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# Budapest Declaration on the New European Competitiveness Deal

Following the devastating extreme weather events in Spain, we express our deepest condolences and stand in solidarity with the people of Spain, in particular with the families and friends of the victims.

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Faced with new geopolitical realities, and economic and demographic challenges, we, the Leaders of the European Union, are determined to ensure our common economic prosperity, boost our competitiveness, making the EU the first climate-neutral continent in the world and ensuring the EU's sovereignty, security, resilience and global influence. Based on the work started in Versailles, and pursued further in Granada, Brussels and in the Strategic Agenda, we will make the Union more competitive, productive, innovative and sustainable, building on economic, social and territorial cohesion, and ensuring convergence and a level playing field both within the Union and globally.

We welcome the reports 'Much more than a market' by Enrico Letta and 'The future of European competitiveness' by Mario Draghi that identify critical challenges and make future-oriented recommendations. They provide a solid foundation on which we will ambitiously advance our work. We seize their wake-up call. It is imperative that we urgently close the innovation and productivity gap, both with our global competitors and within the EU. We will work in unity and solidarity for the benefit of all EU citizens, businesses and Member States.

To boost our competitiveness, all instruments and policies must be harnessed in a comprehensive and coherent manner at both EU and Member State level. Business as usual is no longer an option. Today, we stress the pressing need for decisive action to meet these challenges and call for determined and collective efforts on the following competitiveness drivers, building on the April 2024 European Council conclusions:

1. Intensifying our efforts to ensure a fully functioning Single Market and unlock its full potential as a key driver for innovation, investment, convergence, growth, connectivity and economic resilience. To this end, we invite the Commission to present, by June 2025, a new and comprehensive horizontal strategy on the deepening of the Single Market, including a roadmap with clear timelines and milestones.

2. Taking decisive steps towards a Savings and Investments Union by 2026, and making urgent progress on the Capital Markets Union. This will create truly integrated European capital markets which are accessible to all citizens and businesses, in particular to SMEs and start-ups. This should allow our innovative companies to scale up. Furthermore, greater equity investment would contribute to securing EU competitiveness in critical technologies. Further progress is also needed to complete the Banking Union.

3. Ensuring our industrial renewal and decarbonisation, and allowing the EU to remain an industrial and technological powerhouse. To this end, we will develop a European industrial policy to ensure the growth of tomorrow's key technologies, while paying particular attention to traditional industries in transition. We invite the Commission to present, as a priority, a comprehensive industrial strategy for competitive industries and quality jobs.

4. Launching a simplification revolution, ensuring a clear, simple and smart regulatory framework for businesses and drastically reducing administrative, regulatory and reporting burdens, in particular for SMEs. We must adopt an enabling mindset based on trust, allowing business to flourish without excessive regulation. Key objectives to be implemented by the Commission without delay

include making concrete proposals on reducing reporting requirements by at least 25 % in the first half of 2025, and including red-tape and competitiveness impact assessments in its proposals.

5. Increasing our defence readiness and capabilities, in particular by strengthening our defence technological and industrial base accordingly[1]. In this respect, the High Representative and the Commission will present without delay developed options for public and private funding. We will also harness the potential of the space industry.

6. Putting Europe at the forefront of research and innovation globally, especially in disruptive technologies, and delivering on the objective of meeting the 3 % GDP expenditure target on R&D by 2030. We are ready to work on Enrico Letta's proposal of a 'fifth freedom' to enhance research, innovation and education in the Single Market.

7. Pursuing the dual objective of strategic energy sovereignty and climate neutrality by 2050. To this end, we will build a genuine Energy Union characterised by a fully integrated and interconnected energy market as a matter of priority, through the decarbonisation of our energy mix and the supply of affordable and clean energy to all our citizens and businesses. Urgent measures will be taken to address the situation resulting from high and volatile electricity prices in Europe and their causes.

8. Building a more circular and resource-efficient economy and developing an integrated market for secondary materials, especially for critical raw materials. To this end, we invite the Commission to present its Circular Economy Act.

9. Strengthening the EU's technological capabilities, accelerating the digital transformation across industries, seizing the opportunities of the data economy while ensuring privacy and security, as well as fostering the development of innovative technologies. We invite the Commission to make proposals in this regard by June 2025.

10. Harnessing Europe's talent and investing in skills to foster high-quality jobs throughout the Union. We will aim to strengthen social dialogue, uphold equal opportunities and reduce inequalities, in line with the European Pillar of Social Rights.

11. Pursuing an ambitious, robust, open and sustainable trade policy, with the WTO at its core, which defends and promotes the EU's interests, economic diversification and resilience. We will enhance our economic security while upholding an open economy and building international partnerships.

12. Delivering a competitive, sustainable and resilient agricultural sector, providing a stable and predictable framework for farmers, strengthening their position in the food supply chain, and ensuring fair competition globally and in the internal market.

### *Funding fit for the future*

The competitiveness challenges we face will require significant investment, mobilising both public and private financing. We are committed to exploring and leveraging all instruments and tools to match our goals: the Multiannual Financial Framework as an essential means to deliver on our strategic priorities; the Capital Markets Union, to mobilise private financing; and the increased involvement of the European Investment Bank. We will explore the development of new instruments. We will continue to work towards the introduction of new own resources.

The need for a unified response has never been more compelling. We call on all EU institutions, Member States and stakeholders to urgently implement and deliver this New European Competitiveness Deal. We will continue to provide further strategic guidance and regularly review progress over the coming year.

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[1] This is without prejudice to the specific character of the security and defence policy of certain Member States.

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## Press contacts

✉ [Ecaterina Casinge](#)

Spokesperson for the European Council President

📱 +32 488 58 59 08

☎ +32 2 281 5150

✂ [@ecasinge](#)

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