

DISCUSSION NOTE

Informal meeting of Ministers responsible for Competitiveness (Internal Market and Industry), 3 February 2026

Competitiveness Compass – A year after

The Draghi Report on European competitiveness [1] provided a comprehensive assessment of the Union's structural weaknesses and identified the reforms and investments needed to restore long-term competitiveness.

Building on these recommendations, the European Commission launched the Competitiveness Compass as its guiding framework for the EU's long-term competitiveness agenda, with 90 % of its flagship initiatives directly inspired by the Draghi report's recommendations. Structured around three transformational pillars: (i) closing the innovation gap, (ii) a joint roadmap for decarbonisation and competitiveness, and (iii) enhancing security and resilience, the Compass serves as the Commission's operational roadmap for the 2024-2029 mandate [2].

Our discussion today aims to focus on the real impact the concrete action plans have brought. Member States are kindly invited to reflect on their experience, highlight key challenges, and suggest possible ways forward to accelerate the delivery and enhance the effectiveness of the Competitiveness Compass and related initiatives at both EU and national level.

Achievements

According to the Commission's "The Draghi Report: One Year On" review (September 2025), implementation of the Competitiveness Compass has proceeded at pace, with over 50% of the Compass's flagship initiatives tabled [3].

These measures are expected to mobilize over €1 trillion across innovation, clean tech, and security to ensure the EU remains competitive and resilient.

The "AI Continent Action Plan" (April 2025) aims to shift focus from regulation to capacity building, deploying a network of 19 facilities and mobilizing €200 billion in investment to triple Europe's compute capacity [4, 5]. Simultaneously, the Clean Industrial Deal (February 2025) will mobilize over €100 billion to support energy-intensive sectors and clean tech manufacturing [3, 6]. Strategic autonomy measures have also advanced with the approval of the first list of strategic projects under the Critical Raw Materials Act [3, 6]. Additionally, the first batch of "Omnibus" simplification packages, once adopted and implemented, will result in estimated administrative savings of €8.4 billion for businesses, contributing to the target of reducing reporting obligations by 25% [3, 7].

Challenges for SMEs and start-ups

Despite these advances, structural barriers continue to impede the diffusion of competitiveness gains. A "two-speed" economy is emerging, in which large enterprises adopt AI at two to three times the rate of small and medium-sized enterprises (SMEs); Eurostat data (2025) reveals that while infrastructure is expanding, AI uptake among EU SMEs remains low at approximately 13.5%, indicating that innovation is not yet fully permeating the wider industrial ecosystem [8]. Furthermore, the Annual Single Market and Competitiveness Report 2025 (2025 ASMCR) highlights that European start-ups continue to face a "financing cliff" compared to US peers, as the Savings and Investments Union has not yet delivered the deep private capital pools required for scaling [2, 9]. Finally, the 2025 ASMCR indicates that two-thirds of EU companies consider themselves hindered by excessive regulation, suggesting that the burden reduction efforts have not yet yielded the necessary tangible relief for businesses [9].

Against this background, the Presidency encourages Member States to reflect on the following questions:

- 1) *How can competitiveness gains be accelerated when implementing the Competitiveness Compass, while ensuring the balance between speed and quality of reform?*
- 2) *In what ways can ongoing competitiveness measures be better tailored to help SMEs innovate, scale and compete in the Single Market and globally?*
- 3) *Which remaining gaps do you identify that are not being addressed under the Competitiveness Compass?*

References

[1] Mario Draghi, The Future of European Competitiveness, European Commission, September 2024. [2] European Commission, Communication on the Competitiveness Compass, COM (2025), 30 January 2025. [3] European Commission, The Draghi Report: One Year On – High Level Conference, 16 September 2025. [4] European Commission, AI Continent Action Plan, April 2025. [5] Interface EU, The European Union's AI Factories: Policy Brief, October 2025. [6] European Commission, The Clean Industrial Deal, February 2025. [7] European Commission, Press Release: Simpler EU digital rules to save billions, November 2025. [8] Eurostat, Digital Economy and Society Statistics: AI Uptake in Enterprises, January 2025. [9] European Commission, Annual Single Market and Competitiveness Report 2025, January 2025.

