

THE CHAIRMANSHIP OF

The chairmanship of Morris Tabaksblat

November 1999

November 2001



The Legacy

At a time when the political leadership of the European Union was at last beginning to focus on ERT's primary objective - enhanced competitiveness - the organisation was fortunate in having a chairman able quickly to identify and seize the opportunities that were opening up. Not only did ERT make influential contributions to the development of the Lisbon Agenda for enhanced competitiveness adopted by the European Council in March 2000, it also launched a dialogue on how improved European Competition Policy could contribute more to this Agenda. Morris Tabaksblat engaged ERT in the debate on the future of European governance with a view to ensuring that the need for improved economic competitiveness was recognised.

Key Messages and Publications

COMPETITIVENESS / LISBON AGENDA

- **How to achieve what was set out in Lisbon** - speech to the European Business Summit | June 2000
- **Europe's Competitiveness: an ERT Overview of European Developments** – speech at the Technology Trends Seminar in Finland and to the National Federation of Employers in Vienna | January 2001
- **Actions for Competitiveness through the Knowledge Economy in Europe** – Message to the Stockholm Summit | March 2001

NORTH SOUTH

- **Improved Investments Conditions - Third survey on improvements in conditions for investment in the developing world** | May 2000

ENLARGEMENT

- **Opening up the Business Opportunities of EU Enlargement. ERT Position Paper and Analysis of the Economic Costs and Benefits of EU Enlargement** – Message to the European Council in Gothenburg | June 2001

PENSION REFORM

- **European Pensions: An Appeal for Reform. Pensions that Europe can really Afford** | January 2000
- **Pensions Reform: Europe must seize the limited Opportunity** – Message to the EU Summit in Stockholm | March 2001

COMPETITION POLICY

- **ERT Proposals for Reform of EU Competition Policy** | December 2000
- **The EU Merger Regulation: Ten years on** – speech by Morris Tabaksblat | September 2000

CORPORATE SOCIAL RESPONSIBILITY

- **ERT position on Corporate Social Responsibility and response to Commission Green Paper: "Promoting a European Framework for Corporate Social Responsibility"** | November 2001

CLIMATE CHANGE

- **Climate Change: How Government and Industry can Work Together** | September 2000

FOREIGN ECONOMIC RELATIONS

- **Liberalising Trade and Investment; Business Perspective on the Need to Move Ahead** – speech to the Evian Group Meeting | April 2001

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A clear convergence

Political authorities in Europe have long been convinced of the strength of ERT's arguments about the key importance of competitiveness in the global economy. Nonetheless, there was something very satisfying for Morris Tabaksblat and his colleagues in the adoption by the European Council meeting in Lisbon, in March 2000, of the so-called "Lisbon Agenda" with its objective of Europe becoming "the most competitive and dynamic knowledge-based economy in the world" by 2010. Thus had ERT's priorities been accepted at political level.

Daniel Janssen, Chairman of the ERT Working Group on Competitiveness, played no small part in shaping the Lisbon Agenda and part of ERT's role, under Morris Tabaksblat, was to encourage the Member States to deliver on their commitments to reforming economic structures and markets.

The times

getting to grips with globalisation

Achievement of Economic and Monetary Union in January 1999 offered an instrument for greater economic competitiveness, not a guarantee. It represented a major step in the process of completing the Single Market and encouraged governments to identify what they now needed to do to cope with

globalisation, rapidly changing technologies and continually sharpening competitive pressures. The Lisbon Agenda attempted to take a global perspective on the changes needed to establish the EU as the world's leading economy, but it depended for its success more on action at national rather than European level.

With the enlargement talks heading for conclusion in 2002, attention again returned to the institutional and other reforms needed to ensure that an EU of up to 27 Member States would be able to function efficiently. The Treaty of Nice, adopted by the European Council in December 2000, was widely thought to fall short of what was needed. The Convention on the Future of Europe aroused significant expectations of a more radical reform of the Treaties that would take into consideration the business concerns voiced by ERT.

Developing the Lisbon Agenda

ERT's involvement in developing the Lisbon Agenda began early in Morris Tabaksblat's chairmanship at a meeting with Antonio Guterres, Prime Minister of Portugal and the President of the European Council from January to June 2000. Mr Guterres invited ERT to contribute to the preparations for the Lisbon European Council (March 2000), which was to become, in Morris Tabaksblat's words, a "platform for a new Europe".

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In its contribution, ERT identified the main obstacles hindering the development of a more dynamic and entrepreneurial Europe and stressed the urgent need to create a culture of entrepreneurship, increase access to and use of new technologies, and reduce lead times for marketing innovative ideas and products.

Implementing the Lisbon Agenda

The commitment made at Lisbon was very welcome to ERT which, nevertheless, focused on the issue of implementation and resolved to do everything it could to ensure that improved EU competitiveness should remain high on the list of priorities of succeeding European Council presidencies. Within three months of Lisbon, Morris Tabaksblat was already confronting the practical challenges ahead in his speech to the European Business Summit, entitled *"How to achieve what was set out in Lisbon"* (June 2000).

Insisting on the need to keep governments focused on the Lisbon objectives, ERT sent a strong message to European Heads of State and Government just before the European Council meeting in Nice (December 2000) where the Intergovernmental Conference was to be concluded. In its letter, ERT underlined a number of critical issues still hindering economic growth that needed to be tackled in order to make the enlargement of the Union a success. In particular ERT stressed the need to push ahead with reform of the EU's governance processes and establish a more coherent management of the Euro-zone economies with better functioning capital markets. Budgetary and

agricultural policies also needed reform. Anxious for more efficiency and coherence in external trade policies, ERT urged that the European Commission's role in trade negotiations should be extended to intellectual property, services and investment.

During 2000-2001, a Task Force led by Peter Bonfield (BT) collaborated with the ERT Competitiveness Working Group to identify areas where action was most needed to stimulate innovation and entrepreneurship in Europe and to close the persistent skills gap. The result was ten specific recommendations for implementation in the succeeding two years, endorsed by ERT and sent to the Commission and the European Council in time for its meeting in Stockholm (March 2001). The ERT paper *"Actions for Competitiveness through the Knowledge Economy in Europe"* highlighted the need to recast national education systems so that they actually deliver the skills people need to compete in the employment market. Employers were also reminded of the need to invest in the skills of their employees and to adopt a more comprehensive strategy on lifelong learning. The importance of easier access to venture capital and Intellectual Property Protection (IPP) was also stressed.

Improved IPP required, among other things, the creation of an EU Community patent which, according to the Lisbon Agenda, was due for adoption by the end of 2001. Worried by the lack of progress, ERT wrote to the European Council, national Ministers and the Commission in July, calling for the Lisbon commitment to be honoured. Even so, blocked by disagreements over issues such as languages, the patent proposal missed its deadline.

Pension Reform

threat of an intolerable burden

At the end of the 1990s concern about what became known as the “pensions time bomb” was largely restricted to academia and some corners of public administrations. ERT decided that greater attention to this issue was needed and in February 2000, Morris Tabaksblat and Carlo De Benedetti, Chairman of the ERT Working Group on Pensions Reform, launched a report *“European Pensions - an Appeal for Reform”*. The report warned that demographic trends (a rising population of pensioners and a shrinking population of workers) inevitably meant that maintaining current pension schemes would become an increasing burden to taxpayers and a threat to the competitiveness of European industry. Furthermore the current system of limited cross-border transferability of pensions in the EU represented an important barrier to the free movement of workers. ERT advocated urgent reform through a co-ordinated approach among European countries and provided clear recommendations for action to policy-makers at the EU and national level.

In March 2001, ERT returned to the theme in a message to the Stockholm European Council, drawing attention to the continuing lack of progress in most Member States and emphasising that the brief window of opportunity for affordable action (before the retirement of the baby-boom generation) was rapidly closing. It noted that political hurdles to reform might be overcome through better public information on the need for change. These messages were reinforced at a High Level Meeting in

Brussels (October 2001), bringing together ERT Members, Pedro Solbes, European Commissioner for Economic and Financial Affairs, and Franck Vanderbroucke, Belgium's Minister for Social Affairs and Pensions, as well as members of the European Parliament and pensions specialists from academia and governments.

EU Enlargement

a bid to revive enthusiasm

Disappointed by the waning popularity of enlargement amongst Europe's citizens and the weakness of the political response, the ERT Enlargement Working Group, chaired by Percy Barnevik, sponsored a study into the likely economic impact of enlargement on both current and future Member States. The outcome and the subsequent ERT message pointed out the dangers if enlargement were to be delayed, put the costs into context and recommended six actions to secure the success of the process. The ERT message was formally presented to the President of the European Council, Swedish Prime Minister Göran Persson, on the eve of the Gothenburg Summit in June 2001. At the same time, ERT repeated its warning that the EU must proceed with reform of its own institutions and budgetary, structural and agricultural policies.

Competition Policy

adjusting to new realities

At an ERT meeting with the European Commissioner for Competition, Mario Monti, in March 2000, the Commissioner invited ERT to contribute to the ongoing public debate on the possible reform of EU Competition Policy. An ERT Task Force led by Gerhard Cromme developed a paper arguing that globalisation, rapid technological change and market dynamism were intensifying competition in EU markets and world-wide. It followed that if the EU was to meet the goal set at the Lisbon European Council to become “the most competitive and dynamic knowledge-based economy in the world”, then EU Competition Policy needed to be adjusted to the new realities, so that it operated more effectively in today’s and tomorrow’s markets. The ERT paper *“Proposals for Reform of EU Competition Policy”* was presented to Commissioner Monti in December 2000. Subsequent discussions with the Director General for Competition prepared the way for a meeting of ERT Members and the Competition Commissioner after the ERT Plenary Session in November 2001, where the Commissioner welcomed ERT’s input and invited ERT to continue the dialogue.

Environment

towards a competitive policy on climate change

As UN negotiations towards implementation of the Kyoto Protocol progressed, ERT returned to the theme of EU Climate Change policy. In a report "*Climate Change: How Government and Industry can Work Together*", (September 2000), prepared by the ERT Working Group on Environment chaired by Louis Schweitzer (Renault), ERT Members argued that Europe needed a policy framework for reducing greenhouse gas emissions that was competitive, long-term and global. To meet these objectives, the only way forward was to encourage all sections of society to contribute to the reduction of carbon emissions. This meant that instruments were needed to encourage constructive and voluntary action at all levels. The report underlined the actions that industry in Europe was already taking to help meet the Union's Kyoto commitments. It concluded with ten specific recommendations to Member States designed to encourage smooth implementation of the Kyoto Protocol across Europe in the context of the Single Market and the Lisbon objectives. The report was launched in October 2000 to Heads of Government, national Environment Ministers and the Commission and discussed with Margot Wallström, the European Commissioner for the Environment, in February 2001. It became the focus for subsequent discussions with EU policy-makers on climate change policies.

North-South issues

encouraging improved investment conditions in developing countries

In June 2000, ERT, along with the UN and ICC, launched their *“Third survey on improvements in conditions for investment in the developing world”*, where foreign economic investment serves as a vital lever for increasing growth. The survey was based on results from 33 developing countries and covered the years from 1997 to 1999. It revealed that these countries had continued to open up their economies to foreign direct investment. Progress had been made on deregulation, adapting to global requirements and modernising the rules and institutions that impacted on business. This very positive process had gained in speed and focus since earlier surveys. The ERT survey mapped out areas where progress had been particularly significant and identified barriers that still remained. It was widely circulated and stimulated many positive reactions.

Single Market

towards a common tax base

The ERT Taxation Working Group, led by Antony Burgmans (Unilever), contributed to the business panel advising the European Commission on tax rates and tax obstacles hampering cross-border operations in the EU. The Working Group also continued to develop proposals for a voluntary common base system for taxation of EU companies as a means for addressing one of the existing barriers to the completion of the Single Market, and to discuss these proposals with key policy-makers at national and European levels.

International Accounting Standards

promoting their use

The Chairman of the ERT International Accounting Standards Working Group, Alain Joly (Air Liquide), brought together a group of Chief Financial Officers to discuss European accounting strategy and to promote the use of International Accounting Standards (IAS) in Europe. In February 2001, the Working Group welcomed the Commission's proposal for an EU regulation requiring all EU listed companies to prepare consolidated accounts by 2005 in compliance with the IAS. ERT, together with the European Federation of Accountants (FEE) and UNICE, also actively supported the creation of the European Financial Reporting Advisory Group (EFRAG), designed to contribute to the work of the IAS Committee, represent European interests there and, in general, promote standards which can be accepted on a world-wide basis.

WTO

support for a new negotiating round

Several ERT Members promoted European industry's case for further trade liberalisation in an active dialogue with Mike Moore, Director General of the World Trade Organisation, and Pascal Lamy, the European Commissioner for Trade. As preparations were being made for the WTO Ministerial Meeting in Doha (November 2001), Morris Tabaksblat made a strong case for a new WTO Round in a very well-received address to the Evian Group in Montreux (April 2001) entitled "*Liberalising Trade*

and Investment: Business Perspective on the Need to Move Ahead". ERT's plea for a manageable agenda was broadly reflected in the outcome of the Doha meeting, which decided to launch a new trade round.

Employment and Social Affairs

debating Corporate Social Responsibility (CSR)

The Industrial Relations and Social Policy Committee, chaired by Jean-Louis Beffa (Saint-Gobain) was instrumental in developing an ERT contribution to the EU-wide debate on CSR. The ERT position paper on Corporate Social Responsibility, prepared in November 2001 in response to the Commission Green Paper "Promoting a European Framework for Corporate Social Responsibility", recognised the importance of responsible corporate conduct and emphasised the effectiveness of individual, voluntary business-driven approaches that reconcile all three pillars of sustainable development: economic, social and environmental. It was distributed to interested parties and the Commission and formed the platform for future ERT inputs to the ongoing debate.

European Governance

looking beyond the Nice Treaty

ERT's public calls for better EU governance grew strongly during Morris Tabaksblat's chairmanship. Concern stemmed from the growing need for greater efficiency, transparency and speed of decision-making within the EU institutions, their increasing distance from the European citizen and the potential consequences of forthcoming EU enlargement with ten or more new Member States adding to the challenge. ERT expressed its concerns in a letter to the Members of the European Council, ahead of the Nice Summit of December 2000, stressing the need for effective reform.

In ERT's view, the new Treaty adopted at the Nice Summit was not up to the task of sustaining an enlarged European Union. The Plenary in May 2001 established a small Working Group at Member level, chaired by Morris Tabaksblat, to make a first analysis of how European governance might be improved from a business perspective, focusing on the need to promote the competitiveness of EU business and industry. The analysis was made with the help of a small group of expert advisers and was discussed at the Plenary in November 2001. ERT Members decided to send the results to the European Council meeting at Laeken (December 2001), to work further on the issue and then to table more concrete recommendations during 2002/2003 to the Convention on the Future of Europe.