Competitiveness Challenges and Opportunities in Light of the Draghi Report

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ABSTRACT: Competitiveness has become a central theme in economic policy discussions, reflecting the need for nations, businesses, and individuals to adapt to an increasingly interconnected global economy. Initially applied in corporate strategy, the concept has expanded to national and supranational contexts. This article explores the theoretical and practical dimensions of competitiveness by analysing its implications at different levels – countries, corporations, and individuals – while reflecting on the European Union's evolving competitiveness strategy, particularly in light of the Draghi Report (2024). This report urges EU member states to adopt cohesive policies addressing challenges such as technological innovation, energy costs, and demographic shifts. The study responds to this call by exploring how competitiveness manifests across these levels and the conflicts that may arise when pursuing this objective.

The findings highlight that the pursuit of competitiveness at the national, corporate, and individual levels is interconnected and conflicting. While the EU's unified competitiveness agenda offers a framework for strengthening its global economic standing, its success depends on recognizing and addressing each member state's unique challenges and potentials. A balanced, inclusive, and adaptive policy approach can enhance competitiveness while ensuring long-term economic resilience and social cohesion.
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Introduction

In the editorial foreword of the previous issue (Lukács, 2024), the call for stakeholders to share their thoughts on improving domestic competitiveness in the light of the Draghi Report (Draghi, 2024a-b). This article responds to this call. Given that Csath

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(2024) provided an excellent overview of views on competitiveness and domestic development plans in his analysis published before the debate launching article by the former Italian Prime Minister and President of the European Central Bank, this literature will not be repeated. Instead, the primary focus will be on the issues that received less emphasis there and on some more recent suggestions related to the Draghi report.

Competitive companies = competitive country?

The literature suggests that the state has several functions (Takács, 2014, Endicott, 2021). (1) to maintain social order and stability, (2) to provide external protection, (3) to ensure the rights of citizens, (4) to operate public institutions and infrastructure, (5) to organise society and promote the common good, (6) reduce inequalities, (7) ensure sustainability and (8) foreign representation, (9) maintain the viability of the economy and promote its growth. All of this could perhaps be summarised as the need for the country to provide a good quality of life for its citizens, of which economic performance, measured by competitiveness, is only one slice.

The competitiveness of a country, a company and an individual (worker) cannot be interpreted in the same way. In fact, there is no guarantee that a firm employing competitive workers will itself become competitive, any more than that a country hosting competitive firms and employees will itself become competitive.

A competitive country, according to Porter (1990), can be identified by its ability to increase its economic performance in a sustainable way while providing its citizens with a high quality of life. In other words, alongside strong macroeconomic fundamentals and innovation capacity, the state must be able to balance governance with the interests of business, citizens and the natural environment. According to Porter's definition, a country that achieves economic success through a persistently low standard of living for its own citizens cannot be considered competitive, and therefore FDI performance through modest wages and taxes (and hence poor public services) is not competitive.

According to Porter (1990), a country's competitiveness is determined by four main factors of national competitiveness: (1) factor of production conditions (skilled labour, infrastructure, natural resources), (2) demand conditions, (3) related and supporting industries, and (4) the strategy, structure and competition of firms. According to the author, it is this "diamond of national advantage" that determines a country's innovation and competitiveness potential.

According to Delgado et al. (2012), there are three main determinants of countries' competitiveness: (1) social infrastructure and political institutions, (2) monetary and fiscal policy, and (3) the microeconomic environment, which combines the quality of the business environment, the development of clusters and the sophistication of firm operations and strategy. In addition, Lanvin and Monteiro (2023) expect competitive countries to have a high level of education, training and a healthy, productive workforce that is responsive to labour market needs.

However, according to the European Commission (Draghi, 2024a), environmental policies to ensure the long-term availability of natural resources and the transition to a circular economy are also essential for a country's competitiveness. The IMD (2023) splices these with effective institutional functioning: low corruption, a stable political system and an innovation-friendly regulatory environment are also expected for country-level competitiveness.

A company can be considered competitive if it is able to generate shareholder value in a sustainable way over the long term, i.e. above the expected return associated with its level of risk, while adapting to changing market conditions. This process can be severely hampered by effective action for environmental sustainability in a particular sector or technology, which is expected of a competitive state. At the same time, effective protection of consumer and workers' rights makes value creation more difficult.

Competitive firms need to operate with efficient use of resources and continuous application of technological innovation (Haskel & Westlake, 2018), while being able to respond quickly to changing market trends and demands, with a diversified portfolio of products and services to reduce market risks (Bris, 2021). They also need to have a strong organisational culture that supports innovation and management with excellent leadership skills to ensure strategy execution (Porter, 1990). They also need to be active in global markets, both through exports and investments, and be able to enter new markets and adapt to the regulatory environment in those markets (Lanvin & Monteiro, 2023).

A competitive company must not only be successful in one country, but must also be able to be independent to some extent from the competitive situation in that country and even be able to compensate to some extent for local shortcomings. One need only think of the fact that multinational companies that come to our country through FDI often finance the building of infrastructure or the training of their employees themselves, while at the same time performing certain tasks for domestic interests from another country. And the international service centres (SSCs) that move to our country only carry out administrative activities in our country for which conditions are favourable (wage levels), while production or development remains in other countries. Since the concept of competitiveness originated in the corporate sphere, the primary objective of companies is to maintain their competitiveness, i.e. their ability to create value.

A competitive worker, according to the literature, is one who is able to adapt to a rapidly changing labour market environment and has skills that make him or her stand out from the crowd. These include a high level of knowledge and expertise, such as digital skills and knowledge of data analysis methods (Lanvin & Monteiro, 2023). At the same time, they must be able to respond quickly to changes in the labour market, learn new skills and work in different environments. They need to proactively train and master new technologies (World Economic Forum, 2020).

You must be able to work effectively in a team and communicate across cultures to work in a global workplace. You must be able to communicate your ideas clearly and work effectively with colleagues from different backgrounds (Haskel & Westlake, 2018). You must also be able to come up with new ideas and solve complex problems creatively. A competitive workforce is also capable of independent decision-making and critical thinking (Porter, 1990), while taking sustainability into account (Draghi, 2024a).

There can also be a conflict between corporate and worker competitiveness: it is much easier to create value for owners in the short term with low wages and neglect of worker training, but the sector is losing its best workers. And those who remain, with their lack of skills, soon become the linchpins of firms' success.

The ultimate goal of an individual's life is hardly to maintain his or her own (economic) competitiveness. Research shows that people prefer to be "happy", even if this concept means different things to different people. Financial success, which is perhaps the most closely linked to worker competitiveness, is not only one of many dimensions of happiness (alongside, for example, good physical and mental health and social relationships), but its relationship with happiness is not necessarily linear. Some findings show that it is our position relative to others that matters more in this respect, while other dimensions are based on our own prior position or on an absolute scale (D'Ambrosio et al., 2020; Oishi et al., 2022; Ortiz-Ospina & Roser, 2024)

Competitiveness requires different characteristics at the country, company and worker level, but the basic requirements at all levels are innovation, efficiency and adaptability. Competitive companies need competitive employees (but not only), while a country's competitiveness requires competitive companies and competitive employees, but also much more. In no way, therefore, can a country's competitiveness goals be achieved simply by increasing the competitiveness of its companies or workforce. In fact, one of the keys to their competitiveness is their ability to compete independently of their home country, while the success of a country requires that it can 'enable' less competitive firms and employees to some extent.

This is of particular importance in the case of the EU or our country: if a domestic company can become truly competitive, but the country is not, then by definition the company is expected to be able to relocate some of its activities to another country with more favourable conditions, as is often the case for example for companies in the United States. Similarly, if the domestic workforce becomes competitive, it may be tempted to work for foreign firms in the absence of sufficiently competitive domestic firms, or to move to another country or telework in the absence of a competitive country.

This may be one of the roots of the dilemma of Hungarian economic policy. While FDI allows the country to benefit to a certain extent from the fact that competitive firms from other countries relocate to Hungary to take advantage of the low domestic wage level and favourable tax burden, the low wage level and insufficient tax revenues of an insufficiently competitive state cause the disappearance of competitive labour from the internal market. The example illustrates why such wage competition success is not seen as competitiveness by Porter, while some competitiveness indices that focus on outcomes rather than method do.

It is, therefore, crucial that the competitiveness of the country, its companies and its workforce develop simultaneously because their competitiveness is a prerequisite for the success (and staying in the country) of the other two actors. If the balance is upset, the process will reach a crisis point: the taxable profits of domestic firms and the well-educated Hungarian workforce will leak to other countries, which will ultimately seal the long-term fate of the other two players. Although the state can use official instruments (self-financing higher education, weak social safety nets, special taxes, confusing and often changing regulations) to curb the development of employee and company competitiveness, it inevitably undermines its own competitiveness and, thus, its long-term success.

On the other hand, becoming competitive involves a major investment and sacrifice. People are not born with skills and languages, and a start-up company does not become competitive on its own, just as a well-functioning state requires prudent decision-makers who are sensitive to the interests of others. There are incentives to make the necessary efforts: we can only expect such investments if a more competitive workforce can achieve higher wages and living standards, if senior managers and owners who make their firms competitive realise higher returns, and if well-performing politicians are re-elected. If incentives are broken, because in an economy, even higher-skilled positions in an economy do not pay significantly more, if high-paying jobs are not allocated on the basis of skills, if firms' higher returns are not guaranteed by good market performance but by government subsidies, and profitability is worth hiding, if those in politics who are more likely to promote the country's development are less successful, then the chances of competitiveness are lower.

In sum, while the goal of companies may be to remain competitive, it is certainly not the ultimate goal of countries and individuals, or at most only one of many goals. Improving the competitiveness of firms and workers is a great help to the competitiveness of the state, but it is not nearly enough to achieve it. Only a well-thought-out and coordinated economic, education, health and regional policy can ensure that the balance of development in the three dimensions is not broken. But to achieve this, politicians need a sufficiently informed and consistent electorate.

Is a competitive country more successful?

Success can be measured by the achievement of the state's goals and the quality of its performance. It seems that a competitive country is economically stronger. But is this enough for better overall performance?

Competitiveness is linked to the role of the state in several ways. Perhaps the most obvious is that the competitiveness of the state contributes to the welfare of citizens through economic growth (Csath, 2016), and the economy provides resources for other state functions. At the same time, building and maintaining the right regulatory environment, education and infrastructure supports innovation and business investment. Social cohesion can also be strengthened if competitiveness increases and inequalities decrease.

But there can be a conflict between supporting the competitiveness of the economy and achieving other objectives, especially in the short term. Money spent on supporting entrepreneurs may be missing out on improving health care, and labour shortages that are tried to be addressed by cutting unemployment benefits may not necessarily lead to higher social welfare. In the longer term, however, the higher carrying capacity of a more competitive economy can provide a more generous framework for other tasks.

The conflict is not just about time. The environmental dimension of sustainability, which has been particularly emphasised in recent years, and economic growth with increasing polluting emissions are difficult to reconcile. In addition, economic efficiency can be distorted by the redistributive function: addressing social inequalities through tax revenues 'penalises' more efficient firms and workers to the benefit of less competitive ones.

The tasks of the state are complex. In some cases, the self-serving development of competitiveness above all else can, in certain dimensions, cause damage. There are many studies on the negative effects of intense competition.

(1) Physical and mental health. The competitive spirit is also part of the culture of competitive companies and countries (Hogan & Coote, 2014). However, Brandts et al. (2005) point out that increased competition upsets work-life balance and reduces people's well-being because it can lead to anxiety and chronic stress, which increases the risk of cardiovascular disease. It is no wonder that it is the best performers who tend to suffer from burnout and depression, and personality degeneration (Ou & Ma, 2023), which then places a greater burden on health care. Over-competition can also have a negative impact on academic performance and stigmatise low performers under pressure. As Buser and Oosterbeek (2023) point out, it is not all the same why we compete and why we want to be more competitive. The desire to win, the (compulsive) drive to win, is associated with higher levels of income, but also with lower levels of happiness and poorer mental health. Conversely, people who enjoy competition (but do not have a compulsion to win) are happier, more risk-taking and have better mental health.

(2) Social relations and cooperation. In a more competitive society, there is more rivalry, jealousy, and envy, which negatively affects personal well-being. This can also weaken social cohesion beyond personal relationships (Brandts et al., 2005). This can create tensions between, for example, competitiveness and nation-state cohesion or social responsiveness. Likewise, the willingness to cooperate between individuals, families and groups may be reduced, which in turn may be to the detriment of the capacity to innovate at the societal level and in terms of corporate supply chains and clusters.

(3) Inefficient allocation of resources. Higher competitiveness does not always lead to higher efficiency and well-being. According to Brandts et al (2005), competition does not always increase efficiency, just as the equilibrium point of classical self-interested game theory problems does not always represent the optimum for the participants. (Szántó, 2007) This is true not only for individuals but also for firms and countries that operate according to the choices of individuals.

(4) Growing social inequalities. Competition increases social inequalities, with the more competitive achieving higher incomes, profits and tax revenues. Although this may ultimately increase everyone's well-being, happiness research has repeatedly shown that individuals judge their situation largely by their relationship to others, and not solely by their past situation (Brandts et al., 2005).

(5) Deteriorating ethics. Philippe (2008) underlines that in a highly competitive environment, laggards are more tempted to adopt grey and illegal solutions, while trust in people and society is shaken by the increasing incidence of dishonesty in all actors. And the cost to society (public expenditure) of rooting out rampant abuse is higher.

(6) Innovation anomalies. Aghion et al. (2005) show that while competition stimulates innovation in leading firms, it tends to inhibit innovation in laggards, as there are no resources left for development. However, if we look at this at the EU level, if the more competitive Western countries earn extra income at the expense of the less competitive ones, then ultimately the higher innovation expenditure of the more advanced countries that become more prosperous is paid for by the less advanced countries, while their own innovation activity is reduced.

(7) Environmental problems. If economic competition is privileged and unchecked, it can easily lead to a relaxation of regulations, which can result in overuse of natural resources. Ahmed et al (2022), for example, showed that in 55 countries in the Asia-Pacific region, foreign direct investment (FDI), which was expected to improve the country's competitiveness, contributed significantly to the degradation of the natural environment and increased carbon emissions.

The economic competitiveness of the country can therefore help the competitiveness of companies and workers, and thus create resources for the successful fulfilment of the tasks of the state, but it can also have negative effects that create additional tasks. If the additional resources are not used properly, even in a competitive country, the state may fail overall. Just think of the social and health deficiencies that the United States of America is accused of.

To complicate matters further, incentives are again a problem. The literature suggests that the success of governing parties can only partly be linked to good economic performance. In addition to economic stability, inflation, unemployment and growth, politicians need to pay attention to other factors if they are to remain successful in the long term. Bizzarro et al (2018), for example, point out that strong political parties are more successful economically, and therefore it is worth investing resources in party building. Maintaining public trust is also critical, which may require widely supported political measures and various social programmes in addition to economic measures. Social changes and demographic trends, as well as external events such as war or epidemics, can also affect political success. One only has to think of the impact of the migrant crisis in Germany (Dostal, 2017) or the lessons of Brexit (Clarke et al., 2017).

Thus, politicians seeking re-election are interested in the multidimensional success of their country, the optimisation of which may temporarily overshadow the country's competitiveness. True, this is hardly a viable strategy in the long term.

Overall, a more competitive country may not be more successful, and policymakers may not always seek to maximise competitiveness.

How do we need to be competitive?

Competitiveness is originally a relative concept: it captures how much chance you have of succeeding in a given situation. And anyone can win a race if they start alone. Yet in everyday life, competitiveness is often referred to as if it can be measured on an absolute scale, and progress in the rankings is some kind of improvement. Yet a poorly performing country can move up a competitiveness ranking if the performance of other countries has deteriorated (more).

It is also a common misunderstanding to think of changes in rankings on different lists as performance. Since the distances between rankings are not the same and rankings do not measure absolute performance, it is not true that a country that moved up three places did better than a country that moved up only one place. In fact, it is possible that a country that is improving in all dimensions but improving less than others slides back, while a country that is stagnating or deteriorating less than others moves up the list. The various competitiveness league tables have come in for a lot of criticism, as competitiveness itself cannot be measured directly and the proxies used (successes achieved or development measures) can be very diverse.

Some lists face methodological challenges because often the values of the observed variables will be "better" than neoliberal policy goals (Bergsteiner & Avery, 2012). The definition of competitiveness also varies from list to list, as does the weighting of the observed variables. Thus, if a government focuses on improving its ranking on a particular list, it can easily 'cosmeticise' its performance without making real progress, i.e. prioritise issues that promise similar progress but require fewer resources and sacrifices, rather than critical problems. A good example of this is the neglect of tackling social inequalities or the environment, which receive little or no attention in many competitiveness approaches.

There may also be questions about the reliability of the data used. The publication of the World Bank's Doing Business report had to be suspended precisely because of the use of data that was sometimes flawed (World Bank, 2021). At the same time, many people criticise the indices for not taking into account national social, cultural and economic specificities, implicitly assuming that there is an ideal way of achieving competitiveness that works equally well everywhere. No wonder Berger and Bristow (2009) found in their comprehensive study that competitiveness indices are not good predictors of economic growth.

So we cannot say that those higher up the competitiveness list are actually more competitive, nor is it necessarily true that those higher up the list have improved or those lower down the list have worsened. At most, those who rank lower than before have improved less than others on the factors that the ranking's creators considered important.

Recently, politicians have been talking more and more about improving EU or European competitiveness (Draghi, 2024a, b). But here we run into a conceptual problem. The competitiveness of workers is measured in terms of their success in obtaining and retaining jobs that are desirable for that individual, or perhaps in terms of the individual success that society judges them to have while competing with other individuals. Corporate competitiveness might be measured by the deals that managers and owners of firms want to close, or by the value of ownership generated, which other firms might lag behind. The competitiveness of a country refers to some economic success of its citizens and national (possibly in-country) firms and their ability to retain them, while economic actors could move to other countries.

However, European or EU competitiveness tends to refer to competition between an international organisation or a continent and various individual states (usually China and the US). It is not clear whether EU competitiveness is a weighted average of Member States' performances or whether the EU can be more competitive while the individual competitiveness of its constituent countries, companies and individuals is deteriorating. It is also unclear what resources Europe wants to take away from its 'competitors', especially when they are also its most important trading partners. If it is a market position, the EU is indifferent to which Member State it ends up in, or whether the success of individual Member States would be more likely to improve European competitiveness. Would Europe's competitiveness, in its own sense, be improved if a crisis (e.g. an epidemic) were to strike the United States of America for some reason not affecting the old continent? If an EU measure were to improve the competitiveness of Germany, the so-called engine of the EU, but worsen that of other Member States, what would be the basis for calculating the final effectiveness?

Even if these questions were answered, the most important remains. If it is already clear at the level of individuals and companies that different measures can and should be taken to put them in a competitive position, depending on their specific circumstances, is it realistic to think that a single set of central measures will bring progress in all Member States? If not, which Member States' interests are the most important?

What's good for the EU is good for all member states?

The Draghi report published on 9 September 2024 (Draghi, 2024 a, b) defines EU competitiveness as the common features of the competitiveness of Member States relative to China and the US. It is fully consistent with the competitiveness literature in that it treats the EU as a single country. Moreover, the traditional economic dimension of competitiveness includes areas such as preserving the natural environment (decarbonisation) and maintaining (economic) stability, which are normally among the other objectives of countries. The message of the study is that only coordinated action by Member States together can remedy the current crisis and identifies (1) innovation and productivity lag, (2) high energy costs and

(3) demographic challenges as the most pressing problems. Accordingly, the report recommends spending 4-5% of EU GDP, €750-800 billion per year, on innovation to help Member States catch up with the two main challenges. There is also a need to simplify various regulations to make it easier for innovative firms to enter the market, especially in the technology sector. In particular, they see a need to support SMEs, as the number of innovative start-ups is less than that of small businesses surviving the first phase of their life cycle.

The report proposes to mitigate the problems of energy prices through diversification, not only of suppliers but also of the way energy is produced. This proposal is of particular interest because it would only lead to improved competitiveness and lower prices if Member States today explicitly favoured more expensive suppliers and production methods. On the contrary, the problem has been caused by the rise in the cost of the cheapest Russian alternative and the increase in the cost or complete disappearance of more economical nuclear power plants. Diversification in finance is not a means of increasing returns but of reducing risk. And the very essence of risk management is to take on a certain amount of extra cost in order to avoid an uncertain large loss. Thus, energy cannot be cheaper because of diversification.

The proposal aims to tackle the demographic crisis by encouraging childbearing and the resettlement of migrants. At the same time, it would address territorial disparities by improving infrastructure, education and technology in the less developed regions. Finally, the report calls for majority voting to replace national vetoes to speed up decisions, for member states to coordinate their industrial policies and for part of the development to be financed by a jointly borrowed loan.

These proposals can create a lot of conflict. It is clear that if EU innovation plans were to be jointly funded by Member States, but the bulk of the money spent in Western Europe, the Eastern members would lose competitiveness at the country level compared to the West (and indeed the world as a whole). If entry of firms in the EU were simplified, then country-level competitiveness might improve, but the competitiveness of existing firms would deteriorate as they would face more intense competition as barriers to entry were lowered.

If all countries were to introduce the same rules, they would give up their flexibility, and countries with less attractive conditions would not be able to offer anything better to incoming firms. As a result, FDI would migrate to the more developed countries, making those with weaker local conditions less competitive to the advantage of the stronger ones.

Innovation requires an advanced training system to make the most of the skills of the next generation. But this can only be successful if it is widely available for free and the knowledge it provides is of value in improving the competitiveness of workers, i.e. worth investing a few years of one's life in. However, in the eastern Member States, cost-competitive jobs with low skill levels have tended to be relocated, where multinationals often employ local engineers as technicians and technicians as skilled workers, forcing skilled workers to leave the country because of the low living standards available. Some countries seek to gain a competitive advantage by keeping wages artificially low (see Table 1), so that poorer countries, which bear the cost of education, often train engineers, researchers or doctors for richer ones, losing part of their future tax revenue.

Table 1. Minimum wage in selected EU countries, 2024 (Statista, 2024)

Country	Minimum wage (euro/month)
Netherlands	2070,12
Germany	2054,00
France	1766,92
Spain	1323,00
Slovenia	1253,90
Poland	977,53
Portugal	956,67
Lithuania	924,00
Greece	910,00
Croatia	840,00
Estonia	820,00
Czech Republic	764,44
Slovakia	750,00
Latvia	700,00
Hungary	696,97
Romania	663,24
Turkey	612,58
Serbia	543,64
Bulgaria	477,04

Reading it here at home, the proposal to extend Erasmus+ programmes is particularly perverse in the context of developing innovation, as a good number of domestic universities have been excluded from the system by the very sponsor of the study. This suggests that improving the economic competitiveness of the Member States is not the main aim of the EU's system of objectives, which was originally set up to coordinate economic cooperation, as it can easily be overridden by the interests of other dimensions.

If countries substitute some of the current cheapest energy sources for others in order to diversify, their competitiveness could be reduced by rising costs, while their quality of life could be improved by less pollution. However, if renewables are given a freer path as proposed, this could increase weather-dependent production fluctuations, thus increasing the cost of managing the system and requiring the installation of more storage capacity. Even if expectations were uniform across countries, it would lead to politically unacceptable situations such as Poland, which relies on its own cheap coal, making electricity so expensive that unemployment would rise, or Germany restarting its nuclear power plants with a backlog.

Raising the birth rate and resettling migrants are two politically sensitive issues, and are unlikely to be equally well received in all countries. Migrant resettlement is often necessary to keep wages low, which makes individuals less competitive and thus makes politicians less likely to be re-elected.

The report suggests that Member States, presumably not the EU, should spend more on infrastructure in underdeveloped regions. But backwardness means something quite different in the western Member States than in the eastern and southern ones. For example, a unified railway management system and the construction of high-speed lines across countries would benefit firms in the West that produce in the East by lowering transport costs and could, therefore, easily improve the competitiveness of countries that do not bear the costs more than those that invest.

In the case of infrastructure development, it would be crucial to define EU competitiveness precisely, since development plans to be implemented with central funding would probably be decided centrally. But priorities are not clear. Is the aim to have an EU region, country or group of countries that can compete successfully with China and the US, or is it that all EU countries and regions should be able to do so? Is the spending of resources voted on by the members according to the level of contribution, or on the principle of 'one country, one vote', where poorer countries can spend the money of the richer?

In the former case, the old members can be developed to the detriment of the new members, while in the latter case, they cannot, and initially, the new members would have to bring the old ones up to their level. This would improve competitiveness at the average EU country level, but we would be no more successful than our main competitors. If, on the other hand, the eastern members do not directly benefit from the rise in GDP and living standards in Germany, France, the Netherlands and Sweden, it is difficult to see what interest national politicians, already short of resources, would have in supporting such plans. The study also cites the poorer economic performance of the lagging eastern and southern member states as a reason for the deterioration in EU competitiveness, so the Draghi report implicitly values the idea of a similar pace of development together (and not at the expense of each other).

On the other hand, the competitiveness of Western firms benefiting from the low wage levels of Eastern members would be eroded if the competitiveness of local firms improved. Thus, Western companies would move even further east, outside the EU, to sell goods produced in countries with low wages and low living standards for their citizens at Western prices. It is precisely to prevent this emigration that it is proposed to import cheap labour from outside the EU, which would also accept a much lower standard of living, but at the same time create a parallel society within a country. In essence, an alternative state would be run for the immigrants within more developed countries or possibly in poorer Member States.

Summary

This article examines some aspects of competitiveness that have been less extensively discussed in the past and raises rather than answers questions. As a first step, the paper looks at the different interpretations of competitiveness that can be applied at different levels, in the light of the Draghi report of September 2024. While at the firm level, maximising competitiveness as a measure of economic success relative to competitors may be the primary goal of the firm, at the country and individual level, it may be, at most, only one means of achieving the ultimate goal. For this reason, neither politicians nor individuals can realistically be expected to make decisions solely on the basis of competitiveness.

If competitiveness were to become a priority, countries would not be able to achieve it by increasing the competitiveness of firms alone, just as firms will not be competitive only if their employees are competitive. In fact, some country-level competitiveness targets may even make local firms less competitive, just as there may be a trade-off between firm and employee competitiveness.

The article also briefly reviewed the limitations in interpretation and applicability of the various indices established to measure country-level competitiveness. The change in rankings over successive periods is a poor measure of a country's economic performance over time since improving one ranking does not require the same effort across the board. As it is relative performance, neither moving up nor down necessarily implies the same direction of change in economic performance.

A shortcoming of the Draghi report is that there is no literature on competitiveness at the EU level. Thus, it is not clear how EU competitiveness is to be derived from competitiveness at the country level, which is already very difficult to measure. When the objective is to improve competitiveness vis-à-vis China and the US, it is not clear whether it is enough for only part of the EU to compete successfully with them or whether all parts should reach this level. In the former case, it is possible to improve the situation of the more developed regions at the expense of the less developed ones; in the latter, the more developed ones should initially support the laggards. Competitiveness, however, can only be measured between competitors, so trade between them is difficult to understand in this context.

The report presents a single set of proposals, suggesting that there is a programme that can deliver results for all members of such a heterogeneous group of countries simultaneously. This is not necessarily true, as individual capabilities, opportunities, and needs must also be taken into account when improving the competitiveness of companies and employees.

The programme's proposals for action are in many respects in conflict. If not properly thought through, they could create tensions between Member States, between governments and companies, between governments and citizens, and even between companies and citizens.

At the same time, no proposal has been made to transfer a task currently performed by a Member State to another Member State, leaving it to decide how

to use the resources freed up to increase its own competitiveness, even according to jointly agreed preferences. For example, if an energy storage network were to be built with EU funds (even with a loan taken out jointly by the Member States), involving all Member States on a pro-rata basis, this could create a common infrastructure for the green transition, generating orders for local companies, which could even provide the basis for EU-wide revenue generation and further development.

Likewise, the creation and operation of a network of digital skills networks covering all member countries, providing local businesses with access to orders, centrally developed but localised according to local specificities, including the latest AI solutions, targeting both companies and individuals and even free of charge, could simultaneously improve competitiveness in all member countries. In addition, it may be worthwhile to invite ideas from the Member States themselves on what kind of jointly funded and coordinated EU-level competitiveness improvement projects they would like to see. It is hoped that the Commission will be open to such ideas with less political risk at the concrete planning stage.

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