

Preface

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In recent years Europe has faced a myriad of economic and social difficulties, with continued financial troubles, fear of outright sovereign defaults, and rising unemployment and social tensions in several European economies. These concerns have led many to question the very viability of the euro and have raised the need to rethink the European Union project itself. Given the gravity of the crisis, and the ever-present fear that financial contagion may spread from Greece to other southern European countries and the rest of Europe, creating a major economic and financial meltdown, these issues have captured the world's headlines and European policy-makers' attention. However, amid concerted efforts to stem the short-term financial consequences, the efforts of Europe should not be further diverted from achieving the fundamental longer term goal of creating a highly competitive, inclusive and sustainable society to better enable Europe's economies to absorb shocks and ensure stable economic performance going into the future.

Competitive economies are those that are able to provide high and rising living standards, allowing all members of a society to contribute to and benefit from these levels of prosperity. In addition, competitive economies are those that are sustainable – meeting the needs of the present generation while maintaining the ability to meet those of future generations. The World Economic Forum has been studying Europe's competitiveness for more than three decades. Indeed, at its inception in 1979, *The Global Competitiveness Report* focused on how the region's competitiveness compared with that of the United States. Over the years the Forum has carried out a number of Europe-specific competitiveness reports. This culminated most recently with the Lisbon Review series, which assesses Europe's progress in accomplishing its competitiveness agenda over the first decade of this century.

Recognizing that they had not met the competitiveness goals set out in the Lisbon Agenda, in 2010 Europe's leaders devised a new strategy, which has been coined the Europe 2020 Strategy. The goal of the strategy is to encourage "smart, sustainable, inclusive growth brought about through greater coordination of national and European policy." *The Europe 2020 Competitiveness Report* is the first in a series that will assess Europe's competitiveness progress based on the Europe 2020 Strategy every two years until the end of the present decade.

As this Report indicates, Europe at present trails other advanced economies in creating a smart, highly productive economy. However, much variation in performance exists across EU Member States, with some countries performing very well in all areas and others still trailing behind. The Report also shows that countries with relatively high levels of economic prosperity but lagging in building a knowledge-based, highly productive economy are those that have suffered the highest losses in terms of employment, salaries or both. In other words, high levels of prosperity in Europe cannot be sustained over time without high levels of competitiveness. The results show that much remains to be achieved in order to fully harness Europe's economic potential.

As Europe and the world slowly emerge from the most significant economic crisis in a half century, accelerating the reform process articulated through competitiveness-based strategies will be critical to ensuring that the region gets back to growth. The World Economic Forum will continue to monitor and assess Europe's progress through this and other competitiveness research.

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