

Brussels, 9 February 2026

Dear Colleagues,

Later this week, we will meet to discuss **Europe's competitiveness**.

A competitive economy is the foundation of our prosperity - it underpins our citizens' wellbeing and sustains our social model. In a world increasingly shaped by raw power, strategic rivalry and the weaponisation of dependencies, it is also essential to Europe's independence. As Mario Draghi has emphasised, a competitive economy is a prerequisite for our freedom to choose our own destiny. Connecting our competitiveness agenda with our drive for independence must be our guiding mission.

Since the beginning of this European Commission's mandate, the **Draghi report** on European Competitiveness and **Enrico Letta's** findings on the Single Market have shaped our work. We have acted swiftly to **implement their key recommendations** and to **tackle the main obstacles preventing the full functioning of our Single Market**. The task now is to intensify these efforts and see them through to completion, taking due account of the accelerating structural shifts in the global geopolitical landscape and the corresponding imperative to strengthen our independence.

Delivering on this agenda is a **shared responsibility of all EU institutions and Member States**. Coordinated national reforms and investments in areas that remain primarily in the hands of Member States, from education and labour markets policy to taxation, will be essential to achieve the priorities set out in this letter.

Our ambition should always be to reach agreement among all 27 Member States. However, where a lack of progress or ambition risks undermining Europe's competitiveness or capacity to act, we should not shy away from using the possibilities foreseen in the Treaties on enhanced cooperation.

This letter is my contribution to the **Leaders' Retreat on 12 February** and the subsequent **European Council in March**.

Below, I outline the key issues I would like us to discuss on both of these occasions.

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1. Delivering on our ambitious simplification agenda

*We will sustain and deepen our **unprecedented drive to simplify European legislation**. This starts with addressing administrative red tape accumulated over time. To that end, the Commission has already tabled **ten omnibus packages** aimed at streamlining the implementation of existing legislation, complemented by a range of additional simplification initiatives.*

*These measures are expected to generate approximately **EUR 15 billion annually** in administrative savings. This agenda is far from complete. Several further simplification measures will follow, including additional omnibus packages. In parallel, the Commission is **doubling down** on making the **day-to-day operations of businesses easier** through the reform of **permitting procedures**, which will significantly accelerate project delivery across the Union. These reforms encompass a wide range of measures, including the digitalisation of procedures, the establishment of single contact points, the designation of projects of overriding public interest, and the creation of dedicated “go-to” areas. They have already been systematically integrated into proposals for strategic sectors such as clean technologies, biotechnology, pharmaceuticals, and energy grids, as well as in the recent environmental omnibus.*

*Beyond targeted adjustments, we will undertake a comprehensive **regulatory deep house cleaning of the EU acquis**. This exercise will aim to systematically eliminate outdated provisions, overlaps, inconsistencies, and redundant procedural requirements. It will also include a renewed and determined effort to **withdraw** legislative initiatives that fail to secure sufficient support in the Council and the European Parliament.*

*Simplification must also be the mindset applied to everything we do going forward. Each new EU initiative must be **simpler by design** and must reduce the administrative burden for both businesses and citizens. In practical terms, this includes but is not limited to, favouring **Regulations over Directives, limiting the use of implementing and delegated acts** wherever strictly necessary, as well as making greater and more systematic use of **sunset clauses**.*

***Simplification is a shared responsibility** across institutions and **Member States**. The Commission calls on both **co-legislators** to ensure that amendments proposed do not undermine simplification objectives. With this overarching goal in mind, the Commission will propose a structured **system to monitor and assess regulatory burden** through the **legislative process**. In parallel, the Commission will launch a targeted initiative to address **gold-plating by Member States**, which has too often resulted in additional administrative costs and the fragmentation of the Single Market.*

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Finally, to ensure sustained political focus and accountability at the highest level, I will present an **annual report** to the European Council on progress achieved in simplification and cost savings.

2. **Strengthening diversification and partnerships**

Open and fair trade underpins Europe's prosperity agenda. We will continue to champion it to support the competitiveness of our industries. Because we are all aware that this agenda will sustain European jobs and livelihoods.

This **outward-looking approach** shapes how Europe engages with others and in turn, how others engage with us. Not only is there a strong global demand to deepen economic ties with Europe, but we have a compelling offer. We are the **world's second-largest economy**; we are the world's **largest consumer market**, and we are a **stable, predictable, and reliable partner**.

Building on the previous mandate, we have only increased our work on our ambitious trade agenda. Since the start of the current mandate, we have **concluded** trade agreements with **Mexico, Mercosur, Switzerland, and Indonesia**, increasing the total number of countries covered by EU trade agreements to 79.

This now also includes **India**, with whom we reached a **historic trade agreement** last month with the "mother of all trade deals". Together, it creates a **market of almost two billion people**, representing nearly a **quarter of global GDP**. It opens one of the world's most closed markets to Europe, giving our companies a **decisive first-mover advantage** in one of the fastest-growing and most dynamic global economies.

We must now act to ensure that these benefits are **delivered swiftly** to our businesses and citizens. Thereby sending a clear signal to the world that **rules-based trade remains viable and effective**.

Meanwhile, work to grow our network of trade agreements continues across the **Indo-Pacific** and the **Middle East**. Ongoing bilateral negotiations include **Australia, Thailand, Malaysia, the Philippines, and the United Arab Emirates (UAE)**, alongside a structured dialogue with the **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)** launched last November. At the same time, we will continue to work towards a more **balanced and reciprocal economic relationship** with **China**.

As we diversify our trade relations, we are **taking further steps** to safeguard our **economic security interests**. This is a world where economic tools are increasingly weaponised to service unilateral geopolitical agendas. Europe is responding in kind.

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The Union possesses a **comprehensive set of instruments**, including tools to address unfair trading practices, global overcapacity, hostile foreign direct investment, distortions in procurement, and economic coercion. We must show the resolve and unity required to use these tools whenever European industries, workers, and economies are exposed to harm. We must also act together with like-minded partners, such as the G7, to maximise the impact of our actions on the global stage.

Additionally, we will continue **assess** and systematically **address the strategic dependencies** the European Union faces through various **independence missions**.

The broader challenge we face is how to make more in Europe and to **strengthen Europe's own production base** as a central pillar of our industrial strategy. In a context marked by persistent global overcapacity, the growing use of economic interdependencies for geopolitical leverage, and continued external vulnerabilities, Europe must be able both to **defend its strategic interests** and to actively support **domestic value creation**.

A **European preference** is a necessary instrument that contributes to this objective. It can help create **lead markets** in strategic sectors and support the scaling-up of European production capabilities. Its use must be underpinned by robust economic analysis and aligned with our industrial priorities, while engaging constructively with trusted partners.

3. Deepening our Single Market

With its **450 million consumers**, the Single Market is the engine of European growth and competitiveness. This is our safe harbour but we are still not fully exploiting its potential. As the International Monetary Fund has highlighted, **internal barriers** within the Single Market are **equivalent to a 45% tariff on goods and a 110% tariff on services**.

It is clear that we can **no longer do business as usual**. Diverging national rules and trading conditions across Member States deter businesses from achieving their full potential and limit Europe's competitiveness.

Our primary focus must be to **remove these internal barriers** and make sure that **new ones are not introduced**. This would unlock new economic potential across the EU, allowing companies to benefit from the vast scale of the Single Market and the pool of capital it generates.

Fragmentation and uneven implementation throughout the EU continue to limit cross-border activity and investment, in particular in key **services sector** such as telecoms, energy, capital markets, company law, research and innovation — sectors that are the backbone of Europe's economic model and its future growth.

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To this end, **effective enforcement is key**. The Commission will considerably **step up its work on enforcement of the single market rule book**. We will target **focus areas of the Single Market**, across Member States and take fast and proactive enforcement action where dialogue otherwise fails to produce the necessary results.

Next month we will propose **the 28th regime**, a single and simple set of rules that will apply across our Union, which we call **EU Inc**. This framework will enable innovative firms to operate, trade, and raise finance seamlessly across all 27 Member States.

Companies will be able to register online within 48 hours using a **single, EU-wide company form**. EU Inc will ease access to finance in the start-up and scale-up phases, enable smooth cross-border operations, and allow rapid wind-down if a company fails.

We are also addressing fragmentation in our financial markets. A fully functioning **Savings and Investment Union** will give European households greater and safer opportunities to invest in capital markets; while giving businesses easier access to the capital they need to innovate, grow, and create quality jobs in Europe. **The Market Integration and Supervision Package** we have proposed will **remove key barriers to a truly integrated financial market**, and it is crucial that we now bring this to completion.

Energy remains a chokepoint for both companies and households. Moreover, AI and electrification of industry will increase the need for **low carbon energy sources** in the European Union. By building a genuine Energy Union and reaping its full benefits, both ensuring better use of existing infrastructure and a more integrated energy market, we can lower costs and optimise home-grown generation, including through the deployment and expansion of renewable energy and nuclear power. With the Grids Package, we set out measures to **remove permitting bottlenecks, and accelerate grid deployment and cross-border interconnections**. We are fast-tracking the construction of **Energy Highways** across Europe. So that cheap energy can flow where it's needed, when it's needed.

We are working on a White Paper on a **deeper electricity market integration**. It will form the basis for joint reflection to be followed by further cost-reducing and efficiency-enhancing measures to the benefit of all, while providing the right investment signals for generation capacities and flexibilities.

We will ensure that deeper integration of the Single Market enhances effective competition under convergent conditions throughout Europe, thereby also facilitating scale at a global level. In parallel, we are reviewing our **Merger Guidelines** to enable European businesses to achieve the efficient scale necessary to compete internationally. While maintaining effective consumer protection, corporate mergers will therefore be assessed for their effects on competition, innovation, and resilience in both **European and global markets**.

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To drive progress across all these areas, I will propose that, together with the Parliament and the Council, we endorse a **Joint Roadmap on the Single Market** at the European Council scheduled to take place on 19-20 March 2026. This will be our shared agenda to remove the remaining obstacles and complete the Single Market.

Leading the Digital and AI Transformation

Digital and artificial intelligence will profoundly transform every aspect of our economies, from research and product design, to supply chains and working conditions. Our strategy for the Digital Single Market is built around three axes.

First, **strategic digital investment**. A flagship example is the **AI Continent Action Plan**, with the ambitious rollout of **19 AI Factories** to be operational in 2026–2027, followed by the **first-ever AI Gigafactories** on European soil. Through the **InvestAI initiative**, we aim to mobilise **€200 billion** in public and private investment in artificial intelligence.

We have made significant progress and will soon launch the **first call for tenders to select the AI Gigafactories**. We expect strong interest in this tender, as our call for expressions of interest last June attracted **77 submissions from 16 Member States**. With AI Gigafactories, Europe will be back in the global race to train very large AI models with trillions of parameters.

But this means nothing without uptake. This is why our **Apply AI Strategy** will accelerate adoption in key industrial sectors where Europe has unique strengths.

The **second axis is simplification and harmonisation of the Digital Single Market**. At its core is the **European Business Wallet**, which will allow companies to operate with a single digital identity and communicate with public authorities across the EU through a single channel. This could unlock up to **€150 billion** in savings per year for European businesses.

We have also made major progress towards a genuine Digital Single Market with the **Digital Omnibus and the Digital Networks Act**, which harmonise rules for telecommunications networks. These measures remove outdated directives and regulations, so that our digital rulebook is now composed a **targeted amount of horizontal acts** covering **AI, Data, Platforms, Cyber, telecoms and cloud**.

The **third axis is independence in critical digital technologies**, from semiconductors and software to emerging and disruptive fields. This spring, I will present a **Tech Sovereignty Package** to further strengthen Europe's capabilities. It will include: (1) **Chips Act 2.0**; (2) **Cloud and AI Development Act** to triple European data-centre capacity and expand sovereign cloud solutions; (3) **Open-Source Strategy** to reinforce Europe's independence in software.

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Finally, a **Quantum Act** will follow next summer to consolidate Europe's position in this strategically important field.

4. **Bolstering strategic innovation**

Innovation is a primary driver of global competitiveness, with countries investing in Research & Development, technology, and education outperforming peers. It is therefore critical that we close the **innovation gap with the US and China**. For this, we **need large-scale investments in innovation**, we need to **uplift our digital skills**, and we need to **remove barriers** that prevent innovative companies from growing and attracting finance.

Our challenge is not a lack of innovation, but the **challenge to scale** it. We are striving to close the financing and regulatory gaps that prevent promising start-ups from becoming global leaders.

By mobilising **large-scale public and private investment** through the European Innovation Council, InvestEU, Horizon Europe and the EIB Group, we are building a full **innovation pipeline** – from research to market deployment – where investment fuels innovation and innovation attracts further investment. We need to promote public-private partnerships to strongly increase the availability of **Venture Capital** in Europe. This is essential for achieving technological sovereignty and independence in key technology areas.

New initiatives, including the **European Innovation Act**, **regulatory sandboxes**, the **28th Regime** and the **Scale-up Europe Fund**, will remove fragmentation, reduce uncertainty for investors and give innovative firms the scale, capital and speed they need to compete globally.

The upcoming **European Research Area Act** will create a thriving innovative ecosystem, including by strengthening access to research and technologies infrastructures and strengthening the **fifth freedom of knowledge and research** in Europe. Likewise, our **Choose Europe initiative** will make Europe a **top destination for researchers and scientists**. This integrated approach will ensure that Europe's technological strengths translate into productivity, industrial leadership and long-term competitiveness, including in strategic sectors such as deep tech and batteries.

5. **Investing into our economies**

To support growth in our Union, we urgently need significant and immediate investments into our economies as a horizontal enabler. Against that background, we have proposed a long-term EU budget for 2028-2034 amounting to close to EUR 2 trillion, which foresees a **European Competitiveness Fund** equipped with EUR 451 billion, and EUR 175 billion dedicated to EU research and innovation through **Horizon Europe**.

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*The **National and Regional Partnership Plans** will also strengthen competitiveness and help complete the single market by combining investments and reforms - for example, harmonising product standards, removing restrictions on professional services, and facilitating labour mobility.*

*We are already deploying significant public financing towards strategic economic sectors, through the completion of **NextGenerationEU** disbursements in 2026, the provision of financial support to Member States of up to EUR 150 billion through the **SAFE** loans, and our latest EUR 90 billion **loan to Ukraine**, out of which EUR 60 billion will be dedicated to the strengthening of, and the procurement of military equipment from, both the EU and Ukrainian defence industries.*

*Public investments alone will not be sufficient to meet the challenges at hand. They must be matched by **strong private investments**. This means that we must create the conditions for the private sector to effectively contribute to our transformative agenda.*

*We have also tabled a proposal for the **digital euro**, which would reinforce the EU's strategic autonomy by creating a sovereign pan European retail payment system, and we are forcefully promoting the **international role of the euro**. Strengthening the euro also underpins the financing of Europe's economy by supporting the development of safe assets, deepening capital markets, and enhancing our ability to mobilise funding for investment and strategic projects. A strong, internationally trusted euro will therefore contribute both to our financial stability and broader economic sovereignty.*

I look forward to our discussions this week and at the formal European Council in March, as we work together to build a more competitive Europe, free to determine its own future.

Yours sincerely,



Ursula von der Leyen