Sehr geehrte Abonnentinnen und Abonnenten,

wir freuen uns, Sie per Newsletter über die neuesten Entwicklungen des FIW-Projekts informieren zu dürfen.

Dieses Mal mit folgendem Inhalt:

- FIW-Seminar in International Economics mit Goran Vukšić am 5.3.2015
- Reminder: FIW-Seminar in International Economics mit Elisabeth Christen am 26.2. 2015
- Ausschreibung: FIW Award für Dissertationen
- FIW Working Paper Nr. 141 veröffentlicht
- FIW Working Paper Nr. 142 veröffentlicht
- FIW Working Paper Nr. 143 veröffentlicht

**FIW-Seminar in International Economics am 5.3. 2015**

Das FIW bietet regelmäßig Vorlesungen in Form eines Seminars in "International Economics" an.

Ort: wiiw Wiener Institut für Internationale Wirtschaftsvergleiche, Rahlgasse 3, 1060 Wien

**Donnerstag 5. März, 16:00-18:00**

wiiw, Rahlgasse 3, 1060 Vienna, lecture hall (entrance from the ground floor)

**Developing countries in competition for foreign investment**

**Goran Vukšić**

*Institute of Public Finance, Croatia*

**Abstract**

This study analyzes the competition for foreign direct investment (FDI) among countries at different stages of development. It is assumed that domestic companies in a more-developed country use more capital in production and that wages in a less-developed country are lower. Countries can compete for FDI by increasing the supply of public inputs in the economy, in addition to (or instead of) offering subsidies or tax reliefs to foreign investors. The results reveal that if governments of competing countries are not allowed to discriminate between domestic and foreign firms, there may be situations in which a less-developed economy will attract FDI depending on the labor cost differential and the responsiveness of foreign investors’ and domestic companies’ output to changes in the supply of public inputs. If tax discrimination between
domestic and foreign firms is permitted, both countries will optimally raise the supply of public inputs, but the more-developed country will always win the foreign investment despite higher labor costs. Thus, governments of less-developed countries may have an incentive to work on an international agreement to disallow tax discrimination.

Keywords: foreign direct investment; economic development; taxation policy; subsidies; public goods.

JEL Codes: F21; O24; H25; H41

Reminder: FIW-Seminar in International Economics am 26.2. 2015
Das FIW bietet regelmäßig Vorlesungen in Form eines Seminars in "International Economics" an.

Ort: wiwi Wiener Institut für Internationale Wirtschaftsvergleiche, Rahlgasse 3, 1060 Vienna

Donnerstag 26. Februar, 16:00-18:00
wiwi, Rahlgasse 3, 1060 Vienna, lecture hall (entrance from the ground floor)

Decomposing Services Exports Adjustments along the Intensive and Extensive Margin at the Firm-Level

Elisabeth Christen (with Yvonne Wolfmayr and Michael Pfaffermayr)
WIFO

Abstract

Using a comprehensive and unique data set of Austrian service exporting firms provided by the Austrian central bank (OeNB) this paper empirically examines the determinants of service exports at the firm/destination country level. Based on a Heckman sample selection gravity model, the paper introduces a new approach to decompose expected firm-level services exports into changes at the intensive and the extensive margins of adjustment as a response to counterfactual changes in exogenous variables. Specifically, we consider several counterfactual scenarios including the (hypothetical) reduction of trade costs, changes in destination market size and enhanced firm productivity. Our results suggest that export market growth and a reduction in distance related trade costs exert the relative strongest impact on the entry into new markets. Policies aiming at promoting firm productivity also have the potential to broaden the exporter base and play an important role for trade deepening.

Keywords: Service trade, Firm-level evidence, Firm heterogeneity, Gravity model, Sample selection, Intensive and extensive margin of trade.

JEL Codes: C15, C21, D21, F14, L20, L80
**Ausschreibung: FIW Award für Dissertationen**

Im Rahmen des Kompetenzzentrums „Forschungsschwerpunkt Internationale Wirtschaft“ wird der „FIW Award“ bis zu einer Höhe von € 6.000,00 für Nachwuchswissenschaftlerinnen ausgeschrieben.


Die Höhe des Preises von insgesamt € 6.000,00 kann auf mehrere Nachwuchswissenschaftlerinnen aufgeteilt werden.


Einreichungen inkl. Lebenslauf (pdf-Form) bitte an: fiw-pb@fiw.at

**Einreichfrist: 28. März 2015**

Weitere Informationen finden Sie auf unserer Website: http://www.fiw.ac.at/index.php?id=800

**FIW Working Paper Nr. 141 veröffentlicht**

Das FIW Working Papers Nr. 141 wurde veröffentlicht und steht zum freien Download zur Verfügung: http://www.fiw.ac.at/index.php?id=797#c13415

**WP Nr. 141: Jagannath Mallick: “Globalisation, Structural Change and Labour Productivity Growth in BRICS Economy”**

Globalisation, has intensified the demand preference for quality labour, that embodies more knowledge and competency/skill to maximise the production in one hand, and it has also changed the life style and consumption behavior of the society on the other. As a consequence, this has led to significant changes in the composition and structure of the economy, and also, the reallocation of labour. The study examines the reallocation effect (or structural change) and the direct effect of globalization on labour productivity growth in BRICS countries. The study also examines the relative role of consumption factors and other factors for the structural development during globalization. The study uses shift-share analysis, dynamic panel data method and input-output tables for the empirical analysis during 1990-91 to 2011-12. The findings show that the contribution of structural change is relatively significant in China and India. The globalization measures including international trade and FDI are found to have significant impact on the upsurge of labour productivity growth in BRICS, where the consumption demand predominates among the factors of structural development.

JEL : F1, J01, J08, J34, R1

Keywords: Globalisation, FDI, Trade, Labour productivity, Structural Change, BRICS

**FIW Working Paper Nr. 142 veröffentlicht**
WP Nr. 142: Dominique Bruhn: “Coverage and enforceability of investment rules in PTAs: the role of global value chain trade and regulatory differences”

Against the background of a changing landscape of trade and investment governance in the 21st century, characterised by the proliferation of deep preferential trade agreements (PTAs), this paper econometrically tests the importance of global value chain trade and regulatory differences in explaining the likelihood of a country pair to include an (enforceable) investment provision in the PTA. The spatial probit analysis, based on Bayesian Monte Carlo Markov Chain simulation, reveals that higher production network trade and strongly differing legal frameworks are indeed associated with a higher likelihood of including (enforceable) investment provisions. This is true even when controlling for interdependence between countries and conducting a variety of sensitivity checks, underscoring the importance of deep integration in the context of global value chains. However, when excluding EU countries from the sample, investment coverage and enforceability is rather driven by positive spatial interdependence between countries, raising the question whether the focus on global value chain trade and regulatory differences is something characteristic of EU trade policy making.

JEL : F13, F14, F15
Keywords: preferential trade agreement, investment, global value chain, production network trade, spatial probit, Bayesian econometrics

FiW Working Paper Nr. 143 veröffentlicht

WP Nr. 143: Mary M. Everett: “International liquidity shocks and the European sovereign debt crisis: Was euro area unconventional monetary policy successful?”

Using novel data on individual euro area banks’ balance sheets this paper shows that exposure to stressed European sovereigns manifested in a liquidity shock to their international funding through two channels: (i) a contraction in cross-border funding, and (ii) a contraction in US wholesale funding. The effectiveness of the ECB’s unconventional monetary policy measures, in the form of the 3-year Long-Term Refinancing Operations (VLTROs), in mitigating effects of the European sovereign debt crisis on the supply of private sector credit is assessed. Controlling for banks’ risk factors and credit demand, the first round of VLTROs in December 2011 is not found to have been successful in offsetting the decline in credit supply to Households and non-financial corporates. In contrast, the VLTROs in February 2012 are found to have mitigated the effect of the European sovereign debt crisis on credit supply. Moreover, a contraction in credit supply to non-financial corporates, but not households, is documented for euro area banks affected by the international liquidity shock and that drew on ECB liquidity under the VLTRO facilities.

JEL : F60, G21, G15, H63
Keywords: European sovereign crisis, cross-border banking, sovereign debt, international transmission, non-standard measures, ECB liquidity

Mit freundlichen Grüßen
Alexander Hudetz
Dear Sir or Madam,

we are pleased to inform you about the latest news of the FIW project.

In this issue:

- FIW-Seminar in International Economics with Goran Vukšić
- Reminder: FIW-Seminar in International Economics with Elisabeth Christen
- Tender: FIW Award for PhD-Thesis
- FIW Working Paper No. 141 published
- FIW Working Paper No. 142 published
- FIW Working Paper No. 143 published

**FIW-Seminar in International Economics with Goran Vukšić**

The seminar is part of the activities of FIW, the Centre of Competence in International Economics. Regular lecture series on current issues in international economics.

Location: wiwi Wiener Institut für Internationale Wirtschaftsvergleiche, Rahlgasse 3, 1060 Wien

**Thursday, March 5th, 4 pm**

**Developing countries in competition for foreign investment**

**Goran Vukšić**

*Institute of Public Finance, Croatia*

**Abstract**

This study analyzes the competition for foreign direct investment (FDI) among countries at different stages of development. It is assumed that domestic companies in a more-developed country use more capital in production and that wages in a less-developed country are lower. Countries can compete for FDI by increasing the supply of public inputs in the economy, in addition to (or instead of) offering subsidies or tax...
reliefs to foreign investors. The results reveal that if governments of competing countries are not allowed to discriminate between domestic and foreign firms, there may be situations in which a less-developed economy will attract FDI depending on the labor cost differential and the responsiveness of foreign investors’ and domestic companies’ output to changes in the supply of public inputs. If tax discrimination between domestic and foreign firms is permitted, both countries will optimally raise the supply of public inputs, but the more-developed country will always win the foreign investment despite higher labor costs. Thus, governments of less-developed countries may have an incentive to work on an international agreement to disallow tax discrimination.

Keywords: foreign direct investment; economic development; taxation policy; subsidies; public goods.

JEL Codes: F21; O24; H25; H41

Reminder: FIW-Seminar in International Economics: October 2nd, 2014

The seminar is part of the activities of FIW, the Centre of Competence in International Economics. Regular lecture series on current issues in international economics.

Location: wiwi Wiener Institut für Internationale Wirtschaftsvergleiche, Rahlgasse 3, 1060 Wien

Thursday, February 26th, 4 pm

Decomposing Services Exports Adjustments along the Intensive and Extensive Margin at the Firm-Level

Elisabeth Christen (with Yvonne Wolfmayr and Michael Pfaffermayr)

WIFO

Abstract

Using a comprehensive and unique data set of Austrian service exporting firms provided by the Austrian central bank (OeNB) this paper empirically examines the determinants of service exports at the firm/destination country level. Based on a Heckman sample selection gravity model, the paper introduces a new approach to decompose expected firm-level services exports into changes at the intensive and the extensive margins of adjustment as a response to counterfactual changes in exogenous variables. Specifically, we consider several counterfactual scenarios including the (hypothetical) reduction of trade costs, changes in destination market size and enhanced firm productivity. Our results suggest that export market growth and a reduction in distance related trade costs exert the relative strongest impact on the entry into new markets. Policies aiming at promoting firm productivity also have the potential to broaden the exporter base and play an important role for trade deepening.

Keywords: Service trade, Firm-level evidence, Firm heterogeneity, Gravity model, Sample selection, Intensive and extensive margin of trade.
**Tender: FiW Award for PhD-Thesis**


Der Abschluss der Dissertation oder PhD-Thesis (Datum der erfolgreichen Verteidigung) muss in den Jahren 2012-2015 erfolgt sein. Einreichungen inkl. Lebenslauf (pdf-Form) bitte an: fiw-pb@fiw.at

**Einreichfrist: 28. März 2015**

Weitere Informationen finden Sie auf unserer Website: [http://www.fiw.ac.at/index.php?id=800&L=3](http://www.fiw.ac.at/index.php?id=800&L=3)

**FiW Working Paper Nr. 141 published**

The FiW Working Papers No. 141 has been published and is available online for free: [http://www.fiw.ac.at/index.php?id=797&L=3#c13414](http://www.fiw.ac.at/index.php?id=797&L=3#c13414)

**WP Nr. 141: Jagannath Mallick: “Globalisation, Structural Change and Labour Productivity Growth in BRICS Economy”**

Globalisation, has intensified the demand preference for quality labour, that embodies more knowledge and competency/skill to maximise the production in one hand, and it has also changed the life style and consumption behavior of the society on the other. As a consequence, this has led to significant changes in the composition and structure of the economy, and also, the reallocation of labour. The study examines the reallocation effect (or structural change) and the direct effect of globalization on labour productivity growth in BRICS countries. The study also examines the relative role of consumption factors and other factors for the structural development during globalization. The study uses shift-share analysis, dynamic panel data method and input-output tables for the empirical analysis during 1990-91 to 2011-12. The findings show that the contribution of structural change is relatively significant in China and India. The globalization measures including international trade and FDI are found to have significant impact on the upsurge of labour productivity growth in BRICS, where the consumption demand predominates among the factors of structural development.
FIW Working Paper Nr. 142 published

The FIW Working Papers No. 142 has been published and is available online for free: http://www.fiw.ac.at/index.php?id=797&L=3#c13416

WP Nr. 142: Dominique Bruhn: “Coverage and enforceability of investment rules in PTAs: the role of global value chain trade and regulatory differences”

Against the background of a changing landscape of trade and investment governance in the 21st century, characterised by the proliferation of deep preferential trade agreements (PTAs), this paper econometrically tests the importance of global value chain trade and regulatory differences in explaining the likelihood of a country pair to include an (enforceable) investment provision in the PTA. The spatial probit analysis, based on Bayesian Monte Carlo Markov Chain simulation, reveals that higher production network trade and strongly differing legal frameworks are indeed associated with a higher likelihood of including (enforceable) investment provisions. This is true even when controlling for interdependence between countries and conducting a variety of sensitivity checks, underscoring the importance of deep integration in the context of global value chains. However, when excluding EU countries from the sample, investment coverage and enforceability is rather driven by positive spatial interdependence between countries, raising the question whether the focus on global value chain trade and regulatory differences is something characteristic of EU trade policy making.

JEL : F13, F14, F15
Keywords: preferential trade agreement, investment, global value chain, production network trade, spatial probit, Bayesian econometrics

FIW Working Paper Nr. 143 published

The FIW Working Papers No. 143 has been published and is available online for free: http://www.fiw.ac.at/index.php?id=797&L=3#c13418

WP Nr. 143: Mary M. Everett: “International liquidity shocks and the European sovereign debt crisis: Was euro area unconventional monetary policy successful?”

Using novel data on individual euro area banks’ balance sheets this paper shows that exposure to stressed European sovereigns manifested in a liquidity shock to their international funding through two channels: (i) a contraction in cross-border funding, and (ii) a contraction in US wholesale funding. The effectiveness of the ECB’s unconventional monetary policy measures, in the form of the 3-year Long-Term Refinancing Operations (VLTROs), in mitigating effects of the European sovereign debt crisis on the supply of private sector credit is assessed. Controlling for banks’ risk factors and credit demand, the first round of VLTROs in December 2011 is not found to have been successful in offsetting the decline in credit supply to Households and non-financial corporates. In contrast, the VLTROs in February 2012 are found to have mitigated the effect of the European sovereign debt crisis on credit supply. Moreover, a contraction in credit supply to non-financial corporates, but not households, is documented for euro area banks affected by the international liquidity shock and that drew on ECB liquidity under the VLTRO facilities.

JEL : F60, G21, G15, H63
Keywords: European sovereign crisis, cross-border banking, sovereign debt, international transmission, non-standard measures, ECB liquidity
The ‘center of excellence’ FIW (http://www.fiw.ac.at/) is a project of WIFO, wiw and WSR on behalf of the BMWFW. The FIW cooperation with the Vienna University of Economics and Business (WU), the University Vienna and the Johannes Kepler University Linz is supported by the former Federal Ministry of Science and Research (now integrated in the Federal Ministry of Science, Research and Economy).