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EU fund to ease globalization pain

By James Kanter International Herald Tribune

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BRUSSELS In a bid to soften the blow of globalization on Europe's economy, the president of the European Commission, José Manuel Barroso, will propose a fund of half a billion euros Wednesday to provide new skills and economic opportunities to workers whose jobs are lost to outsourcing and shifting world trade patterns.

The Global Adjustment Fund would help retrain and relocate 35,000 to 50,000 workers a year when jobs are lost to the dynamics of global trade, rather than by mismanagement or loss of production to another EU member state.

With 19 million people unemployed across the European Union and frequent reports of layoffs involving tens of thousands of workers, the fund will help only a small fraction of those hardest hit by changes sweeping away older industries.

Even so, the fund "is an important step in the right direction partly because it sends a signal that restructuring is part of the normal process of creative destruction in any advancing economy," said Ann Mettler, executive director of Lisbon Council, a Brussels-based group favoring economic change.

Establishing the fund "also puts a human face on the European Commission, showing that it can stand up for free trade and open markets as well as care about the people," Mettler said.

The initiative comes as alarm spreads across Europe over efforts by foreign companies like Mittal Steel to take over symbols of European industrial prowess.

Fears that foreign takeovers will lead to huge job losses and an accelerating loss of influence over their economies have led France, Luxembourg and Italy in recent months to begin re-erecting barriers. Last year, amid speculation that PepsiCo of the United States might bid for the French yogurt maker Groupe Danone, for example, France listed 11 domestic sectors that it said would need to remain largely in French hands for reasons of national security.

EU regulators threatened to take France to court Tuesday for barring takeovers in these industries, which include defense, technology and casinos.

Another protectionist reaction by France last year helped foster creation of the Global Adjustment Fund. After President Jacques Chirac of France criticized the EU for being ill-equipped to halt layoffs in France announced by the U.S. computer maker Hewlett-Packard, Barroso set to work on establishing the fund. At the time, French officials questioned why the EU was promoting economically liberal policies that entailed painful restructuring of whole industries without also offering a means to help displaced workers.

After discussing the plan in October at the Hampton Court summit meeting in England, EU governments in December decided to back the project, earmarking money that goes unused from the 2007-13 budget.

People familiar with plans for the fund, who asked not to be identified because the plan will be officially introduced by Barroso on Wednesday, said they would ask governments to approve the measures during a spring meeting of heads of state.

Critics warn that the fund risks duplicating the responsibilities of national governments and could become a source of dissension if governments fight over the money.

Critics also say that without deeper adjustments like streamlined labor markets and an enhanced appetite for risk-taking among Europeans, companies in Europe will not create enough jobs even if retrained workers are available.

But supporters say projects like the fund, which mirrors some private-sector initiatives, will help EU leaders to put into effect politically unpopular policies like lowering barriers to trade with China and allowing uncompetitive industries to wither.

Retraining workers is crucial to "ease the structural adjustment under way in many industries," said Jean-Philippe Courtois, president for international operations at Microsoft, which helps sponsor programs that teach computer skills to jobless textile workers in Portugal.

When a government applies for money from the fund, EU officials will look for evidence of at least one of the following factors: a surge in imports following, for example, the removal of tariffs; a decline in the market share for EU exports abroad; and a decision by a company to move production outside the 25-member trade bloc.

Governments would be able to use the EU money in cases where a company, its suppliers and its associated producers laid off at least 1,000 people in a region - like a French department or a Spanish province - with a population of up to 800,000, and where the unemployment rate already is higher than the European or the national average.

Alternatively, governments could use the money in cases where several companies across an entire sector laid off at least 1,000 workers total over six months in a region with a population of up to three million, and where the job losses add up to 1 percent of total employees in that sector.

In some cases - probably where workers are more than 50 years old and retraining is less likely to result in employment - governments will be permitted to give workers cash payouts.