2024

5TH
SIENA
CONFERENCE

ON THE EUROPE OF THE FUTURE

▶ **CONCEPT**
PAPER

THE FIFTH SIENA VISION CONFERENCE ON THE EUROPE OF THE FUTURE
CONCEPT PAPER

THE AGENDA SETTING
EUROPE AT A CROSSROADS

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The concept paper of the SIENA 2024 CONFERENCE ON THE EUROPE OF THE FUTURE is structured as follows:

[1.] THE VISION: THE CHALLENGE AND THE OBJECTIVES OF THE CONFERENCE

It is for us to put some flesh on the Community's bones and, dare I suggest, give it a little more soul - Address given to the European Parliament, 17 January 1989 by European Commission President, Jacques Delors

Jacques Delors has been one of the political giants of the twentieth century; one of the last to pass away (at the end of last year) of a generation of leaders. He was aware of the risks of a European project that that ends up becoming a matter of just technique, of bureaucratic, complacent management of what we accomplished. The European Union is a political project, arguably the most successful one of the twentieth century, yet it needs to renew its bones and muscles. It is now facing "mortal dangers" but also opportunities that the founding fathers could not have envisioned. Over the coming years it will be crucial to find new, pragmatic, visionary ideas and for its community of leaders to dare to venture a new method to find solutions to a complexity that we still do not fully understand.

The European Union is, indeed, at the most important crossroad of its own history.

The outcome is not a matter for forecasts from economists or political analysts, because it will entirely depend on our determination. Either we as Europeans - accept the continuation of an economic (and technological and political) decline that may eventually endanger even the possibility to defend values that defined our community. Or we find the enthusiasm, the energy to radically renew what is still the most advanced attempt to overcome the limits of "modern states".

We need to be proud of a great past. But we must also act with the imagination and the determination that inspired a generation that transformed despair into hope. **Europe will need ultimately to turn its peculiarities (being "half fish and half meat"; neither a Hegelian State nor a loose international organization) and fragilities into the flexibility that may teach other Regions of the world (from South America to Africa; from the Middle East to the Asian Pacific coast) how to navigate modernity.** Europe does not just have to adapt to the progressive eclipse of an old-world order; it must regain the leadership to shape – together with the USA, but also India, Brazil and the other emerging powers - a new global governance that we all badly need. This will require a U-turn into the method and the ideological mind sets we have followed in the last couple of decades in the EU bubbles. There is a basic, overarching question that anybody who wants to renew Delors' dream will have to respond: **how can Europe square the circle between "protection" (Angela Merkel even considered "welfare" as our defining feature) and "innovation" which is indispensable for, indeed, saving the capability to "protect"? Is there a method that can let us go beyond the "zero sum game" of never-ending compromises so that we are not forced to consider "protection" and "innovation" in trade off?**

This is the basic question that the convenors of the SIENA CONFERENCE ON THE EUROPE OF THE FUTURE wants to respond (into its all-main declinations in finance, digital, democracy, enlargement, defence ...). It is indispensable that we find some new method to answer to such strategic questions and this is why we believe that this project will continue to grow and finding new corporate partners, media, scientific, policy making - partners willing to transform an exciting conference into a permanent, informal, open platform for problem solving.

Vision - the think tank which is convening for the 5 th Siena Conference on 'The Europe of the Future' together with the European University Institute and the University of Siena. Vision is convinced that the fractures we are witnessing all starts from technologies of which we have lost control. Thes technologies are transforming the nature of all industries, by reallocating information, which is power and, thus, they require a change in the forms of power which is exercised and controlled. At the end, they are producing a complexity that risks paralyzing action, a complexity that makes it hard to manage all the big questions (escalating wars, climate change, artificial intelligence, ...). This challenge will test and change not just Europe, but a world order conceived to govern a different, more stable century. This year the conference will leverage also on the collaboration with the Institute for European Policy Making at Bocconi University.

One of the distinctive features of the conference that it puts together the five political foundations/think tanks of the main European political groups will present their own works and will deliver one of the plenary sessions. These foundations are The Martens Institute for the European People Party; Foundation of European Progressive Studies for the Party of European Socialists (PES); European Liberal Forum for the Alliance of Liberals and Democrats Europe Party (ALDE); New Direction for the European Conservatives and Reformists Party (ECR); Green European Foundation for the European Green Party (EGP).

The objective is to consolidate a method that allows a multipartisan convergence through a problem setting/solving method. This is the method that the reelected President of the Commission, Ursula Von Der Leyen appears to look for, in the next 100 days according to her political guidelines for the Next European Commission 2024 – 2029. Ursula Von Der Leyen promised to deliver five urgent strategic documents 1 and the "Conference on the Europe of the Future" will provide a contribution to each of them.

The conference will take place at Certosa di Pontignano just outside the city of Siena, a venue that is ideal for such a dialogue amongst different political, professional, generational, academic sides.

The goal of the conference is, that of acting as a catalyst of new ideas, to offer new solutions to the specific issues outlined in the Concept Paper, and to promote a different approach to the European project. The conference will follow a format which was successfully experimented with the previous Vision's conferences on the Siena Conference on The Future of Europe and with The Dolomite Conference on the Global Governance of Climate Change. As the title of the 5 th edition of the Siena Conference on the Future of Europe suggests ("THE AGENDA SETTING") this edition aims at generating fresh and pragmatic ideas on the next agenda of the EU including:

1. How to give more legitimacy to a Union and increase its capacity to react to crises.

2. How to solve the tradeoff between regulations and innovation in financial markets.

3. What regulation can encourage the birth of European digital champions capable to compete with the US and China.

4. How to create a common EU defense strategy amongst sovereign states.

5. How to rethink green policies so that they are more acceptable to citizens and resilient to disruptions in the value chains. During the three days event organized by Vision and its partners), more than 90 intellectuals, policy makers, journalists, entrepreneurs, economists, activists and students will gather to discuss future European scenarios.

The Siena Conference is becoming a multi-partisan platform to produce the concrete ideas that Europe needs to reform the 21st century institutions. It is meant to be a follow-up of the State of the Union of the EUI and has the goal of putting Siena and Florence at the forefront of the European debate. The following pages collect the papers that will frame each of the sessions. It is a concept paper that will be transformed into a he final document with the proposals emerged at the conference, through the "Pontignano Paper".

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1 They are a) the "clean Industrial deal" for competitive industries and quality jobs; b) the "AI Factories initiative" for supercomputing capacity, AI start-ups and industry c) an "European action plan on the cybersecurity of hospitals and healthcare providers"; d) a "White Paper on the Future of European Defense"; e) a "Vision for Agriculture and Food; f) a "pre-enlargement policy review". The CONFERENCE will provide a contribution to each of them (plus to other key strategic choices (like the reform of EU democracy and the fiscal architecture) with its problem setting/ solving groups, plenaries and after-conference follow ups.

[2.] THE STATE OF THE UNION (1) THE RESULTS OF A POLL ON HOW MUCH DO ELECTORS AGREE – OR DISAGREE – ON THE BIG QUESTIONS (FROM EUROPEAN UNIVERSITY INSTITUTE)

On 6-9 June European Parliament elections took place separately in all 27 member states, with national parties competing against each other. A research team who developed the voting advice application EU&I at the European University Institute - Robert Schuman Centre, analysed the most consensual and polarizing issues among EU parties and the trends emerging from a sample of about 150,000 citizens using the application and they will present the results at the Siena conference on the Europe of the Future.

Contrary to the polarized landscape often portrayed in the media, the study reveals significant agreement on several key issues. Abortion rights see a striking 74% of EU parties opposing restrictions, an opinion echoed by more than 80% of EU&I users so far. This highlights a clear divergence from the contentious debates seen in other parts of the world, such as the US.

A broad consensus has also emerged over defence and security issues: more than 70% of the parties agree that EU should strengthen its security and defence policy and support increasing military spending. This position is mirrored by almost 80% of users who favour strengthening EU defence policy and 72% who support military aid to Ukraine. Strong support for Ukraine to join the EU underlines the collective response to external threats.

The principle of democratic governance also shows high agreement, with 85% of users and 68% of parties, who had an opinion on this question, supporting sanctions against member states that undermine the rule of law. This reflects a shared commitment to upholding democratic values within the EU.

Parties converge also on two economic issues that have been highly relevant in recent years: the problems faced by European farmers and the cost-of-living crisis, with 71% of parties in favour of protecting farmers from external competition as well as 70% approving state intervention to control rising costs of basic commodities. While user support is slightly lower, around 60%, these issues remain rather consensual. Nevertheless, several issues strongly divide EU parties and voters. The most divisive issue is the veto power of individual member state: 48% of the parties that have an opinion on that issue are in favour of member states having less veto power, 50% are against it. While many European leaders have expressed their dismay over instances when one country blocks some crucial decisions at the EU, there is still very high disagreement over curtailing such power. Users are similarly split, with the highest share of 'No opinion' responses as many struggle to take a stance on this issue.

On environmental policy, there is a slight majority of parties and users on the 'green side' on issues such as promoting public transport through green taxes and supporting renewable energy, but a more specific policy - the proposed ban on selling internal combustion engine cars by 2035 - reveals sharp divisions, showing that the discourse on climate action versus economic impact is highly polarized.

The legalisation of personal use of soft drugs sees a near-even divide, with 48% of parties in favour and 44% against. Users lean slightly more supportive at 53%, indicating a contentious debate on personal freedoms versus regulatory control. As to be expected, immigration policy continues to polarize, with 50% of parties and 44% of users supporting stricter immigration controls, while 43% of parties and almost 40% of users oppose such measures. The mandatory relocation system for refugees also divides opinions, although user support is slightly higher.

This analysis covered 274 political parties and 6 (Irish) independent candidates across the 27 EU countries.

[3.] THE STATE OF THE UNION (2) – **THE GOOD, THE BAD AND THE UGLY OF THE UNION AT A CROSSROADS** (INTRODUCTION TO THE OPENING PLENARY)

"Europe is in mortal danger[1]".

There are still vast disagreements on what Europe should do vis-à-vis these dangers (and opportunities).

Across the EU the 2024 electoral campaign mirrored different views on wars and immigration, on whether Europe should issue common debt and on how quickly should we reduce CO_2 emissions, on the right quantity of regulations of digital and on the positionof the block in a world which is lookingfor a new order.

Yet most of the political sides and public opinions would agree that these radically new challenges Europe faces, require us to rethink the institution that was conceived by Europe's fathers eighty years ago with the main objective to avoid new, catastrophic wars.

The following pages select three few pieces of evidence that can be useful to kick off the conference and spark debate: the good, the bad and the ugly[2] (news) that can summarize the tradeoffs that the EU will need to handle.

First, let's startwith most worrying part.

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[2] It is the title given by The Economist to the interview with Emmanuel Macron on the 4th May 2024.

[3] As for one of the most famous spaghetti western: "the good, the bad and the ugly" directed by Sergio Leone in 1966 and starring Clint Eastwood.

The bad..

The graph below comes from the yearly AI INFDEX report that Stanford University dedicated to the advancement of the technological wave which is meant to change radically industries and governments

CHART 3.1 - PRIVATE INVESTMENT IN AI BY GEOGRAPHIC AREA, 2013–23 (BILLION USD)
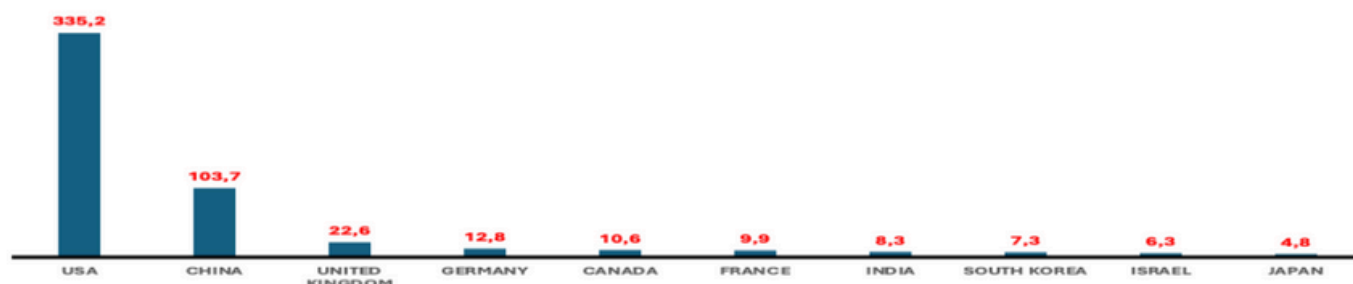
Source: Vision on Stanford University and QUID data

The battle for leadership of AI supremacy seems to be a two-horse race between USA and China. Three days before the Siena Conference, Mario Draghi mentioned that the EU will need to mobilize about 800 billion USD of additional investments. Looking more specifically to what kind of investments we need, the private spending on AI is an important indicator.

Only two EU countries (Germany and France) are amongst the top 10 in terms of mobilizing private investments (which is arguably the best indicator of success even for industrial policy). Stillthey managed to attract less investments than UK in the last ten years ; and yet if you combine UK, Germany and France, it still accounts for less than half of Chinese private investment into AI and less than a sixth of what the US private investors have invested.

The consequences of this lack of this kind of investments are rather profound and are reflected on geopolitical dominance of leading-edge research: currently 109 foundation models (they are rather representative of the frontier) are owned/ designed by US organizations (mostly private companies and with a clear lead of Alphabet); 20 from Chinese ones; and only 5 from the EU.

[2] It is the title given by The Economist to the interview with Emmanuel Macron on the 4th May 2024.

[3] As for one of the most famous spaghetti western: "the good, the bad and the ugly" directed by Sergio Leone in 1966 and starring Clint Eastwood.

The gap is – as we mentioned in the conceptpaper of past editions – based on the entire digital value chain. It is also reflected in the value of European companies: as of June 2024, the capitalization of the entire Frankfurt Stock Exchange(where about 500 companies are listed including Sap, Siemens, Adidas, Bayer, Deutsche Bank, Volkswagen and Porsche) is slightly bigger than half of the value of just Apple.

Of the world's 160 listed firms worth over $100bn, 45 areless than 50 years old: 32 in America and 9 in China. Only one is in Europe: ASML, a Dutch software group founded in 1984. ASML is also the most remarkable demonstration that Europe can still produce innovative new technologies and be a world leader: it is the sole supplier in the world of extreme ultraviolet lithography (EUV) photolithography machines that are required to manufacture the most advanced chips.

The problem is that digital technologies are not just about competitiveness. Likewise, we are not just witnessing an industrial revolution, because this is more like a biological mutation where our very cognitive processes are being transformed[4]. The internet is – just like Gutenberg's printing machine at the end of the middle-ages – massively reallocating information. And since information is power, technologies are redistributing power between states and private companies; citizens and states; different economic segments; amongst countries. Technologies are even changing wars and are radically transforming what shouldwe do to protectour values from aggressions (in Ukraine, for instance) and the way we should equip ourselves so that we give peace the best chance.

CHART 3.2 - DEGREE OF CIVIL LIBERTIES AND POLITICAL RIGHTS IN DIFFERENT COUNTRIES (RANKING, FROM ZERO TO 100, 2023)

.. the good ...

Europe, however, has still got some features that must be seen as competitive advantages. It is certainly still the part of the world where freedom is more abundant. Amongst the top 10 countries in the ranking of "Freedom house", seven[5] out of the ten most free countries are from the EU.
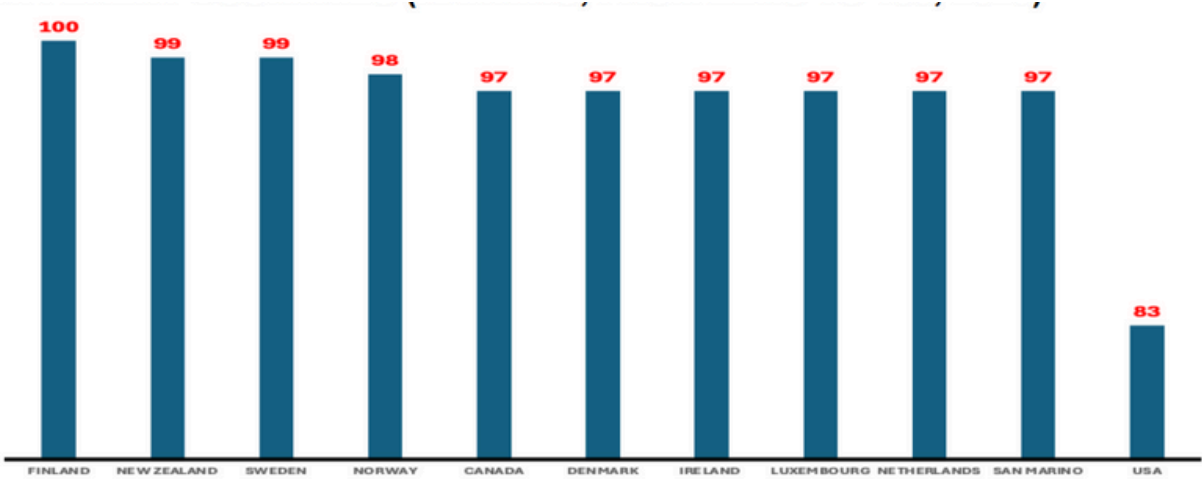
Source: Vision on Freedom House data

Freedom is meant to be not only per se one of the most important factors of quality of life; but also, an important precondition to growth. If individuals have the possibility to represent their needs; provide feedback to whom exercises power; and lend their individual intelligence to policy making, societies should increase their capabilities to allocate scares resources to the best use. Information should then be a competitive advantage of countries which are free (and open). We will, however, see that for complex reasons that Europe should investigate, this mechanism that led "open societies" to win againstauthoritarian regimes is broken.
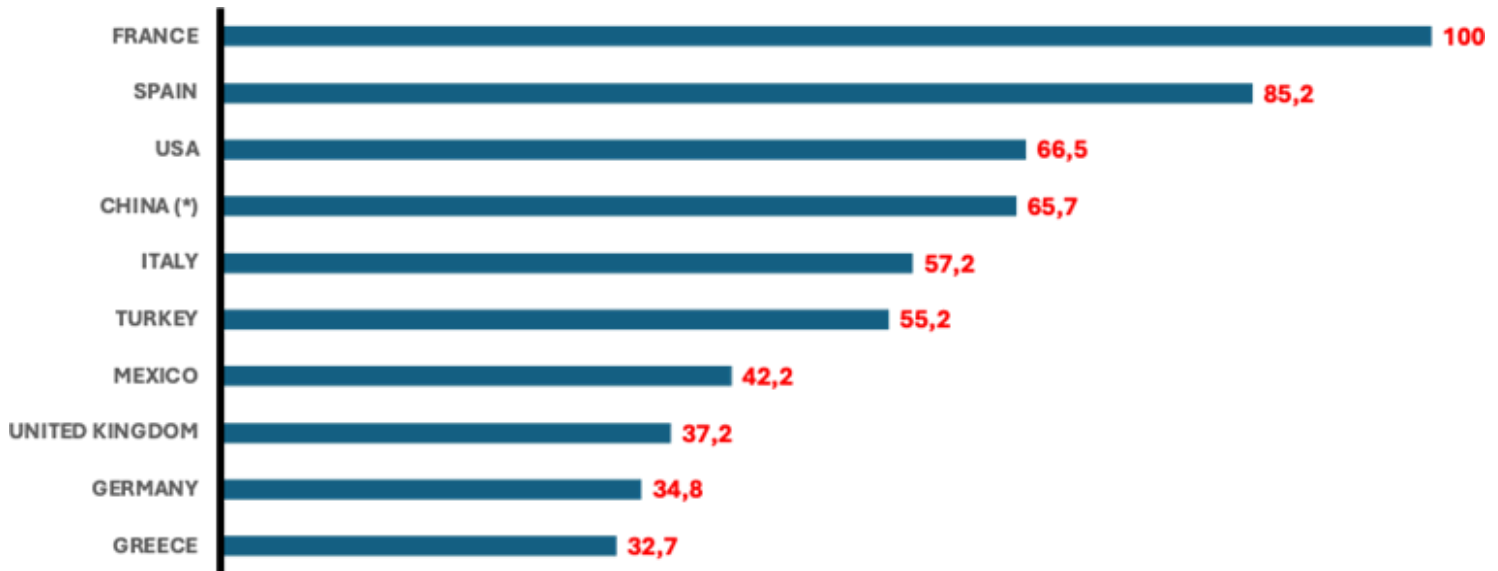
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[4] As in "INTERNET OF BEINGS", F. Grillo in E&M, SDA Bocconi, (July 2024).

[5] Actually six and half considering that the tiny San Marino is not part of the EU and yet uses the EURO.

Freedom is also simplyone of the characteristics that attract people[6], and Europe does host some of the most livable cities[7].

It is a question of rights;, of healthcare and welfare; affordable prices; and environment (the European Union is reducing its CO_2 emissions at a much faster speed – 25% since the first COP in 1995). Europe is still the place where an ever-increasing number of individuals (1.3 billion in 2023) moving for leisure, want visit.

CHART 3.3 - NUMBER OF INTERNATIONAL TOURIST ARRIVALS (2023, MILLION)

FRANCE	100
SPAIN	85,2
USA	66,5
CHINA (*)	65,7
ITALY	57,2
TURKEY	55,2
MEXICO	42,2
UNITED KINGDOM	37,2
GERMANY	34,8
GREECE	32,7

Source: Vision on UNWTO data

Three of the five top destinations are in the EU; and five of the top ten.

Europe is still by far the market leader and it is not, however, just about the leadership into an industry which is important but still believed to be not highly productive. It is about having an advantage in terms of producing symbols that can still be crucial in a society dominated by algorithms Beauty may be what robots may not be capable to reproduce and it is the symbol upon which France has built three (LVMH, L'OREAL and Hermes) of the five largest European companies by market value.

The Siena Conference will dedicate a session to how to endure and scale up the advantage that we may have to produce symbols and, again, it will be clear that this is not just a legacy of the past: but it requires a lot of innovation (different but not less challenging than working on foundation models).

.. and the ugly

Ursula Von Der Leyen is right to have in her own mission - the protection of the European "style of life". It is a something of value worth our energy and ideas .Yet having Europe being left behind will mean automatically have Europe to leave behind parts of its society. This may ultimately make our "style of life" not defendable.

It is something that may be already happening if we consider the inequality (in space) amongst European regions (as for the chart below).

[6] Even the very Americans that are reverting the voyage that their ancestors did escaping Europe's despots. As for a recent story https://www.economist.com/europe/2023/08/28/why-europe-is-a-magnet-for-more-americans

[7] https://www.economist.com/graphic-detail/2024/08/29/what-makes-europe-so-liveable

CHART 3.4 - INEQUALITY IN INCOME PER CAPITA AMONGSTEU REGIONS (STANDARD DEVIATION, EU REGIONS, 15 OLD MEMBER STATES, 2000 – 2022)
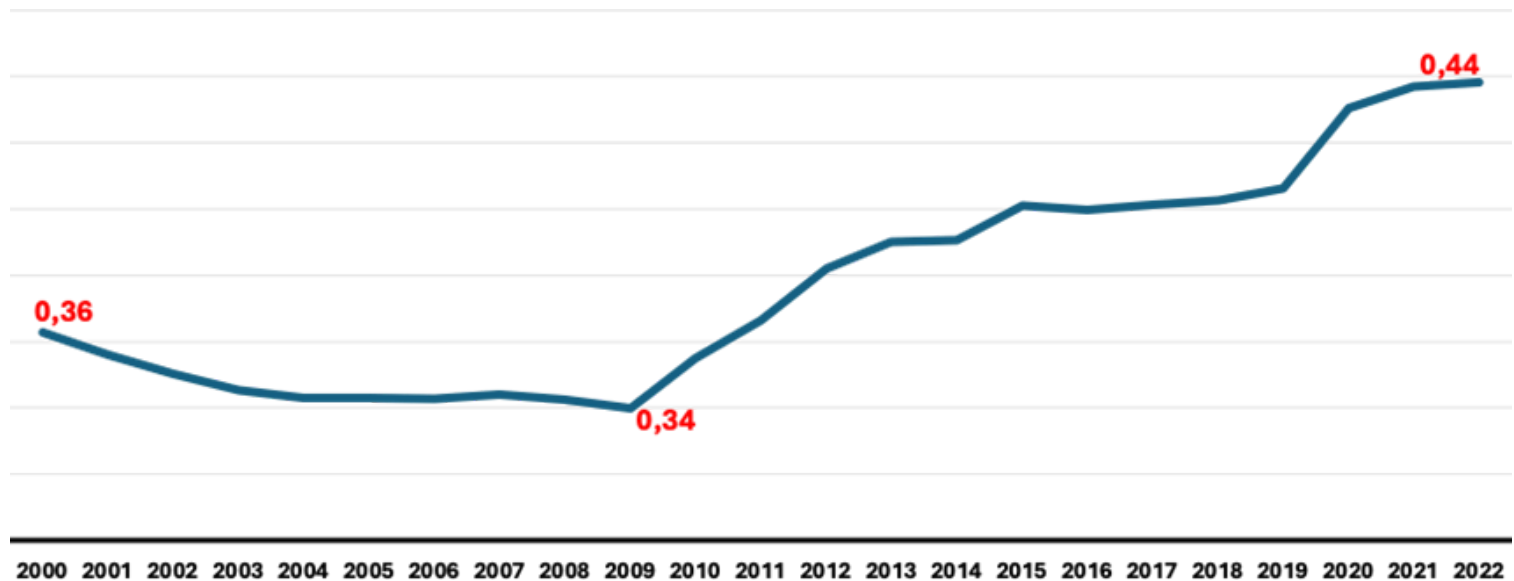
Source: Vision on Eurostat data

The chart shows over the last fifteen years, that the differences amongst EU regions[8] are increasing[9]. This is particularly disturbing evidence because the EU treaties consider it a fundamental priority of the union to gradually decrease gaps amongst regions. In fact, one third of the EU's budget is dedicated to cohesion policiesthat are meant to make less developed regions to converge towards averages. Inequalities are on the rise, and it is not about territorial gaps. Angela Merkel was both proud and worried about the EU being the "welfare superpower".

There is however another, wider "ugly" issue that EU will need to handle as part of a "world order" that is disintegrating. It is true that Europe still enjoys freedom and yet such "openness" does not any longer automatically translate into ever increasing prosperity. If we try to map countries of the world for their democracy index vis-à-vis their economic growth, we end up having rather strong negative correlation both amongst developed and less developed countries.

This reduced efficiency of democracy may be the stronger explanation to the "crisis of democracy" that most analyses seem to show.

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[1] Defined as NUTS 2 by EUROSTAT's statistics.

[1] The analysis is limited to the 15 old member states that have been beneficiary of the cohesion policies for the entire period. The 10 new member states are doing better

CHART 3.5 – EVOLUTION OF THE DEMOCRACY INDEX (WORLD, INDEX FROM 0 TO 10, 2014/ 2023)
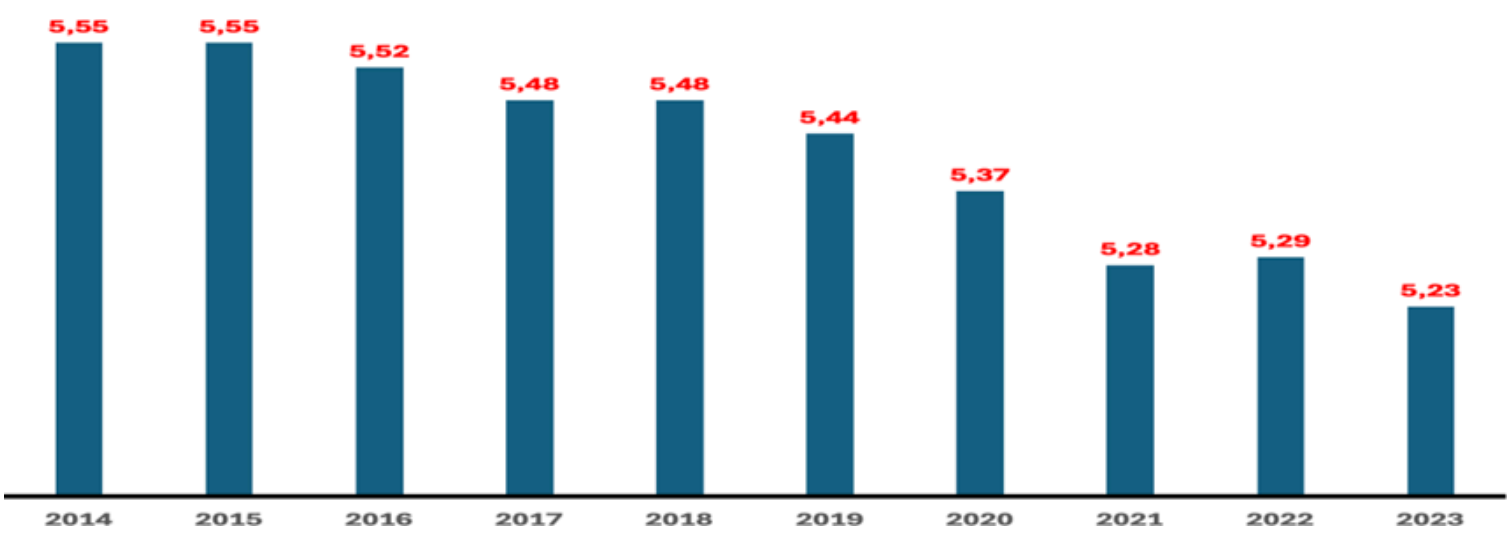
Source: Vision on Economist Intelligence Unit data

Vision argues that it is not true that democracy is structurally less efficient than autocracies. After all, liberal democracies dominated the nineteenth and twentieth centuries also because they proved more productive than their autocratic rivals. Yet we will need to rethink the forms of democracy so that they will regain an information advantage.

The question of democracy is arguably the one that has got the most potential to provide the (intellectual and governance) instruments we need to navigate into the "unchartered waters" of a century that started 24 years ago. Yes, the EU will need more integrations like the ones that recent reports (like Draghi's one) suggests, but these logically require better engagement with the public so that they can still feed policies with their individual intelligence. .

The EU may even turn its old fragilities into flexibilities that complexity is asking for. This is the intellectual, political and managerial challenge that one think tank,three universities and five politicalfoundations will try to handle at the conference and beyond.

[4.] PROBLEM-SOLVING GROUPS

The four problem-setting/ solving groups will be the most creative part of the conference. They will have been prepared by four groups of students and
professors/ tutors interacting with some of the participants/ opinion leaders joining the conference in the months before the event. The four papers (on democracy vs efficiency; enlargement vs decision making speed; digital regulation vs innovation; financial stability vs sustainability/ growth) are meant to solve four apparent tradeoffs providing concrete ideas to move forward. The participants divide into the four groups will act as sounding board of those ideas.

1	2	3	4
DEMOCRACY	**ENLARGEMENT**	**DIGITAL**	**FINANCE**

[4.1] THE PARADOX OF DEMOCRACY AND EFFICIENCY: CAN WE MAKE EU DEMOCRACY BOTH AGILE AND INCLUSIVE?

If we think about the **Europe of the future** —which is the main focus of the 2024 Vision Siena Conference— it's hard not to wonder what the future of democracy in the European Union (EU) might be.

Democracy is under strain all over the world, and Europe is no exception, making it difficult to envision that it can function within the EU without encountering significant criticisms.

The challenges faced by democratic regimes in the context of globalisation have been more than widely debated, and the EU's democratic deficit has also been the subject of much controversial reflection. However, despite the weaknesses experienced by democracies globally, there is a widespread agreement on the importance of upholding high democratic standards for societal well-being and prosperity.

This paper delves into structural and procedural challenges that affect EU democracy and threaten its functionality and legitimacy. We set out the salient features of the problem, frame possible strategies for problem solving, and consider some concrete options for change. Our aim is not to "fix" democracy in the EU but to position it as a laboratory for innovative polity-building by adopting a "prototype" approach that enables pilot experimentation and iterative refinement. This method promotes learning from diverse experiences, fostering a more adaptable and effective democratic process that better engages citizens and enhances their sense of belonging within the political community, while also aiming at providing swift responses to emerging challenges.

PROBLEM SETTING

The Lisbon Treaty recognises "democracy" as a foundational principle of the EU, enacted through concrete mechanisms and citizenship rights designed to ensure representative and participatory democratic processes at multiple levels of EU functioning. The multilevel structure of EU governance adds considerable complexity to its democratic system. Challenges are evident in both the way political representatives are elected and the extent to which citizens are involved in decision-making processes. As a result, we recognise that both the EU electoral framework and its policy making processes significantly affect the democratic legitimacy of the EU and the effectiveness of its governance.

On the electoral side, the intricate selection process of political representatives in the EU creates barriers to citizens' understanding of EU politics and partly contributes to the low turnout in European elections. Additionally, the indirect representation of governmental actors in key EU roles reinforces the prevalence of national interpretations of European integration. This structure accentuates the sense of distance among citizens, making it more difficult for them to identify with EU institutions and undermining their trust.
On the policy side, the EU convoluted decision-making —marked by closed-door negotiations and fragmented legislative procedures— undermines transparency and accountability, highlighting the need for enhanced mechanisms to promote citizen engagement.

Therefore, we believe that addressing the democratic challenges within the EU entails a focused consideration of these two closely related dimensions: the electoral participation and the policy making accountability.

The core challenge, then, lies in how to respond to the growing sense of distrust and disconnection that citizens feel toward the "political". As said, our ambition is not to fix democracy at the EU level. Instead, the EU, with its unique structure and characteristics, can serve as an extraordinary laboratory for democratic experimentation. Here, we can test innovative mechanisms to foster a stronger sense of belonging to a political community and increase citizens' interest in public action, all while maintaining a distinctly EU-focused perspective.

It is known that, amidst a general decline in electoral participation, many citizens perceive European elections as significantly less relevant than national ones. This perception is partly due to electoral systems that fail to adequately emphasise the European dimension of these elections. The process by which EU citizens choose their MEPs (Members of the European Parliament) and other representatives can appear opaque and distant, leading many to feel disengaged from what they perceive as a remote and intricate political system.

Such complexity not only hampers voter turnout but also weakens the sense of European identity, as citizens are more inclined to prioritise national concerns over European ones. The resulting fragmentation erodes trust in EU institutions, as many citizens struggle to see the relevance of their participation and the impact of their vote.

Compounding these issues is the lack of transparency in **the EU policy-making processes.** Indeed, citizens' engagement with the EU is significantly influenced by how national institutions manage EU affairs. We think that the inadequate involvement of national actors in EU matters seriously undermines representative democracy within the Union. When national institutions do not prioritise EU issues, the democratic integrity of the Union suffers. Historically, the limited commitment of national parliamentarians in EU-related issues has hindered the consolidation of democratic processes from an integration perspective and contributed to the perception that EU governance is often disconnected from national concerns and daily lives or, more problematically, at odds with them. In light of these challenges, it is clear that strengthening democratic processes within the EU requires a dual approach: revitalising the electoral system to emphasise EU relevance and accessibility, and enhancing policy-making transparency to encourage meaningful citizen participation. By addressing both the electoral and policy dimensions, the EU can work to reduce the perceived distance between its institutions and its citizens. With an ambition to innovate rather than simply "fix" democracy, the EU can experiment with new approaches to representation, accountability, and engagement that respond to the needs of a diverse and interconnected political community. This vision offers a pathway to reframe the EU as not only a political institution but a platform for fostering trust, reinforcing European identity, and cultivating a sense of shared democratic purpose.

PROBLEM SOLVING

To promote a more cohesive and integrated **political space** within the EU, it is crucial for the EU to become more adaptable (agile) and engage more citizens (inclusiveness) by introducing innovative mechanisms that enhance democratic participation. Additionally, streamlining decision-making processes is essential to ensure that the EU can respond effectively to the challenges facing its member states. We consider the following issues to be particularly relevant:

- **Transnational lists:** The controversial idea of introducing transnational lists could encourage a pan-European perspective among voters and candidates. However, it has not yet gained the necessary consensus for adoption, reflecting ongoing tensions between the desire for deeper European integration and the need to respect national identities and sovereignty within the EU.
- **Simplifying voting processes:** Making voting as easy as possible would certainly help. Is a wider dissemination of e-voting realistic? Can we envision a European digital election pass?
- **European Election Day:** Since symbols and rituals matter, why not consider, as the EP suggested, making "European Election Day" a national holiday across the EU, held on the same day in all member states?
- **Citizen engagement in policy-making:** It is crucial to strengthen mechanisms for involving citizens in policy development and streamline decision-making processes. This could include participatory forums and consultations that allow citizens to play a more direct role in shaping EU policies and initiatives. Digital tools, including "blockchain technology", could play a crucial role in creating a more secure, transparent, and tamper-proof system for direct democracy.

Especially concerning electoral participation, a treaty reform could indeed potentially incorporate some of these innovations. However, significant political and institutional pressure has not led to any progress in this direction, even after the "Conference on the Future of Europe," which commenced on Europe Day 2021 and continued for one year. During the election campaign for 2024, the topic of changing the EU treaties was raised by only a few politicians[12]. By the way, in her speech to the European Parliament (EP) while seeking consensus for her re-election as President of the European Commission, Ursula Von Der Leyen announced that the next Commission would commit to reforming the treaties[13]. This means that, despite the complexity of the process, the window of opportunity for reforming the Union remains open in the legislature that has just opened.

Europeanising (and simplifying) EP elections?

As mentioned, transnational lists are a tool that potentially may contribute to developing a shared European electoral space, where the focus can shift —at least in part— from national to EU concerns. By enabling candidates from different countries to run together, transnational lists would stimulate voters to consider the European dimension of their choices, and not solely national issues or candidates. At the same time, transnational lists provide European political parties with a mechanism to display their commitment to EU-wide issues and enhance a vocation for a collaborative approach.

The establishment of a **Union-wide constituency** in which a certain number of representatives (MEPs) are elected on the basis of transnational lists seems to be compatible with the Treaties, as they do not specify that MEPs must be elected from national constituencies, leaving room for interpretation (Article 14(2) TEU).

In 2022, the EP approved a proposal for an electoral reform that envisaged a mechanism based on two ballots for each voter: one for their national constituency and one, the same throughout Europe, for 28 candidates of different nationalities, forming the transnational constituency. This proposal aimed to strengthen the concept of EU-wide democracy, encouraging voters to think beyond national borders and focus on broader European issues. **Yet, the proposal was not taken up by the EU governments and the additional 15 MEPs elected in 2024**, when the Parliament increased from 705 to 720 MEPs, were still chosen from national lists. Opposition to transnational lists focuses mainly on the potential reduction of national sovereignty by diluting the influence of national governments on the selection of MEPs, the risk of marginalising smaller states in comparison to larger and more populous ones, and the practical challenges of implementing a system of high complexity due to differences in national electoral systems and political cultures.

Nonetheless, it is possible for any EU citizen to stand as a candidate in another EU country: a notable example is Sandro Gozi, an Italian politician who was elected as an MEP in France on President Macron's Liste Renaissance. **This demonstrates the potential for cross-border political representation within the current framework**, which could however be further strengthened by the introduction of pan-European lists. There is still ample room for manoeuvre to develop a framework that meets the needs and preferences of various parties involved. Negotiations and adjustments are not only possible but necessary to ensure a solution that is both inclusive and effective. The ongoing discussions are now a chance to refine and adapt the previous proposal, making it more feasible on an international scale. These discussions might benefit from being included in a broader public debate. Involving citizens in such an elaboration is crucial to ensure that the concept is not only more widely understood, but also more deeply rooted in the collective imagination. For democratic initiatives like this to be successful, it is important that citizens feel actively engaged in the process, fostering a greater sense of ownership and participation in shaping the future of their political community.

Secondly, when considering other tools to boost electoral participation, **digitalisation holds considerable promise: it can make voting more accessible, engaging, and efficient.**

As for **e-voting**, it allows voters to cast their vote from any location with an internet connection, thus providing a more convenient and accessible method. This approach is particularly appealing to younger generations, who are generally more comfortable with digital technologies. The possibility of voting remotely —i.e. through internet-voting— can help overcome traditional barriers, such as geographical distance, mobility problems or time constraints. However, **internet-voting** is only used as an option for all voters in Estonia and in France is restricted to voters resident abroad.

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12 https://federalists.eu/european-elections-2024-the-debate-on-treaty-reform-must-be-a-part-of- the-european-electoral-campaign/
13 https://ec.europa.eu/commission/presscorner/detail/ov/STATEMENT_24_3871

The use of e-voting has already demonstrated its effectiveness, with Estonia serving as a prime example. In 2005, the Estonian authorities declared the e-voting system a success, proving its practical efficacy. Since then, Estonia has remained at the forefront of digital democracy, implementing online voting in parliamentary elections and marking a significant milestone in the adoption of e-voting. Moreover, e-voting goes beyond simply increasing participation among younger voters, who may prefer using their smartphones. It also offers substantial benefits by reducing the costs associated with democratic participation. Simplifying the voting process and minimising logistical expenses, e-voting represents a progressive step towards a more accessible and cost-effective democratic system.

However, despite the potential benefits, the **limited uptake of e-voting** in the EU so far is primarily driven by concerns surrounding security, voter privacy, and the digital divide. Addressing these challenges demands significant attention and a coordinated approach and EU institutions can play a pivotal role by setting common regulatory standards, providing financial support for infrastructure, fostering public trust, promoting a broader acceptance of ICT.

Furthermore, given the significance of the symbolic dimension in collective identity-building processes, we regard the establishment of a **"European Election Day" as a national EU holiday**, to be observed on the same day across all MSs, and the introduction of a **single digital voter certificate for all EU citizens** —replacing national voter cards— to be interesting and impactful options. These measures could help create a shared sense of political community among EU citizens by synchronising the voting process and simplifying voter participation across MSs.

Building a strong European community is essential to promoting collective goals and addressing common challenges. The goal should be to foster a deep sense of community and belonging, which can inspire individuals to engage more actively in public life, not only as voters, but as committed members of a wider European community.

One possible way to support this could be through the use of a simple technological tool, similar to the Green Pass used during the COVID-19 pandemic. **A European digital election pass**, for example, might help streamline and enhance participation in European elections across the EU, potentially reinforcing the perception of being part of a broader European political community. This pass would provide a unified, digital method for EU citizens to register, authenticate, and cast their votes in European elections, regardless of their country of residence within the EU. The election pass could be downloaded to smartphones or printed out and verified in real-time at polling stations through a dedicated app, eliminating the need for voters to worry about losing their voter cards or renewing them when they expire. Moreover, the election pass could facilitate new voting methods, particularly early voting at authorized facilities or voting at a different polling station on election day.

The EU is working to provide citizens with a secure and interoperable digital identity: this policy for a **"secure and trustworthy digital wallet for all Europeans"** [14] could eventually support the idea of having digital voting credentials in the future, potentially revolutionizing how **European elections are conducted.**

Engaging citizens more in EU policy making

Yet, democracy goes beyond just electoral voting; it includes educating citizens and ensuring access to information on how policies are shaped and decided. Empowered with knowledge, people are more likely to participate meaningfully in elections, engage in public debates, and contribute to policy discussions. A more integrated and EU-focused electoral system might strengthen citizens' connection to the EU, making elections more relevant and cohesive. Nonetheless, citizens' engagement with the EU is significantly influenced by how national institutions manage EU affairs. As said, the weak involvement of national actors —particularly national parliamentarians— in EU affairs hinders representative democracy in the EU and creates a disconnect between EU governance and citizens' national concerns. We believe that a more EU-oriented political representation has the potential to foster democratic participation beyond just electoral involvement. National and local institutions closest to citizens should provide tools to bring them into contact with EU policies, helping them understand decision-making processes and the responsibilities these entail across various levels of governance[15].

In this context, it has been shown that deliberative mechanisms —such as citizens' assemblies and deliberative polling— can enrich representative democracy by promoting wider and deeper citizen engagement, informed decision-making and consensus building. The European Commission has invested in experimenting with deliberative practices in decision-making: informed citizens are better equipped to engage in constructive dialogue, leading to more rational and well-founded decisions.

One way to institutionalize these efforts would be the creation of permanent "democracy hubs" sponsored by the EU and integrated into the education system. These hubs could engage students from an early age in collaboration with local institutions, which are often the closest and most accessible entities for citizens. Through such initiatives, the EU can foster a culture of active participation and enhance individuals' understanding of public life and civic responsibilities.
In particular, these hubs could serve as labs for democratic experimentation, where citizens test ideas, explore new forms of participation, and engage in meaningful discussions about governance. Digital tools, including blockchain technology, could provide secure and transparent voting options within these hubs, enabling citizens to participate directly in policy discussions.

For example, the Swiss city of Zug has experimented with blockchain-based voting, where citizens used a blockchain-based digital ID to verify eligibility and vote on local issues. Votes were securely recorded on an immutable blockchain ledger, ensuring transparency and privacy. Scaling this approach across the EU could provide a tamper-proof and publicly verifiable voting system, fostering trust in the electoral process. Additionally, these hubs could host debates, community discussions, and participatory events, giving citizens ongoing opportunities to shape EU policies.

Moreover, **permanent platforms for deliberation and knowledge-sharing** would enable citizens to engage with EU democracy continuously, not only during elections. Existing initiatives, such as the Citizens' Engagement Platform, have laid the groundwork, but the EU could expand these efforts by making them more accessible and widespread. Integrating deliberative democracy components into these labs would allow citizens to provide meaningful input and actively participate in shaping the EU of the future. **Evidence-based policy-making** also plays a crucial role in strengthening EU democracy. Leveraging the interdependent nature of democratic institutions and the information flows that sustain them can enhance coordination, transparency, and public trust. Institutions grounded in evidence and empirical research are better equipped to engage citizens inclusively and facilitate informed decision-making. By fostering democracy hubs as platforms for experimentation and engagement, the EU can build an evidence-based democratic culture that informs citizens of the rationale behind policies, helping them engage more constructively in the democratic process. Transparency in these interactions could also enable citizens to hold representatives accountable, ensuring that their voices are heard in policy-making.

In **climate policy,** for instance, the use of scientific research and evaluation to inform policy decisions, coupled with efforts to engage citizens through climate assemblies within an EU-wide communication framework, presents a clear case. Another example highlighting the importance of cooperation and network-building is the URBACT project, which promotes sustainable and integrated urban development. It aims to facilitate cooperation among cities across Europe, enabling them to share knowledge, experiences, and solutions to tackle common urban challenges. This approach helps ensure that local insights and concerns are incorporated into broader EU strategies, potentially fostering both local relevance and EU-wide cohesion. This underscores the importance of working together to build a cohesive and resilient European community. In this way, by integrating rigorous evidence with inclusive and participatory processes, the EU has greater potential to shape policies that are both scientifically sound and widely supported.

BOX. Implementation of a case in the perspective of evidence-based EU democracy

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A number of local assemblies discuss climate impacts specific to their region,
such as coastal erosion, agricultural changes, or urban air quality. They hold
   monthly meetings to deliberate on local climate data, community needs, and
                      potential mitigation strategies.
An EU digital platform allows local assemblies to upload their findings, share
 data, and collaborate on climate initiatives. A coordinating body synthesizes
      these local inputs into a cohesive EU-wide climate policy framework.
 Representatives from each local assembly meet periodically to discuss integrated
         policy recommendations and align local initiatives with EU goals.
 The result is the formulation of a comprehensive climate policy that incorporates
               local insights and addresses EU-wide objectives.
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SUMMARY OF CONCRETE POLICY OPTIONS

To address the democratic challenges facing the EU and foster a stronger, more agile connection between the Union and its citizens, we therefore have considered a number of concrete options:

1. **Transnational lists in EP Elections:** Implementing transnational lists could be a significant step toward creating a more unified European political space. This would encourage voters to think beyond their national borders and focus on broader EU issues. However, this option requires overcoming substantial resistance related to national sovereignty and the practicalities of harmonizing diverse electoral systems.

2. **E-voting and European digital election pass:** Expanding the use of e-voting across the EU and developing a European digital election pass could make voting more accessible and secure. This approach could be particularly effective in engaging younger voters and those with mobility issues. The EU could support this option by setting common regulatory standards, investing in infrastructure, and promoting public trust in digital voting methods. The ongoing development of a secure and interoperable digital identity for all EU citizens could eventually support the introduction of digital voting credentials. This would revolutionize how European elections are conducted, making the process more efficient and accessible while ensuring the security and privacy of voters.

3. **European election day as a national holiday:** Establishing a "European Election Day" observed simultaneously across all member states could cultivate a shared political community among EU citizens. This synchronized approach would underscore the significance of European elections and could potentially boost voter turnout.

4. **Integration of national institutional actors in EU affairs:** Encouraging a more active role for national institutions in EU affairs could strengthen the democratic framework of the Union. National parliaments and other institutions closer to citizens could play a pivotal role in bringing EU policies closer to the public, enhancing people understanding and engagement.

5. **Deliberative democracy mechanisms:** Enhancing citizen participation through deliberative mechanisms such as citizens' assemblies and deliberative polling could improve the inclusiveness and transparency of EU policy-making. These methods are particularly useful in areas like climate policy, where local insights need to be integrated into broader EU strategies. While the EU already provides various tools and digital platforms to engage citizens —particularly youth— it is essential to invest in permanent structures for citizen engagement that maintain a direct and consistent connection to EU-related issues. This innovation in polity-building may help citizens to develop a deeper, more genuine connection to the European project.

6. **Permanent democracy-hubs:** The development of platforms for citizen engagement embedded within local education systems can promote active participation from an early age. These hubs should serve as spaces for democratic experimentation, enabling citizens to engage in discussions, explore innovative methods of participation, and actively contribute to shaping EU policies.

7. **Blockchain-based voting platforms:** Blockchain-based platforms can improve transparency, security, and adaptability in EU deliberative voting, ensuring each vote is verifiable, immutable, and anonymous. This technology could strengthen trust in the voting process and reduce concerns about fraud or manipulation, enabling EU citizens to confidently participate in important decisions. By providing a highly secure, transparent voting framework, blockchain could enable the EU to respond more swiftly to citizen input, particularly on critical issues requiring direct consultation.

We believe that exploring and implementing these options could significantly enhance the democratic processes at the EU level, making the Union more agile, inclusive, transparent, and responsive to the evolving needs and aspirations of its citizens.

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16 In January 2024, the EP adopted a resolution assessing the implementation of the Treaty provisions on EU citizenship. The resolution suggests the establishment of an EU Citizens' Statute and the adoption of a binding Charter of Digital Rights. It also emphasises the need for theEU to better inform citizens about their rights under the Treaties(2023/2085(INI). The point is now to turn these pledges into concrete actions! (emphasis added)

PROBLEM SETTING

The European Union deserves to be assessed not only for what it is and how it operates today but also for what it might become tomorrow.[17] This is especially true since the EU is currently facing crucial challenges related first and foremost to its institutional set-up but also to its own role and action in a world of fast-paced and constant change.

The war of aggression against the Ukraine waged by the Russian Federation in blatant violation of international law, the centrifugal forces that permeate the Union, and the continuous challenges to the rule of law and the primacy of the EU Law are pushing the European institutions towards a clear change of direction in order to imagine a renewed future, as was the case at the dawn of European integration, and to avoid a mere and simple ordinary management of contingent issues. If, during the Second World War, personalities such as Altiero Spinelli, Ernesto Rossi and Eugenio Colorni were able to imagine a democratic government exercising effective and binding power at the European level, there appears to be no reason why today we could not imagine new forms of integration that are already to some extent enshrined in the Treaties.

The European Union experienced a process of prolonged institutional empowerment since the signing of the Treaties of Rome in 1957: this process is exemplified by the direct election of the European Parliament and the formalization of the European Council as an institution of the Union. Institutional empowerment has been accompanied with the devolution of new competences not purely confined to the economic field: the activity of the Union has increasingly become prominent in fields such as the environment, consumer protection, energy, and transport.

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17 Please think of theConference on the Future of the Union held between 2021 and 2022 and of Macron's European Political Community created after the invasion of Ukraine.
18 Corte costituzionale, judgementno. 183 of December 27, 1973, Frontini.
19 Bundesverfassungsgericht, 37, 291, 29 May 1974, Solange I; 73, 339, 22 October 1986, Solange II.
20 Court of Justice of theEuropean Union, judgement of May 14, 1974, Nold, case 4-73, ECLI:EU:C:1974:51

The rulings of the Italian[18] and German[19] Constitutional Courts enabled the Union to ensure an adequate protection of fundamental rights at European level, first by recognising those rights as general principles of Union law[20] and, later, by enshrining them in a text whose binding force was unquestionably granted in Lisbon. However, the exercise of competences over the decades has not been without consequences on the sovereign prerogatives of the Member States and on crucial issues related to constitutional concerns. Issues that are still vivid in our memory are, for instance, the matters connected with the Public Sector Purchase Programme (PSPP) that led the German Federal Constitutional Court to declare ultra vires the ruling of the Court of Justice ascertaining the monetary (and not economic) nature of the programme set up by the European Central Bank to react to the eurozone crisis at the beginning of the last decade, or the lowering of the level of protection of rights in respect of an instrument of cooperation between states such as the European arrest warrant.

The integration process of Europe has evolved by trying to accommodate the need for greater cooperation between States in certain areas with the sensitive, even constitutional, nature that such integration requires. The presence of different layers of cooperation even within a unitary legal system allowed the Union to evolve and to rule on matters related to AFSJ and CFSP: these areas are governed by their own rules in a unitary framework. This means that European integration can be better understood starting from the prism of differentiation.

PROBLEM SOLVING

The world is changing, and the EU should be able to adequately and easily address major challenges. In the spirit of the Lisbon Treaty and rejecting inter- governmental tendencies, the Community method should be further pursued and extended to areas covered by the intergovernmental method, where the right of veto jeopardizes the principle of equality between Member States and hampers concrete action. In 2010, German Chancellor Angela Merkel advocated the need for a strong popular support to the Union in order to guarantee a better interplay between the institutions, with the aim of improving institutional efficiency for EU citizens.Institutional legitimacy also comes from adherence to the principles and values, objectives and powers exercised by the Union.

However, there are no mechanisms at the moment that define ex-ante requirements and modalities that would not only allow a Member State to be able to withdraw.

The most appropriate idea to guarantee the effective functioning of the Union and its empowerment is to proceed through clusters of integration to be understood as flexible and permanent features with opt-in and opt-out choices [21] , enabling those Member States who actually want stronger cooperation to do more8 . Clusters need clear rules, particularly regarding the exit clauses. Indeed, this is a crucial issue especially following the advent of Brexit, given the use of Article 50 TEU, which enlightened the complexity of the negotiations.

However, there are no mechanisms at the moment that define ex-ante requirements and modalities that would not only allow a Member State to be able to withdraw as of right but even less exist to allow the exclusion of a State that no longer conforms to the values and duties of the European Union. Indeed, the EU presents a defined cluster structure introduced in 2020 to make the process of negotiations with the candidates of the Western Balkans as rigorous as possible, where each cluster is constituted by specific chapters to be discussed.

It can be noted that diversified integration has nowadays become a stable element in the process of European integration: it was already being discussed in the 1970s, at the time of the oil crisis and the Luxembourg Compromise, when it was argued that economically stronger countries could lead a process of closer integration so to produce a centripetal effect in pulling weaker countries along the core group; in 1979, the European Monetary System - a non-exclusively Community initiative - was created with the aim to limit the fluctuation of exchange rates: Member States were allowed to participate but were not obliged to. In the 1980s, the idea of a "multi-speed Europe" was at the very heart of political discourse: French President Mitterrand speaking in front of the European Parliament described differentiated integration as a virtual necessity for the Union.

The creation of a three-pillar structure in Maastricht, and its partial overcoming, has not only incorporated differentiated integration in the DNA of the Union but it actually let it be pursued in the euro area and CFSP. Differentiation does not necessarily imply a fragmented or differentiated application of the Treaties: we believe that fears about the disintegration of the Union are greatly exaggerated. Clusters of integration - differently from variable geometries - require a unified legal framework and a common path, albeit with different views and integration patterns. In proposing new integration strategies, it is worth taking into account the democratic accountability of the Union and of the different clusters of integration in order to avoid criticism arising from national Constitutional courts. Under no circumstances there should be foreseen an "integration by clusters" in the area of values and fundamental principles of the Union: basic ideals by which the Union is founded cannot be part of differentiated integration[22]. Article 2 of the Treaty on European Union (hereinafter TEU) lists respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights as necessary condition for the membership of the Union and to apply for the other clusters.

21 Bundesverfassungsgericht, judgement of the Second Senate of 5 May 2020 – 2 BvR 859/15 – paras 1-237.
22 Speech by Federal Chancellor Angela Merkel at the openingceremony of the 61st academic year of the College of Europe in Bruges on 2 November 2010. https://www.coleurope.eu/sites/default/files/speech-files/europakolleg_brugge_mitschrift_englisch_0.pdf

Since the very beginning, economic cooperation was at the very heart of European integration. It could appear redundant to create an ad hoc cluster on economic and competitiveness: protectionist States in a globalised economy that violate the rules on state aid cannot participate in programs, common financing, or cooperation. A State acting in obvious defiance of freedom of movement rules for goods, services, persons, or capital might be punished under certain kinds of sanctions foreseen by the European Commission, as it already occurs. A different line of argument can be traced taking into account the idea of a cluster involving those States in favour of a global minimum tax for firms and corporations so as to avoid the creation of "tax havens". External relations should be the true subject of clusters of integration: common foreign policy and defence decisions are the most profound and intimate aspects of State sovereignty. In this case, it is proper to provide for a double degree of legitimacy, both political and legal.

Once a true European demos is created, the legitimation also derives from legal and institutional point of view: having regard to the diversity of thematic clusters, a valid hypothesis could be to provide for referenda, if allowed by national constitutions, so that a genuine European demos - not merely the sum total of the citizens of the member states, but a body, including an electoral body, called upon to express itself on European issues and provide direction, as well as legitimate cooperation - could be created. All constitutional systems require the construction and definition of a constitutional 'We' in the name of whom the system talks and works. The relevance of the democratic aspect should be considered as the area subjected to closer integration has a greater impact on the very elements of state sovereignty. Accountability, also from a political perspective, might be achieved through the involvement of both the European Parliament and National Parliaments, called to discuss the EU policies and integration. There seems to be no reason not to foresee joint sittings of National Chambers or - more realistically - of European Affairs Committee of States taking part in a given cluster of integration. In this way, accountability does not function only at a national level but also at a European level, where representatives of Member States shall discuss methods, topics, and timing of integration, debating with EU leaders.

Deliberations shall be taken by a qualified majority vote: this result can be achieved through a process of treaty revision, but also through a political compromise between states deciding to switch to majority rule in an area previously governed by unanimity. However, it is convenient to consider and understand also the views of those States that in a cluster decide to reject a given proposal: in this case, in addition to the opt-out mechanism, a easier mechanism of constructive abstention could be foreseen along the lines of what happens in the unanimity votes related to foreign policy deliberations: a Member State may decide to abstain by making a formal declaration by virtue of which it is not obliged to apply the decision but accept the commitment of the Union and, in a spirit of mutual solidarity, the Member State concerned refrains from any action likely to conflict with Union action based on that decision.In serious cases, where major discrepancies are identified on specific issues, there could be temporary suspensive action toward that State within foreign and security policy cooperation.

Clusters of integration could be provided also for different subjects of European integration, such as, for instance, agricultural policy: membership would be granted to States whose agricultural sector is large and thus express the desire to benefit from farm subsidies and aid for rural development. If a State fails to apply CAP legislation, say, fraud in the use of subsidies or failing to apply certain measures needed for environmental improvement, it would risk losing entitlement to receive farm subsidies. Those States that do not abide by the common agricultural sustainability goals could be excluded from the rural development funding. Giving agriculture a separate cluster could be useful for the access procedure of Ukraine since this State could enter into the common market without acceding automatically to the cohesion funds provided by the CAP. Clusters could also work in internal market areas: if the State perceives that involvement in participation would put too many limitations or exact too heavy a cost on it, then this State may wish to leave.

For instance, should a State act in obvious defiance of freedom of movement rules for goods, services, persons, or capital, it might be punished under certain kinds of sanctions. Specifically, the European Council may decide to suspend the State's access to the cluster. A dispute settlement mechanism should be foreseen before exclusion, to try to resolve non-compliance issues.

23 D. Curtin, From a Europe of Bitsand Pieces to a Union of Variegated Differentiation, in P. Craig, G. de Burca (eds), The Evolution of EU Law, Oxford University Press, 2021, p. 378. 24 White Paper on the Future of Europe. Reflections and scenarios for the EU27 by 2025.
COM(2017) 2025 final.
25 The Court of Justice, in Wightman, ascertained that a State cannot be forced to withdraw from the European Union against its will (para 65). a<
26 https://www.mei.gov.rs/eng/documents/negotiations-with-the-eu/negotiation-clusters/.

Exclusion from the cluster could be implemented in the case where there is a failure on the State's part to correct violations within a certain period. In a broader way, it is worth assuming that every sensitive area of EU policy could be the subject of clusters of integration: the Union is able to advance in both operative and legislative fields. Environmental and climate law might arise as other key areas subjected to differential integration. The Treaties themselves also allow for the possibility of a further and closer cooperation and for in melius derogation in environmental law so as to maintain or to introduce more stringent protective measures with prior notification to the Commission. While respecting the principles of environmental law - such as the rectification at source, the principle of precaution and prevention and the "polluter pays" principle, and in accordance with the relevant provisions of international law - Member States can set more ambitious targets for reducing harmful emissions and promote a faster and more immediate green transition. No State is immune from the harmful consequences of climate change, but it has different effects on geographically distinct ecosystems of a Member State, causing, for instance, a faster melting of glaciers or endangering marine ecosystems. The issue of environmental protection is inextricably linked to the topic of ensuring energy security, which has emerged as a pivotal concern in the wake of the war of aggression waged in Ukraine.

The necessity to achieve energy independence from the Russian Federation could drive Member States to foster a more robust collaboration in order to successfully diversify energy sources, decarbonise the economy, advance research into clean energy technologies and eliminate foreign dependence. Similarly, immigration can be conceived as another subject of a differentiated integration cluster: Member States rejecting the idea of "Fortress Europe" might provide for compulsory systems for the (re)allocation of immigrants and refugees. Such a system would be implemented without resorting to "externalisations" that raise doubts about respect for the most basic human rights.

Furthermore, Member States would follow an "integration-based approach" so as to avoid an easy exploitation of migrant workers and rebuild migration and asylum law on new, fairer and more rational bases. Given the sensitive nature of immigration issues which are not solely legal in nature, it is recommended that participation in the cluster be based on deliberations taking into account the constitutional traditions of Member States. This can be achieved by following the political will of the Cabinet through a favourable vote in National Parliaments or by holding a referendum in which citizens express their views. The option of exiting the cluster must be subject to consultation with the citizens, who are thus empowered to confirm or reject the political will of the majority. It is important to recognise that integration clusters are not only effective from an internal perspective but also from an external perspective, which ultimately contributes to the enlargement of the Union.

They can be considered a vital pathway to integration, as a differentiated and gradual integration can be more readily pursued. Given the significant number of candidate states and the necessity to maintain an ontological distinction between the Union and other international organisations, the prospect of differentiated integration appears to be the optimal approach for enlargement. These States - Albania, Bosnia- Herzegovina, Georgia, Moldova, Montenegro, North Macedonia, Serbia, Türkiye Ukraine, and Kosovo - upon becoming members of the Union, are already legally bound to adhere to fundamental rights, the rule of law, and economic criteria during the negotiation phase. Obligation arising from their membership would only be accentuated and they remain completely free to pursue closer integration in areas of their interest.

Quis custodiet ipsos custodies?

Apart from reiterating the general competence of the Court of Justice, in political terms, it cannot be the Council, which responds to intergovernmental logics and does not enjoy sufficient accountability at a European level, to superintend over clusters of integration. On the contrary, the Commission shall exercise control over the clusters of integration and their respect for the lawfulness of the Union by virtue of the relationship that ties it to the member states and by the confidence of the European Parliament.

In the case of all clusters, the infringement procedure by the European Commission against a State's failure to comply with the rules is quite feasible. This would be accompanied by official notices, opportunities for appeal, and a period of grace within which the situation could still be rectified. Permanent exclusion from a cluster should be based on a decision of the European Council, with a qualified majority being necessary, or in more serious cases even unanimity Any state excluded from the cluster may be readmitted upon showing good practice of the rules, but this would be subjected to evaluation and endorsement by the European Council. In order not to allow any abuse or unfair utilisation of such clauses of exclusion, there will be independent mechanisms of control, such as a Court of Justice for Clusters, which will warrant that decisions are taken fairly and based on evidence.

The extraordinary situation of an economic crisis or a natural catastrophe might require that the rules of a cluster be temporarily non-applicable to enable States to deal with such emergencies without having to face immediate exclusions. It has been proposed that legitimisation, particularly in the most contentious areas such as foreign policy, defence and immigration, can be both legal and political in nature. This approach could foster the creation of a European demos aware of the significance of integration. In the aforementioned areas, political legitimacy could arise strengthening culture as a tool to create a European identity. The creation of a shared European culture and citizenship, as has already been outlined above, institutional legitimacy also comes from adherence to its core principles and values. A key part of this effort is educating future European generations [24].

The Erasmus programme, which has engaged around 14 million people since its beginning, is a prime example [25]. Rebranded as Erasmus+ in 2014, the programme has played a significant role in creating a European public sphere. Surveys show that participating in Erasmus+ strengthens citizens' sense of belonging to European institutions, leading to higher voter turnout.[26] For Erasmus+ to reach its full potential in shaping European identity, i, it must be accessible to as many people as possible. Therefore, the programme should be mandatory and free of charge. Building a common European identity should also include candidate countries. Our proposal is to make mobility projects compulsory for all prospective "future citizens"[27] of the European Union, fostering a space that everyone can call home. The EU's enlargement must consider the role of civil society to ensure that decisions reflect a shared culture.[28]

Recently, the Court of Justice of the European Union recognized that two non-EU citizens had internalised EU values after an extended stay in the Netherlands, particularly due to their young age [29]. We understand that this initiative will increase costs for EU institutions, but it represents a vital investment. By making Erasmus+ mandatory for all candidate countries, we could expand and legitimise the European Union from the grassroots level. This approach would not only enlarge the EU but also strengthen it. It will enhance civic engagement by increasing political participation and voter turnout, as citizens would feel more connected to EU institutions. It will promote inclusivity, ensuring that all future EU citizens, especially from candidate countries, internalise European values, facilitating smoother integration. It will build a cohesive society by laying the foundation for a more unified and resilient Europe through mutual understanding and cooperation.

Finally, it will support grassroots integration, ensuring that EU enlargement is deeply rooted in the experiences and the connections of ordinary citizens. As the EU Commission prepares to evaluate the Erasmus+ programme at the end of 2024 and consider modifications for 2027, it is timely to adopt this new dimension [30]. An improved awareness for the new and old EU citizens of their status and rights as such will be beneficial in, at least, three main fields.Firstly, it could, already in the short term, facilitate the mobility of people across the internal borders and give to workers the power to counterbalance the delocalization policy adopted by many enterprises moving the industrial facilities across the Member States in search of the weakest workers protection regime. Among the four freedoms related to the EU single market, the movement of persons has been so far the least developed and that happened also for cultural reasons. Secondly, it could help the establishment of a European democratic arena where to discuss political issues and promote EU law-making.

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27 According to articles 272-273 TFEU, the Court of Justice has jurisdiction to give judgment pursuant to any arbitration clause contained in a contract concluded by or on behalf of the Union, whether that contract be governed by public or private law and in any dispute between Member States which relates to the subject matter of the Treaties if the dispute is submitted to it under a special agreement between the parties.

This could orientate the evolution of EU law, even outside the clusters, resulting in a stronger protection of citizens' rights, even in a broader Union. As time goes by, this trend could also be encouraged by other initiatives like the holding of referendums at the Union's level and the direct election of apical figures in the EU institutions as the President of the Commission.[31] Finally, it could promote a renewal of the stale debate on sovereignty, with the recognition that EU citizens are the very Masters of the Treaties, justifying the existence of substantial limits to the Treaties' revision to protect the established rights of people[32]. It is imperative that a process of institutional reform takes place in conjunction with the enlargement process mentioned in the previous paragraph. This reform must take into account the organisational structure of the clusters. It is unrealistic to expect that the European Commission, which is responsible for overseeing the direction and the policies of clusters of integration, will continue to be composed of one representative per Member State. It thus becomes necessary to preserve both the nature of the Union and its functioning, and to achieve a combination of deepening and widening: this means combining a slimmed-down executive with "Clusters' Councils"[33] comprising a Governmental representative and a representative of the Parliamentary opposition, but only in the event that the Union exceed the number of 30 Member States.

CONCLUSION

The idea of clusters of integration has the potential to serve as an effective means of enabling the EU to address areas where the Union is required to act with determination and conviction Stating that the involvement of a Member State in a cluster depends upon a voluntary decision is a crucial aspect of the political legitimacy of the Union. In a context where the sovereignty of the Union is still evolving and the sovereignty of the Member States is no longer absolute, the decision to participate in the cluster could be interpreted as an expression of a bottom-up and not a top-down integration, more calibrated with the political-sensibility of National Cabinets.. The opt-in and opt-out clauses are contingent upon the decision of a national electoral body aspiring to become a European demos. The risk is not of a differentiated application of the Treaties, but rather of an uneven and disorderly integration. This is why the Commission is responsible for monitoring the conformity of clusters with the objectives of integration and the conformity of the policies they pursue with the principles and values of the Union.

28 With the Maastricht Treaty, culture became an EU competence, highlighting the importance of creating added value for national cultures while simultaneously strengthening them—a concept known as cultural mainstreaming. The goal is to merge the identities of individual countries without blurring their unique distinctions.https://edizionicafoscari.unive.it/media/pdf/books/978-88-6969-054-9/978-88-6969-054-9-ch07.pdf
29 Anna Siemsen, a pioneer in Europeanist education, emphasized the need to revolutionize the way we teach, advocating for textbooks that present Europe as a unified entity rather than a collection of fragmented states. She envisioned education focused on common cultural heritage over differences, particularly stressing the importance of children and culture. Siemsen's vision, for which she paid with exile, remains compelling and pragmatic today. We view the new generations as our greatest asset, believing they will be the guardians of Europe's cultural heritage.
30 https://ec.europa.eu/commission/presscorner/detail/en/ip_23_6165
31 Such developments are also conducive to strengthening European democratic institutions: there can be no democracy without a sense of belonging among citizens.
32 https://www.erasmusplus.it/wpcontent/uploads/2024/06/participation_in_learning_mobility_as_a_driving_force_to_change_the_european_uni on_0.pdf
33 https://curia.europa.eu/juris/document/document.jsf?text=&docid=286987&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=2055743

THE PROBLEM SETTING

The digital revolution and the raise of regulation

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 OpenAI[34] 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. The program smashed a number of records including the one which account for how quickly different technologies are adopted. From its commercial introduction[35], 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.

Not less quick has been the introduction of other "large language models" (the form of generative AI that OpenAI is further perfecting with GPT-4): Google's PaLM and Gemini; vAI's Grok; Meta's LLaMa, Anthropic's Claude have all been developed in California; China is followinga completely differentstrategy with 15 AIcompanies (from Alibabato iFITech; Xiaomito Pigan) dedicated to 15 different policies/ industries (home automation, voice recognition, autonomous vehicle). Europe is instead laggingbehind and yet the French Mistral AI's is creatingvalue out of the idea of an open-source AI.

This is clear evidence of the speed of the emergence and the spreading out of new technologies and the problems that these dynamics bring to policy makers, who need to first understand these phenomena and then decide if /how try to govern them. These kinds of problems have been characterising the entire digital transformation/revolution since its beginning.

34 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).
35 The World of statistics, 10th March 2023
36 Bianchi P., Labory S. (2020).
37 Aghion P, BergeaudA, Van Reenen J (2021)
38 See Manganelli A., Nicita A (2020): for example, this has been the case for the 'incentive regulation' mechanisms adoptedfor decades in theelectronic communication sectors,balancing the competition objectives with those of deploying innovative network infrastructures.
39 That is the 'Schumpeter vs Arrow' theoretical narrative. In a nutshell, the former was of the opinion that a monopoly or a firm with significant market power has bigger incentives to innovate than firms facing competition in the market. This is essentially due to the monopolistic firm's greater ability to appropriate the benefits stemming from technological breakthroughs, by excluding potential competitors from enjoying those benefits. On the other hand, Arrow stressed how a monopolistic firm has less to gain from innovation because it faces opportunity costs that a firm in a competitive market does not bear—i.e., the risk of losing its existing pre-innovation monopoly profits (the so-called replacement effect). In short, an undisputed dominant firm does not have any strong incentive to innovate further as this is unlikely to improve its condition. Therefore, within Arrow's conceptual framework, it is firm competition, rather than monopolistic rents, that triggers innovation in a synergic way.
40 See Manganelli A., Nicita A (2022): due to economies of scale and scope, indirect and direct network externalities and consumers behavioural biases, in most cases digital markets are subject to 'tipping', which implies a winner-takes-it-all scenario once the leading company, often called 'gatekeeper', reaches a certain scale.

Similarly to what happen to all innovation dynamics, the public governance of digital transformation and of technological evolution should have a twofold objective. On one side, policy makers seek to minimise any potential negative impact on competition and consumers (competition and regulatory policy) and, on the other side, they aim to maximise the positive effect on national business capabilities and country competitiveness.

On this basis, it stands the policy and academic debate on the relationship regulation and innovation. Of course, there are possible trade-offs, especially in those circumstances where an unbalanced approach is embraced, either favouring completely undisciplined market dynamics, or envisioning a too intrusive and inflexible regulatory approach.[36] Nevertheless, the more recentand most balanced approaches focus on regulation (or deregulation) as a mechanism to also prompt and incentivise innovation.[37]

Indeed, closely related to this debate, there is the much older one (yet still very relevant) about the relationship between competition and innovation.[38]
I
ndeed, competition can be the result of free market dynamics, yet competition is preserved in time by a public policy (competition law)[40], as otherwise market would tend to concentrate and even be monopolised – and this is very much the case in digital and tech markets that are subject to tipping phenomena.[41] Also in this regard, a balanced approach has been identified as the most effective and efficient: a number of empirical works showing the existence of a non-linear relationship (bell-shaped or inverted-U) between competition and innovation. According to these analyses, both low and high levels of competition would reduce the incentives to invest, and the point of maximum investment would be linked to an intermediate level of competition.[42] These outcomessuggest that the relationship between regulation and innovation is not alwaysstraightforward and effects of regulation on innovation may substantially depend on specific regulatory design.[43]

So, the classic dilemma is: - should regulators give any new digital technology some time (a grace period we may say) to develop and go ahead uninterred for a while, to fully comprehend the extent of that tech's abilities and the outcomes? Or should they be as agile and flexibleas the market (i.e. the digital market) they try to regulate?
Can there be a healthybalance between encouraging groundbreaking innovation and at the same time curbing or minimizing the potential disruptions caused by the new techs?[44]

Digital transformation is based on rapid and often disruptive innovations involving more and more individuals, businesses, and objects, having cross-sectoral and global rather than sector-specific and national dimensions. Since the emergence of very large globaldigital platforms, it was clearthat those were not easilysubject (or not effectively subject) to public rules, because of a limited "regulatory capacity" in the digital world. [45]

This limited regulatory capacity hinges upon two main elements related to the relationship betweenpublic bodies and global digital platforms: (i) a marked information asymmetry, due to the continuous and fast technological innovation that causes public bodies to always lag behind in terms of understanding digital market dynamics and platform internal technical functioning[46] (i.e.,digital services, algorithms and AI tools as black boxes); (ii) the institutional design of public policy-making, which is traditionally set and implemented at national level, while digital actors and services have a global nature, making it very difficult for regulators to both obtain information from digital actors, in order to compensate the information asymmetry, and also to effectively design and enforcea regulatory framework applicable only to a subset of platforms' actions/users.[47] After a period where the leading cultural and political approach vis-à-vis digital innovation was based on a visionof the internet as a place of freedom and unconstrained economic possibilities, [48] digital regulation has been progressively considered as indispensable in the EU (and later also the US debate is increasingly focussing on that).

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44 Aghion P et al (2005).
45 Lev-Aretz Y., Strandburg K. (2020); BlindK. (2012).
46 The concept of regulatory capacity is based onto the formal and substantive ability of public bodies to imposeeffective obligations, creatingan effective outcomein markets and society.For some BEREC (2013); OECD (2009).
47 Manganelli A., Nicita A (2022)-
48 Indeed, especially at the beginning of the digital transformation, the main motivation for not 'regulating the Internet' and digital services was supported by a significant part of public opinion and part of legal-sociological thought, which idealized'the Net' as a place of maximumindividual freedom, transcending states not only from a geographical point of view but also with reference to the rules applicable there: a place not subject to the "rules of governments," but governed exclusively by its own rules (cfr,, J. P. BARLOW, A declaration of the independence of cyberspace, 8 February 1996.) The Web was considered a place of freedom, assuming, however, that no private power existed.

Indeed, the early "romantic" vision of the internet and the web as a place of freedom drastically turnedout to be not only utopian, but also a source of socially problematic outcomes when it was clear that web shifted from an atomistic and decentralized system to a contextof strong centralization of power. There,it starts to be blatantly evidentthat the publicpolicy choice was not (any longer) between regulation or no regulation, yet the choicewas between different kind of rules and legal orders, 'private rules vs public rules',to which end-users and citizens would have been subject.

Indeed, the main rationale for digital regulation is based on the unprecedented market and social power that global digital platforms have acquired in the last decade [49] and thus regulation has been untrusted with the objective to limit their power and ability to strongly influence economic, social and political dynamics. New rules were considered necessary, after having ascertained that application of existing competition law and consumer law (designed for the offline world) was inadequate and mostly ineffective for the digital markets and services [50].

Similarly, the most worrying characteristic of the latest evolution of AI technologies, i.e., its autonomous nature aside of any human intervention to operate and even to self-adapt or correct, build the policy case for a regulation aimed to maintaina human-centric development and exploitation of technologies in order to comply with EU common values – where no one is left behind, everyone enjoys freedom, protection and fairness.

Nevertheless, a limited regulatory capacity, which was the main reason for the delay in introducing digital markets and services regulation, was and still is the reason for which the regulation (massively introduced across the last decade) could not be ideal in terms of efficient and fair market and social outcomes.

Indeed, there has been and there is the risk of developing an approach to regulation which seems still largely the one we had in the 20th century, i.e., not based on regulatory principles and tools conceived specifically for digital markets and services. Whereas, "regulation of innovation" should be coupled with an "innovation of regulation", thus developing new legal principles, updating existing ones (e.g. proportionality and subsidiarity), make use of appropriate legal instruments (e.g. more regulations and less directives), in order to satisfy the specific needs of the digital regulation.

For example, moving away from traditional lawmaking to an approach that could result more similar to the 'law as code',[51] implying legal rules being increasingly embedded in technical standards. This, in turn, implies the necessity to move from unilateral lawmaking with extraterritorial effects (the so called 'Brussels effect'[52]) towards international regulatory cooperation and 'coalition building'.[53] This of course would make the geopolitical dimensions very relevant also for regulation (setting a regulatory scenario much closer to traditional industrial and commercial policies).

Furthermore, regulation is only as efficient as its enforcement is. Indeed, within the digital ecosystem enforcement of public rules (of course not the privately defined ones) has been always the most problematic issues, mainly due to the existing asymmetric information with global digital tech companies, as well as the imbalance of economic power (as some tech companies' annual turnover is bigger than GDP of some EU member states).

49. In this context, "platforms enact the rules that their users must follow when they interact; as such they have a role as 'privaterule makers' or 'private regulators,' which organize the exchange between large number of users. These private rules affect the efficiency of economic exchange but also the benefits of participation in the platform." Cabral, at al. (2021). Therefore, platforms developed somehow a private legal ordering (or few ones, dividing the cyberspace, as in a partition), where rule-making and enforcement was somehow based on their economic and bargaining power. Those privateorderings were (a) not subject(or not effectively subject) to public rules, because of public bodies' limited regulatory capacity in the digital world; and did (b) not need to rely on "traditional" publiclaw-enforcement mechanisms, also with concernof the material exclusion of a single user from the community, as platforms have the capacity (i.e., the material power) to excludeindividuals from theircommunity: in the cyberspace, virtual coercion is indeed materially effective. Manganelli A., Nicita A. (2022)
50 As it usually happens in (disruptively) evolving market context, competition law enforcement took the lead on public intervention, mainly because of its enforcement flexibility and ability to adapt to new market circumstances. The most relevant competitionlaw cases for big tech atEU level, over the last years, concerned cases of abuse of dominant position (under Articles 102 TFEU). Nevertheless, competition law enforcement has been perceived by many to be too slow compared to digital marketdynamics and has been considered effective only for clear foreclosure cases where a dominant platform leverages its market power on another (downstream or upstream) market.Furthermore, antitrust intervention has been accusedof not tackling the actual problems in digital markets,which are oftennot (only) those of market power. Moreover,in those antitrust cases, the definition of relevant markets is always quite problematic, given the conglomerate nature of the intermediaries, among more markets and more market's sides and the peculiar features of digital economic transactions. See Bourreau, M., & De Streel, A. (2019), Cabral et al. (2021); Hovenkamp, H. (2021).
51 Lessig, L. (2000);Lessig, L. (2006)
52 Badford A (2020).
53 Renda A (2022)

EU tech innovation and the need of an industrial policy

Another crucial and overarching point refers to the need for the EU to couple, coordinate and balance its regulatory strategy and innovation with a sound and effective industrial policy for the digital ecosystem.

At a time when digital technologies and services play an increasingly prominent role in social, economic, social and political life worldwide, Europe's digitalisation is essential for its prosperity as a key determinant of future jobs and competitiveness. Yet, the European countries seem to have fallen way behind of the United States when it comes to technological advance and innovation. In 2020, at the time of the first Vision conference on the future of Europe, a Vision paper considered the trends [54] defining the quest for global digital leadership and found that Europe seemed to have been left out of the "battle" for global digital leadership.

For example, the seven largest US digital tech companies, Alphabet (Google), Amazon, Apple, Meta, Microsoft, Nvidia and Tesla, are 20 times bigger (in terms of capitalisation) than the EU's seven largest ones and generate more than ten times of their revenues. Today, the EU is neither represented in the group of the top 20 tech companies nor in the top 20 start-ups. There is 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). Furthermore, with the departure of the UK, the EU lost 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 big picture is maybe somehow changing. The French and German governments' Manifesto of 2019 stresses the importance of manufacturing and calls for massive investment in innovation. There is a rebalancing between competition and industrial policy to address market failures. The Manifesto calls for regulatory adaptation pointing to new approaches to competition rules given distortive support by third countries.[55]

In addition, 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 years[56]. 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 Sorbonne [57]), the European Union has focused mostly on regulation.

Many argue that EU's laser-focus and dogmatic pursuit of regulating innovative tools, instead of incentivizing innovation, has contributed to the current stagnation and explaining the EU's inability to nurture tech companies and compete with the US and China in the tech race.
However, one of the important issues we need to bear in mind is that correlation does not mean causation. Although the premise in unassailable and there is no doubt that the biggest and the most influential tech companies have been created in the United States, but that doesn'tnecessarily mean that EU's ambitious goals of regulating the tech market is the main hindrance for innovation in Europe.

However, one of the important issues we need to bear in mind is that correlation does not mean causation. Although the premise in unassailable and there is no doubt that the biggest and the most influential tech companies have been created in the United States, but that doesn't necessarily mean that EU's ambitious goals of regulating the tech market is the main hindrance for innovation in Europe.

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54 In a recent paper VISIONmeasured leaderships in ten crucialindustries/ innovation trends:suit for PCs, tabletsand 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 (amongstvery few exceptions we can name the Dutch ASML and the FrenchSaffran). "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/)
55 French and German Governments. (2019). A Franco-German Manifesto for a European industrial policy fit for the 21st Century. https://www.bmwk.de/SiteGlobals/BMWI/Forms/Suche/DE/Servicesuche_Formular.html?resourc eId=180050&input_=807920&pageLocale=de&selectSort=score+desc&templateQueryStringList en=manifesto
56 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
57 Macron,E. (2017, September26). Sorbonne Speech of EmmanuelMacron. Full Text / English Version. http://international.blogs.ouest-france.fr/archive/2017/09/29/macron-sorbonne- verbatim-europe-18583.html

Indeed, *"the association betweendigital regulation and technological progressis considerably more complex than what the public conversation, US lawmakers, tech companies, and several scholars have suggested to date."* [58]

Even though the importance of legislations and their effects on innovation in any jurisdiction cannot be denied, however, it should not be forgotten that the socio- economic and institutional aspects of each country or region play crucial roles as well. Just as mere speculative examples, some of them can be identified in some of the inherent features of the EU socio-economic and institutional environment (which are markedly different in the US one): (i) the absence of a 'real' digital single market, which makes the EU still composed of 27 economies, institutional ecosystems and customers (and therefore much smaller of US, China and most emerging economies); which is associated to (ii) the inefficient and unintegrated European capital markets;[59] (iii) too stringent bankruptcy laws that deter risk- taking and entrepreneurship; (iv) higher administrative constrains (related to the 'old Europe' bureaucracy status and functioning) and overall higher cost and uneasiness of 'doing business' [60] ; (v) the (decreasing) detachment between university system and the industry.[61]

Indeed, in this context, it is crucial that EU develop a consistent, future-proof industrial policy for digital and technological markets. This has been 'formally' acknowledged by the European policymakers since 2015: at the end of 2020 the EU Commission started better defining its overall digital and data strategy. In the Communication "Shaping Europe's digital future" [62] and in 2021, the EU Commission, with the Communication "Digital compass 2030" [63] extended its sight to the next decade, presenting visions, targets, and setting out those paths to be followed towards digital transformation of Europe by 2030.

The latter Communication aims to set out the EU way for digital transformation around four cardinalpoints, buy setting digital targets on [64]: (a) Deployment of secure and high-performing digital infrastructures; (b) Digital transformation of businesses; (c) Development of digital skills and literacy; and (d) Digitalisation of core public services (e-government, e-health). Moreover, the (i) Decision (EU) 2022/2481 establishing the Digital Decade Policy Programme 2030, (ii) the Communication establishing the Union-level projected trajectories for the digital targets, (iii) the Implementing decision setting out key performance indicators to measure the progress towards the digital targets, and (iv) the Guidance to the Member States on the preparation of the national Digital Decade strategic roadmaps have built monitoring, "name and shame" and recommendation mechanisms to guide and push member states and their companies to reach those targets.

Nevertheless, the overall substantial effectiveness of these policy actions is still to be substantially assessed.

Analysing the problem(s)

The EU regulatory activity in the digital tech domain

An interesting and meaningful example of the EU regulatory dynamic can be found in the ChatGPT case and how it has been developing since its launch. Some argued that the EU jumped the gun in its rush to regulate OpenAI and its creation ChatGPT. Its temporary ban in Italy which the authorities said was due to the time needed for gathering information and assessment of the ChatGPT was seen by critics as misguided and not so thought-out. Othersplauded EU and Italy's actions.

The fast-moving technological inventions cannot and should not be prohibited. The point is to regulateinnovation with the goal of protecting the consumers and the society, without crushing the spirits of derring-do. What is a balanced and effective regulation for those markets, services and technologies? And has the EU adopted that kind of rules?

As anticipated, since 2016, the European Union has undertaken a massive regulatory activity, having issued 10 different pieces of legislation, totalling more than 700 pages and 550 articles [65].

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58 Bradford A. (2024)
59 This is magnified be the differentfoundations and functioning mechanism of the capital markets in the EU and the US. As in the latter,innovative entrepreneurship and new ideas has traditionally represented da valuable asset for the financial markets.
60 See the last World Bank Group's "ease of doing business" index and rank: https://data.worldbank.org/indicator/IC.BUS.EASE.XQ
61 Of course,these listed five factors are likely not the only reasons that explain the differences in the EU and US's tech ecosystems, nor is their relative contribution to tech sector performance easy to measure.
62 European Commission. (2020)Communication "Shaping Europe'sdigital future".
63 European Commission. (2021) Communication "Digitalcompass 2030—The Europeanway for the digital decade".

Name	Type*	Date	Pages	Articles
ARTIFICIAL INTELLIGENCE ACT	PR	2024/03/13	458	113
DIGITAL MARKETS ACT	R	2023/05/02	81	39
DIGITAL SERVICES ACT	R	2022/10/19	113	74
DATA ACT	PR	2022/02/23	63	42
GOVERNMENT DATA ACT	PR	2020/11/25	42	35
PLATFORM TO BUSINESS PRACTICES	R	2019/06/20	23	19
DIGITAL COPYRIGHT	D	2019/04/17	34	32
EUROPEAN ELECTRONIC COMMUNICATION CODE	D	2018/12/11	179	127
GEO-BLOCKING	R	2018/02/28	15	11
GENERAL DATA PROTECTION RIGHTS	R	2016/02/27	88	99
TOTAL			1096	591

* 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

Of course, the number of pages and articles are not per se indicators of good or bad regulation. Nevertheless, it is a clear signal of the regulatory-based approach developed by the EU institutions vis à vis digital markets, services and technology, which could be well justified. Nevertheless, this massive regulatory activity could also signal that either the EU institutions are not able or neglected the need to develop an effective digital industrial policy[66].

In addition, others are of the opinion that the underlying rationale for the current EU regulatory activism in the digital domain is deeply related to the Brussels effect, yet failing to consider that "there are several reasons to believe that the success of the GDPR is not as solid as it may appear at first sight, and this fragility may reverberate on ongoing regulatory initiatives that seem to following the same footsteps."[67] For example, the fact the digital markets and services are subject to several regulatory initiatives and/or discussion in other jurisdictions and legislation has decreased the EU first-mover advantage. Moreover, regulation is only as efficient as its enforcement/compliance is, and digital regulation has not proven yet its effectiveness, reducing the tendency to emulate it or transplant it in other jurisdictions. In this regard, tech giants are testing the limits of EU rules enforcement by starting strong compliance oppositions and several legal cases to define and redefine the boundaries of new legislation to their advantage.

As explained the EU has made in the last few years a gigantic regulatory effort which has put the EuropeanUnion 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 hold of. However, the connections between these legislative/regulatory initiatives, as well as between them and the new industrial strategy of the European Commission, appear mostly weak.

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64 Even if digitaltargets are formallynot compulsory neitherfor companies nor for memberstates, as defined as non-binding soft-law acts, those targets have progressively assumed some compulsory features for Members States. First, RRP loans have been conditioned to the obtainment of the 2030 targets (sometimes anticipated compared to 2030). Moreover, the (i) Decision (EU) 2022/2481 establishing the Digital Decade Policy Programme 2030, (ii) the Communication establishing the Union-level projected trajectories for the digital targets, (iii) the Implementing decision setting out key performance indicators to measure the progress towards the digital targets,and (iv) the Guidance to the Member States on the preparation of the national Digital Decade strategic roadmaps have built monitoring, "name and shame" and recommendation mechanisms to guide and push member states and their companies to reach those targets.
65 https://www.thinktank.vision/images/Pontignano_Papers_-_Siena_Conference_Follow_Up.pdf
66 The Data Governance Act (Regulation (EU) 2018/1724 amended by Regulation (EU) 2022/868), and the proposalfor a Data Act (put forward 23.02.2022); the proposal for an Artificial Intelligence Act (put forward23.02.2022); the Directive2019/790 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 businesson-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)
67 Renda A. (2022)

Specific regulatory problems and necessary improvements: A problem of lack of relevant information.

It is beyond any doubt that to regulate a phenomenon, regulators need to first understand that said phenomenon. They should not only have a high degree of competence about the act of "regulating" and law-making, but they should also comprehend technologies so well. In fact, beyond any mere familiarity with the technology and the novel digital products or services, any normative act needs to start from understanding and defining what it is trying to regulate. To do such a thing for something like very large platforms' algorithm or Artificial Intelligence tools raises great technical and intellectual problems (Alan Turing tried to solve the puzzle)with very practical consequences. So far, the definition that the European Council amending the European Commission's first attempt is such [68] that even Netflix or Google search engines are part of it.[69]

This underlies, as largely anticipated, a structural problem related to the asymmetric information between public regulators and private regulated entities. In other words, regulators do not have the same quantity and accuracy of information than those they want to regulate. There are regulatory mechanisms to induce market players to reveal relevant information, however a major difficulty here is the scale of such players. When the scale is global those players can "play" with different jurisdiction and make it regulators' powers less effective.

Finally, this issue is strictly connected with the lack of human resources with high specialised technical skills, both supporting the policy maker (when defining the rules) and in the enforcement activity.

An even bigger problem because of "speed".
As previously highlighted, the process policymakers are trying to regulate is much quicker than any lawmakers have ever been. The pace of digital transformation of course has a large disruptive impact on the ability to effectively regulate.As far as the public power trey to fill the gap in terms of information and knowledge the digital markets and technologies has changed, either autonomously (as for market and tech dynamics)or to respond (to elude)regulation, thus creating new information asymmetry and regulatory ineffectiveness. In the worst-case scenario, this might result in a process where rules endlessly and ineffectively chase evolving services and technologies.

In a more pragmatic assessment, this is also a big problem in terms of time- consistency coherence of the rules. Indeed, there is a general problem of cross- consistency among the different piece of legislation/regulation mentioned, since, in most of cases, those have been developed looking at (a) specific aspect(s) of the digital markets, like it has been done for decades for the sector-specific regulation for traditional network industries. Where as digital markets and services are inherently interlinked in an ecosystem cutting across the entire economy and society. Furthermore, this problem is even more serious when legislation is adopted in different timing, just because of the continuous adaptations of markets, services and technologies. For example, the GDPR, on one side, and DMA or AI act, on the other side, are clearly interplaying, yet have been adopted respectively 7 and 8 years apart, which is a 'geological era' as far as digital markets are concerned.

In these concerns, legislation composed of general principles (rather than detailed provisions) is much more fit for purpose, because of their ability to adapt to evolving circumstances by administrative authorities and courts without the need of a lengthy and costly new law-making process. However, general principles can make the application of rules more problematic, especially at the beginning of their enforcement, since the exact meaning and extension of the rules is to be provided at the enforcement stage (which could be controversial and raise legal disputes and litigation). This could be even more problematic in a context of asymmetric information.

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68 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 machinelearning 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"
69 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?

Therefore, on one hand, it seems necessary to have extensive technical soft-law guidance from the enforcers, which can better describe the definitions of concept, thus giving certainty to the market and, at the same time, being flexible enough to be quickly adapted by the enforcers themselves. On the other hand, co- regulation (or "regulatory dialogue") [70] could be one of the most appropriate 'defaults' [71] regulatory options for digital markets. Indeed, the primary objective of co-regulation (or "regulatory dialogue") is to address information asymmetries and develop standards that, usually, are shared by the whole industry and possible adopted also by other jurisdictions. This is a very crucial and pivotal aspect in the new regulatory approach. Moreover, rather than chasing digital market actors with rules that become soon obsolete, through (duly incentivized) co-regulation, regulators allow greater compliance with lower costs of rule making and supervision.

A "shooting into our own foot" effect.

Indeed, in the previous point we refer to unbalanced and ineffective regulation. An ineffective regulation does not only fail to produce the desired consequences and outcomes, yet most likely may also have unintended negative effects.

As a mere example, the concerns leading to the ban of "social scoring" and "biometric identification in public spaces", imposed by AI regulation, are very understandable and justifiable 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 havingaccess to innovations that may instead be good for socially and politically acceptable versions (e.g., making people pay more if they produce more garbage without differentiation or to reduce queues at passport control, at the entry of the underground, or in hospital admissions).
This is also true for other digital services, for example, many end-users complained about the current impossibility to directly access "google maps" services from the results of a "google search" query, which derived from Google compliance activity with the DMA (which is supposed to pursue a higher fairness in digital markets for end-users).

Another example could be related to the EU net neutrality rules,[72] which aim to grant end-users with enforceable rights to access and distribute information, contents, and services, by placing obligations on Internet ServiceProviders (ISP) to "treat all traffic equally... without discrimination, restriction or interference, and irrespective of the sender and receiver..." Indeed, as soon as left the EU, the UK has been revising the current EU net neutrality rules as those "may be restricting ISPs' ability to innovate, develop new services and manage their networks. This could lead to poor consumer outcomes, including higher costs, or consumers not benefiting from new services as quickly as they should, or at all. These potential downsides might become more pronounced in the future, as people's use of online services expands, traffic increases, and more demands are placed on networks."[73]

Here, slightly differently in all these circumstances, we are before the classical trade-offs, described above, where regulators/policy makers are trying to minimise detrimental risks for economy and society yet, at the same time, negatively impacting on the ability of companies to freely innovate and ultimately not allowing consumers to take full advantage of the entire innovation possibilities.

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70 Coregulation consists of the definition of the rules by the public regulator, in "dialogue" with stakeholders. Regulatory dialogue is mentioned, for example, in the Digital MarketsAct (Art. 8), between the Commission and the gatekeeper operator, referring to the possibility of to specify some of the measuresthat the lattershould take to ensure compliance with the obligations under the DMA. This possibility of regulatory dialogueshould facilitate compliance and speed up proper implementation of the regulation, as well as countering more effectively unfair practices that hinder market contestability and competition. Another example of coregulation (enforced type) is provided by the European Code of Practice against Disinformation of 2022. First, the rules were written in "dialogue" between institutions, operators and civil society. In addition, in the event of non-compliance by signatories of the commitments made in the code, there is provision for the application of sanctions by European institutions.
71 A default setting, meaning that can be substituted by classical command and control mechanisms in specific motivated circumstances.
72 Disciplined by the EU Open access internet regulation (2015) - Regulation (EU) 2015/2120 laying down measures concerning open internet access.
73 Ofcom – Net Neutrality review – Statement, 26 October 2023

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First, in all these circumstances it is relevant the magnitude of restrictions that regulation is imposing. An appropriate regulatory strategy is always to adopt a 'proportionality principle', i.e., imposing the minimum effective restrictions for private behaviours, [74] rather than a 'precautionary principle', i.e., imposing a strong (the strongest) restriction on regulated entities in view of a maximum probability of effectiveness.
Even if a 'precautionary principle' approach reduces the probability of ineffectiveness, it inevitably leads to increased costs for the regulated company, risk of inefficiencies in the market and social costs. On the other hand, it is not always easy to calibrate the regulation to be proportional.

Indeed, one way to do it, is a risk-based regulation, which was also embraced by the AI act. This approach implies a gradually stringent restriction for circumstances/actors in accordance with the expected detrimental risk for economy and society. However, when risk assessment is carried out at the law- making level (ex-ante) it makes the regulation quickly obsolete, possibly hindering innovation.

To untangle these problematic trade-offs, another (and more structured) form of co-regulation is starting to be explored and adopted: these are the "regulatory sandboxes", to test products, services, but also rules, in a 'controlled environment'.

Regulatory sandboxes are 'controlled environments' in which new technological tools can be developed, tested and closely supervised. It can be of great value for the creators of the new digital products or services to run their inventions as a 'Beta Test'. During that time the regulators will become familiar with the technology and how it operates and assess impact on (a controlled subset of) users/consumers/business-users; at the same time the business providers will use this period to learn more about its product before official launch, and figure out if it needs adjustments, modifications or any kind of improvements in areas where the shortfalls would not have been detected without rigorous testing. [75]

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74 The proportionality principle is a general EU law principle, especially when it comes to economic regulation. Under Article 5(4) TEU, it applies at macro level for the definition of the scope of regulation (in the law-making process), yet this principle always applies at micro level as well, in the enforcement activity, for instance for the access regulation in the European Electronic Communications Code, e.g., art 68.2 "In accordance with the principle of proportionality, a national regulatory authority shall choose the least intrusive way of addressing the problems identified in the market analysis."
75 See OECD (2020).

Regulatory sandboxes were firstly introduced in the financial markets, operated by financial regulatory authorities and nowadays widely used in fintech for designing new financial services (e.g. testing digital wallets and digital ID technologies).[76] According to a World Bank study [77], more than 50 countries are currently experimenting with fintech sandboxes.

Likewise, regulatory sandboxes have been used in mobility, for example, for testing autonomous cars or drones, or in telecommunication services, for 5G deployment, or in healthcare. For example, in the UK, a sandbox has been set up to explore new technologies such as voice biometrics and facial recognition technology, and the related data protection issues. Japan introduced in 2018 a sandbox regime open to organisations and companies both in- and outside Japan willing to experiment with new technologies, including blockchain, AI, and the internet of things (IoT), in fields such as financial services, healthcare and transportation.

An enforcement problem.
A regulation as massive as the one the EU is producing will imply a number of practical questions: a) technical feasibility: e.g., 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: e.g., the UK CMA (Competition and Markets Authority) ran into problems of staff shortages; c) there may be redundancies (overlapping and regulatory externalities) between EU and national decisions; d) information asymmetry that takes place at enforcement level (i.e., ability to assess and control the actual behaviours of regulated entities and their outcome in the markets)

Indeed, the necessity to (try to) match the scale of regulated entities and phenomena has lead regulation in the EU (which traditionally was enforced at national level, despiteEU regulatory framework) to be much more centralised. In the most recent digital legislation, the EU Commission has acquired a more and more prominent role as direct regulators (instead of supervising the National Regulatory Authorities). Moreover, the more recent pieces of digital legislation are 'regulation' (which are directly enforceable and producing direct effect without the need of national transposition acts, as the 'directives'). This is supposed to grant a higher harmonisation at EU level both for the rules and their applications.

In certain circumstances, an EU dimension could not be sufficient. Therefore, as detailed above, besides the possible "Brussels effects", the EU institutions should try to undertake also international agreements, at least with the like-minded countries.

As for the enduring regulatory asymmetry at enforcement stage, more and more voices are stressing the fact that the public power should be in the condition to use the same technological tools that they want to regulate. Therefore, a massive effort should be undertaken in order, for example, to use AI mechanisms in the regulatory enforcement activities, for example detection and assessment of behaviours by regulated entities.

THE PROBLEM SOLVING

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.

76 See Ahern D (2021).
77 See World Bank Group (2020).

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PREFACE

Balancing financial stability, economic dynamism and inclusive growth is a discussed topic in the European Union, based on the evolution of the sustainability point of view. Our analysis is based on the main trade-offs that are leading the major changes in order to make the EU in line with the development and social goals.

We can differentiate between goals in the short and long term. We can say that the short-term goals are the ones that have to create a solid base for the long-term opportunities. We expect that the result of the changes made to satisfy the short-term objectives will create the perfect scenario to satisfy also the long-term goals. Even if the procedures seem the same, there are some differences that put us in a difficult position to decide where to start. The main problems come from the non-possibility to work on goals with different time lengths, trying to satisfy all of them. Sometimes it can happen that the different goals require more skilled teams, or different opportunities, to work on.

In Europe, the main associations are working to promote peace, offer freedom, security and justice without internal borders, while also taking appropriate measures at its external borders to regulate asylum and immigration and prevent and combat crime, establish an internal market, achieve sustainable development based on balanced economic growth and price stability and a highly competitive market economy with full employment and social progress, protect and improve the quality of the environment, promote scientific and technological progress, combat social exclusion and discrimination and promote social justice and protection, equality between women and men and protection of the rights of the child.

Every political party has decided where to invest (long or short-term objectives), remembering that every goal has to be satisfied. Also different political parties have different perspectives in terms of which goals to pursue.

THE PROBLEM SETTING

Clearly defining these trade-offs is essential for developing strategies that are economically advantageous.

- **Macro financial trade-off** represents one of the most complex and crucial challenges for modern economic policies. This trade-off refers to the need to balance three main objectives: economic growth, inflation and financial stability.

- **Growth vs. Inflation:** enhancing economic growth through expansionary monetary policies can lead to an increase in inflation. The European Central Bank (ECB) and the Federal Reserve (Fed) often need to balance the need to support growth with the risk of overheating the economy and rising prices.
- **Growth vs. Financial Stability:** policies that promote economic growth, such as maintaining low interest rates, can encourage excessive risk-taking by financial institutions, increasing the risk of financial instability
- **Inflation vs. Financial Stability:** measures to control inflation, such as raising interest rates, can have negative effects on financial stability. Higher interest rates increase the cost of servicing debt for businesses and households, which can lead to a rise in defaults and problems for banks.

In order to handle these conflicts economic authorities use a combination of monetary, fiscal, and macroprudential policies to try to contain financial risks. Some strategies include:
- Transparent communication: Central banks and governments must clearly communicate their policies and objectives to manage market expectations.
- Contingent policies: Implementation of policies that can be quickly adapted in response to economic changes.

Policy coordination: Collaboration between different authorities (monetary, fiscal, and financial regulation) to ensure that policies are coherent and complementary.

2. **Growth vs Social inequality trade-off is** – and must be – a central issue in Europe's socio-economic policy landscape.

Even though the former can be deemed as a "by-all-means goal", it often exacerbates social inequality, raising critical questions about the sustainability and inclusiveness of such growth.

It can be argued that there cannot be any real and sustainable growth without social equality. Some concepts supporting this claim can be found:

I.Recent Eurostat data reveals that as of 2023 the Gini coefficient – the main coefficient for measuring income inequality – stood at 29.6 for the EU as a whole, indicating moderate inequality but with a quite significant variation among member states. Indeed, it ranges from Bulgaria's 37.2 to Slovakia's 21.6, which exhibits an intra-European disparity underscoring the uneven impact of economic policies and growth trajectories across the continent. Furthermore, an OECD's research has highlighted that rising inequality hampers economic performance through undermining social cohesion, reducing access to education and health services and prompting political instability.

II.As far as Economic stability, when wealth is concentrated, overall consumption and investment levels drop, stifling aggregate demand and slowing growth. An IMF's research underscores that lower inequality correlates with longer periods of economic expansion.

III.As far as Human capital development, social equality ensures broad access to education and healthcare, crucial for developing a productive workforce.

IV.As far as Inclusive growth, the Nordic model demonstrates that it is possible to achieve high growth while maintaining low inequality by investing in comprehensive welfare systems, progressive taxation, and active labor market policies.

Addressing the trade-off requires multifaceted policy approaches. Investments in educational, progressive tax policies and social transfers can help redistribute wealth more equitably. Finally, enhancing labor rights and ensuring fair wages can reduce the disparities caused by precarious employment.
The political will to implement inclusivity and equity will determine the success in balancing inequality and sustainable growth in the long-term.
 The EU must lead the way in proving that real and sustainable growth can only be achieved through social equality.

3. The sustainability trade-off. Around the globe the most relevant, or at least some of the most publicized, pieces of public policies are aimed at addressing in an efficient and effective way the green transition. After almost a decade of consensus around the need for climate action (The Paris Accord being the decisive turning point) a now clearer picture on the costs and social consequences of the net zero transition can be defined. The required fiscal effort necessary to achieve such transition is not comparable with any previous human effort and an unimagined amount of cooperation and steadiness in policies will be required. While the necessity of action is no longer disputed by most actors, national and not, a wider discourse on its fiscal and social sustainability was opened. The Covid-19 pandemic being a major catalyst to the change of the themes and topics that dominate political scenes across the globe. The most recent years have shown how fragile is the European social model and how its progressively increasing fiscal unsustainability is straining the fabric of European societies.

CONCLUSIONS

The European Union is confronted with a significant dilemma: how to simultaneously foster economic expansion and ensure financial stability across its varied member nations. Given the differing economic conditions within the union, there is a genuine danger that emphasizing short-term economic successes could unsettle the overall financial system. Additionally, overly ambitious growth initiatives might unintentionally trigger inflation and widen social disparities, both within individual countries and across the EU, thereby threatening the union's fundamental principles of fairness and unity. In this situation, the focus on immediate economic goals brings up serious concerns about potentially compromising long-term environmental and social objectives. This raises a crucial question: The EU has to manage these intricate challenges with strong political cooperation and consistent policies, which are essential for tackling the region's complex economic problems.

When creating proposals to manage the various trade-off previously mentioned the matter of suitability to the current socio-political environment must be always kept in mind. The matter of governance of resources, for example poses decisive challenges and will be central to the debate. Nonetheless managerial choices must not come at the expense of establishing few clear policy objectives.
A virtuous synthesis of the numerous instances around some key goals is probably a desirable outcome to overcome accuses of democratic deficit in EU policy making and manage the political and social discount rates of policy and regulation.

Accounting for social risks such as political apathy or indifference towards policy could be the deciding factor not only between a successful or failed effort to solve a particular problems, the stake is the very outcome of the European project.

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[4.5] EIGHT IDEAS TO TRIGGER THE CHANGE

DEMOCRACY

- EUROPEANISING AND SIMPLIFYING EUROPEAN PARLIAMENT ELECTIONS. BY INTRODUCING **E-VOTING AND A EUROPEAN ELECTION DAY.**

- INVOLVE CITIZENS MORE IN POLICY-MAKING. INTRODUCE A DELIBERATIVE PROCEDURE WITH GREATER PUBLIC SCRUTINY**.**

ENLARGEMENT

- **QUALIFIFED MAJORITY VOTING IN THE COUNCIL** SHOULD BECOME THE DEFAULT DECISION-MAKING PROCESS, INCLUDING FOR ENLARGEMENT. WHILE RESERVING UNANIMITY VOTING FOR AREAS INVOLVING NATIONAL SOVREIGNTY (DEFENSE/WAR).

- THE DEVELOPMENT OF AN **INSTITUTIONAL STRUCTURE OF FLEXIBLE CLUSTERS OF INTEGRATION** FOR DEEPER AND CLOSER COOPERATION.

TECHNOLOGY

- CREATING A **CENTRAL REGULATORY BODY AT EU LEVEL** TO CENTRALISE REGULATION IN ONE PLACE.

- USE **TECHNOLOGY FOR PUBLIC SERVICES OF GENERAL INTEREST** (HOUSING, TRANSPORT, HEALTHCARE).

FINANCE

- ADAPTING **BANK CAPITAL REQUIREMENTS TO MORE ACCURATELY ACCOUNT** FOR THE ADHERENCE OF ITS LENDING AND INVESTMENT CHOICES TO THE REALITIES OF CLIMATE CHANGE.

- **REVISING CAPITAL GAINS TAXATION TO INCENTIVIZE INVESTMENT** THAT ARE CLEARLY ALIGNED WITH SUSTAINABLE PRACTICES AND YIELD POSITIVE

[5.] PLENARY 1: FOREIGN INFLUENCE AND EUROPEAN DEMOCRACY. LESSONS LEARNED AND FUTURE PERSPECTIVES. (IN PARTNERSHIP WITH EUROPEAN LIBERAL FORUM)

While foreign influences and interventions in Europe and democracies are not a new phenomenon in Europe, in the recent years they have been exacerbated. Every other week, we receive news about private companies, state institutions and officials and foreign nationals either being involved in our adversaries, spying for them or openly doing business with them. While the formats of cooperation with foreign powers vary across countries and regions,the outcome is the same: the vulnerabilities of our democracies are used to destabilise and divide the unity of the European continent and weaken our decision-making institutions.

It is no wonder that many European countries are contemplating about ways to protect themselves, with variations of laws against foreign interference. While the premise of these laws is to protect our democracies against malign foreign powers, in the hands of more illiberal government, they can become tools of suppressing independent media, civil society and ruling party critics.

Moving beyond disinformation and fake news, what does the scope of foreign interference in Europe include? Does the EU have successful examples of identifying and preventing them more proactively? Finally, where is the fine balance between protecting our democracies, but not at the cost of their existence?

[6.] PLENARY 2: EU COMPETITIVENESS: HOW TO ESCAPE MIDDLE TECHNOLOGY TRAP (IN PARTNERSHIP WITH INSTITUTE OF EUROPEAN POLICY MAKING AT BOCCONI UNIVERSITY)

Encouraging innovation has long been a priorityfor European policymakers, with the implicit aim of reaching the technology frontier represented by the US. This goal has not been achieved. The Innovation Scoreboards regularly published by the European Commission have consistently found that the EU lags behind the US on many indicators. The most recent Scoreboard indicates that the transatlantic gap has widened.

This report argues that current European efforts, while laudable, are insufficient, in both quantity and quality. Important reforms are required to enable Europe to compete in the value-creating space.

The disappointing European performance might surprise the reader, given that government support for research and development (R&D) has grown gradually over the last two decade sand is now at about the same level as in the US (around 0.7% of GDP). It is in the private sector where one finds a large quantitative difference between the US and EU. Business expenditure on R&D(BERD) in the EU, at 1.2% of GDP, represents about half that of the US (2.3% of GDP).

Moreover, European business R&D is concentrated in mid-tech sectors, like the automotive industry. These sectors compete by applying the latest technological advances to production, but they do not require the same R&D intensity or offer the same growth potential as high-tech industries that produce the newest technologies. The main reason for US private R&D being twice that of Europe is therefore the much higher weight of high-tech industries in the US.

European specialisation in mid-tech, the 'middle technology trap', has persisted for two decades. The largest EU companies in terms of R&D expenditures are almost invariably car producers, whereas in the US car producers, which were important 20 years ago, have been supplanted by software companies. The EU's comparative advantage in cars is worrisome, as despite its massive investment in R&D, the EU automotive industry now risks being leapfrogged by US producers and increasingly by Chinese ones. Foreign producers can build on their leadership in electric and autonomous-driving technologies.

Today, the transatlantic gap is particularly wide in software development, where US companies account for 75% of the global total, compared with 6% for the EU (less than China). A large portion of the growth in US corporate R&D spending over the last decade has come from software-related companies, underpinning US dominance in the latest advances in artificial intelligence (AI).

The quasi-monopoly position of US high-tech sector also applies to next generation of upcoming software (most cutting edge LLMs are US) and hardware (see Nvidia for semi-conductors etc). And China is rapidly catching up in terms of high-tech R&D spending.

A shift in the direction of EU innovation towards high-tech industries thus appears highly desirable. Escaping the middle technology trap would foster growth and increase the geopolitical weight of the EU. But to achieve this, governance must match ambitions. Simply put, the EU does not have the institutions it takes to meet the 21st century innovation challenge.

Most (90%) of the public-sector support for R&D in the EU originates at the national level. The EU contributes through the Horizon Europe1 programme, which earmarks about €11-12 billion per year to support broadly-defined innovation, research and development.

However, less than 5% of Horizon Europe supports breakthrough innovation, which has the potential to create new markets but is remote from commercial applications. Distinguishing betweentypes of R&Dis important (yet overlooked), as projects aimed at bringingknown technologies closerto the market cannot be expected to deliver disruptive innovation.

The recent creation of the European Innovation Council (EIC) was a positive step towards redirecting R&D efforts,but it is hampered by several limitations. First, is too dependent on the European Commission. Second, it only marginally targets breakthrough research, which is still substantially underfunded.

The EIC seems more focused on remedying perceived capital market imperfections than on promoting innovation, as a substantial share of its spending supports the capital structure of small to medium-sized enterprises (SMEs) and, to a more limited extent, startups. Moreover, serious governance issues may undermine its mission of boosting breakthrough innovation: the EIC is mostly led by EU officials rather than top scientists; some eligibility criteria impose severe constraints, rendering the selection mechanisms highly bureaucratic; collaborations are mandated rather than accompanied; and the disbursement of funding is slow.

Institutional change is thus needed to boost the development of EU high-tech industries.

Specifically, we propose:

(i) giving leading scientists a more central role on the EIC Boardand in selecting projects; (ii) shiftingdecision-making power from the EuropeanCommission to a largernumber of independent project managers; and (iii) drawingresources from underperforming programmes of Horizon Europe and other parts of the EU innovation ecosystem to expand the size and scope of programmes actually devoted to breakthrough research, without changing the existing Multiannual Financial Framework.

Our budget-neutral, yet radical reformof the EIC could give the EU an innovation engine along the lines of the US ARPAs (advanced research project agencies). ARPAs have been widely credited with supporting advances in several breakthrough technologies and the development of the American biotechnology, software, and hardware industries. A flourishing innovation ecosystem would create the right incentives, attract private investment, and stimulate the growth of high-tech industries, helping the EU to escape its middle technology trap.

[7.] PLENARY 3: AFTER THE ELECTIONS: THE FUTURE OF THE TRANSATLANTIC ALLIANCE (IN PARTNERSHIP WITH NEW DIRECTION)

The Transatlantic Alliance is the most important relationship for both Europe and the United States. The relationship between Europe and the US extends far beyond its utility as a strategic, defence alliance, covering a plethora of other areas.

TRADE, INNOVATION, INVESTMENT, CULTURE, AND A SHARED HISTORY ALL HELP TO ENSURE THAT THE TRANSATLANTIC RELATIONSHIP REMAINS CENTRAL TO THE FUTURE OF BOTH SIDES.

Modern History of the US-Europe Relationship:

The European Union, in part, owes its origins to the United States. In the aftermath of the Second World War, Europe was in a state of economic and political turmoil. The devastation wrought on the continent by totalitarian regimes left Europe struggling to recover. In April 1948, the United States began the Marshall Aid Programme, sending billions of dollars to Europe to support the reconstruction effort.

Thanks to the Marshall Aid Programme, countries that had been left with no industrial output were quickly put back on a path towards growth. Cities that had been levelled by fighting re-emerged. And new democratic institutions were established, ranging from political parties to media outlets to new universities.
Trade between Europe and the United States equally began to expand to levels not reached before the Second World War. An emphasis was put on the impact that trade between free nations could have on vastly improving the quality of life of ordinary people.
A year later, in April 1949, the North Atlantic Treaty Organisation was established, ensuring that the United States had a lasting place in European security, guaranteeing the new democracies from the threat of invasion by the expansionist Soviet Union.

For those nations that fell on the wrong side of the Iron Curtain and suffered for decades under the authoritarian socialist regimes imposed from Moscow, the United States worked with Western European allies to keep the promise of democracy alive. The US funded programmes like Radio Free Europe, Radio Liberty, Captive Nations Policies, and more to support opposition groups.
In 1950, French Foreign Minister Robert Schuman proposed the famous 'Schuman Declaration', calling for a Council of Europe, and the harmonisation of European coal and steel production. The United States supported the move, indeed a condition of Marshall Aid had been that it be used to coordinate cooperation between recipient European states.

This declaration led to the negotiations on the Treaty of Paris and the establishment of the European Coal and Steel Community. Whilst the US was not officially involved in the negotiations, they offered significant advice during the negotiations. The signing of the Treaty of Paris in 1951, and the Treaty of Rome in 1957 paved the way for the creation of the European Community and later the European Union.

Ronald Reagan, in partnership with leaders such as British Prime Minister Margaret Thatcher, Pope John Paul II, and German Chancellor Helmut Kohl, renewed efforts to support states that had been victims of authoritarian socialism and encourage their freedom from the Soviet Sphere. Each of these leaders made visits to occupied Central and Eastern Europe and offered hope to the oppressed that they might one day return to the West.

At the end of the Cold War, the United States stepped in once again to support the reconstruction of Europe. This time rather than supporting countries that had been harmed by fascism, it focused its efforts on support for those countries that had been victims of communism.

Significant American investment was encouraged into countries that had either thrown off the chains of communism, such as Poland, Hungary, the Czech Republic, and Slovakia, or to states that had reasserted their impendence from the Soviet Union such as Estonia, Latvia, Lithuania, and Ukraine. The United States, working alongside Western European partners, helped to boost the economies of these countries and welcome them politically back to the West.

NATO was enlarged in 1999 to welcome Poland, Hungary, and the Czech Republic – on US insistence against French and German opposition. And again in 2004, to welcome Bulgaria, Romania, Estonia, Latvia, Lithuania, Slovakia, and Slovenia. At the same time, the US supported EU Membership for these states.

The Transatlantic Relationship Today:

Today the Transatlantic relationship remains the most important partnership for both Europe and the United States. It is an Alliance rooted in common values, shared history, and the will to defend the rules based international order.

According to the European Commission, the United States remains Europe's number one bilateral trading partner, with trade reaching an all-time high in 2021 of 1.2 trillion Euros. In 2022, 20% of EU goods exported were sent to the United States. Likewise, according to the European Commission, when it comes to Foreign Direct Investment, the United States remains the number one investor in Europe.

This balance of trade works both ways. According to the European American Chamber of Commerce, European companies directly employ around 4.7 million Americans across the country. In 2020, the EU accounted for $4.7 trillion of cumulative FDI in the US.

The United States also maintains an important role in European security. More than 100,000 US troops are currently stationed around Europe, engaged both in bilateral postings and NATO joint operations. Most recently, the United States has been working with European partners to protect shipping lanes south of the Suez Canal in the Bab-el-Mandeb Straits against Houthi missile attacks on trade ships.

Politics and the Tyranny of Small Differences:

The European Union and the United States have had a less than smooth relationship in recent years. EU policy towards the United States started to cool towards the end of the Obama Administration, as the US seemed to be pivoting away from Europe.

European leaders equally struggled when it came to the relationship with President Donald Trump. President Trumps more forward approach to politics and negotiations left a sour taste in the mouths of some in Europe – yet despite claims about withdrawing from the world, Trump increased American investment in Europe, and increased the number of US troops stationed on Europe's Eastern flank.

The current Biden Administration has also had a rocky relationship with Europe, in particular when it came to the issue of state aid and subsidies. The so called 'Inflation Reduction Act' was seen by many Europeans as creating an uneven playing field when it came to trade, as Europe simply couldn't compete with the levels of inward investment provided by the Federal Government.

The Biden Administration has also faced criticism from Central and Eastern European members of the EU and NATO for its slow response to the conflict in Ukraine, and the apparent hesitancy to send vital strategic weapons.

The reality however is that despite these differences, the Transatlantic relationship is perhaps now more important than ever. The common cause of Western security and cohesion should override the tyranny of small differences – especially when Russia, China, Iran, and their allies are expressing increasingly expansionist sentiments. The concept of 'Hemisphere Defence' should be revisited – and a renewal of old commitments to collective security should take precedent over political differences – regardless of who occupies the Berlaymont or White House.

After the Elections:

It is not yet clear what impact the European Elections will have on the agenda and composition of the new European Commission. There is possibility for a change in direction when it comes to foreign policy, especially if a more pro-Transtlantacist figure is put in charge of the External Action Service.

The European Parliament however could become more of an issue when it comes to good relations. An increase in representation from pro-Russian parties on one hand, and of America-sceptic parties on the other, could see support for a much-needed Transatlantic trade agreement stall.

The election of Donald Trump does not necessarily have to be a bad thing for Europe. He has, in many ways, already shown himself as an agenda setter when it comes to the relationship. His threat of withdrawing US support from NATO acted as a wakeup call for European countries to spend more on their own defence.

Equally, in his last term, the United States contributed a significant amount to ending dependence on Russian oil and gas in Central and Eastern Europe by supporting the creation of new LNG terminals and gas interconnectors as part of the Three Seas Initiative programme. The Trump administration's approach to European relations has focused on working first with the Member States and then with international organisations, this might not be such a negative strategy given increased polarisation within the EU.

On the other hand, the election of Vice President Kamala Harris could pave the way for some much-needed continuity at a time of crisis, especially if the overall composition the College of Commissioners doesn't change drastically, as is expected.

The point must remain, that regardless of small ideological disagreements, the United States and the European Union should continue to work together in the face of growing threats from China, Russia, Iran, and their allies.

[8.] PLENARY 4. BUILDING A VIABLE EUROPEAN SECURITY ARCHITECTURE (IN PARTNERSHIP WITH WILFRIED MARTENS CENTRE FOR EUROPEAN STUDIES)

Europe is facing its most serious security crisis since the Second World War, underlined by Russia's illegal invasion of Ukraine. In addition, growing tensions with Russia in the Arctic, deepening cooperation between Russia and China, rising tensions in the South China Sea and the Taiwan Strait, as well as climate change and global pandemics, illustrate an increasingly dangerous geopolitical environment for the European Union. Against this background, Europe needs to develop a new concept of a comprehensive security architecture, integrating civilian and military components, capable of protecting and responding to hybrid and conventional threats, both from its immediate neighbourhood (Russia and the Middle East) and from systemic attacks by non-democratic forces.

On top of this, the growing isolationist tendencies of the United States and its strategic pivot to the Indo-Pacific are accompanied by high expectations for the Europeans to redouble their contribution to European security and become credible security actors for the protection of the continent. While NATO remains the indispensable security "shield", the European pillar must be systematically built. To ensure European security against all 360-degree security threats, we need both organisations to work in a complementary way. As such, the EU as an organisation can help build a robust political consensus among European leaders for a European defence market, but also the legal and financial infrastructure needed to address structural weaknesses in Europe's current defence capabilities.

To achieve this, the Wilfried Martens Centre for European Studies proposes to create a fully capable European Defence Union through a structured, step-by- step process of strengthening essential building blocks ('DefencePyramid') (see figure).

This approach systematically addresses weaknesses by following ten specific components. Having recognised the need for a European Defence Union, the next stage requires the EU to take essential action: reducing waste through Europe-wide military procurement, ensuring efficient cross-border logistics activities and becoming competitive in military- related research through a European DARPA (Defence Advanced Research Projects Agency). Thirdly, in order to provide protection on a European scale, a European civil protection service should be established. Fourthly, the development of the European Defence Union should be completed and made fully operational by

filling the strategic capability gap, developing a military model, initiating a reform of military missions and carrying out an institutional reform. Finally, the issue of the EU's nuclear deterrence needs to be addressed.

This paper focuses on six key building blocks:
- An integrated market for armament production
- An EU framework for an enhance military mobility (transport and logistics capabilities)
- Laying the foundation for the next generation of defence technologies (a European DARPA)
- Introducing a European Civil Protection Service
- Designing a European MilitaryModel
- An Institutional reform of the EU governance system to reflect the new importance of security and defence.

The next section describes these dimensions, the current capability gaps and the policy recommendations in more detail. For the full concept of a European Defence Union see here.

Building a stronger European Defence Pillar Towards an integrated market for armament production.

The huge demand for a wide range of military equipment and ammunition, both to support Ukraine's defensive fight and to replenish European stocks, has highlighted the shortcomings of the current supply structure and capabilities in the European defence industry.

In the past, many efforts to create a defence market have failed, leaving the industry far from being able to compete globally and benefit from economies of scale. Despite recent initiatives by the EU Commission, such as the PESCO projects and the European Defence Industry Strategy, progress has been slow.

While the US benefits from a common market for defence products and relieson just over 30 major combat systems, the EU has over 170 different systems due to fragmentation and competition between member states. This results in smaller production scales, higher unit costs and diffused research and development resources in the EU.

With war returning to Europe and uncertain US support, military effectiveness and timeliness are top priorities. As such, European policymakers and defence companies must drastically change their procurement processes and business models. Key areas of collective defence where the EU can contribute and fill the gaps include land warfare equipment, digitisation and electronic warfare, integrated air and missile defence, logistics (including specialised vehicles), long- range missiles and deep strike precision weapons.

To achieve this, several steps should be implemented:
a)   Declare and deliver a defence decade with more investment and less regulations. This would require to use NATO defence planningas the gold standard; use regulation as enabler to strengthen or flexibilize unleashed industrial and technological potential; re-balance economic efficiency and military effectiveness.
b)   Shaping the industrial base with a focus on quantity which can be achieved by a focus on the urgentneed and the support; and by integrating Ukraine into European defence industrial base.
c)   EU must become a relevant buyer and lender in the defence sector. This would require creating an Amazon for Defence (an automatic marketplace for defence commodities), enabling and sustaining critical infrastructure, and buying the needed capabilities for logistics.

EU framework for an enhanced military mobility (logistics and transport capacities)

With the Russian war on Ukraine, we have the return of full-scale conflict to the European continent and a shift in Europe's security and defence towards territorial defence. Hence, military mobility has become a top priority for NATO, the European Union and their member states. Military mobility simply put combines all activities aimed at ensuring the swift movementof armed forcesand military equipment across the member states. Moreover, this is also an important factor of a credible deterrence posture: being able to move troops quickly will deter any potential adversary from taking military action.

In the previous decade, EU has developed several initiatives and instruments to advance military mobility such as: the 2018 EU Action Plan on military mobility, the EU member states undertook a military mobility pledge at the June 2018 Foreign Affairs Council and a PESCO project on military mobility was also launched in 2018 aiming to enhance cooperation among member states. Military mobility also received significant attention in the framework of the EU-NATO cooperation, being included in the EU-NATO common set of proposals for implementing the 2016 EU-NATO Joint Declaration.

But more can be done to cover the current weaknesses in the logistics and transport capabilities of the member states such as:
- Develop a lessons-learned process aimed at helping both the EU and NATO benefit from what the war in Ukraine demonstrates in terms of military mobility;
- Set up exchanges on military mobility between senior leaders of the EU and NATO to assess progress and explore ways of advancing cooperation;
- Prioritise military mobility in the security and defence dialogues with partners;
- Laying the foundation for next-generation defence technologies through a European DARPA

Leadership in technological innovation has become a crucial aspect of geopolitical power, with the US and China leading the way and the EU lagging behind. This technological race has implications for political order, economic competitiveness and national security. As emerging and disruptive technologies become an important elementof defence superiority, the future of warfare will be highly technological. As such, future military capabilities will depend heavily on technological advances, and the European Union needs to develop its technological edge to remain a global actor.

Comparing investments in emerging and disruptive technologies, the Defence Advanced Research Projects Agency (DARPA), a US agency responsible for defence innovation, had a budget of $3.8 billion in 2022, while the EU's funding is much lower,only a few hundred millioneuros. To remaincompetitive and fulfil its strategic responsibilities, the EU must adopt a DARPA-like model, which requires strong political commitment, a long-term vision and a culture of risk- taking. Without fostering its own defence innovation, the EU risks losing global influence.

To create a European DARPA, the EU needs to raise its level of ambition and start by:

a) Focusing on governance and legislation by creating a legal framework for its independence from traditional EU bureaucratic structures, establishing a strategic roadmap and adopting a risk-tolerant approach.

b) Providing resources by allocating substantial budgets, attracting and retaining top talent and implementing a flexible funding architecture.

c) Improving collaboration and oversight by promoting open innovation, partnering with NATO's Defence Innovation Accelerator for the North Atlantic (DIANA) for mutual accessto expertise and resources, and establishing a robust framework for monitoring and evaluating the impact of its funded research projects.

Institutional reform of the EU governance system reflecting the new importance of security and defence

Since Russia's full-scale war against Ukraine in 2022, the EU Commission has remarkably increased its involvement in defence policy, which would have been hard to imagine three years ago. However, constitutional and institutional obstacles still prevent joint efforts at EU level. The next Commission must give defence a clear institutional reform.

The EU's current institutional set-up, with its cumbersome decision-making process, lack of a single defence budget and resistance to treaty change weakens its response to geopolitical threats. Institutional reform won't completely solve this collective action problem, but it can help to make strategies and defence planning more coherent, achieve economies of scale and encourage specialisation.

Specifically, the next steps for EU institutional reform in the field of defence should:
- Ensure that the Foreign Affairs Council meetings of Defence Ministers are held every month.
- Create the post of European Commissioner for Defence Cooperation after the European Parliament elections in June 2024. This Commissioner would work closely with the next High Representative/Vice-President of the European Commission.
- Transform the European Parliament's Subcommittee on Security and Defence (SEDE) into a fully-fledged EP Committee (CEDE).

CONCLUSIONS

Europe is facing its most serious security crisis since the Second World War, highlighted by Russia's illegal invasion of Ukraine and rising global tensions. To meet these threats, Europe needs to create a robust European Defence Union that enhances military capabilities, improves military mobility and strengthens defence innovation and research.

Building a strong European pillar will not replace NATO's security umbrella,but it will finally make Europe's responsibility for its own security a reality.

EU institutional reformand the restructuring of the European defence industry are essential to prevent fragmentation among Member States and to enable a rapid and effective response to security challenges. Streamlining strategies and defence planning, achieving economies of scale and promoting specialisation are key to building a robust and responsive European defence framework.

[9.] PLENARY 5. THE FUTURE OF THE EU'S ENERGY PROJECT – INTEGRATING ENERGY SECURITY, SOCIAL, CLIMATE AND DEMOCRATIC DIMENSIONS (IN PARTNERSHIP WITH THE GREEN EUROPEAN FOUNDATION)

The EU's energy project is unmistakenly one of transition (from fossil fuels to a new clean energy system), with the European Green Deal representing the biggest cornerstone of the current EU legislative and political transformation framework. Recent crises and volatile social, environmental, geopolitical and economic contexts have confirmed the importance of pursuing decarbonization and the energy transition at a fast pace, but they also expose and amplify the risks related to insufficient social support for climate action and transition policies.

Within this context and at the start of new mandates in Parliament and Commission, the EU finds itself with a new challenge. How can it advance its Energy Project, and thus how can it be improved on 4 key dimensions at the same time: energy security, social aspects, climate and sustainability, and finally democracy? Successfully integrating and addressing this array of concerns means putting systemic narratives and policies at the core of the future of the EU's Energy Project.

During this panel, organised by the Green European Foundation, speakers will identify key barriers and opportunities to advance in that direction.

The Future of the EU's Energy Project.

Historically, the European political project – established in 1951 as the European Coal and Steel Community - and the topic of energy are two sides of the same coin. Now, in high need of a fresh European breath, energy, again, can emerge as the foundation for the EU's common future.

The way the European Union designs energy policy has far-reaching consequences on energy security and security more broadly, democracy, environmental sustainability, economy, international relations, social justice, cohesion, and equity. However, despite this societal, political and democratic gravity, energy's image as a policy area has remained largely technocratic, market-oriented and somewhat opaque.

Energy policy in the EU - and internationally - is often guided by the energy trilemma: affordability, energy security, and sustainability. The 2019-2024 EU mandate's track record on these three dimensions is a mixed – and at the same time very full - bag. On the sustainability dimension we have of course seen the European Climate Law, the Green Deal and Fit for 55. On energy security, we had the REPowerEU-response to the effects of Putin's war in Ukraine. On the affordability or social dimension, finally, there was the development of the Just Transition Mechanism, the Social Climate Fund and some EU guidance on Member States' policies to shield households from bearing the brunt of the energy crisis.

This overview exposes two main obstacles for the EU's energy project to emerge as a lever of social, political, and economic cohesion among, and well-being throughout, European Member States.

Firstly, the three dimensions are managed and deployed separately, often in a technocratic manner. This results in unexpected and undesirable effects on the other two dimensions. The design of the Green Deal package, for example, is essential for sustainability but left quite some gaps on the social dimension of energy. It didn't propose a fully-fledged script to put people – including the most vulnerable ones – central to the green transition, and there by kept the doors to social backlash open. Additionally, it didn't come with a serious international strategy built on mutually beneficiary, non-extractive, clean energy partnerships with the rest of the world. The social support schemes deployed in order to mitigate the costs of the gas crisis in 2023, in their turn, resulted in a significant surge of fossil fuel subsidies, while the clean energy sector is facing investment shortages. And finally, the scramble for new gas to compensate decreased Russian supply - thus to deliver energy security - led to equally unsustainable investments and infrastructure, for example through the building of new LNG import terminals. This decision, taken from a restrictive vision on energy security, moreover replicates the EU's external dependence as well as related geopolitical weaknesses and therefore security concerns.

The second major obstacle is that the link between the EU's energy project and democracy is completely underlit in this trilemma-thinking. Energy policy carries enormous potential to strengthen participation and ownership of citizens and their representatives in the EU and Member States' political processes. Democratic engagement and ownership of energy planning and decision-making can turn consumers, depending strongly on big energy corporations, into active energy citizens, with access to data and knowledge, granting them much higher levels of autonomy.

It gives them ownership over their energy, strengthens their negotiating positions and ultimately increases the resilience and wellbeing of European societies. A strong democratic energy governance would moreover untie the policy area from its technocratic appearance, and guide it to where it belongs: at the centre of political and public debates. However, currently both European and national political actors are missing this link.

The fragmentation of the different energy trilemma pillars, as well as the energy democracy blind spot, are in themselves problematic. But in the face of (geo-) political turmoil, fluctuating energy costs and a general cost-of-living crisis, they become bread and butter to populists and the far-right.

If it addresses these stumbling blocks however, through bridging the dimensions and putting democracy at the centre, the EU can turn its energy project from an arena for divisive politics to a common European flagship that strengthens cohesion, prosperity, security and resilience, advances climate action, and at the same time enables collaborations with other countries to improve global justice and to collectively rethink energy use at the international level. The energy project is, as a consequence, nothing less than a key channel for green and progressive voices to reinforce sustainable democracies, able to resist populism, and to deliver a positive future.

The four sections of the Green European Foundation's report, The Future of the EU's Energy Project, are each devoted to one of the identified dimensions of the future of the EU's energy project: the three trilemma-dimensions - energy security, and security more broadly; social aspects; climate and sustainability - and an additional democratic dimension. There are two key common themes that emerge throughout these four sections:

1. Stronger planning for a secure, just, sustainable and democratic European energy project:
The European energy project has been overly focused on individualistic, market-based, technocratic policies and short-term goals. To create a just energy project that can serve as a foundation for a positive European future within planetary boundaries, we need a more planned approach that emphasizes collective action. We call for a systemic and transparent governance framework that considers all four dimensions equally: for the energy security dimension, this means first of all a modernised European Energy Security Strategy, and its implementation; for the social dimension, it implies strategical planning on the basis of cross-sectoral expertise, enhanced data collection and proper analysis of the various resources and needs of citizens, and how they can be met; the climate and sustainability dimension's planning must be strengthened on the level of infrastructure – covering grids, but also skills, local planning, etc – as well as through a stronger emphasis on efficiency and sufficiency; and for the democratic dimension finally, better planning means democratisation of energy on five different governance levels – from local to global – to both enable citizens' led energy initiatives and to give democratic actors access to energy decision making.

2. Financing the future European energy project, and its green transition
Linked to the stronger systemic planning, there must also be a robust financial strategy that delivers the infrastructure of this future European energy project. This includes, as mentioned throughout the report, investing in grids and renewable energy deployment, as well as in skills, mobility, renovation and so on. Economists and think tanks have clearly shown that austerity measures harm social cohesion, climate ambition, and European prosperity. Currently, however, there is no political consensus, nor convincing action plan on the investments needed for a successful transition. We therefore must incorporate green and progressive proposals and voices into economic debates now, to seize political opportunities in the future.
Planning and financing of a secure, just, sustainable and democratic European energy project cannot be viewed solely as internal challenges. The EU's energy policy is deeply intertwined with, and significantly influenced by, the international context. Successfully moving forward consequently also necessitates a comprehensive reimagining of Europe's engagement with the rest of the world, grounded in non-extractive partnerships and collaborative efforts.
The report – resulting out of GEF's Knowledge Community flagship - has the ambition to act as a compass for more ambitious, more systemic, and more inclusive debates on the topic of the EU's energy project. At the Vision Conference in Siena, it will function as the basis of the panel discussion on 13 September 2024 "PLENARY 5. THE FUTURE OF THE EU'S ENERGY PROJECT".

[10.] PLENARY 6. ENVIRONMENT, RESOURCES AND COOPERATION IN THE MEDITERRANEAN (IN PARTNERSHIP WITH UNIVERSITY OF SIENA)

Political borders and unions offer unparalleled opportunities for robust, integrated climate policy. The EU's Green Deal, a suiteof ambitious, largelybinding, climate legislation is a prime example of this. However, they also artificially restrict the field of cooperation to within specific borders, a risky limitation in the face of notoriously cross-border climate impacts.

The EU's Southern border with the Mediterranean is as relevant for climate futures as its Northern border with the Arctic, additionally layered with the social complexities of climate change, including resource conflicts, migration, energy access, and climate disasters.

In the face of this, building on a rich history of Mediterranean cooperation and diversity, and on environmental economics cooperation around the world, we see ample scope for sustainable collective environmental progress. The University of Siena and Vision have long supported Mediterranean cooperation in research and development, most notably in Prime Minister Prodi's advocacy of a Mediterranean University, and we are honored to support missions in this direction.

[11.] PLENARY 7. THE NEXT GENERATION EU AS THE BLUEPRINT OF A PERMANENT COMMON FISCAL CAPACITY? AN ASSESSMENT

We need €500 billion per year. This is the estimate of the investment needed by Europe to complete the two great transformations that must lead the continent into the future and that are necessary to escape its progressive marginalization compared to more dynamic continents. This estimate, from the former governor of the European Central Bank Mario Draghi, warns that a strong re-evaluation of fiscal and monetary policy tools is needed.

The Union will need a permanent fiscal capacity that starts from the great innovation conceived in May 2020, atthe summit called to respond to an emergency – the COVID19 pandemic - that no one had foreseen. However, we cannot propose the scheme of the Next Generation EU (NGEU) (the mechanism of which the Recovery and Resilience Facility – RRF – was the largest part) without an evaluation of its merits and limitations.

Undoubtedly, the project has been successful because it has "broken a glass ceiling" (the taboo on common debt), as Economic Affairs Commissioner Gentiloni said when presenting the "interim assessment" of the RRF a few days ago. The plan has got three merits.

The first was to send the strong signal that the EU was getting together in its own darkest hour: the signal that was missing twelve years ago, before the European Central Bank had to intervene to save the Euro with unconventional weapons. It is also evident that the plan is proceeding more rapidly than the older cohesion policies (the traditional development instrument on which the Union relies to reduce territorial and social disparities). Thirdly, the idea of linking payments to the implementation of reforms addressing structural inefficiencies is working.

However, three elements remain unframed by the radar of a debate that should concern everyone.

Firstly, the impact on GDP. According to the "interim assessment" conducted by the DG ECFIN79, the EU's GDP could increase by 1.4% in 2026 thanks to the RRF alone. These are not small impacts but are possible considering that NGEU is worth, overall, 3% of the European GDP.

And yet, this impact is not yet visible: in 2025 the Union's economyis expected to grow by 1.7% (in a context assumed to be again with inflation close to 2%), lower than the 2.2% the Union recorded in the five years before the pandemic.

It is certainly possible that the RRF is simply avoidinga recession; and yet, doubts are confirmed considering the country that benefits most from European funds.

As of February 2024, Italy's national RF (in Italian Piano Nazionale di Rilancio e Resilienza – PNRR) accounted for almost 40% of the total resources (Figure 1). On Italy's GDP, the Resilience Fund accounts for almost 10% of GDP; on the overall GDP of the Union, the RRF accountsfor just over 3%. This would give an advantage in terms of Italian GDP growth comparedto the EU average, of about 1.5 percentage points per year; and yet, in the period between 2022 and 2025, according to Commission forecasts, Italy grows - in the years of Next Generation EU - slightly less than the EU average (although it reduces a gap that has lasted for twenty-five years).

FIGURE 1 - RECOVERY AND RESILIENCE FACILITY, FUND REQUESTED BY COUNTRY (AS OF FEBRUARY 2024, BILLION €)80
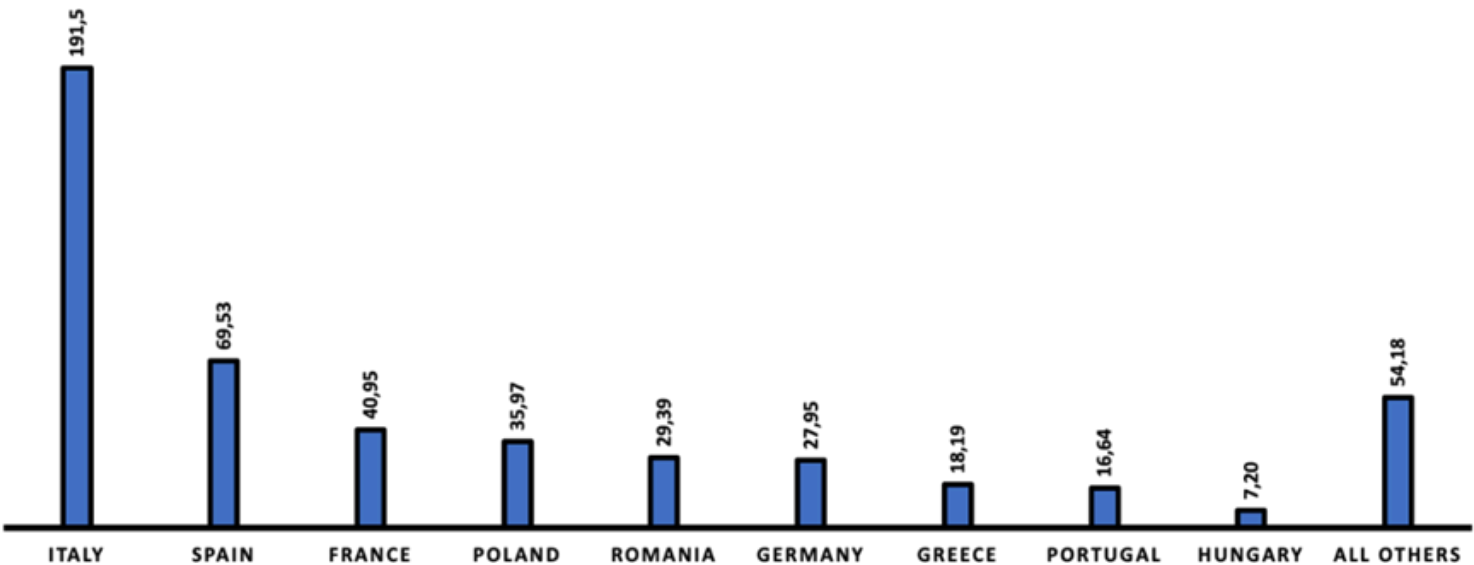
SOURCE: VISION ON EUROPEAN COMMISSION DATA

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80 THE PICTURE WAS LATER MODIFIED BY SPAIN EVENTUALLY CALLING ALSO FOR THE LOAN PART.

The second doubt about the evaluation of Next Generation EU concerns the issue of payments. It is an issue that can explain the persistent weak impact on GDP. When the European Commission reiterates that they are in line with expectations, it refers to the resources transferred from the Commission to the Member States.

Italy, for instance, has just received the fifth instalment of its PNRR and, thus, of its 195 BN total. However, according to the very Minister responsible for the PNRR (and his head, Raffaele FITTO), less than 25% of the total had landed in the accounts of the beneficiaries (businesses and families).
The entire implementation phase suffers, naturally, from times that can only be lengthened by bidding and project times. Of course, the RRF focuses heavily on procurement and administration reform, and yet the challenge is still to change the team while trying simultaneously to win the toughest game.

Finally, the famous "milestones" and "targets". The best insight of Next Generation EU was to make payments depend not on the reporting of investments to be reimbursed (as for structural funds) but rather on the achievement of certain results. However, there is an evident difficulty in achieving not the "milestones," which normally correspond to the completion of procedures enabling RRF spending, but instead in the meeting of deadlines of the harder "targets" that measure the completion of investments. According to the interim assessment, out of 324 planned targets between 2021 and 2022, only about one-fifth had been achieved, and this could pose a challenge in completing the plans by June 2026 (the final date by which investments must not only be completed but also tested and open to the public).

In relation to these critical issues, three hypotheses for improvement emerge, which the European Commission itself seems to take seriously, considering the experimental nature of a newly born tool.

Firstly, greater flexibility and a time frame of at leastone programming cycle are necessary (seven years, whereas the RRF lasts five): a shopping list does not work because recent history shows that just moving from 2020 to 2024, we have gone from one era to another.

Secondly, the mechanism of "milestones" and "targets" must be confirmed but also revised, identifying among the parameters to be achieved those on which policy makers and public opinion should focus (introducing, moreover, a system to monitor when spending reaches the real economy).

Finally, even on the reformsthat are essential, a way must be foundto go beyond the moment of approval of a specific law and to move even more towards the control of results appreciated by citizens (reducing waiting times in a court or a hospital, for example). "We sail in oceans for which we do not have the map", Mario Draghi in 2014 admitted that we are trying to govern crises never seen that challenge the governance and reading tools we used for a more stable world. Today, to save Europe, we must succeedin investing not only resources but also in studying to conceive completely new tools without wasting time in timeless clashes between those who would like more or less of Europe. Simultaneously however, we need a Union that lands in a century that has caught it by surprise.

[12.] PARALLEL SESSION IN SIENA (PALAZZO DEL BUON GOVERNO). HOW TO TURN A PROBLEM (OVERTOURISM) INTO AN OPPORTUNITY (OF MORE SUSTAINABLE AND ADDED VALUE EXPERIENCE) IN SMALLER ART CITIES?

The extraordinary growth of tourism in this beginning of the millennium, only temporarily interrupted by the pandemic, represents an economic, political and social challenge to which local communities can only respond with specific and concrete solutions, given the extreme difficulty (and probably impossibility) of national and European levels to express a common line.

The search for the sustainability of tourism, which is increasingly aware of the limits to growth (and in particular to the kind of growth achieved so far), requires a new phase of planning. At stake is the possibility not only of solving the problems created by such a tumultuous growth, but also the opportunity to truly enhance its contribution to socio-economic development. In this session we will try to compare experiences and perspectives with a special focus on smaller art cities.

[13.] THE STATE OF THE UNION (3) - AN EUPINIONS POLL BY THE BERTELSMANN FOUNDATION AND INSTITUTE OF EUROPEAN POLICY MAKING AT BOCCONI – HOW EU CITIZENS SEE EU INSTITUTIONS AND THEIR LEADERS?

"The von der Leyen Effect: Does visibility lead to accountability?" is the latest EUPINIONS poll (supported by the Bertelsmann Foundation and Institute of European Policy Making at Bocconi) ahead of June's European election. Simon Hix (one of the authors of the research) will present the results.

The report on public opinion across the bloc, underscores the need for reforms that strengthen the link between voting and executive power to make EU leaders fully accountable to the electorate – and so help them stand up to powerful lobbies, such as opponents of the EU Green Deal.

Surveying more than 12,000 EU citizens in early December, the poll found that 75% responded correctly that von der Leyen was the president of the European Commission. Most voters – three in four – were able to identify Ursula von der Leyen as head of the EU executive, showing decisively how the Commission president has managed to cut through national media filters to become far more recognisable than her predecessors. Yet, few Europeans said they know enough about her policies to take a view on them, undermining claims of a popular mandate.

Public attention to EU responses to two major crises since she took office in 2019 – the Covid-19 pandemic and the war in Ukraine – seems to have played a role in raising her public recognition score far beyond those of her predecessor Jean- Claude Juncker and other holders of the office.
At the same time, however, fewer than one in three voters felt able to pass judgment on von der Leyen's actual performance, due to a lack of information on what she had achieved. Among the minority who did offer a view, her overall approval rating was somewhat favourable, at 6 out of 10, with Belgians the most favourable and her fellow Germans the most critical.
Recent efforts to link the appointment of the Commission president to elections to the European Parliament have focused on the SPITZENKANDIDAT, or lead candidate, system, whereby pan-EU party groups represented in the legislature nominate ahead of the election the person they would have run the Commission should they secure a majority.

However, national leaders in the European Council have refused to be bound by this practice and have continued to put forward their own nominee for approval by the legislature – as was the case when von der Leyen herself was appointed in 2019 in preference to her centre-right group's advertised lead candidate. The 2024 elections signposted with von der Leyen being nominated by her own party and being, then, confirmed.

Regardless of the name recognition of Von der Leyen, the link between the executive office and a clear policy mandate remains weak. This failure to establish an electoral bond with voters makes EU leaders vulnerable – witness how von der Leyen could not easily reject farmers' demands to water down environmental legislation by showing that she had broader public support.

Possible approaches include a Commission president directly installed by a vote among MEPs or directly elected by citizens at the same time as they vote for Parliament – either way, would be an improvement on behind-the-scenes deals among national leaders.

[14.] PLENARY 8. A FULL-CAPACITY EUROPE: INDUSTRIAL RENEWAL AND INVESTMENT STRATEGY. HOW CAN COMPETITIVENESS AND COMPETITION BENEFIT ALL MEMBER STATES? (IN PARTNERSHIP WITH FEDERATION OF EUROPEAN PROGRESSIVE STUDIES)

It is beyond doubt that other major economies have started a rather aggressive industrial policy supporting clean technologies and strategic industries. The EU has launched a Green Deal Industrial Plan in the last legislature and a STEP with very little money for strategic technologies. Insofar, industrial renewal in Europe rests very much in the hands - and state aid – of member states. How can the competitiveness agenda of the Union and the new paradigms of strategic autonomy and economic security find a comprehensive and coherent strategy that elevates Europe internal market without endangering convergence? What are the policy tools, the financial backing and the governance system that the Union should promote in order for to boost capacity in key sectors? Can clean and digital industrial capacity go hand in hand with a job-rich agenda?

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> Vision is the think tank that brings together researchers and young professionals who all share work and study experiences gained in the best universities and European capitals, and the belief that the technological revolution we are experiencing will lead to a radical change in the form of institutions and in the governance of economic systems.