Parliamentary Assembly
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Resolution 1484 (2006)[1]

Relocation of economic activities abroad and European economic development

Parliamentary Assembly

1. The rising incidence of relocation of economic activities abroad by companies of production and services – often from more developed countries to countries with a more favourable cost structure in central, eastern and south-eastern Europe as well as in other parts of the world – has become a major political issue, especially in western Europe and notably in countries with high unemployment. It may even have influenced recent referendums on the European Union's Treaty establishing a Constitution for Europe, as some public personalities have called for measures to halt the trend by legislative and other means.

2. The Parliamentary Assembly – true to its own and the Council of Europe's pan-European mission, in the words of its Statute to "achieve a greater unity between its members … and facilitate their economic and social progress" – believes, however, that the altogether natural tendency for firms to allocate their investment optimally in an increasingly integrated Europe should be allowed to continue unhindered, not least because it helps the continent to overcome its tragic division during half a century following the Second World War, and since it will surely over time lead to increased trade, a rise in prosperity on all sides and a more unified and politically stable Europe.

3. Relocation may, however, at least temporarily, lead to considerable individual and social hardship and suffering, as a town or region may lose a vital source of employment and income. It is therefore essential that countries properly assist those affected by this process and that essential aspects of Europe's hard-fought-for social achievements be preserved. In this regard, policies to promote and encourage employability have shown themselves to be more efficient than those serving merely to protect employment.

4. It is particularly important that one of the main achievements of the European Union of 25 member states – the Internal Market – should not be called into question. The same holds for the Internal Market's extension via the European Economic Area to Iceland, Liechtenstein and Norway, the EU's Bilateral Agreements I and II with Switzerland, the various partnership and co-operation agreements concluded with other European countries, including the Russian Federation, and the various agreements reached worldwide through the World Trade Organization.

5. The Assembly calls on the member states of the European Union not to let the recent difficulties in ratifying the EU Constitutional Treaty form a reason to halt the EU enlargement process. It calls for new vigour in implementing the European Union's Lisbon Agenda designed to boost growth, employment and competitiveness. In this context, it stresses the importance of intra-European research co-operation, more liberalised markets and better conditions for entrepreneurship, including reduced red tape, whether at national or EU level. Investment into research should be increased and the results of such research should be better channelled into products, processes and services.

6. Relocation of economic activities is supported by technological developments, especially in the information and communication technologies sector (ICTs), and facilitated by increasingly efficient means of transport, including air cargo. Countries in Europe and elsewhere which have properly adapted to this development show persistently lower unemployment and higher growth. Countries which, by contrast, try to

1. Assembly debate on 27 January 2006 (8th Sitting) (see Doc. 10757, report of the Committee on Economic Affairs and Development, rapporteur: Mr Mimica). Text adopted by the Assembly on 27 January 2006 (8th Sitting).

seal themselves off from this worldwide and unstoppable development by placing artificial obstacles in the way of companies on their soil which wish to relocate abroad therefore risk slower economic growth and an even more painful adaptation later. The answer should rather be to engage in bold structural reform in all sectors including labour, products, services and education, so as to increase competition and thereby competitiveness and put countries in a position to attract foreign investment and become as much "destinations" as "points of origin" of relocation.