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A Strategy for a Competitive Europe: Boosting R&D, Unleashing Investment, and Reducing Regulatory Burdens

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Brussels, 4 July 2024 - The EU stands at a crucial economic juncture. Economic growth in Europe's mature economies has stagnated, with productivity and other indicators of economic vitality showing poor results. Public debt is alarmingly high in several countries, and the region faces new fiscal demands due to an ageing population, conflicts and war, and the energy transition. To reverse its economic decline, Europe must adopt a new strategy for improved competitiveness.

As part of this strategy which allows to close the productivity gap with the US, this [Policy Brief](#) identifies three key areas which could boost growth in Europe:

1. **Expansion of R&D Expenditure:** Governments should increase funding for universities and improve conditions for private R&D investments. Meeting the EU's R&D target of 3% of GDP and achieving parity with the US expenditure requires an additional €200 billion annually.
2. **Mobilisation of European Savings for Investment:** Europe's higher savings rate contrasts with its underdeveloped capital markets, which hinder economic growth and investment in new enterprises. Policies are needed to channel savings into a vibrant corporate market. Expanding the European bond market is crucial.
3. **Regulatory Reform:** The EU's restrictive regulations increase business costs and stifle innovation. Regulatory shifts, especially in the banking sector, could unlock €4.5 trillion annually, providing essential capital for

innovation, especially small and medium-sized enterprises, to finance innovation during the green and digital transition.

Addressing these areas can foster business growth, innovation, and long-term economic stability in Europe.

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