

Resilience in turbulent times

Global trends as a basis for regional policies

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The Danube Region at the turn of times

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The starting point

- Single Market, but Europe of “different speeds”
 - E.g., catching-up and EU integration processes of CEE, sluggish performance in Southern Europe
 - Vast regional differences
- The “*twin transition*” is already happening
 - Carbon neutrality to combat climate change. The biggest threat modern humans have ever faced (UN)
 - Digitalisation – a technological megatrend
- Uncertainty increases and multiple policy objectives emerge ...
- ... trade wars over supply chains & tech control

Geopolitics in conflict with market mechanisms

- (International) Division of labour is a long-established driver of economic growth
 - “The wealth of nations” by Adam Smith (1776)
 - Yet, it creates risks such as dependencies and “beggar-thy-neighbour” practices
 - Defence is typically excluded as a “higher good”
- More recently, geopolitical interests have increasingly interacted with global trade.
 - Politics and security concerns challenge the market-driven division of labour
 - Goods and services needed for the „twin transition“ are particularly affected

Last week's developments in the chip tech battle

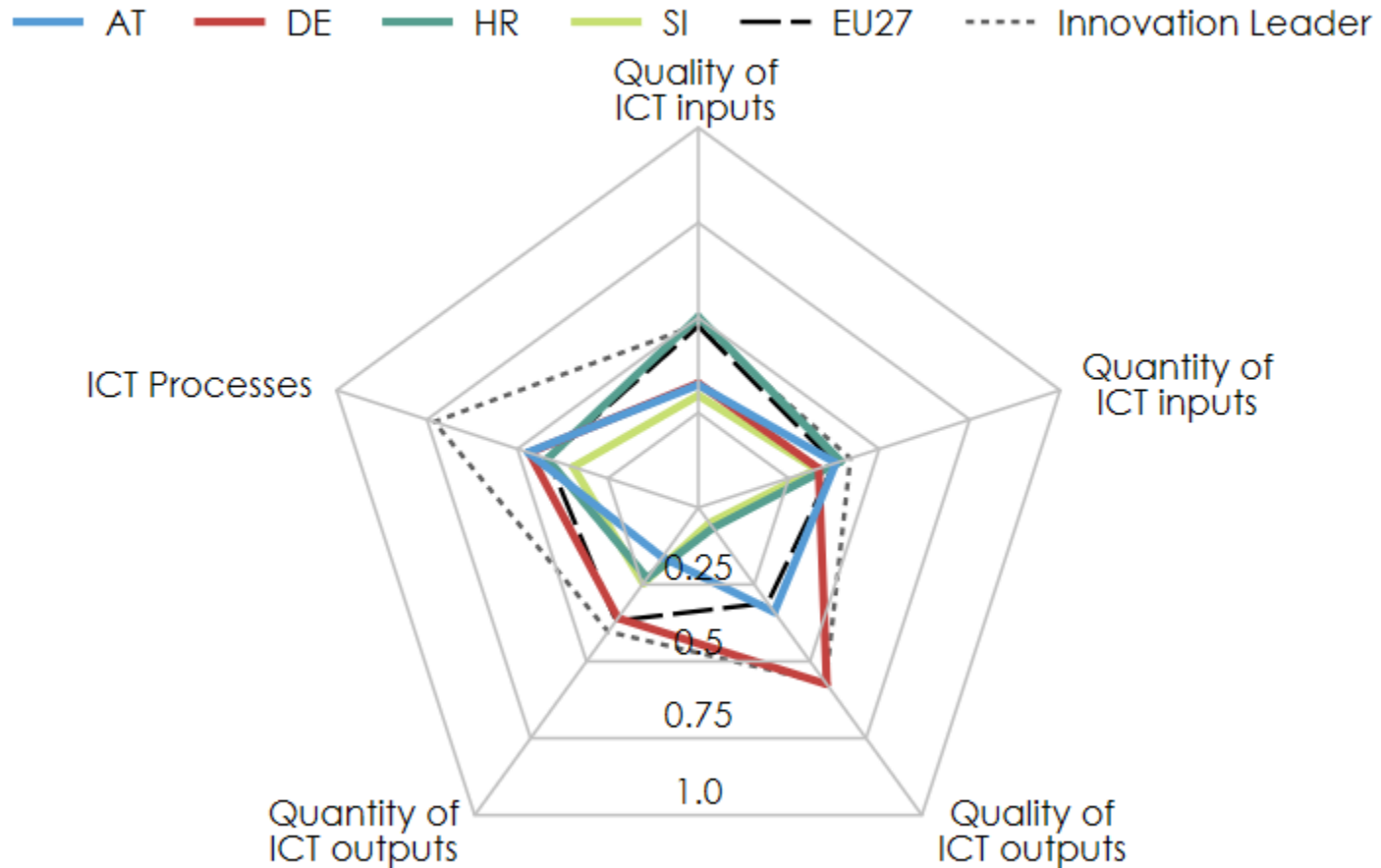
- China imposed export curbs of critical rare earths
 - Germanium and Gallium, which are key to the CT, defence and renewable energy sectors. They are hard to substitute
 - E.g., semiconductors, fibre optic cables, infrared radiation
 - Reaction to measures by US, EU and Japan
- Japan Investment Corporation (JIC) buys shares of component manufacturer JSR (Japan Rubber Synthetic Corporation)
 - JSR controls critical steps of the value chain
 - JIC supports interest in Japan's int'l competitiveness. 6.4 USD, Company will be delisted
- Resource nationalism is economically motivated, and comes at a time when global decarbonisation is the utmost priority
- Economic decoupling costly, autarky (if possible) more so
- Where does the EU position itself?

Source: <https://theconversation.com/chinas-gallium-and-germanium-controls-what-they-mean-and-what-could-happen-next-209156>;
<https://www.reuters.com/markets/deals/shares-japans-jsr-untraded-surprise-possible-buyout-2023-06-26/>

The aggregate trade structure of the EU and some recent trends

- EU's GDP in 2021: ca. 14.450 bn € (not a welfare measure)
- USA and UK are the EU's biggest trading partners. China ranks third, and is therefore less dominant than often presumed.
 - Yet, dominance in technologies that are key to the transition
- Globalisation of trade in goods has lost momentum since the mid-2000s
- Economic Integration is more than trade in goods. Especially services are important, too
- Value chains have become slightly less internationalised (but remain at a high level)
- Global production is one side of the coin. Local competitiveness is the other ...

Deep Dive: ICT performance across economies



Source: WIFO calculations and illustration, BACI, Eurostat, Patstat Autumn 2022, TED April 2023.
 Note: Values are min-max normalized. For each indicator, the last available years were used.

WIFO

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