

Competing Ourselves to Death?

Driven by the collective obsession with becoming the world's most competitive economic bloc by 2010, EU governments at the Spring Summit agreed to test all new EU legislation on its impacts on business. Industry lobby groups cheered, not the least because EU climate change policies were singled out to be re-assessed first through a "cost benefit analysis". This year's European Business Summit showed that there's much more to come. Industry's list of 'obstacles to competitiveness' ranges from chemical safety rules over GM food restrictions to 'insufficient' military budgets.

Re-assessing Kyoto

Falling short of the worst-case scenario feared in advance, the EU government leaders at the Spring Summit (March 25-26 in the Residence Palace in Brussels) did confirm their commitment to the Kyoto Protocol. But the decision to undertake "a cost benefit analysis which takes account both of environmental and competitiveness considerations" raises major question marks about the future of EU action to reduce greenhouse gas emissions.¹ Employers federation UNICE in a jubilant reaction called the decision "an important first step that should lead to a review of the EU climate change policy if necessary".² Together with the European Roundtable of Industrialists (ERT) and other industry groupings, UNICE had campaigned for months to get EU governments to reconsider their Kyoto commitments in the light of Russia dragging its feet over ratifying the Protocol. As the US and Russia fail to ratify, the EU's international competitiveness is at stake, industry argues. The announced cost benefit analysis is likely to further undermine the effectiveness of the EU's climate change efforts.³

The ERT in its letter to EU Heads of State before the Spring Summit mentioned the Kyoto Protocol as an example of a policy "initiated and adopted with little thought of the consequences for industry".⁴ The letter, signed by ThyssenKrupp boss Gerhard Cromme and Solvay chairman Daniel Janssen, also demanded "thorough impact assessments examining the potential effects on the competitiveness of EU-based industry before any new regulation is proposed."⁵ EU leaders delivered on this demand by instructing the European Commission, the body making proposals for new EU legislation, to "further refine the integrated impact assessment".⁶

The Spring Summit was the fourth of its kind since the EU Summit in Lisbon (March 2000) that launched the ten-year strategy to make the EU the world's most dynamic and competitive economy. By now, the Lisbon Agenda's rhetoric on sustainability and social development rhetoric seems terribly hollow.⁷ The EU leaders meeting in Brussels for instance failed to make even token reference to the so-called Cardiff process of integrating environmental concerns into every policy area. The Cardiff process was initiated at the June

1998 EU summit, at a time before the competitiveness craze took complete control.⁸

At the Business Summit

Earlier in March, Irish minister for Enterprise and Trade Mary Harney received an overwhelming applause at the third European Business Summit (Brussels, March 11-12).⁹ Harney pledged to "ensure that the agenda of business is taken on board by the EU's Council on Competitiveness", which she chairs.¹⁰ "Let us look at all legislation, also existing, to see 'do we need it, if so how much of it'?", she said, fully embracing the idea of business impact assessments. "Regulations have to be competitiveness-proof", said Harney, emphasising that "Lisbon is the only agenda".

The European Business Summit, held in the luxurious Sheraton Hotel in central Brussels, revealed just what is waiting ahead in an EU where every policy has to be "competitiveness-proof".¹¹ The official theme of the conference was "Research and Innovation"¹², but that didn't withhold industry leaders from using session after session to call for downscaling environment, consumers and social protections to serve corporate competitiveness. Over 1,000 people had paid the €980 entrance fee to attend this self-proclaimed "most important dialogue between leading European business people and policy makers".¹³ The Commission was not only represented in large numbers, but also closely involved in the preparations of the EBS, including covering part of the costs.¹⁴ Indeed the theme of this year's EBS was proposed by research Commissioner Busquin, who is known for his pro-business leanings and generous support for nuclear energy, biotechnology and the arms industry.¹⁵

Crocodile tears

Speaker after speaker painted gloomy scenarios of massive de-industrialisation and unemployment ahead due to the worsening competitiveness of EU business. Most referred to the US as the primary cause of competitive concern, but also Asian countries are increasingly attracting investments at the expense of the EU. Baron Daniel Janssen of the ERT, for instance, warned that low-cost competitors like China and India are now out-competing Europe also on highly skilled jobs.¹⁶ Apart from "impact assessments to see if new policies are pro-competitive", Janssen insisted on the need for "decision-making for competitiveness". Concretely, the ERT wants the negotiations on a new European constitution to decide for additional powers to the European Commission and more majority voting in the EU Council. UNICE's Philip de Buck added lower corporate taxes and closer links between business and universities to the corporate wish-list. Like almost every industry speaker at the EBS, he called for more public money to boost corporate research and development (R&D).

Self-reflection was entirely missing from these corporate pep talks. When Janssen cried crocodile tears about the employment situation in Europe, he

failed to mention that transnational corporations (TNCs) like those grouped in the ERT are far from passive actors in economic globalisation. Not only are they eagerly moving production to wherever on the planet they can squeeze costs most, boosting their profits but slashing jobs in Europe in the process.¹⁷ Corporate lobby groups like the ERT have played a crucial role in designing today's deregulated global economy. By continuously pushing for the removal of all remaining obstacles to global trade and investment flows, they are consolidating a global economic model in which there is ever less space for policies that are not "competitiveness-proof".

Chemical safety rules under fire

Typical of the mood at this year's EBS was the session on "Environmental technologies: how to exert leverage on Europe's leadership worldwide". Colin Humphris of chemical industry federation CEFIC used the opportunity to bitterly complain about the 'cumulative effect' of over 500 pieces of environmental legislation in the EU. Registering a new chemical in the EU costs three times more and takes much longer than in the US, said Humphris. He was one of many industry speakers launching attacks on the proposed new EU chemicals regulation (REACH), which is claimed to be a disaster for the European chemical industry. The REACH scheme, which is still to be discussed and approved by the European Parliament and by EU Member States, intends to regulate an estimated 100,000 chemicals that are not covered by current EU rules. The proposed regulation would require companies to demonstrate that their chemicals are safe, including a special authorisation for high-risk chemicals. The release of thousands of new chemicals each year has serious health impacts, for example due to unpredictable cumulative effects. Environmentalists point out that the costs of implementing REACH are negligible compared to what society saves for instance by reducing cancer levels.¹⁸ Despite of this, REACH tops the list of most-hated policy proposals among EU business and also faces a counter-campaign from US business and the Bush administration.¹⁹

GMO resistance

In many sessions, including the one on "Technologies for better and safer food", the hostility of European consumers towards genetically modified food was highlighted as a major obstacle to EU competitiveness. Unilever's Dominique Taeymans stressed that 'innovation', including genetic engineering, is crucial to safeguard international competitiveness of the European food and drink industry, which represents 13 % of EU GDP. Food safety policy making is 'too emotional' and should instead be based on 'sound science', said Taeymans, who also chairs the European Confederation of the Food and Drink Industries. Without giving any concrete examples, panelists claimed that GM food are 'superiorly safe'. The fact that GM foods could pose new food safety problems was clearly not meant to be discussed. UNICE's Philip De Buck in his speech in the final plenary used public opinion on GMOs as an example of the need to "change the mindset so people are less risk-adverse", for the sake of competitiveness.

A separate session was dedicated to nanotechnology, a not so new technology creating new products from 'nano particles' (particles designed on the atomic level). As in many other sessions, industrialists complained that US government investment in nanotechnology is much greater than in the EU and that more generous public funds were needed "to keep a part of the nanotech pie at this side of the ocean". A Dutch academic must have felt out of place when he warned about possible side-effects of nanotechnology, referring to studies indicating that inhalation of nanoparticles could damage human lungs. Stories about self-replicating robots were dismissed as 'ridiculous', and caused a rare wave of laughter through the audience.

The EU's military-industrial complex

Perhaps the most chilling illustration of the competitiveness discourse gone mad came at the session on the Transatlantic defence industry, titled "Defence and security: how to work together for a secure Europe". The session was co-chaired by NATO's Jamie Shea (infamous for his press briefings during the 1999 NATO strikes on Kosovo and Serbia) and lobbying veteran Giles Merrit of the New Defence Agenda, a new Brussels-based think-tank funded by US and EU-based arms producers.²⁰

Giles Merrit used the opportunity to give the arms industry some public relations advice on how to overcome the "merchants of death" image. "Stop talking about costs, instead highlight the activity and the jobs coming from the sector", said a hoarse-voiced Merrit, who proposed "the defence economy" as a term that would appeal more to the public. "Stop making macho ads with missiles and fighter planes" and start using "civil society language", Merrit proposed, suggesting that the industry could present itself as "protecting civil society and the freedom of citizens".

The EBS session, which took place the day after the bloodbath in Madrid, focused on the opportunities arising from the "guaranteed supply chain of insecurity". The discussion soon zoomed in how to boost EU military spending to reach US-levels. Scott Harris, European director of Lockheed Martin (world's biggest weapons producer), highlighted the difference in government spending on arms between the EU and the US: the US military budget in 2003 was \$380 billion, compared to \$150 billion spent by the EU countries combined. He complained about "the lack of resources" and demanded the speedy creation of an integrated EU-US marketplace for arms. Asked by a journalist whether it would be an option to loosen the EU's Stability Pact to free up government funds, an irritated Harris responded that "the resources are a matter of political choice, the money is there". The background for such confident calls for boosting in EU military budgets is the creeping militarisation of the EU.²¹ The creation of the European Agency for Armaments and Strategic Research is only one of many recent steps. The draft EU Constitution consolidates this disturbing trend by stating that "Member States shall undertake progressively to improve their military capabilities".²²

Despite the many shortcomings in the current policies of EU countries, their contribution to global wealth-sharing and peaceful conflict-resolution is far

ahead of the US. While wasting less money on arms, EU countries, for instance, spend three times as much on aid to developing countries and contribute twice as much to the UN budget, compared to the U.S.²³ The traditional European approach to global security seem increasingly in danger of being crowded out by US-style military 'solutions'. The European Business Summit showed how the emerging EU-level military-industrial complex hopes to use not only post-September 11 security fears but also the competitiveness obsession among Europeans politicians to accelerate the militarisation of the EU.

"Once again the EBS succeeded in creating and developing strong and more harmonious links between political decision makers and business leaders."

EBS website

Notes

¹ Presidency conclusions, Brussels European Council, March 25-26 2004, <http://www.consilium.eu.int/pressData/en/ec/79696.pdf>

² "UNICE comments on the conclusion of the Spring Summit", UNICE press release, 26 March 2004.

³ For a critique of the EU's flawed focus on emissions trading in its Kyoto implementation policies, see for instance "The Sky is Not the Limit - the Emerging Market in Greenhouse Gases", Carbon Trade Watch, TNI Briefing Series, January 2003 - <http://www.tni.org/reports/ctw/sky.htm>

⁴ Appendix to ERT letter to the Irish government, 17 February 2004. See <http://www.ert.be>

⁵ "Both direct and indirect effects should be assessed and, in cases where competitiveness would be diminished, the necessary changes to the regulation must be made". Ibid

⁶ Presidency conclusions, Brussels European Council, March 25-26 2004, <http://www.consilium.eu.int/pressData/en/ec/79696.pdf>

The European Commission has been working on developing business impact assessments for several years already. See for instance: "Better Regulation": For Whom? EC Prepares to Dismantle Business Regulation and Expand Corporate Control", Corporate Europe Observer – Issue 9 <http://www.corporateeurope.org/observer9/regulation.html>

⁷ The EU website on "The Lisbon strategy for economic, social and environmental renewal" explains that "The Lisbon Strategy is a commitment to bring about economic, social and environmental renewal in the EU. In March 2000, the European Council in Lisbon set out a ten-year strategy to make the EU the world's most dynamic and competitive economy. Under the strategy, a stronger economy will drive job creation alongside social and environmental policies that ensure sustainable development and social inclusion." See http://europa.eu.int/comm/lisbon_strategy/index_en.html

⁸ "Competitiveness worries dominate EU summit", ENDS Environment Daily, Issue 1637 - Friday 26 March 2004.

⁹ For analysis of the previous editions of the EBS, see the articles "Consolidating Corporate Power" [<http://www.corporateeurope.org/observer7/ebs.html>] and "Discount-Davos" [<http://www.corporateeurope.org/observer12/ebs2002.html>]

¹⁰ Harney's pledge was by no means empty words: the recommendations of the Competitiveness Council for the EU Spring summit included "the need to pursue an integrated approach to ensure coherence across all Community activities which would impact business and industry" and stressed "the importance of impact assessment." Source: Results of the Competitiveness Council of Ministers, Brussels, 11th March 2004.

¹¹ In 2002, the EBS took place in a very large congress centre in the north of Brussels. The halls were filled with sponsored information booths and the conference programme was far more elaborate, with numerous parallel sessions. The relatively unglamorous circumstances made the EBS 2002 seem like a discount-version of the World Economic Forum in Davos.

¹² "Research and innovation: a European strategy for more growth and jobs" was the full title

¹³ <http://www.ebsummit.org>

¹⁴ Most EBS participants were mid-level business managers, but there were also several EU government ministers, four European Commissioners (Erkki Liikanen, Margot Wallström, Antonio Vitorino, and Philippe Busquin), over 85 other European Commission representatives as well as national government bureaucrats and Brussels-based diplomats. The EBS attracted very few CEOs and other higher-level management, whereas Belgian business was enormously over-represented.

¹⁵ Cordis Focus, a newsletter published by the European Commission, quotes EBS founder Dider Malherbe who said that "one of the most positive signs that the EBS is as equally valued by policymakers as is it by companies was the initiative taken by the Commission's Research DG, and by Mr Busquin in particular, to support the third edition of the event. 'The idea to make research and innovation the focus of this year's summit came from the Commission, not us', revealed Mr. Malherbe." Cordis Focus, 23 February 2004.

¹⁶ The ERT's letter to the EU's Spring Summit goes into great detail on this and reads like a complete déjà vu of its reports from the 1980's and early 1990's, when the ERT used the competition with US and Japan to argue for a neoliberal transformation in Europe. Just like in reports like Beating the Crisis (1993), the ERT letter compares labour costs in the EU, US, Central and Eastern Europe, China and India. Wage costs in Germany are 60 times higher than in India for manufacturing workers (0,40 towards 24,10 US\$), 8 times for a software engineer (54,10 versus 6,70 euro).

¹⁷ The ERT consists of around 45 CEOs from the largest transnational companies headquartered in Europe. See <http://www.ert.be>

¹⁸ "Chemicals Legislation Will Save Money on Health Impacts", Friends of the Earth England, Wales and Northern Ireland, March 30 2004;

http://www.foe.co.uk/resource/press_releases/chemicals_legislation_will_30032004.html

¹⁹ "US diplomats to lobby EU on chemicals rules", Financial Times; March 29 2004.

²⁰ For more on the New Defence Agenda, see <http://www.newdefenceagenda.org/> Membership starts with 5,000 euro per year, corporations choosing for a "golden partnership" pay no less than 25,000 euro. Merrit is a Brussels lobbying veteran whose CV includes running the Philip Morris Institute for Public Policy Research in the 1990s, being director of the think-tank Forum Europe and Secretary general of Friends of Europe, as well as establishing the "Fairer World Forum" (in response to the globalisation debate). NDA was set up by Forum Europe (which Merrit was the director of), with whom they still share a building (Bibliothèque Solvay, in the parc right next to the European Parliament).

At the EBS, NATO's Jamie Shea introduced NDA as "the leading forum in Brussels brining together NATO, EU and other partners". Merrit in his introduction expressed his worries about whether the UK would reduce defence expenses, as the UK and France are the only EU countries that "have their defence act together".

²¹ "EU heading towards militarisation", CAAT News, August-September 2003, <http://www.caat.org.uk/information/magazine/article.php?edition=0803&article=EU+heading+towards+militarisation>

²² See article Article 40.3, paragraph two, of the Draft Treaty establishing a Constitution for Europe: <http://european-convention.eu.int/docs/Treaty/cv00850.en03.pdf>

²³ "European countries contribute ten times as many soldiers as the U.S. to peacekeeping and policing operations around the world- in Bosnia, Kosovo, Afghanistan, Cambodia, Eritrea, Mozambique and, most recently, the Congo. 90% of Western aid to Afghanistan comes from Europe. " From "Europe shouldn't imitate the U.S. on the military front", Jonathan Power, TFF Associate, January 28 2004;

http://www.transnational.org/pressinf/2004/pi194_EuropeUSmilitary.htm