Brussels, 5 May 2025

Orgalim response to the European Commission public consultation on the EU long-term budget (MFF) – EU Funding for Competitiveness

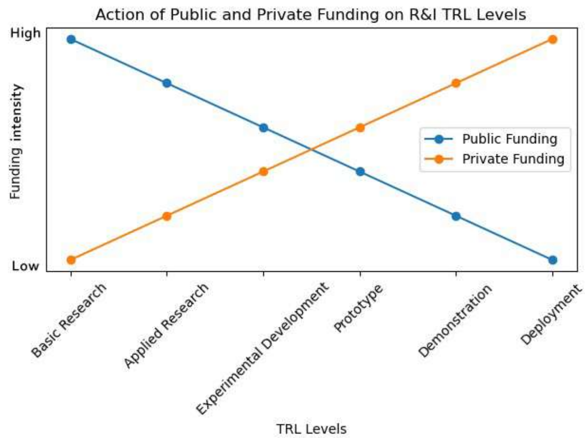
Boosting the EU's long-term funding in Research & Innovation (R&I) in the next Multiannual Financing Framework (MFF) is of critical importance for the future competitiveness of Europe's technology industries represented by Orgalim. As global competition for tech leadership is getting more and more intense, investment in Europe's technology industries – the EU's largest manufacturing sector – has been falling in recent years[1]. A robust long-term EU R&I and tech investment strategy is therefore needed to reverse the current underinvestment crisis. In the context of the next MFF, we therefore call on the EU Institutions to:

- ring-fence and double the EU's R&I budget to €200 billion to match the rising investments in the US and China.
- establish a robust governance framework with adequate industrial participation to ensure the needs of the industry in terms of global competitiveness and innovation are properly addressed.
- ensure research priorities are guided by European strengths and future opportunities, rather than short-term challenges alone.
- avoid a narrow focus on funding for strategic technologies or specific industrial sectors, as this risks to create technological lock-in and a bias towards current weaknesses.
- provide stringent support for measures boosting long-term competitiveness (R&I, infrastructure, single market, capital markets union, etc.), rather than the resilience of certain (politically picked) value chains. Competitiveness and resilience must not be confounded, as enhancing resilience does not necessarily increase competitiveness.

The priority for our industry's future competitiveness in Europe is to strengthen the EU's long-term funding in Research & Innovation (R&I). Investing in R&I is essential for both enhancing industrial competitiveness and also for providing solutions to global challenges such as security, climate change, and the energy transition. This is why we are advocating a doubling of the current EU R&I budget to €200 billion to match the rising investments of the US and China. In addition, R&I funding should be ring-fenced in the EU budget to avoid uncertainty for investors and a dilution of the funding impact. Support for fundamental and applied research in the budget is key, as they are both building blocks of innovation. In particular, pre-competitive collaborative research between universities, research organisations and industry must be preserved in order to **unlock invention and spread investment risks in innovation opportunities between public and private sectors**.

[1] Orgalim Economics and Statistics Report, Autumn 2024.

Orgalim represents Europe's technology industries, comprised of 770,000 innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches. Together they represent the EU's largest manufacturing sector, generating annual turnover of over €2,835 billion, manufacturing one-third of all European exports and providing 11.7 million direct jobs. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.



Public funding plays a critical role throughout the research and innovation continuum, with appropriate instruments varying based on the technology readiness level (TRL). For instance, grants may be more suitable for early stages of research, whereas European Investment Bank (EIB) guarantees may be preferable for innovation deployment. This should not, however, be taken as a strict rule as public support might be needed in a more consequent fashion for pilots and demonstration cases where the technology step requires an investment greater than individual industries are able to provide in a timely and cost-effective manner (e.g. when decarbonising energy-intensive technologies and processes).

To attract more private capital share towards instruments and priorities of the European Union, innovation projects should respond to industry and market needs. Funding decisions must be led by technological opportunities, societal and scientific goals, and based on excellence. Therefore, the governance of EU funding, whether via a Competitiveness Fund or another approach, has to be attuned to global technology and competitiveness priorities. To this end, **the EU budget must have a robust governance framework for industrial participation to accurately address the needs of the industry in terms of global competitiveness and innovation**.

We strongly recommend adopting a **governance structure that closely involves both science and industrial stakeholders in strategic orientations for identifying priorities, enabling excellent ecosystems and ensuring effective impact**. The contribution of scientific stakeholders is essential at the beginning of the decision process when exploring needs and opportunities for the long-term future, and industry expertise is instrumental in assessing strategic areas that will benefit the overall EU competitiveness.

Regarding budget priorities, **it is essential to avoid a narrow focus on funding for strategic technologies or specific industrial sectors**, as this may lead to technological lock-in and a bias towards current weaknesses. While a strategic focus is necessary, the selection should be guided by European strengths and future opportunities, rather than short-term challenges alone. There must be sufficient room and flexibility for bottom-up elements. In addition, any set of strategic technologies must be complemented by cross-cutting technologies which are essential for European competitiveness as a whole.

Finally, we want to emphasise **the distinction between competitiveness and resilience**. A lack of competitiveness might have contributed to dependencies but might also be simply due to comparative advantages in other countries. **Enhancing resilience does not necessarily increase competitiveness.** For instance, introducing "targeted tools and measures to limit EU dependencies in strategic key sectors" as suggested in the questionnaire, might boost domestic production capacity but not global competitiveness. This might even harm competitiveness if resources are shifted to sectors where the EU does not have strong advantages, especially considering the current labour shortages. Therefore, it must be ensured that the MFF does not only focus on the resilience of certain value chains (based upon political decisions) but primarily provides support for measures ensuring EU long-term competitiveness (R&I, infrastructure, single market, capital markets union, etc.).

Conclusion - Revitalising the EU's investment climate to deliver the EU's future competitiveness
Investment in Europe's technology industries is decreasing, while global competition for technological leadership is fierce. Several factors discourage technology businesses in Europe from investing in RDI, new products and services – including excessive regulatory burdens and an increasingly prescriptive legislative framework, together with the complex processes required to benefit from existing EU financial instruments.

To reverse the current underinvestment crisis, we must revitalise the EU's investment climate through a long-term R&I and tech investment vision and an overhaul of the EU's investment landscape that removes barriers, strengthens framework conditions and creates the best possible environment for industry to prosper here in Europe. In doing so, efficiency potentials in the single market must be leveraged and public policies must be aligned to boost the adoption of new innovative technology in EU industry (e.g. in digitalisation, energy efficiency and advanced manufacturing). The design of the EU's long-term budget will be instrumental in delivering the future competitiveness of our industries. It is an opportunity to direct political support and investment to activities that have a positive impact on all European technology companies. This endorsement will help to reignite confidence for our sector, encouraging robust investment in Europe.