

Migration Crisis in the EU: What Can and Should be Done?

Serbia's Gas Sector and the Pipeline Question

The Return of the Caravanserais: Economic Relations Between Turkey and the Western Balkans

Eurasian Integration: Implications for Armenia and Kyrgyzstan



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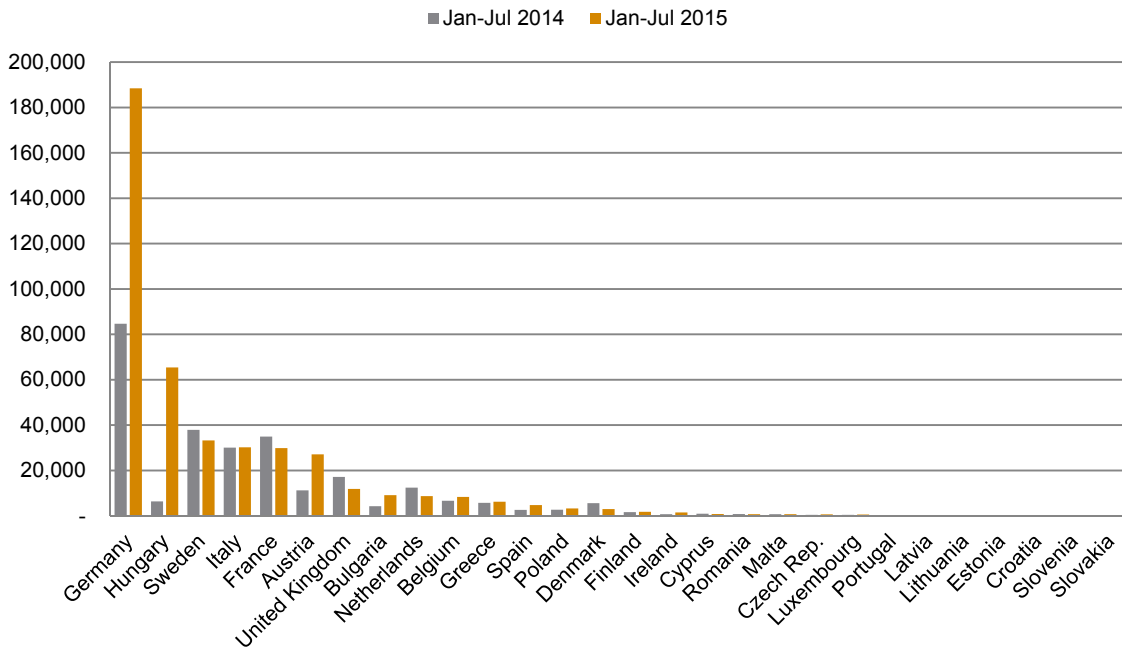
AMAT ADAROV
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ISILDA MARA

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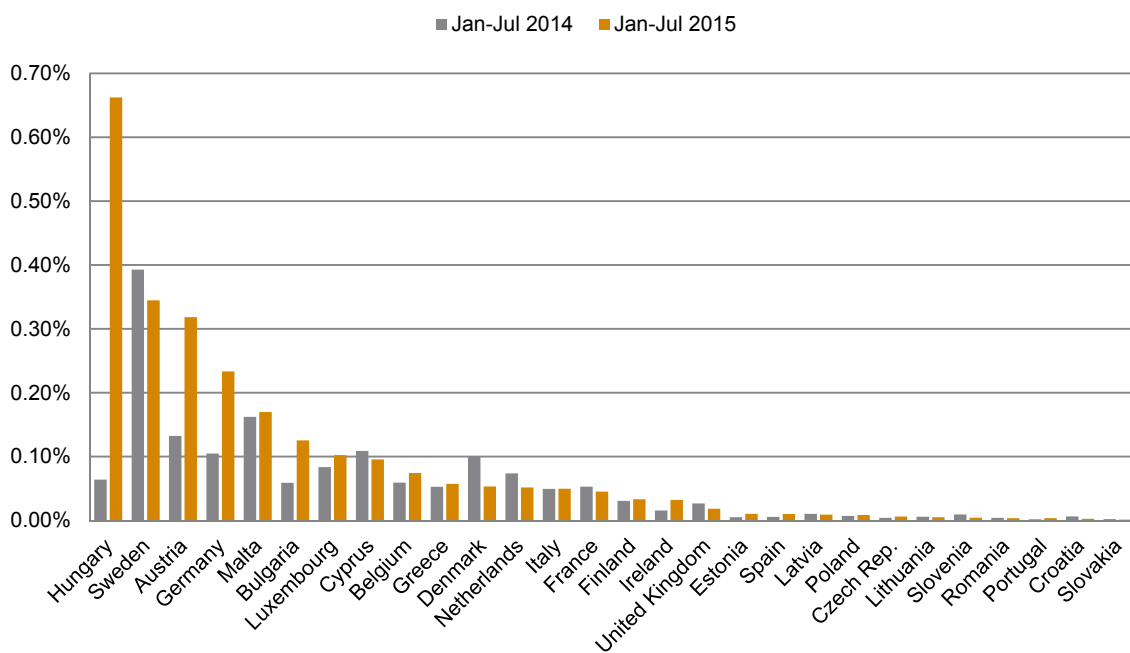
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NEW ASYLUM APPLICATIONS IN THE EU COUNTRIES

New asylum applications, in absolute numbers



New asylum applications as share of total population, in %



Source: Isilda Mara's calculations based on UNHCR (<http://www.unhcr.org/statistics>)

Opinion corner: Migration crisis in the EU: what can and should be done?

ANSWERED BY WIIW EXPERT ISILDA MARA

SOME FACTS AND FIGURES ON THE PROBLEM

From the start of the civil war in Syria in 2011 up to July 2015, the number of Syrian asylum seekers in the EU was 348,540 – just one-twelfth of the total number (4 million) who fled to neighbouring countries such as Turkey, Lebanon, Jordan and Egypt. The latest data from the office of the United Nations High Commissioner for Refugees (UNHCR) indicate that the total number of refugees (i.e. not only from Syria) who came to the EU-28 in the period January–July 2015 was 437,384 – 62% more than in the same period of 2014. In absolute terms, the five EU-28 countries that have taken in most recent asylum seekers are: Germany (188,486), Hungary (65,415), Sweden (33,234), Italy (30,233) and France (29,832) (for more details see Graph of the Month). Overall, the number of refugees who arrived in 2014–2015 (a little over 1 million) is no more than 0.2% of the total EU population (507 million). On average, then, across the EU-28 there is one refugee for every 504 inhabitants.

THE REACTION OF THE EU IN PAST HUMANITARIAN CRISES AND NOW

In the past, as far back as during the Cold War era, the EU countries showed solidarity in a number of cases:

- › *In 1956, in the wake of the Soviet invasion of Hungary and the armed resistance to it, close to 300,000 Hungarians fled to and found shelter in (first of all) Austria; in a second stage they settled there and in other European and overseas countries.*
- › *In 1968, the Soviet occupation of Czechoslovakia generated an exodus of 162,000 people from the country; they were temporarily settled in Austria and afterwards moved to other western countries.*
- › *Between 1990 and 1991, more than 200,000 Albanians were offered shelter abroad, particularly in Italy, Greece and Germany.*
- › *The war in Bosnia and Herzegovina between 1992 and 1995 produced more than 1 million refugees; half of them were hosted by European countries, mainly Germany, Austria and Sweden.*
- › *In 1999, more than 800,000 ethnic Albanians from Kosovo were forced to flee their homes; Albania and Macedonia (a combined population of 5 million) had to accommodate them in the first stage, though the EU took a large number of them afterwards.*

It cannot be denied that historically the EU has offered shelter to a considerable number of refugees who have escaped persecution and death. Nevertheless, the current European reaction has largely been to protect itself from the refugees, rather than offer protection to them. There have been disagreements between EU Member States, and the slow, confused, and haphazard management of this humanitarian crisis has dominated the response of the EU, which is reluctant to accommodate even a modest 40,000 refugees from the war-torn area. When people's lives are under constant threat – and very likely will continue to be so – the current apathy of the EU is not only playing into the hands of xenophobic parties, but is also serving the interests of human traffickers and smugglers, who are cashing in on the situation.

At present, the EU agenda on migration (and especially the existing asylum system) is restricted in how it deals with this humanitarian crisis. While frontier countries such as Italy, Greece and Hungary (but also Macedonia and Serbia) are overloaded in offering protection to first-time asylum applicants, a number of EU states are refusing to share the burden. The May 2015 proposal (which was rejected) for quota schemes and tradable quotas allocated according to certain criteria (total GDP, population, level of unemployment and existing number of refugees) was supposed to give EU countries some flexibility in distributing the burden equitably.¹ On the one hand, the system of quotas and the mechanism of exchange would allow countries overburdened with refugees (i.e. hosting more than their quota) to be rewarded and compensated for their efforts; on the other hand, those countries hosting less than their quota of asylum seekers would pay other states to take up the extra burden.

POSSIBLE STEPS FORWARD

*First, the existing EU asylum system leaves it up to individual EU countries to decide on the number of refugees to be hosted; secondly, it allows individual EU countries to apply restrictive measures or to introduce various legislative norms to control the flow of refugees; and thirdly, it contributes to a disproportionate distribution of asylum seekers. So an important step forward would be to **change the existing approach to dealing with the humanitarian crisis and asylum seekers** in a destination country.*

*How? The redistribution mechanism proposed by the EU in May is an option that should be taken seriously. Such a scheme may raise certain ethical concerns, because the principles of humanitarian and asylum rights, as established by the United Nations and the Fourth Geneva Convention, should have clear priority.² Nevertheless, a **burden-sharing asylum system that obliges EU countries to adhere to common rules that comply with fundamental rights** might be a more effective system that would guarantee better protection and respect for the human rights of refugees. The EU countries would have less policy space at the national level, but a burden-sharing approach would smooth the rivalries between states in accepting responsibility. Instead of campaigns that seek to discourage people from migrating (which mainly fail), the EU countries should **invest in campaigns to inform the public** about the capacity of a country to host asylum seekers; about how individuals and private initiatives can engage with and offer support to refugees; and about how to deal with the situation. These steps would prevent xenophobic and racist parties from gaining ground.*

¹ http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/european-agenda-migration/background-information/docs/communication_on_the_european_agenda_on_migration_en.pdf

² <http://www.unhcr.org/pages/49da0e466.html>

*Another approach for the EU countries would be to ensure that **immigration is perceived not as a threat, but as an opportunity**. Refugees – people who escape from war and dictatorship – are also endowed with human capital: EU states should give them an opportunity to preserve and develop their skills. The EU should react smartly in order to reallocate those resources that are now (and will be) in great demand. Given that the EU population is aging, both low- and high-skilled workers will be in demand. Therefore, EU policy makers should think positively and offer refugees not only protection, but also an opportunity to contribute to the host society (i.e. provide them with access to the labour market).*

*The Member States of the European Union have demonstrated their willingness to tackle refugee crises in the past. Now, more than ever, they should **show that they form part of a union**.*

Serbia's gas sector and the pipeline question

BY WERNER LAVENTURE¹

INTRODUCTION

Since it was announced by Russian President Vladimir Putin in December 2014 that construction of South Stream was to be cancelled,² the issue of gas supply has come to the fore in Serbia, particularly because of the positive economic benefits that the project would have brought. Indeed, apart from enhancing the country's energy security (thanks to the diversification of gas transportation routes), the pipeline would have given a boost to the Serbian economy.³ Moreover, South Stream would have brought EUR 150 million in annual revenues to the budget, thanks to transit fees. All these elements go to explain the disappointment that the Serbian government expressed after the Russian president's unexpected announcement. They also highlight the need for the country to find other gas supply solutions, especially as Serbia's main gas supplier, Russia's Gazprom, has announced that it will cease to deliver its gas through Ukraine by 2019.

In this evolving context, Serbia will have to consider several gas supply options, each of which has both economic and geopolitical implications. At the moment, three possibilities appear to be the most relevant: interconnections with neighbouring countries, connections to the Trans-Adriatic Pipeline and/or the Ionian Adriatic Pipeline, and Turk Stream.⁴

SERBIA'S GAS SECTOR

When it comes to Serbia's gas sector, the first determinant is the fact that the country's domestic production potential is limited. Indeed, natural gas reserves are modest – only 3.37 million tonnes of oil equivalent (Mtoe) in 2010 (i.e. 4.23 billion cubic metres (bcm); 67th rank in the world) – and represent less than 0.2% of Serbia's fossil energy resources⁵ (which amounted to 1,771 Mtoe the same year).⁶

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² This gas pipeline was to have piped Russian gas to Western Europe, via the Black Sea and the Balkans, passing through Bulgaria, Serbia and Hungary.

³ Through the creation of more than 2,000 jobs for the construction and the commissioning of the Serbian section of the pipeline, the attraction of some EUR 1.5 billion in investments, the modernisation of the country's lines of communication and, with the prospect of cheaper gas, the stimulation of the Serbian industry, which relies heavily on this energy source.

⁴ Formerly known as Turkish Stream.

⁵ Those reserves consist mostly of different types of coal (99%) while more high-quality energy resources, i.e. oil and gas, make up the last percentage point.

⁶ Ministry of Mining and Energy of the Republic of Serbia, *Draft of the Energy Sector Development of the Republic of Serbia by 2030*, June 2015, p.4. Available (in Serbian) at: http://www.srbija.gov.rs/extfile/sr/239739/strategija_energetika126_cyr.zip

Nevertheless, the share of natural gas in Serbia's energy mix is not insignificant: in 2010 it represented 12.1% of primary energy consumption⁷ and 11.9% of final energy consumption.⁸ Natural gas is mainly used in industry, where in 2010 it was the second most important source of energy (25%);⁹ it is also used in Serbian households, though it makes up only 7% of the mix.¹⁰ Besides, it is the main energy source (48.3% in 2010)¹¹ in thermal energy production, mostly related to district heating systems.

The other determinant of Serbia's gas sector is its dependence on imports, because domestic gas production covers on average less than 20% of the country's needs. Thus, in 2010, 1,567 Mtoe of the 1,875 Mtoe of natural gas available for domestic use were imported: 83.6% of the total. Moreover, at the moment Serbia has at its disposal only a single route of gas supply, coming from Russia through Ukraine and Hungary; this represents a great challenge to the country's energy security, as well as to the development of its domestic market. Apart from its dependence on Russia in terms of gas supply, Serbia is also linked to that country by its main gas production company, Naftna Industrija Srbije (NIS), which is 56.15% owned by the Russian state-owned company Gazprom Neft.¹²

In terms of gas infrastructure, Serbia still lacks a gas distribution network that covers all parts of its territory. On the other hand, it already has an underground gas storage capacity of 0.8 bcm (around 25–30% of Serbia's current annual consumption), which was supposed to be linked to South Stream. It is noteworthy that this gas depot is owned jointly by Gazprom (51%) and the Serbian state (49%). Concerning the gas market, the imports, transportation and distribution of natural gas are mainly operated by the state-owned company Srbijagas, although secondary players like YugoRosGaz (a joint venture of Srbijagas (25%) and Gazprom (75%)) are authorised to transport and distribute gas to customers.¹³

To conclude, Serbia's gas sector relies greatly on Russian imports and business actors, i.e. Gazprom. Therefore, the issue of gas pipelines, which represent the main supply channel, is of strategic importance to the country, particularly since Serbia's future gas needs (which are expected to grow in the coming decades¹⁴ from 2.3 bcm in 2010 to 4 bcm in 2030)¹⁵ will never be satisfied by domestic production.¹⁶ That is why diversification of the sources and routes of natural gas supply is simultaneously a prerequisite and one of the three priorities for Serbia's energy strategy when it comes to its gas sector (along with securing the supply of natural gas for the domestic market and the establishment of a domestic and regional market for natural gas).^{17,18} All of this also implies the development of the national

⁷ The rest of the consumption structure was: coal (50.7%), oil (23.7%), biomass and hydro-energy (both 6.7%); *ibid.*, p.13.

⁸ As for the remainder: oil derivatives (33.7%), electricity (24.5%), biomass and coal (each 10.6%) and thermal energy (8.8%); *ibid.*, p.12.

⁹ As for the remainder: electricity (26%), coal (18%), thermal energy (16%), oil (13%) and biomass (2%); *ibid.*, p.67.

¹⁰ As for the remainder: electricity (40%), biomass (31%), thermal energy (12%), coal (9%) and oil (1%); *ibid.*

¹¹ As for the remainder: oil derivatives (28.7%) and coal (23%); *ibid.*, p.40.

¹² While 29.87% of NIS shares are held by the Republic of Serbia, the remaining portion belongs to citizens, employees and other minor shareholders.

¹³ Serbia will have to reform in order to align itself with the requirements of the EU Third Energy Package on unbundling, third party access and market opening.

¹⁴ From 2010 to 2030, gas consumption will rise by 75%, at a rate of 15% every five years. Based on the two scenarios chosen by the Serbian Ministry of Mining and Energy, *ibid.*, p.19.

¹⁵ According to the reference scenario chosen by the Serbian Ministry of Mining and Energy, *ibid.*, p.50.

¹⁶ *ibid.*, p.49.

¹⁷ *ibid.*

gas distribution networks and connection to other regional pipeline systems, as well as the construction of new gas depots, for which the Serbian Ministry of Mining and Energy has estimated the investment needs at EUR 690 million by 2020.¹⁹

Figure 1 / Serbia's gas pipeline network



Source: www.gazprom.com

SERBIA'S GAS SUPPLY OPTIONS

1. Interconnections with neighbouring countries

Since the cancellation of the South Stream pipeline project, the gas interconnection with neighbouring countries has emerged as Serbia's priority in terms of gas supply diversification. At the moment, the connection with Bulgaria is the most advanced project: the two countries signed an agreement at the end of June 2015 on the construction of this interconnection, which will link the Serbian city of Niš and the Bulgarian town of Dimitrovgrad. The two-directional gas pipeline, which is expected to be built by 2018 and to start operating in 2019, will be 150 km long and will have an annual throughput capacity of 1.8 bcm. It will allow Serbia to receive certain quantities of the gas flowing through the Trans-Adriatic Pipeline (TAP) and the Trans-Anatolian Natural Gas Pipeline (TANAP), as well as supplies from the liquefied natural gas (LNG) terminal in Alexandroupolis (Greece), which will be connected to the TAP.

¹⁸ Another factor is Serbia's commitment, as an EU candidate, to improve the efficiency and sustainability of its energy use and to respect several environmental norms. In this way, natural gas is an energy source that has technical and ecological advantages over other conventional fuels, like coal and oil, which feature heavily in Serbia's energy mix; *ibid.*

¹⁹ EUR 120 million will be allocated to interconnections with neighbouring countries, EUR 70 million to new gas depots and EUR 500 million to the domestic gas distribution network (construction and renovation). The investments will cumulatively amount to EUR 1.29 billion by 2025 and EUR 3.55 billion by 2030; *ibid.*, p.51. It is worth noting that in the first version of the draft of the strategy, EUR 1.7 billion were allocated to finance the Serbian section of South Stream.

Regarding the financing of its part of the pipeline, which represents 60% of the total, Serbia intends to secure some EUR 50 million from EU funds, and itself to provide about EUR 15 million. Besides the political support of Sofia, Belgrade's expectations of EU financing are backed by the fact that the CESEC²⁰ designated the gas interconnection with Bulgaria as one of the main priority projects under the action plan accompanying its memorandum of understanding, signed in Dubrovnik (Croatia) in early July 2015.

Apart from Bulgaria, Serbia is seriously considering connections with other neighbouring countries, such as Romania (Arad–Mokrin), Bosnia and Herzegovina (Batajnica–Bijeljina–Novi Grad), Macedonia (Kumanovo–Leskovac–Niš) and Croatia (Sombor–Osijek, Bačka Palanka–Ilok, Sremska Mitrovica (Šid)–Vinkovci). It is worth mentioning that all these projects also fit into the Energy Community's plan for establishing a gas ring that would connect all the contracting parties.²¹ Serbia holds an important role in this plan thanks to its geographical position at the centre of the Balkans, and thus could serve as a gas hub, especially if the country develops sufficient gas storage capacities, as it intends to.

2. Connections to the Trans-Adriatic Pipeline and/or the Ionian Adriatic Pipeline

Serbia's second option for gas supply is a direct connection of its gas network to the TAP, which is designed to bring around 10 bcm of natural gas from Azerbaijan via the TANAP, Greece and Albania, and across the Adriatic Sea to Italy. The construction of the TAP should begin in 2016, with the first gas deliveries expected in 2019. In order to connect to this pipeline, Serbia would likely need to build pipeline networks through either Montenegro or Macedonia. It is noteworthy that the TAP project enjoys the solid support of the European Commission, since it falls within the EU concept of a Southern Gas Corridor,²² and has therefore been given the status of Project of Common Interest (PCI) under the new guidelines for Trans-European energy infrastructure (TEN-E). In addition to its PCI status, the TAP was also named a Project of Energy Community Interest (PECI). Last but not least, this project is supported by the USA, which, for geopolitical reasons, intends to reduce the dependence of the EU and South Eastern European countries on Russian gas by promoting rival pipelines and alternative suppliers, such as Azerbaijan. The latest declarations by the Serbian prime minister on the need for his country to reduce its dependence on Russia by joining the TAP – a move clearly recommended to Belgrade by Washington – offer some evidence of mounting US pressure on the Balkan states in terms of their energy policy choices, especially as the region is located at the crossroads of gas pipeline routes.

Nevertheless, the viability of the project depends on multiple economic factors, such as gas prices (which are currently on a downward trend) and the timing of investment. Besides, while the TAP's cost-effectiveness seems assured thanks to the connections with other pipelines, such as the Ionian Adriatic Pipeline (IAP) or the Gas Interconnector Greece–Bulgaria (IGB), the numerous partners and scenarios increases uncertainty as well. In this respect, it is worth mentioning that similar challenges affected

²⁰ The Central and South-Eastern Europe Gas Connectivity (CESEC) is an initiative of the European Commission, gathering 15 EU and Energy Community (see the next footnote) countries of the region. It aims to coordinate efforts to facilitate cross-border and trans-European projects that diversify gas supplies to the region, as well as to implement harmonised rules.

²¹ The Energy Community (EC) is an international organisation that deals with energy policy. It was established in 2005 by the European Union and countries of Southeast Europe (Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro and Serbia) and the Black Sea region (Ukraine and Moldova).

²² This refers to planned infrastructure projects aimed at improving the security and diversity of the EU's energy supply by bringing natural gas from the Caspian region to Europe.

TAP's predecessor, Nabucco: some states openly wavered about whether to join Nabucco or South Stream, which resulted in the weakening of both projects.

Another possibility for Serbia would be an indirect connection to the planned IAP, whose 516 km route will run from Albania, through Montenegro and Bosnia and Herzegovina, to Croatia, where it will link with the Krk LNG terminal. The IAP, whose construction is expected to be completed by 2020, is supposed to have an annual capacity of 5 bcm of natural gas supplied by the TAP. In order to access these gas supplies, Serbia would have to connect its network to Montenegro, Bosnia and Herzegovina or Croatia; this fits neatly into its project for interconnections with neighbouring countries. However, since IAP's supply depends on the TAP, the reality of this option remains totally dependent on the completion of the latter pipeline.

Figure 2 / Trans-Adriatic Pipeline (TAP) and Ionian Adriatic Pipeline (IAP) projects



Source: www.lngworldnews.com

3. Turk Stream

Finally, Turk Stream represents Serbia's third option. This pipeline – which will deliver Russian gas via the Black Sea to Turkey, and then onwards to Europe – has emerged as an alternative to the cancelled South Stream. It is designed to have an annual capacity of up to 63 bcm, of which 16 bcm will be supplied to Turkey; the remaining 47 bcm will go to a hub on the Greek–Turkish border, in the town of Ipsala, to be transported onwards to Europe. The first line (of four) is expected to be completed by December 2016. At the moment, the route of the European extension has not been defined, but Serbia, along with Greece, Macedonia and Hungary, has already shown interest in the project: quite apart from additional gas supplies, it would provide Serbia with transit fees. Lately, it has been reported that in

October 2015 the four countries may sign a memorandum on the construction of a pipeline running from Turkey to Austria,²³ which would have an annual capacity of 27 bcm and should be completed by 2019.

Nevertheless, because of the European Union's Third Energy Package and its recently adopted Energy Diplomacy Action Plan, the economic and financial conditions surrounding Turk Stream's extension are less favourable than the two previous options, since Serbia would most likely have to forget about EU or Russian funds. Indeed, on the one hand, the European Commission, which is now officially aiming to reduce the EU's dependence on Russia by diversifying natural gas supply sources, suppliers and routes, would not have any interest in financing a project that amounts merely to route diversification for Gazprom. On the other hand, with the cancellation of South Stream, Gazprom has made it clear that it has no intention of complying with the EU's Third Energy Package and would not be inclined to invest in the construction of gas pipelines on European soil. In these circumstances, Serbia would have either to finance its part of Turk Stream's extension by itself (which would appear to be beyond the country's means, given its current financial situation) or to rely on local or foreign investors, which would depend on the attractiveness of the Serbian natural gas market. Furthermore, some uncertainties about Turk Stream itself have already arisen, since negotiations between Russia and Turkey have been dragging on, especially because of disagreements over the gas price to be granted to Ankara. Recently, at the beginning of August 2015, both parties agreed to put the talks on hold until the formation of Turkey's new government (set to occur in November). Also, it should be remembered that, as for the TAP, Turk Stream's viability is subject to volatile economic and commercial factors. For that matter, in early July 2015 Gazprom cancelled its deal with the company that was supposed to lay the first pipes in the Black Sea; this is likely to slow down construction of Turk Stream.

Figure 3 / The Turk Stream project



Source: www.euractiv.com

²³ The Serbian media have already dubbed the Turk Stream extension the 'Tesla Pipeline', in an obvious attempt to 'nationalise' the project.

CONCLUSION

Serbia's gas sector is expected to expand in the next decades through the development of its national market and its interconnection with the regional market, as well as through the necessary diversification of its supply sources; all this will also improve the country's energy security. Besides, thanks to its geographical situation at the centre of the Balkans, Serbia enjoys several options to secure and diversify its natural gas supply. Nevertheless, the most interesting option remains the interconnection with Bulgaria and other neighbouring countries, since that is easy to set up, both financially (possibility of EU funds) and politically (bilateral negotiations). Moreover, the two alternative options – the TAP and the Turk Stream projects – are highly dependent on volatile economic, geopolitical and political circumstances, as were their failed predecessors, Nabucco and South Stream. Indeed, as the West and Russia continue to compete for influence in the Balkans, not least through gas pipeline politics, Serbia would be well advised to focus on regional cooperation and try to keep as much as possible out of the geopolitical power games.

The return of the caravanserais: economic relations between Turkey and the Western Balkans

BY FATOS HOXHA¹

INTRODUCTION

Classified as an emerging economy and part of the G20, Turkey has managed in recent years to exert economic power in its neighbourhood. Positioned between two continents, its location clearly helps it to do so. Since the 1990s, Turkey has established strong economic relations with various countries of Central Asian, the Caucasus and the Western Balkans² that have a common cultural and historical heritage, especially the Turkic countries of Central Asia and Azerbaijan.

In the Western Balkans, Turkey's presence is particularly strong in the region's infrastructure, e.g. in the construction of highways in Albania and Kosovo. However, Turkey lags behind the EU countries in terms of its overall economic presence in the region. It has managed to maintain impressively strong economic links with almost all its neighbours, using its location and economic capacity to boost its exports. The crisis that hit Greece has also helped Turkey to take over some of the economic dominance that Greece used to have in the Western Balkan region (Petrovic and Reljic, 2011). Furthermore, Turkey – besides its increased economic activities – has managed to penetrate Western Balkan countries through cooperation networks (reconstruction of cultural and historical monuments, academic partnerships, religious charities, etc.), especially since Mr Erdoğan's Justice and Development Party (AKP) has been in power. Nevertheless, perhaps Turkey's biggest achievement in the region has been in exerting soft power,³ through the opening of schools and the reconstruction of historical buildings from the Ottoman era, especially in Bosnia and Herzegovina, Kosovo and Macedonia.

TURKEY'S INVESTMENTS IN THE WESTERN BALKAN COUNTRIES

Turkish investments in the region are diverse and mostly come from private investors. They target all economic sectors, ranging from financial and banking to construction and energy. Turkish financial and commercial companies are present in the market in the Western Balkan countries, especially in Kosovo,

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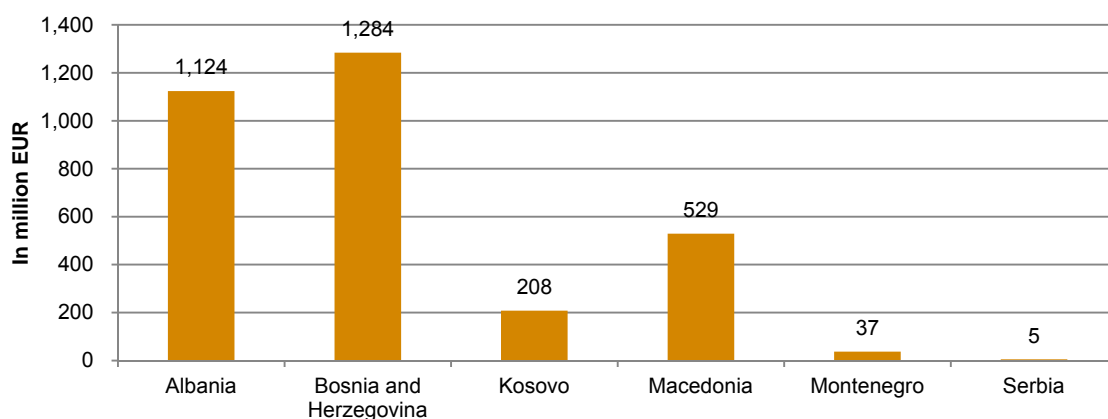
² Western Balkans is a term that emerged from the European Commission offices. It encompasses six countries that are on the path to becoming future members of the European Union: Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia.

³ Soft power – a term first introduced by Joseph Nye (2004) – is the ability to influence the decisions of others without coercion or military power, but through economic, cultural and political power. According to Nye (2004), 'soft power is attractive power'.

Macedonia and Albania. For instance, Çalık Holding has a strong involvement in the Albanian financial sector, with the second largest bank, Banka Kombëtare Tregtare (National Commercial Bank), and in telecommunications, with Eagle Mobile and AlbTelecom. In Kosovo it is present in the banking sector, with TEB, Ziraat Bank and İş Bank; and in Macedonia and Bosnia and Herzegovina with Ziraat Bank. Furthermore, Turkish firms are strong players in aviation transport in Macedonia and Kosovo, with TAV Holding operating the two Macedonian airports in Skopje and Ohrid, and the Turkish Conglomerate Limak Holding jointly operating (with the French firm Aéroport de Lyon) the main transportation hub in Kosovo, Prishtina Airport. The Turkish banking sector is strong – mostly in Albania and Kosovo; but it is lagging behind in Bosnia and Herzegovina and Serbia, where Austrian and domestically owned banks predominate. The most visible Turkish project in the Western Balkans may be in construction, where the US-Turkish consortium Bechtel-ENKA was contracted by the governments of Albania and Kosovo to build the main highway connecting the two countries, with combined costs soaring to almost EUR 2 billion.⁴ This has increased the total value of construction projects in the region initiated by Turkish firms in the period 1994–2009 to around USD 8.8 billion (Türbedar, 2011). However, Turkey lags behind as an investor and trading partner, and just recently has started to increase its presence in the region.

Analysis of the determinants of Turkish foreign direct investment (FDI) outflows shows that Turkish firms look at the market size of the destination country, the distance to Turkey, the level of Turkish trade with the country, and previous market experiences. Regarding the market size, the Western Balkan countries are less relevant to Turkish firms, since they are not large; but their relative proximity to Turkey makes up for the size of the market (Onder and Karal, 2013). In all Western Balkan countries (with the exception of Serbia), Turkish firms feature as strong investors, coming second or third after the EU countries. This strong position of Turkey's FDI is supported by the fact that Turkish products often provide cheap alternatives to goods – something that matters in poor countries like those of the Western Balkans (Kayam and Hisarciklilar, 2009).

Figure 1 / Cumulative Turkish FDI outflow to the Western Balkans (2009–2013)



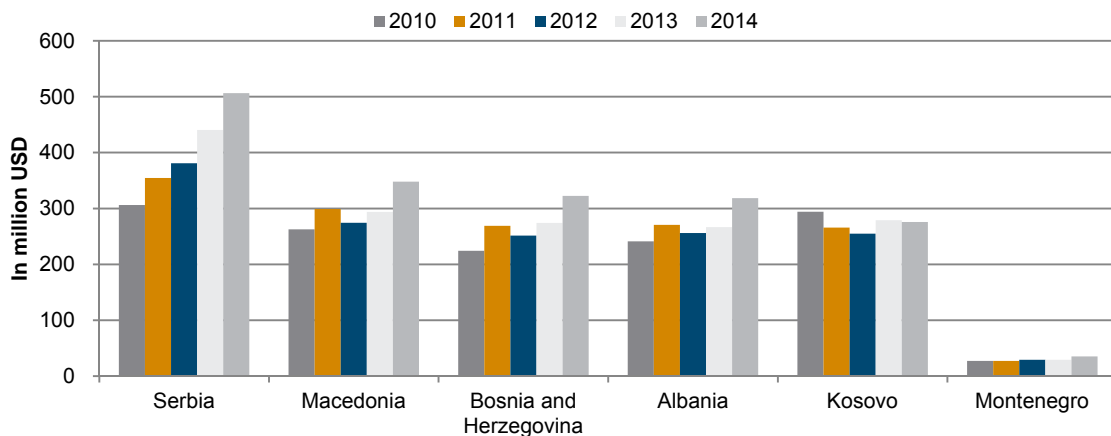
Source: National Central Banks and wiiw FDI database.

⁴ <http://www.balkaninsight.com/en/article/albania-kosovo-highway-costs-soar-to-2-billion-euro>

TURKEY'S TRADE WITH THE WESTERN BALKAN COUNTRIES

Trade flows between the Western Balkan countries and Turkey have also seen a rise in recent years, as is shown in the figures below.

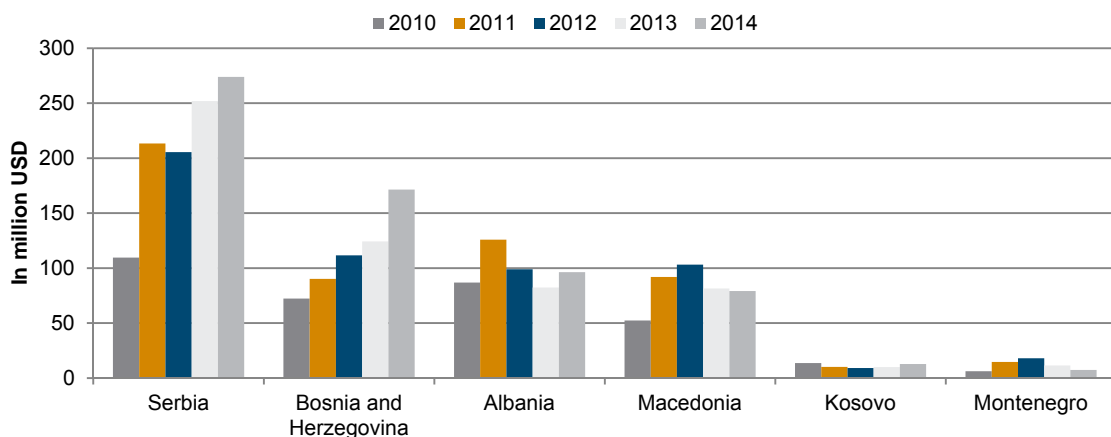
Figure 2 / Turkish exports to the Western Balkan countries



Source: TurkStat.

As can be seen from Figure 2, Turkey's exports to the Western Balkan countries have increased year by year. Still, the Western Balkan market is lagging behind, especially when one compares it with Turkish exports to the Caucasus countries, such as Azerbaijan and Georgia, which combined reached USD 4.2 billion in 2014. In contrast, the total amount of Turkish exports to the Western Balkans in 2014 was just USD 1.8 billion, corresponding to a mere 1.15% of total Turkish exports in that year. In order to intensify trade relations in the region, Turkey has established free trade agreements with all the Western Balkan countries, with Kosovo being the latest to sign.

Figure 3 / Turkish imports from the Western Balkan countries

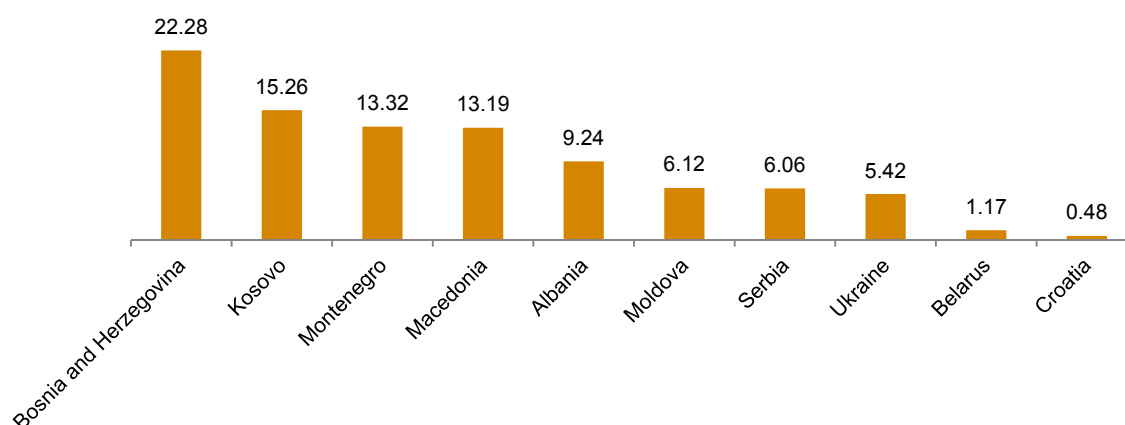


Source: TurkStat.

The economic diversification policy of Turkey towards the Western Balkans is also visible in the energy sector, as illustrated by the newly proposed gas pipeline from the Caspian Sea in Azerbaijan through Turkey and onwards into Europe via Greece and Albania (Trans-Adriatic Pipeline). This will probably increase Turkey's presence in some of the countries, especially Albania.

Turkey's enhanced focus in the Western Balkans is exposed not least through the activity of TIKA (Turkish Cooperation and Coordination Agency): of its nine European offices, five are in this region. Although TIKA provides grants in education and the health sector, too, its main focus is on the reconstruction of cultural and religious edifices, especially in Muslim-majority countries like Bosnia and Herzegovina and Kosovo. In Kosovo, the majority of Muslim religious buildings are being reconstructed by TIKA. In Bosnia and Herzegovina, TIKA has rebuilt the famous Mehmed Paša Sokolović bridge in Višegrad. Furthermore TIKA facilitated the restoration of the Sultan Murad Mausoleum near Prishtina and the reconstruction of major religious buildings in Prishtina and other cities in Kosovo, and also schools in Serbia and Macedonia.

Figure 4 / Largest recipients of Turkish aid in Europe in 2013 (in million EUR)



Source: TIKA Annual Report 2013.

OUTLOOK

With increasing market shares in trade with the Western Balkans, a continuous rise in FDI outflow to the region and its involvement in regional cultural organisations, Turkey will likely continue to strengthen its presence in the Western Balkans. However, whether Turkey remains a regional economic power, and whether it can maintain strong economic relationships with the Western Balkan countries, depends on how well it can compete with other regional and global powers that have more leverage in the region, such as the EU and (to some degree) Russia. This will be difficult, given Turkey's domestic and foreign problems. The country's impressive economic growth era might also come to an end. Moreover, apart from economic relations, Turkey's major influence will mainly be in the Bosniak part of Bosnia and Herzegovina and in Kosovo and Macedonia, where it will utilise its soft power in the field of diplomatic support.

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Eurasian integration: implications for Armenia and Kyrgyzstan

BY AMAT ADAROV

The year 2015 was marked by further expansion and deepening of Russia-led Eurasian integration. The continued efforts by Russia to expand its integration initiative have provoked much tension in the region, with the conflict in Ukraine being the most salient example of the extent to which the geopolitical split between the 'East' and 'West' integration vectors could have disastrous consequences. The formation of the Eurasian Economic Union (EEU) in January 2015 signified another major step in the Eurasian integration endeavour, shifting the Eurasian Customs Union–Single Economic Space arrangement of Belarus, Kazakhstan and Russia to yet another stage of economic integration. The new bloc will attempt to reach beyond mere trade-related matters, facilitate the realisation of the so-called 'four freedoms' (a common market for goods, services, capital and labour) and promote cross-country coordination of economic policies (see Box A).

BOX A / EURASIAN ECONOMIC INTEGRATION IN BRIEF

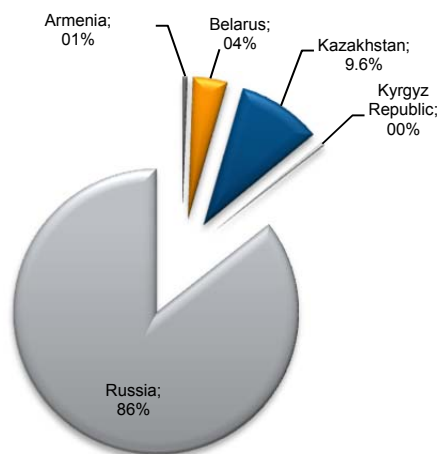
Eurasian economic integration remains the most successful attempt so far to reintegrate the economies of the post-Soviet space. After repeated fruitless efforts to facilitate multilateral economic cooperation within a broader pool of countries from the Commonwealth of Independent States (CIS), Belarus, Kazakhstan and Russia were the only ones that managed to reach consensus and establish a customs union in 2010. As with other customs unions, at the core of the Eurasian Customs Union were the following proposed key arrangements: (1) free movement of goods across the member states, (2) a common customs territory for the member states, (3) unified commodity classification, (4) common external tariff applied to non-member trading partners, (5) harmonised non-tariff measures and procedures. The common external tariff (CET) to be applied by each member state to imports from non-bloc trading partners followed predominantly the existing structure of Russian import duties, with a range of temporary exclusions negotiated and granted to the member states on certain 'sensitive' products. In 2012, the three member states moved on with the integration process by establishing the Eurasian Customs Union–Single Economic Space (EACU-SES), which declared as its ultimate objective the achievement of a common market not only for goods, but also for services, capital and labour. The launch of the new format was also accompanied by the formation of the Eurasian Economic Commission, a supranational organisation explicitly charged with oversight of the integration process and regulatory competencies in certain areas, including customs, sanitary and phytosanitary (SPS) measures and technical regulations.

With the formation of the EEU in January 2015, the member states crafted further plans to deepen economic ties by implementing a framework to coordinate and harmonise economic policies and by restating their commitment to facilitate the free movement of goods and factors of production. The

multitude of regulations and intentions were meticulously summarised in the Treaty on the Eurasian Economic Union – a document comprising over a thousand articles, grouped into four sections, proposing multiple directions along which integration should proceed, including: trade, technical regulation, SPS measures, consumer protection, macroeconomic policy, financial markets, taxes, competition and natural monopolies, energy, transport, procurement and migration.¹ While in many respects the provisions reiterate the previously stated goals and regulations, among the notable features the union will attempt to eliminate the remaining barriers to mutual trade in goods (mostly related to discrepancies in technical requirements and SPS regulations). The treaty also provides a framework for the common energy market (oil, gas, electricity), which has been one of the most controversial matters within the bloc, although the common market is expected to be achieved only by 2025. The member states will have to implement national treatment in the provision of services and equal access to the labour market across the union. The treaty also proclaims the need for coordination of economic policies, which should potentially lead to closer financial integration. The intention is to establish a common supranational authority to oversee financial markets (envisaged for 2025).

Figure 1 / Composition of the EEU market

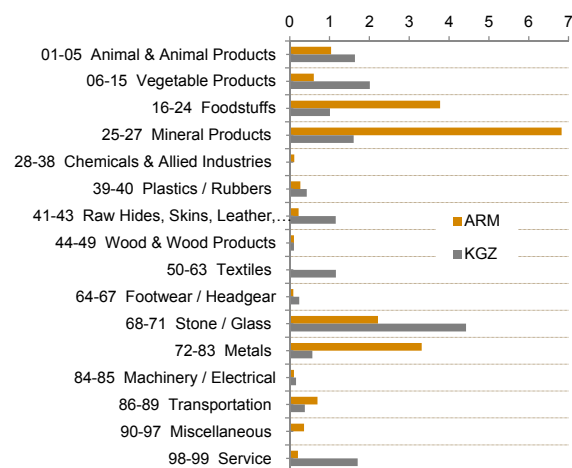
GDP shares at PPP, 2014



Source: IMF WEO database.

Figure 2 / Competitiveness of Armenia and Kyrgyzstan

The RCA index, based on Balassa (1986)² for HS 2-digit level industries



Source: own calculations based on the UN Comtrade data.

¹ The document is accessible at <https://docs.eaeunion.org/ru-ru/Pages/DisplayDocument.aspx?s=bef9c798-3978-42f3-9ef2-d0fb3d53b75f&w=632c7868-4ee2-4b21-bc64-1995328e6ef3&l=540294ae-c3c9-4511-9bf8-aaf5d6e0d169&EntityID=3610>

² Balassa, B. (1986). Comparative advantage in manufactured goods: a reappraisal. *Review of Economics and Statistics*, 68(2): 315–19. The revealed comparative advantage (RCA) index 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.

The bloc has also expanded geographically, with Armenia joining in January 2015 and Kyrgyzstan in August 2015. The benefits that Eurasian integration may actually bring to the economies of the new member states are not apparent at the moment. Both Armenia and Kyrgyzstan are small, open economies with low income levels and weak industries, concentrating on commodities and agriculture (see Box B for general macroeconomic characteristics and Figure 2 for the global competitiveness profile). Aggregate output of the two new member states constitutes less than 1% of the total EEU market (Figure 1). However, the countries already enjoyed access to the market prior to joining the union, and the new arrangement may bring only marginal additional gains from this perspective, unless the remaining non-tariff barriers to mutual trade, still existing and significant within the EEU, are eliminated and cross-border infrastructure is improved.

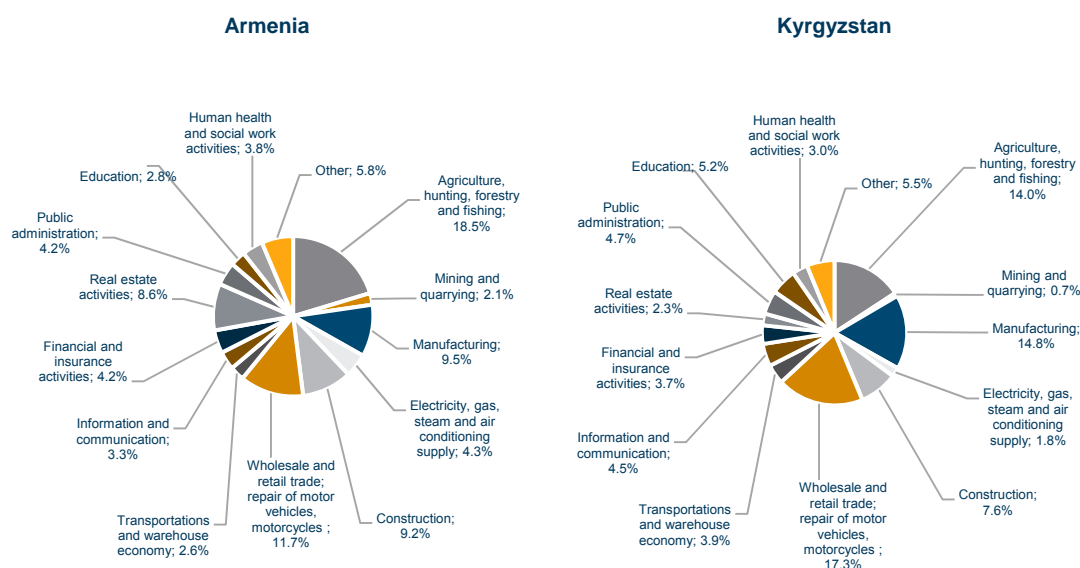
BOX B / ARMENIA AND KYRGYZSTAN: A SNAPSHOT OF THE ECONOMIES

Table B 1 / Major economic indicators, 2014

	Population	GDP (USD)	Real GDP growth	Inflation	GDP per capita (USD)	GDP per capita (USD at PPP)
<i>Armenia</i>	2.98 mn	10.88 bn	3.4%	3.0%	3,647	8,138
<i>Kyrgyzstan</i>	5.83 mn	7.40 bn	3.6%	7.5%	1,269	3,322

Source: World Bank's WDI database.

Figure B 1 / GDP by production (NACE 2 classification)



Source: National statistics offices of Armenia and Kyrgyzstan.

Table B 2 / Top five export and import partners, 2013

Armenia					
Exports			Imports		
	USD, mn	Share, %		USD, mn	Share, %
Russian Federation	331.92	22.6	Russian Federation	1104.45	25.9
Bulgaria	152.21	10.4	China	383.49	9.0
Belgium	131.09	8.9	Ukraine	226.35	5.3
United States	88.44	6.0	Turkey	210.20	4.9
Canada	87.38	6.0	Iran, Islamic Rep.	187.57	4.4
Kyrgyzstan					
Exports			Imports		
	USD, mn	Share, %		USD, mn	Share, %
Switzerland	513.20	28.9	Switzerland	1989.24	33.2
Kazakhstan	382.45	21.6	Kazakhstan	1432.05	23.9
United Arab Emirates	221.95	12.5	United Arab Emirates	555.02	9.3
Uzbekistan	159.01	9.0	Uzbekistan	257.29	4.3
Russian Federation	152.70	8.6	Russian Federation	233.46	3.9

Source: World Bank's WITS database.

Table B 3 / Top five export and import product groups, HS 2-digit level, 2013

Armenia			
Exports	USD mn	Imports	USD mn
Ores, slag and ash	303.60	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	938.22
Beverages, spirits and vinegar	212.91	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	408.09
Natural or cultured pearls, precious or semi-precious stones, precious metals	187.09	Natural or cultured pearls, precious or semi-precious stones, precious metals	295.24
Iron and steel	105.20	Electrical machinery and equipment and parts thereof; sound recorders and reproducers	171.92
Copper and articles thereof	95.07	Cereals	143.40

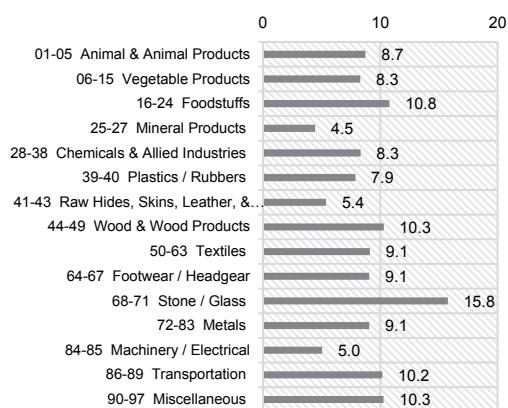
Kyrgyzstan			
Exports	USD mn	Imports	USD mn
Natural or cultured pearls, precious or semi-precious stones, precious metals	742.71	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	1282.0
Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	166.67	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	733.32
Edible vegetables and certain roots and tubers	109.07	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	407.05
Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	85.31	Electrical machinery and equipment and parts thereof; sound recorders and reproducers	289.57
Articles of apparel and clothing accessories, not knitted or crocheted	82.05	Articles of iron or steel	232.70

Source: UN Comtrade.

The customs-related provisions of the EEU suggest that both Armenia and Kyrgyzstan must adopt much stricter barriers to imports from non-EEU trading partners. This will have two major implications. First, though the structure of the EEU CET (Figure 3) does shield the key domestic industries of Armenia and Kyrgyzstan from foreign competition, a more protectionist environment has long-term economic costs in the form of efficiency gains forgone. On the other hand, both countries prior to joining the EEU enjoyed a more liberal trade regime (Figure 4) and will have to implement major increases in their import tariff rates – as Kazakhstan had to do when it joined the Eurasian Customs Union in 2010. Aside from resulting in consumer price increases – a sensitive issue for both poverty-stricken countries – this will boost production costs for domestic industries that are reliant on imported intermediate inputs. Higher import duties, along with stricter customs controls, will have particularly adverse effects for Kyrgyzstan, which has been generating much income and employment from re-exports of cheap goods from China. The EEU appears to be rather firm in its determination to do away with the possibility of grey re-exports from Kyrgyzstan; allegedly this was one of the reasons for the uncertainty and delay in its membership in the union.

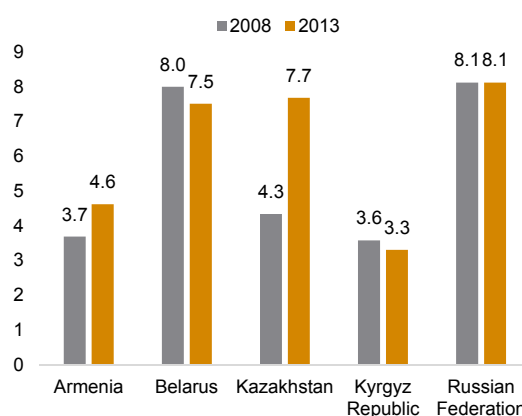
Both Armenia and Kyrgyzstan are long-standing members of the World Trade Organisation (WTO) (Armenia joined in 2003, Kyrgyzstan in 1998), and their markets were relatively more open as a result under the most-favoured nation regime. The adoption of the EEU CET – a much higher tariff schedule – necessitates renegotiation and compensation for the deterioration in their trade regimes in line with the WTO provisions. So far it appears that the major burden of renegotiating will be borne by Armenia and Kyrgyzstan themselves.

Figure 3 / The EEU common external tariff structure, %



Source: calculations based on the WTO data for Russia, 2012

Figure 4 / Average applied import tariff rate, %



Source: World Bank's WDI.

In both countries, many hopes were initially pinned also on non-trade benefits associated with their membership in the EEU. However, it is doubtful whether integration will help promote domestic production in the new member states (e.g. as often envisaged, via the formation of joint production facilities that take advantage of cheap domestic labour), since the investment climate has not been particularly attractive owing to institutional impediments and weak infrastructure. In this regard, Russia has been viewed as a potential source of investment that could also help rebuild their infrastructure,

assist with the development of laboratories to control production quality, improve border controls, etc. So far inward FDI stock in Armenia and Kyrgyzstan from Russia has constituted about 15% and 3% of GDP, respectively. However, as Russia itself is struggling with recession and capital flight, it is not likely to become a major source of investment – at least not in the medium term.

Speaking of infrastructural impediments, the lack of direct transport connections with the rest of the EEU places Armenia in an especially disadvantaged position and hinders possible benefits the country could reap from the elimination of barriers to flows of goods and productive inputs among the EEU members. Armenia is separated from Russia by Georgia – a country more likely to proceed with European integration; this implies double customs controls for Armenian exports to Russia, in addition to the generally poor quality of the cross-border transport infrastructure. Relations between Georgia and Russia are still strained after the military conflict of 2008, and, although steps have been taken to repair the relationship, Georgia's breakaway regions of Abkhazia and South Ossetia (supported by Russia) remain an issue that could potentially reignite the conflict. As a result of long-standing political disputes, Armenia's borders with Turkey and Azerbaijan remain blocked, whereas the transport corridor along the border shared with Iran is largely underdeveloped.

Among the prominent features of the new EEU members is their particularly high dependence on outward labour migration and migrant transfers. Remittances from Russia constitute an important source of income for both Armenia and Kyrgyzstan, amounting to as much as 13% and 25% of GDP, respectively. As Russia has been progressively tightening its migration regulations in recent years, access to its labour market was likely among the important considerations when weighing up the pros and cons of joining the Eurasian bloc. While the treaty on the EEU assures equal treatment in the labour markets across the member states, de facto labour mobility even within Russia itself has been obstructed by inefficient residency registration requirements and their inadequate implementation. Moreover, in the wake of the economic recession, with the number of unemployed in Russia already exceeding 4 million (according to the July 2015 Rosstat estimates) and with a sharp depreciation of the Russian rouble destroying the value of incomes, migrants have lately been fleeing the country.

Finally, energy pricing has traditionally been one of Russia's most powerful 'weapons', and its importance in the case of Armenia and Kyrgyzstan is especially high. These low-income economies are particularly sensitive to energy price hikes, which was especially evident in June 2015, when thousands of Armenians joined in street protests in Yerevan against electricity tariff increases. Besides economic considerations, geopolitical benefits associated with the partnership with Russia are also particularly important for Armenia in the context of its dispute with Azerbaijan over the Nagorno-Karabakh region.

While Eurasian integration has exhibited remarkable progress in moving formally along the integration path from a free trade agreement to an economic union in a matter of years, the quality of integration and its actual economic effects are not evident. Amid the elevated geopolitical risks and a recession in Russia, coupled with traditional structural problems characterising all member states of the EEU, the expected benefits for Armenia and Kyrgyzstan run the risk of being rather limited.

The editors recommend for further reading*

Migration

On asylum seekers: <http://www.bloombergvview.com/quicktake/political-asylum>

On illegal immigration from Mexico in the USA:

<http://www.pewresearch.org/fact-tank/2015/07/15/what-we-know-about-illegal-immigration-from-mexico/>

Euro area

Philippon on the state of the European monetary union: <http://www.voxeu.org/article/state-monetary-union>

On German debt write-off in 1953 with lessons for Greece:

<http://www.voxeu.org/article/pragmatic-approach-external-debt-write-down-germany-s-debts-1953>

Euro vs. the 'gold standard':

<http://www.nzz.ch/wirtschaft/wirtschaftspolitik/wem-gehoert-der-euro-1.18580023>

Monetary policy in the US

On long-term interest rate:

https://www.whitehouse.gov/sites/default/files/docs/interest_rate_report_final_v2.pdf

Stiglitz arguing against the interest rate hike by the Fed: <https://www.project-syndicate.org/commentary/us-fed-interest-rate-hike-low-inflation-by-joseph-e--stiglitz-2015-09>

John Cochrane on why zero interest rate is good:

<http://johnhcochrane.blogspot.co.at/2015/08/whither-inflation.html#more>

Miscellaneous

Buiter et al. on devaluation of the Chinese Yuan: <http://www.willembuiter.com/chinadev.pdf>

Russia's economic problems:

<http://www.bloombergvview.com/articles/2015-08-25/russia-won-t-suffer-the-soviet-union-s-fate>

A critique of unit labour costs as an indicator of competitiveness:

<http://www.worldeconomicsassociation.org/newsletterarticles/ulc/>

Milanovic on how communism contributed to lower inequality in developed capitalist societies:

http://glineq.blogspot.co.at/2015/08/did-socialism-keep-capitalism-equal_52.html

* Recommendation is not necessarily endorsement. The editors are grateful to Vladimir Gligorov and Leon Podkaminer for their valuable contributions to this section.

Monthly and quarterly statistics for Central, East and Southeast Europe

The annex now covers **20 countries** of the CESEE region. The new graphical form of presenting statistical data is intended to facilitate the **analysis of short-term macroeconomic developments**. The set of indicators captures tendencies in the real sector, pictures the situation in the labour market and inflation, reflects fiscal and monetary policy changes, and depicts external sector development.

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: <http://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
LFS	Labour Force Survey
HICP	Harmonized Index of Consumer Prices (for new EU Member States)
PPI	Producer Price Index
M1	Currency outside banks + demand deposits / narrow money (ECB definition)
M2	M1 + quasi-money / intermediate money (ECB definition)
p.a.	per annum
mn	million (10 ⁶)
bn	billion (10 ⁹)

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.

Access: New online database access! (see overleaf)

New online database access



wiiw Annual Database



wiiw Monthly Database



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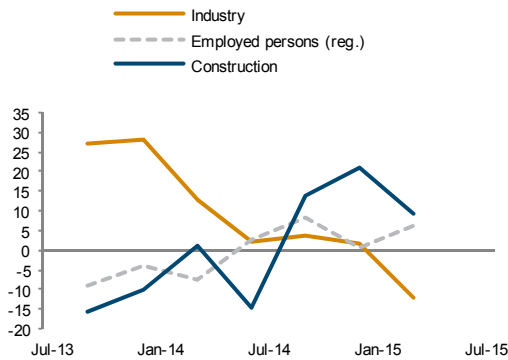
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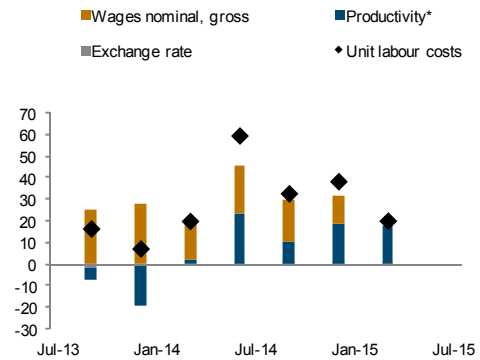
For more information on database access for Members and on Membership conditions, please contact Ms. Gabriele Stanek (stanek@wiiw.ac.at), phone: (+43-1) 533 66 10-10.

Albania

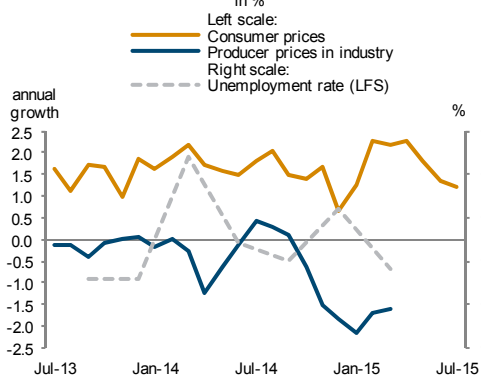
Real sector development
annual growth rate in %



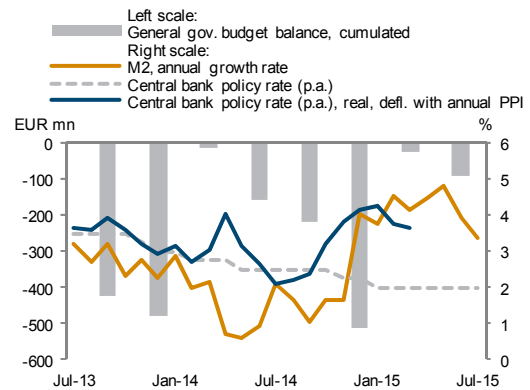
Unit labour costs in industry
annual growth rate in %



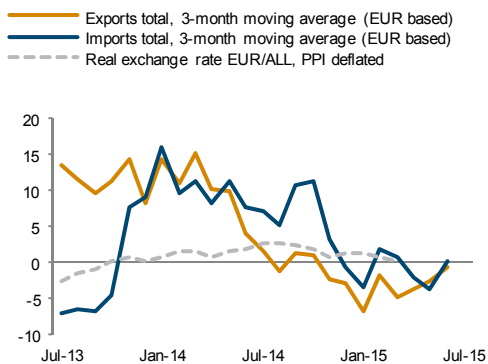
Inflation and unemployment
in %



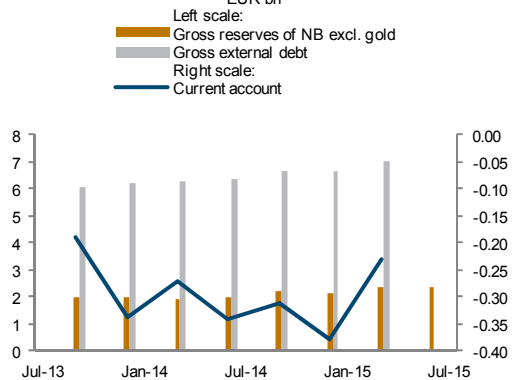
Fiscal and monetary policy



External sector development
annual growth rate in %



External finance
EUR bn



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

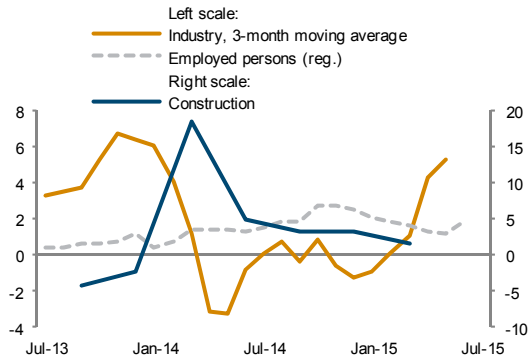
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

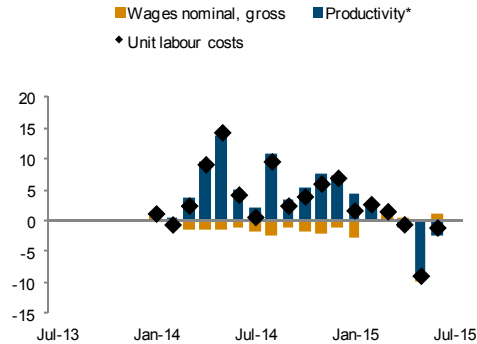
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Bosnia and Herzegovina

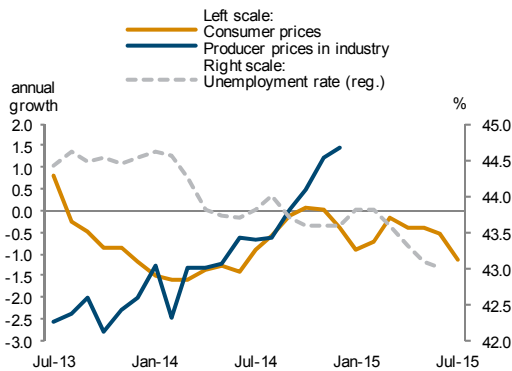
Real sector development
annual growth rate in %



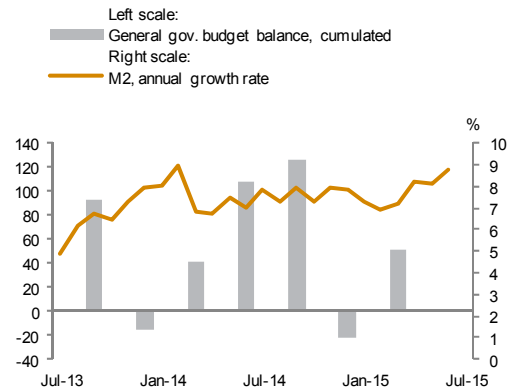
Unit labour costs in industry
annual growth rate in %



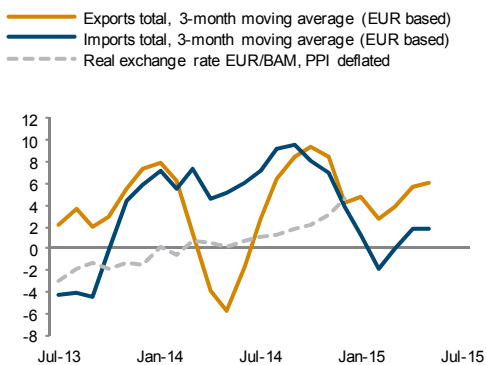
Inflation and unemployment
in %



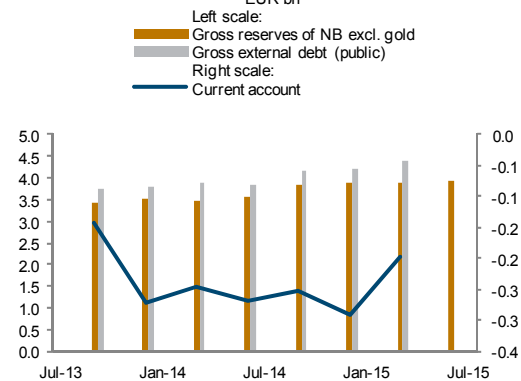
Fiscal and monetary policy



External sector development
annual growth rate in %



External finance
EUR bn



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

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

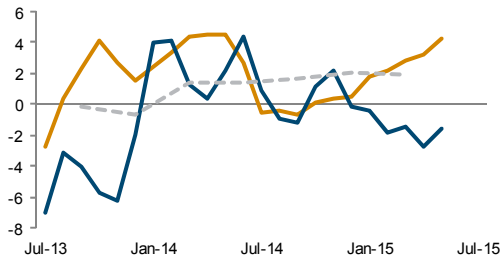
<http://data.wiiw.ac.at/monthly-database.html>

Bulgaria

Real sector development

annual growth rate in %

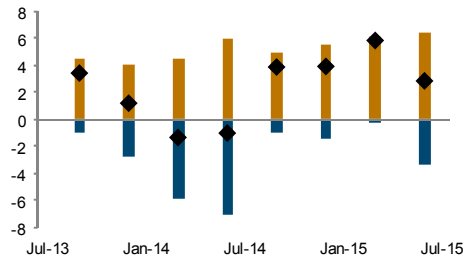
— Industry, 3-month moving average
— Construction, 3-month moving average
- - - Employed persons (LFS)



Unit labour costs in industry

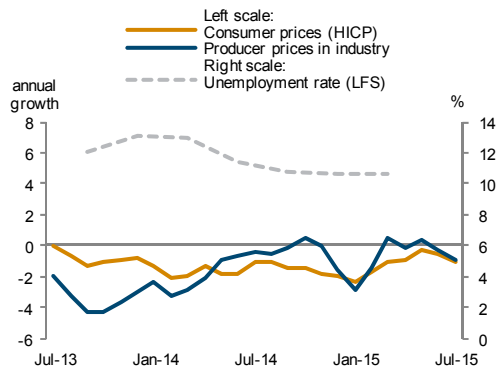
annual growth rate in %

■ Wages nominal, gross ■ Productivity* ◆ Unit labour costs

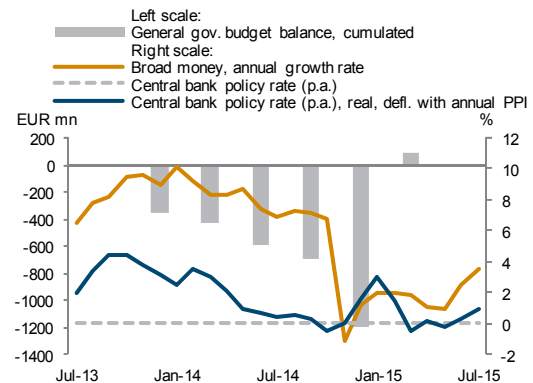


Inflation and unemployment

in %



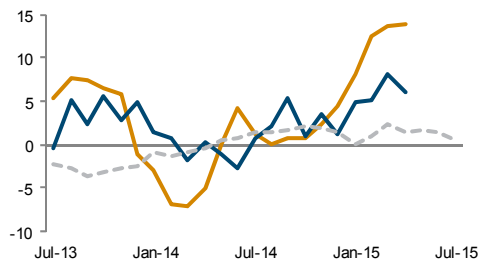
Fiscal and monetary policy



External sector development

annual growth rate in %

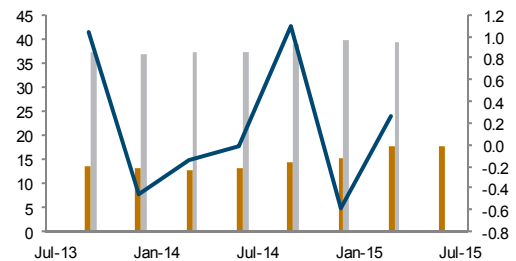
— Exports total, 3-month moving average (EUR based)
— Imports total, 3-month moving average (EUR based)
- - - Real exchange rate EUR/BGN, PPI deflated



External finance

EUR bn

Left scale:
■ Gross reserves of NB excl. gold
■ Gross external debt
Right scale:
— Current account



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

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

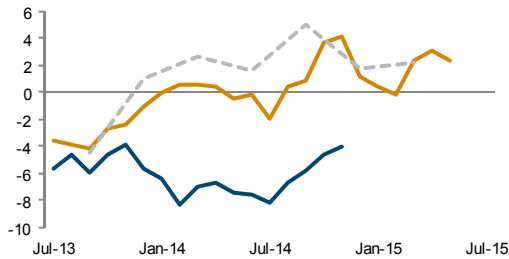
<http://data.wiiw.ac.at/monthly-database.html>

Croatia

Real sector development

annual growth rate in %

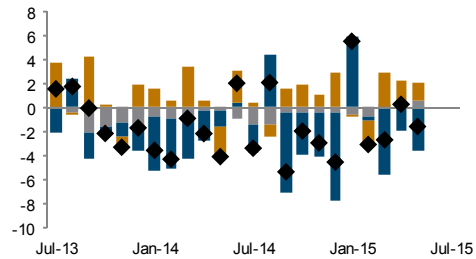
- Industry, 3-month moving average
- Construction, 3-month moving average
- - - Employed persons (LFS)



Unit labour costs in industry

annual growth rate in %

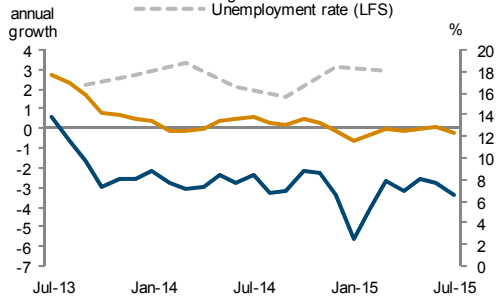
- Wages nominal, gross
- Exchange rate
- Productivity*
- ◆ Unit labour costs



Inflation and unemployment

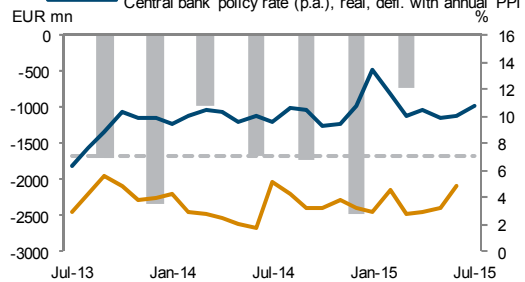
in %

- Left scale:
 - Consumer prices (HICP)
 - Producer prices in industry
- Right scale:
 - - - Unemployment rate (LFS)



Fiscal and monetary policy

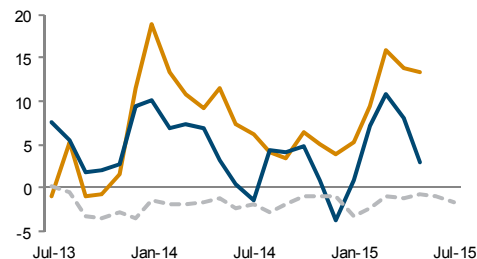
- Left scale:
 - General gov. budget balance, cumulated
- Right scale:
 - Broad money, annual growth rate
 - - - Central bank policy rate (p.a.)
 - Central bank policy rate (p.a.), real, defl. with annual PPI



External sector development

annual growth rate in %

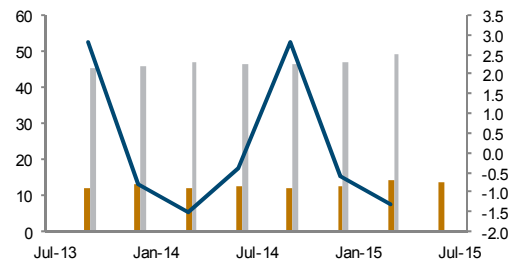
- Exports total, 3-month moving average (EUR based)
- Imports total, 3-month moving average (EUR based)
- - - Real exchange rate EUR/HRK, PPI deflated



External finance

EUR bn

- Left scale:
 - Gross reserves of NB excl. gold
 - Gross external debt
- Right scale:
 - Current account



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

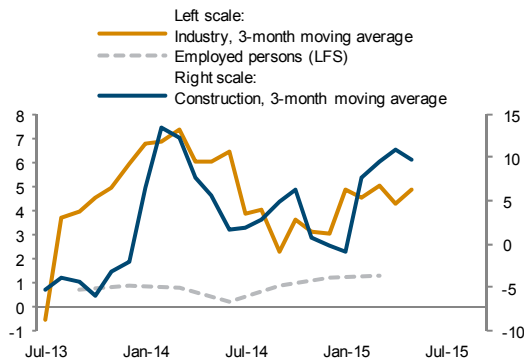
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

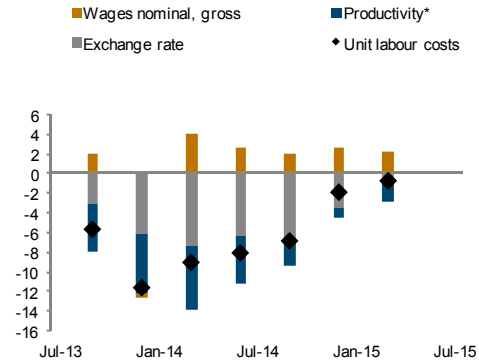
<http://data.wiiw.ac.at/monthly-database.html>

Czech Republic

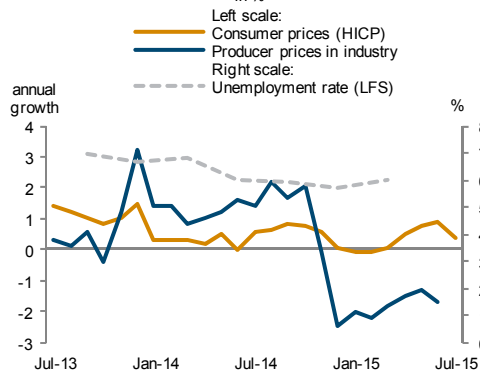
Real sector development
annual growth rate in %



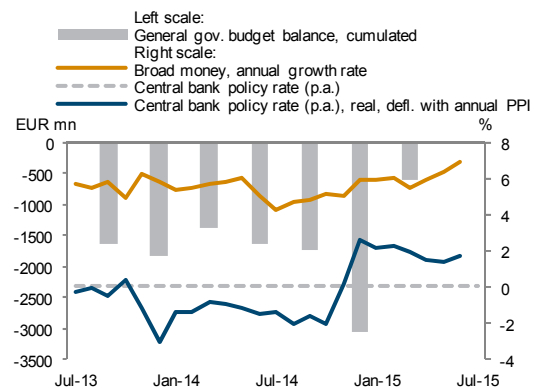
Unit labour costs in industry
annual growth rate in %



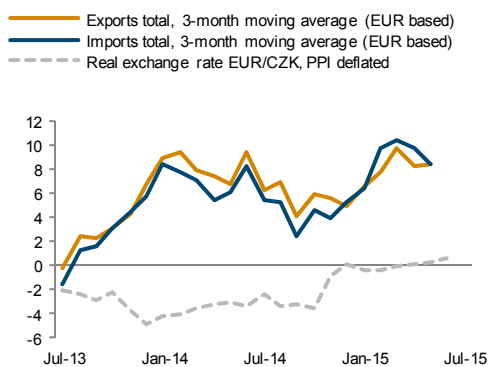
Inflation and unemployment
in %



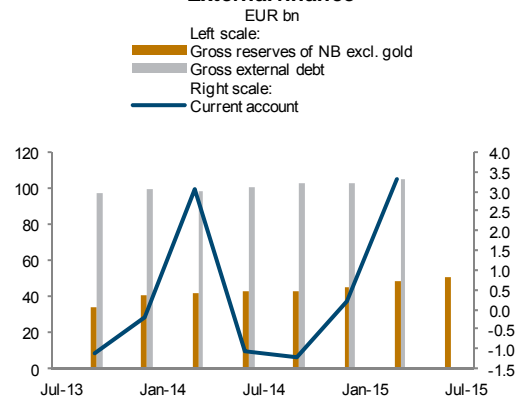
Fiscal and monetary policy



External sector development
annual growth rate in %



External finance



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

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

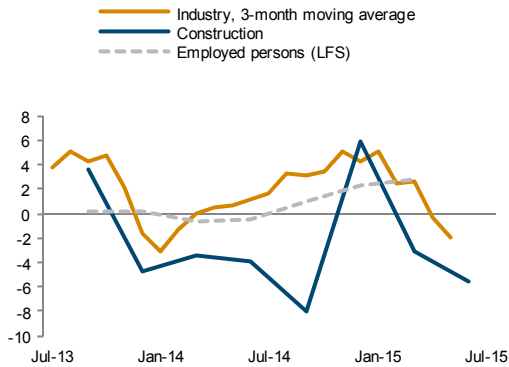
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<http://data.wiiw.ac.at/monthly-database.html>

Estonia

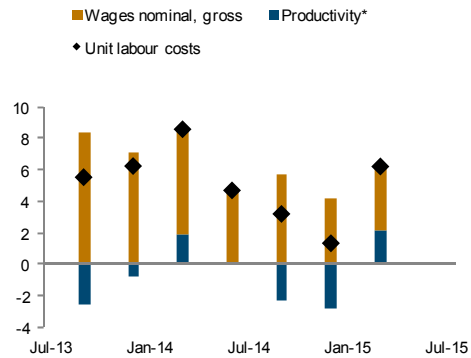
Real sector development

annual growth rate in %



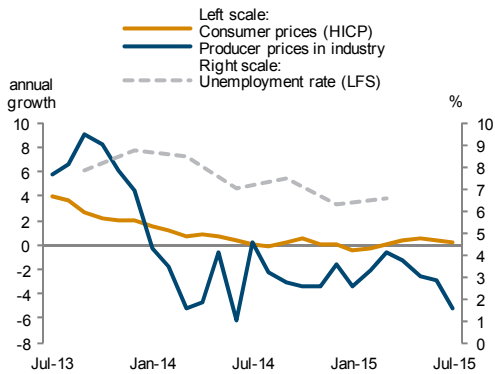
Unit labour costs in industry

annual growth rate in %

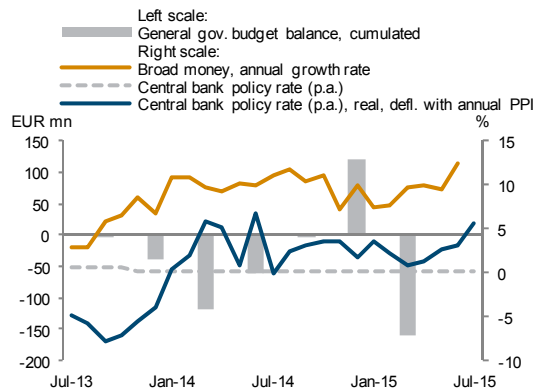


Inflation and unemployment

in %

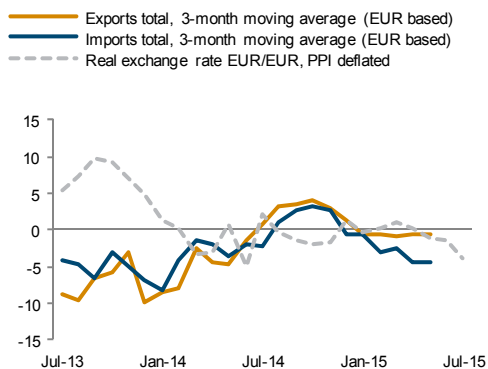


Fiscal and monetary policy



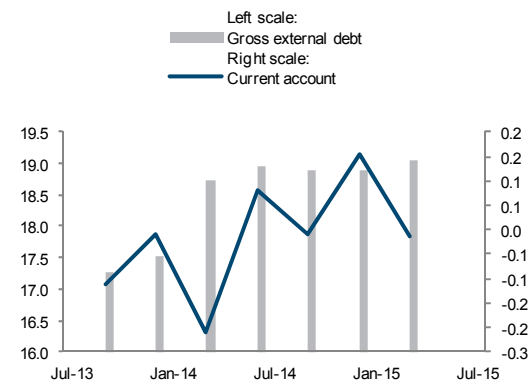
External sector development

annual growth rate in %



External finance

EUR bn



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

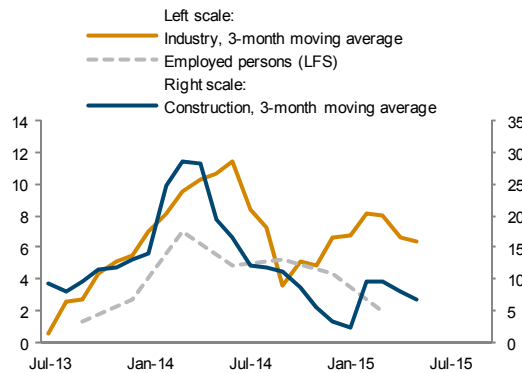
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

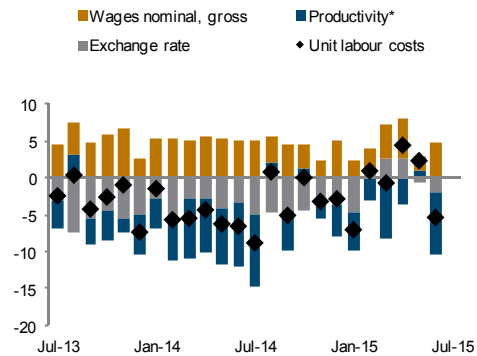
<http://data.wiiw.ac.at/monthly-database.html>

Hungary

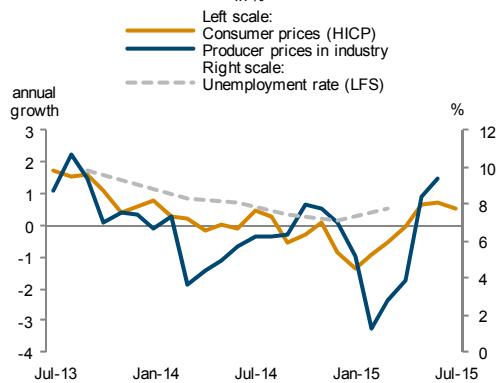
Real sector development
annual growth rate in %



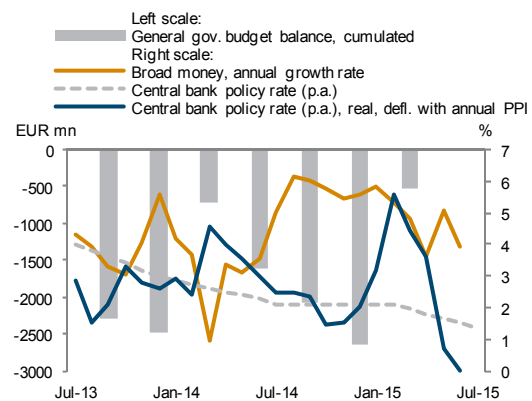
Unit labour costs in industry
annual growth rate in %



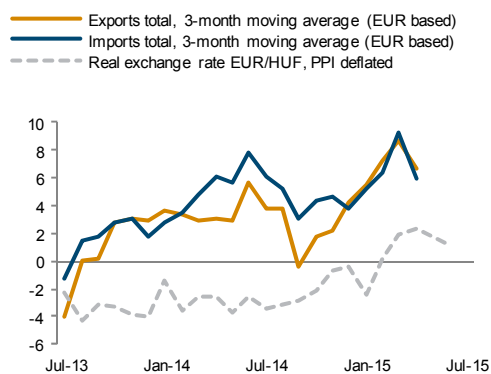
Inflation and unemployment
in %



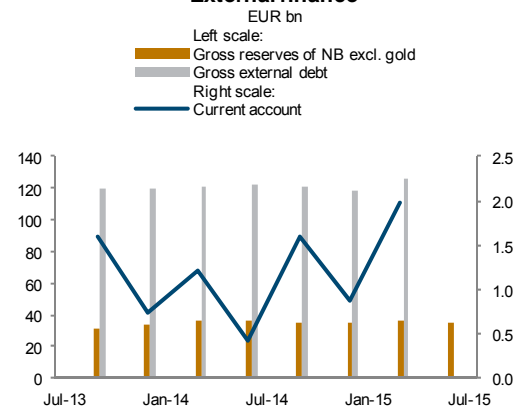
Fiscal and monetary policy



External sector development
annual growth rate in %



External finance



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

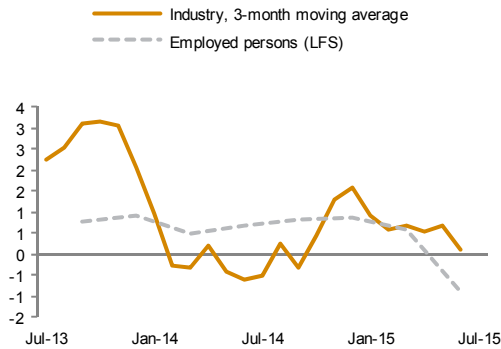
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

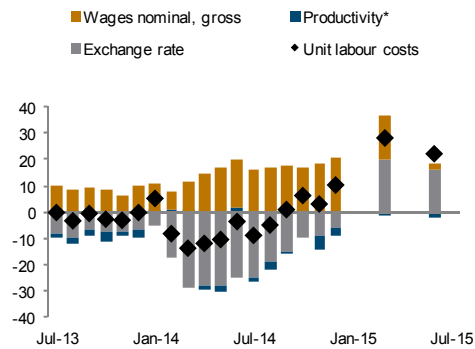
<http://data.wiiw.ac.at/monthly-database.html>

Kazakhstan

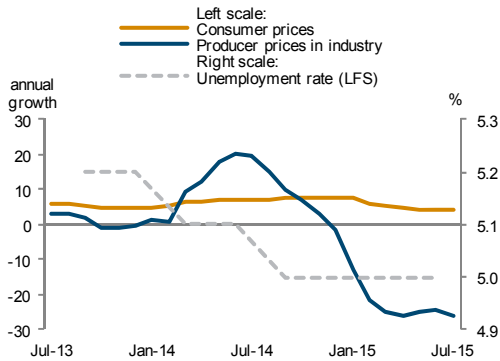
Real sector development
annual growth rate in %



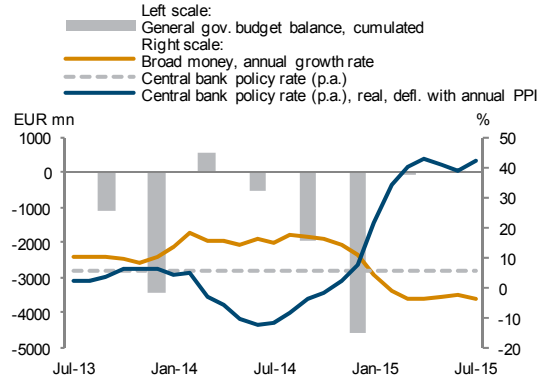
Unit labour costs in industry
annual growth rate in %



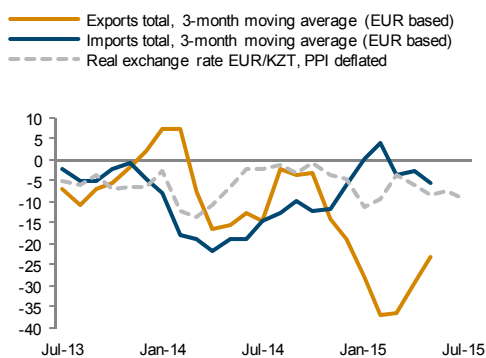
Inflation and unemployment
in %



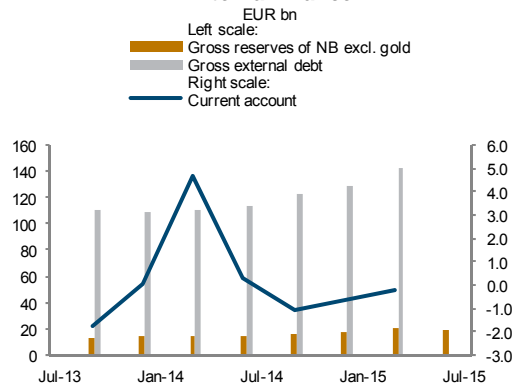
Fiscal and monetary policy



External sector development
annual growth rate in %



External finance



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

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

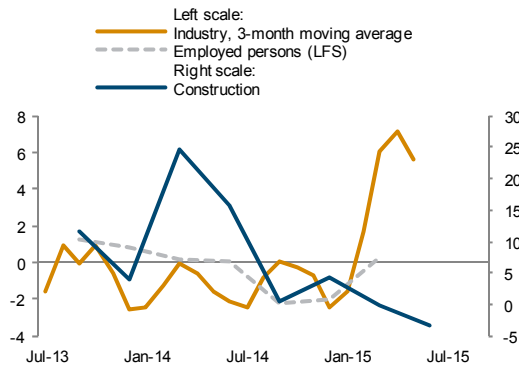
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<http://data.wiiw.ac.at/monthly-database.html>

Latvia

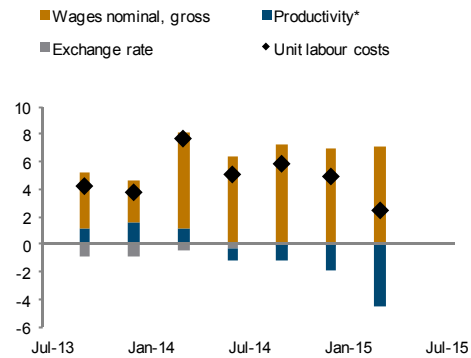
Real sector development

annual growth rate in %



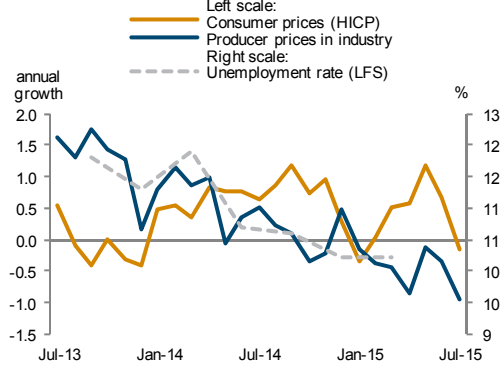
Unit labour costs in industry

annual growth rate in %

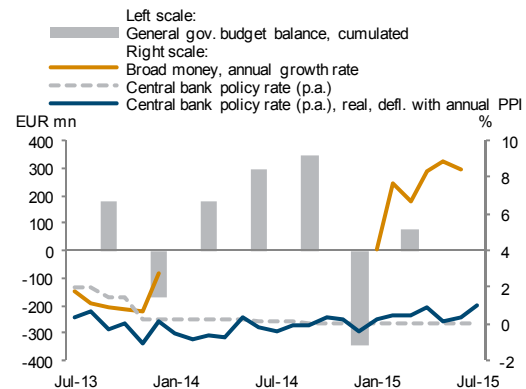


Inflation and unemployment

in %

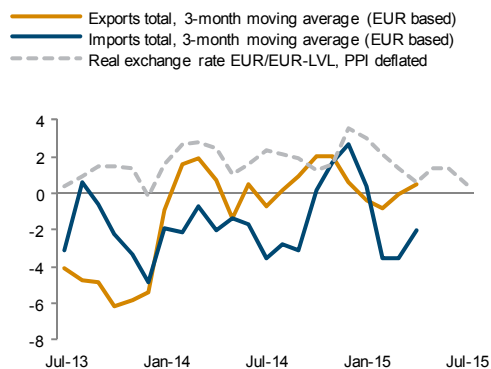


Fiscal and monetary policy



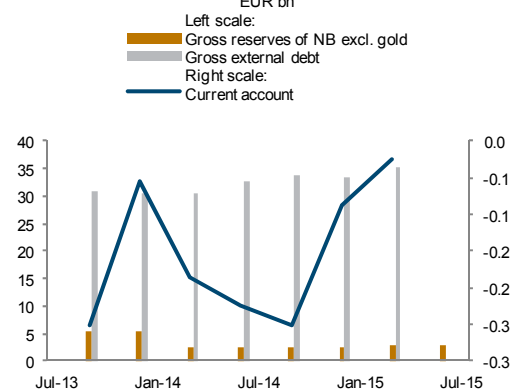
External sector development

annual growth rate in %



External finance

EUR bn



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

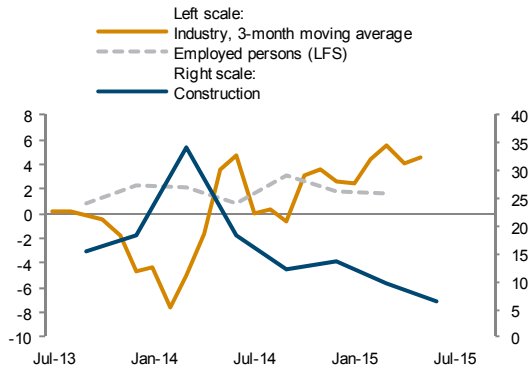
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

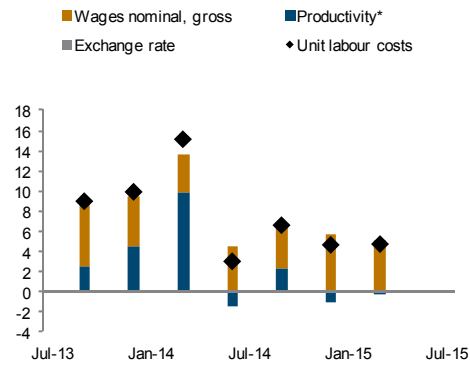
<http://data.wiiw.ac.at/monthly-database.html>

Lithuania

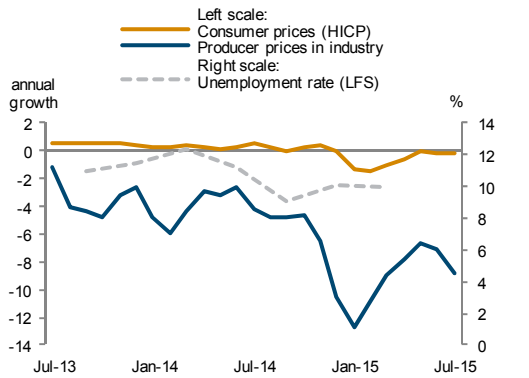
Real sector development
annual growth rate in %



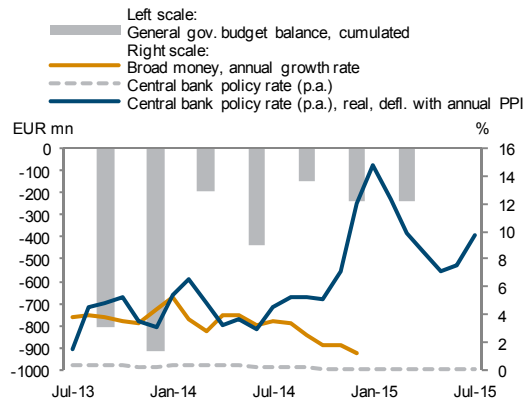
Unit labour costs in industry
annual growth rate in %



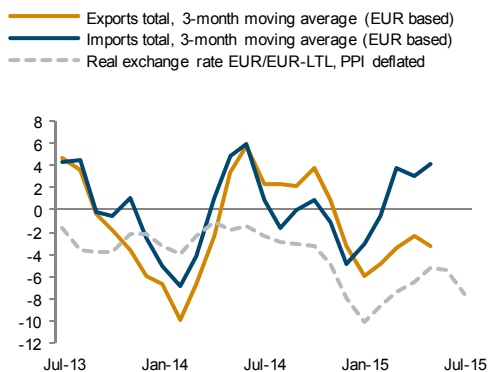
Inflation and unemployment
in %



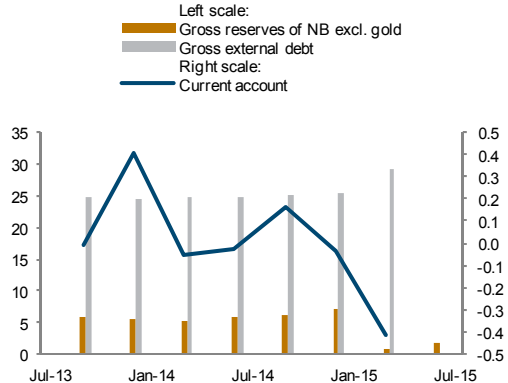
Fiscal and monetary policy



External sector development
annual growth rate in %



External finance
EUR bn



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

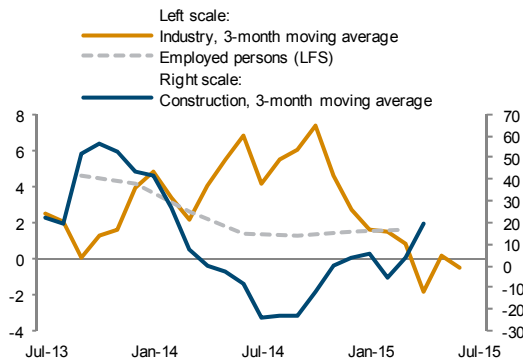
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

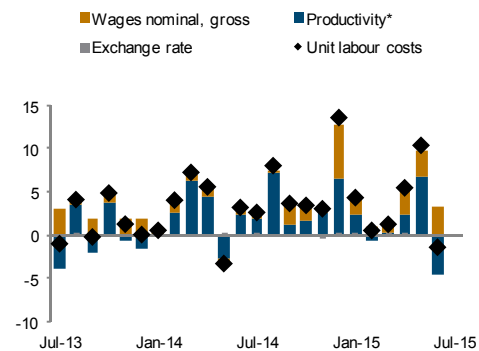
<http://data.wiiw.ac.at/monthly-database.html>

Macedonia

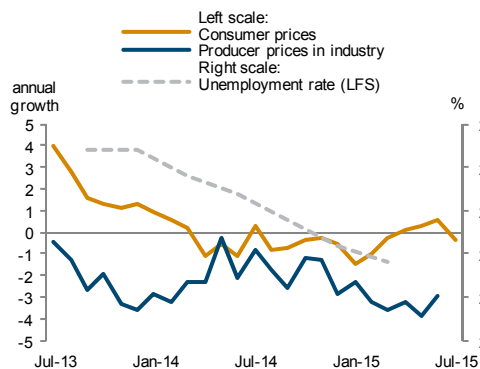
Real sector development annual growth rate in %



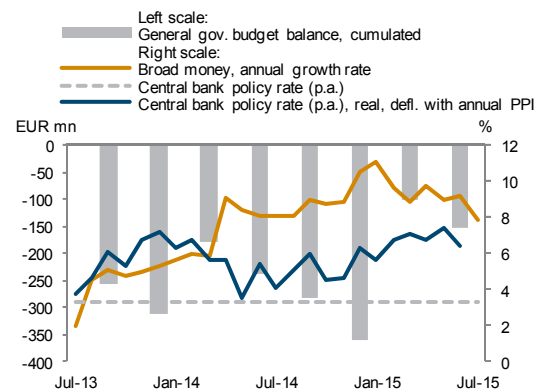
Unit labour costs in industry annual growth rate in %



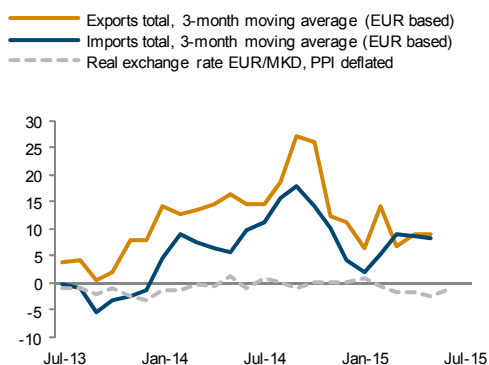
Inflation and unemployment in %



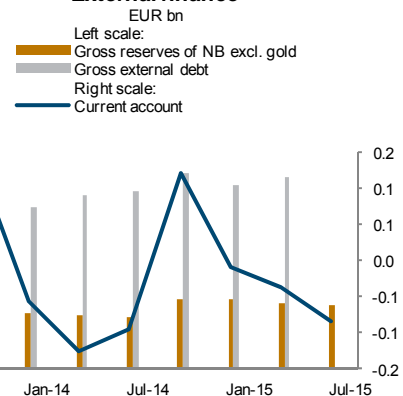
Fiscal and monetary policy



External sector development annual growth rate in %



External finance



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

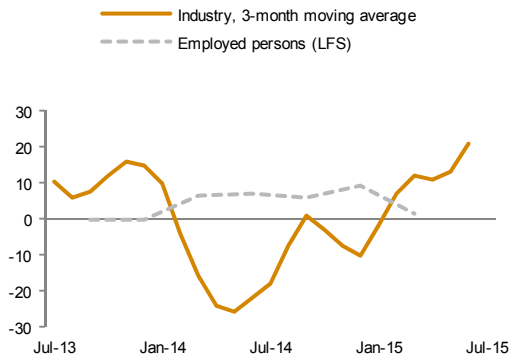
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

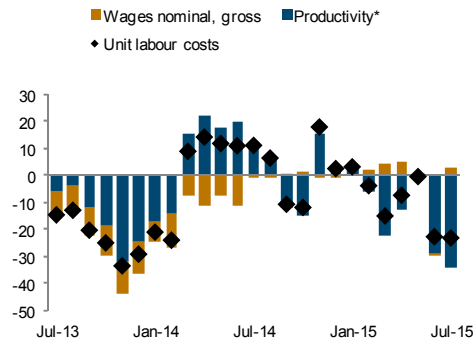
<http://data.wiiw.ac.at/monthly-database.html>

Montenegro

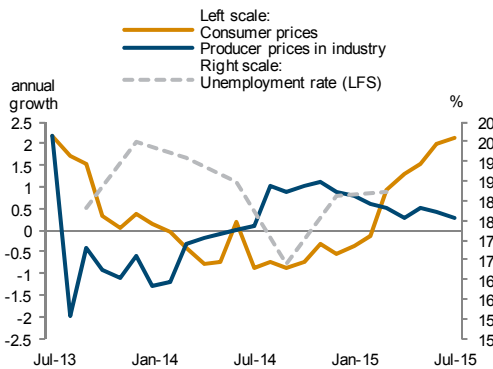
Real sector development
annual growth rate in %



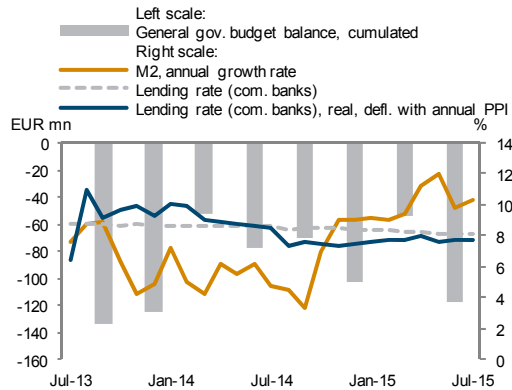
Unit labour costs in industry
annual growth rate in %



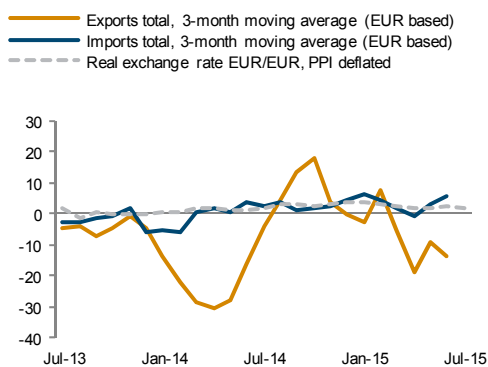
Inflation and unemployment
in %



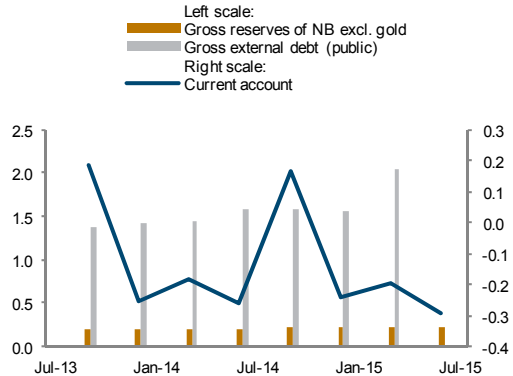
Fiscal and monetary policy



External sector development
annual growth rate in %



External finance
EUR bn



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

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

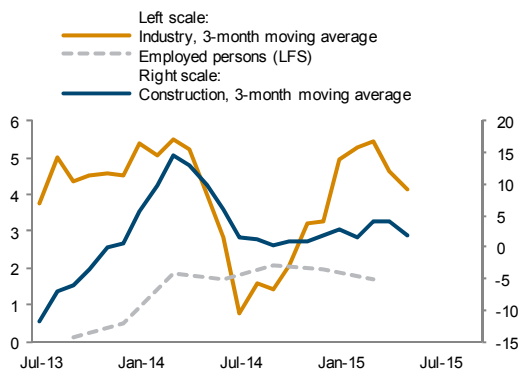
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<http://data.wiiw.ac.at/monthly-database.html>

Poland

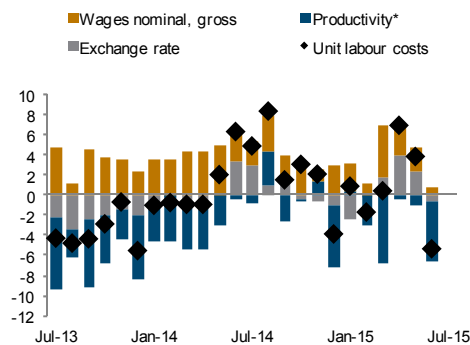
Real sector development

annual growth rate in %



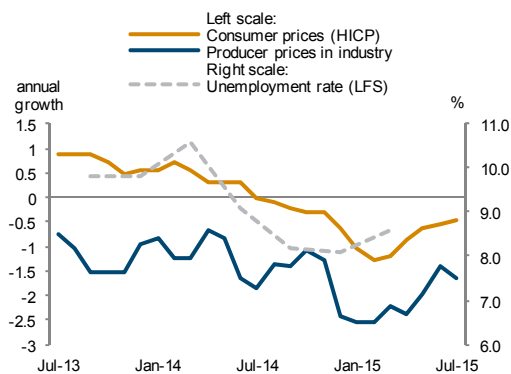
Unit labour costs in industry

annual growth rate in %

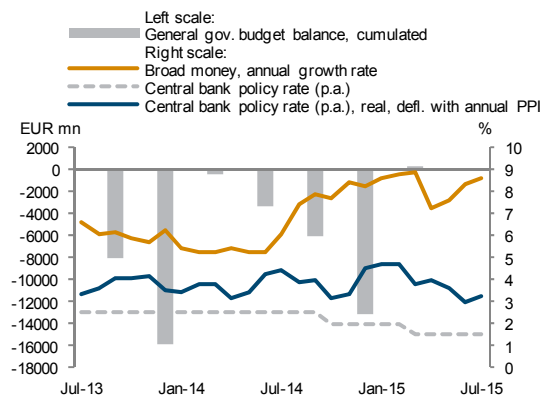


Inflation and unemployment

in %

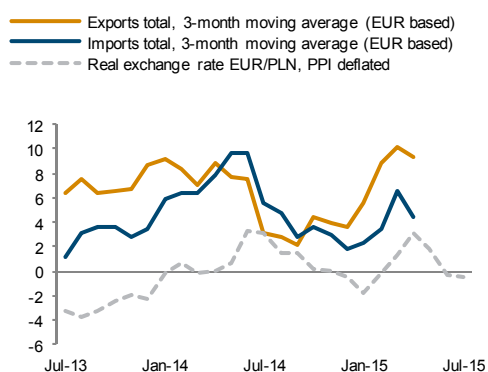


Fiscal and monetary policy



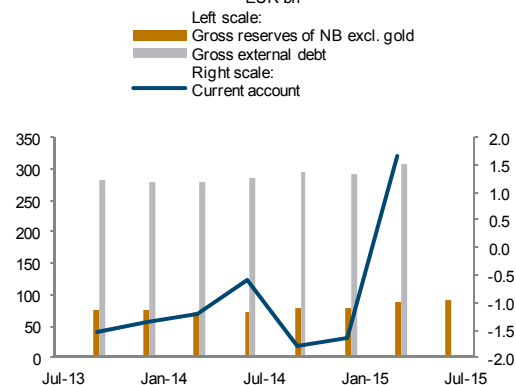
External sector development

annual growth rate in %



External finance

EUR bn



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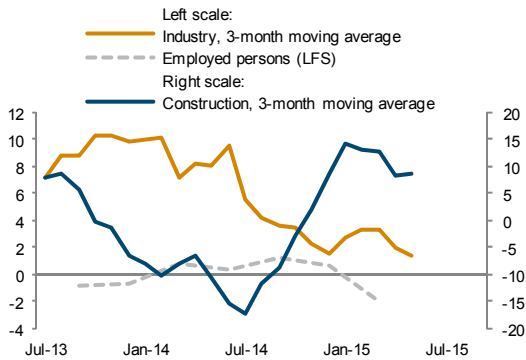
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

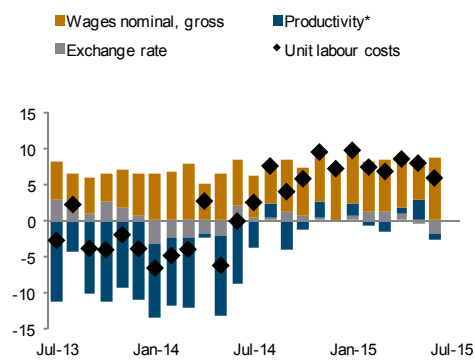
<http://data.wiiw.ac.at/monthly-database.html>

Romania

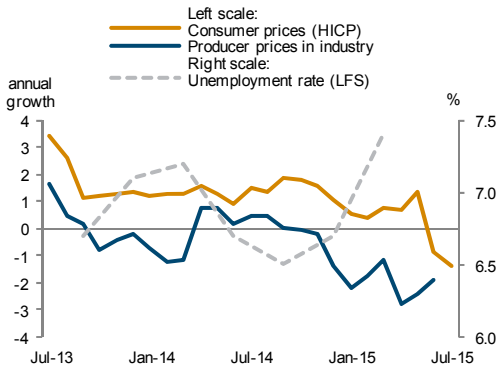
Real sector development
annual growth rate in %



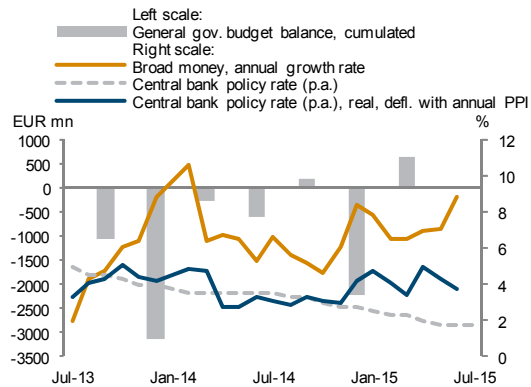
Unit labour costs in industry
annual growth rate in %



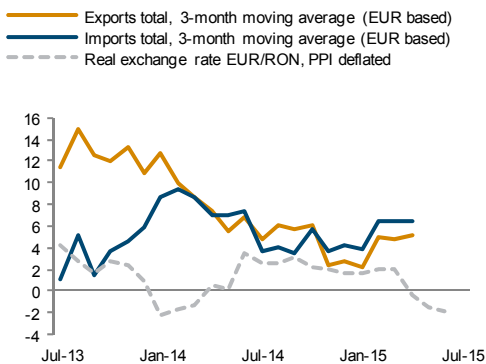
Inflation and unemployment
in %



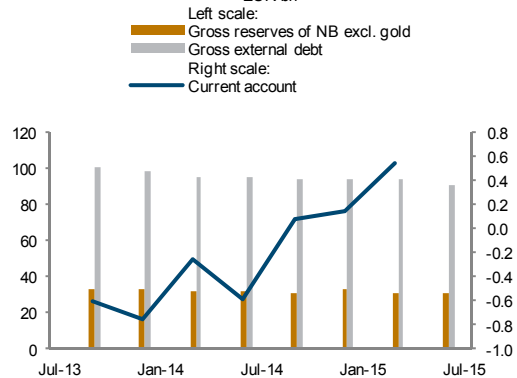
Fiscal and monetary policy



External sector development
annual growth rate in %



External finance
EUR bn



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

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

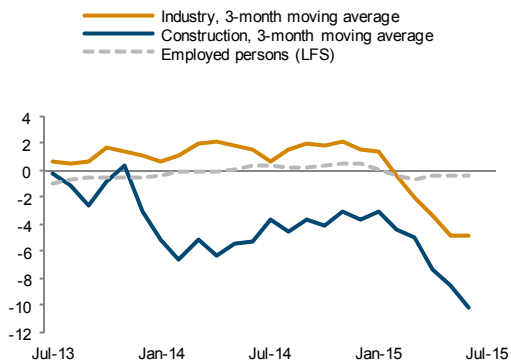
Baseline data, country-specific definitions and methodological breaks in time series are available under:

<http://data.wiiw.ac.at/monthly-database.html>

Russia

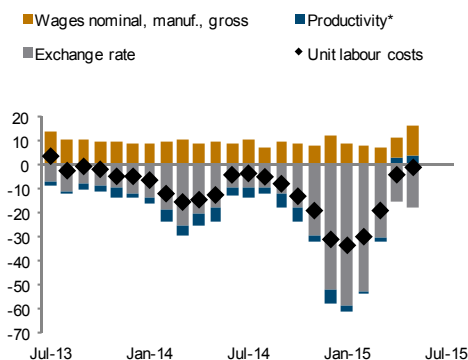
Real sector development

annual growth rate in %



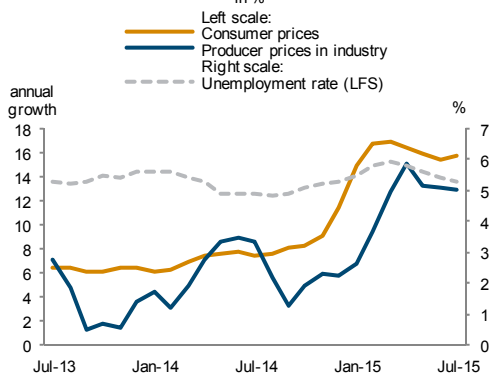
Unit labour costs in industry

annual growth rate in %

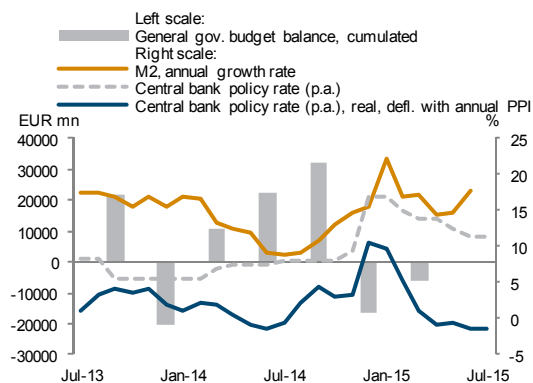


Inflation and unemployment

in %

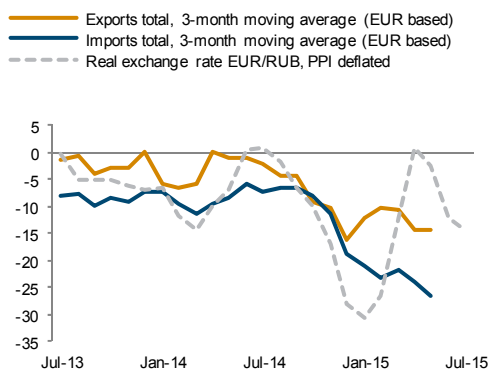


Fiscal and monetary policy



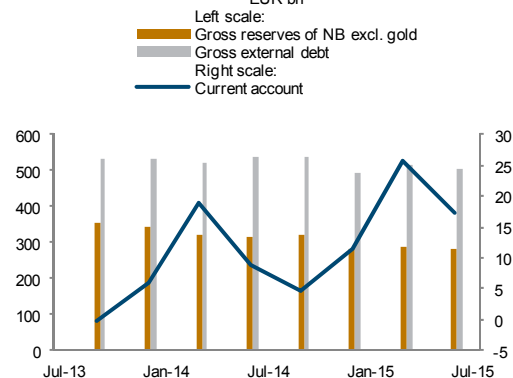
External sector development

annual growth rate in %



External finance

EUR bn



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

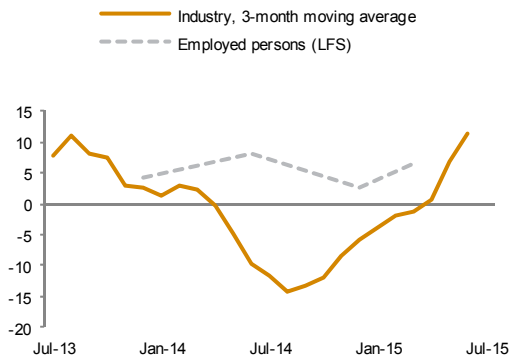
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

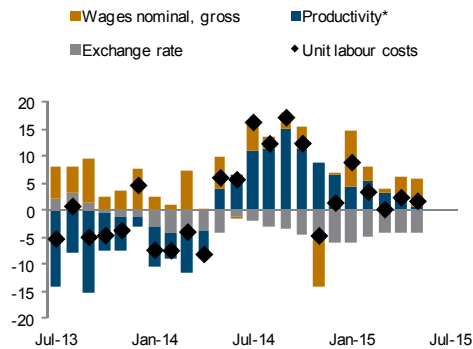
<http://data.wiiw.ac.at/monthly-database.html>

Serbia

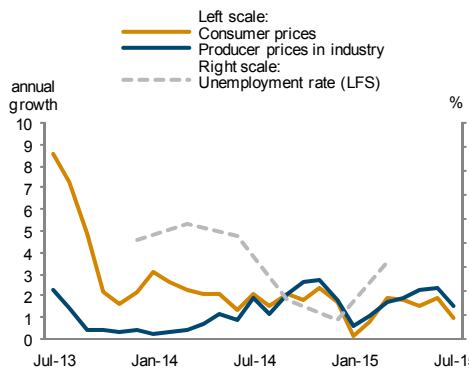
Real sector development
annual growth rate in %



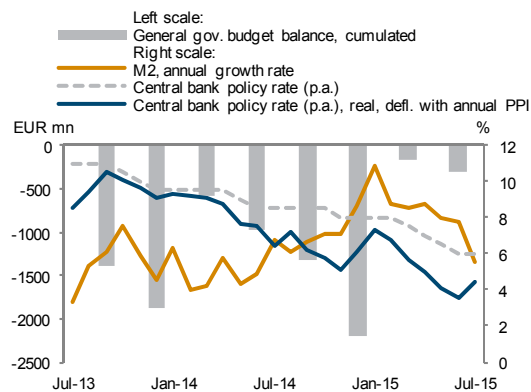
Unit labour costs in industry
annual growth rate in %



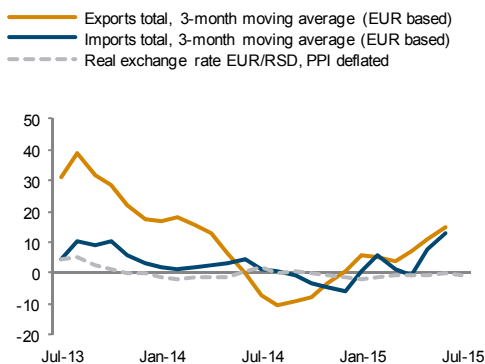
Inflation and unemployment
in %



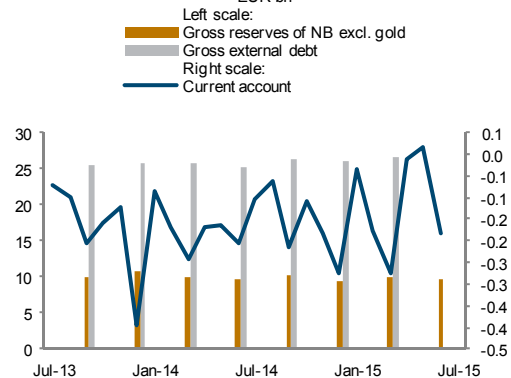
Fiscal and monetary policy



External sector development
annual growth rate in %



External finance
EUR bn



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

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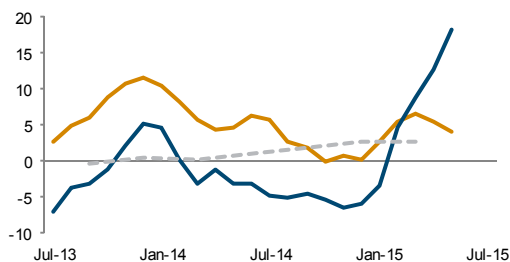
<http://data.wiiw.ac.at/monthly-database.html>

Slovakia

Real sector development

annual growth rate in %

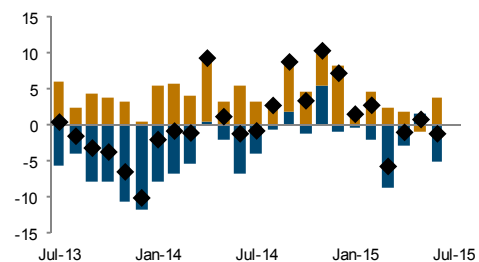
- Industry, 3-month moving average
- Construction, 3-month moving average
- - - Employed persons (LFS)



Unit labour costs in industry

annual growth rate in %

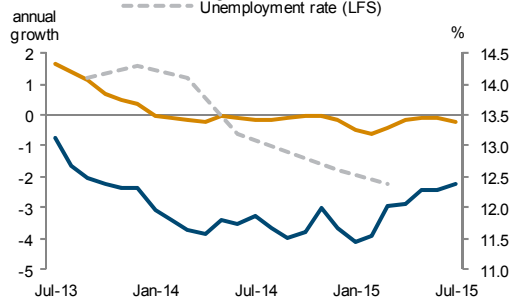
- Wages nominal, gross
- Productivity*
- ◆ Unit labour costs



Inflation and unemployment

in %

- Left scale: Consumer prices (HICP)
- Producer prices in industry
- Right scale: Unemployment rate (LFS)



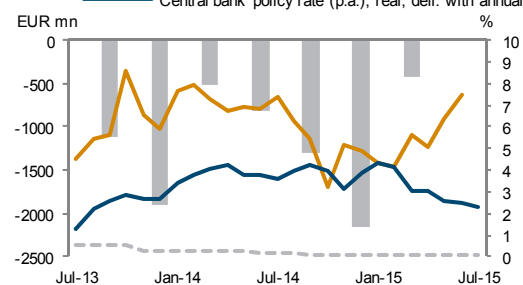
Fiscal and monetary policy

Left scale:

- General gov. budget balance, cumulated

Right scale:

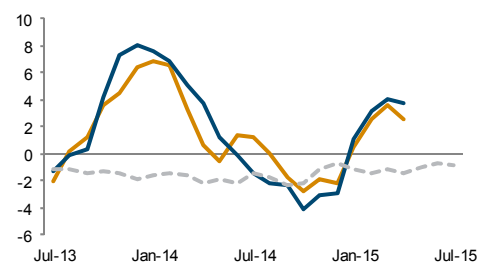
- Broad money, annual growth rate
- - - Central bank policy rate (p.a.)
- Central bank policy rate (p.a.), real, defl. with annual PPI



External sector development

annual growth rate in %

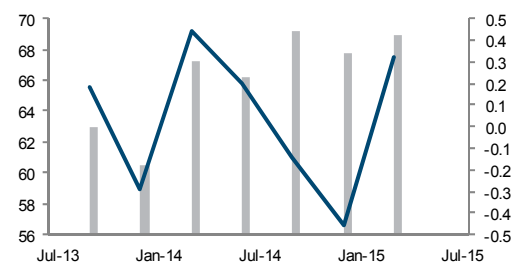
- Exports total, 3-month moving average (EUR based)
- Imports total, 3-month moving average (EUR based)
- - - Real exchange rate EUR/EUR, PPI deflated



External finance

EUR bn

- Left scale: Gross external debt
- Right scale: Current account



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

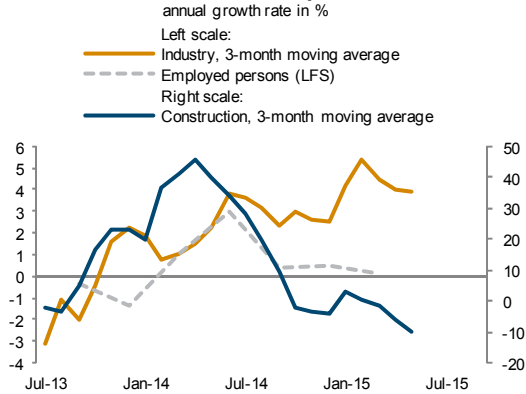
Source: wiiw Monthly Database incorporating Eurostat and national statistics.

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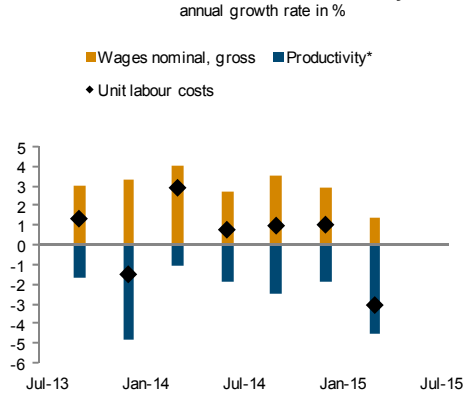
<http://data.wiiw.ac.at/monthly-database.html>

Slovenia

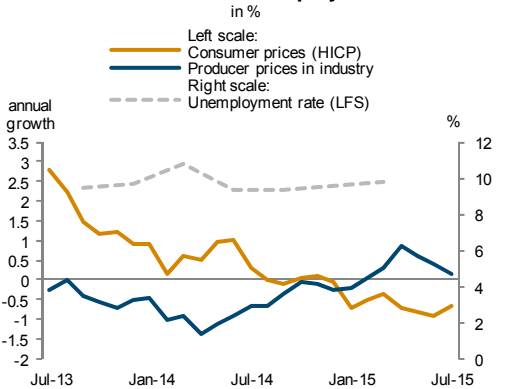
Real sector development



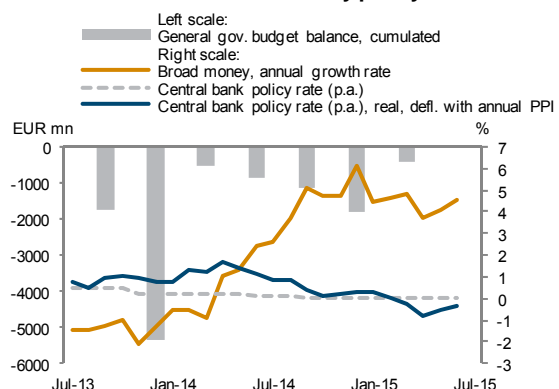
Unit labour costs in industry



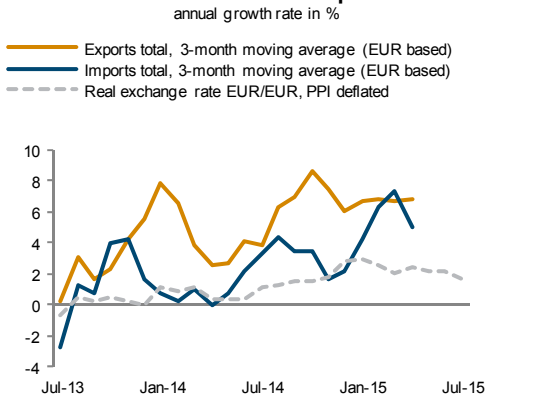
Inflation and unemployment



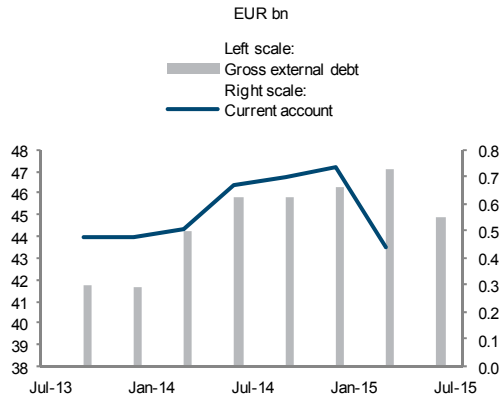
Fiscal and monetary policy



External sector development



External finance



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

Source: wiiw Monthly Database incorporating Eurostat and national statistics.

Baseline data, country-specific definitions and methodological breaks in time series are available under:

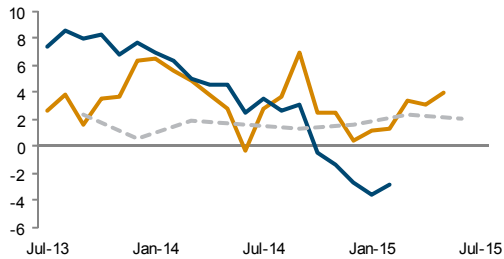
<http://data.wiiw.ac.at/monthly-database.html>

Turkey

Real sector development

annual growth rate in %

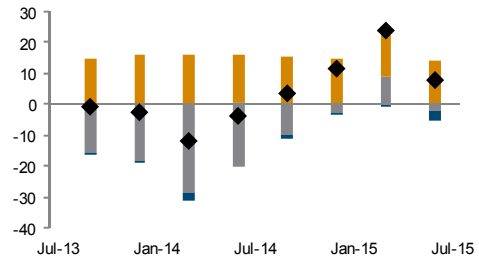
- Industry, 3-month moving average
- Construction, 3-month moving average
- - - Employed persons (LFS)



Unit labour costs in industry

annual growth rate in %

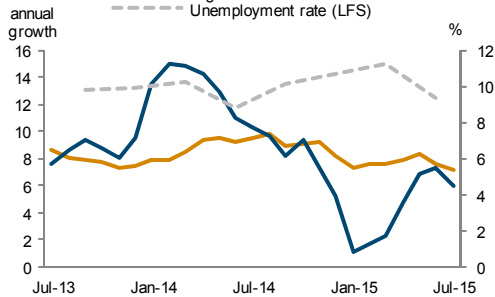
- Wages nominal, gross
- Exchange rate
- Productivity*
- ◆ Unit labour costs



Inflation and unemployment

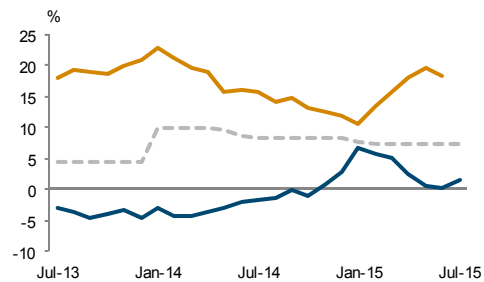
in %

- Left scale: Consumer prices (HICP)
- Producer prices in industry
- Right scale: Unemployment rate (LFS)



Fiscal and monetary policy

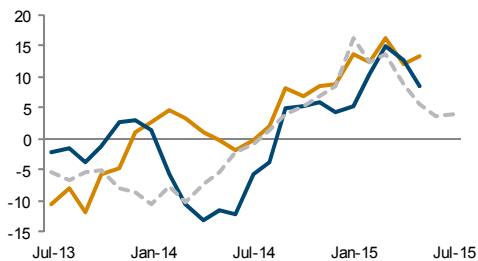
- Broad money, annual growth rate
- - - Central bank policy rate (p.a.)
- Central bank policy rate (p.a.), real, defl. with annual PPI



External sector development

annual growth rate in %

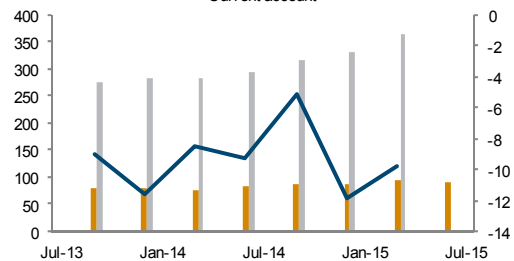
- Exports total, 3-month moving average (EUR based)
- Imports total, 3-month moving average (EUR based)
- - - Real exchange rate EUR/TRY, PPI deflated



External finance

EUR bn

- Left scale: Gross reserves of NB excl. gold
- Gross external debt
- Right scale: Current account



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

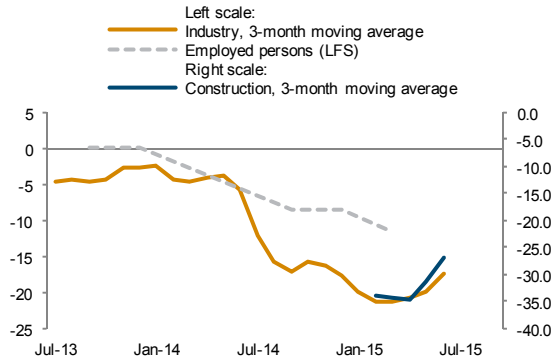
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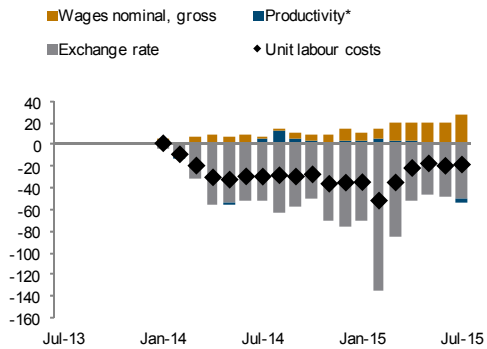
<http://data.wiiw.ac.at/monthly-database.html>

Ukraine

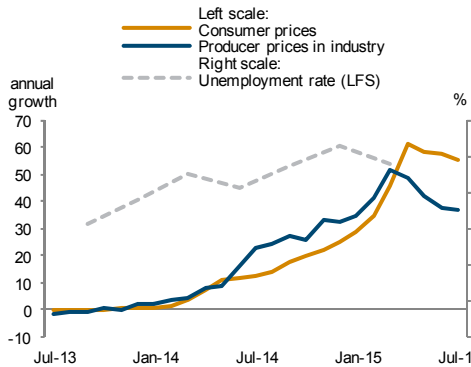
Real sector development
annual growth rate in %



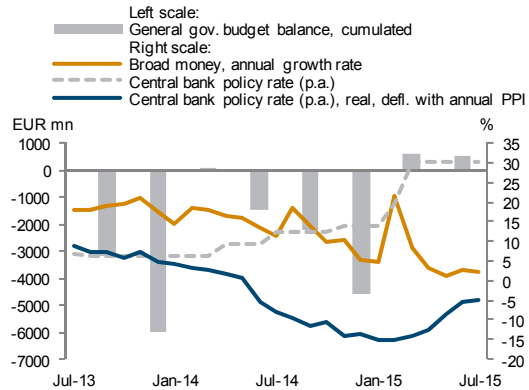
Unit labour costs in industry
annual growth rate in %



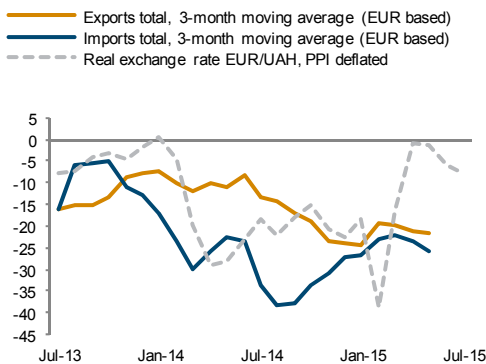
Inflation and unemployment
in %



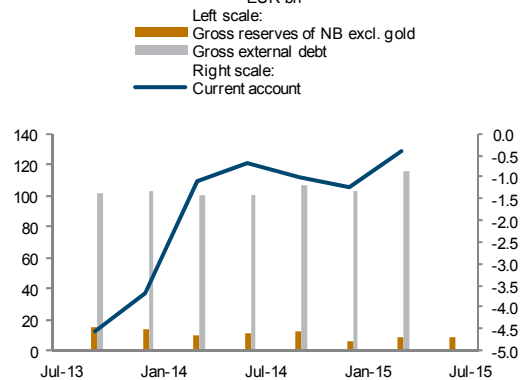
Fiscal and monetary policy



External sector development
annual growth rate in %



External finance
EUR bn



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

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