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DRAGHI REPORT: PLASMARE IL FUTURO DELL´EUROPA CON INVESTIMENTI, INNOVAZIONE E COMPETITIVITÀ GLOBALE

Di fronte ai rapidi avanzamenti tecnologici, alle crisi energetiche e ai mutamenti geopolitici, l´Europa si trova a un bivio. Il vecchio continente patisce, nel suo sviluppo, la sua forte dipendenza dai combustibili fossili, il ritardo digitale e tecnologico, un quadro normativo frammentato. In questo contributo si esaminano alcune delle intuizioni contenute nei vari moniti e report di Mario Draghi, che ha ripetutamente sottolineato, rimanendo inascoltato, la necessità di investimenti significativi nella transizione energetica, digitale e di difesa comune. Sulla base di questi suggerimenti si sottolinea la necessità di procedere a riforme normative e semplificazioni della governance, favorendo investimenti a lungo termine e collaborazioni multilaterali, cruciali per il futuro dell'Europa.

di **Umberto Nizza**
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Abstract ENG

Faced with rapid technological advancements, energy crises, and global socio-economic changes, Europe finds itself at a crucial crossroad. The continent faces significant challenges, such as high energy costs, heavy dependence on fossil fuels, technological and digital delays, and a fragmented regulatory framework that hinders development. In this context, some insights from Mario Draghi's warnings and reports are analyzed, where he emphasized the need for investments in the energy, digital, and common defense transitions. The paper highlights the need for regulatory reforms and governance simplification, and the promotion of long-term investments and multilateral collaborations, crucial for Europe's future.

Sommario: 1. Introduction: A reinvigorated "Whatever it takes" paradigm?; 2. A closer look into The Future of European Competitiveness: the roadmap for the new European market for innovation; 3. Revitalizing Europe through new governance and innovative regulatory strategies for growth; 4. Conclusions.

1. Introduction: A reinvigorated "Whatever it takes" paradigm?

On March 18, 2025, a Senate hearing was held, in Italy, regarding the well-known report commissioned by the European Commission, titled "The Future of European Competitiveness," which the economist Mario Draghi had already presented in a press conference with the President of the European Commission in September 2024, before presenting it to the European Parliament shortly thereafter1. The so-called "Draghi Report,"2 which outlines a strategy to restore competitiveness in Europe, demonstrates how urgently a radical change is needed, particularly in light of the advancements in artificial intelligence, most of which are still taking place outside Europe, primarily in China and the United States. Among the problems highlighted by Draghi are the persistently high prices of raw materials and energy, as well as the tariffs imposed on the EU by the new U.S. administration, which, in Draghi's view, will likely leave the EU to shoulder the responsibility of ensuring security in Ukraine and Europe itself3.

In effect, we live an era marked by rapid technological advancements and shifting geopolitical landscapes, in which Europe finds itself at a crossroads. Recent economic shocks, pandemics, and wars have exposed vulnerabilities in the European social, economic, and environmental most fundamental pillars4, underscoring the urgency for a cohesive and strategic response to maintain the continent's global competitiveness. Against this backdrop, the "Draghi Report", emerges as a critical piece of analysis of the challenges that Europe faces in terms of competitiveness, in a broad range of industrial

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sectors and cross-cutting policies. The underlying context is the growing recognition that the European Union finds itself at a disadvantage compared to other major global economies, particularly in terms of energy costs, reliance on critical raw materials, and delays in closing the digital gap. Draghi's report emphasizes the necessity for substantial investments to bridge the economic growth divide between Europe and other key players such as the United States and China. The plan proposes, overall, multibillionaire investments to support the energy transition, digitalization, and defense sectors.

One of the biggest obstacles to European competitiveness has to do with the energy economy, where the continent is much farther behind competing partners. Energy prices for natural gas and electricity previously are higher within the EU compared to other locations on the planet, and this issue has been exacerbated through the energy crisis stemming from the conflict in Ukraine. The EU's reliance on fossil fuels, most notably coal and gas, and the volatility in price are impediments to Europe's competitiveness, and most of the energy-intensive industry is severely affected. Furthermore, the energy market in Europe relies on marginal pricing dynamics – in which gas tends to dictate the prices – and a very small part of the energy mix is dependent on renewable energy. Although the expansion of renewable energy is likely to reduce dependence on fossil fuels and save money in the long run, Draghi suggests that the network of infrastructure in Europe is, at least at the moment, not robust enough to support rapid decarbonization, given the physical constraints within the transmission and distribution networks. The transition to electrical grids that can support more intermittent energy sources, such as wind and solar power, will be costly. Additionally, the slow pace of permitting approvals for new energy development and infrastructure is another significant barrier. Another focal point of Draghi's warning is the importance of critical raw materials, which are essential for the development of advanced technologies such as semiconductors, green energy, and batteries. Europe is heavily reliant on imports of these materials, exposing it to geopolitical and market vulnerabilities. Therefore, Europe needs to diversify supply sources and enhance the integration of the supply chain. In terms of digital policies, Europe lags behind in the development and adoption of advanced technologies such as artificial intelligence and high-capacity broadband connectivity. This digital gap could prevent Europe from fully capitalizing on the opportunities offered by the digital transformation, which is considered crucial for boosting productivity and innovation across the continent. The importance of closing the digital skills gap is another central theme. Europe must invest in education and reskilling programs to ensure that the workforce is adequately prepared to tackle new technological challenges.

The Draghi Report has elicited split responses among the EU's founding countries. In Germany, the call for additional European shared debt5 has generated concern. Although Germany acknowledges the necessity for structural investment, its traditional insistence on budgetary rules and fiscal discipline has planted some seeds of doubt. Nevertheless,

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the decisive focus on decarbonization and green technologies has been received with approval, especially considering the pivotal role they will play for German industry. France, which has historically supported greater European economic integration, has shown some openness to the concept of common debt to finance green transition and defense projects6. Draghi's proposals are seen as an opportunity to maintain technological leadership, particularly in the renewable energy and digitalization sectors. The Netherlands, Belgium, and Luxembourg are some of the nations that have received the report with a mix of approval and reservation7. While they appreciate the initiative for greater economic cooperation and investment in infrastructure, they are concerned about the impact of increasing common debt on the fiscal health of the EU. These countries, which are marked by their greater sensitivity to fiscal discipline8, have been skeptical of the feasibility of such large-scale measures. In Italy, the report has been greeted with enthusiasm, and the government has taken Draghi's proposals as a confirmation of the need for massive public investments to re-launch European industrial competitiveness9. The emphasis placed on cooperation between member states and the creation of a genuine European industrial policy has been greatly appreciated, especially in the context of competitiveness and economic growth10.

In this regard, the Report places significant emphasis on innovation as the key to reviving the Union's economy. Central to this vision is the recognition that Europe has fallen worryingly behind the United States and China in advanced technological sectors such as artificial intelligence, cloud computing, and digital transformation. This lag is not only quantitative but also qualitative, relating to the ability to translate research and innovation into large-scale commercial applications. The report underscores that the EU already possesses numerous regulatory and financial tools, such as the Next Generation EU and the Recovery and Resilience Plan, which should facilitate investments in technological innovation. However, current policies, although effective in incentivizing research, fail to ensure the commercialization of innovations and the creation of European industrial champions. Current laws, such as the General Data Protection Regulation (GDPR) and the Artificial Intelligence Act (AI Act), while providing a secure regulatory framework for data protection, at times burden innovative businesses with overly stringent rules, limiting their capacity for rapid growth11. Moreover, the fragmentation of the digital market and diverging laws among EU member states hinder the creation of a truly functioning single market12.

Draghi proposes a series of structural interventions aimed at reforming the regulatory and political framework13. One of the central points is the need to streamline bureaucracy and simplify regulations for businesses, particularly startups and scale-ups. Draghi suggests a more harmonized application of laws across all member states, which would enable companies to operate on a pan-European scale without facing different legal or regulatory barriers in each country. Furthermore, the report advocates for strengthening competition

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policies14 to encourage mergers and acquisitions among European companies, making it possible to create large technological champions capable of competing globally. Another crucial issue is the importance of investing in key sectors such as artificial intelligence and 5G, not only through public funds but also by mobilizing private capital15. The report clearly identifies the need to increase synergies between the public and private sectors to achieve unprecedented investments. A significant aspect is the proposal to create joint financing mechanisms among member states, and resort to common debt to finance large-scale infrastructure and technology projects, creating a sustainable investment base for the future and keep pace with competitors16.

From a normative perspective, the approach suggested by Mario Draghi in its admonition is based on several fundamental principles: enhancing public and private investment, the use of European common debt, and the reform of the EU's industrial and fiscal policies. His primary goal is to close the growing gap between Europe and major global economies, particularly the United States and China, in the areas of technological innovation and industrial competitiveness. Draghi argues that the EU must mobilize between €750 and €800 billion annually, equivalent to around 5% of the Union's GDP, for strategic investments in sectors such as clean energy, digitalization, defense, and technological infrastructure17. A central element of his proposal is the adoption of joint financing instruments, similar to those used for the Next Generation EU, which would allow the EU to issue common debt to fund long-term projects18. This shared debt mechanism aims to improve Europe's capacity to respond to global threats and future crises. The virtues of Draghi's economic policy are numerous. First, shared debt can help distribute the cost of investments more evenly among member states so that everyone can benefit from funded projects regardless of national economic resources19. This is particularly useful for less financially able nations, which would otherwise be deprived of crucial investments in their economic and technological development. Second, the preferential focus on investments in strategic sectors can revive economic growth in the EU20 and reinforce its long-term competitive position.

In all these matters, this paper contends that Draghi has successfully revived his "Whatever It Takes" approach, perpetuated at the time of the euro area crisis to guaranteeing the survival of the euro and pacifying European markets via resolute and unconventional measures21. Europe should implement new bold and decisive actions in the current of the high-stake situation and new challenges facing the Union, from technological stagnation and energy crises to geopolitical threats, requiring a comprehensive, continent-wide response reminiscent of the ambition of Draghi’s earlier policy mode, requiring huge public and private investments to guarantee Europe's competitive future. This reenergized paradigm underlines that Europe needs to act, and act quickly and strategically, assuming a collective responsibility for the economic and industrial health of the continent.

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2. A closer look into The Future of European Competitiveness: the roadmap for the new European market for innovation

The Draghi Report – penned by Mario Draghi, economist and former President of the European Central Bank, as well as former Italian Prime Minister – constitutes an in-depth and strategic analysis of the condition of innovation in Europe, being based on the most important economic, technological, and structural challenges Europe needs to face in a more competitive international scenario. The report presents a critical analysis of Europe's condition and comes forward with concrete proposals for guaranteeing the long-term competitiveness of the continent. At the heart of the report is the recognition that Europe, with its top-quality research institutes and substantial talent at its disposal, has not yet achieved its innovation potential. Its strength lies in the richness of its findings and the wide scope of its suggestions, ranging over a wide range of sectors and policy areas important to the future of Europe. There are several structural obstacles, such as fragmented markets, underdeveloped financial systems, regulatory obstacles, and risk culture, that impede Europe from being able to compete competitively on the global platform, particularly in dynamic sectors like artificial intelligence, biotechnology, and clean energy technologies.

One of the most critical challenges highlighted by the report is Europe's fragmented innovation ecosystem22. Unlike the United States or China, where collaboration between public institutions, private industry, and academia is more integrated23, Europe's research ecosystem still functions in isolated sectors. This lack of cohesion implies that breakthrough ideas are not being effectively translated into commercial technologies. While Europe excels at basic research, it lags behind in the commercialization of innovation. The Draghi Report stresses that stronger public-private partnerships are needed to bridge university research and industrial applications, driving technological innovation from the lab to the market. This fragmentation lies at the root of a sequence of factors, including regulatory divergence among Member states, underdeveloped cross-border collaboration, along with the lack of an overall strategy for innovation that bridges various sectors, regions, and industries24. The report argues that while Europe enjoys a plethora of talent, research institutions, along with technological expertise, these areas of strength are not leveraged effectively25.

One of the underlying problems pinpointed in the report is the incomplete regulatory environment in the European Union. Member states have their own individually separated regulatory settings, and this creates difficulty for innovative companies to scale up across borders in the Single Market26. Regulatory fragmentation creates unnecessary complexity for companies, particularly smaller firms and startups, which are often the originators of innovation27. For instance, divergent intellectual property regimes, diverging data

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protection rules, and the absence of harmonized standards for emerging technologies, such as AI and biotechnology, pose obstacles for businesses to expand beyond their home markets. Such a fragmented landscape not only limits market access but also discourages investment, as companies incur additional costs and uncertainty in tapping into new markets in Europe28.

Moreover, the report emphasizes that innovation is often constrained by national priorities that are not aligned with broader European objectives29. Each Member State tends to focus on its own specific industries or sectors, with limited coordination at the EU level. This disjointed approach results in a duplication of efforts, where resources are spread too thinly across multiple, often overlapping, initiatives. As a result, Europe struggles to create the scale needed to compete with global giants like the U.S. and China, where innovation is driven by large, coordinated efforts that bring together research, industry, and government policy under unified strategies30. The Draghi Report also draws attention to the barriers between academia and industry in Europe. The disconnect between academia and industry prevents the efficient transfer of research into marketable products and services31. In the U.S., for example, public-private partnerships play a significant role in fostering innovation, with universities, government agencies, and corporations collaborating on projects that have both academic and commercial value32. In Europe, instead, this cross-sectoral collaboration is limited by bureaucratic hurdles, a lack of common goals, insufficient funding for technology transfer initiatives, and uneven development of innovation ecosystems in terms of research infrastructure, funding availability, and access to skilled labor33.

To address this fragmentation, the report calls for a more unified approach to innovation across Europe. It advocates for regulatory harmonization, particularly in areas like intellectual property, data protection, and standards for emerging technologies, to ensure that companies can operate seamlessly across the Single Market34. Additionally, the report emphasizes the need for more coordinated funding mechanisms that support cross-border collaboration and the development of pan-European innovation projects, in particular in the sectors of cybersecurity, technology and energy, allowing for the pooling of resources and creating the scale necessary for Europe to compete globally35. In this regard, the report suggests that Europe should focus on creating more interconnected innovation hubs that bridge the gap between academia, industry, and government36. By fostering stronger public-private partnerships, the Union can accelerate the commercialization of research and create a more dynamic entrepreneurial ecosystem, where firms can access the resources and networks needed to scale their operations in Europe37.

The report also highlights the financial challenges that stifle innovation in Europe, with a particular focus on the underdeveloped venture capital market. Draghi identifies the

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underdevelopment of the venture capital market as one of the most significant obstacles preventing Europe from fostering a vibrant, innovation-driven economy, in particular for firms involved in high-risk, high-reward sectors like technology, biotechnology, and clean energy38. All these sectors require substantial upfront investments in research, development, and scaling, which are often too risky for traditional banks and financial institutions, at least in contrast to the U.S., where a well-established venture capital ecosystem plays a pivotal role in nurturing these kinds of businesses. The report highlights that the venture capital market in Europe is not only smaller than in the U.S. but it is also more fragmented, with wide disparities in the availability of capital across different member states39. This lack of adequate funding stifles innovation because it forces many startups to remain small, preventing them from scaling up and reaching their full potential40. Another key problem is that European investors tend to be more risk-averse compared to their American counterparts. In the U.S., venture capitalists are often willing to take on greater risks in the hope of securing large returns from successful high-growth startups and this culture of risk-taking is less prevalent in Europe, where investors are generally more conservative and prefer short-term investments, often in more established industries41.

Another challenge is the reliance on traditional forms of financing, such as bank loans, which are typically ill-suited for startups in high-tech industries. The ability of EU banks to finance large-scale investments is limited by lower profitability, higher operating costs, and a smaller scale compared to their U.S. counterparts, showing a less profitability for bank, which will be less inclined it will be to offer risk capital for financing major projects42. In this regard, the Draghi Report suggests that banks require collateral and are less inclined to fund unproven ventures without a steady cash flow, leaving startups with limited options to finance their growth43. The report contrasts this with the situation in the U.S., where the venture capital market is much more mature, and startups have access to a wide range of equity-based financing options tailored to their needs. As a result, U.S. startups are better able to attract the capital required to invest in research, development, and scaling44. Nonetheless, it is important to emphasize that evidence exists contradicting the notion that unregulated banks are beneficial45. In truth, a significant portion of banking profitability stems from deeper, more institutional factors, that are not easily comparable between the American and European markets, given distinct dynamics in each region46.

It is important to stress that Draghi makes a strong case for expanding Europe’s venture capital market to support innovation-driven enterprises. One of its key proposals is for the EU to promote the pooling of public and private funds to create larger, more risk-tolerant sources of venture capital. By combining resources from different sources, including government-backed funds, private investors, and institutional funds, Europe could create a more robust venture capital ecosystem capable of supporting high-risk ventures. The

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report suggests that public funds could play a catalytic role by de-risking early-stage investments, thus attracting more private capital into the VC market. This could be done through co-investment schemes, where public funds match private investments in startups, and targeted tax incentives aimed at reducing the overall risk for private investors47. Additionally, the report advocates for the creation of new financial instruments specifically designed to provide more accessible capital to innovative companies48. These could include equity crowdfunding platforms, specialized innovation funds, and public-private partnerships that focus on high-growth sectors like AI, biotechnology, and clean energy. These instruments would not only provide startups with the capital they need to scale but would also help creating a more dynamic investment environment, where innovation is supported by a diverse range of funding sources49.

The report also highlights the necessity of developing a more cohesive pan-European venture capital market, emphasizing the need to increase cross-border investments and harmonize regulations across member states50, fostering a cultural shift towards the creation of a more dynamic and vibrant investment ecosystem. One of the most insightful recommendations in the report is the needs for Europe to cultivate a more risk-tolerant investment culture51, with a shift in perspective which would be essential for fostering creativity and entrepreneurship within the European market. In this regard, Draghi suggests that failure should be viewed as an inherent aspect of the innovation process rather than something to be strictly avoided52. In the U.S., investors frequently support entrepreneurs who have already failed in business53, accepting that failure is a means of learning and can ultimately result in success. Such an attitude is less prevalent in Europe, where failure is more likely to scare off investors as well as entrepreneurs from embarking on high-risk projects54. The report repeatedly states55 that if Europe were to promote a greater willingness to accept risk – putting more emphasis on higher-risk and scale-up investment – it would be able to unlock considerable innovation potential.

Linked to these budget constraints is the issue of intellectual property (IP). The Draghi Report identifies this topic as a crucial but under-leveraged tool for European firms, particularly small and medium-sized enterprises. It draws attention to how the budget constraints that such firms are facing are compounded by their low level of use of IP protections, such as patents and licensing56. While IP remains vital to innovation, in the sense that it allows companies to protect their inventions and creative works and thereby achieve a competitive advantage57, the report finds that not enough European companies, especially SMEs, are maximizing this grant of property rights58, which is limiting their ability to achieve commercialization of innovations as well as shield them from copying. In the domain of IP another key issue highlighted in the report is the high cost of securing patents across multiple jurisdictions within Europe59. Unlike the United States, which has a single, unified patent system, the European Union operates under a fragmented framework where patents must be secured in individual member states60. The report

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emphasizes that this lack of a streamlined patent system in Europe creates a significant disadvantage for companies operating in the Single Market, given that innovators are disincentivized from seeking full IP protection. It is known that this factor might weaken their ability to capitalize on new technologies because the lack of comprehensive protection makes it easier for competitors, both within and outside of Europe, to copy or reverse-engineer innovations, reducing the returns on investment in R&D61. For SMEs, in particular, which often operate on tighter margins and depend heavily on the commercial success of a few key innovations, the legal fragmentation62 adds another layer of risk for companies, making the already high costs of securing patents overwhelming.

The report further emphasizes that the skills gap in Europe needs to be tackled immediately, most notably in areas of greatest strategic importance to innovation such as artificial intelligence, biotechnology, and manufacturing63. The lack of skills is presented as a fundamental challenge that could hamper the competitiveness of Europe, in particular given the current extensive shifts in digital and green technologies. These sectors, so vital to the economic destiny of Europe, need a technologically skilled workforce. Yet the education and training systems of Europe, though solid in most aspects, have been unable to keep up with the speed of technological change reshaping the world economy64. The primary issue causing this skills shortage is education output–market demand mismatch. Europe's education system appears under-funded65 and a large portion of the European workforce lacks even basic digital skills. Additionally, the green skills demanded by the EU's green transition are currently in low demand, so "green skills" will remain in unmet demand66. This mismatch between education systems and labor market requirements has created widespread under-qualification in critical areas, resulting in low productivity and poor economic performance of firms67. Furthermore, the lack of adequate support for talented youth from disadvantaged backgrounds has significant repercussions for innovation and economic growth in more depressed areas68. Finally, adult learning in the EU is underdeveloped, with low participation, limited company investment, and poor coordination between businesses, workers, and training providers69.

Another important thematic, contained in the report, is related to the digitalization challenge to Europe’s broader competitiveness, warning that without robust digital infrastructure, the continent will struggle to support innovation in high-tech industries and maintain competitiveness on the global stage. Draghi underscores the critical challenge of digitalization for Europe's innovation landscape, revealing significant gaps in digital infrastructure essential for competitiveness70, such as 5G and high-speed internet, which are unevenly distributed, particularly affecting rural areas. With an estimated need for €200 billion to achieve full gigabit and comprehensive 5G coverage, alongside an additional €125 billion annually to meet broader digital targets, the report calls for a unified pan-European digital strategy that harmonizes regulations to accelerate

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infrastructure deployment and investment, warning that failure to act may further hinder Europe's technological advancement71.

Finally, the Draghi Report underscores the need for more agile and responsive governance structures at both national and EU levels to support innovation efforts72. One of the key barriers to innovation identified is the slow pace of decision-making, which hampers Europe's ability to compete in fast-moving global markets. This includes lengthy bureaucratic processes, complex regulatory frameworks, and fragmented governance, which delay the implementation of critical innovations73. In this regard, with the aim to bolster European competitiveness, the report proposes several additional key reforms. First, regulatory frameworks should be simplified and harmonized across member states to reduce bureaucratic hurdles. This includes implementing experimentation clauses and regulatory sandboxes that facilitate flexible testing of new technologies in controlled environments74. Second, the report stresses the importance of reforming decision-making processes in key areas, suggesting that more decisions be subjected to qualified-majority-voting rather than unanimity, which often leads to delays. By adopting faster, more flexible decision-making mechanisms, Europe can reduce the time taken to respond to technological changes and market demands. In this direction, the report advocates for the establishment of a "Competitiveness Coordination Framework," a new governance tool that would refocus the work of EU institutions on competitiveness priorities and reach a greater level of policy-coordination, minimizing bureaucratic overlap and accelerating decision-making processes75. Lastly, the report advocates for increased funding for disruptive innovations, suggesting that the European Investment Bank and National Promotional Banks co-invest in high-risk ventures and create incentives for private investment through public-private partnerships76.

In essence, the central message of Draghi is that Europe must enhance its competitiveness by addressing key structural challenges, including fragmented financial support, underdeveloped innovation ecosystems, and regulatory barriers77, fostering a more unified approach to innovation, as well as increased investments in critical sectors, fostering, in the end, a more dynamic and resilient economy. By advocating for deeper integration among member states and a more cohesive policy framework, Draghi suggest a viable path to position Europe as a leader in global innovation and sustainability, ensuring sustainable economic growth, enhancing long term resilience and fostering greater competitiveness on the world stage.

3. Revitalizing Europe through new governance and innovative regulatory strategies for growth

As already mentioned above, one of the key points of the Mario Draghi's ideas, expressed

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in the various institutional settings, is that the current regulatory framework within the Single Market is too fragmented. The regulatory fragmentation is known to impose significant transaction costs that undermine economic efficiency of firms78, given that manifold diversified rules lead to an environment of legal uncertainty, where firms face unpredictable enforcement of contractual obligations and inconsistent application of regulatory standards. In the European context, the regulatory burden not only increases the uncertainty and costs of doing business but also discourages cross-border investments and impedes the optimal allocation of resources, in a classic illustration of how high transaction costs can distort market outcomes79. In legal and economic dynamics, indeed, the lack of harmonization among member states creates conditions that are ripe for regulatory arbitrage: Firms engage in strategies aimed at exploiting the differences between legal regimes, which further erodes competitive neutrality80. From a risk management perspective, when the predictability of legal outcomes is uncertain, market participants often end up overinvesting in protecting themselves from potential risks instead of focusing on productive economic activities81. This phenomenon resonates with the foundational principle that the reduction of uncertainty can be a critical factor in fostering innovation and efficient market behavior and, therefore, a move toward a unitary legal discipline in economic relations would reduce the inherent inefficiencies that currently plague cross-border interactions. The harmonization of legal European rules – as suggested by Draghi – is not merely a bureaucratic exercise but it has profound implications for the stability and predictability of legal relations, ultimately contributing to a more coherent and efficient economic system in Europe.

A clear example of this fragmentation is evident in regulatory regimes concerning corporate law, competition law, and, more importantly, financial market supervision82. Although the European Union strives to harmonize, as much as possible, the rules applied within its territory, significant changes within the EU require unanimous approval from member states, and achieving unanimity is particularly challenging. For this reason, differentiated integration enables governments to create tailored solutions that better meet their needs, preferences, and capacities compared to a one-size-fits-all approach. This is based on the idea that, in a heterogeneous union, differentiated integration can be Pareto-improving83 compared to uniform integration or non-integration. Despite the adoption of EU directives aimed at establishing common standards, the transposition into national law often leads to discrepancies that alter competitive conditions. In the financial sector, as suggested by Draghi84, the absence of a unified framework for banking supervision – despite the Centralized Banking Union – has led to regulatory asymmetries that influence the cost of credit and capital allocation across member states. Similarly, in the field of competition law, the parallel competence of national authorities alongside the European Commission results in variations in the application of antitrust rules, which may create distortions in enforcement and legal predictability85. In essence, while EU directives have the risk of producing regulatory fragmentation by awarding member states a great amount of discretion when putting the rules into practice, they can induce

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divergent interpretation and application of EU law between member states despite the lofty ambition to set up common objectives86.

It should be noted that the movement towards a unified framework does not imply the elimination of national regulatory autonomy87 but rather the establishment of a legally binding common foundation that prevents the proliferation of conflicting rules. Achieving, from the European perspective, a consistent pattern for economic relations in the single market is not easy. Nevertheless, confronted with pressing needs for speedy technological, social, economic, and geopolitical development, it requires the adoption of a more systematic way of regulatory harmonization beyond the current reliance on directives allowing for broad national discretion in transposition. Use of regulations, which have direct applicability and uniform effect in all Member states, would be a more forceful legal instrument in strategic areas such as corporate governance, financial markets, and digital regulation. The European integration process has historically relied on incremental legal harmonization88, yet the current economic landscape demands a more decisive shift toward regulatory convergence. The absence of a unified economic law framework not only undermines the efficiency of the Single Market but also weakens the EU's position in global economic governance. As suggested by Draghi repeatedly, the growing competition from economic blocs that operate under centralized regulatory regimes, such as the U.S. and China, further highlights the strategic disadvantage of a fragmented European legal environment. On this last aspect, in particular, a coherent and unitary legal discipline governing economic relations within Europe would serve multiple functions: it would reduce compliance costs, enhance market integration, and provide a stable legal environment conducive to long-term investment. Moreover – and this is an aspect that is not entirely secondary and at times overlooked in the discussion so far – normative coherence would reinforce the EU's regulatory sovereignty by ensuring that economic operators compete under common legal conditions, free from distortions caused by regulatory divergences. Hence, the transition toward such a framework is not merely an option but an imperative to safeguard the integrity and competitiveness of the European economic system.

The persistence of barriers within the European Single Market has profound implications for investment, innovation, and productivity growth. As recent studies have demonstrated, Europe's economic underperformance is closely linked to its inability to achieve full market integration across goods, services, capital, and labor, given that the EU continues to operate under a patchwork of national regulations that impede market fluidity89. On these grounds, Draghi, while addressing the Italian Senate and the European Parliament90, reminds us that excessive regulation, and specifically its fragmentation, has contributed to the installation of internal barriers to the single market equivalent to a 1/2 tariff on industrial products and double tariff on services. Draghi points out that we have one market for toothpaste, but not for artificial intelligence, with the result that our most

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creative inventors choose to relocate their companies to America, and European citizens subsequently follow them with their capital91. The principal reason for this problem can be traced to the fragmentation of regulatory regimes, the divergence in national legal systems, and the lack of a harmonized framework for economic relations. These factors create an environment where transaction costs remain disproportionately high, making it more difficult for businesses to operate across borders. The absence of a unified regulatory framework means that companies often face a patchwork of different laws, compliance requirements, and administrative procedures when trying to expand or collaborate internationally. This not only increases the complexity of doing business and leads to inefficiencies – including reduced cross-border capital flows, lower economies of scale, and weakened incentives for firms to engage in long-term investments in innovation – as companies must dedicate significant resources to navigate legal discrepancies.

The European market's lack of depth and scale can be understood through the lens of both economic and legal theory, examining the regulatory structures that shape economic interactions. Unlike in the U.S., where legal and financial integration facilitates seamless capital expenditure and efficient allocation of resources across state lines92, Europe is marked by different legal obstacles, including the incomplete integration of the services sector, which represents over 70 percent of Europe's GDP93. As an example, while the Services Directive (Directive 2006/123/EC) was intended to remove unjustified restrictions and establish mutual recognition principles, its uneven transposition and enforcement across Member states have left substantial barriers in place94 – e.g., national licensing regimes, local establishment requirements, and other regulatory constraints that hinder market entry and cross-border provision – resulting in fragmented competition, where firms operating across multiple jurisdictions face compliance costs that discourage expansion and investment95. Given that the services sector is also the primary driver of innovation in digital technologies, artificial intelligence, and finance, its regulatory fragmentation has compounded the EU's lag in productivity growth relative to other advanced economies. Similarly, as suggested by Draghi, the capital market integration remains incomplete, with firms in different member states facing divergent rules on securities issuance, insolvency proceedings, and investment protection. The direct consequence is an underdeveloped equity financing market, which disproportionately affects high-growth firms that rely on venture capital and public markets to scale operations, in stark contrast with the United States, that benefits from deep and liquid capital markets, where companies can raise funds under a single venture capital regime boosting patents and innovation96 The inability of Europe to replicate such a structure limits – according to Draghi – the competitiveness of European enterprises, particularly in capital-intensive sectors such as information technology, artificial intelligence and clean energy.

As Draghi suggests, Europe remains overly reliant on traditional banking structures,

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which creates a bottleneck for economic growth. The primary reason for this is the higher level of caution toward risk in Europe compared to the U.S., given that European banks and financial institutions tend to be more conservative in their lending and investment practices, focusing on lower-risk assets and prioritizing stability97. This cautious approach, is said to limit the capacity for growth, especially in sectors that require substantial investment, such as innovation and high-tech industries. This argument should be balanced, nevertheless, with the essential role of law in maintaining financial stability, because an indiscriminate increase in risk is what ultimately leads to systemic crises – as it happens with the global financial crisis of 2008 and the excessive risk-taking98, combined with the lack of proper regulation and oversight99 – leads to a catastrophic destabilization of financial systems, potentially causing widespread economic damage100. Thus, while Europe's cautious approach may impede some levels of growth, especially in high-risk, high-return sectors, it is also a safeguard against the kind of reckless risk-taking that can result in systemic crises. In this regard, the challenge for Europe might lie in finding a balance between fostering a more vibrant, risk-tolerant environment that supports innovation and growth, and succumbing to the overexposure to risk that could jeopardize long-term institutional resilience and create a financial ecosystem that encourages investment and entrepreneurship. Another potential issue – which was not sufficiently discussed by Draghi – is related to the constraints that are imposed on labor mobility within the EU. Differences in social security systems, labor protections, and professional qualification recognition create substantial frictions that discourage cross-border employment and these barriers hinder the efficient allocation of human capital, exacerbating skill shortages while leading to underutilization of talent, eventually weakening Europe's ability to respond dynamically to economic shocks, as workers face administrative and legal obstacles when relocating to areas with higher labor demand102.

From an economic law perspective – in the sense of studying economic relations in the market and the analysis of regulatory models, with the aim of exploring both private and public aspects through an interdisciplinary approach, focusing on the relationships between legal institutions and economic dynamics103 – addressing these inefficiencies might require a new regulatory approach – in which we reduce broad discretion in implementation, in favor of a greater use of directly applicable regulations in key economic areas, particularly in the financial sector, services markets, and labor mobility frameworks – favoring a more rapid and flexible regulatory response, one that is both proactive and adaptive to the ever-evolving nature of economic risks. In effect, Draghi's observation that European legislative procedures often require up to 20 months before a measure is adopted104 highlights a more general critical structural weakness in the current regulatory framework. The pace of regulatory response is increasingly misaligned with the speed of technological and economic change. By the time a new legal framework is introduced, market conditions, technological capabilities, and competitive dynamics may have already shifted, rendering the adopted policies at best suboptimal and at worst obsolete. In particular, the rigidity of traditional legislative mechanisms is particularly

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problematic in domains characterized by rapid technological evolution, such as artificial intelligence, digital infrastructure, and financial markets. The EU's reliance on ex-ante regulation, where legal frameworks are designed to anticipate future developments, often results in either excessive precautionary constraints – with the possibility to stifle innovation105 – or regulatory gaps that necessitate continuous legislative revisions. Both outcomes generate uncertainty for economic operators, limiting their willingness to commit to long-term investments.

In this context, it is necessary to consider the adoption of a form of dynamic regulation in certain strategic sectors. Unlike traditional rulemaking, a form of dynamic regulation should be characterized by a capacity to adjust to technological progress and market shifts in near real-time, ensuring that the regulatory environment remains both effective and proportionate. This approach is already being explored in some regulatory domains, particularly in financial technology (i.e., fintech) and in some digital markets, where regulatory sandboxes and iterative compliance frameworks have been implemented to allow for continuous regulatory refinement. However, the broader application of dynamic regulatory principles to key areas of economic governance remains very limited within the EU106. The case for dynamic regulation would be stronger in sectors where the speed of innovation outpaces legislative cycles. In artificial intelligence, for example, fixed regulatory structures risk either imposing constraints that inhibit technological progress or failing to address emergent risks associated with evolving AI capabilities. A system in which regulatory requirements adapt based on predefined risk metrics – such as the evolving classification of AI applications according to their potential societal impact – would offer a more balanced and effective approach. Similarly, in financial regulation, where market structures are shaped by technological advancements in algorithmic trading, digital assets, and decentralized finance, a more responsive legal framework could prevent regulatory arbitrage while maintaining financial stability107. Despite potential challenges, the benefits of a more responsive regulatory system might outweigh the risks associated with maintaining the status quo. In the growing globalized economic environment in which competitors such as the U.S. and China are increasingly interested in regulatory systems that allow them to react effectively to shifts in the market, Europe cannot risk being hindered by procedural rigidity. If the EU cannot adopt a more flexible regulatory framework, it may exacerbate the competitive disadvantages already set out in the Draghi Report.

Finally, with no regulatory model ensuring unfettered integration of cross-frontier economic activities, Europe would remain structurally disadvantaged compared to its other high-tech, global competitors. The need for a unitary discipline to be applied to economic cooperation within the Single Market is not a theoretical option but a real need for sustaining long-term growth. The ongoing weaknesses in market integration demonstrate that the EU's economic governance structures must respond to the

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imperatives of a more globalized and technologically driven economy. In order for Europe to be a leading actor on the international stage, it must realize that regulatory fragmentation is not a technical problem but it is an inherent obstacle to economic dynamism as well as continental strategic autonomy.

4. Conclusions

We are living in a time of profound change, in which technological innovation is advancing at an exponential rate and, simultaneously, the global geopolitical landscape is shifting. Within this context, Europe faces a pivotal moment in its history. The continent is challenged by the need to stay competitive on a global scale, while dealing with complex internal divisions and external geopolitical pressures. Europe's dependence on fossil fuels, the high cost of energy, and its technological lag behind other global powers present serious obstacles. Moreover, the EU's fragmented regulatory environment exacerbates its capacity to compete against other global key players, hindering coordinated responses to the growing challenges. At this crossroads, Europe must choose its path forward, balancing effectively innovation, sustainability, and security, while striving to maintain cohesion among its diverse member states. The multiple Draghi admonitions emphasize this pivotal juncture in the socio-economic evolution of the entire continent108.

The report penned by Draghi and presented in multiple occasions in different institutional venues presents an urgent call to action, reinforcing the notion that without bold, collective measures, Europe risks falling further behind in global competitiveness. One of the most pressing takeaways is the urgency of addressing Europe's technological lag, particularly in the fields of artificial intelligence, digital infrastructure, and high-tech industries, which represent the most transformative sectors of the 21st century109. While Europe has excelled in regulatory frameworks, such as the GDPR, its innovation ecosystem has been constrained by regulatory fragmentation and normative hurdles limiting cross-border collaboration and the scaling of new technologies. The conclusion to draw from Draghi's admonition is that Europe needs urgently a greater cohesion and a better regulatory harmonization across member states110. Without a concerted effort to close this gap, Europe may miss out on the productivity gains and economic opportunities that come with advanced technologies.

Equally important is the emphasis on the energy sector and the strategic necessity for Europe to transition away from its dependency on fossil fuels. The energy crisis exacerbated by the war in Ukraine111 has laid bare Europe's vulnerabilities, particularly its reliance on external suppliers for natural gas and oil. Draghi's report offers a clear roadmap for an accelerated shift toward renewable energy, proposing investments in

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infrastructure that can support decarbonization efforts. However, the lesson here is that Europe must streamline its permitting processes, invest in its energy grids, and overcome the physical bottlenecks that currently hamper its ability to integrate renewable energy sources. Higher energy prices and supply volatility directly impact industrial productivity and competitiveness, meaning that energy independence is crucial for securing Europe's future economic stability.

The financial aspects of the report also offer significant lessons, particularly regarding Europe's underdeveloped venture capital markets and the need for more risk-tolerant investment strategies112. Draghi's recommendations for increasing public-private synergies and expanding venture capital funding are essential for fostering innovation. Europe's conservative investment culture has stifled high-growth sectors, particularly in areas like artificial intelligence, biotechnology, and clean energy technologies. The conclusion here is that Europe must not only increase the availability of venture capital but also encourage a cultural shift toward embracing risk. This would allow startups and scale-ups in innovative industries to secure the funding necessary for expansion and global competition. A key takeaway is the importance of public intervention in de-risking these investments113, which could catalyze private sector participation and create a more vibrant, dynamic entrepreneurial ecosystem across the continent.

Another fundamental conclusion revolves around Europe's need for strategic autonomy, particularly in securing critical raw materials that are essential for advanced technologies like semiconductors and electric batteries. Europe's reliance on external suppliers exposes the region to geopolitical risks and supply chain vulnerabilities114, a fact that Draghi's report highlights with significant concern. The lesson here is that governments must work together to formulate a cohesive industrial strategy that mitigates dependence on volatile global markets. By securing supply chains, Europe can ensure that its technological and industrial sectors remain competitive, even in the face of global disruptions.

Politically, Draghi's proposals for common debt and joint financing mechanisms are perhaps the most contentious, as evidenced by the mixed reactions from various EU member states. In the manuscript we have highlighted that fiscal hawks have expressed reservations about increasing shared debt, fearing long-term impacts on fiscal stability115. However, the conclusion to draw here is that without collective financial mechanisms, Europe will struggle to fund the large-scale investments needed for the energy transition, digital transformation, and defense. Draghi's call for a more integrated fiscal policy is rooted in the understanding that fragmented national approaches cannot adequately address challenges of this scale. While political resistance remains a key barrier116, the long-term benefits of these investments, particularly in ensuring Europe's industrial competitiveness, far outweigh the short-term concerns about fiscal discipline. For Europe to secure its future, it must embrace a more collaborative financial framework

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that allows for strategic, shared investments.

The lessons from all the discussions surrounding the Draghi report are clear: without decisive, collective action, the continent risks being left behind in the global race for technological, industrial, and economic leadership. The challenges outlined – from regulation unification to technological innovation – are not insurmountable, but they demand bold, unified policies and unprecedented investments. The time for incremental change has passed. Europe must now embrace the "Whatever It Takes" spirit that Draghi once championed, applying it not only to crises but to long-term strategies that secure its global position. The choices made today will determine whether Europe can maintain its relevance and influence on the world stage. The report offers a roadmap, but it is up to European leaders to ensure that the political will, resources, and vision align to transform these recommendations into reality. It is, indeed, now or never.

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Note e riferimenti bibliografici

1. To review the full intervention of the hearing, you can visit the official website of the Senate of the Republic at the following address: {https/URL}(last accessed March 19, 2025). The presentation speech to the European institutions can be downloaded at: {https/URL}(last accessed March 19, 2025).

2. The report (also known as “Draghi Report”), in its Part B, containing two sections dedicated respectively to the EU's sectoral (ten chapters) and horizontal (five chapters) policies, with an in-depth analysis outlining the objectives to be achieved and proposing the initiatives to be adopted, can be downloaded at the following website: {https/URL}(last accessed March 19, 2025).

3. For insights on these key aspects and the latest updates to the Report, see the keynote speech delivered at the European Parliamentary Week 2025 on February 18, 2025, which can be reviewed in full at the following website: {https/URL}(last accessed March 19, 2025).

4. Cfr., for a comprehensive overview of all these issues, Zakeri, B., Paulavets, K., Barreto-Gomez, L., Echeverri, L. G., Pachauri, S., Boza-Kiss, B., Zimm, C., Rogelj, J., Creutzig, F., Ürge-Vorsatz, D., Victor, D. G., Bazilian, M. D., Fritz, S., Gielen, D., McCollum, D. L., Srivastava, L., Hunt, J. D., & Pouya, S. (2022). Pandemic, war, and global energy transitions. Energies, 15, 6114, 1-23.

5. Germany’s reaction to the Draghi report has been largely dismissive, focusing on disagreements over EU debt while neglecting the urgent need for reforms and investments in digital innovation and infrastructure to address its own economic vulnerabilities. See, in this regard, Schwarzer, D. (2024). Germany should listen to Draghi. Financial Times (London, 13 September 2024), in {https/URL}(last accessed March 19, 2025).

6. In France commentators have suggested that the Draghi report is an essential, yet ambitious blueprint for revitalizing European competitiveness, acknowledging its accurate diagnosis of the continent's bureaucratic inefficiencies and technological lag behind the U.S. and China. Intellectuals and experts praise Draghi’s call for a unified industrial policy and investment in innovation but are divided on the financial feasibility, with some emphasizing the need for deeper structural reforms to avoid perpetuating outdated industries and bureaucratic fragmentation. See, in particular, Tirole, J. (2024). Jean Tirole, Prix Nobel d’économie 2014: «Donnons au plan Draghi la chance qu’il mérite», Le Monde (Paris, 20 September 2024), in {https/URL}(last accessed March 19, 2025), and de Calignon , G., & Hiault, R. (2024), Benoît Coeuré : «Il faut écouter Mario Draghi», Les Echos (Paris, 18 September 2024), in {https/URL}(last accessed March 19, 2025).

7. Dutch politicians, including Finance Minister Eelco Heinen and NSC MEP Dirk Gotink, argue that reforms, rather than increased spending, are necessary, cautioning against investing large sums without clear priorities. At the same time, Belgian commentators point to the need for more targeted interventions, such as reducing bureaucracy, improving infrastructure, and fostering better education and research, rather than pursuing a “Whatever it takes” approach. Luxembourg's political reaction to Mario Draghi's competitiveness report is largely positive, recognizing its timeliness and relevance, but concerns remain about how to finance the ambitious multi-billion plan. For a comprehensive analysis of these political positions see BNR Webredactie (2024), Draghi adviseert mega-investering, maar Nederlandse politici trappen op de rem, Business Nieuws Radio (Amsterdam, 9 September 2024), in {https/URL}(last accessed March 19, 2025); Noels, G. (2024). Moet het echt zo draconisch als het plan-Draghi?, De Tijd (Bruxelles, 13 September 2024), in {https/URL}(last accessed March 19, 2025); Fassone, M. (2024). Luxembourg MEPs react to Draghi’s “timely” competitiveness report'. Delano (Luxemburg, 10 September 2024), in {https/URL}(last accessed March 19, 2025).

8. These countries are often classified as "hawks", favoring tightening monetary policy positions. See, in this regard, Heinemann, F., & Kemper, J. (2021). The ECB under the threat of fiscal dominance–The individual central banker dimension. The Economists’ Voice, 18(1), 5-30.

9. See, in particular, the statements of the Prime Minister and the Presidency of the Italian Republic, in ANSA (2024). Mario Draghi's report influential says Mattarella. ANSA (Rome, 20 September 2024), in {https/URL}(last accessed March 19, 2025), and ANSA (2024). Several important points in Draghi report says Chigi. ANSA (Rome, 18 September 2024), in {https/URL}(last accessed March 19, 2025). The positive reactions, although fragmented,

from all political forces during the hearing held in the Italian Senate should also be noted. For a detailed analysis of all the interventions, please refer to the link provided in note number 1.

10. Regarding how fundamental these aspects are, especially for the more peripheral and depressed regions of the European context, see, among others, Sarımehmet Duman, Ö. (2025). Competitiveness in the European market: a comparative analysis of the Eurozone periphery and the non-Eurozone periphery. Comparative European Politics, 1-22.

11. There are concerns, in the literature, that these regulations add regulatory burden and might stifle innovation and entrepreneurial activities. Cfr, among others, in particular regarding the European regulation on privacy and artificial intelligence, Bharti, S. S., & Aryal, S. K. (2023). The right to privacy and an implication of the EU General Data Protection Regulation (GDPR) in Europe: Challenges to the companies. Journal of Contemporary European Studies, 31(4), 1391-1402, and Qiang, R. E. N., & Jing, D. U. (2024). Harmonizing innovation and regulation: The EU Artificial Intelligence Act in the international trade context. Computer Law & Security Review, 54, 106028, 1-11.

12. This potential existential threat to the single European market is also raised in Alexiadis, P., Shortall, T., Guerrero, A., & Nikolinakos, N. (2023). Coherence versus Fragmentation: Institutional Challenges to EU Digital Markets Regulation. Business Law International, 24, 233-286.

13. See, in this regard, the Draghi Report, op. cit., as reported in note 2, 315 ff.

14. Idem, 298 ff.

15. Idem, 22 ff. and 67 ff.

16. See, for example, that the EU is facing challenges due to fragmented financial support and insufficient dedicated funding for critical raw materials. While various funding sources exist within the EU, both at the European and national levels, to support projects involving critical raw materials—from innovation programs like Horizon Europe to manufacturing initiatives such as those funded by the European Investment Bank—the support remains disjointed. Idem, 52.

17. Idem, 280 ff.

18. Idem, 296, in particular.

19. This idea resonates the idea of creation of a European Debt Agency (EDA) to manage sovereign debts in the Eurozone and establish a common safe asset, reducing discrepancies in borrowing costs among member states while allowing each country to retain responsibility for its debt and enhancing fiscal stability, support deeper integration within the Eurozone, and provide a more sustainable approach to public debt management. Cfr.

Amato, M., Belloni, E., Falbo, P., & Gobbi, L. (2021). Europe, public debts, and safe assets: the scope for a European Debt Agency. Economia Politica, 38, 823-861; Diev, P., & Daniel, L. (2011). What Prospects for a European Debt Agency?. Revue économique, 62(6), 1147-1162; Wolswijk, G., & De Haan, J. (2005). Government debt management in the euro area: recent theoretical developments and changes in practices. ECB Occasional paper, (25), 1-28.

20. There is evidence that austerity measures, which have been widely implemented across Europe, have not effectively resolved these issues and may have exacerbated problems like low growth and high unemployment, while an investment-led approach might stimulate sustainable economic growth, with a particular focus on public and development bank investments. See Griffith-Jones, S., & Cozzi, G. (2016). Investment-led growth: a solution to the European crisis. Rethinking Capitalism (pp. 119-133). New York: John Wiley & Sons Publishers.

21. Mario Draghi is hailed as a pivotal central banker who saved the eurozone from collapse, transformed the ECB into a modern institution with diverse monetary tools, and ensured its independence and central role in euro-area policy-making. See Waibel, M. (2020). The EU's Most Influential Economic Policy-maker: Mario Draghi at the European Central Bank. European Journal of International Law, 31(1), 345-352.

22. The report suggests that the EU's competitiveness is hindered by fragmented financial support, complex funding mechanisms, and a lack of coordinated investment across critical sectors such as raw materials, defense, space policy, and R&D, exacerbating disparities between member states. See 'The future of European competitiveness' (n

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2) 17, 52, 101, 126, 161, 192, 235, 283, 301.

23. It is known that collaborations in areas with both scientific and commercial potential can enhance productivity and there is evidence that China and have a comparative advantage, in this regard, in comparison to Europe. Cfr. Hou, B., Hong, J., Wang, H., & Zhou, C. (2019). Academia-industry collaboration, government funding and innovation efficiency in Chinese industrial enterprises. Technology Analysis & Strategic Management, 31(6), 692-706; Bikard, M., Vakili, K., & Teodoridis, F. (2019). When collaboration bridges institutions: The impact of university–industry collaboration on academic productivity. Organization Science, 30(2), 426-445; Archibugi, D., & Coco, A. (2004). International partnerships for knowledge in business and academia: A comparison between Europe and the USA. Technovation, 24(7), 517-528.

24. In these regards, see 'The future of European competitiveness' (n 2) 34, in particular.

25. Idem, 137.

26. Idem, cf. 155, 193, 321.

27. Idem, 129, 244, 288.

28. There is tension between legal fragmentation and the pursuit of regulatory coherence in both global financial markets and EU digital markets. Fragmentation arises from overlapping and often contradictory regulations imposed by different jurisdictions, leading to increased compliance costs and barriers to cross-border activities. See, ex multis, Lehmann, M. (2017). Legal fragmentation, extraterritoriality and uncertainty in global financial regulation. Oxford Journal of Legal Studies, 37(2), 406-434.

29. The lack of coordination between EU-wide and national public spending on research and development creates several challenges. First, large-scale innovation projects that require substantial funding and involve high risks cannot typically be undertaken by individual member states alone, as seen with the success of CERN. Second, fragmentation among member states leads to duplication and limits competition for excellence, stifling breakthrough innovations. See the Draghi Report, op. cit., 236.

30. The EU is falling behind its competitors in managing a cohesive strategy regarding supply chain, clean technologies, academic research and competitiveness. Unlike China and the U.S., which have taken steps to control supply chains through vertical integration and government support, the EU relies on private market dynamics, with a fragmented financial support and the total absence of a dedicated EU-wide funding program for critical raw materials. Idem, 51, 119-123, 144 ff., 240.

31. Idem, 241.

32. In the U.S., public-private partnerships have successfully demonstrated to capitalize on the wealth of academic knowledge, research expertise, and innovation generated by the university. In this symbiotic relationship, the university acts not merely as a source of knowledge transfer to its industry partners, but as an active participant in collaborative research and development efforts. See Link, A. N. (2006). Public/private partnerships: innovation strategies and policy alternatives. Springer Science & Business Media, 92 ff.

33. The Report highlights a lack of programs for acquiring tech skills and attracting talent from outside the EU, along with insufficient public investments in space research and development. Additionally, the EU's underdeveloped financial system significantly hinders the creation and scaling of innovative companies. Lastly, the EU budget's capacity to leverage private investment through risk-sharing instruments is limited by a conservative approach and a lack of appetite for risk. See the Draghi Report, op. cit., 100, 240-242, 289.

34. Idem, 36, 40, 155, 163, 324,

35. In the literature there is evidence of a big gap in all these sectors, as suggested in Carayannis, E. G., & Morawska-Jancelewicz, J. (2022). The futures of Europe: Society 5.0 and Industry 5.0 as driving forces of future universities. Journal of the Knowledge Economy, 13(4), 3445-3471.

36. Innovation hubs in the EU have struggled to achieve the critical mass needed to compete globally. Notable

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clusters like the tri-national BioValley, Medicon Valley, BioM, and FlandersBio have yet to match the size, appeal, and global influence of leading U.S. hubs like those in Boston or San Francisco. A major factor in this shortfall is the EU's fragmented approach, where national interests lead member states to prioritize support for local champions. This results in a dispersed innovation landscape instead of a concentrated effort to develop strategically targeted hubs, hindering the EU's ability to create impactful innovation ecosystems. See the Draghi Report, op. cit., 192, in particular.

37. Europe could focus funding on developing a select number of world-class innovation hubs in life sciences, particularly for advanced therapy medicinal products, enhancing its position in this promising field. The EU could also establish centralized 'EU innovation hubs' to assist member states in defining and implementing regulatory sandboxes—controlled environments for experimenting with new technologies. These hubs would provide streamlined access to information and facilitate cross-border collaboration, promoting the broader use of regulatory sandboxes while ensuring consistency within the EU's regulatory framework. By fostering this interconnected network of innovation hubs, Europe could enhance its global competitiveness in life sciences and advanced medical technologies. Idem, 202, 309.

38. Draghi signals that high-tech and capital-intensive sectors, such as the aerospace, completely lack of coordination. Idem, 178.

39. The EU accounts for just 5% of global venture capital funds raised, in contrast to 52% in the United States, 40% in China, and 3% in the United Kingdom. Idem, 242.

40. In this context, the issue is that smaller, highly skilled professional teams are frequently lured away by the higher salaries offered abroad. Idem, 79.

41. Idem, 75, in particular.

42. Idem, 287.

43. Evidence suggests that European banks, facing stricter regulations after the 2008 financial crisis, adopt more conservative risk management and experience lower short-term profitability while operating in fragmented, highly competitive markets. In contrast, U.S. banks, in less regulated environments, can take on more risk and achieve higher short-term profits, but they also face greater exposure to economic downturns. See. Menicucci, E., & Paolucci, G. (2016). Factors affecting bank profitability in Europe: An empirical investigation. African Journal of Business Management, 10(17), 410-420.

44. There is empirical evidence suggesting that European and U.S. banks differ significantly in their business models and adaptability. U.S. banks have adopted diversified financial activities, generating multiple income streams, while European banks have largely maintained traditional operations. See Feng, G., & Wang, C. (2018). Why European banks are less profitable than U.S. banks: A decomposition approach. Journal of Banking & Finance, 90, 1-16.

45. Deregulation, which had been advocated for many years as a strategy to enhance the competitiveness of European banks, ultimately played a pivotal role in igniting the economic crisis that severely impacted American financial institutions and subsequently contributed to the broader global financial meltdown. While European banks were not immune to the shockwaves of the crisis, the more stringent regulatory framework governing the EU's financial markets acted as a protective buffer. This regulatory rigor safeguarded investors and provided a stabilizing influence across the European banking sector, helping to maintain the resilience and stability of the European market amidst the turbulence. Cfr. Baltensperger, E., & Dermine, J. (1987). Banking deregulation in Europe. Economic Policy, 2(4), 63-95; Goddard, J., Molyneux, P., & Wilson, J. O. (2009). The financial crisis in Europe: evolution, policy responses and lessons for the future. Journal of financial regulation and compliance, 17(4), 362-380; Ben Bouheni, F. (2014). Banking regulation and supervision: can it enhance stability in Europe?. Journal of Financial Economic Policy, 6(3), 244-269.

46. For instance, the adoption of International Financial Reporting Standards (IFRS) caused significant challenges for banks in the United States. In contrast, evidence suggests that European banks, particularly in countries with strong regulatory enforcement and minimal divergence from IFRS, generally experienced an increase in the value relevance of their financial reporting. Meanwhile, banks in regions with weaker enforcement showed less marked improvements and faced reduced opportunities for capitalizing on investments. See Manganaris, P., Spathis, C., & Dasilas, A. (2016). How institutional factors and IFRS affect the value relevance of conservative and

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non-conservative banks. Journal of Applied Accounting Research, 17(2), 211-236.

47. See the Draghi Report, op. cit., 60, 79, 129, 182, 242. It is worth noting that Draghi recommends increasing the budget of the European Investment Fund (EIF), while also enhancing coordination and streamlining its activities. This would support the venture capital sector and bolster public institutions, such as National Promotional Banks, in their role of providing capital to innovative companies during their start-up and growth stages. Idem, 202.

48. In the long term, the Report proposes potential mechanisms to promote innovative financing models, such as public guarantees to mitigate investor risks, EIB-supported syndicated loans, and equity or quasi-equity financing. Idem, 34.

49. The literature indicates that key instruments like business angel networks, crowdfunding, and initial coin offerings present flexible and decentralized alternatives to conventional financing. These tools not only address capital needs but also provide early-stage market validation. Nevertheless, there is a noticeable lack of coordination in their implementation and integration. See Klein, M., Neitzert, F., Hartmann-Wendels, T., & Kraus, S. (2019). Start-up financing in the digital age: A systematic review and comparison of new forms of financing. The Journal of Entrepreneurial Finance (JEF), 21(2), 46-98.

50. Economic theory, bolstered by empirical research, demonstrates that regulatory barriers significantly hinder investments as well as mergers and acquisitions. Such obstacles create an environment of uncertainty, discouraging potential investors and companies from pursuing growth opportunities. See, among others, Gregori, W. D., & Nardo, M. (2021). The effect of restrictive measures on cross-border investment in the European Union. The World Economy, 44(7), 1914-1943.

51. The Report emphasizes that 'access to loans remains difficult due to the risk aversion of major institutional players, such as the European Investment Bank (EIB) Group', coupled with the 'still limited role of commercial banks in providing financing'. This combination ultimately restricts resources available for new entrepreneurial initiatives. Cit. Draghi Report, op. cit., 178.

52. The Report suggests that European banks are typically not well-prepared to finance innovation due to their regulatory constraints and lack of specialized knowledge. This situation highlights the need for a larger presence of patient, risk-tolerant equity investors, as innovative scale-ups often face volatile cash flows and possess intangible assets for collateral. Idem, 286-287.

53. In this regard, cfr. Cope, J., Cave, F., & Eccles, S. (2004). Attitudes of venture capital investors towards entrepreneurs with previous business failure. Venture Capital, 6(2-3), 147-172; Hayward, M. L., Forster, W. R., Sarasvathy, S. D., & Fredrickson, B. L. (2010). Beyond hubris: How highly confident entrepreneurs rebound to venture again. Journal of Business venturing, 25(6), 569-578; Eggers, J. P., & Song, L. (2015). Dealing with failure: Serial entrepreneurs and the costs of changing industries between ventures. Academy of Management Journal, 58(6), 1785-1803.

54. For a thorough comparison of entrepreneurial spirit, an exploration of the stages of entrepreneurial development, and the distinct institutional and cultural frameworks influencing entrepreneurship in Europe versus the U.S., see Van der Zwan, P., Verheul, I., Thurik, R., & Grilo, I. (2013). Entrepreneurial progress: Climbing the entrepreneurial ladder in Europe and the United States. Regional Studies, 47(5), 803-825.

55. See the Draghi Report, op. cit., 289 ff.

56. Idem, 132, 202, 241, 253.

57. While extensive literature supports the notion that protecting intellectual property rights is crucial for driving economic incentives towards innovation, there are perspectives suggesting that overly restrictive utilization of knowledge can be inefficient. To maximize the benefits of patents and minimize their social costs, careful attention must be given to the design and extent of reliance on intellectual property rights within a regional innovation system. For example, Gollin, M. A. (2008). Driving innovation: intellectual property strategies for a dynamic world. Cambridge University Press, and Allred, B. B., & Park, W. G. (2007). Patent rights and innovative activity: evidence from national and firm-level data. Journal of International Business Studies, 38, 878-900, argue for the importance of strong patent protection. Conversely, Henry, C., & Stiglitz, J. E. (2010). Intellectual property, dissemination of innovation and sustainable development. Global Policy, 1(3), 237-251, and Lerner, J. (2009). The empirical impact of intellectual property rights on innovation: Puzzles and clues. American Economic Review, 99(2), 343-348, provide more critical views on the constraints imposed by intellectual property rights.

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58. Only 9% of SMEs in the EU hold formal intellectual property rights, such as patents, trademarks, and designs, while more than 55% of large companies possess such protections. This disparity can be attributed, in part, to the complicated and costly processes involved in submitting intellectual property rights applications across fragmented regulatory environments. See the Draghi Report, op. cit., 244.

59. Ibidem.

60. Ibidem.

61. See, ex plurimis, Samuelson, P., & Scotchmer, S. (2001). The law and economics of reverse engineering. Yale Law Journal, 111, 1575-1664.

62. This fragmentation hinders researchers and innovators from fully capitalizing on economies of scale and collaborating effectively with partners throughout the EU. It restricts the ability to form synergies that could enhance innovation and competitive advantage across borders, ultimately limiting the potential for collaborative projects and the sharing of resources. See the Draghi Report, op. cit., 239.

63. The report suggests that 'the competitiveness of the EU and the success of the European economic model – starting with the successful execution of the green and digital transitions – requires a labor force endowed with the right knowledge and skills'. Idem, cit. 257.

64. For a discussion on how economic globalization has sparked significant discussions about national competitiveness, emphasizing the need for a high-skilled workforce as essential for prosperity, see Brown, P., Green, A., & Lauder, H. (2001). High skills: Globalization, competitiveness, and skill formation: globalization, competitiveness, and skill formation. Oxford University Press, passim.

65. Significant disparities exist in the funding of education across EU member states, affecting the quality of education provided. Public spending on education in the EU averages 4.7% of GDP, though this figure masks considerable variation among member states. For instance, Ireland allocates just 2.7% of its GDP to education, while Sweden and Belgium devote a much higher 6.3%. In comparison, the United States directs around 4.2% of its GDP toward public education funding. However, private expenditure in the U.S. adds another 1.9% of GDP, primarily due to substantial investments in higher education. As a result, the total spending (public and private combined) on education in the U.S. surpasses that of the EU. See the Draghi Report, op. cit., 262

66. The Report recommends that the EU identify the future skillsets required to shape educational programs accordingly, while industries should develop a variety of job profiles aligned with the evolving sector. This approach would also help attract a more diverse pool of employees. Idem, 224.

67. Skills imbalances, driven by misalignment between education and labor market needs, and a deficit in managerial capabilities, especially in SMEs, contribute significantly to the EU's productivity gap and hinder employee satisfaction and company performance. Idem, 259-260.

68. The Report suggests that in the U.S., individuals born into the top 1% of high-income families are ten times more likely to become inventors than those from the bottom 50%, and similar patterns are observed in Europe, such as in Finland. Thus, education and skills policies targeting high-potential children from disadvantaged families represent a vital tool for fostering innovation and competitiveness in the EU. Idem, 262.

69. Idem, 264.

70. This statement seems to be supported by empirical evidence indicating that the existing infrastructural gap in Europe is unsustainable in the long term. For further details, see Boikova, T., Zeverte-Rivza, S., Rivza, P., & Rivza, B. (2021). The determinants and effects of competitiveness: the role of digitalization in the European economies. Sustainability, 13(21), 11689, 1-22.

71. See the Draghi Report, op. cit., 70.

72. This necessity is particularly evident in the governance of emerging technologies, especially regarding AIs. As AI continues to advance rapidly, it presents unique challenges and opportunities that require careful oversight and regulation. The potential impact of AI on various sectors – ranging from healthcare and finance to transportation and education – necessitates a comprehensive and agile governance framework that addresses ethics, privacy,

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security, and accountability. See Dixon, R. B. L. (2023). A principled governance for emerging AI regimes: lessons from China, the European Union, and the United States. AI and Ethics, 3(3), 793-810.

73. Excessive regulatory and administrative burdens can undermine the competitiveness of EU companies by increasing operational costs, raising barriers to entry for new businesses, and leading to higher consumer prices, with many firms citing regulation as a significant obstacle to long-term investment compared to the U.S. and other regions. See the Draghi Report, op. cit., 317.

74. As suggested supra, innovation hubs in the EU struggle to achieve critical mass, unlike the more focused support for concentrated hubs seen in the U.S. and China. Idem, 192.

75. Idem, 153. 294, 309 ff.

76. Idem, 35, 107, 136, 161. In addition, the Report recommends leveraging the European Investment Bank and National Promotional Banks to enhance the financing environment for disruptive innovation, start-ups, and scale-ups by mobilizing public-private funds, encouraging co-investment in larger ventures, expanding private investor incentives, improving European stock markets for IPOs, and revising Solvency II requirements to offer innovative investment guidelines for EU Pension Plans. Idem, 247.

77. Our analysis could not explore in detail the report's recommendations for significant investments in renewable energy and defense due to constraints. The report projects renewable energy's share in the EU's power mix to rise from 46% to 67% by 2030, but fossil fuels will still heavily influence energy prices. Challenges like price cannibalization may deter investment, slowing the energy transition. The report stresses the need for grid flexibility, energy storage, and streamlining project permits, which can take up to nine years. In defense, the report emphasizes strengthening capabilities to address geopolitical threats, noting the sector's role in both strategic autonomy and economic innovation. However, the defense industry faces issues with spending, capacity, coordination, and governance despite strengths in areas like naval technology. Idem, 22 ff. and 159 ff.

78. Regulatory fragmentation can incur significant costs for businesses, driving up compliance expenses, creating overlapping requirements, and leading to inconsistent regulations, which in turn creates uncertainty about which rules the company needs to comply with. See, in this regard, the evidence reported in Kalmenovitz, J., Lowry, M., & Volkova, E. (2021). Regulatory fragmentation. The Journal of Finance, 80(2), 1081-1126.

79. On this classical economic dynamic, see, among others, the well-known contribution in North, D.C. (1992). Transaction costs, institutions, and economic performance. International Center for Economic Growth, with a particular focus on 14 ff.

80. From different angles, scholars from varied fields have dealt with the term 'regulatory arbitrage' along the lines of their respective discipline. For instance, tax law scholars have studied how individuals and corporations may exploit differing tax regimes and loopholes to reduce their tax obligations. Experts in banking law have looked into how some financial institutions may skip certain rules to gain better results, while accounting researchers have studied the impact of other directed highly controlled managerial systems on strategic business outcome attainment. Economists have studied the other issues that arise out of 'regulatory arbitrage', including the possibility of a market distortion, or what some may consider an economic inefficiency. In contrast, socio-legal researchers have studied how regulations as legal forms are out of sync with their economic or implementable reality, paying attention to the way law as a social construct is wielded. Furthermore, professional sociologists have analyzed the extent to which professionals and lobbying agencies engage in regulatory circumvention as a matter of professional discretion. For a literature review, that, for systematic reasons, cannot be included in this paper, see Friedrich, J., & Thiemann, M. (2021). The economic, legal and social dimension of regulatory arbitrage. Accounting, Economics, and Law: A Convivium, 11(2), 81-90.

81. For empirical legal evidence in this vein, see, inter alia, Li, L.L., Monroe, G.S., & Coulton, J. (2023). Managerial litigation risk and corporate investment efficiency: Evidence from universal demand laws. Journal of Empirical Legal Studies, 20(1), 196-232.

82. Unification policy generally replaces national legislation with EU legislation, while harmonization primarily utilizes directives to set uniform goals for the member states to achieve, while the national legislations remain part of the integration scheme. While unification limits national law-making in some areas, harmonization permits more liberty in interpretation as the national laws are brought into conformity with EU goals. There are some legal concepts, even non-universal in the hierarchic or applicable sense, that can be susceptible to different meanings as

they are open-ended in nature, particularly where complicating references from national law hinder autonomous use of EU legislation. A very good example is the definition of "transferable securities," significant in areas like investment services, trading venues, and crowdfunding (as clear from MiFID II and Regulation (EU) 2020/1503). Transferable securities are characterized by their marketability on capital markets, but their classification usually depends on national systems of law, which has the effect of creating uncertainty, especially with harder-to-classify assets like private company shares or loans. In this light, see Gargantini, M. (2024). Regulatory harmonization and fragmentation in the Capital Markets Union. In van den Brink, T., & Passalacqua, V. (eds.). Balancing Unity and Diversity in EU Legislation (pp. 135-154). Edward Elgar Publishing, passim.

83. Differentiated Integration is Pareto-improving because it allows for a condition where at least one member state is better off without any other member state being worse off. That is, DI allows for a condition where some nations can integrate more deeply according to their need and preference, and others can opt out or join to a limited degree, without reducing the benefits overall for others. See, in this regard, Schimmelfennig, F., Leuffen, D., & De Vries, C. E. (2023). Differentiated integration in the European Union: Institutional effects, public opinion, and alternative flexibility arrangements. European Union Politics, 24(1), 3-20, in particular 9-10.

84. See the Draghi Report, op. cit., 288.

85. The greatest paradox in the European Union might be competition law enforcement. The EU does possess a single structure for offering fair competition, but the enforcement is carried out by administrative powers of separate member states. With the decentralized system, it has made a complex network whereby several jurisdictions will clash, making it more likely that the business behavior or activities of a company may be scrutinized by several different regulators across several member states simultaneously. See Maher, I. (2015). Competition law fragmentation in a globalizing world. Law & Social Inquiry, 40(2), 553–571.

86. This conclusion is supported by empirical evidence, as demonstrated by Zbiral, R., Princen, S., & Smekal, H. (2023). Differentiation through flexibility in implementation: Strategic and substantive uses of discretion in EU directives. European Union Politics, 24(1), 102-120.

87. This concept was clarified and reaffirmed, with clear evidence, by Mario Draghi during his recent testimony in the Senate. See note 1.

88. See Lehavi, A. (2014). Unbundling Harmonization: Public versus Private Law Strategies to Globalize Property. Chicago Journal of International Law, 15, 452-517, of which, in particular, see 472-477.

89. IMF research shows that trade costs within the EU, including regulatory and administrative obstacles, are the functional equivalent of a 44 percent tariff on the manufacturing sector and up to 110 percent on services, significantly higher than the 15 percent average between U.S. states. These costs directly affect firms' ability to engage in cross-border economic activity, thus segmenting the market and hindering the realization of productivity gains from increased competition and specialization. See International Monetary Fund (2024). Regional Economic Outlook: Europe. A Recovery Short of Europe’s Full Potential. International Monetary Fund (Washington DC, October 24, 2024), in {https/URL}(last accessed March 19, 2025), and see 18, specifically.

90. See supra, note 1.

91. Ibidem.

92. In this regard, cfr. the Draghi Report, op. cit., 69, 79, and 243 for visual representations of the EU-U.S. gap.

93. Cfr. European Commission (2025). Single market for services. European Commission (Bruxelles, March, 19, 2025), in {https/URL}(last accessed March 19, 2025)., and Prohorovs, A., & Solesvik, M. (2018). Services Sector Export in Europe. Sustainability, 10(12), 4574, 1-19.

94. The aforementioned directive (also known as the Bolkestein Directive) has not been fully implemented in Italy, particularly in sectors with strong monopolistic characteristics such as taxis, beach concessionaires, and market vendors, due to several factors. First, the Italian regulatory framework in these sectors is deeply rooted at the territorial and political level, with local and governmental interests showing strong resistance to liberalization. Secondly, beach concessionaires, who traditionally hold exclusive rights to manage specific areas of public coastline, have also campaigned against the directive’s attempt to liberalize licenses and open up these monopolies to competition, with the result that the current government has once again postponed the implementation of the provisions contained in the Directive, meaning there are no new tenders and specific compensation measures have

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been planned for existing rentiers. Finally, the market for vendors is also heavily influenced by local and national political power dynamics, with restrictions on the issuing of new market licenses and the potential provision of compensation for those who might lose their license due to the competitive bidding of their market slot. Consequently, while the Bolkestein regulatory framework aims to open markets to competition and break down barriers, political and social resistance, including from the current government, in these monopolistic sectors has led to its partial and uneven implementation in Italy. See, in this regard, Nizza, U. (2025). Monopolio? No grazie! Prospettive giuseconomiche dopo il vaglio della Consulta su comportamenti anticoncorrenziali del legislatore. Il diritto dell'economia, 114(1).

95. See, on this issue, the Draghi Report, op. cit., 211.

96. For an analysis of the significant effects that developed venture capital could have, even within Europe, see the empirical findings and literature cited in Prado, T. S., & Bauer, J. M. (2022). Big Tech platform acquisitions of start-ups and venture capital funding for innovation. Information Economics and Policy, 59, 100973, 1-26.

97. In this regard, see the Draghi Report, op. cit., cfr. 11 and 289.

98. Aggressive risk-taking, which is closely tied to corporate governance, was a major contributor to the 2007-2008 financial crisis. In particular, the failure of executives and boards of directors to effectively manage and mitigate risks played a pivotal role in the collapse of the credit markets, which ultimately led to the global financial meltdown. On this aspect, see Tarraf, H. (2011). The role of corporate governance in the events leading up to the global financial crisis: Analysis of aggressive risk-taking. Global Journal of Business Research, 5(4), 93-105.

99. Fluctuations in risk appetite and risk premia play a crucial role in determining asset prices, wealth, collateral values, and credit costs, which subsequently influence financing and spending decisions through various channels, as shown in Bauer, M. D., Bernanke, B. S., & Milstein, E. (2023). Risk appetite and the risk-taking channel of monetary policy. Journal of Economic Perspectives, 37(1), 77-100.

100. In relation to this aspect, consider, ex plurimis, Herring, R. J. (2010). How financial oversight failed & what it may portend for the future of regulation. Atlantic Economic Journal, 38, 265-282.

101. The aforementioned crisis has already taught us a lot in this regard, but to see recent empirical evidence that confirms, empirically, these findings on systemic risk, see Cevik, E. I., Terzioglu, H. C., Kilic, Y., Bugan, M. F., & Dibooglu, S. (2024). Interconnectedness and systemic risk: Evidence from global stock markets. Research in International Business and Finance, 69, 102282, 1-22.

102. In this regard, see Lenzi, C. (2019). Innovation and the Mobility of Talents across Space. Scienze Regionali, 18(3), 365-396.

103. Cfr. Capriglione, F., & Sepe, M. (2021). Considerations alongside the Economic Law. Identity character and scope of the research. Rivista Trimestrale di Diritto Dell'economia, 3, 385-421.

104. This is how Mario Draghi expressed himself during the European Parliamentary Week 2025, emphasizing that our policy answers can rapidly become outdated, often the instant they are made, due to the rapidly evolving nature of the problems they aim to address. This constant fluctuation in circumstances means that the effectiveness of any policy is most often undermined by how quickly new facts, trends, or breakthroughs materialize, requiring continuous alterations and revisions in order to stay abreast and effective. For references to this keynote speech, please see note 3 above.

105. Cfr., on this matter, inter alia, Stojčić, N., Vujanović, N., & Baum, C. F. (2024). Breaking or making futures: How laws and regulations shape innovation in emerging innovation systems. Review of Managerial Science, 1-40; Butenko, A., & Larouche, P. (2015). Regulation for innovativeness or regulation of innovation?. Law, Innovation and Technology, 7(1), 52-82; Ranchordás, S. (2014). Innovation-Friendly regulation: the sunset of regulation, the sunrise of innovation. Jurimetrics, 55, 201-224; Faulkner, A. (2009). Regulatory policy as innovation: Constructing rules of engagement for a technological zone of tissue engineering in the European Union. Research policy, 38(4), 637-646.

106. See, in particular, the report of the European Commission on regulation in emerging technological market, alias Salminen, V., Landes, F., Halme, K., Uitto, H., del Valle-Ortiz, J., Tautiyeva, L., Muscio, A., Reid, A., Antanavičius, J., Davies, R., Doyle, C., & Bernotas, I. (2025). Report for study on innovative practices in legislation around emerging tech: Final report. Publications Office of the European Union (Bruxelles, January 14,

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2025), in {https/URL}(last accessed March 19, 2025).

107. The adoption of such an approach would also necessitate a reconfiguration of enforcement mechanisms. The role of European regulatory agencies, such as the European Securities and Markets Authority (ESMA) and the European Data Protection Board (EDPB), could be expanded to include real-time monitoring and adaptive rulemaking capabilities. This would enable regulators to adjust compliance requirements dynamically based on market developments, rather than relying on fixed statutory provisions that require lengthy revision processes. Nevertheless, it is also clear that the transition to dynamic regulation presents legal and institutional challenges. Among the principal issues that may be raised as problematic for dynamic regulation is the principle of legal certainty, a cornerstone of EU law, which requires that economic operators can reliably anticipate the rules governing their activities. A regulatory system that is too fluid risks undermining this certainty, potentially deterring investment due to concerns about unpredictable compliance obligations. To mitigate this risk, however, the implementation of dynamic regulation could be structured within a framework that includes clear procedural safeguards, predefined adaptation triggers, mechanisms for stakeholder consultation, and potential appeals of regulatory decisions.

108. Europe stands at a crucial socio-economic crossroads, influenced by several ongoing shifts. Recently, innovation policies have evolved beyond technology to address broader societal challenges, and the COVID-19 pandemic has reinforced recovery plans, tying economic recovery to sustainability goals, green transitions, and digital transformations. Additionally, the pandemic has opened a window for change in EU economic governance, with the Recovery and Resilience Facility marking a shift from purely regulatory to redistributive functions. Cfr. Cinar, R., Benneworth, P., & Coenen, L. (2024). Changing conceptualization of innovation in the European Union and its impact on universities: Critical junctures and evolving institutional demands. Research Evaluation, 33, rvad006, 1-15; Carella, B., & Graziano, P. (2022). Back to the future in EU social policy? Endogenous critical junctures and the case of the European pillar of social rights. JCMS: Journal of Common Market Studies, 60(2), 374-390; Ladi, S., & Tsarouhas, D. (2020). EU economic governance and Covid-19: policy learning and windows of opportunity. Journal of European Integration, 42(8), 1041-1056.

109. See, for a comparable appeal, Brattberg, E., Rugova, V., & Csernatoni, R. (2020). Europe and AI: Leading, lagging behind, or carving its own way? Carnegie endowment for international peace, passim.

110. For a comprehensive analysis of the differences and the essential points of convergence that must be developed for the single market, the economic and monetary union, security and defense, justice, and European governance, see Leuffen, D., Rittberger, B., & Schimmelfennig, F. (2022). Integration and differentiation in the European Union. Springer International Publishing, 21-62, in particular.

111. The energy crisis triggered by the war between Russia and Ukraine has starkly demonstrated the vulnerability of global energy markets and the over-reliance on specific suppliers, particularly in Europe, underscoring the urgent need for energy diversification and renewable investments. See, ex plurimis, Cui, L., Yue, S., Nghiem, X. H., & Duan, M. (2023). Exploring the risk and economic vulnerability of global energy supply chain interruption in the context of Russo-Ukrainian war. Resources Policy, 81, 103373, 1-12.

112. Cfr. Pradhan, R. P., Arvin, M. B., Nair, M., & Bennett, S. E. (2020). Sustainable economic growth in the European Union: The role of ICT, venture capital, and innovation. Review of Financial Economics, 38(1), 34-62, and Kochaniak, K., & Ulman, P. (2020). Risk-intolerant but risk-taking: Towards a better understanding of inconsistent survey responses of the euro area households. Sustainability, 12(17), 6912, 1-26.

113. Various public solutions exist to reduce risks and promote investment, including risk allocation and mitigation, blended finance, green bond issuance, and stakeholder engagement in project selection, all of which have been employed by major project financiers when making investment decisions. See Maliki, A. D., Muritala, T. A., George, S., & Ogedengbe, F. A. (2023). Impact of project financiers' strategies on de-risking infrastructural projects: A conceptual review. The Scientific Temper, 14(04), 1419-1425.

114. This is not a new issue, as highlighted in the report by Bertolozzi-Caredio, D., Severini, S., Pierre, G., Zinnanti, C., Rustom, R., Santoni, E., & Bubbico, A. (2023). Risks and vulnerabilities in the EU food supply chain. Publications Office of the European Union (Bruxelles, November, 21, 2023), in {https/URL}(last accessed March 19, 2025).

115. Some commentators suggest that fiscally strict countries should strengthen their advantages while increasing flexibility for Europe's benefit. As Europe seeks leadership in the digital realm, the green transition, and innovation,

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nations like Germany and the Netherlands would gain as much as they contribute by backing a new industrial strategy. See Brittin, M. (2024). Letter: Draghi EU critique is right. Financial Times (London, 15 September 2024), in {https/URL}(last accessed March 19, 2025).

116. See, in this regard, Gros, D. (2025). Draghi report on Europe's competitiveness falls short. Politico (Bruxelles, 2 October 2024), in {https/URL}(last accessed March 19, 2025).

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