

List of Projects

Branimir Jovanović

How can economic instruments of climate policy be directed through foreign direct investment?

Anniversary Fund of the Oesterreichische Nationalbank

October 2022 - March 2025

The mechanism through which the policy maker can foster novel green and environmental technologies via FDI is the main focus of the project. It comprehensively studies this by analysing in three work packages how FDI is determined in the EU and how it can help to diffuse technology. The first work package analyses which factors at the three levels of region, industry and firm determine FDI in firms located in the EU. The second work package analyses how FDI affects productivity growth and employment growth at both the firm level and the regional sector level. In the third work package the diffusion of knowledge, technology and know-how of FDI is analysed, which could lead to green and environmental innovation and finally patenting of these technologies. In both the second and the third work package the indirect impact of FDI on domestically owned firms is analysed separately from the impact of FDI on the whole regional sector, including foreign-owned firms.

Monitoring and Assessing Labor Markets in the Western Balkans (wiiw Team Leader)

The World Bank

June 2022 - November 2024

Western Balkan economies have persistently performed poorer than their peers from Central, Eastern and South-East Europe. One area where they have been particularly weak is the labor market. In 2021, none of them had an unemployment rate below 10%. In addition, the countries face a pronounced gender gap, high informality, low salaries, with very high rates of poverty among the employed. A massive emigration causes a continuous shrinking of the labor force. On top of these challenges, reliable, consistent, detailed and comparable labor market indicators are missing. For that reason, the World Bank initiated a joint project with the Vienna Institute for International Economic Studies (wiiw) which aimed to develop a unique and freely available labour market database. It was also the basis for a joint annual Western Balkans Labor Market Trends Reports that analysed and highlighting key labour market developments in the region. The project was entitled SEE Jobs Gateway and lasted from 2016 to 2020. The key project outcomes are still accessible via the wiiw website. The current project aims to produce annual updates of the labour market database as well as its extension into several new directions. Annual Labour Market Briefs will feature specific topics, such as employment in new foreign direct investment projects, employment by occupations, labour taxation or migration. The complementary activities aim to encourage the wider academic and political community to target their analysis and measures and to engage in an informed debate within the region, the international academic and donor communities.

Eastern Europe Before Transition: Digitisation of data and analysis of CESEE's command economies

Anniversary Fund of the Oesterreichische Nationalbank

May 2021 - April 2024

In order to better understand the industrialisation spurt and later the (financial) crisis and collapse of the command economies of Central, East and Southeast Europe (CESEE) as well as the applied economic policy mix before and during their transition to market economies, including the decisive role of initial conditions, we will digitise and publish online wiiw's economic statistics for Central, East and Southeast Europe for the period 1944-1992; harmonise the historical data with current statistical classifications; digitise and publish online wiiw's research reports for 1972-1992; and produce a series of working papers describing the data, summarising the literature and providing economic analysis on the key research areas related to the development and demise of the command economies. The activities in this project will be coordinated in close cooperation with our partners in the Research

Jobs, mental health and social policy in times of COVID-19

FWF - Austrian Science Fund

November 2021 - October 2023

In this project, a research team at wiiw is investigating important structural and distributional social impacts of the COVID-19 pandemic. In addition to the impact of the crisis on different economic sectors and on their organisation, the topics of employment and re-employment as well as the perspectives of different social groups are taken into account. For this purpose, a model is developed that captures the main features of the social and structural impacts in the medium and long term ('agent-based stock-flow consistent model'). Besides factors of labour market economics, it also includes changes in technology, productivity and work organisation as well as economic policy decisions. Four empirical studies shed light on important components of the theoretical model. These include structural developments of economic activities, different employment models, homeworking and effects on mental health, analysis of government measures.

Framework contract for studies in the field of Social Policy, Education, Employment, Research, Culture and Digital Single Market (Lot 1 - Social and Employment Policy)

Committee of the Regions

July 2022 - June 2023

The purpose of this framework contract is to enhance the European Committee of the Regions' capacity to provide input into the policy-making process by a) increasing its rapid response capability, b) allowing a broader consultation of local and regional players, c) offering the possibility of drawing up specific opinions on topics of current interest, d) making databases and knowledge built up by research centres and universities accessible for the evaluation of policies, e) improve its capacity to prepare outlook opinions in the context of the Cooperation Protocol with the European Commission, f) use Territorial Impact Assessments as valuable tools for complementing Commission ex ante impact assessments and g) strengthen the capacity and increase the activity in foresight analysis of regional and local developments. The framework contract focuses on social and employment policies that will be addressed from the perspective of local and regional authorities. wiiw is leading a consortium with Spatial Foresight and t33.

EU interconnectivity with its neighbouring regions

Bertelsmann Stiftung

November 2021 - February 2023

Russia's invasion of Ukraine has marked the start of a new geo-economic era for the EU. Against this background, this study aims to gain a better understanding of the geo-economic challenges that the EU faces in its neighbourhood. It set out to measure the interconnectivity between the EU and its neighbouring countries and to compare these interconnections with those of the EU's peers and rivals: the US, China and Russia. The authors seek to identify and measure the extent of these interconnections in five key areas (trade, finance, technology and know-how, infrastructure and labour mobility), to draw out the key geo-economic implications for the EU, and to propose a set of policy recommendations for the EU's future engagement with its neighbourhood. The study was undertaken jointly by wiiw and Bertelsmann Stiftung.

Industrial Policy for a New Growth Model: A toolbox for EU-CEE countries

Friedrich Ebert Stiftung

July 2022 - December 2022

The Central Eastern European member states of the EU (EU-CEE) marked impressive advancements in their socio-economic developments over the past decades and can be even regarded as one of the most dynamic regions in Europe. The countries' EU membership as well as their deep integration into regional and global value chains (GVCs) played a crucial role in this catch-up process. However, the period following the Great Recession has seen unimpressive labour productivity growth along with a somewhat slower, in some cases even derailed, convergence process. In the light of EU-CEE's positioning as 'factory economies' and their struggle to occupy the more sophisticated stages of manufacturing value chains, the key challenge faced by the region is to occupy higher value-added activities within the value chain. This study aims to strategically evaluate the countries' policy options in achieving this goal, and to design an appropriate industrial policy toolkit for them, taking full account of the ongoing megatrends. It aims to guide policy makers in making the best possible use of the available policy space and taking full advantage of EU membership, while at the same time steering the industrial policy discussions at the EU-level

to one that better fits the position and capabilities of the EU-CEE. The study defines industrial policy in the EU context and explores lessons learned from past successful industrialisers. It maps the EU-CEE's industrial development, with a particular focus on green and digital aspects, in order to identify most promising growth areas, along with key areas of vulnerability. Subsequently, it dives deep into the discussion of flagship industrial policy instruments and discusses how they could be more effectively deployed in EU-CEE.

Economic and Social Impacts of FDI in CSEE (*wiiw Team Leader*)

Ost-Ausschuss der Deutschen Wirtschaft e.V.

January 2022 - November 2022

The study analysed the economic impact FDI had on the economies of Central, East and Southeast Europe and discusses pros and cons of FDI inflows. The analysis was conducted at the aggregate level as well as at the level of broad industry categories (according to available NACE industries) such as for instance manufacturing, finance, trade or information and communication, over the longer run.

Regional Cooperation in EU-CEE and Lessons for the Western Balkans (*wiiw Team Leader*)

Bertelsmann Stiftung

June 2021 - May 2022

In our previous study "Pushing on a String? An evaluation of regional economic cooperation in the Western Balkans", we concluded that a change in the EU's strategy towards the Western Balkans is needed. The current strategy has failed to deliver regional economic integration and development, has resulted in very meagre progress towards full EU accession, and has generated huge disappointment and frustration in the region. With these conclusions as a starting point, in the current study we ask whether and how the successful example from the formerly communist countries that joined the EU between 2004 and 2013 (EU-CEE) can be replicated in the Western Balkans. More specifically, we investigate to what extent regional economic integration improved in EU-CEE after EU accession, identify the suspected reasons for this, and determine which lessons can be drawn from this experience for the Western Balkan economies. Our main finding is that the best way to foster regional economic integration and development in the Western Balkans would be through policies aimed at raising incomes. One way in which this can be achieved is by increasing the EU transfers for the region, for example, through full access to the EU budget, with the necessary conditionality attached.

Determinants and Effects of Foreign Direct Investments in Austria: New Insights from Microdata

Austrian Ministry for Digital and Economic Affairs

October 2021 - February 2022

Foreign direct investment (FDI) will play an essential role in the recovery from the Corona crisis and the transformation towards a climate-neutral economy: Economists agree that global climate targets will not be achievable without a substantial increase in FDI flows. On the other hand, there is also growing concern about possible negative effects of FDI, especially in the case of takeovers of Austrian companies by foreign investors. Based on data at the transaction or company level, questions of the causes and effects of FDI in Austria are to be examined. To this end, the study will first estimate or describe the significance of the determinants of FDI commonly found in the literature for those in Austria. In a second part, the effects of these foreign investments for Austria as a business location will be quantitatively examined in terms of variables such as jobs, productivity, innovation, diversity or R&D activities.

New Insights into the Relationship Between Taxation and Trade (*wiiw Team Leader*)

Anniversary Fund of the Oesterreichische Nationalbank

May 2020 - September 2021

This project deals with two questions from the fields of taxation and international trade. The first one revisits the relationship between labour taxation and international trade, focusing on the role of domestic labour value added. The second one refers to the relationship between corporate taxes and international trade, focusing on the role of the multinational enterprises. The project also assesses whether the decline in labour and corporate taxes from the past decades has contributed to the expansion of international trade. The research project uses industry level data, for EU and OECD countries, and Two Stage Least Squares estimator, to account for potential endogeneity. The project contributes to the recent policy discussion on fiscal devaluation, and the ongoing policy debate on the global minimum corporate income tax.

Nearshoring Potential in the Western Balkans *(wiiw Team Leader)*

Federal Ministry for Economic Cooperation and Development, Germany

August 2020 - May 2021

This study aims to analyse whether and how the Western Balkan economies could benefit from near-shoring trends after the COVID-19 pandemic. It begins by discussing recent trends in foreign investment, and then presents an econometric analysis of determinants of foreign direct investment in the Western Balkans and East Asia. This is followed by a set of surveys, interviews and case studies, of different actors involved in global supply chains and investment, including foreign companies that have invested in the Western Balkans, foreign companies that are considering investing in the Western Balkans, local companies from the Western Balkans, and investment promotion agencies from these economies. The study concludes that Western Balkan economies can indeed benefit from near-shoring trends in the post-pandemic world, but would have to go beyond low labour costs in order to achieve that. Putting a focus on skilled labour, investment in education and training, improving infrastructure and governance would be the most important things to do.

Analysis of value chains in the Western Balkans economies - Enriching potential for regional cooperation in priority areas

Joint Research Centre (JRC)

January 2021 - May 2021

The overall objective of this project was to provide guidance, methodological support and capacity building in smart specialisation processes in the Western Balkans economies. One goal of the support to smart specialisation in the region was to identify promising industrial areas (domains) for the Western Balkan economies with higher value-added as well as to analyse and identify possibilities for wider cooperation in the South-East Europe in these identified areas. The analysis of value chains in the Western Balkans (WB) was expected to deliver an advanced contextual overview of the competitive position of the present and potential smart specialisation priority domains, and to identify opportunities for upgrading the position of the whole region and individual economies in European and global value chains; finding new market niches and areas of economic cooperation.