



Charting a course through choppy waters: the EU competitiveness compass

Europe has a plan to boost growth and productivity, all while becoming the world's first climate-neutral continent.

24 April 2025 - By ROSS MCQUEEN

On a cloudy morning in September 2023, European Commission President Ursula von der Leyen sprang a surprise.

Midway through her annual State of the Union address at the European Parliament, she announced that she had tasked former Italian prime minister Mario Draghi with drafting a report on the future of European competitiveness.

Europe, she said, would do “whatever it takes” to keep its competitive edge. But faced with a multitude of challenges, the EU urgently needed a plan for doing so.

According to several metrics, the EU had fallen behind other major economies in recent years due to a persistent gap in productivity growth, and this clearly needed to change. But how could Europe’s aim to stay ahead in technology, manufacturing and services be squared with its goal of becoming the first climate-neutral continent?

Fast forward to September 2024, and the freshly published Draghi Report landed in the inboxes of Europe’s policymakers, with a set of recommendations for the road ahead. Draghi, who led the European Central Bank from 2011 to 2019, laid out the future of Europe’s competitiveness in stark terms.

Radical change

Europe’s growth, he wrote, had been slowing since the start of the 21st century, and the productivity gap with the US had widened.

If Europe was to preserve its values of equity and social inclusion, and avoid having to choose between being “a leader in new technologies, a beacon of climate responsibility and an independent player on the world

stage”, it had to increase productivity.

This, Draghi warned, would require Europe “to radically change”.

He acknowledged that the challenges were steep, but the situation was not lost. The EU still had many strengths and was not starting from scratch. What was needed was a “unified response” to these challenges, and a plan on how to move forward.

Compass points and pillars

To navigate these choppy waters, the EU has developed a competitiveness compass – a set of guiding principles to help steer the European Commission’s work, adopted in January 2025.

The aim is to transform Europe into the place where cutting-edge technologies, services and clean products are invented, manufactured and put on the market.

The three main pillars of this plan are innovation, decarbonisation and security. This means striving to create a nurturing environment for startups and innovators, increasing access to clean and affordable energy, and reducing the EU’s dependency on other countries for raw materials.

These pillars are further underpinned by five so-called “enablers”.

These call on the EU to simplify the procedures for accessing EU funds; remove internal barriers within the EU Single Market; attract more capital for investments; promote quality jobs and skills for Europe’s workforce; and coordinate better on policy within the EU institutions and Member States.

If all these pillars and enablers are achieved, the theory goes, the EU will be well on the way to regaining its lost competitiveness – bringing benefits for governments, businesses and citizens.

Competitiveness and research

The incoming Commissioners in the 2024 intake have been tasked with boosting the EU’s competitiveness in their own respective fields. Ekaterina Zaharieva, European Commissioner for Startups, Research and Innovation, is no exception.

Her portfolio gives her a crucial role in supporting Europe’s competitiveness, in which research and innovation play a key part. The EU urgently needs to encourage tech companies to set up and remain in Europe, and to invest in the emerging technologies that will drive future growth – and these actions fall within her policy area.

The urgency of this task was not lost on Commissioner Zaharieva. “We have to act fast,” she said, and that means “drastically” cutting all paperwork and simplifying the procedures for accessing EU funds.

Here, Europe is not beginning from a standing start. “Over the past six years, more startups have been founded in the EU than in the US,” the Commissioner noted.

However, the problem is that these startups lack the right conditions for growth in the EU. “It’s time to change that,” Zaharieva said.

Hitting the ground running

Since the start of the year, the European Commission has taken serious steps towards greater competitiveness. Work is underway on a “startup and scaleup strategy”, due to be presented this year, which aims to make it simpler for startups to set up and grow in the Single Market.

To achieve this goal, the strategy will aim to iron out the difficulties European startups currently face in accessing capital, markets, services, infrastructure and talent.

Another project in the pipeline is a European innovation act, intended to streamline the EU’s regulatory framework and make it easier for venture capital to support new technologies and solutions. As the Draghi report made clear, cutting red tape is a crucial step towards making Europe more competitive again.

The EU is also working on a life sciences strategy to keep Europe at the forefront of the bioeconomy, and an AI strategy to make the EU a world-class AI hub.

Competitiveness is also expected to be at the core of the upcoming European Semester – the annual coordination process for the EU’s economic and social policies.

Staying the course

In an increasingly turbulent world, it might become tempting to trade off Europe’s principles, such as sustainability and decarbonisation, against the need for greater productivity.

However, with the competitiveness compass, the EU has a clear course to follow towards renewed growth and greater productivity, but also a clear statement of the principles on which it will not compromise.

Becoming competitive while remaining committed to climate neutrality will not be easy, but the EU has hung its colours to the mast and intends to stay the course.

In the words of President von der Leyen: “Europe has everything it needs to succeed in the race to the top.” And the competitiveness compass is Europe’s plan for doing just that. “We have a plan. We have the political will,” says von der Leyen.

Now the plan must be put into action. “The world is not waiting for us,” she added.

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- [EU competitiveness – what the EU does](#)
- [Draghi report on European competitiveness](#)
- [Commissioner Ekaterina Zaharieva](#)