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Antonio Accetturo, Anna Giunta

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Value Chains and the Great Recession: Evidence from Italian and German Firms

Antonio Accetturo[a], Anna Giunta[b]

[a]Banca d'Italia

[b]Università Roma Tre and Centro Rossi-Doria

antonio.accetturo@bancaditalia.it

anna.giunta@uniroma3.it

Abstract

Global Value Chains (GVCs) were one of the main transmission mechanisms of the 2009 great trade collapse. Our paper describes the effects of the crisis from a country-comparative perspective (Germany and Italy) and at firm level. There are two main conclusions: i) supplier firms were hit by the crisis more than final firms; ii) firms' position in GVCs and their strategies explain part of the performance gap between Italian and German firms.

Keywords: Global Value Chains, Germany, Italy, Industrial Firms, Firms' Organization, World Trade
Jel Classification: D230, L220, F140, F230

1 Introduction

A sizeable body of literature over the past twenty-five years suggests that a structural change in the productive economy has occurred as a consequence of the ICT revolution, the steady lowering of trade barriers and transport costs (Feenstra, 1998), and the changing nature of multinational enterprises (Saliola and Zanfei, 2009).[1] The outcome is a new international division of labor in which the production of final products is fragmented in Global Value Chains (GVCs). Under this interpretation (Gereffi and Fernandez-Stark, 2011, for an overview of GVCs), the production process for any given good can be seen as a continuum of tasks assigned to the various productive units; these tasks can be

[1] For a survey of GVCs drivers, see Amador and Cabral (2014).