



CONFINDUSTRIA

Report by President

EMANUELE ORSINI

2024 Assembly

Rome, September 18





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Good morning to you all.

I would like to thank Prime Minister Giorgia Meloni, for having accepted our invitation to address our Assembly.

We greatly appreciate your interest in our Association testified by your presence here today.

I would also like to extend my grateful greeting to all the Ministers and the Authorities present here.

A hug to all you entrepreneurs.

I am sure I am expressing a shared feeling when I say that, in a world again beset by the tragic reality of war, we all feel the responsibility for doing our work and our duty.

In the interest of our civil community and our country.

We are grateful for the unwavering commitment undertaken by President Mattarella, Prime Minister Meloni, and by all the political forces to dialogue and peace, hoping with all our energy for the settlement of every conflict.

We know that the time in which we live and work is indeed extraordinary, when economic and social conditions can change overnight.

We have been through four very difficult years, from the Covid epidemic to the 2022-2023 inflationary flare-up and the war conflicts.

Our companies have shown a great ability to cope with extraordinary and unpredictable situations, thus contributing to increasing Italy's GDP in 2021 more than the European average, and setting an *export* record of 626 billion in 2023.

An historic achievement, the result of initiative, innovation, entrepreneurship and skill. And also, let me tell you, of a great sense of dedication. We have sometimes taken major risks.

This has happened even if some countries have been excluded from buying our products precisely because of the ongoing conflicts. And that is why we will continue to work diligently to ensure that our products can be exported to new markets.

Our *export* share is growing again in this difficult 2024: we outperformed South Korea in the first quarter, and we also left Japan behind in the second, becoming the fourth largest exporting country in the world.

Anyone who had predicted such a success would have been met with disbelief. Instead, that is what is happening!

This is due to all of you, to all our large, medium and small business associates; to the enormous passion and trust that we continue to put into our work on a daily basis, despite uncertainties and difficulties.

However, we cannot forget that, unfortunately, the Italian industrial production has been lagging for eighteen months. Orders in many of our supply chains are falling, both in Italy and abroad.

The European and especially the German slowdown continue to push us down.

The domestic market continues to show its weaknesses and many of our companies are struggling.

So, the contraction of the Italian industry clearly shows that all social and political actors in our country have a real collective responsibility for taking a decisive leap forward in terms of Italian productivity.

I am here today, before you, to thank you for what you do and what we do every day. To tell you that I am proud to represent you all.

At my first public assembly, I want to tell you how we will concretely put into practice corporate social responsibility, which for us is now as valuable than our economic results, if not more so.

I will talk about the vital need for a change of pace in Europe on competitiveness, with reference to the industrial policies that large countries such as the United States and China are adopting, without getting carried away with self-defeating environmental policies.

We want the social value of productivity to have a central role, as a denominator for the growth of our country's wealth. We urgently need to tackle some key issues, on which there must be neither divisions between political camps nor demagogic clashes. The general interests of individuals, families and labour are indeed at stake.

Let us not forget that the 3.1% growth of wages in Italy, between January and June 2024, is also a sign of the significant recovery of the purchasing power. Growth reached + 4.1% in the second quarter with respect to an inflation rate of +1.1%.

Wages have grown and continue to go up also as a result of the wage increases provided for in the main contracts signed by Confindustria.

These results should lead us to reach the European average on a stable basis.

For this reason, the tax wedge cut must become a permanent provision: because if wages are below the European average, labour costs are higher.

Entrepreneurs and companies are the great engine of development and growth in a free, competitive and transparent market.

This must be our starting point.

However, today we have one additional concern: the need to grow despite the difficulties of a major transition that affects different and decisive aspects of the life of people, companies and political and social actors themselves.

I am referring to the energy, environmental and digital transitions.

These transitions cost and will cost the country trillions, these are true industrial revolutions which can change the lives of each of us and the future of our companies for the better.

But, these transitions need an adequate timeframe. Without confusing self-referential environmental policies with industrial policies for growth as is happening in Europe.

This approach does not help us!

We have a duty to keep our feet on the ground, our industry has already achieved most of its environmental targets through technological investments.

The inevitable leap into the fifth industrial revolution is at a very crucial stage: we must focus on few and very clear priorities.

I summarise them under three headings: competitiveness, productivity and community.

You have often heard about the first two here, they are our reason for being as companies. The third for me means giving a social meaning, value and dignity to the other two.

In a historical phase that is completely different from previous ones, I am certain that the protection of industry, manufacturing and social cohesion must go hand in hand.

We all have to pay attention to the living conditions of each person, to shorten the distance, to include, and not to be overwhelmed by the frenzy of the new times.

This is the fundamental motivation behind a project close to my heart: the Extraordinary Building Plan for Newly Hired Workers. It is a concrete way of responding to a primary need: housing, which is fundamental to live life with dignity and build a future.

We all know that one of the biggest obstacles to finding new jobs is the shortage of affordable housing.

The idea that we have proposed - and that the government has accepted - is to set up a joint committee with ANCE, ANCI, insurance companies, banks, Cassa Depositi e Prestiti, real estate funds and pension funds, in order to study together the best formulas for financial guarantees, so that "patient funds" can implement the projects while ensuring a sustainable rent.

I thank the Presidency of the Council and the entire government for this; we are already discussing with them to evaluate all the aspects related to the implementation of this project and its taxation.

I am convinced that this plan is fundamental to restoring social mobility, the basis for confidence and the very push for birth rates, which kept the country running in other periods in the second half of the last century.

Another social challenge concerns our young people.

Italy is at the bottom of the European Union ranking in terms of percentage of university graduates and recent graduates in employment. According to ISTAT, in 2023, it was 67%, well below the European average of 83%.

Italy has a huge attractiveness deficit for skilled professions. This results in a large flow of young graduates and highly specialised young professionals who migrate abroad every year.

We want to bring home our young people who have gained a significant experience, so as to avoid dispersing fundamental *know-how*, keeping innovation and *know-how* at the centre.

This situation is particularly serious in the South of Italy, and this

is a brake to the country's competitiveness, with a direct impact on our supply chains and industrial development.

Another significant issue is related to NEETs, young people between 15 and 34 years of age who are neither working nor in education.

We are talking about over two million young people who should be told that they can be a great resource, and a vital part of our country.

We have a duty to pass on to them the culture of work and the richness of having an ambition.

If an anti-business culture continues to prevail, we are not doing anyone any good.

Just as it is the duty of Confindustria to boost women's employment, to support them in every possible way through welfare benefits and work guidance.

Confindustria is keen on the general interests of the country; it puts itself on the line, it believes in the value of dialogue, it puts forward solutions and seeks to share objectives; it is aware that the contribution of all social and political players is necessary. Today, no one can govern such complex processes alone.

We recognise the key role of Europe, of the institution to which, over the past seven decades, we have contributed with the raw materials for reconstruction - such as coal and steel – up to our currency.

The choice of peace after the horrors of the Second World War led to growth and prosperity for our continent.

However today, the scenario is completely different: while Europe has to maintain its economic and welfare standards in a tough competition with other large areas of the world, these areas have meanwhile grown more with far greater demographic and innovation momentum than the old continent.

We must not forget that today's energy, environmental and digital transitions pose fundamental industrial, political and ethical questions that we can no longer ignore.

I say this clearly, in line with my colleagues from the European business confederations.

The Green Deal has too many faults that have put and still put the industry at risk. We do not believe that this is anyone's goal.

Decarbonisation pursued even at the price of deindustrialisation is a *debacle*.

This story and the European electric car market that we are giving to China speak for themselves!

The Italian automotive supply chain is in dire straits, impoverished of its future after having created the world's most beautiful cars and invested enormous resources in cutting emissions.

In the packaging sector, where the environmental targets set by the Commission have been met ahead of time, the rules to achieve them have changed, thus wiping out the investment and the technology in its supply chain.

But plastic is sustainable if it is recycled!

The ceramic sector has invested over 2 billion euros in technological innovation to improve environmental performance, such as air quality, and is now an international success story.

On the other hand, following this gigantic investment, Europe has allowed for financial speculation on the environmental transition with the ETS, pushing the price of CO₂ off the world market. Let us be clear: the regulation of the ETS must be absolutely changed.

If we continue in this way, we will give away the steel, cement, metal, tile and paper production to our international competitors, as is happening with the automotive industry, with negative repercussions on investment, growth and employment.

Between 1993 and the post-Covid period, while the per capita GDP in the US increased by +56.6%, Europe's GDP was half that amount. The result is stark: enough is enough, we must change pace.

Our industry, both Italian and European, will resolutely defend technological neutrality, demanding a more realistic and gradual implementation of the Green Deal.

That is why a sound European industrial policy is needed today more than ever.

Re-industrialisation based on cutting-edge technologies, raw material production, and the application of Artificial Intelligence, combined with an appropriate review of trade and competition policies.

All this requires colossal public and private investments, common strategies that do not exist today, due to intra-EU conflicts of vision and interests.

A convergent economic policy to safeguard and maintain the single market, and a Stability Pact up to the challenges ahead.

To this day, however, we cannot see how Europe can restart with the necessary momentum.

After the Covid epidemic, which was experienced as a rare collective emergency, after the Next Generation EU revolution and the related NRPs, 750 billion in funding over six years raised through common debt, European solidarity seems to have come to a standstill:

- no New Generation EU 2.0;
- no new recourse to common debt;
- no strengthening of the European 2021-2027 budget;
- no *ad hoc* budget for the Eurozone.

As a matter of fact, the new Stability Pact is not very different from the old one, focusing first on stability and not on the huge investments that would be needed to modernise the European economy and industry.

As if this were not enough, the European Banking Union continues to gasp.

We have talked about the Capital Market Union for ten years in vain, even though it could become the indispensable lung to fully exploit the huge amount of European savings. More than 330 billion a year are invested in the US to finance US companies.

And all this while the cost of money remains high, as central banks, starting from the European Central Bank, are more cautious than necessary.

But so, we ask ourselves:

- How can we talk seriously about competitiveness when Europe invests just 20 billion over ten years on Artificial Intelligence, while China invests 100 billion and the United States 330 billion?
- How can we talk about competitiveness without a single energy market, with Italy (Europe's second largest manufacturer) paying an electricity bill up to 40% higher than the European average?
- How can we be independent for defence-related investments if we give up the production and processing of raw materials?
- And again: when the stop to the internal combustion engine now set for 2035 is announced?

We cannot wait until 2026.

The challenges ahead for the Union of 27 are colossal.

And we take comfort in the fact that President Draghi's report provided an in depth and comprehensive insight in the longstanding vocal requests of our companies.

Confindustria counts on the constant presence of our government in Brussels, on the joint action of our Members of the European Parliament from all political forces, and on the ever-closer cooperation with other European business organisations. In order to work together and help the Commission to make a reality check of the timing, the strategic ways and financial means to really tackle the major transitions to boost competitiveness.

But if Europe must change gear, Italy too is called upon to make new courageous choices.

To begin with, we are convinced that a return to nuclear power is strategic.

We have all learnt that energy independence is a matter of national security: so why don't we all together support the latest generation of nuclear power, instead of continuing to supply ourselves at increasing prices from the old French nuclear power plants?

Yes, this is mentioned in the new energy plan. But we all know that if we start today, it would take at least twelve years to be able to use this form of energy.

We cannot waste any more time.

And we are well aware that the time has come, together with the business community and trade unions, to explain the turnaround to the public and to illustrate how small modular reactors are much safer and less invasive on the land than large old-generation power plants.

Do you think it is possible to continue to pay for energy up to 40% more than the European average?
We don't.

And do you think that only the use of energy from renewable sources can meet our energy needs?
We don't.

Another topic is Artificial Intelligence.
In Italy, there is an ongoing debate on digital ethics that runs the risk of becoming a major brake, when instead we need to accelerate industrial experimentation on applied Artificial Intelligence.

We must seize all the opportunities it offers.
Think, for example, of the benefits that will be achieved for proximity healthcare and the treatment of terrible diseases, a real revolution that will involve every economic sector, every supply of goods and services.

We have all the ability to be at the forefront in every respect, developing the vertical niches of Artificial Intelligence, where we can excel by harnessing all the inventiveness we are capable of.

At the beginning of my report, I emphasised how each of us must enhance his or her commitment and sense of responsibility in this historical phase. We and the trade unions, for example, have a lot to do together, and we are ready to engage in dialogue.

There is one issue on which we have promised ourselves from the outset to do everything in our power to contain it, to reduce it, to bring it down. And it is my firm conviction to go all the way.

I am talking about work-related accidents, a tragic chain of broken lives, of people torn away from their families, their loved ones while working to give them a better life.

We and the trade unions must ensure to put a stop to this chain of bereavements for families and companies. We must set up a permanent committee to monitor and verify safety regulations.

In recent months, our system has changed its rules based on the extension of penalties after deaths have occurred. Instead, it has proposed a new pact for safety on building sites, a shared agreement to prevent accidents.

A pact that introduces new rules for participating in public tenders for works and construction, that raises minimum safety requirements, and that prevents too many occasional micro-businesses from being admitted as subcontractors.

Our social responsibility for work, for its dignity and for people's health, requires us to propose effective solutions.

We must not forget that we are talking about our employees, the invaluable assets of our companies.

Still on the subject of labour, there is the issue of wages.

Some people apparently do not want to remember that the wages paid by Confindustria associates related to their contractual qualifications are much higher than the statutory minimum wage.

We defend the principle according to which wages, in all their components, must be established through national and corporate contracts negotiated with the unions.

We say to the trade unions that it is time for a joint action to counter too many contracts signed by organizations with too few representatives.

It is time to join forces to show a different way to the too many sectors with inadequate wages and irregular tax and contribution situations.

Likewise, we must increase productivity.

It is a word that sounds almost divisive, instead it should be understood as a synonym for the wealth of the country: because when productivity grows so does the GDP, i.e. an improvement in living standards, which benefits everyone.

Over the period 1995-2022, labour productivity in Germany grew by 23% compared to Italy, according to Eurostat.

A figure that explains a lot, indeed it is telltaling.

We are about to finalize our Budget Law and, as happens every year, with a lot of assumptions, fears and hopes.

We give credit to the government for wanting to keep the bar straight on our public accounts, and we thank the government for this.

By November, the EU Member States will have to submit a medium-term structural fiscal plan.

We expect our Structural Budget Plan to include the reforms and investments that are absolutely necessary. Serious industrial policies and significant investment incentives are needed, the post-NRP response.

This is an extremely important issue for us: we have to think now about how to continue with investments, such as the boost that Industry 5.0 must give us. Otherwise we run the risk of a stalemate or even a step backwards.

We must define priorities, and set up a multi-year framework of public and private funding to allocate the available resources to the defence and strengthening strategic industrial sectors.

The choices in the Structural Budget Plan will not only be essential for the transitions, but also for the investments to enhance the infrastructure and logistics sectors.

It is necessary to ensure better inflows and outlets for the goods of our production system: toward Europe by land and towards the world by sea, with vision and resources beyond the horizon of the NRP.

The Structural Budget Plan is the instrument to provide an ongoing investment support in the South of Italy.

We appreciated the government's refinancing of the resources allocated to the single Special Economic Zone for the South. But, at the same time, we are concerned about the risk of a

possible compartmentalization of the competences of the Department for the South, which over the past year ensured an effective central coordination of all-encompassing interventions for the South of Italy.

This is an essential issue for the still poor investments, especially in infrastructures, in the South, which is an area that may undermine many projects linked to the NRP.

The connection of the Messina Bridge to an adequate rail and road system is indispensable.

We are convinced that if these concrete priorities are adopted, the necessary resources can be found in the public budget.

What is needed is to gradually reduce the more than 1,200 billion euros' worth of public spending.

This would make it possible to meet the targeted fiscal adjustments and at the same time to finance growth-promoting measures in a structural and decisive manner.

These would include first and foremost:

- introducing a premium tax rate for reinvested profits;
- abolishing the regional corporate tax without replacing it with a higher national corporate tax;
- Reinstating ACE (Aid to the Economic Growth), since the capitalisation of our companies is an essential for investments.

But we don't just ask.

We are ready for a serious and detailed examination with the government of the hundreds of tax expenditures, deductions and reductions that have accumulated over the decades and many of which do not really promote growth.

We will also present to the government - within a few weeks - a series of measures at zero cost, which are essential to have a certain legal framework and to remove the burdens that stifle our businesses today, so much so that the entrepreneur becomes a sort of It is crazy to additional civil servant.

A few examples.

It is crazy to have the same provisions under Act 231 applicable to all companies, regardless of their size.

We all know how much red tape weighs down on companies with a direct impact on profitability, especially for small companies.

Another example. There are more than one hundred construction sites at a standstill in Milan, for an estimated amount of 12 billion euros' worth of investments.

They have been ground to a halt because of a different interpretation of building regulations. But can we really stop 12 billion euros' worth of urban regeneration because of one interpretation?

What should Italian and foreign investors think?

The Ministry of Enterprises and Made in Italy is working to unblock important initiatives, such as the astronomical observatory in Sicily and the relaunch of a strategic site like Priolo, which is indispensable for our system. And the Regional Administrative Court thwarts all our efforts?

We know very well that there is an Italy that moves Italy forward by overcoming obstacles of all kinds, and we know very well that there is an Italy that places obstacles, hides behind bureaucracy, and avoids responsibility.

Finally, we point out the strategic need for measures that must find a place in the Structural Budget Plan.

Think of the demographic emergency, the ageing population and the birth rate support.

These are matters of extreme urgency.

All projections indicate that, without structural interventions, the negative trend will only continue.

At the same time, we urge to reflect on how to support regular migration flows (e.g. training) in order to bridge the gap between labour supply and demand for our companies.

We are here, ready to do our part.

The Confindustria we want is a Confindustria of results.

A Confindustria united and open to dialogue, bound to its values and identity.

For us, development means not only social mobility. It also means respect for rights. And progress will never be achieved through mere innovation and profit generation, but through the social, industrial, civil and cultural advancement for our entire country. We say it with determination: we are a fundamental force for the country and we are able to show a way for the future, strengthened by our great presence in the world, thanks to a network of over 150,000 companies and more than five million people. A unique organisation.

We entrepreneurs are tenacious, confident and often optimistic, often bordering on the impossible, even to plan and invest in uncertain times.

Strong, reliable and cohesive. We prove it every day: we believe in it, we love our country, we want to see our children grow up here because we believe that Italy is the most beautiful country in the world.

We put passion into it and all we ask is to be able to do our work in a level playing field with clear rules, turning our attention to people, always keen on know-how. Because Made in Italy means well made.

Thank you.

