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The Reindustrialisation of Europe

Reshoring manufacturing - a potential driver of future welfare

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Abstract

Reshoring is a novel phenomenon and not much research can be found about it. That is why any insight about this phenomenon is an asset. A gap is filled through providing a deeper understanding of the phenomenon of reshoring in European Union. It is also going to be analysed if the EC's current policies on fulfilling the goals of reindustrialization are also effective on increasing reshoring activities. This will be done through a framework that is based on what the companies see attractive about a location. Neo-classical location theory is consulted in this process, but most of the framework consists of factors that will be extracted from the previous research, which mostly concentrates on this phenomenon in the United States. Reshoring was found to be a relevant and beneficial phenomenon due to different reasons, which vary from economical to value based outcomes. The Commissions policies were found to be surprisingly effective on enhancing the locational pull factors. It was found that activating reshoring does not need a special approach, despite the role model US has set out regards to reshoring. Nevertheless some policy recommendations were laid out, while a gap in the approach to future comparative advantage was found.

Keywords: Reshoring, pull factors, European Commission, industrial policies, welfare

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Abbreviations

EC – European Commission

EP – European Parliament

EU – The European Union

GDP – Gross Domestic Product

MS – Member State of the European Union

SME – Small and Medium Enterprises

US(A) – The United States (of America)

UN – United Nations

ECSIP - European Competitiveness and Sustainable Industrial Policy
Consortium

CSR – Corporate Social Responsibility

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1 Introduction

The world is changing constantly and rapidly. In order to survive in this unstable environment, adapting to the new conditions is vital. The process of companies moving their production to lower cost countries, i.e. engaging in offshoring, has been a subject of debate in the academia for decades, more specifically since the 1980s when offshoring started to emerge. The debate around offshoring has been controversial. On the one hand, there is the rational decision of companies to move the production to a more cost-efficient environment. On the other hand, there is the questionable moral aspect of offshoring as most of the production is taken to developing countries that enforce lenient regulations on polluting and human rights, and additionally have very low levels of salary. As mentioned above, constant changes need constant adaption and as the business environment in the developing countries is also changing, a trend of relocating business activities has grown. This includes a rise among companies that have previously moved their production to developing countries and have now started to bring them back to their home countries – this phenomenon is called reshoring. Research on the novel phenomenon of reshoring, including research about the concept itself, magnitude of this phenomenon, about its geographical boundaries, and about the underlying motivations, is still restricted (Frattochi et al. 2014, p.54). The policy makers and scholars in the United States have picked up the phenomenon of reshoring actively. There is reassuring information that the trend has lately been also gathering attention in the European Union (EU) Member States (MS) and in the different EU bodies. As Frattochi et al (p.54) says, policy makers' attention to the phenomenon is on the rise, but academic attention is lagging behind. The scholarly attention concerning reshoring in the EU has remained relatively limited. A gap will be filled with this paper which aims to provide necessary insights about the phenomenon of reshoring in the EU.

1.1 Research motivation

"We cannot continue to let our industry leave Europe. Our figures are crystal clear: European industry can deliver growth and can create employment. Today we tabled the conditions for the sustainable industry of the future in Europe, to develop the investments needed in new technologies and to rebuild a climate of confidence and entrepreneurship. By working together and restoring confidence, we can bring back the industry to Europe."

- Commissioner Tajani 2012

Industrial restructuring has been one of the main economic developments in the European Union in recent decades, which is especially influencing the manufacturing sector and has led to debate over the de-industrialisation of Europe (Eurostat 1). Lately, there has been a change in the perception about the role of industry in the EU. In 2010, the Commission called for a stronger European industry with the explicit objective of reversing the declining role of industry in Europe. The goal is to increase the share of the manufacturing sectors from the 15% of GDP today to 20% of GDP by 2020 (EC COM 2010). The previous president of the Commission, Jose Barroso emphasised in his speech a year ago that the sector that gave a great contribution to getting us out of the crisis was precisely industry (Barroso speech 2014). A new element in these policies is for example the objective to 'bring manufacturing home', a slogan that has become popular particularly in the United States but also in some of the EU Member States (European Competitiveness report 2013). The phenomenon of returning offshored manufacturing is known as reshoring. There is ample proof, which will be discussed in the next section, that changes in the global sphere have initiated reassessment of the locations of companies and their manufacturing. Companies that have decided to relocate, have also been reshoring their activities to the EU in some extent, but reshoring cannot be taken for granted and the EU needs to ensure that its member states will be chosen as the new location. Innovative EU policy measures and active reform can deliver growth, attract inward investment and encourage the return of jobs and activities lost (Europost 1). Meaning intensive reshoring could help to fulfil the goals to grow manufacturing sector in Europe. Thus, intensive reshoring could help to fulfil the goals of increasing the

manufacturing sector in Europe. When looking at the official approach of the Commission towards taking action regarding reshoring, it seems to have stayed quite passive, especially compared to the United States. One reason for the passive stance might be that there is little knowledge and evidence about the phenomenon. It is notable that there is a lack of precise evidence on the scope of reshoring, but it is definite that the new location "shopping" is present and measures must be taken to attract the "shoppers" to the European Union.

1.2 General aim

Hence the general aim of this research is to provide a deeper understanding of the phenomenon of reshoring in order to see its fundamentals and its importance. Being a study with a twofold aim, the second one is to see if the EC's current policies on fulfilling the goals of reindustrialization are effective and increase reshoring activities. If found ineffective, policy recommendations for possibly effective instruments will be proposed. With the previous stated, the outcome will mostly have a practical relevance and the study will be exploratory in nature.

1.3 Research question

The reshoring phenomenon is rather new, and there has been little research dedicated to exploring this industry trend (Wu and Zhang 2014, p.1226). There is a lack of research in mapping the basic ideas reshoring incorporates and also the background of this phenomena, reshoring research is also characterized by the lack of a shared definition (Fratocchi et. al 2014, p.57), so a contribution on the clarity of the concept regarding EU will be made, especially while EU is a unique organization and universal concepts don't always apply to it. With looking at the trends in the world economy, it is shown that the reconsidering of business locations has started to grow. Fratocchi et. al (2014, p.57) highlights that the emerging empirical evidence shows also the reshoring strategies being on the rise in different countries. Being aware of the growing amount of the possible

reshoring companies, it is argued that the increase of this phenomenon in the EU can have a positive impact and that the European Commission (EC) should and can respond to it. The author emphasises that the EC should take reshoring into a serious consideration. The EC's current policies regarding reshoring will be taken under observation and the possible effectiveness of these policy instruments will be measured. This will be done through a framework that is based on what the companies see attractive about a location. Neo-classical location theory will be consulted in the process but most of the framework consists of factors that will be extracted from the previous research which is mostly concentrated on the United States. This framework will be used to consider the possible effectiveness of the European Union's current approach to attract the possible reshorers to different European Union Member States. If the current approaches prove to be ineffective, recommendations about policy instruments will be made for a sustainable approach in order to support and expand reshoring in the EU. Derived from the previous discussion, the following research question will be addressed:

What does reshoring incorporate for the European Union? Does the current industrial strategy of the European Commission encourage reshoring and are there measures that would encourage it even more?

In order to answer the research question, the paper is structured as follows: In the 2nd Chapter the basic knowledge of reshoring will be provided including previous research, definition of reshoring and the reasons for rise in the relocation decisions. Additionally the possible benefits of reshoring for EU and the importance policies have on reshoring are stated. In the 3rd Chapter, the methodology of this study will be presented. The 4th Chapter will combine the theoretical background and the creation of a framework for analysis. In the 5th Chapter, this framework will be used to consider the efficiency of the current approach of the Commission on reshoring. In the 6th Chapter, policy recommendations will be proposed for extra activities that could enforce reshoring. The study ends with a conclusion where the results will be summarized and suggestions for further research are made.

2 The phenomenon of reshoring

Firstly, an overview of the previous research will be presented and gaps in it are examined. Secondly, reshoring will be defined through the EU spectre. Then the possible future trends and benefits are stated. Finally, an overview of the power that policy might have on reshoring decisions will be provided.

2.1 Previous research

Reshoring is simply put the return of a previously offshored manufacturing and other business activities. This phenomenon might also be referred to as: backshoring, inshoring, back-reshoring, reverse offshoring, onshoring, insourcing etc. While they combine the same basic elements, this study all these references will be considered reshoring,

Different empirical studies have examined push and pull factors as the main drivers of international production activities. For example, the reduction of labour costs, access to new markets, vicinity to key customers, access to new knowledge and the search for superior tax incentives and subsidies are among the most important motives when choosing location according to Dunning, 1980, 1988; Ferdows, 1997; Kinkel et al., 2007; MacCarthy and Atthirawong, 2003; Vereecke and van Dierdonck, 2002 in Kinkel 2010 (Kinkel 2011, p.699). These are the general factors that indicate the drivers of location decisions and can be taken as the basis for understanding the drivers of reshoring as well. Still there is reason to believe that reshoring is influenced by slightly different factors and the specifics of reshoring need to be taken into account. Reshoring, as such, is fundamentally concerned with where the manufacturing activities are to be performed, independent of who is performing the manufacturing activities in question. For reshoring to occur, a choice to pursue offshoring must have been made in the past and this differentiates reshoring from the typical location decision (Gray et al.

2013, p.28-29). The reshoring of once offshored manufacturing capacities to the home base is a relevant phenomenon. At the same time the reshoring phenomenon is rather new, and there has been little research dedicated to exploring this industry trend (Wu and Zhang 2014, p.1226).

The reshoring trend started in the US around 2005 and has been picking up publicity and speed since (Tate, 2014). These activities are expected to increase in the future as well (Arlbjørn et al. 2013). The phenomenon of reshoring in the United States has received wide attention ever since it became a political platform for the US politicians during the last presidential election in 2012 (Atkinson 2012, Seiko 2013, Ellram 2013). Since the emergence of the global economic crisis, relocation activities declined significantly, whereas the level of backshoring activities remained stable (Kinkel 2011, p.696). The issue of reshoring has been more actively discussed by the scholars in the US, whereas the amount of studies concerning reshoring of European companies is limited.

Bayley, De Propriis (2014) look at reshoring and its drivers in the manufacturing of the UK and in particular its automotive sector. Germany is used as a case in finding the drivers of reshoring and offshoring (Kinkel and Maloca, 2009, Kinkel and Zanker, 2013) and the future and the impact of reshoring (Kinkel 2010, 2014). Additionally, similar research can be found on Spain (Martinez and Merino 2014). The magnitude of return relocations is highly heterogeneous of business value and of the number of jobs created in the home country, policy makers' attention to the phenomenon is on the rise, but academic attention is lagging behind (Fratocchi et al. 2014, p.54).

In European studies, there is little research done on the characteristics of the reshoring phenomena in the European Union area, the drivers of reshoring, and the EU's possible part in this process. There is a necessity to find the complex dynamics involving locational, industry and firm-level factors (Fratocchi et al. 2014, p.54). Thus, there are many gaps in the research that need to be filled. Additionally, reshoring research is characterized by the lack of a shared definition, of a full understanding of the extent and causes of the phenomenon, and of a model that may help predict its future trends within the overall process of the internationalization of manufacturing. Quantitative evidence on the extent of the phenomenon is fragmented and often of anecdotal nature (Fratocchi et al. 2014, p.54-57). Further research is also needed in the field of comparative studies

of diverging relocation and backshoring patterns according to countries, branches, MNEs vs SMEs or from various target regions (Kinkel 2011, p.715). Gray et al. (2013, p.27), with his work and declarations, hopes to jumpstart an intellectual discourse, through scientific research, into the what, how, when, where, and why of the reshoring phenomenon. Arlbjørn and Mikkelsen (2014, p.61) find that future research could further track antecedents, motivators, and barriers of the use of globalisation strategies from a longitudinal perspective and could also compare such practices internationally. Baileys and De Propriis (2014, p.380), when discussing the reshoring of the UK automotive sector, raise the issue of what policy can do to push the process along. As we can see, there is much to learn about the phenomenon and everything surrounding it, so any insight to the phenomenon will be an asset.

In this study, some of the previous recommendations for further research will be employed in the context of the EU. The author follows the guidelines formulated by Titscher who emphasises that a scientific paper has to be based on previous investigations, must take account of results in this area and build on them, and distinguish itself from previous investigations on the chosen topic (Titscher et al 2000, p.12). As a first step, the concept of reshoring regarding the EU will be clarified.

2.2 Concept of reshoring in EU

In general, the reshoring phenomenon is a revisited choice of location (Gray et al. 2013, p.29); more specifically, it is the phenomenon of bringing previously offshored manufacturing back to the home country. There are many different concepts for this phenomenon, so the research is characterized by the lack of a shared concept but also the lack of a shared definition. The definition is often bended to the current needs of an author, leaving the united understanding of the definition fractured. Some of the concepts and definitions are presented in the following table (Table 1).

Reshoring	<p>1. Moving manufacturing back to the country of its parent company (Ellram, 2013,p.3).</p> <p>2. Reshoring is the process through which a company relocates all or part of value added activities conducted abroad back to the home country of the company (UN World Investment Report 2013, p.27).</p>
Backsourcing	<p>1. Production return relocation from an external entity (Holz, 2009, p.156)</p> <p>2. Bringing services outsourced to a third party back in- house (Kotlarsky, Bognar, 2012, p.1)</p>
Back shoring	<p>1.Re-concentration of parts of production from own foreign locations as well as from foreign suppliers to the domestic production site of the company (Kinkel and Maloca, 2009, p.155).</p> <p>2. The geographic relocation of a functional, value creating operation from a location abroad back to the domestic country of the company (Holz, 2009, p.156)</p>
Back reshoring	<p>A voluntary corporate strategy regarding the home- country's partial or total relocation of (in-sourced or out-sourced) production to serve the local, regional or global demands (Fratocchi et al. 2014, p.56).</p>

Table 1. From Fratocchi et al. 2014, complemented by the author.

The official strategy of the United States to bring manufacturing back home is known as “The Reshoring Initiative”, and also the most frequently used concept by the scholars and by the media regarding this phenomenon is the concept of reshoring. Therefore, the concept of reshoring will also be used in this paper. In this research, the approach that will be taken is slightly different from the aforementioned definitions. While the latter define the concept of reshoring from a country level, in this paper it is going to be viewed from the European Union level. The EU is a hybrid and unique intergovernmental and supranational organization (World Factbook, viewed 2.5.2015) and universal concepts do not always apply to it, though in this case the universal concept has not even been agreed on yet. The European Union concentrates on the welfare of all its member states and that is why the concept of reshoring needs to be introduced from a different angle. The European Commission is one of the main institutions of the European Union, it drafts proposals for new European laws, manages the day-to-day business of implementing the EU policies and spending the EU funds

(European Union home page 1, 2015). While the European Commission represents and upholds the interests of the EU as a whole, it is an institution that can be taken as the possible game changer regarding reshoring activities in the whole EU. The European Commission represents all the member states together, so in this paper the reshoring is not just the return of the company to the home country but to the EU area in general. Thus, the ideas combined in the concept of near-shoring need to be taken into consideration. Definitions are presented in the following table (Table 2).

Nearshoring	Ellram (2013, p.14) describes that near-shoring is to locate a manufacturing plant within one's region. Nearshoring refers to the outsourcing of business processes to providers in nearby countries.
Near-reshoring	Relocation of earlier off-shored production activities, to a foreign country in the same region of the firm's home country (Frattochi et al. 2014).

Table 2. From Frattochi et al. 2014

Near-reshoring does not provide a complete understanding of the phenomenon of companies returning to the EU either, as a region might mean all the possible countries in the European region and not explicitly the member states. That is why in the case of the European Union it is not pure near-reshoring either. For the EU, all the member states are the “home country”, i.e. to the European Commission it is not important to which country exactly the manufacturing is brought back, as long as it is to a location inside the EU. For the clarification of the focus of this paper the concept of reshoring will be stated in the context of the European Union:

Reshoring (reshoring to home market) - a voluntary corporate strategy for returning partial or complete company activities to any country which is a member of the same deeply integrated economic and free trade union as EU, providing that the home country of the returning business unit headquarters is a member of this union.

It resorts to existing terms, but given the specific position of the European Commission, it is adapted to clarify the comprehensiveness of the concept in this

paper. Next, the benefits that reshored manufacturing has to offer to the EU and its Member States, will be discussed. The necessity of the European Commission to take a firm stance on reshoring activation will be emphasised.

2.3 Relocation decision and factors behind it

Relocation - Firm relocation is a particular form of locational adjustment of the firm and one of the possible ways to adjust to changes in markets, preferences of consumers, environmental regulations, technological progress etc. (Pellenbarg, Van Wissen and Van Dijk, 2002, p.1). Reshoring is a type of a relocation decision.

Most firm relocation studies distinguish between push factors, which cause the firm to reevaluate its original location in the first place, and pull factors, which attract the firm to its destination location. Push factors include both internal and external factors, while pull factors are mostly external (i.e. environmental) variables (Lumpkin & Katz 2009, p.198). The relocation decision is connected to reshoring from two directions; firstly, it is a pre-phase of a possible reshoring decision. Secondly, looking at the factors influencing these decisions and the trend in these factors, it also predicts the possible future trends of reshoring. As mentioned, location decisions are dependent on different driving factors which can be divided into two types: the push and the pull factors. The factors indicating the reasons for leaving a certain country are the push factors. And there are factors indicating the reasons of choosing a new destination country - the pull factors. In this part, the push factors will be analysed to understand why companies start looking for new locations and what the future trends are if the push factors are strengthening or weakening. As China is the most popular offshore location, it is often taken as an example. Some of the trends will be explained more specifically, in order to understand the logic behind them, and some will be stated singlehandedly.

Rise in costs. Wages in China have been rising 5 to 10 per cent annually in the recent years - a trend that is expected to continue as the demand for factory labour outpaces the supply of workers in the manufacturing centers of coastal China (AlixPartners 1). Many of these formerly 'low-cost' regions are suffering from higher labour costs, but also higher raw materials costs, and decreased responsiveness and quality (Tate et al. 2014, p.382). This is partly also due to the rises in salaries and competition. For example in China, companies have started to move toward lower labour costs in inland China, these more distant regions have longer supply chains, which drives higher transport cost and pipeline inventory, partially offsetting some of the labour cost benefits (Tate et al. 2014, p.383). This generates a domino effect, costs to do business in the previously lower-cost countries are steadily increasing due to labour rates. As a result, more manufacturers either have or are seriously considering a back-shoring strategy to save costs, improve quality, and better manage brands and technology (Free 2010). It can be concluded, that the excuse of cheap production cost for offshoring is step-by-step losing its foundation. This trend is determined to grow, as not only in China but also in other developing countries the costs are rising for similar reasons

Lower productivity. Although together with the wages, productivity has also risen in China, still the output per worker will increase at only half the pace of the rise in wages, which means that productivity-adjusted costs are rising. Even with massive productivity improvements, output per worker at a Chinese factory will be only 42 per cent of that of a southern US plant (BCG group). Productivity is much higher in the western countries, including the EU, as the EU is among the world's largest and most technologically advanced regions (World Factbook). Although China is advancing, it will not reach the western level for a long time. According to the predictions of the BCG group, the equation might even reverse itself completely - with manufacture in the US (and in the western countries) becoming even cheaper than in China.

Change in preferences. With the welfare growing in developed and developing countries and information moving faster than ever, people's preferences are changing and quality becomes more important. For example, Chinese consumers generally favour foreign brands; product safety incidents and lack of government supervision have scared the Chinese consumers away from

certain domestic products. Consumers will often pay a premium for foreign brands to ensure quality (China Business Review). This is true with luxury products, but the consumption of foreign everyday products is also on the rise.

Awareness of the consumers. 49 per cent of the Europeans think that citizens themselves should take the lead role in influencing the actions of companies through their decisions about what they buy. 70% of Indian, 59% of the US and 45% of the Brazilian respondents have the same understanding. With huge amounts of information moving faster than ever, consumers are more aware of the products they consume and what consequences their choices have. This is a growing trend with different groups as environmentalists and vegetarians are leading the way.

Rising electricity prices. The cost of electricity has surged by 15 per cent since 2010, rising the prices for imported thermal coal, and an end to preferential rates for high-energy-consuming businesses are also pushing up utility rates for industry, which consumes 74 per cent of China's electricity.

Additional factors. Some of the growing trends are stated by the BCA group. Additional push factors are the growth in the prices of industrial land and the rising shipping rates as well. There are the many costs and headaches of relying on extended supply chains, which include inventory expenses, quality control problems, unanticipated travel needs, and the threat of supply disruptions due to port closures or natural disasters. With China, there are added concerns about intellectual-property theft and trade disputes that result in punitive duties. An analysis by a different consulting group (AlixPartners 2) adds the costs of bad loans, an aging population, and environmental issues which are adding up in China and constantly making the area more unstable and unappealing. Due to different push factors, firms are now ready to reconsider offshoring (Economist 1), and economic and global trends are enough to cause some US business leaders to think about reshoring (Fox 2013).

With the previous stated, a clear picture emerges - it is visible that relocating manufacturing is on the rise, so is reshoring and the considerations about it in the companies. But waiting for companies to reshore is often not enough as there are many other destinations to consider. Companies might also relocate to less developed countries, where wages are even lower and environmental rules less strict than in the current offshore location. Even the US

can be seen as a competitor as it is promoting reshoring actively and has different factors that might currently favour the United States over the EU. These factors include: energy-cost advantages, more flexible labour laws, lower union membership in the US compared with Western Europe etc. Thus, it is not enough to just wait for the manufacturing to return. The companies need to be attracted to the EU and this topic will be treated in greater detail later. Now a look will be provided into how the EU can benefit from reshoring.

2.4 Reshoring will benefit EU

As we saw from the section above, the future trends show that relocation as well as reshoring are on the rise. In order to show why the matter should be taken into serious consideration by the EC, it will be demonstrated how much the EU might gain from promoting the EU as the right destination for the relocating companies. The economic importance of industrial activities is much greater than suggested by the share of manufacturing in GDP. Industry accounts for over 80% of Europe's exports and 80% of private research and innovation. Nearly one in four private sector jobs are in industry, often highly skilled, while each additional job in manufacturing creates 0.5-2 jobs in other sectors.

2.4.1 Economic benefits

The manufacturing industry is still the main driver for economic growth: in regions where manufacturing has increased its relative share, the GDP has risen more. This is explained by the fact that product and process innovation in the manufacturing sector generates increased productivity in other sectors too: service digitalisation would never have happened had the computer not been manufactured. It is precisely in the manufacturing sector that the research and development underpinning innovation take shape (European Union Competitiveness report 2013). Another important aspect is that reshored companies will bring jobs to the area. The unemployment rate in the EU is currently about 10%. Unemployment is a constant problem and every research

done on the possibilities of activating the job market is an asset because employment is the driver of our welfare.

In the United States, where reshoring is an official policy, it has been estimated to have brought back 50,000 jobs from the start of the initiative in 2012 to mid-2013 (USA Reshoring Initiative). Boston Consulting Group conducted a survey among 200 large manufacturing firms in the U.S and found that 54% of the executives were planning or considering to reshore some of their production back to America. Furthermore, Boston Consulting Group (BCG 3, 2013) announced in the report that reshoring will bring the US unemployment rates down by 2.3 full percentage points by the end of the decade by creating between 2.5 and 5 million new jobs in the manufacturing industry.

Possibly lower offshoring and attracting FDI. Bernito (et al. 2003, p.) gives an example that governments may give tax relieves, subsidies or even place laws that encourage inward FDI. A country may, for example, place strict import regulations and thus indirectly encourage foreign firms to invest into domestic production plants. Michalet (1997, p.) conducted a study on the key characteristics of attractive FDI economies and found that a stable political and economic environment in addition to a clear and regulatory legal structure were among the most important factors.

Experiences from a foreign location. The main benefit of having previously offshored the production is the development of commercial ties with the Asian market. This has facilitated the entry and growth of exports in these countries, which are target markets for the sector as a whole.

Automation of manufacturing. Arlbjørn and Mikkelsen (2014, p.61) emphasise in their research on reshoring the importance of automation of manufacturing, but add that this might not create as much jobs as expected. The automation of manufacturing is indeed an important aspect – but it should be seen as an advantage. Automation rises productivity which in turn makes a location more appealing. Therefore, in this research it will be considered that even if manufactures return to build automated manufacturing, it still offers jobs to engineers, builders, etc. Even if the manufacturing activity itself does not employ many people, the supply chains that spring up around it will create new jobs (Economist 1). The economic benefits go on, but it is crucial that there are many

other benefits to consider in addition to the plain economic benefits. Below, some of them will be shortly presented.

2.4.2 Protection of human rights

The 2013 Rana Plaza disaster in Bangladesh could serve as a reminder that some companies, whether American, European or originating in other mostly developed countries, take advantage of cheap labour or even child labour in developing countries to produce cheap products (UN World Investment Report 2013). At the same time: *The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. [...]* (Article 2, Lisbon Treaty). This contradiction has been there for a long time and it is not to leave without a fight. The EU's basic values are constantly violated mostly outside the EU and of course that is not left without notice. Promoting reshoring also directly promotes human rights in the world. If the companies and consumers would not create it, there would not be the necessity for cheap labour and manufacturing, and the human rights violations that happen due to it. The EU is the world's biggest promoter of environmental protection and this will also be considered below.

2.4.3 Environmental protection

The EU is the leader of environmental protection in the world and takes its role very seriously. As stated in the Lisbon Treaty, the EU will: *Help develop international measures to preserve and improve the quality of the environment and the sustainable management of global natural resources, in order to ensure sustainable development* (Article 21.2(f)). *Union policy on the environment shall contribute the pursuit of the following objectives: promoting measures at international level to deal with regional or worldwide environmental problems, and in particular combating climate change* (Article 191, Lisbon Treaty). Supporting and promoting the return of manufacturing from the pollution havens can make a difference and promote these goals. Through every reshored

manufacturing, the environmental protection can increase. When a company returns to the EU, it has to follow the high standards of environmentally friendly production that the EU has set, and thereby reduce the negative effects that the production process may have on the environment.

As the short insight shows, reshoring constitutes more than just economic benefits for the EU; this phenomenon has a much wider and more influential outcome, combining the representation of different values EU is built on. Next, it will be discussed whether policies could actually have an impact on increasing reshoring.

2.5 Policies matter regards to reshoring

In order to show the significance of the following analysis, it needs to be shown that the influence of policies on the choice of location is becoming more effective and that it is worthy to encourage the authorities to employ these instruments.

The influence of the public policies is on the rise, as confirmed by a recent survey of the top 1,000 EU R&D investing companies that has shown that public policies may constitute an important stimulus for company innovation (Tübke et al., 2012). According to that survey, national public support in terms of fiscal incentives and public grants had a positive effect on company innovation, as well as did the EU policies in terms of direct public aid and public private partnerships. In this sense, another question is whether the EU and its Member States have fully exploited the potential of industrial policies to support firms in mastering these challenges and ensuring a strong manufacturing base in the EU (European Union Competitiveness report 2, 2013 p.124). What is argued in this study, is that the government, in this case the EU, can and should also influence the traditional location factors in order to have a stronger influence. Bailey and De Propris (2014, p.393) find that addressing such locational issues requires a more long-term, proactive and holistic pro-manufacturing industrial policy than has been recognised thus far to create favourable business conditions that convince firms to move back home. The interest in firm relocation as a panacea for regional development has faded, and instead, it is now felt that regions should create the conditions for innovation and creation of new economic activities. Or, if they lack

the resources to do this, effective regional subsidies should be given to them, in order to build the required infrastructure, knowledge centers etc. (Pellenbarg, et al. 2002, p.20). Thus, policymakers should consider all the factors that have a bearing on doing business.

Porter and Rivnik (2011) analyse the flaws of the US system regarding reshoring. The US policy is described to be currently in a deadlock, which damages the confidence that businesses have in the ability of the government to get things done. The school education system and its weak performance compared with other national curriculums, as well as the inefficiency of the legal and regulatory framework, are seen as major weaknesses within the US. Although Porter and Rivnik analyse the situation from a different angle, the logic behind it is the same – policies can influence the attractiveness of an area to reshoring. Findings by Baileys and De Propris (2014, p.380) encourage for a government commitment that frames reshoring in a broader, longer term, pro-active pro-manufacturing industrial policy. For a coherent industrial policy, the aims must be to channel investment in human and real capital in the areas that are considered to have the most future potential, and also to manage the transformation of old industrial areas (Galgóczi et al. 2006, p.512). It can be concluded that reshoring is not going to happen on a significant scale without a major policy effort.

3 Methodology

An important topic is worth studying even if there is very little information available about it. The result of applying any research design in this kind of situation will give relatively uncertain conclusions, but so long as we honestly report our uncertainty, this kind of study can be very useful (King et al. 1995, p.6-7). Reshoring is a topic that has little research available on it, but as stated in the previous paragraph, it can be seen as an important phenomenon with a lot to offer, hence the decision to explore its characteristics more deeply.

3.1 Exploratory study

As described in the previous section, research on the phenomenon of re-shoring is quite modest and still at its outset, so given the small amount of research in this area, the best approach was found to be exploratory in nature. Researchers explore when they have little or no scientific knowledge about the group, process, activity, or situation they want to examine but nevertheless have reason to believe it contains elements worth discovering (Stebbins 2001, p.6). It is worth understanding if the EU's current strategies are enforcing the reshoring activities of companies, while as shown before it has a lot to offer in supporting the different goals of EU. Exploration is the preferred methodological approach in the following conditions: when a group, process, activity, or situation has received little or no systematic empirical scrutiny, or has been largely examined using prediction and control rather than flexibility and open-mindedness. Whichever condition pertains, the emphasis of exploratory research is on the production of inductively derived generalizations about the group, process, activity, or situation under study (Stebbins 2001, p.9). The low amount of research currently done on reshoring in Europe concentrates separately on the member states. Some insights about reshoring in the EU were already given in the previous chapter, but the

study will continue with a deeper analysis on the possible effectiveness of the EC's policies concerning the activation of reshoring. These findings will be generalised and stated, and if found necessary, recommendations for extra instruments proposed.

3.1.1 Data

Data does not always need to be created, use can often be made of materials that are already available (Titscher 2000, p.6). Taking into account the extensiveness of the aim of this research combined with the limited resources of time, finances and manpower in this research, information will be gathered from secondary data. Additionally, due to the novelty of this research area, at the present that goal is achievable only with the help of previously conducted research and different insights on the matter. As Hair (et. al., 2011, p.147) describes, exploratory research often relies on secondary research, such as reviewing available literature and data, including document observation and analysis to examine recorded opinions, reports, news. To explore effectively a given phenomenon, it must be approached with two special orientations: flexibility in looking for data and open-mindedness about where to find it (Stebbins 2001, p.6). For improving the quality of the outcome, King et al. (1995, p.24) suggest finding data on as many of its observable implications as possible. A wide range of data needs to be gathered if the study is multi-disciplinary, combining political and economic research. Data will be collected from as many diverse contexts and sources as possible. To understand the basis of reshoring and the factors influencing it, available literature from different scholars, think tanks and books will be used. Different media sources are used to find related news and speeches on the matter. Use will be made of the available statistical data, which will be gathered from different statistical databases such as EuroStat and UNstat. In order to gain insight of the EC's current policies and political goals, reports, communications and other official documents from different EU institutions as the European Commission, the European Parliament and the European Council will be used. The legislation of the EU will be considered to understand the duties of the EC regarding industry, including reshoring. By using data from a variety of sources such as

previous research, surveys and statistics, media etc., a more comprehensive and reliable study can be conducted.

Content analysis. As the research will be based on written sources, content analysis has to be carried out. Content analysis is based on the analysis of the texts that were considered and listed previously. By interpreting the contents of these texts, relevant parts are cited and emphasised in order to achieve enough clarity about the phenomenon and the policies, to finally be able to draw some conclusions about them.

3.1 Policy instruments “possible effectiveness”

It is important to maximize the validity of our measurements. Validity refers to measuring what we think we are measuring (King et al. 1995, p.43). The goal of this study is to understand if the fully employed EC’s policy instruments optimize the business environment enough to make a company more likely to reshore its production partially or totally to the EU. The best concept to describe this goal was found to be “effectiveness” of the EC’s policy instruments. In general, the question is whether the policy instruments are effective at activating reshoring. But what is effectiveness? The simplest dictionary explanation says that effective describes something, which successfully produces an intended result (without reference to morality, economy of effort, or efficient use of resources). Evaluations of effectiveness are complex, but no description, no matter how thick, and no explanation, no matter how many explanatory factors go into it, comes close to capturing the full “blooming and buzzing” reality of the world. There is no other choice but to simplify (King et al. 1995, P.43). That is why the goal is not to make the influence of policies seem explicit. The outcomes of the policies are not guaranteed to be what they are expected and additionally, it is not verifiable if a certain policy is behind a change or is it an interplay of different instruments. In order to avoid this kind of excessive interpretation, the notion of “possible effectiveness” is going to be used. As Cairney (2014, p.2015) states, we study and interpret information in the light of our beliefs about how policy should work and what the outcomes should be. In particular, when policies are fresh and

their outcomes are not physically visible yet, they need to be interpreted. This is also why the concept of efficiency, though a bit easier to measure, was not used, because it looks at the balance between input and output and the final output is not there. Although as precise understanding as possible of the formal policy aim and its expected outcome will be given, the analysis will remain at least partly dependent on the authors' perception of how a policy should work and if the policy outcomes will have an influence on the pull factors. The assessments will be ex ante - based on forecasts rather than results. Possible effectiveness will be measured through a framework, which will be created in the next chapter. Next, limitations of the study are viewed.

3.2 Limitations of the study

All methods, whether explicit or not, have limitations. Uncertainty is a central aspect of all research and all knowledge about the world (King et al. 1995, p.8-9). These uncertainties will be taken into consideration.

The goal is to generate inferences that are "unbiased," that is, correct on the average. Unbiased inferences depend, of course, both on the original collection of the data and its later use (King et al. 1995, p.27-28). With this study, which is based on secondary data, it cannot be verified that the data by original authors or surveys is completely unbiased, but the use of several different authors and a comparison of their outcomes should lower the risk of bias. Some data used might not meet scientific standards as e.g. media sources which will be, when possible, double-checked. Additionally, a few original sources could not be retrieved, so the data is retrieved from a secondary source and it is assumed that honest and correct citations have taken place.

Although as precise understanding as possible of the formal policy aim and its possible outcome will be given, the analysis will remain at least partly dependent on the author's perception of how a policy should work and if the outcomes of policies will have an influence on the pull factors. In the next chapter, the theoretical background of the study will be stated.

4 Theoretical background and framework

As stated in the introduction, the role of industry in the EU's economy has been reevaluated and found to have a great importance. From 2010, different strategies for reindustrialising Europe have been launched by the EC. As proven with the previous chapters, relocating is a trend on the rise and the benefits of turning relocating into reshoring are noteworthy. It is going to be examined if the current policy for reindustrialization sends out the right and effective signals for the companies. In order to evaluate the possible effectiveness of the European Commission's reindustrialisation initiatives on reshoring, a framework of reshoring pull factors will be created. The phenomenon has not gained its momentum in Europe yet so the factors cannot be retrieved from the research on the EU and its member states. However, in the US reshoring started to receive attention in 2005 and has been gaining more publicity and speed ever since, especially in 2012 when it became a political platform for the US politicians. It is estimated to have brought back 50,000 jobs from the start of the initiative in 2012 to mid-2013 (US Reshoring Initiative). The policies promoting reshoring in the US can be regarded to play an important role in the companies' decision to bring their manufacturing back to the United States. Thus, the policies there have been effective at least to some extent, which also means that the experience and also the amount of research there is much wider. As the EU and the US are two western areas with similar problems regarding the decline in the manufacturing sector, it can be worthwhile to make use of the research done in the United States. Companies have to choose from a number of alternative locations and the US studies are consulted especially when searching for the factors that pull companies towards one or another location. The framework will be based on the idea of the neo-classical relocation theory, but in order to get the latest information, the factors will be retrieved from previous research on reshoring, as the relative importance of pull factors changes over time (Ellram et al., 2013). To conclude,

this study is not aiming to create a new theory, but to generate new knowledge and understanding of the phenomenon of reshoring in the EU.

4.1 Neo-classical relocation theory

The decision process for firm relocation is a very complicated process in which several stages can be distinguished. In each stage another set of variables can be the most important factor. Four phases can be distinguished (in Pellenbarg et al. 2002 p.7): (1) the decision whether to move or not; (2) the search for alternative locations; (3) the evaluation of alternative locations; and (4) the choice of the new location. The EC cannot have an impact on Stage 1, but as discussed earlier, the decisions to relocate are on the rise. With Stage 2, it is important to note that (when talking about *reshoring*) the manufacturing was located here before and often the parent companies are still here, that is why the EU will probably be chosen as one alternative for a location. Stage 3 is most important for this research and so are the factors related to the company's evaluation process. It is studied if the current approach is effective to improve the EU's image as a location, i.e. if the EU is changing into a better and more outstanding location for the companies. Therefore, it is important to understand what the factors are that pull companies to a location, taking into account both economic and non-economic factors (Pellenbarg et al. 2002 p.9). In Stage 4, if the current policies are found to be effective, it can be concluded that the EU is becoming more attractive and will more likely be chosen as a new location.

Location matters because costs and revenues vary in different destinations, producing diverse locational differences to profitability in different places. Also, due to internal and external changes, the margins to profitability offered by different locations vary over time. Economic agents are able to continuously estimate the different geographical margins to profitability and to identify their optimal location at each point in time (Lumpkin & Katz 2009, p.198). The basic idea is that if there is information about what the companies desire in a location then it can be optimized to the companies' needs. In order to understand if the EU has effective strategies and what could prove to be even more effective, the main reasons behind the choice of one or another location need to be understood. The

best theory to guide this study was found to be the location theory. Location theory focuses on the optimal locational choice. It is about locational factors determining the attractiveness of a site for a firm location called the pull factors (Pellenbarg et al. 2002, p.2). According to Hayter (1997), location theories can be divided into three types: institutional, behavioural and neo-classical approach. The *institutional* location theory starts from the assumption that economic processes in space are mainly shaped by society's cultural institutions and value systems. Firms have to negotiate with deliverers and suppliers, local, regional or national governments, labour unions and other institutions, about prices, wages, taxes, subsidies, infrastructure, and other key factors in the production process of the firm. Locational choice is the result of the outcome of these negotiations (Pellenbarg et al. 2002 p.9-10). The negotiation aspect cannot be taken into account if the policies analysed are already formed, which is why this approach was not found appropriate. The *Behavioural theory* finds that companies act without perfect knowledge and accept sub-optimal outcomes. Behavioural approach explores the many motives, both economic and otherwise, that are important in the decision making process of the firm, and that leads to a particular location. The approach seeks to understand the actual behaviour of entrepreneurs, and focuses on the decision making process (Lumpkin & Katz 2009, p.198-199). The decision making process in itself does not play a significant role in this study. As mentioned before, one phase of the process is found most important, so the behavioural theory was also left aside. The general idea of the *neo-classical approach* is cost-effectiveness, i.e. cost minimizing and profit maximizing. The neo-classical *relocation* theory not only focuses on location factors that are well covered in this theory, and could be denoted as locational *pull* factors, but also covers the factors triggering a relocation, the *push* factors (Pellenbarg et al. 2002, p.6). As we are dealing with rational economic agents, relocation costs make it impossible for a firm to continuously move to a new optimal location (Lumpkin & Katz 2009, p.198), but as the relocation decisions are on the rise at the moment due to the change in the economies of developing countries, it is a perfect time to take action to attract them to the EU. The neo-classical approach has the main focus on external location factors – on the pull factors (Pellenbarg et al. 2002, p.6), which are considered the main factors in this study as well. Although neoclassical location theory has been lately labelled as 'New economic

geography' (Krugman 1995), it is still based on explanatory models where 'location' factors (transportation cost, labour cost and market size, etc.) are the main forces driving firm relocation. The neo-classical approach was found to be the most appropriate to base the study on.

Relocation differs from firm location because of the fact that one location is substituted with another (Pellenbarg et al. 2002, p.2). Reshoring companies have already had production in the EU, which has its benefits, but also downsides. The production was located here before and the companies' HQ is still here, so it will be considered as a location more easily. Although the company knows what was good about the location in Europe – be it costs or other reasons, it has had a reason to move away, so it needs to be shown that their return is supported. As mentioned, the reasons for changing one location for another change through time, so in order to get the latest and most important factors regarding the companies' reshoring decisions, the location factors are collected from the latest literature on reshoring. By retrieving these factors from previous research, reverse logic will also be used in order to get an insight about the pull factors not stated explicitly. For example often the reversed push factors serve as pull factors.

4.2 Locational pull factors

Three categories of factors influence decisions of relocation: internal, external and location factors (Lloyd and Dicken, 1977). While the concentration is on what the EC can do external and locational factors are found to be most relevant while internal factors are completely in companies hands. The locational and external pull factors important for the reshoring companies are extracted from the currently available literature and surveys on reshoring drivers, where the level of importance of a factor is often stated. This gives us a general idea of what are more and less important factors for the companies when deciding over a location. The factors that were more important for the companies are numbered by their relative significance, but also the factors that came up over and over again in different studies are stated.

The pull factors are the factors that come to play, possibly also earlier, but especially when a decision for relocation is made and the shopping for a new

location begins. The pull factors will be shared into two. Firstly the factors that can be optimized with different policies. Secondly the factors that attract companies to a location, but can not be influenced with policies will be called static factors e.g. we can not rise the effectiveness of the local language and cultural factors. The factors were gathered from a wide amount of previous research and surveys (Arlbjørn, & Mikkelsen 2014; Atkinson 2012; Bailey & De Propris 2014; Ellram et al. 2013; Estévez & Blanco 2013; Fischbach 2013; Frattocchi 2013, 2014; Fox 2013; Galgóczi et a. 2006; Kinkel 2012, 2014; Kinkel & Maloca 2009; McIvor 2013; MacCarthy 2003; Mucchielli & Yu 2011; Rivnik 2011; Pellenberg et al. 2002; Sirkin et al. 2011, 2012; Tübke et al 2012; Tate 2014; Morefield & Pfeiffer 2013; Vereecke and van Dierdonck 2002; MIT Survey; EuroStat survey; BCG 2012-2015) and stated in Table 1:

	PULL FACTORS
POSSIBLE TO ENHANCE WITH POLICY INSTRUMENTS	High quality and quality control of the products (1) Qualified and accessible workforce (2) The reputation of a destination (3) Proximity to Research and Development (4) Regional trade freedom (5) Access to international markets (5) Optimal tax conditions (6) High labour productivity Access to raw materials and low cost energy Government subsidies Business environment optimization Access to capital markets and financial stability High-tech information and communication technologies Strength of local networks
STATIC FACTORS	Similar language and culture Proximity to customers and growing markets High supplier flexibility and ability to supply Closeness to raw materials / natural resources Room for expansion Delivery times

Table 1. **Pull factors** (composed by the author)

All of these factors have a part to play in companies reshoring. The factors that are unchangeable – the static factors, though important, will be left out from the analysis due to the fact that these cannot be enhanced with policy instruments.

4.3 Framework of pull factors

Every scientific observation requires particular observational frameworks or categories (Tischer 2000, p.12). The framework of production location determinants created by Brush (et al. 1999) is taken as a foundation for the framework. The framework will be complimented by the author while, as mentioned, the factors change in time and by complementing it with the latest research it will be made as contemporary as possible. Additionally due to the fact that reshoring is not a regular location decision, but a return to a familiar location, the pull factors differ in a somewhat range. Brush (et al. 1999, p.112) state that production location decisions are determined through three groups of factors: network nodes, access to factors of production, and national and regional characteristics. For this framework the network nodes will be replaced with economic infrastructure. Additionally the national and regional characteristics will be turned into regional characteristics, while the EU is a region composing of its member states.

Economic infrastructure combines everything that has to do with finances, networks, communication, transportation and finally internal and external markets. This offers a slightly a more specific base for grouping the factors of reshoring. Thus dealing with the EU which has the most power in economical area, these factors might play a great role.

Access to factors of production combines a variety of factors as access to raw materials, energy, capital, local technology, skilled labour, low cost labour. The opportunity to locate near critical factors of production is important for all plants. It can thereby create a competitive advantage for the whole network through its location. Factory costs, as location determinants, are included within both manufacturing strategy and international business perspectives (Brush et al. 1999, p.112-113).

Regional characteristics describe the general factor a location is known for. The previously determined pull factors are shared between these three groups (Table 2):

VARIABLE GROUP	VARIABLES / DETERMINANT OF THE LOCATION / PULL FACTORS
ACCESS TO FACTORS OF PRODUCTION	<ul style="list-style-type: none"> High quality and quality control of the products (1) Qualified and accessible workforce (2) Proximity to Research and Development (4) High labour productivity Access to raw materials and low cost energy
REGIONAL CHARACTERISTICS	<ul style="list-style-type: none"> The reputation of a destination (3) Optimal tax conditions (6) Government subsidies Business environment optimization.
ECONOMIC INFRASTRUCTURE	<ul style="list-style-type: none"> Regional trade freedom (5) Access to international markets (5) Access to capital markets and financial stability High-tech information and communication technologies Strength of local networks

Table 2. Brush et al. 1999. Complimented by the author.

5 Analysis of the Commissions policies

The European Union has a duty to ensure the competitiveness of the European industry. It is expressed in the Union's primary law: Union and the Member States shall ensure that the conditions necessary for the competitiveness of the Union's industry exist (Article 173(1), Lisbon Treaty). Full implementation of the Commission's industrial policy approach at European and national levels is critical to ensure the EU's future competitiveness and to increase our growth potential. To be effective, policy actions must be well coordinated and consistent from regional to the EU- level. Industry is the backbone of the European economy. The recent economic crisis has underlined the important role of the European Commission in supporting industry, through policies and actions that aim to increase the share of manufacturing in the economy (EC COM 2014).

In 2010, the Commission adopted a flagship initiative "An Integrated Industrial Policy for the Globalization Era" (EC COM 2010:614). This initiative sets out a fresh approach to industrial policy, emphasizing the importance of industry for the economy of the European Union. In October 2012, the Commission adopted an Update of the Industrial Policy flagship initiative in its Communication "A Stronger European Industry for Growth and Economic Recovery" (EC COM 2012:582 final). The Council and the European Parliament strongly endorsed this approach, requesting its implementation and further development. The current industrial policy, as set out in the Industrial Policy Communications of 2010 and 2012, remains in place but it has been extended and reactivated by a recent Communication in January 2014, which is to bring about a European Industrial Renaissance. A Communication for European Industrial Renaissance sets out the Commission's key priorities for industrial policy. It provides an overview of actions already undertaken and puts forward selected new actions (EC COM 2014). The industrial policy measures are addressing the problems hampering industry in the EU with a variety of methods. The policies

for more industrialized Europe have a direct connection to the reshoring activities, but the EU, unlike the US, has not adopted a certain approach for the activation of reshoring. This brings us to the analysis to see if the reindustrialization policies have an enhancing effect on reshoring to the EU. All three documents will be consulted, but the main emphasis is on the latest Communication, for it combines all the important aspects of the employed and new policies regarding reindustrialization. It needs to be mentioned that the EU already has a bunch of strong pull factors for the reshorers, for example the language and culture, trade freedom in the region, good infrastructure, etc. Still, the industry has not grown despite these factors, rather the opposite, so obviously the current pull factors are not enough. Additionally, the EU is a complicated destination for manufacturing due to strict regulations, high environmental demands, high salaries etc., so it needs to employ good and optimal policies in order to attract reshorers despite the push factors it has. The policies will be analysed in the light of the previously created framework to see if and which pull factors are enhanced with the policies and if these are resulting in the EU becoming a more appealing location for the possible reshorers.

5.1 Analysis of the current approach

5.1.1 Access to factors of production

The pull factors regarding production are low cost of labour, high quality and quality control of the products (1), qualified and accessible workforce (3), proximity to Research and Development (5), high labour productivity (9) and access to raw materials and low cost energy. It is going to be analysed if and how the European Commission enforces these factors with current policies.

Labour cost and product quality. The high cost of labour in the EU is a major push factor. When reversing this fact, one can say that the low cost of labour is probably the pull factor that will never be filled in the EU e.g. when comparing to developing countries. But labour comprises only a portion of the total cost of doing business, other costs of doing business must also be competitive or less expensive to make a manufacturing location attractive (Tate et

al. 2014, p.382). EU as a manufacturing area is known for its high quality and for its strict quality control. The productivity of the workers is reasonably high as well. So the high cost of labour is in some range balanced with very high quality and higher productivity. One can say that the most important pull factor for reshoring is already established in the current situation – the high quality of the EU products. But to keep this reputation, constant work needs to be done. High quality owes its thanks to the well educated workforce, to the research and development done on creating new and more effective technologies and well organized quality control. In order to stay in the competition, these need to be upgraded constantly. As stated in the Competitiveness Report (European Union Competitiveness Report 2013:124), this points towards a major role for education and training of the labour force, in particular in high-wage countries, in order to remain an attractive location for the manufacturing activity.

Qualified workforce. A survey conducted by the Massachusetts Institute of Technology asked companies to identify government action that could make a difference in regard to reshoring. One of the top measures that the US government could employ to encourage reshoring was to provide better education/training for required skills, with 43.8% of companies confirming it. Upgrading skills and facilitating industrial change is one of the goals of reindustrialisation initiatives. The Commission has put in place an overall strategy for improving education and training systems via anticipation and investment in human capital supported by the EU financial instruments, mostly composing of exchange programs to encourage job mobility and traineeships between the MS. The EU has a unique role to play, to facilitate learning mobility between both education and training institutions through the Erasmus+ programme at all levels: apprenticeships, traineeships, and higher education exchange. The European Alliance for Apprenticeships will continue supporting the development of quality and effective apprenticeships resulting in strong partnerships between employers and education across the EU. The Commission encourages to invest more in education and training in the MS level (EC 2014). These instruments seem to stay quite light, for their outcome is very vague and undetermined, opposed to for example directly financing the education of necessary occupations. At the same time, the EU workforce is more educated and qualified than in most other countries of the

world (excluding western countries), so in a way the pull factor is in some range fulfilled. Nevertheless, for the development of sustainable competitiveness of the workforce, much more needs to be done, as the EU's workforce is aging and the developing countries are emerging with high speed regarding education and skills.

Research and development. Free (Korane 2010) explains that segregating production of high-technology products from design and project engineers often delays time-to-market. It can also impede the expertise needed to innovate and create new products. This implies that the proximity of R&D has become a major pull factor for the companies. A survey conducted by the Massachusetts Institute of Technology asked companies to identify government action that could make a difference. One of the top measures, which the US government could employ to encourage reshoring was R&D incentives with 60.0% of companies confirming it. *One of the goals of reindustrialization initiatives is stated to be the stimulation of investment in innovation and new technologies, while investment in research and innovation in the EU remains too low.* This is holding back the modernization of industrial base and hampering the future competitiveness of the EU. One of the goals of the Europe 2020 is to rise the spending on research and development (R&D) to 3% of the GDP (EC COM 2014:9). At the same time, research and development expenditure by all sectors of performance has risen from the start of the initiative in 2010 to 2013 (to the latest data available) only by 0.08 % moving from 1.93 to 2,01, which shows that the rise has been quite modest (Eurostat 3). If the rise is continuing in the same pace, only one fifth of the goal can be met, which means the policies regarding this rise have not been as effective as expected. The effective standard setting through European Standardization System and the protection of intellectual property (which represents 50 % of total intangible assets in the EU and touched in the part of economic infrastructure) are crucial for promoting innovation and the development of new technology areas (EC COM 2014, p.7). So the Commission will continue to promote international standards and regulatory cooperation, building on the EU's role as a de facto standard setter and to take a leading role in reinforcing the international standardization system (EC COM 2014, p.7; 21). It will be taken into consideration that the influence of these long term policies might start to show results not until later and also taking into account that the EU is one of the cradles of innovation and research, the pull factor is fulfilled.

Increasing productivity. The US, according to the UN report, also beats all 28 nations in the European Union, Japan and Switzerland in the amount of wealth created per hour of work – one of key measures of productivity. The US GDP per hour worked in 2014 was 67.4 dollars while in the 28 EU member states it was only 50 dollars (OECD stats). The large variation in output per worker across countries is only partially explained by differences in physical capital and educational attainment (Hall and Jones 1998, p.38). According to Salazar, the increased productivity of the United States has to do with the ICT (information and communication technologies) revolution, with the way the US organises companies, with the high level of competition in the country, with the extension of trade and investments abroad (Sloma-Williamson 2007). At the same time, Hall and Jones (1998, p.1) find that the differences in capital accumulation, productivity, and therefore output per worker are driven by differences in institutions and government policies, which is called social infrastructure. The Commission's actions regarding rising productivity combine different actions in several fields, for it can't be enforced with one certain policy. These different policies are scattered around the analysis, but will be shortly touched here as well. The Commission admits that the EU's productivity performance continues deteriorating in comparison to that of its competitors. EC emphasizes that particular attention must be paid to increasing productivity in business services to increase industrial competitiveness and the competitiveness of the EU economy in general. For example, the completion of the internal market provides the EU companies with a large home market, facilitates productivity improvements by reducing input costs, allowing efficient business processes and increases returns on innovation. The EU firms need to be integrated more firmly into regional and global value chains, which is the key for productivity gains. Also, digital technologies are at the heart of the increases in productivity of the European industry (EC COM 2014:2; 4; 9; 22) as mentioned about the United States. With the actions taken for most of these, this pull factor is considered to be fulfilled.

Energy. Facilitating access to affordable production inputs as energy is an important factor for the companies. The EU firms face higher energy prices than most of its leading competitors. So industrial competitiveness and energy efficiency remain the major objectives of the Union and different incentives are activated, which are supposed to lower the energy prices. For example, the EU is

promoting competition within the internal energy market and reducing energy costs for European companies. Already Third Energy Package has been launched to liberalize and integrate European energy markets, but these have not shown good results. Energy prices have been rising during 2010-2012 and lowered back to the 2010 level in 2014, but as long as the 2010 level (Eurostat 2) remains to be much higher than the prices of its competitors, the problem remains. However, there can appear a possible change in the near future because different initiatives are employed and planned to lower the prices. For example, Horizon 2020 provides funding directly available to energy and climate-related research and innovation, mainly through the 'Secure, clean and efficient energy' Societal Challenge and industrial leadership initiatives. Additionally, it plans to complete a fully integrated internal market for energy and the development of an efficient pan-European infrastructure for gas and electricity (EC COM 2014). An expectation that energy prices will fall in the home countries of multinationals is a pull factor in itself (Estevez and Blanco 2013). Although the EU is working on lowering the energy prices, it has not had a significant effect yet and this grows the uncertainty towards its abilities to lower the prices at all. To conclude, the EU has neither lowered energy prices, nor is there a pull factor of expectations that the energy prices will fall.

Raw materials. The EU industry is mostly dependent on the supply of raw materials from international markets. The EU has been successful in negotiating rules on export of raw materials in bilateral and multilateral trade agreements and in monitoring and enforcing rules on trade barriers affecting raw materials. According to Brush et al. (1999, p.127), plants locate that stage of the production that is raw material intensive in a market with low cost access to raw materials. This is answered by the Commission by stating that it will wherever necessary propose measures to eliminate price distortions that prevent the EU firms to have access to key inputs for industry at international market prices. Though this will not eliminate the distance of the materials, which is a static factor, it should secure the access to raw materials.

As we can see, the pull factors of production are enforced through different policy measures. Surprisingly, all of the pull factors that reshoring companies find most important regarding production, are addressed in the reindustrialisation initiative. The pull factors that were found to be effectively

targeted with the policies were quality factors, qualified workforce, research and development and productivity factors. Pull factors not enhanced with the policies were found to be low labour cost and low energy costs.

5.1.2 Regional characteristics

The main regional pull factors are optimal tax conditions (6), the reputation of a destination, government subsidies and business environment optimization. It is going to be analyzed if and how the European Commission enforces these factors with current policies.

Optimal tax conditions. A survey conducted by the Massachusetts Institute of Technology (MITNews 1) asked companies to identify government action that would increase reshoring. One in the top measures which the US government could employ to encourage reshoring was corporate tax reduction with 68.3% and tax credits with 65.9% of companies confirming it. The Communication "Removing cross-border tax obstacles for EU citizens" outlines the most serious tax problems that EU citizens face and announces plans for solutions. Keeping growth and jobs in mind the Commission examines a more effective use of tax incentives for R&D and encourages MS to take actions regarding this and offers also guidance (European Commission Tax). The solution for tax problems is found to lie in a better co-ordination of national policies and this should help to meet smart, sustainable and inclusive growth. These three recommendations are the only actions taken by the EC, while the taxes are each member states private matters. Provided that they respect EU rules, Member States are free to choose the tax systems that they consider most appropriate and according to their preferences. Meaning that the EC does not have much power to influence this policy area. This explains why the EC stays modest about tax matters in the initiative. It will be mentioned that though EC has tried to gain more influence regarding tax matters, member states have stayed reluctant to these changes. So also the pull factor of better tax conditions will stay unchangeable at least by the Commission.

Reputation of a production location. A recent survey has studied what factor is found to be most important other than price and quality when purchasing

a product. An overwhelming majority of respondents (51.9%) chose “Made in the USA”. More Americans are basing purchasing decisions on ethical and patriotic criteria, opting for more expensive Made in USA products over cheap and poorly made overseas items (Rodongroup). It is hard to quantify the emotional aspect of local craft. The lack of connection that consumers often feel with products that were made far away with an unknown impact on the environment and human welfare has given rise to the “maker movement.” So-called maker spaces are appearing all over the country. In these emerging craft cultures local manufacturing enjoys a strong trend factor (Forbes 1). Similar movements are visible in EU, for example Italian entrepreneurs and managers find the most conspicuous reason for returning (42%) was the positive “made-in effect” that customers associate with goods manufactured in Italy (Frattochi et al. 2013, p.8). At the moment these are more visible on the MS level as Made in Germany, France or Italy. Still the Made in EU is starting to gather attention and respect. With the initiative the side of making the EU a more attractive location for the production of goods and services is emphasized, but the attractiveness of these products are not mentioned. When looking at the manufacturers dependence on the consumers, it can be said that the more popularity products with the sign “Made in EU” gain, the more eager the manufacturers are to situate in EU. The “Made in” factor is possibly incorporating a great pull factor and made one of the leading factors in US Reshoring Initiative. At the same time it is not addressed by the EC in the reindustrialization initiative.

Government subsidies. Europe has used generous financial incentives to persuade multinational companies to build high-tech plants in targeted industries (BCG). Though government subsidies can’t make a drastic difference in determining whether a plant is built in one or the other location, they can make the decision easier and thus can be seen as a pull factor. For example the Horizon 2020 Programme, will provide close to 80 billion euros for research and innovation. 100 billion euros of European Structural and Investment Funds (ESIF) are available to Member States to finance investment in innovation, in line with industrial policy priorities (EC COM 2014:9). The list goes on, however not going to be exhaustively stated, while the point is clear. The financial support from the EU for business incentives is visible.

Business environment optimization. Ease of doing business is higher when regulatory environment is conducive to business operation (World Bank 1). The business environment in all European Union countries is different and complicated. European Commission is trying to make the business environment more friendly with united market, business freedom demands, trade freedom, customs freedom etc. Nonetheless the results are not as convincing as hoped (EESC 1). Red tape - bureaucracy and excessive regulation - can be crucial when setting up a company or doing business. Optimizing this is considered by the EC through different measures. Commission is modernizing the State Aid Framework for R&D&I and reforming public procurement rules, in order to simplify the resource allocation processes and lower the bureaucracy. The implementation of the Regulatory Fitness and Performance Programme (REFIT) will simplify EU legislation and reduce regulatory burden on businesses. To enable all Member States to tap into the experiences of others, the Commission will present an initiative on Growth-Friendly Public Administration, providing a comprehensive overview of best practices in public administration available across the EU, in particular with regard to e-government tools and public procurement. The revised Transparency Directive abolishes the requirement to publish quarterly financial information. Additionally the Commission strongly requests Member States to introduce an SME Test - to analyze the effects of a legislative proposal on SMEs or an equivalent system in their decision-making process and to reduce the administrative burden (EC COM 2014:8; 10; 19). The levels of bureaucracy are observably addressed to make the business environment more attractive.

As we can see the regional pull factors are enforced through different policy measures. The enhanced pull factors that are possibly effective in making EU a more attractive place, were found to be government subsidies and the optimization of the business environment. Regards to factors EC has its hands tied with are the optimizing of tax conditions. At the same time it does not put any emphasis on a factor that could be influenced – the reputation of the location, which in the US is seen as a very important factor for returning. Meaning that the pull factors not found to be enhanced were tax conditions and the reputation of the manufacturing location.

5.1.3 Economic infrastructure

Pull factors: Regional trade freedom, access to international markets, access to capital markets and financial stability, high-tech information and communication technologies, strength of local networks. It is going to be analyzed if and how the European Commission enforces these factors with current policies.

Market access. An open and integrated internal market in goods and services is an important pull factor. The Communication “A vision for the internal market for industrial products” presents actions to achieve a more integrated internal market based on rationalising the existing regulatory framework. The Commission will consider elaborating a legislative proposal on how to streamline and harmonise economic sanctions of an administrative or civil nature for non-compliance with Union harmonisation legislation to ensure equal treatment of all businesses throughout the internal market for industrial products. The Enterprise Europe Network will be reinforced to strengthen support for SMEs in the internal market. This will further develop assistance for access to finance, to improve their energy and resource efficiency and to increase the innovation management capacity of SMEs (EC COM 2014:6). Regional trade freedom is answered thoroughly in the reindustrialization initiative, but what about the access to external markets. It is stated that with an estimated 90% of global growth coming from overseas by 2015, access to third country markets will remain a key feature for Europe’s competitiveness. Regulatory cooperation with other countries is a priority, especially in on-going bilateral negotiations with the United States and Japan where the primary focus will be on ‘behind-the-borders’ obstacles to trade and investment. Raising the level of transparency and regulatory convergence will significantly enhance overseas opportunities for EU companies and help reduce the costs of accessing markets p.21. The EU is committed to further promoting free trade through WTO, as shown by the recently adopted agreement on trade facilitation. In parallel, the EU is pursuing an unprecedented bilateral trade and investment agenda with Free Trade Agreements (FTAs) that is currently the most important means to improve market access P.19. (EC COM 2014). It can be concluded that the enhancement of regional trade freedom and access to growing and international markets is managed by the EC.

Access to capital and financial stability. By the end of 2013, the Competitiveness and Innovation Programme (CIP) had assisted financial institutions in providing about 30 billion euros of new finance for more than 315 000 SMEs and have created or maintained about 380 000 jobs. In addition, in the same period, Structural Funds provided some 70 billion euros in support of enterprises, predominantly SMEs. Nearly 200 000 projects have been funded supporting several SMEs each, including 78 000 start-ups and the creation of at least 268 000 permanent jobs (and safeguarding many more) (EC COM 2014:17). In 2014- 2020 cohesion policy will continue providing access to finance for the enterprises through financial instruments. 100 billion euros of European Structural and Investment Funds (ESIF) are available to Member States to finance investment in innovation. These will be distributed with the main idea on ‘Smart Specialisation’, to allow Member States and regions to concentrate investment on their comparative advantages and to encourage the creation of cross-European value chains (EC COM 2014:9). Additionally sustainable construction and raw materials is supported through setting up a 25 billion euros EIB lending capacity for energy efficiency in residential housing; and improving recycling and sustainable waste management in construction p.13. Though the list continues the current exemplifies that the access to finance is being handled. Regulatory reforms in financial markets, a judicious monetary policy and the new supervisory structure provided by the Banking Union have succeeded in restoring financial stability. Though currently stabilized the future remains uncertain for the Eurozone due to Greek and also energy market due to Ukraine-Russia events. Although effort is put in it, the stability remains fragile.

Information and Communication Technologies (ICT). According to Salazar (Article 19) America's increased productivity has to do with the ICT revolution and constantly high investments in it. Though EU is well evolved in this area, and currently already fulfills this pull factor, there is always room for development. The Commission uses following instruments: Smart Grids and Digital Infrastructures is one goal which is tried to be met, through defining further targets for the development of smart grid components; revising and broadening standardization mandates and development and guidance on performance indicators. The infrastructure and connectivity software for industrial internet is a priority area in the light of its growing importance and should help

integrate high performance processes including cloud computing. The EU, Member States, regions and industry have all a role to play in fostering the digitalization of business processes and in developing the industrial dimension of the digital agenda (EC COM 2014:3; 13). The challenge is to roll out digitally enabled networks with the level of security and resilience required to support the businesses in their operations (EC COM 2014:13; 4).

Strength of local networks. Although the necessity of strengthening local networks, is often brought out in the initiative it is left without a responsive strategy to enforce it. The only network enforced with the policies, is to reinforce Missions for Growth and capitalise on the services of the Enterprise Europe Network to promote the internationalisation of SMEs and to support the organisation and follow-up actions of Missions for Growth.

As we can see also the economic infrastructural pull factors are enforced through different policy measures. The enhanced pull factors that are possibly effective in making EU a more attractive place in this case are regional trade freedom, access to international markets, access to capital markets and high-tech information and communication technologies. Pull factors not enhanced with the policies were found to be financial stability and the strength of local networks.

5.2 From reindustrialization to reshoring?

As shown in the Second Chapter the rise in relocation decisions and the possible benefits of reshoring activation show that reshoring is a phenomenon worth taking into serious consideration. Although EC has not paid much attention on reshoring per se, surprisingly the current policies on reindustrialization seem to enhance a considerable amount of the pull factors. This is a very positive result, meaning that the initiative takes a very wide range of instruments into use to ensure the competitiveness of the industry. At the same time also making the EU a more attractive location also for the possible reshorers. Additionally to this an important discovery is that reshoring does not need a special political approach, as could be assumed when looking at the example of the US. Though the US Reshoring Initiative seems to be working, it can be said that a comprehensive industrial policy strategy can do the job. Galgóczi et al. (2006, p.517) identifies that a

genuine industrial policy strategy should involve both generalized support for research and innovation (horizontal dimension) and also specific sectorial ('vertical') policies, such as developing and supporting sectors like clean and renewable sources of energy, clean technologies, and environment-friendly transport. Support should aim to help the European economy to move up the ladder of international specialization and focus on those sectors and activities where world demand is dynamic and where Europe can develop its comparative advantages, building on its profile of high wages but also a skilled labour force and advanced capital stock. As the analysis displays that kind of "genuine" approach is implemented by the EC through the reindustrialization initiative. Europe's comparative advantage in the world economy will continue to lie in high value-added goods and services, the effective management of value chains and access to markets throughout the world. Thus, innovation and technological advancement will remain the main source of competitiveness for EU industry. Nevertheless the sentence that catches attention is that basing on Europe's industrial strengths and main assets, the Commission will explore areas of industrial activity in which Europe is likely to have a comparative advantage in future (EC COM 2014:11; 21). Hinting the fact that the current comparative advantage is not going to be enough to stay competitive in the rapidly developing world for long. EU industry competes with China, Brazil, India and other emerging economies also on high-value products. Technology, ICT and skills are becoming increasingly important for international competitiveness (EC COM 2010:3). In spite of the fact that EU is already among the world's largest and most technologically advanced regions, this has not been enough to keep industry from leaving and cant be counted as the factor that will bring it back. Although the policy instruments were found to be possibly effective on increasing different pull factors attractiveness. Still due to the uncertainties in the future of EU's comparative advantage a few recommendations will be set out in the upcoming Chapter.

6 Recommendations

The EC's strategy has proven to be more effective than assumed and the current approach has potential, but as industry needs innovation, so do the policies enforcing it. Some of the pull factors stayed untouched by the EC and this mostly due to restrictions that the EC has. However one important factor, taken from the experience of the US, remained unmentioned in the initiative – the value/reputation of the local products, more specifically the “made in” factor. It is obvious that all the policies support the goal of turning EU into a place where only the best is good enough – regards to quality, productivity, ICT, environmental protection etc. At the moment the speed of innovation and technological development has put the world on the edge of an industrial breakthrough. Several new technology areas are converging to lay the foundation of the new industrial revolution based on green energy, clean transport, new production methods, novel materials and smart communication systems. These will change the global industrial landscape and EU's competitors in the US and Asia are investing heavily in these areas (Commission 2012a). What is important to note is that US and Asia are investing in the same areas, firstly meaning that the competition is high between the companies and that investing in the same areas will not guarantee EU the comparative advantage it is searching for. Secondly through this there is a larger amount of suitable location choices for the companies and fight between the countries, on who gets the relocating companies, increases. As Fratocchi et al. (2014, p.57) states that reshoring is not a once and for all decision but rather a possible phase of the firm's long-term internationalization strategy of production activities. Meaning that even if the companies return their manufacturing for now it is not guaranteed that they will stay, especially the competition with the high value products growing. A value based and slightly unorthodox approach will be proposed, this will be connected to the aforementioned pull factor that was missed from the initiative.

6.1 Creating internal demand

EU is the worlds second largest exporter following China, at the same time it is also worlds second largest importer following the USA (World Factbook). Meaning that European market, with its 500 million inhabitants, is a major consumer of non-European industrial products. Nonetheless the proximity to markets is an essential factor in production location decisions (Kinkel 2012). Meaning with the internal demand remaining weak, it undermines European companies home markets and keeps intra-EU trade subdued (EC COM 2014:2). Keeping this in mind some ideas will be proposed.

“When people are better informed, they make better decisions, enhancing the efficiency of the economy in allocating resources and improving overall welfare”

Cecchetti and Krause 2002

This citation introduces the presentable approach perfectly. Educating consumers not only about their rights and possibilities to consume, but also about the everyday choices they make and how this influences everything around them. It needs to be shown that people can rally around their consumer causes, such as the environment or human rights, through the goods they buy (Kriesi 1995).

6.1.1 Consumers choices

It is understandable that in developing countries price is the determining factor, but why are cheap and low quality products for example clothes popular even among people who could afford to buy fair higher quality products. This can be at least partially explained with the phenomenon of fast fashion, which requires changing our wardrobe at least a few times a year. This kind of overconsumption is visible also among other products e.g. electronics. This approach, created on the

companies logic of earning benefits, is not a sustainable or logical and it needs to be made viral why. Though there are movements and different policies supporting these ideas, they are scattered and need to be combined and strengthened. The only one that can have a bigger influence it is the public power, while the companies are not interested in this kind of change and it is hard for the activists fighting for these causes to have a significant effect either. This does not only mean that people should start consuming less, it means they should start consuming smarter. Educating the consumers from the impact their choices have should direct them to choosing quality products that will last longer, have a smaller environmental impact etc. With the change in consumers choices the companies need to do rearrangements, but the economic balance should remain stable. Although high quality takes more time from the producer it also gives back more. This approach could be possible for the European companies and consumers, while EU consumers are well off and as stated before EU's external products consumption is high. Through educating the consumers the current overconsumption might be turned into high quality internal products consumption. The pattern of educating consumers could be influential in very different industries. Following example from the food industry shows the impact of change in consumers choices. In the US there has lately been a lot of media attention about the McDonalds and Coca Cola products. Though people have the general knowledge that these products are not good for you, they haven't had deeper understanding in order to change their habits. However now both companies sales have dropped enormously in the US due to the rise in research and publications about their products. It is shown more specifically what the products contain, how the contents are produced, how the final products influence consumers health and what influence it has on the environment. The consequence is that these companies are forced to start changing, while their business and benefits are in danger. The consumers choices have made these two companies start to change. The companies have started to use more fair trade ingredients, non-artificial sweeteners, less preservatives, ecological products etc. (and are campaigning this in every step of the way – about this later).

In Europe there is a fertile ground for this approach. European citizens already think that citizens themselves should take the lead role in influencing the actions of companies, through the purchasing decisions they make. They were

most likely to say that citizens themselves should take the lead though the purchasing decisions they make (49%). Four in ten (40%) thought that company management should take the lead through the decisions they make about what the company does. More than one third thinks that public authorities should take the lead through policies and regulation (36%) (Eurobarometer 1, 2013). Meaning that about half of the people know they can make a difference, they just need to be reminded and educated how the choices should be made and what needs to be taken into consideration when deciding between different products.

This grass root level approach will not only be beneficial for strengthening pull factors, it will help to fulfil EU's different goals from higher competitiveness and environmental protection to human rights. For example European citizens enjoy some of the world's highest environmental standards. At the same time it does not matter how robust internal EU environmental legislation are, it does not shield the world from the negative consequences of trans-boundary and global environmental degradation (EC CSR). So when the consumption of EU production increases, also the necessity for local production increases and environmental dumping should decrease. But how did we get from consumers awareness to consuming EU products. The logic behind it is that EU products mostly represent what the consumers should be educated to consume – long lasting quality products. This will be viewed now.

6.1.2 Made in EU

The point is that everybody needs to know what the EU products are about and what is the value behind them. EU is the world leader of environmental protection and known for its high quality and safety of the products. By purchasing a product made in EU you don't just get a great product, but also protect the environment and the human rights and other basic values. This needs to be knowledge to the greater public. EU should make its products to represent all that is fair, safe, high quality and environmental friendly by putting all these values behind the "Made in EU" symbol. One can say that EU represents all this already and this is true, but it is not made big enough. As mentioned before some of the companies are changing due to the consumer pressure and building campaigns around it so

everyone would know that they are making things better. These actions are built on the basics of marketing, by bringing attention to everything that makes a product attractive. Businesses main goal is to get consumers to buy their products, otherwise there is no necessity for the production in the first place. Why should EU act any differently if it works, while it is in a way a big business, where the profits are higher welfare, environmental and human rights protection and equality of its people. Why not make a brand out of the EU and its products generally. As van Ham (2005, p.122) states it is time to refresh Europe's image, to restyle its PR and to start serious effort to brand the EU as an effective force for good in the world. It is not sufficient to just do good, but it is crucial to be seen doing good. Europe lacks confidence, which is reflected in its modest international prestige. EU is differentiated from the world for its orientation to values and protecting them, this is intensively done inside and outside EU. This is what could differentiate EU and its production from others and create a comparative advantage. Turning the "Made in EU" into a brand is what only the EC can do. When this approach would be successful, the companies should return their production here due to the increasing demand of EU products within the people of EU. This could also have a potential to grow even bigger and expand also external demand of EU products.

For example the proposed approach could be incorporated with the CSR (Corporate Social Responsibility) approach. CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders (UNIDO). As evidence suggests, CSR is increasingly important to the competitiveness of enterprises. It can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management, and innovation capacity. CSR is much more than simply a new way of doing business. It is the latest social force which influences the way that shoppers shop, regulators regulate, and sellers sell (Freeman, 1984). Reaching this goal is possible through tight cooperation between the EU bodies and Member States. The process of turning EU into a brand will not be discussed in more detail, this will be left for the marketing specialists to figure out.

7 Conclusion

The EU is a hybrid and unique intergovernmental and supranational organization and universal concepts do not always apply to it. This was found to be the case also with reshoring, thus EU incorporates 28 Member States and all of their interests are represented by the central body - the EC. Meaning that the Commission does not separate the Member States, but fights for their general wellbeing of all of them. Its policies can be directed only to increase reshoring generally in the EU and not in any certain MS. Hence the reshoring is not only the companies return to its headquarter country, but the return to any EU country is enough to call it reshoring for the EC.

It was also analysed why it is important for the EU to take reshoring into consideration and what benefits it might offer. Firstly it was found that the relocation decisions are on the rise and so are the considerations about reshoring it in the companies. Meaning there is something to work for. The importance of the reshoring phenomenon incorporates much more than a return of companies and the numerous economic benefits that come with it. It helps to promote EU's basic values as human rights through bringing the manufacturing back from the countries that violate workers rights. Additionally it helps to stimulate the environmental protection. The production returns from a pollution heaven to a place with strict regulations on environment. This lowers pollution and makes room for innovation in environmental protection. Because there is no innovation when there is no problem, and the problem in EU would be the high taxes on pollution, so the companies are forced to be innovative to find solutions to the polluting problem.

As it was mentioned a few times before, reshoring cant be taken for granted and the companies need to be attracted to EU. This is still found to be true, while the policies of the US seem to be working on increasing reshoring. As the analysis proved, also a thorough industrial policy can possibly do the job. It is an important notion that reshoring does not need a special political approach, as

could be assumed when looking at the example of the US. Although EC has not paid much attention on reshoring per se, surprisingly the current policies on reindustrialization seem to enhance a considerable amount of the pull factors. This shows that the current industrial policy is effective in turning EU into a more attractive location for the manufacturers. This is a very positive result, meaning that the initiative takes a very wide range of instruments into use to ensure the competitiveness of the industry.

Although the conclusion of the EC's policies was surprisingly positive, one very important but unfulfilled factor stayed on the horizon. It was found to be important to emphasize on it and outline some recommendations, when fulfilling it the approach could possibly become even more effective. Also the notion of sustainability came across, because the current approach seemed to be unaware of the possible comparative advantage for the future. A grass root approach was proposed, that all the necessary change could start from the consumers choices and their education about consumption and different products. Through educating consumers to consume responsibly and smartly the general state of mind could change. Relying on the EC's actions and the smart choices the consumers the notion of "Made in EU" could take off and create demand on EU products. When looking the manufacturers dependence on the consumers, it can be said that the more popularity products with the sign "Made in EU" gain, the more the manufacturers are eager to situate in EU.

If the policy instruments will enhance the pull factors as effectively as assumed, it can be calculated that the reshoring might prove to be the driver of Europe's future welfare.

7.1 Perspectives for further research

Due to the novelty of the phenomenon of reshoring there are many gaps to fill in the research. Thus all research increasing the knowledge about this phenomenon are welcome, as also mentioned before increase in empirical research is appreciated. In a few years a study about the efficiency of the reindustrialization initiative could be made, in order to see what the real outcome of the applied

policies have been. Possibly there will be some reliable empirical evidence about the reshoring trend in the near future, this could also be taken for a comparison of the policies possible effectiveness.

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