
Sustaining Europe's ambitions



By Grace Segrán

Europe needs to be a lot more focused as to what it wants to lead in, to sustain its ambitions. So should it be leading in terms of policy, markets, supply and skills?

“It boils down to where we want to be sharp about excellence. We need to recognise that Europe is average in many of these things; we need true excellence and focus on more quality rather than quantity,” says **Mark Spelman**, an INSEAD alumnus (MBA'83J) who is Global Head of Strategy, Accenture, Chair, Executive Council, AmCham EU.

Europe also needs medium-term targets to be able to benchmark itself as to where it is going and be clear on the trajectory, he told the 7th European Business Summit here recently. Europe is currently aiming to cut greenhouse gas emissions by 20 per cent, produce 20 per cent of its energy from renewable sources, and increase energy efficiency by 20 per cent by 2020. But Spelman says, “we need a roadmap for the 20-20-20 targets. Where do we want to be at 2012, 2015, 2018?”



“Europe has been traditionally long on ambition and short on practical actions. We need to move and have more action and less talk.”

A lot of these issues are not just about quick fixes, he adds. The infrastructure and the longer-term policies need to come into play, and there’s a need to enable industries and companies, both big and small, to do business with freedom. Part of the challenge is to “look at more external strategies, as well as what we are doing internally. Clearly we’ve got to get the single market functioning. But we also need to be clearer about our strategies with countries like China.”

Keeping up with China and US

Björn Stigson, president of the World Business Council for Sustainable Development (WBCSD) and co-chair of a think-tank task force in China, says the country is developing a five-year plan in a low-carbon energy-efficiency, “not for any international climate change negotiations but purely for domestic reasons.” It is about energy security and not destabilising rural areas, and they see it as a major driver of economic growth.



“China realises that it has resource- and low-carbon constraints and recognises that what it has to deliver in the future world are new

technologies in energy efficiencies, low carbon, access to water and clean mobility that are more efficient than today's," says Stigson. "They want to be leading the world on green technology in the future."

It is in that context that we have to look at Europe's ambitions, he says. Europe has been a leader in this area but China is moving forward very fast, as is the US. Europe has to mobilise its traditional strengths and also improve cooperation between governments and businesses in order to strengthen itself to be able to play in that future world. "Europe is not moving forward with the speed necessary to keep up with what is happening around us."

Spelman says Europe needs to know where the growth is going to be and how it can tap that growth. "We know that the US is talking a lot in Washington about their strategies in China. What does leadership for Europe in the green space mean in relation to China? I am not sure we are clear enough at the moment."

The future of the euro

As for the euro, Spelman says Europe is overly focused on the short term on matters such as the physical stimulus package and the G20, and is not spending enough time thinking about some of the implications.

"Obviously there are inflation and exchange rate risks. We should look at the cyclical and structural issues together and ask: what does it mean to put a trillion dollars into the US economy and beyond (to bail out the financial system)? What are the structural trade deficits that the US has particularly with Asia?" he says.

There is a reasonable chance that the dollar will weaken and if that happens, it could potentially affect China's view on holding dollars, which then might no longer be a reserve currency.

Potentially any move away from the dollar could impact the euro. If the euro should appreciate, that could impact European competitiveness, he says. However, that is only a scenario but it could happen and Europe must look at some of the policy responses, particularly for global business, and consider what the impact will be for a more volatile exchange rate.

“That means thinking through the potential impact 18 months, two years, and three years out. And what some of the potential options up our sleeves are, if we begin to go down that road,” Spelman says.

Stigson, who is witnessing the transition of the Chinese economy, says that any policy in China - whether it is with the rest of the world or domestic policy - is focused on stability, and stability means the Communist party retaining power, he says. “That is what’s going to decide their policy about buying US debt. They are going to ask if that will enhance Chinese stability or not.”

Changing education

Europe has made inroads in the area of education and it’s a European priority to train people for the future. But how does Europe adapt the education system to better reflect the demands for the next quarter of a century?

Spelman says that labour market segmentation and changing education are major long-term issues. It’s primarily a member-state issue rather than an EU issue, he says, adding that he believes the answer lies in different strategies at different levels.

Europe needs rapid re-skilling, as jobs and employment are going to be issues going forward in the next three years and practical policies are necessary to address them. “Education is going to be a multi-pronged, multi-level approach,” he says, with Europe looking to develop links between businesses and academia, and European centres of excellence teaming up with counterparts in other parts of the world.

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