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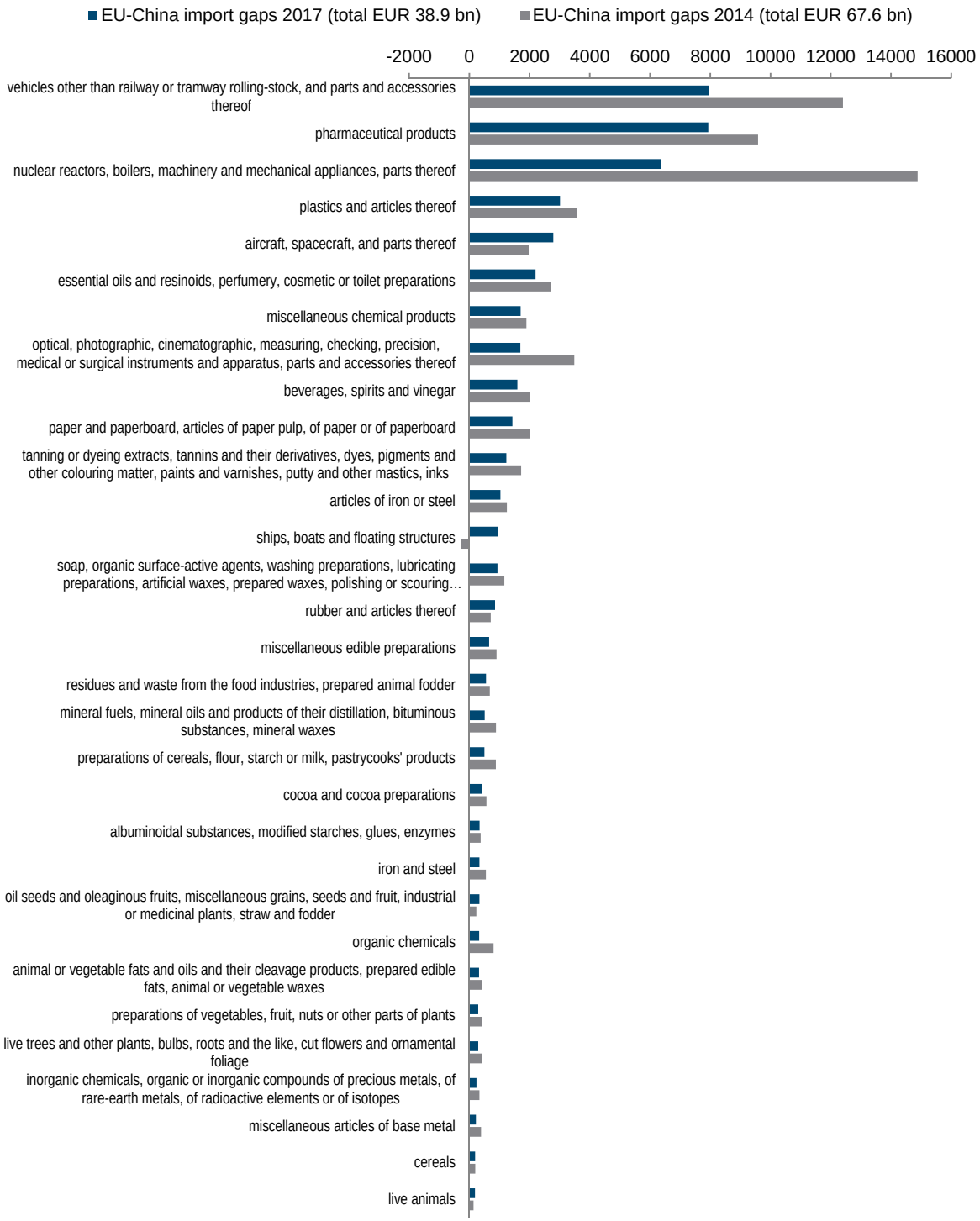

Note: Import gap is defined as the difference between the values of imports of a particular commodity group coming from the EU and China, respectively.
Source: Own calculations based on Russian customs statistics.

Opinion Corner: Italy: three cheers for democracy!

BY DOMENICO M. NUTI[1]

The Italian parliamentary elections of 4 March 2018 had two winners, Luigi di Maio's Five Star Movement, and Matteo Salvini's Lega. The two winners were contemptuously dubbed 'populist' (as a term of abuse) by national and global commentators, but their victory was simply the result of democracy, just like that of Donald Trump in the US, Brexit in the UK, the collapse of the socialists in France and the SPD in Germany, and the similar trends of a losing Left in the rest of Europe, East and West. Talk of populism is completely misplaced and misleading.

THE DEFEAT OF POLITICAL ESTABLISHMENT FULLY DESERVED

The result was not at all unexpected, though the collapse of the governing centre-left Democratic Party (PD) was greater than anticipated. The PD collapse was deserved fair and square. The PD had been totally subservient to austerity policies demanded by Brussels, overzealously inserting in the Constitution a clause on balanced budgets that was not obligatory, approving the strictures of the Fiscal Compact without objections, introducing bail-in provisions for commercial banks ahead of time, negotiating in exchange only negligible flexibility of a few decimal points, wasted in minor electoral bribes. No pressure was exercised in the reform of euro management, or for the reduction of the German trade surplus or for higher European public investment. Unemployment and poverty had increased intolerably. Corruption was rife and tainted the government. Finally, and most importantly, the PD party had failed to deal with large-scale immigration, turning it into a lucrative business and adopting a policy of effective open borders.

It is true that the population of any immigration receiving country usually has an exaggerated perception of the size of immigration with respect to the actual rate. But this is not irrational at all, since the rate of criminality is also higher than for the native population, by an average factor of 4 in Europe, by a factor of over 5 in Italy on average, peaking to as much as 30 times for some crimes, an extremely large differential though slowly falling. Immigrants appropriate freely a share of social capital (whether defined as social infrastructure, or welfare state benefits, or simply as cultural cohesion – in which last case they simply destroy social capital without benefiting from it). They are claimed to contribute to the pension system of an otherwise declining population, but this is only true of immigrants integrated in legal productive employment, and even in that case the rejuvenation of the host population is a temporary phenomenon, unless the growth of immigration continues unabated, which has additional adverse side effects. It is no accident that absolute poverty and unemployment rates are in Italy significantly higher among immigrants.

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POLICIES OF THE CONTE GOVERNMENT

The Five Star Movement (M5S) and Lega combined had a comfortable majority from the start, but had been opposing the former government from opposite sides and fought bitterly among themselves in the electoral campaign: the M5S was unwilling to even talk to Berlusconi, let alone join the entire right-wing coalition, while Salvini was firmly committed to retain association and leadership of the right. It took a long time before the coalition agreement between the M5S and the Lega was finally reached, with the appointment of Giuseppe Conte as Prime Minister, Paolo Savona, a well-known eurosceptic, as European Affairs Minister, and Giovanni Tria as Minister of Finances. Two Lega eurosceptic economists, senator Alberto Bagnai and MP Claudio Borghi, were placed in charge of the respective Senate and Lower Chamber Economic Committees, but assurances were given by all involved about compliance with EU budgetary restrictions and euro membership.

In its first 40 days the Conte government (or rather Deputy Prime Minister and Interior Minister Salvini) closed Italian ports to foreign-owned, foreign-funded and foreign-manned NGO rescue ships. Malta followed suit closing their ports. At the Paris European summit the principle was accepted that immigrants next landing in Italy would have to be processed and sorted between genuine refugees and economic migrants, the second subject to repatriation and the first distributed also to other European countries on a voluntary basis. NGO rescue vessels were forbidden from operating in Libyan waters. Successively Salvini initiated a procedure to stop also NATO military vessels from landing in Italy rescued migrants. Abuse by Emmanuel Macron (who defined Salvini's migration policies as 'vomit-inducing') and criticism from Spain played into Salvini's hands, in view of Macron's own record of French ports closure and barring entry to immigrants trying to reach France via Italy, and the Spanish government's precedents of shooting on sight immigrants seeking to enter the Spanish enclaves of Melilla and Ceutas in Morocco.

The Conte government through initiatives by Di Maio as Deputy Prime Minister and Minister for Labour revised earlier policies vis-à-vis precarious employment in favour of greater insurance protection and minimum wages. 'Golden' pensions of the political 'caste' were to be subjected to cuts over EUR 5,000 a month and more depending on length of service and actual contributions – leading to modest prospective savings but fulfilling an electoral commitment.

In international affairs, the Conte government expressed support for the cessation of sanctions against Russia, thus siding with President Trump and gaining an early invitation to the White House. Salvini established closer links with the anti-immigrant and European sceptic Visegrád countries. Another measure recently announced by the Conte government is the cancellation of the purchase of F-15 planes, and the grounding of those already purchased, for reasons of unjustified price and maintenance cost escalation.

There are still uncertainties about the timing and the extent of three major planks of the M5S-Lega 'contract', namely i) the flat tax – now no longer flat but levied at a dual rate, and probably more progressive than originally anticipated, through larger initial exemptions; ii) the 'citizens' income', which is not universal and unconditional but a means-tested supplement conditional on the unpaid supply of 8 hours a week of 'socially useful' work as well as availability for work subject to a maximum of two refusals on grounds on unsuitability; and iii) the cancellation of the Fornero law on pensions, probably

only gradual and partial. Finance Minister Tria has assured the EU that the timing and intensity of these measures will be subjected to the full respect of EU budgetary restrictions.

Finally, there remain preoccupations about the euroscepticism of the M5S-Lega government as a possible threat to Italy's continued membership in the eurozone and the EU itself.

EURO HAS BEEN LARGELY A FAILURE

There can be no doubt that the introduction of the euro in 1999 has not served Italy well. Its real GDP in 2016 was at the same level it had been in 2001. But the eurozone as a whole has not been doing well, either: from 2008 to 2016, its real GDP increased by just 3% in total. In 2000, a year after the euro was introduced, the US economy was only 13% larger than that of the eurozone; by 2016 it was 26% larger. After real growth of around 2.4% in 2017 the eurozone economy is faltering again.[2]

The common currency was supposed to 'crown' European integration, after political, fiscal and banking integration, and a common foreign and defence policy, but was introduced prematurely, an exemplar of the 'crises create opportunity for integration' myth. It was also handicapped by the ECB's limited powers to finance the EU budget or purchase the Member States' government bonds: it is not allowed to do it in primary markets and is strongly opposed by German authorities when it does it in secondary markets. The size of the EU budget is ridiculously small, under 2% of European GDP, compared to the US Federal Budget of over 20%. The mutualisation of existing public debt of Member States is opposed by Germany, with some reason as creditors would naturally turn to the stronger Member States to claim repayment in case of default. But the guarantee of national deposits at a European level is also being resisted, without good reason in view of Southern members of the eurozone having contributed to the reimbursement of German and French banks bad credits granted to Greece in 2010.

The euro project also suffered from the initial divergence in the fundamentals of the Member States, and even more from the increase in such divergence, some of which was due to individual governments' failure to comply with the rules of the Common Currency, and partly due to the mode of operation of the Single Currency itself. Among the violations we could quote the German and Dutch systematic exceeding the 6% maximum trade surplus rule, already asymmetrically and unduly higher than the maximum trade deficit of 4%; or the German failure to coordinate its fiscal policies and structural reforms with the other countries, thus obtaining the same undesirable effects that without the euro would derive from competitive devaluation. Other fundamentals specifically targeted by the Maastricht Treaty (public deficit and debt shares in GDP, inflation and interest rate, exchange rate) as a precondition of entry into the euro area were leniently treated, while other fundamentals had been neglected but should not have been, such as unit labour costs, unemployment rates, welfare state benefits, or the share of non-performing loans in bank balances. Many authors claim that divergence among Member States has been actually promoted by the single currency, for a variety of reasons.

Thus the euro suffered from premature birth and sovereignty handicap and from the degenerative disease of fundamentals divergence.

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[2] Stiglitz, J.E. (2018), 'Can the euro be saved?', *International Politics and Society* online journal, 6 July, http://www.ips-journal.eu/regions/europe/article/show/can-the-euro-be-saved-2840/.

ITALY ARGUABLY THE 'WEAKEST LINK'

A recent interview published by NZZ[3], by a former Deputy Director of the European Department of the IMF, Ashoka Mody, looks at Italy today as the weakest link of the eurozone and takes an extremely pessimistic view about the eurozone prospects.[4] Mody goes as far as arguing that Germany should leave the eurozone. The thesis is not new, indeed it had been suggested that a dual euro, harder for the Nordic countries and softer for the Southern ones, could be managed by the ECB itself, the two euros possibly being reunited if and when better times come and better convergence is reached.

This alternative would be preferable to unilateral exit from the euro, by Italy or other unhappy members, for much of the debt could not be re-denominated in a national currency, special arrangement would have to be reached about the massive National Bank indebtedness under TARGET 2 rules (corresponding roughly to cumulated trade deficits and cumulated purchases of national government bonds by the National Central Bank on behalf of the ECB Quantitative Easing Programme), uncertain transition arrangements about the issue of the new currency would necessarily be messy, uncertainty about devaluation and inflation would be unsettling, and preceded by capital outflow at the slightest hint of likely exit. It would be impossible to make such a choice after wide democratic debate. But it must be realised that permanence in an unreformed eurozone under the status quo is also exceedingly expensive.

Moreover, there is always a non-negligible risk that Italy or another Southern Member State might be expelled from the eurozone, as repeatedly threatened by Wolfgang Schäuble while he was German Finance Minister. As Minister Paolo Savona clarified at a hearing of the Senate and Lower Chamber on 10 July 2018, 'We should not be ready to manage normality, but the arrival of the black swan, the shock: we must be ready for any event, others might decide'.[5]

A superior solution, however, would be a reform of eurozone management, which could take various forms, different from the mild and diverging proposals recently discussed (and not agreed) by Merkel and Macron:

- *cancelling arbitrary and restrictive automatic targets amounting to pro-cyclical fiscal consolidation;*
- *excluding public investment (which does not amount to an intergenerational transfer) from the computation of fiscal constraints;*
- *definitely excluding from such a computation the payment of government arrears owed to households and suppliers (and/or old-age pensioners) on the ground that they amount to a change of creditor and not to an increase in overall debt;*
- *issuing national bonds indexed to national growth performance, to be purchased by the ECB in proportions equal to countries' GDP size, thus enabling the ECB to finance a subsidy to countries*

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3 Ashoka Mody (2018), 'Die Lage im Euro-Raum könnte bald eskalieren', *Neue Zürcher Zeitung*, 5 July, https://www.nzz.ch/wirtschaft/die-lage-im-euro-raum-koennte-bald-eskalieren-ld.1400899 (in German).

4 See also his recent book, *Euro Tragedy – A Drama in Nine Acts*.

5 https://www.ilfattoquotidiano.it/2018/07/10/ministro-savona-e-luscita-dalleuro-bisogna-essere-pronti-a-ogni-evento-potrebbero-essere-altri-a-decidere/4483596/

growing more slowly than the EU average from the profit made on the bonds of countries growing faster than average (a proposal by Jacques Drèze);

› *the ECB buying a balanced stock of government bonds of shareholding countries in the same proportions in which the countries hold ECB shares, in such a way as to benefit every country without resorting to a Transfer Union, financing the purchase either out of current seigniorage or out of the proceeds of securitising future seigniorage (the PADRE – Politically Acceptable Debt Restructuring in the eurozone proposal by Charles Wyplosz and Pierre Paris in 2014,[6] independently put forward also by Nuti in 2014[7]);*

› *using the provision that excludes from national debt loans taken from the European Investment Bank (as suggested by Stuart Holland).*

Ultimately, however, in the words of Jo Stiglitz, 'Germany and other countries in northern Europe can save the euro by showing more humanity and more flexibility'.[8]

The so-called populist governments are most unlikely to moderate their demands for change. The most likely alternative to Nordic reform or 'populist' moderation is not a generalised run for the exit, which is not favoured by the citizens of any Member State of the EU or EMU, but an escalation of vetoes by eurosceptic countries on any forthcoming attempts of promoting further EU integration – for a Member State can be deprived of its voting rights only by a unanimous decision of all the other Member States. Thus any group of at least two Member States could credibly block further European integration, even if generally beneficial, unless the desired radical reforms are agreed by the Nordic countries. Salvini's initiative of forming such a coalition, with the Visegrád countries in the first instance, is a big step in this direction. Such a Coalition of the Unwilling is the ultimate weapon that might make or break European unity, either bringing Nordic countries to their senses or demolishing Europe altogether.

6 https://voxeu.org/article/padre-plan-politically-acceptable-debt-restructuring-eurozone

7 https://dmarionuti.blogspot.com/2014/04/padre.html

8 Stiglitz, J. (2018), 'The euro could be nearing a crisis – can it be saved?', *The Guardian*, 13 June, https://www.theguardian.com/business/2018/jun/13/euro-growth-eurozone-joseph-stiglitz

The New Silk Road: companion or competitor to the EU and the EAEU?

BY AMAT ADAROV

INTRODUCTION

The recent years have been marked by major challenges for the idea of integration across the broad Eurasian economic space. The cooperation between the European Union (EU) and the Eurasian Economic Union (EAEU) has stagnated amid geopolitical tensions related to the unfortunate developments in the EU Neighbourhood. Besides that, both the EU and the EAEU experience significant internal difficulties: the EU is facing an existential crisis fuelled by rising populism and anti-integration sentiment throughout Europe; the EAEU is undergoing a period of severe macroeconomic challenges as Russia, the dominant economy of the bloc accounting for over 80% of its aggregate output, transitioned from a two-year recession to stagnation growing at less than 2% per year and is unlikely to accelerate significantly on account of lower oil prices. By contrast, the China-led New Silk Road, also known as the Belt and Road Initiative (BRI) or One Belt, One Road initiative, is gaining momentum and is potentially capable of bridging Europe and Asia and transforming the economies in-between with the massive investment it envisions. The BRI is however currently a rather vaguely defined endeavour and complementarities with the two other major players in the region – the EU and the EAEU – warrant further discussion along with related prospects and challenges concerning cooperation across the Eurasian space.

THE BRI IN BRIEF

The idea of establishing a broad-based cooperation across the Eurasian region to promote the New Silk Road was raised by Chinese President Xi Jinping during a series of foreign visits in 2013 and the term 'One Belt, One Road' was introduced at a conference in Shanghai in May 2014. The official document 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road' further outlining its content was released in March 2015.[1]

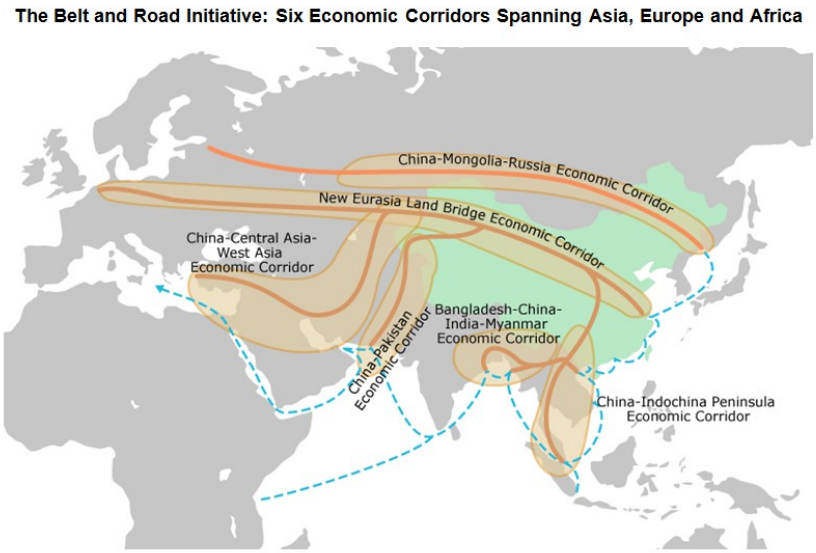
The main objective is to facilitate economic connectivity between Asia and Europe along the route largely resembling the ancient Silk Road – hence the name – via two major components: the Silk Road Economic Belt (land-based component) and the 21st Century Maritime Silk Road (sea-based component). The Silk Road Economic Belt will connect China to Europe via land transport corridors extending throughout Central Asia, the Middle East and Russia, while the Maritime Road will link the South China Sea and Mediterranean Sea via the Strait of Malacca, the Indian Ocean and the Suez Canal. In addition, six envisioned economic corridors will bridge the Silk Road Economic Belt and the Maritime Road, including (1) China-Indochina Peninsula; (2) Bangladesh-China-India-Myanmar;

[1] See the English version at http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html.

(3) China-Pakistan; (4) New Eurasian Land Bridge; (5) China-Central Asia-West Asia; and (6) China-Mongolia-Russia (see Figure 1).

Figure 1 / New Silk Road

Source: The Wall Street Journal.



Source: Hong Kong Trade Development Council.

Note: The top panel shows the New Silk Road land-based and sea-based components; the bottom panel shows the six economic corridors.

The BRI currently covers 65 countries of West, Central, East and Southeast Asia, the Middle East, North Africa and Central, East and Southeast Europe and will potentially span over 100. According to official documents, the strategic goals of the BRI include several pillars: policy coordination, connectivity of infrastructure, free trade, financial integration, and stronger people-to-people connections. The ultimate

aim is to improve cross-country transport and communication infrastructure, facilitate cooperation in trade and investment, tourism, financial markets, and strengthen cultural ties between participating nations in a flexible and mutually beneficial way. The development of cross-border infrastructure is apparently the key economic element and is largely a prerequisite to effective further cooperation and connectivity improvements. Altogether this makes the endeavour truly ambitious in terms of both scope and scale.

PROSPECTS AND CHALLENGES OF THE INITIATIVE

Bridging the economies of Europe and Asia in general and the three 'integrations', the EU, the EAEU and China, in particular is a highly welcome idea: the sheer economic size of such integration is impressive as jointly the EU, the EAEU and China account for almost 40% of the world aggregate GDP (Figure 2). Including the countries in between an estimated 60% of global GDP and up to a third of the population potentially is to be covered by the BRI.

It is therefore not surprising that the ideas to improve connectivity of the economies and expand along the way China's regional influence are not new and a number of earlier initiatives by China had similar objectives (for instance, the 'Go Global'/'Go Out', 'Peaceful Rise' policies). In a way, the BRI is a repackaging and reformulation of the 'Go Global' strategy that was in place before – a policy mostly focusing on investments in various projects abroad, predominantly in infrastructure. This time, however, the initiative appears to gain a much stronger impulse with a better-shaped conceptual framework and significant dedicated funding. In particular, the endeavour is backed by financial infrastructure involving multiple sources: the Silk Road Fund (USD 40 bn), the Asian Infrastructure Investment Bank (USD 50 bn), the New Development Bank of BRICS (USD 10 bn), the Silk Road Gold Fund (USD 15 bn), and the China, Central and Eastern Europe Investment Co-Operation Fund (USD 11 bn). In addition, the project is supported by bilateral funds (China-Russia, China-India, China-Africa development funds) and specialised Chinese organisations (for instance, China Export-Import Bank, China Development Bank), as well as complementary initiatives by the World Bank, EBRD and other international development organisations operating in the region. While the committed funding seems massive, the foreseen investment needs along the lines of the BRI are very high as well, albeit the scale is not clear with estimates ranging from USD 1 to 8 trillion and it is not currently apparent that even the level of 1 trillion will be met by available funding.[2]

China's commitment to the BRI is motivated by pragmatic considerations related to both its internal and external policies. The following goals appear to be strongly complementary to the project:

› **The need to revisit the economic growth and development model.** China's economy has been growing at an accelerated pace for years driven by exports of labour-intensive goods. Nowadays, as the country's income levels have increased and it is facing a structural economic growth slowdown and a 'middle-income trap', previous sources of growth need to yield way to new drivers. Policy-makers in China do recognise the need to transition to a more sustainable economic growth and development model based on a greater role of domestic consumption and shifting up the global value chains, as well as the need to utilise the excess capacity China has accumulated over years.

[2] See Hillman (2018), 'How Big Is China's Belt and Road?' at https://www.csis.org/analysis/how-big-chinas-belt-and-road

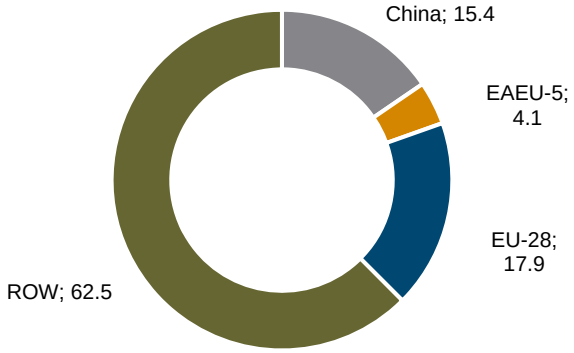
› **Development of China's lagging regions.** Closely related to the above is China's need to facilitate the development of the less developed Western regions, smooth income inequality and thereby improve internal cohesion of the country.

› **Secure access to strategic resources.** The economy of China is highly dependent on access to energy resources, metals and other natural resources. The New Silk Road will provide new and alternative routes to secure access to mineral resources from commodity-based economies of Central Asia and the Middle East.

› **Expansion to new markets and promotion of the yuan.** The BRI will help China gain improved access to new markets for goods and services, as well as facilitate investments to help optimise the composition of its value chains in light of its new development paradigm. Deepening trade and investment linkages will help further strengthen the role of the yuan in the region and beyond.

› **Geostrategic interests.** The BRI is fully consistent with the overall strategic goal of China to increase its regional and global influence along multiple dimensions, including economic, political, and people-to-people linkages, and create a 'circle of friends' in the rather problematic neighbouring regions of Central Asia, the Middle East and North Africa.

Figure 2 / GDP (PPP-based), percentage share of the world total, 2007-2016 average



Source: IMF World Economic Outlook.

Table 1 / Trade among the EU, the EAEU and China, billion USD, 2007-2016 average

		Importer			
		EAEU-5	**EU-28**	**China**	**ROW**
Exporter	**EAEU-5**	51.6	243.1	37.5	188.2
	EU-28	142.3	3494.0	164.2	1686.5
	China	52.4	319.2		1458.4

Source: Own calculations using UN Comtrade data.

As noted above, the BRI is a rather vague integration 'vision' and thus lacks a well-defined multilateral framework in terms of overarching regulatory arrangements and governance, instead relying on flexible bilateral agreements. The latter has both pros and cons. Such format allows to identify on a case-by-

case basis mutually beneficial forms of cooperation. In fact, it is emphasised that all countries are welcome to participate in the BRI and sovereignty and will of the partner countries will be respected. Participation thus is at least formally not constrained by specific pre-arranged legal frameworks and conditionality, which could turn away some potential partners. At the same time, such flexibility increases uncertainty and makes it more difficult to anchor expectations and commitments of potential partners inhibiting long-run business planning as cross-border connectivity projects require joint cooperation of all countries along the route in order to be fully functional.

Related to the above, the region along the BRI route is highly challenging along multiple dimensions: the envisioned Silk Road Economic Belt passes through a range of landlocked countries located in highly mountainous or desert terrain, which makes it especially costly to develop infrastructure; parts of the region are torn by geopolitical tensions and open conflicts; many of the countries are fragile states with recurring social unrest, and weak institutions aggravated by macroeconomic challenges. This altogether presents additional challenges and risks for the future of the BRI. Looking beyond mere infrastructure connectivity, the BRI will pass through multiple borders with countries having rather different regulatory regimes and capacity to effectively implement cross-border control operations, which may jeopardise speedy transit of goods.

BRI: COMPETITOR OR PARTNER TO THE EU AND THE EAEU?

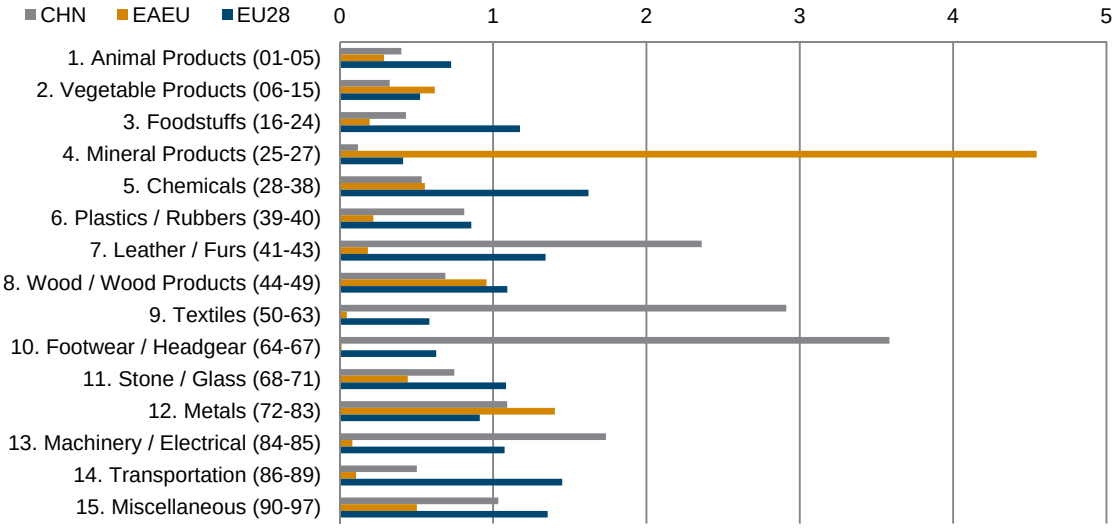
In light of the flexibility of the BRI, the extent to which it is complementary to the EU and the EAEU depends largely on the actual negotiated depth and parameters of cooperation with the EU, the EAEU and the countries along the BRI route. At the moment, in light of the stalled dialogue between the EU and the EAEU, the New Silk Road initiative appears to be a well-positioned platform to promote integration on the broad Eurasian economic space at least in the cross-border infrastructure developments domain. For the countries in between Asia and Europe the BRI surely represents a remarkable opportunity to accelerate their growth and development. At the same time, this may come at a risk of higher long-run dependency on China, particularly for less developed countries of Central Asia and the Middle East, in the form of China's control over the logistics networks, ownership of infrastructure in the host countries via direct investment, potential debt sustainability issues on account of immense financial assistance from China etc. However, increasing integration inevitably comes at the cost of greater interdependence and related spillover risks, and for the small economies of the region lacking other development opportunities this may be the only feasible option.

The influence that China will gain throughout the region is often seen as a competition to the similar aspirations of the EU and the EAEU. In particular, the BRI is often seen in the EU as a largely geopolitically-motivated initiative with 'unclear political intentions' of China. The fact that since 2014 a range of countries in Central, East and Southeast Europe, including EU members, have signed Memoranda of Understanding (MoU) with China and a '16+1' format was established to further deepen cooperation is seen with caution by the EU leadership as potentially jeopardising cohesion within the EU.[3] The engagement of the EU in the EU Neighbourhood and beyond in the form of technical and financial assistance generally has been less flexible as the countries willing to pursue deeper forms of

[3] For a list of MoU in place as of 2018 see Steer Davies Gleave (2018), Research for TRAN Committee: The new Silk Route – opportunities and challenges for EU transport, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels, January 2018.

integration with the EU must approximate to the EU regulations (*acquis*) and meet certain political conditionality criteria related to the European common values. While this certainly helps generate incentives to transition to democracy and market economy, it is also limiting as not every country in the region would be willing to embark on large-scale institutional reforms and liberalisation in light of the costs of the reforms involved, established political and institutional systems or differing cultural values, which is particularly the case for many countries of Central Asia and the Middle East. Recently, however, notable progress has been made in relaxing the 'top-down' EU tactic yielding way to a more flexible approach taking into account country-specific circumstances in practice as envisioned in the revised European Neighbourhood Policy.

Figure 3 / Export competitiveness of industries, EU, EAEU, China



Note: The RCA index, based on Balassa (1986)[4], measures the comparative advantage of country *c* in industry *i* in year *t*, and is constructed as follows: $RCA_i = \frac{x(i)_c/X_c}{x(i)_W/X_W}$, where *x(i)* is the value of exports of industry *i*, *X* is the total value of exports from country *c* or from the world (*W*). A country reveals a comparative advantage in a particular industry *i* if its RCA index in that industry is greater than unity, i.e. the export share of a country in that industry is higher than the world average export share for that industry. Based on 2007-2016 average trade, adjusted for intra-bloc trade. HS 2-digit level codes are shown in parentheses.
Source: Own calculations based on UN Comtrade.

As regards cooperation perspectives of the EAEU, while membership in the EAEU itself indeed puts binding constraints on its members' foreign trade policy (adoption of the common external tariff and technical/SPS standards of the bloc, delegation of certain competencies to the supranational level), the bloc is generally open to partnership in other formats not requiring membership in the bloc, ranging from free trade agreements (already signed with Vietnam and Iran) to cooperation limited to certain sectors and policy areas. On account of macroeconomic difficulties the bloc nowadays has rather limited capacity to extensively engage in the New Silk Road initiative and has yet to deal with internal challenges related to remaining barriers to the flow of goods and services, capital and labour.

[4] Balassa, B. (1986). Comparative advantage in manufactured goods: a reappraisal. The Review of Economics and Statistics 68(2): 315-19.

While difficulties exist, simultaneously pursuing partnership with both the EU and the EAEU is nevertheless possible: a case in point is Armenia, which is a member of the EAEU since 2015 and also signed a Comprehensive and Enhanced Partnership Agreement with the EU in 2017[5]. Deeper forms of economic integration are however constrained by the differences in regulatory regimes, in particular, differences in technical and SPS standards between the EU, the EAEU and China. In general, Chinese and EAEU standards are lower, while the EU standards are higher and may in fact be too high for producers in less developed economies.

Improving transport connectivity and possibly reducing regulatory barriers to trade along the way will increase the competition between the EU, the EAEU and China's producers. The economy of China is highly competitive across many sectors, including high value-added industries (see Figure 3) and connectivity gains will increase competitive pressures on producers in the EU and especially the EAEU, which is largely competitive in petroleum and metal sectors. This is further aggravated by concerns, especially voiced in the EU, that China's enterprises participating in the BRI will enjoy ample financial and administrative support from Chinese authorities and state-owned banks. In this regard it is important to facilitate regulatory transparency and a level playing field to ensure fair competition, which is an important prerequisite for future broader and deeper cooperation in the context of pan-European-Eurasian economic integration.

CONCLUDING REMARKS

Despite challenges between the three integration initiatives (EU, EAEU and the China-led New Silk Road), 'integration of integrations' is both highly desirable and feasible provided that there is political will for that. While the EU can become the western, the EAEU can become the northern 'pillar' of the BRI. Development of cross-border infrastructure is complementary to the internal economic development objectives for all three integration initiatives: in the case of the EU it may help to boost the development of the European 'periphery', particularly, the lagging regions of the Western Balkans and EU Neighbourhood countries; for the EAEU the less developed members – Armenia and Kyrgyzstan – as well as the vast lagging Siberian regions of Russia may benefit from the BRI similarly to the growth impulse the Western regions of China will receive. There is scope for cooperation in the areas of trade and investment facilitation, environmentally sustainable economic development, science and technology collaboration and other areas.

It is particularly important to steer the joint efforts to ensure that the cooperation on the pan-European-Eurasian space results in a competitive and non-discriminatory trade and investment regulatory environment, facilitate convergence of technical and SPS regulations and related conformity assessment procedures, coordinate efforts on infrastructure building to achieve greater cost efficiency and avoid unnecessary duplication of projects and construction of projects that are not sustainable. Above all, it is important to avoid confrontational ideology and focus on the areas of mutual interest, as well as avoid imposing 'either-or' choices on the countries along the New Silk Road as regards which integration vector they choose to pursue. In the end, the long-run objective of facilitating peace and prosperity in the yet problematic regions of Central Asia and the Middle East is in the common interest of China, the EAEU and the EU.

[5] https://eeas.europa.eu/headquarters/headquarters-homepage/36141/new-agreement-signed-between-european-union-and-armenia-set-bring-tangible-benefits-citizens_en

Is Austria's economy still locked-in in the CESEE region? Austria's competitiveness at the micro level

BY MAHDI GHODSI[1]

INTRODUCTION

Austria's economic competitiveness is of regular concern to the country's wider public. Fenz et al. (2015) have found that the Austrian economy has lost some of its goods exports share to Germany over the last couple of years and that this was replaced by higher shares of exports from the countries of Central, East and Southeast Europe (CESEE) to the German market. Overall this was seen as an indicator of a decline in Austrian competitiveness.

It is interesting to mention that between 1996 and 2015 the loss of about eight percentage points of Austrian goods exports share to Germany (which in 2015 stood at more than 30%) was partly compensated by an increase in the share of exports to the economies in CESEE (which increased from 16% in 1996 to above 21% in 2015) (Holzner, 2015). Such a 'lock-in effect' might reflect lack of Austrian competitiveness, as markets in Germany and Western Europe are more competitive and demanding than those in Eastern Europe.

Taking export shares might not be a sufficient and suitable comparative tool for analysing competitiveness, as some other factors could be affecting the level of exports to a certain destination. By taking determining factors of exports into consideration, one can obtain a more comprehensive approach to find out how a country's competitiveness evolves. In this article, this attempt is made using data on firms at the very micro level. By studying how their competitiveness evolves and how it affects export values, I analyse whether there is 'excessive' export behaviour of Austrian firms to the CESEE[2] region. The 'excessive' exports will be calculated as the distance from the actual value of exports to a certain destination to its predicted value from the theoretical gravity model.

In recent years, there has been a growing interest in assessing the competitiveness of heterogeneous firms at different levels of aggregation. While there is no consensus on a common definition of competitiveness, this analysis is motivated by the definition of 'foundational competitiveness' as reiterated by the President of the European Central Bank (ECB), Mario Draghi, in 2012: 'A competitive economy, in essence, is one in which institutional and macroeconomic conditions allow productive firms

1 Research for this paper was financed by the Anniversary Fund of Oesterreichische Nationalbank.

2 In this article, CESEE includes the Central and East European Member States of the EU (EU-CEE) plus Bosnia and Herzegovina, Macedonia, Montenegro, and Serbia.

to thrive. In turn, the development of these firms supports the expansion of employment, investment and trade.'[3]

While economic policies are directed at aggregate outcomes, it is the firms at the micro level that are the economic agents affected and that can shape and change the patterns of sustainable growth through their competitiveness. From the aforementioned definition by Mario Draghi, the competitiveness at the micro level could be explained as the efficiency of firms in converting the factors and inputs of production into output. In fact, total factor productivity (TFP) of firms is the essential indicator of micro competitiveness that is enhanced through innovation and technological advancements (Duguet, 2006; Aiello et al., 2015).

FIRM-LEVEL COMPETITIVENESS

The starting point is the individual firm's performance as firms are seen as the most important agents affecting longer-term productivity growth. In an earlier study (Fattorini et al., 2018a, b), we estimated TFP of more than 500,000 firms across the EU-28 and Western Balkan countries during the period 2007-2015. Furthermore, TFP growth of firms was tested against some macroeconomic indicators. According to the results of the study, the TFP growth of a representative average firm in the European Union is positively affected by financial support from the European Regional Development Fund (ERDF) for Research, Technology and Development (RTD). The result is robust across different specifications controlling for the sample selection and the endogeneity biases (Fattorini et al., 2018b). Moreover, the RTD funds enhance the growth of TFP at the bottom of the TFP distribution more than the top, which points to the stimulated innovativeness in the least efficient firms either through technological spillovers or through innovation processes. However, based on the results and several robustness checks controlling for the endogeneity of funds, the ERDF on Business Support (BS) does not significantly relate to firms' TFP growth. Regional GDP and firm size in terms of employment are also positively related to TFP growth of firms in the EU regions. However, firm size in terms of turnover is negatively related to firms' TFP growth across the EU.

By confining the sample to only Austrian firms, most of the explanatory variables in the earlier study become statistically insignificant (mostly due to lack of variations across only few Austrian NUTS-2 regional variables) except for the size of the firm in turnover and employment, and agglomeration externalities. Austrian firms' size in terms of employment is then negatively related to their TFP growth, while the size in terms of turnover is positively related to TFP growth. In fact, smaller Austrian firms in terms of employment and larger firms in terms of turnover had higher TFP growth during the period 2007-2015, a relationship opposite to that of an average EU firm presented in Fattorini et al. (2018a). Agglomeration externalities still remain negatively related to TFP growth, meaning that in a NUTS-2 region with a smaller area where more employment is concentrated, the TFP of firms would grow less.[4] Therefore, it could be argued that Austrian firms with larger turnover, and less employment, in regions with less density of labour have become more competitive in terms of TFP.

Table 1 presents summary statistics of the firm-level aggregates across Western Europe in 2014. According to the simple average TFP (in logarithm), Austrian firms rank in the middle of the 18 Western

[3] https://www.ecb.europa.eu/press/key/date/2012/html/sp121130.en.html

[4] These results are available upon request.

European countries as the 9th most productive country. According to the capital-weighted average TFP, Austrian firms rank 8th, which shows that capital is allocated more efficiently than the normal distribution across Austrian firms. Firms in the Netherlands are the most productive, with the highest simple average and capital-weighted average TFP estimates.

Table 1 / Summary statistics of firm-level aggregates across Western Europe, 2014

Country	Simple average TFP	Capital-weighted average TFP	Average firm size in employment	Average firm size in capital, EUR	Average firm size in turnover, EUR	Number of firms
AT	8.62	3.07	508	63,011,798	154,323,557	794
BE	8.67	0.50	226	104,328,076	112,332,022	2697
CY	7.85	3.27	82	12,661,296	7,661,662	58
DE	8.91	0.30	1,131	206,658,839	350,997,360	5502
DK	9.46	5.26	697	126,165,424	218,561,239	570
ES	6.75	-1.21	30	4,105,189	8,881,020	51498
EE	5.56	-1.28	22	53,742	159,842	4042
FI	7.11	1.37	95	12,605,074	29,465,473	6540
FR	7.72	1.36	141	24,647,263	38,122,985	28177
GB	8.80	3.51	406	70,877,481	124,600,512	9795
EL	7.53	0.63	51	6,627,245	11,816,423	4340
IE	9.05	4.45	1,741	491,833,672	540,559,642	356
IT	9.33	-1.89	32	3,861,029	9,211,677	105514
LU	9.62	5.07	4,481	981,895,197	1,270,327,459	87
MT	8.26	4.85	186	10,591,842	19,544,966	42
NL	10.84	7.66	3,076	723,703,489	1,053,480,975	486
PT	6.25	-2.39	21	1,621,700	3,136,997	27013
SE	6.77	-1.17	93	16,365,140	27,970,991	13037

Source: Fattorini et al. (2018a).

Based on the simple average TFP within each industry, Austria is the most competitive across Western Europe in two manufacturing sectors: beverages and computer, electronic and optical products.

Manufacture of coke and refined petroleum products in Austria has the largest capital-weighted average TFP in the sample of Western European countries. There is only one Austrian firm in this sector of the sample. Therefore, the simple and weighted average TFP in this sector is equal. This means that using the capital weights reduced the capital-weighted averages of firms' TFP in other countries in the sector. Therefore, in this sector larger capital is allocated to less efficient firms in other countries with lower TFP, making the Austrian firm the most allocative efficient firm in the sector. Another sector where Austria shows the highest capital-weighted TFP average is the repair and installation of machinery and equipment.

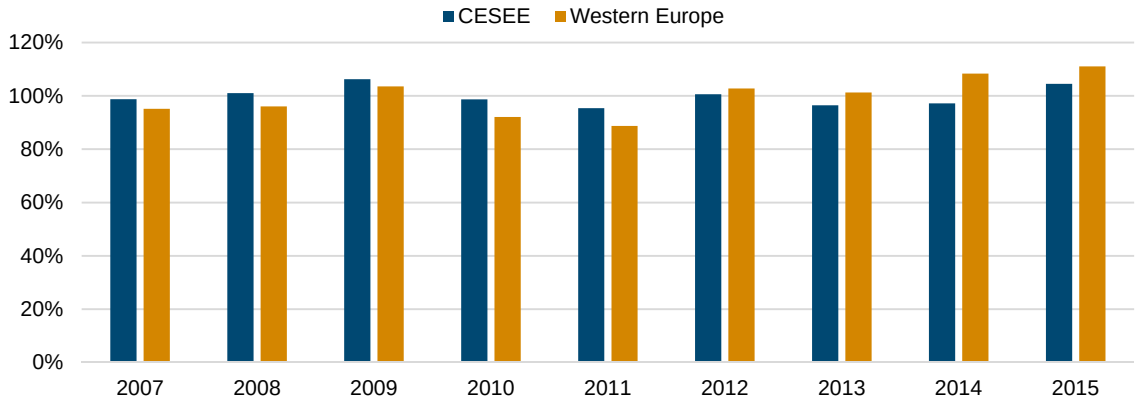
THE 'LOCK-IN EFFECT'

The 'lock-in effect' here is defined as a situation in which Austria's economic performance is more dependent on the CESEE rather than on the rest of the EU or the rest of the world, which can be seen as a source of vulnerability. Also, losing market share in a competitive market like that of Western Europe might indicate deterioration of competitiveness. In the following, I analyse the exports of manufacturing industries by geographical destination and compare CESEE with the rest of the EU. In

doing so, I use the aggregate indicator of firm-level efficiency as an important driver of export performance. I apply a gravity model using the bilateral exports of 23 NACE 2-digit manufacturing industries between 28 EU Member States and three Western Balkan countries during 2007-2015 including firm-level TFP performance aggregated to sectors. After estimating the model one can obtain the fitted values of exports that are explained by explanatory variables. Larger (positive) differences between the actual values of exports and fitted values obtained from the model would suggest 'excessive' export behaviour. By comparing the aggregate export performance to CESEE across different exporters, the 'lock-in effect' of Austrian firms' exports in CESEE is tested.

Figure 1 presents Austria's export performance to two destinations: CESEE and Western Europe. Each bar indicates how far the actual value of exports to the respective destinations (i.e. CESEE region or Western Europe) is away from the fitted value of exports, as % of the fitted value of exports. As the figure shows, Austrian excessive exports to the CESEE region were higher than the excessive exports to Western Europe from 2007 to 2011. This could be interpreted as a 'lock-in effect' of Austrian exports in CESEE during that period. However, from 2012 onwards, the situation reversed and Austrian exports to Western Europe increased overproportionately as compared with exports to CESEE. The 'excessive' Austrian exports to Western Europe stood at around 111% of their predicted value in 2015, while to CESEE they stood at around 105%.

Figure 1 / Austrian export performance to CESEE and Western Europe, 2007-2015, in % of predicted value



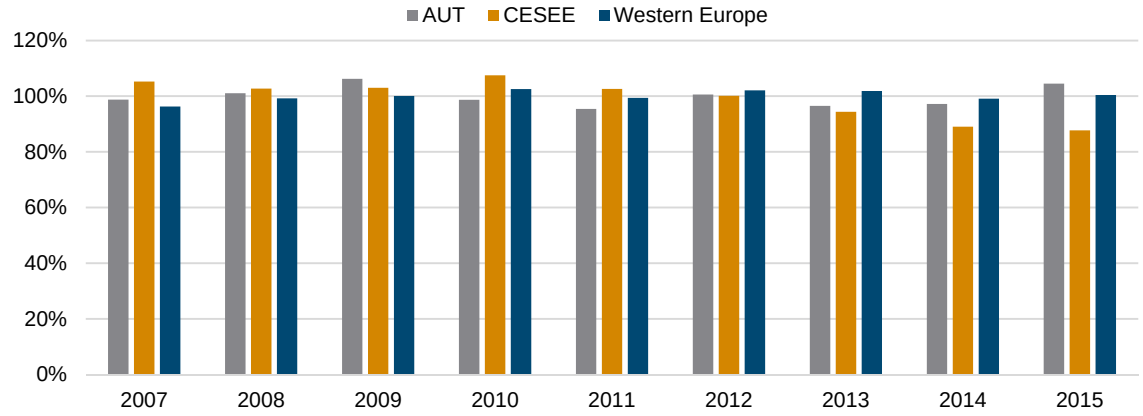
Source: Own calculations.

Figure 2 presents the export performance to CESEE from different regions during the period 2007-2015. From 2007 to 2011, CESEE countries were generally outperforming Western Europe and Austria by having 'excessive' exports to other CESEE countries – above the predicted value. For instance, in 2010, 'excessive' intra-CESEE exports of manufacturing stood around 107% of model-predicted values. Gradually this value decreased and in 2015, intra-CESEE exports stood at around only 88% of the model-predicted value of exports.

Exports from Western European countries other than Austria showed fluctuations. The 'excessive' exports from these countries to CESEE were increasing from 2007 and reached their highest level of 103% of the predicted value in 2010; then they dropped to 99% in 2011. Thereafter they rose again to stay above the model-predicted value, with a short drop below the predicted value in 2014.

Austrian exports to CESEE as a share of the predicted value were also fluctuating, with their peak of 106% in 2009. After some ups and downs, in 2015 the 'excessive' Austrian exports of 105% of the predicted value over-performed relative to other countries' exports to CESEE.

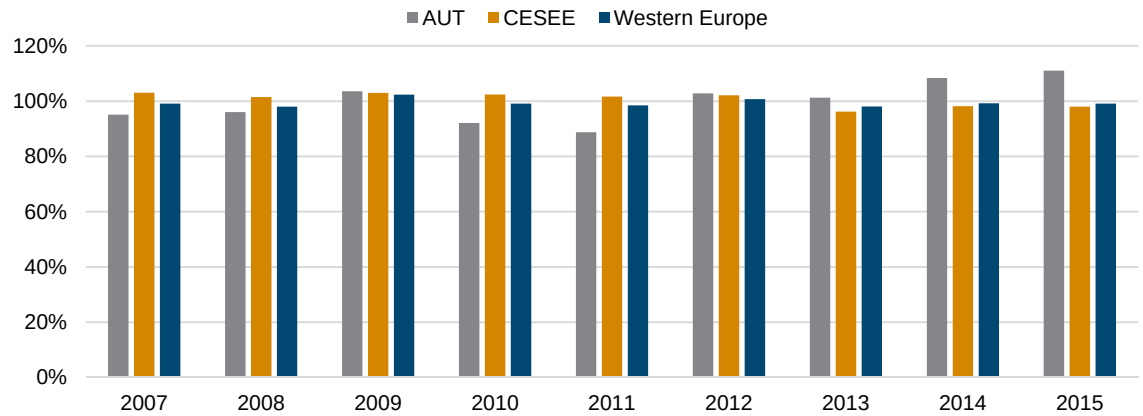
Figure 2 / Export performance of Austria, the CESEE countries and Western Europe to CESEE by region/country of origin, 2007-2015, in % of predicted value



Source: Own calculations.

Finally, Figure 3 presents the export performance to Western Europe from different regions relative to the model-predicted values. From 2007 to 2011, the CESEE region was over-performing its predicted value generally better than other regions. From 2012 onwards, Austrian over-performance of exports to Western Europe relative to the model-predicted values outpaced other regions in the sample and reached 11% by 2015. This is larger than the over-performance of Austrian exports to CESEE (only 5%; Figure 2), suggesting a 'lock-in effect' of Austrian exports with regard to Western Europe rather than CESEE. This is also evident from the 'excessive' Austrian exports to Western Europe in each individual industry.

Figure 3 / Export performance of Austria, the CESEE countries and Western Europe to Western Europe by region/country of origin, 2007-2015, in % of predicted value



Source: Own calculations.

CONCLUSIONS

This article analysed the competitiveness of Austrian manufacturing industries by comparing the performance of Austrian firms with Western European firms using the recent estimation of TFP by Fattorini et al. (2018a) across the Wider Europe (that is EU-28 plus Western Balkans) during the period 2007-2015. According to the TFP estimates, Austrian firms with larger turnover, and less employment, in regions with less density of labour have become more competitive in terms of their efficiency in producing output from means of production.

According to the simple average TFP, in 2014 Austria was the most competitive across Western Europe in two manufacturing sectors: computer, electronic and optical products and beverages. According to the capital-weighted average TFP, manufacture of coke and refined petroleum products and the repair and installation of machinery and equipment were the most competitive Austrian firms across Western Europe in 2014. This indicates that capital in these Austrian sectors is allocated to the most efficient firms increasing their aggregate TFP to the first rank.

Finally, using the firms' TFP and other characteristics aggregated by industries across the Wider Europe, a gravity model on exports has been estimated. Comparing the actual values of Austrian exports with the predicted values from the gravity model indicates that since 2012, 'excessive' exports have been primarily directed to Western Europe rather than to the CESEE region. These results suggest that the Austrian 'lock in effect' in CESEE has reversed to the more competitive and demanding market of Western European countries.

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Effects of non-tariff measures on gross exports and value added exports

BY OLIVER REITER

INTRODUCTION

Trade policy features prominently again in the news headlines. Since President Trump has announced his plans to reduce the trade deficit of the United States, economists around the world are worried about a resurgence of stark protectionist policies and an increasing risk of a trade war between major global economic powers. Trade policy – and trade wars as well – are often thought to be confined to setting import tariffs at a certain level. However, there are other, more subtle instruments with which a country can shape the volume and structure of its imports. Non-tariff measures (NTMs) allow a country, e.g.,

› to require certain technical characteristics of a product (as in technical barriers to trade, TBT),

› to announce health and/or sanitary concerns and block imports of products deemed harmful (as in sanitary and phytosanitary measures, SPS),

› to set an upper limit on the imported quantity of a product (as in quantitative restrictions, QR),

› to accuse a trading partner of unfair practices ('dumping') and restrict the import of those 'unfairly' produced products (as in anti-dumping measures, ADP, countervailing measures, CV, and safeguard measures, SG).

An NTM is by its nature qualitative. It stipulates the characteristics a certain product needs to have (or *must not* have), the functions it needs to fulfil, or its production process. This qualitative nature makes an NTM hard to quantify.[1] It is thus very difficult to estimate what the effect of a certain NTM is going to be, especially since one NTM can have very different effects on different trade partners. For example, a TBT imposed by country A that requires that a product X to have a certain characteristic Z is likely to hurt country B that is not able to change its production to satisfy this requirement but will probably benefit country C whose exports of product X are already produced with characteristic Z. Hence, there will be a trade diversion from country B to country C. In general, however, it is not clear that such a trade diversion is the usual case. It is plausible to assume that most TBTs (and other NTMs) reflect the interests of national interest groups (firms, industries, consumers); it is those interest groups, and not other countries, which are beneficiaries of NTMs.

This contribution sets out to combine two datasets prepared by wiiw to analyse the effect that imposed NTMs may have on trade flows.

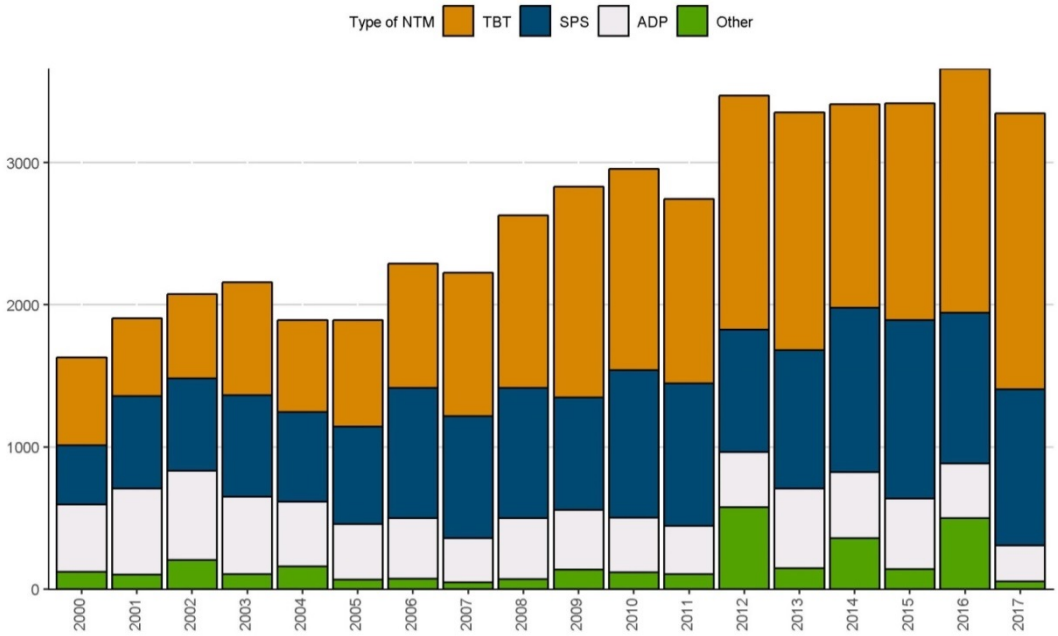
[1] There is a large body of literature that is concerned with a) quantifying an NTM and b) quantifying the effect of an NTM. See Bora et al. (2002) for an overview of this topic.

DATA

The first data source is the wiiw NTM Data[2], based on data on NTMs collected by the WTO[3]. These data, though very extensive, have a serious drawback: A lot of NTMs have no Harmonised System (HS) code assigned to them. HS codes are product classification codes which allow an NTM to be assigned to a trade flow. Thus, missing HS codes pose a serious constraint on the ability to do reasonable research. At wiiw, this database was enhanced by using several computational techniques to fill in missing HS codes. For a detailed description on the process, see Ghodsi et al. (2017).[4]

Figure 1 shows the number of newly imposed NTMs at the global level in each year since 2000. A general rise in the usage of these trade policy instruments becomes evident over the years.

Figure 1 / Number of new NTMs imposed at the global level



Note: CV, SG, QR are subsumed under 'Other', due to their low occurrence.
Source: wiiw NTM Data.

As mentioned above, quantifying NTMs is a difficult undertaking. In this contribution, the trade coverage ratio of NTMs as defined in Bora et al. (2002) is used to aggregate the detailed NTM data up to the national level:

$$Cov_{ijt} = \frac{\sum_k D_{ijkt} V_{ijkt}}{\sum V_{ijkt}} \cdot 100$$

2 The NTM Data are available on wiiw's homepage at https://wiiw.ac.at/wiiw-ntm-data-ds-2.html

3 The WTO I-TIP (Integrated Trade Intelligence Portal) database is available at https://www.wto.org/english/res_e/statis_e/itip_e.htm

4 In the raw I-TIP database, only 27,530 of a total of 61,272 NTMs had HS codes. The remaining 33,742 NTMs had missing HS codes and were thus unsuitable for an economic analysis. With our efforts, we reduced the number of NTMs with missing HS codes down to 9,198.

where D_{ijkt} is a dummy indicating that there is an NTM imposed by country *i* on imports from country *j* at time *t,* affecting product *k*. Similarly, V_{ijkt} is the corresponding trade flow.

The second data source is also one that was created at wiiw. The 'wiiw Integrated Europe Input-Output Database' comprises trade flows (gross exports and value added exports, among others) of 50 countries (all European countries except Kosovo, Belarus and Moldova plus several major non-European economies) and 32 industries[5] for the years 2005 to 2014. In Reiter and Stehrer (2018) we describe the process of creating such a database and present some results of the effects of CESEE countries' EU integration on trade flows. A summary can also be found in Reiter (2017). One of the advantages of using an input-output database is that we do not only know the gross trade flow between two countries, but also the embodied value added (called value added exports). We will use both gross total exports and value added exports in the estimations below. Now, when combining these two data sources, we can see whether we can detect an effect of imposed NTMs on trade flows.

ESTIMATION

We will use a state-of-the-art gravity model to estimate the effects of NTMs on the two types of trade flows: gross exports and value-added exports. A gravity model has several econometric and theoretical advantages which make it the most favourable model in this context – see Reiter and Stehrer (2018) for a thorough treatment of the application of a gravity model in this context.

Table 1 contains the results of a gravity estimation for the 50 countries defined above and for the time period 2005-2014, using the trade flows from the 'wiiw Integrated Europe Input-Output Database' and the trade coverage ratios calculated from the wiiw NTM Data. Besides the trade coverage ratios of various types of NTMs, we also include the import tariff rate in the regression.[6] Columns 1 and 3 report the results when using the NTM coverages as calculated above, while columns 2 and 4 contain the results when using logarithmised[7] coverages.

Table 1 / Gravity Model Estimation results

	Total exports	Total exports, log coverage	Value added exports	Value added exports, log coverage
Import tariffs	-0.0031	-0.0042	-0.0041	-0.003
ADP coverage	.0.1551	.0.1131	.0.1575	.0.210
CV coverage	-0.2263	-0.0520	-0.0565	-0.253
QR coverage	-0.0188	-0.0338	-0.0298	-0.010
SG coverage	-0.3894	-0.5342	-0.6785	-0.502
SPS coverage	-0.1614	-0.2848	-0.3977	-0.247
TBT coverage	.0.1063	.0.0939	.0.1108	.0.136

Note: * p<0.1, ** p<0.05, *** p<0.01.
Source: Data as described in the text, author's calculations.

[5] I will use, however, national aggregates here. The estimations can, without much difficulty, also be carried out at the industry level but would exceed the scope of this contribution.

[6] Also included in the regression, but not shown in Table 1, is a dummy for free trade agreements. See Reiter and Stehrer (2018) for results on how trade agreements influence trade flows.

[7] Actually, we use the transformation $y = \log(x + 1)$ since we would lose a lot of observations where the coverage is 0.

Table 1 shows that there is no substantial difference in results between the two types of trade flow, gross exports and value added exports. Furthermore, there is only little difference between the logged and un-logged NTM coverages.

We can see that import tariffs show a negative effect on gross exports as well as on value added exports. CV, QR, SG and SPS measures also have the – expected – negative, trade-deterring effect, while the effect of ADP and TBT measures is, surprisingly, positive. China is the country most affected by ADP measures: 20% of all globally applied ADPs are directed at China alone. China, with its unique position as the 'world's quasi assembly line', is a major exporter *despite* all the ADP measures that are imposed on its products, which may be one of the factors driving this counterintuitive result. Furthermore, since China became a member of the WTO in 2002, its exports to the rest of the world have soared, often prompting a reaction, such as the imposition of an ADP, in return. Thus, the causality could also run in the other direction.

In the case of TBTs, we probably see some sort of trade diversion effect: As TBTs are usually imposed unilaterally, all countries have to fulfil the requirements in a TBT to be able to export to the country in question. We have, however, only the economically most developed countries in our input-output database. Thus, the positive TBT coefficient probably reflects a trade diversion from less industrialised countries (which are not in our country sample) towards industrialised countries, whose firms are able to conform with the technical requirements that other (industrialised) countries impose.

CONCLUSION

In this contribution, we combined two wiiw databases and looked at the impact of NTMs on global trade flows. Though our results for ADPs and TBTs are surprising as they seem to be trade-enhancing, for all other types of NTMs we find the expected negative, trade-reducing effect.

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Monthly and quarterly statistics for Central, East and Southeast Europe

The monthly and quarterly statistics cover **20 countries** of the CESEE region. The graphical form of presenting statistical data is intended to facilitate the **analysis of short-term macroeconomic developments**. The set of indicators captures trends in the real and monetary sectors of the economy, in the labour market, as well as in the financial and external sectors.

Baseline data and a variety of other monthly and quarterly statistics, **country-specific** definitions of indicators and **methodological information** on particular time series are **available in the wiiw Monthly Database** under: **https://data.wiiw.ac.at/monthly-database.html**. Users regularly interested in a certain set of indicators may create a personalised query which can then be quickly downloaded for updates each month.

Conventional signs and abbreviations used

%	per cent
ER	exchange rate
GDP	Gross Domestic Product
HICP	Harmonized Index of Consumer Prices (for new EU Member States)
LFS	Labour Force Survey
NPISHs	Non-profit institutions serving households
p.a.	per annum
PPI	Producer Price Index
reg.	registered

The following national currencies are used:

ALL	Albanian lek	HUF	Hungarian forint	RSD	Serbian dinar
BAM	Bosnian convertible mark	KZT	Kazakh tenge	RUB	Russian rouble
BGN	Bulgarian lev	MKD	Macedonian denar	TRY	Turkish lira
CZK	Czech koruna	PLN	Polish zloty	UAH	Ukrainian hryvnia
HRK	Croatian kuna	RON	Romanian leu		

EUR euro – national currency for Montenegro and for the euro-area countries Estonia (from January 2011, euro-fixed before), Latvia (from January 2014, euro-fixed before), Lithuania (from January 2015, euro-fixed before), Slovakia (from January 2009, euro-fixed before) and Slovenia (from January 2007, euro-fixed before).

Sources of statistical data: Eurostat, National Statistical Offices, Central Banks and Public Employment Services; wiiw estimates.

Online database access

wiiw Annual Database

wiiw Monthly Database

wiiw FDI Database

The wiiw databases are accessible via a simple web interface, with only one password needed to access all databases (and all wiiw publications).

You may access the databases here: https://data.wiiw.ac.at.

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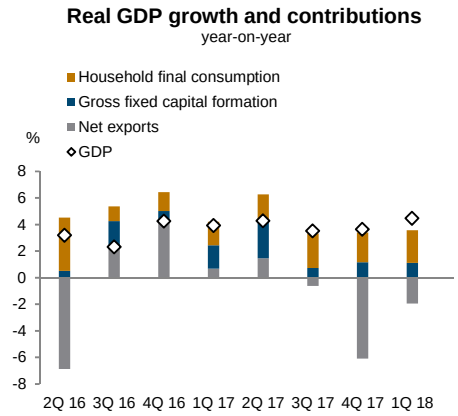
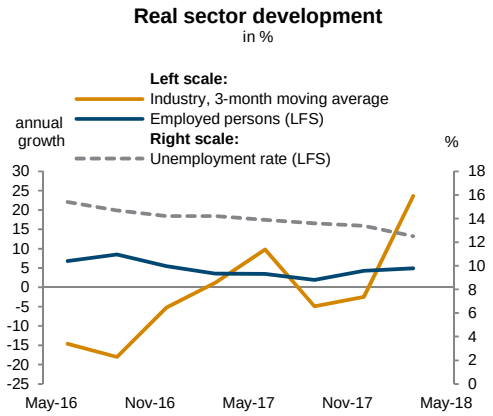
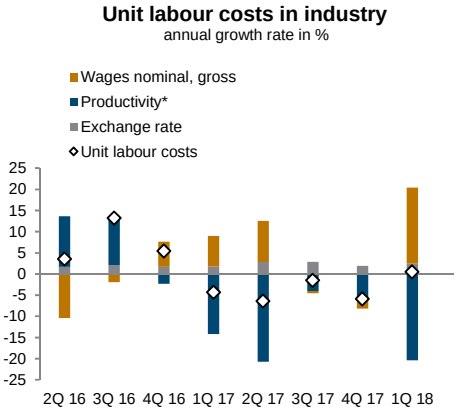
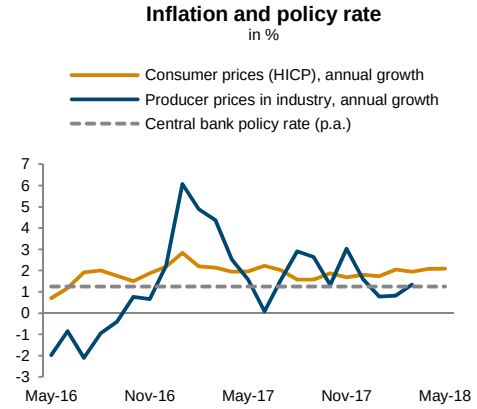
For more information on database access for Members and on Membership conditions, please contact Ms. Gabriele Stanek (stanek@wiiw.ac.at), phone: (+43-1) 533 66 10-10.

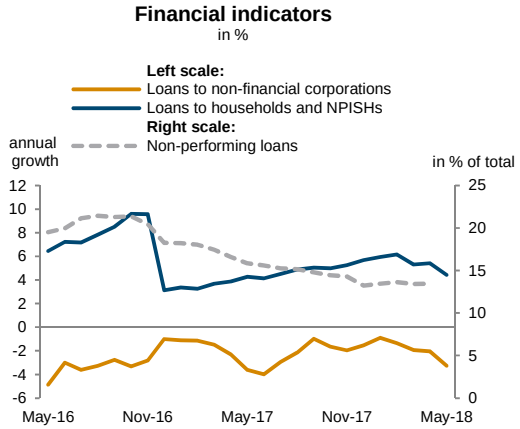
Albania

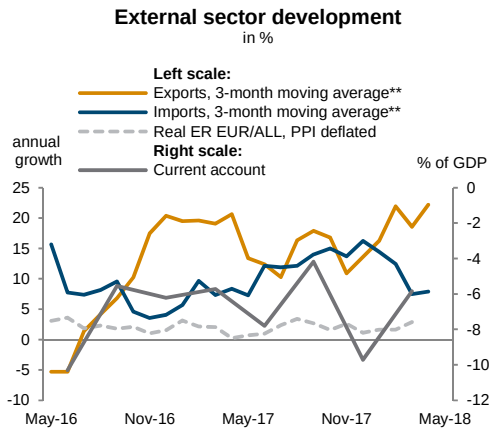












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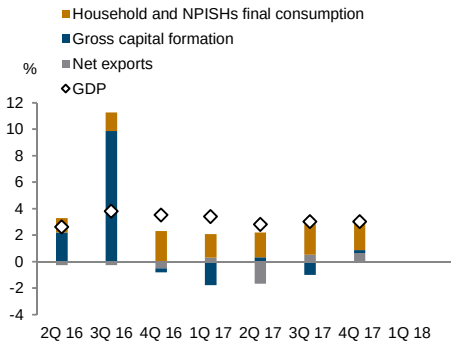
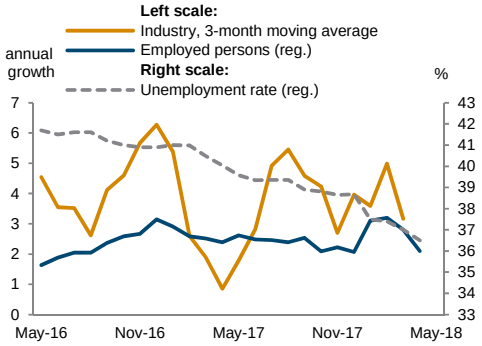
Bosnia and Herzegovina

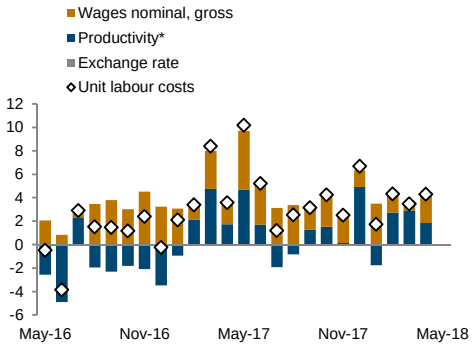
Real GDP growth and contributions
year-on-year



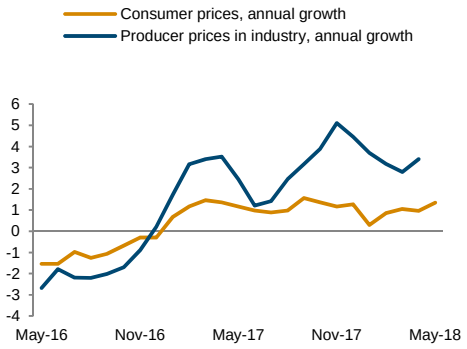
Real sector development
in %



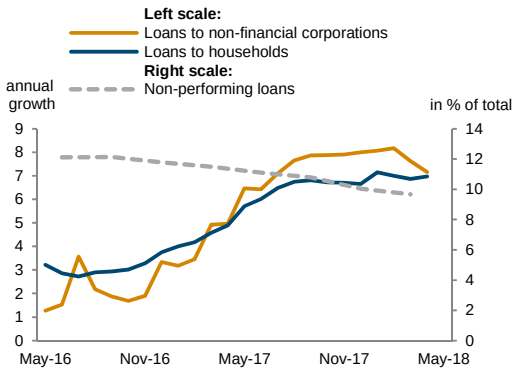
Unit labour costs in industry
annual growth rate in %



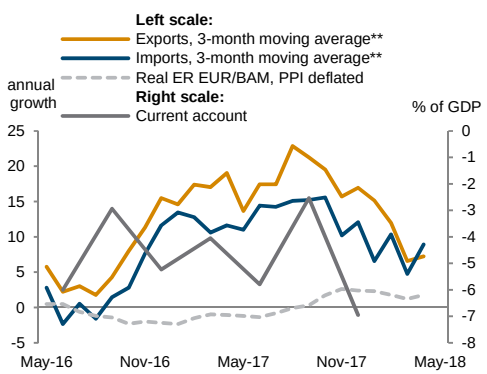
Inflation
in %



Financial indicators
in %



External sector development
in %



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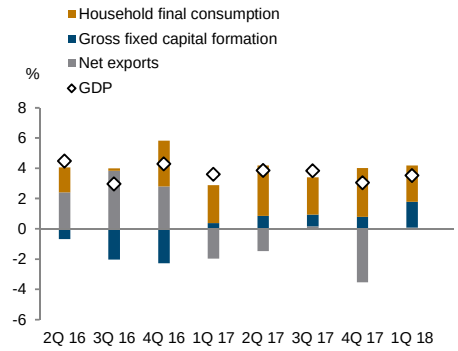
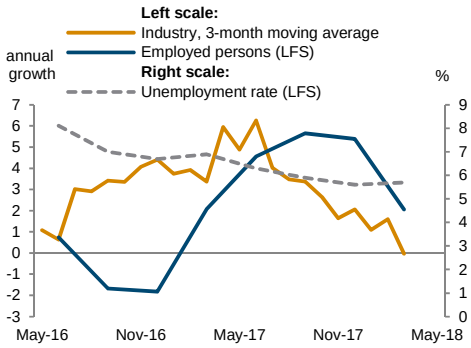
Bulgaria

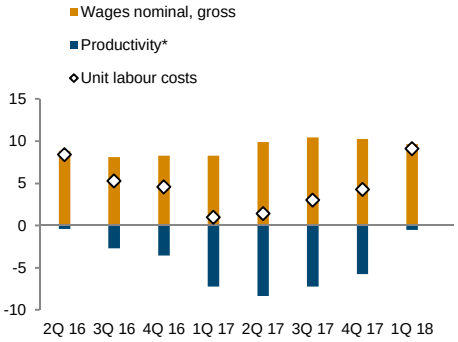
Real GDP growth and contributions
year-on-year



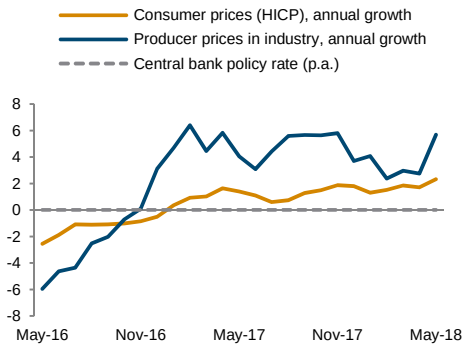
Real sector development
in %



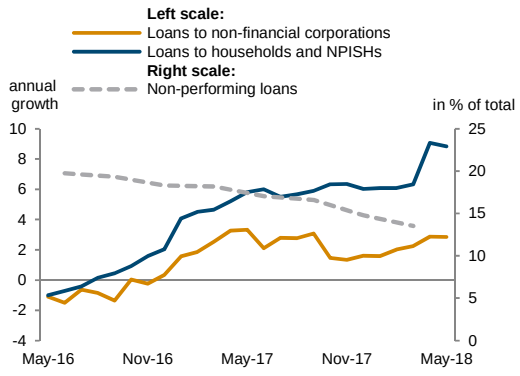
Unit labour costs in industry
annual growth rate in %



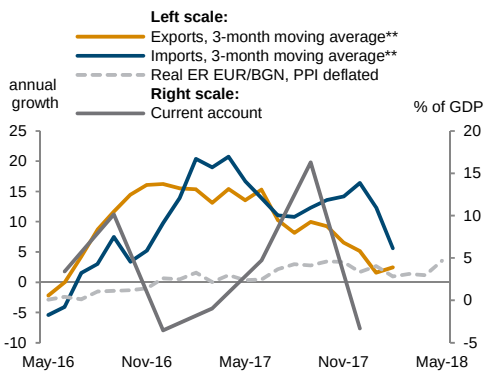
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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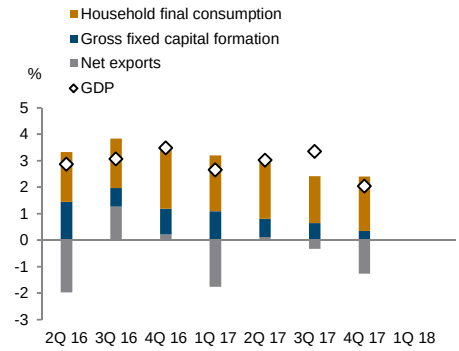
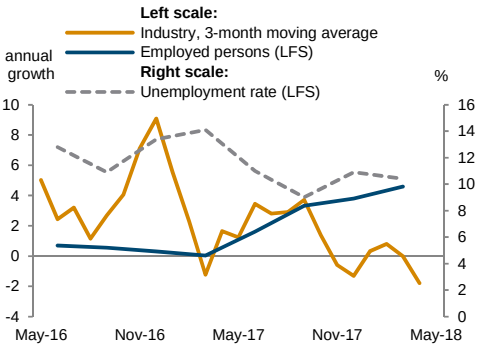
Croatia

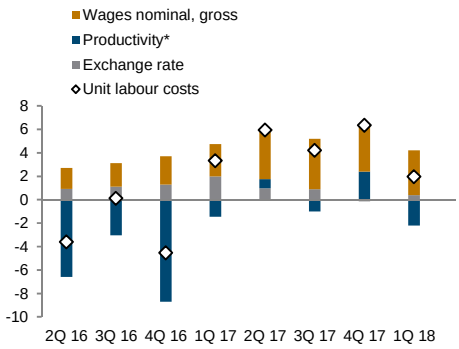
Real GDP growth and contributions
year-on-year



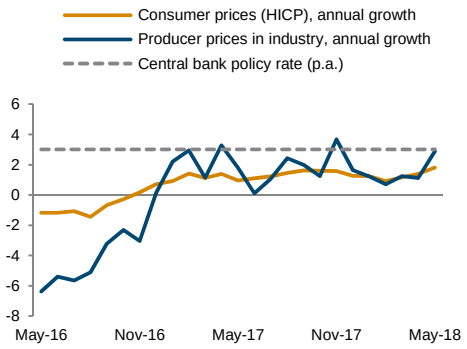
Real sector development
in %



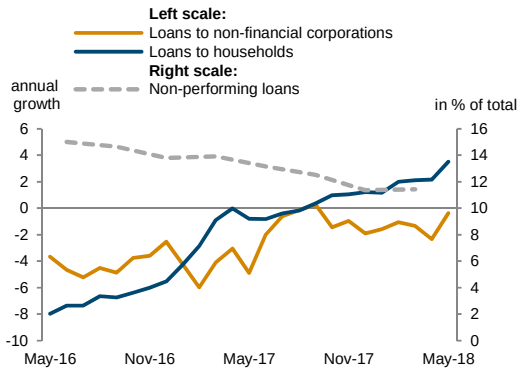
Unit labour costs in industry
annual growth rate in %



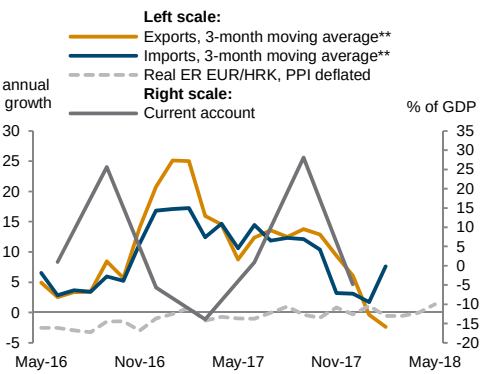
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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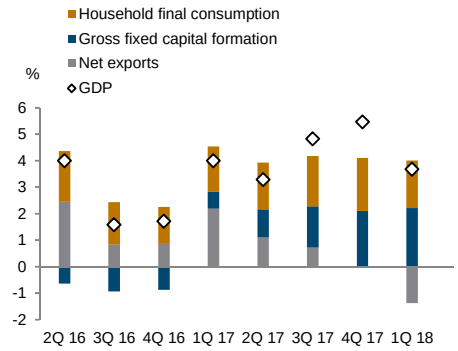
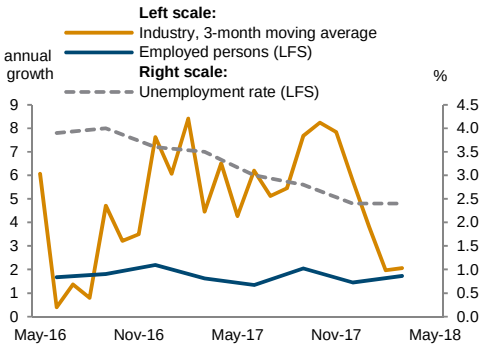
Czech Republic

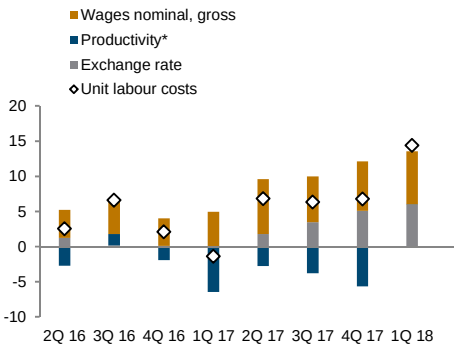
Real GDP growth and contributions
year-on-year



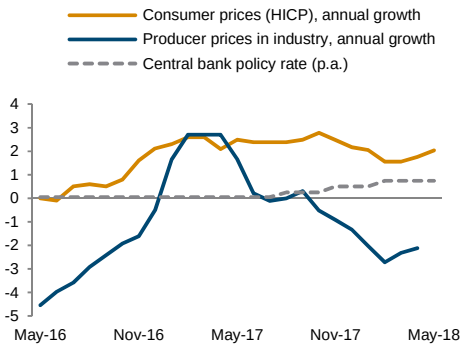
Real sector development
in %



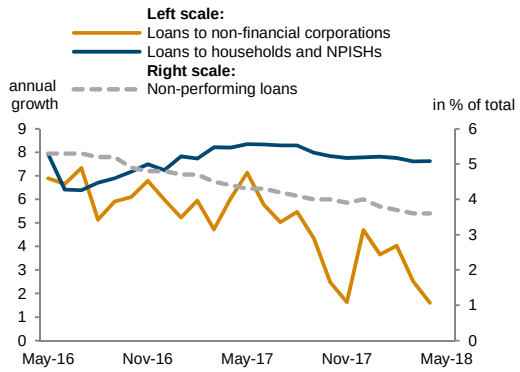
Unit labour costs in industry
annual growth rate in %



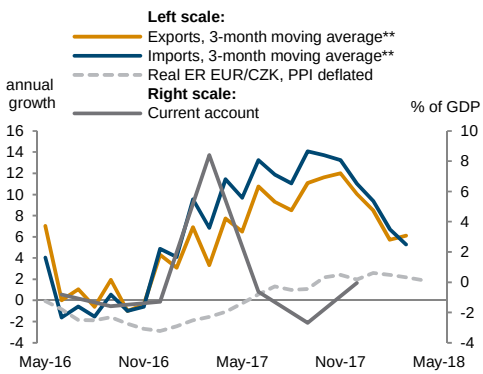
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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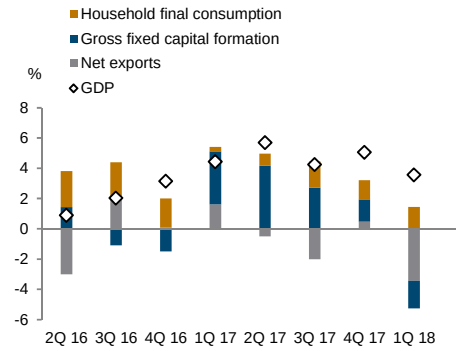
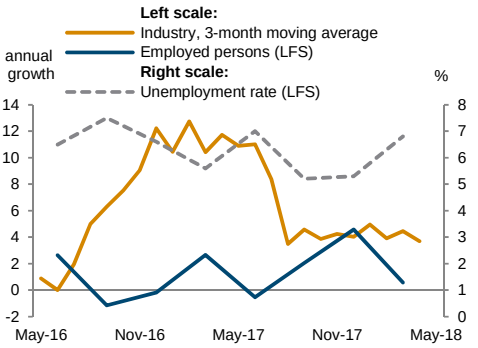
Estonia

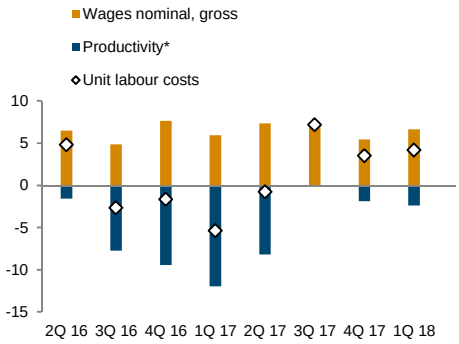
Real GDP growth and contributions
year-on-year



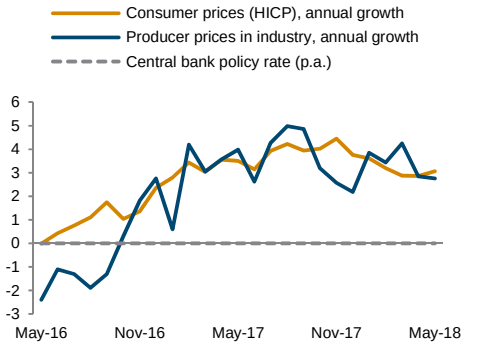
Real sector development
in %



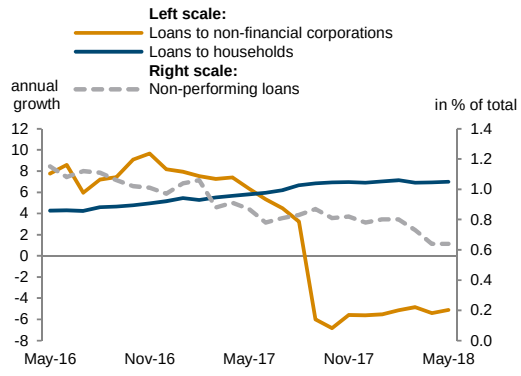
Unit labour costs in industry
annual growth rate in %



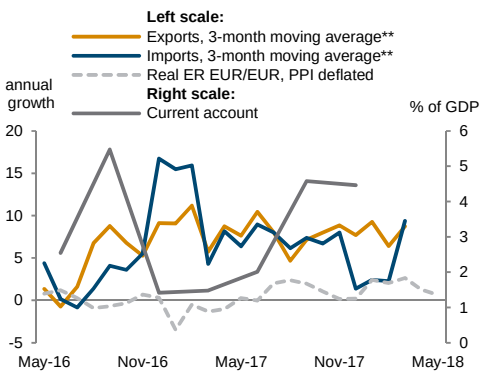
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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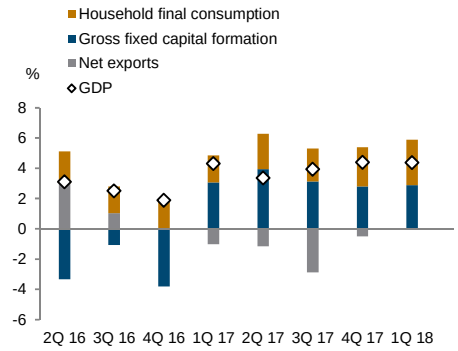
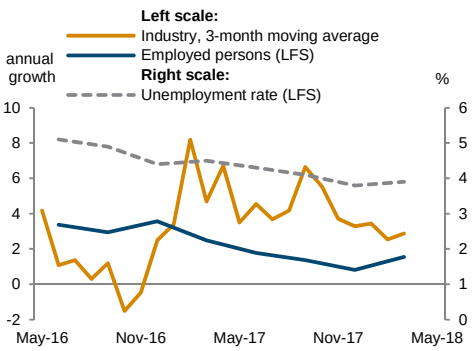
Hungary

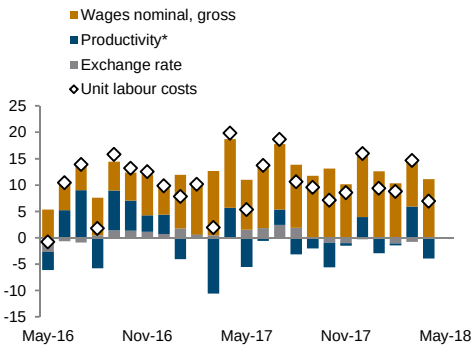
Real GDP growth and contributions
year-on-year



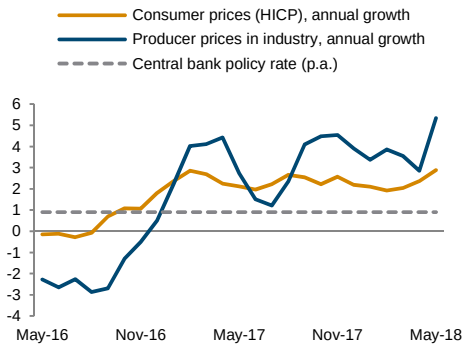
Real sector development
in %



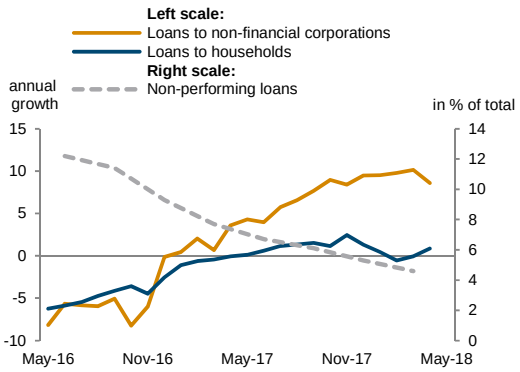
Unit labour costs in industry
annual growth rate in %



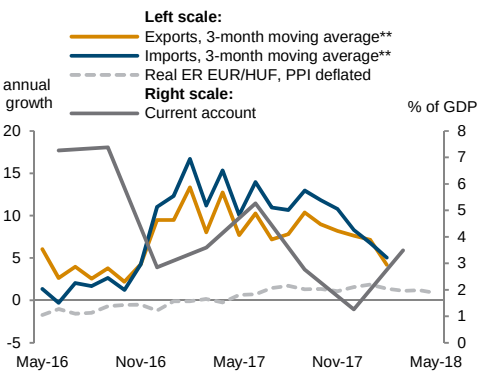
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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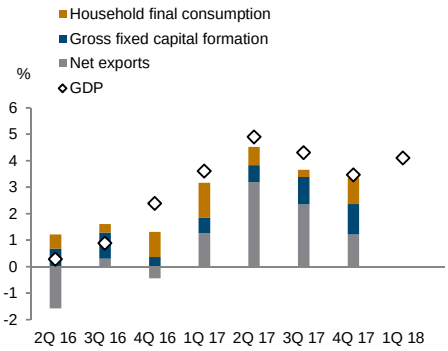
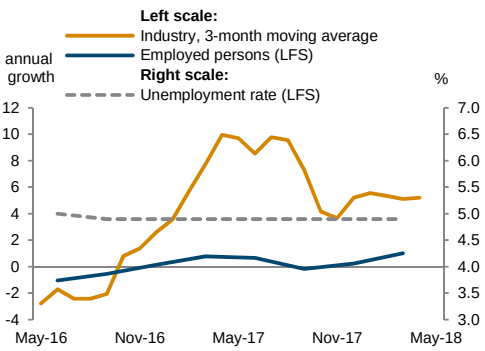
Kazakhstan

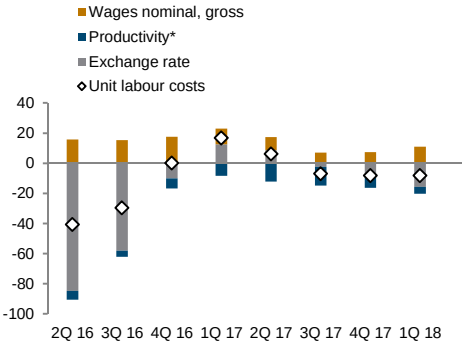
Real GDP growth and contributions
year-on-year



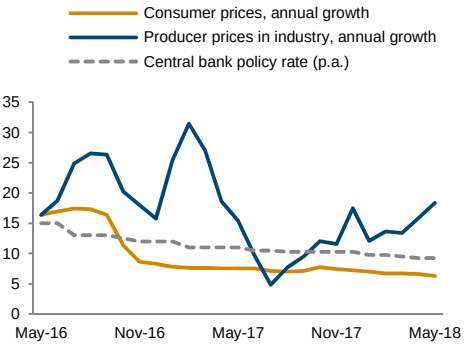
Real sector development
in %



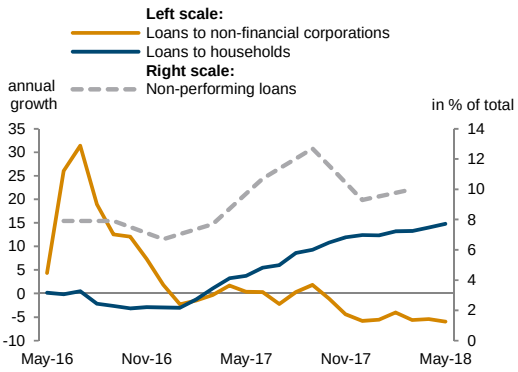
Unit labour costs in industry
annual growth rate in %



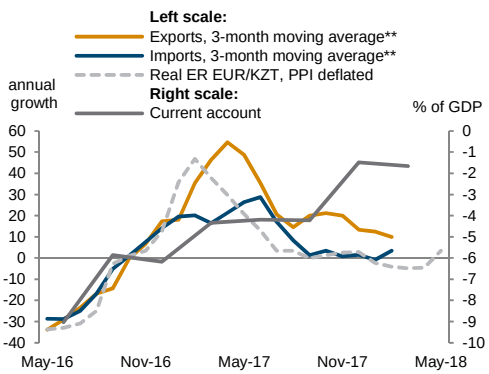
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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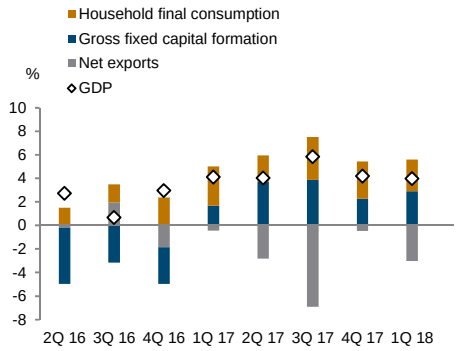
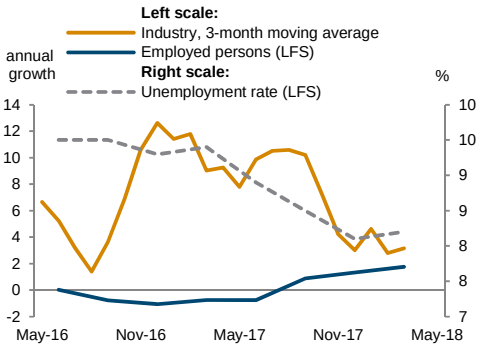
Latvia

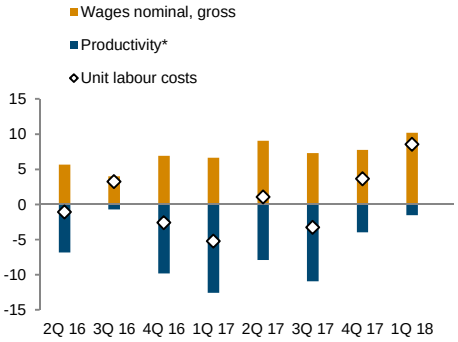
Real GDP growth and contributions
year-on-year



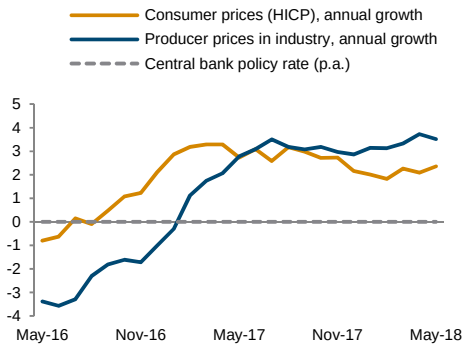
Real sector development
in %



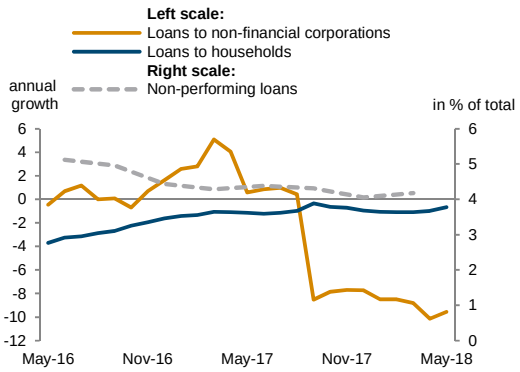
Unit labour costs in industry
annual growth rate in %



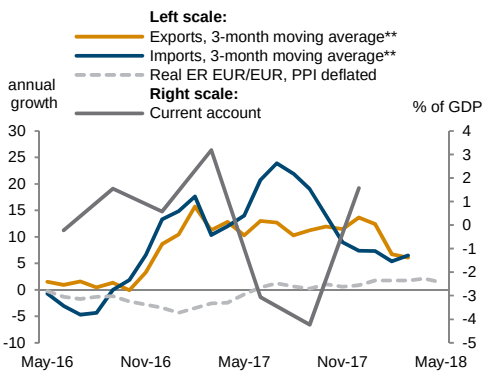
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.
**EUR based.

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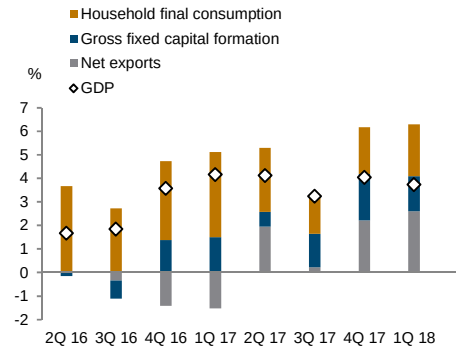
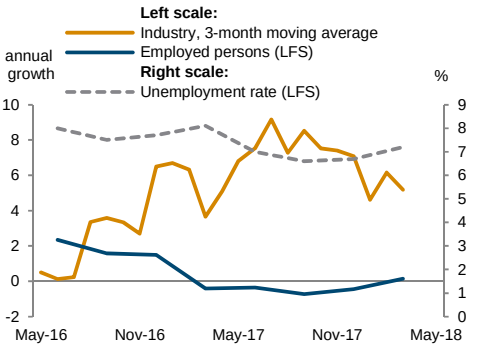
Lithuania

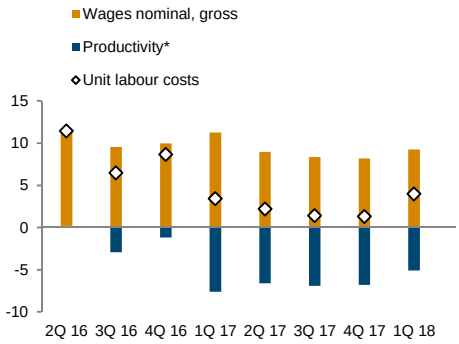
Real GDP growth and contributions
year-on-year



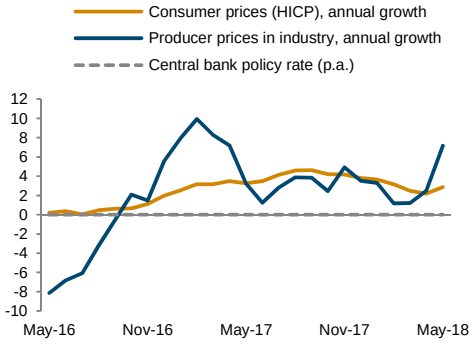
Real sector development
in %



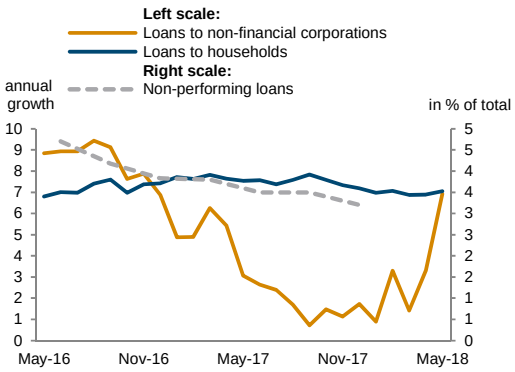
Unit labour costs in industry
annual growth rate in %



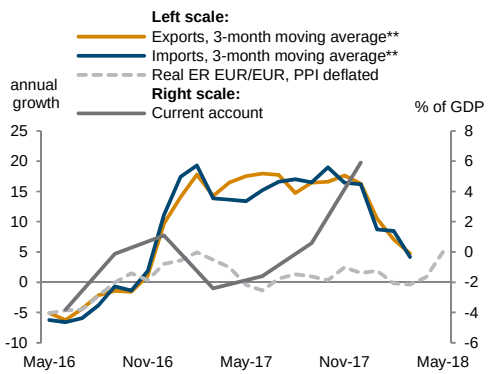
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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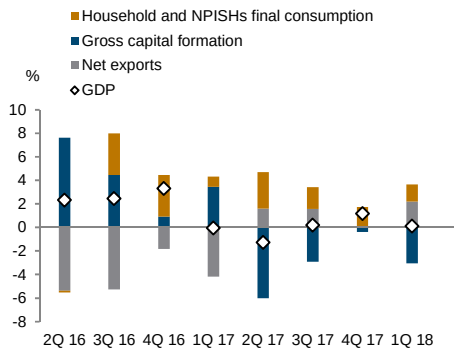
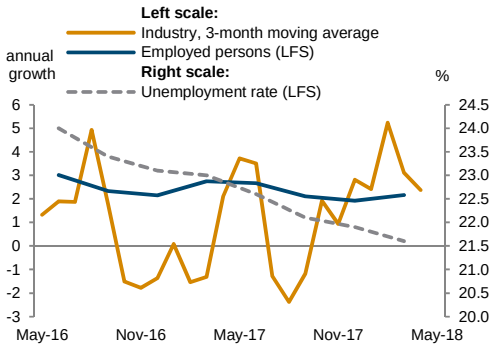
Macedonia

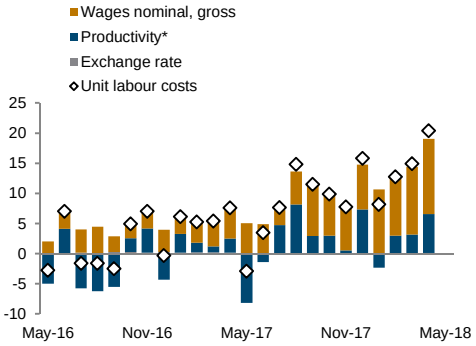
Real GDP growth and contributions
year-on-year



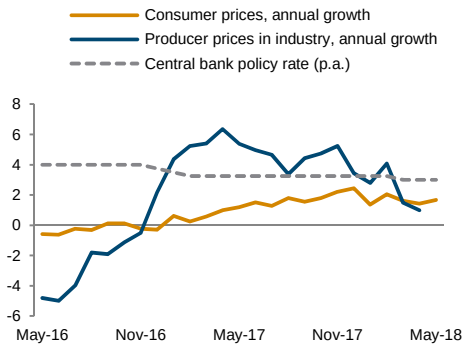
Real sector development
in %



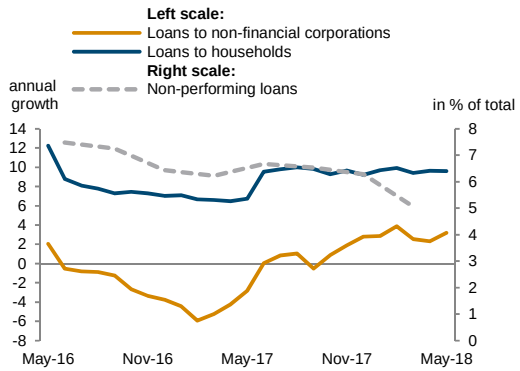
Unit labour costs in industry
annual growth rate in %



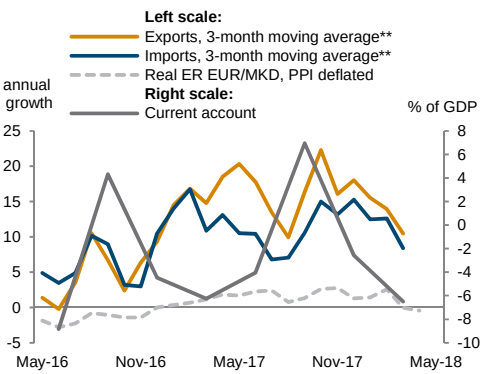
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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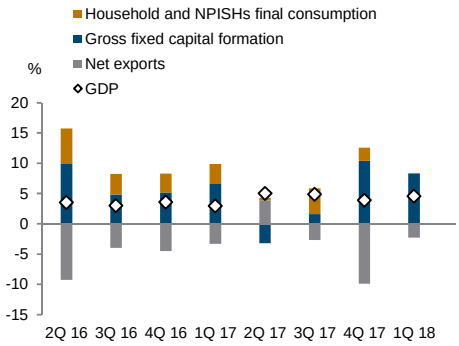
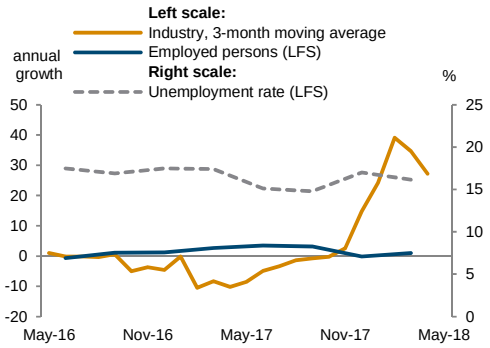
Montenegro

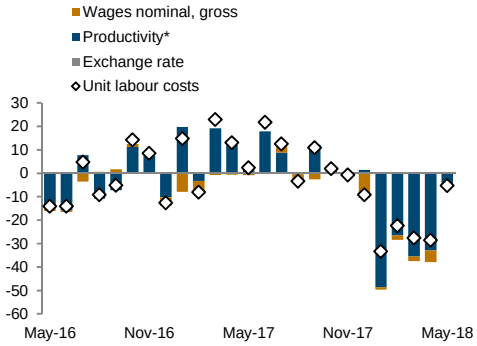
Real GDP growth and contributions
year-on-year



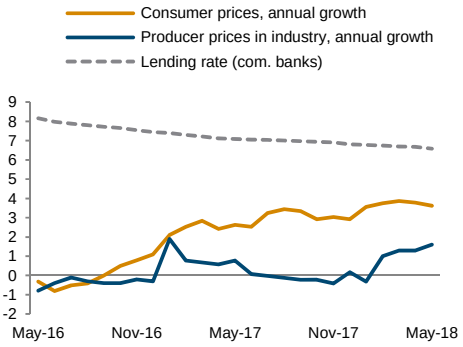
Real sector development
in %



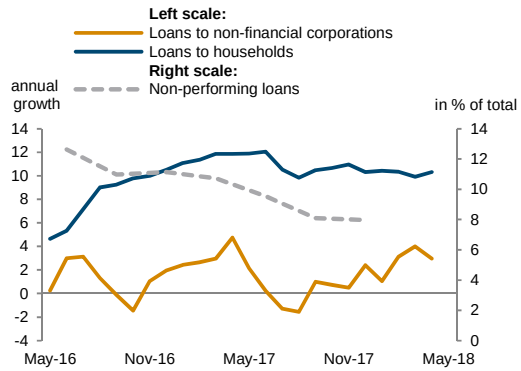
Unit labour costs in industry
annual growth rate in %



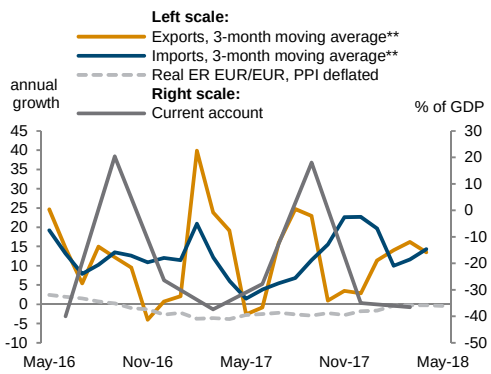
Inflation and lending rate
in %



Financial indicators
in %



External sector development
in %



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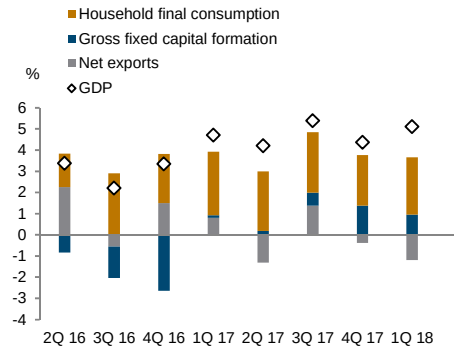
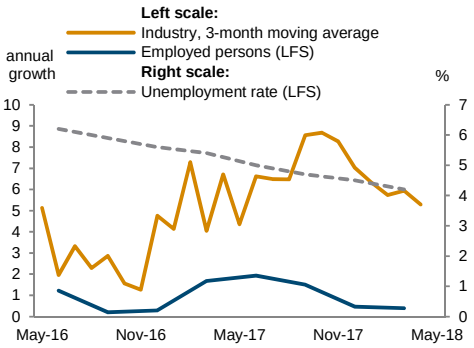
Poland

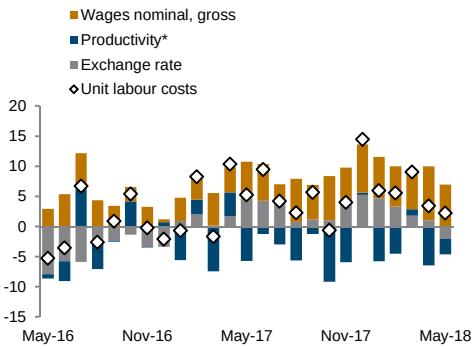
Real GDP growth and contributions
year-on-year



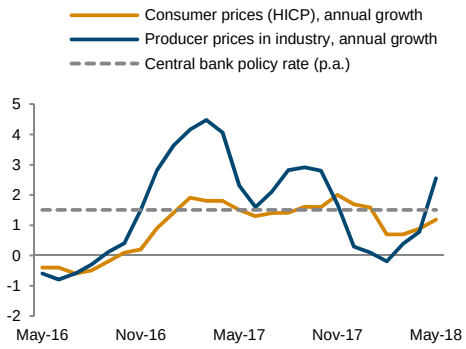
Real sector development
in %



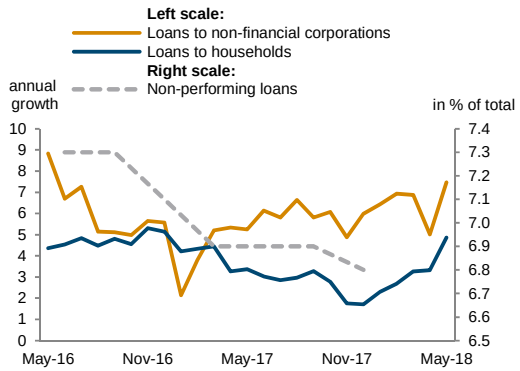
Unit labour costs in industry
annual growth rate in %



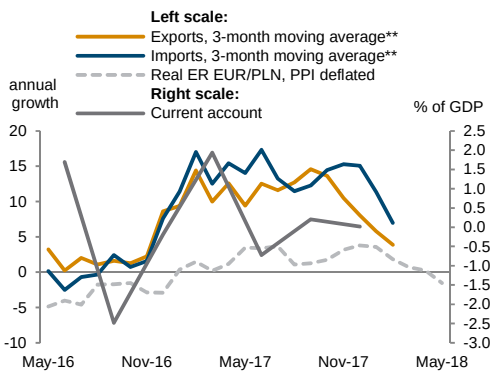
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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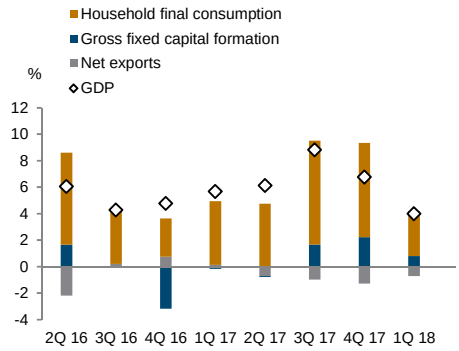
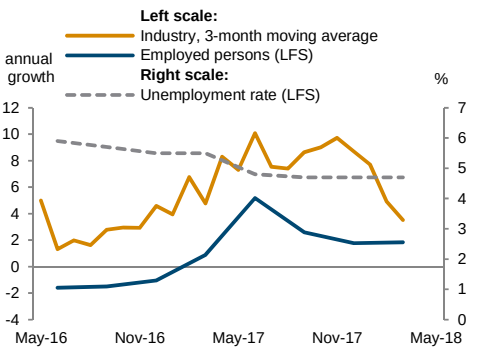
Romania

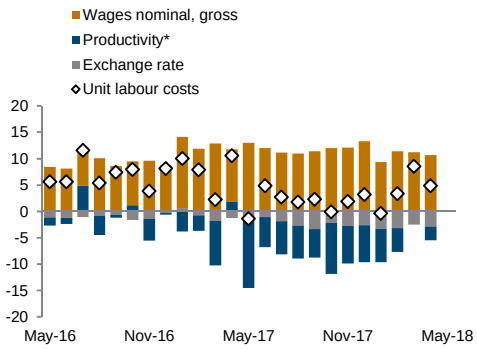
Real GDP growth and contributions
year-on-year



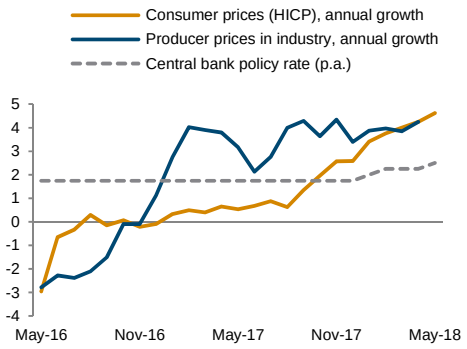
Real sector development
in %



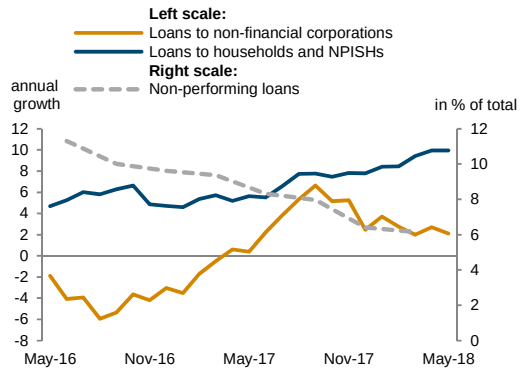
Unit labour costs in industry
annual growth rate in %



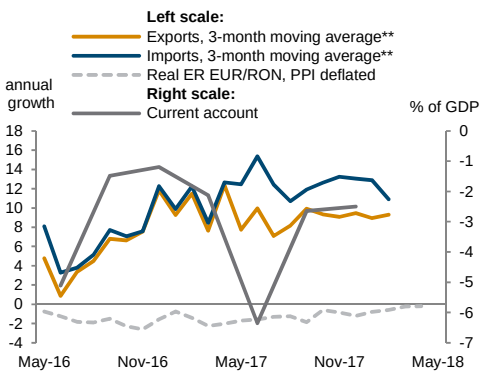
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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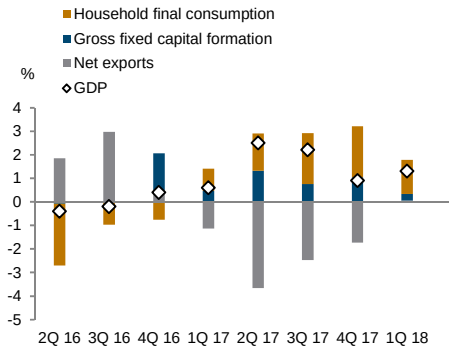
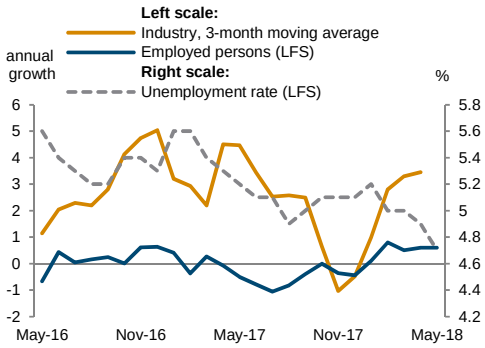
Russia

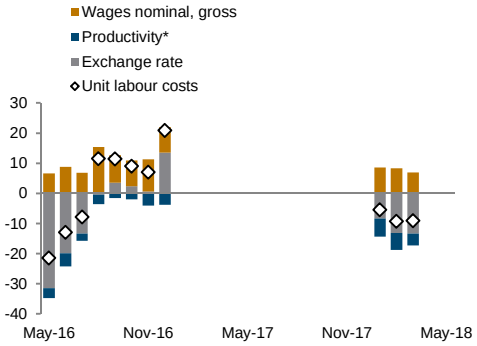
Real GDP growth and contributions
year-on-year



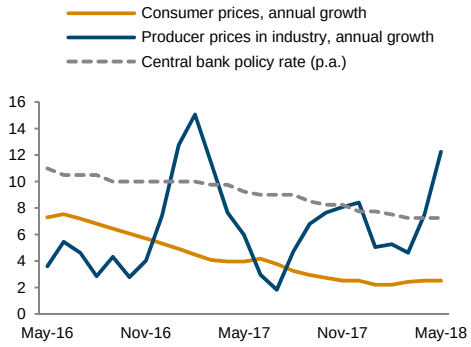
Real sector development
in %



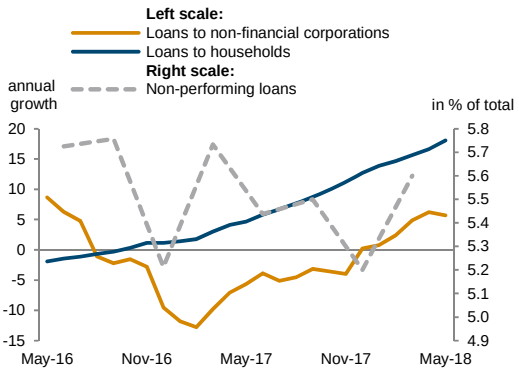
Unit labour costs in industry
annual growth rate in %



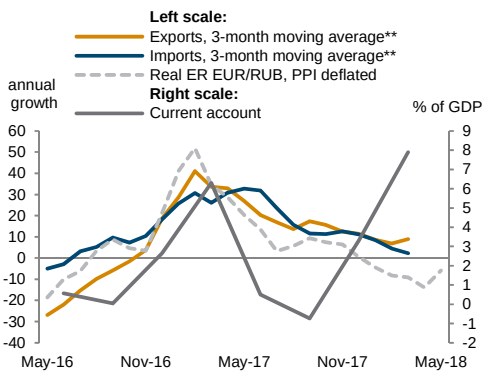
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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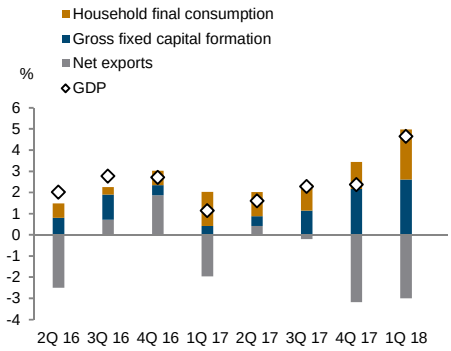
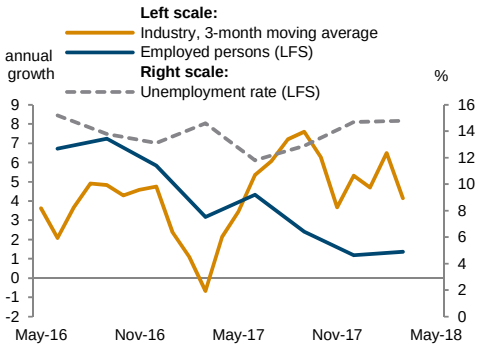
Serbia

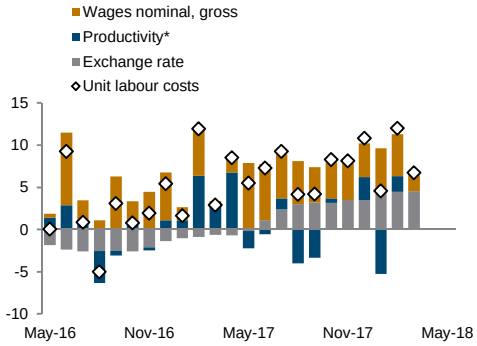
Real GDP growth and contributions
year-on-year



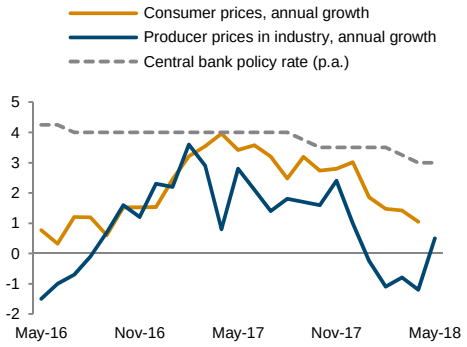
Real sector development
in %



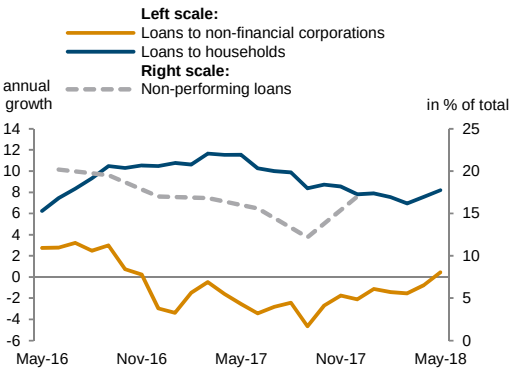
Unit labour costs in industry
annual growth rate in %



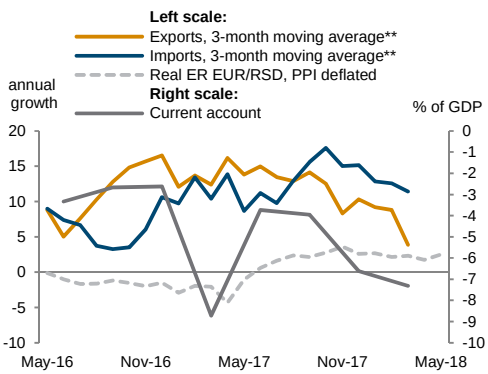
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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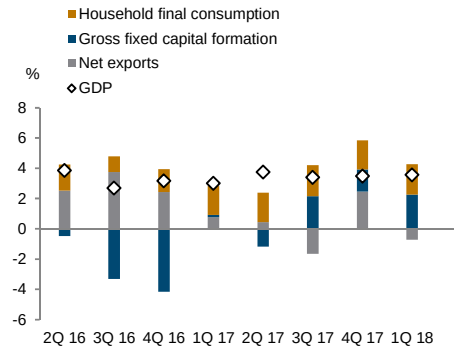
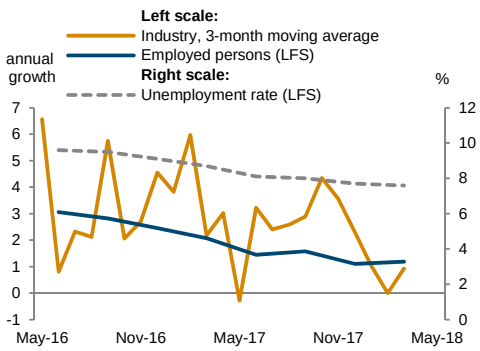
Slovakia

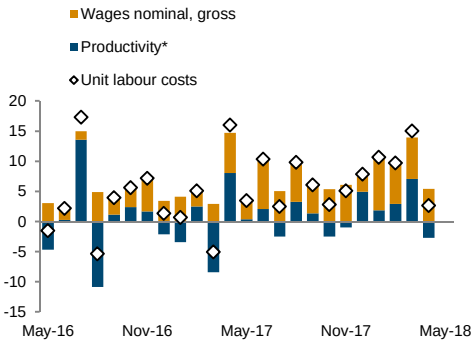
Real GDP growth and contributions
year-on-year



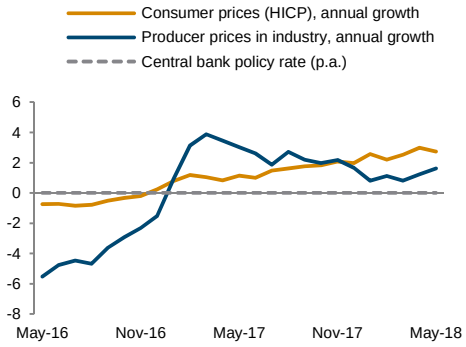
Real sector development
in %



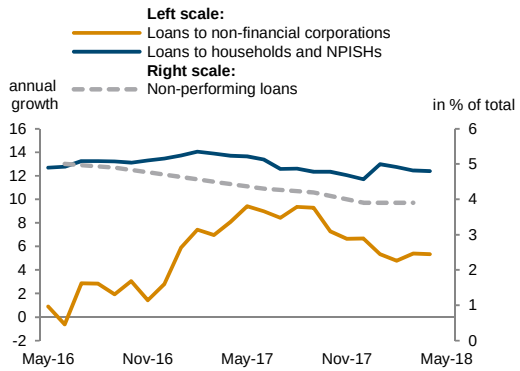
Unit labour costs in industry
annual growth rate in %



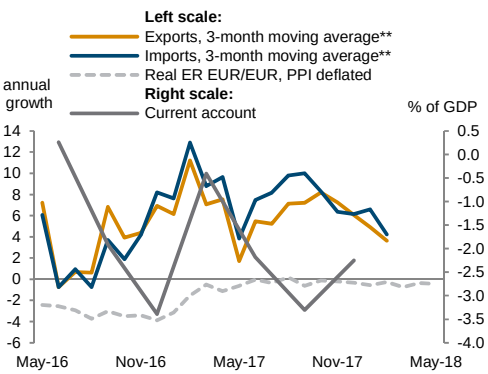
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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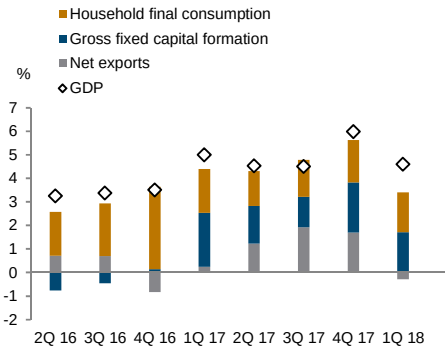
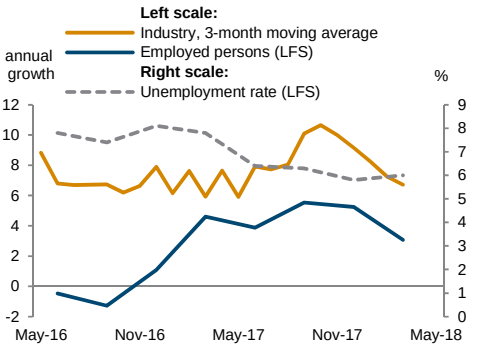
Slovenia

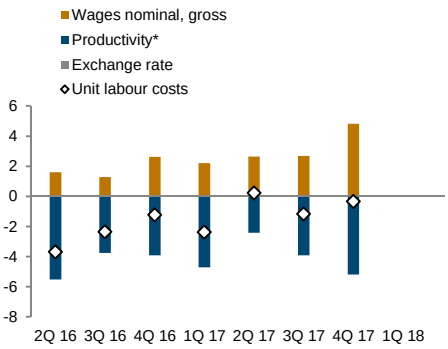
Real GDP growth and contributions
year-on-year



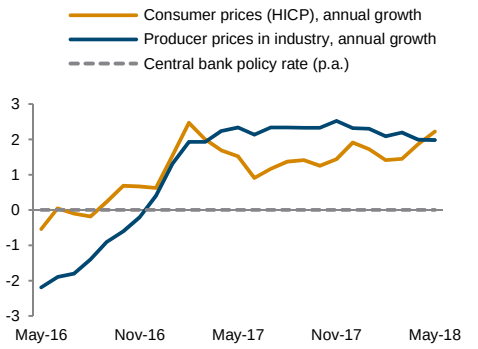
Real sector development
in %



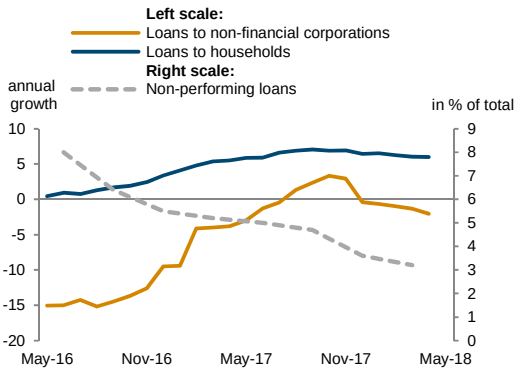
Unit labour costs in industry
annual growth rate in %



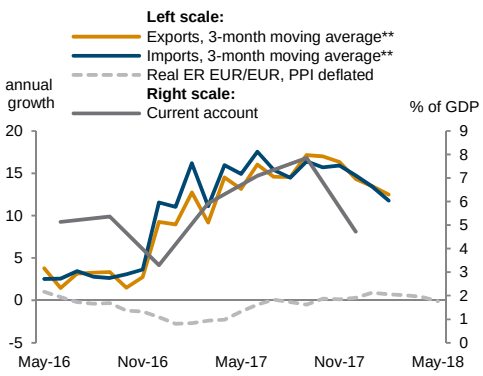
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



*Positive values of the productivity component on the graph reflect decline in productivity and vice versa.
**EUR based.

Source: wiiw Monthly Database incorporating Eurostat and national statistics.
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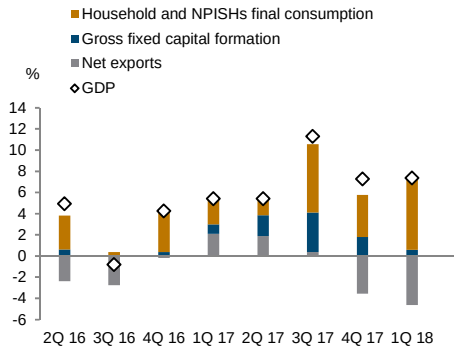
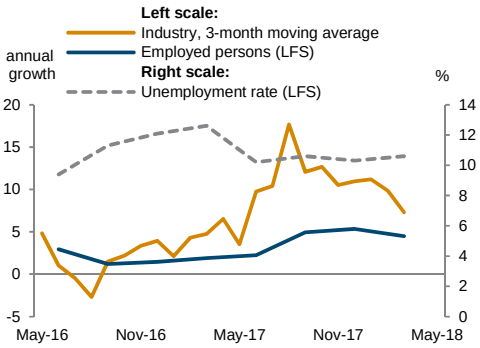
Turkey

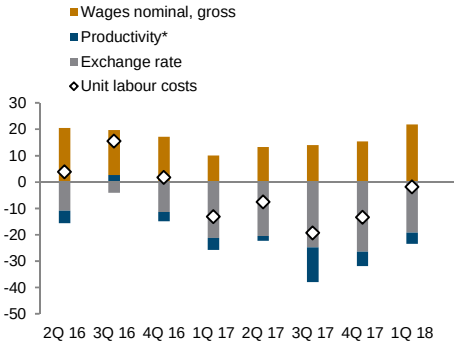
Real GDP growth and contributions
year-on-year



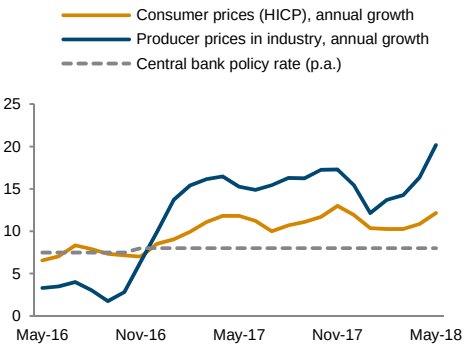
Real sector development
in %



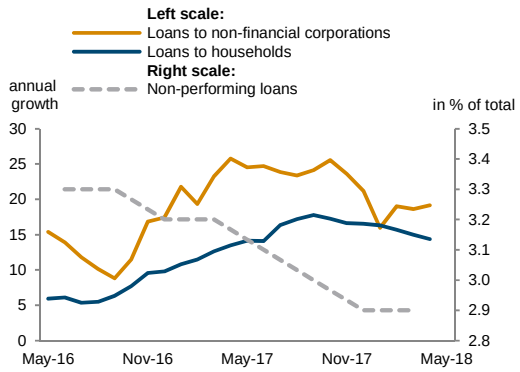
Unit labour costs in industry
annual growth rate in %



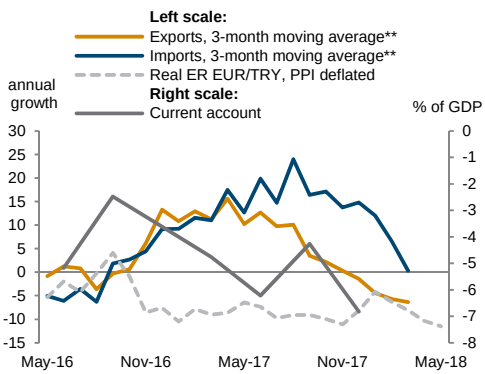
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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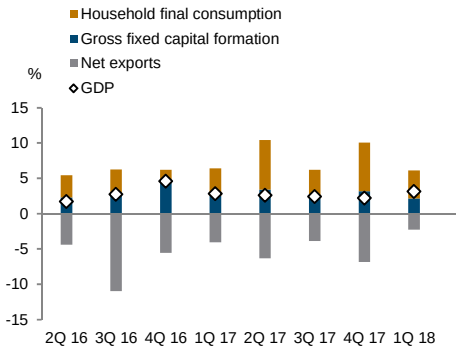
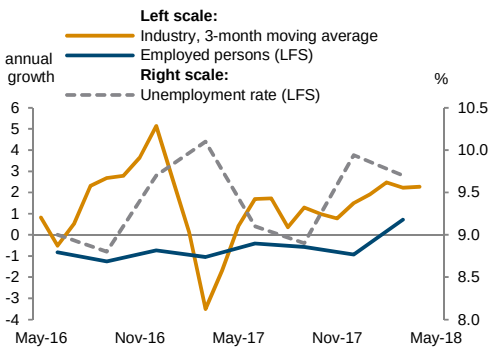
Ukraine

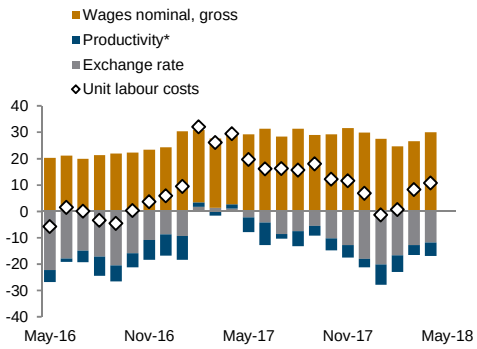
Real GDP growth and contributions
year-on-year



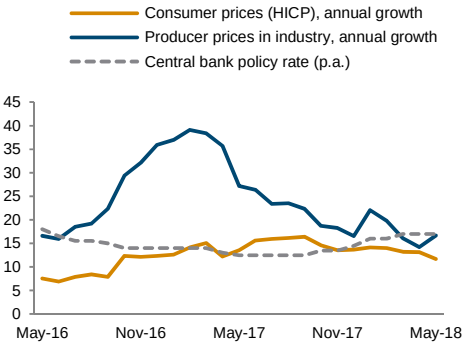
Real sector development
in %



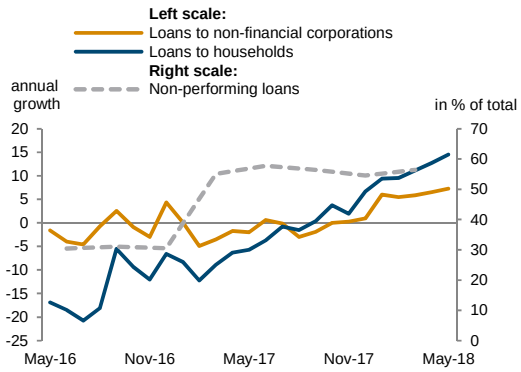
Unit labour costs in industry
annual growth rate in %



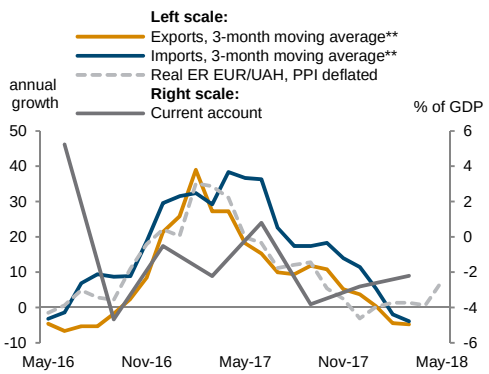
Inflation and policy rate
in %



Financial indicators
in %



External sector development
in %



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multi-country articles and statistical overviews

Economics editors: Vasily Astrov, Sándor Richter

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