Arend Oetker

Managing Director,
Dr. Arend Oetker Holding GmbH & Co. KG, Berlin

In March 2005, the European Council confirmed the Commission's critical assessment of the current status of the Lisbon Strategy. From now on, Member States were required to commit themselves to national action plans.

Let me be frank: The conclusions of the March European Council concerning the Lisbon Strategy were disappointing. In spite of the rhetoric for growth, competitiveness and employment, the strategy is still not sufficiently focussed.

Clearly, Member States must engage in structural reforms. But the Commission must also refrain from new proposals that are a burden on companies. We welcome the focus on research and development. But once again, environmental goals, consumer protection and the social agenda gained ground.

The decision to make an early commitment on post-Kyoto emission targets is a case in point. We hope the Commission will refrain from action especially in the field of the environment that leads to disproportionate burdens on companies.

Of course, sustainability and social security are important objectives. But they can only be realised if the EU is economically successful and can assert itself in international competition. The credibility of the entire process stands or falls with the willingness of governments to make a more determined effort to tackle the causes of weak economic growth and high unemployment in the European Union.

The report of the High Level Group published in November 2004 ("Kok-Report") gives an accurate picture of the considerable deficits in the implementation of the Lisbon strategy.

The results so far are disappointing. Europe has not managed to catch up, especially with the United States. On the contrary, per capita GDP in most EU countries is markedly lower than the level in the U.S. In addition, productivity continues to improve more slowly than in the U.S. At the same time, new competitors have gained strength. The economic dynamism of China, India and other emerging countries in the region offers opportunities but also poses new requirements for structural changes in Europe.

What needs to happen now? I see five top priorities:

- The real challenge for policy-makers and businesses is an increase in European competitiveness. Growth and employment must be at the heart of the strategy. Competition – and not redistribution – must be the guiding principle for European policies. The European Union should now take another look at the original objectives of the Lisbon Strategy. Without better priority-setting with the aim of consistent economic renewal, the Union will fall farther behind in global competition.
- Innovation and knowledge must be at the top of the list of objectives for European policies and budget plans. Global competition between industrialised countries is competition in innovation to a great extent. Research and innovation are the keys to tackling economic, ecological and social problems. The share of forward-looking investments in public spending, including promotion of private investments in education, research and development, must be increased and the efficiency of innovation systems enhanced.
- The trend towards over-regulation at the European level must be reversed. European legislation needs an impact assessment to ensure that proper account is taken of the objective of the competitiveness of our companies. In recent years, the Commission, claiming to act under the Internal Market competence, has increased its output of legislative proposals which pursue other objectives, for instance in the area of environment or consumer protection. These measures have contributed to a worrying level of over-regulation, often to the detriment of industry. A topical example is the unwieldy legislative proposal for chemicals (REACH) which is currently under dis-

cussion in the institutions. In future, every legislative proposal in the European Union must be subjected to a proper impact assessment, designed to measure the consequences of the planned measures for the competitiveness of companies. More measures are needed to simplify legislation on the European Level.
- Market opening must be pushed forward, especially in network industries. Past liberalisation successes must be consolidated and completion of the Internal Market must be pursued with even greater resolve. Less state, less tax and more budget discipline are pre-requisites for stability and a reduced burden on companies and consumers.
- A stable European currency is not an obstacle to but a requirement for the success of the Lisbon Strategy.

The obligations associated with the Lisbon Strategy should not give governments an excuse for delaying their consolidation efforts. An internationally competitive interest rate and stable financial markets are a condition for more growth and employment in Europe.

In all Member States, the objectives of the Lisbon Strategy must be embedded in a solid and predictable economic policy that places greater value on competition and individual responsibility, and targets a reduction in the burden on companies.

As the largest economy in the EU, responsibility lies not least with Germany. While labour market reforms have been initiated, these must be followed by further steps with the aim of even more effective flexibility.

The Lisbon Master Plan won't work without economic reforms in the EU Member States. The Strategy can still be saved, but only if governments and the European institutions set priorities. Competitive companies and more wealth creation in Europe are determinants of all the other objectives of the Lisbon Strategy.

All of us are disappointed about the failure of the referenda in France and the Netherlands. I am sure that, in the long run, there will be no chance to convince the people in Europe without economic success for more growth and more jobs.