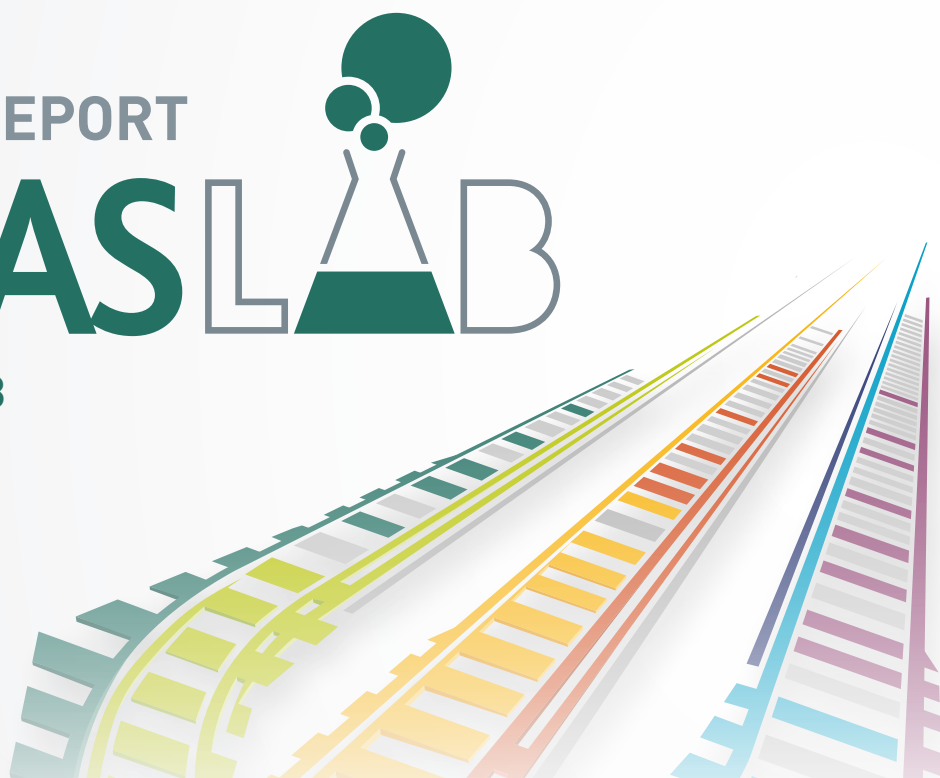


CONFERENCE REPORT

CEPS IDEAS LAB

22 - 23 February 2018

The Egg, Brussels



EUROPE - BACK ON TRACK

#CEPSlab18



Ideas Lab 2018

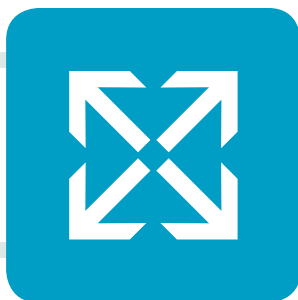
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Days



48

Breakout Sessions



1050

Participants



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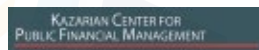
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Warm-up: Are we back on track? What do Europeans really think about the EU?

Speakers: *Michelle Harrison*, WPP Government and Public Sector Practice and CEO, Kantar Public Affairs; *Jean Pisani-Ferry*, Professor, Sciences Po Paris and the Hertie School of Governance in Berlin; *Isabell Hoffmann*, Senior Expert - Program Europe's Future, Bertelsmann Stiftung
Moderator: *Aart de Geus*, Chairman Executive Board, Bertelsmann Stiftung

Europe – Back on track:

A statement or a question?



As the titles of previous Ideas Labs rolled past on video at the conference warm-up session, the audience could have been forgiven for suspecting that someone had forgotten to add the question mark for 2018.

Among the polls presented, a key Eurobarometer survey of sentiment about national/European economies (below) shows a generally positive trend over the past 10 years. However, still less than half of Europeans are convinced things are going well.

Nevertheless, welcoming **Jean-Claude Juncker** to give the opening plenary keynote address, CEPS Chairman **Joaquín Almunia** put a clearly positive spin on the title of the conference. For his part, the Commission President stated confidently that “we have slowly but surely turned the page from this so-called ‘polycrisis’. And we have been able to do so by being united and by delivering on things that matter.”

He cited an all-time high for employment and a 9-year low for unemployment, while insisting “business and consumer confidence are at their highest levels this century” and investment is picking up.

There was, however, an inkling of doubt when, referring to the following day’s informal summit discussions on the Multiannual Financial Framework, Juncker felt the need to call on “Europe’s leaders to send a clear message that Europe is not only back, but that it really means business.” And in responses to questions, Juncker repeated that he was under no illusions.

Addressing the closing plenary “The Way Forward” the following day, Belgian Minister of Foreign Affairs **Didier Reynders** echoed Juncker in calling for mainstream politicians to be more positive about the EU to avoid problems at the next election. He stressed the need to define clearly the values Europe stands for today – and to defend them vigorously.

Ideas Lab: A series of interrogations?

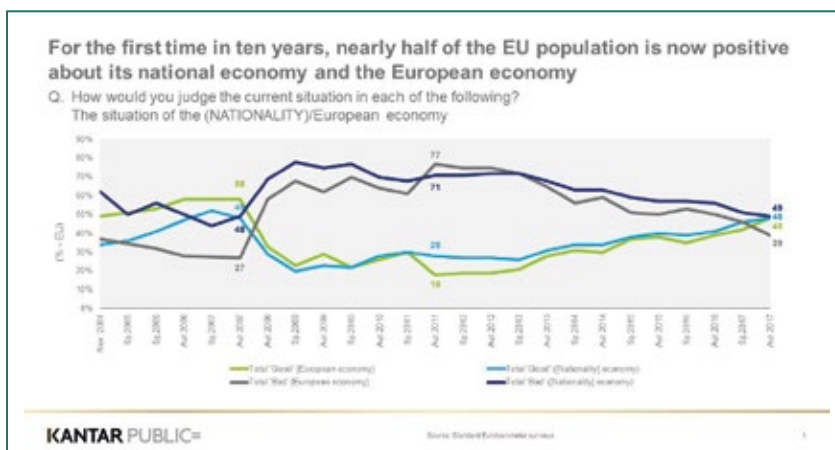
2014: Does Europe matter?

2015: More or less Europe?

2016: An EU fit for purpose?

2017: Reconstructing the Union

2018: Europe – Back on track



Noting that this was especially urgent in the areas of respect for fundamental rights and the rule of law, Reynders asked "How can we imagine a functioning internal market if we do not trust each other's judicial systems?"

The Belgian Foreign Minister also advocates moving from unanimity to qualified majority voting to help deliver



Didier Reynders

concrete results, but wondered aloud to knowing laughter from the audience: "Was the United Kingdom the only country opposing this move? We will know soon." He insisted in conclusion that the EU should aim for a stronger European foreign policy, speaking with one voice, not only as a global player in trade and cooperation, but also in tackling security and migration challenges.



Jeroen Dijsselbloem

Lilyana Pavlova, Minister for the Bulgarian Presidency of the Council of EU 2018, suggested that the Brexit decision has helped people realise just how valuable Europe is, but underlined the need for good decisions to be taken in 2018. The EU should be more proactive, less reactive and work together on new challenges alongside established policies. Budget discussions should be less about covering shortfalls, but more about long-term strategic goals.

Former President of the Eurogroup **Jeroen Dijsselbloem** said he sees lots of positive dynamics, though cautioned against being too optimistic given the economic, political and social damage still in need of repair. He also warned that trust in the EU as providing security and prosperity has been undermined by the experience of the past 10 years.

"Europe is not going to fix all the problems," he went on, "We need to be more specific about where the EU can add value. Security, safety, borders, migration and defence are now greater priorities than economics." Dijsselbloem called for less dogmatism and more practical ways forward, working together where necessary in smaller groups of countries, taking smaller



Lilyana Pavlova

steps at different speeds rather than the dramatic leaps of the past. He suggested that reforming the Eurozone will require compromise from all sides and time should not be wasted on institutional debates.

Before opening the session to audience questions, CEPS CEO **Karel Lannoo** returned the discussion to the subject of qualified majority voting. Saying it helps involve countries more in decisions, Didier Reynders considers it a shame that QMV is not used in foreign affairs despite that being a possibility under the Lisbon Treaty. Jeroen Dijsselbloem is concerned that while QMV could function in policy areas where there is experience of working together, moving towards it, for example, in defence could halt cooperation: "Jumping ahead would damage the European project."

The plenary concluded with suggestions that the EU should seek democratic rather than output legitimacy. This need was further highlighted in the closing lecture by Ivan Krastev, whose thoughts, as **Daniel Gros** pointed out in his introduction, provided the question mark some were suggesting should have punctuated the title of the conference.



Following the lecture, Gros countered Krastev's assertion that north-south convergence was unlikely to happen on the basis that the euro has not proved an obstacle among its eastern adopters. He also suggested that east-west flows of people will reverse as disparities are reduced, thereby shifting the politics. His guest stressed, however, that economics are not sufficient to overcome the "value of place" sought by emigrants. Meanwhile, he warned, the majority left behind and feeling culturally threatened "could become very aggressive if thwarted".

"Telling people they're wrong doesn't help anything," insisted Krastev. The previous day, President Juncker admitted "we have to change our communication policy in the EU, but I don't know how." Perhaps that question mark was necessary after all.



Karel Lannoo

"After Europe"

Ivan Krastev, Centre for Liberal Strategies in Sofia

The great paradox, according to this self-confessed "opposite of an inspirational speaker", is that we all have a sense of optimism and polls show confidence returning despite the fact that none of the major crises – the eurozone, Russia, Brexit or migration – has been solved.

Economic growth alone will not be enough: the next generation has no certainty of being better off than their parents, rich countries are becoming relatively richer, and the power relations between creditors and debtors will remain. The Russia-Ukrainian crisis is a direct rebuke to the EU foreign policy assumption that military power is of little consequence: economic interdependence only reduces the risk of war if trading partners have positive expectations about the future. Brexit has a psychological impact as it undermines the principle of no divorce and calls the EU's democratic legitimacy into question. Open borders are already linked in the East to fear of depopulation through emigration. Demographic panic leads people, even in countries with no arrivals, to see migrants as a threat and stress the rights of the majority.

"Disintegration always starts with the dream of an optimal union."

Pro-EU sentiment disappears when "we don't know what they're doing in Brussels, but they're better than our government" becomes "we don't know what they're doing in Brussels, but we know they don't care about us". For the EU to be seen as legitimate, it needs to adopt the perspective of its most vulnerable member: in the case of Russia, this is the Baltic countries, regarding Turkey, it is Greece and Bulgaria, for Libya, Italy.



Digital Economy



I Is the internet broken?

Is the internet delivering on its promise? According to Evan Williams, one of the founders of Twitter, the internet today is broken: "People are using Facebook to showcase suicides, beatings and murder, in real time. Twitter is a hive of trolling and abuse that it seems unable to stop. Fake news, whether created for ideology or profit, runs rampant." The internet facilitates and creates new types of electronically linked communities that are much more stratified than traditional ones organised along some common dimension, such as business, politics or hobbies. These groups therefore tend to be issue-driven, ideological and sometimes more extreme. The internet is rewarding the extremes. Many thought that once everybody could speak freely and exchange information and ideas on the Internet, the world was automatically going to be a better place. This has not been the case. What can be done about it?

The internet has evolved in many ways that were certainly not foreseen by its founders. The idealistic notion that it would remain an open utopia for free expression of ideas has rapidly shifted over the last two decades. Nations clash on how the internet should or shouldn't be regulated, and traditional divergences of cultural and governmental norms now occur in the digital realm. China and Russia have taken a closed model approach, while the US and Europe maintain support for a free and open internet, though the impact on democratic processes is beginning to be seen as an issue with policy implications. The intermediary platforms also play a role in the midst of these different approaches to the internet, but what exactly is that role, and how is it defined?

The GDPR can be seen as the key concrete policy concerning whether or not the internet is broken. By setting out acceptable data protection rights for those living in the EU and for EU citizens abroad, it is the most tangible piece of legislation dictating internet norms for both users and platforms. Europe has also recognised the cyber threat as being deep and widespread, with antagonists potentially having the capacity to disrupt infrastructure and cause major damage to society

Discussion Leaders

Eli Noam, Garrett Professor of Public Policy and Business Responsibility at Columbia Business School

Alexander Klimburg, Director at The Hague Centre for Strategic Studies

Thomas Myrup Kristensen, Managing Director EU Affairs, Facebook

Marietje Schaake, Member of the European Parliament and leader of the Intergroup on the Digital Agenda for Europe

Moderator

Lorenzo Pupillo, Associate Senior Research Fellow, CEPS

at an operational level. This threat increases if the capabilities of cyber-defence are not increased in sync with the advent of industry 4.0 and the internet of things leading to further digital integration of infrastructure and industry.

There is discord on what the future of the internet should look like: backers of the multi-net approach, where different sovereign entities dictate how their internet operates and thus, how 'free and open' it really is on one side; on the other, the proponents of global internet norms and standards. There is also debate around the roles and impact of platforms operating differently under open (e.g. Europe) and closed (e.g. China) internet regimes. Moreover, greater connectivity appears to increase the degree of conflict between political ideologies and cultures. If this trend continues, some see the ramifications for modern democracy as nothing short of disastrous.

Looking ahead, it must be understood that governments, corporations, but most importantly individuals and civil society need to play a role in shaping the future of the internet. These three parties must work together, and also maintain checks on each other to ensure that the internet, at least within Europe, remains a place for vibrant discussion of ideas that can underpin an equally vibrant democratic society.





I Software: Should security and safety converge?

“Phones and laptops don’t kill many people directly: cars and medical devices do.” With the growing integration of cyber physical systems (CPS) into industrial and civil environments, should safety and security converge? In an environment where items collect and exchange data with each other, the attack surface expands tremendously due to the countless access points added to the network. This context presents engineers, researchers and regulators with numerous new challenges, such as coordinating vulnerability disclosures process, embedding security and safety into technical standards, e.g. based on security-by-design and security-by-default principles. However, ensuring sustainability in software and in the supporting tool-chains is proving more challenging than one might expect: “How do we write code for which security patches must be made available for the next 30 years?” Furthermore, how should liability and privacy policies be reconsidered? What role should cyber insurance play?

Given how software surrounds each of us in daily life and how susceptible it is to malware and cyber-attacks, a certain level of security and safety regulation is necessary in order to address the problem of vulnerabilities in software and what measures can be taken in order to limit the impact of vulnerabilities on users and ensure a predictable landscape for business and citizens.

The question however arises to what extent regulation is needed and what measures should be imposed. One option is to take an objective-oriented and risk-based approach, focused on outcomes, which should stay as flexible as possible. Flexibility is important so as not to break the innovative circle, which is impacted by excessive regulation. The problem with a risk-based approach lies in the very dynamic nature of risk in software: what was secure yesterday might not be so today.

Some principles that apply in the case of liability for traditional products (such as for medical devices) could be adopted. However it has to be borne in mind that ownership is more

difficult to establish for software. As with more traditional products, a level of compliance can be established without interfering with innovation. The solution is perhaps to establish a liability system based on duty of care.

A system for software could be similar to the GDPR, a ‘regulation by design’ that sets principles rather than regulating, which allows for greater flexibility while providing a basis for attributing responsibility. Some believe a set of reactive measures is not enough and that it is also necessary to establish preventive measures, while others consider this is the wrong direction, as there are better ways to set incentives than regulating or setting fines for misbehaviour, which could hinder innovation.



Discussion Leaders

Marietje Schaake, Member of the European Parliament and leader of the Intergroup on the Digital Agenda for Europe
Jan Neutze, Cybersecurity Director EMEA Region, Microsoft
Allan Friedman, Director of Cybersecurity Initiatives at National Telecommunications and Information Administration - US Department of Commerce
Despina Spanou, Director for Digital Society, Trust and Cybersecurity, European Commission

Moderator

Lorenzo Pupillo, Associate Senior Research Fellow, CEPS

Digital Economy

I Competition policy in an age of algorithms

Experts, practitioners and competition authorities are heavily debating the opportunities and challenges of antitrust scrutiny of business practices enabled by algorithms. Beyond recent cases on search rankings and surge pricing, all areas of antitrust are potentially affected. Scholars have recently highlighted that algorithms might facilitate cartel agreements while at the same time making it harder for competition authorities to attribute liability to firms participating in the agreement. Distinguishing competitive from collusive markets, however, is becoming more challenging, especially in e-commerce. Is antitrust able to capture these dynamics? Or do we need to modernise the rules to promote healthy competition in digital markets?

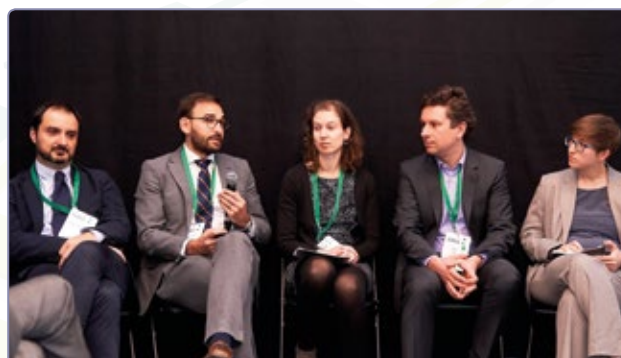
Algorithms provide many benefits, allowing companies and individuals to work more efficiently and provide higher quality goods and services. Innovation in this area should therefore be facilitated alongside efforts to foresee issues where a policy response would be necessary.

The EU has already taken a stance on data protection with GDPR, enabling consumers and companies to gain a clearer understanding of what constitutes appropriate use of data and providing consumers with rudimentary mechanisms for making decisions about their online data. However, further progress needs to be made regarding how data is manipulated by algorithms, perhaps through continuing to increase transparency and providing more choice in the platform marketplace.

Algorithms impact competition in many ways, and these impacts are often difficult to perceive owing to their behind-the-scenes, 'black-box' nature. There is discord over how these unseen forces can not only assist, but also influence consumer choice. While the massive amount of user data generated by platforms such as Google and Facebook enables consumers to be directed towards products they are most likely to need at a given time, doesn't this 'default' recommendation effectively limit consumer choice? And how should firms direct these advertisements and recommendations to their users?

Certainly they should not provide preferential treatment to their own products, or those of a subsidiary, but how to achieve this fairness in the digital marketplace has yet to be determined. A further issue is the risk, when competing firms outsource their pricing to algorithm providers, that these algorithms can sometimes unintentionally work together to create a pricing cartel. Who is then responsible? Or should this be viewed as a fairness problem?

Closer examination of algorithms and their influence on markets is clearly necessary, along with increasing digital literacy to help Europeans better understand their impact.



Discussion Leaders

Inge Graef, Professor at (TILEC) Tilburg University

Antonio Capobianco, OECD

Julia Reda, Member of the European Parliament

John Zysman, University of California Berkeley

Agustín Reyna, Senior Legal Officer and Digital Team Leader in BEUC, The European Consumer Organisation

Moderator

William Echikson, Senior Research Fellow, CEPS

Regulation & Innovation



Mission-oriented innovation policy

A draft of the next EU Framework Programme for Research and Innovation (FP9) was presented at the end of 2017, and is under discussion until mid-2018. Carlos Moedas and his team promise a “Copernican revolution” in the way research and innovation are funded and promoted at the EU level. Together with the European Research Council and the newly-created European Innovation Council, the FP9 will be structured along a number of “missions”, which will act as catalysers of public and private investment towards the achievement of specific goals. Missions will be deeply rooted in the EU's Sustainable Development agenda, but how will they be chosen and pursued? What are the opportunities and challenges of choosing a mission-oriented approach to innovation? What are the challenges for the EU and member states, as well as for academia and industry?

The idea of designing a research and innovation strategy based on missions comes from work already produced by Mariana Mazzucato and the reflections on European identity by Pascal Lamy. Just like the ERASMUS programme was able to build a bridge between students and Europe, the Commission seeks a programme that builds bridges between citizens and Europe's science. Missions could be those bridges.

The best example of a mission-oriented innovation is the Apollo Programme from NASA. All sectors were influenced by the ‘man on the moon’ goal. It was not just about the physics: not only the right spacecraft needed to be built, but also the right suits. And the right food needed to be produced. From mechanics to nutrition, many sectors had to innovate and create new products all powered by the same goal. Missions generate spill overs. They also generate a lot of failure and it is crucial to understand who will pay for that failure.

The concept of missions generates a lot of controversy, mainly relating to who sets the missions and whether they could be subject to capture by sectors, academics or politicians. The Apollo Programme can also serve as an example for the

decision-making process: there were many cross-sectoral and bottom-up solutions, plenty of experimentation, but nevertheless the mission was set from the top and the challenge was external (the cold war space race).

There is a political aspect: Europe needs to grow past its 1.5% growth if it wants to be able to sustain its social model, which means changing the current EU tendency to be “good at making science with money but not at making money with science”. The amounts involved for such ambitious plans also require political initiative, leadership, and commitment: 160 billion euros has been considered. There also needs to be a sense of necessity, that the mission has to be achieved, independent of political changes. How many missions? How wide? How much money per mission? These are still questions without answers.



Discussion Leaders

Mariana Mazzucato, Professor in Economics of Innovation & Public Value, University College London

Carlos Moedas, European Commissioner for Research, Science and Innovation

Pascal Lamy, former EU Commissioner for Trade

Moderator

Andrea Renda, Senior Research Fellow, CEPS

Regulation & Innovation



I Algorithms and AI: Ethical and policy challenges

As they become increasingly pervasive in our daily lives and capable of self-learning, algorithms have become the focus of an ever more frantic debate, which encompasses both ethical and policy/regulatory dimensions. These discussions explore, for example, such questions as should algorithms be neutral, or at least less biased than human beings? Should they be audited by third parties or public authorities? Would such precautions imply a breach of intellectual property rights? Will consumers be caught in the middle of a fight between tech giants and governments, or will they ultimately stand to benefit?

Algorithms are here to stay and as they evolve into more advanced forms of machine learning and artificial intelligence, the EU needs to decide what role it should play in shaping how these rapidly advancing technologies are integrated into our society. The question of ethics is central, not only from legal and economic standpoints, but from a social perspective. Concrete policy plans and initiatives will be needed for Europe to avoid potential problems while harnessing the progress and growth generated by these technologies.

Currently the EU is at the forefront of several policy areas concerning AI and algorithms, notably liability, safety, and data protection with the GDPR. Traditional logic for liability and safety has seen a relatively smooth transition into being applied to algorithms. However, while algorithms have been utilised for decades, they are now at a time of rapid advancement and evolution, so even the most recent policies can 'miss the boat' on new technologies that have yet to see widespread commercial use or are hidden beneath layers of UI and coding.

A clear path forward is however lacking on corporate responsibility. To what degree can corporations, particularly large digital platforms such as Facebook and Google, self-regulate? Do governments have sufficient technical knowhow and access to properly legislate these constantly evolving algorithms?

Digital literacy needs to be increased in order to understand better what the precise capabilities of these 'tools' are and how they are shaping society. More transparency from private companies is required so that end users can grasp more fully what they are interacting with and how it is influencing their experience in digital spaces, and, in the future, the physical realm.



Discussion Leaders

Mady Delvaux, Member of the European Parliament
Eva Kaili, Member of the European Parliament
Prabhat Agarwal, Deputy Head of Unit, DG Connect, European Commission
Ondrej Socuvka, Senior Policy Manager, Google

Moderator

Andrea Renda, Senior Research Fellow, CEPS



I Better Regulation, innovation and the 2030 agenda: Towards policy coherence?

The EU Better Regulation agenda has now reached a mature stage. The European Commission, in particular, has gained extensive experience in engaging with stakeholders, evaluating policies both ex ante and ex post, and liaising with other EU institutions to ensure a smooth flow of the policy cycle. In the future, regulation may be increasingly called to support the EU's mission-oriented innovation policy, as well as coherence between individual EU policies and medium-term goals. Will this lead to major changes in the way the EU institutions approach better regulation? Could future changes lead to a more pervasive use of better regulation tools in the EU and in member states?

91% of policy initiatives today involve open public consultations resulting in three positive trends in the context of EU Better Regulation. First, ex-ante assessments are more frequently embedded in a systemic way into the policy process at member state level, leading to increased transparency and stakeholder engagement. For example, more and more countries are establishing a minimum period of consultation and giving citizens online access to public documents. Second, member states are keen on adopting a more proportionate approach to regulatory impact assessments and reducing the administrative burden for minor pieces of legislation. Third, new types of impacts, such as inclusive growth, sustainable development and gender equality are being included in ex-ante assessments.

However, on the one hand, ex-post evaluations remain the "lost child" of the Better Regulation agenda, being scarcely implemented at either the EU or member state levels, which the next Commission should aim to remedy. On the other hand, regulatory tools are not used consistently across institutions. For instance, the Council lacks an internal body in charge of policy evaluation, such as the European



Discussion Leaders

Anne Bucher, Chair of the Regulatory Scrutiny Board, European Commission

Claudio Radaelli, Professor of European Political and Governance Studies, College of Europe, Bruges and Jean Monnet Chair in European Public Policy

Céline Kauffmann, Head of Regulatory Policy Division, OECD

Malcolm Harbour, former MEP and Chairman of the Internal Market Committee European Parliament

Moderator

Andrea Renda, Senior Research Fellow, CEPS

Parliamentary Research Service within the European Parliament, whose support has been helping the Parliament to improve the quality of legislative proposals. However, a key conclusion from the debate was that member states have different requirements for decision-making methods and a one-size-fits-all approach would result in a too rigid system, in which the administrative burden would overwhelm the potential benefits.

Energy



I The internet of energy and mobility: Will industry in Europe benefit?

The Internet of Things by now encompasses the full value chain of energy as well as mobility providers and services. The previous lines between energy and mobility services are increasingly becoming blurred; car manufacturers integrate fuels provision and operate storage and generation assets. Energy companies provide mobility services and cities develop their own mobility concepts, largely driven by the needs and preferences of their citizens. While such disruption is taking place, it is not yet clear how the EU will benefit from it.

As traditional sectors become increasingly connected and smart ecosystems and digitalisation break down the walls between traditional services, encouraging companies to offer integrated solutions and services, there are opportunities for developing more efficient and sustainable systems. But there are also several challenges, such as high emissions from data centres as well as data use and security concerns, and energy supply risks arising from the electrification of transport and increased demand.

Blockchain technology represents another technological breakthrough that could strengthen the market role of individual consumers and enable them to be part of a decentralised energy system. Electric vehicle batteries will also be crucial in adding flexibility.



Introducing tax incentives, carbon pricing or kilometre-based taxes (especially in densely populated areas) are among potential policy instruments. But there is a need for synergy between the Energy Union and the Digital Single Market if the EU is to stimulate investment and motivate companies to offer smart solutions.



Discussion Leaders

Frances Sprei, Assistant Professor, Chalmers University of Technology, Sweden Chalmers University

Claus Peter Neumann, Technology Foresight at Volkswagen Group Research, Future Affairs, Volkswagen

Björn Sigurdsson, Climate Change Strategist, City of Uppsala

Narcis Vidal Tejedor, Head of E-Mobility Innovation, ENEL

Juri Matilla, Research Scientist, ETLA

Moderator

Sandrine Dixon-Declève, Senior Advisor and Facilitator, Corporate Purpose, Sustainability, and Low Carbon Solutions





I Decarbonisation of industry: Can the EU think big enough?

By 2030 at the latest, the decarbonisation of industry will increasingly come into focus. Radical innovation is a precondition for this to happen, requiring investments of billions of euro not only in R&D but also in in-kind demonstration. Decarbonisation will also require industrial-scale production and industrial clustering, resulting in a complete revamping of the EU's industrial landscape. Will the EU be capable of moving from thinly spread funds across sectors and regions to large-scale demonstration? Is the EU's toolkit adequately equipped to meet these challenges?



Achieving deep decarbonisation in energy-intensive industrial sectors and significant cuts in industrial GHG emissions, requires radical, transformational new technologies and production processes, going beyond electrification to include hydrogen and carbon capture and storage (CCS). The process may also lead to the emergence of new industrial clusters, possibly in different regions than today.

A major challenge is the 'investment dilemma': how can we incentivise companies to invest in low-carbon technologies if there is not (yet) a market for them? The competitiveness implications of transforming energy-intensive industry add a clear regional and social dimension to climate and

energy challenges. Climate objectives may also need to be considered in the context of the trade system, to help create a global level playing field.

A further element is the pass-through of the costs of climate policy (for example through carbon pricing) to consumers. Such pass-through is a necessary condition for creating a market for low-carbon products, but it requires a policy mix that offers safeguards for competitiveness without suppressing the transmission of price signals throughout the economy.



Discussion Leaders

Filip Johnsson, Professor, Chalmers University of Technology

Jos Delbeke, Director General, DG CLIMA, European Commission

Pete Trelenberg, Manager, Environmental Policy and Planning, ExxonMobil Corp.

Alexander Redenius, Head of Division, Efficiency of Resources and R&D Coordination, Salzgitter Mannesmann Forschung GmbH

Moderator

Christian Egenhofer, Senior Fellow, CEPS

Energy

I Safeguarding energy security in the digital age: Are we addressing today's challenges with yesterday's policies?

Energy security has traditionally been based on security of production, transport and the distribution of oil, gas, coal and other fuels to industrial and household customers. This model is now giving way to a new energy paradigm that relies on decarbonisation/ sustainability, digitalisation and decentralisation. In the future, countries will be less connected by pipelines and more connected by electricity grids, many of them local or regional and all of them smart. Countries will increasingly be connected via global technology value chains. What changes must the EU make in its policy mix to ensure a smooth and rapid transition?

The discourse around energy security is stuck in the past, defined by two obsessions, oil and gas, while electricity security has been neglected. The scarcity of fossil fuels is not an issue as we are living in an age where there is a crisis of energy proliferation. With the decarbonisation of the energy sector, transport will be powered by electricity predominantly generated by variable renewables, turning the vulnerability of supply into a major security concern.



Electricity should move towards the centre of the debate. The right governance for tomorrow's energy system is imperative as the EU needs to anticipate system reliability and the major challenge of cyber security rather than supply security. A radical rethinking of pre-existing energy institutions (OPEC), trade deals and security concerns that are founded on the old system is necessary.



Discussion Leaders

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Philipp Offenberger, Analyst, EPSC, European Commission

Dirk Buschle, Deputy Director, Energy Community Secretariat

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Moderator

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Trade



Digital protectionism

When the EU signed a free trade deal with South Korea, it included strong intermediate protection against internet liability. Why then has this same chapter been removed from the upcoming EU-Japan free trade deal? The EU is rethinking its own policies on intermediate liability. Commissioner Cecilia Malmström is supposedly pro-digital, having promised to keep strong protection for digital rights. Instead, under her leadership, does the EU risk moving backwards in trade policies? More generally, as the EU becomes the world's biggest defender of free trade, does it risk fragmenting the global internet?

Data is already recognised today as the most traded good and/or service and the economy will undoubtedly be data-driven in the future. Cross-border data flows need to be guaranteed as data protectionism holds back growth, disturbs supply chains and increases barriers to trade, but a balance has to be struck between encouraging data flows and safeguarding the safety and privacy of citizens.

Governments have recently started to regulate cross-border data flows, but policy-making lags behind developments. There is no consensus as to what constitutes digital trade or distortion of trade, or what is legitimate regulation, while current regulations appear to have erected excessive barriers.

Data protectionism needs to be defined and its cost to European consumers measured. A digital trade restrictiveness index, similar to the OECD investment restrictiveness index, could be an option. A mechanism for safeguarding data import and export flows between the EU and third countries is required, but opinion is divided as to whether non-trade issues, such as human rights protection, should be brought into trade agreements.

The digital chapter of the EU-Japan Economic Partnership Agreement (EPA) is a good example, despite the lack of mutual recognition of adequacy of data protection. As champions in data protection, Japan and the EU should collaborate in setting international standards.



Discussion Leaders

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Hanna Norberg, Founder, Trade Economista

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Moderator

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Trade



Trade and the SDGs: What role for the EU and non-state actors?

No single country can go it alone when it comes to achieving the Sustainable Development Goals. And the ambitions of individual blocs such as the European Union can easily be frustrated if global competitors do not follow a similar path. Should the EU incorporate the SDGs in future trade agreements to this end? Should the EU take the lead in shaping the global agenda especially in specific sectors, such as agriculture? Should global trade rules be revised to incorporate incentives to comply with SDGs? What is the role of non-state actors?

Trade can be an instrument to contribute to SDGs through being an enforceable policy. However, though policy coherence between trade and SDGs currently exists at national level, it is lacking at international level owing to poor coordination among countries.

A forward-looking attitude is necessary to overcome policy incoherence, for example, when SDGs are only made conditional in the context of expanding exports and not for imports or trade in services, while the role of the private sector has not been sufficiently emphasised.

The UN 2030 Agenda for Sustainable Development focuses too much on the role of the multilateral trading system and on collective issues, such as subsidies for agriculture and fisheries. The Agenda's 17 SDGs and 169 targets are too many: lobbies may prevent systems from becoming sustainable. Another major issue is whether the multilateral trading system has enough momentum to promote SDGs.

The EU plays an active role in promoting SDGs and should make them the focus of long-term trade objectives.



Discussion Leaders

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Moderator

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I New drivers of growth in China

The World Bank is scheduled to release shortly a major report on new drivers of growth in China, in which it provides recommendations to the Chinese government on how to mobilise innovation and productivity to make its giant economic system sustainable in the future. How can the EU can best interact and cooperate with China in the years to come?

China's rapid economic rise was marked by double-digit GDP growth in previous decades at the same time as mutually beneficial progress in EU-Sino relations, particularly in the economic arena. However, China's economy is entering a period of change with growth slowing to a more modest 6-7%.

Although economic ties between the EU and China remain strong, and the relationship remains largely constructive, there is increasing suspicion. The EU had grown comfortable with the idea of China as a manufacturing base, but China is quickly becoming a leading global power in the political sense and a centre of innovation, both a source of concern for European actors.

For example, digital products developed in China are slow to be accepted in the EU, partly due to privacy and data protection concerns, specifically regarding Chinese government control of certain Chinese enterprises. Despite growth of European FDI in China, EU actors remain wary over transparency in Chinese regulation and its consistent application, and how this may affect their investments.

Given such challenges, EU policymakers need to be aware of three broad recommendations the World Bank is directing towards the Chinese authorities: 1) remove market distortions; 2) accelerate new technology implementations and management structures; and 3) nurture innovation capacity. These could enable China to sustain high growth well into the future, while transitioning into an important centre of innovation. European policymakers need to focus on constructive dialogue, creating trust with the Chinese government and businesses, and thereby allowing the EU to

benefit from China's new innovative capacity, as well as its consumer base.

One specific possibility is that European technology and management practices can be co-developed with Chinese actors, or adapted for use in China. This could prove especially beneficial as China increases its emphasis on human development, such as health and education programmes, and seeks to continue urbanising and boosting consumption.



Discussion Leaders

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Yun Zhang, Chinese Mission to the EU

Moderator

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Finance



I Technology: The missing link in compliance?

As the complexity and number of compliance rules increase for financial organisations, a new buzzword is rapidly emerging: regtech. Regulatory technology promises to ease the burden of compliance through the intensive use of technology, allowing financial organisations to remain flexible and productive. Regardless of how attractive these solutions may be, many questions remain. Should regtech businesses be promoted by regulators and if so, what are the best tools? Can regtech solutions efficiently address the issue of persistent fragmentation in regulatory standards? And if so, how?

Regtech is neither only a buzzword nor the initiator of a radically new regulatory environment. It has been known and used in industry practice already for a while, but its advantages are becoming more visible thanks to the advent of the digital era and the rise of blockchain technology should be a key enabler of regtech in the future.

With the major concerns about rising costs of compliance in the financial world, regtech could be part of the solution for institutions to reduce regulatory expenditure and allocate financial and human resources more efficiently. In this context, regtech promotes the digitalisation of business operations and helps corporations comply more easily with new rules, such as GDPR and PSD2.

However, major investment is required for gaining the benefits of such new technological solutions. While the advantages of regtech are comparatively easily attainable for large institutions, its costs are disproportionally high for smaller banks. Resolving this issue of proportionality will require prudent approaches by both the industry and regulators.

The fragmentation of regulatory standards and poor interoperability between supervisors and the supervised are still problems in the digital era. However, regtech is an opportunity for policy-makers to pursue bold approaches.

For instance, Luxembourg set up a national regulation platform, a regtech reporting tool that is already used by more than 700 national organisations. While the example from Luxembourg is encouraging, the feasibility of a single European regulation platform is in doubt at this point in time given the lack of legal harmonisation in rules and different priorities of national regulators.

In conclusion, technology constitutes a missing link in compliance and regtech is a powerful tool that can ease the burden of rising costs and complexity in compliance. For Europe to stay on track, both policy-makers and financial organisations should promote new technological solutions and harmonise regulatory standards to unleash the full potential of regtech.



Discussion Leaders

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Moderator

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I Where is sustainable finance in the CMU?

In Europe, the capital markets ecosystem needs to be further developed in order to better support the transition towards more sustainable economic models. Many underlying conditions are still missing. Are investors integrating environmental, social and governance (ESG) factors at a sufficiently meaningful rate to bring about significant change? Is there a real 'scarcity' of sustainable assets/projects in Europe? Should financial regulation/supervision be used as a tool to encourage (or discourage) such investments?

Europe aims to be at the forefront of international efforts to deliver on the UN 2030 Agenda with its Sustainable Development Goals and the Paris Climate Agreement. In the context of the Capital Markets Union (CMU), the Commission has committed to unlocking the full potential of public and private investment to support the transition towards a low-carbon, circular and resource-efficient economy.

Short-termism in financial markets has been a topic of discussion in academic and policy circles alike, particularly in the wake of the financial crisis. The sustainable finance agenda could bring the financial sector into sync with needs in the real economy, namely those of households and non-financial firms. Nonetheless, the capital markets ecosystem is currently underdeveloped and many underlying conditions are still missing. With respect to environmental, social, governance factors, fully-fledged taxonomies, labels and ratings, reliable quantitative and qualitative non-financial corporate disclosures are expected to reduce information asymmetries and improve overall risk-return calculations.

At present, there is a variety of approaches to ESG integration, preferred asset classes and investment strategies. At the institutional level, the EIB has a long-standing experience in this market reflected on both the assets and liabilities sides. Retail investors have been increasing their direct presence in recent years, but additional suitability evaluations should be conducted. Insurance companies, pension funds and asset managers have a fiduciary duty to act in the best interest of their end investors – asset owners, and therefore must be equipped to seize the opportunities and manage the risks arising from materially relevant ESG factors. A larger pool of sustainable assets is needed in order to bring about significant change. Moreover, ensuring that SMEs are not underrepresented in investors' portfolios should remain a priority.

Financial institutions will also have to re-assess their lending/ investment portfolio against long-term material risk under various scenarios of transitioning to more sustainable economic models. For example, macro-prudential supervisors have recently flagged financial stability risk related to the carbon-intensive assets on the balance sheets of banks. The use of financial regulation as a tool to provide incentives or disincentives for investments deemed sustainable should be exercised with great caution. Lowering banks' capital requirements or recalibrating the risk weights for insurers' requirements in line with a future EU taxonomy on sustainable activities must have a sound prudential basis, beyond the economic and political considerations of CMU. This is essential in order to avoid a build-up in asset bubbles and further misallocation of resources.

A huge learning curve appears to lie ahead. The financial sector should not decide sectoral policies and cannot offer substitutions for the steps that should be taken by the real sectors, i.e. transforming activities and operations and enabling business propositions that include environmental, social and governance values across the whole market chain. As regards corporates, there are multiple reporting standards and valuation models, often leading to misalignment with investor expectations. On the investors' side, there are challenges related to fiduciary duty expectations, the lack of investment vehicles and appropriate benchmarks. Transparency, proportionality, the right incentives, and ultimately financial performance will allow sustainable finance to go from niche to mainstream.

Discussion Leaders

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Moderator

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Finance



Completing the Banking Union: Emergency liquidity facility for resolved banks

The Banking Union is still incomplete. One of the elements that has yet to be devised in the framework to break the doom-loop between banks and governments is a liquidity facility for resolved banks. The existing emergency liquidity assistance facility that central banks provide as a last resort is insufficient based on the first resolution. What are the requirements for a liquidity facility? How would it function? Who should be able to provide the required liquidity?

During the global financial and Eurozone debt crises many banks were bailed-out to maintain financial and economic stability. In response, many policy measures have been taken to reduce the probability of bank failure, in particular for larger banks, and, when they fail, that the taxpayer does not need to bail them out again. The latter is addressed at EU level in the bank recovery and resolution directive and single resolution mechanism at Eurozone level. The new resolution framework is not perfect, however, as the failure of several banks in Italian and Spain have shown. One important issue that was highlighted by the first resolution case of Spanish Banco Popular is that the mechanism does not sufficiently address liquidity shortfalls, triggering the following questions: When is liquidity in resolution a problem? How could this be solved?

Notwithstanding that most liquidity problems are caused by solvency problems, there are some liquidity issues that still need to be addressed. More specifically, there are currently basically two options to provide liquidity when there is a shortage of market liquidity.

The monetary policy facilities (main refinancing operations and emergency liquidity assistance) require the bank to have unencumbered assets that allow solvent banks to obtain funding, a significant limitation. More specifically, there is often uncertainty about the unencumbered assets; a business plan showing that the resolved bank is solvent and viable in the long term viable is often not immediately available; and some resolution tools such as the asset management company

are not eligible for the monetary facilities. Moreover, national monetary authorities are not obliged to provide the funds to the banks. There is therefore a need for an additional facility for the provisioning of liquidity.

The Single Resolution Fund, which could provide this support, will however only have about €55 billion, which is widely perceived to be insufficient to provide the liquidity that is required in the case of a failure of a large bank. The fund therefore needs a backstop facility, to ensure that there are sufficient funds available to resolve the bank with the most appropriate resolution tools.



Discussion Leaders

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Moderator

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Economy

What's going wrong with productivity?

Many decry the recent measured slowdown in productivity, particularly at a time of an ageing and slowly growing work force. Others argue that robots and technology, and the associated job destruction, are fundamentally different this time round. For them the issue, to paraphrase Robert Solow, is that “robots and technology are everywhere, except in the productivity statistics”. What aspects of the recent productivity developments should we worry about? Why don't we measure productivity improvements correctly? Or, if we do, why is productivity largely stagnant? Is there any prospect of improvement?

Understanding the slowdown of total factor productivity (TFP) growth, which began in the early 1990s and was only exacerbated by the 2007 financial crisis, will be crucial for the future of the EU economy.

Technological inequality, or the uneven redistribution of technological improvements from very successful firms to the rest, is also reflected in the overall dispersion of wages and productivity. Very few manage to pass successfully from product innovation to process innovation, while many others are either still lagging behind or suffering from creative disruption. A widespread failure in implementing process innovation coupled with creative disruption might indeed explain a drop in overall GDP and TFP in the economy.

An improperly trained workforce also has an impact. It is becoming increasingly complicated to retrain workers, either because they do not have the necessary skills or the possibility to develop them throughout their career. Companies and workers need the right incentives to develop these skills together and to create the cultural environment to deal with disruptive mechanisms deriving from technological progress.

Competition underlies both these factors: how long unsuccessful firms can stay in the market to the detriment of potentially successful technological firms and the



Discussion Leaders

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Moderator

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contest between firms for the limited technologically skilled workforce. These two competition aspects reflect the need of change in two policy areas: 1) anti-trust regulation, and 2) labour and education policy. A rethinking of anti-trust regulation for a digital based economy rather than a physical one is the first step needed to speed up process innovation in order to secure fair access to new technologies while limiting the overstay of unsuccessful firms. Changes in the educational system and the promotion of a life-long learning approach in companies are needed. Tailored policies should support companies in creating conditions for workers to find the right balance between work and training activities, which could mean introducing more part-time contracts or allowing for more free time to pursue personal career development.

Economy

I What instruments for sustainable growth?

Policies for sustainable development can provide a great opportunity not only to improve citizens' wellbeing, but also to stimulate economic growth. A wide range of new business opportunities could come from the transition to a green economy, to new forms of mobility, to a digital revolution able to provide new goods and services. So far, European policies have focused on the environmental side of sustainable development, but now, as foreseen by the UN Agenda 2030, a better integration of environmental, social and economic policies could boost the European economy and improve social conditions, as well fight against inequality.

Despite the current macroeconomic recovery, economic and social conditions are worsening for a considerable number of EU citizens, deepening inequality further. So far, European sustainable development policies have focused exclusively on the environmental aspect, while including the social and economic angles could be a way of reversing this trend and ensuring a more equal society. By providing this mix of policies sought by the 2030 Agenda, the EU could maintain its leadership worldwide.

A significant obstacle is poor engagement with the topic by all stakeholders for various reasons: complexity of the Agenda; significant shift in policies and priorities; poor narrative from institutions; and limited knowledge about issues covered in the Agenda. However, attitudes can shift when people are presented with concrete examples and the impact of their actions (both negative and positive), particularly when it comes to environmental aspects. Therefore a more active awareness campaign targeting concrete examples and best practices for citizens could be the starting point for increasing stakeholder involvement at all levels: once citizens become aware not only of the problems, but also of the benefits deriving from concrete actions addressing them, then the right momentum is created for both business and institutions to become more involved.

Nonetheless, an awareness campaign would be only the first step in a concrete European implementation plan for



Discussion Leaders

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Moderator

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the sustainable development agenda. Commitments and certainty about future trends are key factors for the design of any investment plan. Therefore, a robust long-term strategy would also be needed, built on forward-looking policies to prepare, promote, protect and transform in a process cutting across the economic, environmental and social dimensions, as sought by the 2030 Agenda. Transformation without a strategy of preparation and protection would not reach consensus or possibly face overwhelming opposition. However, with this approach the EU could implement different actions in different policy areas, linking them together and absorbing more effectively any negative impacts of transformation. Arguably, a mix of policies that factors in the costs and timing of transformation (of either processes or products) towards sustainable development would ease investment decision-making for private investors, while a focus on the growth capital gap could help European start-ups scale up and implement the transformation process.



I Economic governance: What is needed for a stable EMU?

The process of reforming EMU governance has intensified in recent years in the wake of the euro area crisis, resulting in a number of institutional changes, such as the new Stability and Growth Pact, the still incomplete Banking Union and the European Stability Mechanism. As economic growth takes centre stage and consolidates, there is still no full agreement on what further reforms are necessary for a sustainable monetary union. The European Commission's reflection paper contains a number of options that refer to proposals about a fiscal capacity, a safe asset or a European Monetary Fund. What are the goals? How would they work?

The EU economy is growing at an average rate between 2% and 2.5%, slowly catching up with pre-crisis levels. Given this, policy makers should act now and develop reforms and mechanisms aimed at safeguarding the economy from future shocks, in order to move from pure crisis management to include prevention. Otherwise, there is concern that, in the future, the EU might lack the level of political stability and cohesion that kept both the Union and EMU together during the 2007 financial crisis. Moreover, in comparison with 2007, a future crisis would most likely hit in a period with interest rates close to zero, thus leaving little room for absorption through monetary policy.

There is agreement on the need for change, but not how to strike a balance between risk reduction and risk sharing, together with the degree of conditionality necessary. Views diverge on the extent to which a high degree of risk sharing within the EU would actually increase stability and enhance crisis-management capacity in the future. There is also scepticism on more risk sharing, mostly in relation to the high levels of sovereign debt of some member states, which could further hamper their reform processes and worsen financial imbalances. However, limiting risk sharing could increase risk rather than reduce it, as occurred with Greek public debt between 2010 and 2012.

Some seek diversification of bank balance sheets, while others strongly support the idea of a central fiscal stabilisation fund that would provide an appropriate fiscal response such as issuing

debt at no risk of default, seen as having hastened recovery in the US with the support of its well-integrated market. Deeper market integration in the EU could be achieved through completing the Banking and Capital Markets Unions, and by enhancing labour mobility among member states. Some support the establishment of an EU ministry of finance, while others believe this is not a priority since it would currently lack the budget and tools to act effectively. For an extended EU budget, member states would need to delegate control over major policy areas such as pensions, social security and healthcare, which is unlikely to happen any time soon.

Future fiscal rules and mechanisms should be simple and smart rather than just automatic. Moreover, their design and implementation should arise from a democratic discussion and cooperation on fiscal and financial policies between governments.



Discussion Leaders

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Ludger Schuknecht, Chief Economist and Head of the Directorate General Fiscal Policy and International

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Fabien Dell, Adviser in the cabinet of Commissioner Moscovici

Moderator

Christian Kastrop, Director, Program Europe's Future, Bertelsmann Stiftung

Social Europe

I Work in the platform economy: Are conditions improving?

With the proliferation of the platform economy throughout Europe, policy-makers are increasingly adopting measures to govern platforms and their interactions with workers, users and competitors. The issue of working conditions has received special attention. Governments have attempted to apply the existing regulatory framework to the platform economy with mixed results, partially explaining the considerable heterogeneity characterising the platform economy. Are conditions for workers in the platform economy improving as a result of the policy initiatives? What further measures are needed to further support this development?

Despite being a recent phenomenon, the platform economy has been growing very fast and expanding into various services ranging from personal transport, food delivery and accommodation to child care and a multitude of other micro tasks. There is also a growing heterogeneity in the kind of work, location of the work, or tools (if any) used to perform the work across various platforms, and notably differing working conditions for platform workers with a blurring of traditional employer and employee roles. Platforms generally do not consider themselves as employers, but rather as intermediaries, and platform workers are not considered as employees, but rather as independent service providers or freelancers. However, as most social protection rights and insurance coverage are strictly tied to the employment status of an individual in almost all countries, the working conditions and (mostly) lack of social protection for individuals conducting such new forms of work through the platforms are a widespread source of concern for different actors, including platform workers, policymakers, social partners as well as the research community working on economic and sociological aspects of such new forms of work.

This growing interest among different stakeholders has pushed the topic onto the agenda of policymakers both at the national and European levels, but while there is evidence

of a social dialogue taking place in some EU countries around non-standard working conditions without much social protection (e.g. unemployment and accident insurance, sick leave, etc.), it is far from being a common practice and general, and tends to focus on the biggest platforms in one or two sectors. Regulation in the platform economy should aim at providing at least some minimum standards while information asymmetry among the various actors involved in the platform work (the platforms, the service-providers and the service-users) should be tackled by requiring the platforms to be more transparent about the data that they hold. Data transparency would also help policymakers better incorporate platform work in official accounting as well as allowing the research community to conduct evidence-based studies. The trade union perspective, with regard to the global scale of platform work, seeks various measures to make sure that the technological innovation (or algorithms) behind the platforms also bring economic prosperity to society at large.



Discussion Leaders

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Moderator

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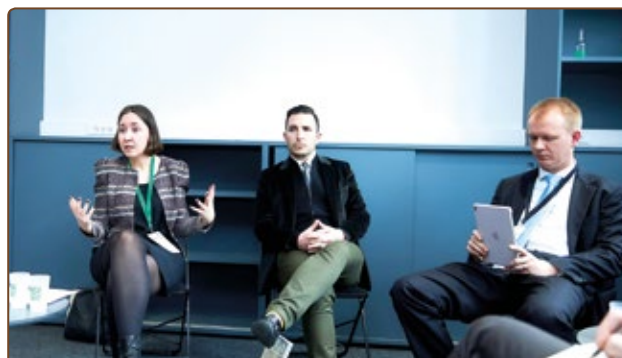
I New minorities: Socioeconomically disadvantaged natives

In the aftermath of the Great Recession, the EU has experienced a rise in inequality, which has led to feelings of exclusion, misrepresentation and dissociation from the common view. These phenomena have also stimulated extreme opinions and nationalist views from individuals who belong to the dominant ethnic group but are not necessarily linked to a specific age or educational background. Is social and financial deprivation capable of creating the same exclusion phenomena as race and ethnicity? Have we created a new minority? And how do we include those who are assumed to already belong?

The current generation is the first to be worse off than their parents since World War II. Young people today are more likely to suffer from low wages or difficulties in accessing education, obtaining a permanent position or saving for a pension. It has become harder to gain independence, to start a family or to buy a house. Young people feel misrepresented and excluded from political decisions. This is not a homogenous group and nor is the problem the same in all countries.

The working class shows similar concerns. In politics, perceptions matter more than facts. What makes the white working class feel excluded and left behind? Their perceptions. They feel outnumbered. Even though they represent 98% of the population of their countries, they feel they are no longer the majority in their local communities. They feel left aside, excluded from the debate and ignored. They feel discriminated against for being white and poor. They believe they are losing out on the possibilities of getting a job, education, benefits or housing. And they have feelings of resentment towards the migrant communities that compete for those jobs, education, benefits and housing. Members of the white working class sense a loss of status and power.

There are clear indications that these feelings are politically expressed through the support for extremist parties or candidates. Two examples: Denmark, a country that has provided economically for all its citizens, yet still sees a rise in



Discussion Leaders

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Moderator

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extremist voters; and the Czech Republic, a country with virtually no immigration and therefore not affected by these changes to communities, but that still sees strong anti-immigration sentiment and voting for extremists. People feel used and discarded by the system (the 'uberisation' of society), and politics (and politicians) have been playing with people's fear of what is to come, the fear of "becoming like Paris or Brussels". Three issues need to be addressed in order to reach out to this part of the population: access to health care, access to education and capacity to take on debt and manage it. These need to be in place for all citizens and available on a non-discriminatory basis.

Social Europe

I The proverbial posted worker: Social dumping or fair competition?

In the EU, with more than 2 million workers 'posted' abroad each year, the impact of posted workers on domestic labour markets has become increasingly visible. The revision of the posted workers Directive is one of the most contentious files on the table of the Council. Some member states speak of "social dumping" and a "betrayal of the European spirit", while others stress the importance of competition in the delivery of services. Will the current proposal ensure "fair competition" while promoting cross-border services or can we simply not achieve both simultaneously? Does it balance the interests of both sending and receiving countries?

Debates on the conditions for posting of workers across member states are as long-running as they are contentious. It was a key theme before the 2014 European Parliament elections and has the potential to re-emerge as a topic in the next election in 2019. With more than 2 million 'postings' abroad each year, the impact of posted workers on some national labour markets has become increasingly visible.

Agreement on the proposed revision of the posted workers Directive is near and there is much to discuss about its expected effects as well as the potential role for a new European Labour Authority. Will the revision lead to fairer cross-border labour market and competition? How can a European Labour Authority help to enforce existing rules?

There are generally accepted problems related to the cross-border provision of labour: undeclared work, posting arrangements spanning several member states making it unclear if rules are followed and where and if social contribution is paid, and the situation of self-employed posted workers. There is uncertainty as to whether the revision will lead to fewer problems. Opponents of the revision claim that making declared posting more expensive – as will be one outcome of the directive – will only lead to more undeclared work and self-employment where work and wage conditions are even more difficult to monitor and enforce. Proponents

are doubtful of this outcome and suggest better instruments are needed to provide enforcement.

Enforcement depends on cross-border cooperation among labour inspectorates and the ability to access information from other member states. Some countries do not have a dedicated labour inspectorate and member states have no authority to request information directly from companies in another member state. There is also a lack of solid data on the nature and length of posting of workers, not to mention the extent of undeclared work (incl. undeclared postings). Solving this competences and coordination problem – not least without creating an excessive bureaucracy – and making sure adequate data is collected across the Union in a comparable manner should be the main tasks of a European Labour Authority.



Discussion Leaders

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Marek Benio, Vice President, Labour Mobility Initiative Association

Ylva Johansson, Minister for Employment and Integration, Sweden

Moderator

Matthias Busse, Researcher, CEPS

Rights & Security

I Interoperability vs. purpose limitation? EU databases in the fight against terrorism

The fight against terrorism in Europe increasingly relies on the ability of different and separately developed IT systems to exchange data. As systems grow more interconnected, simultaneous access to several sensitive data pertaining to different categories of people becomes possible for different purposes, including profiling. Disagreement persists as to the ways and extent to which different types of data can be accessed, exchanged, collected and used by law enforcement authorities. Interoperability has practical utility in preventing terrorist attacks, but is it compatible with fundamental rights?

The EU's IT systems in security, border and migration management, such as the SIS, VIS and Eurodac systems, are increasingly relied upon in the fight against terrorism. However, the fragmentary and isolated nature of these databases remains a challenge for the EU's border guards and police officers. The lack of 'communication' and exchange of data leads, in the words of the European Commission, to the risk of "pieces of information slipping through the net and terrorists and criminals escaping detection by using multiple or fraudulent identities". Towards the end of 2017, the Commission proposed developing new tools to address these 'gaps' through better data exchange, the so-called 'one-stop shop'.

These gaps may be addressed through the use of biometric data to help border management and law enforcement authorities identify and link information about individuals across the various IT systems (including the Entry-Exit System, ETIAS and the extension of ECRES to third-country nationals). However, the collection of biometric data for law enforcement purposes raises fundamental rights and data protection concerns, notably regarding discrimination, especially when applied to third-country nationals, with some considering that the developments in EU databases and their interoperability are driven by a "super purpose of identifying third-country nationals".

Making EU IT systems interoperable also gives rise to questions concerning the purpose for which the systems were set up. Although the Commission's proposed interoperability package does not lead to establishing a new database or 'pooling' of existing data (acting instead as a 'passerelle' between systems), it may accentuate or aggravate existing vulnerabilities, such as propagating incorrect data available EU-wide. The 'ownership' of this data lies with the originating member state and the inaccuracies remain in databases until their removal by the originator.

The goal of addressing the challenges faced by police officers and border guards in their daily activities is laudable, but it is equally important to ensure that the fundamental rights of individuals are sufficiently protected.



Discussion Leaders

Deirdre Curtin, Professor of EU Law, European University Institute

Dick Heimans, Deputy Head of Unit, General Criminal Law and Judicial Training, DG Justice, European Commission

Rob Rozenburg, Head of Unit, Information Systems for Border and Security, DG HOME, European Commission

Brian Donald, Chief of Staff, Europol

Karsten Behn, Legal Advisor to the German Federal Commissioner for Data Protection and Freedom of Information and Coordinator of the Borders, Travel and Law Enforcement Subgroup, Article 29 Working Party

Moderator

Marco Stefan, Research Fellow, CEPS

Rights & Security

I The development-migration nexus reconsidered: What value in EU contribution to global compacts?

The 2030 Agenda for Sustainable Development, adopted by the UN General Assembly, recognises the need for international cooperation to ensure safe, orderly and regular migration with full respect for human rights and the humane treatment of migrants, refugees and displaced persons (regardless of their status). This led to the adoption of the New York Declaration in 2016 and the future adoption of UN Global Compacts on Migration and Refugees. What should be the EU's position on and contribution to the UN Global Compact, and should it attempt to tackle the nexus between migration, asylum and development?

The negotiations on the two UN Global Compacts on refugees and for safe, orderly and regular migration have recently led to the adoption of promising 'zero drafts'. These documents constitute an ambitious start for the next rounds of discussion aimed at establishing a new multilateral framework of cooperation for the management of human mobility by the end of 2018. Each introduces innovative elements in its respective field of intervention, and together the two drafts represent a key trust-building exercise for the current migration and asylum policy debate. They both promote a 'whole-of-society' approach aimed at redefining the ways in which state authorities, international organisations and financial institutions, humanitarian and development actors, and the private sector share responsibility and combine efforts to govern the movement of people across borders.

Underpinning the Global Compact on Refugees is the principle that expanding and modernising the legal framework provided under the Geneva Convention and its additional protocols is necessary in order to provide forcibly displaced persons with an adequate level of protection, but also to maximise the potential of refugees as a public good within hosting societies. The draft Compact on migration lays down 22 objectives which, similar to those upholding the UN's Sustainable

Development Goals framework, are directed at the promotion of global mobility by means of "an integrated, secure and coordinated" border management system, and the creation of "conditions for migrants and diasporas to fully contribute to sustainable development in all countries".

However, several weaknesses have been identified with regard to the two draft documents. Structural and substantial deficits include the lack of a clearly defined system of governance ensuring political and legal accountability of all actors involved. Also, the non-legally binding nature of the Global Compacts will make their implementation largely political. The freedom to pick and choose from the different components of the two Compacts risks allowing single countries and international players to modulate their engagement on the basis of their own migration and asylum agenda, to the detriment of the holistic approach promoted by the UN. In this context, there are particular concerns in relation to the engagement of the EU and its member states: since the adoption of the UN General Assembly's New York Declaration in September 2016, the EU has remained 'conspicuously silent' with regard to key elements addressed by the new instruments, such as the regularisation of migrants. At the UN level, the promotion of legal pathways for labour migration is conceived as way to govern the pull factor represented by the availability of jobs in destination countries. However, this approach appears at odds with the current priorities of EU external action in the area of migration, which prioritises border security as a way of reducing smuggling and human trafficking.

Discussion Leaders

Andrew Geddes, Director, Migration Policy Centre,
European University Institute

François Crépeau, Professor, McGill University

Veronika Burget, Associate External Relations Officer, UNHCR

Moderator

Lina Vosyliūtė, Researcher, CEPS



I Countering radicalisation: What can and cannot be done?

In light of recent terrorist attacks across Europe, the EU Security Agenda has given priority to addressing the root causes of radicalisation and violent extremism. The EU's efforts in this regard have often taken the form of 'soft approaches', such as assigning a prominent role to teachers, youth, civil society actors, local authorities' representatives and healthcare professionals. However well meaning, one of the unintended consequences of this strategy has been to increase suspicion towards Muslim communities, leading in turn to more hate crimes and discrimination. Are there any 'promising practices' in addressing radicalisation in the EU?

The majority of terrorist attacks have been perpetrated by so-called 'home grown' terrorists, but there has also been an increased focus on tackling the problem of 'returnees' as a potential source of radicalisation. However, efforts to identify and pre-emptively address these forms of 'domestic radicalisation' pose a number of fundamental challenges.

The risk assessment, upon which the identification of potential radicalised individuals is based, is not adequately supported by evidence of its effectiveness, nor is there a publicly available impact assessment of this risk-based approach for the fundamental rights of the targeted population. Furthermore, the concept of radicalisation itself is often ill-defined, and the links between terrorists or violent extremists and the indicators employed in the risk assessments are often opaque, not subject to rigorously tested and proven methodology, and tend to lead to many false positives. Moreover, it is important to emphasise that radicalisation and extremism itself is not (and should not be seen as) a crime, as this may lead to the criminalisation of 'pre-crime'. The efforts in addressing the 'root causes' of radicalisation and violent extremism may also lead to (un)intended discriminatory practices and popular resentment towards the communities targeted.

The increasing trend towards directly linking radicalisation or violent extremism to border controls and immigration is also worrying. The EU's soft approaches of giving a key role to actors 'on the ground' – necessitated by the EU's lack of competence

in this area – may be useful in addressing violent extremism and 'home-grown' terrorism under the right conditions. The involvement of all relevant stakeholders, the creation of 'safe spaces' of discussion and exchange, among others, are essential in this regard. However, the involvement of local actors such as teachers and hospital workers in the 'detection' of potential criminals, who risk becoming 'policemen', affects levels of trust among the targeted communities, while the need is to create a sense of social cohesion between the so-called 'vulnerable groups' and their societies, and to foster civic engagement, in particular, of children. It is essential to internalise the fact that a multitude of factors (not just radical religious ideologies) may contribute to the radicalisation that leads to violent extremism and terrorism, and a holistic approach is necessary to assist those at risk.



Discussion Leaders

Francesco Ragazzi, Assistant Professor, Faculty of Social Sciences, Leiden University

Silvio Mascagna, Member of Cabinet of Commissioner Julian King, European Commission

Amrit Singh, Senior Legal Officer, National Security and Counterterrorism Program, Open Society Justice Initiative

Gilles De Kerchove, EU Counter-terrorism Coordinator, European Council

Lynn Davies, Co-Director, ConnectFutures and Emeritus Professor, University of Birmingham

Moderator

Lina Vosyliūtė, Researcher, CEPS

Institutions

I The European Council: From crisis manager to EU-level government?

Driven by the various crises that have plagued the EU in recent years, the heads of state or government have shown determination and lent their authority to the newly 'institutionalised' European Council. Expediency has, however, had an impact on the role traditionally played by the other institutions and raised questions about 'input' legitimacy. Is this the new normal in EU decision-making? What kind of balance of power has evolved between and among the institutions and the member states? Who is in charge at the EU, and of what?

Supporters of the European Council's more powerful role stress that Europe's changing political landscape makes the European Council an even more important part of the EU's institutional structure. They argue that the institution is the closest to an 'EU government' and that the migration crisis, among other issues, has demonstrated the need for such a structure. The European Council's main responsibilities and roles – acting as a crisis manager, decision maker, setting strategic orientation, and deciding on treaty changes and enlargement – have all become more important over the past decade and vindicate the existence of a strong body.

Others are concerned about a lack of democratic accountability for the European Council, arguing that the institution's gain in power has negatively impacted the roles traditionally played by its sister institutions. The European Council's decision making is held to be secretive and unaccountable while its ability to act as a government-like body is in doubt on account of its lack of formal legislative power and the fact that it is not democratically elected. Some use this criticism to suggest giving the European Parliament control over the European Council.

Others counter this argument by noting that the European Council's democratic accountability stems from national parliaments and not the European Parliament, but this raises the question of how national parliaments might hold the European Council accountable. It should be up to national

parliaments to improve scrutiny, but some do not receive proper information from their government, while some parliamentarians show little interest in EU politics, or even see members of the European Parliament as rivals.

Two recommendations for improving the European Council's democratic accountability: national leaders need to report accurately what they do in Brussels and stop using 'Brussels' as a scapegoat, while national parliaments should exchange recommendations and best practices for scrutinising and holding their national governments to account.



Discussion Leaders

Agata Gostynska-Jakubowska, Senior Research Fellow at Centre for European Reform

Wolfgang Wessels, Jean Monnet Professor Emeritus of European Politics, University of Cologne

Luuk van Middelaar, Professor of Foundations and Practice of the European Union and its Institutions, Leiden University, former speechwriter for Herman Van Rompuy

Moderator

John Peterson, Professor of International Politics, University of Edinburgh



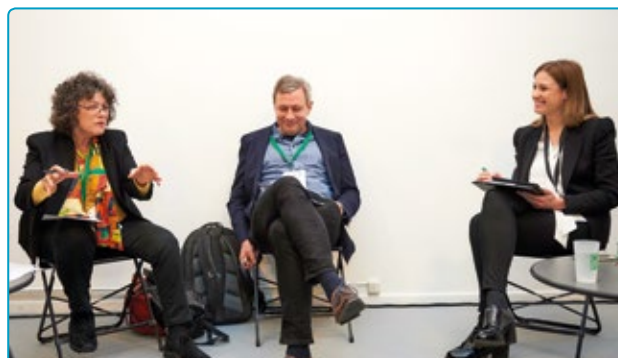
Is differentiated integration unavoidable in Europe's future?

Differentiated integration is one method of striking a balance between unity and asymmetry and it also has the merit of preventing political gridlock. At a time when Europe is being buffeted by various countervailing forces, should we expect more inclusivity or differentiated integration in the EU27? How can we accommodate more flexible ways of integration without creating a hard dichotomy and isolating certain member states? Do the EU institutions need to adapt their composition and procedures to accommodate various differentiated integration modes? How can political, legal and administrative unity be assured overall?

While it is tempting to claim differentiated integration can harm the EU's unity, this ignores the real benefits that this method has already brought to the EU, serving as a tool to accommodate diversity in levels of willingness and ability among member states.

Instead of 'Europe à la carte', differentiated European integration has come about in the past according to the 'core Europe' model, in which one large group of member states is integrated with only a few member states at the periphery. Member states do not participate either because they don't want to ('refuser'), or because they are not able to ('refused') and the political dynamics between those inside and those outside are quite different as a result. If member states are not willing, the 'ins' should not be forceful, as this might result in non-compliance of the respective 'outs'. If member states are not ready for the integrational step at stake, the 'ins' should refrain from excluding them for too long and instead create positive incentives.

Any grouping of member states seeking further integration needs to be large and represent different groups of member states. There must be a focus on inclusivity, making future accessions possible at any time. It is also important to emphasise negative rather than positive externalities so as to create an incentive to join the integrated group. The institutions themselves should not however be differentiated,



Discussion Leaders

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Vivien Schmidt, Jean Monnet Professor of European Integration, Boston University

Moderator

Sophia Russack, Researcher, CEPS

in order to ensure coherence, consistency, and cohesion in EU policy making.

Differentiated integration will evolve after Brexit. The UK has always been the 'champion' of flexibility demands. Nevertheless, a departing UK does not mean the end of differentiated integration. It will, however, change the internal dynamics, as the UK has often actively tried to block the other countries and thereby forced integration outside the EU treaty framework (as for instance with the Fiscal Compact). Hence, Brexit will trigger a different dynamic, but one that does not necessarily lead to more unity among the EU27.

Institutions

I How to improve the European Parliament elections?

The debate on the 'Future of Europe' is premised on improving representative democracy at the EU level. How the EU responds to this challenge will in part define the next era of integration. The introduction of the 'lead-candidate' system in 2014 had a polarising effect, but if it is here to stay, how should it be improved? Should the EU go further and link the election of a (joint) EU president to the outcome of the EP elections? Would the introduction of a transnational list make the EP elections indeed more 'European'?

European elections are still contested at the national level with a mostly domestic policy focus and while there is optimism about how the Spitzenkandidaten system might facilitate the connection of people and politics, numerous issues are raised by the transnational list proposal. First and foremost, voters are not yet sufficiently invested in a European political discourse and that even if transnational lists existed, they would be dominated by domestic politics.

A single technocratic fix like the Spitzenkandidaten system will not resolve perennially low turnouts and general apathy towards the EU. While the EU has traditionally been defended as a peace-building project, that narrative increasingly does not motivate Europeans. Some call for a new narrative focused on concrete rights Europeans enjoy because of the EU. Others consider the focus should be on political parties themselves.

National-level actors, such as national political parties, should make clear to voters with which European group they are affiliated, and candidates should focus on explaining what the EU is and how it benefits European citizens. Doing so may create more incentive for voters to participate in the process.



Discussion Leaders

Michael Cottakis, President, 1989 Generation Initiative
Ulrike Lunacek, former Member of the European Parliament
Adam Łazowski, Professor of EU Law, University of Westminster
Enrico Forti, Director responsible for relations with other institutions, Secretariat-General, European Commission

Moderator

Sophia Russack, Researcher, CEPS



Europe in the World

I Where is Europe's cyber-defence force?

Member states do not have sufficient capacities to counter the spread of cyberattacks capable of disrupting critical infrastructures. They are therefore motivated to cooperate at the EU level. But given the speed of cross-border traffic and attacks on the weakest links in a largely ungoverned cyberspace, shouldn't any future EU Cyber Defence Facility do more than simply coordinate? Is there any role for the EU in defence, detection and deterrence? What is the value added for EU action in this area? What are the limits posed by member states' sovereignty in this field? Which capabilities should the EU develop?

Cyberattacks are directed against both the public and private sector. Adversaries not only target military systems, but also private companies and critical infrastructure. While each individual, company and administration has a responsibility for their own digital hygiene, new dangers require new educational initiatives and defence against cross-border cyber warfare requires more robust supranational solutions.

Europe is not immune to the evolving nature of cyberattacks, but the responsibility of the European Union remains unclear in this domain. The EU launched its first initiative on IT security in 2006, later replaced by a Cybersecurity Strategy in 2013, and most recently by a comprehensive cybersecurity package in September 2017. However, given the fragmented nature of the cybersecurity landscape and the voluntary nature of cooperation and information-sharing between member states, the EU's ability to operate through a single coordination point remains uncertain, at best.

The EU and its member states are challenged by the need to detect, deter and defend themselves from cyberattacks. Responses to these attacks are complicated by the difficulty of attribution, which relies on digital forensics, intelligence, an assessment of the geostrategic situation and possible motivation of suspected states and/or non-state actors. Attacks in the so-called 'ungoverned cyberspace' also pose questions for decision-makers as to whether the canons of classic international law can be applied, such

as the prohibition of the use of force and the right to self-defence. NATO has already broadened the interpretation of its famous Article 5 collective self-defence clause to cover cyberattacks. But whether preventive or retaliatory measures could be taken in the conventional sphere remains a hotly debated issue.

Trust and coordination are key. Arguably, there is a need for closer cooperation between EU and NATO members to pool and share intelligence and resources within and between their organisations, especially now that 25 EU member states have started to permanently structure their capability build-up in the military sphere, for instance by creating a 'cyber threats and incident response information sharing platform' and 'cyber rapid response teams'.

Cyber defence at the EU and member state levels will need to address the nature of the threat, identify possible responses to attacks, strengthen the link between public and private domains, and not separate cyber threats from geo-political realities. Addressing cyberattacks should not only be defensive but also retaliatory in nature, whether in the form of an economic, traditional or cyber force.



Discussion Leaders

Jaap de Hoop Scheffer, Professor at Leiden University and
11th Secretary General of NATO

Moderator

Steven Blockmans, Senior Research Fellow, CEPS

Europe in the World



I Conflict (in)sensitive? Crisis responses by the EU, UN and World Bank

The EU, UN and World Bank are in the process of revamping their tools and structures to increase the coherence and impact of their responses to external conflicts and crises. Are these largely HQ-based reforms fit for operational purposes? How can collaboration be fine-tuned and deepened to achieve tangible results on the ground? What best practices exist for tackling the root causes of fragility, conflict and violence? This session, focusing on regional/country case studies where operating conditions are particularly difficult, was organised in the context of 'EUNPACK', a Horizon 2020 project funded by the European Commission.

Conflicts are primarily a challenge to the people living through them, but they also implicate Europe as it seeks to articulate approaches to managing and resolving crises. The fuzzy nature of the concept of 'stabilisation', which tends to underpin such interventions, has not helped the situation.

A number of situations provide evidence of the challenges for the EU of conflict management and peacebuilding. Mali is not moving in the right direction despite a long-standing, massive international presence, including EU missions and millions of euros in assistance. The priorities being implemented are those of the EU, rather than reflecting what's required on the ground. The EU's emphasis on border management and on countering radicalisation is a prime example of this. Interventions in Mali and Niger were initially all about security sector reform, whereas now it is on capacity-building for border management – not in response to developments on the ground but to shifting EU priorities. Missions are hampered by excessive risk aversion and deficiencies in institutional learning.

Similarly, the political debate in Europe about Syria has been mostly about European fears of migration and radicalism, not about the war in Syria.

New doctrines have been developed in response to these challenges but often remain at headquarters level, and do not

reflect input from stakeholders. There is a problem of translation of what the EU wants to achieve. Current doctrines were articulated in the post-cold war unipolar moment, and while they have been adapted to some extent, their underlying assumptions have never been questioned. The EU also lacks a proper strategy for the Mediterranean, including on migration. In the case of Libya, with its close to non-existent central government, there is a tendency to bypass the central government and work with local mayors, but without a proper analysis of how this might affect power dynamics.

In conflict settings, each organisation – UN, OSCE, EU – has its own added value in terms of what it can do. The EU still does not regard itself as a political actor. In general, EU defence agreements or trade agreements are divorced from what else is going on in the country.

The EU is drawing too close an association between defence and peace. For example, the European Peace Facility has nothing to do with peace, it is just about defence. PESCO likewise appears primarily as another way for the member states to get money back from the EU, rather than as a genuine step towards an EU capacity for defence and conflict management.

NGOs on the ground should think more strategically about how to enlist the EU in their advocacy efforts. Too often, they do not talk with the political sections of EU Delegations but only the persons administering grant funds, even though the Delegations could be key allies in advocating for neglected constituencies.

Discussion Leaders

Francesco Strazzari, Associate Professor of International Relations, Sant'Anna School of Advanced Studies

Maria-Manuela Cabral, Head of Unit, Resilience, Fragility, European Commission, DG DEVCO

Sonya Reines-Djivanides, Director, European Peacebuilding Liaison Office

Moderator

Morten Bøås, Research Professor, Norwegian Institute of International Affairs



I The Western Balkans: Europe's black hole?

Ahead of an EU-Western Balkans summit in May 2018, to be held in Sofia, what are the prospects of introducing meaningful political reform in the countries of the Western Balkans? Is EU enlargement helping to strengthen the rule of law? What prospects are there for the settlement of bilateral disputes (such as Croatia/Bosnia and Herzegovina and Serbia/Kosovo)?

The Western Balkans region has risen higher on the EU's policy agenda, with a series of events and summits in the first half of 2018. At the same time, there is a real danger for the EU if it fails to maintain a genuine membership prospect for all six Western Balkan countries. It would be a total reversal of the successes achieved by the EU in the late 1990s with the Kosovo crisis and the conflict in Macedonia in 2001, where the EU played a major role in conflict resolution. Failure would mean increased political instability and fragility in the EU's nearest neighbourhood.

The recent Communication from the European Commission on re-engagement with the region brings a new and much needed momentum. The document sends a critical message on what needs to be done not just by the countries of the Western Balkans (judicial reform, rule of law, public administration reform, fight against corruption, and so on), but also by the EU and its member states to ensure successful integration into the EU – notably with regards to rule of law and respect for fundamental values.

The political developments in Macedonia, where the forces of civil society came together across the ethnic divide to reject 'state capture' by the ruling party, sent a powerful message to the region on the need for 'strong institutions rather than strong men'.

To ensure success for its enlargement agenda in the Western Balkan region in the long run, the EU will need to pursue a political and strategic rather than technocratic approach. It requires a more consistent high-level engagement from EU leaders, particularly in the light of increased activity by

Russia, China and Turkey, who will not hesitate to exploit the many bilateral disputes still prevailing in the region.

Both the EU and the Western Balkan region should use every opportunity, including the Berlin Process, to ensure genuine long-term political transformation in the countries of the region as well as increased interconnectivity to bring economic and social dividends to citizens. This will help a politics of hope to prevail over a politics of fear.



Discussion Leaders

Tena Prelec, Research Associate, European Institute, London School of Economics and Political Science

Nikola Dimitrov, Minister of Foreign Affairs, Macedonia

Maciej Popowski, Deputy Director General, Directorate General for Neighbourhood and Enlargement Negotiations, European Commission

Jovana Marović, Executive Director, Politikon, Montenegro

Moderator

Toby Vogel, Research Communications Officer, CEPS

Britain & Europe



I Financial services: How will the markets cope?

The market access terms in the 'post-Brexit' era are still uncertain. Many banks are relying on subsidiaries in the EU-27 to continue operating. But will this be enough as supervisors on the continent demand the transfer of key functions?

The UK's withdrawal from the EU is likely to have significant market, political and policy consequences for the UK financial system, for the single market and the euro area, and for the international financial system. What will be the ultimate settlement between the UK and the EU? How will the EU financial system develop post-Brexit? How will the international financial system respond?

With just over a year to go before Britain leaves the EU, there has been little progress and much uncertainty on what will happen after March 2019, causing concern among market participants and regulators. There is an urgent need for the UK government to clarify what outcome it wants from phase two of Brexit negotiations and on transitional arrangements, as well as on how to achieve it. At the moment, an FTA/CETA style agreement – which includes access to financial services – is the preferred and most realistic option for satisfying all the UK's red lines. On the other hand, an equivalence regime seems more problematic: non-negotiated, can be withdrawn, a time-consuming and tedious procedure and with a limited access to financial services (e.g. lending and deposit trading).

Given that after Brexit the UK will become a third country, a real challenge that needs to be tackled is how different directives/regulations (e.g. EMIR, MiFIR, MiFID I, MiFID II, MAR, Solvency II) will be applied and implemented. The third-country concept is defined differently in different directives/regulations, and has been implemented differently in different countries. For asset managers and investment funds, an area of concern is the distribution of financial products, in particular those that are managed in the UK and distributed in the Union. In this case the AIFMD will apply, which means that these products will not

be available for distribution to retail investors within the Union. Finally, there is much uncertainty on what will happen with OTC derivatives contracts post-Brexit.

London is a unique, global and open financial centre. While market participants should be prepared for the worst case scenario (i.e. a 'hard Brexit'), negotiators are unlikely to want to punish European consumers by restricting their access to deep and liquid pools of capital. Key will be an appetite for global cooperation and a risk-sharing attitude. It should not be a competition between the UK and the EU: it is not about strengthening the EU and weakening the UK, but maintaining a level playing field and financial stability. As the cliff edge approaches, compromises will no doubt be made by both sides. However, it should not be forgotten that mutual recognition requires cooperation at a regulatory level.

Finally, regarding derivatives, there should be continuity of contracts. Parties should be able to continue to respect their contractual obligations – including payments, settlements and collateral transfers – as before, irrespective of the form of the UK's withdrawal from the EU. It should not be ignored that a potential relocation would create fragmentation, leading inevitably to financial instability. Even if international financial markets are well-interconnected and fast-moving, and will probably adjust quickly to reach a new equilibrium level, the question remains of how much risk we are willing to take.

Discussion Leaders

Baroness Falkner of Margravine, *Chairman EU Sub-Committee on Financial Affairs, UK House of Lords*
Jean-Pierre Pinatton, *Chairman of the Supervisory Board, Oddo BHF*

Jörg Meißner, *Head of Division, Federal Ministry of Finance, Germany*

Moderator

Nick Collier, *Global Head of Government Relations, Thomson Reuters*



I EU-UK security cooperation after BREXIT

BREXIT leaves open profound questions regarding the future of EU-UK cross-border cooperation in the areas of criminal justice and police designed for countering crime and terrorism, as well as in relation to strategic security partners such as the US. BREXIT raises issues and dilemmas for effective and efficient supranational law enforcement and judicial cooperation in Europe, as well as in transatlantic relations, in particular as regards data flows. What are the current options and future models of cooperation on cross-border criminal justice and policing between the EU and the UK, as well as in their collaboration with the US in a post-BREXIT scenario?

The UK government's most recent documents on the "future partnership on police and criminal justice cooperation" highlights the country's understanding of the EU's added value in these policy fields. Participation is in fact sought in some of the most important EU AFSJ instruments. These include the European Arrest Warrant in the area of mutual recognition, but also key EU JHA agencies including Europol and Eurojust, and continued access to EU databases such as SIS II. At the same time, existing models for EU cooperation with third countries do not seem to suit the UK's purpose of maintaining the operational and strategic advantages it derives from its 'à la carte' integration in the EU criminal justice and internal security system. A tailor-made way forward for EU/UK cooperation in law enforcement is therefore needed, but it will have to be designed in a way that satisfies the fundamental rights benchmarks that, in a post-Lisbon constitutional framework, must inform the external relations of the EU. Respect of the EU Charter of Fundamental Rights remains especially crucial for any type of future EU/UK agreement.

In particular, the UK will need to prove its compliance with existing EU data protection standards in order to allow exchanges of data and intelligence. However, there are doubts as to the degree of adequacy of some UK

Discussion Leaders

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Federico Fabbrini, Professor of European Law at the School of Law & Government of Dublin City University and Principal of the Brexit Institute

Gloria González Fuster, Research Professor, Law Science Technology & Society (LSTS), VUB

Jason A. Biros, Legal Adviser, US Mission to the European Union

Richard E. Myers, Henry Brandis Distinguished Professor of Law, UNC School of Law

Moderator

Andrew Byrne, Correspondent, Financial Times

intelligence-gathering policies and security practices when assessed in the context of existing EU primary and secondary law. The bulk data retention authorised under the UK Investigative Power Act, and the exceptions to the rights of EU data subjects introduced by the UK Data Protection Bill for information collected for the purpose of tackling irregular immigration constitute significant cases in point.

The presumption of adequacy also does not hold, because the UK will be leaving the EU at the time when data protection requirements are being significantly enhanced, both at the normative level and through inputs from the Court of Justice of the European Union (CJEU). The CJEU has an impact on the relationships of the EU with third states, and Brexit will not stop member states referring cases to the Court of Luxembourg on the compatibility between EU law and bilateral agreements with third countries. This means that, even if the CJEU will not have binding jurisdiction in the UK after Brexit, the UK as a third country vis-à-vis the EU will have to comply with EU law as a whole, including measures on data protection and the directives on safeguards in the field of criminal procedural law.

EU Public Finances



I The role of public and private venture capital for ICT and energy

Very few member states match the share of GDP invested in information and communications technology (ICT) by the US and Japan (above 3%). Only six member states reached or exceeded 3% (IT infrastructure, communications infrastructure and software) and for more than half of the members it falls below the 2% mark. ICT is also a key component for most economic sectors and particularly the energy sector transformation. How to explain these lacklustre investments? What kind of investment is key? What motivates or puts off private venture capitalists? What is the role of the public sector?

Although the EU venture capital (VC) market has significantly expanded over the last ten years, it remains substantially smaller than in the US, largely dominated by small investment deals and mostly focused on early-stage financing. Conversely, about 80% of expansion stages at EU start-ups are supported by US or Asian VC firms. Access to capital is also limited by the existence of a sluggish European IPO market. The combination of these factors slows down the European innovation process and reduces long-term growth potential.

In light of these considerations, public finances have a crucial role in supporting VC activities in Europe. In the context of the Juncker Plan, the European Investment Fund (EIF) has contributed to unlocking new opportunities. By co-financing VC activities, the EIF has been giving private fund managers the opportunity to expand with remarkable results. Examples of successful entrepreneurship projects show that average returns in Europe are higher than in the US.

Nevertheless, high returns on VC investments in Europe may also be the result of a selection bias. Indeed, since the number of start-ups financed remains low, only very profitable projects are able to raise capital and expand their operations. Accordingly, improving access to capital has to be complemented by other policy instruments. Existing entrepreneurship skills need to

be surfaced and further improved, while the number and the average quality of investment proposals should be increased. In parallel, new technologies should be taken up more effectively by productive sectors. In this regard, public finances are crucial in creating the conditions to incentivise successful commercial applications. Electric vehicles, automation, and connectivity are examples of areas for intervention.

Emerging innovation trends in energy and ICT include the combination of data and software development aimed at personalising customer experiences, the shift from supply-driven to demand-driven energy production, which requires finding effective solutions for intermittent power production from renewable sources, and increasing competition amongst utility companies, which will determine the need for differentiated investment strategies.

The key priority for policymakers is to create a single public investment fund aimed at complementing VC activities, with a larger capital endowment and multi-sectoral operations. Regarding the innovation ecosystem, the EU should focus on i) creating a circular ecosystem, where successful entrepreneurs reinvest and bring bright people in, ii) improving the functioning of the IPO market and iii) investing in coaches and incubators.

Discussion Leaders

Tomasz Kozłowski, Head of Innovative and Alternative Financing Programmes, European Investment Fund
Anton Arts, Associate Partner, SET Ventures
Matias Torrellas, Portfolio Manager, InnoEnergy

Moderator

Jorge Núñez Ferrer, Senior Research Fellow, CEPS



I The evolving role of the national promotional banks and the EIB in the EU

In the aftermath of the financial and sovereign crises, the creation of the European Fund for Strategic Investments (EFSI), known also as the Juncker Plan, has contributed to stopping the decline in public investments in Europe. With the EU member states back on track, the objective of this session will be to answer the following questions: As the economy recovers, what is the role of the European Investment Bank (EIB) and national development banks? In the new European public investment agenda, what is the basis for effective interaction between national promotional banks and the EIB?

National promotional banks and institutions (NPBIs) have a long history, but their role has been expanding since the start of the financial crisis. Against the decline in public investments in Europe, the objective of these institutions is to complement private sector investments and leverage private funds in projects of high public value. Fill the market gap is often flagged as the compelling mantra: NPBIs and the EIB should step in to provide the necessary capital in areas where private investors are unable or unwilling to invest alone.

In recent years, NPBIs and EIB activities have contributed to economic and social development in the EU, particularly since the launch of the Juncker Plan. The latter has contributed to changing the crisis narrative and helped in moving from a narrow focus on fiscal austerity to a revival in public investment. Positive cooperation between NPBIs and the EIB has delivered success in excess of original expectations and a more collaborative approach can be seen as the way forward to expand the role and impact of NPBIs and the EIB in the EU economy.

Due to the strict capital requirements imposed by Basel II and III on credit institutions, only NPBIs and the EIB are able to invest in very long-term projects. This is not limited to traditional long-term investments, such as infrastructures, but may also include projects with a strong social value, such as housing or investments in natural capital. Similarly,

NPBIs and the EIB can increasingly support EU and member state strategies for socio-economic development in third countries. In particular, NPBI investments in developing countries can contribute to the implementation of a common and multi-dimensional response to global migration flows. Finally, NPBIs and the EIB can support the knowledge-based economy: credit constraints for SMEs investing in intangible assets can, at least in part, be overcome by the deployment of investment support schemes based on guarantees or concessional loans.

Currently, the EIB is the only manager of access by NPBIs to EFSI guarantees. NPBIs accept the EIB taking the lead role, but some consider that there are certain cases where direct access by NPBIs would be justifiable.



Discussion Leaders

Fabio Gallia, CEO, Cassa depositi e prestiti S.p.a.

Andrew McDowell, Vice-President, European Investment Bank

David Denzer-Speck, Director, KfW Liaison Office to the EU

Moderator

Jorge Núñez Ferrer, Senior Research Fellow, CEPS

EU Public Finances

I Enhancing growth and stability through effective public financial management

The explosion of the 2008 financial crisis revealed in many member state governments poor management of public assets and liabilities, high levels of hidden implicit liabilities and the absence of transparent and effective government financial reporting. Against this background, how can public financial management reforms, including global best practices in financial reporting that reflect economic reality and better planning and management of public assets and liabilities, enhance economic growth and stability?

While the worst seems to be over, public financial management (PFM) reform could boost economic growth and prosperity. Since the start of the sovereign debt crisis, EU institutions have invested significantly in increasing the fiscal transparency of member states and mandatory impact assessment and common standards have improved the conditions of public expenditure. Nevertheless, public accounts remain largely opaque, while some crucial indicators for responsible fiscal decision-making are not even produced. The task force created by Eurostat to design the European Public Sector Accounting Standards (EPSAS), by adapting the IPSAS international standards to the EU architecture and introducing them to all member states, has reached an impasse, mainly as a result of reluctance on the part of some member states to move forward to transparent accrual accounts. Since then, the EU political picture has shifted and, although a full consensus among all EU member states is unlikely, there may be significant developments in the upcoming months.

Meanwhile, in the absence of proper public sector balance sheets, many governments do not have a clear picture of their assets and liabilities. As a result, government resources are mismanaged and performance gaps arise to the detriment of taxpayers. Reconciling sustainability of public finances and expansionary fiscal policy is possible when the latter focuses on value for money and value creation.

Political unwillingness, low levels of interest from policy makers, lack of education about PFM and competing political interests are the most compelling barriers to the adoption of a PFM system in EU member states. The paradox is that whereas governments impose strict international accounting standards on publicly listed companies to protect investors, the same governments use incomplete and unreliable accounts in their decision-making, which ultimately affects the public sector's performance and accountability.

There is growing awareness that the present system may drive governments to act politically and make the country concerned more vulnerable to economic shocks. This may generate some momentum towards reforms in member states, which might be coordinated at EU level. Creating a central repository to track achievements in PFM reforms in different countries could also be a good first step towards increasing peer pressure on reluctant governments to pursue this path.



Discussion Leaders

Carlos Lobo, National Tax Director, EY;
Fergus McCormick, Director Sovereign Research, Emerging Market Investors Alliance and former Chief Economist and Head of Sovereign Ratings, DBRS
Dag Detter, CEO, Detter & Co
Alexander Makaronidis, Head of Unit, Eurostat

Moderator

Jorge Núñez Ferrer, Senior Research Fellow, CEPS

Agriculture & Food



The CAP after Brexit and the Paris Agreement

The CAP is up for a mid-term review of the 2014-2020 policy regime as people are preparing for the next 'reform'. One of the reasons why the debate is re-opening now on the CAP after 2020 is that the challenges facing agriculture after 2020 have evolved since the 2013 reform was discussed. In 2016, two major political events made the debate more urgent. The Paris Agreement on climate change set ambitious climate goals, while Brexit triggered implications for food and agriculture in the UK and beyond.

Given the uncertainty surrounding Brexit and the negotiations for the next Multi-annual Financial Framework, it is too early to make assumptions on the magnitude of the budget impact and its implications for the future of the CAP budget, while the debate is also taking place in light of the Commission's Communication on the future of food and farming.

Clearly, there will be a need to target support better to the role of simplification and modernisation and, in the long run, a radical new delivery mechanism, defining a set of specific criteria for the distribution of the budget, by restricting the CAP to the principle of public money for public goods. A more ambitious focus on environment and climate change needs to reflect the agreement and commitments on climate actions from the COOP in Paris. A new model shifting away from control towards measuring performance could be based on a limited number of specific objectives and targets, with concrete quantitative indicators, to be included in the annual strategic plans of each member state. The model would also have to provide the right incentives for member states to come up with ambitious strategic plans. Previous experience in regulating gas emissions in agriculture indicates that member states tend to reduce their targets to less ambitious objectives in the negotiation, but this could be addressed by compensating those who perform better.



Discussion Leaders

Jean-Christophe Bureau, Professor, Paris Institute of Technology
Tassos Haniotis, DG Agriculture and Rural Development, European Commission

Alan Matthews, Professor Emeritus of European Agricultural Policy, Trinity College

Moderator

Johan Swinnen, Professor KU Leuven and Senior Associate Research Fellow, CEPS



Agriculture & Food

I Sustainability and EU food standards

EU policies have major implications for global food and nutrition security. The EU is a major player in global food systems, which are undergoing major changes as a consequence of globalisation (including the global spread of EU retailers and EU standards affecting producers around the world), global mergers of the main agribusinesses (such as the Bayer-Monsanto merger and the takeover of Syngenta SinGem), TTIP (with EU food standards a major reason for opposition by consumers, producers and NGOs), climate change (with changing production systems implying different trade flows, etc.) and loss of biodiversity.

Understanding the role of food standards is crucial for policy-makers and the food industry in proposing new EU trade policies and developing programmes to take into account the impact of these standards on bilateral trade agreements. Should standards be included in public policy objectives? How can we find the right balance between private and public standards? Are food standards important in shaping international trade flows?

A major issue is the interaction of public and private standards in the food chain. Public standards involve different areas, such as food safety, environment and animal welfare, while voluntary standards can either be set at the international level or by collective organisations, including industry associations and non-governmental organisations. Even if private certifications may decrease monitoring and transaction costs, this may lead to crowding-out of public objectives.

Another is the proliferation of public and private standards, in both developed and developing countries, over the past two decades. The EU is the most regulated market in the world, with more than 200,000 measures, and with the addition of private standards this entails considerable complication for the food industry, which also has to work with international organisations on sustainability and standards aimed at achieving the Sustainable Development Goals.

Food standards shape trade flows, either by acting as non-tariff barriers to trade, lowering exports, or as catalysts to trade, leading to export gains, by modernising food supply chains. International coordination is needed to reduce transaction costs due to divergent standards, a process which is already ongoing and new forms of bilateral agreements on standards – different from WTO rules – are emerging.



Discussion Leaders

Chris Claes, Executive Director, Rikolto International
Mella Frewen, Director General of FoodDrinkEurope
Frank van Tongeren, Head of the Policies in Trade and Agriculture Division, OECD

Moderator

Johan Swinnen, Professor KU Leuven and Senior Associate Research Fellow, CEPS

Economic Policy



Taxation of the digital economy

Digital technologies and products are playing an increasingly important role as critical drivers of economic growth in Europe. The digital transformation, however, presents huge challenges for national tax systems. In a world in which businesses rely on intangible assets whose value is difficult to establish and in which trade occurs electronically without physical presence, current tax rules no longer appear fit for purpose. What would qualify as the 'fair' taxation of corporations providing digital goods and services? Which potential reforms of the international tax system could tackle these challenges?

Taxation of the digital economy is a pressing issue and targeted action is needed in the short term. Policy-makers, companies and other stakeholders have already stressed the urgency and called for a level playing field. New, global players, in particular large Internet companies, are distorting competition, abusing market power, and buying up start-ups. It is easy for companies to shift profits and associated tax losses are believed to be significant.

A long-term strategy is also required. This should account for the global nature of digital companies so as to prevent international tax wars and establish the appropriate level for coordinating taxation efforts. Before initiating negotiations at the international level, however, an EU-wide consensus on the taxation of the digital economy needs to be reached, allowing the EU to take a stance in discussions with non-EU countries.



One possibility is to adapt the existing tax rules at EU level, to avoid different modifications being introduced in different countries. Another option is new tax instruments, but these may end up targeting those firms who contribute most to productivity growth and generate positive spill overs to other companies. The questions are what, who, and where to tax: value creation or revenue creation, businesses or consumers, bytes or products. Policy-makers are still exploring multiple options and a lot of uncertainty remains as to which proposals might be implemented.



Discussion Leaders

Milena Mathe, Tax Analyst at DG TAXUD

Jean-Paul Forceville, Chairman of the PostEurop Management Board

Moderator

Florian Neumeier, Economist, Ifo Institute / EconPol

Special Sessions – Food for thought



I Prospects for multilateral trade cooperation after the Buenos Aires WTO Ministerial

The WTO stands for open and rules-based multilateralism in which plurilateral, regional and bilateral trade agreements ought to fit. This generally successful regime faces a number of difficult challenges. One is that most if not all of the relevant trading partners are busier with bilateral and regional trade deals than with bolstering multilateralism. The WTO, having grown to as much as 165 countries but without any institutional change, has become an unwieldy organisation that is barely capable of moving forward (except for trade facilitation, after incredible efforts). Its dispute settlement has been under considerable stress for years, and now, with the US refusal to support the replacement of judges in the Appellate Body, even more. The leading countries, having set up and developed the GATT, before the WTO, are gradually becoming less important economically in the world economy with the decisive shift of gravity towards emerging economies. Moreover, investment has never been incorporated in the WTO or GATT despite several attempts in the past and there are good reasons to reflect on new steps in this direction. Finally, there are lingering risks of disruptive protectionism at the moment and the damage done to the multilateral system might be great if leading trading countries do not act in common against this threat.



Speakers

Marietje Schaake, Member of the European Parliament

Bernard Hoekman, Professor and Director (Global Economics), Robert Schuman Centre for Advanced Studies, European University Institute

Denis Redonnet, Director, DG TRADE, European Commission

Moderator

Andreas Esche, Director, Program Shaping Sustainable Economies, Bertelsmann Stiftung

"Problems are not stop signs,
they are guidelines." (Robert H. Schuller)



I Launch of *The Dawn of Eurasia: On the Trail of the New World Order* by Bruno Maçães

Bruno Maçães, a former Portuguese Minister for European Affairs and a Harvard Ph.D., has travelled for almost six months in Eurasia, starting from Western China. The idea was to better comprehend the recent grand initiative of the Chinese leadership called the new Silk Road, better known today as the Belt and Road Initiative (BRI), and the strategic and economic implications in the longer run.

The author explains in this new book why we need to begin thinking on a super-continental (Eurasian) scale. In Europe, after an initial hesitation, the interest in the BRI is rapidly increasing and the EU has decided to foster common projects and new initiatives in the EU/China Connectivity Forum, under the annual EU/China summit. Meanwhile, first in Eastern Europe (with which China set up a 16+1 cooperation caucus) and swiftly followed by several ports (e.g. Piraeus – now with major Chinese investments –, Hamburg, Zeebrugge, some Italian harbours, etc.) and dry-port rail terminals, new intercontinental East-West connections by rail have been initiated. The tasks to make it work are phenomenal, whether technical and administrative standards, customs cooperation, infrastructural investments, industrial parks along routes and other aspects.



But the speed and determination with which BRI is being rolled out in Western China are impressive, and Dr. Maçães demonstrates the progress directly from his own observations in all relevant nodal points/cities in China. The Asia Infrastructure Investment Bank has begun with a sound and professional development bank record, without – so far – showing a special Chinese bias. All this is likely to engender strategic implications, too, which Maçães tries to set out in this inspiring and original book.



Speaker

Bruno Maçães, former Minister for European Affairs, Portugal

Moderator

Weinian Hu, Research Fellow, CEPS

Special Sessions – Food for thought

I Europe reset: New directions for the EU

Since the economic recession of 2008, the EU has been hit by a series of crises, most recently the UK's decision to leave the Union following the Brexit referendum. Questions have been raised about the need to reform the whole model of European integration, with the aim of making the Union more flexible and accountable. In this session, Richard Youngs, Senior Fellow of Carnegie Europe, will present an alternative vision of European cooperation and show how the EU must reinvent itself if it is to survive. He will argue that citizens should play a greater role in European decision-making, that there should be radically more flexibility in the process of integration, and that Europe needs to take a new, more coherent approach to questions of defence and security. In proposing this model for a 'reset' version of Europe, Youngs reinvigorates the debate around the future of Europe and puts forward a new agenda.

Framed in the context of Europe emerging from a series of crises since 2008, Youngs sees democratic participation as the greatest obstacle to Europe's recovery. The vast majority of EU reform efforts in the past decade have focused on improving output legitimacy, but the EU needs to shift its focus to improving input legitimacy. While many commentators have proposed this before, he distinguishes himself by offering an empirical map of the new forums of democratic participation across Europe.

Youngs defines the problem of democratic participation through the lens of Europe passing through different times of crisis. When Europe experiences a crisis, the priority is on solving policy problems, relegating concerns about citizen participation to the backseat. When Europe is not in a time of crisis, however, little incentive exists to reform. As such, the past decade of crises has prevented Europe from achieving substantive reforms. He argues it will be necessary for Europe to focus not only on new policies but also on a new polity: only by achieving a fundamental change in the paradigm of civic participation in Europe will the EU be able to stabilise itself.

While Young stressed reforming the electoral process of the European Parliament as an important step, he noted that it is not enough to work on representative democratic elements. We also need structural change on participatory elements, bringing European citizens into the discussion on how to reform the EU. Top-down reforms that call for civic input will not be enough. Rather, Europe needs to create processes for regular input by citizens.

This would require linking discussions on European reform at the regional, national, and EU level on a regular and permanent basis. The temporary nature, only lasting up to one year, of the democratic consultations for citizen input on which Europe has focused recently, eliminates the chance of long-term citizen deliberation.

Youngs was careful to stress that his model for citizen participation is intended to complement and not replace existing European institutional structures. Increased civic participation would reinforce the formal institutional power, not supersede representative democracy. The core mission of European reform over the coming years should be a change in public perceptions of the EU. European citizens should see the EU as an umbrella that safeguards their different policy and institutional choices made through an avenue for regular, meaningful input. If Europe is able to achieve this change, Youngs believes the EU will enjoy both increased public approval and greater solidarity between its member states.

Speaker

Richard Youngs, Senior Fellow, Democracy and Rule of Law Programme, Carnegie Europe

Moderator

Sophia Russack, Researcher, CEPS



Breakfast Sessions

I The rule of law challenge in the EU: Experiences and lessons learned from the Western Balkans

What is the fundamental element cutting across fiscal policy, criminal justice and enlargement policies? As both a principle and a concept, the rule of law intersects these policy fields at critical junctures both within and outside the EU. Whether for fiscal transparency or criminal justice, the rule of law ensures mutual trust through checks and balances and thereby forms a triangular relationship with democracy and human rights. One cannot proceed without the others. Going beyond an isolated focus on the rule of law as a principle of EU law, this session explored its significance in a number of concrete internal and external EU policy fields and how the degree of the EU's internal engagement on the rule of law impacts the EU's external legitimacy in advocating reform, such as in the Western Balkans. The basis for the discussion was the five policy briefs prepared by the members of the ENGAGE Fellowship (2017-2018), which is coordinated by CEPS and made possible by the financial support of the Open Society Initiative for Europe (OSIFE).



Speakers

Eduard Auer, Head of Division "Western Balkans", European External Action Service

John Morijn, Head of Internal Affairs and Kingdom Relations, Permanent Representation of the Netherlands to the EU

Chiara Goretti, Member of the European Economic and Social Committee

Ionuț Sibian, Member of the Council of the Parliamentary Budget Office (upB)

Angelina Gros-Tchorbadjiyska, Policy Officer, Task Force on Security Union, DG HOME, European Commission

Respondents/ENGAGE Fellows

Petra Bárd, **Fisnik Korenica**, **Marjan Nikolov**, **Małgorzata Szuleka** and **Gjergji Vurmo**

Moderator

Ngo Chun Luk, Researcher, CEPS

Breakfast Sessions

I EU-China investment treaty: State of play

The aim of negotiating a Comprehensive Agreement on Investment (CAI) between the EU and China is to remove market access barriers and provide a high and balanced level of protection for investments and investors from both sides. Accompanying the launch of the CAI negotiations, the Chinese leadership pledged to establish a level playing field for foreign investors as part of its reform agenda released at the Third Plenum in November 2013. Till July 2017, 14 rounds of negotiations took place; but no further date for the next round has been set. What is the state of play in the CAI negotiations between the EU and China? Will they miss the opportunity in materialising higher investment potential in each other's market?

Part of a wider debate on the achievement of a level playing field between European and Chinese counterparts, these negotiations are taking place in a difficult and uncertain environment. Whereas Chinese investments in Europe have been steadily increasing, foreign direct investments from European companies to China have declined in recent years, mainly due to problems related to market access, a key chapter of the CAI. Access to Chinese market for European companies is hindered by an excessive administrative burden and, even when access is allowed, EU enterprises are treated differently. The European decision to include market access, typically a WTO subject, in an investment treaty is quite innovative and has complicated the negotiations.

Besides market access, the agreement is structured around several key topics, including domestic regulation, sustainable development, environmental and labour issues, subsidies, state-owned enterprises and dispute resolutions. 27 member states have established bilateral investment treaties with China, with different standards of protection, making the challenge even more complex. Cooperation between EU and Chinese technology companies is also relevant.

Recently, both the EU and the US have been working toward the development of a new regulatory framework for FDI, mainly motivated by national security concerns, which today includes broader concepts such as key technologies and infrastructures and the use of big data. Whereas the US has introduced a system where Chinese companies willing to enter the American market are assessed on a case by case basis, it is not yet clear where the EU stands and how it will address this issue, though the Commission appears optimistic about the next round of negotiations.



Speakers

Haiyan Zhang, Professor of Asia/China Business Strategy and Management Director of NEOMA Confucius Institute for Business, NEOMA Business School

Maria Martin-Prat, European Commission, Director DG Trade and Chief Negotiator of the EU-China Investment Agreement

Moderator

Guillaume Van der Loo, Researcher, CEPS



Security of supply and electricity market integration: Lessons from the South-East European 2017 cold spell

In late December 2016 and early 2017, South-East Europe experienced an extended cold spell lasting almost six weeks, triggering an electricity ‘crisis’ – real or perceived – which seriously affected EU member states as well as Energy Community countries. Countries opted for a ‘traditional’ approach, one of government intervention purely in a national perspective, making the crisis worse. Will countries realise that they have few options, other than to integrate with their neighbours, increase energy efficiency and renewable energy, which by now is cost-competitive with conventional sources but with the advantage of being scalable?

Security vulnerabilities in energy supplies are recurrent in South-East Europe (SEE), notably Bulgaria, Romania, Greece and FYR of Macedonia. During the cold spell, Bulgaria imposed an electricity export ban on the grounds of safeguarding security of supply, seriously affecting its domestic and neighbouring markets, even though the Bulgarian market was found later to have functioned. This approach departed sharply from the solutions discussed within the Central and South Eastern Europe Energy Connectivity (CESEC) initiative, which was created with the aim of integrating markets to address energy security in the region.

The European Commission is putting in place an expert coordination group to discuss with the Energy Community Secretariat how to prevent similar electricity crises in the future. Infringement procedures may not be sufficient and non-market interventions may be necessary. The Clean Energy for All package addresses electricity market design (provisions for the market to work and intervention as an option of last resort) and risk-preparedness for an electricity crisis.



Speakers

Christian Egenhofer, Associate Senior Research Fellow & Director CEPS Energy Climate House

Yolanda García Mezquita, Team Leader, DG ENERGY, Unit B4 Security of Supply, European Commission

Maciej Ciszewski, Team Leader, DG ENERGY, Unit B4 Security of Supply, European Commission

Janez Kopač, Director, Energy Community Secretariat

Moderator

Julian Popov, Fellow & Adviser, European Climate Foundation

The ‘market first’ principle should be maintained, and interventions should be transparent and announced in advance. The recommendation in an ENTSO-E study that decisions during similar crises should be taken at the TSO and not ministerial level is broadly supported. The role of Regional Security Centres is considered important and the provisions for regional cooperation included in the Action Plan for security of supply in the region put in place by the CESEC initiative should be implemented. A common methodology for the Seasonal Outlook by ENTSO-E and for possible electricity crisis scenario assessments at the national and regional level would ensure a better diagnosis, while market-based hedging and insurance instruments would help markets function, though these will only materialise if markets integrate to reach critical mass.

Breakfast Sessions

I Launch of *Crossroads: Comparative Immigration Regimes in a World of Demographic Change* by Justin Gest

The book features the largest cross-national examination conducted to date of immigration policy outcomes - encompassing 30 major destination countries in Europe, North America, Latin America, the Middle East and East Asia. The authors classify the different approaches to migration management and finds global convergence toward a 'Market Model', which focuses on temporary, labour migration with few outlets leading to citizenship.

Immigration is a subject that has been at the forefront of public debate in recent years, due to the upsurge in migration and refugee inflows in the EU. Yet, despite the increased attention and the growing body of research, immigration policies and regimes, and their outcomes, are still poorly understood. This is due to several reasons, including the discrepancy between what governments claim to do and what they do in reality (law versus implementation), a one-sided focus on Western destinations, and the lack of a taxonomy that allows for comparative research into population trends and immigration legislation. Research on immigration policies and outcomes has so far been scattered, covering one dimension or case, and in that way overlooking the complexity of the issue. Data on regimes or outcomes are similarly dispersed. Furthermore, immigration policies and outcomes are only one part of the trend towards globalisation, in which issues such as integration are also at stake.

The book poses two main questions: how do immigration regimes vary and what explains the variation? To provide answers, the authors compiled a database of immigration outcomes for 30 main destinations in Europe, America, the Middle East and East Asia, by bringing together data obtained from the OECD, UN, national statistical offices and other sources. The database covers seven immigration outcomes: total migration flows, temporary migration flows, economic flows, family flows, humanitarian flows, free movement flows

and naturalisation rates. Undocumented migration, despite its importance, is not considered in the database due to a lack of reliable and comparable information.

With this database, the authors develop a taxonomy of immigration regimes by categorising different approaches to migration management. More specifically, the 30 countries represented in the database are clustered on the basis of an algorithm that uses the immigration outcomes as an input. In this way, seven types of immigration regimes are identified: neoliberal, kafala, quasi-kafala, extra-union, intra-union, humanitarian and constrained. This approach links countries that one would typically not bring together into a category while highlighting significant differences: some immigration regimes are characterised by high naturalisation rates (e.g. the extra-union and humanitarian regimes), whereas for others these are much lower (e.g. kafala and quasi-kafala). Similarly, the overall level of flows and the level of temporary flows varies significantly across the regimes.

A grand theory of immigration regimes, however, does not appear to exist: factors such as population ageing or natural resources do not explain why regimes develop in a certain way. Different regimes emerge for different reasons, even if the predominant driver seems to be economic freedom. Future policy debates on immigration regimes and outcomes can build on these results, and draw lessons from the experiences of other countries and regions.

Speaker

Justin Gest, Assistant Professor of Public Policy, George Mason University and London School of Economics

Moderator

Mehtap Akgüç, Research Fellow, CEPS



Young Thinkers' Initiative

This session was organised in the framework of the Erasmus+ network grant awarded to EPIN by the European Commission.

Encouraging young thinkers to contribute ideas on EU affairs, the session was dedicated to the topic of participatory democracy and the use/abuse of direct democratic instruments and was reserved exclusively for participants under the age of 40. Following on from previous years, when the initiative brought together young academics, as well as young officials from national governments, this year promoted the involvement of young researchers from think tanks across Europe.



Speakers

Ulrike Lunacek, former Vice President of the European Parliament

Mete Coban, Chief Executive and Co- Founder of My Life My Say, London

Moderator

Steven Blockmans, Senior Research Fellow, CEPS



Breakfast Sessions

I Integration of refugees: The checkup

Two years after the largest inflow of asylum seekers to Europe, it is time to assess the first results of integration efforts and to reflect on lessons learned. What progress has been achieved so far in EU member states with respect to integrating refugees? What are the challenges and the EU's and national responses to them?

Given the time-pressure and the high numbers of arrivals, in some cases authorities had to take actions immediately with very little time for planning or to consider their sustainability. Which type of action had a higher value added for society and is sustainable in the long term? The Swedish approach relies on a mix of labour market and education policies, which has led to integration results that are among the highest in the EU for both first and second generations.

Sweden reduced the time needed for refugees to integrate into the labour market from nine to five years through language training, skills enhancement and fast-track procedures for skilled refugees. Government efforts eased the recruitment process for private employers, helping them hire many more refugees than in the past. Given the high risk for refugee women of never entering the labour market, the Swedish government uses a tailored system of benefits to avoid women finding themselves 'trapped' indefinitely in the house. For instance, refugees arriving in Sweden with children could in the past claim 16 months of parental leave, which was renewable and therefore indirectly encouraged women to stay at home. Now, newcomers with children above a certain age are no longer eligible for this benefit.

The Swedish method for redistributing refugees throughout the country is based not only on the size of municipalities, but also on the number of refugees already welcomed and, most importantly, on the labour market situation, so the richest municipalities will still have to do their part in the future.



Speaker

Ylva Johansson, Minister for Employment and Integration, Sweden

Moderator

Nadzeya Laurentsyeva, Research Fellow, CEPS

There are also plans for enhancing cultural integration, increasingly demanded by the newcomers themselves, with gender equality, labour rights, and the role of religion being the most relevant topics. Investment in houses and schools is being planned in view of future redistribution towards rich municipalities, although this action is not linked exclusively to the inflow of refugees, but derives from a concern shared by the entire population.



Prime Talks

I The EU's Copenhagen dilemma: Safeguarding the rule of law prior to and after accession?

The EU is founded on a set of common values and legal principles of democracy, rule of law and fundamental rights. The assumption has traditionally been that all EU member states can be trusted to comply with these values as well as with the Copenhagen criteria after their accession to the EU. This presumption cannot be taken for granted, however, in light of recent developments in countries like Hungary and Poland, which presents a profound challenge to the Union's survival. The European Parliament has called for a Union Pact for democracy, rule of law and fundamental rights, which would potentially address some of the current gaps in monitoring and enforcing EU values against illiberal practices of EU member states. And in his 2017 State of the Union address, European Commission President Juncker called for an initiative to strengthen the enforcement of the rule of law in the EU. What further actions can the EU take to better safeguard democratic rule of law and fundamental rights after accession?

If adherence to foundational EU values by member state governments is no longer taken for granted, then there is a risk that the presumption of adequate rule of law guarantees, a condition for mutual trust among the EU member states in the area of judicial and police cooperation, for example in the functioning of the European Arrest Warrant and the European Investigation Order, becomes a mere pretence, thereby rendering these EU tools futile.

Rule of law discussions in Brussels are occurring in a highly politicised environment: critiques of governments, particular parties or politicians from EU and international institutions, tend to be re-packaged (by these affected actors) as a critique of a people or country. The risk is that individual citizen's rights are being sacrificed for the sake of the group rights – those of a country or a people, used as a fig leaf for agendas of political parties or single politicians.

The infringement procedures started by the European Commission in this area should be assessed in a wider context as symptoms of backsliding on the rule of law. For example, lowering the retirement age of judges can be seen not only as an 'age discrimination' case, but an attempt to capture judicial independence, and thus as a matter pertaining to the rule of law.

Some promising practices could be replicated on the EU level. For example, in 2015 in the FYROM crisis, the European Commission (DG NEAR) recruited a group of independent senior rule of law experts to carry out an independent assessment and to provide recommendations to address the systemic and institutional shortcomings. The group was led by a retired Commission Director, Reinhard Priebe. In another initiative, the European Parliament reports on the situation of the rule of law in Hungary and Poland linked to triggering Article 7 as foreseen in the TEU, even if approving such reports requires a 2/3 majority in the EP, where again political considerations come back into the picture. When rights violations of various minorities, refugees and other migrants, civil society, media, political opposition, are repeated in a systemic way, they may be the first signals that if left unaddressed, the situation may deteriorate into overthrowing the rule of law. This could be resolved by having a Union Pact for Democracy, Rule of Law and Fundamental rights to tackle systemic and institutional discrimination cases before they result in constitutional capture or more serious rule of law violations.

Speakers

Petra Bárd, Professor, Eötvös Loránd University School of Law, and Visiting Professor, Central European University
Judith Sargentini, Member of the European Parliament
Nikola Dimitrov, Minister of Foreign Affairs, Macedonia
Sophie in 't Veld, Member of the European Parliament
Roman Wieruszewski, Professor, Member of Scientific Committee, EU Fundamental Rights Agency

Moderator

Siska Castelain, Attaché, Directorate-General European Affairs and Coordination, Belgian Ministry of Foreign Affairs

Prime Talks



I EU-US cooperation on e-evidence in the fight against crime and terrorism

The proliferation of electronic communications is placing cloud-computing companies under severe strain from multiple demands from the authorities to acquire access to such data. This coincides with growing demands from the US to have increasing access to electronic information about EU citizens and third-country nationals. A key challenge for the EU emerges when third-country authorities request access to data held by private companies under EU jurisdiction outside pre-established channels of cooperation, in particular outside Mutual Legal Assistance treaties. What are the challenges to EU law posed by third-country access to data held by private companies for the purposes of law-enforcement investigations in criminal proceedings? How can we ensure that effective crime-fighting policies go hand-in-hand with respect for the rule of law, EU legal standards and fundamental rights?

Recent policy and normative developments in the EU and the US show that a shared interest exists in developing a legal framework to regulate cross-border access to electronic data and exchange of evidence across the Atlantic. Initiatives such as the Clarify Lawful Overseas Use of Data (CLOUD) Act in the US, and the upcoming European Commission proposal on a Production Order aim at overcoming delays that security practitioners experience when seeking cross-border access to electronic information through cooperation channels provided by Mutual Legal Assistance (MLA) Treaties.

The assumption underlying these measures is that, in order to carry out investigations in cyberspace effectively, law enforcement authorities need new instruments enabling them to reach people and service providers beyond their borders and compel them to disclose their data. However, the objective of increasing effectiveness in the fight against crime and terrorism cannot be pursued regardless of the wider impact of the possibility for law enforcement authorities to directly access data located in other jurisdictions. For example, the introduction by the EU and the US of instruments not based on MLA schemes for cross-border criminal investigations is likely to lead other

countries – for instance Turkey and Russia – claiming the right to adopt the same approach while pursuing their own security interests in the cloud.

Improving cross-border access to electronic information for the purpose of fighting crime and terrorism cannot only be seen as a law enforcement issue. Access to information held by private companies has to comply with the standards of existing national and supranational rule of law and fundamental rights, as provided respectively by the EU and US legal systems. Respecting this requirement is ultimately necessary to ensure that a piece of electronic information gathered in the cloud can be accepted as evidence before a national court. Initiatives that weaken safeguards, such as those provided by the probable cause and the data minimisation requirements in the US or the principles of judicial oversight, necessity and proportionality in the EU, are likely to increase legal uncertainty and undermine trust in transatlantic relations. This result can be detrimental in a context where criminal activities and security threats are becoming increasingly transnational and require single countries and supranational institutions to cooperate more closely. While a transatlantic debate on how to improve cross-border access to electronic evidence is needed, its focus should be on improving existing instruments, and in particular the MLA system, rather than on legalising direct remote access to data which does not comply with EU and US constitutional benchmarks.

Speakers

John Frank, Vice President EU Government Affairs, Microsoft

Nicole A. Ozer, Technology and Civil Liberties Policy Director, ACLU of California

Jan Philipp Albrecht, Member of the European Parliament

Moderator

Valsamis Mitsilegas, Professor of European Criminal Law, Head of the Department of Law, Dean for Research (Humanities and Social Sciences), and Academic Lead for Internationalisation, Queen Mary University of London





I Migration: Making good on the Mediterranean

Europe has stated its commitment to work towards making the Mediterranean a region that fosters cultural links, trade and prosperity for all. The gap between this aspiration and the current situation, however, could not be much starker. Over the past five years, the Mediterranean Sea has been a prime route for irregular migration under deplorable conditions and, most disturbingly, a place of mass drownings. What are the options for turning this situation around? What can the EU institutions do? What are the obligations of member states bordering the Mediterranean, as well as those beyond? What role can African countries play in this tragic drama? And how can we construct a political consensus for action on all sides?

Actions have been taken to reduce arrivals and drownings, notably the EU-Turkey and Italy-Libya deals, and new proposals have been brought to the table to improve EU migration management, such as reform of the Common European Asylum System. However, these measures do not directly answer the question of how to create long-term prosperity in the Mediterranean region in order to reduce future illegal arrivals, nor that of how to strengthen cooperation with partners to ensure protection along the route for those in need.

The current crisis dialectic is distorting both the debate and the decision-making process and should be abandoned by politicians. Regarding the European asylum system, for instance, some consider it as an efficient system, but one that has not been implemented properly by all member states. Combined with the crisis dialectic, this deficiency has pushed politicians more and more towards short-term rather than forward-looking measures. Institutions should invest heavily in the EU asylum system rather than reforming it, because it represents the best chance the EU has to push countries along migratory routes to apply the same standards and procedures. In other words, exporting the EU system internationally as a global strategy rather than outsourcing various responsibilities in a short-term approach. Nonetheless, there are doubts about the feasibility of this approach given the poor results achieved so far in Europe.

Speakers

Nathalie Tocci, Director of the Istituto Affari Internazionali, Honorary Professor at the University of Tübingen, and Special Adviser to EU HRVP Federica Mogherini

Christian Friis Bach, Secretary General, Danish Refugee Council, former Danish Minister of Development

Alexandra Stiglmeier, Senior Analyst, European Stability Initiative

Moderator

Mikkel Barslund, Research Fellow, CEPS

Development assistance is another area of action affected by the crisis dialectic re-directing assistance towards actions within the security dimension, such as training a national army or border control, rather than in that of the economy. This trend reflects the EU's short-sighted approach: planning actions primarily in consideration of what they are worth for the EU. Future deals with countries of origin and transit would be much more effective if they also reflected the interests of these countries. Only by engaging in concrete discussions with countries of origin on what their main interests and concerns are can the EU start building solid cooperation in migration management.

Trade liberalisation has not been explored enough in the past, especially with North African countries, and could be of major importance in future negotiations. Broadening access to the European market for agro-food exports from these countries could be particularly important given the weight of agriculture in their economies. Despite significant preferential access enjoyed by these countries in several industrial sectors, agriculture remains one of the most protected and regulated sectors in the EU, as shown by the strong opposition against recent negotiations (TTIP, CETA and with the MERCOSUR bloc). Opening up further to agro-food exports from Africa could help create jobs on the continent and foster internal migration. However, future trade agreements should be negotiated in view of the implications that further liberalisation (or restrictions) of the agro-food sector would have for future migration flows rather than including conditionality related to migration.

Prime Talks

I A budget without the UK: Last opportunity for new priorities

The size of the EU budget in the post-Brexit era is a concern repeatedly voiced in EU policy circles. The key issue, however, is not the shortfall of €10 billion from €150 million to €140 million, but rather what to do with the €140 million. How to make the EU budget relevant to Europe's common challenges? Rigid ceilings and inflexible rules governing the budget have bound the hands of the EU and undermined its ability to respond adequately to the challenges it faces. It is high time to fundamentally review how we finance the Union, for what and with which instruments. The answers may be quite different from the system we currently have in place.

Member states have to accept that the EU budget is there to finance objectives and policies they have themselves agreed and requested. There is a need for a political settlement as a basis for technical discussions. It is essential to agree quickly on the challenges to be addressed and to what extent this should be handled through the EU budget. There is also a need to clarify what European Public Goods are necessary and which items are not or are no longer needed. Grants of such magnitude by European taxpayers require a common understanding of what they should finance.

The division between member states and the European Parliament is artificial, as the latter is made up of politicians from parties in the former. There has to be a better division of competences and a more effective political system of decision-making with the present institutions. Also, the existence of external funds complementing the EU budget, like trust funds, may undermine the governance of the EU.

On Cohesion Policy, there are still important gaps between regions and countries. It is clear that there is resistance to weakening agricultural policy even if improvements are needed, including the rebalancing of support between regions. Conditionality could be introduced, but only in terms of a stronger link with the European Semester and Country-Specific Recommendations.

Rebates will disappear, and while there might be compensations in areas of disagreement, those will be in a much simpler lump sum form. The Fontainebleau agreement on avoiding 'excessive' net contributions will still be in force. Thus, "rebates will go, but corrections will stay". If the EU has to focus on European Public Goods and address challenges of a European nature, a net balance approach is nonsensical. European Public Goods are not only cross-border, but also have to support core European values, such as economic convergence and basic social rights.



Speakers

Nadia Calviño, Director General of DG Budget, European Commission

Paweł Choraży, Undersecretary of State, Ministry of Economic Development, Poland

Thomas Westphal, Director General – European Policy, German Federal Ministry of Finance

Jan Olbrycht, Member of the European Parliament

Moderator

Iain Begg, Professorial Research Fellow at the European Institute, London School of Economics and Political Science



I A Sino-European *entente cordiale*?

Thanks to Donald Trump, China and Europe are discovering their affinities. Upholding the Paris Agreement on climate change and preserving a free multilateral trading system are priorities both in Beijing and across Europe. But how can the two economic powers sitting on opposite ends of the Eurasian continent work together? Should they concentrate on bilateral agreements or also coordinate their actions in global fora (G-20, WTO, etc.)? Could China and the EU use their combined influence to try to convince the current US administration to change its priorities?

If there is potential for Sino-EU cooperation, it is in support of multilateral trading rules, in particular on precautionary standards for consumer protection and research. However, the perception of China in the EU is often influenced by false conceptions about the country's outsized involvement in the European economy.

Negotiations on an EU-China investment agreement are complicated by the European Commission's proposal to screen Chinese FDI and the lack – for the time being – of an offer from China to extend market access to European industry.



Speakers

Carsten Boyer Thøgersen, Director, Copenhagen Business Confucius Institute

Pascal Lamy, President Emeritus, Jacques Delors Institute

Linda Yueh, Fellow in Economics, St Edmund Hall, University of Oxford; Adjunct Professor of Economics, London Business School; Visiting Senior Fellow, LSE IDEAS Research Centre

Moderator

Steven Blockmans, Senior Research Fellow, CEPS



At #CEPSlab18, Jean Pisani-Ferry of @sciencespo tells us that the goal should not just be that more people support the EU, but that they support it for the right reasons. Requires more than just looking at broad opinion poll numbers.

Cian McCarthy

🗨️ 2 ❤️ 6



“Being in the EU is not a geographical fact, but a political choice” #ruleoflaw is key! @CEPS_thinktank #CEPSlab18 #Brussels

Didier Reynders

🗨️ 1 🔄 27 ❤️ 48



“#juncker plan was called as #juncker plan by those who believed in its failure. When it works, it is not #juncker plan anymore” jokes @JunckerEU at #CEPSlab18

Petr Kaniok

🗨️ 🔄 1 ❤️ 1



#EMUreform has to continue to make #euro resilient. #BankingUnion must be completed (it is a no-brainer). Shock absorption capacity has to improve before next crisis comes. People need assurance that EU can deliver security and prosperity for them #CEPSlab18 @J_Dijsselbloem

László Andor

🗨️ 🔄 4 ❤️ 6



We had a blast with Daniel Gros and Ivan Krastev at the closing session of #CEPSlab18. Thank you @CEPS_thinktank and congrats!

Nikos Askitas

💬 5 ❤️ 9



Thanks @CEPS_thinktank for #CEPSlab18. Great, inspiring event! Is Europe "Back on Track" now? Picture was mixed. Certainly much left to do. EU #migration #asylum challenges very far from resolved.

Bernd Parusel

💬 1 🔄 5 ❤️ 7



#IvanKrastev ends his brilliant talk by stressing that the most important element is for a #Democracy is for european peoples to understand one-another. good that germans became experts in greek economy, hungarians on the german asylum policy #CEPSlab18 #Democracy #EUdemocracy

Thomas Pellerin-Carlin

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Kudos @CEPS_thinktank for holding Brussels conference quite literally on other side of tracks. In Anderlecht. #CEPSlab18 @sprouttobebrus @BelgiumMFA

James Kanter

💬 4 ❤️ 5





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