CEPS EXPLAINER

A CRITICAL FIRST RESPONSE TO MARIO DRAGHI'S COMPETITIVENESS REPORT

What is says, what it means – and is it feasible?

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SUMMARY

On 9 September 2024, Mario Draghi, the former Italian prime minister and former President of the European Central Bank, presented his long-awaited report on the EU economy and EU competitiveness. This is an immense report, 400 pages in total, containing a myriad of proposals to reform and rejuvenate a stagnant and sluggish EU economy, an economy that he claims is fast losing ground to other major global competitors, such as the US and China.

Draghi leaves no stone unturned in his analysis of the EU's economic weaknesses and this CEPS Explainer attempts to provide a first concise overview of his key messages and proposed reforms, what they mean, what the potential obstacles are and how feasible it is that they can actually be implemented.

But the overall message of the Draghi report come across loud and clear and cannot be easily refuted – that the EU must change, that the status quo cannot hold any longer and that only bold reforms will successfully end the Union's economic malaise.

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Mario Draghi's report on the EU economy, focusing particularly on medium- and long-term economic growth and sustainability, is massive, impressive but also quite alarming. It is 400 pages in total – and published in a small font. Draghi's report is also impressive in bringing together so many different areas, including sectoral ones, showing their interdependence and clarifying in several ways why fragmentation or a refusal to join in at the European level creates costs for the whole EU and might well pre-empt other feasible common strategies.

And the report is quite alarming from the start. The foreword says that '*a wide gap in GDP has opened up between the EU and the US*', '*the foundations on which we built are now being shaken*', '*if Europe cannot become more productive, we will be forced to choose*' and all this '*… is an existential challenge*'. The EU's predicament was probably framed in this way at the outset to attract and/or intrigue readers. However, even when the drama seems to be exaggerated, the report leaves little doubt that, for two decades, the leading actors in European integration have been asleep at the wheel.

Draghi sketches the prevailing mood of complacency through a lack of concern that '*slowing growth has been an inconvenience but not a calamity*', that the EU has generally performed well in terms of world trade (with many millions of jobs linked to it) and that, for example, many women have entered the workforce. And then he subsequently argues, in sharp contrast, that the EU economy is in dire straits due to fading competitiveness and a lack of innovation in many sectors. He also points to weaknesses in horizontal EU policies and two decades' worth of lagging productivity growth.

This CEPS Explainer will provide a first compact evaluation of the Draghi report[1] but will only focus on Part A, '*A competitiveness strategy for Europe*'. This also implies that the ten sectoral approaches in Part B should be discussed separately.

DRAGHI'S MAIN MESSAGES FOR A EUROPA FALLING BEHIND

The main message emanating from Draghi is that the EU should be deeply concerned about its economic growth falling behind and the causes underlying it. 'Behind' is principally measured in comparison with the US and – often – China. The principal driver of this process is weakening productivity growth and the principal concern is that it calls

[1] The full report is divided into two parts: Part A, 65 pages in length, boils down to an EU competitiveness strategy, written in a highly condensed fashion, as it falls back on the conclusions of numerous elements in Part B, in-depth analysis and recommendations. Part B, 320 pages long, comprises 10 chapters on individual sectoral policies. These are energy, critical raw materials, digitalisation (including high speed /capacity broadband networks, computing and AI, semiconductors), energy-intensive industries, clean technologies, automotive, defence, space, pharma and transport. Then there are five chapters on horizontal policies, namely accelerating innovation, closing the skills gap, sustaining investment, revamping competition and strengthening governance.

into question the EU's ability to meet its ambitions including sustainability. For Draghi, '*raising competitiveness is necessary to reignite productivity and sustain growth*'.

But secular 'competitiveness' is neither about a zero-sum game of market shares in the world economy, nor about national champions, or about relative labour costs. Instead, it's rather about advanced knowledge and skills embodied in the labour force. He urges the EU to boldly work on three 'transformations' – accelerating innovation and finding new growth engines; reducing energy prices whilst continuing decarbonisation (including the circular economy); and because of today's less stable geopolitical world, where dependencies (of which the EU has plenty) may well turn into vulnerabilities, '*Europe needs a plan to manage these dependencies and strengthen defence investment*'.

Managing these three transformations calls for a 'new industrial strategy' consisting of closing the innovation gap, a joint plan for decarbonisation and competitiveness, and a decisive EU move to increase security and reduce dependencies.

In turn, this industrial strategy rests on four 'building blocks' – full implementation of the single market as dealt with by Enrico Letta and others (including this author's own comprehensive CEPS In-Depth Analysis report on empowering the single market); a cluster of industrial, competition and trade policies 'which must be aligned'; 'financing the main areas for action which entail massive investment needs', thus increasing the total investment-to-GDP ratio by five percentage points (some four times the Marshall Plan in relative terms!); and reforming the EU's governance, including the depth of coordination (with or without treaty change) and reducing the EU's regulatory burden (both the amount and intrusiveness of EU regulation and compliance is ever-increasingly viewed as an obstacle for companies wishing to invest in the EU).

It's good to add that Draghi is keen to preserve social inclusion. His view on EU trade policy is that it needs to be fully aligned with the proposed EU industrial strategy[2] but with some conditions – but as this can be understood in various ways and there's no separate chapter on trade explaining these issues included in the report, it's not worth further speculating on right now.

Still, the EU is a prominent – if not the leading – advocate of the WTO and cherishing its rules and principles should not be given up, even when WTO reform is becoming increasingly desirable. Closely related EU (incoming) foreign direct investment (FDI) policy has traditionally been liberal yet EU countries typically rank very low (i.e. are liberal) in the annual OECD FDI restrictiveness index. Draghi points out that Chinese FDI (namely

[2] But he holds that 'trade policy should be based on careful, case-by-case analysis rather than on generic stances towards trade' (page 12) which can be read as distancing the EU from the WTO, which would have most unwelcome consequences.

greenfield investment) in new Member States has increased substantially and advocates for much more coordination, beginning with making FDI screening a truly EU competence, not least in the light of his plea for joint ventures in strategic sectors but also for security reasons.

Draghi's stance on EU competition policy remains unclear because Part A doesn't have any text on this. Part B has a relatively short section on it, however. While generally supporting EU competition policy, also because of its proven economic advantages, he proposes no less than 10 'revisions' as well as a few more radical changes in terms of enforcing it. Prominent is the introduction of 'innovation defence' but subject to fairly strict conditions. In some cases, this might be seen as easing conditions to clear a merger even for bigger market players – possibly also including large digital platforms.

The proposal is part of the more general notion of ascertaining how the incentive-to-innovate is affected by, for example, an intended merger or its rejection. Interestingly, it also includes proposals to reinforce IPCEI (Important Projects of Common European Interest), extending it beyond breakthrough technologies, as well as simplifying its framework and making EU funding (and not only Member State funding) available.

Finally, Draghi insists on reforming 'EU governance'. This final chapter is nothing less than amazing. He proposes a 'competitiveness coordination framework' in priority areas, eventually replacing 'other overlapping coordination instruments'. This could very well be disruptive, whether for Member States or social partners or even for both. This new framework would only address EU-level strategic priorities and the European semester would only govern fiscal policy surveillance. Every strategic priority would have a 'Competitiveness Action Plan'. In the seven-year Multi-Annual Financial Framework, there would be a Competitiveness Pillar, which would fund the Action Plans' delivery.

A new Competitiveness Joint Undertaking would be set up, helping to swiftly organise private-public partnerships. Draghi pleads for more policy areas to fall under qualified majority voting and to make more use of 'enhanced cooperation' (which now serves, for example, as the legal basis for the Unitary Patent). This all seems a bit too easily proposed as an afterthought because these ideas, when previously suggested, have often run into roadblocks.

Finally, Draghi addresses the EU regulatory burden by complaining that the EU has no quantitative framework to analyse costs and benefits (which is partly incorrect) and advocates for a 'Commission Vice-President for Simplification' (in Ursula von der Leyen's proposed new College of Commissioners, the Latvian nominee will be the mere Commissioner – not Vice-President – for Economy and Productivity, Implementation and Simplification). The latter would 'systematically assess and stress-test all existing regulation by sector of economic activity'. The Regulatory Scrutiny Board (and others) could have noted to Draghi that this is plainly impossible in the six months he proposes (quite apart from a proper understanding of what 'stress-testing' EU regulation exactly means), knowing how much time and effort it takes to draft solid case-by-case evaluations.

The question to ask though, is whether this is the way to go. This author – being quite familiar with Regulatory Impact Assessments and related work at CEPS for decades – is convinced that it is not. Businesses in Europe insist on less EU regulation, reduced compliance costs and an improved one-in-one-out approach (including full compliance costs), as well as tackling special cases together with social partners in a way that would be workable, more targeted and thus more effective.

Absorbing the full Draghi report is breathtaking, giving its comprehensiveness and wealth of ideas and reforms. Of course, as some have meanwhile noticed, not all of what he proposes is new. One advantage of the report is that a lot of fragmented material has now been brought together in one place, which is also good for highlighting interrelationships. With so many ideas and proposals, it cannot be surprising that there has been some immediate criticism, whether due to vested interests, different viewpoints or analytical/policy logic.

IF THE EU IS EXPECTED TO LIVE UP TO ITS AMBITIOUS GOALS, THEN THE UNDERLYING ECONOMY MUST BE MUCH MORE DYNAMIC AND PERFORM AT ITS VERY BEST – THAT IS WHAT DRAGHI BRINGS OUT SO CLEARLY.

Nevertheless, the spirit of this report and the relentless search for flexibility and scope for innovation is refreshing. Its sense of urgency – sharply contrasting with today's complacency – is welcome. Shouldn't we all remember the opening words of the famous 1983 Albert-Ball report on strengthening the internal market where the authors remind readers of the '*splendour of the autumn in the forest'*, only to find that a few weeks later all is gone and the trees are bare.

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What actually *is* EU competitiveness?

A curious feature of the Draghi report is that 'competitiveness' is not defined anywhere. Some readers may find this a relief because competitiveness experts are known for their manifold and distinct definitions, flowcharts and numerous 'drivers'.

To illustrate this, the European Commission published a well-known report in 1994, which was followed up by annual updates for many years. The World Economic Forum – in the framework of 'Europe 2020' – published in 2014 its Europe 2020 Competitiveness Report, with the template being quite distinct from the Commission's 1994 one. The EIB published its 2016 competitiveness report, very much focused on productivity as the core issue. And the Commission itself published its new competitiveness report only one year ago in 2023, which was then followed up by a new version in February 2024, this time combining the single market and competitiveness. This recent Commission approach is again different with a mix of old and new 'drivers'.

The European Round Table for Industry's latest version of its 'competitiveness and industry benchmarking report' provides yet another prominent manifestation of the EU competitiveness debate. A somewhat different slant on EU competitiveness is found in the work of the ESIR group, which emphasises competitiveness for long-run sustainability. Draghi and his large team are undoubtedly aware of some, if not most, of these elaborate contributions. Indeed, in some issue areas in his report, there is either overlap or an attempt to expand on some of the idea in the analyses highlighted above.

Nevertheless, it's a curious omission because without a definition it becomes hard and somewhat arbitrary to identify how his proposed strategy, if implemented, could be deemed as either a success or a failure. There is also no clear priority setting anywhere.

For Draghi it all seems to be holistic. However, it's not realistic to expect such a massive report to be fully implemented or followed up across the board for a whole host of reasons. Some such reasons might be found in the intrinsic technical or policy hurdles to overcome or some are clearly pre-determined by 'hard' positions taken by Member States. An example of the latter is the flat refusal by Christian Lindner, the German finance minister, within hours of Draghi presenting his report publicly on 9 September, to accept 'joint borrowing' (and without suggesting any alternative ways to source badly needed additional EU funding).

Some of Draghi's suggestions may be unworkable, as is possibly the case with the EU batteries' strategy (witness the news over major Swedish battery producer Northvolt's financial difficulties, also coming on the same day that Draghi presented his report).

It's also surprising that the national productivity boards – now operating for eight years – have seemingly not been involved. There is no evidence thus far that these boards have played any role at the EU level, despite their expertise, in the competitiveness debate.

CLOSING THE INNOVATION GAP

With a stagnating EU labour force that will soon start shrinking[3], the EU will need faster productivity growth to maintain sustainable growth rates. If faster growth doesn't happen, not only would this lead to economic stagnation but today's high public-debt-to-GDP ratios might become a serious problem due to the ongoing spending needs for decarbonisation, digitalisation and defence. Thus, there is an urgent need to stop the EU/US productivity gap from rising further and to find ways to curtail it over time. Much of this gap is due to digital technologies.

Draghi favours 'not giving up' in areas such as encryption and security, while accepting other lost opportunities in digital as inevitable. Yet there are also risks for sectors where the effects of a weak tech sector matter, namely pharma, energy, materials and defence. In the sectoral chapters on pharma, automotive, energy and freight and passenger transport, one can read about how vertical AI integration will likely occur in their sector, with large gains and good employment prospects predicted. Moreover, the EU is still strong in robotics and AI services.

Unfortunately, the broader barriers to innovation in the EU may well be in the way here. These barriers have been set out repeatedly, whereas in the US, resources have been redirected (by market choices and non-bank finance) towards sectors with a high potential for productivity growth. Meanwhile, the EU and its businesses remain stuck in a static industrial structure, resulting in a cycle of low industrial dynamism, low innovation, low investment and low productivity growth, recently dubbed as the 'middle technology trap'. At the firm level, this contrast in the shift to 'tech' is dramatic – for US tech firms, productivity growth has been 40 % since 2005, compared to stagnation for EU tech firms.

Draghi's proposals to 'tackle the innovation deficit' comprise no less than 11 remedies or policy actions. These include:

1) Reforming the next research and innovation (R&I) framework programme, focusing more on disruptive innovation, doubling the relevant funding to EUR 200

[3] Here, a comparison with China contrasts starkly with the US (where ageing is much less of a problem). China's population is currently shrinking by about 3 million a year. However, what matters even more is that the flow of low-skilled labour from rural areas to coastal regions already dried up a decade ago and will shrink further, thus eroding the 'domestic migrant' approach. What this means is that sooner or later, this is bound to inflict much higher labour costs on many of China's coastal businesses and factories.

billion and reforming the European Innovation Council into a kind of US-style ARPA agency.

2) Establishing an 'R&I Union' for the *joint* formulation of an EU R&I strategy.
3) Upgrading the European Research Council and introducing EU Chairs with a position equivalent to highly ranked EU officials.
4) A series of initiatives to help EU inventors become investors (some of these ideas would bypass Member States' jurisdiction) – still, while appreciating that the intentions are in the right place, the manifold hiccups in the 'not-so-single' market greatly discourage young investors (see the many such costly obstacles on page 22 of the report).
5) A series of proposals to improve innovation finance in the EU, including a slight increase in the amount of money that pension funds can channel into riskier investments, such as venture capital (VC) – even a slight opening in this area would yield quite some capital[4].
6) Helping to facilitate lower costs for AI deployment by making its network of high-performance computers (and soon its exascale computers) and related services more widely available.
7) Helping to accelerate AI integration in the 10 strategic sectors.
8) Finding a middle way between promoting EU domestic cloud services and retaining access to the technologies it needs. In any case, the EU should ensure that it has a competitive industry that can meet the demand for 'sovereign' cloud solutions and, additionally, legislate mandatory standards for public procurement (to level the playing field).
9) Facilitating consolidation in the EU telecoms sector, which would deliver higher rates of investment in connectivity (inevitable in the light of extreme investment needs in newer technologies). Consolidation would be encouraged by defining telecoms markets at the EU level (instead of Member State level), which would mean a revolution in, for example, merger control[5]. The latter would also be modified by increasing the importance of innovation and investment commitments. Another way to increase capacity is to invest in 'commercial investment sharing' between telecoms operators and Very Large Online Platforms (VLOPs).
10) Fully developing the European Health Data Space, alongside several measures to increase the attractiveness of clinical trials in Europe and new ways to finance innovation, all of which would greatly benefit the pharma sector.

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[4] But not nearly as much as in the US, where pay-as-you-go pensions are much less prevalent. In fact, the EU is split between countries promoting separate pension schemes based on investment and countries still mainly relying on pay-as-you-go (PAYG) systems.

[5] These ideas have proven very controversial in the EU telecoms sector, with ECTA (formerly new entrants and on average smaller players) having objected strongly to them because it sees them as anti-competitive.

11) Overhauling the EU approach to skills (although it's mentioned only in passing that this is a Member State competence). The skills gap in a range of advanced sectors threatens to undermine or minimise potential progress. Such gaps act as a barrier to innovation, particularly technology adoption.

Finally, although found elsewhere in the report, Draghi of course favours a decisive shift to a genuine EU-wide capital market instead of the current unfortunate mix of very small national ones and a very partial European one, hardly or not geared up at all to funding risky ventures, let alone disruptive innovation. Some 40 European start-ups a year shift towards US VC funds and re-establish themselves in the US, precisely because of the single market's complications and their difficulties in attracting sufficient finance.

WHAT MANY OF DRAGHI'S PROPOSALS ON TACKLING THE INNOVATION GAP BRING OUT FORCEFULLY IS HOW PROFOUND THE EU MUST CHANGE ITSELF AT ALL LEVELS OF GOVERNMENT TO BECOME MORE RADICALLY INNOVATIVE, LET ALONE FOCUSING ON DISRUPTIVE INNOVATION.

What many of Draghi's proposals on tackling the innovation gap bring out forcefully is how profound the EU must change itself at all levels of government to become more radically innovative, let alone focusing on disruptive innovation. This is not meant to be fatalistic but a recognition of the need for reinvention. A simple quote from page 26 of the report illustrates this powerfully: '... *the EU now has around 100 tech-focused laws and over 270 regulators active in digital networks across all Member States. Many EU laws take a precautionary approach, dictating specific business practices* ex ante *to avert potential risks* ex post.' And this is followed by notes on costly discrepancies caused by a proliferation of regulatory agencies, by 'gold plating' in many EU countries and by (different) limitations on data storing and processing.

In short, prudent, incremental and partial approaches are unlikely to close the EU innovation gap. And this is what Draghi is attempting to emphasise so strongly.

Draghi's joint plan for decarbonisation and competitiveness

Another major pillar of Draghi's report is his joint decarbonisation and competitiveness plan. The various reasons for such a plan amount to a cold shower for all those in the EU who still believe that Europe will lead the rest of the world towards the agreed climate goals, whilst benefitting from our head-start in clean tech.

The harsh reality check Draghi gives us is well presented and hopefully serves as more than just a wake-up call. It would be folly for Europe to merely focus on some areas where the EU does relatively well and then assume that this applies to everything. Draghi paints an entire picture and shows that there are many hurdles all calling for complex strategies.

First, there are many reasons why decarbonisation is urgent and presents serious problems for businesses and EU decision-makers. In telegram style: the EU's high energy costs are an obstacle to growth; lack of generation and grid capacity impede or slow down digital tech and transport electrification; high *and* volatile energy prices are an impediment to business investment (mostly – but not only – in energy-intensive industries); digital and especially AI may be hindered, given that by 2030 data centres' electricity consumption is feared to go up to 28 %; and the EU's greater ambition to decarbonise more than required generates short-term costs and extraordinary investment needs for energy-intensive sectors and – even more – for maritime and aviation (if CBAM works, the CO2 price will not be the issue. Instead, free allowances will disappear).

The good news centres around the opportunities that decarbonisation offers – lower energy prices (eventually), having the lead in clean tech and greater energy security. But maintaining the lead in clean tech is anything but certain, if only because of China's tech catch-up and draconian subsidies in many forms. What happened to solar PVs seems to be happening again with batteries and EV cars, and while other potential importers are closing their borders, the EU may not or only do so selectively.

Draghi defends a 'mixed strategy' with only the fourth option advocating 'trade-distorting' measures in the case of 'an innovative edge and … high growth potential'. In other options, inward FDI and local-content requirements or compulsory joint ventures (the typical measures the EU has been protesting in China for years) should be utilised. Overall, Draghi alleges that the EU is 'squandering early-stage advantages in clean tech' due to the lack of an appropriate industrial strategy.

Draghi offers a careful analytical approach to building a better functioning EU energy market, including better supervision of gas derivative markets (like the US), as well as calling for faster permit processes and insisting on lower energy taxation (again, like the US).

So, his joint plan focuses on lowering the cost of energy end-users, transferring the benefits of decarbonisation (including lower taxes and levies, although this can be vetoed), making decarbonisation more cost-efficient (where he insists on a 'massive mobilisation of both public and private finance or cooperation agreements') and a collective focus on electricity grids (suggesting *à la* Letta a '28th regime' for interconnectors, more money for the Connecting Europe Facility and an EU coordinator for obtaining permits).

For the hard-to-abate industries, he suggests earmarking a larger share of ETS revenues for these sectors and a range of other methods to obtain more funds, including special finance models for high-speed railway infrastructure. On clean tech enjoying a 'strategic case for developing domestic capacity', Draghi favours a minimum quota for the local production of selected products and components in public procurement and in CfD auctions, in turn supported by (compulsory) joint ventures or cooperation agreements.

This 'Chinese' approach is highly unusual for the EU and is bound to raise eyebrows. True, the US, India and some other Asian countries are not shy about applying such methods. He even notes that 'trade policy will be fundamental' (page 44) and '… the EU should be prepared to apply trade measures…', possibly levelling the playing field. This would also apply to the automotive sector.

Member States may not be willing to go along with all this and it's hard to confirm whether such forms of protectionism that are so unusual in Europe are justified, even when considering China's massive state interventionism. And unsurprisingly, the solution to the never-ending quest for funding at EU level, largely public but also in various ways from private sources, is ever elusive. Christian Lindner's '*nein*' to joint borrowing is easy to assert – however, when not followed by feasible alternatives, it merely harms the EU's substantial efforts to decarbonise its economy.

SOME REMAINING ISSUES

What a decade ago was not perceived as a major issue – security and critical dependencies – has now been catapulted to the highest echelon of (EU) politics. Nevertheless, thus far, only occasional interventions have happened. One reason for this is that dependencies often exist in both directions (also true for China). Yet in areas such as raw materials, the EU is completely dependent, with China controlling more than 90 % of the supply – both raw and refined.

To Draghi, dependencies could become vulnerabilities. Once (geo)political tensions play up, the EU can suffer from very costly 'sudden stops' in trade. Nevertheless, Draghi is right in insisting that geo-political 'weapons' are rarely used, not least because China has a strong incentive not to upset the FDI climate or create business uncertainty but also because it can use the EU to absorb its excess capacity.

With the war in Ukraine, the search for greater security has now spilled over to defence. An additional EUR 500 billion in defence investment will likely be needed in the coming decade. So, one issue is to control or lower dependencies in technologies, components and materials, *vis-à-vis* China and the US, and to develop a genuine foreign economic policy that secures critical resources and conducts EU resource diplomacy. At the same time, recycling ought to be boosted as this is likely to significantly reduce import needs.

All these points are well taken and do require EU structures capable of dealing with these possible vulnerabilities. In defence and space, there have been two contrasting approaches – for decades defence has been overlooked, ignored and belittled (up until Ukraine) whereas space – though small – is viewed as high quality. Draghi rightly opposes the European Space Agency's 'geographical return' principle, despite his understanding of why ESA countries first favoured the idea (to obtain contracts). Today, it leads to fragmented supply chains but it will be tough to overcome this tradition. The single market for space with common standards and harmonised licensing will only flourish if it becomes like other single markets in the EU.

On common finance, Draghi offers several ways of softening or even pre-empting the expected criticism on – if not resistance against – the massive funding required for his proposals. He is right about the weak and small European capital market(s) and the half-failure to support start-ups, scale-ups and innovative mid-caps. But such criticism has been around for a long time and not much has changed.

The idea of making a tiny extra share of pension money available might help somewhat for VC capital flows but that ought to be carefully implemented given pension holders' sensitivity. Draghi also brings up the notion of a 'common safe asset' as a better and safer collateral (apart from other advantages) and perhaps this idea – also around a long time – might become more realistic today.

Criticism of the EU budget – let alone on the action points Draghi has in mind – is well taken by independent observers but unfortunately this problem is a dead end for expecting deep reforms anytime soon. Possibly a more realistic idea is to refocus the EU budget 'on jointly agreed strategic projects and objectives where the EU brings the most value-added' (his 'Competitiveness Pillar' in the next EU budget) and possibly increase the leverage, providing possibilities for private parties to accept more risk (e.g. the InvestEU programme should benefit from higher guarantees, enabling it to finance higher risk and more scale-up investments).

CONCLUSIONS

Mario Draghi is to be complimented on his report and his courage to present a new variant of 'whatever it takes'. However, taking the report literally would drastically change today's EU in several ways and affect the underlying preferences of many in EU markets and government circles. Also, the complexity and sheer overload of his proposals and reforms render it very difficult to fully comprehend them. It's also not helpful for either readers or policymakers that he doesn't specifically state which of his many proposed reforms should be prioritised first.

Regardless of the complexity of his report, it's nevertheless possible to pick out a few buzzwords or key concepts indicating the level of his ambition. It's about greater risk-taking in the EU rather than risk-avoidance. It's about ways to become more innovative, to help innovators become true investors that will spur EU economic growth and generate real benefits for the entire EU market. It's about the benefits of having EU countries working more closely together, in designing financing methods and new funds that make a new and more daring form of entrepreneurship in Europe possible that removes the allure of the financiers across the Atlantic. It's about giving the European level more powers, funding and discretion to act for a more dynamic EU. It's about taking the EU's sustainability imperatives seriously, particularly for green tech, decarbonisation and affordable energy prices. It's about facing up to and finding solutions to the very real challenges around economic and military security vulnerabilities. And finally, it's about the enormous amount of funding and better EU governance required to achieve all the above.

The first building block is to fully implement the single market – but this important priority should be phrased a little more realistically. There is no such thing as 'fully' implementing the single market as shown by the many single market reports, as highlighted most recently by the debate around the Letta report.

Second, Draghi's position that 'industrial, competition and trade policy must be aligned' is problematic. Extending competition policy with tools that enable innovation to be incorporated into it is already daring, let alone his idea to declare the EU telecoms market as *the* relevant market. His proposals, and indeed language, on EU trade policy would seem to lean far into the interventionist direction, bordering on outright protectionism depending on how they would work in practice.

Third, his financing proposals are bold, to say the least, with an extra five percentage points for the investment-to-GDP ratio. Suffice to say, right now they don't seem feasible. In fairness, Draghi makes an effort to demonstrate that a good deal of these expenditures will pay for themselves via extra growth but the question is whether this will sway the (many) sceptics.

Fourth, the governance chapter seems a little too easy. Treaty change is inserted as if it's 'simply' one option. In theory, this is correct but in actual practice, the EU risks becoming ever more obsolete because treaty change is – and will probably remain – next to impossible. 'Enhanced cooperation' can happen (such as with the Unitary Patent[6]) but free riding remains a major issue. And his proposals to reduce the regulatory burden don't seem feasible in this form, even though the idea behind them can be supported in principle.

Finally, one may wonder whether Draghi is considering sustainability in all its dimensions, instead of taking a merely technological approach to decarbonisation.

Nonetheless – and this must not be forgotten – when insisting on genuine change, in the EU boldness and unusual proposals are a must. Otherwise, nothing will change. Draghi presumably knows this and has seized this great opportunity to show Europeans that major work lies ahead, that we must cooperate and integrate far more and that a radical transformation is required.

Selectively, much of this huge report can indeed be utilised by Europe for Europe. No longer can the *status quo* be defended or left to fester.

[6] Curiously, the Unitary Patent is barely mentioned, even though it 'fits' perfectly with Draghi. The UP applies to 17 countries now and will eventually cover 25. In other words, it matters a great deal for innovation because the most important incentive for innovation is 'market size'. The routine patents of the EP Convention are only available country by country.

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