



Report

# AFTER THE DRAGHI REPORT | THE ROLE OF CENTRAL EUROPE IN STRENGTHENING EU COMPETITIVENESS IN FOCUS

March 2026

European Commission  
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## About EUROPEUM

EUROPEUM Institute for European Policy is a non-profit, non-partisan, and independent think tank focused on European integration and cohesion. It contributes to strengthening democracy, security, stability, freedom, and solidarity across Europe, while also supporting the active engagement of the Czech Republic within the European Union.

EUROPEUM conducts original research, organises public events and educational activities, and develops new ideas and policy recommendations aimed at improving both national and European policymaking.



## Main Point

→ The EU's competitiveness problem is no longer viewed solely as an economic issue, but increasingly as a question of geopolitical relevance, technological sovereignty, and long-term strategic resilience.

→ While the **EU has become highly active in regulation, particularly in digital and AI governance**, participants repeatedly stressed that regulation alone cannot substitute for innovation capacity, investment, and effective implementation.

→ A recurring concern throughout the discussion was the **growing disconnect between European policy design and business realities**, with existing regulatory and financial frameworks often failing to reflect the practical needs of companies and start-ups.

→ Compared to the **United States and China, Europe continues to lag behind in venture capital availability, patent commercialisation, and the speed of technological diffusion**, limiting its ability to compete in fast-moving sectors such as AI and semiconductors.

→ The discussion highlighted that Europe's innovation ecosystem remains overly dependent on public funding, while insufficient private investment forces many successful European start-ups to seek financing and expansion opportunities abroad.

→ Participants argued that the EU should adopt a more strategic and flexible industrial policy approach, drawing lessons from countries such as China and the United States, where long-term direction is combined with greater operational pragmatism.

→ At the same time, speakers warned that **strategic autonomy should not be understood as economic isolation** or full decoupling from China, which was considered both unrealistic and economically counterproductive.

→ Sustaining long-term European competitiveness will therefore require significantly greater investment in research and development, clean technologies, innovation ecosystems, and higher value-added industries.

→ The debate also pointed to **structural weaknesses within Central and Eastern Europe**, where growth models based on low labour costs and integration into German-led value chains are increasingly reaching their limits.

→ Overall, participants agreed that the EU's main challenge is no longer identifying problems or producing strategies, but rather translating political ambition into coordinated, adaptable, and economically effective action.

## Introduction

The urgency of acting on European competitiveness has rarely been more acute. The publication of the Draghi report in 2024 crystallised a broad consensus that the **EU faces a structural productivity gap relative to the United States and China**. Yet translating that consensus into concrete policy action has proven considerably more difficult.

Against this backdrop, these questions were at the centre of a **roundtable discussion held on 23 March 2026**, bringing together policy experts and researchers to reflect on the EU's competitiveness challenges in a rapidly evolving global context. The debate featured **Michiel Foulon** (University of Antwerp), **Melchior Szczepanik** (Polish Institute of International Affairs), **Dominika Remžová**, and was moderated by **Martin Vokálek** (EUROPEUM Institute for European Policy). The discussion, organised by **EUROPEUM** in cooperation with the **Think Visegrad Platform**, combined perspectives from academia, think tanks, and policy practice, offering a multidimensional view of Europe's structural economic challenges

Europe's competitive position is eroding across several measurable dimensions. In the domain of innovation, the **EU lags significantly behind both the US and China in patent output** and, critically, in the speed at which technological knowledge diffuses through the economy. Whereas China is estimated to replicate and adapt a foreign AI patent within approximately six months, and semiconductor-related patents within twelve, the equivalent timelines for EU actors range from eighteen to twenty-four months. This lag is not merely a symptom of underfunding; it reflects deeper structural questions about the relationship between public research institutions, private capital, and the regulatory environment in which innovation occurs.

The financing gap is equally significant. The **EU faces an estimated investment shortfall of between 750 and 800 billion euros annually**—a figure that has been broadly acknowledged but only partially addressed. Venture capital in Europe accounts for a fraction of its US equivalent: at one point in recent years, Europe's share of global risk capital stood at roughly 8 to 15 percent, against over 56 percent for the United States.

This asymmetry has direct consequences: European start-ups that successfully grow to scale frequently seek capital in the US or the UK, often relocating in the process and removing their most dynamic economic activity from the European ecosystem.

## **Ambition vs. Market Reality in the EU's Competitiveness Agenda**

The discussion brought together several perspectives on one of the most pressing challenges facing the European Union today: how to strengthen its productivity, competitiveness, and strategic positioning in an increasingly complex geopolitical and economic environment. As was highlighted at the outset, these dimensions—productivity, investment, and strategic autonomy—are deeply interconnected and cannot be addressed in isolation. The opening intervention set the tone by referring to the Draghi Report and its central message: the urgency of action. One of the speakers emphasized that while the EU has been highly active in recent years—particularly in areas such as digital regulation and artificial intelligence—the real challenge lies not in producing strategies, but in effectively implementing them. As he noted, the **EU has demonstrated a strong tendency to “act first” in regulatory terms**, as illustrated by the AI Act. However, this approach has also raised concerns, particularly from industry stakeholders, about whether regulation may sometimes outpace innovation.

Building on this, the same speaker pointed to a structural mismatch between policy design and business needs. While governments provide subsidies, tax incentives, and regulatory frameworks, these do not always align with the practical realities of companies operating on the ground. A particularly illustrative anecdote compared companies to **“players on a pitch without a coach,”** suggesting that although resources and initiatives exist, coordination and strategic direction are often lacking. This disconnect is especially visible when comparing the needs of startups versus large technology firms, each of which operates under very different constraints and expectations.

## Balancing Openness and Resilience in EU Industrial Strategy

Another important theme that emerged was the role of industrial policy. One of the speakers challenged the traditional European skepticism towards industrial policy, arguing that both **China and the United States have successfully embraced more strategic, state-driven approaches**. However, he also stressed that there is a misunderstanding in Europe about how such policies function in practice. Using China as an example, he explained that while long-term planning (such as five-year plans) provides direction, implementation remains flexible and adaptive. This combination of strategic vision and operational pragmatism is something the EU could learn from. At the same time, the debate on competitiveness cannot be separated from the EU's external dependencies.

A different speaker addressed this directly, highlighting the EU's complex relationship with China. He argued that full economic decoupling is neither realistic nor desirable, given the deep interdependence of global supply chains. However, he also warned that **China is increasingly pursuing self-sufficiency and has demonstrated a willingness to weaponize dependencies**, particularly in critical sectors. This creates a strategic dilemma for the EU: how to remain open and globally integrated while reducing vulnerabilities.

In this context, the concept of "strategic autonomy" becomes particularly relevant. Yet, as several speakers noted, this does not imply isolation. Rather, it requires a careful balancing act between strengthening domestic capacities and maintaining international partnerships. One speaker pointed to countries such as Japan as valuable partners, not only due to shared economic structures but also because of their experience in managing similar challenges, including supply chain disruptions and technological competition.

## Beyond Low-Cost Growth: Rethinking Competitiveness in Central and Eastern Europe

The internal dimension of EU competitiveness was further explored through the example of Central and Eastern Europe, particularly Poland. One speaker highlighted **Poland's strong economic performance over the past decades, noting its significant GDP growth and convergence with the EU average**. However, he also acknowledged that this success has largely been built on a model based on relatively low labor costs and integration into existing value chains, particularly those linked to Germany. According to him, this model is reaching its limits, and future competitiveness will depend on moving up the value chain and investing more in innovation.

This point was reinforced by data on research and development (R&D) investment, where countries like Poland still lag behind EU leaders. The speaker emphasized that **increasing R&D spending and identifying niche sectors—such as clean technologies—will be crucial for sustaining long-term growth**. At the same time, challenges such as high energy prices and a slow green transition remain significant obstacles, not only for Poland but for the EU as a whole.

Returning to the broader question of innovation, another speaker highlighted structural weaknesses in the European innovation ecosystem. Compared to the United States and China, the EU lags behind in areas such as patent generation and the speed of technological diffusion. For example, while China can replicate and build upon new technologies within months, the EU often takes significantly longer. This slower pace of innovation limits the EU's ability to compete in fast-moving sectors such as artificial intelligence and semiconductors.

## Why Europe Struggles to Scale: The Financing Gap in Innovation

A related issue is access to financing. As one speaker pointed out, the **EU relies heavily on public funding, whereas the US benefits from a much more dynamic venture**

**capital ecosystem.** This difference has profound implications for the ability of European startups to scale and compete globally. Without sufficient private investment, many innovative companies are forced to relocate or seek funding abroad, contributing to the broader problem of “losing” businesses from the European market.

In response to these challenges, several speakers stressed the need for better alignment between policy and market realities. This includes simplifying regulatory frameworks, improving coordination between different levels of governance, and ensuring that policies are designed with input from the private sector. However, as was noted, this is not merely a technical issue but a deeply political one, involving trade-offs between different interests and priorities.

In conclusion, the discussion underscored that enhancing EU competitiveness requires a multifaceted approach. It is not enough to focus on individual policies or sectors; rather, a systemic perspective is needed, one that integrates economic, technological, and geopolitical considerations. While the EU has made significant progress in recent years, the key challenge remains translating ambition into effective action. As several speakers suggested, achieving this will require not only better policies but also stronger leadership and a greater willingness to adapt to a rapidly changing global landscape.