



**8TH BUSINESS FORUM BDI – CONFINDUSTRIA
GERMAN-ITALIAN INDUSTRY PRIORITIES
FOR THE FUTURE OF THE EU**

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The vision for the future of Europe

***A contribution from BDI
and Confindustria***

Preamble

The European Union is facing unprecedented challenges.

Internally, the EU integration project is going through a profound identity crisis and the EU's architecture is being put to test by the withdrawal of the United Kingdom. Populist and nationalist parties, exploiting the EU migration crisis and the widespread climate of mistrust and insecurity, are gaining in polls and elections. Their promises, if implemented, would endanger the basic values of the EU, the four fundamental freedoms on which the European Union is based, the resilience of the Single Market and the very existence of the euro area.

Externally, the established order is threatened by China's pervasive approach in global markets, Russia's new geostrategic role and US international policies on trade, investment and other issue areas. Moreover, a digitised world in which data represents a strategic asset, leads to new developments like artificial intelligence and creates new challenges in cybersecurity. It also changes political scenarios.

We cannot afford to keep the same policies, habits and procedures. We need to work to strengthen the European Union and create a united and sovereign Europe, while safeguarding the principles of security and justice. European sovereignty, as President Jean-Claude Juncker rightly said in his State of the Union, "*can never be to the detriment of others*". Instead, it should be a way by which European countries find means to defend their common values, interests, and policies to adapt their democratic and social model to ever changing internal and external social and political circumstances

The European Union is not perfect and there is still much to be done, nonetheless it remains the best system to guarantee peace and prosperity and to compete in the globalised market. We need to find common answers to common problems, starting from what has been achieved so far and learning from our shortcomings.

Now more than ever, the EU needs to come up with new solutions in areas where it can deliver concrete benefits and where EU action provides for clear added value, so that citizens can recognize their individual instances and find effective responses to their practical problems and concerns.

For a strong, united and sovereign Europe there is the need to readdress and shore up the EU integration process, strengthening not only the Eurozone, but also the Schengen Area, while focusing on deepening the Single Market. This is the only way to alleviate the risk of moving in the opposite direction - towards the disintegration of the Union.

This process requires at times a radical change in the paradigm of policy designs and implementation. The starting point should be the real economic effects that the policy maker intends to produce and, only instrumental to this, the retrieval and allocation of the necessary financial resources. EU policies should be prioritized by considering their impact on medium-term growth potential which needs to be supported by appropriate macroeconomic policies and strengthened by well-designed structural reforms. While macroeconomic policies have been improving until recently, structural reforms have been undertaken at great lengths only in few number of countries. Italy certainly went through a period of substantial reforms, which has to continue and to be relaunched; while Germany did not undertake substantial reforms for quite a number of years.

Restoring a focus on growth and on relaunch of investments, can be achieved only by further consolidating the four pillars on which the European framework is built: economic growth, social and territorial cohesion, financial stability and competitiveness. In particular, economic growth and financial stability must contribute to the revamp of investments.

Reforms should be ambitious and sustainable with the explicit objectives of regaining citizen's trust, revitalizing growth and competitiveness, and responding to the ambitions of young people as well as the needs of businesses.

The first implementable step in this direction is the financing of a wide plan of investments to strengthen transnational material and immaterial infrastructures, support R&I, and promote a deeper economic and territorial cohesion, with the final aim of improving competitiveness while enhancing social inclusion. Improving the EU governance for economic and financial affairs must be part of this endeavour.

Also, the establishment of a structured framework for a common foreign and defence policy, progress on migration and asylum management, the improvement of the functioning of, and the expansion of, the Schengen Area, and the continuous harmonization of the legal and judicial framework across EU Member States are additional policy avenues that receive broad support from the business communities in our countries.

While responding to new internal and external challenges, the EU should be able to ensure a long-lasting period of peace among its member states with different historical backgrounds, fostering tolerance and promoting social development through a path of continuous strengthening of its governance, free market and social welfare.

1. Promoting jobs, growth and competitiveness

- **Orientate the EU budget on competitiveness and cohesion**

The EU must commit to the definition of a long-term strategy aiming to relaunch investment and encourage growth and competitiveness. The next Multiannual Financial Framework (MFF) is a useful tool that should be orientated to strengthen competitiveness, boosting investment and supporting the development of an attractive and sustainable environment for businesses.

The EU budget must, therefore, ensure a greater attention on the European added value, all those important policies which need to be addressed at the EU level, including security spending (on border control, migration management, defence, common foreign and security policy), and should focus its objectives and results on European competitiveness.

Innovation, research, education, active labour market policies and material and immaterial infrastructures represent strategic assets to strengthen long-term economic growth potential and ensure competitiveness and excellence, enhancing social inclusion and territorial cohesion.

EU Cohesion Policy is one of two key policies for reducing socio-economic disparities and stimulating economic convergence as well as social and territorial cohesion within the Union. For these reasons, in the context of the post 2020 MFF, cohesion policy must be considered an integral part of a European industrial strategy, with a strong territorial approach, aiming at empowering each region, and, therefore, supporting business and local competitiveness.

The Commission proposal presented in May represents a good starting point that could be amended and improved during the negotiations. The objectives should be to simplify rules and to reduce administrative burdens for beneficiaries, to enhance synergies with other funding instruments, to promote the role of large as well as small and medium-sized companies and to stress the added value of economic and social partners.

It will be important to strengthen the cooperation based on complementary specialization strategies among European regions, in order to reinforce, in a bottom-up process, the objectives of a common European industrial policy and improve the effectiveness of cohesion policy from the beneficiaries' point of view.

A stronger integration of those policies with the overall thrust of country-specific recommendations as well as with policy framework conditions, which shall replace ex-ante conditionality, are well warranted where there is a clear link to cohesion policy objectives and should help to align overall EU policies towards growth and investment. It should be avoided that objectives beyond the scope of the policy could influence its functioning and its beneficial impact on final beneficiaries. Clearly, policy recommendations for countries cannot be as detailed as to prescribe regional strategies, though. A better alignment of regional strategies with broader national funding allocations are useful in any case.

- **Complete the Single Market and launch a comprehensive and long-term EU industrial policy strategy**

The single market represents a strategic asset for the EU and its member states but it requires constant maintenance and improvements. Inconsistencies, fragmentation, barriers, bureaucracy and competitive distortions still remain, creating frustration of, and mistrust among, consumers and firms.

In sectors such as energy, services, capital and digital, the single market is still in an early stage. Yet the multiplier effect resulting from its completion would be particularly significant. The single transport market remains incomplete and vulnerable to external shocks. The challenge for the single transport market is threefold: to avoid restricting

freedom of movement within the EU, to avoid unfair competitive practices and to create the necessary conditions to strengthen growth and jobs. The creation of a single market for services is a constantly evolving process, which has not yet developed its full potential. There are still numerous obstacles, particularly in the area of regulated professions. Some harmonized sectors such as agri-food are subject to constant threats of economic nationalism, through a proliferation of national rules or standards which call into question the European ones. Many counterfeit products - whose origin is often known - enter the internal market because of an ineffective control system in some member states. In order to put competitiveness at the core of the EU policy agenda, restore trust and create job and growth opportunities more must be done to complete the internal market and develop its potential, to reaffirm the importance of harmonised rules and to consolidate market surveillance, in order to protect and relaunch the idea of the internal market itself and to safeguard its consumers and firms. In this context, the completion of the internal market must be achieved through a broad harmonization of the regulatory framework, inspired by principles of better regulation to create a level playing field for European companies and put them in a position to operate with simple, clear and uniform rules.

Industry and related services play a central role for the European economy and act as key driver for growth, employment and innovation. However, EU industry is confronted with major challenges: digital transformation, transition to a low-carbon economy, increasing global competition just to name some of them. Action is required to strengthen Europe's autonomy on key technologies, make European industrial actors a key part of their international value chains, set up trade and competition policy tools capable of defending its industrial interest and ensuring a fair level playing field on the international level.

A comprehensive, ambitious, long-term EU industrial policy strategy which shall be implemented and synchronized with energy, climate change, environment and other relevant policies is highly needed and should, therefore, become the main priority for the next EU institutional cycle. The renewed EU industrial strategy should include effective measures to foster a competitive, innovative and sustainable industrial base, support industry's ability to adapt to change, seize the opportunities linked to digital transformation, foster global competition enhancing the attractiveness of Europe's industrial ecosystems. In this perspective, the next Multiannual Financial Framework should play a crucial role in supporting the ongoing industrial transformation by increasing investments in future-oriented, innovative growth-areas as well as research programmes and instruments to strengthen the European industrial base. Strong value chains deriving from the connection of companies of different sizes are increasingly important for the European economy. Important Projects of Common European Interest can be a useful tool for identifying and promoting global value chains of particular interest to European industry and for launching projects aimed at connecting R&D results to a new industrial development. In this sense, the identification and prioritisation of emerging/existing strategic value chains and the launch of new IPCEIs should be seen as central elements of the EU industrial policy. Obstacles and bottlenecks that impede IPCEI to deploy its full potential must be removed, procedures should be simplified and timing shortened. IPCEI should operate in strong synergy with the actions supported through the EU R&I framework program not only to avoid possible overlapping but also to combine the different available financing approaches, using Horizon to finance R&I activities and the IPCEI to finance the first industrial deployment.

A clear and transparent governance structure to design, implement and enforce industrial policy should lead to an improved mainstreaming of competitiveness across all policy areas, preventing potential negative effects of EU legislation. A set of appropriate indicators to monitor the implementation of industrial policy as well as medium to long-term strategic objectives and targets with a focus on 2030 and beyond should be at the heart of a renewed governance together with stronger coordination mechanisms of policy actions at EU, national and regional level. The principles of Smart and Better Regulation need to be applied systematically and consistently to create a favourable environment, continue cutting red tape and reduce cumulative regulatory costs thereby stimulating investments and innovation.

- Strengthen the innovation and digital capacity of Europe

In order to foster European technological leadership, enhance EU's competitiveness at global level and, ultimately, sustain a successful EU industrial strategy, an ambitious research and innovation policy favouring high-quality, innovative/energy-efficient products and sustainable processes is absolutely necessary. Action should be clearly oriented to address Europe's innovation gap by turning excellent knowledge into new products, solutions and business models faster and more intensively.

The scale of public and private investment in research and innovation should be substantially increased: within the Multiannual Financial Framework 2021-2027 R&I should be considered as an essential priority allocating EUR 160 billion to the future programme Horizon Europe. It is essential to foresee a wide range of funding schemes underpinning a broad concept of innovation and offering support to all innovative businesses. Support R&D&I projects focussing on strategic drivers, prioritise Key Enabling Technologies, continue funding pre-competitive collaborative research through PPPs and Joint Technology Initiatives should represent key priorities in the future EU R&I political agenda.

Small and Medium-size Enterprises are key players of the European innovation ecosystem and should be provided with the adequate support to develop highly innovative projects and foster business development. Simpler rules and dedicated financing instruments to allow for a greater participation of SMEs to calls for projects should be foreseen. Complementarities and synergies with EU funding programmes - Horizon Europe, InvestEU, Regional Development and Cohesion Funds, Digital Europe Programme, Defence Fund, Space Programme – should be fully exploited so that funding is streamlined and coordinated, providing a significant stimulus to innovation. In parallel, it is important to ensure a stronger coordination among the different relevant levels, European, national, regional, local, better structuring the dialogue between the innovation actors.

Europe should support the digital transformation of its economy starting from the traditional, robotics and manufacturing sectors in order to enhance European independence in our digital capacities and further our global competitiveness. The first digital funding Programme, Digital Europe, proposed by the European Commission, must be fully supported. This proposal aims to invest €9.2 billion in high-performance computing, cybersecurity, artificial intelligence, advanced digital skills, and deployment, best use of digital capacities and interoperability. For all these latest technologies, the European network of Digital Innovation Hubs will have to serve as access points and play a critical role in leveraging digital skills as already done at national level.

It is also a prerequisite to invest in infrastructures in order to ensure an appropriate level of connectivity through 5G and ultra-fast broadband networks. Secure 5G together with a harmonised and consistent spectrum policy will be decisive to enable the digital transformation of industries. Europe should be at the forefront in developing Artificial Intelligence (AI) industrial applications especially in those sectors where Europe already leads (eg. robotics, automotive, manufacturing, sanitary tools, space and defence technologies). It is also necessary to coordinate national responses to cyber threats, capacity building and awareness campaigns, by ensuring also adequate resources to the European Union Agency for Network and Information Security (ENISA).

The role of EU and EU member states as provider of security against cyber-threats is as compelling as ever. Europe must act against cyber-enabled economic espionage which constitutes potentially irrecoverable damage from the target's point of view, namely the manufacturing sector. The critical areas where Europe would derive the most benefits on offer should be the focus to drive digital capacity building for civil society and industry. Even experienced workers require upskilling in both general and specialised skills. This also includes allocating further funds to Vocational Education and Training (VET) and to public-private partnerships with the specific aim of improving skills for AI and cybersecurity. Europe needs also to join forces under a common industrial digital and cloud platform, to develop common standards and to promote data sharing and portability between businesses.

- Build a sustainable Europe for industry

Sustainability is one of the mega-trends that modern economies have to govern in order to be fit for this century. Mainstreaming sustainability across all sectors of the economy is a process started at international level through the adoption of the UN Sustainable Goals, with deep implications for the EU regulatory framework in the next decades.

Business is at the very heart of this process, being the key enabler of technology development and innovation promotion. In order to provide its positive contribution, the policy measures the EU will bring forward have to take into account all three dimensions of sustainability – environmental, social, economic – and put industry at the very core of them.

In this respect, the current and future development of EU energy & environment policies will be crucial to orient industrial investments and deserve special attention, with particular regards to the following macro-areas: decarbonization, circular economy, market integration.

Decarbonization: the EU climate policy is indisputably one of the most ambitious worldwide, and rightly so: Europe shall be at the forefront of technological progress and maintain its leadership when it comes to emissions' reduction. Nonetheless, the current pledges to reduce EU domestic emissions by 40% by 2030 are by far the most challenging if compared to a global scenario where the US withdrew from the Paris Agreement and China and South-East Asia will mostly keep their emissions rising up in the next decades. To decarbonize our economies in a cost-efficient way and, at the same time, reach the Paris Agreement goals, each and every sector of the economy must give its contribution, taking into account economic feasibility and the real rate of technology development. Against this background, European industry competing on international markets shall be granted a true level playing field with extra-EU competitors when it comes to direct and indirect costs of carbon pricing.

Circular economy: Europe has been the first region-wide economy to conceive a comprehensive plan to shift from a linear economic model, based on the assumptions production-use-waste, to a circular one based on the production-use-recycle paradigm. The “waste package” recently adopted by the EU is a first step in the right direction, but implementation at Member States' level will play a crucial role to grant a harmonized and uniform regulatory framework and, in the end, the integrity of the internal market. Industry is already doing a lot to improve its processes and provide greater performances by using fewer resources – be it energy or raw materials – that's why unilateral actions shall be avoided, in order not to jeopardize productions and investments prospects. An example of such an approach is the proposal to ban some plastics items from the EU market, that risks undermining the efforts of industry without tackling the real environmental problem, mainly caused by consumers' scarce awareness and misbehaviour.

Market integration: the EU energy markets are going through a deep transformation, mainly driven by technology and infrastructure developments, such as digitalization, decentralization and de-carbonization. In this respect, greater efforts in terms of governance are strongly required, through a better integration of regulatory interventions at EU and national level, a coordinated approach concerning renewable energy integration and a flexible implementation of the energy efficiency policies by the Member States. Concerning the current and forthcoming electricity and gas market reforms, a fair balance between EU and national competencies shall be granted, allowing the different Member State' specificities to be fully taken into account, especially when it comes to the definition of the energy mix. Besides, all technologies must be given a chance to contribute to decarbonize the EU energy system, though a better integration of electricity and gas markets and a renewed effort to grant consumers with lower energy prices.

- **Support Small and Medium-sized Enterprises' efforts to grow and compete**

Accounting for 98% of all businesses, 67% of the labour force and 58% of gross added value, 85% of job creation in the EU between 2002 and 2010, European SMEs play a fundamental role for the European economy. In order to support sustainable growth and tackle the challenges linked among others to digital transition, technological progress and international competition, European policy for SMEs should be strengthened and developed in close connection with the main EU forward-looking strategies, including the EU industrial strategy. The original vision of the Small Business Act (SBA) should be revived and used as a cornerstone of a future EU SME policy. Modernising the legal and administrative environment, reducing the disproportionate regulatory burdens, facilitating the access to Single Market opportunities, helping SMEs to internationalise inside and outside the EU, supporting SME efforts to innovate and digitalize, improving the access to a skilled workforce should all represent key features of this policy. It will also be important to promote an enhanced “company culture” making entrepreneurs more aware of their increasing role in society and helping them to develop a better capacity to understand and manage the huge changes that are deeply transforming the way of doing business. Enhance practical management capabilities and facilitate access to external advice and competences will equally be important to accelerate SME growth. Support access to diversified growth finance favouring alternatives to bank lending such as equity funds and venture capital, is vital to enhance SME competitiveness and development. The post-2020 Multi-annual Financial Framework of the EU should be used targeted to encourage SME competitiveness and growth. The relevant implementing measures should clearly identify, and specifically support, SMEs as a distinct category.

- **Modernise the EU competition law and State aid rules**

Competitiveness and growth must be placed at the heart of the European Union. In this regard, it is fundamental to modernize, to strengthen and to promote a competitive and innovative industrial base and to increase the attractiveness of European enterprises to stimulate investments. In order to reach this objective, it is essential to ensure a level playing field within Europe and between Europe and the rest of the world. In a globalized and competitive world, the European Union must support its enterprises, giving them the possibility to compete internationally. In this context, to take account of changes on the global scene, it is necessary, on the one hand, to update the rules and principles of EU competition law, for example by modifying and extending the state aid matching clauses, and to encourage aggregation and cooperation among companies, suitable to strengthen the national and European industrial production system.

The rethinking of the current European framework for principles and rules on competition needs to be developed together with the revision of state aid rules, which will be completed in 2020. Since financial resources cannot be dispersed, they need to be strategically focused on specific initiatives. These initiatives need to address strategic social and technological issues, such as research and innovation. Interventions in multiple sectors are required in order to generate positive externalities and horizontal effects. As such, it will be essential to rethink the framework in a way that Member States do not have the adoption of incentives with low added value as the only solution allowed by EU state aid rules. Instead, financial resources should be utilized strategically in order to meet real investment expectations in the industry.

The open and rule-based market economies like the EU are challenged by state-capitalist and autocratic states that promote their global economic interests with all means. State-owned enterprises are gaining in number and influence among the globally leading companies. Stronger rules and tools on EU and international level for more market transparency and to mitigate the competitive disadvantage of our companies compared to heavily subsidised state-owned or state-dominated companies at home and on the global market should become a key policy objective of the EU. The liberal and open economy of Europe should be guarded by strong and effective rules. State-intervention in economic decisions should be kept at a minimum.

On the other hand, the EU should be provided with harmonized instruments to screen foreign investments into Europe that pose a threat to national security or public order. Member States should coordinate such screenings more closely. Investment screenings should only be used to protect national security and the public order against non-EU investments from third countries that do not ensure adequate reciprocity. The EU and its Member States should not accelerate a spiral of international investment protectionism.

- **Invest in skilled people for more jobs and social cohesion**

Making Europe competitive, cohesive and resilient in the future means investing in people; in their education and training, their skills, their creativity, and their capacity to innovate. European development is fuelled by human capital through digital transformation and through new business models triggered by the Fourth Industrial Revolution. To reach the required human capital levels in Europe, it will be necessary to adjust the training of new generations, with particular attention to higher education, universities and to vocational paths.

The professionalization of educational paths, including those of the highest level, will help to meet the demand for digital skills that will be needed for 90% of jobs in Europe by 2025, as well as the demand for STEM skills (Science, Technology, Engineering, Mathematics), which will increase by 7% by 2025. It is necessary to guide new generations in the development of the Fourth Industrial Revolution skills, in particular digital skills. It is also necessary to ensure training for workers to keep up with new skill requirements. This requires that the EU will continue to provide better incentives for workers and firms to re- and up-skill.

Much attention must be paid to training in the workplace, namely through internships and dual system paths as a tool to bring young people and companies closer together and to guarantee a smooth transition into the labor market. The EU must strongly support national and regional governments' efforts to upgrade vocational education and training (VET) at all levels. A strong and institutional relationship between the VET system and the private sector is a necessary precondition for success. Non-university tertiary education – higher VET – will have to become a natural pathway for an increased number of young talented people in Europe, thus supporting companies in countering the paradox of skills mismatch. Europe has to strongly support Member States in developing vocational training systems by making them more attractive among young students and families, making VET a strategic tool to address the challenge of skills shortages, and support the competitiveness and innovation of European economies.

2. The future of the European Economic and Monetary Union

- Deepen the EMU and complete Banking and Capital Markets Union

The deepening of the Economic and Monetary Union (EMU) remains a priority. Despite many reforms achieved so far, the Eurozone architecture is still flawed and not fully able to flexibly react to crises. Deepening EMU would contribute to facilitate a more stable and resilient economic environment in which our enterprises operate. Over the next few months it will be crucial for political leaders to bridge differences and to find common ground on the reform of the Eurozone architecture. EMU governance has to be reformed in an inclusive way, taking into account the different needs of Member States and getting closer to the citizens, in a spirit of responsibility and solidarity.

In order to strengthen the EMU architecture, several steps are necessary. First, it is necessary to create a European stabilization instrument, complementary to domestic ones, which can support domestic demand in times of crises, in particular by protecting public and private investment and consumption, f.e. by targeted support schemes for the unemployed or vulnerable groups, against negative economic shocks affecting one or more member countries. The Commission proposal of an Investment Stabilization Fund is an important first step, but it is insufficient in terms of both size (30 billion euros) and financing scheme (borrowing and lending). A better option would be an insurance mechanism with regular contributions in normal and good economic times available for temporary, targeted, adequate disbursements of funds in bad times. Such a fund could also have a borrowing capacity.

Second, the European Stability Mechanism (ESM) should be strengthened and transformed into a European Monetary Fund (EMF). The EMF should continue to provide financial aid to member countries and provide for the common backstop for the Single Resolution Fund. It should be a very specialised institution embedded in Union law. In order to enhance accountability, EMF decisions should be publicly explained and the EMF should be subject to regular hearings of the European Parliament, similar to the ECB.

Banking Union must be properly completed. Apart from the well-established process of risk reduction a comprehensive plan for establishing a European Deposit Insurance Scheme should be laid down soon. The institutional and policy integration of banking resolution and deposit insurance at the Euro area level should be pursued as well.

Capital Markets Union should be pursued with greater vigour. In addition, the recent efforts of creating a deeper Capital Markets Union in the EU fell short of expectations in terms of both implementation of various projects and the general level of ambition in the first place. Developing Capital Markets Union must thus stay on the agenda and evolve into a more ambitious project as to promote risk absorption and sharing by financial markets in the future. Fostering the diversification of financing tools available to enterprises and eliminating any national impediment to capital mobility are key objectives in this regard.

The transfer of part of the stabilization function and of investment support to a supranational budget would imply, almost automatically, compliance with the rules of the Stability and Growth Pact and a more stringent supranational control on national budgetary policies. The Eurozone budget should serve to finance a major European investment plan, filling the gap accumulated during the crisis and to increase growth potential. Such broader functions attributed to the Eurozone would require institutional reforms. A European Minister of Economy and Finance could be set up to manage a new Eurozone budget. But one can also proceed stepwise, starting from next year, thus establishing the function of the minister as Commissioner for Economic Affairs and Vice-President of the next European Commission. In this way, the Minister would derive supranational democratic legitimacy, being accountable towards the European Parliament.

- Improve the conditions for investments and access to credit

At the same time, it would be important to improve the conditions for investments and access to finance for enterprises and SMEs. In this sense, the EU legal framework has to be coherent and find the right balance between financial stability and the financing of real economy.

In this regard, the following steps would be key:

- fully supporting the InvestEU programme in order to further mobilize private investments in Europe and to promote growth and competitiveness of enterprises;
- avoiding new legislative measures which may further limit banks' lending capacity, imposing on them excessive burdens which can restrain credit supply to firms and create uncertainty which reduces the banks' propensity to lend should be consensus, while the established path on reducing non-performing loans should be further facilitated by the quick implementation of broader framework rules, f.e. on the secondary debt market for those assets.
- concerning the Banking Package, ensuring that the proposals for the revision of the Capital Requirements Regulation, now under discussion, which aim at supporting credit supply to SMEs, are approved. In particular, the maintenance and strengthening of the SME supporting factor by raising the threshold for exposures that fall within the scope of the regulation.
- further encouraging the capitalization of companies, and SMEs in particular, and their openness to the markets, simplifying regulation and reducing the cost of access to financial markets.
- Accelerate fiscal reforms

Alongside the deepening of the EMU and the reform of the Eurozone architecture, the adjustment and modernization of the current taxation rules, both at national and international level, remains crucial in order to make the fiscal context fairer and more suited for businesses, while maintaining high standards to combat international tax evasion.

To this end, it is necessary to promote measures that eliminate tax obstacles to the international development of business and 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.

It is also important to promote strong administrative co-operation between tax authorities in the EU, in order to reduce the costs for businesses of complying with tax legislation when operating in different member states whilst fully respecting subsidiarity with regard to tax rates.

EU member states will have to be at the forefront of global efforts to ensure that the international system of corporate taxes is fit for purposes, having fully taken into account technological developments, including digitalisation, and has the confidence of businesses, citizens and governments alike.

Moreover, given the globalised and digitalized context in which businesses are operating today, there is the need for a in depth-discussion on how to change international tax rules, in order to ensure a level playing field in terms of taxation between traditional and digital business models.

3. A stronger EU on the global scene

- Strengthen the external dimension of the EU

The strengthening of the external dimension of the EU must be put at the center of the European political agenda. The EU must increasingly be able to speak with one voice in the field of common foreign and security policy, to act as a stabilizing agent at the global level and to be perceived as a reliable partner by third countries.

In response to isolationist and protectionism tendencies, which endanger the global order and pose an existential threat to the multilateral trading system, the EU should continue to push for a substantial reform of the WTO and for the development and enforcement of international rules aimed at tackling anti-competitive practices and non-market-oriented policies. Europe's modernized trade defence instruments should be employed reasonably to attain fair competition for European businesses. A modernized and effective WTO system remains the best way to create rule-based trade, to open markets, and to settle trade disputes. Non-state actors, including business, must be involved in the debate and contribute to viable solutions.

Together with major strategic partners such as the United States and Japan, the EU must build a positive agenda aimed at advancing the global trading system, international security and global economic prosperity. Instead of raising new trade barriers such as the steel and aluminium tariffs, the transatlantic partners should work towards lowering tariff and non-tariff barriers in transatlantic trade. The EU should continue to stand up against tariffs under the guise of national security. With regard to China, the EU needs to develop a strategic alliance based on sound economic principles such as the need to maintain an open, predictable, fair and transparent business environment for European and Chinese investors, and on core values such as social protection and the respect for the environment. In parallel, EU defence policy must be supported by Member States that want to strengthen cooperation in this field.

With an increasing number of free trade agreements in place, the future EU trade strategy needs to focus more on implementation and enforcement. While the EU should continue to pursue its ambitious bilateral agenda, by concluding ongoing negotiations (Mercosur, remaining ASEAN countries) and ratifying those already in place (Japan, Singapore, Vietnam), the European Commission, Member States and business associations must work together to ensure that negotiated agreements effectively bring concrete results, in particular for European SMEs.

The EU has access to several global governance fora, most importantly the G7 and G20. The G7 allows to develop in-depth solutions on a wide range of topics among like-minded countries. The G20 facilitates cooperation on the major economic challenges among the leading industrialised and emerging economies. The EU should intensify its engagement in the G7 and G20. Both fora are pivotal to multilateral cooperation and advocating for the multilateral, rules-based trading-system.

- Enhance the cooperation with third countries

Ensuring stability and prosperity in our immediate neighbourhood is a vital interest for both Italian and German industry. With heated debates around terrorism and migration, it is extremely important that EU institutions join forces with the European industry to promote private investment, spur local economic development and foster regional integration.

In recent years, the relation with countries and regions such as Russia, the Western Balkans and Turkey has been going through difficult times, but industry is convinced that cooperation in areas of common interest must prevail over confrontation, and it is eager to contribute to the ongoing political debate in order to re-establish trust and maintain trade and investment ties.

With regard to Africa and the Mediterranean countries, as this is where major part of future growth will take place, it is critical that Europe and Africa enter a new phase of unprecedented cooperation.

To strengthen the relationship with Africa and reinforce the investment climate, three main strategies should be pursued in parallel: economic diplomacy, development cooperation and political stabilization as well as security.

Instead of traditional development aid, which has proven to be inefficient, economic and industrial cooperation must be placed at the centre of relations with Africa. The growth of European companies in that continent must be stimulated both in terms of trade and in more structured internationalization strategies to create long term employment in Africa. EU manufacturing countries such as Germany and Italy can contribute to achieve this goal in a win-win perspective.

Therefore, the European Union should support the ratification of the Economic Partnership Agreements. After years of negotiations, the implementation is currently stagnating. This leads to insecurities on the investors' side. Also, several interims-EPAs had to be negotiated which actually foil regional integration efforts.

Additionally, access to energy and water, health care facilities, education and incomes should be improved to support economic development, strengthen the resilience of poor people and foster stability in Africa in order to contribute to the Sustainable Development Goals.

• Brexit

Regarding the EU-UK relation, it is crucial to avoid a “no deal scenario” that would be harmful for both parties. The business world needs legal, economic and political certainty, both in relation to the withdrawal agreement and the future relationship between the two blocks, which need to be mutually beneficial and drawn in a fair context.

The parties should focus on speeding up the negotiations to secure a withdrawal agreement that includes a “status quo like” transition period, with the UK remaining in the custom union and the single market with all appropriate rights and obligations of the EU *aquis* during the transition.

The objective of this future agreement should be to maintain closest possible economic relations between the EU and the UK, while preserving the integrity of the Single Market, ensuring regulatory alignment and avoiding duplication of standards. The parties should envisage specific instruments to ensure legislative compatibility and judicial and extrajudicial cooperation.

Moreover, the framework for future EU-UK relations must establish a new level playing field to ensure free and fair competition. The objective must be to prevent any anti-competitive practice, reduction of protection of standards in term of competition, state aid, social, environmental and fiscal regulation.

Lastly, as far as customs are concerned, it is acknowledged that the future agreement will change the current scenario. That is why a customs agreement, workable for companies and able to keep financial and administrative costs for businesses to an absolute minimum, is strongly needed. The overall objective must be reaching a “zero tariff” agreement as well as avoiding delay in the movement of goods and supply chains.