

Report on the Researches by Professor Dr. Chunji Yun at the Faculty of Economics and Business Studies of the University of Bremen

Affiliation in Japan: Professor Dr. Chunji Yun (Department of Economics, Seinan Gakuin University, Japan)

Research Subject: “Transforming the European Social and Economic Model in the Enlarged EU from a Viewpoint of the Production and Employment Regime”

Research Period: from 1st September 2017 to 31st August 2018

The research has been carried out, conferring with Professor Dr. Karl Wohlmuth (IWIM), and we had four meetings (including three progress reports).

At the first meeting (19th September 2017), we confirmed that the research would more specifically focus on employment regimes and international production networks organized in automotive and electronics industries across Germany and the four Visegrád countries (hereafter labelled V4). Since then, receiving significant information on literature, researchers, academic conferences from Professor Wohlmuth, I have advanced my own research by utilizing facilities of the University Library and by accessing open statistical databases such as from Eurostat, UNCTAD, OECD, and the World Input-Output Database (WIOD) of the Groningen Growth and Development Centre, etc., while joining the following conferences and other lectures to obtain most recent arguments and knowledge, especially on labour policy and industrial relations in Germany and other EU (European Union) countries: “*Tarifpolitik gegen soziale Ungleichheit: Potenziale und Herausforderungen*” (A conference held by Institut Arbeit und Wirtschaft, DGB and Arbeitnehmerkammer Bremen in Bremen, 18th -19th January, 2018); “*What Does Co-Determination Do? What Can We Learn from Research*” (2nd Biennial Conference held by Hans-Böckler Stiftung in Berlin, 11th June 2018); “*Zukunft der Automobilindustrie*” (A conference held by Arbeitnehmerkammer Bremen in Bremen, 20th June 2018); “*Studying Modern Capitalism: The Relevance of Marx Today*” (A conference held by Institute for International Political Economy, at Hochschule Wirtschaft und Recht/HWR in Berlin, Berlin, 12th -13th July 2018).

At other meetings for reviewing the research progress, three reports were submitted for concentrated discussion. The first progress report (discussed on 12th December, 2017), based on a literature survey and on basic statistical data analysis, set three more detailed issues; first, critically examining causal relations between the internal devaluation (through wage moderation and the erosion of the employment-relation model) on the part

of Germany and the resulting regional imbalance, more specifically the current account imbalance between Germany and Southern Europe; second, empirically exploring the structure of Germany-centred regional production networks (global/regional value chains, GVCs/RVCs); and third, inquiring the transformation of the employment-relation (especially by looking into the increasing role of atypical employment in the manufacturing sector and the changing skill formation processes in modular production) in the global quality production system created by German manufacturing firms. The second progress report (discussed on 12th April, 2018) explained the draft paper written on the above-mentioned first issue, while the third progress report (discussed on 19th June, 2018) showed the purpose and the outline as well as the progress of the statistical analysis for the planned paper on the second issue mentioned above. For each report, Professor Wohlmuth gave precious advices and suggestions.

As a result of researches, two draft papers have been written (but one of them has not yet been completed):

The first (draft) paper, titled “*German Export-led Growth Model and Demand Structures; De-mythologizing Internal Devaluation*”, explores the ‘German export growth with inequality’ model in terms of structural changes of the world economy, while critically examining ‘varieties of capitalism (VoC)’ arguments (P. Hall and D. Soskice¹, etc.) and ‘growth model perspectives’ (L. Baccaro², etc.). Above all, as for the regional trade imbalances issue, it shows that Germany’s export growth in the 2000s has been attributable to its production and export structure being adequate to the world market dynamism rather than to its wage moderation or increasing price competitiveness, and that its rising inequality and expanding international production networks have changed its import demand structure, increasing the imports of low-priced consumer goods and of intermediate goods from V4 and China, and experiencing declining shares from Southern European countries as import sources.

The second (incomplete) paper, preliminarily titled “*Germany-centred Regional Value Chain: Beyond “Bazaar Economy” Perspective*”, aims to illustrate the delinking of German export growth from its wage moderation through showing that the EU regional production and trade structure centred on Germany in terms of the GVC approach. In

¹ Hall P. A, Soskice D., *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford University Press; 2001

² See about Professor L. Baccaro: http://www.mpifg.de/people/lb/publ_de.asp

doing so, arguing against the “bazaar economy” hypothesis by which H-W. Sinn³ attributed the German export surplus or its pathological export boom to its high wage structure in the early 2000s, it will explore its complicated and stratified wage structure as well as its relative level of offshoring and outsourcing as measured by various indicators for the hypothesis. Especially, based on most recent indicators for positioning in GVC, *Output Upstreamness (length of output supply chain)* and *Input Downstreamness (length of input demand chain)*, it will be suggested that Germany, together with V4, has exerted most influence on the position of the EU as a whole in the GVC of the manufacturing sector, while its own position is not so high and has rather stagnated after the Euro crisis. Mainly through international input- output analysis based on the WIOD database, therefore, the paper will argue that Germany’s massive trade surplus does not result from changes of its position in the GVC, but derives from its strong home production base and the high value capture ability in the regional production structure.

Owing to limited time and ability, I could not undertake the third paper as it was planned. The investigations for the following parts, however, have been already carried out: statistical data collection and analysis on the structure of German outward foreign direct investment and the presence of German multinational corporations in V4, and a literature survey on the changing employment regimes (utilizing atypical employment relations, especially temporary agency workers and employment based on a ‘Werkvertrag’) and on the modularizations of production in automotive and electronics industries in Germany and V4. It would be completed after the research period.

Finally, I greatly appreciate the strong support from Professor Dr. Karl Wohlmuth and the excellent facilities and research environment provided by the Faculty of Economics and Business Studies.

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Chunji YUN

³ See: <https://www.hanswernersinn.de/de/themen/BasarOekonomie>