



7th French-Italian Economic Forum Confindustria - Medef

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Joint declaration

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Restoring Europe's competitiveness and industrial strength in a stormy world: a joint call for action

In the wake of the 7th Franco-Italian Economic Forum, the Presidents of the Mouvement des Entreprises de France (MEDEF) and Confindustria sound the alarm. Geopolitical shocks and economic fragilities have laid bare Europe's strategic dependencies. The time for declarations is over—Europe must act. MEDEF and Confindustria are ready to table concrete proposals to shape the EU's next policy agenda.

1. Making decarbonisation work: affordable energy as an industrial imperative

Europe's green transition is no longer a distant ambition: it's a critical test for our industrial competitiveness. As global rivals race ahead, the EU risks falling behind if climate ambition is not matched with economic action. Setting -90% emissions reduction targets for 2040 without sufficient and credible safeguards could trigger industrial delocalization, job losses, erode public support for the transition, and risks leading to the decline of entire industrial sectors, whereas the trajectory must remain firmly aligned with the 2050 goals.

The *Clean Industrial Deal* and the new *State aid framework* have laid out the right priorities but remain insufficient for energy intensive industries.

Short-term relief on energy prices is not optional—it's urgent.

Europe needs a bold, coordinated industrial response, anchored in technological neutrality and massive investment. Structural reforms must follow to stimulate reindustrialisation and decarbonisation. This means:

- **Scaling up access to decarbonisation tools.** European companies must benefit more quickly from instruments that cut emissions while preserving competitiveness – such as compensation for indirect costs under the EU ETS, Contracts for Difference (CfDs), Power Purchase Agreements (PPAs), Important Projects of Common European Interest (IPCEIs), EU funding, and new derisking tools like the upcoming Decarbonisation Bank or the ETS Innovation Fund. These must be better coordinated to support both investment and operating costs, and to counter aggressive industrial policies from global competitors.
- **Securing competitive, stable and predictable energy prices.** Support for electro-intensive industries exposed to global competition and risk of carbon leakage must be clarified and reinforced by extending indirect cost compensation and clarifying new CISAF measures. Beyond generation costs, all price components— network tariffs, taxation, levies, and system service remuneration — must be addressed coherently. Flexibility measures should favour viable business models without burdening consumers, unable to shift demand. **A coherent framework must reflect industrial realities and maintain a level playing field, shifting towards pragmatic and technology-neutral regulation and speeding up permitting procedures** for strategic infrastructures such as grids, hydrogen infrastructure and CO₂ transport.
- **Fully recognizing all low-carbon and renewable technologies, including nuclear, for their contribution to competitiveness, decarbonization and sovereignty.** They must be treated equally in EU frameworks, from taxonomy to State aid control and financing instruments. Nuclear technology represents an important element of cooperation between Italy and France to be further developed. As members of the European Business Nuclear Alliance, Confindustria and MEDEF support the development of a common roadmap to scale up nuclear power, including access to EU funding and support for innovation and next-generation technologies.

At the same time, Europe's carbon pricing architecture must better reflect industrial realities. Actions are needed on the following key fronts:

- **Review the EU ETS.** While it was conceived to support cost-effective decarbonisation, it has become a major and volatile cost driver for companies, misaligned with investment cycles and industrial realities. A structural review is needed to restore predictability, assess competitiveness impact, and limit price volatility - especially as ETS II deepens these concerns on companies.

- **Make CBAM a credible alternative.** As it stands, the CBAM does not offer a credible alternative to free ETS allowances. It excludes downstream products, lacks export adjustments, and has insufficient anti-circumvention safeguards. Its design must be reassessed before full entry into force in 2026. If proven effective, CBAM should be strengthened to cover CO2 emissions embedded in downstream products, prevent circumvention and resource shuffling, and protect EU exporters.
- **Maintain transitional safeguards.** Free ETS allowances must be maintained at least until 2030 for sectors at risk of carbon leakage, and beyond, if necessary, unless a prior and transparent assessment proves CBAM effectively prevents leakage without harming exports or industrial competitiveness. Indirect cost compensation must also be extended to sectors currently excluded – such as organic chemicals, cement, glass, ceramics, paper and foundries.
- **Ensure transparent use of revenues.** The credibility of the system depends on how revenues are used. All ETS and CBAM proceeds must be transparently reinvested in industrial decarbonisation, innovation and competitiveness—not absorbed into general budgets.

2. Rebuilding Europe's strategic and technological independence: a call to action

Europe is at a turning point. The wars in Ukraine and in Middle East made one thing clear: modern warfare is an industrial test of endurance – requiring sustained production, control of critical technologies, resilient logistics, and a strong defence ecosystem. **In this increasingly unstable world, strategic dependence is no longer an option.** Europe must urgently invest in an integrated defence industry – capable to modernize its armed forces, achieving economies of scale, supporting Ukraine's reconstruction, and protecting critical infrastructures. This requires:

- **Strengthening European defence cooperation.** The EU must scale up our production and secure technological sovereignty through cooperation among European military-industrial partners. The *White Paper on European Defence - Readiness 2030*, must move from vision to implementation, respecting national competences.
- **Accelerating EDIP and boosting defence funding.** The rapid adoption of the European Defence Industrial Program (EDIP) and a significant increase of defence funding in the next Multiannual Financial Framework are essential.
- **Removing remaining barriers.** The *Defence Readiness Omnibus* package and simplification efforts are steps forward, but gaps remain. Strengthen company capitalisation in the defence sector is needed, and the Europe must move towards greater regulatory harmonization, starting with export control and procurement standards.

France and Italy, home to major defence and aerospace industries, have a unique role to play. **Deepening ties between our ecosystems offers untapped industrial potential.** Investing in defence is not only about security—it's an industrial policy choice. It boosts innovation, creates high-quality jobs, and supports industrial conversion in declining sectors. We must act now to strengthen Europe's wider industrial base.

3. Unlocking Europe's potential through a strategic investment agenda

To lead the green, digital and security transitions, Europe needs an unprecedented wave of strategic investment. MEDEF and Confindustria call for a bold and visionary Multiannual Financial Framework (MFF), combining an increased budget with enhanced capacity to leverage private investments

This requires strengthening the EU budget through a balanced use of common European debt instruments and own resources to finance high-value European investments. These instruments should become a structural component of the EU's financial architecture, designed in a targeted and permanent manner, and supported by adequate and sustainable contributions from the Member States.

One red line: competitiveness must not come at the expense of new tax burdens. MEDEF and Confindustria firmly oppose any additional fiscal pressure on European businesses.

Governance must also evolve. The current MFF is overly fragmented, with complex and overlapping instruments. It must be streamlined into business-friendly instruments with clear and accessible rules—from labs to factory floors. The Framework Programme for Research and Innovation must remain closely integrated with the Competitiveness Fund, with harmonised rules to bridge the gap between applied research and industrial deployment. Better coordination among the relevant Directorates-General of the European Commission is urgently needed to ensure coherence and impact. Last, it is equally important that the budget continues to fulfil its role in preserving territorial cohesion and reducing disparities.

4. Act in unity and promote an ambitious international trade policy

In a world of rising protectionism and trade wars, Europe cannot afford to stall. Reducing our strategic dependencies on China and the US demands one essential lever: bold and balanced trade agreements with other regions of the world that reflect our strategic interests. MEDEF and Confindustria call on EU institutions to act without delay and ratify the EU-Mercosur agreement. This is more than a trade deal — it's a strategic signal. It means diversifying supply chains, securing access to vital resources, and building strong ties with a region brimming with industrial potential. The same urgency must apply to finalising agreements with Australia, India, and Indonesia.

The evidence is clear: free trade agreements drive European export growth, and European companies are among the most active in using them. Blocking or delaying them is shutting the door on economic opportunities our competitors won't hesitate to seize.

As trade tensions with the United States resurface, the priority must be to avoid a return to tariff escalation. Achieving fair, reciprocal deals — such as zero-tariff industrial trade and mutual recognition — is within reach, but only if Europe remains united. Any deal must safeguard the integrity of the single market and reject unilateral pressure.

Europe cannot be a spectator in the global race for influence and resilience. It's time to turn ambition into action — and trade policy into true strategic power.

MEDEF and Confindustria are committed to strengthening a continuous and structured dialogue between French and Italian economic actors. In the coming months, both organisations will pursue their collaboration on the priorities set out in this Joint Declaration, including through close coordination with BusinessEurope, their shared European platform. These topics will also be further explored within the framework of the upcoming Trilateral Forum with BDI.

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