

Seminarreihe – Zyklus 2016/17

**Aktuelle volkswirtschaftliche Fragen
im Rahmen von internationaler Wirtschaft
und Europäischer Integration**

- Seminar 1: **„Wirtschaftspolitische Erkenntnisse aus neuen empirischen Außenwirtschaftsmodellen mit Robert STEHRER (wiiw)“** 27.4.2016
- Seminar 2: **„Monetäre Aspekte der Außenwirtschaft – Ökonomie der Währungsunion – Internationale Kapitalflüsse und Staatsfinanzen“**
mit Franz NAUSCHNIGG (OeNB) 22.6.2016
- Seminar 3: **„Entwicklungsaspekte der Außenwirtschaft – Fokus: Offene Märkte“**
mit Klaus Friesenbichler (WIFO) 6.10.2016
- Seminar 4: „Aktuelle Herausforderungen des Europäischen Integrationsprozesses“
mit Michael Landesmann (JKU Linz & wiiw) 19.1.2017**

FIW Seminar – Europäische Integration – BKA Jänner 2017

Aktuelle Herausforderungen des Europäischen Integrationsprozesses

Michael Landesmann

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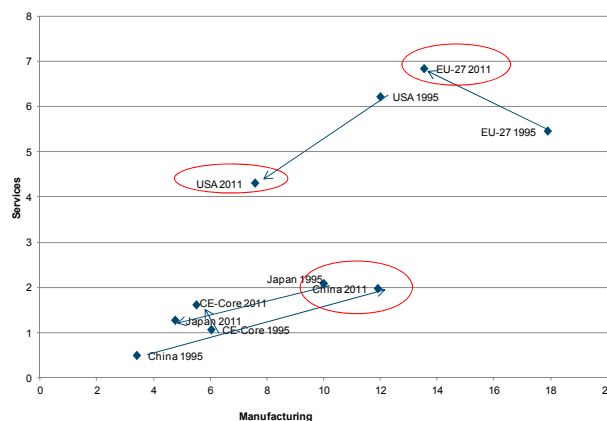
Themenbereiche

- Europäische Union in der Weltwirtschaft
- Die nicht-bewältigte Wirtschaftskrise
 - Migrations- und Flüchtlingskrise
- EU Nachbarschaft: EU-Russland, 'Border Region'

Europäische Union in der Weltwirtschaft

- Vor der Krise: Europa ist nicht schlecht positioniert in Wettbewerbsfähigkeit verglichen mit anderen Hocheinkommensregionen (USA, Japan)
- In der Verarbeitenden Industrie gibt es eine zunehmende Konzentration in einem 'Central European Manufacturing Core'
- 2 Problembereiche:
 - Fortgeschrittene europäische Wirtschaften die einen starken Deindustrialisierungsprozess durchgemacht haben aber nicht in genügendem Maße in 'Business Services' erfolgreich sind
 - Periphere/niedrig Einkommensländer die nicht in grenzüberschreitende Produktionsnetzwerke eingebunden sind

Weltmarkt(export)anteile: manufacturing – services; share in total global exports 1995-2011 - extra EU27 trade only (in %)



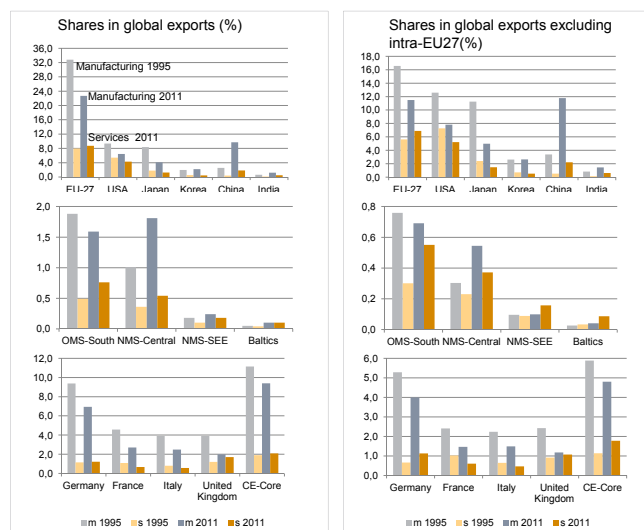
Source: WIOD; wiiw calculations.

World market export shares: shares in total global exports (in %) - extra EU27 trade only

	Manufacturing					Services				
	1995	2000	2007	2009	2011	1995	2000	2007	2009	2011
EU-27	16.57	13.51	13.54	12.92	11.49	5.63	5.65	6.52	6.92	6.88
USA	12.59	12.94	8.61	8.67	7.82	7.27	7.36	6.03	5.89	5.23
Japan	11.26	8.90	5.80	5.20	5.00	2.41	2.26	1.66	1.54	1.49
South Korea	2.64	2.60	2.68	2.58	2.66	0.73	0.72	0.60	0.54	0.54
China	3.40	4.17	9.52	10.90	11.78	0.54	1.09	1.81	1.98	2.23
India	0.85	1.01	1.30	1.42	1.47	0.16	0.20	0.69	0.53	0.62
	Manufacturing					Services				
	1995	2000	2007	2009	2011	1995	2000	2007	2009	2011
OMS-North	15.39	12.51	12.06	11.40	10.12	4.98	4.87	5.48	5.80	5.72
OMS-South	0.76	0.63	0.74	0.78	0.69	0.30	0.44	0.57	0.59	0.55
NMS-Central	0.30	0.27	0.57	0.57	0.54	0.23	0.19	0.27	0.29	0.37
NMS-SEE	0.10	0.07	0.12	0.13	0.10	0.09	0.10	0.13	0.15	0.16
Baltics	0.03	0.02	0.04	0.05	0.04	0.03	0.04	0.08	0.09	0.09
	Manufacturing					Services				
	1995	2000	2007	2009	2011	1995	2000	2007	2009	2011
France	2.41	1.87	1.71	1.83	1.47	1.02	0.72	0.45	0.58	0.60
Germany	5.28	4.03	4.59	4.26	4.00	0.66	0.81	1.07	1.23	1.13
Italy	2.24	1.82	1.80	1.71	1.49	0.65	0.49	0.43	0.44	0.47
United Kingdom	2.42	2.20	1.58	1.37	1.18	0.91	1.20	1.33	1.22	1.07
Germ sh in EU27	31.89	29.84	33.88	32.93	34.80	11.79	14.32	16.44	17.79	16.44
CE-Core sh in EU27	35.94	34.40	40.25	39.39	41.66	19.73	20.64	24.87	26.38	26.45

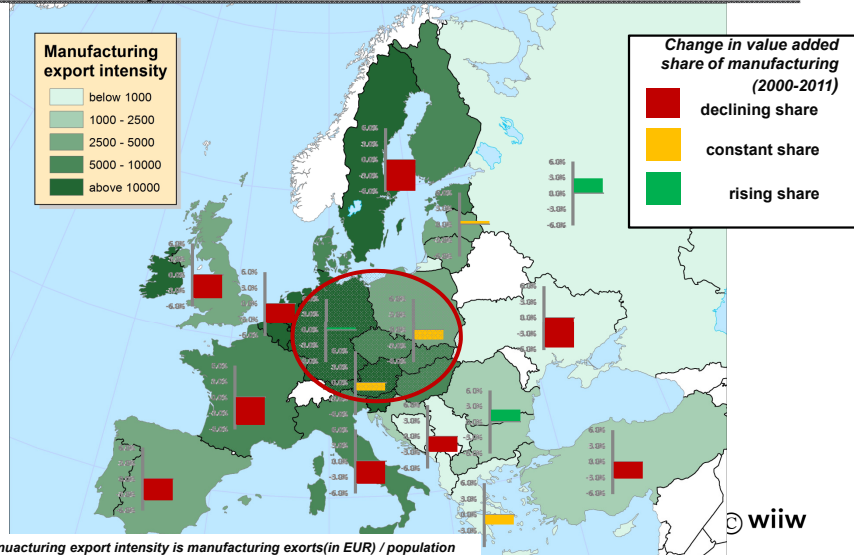
Source: WIOD; wiiw calculations.

Shares in global exports – 1995 and 2011; manufacturing and services

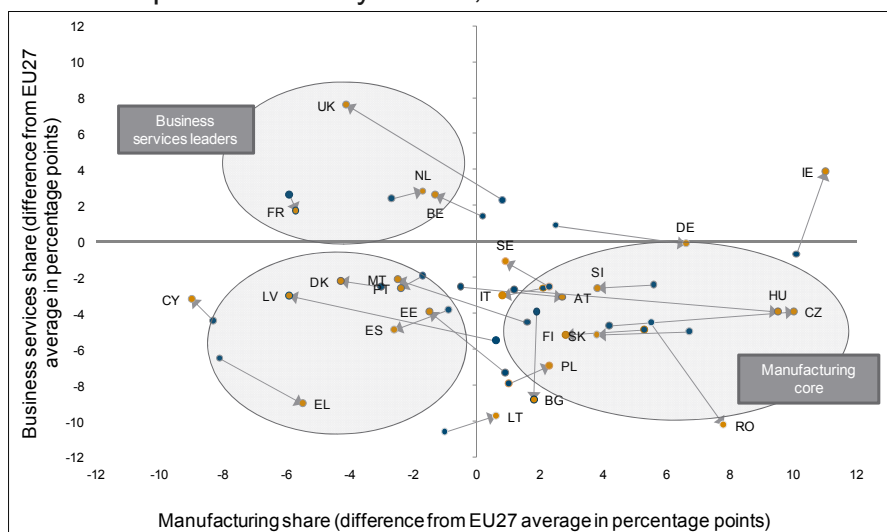


Source: WIOD; wiiw calculations.

Manufacturing activity is increasingly concentrated in a Central European Core

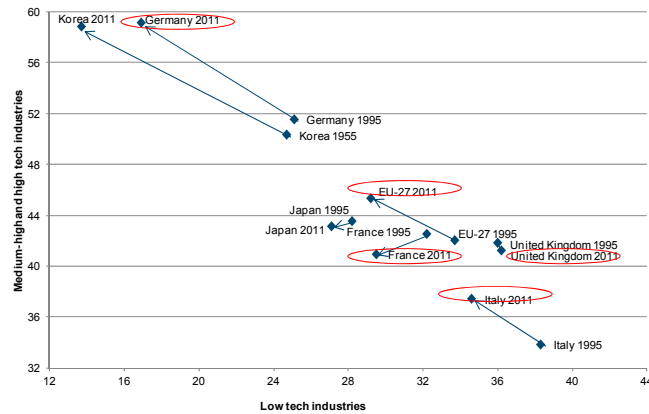


EU-27 specialisation dynamics, 1995-2011



Source: WIOD; wiiw calculations.

Share of industry groups in % of manufacturing GDP – medium-high vs. low-tech industries; 1995-2011



Source: WIOD; wiiw calculations.

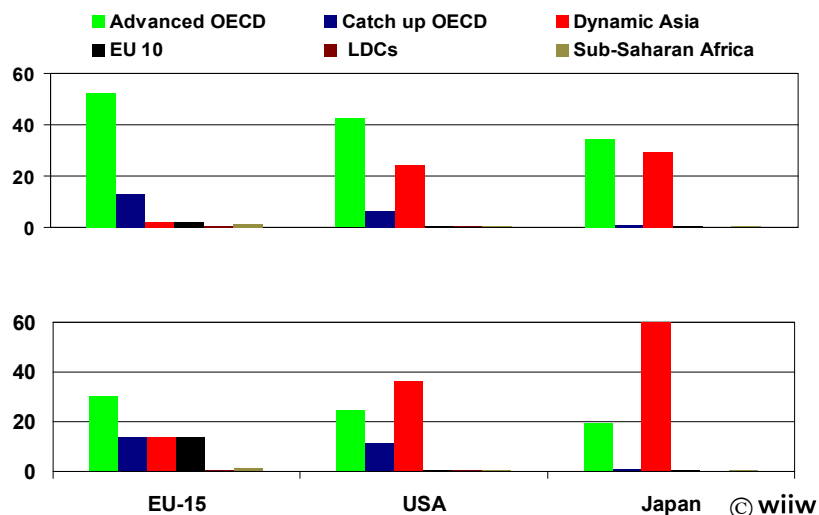
European Competitiveness in an Open World: main worries – a summary

- Hyper-concentration of manufacturing in Central European Manufacturing Core
- Weaknesses in some advanced European economies in alternative export areas
- Belt of Europe's low-/medium-income economies in danger of peripherisation and chronic current account problems
- Recipes:
 - innovation and education policies in advanced economies
 - concentration on tradable sector in peripheral economies

Globalisation dynamic - main points

- Global dynamics characterised by deepened integration between advanced and catching-up regions; this also applies to intra-Enlarged EU integration
- Dynamics of catching-up: up-grading in export structures and in vertical product differentiation; scope for integration and up-grading through outsourcing; implications for skills demand
- Interaction effects: role of FDI, knowledge transfer, domestic physical and educational infrastructure; governance
- European outsourcing structures much more regional in scope than US outsourcing; Asia is also shifting more towards regionalist cross-country production networks © wiiw

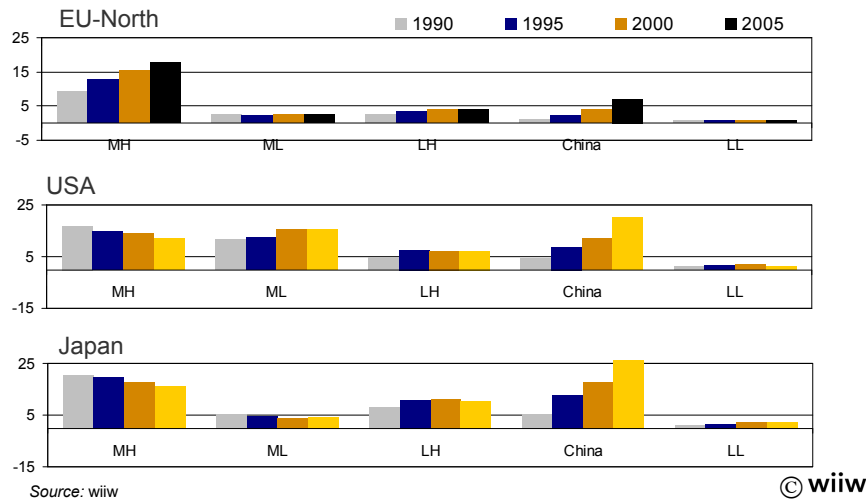
Shares in total goods imports in EU-15, US and Japan excluding intra-advanced EU-trade, (%), 1995 and 2011



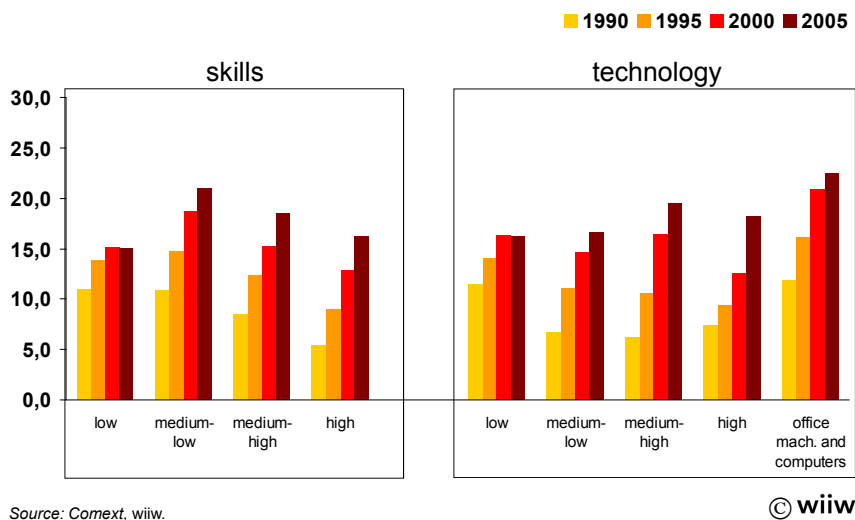
Source: Comext, wiiw.

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Import shares by medium- and low-income countries in EU-North, US and Japan, goods



Shares of middle income – high growth (MH) countries in imports of EU-North, by skill and technology categories(%)

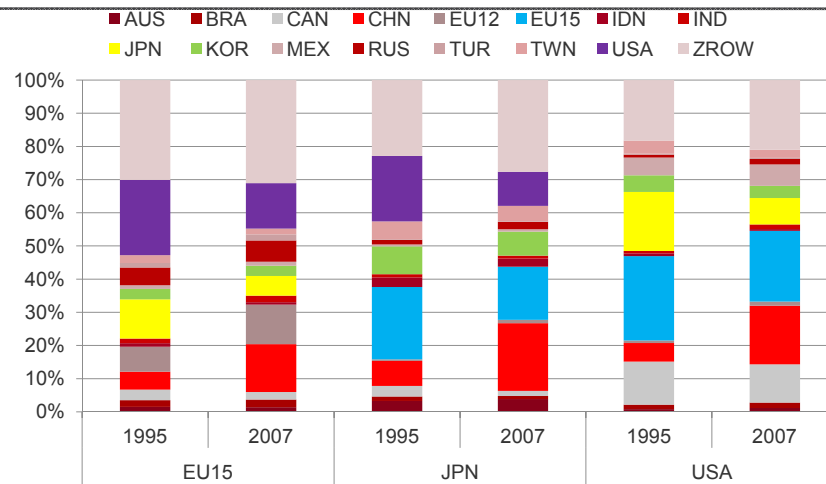




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Vertical specialisation (VS2) by partner, 1995-2007; i.e. (total) import content of exports



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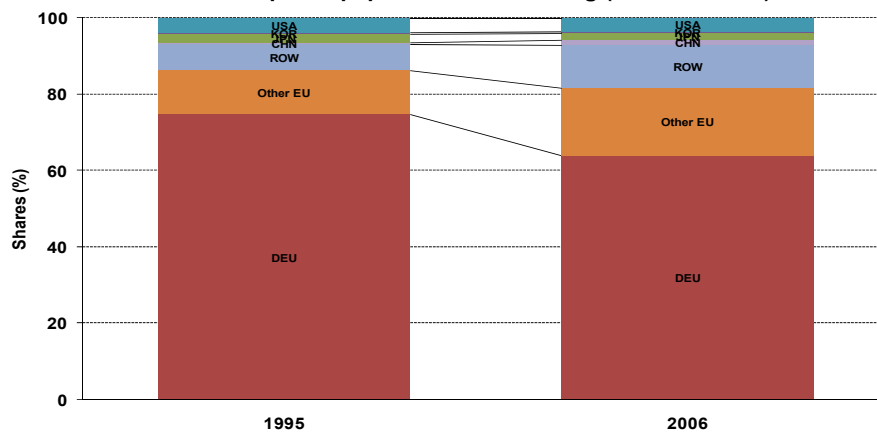
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An illustration: A Car *MADE IN GERMANY*

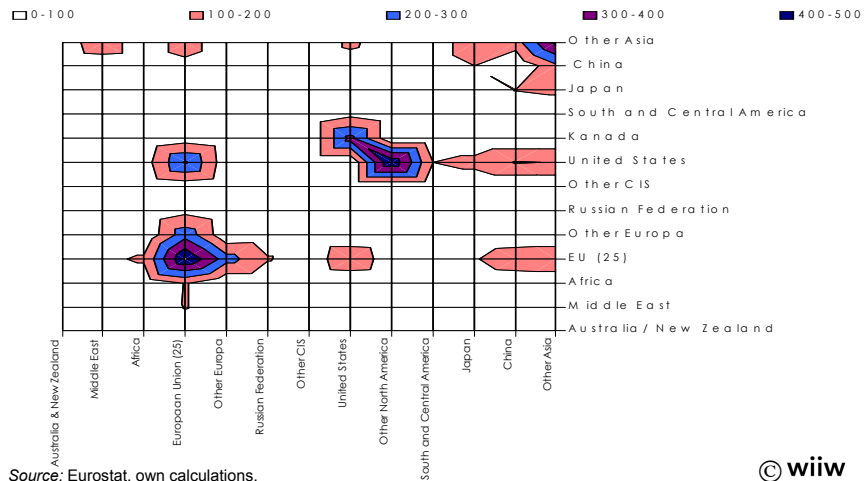
A GVC (Global Value Chain) will indicate who contributed value?

Global Value Chain of Final Output from German transport equipment manufacturing (1995 and 2006)

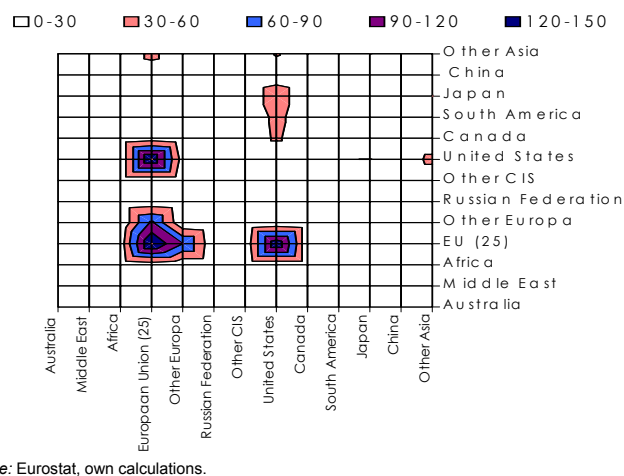


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Network of global trade in goods, 2005 imports in USD bn



Network of global service trade, 2005, USD bn



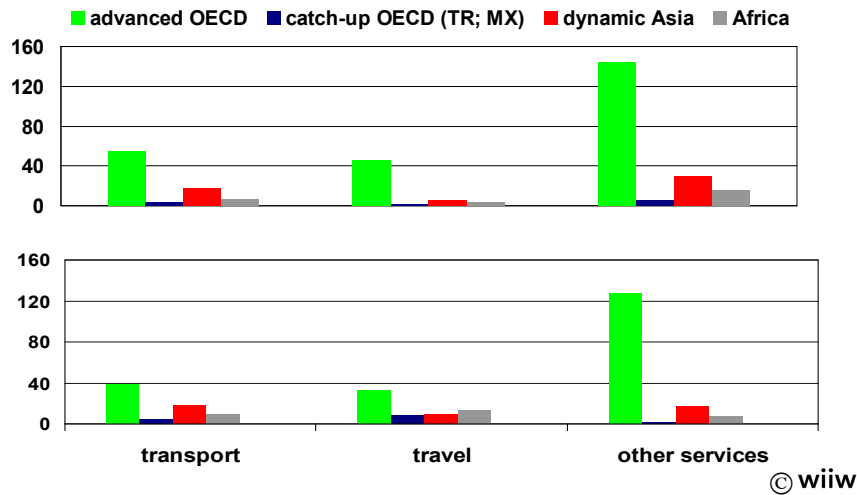


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EU-15 services trade, 1995 and 2011

excluding intra-advanced EU-trade, EUR bn

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The Carrier Function of Manufacturing

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EU-27: Gross exports and Value Added Exported by broad sectors, 2011

		Exporting Industry		
		Primary	Manufacturing	Services
source of value added	Primary	151,282	397,933	41,090
	Manufacturing	19,696	2,593,900	93,035
	Services	61,051	1,922,685	1,464,715
sectoral split: gross exports		3%	73%	24%

Source: WIOD, wiiw-calculations.

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Summary points

- Over the past twenty years, significant increase of emerging economies in goods trade
- International services trade – in particular business services – continues to be dominated by ‘Northern’ economies
- Relatively fast catching-up of ‘successful’ emerging economies in more skill-intensive and technology-intensive industries – ‘climbing up the ladder’
- In Europe, CEE economies play role of ‘emerging economies’

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Die nicht-bewältigte Wirtschaftskrise

Aktuelle Herausforderungen des Europäischen Integrationsprozesses

- **Konvergenz/Divergenz in Europa**
- **‘Strukturelle’ externe Ungleichgewichte**

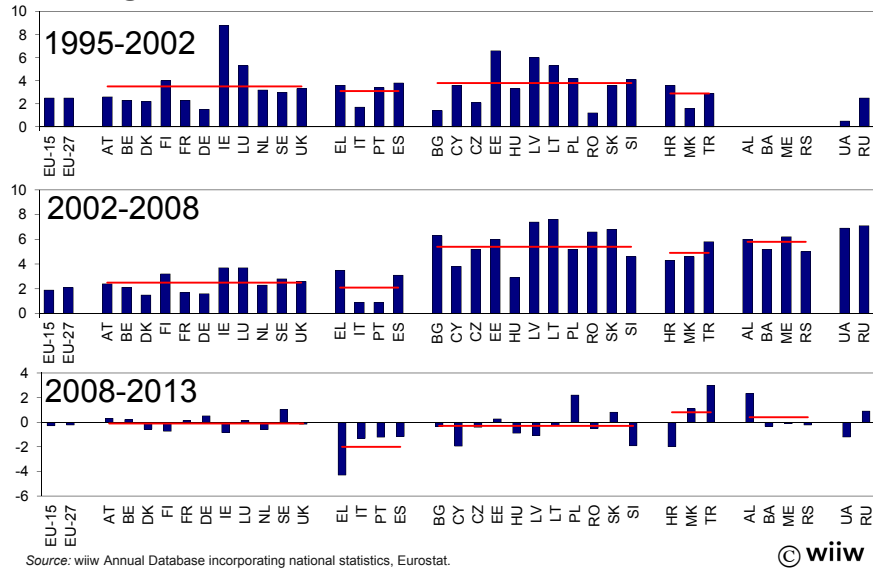
Aktuelle Herausforderungen des Europäischen Integrationsprozesses – **Konvergenz und Divergenz**

- In den Jahrzehnten vor der Krise - **EU als das erfolgreiche ‘Konvergenz Modell’** (siehe auch Weltbankbericht); auch Vertrauen in die Nachhaltigkeit von Konvergenzprozessen
- Diese Sicht wurde durch die Krise stark erschüttert
- Nicht-nachhaltigkeit von Entwicklungs- und Konvergenzprozessen ist ein strukturelles Gefahrenmoment für den europäischen Integrationsprozess insgesamt

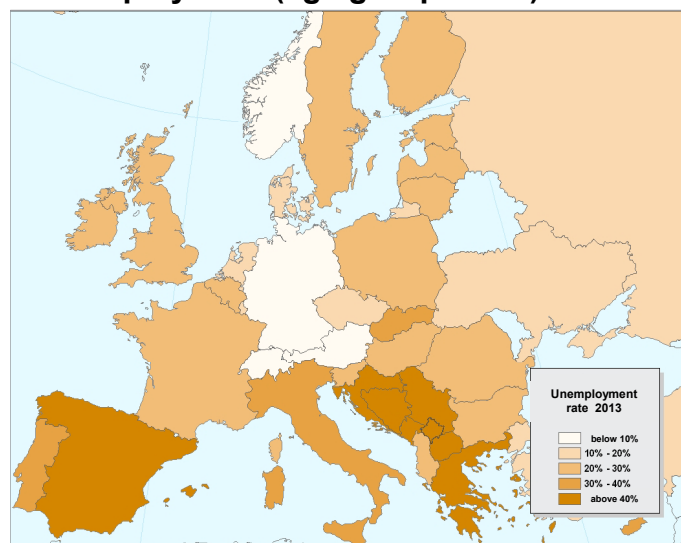
Konvergenz/Divergenz in Europa - Spezifika

- **Cross-country convergence/divergence**
- **Intra-country regional convergence/divergence**
- **Sustainability** of catching-up: **Achilles heel – external imbalances;**
- **Special contexts:** integrated financial markets, Euro membership/exchange rate regimes
- **Europe’s ‘South’:** CEECs/NMS, Southern Europe, Balkans, Turkey, neighbourhood (Ukraine, Russia, etc.)

Convergence record: Growth of GDP, av. annual growth rates, in %



Youth unemployment (age group 15-24) extremely high



Source: wiiw calculation incorporating national and Eurostat statistics.

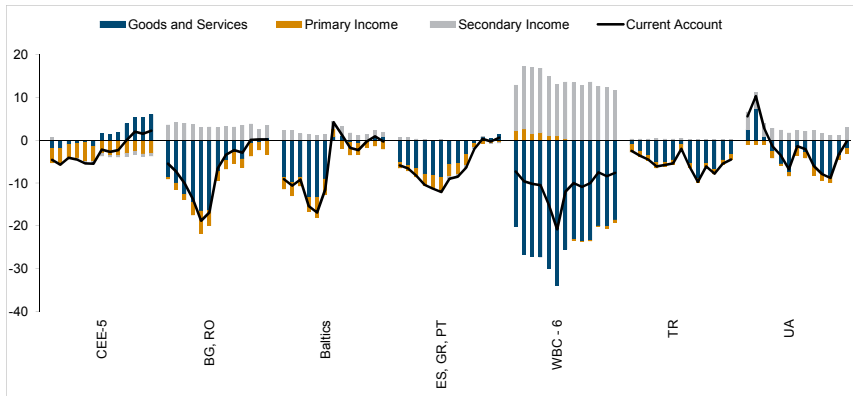
Konvergenz, Divergenz – Forschungsergebnisse

- **Evidence for inter-country convergence in Europe prior to crisis; slowdown resp. divergence post-crisis**
- **No evidence of intra-country regional convergence:** special issue of **capital cities** in CESEE economies
- Relative uniformity of inter-country convergence pre-crisis hid **underlying diversity in external imbalances**

External imbalances in the European economy – focus on lower-/medium-income economies

- Specific issues for **catching-up economies** in an **unstable external environment**
- We focus on **differentiation between:**
 - **EU-South** (ES, GR, PT)
 - **CEE-5** (CZ, HU, PL, SK, SL)
 - **Baltics** (EE, LT, LV)
 - **BG, RO** (at times HR)
 - **Western Balkans** (WBC-6; AL, BA, MK, ME, RS, XK)
 - **Turkey, Ukraine**

Composition of the current account of the balance of payments, 2003-2015, in % of GDP - pre-crisis: run-away deficits in some countries (trade balances, capital inflows); post-crisis ('sudden stop'; income effects)



Remark: Components refer to BOP 6th edition as far as available, BOP 5th edition before. Primary income refers to Income Accounts, secondary income to current transfers.
Source: wiiw Annual Database incorporating national and Eurostat statistics.

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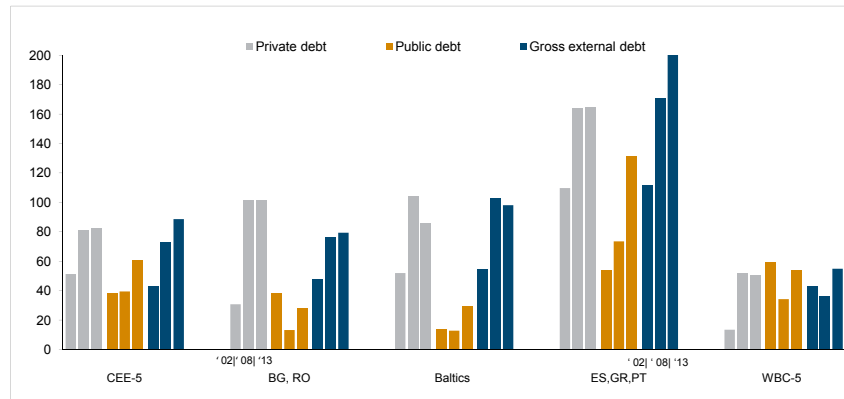
External imbalances in the European economy – why is it a problem?

- Pre-crisis we did not think it was a problem in the EMU
- Now (after the onset of the crisis) we think it is a **central problem of European integration**
- Sustainability problem i.e. stock not flow problem; inside and outside the EMU
- **Resulting debt problem** acts as a **long-run constraint on growth** plus **vulnerability to shocks**
- Focus on strength of tradable sector

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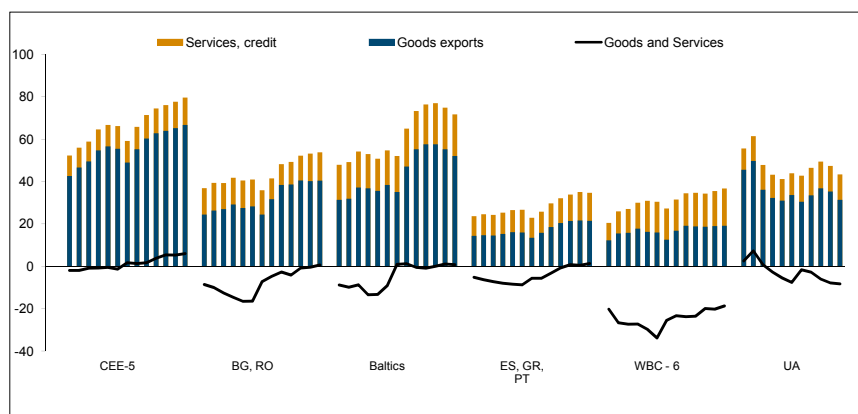
Debt in % of GDP, 2002, 2008, 2013 – private, public, external

Sequencing in private, public, external debt evolution



Remark: Data 2002: Public debt for ES, GR, PT refers to ES, PT only and to 2003. Gross external debt for ES, GR, PT refers to 2003, BA and ME gross external public debt.
Private debt for Baltics refers to 2004 (without EE), for WBC-5 to 2003 (without BA).
Source: wiiw Annual Database incorporating national and Eurostat statistics.

External trade, 2003-2015, in % of GDP - Persistent low export capacity in some groups of countries

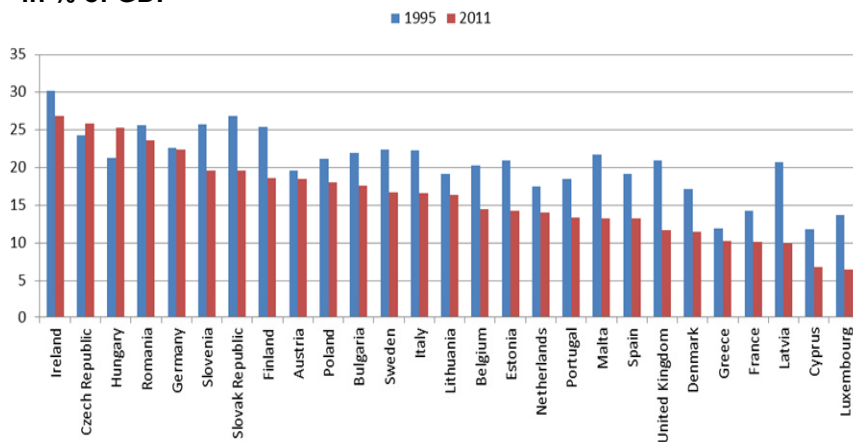


Source: wiiw Annual Database incorporating national and Eurostat statistics.

External imbalances in the European economy – what stands in the way to resolve the problem?

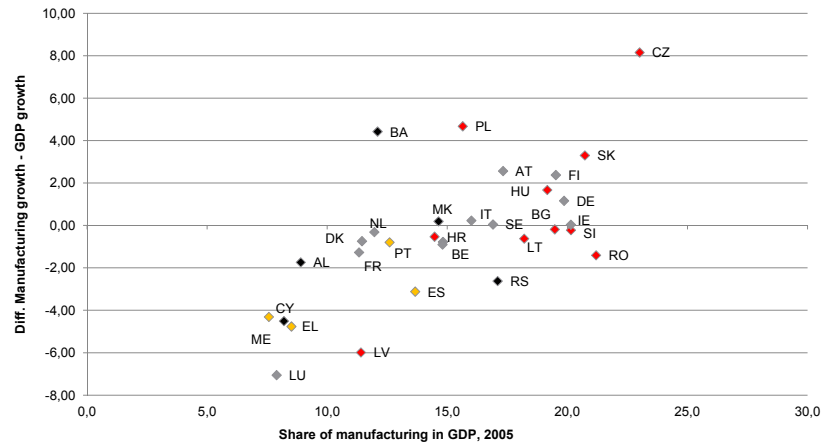
- **Reversing past patterns of de-industrialisation** in 'Europe's Periphery' (at country and regional levels)
- **Agglomeration tendencies** of Europe's manufacturing industry
- **Insufficient focus of policy instruments** on the issue and conflicts of policy instruments (e.g. competition and industrial policy; level-playing field)

Share of manufacturing in EU Member States, in % of GDP



Source: Eurostat.

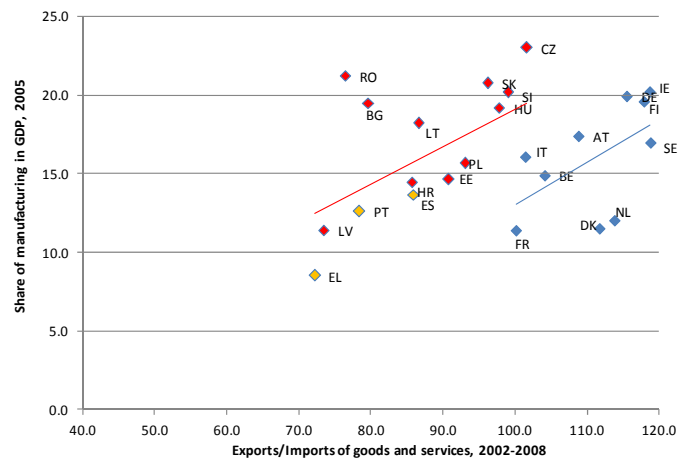
Divergent developments: Differential growth manuf.-total economy 2005-2008 and share of manufacturing in GDP, 2005



Source: Eurostat and wiiw own calculations.

Position of manufacturing and longer-term trade balances

Share of manufacturing in GDP in 2005 and exports/imports of goods and services, average 2002-2008 – **manufacturing particularly important for medium-income countries!**



Source: Eurostat and wiiw own calculations.

Relationship between the trade account and the manufacturing base, 1995-2011

Dependent variable: Trade account balance (goods and services balance) in % of GDP

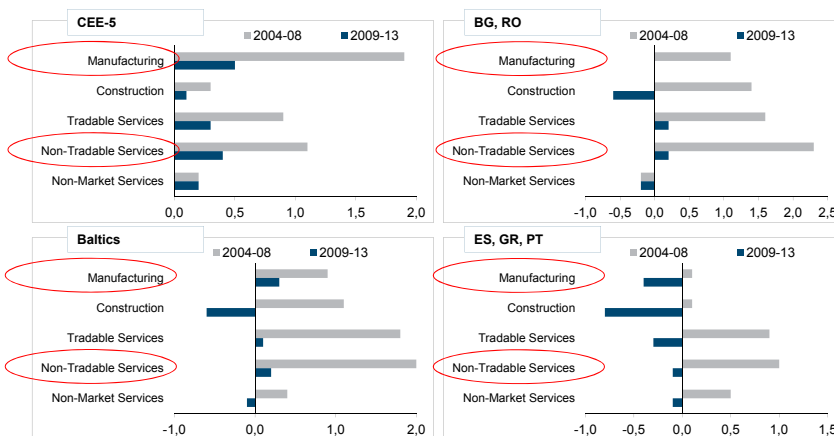
Variable	EU27 (4)	EU27 (5)	EU27 (7)	EU27 (8)	EU27 (10)	EU27 (11)
Manufacturing base	0.5224 *** (0.131)	0.5911 *** (0.134)	0.5138 *** (0.139)	0.8013 *** (0.135)	0.7811 *** (0.133)	0.7002 *** (0.139)
Manufacturing base x GDPcap					0.6757 *** 0.148	0.7361 *** 0.157
GDPcap		-0.0420 (0.030)	-0.0430 (0.032)	-1.0840 *** (0.208)	-1.5750 *** (0.235)	-1.6966 *** (0.248)
GDPcap ²				0.0659 *** (0.012)	0.0931 *** (0.014)	0.1004 *** (0.015)
ΔReal effective FX			-0.001 ** (0.001)			-0.001 *** (0.000)
F	4.220	4.577	4.630	6.114	6.735	7.399
R ²	0.888	0.886	0.893	0.900	0.908	0.917
R ² -adj.	0.876	0.874	0.881	0.889	0.897	0.907
Obs.	459	454	427	454	454	427

Source: WIOD, Eurostat, World Development Indicators, wiiw-estimations.

Notes: All estimates include a constant, time and country fixed effects. standard errors in parenthesis. *, **, *** indicate statistical significance at the 1, 5 and 10 level respectively. Specifications with interaction terms use mean-centered values of regressors.

Contributions to GDP growth by sectors, percentage points 2004-2008 and 2009-2013 (from constant prices)

– Look at manufacturing and NTS!



Source: wiiw Annual Database incorporating national and Eurostat statistics, own calculations.

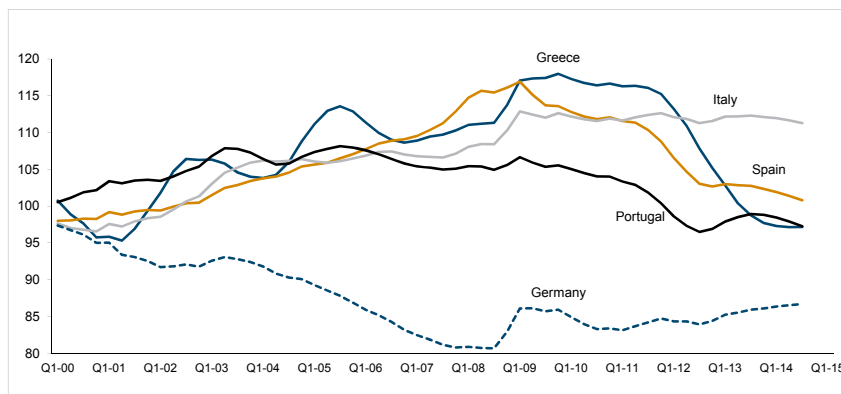
External imbalances in the European economy – what have we learnt?

- 'Structural' external imbalances refer to persistent weaknesses of the tradable sector; danger particularly for catching-up economies
- Lead to build-up of external debt and vulnerability to external shocks (e.g. 'sudden stops'); thus act as long-term constraint on growth
- Two distinct patterns of capital inflows:
 - capital inflows can generate overvaluation and longer-term distortions of sectoral structures (tradables/non-tradables);
 - equally, FDI can cause positive cumulative causation – up-grading of export structures, quality improvements, real appreciation;
- Agglomeration tendencies get entrenched in European economy

Real Effective Exchange Rates vs (rest of) EU28

(average 1994-2004= 100), based on nominal unit labour costs, total economy

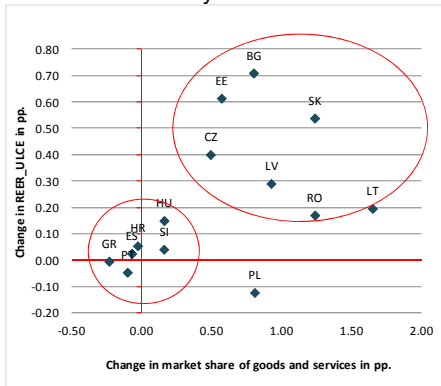
The focus of the media:



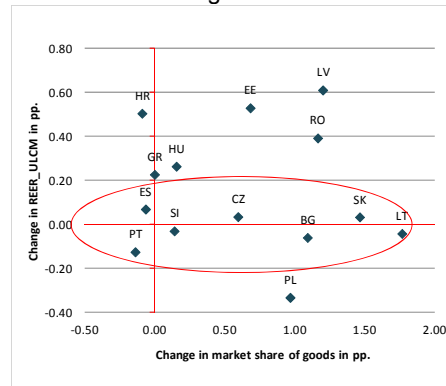
Source: AMECO, own calculations.

Change in global export market shares and change in REER - Goods and services pp changes – 2000 to 2014 (2000=0.0) – Any relationship?

Total economy



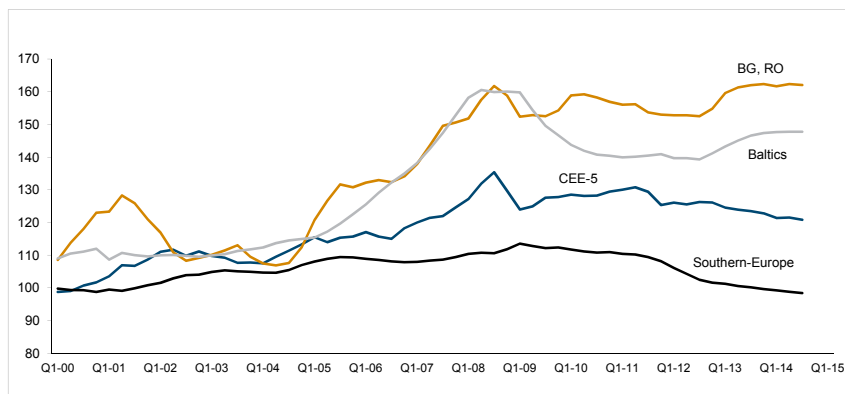
Manufacturing



Source: AMECO Database, Eurostat.

Real Effective Exchange Rates vs (rest of) EU-28 (average 1994-2004 = 100) – 2000Q1 – 2015Q1

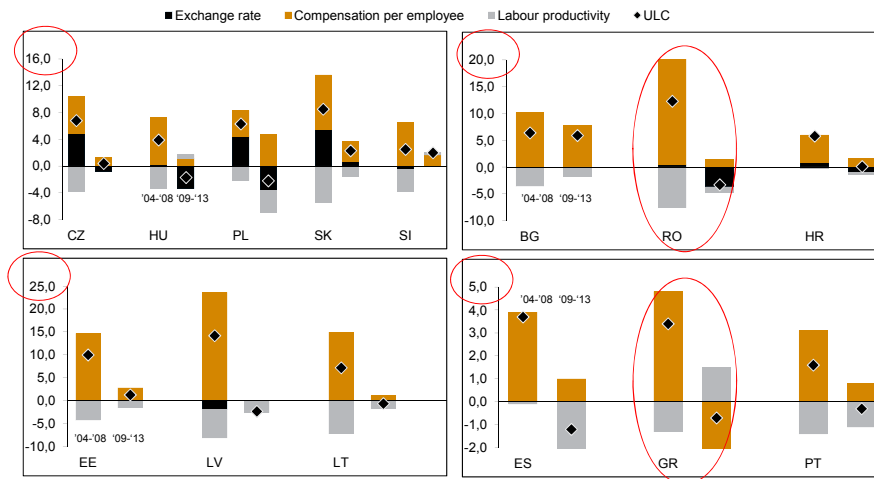
based on nominal unit labour costs, total economy; CEEs and Southern Europe



Source: AMECO, own calculations.

Components of ULCs – Changes: 2004-2008, 2009-2013

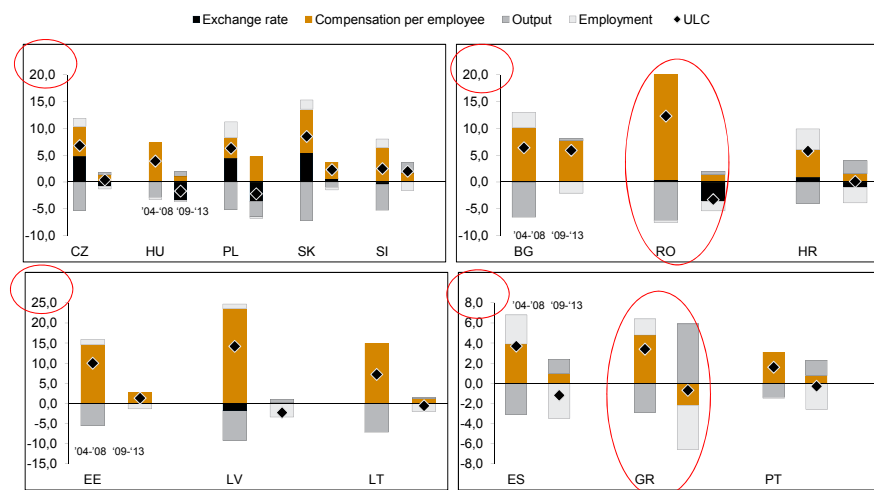
Total economy – **What drives the development of ULCs?**



Source: wiiw Annual Database incorporating national and Eurostat statistics.

Components of ULCs – Changes: 2004-2008, 2009-2013

Total economy – **What about output and employment?**



Source: wiiw Annual Database incorporating national and Eurostat statistics.

External imbalances in the European economy – Which are the fundamental forces at work?

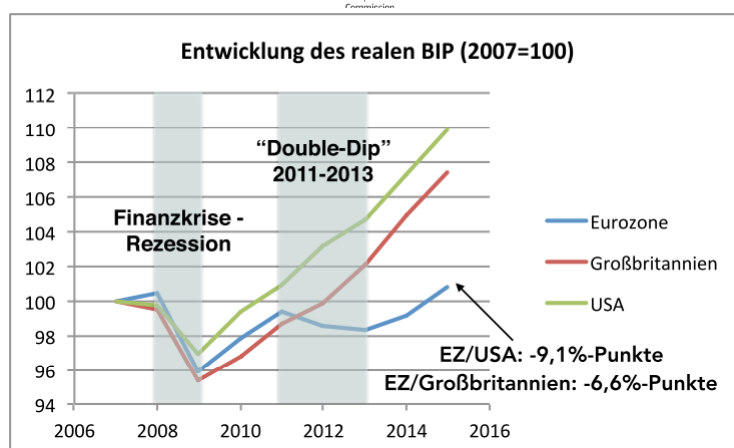
- Determinants of longer-term trade/competitive performance:
 - (i) Move towards higher income elastic products
 - (ii) Sufficient export capacity
 - (iii) Diversified export structure to be less vulnerable to shocks

External imbalances in the European economy – **Policy issues**

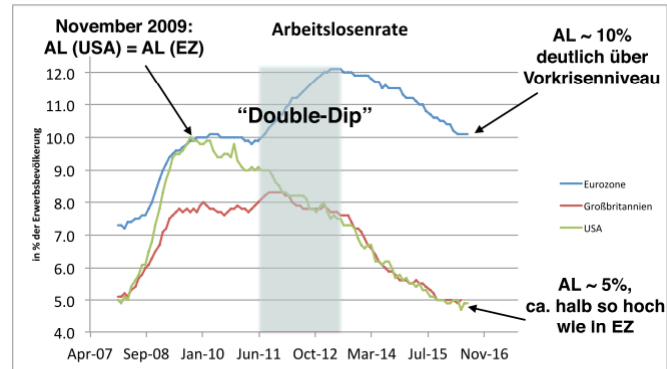
- Simple **adjustment of real exchange rates is weak mechanism**; economic contraction during crisis might have counter-productive short-term and longer-term hysteretic impact
- In economies with 'structural' current account problems, **wider range of instruments needed**:
 - incentive structures to **attract FDI to tradable sector**;
 - **industrial policy instruments** to steer export activities towards dynamic comparative advantages and sufficient degree of diversification;
 - REER determined by **wage-productivity-skill dynamics**; incomes policy, as well as human capital and productivity-enhancing policies are integral part of real exchange rate policy
- **'Structural' current account problem is a long-run policy issue inside and outside of EMU**

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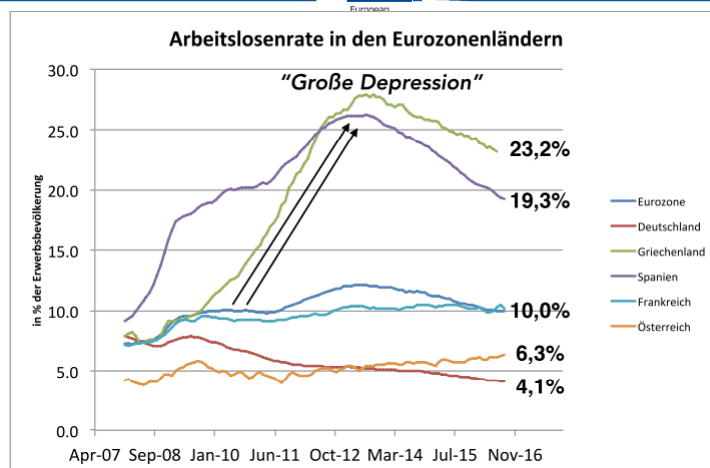
**Die nicht-bewältigte Wirtschaftskrise und
Reformvorschläge**



Daten: AMECO (3.5.2016); eigene Berechnungen



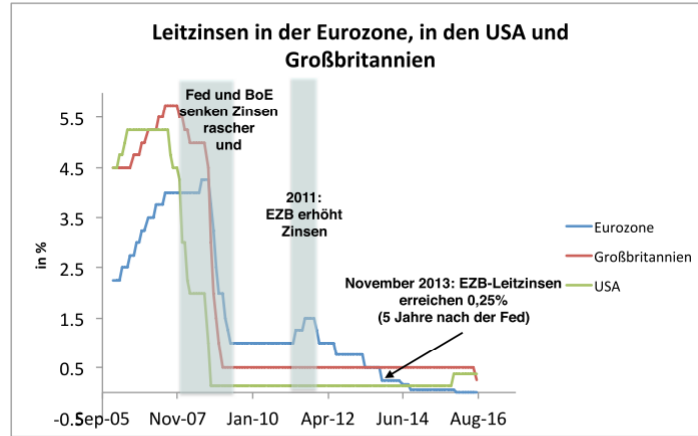
Daten: Eurostat



Daten: Eurostat



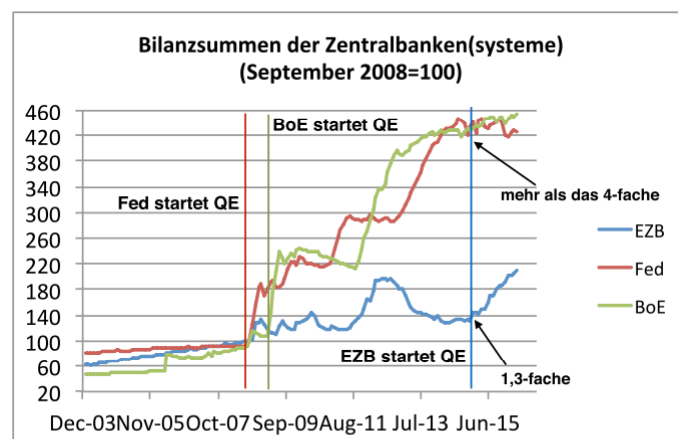
European



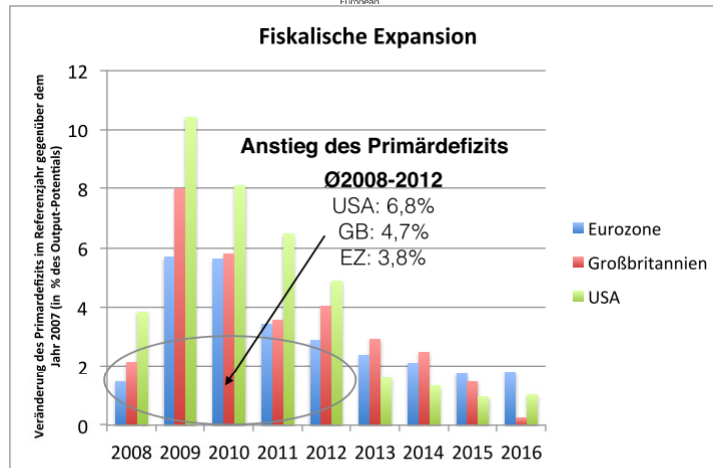
Daten: Fed, EZB, Bank of England



European



Daten: EZB, Fed, BoE; eigene Berechnungen

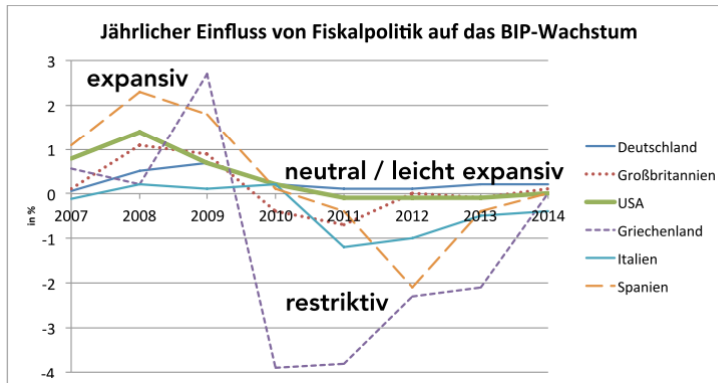


Daten: IMF Fiscal Monitor (April 2016); eigene Berechnungen



Simultane Budgetkonsolidierung in weiten Teilen der Eurozone

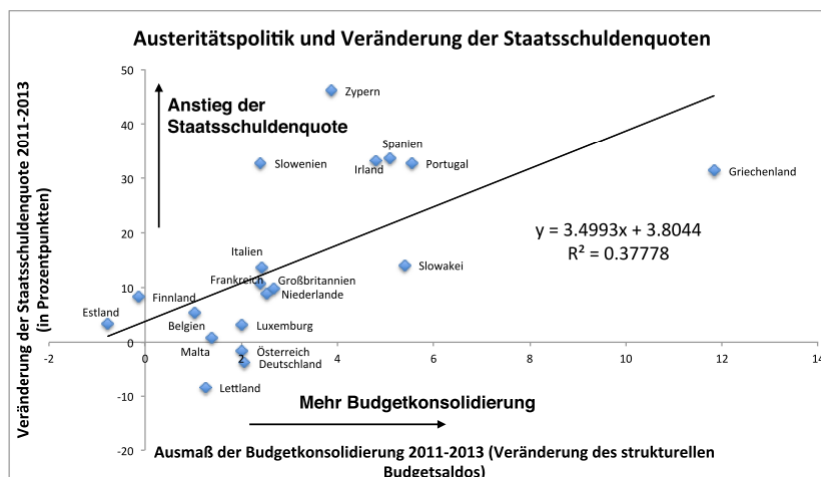
- Beginn simultaner fiskalischer Konsolidierungsmaßnahmen im Jahr 2011; besonders intensive Austeritätspolitik zwischen 2011 und 2013.
- Peripherieländer in Troika-Anpassungsprogrammen
- Verschärfung des EU-Fiskalregelwerks
 - "Two Pack", "Six Pack"
 - Einführung des Fiskalpakts
 - strengere Defizitregeln und restriktivere Haushaltsüberwachung
 - mehr Budgetkonsolidierungsdruck im Hinblick auf die Erreichung mittelfristiger Budgetziele



Daten: Stockhammer et al. (2016), S. 25 (QS-Multiplikatoren)

Kumulativer Effekt der Fiskalpolitik auf das Wirtschaftswachstum (in %)

Jahr	GER	UK	US	EL	IT	ES
2010-2014	0,8%	-1,14%	-0,18%	-12,1%	-2,81%	-2,9%



Daten: Europäische Kommission (AMECO, 3.5. 2016); eigene Berechnungen.



Zusammenfassung: Wirtschaftspolitik im Vergleich

- **Austeritätspolitik ab 2011** als **zentraler Erklärungsfaktor** für **“Double-Dip”**-Rezession in der Eurozone
- Eurozonenländer mit fiskalpolitischem Spielraum nutzten diesen deutlich weniger als die USA, um Wachstum und Beschäftigung zu stützen.
- **EZB verabsäumte** es ab Beginn der Konsolidierungspolitik, dem durch restriktive Fiskalpolitik verursachten **Absinken der ökonomischen Aktivität** in der Eurozone entschiedener **entgegenzuwirken**.
- **Mischung aus Geld- und Fiskalpolitik** war in der **Eurozone restriktiver** als in den USA und Großbritannien
 - weniger Unterstützung für Wirtschaftswachstum und Beschäftigung
- **Unterschiede im geld- und fiskalpolitischen Kurs** erklären Unterschiede in der gesamtwirtschaftlichen Entwicklung



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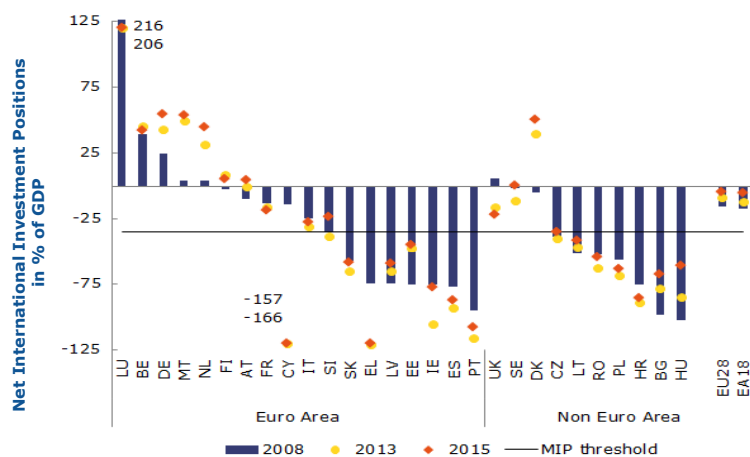
United in Diversity?

**Reequilibrierung, strukturelle Konvergenz,
und Vertiefung der EWU? Wie weit sind wir?**

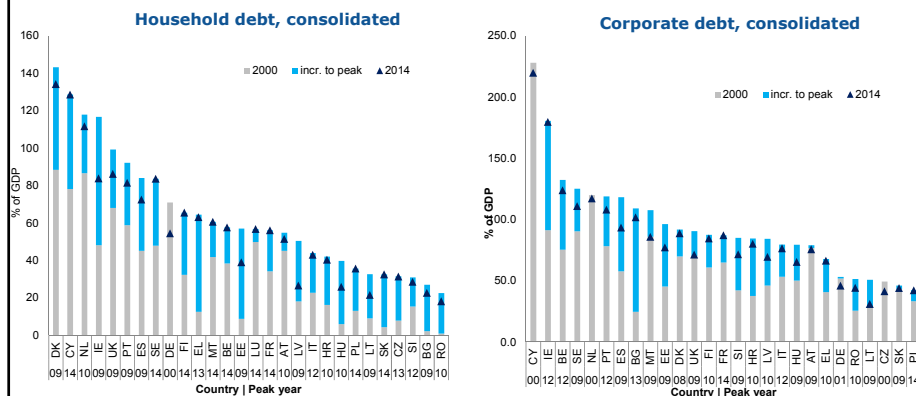
Herausforderungen noch sehr unterschiedlich in den Mitgliedsstaaten

- **Large stocks of net liabilities concerning a wide range of sectors, both external and internal:**
 - PT, ES, CY, EL, IE, SI, HU, HR, BG
- **Large and persistent current account surpluses:**
 - DE, NL
- **Combination of high public debt and declining trend in potential growth or competitiveness:**
 - IT, FR, BE
- **Risks associated with large negative Net International Investment Position (NIIP):**
 - RO (PL, LV, LT, SK, CZ)

Net external liabilities (Bestand) sind weiter sehr hoch trotz Veränderungen in den Flüssen

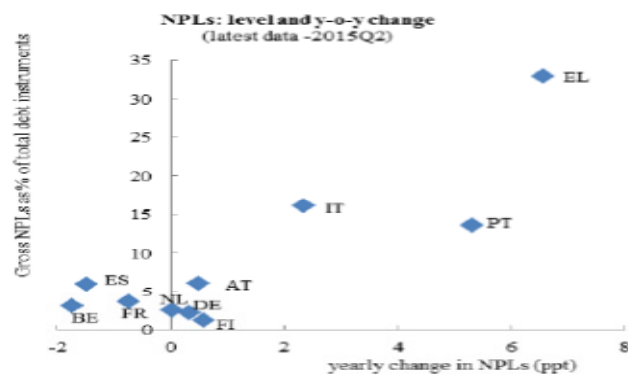


Reduktion der Verschuldung des privaten Sektors; jedoch Erbschaft der Vorkrisenakkumulation ist hoch

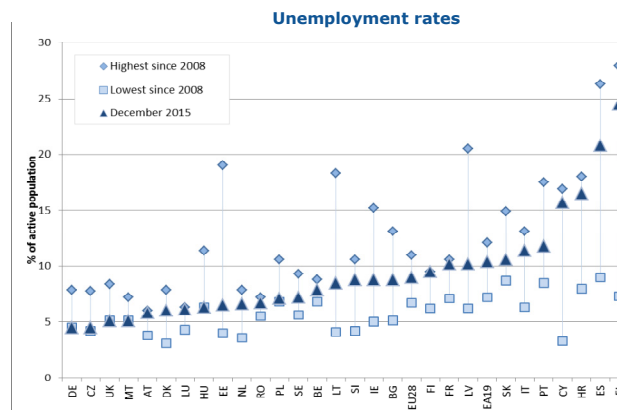


Weiterhin fragile Situation im Bankensektor in manchen Ländern

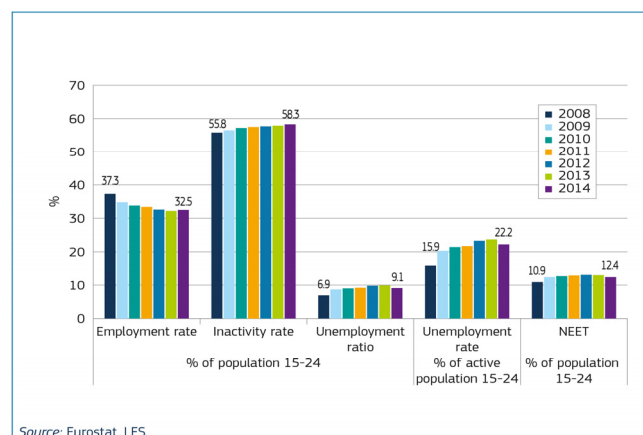
Non-Performing Loans (NPLs)



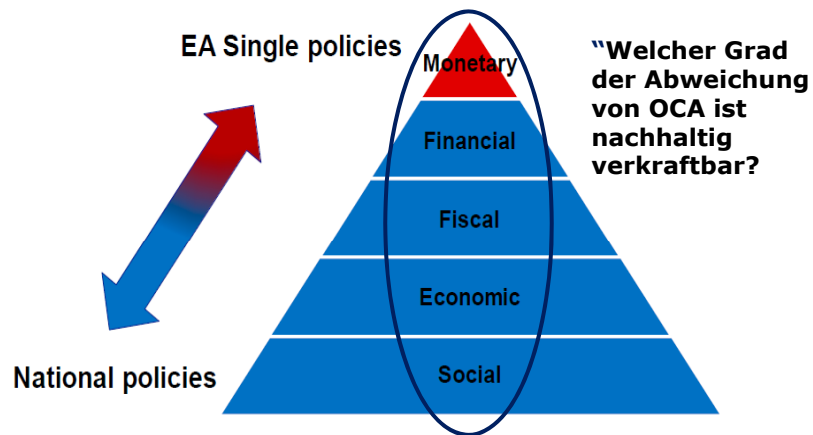
Arbeitsmarkt verbessert sich, aber soziale Situation in manchen Ländern weiterhin beunruhigend



Arbeitsmarktindikatoren – Jugendliche

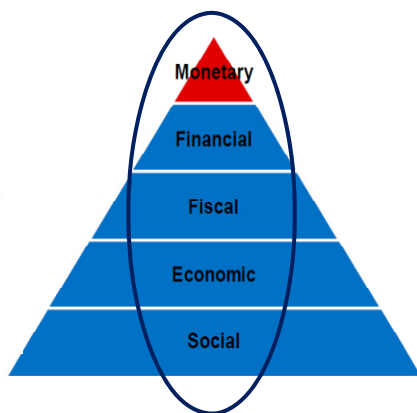


Institutionelle/Policy Konvergenz und Integration



Source: Gaspar, 2015

Institutionelle/Policy Konvergenz und Integration



Source: Gaspar, 2015

Ist der status-quo haltbar?

Geldpolitik trägt die Hauptlast

Jedoch: Limitierter Fortschritt mit

Banking union

Launch der capital markets union

Was ist die Minimum Fiskalunion welche Nachhaltigkeit der Währungsunion garantieren kann?

- Fiscal backstops
- Fiscal stabilisation auf zentraler Ebene
- Benchmarking economic and social policies

Wie geht es hier weiter? März: White Paper



Roadmap Towards a Complete EMU

Stage 1: July 2015-30 June 2017

Economic Union

- A new Boost to Convergence, Jobs and Growth

Financial Union

- Complete Banking Union;
- Launch the Capital Markets Union;
- Reinforce the European Systemic Risk Board

Fiscal Union

- A new advisory European Fiscal Board

Democratic accountability, legitimacy and institutional strengthening

- Revamp the European semester;
- Strengthen parliamentary control as part of the European semester;
- Increase the level of cooperation between the European Parliament and national parliaments
- Establish a system of national Competitiveness Boards
- Reinforce the steer of the Eurogroup;
- Take steps towards a consolidated external representation of the euro area;
- Integrate into the framework of EU law
 - the Treaty of Stability, Coordination and Governance
 - the relevant Parts of the Euro Plus Pact; and
 - the inter-governmental Agreement on the Single Resolution Fund

Stage 2: Completing the EMU Architecture

Economic Union

- Formalise the convergence process and make it more binding

Fiscal union

- Set up a fiscal stabilisation capacity for the euro area

Democratic accountability, legitimacy and institutional strengthening

- Integrate the European Stability Mechanism (ESM) into the legal framework;
- Set up a euro area treasury accountable at the European level.

The Five Presidents' Report

Final State at the latest by 2025

FIW Seminar – Europäische Integration – BKA Jänner 2017

Migrations- und Flüchtlingskrise

Themen

- ***Ökonomische Analyse der Migration – Limitation!***
- ***Unterschied: Migrations- und Flüchtlingsströme***
- ***Globale Trends***
- ***Europäische Situation: von Ost-West zu Süd-Nord***
- ***Zur österreichischen Situation***
- ***Koordinierte EU Migrations- und Flüchtlingspolitik?***

Ökonomische Analyse der Migration

- *Abschätzung von Migrationsströmen*
- *Arbeitsmarkteffekte*
- *Demographie: Effekte auf Altersstruktur*
- *Fiskalische Implikationen*
- *Effekte auf Produktivität, Innovation*
- *Mobilität von MigrantInnen, Beitrag zu OCA*
- *Konjunkturreffekte auf Beschäftigung*
- *Job-Qualifikations(mis)match*
- *Migrationsregime und Migrationsströme; Umlenkungseffekte*

Ökonomische Analyse der Migration - Effekte auf Herkunftsländer

- *Überweisungen/Remittances und deren Effekte*
- *Brain drain, brain circulation; return migration*
- *Auf Erziehung; Humankapitalbildung*
- *Einkommensverteilung; Armut*
- *Reduzierter Arbeitsmarktdruck*
- *Soziale und politische Effekte*

Unterschied: Migrations- und Flüchtlingsströme

- *Keine/wenige Netzwerke*
- *Keine Vorbereitung bezügl. Qualifikationserwerb; Sprache etc.*
- *Viel längere Integrationsprozesse; Beschäftigungsraten steigen langsam*
- *Fiskalisches Break-even viel später*
- *Starke Heterogenität unter Flüchtlingen (nach Herkunftsregionen, Bildungsniveau, etc.)*

Globale Trends

- *Migrationsflüsse in den letzten Jahrzehnten gestiegen*
- *Migration – Teil der Globalisierungstendenzen (Komplementarität zu Handel, Investitionen, Bildungsverflechtung; gesunkene Kommunikations-/Transportkosten)*
- *Anstieg trotz Verschärfung von Migrationspolitik*
- *Emigrationsraten höher bei ‘middle income countries’; inverse U-Kurve*
- *Süd-Süd (intra-regionale) vs. Süd-Nord Migration*

Europäische Herausforderungen

- ***Innerhalb der/s EU/Schengenraum:***
Vereinheitlichung des Arbeitsmarktes
- ***Qualifikationsprofil von MigrantInnen***
unterschiedlich in unterschiedlichen EU
Zielländern – daher auch unterschiedliche
Effekte; auch Unterschiede in Job-Skill
(Mis)match
- ***Wichtiger Beitrag von Migration/Mobilität auf***
gesamteuropäische Mobilität
- ***Zukunftsperspektive: intra- vs. extra-EU Migration***

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Europäische Herausforderungen

- ***Zukunftsperspektiven: the ‚Big Shift‘ (Ost-West zu***
Süd-Nord)
- ***Starke demographische Komplementarität***
- ***Failed states/failed economies in Nachbarregion***
- ***Geo-strategische Konflikte***
- ***Mehr middle-income countries in Afrika***
- ***EU hat bisher wenig Erfolg als ökonomischer,***
politischer, sozialer Stabilisierungsfaktor in
Nachbarregion

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Süd-Nord Migration: demographische Komplementarität - Europa und MENA-20

- **Population size:** Western and Central Europe: 2003: 467 mio; 2025: 466 mio; MENA-20: 2000: 316 mio, 2025: 492 mio (+56%); 2050: 638 mio (+73%)
- **Labour force** (15-64 year old): Western and Central Europe: 2000: 312 mio; 2025: 295 mio (-5.5%); 2050: 251 mio (-20%); MENA-20: 2000: 187 mio; 2025: 323 mio (+73%); 2050: 417 mio (+123%)
- **Ageing** (people older than 65): Western and Central Europe: 2000: 73 mio; 2025: 104 mio (+42.5%); 2050: 125 mio (+71%)

Western and Central Europe: EU-25 plus EEA plus Switzerland; MENA-20: Middle East plus North Africa plus Gulf states

Europäische Herausforderungen

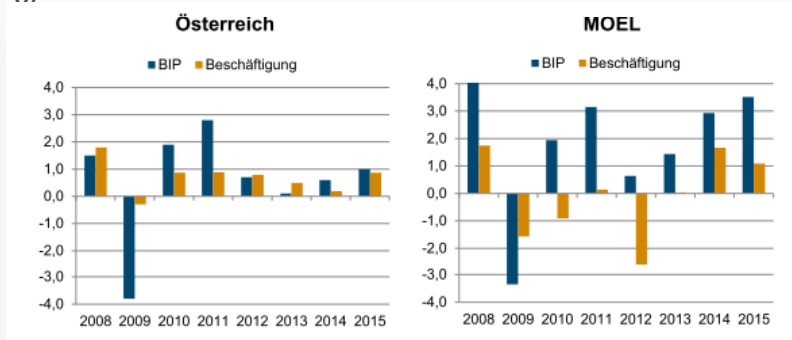
- ***„Big Shift“ ist schwierig zu bewältigen***
- ***Initiativen auf EU Ebene, aber unterschiedliche Interessenslagen der EU-Mitgliedsstaaten***
- ***Widerspruch im Schengenraum: Integrationspolitik national vs. Koordination von Migrations-/flüchtlingspolitik***
- ***Jedoch: Gewisse Harmonisierung möglich (best practices, standards), „Integration Reports“***

Spezifisch österreichische Situation

- *Migration/Mobilität aus Osteuropa gestiegen seit 2004/5; Auslaufen von Übergangsfristen*
- *Nettomigrationsströme buckelförmig für Einzelländer*
- *Effekte von wirtschaftlichen/sozialen Krisen (z.B. Ungarn)*
- *Regionale Ungleichgewichte hoch → grenzüberschreitende Migration/Mobilität*
- *Jedoch: Arbeitsmarktsituation in Osteuropa verbessert; weiterhin Aufholprozesse; Alterung*

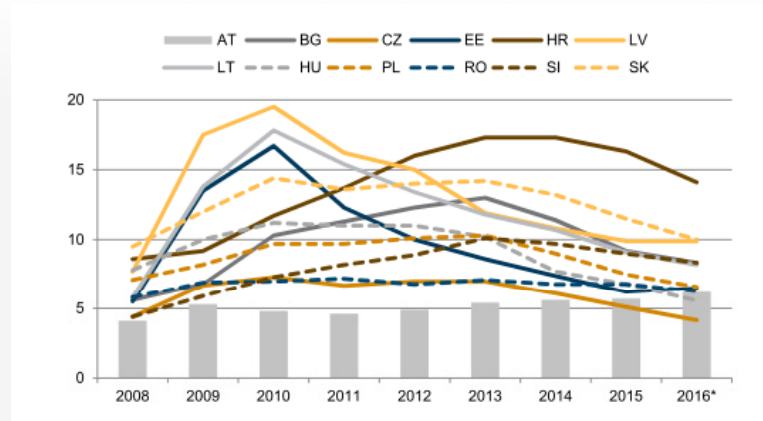
Wirtschaftswachstum und Beschäftigung in Österreich und den MOEL, 2008-2015, in

n/



Quelle: Eurostat, eigene Berechnungen,

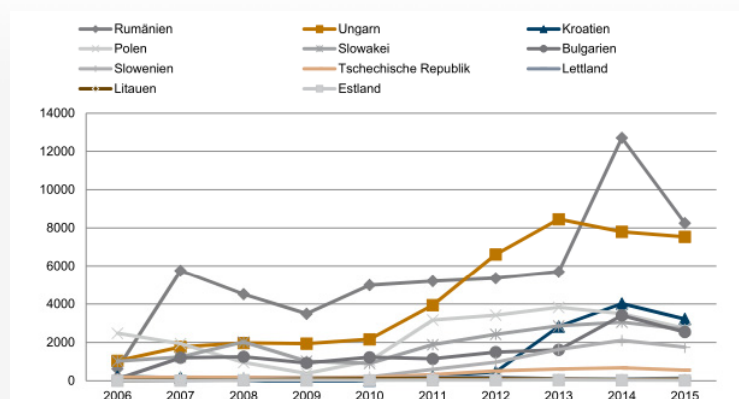
Arbeitslosenquote in Österreich und den MOEL, 2008-2016, in %



Quelle: Eurostat.

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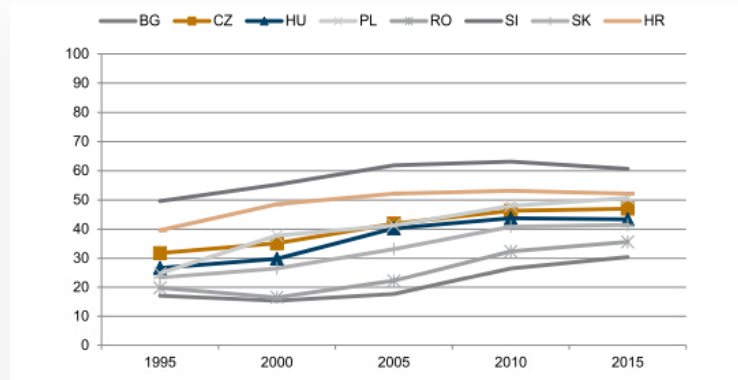
Netto-Migration aus den MOEL nach Österreich, 2006-2015



Quelle: Statistik Austria, eigene Berechnungen.

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Brutto-Monatslöhne in EURO zu KKP, Österreich = 100



Quelle: wiiw Datenbank.

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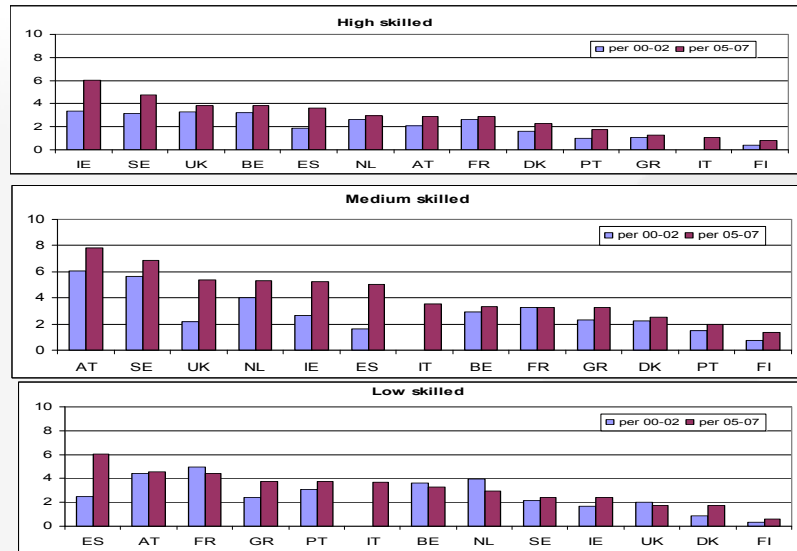
Migration and demographic developments

Overview

- Net migration of NMS workers continued during the crisis
- Especially young people left NMS to make a living, but also from crisis hit IE, ES, PT
- Strong emigration of total population only in BG, LT, LV (and IE), little in EE, SI
- In other NMS (CZ, HU, PL, SK): small net immigration (return migration of older aged people and new immigration)
- Longer term demographic developments:
Population decline in CESEE, especially in the Baltic to Black Sea corridor - Driven both by emigration and natural decrease

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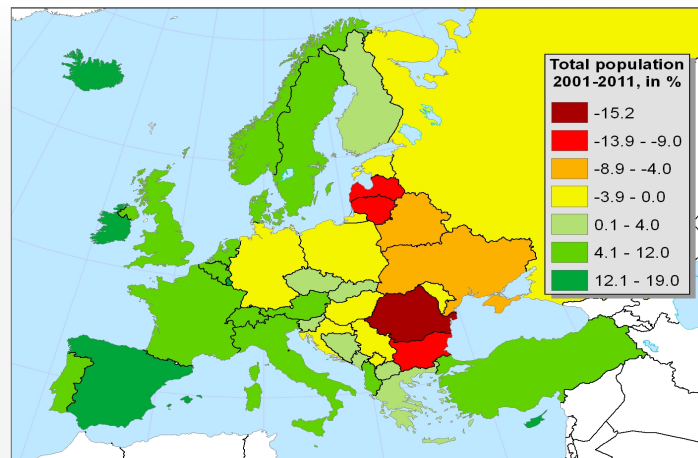
Migrants skill groups in the workforces (%)



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Population changes I

Total population, 2001 – 2011, in %

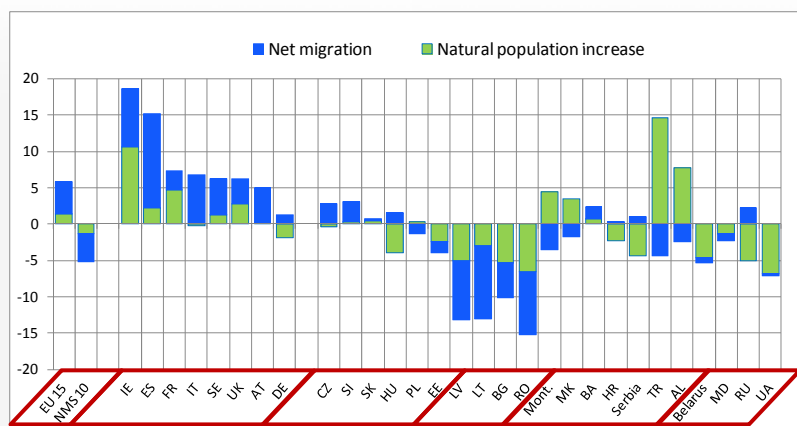


Source: wiiw Database incorporating national and Eurostat statistics.

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Population changes III

Structure of population changes, 2001-2011, in %

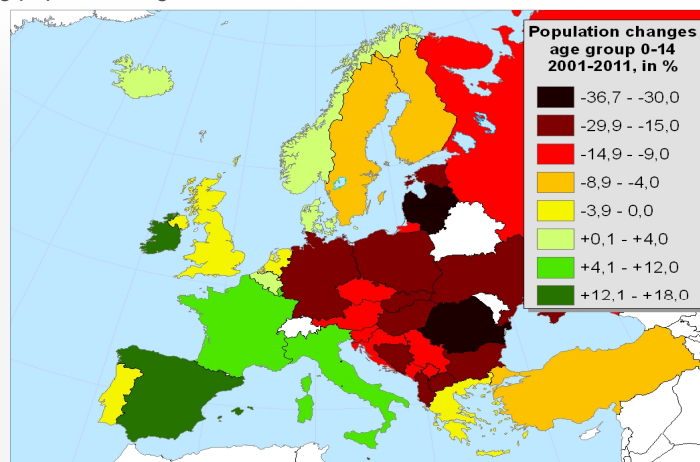


Source: wiiw Database incorporating national and Eurostat statistics.

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Population changes IV

Young population: aged 0-14, 2001 – 2011, in %



Source: wiiw Database incorporating national and Eurostat statistics.

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FIW Seminar – Europäische Integration – BKA Jänner 2017

EU-Russia-Ukraine

EU Neighbourhood: Ukraine conflict, Eurasian integration and of European-EaEU linkages

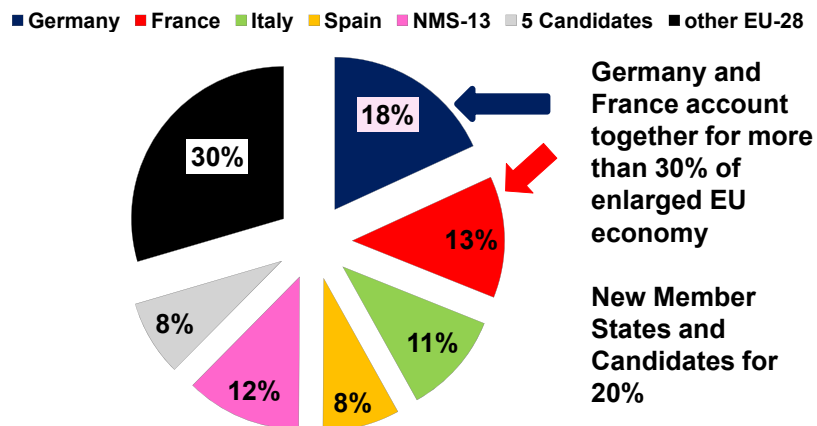
Topics covered

- Two competing integrations: European Union and Eurasian Economic Union (EaEU) – important asymmetries
- Russia's and Ukraine's economic development challenges in the light of the Ukraine crisis
- Trade links, structural challenges and the potential role of economic connectivity
- Scenarios and recommendations

Competing Integrations: the EU vs CIS/EaEU

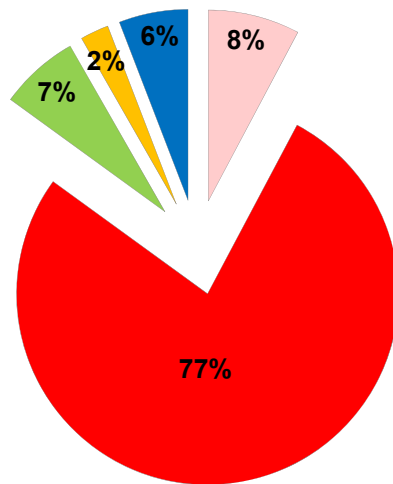
- **European Union (EU)** still an economic giant, although faces numerous problems and crises
 - EU currently has 28 member states with more than 500 million inhabitants and aggregate GDP of **€13.000 billion**
 - SEE/FSU countries are candidates or aspire for EU membership (Western Balkans, Turkey, Georgia, Moldova, Ukraine)
- **CIS** has currently 10 member states (Georgia left in August 2008, Ukraine in 2014), with 240 million inhabitants and aggregate GDP of close to **€ 2.000 billion**; **Eurasian Economic Union (EaEU)** comprises RU, KZ, BY and AR
- Important **differences in internal composition/weights of members**

Economic dimension: Real GDP in the enlarged EU, in % of total



Economic dimension: GDP in the CIS/EaEU, in % of total

Kazakhstan Russia Ukraine Belarus other 8 CIS



Russia dominates by far the CIS/EaEU economy

Other CIS/EaEU have little economic weight

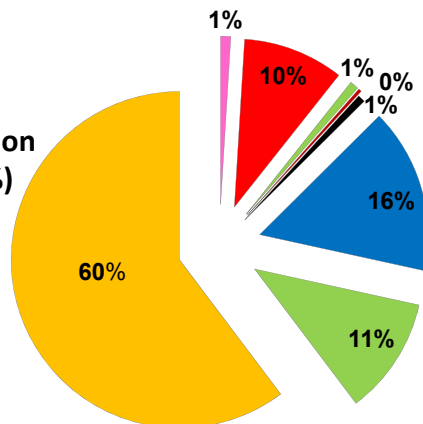
Ukraine had contributed to differentiation

Sources: wiiw Database incorporating national and CISSTAT statistics; own estimates.

Real GDP in Eurasia (Lisbon-Vladivostok), in % of total (Eurasia = enlarged EU and CIS/EaEU)

Kazakhstan Russia Ukraine Belarus other CIS Germany France Rest EU

The EaEU represents just a fraction (about 13%) of Eurasian economy



The EU is bigger market (€13000 bn) and much richer than EaEU

average real per capita GDP is €27300 in the EU, compared with €7000 in the EaEU

Sources: wiiw Database incorporating national, CISSTAT and Eurostat statistics; own estimates.

Regional integration constellations differ significantly and so do their evaluations

- **Economic dominances** have serious implications for characteristics of regional integration, attractiveness and (possibly) sustainability (see Germany-EU vs Russia-EaEU);
- **Estimates of benefits/costs of regional agreements/integration:** Customs Union, EU accession, EU Single Market, EaEU, DCFTA, EU-USA Free Trade Agreements, etc. **differ widely**; estimation methods, data sources and model assumptions matter a lot in evaluations/interpretations of integration effects
- Effects of **non-tariff barriers** are always more important than plain customs duty reductions !
- **Impact of integration on institutional and governance structures** very important for development trajectories

Global integration developments and regional initiatives relevant to EU-EaEU-Russia relationships

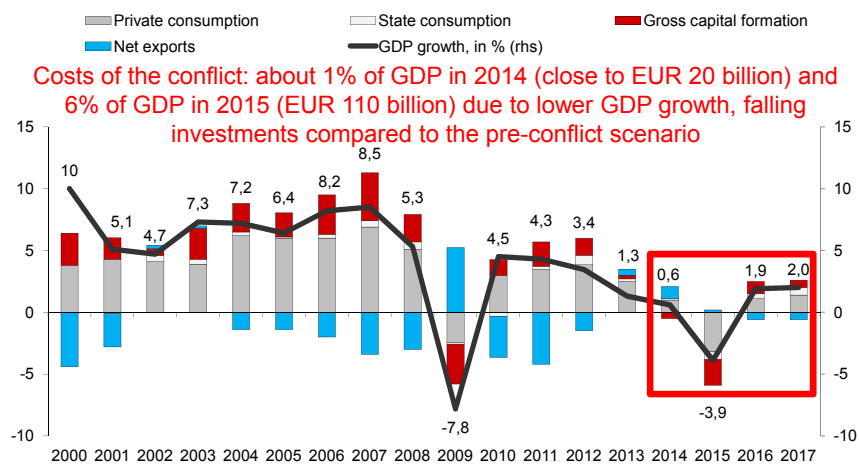
- EU – TTIP negotiations
- China: Silk Road investments
- Complex energy supply strategies

AND FURTHER REGIONAL GEO-STRATEGIES:

- in the Middle East and Northern Africa
- Turkey-Russia and Turkey-EU relationships
-

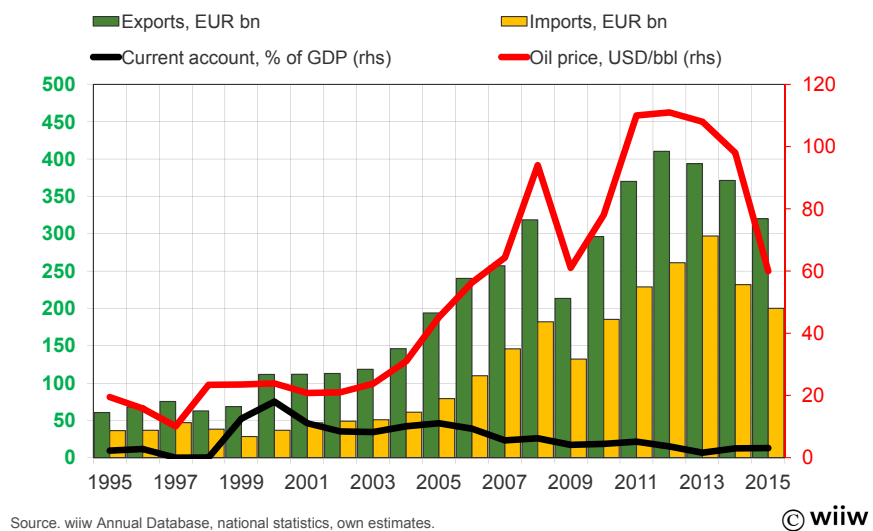
On Russia's and Ukraine's economic development and potential for economic connectivity

Russian GDP growth: recent scenario; contributions of components to GDP growth, in pp

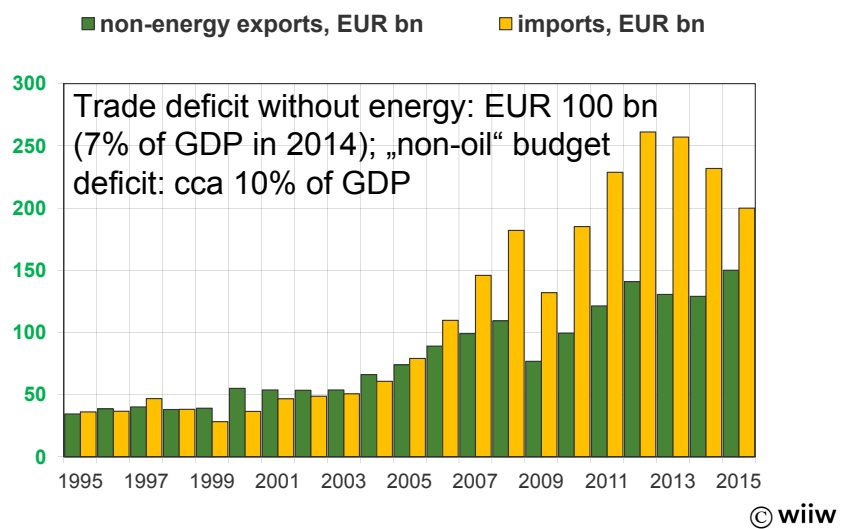


Source: wiiw Annual Database, national statistics, own estimates.

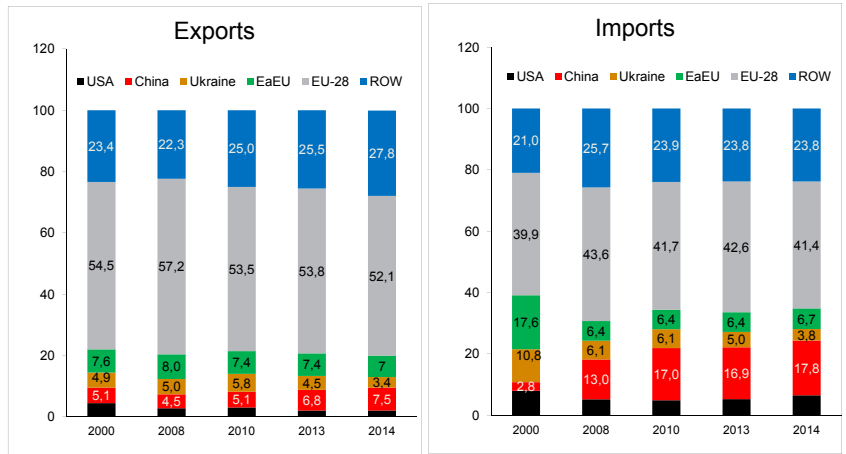
Russia's vulnerability: external surpluses thanks to energy



Russia's vulnerability: external sector - deficit without energy



Russian foreign trade by regions (% of total): diversification from the EU not easy



Source: wiiw Database incorporating national and Eurostat statistics.

Russia's economic vulnerability

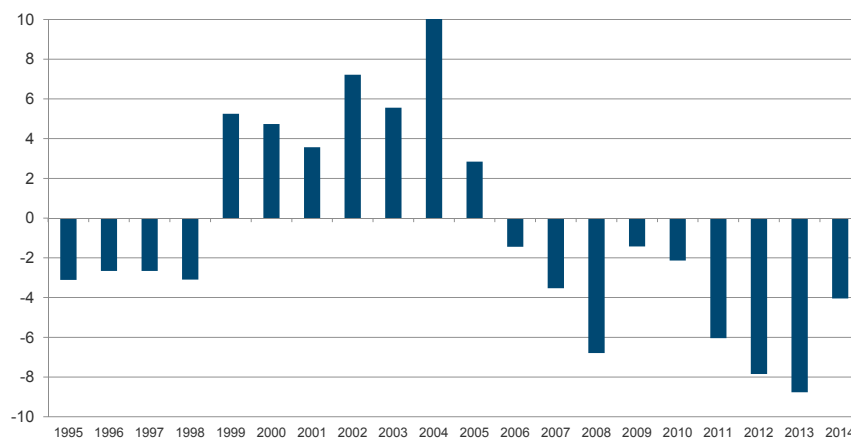
- Energy, sanctions and growth
 - Increased pressures on energy supply diversification (both in the EU and RU)
 - Sanctions did bite
 - Investment climate suffered, imports and FDI down, capital flight up
- Diversification and modernisation of the economy the big unsolved challenge
 - Growing reform pressures owing to lower oil price, rouble devaluation and sanctions?
 - Yet modernisation definitely more difficult without more FDI and Western business links!
- Stability of the ruling elite threatened ?
- Integration in the post-Soviet space derailed/fails?
 - Crimea and Donbas not helpful for Putin's Eurasian integration project
 - New design of EU neighbourhood policies but little action

Ukraine - trade and integration challenges

- **Deep and Comprehensive Free Trade Agreement (DCFTA)** to be fully implemented – since January 2016
- EU has already unilaterally opened its market for Ukrainian exporters before that
- Yet the **loss of Russian/EEU markets is hard to compensate**
- **Major structural reforms and structural adjustments** required before Ukraine on a sustainable path
- Implementation of DCFTA has triggered Russian counter-measures; exports to Russia collapsed
- **Further support packages by EU** for macroeconomic stabilisation and structural adjustments inescapable

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Ukraine – Crucial weakness even before crisis: legacy of mounting external deficits; current account balance in % of GDP



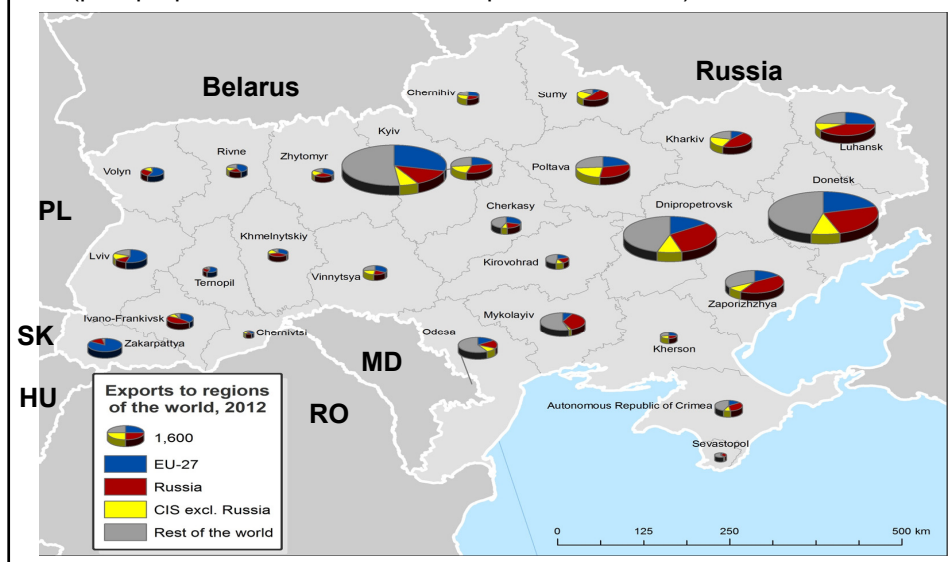
Data 2004:10.3.

Source: wiiw Annual Database incorporating national statistics.

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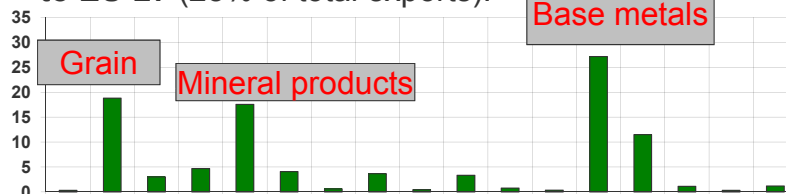
Pre-crisis regional composition of exports, 2012

(pies proportional to the value of exports in USD mn)

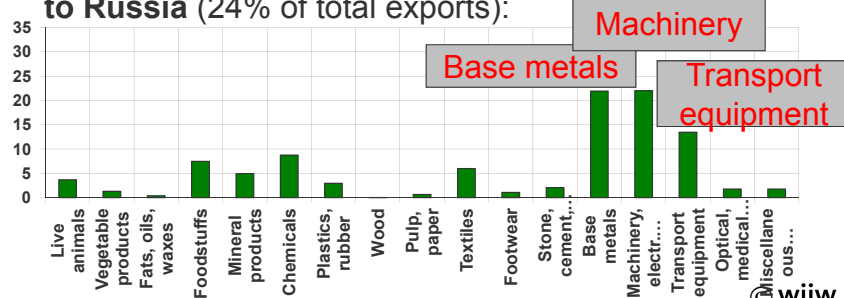


Pre-crisis structure of Ukraine's exports, 2013, in %

to EU-27 (28% of total exports):

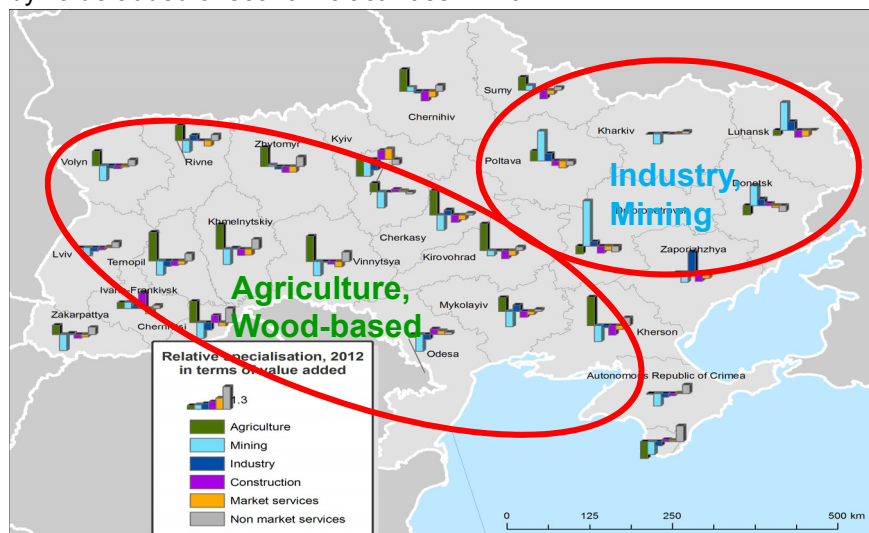


to Russia (24% of total exports):



Source: Own calculations based on UKRSTAT.

Regional specialisation, by value added of economic activities in 2012



Policy recommendations – support for Ukraine's structural adjustment

- **'Industrial heartland' was traditionally in the East**
 - Most affected by the military conflict and was oriented largely towards Russia; industrial production collapsed
 - Requires massive investments, public and international: infrastructure; market reorientation and industrial modernisation/diversification
- **Western provinces**
 - Less affected by the war but also less developed and poorer; however scope for diversification (agro-food, wood-based, light industry, 2nd tier cities: tradable services)
 - Could benefit from cross-border cooperation with EU NMS
 - De-concentrate market structures: effective competition authority, facilitate entry of new companies; liaise with FDI policy measures

Policy recommendations regarding economic connectivity

- Careful de facto phasing-in of implementation of DCFTA between Ukraine and EU
 - Considerable structural adjustment costs; support required for macroeconomic stabilisation, structural reforms and industrial restructuring at the same time
- Work towards longer-run market access to Russia and other CIS
 - In future resuscitate trilateral talks (EU-Ukraine-Russia) on TBT and SPS
 - Attempt to negotiate Ukraine's position also in CISFTA
 - Keep alive possible scenario of Common Economic Space 'from Lisbon to Vladivostok' with Ukraine as a bridge between EU and EaEU.
- EU policy towards Russia
 - Support modernisation and diversification effort
 - Support business links without accepting state-backed business strategies
 - Proceed with energy supply diversification and common energy policy

European – Eurasian Integration: Scenarios

- Scenario 1 (continued conflict scenario):
 - would cement long-term reorientation of trade and regional production patterns in Ukraine; massive transition costs. Separation of two integration blocs: stalled modernisation in Russia and EaEU (economically, institutionally, politically).
- Scenario 2 (pragmatic long-term trade arrangements):
 - DCFTA plus preferential trade agreements with EaEU/CIS: gradual renewal of trade and investment linkages; some harmonisation of standards; spin-off in terms of technology transfer, institutional and political modernisation and openness; reduces conflict potential
- Scenario 3 (Eurasian integration - from Lisbon to Vladivostok)
 - would be economically beneficial for all concerned
 - to be seen in the context of variety of other regionalist and global integration initiatives (China's Silk Road initiative, Trans-atlantic, Pacific trade deals)

Conclusions on economic connectivity

- Closer integration of the enlarged EU, Russia, EaEU and other Eastern Partnership countries would boost trade, investment and growth in a wider Europe; requires geo-political stabilisation of EU-Russia relations.
- Wider EU-EaEU integration efforts would relieve Ukraine and other Eastern Partnership countries from (economically detrimental) 'either/or choices'.
- FTA negotiations should focus less and only selectively on costly harmonisations ('acquis takeover' for non-EU membership candidates); careful time-phased adjustments with external assistance
- Visa liberalisation procedures, human contacts and other confidence-building measures on the European continent should be fostered