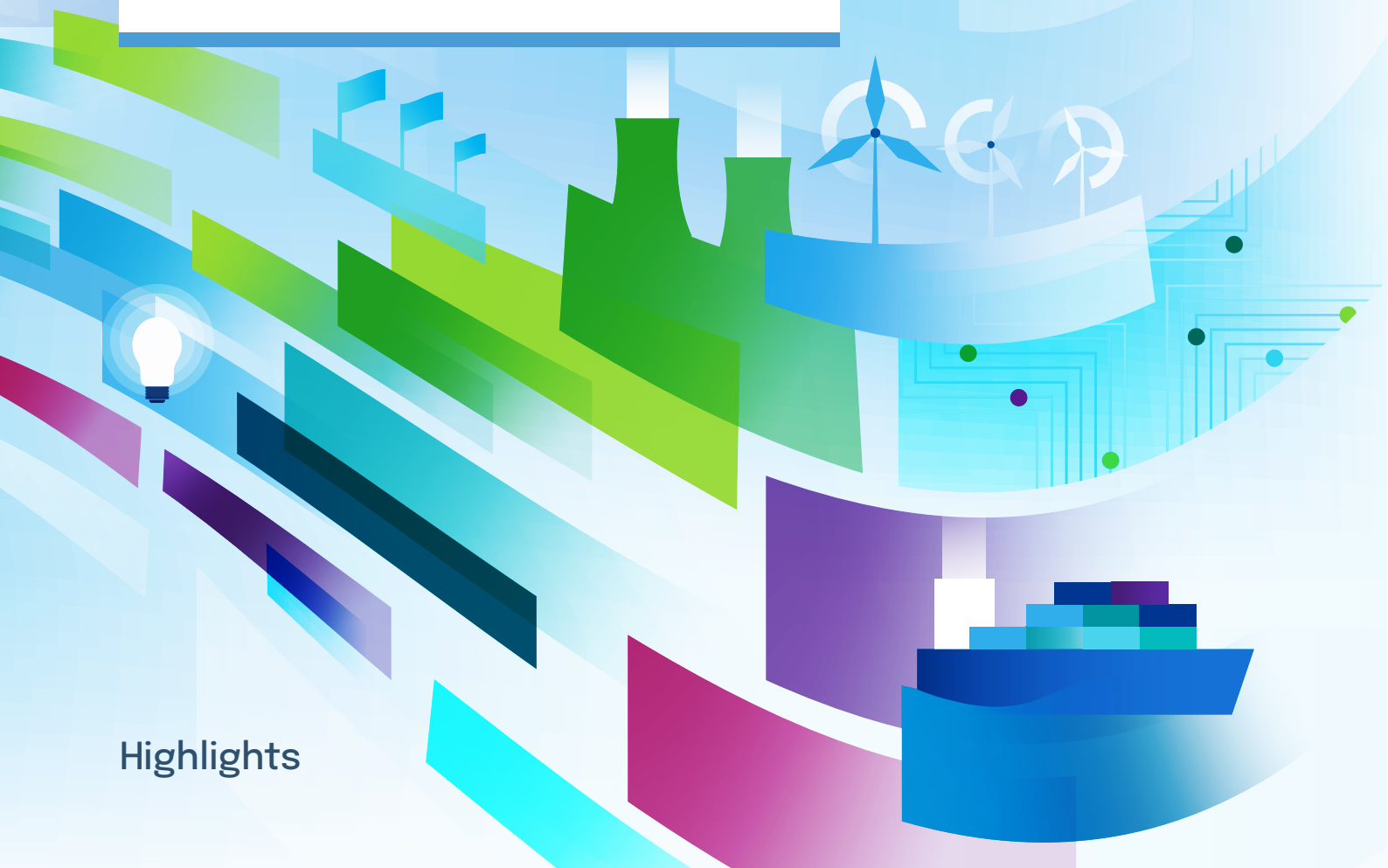




Securing Europe's place in a new world order

ERT Vision Paper 2024-2029



Highlights



We have entered a new phase.

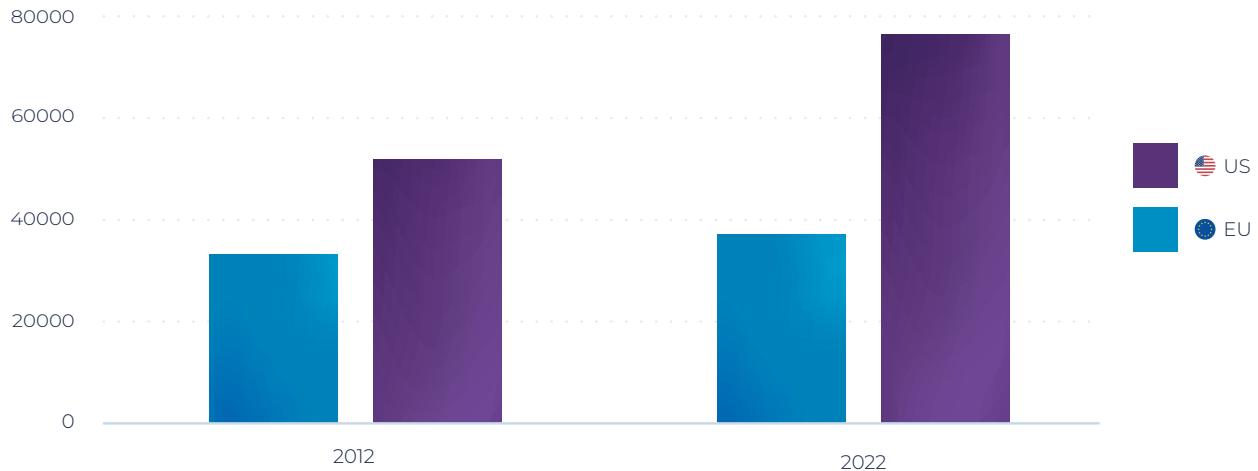
A massive multi-sector, multi-speed transition is underway: in digital technologies & connectivity; in renewable energy generation; in mobility & transport; in education & health; in security & geopolitics – and more.

Consensus-led globalisation has faded.

Governments and institutions all over the world are confronted by climate change alongside divisive strategies and reactions from some of the world's most significant economies. The return of geopolitics has brought with it the urgent need for high-calibre diplomacy, both political and economic.

European business leaders find themselves in a far more turbulent world. Worsening relations between the West and China have highlighted the difficulties of navigating a competing set of rules and regulations for European firms operating in these markets. The COVID-19 pandemic exposed critical supply chain dependencies and bottlenecks that corporates have rushed to mitigate. The terrible war in Ukraine has underlined the vulnerability of Europe's energy supply and its defence and security, testing the resolve of European values and unleashing new waves of market volatility.

Comparison GDP per capita
Current USD



Source: World Bank, World Development Indicators

Europe is coming at these transitions from behind. Despite its early lead in telecom, over the past two decades Europe has missed out significantly on the opportunities of the internet and its digital platforms. These have been the drivers of consumer-facing innovation led by what have become the world's most valuable (tech) companies.

The decline in Europe is also matched by an equally stark fall in the region's corporate wealth. In part, this is a natural consequence of the rise of China and its companies. Of course, we can only welcome that economic development brings prosperity to other populations on the planet. **That said, there is a difference between sharing prosperity and being pushed out of the game. Europe must avoid the latter.**

Now, a new world order is taking shape. The list of uncertainties is as long as the list of opportunities. As the EU moves to secure Europe's place in this new world order, here are the priorities for the European Round Table for Industry (ERT):

1. Europe's success relies on growth

One thing has not changed. For Europe to succeed, growth must make a comeback.

A successful social market economy relies on growth. It always has. For the current generation and for future generations. For our aspirations of becoming the world's first carbon-neutral economy. For an enlarged and more secure EU, growth is indispensable. Across various industrial sectors, massive investment and significant work are ongoing to decouple that growth from emissions. It is a more formidable task for energy-intensive industries, but progress is being made. The most reliable source of long-term growth for Europe lies in transforming its competitiveness.

2. Competitiveness: creating opportunities to gain a leading edge

Amid the social, economic and geopolitical shock brought on by the pandemic, **two different approaches to competitiveness have emerged: one built on subsidy-driven strategic sectoral interventions, the other more focused on structural reforms and deeper EU integration.**

ERT has a longstanding record of supporting the latter: EU integration – in which the EU institutions and Member States create the conditions in which enterprise, education and innovation can thrive, creating new opportunities to gain a leading edge.

The CEOs and Chairs in ERT are actively investing in Europe's success. We keenly await Mario Draghi's upcoming agenda to address Europe's competitiveness. **In a fragmented geopolitical context, it won't just be a question of his famous words, "whatever it takes". The 'how' matters just as much.**

Persistently presenting new legislation and programmes has the virtue of boldness and a certain degree of speed, but the disadvantage of lacking balance, real-world perspective and ultimately gaining reduced buy-in from stakeholders. And it takes resources away from enforcing and improving existing EU rules.

For the next proposals, industry wants to see a better balance between speed and consultation. More urgently, **the time has come for the EU's ambition to shift towards coherence, harmonisation, implementation and enforcement. This would create the right conditions for prosperity and security without lapsing into micro-managing industry.**



3. United in diversity: more Europe should be a better Europe

The EU's motto of *United in Diversity* only resonates if it can get things done. At a time when winning strategies rely more than ever on the speed of execution, that capacity to build consensus and advance quickly is crucial.

The EU is in the early stages of a horizon moment of potential further enlargement. President von der Leyen's 2023 State of the EU speech acknowledged that treaty change may be needed. Aside from expanding the number of countries in the EU, **such a move should change the dynamics of how the EU gets things done.** The next European Commission, Parliament and Council should start digging into the answers to the tough questions about the implications of welcoming new Members from the East.

One thing is certain: enlargement on its own will not be sufficient. To expand successfully, the EU must – in parallel – already to renew the dynamic of EU integration. People will not want more Europe unless it is a better Europe.

4. Single market: maintenance and renewal needed

The EU Single Market is now 30 years old. In that time, it has weathered internal enlargements and external shocks to become one of the most significant single markets in the world. For citizens and companies of all sizes, the Single Market is essentially their first experience of how the EU makes things better, easier and more prosperous.

And like any significant asset, the Single Market needs maintenance and renewal to ensure it is fit for purpose for innovation to thrive.

Yet it remains incomplete, particularly in services and the capital markets union. EU competition policies should make a more dynamic market assessment, reflecting the changes in market realities and EU's competitive position with rest of the world.

Bringing the Single Market up to speed with today's technological context will help deliver the Green Deal and Digital Compass. We have high expectations for Enrico Letta's forthcoming agenda for the Single Market. ERT is calling for political investment in the deepening of the Single Market – by bringing EU economies & markets closer together, it presents a chance to improve Europe's competitiveness, resilience and security.

Is EU competition policy fully considering the question of scale?

Population coverage per Telco operator:

 **467m** people in China

 **107m** people in the US

 **5m** people in Europe

In a globalised world, does this make sense?



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5. Europe: master of its own destiny

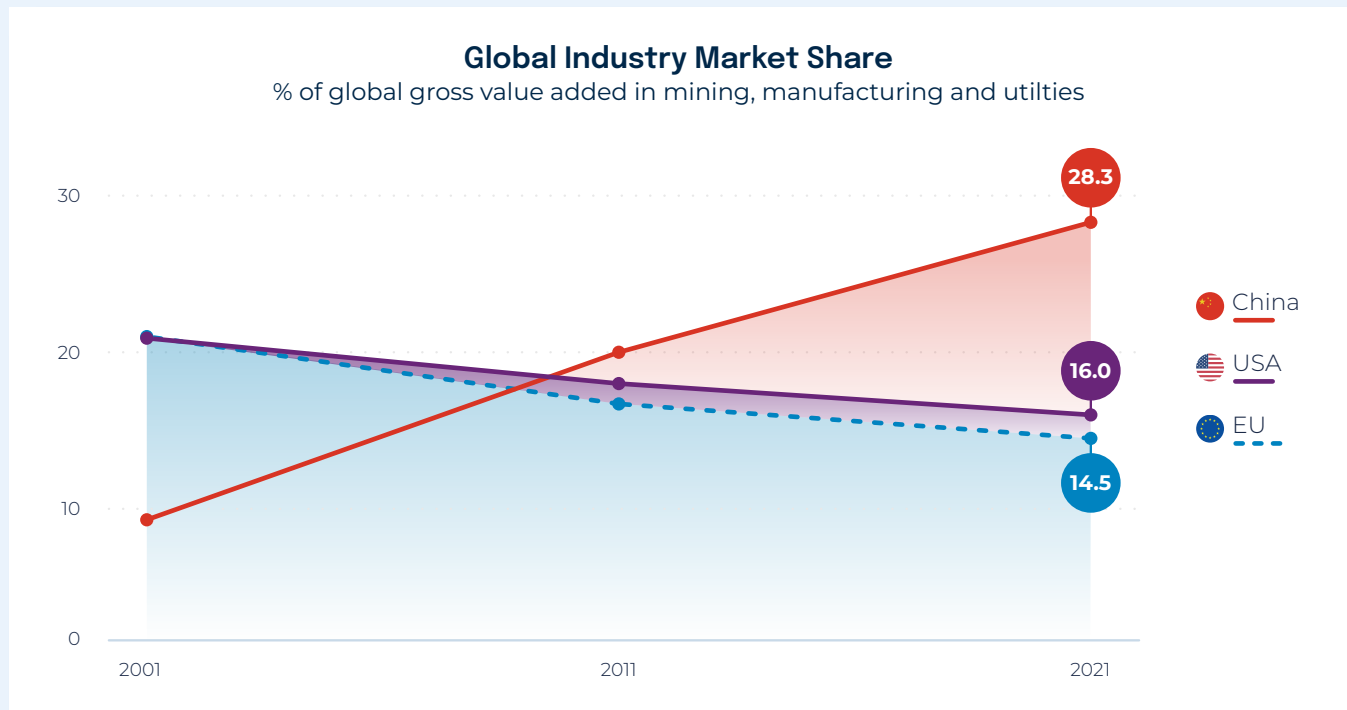
In the words of Ernest Hemingway, bankruptcy happens gradually, then suddenly. Transitions too. At some point between now and 2030, it will be clear who has won the race to lead the industrial internet, who will be the first carbon-neutral economy, who will emerge as the supercomputing superpower, and who will succeed in building the foremost knowledge economy with a culture of lifelong learning.

As one of the most aspirational, historically and culturally rich corners of the planet, **Europe cannot afford to simply become a museum of industrial heritage or a place where the rest of the world only goes on holiday or retires.** Europe is the cradle

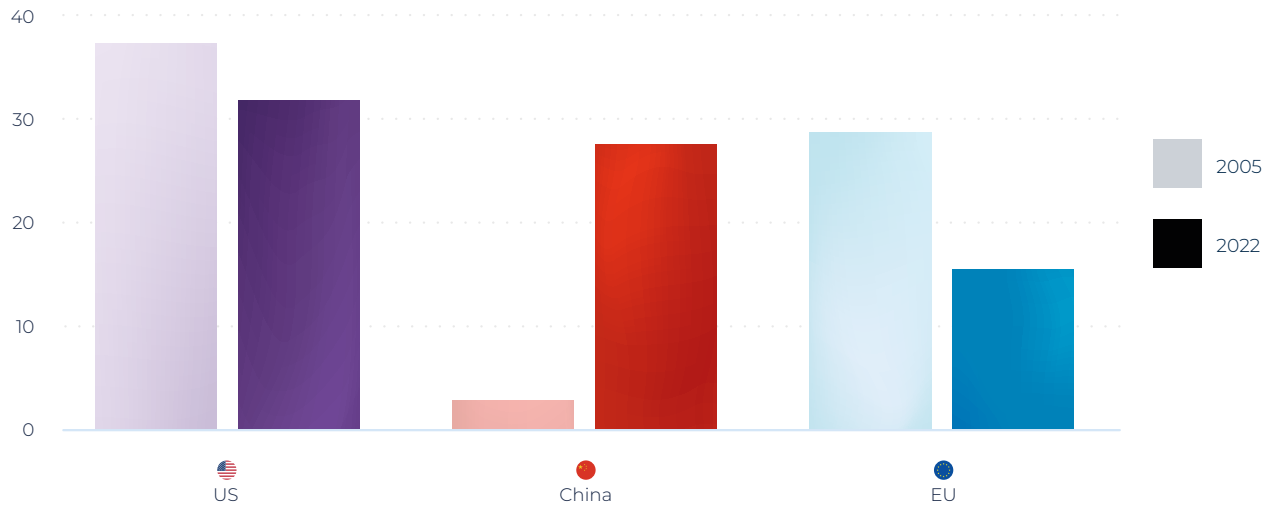
of values, an advocate of open trade, and a reliable partner. It is home to many significant automotive, construction, energy, personal care, pharma and tech industrial companies. Its entrepreneurial spirit is rebounding.

Yet, **it is an alarmingly short road from here to 2030, the milestone for many of the current European Commission's climate, digital and energy targets.**

Arresting the slide in Europe's competitiveness and its potential repercussions on the European way of life will not be easy.



Share of Global Fortune 500 revenue by country, %



Source: Global Fortune 500 List (2023)

ERT has long been a proponent of close collaboration between European industry and governments to secure Europe's success. **In the coming months, ERT will publish its analyses and ideas on deepening the Single Market; the competitiveness of EU Energy Markets & Infrastructure; the EU's Digital Future; and our data-driven report Benchmarking Competitiveness & Industry in Europe against its primary competitors worldwide.**

Together, it is incumbent upon us to help deliver what everyone living and working in Europe wants: a social market economy with full employment where we can have confidence in a future of enduring prosperity for all. **We want a Europe that stands as a shining example of what free democratic societies can achieve and where the EU is the master of its own destiny - a future worth striving for.**



You are reading the highlights of the ERT Vision paper.

To view the full paper — with ERT policy recommendations on competitiveness & innovation, competition policy, digital transformation, energy transition & climate change, jobs & skills and trade & market access — scan the barcode or visit ert.eu/vision2024

The European Round Table for Industry (ERT) has a long history of promoting competitiveness and prosperity in Europe. In April 1983, 17 leading European business leaders came together to launch ERT. They were then, as we are now, united by a belief that European co-operation between industry, policymakers and all stakeholders is essential to ensure Europe continues to thrive.

Today, ERT Members include CEOs and Chairs from around 60 of Europe's largest companies in the industrial and technological sectors. By facilitating cross-sectoral dialogue at the highest level, we build consensus informed by the realities faced by European companies operating worldwide. We are committed to creating a strong, open and competitive Europe through which we promote sustainable growth, jobs and prosperity for all.

For view the full list of ERT Members, visit ert.eu/members



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