

Außenwirtschafts-Curriculum – Webinar B4 (2022)

19/5/2022

Aktuelle Entwicklungen im Europäischen Integrationsprozess

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Inhalte:

- Geschichte des europäischen Integrationsprozesses
- EU in der globalen politischen Landschaft und der Weltwirtschaft: Globalisierung vs. Regionalisierung; Einbindung in Wertschöpfungsketten; Position im internationalen Wettbewerb; Entwicklung der Arbeitsmärkte
- EU in der Covid-19-Krise
 - Reaktionen der EU auf die Krise
 - Reaktionen der Mitgliedstaaten auf die Krise
 - Lehren aus der Krise
- Herausforderungen durch China
 - Offene Strategische Autonomie
 - FDI-Screening-VO
- Zukunft der EU
 - EU-Handels- und Binnenmarktpolitik in der Zeit nach COVID-19
 - Bedeutung der EU als Global Player, künftiges Verhältnis der EU zu China und den USA
 - Integration vs. Desintegration in der EU: Brexit; aktueller Stand im Erweiterungsprozess

In welcher Phase befindet sich der europäische Integrationsprozess?

- **EU post-Brexit**
- **EU nach/noch in der Coronakrise**
- **EU in sich veränderndem geo-politischen Umfeld**
- **EU, EU-Beitrittskandidaten und EU Nachbarschaft im Kontext der russischen Ukraine Invasion**

In welcher Phase befindet sich der europäische Integrationsprozess?

- **EU/GB post-Brexit:**

- Spannungen nach Austritt: Nord-Irland Protokoll

- Ökonomische Auswirkungen:

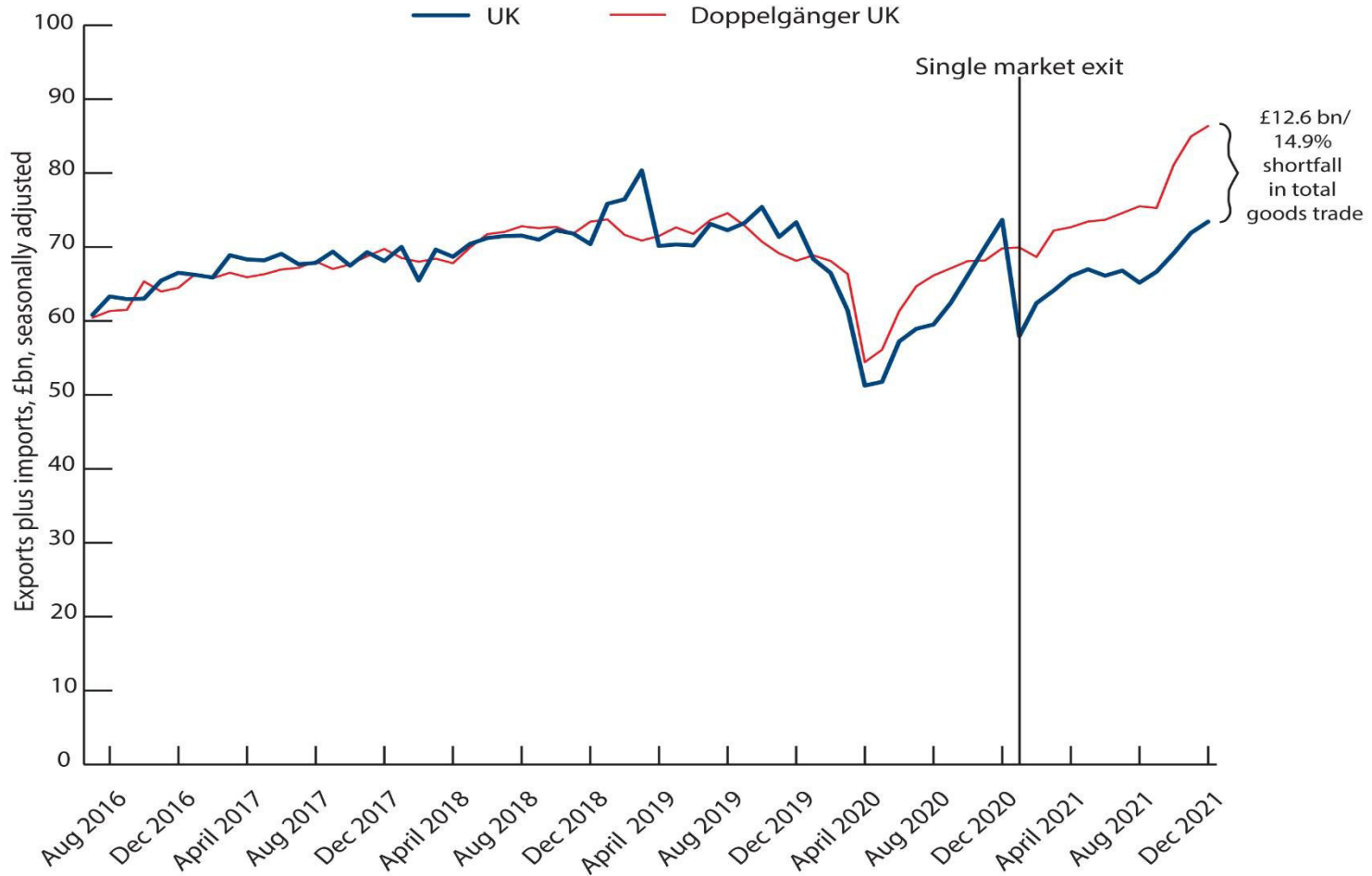
- o Starker Fall des GB-EU Handels etwa minus 16%/8% (GB goods exports/imports); ; Effekte auf Produktionsketten; Transportengpässe

- o Studien zu BNP Effekt von Brexit (mit synthetischer Vergleichsgruppe); sektorale Effekte (Industrie; Dienstleistungen); regionale Effekte – „levelling up??“

- o Starke Veränderung von Nettomigrationsströmen: EU vs. Nicht EU-Migrant:innen; Arbeitsmarkteffekte

Siehe Webseiten von: UK in a Changing Europe: <https://ukandeu.ac.uk/research-papers/>; and CER (Centre for European Reform; www.cer.eu)

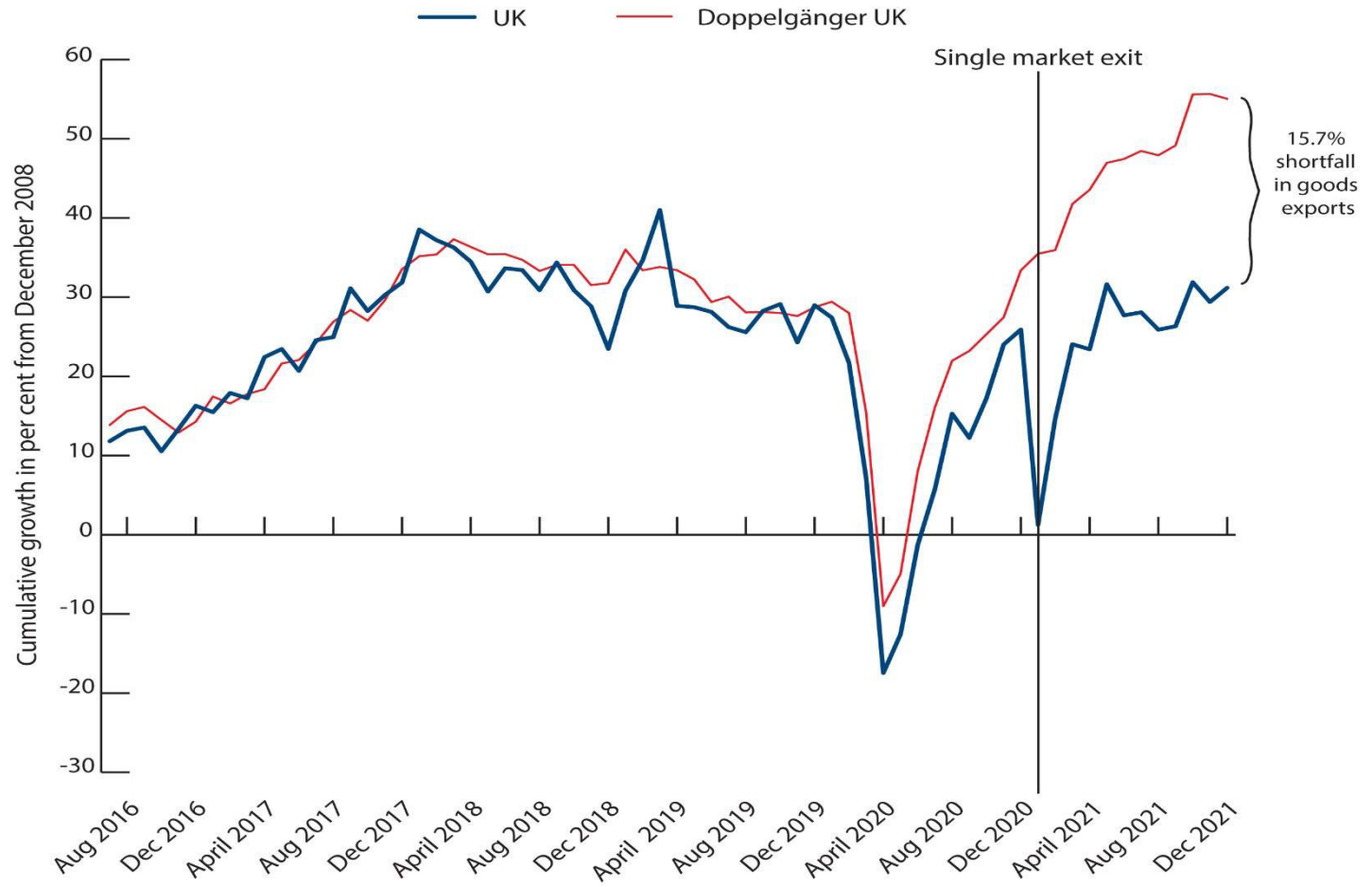
Chart 1: The cost of Brexit, December 2021



Source: CER analysis of OECD, UK Office of National Statistics data.

Note: The countries included in the doppelgänger are the United States (23 per cent), Germany (11 per cent), Canada (10 per cent), New Zealand (8 per cent), Australia, Greece, Iceland (all 6 per cent) and Luxembourg and Norway (4 per cent each). The remaining countries made up less than 1 per cent of the doppelgänger.

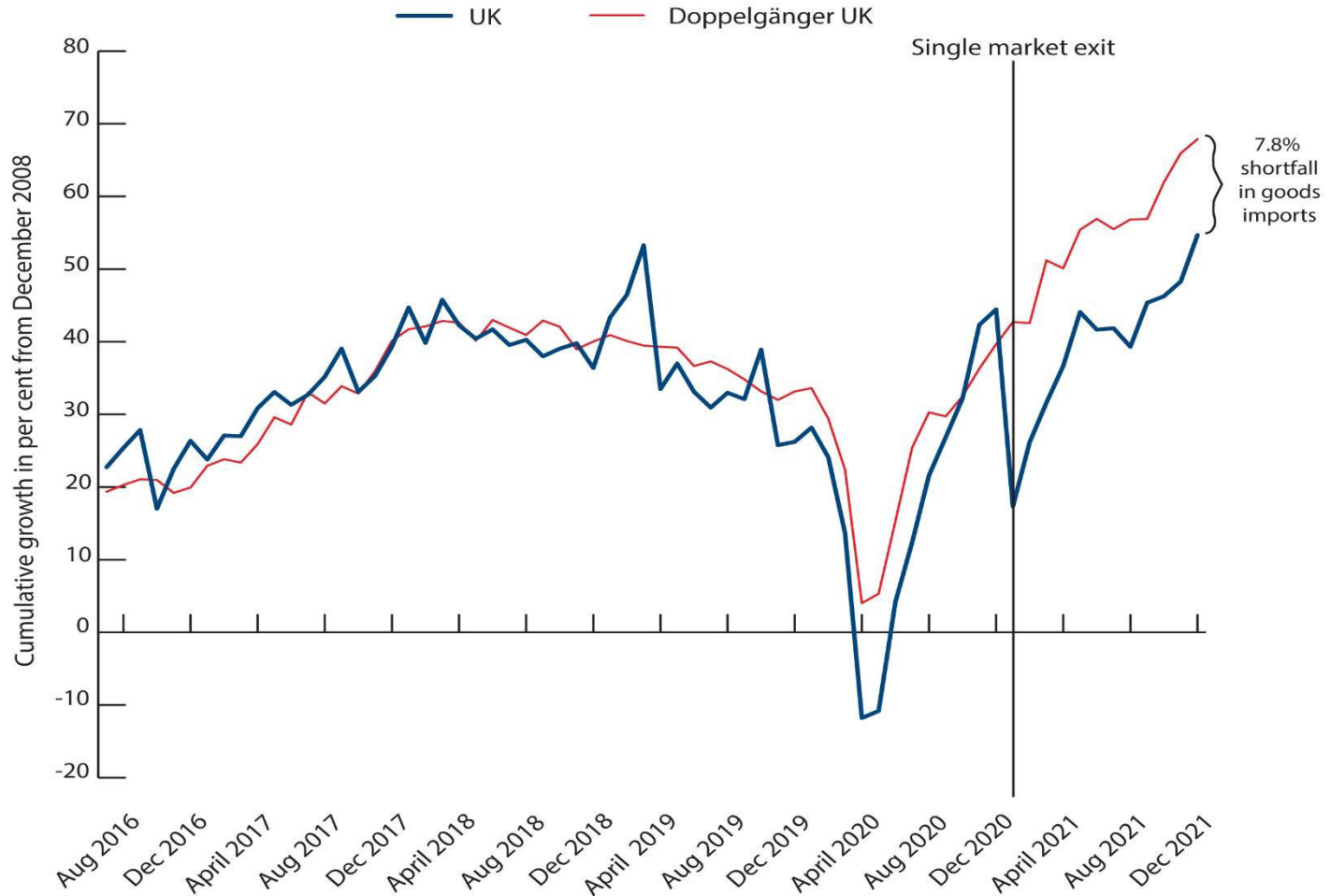
Chart 3: The impact of single market exit on UK goods exports



Source: CER analysis of OECD, UK Office of National Statistics data.

Note: The countries included in the exports doppelgänger are the United States (19 per cent), Germany (18 per cent), Luxembourg (11 per cent), Sweden (7 per cent), New Zealand, Greece and Japan (6 per cent). The remaining countries made up less than 5 per cent of the doppelgänger.

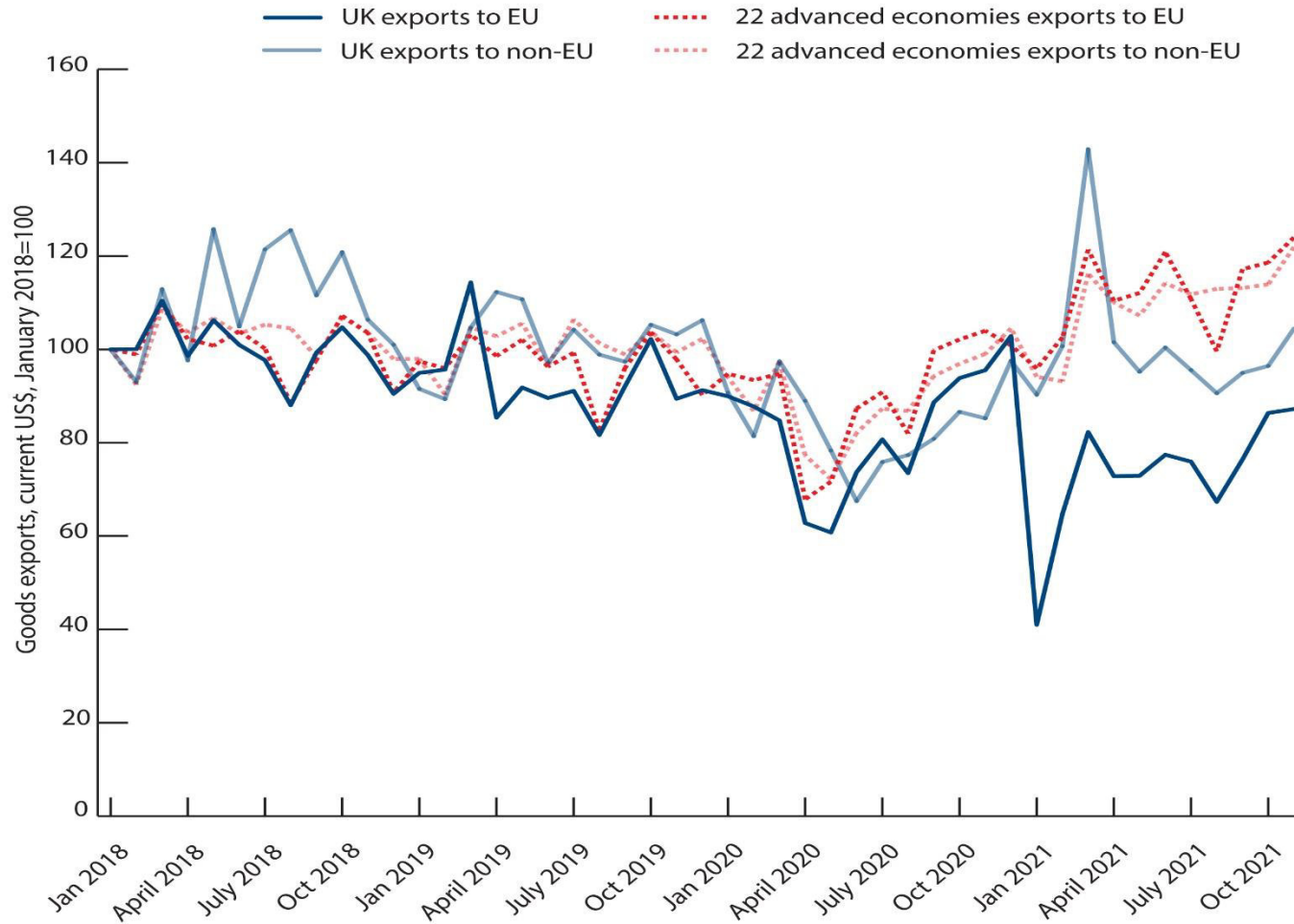
Chart 5: The impact of single market exit on UK goods imports



Source: CER analysis of OECD, UK Office of National Statistics data.

Note: The countries included in the imports doppelgänger are the United States (31 per cent), Canada (13 per cent), Belgium (7 per cent), Germany, Luxembourg and Iceland (6 per cent each), and Greece and Australia (5 per cent each). The remaining countries made up less than 5 per cent of the doppelgänger.

Chart 4: Goods exports from the UK and 22 advanced economies to the EU and the rest of the world



Source: IMF Direction of Trade Statistics.

In welcher Phase befindet sich der europäische Integrationsprozess?

- **EU nach/noch in der Coronakrise:**

- Hat zu europäischer Integration beigetragen: RRF (Resilience and Recovery Fund – fast Verdoppelung der EU Mittel); Verschuldung auf EU Ebene; eventuell Erhöhung von ‚own resources‘; temporäre Ausschaltung von Fiskalregeln; stark akkomodierende Geldpolitik der EZB
- Koordinierung im Bereich Impfstrategie; längerfristige Stärkung der Koordinierung von Beschaffung und Produktion von Gütern im Gesundheitsbereich und in Pandemiebekämpfung

Längerfristige Effekte:

- Ausrichtung auf ‚open strategic autonomy‘: betrifft spezifische Bereiche
- Lieferkettenausfälle; ‚near shoring‘
- Sprung in öffentlicher Verschuldung; Verengung des ‚fiskalischen Spielraums‘
- Sektorale and organisatorische Beschäftigungseffekte (siehe: <https://wiiw.ac.at/the-covid-crisis-occupational-impacts-in-eu-economies-and-policy-suggestions-p-5988.html>)

In welcher Phase befindet sich der europäische Integrationsprozess?

- **EU in sich veränderndem geo-politischen Umfeld:**
 - Handelspolitische Spannungen unter Trump (USA-China; USA-EU)
 - Langfristige geo-politische Rivalität USA-China; EU bezieht auch kritischere Position zu China (Technologietransfer; FDI Screening)
 - EU-China Rivalität in EU Nachbarschaft (Westbalkan); aber auch Potential zu komplementären Investitionen (Infrastrukturausbau, Energie – ‚green energy‘)
 - EU-Russland: separate Folien
 - EU-Afrika; EU-Naher Osten: limitierte Politikorientierung der EU (Fokus auf Immigrationsabwehr zu eng; weiterreichende wirtschaftliche und entwicklungspolitische Initiativen notwendig)

Siehe: <https://wiiw.ac.at/china-in-europe-fdi-trends-and-policy-responses-in-the-17-1-region-and-austria-p-6123.html>; <https://wiiw.ac.at/future-migration-flows-to-the-eu-adapting-policy-to-the-new-reality-in-a-managed-and-sustainable-way-p-5808.html>

In welcher Phase befindet sich der europäische Integrationsprozess?

- **Szenarien der europäischen Integration in Folge der russischen Ukraine Invasion:**
 - Neuerliche Zäsur in Europas Nachkriegsgeschichte („post-post-Cold-War“)
Auswirkungen:
 - Neuausrichtung europäischer Energiepolitik (mittelfristig: schnellerer Umstieg auf erneuerbare Energie plus Energieeinsparung; aber auch Nuklearenergie; kurzfristig: Abhängigkeit von teureren Quellen: LNG, etc.)
 - Stärkung der europäischen Sicherheitspolitik; aber auch Abhängigkeit von NATO; Verlust der ‚peace dividend‘
 - Überdenken des Engagements zu EU-Erweiterung (West Balkan; Ukraine)
 - Macron/Schallenberg Szenarien: schnellere und volle Teilnahme an EU Programmen → ‚short of full membership‘ (i.e. Ausschluss von wichtigen Entscheidungsmechanismen)

Russia's Invasion of Ukraine: Assessment of the humanitarian, economic and financial impact

Michael Landesmann

[Full report available free on the wiiw website](#)



Economic cost of invasion for Ukraine will be dramatic: Regions accounting for 53% of GDP affected directly

Main characteristics of regions having been or currently on the front line

Regions	Population 2021 million people	GDP 2019	Industrial	Goods	Services	Agricultural	FDI
			production 2020 shares in the total for the country, %	exports 2020	exports* 2019	production 2020	stock* 2020
Kyiv city	2.95	23.9	11.8	25.3	48.5	-	46.4
Chernihiv	0.96	2.0	1.4	1.8	0.4	6.9	1.1
Kharkiv	2.60	6.2	7.1	3.0	4.6	6.4	2.2
Kherson	1.00	1.6	1.3	0.6	0.4	3.9	0.9
Kyiv	1.80	5.5	5.1	4.0	4.2	5.9	4.4
Mykolayiv	1.09	2.3	2.5	4.6	5.9	3.1	1.5
Donetsk	4.06	5.2	10.3	8.0	1.1	3.3	5.0
Luhansk	2.10	1.0	0.8	0.3	0.4	2.2	0.8
Total for the selected regions	18.91	52.7	43.1	50.3	75.4	34.0	66.0
Total for the selected regions without Kyiv city	15.96	28.8	31.3	25.0	26.9	34.0	19.6

* Excluding unallocated value.

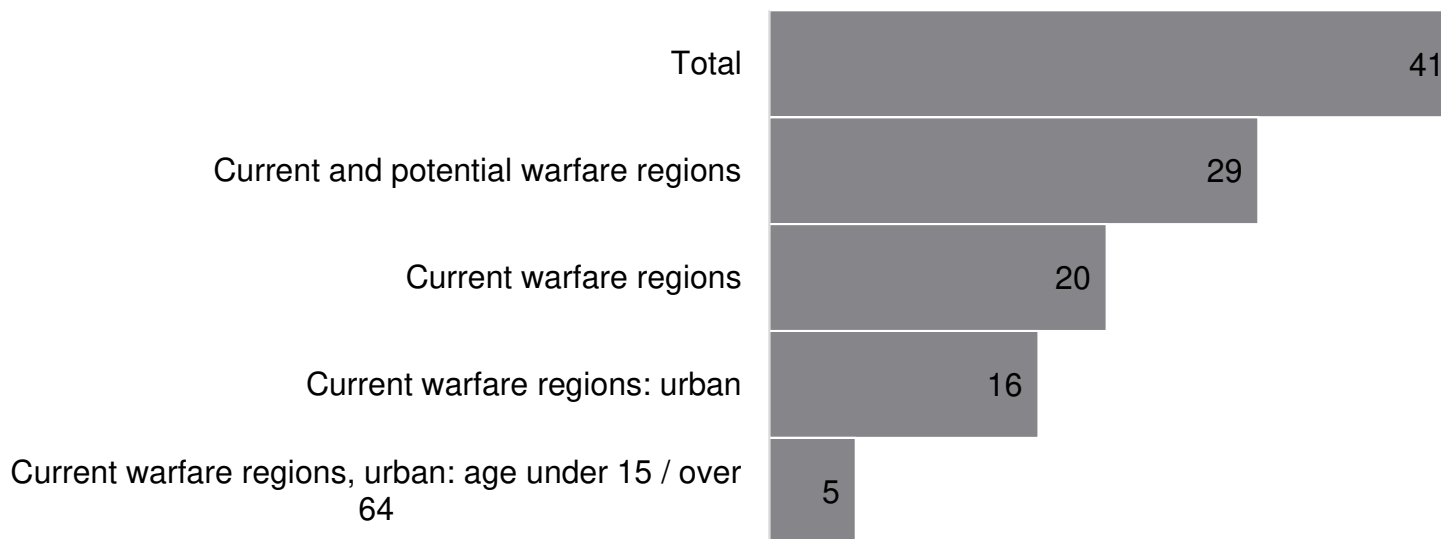
Source: State Statistics Service of Ukraine, National Bank of Ukraine.

* Excluding unallocated value.

Source: State Statistics Service of Ukraine, National Bank of Ukraine.

Humanitarian impact: Up to 29m in Ukraine could be directly affected by the invasion

Ukrainian population's exposure to the conflict

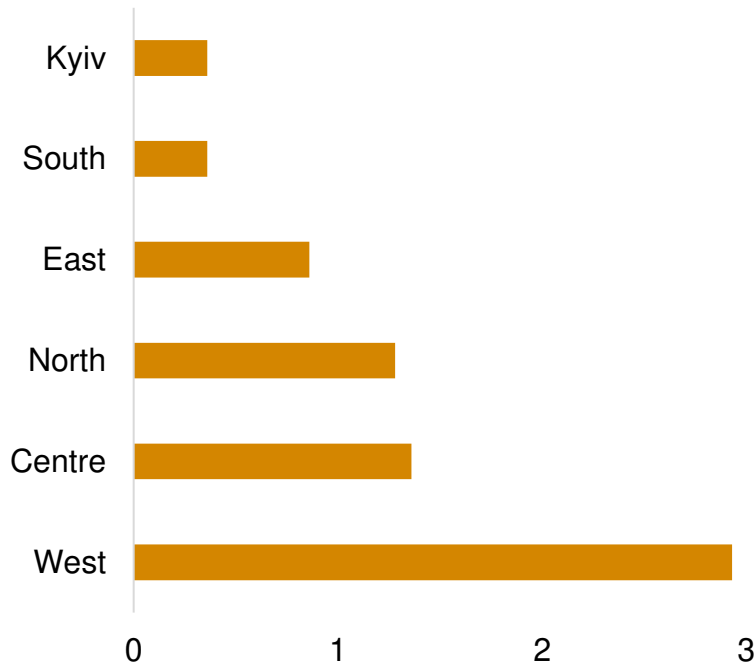


Note: Potential warfare regions are defined as regions that contain part of the river Dnipro on their territory, plus Odesa, but that so far have not witnessed a mass Russian armed forces presence.

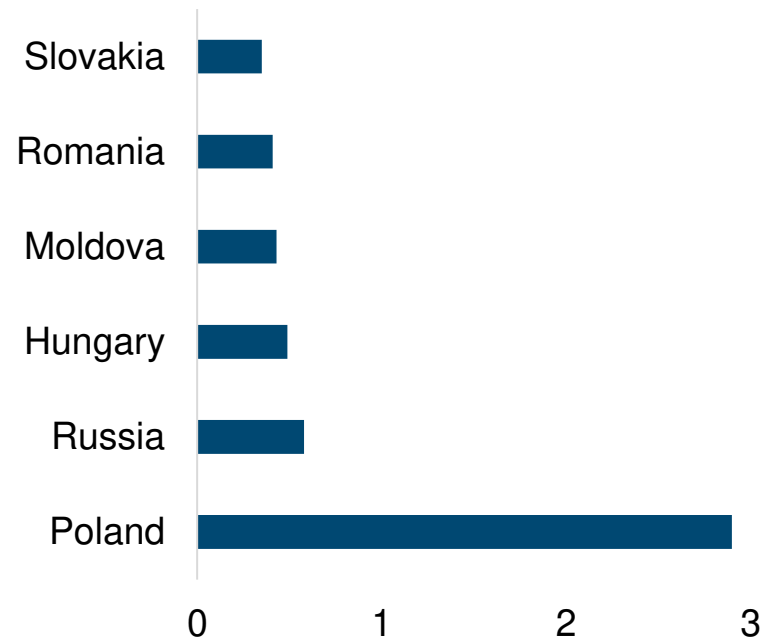
Source: Ukrstat, UNOCHA, own calculations.

A major humanitarian crisis: Refugee inflows to EU likely to be 3x the 2015-16 crisis

Internally displaced people (IDPs), millions

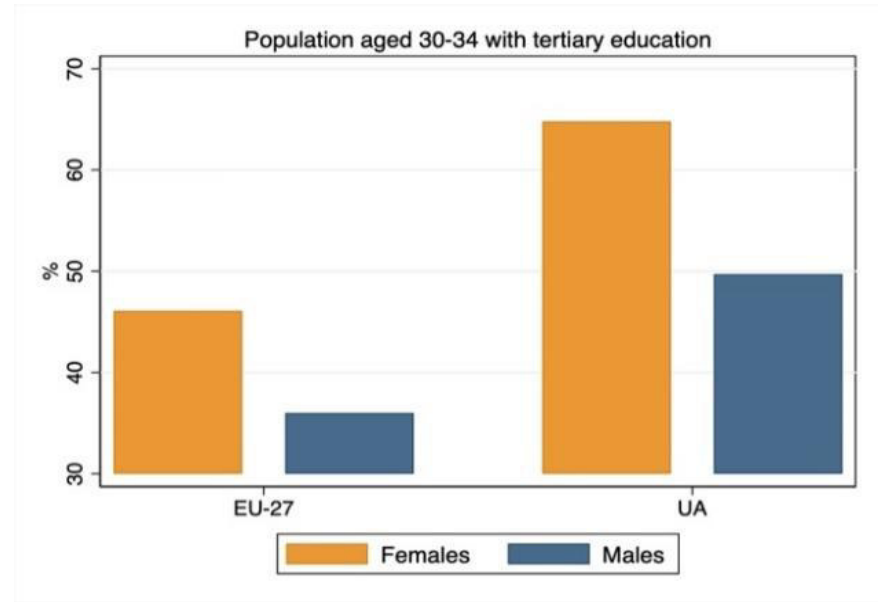
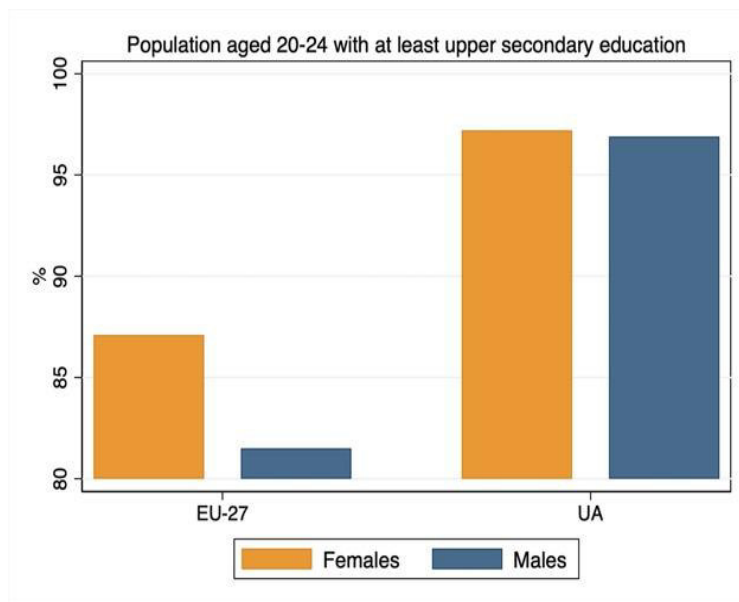


Current number of refugees by host country, millions



Labour market integration in EU: Major challenges, but also opportunity given labour shortages

Educational attainment in Ukrainian population and EU27 average, 2020



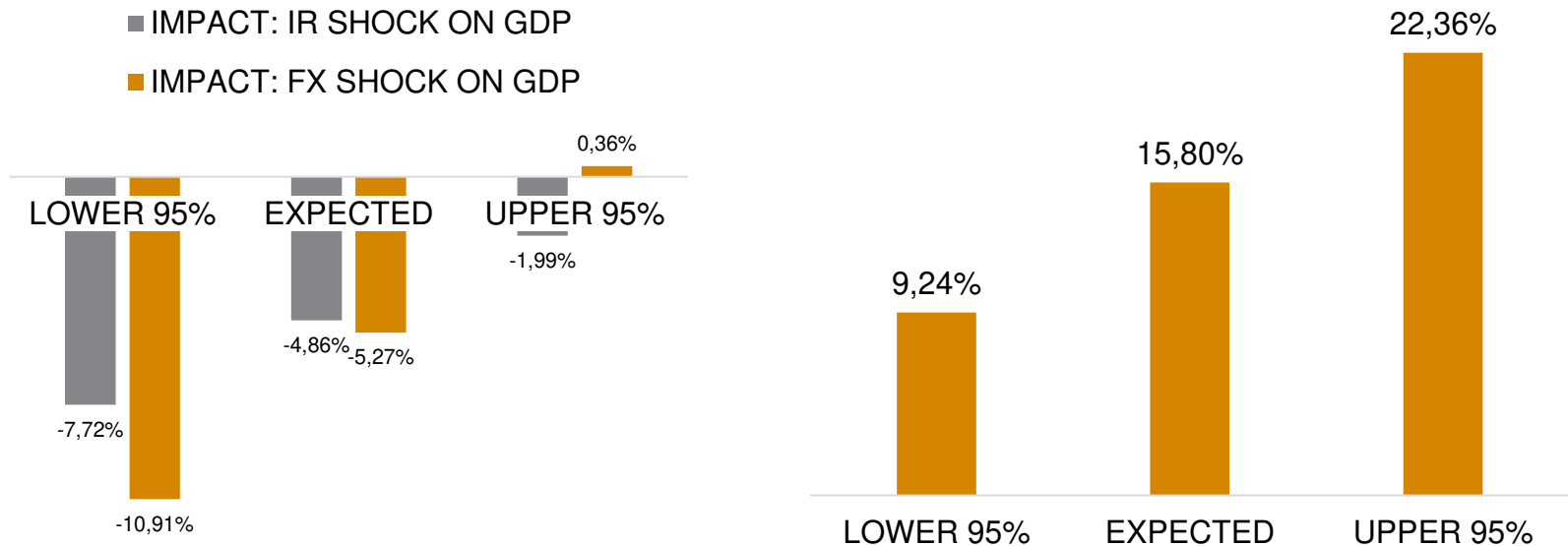
For Ukraine: Long-term rebuilding and possibly divided future

- Severe destruction: human life, infrastructure, housing. 5-10m refugees. Rebuilding job on a monumental scale.
- Independent part of Ukraine will see many refugees return, massive Western financial support and greater integration with EU.
- Western investment would drive technological upgrading and productivity improvements. Interesting opportunities in IT and agricultural sectors.
- Potentially Russian-occupied part: Worse destruction, continued outward migration, isolation from much of global economy.

For Russia, this is an economic disaster: GDP will fall by around 10%, inflation could hit around 30% by end-year

Impact of interest rate and currency shocks on Russia real GDP

Impact of currency shock on Russian inflation

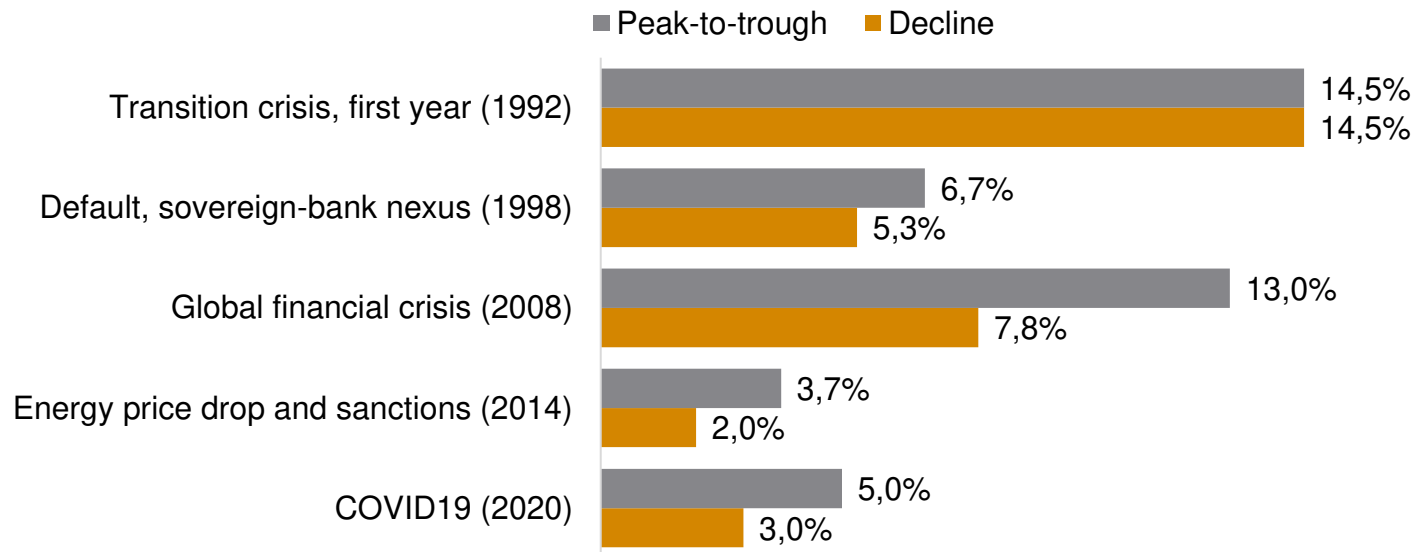


Notes: Shock scenarios assume a 10.5% increase in the key rate and depreciation of the national currency to half of its original value. Values show cumulative dynamic multipliers of doubling gas and oil prices, estimated using a 2-lag VARX model. Estimated with quarterly data. See report Annex for more details on model specification and sensitivity of results to the model specification.

Sources: IMF International Financial Statistics (IFS), Yahoo Finance, own calculations.

Historical context gives further guide: About -15% is the “extreme” case

Biggest declines in Russian real GDP in the post-communist era

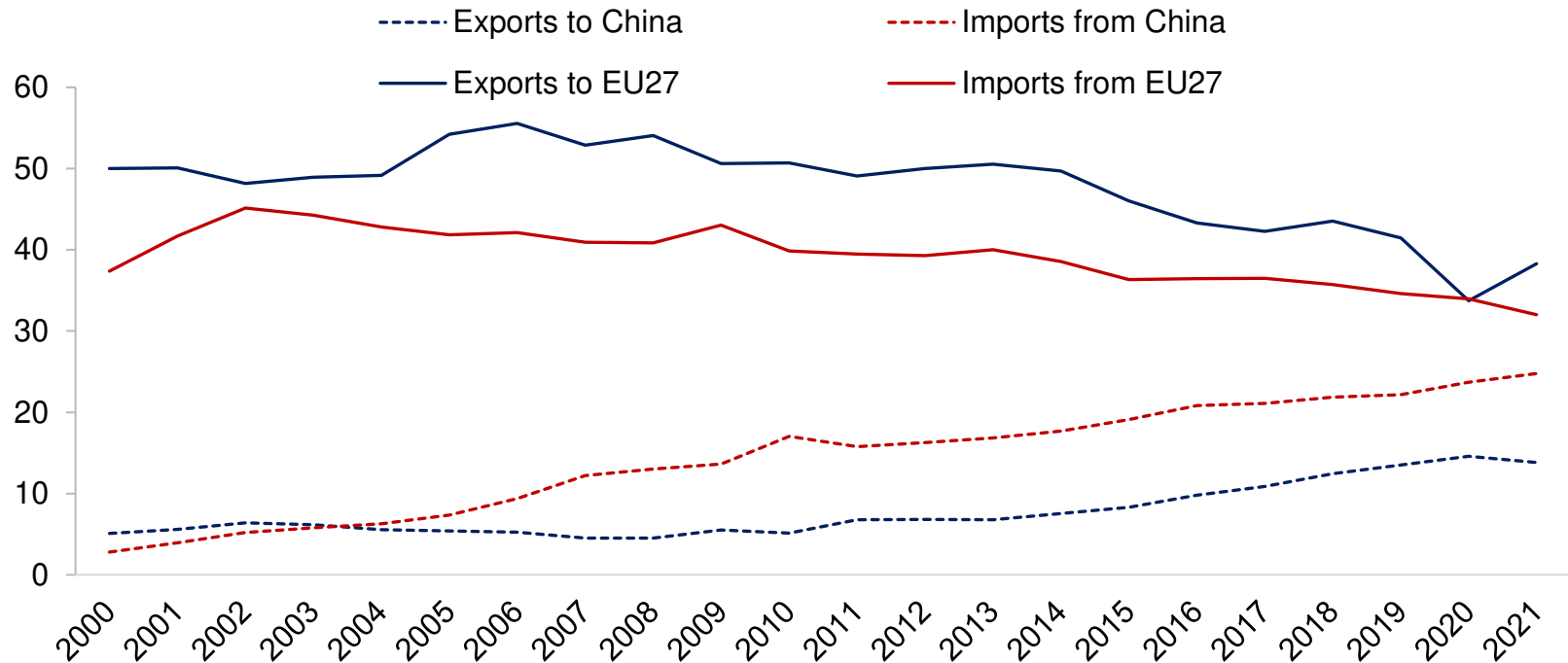


Note: Peak-to-trough value for 1992 calculated as a simple growth rate due to no negative growth rates in 1990 and 1991. Transition crisis 1992 reflects only the strongest episode of GDP decline in a single year. Value for 2014 compares with 2013 growth rate due to macroeconomic turbulence of Russia in Q4 2014.

Source: World Bank.

For Russia: A bleak future as China's (junior) partner, only partial replacement of Western tech transfer

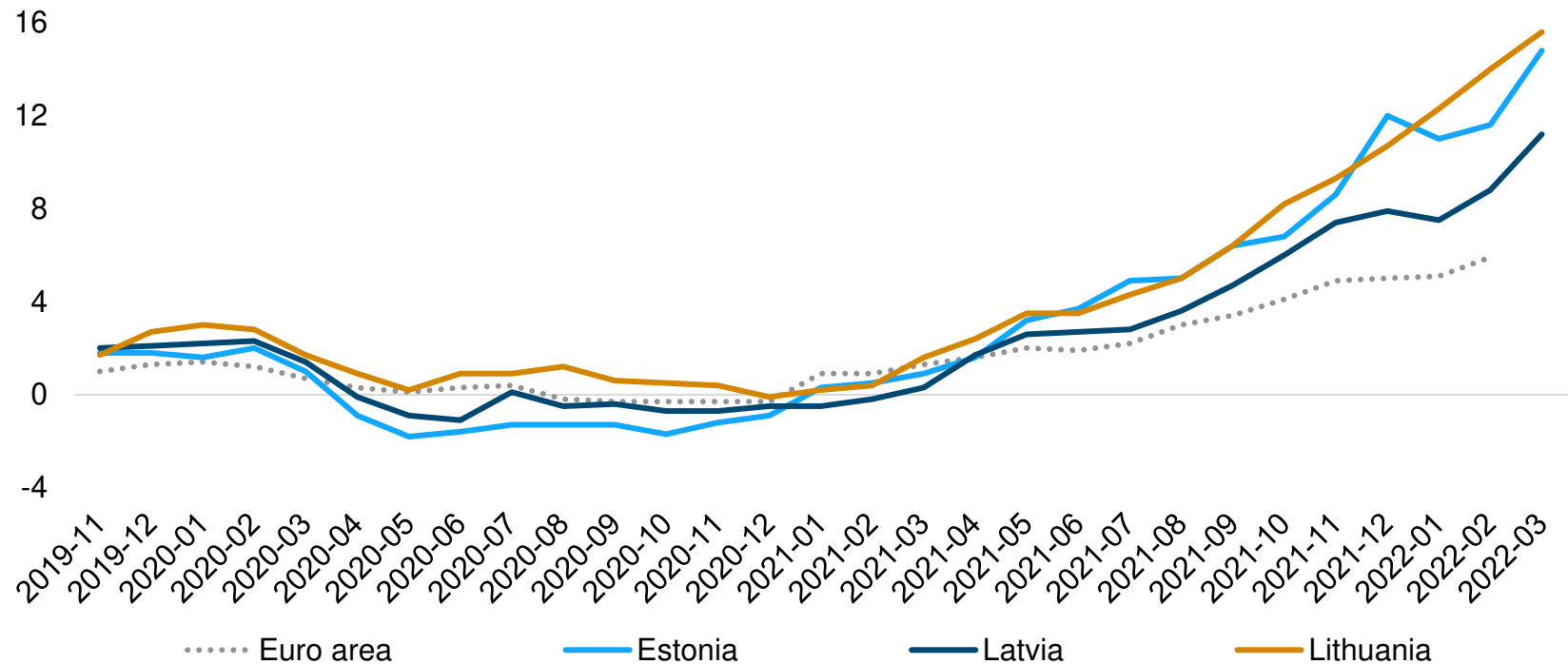
Russia's merchandise trade with the EU and China, % of total



Source: Russian Federal State Statistics Service.

Main impact in most of Europe will be higher inflation and lower growth, especially in CEE

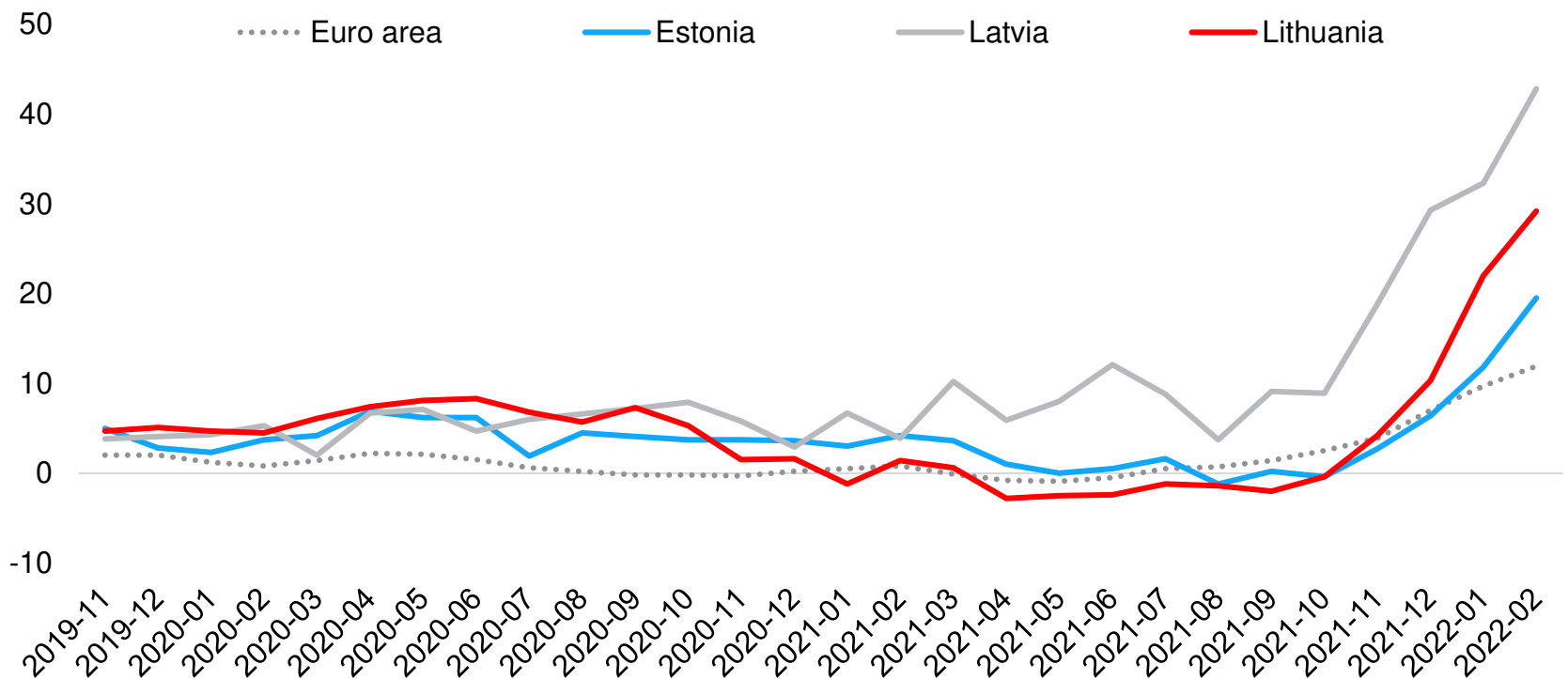
Harmonised index of consumer prices, % change, year on year



Source: Eurostat.

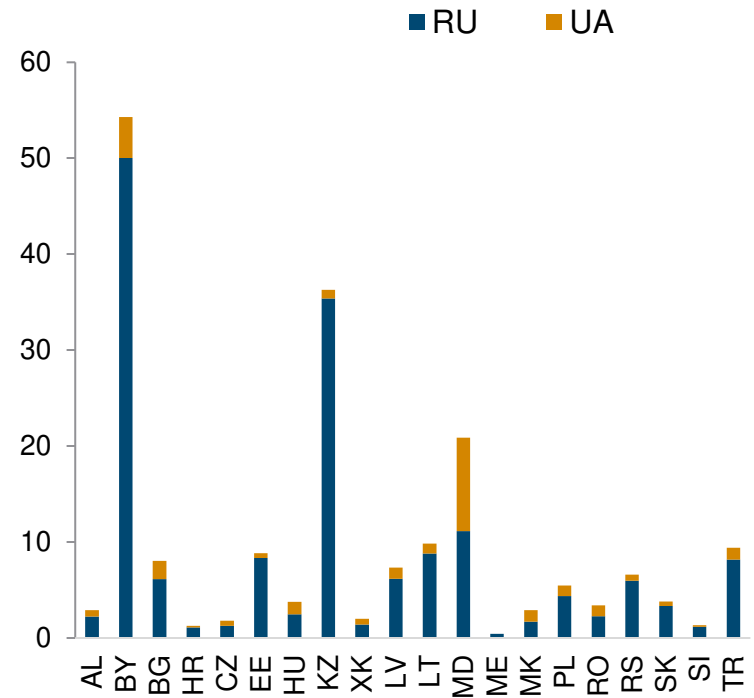
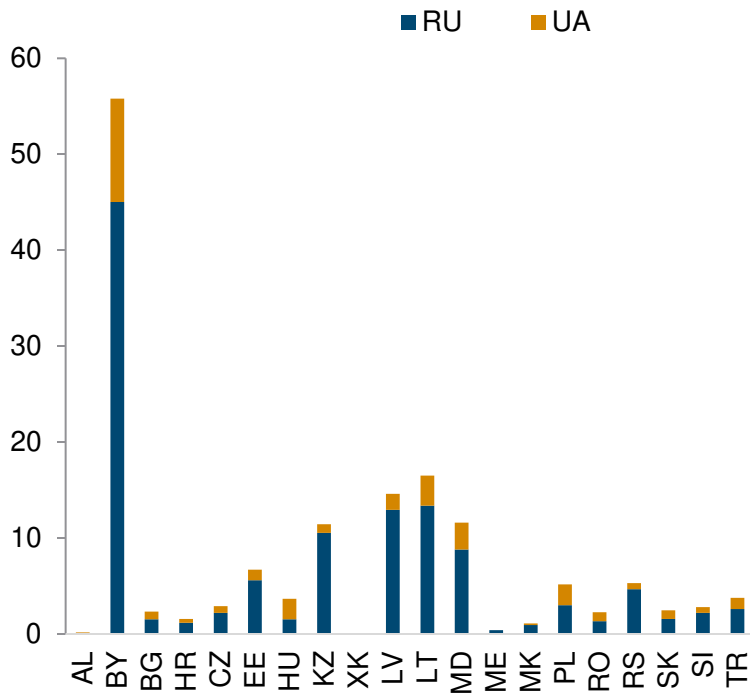
Food prices a big issue, especially for poorer households – governments increasingly considering controls

Harmonised index of consumer prices; flours and other cereals; % change, year on year



Trade impact: Most of CESEE have limited exposure, reflecting partial de-coupling since 2013

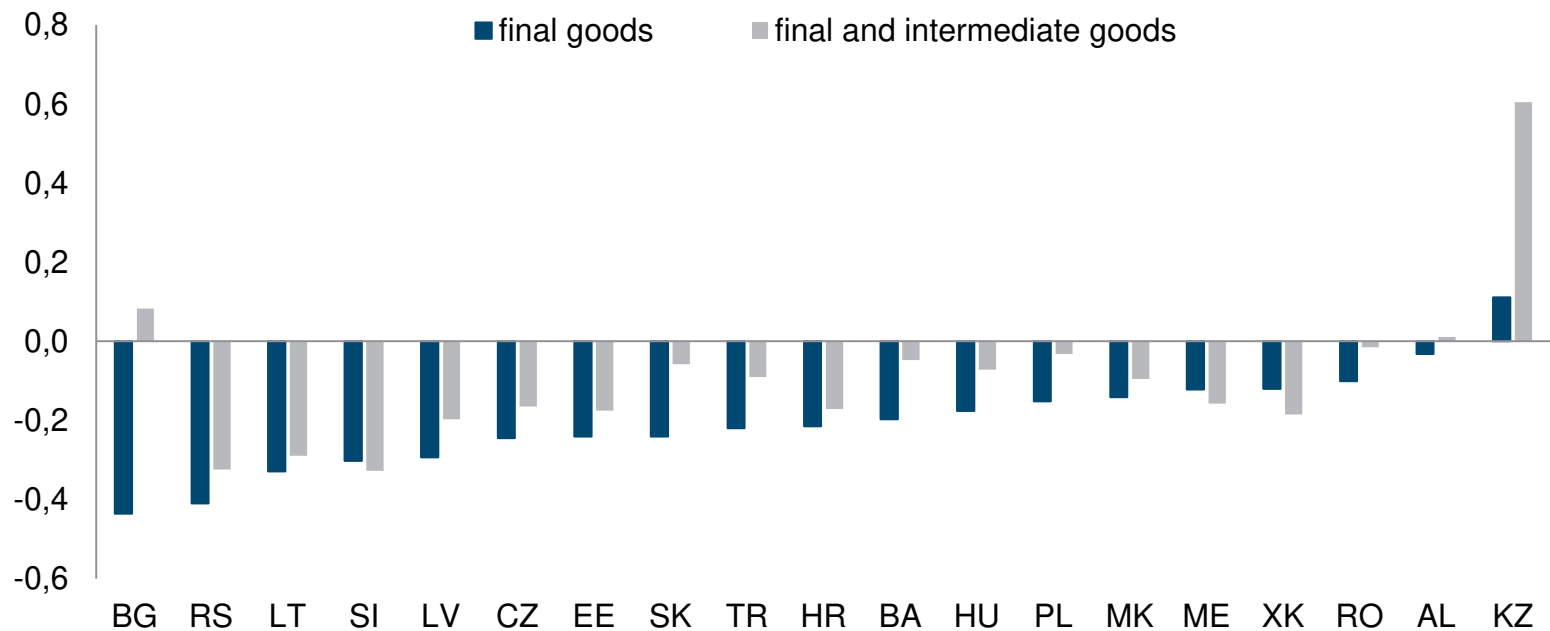
Exports to (left) and imports from (right) Russia and Ukraine, 2020, % of total



Source: National sources, wiiw.

Trade channel: Direct impact of the recession in Russia on European economies will be limited

Estimated GDP effects of a 9% recession in Russia via the trade channel, in pp

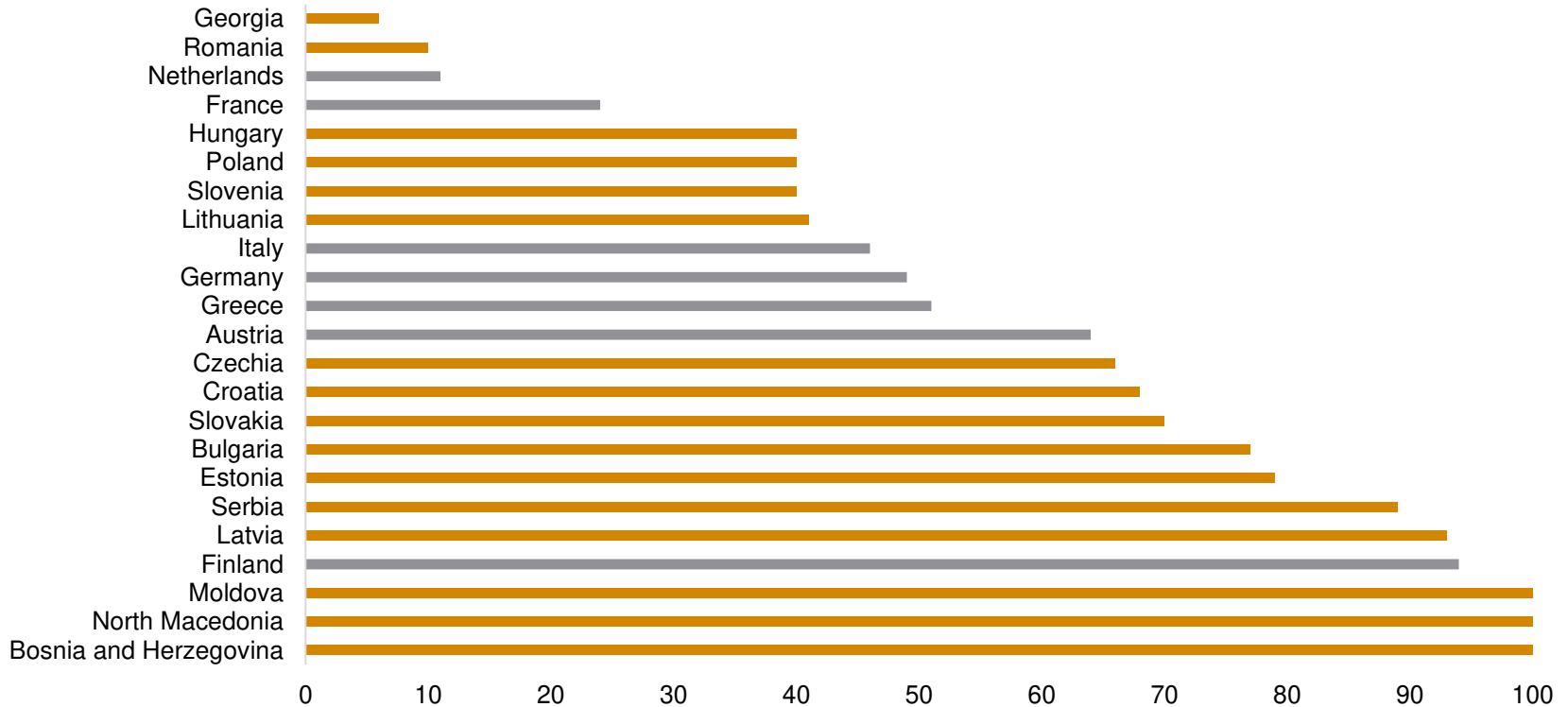


Note: Western Balkan countries based on wiiw MC-IOT.

Source: OECD TiVA database, Release 2021, own calculations.

A full gas embargo now would have a much more significant impact

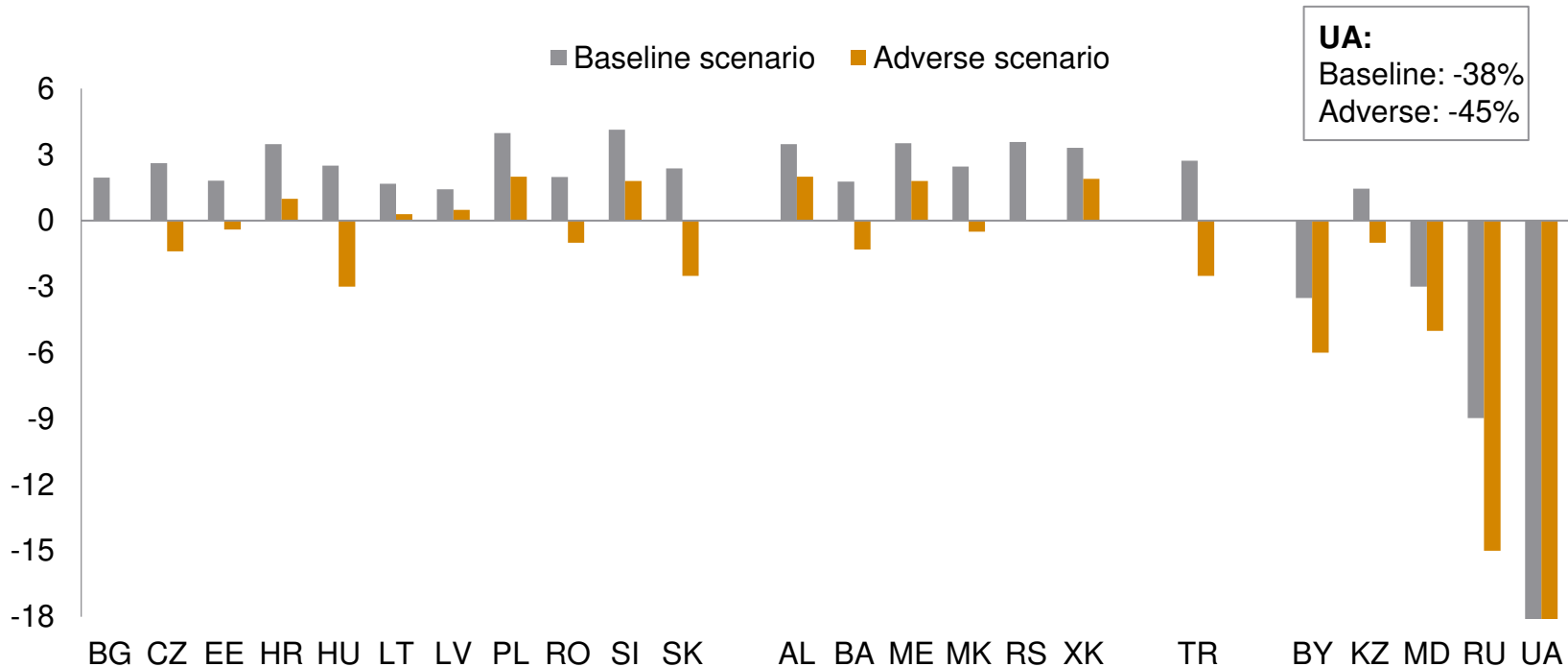
Share of gas supply from Russia, % of total, 2020



Source: Statista.

Energy embargo would subtract ~3pp from euro area growth, and weaken CESEE momentum considerably

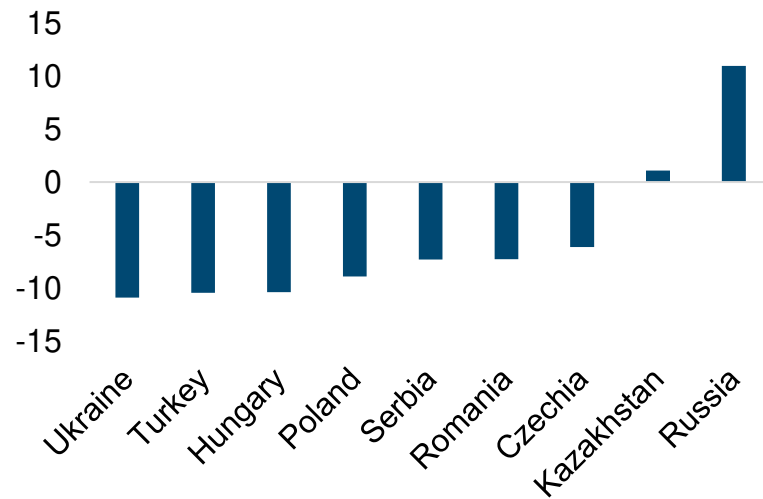
Real GDP growth in 2022, in %



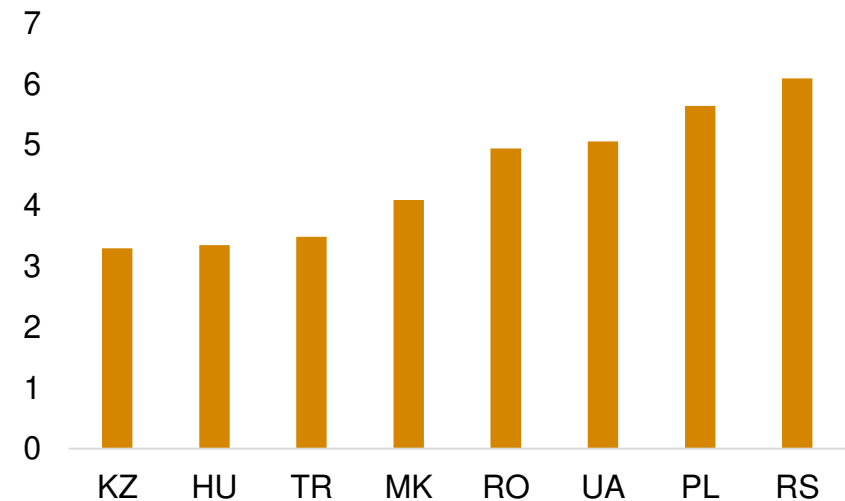
Source: wiiw forecasts as of 11 April 2022. Note: Adverse scenario = immediate EU embargo on Russian oil and gas.

Financial contagion also important, but stability risks are limited – most have policy space to maintain calm

Percentage change in value of national currency versus US\$ since end-2021

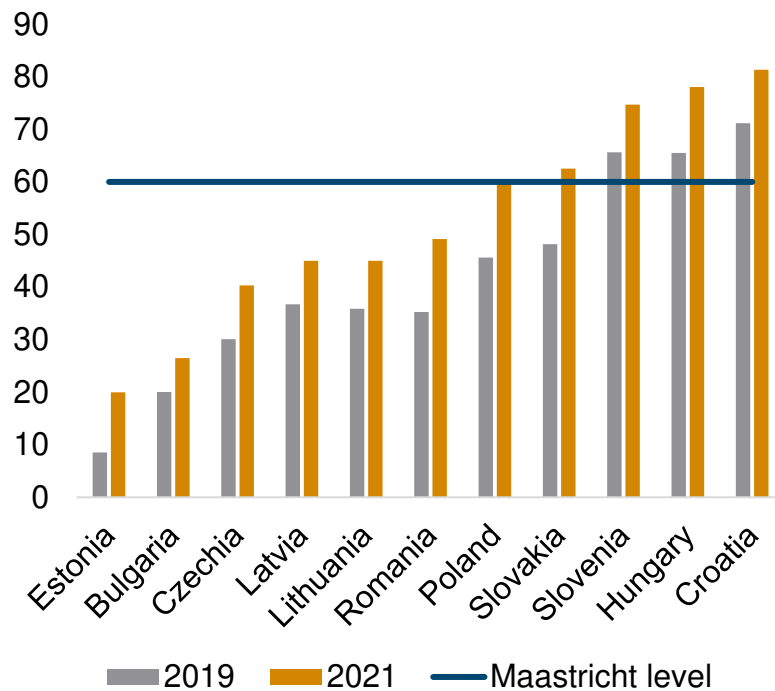


Months of import cover: gross central bank reserves, excluding gold, divided by average monthly value of imports, end-2021

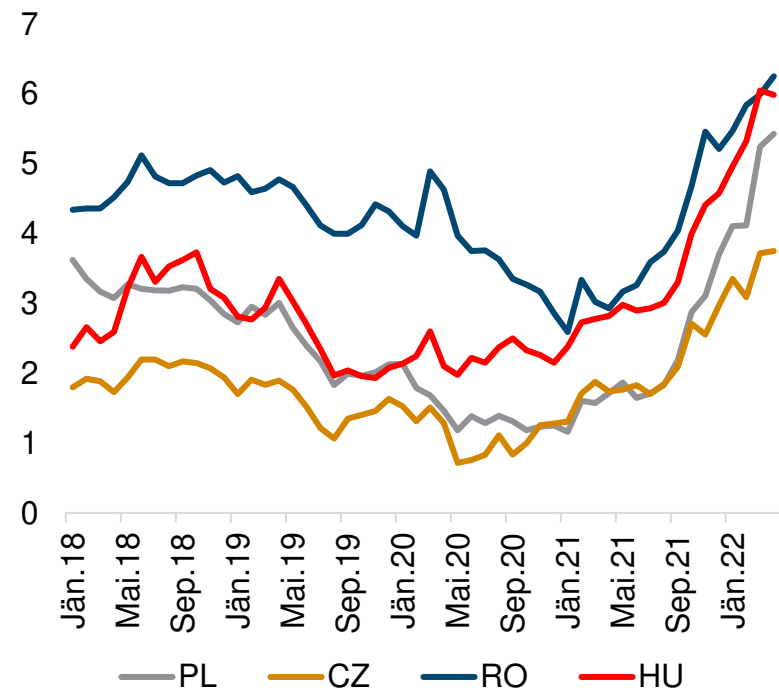


Fiscal space? Higher public debt, but most below 60%; nominal rates rising (but for now negative in real terms)

Gross general government debt, % of GDP



Nominal 10-year sovereign interest rates, %



Sources: Eurostat, national sources, wiiw.

Labour market impact: A challenging first year, but then help for CEE countries struggling with labour shortages

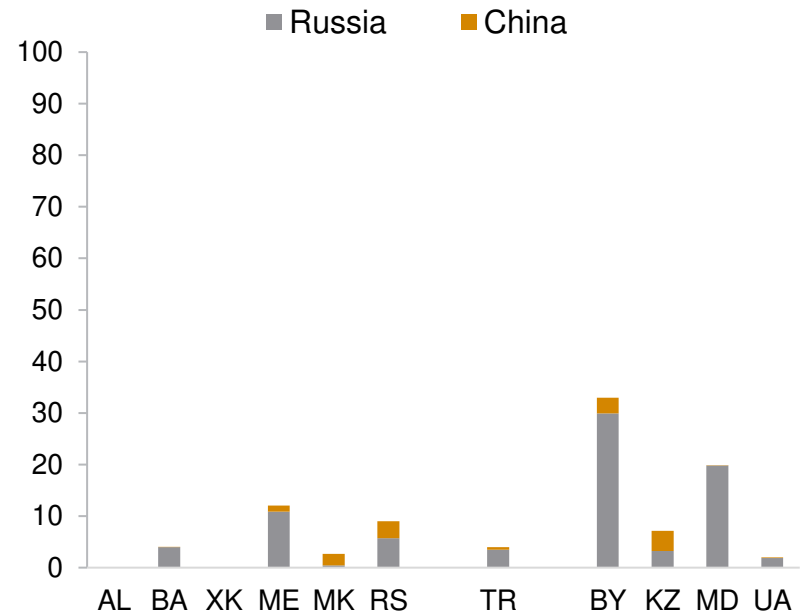
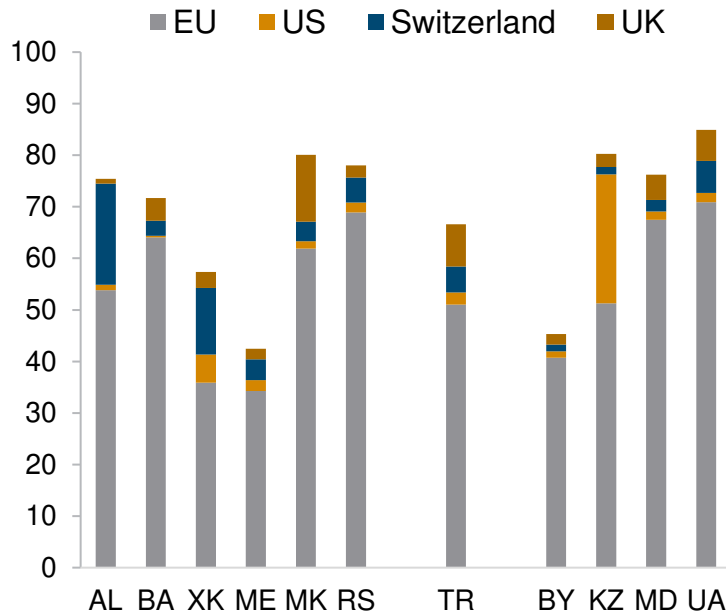
- EC temporary protection scheme is positive step to foster Ukrainian refugees' integration into EU labour markets.
- However, three main challenges:
 - Those fleeing the war are mostly women, children and the elderly.
 - Some EU labour markets are still recovering from the COVID-19 crisis.
 - Although average education level of Ukrainians is above EU average, doubts about the transferability of refugees' skills, knowledge and work experience, at least in the short-run.
- All of this is manageable, but positive labour market supply shock likely to be more evident next year.

Thoughts on the medium term: A major acceleration of Russia-West decoupling that started in 2013

- February 2022 was probably the swansong for broader European economic and financial integration.
- For Ukraine: Stalemate in war, major rebuilding in unoccupied part, stagnation and decline in Russian-occupied part.
- For Russia: Already weak long-term growth outlook now worse, stronger reliance on China, but China cannot replace all Western tech transfer.
- For non-EU-CEE: Balancing act will become much harder; in economic/financial terms EU/US much more important than Russia/China for most.
- For EU: Faster green transition, more defence spending, but long-term investors could become more cautious (depends on US politics).

For non-EU CEE: Balancing act between Russia and West will become harder, most will have to choose (Turkey + Serbia in particular have big decisions to make)

Share of inward FDI stock in selected CEE countries, % of total, by origin



Source: National sources, wiiw.

For EU-CEE: More defence and green spending, but long-term investors could become more cautious

- Further push for green transition (not always popular in CEE).
- Reaffirmation of NATO presence in region and US security commitment to Europe.
- But next US election is not far away – not all possible presidents are like Biden.
- Could affect investor sentiment in parts of EU-CEE.

Policy priorities for EU

In Ukraine:

- Immediate priority is to address humanitarian crisis + support government as much as possible
- Once war ends, US + EU should be ready with plan for reconstruction of unoccupied part of Ukraine
- Beyond that, stronger EU economic integration with unoccupied part of Ukraine

In the rest of Europe:

- Measures to support poorest households through spike in energy + food prices
- Acceleration of green transition
- Acceleration of Western Balkan EU integration