

Europe creates value. Others capture it. It's time to break this cycle.

By Jonathan Symonds

It must be extraordinarily difficult to create a genuine European capital market. Otherwise, it probably would have happened by now.

The idea has, after all, been on the table for decades. Europe saves prodigiously, innovates impressively, educates brilliantly and then wonders why so many of the companies it creates end up looking elsewhere for capital. It is rather like being excellent at designing and building aircraft, but never quite managing to construct a runway.

For many, this is viewed primarily as a technical problem of financial-market integration. It is discussed through the language of regulations, supervisory structures and market architecture. Those points matter. But they are not the heart of the matter.

My careers in banking and life sciences have given me a front-row seat to this challenge. For Europe's business community, the competitiveness debate and the capital-markets debate are not separate conversations. They are the same conversation. At a time when technological progress increasingly determines economic growth, industrial leadership and geopolitical influence, access to capital has become a decisive competitive advantage. Europe wants leadership in artificial intelligence, life sciences, advanced manufacturing and clean technologies, alongside stronger defence capabilities, greater economic security, more resilient supply chains and increased technological sovereignty. All admirable goals.

But ambitions have an irritating characteristic: eventually they require funding. And this is where Europe lives a peculiar logic. European households hold roughly €10 trillion in cash and deposits. The European Commission estimates that, if Europeans held deposits in proportions similar to Americans, as much as €8 trillion could potentially be redirected into longer-term market investments. There is money everywhere. Except, inconveniently, where it is needed.

According to the European Investment Bank, more than 80 per cent of EU scale-up financing deals involve a foreign lead or sole investor. In San Francisco, the equivalent figure is 14 per cent. We educate the entrepreneurs. We develop the science. We absorb the early risk. We celebrate the innovation. Then non-European investment capital writes the cheque, scales the business and captures the value.

The extraordinary opportunity cost we are paying is often presented as a flaw in financial markets. It is not. It is a competitiveness failure. Enrico Letta's proposal for a Savings and Investment Union has elevated this discussion. The real question is whether Europe intends to compete in a world where scale increasingly determines success.

The companies shaping tomorrow's technologies draw on deep pools of patient capital. They can invest through business cycles, absorb setbacks and pursue long-term innovation.

Europe asks its companies to compete under the same conditions while offering them different tools.

The diagnosis is straightforward. Europe's inability to channel savings efficiently into productive investment is holding it back. For a continent that prides itself on creating a Single Market, it remains remarkably difficult to move capital across borders at scale.

There is no shortage of solutions. As Letta himself has observed, most of them are already on the table. What has been missing is the willingness to treat them as a strategic choice rather than a collection of technical files to be negotiated until all ambition drains away.

This week and in the coming months, the Economic & Financial Affairs Council has an urgent task to move the needle. In the medium term, policymakers should judge progress not by the number of initiatives launched, but by whether barriers to cross-border investment are actually falling and whether more European savings are empowering European innovators.

Investors and companies also have a role to play. Financial institutions must mobilise more long-term capital, while business leaders should continue to make clear that capital-market reform is not a niche financial issue but a prerequisite for growth, innovation and resilience.

By the end of this Commission's mandate, Europe should be able to demonstrate that significantly more European savings are being transformed into European investment and that Europe's most promising firms no longer feel compelled to look first across the Atlantic for growth capital.

Europe is not suffering from a shortage of capital. It is suffering from a shortage of resolve. **We educate the entrepreneurs. We create the technologies. We generate the savings. The question is whether we are finally prepared to construct the runway to our own success.**

The writer is the Chairman of GSK and Chair of the European Round Table for Industry (ERT). He was previously the Chairman of HSBC Bank and Partner & Managing Director of Goldman Sachs.

(image of the printed version of this piece follows on the next page).



Former Italian prime minister Enrico Letta has proposed the establishment of a Savings and Investment Union.
Photo: Getty

European business creates value, others capture it – it's time to break this cycle

JONATHAN SYMONDS



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