U.S. Chamber of Commerce

Resetting EU Competitiveness

The EU's business attractiveness is declining at an accelerating pace across key metrics.

The symptoms are clear: growth has been slower than in the U.S. since 2007, and major economies across the EU have downgraded growth outlooks for 2024 and 2025. Productivity is stagnant, innovation capacity is declining, and production costs are forecast to remain high. Global investment in the EU, excluding Luxembourg and the Netherlands, dropped a staggering 23% in 2023, and domestic industrial production fell by 3.3% in intermediate goods and 10.1% in capital goods.

Policymakers in the EU have largely focused on external shocks, geopolitical tensions, and anticompetitive practices of rival markets to account for this fall in competitiveness. However, much of the trend is due to structural internal factors, including a regulatory environment that has sharply suppressed production, innovation, and investment in both established and emerging sectors.

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EU markets are essential to American businesses.

The EU and the U.S. represent the largest commercial partnership in the world: an $8.7 trillion economic relationship that supports 16 million jobs and has proven to be remarkably resilient in the face of global challenges. It is a partnership underpinned by shared values, a commitment to rule of law, and enduring support for social progress, economic prosperity, and joint security. The U.S. and the EU account for than 60% of the global investment that flows into both economies. The EU is the largest export market for U.S. businesses, and U.S. companies have invested more in the EU than those from any other country.

The EU has mechanisms to reset and strengthen its industrial performance and investment potential.

This requires leveraging the strengths of the Single Market and reviewing how targeted reforms can unlock further progress in innovation, industrial production, and technology deployment. As EU leaders build out an industrial and competitiveness agenda for the next legislative cycle, they must drastically reduce the scope, number, and fragmentation of regulatory requirements. They must critically consider how to incentivize—not mandate—actions and investments that can support growth. And they must avoid the trap of protectionism and subsidy races that undercut market incentives and threaten economic growth.

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Concrete action should be built around five main pillars.

1. **The enormous scope and complexity of EU regulation disincentivizes investment and diverts resources away from innovation or growth and towards compliance.**

   Well-designed and effectively enforced regulation can foster fairness and advance policy goals. However, the extent and speed of regulation in the EU now poses a chief challenge for business. The European Commission has announced plans to reduce the regulatory burden. Although we welcome calls to streamline administrative processes, notably including permitting procedures, any changes must be reflected in real improvements in the operational environment and costs for companies. The agenda of the incoming Commission should focus on assessing the feasibility, impact, and effectiveness of the overwhelming amount of existing legislation before proposing additional requirements.

2. **The EU Single Market is one of the EU's primary resources.**

   For the past 30 years its construction—through the elimination of trade barriers between the EU's member states—has been a driver of growth and competitiveness and a magnet for inward investment. As EU leaders evaluate proposals to fortify the Single Market, including in services, they need to take the next steps to unlock full market potential. The EU must identify areas for greater integration that can reduce costs of cross-border investment, operations, and trade; create conditions for better flow of ideas, innovations, and technologies; and enable monitoring and enforcement instruments to support Single Market rules across the member states.

3. **The EU will need to adopt a digital transformation of the economy that can embrace innovation, increase productivity, and deliver cross-border digital services.**

   The EU's digital regulatory framework has increasingly sought to foster homegrown industry but has failed to create an environment conducive to technological innovation, startups, competition, and growth. Instead, the EU must encourage investment in new technologies, align with established data protection and intellectual property protocols, and ensure access to and uptake of the most advanced digital systems by companies and consumers.

4. **Openness to trade and investment is the cornerstone of the EU's prosperity.**

   The EU has the world's largest network of trade agreements and should continue to pursue measures that increase trade facilitation and further cooperation to deconcentrate and diversify supply chains. It will be critical to deploy the right trade tools to ensure fairness, reciprocity, and a level-playing field while differentiating between strategic partners and strategic adversaries. EU policymakers must take care not to engender conditions that preclude participation and investments from U.S. businesses.

5. **The EU must bolster long-term energy security and take steps to reduce energy costs to build industrial resilience and competitiveness.**

   Persistently high energy prices have contributed to deindustrialization and reallocation of production to other markets. The absence of a forward strategic energy agenda has exacerbated the impact of the energy crisis on consumers and businesses. The EU will need a functioning energy Union that creates a harmonized regulatory regime and promotes cross-border investment in energy infrastructure. The EU must recognize the real and growing long-term energy demand that will require an appropriate energy mix to ensure both energy security and decarbonization. This will need to include renewables, nuclear energy, gas, geothermal, and carbon-reducing technologies – and policies that incentivize their development and deployment.

The success of both EU and US businesses is mutually reinforcing. The EU has historically demonstrated an ability to pursue strategic and bold action to restructure its market and economy. It must now recommit to policies that will build the case for private investment, reinvigorate competitiveness, and deliver on the twin objectives of digital and energy transition. U.S. companies remain committed allies in this process. Policies that incentivize the deepening presence and growth of both EU and U.S. companies in the EU market will be key in capturing the full benefits of our economic partnership.