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IMPROVING THE STATE
OF THE WORLD

Wake up Europe!

Europe 2050 Initiative: A Call by European GLTs for Visionary Leadership

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In collaboration with

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Shortly after the 1997 Annual Meeting a small group of European Global Leaders for Tomorrow (GLTs) began to meet regularly to forge a common agenda to improve the future of Europe. The effort broadened following the 1998 Annual Meeting and in the past year work involving some 50 GLTs has been carried out in France, Germany and the United Kingdom. This document reflects the conclusions of the work to date.

INTRODUCTION

Over the last 50 years, Western Europe has made amazing progress. Following the horrors and destruction of the Second World War, the populations of European countries have lived in economic and political societies of unrivalled prosperity, health and growth. Europe has never been richer or more productive. The standard of living as measured by GDP per capita today is 50% higher than in 1970. Life expectancy has increased from 71.7 years in 1970 to well over 76 years in 1995. One hopes that the overall quality of life has also improved. And yet. And yet.

And yet. As we European GLTs look ahead at the next 50 years, we believe that if we do nothing more than continue the trajectory that has been set and followed in the past, the results will be disappointing, for us and for our progeny. Despite all the real progress that has been made by European countries in preparation for entry into the EMU, and despite all the golden promises to Europe's voters of the prosperity to come, we have real concerns about the future of Europe. Our European countries are facing, to varying degrees, structural challenges that cannot go unaddressed for much longer. When four of the five largest European countries have unemployment ratios in double digits, and dependency ratios which are heading rapidly in the wrong direction, with no solutions in sight, the system is clearly not working.

We question the adequacy of the current European socio-economic systems to deliver the kind of balanced, healthy and growing societies in which we want to live as we grow older. But we also feel strongly that it is our responsibility to work with our current leaders and all interested citizens to make sure that we address these issues soon, so that the next 50 years can be just as prosperous, peaceful and fulfilling as the last 50.

WHAT'S BROKEN

The source of our uneasiness, inarticulate and unwieldy just two years ago, is now clear to us. And, our view, from three different countries with different societies, histories and political environments, is surprisingly unified. We see our societies becoming more unequal and unfair, thus sowing the seeds of their own future disorders. Current political priorities are misplaced – more attention is paid to surviving the current battle (whatever it may be) than to ensuring a better society for all citizens. Our societies are not being prepared for the future. In particular, we believe

- a premium is being placed on monetary price stability, at the cost of slow growth and high and unyielding unemployment (reinforced by the ECB and commitment to the euro "uber alles");
- an increasingly expensive welfare state is providing increasingly less adequate welfare to its most needy;
- an ossified, sclerotic economic system is protecting the inefficient and burdening the entrepreneurial;
- societies are disintegrating and being atomized because of social and economic exclusion;
- that there is a demographic time bomb for which future generations (i.e., ours) will have to pay;
- that we have a class of leadership (political and otherwise) which refuses to (is unable to?) take the difficult but necessary steps to begin to deal with these issues.

WHY DO WE CARE?

As GLTs we care because the future is our bounty and our responsibility. We care because we will benefit from the wise decisions taken today, and pay the costs of the poor ones. We care because, as Kenneth Clark expressed so well in *Civilisation*, we have reached a stage of comfort – and civilization - where we have almost a duty to care about things other than basic existence and struggle. “At certain epochs, man has felt conscious of something about himself – body and spirit – which was outside the day-to-day struggle for existence and the night-to-night struggle with fear; and he has felt the need to develop these qualities of thought and feeling so that they might approach as nearly as possible to an ideal of perfection. He has

managed to satisfy this need in various ways – through myths, through dance and song, through systems of philosophy and through the order that he has imposed upon the visible world.” We are interested in redefining the order of our world.

WHAT NEEDS TO BE DONE?

We know these issues are not easy. We know that many decisions are avoided because the political reality makes it difficult to act for the longer-term good. We know that it is easy to point the finger at others and say that "they" are responsible for fixing these problems. But we also know that we will be the ones in the future to clean up the fallout of poor decisions taken today. We therefore have a deep interest in helping get to the right solutions – today. We have begun to explore what we can do to help resolve these problems. To begin with, we have identified four conditions for progress:

- **Today’s leaders (and followers) must realize that priorities and political agendas need to change --** we as GLTS will continue to publish articles in the European press and to foster discussion at Davos and elsewhere on the need for a new agenda
- **An environment must be created which allows leaders to take politically difficult decisions –** we pledge our support to help foster this environment, and to the maintenance of momentum and support for it
- **Systems to measure progress, to hold those responsible to account and to share the results with the interested public must be put in place –** we know from our experience as young business leaders that what you measure is what you get: without measurement, transparency and accountability, results will be disappointing.
- **New definitions of success for prosperity in the 21st century must be developed –** most importantly, we believe that contemporary definitions of *success* must be challenged and reshaped

REDEFINING SUCCESS FOR THE 21ST CENTURY

What kind of 21st century do we wish to live in? Synthesized down to its core, from the broadest possible range of philosophical answers which emerged in our discussions, we believe a successful society in the 21st century will exhibit/include the following key characteristics of "hard" measures under "soft" concepts:

- **A Sustainable Society**
 - Economic growth and wealth creation
 - Environmentally sensitive and sustainable
 - Viable safety nets
- **A Fair and Fulfilling Society**
 - Reduced gaps between classes of society, whether the gaps are of income, literacy, education, life span, healthcare or employment
 - Opportunity for education, for work and access to healthcare
 - Basic human rights and freedoms
- **A Harmonious Society**
 - Reduced international conflict
 - Reduced crime
 - Reduced internal social strain (political, cultural, religious)

- **A Society which is Ready for the Future**
 - Quality of leadership
 - Mobility and quality of the workforce (education, skills training)
 - Future economic welfare (e.g., investment, dependency ratio and pensions)
 - Connectedness (e.g., telco infrastructure)

EMERGING RESULTS: HOW READY ARE WE FOR THE FUTURE?

Against this background of both "hard" and "soft" criteria, we have attempted to establish and measure across countries certain criteria that we have chosen as important for determining a society's preparedness for the future. We recognize that our criteria are subjective. But we chose them precisely because they represented elements of the kinds of societies we wished to live in, and to pass on to our children.

We have made a "first cut" at a **Future Readiness Index**. Significantly, we discovered in our research that measurements were not always available for our redefined success criteria for the 21st^l century. But we were able to produce a basic ranking of major European countries and to compare them to Japan, Canada and the USA. The three top scoring countries were:

- **Denmark:** does well on GDP per capita, the employment of its young population, the low cost of its healthcare system, the percentage of people below the poverty line and the absence of crime.
- **Austria:** does very well on environmental protection, the employment of its young population and the absence of crime.
- **Ireland:** combines a robust growth rate, with little pollution, and gets good grades on the dimensions of health, employment, education and the demographic time bomb.

Next Steps

Our key message is that Europe needs to invent its future. We believe that critical design points should focus on people and their well-being, not just economic criteria "à la Maastricht". Much work needs to be done on defining what Europe should stand for in the years to come, how to get there from here and how to measure our progress. We further believe it will take vision, courage, a good sense of reality and a strong ethic for us all to get there. We will continue our work and refine our thinking over the coming year with a view to presenting updated results at the Annual Meeting 2000.

In 1993 the World Economic Forum brought together the first group of Global Leaders for Tomorrow (GLTs). Already holding positions of considerable influence and potential, and now numbering over 600, the GLTs represent the new generation of decision-makers. They are global in terms of their accomplishments and outlook. The GLT programme is designed to encourage dialogue between people of outstanding ability with a common interest in global progress. GLTs are selected for their ability to shape the critical issues we face as we enter the new millennium.

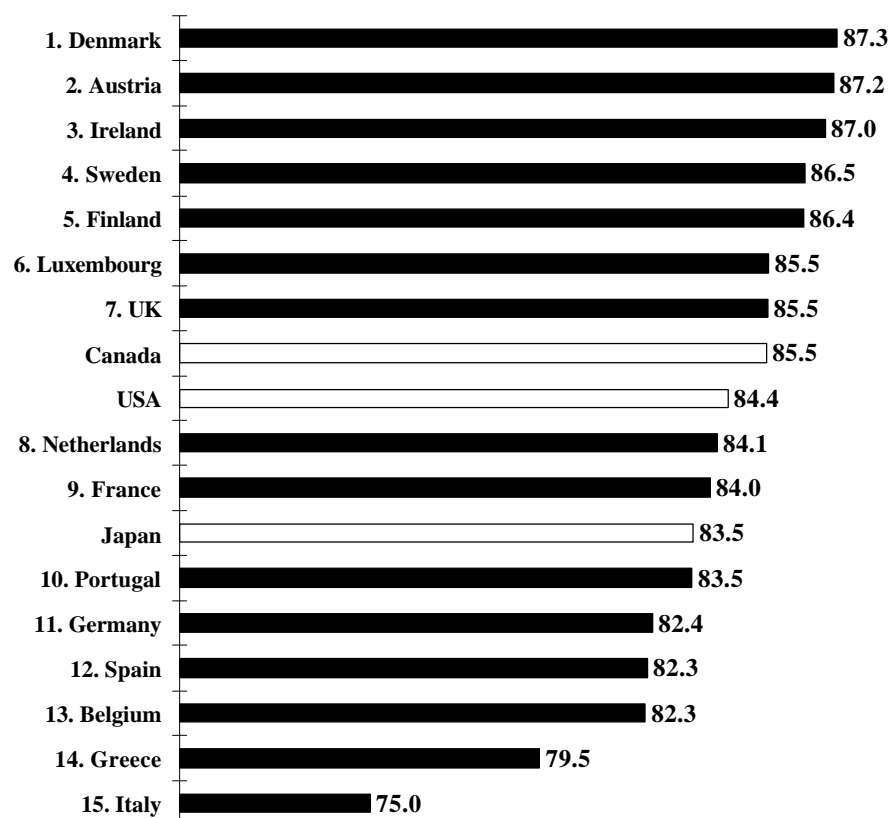
For more information on the GLT programme, please contact Catherine Burger, Coordinator, Global Leaders for Tomorrow, World Economic Forum (cburger@weforum.org).

*The Coca-Cola Company, Ernst & Young Global Client Consulting and Volkswagen AG
are the World Economic Forum's Member Partners for Global Leaders for Tomorrow*

The European Future Readiness Index

Are European societies preparing effectively for the challenges of the 21st century? Each country's performance has been assessed on 11 key indicators, around the four broad areas of sustainability, fairness, harmony and readiness for the future.

The 1999 results are as follows:



Source: World Economic Forum, Europe 2050 GLT Initiative

OVERALL RANKING

The winners

1. **Denmark:** does well on GDP per capita, the employment of its young population, the low cost of its health care system, the percentage of people below the poverty line and on the level of crime
2. **Austria:** does very well on environmental protection, youth employment and on crime levels
3. **Ireland:** combines the highest growth rate in Europe with relatively little pollution, and gets good grades on the dimensions of health, employment, education and the demographic time bomb

The laggards

- **Italy (last):** suffers from high unemployment among its younger population (33%), a business environment, which is affected by organized crime and a limited penetration of new technologies, the lowest rate of education enrollment. In addition, Italy will experience one of the largest changes in its dependency ratio in the next 20 or 25 years
- **Greece (number 14 out of 15)** suffers most notably from its high unemployment rate among its young population (31%), and continues to lag behind other countries in terms of economic growth. However, it achieves the highest level of life expectancy with the lowest level of healthcare spend

Patterns

At least three patterns can be highlighted:

1. **North defeats South hands down.** The three Scandinavian countries place in the top five overall. At the opposite end of the spectrum, the four Mediterranean countries (Greece, Italy, Portugal, Spain) are in the bottom six. However, Portugal does better than Germany, and Spain does better than Belgium.
2. **Is small beautiful?** The smaller countries tend to do much better than the large countries. The United Kingdom is number 7, France number 9, Germany number 11 and Italy number 15.
3. **Where is the Anglo-Saxon model?** While the US does very well in terms of economic performance (GDP per capita is US\$ 28,000 vs US\$ 21,000 in France), employment, the penetration of the internet and overall education, it is a laggard on three criteria: pollution (20 tons of CO₂ per capita per annum vs 12 for Denmark), the cost of the healthcare system (14% of GDP vs 6% in Denmark) and the impact of crime on business. Altogether the top three countries put in a performance that is significantly superior.

MORE DETAILED PERFORMANCE ANALYSIS

A more detailed look at the individual success criteria produces selected insights and should stimulate useful debate.

Sustainability

Significant differences continue to exist:

- **Economic growth and wealth creation.** While year-to-year growth rates are contained in a relatively narrow band, significant differences continue to exist in terms of absolute wealth creation (as measured by GDP per capita). To illustrate, the GDP per capita of the US is roughly 40% higher than that of many European nations. *Shouldn't we develop our understanding of the key obstacles to growth in Europe, and how to remove them?*
- **Environmental protection.** There are enormous differences in the pollution produced by key countries (factor of 2 or 3). Taking CO₂ as a proxy, the best European countries are France and Spain (with six tons per capita); the worst countries are the Netherlands and Belgium (with 12 tons) or even Luxembourg (with 22 tons). The US stands out negatively with 20 tons.

Fairness and individual fulfillment

Significant progress is required in several countries:

- **Employment.** The rate of unemployment in the population below 25 varies dramatically. While it is below 10% in Austria, Germany and Luxembourg, it is above 25% in France, Greece, Italy and Spain. Clearly, life cannot be easy for youth in these countries. *Why are young people excluded from the job market in certain European countries? What is "wrong" with them? Or is it a case of a black market economy and, if so, what are the implications?*
- **Health.** The total cost of the healthcare system varies markedly, with little impact on life expectancy. Its cost is below 7% of GDP in the United Kingdom, Greece and Denmark. It is around 10% in France and Germany, and 14% in the US. Despite these variations, life expectancy is concentrated between 76 (Germany, US and United Kingdom) and 79 years (France). In effect, there seems to be no positive correlation between spending and life expectancy. For example, Greece achieves a life expectancy of 78 years with a healthcare cost of 7% of GDP. This is less than US\$ 1,000 per capita. The US spends almost US\$ 4,000 per capita, yet life expectancy for Americans is 76 years. *Shouldn't this raise issues about how much we should spend on healthcare and how to optimize the effectiveness of that spend?*
- **Poverty.** The percent of poor people does not vary as much across countries as is generally thought. Interestingly, the top scoring country, Denmark, has only 4% of its population below 50% of its median income vs 13% for Italy (the bottom scoring country). The United Kingdom is around 12%, fairly close to France (10%) and Germany (11%).

Harmony

This is an area where good measures are not readily available. The World Economic Forum Global Competitiveness Report includes an assessment of the impact of

organized crime on business. **Crime** is a factor in Italy, Japan and Ireland. But we are lacking a set of objective, quantitative, comparable numbers in this area.

Readiness for the future

- **Education.** The combined 1st, 2nd and 3rd level enrollment ratio varies from a high of 91% in the Netherlands to a low of 73% in Italy. The US and Canada do better than this, with scores of 96% and 100%, respectively.
- **Dependency ratio and pensions.** The average dependency ratio (number of people below 20 or above 65 divided by the rest of the population) will increase from 81 to 91 in the EU between 1995 and 2020. The largest increase will be in Finland, the Netherlands and Germany. The lowest will be in Ireland, Portugal, Spain and the United Kingdom. The highest ratios will be in Sweden, France and Belgium (above 95). *Are our countries effectively preparing for this?*
- **Connectedness.** Not all countries are progressing at the same rate towards a networked society. The number of thousand internet hosts per million inhabitants varied in 1996 by a factor of 40, from 1.6 in Greece to 61.5 in Finland, with France around 4, Germany around 8 and the United Kingdom around 12. *How is each country preparing itself and its people for a world in which information and knowledge are increasingly important assets?*

We commit ourselves to monitoring and improving this Future Readiness. We further suggest that European governments ask the Commission to establish a refined version as a set of convergence criteria. Let's design our future.

Davos, January 1999

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Redefining Success for the 21st Century

Sustainability				Fairness and individual fulfillment				Harmony	Readiness for the future			Overall index	
	GDP growth rate ('86-'96)	GDP per capita (k\$, 1996 at PPP)	CO2 per capita (t, '96)	Unemployment rate, people below 25 ('96; %)	Life expectancy at birth ('95)	Health care cost (% of GDP, '96)	Percent population below 50 % of median income ('94)	Impact of organized crime on business	Thousand internet hosts per million inhabitants ('96)	Dependency ratio change between 1995 and 2020	Combined 1st, 2d and 3rd level gross enrolment ratio (% , '95)		
1	Denmark	1.6%	22.4	12	11	75	6	4	6.7	20.3	18%	89	87.3
2	Austria	2.5%	21.4	7	7	77	8	12	6.6	11.0	11%	87	87.2
3	Ireland	6.2%	19.0	10	18	76	7	9	4.8	7.6	-9%	88	87.0
4	Sweden	1.3%	19.3	6	16	78	7		6.6	26.6	11%	82	86.5
5	Finland	1.5%	18.9	11	25	76	7		6.8	61.5	26%	97	86.4
6	Luxembourg	5.5%	32.4	22	9	76	7	10	5.5	8.3	17%	58	85.5
7	UK	2.1%	18.6	10	14	77	7	12	6.4	12.3	6%	86	85.5
8	Netherlands	2.7%	20.9	12	12	78	9	5	5.4	17.3	25%	91	84.1
9	France	1.9%	20.5	6	27	79	10	10	6.2	4.1	13%	89	84.0
10	Portugal	3.1%	13.1	5	17	75	8	16	6.3	2.4	1%	81	83.5
11	Germany	2.2%	21.2	11	9	76	11	11	5.6	8.2	19%	81	82.4
12	Spain	2.8%	15.0	6	43	78	7	15	6.1	2.9	2%	90	82.3
13	Belgium	2.1%	21.9	12	21	77	8	11	5.5	6.4	16%	86	82.3
14	Greece	1.8%	12.7	7	31	78	7	15	5.6	1.6	11%	82	79.5
15	Italy	1.8%	20.0	7	33	78	8	13	3.1	2.6	18%	73	75.0
	Japan	3.1%	23.2	9	7	80	7		4.7	5.8		78	83.5
	Canada	2.0%	21.5	16	16	79	10		6.0	20.7		100	85.5
	USA	2.4%	27.8	20	12	76	14		5.1	37.7		96	84.4

Source : All sources are OECD ("OECD in figures 1998"), except: percent population below 50% of median income and dependency ratio change (Eurostat, Social Europe, 1998); impact of organized crime on business and internet hosts per million inhabitants (WEF, The global competitiveness report, 1998); and the combined 1st, 2nd and 3rd level gross enrollment ratio (United nations, Human Development Index).