

## What is happening on our international markets?

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### **The inevitability of politics in business**

Businesses cannot and should not practice politics. Politics in democratic states is the privilege of the people: “natural persons” and not legal entities.

But businesses must understand that politics—actions by governments and institutions that are a result of it—shape the economic organization in which companies themselves act.

Therefore, the examination of politics always constitutes the first evaluation criterion in marketing analysis. To start this day it is therefore necessary to deal with politics, as in any case, politics deals with us, with our markets and with our businesses.

If only to understand what is happening to us and to our clients.

### **The explosion of state expenditure is blocking any growth**

In February and March 2005, major international financial institutions have reduced, as was the case in previous years, previsions for the development of the European GDP. If in 2003, the progress of national GDPs was on the order to zero point a few dozen points (even in Germany, said to be Europe big locomotive, there is a decline of 0.2%!), in 2004, progress remained almost insignificant. And already in the first two months of 2005, illusions of economic recovery in continental Europe were nipped in the bud. Again “telephone area code growth” is anticipated (there is talk of 0.8% despite the increase in deficits!). Political leaders of European countries never cease to get together trying to conceive of fresh strategies.

In Lisbon, just a few years ago, the European summit had predicted that “the Eurozone was to become the most competitive economy in the world”. Alas, we can only observe that the goal has systematically failed year after year. To the point that adjustments to financial parameters are constantly being implemented: the latest one was lifting the ceiling off the Maastricht criterion given that Germany and France—the two major states in continental European economy—have exceeded it for three years.

In reality, there are approximately four economic zones in the world: the non-Muslim Asian zone, the Anglo-Saxon zone, the Eastern European zone and the continental European zone. It may be said that the development of the GDP in these zones is always more than double that of the next one. Where is this weak link that generates the dreadful stagnation of European economy? Answer: in the huge expenses by the so-called social EU Member States.

### **The situation will not improve rapidly**

In Maastricht, the European Union had attempted to put a brake if not actually on state expenditure, which was and today still is in more or less constant uncontrollable escalation with the famous 3% annual deficit (the one that’s just been lifted): whereas state expenditure, in the early 60s barely exceeded 30% of GDP, these days we have managed to happily reach more than 50%.

In the meantime the number of employed people is on the decrease. For example, in Belgium, out of 10 people only 3.4 are employed of whom one is a civil servant. To this staggering situation (which the current pension structure can only worsen) public debt of approximately 100% of GDP must be added: not pleased with having increased state expenditure to more than 50% in 40 years, Belgians—nearly the same figures can be found everywhere in continental Europe—have mortgaged the future by creating huge public debt that we and generations to come will have to pay for.

Not to mention the health and pension debt that cannot really be calculated since longevity increases every year (it must be recalled that those who do work—that is to say us—who have no hope of ever being able to collect this pension, are also paying for more than 70% of current pensions). And, since the populations of continental Europe have already decided to elect the government coalitions of left-wing parties: those who have developed this huge expenditure in the past have the right agenda to continue to do so. Therefore, we almost have no hope left for the economic crisis to be resolved in the years to come.

In addition, in a state of true collapse, Europe is unable to develop. What's more, the inevitable globalization progresses and developing countries radically decrease production in "rich" countries or put them straight into bankruptcy (the "positive" version being that of delocalizations).

### **Two crucial questions**

Two considerations can thus be put forward.

Why can 70-90 generations not grant such generous pensions?

Why would it be better to have a society with a light state compared to a so-called welfare state?

The first question can easily be answered by saying that a (truly) democratic country ought not to incur expenses that must be paid by other people that are not yet adults or that are not yet born!

To the second question, it must be answered that a light and non-welfare state (which is called a state at 30-35% maximum of expenditure compared to GDP), has an economic development exceeding 4-5% of GDP every year (see Anglo-Saxon countries for more than 20 years).

### **The three Eurologos guiding lines**

It seems obvious that if "rich" countries do not radically change their management, the future can only be positive for countries said to be developing and taking advantage of the inevitable integration of markets (globalization). What to do?

As we should not count on political changes in (continental) Europe, there is only one way to go: the way Eurologos Brussels has been going for some dozen years. It may be summarized into three points.

1. Globalization is essential by merciless glocalization (it is for that matter a necessity for all businesses throughout the world).
2. We must continue to develop (as much as possible) and to improve our competitiveness (lower or curb our prices)
3. We have to resign ourselves to taking charge of the debt and expenditure by our (continental) European co-citizens (very much beyond their means) and work a lot harder to pay for them.

We are the "sacrificed generation". And not the last one either!

Thank you