

The Business Context in the European Union - Similarities and Regional Differences

Part I – Linguistic Considerations

When contemplating an international development plan, companies would do well to consider Europe, and more specifically, the European Union, a vast market with good purchasing power and relative political and economic stability. Since the Second World War, European countries have put aside their differences to first build an economic union and then a political alliance and a membership that has gradually expanded from 6 to 15 members. Today's European market has many characteristics of a single economic entity, as it shares a common currency and a central bank, and has no intra-European customs barriers.

However, a closer look reveals many elements that still distinguish each E.U. country. The next three bulletins address these elements, which must be taken into account in any European business development project. We will begin with linguistic considerations.

Western Europe is a market of 387 million people, of which 375 million belong to the European Union, consisting today of 15 member countries (Source: OECD 1999). The per capita GDP in the E.U. is US\$20,500, compared to US\$22,400 in Canada, with significant differences between rich and less rich countries, for example, US\$25,700 in Sweden versus US\$10,400 in Portugal (Source: OECD 2000).

A large part of the European Union today shares a common currency, the euro, making commercial and financial exchanges easier in the zone. Only the U.K., Sweden and Denmark have chosen to keep their national currency. The implementation of the euro required the participating countries to homogenize their economies. The impact of each country's economic policy has been greatly reduced, since the governments now have little latitude, particularly when it comes to budgets, i.e. each member state using the euro must limit its deficit to 3% of its GDP.

As in North America, Europe also has cycles of economic expansion and contraction, which tend to follow the West (the effect of globalization) but which are less severe both in duration and magnitude. European governments traditionally intervene more in their economy than their North American counterparts, especially when it comes to bailing out struggling companies.

Beyond the common political and economic elements, the differences in languages, socio-cultural habits and concentration of economic activity have only been partially attenuated, and, as such, it is important to bear in mind that each country's industrial and commercial approach is different.

For example, in Germany, the cultural characteristics and business practices of the *Länders* (federation states) that have emerged from the old German Democratic Republic (East Germany) and Bavaria are quite different from those in the rest of

the country. These differences include the average company size, work organization and linguistic dialects. Historical and religious events have shaped the economic structure of the country with the result that in Protestant East Germany, large companies have predominated since well before World War II (during the Nazi period and the subsequent Soviet occupation) while family-owned SMEs are the most common business structure in Catholic Bavaria.

In Spain, Catalonia in many ways resembles Southern France more than the rest of the country. The language of business tends to be French, and work hours are more typical of France than Spain.

The main differences between the countries, which will be discussed in upcoming bulletins, are found mainly in linguistic and socio-cultural aspects, but also in the concentration of economic activity and regulations. These elements will be successively addressed and illustrated with examples, followed by practical advice aimed at facilitating the process for companies interested in the E.U. market.

English and French are necessary but not enough

English is gradually becoming the language of business in Europe, particularly in the high technology, biomedical and finance sectors. However, in most other industries, knowledge of the native tongue or another international language such as French, Spanish or German is indispensable to approaching, convincing and motivating a partner. In each country, the native tongue or official languages must be used in documents (commercial, technical, legal), package labelling and user instructions.

The following linguistic zones are found in the European Union:

English is indispensable in the U.K. and Ireland. It is now the business language of the Netherlands, Scandinavia and Northern Belgium. Knowledge of Dutch or Scandinavian languages is not really necessary but will help you stand apart from the competition with a more personal approach. In most of the other E.U. countries, English is useful but often insufficient to really develop a business stream.

German is still an essential language in Germany and Austria. It is often necessary in Switzerland, a country that does not belong to the European Union but is part of Western Europe's economic zone. In Switzerland, most of the population and economic activity are concentrated in the German zone. Knowledge of French is widespread on the Swiss territory, but mastery of German will give you an edge in Zurich, the country's decision-making centre. You may also find you need German in the Netherlands and Scandinavia. Knowledge of this language is often more useful than English in certain regions of the Netherlands and Denmark that border on Germany, especially when communicating with people born before 1960. This is also the case when communicating with regional sales or after-sales reps.

Spoken by some 100 million people, German is the most widely used language in the E.U. and will become even more important now that the Czech Republic,

Poland and Hungary have joined the E.U., since some regions in these countries are historically German speaking.

Mastery of French is imperative in France, Belgium and, to a lesser extent, Switzerland. This language can be enough in business in some sectors and countries such as Spain (mainly in Catalonia), Italy and Portugal, where much of the population learned French and many decision-makers studied in France.

Italian is helpful but not essential in the Italian market, given that many residents in the North—the epicentre of most of the country's economic activity—have good knowledge of French and English. Italian is also useful in the Tessin canton of Switzerland. It should be noted, however, that many companies originating in other European countries make sure to employ staff that speaks Italian as part of their business dealings with Italy, allowing them to exercise better control over their relationship in this country, whose businesspeople and decision-makers are excellent in capitalizing on any ambiguity in communication.

Knowledge of Spanish is indispensable in most of Spain and useful in Portugal.

Greece and Portugal are unique. Greek has a different alphabet and a population that knows few other major European languages. However, you can do business in Spanish, French or English in Portugal, and in English or German in Greece. These two countries, however, offer limited opportunities due to their small populations and the fact that they are the least prosperous in the E.U. today.

In conclusion, companies contemplating doing business in countries where English and French are not the official languages must surround themselves with people who master the local language in order to ensure the most favourable agreements and effective control over their operations.