

From Catching Up to Leading – Europe’s Imperative to Innovate and Transform

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The time for action is now - Europe stands at a pivotal moment in its pursuit of economic and technological leadership. With global powers like the U.S. and China advancing rapidly, we can no longer afford to merely catch up. Europe must aim to lead in critical sectors, particularly in advanced technologies and innovation. This is not just a lofty ambition; it is an urgent necessity for the EU’s long-term competitiveness and resilience.

The insightful reports by Enrico Letta and Mario Draghi have brought the European Union’s challenges into sharp focus. Their clear-eyed assessments of Europe’s weaknesses—including slow technological progress, stagnated productivity growth, demographic shifts, and uneven regional development—have generated the momentum needed to drive real change. These reports present an opportunity for the EU to rethink its strategies and take bold action to shape its future, rather than being shaped by external forces. As Draghi warns in his report, continuing on our current trajectory would lead to a “slow agony” of declining competitiveness and diminishing global influence.

The Core Challenge: Leadership Over Catching Up

For too long, the EU’s strategy has focused inward on maintaining the Single Market rather than outward on leading in key global sectors. We’ve prioritised keeping pace, but today’s rapidly evolving world demands more, to reduce dependency from either the US or China. Europe must move from being a follower to a leader in crucial areas of artificial intelligence (AI) and advanced manufacturing.

Failure to make this leap risks Europe being left behind, and the stakes are too high for Europe to remain a follower. To avoid this scenario, we must take coordinated steps to position the EU at the forefront of technological leadership and rapidly achieve the necessary economies of scale.

A Tailored Approach to Regional Development

To address these challenges, the EU needs a differentiated regional approach that reflects the unique capacities of its diverse regions. Not all regions start from the same economic base, and our policies must acknowledge these differences.

For regions with emerging economic potential, the priority must be building foundational infrastructure and supporting long-term economic growth. These regions often lack the industrial base or technological capabilities to compete globally. Strategic investments—which should be seen different from subsidies or aid—in infrastructure, education, skills, and industrial strategies are crucial, providing the necessary tools and long-term support for these areas to become competitive.

In more regions with established innovation ecosystems, we must focus on empowering them to scale their successes. These regions are already leading in sectors like biotechnology and semiconductors. While they don’t require the same structural support, they do need better access to financing, increased regulatory flexibility, and cross-border collaboration on innovation to expand their influence on the global stage.

The EU’s cohesion policy and the Common Agricultural Policy (CAP) has been instrumental in maintaining stability, but it requires reshaping. A reimagined cohesion policy that directs greater funding towards innovation and long-term economic growth, even at the expense of traditional funding like the CAP, will be crucial for driving transformative change.

Borderless Cooperation for Innovation

For Europe's most innovative regions to truly thrive, they need the freedom to collaborate across borders. Innovation doesn't stop at national boundaries, and Europe must encourage international cooperation between these regions facing shared challenges. By creating networks of innovation that span across member states, Europe can achieve a scale and speed of development that no single nation can match. The pursuit of excellence thrives when our regions work together - by fostering borderless ecosystems, regions can exchange ideas, pool resources, and drive innovation that transcends geography. Knowledge institutions and companies already naturally cooperate transnationally—so why shouldn't the EU facilitate that?

Successful initiatives like the European Semiconductor Regions Alliance (ESRA) and Vanguard Initiative already demonstrate the value of innovative cross-border collaboration. These efforts show how pooling resources and expertise can drive transformative change that no single region could achieve alone. They are shining examples of the power of a united European effort investing in the future.

Increased investment in innovation and borderless cooperation can also sidestep debates about Eurobonds or increased EU budget contributions. By encouraging Member States to invest more in innovation in key technologies—with the condition that these funds support international cooperation—we can reduce the need for additional EU budget contributions while still achieving higher investment in critical areas. The creation of a true Capital Markets Union would further boost our innovation capacity by mobilizing much-needed private investment. The Lisbon Strategy recommended that all EU member states invest 3% of their GDP in Research & Innovation. While this goal was set over 20 years ago, achieving and surpassing this target is more critical than ever for Europe's competitiveness.

Trust but Verify: Shifting to Ex-Post Controls

A critical change that the EU needs is from ex-ante to ex-post controls. Many EU policies currently impose rigid, upfront compliance measures that slow progress, especially in fast-moving, innovative sectors. By moving to ex-post controls—where compliance is verified after implementation—regions and cities can tailor policies to fit their local realities while still being held accountable for results. This flexibility allows regions to innovate faster, adapt to local needs, and reduce bureaucratic delays. This does not mean giving local governments free reign. The European Commission's oversight must be enhanced, with sufficient authority and resources to ensure rigorous enforcement, thereby increasing compliance and effectiveness.

Additionally, the EU must adapt its regulatory framework to foster growth. Regulatory sandboxes — where businesses can test innovative products or business models under relaxed oversight — offer a way to encourage innovation without excessive red tape. The development of an integrated Capital Markets Union would similarly reduce barriers while maintaining high standards. At the same time, the EU must avoid “goldplating” — adding extra national or regional regulations on top of existing EU legislation. This only creates unnecessary barriers for businesses and stifles growth. A more streamlined regulatory environment can ensure that European firms can compete globally without sacrificing standards.

This balance of oversight and autonomy is key. It allows regions to innovate and grow based on their unique strengths and circumstances, without being burdened by excessive regulation. In turn, this flexibility can drive Europe's competitive edge.

Beyond internal innovation, the EU must adopt a more assertive stance in global markets. Europe needs to actively defend its interests and respond firmly to unfair competition from outside the Union. Being prepared to counter unfair practices is essential for maintaining a level playing field globally.

Focusing on Key Technologies

For the EU to lead in the global economy, we need to focus on key technologies. The current tendency to spread resources thinly across numerous sectors is unsustainable. The EU and Member States must concentrate its investments in sectors that will have the greatest impact on global competitiveness—such as AI and advanced manufacturing.

Rather than trying to excel in every area, the EU should prioritize control points in the global economy where we can lead rather than follow. This targeted investment strategy will enable us to develop global champions in the industries that matter most. While increased public and private investment is necessary, funding should be seen as a means to achieve our shared goals, not as an end in itself. The question should be, “How can we achieve our goal of leading the future?” rather than “How will we pay for it?”

We also need to create suitable financial instruments to support these key sectors. Adapting financing systems and fostering the growth of scale-ups and “European champions” is essential. A fully realized Capital Markets Union would be crucial here, helping to unlock private capital for

innovation and growth. Expanding Important Projects of Common European Interest (IPCEI) and similar initiatives, like the Eureka initiative, can provide critical support to sectors where the EU must lead.

Conclusion: Securing Europe's Leadership

Europe is at a crossroads. The choices we make today will shape our position in the global economy for decades to come. We cannot rely solely on maintaining our current strengths—we need to lead.

A united Europe is essential. If we collaborate effectively and rally around common goals, Europe has the potential to become the world's leading economic power. However, this leadership won't come without targeted investment, regulatory agility, and a tailored regional approach. Structurally weaker regions need reinforcement, while innovative regions must have the tools and freedom to push forward.

The future of Europe's competitiveness lies in our ability to innovate, lead in critical technologies, and create conditions where all regions can thrive. This is not just an opportunity—it is a necessity. The time to act is now. By doing so, Europe can move from merely participating in the global economy to actively shaping it—securing our place as a global leader in the 21st century.

About the author:

Martijn van Gruijthuijsen is a regional minister of the province of Noord-Brabant. In this role, he is responsible for economic policy in one of Europe's most innovative regions, known for its high-tech sector with companies such as ASML, NXP, DAF and VDL.

He represents Noord-Brabant in the European Committee of the Regions, as a member of the Renew Europe group, where he is active on the Commission for Economic Policy (ECON). Van Gruijthuijsen has previously worked as a shadow rapporteur on the opinion on the EU Chips Act and is now the rapporteur for the important opinion on the future of the EU internal market and European competitiveness.

He is known for his advocacy for cross-border cooperation and his steadfast belief in the power of innovation to solve societal issues. Van Gruijthuijsen emphasizes the importance of the 'triple helix' approach - the collaboration between government, industry and knowledge institutions - which is characteristic of the Brabant innovation model.

