

Powering Europe's Future

Europe has a choice between sustained growth and slow decline. Success will come from individual European countries abandoning the mindset of "competition" and drawing on their strong heritage to create a sustainable industrial base.

A recent trip to China confirmed the atmosphere of hope, growth and belief in a bright future that is prevalent among its people and its business leaders. That contrasts sharply with the current atmosphere in most European countries that, for the most part, seem concerned with an existential threat to their future. As growth stubbornly refuses to re-ignite and as many countries, particularly in the South and East, remain caught in a near fatal downward spiral, the questions on everybody's mind are: How can Europe possibly compete in the future? What is going to be the basis of sustainable European success in a rapidly changing globalised world? To date, these questions have received answers that are superficial and largely meaningless. "Our future lies in innovation" is a common riposte – a statement that is rarely followed by the necessary clarity as to what type of innovation and on what basis we believe that Europe has the capacity to innovate consistently and better than, say, the US. Without such deeper questioning, statements like this risk remaining nothing more than wishful thinking.

Abandoning Competition

The first essential in building a European future is to abandon the notion of "being competitive." In its common interpretation, this mindset tends to lead to a race to the bottom that Europe can never hope to win. We can never compete with emerging markets on the cost of labour. We cannot compete with the US on industrial energy costs, at least not in the foreseeable future. Nor can we compete on the social flexibility, access to risk capital and tolerance for failure that makes the US able to convert technological innovation quickly into

industrial success. I suggest we need a new framework. The appropriate question is "Based on their particular skills and capabilities, what contribution can European countries make to the rest of the world that allows them to build a differentiated and sustainable industrial and economic base?"

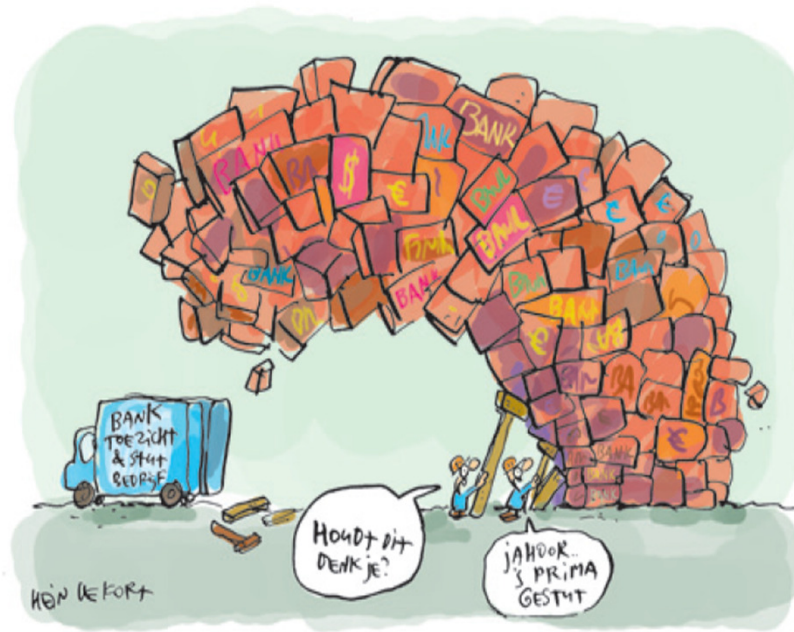
Size isn't everything

A further distraction has come from the obsession with size that is consequent on the European Union project. The prevalent idea has been that Europe must act as one in order to be big enough to compete with the likes of the US and China. This idea has some resonance when it comes to issues like global trade negotiations. However size alone is not a basis for success and it is dangerous to let this testosterone laden idea of a single Europe as one of the "Big Boys" undermine the quest for the micro level efforts that will be needed to move forward successfully. Over the past 20 years, this internally focused obsession has consumed a huge amount of political, social and business energy – energy that might have been better funnelled in other directions. While the single market and the free trade that it stimulated have brought prosperity to many, we now risk reaching a stage where size becomes no more than bureaucracy; where a few people in Brussels start to believe that they are better equipped than anyone else to tell individual countries how to run themselves; and where business cannot flourish under the endless constraints imposed in the name of Europe as a single entity. Combine this with consuming more political energy and goodwill into the doomed-to-fail idea of 'political union' and the stage is set for progressive European decline.

Those who believe that putting so much focus on the European project has made Europe more "competitive" over the last 30 years should consider this statistic. In the past three decades, Europe has only produced three of the current global top 500 companies, compared to 26 in California alone.

European countries can still lead

Europe has a rich history, a strong cultural, humanistic and industrial



heritage, a unique social model and a set of values, perspectives and embedded internationalism that have all influenced the world for centuries and have the potential to continue to do so for centuries to come. In order to be able to continue to make a meaningful contribution to the world, European countries must dig into their unique pasts and build on those to create a future that is relevant to today's and tomorrow's world. Europe must create an economic and industrial future that is based on that which is uniquely European rather than attempting to produce second-rate copies of concepts from elsewhere. European banks have, for example, convincingly shown that attempts at trying to out-American the Americans by emulating US banking practices have ended in almost universal failure.

One European industry that has remained largely unchallenged worldwide is the luxury goods industry. The reason for its sustained success is that this is a quintessentially European industry.

It draws on the depth of European arts and crafts, European cultural heritage and past systems like royal patronage. It is European not only in its location but in its soul. It is the embodiment of Europe's rich past brought to life in an industry that is fit for today's world and almost impossible to challenge except at the margins. It is no accident that the most successful segment of the European car industry comes from the combination of this European luxury goods concept with precision engineering.

Luxury goods will not, of course, sustain the economy. But there are industries of tomorrow that Europe has the opportunity to exploit. Sustainability is one of today's buzzwords. Europe has a culture and set of values that place it in a better position than many other regions to explore the meaning of sustainability and convert it into a profitable industry. In finance, architecture, education, liveable cities, health care, design, connectivity, certain types of engineering, the cultural sector, and many, many more sectors,

there are opportunities to create goods and services that are uniquely European, bring significant added value to the rest of the world and can form the basis of sustainable and thriving economies.

The Role of Government

The basis on which such economic success can be created is fundamentally different in, say, the UK, the Netherlands, France, Spain or Romania. These explorations must therefore be carried out at the level of the individual nation state or even at sub-national regional level. National governments have an important role to play. That role is not one of picking winners or in providing endless subsidies that create industries that are forever dependent on the support of the state – like, for instance, that which is happening in the renewable energy sector. Rather, government has the opportunity to force the conversation. To create forums where the opportunities are explored in a thorough and disciplined fashion and where we get past superficialities like "a focus on innovation." Combined with creating the necessary structural and social conditions where these new opportunities can thrive, governments can then allow this new economy to emerge organically based on business leaders' own enterprising initiatives.

European countries have been the cradle of much that has created the world as we know it today. Their future lies in drawing on a rich heritage to create industries that continue to add value to the rest of the world and doing so in ways that are uniquely European. Future success does not lie in competition or in becoming deluded that size will solve all our problems. Rather the buzzword must be differentiation – creating that which is distinctive and difficult to imitate. It is time to stop the unwinnable race to the bottom in the name of "competitiveness." Individual nation states need to take charge of their own futures by working with their business communities to explore how unique skill sets can create the industries and the economies of the future.

This article first appeared in the Guardian. Text Joe Zammit-Lucia

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