



Paul J.J. Welfens: Editorial

■ 2011/2012 represented more than 15 years of high quality research in Economics at the European Institute for International Economic Relations and 2012 has been another year of outstanding research activity, policy advice as well as interaction with companies and NGOs as well as the general public. I appreciate the enormous commitment of EIIW researchers and our international network in the business community and the policy community. We emphasize critical analysis and an open analytical debate and we welcome international guest researchers who contribute to our research. Moreover, we are strongly committed to translating recent research findings into teaching where we use the latest streaming technologies. In 2012/2013 EIIW supports an EU-related education project in which we combine streaming, flash animation and slide presentations as well as standard text input – our test feedback from teachers/pupils/students has been quite encouraging and it has also turned out that the confusing dynamics of the euro crisis and the Transatlantic Banking Crisis indeed call for a broadly accessible and clear analysis which avoids falling into the trap of naïve populist contentions.

The Transatlantic Banking Crisis has been an economic disaster and has weakened the USA and Europe for many years – and several big banks have contributed to negative value-added in certain countries. It should not be



Prof. Dr. Paul JJ Welfens



Washington D.C. – The White House

accepted that certain banks are ignoring the basic rules of risk diversion, launch poor product innovations or are involved in fixing the Libor; responsible leaders from big banks certainly will agree on this point. The banking crisis of 2007-2011 has raised the debt-GDP ratios in western OECD by about 20 points: With a debt-GDP ratio of about 80% the western world is facing serious challenges in terms of budget consolidation, and the historical downgrading of the US in 2011 raises concerns in all OECD countries. Lack of critical analysis in the wake of the end of the Cold War has been part of the problems in the western world. Moreover, there also is a lack of long term deci-

sion-making. Too much short-termism in financial markets implies not only unsustainable banking, but also makes sustainable development almost impossible – how could one have sustainable development if financing of long term investment and innovation in the real sphere of the economy is very difficult?

Critical analysis has often been the basis of useful insights. Not many economists anticipated the Euro crisis correctly. Taking a look at the book "Transatlantische Bankenkrise", Stuttgart: Lucius 2009 (Welfens, P.J.J., Transatlantic Banking Crisis) one finds on pp. 158-159 a fairly realistic scenario of the crisis of 2010/2011; namely that after the Lehman Brothers shock

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EU sponsored education project on European Integration; Map of the EU (European Commission)



EIIW Team and Staff of the Chair

of September 15, 2008, countries with high debt-GDP ratios or high foreign indebtedness would find it much more difficult than before that date to get smooth refinancing of government debt. The book manuscript was finished in late October 2008 and was published in early 2009 – on October 30 2008 the manuscript was mailed to the Chancellor's Office. It would be interesting to know which conclusions experts in Berlin were drawing in the 18 months before the crisis became really visible, namely in May 2010 as Greece lost its access to the capital market. The crisis management from 2010-2012 has been poor and the euro crisis stands for policy pitfalls and for lack of political responsibility:

- The Greek government notified a budget-deficit ratio of 4% in 2009 – an election year – but that year witnessed an actual deficit

ratio of 15.6%. This is scandalous misbehavior by the Greek government. Rescue lending was made available to Greece despite the fact that government assets strongly exceeded the size of government debt – unprofessional rescuing to say the least and until the end of 2012 Greek governments had privatized the ridiculous amount of about 1/200 of state assets.

- The Irish government ignored for many years EU rules on prudential supervision – Irish banks invested without adequate risk diversification and incurred such enormous losses so that government had to rescue Irish banks: mainly with money from the rescue fund EFSF (and with the help of lending from the Irish central bank). The euro countries awarded rescue funds without even requiring that an independent expert group would write a report. The position of the west is

further weakened by the fact that the IMF's FSAP Report published in August 2006 claimed that all Irish banks were in good shape which – at this point of time – was just the opposite of reality.

There is a need to reform institutions at the global level and in Europe. It is disappointing that Economics in the past decade has become less analytical in substance (and much more ambitious in terms of mathematical modeling). Moreover, it is difficult to understand why the euro crisis management was so poor. It is also strange that institutional and economic reforms in the euro area are so slow given the fact that the life-time economic value of the euro is about €10 000 per capital, more than half of the benefits reflect the advantage of the Euro as a reserve currency. The euro area is heading towards difficult times as long as the deficit rules are not changed – the new rules are inconsistent and hard to implement. Only a Euro Political Union could bring long term stability.

December 2012



HIS Global Insight Conference in London



HIS Global Insight Conference in London

Euro Crisis

■ The EIIW is an interface between academia and society – new scientific insights are presented and we pick up policy issues for our own future research agenda which recently had a strong focus on cluster analysis, information and communication technology as well as the euro crisis. It was a privilege to give a paper on November 5 in Paris at the conference “The European Sovereign Debt Crisis – Lessons Learned” (co-organized by the Cercle des économistes and the Friedrich Ebert Foundation); I have also participated in another workshop in Paris on December 6 which brought together euro experts from the French government, German government and European academia.

The EIIW has hosted in the past about three dozen of conferences, welcomed international guest researchers and published on key issues of economic analysis and policy fields. We have been active as an interface between academia, policy makers, the business community and society at large. EIIW research has been ambitious and with a focus on internationally relevant issues and topics. We also have tried to contribute to the discussion about a European Social Market Economy and sustainability in the world economy. The Transatlantic Banking Crisis has been a disappointment for many people in the whole world and it is unclear whether the Western market economies can be reformed in a way that brings triple sustainability: sustaina-



new research – with Thomas Domeratzki supporting the work of the managing editors.

Among the many highlights from research and policy dialogue, as well as broader social discussions, mentioned in this newsletter there is one special event to be mentioned which is related to the Schumpeter School of Business and

extend a warm welcome to our new PhD DAAD fellow from Indonesia, Mr. Tony Irawan, whose main research focus is on foreign direct investment, trade and growth as well as on ICT. In 2012 Mr. Badia Shaukat from Pakistan also visited the EIIW and we continue our cooperation with colleagues in China – this included in 2011 a visit to Beijing where EIIW contributes to a



Euro Workshop in Paris 2012

ble environmental development, sustainable government financing and sustainable banking which should take a long term view – often found in family-based companies and banks, but also inherent in millions of individuals in so many countries. With increasing life expectancy one should hope that more people think long term, however, this is not really clear. Certainly, innovations are much needed in this new world of economic globalization with 7 billion people. Here the EIIW has emphasized the role of information and communication technology (ICT) and we continue our established research in this field. Moreover, it is obvious that a new field of crucial economic and ecological dynamics lies in the intersection of ICT and energy which includes the topics of smart grids and green ICT.

The Journal International Economics and Economic Policy is an important avenue for



Prof. Robert Mundell at the Jean Monnet Conference in Brussels (2011)

Economics at the University of Wuppertal: 2011 was the first year that the Schumpeter Award of the Wuppertal Schumpeter Foundation was given to a leading researcher – the first winner of this award is Professor David B. Audretsch from Indiana University, Bloomington; having the opportunity to give the laudatory speech on this internationally renowned US innovation researcher was a privilege and great honor. In every odd year – thus asymmetric to the bi-annual World Congress of the International Joseph A Schumpeter Society – the University of Wuppertal thus will have a major event related to research on innovation, entrepreneurship and growth analysis.

Finally, we are grateful that we could welcome Mrs. Christina Wiens as the new assistant in the EIIW secretariat in which she has assumed an important role. Let me also use this occasion to



project with the Chinese Academy of Sciences on Sustainable Growth. A year earlier Professor Shi-Wei Shi from the International University of Business and Economics (Beijing) had visited the Institute and we should be glad to enlarge our contacts in China in the coming years. There is an ongoing research venture with colleagues from the University of Bayreuth (Prof. Reinhard Meckl is the team leader), the ZEW



Schumpeter Award 2011

l.t.r. Rektor Prof. Dr. Lambert T. Koch, Helmut Dockter (NRW Staatssekretär), Dr. h.c. Peter Vaupel, Dr. David Audretsch recipient of the award, Prof. Dr. Paul J.J. Welfens, Dr. h.c. Joseph Beutelmann, Prof. Dr. Michael Fallgatter



Cooperation with the Technical University of Kaliningrad

Delegation from the University of Wuppertal in Kaliningrad at EIKM: f.l.t.r. President Prof. Dr. Lambert T. Koch, Prof. Dr. Hans Joachim Lietzmann, Prof. Dr. Winfried Böttcher, Prof. Dr. Franz Johannes Knipping and Prof. Dr. Paul J.J. Welfens



Chancellor Dr. Angela Merkel at the NRW ICT Summit in Essen in 2012

and the Fraunhofer Institute ISI as well as the Chinese Academy of Sciences which should be mentioned here – the proceedings volume from the Beijing conference will be published in 2013. Several publications are now available in Chinese and a book of Professor Welfens et al. on Energy Policy and Innovations has been translated into Chinese recently.

We also look forward to reinforcing our research links with many colleagues in the US and with international institutions worldwide. In the US there is growing concern about the slow motion crisis management in the euro area – indeed, there is a broader international respon-

sibility faced by the EU and the euro area, respectively. More information on my visit to Washington DC in June 2012 is found subsequently.

Increasingly those interested in EIIW research and networking can use our video material where even some rather special presentations reach several thousand downloads in a single year. We provide a forum for ideas, networking and sustainability progress, so if you want to support our team you should not hesitate to contact us – we appreciate donations and funding of research, networking and high-level events (the EIIW is a non-partisan non-profit organization and donations are tax-deductible).

As regards the national IT summit in Essen on November 13, 2012 one may point out that a day before the event a joint paper on the Digital Perspectives 2012 was published: EIIW (coordinator), RWI, Essen, the Stifterverband für die Wissenschaft/WiStat, Essen and DICE, Düsseldorf cooperated in this venture. This study can be downloaded from the EIIW website. We gratefully acknowledge financial support for printing the study, namely by Deutsche Telekom and SAP.



Prof. Shi-Wei Shi from Beijing (Wuppertal)



Oliver Emons, Prof. Dr. Paul J.J. Welfens and Christian Schröder at the NRW ICT Summit in Wuppertal

http://www.eiiv.eu/fileadmin/eiiv/Daten/Presse/2012/Positionspapier_n.pdf



f.l.t.r.: Reinhard Meckl, Paul Welfens, Klaus Rennings



Conference in Beijing and visiting Sany Cooperation



Projects and Publications

■ Among the highlights in 2011/12 were four projects and several publications:

- Publication of a book from a project for the Hans Böckler Foundation, Düsseldorf: **Cluster- und Innovationsdynamik in Europa: Neue Perspektiven der Automobil- und IKT-Wirtschaft**, Stuttgart: Lucius; **Cluster in Automotive and Information & Communication Technology**, Heidelberg, Springer. Researchers also participated in the NRW ICT summit (see picture above).
- The book Paul JJ Welfens, **Innovations in Macroeconomics**, Heidelberg and New York: Springer, had a third edition in 2011; besides the printing volume almost 5000 downloads were registered and this book is going to make a global impact on new thinking in Economics.
- Presentation of a new paper on the Euro Crisis at AICGS/Johns Hopkins University, Washington DC, on June 16, 2012. Another presentation was made at the Congressional Research Service in Washington DC. Part of the key insights presented can be found in the paper "Overcoming the Euro Crisis" on the AICGS (<http://www.aicgs.org/publication/overcoming-the-euro-crisis/>) website where one can also find a video interview with Prof. Welfens (<http://youtu.be/AUwQ7YaDdKA>).
- an EU project on ICT and Economic Globalization: the workshops in Wuppertal, Frankfurt/M. and Essen – the city in which the national IT summit 2012 took place – brought excellent presentations and the programs of the workshops in Frankfurt/M. and Essen are shown subsequently.
- The ESDN sustainability workshop in Brussels

in November 2012 which picked up some of our suggestions in terms of key topics and speakers; our cooperation with the vita Foundation, Oberursel, has been excellent in this context. The agenda of the high level meeting is shown subsequently. The ESDN workshop is part of our research in Environmental and Energy Economics to which Deniz Erdem has strongly contributed over many years.

At the ESDN workshop Prof. Welfens did not only emphasize the concept of double sustainability – namely with emphasis both on sustainable development in the traditional sense and long term financial investment (a prerequisite for long term environmental-friendly investment and innovation financing) – but also presented the EIIW-vita Global Sustainability Indicator. This indicator which is available for each country as well as for the world economy is constructed in line with OECD indicator requirements and consists of the share of renewable energy, the size of the genuine savings rate (World Bank concept) and the international competitiveness in the field of environmental-friendly exports.

We have conducted considerable research on the EIIW vita Global Sustainability Indicator which summarizes three elements of sustainability: This indicator is in line with the OECD handbook on composite indicators and the three elements for more than 120 countries covered are:

- share of renewable energy
- genuine savings rate (concept of World Bank) which takes into account also depreciations on the natural capital stocks as well as investment in human capital formation
- the relative position in the export of environmental friendly products
- Jens Perret and Evgeniya Yushkova as well as Deniz Erdem have been active in the Global Sustainability Indicator which is supported by the vita Foundation. The EIIW vita sustainability indicator is composed of the three elements; comparative advantage in environment-friendly export products (calculated by EIIW; reflecting "green innovativeness"), share of renewable in energy and genuine savings rate which is the true net savings rate calculated by the World Bank). The new world maps with the positions of individual countries and the aggregate world index are published in this newsletter and the indicator could become more important in the Rio +20 process.



8th ESDN Workshop in Brussels (November 2012) (<http://www.sd-network.eu/>)



Map 2000 showing the EIIW vita Global Sustainability Indicator (green is best)

Guest researchers and workshops

■ Tony Irawan who had joined EIIW/ Schumpeter School of Business and Economics as a researcher under a DAAD PhD grant successfully presented a paper at the World Schumpeter Society Summit in Brisbane, Australia. The accepted paper of Prof. Welfens can be downloaded from the EIIW website.

The EIIW has also supported two major EU projects and teaching activities:

- Learning about the EU at School: EU 2020 (with workshops/activities in Wuppertal, Neuss and Magdeburg in 2011/2012): Key results of our work can be found on the website <http://www.euschulen.uni-wuppertal.de>.

- Digital EU-Integration and Globalization (with workshops in Wuppertal, Frankfurt and Essen in 2011/2012).

Evgeniya Yushkova has organized several workshops in an excellent way. The programs of two workshops are attached. Workshops were held in Wuppertal, Frankfurt/Main and Essen.



Dr. Michael Vogelsang at a Workshop in Frankfurt (2012)



ICT Workshop Frankfurt



Workshop in Wuppertal



Teaching workshop



ICT Workshop Essen (f.l.t.r.: Paul Welfens, Günter Knieps, Andreas Fier, Justus Haucap, Friedhelm Dommermuth)

We gratefully acknowledge financial support over past years by the following foundations, institutions and companies:

- Alfried Krupp von Bohlen und Halbach Foundation, Essen
- AOL Deutschland, Hamburg
- Barmenia Insurance Company, Wuppertal,
- Böckler Foundation, Düsseldorf
- BP Europe,
- Deutsche Bank, Potsdam
- Dresdner Bank, Frankfurt
- Deutsche Telekom AG, Bonn
- Fortis Bank, Brussels
- Landesinvestitionsbank Brandenburg, Potsdam
- Haniel Foundation, Duisburg,
- RAG, Essen,
- SAP, Walldorf,
- Siemens AG, Munich

- Stadtparkasse Wuppertal,
- Volkswagen Foundation, Wolfsburg
- Vorwerk Company, Wuppertal
- Wolfgang Ritter Foundation, Bremen
- WSW – Wuppertaler Stadtwerke

We also appreciate the support of and project financing from:

- the European Commission
- the Deutsche Bundesbank
- the European Parliament

As regards our international partner network we particularly appreciate cooperation with

- AICGS/The Johns Hopkins University, Washington DC
- ARC-Sys, Vienna
- CASE research center, Warsaw
- Russian Academy of the Sciences, Moscow
- Higher School of Economics, Moscow
- Institute for World Economics, Budapest
- Center for European Studies at Chulalongkorn University Bangkok
- Center for European Studies at the University of Birmingham
- Leontief Center, St. Petersburg
- MERIT at the University of Maastricht



Presenting the book „Die Zukunft des Euro“ in Frankfurt/Main with Prof. Dr. Dr. Bert Rürup (2012)

The EIIW also has re-launched its website – with Jens Perret being strongly involved in this project. Moreover, we have supported the cooperation with the Technical University in Kaliningrad (Klaus Mehnert Institute); Martin Keim has been quite active in this field. The Journal International Economics and Economic Policy has published new important articles, including an important contribution on exchange rate economics of which Reinhard Selten was a prominent co-author. Thomas Domeratzki has been active as the editorial assistant and he has done a great job in his crucial position.

Finally, there are two projects on the Euro crisis which should be mentioned: One project is for the Hans Böckler Foundation (book publication following in spring 2013), the other project on the euro crisis is a report for the government of the state of North-Rhine Westphalia – the presentation of the report will take place on January 19 and commentators will be Mr. Elmar Brok and Mr. Sven Giegold, both from the European Parliament, and Mr. Norbert Matysik, Deutsche Bundesbank; Mrs. Angelica Schwall-Düren, North-Rhine Westphalia's minister for European Affairs, Media and Federal Relations, will give an introduction to the presentation. Mrs Schwall-Düren also participated in the Berlin event (09.05.2012) for the presentation of the book "Die Zukunft des Euro" (The Future of the €).



Presenting the book „Die Zukunft des Euro“ in Berlin with Mrs Angelica Schwall-Düren, Minister of Federal Affairs, Europe and the Media of Northrhine-Westfalia (09.05.2012)

Picture: Reiner Zensen

Research Projects Finished/Ongoing

- The most recent projects have focused on
 - Information & communication technology and the automotive sector: for the Hans Böckler Foundation we have explored – jointly with the Hungarian Institute for International Economic Relations – the dynamics of regional cluster dynamics in seven regions of the EU; Oliver Emons, Christian Schröder and Jens Perret have been lead researchers on our side.
 - The EU has awarded the Jean Monnet Chair of Professor Welfens – and his colleagues in Warsaw, Professor Kubiela (University of Warsaw), and Professor Feiguine (FINEC, St. Petersburg) – a project on Information & Communication Technology and Economic Globalization. The programmes of the first two workshops organized in Wuppertal and Frankfurt and Essen can be found on the inside of this newsletter. This project is supported by EIIW and Mrs. Evgeniya Yushkova deserves praise for her excellent organization. She is also active in a second Jean Monnet Project which brings together teachers from high schools and EIIW team members in order to develop new teaching content and formats with a focus on basic integration topics in general and on the Europe 2020 agenda in particular. Dr. Kerstin Westerfeld from the University of Wuppertal has greatly enhanced our approach in this field.
 - Cooperation in a research project with the Wuppertal Institute for Climate, Environment and Energy has resulted in several workshops, including the final workshop in Brussels at the European Commission: We gratefully appreciate the hosting of the workshop by the DG Environment and Energy; as regards publications there is a special issue edited by Bleischwitz/Zhang/Welfens in 2012; two papers were published in the journal International Economics and Economic Policy and in 2010 there also was the special issue The International Economics of Resources and Resource Policy (edited by Bleischwitz/Zhang/Welfens for International Economics and Economic Policy). Another field of cooperation has been the new book by Peter Hennicke and Paul JJ Welfens on the Energy U-turn after Fukushima (Hennicke, P.; Welfens, P.J.J., *Energiewende nach Fukushima. Deutscher Sonderweg oder weltweites Vorbild?*, München: Oekom, 2012). The book has been awarded the title Environmental Research Book of July 2012 by the Jahrbuch der Ökologie (German Yearbook of Ecology) and has been nominated for the award of 2012 in that category; we plan to publish an English edition. The book was presented in Berlin with Peter Hennicke on June 7th 2012 – at the Humboldt Vidirana School of Governance Centre. As regards other energy research one

also should mention the presentation on EU energy policy of Paul Welfens in Munich: The focus was on energy pricing and energy innovation dynamics in a post-Fukushima environment. Finally, we also analyzed in a new study the regional economic benefits generated by WSW which is the leading regional energy company and actually No. 10 in Germany.

- We are about to finish our evaluation report on the Bergish Think Tank which is an EU-funded initiative in the creative services sector. Here we use cluster analysis and networking tools as well as interviews. Lead researchers were Oliver Emons and Christian Schröder.
- In June 2012 Paul Welfens gave a presentation to the Congressional Research Service



Peter Hennicke and Prof. Dr. Paul Welfens in Berlin for the presentation of their book „Energiewende nach Fukushima“, 2012

(Washington DC) on the euro crisis and also presented a seminar at AICGS/Johns Hopkins University on the topic Overcoming the Euro Crisis: Transatlantic Perspectives. At AICGS there was also an interview which Paul Welfens gave to Jackson Janes, the Director of AICGS, and Alex Prevatera (<http://youtu.be/AUwQ7YaDdKA>). One may also download the Welfens AICGS paper on this subject (Overcoming the Euro Crisis: <http://www.aicgs.org/publication/overcoming-the-euro-crisis/>).

- Professor Welfens has also published the book "Die Zukunft des Euro, Berlin: Nicolai 2012" which has been presented both at an event in Frankfurt with Prof. Bert Rürup – the retired chairman of the German Council of Economic Advisors – and in Berlin with the Minister of European Integration in the state of North-Rhine Westfalia, Dr. Schwall-Düren (English version book: The Future of the Euro. Europe's Debt Crisis and New Policy Options). Organizational support from Christina Wiens and Samir Kadiric is much appreciated; research was also supported by Thomas Domeratzki, Jens Perret and Evgeniya Yushkova.

New interns

■ New interns have joined our team and we very much appreciate the work of Mrs. Angie Tan, Mrs. Natalia Cordoba and Mrs. Inna Kammer, Mrs. Tina Patuto, Mr. Dominik Maas, Mrs. Nancy Yu as well as Mr. Marcel Tollmann.

The coming years will most likely have a key focus on EU integration, ICT dynamics and energy innovation, sustainability in the world economy, international economic relations as well as economic globalization and structural change.

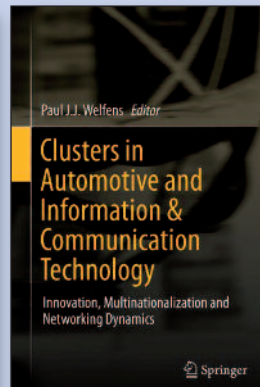
Publications 2012



Paul J.J. Welfens
Die Zukunft des Euro
Die europäische Staatsschuldenkrise und ihre Überwindung.
Berlin: Nicolai, 2012.



Peter Henricke & Paul J.J. Welfens
Energiewende nach Fukushima
Deutscher Sonderweg oder weltweites Vorbild?
München: Oekom, 2012.
Umweltbuch des Monats Juni 2012
www.deutscheumweltstiftung.de



Paul J.J. Welfens (Editor)
Clusters in Automotive and Information & Communication Technology
Innovation, Multinationalization and Networking Dynamics
Heidelberg: Springer, 2012

Journal publications:

Deniz Erdem et al.

ERDEM, D. (2012), Foreign Direct Investments, Energy efficiency and Innovations, Brüssel. published in Vol. 24 / 3, Journal of Mineral Economics, Springer.

WELFENS, P.J.J.; PERRET, J.; ERDEM, D. (2011), Towards a New Global Sustainability Indicator: an Update, EIIW Discussion Paper No. 181.

WELFENS, P.J.J.; PERRET, J.; ERDEM, D. (2010), Global Economic Sustainability Indicator: Analysis and Policy Options for the Copenhagen Process, International Economics and Economic Policy, Vol. 7, 153–186.

ERDEM, D.; MEYER, K. (2010), Natural Gas Import Dynamics and Russia's Role in the Security of Germany's Supply Strategy, EIIW Discussion Paper No. 172

Jens Perret

Welfens, P. J. J., Perret, J. K. and Erdem, D. (2010): „Global Economic Sustainability Indicator: Analysis and Policy Options for the Copenhagen Process“, International Economics and Economic Policy 7, 153–185

Christian Schröder

Schröder, Christian. (2012): „Regional and company-specific factors for high growth dynamics of ICT companies in Germany with particular emphasis on knowledge spillovers“ Papers in Regional Science Article first published online: 23 OCT 2012

Paul JJ Welfens

Welfens, P. J. J. & Lutz, C. (2012): Green ICT dynamics: key issues and findings for Germany. Journal of Mineral Economics (24), pp.155–163.

Several op-eds were published in 2011/2012 in Chinese (support by Mrs. Nan Yu is gratefully acknowledged):

2013-07-10

<http://www.ipivot.cn/Enjoy/forum/1944.aspx> green innovation

2013-04-11

<http://www.ipivot.cn/Enjoy/forum/1783.aspx> American economics

2013-03-12

<http://www.ipivot.cn/Enjoy/forum/1717.aspx> euro crisis 3

2012-08-23 <http://www.ipivot.cn/Geography/world/1289.aspx> EU-China international trade

2012-06-16

<http://www.ipivot.cn/Enjoy/forum/151.aspx> euro crisis 1

New: EIIW Channel on YouTube (administered by Elmar Strick)

Interested in clear analysis and thought-provoking reflections on EU integration, the euro crisis, innovation dynamics, smart grids, ICT expansion and the world economy? Take a look at: www.youtube.com/user/EIIWTV

Visiting the European Commission



International Master Students at the European Commission in June 2012



Fl.t.r.: Thomas Domeratzki, Deniz Erdem, Zornitsa Kutlina-Dimitrova und Prof. Dr. Paul J.J. Welfens at the European Commission

Successful Dissertation of Christian Schröder



Get together after the oral examination on Christian Schröder's PhD – 12.12.2012: Fl.t.r.: Lorenz Meyenburg, Jens Perret, Christian Schröder, Prof. Dr. Paul J. J. Welfens, Thomas Domeratzki, Samir Kadiric



Report for WSW, Wuppertal

July 31, 2013

Correcting the ECB's Wealth Survey Results of Euro Countries

Analysis by the EIIW shows an overestimation in the range of 20% to 70%

■ In April 2013 the European Central Bank published the first survey results on the wealth of households in euro countries where figures for a representative sample of households have been presented. Households had been requested to state all assets – minus debt. Several results, which have referred to 2010/2009, have been remarkable: Germany is seen to have the lowest wealth per household, when one emphasizes the median wealth position (the median splits the sample into 50% with an income above this median wealth and a lower 50% which lies below the median). Looking at the average wealth position, which is based on the arithmetic mean, Germany's ranking improves in comparison to a ranking based on median per household wealth figures; this reflects the uneven distribution of wealth in Germany. Luxembourg, Cyprus, Malta and Belgium hold the top 4 positions in this average wealth per household perspective.

In the public debate of early summer 2013 international differences with respect to real estate have been emphasized as an explanation for international wealth differentials. This, however, is not a crucial aspect, as we will see. Positions 5 to 10 are Spain, Italy, Austria,

France, Germany and the Netherlands. One may mention that the Greek median wealth per household position was €47 000 behind that of the average for Germany while Italy's position was €80 000 ahead of Germany. However, a critical look at the figures reveals that figures on a per capita basis – and arithmetic means – have to be revised downwards by between 20 percent and 60 percent in most cases if one takes into account the problem of government debt based on a Ricardian perspective. From a strict economic perspective – in line with the Ricardo equivalence theorem – government bonds placed in the market today imply a rise of future taxes which are needed to pay interest and principal so that in an aggregate perspective government bonds are not part of net wealth. In the ECB survey, however, individuals have included holdings of government bonds as part of wealth and the ECB publication has not mentioned the debate about the Ricardo perspective. Correcting for government debt gives the attached corrected table where emphasis has been placed on arithmetic averages. The overestimation of private sector per capita wealth is 71% for Cyprus, 61% for Greece, 30% for the Netherlands, 29% for France and 26% for

Germany. The average overestimation is 25%, relatively low overestimation ratios are found for Luxembourg (6%), Malta (8%) and Spain (13%). Reinforcing the view that social security/pensions systems should be a natural element of a policy approach that wants to keep debt-GDP ratios rather low – private household's savings rate is likely to reduce. The Ricardo proposition is doubtful only if government's deficits reflect only public investment; the public capital stock raises the marginal productivity of private capital and labor so that the debt-GDP ratio can be controlled. To some extent the "consumer surplus" and the "producer surplus" in domestic bonds markets could be taken to represent a proxy measure of wealth created by government bond issuing. If, however, all bonds are held by foreign residents the consumer surplus area is irrelevant (and bonds held by foreigners typically will not be covered by the national wealth survey of the originator country; since small open economies tend to have a high share of bonds held abroad the correction factor for government bonds might be larger in large economies than in small countries).

Corrected ECB net wealth figures on the basis of EIIW approach

(data on household size from UNECE 2010 or last available data, data on public debt from Ameco (EU))

2009/2010	ECB average net wealth (arithmetic average)		EIIW – average net wealth (without public debt)	Overestimation in %
EUR thousands	a) per household	b) per capita	c) per capita	b) relative to c)
All	230.80	96.00	71.66	25.35
BE	338.60	141.38	110.58	21.79
DE	195.20	95.64	70.50	26.28
GR	147.80	47.93	18.77	60.84
ES	291.40	105.89	91.90	13.22
FR	233.40	93.19	66.04	29.13
IT	275.20	110.88	79.46	28.33
CY	670.90	16.96	4.87	71.27
LU	710.10	240.86	225.67	6.31
MT	366.00	122.33	112.04	8.42
NL	170.20	73.84	51.57	30.16
AT	265.00	114.51	88.53	22.69
PT	152.90	52.87	37.48	29.11
SI	148.70	49.62	42.94	13.45
SK	79.70	30.59	25.59	16.35
FI	161.50	76.05	59.90	21.23

Source: EIIW calculations

Prof. Dr. Paul J.J. Welfens
Jean Monnet Chair for European Economic Integration

Project "Digital EU Integration and Globalisation" Participants and Topics

Workshop II, June 1 and 2 (Friday and Saturday) 2012 in Frankfurt am Main

Financial support by the European Commission / Jean Monnet Programme is gratefully acknowledged.
Each session is 45 minutes; 30 minutes for presentation

Day 1: Friday, June 1 2012

Location: IHS Global Insight

Bleichstraße 1, 60313 Frankfurt am Main

- 10:00** **Welcome and opening remarks**
Paul J.J. Welfens, EIIW at the University of Wuppertal
- 10:15** **ICT Investment, Clusters and Lead Markets**
Paul J.J. Welfens / Jens Perret, EIIW at the University of Wuppertal
- 11:00** Coffee Break
- 11:30** **Internet Use, International Trade and Economic Growth**
Huub Meijers, MERIT, Maastricht
- 12:15** **Next Generation Internet Users**
William H. Dutton, Oxford Internet Institute,
University of Oxford
- 13:00** Lunch
- 13:45** **ICT and Economic Growth**
Andre Jungmittag, University of Applied Sciences
Frankfurt am Main
- 14:30** **Interdependencies between Energy and ICT markets**
Michael Vogelsang,
Der Bundesverband mittelständische Wirtschaft
- 15:15** **Global ICT Market Dynamics**
Mike Raimondi, Vice-President Manufacturing Services,
Global Insight
- 15:45** Coffee Break
- 16:00** **Real Options and Investment Incentives
in the Telecoms Market**
Hasan Alkas, Rhine-Waal University of Applied Sciences
- 16:45** **End of Workshop 1**
- 19:00** Dinner

Day 2: Saturday, June 2 2012

Location: InterCityHotel Frankfurt

Poststrasse 8, 60329 Frankfurt am Main

- 09:00** **EU Regulation of International Roaming Services**
Morten Falch, Aalborg University
 - 09:45** **ICT Modernization in Central and Eastern Europe:
Dynamics and ICT Trade Integration**
Stanislaw Kubiela, University of Warsaw
 - 10:30** Coffee Break
 - 10:45** **ICT Dynamics and Economic Growth in Russia**
Evgeniya Yushkova, EIIW at the University of Wuppertal
 - 11:30** **Significance of FDI for the Development of Russian ICT**
Grigori Feiguine / Julia N. Solovjova, St. Petersburg State
University for Economics and Finance
 - 12:15** Lunch
 - 13:00** **ICT Dynamics in Germany: an Industry Perspective**
Axel Pols, Bitkom
 - 13:45** **ICT in Asia: Comparing Malaysia, Indonesia
and Thailand**
Tony Irawan, EIIW / University of Wuppertal
 - 14:30** **End of Workshop II**
- We plan some TV-Podcasting in Frankfurt

Prof. Dr. Paul J.J. Welfens
Jean Monnet Chair for European Economic Integration

Project "Digital EU Integration and Globalisation" Participants and Topics

Workshop III, November 11 and 12 (Sunday and Monday) 2012 in Essen

Financial support by the European Commission / Jean Monnet Programme is gratefully acknowledged.
Each session is 45 minutes; 30 minutes for presentation

Day 1: Sunday, November 11, 2012

Location: Mövenpick Hotel Essen, Gruga Room
Am Hauptbahnhof 2
45127 Essen, Deutschland

- 10:00** **Welcome and opening remarks**
Paul J.J. Welfens, EIIW at the University of Wuppertal
- 10:15** **Digital Growth: ICT Investment, Cross Innovation and Smart Grids**
Paul J.J. Welfens, EIIW at the University of Wuppertal
- 11:00** Coffee Break
- 11:30** **ICT Modernization in Central and Eastern Europe**
Stanislaw Kubiela, University of Warsaw
- 12:15** **ICT Dynamics and Economic Growth in Russia**
Evgeniya Yushkova, EIIW at the University of Wuppertal
- 13:00** Lunch
- 13:45** **Networks, Digital Products and Economic Development**
Tim Kelly, World Bank
- 14:30** **ICT Investment and Internationalization in Russia**
Grigori Feiguine/Julia N. Solovjova, St. Petersburg State University for Economics and Finance
- 15:15** Coffee Break
- 15:30** **ICT in Asia**
Tony Irawan, EIIW / University of Wuppertal
- 16:15** **Regulatory Fallacies in Global Telecommunications**
Günter Knieps, Albert-Ludwigs-Universität Freiburg / Patrick Zenhäusern, Polynomics, Olten
- 17:00** **End of Day I**
- 18:00** Dinner Mövenpick Hotel Essen, Handelshof Room
Dinner Speech
Raimund Bleischwitz, Wuppertal Institute for Climate, Environment and Energy

Day 2: Monday, November 12, 2012

Location: Mövenpick Hotel Essen, Gruga Room
Am Hauptbahnhof 2
45127 Essen, Deutschland

- 09:30** **Institutional Aspects of Smart Systems – A Common Information Platform**
Nele Friedrichsen, Bremer Energie Institut / Jacobs University Bremen
- 10:15** **ICT and Energy: Smart Grids**
Gero Bieser, SAP
- 11:00** Coffee Break
- 11:15** **Real Options and Investment Incentives in the Telecoms Market**
Hasan Alkas, Rhine-Waal University of Applied Sciences
- 12:00** **Panel Discussion
Digital Competition: Investment and Policy Perspectives**
Friedhelm Dommermuth, BNetzA Bonn; Günter Knieps, Albert-Ludwigs-Universität Freiburg; Justus Haucap, DICE, Heinrich-Heine-Universität Düsseldorf; Andreas Fier, Deutsche Telekom
- 13:00** Lunch
- 14:00** **End of Workshop III**
- Press Conference**
Paul J.J. Welfens, EIIW
Gero Stenke, Stifterverband für die Deutsche Wissenschaft
Christoph Schmidt, RWI
Justus Haucap, DICE, Heinrich-Heine-Universität Düsseldorf

We plan some TV-Podcasting in Essen

USA-EU: Transatlantic Trade and Investment Partnership Agreement



Perspectives at the Start of the Negotiations

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■ On July 8, 2013, the negotiations on the Transatlantic Trade and Investment Partnership (TTIP) began in Washington, DC. This marks the start for trade and investment liberalization that could generate considerable benefits for both the U.S. and the EU. Within the European Union, Germany, as the community's largest exporter, has strongly supported this initiative, whose start has not been postponed by the U.S. NSA leak. The strategic field of trade and investment liberalization is too important to put off after the World Trade Organization's Doha Round failed, and the benefits that TTIP could generate are too important to lose. Estimates from a study for the European Commission suggest that reductions of tariff and—even more important—non-tariff barriers to trade and better investment rules could raise gross domestic product by roughly 0.5 percent in the European Union and by 0.4 percent in the U.S. (a less conservative approach implies benefits for both sides of 1–2% of GDP). France and Germany have already indicated their unwillingness to fully open up the media industry, and other sectors will prove equally difficult.

Key challenges will concern the rules of origin, which specify the minimum share of value-added in the EU that would qualify them as an EU product that can then be imported duty-free into the U.S. Similarly, rules of origin have to be defined for U.S. products that should qualify for customs-free imports into the EU. The reduction of non-tariff barriers will be a crucial element in the negotiations. Also of particular concern is the field of common or compatible standards of products. While mutual recognition of technical standards is the standard procedure in the EU—saying that any product legally produced in any EU country can be sold in all EU countries—the U.S. has no experience with mutual recognition and thus might refuse to accept this principle. This issue may be further exacerbated by the field of regulations, which in the U.S. is organized mainly by government-independent organizations, while in Europe governments often have delegated certifications. Thus, it would be useful to at least develop common procedures to serve as the basis for "jointly accepted regulations" or to establish some joint bodies for adopting certain special regulations.

There is further need to explore the economic consequence of TTIP (along with the Trans-Pacific Partnership TPP between US, Canada, Mexico & Asian countries). Five key results can be anticipated:

- It will create more transatlantic trade and investment. This is good for business, jobs, and economic growth on both sides of the Atlantic—a welcome impulse after the transatlantic banking crisis and the euro crisis.
- It will cause transitory trade diversion at the expense of outsider countries, including countries in Asia. To the extent that TPP and parallel EU–Asian trade liberalization negotiations could be concluded, the trade diversion effects would be rather small.
- The ability of the U.S. and EU to reduce non-tariff barriers could become a model for further global liberalization in the field of trade in services. Trade in services—according to most recent data published by the OECD—accounts for almost 50 percent of global trade, and its role will increase in the context of the ongoing global digital modernization and the internet.
- Successful conclusion of TTIP and TPP could help to jumpstart the stalled Doha Round for trade liberalization.

- There could be an increase in transatlantic and global foreign direct investment, which will increase location-based competition in Europe.

It should not be overlooked that there are some thorny issues in transatlantic negotiations. Liberalization of trade in agriculture—with EU countries being rather restrictive with respect to genetically modified food—and the field of data protection could become difficult topics for the negotiators. Elimination of non-tariff barriers to a large extent will require that the U.S. and EU follow either the principle of mutual recognition or develop joint product standards. It should also not be overlooked that the banking industry could become an issue in the negotiations: The U.S. wants to keep the banking sector out of the negotiations while the EU countries would like to see that sector largely included. The following table gives a snapshot of the "value-added export" to the US – relative to GDP – which stands for gross exports minus imported foreign value added/GDP. Ireland's gross export-GDP ratio for exports to the US is about 4 times as big as the value-added export-GDP ratio. As regards a US economic recovery and TTIP induced expansion Malta, the UK, Lithuania, Ireland, Estonia, Denmark, Latvia, Sweden, Belgium and Germany will be the top 10 EU winner countries.

Table 1. Value Added Export from EU Countries to the US (as Percentage of GDP)

Ranking	Country	2009	Country	2008	Country	2005
1	Malta	6.42%	Malta	5.28%	Ireland	5.45%
2	United Kingdom	3.48%	United Kingdom	3.57%	Sweden	5.17%
3	Lithuania	3.09%	Estonia	3.57%	Malta	5.14%
4	Ireland	3.00%	Ireland	3.42%	Estonia	4.38%
5	Estonia	2.94%	Denmark	3.19%	Lithuania	4.11%
6	Denmark	2.94%	Lithuania	2.94%	Latvia	3.92%
7	Latvia	2.67%	Sweden	2.88%	United Kingdom	3.37%
8	Sweden	2.49%	Greece	2.66%	Greece	3.34%
9	Belgium	2.16%	Germany	2.49%	Germany	2.93%
10	Germany	2.01%	Latvia	2.43%	Denmark	2.86%

Source: WTO-OECD TIVA Database, EIIW calculations (no data available on Croatia and Cyprus)