

Economic nationalism or European patriotism ?

Resolution of the Economic and Social Commission
adopted by the Vienna Central Council (1st June 2007)

The Economic and Social Commission of the European League for Economic Cooperation, meeting in Paris on 26 April 2007, discussed a topic of crucial importance in political and economic affairs today: "Economic nationalism or European patriotism?". The commission would like to make the following points:

- 1- Against the background of globalisation, there have been many attempts - some successful, others not - to seize control of European businesses. These have sometimes aroused hostile opinion, or direct moves to counter them (obstruction by the State, calls for counter-proposals from local or national companies, etc.). However, they are often helpful in strengthening the sectors concerned, and it is equally the case that European enterprises, which are rapidly "globalising" their approach, have increasingly been involved in the takeover of businesses on several other continents. Besides, a number of countries are attempting to shore up their enterprises, using in particular support schemes, an industrial strategy or public procurements.
- 2- Nationalist responses are not only found in this or that European country; they can just as well be seen in the United States, Russia and China. Their defenders justify them either by the risk of economic destabilisation and job losses through relocation - the capacity of enterprises to continue to be involved and to generate business in their country of origin being considered essential - or by the challenge to social protection systems, or by identifying "strategic" sectors considered to be in need of protection against foreign takeover.
- 3- The political (including the advance of extremism) and social risks inherent in the responses to globalisation and to loss of control of national enterprises are obvious. These risks seem to have increased in recent times. Such reactions can also be exacerbated by the conjunction of new developments (the even faster growth of emerging countries and thus the accelerating rate at which globalisation is opening up our markets, high petroleum and commodity prices, perceived under-evaluation of the dollar, yuan and yen on the forex markets); they are also doubtless influenced by endogenous structural factors such as the lack of competitiveness in some European countries due to rigid labour markets and the relative inadequacy with public policies.
- 4- It appears that in some cases nationalist responses to foreign takeovers are stronger when these originate with companies from emerging countries (China, India, Russia, and the Gulf states) than when they come from the USA. This seems due to legitimate doubts as to reciprocity and the equality of competition conditions with actors that are less known and relatively new to the game: is the purchaser really an enterprise? what are its rules for governance? is there a State standing in fact behind it? If so, what form of democratic control does it submit to?
- 5- Studies like those of the BRUEGEL Institute demonstrate that there has been rapid internationalisation of the activities of major European companies, coupled with the "Europeanisation" of their markets. Under these circumstances, any kind of national base is becoming of minor significance for such companies. However, these studies also show that there is no significant discrepancy between turnover and employment figures at the various sites of these big companies. In spite of the fears, the

delocalisation of jobs and activities is not a major phenomenon, though it does appear more significant in some countries (France, Spain etc.) than in others (Scandinavia, Germany etc.), probably by a reflection of existing discrepancies in competitiveness.

- 6- There is an increasingly evident divide - often neither perceived nor understood by public opinion - between the respective interests of very large enterprises, which tend increasingly to adopt world-wide strategies for strengthening competitiveness, and of Nation States, which put growth and employment at home at the top of the agenda. This means that strategies to defend national champions in Europe are likely to prove illusory or misleading.
- 7- National business practices differ widely in Europe, from the British "Wimbledon model" open to all, to the official economic patriotism (more apparent than real) in France, and the German liberal "Ordnungspolitik". The difficulties met by the more voluntary approaches can be explained in part by the fact that political decision-makers do not always have the relevant information; by the difficulty of terminating a policy of public support once launched; and by the daunting risks of windfall effects or rent-seeking behaviour.
- 8- The question is a very different one for SMEs. While big companies are already largely internationalised, it seems more legitimate to support the development of small and medium-sized enterprises, which are essential to employment and creative potential in particular, by way of both enhancing their access to public procurements and increasing support for innovation.
- 9- Overall, economic nationalism and national withdrawal are no real options. The position of European enterprises, their strength and their openness could only be damaged by turning inwards. On the contrary, the sterile temptation towards a nationalist approach should be replaced, in the view of the Economic and Social Commission, by promoting a European patriotism that leads Europe to transform its diversity into a creative dynamism of its economic agents and citizens. This would encourage the emergence of European, rather than national, "champions", and would accompany it with a more active strategy in the WTO multilateral negotiations, notably by making full use of the principle of reciprocity while continuing to fight protectionism.
- 10- The "enhanced cooperation" procedures provided under the Treaties could thus serve as a framework for the coordinated support of high-performance European players or sectors reaching a "critical mass" in the field of international competition. The Economic and Social Commission considers that some sectors would be particularly suited to such an approach: energy - infrastructures - environment - defense - air and space - health and biotechnologies.

In these fields which may receive European or national public funding, it would be natural to operate a policy of European preference. This would apply to decisions regarding corresponding public procurements, as well as to other issues pending in the course of the negotiation to be pursued within WTO. This enhanced cooperation should have an external as well as an internal component: requirements for reciprocity as regards the environment, intellectual property, a minimal net of working conditions - without hindering however the development of poor countries, especially in Africa - and more generally compliance with the rule of law and free movement of capital etc. The European Commission must take responsibility for these objectives in its role as regulator, negotiator, promotor or arbitrator.

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