

Special Address by President von der Leyen at the World Economic Forum

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“Check against delivery”

Lieber Klaus Schwab,

Liebe Karin Keller-Sutter,

Excellencies,

Ladies and Gentlemen,

The first quarter of the century has come to an end. And it has brought about a sea-change in global affairs. This century started with great expectations. Twenty-five years ago, the era of hyperglobalisation was nearing its peak. As supply chains went global, hundreds of millions of people were being lifted out of poverty, especially in India and China.

In America, the dot-com boom was at its height, symbolizing the optimism of a connected global economy in which technology was seen as an unambiguous force for prosperity and peace. With Russia making the G7 the G8, democracy was ascendent across the world, some even said it was the End of History for ideological struggle. In the European Union, our Single currency, the Euro, was about to bring our people and economies much closer together. The global economy reaped the dividends. And here in Davos, world leaders discussed how global cooperation and technology could help the fight against poverty and disease. It was the promise of a more integrated and cooperative world.

25 years on, has this promise been fulfilled? Yes, the world today is still nearly as connected as ever. But it has also started fracturing along new lines. On the one hand, since the year 2000, the volume of global trade has doubled, although trade within regional blocs is now expanding faster than trade between them. It is common that a chip is designed in the US, built in Taiwan with European machines, packaged in Southeast Asia, and assembled in China. On the other hand, last year alone global trade barriers have tripled in value. International trade institutions have often struggled to address the challenges posed by the rise of non-market economies that compete by a different set of rules. Innovation continues to flourish, with advances in AI, quantum computing, and clean energy poised to change our way of life and work, but technology controls have also quadrupled in recent decades. Our supply chain dependencies are at times weaponised, as shown by Russia’s energy blackmail, or exposed as brittle when global shocks, such as the pandemic, emerge without warning. And the very interconnectors that bring us together, like undersea data cables, have become targets – from the Baltic Sea to the Taiwan Strait.

The cooperative world order we imagined 25 years ago has not turned into reality. Instead, we have entered a new era of harsh geostrategic competition. The world’s major economies are vying for access to raw materials, new technologies and global trade routes. From AI to clean tech, from quantum to space, from the Arctic to the South-China Sea – the race is on. As this competition intensifies, we will likely continue to see frequent use of economic tools, such as sanctions, export controls, and tariffs, that are intended to safeguard economic and national security. But it is important that we balance the imperative to safeguard our security against our opportunity to innovate and enhance our prosperity. In this spirit, we will need to work together to avoid a global race to the bottom. Because it is in no

one's interest, to break the bonds in the global economy. Rather we need to modernize the rules to sustain our ability to produce mutual gain for our citizens.

For us Europeans, the race begins at home. Europe has a unique social market economy. We have the second largest economy and the biggest trading sector in the world. We have longer life expectancy, higher social and environmental standards, and lower inequalities than all our global competitors. Europe is also home to immense talent, along with the proven ability to attract ideas and investment from across the world. Our capacity to invent and create is underappreciated – Europe's global share of patent applications is on par with the US and China. But the world is changing. So must we. In the last 25 years, Europe has relied on the rising tide of global trade to drive its growth. It has relied on cheap energy from Russia. And Europe has too often outsourced its own security. But those days are gone.

To sustain our growth in the next quarter of the century, Europe must shift gears. This is why I asked Mario Draghi to deliver a report on European Competitiveness. And on that basis, next week the European Commission is presenting our roadmap, which will drive our work for the next five years. The focus will be to increase productivity by closing the innovation gap. A joint plan for decarbonisation and competitiveness. To overcome skills and labour shortages and cut red tape. It is a strategy to make growth faster, cleaner and more equitable, by ensuring that all Europeans can benefit from technological change. And let me elaborate more on three foundations that will underpin this strategy.

First, Europe needs a deep and liquid Capital Markets Union. European household savings reach almost EUR 1.4 trillion, compared with just over EUR 800 billion in the US. But European companies struggle to tap into that and raise the funding they need. Because our domestic capital market is fragmented. And because that pushes money overseas: EUR 300 billion of European families' savings are invested abroad – every year. That is a key issue holding back the growth of our tech startups and hindering our innovative clean tech sector. We do not lack capital. We lack an efficient capital market that turns savings into investments, particularly for early-stage technologies that have game-changing potential. This is why we will create a European Savings and Investments Union. With new European saving and investment products, new incentives for risk capital and a new push to ensure the seamless flow of investment across our Union. We will mobilise more capital to let made-in-Europe innovation and risk-taking thrive.

Second, we must make business much easier all across Europe. Too much of our top talent is leaving the EU because it is easier to grow their companies elsewhere. And too many firms are holding back investment in Europe because of unnecessary red tape. We need to act at all levels – continental, national and local. And we want to lead the way at the European level. For instance, we will launch a far-reaching simplification of our sustainable finance and due diligence rules. And we will make sure to create a conducive environment for our SMEs to scale up their capacity to build, produce and innovate in Europe. But I want to go even further than this. Today, the European Single Market still has too many national barriers. Sometimes companies are dealing with 27 national legislations. We will offer instead to innovative companies to operate all across our Union under one single set of rules. We call it the 28th regime. Corporate law, insolvency, labour law, taxation – one single and simple framework across our Union. This will help bring down the most common barriers to scaling up all across Europe. Because continental scale is our greatest asset in a world of giants.

The third foundation is energy. Before the start of Putin's war, Europe got 45% of its gas supply and 50% of its coal imports from Russia. Russia was also one of our largest oil suppliers. This energy appeared cheap, but it exposed us to blackmail. So when Putin's tanks rolled into Ukraine, Putin cut us

off his gas supplies, And in return we substantially reduced our dependency on Russian fossil fuels in record time. Our gas imports from Russia went down by roughly 75%. And now we import from Russia only 3% of our oil, and no coal at all. But freedom came at a price. Households and businesses saw sky-high energy costs and bills for many are yet to come down. Now, our competitiveness depends on getting back to low and stable energy prices. Clean energy is the mid-term answer, because it is cheap, it creates good homegrown jobs and it strengthens our energy independence. Already today, Europe generates more electricity from wind and solar than from all fossil fuels combined. But we still have work to do to feed through these benefits to companies and people.

Not only must we continue to diversify our energy supplies, and expand clean sources of generation from renewables and, in some countries, also from nuclear. We will have to invest in next-generation clean energy technologies, like fusion, enhanced geothermal, and solid-state batteries. We must also mobilize more private capital to modernize our electricity grids and storage infrastructure. We must remove any remaining barriers to our Energy Union. And we must better connect our clean and low-carbon energy systems. All of this will be part of a new plan that we will present in February. It is time to complete our Union also on energy, so that clean power can run freely across our continent, and bring prices down for all Europeans.

Ladies and gentlemen,

This is our plan. And the next few years will be vital to stay in the race of clean and disruptive technologies. Europe has everything it needs to make this happen. We have a private sector with a long tradition of innovation. We have a top-class workforce. We have a huge Single Market of 450 million people and a unique social infrastructure to protect people from the great risks of life. We have credible and independent institutions, transparent governance, and an unshakeable commitment to the rule of law. It is thanks to all this that in the last five years, Europe has weathered the fiercest storm in our economic history. And we overcame an unprecedented energy crisis. We did this together, and we can do it again. And we have the political will. Because when Europe is united, it gets things done.

Ladies and gentlemen,

The coming years will be vital well beyond Europe. All continents will have to speed up the transition towards net zero, and deal with the growing burden of climate change. Its impact is impossible to ignore. Heatwaves across Asia. Floods from Brazil to Indonesia, from Africa to Europe. Wildfires in Canada and California. Hurricanes in the US and the Caribbean. Climate change is still on top of the global agenda. From decarbonising to nature-based solutions. From building a circular economy to developing nature credits. The Paris agreement continues to be the best hope of all humanity. So Europe will stay the course, and keep working with all nations that want to protect nature and stop global warming. Likewise, all continents will have to grasp the opportunities of AI and manage its risks. On challenges like these, we are not in a race against each other, but in a race against time. Even in a moment of harsh competition, we need to join forces. And Europe will keep seeking cooperation – not only with our long-time like-minded friends, but with any country we share interests with. Our message to the world is simple: if there are mutual benefits in sight, we are ready to engage with you. If you want to upgrade your clean tech industries, if you want to upscale your digital infrastructure – Europe is open for business.

And as great power competition intensifies, I see a growing appetite across the world to engage more closely with us. In the last two months only, we concluded new partnerships with Switzerland, Mercosur and Mexico. This means that 400 million Latin Americans will soon be engaged in a privileged

partnership with Europe. These deals were in the making for years, if not decades. So, why are they all happening today? It is not only because Europe is a large and attractive market. But because with Europe, what you see is what you get. We play by the rules. Our deals have no hidden strings attached. And while others are only interested in exporting and extracting, we want to see local industries flourish in partner countries. Because this is also in our interest. It is how we diversify our own supply chains. And this is why Europe's offer is so attractive, all across the world. From our neighbours in Africa, who are working with us to develop local clean-tech value chains and clean fuels. To the vast Asia-Pacific region. Hence, the first trip of my new Commission will be to India. Together with Prime Minister Modi we want to upgrade the strategic partnership with the largest country and democracy in the world.

I believe we should also strive for mutual benefits in our conversation with China. When China joined the WTO 25 years ago, the impact of rising Chinese exports was called the "China shock". Today, some are talking about a second China shock – because of state-sponsored over-capacity. Of course we must respond to this. Defensive trade measures are being adopted across the world, including in the Global South, as a response to Chinese market distortions. This is also why Europe has taken measures, for instance on electric cars. At the same time, I have always stressed that we are ready to continue our discussions. And we will continue to de-risk our economy. Many believe – including in China – that it would be in China's long-term interest to manage more responsibly its economic imbalances. That is also our view. And I believe that we must engage constructively with China – to find solutions in our mutual interest. 2025 marks 50 years of our Union's diplomatic relations with China. I see it as an opportunity to engage and deepen our relationship with China, and where possible, even to expand our trade and investment ties. It is time to pursue a more balanced relationship with China, in a spirit of fairness and reciprocity.

This new engagement with countries across the world is not only an economic necessity – but a message to the world. It is Europe's response to rising global competition. We want more cooperation with all who are open for it. And this of course includes our closest partners. I think, of course, of the United States of America. No other economies in the world are as integrated as we are. European companies in the US employ 3.5 million Americans. And another million American jobs depend directly on trade with Europe. Entire supply chains stretch on both sides of the Atlantic. For instance, an American airplane is built with control systems and carbon fibres from Europe. And American medicines are made with chemicals and laboratory tools that come from our side of the Atlantic. At the same time, Europe imports twice as many digital services from the U.S. as we do from the entire Asia-Pacific. Of all American assets abroad, two thirds are in Europe. And the US provides over 50% of our LNG. The trade volume between us is EUR 1.5 trillion, representing 30% of global trade. A lot is at stake for both sides. So our first priority will be to engage early, discuss common interests, and be ready to negotiate. We will be pragmatic, but we will always stand by our principles. To protect our interests and uphold our values – that is the European way.

Ladies and gentlemen,

The rules of engagement between global powers are changing. We should not take anything for granted. And while some in Europe may not like this new reality, we are ready to deal with it. Our values do not change. But to defend these values in a changing world, we must change the way we act. We must look for new opportunities wherever they arise. This is the moment to engage beyond blocs and taboos. And Europe is ready for change.

Thank you very much, and long live Europe.