

EIB Economics Conference 2015

Investment and Investment Finance in Europe: Investing in
Competitiveness and Innovation

Panel I:

European Competitiveness in an Open World

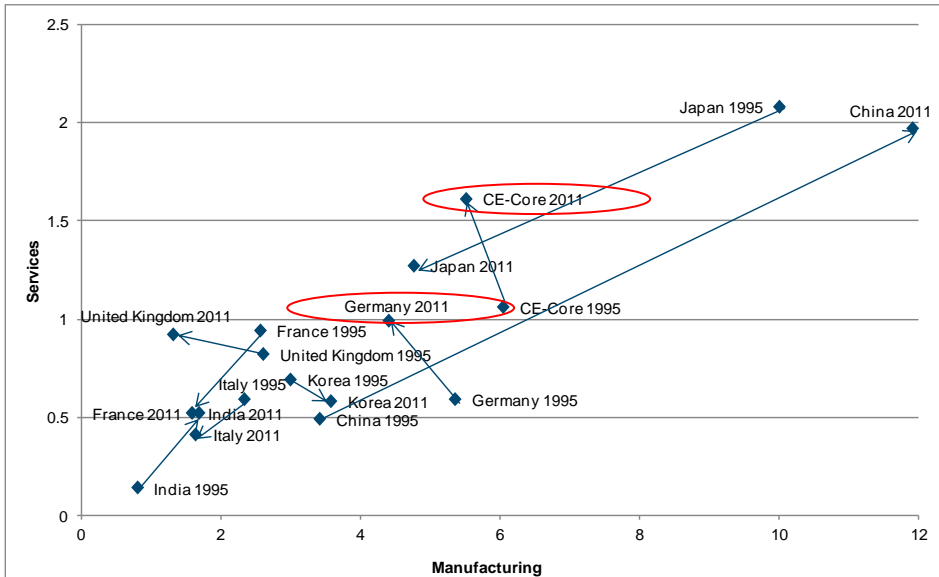
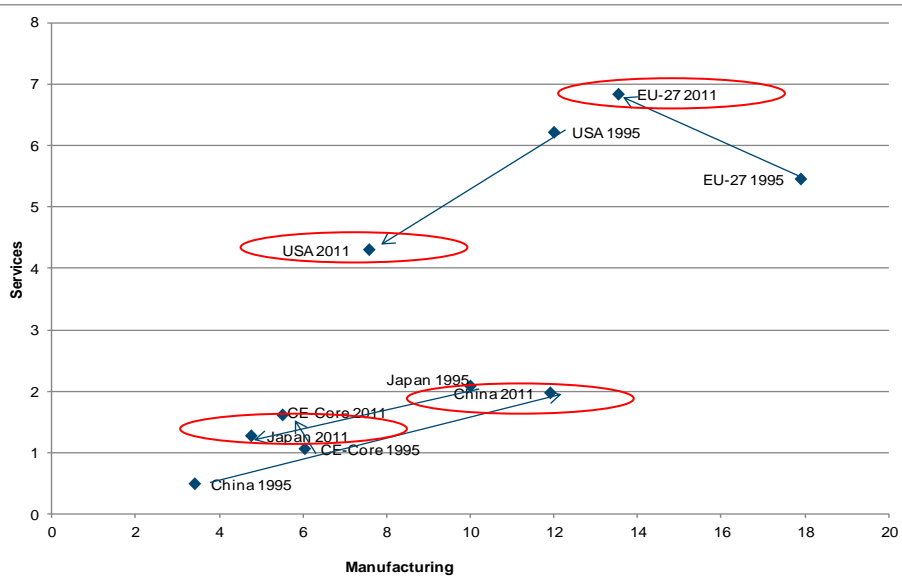
Michael Landesmann

European Competitiveness in an Open World:

Four Main Theses

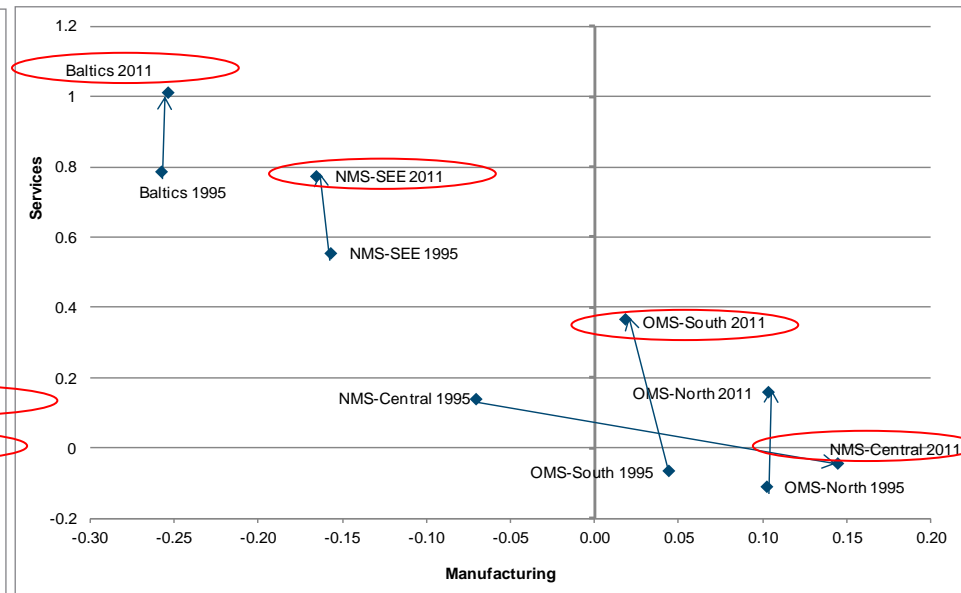
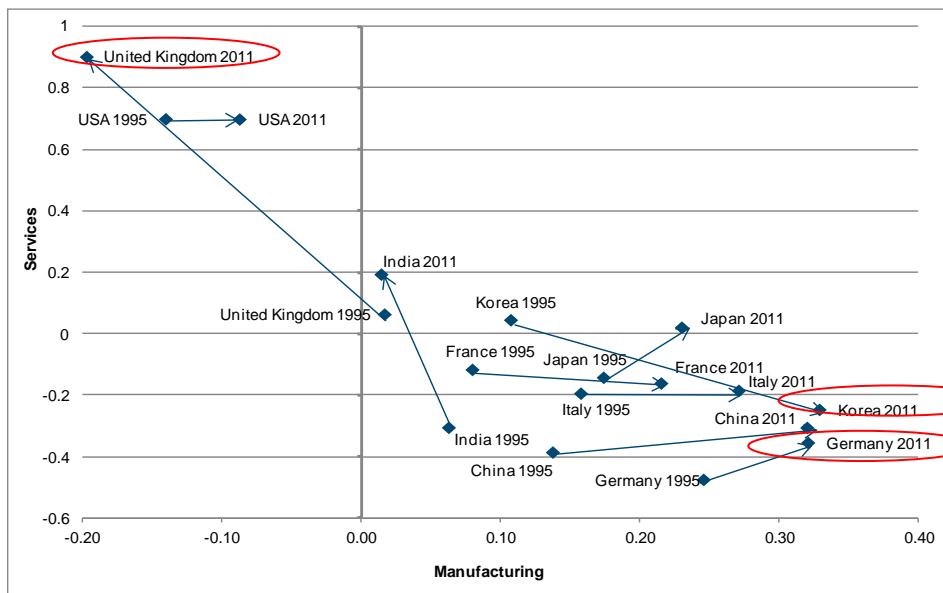
- Europe is not doing too badly in terms of competitiveness compared to other advanced economies (USA, Japan)
- In manufacturing there is an increasing concentration on a ‘Central European Manufacturing Core’
- Main challenges: adjustment w.r.t. global industrialising and ‘upgrading’ EMEs (China, India, etc.); ‘frontier’ innovation; periphery
- **2 problem areas:**
 - advanced European economies which have de-industrialised but are not that successful as business services exporters
 - peripheral/lower income regions which are not linked to cross-border production networks – danger of increasing peripherisation

World market export shares (value added) 1995-2011: share of exports in total global exports (in %) - extra EU27 trade only

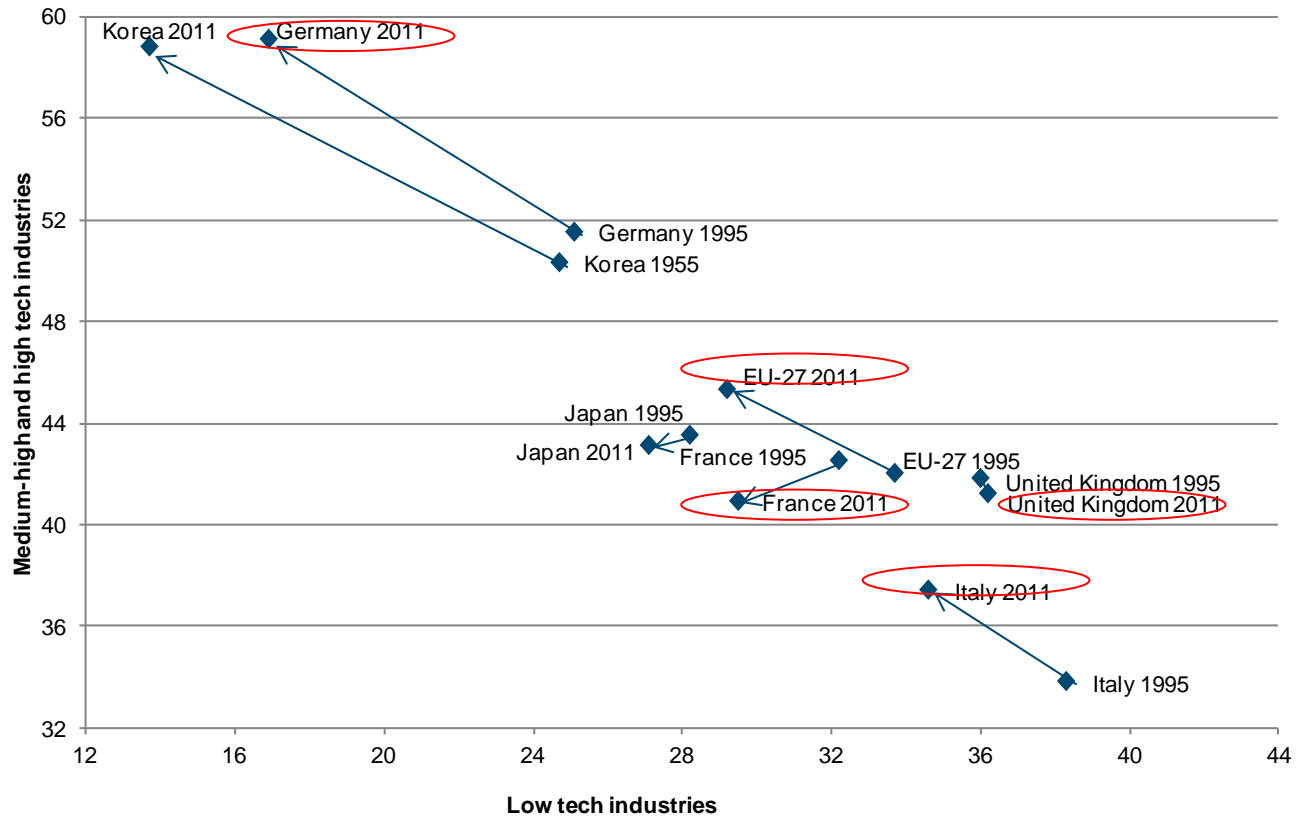


Revealed Comparative Advantage (RCA)

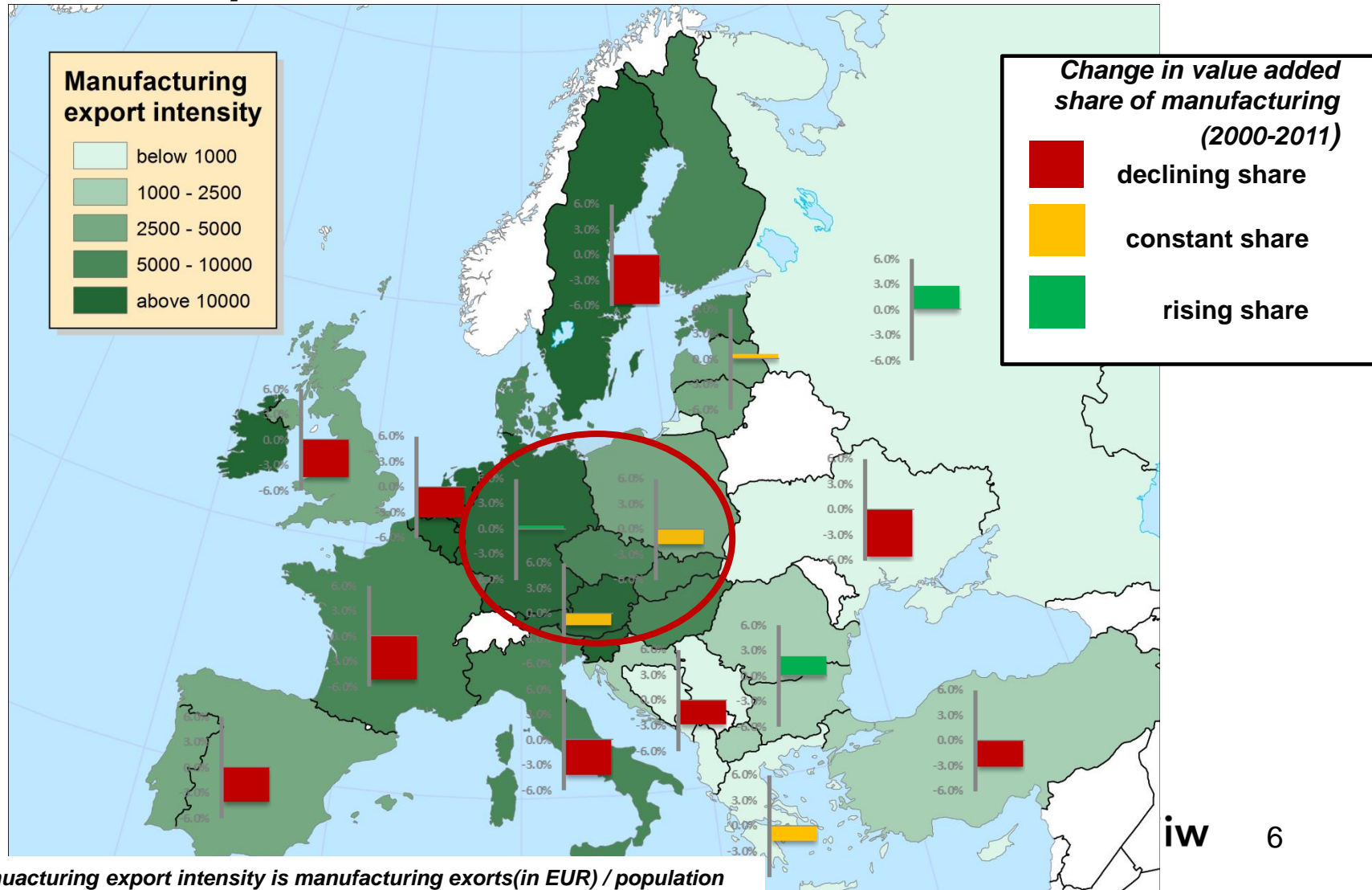
Manufacturing and Services, 1995 and 2011



Share of industry groups in % of manufacturing GDP – MHT vs. LT industries 1995-2011

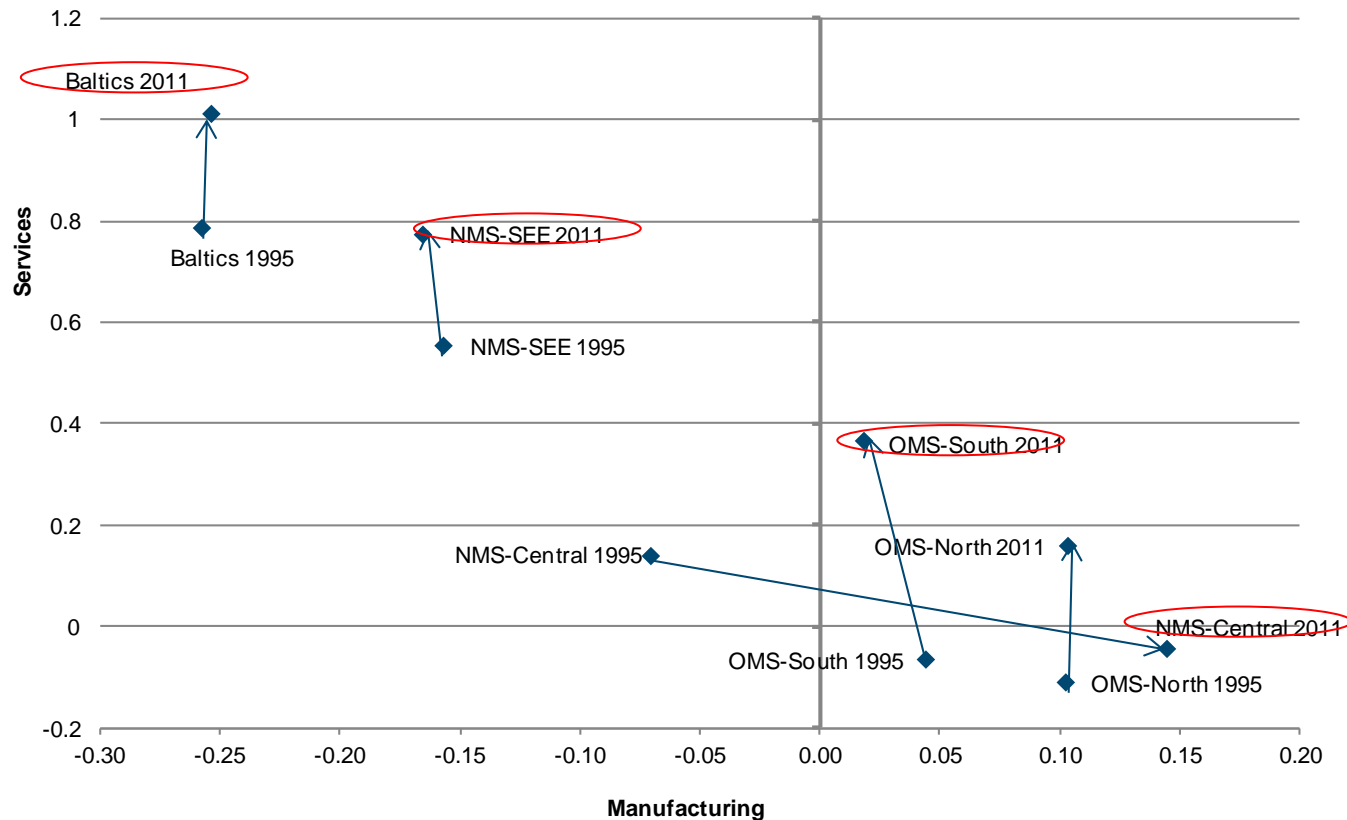


Manufacturing activity is increasingly concentrated in a Central European Core



Note: Manufacturing export intensity is manufacturing exorts(in EUR) / population

Revealed Comparative Advantage (RCA), Manufacturing and Services, 1995 and 2011



European Competitiveness in an Open World: Main Worries

- **Hyper-concentration of manufacturing in Central European Manufacturing Core**
- **Weaknesses in some advanced European economies in alternative export areas**
- **Belt of Europe's low-/medium-income economies in danger of peripherisation and chronic current account problems**
- **Recipes:**
 - **innovation and education policies in advanced economies**
 - **education, FDI, infrastructure policies, ease of business policies in Europe's periphery; concentration on tradable sector**