

THE FOURTH PONTIGNANO VISION CONFERENCE ON THE FUTURE OF EUROPE



TIME TO LAND IN THE 21ST CENTURY

THREE YEARS ON, LOOKING FOR IDEAS TO DRIVE THE
DEBATE ON THE FUTURE OF EUROPE

8th, 9th, 10th June 2023
Siena – Certosa Di Pontignano

DRAFT CONCEPT PAPER (MAY 2023)

INTRODUCTION. EU: TIME TO LAND IN THE 21st CENTURY

“There are years that ask questions and years that answer.”¹

The twenties of the new century have seen an acceleration of multiple crises whose magnitude and frequency are unprecedented. We not only have urgent problems to solve but also the uncomfortable feeling that the brave, new world which is unfolding poses a challenge to the intellectual and institutional instruments we have used for decades. The complexity, however, is not a monster to admire hopelessly. It is time we start making sense, mapping, and navigating the “uncharted waters” we are travelling. It is time to advance and experiment with the fresh, pragmatic and, if necessary, radical ideas we need. This is the purpose of the Siena “Conference on the future of Europe” which is convening its fourth edition.

Indeed, 2023 began with more questions than answers.

After the COVID-19 pandemic – a two-year-long event that changed the lives of everybody in ways we could not conceive – we had: the brutal aggression of Ukraine bringing the world as never before to a nuclear event; the energy crisis, the disruption of global value chains and the return of inflation after few decades; new technological disruptions hinting at a future where robots may think (and work) in our place; a new banking crisis with the come-back of the ghost of the 2007 financial crisis; and further warming of the planet which is getting close to a dramatic tipping point.

All these multiple crises remind us that an entire machinery of global governance (from the Security Council to the WTO, from the WHO to the COP) were designed to govern a century that ended twenty-three years ago.

The unity of the European Union vis-à-vis the existential threat coming from Russia and the implementation of the strategy meant to detach from the dependence on Russian gas say that Europe is still the most advanced and adaptable “union” amongst sovereign states. And yet the speed of history and of technologies put forward radical challenges to Europe that is still too slow to tame instantaneous shocks. Either we change and become more visionary and pragmatic, or we may not survive to the next shock. This is the time for ideas more than never-ending analyses.

The aim of Vision’s Conference on the future of Europe is to create an environment where it is possible for new pragmatic, fresh ideas to emerge. The method, which has been tested in the last three editions, is about creating a “safe haven” where people coming from different political angles, academic domains, countries, ages, genders, professional backgrounds can enrich each other and contribute to finding a common ground.

The first two editions of Vision’s Conference on the future of Europe² took place in October 2020 and June 2021, while the continent was struggling with the COVID-19 pandemic. The third edition³, held in May 2022 in Siena, was organised while hundreds of thousands of families were besieged in Kiev and Odessa.

¹ Zora Neale Hurston, *Their Eyes Were Watching God* (1937)

² The conferences were co-organised by Vision (the Think Tank) and TAOBUK (The Taormina Book Festival) in Messina (and Taormina).

³ The Conference had the objective of positioning Siena and Florence at the forefront of European discourse; Siena therefore became the home of Vision’s idea of the future of Europe.

The fourth edition will take place in Siena, in a moment when it is more urgent than ever to go from analyses to possible solutions.

The 2023 edition is being organised by Vision together with the University of Siena and will take place at the Certosa di Pontignano in Siena. It is meant to be a scale-up of the previous editions and the consolidation of a project designed to create a permanent hub of ideas to reform the EU and to support the design and implementation of EU policies.

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THE CONTEXT AND THE OBJECTIVES

The title of the fourth edition of the Vision Conference on the Future of Europe, **Time to Land in the 21st Century**, builds on three key starting points:

1. The last three years have witnessed a further acceleration of the crises (the COVID-19 pandemic and the ensuing disruptions of globalisation as we knew it; the Russian invasion of Ukraine and the energy crisis; the most recent turmoil in the banking system) that appear to be the defining feature of the 21st century.
2. Such frequent and violent shocks are pointing out the inadequacy of the institutions (from the climate COP to the World Bank) and participation mechanisms that we have been using since WW2 to govern complex global problems.
3. The EU is not alien to such a crisis and still suffers from ambiguities and sub-optimal half integrations; the most recent scandal revolving around the European Parliament further shows that even the institution that was meant to be the link between the EU and its citizens suffers from a partial fulfilment of its initial promise; and yet we can still turn a problem into an opportunity for leadership.

In June 2023, the think tank Vision and the University of Siena will convene a three-day problem-solving event at Certosa di Pontignano, where fifty intellectuals, policy makers, journalists, historians, and visionaries, together with 16 students, will gather to generate and discuss bold ideas as a follow-up to the official *Conference on the Future of Europe* (COFE), and the *State of the Union*. It will provide a forum that will be more informal than the official COFE and a contribution to “crafting the future”.

One of the distinctive features of the conference is in the approach we will use. We are convinced that complex questions like the “future of Europe” pose an intellectual challenge: we will try to find and develop viable solutions by assembling different skills and academic and professional backgrounds, sharing a problem-solving approach to find a common language. The conference will follow a format that was successfully tested with Vision’s previous Conferences on the Future of Europe and with Vision’s Dolomite Conference on Climate Change.

FINDING SOLUTIONS TO COMPLEX QUESTIONS: THE CONFERENCE AS A PROBLEM-SOLVING PLATFORM

When we consider the “complex problems” that are arguably the defining feature of the 21st Century, we almost inevitably end up in seemingly unsolvable trade-offs. Vision’s Pontignano Conference on the Future of Europe proposes a problem-solving exercise to tackle some of these challenges:

1. How can we make democracies more inclusive and efficient at the same time? Can the EU be the lab to experiment innovations like electronic voting?
2. Can climate change be the opportunity for Europe to take the lead in the governance of globalisation? Is there a way to steer private investments towards sustainability in a way which is more effective (to avoid “green washing”) and less costly for compliance (especially for SMEs)?

3. How might a common fiscal capacity respond to shocks and also minimise moral hazard? Is it time to rethink the mandate of the ECB?
4. What is the right level of regulations so that Europe can avoid digital markets being only dominated by foreign digital platforms and, at the same time, save the impact that disruptive innovations can provide on the competitiveness level? Should innovation/industrial policies break the taboo of “state aid,” and how?

These are some of the questions around which the fourth edition of the Conference on the Future of Europe will ask five think tanks and fifty talented people from different backgrounds and countries to work together to develop concrete new ideas.

At the very basis of this endeavour there is the basic intellectual intuition that these trade-offs are not unbreakable. We are convinced that a major part of the problem we are solving is about cognitive biases that prevent us from thinking outside the box of prejudices, allowing people to feel part of competing tribes in an artificially polarised arena. The paradox is that these prejudices have been developing in a world which had just overcome the ideologies that broke the old world order into two parts. The bottom line is that newspapers, think tanks and universities are – with some remarkable exceptions – full of analysts and yet they lack problem solvers (and problem setters who are able to better explain the nature of a question before trying to propose solutions). We are still talking about implementing national or worldwide policies, where the 21st Century would require us to carry on local experimentations before scaling them up to larger plans.

The so-called “debate” is mostly about observing complexity, where very few are attempting what has defined the human species for a few millennia: reducing complexity by breaking it down into manageable issues.

We believe that the focus of Vision’s Pontignano Conference is about looking for ideas that can feed institutions, civil society, and academia with fresh ideas that contribute to a radical reform of how the EU operates.

Following the consolidated model of the previous conferences, the outputs of this conference will be conveyed in a general **Pontignano manifesto**, proposing a different method of integration and an action plan for each of the problems/priorities analysed by the four working groups.

The outputs will be shown at a presentation developed for European and national institutions and the media, to engage public opinion, especially younger generations.

KEY PEOPLE

The organisers of the conference are the University of Siena (whose rector is Professor **Roberto Di Pietra**⁴), the European University Institute – Robert Schuman Centre (whose director is Professor **Erik Jones**) and Vision, The Think Tank (whose director is Professor **Francesco Grillo**⁵).

The chairs of the conference are **Sandro Gozi** (European MEP for Renew Europe, former Italian Secretary of State for European Affairs), **Maria Joao Rodrigues** (President of the Foundation for

⁴ The team at UNISI includes Professor Luca Verzichelli, Professor Simone Borghesi, Professor Francesco Frati, and the UNIEVENTI team.

⁵ The team at VISION includes researchers Clara Donati, Margherita Curti, and Giorgia Caianiello.

European Progressive Studies and former Portuguese Minister of Employment), **John Hooper** (Italy and Vatican correspondent, The Economist), **Kalypso Nicolaïdis** (Professor at St Antony's College, University of Oxford and Professor at the School of Transnational Governance, EUI).

Other **key participants** of the Conference will be **Romano Prodi** (Former Prime Minister of Italy and Former President of the European Commission), **Colin Mayer** (Former Dean of Said Business School in Oxford), **Bill Emmott** (Former Editor of The Economist), **Catherine E. de Vries** (Dean of Diversity & Inclusion and Professor of Political Science at Bocconi University), **Jelena Dzankic** (Professor in the Global Governance Programme at the Robert Schuman Centre of the EUI, Director of GGP Southeastern Europe and Co-Director of the Global Citizenship Observatory), **Phoebe Koundouri** (Scientific Chair of the International Centre for Research on the Economy and the Environment), **Mario Nava** (Directorate - General for Structural Reform Support).

Mario Monti* (Former Prime Minister of Italy) has been invited to give a key-note speech.

There will be international broadcasting by the Economist alongside one of the main Italian newspapers and one of the main Italian TV broadcasters, such as Rai Radio 1 and SkyTG24.

The Conference will be opened by the local hosts (the Mayor of Siena and the President of Tuscany) and with an overview of the programme by the two organisers together with the chairs.

The programme will continue with two plenary sessions which will frame the debate.

There will then be four working groups, introduced by each group's rapporteur before the participants gather into the four groups. Each group will be moderated by one chair who will develop the conclusions of the WG together with the presenter and one rapporteur.

The rapporteur, together with the UNISI students will present the outcomes of the working groups to the plenary on the last day. The other five public plenary sessions will take place on days 2 and 3.

The debates of all plenaries and working groups will feed into the general Conference manifesto.

The following pages will provide the framework for each of the plenaries and for the working groups.

PLENARY SESSIONS

PLENARY 0_ WHAT ARE THE IDEAS TO FILL THE HALF-FULL GLASS OF EU INTEGRATION? - DAY 1 (Thursday, June 8th)

The Conference will start by assessing the current state of the European Union. It will discuss the outcomes of the 2023 Conference on the Future of Europe and State of the Union Summit. There will also be an overview of the Conference concept paper, setting the direction of the rest of the Conference.

PLENARY 1_COP15 VERSUS COP27: LESSONS FROM INTERNATIONAL NEGOTIATIONS AND THE ROLE OF THE EU DAY 2 (Friday, June 9th)

The year 2022 was a milestone for international negotiations on environmental protection. Firstly, in November 2022 at the UN Climate Change conference COP27 in Sharm-el-Sheikh an agreement was reached on *loss and damage*. The issue, which was raised over 30 years ago when the Republic of Vanuatu first proposed an international compensation system for the small island states at risk, gained increasing attention over the last years in the climate arena for the need to properly account for historical emissions but also to involve emerging economies in more ambitious climate action. Secondly, in December 2022 at the UN Biodiversity conference COP15 in Montreal 196 countries signed the Kunming-Montreal biodiversity agreement. It is regarded as a historic global deal to “protect nature, restore ecosystems and keep our planet liveable,” as argued by Frans Timmermans. Countries committed to restoring 30% of degraded ecosystems on land and sea by 2030, conserving 30% of the world’s marine and terrestrial areas, stopping the extinction of known species, reducing risks from pollution, targeting subsidies harmful to biodiversity, and mobilising at least USD 200 billion per year by 2030 for biodiversity protection.

Although the two agreements apparently deal with different issues, they are strictly related in several respects. First, nature helps to mitigate climate change, therefore the Montreal agreement on biodiversity and the Paris Agreement on climate can jointly pave the way towards a climate neutral and resilient world by 2050. Second, they both recognise the key role of developing countries in achieving climate and biodiversity targets, and the need to mobilise funds and bring businesses on board.

Despite the strong interdependence between the two conferences, the two agreements have been perceived very differently by public opinion. The conclusions of COP27 were received with disappointment by large sectors of public opinion and the media who asked for more ambitious and concrete progress to achieve the 1.5 C target. On the contrary, the agreement achieved at COP15 has been regarded as a historical step forward for the protection of biodiversity.

The session intends to discuss the implications of the two agreements and the way forward to achieve their targets. Particular attention will be devoted to the reasons underlying the different perceptions of the two agreements in the public opinion and to the most suitable policies that should be pursued for the future implementation of the Loss and Damage agreement on the one hand, and the Global Biodiversity Framework on the other hand.

A few questions will be addressed during the session to facilitate and promote the discussion: (i) what are the differences and similarities between the Montreal agreement and the Paris agreement? Can the UN Biodiversity conference learn from the experience of the Paris Agreement? (ii) How can we turn words on paper into real action in both contexts? (iii) Are there common (market- and non-market-based) instruments that can help us achieve both climate and biodiversity targets? (iv) Are

there synergies or trade-offs between the two targets? Can nature-based solutions and Voluntary Carbon Markets be a proper instrument to realise both targets? (v) How can we overcome the long-standing dichotomic division between developed and developing countries and ensure a proper and active involvement of developing countries in climate and biodiversity actions?

PLENARY 2_ EUROPEAN WESTERN: THE GOOD (NATO SECURITY UMBRELLA), THE BAD (IRON CURTAIN) AND THE UGLY (EUROPEAN ARMY). (ORGANISED BY ELF WITH VISION SUPPORT) - DAY 2 (Friday, June 9th)

As Europe faces an increasingly complex and volatile geopolitical landscape, the traditional security arrangements, including the NATO security umbrella, may no longer be enough to guarantee the safety of the continent. While some argue that a European army would strengthen strategic autonomy and crisis response, others worry about the impact on transatlantic relations and increased tensions with geopolitical rivals.

“The Good, The Bad, and The Ugly”, serves as a reminder of the complex and multifaceted nature of Europe's security architecture. The event will explore the various dimensions of European security, including the positive aspects of NATO's security umbrella, the negative consequences of the new Cold War-like scenario following the invasion of Ukraine, and the challenges and limits concerning the proposal for a European Army. The discussion will also consider the potential role of the EU in shaping the future of European security and defence given the delicate balance between national and supranational interests.

Against the backdrop of ongoing tensions with Russia and the changing geopolitical landscape, the event will examine the current state of European security, the challenges that the EU faces in building its own defence capabilities, and the potential implications for transatlantic relations.

PLENARY 3_ EUROPE'S PATH TO REINVENTION: EUROPEAN BUSINESS SUCCESS IN A TIME OF DISRUPTION. DAY 2 (Friday, June 9th)

In July 2021 a cover story⁶ of The Economist on Europe calculated that of the 43 firms worth over 100bn USD and who are less than 50 years old, 27 were American, 10 Chinese and only one was European. Today this would sound even worse because the only European company the magazine was referring to (the German SAP), just turned 50 last year. In the meantime, if we consider the FORBES list of the ten wealthiest individuals, we find that in the USA nine out of ten richest were founders of the company who made their fortune; in the Europe top ten, this is true only for the 86 years old Francois Pinault.

These numbers seem to say that Europe's corporate elites are less open to the kind of “creative destruction”, which is supposed to be the driver of business success. This conservatism becomes even more a liability in times of disruption driven by technologies: companies like Alphabet or Amazon are revolutionising industries from cars to luxury which European multinationals used to dominate. And yet Europe is still home to great stories: LVMH is the umbrella of some of the brands (from Fendi to Tiffany) which are defining globalisation; the Dutch ASML almost monopolises one of the most critical components for the Internet to work; and it was the Swedish Spotify to radically change the landscape of the music industry.

What should European business do to adapt and anticipate discontinuities? What should business dynasties do to survive? Which reforms of the financial markets and of the regulation may make

⁶ The land that ambition forgot. The Economist, 5th July 2021

Europe's corporate landscape more open to innovation? Can Estonia or France be the places to look at to be inspired?

PLENARY 4_ RECOVERY AND RESILIENCE FACILITY GOVERNANCE: CAN MILESTONE-BASED INVESTMENT WORK FOR A STRONGER EUROPE? (ORGANISED BY FEPS WITH VISION SUPPORT) DAY 2 (Friday, June 9th)

The establishment of the NextGenerationEU recovery plan and the accompanying Resilience and Recovery Facility (RRF) in response to the COVID-19 crisis marked a breakthrough in European policy making. It was for the first time that the Commission had borrowed such large amounts on behalf of the Union; such debt mutualisation had been unthinkable before. A distinguishing feature that made NGEU politically possible was its temporary nature: it was a response to the COVID-19 emergency and was not planned to be extended into a more permanent mechanism. Yet, the need for public investments and demand for public goods in the EU are much greater than the current fiscal capacity and framework allow. This begs a question: can we have some version of NGEU as a permanent solution? What other options does the EU have for its economic governance framework that would support the digital, the green and the just transition?

The governance approach to the national recovery plans (RRPs) is also innovative, applying performance-based management, tying financial disbursements to the achievement of agreed reforms and targets. This contrasts with the usual cost-based approach to the disbursement of other European funds. Given the limited success of the previous EU instruments in promoting reforms in member states, the success of the RRF would mean a major policy breakthrough.

Now, more than two years into the operation of these instruments, some preliminary conclusions about the working of NextGenerationEU can already be drawn. The expert exchange at the Pontignano Future of Europe conference will aim to answer the following questions:

- What options does the EU have for enhancing its fiscal capacity in order to make necessary investments and to finance public goods?
- How can the EU move towards a genuinely European fiscal policy, going beyond supranational coordination? Can NGEU be made permanent?
- Does performance-based financing work in national recovery plans? What is the record on reform implementation?

PLENARY 5_ TOMORROW'S EUROPE – REPLACING ENERGY AT THE CENTRE OF THE EUROPEAN POLITICAL, SECURITY AND DEMOCRATIC PROJECT (ORGANISED BY THE GREEN EUROPEAN FOUNDATION WITH VISION SUPPORT)- DAY 2 (Friday, June 9th)

The panel discussion organized by the Green European Foundation will focus on the need to rethink the European Energy project. Energy was the cornerstone of the European economic and political project after the second World War. The way we envisage our energy systems impacts the very fabric of our societies and therefore our common future as Europeans. The war of aggression in Ukraine and the numerous turbulences in the global economic and geopolitical landscape have

stressed more than ever that the way the European Union designs and implements its energy policy has far reaching consequences on security, democracy, environmental sustainability, and social justice.

Based on a framing paper initially authored by Benedek Javor for the Green European Foundation, the keynote speaker and the panelists will present their take and political ideas on how the European energy architecture and system could be more fair, democratic, resilient and secure.

PLENARY 6_A EUROPE THAT DOES LESS BUT BETTER. BUILDING A MORE DEMOCRATIC AND TRANSPARENT EU (ORGANISED BY [NEW DIRECTION WITH VISION SUPPORT](#)). DAY 3 (Saturday, June 10th)

In the mid-1800s, as the administrative role of the state grew, the British government commissioned a report of inquiry into the Civil Service. The outcome of the inquiry was the Northcote-Trevelyan Report, named after the two Ministers responsible for its composition. Their report concluded that the Civil Service should have: “*sufficient independence, character, ability and experience to be able to advise, assist, and, to some extent, influence, those who are from time to time set over them*”.

Such a model has become the standard around the world for building reliable, resilient, and trustworthy public institutions. If people and politicians can trust that their institutions are neutral, transparent, and accountable – then public confidence in their work is high.

The European Commission, however, has drifted from this notion, gradually moving away from the function of a civil service to that of an executive. This reached a head during the Juncker Commission of 2014-19, when the Commission President, who for the first time had been indirectly elected through the ‘*spitzenkandidaten*’ system, declared he would establish the so-called ‘Political Commission’.

This proposal came with a mandate for greater centralised decision making in Brussels, and to empower the European Commission to take a more active role in the creation of legislation, rather than remaining limited to the implementation. In effect, the bureaucrats would be given more sway in the governance of the bureaucracy, or to put it another way, the Commission would be marking its own homework.

This greater centralisation saw more powers shifted away from national competency to the European Commission, without treaty change, and abusing the principle of the ‘Supremacy of European Law’ that had been established through jurisprudence in the legal system.

The position of a centralised European Commission runs counter to the very notion of ‘European Federalism’ as proposed by the ‘founding fathers’ of Europe. Rather than focusing on fair internal competition between EU member states within the Union, a new push towards ever closer union and harmonisation undermines the federal nature of the EU. Furthermore, it marginalises the role of the European Council, the voice of the Member States.

With trust in the European Union still low amongst the public, and the shadow of the Qatar gate scandal hanging over the EU institutions, it is paramount that public confidence be boosted through a return to first principles. The EU should find a new direction of travel and resist the temptation to centralise but instead focus on the dispersal of power back to the Member States. The EU should instead focus on doing less, but better. That is to say that the European Union should focus on a

smaller group of core competencies, and deliver high value in those areas, rather than aimlessly asking for more Europe for the sake of more Europe.

PROBLEM SOLVING GROUP SESSIONS – DAY 1 (Thursday, June 8th)

Each working group will meet on the first day of the Conference after previous web meetings, organised by Vision, to prepare the discussion.

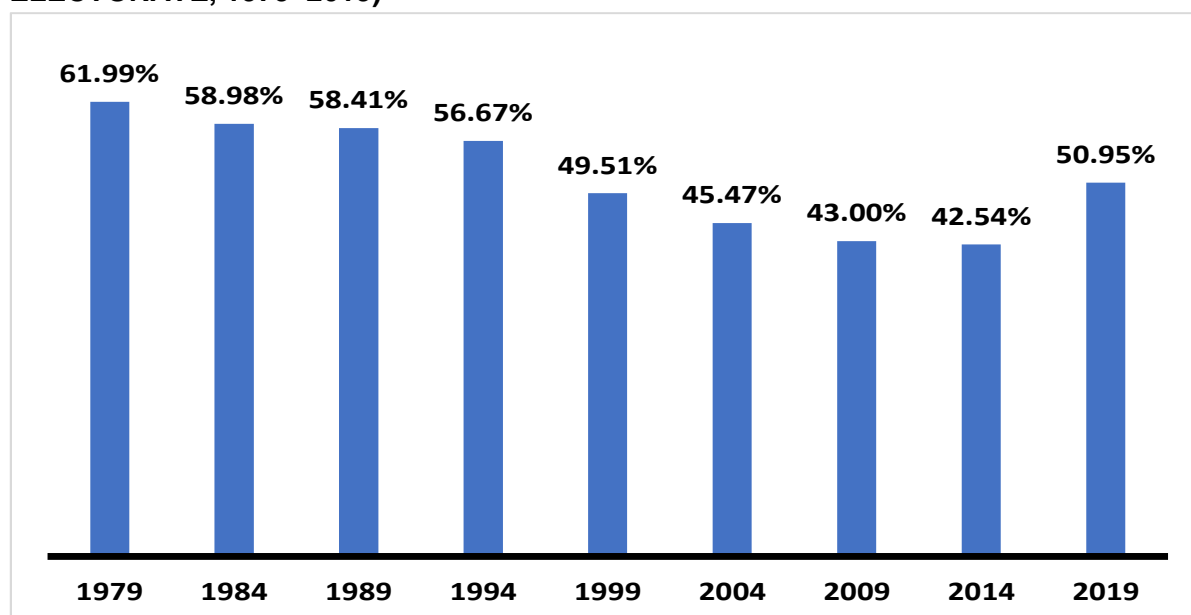
During the second day the PSGs will meet up again to finalise their reports and on Saturday the chair and rapporteurs, together with the students, will present the group results (20 minutes for each presentation) to the plenary.

PSG1. THE EU AS THE LAB FOR EXPERIMENTING INNOVATIONS TO SAVE LIBERAL DEMOCRACIES FROM DECLINE. CITIZENS' ASSEMBLIES, TOOLS TO ENCOURAGE EU-WIDE POLITICAL DEBATE AND ELECTRONIC VOTING.

European democracy has been for four years in a row one of the key questions around which Vision conferences on the future of EUROPE have developed. It is so because it seems natural to think that a more efficient Europe (one which is capable of deciding more quickly vis-à-vis ever more frequent emergencies) needs to derive more than its “power” directly from European public opinion and a Europe-wide debate, which is still largely missing.

Many polls have consistently shown that European institutions continue to be “disconnected” from citizens; and yet the most interesting evidence of this is the evolution of the turnout at the European Parliament election (EP), the institution meant to provide a direct link between EU institutions and citizens (and still the only supranational assembly directly elected by citizens of sovereign States).

GRAPH 1 - EUROPEAN PARLIAMENT ELECTION TURNOUT (PERCENTAGE OF ELECTORATE, 1979–2019)

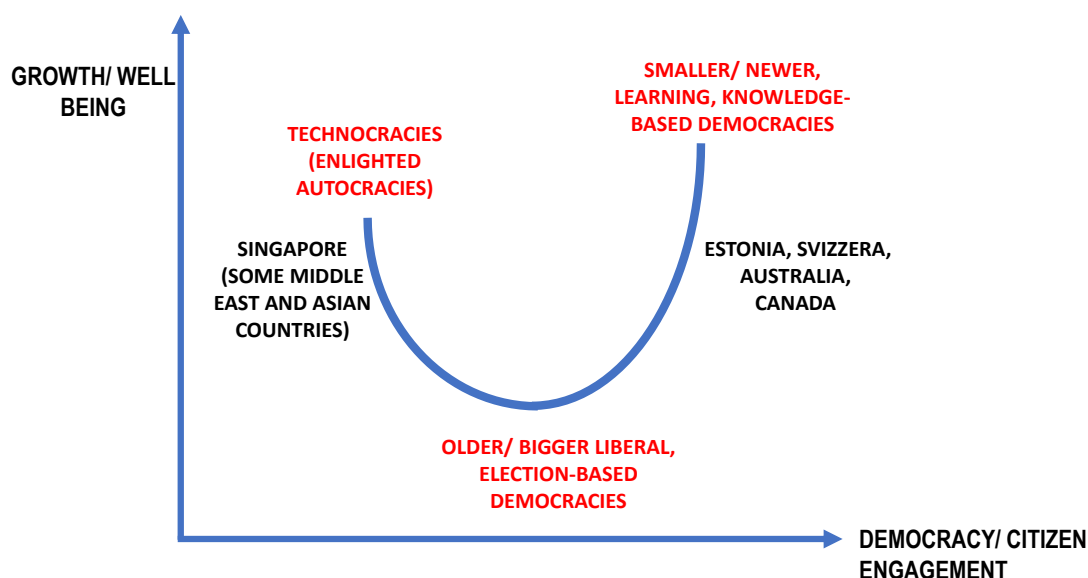


Source: Vision on European Parliamentary Research Service

The paradox is that turnout has progressively gone down, while the power of the EP has gradually been increased, the only exception being the last 2019 election, and yet that was the election in which the vote for parties which appear not to be in favour of a “federalist” view of the EU reached its highest (31% of the total votes).

Such evidence appears to suggest two changes into the approach to the large question of how to bring “Europe closer to its citizens”. The first is that we should no longer focus on the old, unresolved issue of the so-called “European democratic deficit”; the European Union should not replicate mechanisms which appear to be suffering at the national level and it should be seen as a possible laboratory to experiment the innovations we need to make liberal democracies work in a century which is very different from the ones in which the present political model was invented. The second is that any attempt cannot move from a “federalist” point of view: we need more democracy for Europe and the shape of European institutions to flexibly reflect European citizens' opinions and needs.

The thesis that VISION is proposing to the “SIENA CONFERENCE ON THE FUTURE OF EUROPE” is that the crisis that we are witnessing is not a decline of democracy as such but more about the obsolescence of the instruments that liberal democracies have used for decades to reflect the opinions of citizens in policy making⁷. As for the chart below, the idea is that what made liberal democracies outperform their autocratic competitors was their superior capability to make decisions based on information. Today some technocracies have the advantage of quicker decisions, as the internet lessens the information disadvantage; whereas smaller liberal democracies are experimenting tools to update participation mechanisms.



⁷ The thesis is that the crisis ultimately comes from a widening gap between the quantity of information we can access, elaborate, and transmit and the tools (elections every four years, binary referendums, etc.) we still use to make people participate. The former increases the expectation of individuals to have their opinions taken on board; the latter act as a bottleneck creating frustration. Such an interpretation of the crisis of liberal democracy draws on a comparison between the printing machine in the Middle Ages and the Internet in the twenty-first century. They both hugely reallocated information and thus power and therefore they both had as a direct consequence a transformation through which power was acquired and exercised. The printing machine started a revolution ending with the end of absolute monarchies and the birth of liberal democracies; the Internet will demand liberal democracies to reinvent themselves to survive technological obsolescence.

This brings us to propose the idea that in order to save democracy, we must increase it and make it deeper and more information-rich. And have Europe become forerunners of the process.

Citizens' assemblies as a participatory democracy tool that the "Conference on the Future of Europe has promoted". Electronic voting as an enabler of more frequent and informed participation in the deliberation process. Flexible constituencies that take in account that citizenship may not be necessarily bound to a specific geographical area (as for Vision's proposals on "flexible transnational constituencies"). Europe-wide referendums with more than two possible answers. These may be some of the experimentations that Europe may pioneer and of which the conferences may discuss the feasibility.

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PSG2. THE ADVANTAGES AND DISADVANTAGES OF BEING THE FORERUNNERS IN SUSTAINABLE FINANCE: HOW CAN ESG AND CARBON MITIGATION BE MORE EFFICIENT AND EFFECTIVE?

According to the International Energy Agency (IEA), in order to achieve the decarbonisation targets established by the recent Conference of the Parties (COP 27), the world should commit about 4 trillion dollars to low carbon energy every year for the next eight years, which would require an immense reallocation of investments towards less polluting activities. And yet this could also be the “mission” that sparks innovation in those financial institutions that did not fully recover from the 2008 crisis. The myopic vision of financial markets often collides with the long-term returns of climate-mitigative investments, making finance a powerful tool in need of adjustments.

There are already practices⁸ that companies use to include their sustainability assessment in their financial statements, at times used predominantly as a marketing strategy. Nowadays, however, the idea that sustainability and corporate responsibility may be the key to financial survival is slowly settling in.

The EU is the first supranational organisation to develop a full mandatory regulation⁹ aimed at measuring the extent to which firms’ balance sheets are dedicated to so-called Environmental, Social, and Governance (ESG) purposes. The regulation will enter into force in January 2024, and the authority that will supervise its implementation will be the European Banking Authority (EBA). Banks will therefore play a key role in enforcing firms’ compliance.

Enabling regulation of this scale to be effective requires targeted investment in decarbonisation mechanisms, both at the EU level and globally. The European Banking Authority’s Green Asset Ratio (GAR) requires banks and other credit authorities to declare the percentage of their portfolios allocated to activities deemed environmentally sustainable under the EU’s taxonomy of sustainable activities.

The EU taxonomy, the Sustainable Carbon Cycles directive, its proposed framework for the certification of carbon farming, the Biodiversity Strategy, the Just Transition Mechanism, and the overarching Fit for 55 policy structure the EU’s approach to climate change mitigation. The policies can open pathways for investment in energy efficiency, renewable energies, electrification, and in the surrounding social and environmental sustainability.

A key mechanism in global decarbonisation involves carbon trading, whether through compliance/obligations (such as the European Emissions Trading System (ETS) or through voluntary carbon markets (VCMs). Financial intermediaries play a significant role in the EU ETS (Betz et al., 2022; Borghesi and Flori, 2018). The real question concerns their role in terms of speculation in the ETSs (Quemin and Pahle, 2022). At the economic and regulatory levels these raise essential challenges for implementers of carbon mitigation, and for organisations investing in

⁸ In 2016, The Global Reporting Initiative (GRI), an NGO that collaborates with the United Nations, presented a methodology to ensure how much a company is damaging social value. Two years later, non-financial accounting standards (SASB) were included next to traditional accounting standards. This allowed investors to compare how much different companies include those principles in their actions.

⁹ Final draft implementing technical standards on prudential disclosures on ESG risks in accordance with Article 449a CRR, European Banking Authority, 24th JAN 2022
file:///C:/Users/Francesco/Downloads/EBA%20draft%20ITS%20on%20Pillar%203%20disclosures%20on%20ESG%20risks%20(1).pdf

these projects as part of their ESG targets. A failure to address these challenges would hinder the transition of ESG and GAR from claims and promises to real climate mitigation outcomes.

1. Scientific integrity

Claims regarding the Green Asset Ratio, decarbonisation, or biodiversity must be both as widespread and as accurate as possible, raising questions of how to make measurement transparent, efficient, and economically accessible to all actors. The EU's Green Claims Directive pushes actors to transparently declare their *own* carbon mitigation as distinct from mitigation executed by other actors bought through carbon offset credits on voluntary carbon markets. Inconsistencies in the actual implementation of carbon mitigation projects, and in the tracking of their credits, leads to false calculations of mitigation and can worsen, rather than improve, behavioural shifts. **How should the system a) render independent auditors accessible, and b) ensure the independence and scientific soundness of these auditors?**

2. Social integrity

The movement towards carbon mitigation must be driven by national and regional policies, but implemented with local environmental knowledge and implemented by local actors. Without these, promises of carbon mitigation risk not being met by sufficient mitigation projects, or the ability or will to implement them, or risk being implemented in ways harmful to local communities and environments. **What elements are needed to create a cycle of a) local input into policy making, and b) local translation of the resulting policies and measurements?**

3. Financial markets

There is growing research on the role of the financial derivatives market for carbon credits (Spilker and Nugent, 2022). The integration of this market into carbon mitigation measures can offer a driving force for the private sector and can signal faith in the mechanism, but can also put carbon mitigation initiatives, and the livelihoods of those working on them, at risk of speculation and failures that jeopardise their outcomes. **How will high interest rates affect the diffusion of green innovation? How much of the current carbon price increase might depend on speculative activity? What are the (research/regulatory) gaps we still need to fill in this area?**

4. Technology

The development of blockchain technology has the potential to transform the current model of carbon trading by reducing opacity, decentralising market activity records, and consequently increasing integrity. It can integrate accounting for Nationally Determined Contributions (NDCs) through Corresponding Adjustments (CAs), thereby aligning the voluntary and compliance markets. Additional layers can include forecasting and credit ratings to plan for policy contingencies and hold actors accountable. **What are the a) risks, and b) key steps for the implementation of effective technologies for carbon mitigation?**

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PSG3. A NEW FINANCIAL CRISIS? A BETTER PORTFOLIO OF POLICIES TO MAXIMISE BOTH FINANCIAL STABILITY AND LONG-TERM GROWTH: REDESIGNING THE TRIANGLE BETWEEN SG PACT, THE ECB'S MANDATE AND COMMON FISCAL CAPACITY

"History cannot be allowed to repeat itself." These words can be read in the speech given by Barack Obama during his first presidential term on 14th Sep 2009. He was commenting on the financial regulation package that the Federal Administration was about to propose to Congress and the idea was to find a solution capable of guaranteeing enough "stability" to the financial markets, without hampering the (financial) "innovation" which was seen as "indispensable for growth" (and risk management itself).

After 15 years, history seemed to contradict Obama's promise. The first three months of 2023 have already seen, with Silicon Valley Bank's and the Signature Bank's failures, two of the three largest collapses of banks in US history¹⁰. They would have, however, been dwarfed if Credit Suisse – one of the thirty world banks that Financial Stability Board considers the "globally systemic important banks" capable of rattling the entire system – had not been rescued by the acquisition by their countrymates UBS.

It is paradoxical that the new crisis hit both the bank of the Internet companies that are "crafting the future" in Silicon Valley, and one of the oldest (and some may have once said "most venerable") financial institutions, one that was at heart of a country known to be the world's financial "safe haven".

The European Union seemed to have escaped the new tsunami (notwithstanding rumours on Deutsche Bank and the widespread fall of EU banks' shares) and this is most likely due to even more stringent regulations that the European Banking Union has promoted. And yet the question is: is this enough? Are our regulations good enough to guarantee enough "stability" to both banks and hugely indebted governments and "growth" to an economy which is still suffering a long-standing deficit of innovation?

In the last twenty years, the greatest financial crisis for the European Union has, indeed, come from sovereign debt and less from banks. And yet the last months have clearly shown how **the destinies of governments and banks are deeply intertwined**. Banks have been often vital to buying government bonds so to ease tensions in their borrowing conditions; likewise, it was thanks to states taking over collapsing financial institutions' balance sheets that the infection was stopped from further circulation¹¹.

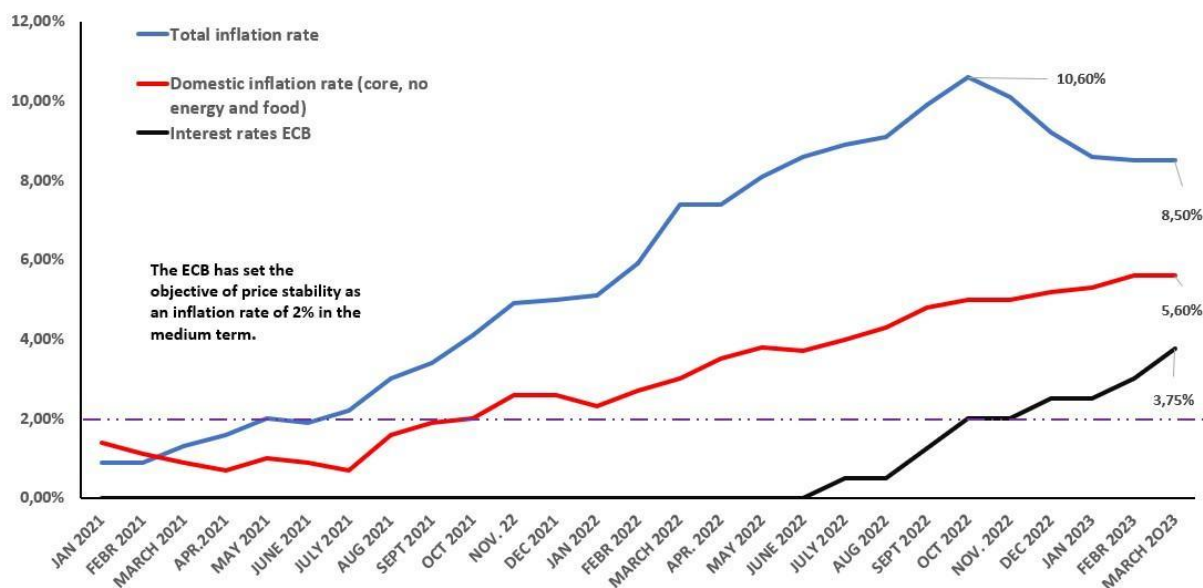
The feeling is that we are facing multiple crises/tensions which, when they interact, create a complexity that seems to go beyond the instruments that economists have long used. As a matter of fact, we are navigating "uncharted waters" (as Mario Draghi once said). One evidence of this is that central banks may have lost, as the graph below seems to say, part of their capability to tame inflation (which is their main mandate) by changing the quantity of money and/or the interest rates (the argument here is that globalisation and technologies may have eroded this)¹².

¹⁰ Considering inflation-adjusted assets under management.

¹¹ More recently it was losses on treasury bonds due to rising interest rates that brought Silicon Valley Banks to its knees, and the US treasury State itself to provide a guarantee to all depositors.

¹² On this see also "Inflation and Central Banks: the paradox of "La Casa de Papel", Vision, March 2023

GRAPH 4 – INFLATION RATE (TOTAL AND CORE) AND INTEREST RATES ON MAIN FINANCING OPERATIONS (EURO AREA, 2021 – 2023)



SOURCE: VISION ON ECB DATA

For the EURO area and the EU it is time to redesign the triangle between the three main instruments with which economic policies are realised¹³: the stability and growth pact, which was suspended with COVID-19 and will be reformed before being reactivated; the European Central Bank, which has “saved” the EURO system at least twice (when Draghi’s QE in 2015 and with the pandemic emergency purchase program in 2020); and some common fiscal capacity (possibly with own resources) that the EU needs to respond to possible new emergencies or to invest into European Public Goods¹⁴.

Vision’s Conference on the Future of Europe cannot be expected to solve the entire equation and yet we would like participants to contribute their problem-solving to better understand the interactions amongst the various components of the EU’s economic governance, and to produce some partial and yet reasonable solutions that are likely to be win-win. It may be helpful to look for innovative answers to the following questions:

How should the stability and growth pact be redesigned and what are the limits and the merits of the European Commission’s recent proposal¹⁵? What else should we do with inflation and do central banks still have enough weapons to control it? Is this the right time to complete the “Banking Union” and are current safeguards capable of preventing disasters and yet encouraging innovations? Can we guarantee stability and yet minimise the moral hazard (of keeping inefficiencies alive)? Is the idea of “European Public Goods” detailed enough to draft a “common fiscal capacity”? What lessons should we anticipate from the Next Generation EU?

¹³ Some may argue that we should also add at least the European Banking Authority and the European Stability Mechanism to the equation.

¹⁴ Buti, M and M Messori (2022), “A Central Fiscal Capacity in the EU Policy Mix”, CEPR Discussion Paper.

¹⁵ On this see also “Merits, limits and alternatives to the EC’s proposal”, Vision, March 2023 Link at : <https://www.thinktank.vision/en/media-en/publications/the-future-of-the-stability-and-growth-pact-2>

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PSG4. WELCOME TO THE WORLD OF CHAT-GPT - WHAT IS THE RIGHT LEVEL OF REGULATIONS/INVESTMENTS SO THAT EUROPE CAN BOTH BE SUFFICIENTLY “SOVEREIGN” AND YET HAVE A ROLE IN THE BATTLE FOR GLOBAL DIGITAL LEADERSHIP BETWEEN USA, CHINA AND INDIA?

The five-decades-long history of the Internet has recently witnessed an acceleration which has the potential to completely change the nature of the relationship between us and digital technology. On 30th November, 2022 OpenAI¹⁶ released ChatGPT-3.5, an artificial intelligence chatbot capable of generating real-time answers in human-like text to all sorts of research questions and in all languages. It took three and a half months for OpenAI to release a new version of the application (ChatGPT-4.0, while Alphabet and Baidoo also presented their own) and just less than four months for the first European public agency (Italy’s authority for data protection) to ban the use of it.

In the meantime, ChatGPT has already smashed a number of records including the one which accounts for how quickly different technologies are adopted. From its commercial introduction¹⁷, it took 75 years for the telephone to reach 100 million users; 16 for mobile phones; 7 for the World Wide Web; 2.5 years for Instagram; 9 months for TikTok; and only two months for Chat GPT. This is already evidence of the speed of the phenomena we need to first understand, and then try to govern. And it is urgent to do so because it will also imply a transformation which we would better call biological mutation rather than industrial revolution. It is a biological mutation because Artificial Intelligence makes clear that we are not only going to lose and gain jobs and economic systems; we will also modify the way we think. Meanwhile, the Internet is already reallocating power and changing how public decisions are taken, as the invention of the printing machine massively did at the end of the Middle Ages¹⁸.

How is Europe faring? In 2020, at the time of the first Vision conference on the future of Europe, a Vision paper considered the trends¹⁹ defining the quest for global digital leadership, and found that Europe seemed to have been left out of the “battle” for global digital leadership. There was no global digital platform amongst the ones with more than 500 million users, Spotify being the only exception (and yet very far from other global digital infrastructures in terms of market valuation). With the departure of the UK, the EU lost even the economy with the highest number of unicorns (technology start-ups whose value is higher than one billion USD) and the most globalised technology cluster (in Cambridge). More recently, however, the picture is changing. If we look to where venture capital is flowing, countries like France, Germany, Sweden, Estonia, are becoming more attractive and the volume of venture capital invested in European technology has more than doubled in the last two years²⁰.

¹⁶ OpenAI started as a non-profit organisation meant to release open-source software. It has, in time, lost both its non-profit status (the non-profit organisation is the sole owner of a profit subsidiary which runs almost the entire business) and the “openness” of its applications (which are run by Microsoft).

¹⁷ The World of statistics, 10th March 2023

¹⁸ This is also connected to the problem-solving group on democracy.

¹⁹ In a recent paper VISION measured leaderships in ten crucial industries/ innovation trends: suit for PCs, tablets and mobiles (dominated by Microsoft and Kingsoft), search engine (here Google is challenged only by Baidu and Yandex), mobile makers and designers (Apple, Samsung, Huawei, Xiaomi), online payment platform (WeChat and Alipay), e-commerce (Amazon and Alibaba), Social media (Facebook, We hat, Weibo, V Kontakte), chipset makers and designers (Intel, NVidia, IBM, Qualcomm, Huawei, ARM, TSMC), self-driving automakers (Tesla Autopilot, Google and Baidu Apollo, Yandex OS), turbo jet engine maker (Boeing), electric cars and lithium batteries (Tesla, BYD). Practically in none of these industries EU is competing for market leadership (amongst very few exceptions we can name the Dutch ASML and the French Saffran). “DIGITAL INFRASTRUCTURES”: DEFINITIONS, EFFECTS ON CONSUMERS AND INDUSTRIES, STRATEGIC OPTIONS TO MAXIMISE THEIR VALUE. (2022) (<https://visionandvalue.com/portfolio/the-impact-of-global-digital-companies-on-consumers-firms-and-governments/>)

²⁰ The Economist “How sturdy are Europe’s tech unicorns?”, July 2022 <https://www.economist.com/business/2022/07/04/how-sturdy-are-europes-tech-unicorns>

And yet, whereas single countries have been very active in **investments** (and tax expenditures and clustering) in their attempt to create their own “champions” (as in Macron’s plan announced at La Sorbonne²¹), the European Union has focused mostly on **regulation**. As highlighted in the 2022 Pontignano Conference paper²², since 2016, the European Union has issued 10 different pieces of legislation, totaling more than 700 pages and 550 articles²³.

TABLE 1 - MAIN EU LEGISLATIVE ACTS (SINCE 2016)

Name	Type *	Date	Pages	Articles
DATA ACT	PR	23-feb-22	63	42
Artificial Intelligence ACT	PR	21-apr-21	88	85
GOVERNMENT DATA ACT	PR	25-nov-20	42	35
DIGITAL SERVICES ACT	R	18-jul-22	113	74
DIGITAL MARKETS ACT	R	25-jul-22	81	39
PLATFORM TO BUSINESS PRACTICES	R	20-jun-19	23	19
GEO-BLOCKING	R	28-feb-18	15	11
General Data Protection Rights	R	27-feb-16	88	99
DIGITAL COPYRIGHT	D	17-apr-19	34	32
EUROPEAN ELECTRONIC COMMUNICATION CODE	D	11-dec-18	179	127
TOTAL			726	563

* Type: Here we distinguish between Directives which need to be transposed by national laws; regulations issued by the European Parliament and the Council which are immediately applicable;

**Author: EC = The European Commission; EP + EC = The European Parliament and the Council

SOURCE: VISION ON EUROPEAN COMMISSION AND EUROPEAN PARLIAMENT DATA

This gigantic effort has put the European Union at the forefront of the attempt to regulate digital transformation, with many countries considering Europe a benchmark. And yet regulation still encounters a number of problems which are as new as the phenomena we want get ahold of, and it is again artificial intelligence which can provide an example:

1. **A problem of definitions:** any normative act needs to start from defining what it is trying to regulate, and to do such a thing for something like Artificial Intelligence raises great intellectual problems (Alan Turing tried to solve the puzzle) with very practical consequences. So far, the

²¹ Macron, E. (2017, September 26). *Sorbonne Speech of Emmanuel Macron. Full Text / English Version*. <http://international.blogs.ouest-france.fr/archive/2017/09/29/macron-sorbonne-verbatim-europe-18583.html>

²² https://www.thinktank.vision/images/Pontignano_Papers_-_Siena_Conference_Follow_Up.pdf

²³ The Data Governance Act (Regulation (EU) 2018/1724 amended by Regulation (EU) 2022/868), and the proposal for a Data Act (put forward 23.02.2022); the proposal for an Artificial Intelligence Act (put forward 23.02.2022); the Directive 2019/790 on Copyright and related rights; the Digital Markets Act (EU 2022/1925); the Digital Services Act (EU 2022/2065); the General Data Protection Regulation (GDPR); the Directive on European Electronic Communication Code; the regulation on business on-line intermediaries (2019); the regulation on Geo-blocking. (*here it could be added: the proposal for an European Media Freedom Act, put forward on 16.09.2022, dealing with media regulation in the digital environment*)

definition that the European Council amending the European Commission's first attempt is such²⁴ that even NETFLIX or Google search engines are part of it.²⁵

2. **A “shooting into our own foot” effect.** The concerns leading to the ban of “social scoring” or “biometric identification in public spaces” are very understandable and yet a) this would not prevent other countries from taking a lead, while the EU would lose the possibility to do research (and to better understand what is at stake) and b) this may lead to us not having access to innovations that may instead be good. This may, for instance, come from milder versions of “social scoring” (making people pay more if they produce more garbage without differentiation) or “biometric identification” (to reduce queues at passport control, at the entry of the underground, or in hospital admissions).

3. **An implementation problem.** A regulation as massive as the one the EU is producing will imply a number of practical questions: a) technical feasibility: in some instances, banning applications like ChatGPT in one country (or in Europe) does not prevent users from accessing it via other means (like VOIP); b) managerial and supervisory capacity: the British CMA (Competition and Markets Authority) ran into problems of staff shortages; c) there may be redundancies between EU and national decisions.

Regulation (or deregulation) can indeed prompt innovation. This would be the case for all rules that would create an incentive for individuals and companies to waste less resources (for instance occupy less public space with private cars)²⁶. And yet too much regulation can even stifle innovation without achieving higher levels of protection.

Vision's conference expects participants to join a problem-solving exercise with several objectives: a) to update what the EU is doing; b) to better understand the nature of the problems and the main trade-offs; c) to assess the pros and cons of different solutions; c) to produce some ideas for improvements of current digital policies that are likely to be win-win. It may be helpful to articulate the debate (at the conference and at the pre-conference seminars/work) along the following questions:

Is it possible to regulate better and less? Should European institutions make a choice between open and proprietary systems? Are the EU programmes meant to foster innovation (Horizon Europe, the Digital Europe Program) effective enough? Can we imagine a collaboration between governments and foreign tech firms? Can we think about European ‘eco tech’ systems conceived on the very idea of an Internet which is capable of providing common goods (and thus capable of addressing what seems to be a Silicon Valley's “market failure”)?

²⁴ An AI system is one which is “designed to operate with elements of autonomy and that, based on machine and/or human-provided data and inputs, infers how to achieve a given set of objectives using machine learning and/or logic- and knowledge based approaches, and produces system-generated outputs such as content (generative AI systems), predictions, recommendations or decisions, influencing the environments with which the AI system interacts”

²⁵ The same applies also to the very beginning of the regulations referring to “digital markets”. What do we really mean by digital markets? Can retail (Amazon), advertising (Alphabet), hospitality (AirBnb), video (Netflix) or music streaming (Spotify) be all considered “digital markets”? Wouldn't it be more effective to talk about “digital” as a lever which is transforming all industries and “digital platforms” as a technology/ organisation model that all companies (including not native Internet ones) are adopting?

²⁶ This point is connected to the PSG 2 on “HOW TO STEER PRIVATE FIRMS TOWARDS MORE SUSTAINABLE BEHAVIOUR”

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