Electric vehicle safety czech republic

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Sustaining the impressive convergence gains allowed by the Czech automotive sector has become challenging due to its comparatively lower value added, lower investments in research and development, and lower skills in the labor market. Using a structural model of global value chains, the paper examines policies to smooth the transition to the production of electric vehicles in Czechia. The analysis explores the impacts of increasing labor productivity, boosting production capabilities, and moving up the global value chain. These policies were found to have a relatively lower impact when they shift specialization towards lower value-added stages of production.

Cross-Country Comparison of Productivity and R& D

2. The automotive sector is one of the largest sectors in Czechia in terms of output and employment. Czechia motor vehicle sector"s value added and employment shares, stood respectively at 4.9 and 3.2 percent as of 2014 (Figure 2). Furthermore, sectors adjacent to motor vehicles, such as trade of motor vehicles and repair of equipment, are also important sectors in Czechia economy, reflecting the positive spillovers of the auto industry to Czechia industry.3

Sectoral Share of Czechia Economy

Intermediate Suppliers and Consumers from Czechia Auto Sector

Electric Vehicle Production in Czechia

a. Value chains. The production side of the economy is composed of two value chains-- corresponding to electric and combustion vehicles--and a numeraire good. The value chains consist of different stages of production, referred to as sectors and denoted by h. Each sector is composed of heterogeneous goods that differ in terms of their relative productivity and use both skilled and unskilled labor as inputs. The relative labor intensity of a sector is denoted by ah and the relative skill intensity by vh.

b. Trade of goods. Sector h goods produced in the domestic economy i can be traded to any foreign economy j by paying a variable trade cost ti,jh and fixed trade cost fi,jh. The fixed trade cost implies that in equilibrium only the most productive goods are sold in foreign market.

c. Entry of new goods. The final component of the economy determines the mass of goods produced in equilibrium. Firms in each sector pay a convex cost that allows them to produce new varieties of goods that differ in terms of productivity. Productivity is used in the creation of new goods and determines its relative profitability for the firm. The mass of goods determines the overall economic activity in a sector--for a given level of trade costs and cost of labor--and can be equivalently thought of as total factor productivity. Given

this interpretation, the mass of goods is used interchangeable with a country"s sectoral capabilities.

Automotive Global Value Chain Structural Model Illustration

Illustration of the Automotive GVC

Czechia: Calibrated Parameters

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