Research, Innovation & Competitiveness – A Strategic Priority for Europe

What is the issue?

Europe is struggling to convert excellent research into innovation. Despite world-leading science in many fields, the EU lags behind the US and China in translating research breakthroughs into scalable, market-ready solutions.

There is a fundamental mismatch between Europe's R&I ambitions and the business conditions required to achieve them. Without stable frameworks and strong incentives, the private sector cannot deliver at the scale Europe needs.

Looming threats to the Horizon Europe successor, Framework Programme 10 (FP10), such as potential budget diversion to industrial subsidies – would further threaten Europe's innovation capacity and widen the gap.

What are the solutions?

The EU must take decisive steps to reverse this trajectory. The Confederation of Swedish Enterprise calls for the following:

- **Commit to investing at least 4% of GDP in research and innovation.** This would send a strong political signal and attract the scale of private investment Europe needs.
- **Reinforce FP10 with a strong and independent Pillar 2** and protect its budget from diversion to the European Competitiveness Fund. Long-term, stable support for business-led R&I depends on a strong research foundation.
- **Mobilise private investment and deepen Europe's capital markets.**
- **Coordinate and scale cutting-edge technologies across borders.** Reduce fragmentation in areas such as AI, quantum computing, and digital infrastructure.
- **Enable business-led innovation for defense, security and preparedness.** Support dual-use technologies, especially from SMEs and fast-growing scale-ups.

- **Close the gap between scientific excellence and commercial impact.** Ensure that the private sector plays a leading role in shaping and executing the research and innovation agenda.
- **Attract and close the talent gap.** Tackle urgent skill shortages while reinforcing Europe's competitiveness by fostering mobility, entrepreneurial training, and the attraction of world-class talent and researchers to drive innovation and growth.

How do we implement the solutions?

Commit to investing at least 4% of GDP in research and innovation

To close the innovation gap with global competitors, the EU must increase R&I investment significantly. A commit to allocating 4% of GDP in total would strengthen the knowledge base and send a powerful signal to the private sector. More predictable and ambitious public investment is essential to unlock private capital and support innovation ecosystems across Europe, with business-led innovation at the core.

Reinforce FP10 with a strong and independent Pillar 2

Long-term, stable support for business-led R&I depends on a strong research foundation. FP10 must provide stability and clarity while focusing on cross-sectoral, market-oriented research, particularly in areas like AI, quantum computing, and digital infrastructure. It should actively support businesses of all sizes, including SMEs and scale-ups, and expand Public-Private Partnerships. Diverting funds from FP10 to industrial subsidies risks undermining Europe's innovation ecosystems. FP10 and the European Competitiveness Fund (ECF) must function as complementary tools to ensure that industrial policy strengthens, rather than replaces, a robust and autonomous Pillar 2.

Mobilise private investment and deepen Europe's capital markets

Sustainable growth in research and innovation requires both public commit and strong private participation. Europe's innovation ecosystem will not reach full potential unless capital markets are better integrated and venture capital is made more accessible. Well-functioning capital markets are key to mobilising long-term savings and directing them towards productive investments that strengthen business-led innovation, competitiveness, and growth.

The EU should focus on removing barriers for investment, scaling up venture and growth capital for innovative SMEs and midcaps.

Coordinate and scale cutting-edge technologies across borders

Cutting-edge technologies like AI, quantum computing, and digital infrastructure require joint European efforts. Fragmentation across Member States reduces efficiency and global impact. Joint roadmaps, coordinated funding, and shared infrastructure are critical to scale breakthroughs and build competitive platforms.

Enable business-led innovation for defence, security and preparedness

Europe's security needs are growing, and the private sector is key to delivering. The EU must improve conditions for dual-use R&I and defence innovation. This includes reducing barriers for SMEs, accelerating access to funding through FP10 and the European Defence Fund, and improving coordination with private partnerships.

Close the gap between scientific excellence and commercial impact

To close the gap, business must lead in shaping and delivering the EU's research and innovation agenda. Turning science into market-ready solutions depends on business-driven innovation and strategic use of intellectual property (IP). EU research frameworks must support IP generation, protection, and commercialization, especially for SMEs and scale-ups. Stronger IP capacity will boost investment returns, attract private capital, and strengthen Europe's technological leadership.

Attract and close the talent gap

Without the right talent, innovation cannot flourish. Europe must strengthen technical education, support entrepreneurial skills, and promote talent mobility. Urgent skills shortages in emerging technologies such as AI, cybersecurity, and quantum must be addressed through industry-education partnerships at EU level. At the same time, Europe must reinforce its competitiveness by attracting and retaining world-class talent and leading researchers to drive innovation and growth.

Our Call to Action

The next EU budgetary cycle is a critical opportunity to reassert innovation and competitiveness as the foundation of Europe's future. We urge EU institutions to safeguard and scale up FP10, foster better conditions for business-led research and innovation, and reject short-term trade-offs that undermine long-term resilience.

The Confederation of Swedish Enterprise stands ready to collaborate with EU policymakers to build a globally competitive, innovation-driven Europe.

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