

Introduction

Delocalisation processes between globalisation and strategic autonomy

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1. Introduction

There is arguably no other topic that has contributed more to the general public's perception of 'globalisation' than 'delocalisation'. The idea of a footloose capital stealthily relocating across the globe in search of greater margins of profit while oblivious to the social and environmental consequences of its actions has captured the popular imagination. To a certain extent, this has also become a defining trait of the trade liberalisation processes that have shaped debates about late 20th and early 21st century global capitalism.

The notion of the 'powerless state' that is unable to contest these global supply chain strategic decisions by multinational corporations is closely associated with this. In this view, 'social dumping' is one of the fundamental factors – if not 'the' fundamental factor – determining these decisions in the first place, and the free trade institutions such as the WTO and GATT (and to a certain extent the US and the European Union) are the key facilitators of globalisation processes. An important corollary to these debates has been a certain belief that the social, labour, and living standards in the 'developed world' were destined for an inexorable process of erosion and decline, a 'race to the bottom', either to retain a competitive edge with 'low cost' countries or by simply succumbing to the mere threat by multinational corporations (MNCs) to relocate their production elsewhere.

From this standpoint, while consumers in the 'Global North' were perhaps reaping some short-term benefits in terms of cheaper imports, the big winners of globalisation were for the most part MNCs and their shareholders. Neither developing countries nor their workers were really getting any substantial 'dividends' from the process itself, certainly not a social and perhaps not even a 'democratic' dividend, western MNCs being perfectly happy to delocalise their production chains to countries with dubious democratic credentials.

This general understanding of globalisation became so popular and prevalent for the simple reason that, in many respects, it was not entirely inaccurate. On the contrary, it is a narrative that is to a large extent supported by robust data suggesting both substantial capital flows from the Global North to the Global South and rising inequalities, incidentally, in both regions of the world (World Inequality Report 2022). While it would be difficult to draw clear causal links between capital flows and rising inequalities, and even conceding that rising inequalities are only one way to measure declining living standards – poverty levels also being a useful proxy – it is fairly clear

that trade liberalisation has coincided with a redistribution of global wealth that has markedly favoured the very top income percentiles to the detriment of low and middle-income deciles. Inequality, and the very unequal distribution of the ‘price’ of inequality, has emerged as the defining trait of 21st century capitalism across the globe.

This social angle aside, the sustainability of the processes we associate with the idea of globalisation has also been questioned from several other perspectives, first and foremost the environmental one. MNCs have often been responsible for tragic accidents that have resulted in environmental disasters whose costs have been largely ‘outsourced’ to local populations and to future generations. The very notion of globally stretched supply chains, delocalised on the basis of profit extraction and ‘comparative advantage’ criteria, has engendered a number of environmental negative externalities (from transport-related carbon costs to resource exploitation in countries with lower environmental standards) that have neither been factored into the profit share of MNCs’ shareholders nor in the price of the goods charged to western consumers. Western consumers could purchase ‘Kenyan beans’ all the year round, paying a broadly affordable market price for that produce. Crucially, that price factored in neither the unsustainable use of water resources in what is a semi-arid region of the world, nor the carbon bill arising from the air transport and refrigeration costs. This entails in effect (as also explored in the final chapter of this volume) a series of ‘hidden’ costs that are hard to quantify and will be hard to offset fairly in the near future. Over the course of the past three to four decades, global capitalism has developed a very peculiar way of being unsustainable, by insatiably extracting value and profits both from human labour and from the world’s resources as if there were – almost literally – no tomorrow.

2. The Covid-19 pandemic as a catalyst for deglobalisation?

For all the criticism from the ‘anti-globalist’ labour, social and environmental movement, there was one thing that ‘globalisation’ was broadly credited with, namely its ability to secure, at least for the more affluent of global consumers, an unprecedented level of access to a wide range of goods, products and services, which were always available and (almost) always affordable. ‘Just-in-time’ global supply chains were so optimised and fine-tuned that no western supermarket shelf was ever empty, no electronics shop ever ran out of the latest smartphone, and no middle-class household was ever deprived of the pleasure of avocado toast. It may have been a time of inequality and ecological crisis, but it was also a time of ‘plenty’ (at least for some).

But even this rather ephemeral illusion came to an end in March 2020 with the advent of the Covid-19 pandemic and the global health and economic crisis it triggered. It was a sobering realisation for most western, and certainly European, governments that the once ever-so-efficient global supply chains that had virtually removed any need for stock (let alone stockpiling) of virtually any possible goods and products were unable to provide frontline health workers and anxious consumers with not only essential sanitary and personal protective equipment, but also more mundane goods such as toilet paper and fresh vegetables. This painful, for many, realisation of the inherent fragility of our system of global production and consumption led national and supranational

policymakers to reconsider the rather cavalier confidence in the system itself. Terms like ‘resilience’, ‘strategic dependencies’ and ‘de-risking’ suddenly entered the lexicon of even those who, like the European Union for instance, had until then shied away from any interference with the ‘natural laws’ of global markets. Eventually, in February 2021, the Russian invasion of Ukraine went on to reinforce some of these symptoms of decay of the global marketplace.

3. Deglobalisation, open strategic autonomy and delocalisation processes

It was precisely this sudden change of heart that attracted the attention of the authors of this book, and of Professor Andrea Allamprese in particular, who is also one of its editors. As academic lawyers but also as activists assisting trade unions, these authors had been studying delocalisation processes for more than a decade. They set out to analyse the extent to which this newly emerging narrative was more than rhetoric and whether it could go as far as reversing some of these processes. The change of heart, it should be noted, was so sudden and soul-searching that several pundits started talking about the ‘end of Globalisation’ (The Economist, 2020 <https://www.economist.com/weeklyedition/2020-05-16>).

It may prove to be an exaggeration, but with hindsight, it can be seen how the sudden halt of global supply chains, coupled with some (no doubt superficial) cracks in the dogmatic foundations of the free trade edifice (‘America First’, the renegotiation of the NAFTA agreement, and the temporary paralysis of the WTO arbitration system to name a few) could have suggested a radical paradigm change.

The authors cross-examine the key drivers of this developing debate against the realities of delocalisation processes. They analyse a series of national experiences and case studies that have demonstrated a certain embeddedness of the institutional and policy framework whereby delocalisation and offshoring of production processes and supply chains has been sustained and even promoted.

The specific focus is the impact that legal rules (national and EU) have had – and are likely to have in the years to come – on delocalisation processes in Europe. The chapters develop the key argument that such processes are shaped by a logic, so to speak, that is both linked to the external trade dimension of the EU and also, crucially – and this is arguably the most original angle of enquiry of this book – to the internal functioning and regulation of the EU single market. The book argues that this internal dimension is now beginning to assert itself over the external, free trade dimension, under the guise of the policy priorities and debates emerging within the open strategic autonomy (OSA) agenda developed by the EU, since 2020 in particular, with a view to reducing external dependencies.

This may not amount, as some have hastily suggested, to a process of deglobalisation¹. Free trade agreements continue to allow duty-free and frictionless flows of goods and services between different regions of the world (and this despite setbacks such as the failed signature of the Trans-Pacific Partnership, which, according to some, is one of the earliest signs of ‘slow-balisation’). The structural incentives to delocalisation processes, based on the optimisation of costs and maximisation of profits on the back of strategically stretched global value chains (GVCs), are thus retained and perpetuated.

However, one must acknowledge that the changing internal logic of the EU single market is beginning to offer a growing palette of incentives (and it is an open question as to whether, in the near future, these ‘carrots’ will be also accompanied by ‘sticks’). These aim to nudge corporations towards reducing external dependencies in certain strategically important sectors in ways that could have important implications for existing global supply chains. They may even go as far as to encourage a certain restructuring and, in reality, a shortening of these chains so that a greater share of the overall value is produced within the EU. It remains far from clear whether this internal logic emerging from the OSA debate could go as far as generating a process of ‘relocalisation’ that partly reverses decades of delocalisation of production lines beyond Europe and, to some extent, within Europe. In this respect, readers of this book may notice a degree of scepticism emerging from the analysis of our distinguished authors.

4. Structure of the book and some key findings

4.1 Open strategic autonomy and the impact of state aid on delocalisation and relocation processes

The book opens with a chapter by Linxin He that offers a very clear and detailed overview of the emergence and development of the OSA agenda, an agenda that has been pursued in particular, and with a growing sense of purpose, by the European Commission. It sits at the centre of one of the main research questions explored in this book. Namely, are we witnessing a policy change in the regulation of the EU market integration project that could lead to a reversal of long-established offshoring processes and perhaps even to a counter-process of ‘relocation’, with some parts of previously offshored production processes returning to the EU?

The chapter begins by reconstructing the origins of OSA, a concept rooted in the ‘strategic autonomous’ aspirations of the Common Security and Defence Policy (CSDP) as they were a decade ago. At the time, ensuring Europe’s military capabilities, supported by a European defence industrial base, was a central preoccupation of EU policymakers. According to the author, while nothing in this emerging policy mandated domestic production, a number of documents referred to the additional benefits in terms of growth, jobs and innovation to the broader European industrial sector, while also ensuring the functioning of an internal market in the defence sector.

1. <https://www.weforum.org/agenda/2023/01/deglobalisation-what-you-need-to-know-wef23/>

Equally importantly, this policy has been able to rely, since 2016, on EU funding in the form of a European Defence Fund endowed with an annual budget that, in 2020 amounted to 500 million euros (and has now, in the aftermath of the Russian invasion of Ukraine, ballooned to a staggering 8 billion euros for the 2021-2027 timeframe) that could be accessed to prop up this reinforced industrial base. Even though the policy did not directly raise questions about the relocation of industries, it was accompanied by corollary policies relating to export controls and third-country influence, with funding being conditional on the European geographical location of its beneficiaries.

Exploring the genealogy of OSA is far from an otiose academic exercise. As Linxin He points out, the CSDP roots of the concept continued to shape it once it became 'generalised', and eventually led, post-Covid-19, to its emergence as a fully-fledged European industrial policy. This is linked to the reduction of strategic dependencies in strategically important sectors, especially those connected to Europe's ability to successfully navigate the dual technological and green transition. So, traits such as 'building resilience and reducing strategic dependencies', 'preserving fair competition' and 'defending and promoting European values and standards', do in fact emulate the key aspects of the EU industrial strategy autonomy in the defence sector. And, as the author points out, there are other similarities too, such as the strategic use of public procurement and even state aid legislation to further Europe's industrial priorities and the use of dedicated EU funds to facilitate the expansion of a strategic industrial base, and even a shift in terms of the EU's common commercial policy, with a greater use of 'defensive' trade tools. Linxin He also notes differences between the new OSA and its defence policy precursor, mainly linked to the peculiarities of the different sectors to which they apply and to the greater stress placed on the element of 'openness', suggesting – at least in terms of the broader policy message – an inclination in favour of open markets. But as he says, recent developments such as the new Temporary Crisis and Transition Framework suggest a departure from the orthodoxy of 'open markets', and a greater emphasis on the strategic use of both EU and national financial resources to bolster Europe's industrial bases in strategic sectors. These processes, he concludes, may well provide some positive industrial, economic, and even social dividends for Europe. For such dividends to be realised, he believes the EU will need to act 'in anticipation of the destruction or relocation of essential sectors of European industry', and suggests that such action could take the form of sustainability clauses in financial support or the awarding of public contracts, which for the time being remain dominated by a competitive logic, except in the defence industry.

In Chapter 2, Silvia Borelli (also one of the editors of the book) explores a fundamental contradiction emerging from the EU regulatory framework of state aid legislation as it has operated and – by and large – continues to operate even at the time of writing: a contradiction with important implications for internal (intra-EU) relocation dynamics. On the one hand (historically tight) EU state aid controls have always allowed some margin for (state or EU/structural) subsidies to apply in pursuit of policy objectives linked to regional development. In practice, this is to attract or retain businesses in disadvantaged areas of the Union. On the other hand, the EU has strived to ensure that any subsidies pursuing these objectives would not compromise the functioning of the internal market, and in particular that they would not trigger a 'subsidies race'

between countries. This is to avoid companies strategically relocating between different territories of the EU simply for the purpose of ‘following the money’, thereby generating a ‘zero sum game’ for the EU overall. However, the very idea of targeting subsidies to a particular regional context, especially under a ‘free market’ paradigm where *laissez-faire* instincts suggest very little public control over corporate strategies, engenders such a risk and pits different Member States of the EU against each other in terms of attracting businesses, thus generating - in theory at least - more jobs and greater prosperity.

The EU, in various iterations of its state aid and structural funds rules (and more visibly in Regulation no. 2015/1589 – the State Aid Procedural Regulation – and Regulation 1303/2013, the European structural and investment funds Regulation) has sought to place some safeguards to ensure that internal relocation processes allow for regional development opportunities to materialise without encouraging purely opportunistic, short term, corporate behaviours. For example, it has insisted on aid beneficiaries committing for certain periods of time (varying depending on the size of the business) to a particular location after cashing in on the national or EU funds available. And, in other cases, it has required corporate beneficiaries to confirm that they did not carry out a relocation to the establishment where the initial investment for which aid is requested is to take place, in the two years preceding the application for aid. Borelli, however, explains that these rules have in practice been no more than ‘paper tigers’, as their effectiveness would require a heightened degree of cooperation between different Member States in terms of exchanging information about capital movement and relocation of businesses. This is either very cumbersome or is oftentimes not politically desirable for the public authorities of the country of destination, whose primary interest is that of attracting businesses to their territory, even at the expense of other territories and regions of the EU. This unresolved contradiction is arguably the Achilles’ heel of the EU’s state aid legal framework, and it has only been magnified by the noticeable relaxation of state aid control rules – and a bolstering of EU funding – following Covid-19 and, more recently, the war in Ukraine. In particular, Borelli’s assessment of Regulation no. 2021/241 establishing the Recovery and Resilience Facility notes the absence of any real conditionalities being imposed on corporate beneficiaries of these schemes. Instead, the burden is mainly placed on (often recalcitrant) national public authorities. This does not bode well for a regulatory framework that is likely to witness a substantial loosening of state aid control in the years to come for the purposes of accelerating Europe’s digital and green transition. In fact, this loosening of the framework is likely to reinforce strategic internal relocations between regions of the EU. Businesses follow subsidies and often game the subsidy system without genuinely committing to a territory. Borelli’s analysis tells a cautionary tale. While some are seeing the emergence of Europe’s OSA as a reversal of decades of globalisation, with some businesses moving production units back to the EU, it is far more likely that, without urgent reforms, a loosened state aid and public funding framework could exacerbate internal relocation processes between different (and often equally poor) regions of Europe. Or, equally worryingly, it could trigger an unprecedented subsidies race, with richer Member States, and those with the deeper ‘public pockets’, being able to attract strategic sectors in their territories. This in turn worsens social cohesion and regional inequalities and affects the European integration project.

4.2 An inadequate national framework

The national studies that follow the supranational chapters by Linxin He and Silvia Borelli to a large extent support their sobering analyses. Together, these national studies offer a distinct picture of national systems that are either inadequately structured to challenge opportunistic behaviours by footloose corporations, or that are at times complicit in favouring relocation processes both within regions of the EU/EEA (and often on the back of EU funds) or even outside the confines of the single market.

In the first national chapter, Raphael Dalmaso assesses the French regulatory framework on 'delocalisations'. He begins by placing these processes in the broader context of business restructuring, including business restructuring involving individual and collective redundancy processes. France, along with all other European countries, permits and even 'paradoxically' (as Dalmaso notes) facilitates this. Collective redundancies are seen as a natural consequence of open and competitive markets, whereas individual, fault-based dismissal is regulated more stringently. The author also has a compelling explanation of how delocalisation processes will often shadow restructuring processes aimed at reducing staffing levels in a particular undertaking or location, but with a new workforce emerging, almost simultaneously, in another undertaking at a different location. Often, therefore, delocalisation can be seen as a 'specific form of restructuring inasmuch as its objective is to transfer jobs from one location to another', often abroad.

While this may seem obvious, it was far from being a central preoccupation when French legislators designed restructuring and collective redundancy rules in the second half of the 20th century. These were not conceived to address either overt or covert delocalisation processes. In fact, the law – and often the courts – had to 'retrofit' a delocalisation logic onto a regulatory framework that was designed to manage and facilitate restructuring processes, for instance in the aftermath of the *Thompson* delocalisation case in 1995. In doing so, the legislation tried to rein in the margin of discretion left to businesses and CEOs in normal restructuring cases, for instance by allowing 'defensive' delocalisations (in other words those 'necessary evil' situations where a delocalisation is necessary to salvage a business and 'preserve its competitiveness'), but by discouraging 'offensive' ones (for example, the restructuring/repositioning of a business to attack competitors or a new market). Needless to say, this state of affairs pleased neither capital nor labour. They were perceived as too restrictive by businesses that did not appreciate the courts second-guessing their strategic decisions, and as too lax by unions and workers. These latter essentially saw them as giving employers room to manoeuvre that could well be justifiable when a business was at risk of bankruptcy or technological obsolescence, but that should not be misused simply for the sake of chasing higher profit margins by overall healthy and viable businesses. The response to this was the progressive emergence of voluntaristic and collective arrangements, eventually encapsulated in statutory provisions. These took the form of the mutually approved termination agreements (RCH), the voluntary departure plan (PDV) and, more recently, the collective performance agreement (APC) and the collective mutually agreed termination (RCC). These newer agreements allowed for a broader range of domestic and international, 'defensive' and 'offensive', delocalisations, but – especially in the case of the RCC – with

a greater involvement of trade unions and of the public authorities, with the Economic and Social Committee playing an important role. These new collective processes are still being tested, and Dalmasso points out that the jury is still out as to their impact. While in some cases they can benefit workers at risk of job losses linked to delocalisation, they have effectively empowered employers and disempowered courts from scrutinising managerial decisions during restructuring processes.

While France appears to have tested domestic redundancy and restructuring rules to their limits, only to depart from them in favour of a *sui generis* voluntaristic approach eventually endorsed by the French Labour Code, Germany has approached the issue of relocation through the lens of transfer of undertakings legislation. In the opening sections of Chapter 4, Wolfgang Däubler explores the (limited) relevance of transfer of undertaking legislation to these processes. Däubler identifies its Achilles' heel in that, typically, relocations do not entail the transfer of an independent economic entity that retains its identity, as required by both national and EU law. Instead, as explained here as in other chapters, an establishment closes down in Member State A and a separate establishment, crucially with a separate workforce and separate machinery, comes to existence in another region of Europe or the world. It therefore falls to German works councils to deploy their extensive powers and prerogatives, among other things to request the conclusion of a social compensation plan, which should 'compensate for or mitigate' the economic disadvantages suffered by the employees as a result of the change in the business, including by means of substantial severance payments. Here again Däubler points out that in the case of businesses without a works council or an active trade union branch, these rights exist only on paper. And that while German strike rules do not go as far as limiting industrial action in the face of relocation (though it is less clear the extent to which they might do so in case of mere 'threats' to relocate) such action is rare.

The author thus envisages a greater role for regulatory intervention. A conceivable solution for cases where works councils are absent or unable to negotiate effectively might involve a minimum severance payment provided for by law. He also suggests that it would be useful to discuss whether undertakings that relocate jobs should be obliged to pay a levy to a fund tasked with creating new jobs. Finally, he posits that legally binding instruments, above and beyond the OECD Guidelines on Multinational Enterprises, should be put in place to prevent potential relocations being used as a 'threat' during negotiations. In fact, threats of relocation affect both the right to strike and the right to negotiate of the trade union, and thus represents a disproportionate encroachment on the fundamental right under Article 9(3) of the German Basic Law (*Grundgesetz* (GG)).

In Chapter 5, Andrea Allamprese and Giovanni Orlandini, paint a vivid picture of the traits of the very distinctive Italian approach to regulating the phenomenon of delocalisations. A series of, often disjointed, regulatory initiatives make up a composite, extremely complex framework of measures designed chiefly to disincentivise delocalisation with sanction mechanisms of various kinds, primarily based on the state aid regime. The imposition of procedural obligations designed to compel the company to shoulder the social costs arising from the delocalisation decision has recently been

added to these measures. But – and this is the most crucial aspect – a further trait is the distinctive lack of effectiveness of this system. This is also evidenced by the most effective measures – although ultimately inconclusive – turning out to be those taken by labour courts overseeing the application of information and consultation rights established by collective agreements in pursuance of Decree No. 25/07, implementing EU Directive 2002/14. Partly on the realisation of these limitations, the Italian parliament in recent years has undertaken a legislative initiative incorporating a new procedure to be activated before collective redundancies are undertaken. But even that has proved entirely inadequate to prevent the most notorious recent case of delocalisation affecting the Italian production system, that of the Wärtsilä ship engine plant in Trieste, which is explored in great detail by the two authors. This led the legislature to reform the law just a few months after it had been adopted, with the (probably vain) intention of increasing the deterrence of its sanctions apparatus. Overall, Italy appears to be yet another European country (along with France and Germany) incapable of regulating satisfactorily, let alone effectively, delocalisation processes. What is more, Italy emerges as one of the countries most affected by the (only partly unintended) side effects of certain abuses of state aid funds and rules, as explored in detail in Chapter 2.

Alina-Sandra Cucu's Chapter 6 is a contextually rich analysis of the legal framework sustaining delocalisation processes in Romania. Cucu clarifies how there are no clear winners emerging from this largely unregulated feature of globalisation. Even countries such as Romania which, at least on paper, should be the net beneficiaries of delocalisation processes because of their relatively lower labour costs and accessibility to EU structural funds and state aid, are exposed to the negative consequences arising from a very loose regulatory framework. Crucially, Cucu notes, the very factors making Romania an attractive destination for other European companies to relocate part of their production processes there (namely, a loose labour market framework, declining union capacity to organise effectively, and state aid funds) have rendered Romanian workers particularly and disproportionately vulnerable whenever companies decide to move out of Romania. The fourth section of the chapter points out that, as in other countries (Germany, for instance) Romanian workers and unions have also sought to use strategically the transfer of undertaking rules to protect their interests against a growing number of delocalisations out of the country. But, again as in other countries, these attempts have failed to deliver any substantial gains. Cucu identifies a particular problem in that the Romanian transposition of the Acquired Rights Directive may fall short of fully respecting EU obligations because it focuses on the transfer of 'ownership' of the undertakings affected, as opposed to the broader concept of a transfer of an 'economic entity that retains its identity'. This important technical issue aside, there is a distinct sense that Romanian law, having shied away from empowering trade unions (let alone any public bodies) and having failed to institute robust collective information, consultation, and co-decision processes (partly to make the country attractive to foreign investors), is now incapable of offering any framework that could be used to govern delocalisation processes. In that sense Romanian workers appear to be singularly exposed to these dynamics, deregulation being a clear double-edged sword.

Chapter 7, authored by Antonio Baylos Grau, explores the case of Spain. Just a few decades ago the country was a net beneficiary of foreign investment and delocalisation

processes, mainly due to its relatively cheap but well-trained labour force. And this, in spite of a vital and functional system of industrial relations and employment protections (certainly more worker-protective than, say, the Romanian one), deregulated by design to attract foreign investment. Some of the emblematic relocation cases of the 1990s, such as the Renault-Vilvorde case, involved companies shutting down plants in western European counties only to reopen them, or to redirect investments, in Spain. Yet another country without a dedicated legal framework regulating specifically delocalisation processes, Spain has traditionally approached the issue by focusing on its effects, in particular in terms of redundancies and job losses. But, as in other cases, this has proved to be a rather inadequate entry point given the overall permissive attitude of collective redundancy legislation. This is more focused on processes than on outcomes, with the additional complication arising from the rapid deregulation of the collective redundancy legal framework during the years of EU-imposed austerity-driven labour market reforms. Even when, during the Covid-19 pandemic, Spain, like other EU countries, experimented with more robust forms of interference with managerial powers, including freezes on redundancies and lay-offs because of the lockdowns, collective redundancies connected to delocalisation processes remained a very actionable option. Baylos Grau is also open about the fact that the introduction of Royal Decree Law 32/2021 – introducing a standing mechanism for flexible, secure employment that aims to restrict employers’ powers in respect of collective redundancies by encouraging short-time work and contract suspensions for business reasons and temporary force majeure instead of contractual termination – has not altered the freedom of employers to delocalise production processes elsewhere. However, regardless of the reasons for engaging in restructuring process, employers will now have to explore alternatives to redundancies, including in delocalisation cases, thereby strengthening the hand of trade unions seeking to resist such processes. This is clearly evident from the Nissan dispute referred to by the author, and it could also be claimed that it might have played a role in the Alcoa case, allowing for longer and – eventually – more meaningful negotiations and more effective national and transnational trade union mobilisations.

5. Costs and benefits of relocation processes

Following this national assessment, the concluding chapter of the book, authored by Laurenz Mathei and Bob Hancké, develops a different, and very original, analytical perspective on the issue of industrial relocations by exploring the political economy of GVC relocations through the prism of costs, benefits and their distribution. There is a distinct sense, in both their analysis and in the debates that they explore, that globalisation in general and delocalisation in particular, far from being ‘win-win’ processes, have actually accrued certain benefits for (mainly) shareholders. There have been social costs, including by means of negative externalities, incurred by a variety of other subjects and interests. These have been borne by workers, but also society at large, especially when taking into consideration the environmental costs associated with unduly long and dis-integrated GVCs that have been shaped mainly or exclusively by profit maximisation considerations. The two authors explore the extent to which it may be possible to address these costs by reversing delocalisations by means of ‘relocation’ processes (that is, the closure of certain production segments in third countries and their

reopening in Europe). Here they distinguish between two possible types of ‘relocation’, those based on strategic priorities (for example, those encapsulated in the OSA agenda) and those dictated by ‘moral’ considerations (which could be environmental, labour, sustainable development-related, and so on). Their analysis is quite dispassionate. While their chapter is primarily intended as an analytical overview, it also makes the argument that few relocations have only minor or no costs. The distribution of these costs and benefits, in the EU or abroad, will determine the type and level of political and social support in different jurisdictions, requiring in turn some proactive thinking about relocation strategies with the distribution of costs and benefits in mind and developing governance arrangements that address this redistribution.

Overall, Mathei and Hancké suggest that the net benefits of ‘moral’ relocation for EU firms, governments and consumers need to be assessed and weighed carefully, implicitly saying that value-based political decisions are likely to be of paramount importance. The positives are easy to identify. Relocation is likely to lead to lower pollution and CO₂ emissions, a net increase in stable employment, including in low-VA sectors that could benefit poorer countries and less-skilled workers in the EU. It could also possibly raise the bargaining power of workers directly through increased demand for labour, and indirectly because accompanying measures will limit the exit options of capital. These are not trivial benefits. But ‘moral’ relocations also have some important negative effects, mainly because they work against the logic of comparative advantage, which would reduce the global competitiveness of European companies on average. And while protectionist measures could shield businesses, effectively that would simply shift the costs onto consumers by increasing the price of goods and potentially reducing their diversity. So any ‘moral’ relocation will require careful assessment of its pros and cons. The authors are perhaps more open about the clear net benefit of some types of ‘strategic’ relocations (at least for Europe). If they target future-proof industries, the industrial revitalisation – including positive up- and downstream spillovers – such relocations are almost certain to lead to rising and stable regional prosperity and employment growth across the EU. The benefits derived from industrial stability as a result of strategic autonomy – in other words, preventing production hold-ups – could also be significant. However, the direct upfront costs of relocation and reindustrialisation would be considerable, and should be factored in. And the comparatively higher wages and overhead costs in the EU may require ongoing subsidies for activities in patriated sectors with low margins and many non-EU competitors who can play by different rules. Without a rapid decarbonisation of basic energy and careful planning and zoning of industrial areas, the environmental costs resulting from increasing land and energy use for production and intra-EU transport will also be considerable. Overall, strategic relocations might reduce GVC bottlenecks or dependencies – assuming that access to (clean) energy, raw materials and required skills can be secured – but, as the authors suggest, this comes at a price. Successful strategic relocations that create a lasting positive impact in the EU will therefore have to keep these costs and their distribution in mind and develop appropriate governance and regulatory arrangements. This chapter is a real eye-opener: any policy debates around the regulation of delocalisations and relocations ought to take place without shutting our eyes to the costs and benefits that Mathei and Hancké have very carefully plotted.

6. Conclusions

This book is in many ways the product of a powerful intuition that emerged during discussions between its editors and authors in the early months of the Covid-19 pandemic, just as the EU Commission was starting to develop its new approach towards OSA and a new industrial policy for Europe. In the context of dangerously low levels of essential sanitary and personal protection equipment, collapsing global supply chains, and inadequate stocks of even the most basic of essential goods, it seemed both opportune and necessary to open a discussion about the fragilities engendered by decades of ‘delocalisation’ processes and to explore the viability of a reverse process of ‘relocalisation’ of (at least some) industrial production. To be fully tested, this intuition required a detailed investigation and analysis of the institutional triggers of delocalisation processes and an assessment of the mechanisms available to control such processes, in particular of those mechanisms capable of controlling the impact of delocalisations on jobs and levels of employment in some of the EU countries and those regions most affected by them.

The result of this assessment is, to say the least, sobering. While EU policies provide several opportunities, and even several incentives, for delocalisation processes to occur, it is also clear that they fail to provide any governance mechanisms capable of managing these processes and their effects on jobs and skills. Structures such as the globalisation adjustment funds are clearly not up to this task, whereas the competitive market (or, to use the words of Article 119 TFEU, the ‘open market economy with free competition’) logic underpinning the EU economic project creates a tectonic pressure in favour of capital movement and delocalisation. This is further reinforced by the functioning of the EU’s structural funds, often providing perverse and short-sighted incentives for companies to set up or scale up production in certain regions of Europe at the expenses of other regions.

At a national level, the situation is equally bleak. A key problem is that no legal system appears to have a dedicated regulatory and governance framework designed to deal specifically with delocalisation processes and their social and environmental consequences. There are several reasons for this regulatory failure, including the fact that delocalisations rarely occur on the back of transparently agreed and communicated decisions to close a company (or establishment) in country A only to reopen it in country B. More often they happen in a much stealthier manner, through the restructuring of undertakings and the scaling down of their production and workforce, with investments invisibly being poured elsewhere. If you cannot easily identify a delocalisation, it becomes much harder to regulate it. Member States have attempted to make good with what they have by adapting rules on restructuring, transfer of undertakings, information and consultation, and even by deploying various social dialogue and collective-bargaining strategies to come to grips with the issue. But by most accounts this has not worked, and the phenomenon of delocalisation has not been reined in.

Given this account it is difficult to see how Europe could credibly attempt to regulate processes of ‘relocation’ of essential parts of GVCs back to Europe. The analysis of OSA carried out in this book reveals that issues about ‘repatriation’ of production

processes, while not expressly excluded by this new EU agenda, are not a key priority, with alternative approaches such as ‘de-risking’ and the diversification of supply chains gaining greater prominence. However, there is no doubt that the unprecedented levels of EU investment displayed by Next Generation EU, the New Green Deal (and the annexed ‘Industrial Plan’), and the loosening of state aid rules, clearly point to the willingness to scale up domestic/EU industrial production in a number of key industries, especially in sectors of strategic importance for the green and digital transitions. While this may not amount to an orderly and planned strategy, let alone to a call for Europe to enter into a new age of industrial relocation/repatriation, it is clear that for the sectors and industries that will ‘follow the money’ made available to them, new plants and businesses will open on EU soil and, inevitably, some will have to close or be scaled down abroad.

The concluding chapter points out that, to the extent that such relocations will happen, they should be subject to a careful cost/benefit analysis, and that it would be imprudent to leave them exclusively to the whim of market forces (even if shaped by strategic subsidies). Market and competitive forces failed to factor in a number of social, environmental, and ‘fragility’ costs when, two to three decades ago, they turbo-charged delocalisation and globalisation processes. It would be naïve to expect them to do so now, when a ‘subsidies race’ is clearly skewing decisions in company boards in favour of short-term ‘follow the money’ strategies.

A central lesson learnt during the Covid-19 pandemic was that the ‘small state’/‘small government’ neo-con fantasy was exactly that – a fantasy. The role of the state, of the public interest, has been put back on the policy map in every European capital. This is also the case on the other side of the Atlantic, with the Biden administration recently launching its Inflation Reduction Act, which is a real game changer in terms of the subsidies and incentives offered to develop domestically certain strategically important industries. But this newly discovered role of the state cannot be reduced to public money being made available to private profit-seeking companies without any regulatory and governance mechanisms being set up to ensure that their investment and business decisions do not run contrary to the ‘public good’. In that sense, what Europe and its people need is not ‘Big Government’ but ‘Good Government’.