

Boosting growth in Europe – a French-German initiative for the next five years

Over the past five years, Europe has made enormous progress towards the green and digital transition. Faced with multiple challenges in a deteriorating geopolitical context, we now need to boost Europe's global competitiveness and resilience while upholding our ambition to make the EU the first climate-neutral continent in the world.

Europe must not fall behind and remain an industrial and technological powerhouse. We must build on the success of the Green Deal and the Green Deal industrial plan's achievements to pursue an ambitious growth agenda. In addition, we need to make sure Europe is strong enough in the face of new emerging threats, including our defence sectors.

In order to do so, we need to act swiftly and collectively.

Europe has enormous potential but the need to address Europe's competitiveness challenges is increasing.

The war of aggression against Ukraine, rising geo-political tensions, the COVID-19 pandemic and the energy crisis and not least the globally dramatically increasing effects of climate change have been powerful wake-up calls for Europe, exposing the strategic vulnerabilities as well as the structural weaknesses of our economies. Rising geopolitical tensions have increased challenges for our supply chains and access to critical raw materials

To ensure Europe's long-term competitiveness, prosperity and global role as a geopolitical actor, efforts will be required at all levels and across all policy areas to close growth, productivity and innovation gaps between the EU and its international partners and main competitors.

Europe still has enormous potential: we have the skills, the people, the highly innovative companies from small firms to large multinationals, the capital and the industrial base to succeed. With the Single Market, we have one of the largest and most integrated markets in the world. But we must put in place the right policies to spur private investment and innovation across the whole of the EU. This means eliminating unnecessary bureaucratic burdens; developing our regulatory framework further in a way that boosts economic momentum; and putting in place intelligent funding tools that foster competition rather than cementing players.

The green and digital transitions will fundamentally transform our economies. This means huge market opportunities for the industries of tomorrow, creating new, well-paid and secure jobs.

Europe will need a fresh economic dynamism in the coming five years and we should direct all our instruments towards unleashing it.

Massive investments are needed to boost productivity, competitiveness and innovation.

EUR 620 billion annually will be necessary in the EU as a whole to meet the objectives of the Green Deal and REPowerEU. Besides, we will have to bridge the investment gap within the EU for the digital transition – estimated at least at EUR 125 billion annually by the EU Commission.

Private financing is the natural first contributor to fill this investment gap, and accelerating the Capital Markets Union (CMU) is a key leverage in this respect. We need a new impetus to achieve quick and decisive progress on all identified measures that are necessary to create a truly integrated European capital market. We will need to review and simplify the financial market regulation framework while preserving financial stability, improve the conditions for equity investment and scale-ups, as well as a simple and effective cross-border investment/savings product for retail investors. We will also need to agree the remaining elements to Banking Union. Public support instruments will also be instrumental to act as a catalyst, especially at a time when the U.S. and China are investing massively to support their competitiveness and accelerate the twin transitions.

Therefore, decisive actions should be undertaken to boost growth in Europe.

The single market has long proved to be Europe's most powerful asset. We call on the European Commission to adopt an ambitious work plan in the coming months:

First, the European Union needs to go quicker and be simpler.

We need to ambitiously eliminate unnecessary administrative burdens and forcefully reform, simplify and fast-track administrative procedures and EU funds in order to make the most of creative forces in business and civil society and in particular in our SMEs. This includes the launch of so called "reality checks" at European level to identify unnecessary bureaucratic burdens in a more targeted way.

We need to spur private investment by pursuing a more ambitious agenda to achieve the Capital Markets Union and by agreeing the remaining elements to Banking Union.

We aim to build a competitive energy system through energy efficiency, flexibility and the respective reliable investment framework. We need to further accelerate transition of our energy systems. We will work together to find common ground on the future EU Climate and energy framework for 2040. This will help lower electricity prices and strengthen European competitiveness.

We must reduce remaining barriers in the single market, which remains unduly and overly fragmented in order to reap the full benefits of European economic integration whilst setting high standards. We also need strong implementation and enforcement of our existing rules as well as functioning and enhanced market surveillance, in particular when it comes to products that are imported into the Single Market. We need to ensure effective enforcement of the new responsibilities of online platforms. And we want to facilitate the elimination of obstacles in border regions for their mutual benefit.

We have to swiftly implement CBAM and create clarity, efficiency, effectiveness and simplicity in its implementation, taking the risk of carbon leakage of downstream sectors and exporters into account as well as cooperating with our partners, while ensuring there are no possibilities of circumvention. We will need to thoroughly implement our climate targets, while making sure to effectively prevent carbon leakage.

We must ensure effective competition in the single market and tackle structural

competition problems by global actors. It is the cornerstone of the competitiveness of European companies and the EU's comparative advantage over its systemic rivals.

Second, the European Union will be stronger and fairer by joining forces.

We should make the Green Deal and the Green Deal Industrial Plan a growth agenda for Europe and in particular for the climate-neutral renewal of our industrial base. Europe must remain a manufacturing power house. We need to work on our resilience and long-term competitiveness by reducing our dependencies in strategic sectors.

The renewal of our industrial base will ensure the development of net zero technologies and the decarbonization of our existing and future industry. In addition, we will foster recycling and the circular economy as a source of green growth. We will support the creation of green lead markets in the EU and worldwide as well as the development of new, innovative, truly European tools for industrial policy that do not simply entrench existing firms but create space for European companies to become globally competitive.

We need a European Tech Deal that strengthens the EU's technological capabilities that will accelerate digitalisation across industries and seize opportunities in the most innovative technologies. We need to implement our common rules with strong supervision. To strengthen the EU's technological capabilities, we will have to promote cutting-edge research and its industrialisation at European level (such as AI, quantum, biotech, space, advanced materials).

We need to build on our high human capital and adapt our skills to promising new industrial jobs by fostering the development and circulation of human capital in the industry, working for a better recognition of qualifications across borders, and implementing a European visa coordination scheme for employees, founders and investors of tech start-ups.

We need to strengthen EU funding for European public goods and infrastructures for digital and green transitions, when there is a mutual benefit and a sound economic justification, including cross-border when relevant. The EIB has a role to play with a view to supporting the necessary investments and helping to address critical challenges. And we need to add a broad mix of new own resources.

To support joint resilience, we will need to strengthen our capability to design and produce the EU defence goods we need. We should jointly boost our defence industries, enhance their cooperation and work towards a greater integration across borders. We must further discuss ways to enable further investment by the EIB in the security and defence sector in a manner which takes the impact on EIB's risk profile and that safeguards EIBs financing basis into account.

We recognize that the renewal of our industrial base and the twin transitions will come with considerable social costs. With the Social Climate Fund, the Just Transition Fund and the European Globalisation Adjustment Fund, we have already set up useful tools to mitigate these effects. Nevertheless, we will need to strengthen the social dimension of the transition across European tools.

We call for an ambitious EU trade policy, based on openness and assertiveness, in order

to promote diversification, resilience, social standards and sustainability. We need to modernize the EU's approach on trade agreements, in light of the geostrategic need for securing our supply chains, reflecting the trade and sustainable development approach adopted by the Commission in June 2022 and by focusing on thematic areas of mutual interest with partners across the globe. We commit to strengthening the multilateral, rules-based trading system with the WTO at its core. In order to ensure a global level playing field, trade defence instruments should be used consistently, where necessary, to effectively encounter unfair or abusive trade practices.

The new EU Commission will have the strong support of both our countries to reach these objectives by the end of its coming mandate. The next five years will be key to reach our goals, show unity and face emerging threats together.

Agence Europe