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Resolution of the European Committee of the Regions – A Competitiveness Compass for the EU

(C/2025/3168)

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR),

Key messages

1. agrees with the European Commission's assessment that Europe has not kept up with other major economies due to a **persistent gap in productivity growth**, and that it must act now to lead in crucial technologies in order to position itself as a global front runner when it comes to innovation, productivity and decarbonisation of pivotal technological fields to regain its competitiveness and secure its prosperity;

2. stresses, however, that Europe's competitiveness can only be resilient and sustainable if it is rooted in a strong European social model based on social cohesion, reducing inequalities and fair taxation;

3. supports the **three transformational imperatives** and the **horizontal enablers** listed in the Compass, which are necessary to underpin competitiveness;

4. emphasises that the proposed horizontal enablers should not result in a more centralised governance model focused solely on dialogue between the Commission and national governments to the detriment of subnational authorities and the effective integration of territorial considerations;

5. refers to **President von der Leyen's commitment in the Strategic Guidelines** to 'put regions in the centre of our work', and therefore suggests **that EU institutions, national governments, local and regional authorities and the private sector work together to implement the Compass, championing the place-based approach**;

6. calls for clear **principles on how this collaboration between all levels of government** will work when implementing the Compass over the next five years, and proposes a **new partnership** between the European Committee of the Regions and the Commission to implement the Compass, which would include:

— carrying out **systematic territorial impact assessments** for the key Compass initiatives that directly affect municipalities and regions throughout the EU;

— integrating the work of the **CoR RegHub network**, which provides feedback on the implementation of EU regulations on the ground, as part of the annual **implementation dialogues of the Commissioners concerned**;

— carrying out an **annual policy debate on the state of play of the Compass** and its impact on LRAs to measure advances in increased competitiveness;

— ensuring that the **competitiveness coordination tool** takes into account the diversity (capacities and vulnerabilities) of Europe's territories and the division of powers within the Member States;

— ensuring a rapid uptake of the **work of the Fit for Future (F4F) Platform**. The CoR commits to actively participating in the platform's future work on regulatory fitness and simplification, and calls for the F4F Platform working methods to be extended to the pre-legislative phase, thus guaranteeing an evidence-based, place-based and consistent approach throughout the legislative cycle; and

— ensuring that territorial evaluations bring in the reality of regions with serious risks of depopulation and ageing. Territorial dispersion, ageing and low density of population, together with the lack of business critical mass hinder the effective implementation of uniform competitiveness policies. The Compass should provide for indicators and instruments adapted to these regions, recognising their structural limitations, but also their potential, guaranteeing a fair and effective integration in European strategy;

7. underlines that a **purely sectoral assessment of Europe's competitiveness** is not sufficient to elevate productivity growth throughout the EU;

8. notes that LRAs are **key drivers of competitiveness**, as they deliver the EU strategic agenda on the ground and effectively support innovation ecosystems through investment and public procurement;

9. is convinced that competitiveness and territorial, economic, digital and social cohesion are intertwined and are essential elements for the functioning and further development of the **single market**;

10. defends the implementation of measures to address the demographic challenges in order to achieve the Compass objectives;

11. welcomes the proposed **competitiveness coordination tool** to improve the coordination of policies at EU and national levels, but regrets that the Competitiveness Compass says little about how it should function, and nothing at all about a mechanism to readjust EU policies should they fail to increase EU competitiveness. The CoR therefore reiterates calls for the tool to be territorially sensitive and based on the principles outlined in this resolution;

12. is concerned that the measures provided for **financing competitiveness** may fall well short of the EUR 750-800 billion per year in additional investments that are needed according to the Draghi report. Ensuring a more substantial and strategic mobilisation of private capital must be a priority. The issuing of further common debt to finance joint investment projects should be part of the broader discussion on financing the EU's long-term budget post-2027;

13. notes that the high regulatory burden in the EU is cited by companies as being among their main obstacles to growth and investment; welcomes the Commission's target to cut the costs of all administrative burdens by 25 % for all companies and 35 % for SMEs and agrees with the Compass that restoring Europe's competitiveness requires going much further than before in cutting red tape; highlights that impactful efforts towards **simplification and administrative burden reduction** are vital for enhancing the EU's competitiveness while **upholding its economic, social and environmental standards, ensuring regulatory stability and respecting better-regulation principles**;

14. reiterates the call by the Draghi report that before adopting new legislation, the Commission should conduct a systematic assessment and stress-testing of all existing EU laws and regulations at the start of each mandate; this should be followed by the codification and consolidation of EU legislation by policy area, including simplifying and removing overlap and inconsistencies across the whole legislative chain, in order to make regulation more consistent and competitive;

Closing the innovation gap

15. underlines that **research and innovation** are at the heart of competitive growth in Europe, and, with reference to Article 182 TFEU, calls for all measures in this area to be brought together under a separate framework programme in future too. The aim is to cover the entire research and innovation chain from basic research to final product, thereby ensuring Europe's future competitiveness;

16. stresses the need to intensify efforts to develop place-based innovation ecosystems to fully resolve the innovation disparities and close the innovation divide both within Europe and between the EU and the US, as well as with China;

17. highlights the need to urgently reverse the tide of innovative start-ups and scaleups increasingly relocating from Europe; invites the Commission to advance on the voluntary **28th legal regime for innovative companies** and analyse its potential territorial impact; highlights the need for the EU's long-term budget to invest in smart cross-border programmes that aim to support interregional value chains, strengthening regional innovation ecosystems;

18. emphasises that, for the sake of enhanced competitiveness, the combination of R&I excellence and manufacturing knowledge and capacity is a necessity: high-tech activities across the TRL scale should be supported and facilitated, from fundamental research to market introduction and further to industrial deployment, in order to strengthen resilience';

19. supports the **recognition of skills** development, up- and re-skilling and lifelong learning as pillars of the EU's competitiveness, as the EU's economic future depends on retaining a workforce that is highly skilled, adaptable and innovative. In this context, the CoR highlights the key role of LRAs in aligning skills development with economic needs; highlights that inclusion in the labour market also entails reducing structural barriers, particularly for women, and ensuring fair working conditions, as enshrined in the European Pillar of Social Rights;

20. deplores that the Communication does not make a clear reference to the European Green Deal as commitments taken under this framework are vital to the EU's competitiveness as they allow for long-term planning of public authorities, private businesses and citizens;

A joint roadmap for decarbonisation and competitiveness

21. agrees that the transition to a decarbonised economy should contribute to European competitiveness, but underlines that additional support is needed to achieve a just, green and digital transition, as an essential part of a reformed cohesion policy;

22. warns that the **escalating impacts of climate change** pose a serious threat to the EU's social security and competitiveness; highlights that economic growth and reducing greenhouse gas emissions must go hand in hand, and points out how the **Mission on Climate Neutral and Smart Cities model could become a cornerstone of EU competitiveness policy** (with its estimated EUR 650 billion investment providing vast innovation potential and business opportunities in key sectors);

23. emphasises that climate adaptation is an equally crucial dimension of the EU's competitiveness strategy; calls for enhanced support for LRAs and industries to develop climate resilience strategies including infrastructure improvements; stresses the importance of integrating adaptation measures into economic and industrial policies to safeguard long-term competitiveness and social stability;

24. welcomes the publication of the **Clean Industrial Deal** to tackle persisting problems for industries aiming to decarbonise, but stresses the need for a strong territorial dimension to industrial policy to ensure effective implementation, and for further support for regions with energy-intensive industries;

25. welcomes the intention of the EC to present a Sustainable Transport Investment Plan as well as other related initiatives in 2025, notably the plan for an ambitious European high-speed rail network; shares the EC's objective to accelerate the decarbonation of the whole transport sector in the most economically efficient way and highlights the need for a territorially-sensitive approach to support maximum connectivity and access;

26. welcomes the **affordable energy action plan** with its upcoming initiatives to lower energy costs for citizens, businesses and industry, and calls for a real European Energy Union with a fully integrated and well-interconnected market across the EU, and a well-functioning governance system at its core; underlines the need to boost local energy production and further involve the private sector in the energy transition;

27. highlights the importance of ensuring the single market's resilience, as it remains under pressure from both outside and within the EU, because of Member States pursuing short-term individual interests through unilateral measures, such as unjustified cross-border trade barriers and State subsidies for national industries. Moreover, SMEs face challenges navigating differing regulations across Member States, particularly in sustainability standards. This lack of harmonisation increases compliance costs and complicates cross-border operations and, therefore, it is a barrier to be addressed;

28. stresses that Europe's competitiveness and growth are based on an open economy integrated into global value chains. It is important that Europe upholds the values of free trade and multilateralism. In this regard, it is important for Europe to diversify its exports beyond the US and China and to strengthen free trade agreements;

29. likewise, it is essential that the Competitiveness Compass includes mechanisms for practical and financial support for small businesses in traditional sectors, such as tourism and agriculture, so that the digital and green transitions are seen as accessible opportunities rather than an additional burden. Local training, the promotion of business cooperation and shared digitalisation should be part of the regulation;

30. underlines that the **transition to a circular economy** should be a strategic imperative for EU competitiveness, while increasing the EU's autonomy and resilience; calls for substantially scaling up EU support for cities and regions to develop and implement systemic circular solutions, particularly through public procurement;

Reducing dependencies and increasing security

31. underlines that the EU must not hesitate to use protective instruments such as **trade defence instruments** and the **Foreign Subsidies Regulation** to ensure that EU businesses are not harmed by unfair competition from foreign companies. In this context, it is also important to highlight the urgent need to adopt the **Customs Reform Package**;

32. underlines that it is vital for EU competitiveness to ensure a **reliable, diversified supply of raw materials**, especially those considered critical and strategic, as they are crucial inputs for the energy, food production, construction and industrial sectors; underlines the importance of the European Raw Materials Alliance and particularly welcomes the fact that it is also open to regions;

33. considers strengthening European security and resilience to be a priority, and highlights that investments in defence and dual-use technologies should also contribute to competitiveness and regional development;

34. insists that the Commission (also in relation to the increased need for security and **defence investments**) boost **space policy** and considerably increase investments into the Galileo satellite system, also allowing for its military use; recommends that space data also be leveraged to monitor environmental risks and prevent climate disasters;

35. underlines that **advanced technologies, such as key sector semiconductors, biotechnology and AI**, are of vital importance to ensure the EU's competitiveness and technological sovereignty; highlights that LRAs are key players in diffusing AI for both the private and public sectors, and are in the right place to build trust in AI solutions through direct public engagement and greater transparency.

Brussels, 3 April 2025.

The President
of the European Committee of the Regions
Kata TÜTTŐ