

THE APELDOORN CONFERENCE SERIES  
THE APELDOORN CONFERENCE 2005  
NORWICH 6 & 7 MARCH

# HOW CAN EUROPE COMPETE?

CONFERENCE REPORT

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**NORWICH FORUM**

Photo:  
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Waters



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Photo:  
Jacqueline  
Wyatt

## Foreword

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The initiative for the Netherlands-United Kingdom ‘Apeldoorn’ Conference Series was taken by Wim Kok and Tony Blair, in February 1999. Their idea was to bring together a representative and informed group from our two countries on a regular basis to reflect on issues of political relevance and shared concern. Since its inception, the series has grown to become a key pillar of our bilateral relationship.

The title of Apeldoorn 2005 was *How Can Europe Compete?*, and the overarching theme was Competitiveness. A summary of conference recommendations was sent to both governments prior to the Spring European Council. Denis MacShane MP, UK Minister for Europe at the time wrote ‘Your excellent note ... was a timely reminder of the challenges ahead.’ The conference agreed that Europe can compete, but that many obstacles stood in its way. There was general support for the Lisbon thinking that more liberalisation and deregulation, and more flexibility in labour and product markets would inject new dynamism into Europe’s economies. The conference identified two reasons why the Lisbon process has been slow. The first is that many interested parties fear that it implies undermining or even scrapping the European social model. It would help to overcome resistance to liberalising measures if it was made clear that this was neither necessary nor desirable. The second problem is a lack of ownership of the Lisbon strategy. At EU level, several Commissioners and a wide variety of Councils are involved; single drivers of the process might be better. The intention of the President of the Commission to personally take charge of the Lisbon-strategy might be an important step forward.

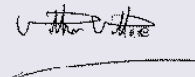
Moreover there are too few incentives for complying with Lisbon goals, and too few sanctions for failing to do so. Finally, the conference considered that it was a mistake to look for a single model. The Nordic countries have achieved high employment, good growth and strong competitiveness while preserving generous welfare, good public services and social cohesion.

Feedback from conference participants has been highly encouraging. The United Kingdom Home Secretary, Charles Clarke MP, wrote to express his pleasure in attending, ‘I felt the whole event was a great success, and feedback from many other participants confirms this’. We remain most grateful for the generous support of our sponsors, Shell, Unilever, ABN AMRO Rothschild, Lloyds TSB and the Netherlands Foreign Investment Agency. Finally thanks too, to all of you, Moderators, Chairs, Rapporteurs, Speakers and other participants for making Apeldoorn 2005 such a resounding success.

**Maarten van den Bergh**  
Co-Chair of the Steering Board




**Lord William Wallace of Saltair**  
Co-Chair of the Steering Board




THE APELDOORN CONFERENCE 2005



FIRST ROW, LEFT TO RIGHT: REIN WILLEMS, JOANNA DE JONG-KEOGH, GILL FRASER, YVONNE THOMPSON CBE, ANN LIMB, ELFRIEKE VAN GALEN, WIM DIK, COUNT DE MARCHANT ET D'AN  
4 SECOND ROW, LEFT TO RIGHT: SIR COLIN BUDD, MAARTEN VAN DEN BERGH, HANS WIJERS, RONALD PLASTERK, MARIA VAN DER HOEVEN, CHARLES CLARKE MP, EVAN DAVIS, JOHN PEET,  
THIRD ROW, LEFT TO RIGHT: GERARD LEMOS, BARONESS BLACKSTONE, LORD WALLACE, LOUSEWIES VAN DER LAAN, JOERI VAN DEN STEENHOVEN, CAROLINE PLUMB, GRACE BOLDEWIJN,





SEMBOURG, MICHEL VAN HULTEN, ROBERT LINDO, MATTHEW FELL, ALASDAIR MURRAY, ANNEMARIE VAN GALEN, MICHEL BICKER CAARTEN

SIGRID VERWEIJ, HARRY VAN BOMMEL, JOERI VAN DEN STEENHOVEN

RONALD PLASTERK, PAUL SCHNABEL, LODEWIJK DE WAAL, JACQUES SCHRAVEN, KEES VAN DER WAAIJ

## Apeldoorn 2005 report

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The fourth UK/Netherlands Apeldoorn Conference was held in Norwich, England, on 6-7 March 2005. As usual, the Conference brought together some 100 politicians, policymakers, businessmen, academics and commentators. The theme of the conference was 'How Can Europe Compete?' The Conference agreed to send a summary of its conclusions to the British and Dutch governments ahead of the European Council of 22-23 March, which discussed progress with the European Union's Lisbon Agenda of economic reform. The conclusions, as submitted to the two governments, are annexed to this report.

The Conference opened with a plenary speech by **Maria van der Hoeven**, Minister of Education, Culture and Science of the Netherlands. **Charles Clarke MP**, British Home Secretary and MP for Norwich South also welcomed all participants. The Conference moderators were **Paul Schnabel**, director of the Social and Cultural

Planning Office in The Hague, and **John Peet**, Europe Editor of *The Economist* in London.

In her opening speech, Mrs Van der Hoeven stressed the role that education, both in schools and in universities, should play in improving competitiveness. She also spoke of the growing importance of research and science. On education, she noted the importance of schools in building citizenship. On higher education, while praising the excellence of the top British universities, she argued that Europe needed to do a lot more to improve the performance and attractiveness of its universities. On research, she strongly supported the plan for a European Research Council. She also suggested that giving universities and researchers more freedom to innovate and experiment, and subjecting them to less top-down control from government, would be beneficial, a theme echoed by **Professor Ronald Plasterk** of the Hubrecht Laboratory when he spoke to Conference participants in the evening.

Most of the Conference was given over to four workshops, which discussed four broad topics: Preparing young people for work in the 21<sup>st</sup> century, Promoting the knowledge economy, Developing a wider, more flexible and better-skilled labour market, and Promoting entrepreneurship. These workshops met in three separate sessions each. The chair of each workshop reported its broad conclusions to the Conference in plenary session.

**Baroness Tessa Blackstone** of Birkbeck College chaired the first workshop, on Preparing young people for work in the 21<sup>st</sup> century. The rapporteur was Joeri van den Steenhoven, director of the KnowledgeLand think-

IN THEIR KEYNOTE SPEECHES, MARIA VAN DER HOEVEN AND CHARLES CLARKE MP BOTH UNDERLINED THE STRONG HISTORIC RELATIONSHIP BETWEEN OUR TWO COUNTRIES AND OUR SHARED AGENDA FOR THE FUTURE ON ISSUES SUCH AS EDUCATION, THE ECONOMY AND SECURITY





tank. Baroness Blackstone said that there was a general consensus in the group that, in both the Netherlands and the UK, both early childhood and primary education should get more investment. Young people, particularly very young children, learnt more rapidly than they could later in their lives. In the Netherlands, 90% of four-year-olds are now in education. That is more than in the UK, but the British government is developing the Sure Start programme to bring more two- and three-year-olds into nursery education.

On secondary education, the workshop discussed ways of raising the status of vocational training, but concluded that in both countries the culture of rating academic education more highly was deeply embedded. In general, far more was expected of teachers in secondary schools than they could reasonably be expected to deliver. The workshop noted that, in the Netherlands, there was more

differentiation of children by ability than would be acceptable in the UK system. However British educators are looking for ways to re-engage disaffected young people in schools. In both countries, a bigger effort is needed to respond to the needs of minorities, including learning the language, a particular issue in the Netherlands.

Finally, although the workshop wanted to spend more on primary education, participants did not want that to come at the expense of higher education. It was generally agreed that a target of 50% for those going into higher education was perfectly acceptable, and need not mean a lowering of quality: the Netherlands was already at 42% and the UK at 44%. The workshop echoed the Dutch minister's view that Europe's universities needed to work hard to catch up with America's.

**Michiel Bicker Caarten**, editor of BNR Nieuwsradio, chaired the second workshop, on Promoting the knowledge economy. The rapporteur was Ben Hoyle of *The Times*. Mr Bicker Caarten reported that the workshop had spent much time comparing Europe with the United States, usually unfavourably. A priority that was quickly identified was to foster a freer flow of people, including immigrants. Here the United States was more open than Britain, and especially than the Netherlands. The workshop also noted that young Europeans often wanted to study in the US, far more than the other way round. That reflects the excellence of many American universities. The interaction of good students and good staff seemed significant here, as was better funding in America, earlier promotion of talented academics and a freer interchange between the worlds of academia and business.



**BARONESS  
BLACKSTONE AND  
JOERI VAN DEN  
STEENHOVEN**

The workshop then discussed commercial exploitation of scientific research. It was considered important not to be too narrow in defining innovation: it could be a new financial product or radio station, as much a new invention. Innovation is most encouraged by a country's overall culture, and here the workshop felt that America had significant advantages in encouraging and rewarding innovators and entrepreneurs. On cross-border collaboration, the workshop commended Eureka, the European science project, partly because it was mostly driven by the companies that financed it rather than governments. Links between universities, such as Wageningen in the Netherlands and the University of East Anglia, which were also discussed at lunch in Norwich Cathedral on 7 March, were also highly praised.

Lastly the workshop considered what governments could do to promote the knowledge economy. There was some scepticism on this subject. Far from

successfully picking winners, governments too often ended up subsidising losers. It was frequently more useful to focus on supporting not particular companies or products but broad technologies that underpinned successful industries. The best place to put public money was probably into areas that produced strong exports; and also into basic or fundamental research that the market would not normally finance on its own.

**Evan Davis**, economics editor of the BBC, chaired the third workshop on Developing a wider, more flexible and better-skilled labour market. The rapporteur was Sigrid Verweij, adviser to the Confederation of Netherlands Industry and Employers. Once again Mr Davis began by contrasting Europe with the United States. European labour markets were less flexible and more regulated than America's, and that was often reflected in America's better employment performance. In discussing skills, the workshop felt



**MICHEL BICKER  
CAARTEN AND  
BEN HOYLE**



**EVAN DAVIS AND  
SIGRID VERWEIJ**

that individuals should be largely responsible for their own skills and training, in response to market incentives: it would not be sensible for governments to try to work out what sorts of skills would be needed in, say, 20 years' time.

Indeed, the workshop felt that the role of government in labour markets should usually be small, with the emphasis on such matters as teaching literacy at primary school. There was much debate on how to regulate the labour market and whether there was a trade-off between American-style economic dynamism and what might be called greater brutality in labour markets. The consensus was that Europe might need tougher rules on benefits and on making it easier to hire and fire, but that it need not go anything like as far as the United States in order to reap gains in employment. The workshop noted that, although it would be mistaken to look for or transpose specific national models (eg, the 'polder model'), several countries in Europe, such as Denmark and others in Scandinavia, had achieved low unemployment, high participation rates and good flexibility in their labour markets without sacrificing their generous social safety nets.

The third area discussed was widening the labour market to bring in more older workers, more women and more minorities. Participants agreed that in all three areas, Europe needed to improve its performance. In large part, this improvement would be likely to come from the marketplace, since Europe's unfavourable demographics would put a premium on better use of the available workforce. But there could be a role for governments in

investing in and improving child-care facilities, for example.

**Grace Boldewijn**, chief executive of BoCari Engineering, chaired the fourth workshop on Promoting entrepreneurship. The rapporteur was Caroline Plumb, managing director FreshMinds Ltd. Ms Boldewijn said that the workshop had discussed attitudes and culture, both of which needed to change in a pro-business and pro-entrepreneurial direction if Europe was to compete with the United States. For example, bankruptcy was stigmatised as a more personal failure on this side of the Atlantic; and, again, it was easier to fire people in America.

When looking at how to create and develop new businesses, the workshop had some discussion of finance. Bank charges were often too high in Europe, partly because there was insufficient competition in the banking industry. Ethnic minorities were also



GRACE  
BOLDEWIJN AND  
CAROLINE PLUMB

disadvantaged in the banking market. And venture capital tends to be underdeveloped in Europe. In all these areas, Britain is the best in Europe, but even it lags the United States on ease of access to finance. The workshop also considered that there was too much regulation in Europe. It would be better if all regulations were subject to rigorous impact assessments, and perhaps made conditional on a 'sunset' clause requiring the rules to be reviewed or scrapped after a certain time period.

Finally, the workshop considered the role of multinationals. There was some scepticism over how good multinationals are at promoting entrepreneurship from within. The markets' constant scrutiny of large public companies might make it easier for private companies to innovate. The relationship between multinationals and small enterprises that they might think of buying was often uneasy: a small business might easily be swamped



HANS WIJERS,  
GERARD LEMOS

within a big bureaucratic organisation and so innovate less, although access to more clients and bigger budgets could sometimes be a plus.

How does all this fit into the European Union's Lisbon Agenda? This was a theme for the main plenary session on the second day, which was addressed by **Hans Wijers**, chief executive of Akzo Nobel, who kindly stood in for an indisposed Wim Kok, former Dutch prime minister and chairman of the European Commission's high-level group on the Lisbon strategy; and by **John Monks**, secretary-general of the European Trades Union Confederation.

Both speakers shared the view that the broad goal set by the Lisbon European Council in March 2000, of making the European Union the world's most competitive economy by 2010, was now highly unlikely to be met. Mr Wijers offered several thoughts on why this should be: that the obstacles to fulfilling the Lisbon Agenda were more at national than at European level, that there was no clear 'ownership' of the Lisbon process in either the European Commission or within national governments, and that the European Union budget is ill-g geared to promoting Lisbon goals. He also noted that the biggest problems of lack of competitiveness were to be found in Germany, France and Italy, the core countries of the euro zone; whereas other countries, notably in Scandinavia, were already highly competitive.

Mr Wijers worried that there were too many goals in the Lisbon Agenda, too few incentives for countries to implement it and too few penalties for those that failed to do so. He was sceptical about the Kok report's suggestion of 'naming, shaming and faming', noting

that the euro-zone's Stability and Growth Pact had been widely flouted. He made the novel suggestion of instead creating an incentive by making countries' access to increased European research funding vary according to their willingness and ability to fulfil Lisbon Agenda goals.

**Mr Monks** shared some of Mr Wijers's diagnosis, but he also warned against using the Lisbon Agenda to promote other goals. In particular, he feared that some businessmen were telling the European Commission that the big problem of European competitiveness was the trade unions and their desire to protect the European social model. Such a message ran the risk of discrediting further liberalisation in Europe, because many people would resist it if they thought an inevitable corollary was the dismantling of the social model. In fact, as experience in the Nordic countries had shown, it was possible to implement the Lisbon Agenda and stay highly competitive while preserving



JOHN MONKS

the European social model. To repeat a message of the first Kok report on labour markets: look north (at Scandinavia), not west (at the United States).

That point was echoed in **John Peet's** summary of the Conference. He also drew attention to three other issues underlying much Conference discussion. One was immigration and the role it might play in alleviating Europe's demographic problems. As at the young Apeldoorn Conference, Dutch participants had been less enthusiastic about immigration than the British. A second was the European Union constitution, due to be voted on in both the Netherlands and Britain (as well as France). Disillusion with the EU's economic performance and worries about the European social model could make such referendums hard to win. The third, throughout the Conference, was the United States. Most participants were keen to avoid following the American model, with all its defects, too closely. And yet on many individual issues, such as higher education, entrepreneurship or labour markets, there was much that Europe could and should learn from America. Just because a country copied some things from the US did not imply that it had to copy everything.

The Conference was concluded by **Maarten van den Bergh**, chairman of Lloyds TSB group, who expressed the hope that the mid-term review of the Lisbon Agenda would push forward the changes needed to enable Europe to compete.

**John Peet,**  
Europe Editor *The Economist*

Group photo

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## Participants

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### Moderators

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- **Mr John Peet**  
*Europe Editor The Economist*
- **Professor Dr Paul Schnabel**  
*Director Social & Cultural Planning Office*

### Speakers

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- **Mr Charles Clarke MP**  
*UK Home Secretary and MP Norwich South*
- **Mr John Monks**  
*General Secretary European Trade Union Confederation*
- **Professor Ronald Plasterk**  
*Professor of Developmental Genetics and Director Hubrecht Laboratory*
- **Mrs Maria van der Hoeven**  
*Netherlands Minister of Education, Culture and Science*



JOHN PEET,  
TREVOR PHILLIPS,  
LOUSEWIES VAN  
DER LAAN,  
SIMON KUPER

- **Dr Hans Wijers**  
*Chief Executive Officer Akzo Nobel*

### Workshop Chairs

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- **Mr Michiel Bicker Caarten**  
*Editor BNR Nieuwsradio*
- **Baroness Blackstone**  
*Vice-chancellor, University of Greenwich*
- **Ms Grace Boldewijn**  
*CEO BoCari Engineering*
- **Mr Evan Davis**  
*Economics Editor BBC*

### Rapporteurs

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- **Mr Ben Hoyle**  
*Journalist, The Times*
- **Ms Caroline Plumb**  
*Managing Director, FreshMinds Ltd*
- **Mr Joeri van den Steenhoven**  
*Co-founder and Director, Knowledgeland think-tank*
- **Ms Sigrid Verweij**  
*Adviser on Environmental Affairs VNO-NCW,  
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Employers*

### Participants

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- **Mr David Alderdice**  
*Director  
British Council Netherlands*
- **Mr Richard Bacon MP**  
*Member of Parliament, Conservative Party,  
Norfolk South*

- **Mr Robin Baker**  
*Vice-Consul for the Netherlands,  
Netherlands Ministry of Foreign Affairs*
- **Professor Dr Ir Guus Berkhout**  
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Delft University of Technology*
- **Sir Colin Budd KCMG**  
*HM British Ambassador to the Netherlands*
- **Mr Chris Buijink**  
*Director General of Enterprise and Innovation,  
Ministry of Economic Affairs*
- **Dr Ir HP Calis**  
*Project leader Exploratory Research & Innovation,  
Shell Global Solutions International BV*
- **Mr Quentin Davies MP**  
*Member of Parliament, Conservative,  
Grantham and Stamford*
- **Mr Ad de Graaf**  
*Chief Executive Officer HBO Raad, Association of  
Universities of Professional Education*
- **Count J M V A de Marchant et d'Ansembourg**  
*Ambassador of the Netherlands to the UK*
- **Mr Lodewijk de Waal**  
*Chairman Confederation Executive Board FNV,  
Confederation of Dutch Trade Unions*
- **Mr Peter de Waard**  
*UK Correspondent de Volkskrant*
- **Professor Ir Wim Dik**  
*Non-executive Director Unilever*
- **Professor David Eastwood**  
*Vice Chancellor University of East Anglia*
- **Mr Richard Ellis**  
*Chair, East of England Development Agency*
- **Professor Dr Peter Ester**  
*Director Institute of Labour Studies*
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*Head of Corporate Affairs, CBI*
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- **Ms Edith Heijting**  
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- **Mr Simon Kuper**  
*Journalist, Financial Times*
- **Professor Chris Lamb**  
*Director John Innes Centre*
- **Professor Dr Steven Lamberts**  
*Rector Magnificus Erasmus University Rotterdam*
- **Mr John Leighton**  
*Director Van Gogh Museum*

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- **Mr Mike Sharrock**  
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- **Ms Mary Ann Sieghart**  
*Assistant Editor The Times*



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## Annex 1 Conference recommendations

The fourth Netherlands-UK Apeldoorn conference, held in Norwich, England, on 6-7 March, brought together policymakers, businessmen, academics and commentators from both countries. Its theme was 'How Can Europe Compete?' The conference agreed to submit conclusions to the British and Dutch governments before the European Council of 22-23 March, which will discuss the Lisbon Agenda.

The conference agreed that Europe can compete, but that many obstacles stood in its way. Participants generally supported the Lisbon thinking that more liberalisation and deregulation, and greater flexibility in labour and product markets would inject new dynamism into Europe's economies.

As the Kok report notes, the Lisbon goal of making Europe the most dynamic knowledge-based economy in the world by 2010 may now be out of reach – but more can be done towards achieving it. Among topics

the conference considered in detail were: demography, research and innovation, entrepreneurship, education, labour markets and employment.

Participants agreed that the main obstacles to Lisbon lay at national not EU level. In particular, the core euro-area countries of France, Germany and Italy have the most work to do on reform. The conference suggested also that the EU budget, with its focus on agricultural support and regional aid, was outdated, and that more of it should be directed to research and the industries of the future.

Europe's formidable demographic challenge was highlighted. Possible responses that the conference identified include greater investment in child care, more use of younger and older workers and a controlled increase in immigration.



PLENARY SESSION  
IN PROGRESS



JOERI VAN DEN  
STEENHOVEN,  
JOHN LEIGHTON,  
CAROLINE PLUMB

Participants favoured more spending, preferably private, to achieve the goal of devoting 3% of GDP to research. Europe is too slow to bring the results of research to market; has underdeveloped links between universities and industry; and fails to allocate EU research funds to the most productive centres. The conference supported the idea of a European Research Council.

Entrepreneurship needs encouragement right across Europe. This requires a cultural change. But a better-developed venture-capital industry, acceptance of bigger rewards to entrepreneurs, and more tolerant social and legal attitudes to bankruptcy would help. So would less burdensome regulation, both nationally and at EU level.

The conference thought that more investment in early-stage primary education would yield disproportionate benefits. Illiteracy rates, notably for

minorities, remain unacceptable. Participants thought a target of 50% for numbers going into higher education was reasonable. It was also agreed that greater freedom for both schools and universities, which governments have often resisted, would improve performance.

Labour markets must become more flexible to encourage greater participation by females, older workers and the unemployed. Cuts in payroll taxes and scrapping regulations that discourage employment or make it hard to fire workers would help a lot. The Nordic countries, Britain and the Netherlands have shown how to raise employment rates, a key Lisbon objective.

The conference identified two reasons why the Lisbon process has been slow. The first is that many interested parties fear that it implies undermining or even scrapping the European social model. It would



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help to overcome resistance to liberalising measures if it was made clear that this was neither necessary nor desirable.

The second problem is a lack of ownership of the Lisbon strategy. At EU level, several Commissioners and a wide variety of Councils are involved; single drivers of the process might be better. At national level, few governments have named ministers responsible for Lisbon. Moreover there are too few incentives for complying with Lisbon goals, and too few sanctions for failing to do so.

Finally, the conference considered that it was a mistake to look for a single model. But looking north is often as helpful as looking west. The Nordic countries, notably Denmark and Finland, have achieved high employment, good growth and strong competitiveness while preserving generous welfare, good public services and social cohesion. Most

participants felt these are better examples than the United States, although Europe should be ready to learn from America in specific areas, such as more research, better universities and a climate more conducive to business and entrepreneurship.

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