// Three's a crowd?

Bringing together government, employers and employees delivered the country from the 1970s steel crisis with a finely measured compromise. Today's threat is more insidious: a gradual build up of debt and the silent job killer that is wavering competitiveness. Tripartite meetings will be held in March and April and it will be a test of the relevance of the system, to see whether consensus can be found on the politically difficult choices now required. To gauge the mood, we spoke to three of the protagonists: Jeannot Krecké, minister for the economy and foreign trade, Jean-Claude Reding, president of the largest union , the OGBL, and Pierre Gramegna, director general of the Chamber of Commerce.

Pierre Gramegna, director general of the Chamber of Commerce — Steve Eastwood

In narrow terms, the task ahead is to find a way to achieve the government's goal of balancing the budget by 2014 without harming economic competitiveness. "Those who think that this can be achieved easily by growth returning have an idea I cannot share" noted Krecké. In our three interviews it appeared that a common frame of reference for the tripartite has not been clearly agreed. "For the moment the agenda is not too clear," noted Reding. "I don't know if the government wants to talk about public finances or whether they want to reopen the discussions we had in 2006 [on economic competitiveness]."

Krecké agrees that the direction requires sharpening. "[The social partners] do not agree on the degree of the problems we are currently facing." He suggests that the public lacks understanding of the challenges the country faces: "there should be a discussion on this and increased awareness amongst the population of what is going on." Gramegna feel this agenda setting process is "our greatest challenge" adding that "if we can agree on the diagnostic, then the solutions are easier to take."

// What is the question?

Gramegna would like the tripartite to be ambitious and address the key issues in one go: increasing economic competitiveness, bridging the budget deficit and finding a sustainable solution for pensions and the health system. This more global approach would facilitate compromise, he thinks: "you'd be more willing to accept to pay more tax to finance unemployment if you also knew you were not making your economy less competitive and that your pension was safe."

Neither the diagnosis nor the cure appear to be recognised by Reding who is strongly opposed to broadening the discussion "because then you risk ending up with either vague declarations without content or direction." He points out that even the most pessimistic predictions suggest pensions won't be a problem until 2030, so he suggests that the issue is not urgent. "I refuse to talk about debts in 2050 - that's completely idiotic as no one knows how the economy will look then," he stated. But wouldn't small decisions taken now prevent more drastic decisions later? "Yes, like climate change. But what policy should we follow for that? We also want to know how to avoid speculation and favour good economic actions. How to manage the social transitions that will happen in the coming years... Yes all these things need addressing early!" Reding spoke in a similar vein at an OGBL conference last year: "We want structural reforms, but not those presented by economic groups."

// Taxes will rise

It looks as if taxes are going up. In the name of compromise this will have to happen if there are to be cuts in spending and it appears that the so called "solidarity tax" is to be the vehicle for this. At present this income tax is charged at 4% for businesses and 2.5% for individuals, and is dressed up as an unemployment insurance as it goes to the employment fund for benefits and the part time working mechanism. Gramegna appeared to concede this: "I think that already in the 2006 tripartite there was the eventuality to raise the solidarity tax...this will be very difficult to avoid." However, he warned that spending has to fall as part of a deal. "Rising taxes sometimes gives you the impression that you've solved the problem," Gramegna pointed out "but there is a risk of stifling growth. So in the end you don't get more income although your tax rate his higher." Low taxes and social charges are required to attract new investment, he said.

Jeannot Krecké, minister for the economy Steve Eastwood

// ...but carefully does it

Krecké appeared to lean towards a similar analysis: "there might be some adjustment on tax matters but we are working so that it will not harm our promotional effort too much." So while the coalition agreement from just last summer spoke of cuts to business taxes, Krecké implicitly recognised that this aspiration will be postponed. However, he did point to the desirability for "tax on those companies who pay nothing and this is a large majority of companies." He was unwilling to flesh out his ideas but he expressed his understanding of the need to tread carefully, saying that any changes "should not harm our competitive position." This message has been echoed by other government figures, who have suggested tax rises should be the last resort. "There will be a trade off," suggested Krecké.

Reding is clear in his preference for more tax rather than lower spending, joining Gramegna in highlighting the solidarity tax as being ripe for an increase. Reding also reckoned there was room to increase indirect taxes, such as fuel duty, a reintroduction of wealth tax and not adjusting tax thresholds to inflation. He suggests that these increases would not have a major effect on the country's competitive position: "it's a question of the dose applied," he argued.