# How to save European Industry:

## a path toward resilience and competitiveness in a changing world

*A strong and competitive industrial base is the essential foundation of a sovereign Europe, capable of safeguarding our social model, defending our democratic values, and shaping its own future. Yet this foundation is increasingly at risk. European competitiveness is under growing pressure from geopolitical tensions, global overcapacities, high energy costs, strategic dependencies, a growing race for investment and technological leadership. At the same time, strained public finances are limiting Europe's ability to respond to these challenges and are posing a growing challenge to economic stability at home. Europe is losing entire industries and supply chains, investment, jobs and skills. Urgent and decisive action is needed to reverse Europe's de-industrialisation, and to strengthen its capacity to produce and manufacture in Europe. As business leaders from Germany, France and Italy, working in close cooperation with BusinessEurope, we are committed to strengthening Europe's resilience and competitiveness by fostering a strong industrial base, driving innovation, pursuing open strategic autonomy and by attracting private investment and prioritizing public spending*

### Addressing global imbalances and systemic unfair competition.

A strongly improved framework for growth, productivity, and innovation is needed for Europe's competitiveness starting with a deeper, more integrated, and more effectively functioning Single Market. As international relations have shifted from an approach driven by mutually beneficial advantages to one increasingly dominated by security concerns, as the multilateral system looks severely weakened, and the impact of state-induced overcapacities is growing, Europe must diversify and deepen its strategic alliances. At the same time, it must promote, strengthen and protect its own industrial basis and value chains. This implies the prompt enforcement of a combination of pragmatic multilateralism and an assertive trade policy that includes:

- **Concentrating incentives and investment in industrial sectors where it can retain, secure or compete for technological and industrial leadership** by streamlining and implementing an effective and long-sighted common industrial policy.
- **Adopting an uncompromising stance against state-induced overcapacity and unfair practices** by strengthening the Trade Defense Instruments (TDIs) and by extending safeguards and alike tools that are in place for the steel sector to other sectors.
- **Pursuing substantive reciprocity in market access and national treatment with China** by securing concrete advancements in the recent agreement and by adopting specific requirements for investments in terms of minimum share of EU workers, procurement of EU components and data storage.

## Attracting private investment and prioritizing public spending

Europe's investment needs have increased significantly in recent years. **Additional annual investment of up to €1.2 trillion is required, particularly in the areas of competitiveness, decarbonisation and resilience.** However, investment is not being scaled up sufficiently to meet these requirements. Closing this gap requires stronger public investment, better conditions for private investment, and a more effective European approach to mobilising capital and supporting strategic projects. The next Multiannual Financial Framework must contribute to bolstering Europe's investment capacity. As budgetary negotiations progress, it will be crucial to safeguard ambitious levels of expenditure related to competitiveness without undermining Europe's capacity to invest and without increasing the tax burden on companies. Securing robust and predictable funding for the European Competitiveness Fund and Horizon Europe, alongside a dedicated, predictable and adequate financial envelope for Cohesion Policy, is critically important, recognising their complementary contribution to Europe's long-term investment and growth. These instruments should be governed in a simple and efficient way, ensuring rapid access to funding for companies and a merit-based allocation. EU resources should also be deployed strategically to attract private investment.

Public finances face mounting pressures from rising defense, ageing-related and investment needs, compounded by weak growth and external shocks. Fiscal discipline and credible medium-term fiscal adjustment plans are essential to safeguard fiscal sustainability, the stability of markets and bond yields as well as affordable financing conditions for corporates and the public sector. Governments should prioritize growth-enhancing policies, private investment and strategic public spending, while containing other expenditure. Strengthening the EU's own investment capacity should not come at the expense of European competitiveness through additional tax burdens on businesses.

**Europe must secure a leading competitive position in the next wave of technological innovation.** Our digital sovereignty depends on whether the EU and its Member States provide an enabling framework for digital technologies consisting of adequate public and private financial resources, a smart and proportionate regulatory framework and the necessary digital infrastructure. Thereby, the EU and Member States would foster Europe's technological competitiveness competitive European technological solutions while enabling businesses of all sizes to access and deploy the best technologies available on the market, including in industrial applications. At the same time, Europe must build on its existing strengths in emerging technologies, notably quantum technologies and Physical AI, to translate its scientific excellence into industrial leadership.

## Securing competitive energy prices

Energy costs remain a critical factor in industrial investment decisions. In an increasingly competitive global environment, internationally competitive, stable and predictable energy prices are a key factor for Europe's competitiveness. Achieving the objectives of the Clean Industrial Deal and strengthening Europe's manufacturing base will therefore require better framework conditions capable of attracting and retaining private investment, as well as a technologically neutral approach to energy and climate policy. The toolbox supporting industrial competitiveness and ensuring a level playing field with international competitors should be preserved, including reduced electricity taxation, indirect ETS cost compensation, network tariff reductions and the valuation of system services, notably for baseload energy-intensive consumers.

**Sufficient and timely investment in network infrastructure, both within and across borders, is essential to maintain security of supply, support decarbonisation and lower energy costs across Europe.** These investments can also contribute to the reinforcement and further integration of European energy markets, alongside each Member State's responsibility to ensure a resilient and reliable electricity system. Given the significant differences in industrial structures, economic geographies and energy system architectures across Member States, such investment should be promoted through coordinated planning and appropriate financing, including greater deployment of Connecting Europe Facility funds. Strategic partnerships with countries bordering the EU can play an important role in developing a resilient and cost-efficient energy system. Europe should strive to restore energy prices for industry to their pre-crises levels in order to strengthen competitiveness and investment.

**Considering the ongoing geopolitical crises, a coordinated European approach should enable Member States to support industrial competitiveness, facilitate the transition towards climate neutral energy systems and align with Europe's long-term industrial strategy.** We are experiencing an exceptional multi-crisis situation, and we therefore appreciated the conclusions of the October European Council meeting where the Commission was asked to evaluate additional measures to curb energy costs. To this end we also welcome the earlier announcement of the Commission President regarding the extension of METSAF. European industry faces difficult international competition in which energy prices play a prominent role. Competitiveness of industry remains a crucial aspect in our common ambition to unlock the investments needed for decarbonisation, to strengthen resilience, and to expand Europe's manufacturing capacity.

**The ETS revision should be embedded in this broader strategy to strengthen European industrial competitiveness.** ETS-related costs must remain manageable for industry, with a predictable impact on energy prices, while giving due regard to a non-level global playing field. In an already burdensome regulatory framework, we strongly emphasize that decarbonisation decisions should be driven by technological readiness and commercially viable business cases rather than any kind of investment conditionalities. The revision should therefore seek to align climate ambition with industrial competitiveness, including competition in global markets.