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Introduction

In a recent paper, Jan van Tatenhove and Jeannette Mak argue that studying informal governance in the European Union (EU) has recently gained 'new urgency'. According to them, two factors are responsible for this: first, the intensification of informal practices of governance as a result of the latest widening and deepening of the EU and, second, the growing awareness of the emergence of 'unique' structures of governance in the EU (Van Tatenhove and Mak 2004; on informal governance, see also Christiansen and Piattoni 2003). Apart from the fact that the very notion of *informal* governance makes one wonder what *formal* governance is all about (it all seems to depend on a definition of *governance*), it is difficult to see how the recent big bang enlargement and the concomitant treaty revisions can be held responsible for this intensification of informal practices of governance. It can indeed be argued that the emergence of transnational governance structures in the EC/EU is related to the so-called 'extended relaunch' of European integration since the early 1980s (i.e. the completion of the Single Market and the subsequent Maastricht decision to move towards Economic and Monetary Union). Next, instead of emphasising the *sui generis* character of the EU (which basically boils down to raising the *how does the EU work* question), one should also address the why question: why is it that private and public forms of governance (ranging from corporate governance to transgovernmental networks) emerge in the EU (but not only in the EU) and why is it that these forms of governance have come together – on the basis of reciprocal interests – in the framework of so-called public-private partnerships? One explanation is the widespread adoption of neoliberal policies in the EU and the shift of responsibility for service provision to the private sector (Pollack and Shaffer 2001: 18).

Another reason is the completion of the Single Market and the coming into existence of a number of regulatory bodies in which public and private actors work together (for instance in setting EU-wide technical standards). In any case, this paper argues that the analysis of transnational *private* governance – as the central theme of this workshop - should concentrate on the intersection of politics and economics, on the symbiosis op public and private forms of governance, and on the interaction between state (or quasi state) actors and non-state actors in the framework of public-private partnerships. This is (or should be) the true meaning of a (global) political economy perspective on transnational governance in the European Union (or elsewhere).

In this paper, I will discuss the European Employment strategy and the so-called Lisbon strategy – aimed at making Europe 'the most competitive and dynamic knowledge-based economy in the world' - as part and parcel of the dominant competitiveness discourse in the European Union (EU). In the words of the 2000 Lisbon European Council, 'achieving the new strategic goal will rely primarily on the private sector, as well on public-private partnerships'. It is this role of national and transnational private actors, and the proliferation of public-private partnerships in the EU, that will be at the heart of the paper. The role of transnational business – organised in the European Round Table of Industrialists – will be singled out as integral part of the unfolding mode of transnational governance and asymmetrical regulation in the EU.

Transnational governance refers to the more comprehensive process of building a new European polity or, more specifically, a novel form of bourgeois domination in the transnational heartland of European production and finance. Governance refers to the organisation of collective action through formal and informal institutionalisation (institutions being 'the rules of the game that permit prescribe, or prohibit certain actions', see Prakash and Hart 1999:2) and *transnational* governance in the EU refers to a process that is constituted in a social space transcending national borders and takes place simultaneously in subnational, national and supranational arenas. Governance is thus about control and authority but – unlike 'government' in democratic polities – not necessarily about legitimacy and democratic accountability.

By regulation I mean, following Giandomenico Majone, the 'sustained and focused control exercised by a public agency, on the basis of a legislative mandate, over activities that are generally regarded as desirable to society' (Majone 1996: 9). If we take the Single Market as an example, we can assume that the free market activities since the mid-1980s are regulated in a would-be European society that 'generally' considers free market integration through European (re)regulation as an activity worthwhile in itself and 'hence in need of protection as well as control' (ibid.). Similarly, we can look at the European Central Bank as a public agency that exercises sustained and focused control over activities which have an impact on, for instance, price stability. The same can be said, finally, for activities in the field of social policy. Maintaining social cohesion, or guaranteeing a certain degree of social protection, can be generally regarded as desirable to society. The problem is, however, that (re)regulation at the European level in terms of single market and monetary integration causes deregulation at the national level in social terms. Asymmetrical regulation, then, not only refers to the discrepancy between European economic and monetary free market regulation, on the one hand, and the lack of social regulation (or harmonisation) at the European level, on the other, but – more importantly – to the adverse impact of economic and monetary integration at the European level on social cohesion at the national level.

The paper will discuss this correlation between economic and monetary integration, on the one hand, and the so-called 'modernisation' of the European Social Model, on the other, by referring to the privileged partnership of big business in the agenda-setting and policy-planning process, and to the lack of democratic accountability. In short, and from a Global Political Economy perspective, it tries to identify the constitutive elements of patterns of authority mediating between the political and the economic spheres of a transnational space.

1. Multidimensional governance in the European Union

From an institutional perspective, governance in the EU is much more complex, and hybrid, than the anti-federalist rhetoric of national politicians suggests. Indeed, European integration theory has clearly moved beyond the well-known debate between supranational and intergovernmental institutionalists in the late 1980s and early 1990s (for an overview of this debate, see Rosamond, 2000). This renewed interest in European integration theory was directly caused by the relaunch of European integration through the European Commission's White Paper on the completion of the internal market (1985) and the signing of the Single European Act (1986). After more than a decade of 'eurosclerosis', this unexpected revival of European integration heralded a short interval of 'europhoria', a period of unreflected optimism about the process of European integration – a mood in which, for some, even a federal Europe seemed possible in the near future. This period came to an end with the agreement on the Treaty of Maastricht in December 1991.[1] Since then, the theoretical debate on European integration has moved into the direction of a more eclectic approach. Not a single scholar is still believing in an incremental, almost automatic process towards a federal Europe. And an increasing number of scholars seems to accept that nation-states are not the sole actors in EU decision-making and that interstate bargaining is only part of a much more complex system of multilevel governance (a term first coined by Marks et al., 1996). The EU's hybrid nature is characterised by the existence of overlapping competencies among multiple levels of governance and by the interaction of political actors across those levels. Multilevel governance (MLG) has become a common sense notion in mainstream integration literature.

Although the MLG literature contributed to a better understanding of the institutional structures of the EU, some important corrections to this common sense notion have to be made. As Bastiaan van Apeldoorn rightly pointed out, the bulk of mainstream integration literature is focused on *how* the structures of European governance are functioning, without raising the questions of *why* this multilevel system has emerged and *what kind* of European Union it seeks to promote (Van Apeldoorn, 2002: 5). One way of illustrating this point is to look at the specific nature of European integration thus far. It is as much about economic and monetary supranationalisation (involving the creation of supranational structures of regulation and surveillance) as it is about strict intergovernmentalism, notably in the related social policy area. This comes close to what Paul Kapteyn calls 'the stateless market' (Kapteyn, 1996). In short, European integration is about negative integration – i.e. the removal of all barriers to the free movement of goods, capital, services and (to a lesser extent) persons – and much less so about positive integration – i.e. the creation of new policy domains at the supranational level. 'Multilevel' then also means that some areas are moved to the supranational level while others are strictly reserved to national authorities claiming national sovereignty. One wonders why.

Part of the answer to this question is related to a second phenomenon. Part and parcel of multilevel decision-making is the principle of *political* spill-over. This refers to the fact that non-state actors (usually called 'lobby groups') move their lobbying activities to the European level in response to an increase in the policy-planning and law-making powers of notably the

[1] In Maastricht all explicit references to what was left of the federalists' objectives were deleted from the draft treaty which was prepared under the Luxembourg and Dutch presidencies. The European Union's 'federal goal', for instance, was changed in 'an ever closer union among the peoples of Europe, in which decisions are taken as closely as possible to the citizen in accordance with the principle of subsidiarity' (Preamble of the Treaty on European Union).

European Commission. It makes no sense to lobby at the national level when decision-making is – or at least starts – in Brussels. In theory this seems a quite reasonable conclusion. But in practice we see an unequal distribution of ‘capabilities to act’ at the European level, an unequal access to the cupola of European decision-making and – most importantly – an unequal outcome as far as agenda-setting, policy-planning and decision-making are concerned. The post-war development of the welfare system – and, more specifically, the concomitant redistribution of income and de-commodification of labour – was primarily the result of a class compromise between capital and labour, or more concretely, the outcome of concerted actions between organised labour and business in the context of Atlantic fordism. If we look at the role of organised labour since the crisis of fordism in the 1970s and 1980s, we see a dramatic decline in union density, negotiating power and capacity to act (see Ebbinghaus and Visser, 1999). At the European level this is even more true, especially when compared to the extent in which European capital successfully organised itself in transnational planning bodies like the European Round Table of Industrialists (ERT; see Van Apeldoorn, 2002). In the absence of a strong institutional representation of labour at the European level, European capital is optimally using the ‘multilevel playing field’ that has been created within the European Union to fully implement its own neoliberal project and to arrange its own regional cohesion (Holman and Van der Pijl, 2003). If we compare the more recent role of trade unions to the one they played in the first two decades after World War II, we witness a comprehensive shift from demand-side corporatism to supply-side corporatism (both primarily at the national), the latter reflecting the – albeit reluctant – participation of the cadres of national trade unions in the process of neoliberal restructuring (see Falkner, 1997).

These two corrections – the asymmetrical nature of European regulation, premising supranational free market regulation over national social regulation, and the asymmetrical spill-over of social actors to the European level – are a first step in answering the aforementioned questions of why MLG has emerged and what kind of EU it seeks to promote, i.e. in discovering the social purpose of MLG. In developing this argument further, I will first introduce the two interrelated components of what I prefer to call multi*dimensional* governance in Europe.

New constitutionalism and the European Court of Justice

First, European governance is characterised by what Stephen Gill calls new constitutionalism: the separation of ‘economic policies from broad political accountability in order to make governments more responsive to the discipline of market forces, and correspondingly less responsive to popular-democratic forces and processes’ (Gill, 2001: 47). New constitutionalism within the European Union is very much related to the completion of the single market in the 1980s and early 1990s. One particularly strong example is the principle of mutual recognition that was originally formulated by the European Court of Justice (ECJ) in the famous case Cassis de Dijon (1979) but introduced as a general principle to complete the internal market. According to this principle – which was intended to abolish technical barriers (such as national regulations related to health, safety and environmental standards, and to consumer protection) – products that are lawfully manufactured in one country must be admitted in other member states, irrespective of whether it complies with existing legislation in that member state or not. In more general terms, the political significance of this judgement of the ECJ boils down to the primacy of European over national law, of the Community's *acquis communautaire* over national legislators. In the words of Fritz Scharpf: 'By judicial fiat (…) the freedom to sell and consume had achieved constitutional protection against the political judgement of democratically legitimised legislatures' (Scharpf, 1999: 56). This first component of multidimensional governance is thus very much related to the role of the ECJ and the new constitutionalism enshrined in the European Treaties. The ECJ is first and foremost the European institution which guarantees a fair economic playing field or – in less neutral terms – ensures the free movement of market forces in a de-regulated single market. It does not have substantial jurisdiction outside the first Pillar of the Maastricht Treaty, but it does play a central role in compelling compliance by member state governments with respect to the Community's *acquis communautaire* (which in turn is mainly concerned with the completion of the single market, and its institutional underpinnings).

Private-public partnerships: the European Commission and European business

A second feature of multidimensional governance in Europe is the phenomenon of private-public partnerships which has emerged – and to some extent been institutionalised – in the course of the 1990s. By this we mean the informal and formal structures (or networks) where Chief Executive Officers (CEOs) of European capital, politicians and high representatives of the European cadres meet each other. It is particularly the agenda-setting and policy-planning capacity of these networks that is of importance here. And this is as much about decision-making as it is about non-decision-making: keeping specific policy areas or topics from the European agenda is as important as keeping the momentum of neoliberal restructuring and disembedding free market capitalism (under the banner of competitiveness).

The partnership between the European Commission and the aforementioned ERT is perhaps one of the most striking (and influential) examples in this respect. The European

Commission is of particular importance in its policy planning capacity and in its role as the *Guardian of the Treaties*. As far as the former task is concerned, the Commission operates in close co-operation with organised business. The ERT is a privileged agenda setting and policy planning group, privileged in its access to European institutions and member state governments and in its capacity to influence the European agenda. The relationship between the two can best be described as a 'symmetrical interdependent' one: the Commission and the ERT need each other in the realisation of their respective goals. Already in the early years of its existence, a member of the Delors cabinet referred to the ERT in the following way: 'We see this group as a very useful bunch of people. These men are very powerful and very dynamic. They seed us with ideas. And when necessary, they can ring up their own prime ministers and make their case' (quoted in Merritt 1986: 22). In other words, the Commission could (and can) use the members of the ERT in its attempt to strengthen its position vis-à-vis the member states, both in its policy initiating and innovating capacity. On the other hand, the ERT needs the Commission because of its role as executive and co-legislature at the European level. The fact that the Commission has 'a quasi-monopoly of policy initiation and innovation inside the Community' (Church and Phinnemore 1994: 271) makes it the very political addressee of numerous interest groups. And again, among these interest groups the ERT is *primus inter pares*.

It is now generally acknowledged that the ERT played an important role in the relaunch of European integration in the 1980s, both with respect to the completion of the internal market and the development towards EMU (see Holman, 1992; Cowles, 1994; Van Apeldoorn, 2002). After Maastricht, the agenda setting and policy-planning activities of the ERT shifted from a more comprehensive approach (including all the major issues of European integration) to an approach focused on the much more limited competitiveness discourse. Most of the reports of the ERT published after 1991 have European competitiveness as a central theme, with a strong emphasis on deregulation and labour market flexibilisation. In the words of the former Secretary General of the ERT, Keith Richardson, 'the competitiveness of European business must be strengthened by making it possible to build an integrated free market economic system, with a maximum of flexibility and a minimum of regulation'; and more explicitly, 'jobs cannot be created by laws or by writing some new clause or chapter into the Treaty of Maastricht. What is urgently needed is the deregulation of labour markets and better education and training. New jobs will then follow from economic growth and the creation of wealth by business' (Richardson, 1997: 64/65). In 1995, then, the relationship between the European Commission and the ERT was institutionalised with the creation of the Competitiveness Advisory Group (CAG). As a co-initiative of the then German Commissioner for industry, Bangemann, and the ERT, the CAG would ‘act as a watchdog, by subjecting policy proposals and new regulations to the test of international competitiveness’ (ERT, 1994: 3).

It is important to note that the emergent system of private-public partnership is by no means restricted to the EU-level. The creation of the CAG coincided in time with the establishment of the Transatlantic Business Dialogue (TABD). This transatlantic network of representatives of the US-government, the European Commission and American and European business leaders aims at deregulating transatlantic trade while covering such dispersed areas as genetically modified products and the next WTO free trade round (Cowles, 2001). This example points at another difference with the MLG literature, which tends to concentrate on how the internal structures of European governance are functioning. A closer look at the way European governance is unfolding in reaction to (and as part of) global processes of neoliberal restructuring will bring us closer to an answer to the question of why this multilevel system has emerged and what kind of EU it seeks to promote. But first we will look more closely at the role of European big business, organised in the ERT, in setting the agenda for a neoliberal Europe.

2. The role of the ERT

The ERT was founded in 1983 on the initiative of the erstwhile European Commissioner Etienne Davignon and the President of Volvo Pehr Gyllenhammar. It was originally intended to become an informal debating club for the Chief Executive Officers (CEOs) of seventeen European transnational companies. The early ERT members were recruited from industrial sectors like electronics (Philips and Siemens), car manufacturing (Fiat, Renault, Volvo) and steel (Thyssen).

Soon after its foundation the ERT developed into a platform for the improvement of the dialogue between European industry and decision-makers at both the national and European levels. Its principal aim was twofold: to search for common solutions for the perceived loss in competitive power vis-à-vis U.S. and Japanese adversaries and to find support at the Community level (and especially within the European Commission) for such projects as the completion of the Single Market, a European technology policy, and Trans-European Infrastructure Networks. In order to realise these objectives, a number of reports were presented, while representatives of the ERT entered into contact with civil servants and politicians in Brussels and in the national capitals.[2]

[2] For a detailed account of the initiating role of the ERT in the run up to the presentation of the Commission’s White Paper on the completion of the Single Market in 1985, see Green Cowles 1994.

In an assessment of the role of the ERT in relaunching the process of European integration in the period 1983-88, it is of less importance that most of the key players have repeatedly stated that the European Commission in general, and the Commissioner responsible for drawing up the White Paper, Lord Cockfield, in particular, acted in response to direct lobbying by European big business, organised in the ERT. What the ERT was (and is) aiming at, was clearly stated in the 1985 report called *Changing Scales*: 'The emphasis of the group's work is on developing ideas and taking initiatives to promote the European scale in industrial and market development - strengthening European industry's competitiveness (...) by promoting competition and co-operation on a European scale' (ERT 1985: 2).

And indeed, it is first and foremost its *agenda setting* role that characterises the influence of the ERT in European affairs. The ERT formulates priorities in the field of European integration, particularly with respect to the overall objective of strengthening European industry's competitiveness, in the expectation that decision-makers at the European and national levels start to take concrete action. In the words of the ERT in its 1991 report *Reshaping Europe*: 'Perhaps more than in the past, business opinions today express a comprehensive world-wide vision of modern society and its problems, a vision which may in some ways go beyond the ideas of our political leaders' (ERT 1991: 2). The striking synchronisation of ideas between the ERT and the European Commission headed by Jacques Delors (whose capacity to elaborate a 'comprehensive vision of modern European society' was unquestioned), *inter alia* exemplified by the latter's adoption of the European Champions strategy, to a large extent accounted for the successful implementation of the Europe '92 initiative. The close co-operation with the ERT gave the European Commission an additional powerful instrument in its attempt to convince member states' governments.

In the field of European economic and monetary unification it seems clear that the ERT has successfully played its agenda setting role: the most important priorities of trans-European business have been realised or are high on the European agenda. This is illustrated by the passionate plea for monetary union in *Reshaping Europe*, which was published on the eve of the European Council meeting in Maastricht, in December 1991. In the section on monetary union it states that 'the time has (...) come to fix the goal of a single currency in Europe as an essential condition for securing the full benefits of the single market. Money is the life-blood of an economic system. A single, strong and stable currency is a necessity for the post-1992 market place' (ERT 1991: 46). In directly referring to the issues at stake during the Maastricht Summit, the following demands were formulated:

1. We need a firm commitment to the final goal of a single currency, so that industry can start planning now.
2. We need a sense of urgency.
3. We need a clear and unambiguous timetable.
4. A stable value for our currency is an overriding goal, and there must be a Central Banking System sufficiently strong and independent to guarantee this.
5. Governments must commit themselves to the necessary pre-conditions - a firm stance against inflation, a total ban on the monetary financing of budget deficits and a steady convergence of economic policies - and they must accept binding disciplines to give credibility to these objectives (ibid.).

It is not difficult to see the clear resemblances between these demands and the final outcome of the Summit, laid down in the Treaty of Maastricht.

It is mainly for this reason - i.e. the realisation of two of its most important objectives, the completion of the single market and the creation of a single currency - that the ERT has narrowed down its ‘comprehensive world-wide vision’ to the concept of competitiveness since 1991. Though a preoccupation with competitiveness has been one of its main concerns ever since its foundation in 1983, the ERT primarily focused on regional solutions to the perceived problems of European industry during the first years of its existence.[3] This can be illustrated by developments in the aftermath of the adoption of the Europe ‘92 project.

This first project of the ERT received general support among business circles and governments in the whole Community. Its growth-generating impact and neoliberal underpinning fitted very well with another strategy, primarily related to the group of ‘import-competing producers of tradeable goods for the European market’ (and particularly the European electronics and car industry; see Frieden 1991, and Holman 1992: 16): meeting the challenge presented by Japan and the Asian dragons. After the Single European Act was agreed upon, this same group of transnational import-competing firms, which formed the backbone of the ERT, tried to move beyond free market competition within the EC, and indeed turned the ERT temporarily into a business lobby for state intervention - that is, for state aid in terms of subsidies and policy support against foreign competitors. And if these could not come from national governments, European business wanted them from the Community (see *The Economist*, June 8,

[3] In aiming at regional solutions, the development of new policy areas at the European level and an increase of the powers of the European institutions were not ruled out in advance. To a certain extent, the objectives of the ERT were not incompatible with the ambitions of the Delors Commission during the second half of the 1980s.

1991). Several attempts were made to influence the decision-making process of the EC in terms of a more active common industrial policy and a more restrictive trade policy to protect specific industrial sectors. But most of these attempts failed because of fierce opposition, notably from the British and German governments, to the conversion of the EC into a ‘protected zone’. Only the French government seemed prepared to support some of the claims made by the electronics and car industries.

This failure to influence the Community's decisions in the field of industrial and trade policies, in combination with an acceleration of the underlying trend of global restructuring after 1989, seem to have changed not only the composition of the ERT but also its comprehensive orientation.[4] In fact, those companies which had asked in vain for public support were forced to embark on a strategy of restructuring themselves, in order to meet global competition. In reflecting on the changing orientation of the ERT during the period 1988-92, the former European Commissioner Frans Andriessen emphasised this point: ‘Initially, the French - who always had a protectionist perspective - were quite dominant in Europe. Later on, the influence of the Germans and the English became much stronger. A man like Davignon had rather strong protectionist beliefs. Also Wisse Dekker [the then CEO of Philips and in the late 1980s chairman of the ERT, OH] appealed to the government for protection against Japanese competitors. As a result of continuing globalisation this trend was reversed. At present even these companies are so multinational that a protectionist policy at the regional level would be counterproductive for them. In fact, a large part of their turnover is realised outside Europe’ (quoted in *Intermediair*, 17 February 1998).

As a result of this development, and particularly after 1991, a divergence of the interests and objectives of the ERT on the one hand and the strategy of Jacques Delors (who became increasingly isolated) on the other can be noticed. In this context, a comparison between the presentation of the White Paper in 1985 and the publication of Delors’ White Paper on Growth, Competitiveness and Employment in December 1993 is interesting. In both cases, the ERT presented its strategic position with respect to these issues - i.e. the completion of the internal market and the foundations for sustainable development of the European economies - by publishing reports and by approaching relevant political actors. But in the latter case the

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[4] On the changing composition of the ERT and particularly the increase from the seventeen original members to the forty-four members in 1991 - including a substantial number of so-called ‘export-competing producers for the world market’ or ‘global players’ - see Holman and Van Apeldoorn 1994; Holman 1996; and more detailed Van Apeldoorn 2002.

respective ‘world-views’ differed on essential points. This is much related to the rather single-minded focus of the ERT on competitiveness in recent years.

In a number of reports, the ERT unambiguously stressed the need for deregulation and flexibilisation of labour markets. According to the ERT analysis, the causes of structural unemployment in Europe and the weak response of employment to economic growth are mainly due to institutional rigidities and high levels of social protection. This makes it mandatory to flexibilise and upgrade the supply of labour, to allow for more wage differentiation and more responsive, and, where necessary, lower wages and non-wage-costs, etc.[5] In the words of the ERT in its 1993 report on *European Labour Markets*: ‘(...) even painful measures should become socially acceptable, provided they contribute to a sustained improvement of the unemployment situation’ (ERT 1993b: 2).

A recovery of European industry's competitiveness can be realised only through adjustments in the supply-side of the European economy, because ‘only a healthy, efficient and competitive private sector is able to provide sufficient jobs’ (ibid.: 9). All the other decisions within the European Union have to be tested against this all-pervasive goal. In this context, in 1993 and 1994 the ERT proposed the establishment of an European Competitiveness Advisory Group, which would ‘act as a watchdog, by subjecting policy proposals and new regulations to the test of international competitiveness’ (ERT 1994: 3). In 1995, this Advisory Group was established to keep competitiveness high on the EU policy agenda.

This latter example confirms a more general pattern in the fifteen years since the establishment of the ERT: at strategic moments - and preferably on the eve of an important meeting of the European Council - the ERT publishes reports or memoranda containing very concrete priorities and suggestions for EU policy. These reports are sent to the European and national decision-making centres. Simultaneously, these reports are discussed during regular meetings with the President and various members of the European Commission and contacts are established with ministers and the Prime Minister of the member state then holding the Presidency of the European Union. This latter event is part of a standing ritual within the ERT. At least twice a year, all the members of the ERT come together for a plenary meeting, to be held right before a European Council meeting. During this plenary, the Prime Minister of the member state holding the Presidency is invited for ‘an informal exchange of ideas’.

[5] These are the recurrent themes in the different reports on European labor markets which the ERT published in the 1990s (see ERT 1993a, 1993b, 1994, and 1997). More recently, these themes are part of more comprehensive publications on the progress of the so-called Lisbon process (cf. ERT 2002).

Being a pressure group of at present 46 CEOs representing transnational companies with a combined turnover of about 1350 billion ECU, employing more than 4 million people world-wide, the ERT is clearly a factor to reckon with at the European level. This once more transpired during the Intergovernmental Conference which was started in 1996. In June 1995, the ERT published a working paper under the title *The 1996 Intergovernmental Conference and the Competitiveness of Europe*. In this document, five criteria were formulated on the basis of which policy proposals could be subjected to the test of international competitiveness. The IGC should result in policy recommendations,

- increasing the stability and reliability of structures (institutions and rules) relevant to business operations;
- contributing to an effective and durable currency system;
- extending the perspectives for Europe - especially through the rapid incorporation of the countries of Eastern Europe but not at the expense of an equally desirable opening-up world-wide;
- improving the EU's ability to act;
- leading overall to less and no more regulation.

In the meantime, several meetings were arranged with the chairman of the IGC, Carlos Westendorp, the President of the European Commission, Jacques Santer, and with a number of national politicians. The ERT delegation was headed by Helmut Maucher, CEO of Nestlé and since January 1996 chairman of the ERT. Its main objective was, again, to stress the overpowering importance of European industry’s competitiveness.[6]

In this context, it is interesting to note that Helmut Maucher was also chairman of the *ERT Working Group Employment*. In this capacity, he was *inter alia* responsible for the 1993 report on European labour markets. As indicated above, this report contained a set of quite explicit policy recommendations with respect to labour market flexibilisation and an improvement of the supply-side of the European economies. Next to this, the report fulminated against the Social Charter – ‘with its inherent risk of uncontrolled momentum in EC social interventionism’ [7] - and against the proposal of a European Works Council (ERT 1993b: 12/13).

[6] Interview with Keith Richardson, Secretary General of the ERT, and Caroline Walcott, Assistant Secretary General, Brussels, February 2, 1996.

[7] The following citation is exemplary for the way of thinking in the report: ‘Members of the European Commission, in criticizing the transfer of a production facility from France to Scotland as social dumping and ‘job poaching’,

Finally, the report expressed the ERT's fierce opposition against proposals directed at creating an European employment policy. 'Experience shows that top-down bureaucracy in detailed matters and excessive central influence significantly slow any structural change. (...) There is little that can be done at the Community level to directly solve the unemployment problem' (ibid.: 9). The report therefore calls for strict subsidiarity in labour market policies.

A couple of years later, the ERT, through its Secretary-General Keith Richardson, again expressed its opposition to an active employment policy at the European level. In his view, European industry's competitiveness should be strengthened 'by making it possible to build an integrated free market economic system, with a *maximum of flexibility and a minimum of regulation*' (Richardson 1997: 64). And more explicitly: '(...) jobs cannot be created by laws or by writing some new clause or chapter into the Treaty. What is urgently needed is the deregulation of labour markets and better education and training. New jobs will then follow from economic growth and the creation of wealth by business' (ibid.: 65).

In quoting from different ERT sources, it is not our intention to establish a simple cause-effect relationship, implying that the persistent opposition of the ERT against any form of supranational regulation and against an active European employment policy is the sole factor explaining the absence of such a policy at EU level. It can be argued, however, that European decision-making in the field of economic and monetary union has not put the slightest obstacle in European Business' way thus far. Though it may be true that the member states have decided to include a chapter on employment in the Treaty of Amsterdam, for instance, its non-binding content will have confirmed the ERT in its previously quoted assessment: 'it is merely propaganda' (see note 7).

However, we do not want to downplay the importance of ERT involvement either. The very close relationship which developed between the ERT and the European Commission under the presidency of Jacques Delors has been well documented (Cowles Green 1994), and shows convincingly that it was the ERT which kept the '1992' program on course during the second half of the 1980s. Ever since, the ERT was closely involved in the shaping of the initiatives at Maastricht and beyond with respect to monetary unification and macro-economic stability, and its concerns - i.e., flexibilisation and deregulation of European labour markets in order to increase European industry's competitiveness - determined to a large extent the direction of these

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recently indicated how the EC may make use of extended authority in social and labour affairs. Such an interpretation of the relocation of business activities is dangerous, and we warn against such thinking. No ambiguity should remain concerning the economic cost of the Social Charter. It is difficult to trust assurances made by Commission officials that there will be no significant costs to industry resulting from this new set of regulations.

initiatives. In short, the ERT successfully played its agenda setting role, at strategic moments cemented by active lobbying at the national and European levels. And when necessary, the ERT threatened the European governments, as in the press release of the ERT Internal Market Support Committee of 24 June 1987:

> 'If progress towards the implementation of the European market is as slow as at present, it is unavoidable that European industries might have to reconsider their long-term strategies in order to stay competitive, with the possibility of redirecting industrial investments to other parts of the world outside Europe' (quoted in Cowles Green 1993: 44).

This last citation is an instance of what has been labelled the structural power of transnationally mobile capital, conditioning the behaviour of governments (see Gill 1990: 113-114).

But there are other important factors explaining the absence of social regulation at EU level. First, social fragmentation in Europe is *inter alia* exemplified by the existence of different social security and welfare arrangements and different practices in the field of industrial relations and collective bargaining. In order to tackle these historically determined differences between national social systems by introducing European-wide regulatory policies, national governments have to give up part of their sovereignty. Apart from the ideological aspects involved, the recent history of European integration has shown that member states' governments are rather reluctant to do so.

Second, the post-Maastricht 'austerity race' between member states has made national governments unwilling to fund new employment initiatives at the European level. In general, the disciplinary neoliberal arrangements which were decided in Maastricht and afterwards have had a clear negative impact on job creation.

Finally, it is the absence of a strong, well-organised counterforce at the European level which not only accounts for the lack of a 'social dimension' in the EU, but also for the almost unrestrained manoeuvring space of small but powerful and effective pressure groups like the ERT. The lack of transnational organisation of labour is a clear case in point. Europe's main international peak association of national trade union movements, the European Trade Union Confederation (ETUC), is faced with a number of obstacles, ranging from organisational problems (diversity in terms of overall representation and support among workers, internal fragmentation at the national level in industrial, occupational and political terms, etc.) to political

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Either there is no impact at all on direct and indirect labour costs, i.e., it is merely propaganda; or it has an impact, with the result of reducing employment opportunities, particularly in weak regions and industries' (ERT 1993b: 13).

and ideological differences (see Visser and Ebbinghaus 1992). The weakness of the transnational representation of labour interests becomes the more problematic as ongoing economic and monetary integration in Europe tend to further erode national autonomy in social and economic affairs and hence the capacity of trade unions to counteract neoliberal restructuring at the national level. In the next section we will see how the above factors have contributed to a rather one-sided and all encompassing focus on labour market flexibility and competitiveness in the context of the European employment strategy and the so-called Lisbon strategy.

3. European Employment Strategy

The first attempts to create an European employment policy date from the early 1990s. Before that, especially following the adoption of the Commission's White Paper on the completion of the Single Market in 1985, it was thought that the freeing of market forces would do the job. The completion of the internal market would give an impulse to economic growth, create extra jobs and increase competitiveness of European business vis-à-vis American and Japanese competitors. In the much cited Cecchini-report, which was written under authority of the European Commission to legitimate the so-called Europe '92 project, it was concluded that completion of the Single Market could result in an additional growth of 4.5% of GDP, a reduction in prices of 6.1% and the creation of 1.8 million new jobs. If the member governments were to adopt more expansionary macro-economic policies, it was argued, additional growth could even reach 7% of GDP while 5 million new jobs could be created (Cecchini 1988: 182). Indeed, 'the Commission expressed a strong preference for a more active macroeconomic policy as a means of creating a more favourable environment which would in turn facilitate the implementation of the internal market programme' (Tsoukalis 1997: 72).

Ironically, the EU was confronted with economic recession and the rapid succession of monetary crises right after the Europe '92 project had been formally completed on the 1st of January 1993. This so-called 'post-Maastricht crisis' resulted in a period of negative growth in some member states and, more generally, in a spectacular rise of unemployment. In a relatively short period of time, unemployment in the EU reached a peak of 11.3% in April 1994, and in a country like Spain even a rate of 24%. In 1995, 4 million fewer people were employed than 4 years earlier; the employment rate, at 60% in 1995, was significantly down from a peak of 63% in 1991; youth unemployment was twice as high as that of adults, at over 20% on average; long-term unemployment increased to over 50% of the unemployed in 1995; unemployment of women, at 12,5% on average in 1995, remained higher than that of men in all but three member states (Finland, Sweden and the United Kingdom). Finally, the number of people working at night and in weekends increased, most new jobs created in the first half of the 1990s were part-time, and temporary work accounted for all of the increase in employment of men (European Commission 1996a: *passim*). The freeing of market forces inherent to the Single Market program was apparently not enough to generate additional economic growth and to create extra jobs. The post-Maastricht period did have an impact on labour markets: statistics show a clear move to more flexible working arrangements.

The former conclusion was also drawn in the Commission's White Paper on Growth, Competitiveness and Employment, which was published in 1993. According to the Commission, the different performances of individual member states in generating wealth and in improving job opportunities clearly showed 'that growth is not in itself the solution to unemployment, that vigorous action is needed to create jobs' (European Commission 1993: 16). In general terms the 1993 White Paper proposed a much more balanced approach than the strategy hitherto followed, which aimed at completing the Single Market. It combined supply-side measures with a number of Keynesian elements. Concretely, it proposed Community action in accordance with the following five priorities (European Commission 1993: 21):

- making the most of the Single Market;
- supporting the development and adaptation of small and medium-sized enterprises;
- pursuing the social dialogue that has, to date, made for fruitful co-operation and joint decision-making (sic) by the two sides of industry, thereby assisting the work of the Community;
- creating the major European infrastructure networks;
- preparing forthwith and laying the foundations for the information society.

Next to these priority areas, the White Paper also called for a partial shift from labour to environmental taxes (tax on CO2 energy) and marked the contours of what was called 'a new development model for the Community' (European Commission 1993: 145ff).

Strikingly enough, the Commission's White Paper and the proposed 'policy-mix' were well received by the member states and the social partners, albeit for different reasons. For the time being, the catch-all strategy could compromise between the different national and social conceptions. It was *The Economist* which summarised the general feeling by concluding that the

White Paper 'contained enough grand ideas to please French and other *dirigiste* visionaries - and enough stress on labour-market deregulation to silence British and other sceptics' (quoted in Tsoukalis 1997: 131). It soon turned out, however, that the implementation of the Commission's priorities mainly concentrated on elements like deregulation and labour market flexibilisation, the plea for a more active demand policy being successfully silenced. A clear case in point was the position of the member states with respect to the financing of the European infrastructure networks. They were not prepared to finance these investments through national budgets. Two weeks before the White Paper would be formally presented to the European Council in Brussels in December 1993, a meeting of the Council of Ministers of Finance made it perfectly clear that particularly the Nordic member states were not prepared to provide the necessary funds. The need to reduce government deficits as a result of the EMU convergence criteria was effectively used to counteract the Commission's proposal (*NRC Handelsblad*, 27 November 1993; see also Compston 1997: 8/9).

One year later, during the European Council meeting at Essen in December 1994, it was again concluded that an 'additional effort' had to be made to combat rising unemployment. A five-point plan for action was adopted (*Europa van Morgen*, December 1994: 17; see also European Commission 1996b: 1) aimed at:

- improving employment opportunities for the labour force by promoting investment in vocational training;
- improving the employment intensiveness of growth, in particular through:
  - more flexible organisation of work in a way which fulfils both the wishes of employees and the requirements of competitiveness;
  - wage policies which encourage job creating investments;
  - promotion of initiatives, particularly at regional and local level, that create jobs which take account of new requirements, e.g. in the environmental and social services spheres;
- reducing non-wage labour costs to facilitate the hiring of employees and in particular of unqualified employees;
- improving the effectiveness of labour market policy;
- measures to help groups which are particularly hard hit by unemployment, in particular young people, the long-term unemployed, older employees and unemployed women.

One of the main conclusions from the Essen meeting is that any attempt to develop some kind of European - more or less supranational - initiative to fight unemployment was abandoned. The European Council requested the member states to transpose the five action areas into national policies. The resulting Multi-Annual Employment Programmes at member state level should be monitored by the relevant Councils of Ministers (Social Affairs and Ecofin) and the European Commission. In the words of the European Council, the main purpose was

> to develop understanding of, and engagement in, the Essen process in order to enable the operationalisation of the five action areas; to support member states and all relevant partners in developing policy and shaping practical approaches that follow the issues and ideas outlined in the White Paper on Growth, Competitiveness and Employment (in a way that addresses the areas of concern and action most relevant to each member state's employment and unemployment priorities); to encourage dialogue between the Commission and the member states and to develop the exchange of ideas and experience on concrete aspects of employment policy (European Commission 1996b: 2).

This line of thought, according to which employment policy basically remains a matter of national governments, at best resulting in some kind of intergovernmental co-ordination on the basis of noncommittal guidelines formulated by the European Council, has been reaffirmed by the European Council meeting in Amsterdam. To be sure, as part of the Amsterdam deal and under pressure of the new French government, the EU leaders issued a complementary resolution on growth and employment. In this resolution, the European Council *inter alia* asks the European Investment Bank to investigate the possibilities of broadening its scope, notably by investing in small and medium-sized high-tech, education, healthcare and environmental projects (see *Conclusions of the Presidency*, 16 and 17 June 1997). As a trade-off against the stability pact, this resolution was presented by some of the EU leaders as a sign ‘that EMU was not only a banker’s dream but that it was also intended to tackle the pressing issue of unemployment’ (the Dutch Prime Minister and social democrat Wim Kok, quoted in *The European*, 19-25 June 1997). ‘We are entering another phase’, the then Italian prime minister, Romano Prodi, stated. ‘Europe has finally turned towards other objectives, besides those of arithmetic convergence’ (ibid). Germany’s then finance minister, Theo Waigel, however, seemed to strike a much more realistic note when concluding that ‘unemployment has not become an issue of common European policy’ (ibid.).

This certainly held true for the new treaty's employment chapter, in which 'the promotion of co-ordination between employment policies of the Member States' was set as one of the main objectives. According to Article 1,

> Member States and the Community shall (...) work towards developing a co-ordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change (...).

The Council of Ministers shall each year draw up guidelines which the member states shall take into account in their employment policies; the member states shall provide the Council and the Commission with an annual report on the principal measures taken to implement their employment policies in the light of these guidelines; on the basis of an examination of these reports, the Council may make recommendations to member states (Article 4). In a final article, the establishment of an Employment Committee with advisory status is announced, 'to promote co-ordination between Member States on employment and labour market policies' (Article 6). As a general conclusion, it can be stated that the European Council of Amsterdam did not depart from the course the EU has taken since the early 1990s; employment policy will basically remain a strictly intergovernmental affair. The reaction of the employers' organisations right after the Summit were quite illustrative in this respect. The president of the Federation of German Industry (BDI), Hans-Olaf Henkel, condemned the jobs chapter as 'superfluous' and said it could be accepted only because it would have no real effect (*Financial Times*, 18 June 1997). The Secretary-General of the European employers' federation UNICE, Zygmunt Tyszkiewicz, commented in a similar way: 'We never wanted an employment chapter in the first place, but if we have to have one, then this version is not too bad' (quoted in *European Voice*, 26 June - 2 July 1997).

It soon turned out why this jobs chapter was 'not too bad'. In retrospect we can conclude that the Amsterdam Treaty was the very start of the so-called open co-ordination of national employment and labour market policies aiming at greater flexibility. This can be illustrated by the European Employment Pact – 'a comprehensive overall approach bringing together all the Union's employment policy measures' - that was agreed upon during the Cologne European Council in June 1999. The Pact consists of three interrelated 'pillars' (see Cologne European Council Presidency Conclusions):

- co-ordination of economic policy and improvement of mutually supportive interaction between wage developments and monetary, budget and fiscal policy through macro-economic dialogue aimed at preserving a non-inflationary growth dynamic;
- further development and better implementation of the co-ordinated employment strategy to improve efficiency of the labour markets by improving employability, entrepreneurship, adaptability of business and their employees, and equal opportunities for men and women in finding gainful employment;
- comprehensive structural reform and modernisation to improve the innovative capacity and efficiency of the labour market and the markets in goods, services and capital.

The European Commission was asked to distil from the best-practice comparison specific but non-binding recommendations on the basis of equally non-binding employment policy guidelines. To date four broad guidelines structure the European Employment Strategy (which were initially formulated at the Extraordinary European Council Meeting on Employment in Luxembourg, in November 1997):

- improving employability, *inter alia* by moving from passive to active labour market policies and promoting life-long learning. Active labour market policies include reforms of tax and social security policies (aiming at an increase of the gap between minimum wages and unemployment benefits), making it ‘more attractive’ for the unemployed to take up jobs;
- developing entrepreneurship by making it easier to start up and run businesses and making the taxation system more employment-friendly;
- encouraging adaptability of businesses and their employees by modernising the organisation of work, including flexible working arrangements, and by incorporating into national law more adaptable types of contract;
- strengthening the policies for equal opportunities: tackling gender gaps, reconciling work and family life and facilitating reintegration into the labour market. This objective seems first and foremost directed at increasing employment rates in Europe.

These employment guidelines are drawn up at Community level and then translated into National Employment Action Programmes. In 1999, a Peer Review Programme has started. This ‘dissemination of best practices of member states in labour market policies has the overall aim of enhancing transferability and mutual learning processes and promoting greater convergence towards the main EU goals' (http://peerreview.almp.org/en/principles.htm, 29-11-01). As indicated above, the main EU goal has been reformulated at the Lisbon European Council meeting of March 2000 as 'a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more jobs and greater social cohesion'. The problem is, however, that 'greater social cohesion' is never properly defined. And this in contrast to concomitant notions like competitiveness and benchmarking.

In a 1996 report called *Benchmarking for policy-makers*, the European Round Table of Industrialists clearly outlined the concept of benchmarking: 'benchmarking 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'. Benchmarking

> is a simple, flexible and above all dynamic process. It helps companies and governments to compare their own performance with the best in the world, and to motivate everybody concerned to do better. (…) No organisation today can afford to rest on its laurels in a world where last year's achievements are already gathering dust, remote and irrelevant. (…) Benchmarking succeeds because it works with human nature. It doesn't simply tell people to do better, it shows them how to do so by demonstrating what other people are doing. (…) Benchmarking is non-stop. It is a tool to bring about the continuous improvement and adaptation which are the only means to survival in a continually changing world (ERT 1996: 5)

Benchmarking for policy-makers in the field of labour market policies then primarily boils downs to scanning the world (i.e. introducing Anglo-Saxon practices of internal and external labour market flexibilisation), to motivating workers to do better by reducing social protection, to enhance individual competition (as part of human nature), and to adaptation in a continuous survival of the fittest.

In such a continually changing world, social cohesion is reduced to mere statistics. It is about reducing unemployment and increasing employment rates, and about reducing GDP per capita levels by making Europe 'the most competitive and dynamic knowledge-based economy in the world'. If we accept, on the other hand, a definition of social cohesion as 'the political tolerability of the levels of economic and social disparity that exist and are expected in the European Union and of the measures that are in place to deal with them' (Mayes 1995: 1), we may come to entirely different conclusions. In the end, political tolerability is tested during elections. And as long as a majority of the member state's electorates (i.e. the citizens who actually bother to vote) still reap the benefits of free market integration, the present process of neoliberal restructuring will continue. After all, it is the individual financial reward for accepting more flexible (or unprotected) labour conditions that keeps the neoliberal engine running.

Furthermore, the European Employment Strategy attempts to reconcile supranational, economic and monetary integration with the illusion of national self-determination in 'modernising' the so-called European social model. In the words of the Lisbon European Council, 'achieving the new strategic goal will rely primarily on the private sector, as well on public-private partnerships. It will depend on mobilising the resources available on the markets, as well on efforts by member states'. In terms of governance, however,

> A fully decentralised approach will be applied in line with the principle of subsidiarity in which the Union, the Member States, the regional and local levels, as well as the social partners and civil society, will be actively involved, using variable forms of partnership. A method of benchmarking best practices on managing change will be devised by the European Commission networking with different providers and users, namely the social partners, companies and NGOs (Lisbon European Council 2000)

It is this uneasy combination of public-private partnerships at the European level (agenda-setting and policy-planning) and multilevel governance (implementation) that is at the heart of the new populism in Europe. In an 'integrated market governed by fragmented sovereignty', as Wolfgang Streeck argues, 'the wielders of that sovereignty compete with one another, in part for the respect of their citizens (…) but most importantly for the allegiance of mobile production factors' (Streeck 1997: 3). The 'open method of co-ordination' of labour market policies is perhaps one of the best examples of this: in keeping up the illusion of the 'persistent plurality of national citizenship regimes' it introduces mechanisms of regime competition in the field of social policy. More specifically, peer pressure and recommendations from the European Commission are used to make domestic political and social relations more fluid and more adaptable to the exigencies of European capital. It is about separating employment and labour market policies from broad political accountability in order to make national governments more responsive to the discipline of market forces (the 'new constitutionalism'). The European Employment Strategy is certainly not a supranational policy, but neither is it strictly intergovernmental of nature. The open method of co-ordination underlying this strategy is a new political style which successfully attempts to reconcile supranational, economic and monetary integration with the illusion of national self-determination in dismantling (or, in official discourse, modernising and flexibilising) post-war welfare state structures. If at some moment in the history of European integration the national welfare state may have been the most important obstacle to social policy integration, it is the victory of transnational market forces that makes it the most vulnerable institution in the present European system of multidimensional governance.

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