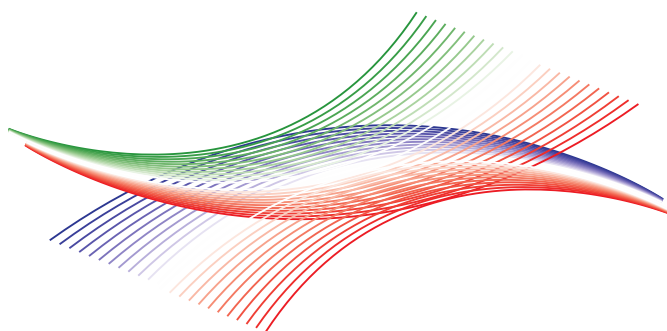




CONFINDUSTRIA - MEDEF

With the participation of FEBAF

JOINT DECLARATION



Rome, 25th – 26th January 2018



Medef, Confindustria and Febaf have brought together in Rome this 25 and 26 January 2018 fifty French and Italian company directors/business leaders in the industry and services sectors, for the first annual French-Italian Economic Forum.

Together, we wish to recall that our future is more than ever in Europe: a stronger Union with an integrated euro zone, capable of holding its own in the world and of offering each citizen a job and the prospect of social progress.

France and Italy have a particular responsibility to rally Europe in an uncertain and dangerous world. Because it is their historic vocation and because they are at the heart of Europe's major challenges, our two countries must together drive forward a project and an ambition for our continent.

Our relationship is natural and deep-rooted. Our economies are intertwined. Today, our societies must respond to the expectations of their citizens, who have the same questions regarding their jobs, the development of our regions, the sustainability of our social model, the future for their children. For French and Italian companies, the response lies in our capacity to adapt our nations to the demands of an open world, where the issues of digitalization, climate change, or demography, are forcing strong changes in our society. Only in this way will France and Italy be able to both create new jobs and reduce levels of debt.

This is why our two countries must both commit to making the other a partner in its own transformation. Our relationship implies positive action to make a success of the reforms undertaken, to truly strengthen solidarity, multiply solidarity and thus favour economic convergence within a Europe based on prosperity and on protection of the citizens and its strategic interest.

We are convinced that this partnership must build on cooperation that already exists on innovation and industry, and on more targeted actions in the field of education and research. Our industrial cooperation must be a self-evident fact. Investments in both directions must be developed in three priority areas: the strategic sectors, as defined notably at the Lyon summit in September (naval, space, armaments, micro- and nano-electronics); digital and start-ups; cooperation and alliances between SMEs and intermediate-sized companies to strengthen our industries and their vitality both in terms of exports and investment and support innovation. Our common strength in the creative industries – lifestyle, luxury goods, tourism, arts, culture – give us an advantage on the global level on which we must capitalize together.

The Franco-Italian level of ambition was fixed at a very high level on the 11 January in Rome by Presidents Macron and Gentiloni, with the Quirinal Treaty, expected to structure our relationship in complementarity with the Franco-German and Italian-German relationship. We share this ambition and declare our solemn wish that the Franco-Italian reflex be ever more clear, that innovation and industry be at the heart of this treaty, and

that new forms of cooperation with appropriate instruments allow us to rise to the first rank of global competition.

By strengthening each other, Italy and France will also strengthen the euro zone and the Union itself, and contribute to making 2018 a useful year for our two countries and for Europe. The important initiative that has brought us together today shows that the business community is committed to the success of this common project. A permanent and trust-based dialogue in the form of an annual Economic Forum between company leaders and with the support of the authorities of both countries was necessary. We will continue to pursue this dialogue, next year in France.

*"We started repairing our roof. (...)
So, let's throw off the bowlines.
Sail away from the harbour.
And catch the trade wind in our sails."*

(President Jean-Claude Juncker, State of the Union Address 2017)

The European dimension, and the commitment to the construction of the European Project, have always been a key part of the Partnership between France and Italy.

As founding members of the European Project, the two countries contributed to milestones of the European integration process, sharing the same vision and defending the ambition of an increasingly cohesive and competitive Union.

In a renewed climate of bilateral convergence between the two countries, also in light of the upcoming signing of the "Quirinal Treaty" between our countries, Medef and Confindustria strongly believe in the propulsive role of entrepreneurs and enterprises from industry, service and commerce as a fundamental engine for the revival of the European project, respecting the rules established by the Treaties.

According to the definition of the President Macron - with which we agree - Europe represents *"our history, our identity, our horizon, what protects us and gives us a future"*, but we must not take the risk of considering the gains obtained for granted.

We also agree that "After years of crisis a new hope for the European Union arises" as President Gentiloni underlines " we have the necessary resources to avoid the decline of our continent and to promote a sustainable and fair development. The European model of welfare, open and free society can be a benchmark in a world surrounded by unpredictable challenges". We are beginning to see an improvement of the European economic situation. Whilst this is cause for optimism, Medef and Confindustria firmly believe that this is not the time to slow the ongoing reform processes in our countries. Our countries must furthermore move forward with renewed confidence and courage to build a stronger, fairer and safer Europe, more favourable to its citizens, especially young people.

Therefore, this is the moment to return to the core of the European project: economic cooperation.

We businesses of France and Italy firmly believe, in line with what President Macron and Premier Gentiloni declared last September, that actions can no longer be postponed.

The vision that both our countries share is based on a modern industrial system, in which SMEs - the beating heart of the economy - and European champions play their part, supported by strong banking and insurance industries.

In the future, Europe must and will work ever harder, with appropriate policies and instruments, to ensure the best conditions for our companies in a context of strong international competition.

We businesses of France and Italy are convinced that it is urgently necessary to put Europe in a position to face the great political, economic, social and environmental challenges of our time in the best possible way.

In this regard, we welcome all the efforts made by the European Commission including the new industrial policy strategy, aiming at helping all our sectors to remain global leaders.

Enterprise should not be a slogan, but a “modus operandi”, a constant reference within European policies.

We agree with the words of President Juncker: *“Europe is more than just a single market. More than money, more than a currency, more than the euro. It was always about values”*.

It is essential to build on the fundamental values and the spirit that inspired the founding fathers of the European project in order to create a shared vision that can guide our democracies and institutions in the future.

French and Italian companies are ready to meet the challenge and to contribute to this renewed vision.

The following 11 recommendations are the result of the bilateral discussion that took place during this first French-Italian Economic Forum, Confindustria, Febaf, and Medef intend to intensify the dialogue with their counterparts within BusinessEurope.

Our 11 recommendations

1. ECONOMIC AND MONETARY UNION

Confindustria and MEDEF support the need to proceed rapidly with further progress in the completion of Economic and Monetary Union. Ever-present national political campaigns and changes must not impede this process. The architecture of the Eurozone proved to be fragile and incomplete and, therefore, unable to react to economic crises. The strengthening and completion of EMU will help to make the economic environment, in which our businesses operate, more stable and resilient.

Confindustria and MEDEF believe necessary to:

- to support the action of European monetary policy and to promote the creation of a macroeconomic stabilization function for the euro area in order to tackle asymmetric shocks (in the form of a European Investment Protection Scheme or a European Unemployment Reinsurance);
- to increase the democratic accountability and the transparency of the EMU governance;
- continue budgetary consolidation processes in our two countries and coordination of national economic, social and fiscal policies through the European Semester in order to reinforce the stability of the Eurozone

2. TAXATION

It is crucial to correct and modernize the current taxation rules, both at national and international level, to make the fiscal context fairer and more suited for business. Confindustria and Medef are committed to promoting measures that eliminate tax obstacles to the international development of business, while maintaining high standards to combat international tax evasion.

- Confindustria and Medef agree that it is necessary to eliminate the economic distortions that stem from harmful tax competition between States, even among EU member states, causing the erosion of the tax bases and preventing the establishment of a common level playing field.
- Traditional international taxation principles which are based on the current definition of permanent establishment do not fit the modern context anymore and need to be updated. For Confindustria and Medef there is the need to ensure

companies' competitiveness and to restore fairer taxation mechanisms between traditional business models and the Digital economy.

- It is necessary to have a coordinated answer to the current tax reforms decided by our biggest global competitors in order to ensure attractiveness and business friendly environment of our countries for both European and non-European business.

3. COMPETITIVENESS

Economic growth and competitiveness must be placed at the centre of the European project. Europe is the world leader in many sectors, particularly in advanced high added value and low carbon products and services. It is essential to strengthen, modernize, and promote a competitive, forward-looking, and innovative industrial base and to increase the attractiveness of European industrial ecosystems to stimulate investment.

The first priority must be to ensure a level playing field within Europe and between Europe and the rest of the world.

In a globalized and over-competitive world, Europe needs to support its businesses notwithstanding their size and sector and encourage **European champions** able to compete internationally.

To this end, Confindustria and MEDEF believe necessary to:

- implement in a forward looking way the measures included in the **industrial strategy for Europe** presented in September 2017,
- continue to update EU **competition rules and principles to take into** account the changes in the global scene;
- continue to adopt international accounting standards fairly reflecting the real activity of our companies;
- actively contribute to the definition of a **European framework of rules** on screening of foreign **direct investment in the EU**, balancing the need to attract investment while protecting national and European productive strategic assets;
- **support the EU trade policy agenda**, so that, in a spirit of reciprocity and mutual openness, trade negotiations currently underway can be concluded swiftly, ambitiously, and in a balanced manner, and that opportunities for growth can be created for Italian and French companies, with more employment in Europe;
- continue to work to reduce the high **energy prices** that hinder the competitiveness of our companies. At the same time, cooperation between Italy and France must be strengthened to ensure that the transition to a low-carbon economy ensures the development of competitive low carbon technologies and prevents any regressive impact on the growth of manufacturing sectors. This

could be an opportunity to allow Europe to become a world leader in investment for sustainability. Therefore, we need to achieve predictable carbon price and avoid any undue costs for sectors exposed to carbon leakage.

4. DIGITAL ECONOMY AND INDUSTRY 4.0

Digital transformation is driving the ongoing industrial revolution. Technological advances— such as big data, artificial intelligence and robotics, the *Internet of Things*, and high-performance computing – have an impact on the nature of work and society as a whole. **French and Italian industries are already actively contributing to the ongoing work of the trilateral cooperation platform on Industry 4.0, launched by Germany, Italy, and France. This initiative demonstrates the commitment of the three major European markets to join forces to support the digital transformation of their economy.**

Confindustria and MEDEF believe necessary to:

- develop digital skills in both our countries. Young people must be equipped to contribute to the development of future technologies and forms of working, and our workforces must be equipped to make the most of the digital transformation;
- continue to strengthen collaboration for the implementation of the EU plan for the **Digitization of European Industry**. This includes: support for the creation of a **European network for Digital Innovation Hubs (DIHs)**, aimed at supporting companies in accessing the skills necessary to digitize their products and services; the promotion of a strong interregional cooperation between Italian and French DIHs, to strengthen the link between industrial players based in territories with complementary productive specializations;
- rapidly advance in the approval process of the **Cyber Security package** published by the Commission on 13 September 2017, including the proposal for a "cybersecurity law", which provides for a stronger mandate for ENISA and proposes a voluntary certification system at the EU level;
- work together with our sectoral associations and European partners to identify the **relevant standards, align standardization activities**, and find ways to integrate SMEs in the field of standardization, which is increasingly shaping our digital future.

5. RESEARCH & INNOVATION

Research and innovation are key factors for job creation, economic growth and competitiveness in Europe. They are the main pillars of the renewed EU industrial policy strategy. Above all in the digital knowledge economy, massive R&I investments on a European scale are essential to enable European companies to

keep up with global competition. Public and private R&I funding plays a key role in the creation of a pro-innovation ecosystem and is fundamental to stimulate funding also for risky innovation and new technologies. Europe has excellent research results in many technological areas that directly or indirectly contribute to the development of a smart, innovative and sustainable industry.

Confindustria and MEDEF consider necessary to:

- **promote more European investment in research and innovation** towards a fully knowledge-based economy;
- ensure that the future **R&I Framework Programme** maintains a **strong focus on the industrial dimension** and on major social concerns such as climate change, sustainable transport, renewable energy with an appropriate budget;
- achieve the full implementation of the European Patent, despite the departure of the UK.

6. INVESTMENTS AND INFRASTRUCTURE

Investments from inside and outside the EU, in infrastructure, energy transition and new technologies, are a prerequisite to drive industrial transformation. While overall levels of investment are gradually increasing, investments in innovation and other intangible assets remain lower compared to many competitors.

Confindustria and MEDEF consider it necessary to:

- **stimulate greater capital investments** to facilitate the adoption of promising innovations and to provide a favourable environment for dynamic SMEs to scale-up;
- encourage, in the context of the relaunch of the EU infrastructure policy, **industrial projects relevant for the development of Trans-European Transport Networks (TEN-T)** able to exploit the new technologies to make European territories and companies more competitive and create industrial and technological opportunities for the countries involved;
- develop Public-Private Partnerships to ensure financing of these infrastructures.

7. CAPITAL AND FINANCIAL MARKETS

It is necessary to find the right balance between obtaining financial stability and financing the real economy.

Confindustria and MEDEF believe it is essential to:

- ensure that financial regulation is carefully balanced to avoid that a further regulatory tightening results in a constraint of credit supply. Confindustria and MEDEF are firmly convinced that a tightening of credit supply seems unreasonable during this recovery phase in which it is necessary to preserve and stimulate the positive effects;
- **favour companies' access to financial and capital markets.** This is why it is essential to complete the Capital Markets Union. This means fostering the diversification of financing tools available to businesses. It requires supporting the capacity of investors to finance the economy by reviewing prudential requirements for institutional investors and defending appropriate decisions by the Basel Committee, especially recalibrating the Fundamental review of market risks. Likewise, it is urgent that solvency regulation fully recognizes – within its revision– the long-term nature of insurance activity in particular through a recalibration of capital charges on equity (included unlisted), infrastructure and private debt (included unrated). It's also urgent that prudential regulation for banks, currently debated, supports the financing of the economy, which means withdrawing markets risks aspects not finalized in the Basel Committee, recognizing Banking Union as a jurisdiction to allow capital and liquidity to circulate in the Eurozone, fostering infrastructures projects and green finance. National barriers to cross-border and long-term investment should be removed, including through appropriate fiscal measures. Measures must also be strengthened to encourage the capitalization of companies – and specifically SMEs - and their openness to the markets. This implies significant efforts to simplify regulation and reduce the cost of access to financial markets, especially for SMEs;
- **complete the Banking Union,** to preserve the single market for financial services. In addition to the efficient functioning of the Single Supervisory Mechanism and the Single Resolution Mechanism, it is essential to create a European system of risk reduction and sharing in order to protect deposits, without making any changes to the prudential treatment of sovereign exposures;
- the proposal to create a European Financial Transaction Tax should be abandoned, considering its potential negative impacts on access to finance and investments;
- reduce, within a reasonable timeframe and at sustainable levels, the stock of **non-performing loans** that weighs on the balance sheets of various banks. However, it is necessary to critically evaluate the introduction of additional measures that limit banks' ability to grant loans.

8. EDUCATION AND SKILLS

To increase the long-term economic growth of our countries, we need effective education and training systems. The way we progress on education impacts on

Europe's global competitive position. Our capacity to maintain high levels of social well-being in the future relies on our capacity to increase productivity today.

In order to do this, Confindustria and MEDEF consider necessary to:

- invest more in **education, apprenticeship and training to prepare highly qualified new generations** and orientate workers through life-long learning towards the skills and professional profiles needed for the fourth industrial revolution;
- promote **increased involvement** of companies in the elaboration of education programmes taking into account vocational **training** and the need of entrepreneurship spirit;
- increase the educational offer and the number of students in **tertiary vocational education**;
- further foster the **international mobility** of students and apprentices, through the enhancement and strengthening of the Erasmus Program.

9. DEFENCE

Italy and France already collaborate within NATO. Our defence industry is a model for the development of the most advanced capabilities in the world. French and Italian troops are active in various peace operations.

Defence is high on the European institutions' agendas. Italy and France share a **common interest in the development of a European defence industrial policy**, favourable to the emergence of European champions able to compete internationally.

A European Defence Industry can also bring **positive spill-over effects in other sectors** in which Italian and French companies are very active, including space, security, cybersecurity and, more generally, in the areas in which research and innovation are key components.

Confindustria and MEDEF strongly support:

- **greater industrial cooperation in the areas of defence and security**. Taking advantage of the opportunities that the **European Defence Fund** will create for companies of all sizes will generate industrial synergies and increase competitiveness in a strategic sector for European interests and source of great innovations.

10. AFRICA

Italy and France share geographical, demographic and geopolitical reasons to strengthen their relations with Africa. This can be done through three main strategies: contribution to development policy dialogue, business development

cooperation, dialogue and investment in post crisis countries, **for the political stabilization** and security of the continent.

Italy and France must play a **leading role** by proposing their strategies in the framework of the EU-Africa partnership, renewed at the end of November 2017 at the Abidjan summit, and which will be one of the most important areas in the post-Cotonou international agreement, whose negotiations will open later this year.

Confindustria and MEDEF intend to:

- jointly operate for the **development of a strategic partnership with Africa** that includes the European objectives and that involves the **private sector** in supporting new investments, with the aim of increasing the competitiveness of the enterprises and the innovation of the infrastructures, contributing at the same time to the creation of jobs across the African continent and in Europe;
- promote and take part in the **European plan for external investments** by supporting the joint participation of companies in projects, to be financed by the **European Sustainable Development Fund**, which can serve as a driving force for the development of African countries, supporting inclusive and sustainable growth in an attitude of industrial partnership.

11. EU BUDGET

The EU budget is the appropriate instrument to promote, through diverse funding streams, cohesion between Member States, to foster structural economic changes and finance European common goods. Above all, it is key for implementing policies boosting job creation, growth and competitiveness.

The budget will be threatened by the departure of the UK. It is essential that this fact does not negatively impact the funding available for investment and innovation.

The architecture of the next Multiannual Financial Framework must take into account the new vision and challenges and support the relevant actions.

Confindustria and MEDEF are strongly convinced of the need to:

- **significantly increase the resources allocated to the R&I Framework program;**
- **adapt cohesion policy** to strengthen the competitiveness of companies, and further develop infrastructures to connect European cities (suburbs and centres) and territorial grids for a more inclusive Europe;
- **drastically simplify administrative processes for companies applying for structural funds**
- **focus on projects of real European added value** and that improve the EU's competitiveness in order to boost long-term growth

Rome, January 25th 2018

On the behalf of CONFINDUSTRIA

The President Vincenzo BOCCIA

On the behalf of MEDEF

The President Pierre GATTAZ

On the behalf of FeBAF

The President Luigi ABETE
