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A School with a View

Competitive Europe: Paradise Lost or a New Drive

“Value can only be created with risk”

—

(Prof. Tomas Casas i Klett)

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Competitive Europe: Paradise Lost or a New Drive

November, 2024

Welcome Address

Prof. Danica Purg
Dean, IEDC-Bled School of Management

Prof. Danica Purg

Good morning, your excellences, honoured speakers and panellists, respected President and members of the IEDC Supervisory Board, dear alumni, friends, and distinguished guests from 24 countries!

Welcome to the IEDC-Bled School of Management, and to our traditional 37th Annual Presidents' Forum, entitled: **"Competitive Europe: Paradise Lost or a New Drive"**.

Each year, we select topics that have a significant impact on pressing leadership challenges. We strive to create a platform that not only addresses vital topics shaping global economies and leadership trends but also strengthens our commitment to developing responsible leaders. Our school has always been at the forefront of nurturing the next generation of leaders, equipping them not only with the skills to navigate complex business environments but also with the vision to see beyond the immediate challenges. We have educated so far over 100,000 managers from 100 countries and we continue with our efforts to reinforce our position of a place where leaders come to learn and reflect, and reinvent themselves.

As part of our commitment to spreading knowledge, we traditionally publish the content of the Presidents' Forum in the "Book of the Year", which we send to readers globally, including our alumni, business partners, professors and other stakeholders.

The title of today's Forum implies the suggestion of one Europe. Is this wishful thinking? It is a perspective, an aim. I agree with people who say that further integration and cooperation is a necessity. It is our challenge and responsibility to show that Europe can be successful and democratic at the same time.

Once an undisputed leader in global innovation, industrial prowess, and cultural influence, our continent now finds itself falling behind the United States and China in numerous strategic sectors, from advanced manufacturing to artificial intelligence. The signs of competitive decline are all around us, challenging Europe's ability to drive economic growth and sustain its influence on the world stage.

Can Europe not only catch up, but lead with renewed strength? What are the strategies? What are the opportunities and threats?

We work in our school in the last 10 years on research of Hidden Champions, the relatively small, but the most innovative companies in

Prof. Danica Purg with IEDC Presidents' Forum participants

their market niches in the world. We have many in Europe, as well as in Slovenia, and we are proud of them (2024 study: Qlector, Arctur, Dewesoft). They are independent from government and any other support, and with highly qualified and devoted people, they came very far. Could this be the way to take a significant step forward? Would a government policy that supports their efforts—by creating broader policy frameworks and providing assistance with marketing, knowledge, and skill development—enable them to progress and compete more effectively on the global scale?

I believe that with coordinated effort, investment in education and a fearless embrace of new technologies like AI, Europe can redefine its role in the 21st century, setting a new standard for value-driven growth and competitive excellence.

Today, we have the privilege of listening to Prof. Tomas Casas i Klett from University of St. Gallen, who will explore the essential ingredients for Europe's renewed competitiveness. He will present the concept of the Elite Quality Index, assessments of the sustainable value creation of European organizations, and the general benchmarks that the US and China provide. He will also offer practical insights on areas ranging from the manufacturing industries to AI technology.

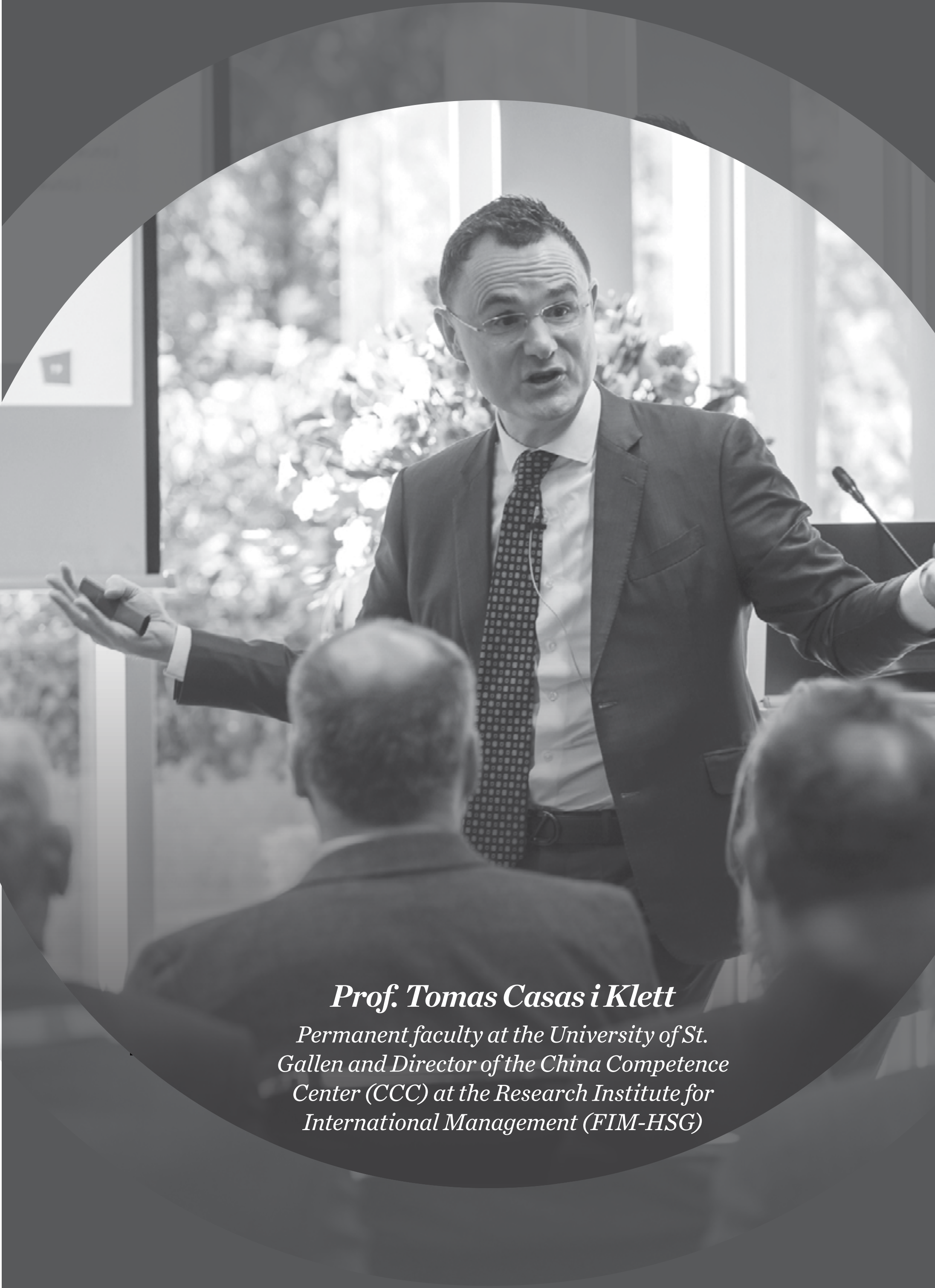
The second keynote, Ms. Kerstin Jorna, Director-General, Internal Market, Industry, Entrepreneurship and SMEs at European Commission, will explore different aspects that need to be boosted to ensure a new drive for European competitiveness and highlight the enabling conditions that are needed to level the playing field for EU industry globally.

In the second part, we will host a round-table featuring an insightful and dynamic discussion among prominent business leaders from various sectors, who will share their perspectives on measures and solutions. We will host: Mr. Matteo Ferrazzi, Senior Economist, European Investment Bank, Luxembourg; Ms. Nevenka Kržan, President of the Management Board, Luka Koper, Slovenia; Mr. Archibald Kremser, Member of the Management Board, CFO and Deputy CEO, NLB d.d., Slovenia; Mr. Dinko Lucić, President of the Management Board at Privredna banka Zagreb d. d., Croatia; and Dr. Iztok Seljak, Board of Directors, Hidria Group and President of Managers' Association of Slovenia.

Dear guests, I hope we shall all witness that Europe gets a new momentum and I wish you an inspiring day.

Competitive Europe: Paradise Lost or a New Drive

Summary of Keynote Address



Prof. Tomas Casas i Klett

Permanent faculty at the University of St. Gallen and Director of the China Competence Center (CCC) at the Research Institute for International Management (FIM-HSG)

Reflections on the Future of the EU through the Theoretical Lens of Elite Quality

The elite theory of economic development extends institutional theory to provide an answer to how the microfoundations of institutional change occur. It posits that the main factor in the maintenance of existing laws, rules and (de)regulation—as well as the development of new ones—is elite agency. The mechanism that affects such change is intra-elite competition between elite business models that are challenged by rival incumbents or new and aspiring elites. The main tenets of the elite theory are:

- Elites are an economic certainty as they provide coordination capacity in all societies.
- Coordination capacity is realized through elite business models with lower transaction costs than their constituent stakeholders.
- All socio-economic relations—and especially those of elite business models—must be assessed through the dualist prism of inclusive value creation vs extractive value transfers.
- Elites contribute to social progress and economic growth if they run sustainable value creation business models based on inclusive activities such as innovation, finance, trade, manufacturing, or agriculture.
- Elites can also be responsible for economic stagnation if they run extractive value transfer business models based on destructive activities such as monopolies, war, subsidies, corruption, or inflation.
- All national economies and elite business models are a combination of value creation and value transfers and the relative proportion of each will determine human development and economic growth outcomes.

The theory has already resulted in a number of empirical projects:

At the national macro-level, the elite quality of 151 countries is measured on the basis of the 'Sustainable Value Creation of Nations'. Download the Elite Quality Index (EQx) 2024 here:

At the micro-level, a pilot report has just been issued for 122 listed companies that are measured on the basis of the 'Sustainable Value Creation of Firms'. Download the Value Creation Rating Pilot Report 2024 here:

The elite theory of economic development is a grand theory of the social sciences with constructs and a logic drawn from fields as diverse as the political economy, economic development, and sustainability. It provides insights that can contribute to the discussion on the future of Europe. For those interested in delving into the theory, the forthcoming 800-page book, *Towards an Elite Theory of Economic Development*, from which many excerpts have been taken for this contribution, will be available here:

Three 2024 EU reports face the doom loop: Accurate diagnoses, a partial understanding of the causes, and remedies that won't work

The EU, with its Single Market and its four fundamental freedoms—free movement of goods, services, people, and capital—is the greatest institutional vision and achievement on the continent. However, it is not living up to its potential and is now falling short in both its conception and implementation. In the face of multiple dangers and the realization that Europe is losing out competitively, three thoughtful reports were published by the EU in 2024 and are summarized below:

– The Letta Report, "Much More than a Market", was written by Enrico Letta, former Prime Minister of Italy, and published by the European Council (April 2024) with a focus on how to revitalize the EU's single market. Its proposed remedies include the introduction of a "5th Freedom" or the "free movement of knowledge" to foster research, innovation, and education; the development of a "Savings and Investments Union" to unlock private capital and boost public investment; and the need to leverage the single market to enhance strategic autonomy in areas like green technology and digitalization.

- The *Draghi Report*, "The Future of European Competitiveness", was written by Mario Draghi, another former Prime Minister of Italy and ex-President of the ECB and published by the European Commission (September 2024) with a focus on enhancing EU competitiveness in a changing global economy. Its proposed remedies include aligning decarbonization efforts with industrial competitiveness through reforms in energy markets and support for clean technologies; reducing Europe's dependencies in defense and technology; boosting productivity with EUR 750–800 billion in annual investments; and proposing a unified "28th regime" to streamline business laws across EU member states in order to make cross-border operations easier.
- The *Niinistö Report*, "Safer Together: Strengthening Europe's Preparedness and Readiness" was written by Sauli Niinistö, a former President of Finland and published by the European Commission (October 2024) with a focus on enhancing EU civilian and military resilience to hybrid threats and crises. Its proposed remedies include the development of a EU-wide strategy on preparedness to address crises proactively rather than reactively; the introduction of a EU preparedness law and new standards; and increasing the EU budget allocation to 20% of the total budget for crisis management and infrastructure resilience.

These reports highlight a comprehensive approach to improving Europe's resilience, competitiveness, and preparedness in the face of increasing global challenges, including geopolitical risks, climate change, and economic stagnation. All of the reports concur that there is a need for structural reforms, innovation, collaboration, and strategic autonomy to address these multifaceted issues. The diagnoses of the problems faced by the EU are accurate, but the understanding of the underlying causes is partial and the suggested remedies will not work. This contribution contends that they all miss the big picture.

The challenges that the EU faces will not be further analyzed here, as they are well known, recounted in the public discourse, and the regular topic of downbeat conversations in corporate boardrooms and student common rooms alike. Suffice to say that Europe's economic and geopolitical friends and rivals do not currently see the EU as a peer or even as a serious competitor. Some analogies used, such as Europe being seen as a 'retirement home' or 'museum' are kind, while others that refer to it as 'lost in the fog', or a 'sinking ship' refrain from any indulgence. One point from the Draghi report, an overall excellent take on the expiring patient's pulse with its wealth of data and insight, is representatively stressed here: the US-EU gap in aggregate total factor productivity now exceeds 20% (Draghi, 2024, p. 283). Moreover, the fact that Europe has fallen irremediably behind in the artificial intelligence (AI) race before the competition has even started in earnest is yet another reason for pessimism, especially since the EU's AI Act of 2024 completely lacks a remedial structure or a practical, actionable framework.

While the current malaise is accurately described by the three reports, the causes remain incomplete. Two specific reasons why the EU has become an economic laggard are now emphasized:

- Risk: The inability of Europe to pursue high risk/high return projects, as the focus of EU institutions is on controlling and minimizing risk rather than stimulating risk-taking.

- Elites: The partial or even absent EU elite system places Europe at a great global disadvantage, as this is essential to drive the coordination capacity needed for human development and economic growth.

Because of these root and branch issues, this article argues that the remedies proposed by the Letta, Draghi, and Niinistö reports have no chance of success. For instance, their massive fiscal spending recommendations represent a Hayekian malinvestment, an intergenerational transfer that will leave no enduring legacy but instead further burden future generations with onerous debt. Even when the suggested solutions are conceptually correct, they cannot be properly implemented given the existing EU and nation state separation of powers and institutional arrangements. On the other hand, remedies that would work effectively are too radical and have simply not been articulated, as they are too painful for current decision-makers to contemplate. The main thesis posited here is that European institutions and their antecedent elite business models need to see far more creative destruction and must be reconstituted along new lines.

Pierre Manent's *Metamorphoses of the City*: The implications of the city and the empire for Europe

The implications for the continent's future in the context of international political economy distributional outcomes are premised on the evident reality that Europe has at best a 'partial' elite system that may even be characterized as an 'elite non-system'. With the nation state at its center, the EU as it is currently constituted is neither of Manent's "two mother forms of the ancient world" that exist in polarity to each other: "the city and the empire" (2013, p. 105). This contribution argues that these two forms are still clearly applicable in the 21st century and that without rethinking how Europe functions there are serious implications for its weak or even non-existent elite system and elite coalitions.

One might conceive Manent's city as a space where there is vigorous bottom-up value creation and genuine, unprotected, and courageous risk-taking; equalized bargaining power among the leading business models; institutionalized intra-elite contests; and robust elite cohesion. In the polis, non-elite stakeholders suffer minimal extraction, and the sustainable value creation of the leading elite business models is high. The city is not sufficiently large to support many non-productive, rent-seeking elites. Moreover, value is appropriated only if it is created, as transfer business models are less likely in small polities if those suffering extraction are closely linked or well known to those that benefit from it. Value can only be created with risk, as in essence these are conceptual equivalents. Smaller, decentralized, self-managed systems lie at the core of risk and value creation. Today, the polis thrives in dynamic agricultural, manufacturing, trade, high-end services, or technology ecosystems like Normandy, the Greater Bay Area, Dubai, Singapore, or Silicon Valley. In the international system, the elites of these modern versions of the polis—cities, mega-cities, regions, region-states, city-states, and small states like Slovenia—must be secure and enabled by having sufficient state power at a higher level. When this happens, the idea of 'polis in empire' then emerges.

If we go back in time, the 1648 agreement to establish the Westphalian system rejected both the city and the empire. It resulted in an institutional innovation, a historical anomaly that worked astonishingly well for a few key centuries in a Europe little exposed to rival outside forces: the nation state system. Is the European nation state of today an

Prof. Tomas Casas i Klett


Dr. Mark Pleško

Prof. Stjepan Orešković

Prof. Casas i Klett and IEDC Presidents' Forum participants institutional arrangement that is still effective in generating sufficient bottom-up value creation? And does it have enough power in the international system to preempt extraction given the nature and scale of the cross-border elite business models of the 21st century?

To answer this question one could start by contemplating whether France, Germany, and the other large European nation states have become too big and unwieldy. That is, are they prone to administrative diseconomies of scale and cognitively and affectively too far removed from the first-order local value creators in their regions? Are national state-based elites in Europe able to capture local business models all too easily? Often, the elite coalitions of European nation states advance business model rules that harvest value from local and regional creators by forcing extractive transfers to their capitals while very cavalierly denying institutional resources for value creation at the level of the polis. The elite systems of Paris, Rome, Berlin, or Madrid operate in great contrast to Swiss radical democracy and its polis-centric political economy. This not only explains the 450 varieties of Swiss cheese and the support that their producers and other value creators like SMEs or *Kantonalbanken* enjoy, but also a GDP per capita differential between France or Germany and Switzerland that is in favor of the latter by an astonishing margin.[1]

European nation states are not only too big; they are also too small to pursue grand strategies that smartly respond to global challenges such as value extraction by foreign cross-border elite business models. Germany, once a global hotbed of innovation, no longer has any elite coalition of note active in the global economy.[2] Does Europe now require a version of Manent's empire—imperial capabilities that are on a par with the US or China (and shortly, India), in the international arenas of the political economy? The answer is no, but only if its elites can effectively integrate into the American elite system and participate on an equal footing in US intra-elite contests so that European non-elites enjoy the same benefits and consumption levels afforded by cross-border value appropriation and protection as their American counterparts. If this is not feasible or wanted by either side, the road to empire starts with the development of an elite system that is strategic enough to muster the transformational leadership clout to deactivate extractive transfers by domestic and foreign elite coalitions.

1 The World Bank statistics for 2023 show that France and Germany's respective GDP per capita are US$ 44,461 and US$ 52,746 respectively, while Switzerland's stands at US$ 99,995. Switzerland's success at sustainable value creation speaks volumes about the elite systems of Germany and France. See: https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=CH-DE-FR

2 Of the top 50 most valuable global companies not a single one is German. See: https://companiesmarketcap.com accessed on January 28, 2024.

Under the existing EU institutional model of a 'club of nation states', such an outcome cannot possibly be attained in the international arena under a realistic understanding of power. The EU is now exposed to extraction from abroad, including from its close neighbors, given its relative powerlessness in the absence of 'empire'.

The EU has no Big Tech, no Big Oil, no Wall Street, and cannot defend itself, a cause of concern to many who "call for stronger European independence by promoting the creation of European champions, or by protecting European companies against foreign players" (Ramahandry et al., 2021, p. i). So, while there is criticism of European integration as "steered and driven by the initiative of the elites", researchers are still trying to confirm the "Europeanness" of domestic European elites (Best et al., 2012, p.1). While national elite coalitions do rely on Brussels for subsidies and moats, this is simply tactical and should not lead to confusion: these elite coalitions are not 'European' but remain parochially anchored in their own national states. On the other hand, these elites are keenly aware of their inability to leverage the power differentials afforded by empire in the global arena and so cannot scale like their American or Chinese peers to the degree that the current technology wave affords.

With a 'missing elite system'—a European 'quasi' elite system that is fragmented and only functional at the level of a powerful nation state—there can be no European elite cohesion, much less elite system transformational leadership in support of the defenseless polis from which the nation states are the first to suck away all vitality. Some influential local elites like the community-based German *Sparkassen* public banks or the Spanish hospitality industry will resist, but Europe's ecosystems, regions, and other incarnations of the polis can expect to see their bottom-up value creation and risk-taking eroded. This is the vital but overlooked reason why there will be fewer quality jobs and unicorns (Draghi, 2024, p. 232) than there should be, the SME sector will remain stressed with only moderate numbers of young entrepreneurs, and, alas, there will be a piecemeal extinction of local French cheesemakers (Lichfield, 2020).

The pseudo make-believe European elite system—the 'elite non-system'—cannot readily address key aspects highlighted in the elite theory of economic development such as the 'intra-elite quality contest' dilemma. Elite cohesion in the EU is a pretense as Europe lacks a core coalition like the US, China, India, Russia, or Turkey, is only able to muster weak transformational leadership, and has a siloed rather than comprehensive separation of powers. On the latter point, it is worth highlighting that 95% of the EU Commission's proposals become law, while the same is true for less than 4% of the bills considered by the US Congress. The EU's key weakness is that with an elite system that is at best partially formed there can be no elite system leadership. One implication of this state of affairs stands out: both elite and non-elite business models in Europe cannot be expected to appropriate the full value that they create in the international context (and much less aim to benefit from value appropriated but not created). This will impact European economic and human development and impoverish elites and non-elites alike, especially in periods of global economic contraction when the elites of rival imperial states will have all the incentives to convert their state power into residual income and appropriate increasing amounts of cross-border value.

The advantages of having imperial elite system capabilities include the possibility to exercise effective leadership and accumulate power in the measure that value is created, resulting in the appropriation of higher residual income streams for elites and the minimization of extractive transfers from domestic non-elites. The obstinacy of incumbent national business model configurations attached to the old European nation states and the absence of high velocity elite circulation leaves Europe open to value extraction by its rivals, less valuable to its partners, and with overall suboptimal value creation by its polis, cities, and ecosystems.

Genuinely European elites are needed to unlock the EU's value creation potential

Europe's economic underperformance will continue until the problem of a EU-level missing elite system is addressed and reasonably whole and coherent European elite coalitions emerge. A core elite coalition, possibly inspired by Manent's 'polis in empire', that is capable of strategic thinking, transformational leadership, and purposeful institutional reform is also needed. In the meantime, recommendations for *The Future of European Competitiveness* hinge on subsidies and other forms of value transfers and represent a massive 4.4% to 4.7% of the EU's GDP (Draghi, 2024, p. 282). As such these do not address the underlying problems, and instead will produce only marginal and temporary gains while further hindering the continent's long-term prospects.

In the rare instances where elite business models are genuinely European, as is the case with Airbus SE, astonishing amounts of value creation and appropriation are evident. Such exceptions notwithstanding, the EU's elite coalitions of note either abscond or remain stillborn, leaving a continent dotted with local (German, French, Polish, Greek, etc.) elite coalitions embedded in their national systems where the power resides but unfit for the competitiveness, geopolitical, ecological, technological and other sustainability challenges of the 21^{st} century. *The Brussels Effect* or being a "global regulatory superpower" (Bradford, 2020, p. 7), even where true, is inconsequential for economic and human development in the absence of European elite business models. The irony is that if no action is taken, many elements of the national state elite systems responsible for the current problems will become the rich feeding grounds for extractive cross-border business models operated by non-European elites that are able to leverage their imperial capabilities.

Without deep reforms that dismantle the agency of EU nation states to suck the appetite for value and risk from the polis while inhibiting the development of a European imperial system and its necessary security, the continent will not create all of the value that it should do. The global economy will also be poorer, as Europe is open and connected to the world and so should be an engine of innovation and growth. Some of the required reforms are institutional, such as the need for direct elections to decide the EU Commission's presidency or a deep reconfiguration of the EU's financial system to create a truly single market and incentivize risk-taking. Other needed transformations rest on cultural pillars. Polis in empire means both emphasizing the diversity of the cultures within Europe, while at the same time building narratives of belonging to a common civilization and a shared destiny. More detailed proposals for specific reforms will be the theme of a future contribution, but for the time being it is sufficient to say that while many good ideas have emerged since Fulbright's proposal of a "United States of Europe" in 1948, further critical and original thinking is now needed for a EU fit for the 21^{st} century.

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Business Destination Europe: Nurturing Sustainable Investments to Harvest Clean Rewards

Kerstin Jorna

Director-General, Internal Market, Industry, Entrepreneurship and SMEs at European Commission

Ladies and gentlemen,

I am delighted to be here for the IEDC-Bled School of Management Annual Presidents' Forum, and I would like to start by thanking wholeheartedly Dr. Danica Purg for inviting me.

Dear Danica, you have been on a mission for decades. A mission to train responsible, efficient, innovative leaders for Europe, and only looking at the members of successful alumni in this room pays tribute to your relentless strive.

Today's conference comes at a timely moment, in the wake of last week's US elections and the European Parliament hearings of the European Vice Presidents (EVPs) and Commissioners-designate.

In these shifting times, competitiveness has become the crux of the matter. When pondering the underlying question of our debate – Paradise Lost or a New Drive, I would incline towards a confident yet realistic answer: yes, Europe's competitiveness can and must benefit from a New Drive.

Europe has what it takes to be a global top investment destination. Because here investors will reap clean returns for their investments. Are these only nice words? Is this wishful thinking? No, these are facts. And let me give you 4 reasons for this:

First of all – and in contrast to what was said in the previous speech – let's take the full measure of what the EU means as a political Union. 27 countries that unite their economies, their currencies, their destiny.

Secondly, take the Single Market and all the components that create the business case for investing here.

Thirdly, look at the hard power and the soft power arising from the Single Market.

And fourthly, the "antifragility" properties of Europe's model in co-creating industrial policy, which sets us apart from many of our international counterparts.

Let's look at the four reasons, one by one:

Reason #1: The EU is a Single Market Family, Rather Than a 'Club of Nation States'

I am a long-time lover of France Prešeren's poems, ever since Slovenian Justice Minister Šturm made me discover him.

"All nations, Who long and work for that bright day, When on earth's habitations, No war, no strife shall hold its sway."

These are words, his words, from the Slovenian national anthem. And they are a perfect reminder of where we come from and what our wider purpose is about. Which brings me to my first point on the value of our political Union, united in diversity.

Our Union is first and foremost a collective endeavour to build peace and prosperity for Europe and its people. And probably the greatest political project ever: who would have thought that the decision of 6 countries in 1952 to integrate their coal and steel industries would lead, 40 years later, to the Single Market, European citizenship and a common currency?

In 2004, 15 years after the fall of the Berlin wall, the EU extended its promise of peace and prosperity to 10 new countries and their people. An extraordinary demonstration of resilience and adaptability, and of living up to our historic responsibilities. And we are not done yet! Europe is now the world's largest single market and democratic endeavour, with very concrete changes for citizens everywhere in Europe.

Take Slovenia:

In twenty years, its GDP per capita in current prices has more than doubled. And the economy continues to transform. Slovenia is moving up the production chain, with research and innovation increasing in importance. At the same time, with a fourth of the value added generated by industry, Slovenia remains one of the most industrialised countries in the EU. And nearly two thirds of Slovenia's trade in goods and services are done with other EU Member States. In all this, the Single Market has been a key facilitator, also boosted by the early adoption of the euro by Slovenia in 2007.

Looking back at the past 30 years, more than just a club of nation-states, the EU has proven to be the bedrock of a family of Member States willing to share common values and build collective prosperity. Yet, having said that, the last few years have seen the Single Market facing challenges and fragmentation.

In a world of uncertainty it takes courage to look beyond - often we react by retracting into a protective shell. But we have also seen a new momentum growing to complete the Single Market. Because there is no alternative to the speed and scale it can give. And I think we need to seize that opportunity. This is exactly the message of the Letta and Draghi reports.

The fact that under the upcoming Commission, the Single Market will belong to the overarching Industrial Strategy and Prosperity portfolio is not a coincidence: it is a token of the Single Market's central role in building a competitive industry that will allow Europe to remain prosperous.

We are already at work to develop by June 2025 a Single Market Strategy to ensure the completion of a robust, simple, and modern Single Market framework, empowering consumers and companies alike.

Our thinking revolves around four axes: 1) make smarter new rules; 2) make existing rules more coherent; 3) implement rules at scale; 4) enforce rules and remove barriers.

Reason #2: The Good Business Case for Investing in Europe

This leads me to my second point: how do we ensure that the Single Market remains the foundation and key enabling framework for reinforcing the business case for investing in Europe.

We are not starting from scratch. Europe has been working continuously at a conducive framework for sustainable investments.

Just think that, in 2023, EU green investments amounted to EUR 340 billion, in a constant growth trend year on year. We can also see that in the first half of this year, for the first time in history, half of the electricity in the EU was produced from renewables. On the manufacturing side, we have some champions: EU wind industry has a 35% worldwide market share, and we have important manufacturers of electrolysers and heat pumps, to name a few.

Still, we need to continue working to build a strong framework and stable supply of factors of production.

1) For example, access to permitting *and easier business conditions.*

The Net-Zero Industry Act (NZIA) and the Critical Raw Materials Act (CRMA) clearly show that we can do better on permitting without compromising on our high social and environmental standards.

For energy intensive industries like steel, the permit granting process for a decarbonisation project can easily take 3 years.

Fast permitting means critical projects can be deployed in a timely manner, thereby minimising costs, speeding up production and reducing uncertainty.

The 12-months timeframe means that, even in the worst-case scenario where a permit is refused, the investment can still be redirected to a different project.

Next to this, President von der Leyen's Political Guidelines and Mission Letters clearly reiterate the commitment to cut by 25% the burden created by reporting requirements, and by 35% for SMEs.

2) For example, access to energy *and infrastructure.*

Energy intensive industries are in dire need of affordable and abundant decarbonised energy. Just think that energy costs can amount to more than half of production costs for aluminium and steel. EU prices were 2 to 3 times higher than in the US in 2023: EUR 0.20 per KWh in the EU vs EUR 0,08 per KWh in the US.

This makes it clear that we need investments in energy infrastructure to ensure the integration of renewable sources into energy grids, hydrogen and CO2 infrastructure transport and storage, network connections to industrial plants.

Concrete steps were already taken with the Fit for 55 package and in the REPowerEU plan: just think of the Electricity Market Design Reform. And of AggregateEU, the instrument through which we implemented demand aggregation and purchasing of natural gas at European level for around 43 billion cubic meters of gas, thereby lowering prices.

But we need to accelerate on all these aspects to remain competitive. Which is why the Political Guidelines and Mission letters mention for instance an Action Plan for Affordable Energy Prices for households and businesses, an Electrification Action Plan and the extension of the aggregate demand mechanism beyond gas to hydrogen and possibly other commodities.


Ms. Kerstin Jorna and IEDC Presidents' Forum participants

3) For example, access to inputs *and technology.*

The **CRMA** will support extraction, refining and recycling of critical raw materials in the European Union. The first list of strategic projects under the CRMA will be published in the first quarter of 2025. Moreover, we are putting in place a joint purchasing platform that will aggregate demand and supply for strategic raw materials.

With **NZIA**, we have put in place a supportive policy framework to ensure that the EU benefits from the ongoing energy transition by remaining a major producer of net-zero technologies.

Regarding semiconductors, the European Chips Act has already generated over EUR 100 billion of planned investments to boost the manufacturing of chips.

We need to build on the dynamics sparked by these measures, to ensure we create quality jobs in Europe. At the same time, we need to avoid regional inequalities, ensure cohesion and uphold our climate and social objectives. And ensure that we continue to support our European way of life and provide decent wages and conditions for workers in the face of rising costs of living.

4) For example, access to funding.

Access to funding is essential for driving transformation; it fuels the development and implementation of cutting-edge solutions.

The Draghi report has highlighted the need of a minimum annual additional investment of EUR 750 to 800 billion for the clean transition only. Steel industry will need around EUR 31 billion for CAPEX, 54 billion for OPEX, and total costs for the chemical industry to achieve net zero by 2050 are above EUR 1 trillion.

While it is clear that these needs can only be covered through a full interplay between public and private funding, here again we are not starting from zero.

According to the most recent data, in 2023 the EU's annual investments in clean energy technologies reached USD 360 billion, which is 20% of the global total of USD 1.8 trillion. China's investments amounted to USD 680 billion and the US investments to around USD 300 billion.

There is more: the EU was the largest contributor to the growth of global green investments in 2023, with additional USD 93 billion year on year!

Looking more closely at our support instruments, we have a number of tools to help mobilise investments and address investment gaps - InvestEU, the Innovation Fund, the European Innovation Council, Horizon Europe, and connecting the dots through the Strategic Technologies for Europe Platform.

Important Projects of Common European Interest, developed by Member States with the support of the Commission, enable the EU to invest together in the most important value chains. 10 IPCEIs have been approved so far, that should mobilise around EUR 91 billion between public and private funding.

Going forward, President von der Leyen highlighted that the next Commission is going to be an investment Commission. This will most notably include a European Competitiveness Fund.

5) For example, access to markets. *This is a key lever to make sure that the demand side pitches into the overall effort to boost the business case for sustainable investments.*

A recent example of this can be found in non-price criteria for public procurement set via the Net-Zero Industry Act.

Let me give another example of how demand comes into play: demand in downstream sectors provides the OPEX for upstream sectors.

Take cars and steel. To produce one passenger car, you need on average 900 kg of steel. In 2023, the EU produced 12.1 million cars. If we do the maths, that means roughly 11 million tons of steel needed. Add to that the fact that the automotive sector is the number two consumer of steel in Europe, accounting for approximately 17% of EU steel consumption.

And you will see that automotive can really drive green steel demand in the EU. Even more so if you consider that, according to different estimates, the change in final cost of producing a vehicle using green steel ranges between EUR 57 and EUR 300, so quite marginal compared to the overall cost.

Nickel is another good example: we have a growing demand linked to the production of clean technologies, but most nickel is coming from Indonesia and China and produced at a highly negative environmental cost. We need to define what it means to produce nickel (and other products) sustainably and build a coalition of States committed to high ESG standards and willing to pay a price premium to ensure that green nickel is financially sustainable.

In this area, we can already rely on different legislation such as Ecodesign for Sustainable Products, construction products and end of life vehicles as a help to setting green definitions and labels.

This process needs to go hand in hand with the revision of the public procurement framework. Public procurement is one of the main levers to develop innovative goods and services and create lead markets in clean and strategic technologies.

And further benefits can arise from the different demand aggregation mechanisms that the EU has put or will put in place, starting from the Hydrogen Bank's next auction that includes resilience criteria, and the future critical raw materials aggregate demand mechanism.

6) For example*, last, but certainly not least, our business case needs access to* **skills and to a skilled workforce**.

Around 70% of businesses report that the lack of the right skills hampers their investment. And the green transition is expected to affect between 35% and 40% of all jobs.

A lot has already been done in this domain as well. The Pact for Skills and more widely the European Skills Agenda have allowed the launch of 19 Large Scale Partnerships, providing training to more than

2 million workers.

Looking more closely at clean technologies, we are launching Net-Zero Industry Academies, building on the pioneering success of the Battery Academy. The one on solar was launched in 2024.

The skills and labour gap is also recognised as one of the main obstacles to competitiveness and prosperity in the Political Guidelines. It will be addressed through the establishment of a Union of Skills.

Reason #3: The Single Market Pulls its Weight Globally

The Slovenian popular wisdom teaches, *"Kdor redko seje, bo redko žel"*, you reap what you sow.

So no, we are not abandoning our conviction that free trade can create added value and ultimately prosperity for all. And we are not underestimating the benefits that have come and will still come with it. After all we are the biggest exporter in the world! The EU's share of world exports of goods and services is around 16.6%, higher than that of the United States.

But yes, we need to make sure that **fairness in our trade relations is equally implemented**.

Which brings me to my third reason. Our companies need a level playing field to make sure that they harvest clean rewards in the Single Market and beyond.

The Political Guidelines are clear *"We will continue to deepen our free and fair trade links with growth centres and partners around the world, ensuring reciprocity and a level playing field"*.

On this, the European Economic Security Strategy has already provided a comprehensive compass for action, and we can see this was strongly reiterated both in the Political Guidelines and in the hearings of Commissioners- and EVPs-Designate.

China is clearly a case in point.

Our approach seeks to derisk our economic entanglement and excessive dependencies. This is not, however, an effort to economically decouple, which is both unfeasible and undesirable.

Still, China represents a very serious economic competitor for the

EU. As stated in the Political Guidelines, *"The more aggressive posture and unfair economic competition from China … reflect a shift from cooperation to competition"*.

Chinese industrial overcapacity is growing especially fast, looking for export markets rather than satisfying domestic demand. One striking example on all: China's solar cell production capacity totalled 1,000 gigawatts last year, more than double global demand. We see price competition on clean tech, overcapacities in steel, massive subsidies: a recent study found that 99% of all listed firms in China had received direct government subsidies in 2022. We also see serious challenges emerging in e-commerce and in certain product categories: strikingly, the Safety Gate data shows that around 85% of toy-related alerts in the period 2016-2021 concerned toys originating in China.

Add to this that the European and Chinese economies have become more and more intertwined during the last decades. There are mutual dependencies for several 100 products. Despite this, we have seen export controls over critical raw materials such as graphite, rare earth metals, or gallium and germanium from China. And it has happened with imports, or products containing inputs, from Lithuania, which led to an 80% decrease in exports from Lithuania to China and challenged the integrity of the Single Market. Of course, China is also a significant trading and investment actor. To take the example of Slovenia, trade with China reached almost EUR 8 billion in 2024, about one tenth the value of the overall national GDP.

Our Single Market is open for business. But on our terms. Those who want to trade here, need to do so by our rules.

- Do you abide by the Forced Labour Regulation and show you live up to the standards EU companies need to respect on human rights? You go forward.
- Do you abide by the Foreign Subsidies Regulation and show you did not benefit from support that is incompatible with our rules? You go forward.
- Is your market open to our products? With the Agreement on Government Procurement, the International Procurement Instrument and our trade defence instruments, we have tools to look at this.

If we want to preserve and boost a business case for sustainable investments in Europe, we need to ensure that only those who play by our rules can sell in our market. And part of this is also the reason behind our increasing application of resilience considerations in our policies. This was codified in the Net-Zero Industry Act with auction and procurement rules.

But it also permeates other instruments, most recently for instance the second auction of the Hydrogen Bank. The auction, that will open on 3 December and will award up to EUR 1.2 billion to renewable hydrogen producers located in the European Economic Area, includes new resilience requirements.

This builds on the lessons learnt in the first auction. Projects will be evaluated on a new criterion called *"Achieving security of supply of essential goods and contribution to Europe's industrial leadership and competitiveness"*, and safety and cyber-security requirements will also be taken into account.

We will of course also continue to pursue partnerships around the globe. In the next mandate, the Commission will develop Clean Trade and Investment Partnerships to help secure supply of raw materials, clean energy and clean tech from across the world. And we will continue

building on the work we have undertaken in the past years, for instance through the 14 Partnerships on raw materials, the latest of which was signed in July with Serbia.

Reason #4: The "Antifragility" Properties of Europe's Collaborative Industrial Policy Making

Ladies and gentlemen, I believe the values of democracy, of openness and of inclusiveness that are at the core of the EU project are a strong asset for attracting sustainable investments to our continent.

Who invented mRNA Covid vaccines in a short time and increased overall vaccine production from 20 to 300 million doses per month? Not China, not the US – Europe did! By analogy, the same can be said for our inclusive approach to industrial policy making.

Which leads me to my fourth and final reason. Our modus operandi sets us apart from our international competitors: we aim to co-create pathways for our industry to preserve its competitiveness and resilience.

The Transition Pathways for the different industrial ecosystems are ambitious and actionable plans to guide the transformation of industry in each ecosystem, co-created with Member States' authorities and all the relevant stakeholders. So far, Transition Pathways have been launched for 9 ecosystems.

Industrial alliances are another key tool for delivering on the Industrial Strategy. They bring together a wide range of partners in a given industry or value chain.

To date, there are 11 active Alliances, including the European Industrial Alliance on Small Modular Reactors (SMRs), the European Raw Materials Alliance and the European Battery Alliance, to name a few.

To support governance, the Commission has also set up the Industrial Forum, bringing together 57 members, ranging from representatives of industry to Member State authorities and social and environmental stakeholders.

More generally, I think this model of openness has also proven successful in a number of other domains. I have in mind our flagship Invest EU programme: it is steadily on track to fulfil our promise to mobilise over EUR 370 billion in the EU economy.

This is also thanks to its open architecture, tested for the first time: it has helped attract for instance National Promotional Banks and Institutions as direct implementing partners, thus ensuring better targeting of support to local needs.

In addition, of course to our indirect implementation through the European Investment Bank Group. Slovenia is also closely involved in this, with SID banka playing a role in direct and indirect implementation in the country.

Looking at these few examples, I think we can see that our collaborative approach to industrial policymaking is a successful attempt to tailor our policy objectives to the needs of specific areas or ecosystems.

And, ultimately, to ensure a transition that leaves no person, company, and no region behind.

Conclusion - Europe as the Best Place to Invest and Make Business: A New Plan for Europe's Sustainable Prosperity and Competitiveness

Ladies and gentlemen, prosperity and competitiveness will be the first priorities of the next Commission. I hope that my presentation has convinced you to agree with me that a Competitive Europe is definitely a New Drive and not a Paradise Lost.

Already in the first 100 days of the next Commission, which will kick-off on 1 December, we will come up with a Clean Industrial Deal that will set the right framework for competitive industries and quality jobs. This will come next to an Industrial Decarbonisation Accelerator Act, to support industries and companies through the transition.

We will also provide much needed framework conditions and clarity in specific sectors, including through a Biotech Act, a Circular Economy Act, a Chemicals package and a Steel and Metals Action Plan.

The Competitiveness Fund and a revised public procurement framework, together with the completion of the Capital Markets Union, will give us the needed financial leverage to address these challenges in the years ahead. And again, the Single Market will remain the key enabler, also with a reinforced framework through the Single Market Strategy.

Our objective is to ensure that Europe remains the best place to invest and make business.

Lost Paradise or a New Drive?

If France Prešeren was here he would probably conclude: *"When time marks its circle around your feet, all youthful dreams die in the sunset."*

NO! I would not agree with him today. Europe is strong and we will stay the course. Together we will create the New Drive for prosperity and peace for an even bigger Europe.

Roundtable Discussion of Business Leaders

Mr. Matteo Ferrazzi*, Senior Economist at European Investment Bank , Luxembourg*

Ms. Nevenka Kržan*, President of the Management Board at Luka Koper, Slovenia*

Mr. Archibald Kremser*, Member of the Management Board, CFO and Deputy CEO at NLB d.d., Slovenia*

Mr. Dinko Lucić*, President of the Management Board at Privredna banka Zagreb d. d., Croatia*

Dr. Iztok Seljak*, Board of Directors at Hidria Group; President of Managers' Association of Slovenia*

Moderator: ***Prof. Tomas Casas i Klett***

Dr. Iztok Seljak, Mr. Matteo Ferrazzi, Mr. Archibald Kremser, Ms. Nevenka Kržan, Mr. Dinko Lucić, Prof. Tomas Casas i Klett

Tomas Casas i Klett:

It's a pleasure to moderate this esteemed panel. Let's begin with you, Nevenka. As the leader of a port that serves not only Slovenia but also as a gateway to Europe—facilitating trade to regions like southern Germany—what is your perspective on the current state of globalization? Do you see any significant risks, such as geopolitical tensions or other factors, causing a decline in global trade? What's your analysis of the situation?

Nevenka Kržan:

To start, let me share some key figures: 80% of global trade is conducted via ports using maritime logistics, accounting for 70% of its value. Ports play a critical role in global trade. Earlier this year, we faced challenges due to the crisis in the Red Sea. However, trade adapted by using another route around Africa.

I'm pleased to report that in October, the Port of Koper achieved a historic milestone, handling over 100,000 containers in throughput. Regarding container trade, seven of the world's ten largest ports are in China, with Shanghai leading the way. In 2023, Shanghai handled nearly 50 million TEUs, while the Port of Koper managed 1 million TEUs for comparison. Rotterdam, the largest port in Europe and ranked 10th globally, handled 13 million TEUs.

At Koper, we've seen significant throughput from key clients, such as BYD, the Chinese car manufacturer building a large factory in Hungary to produce vehicles in Europe.

I'm optimistic about the future of global trade. Projections indicate a 4% growth in container throughput next year, which reinforces my confidence that global trade will continue to expand.

Tomas Casas i Klett:

That's great news—trade is a win-win for everyone and one of the most sustainable value-creation business models. We've heard about BYD investing in Hungary. Iztok, as President of the Slovene Managers' Association, how do you view Chinese investments in Europe? Are they an opportunity, a threat, or perhaps both? What lessons can we learn from them? From a management perspective, how do you see China's role: as an opportunity or a threat?

Iztok Seljak:

Let me take a holistic approach to this complex issue. Back in 2007, during my Master's at IEDC, I focused on the future of powertrains and traction systems in European cars by 2030, under conditions of fossil fuel scarcity and zero emissions. We analyzed 15 megatrends and concluded that by 2015, internal combustion engines would be phased out; by 2020, hybrids would dominate; and by 2025, most cars would be electric. This was visionary for 2007, a time when even top executives, like Volkswagen's VP for R&D, dismissed electric mobility as irrelevant.

Hidria embraced this direction early, growing from EUR 100 million to EUR 500 million. Today, we're a European and global leader in motor components. Similarly, it seems some forward-thinking individuals in China had the same vision. The results are clear: China's dominance in lithium-ion batteries, which account for 40% of a car's weight and cost, was built over the past two decades. They now produce 85% of the world's lithium-ion batteries and 90% of photovoltaics. Companies like BYD, expanding into Hungary, are prime examples of this dominance.

Contrary to claims of deglobalization, I believe globalization is accelerating—just not in Europe. Protectionism, ironically, is being used as a tool to speed up globalization by others, particularly China. Meanwhile, Europe is deglobalizing, losing its global influence and market share.

China is leading in 37 out of 44 key future industries, with a 5–7 year advantage in most of them. Europe, by contrast, is clinging to outdated models, ignoring the metaphorical tsunami from the East. We're hoping the problem will disappear, but it won't. Instead of addressing these challenges, we're passively watching our global relevance erode.

To regain our footing, Europe must identify the critical industries where we can lead and innovate, even in areas that don't yet exist. Incremental improvements won't suffice; we need radical, creative destruction. This means dismantling dysfunctional systems and rebuilding from the ground up. If we fail to act, the global economic shift will crush our industries, and our opportunities will be lost.

Time is running out, and we must act decisively.

Tomas Casas i Klett:

Thank you for sharing your insights from the trenches, where real-world competition and decision-making happen—not from the theoretical vantage point of academia. Matteo, those were strong words we just heard. From an economist's perspective, what solutions can you offer? For instance, let's consider Abenomics and its "three arrows" strategy: fiscal policy, monetary policy, and structural reform. In Europe, we seem to focus on the first two—fiscal and monetary policy—while neglecting structural reforms. The Chinese, on the other hand, emphasize reform over the other two. Can you analyze the current macroeconomic situation? Specifically, what structural reforms are most urgently needed to address the challenges we face?

Matteo Ferrazzi:

First of all, I share many of the points raised. As a proud member of the Erasmus generation, I am deeply grateful to be a citizen of Europe—a fantastic place to live. Many people from the US choose to move here, and for good reasons. The European Commission is doing excellent work, but I also share the enthusiasm for improving things further. This is the right time and place to have this discussion.

The Draghi Report was a wake-up call, emphasizing the need for responsibility at both the national and EU levels.

The key to addressing these challenges lies in investment. This isn't just a macroeconomic issue; it affects all of us—citizens, municipalities, institutions, and companies. We need a mindset shift toward investing in education, skills, and innovation.

However, we must recognize that the EU Commission cannot do everything. Its bureaucracy is surprisingly small—fewer people work there than in the municipality of Rome. While they are extremely capable and trustworthy, they lack sufficient resources, operating on just 1% of GDP. In contrast, the national debts of member states like Slovenia, Italy, and France can reach 45-50% of GDP. The EU Commission simply doesn't have the budget to drive large-scale investments alone, so we need to find new ways to fund these efforts.

Europe must start by prioritizing investments in education, intellectual property, and high-tech innovation. While China is focused on manufacturing, and the US excels in high-tech innovation, we need to carve out our path.

One key issue is how Europe allocates its investments. While the US invests heavily in intellectual property, Europe spends significant amounts on retrofitting buildings. Over time, the US approach accumulates into a substantial advantage—2-3% more annually—which becomes a huge gap over decades.

To sum up, the focus should be on stimulating investments in areas that drive long-term growth, particularly education, innovation, and intellectual property. The Draghi Report outlines steps to rebuild the innovation environment, and it's a critical framework for guiding our efforts.

Tomas Casas i Klett:

That was a very valuable insight. Archibald, do you think they can support these investment priorities that Matteo has just outlined so clearly?

Roundtable discussion of business leaders

Archibald Kremser:

Yes and no. To start, let me point out that NLB is the leading bank in Slovenia, with franchises extending beyond the European Union, including former Yugoslav markets. This positions us as a vital bridge between regions. From our perspective, the European Union's expansion into the Western Balkans is crucial for stabilizing geopolitics and creating economic opportunities. There's significant potential for businesses in Slovenia and across the EU.

As a bank, we closely follow businesses. Our health depends on theirs, and a key concern is whether businesses feel confident investing in Slovenia or more fragmented, semi-stable markets. Slovenia has strong preconditions for investment, but structural barriers have resulted in underinvestment. Others may be better qualified to explain these barriers in detail, but the issue is clear.

Another challenge is that banks are traditionally debt-financed investors and are minimally involved in risk capital. While there are large risk capital funds and venture capital in Europe, the region's capital markets remain underdeveloped and highly fragmented across national borders.

The European market cap is a fraction of that of the U.S., perhaps around 25%. These gaps in risk capital financing are significant. And frankly, EUR 300 million is negligible—it's not even a drop in the ocean.

Tomas Casas i Klett:

Dinko, I have a tough question for you as a banker specializing in debt financing. How can we encourage capital allocation to shift not just through debt but also toward equity? In the U.S., equity markets—including private equity and venture capital—dominate, with a strong culture of risk-taking. What needs to change in the EU to move away from the debt-based business model and enable capital to flow more effectively into the right projects that drive growth?

Dinko Lucić:

Thank you for that question—it's very important, and we are highly active in this field, especially recently. Let me start by mentioning that PBZ, part of Banca Intesa, is now the largest bank in Europe by market capitalization, at around EUR 70 billion. We operate in three countries: primarily Croatia, but also Bosnia and Herzegovina, and Slovenia, where we hold a majority stake in the former Bank of Koper, now Intesa Sanpaolo Slovenia.

Recently, the Croatian government has significantly increased its focus on developing capital markets. For the first time, the Ministry of Finance issued retail bonds and treasury bills. In just one year, they successfully included the retail segment in public debt to a level of 9%, growing from zero to over EUR 4 billion. This was achieved by introducing these instruments to citizens who were previously unfamiliar with them.

On our side as a bank, we've been actively issuing corporate bonds. While this is standard for large corporations, we've prioritized helping and educating SMEs to access capital markets. Many smaller companies lack the internal expertise and experience needed to understand how capital markets work or what it means for their businesses to participate. To address this, we are not only introducing new instruments but also working on financial literacy initiatives for SMEs to build their capacity.

Interestingly, at a recent conference in Zagreb, where the CEO of NLB and the finance ministers of Slovenia and Croatia were present, there was a notable discussion about creating a unified capital market. While it's challenging—given the differing priorities of finance ministers—there's growing consensus that Europe needs a single market. Without it, we simply cannot compete globally.

Europe must act faster. While initiatives like NextGenerationEU, RepowerEU, and digitalization are steps in the right direction, speed is critical. If we move too slowly, our efforts risk becoming irrelevant. The *world is changing rapidly, and we must keep pace to ensure our strategies remain effective. I'll end with this thought: being too slow may render even our best efforts in vain.*

Tomas Casas i Klett:

Speed is crucial, and we'll have another round of questions before opening it up to the audience. Yesterday, we discussed an interesting example: a few years ago, I visited the port of Haifa in Israel, where the Chinese not only built the port but also operate it, despite resistance. This collaboration stood out because Israel, a close ally of the U.S., managed to balance both relationships. When I asked the Israeli executive how they balanced such dynamics, he explained that they've learned to 'dance at two weddings at the same time'. Nevenka, you mentioned yesterday that 25 representatives from the port of Shenzhen visited you. What can we learn from the Chinese in your industry? Specifically, I'm curious about the role of AI. While ports and AI might not seem connected at first, intelligence—as data then tokens—is becoming a critical supply element in any field. Could you share insights on how AI and China intersect in the port business?

Nevenka Kržan:

Yes, definitely. Operating cranes remotely using joysticks and automation of various port machinery is the future. This trend is already well underway in China.

Take the port we discussed as an example. We collaborate commercially with them, and they have around 60,000 employees compared to 2,000 in Koper. Their investments in advanced operational models are massive. However, it's important to note that most Chinese ports are newly built, with infrastructure and surfaces engineered to extreme precision—down to a millimetre. This allows them to implement remote operations seamlessly.

In contrast, the Port of Koper was developed over the last 50 years, so significant investment is needed to modernize and create platforms capable of supporting autonomous and safe operations. We've already taken some steps: we've purchased specialized devices to train crane operators, similar to how pilots train on flight simulators.

Tomas Casas i Klett:

Exchanging knowledge is crucial, as is creating intellectual property. But for our intellectual property to remain competitive, there must be a *strong foundation to build on. You spoke very clearly and directly, as a businessman should. Now, imagine meeting Ursula von der Leyen, the President of the EU Commission, what would you tell her? Seriously and constructively, what proposals would you present to the EU Commission, considering its limitations? What actionable steps could they take that you would genuinely support?*

Iztok Seljak:

Fundamentally, as has already been mentioned, the future for businesses, institutions, and the entire ecosystem must center on innovation and creative destruction. It's about taking risks and developing solutions ahead of others. This is the only way to secure our place in the future. Unfortunately, Europe has neglected this mindset for the past 20-30 years, allowing others to take the lead. One example is the mobility of the future. Today, we still associate mobility with cars and four wheels. The Chinese don't. Someone mentioned flying cars earlier, and many in the audience may have smiled—but they're already operational. We need to focus on the next disruptive designs that will make current competitive models obsolete, flipping the game back in our favour.

I've spent significant time in Saudi Arabia, where they are deploying EUR 6 trillion over five years to build a new electric vehicles strategy, targeting 1 million cars by 2030. Compare that to Europe, where we're discussing investments of around EUR 800 billion. Saudi Arabia and the Arab world are positioning themselves as one of the pillars of a multipolar future. India, too, is rising rapidly—moving from 4 million cars today to a population of 1.5 billion, poised for explosive growth.

China's progress is staggering: four years ago, electric vehicles held a 10% market share; today, it's 60%, and soon it will be 100%. They've gone from 0 to 25 million electric vehicles in just a few years, reshaping economies of scale and leaving others behind. This presents a phenomenal opportunity for Slovenia and Europe to form strategic alliances with regions like India, Saudi Arabia, and the broader Arab world. As the Western world, we must find common ground with the US to remain a significant global pillar. Alone, we are weak, but together, we might still succeed. However, this requires a shift in mindset, starting with our values and a clear vision of where we want to be by 2050. In Slovenia, the word 'elite' has a negative connotation, but we need leadership capable of shaping our future. If we don't define our future, others will—and I want to decide where I'll be.

IEDC Presidents' Forum participants.

Tomas Casas i Klett:

When we created the Elite Quality Index, people were taken aback—it sounded elitist. The word 'elite' often carries negative connotations, as it does in Germany, where elites are heavily criticized, or in the U.S., where Donald Trump famously campaigned on 'draining the swamp', even though he is part of the elite. However, this kind of analysis is vital because elite agency not only exits but also drives institutional change, which in turn fosters economic and human development.

Turning to economics and investment banking, interest rates play a central role. One lesson from Japan's 'lost decade'—or arguably its 'lost generation'—is the potential long-term impact of zero-interest-rate policies (ZIRP). Japan pioneered this approach to stimulate growth, but it created a situation where real interest rates were close to or below zero. This pushed the economy into a paradoxical state where the future seemed worse than the present, and value destruction became acceptable since debt could be repaid with depreciated money. As a result, banks could survive and even profit in an environment where value creation was no longer incentivized, albeit often as zombies. Today, the European Union faces similar zombification challenges. The U.S. benefits from vibrant private equity and venture capital ecosystems, which continue to fund high-risk, high-return projects. European banks, on the other hand, don't face the same pressure to undertake uncertainty and innovate. Especially after 2008 they have relied on cheap money to sustain themselves without necessarily allocating capital to risk and broader economic growth.

My question to you is about monetary policy, specifically regarding the European Central Bank. As a macroeconomist, what would you advise the ECB to do? How should they navigate interest rates and monetary policy to promote sustainable growth and avoid the pitfalls of prolonged low interest rate environments like those seen in Japan?

Matteo Ferrazzi:

First of all, I would say the European Central Bank (ECB) is independent, and its primary mandate is not competitiveness but inflation control, while keeping an eye on economic growth. That is their job, and they are largely fulfilling it. Inflation is lower now, but there are significant differences between Eastern and Western Europe.

Monetary policy is the ECB's focus, and it's not realistic to expect Christine Lagarde or the ECB to tackle issues beyond their remit. Instead, what's critical for Europe is creating a truly unified capital market. A Capital Markets Union would make it easier for entrepreneurs to access funding from anywhere in Europe, whether it's Slovenian or Italian capital. Similarly, developing a common market for education, would also support this effort. These are achievable goals compared to more complex reforms.

The broader issue is that Europe suffers from "lazy money". In Europe, two-thirds of funds are tied up in bank deposits and government bonds—conservative, short-term investments. In contrast, the U.S. allocates two-thirds of its capital to private equity and venture capital. This difference fundamentally affects innovation funding.

Banks in Europe operate with a risk-averse logic, striving to minimize non-performing loans (NPLs), often keeping them at 0.5% or 1%. Compare this to venture capital in San Francisco, where the model is completely different: out of 30 companies in a portfolio, most may fail, but one or two succeed spectacularly, creating the next Facebook. We need mechanisms to channel money into venture capital, private equity, and pension funds.

Europe excels at generating early-stage ideas and securing initial investments, often up to EUR 5 million. However, these projects frequently relocate to the U.S. because Europe lacks the venture capital infrastructure to scale them.

If you ever visit incubators in San Francisco, it's a revelation. Two years ago, before the explosion of artificial intelligence, I visited one and was shocked by the sheer speed and efficiency of the process. Ideas from all over the world—Italy, Colombia, Israel, and Slovenia—were being *pitched via video calls in quick succession. Venture capitalists were present, ready to invest rapidly. Within hours, they screened a vast number of projects and committed funding. This contrasts sharply with Europe, where the approach remains highly cautious and slow-moving. To foster innovation, Europe must focus on creating a dynamic ecosystem where capital flows freely into high-risk, high-reward projects. This requires structural changes to how we fund and scale innovation.*

Tomas Casas i Klett:

Are we touching on a cultural issue here? You mentioned 'laziness', which seems tied to culture. Are we perhaps too comfortable in Europe? Is that part of the problem?

Matteo Ferrazzi:

My answer is yes. This is evident in several factors. Productivity in Europe is lower compared to the U.S., with each worker producing less, and the gap is widening. Additionally, Europe faces significant demographic challenges and fewer hours worked. In countries like Germany, for example, people are working fewer hours. This is a common issue in wealthy societies—when people feel financially secure, they tend to work less.

Tomas Casas i Klett:

Is this issue of reduced productivity and effort specific to wealthy societies in Europe, or does it also occur in other parts of the world? After all, Bill Gates came from a wealthy family but still achieved extraordinary success.

IEDC Presidents' Forum participants.

Matteo Ferrazzi:

We face a triple challenge: demographic decline, a lack of willingness to generate and pursue new ideas, and a reduction in the number of hours people are willing to work.

Tomas Casas i Klett:

Archibald, my question may not directly relate to banking, but it's an important one: What can be done to change the European culture to make it more entrepreneurial, risk-taking, and hard-working? How can we reignite the drive, particularly in the German-speaking world? Because if Germany thrives, all of Europe stands to benefit.

Archibald Kremser:

Let me share two thoughts. First, there are undeniably positive aspects of our European culture, and we shouldn't dismiss or undermine its values. European approaches hold significant merit, and when you compare them to the global landscape, you can see their value.

However, as you mentioned, we need to cultivate a culture where success is celebrated. Taking risks must be rewarded, not excessively taxed—whether you're a venture capitalist, a private equity fund manager, or a successful entrepreneur. Currently, Europe emphasizes safety, sustainability, equality, and security, which are all valuable principles. However, I believe we need to rebalance this equation to better incentivize risk-taking and success at every level. This requires a cultural shift toward greater openness to ambition and success, as well as the creation of integrated capital markets to make it all work. Public financing, such as the EUR 800 billion initiative led by Draghi, cannot rely solely on government budgets. The private sector must play a key role, and there is plenty of capital available.

Tomas Casas i Klett:

I think that was both concrete and extremely important. You also touched on the topic of success, which brings me to a question for you, Dinko, about Europe's tax systems and how they impact success.

Currently, the tax systems in Europe often disincentivize risk-taking and hinder the ability of businesses to scale. The variability of national tax regimes across countries adds another layer of complexity. For example, Ireland has one approach, while other countries adopt completely different policies. This lack of alignment creates challenges for businesses operating across borders.

From a banking perspective, when assessing a company, tax structures are a crucial factor to consider. Do you see opportunities for improvement in Europe's tax policies to better support entrepreneurship, and for entrepreneurship?

Dinko Lucić:

Absolutely, there's room for improvement, and I strongly support faster integration. For example, we still haven't completed the banking union in the Eurozone, which is a critical and long overdue step.

When it comes to taxes, it's clear that countries with business-friendly tax systems attract more companies. Many businesses set up their holding companies in these countries. Take the Netherlands, for instance. They've built an entire industry around helping companies establish themselves, with support from tax advisers, accountants, and management services. Their tax system encourages reinvestment by allowing businesses to avoid paying taxes as long as profits are reinvested. This has led to a big shift in companies moving there.

What worries me most is how different the rules and systems are between countries. On one hand, we want to be a single, unified bloc, but on the other, we still act like 27 separate countries. Neighbouring countries handle the same economic issues in completely different ways. For a company operating in multiple countries, this means facing different rules and outcomes depending on where they are.

If we want to be competitive as a unified entity, we need to align our tax systems, labour markets, and other key policies. Right now, the process is far too slow, and that's a serious concern. If we don't move faster, we risk falling behind and missing the opportunity to fully integrate.

Tomas Casas i Klett:

But it could work. I think this is a brilliant idea in many ways. So there is hope. Thank you very much for all your insights!

IEDC Books of the Year

2024 ***Prof. Tomas Casas i Klett and Ms. Kerstin Jorna***, *Competitive Europe: Paradise Lost or a New Drive*

2023 ***Philip M. Parker***, *AI: How Small Countries Can Compete Against Big Players*

2022 ***Howard Yu***, *What makes a company 'Future-Ready'?*

2021 ***New Leadership for Sustainable Future: 35th Anniversary of IEDC***

2020 ***Ichak Adizes***, *Global Crisis as Leadership Challenge*

2019 ***Dominique Turcq***, *Beyond AI: How Neurosciences and Biology will Change our World and how Leaders Should get Prepared for It.*

2018 ***Daniel Susskind***, *Artificial Intelligence and its Impact on Leadership*

2017 ***José (Joe) Santos***, *Globalisation is Dead. Long Live Globalisation!*

2016 ***Joe Peppard***, *Digitalization as Investment in Change*

2015 ***William A. Fischer***, *Are You a Digital or an Analogue Leader?*

2014 ***Roger Martin***, *How Winning Strategy Works and What Is It Really? Why Strategic Planning is not Strategy?*

2013 ***Pankaj Ghemawat***, *How Global are We?*

2012 ***Henry Chesbrough***, *With Open Innovation to Success*

2011 ***Creating the Future: 25th Anniversary of IEDC***

2010 ***Stéphane Garelli***, *Business as Unusual; A Competitiveness Outlook for 2011, and Beyond*

2009 ***Hermann Simon***, *Role Models of Leadership beyond the Crisis*

2008 ***William A. Fischer***, *New Generation Innovation*

2007 ***Jean-François Manzoni***, *How to Avoid the Set-Up-To-Fail Syndrome*

2006 ***Ichak Adizes***, *What is a Leader? (a video lecture)*

2005 **_Peter F. Drucker_**, *Manage Yourself and Then Your Company: Set an Example*

2004 **_Manfred Kets de Vries_**, *The Bright and Dark Sides of Leadership*

2003 **_Fons Trompenaars_**, *The Challenge of Leadership - Visions, Values, Cultures*

2002 **_Milan Kučan, Jean-Philippe Deschamps, William George,_** *Leadership for Innovation*

2001 **_Milan Kučan, Peter Kraljič, Peter J. Rohleder,_** *Competitiveness of Companies in Central and Eastern Europe*

2000 **_Paul Strebel_**, *Focusing on Breakthrough Options*

1999 **_John M. Stopford_**, *Harnessing Organizational Knowledge for Strategic Innovation*

1998 **_Pedro Nueno_**, *Maintaining Your Personal Value*

1997 Lecture by **_Peter F. Drucker_** on the occasion of the 10th IEDC Anniversary: *Manage Yourself and Then Your Company: Set an Example*

1996 **_10 years of IEDC_**

1995 **_George Taucher_**, *How to Succeed with Strategic Alliances*

1994 **_William A. Fischer_**, *The New Faces of Manufacturing*

1993 The European Presidents' Challenge; Beyond Restructuring

1992 Developing Managers for Eastern and Central Europe

1991 **_Thomas J. Peters_**, *The American Way of Managing – A Model for the Whole World?*

1990 **_Arnoldo C. Hax_**, *Redesigning of Strategic Concepts and Processes*

1989 **_Derek F. Abell_**, *Management in the Organization of the Future*

1988 **_Peter Kraljič_**, *Ways to Industrial Success*

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The IEDC–Bled School of Management, founded in 1986 as the first management school of its type in Central and Eastern Europe, is one of Europe's leading international management development institutions. This year IEDC is celebrating 38 years of its existence.

It is a place where leaders come to learn and reflect, an international centre of excellence in management development, a business meeting point, and a unique place where works of art complement a creative environment for creative leadership. Some of the world's most eminent professors and consultants teach here, and participants attend from all over the world. The total number of participants since its establishment until today stands at more than 100,000 from 100 countries.

The IEDC–Bled School of Management is an award-winning school. In 1999, it was one of the first two management schools to be awarded the IQA (International Quality Accreditation), and in 2005, it received international accreditation from the Association of MBAs (AMBA), the first one in CEE.

In 2011, the President of the Republic of Slovenia conferred The Golden Order for Services upon the IEDC-Bled School of Management, for its pioneering work in the field of business education in Slovenia and CEE and for its contribution to putting forward high business standards by teaching good practices and sharing new expert knowledge.

In 2012, the Executive MBA Program of IEDC–Bled School of Management was recognized by the Association of MBAs (AMBA) as one of the four most innovative MBA programs in the world, among 700 MBA programs accredited by AMBA in over 75 different countries. The IEDC–Bled School of Management won that recognition for innovation in combining the arts with leadership and management education.

The IEDC–Bled School of Management has been very active in the UN PRME (Principles for Responsible Management Education) activities and it was the first management school from the CEE region to be recognized as PRME Champion.

This year IEDC – Bled School of Management was listed 48^{th} on the Global Top 300 Innovative Universities on the WURI ranking - “The World University Ranking for Innovation”. IEDC was ranked 3rd in the “Support for Global Resilience”, 17^{th} in “Funding”, and 26^{th} in the “Symbol/Promotion”.

Prof. Danica Purg, the IEDC founding president was named 2010 International Educator of the Year by the Academy of International Business for her outstanding achievements in international business education. The Global UN PRME Forum awarded Prof. Purg in New York in 2018 for her pioneering work in establishing the UN PRME initiative.

The President of the Republic of Slovenia awarded Prof. Danica Purg with the Honorary Order of Freedom for her contribution to management development in Slovenia and Central and Eastern Europe. She is also the recipient of the 2014 Lifetime Achievement Award in the field of management by the Managers' Association of Slovenia and the “National Order of the Legion of Honour”, the highest French order of Merit, received in 2018 for her dedication and support in strengthening bilateral relations among France and Slovenia, especially in the field of management education. In 2022 Prof. Purg was awarded the Order of Rio Branco, the highest decoration of the Brazilian state for foreign nationals.

Along with its highly-ranked International Executive MBA and Doctoral programs, the IEDC offers short executive seminars for top management and a wide range of general management programs including a four-week General Management Program and an International Summer School for Young Managers - YMP. Companies and other organizations appreciate very much IEDC's innovative, experiential learning with great impact.

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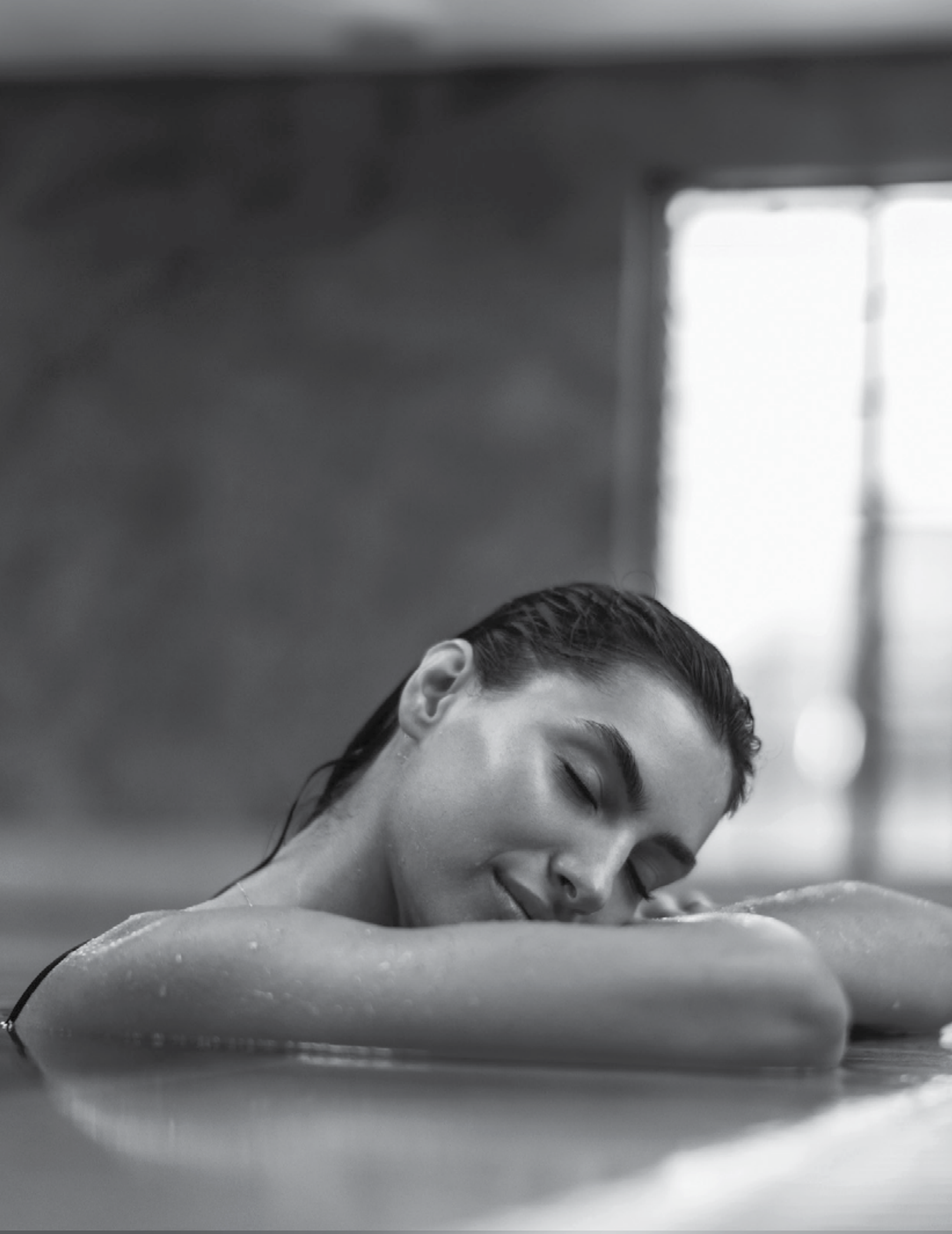

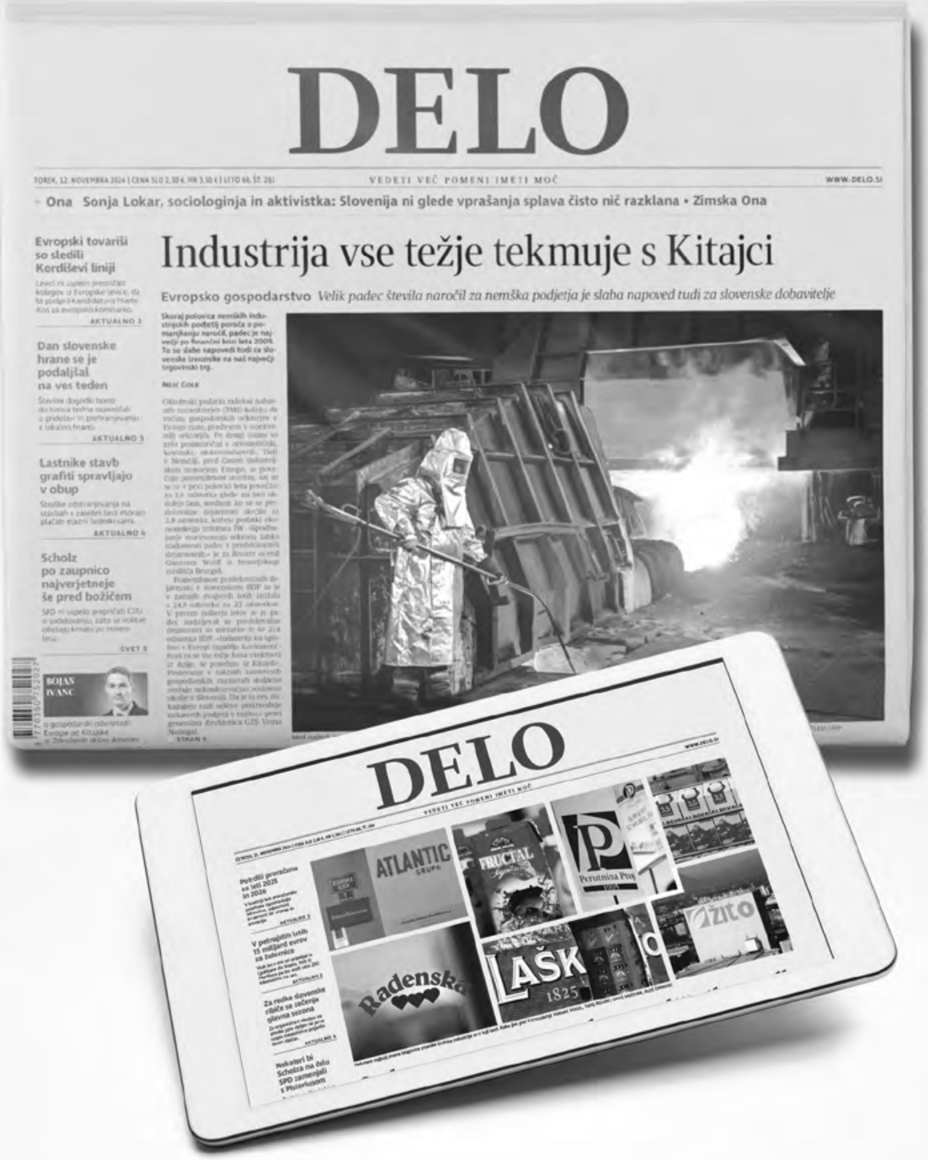
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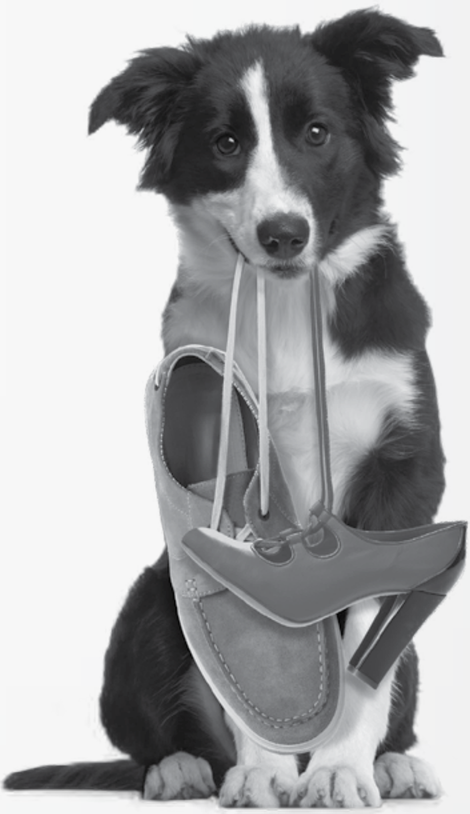

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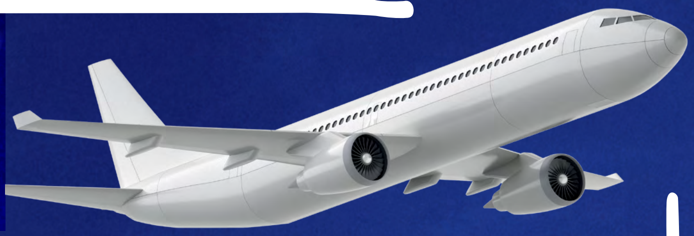

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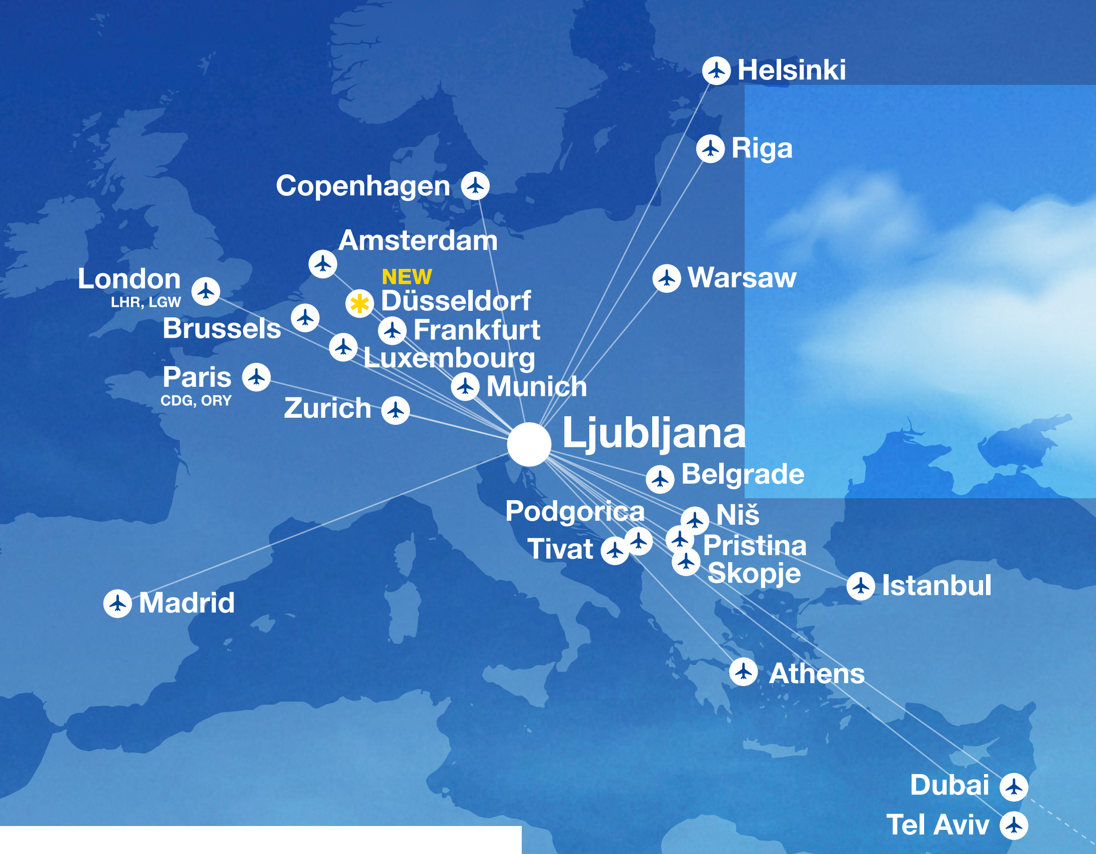

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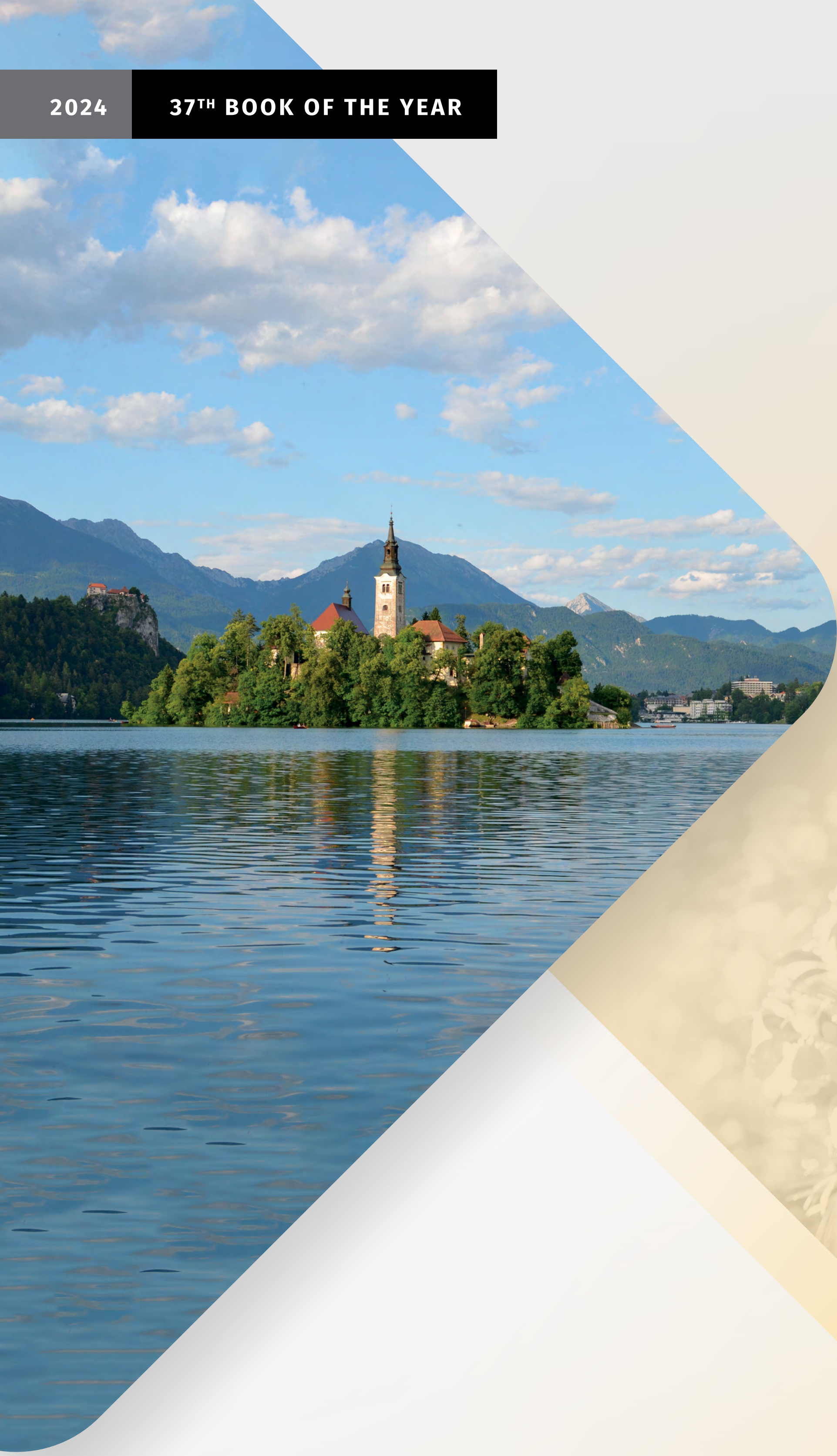

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