



# 1° TRILATERAL BUSINESS FORUM

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Rome, 4 December 2019

Joint Declaration



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**Shaping a strong sustainable Europe, providing answers to the issues at stake,  
standing up for our values:  
the proposals of the French, German and Italian business**

On the occasion of the first Trilateral Business Forum, BDI, Confindustria and MEDEF call on the German, Italian and French governments to implement structural measures essential to restore competitiveness of our businesses and to make our economies much more dynamic. They also call on the European institutions to take strong action to promote a European model that can fulfil a dual ambition: strengthen the Union's sovereignty and competitiveness to make the EU a global player and ensure growth, jobs, and the well-being as well as the shared prosperity of its citizens.

### **KEY MESSAGES**

**1. Europe must realize massive investments in inclusive, sustainable and competitive growth in the coming decade.**

National public investment and the promotion of private investment by appropriate tax and incentive schemes is only the first step. The European institutions should agree on a next MFF strongly oriented towards growth and competitiveness.

**2. Financing the green economy across Europe will imply additional investments in a broad range of sectors of 250-300 billion euro per year and will require a very thorough policy on climate change mitigation and sustainable financing.**

While the MFF will certainly play an important role in meeting these objectives, much more comprehensive national investment promotion programmes are needed. We urge our governments and the EU institutions to finance their ambitious objectives with strong programmes that allow European companies to grow and prosper.

**3. Achieving European digital leadership will request bold initiatives that create a European data ecosystem based on access to data, a sound infrastructure and the promotion of new technologies such as artificial intelligence.**

Concrete measures should be rapidly discussed to enable companies to be less dependent on non-European technologies and to rebalance the ability of businesses and citizens to choose alternative European solutions.

**4. The European Union must better exploit the great strength of the single market and clearly define a European industrial policy tackling the promotion of key enabling technologies in strategic value chains.**

The European Commission should revitalize our competition policy to be able to compete on the international stage with their American and Chinese competitors.

**5. The EU must strongly promote open and fair international trade and investments and defend its interests vigorously in trade and investment conflicts.**



The EU should make a more assertive use of its trade policy to counter unilateral trade-distortive measures of its main trading partners, notably the US and China.

The tide of history is accelerating. Europe faces disruptive developments: new powers are emerging; an unprecedented trade conflict is depressing trade and economic growth; the digital and low-carbon economy transitions offer both challenges and opportunities. These external pressures create growing defiance among those European citizens who feel they did not benefit from globalization. It also derives from difficult economic situations in some EU Member States marked by inequalities and regional development disparities. They also create strong expectations from civil society and youth for a more sustainable future.

As stated in the July 2019 B7-L7 declaration, BDI, Confindustria and MEDEF believe that the global economy cannot be inclusive and sustainable if many are or feel excluded from equal opportunities and the benefits of growth. They also endorse the priorities for the new EU cycle "Prosperity, People, Planet" adopted within BusinessEurope, our common European organisation, and fully share the need to deliver a European Union that will create prosperity for Europe and its people, while also managing the transition to a sustainable future to protect our planet.

The answer to those concerns must of course be political, but the solution will also come from our businesses and their capacity to create and develop sustainable activities through research and innovation and employment: we have a role to play in enabling the social ladder and in integrating especially young generations in the labour market.

**We ask our governments to implement structural measures essential to restore competitiveness of our businesses and to make our economies much more dynamic:** reduce taxation hampering our businesses, streamline public administrative spending on local and national level, reform our education system to match with labour market needs, foster investments, and trim obstacles to SME development.

**We ask the EU institutions to take strong action to promote a European model that can fulfil a dual ambition: strengthen the Union's sovereignty and competitiveness to make the EU a global player and ensure growth, jobs, and the well-being as well as the shared prosperity of its citizens. Business associations are key actors in the EU policy-making and should be strongly involved in this process, both at European and national level.**

Therefore, we propose:

### **1. Realize massive investments for strengthening Europe's growth and competitiveness**

The EU is not fit for the future. We fall short on investment in inclusive, sustainable and competitive growth by a range of 300-400 billion euro per year, or 10-15 per cent of all EU investment every year. The shortfall is both public and private and particularly hits less-developed regions, increasing disparities among citizens, territories and enterprises. This must end. The European Union must pursue a policy

of strengthening public and private investment, both at the national and the Union levels. This is key to raise its growth potential, to deliver on green and inclusive growth and to meet the competitive challenge with third countries.

- **National public investment and the promotion of private investment by appropriate tax and incentive schemes is only the first step.** Meeting the national three per cent target for spending on research and development will require additional investment of more than 100 billion euro a year. Delivering on the emerging EU climate mitigation commitments will require large additional investment of some 250-300 billion euro a year.
- **The EU must soon adopt a clear-cut industrial policy with a strong focus on developing strategic value chains and new key emerging technologies.** This will certainly require much higher funding from official sources and incentives to private investment in the range of a double-digit billion euro amount a year. A strong increase in public investment in green infrastructure, R&D, innovation, skills and education is a prerequisite for commercially viable investments of the private sector.
- **The European institutions should agree on a next MFF – including InvestEU as successor programme to the European Fund for Strategic Investments as well as the cohesion policy as key investment policy to reduce disparities among regions and enterprises – strongly oriented towards growth and competitiveness.** High levels of funding should go to infrastructure, industry, research and development, innovation and the digital economy. The Horizon Europe programme for R&I should receive no less than 120 billion euro. In addition:
  - Member States should budget for and develop **new joint funding schemes for specific purposes** such as large technology projects for certain strategic value-chains that entail mission characteristics and for a range of Important Projects of Common European Interest. The recommendations proposed in the final report of the Strategic Forum for IPCEI represent a valuable contribution and should be taken into account.
  - **Project financing through dedicated SPVs** that are able to mobilize capital markets which could potentially be co-funded by the EIB, the EU

budget and Member States would represent a possible way for delivering on those objectives too.

- A modern investments-oriented economic policy should be complemented with a **coherent budgetary policy interpreting fiscal rules with the required flexibility** in order to ensure growth-friendly economies and support Member States efforts.
- **Transformation of the economic production model requires an unprecedented R&D effort, innovation, infrastructures which needs to be financed by equity or long-term financing.** Therefore:
- the EU must review and adapt the regulatory, prudential and accounting framework for long term and equity investment, in order to avoid any penalization of long term and equity financing, in particular under the Basel III reform. It would also be necessary to study the possibility of accounting treatments other than fair value measurement for long-term investment portfolios in shares and similar instruments.
  - at the same time, the implementation of Basel III at the EU level should be proportionate, ensuring the right balance between increasing financial stability and supporting companies' access to finance. The new regulation should avoid that future changes to capital requirements put EU companies at a competitive disadvantage.

## 2. Strongly financing the green economy

Reaching climate neutrality by around mid-century, as the IPCC Special Report and the European Commission's 2050 climate strategy consider is necessary to limit average global temperature increases to 1.5°C, will require a hike in aggregate investment by some 250-300 billion euro a year in the EU27 and coordinated, stable and long-term regulatory framework. Large green investment is needed in energy efficiency in the building sector, in public and private transportation – new power units, new fuels, new services – and in the power and industrial sectors. At the same time, it will also be necessary that the new financial regulation would be balanced, fostering the transition towards a sustainable economy.

- The discussion of new, even more ambitious targets must carefully be conducted with regard to the enormous investment needs. **Putting climate neutrality until 2050 into law and changing the CO2-reduction target for 2030 from 40 to at least 50 percent should be preceded by a profound impact assessment and a concrete and coordinated action plan in the framework of the Green Deal to ensure financial, economic, technical and social feasibility.**
- Decarbonising energy-intensive industries will put very high demands on investments promotion too. In this respect, the Sustainable Investment Plan and other instruments such as the new Innovation Fund and the Just transition



Fund will play a central role. Nevertheless, the investment requirement is clearly larger than one trillion euro suggested by the Commission president for the Green New Deal over a period of ten years. **We urge our governments and the EU institutions to finance their ambitious objectives with strong programmes that allow European companies to grow and prosper, even if mitigation policies in other jurisdictions do not follow the same strong path and adequate protection of carbon-leakage stays necessary.** In this perspective the new regulations on financial taxonomy must guarantee the use of green finance also to support investments in the energy transition and decarbonisation of industrial sectors. The EU must ensure an internationally level playing field and address trade-related questions by assessing the feasibility of a wide range of tools such as climate clauses in trade agreements, requirements on goods imported in the EU, carbon leakage

mechanism and carbon border adjustment without preconceived results of such an assessment.

- **While the MFF, including the cohesion policy and InvestEU, will certainly play an important role in meeting these objectives, much more comprehensive national investment promotion programmes are needed.**
- Decarbonising industries or inventing still unknown technologies for climate mitigation will efficiently be done only if strong and long-term EU programmes support this centennial task.

### 3. Achieving a European Digital Leadership

The digital transformation represents an exceptional opportunity for European economy and society. We strongly believe that Europe has a number of assets to be used to strengthen its digital sovereignty and to ensure its digital independency.

Data are becoming one of the most strategic "raw materials" for the competitiveness of industries, the development of new products, services and business models. Therefore, Europe needs to create an ecosystem that guarantees availability especially of public data and control over them as the ability to access and use data will determine the leadership in the digital economy. In this respect:

- **Fair competition in the access to data should be strengthened and special attention should be paid to help SMEs and more traditional sectors to become active players in the new data driven economy.**
- **A competitive cloud economy based on the principles of interoperability, portability of data and trust should be actively supported, also envisaging a secure and trustworthy European data infrastructure able to compete with international players.**
- **Concrete measures should be rapidly discussed to enable companies to be less dependent on non-European technologies and to rebalance the**

**ability of businesses and citizens to choose alternative European solutions, such as:**

- Adapt the competition law to the new digital paradigm, in particular by redefining the concept of relevant market and taking into account the value of the data.
- Identify the providers / structural platforms that take excessive advantage of the network effect, preventing innovators from gaining market share and blocking the market for newcomers.
- Adopt measures supporting a "level playing field" approach for digital players, especially in the area of taxation.
- Foster "sand boxes" schemes and client / sectorial oriented dedicated solutions.

In addition to these specific measures, it is key to support agreements between EU and third countries in the Cloud sector aimed at providing relevant protection for EU companies' sensitive data.

Our governments should continue to put digital infrastructure at the top of their agenda to ensure the connectivity of all companies, including SMEs. **The fifth-generation mobile communications system 5G is a key pillar; Europe should lead also in providing this strategic technology.**

Digital economy needs to be based on top quality, stable, secure and robust infrastructure. **Investments in High Performance Computing (HPC), quantum computing, artificial intelligence and blockchain technologies will be necessary to perform complex calculations at high speeds, to process, analyse and protect data.** The semiconductor sector is intrinsically linked to these technologies and should be strongly supported.

**Europe must continue encouraging the work done by the Digital Innovation Hubs (DIHs) and strengthening their role through the Digital Europe Programme:** a strong European network of DIHs can help every company, small or large, high-tech or not, to grasp the digital opportunities. We also need to ensure that all the member States develop essential capacities to secure their digital assets, infrastructures, industries, societies and the whole digital economy, supporting cybersecurity industries through investments in R&D and skills.

#### **4. Exploiting the potential of the Single Market and defining an ambitious EU industrial policy strategy**

The single market is the home market of our companies and the economic foundation for Europe's prosperity and influence in the world. Only if our economies are strong, resilient and competitive we can defend and promote our values in an increasingly difficult global environment and face our competitors on an equal footing.



Europe's future economic strength will depend internally on our companies' ability to exploit the potential of a fully functioning Single Market to develop innovative solutions to the great challenges of our time, climate change and digitalisation.

The persisting fragmentation in the single market – from digital, energy and services to banking and capital – undermines scale-up and growth, hampers cross-border business activity and wastes resources that are needed for financing research and innovation. Realizing the Digital Single Market and the Energy Union, fostering progress on the completion of the Banking Union, creating a full Capital Markets Union is crucial to allow European businesses gaining competitive advantages.

- **It is thus imperative that future EU legislation lead not to more red tape but be smart, evidence-based, future-proof and innovation-friendly. More importantly, it is time for the co-legislators to focus on the equal**

**implementation and enforcement of the existing EU acquis in every single Member State rather than on the elaboration of new legislation.**

- It is also time for the European Union to fully grasp the attractiveness of its Single Market on the international stage and play to its strengths: this is not merely a matter of gaining a global competitive edge, but of protecting our very economic sovereignty. **To this end, the European Commission must put forward an ambitious, future-proof EU industrial strategy, harnessing the Union's know-how towards the development of a limited set of key enabling technologies and structured around essential concepts such as sustainability.**
- **Gaining the global competitive edge will require a notion of sustainability that smartly combines ecological, societal and economic goals. This concept should also be the basis of the EU's industrial strategy.** It should aim at creating a level playing field at both global and European level and promote the development and application of emerging technologies in Europe. This includes completing the single market in all areas, aligning the EU's budget towards growth and increasing investments into trans-European transport, energy and digital infrastructure, building an ecosystem for artificial intelligence and pursuing an ambitious trade and foreign economic policy that upholds a rules-based international trade regime. Collaborations among regions and enterprises should be enhanced also using in an effective manner the EU regional cooperation programmes and macro-regions strategies.
- **Moreover, such an industrial strategy will have to be accompanied by a revitalization of our competition policy – to avoid dominant information providers, price manipulation and distortion to competition in the internal market as far as an essential prerequisite if Europe's technological powerhouses of tomorrow are to be able to compete on the international stage with their American and Chinese competitors.**

We should upgrade EU competition rules, in particular those regarding mergers and state aid, to make European companies able to continue



competing worldwide. With specific reference to mergers, it appears important: developing a relevant market definition in a worldwide and long-term perspective; enhancing the dialogue within the Commission among the relevant DGs involved from time to time and the assessments by DG Competition if foreign acquirers are state-owned enterprises. With specific reference to state aid, the related framework should also be reviewed to support industrial policy, ensure a level playing field with third countries, while preserving fair competition in the single market.

## 5. Promoting open and fair international trade and investments

Free and rules-based world trade is under pressure. Protectionism is spreading world-wide, trade and investment are becoming more and more restricted. However, technological progress can only be translated into social and ecological progress under free and fair trade and investment. Refraining from free trade thus affects far

more than just our economic strength. It jeopardizes the opportunities for inclusive and sustainable development. In this context, we urge the Commission to:

- **Make a more assertive use of the EU's trade policy to counter unilateral trade-distortive measures of its main trading partners, notably the US and China.** The EU must ensure market access for European goods, services, and public procurement, as well as push its partners to respect the level playing field.

Regarding competitors from third countries, the Commission should, for example, develop a more effective and stricter framework for industrial subsidies and state-owned enterprises in the European market and modernize EU competition rules to make European companies able to continue competing worldwide. To this end, it should:

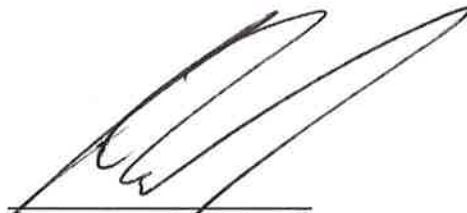
- **fully apply the Foreign Investment Screening Regulation both to balance the attraction of foreign investments with the trade defence instruments for European strategic assets and to support the adoption of European standards from the other trading partners.**

Moreover, the Commission should use in a more coherent manner its different policies – industrial, competition, energy, trade, etc.

- **Tackle the extraterritoriality issue that closes foreign markets to European companies.** It creates uncertainties, generates additional costs, reduces companies' autonomy in the world, and affects their ability to engage or to disengage from foreign partners.

**We therefore encourage the modernization of EU's tools such as the EU Regulation of 1996, the reinforcement of the international role of the euro and the establishment of a level playing field with our foreign counterparts to reduce the negative impact of extraterritoriality on companies and to preserve the freedom of trade.**

- **Pursue trade liberalization by concluding new bilateral agreements and by making sure those deals are effectively implemented and respected by our partners.** The EU's trade agreements are important to ensure that European companies, notably SMEs, have access to third countries' markets. It is also crucial to guarantee the European companies' pole position in certain markets where the competition has become a challenge.
- We welcome the Commission's recent efforts to enhance its implementation capacity. The establishment of a "Chief Enforcement Officer" in 2020 could serve as a valuable tool.
- **Engage all the necessary efforts to support the multilateral trading system, which remains a priority for businesses.**  
The EU must be at the forefront of the WTO's reform and urgently find a solution to the current stalemate regarding the WTO's Appellate Body, without which the Organization will be paralysed from mid-December 2019 and to pursue the necessary overall reform of the WTO by gathering consensus in view of the WTO MC12 that will take place in June 2020 in Kazakhstan.

  
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