

// YEPP POLICY PERSPECTIVE //

# THE FUTURE OF EUROPE

ADOPTED AT THE YEPP COUNCIL OF PRESIDENTS  
MILAN, ITALY // FEBRUARY 2018



---

The functioning of post-war liberal democracies has been grounded on a covenant between the citizens, the state and private enterprise. Private enterprise has undertaken to act as the driver of economic development, growth and innovation, offering citizens employment and assuming social responsibility through tax compliance. In exchange for taxation, the state has committed to deliver an efficient regulatory framework, infrastructure and a skilled workforce. When it comes to the state's relationship with its citizens, it has guaranteed to provide security and welfare. The citizens, on their behalf, beyond employment, have undertaken to engage in the democratic process and legitimise governance. Widespread disaffection and disengagement as well as the prevalence of a sentiment of insecurity and uncertainty, expressed in most clear terms by a resounding re-emergence of populism and extremism, as well as vote abstention, offer a clear indication that the very balance between those three elementary actors has broken down. That can be attributed to multiple factors, as diverse as greed, corruption, mismanagement, tax inefficiency and avoidance, to name a few. Those are nothing new. Social, political and legal institutions have struggled to tackle those systemic failures for centuries, if not millennia. However, new challenges have emerged, which threaten to fundamentally alter the very nature and terms of that societal equilibrium. The advent of the Fourth Industrial Revolution, which further builds upon and augments the dominant forces of the previous era, computerisation and digitalisation, is based on cyber-physical systems. Most significantly, further automation, the Internet of Things and artificial intelligence, all threaten to challenge the basic function of the private sector as the principal generator of employment. The advancing substitution of employees by machines disrupts the societal covenant that our social peace and security rest upon. If employment is not available to the scale that has been necessary for the post-war covenant to function, in particular during the current transition period and potentially for much longer, what will become of society?

That development exacerbates current failures and imbalances, as well as challenges: tax avoidance, income inequality, human mobility, globalisation, open trade. The ramifications extend far beyond employment to taxation, the role of the state, welfare and social security, education and skills. What should the role of the European Union be in that context? Europe will have to become a continent that provides the answers. It will have to become the continent that embraces innovation, technological advancement and automation. Most importantly, Europe will have to become the continent where automation works, where global trade works, where globalization works. Where automation, global trade and globalization work for everybody. Our leap forward will only succeed if it is counterbalanced by our values and ethics: equality and freedom, responsibility and compassion. We will have to lead by example, provide a new model to the world. We will have to defend our citizens, but also empower them and inspire them, and in this way, inspire others, the rest of the world.

To achieve this, we will have to create an institutional architecture that addresses current deficiencies and systemic challenges and, most importantly, allows for scale. The structure of the EU is now too heavy to function properly and to provide solutions and react timely to the increasing threats. The procedures must become more flexible and enable to make decisions timely. A Union with efficient structures, accountable, transparent processes and targeted, bespoke policies increases its effectiveness, credibility and legitimacy. The Union's institutional and political dimension shall strive to remain relevant and impactful. In the global race for innovation, Europe certainly doesn't lack talent. To some extent, it doesn't lack financial resources either. However, it does lack scale: the creation of a market of 500 million is far from complete. Barriers, especially when it comes to differences in regulation, taxation and social security, forbid the creation of a truly single market. Take for example, telecoms: how could we expect our continent to become the leader in this sector, which is essential to innovation, if regulation differs across member states? It is

---

no coincidence that there is no single company that operates in all 28 member states. Compliance with 28 different legal frameworks makes it cumbersome, if not forbidding. This is telling of an approach that will have to change if we want to become the continent that leads and harnesses change to make it work for all. In order to make innovation, and growth that results from it, inclusive, we will need a well-thought-out policy mix. However, we will need to set the foundations to create growth and attract innovation in the first place. And that needs scale and harmonization. How do we achieve that? Is further integration the answer?

We will certainly have to further integrate. But that doesn't mean we will have to create a superstate in Brussels. Subsidiarity is key. We will have to be "big on big issues and small on small ones". The EU has to be stronger in important areas like foreign, security, for instance the fight against terrorism and organised crime, and defence policies and in securing external borders, as well as climate policy. Most areas should remain a national competence, for instance, family policy, education, healthcare, pensions, taxation and culture are certainly ones. Nevertheless, there should be the possibility for voluntary enhanced cross-border cooperation between Member States. A clear division of responsibilities helps the European citizens to better understand what is handled in the EU 27 and national and regional level. This helps to close the gap between promise and delivery. So will the streamlining of institutions at the European level.

But we cannot achieve that by stealth. Citizens will have to become an integral part of this process. To do so, we should aim to increase public ownership of the European project. Direct election of the European Commission President and improved participation of EU citizens in policy making and implementation should be adopted. Furthermore, the EP would be more efficient and cost-effective with a single seat. Giving the EP the legislative initiative will strengthen its role as the directly elected legislative body of the EU. The European Citizens' Initiative criteria should be made easier and the number required should be reduced. It is necessary to take certain steps to engage directly the European youth, to strengthen youth organisations and enable them to contribute. We should all clearly refrain from nationalising success and Europeanising failure. We should explain what the real challenges ahead of us are and present a relatable, deliverable blueprint for the future, which includes everyone, which speaks to every single citizen. We have to move forward. But we can't leave anyone behind.

