

2010 Interstate Programme Report



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MBA students from countries including the US, Germany, France, the UK, and Spain arrived in Brussels for three days of intellectually stimulating discussions and networking opportunities within the context of the Interstate Programme. The program was founded by Jim Whittell, a former director with the British Council, to connect MBA students from across Europe and the US so that they can gain a better understanding of one another – economically, politically, and socially. The number of participants is purposely kept small in order to facilitate interactions, with this year’s class numbering only 45 students.

A particular focus of the Interstate Programme 2010 was the inherent tension between recognizing individual differences of European countries while, at the same time, attempting to understand Europe as a whole. Today, European countries are commonly classified into three categories: non-EU countries (e.g. Norway, Switzerland), 11 EU member countries not using the Euro (e.g. the UK), and 16 EU member countries in the Euro-zone.

The discussions focused specifically on countries comprising the EU, both within and outside of the Euro-zone. These 27 countries operate in more than 20 languages. With such a large, diverse group, even seemingly mechanical or procedural issues can have great political and cultural implications. Thus, agreements are typically reached through extensive negotiations, making compromises inevitable.

Perhaps the most striking take-away from this year’s program is that the EU countries are challenged in finding a sustainable balance between preserving individual sovereign independence and promoting further economic and political integration in order to compete with the US and China. Germany, for instance, is trying to balance a tradition of prudent monetary policy with active engagement in EU as a leader of crisis intervention. The other major EU countries face similar hard policy choices.

The remainder of this report elaborates on three key topics discussed at-length during the program.

Growing Irrelevance of Europe?

Since the 15th Century, Europe has been a central player of history. There is a growing fear, however, that Europe may become economically irrelevant in the 21st century. The failure of the Copenhagen Climate Conference in 2009 is seen as support for the claim: Europe may be pushed away from the spotlight even when it remains on the stage. Dr. Yiwei Wang, Chinese Mission to the European Union (EU), believes that the world in the future will resemble an oval, with the US and China being its two centers. Moreover, as opposed to its Asian counterparts, countries in the EU are viewed as having only soft power. The availability of military force by China and the “Asian Tigers” affords them hard power in the eyes of the rest of the world.

While “an oval world” and the economic irrelevance of Europe may remain remote possibilities, the depreciation of the Euro related to the global financial crisis seems to be in the forefront of thought leaders’ minds. In addition to the financial concerns, the following five critical issues were identified as matters the EU needs to address in order to retain its relevance and competitiveness:

- Growth: Beyond the decline in GDP growth, European population growth rates are waning. Specifically, the workforce is shrinking due to the aging population. Sustainable growth in both GDP and population must be addressed.
- Innovation: While Italy, Britain, France, and Germany were all once leading the world in technological innovation, this is no longer the case. The EU must focus on restoring R&D and innovation in order to start catching up with the US and maintain its competitiveness.
- Entrepreneurship: The cultural difference between the US and Europe was a recurring theme in discussion about entrepreneurship. There is strong negative social stigma attached to business failures in Europe, whereas it is more accepted in the US. As a result, the willingness to start a business is much lower among Europeans than Americans.
- Global perspectives: Europe needs to be better at understanding the priorities, perspectives and positions of other countries and regions to maintain its influence in today's world. Traditionally, there been a sense that the European world view is superior to that of the outside world and thus will prevail in the long run. However, with the US remaining as the world's sole super power and China quickly emerging, Europe must adapt its mindset.
- Migration and immigration policy: While the EU strives to attract talented labor (as the US has done for many years), striking a balance between cross-border mobility and national recognition of credentials remains a struggle for EU-countries. Illegal immigration from countries outside of the EU is an ongoing point of conflict and debate as well.

Future of EU – Further Integration

It has been suggested that further integration among EU countries is required to sustain EU's political importance and future economic growth. One key reason for the weakening Euro is the lack of a unified, binding monetary policy among the Euro-zone countries. As stated by one speaker, "It's not the Greek Crisis, it's the European Banking Crisis". The distinction is crucial as it recognizes the fact that the degree of interdependence among the nations is both a blessing and curse of the EU. In view of this, some suggest the EU needs to take the following four steps to achieve a true economic union:

- Fiscal policy coordination
- General economic policy and regulatory coordination
- Direct oversight and discipline vis-à-vis national budgets
- Centralized crisis resolution

In addition to these vital areas, additional issues of relevance for successful integration include:

- A Centralized foreign policy: After the passing of the Lisbon Treaty, the EU now has a single High Representative (HR) for its foreign affairs and security policy. This new position reflects the growing consensus that integration among the EU countries requires not only “one voice”, but “one mouth”. In addition, it has been suggested that there be one EU Embassy, instead of 27 individual Embassies, in each foreign country.
- Transfer of power to Brussels: Further integration would also mean more power to the European Parliament. Currently, political power still largely lies with the parliaments of member countries and there is little willingness to change the status quo. Members of the European parliament (MEPs) often have little recognition in their own countries and the voting rates are low for EU elections.

While economics suggests that integration facilitates free trade, allowing each country to specialize and focus on its comparative advantages, the road to further European integration entails compromises and negotiations among governments. Paradoxically, Europe is divided by common values – each country does profess belief in free trade, the rule of law, and federalism, but each has its own interpretation of those “common” values. For example, federalism in Germany may mean decentralized government, while in France it may imply additional government intervention. Almost all speakers agreed that an essential first step towards achieving the goal of more fluid integration is a transition to a system where decisions are coordinated primarily at the EU level and only secondarily at the national level. This is challenging as it is almost impossible to do without member-states relinquishing individual sovereignty.

Europe vs. US: Process vs. Result

One perceived cultural difference repeatedly emphasized in presentations was the idea that the US is predominantly results-driven while Europe is more process-driven. While neither, per se, is inferior it influences the manner in which change ultimately is accomplished in the respective nations. It was noted that, in the US, the regular process may be undermined in order to achieve results which may lead to a lower confidence in regulatory bodies. On the contrary, Europe’s process-focused approach can be inflexible and does not always work well as, e.g., reactions to crises can be quite slow.