



29.8.2014

## NOTICE TO MEMBERS

**Subject: Petition No 1336/2013 by Marta Schiattarella (Italian), on production offshoring outside the EU**

### 1. Summary of petition

The petition maintains that the relocation of companies and offshoring of services outside the EU to countries like China, Brazil and Bangladesh has resulted only in unemployment in Europe.

In this regard, she is calling for European companies to 'reshore'. This would also help to combat the exploitation of workers from non-EU countries working, under conditions of social dumping, for multinationals which then import their products into the European internal market.

### 2. Admissibility

Declared admissible on 15 April 2014. Information requested from Commission under Rule 216(6).

### 3. Commission reply, received on 29 August 2014

Europe is emerging from its longest ever economic crisis. After five years of timid or negative growth, economic recovery has started during the last quarter of 2013, and it is expected to continue spreading across countries and gaining strength. The aftermath of the crisis is nevertheless significant: 3.5 million jobs have been lost and the contribution of manufacturing to GDP has continued to decline.

During the crisis, trade has demonstrated to be very important in maintaining economic

activity. Exports to the rest of the world have been driving growth and industrial activity since the beginning of the crisis, generating a surplus of more than € 1 billion per day in 2013. Europe still attracts very important foreign direct investments (FDI) flows, estimated at US\$ 230 billion in 2012, but its share of world FDI has been declining sharply from 30% in 2008 to 16.8% in 2012. Despite this trend, FDI greatly contribute to growth and employment in the EU.

In January 2014, the European Commission called for immediate action for a so-called “European Industrial Renaissance”, and stressed that industry is central for creating jobs and growth. The Communication underlined the importance of competitiveness mainstreaming and the need for an overall policy framework conducive to competitiveness. This will be confirmed in the conclusions of the Spring European Council held on 20-21 March 2014.

Overall, EU industrial policy aims to making Europe a more attractive place for investment and production. If we want to maintain our Europe 2020 objectives we must deliver industrial change and transform Europe into an attractive economic area to produce and do business. We expect that by making Europe more attractive foreign companies will direct their investment towards Europe and also some companies that have off-shored activities in the past will re-shore them back.

According to studies from the DIHK (German Chamber of Commerce), the main reasons for investments abroad are not related to cost savings. In fact, the cost aspect has continuously become less important over the last 10 years. German investments abroad are more related to market development and proximity to customers.

Among the ongoing initiatives at EU level related to re-shoring it is worth to quote the European Economic and Social Committee (EESC) own-initiative opinion on the "Reshoring of EU industries in the framework of reindustrialisation", which was adopted in April 2014. The Committee supported the Commission proposal to develop a reindustrialisation policy for the EU, bringing industry's share of EU GDP to as much as 20%, and suggested to turn this project into a "social compact for Europe for a new sustainable and competitive industry". In the Committee's view, there should be a focus on the following key policy areas to support manufacturing industries that decide to re-shore and/or expand their business in Europe: creating the right environment for companies that invest, professional skills, competitive energy costs, access to funding and market access. A better relationship between companies and banks, focused on the real economy, could generate fruitful synergies and harness the competitive advantages connected to their presence on foreign markets. European companies should focus primarily on innovation and on the quality, reliability, performance and functionality of their products; they must consider their environmental footprint and aspire to corporate social responsibility in their production processes. However, for companies to remain competitive, it is also essential to keep cost factors under control – especially wage and energy costs – and to put in place measures to that end. Retaining a wide and diverse manufacturing base in Europe is important for preserving skills that once lost will be difficult to redevelop. In a broader context, specific manufacturing skills in particular industries could provide important input for the development of new products.

In addition, and to allow European consumers to be better informed when making consumption decision, after receiving several EP requests and in response to efforts of various

EU member states, the European Commission (EC) has decided to propose a new regulation that requires to indicate the country of origin of consumer goods. This regulation should cover all goods sold in the European Union (EU), except for food products and medicines that are covered by other legislation.

#### Conclusion

The Commission is taking action to make sure that a European Industrial Renaissance happens in Europe. This industrial renaissance will only materialise if Europe is an attractive location for economic activity. Once Europe becomes an attractive location, re-shoring will become a reality. To be able to monitor how this process develops and upon the request of the European Parliament, the Commission is launching a Pilot project on "The future of manufacturing" in collaboration with Eurofound. Among the foreseen activities it is comprised to establish a statistical tool to monitor the extent that manufacturing activities are returning to Europe. The project will explore the feasibility of complementing the basic data collection method with national sources, for example, from Re-shoring Promotion initiatives in some Member States, from academic research, contacts with national experts and business information services.