

# Germany in the European Core-Periphery Constellation

Dependency Perspectives

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15 September 2017

# Dependency Perspectives on Europe

- **„European Dependency School“**: Institute of Development Studies in Sussex, Dudley Seers (Weissenbacher 2017)
    - **economic penetration** by foreign capital (TNCs)
    - critique of **peripheral integration into EC**-competition regime without comprehensive regional and industrial policy balancing mechanisms
    - **decoupling** and **self-reliant development** as alternatives
  - Renewed attention as expectation of convergence through liberalisation undermined
  - „While, the term “periphery” has found its way into everyday language, however, the role of the “core” or the causal relationship between core and periphery are most often neglected“ (Weissenbacher 2017)
- how does the development of the core economies condition (under-)development models in the periphery?

# German Economy at the Heart of the Eurozone Crisis Imbalances? (1)

- Dominant narrative: **lack of competitiveness** of Southern Periphery (ULC)
- Keynesian critique: **wage restraint in Germany** responsible for German current account surplus and imbalances ('beggar thy neighbor')

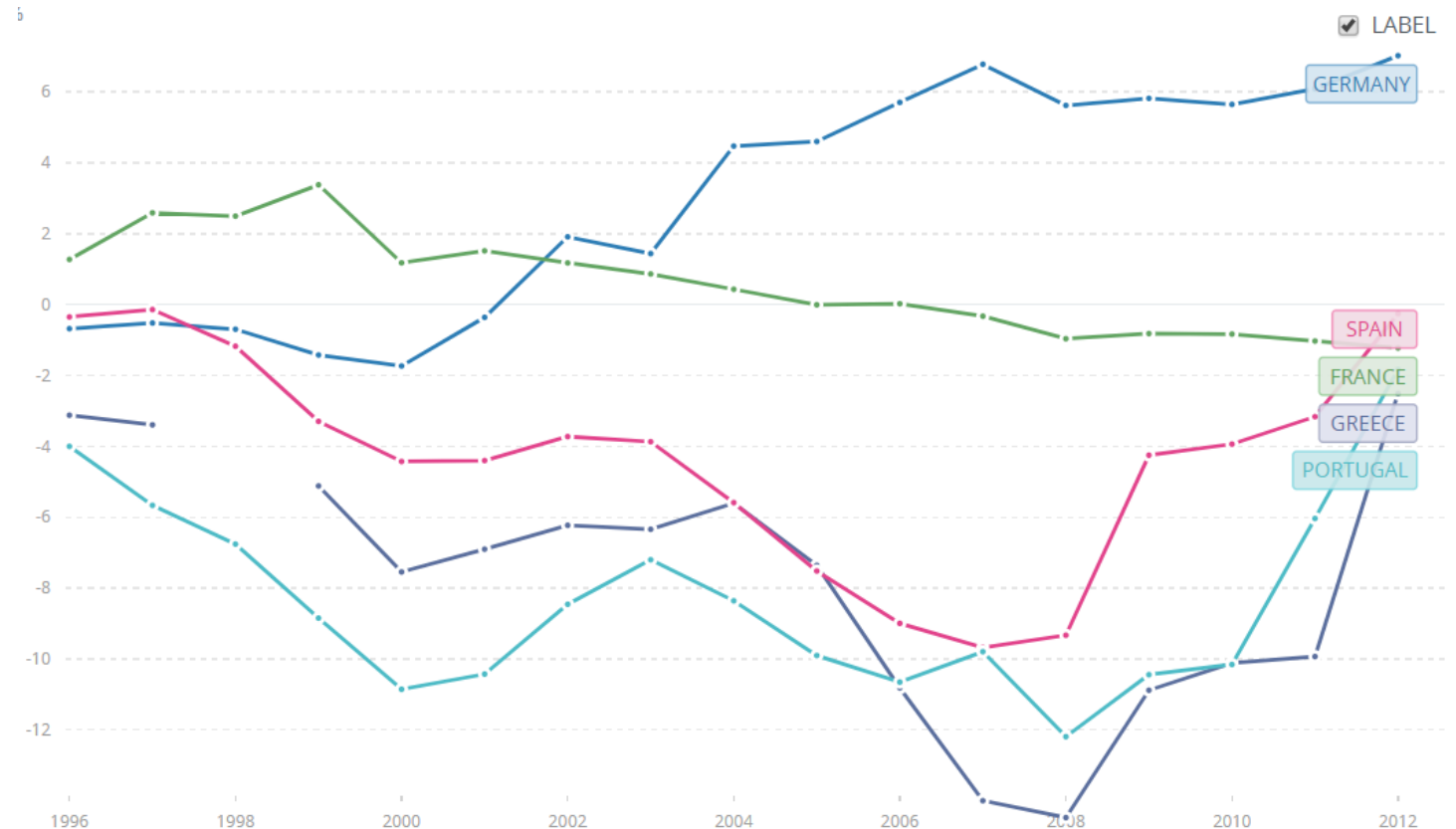


Fig. 1: Current Account Balance as % of GDP, source: World Bank

# German Economy at the Heart of the Eurozone Crisis Imbalances? (2)

“The eurozone has become an area of entrenched current account surpluses for Germany, financed by current account deficits for peripheral countries. Monetary union is a ‘beggar-thy-neighbor’ policy for Germany, on condition that it beggars its own workers first. ...The sovereign debt crisis has its roots as much in the performance of Germany, as it does in the actions of peripheral countries.” (Lapavitsas et al. 2010: 1, 15)

However: dominant and Keynesian narrative share fundamental terms of the debate: **price competitiveness and wages as main adjustment variable**

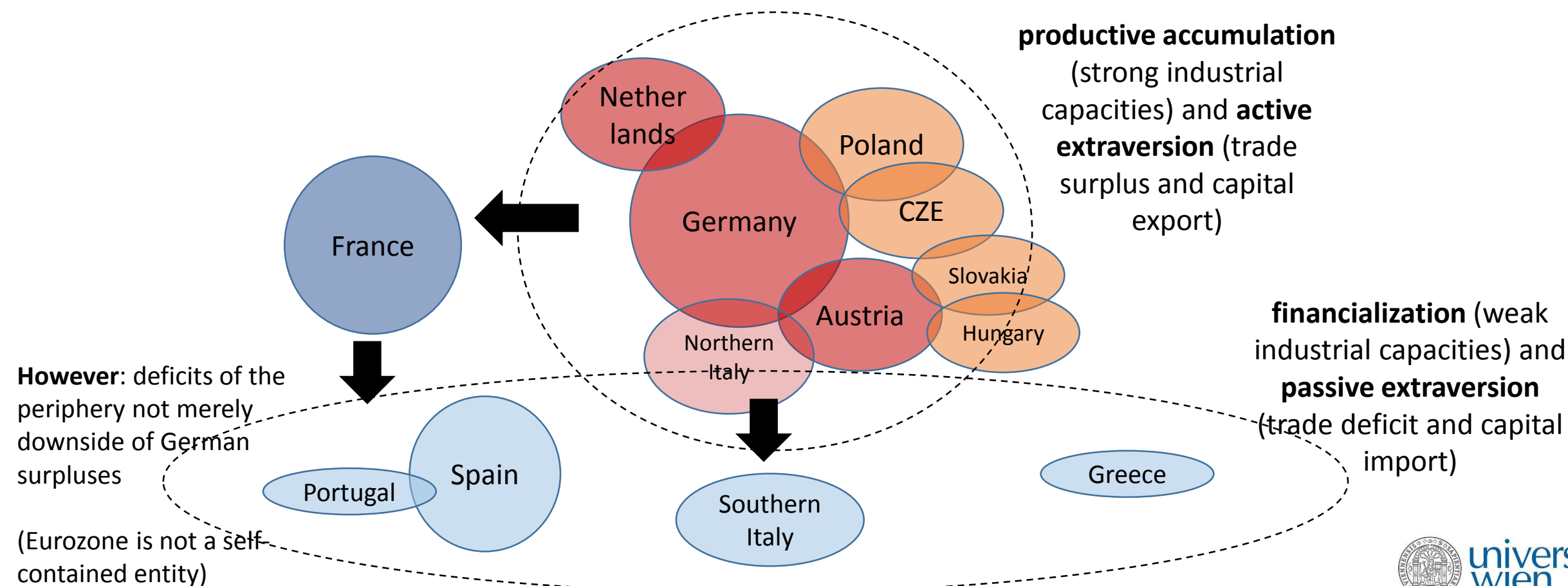
# Hierarchical Division of Labour in Europe (1)

beyond price-competitiveness...

- **dependent industrialization** of Southern periphery after WWII
    - Dependent on **technology and capital import** from US and European core economies
    - Current account bottlenecks alleviated through **remittances** and **tourism**
  - Collapse of dictatorships and integration into EC and Single Market:
    - **„premature‘ de-industrialization** due to competition and foreign take-overs
    - intensified since the introduction of the Euro (overvaluation)
- **erosion of productive capacities – restoration of price-competitiveness insufficient**

# Hierarchical Division of Labour in Europe (2)

European division of labour as contradictory ensemble of **different regimes of accumulation** (Becker/Jäger 2012)



# Reorientation of the German Production System in the European Division of Labour (1)

...reorientation **from South to East and towards the Emerging Markets** in the 2000s (Simonazzi et al. 2013):

- linkages with high-growth Emerging Markets, particularly through capital goods export (especially China)
- outsourcing of manufacturing: regional transnational supply chains with Central Europe („V4“)
- decreasing demand for and thus imports of consumer goods from Southern Europe

→ „redirection of trade away from the Southern periphery towards the Eastern one“ (Simonazzi et al. 2013: 661)

# Reorientation of the German Production System in the European Division of Labour (2)

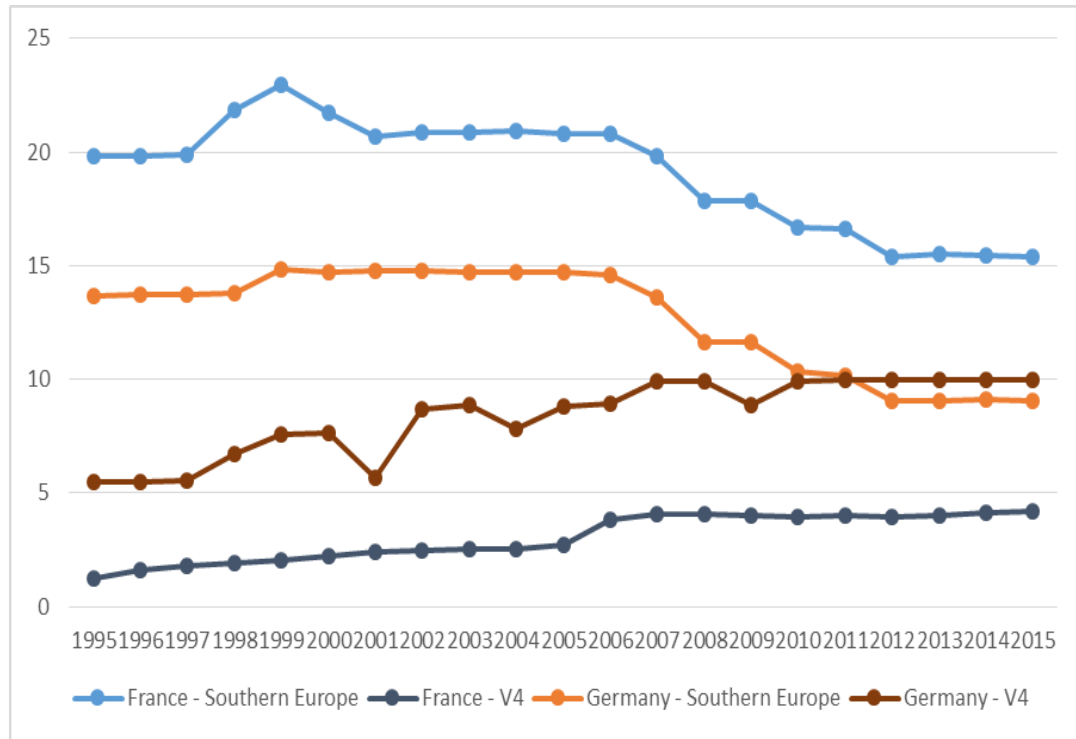


Fig. 2: Exports to Southern Europe and the V4 as percentage of total exports (constant prices), Source: UN Comtrade.

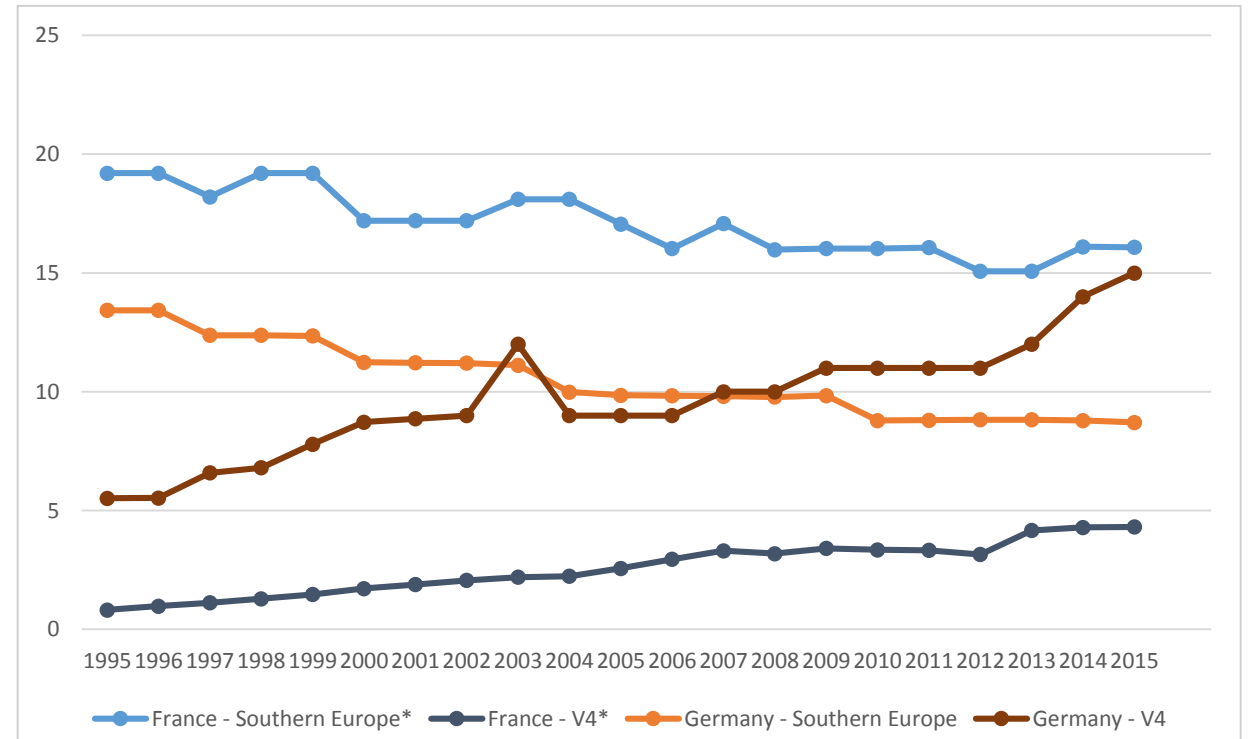


Fig. 3: Imports from Southern Europe and the V4 as percentage of total imports (constant prices), \* approximation for Greece and Slovak Republic, Source: UN Comtrade.



# Reorientation of the German Production System in the European Division of Labour (3)

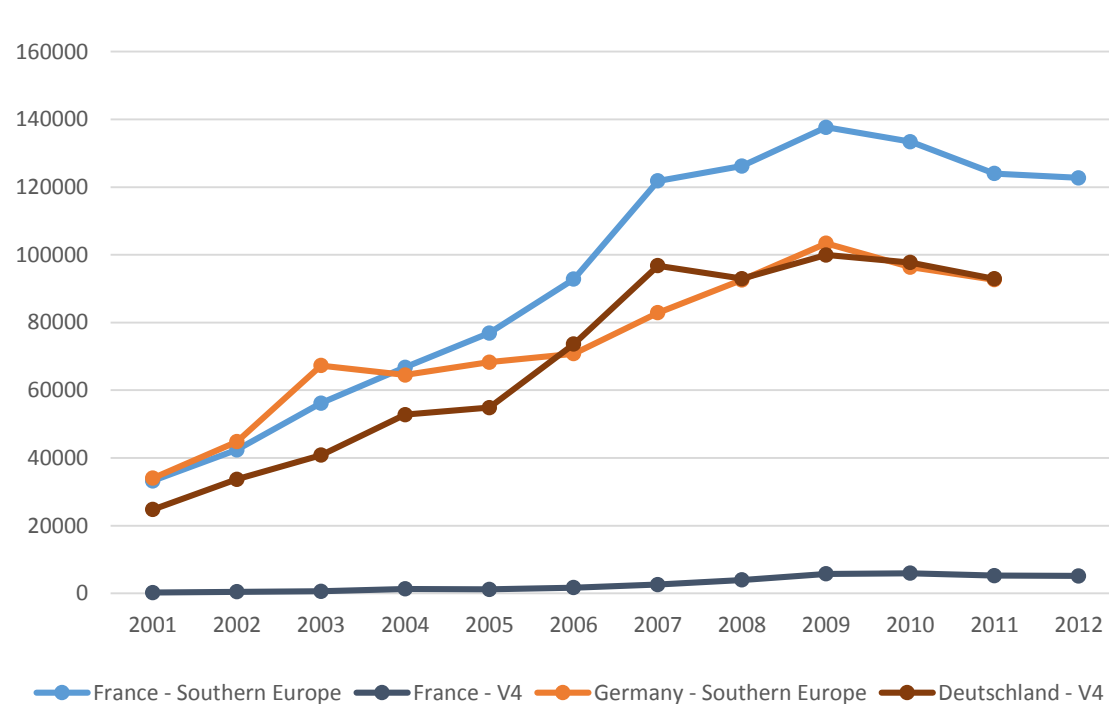


Fig. 4: FDI stocks abroad (Millions of US-Dollar), Source: UNCTAD.

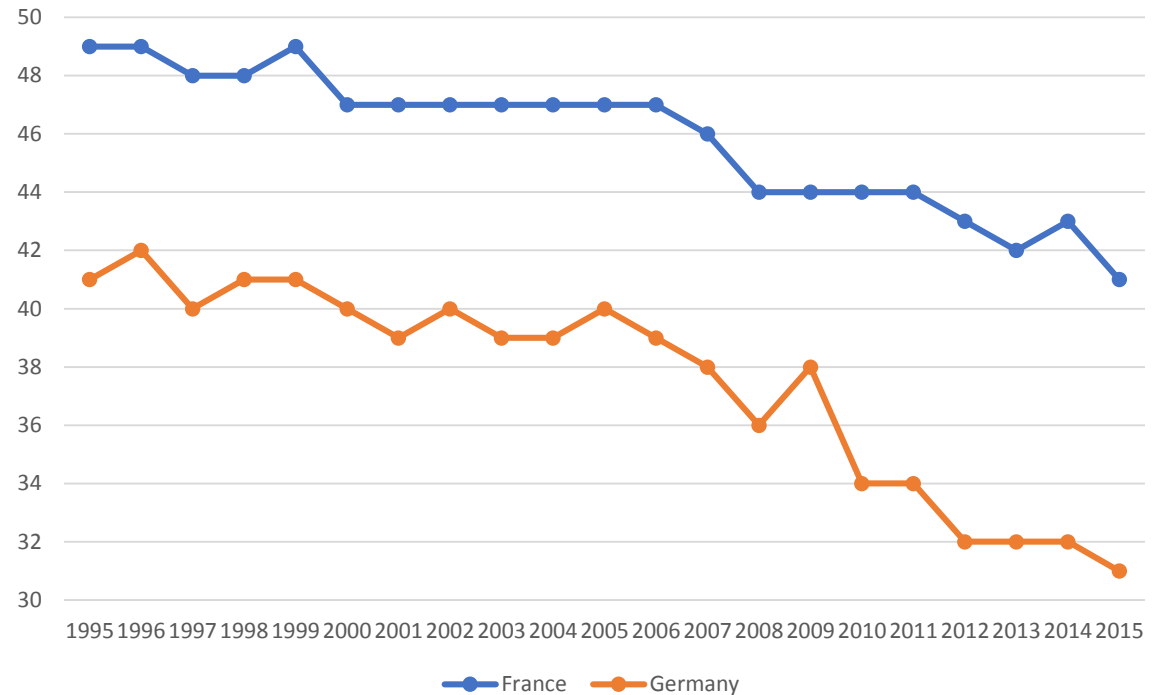


Fig. 5: Exports to the six largest Eurozone economies as percentage of total exports (constant prices), Source: UN Comtrade.

# Merits and Shortcomings of Traditional Dependency Perspectives

‚**Structural dominance**‘ German production system *conditions* dependent development of the Southern and the Central European periphery

– but in different ways...: marginalization + integration

What actually **constitutes** and **dependency** and **structural dominance**?

- Not simply **integration into world market** and **contact with dominant economies**, but also *marginalization* from it (Southern Europe)
- not just ‚old‘ division of labour (primary vs. manufactured goods), but also *peripheral integration into dominant industrial production systems and inter-industrial trade* (‚new international division of labour‘)

# Operationalizing Dependency in terms of Structural Dominance...? (work in progress) (1)

## Indicators of structural dominance?

1. Direction and degree of **bilateral trade surpluses**

2. **Composition of exports**

- **Product quality and complexity** (number of inputs, uniqueness, unit value of exports, price elasticity)
- **Sectoral composition:** machine engineering and information and computer technology set, terms of production' and imply technological dependence

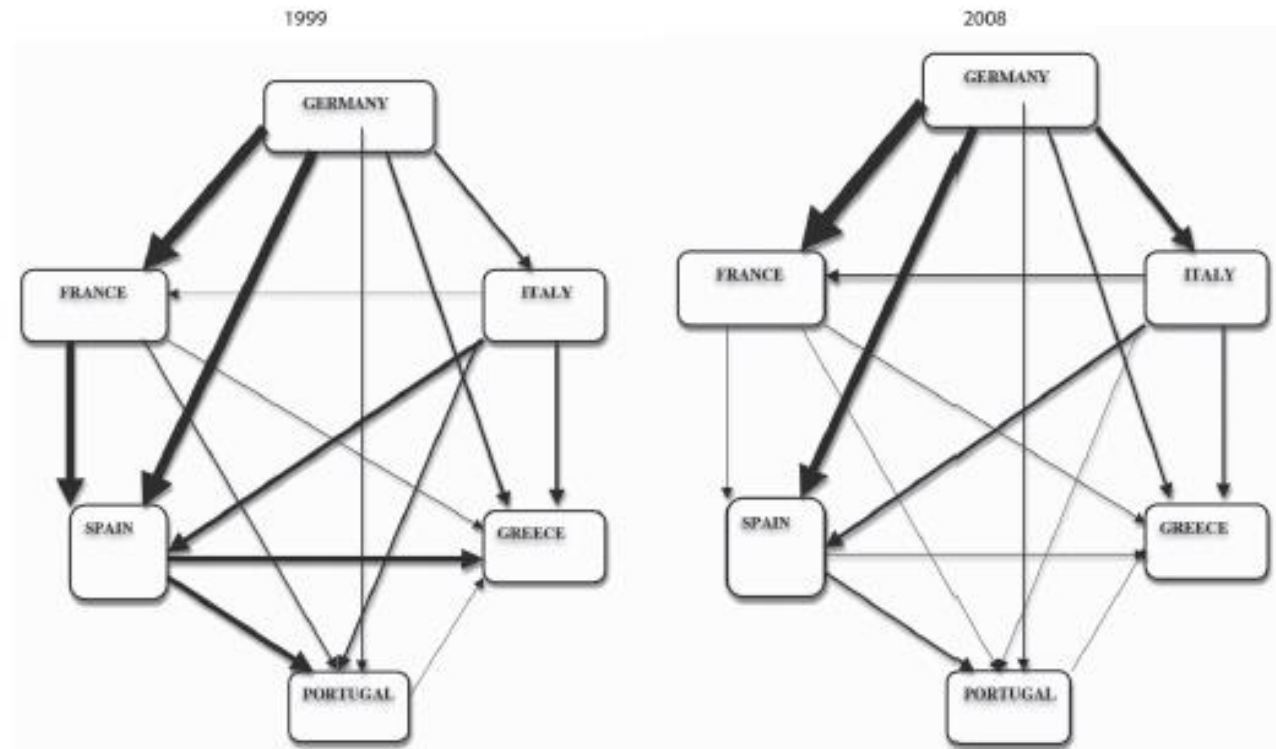


Fig. 6: Bilateral trade balances. The arrows point to deficit countries; the thickness is proportional to the deficit, source:

Simonazzi et al. 2013: 670.

# Operationalizing Dependency in terms of Structural Dominance...? (work in progress) (2)

3. **marginalization**: trends in the **regional structure of exports** and imports of dominant economy over time

4. integration into dominant industrial production systems:

- **FDI**
  - however: outcontracting
- **composition of trade**
  - intermediate vs. finished goods
  - value capturing (input-output-database)

5. **Financial linkages + transfer of value**: bilateral investment positions and balance of payment statistics

6. ...?

***Thanks for your attention!***

# References

- Becker, Joachim/Johannes Jäger (2012): Integration in Crisis: A Regulationist Perspective on the Interaction of European Varieties of Capitalism, in: *Competition & Change* 16(3), pp. 169–187.
- Lapavistas, Costas et al. (2010): Eurozone crisis: Beggar thyself and thy Neighbour. RMF occasional report, March 2010.
- Simonazzi, A./A. Ginzburg/G. Nocella (2013): Economic Relations between Germany and Southern Europe, in: *Cambridge Journal of Economics* 37(3) pp. 653–75.
- Weissenbacher, Rudy (2017): Peripheral integration and disintegration in Europe: the ‘European dependency school’ revisited, in: *Journal of Contemporary European Studies*.