FUNCTIONING OF THE LOCAL PRODUCTION SYSTEMS IN BULGARIA, POLAND AND RUSSIA

THEORETICAL AND ECONOMIC POLICY ISSUES

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Edited by
Aleksandra Nowakowska

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Aleksandra Nowakowska – University of Łódź, Faculty of Economics and Sociology
Institute of Spatial Economics, Department of Regional Economy and Environment
90-214 Łódź, 36 Rewolucji 1905 St.

REVIEWER
Artur Ochojski

PUBLISHING EDITOR
Danuta Bąk

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Marta Ulbrych[*]

REINDUSTRIALIZATION AS A MEAN OF IMPROVEMENT OF COMPETITIVENESS OF THE EUROPEAN UNION[1]

1. Introduction

Contemporary global economy and accompanying rapid acceleration of technological development are demonstrated by, among others, industrial civilization being superseded by economy based on knowledge and information. General tendency to increase the importance of services is mirrored by decreasing importance of industry both in employment share and GDP creation, in most countries with relatively high income level. The development of financial, legal and marketing services is, however, directly connected with industrial production process as its integral part. This relation is clear because services based on activity of companies depend to a large extent on demand from industry.

[*] Assistant Professor, PhD, Department of International Economics, Cracow University of Economics, Poland.

[1] This article was prepared as part of the 7th Framework Programme FP7-PEOPLE-2011-IRSES Project No. 295050 FOLPSEC – Functioning of the local production systems in the conditions of economic crisis (comparative analysis and benchmarking for the EU and beyond).

Moreover, in developed economies offshore outsourcing of industrial production takes place, to those parts of the world where labor costs are relatively lower.

This phenomenon is a result of globalization and regionalization processes in global economy, which are accompanied by trade liberalization and border opening to enable free flow of capital, which results in creation of more efficient manufacturing centers. Application of new technologies, which enable limitless communication, development of services and withdrawal from mass and labor-intensive production and turning to more innovative industry are of course the result of natural development process. Technological progress makes production process more routine, not requiring the employment of highly qualified workers. This allows the transfer of industry to areas where lower costs and more flexible conditions of business activity are guaranteed. However, these phenomena cause changes in many branches of economy, including impact on labour market, changing the scope and the structure of demand, and as a result lead to employment reduction in industry. Additionally, the development of industrial production was disrupted by the global economic crisis, which lead to increase in social problems, mainly in unemployment, becoming more permanent. Minimizing current instabilities requires, among others, more active support for national industry. Past support for manufacturing industry, motivated by social reasons, more than often turned out costly and ineffective. Current tendencies in global economy, with decrease in economic growth and pressure from international competition, emphasize the necessity to create proper formal conditions supporting long-term growth and development of industry.

Both in member states and on the EU level, various initiatives are taken up, which are directed at intensification of actions as far as support and redefining of industrial policy functions. The European Commission adopted, in October 2012, a strategy for reindustrialization of the European Union, assuming an increase of industrial production share in the GDP of the EU. The study aims at presenting the effects of industry restructuring and perspectives of success in the context of the strategy accomplishment, i.e. economic revival.

2. The phenomenon of deindustrialization. Third industrial revolution

Postindustrial nature of contemporary world gives rise to a thesis saying that economic systems undergo deindustrialization. Yet, when analyzing the phenomenon, controversies arise around the essence and definition of the term. The term deindustrialization itself has negative connotations. The phenomena observed do not lead to elimination of industry from the structure of economic macro-systems, but are characterized by evolutionary changes being expressed by transition from capital-intensive industries to knowledge-intensive industries. Beginning in the mid 1970s, a change in the manner of industrial production has been taking place. Previous paradigm of mass and standardized industrial production has been replaced by a post-Fordism approach characterized by high quality, diversified production. As a result, the role of traditional industries has decreased to the advantage of modern industries – ones based on advanced technology, also called advanced technology industries, producing and processing knowledge i.e. knowledge-intensive.[2] Such evolution in the direction of economy based on knowledge does not lead to elimination of production as a form of manufacturing, but results in increasing role of services and decrease of human involvement in many stages of production process. Deindustrialization understood in such way is a natural characteristic of economic development and results from maladjustment of industrialization in its previous form to different quality of new conditions of operation and development of industry, connected with scientific and technical progress[3]. These issues have been analyzed by the European Economic and Social Committee, applying the following distinction:[4]

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[2] A. Wieloński, *Od industrializacji do reindustrializacji*, Uniwersytet Warszawski, Wydział Geografii i Studiów Regionalnych, Warszawa 1998, p. 13, 23.

[3] K. Kuciński, *Dezindustrializacja w procesie rozwoju gospodarczego*, http://www.sgh.waw.pl/ katedry/kge/mdp/atomnewsitem.2007-05-05.0652955173/deindu.pdf/, p. 5 (accessed 03.12.2012).

[4] European Economic and Social Committee, *Opinion of the European Economic and Social Committee on the scope and effects of company relocations***,** 2005/C 294/09, p. 3.

– absolute deindustrialization, which results in a drop in employment, production, profitability and industrial resources in industry as well as a decrease in industrial goods export and creation of a lasting trade gap in this sector;

– relative deindustrialization, understood as a decrease of industry's share in economy, reflecting the process of structural changes as far as the relation between the productivity of industry and the services sector.

The latter approach, presenting a relative decrease of the role of industry and its smaller direct share in creation of national wealth to the advantage of services, may be treated as restructuring. The process of transformation of systems based on industry into those dominated by serviced is not a substitute to industrialization, but it is complementary to it. On one hand, part of industrial activity is taken over by service-oriented business entities, but simultaneously structural changes in industry create demand for services in general and for services with new functions.[5]

The definitions presented above allow to define deindustrialization as a phenomenon connected with complete and cumulative decrease of industrial production's share, expressing itself in reduction of: added value created in industry, generated gross domestic product, export value and employment. Current changes should be connected with servicization i.e. relative decrease of industry, being a consequence of dematerialization of production.[6] These are expressed by structural transformations within a given economy and then they do not mean the disappearance of economic base of the country, but only a change in its position within the system of macroeconomic links. This, of course, gives rise to consequences severely perceptible at local and regional levels. In a long period, however, the economy usually benefits from the restructuring carried out. Reasons for these phenomena may also be connected with the globalization process and relocation of industry, which it causes, form countries with higher production costs to countries with lower production costs. Such situation may, in extreme cases, lead to deindustrialization.[7]

[5] K. Kuciński, *Dezindustrializacja*…, p. 2.

[6] W. Gierańczyk, *Problematyka definiowania zmian w tendencjach lokalizacyjnych przedsiębiorstw przemysłowych w dobie globalizacji*,"Prace Komisji Geografii Przemysłu", No. 11, Warszawa–Kraków 2008, p. 88–89.

[7] K. Kuciński, *Dezindustrializacja*…, p. 4.

The phenomena described concerns individual economies in various degrees, which depends on their stage of development and the level of international links. There is no doubt, however, that the era of domination of industry in its previous form is passing. Application of labor-saving technologies and increase in labor efficiency, leads inevitably to change in the nature and structure of industrial production. Literature defines this stage of global economy development as the third industrial revolution, which means:[8]

– transition from industrial era based on exploitation of natural resources to the knowledge-based era;

– use of new technologies in communications, which allow to build global economy and even render it necessary;

– continuing process of privatization and deregulation of markets through abandonment of ideas, propagated by theoreticians of communism, about collectivization, centralization and state monopoly.

The idea of the third industrial revolution was popularized by J. Rifkin, but similar observations of contemporary phenomena and conclusions drawn from them may also be noticed in other studies, by A. Toffler or L. Thurow, among others. The authors agree that an information industrial revolution is currently taking place, which leads to fundamental changes in the socio-economic system.

J. Rifkin claims that great industrial revolutions in the history of the world took place when a meeting between a new communication technology and a new energy system occurred in time. This relation and its dynamism is the basis of infrastructure, the existence of which is necessary for proper functioning of economy. In the 19th century, the use of steam power in the typography and a railway network produced infrastructure which lay foundations for the first industrial revolution. Then, at the beginning of the 20th century the internal combustion engine, supported by electric communication, initiated the second industrial revolution. This allowed the world to enter the era of mass production of industrial goods, including cars, which in turn caused compression of time and space. The foundation

[8] T. T. Kaczmarek, *Globalna gospodarka i globalny kryzys*, Difin, Warszawa 2009, p. 60–61.

of the third revolution is the connection and mutual penetration of communication technology and renewable energy sources. The current evolution stage is supported by five integrated mainstays:[9]

– switching to renewable energy sources;

– construction of micro power plants on the basis of local renewable energy sources;

– application of technologies permitting periodic energy storage;

– the use of the Internet to transform the power grid into an energy exchange network – with such system, surplus energy will be transferable to other network users;

– modernization of transport, enabling it to be powered with fuel cells and electricity.

Fears about the future of overly exploited planet are of course real, but the presented claims and the perspective of them being put into practice seem to be distant. Development of renewable energy is probably a rational alternative to coal or oil produced energy, especially in the context of energy source mineral resources shrinking. However, a question concerning possibilities of meeting the requirements of industry and individual consumers by the green energy only, appears. General savings in this area seem to be necessary both on the level of enterprises and households. It requires a different approach in the whole economic system. Continuation of the application of a paradigm treating profit as a dominant value contradicts the proposed assumptions. J. Rifkin emphasizes a need of creation of a civil society and promotion of collective co-habitation models. Gaining public, market and, above all, civil capitals and making use of them will allow for transformation of the world into an economy of the third revolution, a post-coal era.[10] However, he also notices that since the time of crisis in 2008, more and more western countries turn their perception towards the third industrial revolution. The case of the European Union deserves special attention, as it never underestimated the matter of environment protection and undertook various

[9] J. Rifkin, *Trzecia rewolucja przemysłowa. Jak lateralny model władzy inspiruje całe pokolenie i zmienia oblicze świata,* Wydawnictwo Sonia Draga, Katowice 2012, p. 57–62.

[10] *Ibidem*, p. 364–365.

actions aiming at transformation of infrastructure in the direction of balanced economy. J. Rifkin's idea has been accepted by the European Union and included into its long-term plans[11].

3. Structural changes in the European economy

As it has been emphasized, remodeling of sectoral economic structure, where industrial activity gives way to services, is an effect of the processes of globalization and integration. EU's economy structure develops in accordance with a worldwide trend of increasing share of services in GDP creation at the expense of the production sector (Table 1).

Table 1. EU structural change 1997–2009

Sectors	Agriculture, fishing and mining	Manufacturing	Electricity, gas and water supply	Construction	Market services	Non-market services
Share in GDP in 2009	2.4	14.9	2.4	6.3	49.9	24.1
Shares of GDP between 1997 and 2009	–1.3	–4.9	–0.2	0.7	3.8	1.9

Source: European Commission 2011, *EU industrial structure 2011. Trends and Performance*, Publications Office of the European Union, Luxembourg 2011.

Contribution of the industrial production in GDP formation has been falling systematically since the 1980s. At the end of the 20th century, in 1997, this indicator still amounted to 20% of GDP and has regularly been reduced, to 15% in the period of recession in 2009. Market services,

[11] In the strategy A "Stronger European Industry for Growth and Economic Recovery" one can read that innovation and technical progress rate made the world face a great breakthrough in industry. There is convergence of several new technologies, which make the foundations for new industrial revolution based on green energy, ecologic transport, new production methods, new materials and intelligent communication systems (COM(2012) 582 final, p. 3).

in 2009, were responsible for 50% of GDP and their importance grew by 3.8 percentage points in comparison with 1997. In the case of non-market services, growth of almost 2 percentage points was also observed. Agriculture's share decreased by 1.3 percentage points and the share of the two remaining sectors remained relatively stable.

The function of industrial activity in the European Union also decreases as far as labour resources activation (Table 2). In 2012, over 72% of the employees worked in the services sector, which is 8.2% percentage points more than in 1997 and 1.4 percentage points more than in 2009. Simultaneously, a fall of employment in industry by 5.3 percentage points took place, in comparison with 1997 and by 1.2 percentage points in comparison with 2009.

Table 2. Employment in EU by activity branches in 1997, 2009 and 2012 (in % of total employment)

Year/branches	Agriculture	Industry	Services
1997	8.1	27.9	64.0
2009	5.4	23.8	70.8
2012	5.2	22.6	72.2

Source: Eurostat, *Employment Growth and Activity Branches*, http://appsso.eurostat.ec.europa.eu/ (accessed 15.10.2013).

Significant differences in employment between member states are also worth noticing. In case of the industry sector, the discrepancy in 2012 spanned from 15.6% in Greece to 36.6% in the Czech Republic. Analysis of changes in industrial production in the European Union clearly shows that both in the share in GDP creation and in employment, the role of industry is decreasing to the advantage of services. The change of employment structure between these sectors is explained, among others, by the difference in productivity rate caused by development of production technologies, which, in industry, takes place faster than in services.[12]

[12] In literature, as one of the main reason of deindustrialization, is given the faster growth of productivity in manufacturing than in services (R. Rowthorn, R. Ramaswamy, *Deindustrialization – Its Causes and Implications*, "Economic Issues", No. 10, International Monetary Fund, Washington 1997, p. 11).

Structural transformations noticed above significantly influence the industrial scenery, but do they let define this process as deindustrialization? Undeniably, the labor-intensive industry gives way to knowledge-intensive industries characterized by higher added value. This is why, when analyzing industrial potential, apart from the number of employed in industry, another important criterion should be taken into account, which is gross added value. The former is crucial when it comes to labor-intensive industries, the latter, however, is better for describing industry that is more technologically advanced with high spending on research and development.[13]

Further analysis will focus on selected indicators, which present changes found in the EU industry in the years 2002 – 2012. Data showing the number of employed in industry present a decrease of the analyzed indicator in this period (Figure 1). Note that it even has not pick up with the recovery of production in 2010.

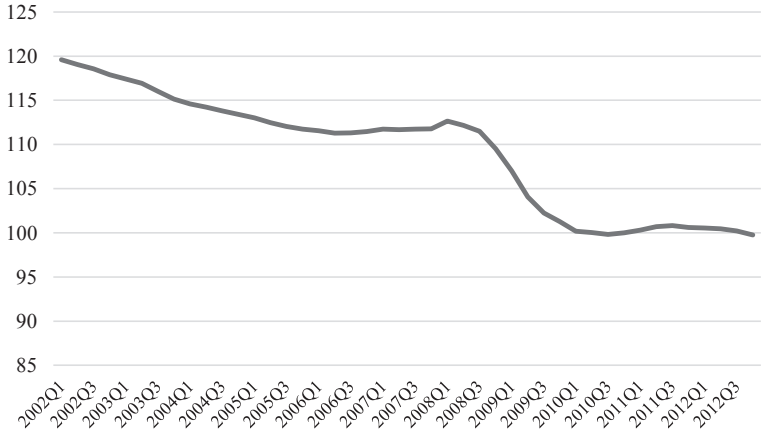

Figure 1. Employment (number of persons employed) in industry seasonally adjusted (2010 = 100)

Source: Eurostat, *Labour input in industry***,** http://appsso.eurostat.ec.europa.eu/ (accessed 15.10.2013)

[13] T. Rachwał, K. Wiedermann, W. Kilar, *Rola przemysłu w gospodarce układów regionalnych Unii Europejskiej*, "Prace Komisji Geografii Przemysłu", No. 14, Warszawa–Kraków 2009, p. 32.

Economic growth rate in the analyzed period was subject to significant fluctuations. After annual average growth of 2.6% in the years 2002–2007, recession was noticed in the following years (Figure 2).

It was especially severe in 2009, when a decrease of GDP by 4.5% was noted. Total gross added value grew, in individual years, at a rate similar to GDP. Industry is the sector of economy that is especially vulnerable to changes in economic situation. In the period of weakened economic growth, dynamics of gross added value generated by industry decreased at a much higher rate than total added value – in 2009 these changes amounted to –13.6% and –5.5% respectively.

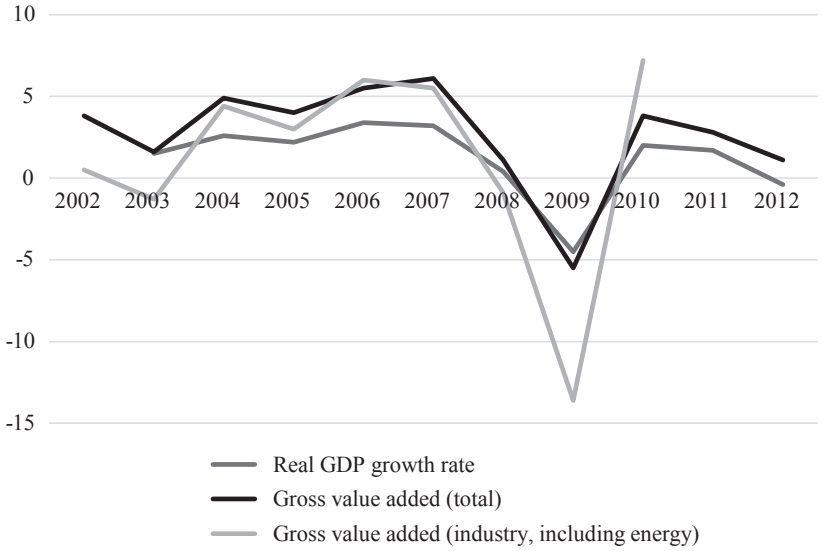

Figure 2. Real GDP growth rate, gross value added in all and gross value added in industry in 2002–2012 (percentage change on previous year)

Source: own calculation based on Eurostat datas: http://epp.eurostat.ec.europa.eu/ (accessed 15.10.2013)

Also, a decreasing share of industry in total gross added value is worth emphasizing. In the period of 2002–2007, industry was responsible for 20.45% of generated added value, whereas in the years

2008–2010 for 18.9% only. However, the change in the year 2010, when an increase of 7.2 percentage points of added value generated in industry, and tendencies noticed in this area before the crisis, let risk an assumption an optimistic forecast as far as direction of changes. The more that since 2005 the industrial production index has developed much more favourably for EU high-tech technology manufacturing than for industry as a whole.

High-tech technology manufacturing production increased by 26% between the first quarter of 2005 and the third quarter of 2012. Similarly, the medium-high production was an increase by 7%. While for industry as a whole the level of production in 2012 was almost the same as in 2005. Medium-low technology and low-technology production even shrunk during the observation (–5%; –6%).[14] In order to evaluate the effects of the developments, Figure 3 presents an overview of the size of the four technology levels in the value added at factor costs of total manufacturing for the EU-27 in 2010. According to data, high-technology production and medium-high technology production accounted for 12% and 35% in total manufacturing.

Of course the dynamics of described process seems to be different across countries. General, the changes in EU industry can be defined by three concomitant evolutions: the decline in manufacturing employment, the lower contribution of manufacturing sector to GDP and increasing contribution of services to GDP. The analysis of the dynamics of the value added in the last decade shows that with the exception of 2003 and 2009, it was positive, which does not allow to confirm the thesis of universal and absolute deindustrialization of the European Union. Pace and direction of changes of these amounts stress the fact, that when facing international competition, the European industry must be innovative, so it can generate development. This situation also determines the method of EU's competitive advantage building, which should currently be based on high added value sectors. Decreasing role of industrial activity remains a problem when it comes to direct jobs creation and activation of resources. Classical economic theories

[14] T. Jaegers, C. Lipp-Lingua, D. Amil, *High-technology and medium-high technology industries main drivers of EU-27's industrial growth*, Eurostat Statistics in focus 1/2013.

assume that production based on new technologies is in fact labour-saving, but at the same time, due to growth of efficiency, it increases production capacity. Greater supply of cheaper products generates demand. Initial fall in employment caused by implementation of technologies is balanced by reception of extra labour force required to meet the increased production levels. Yet, reality rectifies this assumption, as growth in productivity did not lead directly to increase in the number of jobs. The discrepancy between the improvement of efficiency and the employment level is mostly visible in industrial production – basically, manufacturers may produce more goods with smaller number of workers.[15]

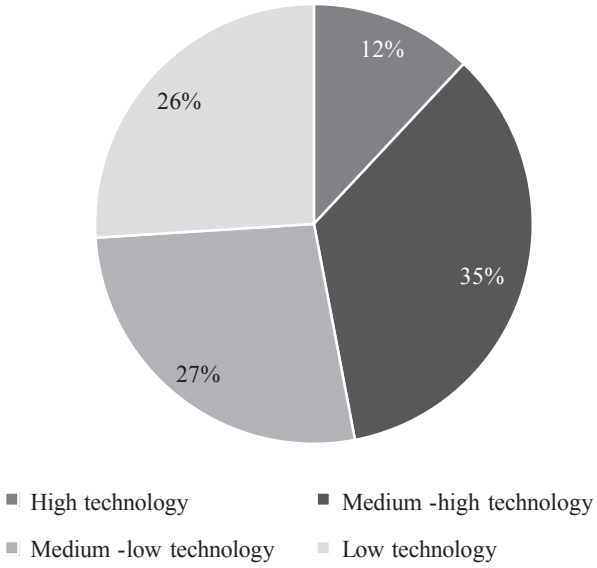

Figure 3. Share of different technology levels in total manufacturing, value added at factor costs, EU-27, 2010

Source: T. Jaegers, C. Lipp-Lingua, D. Amil, *High-technology and medium-high technology industries main drivers of EU-27's industrial growth*, Eurostat Statistics in focus 1/2013

[15] J. Rifkin, *Trzecia rewolucja*…, p. 352–354.

4. The idea of reindustrialization of the European Union

Counteracting against tendencies leading to decrease of industry in production and employment is becoming an important challenge for the European economy. EU's policy towards the risk connected with the deindustrialization process is closely interrelated to activity for adaptation to structural changes and particularly emphasized within the industrial policy. The matter of European industrial policy returned in successive stages of single market formation, but it was not treated as a priority. It gained treaty bases in the Treaty of Maastricht, which, in title XIII: Industry, lists targets which condition improvement of competitiveness of the European industry and emphasizes the need to provide conditions necessary for its development. In its guidelines, the European industrial policy consists of coordination of member states actions and it is closely connected with general socio-economic policy, and its contents also include initiatives taken up within other policies.

Current debate surrounding the industrial policy has been caused by the results of the 2008 crisis. Low level of economic growth of the European countries as well as a growing number of interventions by authorities became an inspiration for the ongoing discussion which has been included in the Europe 2020 Strategy. *The Strategy for Intelligent and Balanced Development Promoting Social Inclusion* is a continuation and expansion of the formula of the so-called new industrial policy produced in the framework of the Lisbon Strategy of 2000. The only possible reaction to the results of the economic crisis, growing international competition, society aging and climate changes is intensification of innovation processes.

Economy based on knowledge, which is eco-friendly and uses available resources effectively, is to be the source of economic growth. For the accepted priorities to be put into practice, seven initiatives were prepared, including a project entitled *An Integrated Industrial Policy in the Globalization Era, Putting Competitiveness and Sustainability at Centre Stage*. Its aim is to stimulate economic growth and jobs creation through upkeep and support of strong, diverse and low-emission industrial base. The idea of integrated policy means that it includes cooperation

of different policies of the European Union and emphasizes the necessity of cooperation and coordination of actions between the European Commission and the member states.

The key role of industry for the growth of the Union's economy and its overcoming of crisis was then emphasized in the reindustrialization strategy, adopted in October 2012, entitled *A Stronger European Industry for Growth and Economic Recovery*.[16] It is an update of a statement of 2010, assuming an increase of industrial production share in the EU's GDP to 20% in the year 2020. Industrial policy reinforcement should be based on four mainstays which include the following:

- stimulating new investments in technologies and innovations,
- improvement of the internal market functioning,
- increased access to financing,
- promotion of human capital and skills development.

R&D activity is treated as a priority. Stimulating investments, both in initial stages of implementation and in popularizing new technologies, requires development of proper technical regulations and internal market rules and the infrastructure they are accompanied by. Providing proper framework conditions for investments is particularly desirable in the context of building EU's advantage, resulting from the fact of EU being a pioneer. This strategy may ensure high productivity, rational resources management and significant market share. The European Commission proposes directing investments and innovation at six priority areas of activity with great growth and employment potential, which include: advanced production technologies as far as ecologic production, key supporting technologies, bioproducts, balanced industrial, construction and resources policy, green vehicles and intelligent networks. Actions within the framework of these key elements allow for creation of infrastructure necessary from the perspective of needs of a new industrial society whose development will depend on new energy and information technologies.

[16] The European Commission, Communication from the Commission to the European Parliament, The Council, The European Economic and Social Committee and Committee of the Regions, A *Stronger European Industry for Growth and Economic Recovery*, Brussels 10.10.2012, COM(2012) 582 final.

Striving for improvement of the internal market functioning focuses on improvement of the single market, competitiveness support, stimulating the internal market of new technologies, intellectual property rights protection and cooperation with international markets. The internal goods market is an important tool for increasing of the EU's competitiveness, however, there still exist administrative and regulation barriers in the form of not harmonized technical regulations, labeling systems or rules for mutual recognition of member states legislation. Within the action plan for support of entrepreneurship, the greatest emphasis is put on development of small and medium enterprises, above all in relation to utilization of the potential of single digital market. In the era of knowledge-based economy, intellectual property rights gain special importance as well as creation of conditions of their protection. Considering international context and tendencies, observed in emerging economies, to employ protection and discrimination practices, the Commission will still aim at ensuring that the formulas of mutual market access, developed at WTO, are observed.

Development of European industry is dependent on accessibility to capital required for carrying out of innovative investments aiming at competitiveness improvement. Meanwhile, access to capital market and ability to obtain loans are significant barriers for enterprises development, especially for small and medium ones. Improvement in this field is to be achieved through support from the public sector and improved directing of public funds as well as eliminating obstacles as far as private assets flow and facilitating cross-border flows.

Finally, development of human capital and its skills has key importance for the success of the industrial policy. Economic crisis results hit the European labor market exceptionally hard. The main issue is to face this situation by creating new jobs and this may be achieved with better coordination of proper economic policy areas and actions within this scope on the EU level as well as on the member states level. It is also necessary to foresee needs and to better adjust the education system to the requirements of changing industry.

The essence of *A Stronger European Industry for Growth and Economic Recovery* is the finding which emphasizes that "a strong industrial base is necessary for the wealth and economic success of the European

Union".[17] The main target is to improve the framework conditions which allow the industrial potential of the EU to be reinforced. Active industrial policy focused on investments and innovation should result in fast production and markets development. When creating bases for reindustrialization of Europe, synergy seems necessary between individual areas of the EU policy as well as coordination and synchronization of activities undertaken by the Union and the member states.

5. Summary

The decreasing role of industry in Europe and its offshore outsourcing to developing countries does not mean the sector's decline, but seems to be a natural effect of economic development. Quoting Schumpeter, it results from a process of creative destruction, which is a part of a capitalist system. However, it causes difficulties in the form of slower economic growth. Previous production organization gives way to innovation abilities in the area of technology. The aim of the European Union is to support industry in introducing innovative solutions which are also adapted to environmental requirements. The Union, proposing new programs, presents high activity in providing formal circumstances for balanced growth. Negative influence of the crisis on several EU member states and worsening perspectives for the global economy resulted in a necessity to revise industrial policy. The presented idea of reindustrialization aims at facilitating and accelerating Europe's transformation into a competitive economy which takes the social and environmental aspects into consideration. More effective industry is a leading sector stimulating economic growth, which should contribute to jobs creation.

However, confrontation of these optimistic ideas with reality requires drawing of more cautious conclusions. Industrial transformation and a drop in employment, which accompanies such transformation, are not compensated for by creation of a sufficient amount of jobs in services and modern industry branches. The current situation on the European labor market, high unemployment rate among young and educated people who should be leaders of innovation and development, is one of the most disturbing

[17] *Ibidem*, p. 5.

phenomena. Transferring industrial production outside Europe, to developing countries with lower business activity costs, is dictated by regularities of changes in economic structure, but it also gives rise to socially unwanted phenomena, especially for regional and local economies.

In the era of industries based on the potential of human capital, the reindustrialization strategy correctly stressed the importance of knowledge and creativity as the driving force of competitiveness. Mature industry is not able to offer price competitive products as compared to those manufactured in developing countries. What remains, is to generate innovative industrial products with new functions and uses. However, the perspective of integrated and unanimous actions within the European Union is doubtful. Diversity of socio-economic development levels, of industrial base and of reactions to economic crisis and its effects cause increase in economic nationalism in individual countries. Paradoxically, these phenomena emphasize the need to define and implement the reindustrialization strategy as a process stimulated by conscious decisions of the authorities. Partnership between the European Union, its member states and industry is necessary in order to accelerate investments in new technologies which are the basis for creating Europe's competitive advantage in the new industrial revolution.

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Abstract

Industry in the European Union is undergoing significant changes connected with technological development, offshore outsourcing to developing countries and the process of servicization. What is more, the global economic crisis disrupted the development of the European industry, and the industrial production dynamics in 2009 decreased in all member states. The consequences of the crisis have placed European industry in a difficult economic position to carry out the necessary efforts to increase competitiveness through technological change and innovation. Facing growing challenges and negative tendencies, the European Commission approved, in 2012, the reindustrialization strategy which emphasizes key importance of industry for possibilities of economic growth and jobs creation. The study presents goals accepted and tools allowing adaptation to structural changes as well as achieving competitive advantage.

Key words: reindustrialization, regional competitiveness, European Union.