



FABBRICA EUROPA

Confindustria's proposals
for a competitive Europe



CONFINDUSTRIA

FABBRICA EUROPA

Confindustria's proposals
for a competitive Europe

KEY MESSAGES

FEBRUARY 2024



CONFINDUSTRIA

PREFACE



Europe's future is tied to the Renaissance of the European industry. Enterprises play a crucial role in society, given their capacity of producing goods and services and creating quality jobs. But, in order to successfully overcome global challenges, the only possible solution is focusing on a renewed competitiveness of the European industry. Indeed, only a competitive and solid industry can guarantee prosperity, wellbeing and social peace in our continent.

Europe plays a pivotal role in the life of Italian enterprises: the internal market is by now our major point of reference (over 50% of Italy's exports go to the EU) and European rules account for over 70% of the reference regulation. Confindustria has always acknowledged this role and has invested for Italian enterprises to be heard in Brussels, engaging in a constructive dialogue with all European institutions while also taking up a structured dialogue with the other major European federations of enterprises, above all Germany's BDI and France's MEDEF. Throughout the past years, also together with BusinessEurope, we have presented – several times and in many ways – our proposals for building a more prosperous, fair and sustainable Europe. Namely, a more competitive Europe.

The European Parliament to be elected next June will have to take vital decisions for the European Union: the war in Ukraine and in the Middle East, the energy and raw materials crisis, the initiatives of our global competitors (above all, the USA and China) require Europe to take strong, unprecedented initiatives, and to do so swiftly.

Confindustria wants to keep on playing its part. That's why, over the past months, we have consulted with our entire system, both at the local and sectoral level, asking everyone to present and discuss proposals to step up Europe's competitiveness. We do not just want to emphasise the hurdles and bottlenecks that slow us down; we want to show the way forward by proposing the concrete actions and principles that must, in our opinion, guide us when taking future decisions in Europe.

This document contains the outcome of this painstaking consultation. All Italian sectors and territories have been involved; hence it offers many different proposals of all sorts. All of them, however, fall into one single, cross-sectoral message: the need to put the industry at the centre of all policies, building a strong European industrial policy underpinned by the three pillars of sustainability (environmental, social and economic) and supported by an appropriate level of investments.

PREFACE

Based on this document, which we have called "Fabbrica Europa", Italian entrepreneurs want to discuss with the European institutions – starting from the Italian MEPs – and want to do it straight away. That is why the Confindustria System will organise, before the European elections take place, a number of meetings, in all European constituencies, to listen to the candidates and ask them to discuss our proposals and tell us what they think. We should let go of the ideological approach that has emerged in Europe in recent years and we should talk about tangible and ambitious solutions that can be put to good use. That's what "Fabbrica Europa" is about, among other things.

The President
Carlo Bonomi

The Delegate for Europe
Stefan Pan

KEY MESSAGES



"Fabbrica Europa" includes Confindustria's proposals for the next EU Parliamentary term, resulting from a wide-ranging and thorough consultation with the entire Association System, which involved all sectors and territories. The paper, which features a series of proposals broken down into ten major chapters, aims to be the starting point for an open and honest debate between Italian entrepreneurs and the European institutions on the future of Europe and the challenges that lie ahead.

Being competitive on the world stage

- ♦ **Strengthening and extending the FTAs network and ensuring it is put into effect.** During the next parliamentary term it will be necessary to further the talks recently resumed, in particular with MERCOSUR, and start new ones too, so as to consolidate bilateral relations with countries and with the economic integration blocs of Asia (especially ASEAN countries), Africa and Latin America.
- ♦ **Ensuring a level playing field and protecting the interests of European enterprises.** It shall be crucial to uphold the EU's economic interests and defend them against the unfair and sometimes aggressive practices of third countries, resorting to instruments such as the one for international procurement (IPI) and the Foreign Subsidies Regulation (FSR) preventing non-EU subsidies from distorting the EU internal market.
- ♦ **Strengthening the European common defence and stepping up EU-NATO coordination.** A great leap forward is required, in order to put to good use the full expertise of European national industries in all sectors of defence and security, military land, air and naval platforms and systems, satellites, space and sensor systems. The competition between the several national systems on products, services and procurement prevents standardisation and multi-operability with respect to European defence budgets and does not allow for the necessary economies of scale to compete at the global level.

KEY MESSAGES

European policies favouring the competitiveness of the industry in the green transition

- ♦ **Accompanying the Green Deal with a European industrial policy in order to keep up with the global race for future technologies.** It is paramount to adopt a technological neutrality approach and set up European funds that may support and integrate investments in different energy sources and technologies to achieve climate and energy related goals in a balanced and sustainable fashion, turning the green transition into a development opportunity. In addition, we must gradually and proportionally implement new rules on sustainable finance if we are to drastically change business relations between enterprises and relations between enterprises and the financial system and set simplified standards for SMEs.
In fact, the costs entailed by the transition are staggering: suffice it to think of the *Fit for 55* package (the part of the Green Deal devoted to decarbonisation), which – according to the projections of the Study Centre – shall lead Italy to invest over 1.1 billion Euros to achieve the goal of reducing emissions by 55% in 2030. The Italian PNRR (National Resilience and Recovery Plan) accounts for just 3.7% of direct investment requirements.
- ♦ **Completing the integration of electrical energy markets, creating a single market for gas and developing a European nuclear energy strategy.** The European electricity market must head towards an effective integration of renewable sources, decoupling them from short-term and gas markets, allowing consumers to directly purchase renewable energy with medium-long term contracts too. Concurrently, in order to regulate cross-border gas exchange and devise a harmonised European tariff system, it shall be vital to create a single market for natural gas and for renewables. Europe must also devise a shared strategy on nuclear energy and give Member States clear instructions as to the construction of innovative plants that can truly help achieve decarbonisation goals.
- ♦ **Reforming ETS rules and strengthening CBAM.** The ETS reform is necessary, even to ward off speculation and ensure the gradual phasing in of emission-reducing goals. Furthermore, we must carefully assess the tools that counter the risk of de-localisation of European enterprises, starting from the CBAM, while also preventing it from having repercussions on competitiveness.
- ♦ **Promoting a circular economy and industrial symbiosis in business models.** To this end, we must define and standardise a clear and thorough regulatory framework that can stimulate innovation for an efficient use of productive resources.



European policies supporting the industry's competitiveness in the digital transition

- ♦ **Enhancing digital expertise.** In terms of training of workers in all supply chains, it is key to attain greater digital knowhow and address the lack of skilled professional workers in the area of cybersecurity, spreading the cybersecurity culture in the company.
- ♦ **Regulating Artificial Intelligence to make the EU the ideal continent for investing in this technology.** The enforcement of the Artificial Intelligence Act and future laws regulating this area must effectively blend the interests of several economic sectors, ensuring an effective regulation that promotes responsible innovation, investments and competitiveness. A legislative approach that is too binding and restrictive will discourage innovation and AI experimentation among European companies, which would therefore be lagging behind compared to US and Asian enterprises.
- ♦ **Promoting the transition towards the data economy.** We must enhance the information-related assets of enterprises and European public administration offices for the benefit of the quality of services offered to citizens and of enterprise competitiveness. It is also necessary to promote the creation of data spaces, such as the *European Health Data Space*, which make quality data available while ensuring the protection of the enterprises' research and innovation activities.

KEY MESSAGES

Transport and infrastructure

- ♦ Swiftly completing the TEN-T (Trans European Transport Network).
- ♦ Ensuring a transition towards a green mobility that envisages a number of solutions, consistent with the principle of technological neutrality. Reconciling ambition and graduality is all the more necessary when reviewing the medium-term goals of sustainable mobility policies to date, exploring new perspectives and solutions, from biofuels and synthetic fuels to urban mobility.
- ♦ Creating a synergic regulatory framework for devising laws on transport and environment. Said framework must ensure a level playing field for freight transport, particularly focusing on the development of intermodal transport and combined transport. This must put greater emphasis on the integration of several economic sectors and removal of barriers, including regulatory ones, such as the Tyrolean transit ban along the Brenner axis, which hinder cross-border trade and investments.

Strengthening the internal market to boost enterprise competitiveness

- ♦ Ensuring a uniform enforcement of EU law. It is necessary for the Member States to implement EU law in a uniform and consistent manner, so as to avoid the phenomenon of 'gold plating', which results in excessive national requirements being added on top of what is laid down in EU law, creating unnecessary barriers in the internal market and complicating the regulatory framework for businesses, as well as being an obstacle to standardisation.



Budget balance, cohesion policy and investment in support of competitiveness

- ♦ **Further supporting the Capital Markets Union.** In the years to come it will be necessary to give new momentum to the development and integration of European financial markets, in order to draw patient capital from institutional investors and facilitate access to capital markets, in particular for SMEs.
- ♦ **Creating a new European common debt safe asset based on NextGeneration EU.** New financial instruments are required to match the otherwise unsustainable investment needs in order to address the impact of the double transition (green and digital) on production and labour.
- ♦ **Making sure that the banking system regulation can truly allow banks to support enterprise development.** The Basel III reform should therefore be implemented gradually, favouring the renegotiation of loans and supporting corporate financing aimed at a sustainable and digital transition.
- ♦ **Ensuring that cohesion resources are preserved in the new MFF programming and that the needs of the business world are duly considered, both in terms of substance and method.**

KEY MESSAGES

An inclusive, sustainable and competitive European social model

- ♦ **Promoting the adoption of appropriate tools to handle employment transitions, relaunch active labour policies and encourage employability.** This will also be possible through EU financial instruments and by enhancing the role of social partners in the impact assessment process of the new rules.
- ♦ **Promoting lifelong learning among workers.** To this end, it will be necessary to follow up on the implementation of the numerous initiatives stemming from the European Year of Competences and to create, through school-enterprise integration paths, the pedagogical prerequisites for a generational dialogue between competences where adult workers can pass on know-how to younger ones by supporting them in their studies and training, with a special focus on technical-professional training.

Competition rules, mergers and State aid

- ♦ **Redefining the existing tools concerning State aid, making them more suitable for the specific needs of enterprises.** It is essential to provide a definition and facilitating measures for midcaps and small midcaps, to adjust the criteria for defining SMEs on the basis of inflation, to remove excessive constraints to facilitate large companies and to simplify and speed up IPCEI procedures.
- ♦ **Defining common resources for all Member States.** These resources will be essential to facilitate major productive projects to reduce the risks of fragmentation and inequalities connected to different budgetary capacities, and to ensure uniform growth in the context of the single market.

Research, innovation and intellectual property

- ♦ **Retaining the key role of the patent system and the attractiveness for investments.** The introduction of the unitary patent system has greatly simplified the protection and preservation of research and development (R&D) results, encouraging investment in patents in the Eurozone.
- ♦ **Supporting investments in research and innovation, while also ensuring greater consistency and better synergies between EU programmes and national initiatives, with a specific view to the impact and the tangible results of the funded projects.** It is indeed paramount to support European capabilities in cutting-edge technologies, promote consistency between the various EU programmes, and align EU policies with funding programmes, facilitating the implementation of transformative industrial projects. In addition to promoting greater industry participation in European programmes, it is necessary to structure the programmes, in particular Horizon Europe, in a more flexible way, so as to strengthen European development plans, including the Industrial Plan for the Green Deal.
- ♦ **Pursuing greater autonomy and contributing to a stronger European position in the production and supply of healthcare goods and services.** To this end, it will be crucial to foster strategic procurement and enhance the role of the industrial structure.

KEY MESSAGES

Better laws supporting enterprise competitiveness

- ♦ **Strengthening competitiveness checks.** In a policy context that aims to boost European competitiveness, rather than merely preventing its decline, it is essential to strengthen the role of competitiveness checks.
- ♦ **Reforming the use of Delegated Acts and promoting transparency in the commissioning of impact assessments.** The use of Delegated Acts (under Article 290 TFEU) is a fundamental aspect of the modern European law-making process. However, in order to preserve the integrity of a democratic and transparent legislative process, it is essential for lawmakers to avoid extensive recourse to such acts. The European Commission should also pay particular attention to promoting transparency in the procedures and criteria adopted to entrust impact assessments to external organisations.
- ♦ **Ensuring greater harmonisation in the context of the European industrial permitting.** Greater harmonisation and consistency in industrial licensing rules is essential to step up the efficiency of the regulatory system while also creating an environment that promotes enterprise competitiveness.