SIXTH SIENA CONFERENCE ON THE EUROPE OF THE FUTURE

19-21 JUNE 2025

TIME TO BE BOLD

POLICIES, LEADERS AND NARRATIVES TO NAVIGATE PERFECT STORMS AND LAND IN THE 21ST CENTURY

THE CONCEPT OF THE CONFERENCE

"I believe we Europeans feel far too safe. Europe's political and economic leadership in the world, which was still unchallenged at the beginning of the century, has long since ceased to exist. Will the dominant cultural influence of Europe be maintained?
I think not, unless we defend it and adjust ourselves to new conditions; history has shown that civilisations are all too perishable."

25 September 1956, Konrad Hermann Josef Adenauer[1].

Figure 1: Konrad Hermann Josef Adenauer

Born at a time when the chancellor Von Bismarck was leading one of those European empires whose holdings spanned from America to China, Konrad Adenauer managed to experience as a young man the horror of two world wars that annihilated European society and power. In 1956, one year before the treaty that gave birth to the European Economic Community, arguably the most successful project of the 20th century, he used words that are entirely true even today.

After 70 years the decline of a leadership is even more evident and it looks that we are still not aware of how radical are the threats (and the opportunities) we face. Certainly, the type of changes to which we must adapt are of a different type and magnitude: today as for the times of the printing machine, we are faced by a technology which is heavily redistributing information and, thus, power. With Gutenberg, Europe, however, found the technological means to end middle-ages monopolies which were obstructing progress; whereas, now with the AI we risk to become merely consumers of a future which is happening somewhere else.

We are simply too slow when it comes to react to disruptions that are becoming ever more frequent and destabilising. And we may not even be inclusive enough, when we consider

[1] European Union, "Konrad Adenauer: a pragmatic democrat and tireless unifier," EU Pioneers, History of the EU, available at: https://european-union.europa.eu/principles-countries-history/history-eu/eu-pioneers/konrad-adenauer_en (accessed July 2025)

that an entire "populist" value proposition has been successfully constructed upon the argument of a "Brussels Bubble" which is seen not accessible to ordinary citizens: this appears to be even more worrying if we look to the voting patterns of young EU citizens[2].

Notwithstanding these problems and their "structural" nature, it is true that – as Stanley Pignal at the Economist reminds – the European integration is still the most successful political project of history. It is so if we measure this with the number of countries[3] that continue to line up to enter the club (without being forced to do so like it happens elsewhere). And it is also true that almost no political sides seem to insist any longer to exit from that club including far right and far left parties. Last but not least, Europe is also growing in terms of "attention of public opinion"; a recent analysis carried out considering the first page of the five most popular newspapers in two EU countries (France and Italy) found that physically the space dedicated to news mentioning EU institutions grew from 13 to 27% in the five years before (2019) and after (2024) COVID19 pandemic[4].

And yet, it is increasingly evident that the Europe we have is suboptimal. There seems to be evidence that the sum of the partial integrations based on the TUFE (the founding treaty of 2007) may have actually delivered less than the less ambitious pre-existing European Economic Community. And one may even argue that EU may have less influence than the one single member states would have (for instance on foreign policy matters) if they were alone confronted by truly existential threats: the existence of a scapegoat may have worked as a disincentive for single member states to act (for instance on the Gaza question).

The sum of this bad and good new, however, can still have the effect of paralyzing the Union. There are increasingly serious structural problems; but the relative "popularity" of the block may have the effect of tempering down the demand for reforms.

The Pontignano/ Siena conference will try to provide a contribution in terms of identification/ assessment of strategic options, but also of method. We need ideas but also a format which is capable to make people come from different national, professional, political, generational, gender backgrounds to learn from each other and generate proposals.

The PONTIGNANO Paper will have the bold objective to provide input on seven main issues:

a) How can Europe smartly defend itself (avoiding being trapped in difficult choices between defense and welfare)?

b) How can we transform green policies so that they can become a strategy for building competitive advantages?

[2] Here we need some reference to young people apparently disproportionately supporting far right.
[3] They are 6 applicants which are negotiating access (amongst which Ukraine); 2 candidates waiting for negotiations to happen (Serbia and Armenia); 2 potential candidates whose applications has been frozen (Turkey and Kosovo).

[4] Vision (2024)

c) How can Europe have its own AI/ digital champions and use – at the same time – technologies to create value for everybody?

d) What kind of next EU budget is necessary to live up to the challenges (both in terms of policy mix and reforming those policies)?

e) How can Europe transform chaotic trade wars into an opportunity to lead the long-awaited process of reforming the world trade order together with other macro-regions (China, India, South America, Africa and, of course, US)?

f) What are the positive actions to reform EU democracy and citizenship to make further integrations politically feasible?

g) What decision-making processes are necessary for Europe to decide better and more quickly (with and without treaties)?

This set of specific ideas (actions/ proposals) will be promoted/ experimented/ debated.

The concept paper of the Siena Conference is articulated as follows into a problem-setting section and then with the result of a problem solving which generates ideas articulated in seven points (European democracy; defence; trade; new green deal; new EU budget; a European way to AI; more efficient and flexible institutional settings for the 21st century).

1. The problem setting and the triple challenge[5]

Too much unanimity. Free riding. Lack of leadership. Disconnection. Technocracy turned into bureaucracy. This is the word cloud produced by Vision within its community while capturing some of the words that are often heard about the main reasons that may prevent the Union to “radically change” (as the Draghi report demands).

The problem does not seem to be just about the specific policies that we have been pursuing. It is not just about an unfortunate series of national elections never allowing (at least since the turn of the century) an alignment of like-minded leaders to break through the barriers that prevent Europe from evolving. It is about a wider malaise of an entire society that seems trapped by three factors.

Institutional obsolescence

Five years ago, Europeans celebrated their own “Hamiltonian moment”. As usual, it was a crisis, one of the biggest ever faced when the COVID19 pandemic brought to a halt the world, that made Angela Merkel and Emanuel Macron agree on an unprecedented decision to issue 750 billion euros of common debt to support the worst-hit countries.

Not less remarkable was the reaction to another emergency two years later when it came to reduce the imports of pipeline gas from Russia. Their volume had dropped from 150 billion cubic metres in 2021 before the aggression of Ukraine; to 50 in 2024. This is a rare example of a political decision that triggered an industrial and society-wide transformation.

And yet what the EU is capable to do when faced by an emergency, does not become structural change of a society which continues to be vulnerable to the next crisis. As an example, it is hard to deny that the Next Generation EU was a great intuition; yet the envisaged return on investment has not yet materialized[6]. Yes, the quantity of gas imported by Russia dropped in 2023; but we mostly replaced gas with oil[7] and we missed another opportunity to transform “necessity into innovation” that can last. Europe becomes strong when the crises are too big for individual member States; but immediately after the storm, member States reclaim their political space because this is what national politicians need to survive. Until the next tempest.

Many have recommended changes in the institutional setting of the Union; some modifications are big enough to require changes in the treaties; others do not imply such mission impossible. And yet it is not just a question of forms. It is the case of trade to

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[5] This section has been authored by Vision. This section is intended as a contribution to the discussion during the *Europe of the Future* conference.
The views expressed are those of the authors only.
[6] *Vision*, “Three upgrades to complete Europe’s Hamiltonian moment,” *Vision* (The Europe of the Future), 4 March 2024, available at: https://www.thinktank.vision/en/magazine/democracy/nex-2 (accessed July 2025)
[7] *Our World in Data; University of Oxford*, available at: https://ourworldindata.org

demonstrate that even formal arrangements are not enough. There is no other area where the distribution of power is so clear: it is the European Commission that negotiates on behalf of or and on behalf of the Union as a whole with third parties, rather than each member state negotiating individually. It is the European Commission that represents the Union in the World Trade Organization and mediates on behalf of member States on any trade disputes. And actually, it should do so also on behalf of non-EU countries (Andorra, Monaco, San Marino, some remote Uk islands and Turkey that - partially - belongs to the so-called "customs union").

And yet, Donald Trump has a point when he laments that the European Union has been slow to engage in the negotiations he imposed on trade. The commissioner who is theoretically in charge has to constantly find a common denominator with the agendas of 27 member states, each of which has a different industrial agenda. Paradoxically Maroš Šefčovič happens to have been nominated by a Prime Minister – Slovakia's Fico – that – together with Orban – has often taken Trump's side against the EU. It is true that trade is exclusively within the Commission's power, but it does not make sense that each of the 27 member states has the power to nominate one EU commissioner. The institutional settings does not work but we would argue that it will become more efficient only when the EU has enough leadership to cut, at least partially, the apron strings with its shareholders. This is, however, an evolution that will require to engage citizens in the decision[8].

The wrong state of mind

Europe's failure to respond to real-world changes is due to sub-optimal institutional settings. However, the lack of changing these settings are probably due to a much wider state of mind.

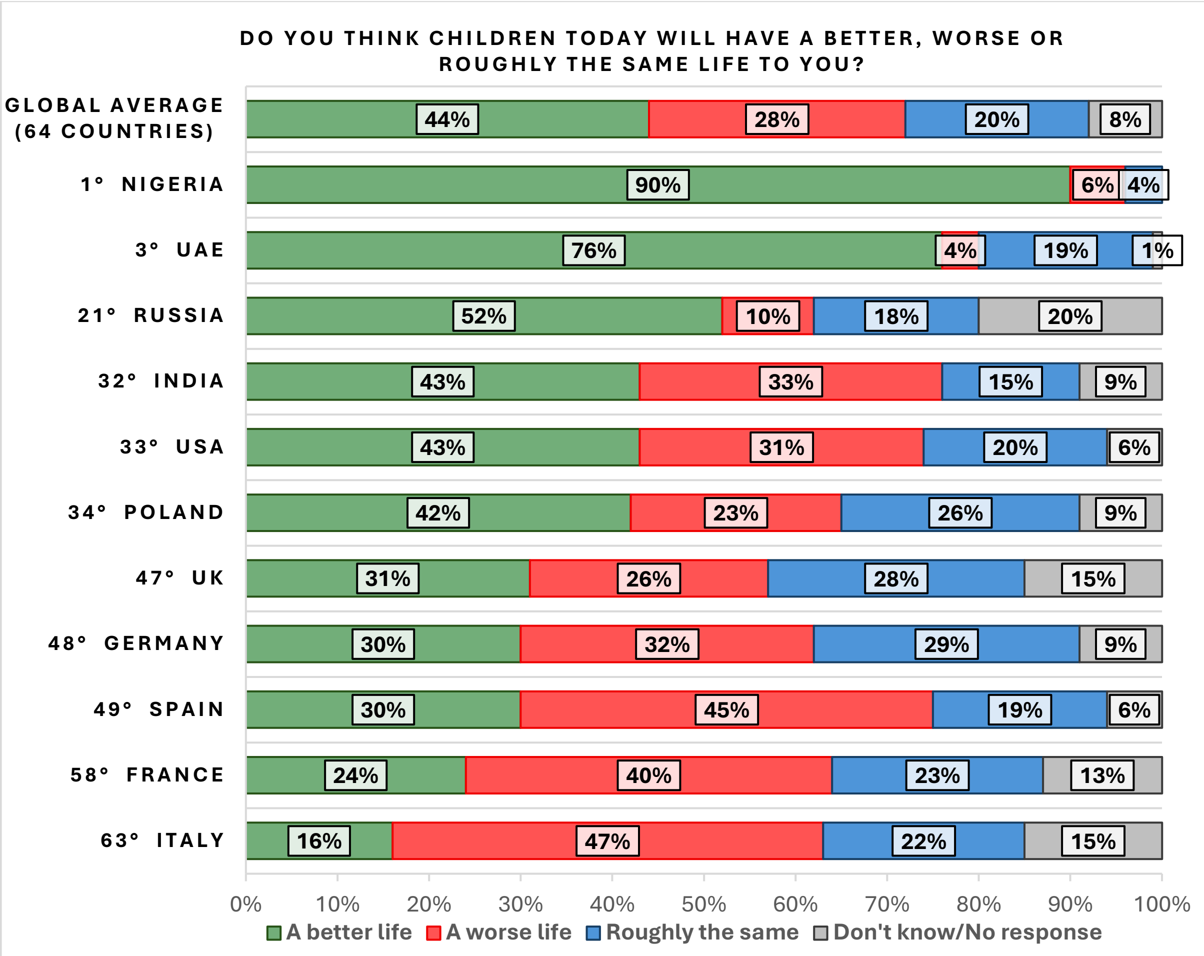
On one hand, there still seems to be room for complacency. As Stanley Pignal, the Charlemagne columnist for The Economist, recently put it[9], Europe can take a moderate amount of satisfaction from its continued status as a place where people are free to pursue "life, liberty, and the pursuit of happiness". Yet, it is evident that the institutions needed to concretely pursue those objectives are crumbling: healthcare systems and welfare; robust and independent media; energy and military autonomy in a world without order.

On the other hand, Europe is increasingly resigned. A global poll taken by Gallup International[10] shows that when responding to the question "do you think that your children will live better than you?" seven of the ten most pessimistic countries of the world are from the EU. Only 16% of Italians and 24% of French respondents answered "yes" to this question. The "no" was 47% in Italy and 40% in France.

[8] It was interesting to hear the former President of the Commission Romano Prodi to ask a EU – wide referendum to abolish unanimity for foreign policy decisions.

[9] *The Economist*, *"The thing about Europe: it's the actual land of the free now"*, *The Economist* (April 10, 2025), available at: https://www.economist.com/europe/2025/04/10/the-thing-about-europe-its-the-actual-land-of-the-free-now

[10] *Gallup International Association*, "Do we live better than our parents? And what about our children?", Gallup International website (survey), published circa 2022, available at: https://gallup-international.com/survey-results-and-news/survey-result/do-we-live-better-than-our-parents-and-what-about-our-children (accessed July 2025)



Graph 1: Adapted from Gallup International Association, "Do we live better than our parents? And what about our children?", https://gallup-international.com/survey-results-and-news/survey-result/do-we-live-better-than-our-parents-and-what-about-our-children

It is a pessimism that seems to reflect itself into the perception of the Union especially amongst young people: according to a survey that CLUSTER 17, a French pollster, made for the Siena conference, the percentages of European citizens who would not define the Union as "democratic" and would, instead, describe is as "bureaucratic" and "disconnected" grow as the age diminishes (and becomes a solid majority amongst the ones who are than 34). Younger people surprisingly feel to be "Europeans" less than their parents (they would rather call themselves citizens of the world).

It is amongst people that we can see the roots of the problem we need to tackle urgently. We need to be creative enough to imagine new mechanisms through which EU institutions take decisions and EU citizens have their say. This in turn requires an entire society to somehow recover the reasonable hope that decline is not inevitable (although we also must be aware that it may even nastily accelerate).

Finally, young people are absolutely crucial in the process. The rhetoric of "listening to them" must now be replaced by a call for them to govern. They are today what somebody would have probably defined as a “class” – with very specific demographic, cultural, economic and linguistic characteristics. These must be turned into a political agenda and a new vision of what Europe of the future could look like.

Too many experts?

The importance of young people is one of the defining features of the Siena conference on the Europe of the Future. No less important is the intuition that we also need to change the intellectual instruments through which we analyse reality and draft possible solutions.

Interdisciplinary appears to be the mantra of the debate on the Universities of the Future. And there seems to be also evidence that interdisciplinarity increase the impact of research[11]. In a sense, however, this very evidence is underestimating how important is to put together individuals with different academic (and professional) background to move from analyses (that can lead to paralyses) to possible solutions.

Internet has connected everybody (changing the way we transform information into knowledge); but it has also connected domains (and industries) that we were used to consider silos. Crating the “Europe of the Future” is a complex problem (like governing climate change or regulating AI) and complexity cannot be solved by “experts” only (and part of the problem is that the European Commission keeps asking for hundreds of experts to deal with such complexity).

Universities like the European University Institute are explicitly pursuing the concrete reorganizations of research and teaching so to reduce complexity.

The conference on the Europe of the Future is developing a method which can become a different approach to a very concrete question.

Figure 2: Participants discussing during the Siena Conference

[11] Brown R, Werbeloff L, Raven R. Interdisciplinary Research and Impact. Glob Chall. 2019 Apr 5;3(4):1900020. doi: 10.1002/gch2.201900020. PMID: 31565373; PMCID: PMC6450447.

2. Ten Ideas for problem solving

The conference is not meant to produce just another overall strategy (as for the Draghi report) but ten ideas which may work as potential triggers that may unlock transformations.

2.1 PROBLEM SETTING/SOLVING ONE - WHAT KIND OF CITIZENSHIP DOES INTEGRATION REQUIRE? Design the instruments/ positive actions to use citizens' energy to empower decision-making[12].

How Can We Use Democracy as a Lever for Integration?

The rapid changes in international politics – the war in Ukraine, the violence in Palestine, and the various sources of tension in the Middle East and the Mediterranean – remind us

[12] This section has been developed by the PSSG, coordinated by Luca Verzichelli (Professor of Political Science, University of Siena), with the support of Kalypso Nicolaïdis. The session was chaired by Megan Clement (Editor-in-Chief of *Impact* newsletter at *Les Glorieuses*, Co-Founder of *The Gender Beat*, and sessional lecturer at Université Sorbonne Nouvelle). Student rapporteurs included Ilaria Menchetti, Kristina Botsianovska, Héloïse Douek, Virginia Frigerio, Anoa Olivier, and Julius Niewisch.

This section is intended as a contribution to the discussion during the *Europe of the Future* conference. The views expressed are those of the authors only.

that democracy in Europe, certainly imperfect and incomplete, remains a safe harbor and a valuable point of common ground. Perhaps this is why trust in EU institutions remains relatively higher than the average trust in national democratic institutions. And perhaps this is also why turnout in the European elections, after a twenty-five-year decline, has shown a slight uptick in the last two elections (2019 and 2024).

But all this should not distract our attention. Democracy remains in a state of discomfort, as all indicators related to the affective dimension show: trust in political actors, in parties, and even in symbolic institutions that once served as stable reference points is declining nearly everywhere in Europe and across the democratic world. A process of democratic disconnection is ongoing. And Europe is not safer than other democratic realities.

As every year, the Pontignano Vision Conference includes a working group focused on the themes of democracy in Europe and in the European Union. The questions we are asking ourselves remain the same as in recent years: how can we use democracy as a lever to better integrate democratic communities – local and national – into a supranational political system?

And then: what new tools can we design to strengthen the shared commitment to democratic values while also helping policymakers to achieve more effective and efficient policymaking? This year, our efforts are focused on some concrete actions aimed at supporting the return of a shared and robust idea of representative democracy, combined with a full awareness of the complexity of political decision-making in a particularly difficult international, social, and economic context. To summarize our approach, we aim to promote the parallel growth of two pillars:

1. Democracy Fair
2. Recognition

It is important to highlight that these objectives and the measures proposed below do not exist in a vacuum. Fostering supranational citizenship through communicational measures and education requires not overstepping the fine line between propaganda and legitimate communication by authorities and institutions. Supporting a particular viewpoint for the sake of providing factual or neutral information may come in conflict with freedom of information. Many of the measures below are also in line with the idea of a stronger European identity that is part of a larger controversy between the merits of nation states and moving beyond them.

The measures suggested are also ideas that may not fit the current administrative framework in member states or the EU at large. Excluding them for the sake of administrative coherence would however go against the mere idea of innovation. Similarly, it must be understood that reaching these objectives will come at a price. The measures below will certainly incur budgetary costs. But they will also have a mental and political price and require the willingness to take controversial measures.

Democracy fair

The first pillar, Democracy Fair, will be a once-a-year event which will give the opportunity to gather individuals from different age groups and social economic backgrounds, ultimately making democracy more accessible and inclusive. It will be an event organized to apply in a practical way the ideas that will be developed below:

Spread knowledge & develop critical thinking

Spreading knowledge and developing critical thinking is essential to help citizens make informed decisions and confront the challenges of misinformation and polarization. It aims at shaping informed citizens and empowering individuals to actively participate in democratic processes.

Youth participation programs and political participation

This will provide hands-on experience in governance and decision making to young people, fostering a deeper understanding of political systems while encouraging civil engagement and leadership development. This is a crucial step toward ensuring that the young community feels genuinely included and heard in the decision-making process.

Democracy Hubs

They will serve as a vital space for active citizenship and civic engagement where citizens and youth can collaborate, exchange ideas, organize initiatives and promote democratic values. These Democracy Hubs would be physical and/or digital, properly designed to promote democratic engagement, civic education and community participation, offering: civic training, debate spaces, support for civic initiatives and community building.

Spread the “EU vote” program

This program will aim at increasing youth engagement in European democratic processes, spreading it across schools, universities and community organizations. In order to increase European vote participation, among young people and underrepresented groups, requires a multi-layered approach that combines civic education, accessibility, motivation, and trust-building. Moreover, visibility, accessibility, and a strong connection between young citizens and European decisions, are required in order to foster active citizens.

Recognition

The second pillar of our paper is about recognition. In order to make democracy more inclusive and accessible, and to make sure the voices are heard in an equal way, recognition is a key instrument. A democracy that ignores everyday obstacles is a democracy that only some can enter. This pillar aims to remove those obstacles to allow every voice to cross the threshold:

Avoid over-complex bureaucracy for intra-EU movements

Today, an EU citizen moving to another EU country has to deal with more than 40 forms, scans of ID, birth certificates, as well as costly and time-consuming translations and recognition processes. Citizens end up feeling detached and believe that the EU promise of free movement is not being applicable in real life. Trust erodes, participation drops.

To counter this effect, we propose to facilitate processes through digitalization.

Make the institutional language more accessible and inclusive

The communication of institutions at all levels is often highly bureaucratic. Populists are generally accused of depicting complex matters in an overly simplified manner. While this may be true, the idea of presenting complex and complicated issues in terms and a language accessible to the majority of the audience is essential to shorten the distance between Europeans and their institutions. Standard EU texts written by experts are exclusive to many groups as they score C2 on readability tests, meanwhile the average EU citizen reads at B1.

Our suggestion is therefore to decrease the linguistic level for citizen-facing texts to a linguistic B2-B1 level and limit high end vocabulary as much as possible, to make it inclusive and accessible for every citizen.

Streamline the recognition process between EU diplomas and degrees

Finally, we believe that mutual academic recognition in the EU is a key subject. Today, an EU degree can take 6 to 9 months to be fully recognised. Fees for translations, recognition and apostille process range up to €150-€900. As a result students are left with frustration and disengagement.

Our proposal is to establish a platform able to instantly verify ECTS within European universities, integrating and facilitating recognition of diplomas of the European universities and facilitating the access to jobs in the EU for recent graduates.

The 2018 Council Recommendation on automatic mutual recognition commits all states to full recognition by 2025, we hope that will become a reality and we insist on the necessity.

2.2 PROBLEM SETTING/ SOLVING TWO - REINVENT GLOBALIZATION: Can an export-led model still sustain Europe's prosperity into an increasingly fragmented world?[13]

Key elements of the paper

The world is in deep turmoil and international trade facing the biggest challenges in a century. Trade wars are on the rise. While globalization has generated economic welfare benefits, it hasn't benefited all alike and thus led to a huge setback. Nationalistic policies aimed at protecting domestic markets, national welfare and jobs flourish based on national security considerations. Protectionist measures and policies are spinning out of control and are applied with a disregard to the rules of the WTO. Multilateralism and the world trade order are under threat and so is the very existence of the WTO. The multilateral trading system risks becoming increasingly irrelevant, if it cannot restore order and demonstrate its effectiveness in bringing tangible benefits for all. Economic growth is on the decline. The

[13] This section has been developed by the PSSG, led by Maarten Smeets (Senior Associate at Clingendael Academy and Non-Resident Fellow at the World Trade Institute), chaired by Denis Kataev (Journalist at DOJD), with group members Désirée van Gorp, Mina Mashayekhi, Yan Dong, and Ignacio Garcia Bercero, and student rapporteur Julius Niewisch. The session was based on a draft paper authored by Dr Maarten Smeets.
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world has entered a period of chaos and uncertainty, which in turn affect productive investment and global value chains. The validity of the old trade paradigms need to be reconsidered in light of the new economic realities and there is an urgent need for appropriate policy responses.

Rising tariffs, export limitations and controls, as well as investment restrictions lead to growing trade policy uncertainty for the global economy and, according to the WTO, a sharp deterioration in the prospects for world trade. Following a strong performance in 2024, the world merchandise trade is projected to decline. This marks a reversal from earlier forecasts, with an anticipated continued trade expansion, supported by improving macroeconomic conditions. According to the WTO, the reciprocal tariffs would reduce global merchandise trade growth by an additional 0.6 percentage points, thus leading to a 1.5 per cent decline in world merchandise trade volume in 2025.

The escalation of trade conflicts, a rise of tariffs to peak levels never seen before, followed by tit for tat policies, worsen the economic prospects. The on going tariff war and the proliferation of unilateral economic security policies have eroded trust in global trade and significantly undermined the rules-based framework established under the WTO. A process of de-coupling, de-globalization has led to economic fragmentation, a re-orientation of trade, the forming of new alliances along geographic lines, a significant decline in FDI and a trend towards (forced) re-shoring, near-shoring, friend-shoring. While trade integration and specialization increase economic efficiency, at the same time it increases the risk factor inherent to a high interdependency between nations. As ‘a chain is as strong as the weakest link’, the longer the chain, the higher the vulnerability. Both the risks and vulnerability were further exposed during and post Covid and increased following the geopolitical trade wars.

Nationalistic policies are increasingly paired with pro-active industrial policies in support of potential winners. Many governments’ industrial policies specifically target high technology sectors to generate value addition and create a competitive edge. Government support programs include R&D funding and subsidies to build productive supply capacity, which could significantly distort markets. At the same time, limitations in access to critical minerals through import and/or export bans affect the supply lines and the very existence of industries that depend on these inputs.

This leads to the question how efficiency can be secured in an increasingly fragmented and polarized trading environment and taking into account both national security and national and global economic interests? What trade policies offer the most appropriate response to the new economic realities and what WTO reforms can fix the system, make it relevant again and contribute to sustainable and an equitable development? How can a framework be designed that preserves openness while minimizing vulnerabilities? Last but not least, what role is there for the EU to play? It is time for bold actions, taking into account the new economic realities.

Main points and outcomes of the group discussions:

Several lines of action are proposed to put the trading system back on track emerged from the discussion in the group.

There was a general agreement that the world is in deep turmoil and more specifically from a trade perspective. While globalization has created considerable economic benefits, it has not always been inclusive, which has created a backlash and hence a need to be revisited. The trade wars, especially between the US-China, have led to a return to various forms of protectionism, unprecedented levels of tariffs and non tariff barriers, nationalistic policies based on the argument of national security and aimed at protecting domestic industries and jobs, including through export and import controls. All these measures are having a serious impact on trade, economic growth, overall levels of welfare, economic development, poverty and pose a direct threat to the production capacities of certain industries. Moreover, they lead to high levels of policy uncertainty, pose a serious threat to multilateralism and very existence of the WTO, which has already lost much of its relevance.

The policies have significantly eroded trust in trade. The high trade interdependencies have increased the vulnerabilities of the global value chains (GVCs), triggered fragmentation in trade and new patterns of trade along geopolitical lines. Bilateral approaches and regionalism are increasingly becoming the alternative to multilateralism. Moreover, pro-active industrial policies, including subsidies in critical sectors of the economy, especially in the high tech, AI and IT sectors, significantly distort competitive conditions. A lack of diversification and overdependency on single sectors has proven to be problematic for many countries. Governments follow various forms of direct and indirect state intervention, pointing to a system friction. There was a general sense that there is an urgent need to return to a more stable and predictable and inclusive trading environment. This requires pro-active leadership and a vision for the future. Theoretical and ideological approaches have not been productive. While recognizing that the US for now is no longer actively engaging in the multilateral trading system, there is a need for leadership and which should not be limited to the main players, i.e. the EU, US (albeit unlikely) and China, include the middle grounders and especially the Emerging Economies. It was pointed out that inclusiveness also means a deeper involvement of Africa in trade and which should benefit from trade and investment, especially in the sectors of critical minerals and bring them into the global value chain. Also, it was underscored that the business community and civil society have an active role to play in restoring trust in trade. Business needs to be made more fully aware of the risks, build resilience of global value chains, diversify and innovate. Productive eco-systems need to be built around security concerns in addressing trade and investment policies. Approaches to national security need to be comprehensive and coherent. Vulnerabilities due to dependencies on critical inputs, which are essential for competitive conditions, including rare earth need to be diminished by revisiting Global Value Chains, through innovation and diversification.

Three core recommendations

A number of specific recommendations were made as follows:

1. **Rebuild trust in trade in support of a strong rules based trading system, which needs to be pursued through:**
   - Offering effective domestic and international responses and support to those that are negatively impacted by trade liberalization and globalization;
   - Conducting active consultation with the business community and civil society;
   - Undertaking private and public action to enhance the resilience of global value chains and building stress tests, making companies aware of risks.
   - Enhancing diversification and make GVCs inclusive;
   - Resisting protectionism, unilateral trade measures, import and export controls that limit access to critical inputs in the production process and are damaging to the economy;
   - Ensuring a full coherence in all aspects of policy-making, including industrial policies, taking into account trade, investment, capacity building and other relevant policies.
   - Facilitating countries in Africa to benefit from trade and investments in support of industrialisation and value addition.
   - Building productive eco-systems around security concerns in addressing trade and investment policies, including through innovation.
   - Approaches to national security need to be comprehensive and coherent, taking into account all aspects of the economy and dependencies of rare earth, which are critical to competitiveness.

2. **Update the rules of international trade need to ensure a level playing field and respond to global challenges; specific areas include:**
   - All forms of subsidies, including direct and indirect government support programs and State Owned Enterprises (SOEs) need to be addressed, thus providing for stricter and better disciplines, offering sufficient policy space to pursue domestic policy objectives, while respecting multilateral disciplines;
   - Environmental issues including decarbonisation need to be fully addressed;
   - Services trade, expand the General Agreement on Trade in Services, make new and deep commitments, taking into account development considerations.
   - E-commerce and digital trade require new trade agreements; in the absence of multilateral trade agreement adopt open plurilateral agreements;
   - Adopt open plurilateral trade agreements for investment facilitation for development (IFDA).
   - In the absence of new multilateral and plurilateral trade agreements, bilateral and regional trade agreements are increasingly becoming substitutes to multilateralism, whereas regionalism can and should be mutually supportive and re-enforce multilateralism.

3. **Fundamentally reform the WTO and encourage leadership**
    - Reforms should be deep and lead to a strong and reliable multilateral trading system. It is time for action in view of MC-XIV (Spring 2026).
    - As neither the U.S. nor China are leading, the European Union should exercise leadership and be ready to enter into a dialogue to identify common interests, especially with countries in the global south.
    - Finally, WTO Members should create coalitions of the willing to take concrete actions and push for WTO reform.

2.3 PROBLEM SETTING/ SOLVING GROUP THREE - THE NEXT EU BUDGET AND BEYOND: What is a politically acceptable change for the EU budget so to respond to new needs? What politically sustainable space is there for joint EU debt/ other EU's own resources?[14]

In the face of mounting geopolitical instability, intensifying global competition, and the lasting repercussions of successive crises, the European Union must fundamentally rethink its budgetary framework. The forthcoming Multiannual Financial Framework (MFF) should not be a routine administrative exercise. It must be recast as a strategic policy tool capable of enabling collective sovereignty, safeguarding Europe's open societies, and delivering on long-term priorities. The budgetary status quo is untenable; we need a new architecture that is more focused, more agile, and more impactful.

The case for reform is overwhelming. Europe's priorities have multiplied—from defence to energy, from competitiveness to cohesion—but its main fiscal instrument remains constrained in size, outdated in composition, and rigid in execution. As the European Commission prepares its July 2025 proposal, we advocate for an ambitious yet pragmatic

[14] This section has been developed by the PSSG, led by Marco Buti (Padoa-Schioppa Chair at the European University Institute and former Director-General for Economic and Financial Affairs at the European Commission), chaired by Victor Mallet (Senior Editor at the *Financial Times*), with student rapporteurs Alice Bubici, Mattia Gusmini, and Odysseas Konstantinakos.
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transformation grounded in three imperatives: a mission-oriented approach, a redefinition of European public goods (EPGs), and the political courage to rethink both expenditure and revenues.

From Legacy Constraints to Strategic Alignment

Despite its central role in shaping EU priorities, the current MFF accounts for barely 1% of EU GDP—comparable in scale to the national budget of Denmark. Around two-thirds of its allocations remain bound to the Common Agricultural Policy and Cohesion Policy. While these functions are not obsolete, they no longer reflect the scale or urgency of Europe's contemporary challenges. Moreover, over 90% of the budget is locked in at the outset, leaving little room for adaptation.

A shift is needed toward a mission-driven budget that funds projects with clear European added value: the green, digital, and social transitions; strategic autonomy in critical raw materials and defence; health resilience; and inclusive education. These areas must be redefined as European public goods—priorities that Europe can neither afford to ignore nor address in a fragmented, national manner. A focus on real European public goods, funded through genuine **own resources** rather than purely national transfers, is the most effective way to break the juste retour logic that too often distorts budget negotiations and hinders collective ambition.

Crucially, delivering on these priorities requires internal coherence: the EU's fiscal capacity must work hand in hand with its regulatory powers and its ability to coordinate national reforms and policies. Too often, these three levers—spending, regulation, and coordination—have operated in silos. A modern MFF must bind them together in a coherent framework that maximises impact and avoids policy contradictions.

Equally important is external coherence: the EU budget must be designed in full alignment with national budgets. Robust vertical fiscal coordination is essential to ensure that national investments and reforms complement EU-level missions, creating a European fiscal space where shared objectives are jointly funded and delivered.

Democratic Foundations for Budgetary Reform

This budget cycle is distinct in its incorporation of citizen input through the European Citizens Panel (ECP). The ECP offered a meaningful exercise in participatory governance, proving that when given the tools and support, European citizens can engage meaningfully with even the most technical policy questions.

The Panel's 22 recommendations—which prioritised health, education, employment, and democratic resilience—demonstrate a coherent and cross-national vision for EU action. These recommendations offer more than legitimacy; they provide strategic direction. Citizen engagement should no longer be a one-off consultation but a permanent and structured part of EU budget governance. Building on this success, the ECP could be institutionalised as a permanent bottom-up sounding board with links to multilevel governance throughout the MFF cycle, ensuring that citizen voices guide both design and execution phases.

Focusing on Deliverable Missions

The debate must shift from abstract disputes over budget shares to concrete, measurable outcomes. What should the EU achieve over the next decade? Examples such as a trans-European high-speed rail network, universal Erasmus access, or a European capability in AI-enabled defence technologies exemplify the clarity of purpose needed. Delivering missions at the European level — where economies of scale generate efficiency — ensures that shared goals are met without increasing tax pressure on national budgets, but rather by reducing fragmentation and duplicative spending.

The Commission's proposed three-pillar structure—the National Plans, the European Competitiveness Fund, and the Global Europe Fund—provides a promising blueprint. However, this architecture must be paired with greater flexibility and a clear departure from legacy allocation patterns. The logic of zero-based budgeting, starting from strategic missions rather than historical envelopes, is essential.

Financing a Reformed Budget: New Tools for New Times

Ambition without financing is rhetoric. This is particularly true for Europe's green transition, which requires unprecedented investment efforts and therefore predictable own resources to turn climate goals into concrete, financed projects — not just policy promises. The question of new own resources must be addressed upfront, not left as a residual that defaults to GNI-based national contributions. Whether through carbon border adjustments, digital and financial transaction taxes, or other innovative revenue streams, the fiscal means must match the Union's needs.

Moreover, common borrowing mechanisms should be used proactively, including the issuance of EU bonds to finance shared defence investments, climate-related emergencies, and competitiveness-enhancing vocational training and R&D, demonstrating tangible solidarity and strengthening Europe's collective security and resilience. Joint borrowing not only enhances the EU's financing capacity but also reinforces the euro's role as a reserve currency, increases the availability of safe assets, and deepens European capital markets. Importantly, EU-level debt issuance does not have to raise the Union's overall debt burden:

it should be accompanied by credible implementation of the European fiscal rules and well-designed national medium-term plans to ensure that high national debts are gradually reduced in parallel.

Conclusion: A Budget That Matches the Moment

The EU cannot afford to let the next MFF be another exercise in compromise and incrementalism. The stakes — geopolitical, environmental and economic — are simply too high for the least-common-denominator approach to persist. Reforming the EU budget is not merely a technical matter; it is a political necessity and a strategic opportunity.

This is the moment to redefine the EU budget as the backbone of a sovereign, resilient, and forward-looking Europe. By ensuring internal and external coherence, embracing a mission-oriented framework grounded in genuine European public goods, and matching ambition with credible financing and robust citizen input, the next MFF can become what Europe urgently needs: not just a budget, but a true engine for transformation.

Recommendations

To translate the principles outlined above into an actionable Multiannual Financial Framework, we suggest the following parameters and trade-offs for consideration:

On Size:

- Explore a more ambitious envelope, of around 2% of EU GNI.
- The final ceiling should reflect the ambition of agreed missions and the scale of genuine European public goods to be delivered.

On Allocation:

- Rebalance spending decisively towards European Public Goods (EPGs), ensuring that any budgetary increase prioritises high-impact, cross-border projects with clear EU value added.

On Flexibility:

- Introduce a significant reserve to respond to unforeseen challenges and changing priorities - for example, 15% of the MFF not pre-allocated at the outset.
- Consider shortening the budget cycle to 5 years instead of 7, allowing for more timely updates and course corrections.

Cross-cutting Considerations:

- Recognise the inherent trade-offs: greater ambition in composition (missions and EPGs) may justify a moderate envelope, while a more limited scope could make a larger ceiling politically feasible.
- Streamline and reduce the number of individual programmes and instruments. Simplifying the structure will increase flexibility, ease of execution, and responsiveness to revision.

2.4 **PROBLEM SETTING/ SOLVING GROUP FOUR - AN EUROPEAN WAY TO AI**: Which are the possible competitive advantages upon which Europe can develop its own AI champions? Can regulation be redesigned so to become a lever for competitiveness?[15]

Artificial Intelligence is rapidly becoming the engine behind productivity, communication, defense, healthcare, and decision-making in both public and private domains. As AI "eats the world", Europe and its governments, businesses, and citizens risks becoming dependent on systems it does not own, does not fully understand, and cannot meaningfully influence. Without structural action, Europe may become a tenant in a digital landscape governed by others, lacking the autonomy to shape its technological future.

Despite Europe's respectable performance in AI research, its commercial impact in the field remains marginal. According to recent data, the EU and the United Kingdom together attracted only €9 billion in private AI investment in 2023—compared to €62.5 billion in the United States and €7.3 billion in China. Between 2018 and Q3 2023, cumulative private investment in EU AI companies amounted to approximately €32.5 billion, while U.S. firms received over €120 billion in the same period, further widening the transatlantic gap[16] [17].

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[15] This section has been developed by the PSSG, led by Daniel Gros (Director at the Institute for European Policy, Bocconi University), with the support of rapporteur Ymen Hdiguellou. This section is intended as a contribution to the discussion during the *Europe of the Future* conference. The views expressed are those of the authors only.
[16] Maslej, N. et al., *The AI Index 2024 Annual Report*, Stanford University, Institute for Human-Centered AI, April 2024, https://hai.stanford.edu/ai-index
[17] Atomico, *The State of European Tech 2023*, December 2023, https://prismic-io.s3.amazonaws.com/atomico-2023/b598f20b-3e6a-4556-bfbd-9b2d71a72183_Atomico-state+of+european+tech+report+2023+%281%29.pdf

These figures suggest that Europe has been largely absent from the high-stakes race to lead the AI revolution.

This paper invites a bold rethinking: can Europe compete not by replicating others, but by doing what it does best—governing complex systems, investing in public goods, and innovating through democratic means? Could we treat AI as we once treated electricity or transport: not merely a product, but a public infrastructure?

To regain control and relevance, Europe must reframe AI as a shared strategic resource, enabling innovation, sovereignty, and welfare. Infrastructure does not mean nationalization, it means governance, interoperability, access, and resilience. Just as the single market was built on standards and open networks, AI infrastructure must be designed to serve both startups and public administrations, ensuring trust and scalability across sectors.

Sectoral data spaces such as healthcare, agriculture, education and media should be developed under European governance models that guarantee access, portability, and quality. AI capabilities must be distributed, not concentrated, with support for SMEs and local administrations through access to high-performance computing, open models, and cloud capacity.

Europe's global leadership in technology regulation is often portrayed as an impediment to innovation. We argue the opposite. Regulation, when agile and co-designed with industry and research actors, can become a competitive advantage.

By embedding principles such as privacy, transparency, explainability and human autonomy into the foundation of AI systems, the EU can shape markets that are not only ethical, but also more sustainable and scalable globally. In this sense, regulation becomes a market enabler providing clarity, increasing trust, and protecting long-term innovation from short-term risk.

To achieve this, regulatory governance must evolve. Agile regulatory mechanisms such as regulatory sandboxes, real-world testing environments, and iterative risk assessments should be developed in close collaboration with DARPA-type actors, universities, and AI research hubs. The role of citizens, ethicists, and social scientists must be embedded from the design stage.

While Europe will not close the private investment gap with the US or China overnight, it can strengthen its AI ecosystem through smart capital allocation, focused on European strengths.

On one hand, the EU should continue to work closely with the European Investment Fund (EIF) and similar bodies to seed private ventures, de-risk innovation, and support AI startups. On the other, it must invest in cutting-edge research and experimentation, by establishing a dedicated European AI DARPA, operating through university networks and public-private consortia. This body would focus on theoretical research, foundational models, open-source architectures, and applications in public interest.

At the same time, non-funding levers such as tax credits, public procurement frameworks, and a truly operational Capital Markets Union must be deployed to remove structural bottlenecks and unlock private capital across borders.

Europe does not need to dominate AI globally to thrive. What it needs is a system that allows wide adoption, local value creation, and autonomous governance of AI tools. That means:

- Empowering all individuals with AI and digital competencies;
- Tools and platforms designed for the B2B economy;
- Strong collaboration across regions, sectors, and borders;
- Clear KPIs to measure impact, inclusion and purpose, not just scale.

This is not a race for the biggest model or the most patents, it is a race for strategic relevance, for democratic control, and for resilience.

Europe can lead not by following, but by doing something no other region has yet achieved: building an AI ecosystem rooted in democratic values, public infrastructure, and agile governance. This is not a defensive struggle, it is a strategic opportunity.

By choosing coordination over fragmentation, agility over rigidity, and sovereignty over dependence, Europe can shape a path where competitiveness and coherence converge—and where technology is governed not by fear or extraction, but by foresight and inclusion.

2.5 A PRAGMATIC PROPOSAL ON DEFENCE AND THE PAPER WHITE ON THE FUTURE OF EUROPEAN DEFENCE (THE "KUBILIUS PAPER")[18]

Figure 3: Photo from the session on European defence and the 'Kubilius Paper', held during the Siena Conference.

Any observer of the international context may, quite understandably, struggle to process the forces that are at play: the terms under which Russia's war of aggression in Ukraine might end; the global consequences of the erosion of the rule of law and America's new US isolationism and changed terms for its security alliances; or the future of the Middle East, where the prospect of a peaceful coexistence between Israel and Muslim countries seems increasingly utopian.

In front of such dangerous and unpredictable world, and even if the European Union was not legally equipped in the different Treaties to become a military power with a well-articulated European defense framework, the situation is slowly changing, at different paces in the Member States and despite numerous constraints.

First, history and geography both naturally playing a clear role in the appreciation of which dangers to prioritise and in the determination of the best ways to react. Indeed, before producing new defense capabilities (or planning any military actions), the EU 27 have to be

[18] Concept paper authored by François Lafond (Expert, European Democratic Party – EDP).
This section is intended as a contribution to the discussion during the *Europe of the Future* conference. The session was chaired by Bill Emmott (Chairman of the Institute for Strategic Studies, former Editor-in-Chief of *The Economist*).
The views expressed are those of the authors only.

on the same page on when to react, how to do it, with clear common objectives and defined targets. Once agreed, common command structures and well-defined decision-making processes are decisive but national governments will continue to consent or not on the involvement of their defense capacities and army. And for NATO member states, the NATO command and consultation structure will need to be involved.

Second, even if four members of the EU (Austria, Cyprus, Ireland and Malta) are not members, the North Atlantic alliance (NATO) has been since the end of the second WW the best political and military platform to provide the necessary military protection to the European continent. A “free-rider” security situation for most of European countries but providing also for the US main shareholder of the alliance a privileged position in terms of disseminated military bases on all the continent, soldiers presence (?120 000) and captive defense market to provide a full range of American equipment and technologies, with the argument of providing the best interoperability possible and to facilitate coordinated NATO exercises.

For many decades, the “European pillar” of NATO was not central to discussion in the way it is becoming so now. Indeed, the US administration’s view that of global threats and potential crises are now principally elsewhere rather than on the continent of Europe, coupled with the budgetary constraints instrumentalized by the Trump 2.0 Presidency, are slowly modifying NATO’s role and equilibrium among its 32 members. A new European security architecture seems to be necessary, considering the high intensity war at our borders. This discussion should take stock of what NATO members have built and how the alliance military apparatus will continue to provide many capabilities.

Even if in the past the Europeans (by themselves) have attempted to propose a common security view for the continent and to start to equip the European Union with institutional and legal tools, the most recent two exercises have been quickly outdated by subsequent developments: these were the *Global Strategy for EU’s Foreign and Security Policy* by Federica Mogherini in June 2016 with the Brexit referendum, and the *Strategic Compas*s proposed by Josep Borrell in March 2022, a few days after the Russian war of aggression...

The Strategic Compass proposed a common strategic vision and concrete objectives to strengthen the EU's security and defence policy by 2030. It covers all aspects of security and defence policy and is structured around four pillars: act, secure, invest and partner. Many initiatives have been decided till now (Military assistance mission in support of Ukraine, maritime security operation ASPIDES, adoption of the EU space strategy for security and defence, and the cyber resilience act, reinforcement of the single intelligence analysis capacity and the EU satellite Centre, adoption of the third EU-NATO joint declaration, publication of a European defence industry package, including a strategy and a legislative proposal for a defence industry programme among other initiatives).

Also, several possibilities for EU member states to engage – on a voluntary basis – in Permanent Structured Cooperation (PESCO) in the area of defence were introduced by the Lisbon Treaty in 2009. PESCO provides a framework and a structured process to gradually deepen defence cooperation in order to deliver the capabilities needed for the most demanding missions and thereby improve EU citizens' security. More than 75 initiatives can be listed.

Despite these progress, and a real step by step involvement by the European Union, European citizens are demanding much more. In the last European Parliament Eurobarometer (Winter 2025), 66% consider that EU's future role should become more important to protect citizens against global crises and security risks, and 36% asking first to focus on "defence and security"!

From this panorama, let's focus on key issues that Europeans will have to consider in the coming years:

First, the Draghi report is underlining, after others, how the defence industry in Europe is too "fragmented, hindering its ability to produce at scale, and it suffers from a lack of standardization and interoperability of equipment". The White paper for Europe defence - readiness 2030 released by the European Commission in March is providing new orientations. Enough to avoid national solutions? What are the conditions to rationalize defense expenditure? What role for the European Commission?

One of the main assumptions for the strengthening of European defense capabilities on the mid and long term (with joint procurement mechanisms), is to focus the spending of European public money on European products and equipment. In principle, this privileging of European industrial production (meaning also the UK) will be beneficial to European jobs and to will make Europe more autonomous. But what about other NATO partners? What should be the criteria to consider? And if exceptions are to be made, what timeline should be used? What are the possible implications, either positive or negative, for the transatlantic alliance?

Among many security tools that NATO is providing to its members, nuclear deterrence is the top guarantee. With the current uncertainty on NATO's role or with a possible reconfiguration of the American parameters of engagement, how should European countries react? Considering that the French nuclear system is the only one in Europe completely independent from the US, President Macron has indicated his willingness to discuss with European partners how this could work and where the limits of the French "vital interests" might lie. Do we have to seriously consider this proposal and what are the possible parameters to be considered?

With such an uncertain international situation, the concepts of “European strategic autonomy” or “European sovereignty in the defense and security domain” can no longer be considered an arrogant or protectionist concept. What are the main conditions in order to operationalize and to translate it in concrete actions? How can “coalitions of the willing” contribute to such common objective? In the EU Treaty framework when possible? Outside if needed?

The recent NATO summit in The Hague has been totally prepared and shaped in order to keep onboard the American President (and the article 5 relevance) with the members commitment to increase their next 10 years defense budget to 5 % (3,5 % and 1,5%). From burden sharing to responsibility sharing, this is maybe the turning moment for the European defence. We have taken a clear responsibility with our Ukrainians neighbours. This is not just a question of EU credibility!

2.6 ENGAGING CITIZENS IN THE ENERGY TRANSITION: THE CASE OF AFFORDABLE AND SUSTAINABLE HOUSING THROUGH RENOVATION (IN PARTNERSHIP WITH GEF)[19] [20]

Figure 4: Photo from the session on citizen engagement in the energy transition and sustainable housing renovation, held during the Siena Conference in partnership with GEF.

Introduction and context

The June 2024 European elections were heavily focused on topics such as migration, inflation, security and defence. Conservative and far-right parties shaped the agenda, often managing to successfully scapegoat EU climate action as a cause of the cost-of-living crisis, distracting from the central role of the fossil fuel price crisis in driving up inflation. The result is a surge of these voices in the new European Parliament.

The elections may appear to reflect a general fatigue with the EU's energy transition, but a closer look at the data tells a more nuanced story. While concerns about security and defence rank high, climate and the environment remain the top EU priority for 33% of citizens - tied with migration as the most pressing issue[21].

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[19] Concept paper authored by Taube Van Melkebeke (Green European Foundation – GEF).
This section is intended as a contribution to the discussion during the *Europe of the Future* conference. The session was chaired by Gemma Ware (Host and Executive Producer of The Conversation Weekly podcast).
The views expressed are those of the authors only.

[20] The text is based on the GEF report Boosting Participation in the EU Energy Transition, in particular the foreword and postface written by Matthew Jones (GEF), Jörg Mühlenhoff (HBS), and Taube Van Melkebeke (GEF), and the chapter Renovation and Renewable Heating and Cooling written by Hélène Sibileau (BPIE).

[21] See Eurobarometer: https://europa.eu/eurobarometer/surveys/detail/3232

We should therefore be cautious about oversimplifying the so-called backlash against the EU's climate and environmental policy. EU citizens still want to accelerate the EU's energy transition[22] and they care strongly about fighting climate change and environmental breakdown. The challenge lies in how citizens perceive that achieving these goals is impacting their daily lives. People need to feel that the positives outweigh the negatives.

The EU's energy transition, a multi-faceted process designed to address the ecological crisis, is shaped not only by policies but also by market forces and local community efforts. These inevitably influence how European citizens experience the shift from fossil fuels to renewables. The transition to renewables can protect Europeans from unstable prices of fossil gas imports, improving energy security and affordability while providing the only credible answer to the climate crisis. But the benefits are not always evenly distributed, as wealthier households often find it easier to overcome upfront costs associated with certain renewables options. Meanwhile, poorer households but also people that find themselves in other vulnerable circumstances or positions continue to bear the brunt of the climate crisis, and sometimes the policies designed to mitigate it.

To avoid these unwanted effects, the design and implementation of the EU's energy transition are key. Connecting energy to questions and applications of democracy[23] is a crucial step, as is strengthening citizen participation and inclusion in all other dimensions, such as equity and distributive justice.

Some progress is being made. Recent EU initiatives, such as updates to the Electricity Markets Directive and the Energy Performance of Buildings Directive (EPBD), offer new rights and frameworks aimed at balancing affordability, climate goals, and citizen well-being. The EU is also promoting just transition governance and local transition management to enable transition policies to answer real needs and to include social concerns. Innovative approaches like energy sharing and dynamic tariffs are moreover beginning to emerge as additional ways to allow households to tap into the benefits of renewable energy and cut their bills.

Centring social fairness and inclusivity in the EU energy transition

As we move into the delivery stage of the European Green Deal, it is vital to seize and build upon the abovementioned opportunities for a fair transition that the legislation offers and turn them into reality, while closing remaining policy gaps. Both the EU institutions and Member States need to ensure that the transition is not only environmentally sustainable but also socially fair and thus inclusive. Three main considerations are to be taken into account:

[22]See: https://www.energyprospects.eu/fileadmin/user_upload/lu_portal/www.energycitizen.eu/EnergyPROSPECTS_D5.4_31_01_2024_final.pdf

[23] See also GEF's report: The Future of the EU's Energy Project https://gef.eu/wp-content/uploads/2024/06/The-Future-of-the-EUs-Energy-Project-Interactive.pdf

1. **Benefits of the energy transition are huge, but not yet accessible to all citizens.** While some citizens can already benefit from cheap renewable energy through their engagement in energy markets, barriers such as high investment costs and a lack of awareness remain. Widening access to cheap renewable energy to everyone will not happen overnight; those who are currently unable to benefit will need support. In the context of a new wave of calls for deregulation and simplification, this must be underscored. **Stronger social safeguards are critical to avoid people being left out.** Social conditionalities must be reinforced, for instance through targeted support schemes for building renovation and price corridors for retail electricity tariffs, offered to those in need.

2. **District and community-based approaches are key to ensure an inclusive energy transition.** Local approaches to the transition can be far more effective than ones focusing on individual households. European households do not exist in isolation – they are part of communities and neighbourhoods, towns and cities. As proposed by the brief on local transition management, a place-based approach to the energy transition takes account of the specific needs and capacities of different areas and brings together communities so that they can better tap into the economic benefits of the EU's energy transition. Strong local authorities are indispensable to better withstand social, economic and environmental shocks.

   There are also technical advantages to a collective approach. Energy sharing schemes offered on a district level could benefit from reduced grid distribution fees. Neighbourhoods with buildings where apartments have similar technical profiles could benefit from standardised renovation options to reduce costs. And confidence and trust, essential ingredients for widening participation in the transition, could be bred by including well-known local stakeholders.

3. **Less tangible benefits of an inclusive energy transition need to be priced into decision-making.** While efforts to improve participation and inclusion in the transition require political and often financial investment, benefits can be difficult to measure. A central premise of this publication is that these benefits are ample, not only from an individual perspective but also a societal and democratic one. If people feel more included in the energy transition, they are more likely to support it. This public support in its turn eliminates backlash and creates political space for transition policies. It is therefore a defining condition in the road to a climate-neutral, renewables-based future, and needs to be priced in as a benefit to political decisions being made now.

The design of the next EU funding period can play a key role in addressing the above points. Multilevel governance and mandatory public participation channels in fund allocation would help to better direct money to where it will have most impact. Strong green and social conditionalities are critical to ensure that EU funds really are widening access to the energy transition (for example, the Court of Auditors recently found that RRF funds marked for climate action were vastly overestimated[24]). Capacity of local stakeholders to work with citizens and explain how they can benefit from the transition needs to be reinforced.

The case of building renovation and renewable heating and cooling

Renovation of buildings is thereby not just one of many action areas of the energy transition, it is one of the absolute main priorities. Buildings are central to people's lives. They are our shelters against the cold, the heat, the rain. They are the places in which we live, learn, work and rest. They are where we spend 90% of our lives – more than 21 hours per day. Transforming the built environment will be key to a successful energy transition. Buildings represent 40% of the EU's total energy consumption and 36% of its GHG emissions – and that is just during their use phase. This is because a very large proportion of the building stock has poor energy performance. Much of it was built before the 21st century and still relies heavily on fossil fuels for heating.[25] Given that nine out of ten buildings standing today will still be there in 2050, building renovation and switching to renewable heating and cooling (H&C) will be key to reaching our climate goals. However, progress has been slow in recent years, leaving the building stock in the EU off-track to reach climate neutrality by 2050.[26]

More action is needed to insulate our buildings and move to renewable energy to heat and cool them, be that on-site or via the grid. In addition to fighting climate change, this contributes to lower energy bills, improves health and well-being, reduces pressure on electricity grids, and increases the EU's energy independence and resilience. But as with all elements of the energy transition, these benefits need to be distributed fairly across society in order to achieve the broad backing needed for the transition to be a success. Action on buildings must include all segments of society.

How can the EU broaden access to renovation and renewable heating and cooling?

1. **Support European Performance of Buildings Directive (EPBD) implementation with future-proofed policies for all**

Build an EU Affordable Housing Plan founded on a rights-based approach

[24] European Court of Auditors (2024). Green Transition: Unclear contribution from the Recovery and Resilience Facility. Retrieved from https://www.eca.europa.eu/en/news/NEWS-SR-2024-14

[25] European Commission (2020). Renovation Wave Communication. Retrieved from https://eur-lex.europa.eu/resource.html?uri=cellar:0638aa1d-0f02-11eb-bc07-01aa75ed71a1.0003.02/DOC_1&format=PDF

[26] BPIE's EU Buildings Climate Tracker shows a gap of 10.3 points between the 2020 status of the building stock and where it should be to reach climate neutrality in 2050. BPIE (2023). EU Buildings Climate Tracker. Retrieved from https://www.bpie.eu/wp-content/uploads/2023/11/EU-Buildings-Climate-Tracker_2nd-edition.pdf

Right from the inception phase of the policymaking process for the EU Affordable Housing Plan, the Commission should be moving from a corrective to a preventive approach to protection, especially for vulnerable households. As part of this, it should **broaden the use of the EU Fair Transition Observatory**[27] to monitor and report on the social/distributional impacts of building policies (not only *ex post,* as required by the EPBD for social safeguards within the NBRP, but also *ex ante*); and should also adopt a broad intersectional approach to vulnerability, reflecting the diversity of its forms. The Affordable Housing Plan should **address the structural problems in the (rental) housing market** in addition to the energy-related ones, and should reflect on what is needed in the EU framework in order **to scale up innovative practices for the better use and management of the existing building stock** (e.g. repurposing vacant buildings, facilitating office conversion into residential spaces, and creating incentives to share living spaces).

It should also link EPBD implementation with the provision of housing that is not only affordable but also high-quality as a result of renovation, and should carefully consider new construction.

Reflect on how to integrate social fairness criteria into EU funds

With regard to affordability, the Commission should reflect on how to **embed social fairness criteria in all EU funds**, beyond Do No Significant Harm, as well as on how to ringfence funds for energy-poor and vulnerable households. This could be done as part of the Multiannual Financial Framework post-2027, the revision of the Public Procurement Directive and the reform of state aid rules. This is discussed further in the brief on just transition governance within this series.

Support a holistic approach to EPBD implementation

The Commission should provide guidance and active support to Member States to aid the timely and consistent implementation of recently agreed legislation. A holistic approach to implementation, focusing on the EPBD and its synergies with other instruments[28][29] –, would help to avoid silo thinking that could have unintended consequences (often harming the most vulnerable in society). The Commission should also:

- bundle its buildings-related activities into a new Directorate-General for the Built Environment, bringing together staff dealing with buildings from all current directorates, and reporting to the newly created Commissioner for Energy & Housing.
- **create an EPBD Implementation Forum** for best practice sharing and data collection
- provide Member States with best practices for engaging with citizens meaningfully,

[27] Tender launched by the Commission DG EMPL (August 2024). See https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/tender-details/6c4ffb2a-b629-4d00-ae2d-9c475fa9c466-CN

[28] Fit for 55 Package and other instruments such as the Ambient Air Quality and Cleaner Air Directive (AAQD).

[29] The AAQD has been approved by the European Parliament pending Council approval (status as of 25th September 2024). The AAQD regulates levels of pollutants emitted inter alia by the worst-performing buildings, which are often occupied by vulnerable households.

creatively and effectively during the consultation phase of the NBRPs[30]

- **create an Energy Efficiency, Renovation and Renewable H&C Academy** to build capacity and improve skills, including for energy advisors and certifiers, as part of the proposed Union of Skills.

Update the Heating and Cooling Strategy

The Commission should **update the 2016 H&C Strategy[31] when working on energy system integration**. The Strategy should reflect the Energy Efficiency First principle,[32] set a target to move away from fossil fuel use in buildings by 2040 at the latest, and further elaborate on the low-temperature heat readiness concept introduced in some EPBD provisions.[33]

2. Turbocharge the effective rollout of socially fair one-stop shops

Make one-stop-shops (OSS) a political priority for EPBD delivery and provide guidelines for setting them up

Availability: The creation of OSS should be given higher political status by being put under the leadership of the Commissioner for Energy & Housing, and should also be frontloaded as a priority measure in EPBD implementation. They are an essential component for successful EPBD delivery. The Commission should provide an off-the-shelf kick-starter toolkit[34] and helpline on how to set up and maintain OSS in line with the needs identified in the NBRP and local H&C plans.[35] This advice should recognise that there is no one-size-fits-all for OSS and that their design should reflect their intended beneficiaries. It should be designed to respond to the specific needs of energy-poor and vulnerable households, thus

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[30] Based for example on the New European Bauhaus Investment Guidelines (pages 153-158). European Commission (2024). Staff Working Document: New European Bauhaus Investment Guidelines. Retrieved from https://new-european-bauhaus.europa.eu/document/download/3f591237-1626-4959-920a-5271382bdd1b_en?filename=NEB%20Investment%20Guidelines.pdf

[31] European Commission (2016). Communication: An EU Strategy on Heating and Cooling. Retrieved from eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52016DC0051

[32] Putting energy efficiency first (as defined in Governance Regulation Article 2 § 18) in energy policymaking avoids over-dimensioned grids and supports better infrastructure planning and investment.

[33] Low-temperature heat readiness is an approach ensuring buildings are (renovated to be) ready for renewable heat, either by setting a minimum insulation standard or by requiring newly installed H&C systems to run at a certain (lower) temperature. This approach ensures proper sequencing and avoids closing down future options in terms of renovation and renewable H&C measures. See BPIE and BEUC (2023). Introducing the Heat Pump Readiness Indicator. Retrieved from https://www.bpie.eu/wp-content/uploads/2023/04/Full-report_Introducing-the-heat-pump-readiness-indicator.pdf and IFEU and RAP (2023). Towards low flow temperatures: Making buildings ready for heat pumps and modern district heating. Retrieved from https://www.ifeu.de/fileadmin/uploads/Publikationen/Energie/ifeu_rap_2023_Towards_low_flow_temperatures.pdf

[34] For the key features of this kind of OSS replication toolkit, see TurnKey Retrofit project (2021). Underpinning the role of One-Stop Shops in the EU Renovation Wave: First Lessons Learned. Retrieved from https://www.bpie.eu/wp-content/uploads/2021/11/06536-Turnkey-Retrofit-report_RenovationWave.pdf

[35] Best practice sharing to increase the impact of OSS on residential building renovation already exists in the EU PEERS Community of Practice project. See https://www.eu-peers.eu/

providing a bridge between energy advice and other services such as income support or legal advice.[36][37]

Ensure adequate funding for one-stop-shops is available

Affordability: it is essential to strike the right balance between public and private funding, depending on the stage of the OSS rollout, the services provided and the target audience. **In the initial phase, booster funding is key and should primarily come from public sources** such as Emissions Trading System (ETS) revenues, the Social Climate Fund, Energy Efficiency Obligation Schemes and subsidies redirected away from fossil fuels,[38] as well as from the post-2027 MFF. **Once OSS have been established, business models involving private money should kick in** so that they are sustainable in the long term and the remaining public money can be shifted to supporting access for energy-poor and vulnerable households. Banks could easily be brought into financing OSS and their services; this would promote renovation and renewable H&C to citizens in a business setting. Ultimately, OSS could also serve as a platform to check the conformity of mortgage and lending applications.

Promote an integrated, community-centric approach to one-stop-shops

Accessibility and inclusivity: Trust is vital to OSS success: they should be available in areas where energy-poor and vulnerable households live, work or benefit from other services.[39] This could involve transforming OSS into mobile physical places.[40] They should preferably be managed by local authorities or local stakeholders (e.g. social workers, neighbourhood associations, energy communities, charities, consumer organisations, condominium managers, health specialists, etc.).[41] Citizen participation is not just about using the OSS, but also extends to owning them, setting them up and managing them. **Community and cooperative approaches to OSS should be further promoted and**

[36] Energy-poor and vulnerable households often prefer OSS that are integrated, providing end-to-end services, rather than OSS only providing broad advice.
[37] On the gap between short-term income/energy bill payment support and long-term energy advice, see Öko-Institut & e-think (2024). How to deal with rising energy prices: financial compensation for all VS targeted energy efficiency and renewable energy measures for low-income households. Retrieved from https://www.oeko.de/en/publications/how-to-deal-with-rising-energy-prices-financial-compensation-for-all-vs-targeted-energy-efficiency-and-renewable-energy-measures-for-low-income-households/
[38] As of 1st January 2025, Member States are banned from providing financial incentives for the installation of stand-alone boilers powered by fossil fuels (EPBD Article 17 § 15)
[39] RAP (2024). New action on energy poverty: implementing the new EU provisions. Retrieved from https://www.raponline.org/wp-content/uploads/2024/07/rap-sunderland-new-action-on-energy-poverty-2024-July.pdf
[40] An example is the Belgian energy community Klimaatpunt, which supports vulnerable households in their neighbourhoods with their 'Klimaatmobiel'.
[41] COMACTIVATE, *ibid*.

supported,[42] e.g. by integrating renewable energy communities[43] (which can have a positive role in fighting energy poverty)[44] with citizen-led renovation projects.

OSS could also act as intermediaries between communities and district heating network providers. This would improve the energy performance of buildings, help decarbonise district heating systems, and inform citizens about present and future heating options as well as other opportunities such as energy sharing.

Finally, more and better use of proactive digital outreach tools through social media channels for branding could help to reach the target population.

[42] Energy and renovation communities and cooperative projects face specific challenges, such as defining the liability against banks or contractors (see for example the learnings from the OSR-COOP project – see https://osr-coop.rescoop.eu/).

[43] Renewable energy communities are defined in Article 22 of the Renewables Directives (2018). The EU Solar Energy Strategy (2022) set the indicative objective of *"at least one renewables-based energy community in every municipality with a population higher than 10,000 by 2025*".

[44] Schockaert (2022). Energy communities' potential for energy poverty alleviation. Energy Poverty Handbook. Retrieved from https://extranet.greens-efa.eu/public/media/file/1/7858

2.7 THE CHALLENGE OF INDUSTRIAL POLICIES. CLEAN TECHNOLOGY AND QUALITY JOBS AS A COMPETITIVE ADVANTAGE. REFLECTIONS FOR THE AUTOMOTIVE SECTOR. (IN PARTNERSHIP WITH FEPS)[45]

Figure 5: Photo from the session on industrial policy challenges, clean technology, and quality jobs in the automotive sector, held during the Siena Conference in partnership with FEPS.

The European automotive sector is a crucial test for the continent's industrial transition. Its structural role and economic weight have placed it at the heart of Europe's current political and economic challenges. On the one hand, the industry faces growing global competition, driven by increasingly assertive industrial policies and major public investments in China and US. On the other hand, escalating trade disruptions are putting the sector under intense pressure at a time of profound transformation.

The automotive sector employs 6.1% of the European workforce and produces more than 7% of the EU's GDP, and is therefore essential to the EU's social stability and industrial competitiveness. After strong performance in 2023, in 2024 the fortunes of the European automotive sector reversed. In 2024, EU car production fell by 6.2%, according to European Automobile Manufacturers' Association (ACEA). Also automotive suppliers

[45]Concept paper authored by Anna Kolesnichenko (Economic Policy Analyst at FEPS).
This section was prepared as a contribution to the *Europe of the Future* conference. The session was introduced by Maria João Rodrigues (President of FEPS).
The views expressed are those of the authors only.

announced 54,000 job losses in 2024 alone - most of them expected in the next two to five years.

The industry representatives say that the major reason for the weak car production in Europe is low demand (still 20% below than pre-pandemic). The main constraining factor is lacking charging infrastructure for EVs in the many of EU countries. While Norway and Netherlands are very advanced on this, Italy for example has a very underdeveloped charging infrastructure.

The policy community, in its turn, sees the major culprit in shortsightedness of the European car manufacturers. They failed to scale up EV production, choosing to produce expensive models with high profit margins instead of fighting for the market share. This resulted in record high profits for European car makers in 2023. Strikingly, they have chosen to distribute these profits as dividends and did share buy-backs. The result of such a short-sighted strategy became apparent very quickly, as Chinese companies captured the market with their more affordable models. Notably, the payout of dividends and share buy backs happened at the same time in 2024 with announcements of massive job cuts in European car companies.

It is clear that Europe needs to **develop charging infrastructure**, and the European Commission is already working on respective policies. It is less clear what can be done to **align the activities of car manufacturers with long-term goals of the EU**. In our discussion at the Siena Conference, representatives from the business community argued that giving subsidies to incumbent companies is not helpful, as these companies usually fail to transform so that these money are wasted. An unexpected argument was made that cars have strong symbolic meaning and decisions about producing particular cars are driven not just by rational calculation but by emotions, where personal preferences of top managers play a strong role. A practice of strategic dialogues between the government and the business was suggested as a tool to convince top managers to play along the government industrial strategies - a practice that Germany used to have but which was discontinued under Angela Merkel.

Another tool for alignment of private interests with public, as advocated by progressive political forces, is to put **conditionalities in state aid and public procurement**. These conditionalities should demand clean and just transition. The main ask for the automotive sector is to produce **affordable EV vehicles.** The true test for our Union is to achieve an industrial transition that is both environmentally sustainable and socially inclusive. Without ensuring that electric vehicles are affordable, this transition will not succeed.

Other conditionalities are about **clean and just transition**. Companies benefiting from public support should commit to keeping their workers and to training them to prevent redundancies. Strong social conditionalities in terms of ensuring quality jobs locally, social dialogue, and training and skills must be established too. This must play a key part in the revision of the Public Procurement Directive for 2026.

Although Draghi stressed that around 5 million new jobs will be created for e-cars and batteries by 2030, competitive pressures, lack of investment and increasing tariffs put that possibility at risk. Skills shortages and mismatches in the auto industry remain a major concern too, together with the ageing workforce and a pressing need to train and attract new profiles of workers with adequate skills.

Reform of the automotive sector has a strong **regional dimension**, as the industry tends to be concentrated in particular regions. Some Europe's territories are shaped by car plants, generations raised with the car as a symbol of progress, and a deeply rooted industrial culture. The transition should be done though a bottom-up approach, involving regional voices and place-based solutions. This includes providing targeted support to regions and those most affected in particular, with a strong cohesion policy. Furthermore, mechanisms should be explored to prevent companies that benefit from EU funding from relocating outside the Union, including the possibility of repayment.

The strategy for the automotive sector should be put into a wider context of **modernising mobility** as such. EVs are not the only solution. Broader options, such as public transport and sharing, should be part of the European mobility strategy.

To address these challenges, the European Commission recently launched **Industrial Action Plan for the European Automotive Sector,** that focuses on the digitalisation, automation, and decarbonisation of the industry. The **Clean Industrial Deal** also includes commitment to social dialogue, support to quality jobs, and social conditionalities. Nonetheless, the broader regulatory simplification agenda risks undermining the EU's climate goals and reducing predictability for investors, which could hinder industrial development and workers' access to secure, quality jobs.

2.8 FROM POLARISATION TO MEDIA AS PLATFORM FOR PROBLEM SOLVING (IN PARTNERSHIP WITH RE-IMAGINE EUROPA AND FIEG)

A map of how tribalization cancelled conversation and a road map for building bridges and a proposal for a European platform for media as critical resource[46]

Figure 6: Photo from the session on moving from polarisation to media as a platform for problem solving, held during the Siena Conference in partnership with Re-Imagine Europa..

Executive summary

Securing Europe's media sector is as vital to our democracy as safeguarding critical infrastructures like energy or transportation. In an era marked by disinformation campaigns, platform monopolization, and AIdriven manipulation, Europe's media ecosystem faces unprecedented threats that endanger public discourse, democratic integrity, and societal cohesion. Without a robust media infrastructure, Europe's ability to ensure sovereignty, autonomy, and democracy in the digital age will remain compromised.

To address this urgent challenge, we propose the establishment of the "**European Media Grid**," a transformative initiative to protect and strengthen Europe's information

[46] Concept paper authored by Erika Stäel von Holstein (Chief Executive Re-Imagine Europa).
This section is intended as a contribution to the discussion during the *Europe of the Future* conference. The session was chaired by Alexandra Borchardt (Lead Author at the European Broadcasting Union; Senior Research Associate at the Reuters Institute), with rapporteur Chloë McDowell (Re-Imagine Europa).
The views expressed are those of the authors only.

infrastructure. This initiative leverages Europe's existing strengths—its diverse media landscape, robust regulatory frameworks, and technological expertise—to create an interconnected infrastructure that addresses media fragmentation, counters disinformation, and reduces monopolistic practices. The Media Grid will enable seamless crossborder collaboration while safeguarding diversity, independence, and trust. By integrating advanced technologies like AI and blockchain within Europe's established regulatory frameworks, it will enhance media resilience, ensure equitable access to trustworthy content, and protect Europe's security, sovereignty, and democracy in the digital age.

The European Media Grid represents a bold but practical solution to reclaim the integrity of Europe's public discourse. It is a project designed not just to respond to the challenges of the AI era, but to position Europe as a global leader in ethical media innovation. With political will and strategic action, this initiative is achievable within the current mandate and will secure a vital pillar for European sovereignty, autonomy, and democracy.

Background

For decades, Europe, like other democracies worldwide, has faced profound challenges stemming from a rapidly evolving media landscape. The rise of global platforms, the decline of traditional journalism, and the weaponization of media for influence and manipulation have fundamentally reshaped how information is consumed and trusted. Recent developments highlight the urgency of addressing these challenges: the disinformation-fueled TikTok campaign during the Romanian elections, Elon Musk's attempts to influence European political discourse via Twitter, and Mark Zuckerberg's assertion that Meta intends to "work with President Trump to push back on governments around the world." These incidents represent significant "media shocks," akin to the energy shocks Europe experienced in recent years, exposing vulnerabilities in the media ecosystem that threaten democratic processes and societal cohesion.

Europe is taking bold steps to defend its democratic values through groundbreaking initiatives such as the Digital Services Act (DSA), Digital Markets Act (DMA), Media Freedom Act, and the AI Act. These regulations are vital to strengthening Europe's media ecosystem, but they alone cannot address the rapidly evolving challenges posed by disinformation, monopolistic platforms, and AI-driven manipulation. Recognizing this, the current European Commission has prioritized the establishment of the European Democracy Shield. The European Media Grid is designed to complement and build on these efforts, providing a concrete, forwardlooking solution to secure this critical infrastructure.

A Unique Opportunity: AI as a Tool for Transformation

Artificial Intelligence (AI) is reshaping the rules of engagement in the media landscape, fundamentally altering how information is produced, accessed, and distributed. This technology presents a critical crossroads: it can either perpetuate existing dysfunctions—

such as fragmentation, manipulation, and monopolistic control—or drive the development of a resilient and inclusive information ecosystem.

If left unchecked, AI systems risk amplifying today's challenges by deepening divisions, prioritizing engagement over truth, and consolidating power in the hands of a few global tech giants. However, with bold and strategic action, Europe has an opportunity to harness AI to reclaim its digital public space— transforming it into a bastion of trust, pluralism, and civic dialogue.

This is Europe's moment to lead, leveraging its robust regulatory framework, cultural diversity, and democratic values. AI offers an unprecedented opportunity to rethink and strengthen the public sphere by enabling the following:

- Redefining Access: AI-powered tools can bridge linguistic and cultural barriers, delivering high quality, trustworthy content across Europe's diverse languages. This ensures that citizens can engage with information previously inaccessible due to linguistic or regional divides.
- Empowering Pluralism: By amplifying local perspectives and smaller voices, AI can foster a more inclusive media ecosystem that reflects Europe's richness and commitment to democratic values. This capability aligns with the European Media Grid's goal of decentralization and diversity.
- Shaping AI for the Public Good: Rather than ceding the development of AI-driven information systems to private interests, Europe can establish a globally recognized framework prioritizing the quality of information, transparency, accountability, and public value.
- Mitigating Risks: Through Europe's leadership in ethical AI standards and regulation, the risks of manipulation, bias, and misinformation can be minimized, ensuring AI serves as a force for truth and democratic dialogue.

AI's transformative potential makes it an essential pillar of the European Media Grid, enabling the creation of a public sphere that not only survives but thrives in the digital age. By investing in this opportunity, Europe can set the global standard for an ethical, inclusive, and resilient media ecosystem.

The European Media Grid

Drawing inspiration from Europe's response to energy shocks and its efforts to establish a robust and interconnected energy grid, the European Media Grid is a proposal to address the "media shocks" currently undermining public discourse, democratic integrity, and societal cohesion. This initiative envisions a unified interconnected grid, built on shared infrastructure, regulatory harmonization, and cross-border collaboration.

Just as the energy grid was designed to enhance Europe's resilience and autonomy, the Media Grid aims to safeguard against disinformation, strengthen media pluralism, and protect Europe's sovereignty in the digital age. By providing a dynamic and inclusive infrastructure, it will counter current and emerging threats while fostering innovation and adapting to the transformative impact of AI on how information is created, distributed, and consumed.

Key components:

1. **Infrastructure and Interconnectivity**

- **Federated Network for Content Sharing**: The Media Grid will act as a decentralized but interconnected system, linking public broadcasters, independent journalism outlets, and other media stakeholders across Europe. This ensures that diverse, high-quality content flows seamlessly across borders while preserving national and regional autonomy.
- **AI-Enhanced Accessibility**: Advanced tools for real-time translation, content personalization, and multilingual search will break down linguistic and cultural barriers, allowing citizens to access diverse perspectives in their native language. For instance, a Finnish reader can seamlessly access news from Greece, fully translated and tailored to their interests.
- **Single Point of Access**: The Grid will feature a user-friendly portal where individuals and AI systems alike can discover content from verified European sources. This ensures equitable access to trustworthy information while highlighting smaller or local outlets often overshadowed by global platforms.
- **Standardized Protocols and Formats**: Shared protocols and standardized data formats will enable seamless communication and interoperability across national and regional media systems. These protocols will ensure compatibility between diverse platforms, fostering collaboration and reducing barriers for all stakeholders.

2. **Governance and Regulation**

- **Trust as a Pillar**: Governance will be built on transparency, independence, and inclusivity, ensuring that the Media Grid operates free from undue political or commercial influence. A shared code of ethics, already existing, will guide decision-making, with a strong focus on maintaining public trust. *Extensive research on this has been done, including a report from STOA that will be published in May 2025.*
- **Collaborative Oversight**: A decentralized governance structure will include representatives from public broadcasters, civil society, academia, independent media, and EU institutions. This approach mirrors the energy grid's reliance on coordinated oversight across member states to ensure neutrality and efficiency.

- **Regulatory Alignment**: Harmonized rules, such as those outlined in the Digital Services Act (DSA) and Media Freedom Act, will support the Media Grid's mission to maintain transparency, accountability, and pluralism in the media ecosystem.

3. **Public Service Commitment**
   - **Alignment with Public Service Values**: Ensure that the European Media Grid upholds the principles of media freedom, pluralism, and independence. This involves establishing governance structures that prevent political or commercial interference and promote editorial independence.
   - **Content Standards**: Develop and enforce standards for content quality, accuracy, and diversity, reflecting the public interest and catering to the informational needs of all European citizens.
   - **Accessibility and Inclusivity**: Commit to making the media grid accessible to all individuals, including those with disabilities, and ensuring representation of minority groups to foster an inclusive public sphere.

4. **Security and Resilience**
   - **Buffer Against External Shocks**: Create mechanisms to safeguard the media ecosystem against disinformation, manipulation, and monopolistic practices, akin to the energy grid's measures to protect against disruptions and ensure energy security.
   - **European Media Transparency Agency**: A dedicated body will oversee the Media Grid, ensuring compliance with ethical standards and addressing emerging challenges. This will function as a trusted institution that emphasizes collaboration and transparency.
   - **Innovative Distribution Models**: Technologies like blockchain will enable transparent content distribution, direct compensation for creators, and verification of information authenticity, ensuring fair access and trustworthiness.

5. **Key Investments**
   - **Equitable Access**: Invest in infrastructure and resources to bridge regional disparities, ensuring underserved areas have equal access to the Media Grid and its opportunities.
   - **Capacity Building**: Provide training and technical assistance to help media professionals and smaller outlets adopt digital tools and adapt to the demands of the AI-driven media landscape.
   - **Media Stability and Innovation Fund (MSIF)**: Establish a fund to drive innovation, collaboration, and technological advancement in the media sector. The MSIF will also

support smaller outlets, independent journalism, and public broadcasters to ensure diversity and resilience.

By clustering these characteristics and fostering public-private partnerships, the European Media Grid can build a resilient and pluralistic media ecosystem that leverages the strengths of both sectors, much like the collaborative efforts that have fortified Europe's energy infrastructure. This approach ensures that the media landscape remains robust, interconnected, and autonomous, upholding democratic values in the AI era.

Conclusion

The European Media Grid is a bold, practical vision to secure Europe's media ecosystem at a time of profound transformation driven by AI and global challenges. This initiative leverages Europe's existing strengths—its diverse media landscape, robust regulatory frameworks, and technological expertise—to create a unified infrastructure that addresses fragmentation, disinformation, and monopolistic practices while safeguarding security, sovereignty, and democracy.

The urgency to act is clear. AI is poised to revolutionize how we produce, distribute, and consume media, reshaping the ecosystem in ways that demand proactive leadership. By building on its foundations, Europe has the opportunity to remain at the forefront of this transformation, ensuring its media landscape reflects trust, diversity, and accountability while preparing for the challenges of tomorrow.

With innovation, transparency, and accessibility at its core, the Media Grid will empower citizens, strengthen sovereignty, and position Europe as a global leader in ethical media innovation. Now is the time to align resources, expertise, and political will to shape a resilient and future-ready media ecosystem that thrives as a cornerstone of democracy for generations to come.

2.9 THE 450 BILLION BET: HOW TO USE EUROPE PRIVATE SAVINGS TO REBOOT EUROPE? A PROPOSAL[47]

Figure 7: Photo from the session 'The 450 Billion Bet: How to Use European Private Savings to Reboot Europe? A Proposal', held during the Siena Conference.

Introduction

It's necessary improving Europe's competitiveness, particularly in high-value sectors like advanced manufacturing, digital technologies, and semiconductors. This requires significantly higher capital spending to close the investment gap with global competitors. As stated in the Draghi report (2024), "the EU needs to double its investment effort in strategic sectors to maintain technological sovereignty and productivity growth."

Moreover, Europe has to achieve the twin transitions. Managing the green and digital transitions necessitates large-scale investments in renewable energy, grid infrastructure, digital networks, and clean technologies. The European Commission (2023 Annual Sustainable Growth Survey) emphasizes that "investment in digital and green infrastructure is essential to decarbonize the economy and maintain competitiveness, calling for a mobilization of both public and private capital at unprecedented scale."

[47]Concept paper authored and introduced by Gregorio De Felice (Chief Economist at Intesa Sanpaolo). This section was prepared as a contribution to the *Europe of the Future* conference. The session was chaired by Lilith Verstrynge (Political analyst, writer at *El País* and *Le Monde Diplomatique*, Professor of International Relations at Sciences Po University Paris).
The views expressed are those of the authors only.

Is the Capital Markets Union (CMU) a precondition for developing European capital markets?

Europe stands at a structural crossroads. The way it finances its economy is fundamentally different from that of other global competitors, and this difference is now becoming a liability. Whereas in the United States roughly 70% of corporate funding comes from capital markets and only 30% from bank lending, the proportions in Europe are reversed: **EU companies rely on banks for 70% of their financing**. This makes the European system more vulnerable in times of crisis, when credit supply contracts and banks become more risk-adverse.

This **bank-dominated financial architecture** also limits the capacity to support innovation and scale. One of the most striking symptoms is the weakness of venture capital: **European VC investment accounts for just 0.1% of GDP**, compared to **0.5% in the US**. This fivefold difference is not marginal — it directly translates into missed opportunities for growth, innovation, and the emergence of global technology leaders. European startups face an uphill battle when trying to scale up, often turning to foreign markets for funding or relocating entirely.

Moreover, the **fragmentation of Europe's capital markets** —due to divergent national regulations, taxation systems, and supervisory frameworks— remains a major obstacle to cross-border capital flows. This hampers risk-sharing, reinforces national silos, and prevents the emergence of a truly integrated financial ecosystem. The result is suboptimal capital allocation across the continent.

Household savings, meanwhile, are still not fully mobilized. **Only 17% of European household financial assets are invested in equities**, with the bulk concentrated in low-risk, low-yield instruments such as deposits or insurance products. This conservatism not only limits return for savers but also restricts the availability of long-term capital for productive investment.

In this context, p**roponents argue that a Unified Capital Market would reduce the cost of capital and increase Europe's global competitiveness.** The CMU would enhance the resilience of the European financial system and provide companies —especially SMEs and startups— with **more diversified and accessible sources of funding**. It would also give savers more opportunities to invest in long-term, higher-yield assets and foster a stronger investment culture across the continent.

In its 2020 Action Plan, the European Commission claimed that "the CMU is essential for delivering on all of the EU's key economic policy objectives".

Crucially, the CMU is not a target in itself. It is the **infrastructure needed to unlock private capital at scale**, particularly for the green and digital transitions. Estimates suggest that **the green transition alone will require €620 billion per year**, a figure that cannot be met by public funds alone. Without mobilizing private savings and directing them toward sustainable investment, the EU's climate goals risk remaining aspirational.

In sum, **the CMU is not just about finance — it is about sovereignty, competitiveness, and strategic autonomy**. Without a functioning capital union, Europe will struggle to finance its future on its own terms.

The risks of making the CMU a precondition

While the **Capital Markets Union (CMU)** represents a crucial long-term reform, making it a prerequisite for Europe's economic relaunch would be a strategic miscalculation. The urgency of today's challenges —from financing the green transition to boosting innovation and productivity— demands **immediate action**, not conditionality on reforms that are complex, contentious, and inherently slow-moving.

There are at least **three key risks** in treating the CMU as a precondition rather than as part of a broader enabling agenda:

a) Uncertain political support

Member States hold different views about what the CMU should cover, especially in the case of market supervision, insolvency procedures, pension fund regulation.

This political fragmentation makes it unlikely that the full CMU package will be adopted swiftly or in its most ambitious form. Delaying much-needed investment and structural transformation until the CMU is fully in place **risks subordinating economic progress to institutional stalemate**.

b) Prolonged implementation timelines

The CMU is not a new idea. Since 2015, two successive action plans have introduced over **60 legislative and regulatory measures**. These include initiatives to harmonize insolvency laws, develop capital market infrastructure, and improve access to finance for SMEs. Yet progress has been slow and uneven. The **European Commission itself acknowledges** *"The CMU is a long-term project… it will take time to tackle deep-rooted structural barriers."*

These barriers are not merely technical — they are legal, cultural, and political. They involve complex negotiations between 27 member states with different tax codes, regulatory traditions, and risk preferences. Even with political will, **full integration will take years** to materialize.

c) Delayed and uneven effects

Even assuming legislative breakthroughs, the **real impact of the CMU will not be immediate**. Financial institutions, investors, and companies will need time to adapt to the new framework, develop expertise, and reach sufficient scale. Capital markets do not become deep and liquid overnight; trust, infrastructure, and behavior all evolve gradually.

This lag between reform and outcome is especially problematic given the scale and immediacy of Europe's investment needs. **Waiting for the CMU to become fully**

operational could mean missing a critical window for financing the ecological and digital transitions, reindustrializing key sectors, and reversing years of underinvestment.

→ In short, while the **CMU is indispensable**, **it cannot be the sole condition for action**. Europe must adopt a dual-track strategy: continue building the CMU over the long term, but in parallel **mobilize existing tools, remove practical bottlenecks, and act where political consensus already exists**. The risks of waiting are too high, and the cost of inaction too great.

Is the issue a lack of capital or of expected returns?

At first glance, Europe appears to suffer from a capital shortfall. But this diagnosis is misleading. The **real problem is not the availability of savings, but rather their deployment**. Europe is not lacking capital — it is lacking the **conditions that make investing that capital within the continent attractive**.

The data are clear: **European outward foreign direct investment (FDI)** continues to **exceed inward FDI** year after year. In other words, **European investors are sending more capital abroad than international investors are bringing in**. This trend is not due to protectionism or financial repression but rather reflects a deeper issue: **a lack of confidence in the profitability and predictability of returns within the European economy**.

This mismatch points to a perception gap: **Europe is not seen as a high-return environment**. While European households and institutions are well-capitalized, they are **not sufficiently incentivized to invest in domestic innovation, risk, and entrepreneurship**. Instead, their portfolios often seek diversification and better performance abroad.

The implications of this are twofold:

1. **Capital flight is rational, not ideological.** Investors - including European ones - are acting logically within the incentive structures they face. If European markets are fragmented, overregulated, or offer limited opportunities for growth, capital will naturally seek more dynamic destinations. This is not a question of patriotism, but of basic financial rationality.
2. **Correcting this requires more than financial engineering.** While mechanisms like the CMU can improve access to capital, they do not automatically change the underlying risk-return profile. To **retain capital and attract new investment**, Europe must address the structural issues that depress expected returns: low innovation intensity, slow growth in productivity, regulatory uncertainty, and fiscal fragmentation.

This diagnosis is consistent with data on household savings: although deposits and low-risk instruments remain dominant, there is **growing interest in international exposure**, especially via mutual funds and managed portfolios. However, this indirect diversification only reinforces the outflow dynamic: **private European capital is already globalized — the problem is that Europe itself isn't**.

In conclusion, the challenge is not to create capital where there is none, but to **restore the conditions that make Europe an attractive destination for investment**. This means tackling regulatory barriers, improving the investment climate, and creating the kinds of projects —in green tech, digital infrastructure, and strategic innovation— that can offer credible returns and long-term value. Capital will come home when Europe becomes worth investing in.

The Italian case: diversification in practice

Italy offers a revealing case study of how European households manage their savings — and of the **untapped potential that lies in private capital**. Contrary to the widespread perception that household wealth is dormant or passively held in low-yield accounts, the data tell a more nuanced story.

By the end of 2024, **Italian households had directly invested abroad €884 billion** in a mix of sight deposits, short- and long-term securities, mutual funds, and listed equities. But this is only part of the picture. When looking at **indirect investments abroad —that is, financial assets held through banks, mutual funds, and insurance companies— the total figure exceeds €2 trillion**.

This dual structure highlights two important facts:

a) **Household capital is active.** Italian savers are not merely parking money in current accounts; they are engaging in portfolio diversification across asset classes and investment vehicles. There is **both a direct and an increasingly sophisticated indirect exposure to financial markets**, including international ones.

b) **But capital is not reaching the productive frontier.** Despite this activity, much of the capital remains disconnected from sectors that drive long-term growth — such as innovation, climate transition, digital infrastructure, or industrial renewal. Instead, it often flows into **low-risk, low-return instruments** or is recycled through the banking system into traditional assets, including government bonds.

This disconnection between **financial sophistication and economic transformation** is a key structural weakness. Italian —and more broadly European— households are wealthy, but their wealth is not yet mobilized in a way that fuels strategic investment. The problem is not the passivity of savers, but **the lack of mechanisms and incentives to channel that savings toward high-growth, high-impact opportunities**.

Moreover, the Italian case underscores the importance of intermediary institutions —banks, funds, insurers— in shaping the investment ecosystem. These institutions **mediate risk, allocate capital, and influence investor behaviour**, but they are also constrained by regulatory frameworks and risk-averse incentives that often discourage bold investment strategies.

To unlock the true potential of household capital **Europe must make strategic investment more accessible, attractive, and credible**. That means reforming tax treatment of equity investments, supporting venture capital and private equity ecosystems, reducing regulatory fragmentation, and above all, **creating investable projects with clear returns and long-term value**.

Italy, then, is not an exception — it is a mirror. It shows that **Europe does not suffer from a lack of private capital**, but from a failure to align that capital with its strategic needs. The challenge is not just financial — it is institutional, political, and ultimately visionary.

A financial system in motion

The European financial system is far from inert. On the contrary, it is **liquid, leveraged, and constantly reallocating resources**. According to the **aggregated balance sheet of euro area monetary financial institutions (excluding the Eurosystem)** as of April 2025, the system is awash with capital — but its distribution reveals both its strengths and its structural limitations.

- **Private sector deposits** alone amount to **€15.8 trillion**.
- On the asset side, institutions hold **€13.5 trillion in loans to the private sector**, **€6.5 trillion in external assets**, and **€1.2 trillion in corporate bonds**.
- Yet **equity capital and reserves** across the system stand at just **€2.9 trillion** — a modest cushion relative to the scale of liabilities and exposures.

These figures tell us two things:

1. **Liquidity is not the issue.**

European households and firms are well-capitalized, and banks remain well-funded. Far from being inert, deposits are actively recycled into credit, financial assets, and international holdings. The **notion of idle savings** is inaccurate — what we are facing is a **misalignment between available capital and strategic priorities**.

2. **The system is not oriented toward the future.**

While credit flows steadily through the banking system, much of it continues to support traditional sectors and short-term instruments. Long-term, transformative investments —in green infrastructure, advanced manufacturing, R&D, or tech startups— are still **underserved by mainstream financial intermediation**. The result is a system that is dynamic in volume but **conservative in allocation**.

Moreover, the **limited capital base** of financial institutions relative to their balance sheet size reflects both prudential constraints and **a continued reliance on leverage**. This constrains risk-taking and dampens the appetite for financing innovative or uncertain ventures.

If Europe is to make the most of its abundant financial resources, it must **rebalance the system toward equity and long-term value creation**. That means:

- Encouraging a shift from debt to equity in corporate financing.

- Strengthening capital buffers to support more risk-tolerant investment.
- Developing market-based financing channels that complement —rather than compete with— the banking system.

The infrastructure exists, the liquidity is there, and the macroeconomic conditions are broadly favorable. What is missing is a **clear policy direction that steers capital flows toward strategic, future-oriented uses**.

In short, Europe does not need to inject more liquidity — it needs to **redirect existing liquidity toward the investments that will shape its future**. That requires not only financial tools but a strategic vision and political will.

A strong euro, a less attractive Europe

The **euro has recovered its international stature**. After years of relative decline following the sovereign debt crisis, it has once again become a **currency of choice for global financial transactions**, especially in bond and loan issuance. By mid-2025, **non-euro area companies had issued over €100 billion in euro-denominated bonds**, marking a return to **pre-global financial crisis levels** of international usage.

The ECB's June 2025 report on *The International Role of the Euro* confirms that the currency's **share in global debt and loan issuance has stabilized around 19%**, reflecting a steady recovery and renewed confidence in the euro's reliability and liquidity.

However, this **monetary strength masks a deeper weakness**: **the euro area remains comparatively unattractive as a destination for international capital**. The currency is stable and trusted — but the underlying economy is not perceived as equally dynamic, innovative, or profitable.

This is reflected not only in foreign investment patterns but also in the behaviour of **European households themselves**. While **9.8% of household financial assets are now invested abroad via investment funds**, this still represents **limited international diversification**. The share of foreign-held assets was only **2.8% when considering direct holdings alone**, which suggests that households are increasing their exposure to global markets primarily through intermediaries — not through direct confidence in foreign equities or ventures.

This data underscores two critical insights:

1. ***Europe is exporting capital but not importing ambition.***

Investors —both within and outside the euro area— are happy to use the euro as a transaction currency or as a hedge, but far less willing to **invest directly in European assets, companies, or infrastructure projects**. The problem is not the medium of exchange; it is the investment climate: low returns, regulatory complexity, and modest growth prospects.

2. ***Europe's global role remains monetary, not economic.***

The euro's international presence contrasts with **the absence of a unified, compelling European economic narrative**. In a world of high-tech competition and geostrategic reindustrialization, Europe risks being seen as a safe harbor but not a growth engine. This limits its ability to attract the kind of long-term capital that drives transformation.

In short, **the strength of the euro is not matched by the attractiveness of the euro area**. To close this gap, Europe must focus not only on preserving financial stability, but also on **making its economy investable**: boosting innovation, integrating capital markets, scaling technology, and simplifying the regulatory landscape.

Monetary credibility is a necessary condition — but not a sufficient one. Without a compelling economic model and real opportunities for return, **Europe will remain a currency zone, not an investment hub**.

Is Europe investing too little?

The question of whether Europe is underinvesting yields a paradoxical answer: **in quantitative terms, no — but in qualitative terms, very much so**.

Measured as a share of GDP, **gross fixed capital formation (GFCF)** —which includes investments in infrastructure, machinery, and intellectual property— is **broadly comparable in the euro area and the United States**. This may seem reassuring. However, a closer look at the **composition of that investment** reveals a much more troubling picture.

Between **2020 and 2024**, the United States invested approximately **€6.3 trillion in intellectual property products**. In contrast, **Europe invested just €2.9 trillion** in the same category —less than half. Meanwhile, Europe dedicated a **larger share of its capital expenditure to physical structures**, such as buildings and infrastructure.

This divergence highlights a **structural investment gap in intangibles**, which are increasingly the key drivers of productivity, innovation, and global competitiveness in a knowledge-based economy. Intellectual property, R&D, software, and data infrastructure are now central to value creation — and Europe, while maintaining solid overall investment levels, is **not allocating enough capital to these forward-looking areas**.

The consequences of this misalignment are profound:

- **Europe risks falling behind in sectors where innovation cycles are fast and capital-intensive**, such as artificial intelligence, biotech, clean tech, or advanced manufacturing.
- The **productivity gap** between the EU and the US is likely to widen if investments continue to focus on low-growth, low-tech sectors.
- A structural bias toward tangible assets may offer short-term stability but **undermines long-term adaptability and strategic autonomy**.

This is not merely an economic issue — it is also a political one. In an era where economic security and technological sovereignty are at the top of the geopolitical agenda, **underinvesting in intangibles leaves Europe dependent on external players for critical technologies and innovation ecosystems**.

Rebalancing this trend requires more than private initiative. It demands **public policies that actively promote investment in intellectual capital** through fiscal incentives, regulatory support, and de-risking mechanisms. Europe must make it easier —and more profitable— to invest in future-oriented assets.

In sum, **Europe is not investing too little — it is investing in the wrong places**. Quantity alone does not guarantee competitiveness; what matters is **where the money goes, and whether it prepares the continent for the economy of tomorrow**.

Who invests in R&D in Europe?

Innovation is the cornerstone of long-term economic competitiveness — and here, **Europe is falling short**. According to the *2024 Report on Innovation Policy* and the *2023 EU Industrial R&D Investment Scoreboard*, **European investment in research and development (R&D) is not only insufficient in aggregate terms, but also highly uneven across sectors**.

While some industries —particularly in pharmaceuticals and automotive— continue to maintain significant R&D outlays, **Europe lags behind in high-tech sectors** that are keys to the next wave of economic transformation: information technology, artificial intelligence, semiconductors, and clean energy technologies.

The comparative data is striking:

- Since 2013, the **R&D intensity** —defined as R&D spending as a percentage of net sales— of **US high-tech industries has grown steadily**, reflecting a strategic commitment to innovation as a driver of growth.
- **China**, starting from negligible levels, has rapidly scaled up its innovation effort and now **matches or even exceeds EU R&D intensity in key sectors**.

This convergence is not accidental — it reflects a **coordinated national strategy** in China and a **mature innovation ecosystem** in the US. Europe, by contrast, suffers from fragmentation, underfunding, and regulatory uncertainty, which **discourage private R&D investment and limit the scalability of scientific advances**.

The risks are clear:

- **Technological dependency**: without competitive R&D, Europe will increasingly rely on foreign suppliers for strategic technologies — from microchips to AI systems — exposing itself to geopolitical and industrial vulnerabilities.
- **Loss of talent and leadership**: innovators and entrepreneurs may migrate to more dynamic ecosystems where funding, infrastructure, and regulatory support are more favorable.

- **Productivity stagnation**: as innovation becomes the primary source of productivity gains in mature economies, a lack of investment in R&D directly translates into lower growth potential.

Moreover, Europe's innovation gap is not only with the US or China. **Even within the EU, investment is uneven**, with countries like Germany, Sweden, and Finland far ahead of others in both public and private R&D intensity. This divergence **weakens the coherence of the single market** and reinforces regional disparities.

To reverse this trend, Europe needs more than rhetorical commitments. It requires:

- **Robust public investment in research institutions and fundamental science.**
- **Tax and regulatory incentives** that make R&D spending attractive for companies of all sizes.
- **Simplified access to capital** for startups and scale-ups in tech-intensive sectors.
- **Pan-European coordination** to align priorities and avoid duplication of effort.

Without a substantial and sustained boost in innovation investment, **Europe will not just fall behind — it will fall out of the race**. In a world where technological leadership defines economic power and geopolitical influence, **R&D is not optional — it is existential**.

An inclusive strategy: CMU is not enough

The **Capital Markets Union (CMU)** is undoubtedly a necessary reform. It holds the potential to unlock cross-border investment, reduce fragmentation, and provide a stronger financial foundation for European companies to scale. But it is not —and cannot be— a **silver bullet**. Relying on the CMU alone or treating it as a precondition for broader economic revival, would be both **insufficient and strategically risky**.

The CMU must be **embedded in a broader enabling environment**, one that provides not just capital flows, but **confidence** — for investors, entrepreneurs, and citizens alike. This requires at least three foundational pillars:

1. Clear and reliable regulation

Europe suffers from regulatory complexity, inconsistency between jurisdictions, and frequent changes in rules. This undermines investor confidence and creates barriers to entry, particularly for innovative firms. A successful investment environment demands **stable, predictable, and proportionate regulation**, with simplified procedures and greater legal harmonization across member states.

2. Competitive and coherent taxation

Taxation remains a major obstacle to the free flow of capital across the EU. Disparities in capital gains taxes, withholding tax procedures, and corporate tax regimes continue to distort investment decisions. Europe needs a **tax system that rewards long-term investment, incentivizes risk-taking, and reduces the friction of cross-border operations**, while preserving fiscal fairness and avoiding harmful competition.

3. Political and economic stability

No amount of regulatory reform or financial engineering can compensate for a lack of macro-level trust. Investors need **long-term stability in monetary, fiscal, and political terms**. Recent years have shown how uncertainty —from Brexit to fiscal disputes to energy shocks— can deter investment and weaken Europe's attractiveness as a safe and predictable economic environment.

Given the **slow progress and recurring political hurdles** that have hampered the CMU since its inception in 2015, it is unlikely that its full implementation will materialize in the short or even medium term. Many of its most impactful measures —from harmonizing insolvency law to establishing a true European safe asset— remain blocked or watered down due to a lack of consensus among member states.

In this context, Europe must adopt a **more pragmatic and flexible strategy**:

- **Advance wherever consensus already exists**, rather than waiting for unanimity on everything.
- **Identify "low-hanging fruit"** — reforms or instruments that can be implemented quickly and deliver tangible results.
- **Experiment with modular integration**, allowing coalitions of willing countries to move forward while maintaining overall cohesion.

The CMU remains an **essential long-term goal**, but its transformational potential will only be realized if it is paired with **a realistic agenda of immediate, inclusive action**. Europe cannot afford to wait for perfect alignment — it must act now, wherever political space allows, and build momentum from the ground up.

What can we do, beyond the CMU?

While the **Capital Markets Union (CMU)** remains a vital pillar of Europe's long-term financial architecture, it cannot bear the weight of the entire investment strategy. Insisting on its full implementation as a precondition for mobilizing capital **risks paralysing action when urgency is required**. Europe cannot afford to wait.

Instead, a **parallel track must be activated immediately** — one that accelerates investment, reduces friction, and makes the European economy a more attractive and dynamic destination for capital. This calls for **targeted, actionable reforms** that do not depend on treaty change or unanimity, but on political will and practical consensus.

Here are five strategic priorities to move forward now:

1. Strengthen the single market where consensus already exists

The single market is Europe's greatest asset, but its potential remains underexploited — especially in **services, capital, and digital sectors**. Progress can and must be made in areas where agreement is possible: removing cross-border administrative barriers, harmonizing reporting standards, improving licensing and certification procedures. These are not glamorous reforms, but they have **immediate effects on business and investor confidence**.

2. **Make Europe a place worth investing in**

Europe must actively cultivate an environment where **private capital sees credible opportunities for long-term return**. This means creating investable projects, not just financial instruments. Public-private partnerships, mission-driven innovation programs, and strategic investment platforms can help channel capital into key areas like clean energy, digital infrastructure, and industrial transformation — but only if returns are transparent and policies consistent.

3. **Remove bottlenecks: expand the venture capital ecosystem**

Europe's venture capital sector remains **fragmented, undercapitalized, and risk-averse**, especially when compared to the US or China. Removing barriers to fund formation, supporting scale-up funds, and connecting national ecosystems across borders will be critical to building a true **European innovation pipeline**. Europe must not only fund research, but also **finance risk, scale, and disruption**.

4. **Reform incentives to redirect capital to the future**

Capital flows respond to structure. If Europe wants more investment in **high-tech and breakthrough sectors**, it must **rethink its incentive architecture**. That includes:

- Reforming tax treatment to favor equity over debt.
- Designing public guarantees or co-investment schemes that de-risk early-stage ventures.
- Shifting from **top-down subsidy logics** to **outcome-based frameworks** that reward impact and scalability.

5. **Rein in the tendency to overregulate**

Europe's regulatory reflex is often well-intentioned — aiming to protect consumers, workers, and the environment — but in practice, it **often stifles innovation and discourages investment**. A smarter regulatory approach would emphasize:

- **Principle-based regulation** over prescriptive detail.
- **Regulatory sandboxes** for emerging technologies.
- Sunset clauses for outdated or redundant rules.

This is not about deregulation — it is about **strategic, agile regulation** that enables risk-taking while upholding public values.

In short, **Europe must act now, with the tools it already has**. The CMU can and should proceed in parallel — but the broader agenda of mobilizing private capital, restoring economic dynamism, and enabling innovation **cannot wait for institutional perfection**. It must begin today, with practical steps, political courage, and a renewed commitment to Europe's future.

Conclusion

Europe stands at a crossroads. On one side, a strategic challenge: how to fund its green and digital transitions, strengthen its industrial base, and remain globally competitive in a decade of accelerated transformation. On the other, a historic opportunity: to **mobilize its vast reservoir of private savings** — accumulated over decades — and redirect it toward **a shared European future**.

The obstacle is not scarcity of capital, but scarcity of **direction, confidence, and coordination**. Private money is abundant. What is missing is **a framework that channels it toward common goals**, and a climate that rewards risk, innovation, and long-term vision.

The **€450 billion bet** is not just a financial estimate — it is **a political bet on Europe's ability to act collectively and decisively**. It is a call to transform **passive liquidity into active investment**, and **individual savings into collective ambition**.

Yes, the **Capital Markets Union** remains an essential part of the solution. It can reduce fragmentation, diversify funding, and make European finance more resilient and efficient. But the CMU alone will not be enough. Progress is slow, consensus is fragile, and its full effects will take time to materialize.

In the meantime, Europe must move. It must act **now**, with the tools already at hand. That means:

- Strengthening the single market where it counts. Reforming incentives to direct capital toward innovation and sustainability.
- Expanding the venture capital ecosystem and reducing regulatory drag.
- Above all, **making Europe a place worth investing in** — not only financially, but politically, technologically, and socially.

Ultimately, the **real challenge is not technical, but civic**: to restore trust in a common project, and to show that Europe is capable of ambition — not only in crisis, but in vision.

The question is no longer whether we can afford to act. The real question is: **can we afford not to?**

2.10 CHANGING INSTITUTIONAL SETTINGS WITHOUT CHANGING TREATIES? THE EU WAS BUILT FOR A DIFFERENT ERA: HOW TO MAKE IT MORE EFFICIENT AND CAPABLE TO ENGAGE CITIZENS[48]

Figure 8: Photo from the session on the way forward for cohesion policies with Commissioner Fitto, held during the Siena Conference

The European Union (like all international organizations) was built for a different era[49]. It was designed to accompany the western part of the "old Continent" for the second half of the twentieth century after two world wars that erupted in Europe and swept away entire generations. We now live in a different century, and it is grotesque that Europeans are still talking about landing in a century of which more than a quarter has already gone.

It is not just the institution but the very idea of an ever larger, ever deeper union which is being challenged. The idea of a mission towards a "United States of Europe", when the ones "of America" have their own institutional problems and can hardly be a benchmark[50].

[48] This section has been authored by Vision. This section is intended as a contribution to the discussion during the *Europe of the Future* conference.
The views expressed are those of the authors only.
[49] Some of the contents of this last session were anticipated here: https://theconversation.com/the-eu-was-built-for-another-age-heres-how-it-must-adapt-to-survive-248811
[50] Indeed, if Europe was built for the twentieth century, one may argue that Nation States were built to weather the nineteenth century and that the United States is probably the oldest of the "modern" democracies we still have around.

A comparison that can be effective enough of the current state of the Union is the one with marriages before the introduction of divorce (in most of the EU countries divorces were made possible in the seventies[51]). Unions that were based upon values (and celebrated most of the times in a church); meant to last forever; and ended in reciprocal cheating and… free ride.

One possibility that Vision would dare to think is worthy to be explored, is to have institutions that flexibly adapt themselves to changes to rapidly changing conditions. The values will stay the same; the forms through which they are pursued change so that rigidity does not become vulnerability.

Mini unions?

Europe is unable to chart a path forward because it needs unanimity among its member states in order to make any major decision. Votes are not even weighted to reflect the different sizes of each of the club's members.

This is a weakness that would gradually cause the deterioration of any international organisation. But in the case of the EU, the crisis is more serious because member states have surrendered part of their decision power. As a result, if the EU cannot move quickly, even member states turn out to be paralysed.

Viktor Orbán, the prime minister of Hungary, has often been singled out as the bad guy especially – this has happened every time the EU has tried to approve sanctions against Russia or aid to Ukraine. But examples of free riding abound even among the founding parties.

For decades, France has resisted any attempt to reorganise the common agricultural policy[52] that sends a third of the EU's budget to farmers, many of them French. Italy has halted the ratification of the reform of the European stability mechanism[53] that should protect states from financial instability, out of the assumption among part of the Italian electorate that this may compromise further sovereignty.

Elsewhere, Germany's constitutional court has derailed the reform of the EU electoral law[54] that divides the election of the European parliament into a dysfunctional system of 27

[51] It was England to conduct upon a divorce the first BREXIT of history, when Henry the 8th refused the authority in 1530; amongst EU members Ireland, however, introduced the possibility to do so only in 1995 and Malta in 2011

[52] *BBC News*, "Q&A: Reform of EU farm policy," 1 July 2013, available at: https://www.bbc.com/news/world-europe-11216061 (accessed July 2025)

[53] *Stefano Feltri*, "Why is the ESM so Controversial Only in Italy? A conversation with Klaus Regling", IEP Bocconi Policy Brief No. 19 (26 January 2024), available at: https://iep.unibocconi.eu/publications/why-esm-so-controversial-only-italy-conversation-klaus-regling-0 (accessed July 2025)

[54] *European Parliament*, "Reform of the electoral law of the European Union," *Legislative Train Schedule*, available at: https://www.europarl.europa.eu/legislative-train/theme-union-of-democratic-change/file-reform-of-the-electoral-law-of-the-european-union.html (accessed July 2025)

national contests, because of the resistance of the German political system to any electoral law which is not proportional.

We need to find a way to change all this. And the solution cannot be the rather abstract idea of a union that proceeds at different speeds[55], where the older members are supposed to be part of an inner circle (above examples demonstrate that objections can also come from founding members). Nor is it feasible to expect that the abolition of unanimous voting is the ultimate solution (as the case of trade demonstrates) for two reasons: a) to forgo unanimity, you need a unanimous vote; b) even when you decide something with qualified majority, the dissenting member state will still have the political power to not fully collaborate.

Instead, the EU should become the coordinator of multiple unions, each formed by the member states themselves around specific policies. A union might form around defence, for example, among member states which are ready for such a partnership, such as Poland, the Baltics and Finland.

Another might bring together countries that wish to collaborate on large projects such as a pan-European high-speed train, or a fully integrated energy market that may allow Italy, France, Germany and Spain to save billions of euros and decarbonise more quickly.

This is not entirely new. Arrangements like the euro and the free circulation of people (the Schengen area) follow this principle. Only a subset of EU nations are part of these projects, and offers have even been extended to join beyond the EU's borders. Monaco is in the euro, for example, while Norway is in Schengen, despite neither being an EU member state.

The problem with these unions is that they are incomplete. The complement to the monetary union is a recently reformed "stability pact" that leaves so many loopholes that 11 out of its 20 members do not comply. And even within Schengen, there are still no proper common borders. The result is continuous reciprocal accusations of exporting each other's illegal migrants.

The solution here is to fully share the levers within a certain policy area on terms which are more flexible and voluntary for the union's members.

The possibility of calm divorces (and "goodbyes")

Resilience is achieved through adaptability. Therefore, these new arrangements must make divorce between union members possible from the outset – and establish the terms of such a rupture in advance.

And in the event of an extreme case, the other parties should also be able to ask one of the members to leave their union (so as to avoid being systematically held to ransom by a free

[55] *Radio Free Europe / Radio Liberty*, "'Two-Speed' Europe: A Plan for EU Unity Or Disintegration?", *RFE/RL*, published March 2015, available at: https://www.rferl.org/a/eu-explainer-two-speed-multispeed-europe/28396591.html (accessed July 2025)

rider). The current union treaty does contain a provision (article 50)[56] that enables a member to leave, as the UK did – but if Brexit showed anything, it was that this mechanism has limited use at preventing a divorce from descending into chaos.

(More) power to the people?

People should always be part of these decisions, of course. When states decide to surrender some of their sovereignty to a larger organisation such as the EU, it changes the nature of the pact between the citizens of a country and the people who make decisions on their behalf. This evident truth has been ignored for decades as the EU has gradually been built from the top down.

The European Union currently resembles the marriages we once had in Europe (until well into the 20th century), before it was acknowledged that they are a civil (not necessarily religious) contract that can be dissolved through divorce – not some divine construct that can never be undone. We need new policies and the paper proposed some ideas to unlock multiple zero sum games amongst member states. And we need a different method to take those decisions. Pragmatism and innovation can be useful to find a new method.

The marriage between EU countries is blighted by cheating and empty rhetoric. This is an issue we can no longer avoid if Europe wants to do more than just "shift gears". The EU was the most successful political project of the 20th century. If it wants to continue to be so in the 21st, it has to learn to be flexible. Only those who can adapt survive.

Figure 9: Participants of the Siena Conference on the Europe of the Future

[56] *EUR-Lex*, "Withdrawal from the European Union," Glossary of summaries, available at: https://eur-lex.europa.eu/EN/legal-content/glossary/withdrawal-from-the-european-union.html, last accessed: July 2025.