



# Exporting to the world: EU regions and trade

## Frequently asked questions

### 1. Why did AmCham EU commission this research?

Even before the pandemic struck, global trade growth was being challenged by escalating trade tensions, rising protectionism and a growing mistrust of multilateralism. As leading global companies, we believe we have a responsibility to contribute to the public debate on the impacts of trade.

Openness to international trade has been largely beneficial to EU businesses, consumers and society. The EU economy is an open economy whose prosperity depends on its export performance to a significant degree: indeed, exports have been growing much more rapidly in the EU than GDP since 2009.

This new research explores the effect of the EU's strong export performance on employment and output at a local level. It seeks to empirically demonstrate the extent to which local regions within EU Member States benefit from trading with the rest of the world. It also features case studies of specific regions and stories of cooperation between American companies and local businesses.

As the global geopolitical landscape shifts, globalised commercial ties based on the principles of free trade are increasingly under scrutiny. It is important to continue to make the case for openness and its positive outcomes for local communities in the EU. An open and outward-looking EU is a more prosperous, innovative and efficient EU – and can remain the most attractive place for American companies to conduct their business abroad.

### 2. What are the main findings from the study?

The study shows the extent to which the regions of the European economy have shared in the growth stimulus of increasing EU exports. It finds that:

- Exports add regional jobs: every percentage point of growth in national exports leads to an average increase of 0.9% in both regional output and employment across the EU.
- Every single region benefits from an increase in exports: all regions benefitted from the growth in exports over the past decade, without regard for whether their GDP per capita was above or below the EU average.
- The positive impact of exports is not driven by the wealth of regions: there is no correlation between a region's relative wealth and the relative benefit it derives from exports.

The study also models how many jobs each region gained based on the Member States' export performance in 2020. These numbers can be found in chapter five of the study.

### 3. What factors drive the performance of regions?

While all regions benefit from exporting to the EU and the rest of the world, the research shows that the impact on jobs and output is stronger in some regions. The performance is driven by the following factors.

- A strong manufacturing industry invariably leads to stronger regional economic performance.
- The share of employment in high-tech and knowledge-intensive industries and the education level of the labour force are important determinants of the strength of foreign demand in a region.
- Strong regional innovation systems, a capacity to bring innovations to market by economic actors and business flexibility to adopt new technologies are important contributors to a region's competitiveness.
- Good transport and communications infrastructures and economic stability are necessary conditions for a region to make the most of the opportunities offered by the global economy.

### 4. What are exports and global value chains?

Exports are goods and services that are produced in one country and sold to buyers in another. A global value chain is a production process in which different stages are located across different countries. Global value chains now account for about 70% of international trade, while direct sales to consumers abroad account for only 30%.

### 5. What is the overall impact of exports on the EU economy?

Exports are a major source of economic growth in all EU Member States. In all but one Member State, exports provided a strong uplift to growth between 2009 and 2019, having grown much more rapidly than GDP. Furthermore, growth of exports of goods and services from 2000-2019 accounted for 57% of the total increase in Member States' final demand (final demand being the demand from domestic and international consumers, governments and businesses).

### 6. What is the methodology used in the research?

The study uses an input-output analysis methodology to extrapolate the regional impact of increases in national exports for each Member State. The first step of this analysis is to estimate the impact of national exports on each industry at a national level. Then, using regional industry data, it is possible to estimate the impact that output growth on the industry at the national level will have on the same industry at the regional level.

By using this methodology, each region receives a percentage score that refers to the impact of a 1% rise in national exports on both regional output and employment. The regions have been grouped according to the percentage score they have derived: modestly impacted regions, which refer to those who see an increase in output and/or employment by less than 0.41% for each 1% increase of national exports; medium impacted regions, which see an increase in output and/or employment of between 0.41% and 0.93% for each 1% increase in national exports; and highly impacted regions, which see an increase of above 0.93% for each 1% increase in national exports.

## 7. Why does the study address exports specifically?

The study seeks to complement existing research on the impact of exports in the EU. A major challenge for any pan-European analysis of the regional impact of international export activity is the lack of data on exports of goods and services by regional economies. Such data exist only at the national level in many Member States.

Given this focus, the issue of the impact of increased imports is outside the scope of the study. However, the report acknowledges that trade can have displacement effects on domestic employment and production if businesses or even whole industries are relocated abroad. To deal with the adverse consequences of trade, all stakeholders have a role to play in supporting the workforce, including through up- and reskilling plans, but also in helping businesses to restructure and identify new markets in which they could be competitive. One such example of a public-sector programme is the European Globalisation Adjustment Fund.

## 8. Does the research include both intra- and extra-EU exports?

The estimates of the regional impact of national exports encompass both intra- and extra-EU exports. As stated in chapter 2 of the report, the Single Market is a key export market for all EU Member States. In fact, for all but two Member States, the export of goods to the other Member States accounted for over half of their total goods exports. Although the Single Market is a comparatively less important export destination for Member States' services exports, it still absorbs no less than 29% of such exports and reaches over 50% for 17 Member States.

## 9. What was the impact of COVID-19 on global trade?

COVID-19 had a devastating effect on the volume of international merchandise trade, with a 17% drop recorded between December 2019 and May 2020 – similar levels of magnitude to the drop caused by the financial crisis in 2008/09. The decline reflects the combined effects of a supply shock and a demand shock as production and consumption were curtailed through lockdowns and other sanitary measures to contain the virus. The initial lockdowns in early 2020, especially in China, disrupted many international supply chains and spread the production interruptions or declines throughout the world and led businesses to reorganise supply chains.

## 10. What are the key policy recommendations to come out of this research?

The policy recommendations to come out of this research are threefold: for the EU level; for the regional and national levels; and for the private sector.

### EU level:

- The EU should continue open access on a level playing field to all markets in the world through further free trade agreements, addressing non-tariff barriers and working at the World Trade Organization to uphold and strengthen the international trading system
- Implementation and broadening of the EU's skills and innovation agendas would be important contributors to the strengthened impact of exports on regional output and employment.
- Member States should be encouraged to improve the quality of their infrastructure, especially in transport and communications, as part of the European Semester.
- Priority should be given to strengthening the Single Market and in particular its digitisation, as EU businesses often start by exporting to neighbouring countries within the bloc before growing to export markets beyond the EU.

## National/regional level:

- Authorities should implement export promotion and support programmes funded and run by public institutions and agencies, in order to enhance regional output and employment.
- Authorities should also encourage and support upskilling, technological development and innovation.
- Investment in local and national infrastructures should also be prioritised.

## Private sector:

- Businesses should work together with local learning and research institutions, especially with regard to upskilling, technological development and innovation in order to ensure competitiveness within the global economic landscape.



**Download the study: [amchameu.eu/why-trade-matters](https://amchameu.eu/why-trade-matters)**