

## Relocation of businesses and the risk of de-industrialisation in Europe

Resolution of the Economic and Social Commission  
adopted by the Paris Central Council (3 June 2005)

The Economic and Social Commission of the European League for Economic Cooperation, meeting in Paris on 5 April 2005:

- ◇ **notes** that the expression 'relocation' is too often used mistakenly, for example when a European company invests in Asia or in Central Europe with a view to capturing local market share. Genuine relocation should be understood as productive investment in countries with lower production costs along with the cessation of the same activities in the home country;
- ◇ **observes** that transfers of activities outside Europe - into emerging countries like China and India or into North America more often than to eastern Europe - are nonetheless a real phenomenon now having an impact not only on lower-skilled jobs but also, at times, on highly skilled ones. This phenomenon - whose extent varies from country to country - should however be considered with a due sense of proportion, and it should be remembered that services linked to industry continue to expand;
- ◇ **expresses** concern regarding the growing and in many respects exaggerated hostility of policy makers and public opinion alike towards these phenomena, seen as irreversible and as the result of the emergence (in itself desirable) of low income countries into the modern economy. This perception increases the risk that liberalized markets, globalisation and opening up to foreign trade will be erroneously regarded as synonymous with decreased activities, slower growth and fewer jobs;
- ◇ **notes** the obvious link - confirmed by the worsening overall performance of the European trade balance - between this situation and the serious delay in the implementation of the Lisbon process, whose aim was to make the European Union "the most competitive region in the world";
- ◇ **believes** that the response to this situation cannot be an economy solely based on services - which the draft directive currently under discussion encourages - since they often need a solid industrial base in order to prosper and only partially lend themselves to export. It thus deems essential to give new prominence to a policy that genuinely encourages industrial initiatives and aims to develop and maintain the highest possible share of added value in Europe;
- ◇ **considers** that a defensive and protectionist economic policy cannot properly respond to this fresh manifestation of globalisation and to the changes it causes. Only a pro-active policy, focused on expanding sectors with potential in the services and in industry, will allow to safeguard EU's high living standards and it a key place on the international stage;
- ◇ **observes** that in Europe itself the countries recording the highest growth rates and succeeding in creating employment are those which, without necessarily giving up their social model, have opted for a strategy of reform, innovation and research and development;

- ◇ **emphasises** the importance of increased efforts - at a level which, in truth, bears little relation to what they are now in either national or European Union budgets - to support each of three essential stages: higher education and training; research and development; and the creation and expansion of innovative enterprises. For this, not only must the objective of devoting at least 3% of GDP in our countries to R & D be genuinely and rapidly achieved, but higher education must be endowed with increased resources while being made more competitive (making it, in particular, more attractive to researchers), vocational training must be improved and better tailored to the needs of firms of all sizes, whether in services or in industry, and a concentrated effort must be made to promote market innovation;
- ◇ **supports** the reflection on the advisability to revise the European Commission's traditional sole emphasis on consumer protection in competition policy when it opposes mergers proposed by businesses;
- ◇ **recommends** that the ECB's policy, while taking due account of its mandate to fight inflation, should remain flexible as long as growth has not returned to a healthy level in Europe;
- ◇ also **confirms** the need for thorough-going structural reform in areas such as taxation, the reduction of red tape, labour market flexibility and the adjustment of social security schemes (retirement, health, unemployment benefits etc.) not least in order to encourage higher employment rates;
- ◇ **calls**, while stressing the benefits of a free market economy, for a relaunching of international trade negotiations to ensure minimum social coverage in all countries and to guarantee fair competition, specifically by a combined effort to combat practices such as counterfeiting which hinder such competition and all too often undermine the innovative efforts of enterprises, and to ensure respect for the principles of sustainable development.

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