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Writing the Script: The European Roundtable of Industrialists

> Access means being able to phone Helmut Kohl and recommend that he read a report. Access also means John Major phoning to thank the ERT for its viewpoints, or having lunch with the Swedish Prime Minister just prior to the Swedish decision to apply for EC membership.
> *Keith Richardson, former ERT Secretary-General*[1]

Although largely unknown to the general public, the European Roundtable of Industrialists (ERT) has been one of the main political forces on the European scene for well over a decade. Its unhampered access to top politicians at both the European and national levels is key to the Roundtable's amazing success in helping to set the EU's political agenda. The results of the ERT's influence are unmistakable: a gradual shift towards European policies which increasingly favour large corporations and economic globalisation.

This shift was most pronounced in the late 1980s and early 1990s, when the ERT's wishes for a Single Market and Trans-European Networks (TENs) of transport infrastructure were fulfilled. Roundtable fingerprints are also clearly visible on the 1991 Maastricht Treaty, which laid the groundwork for European Monetary Union. The group has proven remarkably flexible in adapting to new circumstances, birthing offspring such as ECIS (the European Centre for Infrastructure Studies, see Chapter 8) and AMUE (the Association for the Monetary Union of Europe, see Chapter 6) to better channel particular messages.

In recent years, the ERT has jumped on the EU's enlargement bandwagon, eagerly prescribing structural adjustment for potential member countries from Central and Eastern Europe. In 1995, its informal access to the EU's decision-making structures was institutionalised through the creation of the Competitiveness Advisory Group (CAG), which effectively duplicates the ERT's voice. And today, the ERT continues its competitiveness crusade with the triumphant promotion of ideas like 'benchmarking' and 'innovation' as fundamental principles in EU policy making. Behind these technical-sounding concepts lies the ERT's chilling strategy to subvert all levels of society to market forces and the increasing pressures of global economic competition.

The ERT Unveiled

The ERT, founded in 1983, consists of some 45 'captains of industry' from European multinational corporations with a 'significant manufacturing and technological presence worldwide'.[2] Membership is personal rather than corporate, and strictly by invitation only. Companies currently represented in the ERT include Investor AB, Bayer, British Petroleum, DaimlerChrysler, Ericsson, Fiat, Nestlé, Nokia, Petrofina, Philips, Renault, Shell, Siemens, Solvay, Total and Unilever (see Appendix 3 for a full listing).

More than just another industry pressure group trying to benefit from European integration, the ERT was formed with the express intention of reviving the unification process and shaping it to the preferences of European corporations. It pushes relentlessly to 'change the way that Europe is managed', claiming that 'industry is entitled to a system that delivers results: an EU which functions like an integrated economic system with a single centre of overall decision making.'[3] Over the past 15 years, the ERT has consistently supported the strengthening of the European Union through the removal of national veto powers and other causes of 'fragmentation'. 'The problem is that in the individual countries the politicians have to gather votes,' explains ERT Assistant Secretary-General Caroline Walcot. 'But in the EU they can see the whole picture.'[4]

Unlike most other corporate lobby groups in Brussels, the ERT has never bothered to lobby on detailed legislation. Instead, it concentrates on painting the big picture, and filling the EU's agenda with sizeable new projects. According to former ERT Secretary-General Keith Richardson: 'We don't deal with sectoral issues. We don't deal with national issues. We only talk about the overall questions.'[5] The ERT's access to European commissioners is unchallenged, and it also enjoys privileged connections with members of the increasingly powerful European Parliament. In combination with long-standing linkages between member companies and their national governments, this access to the Brussels bureaucracy has been a critical element of the ERT's lobbying successes.

The Founding Fathers

In the early 1980s, the European Community appeared unable to respond to the prevalent economic crisis brought about by a decade of high inflation, rising unemployment and declining growth. In 1982, this impasse drove Pehr Gyllenhammar, then CEO of Swedish car manufacturer Volvo, to ring the alarm bell and to start campaigning for an overall scheme 'to spur growth, and to build industry and infrastructure'[6] in Europe. In close consultation with Etienne Davignon, then Commissioner for Industry, and with the support of Umberto Agnelli of Fiat and Wisse Dekker of Philips, Gyllenhammar drew together a cross-sectoral group of leading European CEOs. Modelled on the influential US Business Roundtable,[7] this elite new industrial body had the ambitious objective of 'relaunching Europe'.[8] The ERT's[9] inaugural meeting, held in April 1983, gathered 17 leading European industrialists as well as EC commissioners Davignon and François Xavier Ortoli (Finance).[10]

Giving Birth to the Single Market

This novel alliance between the European Commission and the ERT played a historic role during the process leading up to the 1986 Single European Act. In the autumn of 1984, the Commission had put forth a package of proposals to remove trade barriers within the European Community. Member states, worried about a possible loss of sovereignty, were not overly enthusiastic, and business leaders also considered the Commission proposals 'unwieldy' and lacking 'a precise time-table'.[11] In January 1985, just after the installation of a new European Commission, ERT chairman Wisse Dekker launched a far more ambitious proposal for a five-year plan to eliminate trade barriers, harmonise regulations and abolish fiscal frontiers. The Dekker proposal, *Europe 1990: An Agenda for Action*, was featured in the ERT document *Changing Scales*, which was sent to European heads of state and government and numerous other high-level officials.[12]

This pressure from industrial leaders for the unification of European markets was precisely the momentum towards further integration that the Commission had been seeking. Three days after Wisse Dekker presented his *Europe 1990* initiative, the newly appointed president of the European Commission, Jacques Delors, delivered a speech in the European Parliament which closely paralleled Dekker's proposal. Some months later, Industry Commissioner Lord Cockfield published his White Paper, which became the basis of the 1986 Single European Act, the legal framework of the Single Market. The only rather trivial difference between the ERT report and the White Paper was the postponement of the ERT's overly optimistic 1990 deadline for internal market completion to 1992.

The codification of Delors' corporate-inspired proposals of early 1985 was propelled by an intensive ERT campaign in which Roundtable members vigorously lobbied undecided national government leaders. According to Richardson, 'Wisse Dekker of Philips made it [the Single Market] his main priority for four years. Bearing in mind that when it was first launched governments were not very keen, we helped a lot to push it through.'[13] After the Single European Act came into force in July 1987, the ERT concentrated on ensuring its speedy implementation. Between 1987 and 1992, members of the ERT's Internal Market Support Committee had a profusion of meetings with government and Commission representatives.[14] The ERT's role in these striking new developments on the European level should not be underestimated. Lord Cockfield eventually admitted that the White Paper was influenced by the ERT's action plan,[15] and in a 1993 television interview, Delors recognised the 'continuing pressure' of the ERT, claiming that it was 'one of the main driving forces behind the Single Market'.[16]

In their eagerness to comply with industry's agenda for the Single Market, commissioners ignored other voices, including critical reports from within their own ranks. In 1989, for example, the Commission ordered an examination of the impacts of the Single Market upon the environment. The resulting Task Force Report listed an ominous inventory of possible negative effects, including large-scale waste transport, the obligatory acceptance of less stringently controlled products, diminished opportunity for environmental taxes on the national level, and increased road traffic and resulting emissions. Although many of these warnings have come true after more than six years of the Single Market, the report fell upon deaf ears at the time of its release. In the end, the ERT got its free trade zone with 340 million consumers and the Commission saw the relaunch of European integration that it desired.

Missing Links, Missing Networks

The triumphant ERT turned then to its next priority: the development of 'Europe's infrastructure ... A single interacting system or mega-network with a single output: mobility'.[17] Claiming that existing infrastructure formed a barrier to the unrestricted flow of goods in the Single Market and thus hindered economic growth, the ERT argued side by side with the Commission for the adoption of the environmentally controversial Trans-European Networks (TENs).

TENs is the largest transport infrastructure plan in history. It includes a number of built and unbuilt monsters: the Channel Tunnel, the Øresund Bridge connecting Denmark and Sweden, a series of high-speed train links, numerous airport expansions and 12,000 kilometres of new motorways. The ERT's ambitious infrastructure plans were unveiled in reports like *Missing Links* (1984) and *Missing Networks* (1991). Through an intensive lobby campaign which specifically targeted national transport ministers, the ERT contributed to placing the TENs squarely on the EU's agenda. The icing on the Roundtable's cake was the inclusion of the Trans-European Networks in the 1991 Maastricht Treaty.

The next step was to push for additional funding for the implementation of the projects. In *Missing Networks*, the ERT had heralded its creation of a body which would 'place infrastructure at the top of the political agenda' and 'act as a friendly watch dog over European, national and municipal authorities'. The European Centre for Infrastructure Studies (ECIS) was established in 1993, and most of the ERT's work on infrastructure was transferred to this new public-private hybrid infrastructure lobby group. Until 1997, ECIS worked in concert with the Commission to remove the final obstacles to various large infrastructure plans. Today, a huge majority of the TENs projects have either been completed or are under construction (see Chapter 8).

The Maastricht Treaty and the EMU

The ERT was very active during the negotiation of the Maastricht Treaty in the 1990–91 Intergovernmental Conference, meeting regularly with commissioners such as Vice-President Frans Andriessen (External Trade), Ray MacSharry (Agriculture), Leon Brittan (Competition) and Commission President Jacques Delors.[18] Meanwhile, individual Roundtable members also met with powerful national policy makers in their respective countries.

For the ERT, one of the most tangible results of the Maastricht Treaty was the project for European Monetary Union (EMU). As early as 1985, the ERT had argued that the Internal Market must be completed with a single currency. In its 1991 report *Reshaping Europe*, the Roundtable proposed a timetable for EMU implementation that bears remarkable similarity to the one incorporated in the Maastricht Treaty a few months later. The potent triangle between industrial leaders, national governments and commissioners had clearly been fruitful. Keith Richardson elaborates:

> We wrote a formal letter to all heads of government saying: 'When you meet at the Madrid Summit, will you please decide for once and for all that monetary union will start on the day agreed at Maastricht and with the criteria agreed at Maastricht.' We wrote to them, we asked them to do that. And they did it. They put out an announcement in Madrid and said exactly that: 'We will do it.'[19]

However, the main work preparing the ground for the EMU was done not by the ERT, but rather by the Association for the Monetary Union of Europe (AMUE, see Chapter 6). The AMUE was founded in 1987 by five transnational corporations, each of which was also represented in the ERT.

The ERT, Delors and the White Paper

Perhaps the most noteworthy example of cosy collaboration between the ERT and a Commission President is Delors's famous 1993 White Paper on Growth, Competitiveness and Employment. The White Paper, endorsed by heads of state and government at the EU Council in Brussels at the end of 1993, was prepared in close cooperation with members of the Roundtable. During the autumn of that year, the ERT was busy preparing its report *Beating the Crisis*, and drafts of this text and the White Paper regularly changed hands. At the media launch for the White Paper, Jacques Delors thanked the ERT for its support in the preparations;[20] just a week earlier, he had taken part in the ERT press launch for *Beating the Crisis*. Not surprisingly, the ERT report bears a striking similarity to the Commission paper, both in the analysis of the problems facing the European Union and in the recommended solutions: deregulation, flexible labour markets, transport infrastructure investments and international competitiveness.

Turning Tides for Transnationals

This close cooperation between the ERT and the Commission was not accidental. Whereas there had been little contact between multinational corporations and the European Commission throughout the 1970s, a dramatic transformation occurred in the 1980s. During the presidency of Jacques Delors, relations between Europe's industrial leaders and commissioners became closely entwined. According to the ERT's appreciative Assistant Secretary-General, 'The Commission is the motor in Europe. An internal revolution has taken place under Delors. It is less bureaucratic now. It listens more'.[21]

Whereas the ERT of the 1980s was split between two factions, one preferring the nurturing of Euro-champions via protectionist industrial policies and the other preferring global free trade, today's Roundtable members push unanimously for the opening of markets around the world. Predictably, the ERT was an ardent supporter of the Uruguay Round negotiations of the General Agreement on Tariffs and Trade (GATT). According to the ERT's Caroline Walcot in 1993: 'We have spoken to everybody. We have made press statements. We have written to Prime Ministers. We have done *everything* we can *think* of to try and press for the end of the Uruguay Round.'[22] ERT pressure tactics included regular meetings with national government leaders, including a luncheon held with French Prime Minister Balladur in September 1993 where 14 ERT members urged him to drop his opposition so that the trade negotiations could be completed.[23]

Relations with Santer

The good relations and regular meetings between the Roundtable and the Commission established during the decade-long presidency of Jacques Delors were maintained under the weaker Commission of Jacques Santer. 'There is a good relationship, because in many ways we have a common interest,' explained former ERT Secretary-General Richardson. 'By and large, our main priorities are the same. We cooperate, we discuss subjects with the Commission, from time to time we meet them, and from time to time we send them papers in order to ensure that they know what we think. And I think they know very well what our concerns are.'[24] Through a request for access to information at the Commission Secretariat, Corporate Europe Observatory obtained eight letters sent by President Santer to the ERT between 1995 and 1998 (see Chapter 19). These letters, written in warm, friendly tones, demonstrate how highly ERT opinions are valued by the Commission president: 'I would like to repeat again, following our last meeting, how much I have appreciated your outstanding chairmanship of the European Roundtable.'[25] The letters reveal that this is even the case regarding matters in which the ERT would not appear to be the Commission's most likely ally: for example, on improving the economic and financial perspectives of Small and Medium Enterprises (SMEs).[26]

The symbiotic relationship between the ERT and the Commission continues to bear fruit. Various Commission initiatives have gained momentum thanks to the active support of industrial leaders for further European integration and a more powerful Commission. And the Roundtable's access to EU decision-making structures has become increasingly institutionalised. This has happened mainly through its participation in EU working groups, some of which have been created upon the ERT's own recommendation. The most noteworthy example is the Competitiveness Advisory Group (CAG, see below), a group with official status which effectively amplifies the ERT's voice. Yet the ERT's strong grip on the CAG is not an anomaly. When Industry Commissioner Bangemann set up a working group on telecommunications in February 1994, six of the twenty members were from the ERT.[27] Among these twenty members was not a single representative of consumer groups, trade unions, or small and medium-sized companies.

CEOs at Work

Although the ERT's 45 members come from huge corporations with a combined turnover of 800 billion euro and more than 4 million employees worldwide, the ERT office in central Brussels is fairly modestly staffed by seven employees.[28] The secretariat has an administrative and coordinating function, and in fact is little more than a contact point for Roundtable membership. The ERT derives its strength from its prestigious members, highly influential industrialists with established access to both national and European decision makers. The organisation also mentions 'the substantial resources which ERT companies can mobilise' as one of its assets.[29] 'The ERT is basically a club of individuals. And these individuals are committed to working in the interest of the European economy and European competitiveness,' explains current ERT Secretary-General Wim Philippa. 'That means they are prepared to put their organisation behind certain actions that improve an actual situation.'[30]

A steering committee, formed by the ERT chair, the two vice-chairs and five other elected members, coordinates the organisation's work and points to new priorities.[31] This committee reviews ERT activities and makes proposals to the biannual plenary sessions, which are often organised in the member state holding the EU presidency. The plenaries decide upon the ERT's general priorities, work programme and budget, and approve reports and proposals prepared by the issue-based working groups. All decisions are taken by consensus.[32] Much of the nitty-gritty business is done by the eleven working groups on issues ranging from accounting standards, education, employment and social policy to foreign economic relations.[33] Each working group is chaired by an ERT member and staffed by experts from ERT companies; external consultants are also frequently brought on board.[34]

Current ERT Priorities

After securing the Single Market, Trans-European Networks and the single currency, the ERT has more recently focused on the mainstreaming of complementary policies encouraging competitiveness, public policy benchmarking, and its new buzzword, 'innovation'. Meanwhile, the lure of new markets has proven irresistible, and the ERT has launched a concerted lobby effort directed at EU enlargement in Central and Eastern Europe.

Competitiveness Crusade

Strengthening European industrial competitiveness within the global economy has always been the ERT's main objective, and it lobbies for the promotion of Europe-wide competition and competitiveness through the development of the Single Market into a steadily more integrated economic system. The Roundtable argues that this powerful economic bloc will then have the capacity to stimulate investment, increase production and create new jobs.[35]

Impressively, the bulk of ERT demands for 'completion of the Single Market' were written into the Single Market Action Plan adopted by the EU Council in 1997 in Amsterdam, and are now being implemented by the EU member states. In February 1997, more than three months before the Amsterdam Summit, ERT Secretary-General Richardson was already confident that this Action Plan would be adopted: 'The Commission is very keen to launch a new initiative – it will do this in Amsterdam, parallel to the Intergovernmental Conference – on completing the Single Market. This is immensely important to industry, and we are talking to them about how we can combine forces.'[36] The implementation of the Single Market Action Plan has led to further liberalisation of the telecommunications, transport and energy markets, the patenting of life, the granting of monopolies to biotech companies for products developed with biotechnological techniques, and movement towards the harmonisation of corporate taxation in Europe.

The Benchmarking Bible

For the ERT, nearly everything ultimately boils down to competitiveness, including environmental and social policy. This is why the group has been promoting the 'benchmarking', or the quantitative comparison, of the effects of policies on competitiveness as a tool for policy makers. Benchmarking, as the ERT explains, means 'scanning the world to see what is the very best that anybody else anywhere is achieving, and then finding a way to do as well or better'.[37]

The benchmarking gospel has also been spread through the Competitiveness Advisory Group, and the concept has been embraced by the European Commission.[38] As Santer explains in a 1996 letter addressed to Solvay President and ERT member Baron Daniel Janssen,[39] the Commission is prepared to use benchmarking as a tool to improve industrial competitiveness. The letter encourages further collaboration between the ERT and the Commission on the benchmarking issue, and specifically mentions Industry Commissioner Bangemann's commitment to this end. These sentiments proved sincere, and Bangemann shortly afterwards set up a special working group with the mission of introducing benchmarking as a leading principle in EU policy making. The implications are far-reaching: international competitiveness is institutionalised as the primary criterion for decision making, and policy is adopted along technical specifications rather than through political deliberation.

Benchmarking as proposed by the ERT can be applied to virtually every imaginable area. ERT Secretary-General Richardson compares the EMU criteria with a benchmarking exercise. The strict EMU targets put enormous pressure on all EU governments 'to bring their finances in better order and to keep them there'.[40] Benchmarking is also used to promote further trade and investment liberalisation. In 1996, before the financial crisis, the ERT was busily conveying the message that Europe's economy was less competitive than the economies of some southern countries. Such deliberate scare tactics serve to bully European governments into an endless competitive race with southern countries.

For example, in its November 1996 report *Investment in the Developing World: New Openings and Challenges for European Industry*, the ERT concludes that Europe is falling behind in the benchmarking race:

> Countries in the developing world have realised to what extent the impediments to private foreign and local investment were hurting their own competitiveness. Policy changes, providing better market access for foreign investors and more room for manoeuvre for local business people, are now transforming earlier weaknesses into a formidable competitive challenge. The competitive challenge becomes even more powerful through the fact that in more and more cases these countries move ahead of Europe.[41]

The point that Europe is lagging dangerously behind in the competitiveness race is further reinforced through examples of how privatisation in southern countries has resulted in 'virtually unrestricted access to markets of supply of infrastructure services, like water treatment, sewage systems or telecoms.'[42]

One dangerous byproduct of increasing global free trade is policy competition between regions, countries and trade blocs in areas including social and environmental protection. The consequence is a high-speed race to deregulate, and the primary beneficiaries are large corporations like the ones represented in the ERT. To the Roundtable, of course, deregulation competition is the equivalent of dream fulfilment: 'Competition on rules and benchmarking have proven to be among the most effective drivers of the present process of opening the economy, deregulating and modernising the institutions for private business investment.'[43] The nightmarish aspects of this unregulated global free trade – a free-for-all global arena with lowered social and environmental standards in which only the fittest survive – are not part of the ERT's concerns.

Moving Eastward

Since the collapse of Central and Eastern European communist regimes, the ERT has promoted the expeditious integration of these newly marketoriented economies into the European Union. An enormous supply of high-skilled, low-wage workers and the addition of some 150 million consumers to the Single Market makes the prospect of enlargement wildly exciting to ERT companies. In Richardson's view, 'It is as if we had discovered a new South-east Asia on our doorstep.'[44]

In 1997, the ERT stepped up its activities in this field by creating a special working group on enlargement, chaired by ERT veteran Percy Barnevik of the Swedish company Investor AB. In December of that year, the ERT presented its enlargement action plan to the EU Summit in Luxembourg, inciting leaders to quickly 'integrate all the candidate countries into a larger, more competitive and reinvigorated European Union'.[45] ERT demands included 'radical economic transformation within the candidate countries'; to facilitate this, it announced that its member companies would 'cooperate directly with the Commission and in Business Advisory Councils which are being set up within the candidate countries'.[46]

In February 1999, the ERT's enlargement working group published *The East–West Win–Win Business Experience*. In confident ERT-speak, the report aims at 'fostering integration' and inspiring actions to strengthen economic relations between East and West. A number of so-called 'win–win' case studies, drawn from the experiences of ERT companies in Central and Eastern European (CEE) countries, are provided to support the thesis that investment by Western companies will bring only benefits for both the EU and host countries.[47]

However, this rosy presentation is based on flawed case studies, and declines to mention the negative impacts on employment and environment that dependency on foreign investments has already had in CEE societies.[48] In Hungary, for instance, TNCs currently account for up to 30 per cent of Gross Domestic Product (GDP). Local companies throughout the region struggle – often unsuccessfully – to compete with large corporations, which benefit from enormous advantages of scale, access to cheaper capital, superior technology and massive advertising budgets. That TNCs are able to produce greater quantities at less expense and with fewer employees gives them a distinct advantage, but creates the legacy of increased unemployment.

Unilever and Procter & Gamble are two examples of Western companies that have profited from the unequal playing field in Europe. They have basically divided the CEE market for personal care products markets between them, shutting down national companies in the process. While it is true that TNCs often use cleaner technology in their Western operations, they do not automatically introduce the best available technology in their operations in CEE or elsewhere. There are numerous examples of TNCs using dirtier technology and lower production standards in Central and Eastern Europe than in Western Europe.

In general, the negative environmental impacts of TNC investments are often substantial, as lower emissions per product unit are often cancelled out by hugely increased production volumes. Western investments in CEE countries are currently multiplying rapidly, with current annual foreign direct investment flows to the region totalling nine billion euro.[49] ERT companies have been particularly active, with exports to the region totalling 70 million euro in 1996.[50]

ERT Business Enlargement Councils (BECs) have already been established in Hungary, Romania and Bulgaria under the leadership of Shell, Lyonnaise des Eaux and Solvay, respectively. More of these bodies, which bring together business leaders from multinational and local companies and senior government officials, are soon to follow. Member companies 'of course have a certain commercial interest in doing it,' according to ERT Secretary-General Wim Philippa. Beyond this, however, 'It's an education process, where with the close involvement and support of national governments we are guiding, training and leading the national industries in a quick way to a situation where they can enter the European Union.'[51]

The BECs will spread the ERT's competitiveness message, focusing on the need for structural adjustment in CEE countries in order to attract foreign investment. The ERT's cherished recipe includes market liberalisation in the energy, transport and telecommunications sectors and increased public investment in transport infrastructure. 'Input from the business community can ensure that funds are targeted towards priority needs,' explains Asea Brown Boveri President Eberhard von Koerber.[52] This approach basically mirrors the model prescribed by the EU for countries awaiting membership, as well as the way EU funding has been channelled through the controversial Phare Programme. This EU programme has been heavily criticised for benefiting Western European corporations and consultants more than its recipient countries in Central and Eastern Europe.[53]

The CEE countries lining up for membership are subjected to a rigorous ordeal, as the complete adoption of the EU's free trade model of economic development is a necessary prerequisite. This involves the restructuring of economies and infrastructure, the adoption of the complete body of EU legislation, a reduction in the role of the state, and an increased dependence upon foreign direct investment. Although the desirability of this model with its inevitable economic dominance by Western TNCs is the subject of debate in CEE countries, the negotiations with the EU leave no room for alternatives. This is no doubt a sobering experience for those in the region who envisioned a more sustainable democratic economy following the fall of the Iron Curtain.

Although the ERT admits that the drastic restructuring of societies will cause problems, these are downplayed as facts of life in a globalising world:

> Structural change inevitably means changes in employment patterns; jobs are destroyed in some areas but protected and created in others. Any adverse short-term effects within the EU and the CEE are likely to be similar to those resulting from recent restructuring of industry, as a consequence of changes in technology and globalisation.[54]

At any rate, enlargement woes are of no concern to the ERT, as Keith Richardson explains: 'Our job is to say that the potential gains are much more important ... It is not for us to make speeches about the political unity of Europe.'[55] Currently, Western investments in CEE countries are rapidly multiplying, with annual foreign direct investment (FDI) flows to the region totalling nine billion euro in 1997.[56] EU companies took the largest share, and in 1997 accounted for two-thirds of FDI flows into Hungary and the Czech Republic and half of those into Poland.[57] EU exports to CEE now top 80 billion euro – treble the level of a decade ago,[58] with ERT companies playing a particularly active role.

Innovation: Restructuring Europe

Decision makers at both the European and national levels have been very receptive to the corporate mantra that international competitiveness is the true path to job creation. And the ERT now claims to have found the fastest path to employment nirvana through the concept of 'innovation'. In November 1998, the ERT's working group on competitiveness, chaired by Solvay's Baron Janssen, produced a new report entitled *Job Creation and Competitiveness through Innovation*. The report portrays the world economy as being in turmoil, with an 'irresistible flow of newer, better or cheaper goods or services that is constantly making older products uneconomic or obsolete – along with the jobs attached to them'.[59] Adaptation to this process of creative destruction, according to the ERT, must take place at every level of society, within companies of every size, within governments, and within individuals. 'Fighting against restructuring,' it says, 'is simply to obstruct change and job creation.'[60]

The report drones on with the predictable ERT demands for the creation of the perfect business climate through deregulation, flexibilisation of the labour market and educational reforms. The ERT has historically stressed the need to leave education in the hands of industry instead of with people 'who appear to have no dialogue with, nor understanding of, industry and the path of progress'.[61] The new report again stresses that Europeans should be subjected to 'life-long learning'[62] in order to stay employed amidst the constant changes and restructuring required by ever-fiercer global competition. Decision makers should stimulate and speed up the process of change, and foster innovation by providing finance, education, research and development and business-friendly regulatory conditions. ERT companies have already completely adapted their strategies to this profit-driven process, and present these disruptive prescriptions as incontestable.

The innovation report also calls for financial and regulatory measures to support small and medium-sized enterprises (SMEs). Yet the ERT deems only those SMEs that can withstand the constant changes in global economic conditions worthy of support. Small, innovative high-tech industries such as those found in the biotechnology sector – 'one of the key technologies of the new millennium'[63] – are also considered deserving of special financial treatment by the EU. This unusual display of generosity by the ERT is explained by the trend that large corporations, busy focusing on the most lucrative core ventures, outsource more and more activities to small and medium-sized subcontracting companies.

In the ERT's stunted worldview, policies which are in the immediate interest of the largest transnational corporations are by extension also for the common good. ERT Secretary-General Philippa claims that ERT members 'basically forget about their own company-specific desires, and think macro-economically. What is good for Europe and for European industry, small, medium-sized and big?'[64] Yet the ERT, despite its perpetual babble about employment creation, consistently ignores the fact that large companies are responsible for massive job losses. The centralisation of production and distribution catalysed by the Single Market has allowed corporations to cut costs by significantly reducing their workforces. For example, the Dutch electronics company Philips cut 22 per cent of its staff – some 68,000 jobs – over a five-year period beginning in 1989.[65] Market liberalisation also allowed British Telecom to boast of a reduction in employees from 235,000 to 125,000 between 1985 and 1996.[66]

In the late 1990s, a new boom of mergers, acquisitions and corporate restructuring has again resulted in both record profits and major job cuts. Swedish ERT member company Ericsson, for example, announced plans in early 1999 to eliminate 11,000 jobs, some 10 per cent of its global workforce. Pilkington, the UK-based glass products giant and an ERT member, cut 9,000 jobs in 1998 and eventually plans to employ less than half as many workers as it did in 1990. When announcing the cuts, company CEO Paolo Scaroni explained that the measure was part of a continuing process of 'restructuring' to drive down costs and increase profits. At the same time, he proudly told the press that Pilkington was pocketing a minimum of 20 per cent profit on its capital investments and 12 per cent on sales.[67]

Such figures have become standard as corporations increasingly focus on short-term profits and high shareholder returns. After he reorganised his new company, DaimlerChrysler boss Jürgen Schrempp was nicknamed 'Neutron Jürgen'. This was a flattering reference to General Electric's 'Neutron Jack' Welch, who is infamous for his talent for destroying jobs while leaving buildings intact. Although Schrempp is currently one of the hottest names in European business and Daimler-Chrysler shares are booming, this glory comes at the expense of huge numbers of jobs. The ERT, however, callously views this as part of the process of change to which European society must adapt.

Competitiveness Advisory Group: Doubling the ERT's Voice

The Competitiveness Advisory Group (CAG), baptised by Commission President Santer in February 1995, is one of the more impressive examples of the institutionalisation of ERT access to EU decision-making structures. Its original mandate was to produce a biannual report 'on the state of the Union's competitiveness',[68] and Santer also asked the group to 'advise on economic policy priorities and guidelines with the aim of stimulating competitiveness and reaping its benefits'.[69] Santer hand-picked the 13 CAG members, among them ERT men Floris Maljers (Unilever), Percy Barnevik (Asea Brown Boveri), David Simon (British Petroleum) and J. Olilla (Nokia). The rest were CEOs of other large corporations and banks, the former President of Treuhand,[70] three trade unionists and a number of politicians, including Carlo Ciampi, formerly Italian Prime Minister and Bank of Italy governor.[71] The first CAG was replaced by a new team after its two-year mandate expired.

In the media, the CAG is portrayed as an independent advisory group composed of top industrialists, trade unionists and academics. Although the ERT link is absent in the press, it is impossible to deny. The ERT first proposed the creation of such a body, modelled after US President Clinton's Competitiveness Council, in its December 1993 report *Beating the Crisis*, and repeated the suggestion the following year. As then ERT Secretary-General Richardson explained: 'The original idea was fundamentally put together by Floris Maljers [of Unilever] and me. The first idea was not accepted, so we changed the format and the final idea was accepted at the Essen Summit.'[72]

Chanting the Competitiveness Mantra

During its first two-year mandate, from 1995 to 1996, the CAG produced four reports on the theme of 'enhancing competitiveness', each published just a few weeks before the biannual EU Summits. The waves of new ideas and recommendations for decision makers contained in each report closely resemble the advice given by the ERT. Many of the proposals eventually appeared on the EU's political agenda or otherwise influenced EU decision making.

The first CAG report, published just prior to the June 1995 EU Summit in Cannes, concluded that there was an urgent need to improve overall competitiveness in the EU. Echoing familiar ERT prescriptions, CAG cures included the funding of TENs transport infrastructure through public/private partnerships, the speedy enlargement of the EU eastward, and the introduction of life-long learning and the 'learning society' (the continuous re-educating of employees to enable them to adapt to the changing needs of industry). The second CAG report, released six months later in time for the December 1995 EU Summit in Madrid, recommends a major new role for the state. In the CAG's vision, the government should facilitate the deregulation and privatisation of the public sector, particularly in the areas of energy, transport and telecommunications. For environmental policies, the CAG advises that governments use market-based instruments rather than regulation.

In its third report, issued in June 1996 and discussed at the EU Summit in Florence, the CAG worries about the heated debates on mass unemployment in Europe and calls for social pacts between employers, labour and government 'to counter the threat of disruption'.[73] It proposes the modernisation of the labour market through greater flexibility in working hours, wage moderation and greater mobility between companies, regions, and countries. The CAG also recommends changes in social legislation in the EU member states, making use of 'cost-benefit analysis' which would likely put corporate needs before the public interest.

The fourth and final report of this first CAG, issued in December 1996 before the EU Summit in Dublin, focuses on the EU's position in the globalising world economy. It assesses the Union's international trade and investment performance, particularly in comparison to what were at that time extremely high-growth markets in Asia. It also calls for

Figure 1 45+ members of the European Roundtable of Industrialists gathered to draw up recommendations for the EU Summit in Madrid, December 1995.

continuing liberalisation of trade and investment within the World Trade Organization, the completion of the OECD's Multilateral Agreement on Investment (MAI, see Chapter 12), and the modification of Article 133 of the Maastricht Treaty (the Common Commercial Policy) which would enable the Commission to negotiate on services, intellectual property and foreign direct investment.

More of the Same: the Second CAG

In May 1997, Santer announced the 13 new members of the second Competitiveness Advisory Group. Although the Commission President emphasised that 'once again, there is a broad balance of outstanding politicians, businessmen, trade unionists and academics in the group',[74] a closer look at its members reveals a decidedly non-neutral group of experts. Chaired by former OECD Secretary-General Jean-Claude Paye, it includes ERT member companies British Telecom, Pirelli and Repsol. The two other corporate representatives are from the German employers' organisation and the Portuguese BFE-Investimentos company. Again, three trade unionists, from Italy, the UK and Sweden, are among its ranks.

The new CAG, appointed for another two-year period, produced *Competitiveness for Employment* in November 1997. In this report, released in time for the so-called 'Jobs Summit' in Luxembourg, economic globalisation is enthusiastically defended as an irreversible process that imposes rapid but necessary adjustments on all countries. The numerous proposed measures are largely recycled, and massively biased towards the competitiveness concern despite lip service given to the need to preserve social cohesion. The CAG's proposals for accelerating structural reforms, relaxing the legal environment for business, and more 'individual responsibility' in pension, health and unemployment systems are not exactly recipes for social cohesion. In its later report *Capital Markets for Competitiveness*, published before the Cardiff EU Summit in June 1998, the CAG focuses on reforms of European capital markets in relation with the single currency.

Calling for Competitiveness

Keith Richardson was quite satisfied with the work of the first CAG: 'It has done a lot of good work. It has produced four excellent reports, and now they are preparing a new team for another two years. We have been closely in touch with them all along'.[75] In contrast with the strong ERT presence in the CAG, the European employers' confederation UNICE (see Chapter 4) has not been represented in either group. Former UNICE Secretary-General Zygmunt Tyszkiewicz explained why the confederation did not support the ERT's original proposal: 'We felt very strongly that you needed an undiluted competitiveness message, because Europe was not competitive. It was a serious situation. But we did not want the message to be clouded with a compromise between employers, trade unions, academics and politicians, which is what the CAG ended up being.'[76] Yet UNICE's fears proved unfounded. Commenting on the presence of three trade unionists in the CAG, Richardson notes that 'the fact that they have signed onto the CAG reports gives [the reports] extra weight'.[77]

The CAG has allowed CEOs from the ERT to present their recommendations through a formal body with official EU status. Consequently, industrial competitiveness has *de facto* become the main goal of EU policy making, overriding all other concerns. The ERT's need for exposure has therefore decreased, which could explain why it has launched significantly fewer reports on the general direction of EU policies since the founding of the CAG. The ERT can now continue its work behind the scenes, and can rest assured that its voice is being strengthened by a body with the status of official adviser to the European Union.