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DA SEICENTO ANNI GUARDIAMO AVANTI.

Open Days 2009

Global challenges, European responses

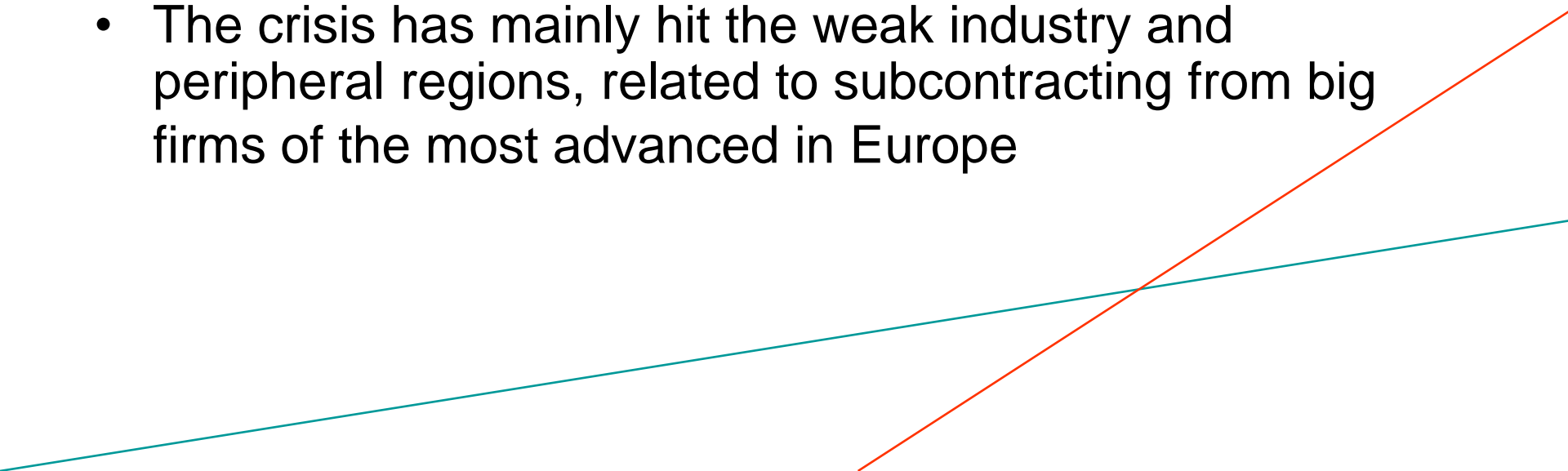
Regional responses to the global
economic crisis

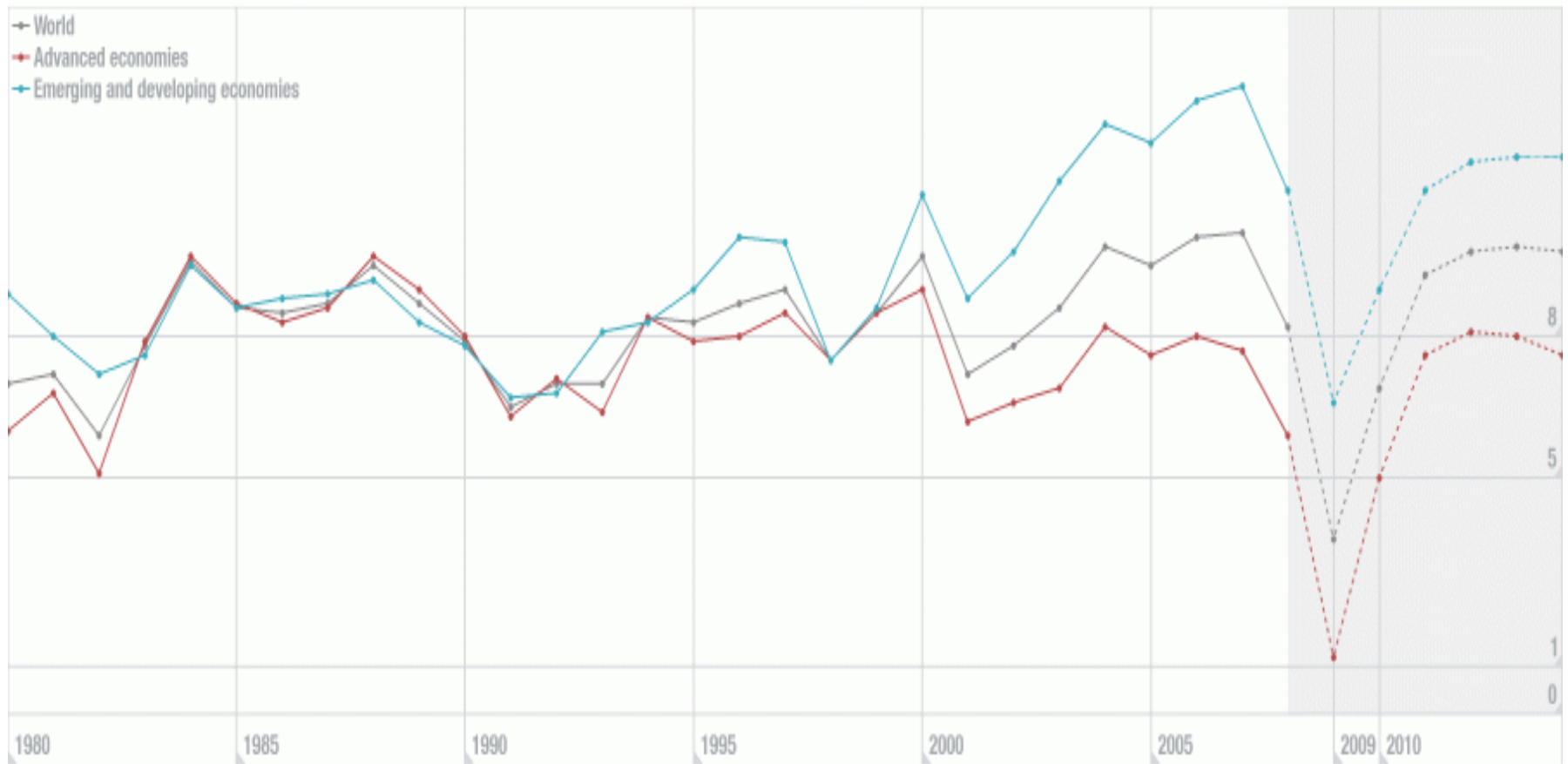
Patrizio Bianchi

University of Ferrara

7 October 2009

The crisis

- The global financial crisis is still showing with virulence different effects on real economy of European regions.
 - The sharp reduction in the value of wealth, the slowdown of credit, the contraction of the confidence of consumers and businesses slowed demand and production in advanced regions of Europe, where there are significant job losses.
 - The crisis has mainly hit the weak industry and peripheral regions, related to subcontracting from big firms of the most advanced in Europe
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- A decorative graphic at the bottom of the slide consists of two lines: a teal line that starts at the bottom left and slopes upward to the right, and a red line that starts lower and further to the right, also sloping upward to the right, crossing the teal line.



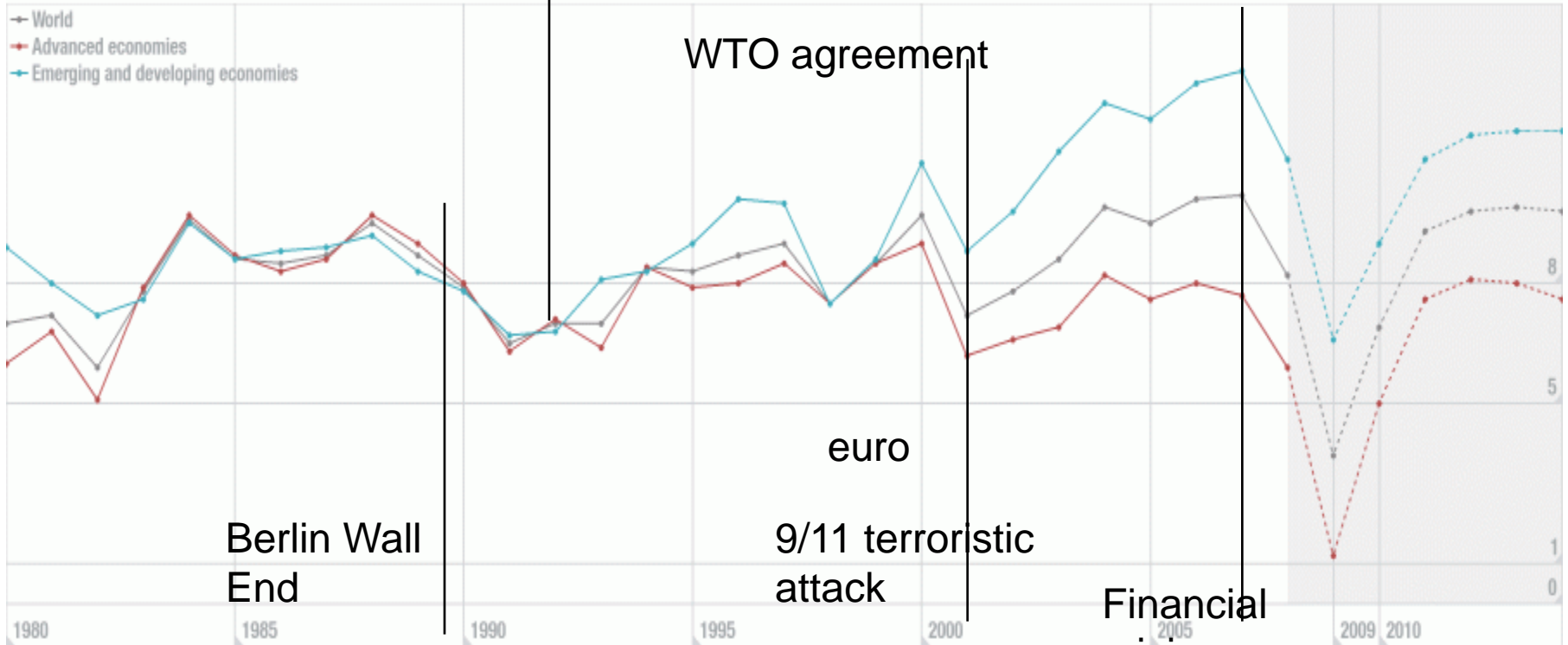
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financial crisis has highlighted the structural problems of industry and the limits of sustainability related to globalization: it was decided to expand to the whole world the same pattern of production and consumption first operating only in the advanced countries

IMF Data Mapper

globalization

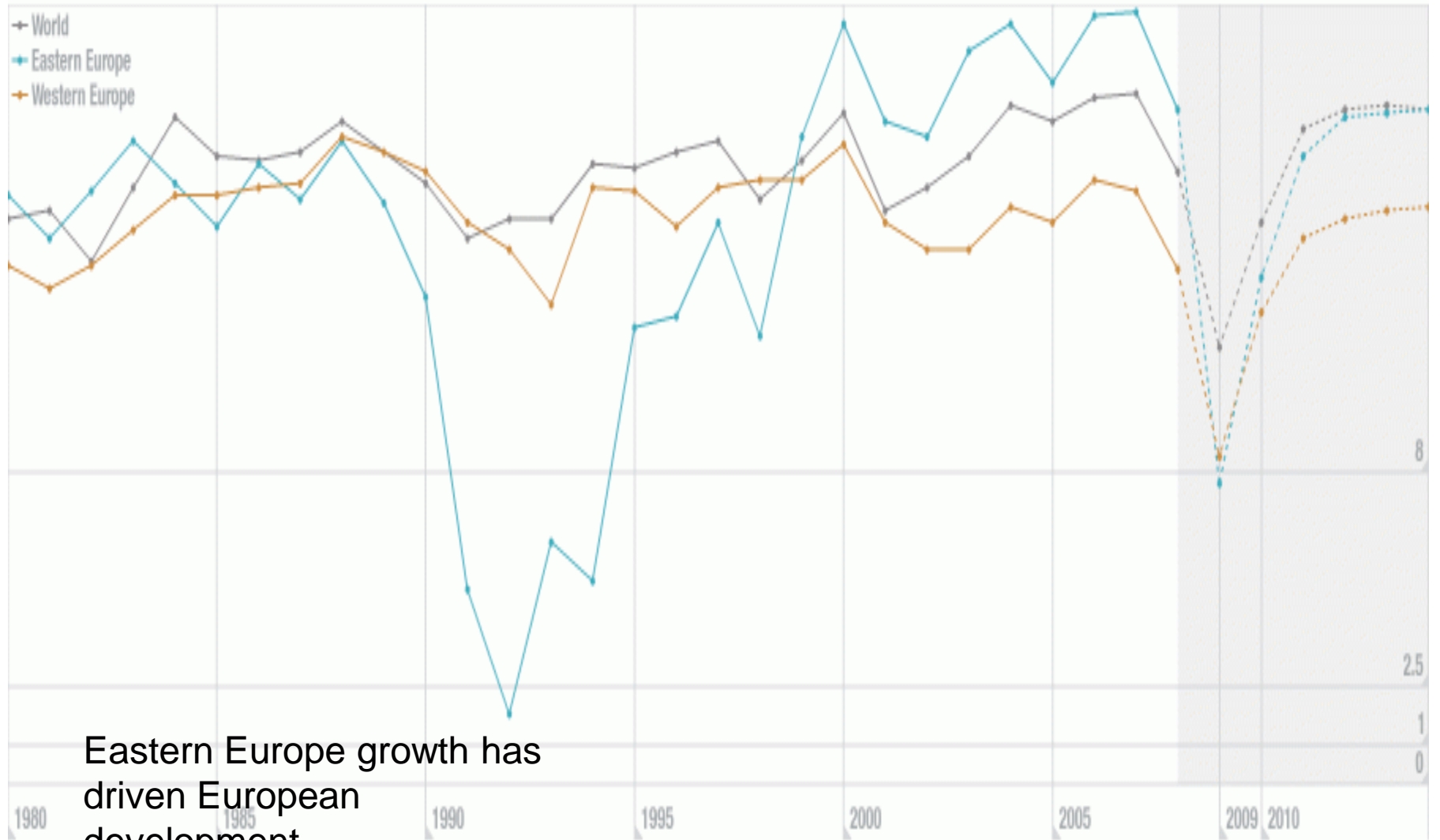
Real GDP growth (Annual percent change)



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Several political and economic events redesign the global context.

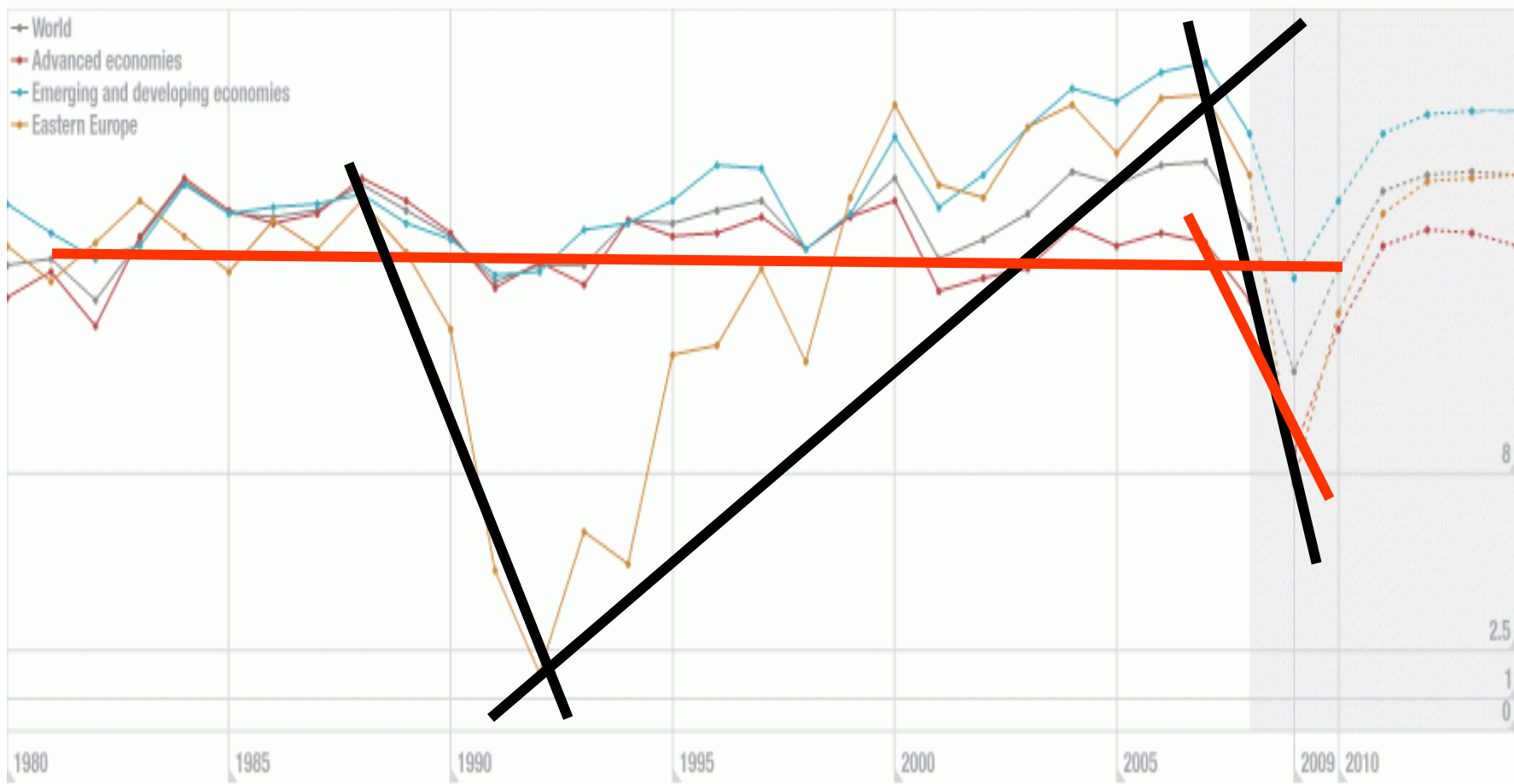
- Among the emerging economies most severely affected by the crisis include those central and eastern Europe.
- They suffer from the fall in demand from the euro area and a higher sensitivity to the outflow of foreign capital, the adoption date in the past of a development model that had made extensive use of external financing to support growth domestic demand, to attract delocalized production, to push export.



Eastern Europe growth has driven European development

IMF Data Mapper

Real GDP growth (Annual percent change)



Copyright: ©IMF, 2009 Source: World Economic Outlook (April 2009) (World Economic Outlook - April 2009)

- “As a result of the global turmoil, **capital flows** to Eastern Europe have been declined. Western European banks are no longer providing new funding to their local subsidiaries, and private sector credit growth has slowed, in many countries to near zero.”.

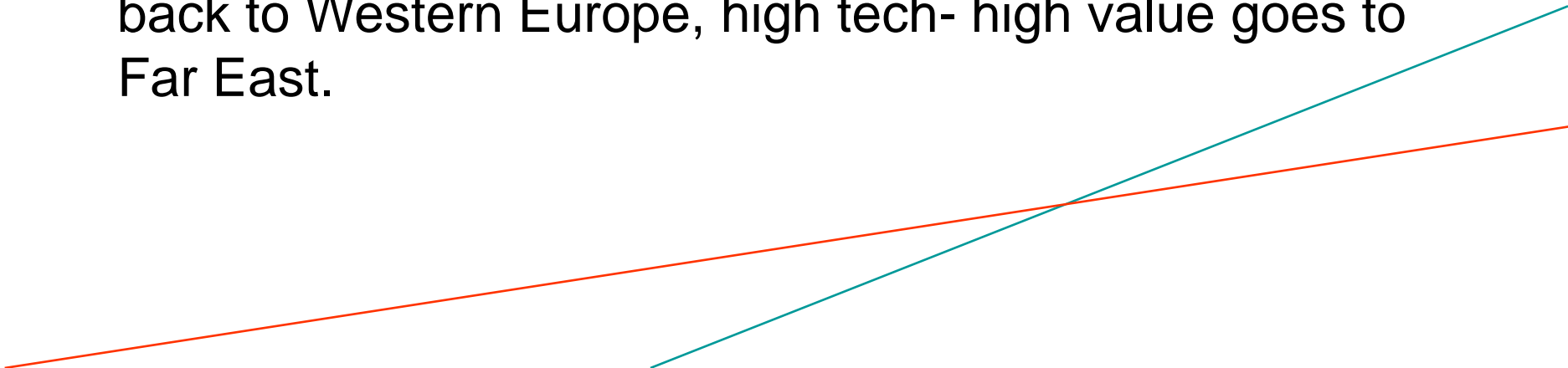
“At the same time, demand for Eastern Europe’s **exports** has shrunk, as its principal trading partners are in recession. With both exports and domestic demand shrinking, GDP in the region is declining”.

Statement by the IMF Staff Mission to Bulgaria

Press Release No. 09/134, April 22, 200

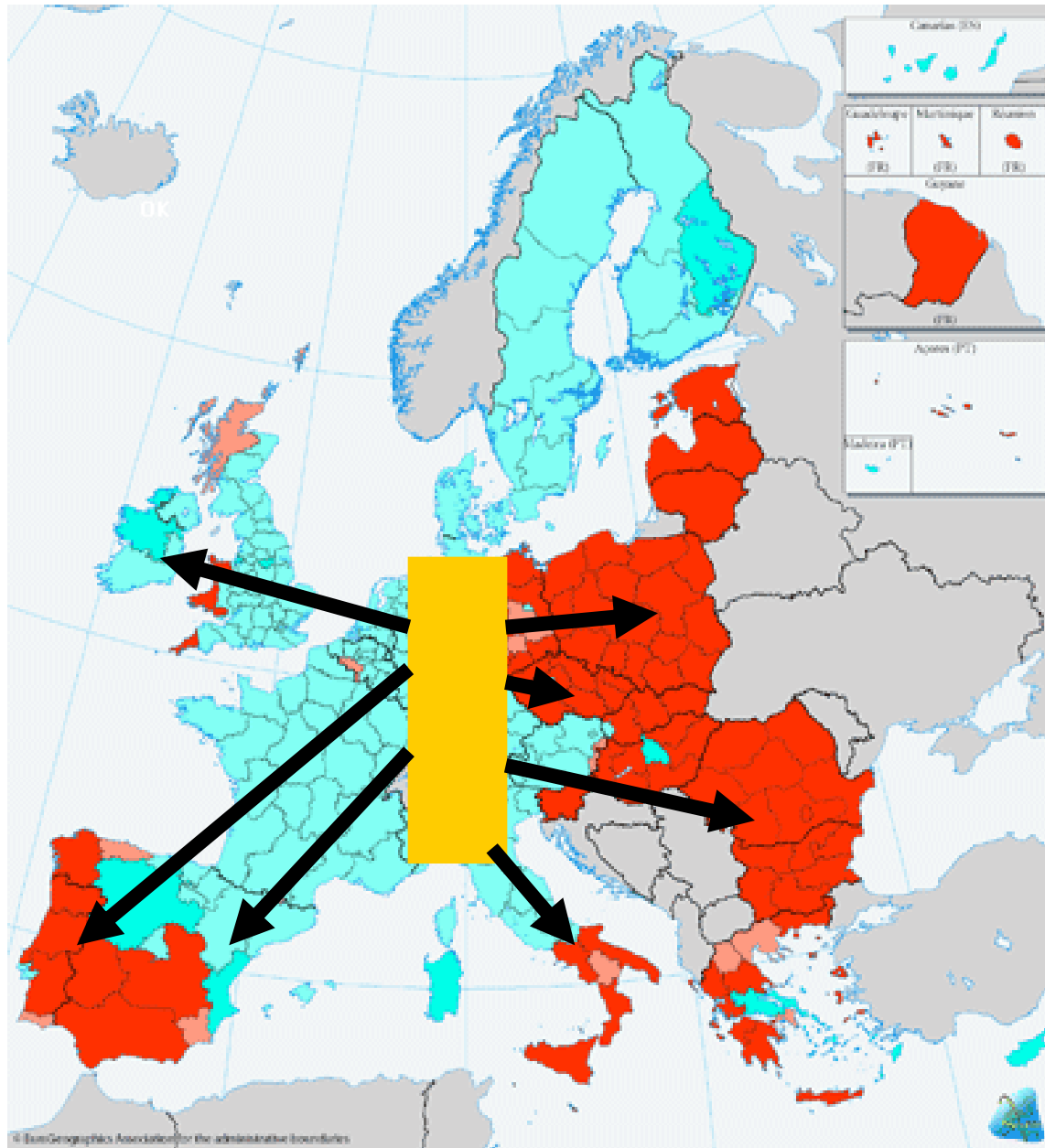
The role of Germany in the European economic dynamics

industrial supply chains

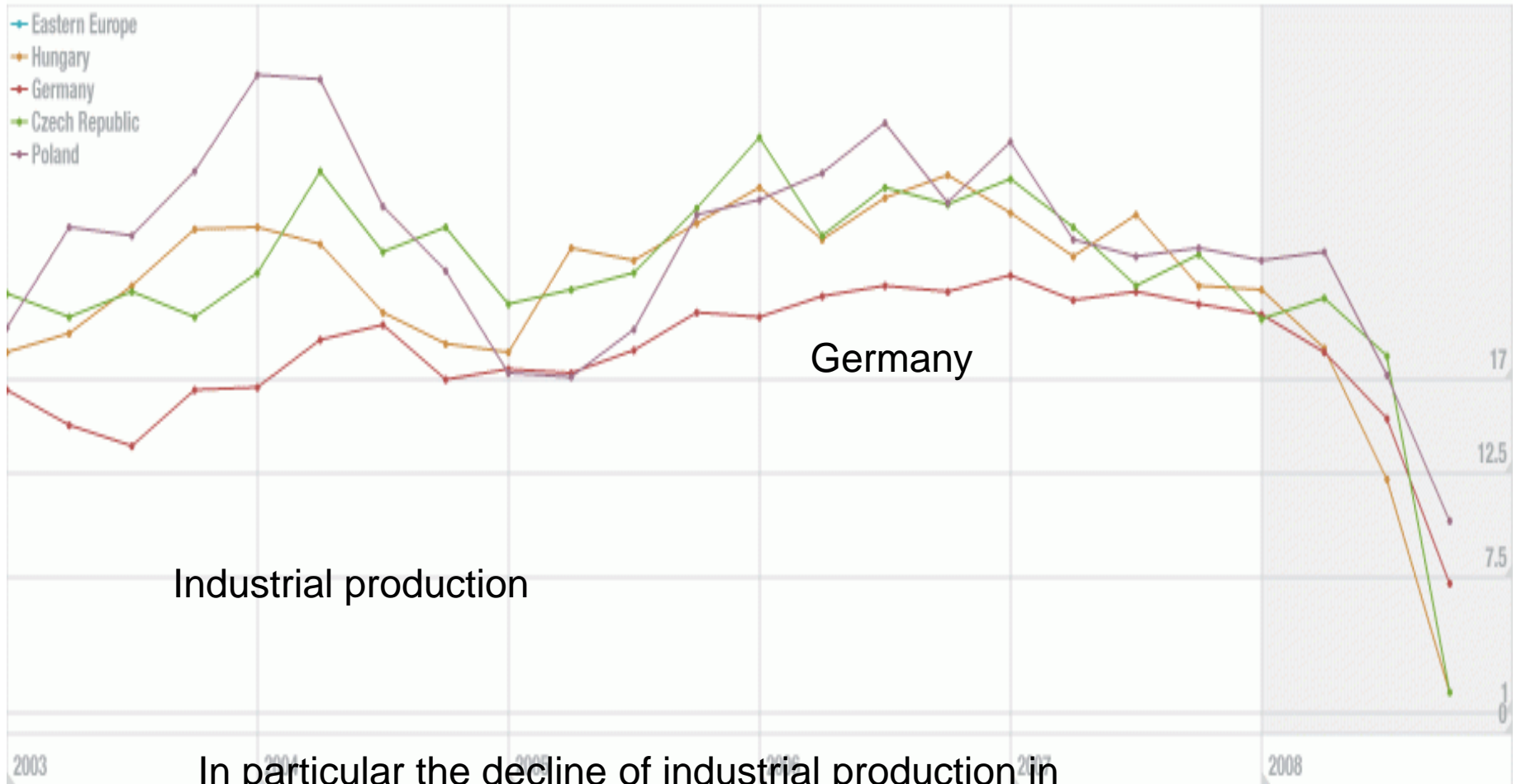
- The new members have become part of pan-European **supply chains**, especially in the automotive sector. Car production in this region doubled between 2000 and 2007, as western carmakers shifted manufacturing there. When global automotive demand collapsed, conveyor belts in Eastern Europe were idled.
 - The **risk** of an inversion of the production filiere length at global level: low tech-low value subcontracting comes back to Western Europe, high tech- high value goes to Far East.
- 

The process of European integration supported the delocalization of industrial activities from the center to the periphery

This process promoted the enlargement of subcontracting chain



The major impact of industrial crisis is the rapid weakening of the marginal subcontracting companies and the refocusing of European companies in the core plants in the central industrial area



Industrial production

Germany

In particular the decline of industrial production in Germany is driven the industrial trends of the CEEC

Source: IMF, 2009. Copyright IMF. IMF-ECB Statistics (IMF International Financial Statistics, 2009). Main Economic Indicators 2009, updated monthly)

1. Automotive sector:

- World overcapacity, the case of China.
- New products and environmental pressure.
- Merger & Acquisitions and reorganization of the entire subcontracting innovation process

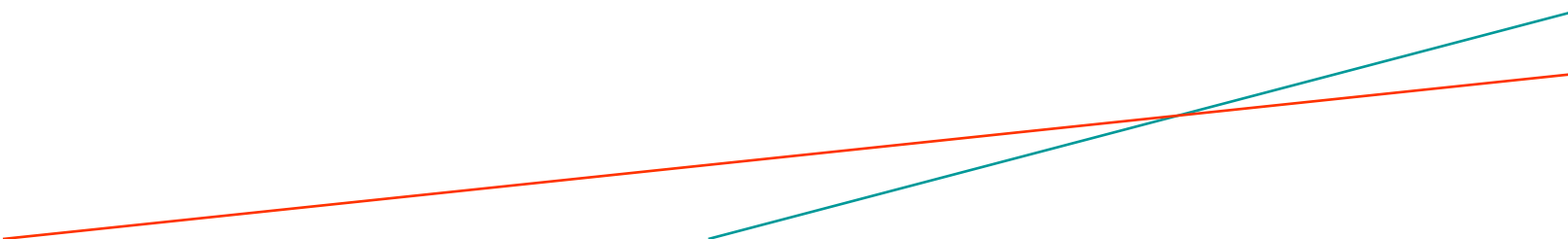
2. Textile and fashion:

- Fashion product delocalization and time-to-market reduction;
- redesign networks of production and distribution;
- it is necessary to fix quality and branding strategies

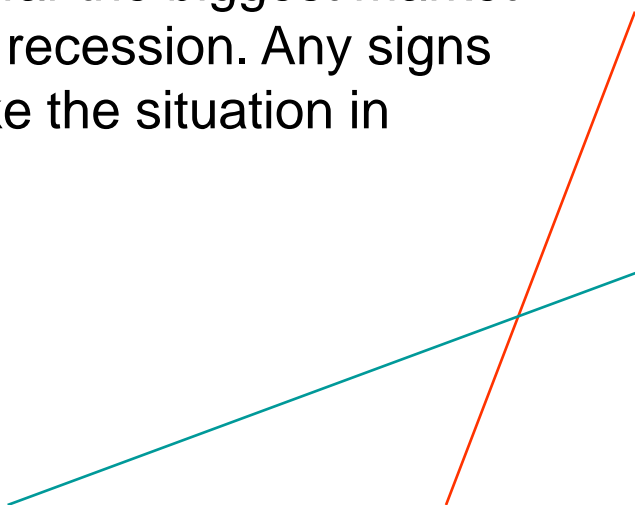
3. Energy sector:

- developing technology to shift away from oil dependence
- new technology for housing, urban planning, environmental management

Strategy elements

- the crisis is a powerful challenge to rethink the model of public regulation and production strategies of firms
 - this unprecedented crisis will reshape the industry in the world
 - the companies that successfully manage this change will be the leaders of the future
 - Regenerate the competitive advantages:
 - knowledge and human resources,
 - subcontracting networks and small firms,
 - fundamental research and diffusive technology,
 - new public goods and social responsibility
- 

Policies

- The first industrial policy is to restore the idea that production, work and learning are the true **wealth of nations**
 - The countries must move together, and we must strengthen common action to prevent the push to reduce the Single Market's aquis: we need of more "**Europe**"
 - It is important that the West European countries resist the temptation of **protectionism**. For many of the new member-states, exports account for 80-90 per cent of GDP. By far the biggest market for all of them is the eurozone, which is now in recession. Any signs of protectionism in Western Europe would make the situation in Central and Eastern Europe a lot worse.
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Recent publications:

- High technology, productivity and networks: a systemic approach to the development of SMEs (con R.Sugden e D.Parrilli), Palgrave-Macmillan, Londra, 2008
- International Handbook of Industrial Policy (con S.Labory), E.Elgar Pu., Londra, 2006
- The Economic Importance of Intangible Assets (con S.Labory), Ashgate Pu., 2004, Londra
- Technology, Information and Market Dynamics, Topics in Advanced Industrial Organization (con L.Lambertini), E.Elgar Pu., Londra, 2003