



Industry 4.0

Challenges and opportunities for the economies of Italy and Germany

BDI - Confindustria

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Common Declaration

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At a time in which European industries are experiencing a growing global competitiveness in an increasingly interconnected world, the industrial associations of Italy and Germany, Confindustria and BDI, want to reaffirm, once more, their strong **support to fully exploit the opportunities deriving from the tremendous evolution of information and communication technologies**, in order to secure a robust and globally competitive industry and the creation of jobs in the next future.

The German and Italian economies are both characterized by strong industrial basis that contribute to a relatively high share of gross-value-added and are fundamental to the dynamism of both countries. These economic similarities have been fostered by Confindustria and the BDI also within the framework of a yearly Italian-German Business Forum in Bozen, whose fifth edition, that took place on 15th and 16th of October 2015, was precisely focused on the need of a sustainable, innovative and digitalized industry.

Today Confindustria and BDI want to address one more common message to their respective Governments, to urge them to **support the digital transformation of the economy** and ensure a strong economic growth in the long run.

The crisis has highlighted the key role of real economy and manufacturing industry as engines for growth and social cohesion. This is why we believe that policy makers, both at national and European level, should put in place a **comprehensive industrial policy, through a horizontal and holistic approach, that will support our industries, starting from manufacturing, non-tech industries and SMEs, to embrace the ongoing 4th industrial revolution**, which is completely digitalising our industries and has the potential to change how production will be organised on a global scale.

We strongly believe that **this revolution represents a chance for Italy and Germany's manufacturing sectors to assume a leadership role in today's economy** and, at the same time, an important opportunity for Europe not only to safeguard its industrial competitiveness but also to increase its decreasing industry share from 15% up to 20% of the region's value added.

The possibilities opened up by connected, more efficient production and new business models are highly promising. A study by Roland Berger for BDI forecasts that Europe could see its manufacturing industry add gross value worth 1.25 trillion euros over the next ten years. The digital transformation of industry will allow businesses to reduce time-to-market, increase the flexibility and create products tailored to segment-by-one customer needs at relatively low marginal cost, make an intelligent use of technologies, data and information, create new IT-based business models and therefore new jobs.

The relevance of the digitisation of industry has been recognised by the European Commission by acknowledging the need for a corresponding Action Plan, "**Digitizing European Industry**", that Commissioner for Digital Economy and Society, Günther Oettinger, is going to present in April 2016. BDI and Confindustria look forward to the forthcoming Action Plan that should identify **smart regulatory solutions** for smart industry, secure an **easy access to digital technologies** for

all industrial companies, especially SMEs, support the European leadership in digital industrial platform and promote **digital skills** across Europe and its regions.

In this context, if we want Europe to maintain its industrial competitiveness worldwide, we cannot accept different degrees of maturity in this field across Member States: national Governments, business community, research centres and Universities must **put in place all possible efforts to “jump on board” the digital revolution and move in concert towards the digitisation of European industry.**

There is the need for more interactions between Member States and the European Commission, by establishing a framework for continuous dialogue and collaboration in order to develop an European wide digitizing industry vision. In today’s digital world, our companies can no longer innovate alone.

Policy makers should systematically ensure a coherent effort to support **investments in innovation and digitization.** Investment programs such as the Juncker plan should focus on and encourage the digital transformation. Fast, solid and reliable network infrastructures are crucial for a “constantly connected” industry. Likewise, significant incentives should also be ensured to carry on with the investments on high-speed broadband network infrastructures, in urban and rural areas.

Innovation hubs must be realized to strengthen already existing core competences and to provide guidance and the necessary support to SMEs and non-tech industries. Turning industry digital will need massive input of knowledge particularly for SMEs. **Business services, start-ups, universities and research centres will have a fundamental role** in providing this critical knowledge base to manufacturing companies.

In order to develop new digital business models, our companies need a **future-oriented legislative framework** that should ensure a stronger harmonisation of national rules (in particular for data and IP law). **Trust in data protection and IT security is essential for the success of connected business models.** Particularly on the issue of data protection, it is essential to **strike the right balance between the need both to safeguard citizens’ privacy and to boost the digital economy,** enabling our industries to gather, analyse and move data, which are the “oil” of the today’s economy. A high level of IT security and constant further development of data protection legislation are therefore crucial. This is also confirmed by the report commissioned by BDI from Noerr LLP on legislative challenges in the digitalised economy. Policy makers must recognise the role of data in the economy taking into account the correlation between personal data protection framework and the possibility to benefit from solutions such as big data, internet of things and cloud computing.

An important step towards the harmonisation of the legislative framework has been taken with the upcoming European general data protection Regulation. However, an ambitious reform of EU data protection legislation needs to go even further: alongside anonymisation and pseudonymisation, the principle of linkage to purpose must be appropriately designed and shaped.

In today’s data-driven economy, BDI and Confindustria also welcome the conclusions of the negotiations between EU and US on the introduction of a revised framework for data transfer

to the US (the “*EU-US Privacy Shield*”). **Legal certainty for the transfer of data from Europe to the US is of utmost importance for companies of every size and sector, particularly SMEs. It is a common responsibility to restore mutual confidence in the digital world and the issue of data protection.** It is now crucial to swiftly finalise the details of the newly reached agreement and then grant companies - especially SMEs - a reasonable transition period to comply with it.

There is also a need for active participation of our industries in the definition of international standards, which are increasingly shaping our digital future. Regulators should not set technical **standards** or mandate specific technologies. With this regard, BDI and Confindustria recommend a European coordination network which should share information and enable cooperation between different national/subnational industry 4.0 initiatives in Europe.

IT security is another core theme of the digital transformation of industry. BDI and Confindustria believe that high protection against cybersecurity threats is a mandatory precondition for the success of the digital transformation.

A further main challenge that our two countries must address with urgency is linked to **education systems**. Nowadays, digital skills are a key factor for growth and are also crucial to reap the benefits of the digital economy.

BDI and Confindustria urge Governments to invest more on all levels of education, enhancing the technical/scientific/digital dimension of the education processes and promoting partnerships between the education world and the private sector.

Firmly convinced about the value of close cooperation, BDI and Confindustria look forward to actively contribute – in close dialogue with their respective Governments and EU institutions – to the debate on how to support the digital transformation of industry and to strengthen further more our industrial basis.

