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Draghi Report: a competitiveness agenda for a more sustainable Europe?

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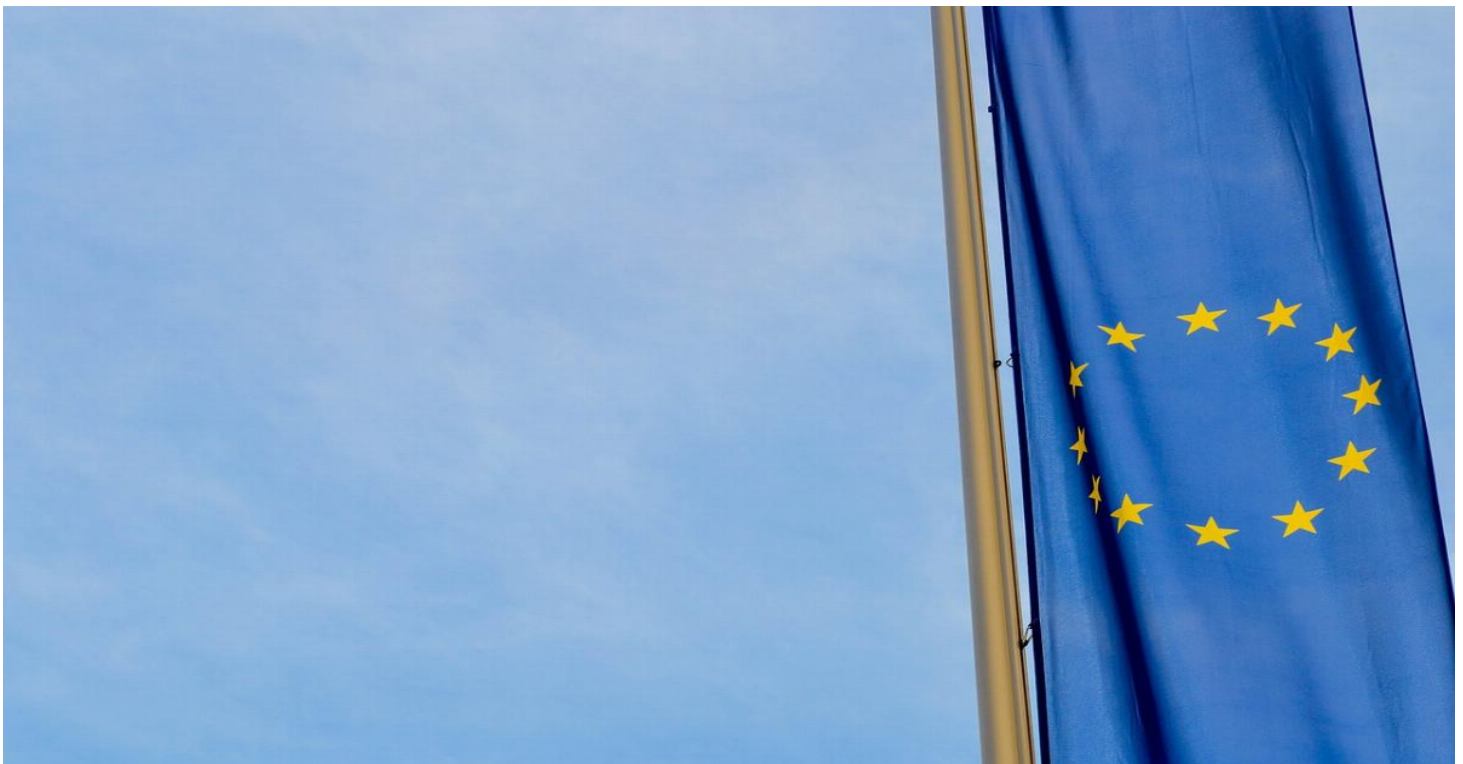
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In a long-awaited [report](#), Mario Draghi takes an uncompromising look at the state of the European economy and the scale of the challenges facing the continent. With this report, the new European cycle is thus opening up to essential questions that are all too often overlooked, in particular the question of how to link the low-carbon transition with the issue of economic competitiveness. In this blog post, IDDRI provides insights and analyzes the implications of this report and its proposals for the forthcoming discussions on the continued implementation of the Green Deal, in a particularly critical context of collusion between political, socio-economic, security, democratic and environmental issues.

Delayed several times, the Draghi report delivers a detailed and powerful assessment designed to influence Europe's political agenda. It characterizes Europe's loss of competitiveness and gives an articulate and substantiated voice to what economic circles were suggesting in Brussels and in the capitals. At times overstating the case—notably by failing to recognize the heterogeneity of the regions in this race for competitiveness or of the economic players involved—the report opens up the debate and exposes it to counter-argument, which hints at more granular approaches to competitiveness issues that take account of activities and specific territorial features.

While the report provides a detailed list of more than 170 measures, its added value lies mainly in putting on the agenda debates that are essential for the EU and for the success of its transition: innovation deployment policy, design of an industrial strategy linked to trade policy, energy infrastructures and financing strategy. Having adopted ambitious objectives, it is these implementation issues that will largely determine the success or failure of the European transition. The Draghi report thus follows on from the [Letta report](#) published in April 2024, which had already emphasized the need to strengthen the integration of the single market by focusing on key markets (financial, energy and telecommunications in particular) to enable Europeans to reap the full benefits associated with the size of their market, an important vector for creating comparative advantages given the transformations underway in the digital field and the green transition.

Commentators have largely focused on the financing issues, which emerge as critical factors for success in the Letta and Draghi reports. But these reports also fuel the debate on competitiveness, which should make it possible to explore different, sometimes divergent, visions—competitiveness through short-term cost-cutting, or competitiveness seeking to nurture long-term challenges, the balance to be found with the challenges of security and resilience—and lead to crucial trade, energy and industrial support trade-offs, as well as a renewed method ([IDDRI, 2024](#)): should we favour access to clean, cheaper energy for certain sectors? Should certain sectors or products be supported or protected from too much external competition, and in what other areas is it best to reduce barriers? In what timeframe and on what criteria (safety, technological learning, employment or speed of the transition) should these decisions instead be taken?

Without seeking to conclude a debate on concepts, the Draghi report proposes a vision of the challenge of competitiveness centred on increasing economic productivity through innovation, the spread of digital and green technologies, education and skills, administrative simplification and competition between economic players; it also points to the challenge of securing value chains and adds concrete proposals for action that will benefit from discussion and, in some cases, have already been adopted by the new EU institutions.

A positive note is that the focus is on long-term issues rather than short-term price competitiveness. And the need for Europe to build industrial partnerships with third countries is underlined; on this subject, serious diplomatic work will be necessary to build an agenda ([IDDRI, 2024](#)) and shared priorities that go beyond European economic interests alone. Nevertheless, certain long-term dimensions, such as improving the environment and health as factors of attractiveness (biodiversity, pollution, agriculture), or the circular economy, deserve to be better recognized in an agenda aimed at making the European economy more efficient; similarly, the concept of security should be broadened to include resilience ([IDDRI, 2024](#)). And new environmental challenges specific to the transition, such as deep mining, are emerging; on this specific topic, the report is already giving rise to concerns linked to the justification it seems to provide for the possible development of these minerals and the perceived attacks on the [Corporate Sustainability Due Dilligence Directive](#).

Will the improvement in economic productivity proposed in the report serve to make Europe more sustainable? ([IDDRI via Sustainable Views, 2024](#))

The report is clear on the ambition to achieve the EU's climate objectives ([IDDRI, 2024](#)). This is an important message, as giving companies a clear framework and direction can secure their investments ([IDDRI, 2024](#)) and therefore their long-term competitiveness; conversely, the desire to backtrack can be a destabilizing factor. However, the risk of a (possibly downward) revision of these objectives is also raised if economic productivity does not improve or if the gap with the United States does not narrow; a warning to be taken seriously to avoid heading down a slippery slope. To take the oft-discussed example of the automotive industry, the challenge today is not to put the timetable of adopted regulations back on the table or to move to a technology-neutral strategy, which would increase the level of uncertainty for manufacturers, but to put in place the conditions necessary for the European industry to catch up.

Finally, there is little in the report on how the EU can organize itself to define and drive its industrial policy, both at a cross-cutting level and in terms of deciding which sectors are priorities and which players should be brought to the table. Nor on how to resolve distributional conflicts between Europe's citizens and territories, in a context where budgetary trade-offs are going to be difficult to make and do not seem to favour cohesion policies and, more broadly, social issues. We need to think about the content of the EU's industrial strategy and the accompanying policies that will enable businesses, trade unions, regions and civil society to get on board. The establishment of the new Commission and its portfolios with cross-cutting prerogatives, as well as the design of the [Clean Industrial Deal](#), must provide opportunities to examine whether a vision is shared at European level and to identify the decisions to be taken to align European policies.

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