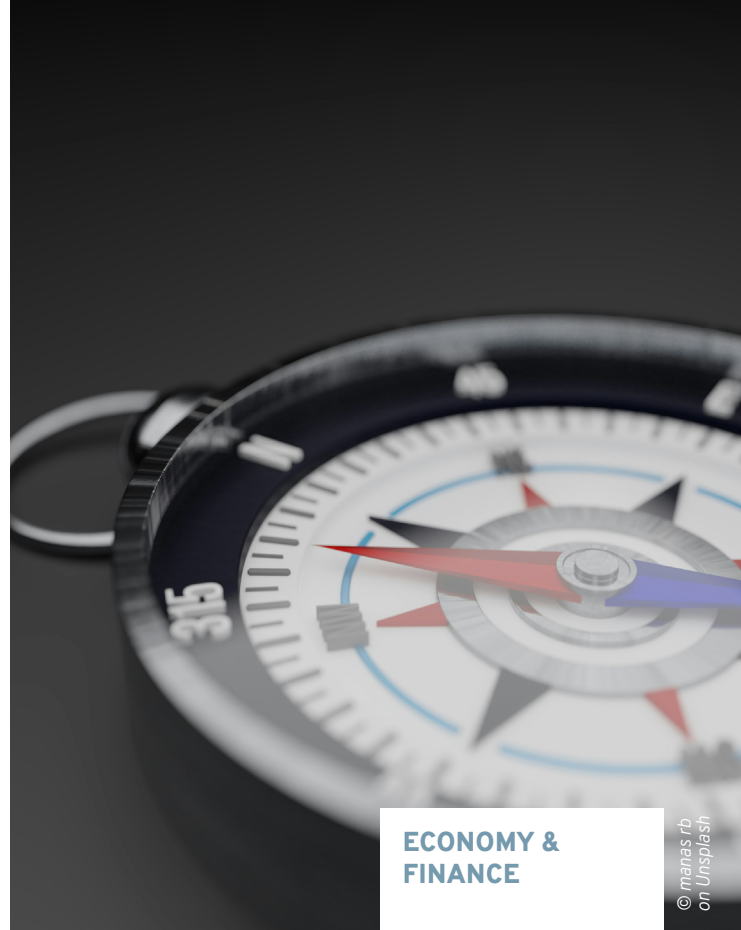


The compass, the map and the landscape: three challenges facing the EU Competitiveness Compass



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“Everyone has a plan. Until I punch them in the mouth.” Mike Tyson

Last month, the European Commission published its EU Competitiveness Compass, building on the recommendations of the Draghi and Letta reports. It outlines three core areas for action: innovation, decarbonisation and security.

It is an interesting choice of analogy, as a compass is an instrument to help someone to navigate from point A to point B. But a compass alone is not enough (to be pedantic, and to stay within the analogy, the first and most important thing to know is your exact location at ‘A’: latitude and longitude; just knowing the true North is not sufficient), you also need a *map* to navigate a certain *landscape*.

Here lies a first challenge for policy makers: if there is a map, which assumptions informed it? A map is a subjective representation of a certain landscape. The Mercator projection became the standard map for navigation in the 18th century¹. Unsurprisingly, Europe is at the very centre of this representation, and as the size of the land gets inflated as we move away from the equator, Europe (and especially Greenland and Antarctica) appear larger than landmasses nearer the equator. The Peters projection, in contrast, aims to represent the ‘true’ size of land in a two-dimensional representation. Selecting a particular map is not without consequences: using Mercator, Greenland’s ‘huge’ size seems to be impacting some US politicians’ perception and envy towards the world’s largest island...

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1 https://en.wikipedia.org/wiki/Mercator_projection

So we must ask which *assumptions* lie behind the Draghi and Letta reports when it comes to EU competitiveness. To mention just a few contested points: should it be driven at EU, national or local level? Should it be steered by the state or by private enterprise? Should it favour incumbents or new entrants? Is Europe assumed to be an equal to the US and China, or as a challenger? Who are assumed to be allies and who are assumed to be foes? Finally, and critically important, is the map about the *current* landscape or about what the landscape *might become* in the future?

This is a second challenge for policy makers: the *landscape* is not static. Just a few days after the publication of the EU competitiveness compass, the US administration announced a steep increase in across-the-board import tariffs with its two neighbours, joint members with the US of the United-State-Mexico-Canada trade agreement (USMCA). Stocks markets reacted abruptly to the reality of disruptions and costs of a trade war and several US business leaders that were supportive of Trump's election as a path to free the 'animal spirits' of US capitalism, are now revising their assumptions.

As a matter of fact, technological, societal, environmental and political drivers create a turbulent, unpredictable uncertain and ambiguous landscape² requiring a distinct approach to *policy design*. Our past work with policy makers and multilateral institutions shows that oftentimes there is an explicit or implicit assumption of a *static* landscape, that is, the assumption that the macro context will not change significantly over the course of the execution of any given policy, strategy or plan. It is rewarding to see more and more institutions include anticipation, foresight and scenario planning to support policy design and policy stress test (full disclosure: we hold a framework contract on Foresight for Policy with the EU Policy Lab of the EC Joint Research Centre, although we have not been involved in the EU Competitiveness Compass policy design). Given the ongoing integration of strategic foresight in EU policymaking since 2018³, we assume

the EU Competitiveness Compass has been stress-tested.

The iconic statement by Mike Tyson brings home the final challenge for any policy or strategy: *dynamic execution*. It is the unfortunate observation we make all so often: the diagnosis was correct, the objectives were adequate at a certain point in time, even stress-tested, but there was no strategy execution process to engage with a dynamic landscape. This might result in the desired outcomes falling short of what was been stated, or in some cases, strategy execution becoming counterproductive, creating damaging side effects. Let's be clear: there are serious processes in place for ex-post policy impact assessment. But what is needed is an integrated *policy design and execution process*.

Mr. Draghi asserts that the EU faces an existential risk unless it vastly increases investment and reforms its industrial policy. The EU Competitiveness Compass is the Commission's answer to this serious warning. As the present innovation and competitiveness context for Europe is and will continue to be highly turbulent and unpredictable, it is fundamental for European policymakers to take into account a dynamic landscape not only during *policy development*, but also during *policy execution*.

2 Ramirez,R., Churchhouse, S., Palermo, A. and Hoffmann, J. (2017) , *Using Scenario Planning to Reshape Strategy*, MIT Sloan Management Review.

3 https://knowledge4policy.ec.europa.eu/foresight/about_en

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