



## ***XL. c.MET05 Policy Research Meeting***

### **Opening speech:**

- **Gianfranco Viesti** (University of Bari «Aldo Moro» and c.MET05)
- **Simona Iammarino** (London School of Economics and Political Science)
- **Vera Negri Zamagni** (University of Bologna)

*Tuesday 22<sup>nd</sup> June 2021*

**c.MET05 40<sup>th</sup> Policy Research Meeting**  
**Centri e Periferie d'Italia e d'Europa**  
**22 June 2021**

Trapped regions and disconnected regions:  
further thinking on cores and peripheries in Italy  
and the EU

Simona Iammarino, LSE



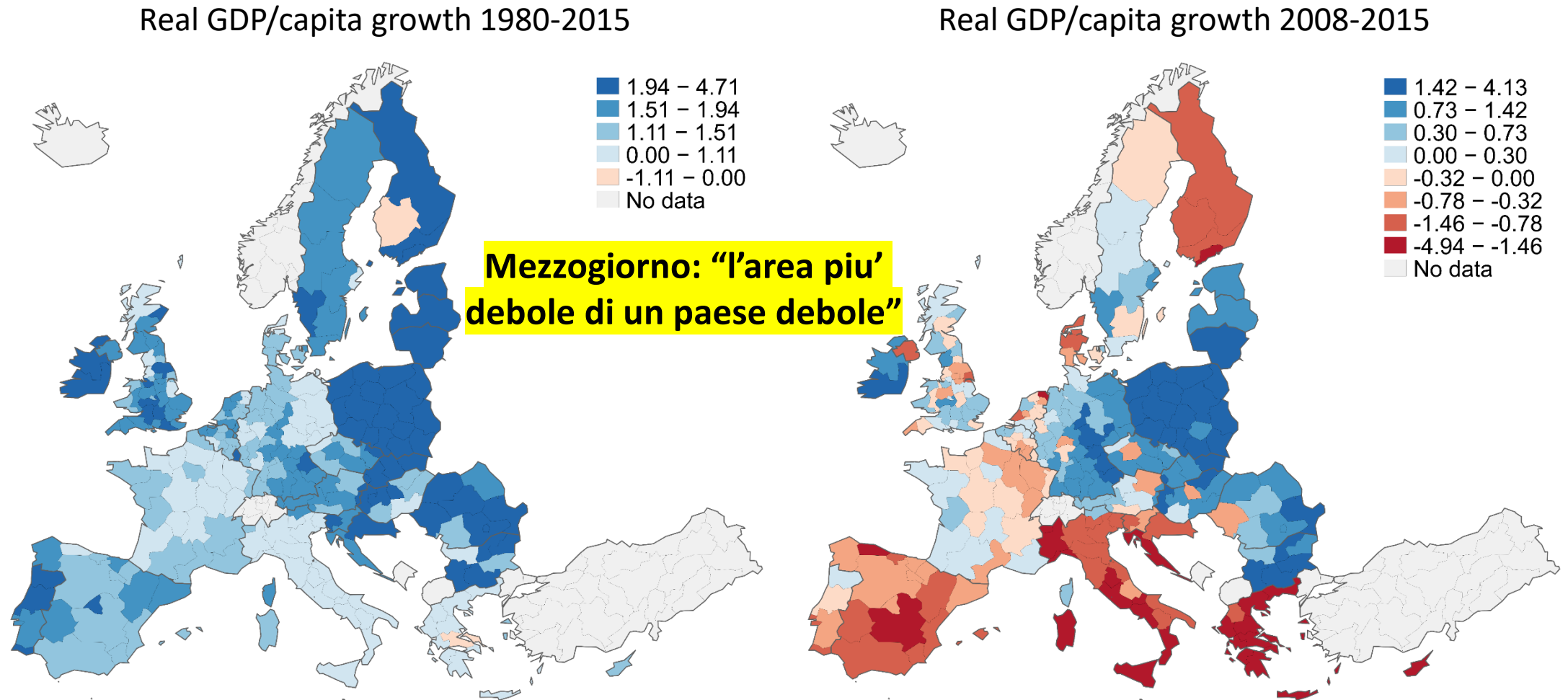
THE LONDON SCHOOL  
OF ECONOMICS AND  
POLITICAL SCIENCE ■

# Reflection on Gianfranco Viesti's (readily shareable) analysis

2 main points in this presentation:

- Regional development traps (DT) as a concept to interpret growth trajectories of subnational territories in a dynamic European setting (e.g. Diemer, Iammarino, Rodriguez-Pose & Storper 2020; Iammarino, Rodriguez-Pose & Storper 2019)
- Regional impact of transformations in the worldwide division of labour brought about by the interplay of globalisation and technological change (e.g. Iammarino & McCann, 2013; Crescenzi & Iammarino, 2017; Iammarino, 2018; Comotti, Crescenzi & Iammarino, 2020)

# EU Regions: heterogeneous growth performance



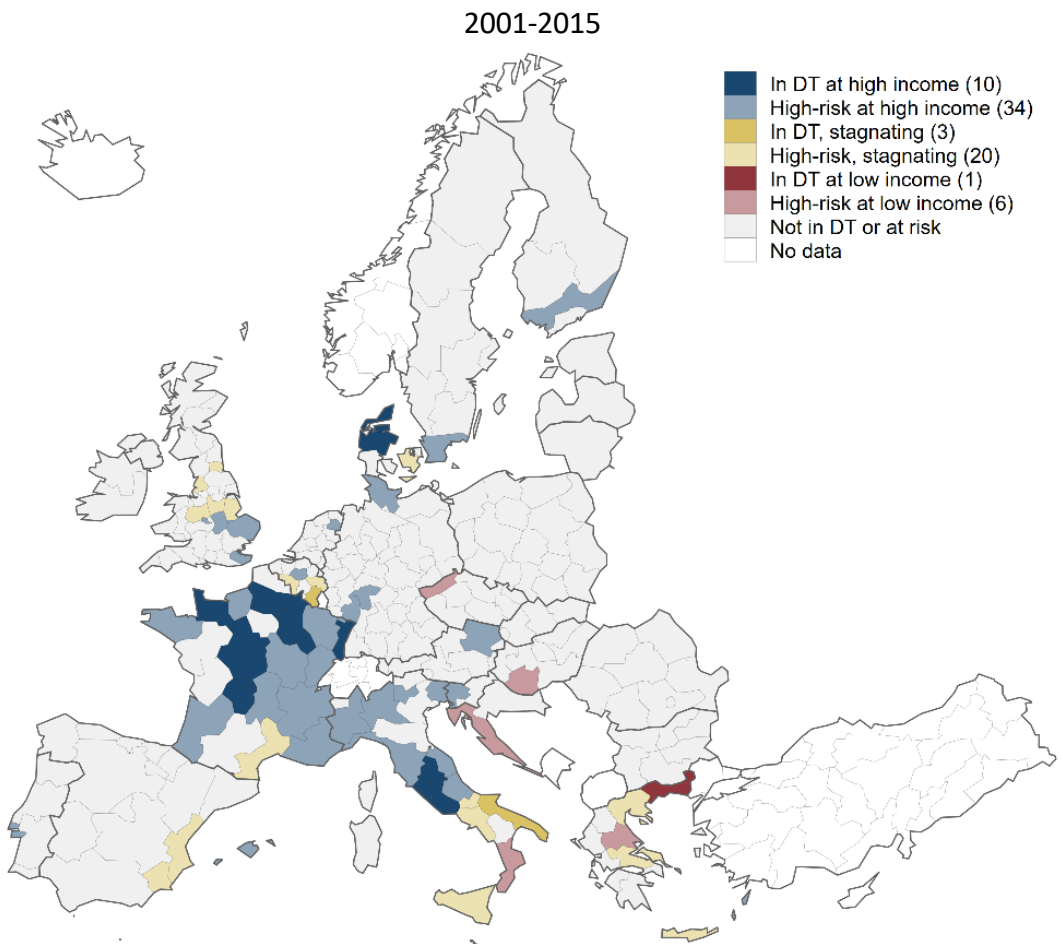
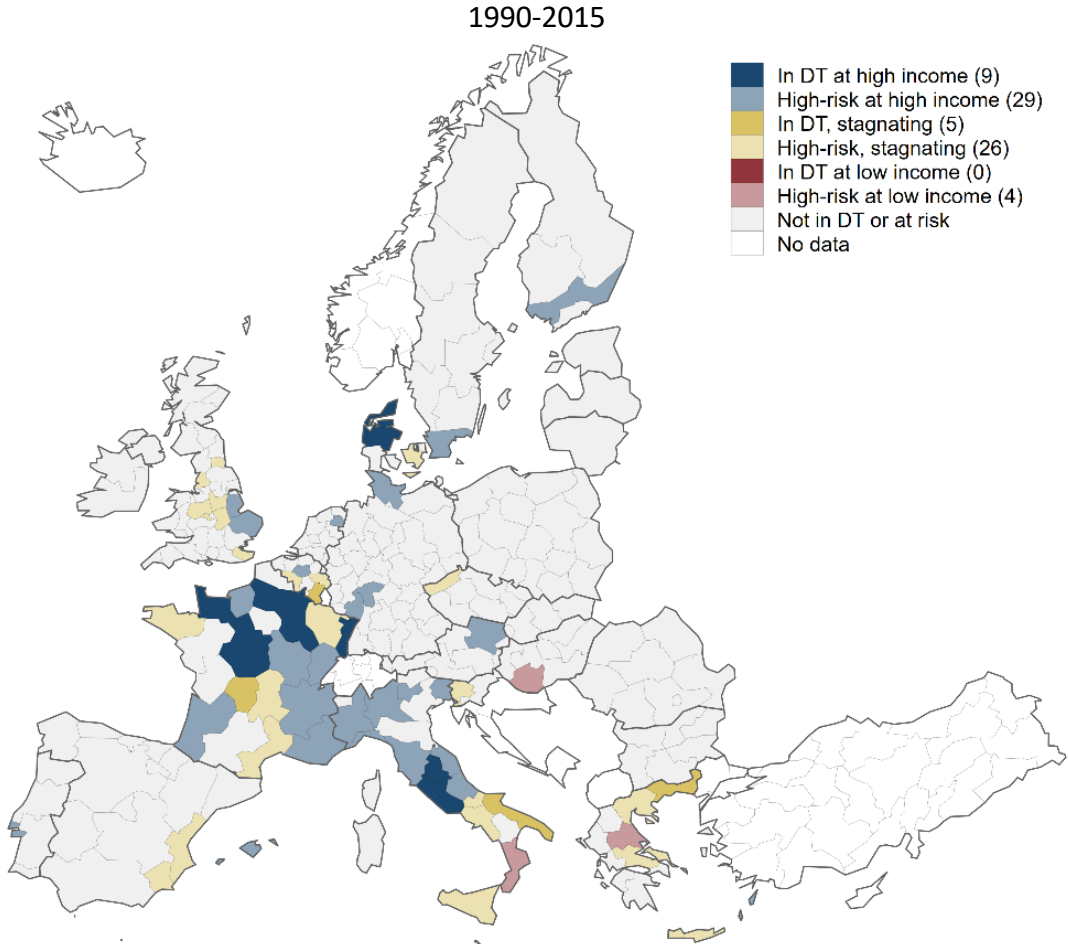
# Regional Development Traps

- Adaptation of the conceptual framework from the national level to consider a broader notion of regional DT
- Characteristics of regional “middle income traps”:
  - High production costs compared to low-income regions
  - Low skills and innovation compared to high-income regions
  - Additional pressure from globalisation, e.g. FDI, GPNs, GVCs, outsourcing/offshoring
- As a result, regions typically experience prolonged stagnation, high unemployment, demographic decline, social disruption
- Heterogeneous growth trajectories leading to DTs
  - ‘From above’: old industrial regions
  - ‘From below’: unsuccessful transition
  - ‘Stagnating’: long-term trapped
- More complex and diverse set of determinants of “middle income traps”. Polarisation, political backlash and ‘geography of discontent’

# Identification of DT: main features

- Three dimensions of economic dynamism:
  - GDP per capita
  - Productivity
  - Employment
- Regional performance on these three dimensions relative to:
  - Itself in the past (previous five years)
  - The country the region belongs to
  - The EU
- Combination of the three dimensions and measures of performance in one Development Trap index (followed by econometric analysis of factors associated with DTs, not presented here)

# DT Risk by Initial Level



Initial levels of development consider GDP/capita in PPS in the earliest available year. Categories defined relative to EU average. High income: above year average. Middle income: 75-100% of year average. Low income: below 75% of year average. In DT: mean scores above 75th percentile computed over the entire series. At risk: mean scores above median and below 75th percentile over the entire series. Both maps drop regions for which DT could only be computed after 2002.

Initial levels of development consider GDP/capita in PPS in 2001. Categories defined relative to EU average. High income: above year average. Middle income: 75-100% of year average. Low income: below 75% of year average. In DT: mean scores above 75th percentile computed over the entire series. At risk: mean scores above median and below 75th percentile over the entire series. Regions with less than 10 years available in the series are not considered when drawing these maps.

Top 25 ranked regions for average DT1 risk over 1990-2015

Rank	NUTS2	Region	MIT1
1	FR22	Picardie	0.73
2	DK04	Midtjylland	0.72
3	IT14	Lazio	0.71
4	FR21	Champagne-Ardenne	0.71
5	FR63	Limousin	0.70
6	IT12	Umbria	0.70
7	FR42	Alsace	0.69
8	FR25	Basse-Normandie	0.69
9	FR24	Centre	0.69
10	BE34	Prov. Luxembourg (BE)	0.68
11	ITF4	Puglia	0.68
12	DK05	Nordjylland	0.68
13	ES64	Ciudad Autónoma de Melilla	0.68
14	EL51	Anatoliki Makedonia, Thraki	0.67
15	AT00	Wien (RCI)	0.67
16	ITF3	Campania	0.67
17	FR81	Languedoc-Roussillon	0.67
18	FR23	Haute-Normandie	0.66
19	BE00	Bruxelles (RCI)	0.65
20	BE33	Prov. Liège	0.65
21	NL13	Drenthe	0.65
22	IT11	Toscana	0.64
23	IT13	Marche	0.64
24	ITF2	Molise	0.64
25	ITG1	Sicilia	0.64

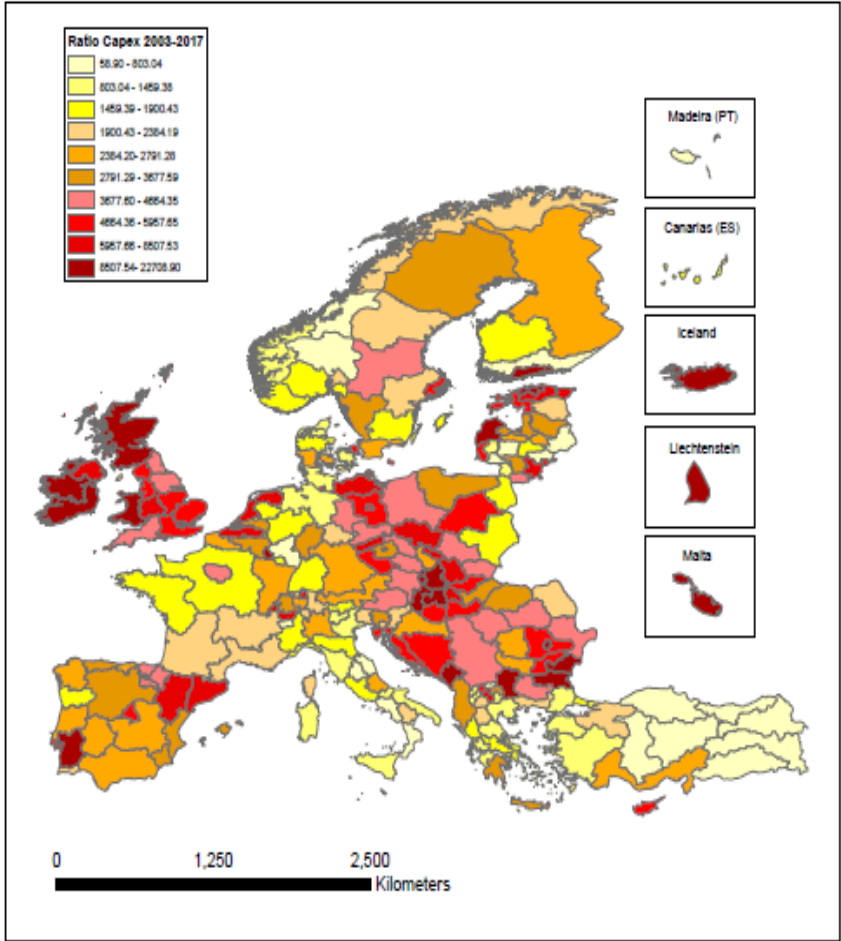
# Key takeaways

- DT risk increases with GDP/head, but
  - Higher income regions better equipped to claw their way out
- A productive and competitive industry can provide shelter
  - But promotion of industry jobs at all costs not a solution
- Greater reliance on non-market services in DT regions
- R&D is especially helpful in higher-income regions
- Human capital plays a role if local S&T jobs can absorb it
- Quality of local institutions matters!
- Need to take into account regional integration in the global economy (“regional connectivity”), so far totally missing (next slides!)

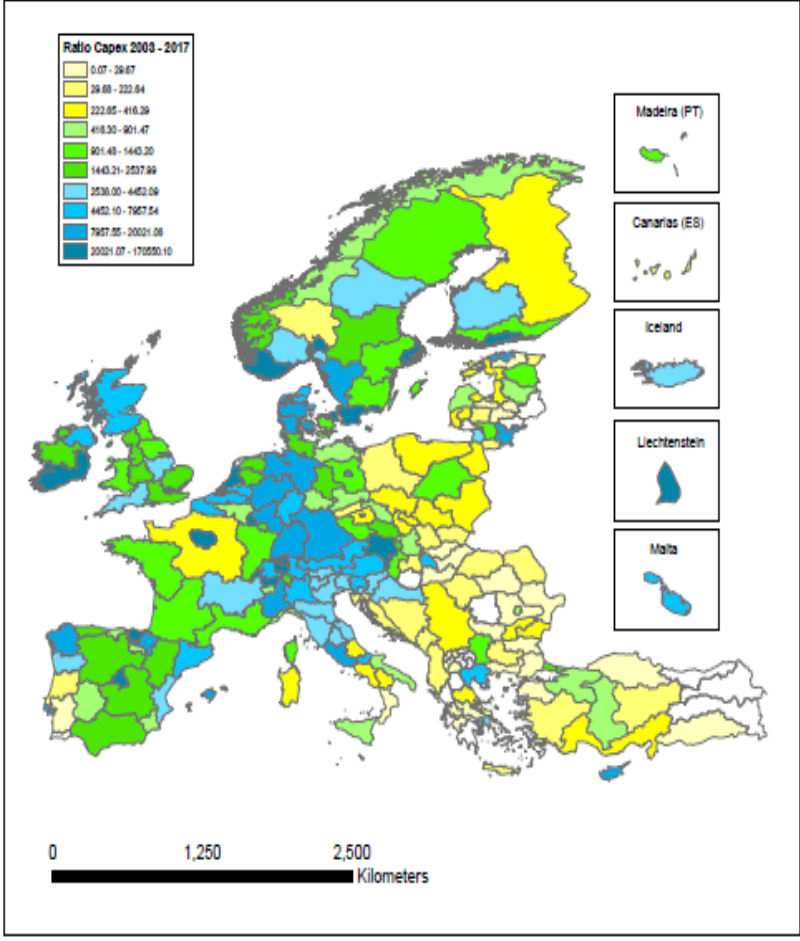
# Regional connectivity

- Regional exposure to inflows/outflows of assets, knowledge, capabilities and expertise from/towards the rest of the world entails dynamic processes of specialisation and diversification able to reconfigure regional economic and institutional advantages
- Consideration of regional ‘connectivity’ through GVCs, GPNs, FDI remains a “missing strategy” (Bailey & Driffield, 2007; Bailey and Lenihan, 2015) also in recent RIS3 (e.g. Uyarra et al., 2014; Crescenzi & Iammarino, 2017; Radosevic & Ciampi Stancova, 2018; Comotti, Crescenzi & Iammarino, 2020)

**Map 1 – Inward FDI into the European regions: cumulative capital expenditure (Capex) 2003-17 normalised by regional population**



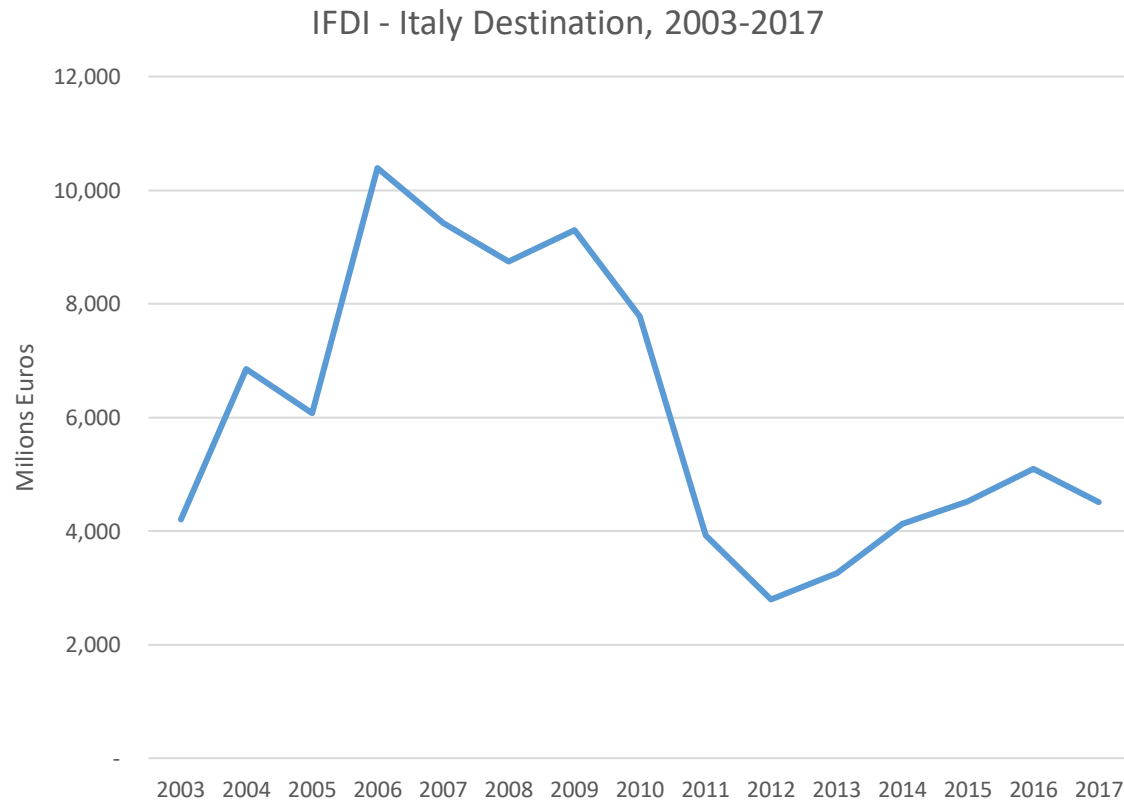
**Map 2 – Outward FDI from the European regions: cumulative capital expenditure (Capex) 2003-17 normalised by regional population**



**Regional connectivity: global IFDI and OFDI in/from European regions (2003-17)**

Source: fDi Market database and Regions & Cities- Eurostat  
See Crescenzi and Iammarino (2017) for further details.

# Italy: connectivity through greenfield FDI over time



Source: fDi Market

# Regional connectivity through greenfield FDI

IFDI cumulative flows, 2003-2017			OFDI cumulative flows, 2003-2017		
Regions	Total (million €)	Share	Regions	Total (million €)	Share
Lombardia	26481.26	29.10	Lazio	110080.69	38.00
Lazio	10892.98	11.97	Lombardia	72502.42	25.03
Emilia-Romagna	7852.75	8.63	Piemonte	51861.46	17.90
Piemonte	7387.76	8.12	Emilia-Romagna	13042.74	4.50
Sicilia	5890.59	6.47	Veneto	12692.26	4.38
Toscana	4987.02	5.48	Toscana	9109.06	3.14
Puglia	4891.11	5.38	Marche	4089.80	1.41
Veneto	4110.35	4.52	Friuli-Venezia Giulia	3831.48	1.32
Abruzzo	3491.65	3.84	Sicilia	2358.11	0.81
Campania	3341.93	3.67	Umbria	2196.68	0.76
Friuli-Venezia Giulia	2898.51	3.19	Puglia	1587.52	0.55
Liguria	2555.43	2.81	Trentino-Alto Adige	1571.34	0.54
Sardegna	1602.70	1.76	Molise	1470.00	0.51
Calabria	1232.70	1.35	Campania	1192.12	0.41
Basilicata	1172.21	1.29	Liguria	960.97	0.33
Trentino-Alto Adige	763.05	0.84	Sardegna	499.02	0.17
Marche	636.50	0.70	Abruzzo	424.35	0.15
Umbria	443.74	0.49	Basilicata	131.23	0.05
Molise	281.50	0.31	Valle d'Aosta	77.20	0.03
Valle d'Aosta	76.03	0.08	Calabria	28.91	0.01
Italy Total	90989.76	100	Italy Total	289707.36	100.00

**Top 4 regions  
(Lombardia, Lazio,  
Piemonte & Emilia  
Romagna) account for  
57.8% of total IFDI, and  
85.4% of total OFDI**

# Regional connectivity through FDI by function

FDI cumulative flows, 2003-2017, regional shares by GVC stage/function										
Regions	IFDI					OFDI				
	HQ	R&D	SALES	PROD	LOG&DIST	HQ	R&D	SALES	PROD	LOG&DIST
Abruzzo	0.13	0.00	0.78	7.44	0.84	0.09	0.00	0.13	0.16	0.04
Basilicata	0.00	0.00	0.04	1.52	4.29	0.27	0.00	0.00	0.05	0.00
Calabria	0.00	0.00	0.15	2.80	0.00	0.00	0.00	0.00	0.01	0.00
Campania	2.59	1.38	2.80	4.95	2.32	0.24	0.00	1.29	0.15	1.85
Emilia-Romagna	4.82	3.38	3.03	12.60	10.33	4.71	6.43	11.29	2.68	7.05
Friuli-Venezia Giulia	1.29	0.30	3.05	3.35	4.84	3.67	3.75	3.50	0.56	2.76
Lazio	16.65	8.83	19.54	7.69	9.28	13.38	19.86	5.46	47.00	55.74
Liguria	3.48	6.50	2.47	1.10	8.12	0.63	1.12	0.35	0.25	1.71
Lombardia	55.72	34.20	42.42	15.36	33.13	58.24	34.90	39.62	19.47	22.41
Marche	0.13	0.00	0.38	0.00	4.44	0.33	2.26	4.09	0.83	0.66
Molise	0.00	0.20	0.00	0.64	0.00	0.00	0.00	0.00	0.69	0.00
Piemonte	3.33	16.43	4.99	10.90	4.97	7.56	24.71	9.03	21.22	3.05
Puglia	0.19	0.86	2.86	8.09	5.42	0.14	0.00	1.58	0.33	0.23
Sardegna	0.90	2.08	2.17	1.64	1.67	0.38	0.00	0.03	0.21	0.00
Sicilia	0.47	11.45	3.78	10.15	0.91	0.02	0.00	1.22	0.78	0.54
Toscana	2.67	11.95	4.85	6.79	1.67	6.28	3.04	7.06	2.08	0.87
Trentino-Alto Adige	1.53	1.29	1.76	0.26	0.37	0.23	0.17	0.82	0.42	2.40
Umbria	0.47	0.00	0.03	0.95	0.00	0.06	0.00	1.52	0.65	0.01
Valle d'Aosta	0.00	0.00	0.00	0.18	0.00	0.00	0.00	0.00	0.04	0.00
Veneto	5.63	1.18	4.90	3.60	7.41	3.77	3.74	13.03	2.42	0.69

8 Mezzogiorno regions										
IFDI					OFDI					
HQ	R&D	SALES	PROD	LOG&DIST	HQ	R&D	SALES	PROD	LOG&DIST	
4.28	15.96	12.57	37.23	15.44	1.14	0.00	4.24	2.38	2.66	

Source: fDi Market

# Some policy principles for globally interdependent EU regions

- ***Territorial differentiation*** within both core and periphery, and across and within regions
- ***Integration*** between the ‘silos’ of inflows and outflows, e.g. attention to sectoral and functional features of IFDI versus OFDI into/from the same region
- ***Multi-level governance and coordination*** of ‘mission oriented’, top-down, science-led approaches, and ‘diffusion-oriented’, bottom-up, capacity-building programmes
- ***Development of intra-periphery and inter-peripheries connections***
- Nexus sector-function-region in GVCs, GPNs and FDI indicates that understanding the detailed structure and evolution of local-global networks must be a central reflection for future public policies: ***‘looking down’*** to the regions, simultaneously ***‘looking up’*** to provide the necessary conditions for a ‘fairer global technological paradigm shift’, or rules of law, to address (growingly disastrous) negative externalities

# Thank you!

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