Unlocking Europe's competitive potential through integration

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Competing globally starts with connecting Europe internally.

Europe's competitiveness is increasingly tied to its ability to preserve economic weight in a more fragmented and contested global environment. Growth, productivity, investment and technological capacity now shape not only economic performance, but also political influence, strategic autonomy and Europe's ability to act internationally.

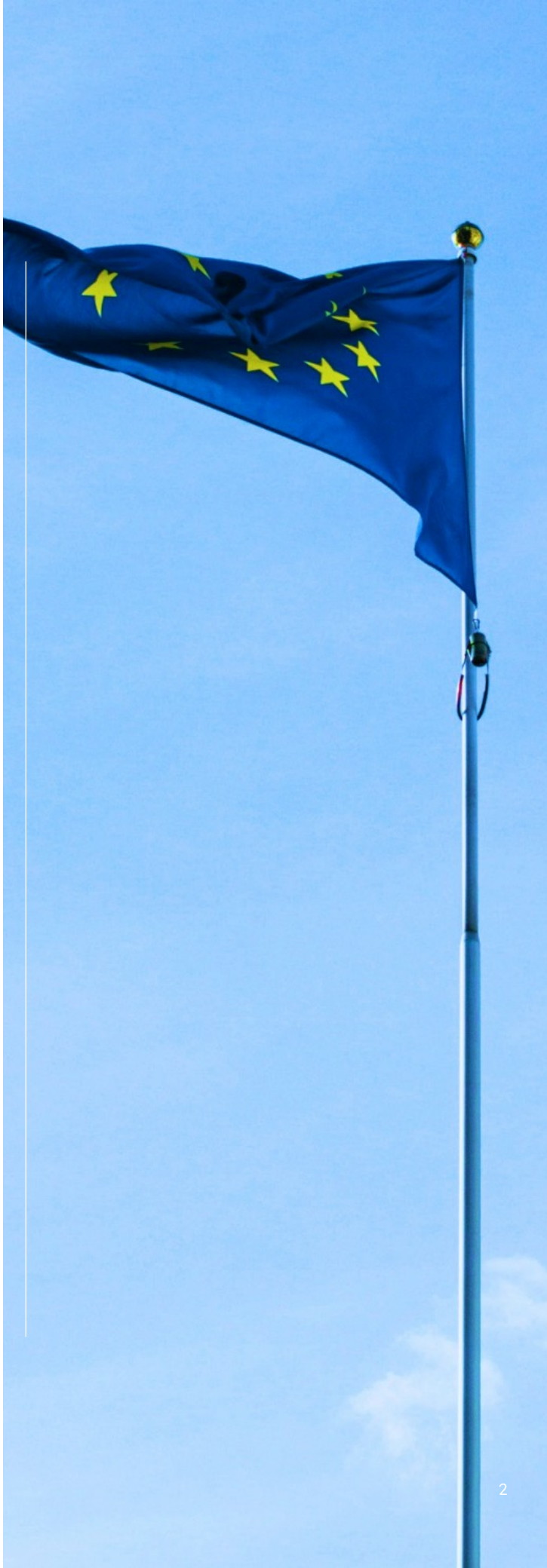
For companies, this environment is also becoming more interconnected. Political, regulatory or economic decisions taken in Washington, Beijing or Brussels can rapidly reshape investment priorities, supply chains and growth strategies elsewhere.

Europe does not lack scale or capabilities. It has one of the world's largest internal markets, significant capital, a highly skilled workforce and strong research and innovation capabilities. It also benefits from a distinctive social model built around social protection, high employment standards and broad access to public services.

The challenge is therefore not to choose between competitiveness and the European social model, but to make both mutually reinforcing.

These issues were at the heart of the Public Affairs Summit in Brussels on 4 November, where María Lledó, Executive Chairwoman, European & International Affairs at H/Advisors in Brussels, joined the opening panel on "Competitiveness, simplification and the Single Market: can Europe thrive again?". The discussion focused on how Europe can unlock more of its existing potential by reducing internal barriers and creating a more effective environment for businesses to grow across the Union.

"Europe already has the scale. The question is whether we are prepared to use it."



The macro picture: an evolving global environment, where economic weight is becoming increasingly central to political influence, strategic autonomy and the presence in the international stage.

Europe remains one of the world's largest economic blocs, but its relative weight in the global economy has declined over the past two decades. At the same time, the United States has strengthened its position in technology-intensive sectors, while China has expanded its industrial and manufacturing capabilities.

The divergence is also visible in productivity and investment. Europe remains a high-productivity economy, but the US has pulled further ahead in areas where technology, digitalisation and intangible investment play a central role. Europe also continues to invest heavily, but often not at the same speed or scale as its main competitors in digital infrastructure, emerging technologies and strategic industrial capacity.

The contrast is particularly visible in sectors increasingly associated with economic and geopolitical power. The United States has built strong positions in software, cloud computing and digital services, while Asia has reinforced its role in semiconductors, batteries and advanced manufacturing.

Europe retains important strengths, but its ability to make full use of its own internal market will increasingly determine whether it can translate them into global influence.

As the European Commission has put it, the Single Market is central to regaining the competitiveness needed to **"protect the European social model"**, while also strengthening strategic sovereignty and security.



The internal diagnosis: Europe has scale, but still struggles to use it

1. Fragmentation still creates unnecessary complexity

For businesses, operating across Europe can still mean adapting repeatedly to different legal and administrative environments. Differences in company law, taxation, employment rules, reporting obligations and implementation practices add cost and uncertainty to cross-border expansion.

The answer is not simply to remove rules. The challenge is to avoid layering different national requirements on top of common European objectives. Expanding into another Member State should feel like a natural step in a European company's growth rather than a new operating challenge. Greater mutual recognition, fewer duplicative processes and more consistent implementation would help make that easier across a market of almost 450 million consumers.

Initiatives such as the optional 28th Regime, follow this logic by exploring more predictable European frameworks for companies seeking to establish and grow across borders.

2. Similar obligations can have very different effects

European social and environmental standards are part of the Union's economic model and should not be treated as obstacles in themselves. The challenge lies in applying them in a way that reflects the different capacities of the companies expected to comply.

An SME cannot absorb the same reporting, legal and administrative burden as a multinational with dedicated compliance teams and greater financial resources.

Preserving high standards therefore also requires preserving a business environment in which smaller companies can remain viable, invest and grow. A more proportionate approach can maintain common objectives while taking greater account of company size, resources and risk.

3. Europe's social model is part of its competitive strength

Europe's competitiveness cannot be separated from the social model that underpins it. High employment standards, social protection, access to skills and strong public services are not simply social achievements; they also contribute to stability, workforce resilience and long-term productivity.

This is increasingly reflected in the EU's own competitiveness agenda. In 2026, Commission President Ursula von der Leyen stressed that Europe's economy must work for people, while linking competitiveness to completing the Single Market, investing in skills and quality jobs, and protecting the European social model*.

As technological change, industrial transformation and demographic pressures reshape the economy, Europe's ability to equip people with the right skills, support labour mobility and maintain broad access to opportunity will be central to its capacity to adapt.

A stronger Single Market should therefore make it easier not only for capital, companies and ideas to move across borders, but also for people to benefit from economic opportunity across Europe.

The European social model should not sit outside the competitiveness agenda. It is one of the foundations that can allow Europe to remain economically dynamic while preserving the cohesion and trust that distinguish it from other global models.

*European Commission, Opening Speech – European Employment and Social Rights Forum, 3 March 2026.

4. Europe has capital, but still struggles to mobilise it

Europe generates substantial private savings, but those resources remain heavily channeled through national financial systems.

This fragmentation has consequences for the start-up and scale-up ecosystem. Europe continues to produce innovative companies, but many struggle to access the larger pools of growth capital needed to expand rapidly and compete internationally.

The issue is therefore not simply how much capital Europe has, but whether it can circulate efficiently towards the areas with the greatest growth potential.

From monitoring to navigating it

For businesses, complexity does not disappear simply because European frameworks exist. Companies still need to understand how those frameworks operate in practice, how they interact with global developments and what they mean for investment, expansion and positioning.

In this environment, traditional legislative monitoring is no longer sufficient. As María Lledó noted in the context of the Summit:

"Decisions in markets like the U.S. or China transform a company's plans overnight."

The challenge is therefore to combine a global perspective with deep local roots: understanding the broader forces reshaping business while retaining detailed knowledge of political culture, stakeholders and regulatory processes in each market. This is where public affairs can play a more strategic role.

Public affairs increasingly sits at the intersection of business strategy, policymaking and stakeholder engagement. Its value lies not only in tracking regulatory developments, but in connecting global trends with deep local knowledge of political systems, institutions and decision-makers.

That combination can help businesses anticipate change, identify where engagement can make a difference and translate corporate priorities into credible positions that respond to policymakers' economic and societal objectives.

As Europe seeks to turn the scale of its Single Market into greater economic and geopolitical influence, the ability to connect these different levels will be essential.

Public affairs can provide that bridge: linking global corporate priorities with the local political, regulatory and social realities that ultimately determine how businesses invest, grow and compete.

Thank you

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