



Session 2 - Global & Regional Value Chains for a sustainable transformation

The EU approach to GVCs:
exploiting potential while addressing challenges



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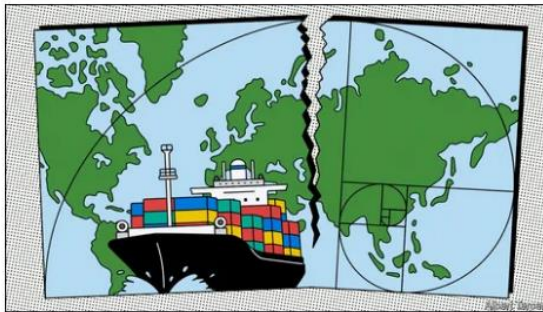
The approach to global value chains

Fast-changing global dynamics ...

Briefing | Chain reaction

The structure of the world's supply chains is changing

The pandemic and war in Ukraine have speeded up the transformation



Source: Economist (16/6/22)

US-China trade dispute + Add to myFT

How to navigate the US-China trade war

Global supply chains are at risk as the world's two biggest economies threaten to decouple



Source: Financial Times (28/2/20)

... influence the EU's GVC approach

A careful balance between exploiting potential while addressing challenges

Exploit potential: use GVCs as source of productivity growth for EU, including for SMEs

Address challenges: tackle risks of GVCs on resilience, unfair competition and social & environmental standards



Opinion EU economy

Europe needs more factories and fewer dependencies

The twin shocks of Covid and the war economic sovereignty

EMMANUEL MACRON + Add to myFT



The Big Read Supply chains + Add to myFT

Supply chains: companies shift from 'just in time' to 'just in case'

Business rethink **A fertilizer shortage, worsened by war in Ukraine, is driving up global food prices and scarcity**

Source:

PUBLISHED WED, APR 6 2022-10:57 AM EDT | UPDATED WED, APR 6 2022-9:51 PM EDT

Patric Domini @IN/PATTI-DOMM-9224864 SHARE f t in

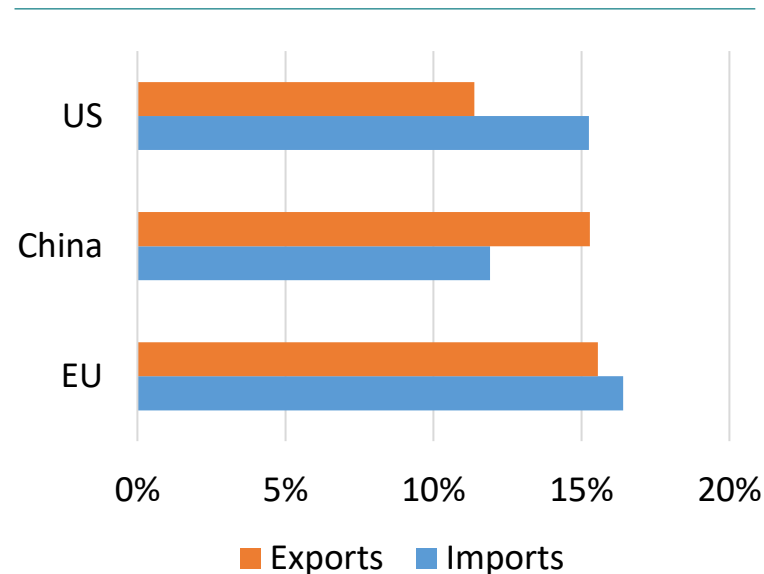
The potential of GVCs for productivity growth

EU has long-term challenges ...

- Slow productivity growth, particularly in services
- An ageing population
- Intense global competition for leadership in critical technologies and access to critical inputs

... but remains #1 global trader ...

(% of global exports, good and services, 2022)



Source: European Commission, GROW A1, based on WTO

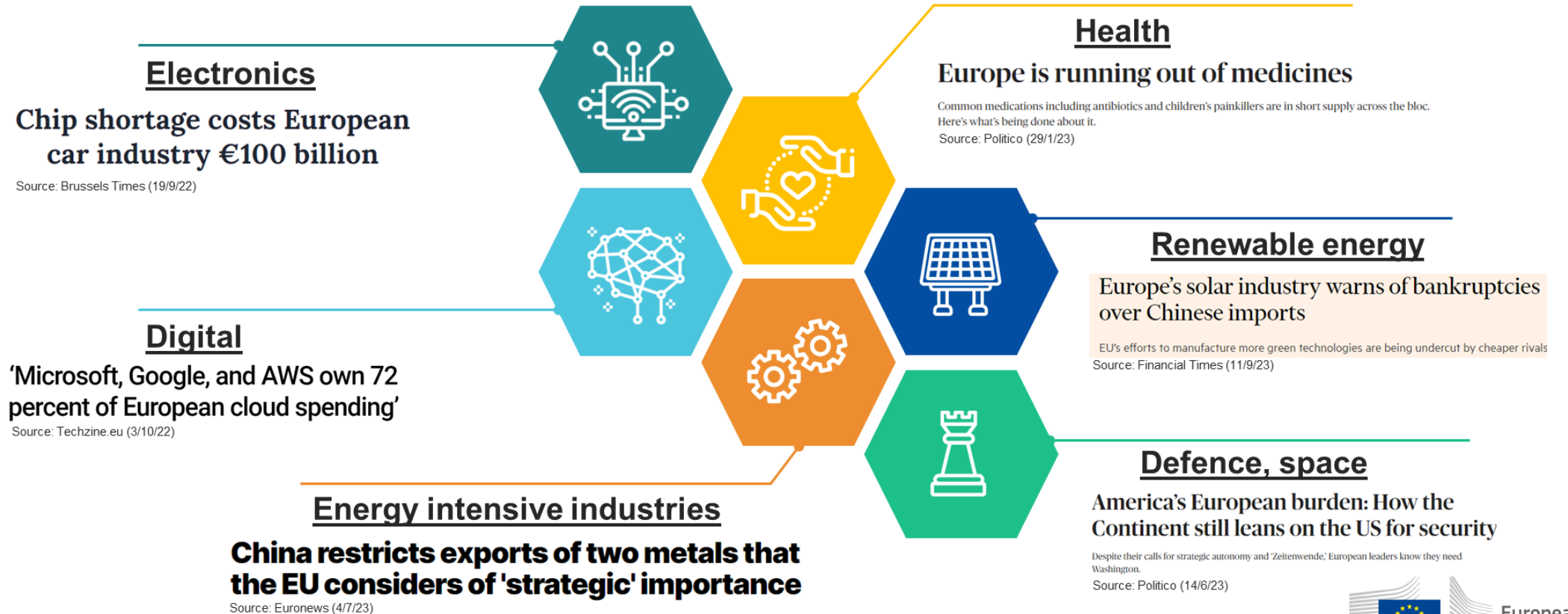
... and GVCs bring big leverage to boost productivity growth

- New trade agreements (e.g. Chile, NZL and KEN) and cooperation forms (e.g. TTC)
- Specific actions to support SME internationalization (e.g. Enterprise Europe Network)
- Other support tools (e.g. standardisation)

Challenge 1: dependencies to resilience (1/5)

*“We have seen real bottlenecks along **global supply chains**, including because of the **deliberate policies of other countries**”*

Ursula von der Leyen (2023 State of the Union)



Challenge 1: dependencies to resilience (2/5)

Distribution of 204 EU dependencies across origins (#products)

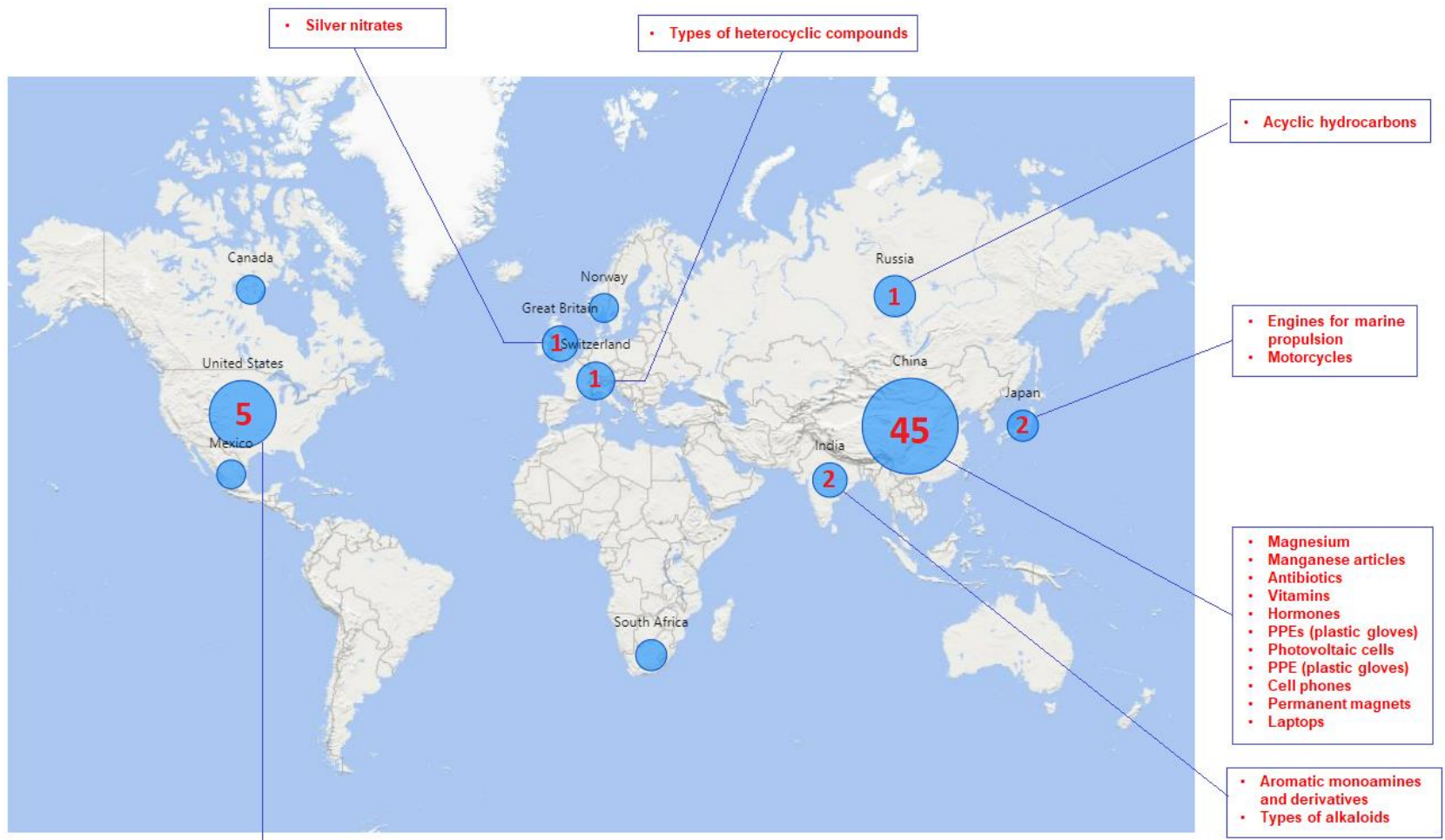


Note:
The examples represent the top 2 dependent products in terms of value of imports for each origin.

Source: European Commission, DG GROW Chief Economist Team computations based on the *Trade-Figaro-Eurostat* Dataset.

Challenge 1: dependencies to resilience (3/5)

Distribution of choke points across origins (#products)

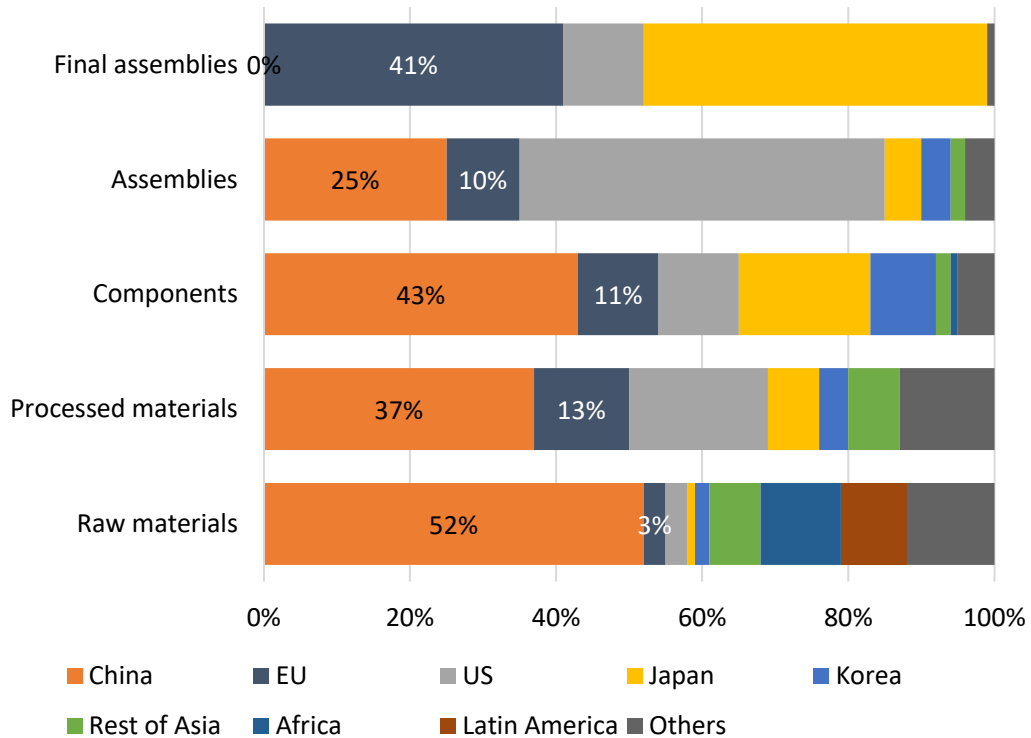


Note:
The examples represent the top 20% products in terms of risk of SPOFs.

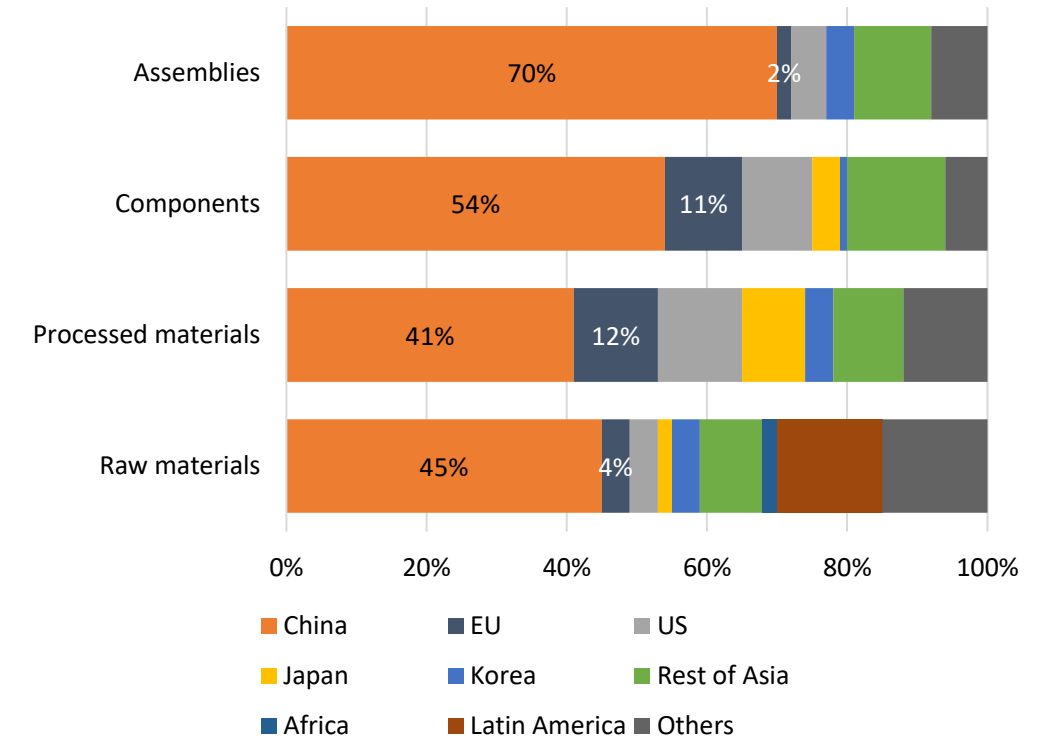
Source: European Commission, DG GROW Chief Economist Team computations based on the *Trade-Figaro-Eurostat* Dataset.

Challenge 1: dependencies to resilience (4/5)

CN dominating upstream parts of value chain
Example: robotics



CN dominating the entire value chain
Example: solar panels



Challenge 1: dependencies to resilience (5/5)

Toolbox to reduce and prevent strategic dependencies

- “Partnerships whenever possible, building capacities whenever necessary”
- In support of industry’s efforts, which play a key role

1) Strengthening and diversifying external trade



2) Strengthening EU strategic capacity (e.g. critical raw materials act, net-zero industry act)



3) Getting a better grasp of strategic dependencies



Challenge 2: fair and open competition

*“Our industry and tech companies **like** competition. [...] But competition is **only true** as long as it is **fair**. [...] We **have not forgotten** how China's **unfair trade practices** affected our **solar industry**.”*

Ursula von der Leyen (2023 State of the Union)

Examples of EU tools

EU trade defence policy

- Aim: protecting European production against international trade distortions
- Includes e.g. anti-dumping, anti-subsidy measures

EU to launch anti-subsidy probe into Chinese electric vehicles

Investigation could lead to tariffs on country's manufacturers

Source: Financial Times (13/9/23)

Foreign subsidies regulation (in force since Jan 2023)

- Aim: address potential distortive effects of foreign subsidies in the Single Market
- The Commission can investigate financial contributions granted by non-EU countries benefiting companies active in the EU and redress their distortive effects as relevant

The EU Foreign Subsidies Regulation: Start Your Engines

Jay Modrall (Norton Rose Fulbright, Belgium) / July 14, 2023 / [Leave a comment](#)

Source: Kluwer Competition Law Blog (14/7/23)

Challenge 3: environmental and social risks

*“There is a deeper unease by many **emerging economies** about the way institutions and globalisation work for them. [...] These emerging economies are **essential allies** in building a cleaner, safer and more prosperous world. [...] We want to lead efforts to make the rules-based order **fairer** and make distribution **more equal**.”*

Ursula von der Leyen (2023 State of the Union)

Example of EU tool

Proposal for a Directive on corporate sustainability due diligence

- Aim: foster sustainable and responsible corporate behaviour throughout global value chains
- Includes: obligation for companies to identify, bring to an end, prevent, mitigate and account for negative human rights and environmental impacts in their own operations, subsidiaries and value chains

European companies forced to take a closer look at supply chains

New laws and shortcomings of just-in-time logistics mean businesses pay more attention to due diligence

Source: Financial Times (20/9/22)

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Negotiations on EU due diligence rules expected to pick up speed in September

By Silvia Ellena | EURACTIV.com © Est. 4min

Jul 12, 2023

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Source: Euractiv (12/7/23)

