Monitoring Single Market Performance: a value chain/value added approach

Accounting for Global Value Chains
UNSD and ESTAT seminar

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Adapting policies and monitoring to economic changes

XXth C-National economies

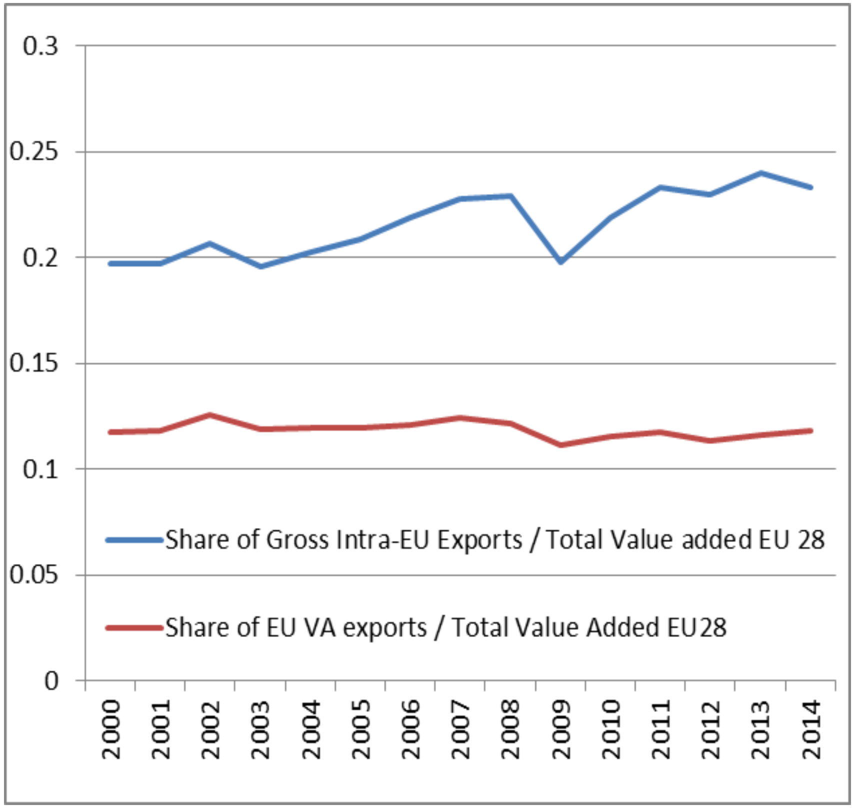
- *Countries specialised in the production of certain goods or services*
- *Production: highly integrated in countries*
- *Indicator of integration in the Single Market: Trade (exports or imports)*
- *Competitiveness indicator: Country share of exports in world export markets*

XXIth C – Globalised economy

- *Countries specialised in certain tasks or activities*
- *Production: fragmented across countries*
- *Indicator of integration in the Single Market: integration in value chains (VA)*
- *Competitiveness indicator: Country share of value added in global trade (VA)*

Value added/Value chains provide a different view of intra-EU trade evolution

Gross exports and exports of EU value added supported / TVA (2000 -2014)



Moving from "gross" trade to value added

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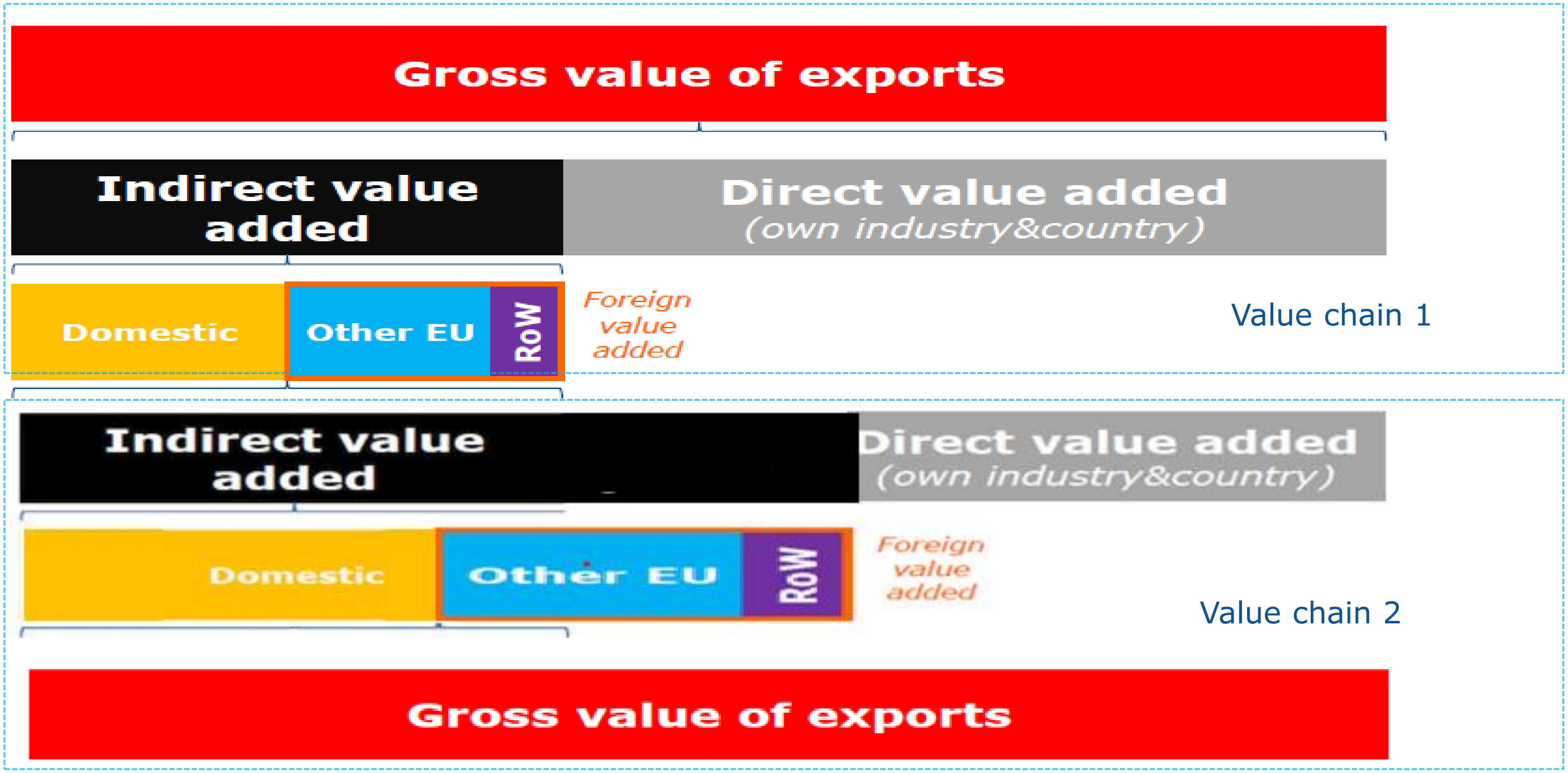
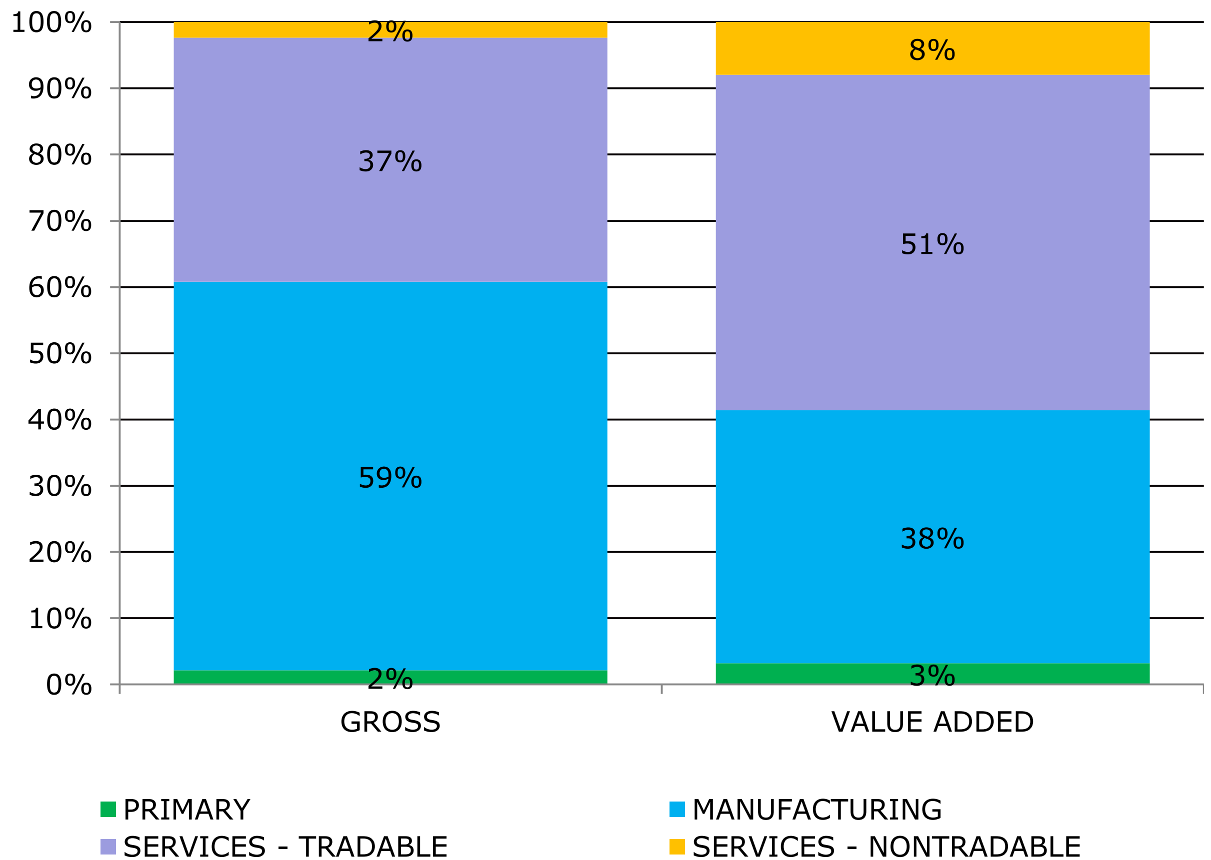


Services become more relevant when we measure trade in value added

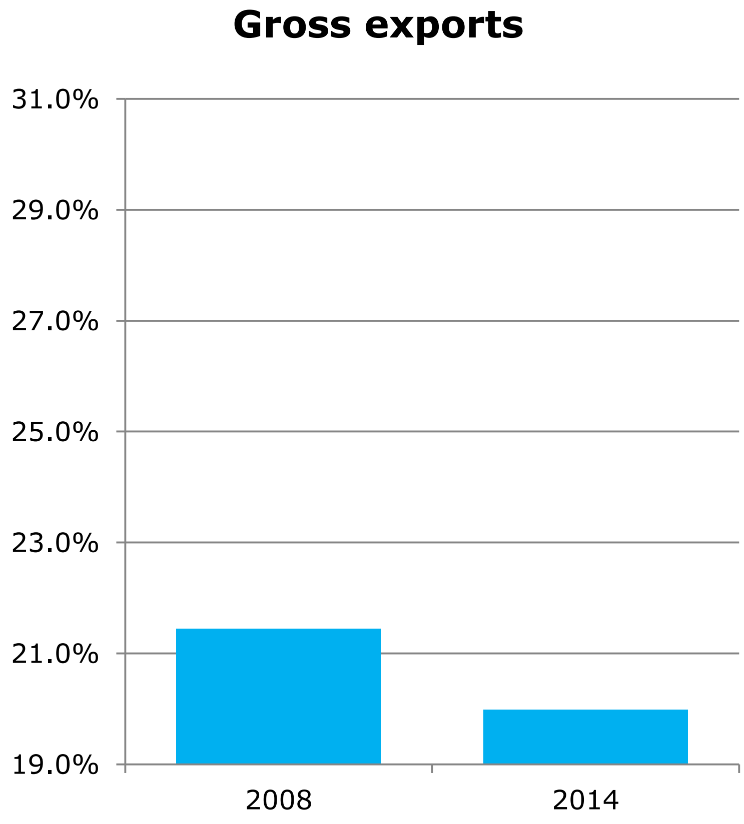
Trade measured in gross exports and in value added

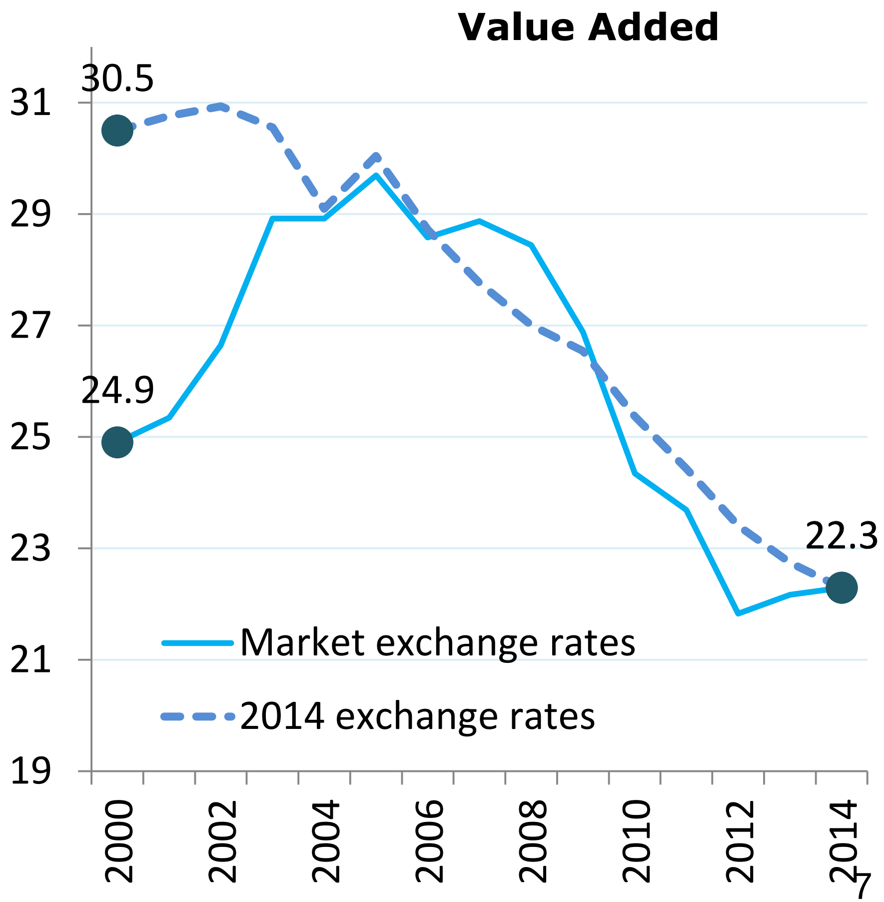


Some conclusions from Value Chain analysis (3)

- *SMEs export more than we think: indirect exports in value chains are much greater than direct exports.*
- *The importance of spillovers from regulatory burdens in services cannot be underestimated.*
- *(Imports are as important as exports)*

The EU has also lost market share in terms of VA after the crisis

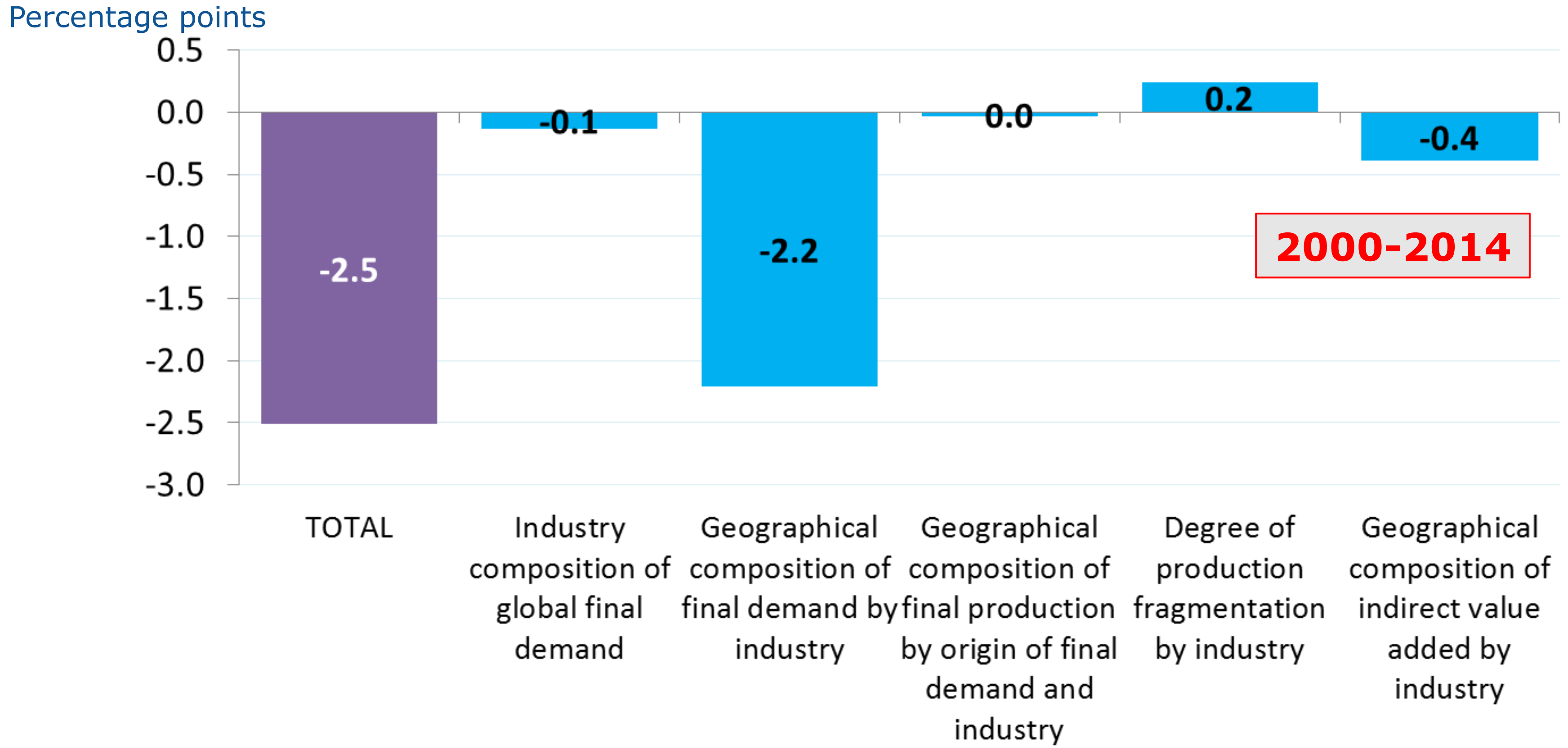




European Commission

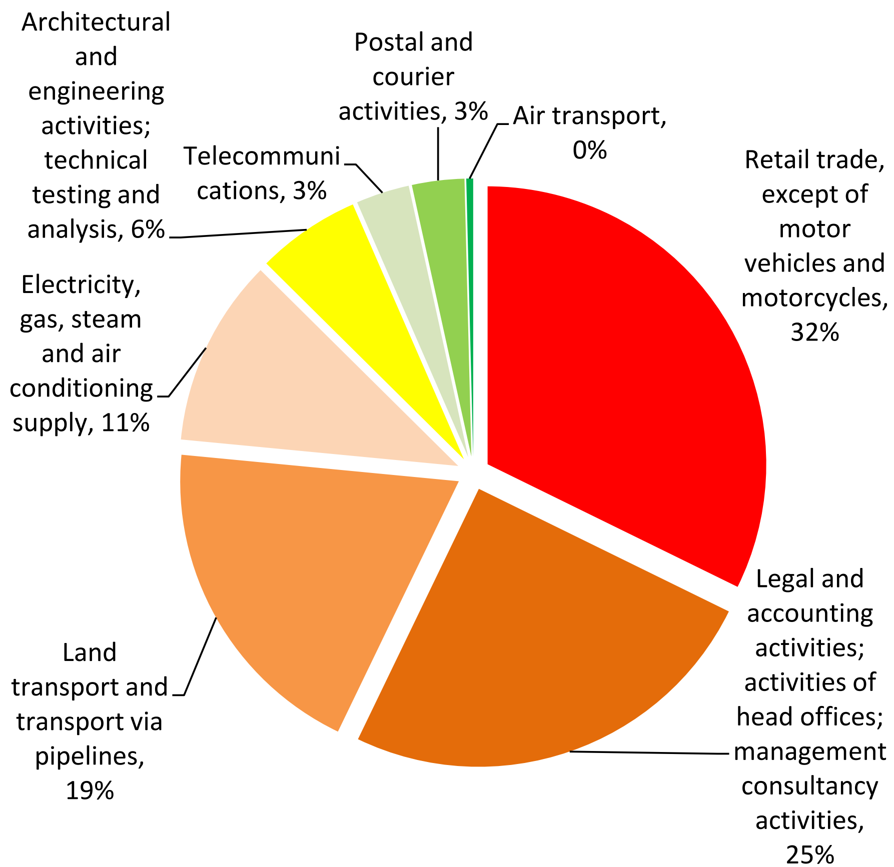
The geographic fragmentation of production is not the main reason explaining EU's loss of global market share

Contribution to the change in global value added of the EU by factor



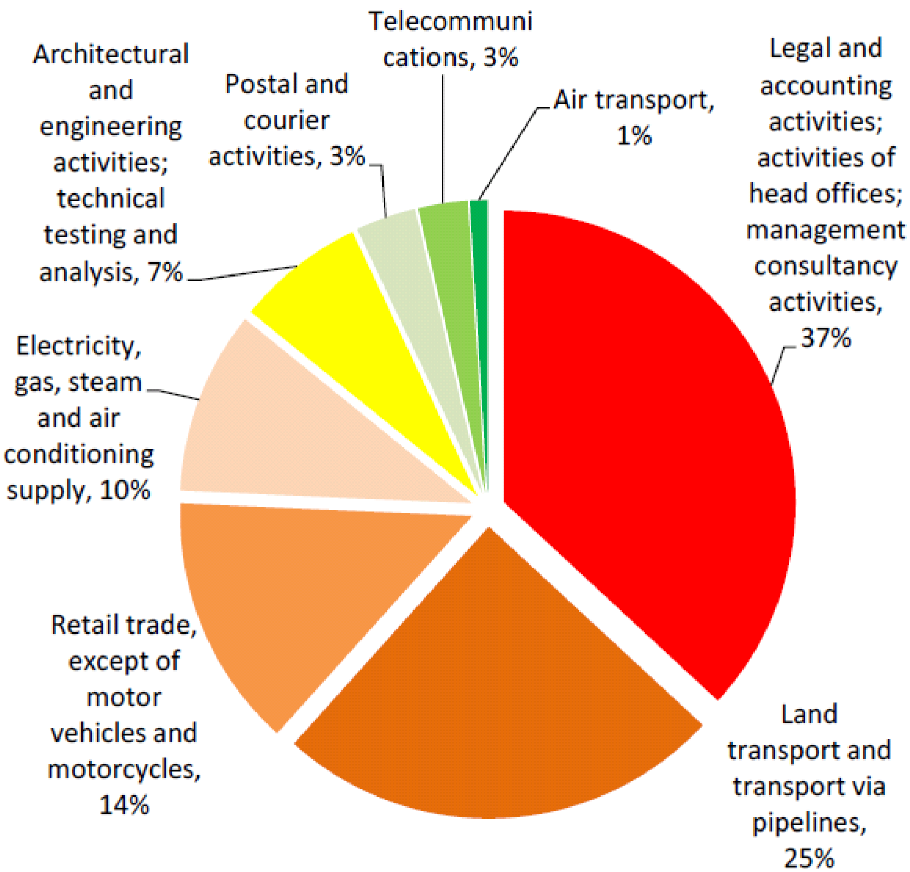
Regulatory restrictions in services spill over to other countries and sectors

Importance of embodied regulation by sector or origin



Importance of embodied regulation by sector of origin

By regulated industry

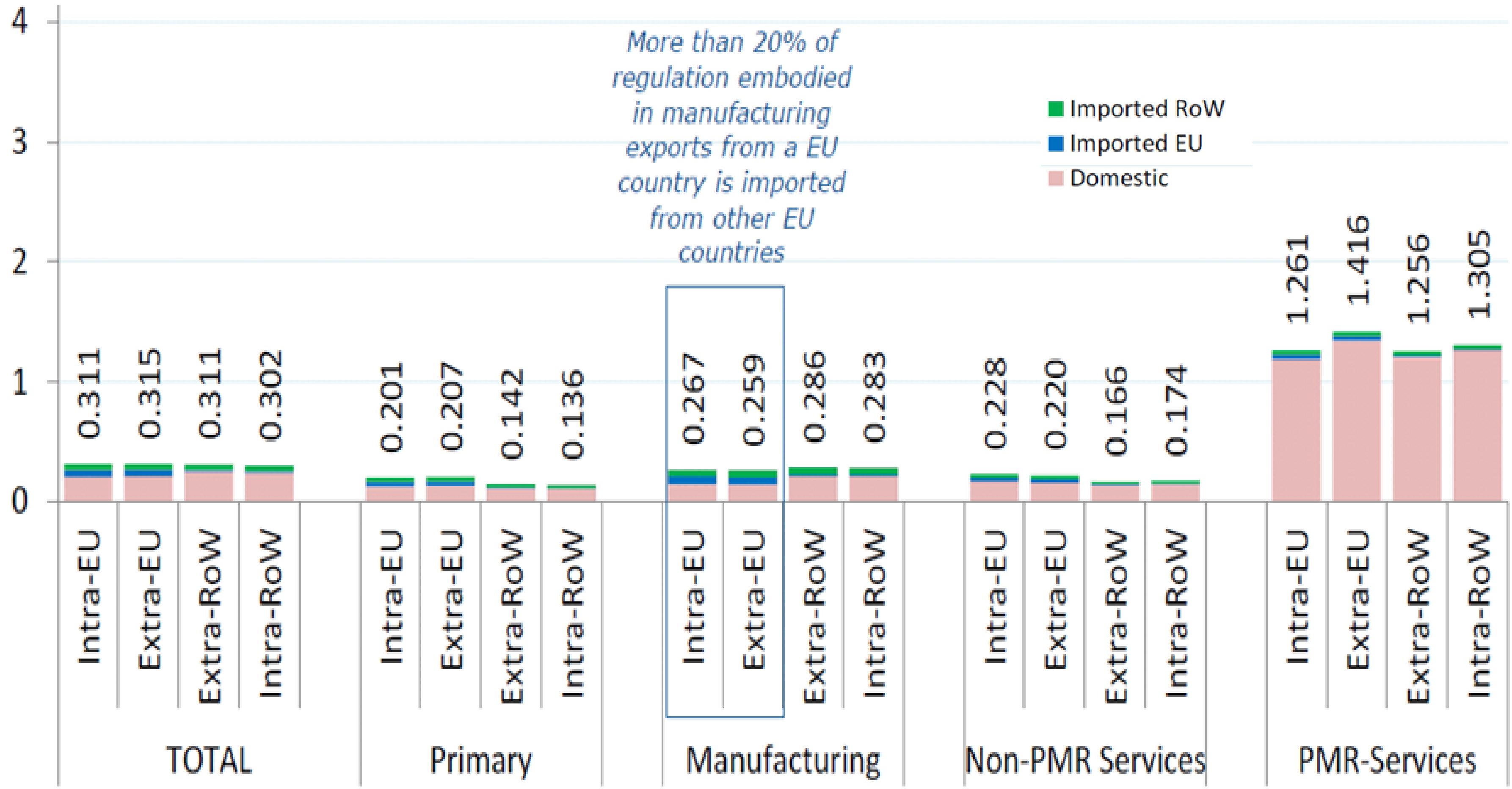


By export flow, country-industry: top 10

#	C_code	Country	NACE	Industry	% total	Cum. %	
Intra-EU trade							
1	DEU	Germany	M69_M70	Legal and accounting activities; activities	7.6%	7.6%	
2	NLD	Netherlands	M69_M70	Legal and accounting activities; activities	6.4%	14.0%	
3	BEL	Belgium	M69_M70	Legal and accounting activities; activities	5.8%	19.8%	
4	FRA	France	M69_M70	Legal and accounting activities; activities	5.2%	24.9%	
5	FRA	France	H49	Land transport and transport via pipeline	4.0%	29.0%	>25
6	ITA	Italy	H49	Land transport and transport via pipeline	3.9%	32.8%	
7	BEL	Belgium	G47	Retail trade, except of motor vehicles an	2.8%	35.7%	
8	DEU	Germany	H49	Land transport and transport via pipeline	2.6%	38.3%	
9	POL	Poland	G47	Retail trade, except of motor vehicles an	2.6%	40.9%	
10	DEU	Germany	M71	Architectural and engineering activities;	2.5%	43.4%	
Extra-EU trade							
1	DEU	Germany	M69_M70	Legal and accounting activities; activities	9.8%	9.8%	
2	FRA	France	M69_M70	Legal and accounting activities; activities	5.8%	15.6%	
3	FRA	France	H49	Land transport and transport via pipeline	5.1%	20.6%	
4	BEL	Belgium	M69_M70	Legal and accounting activities; activities	4.8%	25.4%	>25
5	ITA	Italy	H49	Land transport and transport via pipeline	4.1%	29.5%	
6	NLD	Netherlands	M69_M70	Legal and accounting activities; activities	3.9%	33.4%	
7	GBR	Inited Kingdor	M69_M70	Legal and accounting activities; activities	3.0%	36.4%	
8	DEU	Germany	H49	Land transport and transport via pipeline	3.0%	39.4%	
9	DEU	Germany	M71	Architectural and engineering activities;	2.9%	42.3%	
10	ESP	Spain	H49	Land transport and transport via pipeline	2.5%	44.8%	

Regulatory restrictions in services have a relatively important impact on manufacturing

Impact of embodied regulation on different sectors



Conclusions

- *Value chain views confirm some already known facts about the Single Market but they also give us some new insights about competitiveness and the importance of services.*
- *The global segmentation of production is one factor explaining the fall in EU global market shares but it is not the main one: Emerging economies.*
- *The importance of spillovers from regulatory burdens in services cannot be underestimated.*

Commissionner Bienkowska addressing Member States at Competitiveness Council 29/05/2017:

1. *Have Member States carried out analyses looking into their position in EU and global value chains?*
2. *Have Member States assessed the degree of interrelationships of their economy the Single Market?*
3. *In the opinion of Member States, which should be the priority areas for further work in the Value Chain analysis of the Single Market?*

DG GROW
Internal Market, Industry, SME and Entrepreneurship

Thank you!