomous continent.

In partnership with BusinessEurope, our shared European organisation, we will continue advancing a vision for an industrially robust, digitally sovereign, and climate-resilient Europe that ensures prosperity and stability for all European citizens.

Together, instead of facing a potential lost century for Europe, we can ensure that Europe once again becomes a beacon of stability, prosperity, and innovation for generations to come.

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