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
Moving from “gross” trade to value added
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.
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**

<table>
<thead>
<tr>
<th>Percentage points</th>
<th>TOTAL</th>
<th>Industry composition of global final demand</th>
<th>Geographical composition of final demand by final demand industry</th>
<th>Geographical composition of final production by origin of final demand and industry</th>
<th>Degree of production fragmentation by industry</th>
<th>Geographical composition of indirect value added by industry</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>-2.5</td>
<td>-0.1</td>
<td>0.0</td>
<td>0.2</td>
<td>-0.4</td>
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*2000-2014*
Regulatory restrictions in services spill over to other countries and sectors
Importance of embodied regulation by sector or origin

- Retail trade, except of motor vehicles and motorcycles, 32%
- Legal and accounting activities; activities of head offices; management consultancy activities, 25%
- Land transport and transport via pipelines, 19%
- Electricity, gas, steam and air conditioning supply, 11%
- Telecommunications, 3%
- Architectural and engineering activities; technical testing and analysis, 6%
- Postal and courier activities, 3%
- Air transport, 0%
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- Telecommunications, 3%
- Architectural and engineering activities; technical testing and analysis, 6%
Importance of embodied regulation by sector of origin

By regulated industry

- Land transport and transport via pipelines, 25%
- Electricity, gas, steam and air conditioning supply, 10%
- Retail trade, except of motor vehicles and motorcycles, 14%
- Postal and courier activities, 3%
- Telecommunications, 3%
- Legal and accounting activities; activities of head offices; management consultancy activities, 37%
- Air transport, 1%
- Architectural and engineering activities; technical testing and analysis, 7%

By export flow, country-industry: top 10

<table>
<thead>
<tr>
<th>#</th>
<th>Code</th>
<th>Country</th>
<th>NACE</th>
<th>Industry</th>
<th>% total</th>
<th>Cum. %</th>
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<tbody>
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<td>Intra-EU trade</td>
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<td>DEU</td>
<td>Germany</td>
<td>M69_M70</td>
<td>Legal and accounting activities; activities</td>
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<td>2</td>
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<td>M69_M70</td>
<td>Legal and accounting activities; activities</td>
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<td>19.8%</td>
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<tr>
<td>4</td>
<td>FRA</td>
<td>France</td>
<td>M69_M70</td>
<td>Legal and accounting activities; activities</td>
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<td>24.9%</td>
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<tr>
<td>5</td>
<td>FRA</td>
<td>France</td>
<td>H49</td>
<td>Land transport and transport via pipeline</td>
<td>4.0%</td>
<td>29.0%</td>
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<tr>
<td>6</td>
<td>ITA</td>
<td>Italy</td>
<td>H49</td>
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<td>Retail trade, except of motor vehicles an</td>
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<td>Architectural and engineering activities</td>
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<td>43.4%</td>
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<tr>
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<td>Land transport and transport via pipeline</td>
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<td>44.8%</td>
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</table>
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.**
Commissioner 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!