

Insight Report

Rebuilding Europe's Competitiveness

In cooperation with Roland Berger Strategy Consultants



Executive Summary

Europe has been successful in securing high and rising living standards for its citizens for more than half a century. However, it is currently facing critical economic and social challenges, and the resultant lack of confidence is causing many undesired effects: insufficient financing and investments; stagnating or declining growth; rising unemployment, which in several countries has reached socially unsustainable levels; and fiscal instability leading to sovereign debt crises and the need for international intervention through sovereign bail-outs. This situation is driven mainly by Europe's persistent competitiveness shortfall as compared to other advanced economies such as the United States (US), accompanied by the rising economic might of emerging markets. The stark competitiveness divide among Europe's 27 Member States (EU27) lies at the heart of this competitiveness challenge and reflects the inability of several Member States to adapt to a rapidly changing globalized economy.

This is a crucial moment for Europe to exercise common leadership and address weaknesses to strengthen the economic potential of the European Union - EU as well as its Member States. During the last four years, Europe has remained focused on short-term "firefighting" to remedy the financial crisis, but the tide is now turning and several Member States are implementing a series of significant reforms and measures to boost their competitiveness within a short time span.

Adopting these reforms will not be easy. Political leaders will have to re-balance key elements of their countries' social and economic systems, while winning public support to galvanize change. In the past, several European countries have proved their capacity and willingness to reform and have achieved greater levels of competitiveness and more robust economies. Now, more measures throughout the whole of Europe are needed, and countries undergoing this process can find inspiration from past examples.

Against this backdrop, this Report describes a series of competitiveness practices that have been adopted in Europe. The examples show that multistakeholder approaches can be instrumental to bring about change, as long as they are accompanied by clear communication and educational campaigns that properly lay out their logic to ensure a general buy-in. Policy consistency and sustained political leadership are also indispensable.

Should the recent efforts to boost competitiveness continue to be implemented and scaled, the current period of difficulties that Europe is facing should not be regarded as a sign of inevitable decline, but rather as a step towards rebuilding Europe's competitiveness. This competitiveness can achieve higher levels of sustained prosperity for all in Europe.