

GLOBAL TRADE AND EUROPEAN WORKERS

Also by Paul Brenton

INTERNATIONAL TRADE: A European Text (*with Henry Scott and Peter Sinclair*)

Also by Jacques Pelkmans

EUROPEAN INTEGRATION: Methods and Economic Analysis

EUROPE'S DOMESTIC MARKET (*with L. A. Winters*)

Global Trade and European Workers

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Foreword

High unemployment now appears to have become a structural feature in many of the OECD countries, in particular in Europe. Many young people entering the labour market find it extremely difficult to get started, whereas many of those presently employed no longer feel that their skill profiles are sought after. They experience a continuous threat of being laid off: keeping a job has become hard work. The 'normal' economic growth cycle – technical innovations leading to new economic opportunities, which in turn translate into further employment opportunities – appears to be wholly unable to deliver for Europe a level of employment which one may consider as anywhere near to full employment.

In this climate, it is not surprising that popular discussion perceives competitive imports from developing countries as a major threat and that corporate decisions to relocate industries and service providers to other parts of the world are the subject of intense criticism. It is often argued that 'outsourcing' and *delocalisation* harms Europe's work force and limits future employment, and this has become one of the delicate issues in the relationship between Europe and Asia. In this volume, the authors have sought to make a rigorous and impassioned analysis of these issues and to move away from the emotional, even at times racial, overtones of the debate.

Economic theory suggests that consumer welfare is enhanced if real purchasing power increases, for example through additional income or lower prices for goods and services. The ongoing process of globalisation means not only lower prices for imported goods but also a reduced demand for labour services in Europe. Though corporations and consumers stand to gain, the work force stands to lose. Increased profit opportunities occur but an increasing share of global investment resources is used outside Europe and the OECD. In response, labour market flexibility is called for but many in Europe believe that this amounts to little more than a wage cut through the back door.

The issue at the heart of the matter is whether enhanced consumer welfare will translate into new demand for goods and services which have a high domestic value added. Textiles may, perhaps, be manufactured in low-wage economies of Asia, but will high-tech, high-skill services continue to demand highly skilled specialists from

Europe and the OECD? In this sense, the global race should not simply be thought of as one between high-wage Europe and low-wage Asia, but rather as one where high skilled and highly responsive workers inside Europe continue to find new and innovative technologies ahead of anybody else. A failure to do so will inevitably lead to a loss of competitiveness, whereas the knee-jerk response of increased protection is likely only to postpone finding long-term and sustainable solutions.

The contributors to this volume bring to the fore an advanced and rigorous analysis of the determinants of trade flows between Asia and Europe and their impact on employment. They assess the impact of trade flows with Asia and note that many of the imported goods are not produced in Europe and hence are not directly competing with domestic suppliers and labour. Furthermore, rapidly increasing exports to Asia have offered significant economic and employment gains. However, evidence is also presented which shows that in various sectors the unskilled workers have been losing in both absolute and relative terms.

Public policy in Europe is facing a major challenge, requiring a greater emphasis on training, skill formation and the continuous upgrading of the skill profiles of the labour force. This is even more important if one realises that, after more than a decade of rapid growth in parts of South, South East and East Asia, technological and research competencies in these regions have substantially been upgraded. It is in these areas of skill formation and research and development (R&D) that supra-national initiatives at the European Union (EU) and OECD levels may prove particularly important – individuals, firms and national governments may tend to invest less than is socially optimal in these areas.

The Brussels-based European Institute for Asian Studies (EIAS) seeks to contribute to a better understanding of political and economic relations between Europe and Asia through briefings, seminars and research publications. The present volume has been the outcome of a collaborative project, sponsored by EIAS, involving researchers from across Europe under the direction of Paul Brenton and Jacques Pelkmans. It is hoped that this volume will inform the debate in Europe about appropriate and active public policy responses to Asia's phenomenal growth and, through this, contribute to welfare in both regions.

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