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Libera Università Internazionale
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From Miracle to Decline: Italy's long-term development trajectory between core and periphery

**European strategic autonomy and the reconfiguration of European value chains:
implications for the German export-oriented model**

Valentina Meliciani

Luiss Institute for European Analysis and Policy

LUISS



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Outline

- European open strategic autonomy and European value chains
- Trends in the configuration of European value chains and the position of Germany
- Green and digital value chains: Europe, Germany and Italy
- Discussion

Geopolitical developments and OSA

Geopolitical developments	OSA concept	OSA related policies
<p>2008-2019</p> <p>Russian Annexation of Crimea (2014)</p> <p>Brexit (2016-2020)</p> <p>Trump Administration (2017-2021)</p> <p>China-USA trade war (2018-)</p>	<p>Strategic autonomy linked to common foreign and security policy</p> <p>(European Council 2013; European Union Global Strategy 2016)</p>	<p>EU raw materials initiative (2008), with list of critical materials in 2010 (14), 2014 (20) and 2017 (27)</p> <p>IPCEI (2014) to support projects that make a clear contribution to the EU strategic objectives</p>
<p>2019-2023</p> <p>Covid outbreak</p> <p>Russian invasion of Ukraine</p> <p>Biden Administration Inflation Reduction Act</p>	<p>Strategic autonomy explicitly extended to economic policies</p> <p>2020: a new industrial strategy for Europe “that will support the twin transitions, make EU industry more competitive and enhance Europe strategic autonomy”</p> <p>The European Parliament and the Council adopted a regulation establishing a framework for the screening of FDI into the EU on the grounds of security and public order. The Commission revised its trade policy in 2021 to support the EU’s open strategic autonomy</p>	<p>Suspension of the limits on state aid</p> <p>Eu assessment of critical raw materials (2020 and 2023)</p> <p>Chips Act (February 2022), 43 billions euro</p> <p>REPowerEU (May 2022)</p> <p>Critical Raw Materials Act</p> <p>Green Deal Industrial Plan (February 2023)</p> <p>STEP (June 2023)</p> <p>Review of the Multi-annual financial framework</p> <p>EU Council did not approve extra-funding for STEP.</p> <p>European Sovereignty Fund?</p>

Reconfiguration of GVCs?

- USA China trade war
- The pandemic crisis and supply bottlenecks
- The Ukrainian war and energy shortages

From efficiency to security and resilience?

(Javorcik, 2020; Posen 2022, Miroudot 2020, Ruta 2022)

- **Slowbalization** (Piatanesi and Arauzo-Carod 2019; Borin e Mancini 2019; Antràs 2020).
- **Nearshoring** (Zhong and Su, 2021)
- **Friendshoring** (WTO, 2023; IMF, 2023)

Measuring nearshoring (and nearsharing)

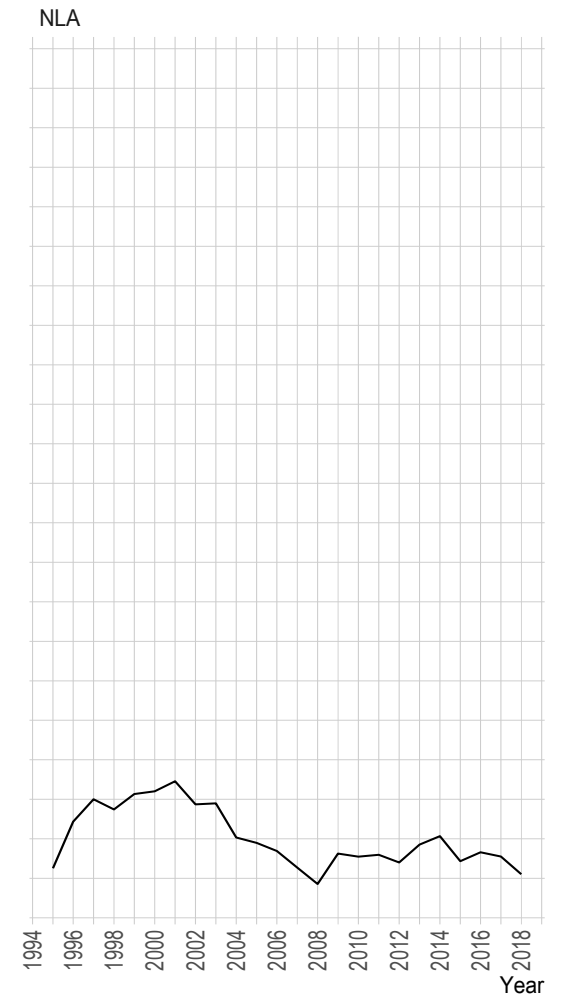
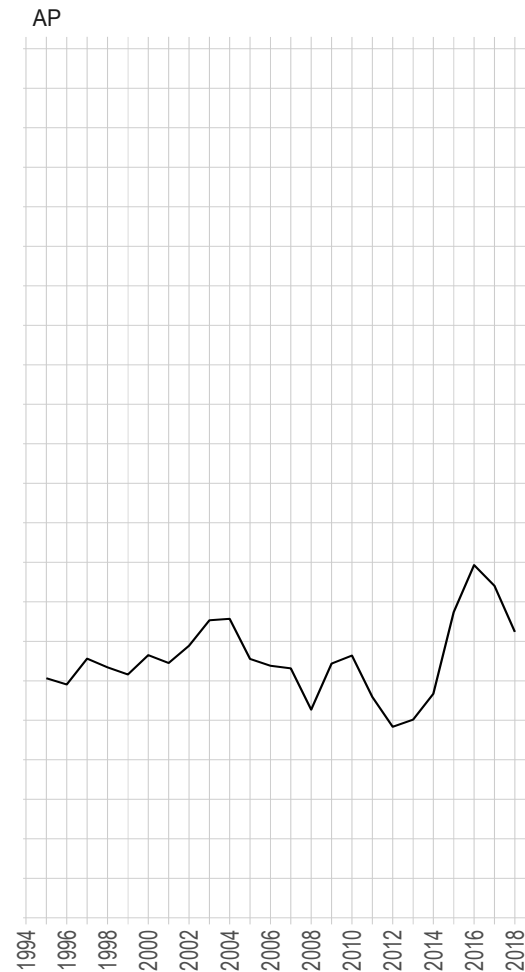
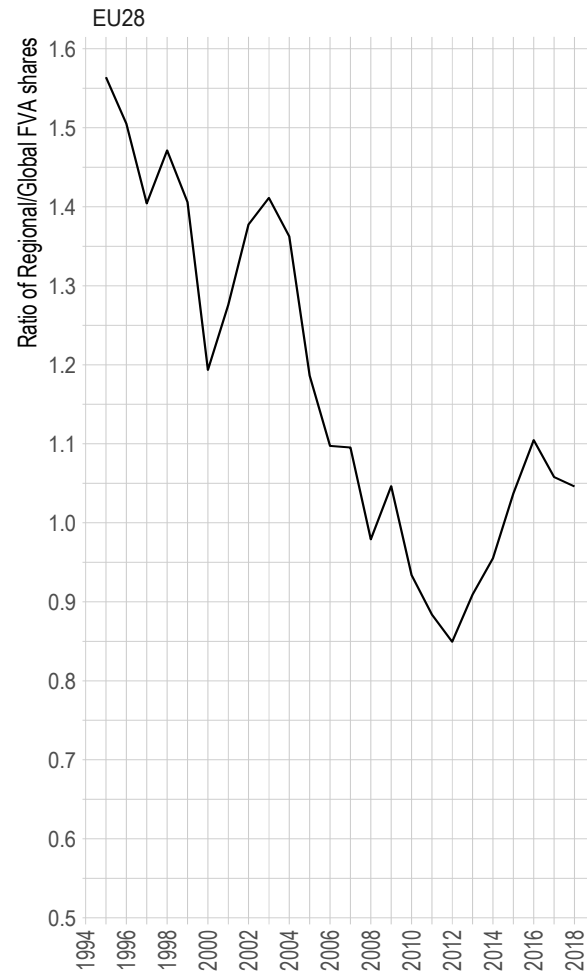
- Using matrix algebra, it is possible to distinguish the geographical source and destination of value added contributed by each country-industry to each country- global-value-chain (GVC).
- A country-GVC represents a vertically integrated sector comprising all direct and indirect input (and value added) requirements to produce a given element of final output in the world economy.
- First, we adopt an input sourcing perspective: we look at where value chains in each region draw value-added contributions from and whether this comes from within (i.e., the Regional Foreign Value Added Share, RFVAS) or outside (i.e., the Global Foreign Value Added Share, GFVAS) a country's region. An increase in RFVAS/GFVAS is referred to as **nearshoring**.
- Second, we adopt an output destination perspective: we look at the final destination of domestic value added and whether it contributes to value chains articulated within (i.e., Regional Foreign Subsystem Share, RFSUBS) or outside (i.e., Global Foreign Subsystem Share, GFSUBS) a country's region. An increase in RFSUBS/GFSUBS is referred to as **nearsharing**.

Nearshoring in Europe

Europe has a high level of regional integration

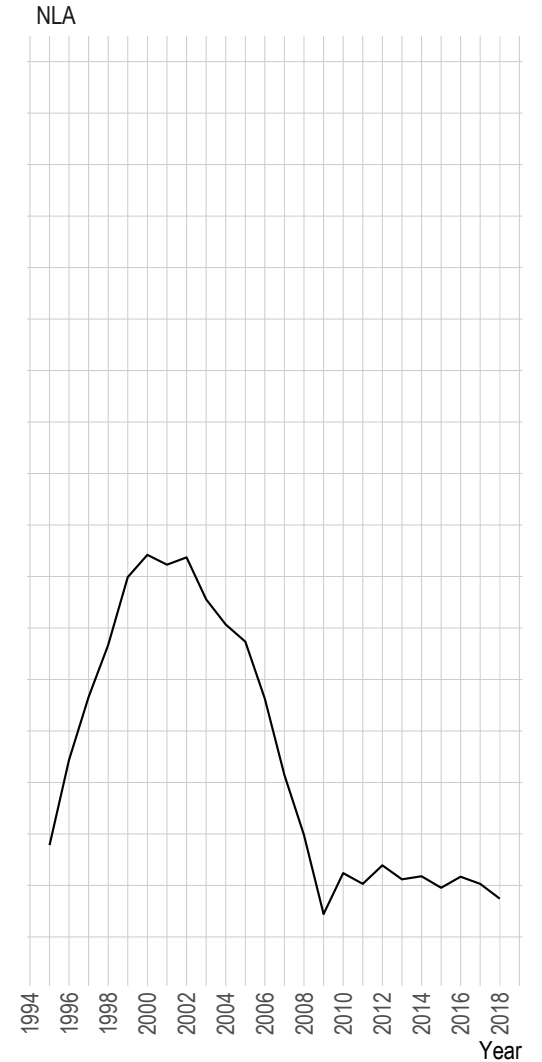
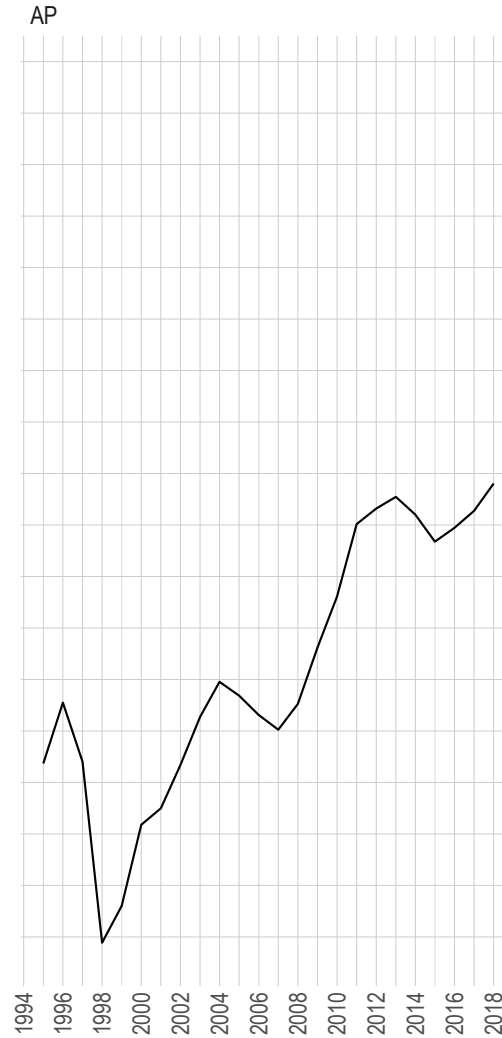
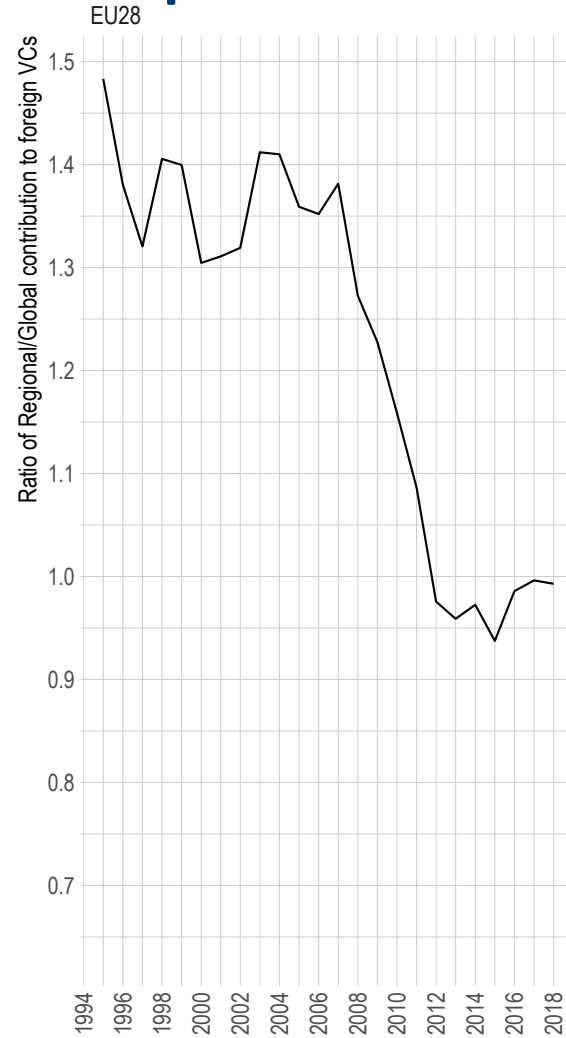
Long period of declining regional over global foreign value added share

Reversal of the trend starting from 2012

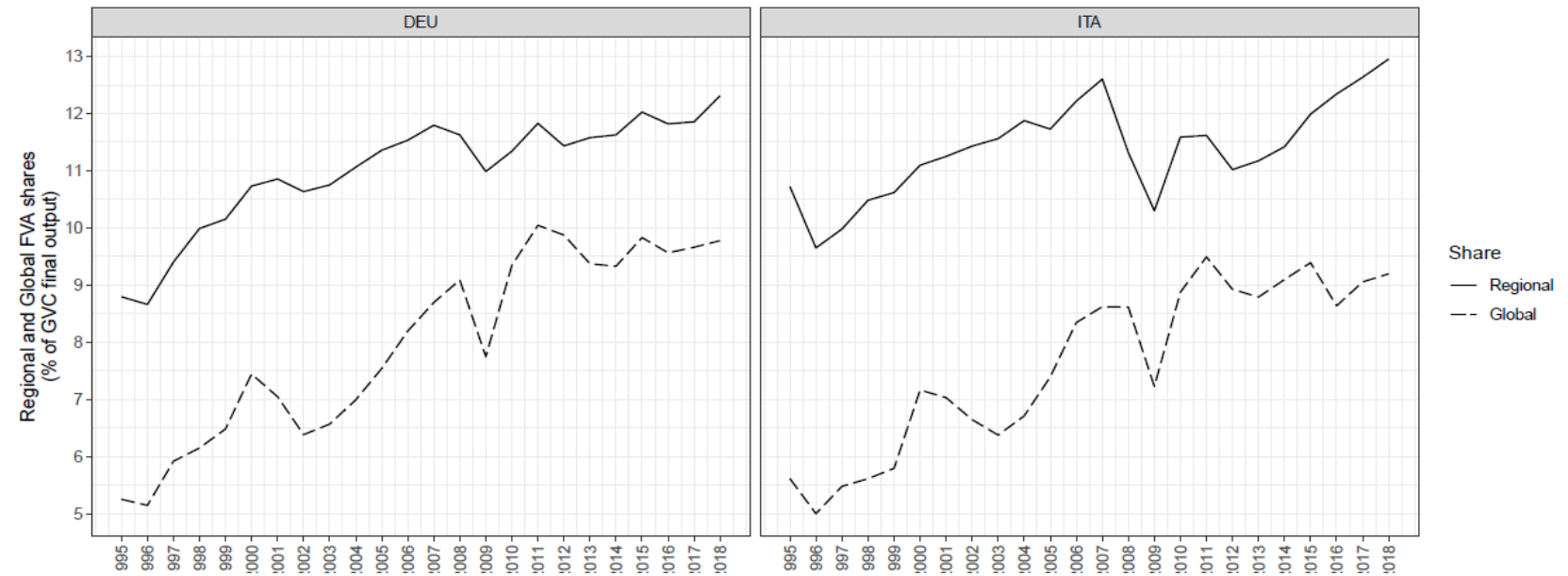
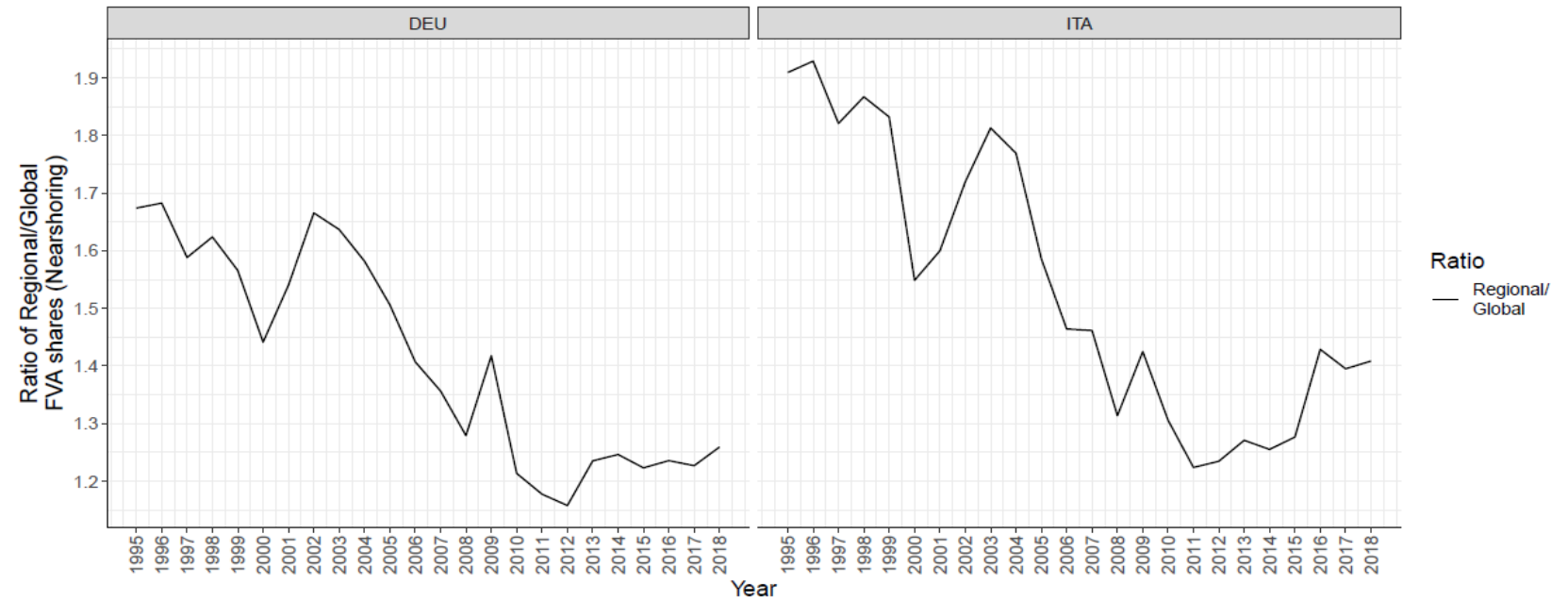


Farsharing in Europe

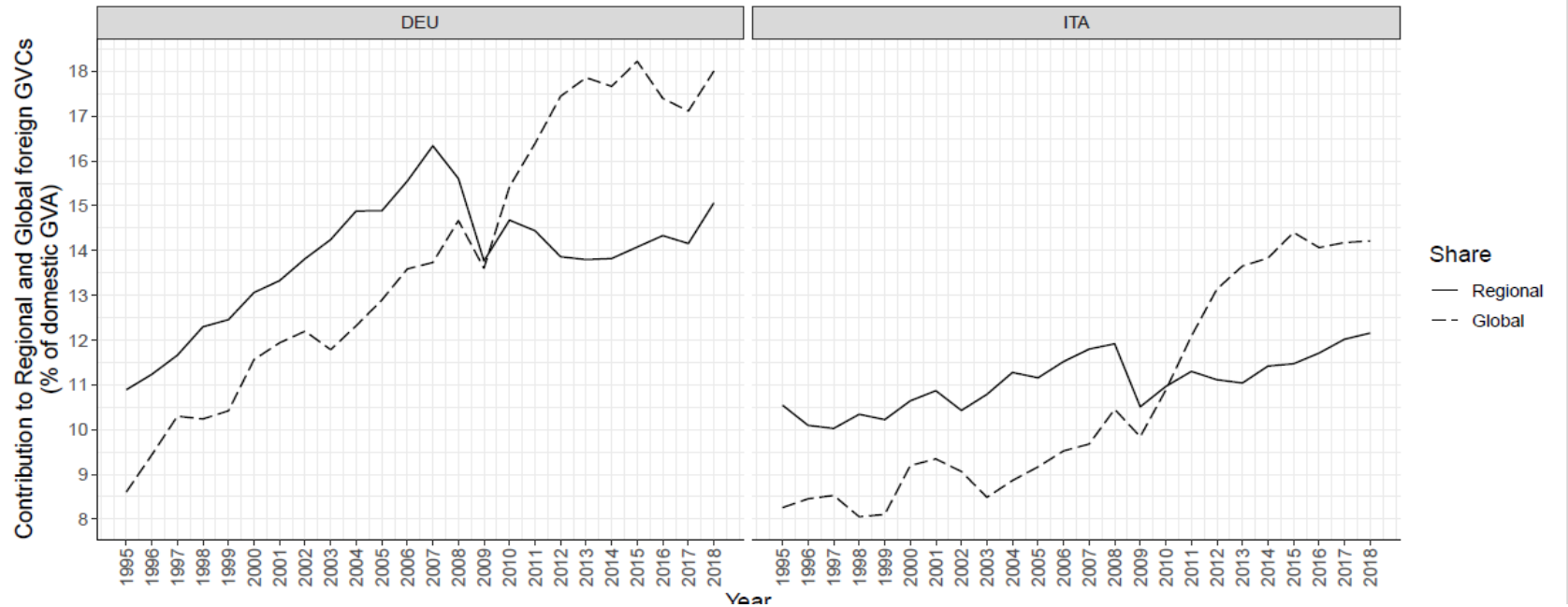
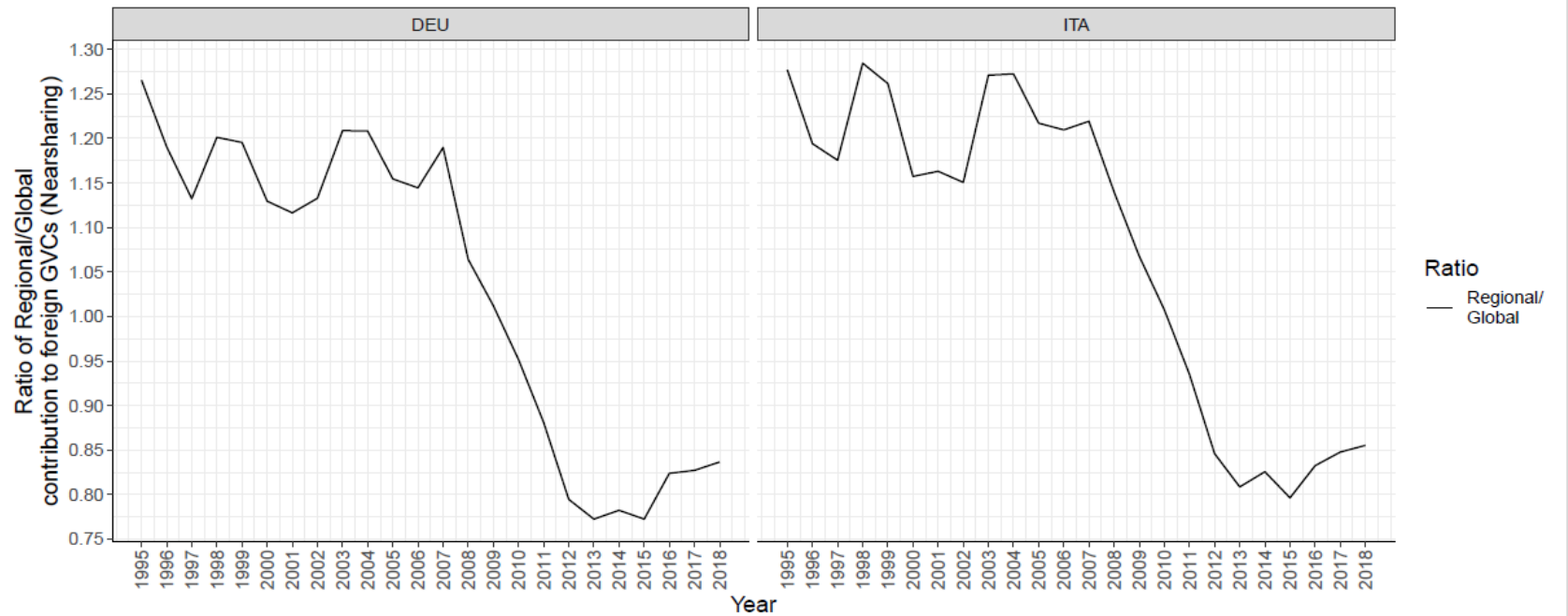
- After the financial crisis the contribution of regional to global VC has declined
- The opposite has happened in Asia-Pacific with a growth in the regional destination of value added



Nearshoring in Germany and Italy

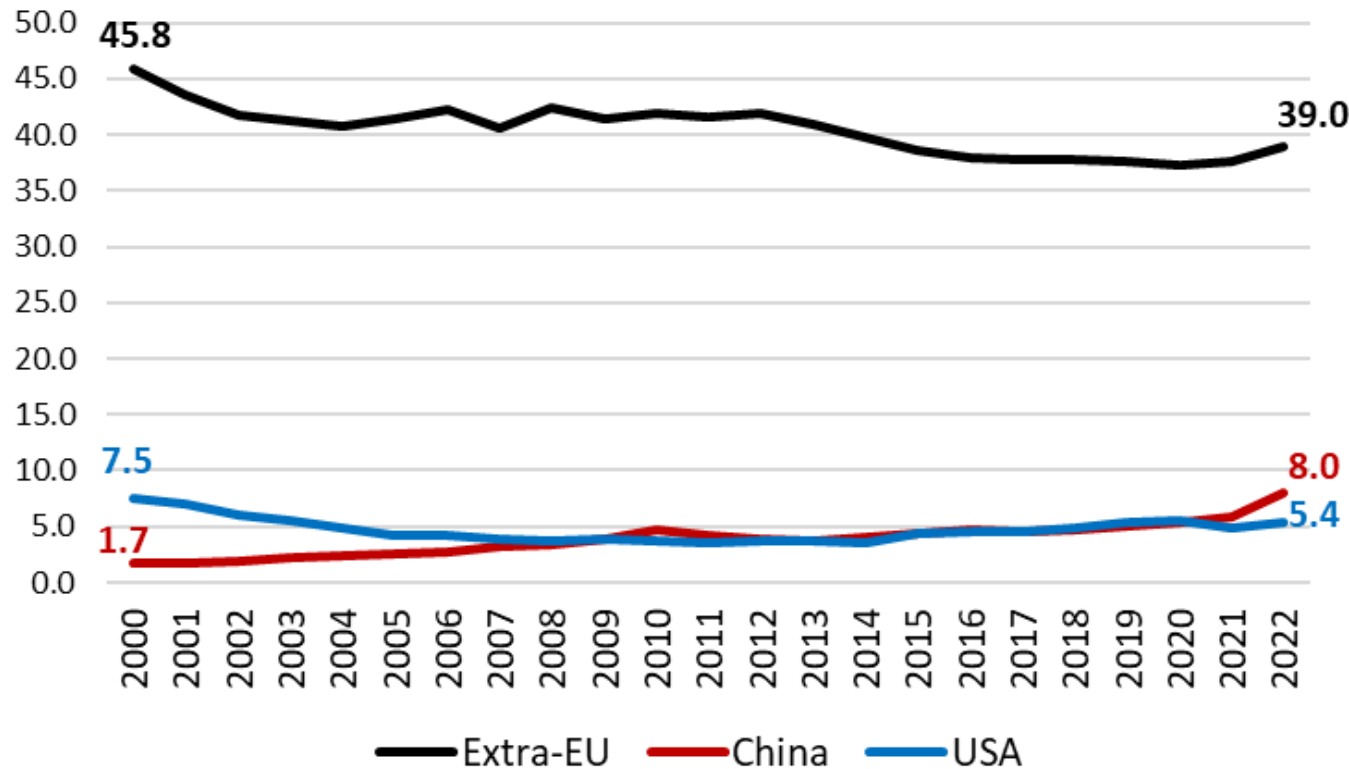


Farsharing in Germany and Italy after the FC but reversal from 2015



IMPORTS OF INTERMEDIATE GOODS of Germany from EXTRA-EU, CHINA and USA

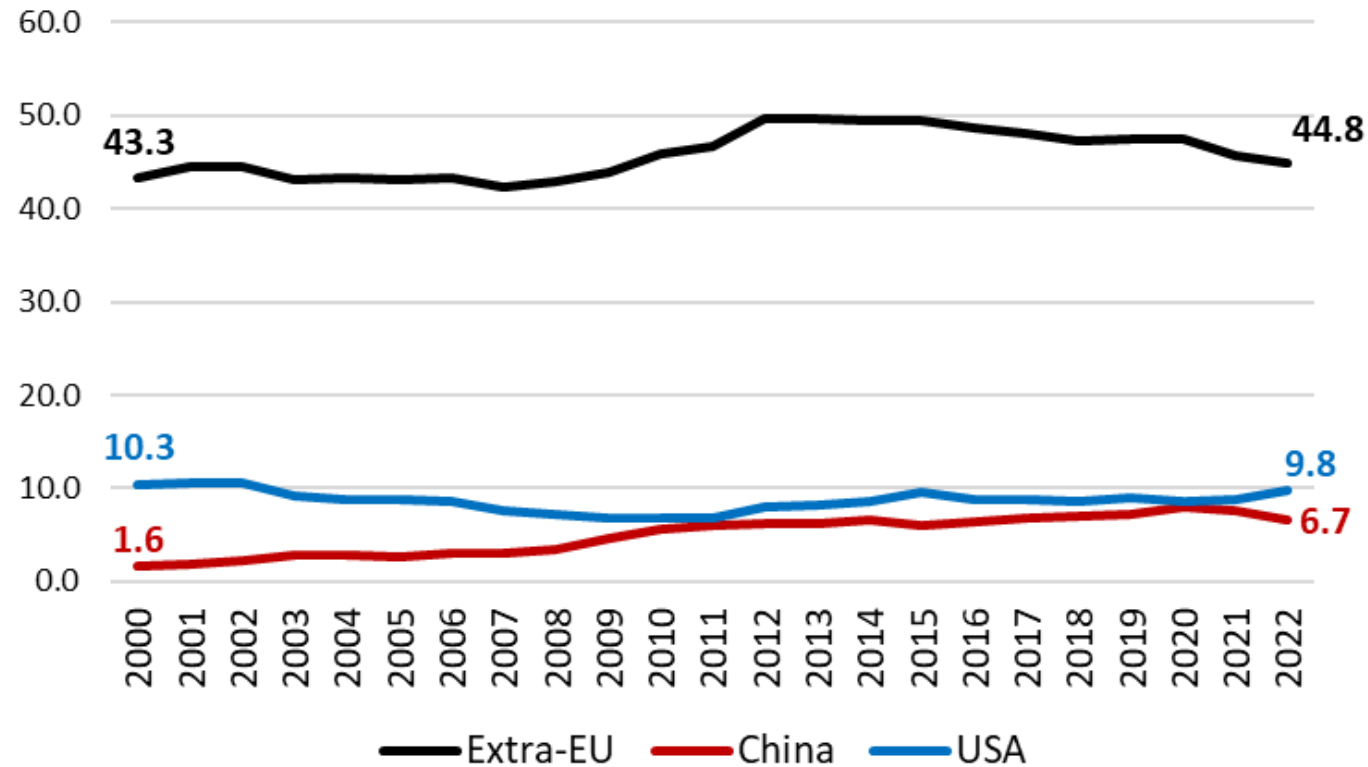
Geographical origin of IMPORTS OF INTERMEDIATE GOODS of Germany, % on total imports of intermediate goods of Germany



Source: elaboration on Eurostat data

TOTAL EXPORTS of Germany to EXTRA-EU, CHINA and USA

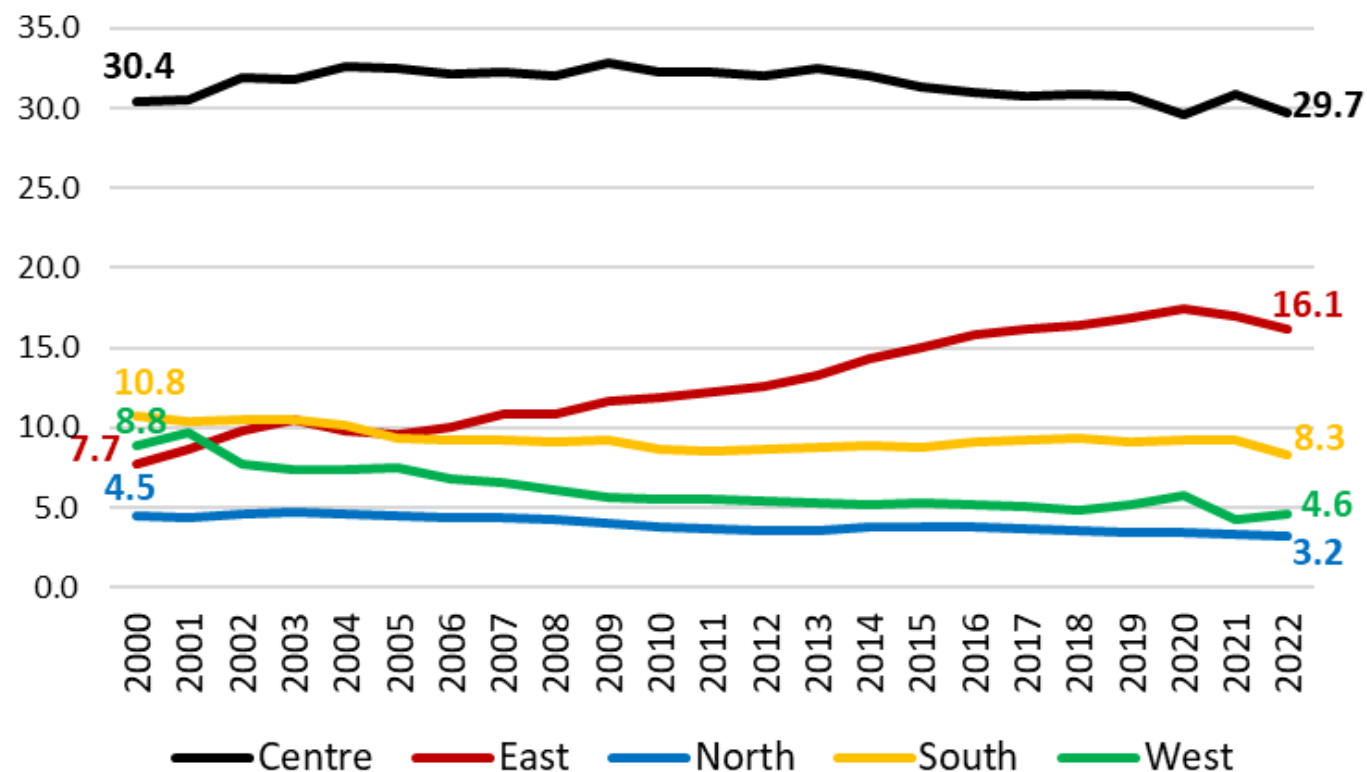
Geographical destinations of TOTAL EXPORTS of Germany, % on total export of Germany



Source: elaboration on Eurostat data

TOTAL IMPORTS of Germany from EUROPEAN REGIONS

Geographical origin of TOTAL IMPORTS of Germany, % on total export of Germany



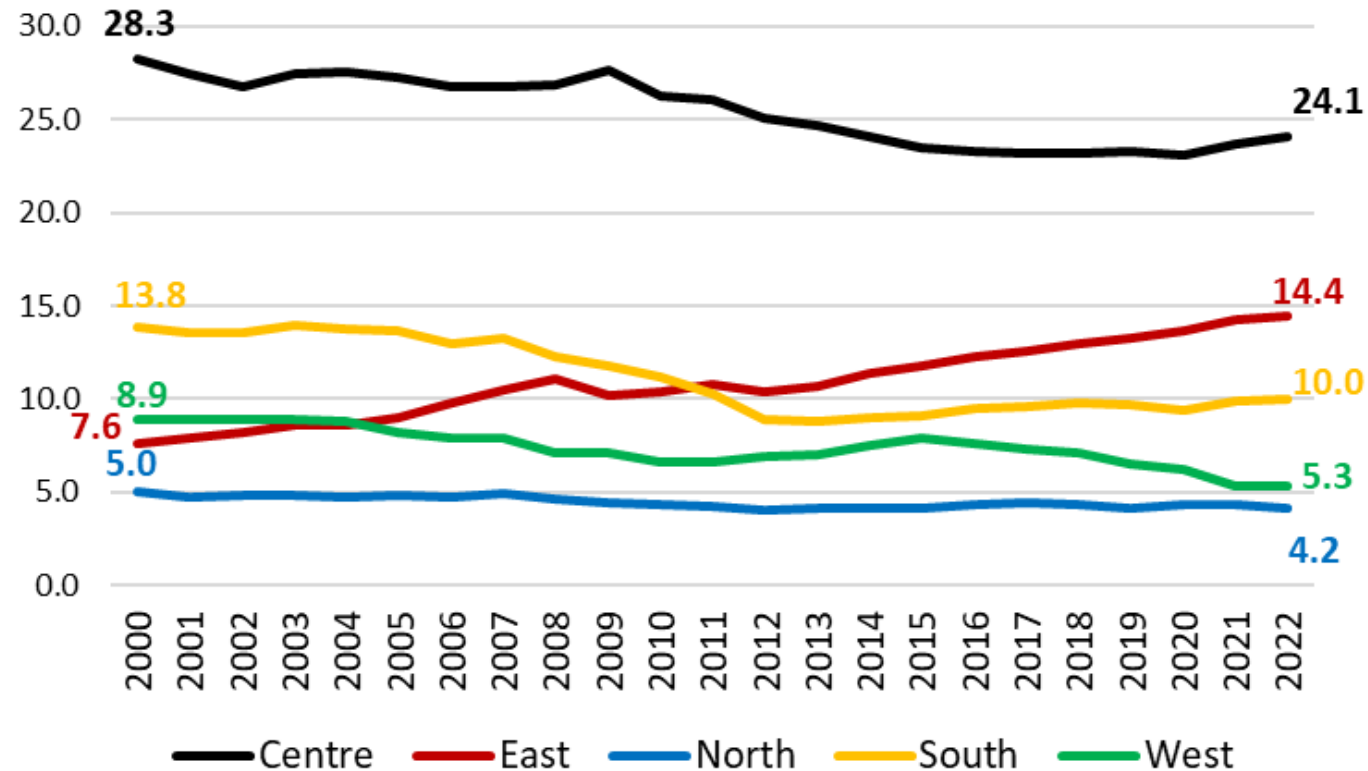
Source: elaboration on Eurostat data

Centre: Austria, Belgium, France, The Netherlands
 East: Bulgaria, The Czech Republic, Croatia, Hungary, Poland, Romania, Slovakia
 North: Denmark, Finland, Sweden
 South: Spain, Greece, Italy, Portugal
 West: Great Britain, Ireland



TOTAL EXPORTS of Germany to EUROPEAN REGIONS

Geographical destinations of TOTAL EXPORTS of Germany, % on total export of Germany



Source: elaboration on Eurostat data

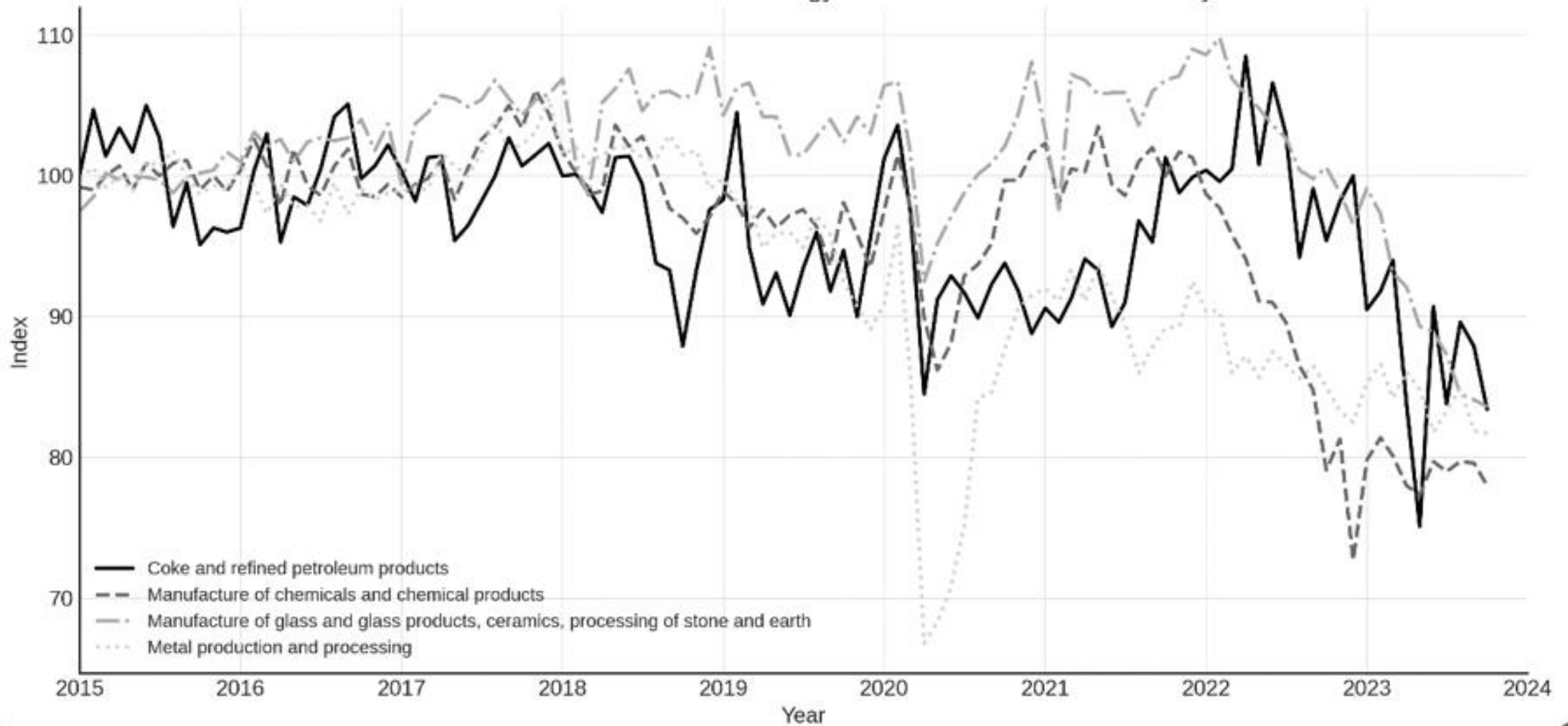
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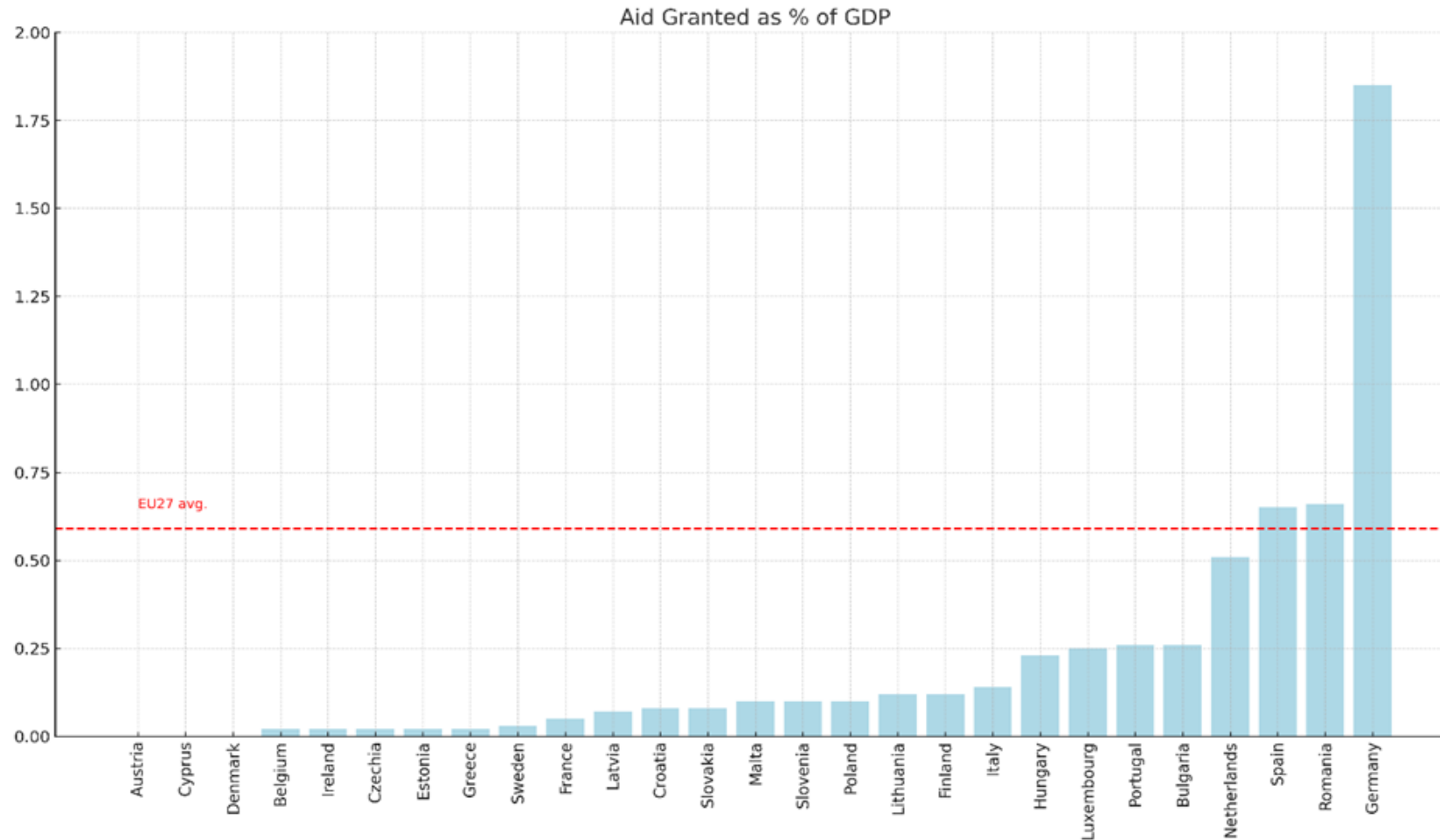
Disruption in supply chains and the German export-led model

- The precariousness of Russian gas supplies posed a severe threat to the major economic sectors underpinning the German export-led growth model (Di Carlo, Hassel and Höpner, 2024)
- During 2022, industrial production in some of Germany's most energy-intensive sectors collapsed by around 20 to 30%, weakening the engines of growth of the German manufacturing-based economy
- Germany's ULCs inflation has remained anchored to levels comparable to the rest of the euro-zone countries despite Germany's much greater exposure to the energy shock.
- only €93.52 bn was actually granted by Member States (representing 14% of all the aid approved and corresponding to 0.59% of EU27 GDP in 2022).
- Germany strongly supported its manufacturing sector containing energy prices under the Temporary Crisis Framework (TCF) (Germany represented 76% of all the aid de facto granted).

Panel A: Production Indices of Energy-Intensive Industries in Germany



Total state aid granted in the EU during 2022 under the Temporary Crisis Framework



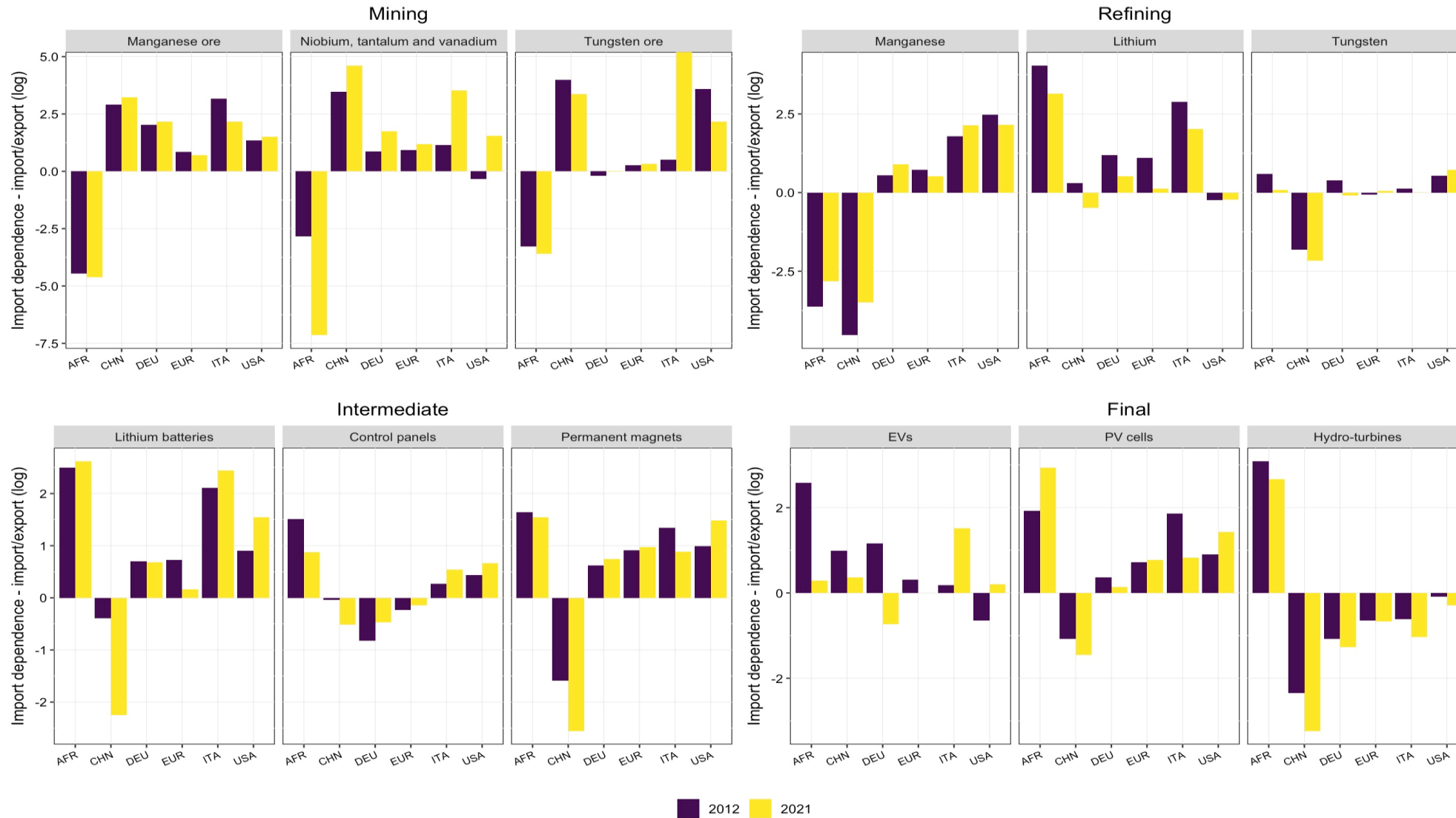
Green and digital value chains

The green deal has the potential to give new breath to the EU economy and facilitate a transition towards a more sustainable and just economy.

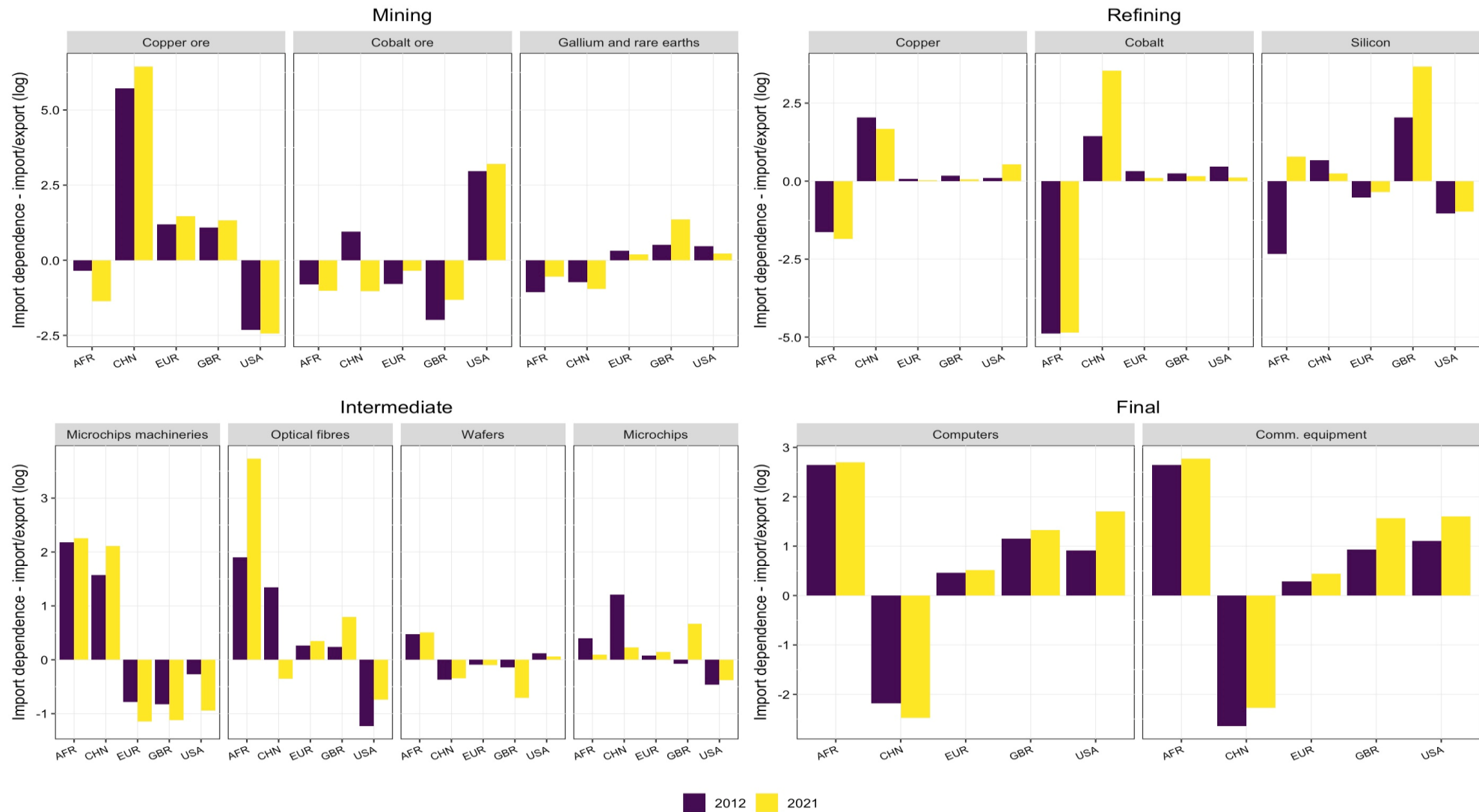
It also raises the challenge of EU's growing dependence on critical raw materials, as well as manufactured products (e.g. solar panels, EVs and microchips) that EU imports largely from China.

Which is the position of Europe, Germany and Italy in green and digital value chains?

Import dependencies in green value chains



Import dependencies in digital value chains



Discussion

Geopolitical tensions and fragmentation challenge the German export-led model.

This model relies on cheap energy inputs, wage moderation and exports towards the world.

In green value chains Germany and Europe are heavily dependent on China.

China is both nearshoring and nearsharing. In Europe contractionary fiscal policies make the region dependent on foreign demand.

Green transition and strategic autonomy require industrial policies and higher public investment.

Further European integration and more centralised fiscal and industrial policies.