Relocation of EU Industry

An Overview of Literature

Background Note
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Co-Authors: Miklós Györfi, IPOL A
Gai Oren, ITRE

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Rue Wiertz – B-1047 Bruxelles - 32/2.284.43.74 Fax: 32/2.284.68.05
Palais de l’Europe – F-67000 Strasbourg - 33/3.88.17.25.56 Fax: 33/3.88.36.92.14
E-mail: poldep-esc@europarl.europa.eu
Relocation of EU industry - an overview of literature

Executive summary

The phenomenon of relocation, sometimes also referred to as delocalization, outsourcing or offshoring, is a subject that often causes popular concerns. To assess whether these concerns are justified, one needs to have a clear and comprehensive overview of the available data on the size and effects of relocation. This study strives to shed some light on key elements by providing a broad overview of the existing literature on relocation.

The term itself rather complicated, with no unanimously accepted definition, and consequently a difficult data analysis background. However, for the purpose of this study, the following definition can be used: "relocation" means the closing or scaling down of a firm’s activities in the home market following the shifting of parts of the production chain abroad.

No data are currently available in Europe to quantify the size of relocation directly. However, several proxies (such as statistics on employment, restructuring, trade and investment and surveys) can be used to get a sense of its magnitude. Even if it is difficult to obtain a comprehensive view, the data derived from these proxies do not provide clear evidence of relocation at the EU level as a whole. Relocation seems to be limited in size and the net effect of relocation on job losses and the European economy seems to be relatively small.

However, some sectors and regions seem to have been hit harder by relocation. Data suggest that the sectors sensitive for relocation are: textiles, clothing and leather, electromechanical engineering and the chemical/pharmaceutical sector.

Also, looking at the future, worrying signs are the fact that services and R&D are increasingly relocated. Even if the size of this new phenomenon seems to be limited, hard evidence still lacks and the trends are worrying.

Turning towards the policy options, most studies propose a balanced approach, tackling the causes of relocation (costs differences and market expansion), while at the same time devising a proactive industrial policy to strengthen the industrial base in Europe, invest in the knowledge society and improve the overall framework conditions.
Introduction

The phenomenon of relocation, sometimes also referred to as delocalization, outsourcing or offshoring, is a subject that is receiving considerable attention. Factories closing down and companies moving abroad often receive broad press coverage and cause public concern; a concern that is sometimes echoed by fears that Europe might lose its industry (and maybe also R&D and ICT services) to other, low-cost countries, with significant negative impacts on European employment.

To see whether these concerns and fears are justified, one needs to have a clear and comprehensive overview of the available data on the size and effects of relocation.

This report attempts to shed some light on key issues by providing a broad overview of the existing literature on this subject. Without striving to be complete, it intends to review the existing evidence and to present the different views that play a role in the public and academic debate.

Definitions

First of all it is useful to look at what exactly the term "relocation" means. From a review of policy and academic papers and from discussion with stakeholders it becomes clear that a single, clear cut definition of the term does not exist, reflecting the loose boundaries of the concept.¹

In many studies, the term "relocation" is used, rather interchangeably, together with other terms, such as outsourcing, offshoring and delocalization. For a better understanding, it is useful to examine in greater detail how these terms relate to one another.

Relocation can be classified using two factors: the location of the business activities (in the home country or abroad) and the way these activities are managed (outsourced to third parties or kept in own management). This provides us with the following chart:

<table>
<thead>
<tr>
<th>Outsourced to third party</th>
<th>Abroad</th>
</tr>
</thead>
<tbody>
<tr>
<td>National outsourcing</td>
<td>International outsourcing (offshore outsourcing)</td>
</tr>
<tr>
<td>National investments</td>
<td>Direct foreign investments (offshoring)</td>
</tr>
</tbody>
</table>

Source: OECD 2004

¹ See for example: EU Competitiveness and industrial location, Bureau of European Policy Advisers, European Commission, 2005.
Relocation is the darker area in the chart and can thus take the form of offshore outsourcing (outsourcing of business activities to a third party abroad) or of direct foreign investment (relocating production to a foreign branch or subsidiary abroad). Furthermore, it is often associated with the (originally French) concept of delocalization, meaning that the relocated activities need first to have been located domestically. Relocation therefore encompasses both the ideas of ‘substitution’ and of ‘transfer’.  

The above described classification of "relocation" leads us to the following definition: "relocation" means the closing or scaling down of a firm's activities in the home market following the shifting of parts of the production chain abroad. For the European discussion, abroad means usually outside the EU.

Size of the phenomenon

It is notable how little exact data is available, on a consistent and comprehensive basis, about a phenomenon that demands so much attention. Information indicating how much of the production process of firms is shifting to foreign sites is not readily available. This is due to the fact that data are not uniformly and consistently collected across sectors and across the EU. Furthermore, the data collected are usually on sectoral level, whereas relocation decisions are made at the firm level.

In the absence of direct data on the issue, studies have used proxies to get a sense of the magnitude of the relocation taking place:

Employment statistics:

A proxy that is often used to assess relocation is (manufacturing) industry's share in total employment. In most of the developed countries, this share showed a remarkable decline during the past decades. This decline is often also referred to as (creeping) deindustrialization.

A recent overview provides the following data:

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2 Béla Galgoczi, European Trade Union Institute for Research, Education and Health and Safety, What is ‘relocation’, how to measure it and how extensive the phenomenon appears on the European scene?, ETUI-R – SALTSA research project, 4th May 2006, Brussels, EESC.


4 This is sometimes called "external relocation" (see for example: The scope and effects of company relocations, European Economic and Social Committee, CCMI/014, July 2005)

This trend is also supported by a study of the French labour market. 6 While total employment in France increased by 18 % over 1970-2002, industrial employment declined by 30 %. In other words: while the French economy as a whole created roughly 4 millions jobs during this period, the manufacturing sector lost nearly 2 millions jobs.

However, the decline in industrial employment data is not necessarily caused by the relocation of industrial jobs. 7 The decline in employment in Europe is predominantly caused by an increased mechanization - and therefore a growth in productivity - in the industrial sector and by a shift in consumption patterns as a result of increasing prosperity. 8 It is true that some sectors (namely textile and clothing, leather and shoes, shipbuilding and repair and oil refining, coal and nuclear fuel) have recorded a simultaneous and sustained reduction in employment and output over a fairly extended period of time. However, this seems to reflect more specific sectoral problems, rather than a major relocation of industrial activities.

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6 Guillaume Daudin and Sandrine Levasseur, Measuring the Effect of International Relocations on French Economy, manuscript.
Restructuring Statistics:

The European Restructuring Monitor, published by the European Monitoring Centre on Change (EMCC) on an on-going basis since 2002, provides information on all major industrial restructuring cases in the EU. This monitoring shows that relocation, outsourcing and offshoring represent 7.2% of planned job reductions in total restructuring. In comparison, internal restructuring accounts for 76.8% of planned job reductions.

According to the EMCC, the sectors most affected by relocations since 2000 are the metal, telecommunications, motor, electrical, textiles, food and chemical sectors.9

These figures correspond with other estimates10, calculating that between January 2002 and June 2004, 739,000 jobs were lost in the EU-15 due to industrial restructuring. Of those, 76% was due to internal restructuring. Only 4.9% (36,500) were due to relocation and 2.5% (18,300) to outsourcing.

However, also the data in these statistics can not serve as precise indications for the size of relocation. The reason is that the data are collected by reviewing selected daily newspapers and are thus based on preliminary statements of intent by companies. Most literature is therefore cautious to use these statistics, noting that they “provide anecdotal evidence which cannot be seen as representative”.11

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9 Quoted in: The scope and effect of company relocations, EESC, 2005.
10 Béla Galgoczi, European Trade Union Institute for Research, Education and Health and Safety, What is ‘relocation’, how to measure it and how extensive the phenomenon appears on the European scene?, ETUI-R – SALTSA research project, 4th May 2006, Brussels, EESC.
Trade and investment statistics:

Trade- and investment-flows statistics could also indirectly provide a picture of the extent of relocation, since relocation occurs either by means of foreign direct investment (FDI), or by outsourcing (and consequently re-importing) parts of the production.

Regarding FDI, there is no clear evidence supporting relocation being a large scale phenomenon. Looking at the net FDI assets, there is no trend of FDI in net terms leaving the EU. For the period 1999-2003, the net EU FDI assets remained more or less constant.12

Differentiating between the different sectors, EU net investment abroad is intense in manufacturing and in so-called "other sectors" (agriculture, mining, construction, electricity, gas and water).

Looking at the destination of FDI, it is clear that Europe mostly invests in and receives investments from the US. The share of Asia in the total FDI flows has increased considerably in the past 10 years, but still remains relatively limited.13 It is true that in terms of yearly flows China was the main country destination of EU-outward FDI flows in 2004.14 However, if one looks at the total outstanding assets, the US is the favourite destination of EU FDI with 37% of total with EU FDI assets abroad, while Asia as a whole holds 14% (and China only 5%).

However, the use of FDI statistics can be problematic. Since not all overseas investments are made for the purpose of relocations and not all relocation is carried out by way of FDI, the FDI statistics can only give an idea of the overall pattern. Furthermore, in practice it is not always easy to make a distinction between investments for replacement and investments for expansion.

Regarding trade statistics, it is rather difficult to measure the effects of international relocation per se.\(^{15}\) However, trade statistics do show that the majority of EU trade flows occur between high-income countries\(^{16}\) and that the EU has sustained its position in the six sectors that contributed most to world export growth between 1992 and 2003 (semiconductors, cars, telecommunication, computers, computer parts and pharmaceuticals). The fact that the EU has sustained its export position would indicate that - at least in those sectors - no major (net) relocation of activities out of the EU has taken place.

\(^{15}\) See for example: Hervé Boulhol and Lionel Fontagné, Deindustrialisation and the fear of relocations in the industry, CEPII No 2006-07 March; Guillaume Daudin and Sandrine Levassseur, Measuring the Effect of International Relocations on French Economy, manuscript.

\(^{16}\) EU Competitiveness and industrial location, Bureau of European Policy Advisers, European Commission, 2005, p. 16.
Graph 4: Top-6 Contributors to Non-Fuel World Export Growth: How does the EU15 compare with the US, Japan, South-East Asia and China?

Source: European Commission (2005a)
Survey among company directors:

A last way to assess the size of relocation is to conduct surveys. Some of them relate to actual facts and business decisions. For example, the Dutch Ministry of Economic Affairs recently estimated on the basis of a survey that about 1 to 1.5% of lost employment (equivalent to 9,000 jobs annually) could be attributed directly to relocation decisions.\(^\text{17}\)

Most other surveys relate to plans or forecasts by company directors. According to a survey by DIHK (the German Chamber of Commerce), one fourth of German businesses plan to send operations abroad over the next three years.\(^\text{18}\)

Ernst & Young performed a survey based on 1019 interviews with decision makers across a range of industries, regions and business models. The conclusions are that 24% of the surveyed companies responded positively on the question on relocation intentions, of which 35% intended to relocate to Central and Eastern Europe, 14% to China and 3% to India.\(^\text{19}\)

Forrester Research surveyed 247 user companies and interviewed 19 international, European, and offshore service providers. The report forecasts that about 495,000 jobs will be moved offshore from the EU-15 by 2010 and around 1.2 million jobs will be lost by 2015.\(^\text{20}\)

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\(^{17}\) Vision on relocation: The nature, extent and effects of relocating business activities abroad, Ministry of Economic Affairs, January 2005.


\(^{19}\) Team Europe Defends its Goals, European Attractiveness Survey 2006, Ernst & Young.

\(^{20}\) A. Parker et al., Two speed Europe: Why 1 million jobs will move offshore, Forrester Research, 2004.
Also this method encounters problems, mostly statistical in nature. First of all, the random sample needs to be representative. Secondly, the extent of the realization of expectations is sometimes questionable. And lastly, the possible effects of selective response are quite difficult to eliminate.

*Combination of indicators:*

Since all above mentioned methods have their drawbacks, a combination of the different indicators may present the most accurate picture. A study commissioned by the European Economic and Social Committee\(^{21}\) selected a broad set of indicators, including the above mentioned statistics and surveys, and triangulated them in order to draw an assessment of relocation that is robust. According to this study, in all but two sectors, the data do not provide clear evidence of relocation at the EU level as a whole. The two sectors for which the data do suggest relocation are textiles and the sector defined as leather, clothing and footwear. In the electromechanical engineering sector, the data provide mixed signals, with falling European output and employment, but improving trade balance, particularly with developing countries. From a national perspective, the data suggest that relocation may have occurred from the UK and from Slovakia in the chemical sector, from Germany in the railway equipment sector and from Germany and Denmark in the shipbuilding sector.

*Sectoral case studies:*

Even if at macro level little evidence is found of significant relocation, the situation in specific sectors - as also indicated in some of the above mentioned studies - can be different.

A French study\(^{22}\) indicates that (in France) job losses linked to relocation tend to concentrate in the sectors clothing and leather, electrical and electronic equipment and components and pharmaceuticals.


\(^{22}\) P. Aubert and P. Sillard, Délocalisations et réductions d’effectifs dans l’industrie française, Série des documents de travail de la Direction des Études et Synthèses Économiques, INSEE, 2005.
This conclusion seems to be supported by another study,\(^{23}\) which tries to classify several sectors that have shown a significant tendency for relocation according to their size and increase in relocation. Again, ICT, electronics, textile, metal and the chemical sector appear to be sectors that are relatively sensitive to relocation.

\(^{23}\) H. Haverhals e.a., Nature, size and effects of relocation of companies activities abroad, Berenschot, 2004

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**Table 9: France – Jobs losses linked to relocation abroad according to sector**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Industrial employment</th>
<th>Jobs losses, annual average 1995-2001</th>
<th>Main destinations of offshoring</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In 1994</td>
<td>Average annual change in %</td>
<td>Toward developed countries</td>
</tr>
<tr>
<td>Clothing, leather</td>
<td>197</td>
<td>-5.8</td>
<td>0.1</td>
</tr>
<tr>
<td>Textile</td>
<td>140</td>
<td>-3.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Electrical and electronic equipment</td>
<td>265</td>
<td>-1.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Pharmaceuticals, perfumes and cleaning</td>
<td>151</td>
<td>-0.9</td>
<td>0.6</td>
</tr>
<tr>
<td>Mineral products</td>
<td>185</td>
<td>-0.9</td>
<td>0.2</td>
</tr>
<tr>
<td>Printing, publishing, reproduction</td>
<td>222</td>
<td>-0.9</td>
<td>0.1</td>
</tr>
<tr>
<td>Wood and paper</td>
<td>183</td>
<td>-0.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Household equipment</td>
<td>223</td>
<td>-0.4</td>
<td>-0.1</td>
</tr>
<tr>
<td>Shipbuilding, aerospace, railroad equipment</td>
<td>134</td>
<td>-0.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>286</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Mechanical equipment</td>
<td>422</td>
<td>0.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Basic and fabricated metal products</td>
<td>432</td>
<td>0.7</td>
<td>0.1</td>
</tr>
<tr>
<td>Chemicals, rubber and plastics</td>
<td>354</td>
<td>0.9</td>
<td>0.2</td>
</tr>
<tr>
<td>Food and beverages</td>
<td>569</td>
<td>0.9</td>
<td>0.2</td>
</tr>
<tr>
<td>Electrical and electronic components</td>
<td>170</td>
<td>2.6</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3834</strong></td>
<td><strong>-0.1</strong></td>
<td><strong>0.2</strong></td>
</tr>
</tbody>
</table>

Source: INSEE, Auber-Sillard, 2005.
Figure 3.7  Classification of sectors into categories

Source: Berenschot 2004

Also sectoral case studies can be useful as anecdotal evidence for relocation:
**Textiles:**

The situation in the textiles sector is of particular importance. The sector is on a constant restructuring mode since the 1970’s and is accelerating since the mid 1990’s due to increased international competition (see chart). The main activity relocated were essentially the labour intensive ones, namely the cut-, make- and trim-activities in the clothing sector. In the past 5 years however, an increase of relocations has taken place of more technological or more capital intensive units of the textile industry, accompanied by a new migration of high labour intensive activities out of the new Member States to other cheaper places, such as Belarus and Ukraine, but also in China or elsewhere in Asia.
**Automotive sector:**

According to the European Association of Automotive Suppliers (CLEPA), currently 33% of Western European suppliers have operations in Eastern Europe and 15% in China. These figures will rise quickly since 39% of all suppliers intend to transfer parts of production process to Eastern Europe and 23% of them plan similar investments in China.

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### Parts market: growth and manufacturing attractiveness 2003-2010 (100 = best in peer group)

**Source:** Roland Berger Strategy Consultants

#### Cumulative automotive parts market growth 2003-2010

<table>
<thead>
<tr>
<th>Country</th>
<th>Growth 2003-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>100</td>
</tr>
<tr>
<td>Italy</td>
<td>90</td>
</tr>
<tr>
<td>United States</td>
<td>80</td>
</tr>
<tr>
<td>Germany</td>
<td>70</td>
</tr>
<tr>
<td>France</td>
<td>60</td>
</tr>
<tr>
<td>Brazil</td>
<td>55</td>
</tr>
<tr>
<td>China</td>
<td>47.1</td>
</tr>
<tr>
<td>South Korea</td>
<td>35</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>20</td>
</tr>
<tr>
<td>Mexico</td>
<td>15</td>
</tr>
<tr>
<td>India</td>
<td>10</td>
</tr>
<tr>
<td>Russia</td>
<td>5</td>
</tr>
<tr>
<td>Brazil</td>
<td>4</td>
</tr>
<tr>
<td>Latvia</td>
<td>3</td>
</tr>
<tr>
<td>Vietnam</td>
<td>2</td>
</tr>
<tr>
<td>Argentina</td>
<td>1</td>
</tr>
<tr>
<td>Portugal</td>
<td>1</td>
</tr>
<tr>
<td>Colombia</td>
<td>1</td>
</tr>
</tbody>
</table>

#### Manufacturing attractiveness rating

<table>
<thead>
<tr>
<th>Country</th>
<th>Rating</th>
</tr>
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<tr>
<td>Japan</td>
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<td>70</td>
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<td>1</td>
</tr>
<tr>
<td>Colombia</td>
<td>1</td>
</tr>
</tbody>
</table>

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#### How to assess the size?

Even if the fears for massive employment loss due to relocation do not seem to have a solid factual base, there seems to be anecdotal evidence of significant relocation in certain sectors and regions. However, what does the size of relocation tell us? And how should it put into perspective, looking at the whole picture of the EU economy?

First of all it should be noted that each year many hundreds of thousands of jobs disappear in Europe, while many hundreds of thousands of new jobs are also created. A report produced by the French Senate\(^\text{24}\) shows that relocation constitutes a marginal phenomenon and that its share would not exceed 4 percent of the total number of jobs lost in France.\(^\text{25}\)

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Also another French study\textsuperscript{26} concludes that "a limited number of jobs in French industry were affected by offshoring". It estimates that, between 1995 and 2001, on average 13,500 French jobs were moved offshore each year, which would amount to 0.35\% of industrial employment in France.

Secondly, the loss of jobs due to relocation is often balanced by activities relocated from other countries towards Europe. It is therefore important to consider the net effect. A recent study considers that in France, employment created due to incoming FDI is greater than that considered lost due to relocation.\textsuperscript{27}

Furthermore, many companies operate in environments that are increasingly competitive and the effective use of cost differences allows them to operate more profitably, to focus on the company's core activities and to increase productivity and competitive strength. Relocation can therefore lead to the creation of new jobs in Europe in other areas, often human capital- and technology-intensive and characterized by higher added-value. In the final balance, the European economy as a whole can benefit from relocation if resources that have been released in Europe are reinvested in new, promising products and services.

Lastly, the relocation process generates growth and increased buying power in developing countries and other emerging markets. This, in turn, provides new markets from which European companies can benefit equally.

On the other hand, there is some more worrying evidence that the phenomenon of relocation is beginning to extend to research activities and high tech sectors.\textsuperscript{28}

The percentage of R&D carried out abroad is increasing rapidly. Survey data on FDI intentions further demonstrate that the emerging markets are currently attracting an increasing share of overseas R&D outlays by multinational firms. For example, a global survey conducted by The Economist Intelligence Unit in 2004 showed that top companies’ favourite location for planned R&D investment was China followed by the US and India.\textsuperscript{29}

Regarding services, estimates by the OECD suggest that 15 to 20\% of total employment in service activities in Europe, the US, Australia and Canada could (in theory) be subject to outsourcing.\textsuperscript{30} However, according to estimates by the only 1 to 5\% of service sector jobs are actually potentially contested by low-wage countries.\textsuperscript{31}

\textsuperscript{26} P. Aubert and P. Sillard, Offshoring and job losses in French industry, INSEE, 2005.
\textsuperscript{27} Delocalisations: la peur n'est pas une solution, Enquête auprès de 100 entreprises moyennes, Assemblée des chambres francaises de commerce et d'industrie, Novembre 2005.
\textsuperscript{28} Fostering structural change, European Commission, p. 13.
\textsuperscript{29} EU Competitiveness and industrial location, Bureau of European Policy Advisers, European Commission, 2005, p. 39.
\textsuperscript{30} Potential offshoring of ICT-intensive using occupations, OECD, 2005.
\textsuperscript{31} EU Competitiveness and industrial location, Bureau of European Policy Advisers, European Commission, 2005, p. 58.
Causes

In order to devise effective policy measures, it is important to know the main causes that contribute to relocation. There is a long list of possible motives to relocate activities. However, the different motives can all be classified into two main reasons, which are not mutually exclusive: cost differences and market expansion.

Cost differences can have a 'natural' reason (e.g. the climate or the existence of a port), they can be influenced by the availability (and the quality) of production factors (e.g. labour or capital), or be caused by policy factors determining the business climate (e.g. tax policy or environment legislation).

Market expansion can be driven by the fact that the market for the company's product is saturated in the home market or by the wish of the company to be close to its suppliers, customers, raw materials or employees.

A survey carried out by DIHK in Germany in 2003 showed that nearly 45% of companies which invest abroad do so with a view to cost savings. This figure corresponds with a survey carried out by A.T. Kearney.

The causes for relocation will be counterbalanced by costs associated with relocation, such as transport and communication costs, risks and costs associated with a different regulatory environment or the loss of benefits achieved from economies of scale.

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The net balance between the company’s advantages and costs of relocation differs from one company to the other, but it also depends on the specifics in the sector. For this reason, some sectors are more likely to experience strong relocation than others.

**Policy**

Most studies propose a balanced approach to tackle relocation: negative aspects should be treated together with positive ones, with the advocacy of a proactive industrial development policy based on strengthening the knowledge society (research, innovation, education), but also on improving framework conditions and an all-inclusive trade policy. Such a balanced approach would encompass tackling the strategic threats, while fully making use of the competitive advantages of Europe (see graph)37

Some stress the importance of a more proactive external policy in respect to relocation target countries.38 According to this approach, trade policy with certain countries should involve enforcement of similar competitiveness factors: environmental legislation, quality standards (goods imported should comply in all respects to EU quality standards, and not only with those of country of origin), working standards (work hygiene, equality of women, interdiction of child work, etc.) and associated social burdens (minimum standards developed by ILO).

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37 Team Europe Defends its Goals, European Attractiveness Survey 2006, Ernst & Young.
Another recommendation is the development of a policy supporting the export capacity, especially geared towards SMEs that export occasionally. Such policy would mainly require policy coordination between regional, national and European industrial policies.

A comprehensive approach towards policy options was provided in the study delivered to the French Senate\(^{39}\), recommending three lines of actions:

- **Support production activity through:**
  - Tackling issues related to relocation, like taxation on production factors, encouraging entrepreneurship, giving value to social and environmental norms;
  - Making use of the comparative advantages through infrastructure development, improvement of legal environment of enterprises, exploiting potential development offered by future production processes;
  - Supporting economic and production processes through innovation (reinforcement of research and development, helping innovation, support for networking in economic activity and for so-called "poles of competitiveness", mastering the production process by development of "upstream" and "downstream" partners).

- **Support (local) employment through:**
  - Reinforcing the role of local authorities in terms of economic development (local development and employment policies, economic cooperation between regions in order to avoid unnecessary competition);
  - Improving the employability of the workforce (vocational training, life-long training, transferability of knowledge), increase the flexibility of labour market, encourage geographical and sectoral mobility of workers;
  - Anticipating so-called "non-relocationable" employment needs of the future.

- **Promote a European industrial policy by:**
  - Guaranteeing a balanced development of the EU-25 (encourage harmonisation of company taxation, adjust public aid among Member States, support the emergence of a "socially integrated" Europe);
  - Reinforcing the industrial power of the EU (take into account industrial interests in the economic strategy of the EU, defending positions favourable to European industry in an international context).

Also the European Parliament dealt in the past with the issue of relocation\(^{40}\) and it has concluded that it can have a positive effect in creating employment in certain sectors, but also adverse effects when employment is removed from regions which do not have any alternatives.

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\(^{40}\) Industrial restructuration and relocation in the European Union, PE 219.496, november 1996.
Parliament therefore proposed a series of actions designed to limit the negative effects of such relocations both inside and outside the Community and to prevent fiscal and social dumping. Parliament also asked the Commission to carry out an extensive study on industrial relocation and to report its findings.

In a more recent report, Parliament has noted the "devastating effects of the phenomenon of industrial relocation, stressing the importance of the industrial conversion of regions affected by economic restructuring", inter alia with specific measures adopted in sectors particularly vulnerable to relocations and support provided for SMEs.

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41 Strengthening European competitiveness - the effects of industrial change on policy and the role of SMEs, 2004/2154(INI).