

Together we'll innovate the Netherlands

Frans van Houten - EW Economics Lecture 2020

Good evening, ladies and gentlemen.

Would you have thought in 2019 that we would be meeting virtually today? Yet this is the new reality. 2020 hasn't turned out to be a normal year. Suddenly, everything changed because of COVID-19. From one moment to the next, many of us were working from home. Meetings were conducted via computer screens. We no longer jumped into the car or onto a plane to see someone. And we started calling this 'the new normal'.

For me, this is far from normal. We all recognize the limitations of communicating purely digitally. People are sitting at home, stressed out, and our creativity is suffering from the lack of social interaction. I myself am used to traveling around the world, a practice that allows me to better understand and influence developments in the world. Now, like everyone else, I have to make do with my laptop. Fortunately, it will all be temporary.

But that doesn't mean we should not and cannot learn from this period – because I also see something beautiful in the way we responded to the corona crisis. It showed that *if we have to*, we as a society can act quickly and find solutions. In 2020, the market for most companies changed *very* quickly and *very* radically. Many CEOs will have scratched their heads. What to do now? How do we get out of this?

In healthcare – in which, as you know, my company Philips is actively involved – it was 'all hands on deck'. More than ever, and faster than ever, everyone in the world wanted our medical solutions. Under pressure, everything becomes fluid. So in April, in close cooperation with the Dutch Ministry of Health, Welfare and Sport and the Erasmus Medical Center, we set up an online COVID-19 portal allowing Dutch hospitals to share patient information when patients need to be transferred.

For years, the concept of health data in the cloud was heavily resisted. Now we *really* needed it, and we achieved it within two weeks. Where did this sudden willingness to act come from? Why do we wait before acting until we are up to our necks in water?

These last few months certainly merit one observation about our culture, since COVID-19 *forced* us to adapt. But I would argue in favor of *always* seeking change. Why? Well, we are doing well in the Netherlands right now, but four developments threaten our prosperity. I will tell you more about those later. However, these threats can become opportunities if we dare to drastically innovate.

In this context, one of my favorite metaphors fits our country quite well because of the wind and water that are part and parcel of the Netherlands. It goes as follows – if you want to get somewhere in your sailing boat, you need to leave the safety of your harbor and look for the wind. Sailing in strong winds may be scary and uncomfortable, but it does give you a head start over your competitors. Wind provides us with movement and direction. Wind takes us to new destinations.

This also applies to a company like Philips. If you are looking to grow, you set out to find growth markets instead of remaining stuck in the harbor of the past. It also applies to a country as a whole, such as the Netherlands. To keep up with the world, we have to go where the wind is blowing, because if we wait for the strong winds to subside others will have reached those new destinations sooner than us.

So, for the next 45 minutes, I would like to focus not so much on the beautiful company of Philips, but mainly on our country. I love the Netherlands. It is a wonderful country to live in and it provides a good home base for Philips. Like me, many Dutch people are satisfied with our country. The CBS Broad Prosperity Monitor shows a happy population and a relatively fair distribution of wealth.¹

At the same time, many Dutch people are worried about the future. Groups in our society are struggling. And more is coming our way. Just one example – we are set to lose 700,000

office and production jobs through automation and robotization within the next ten years. That's 8% of all jobs in the Netherlands.²

When I look at the world, I see the United States and China making moves towards that rapidly changing future. What competitive strength in the Netherlands do we offer against that? Do we sit back to reap the finite benefits of our past explorations? Or do we decide to go and look for that wind again?

Now I can hear you say – “oh, here's yet another CEO talking about competitiveness. And surely he wants more growth too?” My answer to that is a resounding yes. We need growth so that everyone in the Netherlands benefits. Only through growth can we safeguard the achievements of our society. No growth means no money for education, culture, pensions, healthcare, climate change, housing, mobility. But we have the option of sustainable growth – by investing in the industries of the future, for example, in innovations that contribute to a circular economy, the energy transition, or to our health.

And while I have your attention, let me add another much-discussed and often controversial point – this all needs to happen in a united Europe. I am convinced that we need a united Europe that is capable of competing with the United States and China, because in many areas we are now increasingly dependent on those two economic superpowers. Only when they need Europe as much as we need them, will we have reached a healthy balance in the world. A relatively small country like ours can continue to play a major role as an exporting country, but only if we focus on and excel in relevant areas of future growth.

During this lecture, I invite you to join me in an assessment of the competitiveness of the Netherlands and Europe. Firstly, I will unpack for you the forces that I mentioned earlier – the technological, geopolitical, ecological and social developments that pressure our existing earnings models. Next, I would like to look at our opportunities – what are the growth areas and earnings models of the future? Then I will measure our country's performance against an economic yardstick – how is our country positioned to seize these opportunities? And finally, how can we strengthen the competitiveness of the Netherlands and Europe? What types of improvements are needed? And what mentality do we need to succeed?

Change in the world requires change in the Netherlands

Innovating together is at the heart of the answer to all the above questions. I am an optimist, always eager to build on our strengths, and I'm encouraged by regional excellence in the Netherlands. Just by looking at a booming innovation and export region like Brainport Eindhoven, we see that our country has long known how to innovate together.

Now please keep the concept of this successful innovative ecosystem in mind for a while, as I will first discuss with you the four great forces in the world that we in the Netherlands need to master.

New technologies

The first force is the emergence of new technologies, the consequences of which go far beyond the fact that I'm now able to address you online. Thanks to the Internet, the whole world offers potential customers to a company. In recent years, companies without a factory or shop of their own have broken into markets that appeared to be locked solid – Amazon and Alibaba have radically changed the retail landscape, streaming video has completely reshaped the entertainment market. And as I mentioned before, robotization and automation are on the rise, even in administrative processes – for example, Philips bots interact automatically with Amazon bots to match supply and demand in real time.

But have the Netherlands and Europe taken up a relevant position in the world in this game of rapidly changing technologies? Certainly not. We are lagging far behind the technological and production power of the United States and China. These two economic superpowers dominate entire industries worldwide – from e-commerce, social media channels, and the semiconductor industry to batteries, solar panels, and scarce raw materials.

Geopolitics and globalization

Moving on to the second force. Historically, the Netherlands has always benefited greatly from globalization. In fact, as a small country, we have punched well above our weight since the 16th century. Partly thanks to world trade, the Netherlands has seen a fourfold increase in per capita income since 1950.³ The volume of our total trade – i.e. imports and exports

combined – amounts to more than 150% of our gross domestic product, compared with 26% for the US and 36% for China,⁴ with Dutch exports accounting for more than 80% of that.⁵ You see the same with Philips – only 3% of our total sales of EUR 20 billion comes from the Netherlands. However, we export more than EUR 2.5 billion from our two large Dutch factories.⁶

But recently, geopolitics has threatened to erode this favorable position in the Netherlands. The United States is withdrawing from multilateral agreements while China is adhering to them only selectively, *America First* and *Made in China 2025* now being the mottos of these superpowers – this isn't good news for Dutch companies and our export-oriented economy, with Brexit adding another headwind.⁷

Climate change

Meanwhile, climate change is continuing – it's the third force holding the world prisoner. If nothing is done, global warming will pose unsolvable challenges for future generations. This ecological threat is already clouding our competitiveness in the global marketplace today.

The traditional strengths of our favorably located river delta will come under increased pressure. What will happen to our agriculture and how much water will continue to flow through the Rhine? And as the world moves away from fossil fuels, our strong position in petrochemicals is likely to fade too.

Social unrest

A fourth force we need to reckon with is growing social unrest globally, fueled by uncertainty about the future and by socio-economic inequalities. In recent decades, this inequality has increased in the G20 countries – the 19 largest economies in the world plus the European Union – while labor's share in the income of these countries has dropped.⁸ As a result, in most Western societies, and in the United States in particular, we see a growing gap – material as well as social.⁹

At present, income inequality in Europe, and especially in the Netherlands, is relatively low compared to the US.¹⁰ That's not to say that our country does not have any social

challenges. Here too, some groups are lagging behind and the gap is widening rather than narrowing. Overall, we perform well in terms of social mobility, but we are showing weaknesses, particularly when it comes to people with little education or those in vulnerable professions. As a result, unemployment among these groups is relatively high in the Netherlands too.¹¹

The increased dissatisfaction in the Netherlands is understandable yet worrying. The Netherlands is *not* the United States – we don't like to see a battle of the classes here. That doesn't fit in with our culture of wanting to help each other – another reason why we need to strengthen our capacity to create income, because good social services will cost a great deal of money.

These are the four overwhelming forces that I have discussed with you here. However, we must not allow ourselves to be paralyzed by them – taking shelter in our safe harbor won't get us anywhere. Ladies and gentlemen, let me put it to you bluntly – standing still is going backwards.

The need to keep moving is also becoming increasingly apparent in business. In 1958, the average life expectancy of a company listed in the Standard & Poor's Index was 61 years. Today, it's only 18 years.¹² Companies aiming to start a second or even a third or fourth life will have to reinvent themselves regularly. DSM is a fine example in the Netherlands – from mining to chemicals to life sciences.

For 129 years, Philips too has thrived in the game of innovation and disruption. We started out in light bulbs, then moved into radios and TVs before going on to invent the cassette tape and the CD player. However, we lost relevance in our traditional markets. Since taking on the role of CEO at Philips in 2011, I have had to make difficult decisions, and one of those was changing course in order to win in the growing health technology market. Winning is all about making choices and investing in those choices. As a result, Philips is now growing twice as fast and is worth three times as much as in 2012. If you will allow me to stick to my metaphor – that is daring to sail into uncharted waters in order to stay relevant.

But, you will argue, isn't the Netherlands doing just fine in all the innovation and business environment rankings? Yes it is, for now. But how durable are our current earnings models?

It hasn't been that long since the whole nation rallied behind the motto of the Netherlands as a distribution country *par excellence* – with a seaport and airport functioning as the tried and tested engine of our economy. Our favorable location on the Rhine and Meuse delta provided fertile soil and made for an ideal logistics hub as well as a pleasant living and business climate. From our delta, we were able to supply the entire European *hinterland*, leading to refineries and chemical plants finding a home in our ports. Our food and flowers not only benefited from our clay soil and mild maritime climate but also from the 24-hour distribution that our seaport and airport were able to offer. As a result, we have a significant role in the world in areas such as agriculture, logistics and petrochemicals.¹³

However, a strong headwind has emerged in the petrochemicals and logistics industries in particular. Worldwide profits in the petrochemical industry shrank between 2010 and 2019 – so even before the corona crisis. This decline is expected to continue until 2023.¹⁴

Meanwhile, Dutch bank ING argues that the shape of the Netherlands as a distribution country is changing from being 'the gateway to Europe' to a mere logistics hub, mainly because of the New Silk Road, Brexit and our strict NO_x regulations.¹⁵ Meanwhile, our agriculture is also facing structural challenges, especially environmentally.

Turning threats into opportunities

In which growth areas can the Netherlands regain its favorable position in order to set itself apart in the world once again? Let me give you a few examples – not exhaustive, but merely to stimulate your thoughts. Through technological innovation, our current NO_x emitting agriculture industry could transform itself into Europe's most sustainable *hortitech* and *agritech* region, powered by the knowledge of our Wageningen and Delft universities, while hydrogen could eventually replace our petrochemical industry with the help of our existing gas infrastructure.

The circular economy also offers ample opportunities for new revenue models. At present, only 9% of the world economy is circular, so we should be fully committed to an economy without waste that doesn't deplete our natural resources, providing both a sensible and lucrative alternative to our current linear economy. The World Economic Forum has calculated the value of such a circular economy at around USD 4.5 trillion by 2030.¹⁶

Or take our data centers, for which our country offers a favorable business climate. Can we increase their added value by hosting the EU's targeted GAIA-X European cloud infrastructure in the Netherlands? And can we leverage that opportunity with a European health cloud driving biomedical innovation in the Medical Delta of Leiden, Delft and Rotterdam?

We already see this high added value in our high-tech manufacturing industry, for which Brainport Eindhoven is the best example. In the Southeast Brabant region, the gross regional product is 16% above the Dutch average.¹⁷

Is the Netherlands ready to seize these opportunities?

I see these as very interesting opportunities, but how well is our country positioned to seize them?

Let's measure our performance using the economic yardstick of the World Economic Forum. The Forum's Global Competitiveness Index 4.0¹⁸ provides an excellent framework for change, as each country's performance is re-calculated every year. What's more, the method focuses on factors that countries can themselves influence in order to improve their position in the world. These include legislation and regulation, public investment and possible trade barriers. The business community also plays an important role in this model.

The good news is that in 2019 the Netherlands ranked among the top five in the Global Competitiveness Index. Fourth place in a ranking of 141 countries is not bad at all – with only Singapore, the United States and Hong Kong ahead of us, and chased by Switzerland, Japan and Germany.

What strikes me, though, is that specifically those indicators that are important for our future are lagging behind. Our ICT adoption only ranks 24th on the list, well behind the leader South Korea. And if we look at education – another vital element for future success – our average number of school years puts us in 26th place, far behind Germany.

So there is more to it. In fact, I predict that in five years time, if policy remains unchanged, the Netherlands will no longer be in the top five.

How, then, does the Global Competitiveness Index examine the performance of countries? It does so across four dimensions. The Markets dimension looks at the product market, market size, labor market and financial system. The Human Capital dimension looks at health, education and the skills of the inhabitants. The Enabling Environment dimension looks at institutions, infrastructures and macro-economic stability, among other things. The Innovative Ecosystem dimension measures a country's business dynamism and innovation capability.

This last dimension is closest to my heart, as it is precisely the dimension that is going to help us move forward. It is also the concept that I asked you to keep in mind at the beginning of my speech – the Netherlands as an industrious hive of innovation and cooperation.

The great thing is that, in miniature, this solution is already present in the Netherlands. For 20 years now, the Brainport Eindhoven innovation cluster has been a breeding ground for complex machines and innovative products that make the world a better place. Thanks to Philips, ASML, NXP, Signify and all their suppliers, such as VDL, Prodrive Technologies and Frencken, this small part of Southeast Brabant is leading the world in the semiconductor industry and in medical technology. The total value of these companies combined adds up to more than 230 billion euros.¹⁹

This innovation cluster was created because Philips has always remained in motion and kept its window open to the world. Former Philips companies have also been successful in the region, providing a huge boost to the city of Eindhoven and its surrounding area, as have many other technical companies that have their cradle in the province. At the High Tech Campus in Eindhoven, countless companies, small and large, innovate together with knowledge institutions and the local community.

Partly thanks to Brainport and other knowledge clusters, the Netherlands ranks second in the world in business dynamism according to the Global Competitiveness Index. The potential of these clusters is clear when we take a look at how much we spend on research and development in this country. In Brainport, we spend 3% of the gross domestic product on public and private research and development – in line with the objective formulated in the Europe 2020 strategy.²⁰ For the rest of the Netherlands, it is less than 2%. If we spent 3% of our gross domestic product on public and private research and development throughout the Netherlands and Europe, we would create 3.7 million extra jobs, according to the EU's very own calculation.²¹ This is partly caused by the so-called multiplier effect – one job in the Dutch manufacturing industry leads to 1.3 extra jobs in the services

industry.²² Jobs attract more jobs, a phenomenon we see very clearly on the American west coast.

In short, by investing in innovation clusters such as Brainport Eindhoven and campuses such as the HTC, we will be able to catch up more quickly with the United States and China. After all, if Brainport Eindhoven works so well, why can innovation and collaboration in these innovation clusters not be at the heart of the Netherlands as a whole? We are already seeing many promising initiatives elsewhere in the country, and we can develop each of these by thinking and acting bigger.

I am thinking of a strong agricultural and food technology cluster in which Delft, Wageningen and the Westland region reinvent these industries. In Amsterdam, with Booking.com, Adyen, Takeaway and the gaming sector, for example, we see the start of a strong cloud and information technology cluster, while Biotech Leiden and the Medical Delta of Leiden, Delft and Rotterdam could well achieve a leading global position in healthcare innovation.

If we can realize five or six successful ecosystems in the Netherlands, our future prosperity will be much more secure.

That's why I advocate a Dutch innovation policy that specifically boosts promising growth areas, with clear coordination and favorable conditions regarding investment in the relevant ecosystems. This should include incentives that encourage government, knowledge institutions and the business community to cooperate and innovate, as well as a widely supported, positive culture of entrepreneurship.

In order to secure the future of the Netherlands, we must dare to think big now and invest strongly. The National Growth Fund would make a great start.

What steps does the Netherlands still have to take?

So what conditions do we need to create in order to turn all these innovative ecosystems into a success? Next up – how do we shape the whole of the Netherlands into Europe’s foremost region for innovation? And finally – how do we perpetuate this success in order to ultimately achieve our goals? To this end, I would like to look with you at the other three dimensions of the Global Competitiveness Index. Let’s start with the Markets dimension.

Markets

As I said earlier, the Netherlands is a small country – and yet we compete in the Champions League. In the past, we played our part as a distribution country, but as I told you, that economic engine is starting to stutter. However, by rearming ourselves with these innovation clusters, we can maintain our position at the top.

Global multilateral agreements have always helped our export position, as these allowed us to export 80% of our gross domestic product. However, with WTO agreements now under pressure from *America First* and *Made in China 2025*, we have to conclude that, as a small country, we cannot solve this issue on our own. Thanks in part to their huge domestic markets and a great deal of investment, the United States and China currently hold a major technological advantage over European countries²³. But in a world with a strong America and a strong China, we also need a strong Europe. To achieve this, we need to think big – so not every country for itself, holding on to its own identity and past achievements – and stop continuing with a market that is fragmented by language and regulations.

With our small domestic market, the Netherlands is lagging behind in artificial intelligence, the cloud and digital services. Over the past five years, 217 million euros have been invested in AI companies in the Netherlands, a meagre amount compared to almost nine billion euros in the United Kingdom. That puts us in 13th place in Europe. If we look at Europe as a whole, over the same period only 7% of globally available investment went to European AI companies, 58% went to the US and 26% to Asia.²⁴ It is no wonder that the number of 'unicorns' – startups with a market cap of over USD 1 billion – is considerably smaller in Europe. Here we have 47, China has 97, America has 194.²⁵ In 2009, at least 10 of the 40

largest tech companies were European. Ten years later – only two.²⁶ No wonder we often see our data science brains leaving for America.

European competition law also discourages economies of scale. It is hard to consolidate in Europe when the aim is to achieve maximum competition within each European country, all in the so-called interest of the consumer. However, we should not only look at the competitive position of European companies within Europe itself, but also at their strength on the world stage, because the jobs these companies provide are very important for Europe as well as for consumers.

In Europe, for example, we have more than 100 telecoms operators reaching 95% of the population, while in China and America there are just two or three. We are lagging behind in our investments in 5G networks – and it's partly because of this fragmentation – while 5G is essential for the future of our manufacturing industry in Europe.

Both politics and industrial policy in the United States and China are geared towards strength, power and self-interest at a time when 'market power' and 'European champions' are controversial concepts in Europe – and that is certainly proving to be a handicap in the competition between the top three economic powers in the world.

I would like to see European companies become world champions too. That is why I am in favor of a European competition policy with a global perspective on the future balance of power.

On top of that, I am in favor of an industrial policy that encourages European companies to grow as they take on their American and Chinese counterparts. After all, only by creating strong European companies with unique strengths will we be able to create and maintain *mutual interdependency* between the world's three largest economies. This will benefit not only Europe, but the whole world as well.

Human Capital

Let us move on to the next dimension of the Global Competitiveness Index, that of human capital. Progress can be achieved here too, because after all, high-quality education is the start of sustainable innovation. That's why the negative trend in school performance in the Netherlands is worrying.²⁷ For example, the reading skills of primary-school pupils have dropped by 17% in just a few years,²⁸ and we see a similar trend in secondary education.²⁹ Moreover, only 15% of Dutch students opt for a technical education, while in the EU that figure is 26%.³⁰ We need to do something about this, since knowledge of technology and artificial intelligence will soon be needed across *all* industries – from healthcare to agriculture and supermarkets. Just to give you an idea – 3 million workers in the Netherlands will need additional training in digital skills over the next ten years.³¹ Fortunately, the Dutch AI Coalition was recently founded – a public-private partnership that has submitted an ambitious investment program to the proposed National Growth Fund.³²

Automation and robotization will both lead to job losses in the coming years, mostly in office and production jobs.³³ How are we going to bring all these people back to the job market? The current flexibilization of the labor market is subject to criticism, and the reaction is to partly reverse this 'excessive' flexibilization. However, it is not flexibility that is the problem, but the income gaps, unequal opportunities and insecurity that have arisen as a result. On the contrary, labor mobility is essential, so instead we must help people who lose their jobs to retrain. Income support and a personal education budget may help correct this market failure and help vulnerable groups find new opportunities.

High-quality education is equally essential for our labor productivity – a useful measure of competitiveness, as labor productivity measures the value of an hour worked. This figure is more than 30% lower in the EU compared with the United States, so an hour worked in Europe produces far less than an hour worked in America. At 90% of the American level, the Netherlands is doing significantly better than the European average, but our performance is still worse than the United States. And according to the Organization for Economic Cooperation and Development, the OECD, the Dutch trend is downward. In 2001 our labor productivity was still at 94% of that in the US. Here too, innovation clusters can play an

important role, since productivity in these high-quality ecosystems is some 25% higher than the productivity reached outside such clusters.³⁴

I therefore call for more investment in education, specifically for a redoubling of our technical education capacity, as well as for educational innovation that allows us to speed up the introduction of digital teaching methods, helping teachers to devote more time and attention to supporting their pupils' development.

In addition, we must prevent groups of young people failing to finish school and lacking access to the job market. In this respect, I am very much charmed by the German master-apprentice model, which would require many more internships. In this way, our secondary vocational education could significantly increase their relevance to society.

However, for me, education is about more than school and the right further education at an early age. The world is changing too rapidly for a working life to be built on a single period of education. This is why we need an education policy focused on lifelong learning – for example, for those in their forties who are eager to make a career switch, and especially for retraining people with skills that are no longer required. Every year, additional education for the *entire* working population leads to a 10% increase in our gross domestic product. If this additional knowledge is consequently put into research and development, every euro will yield EUR 4.50 at the end of the day.³⁵ Every CEO will sign up for such a return on investment.

At the same time, we should not be afraid to search for knowledge across our borders in order to bring the best people to the Netherlands. The 30% rule comes to mind – the rule that allows employers to pay 30% of salaries untaxed as compensation for the costs these people incur in moving to and working in our country. We can see the positive results in the thousands of high-tech knowledge migrants working in Brainport Eindhoven.

Equally important for our human capital is our healthcare. Because healthcare enables us to positively impact our health and happiness in life. In the 21st century, technology-driven advances in healthcare have already contributed to extending our life expectancy by almost

four years.³⁶ Many of us can have a good quality of life despite a chronic condition.

However, the COVID-19 pandemic has also taught us that we need to solidify our healthcare system and accelerate the adoption of new care models that will help keep healthcare both widely accessible and affordable.

I do not at all see healthcare as an expense that needs to be minimized, but rather as an investment that needs to be optimized. Investments in healthcare will have a fourfold return as healthy people are less likely to drop out of the labor market, thereby greatly benefiting our productivity and prosperity. Medical innovations, such as preventive care and telemedicine, can drive amazing developments that can contribute to enormous health improvements.

Enabling Environment

This brings me to the final dimension of the Global Competitiveness Index: the enabling environment. The Netherlands seems to do rather well in this regard, thanks to our pleasant living environment, our wonderful roads and diligently working institutions. Yet there is plenty of potential for improvement here, too.

You will remember that our country ranks a meagre 24th place in ICT adoption. With 5G and cloud technologies there is some catching up to do in order to lift ourselves back into the top ten. This is vital, as only the best digital infrastructure befits a flourishing knowledge-based economy.

There is also need for improvement in our physical infrastructure. After all, arguing in favor of economic growth and more people coming to work in the Netherlands means we have to structurally address shortages in the housing market and our traffic problems. So what if we *do* invest in high-speed connections between the east and west as well as the north and west of the Netherlands? Building hundreds of thousands of new houses will breathe new life into shrinking municipalities in remote regions that offer a pleasant living environment. I imagine that, using these high-speed connections, people will partly work from home and partly go to their offices and labs to undertake the all-important creative collaboration. In this scenario, we would utilize the whole of the Netherlands, bringing a good balance to our

economic growth centers and residential and natural areas, while allowing all our provinces to benefit from the nation's growth.

To grow is to do business. For entrepreneurship, it is vital that we simplify and defragment regulations in our country while at the same time providing the right incentives. This necessity is also reflected in the Global Competitiveness Index. We are ranked 55th when it comes to the cost of starting a business, while in terms of internal labor mobility we rank only 72nd.³⁷

And staying on the topic of fragmentation, allow me to return to the subject of Europe, as our continent is still a puzzle with a thousand pieces that do not fit. 83% of European businesses fear administrative complexity as soon as they cross national borders – even more so than the language barrier, which 45% of businesses regard as a steep hurdle. In the absence of harmonized rules, pan-European service providers, and a pan-European digital infrastructure, EU countries only trade half as much with each other as US states do among themselves.³⁸

It is not without reason that earlier this year the European Round Table for Industry, which has 57 leading European tech companies sitting at the table, signaled several false starts for Europe in terms of industrial policy and regulatory harmonization. At the same time, however, there is hope on the horizon.³⁹

The new industrial strategy for Europe launched by the EU in March this year could represent a huge step forward, as it contains good intentions in all the directions I have outlined – a reduction of *red tape* in the internal market, a review of current competition law, a focus on key industries and technologies with attention to the skills required, and finally, a whole series of targeted stimulus programs.⁴⁰

If Europe can link performance indicators to this strategy, and turn it into measurable results, we will really be taking a major step forward. That is why I call on the Netherlands to join Europe in its quest and ensure that this strategy is implemented at a rapid pace.

Well, having outlined all four dimensions of the World Economic Forum model, I hope that you now have a better understanding of the opportunities and threats lying ahead for the Netherlands – not to mention the improvements needed to achieve our goal. Here is a recap of the improvements I would like to see in order to innovate the Netherlands together:

- A Dutch innovation policy that focuses on promising areas of growth
- Boosting five or six innovative ecosystems
- Lifelong learning and high-quality healthcare as drivers of employability and productivity
- Creating Europe's best digital and physical infrastructure
- And finally, defragmentation of the European market

The Netherlands in 2050

What image unfolds before my eyes if we succeed in all these ambitions? What will the Netherlands look like one generation on from now? Please allow me to dream about the future for a moment.

I see the Netherlands as a vibrant innovation delta for some 20 million people,⁴¹ with high labor productivity – a prosperous nation with social cohesion and high-quality facilities, allowing its citizens to enjoy its natural as well as its cultural wealth. Just as dynamic as New York, just as buzzing as Shanghai, but with more fresh air and bigger green areas – and with the happiness you would expect from living in a European metropolis. A Netherlands where we can hold on to our cultural diversity and do business ethically and responsibly, where no one feels left out, and always with a long-term view in mind.

In short, I see a Netherlands that has seized its opportunities and transformed itself into the most sustainable economic engine in the world, with a key position on a European continent that is able to compete with the US and China. All based on the same elements that we already cherish in miniature in Brabant but which could be spread across the Netherlands and Europe.

Then we must take action

This is the plan, but we still need to act! That's how I look at it as a CEO. At Philips we say: 20% goes into a good strategy, 80% of the effort is about implementing and measuring progress. And let's be honest, the Netherlands still has progress to make in this regard – we talk a lot but don't always do enough. We can only achieve our goals if we buckle down, learn by doing, make adjustments and continuously improve. All embedded in a culture of collaboration and innovation.

Five years ago, with that goal in mind, I committed myself to NL2025 – a movement of people from the business community, civil society, the arts and sports, all working together for the future of the Netherlands. 'We shape the Netherlands together' is NL2025's motto,

and while doing so, we look at the things we agree on in the Netherlands – as those are the things we can act upon *now*. We have already been doing this regarding sustainable growth, high-quality education and a healthy society, amongst others, by supporting many existing initiatives, linking these together, and scaling them.

When NL2025 was established in 2015, we conducted a national survey called ‘Namens Nederland’ (‘On behalf of the Netherlands’),⁴² and in 2020, we again asked the people of our nation for their opinion about the Netherlands today and how they see our future. It was the largest and broadest survey ever conducted in the Netherlands, with more than 170,000 people participating.⁴³

What stood out in the results: *the will to change*. There is enormous support in the Netherlands for making a big leap forward together. Some 80% of all Dutch people agree on this – a group that does not usually shout the loudest or complain the most. Let’s listen to these people instead of focusing on our differences.

In fact, this broad group in the center is eager to roll up its sleeves. By working more – up to four hours a week – they are able to pay 10% more taxes, and that’s good news! It is exactly what we need to reinvent our current earning models and make the necessary investments.

Of course, it will take time. Brainport needed 20 years to grow to its current form. But it’s a start – because we have the *will*. Now we need to transform that willingness into something more. And not only change when we are about to drown, as we saw during this crisis. We must *always* want to change, because a ‘can-do’ mentality will help us grow as fast as China and in a sustainable and responsible way, with everyone on board. It’s the way that suits the Netherlands and Europe.

That is why I ask you to join me. Do you work for the government? Then stimulate the creation and growth of innovation clusters such as Brainport. Are you an entrepreneur? Then invest, innovate, collaborate and grow. Are you a knowledge institution or an investor? Dare to help the startups and scale-ups of the Netherlands grow. Do you have a bright mind? Choose a technical education and reach your potential in an innovation cluster.

Or are you good with your hands? We need a lot of makers and doers to realize our investment in the innovation clusters and infrastructure of the Netherlands.

So what about me? What do I contribute myself, you might ask? I already mentioned my commitment to NL2025, so I am investing time in coaching innovative entrepreneurs in small and medium-sized businesses in order to help them grow.

I'm an optimist, so I firmly believe that we will succeed, with thinkers, doers and investors working together. The opportunities are there, it is up to us to seize them. It's all about making a plan and implementing it consistently over the coming years. By innovating together, we will create a strong Netherlands in a united Europe, allowing our small country to continue to play Champions League in the world.

I hope that my story has inspired you to see a new future for the Netherlands – and above all, that you will act *now*.

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