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Presidency Report

Developing our economic base: vision for a long-term strategy on sustainable growth

Policy debate

1. Introduction

A strong economic base and sustainable growth are of key importance for Europe's prosperity and for jobs creation as well as for its role on the global stage. Over the years, Europe has successfully created prosperity and well-being for its industries, businesses and citizens. However, the current European growth model is facing new developments such as climate change, fierce global competition, the rapid development and transformation of technologies and the need for new skills for adapting to technological and societal changes.

Europe is well positioned to take the global lead on managing these changes and developments. Therefore, the EU needs a new comprehensive, ambitious and forward-looking growth agenda with effective ways to improve its productivity and competitiveness on the global markets while ensuring that economic growth is sustainable, both environmentally and socially.

To respond to this need and the call for strengthening our economic base the Presidency has prepared a report on the sustainable growth agenda. The report introduces a new integrated approach to sustainable growth highlighting that contributions from different relevant policy areas with carefully chosen and well-targeted policy measures are more efficient together and offer more synergies than separately. It is clear that the successful and just transition towards a research and innovation-led climate neutral, digital economy is a common objective for all sustainable growth policies. Moreover, a wisely chosen combination of different policy measures could better respond to citizens' legitimate concerns about their prospects for the future, employment, safety and livelihood in general.

The preparation of the Presidency report has been a participatory process and the Member States have expressed their views at several different phases and fora including at the political level. At the Informal Meeting of the Ministers responsible for Competitiveness in Helsinki on 4 and 5 July, the Ministers had an exchange of views on sustainable growth and the priorities of the work programme of the next Commission. The preparation of the report then took place in the Council Working Parties on Internal Market, Industry and Research. The High Level Working Group on Competitiveness and Growth has contributed to these discussions from the perspective of several different policy areas and priority topics. The outcome of the preparatory work is reflected in the Presidency report that is annexed to this note.

2. The main messages of the Presidency report

The report identifies the key policy objectives for the next Commission's agenda and lists measures to deliver on them. These objectives and thereby the main messages of the report are:

- *Accomplishing a just transition to climate neutral **industries, manufacturing and service** sectors, fostering the renewal and level of digitalisation of European industries and developing strong global and European industrial value chains;*
- *Strengthening an innovation-friendly **Single Market** with a more favourable business environment, in particular for SMEs, scale-up companies and services and examining how businesses ensure that their conduct is environmentally and socially responsible;*
- *Promoting innovation-led transitions with an **ambitious policy mix** emphasising investments in **knowledge**, uptake of **research results** and deployment of **innovations** recognising R&I as a key enabler and driver for productivity, policies and solutions for sustainable growth;*
- *Making the EU a global leader in the **digital economy** and a globally attractive market for digitalisation and for digital services;*
- *Enhancing the competitiveness and productivity of Europe by investing in education, continuous learning, reskilling, upskilling and new **skills** needed in a digital world, in the industrial transformation and in the transition to a climate neutral economy; and*
- *Strengthening the **external dimension** of the EU's competitiveness and making better use of the opportunities of the Single Market in order to improve the global competitiveness of European industries.*

3. Conclusions

The incoming Commission has been built to respond to the same challenges and opportunities identified here above and in our discussions: climate change, technological opportunities, socially fair transition and new international partnerships. Therefore, the Presidency believes that the strategic and ambitious blueprint for sustainable growth should feature strongly in the new Commission's Work Programme, connecting and bringing together the relevant policy areas for growth and competitiveness, as described above.

The Finnish Presidency invites the Ministers responsible for competitiveness of the EU, industry and internal market as well as research:

- to express their views on how to take forward the integrated approach on sustainable growth,
 - to consider that the main messages of the presidency report should contribute to the Commission's work programme for the next five years.
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VISION FOR A LONG-TERM STRATEGY ON SUSTAINABLE GROWTHPresidency report – preparations for the Competitiveness Councilof 26 and 27 September 2019**Scope and purpose of the Presidency report**

The EU needs a comprehensive, ambitious and forward-looking growth agenda in order to be more competitive on the global markets and to ensure that economic growth is sustainable, both environmentally and socially.

The current European growth model is facing new developments such as climate change, fierce global competition, the rapid development and transformation of technologies and the need for new skills for adapting to technological and societal changes.

Europe is well positioned and holds great potential to take the global lead on managing these changes and developments. Therefore, the EU needs a new comprehensive, ambitious and forward-looking growth agenda with effective ways to improve its productivity and competitiveness on the global markets while ensuring that economic growth is sustainable, both environmentally and socially.

The EU growth agenda should be holistic in nature and include policy priorities from policy areas such as modern industrial policy, single market, research and innovation, digitalisation and skills. The successful and just transition towards a climate neutral, circular and resource-efficient economy is a common objective for all these sustainable growth policies.

The following priorities should thus form the basis of the EU's future growth agenda:

- *Accomplishing a just transition to climate neutral **industries, manufacturing and service** sectors, fostering the renewal and level of digitalisation of European industries and developing strong global and European industrial value chains;*

- *Strengthening an innovation-friendly **Single Market** with a more favourable business environment, in particular for SMEs, scale-up companies and services and examining how businesses ensure that their conduct is environmentally and socially responsible;*
- *Making the EU a global leader in the **digital economy** and a globally attractive market for digitalisation and for digital services;*
- *Promoting innovation-led transitions with an **ambitious policy mix** emphasising investments in **knowledge**, uptake of **research results** and deployment of **innovations** recognising R&I as a key enabler and driver for productivity, policies and solutions for sustainable growth;*
- *Enhancing the competitiveness and productivity of Europe by investing in education, continuous learning, reskilling, upskilling and new **skills** needed in a digital world, in the industrial transformation and in the transition to a climate neutral economy; and*
- *Strengthening the **external dimension** of the EU's competitiveness and making better use of the opportunities of the Single Market in order to improve the global competitiveness of European industries.*

In our view, this strategic and ambitious blueprint for sustainable growth should feature strongly in the next Commission's Work Programme.

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The Finnish Presidency invites the next Commission and the future Presidencies to build on the findings of this report and to follow up on them systematically.

1. Introduction: Setting the scene

1. The EU – the Member States and the new European Commission – should embrace the need for the prospect of sustainable growth. In order to respond to peoples’ legitimate concerns about their prospects for the future, employment, safety and livelihood in general as well as their concerns related to environmental issues, the Commission work programme should provide an ambitious growth agenda for Europe at a time when global competition is intensifying and traditional industries, enterprises and jobs are undergoing fundamental changes.
2. The European Council conclusions of March 2019¹ identified the way forward: a strong economic base is of key importance for Europe’s prosperity and competitiveness, and for its role on the global stage. The present European growth model is not sufficient for European businesses to compete successfully and to scale-up or tackle the issues of technological development and climate change without considerably improving productivity, to start with.
3. The key question for Europe from the competitiveness and employment perspective is:

Which measures does the EU need to take in order to ensure that EU economies and citizens will succeed in the global economy, whilst taking into account the accelerating pace of technological change and the need for social and environmental sustainability?

¹ EUCO 1/19; Priority areas for a future growth policy have been addressed in a number of different contexts, such as at the Competitiveness Council (May 2019), the New Strategic Agenda of the EU 2019-2024, the report of the Industry 2030 High Level Industrial Round Table (June 2019), the declaration by the Friends of Industry (December 2018), and the letter by 17 Member States concerning the future development of the single market and digital policy (February 2019). In addition, the High Level Working Group on Competitiveness and Growth has discussed the issue from the perspective of several different policy areas and priority topics.

4. The EU needs an overall focus on policies that truly contribute to improving productivity growth. They must be underpinned by knowledge, research and innovation. Improving productivity and enabling value creation across all economic activities is crucial for sustainable development and well-being. The pace, scale and extent of knowledge-based policies and innovation will increasingly determine the success in the creation of economic value and sustainable growth and jobs. New technologies and in particular innovative use of technologies, making better use of research results and speeding up their market uptake is crucial. In turn, this requires strategic focus on new skills, continuous learning and education systems.
5. Environmental sustainability and competitiveness should go hand in hand in the future. The EU should strive for transformation to a climate neutral economy to achieve the EU 2030 climate and energy targets, the goals of the Paris Agreement and United Nations Sustainable Development Goals. This represents a huge challenge but should also be seen as an opportunity. It is important for the transition to a climate neutral society to be just and for social and regional differences to be taken properly into account. The EU should facilitate this just transition whilst maintaining its external competitiveness and avoid carbon leakage, in particular through supporting and mobilising investment and innovation in technologies promoting climate neutrality.
6. As research and innovation are key drivers for better productivity and for reaching climate neutral economy in a just manner, additional investments in research, development and innovation are needed at national and EU-level. For example, new multidisciplinary approaches, ambitious deployment of digital solutions and advancing the bio- and circular economy solutions, smart-energy systems and resource efficiency are crucial in achieving both climate targets and growth. The new, sustainable, knowledge- and innovation-led growth model requires a renewal of the European Research Area (ERA) and a renewed political commitment for multilevel governance that enables better links between education, research and innovation.

7. The sustainable growth agenda should also involve citizens, comply with and promote European social values as well as the fundamental principles of the EU, including in terms of inclusiveness, territorial cohesion and geographical and demographic distribution. It is crucial to address the need to regain trust of citizens and ownership of Member States, which are vital for the future development of the EU. Responsible business conduct is a key ingredient in building trust and further ways should be explored to encourage the private sector to play its part in making growth truly sustainable.

2. The need for a new holistic EU Sustainable Growth Agenda

8. A strategic and ambitious blueprint for sustainable growth should feature strongly in the next Commission's work programme, interlinking the relevant policy areas. Europe's policy agenda will need to be in tune with quickly evolving socio-economic, technological and market developments.
9. The agenda would have clearly defined policy objectives (listed in chapter 3 of this document) and make it clear that an integrated approach with contributions from different relevant policy areas will deliver more efficiently than policy measures chosen separately. In addition, a monitoring mechanism should be set up to help ensure that the growth agenda is systematically implemented and its progress monitored and regularly reported.
10. The implementation of the EU growth agenda and its monitoring could largely build on existing monitoring systems and reorganisation of those systems. It could also be explored whether the European Semester or its successor instrument could be used to monitor the implementation of the EU growth agenda and better serve the monitoring of integrated policy objectives. The monitoring indicators needed would remain for the Commission to develop in close cooperation with the Member States.

11. The progress of implementing the growth agenda should be regularly reported. The outcome of these reports could be discussed in the Competitiveness Council. The current competitiveness check-up could be renewed and, for example, include a progress report on the implementation of the growth agenda. The possible renewal of the competitiveness check-up needs to be discussed more in depth between the Member States and the Commission. Also, cooperation between different council formations would be a useful contribution to make the integrated approach a reality.

3. Key policy objectives

12. Enhancing productivity, creating value and ensuring an efficient and just transition to a climate neutral economy should be the main objectives of the next Commission. To this end, the Presidency, in close cooperation with the Member States, has identified the following key policy objectives for the EU's growth agenda and the means to achieve those policy objectives. These should become the core of the next Commission work programme. The list of policy measures, however, is not exhaustive.

Accomplishing a just transition to climate neutral industries, manufacturing and service sectors and improving, the rate of renewal and the level of digitalisation of European industries and developing strong global and European value chains

13. The success of European industries is largely dependent on their ability to embrace new technologies and business models which promote digitalisation, climate neutrality and effective and environmentally friendly use of resources. They also need to be cost-efficient for the whole life cycle and be able to contribute globally to the climate change mitigation. It is crucial how undertakings of different sizes manage to create and access value chains, which meet customer needs and operate across borders or cover more than one sector. It is also essential that they can be actively involved in and take advantage of the innovation ecosystems. This requires a strong focus on research and innovation policy. Developing and adapting new technologies requires new types of skills, which companies need to be able to rely on. Furthermore, effective competition and a well-functioning single market are absolute conditions for improved economic growth and productivity as well as being the pathway for European companies to compete successfully in global and European markets and to become not only European champions but also global leaders, thus serving also the strategic autonomy in a forward-looking way.
14. Future EU policy approaches should be more effective in bringing about the renewal of European industries and businesses, and enabling them to scale-up and improve their access to global and European markets. At the same time, there is an increasing pressure on businesses to ensure that their conduct is environmentally and socially responsible. EU policies should facilitate this development.
15. Innovation-led growth is essential for the creation of a level playing field for European businesses and makes it possible for them to scale up and grow quickly. Moreover, it is important to ensure the best possible ecosystem for the flourishing of innovation activities. The quality of the regulatory and legislative culture in relation to innovation is therefore becoming increasingly important for the EU's global competitiveness. This also requires the adoption and implementation of ambitious reforms at national level.

16. It is of the utmost importance to support the creation and development of strategic value chains and their connection to global value creation networks. Special attention should be paid to finding the means to ensure that European industries, in particular SMEs and mid-caps across Europe, are fit and able to create joint strategic value chains. Europe as a business environment should ensure the possibilities for companies to scale-up and maximise their value creation and role in global value chains, which cover the entire range of activities involved in providing a product or service. These activities span across multiple countries, and they include both arm's-length relationships and exchanges within an enterprise. Value chains may also change quickly, in particular due to rapid technological and especially digital developments.
17. Industries are increasingly dependent on services due to the servitisation of manufacturing industries. On the other hand, the European services market needs prosperous European industries in order to develop and diversify further. The industrial and single market policies should therefore be developed in close inter-relation to optimise the synergies of the two policy areas and the possibilities offered by the increasing interdependence of services and industry in creating added value within global value chains.
18. Policy measures needed:
- Supporting the development of strategic value chains such as in key digital, circular and clean technologies and their connection to value creation networks to foster the transformation of European industry. These policy approaches, including Important Projects for Common European Interest (IPCEIs), should ensure equal opportunities for frontrunner companies, new players and SMEs. It is important that the results are available to the wider European industrial ecosystem.
 - Breeding a business environment that stimulates innovation and technology uptake to create a market for cost-efficient sustainable solutions and circular economy business models. This requires a consistent regulatory framework to ensure industry invests in new technologies to make it possible for European industries and businesses to become indispensable suppliers of a climate neutral and circular economy.

- Strengthening existing and developing adequate new financial instruments to support a climate neutral industry and to scale up innovative SMEs. As regards access to financing, the EU needs to foster more private funding to European projects, in particular through public-private partnerships.
- Creating the best possible ecosystem for the flourishing of innovation activities, for example, by taking full advantage of intellectual property (IP) policy. In light of new economic and technical developments, a broad IP strategic approach is needed to ensure the smart use of IP by businesses and the innovation community. Continued investments in open standards are necessary to create global value chains accessible for all, in particular to enable SMEs to participate in the value creation and to maintain European leadership in critical fields of digital technology whilst ensuring a well-functioning European licensing system.
- Ensuring that European-wide markets are characterised by effective competition. At the same time, the enforcement of EU competition rules in individual cases needs to be based on a correct understanding of the functioning of the market or markets concerned.
- Enhancing, for example through business-support organisations such as clusters or Digital Innovation Hubs, the possibilities of SMEs to scale-up in all regions of Europe as well as their access to financing. Promoting their digitalisation and skills development is also important.
- Examining, how businesses ensure that their conduct is environmentally and socially responsible in such a way that it becomes a competitive edge.

Strengthening an innovation-friendly single market with a more favourable business environment in the EU, in particular for SMEs, scale-up companies and services and examining how businesses ensure that their conduct is environmentally and socially responsible

19. Further progress of the single market is an essential element in creating a genuine level playing field for European industries and businesses and making it possible for them to scale - up, as well as to enable new businesses and business models to develop quickly. The single market should be fair, fit for digital era and support the transition to a climate neutral economy.
20. The priorities for the single market are the further development of the markets for services and goods, based on facts and needs, building on Council Conclusions of 27 May 2019 and better implementation, application and enforcement of the current single market rules.
21. Value creation networks in manufacturing industries have undergone fundamental changes, as servitisation is increasingly important for value creation in those networks. Leading global manufacturers have also become service providers. This change is increasingly driven by the digital economy, for example platforms. In fact, huge growth potential lies in the field of services, especially in digital services and this potential needs to be realised. Europe should therefore create a real services market to enable European companies, in particular SMEs and mid-caps to scale up and become global leaders. As industry value chains are highly dependent on services, especially digital services, it will be necessary to remove remaining cross-border obstacles and to prevent new barriers and risks of fragmentation in this regard. For that to happen, a thorough sector-by-sector analysis would make possible tailor-made and more user-centric policy measures. On that basis, Member States should also commit to improving their performance in reducing service restrictions while ensuring high quality standards and consumer protection.
22. Effective and uniform implementation, application and enforcement are crucial for the proper functioning of the single market. Effective enforcement and implementation require a strong commitment at political level and increased transparency. A long-term action plan for better implementation, application, and enforcement of single market rules is therefore needed as called for in March 2019 **European Council**'s conclusions. Moreover, the Competitiveness Council conclusions of 27 May 2019 invites the Commission to present a state of play regarding the implementation, application and enforcement of existing legislation as set out in the abovementioned Council Conclusions.

23. The EU should pursue a forward-looking single market policy in the rapidly progressing digital era and set the objective of Europe becoming a global leader in the digital economy. Future policies should therefore create a level playing field for businesses, boost their capacity to compete and be productive and help provide for faster dissemination and better absorption of digital technologies and solutions.
24. Strengthening the Single Market and creating conditions for sustainable growth require sound and enabling regulatory environment that promotes innovation, competitiveness, employment as well as well-being of citizens, and also takes into account the needs of SMEs. The robust use of all better regulation principles and tools, especially those advancing sustainability and innovation, is prerequisite for having a more future-proof, market-driven and evidence-based regulatory environment for sustainable growth. It is important to continue systematic and ambitious efforts towards better regulation and better functioning of regulatory environment based on this starting point and the commitments made.
25. Policy measures needed:
- Deepening the analyses of the existing barriers to the Single Market, as requested by the March 2019 [European Council](#), and coordinating appropriate actions with a view to coming up with adequate regulatory or non-regulatory solutions.
 - Conducting thorough sector-by-sector analyses, in particular in relation to services, to make possible tailor-made and more user-centric policy measures and identification of opportunities and barriers experienced by entrepreneurs.
 - Providing for faster dissemination and better absorption of digital and other technologies and solutions for businesses, in particular SMEs

- Adopting a long-term action plan on implementation, application and enforcement of single market rules, as requested by the Competitiveness Council in May 2019, and strengthening national and EU enforcement and implementation capabilities both by building upon existing tools and by considering possible structural or administrative solutions. The above action plan should be combined with regular reports on the current state of the functioning of the single market.
- Enhancing cooperation among national authorities to ensure uniform application and enforcement of current EU rules. The Commission can play an important role by providing modern tools for information exchange between national authorities and setting up networks.
- Ensuring efficient use of the standardisation system in order to support innovation and global competitiveness of European industries and businesses
- Strengthening the EU regulatory competitiveness, in accordance with the principles of better regulation, by pursuing clearer and simpler EU rules that do not put unnecessary regulatory burden on European business and citizens.

Making the EU a global leader in the digital economy and a globally attractive scalable market for digitalisation and for digital services

26. In a time of strong global competition, Europe needs to ensure a favourable environment for European businesses to compete with global players. It is therefore important to embrace the accelerating digital transformation of our economy and society, which both offers new opportunities and poses new challenges. The EU should adopt policies that promote a rapid deployment of digital technologies and solutions in society and the economy, and especially among SMEs.

27. Digitalisation and AI, data and the platform economy are key drivers for accelerating European productivity, growth, prosperity and employment in the global context. Therefore, Europe needs a coherent digital policy, which will make possible cross-border innovation, competitiveness and uptake of key technologies so that European businesses can grow and compete worldwide.
28. The transition towards climate neutrality will affect all industries and requires significant reorganisation. It is crucial to ensure that this transition and the reorganisation needed is carried out in a just manner. There is a rapidly growing global market potential for circular and climate-friendly solutions based on digital technologies, and particularly for better utilisation of data. Digital and circular solutions can reduce transaction costs and improve the energy and material efficiency of industrial processes and value chains. Future EU policy approaches should promote the development and uptake of enabling key technologies and services as well as reorganisation of processes and value chains by European businesses in order to enable the EU to extend and exploit its competitive edge in green solutions.
29. European companies should take on key roles in ecosystems emerging around the new platforms, and strive to be attractive partners for global companies. To strengthen ecosystems for European industrial and space data, the European Commission should continue putting in place mechanisms to encourage and incentivise sharing, joint use and pooling of data.
30. It will also be necessary to create incentives for companies and entrepreneurs to share data. One of the key elements in the future will be people's trust in digital platforms and their data security. Improved cybersecurity is a crucial element in building businesses' and citizens' trust in digital solutions.
31. Artificial intelligence (AI) and automation are pivotal tools for improving the EU's competitiveness as part of the global data economy. The internet of things, AI, and other emerging technologies create new possibilities for the growth of the European industry.

32. Policy measures needed:

- Developing a comprehensive roadmap for the regulatory landscape on data as well as fair and innovative use and reuse of data (including privacy rules, access, interoperability, connectivity, sharing and ownership as well as ethics and integrity).
- Setting up European Union guidelines for fair and legal exchange and use of data, providing users with the tools to control their data and allowing them to access and transfer their data securely to various service providers.
- Striving for the EU and European businesses to become significant developers and adopters of AI by ensuring that European fundamental and applied research into AI is at a competitive level vis-à-vis other leading regions.
- Emphasizing the need for European approach on the human and ethical implications of AI. Making the EU a forerunner and role model in AI ethics. Upholding ethics and trust as a competitive edge by creating incentives and mechanisms for European businesses, research and innovation to ensure human control and transparency (e.g. traceability, explainability, interpretability) of the decisions and solutions provided by AI. In addition, guidance could be developed to support practical sector-specific implementation.
- To strengthen ecosystems for European industrial and space data, the European Commission should continue putting in place mechanisms to encourage and to incentivise sharing, joint use and pooling of data.
- Assessing whether the EU's competition framework is fit for purpose to address anti-competitive practices in the platform and data-driven economy and ensuring that the enforcement of the EU competition rules in individual cases is based on a correct understanding of the functioning of the market or markets concerned.

- Encouraging European citizens to trust the digitalising society by offering solutions in areas such as transparency of algorithms and human-centred data management, supported by an efficient implementation of the General Data Protection Regulation.

Promoting innovation-led transitions with an ambitious policy mix emphasising investments in knowledge, uptake of research results and deployment of innovations recognising R&I as a key enabler and driver for productivity, policies and solutions for sustainable growth

33. Research and innovation policy contributes horizontally and systemically to the sustainable growth agenda. This new, knowledge- and innovation-led sustainable growth model should promote economic openness and innovation-friendly markets, with an ambitious policy mix including much higher investment levels in research and innovation and the renewal of our industry, as well as increased use of innovative public procurement. These markets are key for encouraging uptake of research results and rapid deployment of disruptive innovations by European industry and businesses in a cost-efficient way, for example in digital, climate neutral and resource-efficient technologies. Horizon Europe is the central EU programme for delivering on these ambitions.
34. The EU should promote coordinated efforts in research and innovation and set clear mission-oriented directionality for investments in order to facilitate and curate solutions for the transition towards climate neutrality, and to reap the benefits of digitalisation. In this context, the promotion of strategic value chains to develop and secure the position and unique value proposition of EU industry globally, in emerging and strategically important sectors, is a key process at the interface of research, innovation and industrial policies.
35. Equally, ensuring technology neutrality and openness to emerging and innovative approaches and business models by new entrants strengthens both the resilience and the agility of the European economy. Research provides a solid knowledge base for future innovation, and public-private R&I collaboration in its various forms accelerates the renewal of the industry. Open science policies, in turn, provide potential for future European innovations emerge from our investments in the knowledge base and increase creativeness and responsiveness to societal challenges in the field of research and innovation.

36. By developing and deploying cutting-edge technologies, European strategic infrastructure and capacity and significant data sets for public and private use, space policy has become a key enabler for future sustainable growth and the basis for monitoring the climate and use of resources. The potential of space-enabled solutions in different sectors and in the New Space Economy is global by default.
37. Closely coordinating with industrial, digital and skills policies, we need to ensure that European fundamental and applied research into AI is at a competitive level vis-à-vis other leading countries. The link between AI and other emerging technologies such as blockchain, quantum computing and brain-machine interfaces, as well as contributions already made at EU level, should be recognised and utilised to swiftly advance the common approach still further. This includes improving Europe's AI capabilities and promoting uptake of digital technologies, by European industries and service businesses among others, while addressing ethical, safety and security concerns.
38. To harness the potential of new technologies, both societies and companies should invest in skilling, upskilling and reskilling workers and researchers at all stages, facilitating workforce mobility and generating innovations that complement human labour.
39. Access to finance is a crucial factor for the scaling up of SMEs and the issue should be properly addressed at EU level. The EU should continue to develop European capital markets and public funding mechanisms in an integrated way to smartly combine EU funds with private funding sources so as to help bring about the renewal and efficient scaling-up of European companies possessing strong growth potential. To that end, the European capital market should be further strengthened to provide suitable solutions for different financing needs. In this context, and complementing national level initiatives, it necessary to swiftly ramp up the European Innovation Council (EIC) to identify and scale up breakthrough and disruptive innovation in particular, especially focusing on SMEs.

40. Policy measures needed:

- Increasing the investment in R&I to achieve the 3% of GDP target, in such a way that it triggers private investments and engages all stakeholders.
- Embedding research and innovation policy as an integral, horizontal part of European sustainable growth policy backed up by a strengthened Horizon Europe programme. This requires cross-sectoral commitment to common goals.
- Integrating an innovation-led and transformative change perspective into public policies (e.g. healthcare and social services, climate change, energy, transport) in order to improve the ability to tackle challenges that are often horizontal in nature.
- Promoting broader systems change including design of new kinds of policies and tools and integrating them into a new policy-mix. New tools include e.g. innovation-friendly legislation and development of instruments, which promote experimentation including testbeds and pilot infrastructure sandboxes.
- Developing European capital markets and public funding mechanisms in an integrated way to smartly combine EU funds with private funding sources to help bring about the renewal and efficient scaling-up of European companies with strong growth potential.
- Adding a clear mission-oriented directionality to EU-funding facilitates industrial renewal and curate solutions for the transition towards climate neutrality.

Enhancing the competitiveness and productivity of Europe by investing in education, continuous learning, reskilling, upskilling and new skills needed in a digital world, in the industrial transformation and in transition to a climate neutral economy

41. To address the challenges the EU is facing in terms of changes in working life, digitalisation and climate change, new skills and a more strategic and coordinated European approach to continuous learning are needed. Continuous learning will enhance growth and competitiveness by, for instance, supporting the EU's ability to create innovations. It also enables citizens to become involved in digital and technological developments and thus increases inclusion, equality, resilience and well-being for all, throughout life. Both the basic skills and specialised expertise should be taken into account. This is also linked to the concept of an “economy of well-being” which is based on a recognition of citizens’ well-being as a driver of economic growth and vice versa.
42. Future needs for new types of skills and competences call for systematic promotion of skills development at both European and Member State level. New approaches to address cooperation between education and research systems and business sector are also important. Moreover, more flexible, work-related approaches to reskilling and upskilling the European workforce are needed to meet the requirements of the digital era and the ongoing industrial transformation. This concerns all sectors and all levels. The EU should continue to be active in supporting projects such as the European Education Area (EEA) where the aim is to remove barriers from studying in another EU Member State as well as Member States’ national efforts in enhancing future-oriented continuous learning and education systems.
43. Thanks to digital solutions, people work more across borders. This increases labour mobility and productivity by expanding the skills base. At the same time, this calls for fair and balanced mobility and good practices in helping foreign workers and their families to integrate in the various Member States.
44. Policy measures needed:
- Developing a comprehensive, strategic and empowering European approach (new European skills agenda) to investing in skills, for all citizens and all stages of life, by aiming for a European strategy on continuous learning

- Ensuring the implementation of this strategy in such a way that it incorporates European social values and is for the benefit of citizens and businesses. This agenda should also balance the digital and industrial transformation and the implications of a just transition to climate neutral economy with their impact on the labour market.
- Supporting Member States in their efforts in continuous learning and reskilling/upskilling and enhancing the collaboration between education and training, research and the business sector.
- Exploring ways of introducing European-level initiatives that facilitate investments in continuous learning, including co-operation between the public and private sectors

Strengthening the external dimension of the EU's competitiveness and making better use of the opportunities of the single market in order to improve the global competitiveness of European industries

45. The EU should continue to pursue its own interest and promote its values such as openness in world trade and a level global playing field, with a view to contributing to success for European citizens and to helping businesses and industry make full use of global value chains. The strengthening of open trade policies is especially important in the current circumstances in which the international trading system and the benefits of open world trade are increasingly under siege. The EU should continue to uphold openness and a multilateral rules-based trading system. In parallel, the EU needs to engage actively in plurilateral and bilateral negotiation with third countries to secure market access for goods, services and investments and gain access to public procurement markets.

46. State subsidies and other trade-restricting measures can distort markets and harm European businesses by creating unfair advantages for non-EU firms. Such measures should be addressed by using available trade policy tools in international negotiations, dispute settlement proceedings and, where appropriate, with instruments such as countervailing measures. The reform of the WTO should also be pursued in order to increase transparency, address trade barriers and update the multilateral legal basis to correspond to the current challenges in international trade. This would mean reviewing the existing framework of WTO agreements and adding new legal regimes for areas such as digital trade and transition to climate neutral economy.
47. Policy measures needed:
- Supporting an ambitious approach in multilateral fora and pursuing reform of the WTO in order to increase transparency, address trade barriers, ensure the functioning of the Dispute Settlement System and update the multilateral rule book so that it corresponds to the current challenges in international trade such as digital trade, the free flow of data and the transition to a climate neutral economy.
 - Addressing unfair trading practices systematically and being proactive in pursuing the EU's own interests and values, as well as promoting digital trade through/in trade agreements and ensuring the free flow of data.
 - Ensuring that the EU's competition framework is fit for new technological developments. However, any updates must be based on clear facts and evidence while ensuring effective competition on the market. Anti-competitive conduct by economic operators with (discriminatory) state aid granted by third countries should be addressed by effective international subsidy rules and appropriate use of the recently modernised trade defence instruments.
 - Continuing to use trade and investment negotiations to increase market access as well as to promote EU's standards, regulatory requirements and values abroad. Sustainability in all its aspects (economic, social and environmental) should be the guiding principle.