

Trilateral Business Forum

Hotel de Rome, Berlin

28 - 29 September 2023

#TrilateralForum

Strengthening competitiveness and unity in Europe

On the occasion of the fifth Trilateral Business Forum that took place in Berlin on September 28 and 29, the Presidents of BDI, Confindustria and MEDEF reaffirmed their commitment to strengthen European sovereignty and competitiveness. Building upon the insightful discussions held during the Forum, BDI, Confindustria and MEDEF jointly call for increased efforts in the following areas:

Boosting Europe's economic security

The economic fall-out of the Russian war on our three countries has been deep and complex. Economic growth suffered once again, inflation sky-rocketed initially and is slightly declining now, but employment held up well. Energy security has been guaranteed, even if at high cost. We are determined to support our governments to stay the course and not to allow Russia to undermine our political cohesion.

Key challenges to the international competitiveness of our companies have materialized and pose medium-term threats to Europe's prosperity and strategic autonomy. Inflation, high energy costs, sharp international competition on key technologies, risks for economic security and challenges deriving from the green and digital transition should be addressed comprehensively by our three governments and European institutions.

At the same time, a credible, respected, investment and growth-friendly economic governance framework is essential. Focusing on member states net primary expenditure can simplify the rules and help them to construct medium-term adjustment pathways to return to the reference values of 3 per cent of GDP for government deficits and 60 per cent for debt, provided that greater flexibility goes hand-in-hand with credible enforcement in order to ensure sustainable public finances across the EU.

Strengthening industrial policy for strategic autonomy and economic security

Strategic autonomy and Economic security of our countries need to be addressed head on. While initiative such as the Green Deal Industrial Plan, the Critical Raw Materials Act and the Net Zero Industrial Act represent first attempts to design a true European industrial policy, much more must be done. In future, the central role that industry plays for the EU economy must be fully recognized. An ambitious European industrial strategy is the main road towards sustaining living standards during the twin transition. Specific action plans and policy measures must be adopted based on appropriate risk assessments. In general, all relevant European policies need to be subject to a thorough competitiveness check.

1. Decarbonizing Europe's industry and bringing solutions to a successful green transition

In line with the EU Green Deal and the European Union's ambitions regarding carbon neutrality by 2050, we must decarbonise our industries and value chains.

The energy transition is a key factor in building the low-carbon, competitive economy of tomorrow. We need to rely on our respective strengths together, which lie in our capacities to produce a diversity of low carbon energy sources including nuclear power, renewable energies, low-carbon gases and hydrogen. To this end, BDI, Confindustria and MEDEF support a rapid and ambitious reform of the EU electricity market design. This reform must put in place efficient instruments, such as long-term contracts to develop new renewable capacity which will help to strengthen Europe's competitiveness vis-à-vis the rest of the world.

Meeting the competitive challenges to a successful green transition will require stronger financial efforts. The policy approaches entailed in the Green Deal Industry Plan, the Net-Zero Industry Act, REPower EU, the Critical Raw Materials Act and several other policy streams need to be accompanied and supported by adequate financial resources. The promotion of investments in the framework of the CHIPS Act need to be soundly implemented. In the current review of the medium-term financial framework, additional funding of strategic investments should be agreed and cuts in programmes are to be avoided.

In general, to achieve the ambitious climate neutrality targets within the timeframe set by the EU and support the required investments a huge amount of resources is necessary. Without prejudice to the fact that the revision of the rules on state aid must be carried out by guaranteeing a level playing field among the Member States and avoiding any fragmentation of the internal market, specific instruments based on common resources should be foreseen. We appreciate the increased flexibility that the proposal for a Strategic Technologies for Europe Platform (STEP) would guarantee to the existing EU funding instruments, such as the national recovery and resilience plans and cohesion funds. We look at this instrument as a way to safeguard the level playing field in the single market and as a first step towards the creation, in the next MMF, of a new and significant financial framework that would support industrial production capacity in strategic sectors.

2. Meeting the competitive challenge in technology and innovation

In a very competitive international context, it is essential today for Europe to have a strong and innovative high technology industry. This is not only a question of competitiveness but also of safeguarding the European Union's technological sovereignty in support of Europe's green and digital transitions.

Innovation policies need to be up-graded as to stay competitive with very substantial investment policies from third countries. We urge our leaders to adopt measures at national and EU level to strengthen innovation and R&D. Public support for strategic investments should be placed on a more transparent, stable and predictable framework by both member states and the EU-institutions. Systematic prior consultations of policymakers with the business community on unblocking hurdles to investment into innovation and resilience are a prerequisite.

This is all the more necessary regarding the contemplation of the next Multi-Annual Financial Framework which will have to cope with enlargement, defence and investment in a much more thorough way. Moreover, the next European Framework Programme for Research and Innovation should focus critically on pushing the twin transition and achieving Europe's strategic autonomy. Companies should be put at the driving seat of the programme, which should be much more business-oriented and targeted to boost industry participation, including both innovative and traditional SMEs for which additional dedicated and easy-to-access instruments should be foreseen.

3. Strengthening Europe's defence industry

The international security situation calls for a much more comprehensive approach to European defence. We strongly support efforts to strengthen our collective defence, improve procurement processes, and strengthen cooperation amongst European member states as well as companies. This requires further steps in terms of harmonization of military requirements, harmonization of demand, investment in R&D and appropriate funding. Therefore, member states should ensure access to funding for the defence industry through their national development banks and allow the European Investment Bank (EIB) to finance key defence activities. In addition, the EU should send a clear political message to financial market actors that security, and thus defence capability, is a prerequisite for sustainability and therefore fully in line with ESG principles.

4. Promoting international trade

Foreign economic policy must support competitiveness and autonomy more coherently. Of course, de-risking of economic relationships can only go along with diversification of trade and investment patterns. New trade and raw materials agreements of the EU with partners in Latin America, the Asia-Pacific and Africa will be critical. New opportunities and a strengthened cooperation should also be pursued with the United States in a number of fields, such as on critical raw materials and on the resolution of current trade disputes on steel and aluminium.

Enhancing competitiveness through a business-friendly regulatory framework

Corporate investment opportunities in our countries have been diminished in recent years by plenty of new burdensome regulations and administrative procedures rather than a growth-enhancing regulatory framework. In five years, the European Union has imposed 5,422 pages of additional texts and 850 new obligations on European companies. The administrative complexity keeps mounting in the European Union, making the EU investment environment less favourable compared to our global competitors and significantly increasing compliance costs for companies.

Mandatory ESG reporting for an increasing number of firms, complex rules of due diligence in value chains of activities, tighter rules on industrial emissions, the proposal on packaging and packaging waste, the regulation of chemicals, the regulation on general product safety, a minimum tax legislation and the seven large legislative packages on the digital economy are all examples of highly complex regulations straining corporates.

Global competition and technological disruptions require us to be more reactive and agile in order to respond to new market needs. To unleash private sector investment in the twin transition, we call for the establishment of a regulatory breathing space and carry-out truly deep ex-ante impact assessments on any new legislation.

This should entail a targeted reduction in multiplying reporting requirements, in particular for small and medium-sized companies, a true commitment to less but more effective regulation in the single market, an acceleration of planning and permitting procedures in particular in manufacturing, and utmost self-restraint in the pursuit of new regulatory endeavours for the current and the next EU policy cycle.

Furthermore, some useful regulations are directly hurting global competitiveness by pushing for foreign direct investment of EU-domiciled firms in third countries. In addition, reporting, compliance, planning and permitting issues are slowing down urgently needed private investments in our countries, the EU and ultimately abroad.

For the same reasons, the regulatory framework in force and *de jure condendo*, particularly in terms of sustainability, needs to be made more balanced, coherent and in line with international

best practice (for instance, reports in accordance with the European sustainability reporting standard should be compliant with global standards).

Being realistic for the next policy cycle in Europe

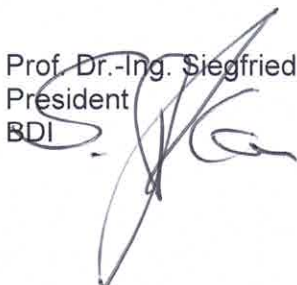
The 2024 European elections will start a new policy cycle of our institutions that will tackle the major challenges facing Europe over the next five years. BDI, Confindustria and MEDEF call upon their leaders to fully embrace the complex agenda and to strive for a leading role in the provision of European security, prosperity, and sovereignty. Our three nations and the EU have the necessary means, resources, and political capacities to strive for these objectives successfully.

Achieving these goals will require far-reaching decisions on the governance and the policies in Europe.

- In the political field, all necessary steps for deeper political integration, effective institutions and a stronger resort to majority decision-making must be pursued.
- In the economic field, a strategic approach to autonomy and security must be fully developed and implemented.
- In the green transition, European leadership and competitiveness in key clean technologies must be fostered.
- In the digital field, investment in new digital solutions, business models and technologies must be promoted.
- In international affairs, Europe must strive for strong transatlantic cooperation, work on delivering high-value trade agreements and defend its interests against market-distorting practices. Europe must involve democratic partners around the world more thoroughly in strengthening its international ties and its domestic resilience.
- Our nations and business communities should lead the debate on bringing Europe into a new level, a much more united provision of European public goods and on a proper budgeting of these tasks at the European level.

As active member federations of BusinessEurope, BDI, Confindustria and MEDEF share and support the call included in the Madrid Declaration adopted by the Council of Presidents of BusinessEurope on 1-2 June 2023 to define a comprehensive competitiveness strategy aiming at promoting a business-friendly environment that is attractive for investments in Europe, generates long-term growth and facilitates job creation and supporting the ever so-needed transition towards a greener and more digital society.

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