



Q&A

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Building a stronger European economy: The path to growth and competitiveness

Polish Presidency of the Council of the EU comes at a time of complex political and economic challenges. Recent crises have weighed heavily on EU growth. To reverse this, we must boost competitiveness and productivity, creating conditions for sustainable and inclusive prosperity.

Our motto — “Security, Europe!” — reflects our central priority: reinforcing European security. In the economic and financial area, this includes financing European defence, securing long-term support for Ukraine, strengthening competitiveness, and developing capital markets. In a nutshell, our economic and financial priorities aim to deliver a more competitive, secure, and resilient Europe. Now is the time to act boldly – to modernise our economy, protect our values, and prepare the Union for future challenges.

This will not happen without the simplification of the EU regulatory framework. Investment opportunities must be provided for Europeans and entrepreneurs must have access to capital. Therefore, we strongly support the idea of reviewing the legal framework and withdrawing excessive regulations in order to reduce the regulatory burden and transaction costs for all market participants. Europe must be an economic superpower, not a regulatory one.

As Presidency, Poland will do everything in its power to ensure that this political awakening is matched by legislative action and tangible investment. Security has a cost — but inaction has a far higher one.

Strengthening Security through Smart Fiscal Policy

Europe’s security is no longer an abstract concept — it is a tangible and urgent priority. However, while the risks are becoming increasingly complex, Europe’s fiscal constraints remain. The challenge we face is therefore clear: how to significantly increase defence spending, despite high debt levels in some Member States.

I believe the answer lies in the combination of intelligent reform and political will - Europe must take greater responsibility for its own security. We welcome the European

Commission’s readiness to fully use the flexibility of EU fiscal rules to allow for increased defence spending. Applying this flexibility is essential for mobilising resources without compromising fiscal discipline.

The EU has already taken an important first step. The new economic governance framework, which entered into force in April 2024, explicitly acknowledges increases in defence investment as a factor in budgetary assessments. But this recognition must now be translated into practical flexibility rules. That’s why, as Presidency, Poland has pushed for a broad interpretation of what qualifies as defence expenditure — going beyond weapons systems to include infrastructure, personnel, and strategic industrial investment. Defence is no longer just about tanks — it’s about supply chains, skilled people, and resilient production capacity.

This position received wide support at the March ECOFIN Council, where ministers endorsed broadened definition aligned with the COFOG classification. For the first time, there is a shared understanding that increasing defence potential should be properly reflected in budgetary EU surveillance of policies.

But we cannot stop here. We must make full use of the tools already at our disposal. That includes activating the National Escape Clause (NEC) under the Stability and Growth Pact — a move now encouraged by the European Commission. Properly applied, this clause can release fiscal space for defence spending without undermining the long-term fiscal responsibility.

We welcome the Commission’s broader change of thinking. Its recent White Paper on European Defence — and the ReArm Europe Plan — signal a real shift. They not only identify capacity gaps and the need of industry but more specific financing tools: loans of up to €150 billion, flexibility in EU funds, a stronger role for the EIB, and the mobilisation of private capital through the Savings and Investments Union.

These are the right ideas — but time is of the essence. The next five years must be a period of accelerated delivery. Europe cannot afford any delay.

Empowering Europe's Capital Markets: The Key to Competitiveness

In order to be competitive, Europe must unlock the full potential of its capital markets. The EU still faces considerable investment gaps: over a third of household wealth remains in deposits (compared to just 10% in the US), and €33 trillion in savings is held in cash and deposits. Mobilising this capital is essential. We must identify and remove investment barriers, deepen the Single Market, and create incentives for investors to stay in Europe.

To address the outflow of surplus European savings, we must make the Union's capital markets more attractive. This can be done by better aligning products with investor needs and enabling higher returns, and the latter can be done, for example, by increasing the competitiveness of listed companies and the broader economy. Economic growth remains the best response to many of Europe's current challenges.

Contrary to common belief, boosting returns doesn't require investing outside the EU. The diversity of EU member states and sectors already allows for strong diversification — as long as we avoid excessive centralisation and support local market ecosystems.

That's why we support the new strategy to create the Savings and Investments Union. It is a crucial step toward building a working internal market for capital and helping financial institutions to scale up. We fully subscribe to Commission's understanding that for the strategy to deliver, it will require a combination of EU level and national level measures. The proposed document has a great potential — and we are committed to continuing the discussion around a pan-European savings product that empowers retail investors to participate in the EU's economic transformation. We also support other key initiatives of the strategy such as the revitalising securitisation. Strengthening this market will enhance banks' capacity to lend and help deepen EU capital markets. We are ready to advance this project as soon as we see the legislative proposal from the Commission.

Health and functioning capital markets can only exist along with a stable banking sector. Therefore, we are also advancing the work on the reform of Crisis Management and Deposit Insurance — a crucial step toward the completion of the Banking Union. As Presidency, we are committed to bringing EU co-legislators closer to an agreement on this essential file.

Simplifying Regulations for Economic Renewal in Europe

To revitalise the European economy we must act decisively. Many tools are already on the table. But the most urgent step is to simplify rules, eliminate regulatory ambiguities, and reduce the burden on business. The current regulatory environment

risks weakening Europe's position globally and eroding its social model.

In that regard, the European Commission's publication of the Competitiveness Compass, which recognises the need for a smarter, growth-oriented regulatory framework, is encouraging.

We also appreciate the Omnibus proposals presented by the European Commission. It is essential that the European companies stay competitive in a dynamic global economic environment. Besides, the Commission's legislative package on securities depositories, financial collateral, settlement, and market structure is welcome. It aims to remove cross-border barriers, modernize regulation, improve execution quality, and reduce administrative burdens.

At the same time, while harmonization of rules is necessary, the supervision doesn't always require a single authority. Often, convergence of national supervisory practices is sufficient. European oversight should focus on cross-border market participants and emerging sectors where a supranational view brings synergies.

Building the investor's mindset

A key point that has often been overlooked in Brussels is that investing inherently involves risk. A risk-free Savings and Investments Union is not possible, so investor protection rules must be part of regulatory review. We therefore welcome the Commission's plan to adopt a financial literacy strategy, which should support the culture of investing among Europeans.

We see no contradiction between long-term returns for citizens' retirement savings and financing the EU economy. On the contrary — by making competitiveness the driver of investment, we can achieve both goals.

Instead of fixating on market architecture, we should enhance capital markets' attractiveness and returns — by improving competitiveness, clarifying rules, and reducing regulatory burdens. Ultimately, a more competitive, fast-growing economy with thriving businesses is crucial. This will lay the foundation for everything else.