The Competitiveness of Italian Regions in a Network of Value Chains

Topic: Why Do Regions Matter? Recent Developments in Interregional I-O Analyses I
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Italy is a country in which economic prosperity varies considerably over regions. The South is much poorer than the North, reflecting substantial differences in competitiveness. This paper attempts to provide insights into the competitiveness dynamics of four Italian â€œmacro-regionsâ€•. To this end, the concept of Global Value Chain Income (GVCI) as defined by Timmer et al. (2013) is used. GVCI is defined as the â€œvalue added generated by a country or region in all activities required to produce final manufacturing products, completed anywhere in the worldâ€•. In a network of production processes of which the stages are much less co-located than before, it provides a better indicator of national or regional competitiveness than conventional indicators based on gross exports.
We study regional GVCIs based on an extended version of the WIOD database, in which Italy has been split into four macro-regions, using regional supply and use tables and interregional trade flows. We provide GVCI indicators for 1995, 2001 and 2006. In order to get some insights into the proximate causes of the observed changes, we introduce a shift-share decomposition of changes in regional GVCI. This decomposition attributes a change in regional GVCI into (i) the effects of changing shares of regional value added in the total value of the final product, and (ii) the differential rates of demand for final products of different types and countries-of-completion. The first effect gives indications of changes in GVC-specific competitiveness, while the second effect zooms in on contributing to GVCs with growth potential.

Timmer, M.P., B. Los, R. Stehrer and G.J. de Vries (2013), â€œFragmentation, Incomes and Jobs. An Analysis of European Competitivenessâ€•, Economic Policy, 28(76), 613-661.