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**Article**

## Europe and the new devision of labour: Introduction

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Welcome Address by

**JÜRGEN CHROBOG,**

Former State Secretary

Chairman of the Board of the BMW Foundation

Herbert Quandt

Dear Minister Glos,  
Director-General Lamy,  
Sponsors of the Summit,  
Ladies and Gentlemen,

On behalf of the BMW Foundation Herbert Quandt, I welcome you most cordially to the fifth Munich Economic Summit in the Bavarian state capital. I am pleased to note that the Summit, in its fifth year of existence, has firmly established itself as a major economic forum on the international conference agenda. Given its wide range of subjects, which include the economic consequences of EU enlargement and the global division of labour, which we will discuss today, the Summit has succeeded in giving important impetus to both public and academic debates. We want to continue along this path in the future.

One key strength of the Summit is its international orientation, gathering every year top-level representatives and experts from different fields in business, academia, politics and the media in Munich. Again this year, we have successfully realised our aim of internationalism and diversity. 155 participants representing both medium-sized businesses and large companies, state parliaments and national governments from twenty-five, mostly European countries have accepted our invitation.

Today and tomorrow, we want to advance the discussion on how the new global division of labour changes the global economy and, in particular, the European Union. Please allow me some introductory remarks on this topic:

The trend to outsource jobs and production sites to the new EU member states and beyond, which has received increasing attention since the most recent EU enlargement by 10 member states in 2004, has

led to worries about the destruction of jobs in the old core countries of the European Union.

For example, the public debates on outsourcing and offshoring frequently feature catch-phrases such as “unfair competition” because of lower and more transparent, that is to say, more attractive taxes in the reform-oriented enlargement countries. Or they evoke the danger of “social dumping” because of the low-wage policies supposedly prevalent in those countries that fail to adhere to costly social standards.

Frequently, this perspective misses the fact that the actual roots of high unemployment and the offshoring of investment and production – and increasingly of administrative tasks – reach back much further and have to do with political neglect. Structural reforms to liberalise the labour market and to reorganise the health and social systems, which are long overdue but difficult to communicate, are only gradually getting off the ground. In this respect, competition from the so-called low-wage or low-tax countries has a rather positive effect by serving as a catalyst to speed up the reform process in the Western European countries.

Moreover, one must not forget that, all in all, the Eastern enlargement of the EU so far has been a big economic success, generating hundreds of thousands of jobs in Central and Western Europe, earning high profits for the investing companies from the EU-15 and massively stimulating internal trade within Europe. In addition, the public is not sufficiently aware that the outsourcing of production is a kind of survival guarantee for local firms by strengthening their competitiveness and enabling them to expand in other areas.

It should not be denied that there are not only winners of the new division of labour – such as companies and highly qualified employees –, but also losers: the lesser qualified employees. It is in this area where it becomes apparent that we need a more flexible labour market, national models of support and an education offensive.



Only if the European Union sees the challenges of the new global division of labour as an opportunity, will it be able to better position itself in global competition and get fit for continuing globalisation. This entails, in the first place, that the EU of 25 takes seriously the Lisbon Agenda and its objectives reaching into the year 2010 and drastically increases its investments in the fields of research and innovation.

Already today we can spot the trend that outsourcing and offshoring are no one-way streets, neither within the EU nor in the direction of other global regions such as South or East Asia. Emerging Indian and Chinese high-tech companies also outsource certain activities and jobs abroad by setting up so-called “competence centres” in Europe. They do this knowing that concentration on regional strengths pays off for the whole company in global competition. This development gives us cause for a positive view of the future. A win situation for all countries and global actors that are affected by the new division of labour, both within and outside the European Union, seems perfectly possible in the long run.