

INTERNATIONAL CONFERENCE

19-20.04.2018

**Competitiveness strategies
for the small EU states:
economic and social
perspectives**

**ABSTRACTS OF PRESENTATIONS,
PROGRAMME AND
BIONOTES OF AUTHORS**



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère de l'Économie

Observatoire de la compétitivité



L-Università
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STATEC



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Programme

Thursday 19 April

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Thursday 19 April

First plenary session
Keynote speakers

13.45 - 14.15 Are small states doomed to be tax havens?

Patrice Pieretti

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Abstract

Among the many problems small countries face, one that deserves attention is the lack in domestic factor endowments (capital and human resources). Thus, very small countries are dependent on foreign resources to make them sustainable in the long term. In this context, is tax competition or more precisely tax dumping a solution to attract lacking resources? The presentation raises two issues. The first is to question some statements of prominent theorists about the role of smallness in the tax competition literature. The second is to address, from a dynamic perspective, the question about the economic survival of a small state in a competing world for mobile resources.

Bionote

Patrice Pieretti graduated at the University of Liege and obtained a PhD in Economics at the Institute of Political Studies in Paris. He holds the Habilitation à diriger des recherches from the University of Paris II, Pantheon-Assas. He teaches economics and finance at the Faculty of Law, Economics and Finance at the University of Luxembourg. From 1995 to 2003, he lectured at the Centre Europeen de Nancy (University Nancy III). From 1999 to 2009, he has been visiting professor at the University of Paris II Pantheon-Assas (DEA in financial econometrics). He has directed many research projects and was member of several PhD thesis committees in Paris II, Liege, Louis Pasteur Strasbourg I and Nancy II universities. From 1994 to 2002, he was director of CREA, which was located at the "Gabriel Lippmann" research center. He has been director of the same center, which is now located at the University of Luxembourg. His research agenda concentrates on spatial economics and jurisdictional competition and more specifically on the economic analysis of small open economies, in particular, the analysis of inter-jurisdictional competition (Standortwettbewerb), the determinants of growth as well as the macroeconomic modeling of small open economies. He is the author or co-author of more than fifty publications and scientific contributions as well as two textbooks, respectively in Economics and Statistics.

Thursday 19 April

First plenary session
Keynote speakers

14.15 - 14.45 Small states and the future of international intergration

Enrico Spolaore

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Abstract

Small states thrive in an economically integrated world, while they are disproportionately hurt by barriers to international exchanges. Thus, small states have overall benefited from the trend towards increasing international openness over the past few decades. However, integration is now under threat, both globally and within Europe. What are the current issues with economic and institutional integration across national borders? In particular, what's happening with European integration? This talk will discuss such questions in light of recent economics research.

Bionote

Enrico Spolaore is the Seth Merrin Chair and Professor of Economics at Tufts University. He is also a Research Associate at the National Bureau of Economic Research (NBER) in Cambridge (MA), a CESifo Fellow at the University of Munich, and an External Associate at the University of Warwick's Centre for Competitive Advantage in the Global Economy (CAGE). Spolaore received an undergraduate degree (Laurea) in Economics and Commerce from the University of Rome, a doctoral degree (Dottorato di Ricerca) from the University of Siena, and a PhD in Economics from Harvard University. His main research interests are in political economy, economic growth and development, and international economics. Before joining the Tufts faculty in 2004, Spolaore held faculty positions at the Universite Libre de Bruxelles, Ohio State University, Boston College, and Brown University. He also worked as a consultant for the Confederation of Italian Industries (Confindustria) and the European Commission. At Tufts he served as Chair of the Economics Department between 2006 and 2012.

First Parallel Session: Strategies

Chair: Giulia Spalletti
Rapporteur: Marjan Petreski

14.45 - 15.15 “Punching above their weight”: a comparative study of global city formation in Luxembourg and Singapore

Catherine Wong
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Abstract

“Punching above their weight” is an expression frequently used to describe the economic development strategies of Luxembourg and Singapore. Both states have made bold investments in niche sectors and chosen policies which were contrary to international and regional norms at various junctures in history. Their relative success, however, requires more than state-centric explanations and must be understood within broader global processes of geopolitical and economic reconfigurations. Their openness to global flows of (human) capital have also, in more recent years, exposed them to similar challenges that come with being highly global but small places. This paper presents new empirical data from semi-structured interviews with key policy and industry elites in Luxembourg and Singapore. It offers a short explanation of the historical trajectories and future trajectories of both cases with reference to the common challenges they face as small but highly globalised states.

Bionote

Catherine Wong’s current research looks at governance networks that underpin globalisation processes in “second-order” cities that are relatively small but highly important in global networks of production. Her current project GLOBAL compares the trajectories of Luxembourg, Geneva and Singapore and examines their relative positions in the global economy and the implications for urban development. Prior to joining the University of Luxembourg, she was at James Cook University, Australia, working on climate governance in China, Australia and the UK. Using a comparative policy approach, her research focused on environmental justice, risk governance, the politics of climate mitigation and adaptation, and stakeholder engagement in policy decision-making. She received her PhD from the Australian National University (ANU) where she was also the recipient of the prestigious ANU Research Scholarship (International) and ANU HDR Merit Scholarship.

First Parallel Session: Strategies

Chair: Giulia Spalletti
Rapporteur: Marjan Petreski

15.15 - 15.45 Competitiveness of Montenegro

Milorad Katnić

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Abstract

Even though there is no single definition of competitiveness in the economic theory, this topic is highly represented among economic analysts, especially after the adoption of the new Lisbon agenda. However, it seems that the question of the competitiveness of small countries, EU members and those who are trying to become a member state is still insufficiently represented among analysts. Small countries face different challenges on the path of creating the competitiveness of their economy. They are more vulnerable due to natural hazards resulting from impossibility of using economies of scale, small population, and undiversified workforce. If all of these are put in the context of meeting the EU standards, then the challenge is even greater. This paper aims to discuss the issues of competitiveness of the Montenegrin economy in the context of its path to EU membership. What can be the key to securing the long-term competitiveness of the Montenegrin economy? Is it a simple regulatory system with minimal administrative burdens, a small state administration and a flexible education system? Can the inadequate establishment of EU standards and regulations lead to the loss of the existing level of competitiveness?

Bionote

Milorad Katnić is Associate Professor at University of Donja Gorica and President of the Board of Directors of the Societe Generale Montenegro Bank. He is lead author of National Human Development Report produced for UNDP Montenegro and lead expert on youth employment at UNDP Montenegro. As Deputy Finance Minister (2004-2010) and Finance Minister (2010-2012), Milorad Katnić focused his work on the budget transparency, strengthening fiscal and financial system, including particular focus on Doing Business and Regulatory Impact Assessment (RIA). Milorad Katnić was guest lecturer at prestigious foreign universities such as George Washington, Elliot School of International Affairs, Harvard and London School of Economics. He is the author of numerous publications and papers. He is member of the Mont Pelerin Society.

First Parallel Session: Strategies

Chair: Giulia Spalletti
Rapporteur: Marjan Petreski

15.45 - 16.15 **Macedonian competitiveness portrait: strengths and weaknesses**

Marjan Petreski

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Igor Velickovski

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Abstract

In global terms, Macedonia made a noticeable progress in competitiveness ranking during the last decade according to the World Economic Forum Index and the World Bank's Doing Business analysis. This attracts our attention to reflect on the strengths that improved the competitiveness and the role of government in this process of embarking the country on the reforms path. Nevertheless, we will focus more in our presentation on the existing weaknesses in various areas such as business environment, SMEs and access to finance, education and innovation, FDI policy, labour market efficiency and governance. All these issues will be discussed in a comparative context with Macedonia's peers from South East Europe.

Bionotes

Marjan Petreski is Associate Professor at the School of Business Economics and Management of the University American College Skopje. He is the founder of Finance Think – Economic Research & Policy Institute, Skopje, a prominent and influential economic think tank. He holds a PhD from Staffordshire University, UK. His research lately focuses on issues related to productivity, labour markets, social policy and the welfare state, with a strong focus on transition economies. He published widely in international peer-reviewed journals (22 articles in journals indexed in Journal Citation Reports and 24 in Scopus), authored four international books and eleven chapters in international books.

Igor Velickovski is a Manager of Payment Systems Department with the National Bank of the Republic of Macedonia. His previous work experience was closely related to monetary policy implementation and foreign reserve management as he had been a Head of Open Market Operations Division and Deputy Manager of Financial Market Operations Department. He is also Associate Professor of Economics at the School of Business Economics and Management - University American College Skopje. His teaching area covers monetary economics, international and corporate finance, while his research focus includes monetary, trade, financial and payment integration processes. He has been engaged in several international research projects.

First Parallel Session: Strategies

Chair: Giulia Spalletti
Rapporteur: Marjan Petreski

16.35 - 17.05 **The economic diplomacy of small states in global competitiveness**

Winston Dookeran

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Abstract

The Global Competitive Report 2017-18, concluded that “improving competitiveness ... requires the coordinated action of the state, the business community and civil society”. It focusses on financial vulnerabilities as a threat to competitiveness, ability to finance innovation and technological adoption, spreading the benefits of technological adoption and labour market flexibility and worker protection. Small states have unique challenges which was fully addressed in the World Bank Roadmap for Small States. For the European Union, deepening private sector - the cascade approach and blended finance approaches - and its financial packages of the IFC could enhance financial flows for small economies. Capital flows - its direction and sustainability - is key to building resilience for small economies of the world.

Bionote

Winston Dookeran is currently Adviser to United Nations (ECLAC) in Washington, and Adjunct Professor at University College, University of Toronto, Canada. He is a graduate of the London School of Economics and Political Science, and a Fellow at the Weatherhead Center for International Affairs at Harvard University. He studied at the University of Manitoba in Canada. He is a Caribbean Economist whose last book was titled “Crisis and Promise in the Caribbean: Politics and Convergence”, and he was the Minister of Foreign Affairs of Trinidad and Tobago. Earlier on, he taught at the University of the West Indies and held the position of Governor of the Central Bank of Trinidad and Tobago.

First Parallel Session: Strategies

Chair: Giulia Spalletti
Rapporteur: Marjan Petreski

17.05 - 17.35 “Niche politics” A mode of instruction. Lessons to be learned from Luxembourg

Mario Hirsch

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Abstract

Luxembourg has played “niche politics” since the middle of the 19th century. This coincided with the economic take off of the country. This presentation discusses four examples that illustrate the possibilities and the limits of such an approach. They underline to what extent the marketing of national sovereignty is the key element in this perilous exercise. The examples chosen are drawn from the three sectors that have become synonymous of the small country: steel, communications, finance. A common element is the fact that Luxembourg choose deliberately a minimalistic approach as far as the legal framework goes, meaning a minimum of constraints and prescriptions for international actors.

Bionote

Mario Hirsch studied law, political science and sociology at the Universities of Bordeaux, Strasbourg, Heidelberg and Paris. He served as Personal Advisor to the Prime Minister of Luxembourg Gaston Thorn from 1974 to 1976. He was Economic Editor of the Luxembourg weekly d’Lëtzebuerger Land, corresponding to the Belgian daily Le Soir and of AP-Dow-Jones for Luxembourg from 1977 till 1983. From 1998 to 2006 he was editor in chief of the Luxembourg weekly d’Lëtzebuerger Land. He also served as liaison officer between the Luxembourg EU Presidency and the EU Special Envoy for the Mideast Peace Process, coordinator of peace implementation activities at the Ministry of Foreign Affairs of Luxembourg, and Director of the Institut Pierre Werner, Luxembourg. Since June 2011, he acted as Senior Visiting Research Fellow at the European Union Institute for Security Studies in Paris.

Second Parallel Session Entrepreneurship

Chair: Martine Hildgen
Rapporteur: Godfrey Baldacchino

14.45 - 15.15 The competitiveness of small states: insights on flexible specialisation

Godfrey Baldacchino

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Abstract

The “strategy of flexible adaptation” in order to secure best achievable outcomes in evolving or abruptly changing scenarios” is deemed to be the best management and leadership style. The smaller the state or territory, the greater the likelihood that its domestic, internal affairs will be dominated, responsive to and driven by exogenous factors (including terms of trade, tourism trends, migration flows, remittances, aid and other ‘rents’). Additionally, and in such circumstances, the smaller the state or territory, the greater becomes the obligation of its government and other institutional structures to pretend that they can plan ahead; to suggest leadership and foresight in the trajectory of development while being agile and nimble at grasping opportunities if and when they arise, and even if these may have no traction with any existing plans. This paper is deliberately provocative: using both secondary data and personal experience, it first traces the manner in which ‘flexible specialisation’ dictates and drives a considerable amount of actions and decisions in small jurisdictions. It then explores how these structural obligations nevertheless transform themselves into the nurturing and maintenance of competitive niches, each of which then comes along with specific skill set and infrastructural requests.

Bionote

Godfrey Baldacchino (PhD Warwick) is Pro-Rector (International Development & Quality Assurance), at the University of Malta and Professor of Sociology at the same University. He is founding editor of the journal *Small States and Territories*. He has a professional interest in islands and small state studies.

Second Parallel Session Entrepreneurship

Chair: Martine Hildgen
Rapporteur: Godfrey Baldacchino

15.15 - 15.45 Entrepreneurship, population and growth: a structural equation model

Cesare A.F. Riillo

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Abstract

This presentation explores whether country size shapes the relationship between entrepreneurship and economic growth at the macro level. The economic literature suggests that entrepreneurship and population are important determinants of growth. A trade-off between country size and growth might exist. Many separatist movements claim that economic benefits are related to small country size. Large countries benefit from economies of scale and higher diversification of the economy and more entrepreneurs while small countries may prosper because of specialization, lower transaction costs and higher flexibility. Using an econometric approach, the study confirms the importance of entrepreneurship for the economic growth. Results for the country size are rather inconclusive as high degree of heterogeneity among countries and the presence of strategies to mitigate disadvantages related to size may help to explain this result. Large countries can decentralize their government to benefit from the flexibility of smaller administrative units while small countries may join an economic union to benefit from economies of scale. These policies can effect the link between country size and economic growth.

Bionote

Cesare A. F. Riillo is a senior economist at STATEC research (National Institute of statistics and economic studies – Luxembourg). He holds a PhD, with mention of Doctor Europaeus in Human, Territory and Society Science (Dottore di ricerca in Scienze dell Uomo del Territorio e della Società), University of Trieste, Italy. He published several research papers in international journals including: Research Policy, Journal of Cleaner Production and Small Business Economics. Riillo is team leader of the Luxembourgish team of the Global Entrepreneurship Monitor. His research interests include entrepreneurship, innovation and standardisation economics.

Second Parallel Session Entrepreneurship

Chair: Martine Hildgen
Rapporteur: Godfrey Baldacchino

15.45 - 16.15 **Enterprise Ireland - A government organisation responsible for the development and growth of Irish enterprises in world markets**

Mike Devaney

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Jan Gallagher

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Abstract

The presentation will give an overview of the collaboration of Enterprise Ireland with government departments, with sister agencies (IDA, Udaras, Local Enterprise Offices) on a National Growth Agenda. Reference will also be made to our global outreach. We will present information about Enterprise Ireland's strategy and support mechanisms to develop Irish Industry, and to promote growth in exports and employment. We will also explain Enterprise Ireland's Lean Business Offer, which is the approach we adopt and the outcome, the benefit and impact to client companies following the adoption and implementation of Lean Business Principles. These include improving operational performance, gaining a competitive advantage, through quality and reduction in costs, and improving customer service. The following is link to case studies showing the impact/increase in competitiveness to client companies due to our efforts in this area. <https://www.enterprise-ireland.com/en/Productivity/Lean-Business-Offer/Lean-Case-Studies/>

Bionotes

Michael Devaney is a Senior Lean Executive with Enterprise Ireland which is the Government agency in Ireland responsible for supporting Irish businesses in the manufacturing and internationally traded service sectors. He has also worked for various entities including FAS – the Irish National Training and Employment Authority and for Forfas – Irish Advisory & Analysis Agency for National Policy. With over 36 years experience facilitating Irish SMEs to develop and grow, Michael Devaney holds a Master in Adult Learning and Development from the National University of Ireland, Galway.

Jan Gallagher manages the Competitiveness Benchmarking activities in Enterprise Ireland, the Irish Government agency responsible for supporting Irish businesses to build scale and expand reach in global markets, in the manufacturing and internationally traded service sectors. She also provides support for the delivery of Enterprise Ireland's Lean business offer, encouraging client companies to adopt Lean business principles to increase performance and competitiveness. She has worked at both the research end and the national administration end of the EU Framework funded programmes specific to the SME instrument activities. She has 35+ years of experience in assisting the growth and development of indigenous Irish companies.

Second Parallel Session Entrepreneurship

Chair: Martine Hildgen
Rapporteur: Godfrey Baldacchino

16.35 - 17.05 What drives productivity of small states, global, regional or country specific factors?

Vasja Sivec

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Abstract

This contribution explores how productivity growth relates to global, regional and country specific influences. Using Pen World Data on productivity for 115 countries and for the period 1991-2014, we highlight different productivity dynamics across small and large states. We find that, for small states, a higher share of country's productivity explained by global dynamics is associated with higher productivity growth. This relation is absent for big countries. A possible explanation is that small countries need access to global markets in order to develop their potential because, due to their size, they cannot rely on internal market like big countries can. We also find that the share of productivity explained by regional factors does not seem to be a determinant of productivity growth in small states.

Overall, we find that approximately 1/3rd of productivity growth of small countries is explained by global (20%) and regional (13%) factors. The remaining 2/3rd is associated with country specific factors.

Bionote

Vasja Sivec has joined ANEC/STATEC research division in September 2016. He holds a PhD from the European University Institute, Florence. He is interested in Macroeconomics, Time Series Analysis and the link between real and financial economy.

Second Parallel Session Entrepreneurship

Chair: Martine Hildgen
Rapporteur: Godfrey Baldacchino

17.05 - 17.35 The shadow economy and its impact on competitiveness: insights from the Baltic countries

Arnis Sauka

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Abstract

The aim of this presentation is to measure the size of the shadow economies in Latvia, Lithuania and Estonia as well as to explore the main factors, including tax morale and satisfaction with institutions, that influence participation in the shadow economy. We also explore how the shadow economy impacts on competitiveness of companies and the economy in general. Empirically, the study draws on an annual survey of company owners/managers in Estonia, Latvia, and Lithuania, where 500 owner-managers are interviewed in each country. The findings of the study have been presented annually since 2010 at a mid-May conference organized in cooperation with the Latvian Chamber of Commerce and Industry and the Ministry of Finance of Latvia. The findings are used extensively by some government entities in Latvia and Estonia and various associations and NGOs in the Baltic countries, as well as by international organisations such as the OECD, EBRD and World Bank.

Bionote

Arnis Sauka is an Associate Professor, Director of the Centre for Sustainable Business at the Stockholm School of Economics in Riga. Arnis Sauka has a PhD from the University of Siegen (Germany) and has been a Visiting Scholar at Jönköping International Business School (Sweden) and University College London (UK). His academic research, dealing with productive and unproductive entrepreneurship, shadow economy and business competitiveness have appeared in journals such as Journal of Business Ethics, International Small Business Journal, Journal of Comparative Economics as well as books published by Springer, Routledge, Edward Elgar, IGI Global, Blackwell and Peter Lang. Arnis Sauka is extensively involved in applied research, including studies contracted by the OECD, Eurofound and various industry associations.

Third Parallel Session

Economic development

Chair: Max Jentgen
Rapporteur: Andreas Theophanous

14.45 - 15.15 Current economic performance and challenges for Lithuanian economy

Algirdas Miskinis
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Abstract

The focus of the presentation will be on the factors that affect economic development in Lithuania, a small economy in transition. The presentation compares the structure and performance of the Lithuanian economy before and after EU accession, and will give a description of the successes and challenges of the Lithuanian economy, referring to the driving forces behind such changes. Reference will also be made to income redistribution, increasing inequality and high emigration rates. The study will also deal with the development of the Lithuanian business environment referring to the low level of innovation and labour productivity, which have a direct influence on competitiveness.

Bionote

Algirdas Miskinis studied at the department of Industrial economics of Vilnius University, graduating in 1976. In 1982 he defended PhD in economics. Since 1982 he is working at Vilnius University. During 1994-2004 he was the head of International Economics Department, and starting from 2015 – head of Economic Policy Department. During 2002-2017 he held the position of Vice Dean of the Faculty of Economics. Algirdas Miskinis is the Editor in chief of journal Ekonomika. During 2013-2018 he was the president of the Lithuanian Economic Association. His main areas of expertise are international trade, foreign direct investments and competitiveness.

Third Parallel Session

Economic development

Chair: Max Jentgen
Rapporteur: Andreas Theophanous

15.15 - 15.45 Cyprus in search of a new economic paradigm

Andreas Theophanous

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Marat Yuldashev

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Abstract

The presentation will discuss the current state of the economy of Cyprus. Five years after the economic collapse in March 2013 Cyprus is in a much better situation. The government and EU circles have been describing the stabilization and the recovery as a success story. In 2016 the economy has exhibited modest economic growth. However, there are still very serious problems that need to be addressed including the challenge of non-performing loans (NPLs), the high rate of private debt, the persisting structural unemployment and the need to improve the competitiveness of the economy. Above all Cyprus needs to have a comprehensive economic paradigm including new engines of growth.

Bionotes

Andreas Theophanous received his BA degree in Economics and Political Science (with distinction, baccalaureate) from Susquehanna University in 1983, his MA and PhD degrees in Economics in 1985 and 1988 respectively from the Pennsylvania State University. He served as Economic Advisor to the President of the Republic of Cyprus from September 1990 to February 1993. He is Professor of Political Economy, President of the Cyprus Center for European and International Affairs and the Head of the Department of Politics and Governance of the University of Nicosia. Theophanous has published several books and numerous articles on the Cyprus problem and its economic aspects, Cyprus-EU relations including the current economic crisis, issues of governance in bi-ethnic and multi-ethnic societies, European integration, political economy and EU-Turkish relations.

Marat Yuldashev is a consultant and researcher. He received training in international finance and business and pursued career in public and private sectors in Commonwealth of Independent States (CIS), Eastern Europe, Eastern Mediterranean and the Middle East. He began his career in central banking and then worked over a decade in international financial and consulting sectors in Cyprus, where he specialized in foreign direct investment projects across emerging markets. He joined the CCEIA in 2016. His research interests include Cyprus-EU affairs, international economy and regional security.

Third Parallel Session

Economic development

Chair: Max Jentgen
Rapporteur: Andreas Theophanous

15.45 - 16.15 Country size and sustainability

Charles-Henri Di Maria

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Abstract

In recent years, countries have increasingly committed themselves to achieve Sustainable Development Goals (SDGs). Many such goals refer to the improvement of countries' environmental quality. This presentation proposes a new country ranking through an indicator measuring the relative performance of small and large countries in terms of a sustainability criterion, for a sample of 139 countries, using data sourced from the Penn World Tables. The rankings are used to compare countries' standard economic efficiency with sustainability-adjusted economic efficiency, and to investigate whether country size correlates with these two indicators. The results show that economic efficiency is positively correlated with country size but small countries (defined as those with population below 3.5 millions) tend to achieve better rankings in terms of the sustainability-adjusted economic efficiency when compared to standard economic efficiency.

Bionote

Charles-Henri Di Maria joined ANEC/STATEC as a senior researcher on April 1st 2016. His research interests lie in the areas of sustainability and non-parametric methods. Currently he conducts research on productivity issues. Previously, he held positions at STATEC, where he worked on financial accounts and financial services, and at the research centre Henri Tudor, where he has extensively investigated competitiveness issues. Charles-Henri Di Maria holds a PhD in Economics from the Université Paris II Pantheon Assas.

Third Parallel Session **Economic development**

Chair: Max Jentgen
Rapporteur: Andreas Theophanous

16.35 - 17.05 Tourism competitiveness in the European small states

Michal Jasinski

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Abstract

The aim of the presentation is to analyse tourism competitiveness in European Union small states (Cyprus, Estonia, Latvia, Lithuania, Luxembourg, Malta and Slovenia) when compared to larger EU member states, and to other tourism destinations in the rest of the world. Special attention is paid to two small island states, namely Cyprus and Malta. The indicator used to measure tourism competitiveness is the Travel and Tourism Competitiveness Index.

Bionote

Michal Jasinski, PhD Econ. (2013) is an Assistant Professor at Jean Monnet Chair of European Union, the Socio-Economic Collegium of Warsaw School of Economic. His research includes International Tourism, Official Development Assistance (ODA) and Small Island Developing States (SIDS). His professional experience includes academic and public administration.

Third Parallel Session

Economic development

Chair: Max Jentgen
Rapporteur: Andreas Theophanous

17.05 - 17.35 Investment and investment finance in Malta

Nicolas Arsalides

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Abstract

The European Investment Bank (EIBIS) 2017 results reveal a positive picture of investment dynamics in Malta, but also highlight areas for policy attention. Business investment continues to grow and expectations remain positive. The key risk for a sustained upswing in investment activities in Malta is represented by skill shortages. Nearly nine in ten firms already consider this to be a bottleneck for their investment activities. Moreover, the situation with regard to transport infrastructure, energy dependency and business regulations affect firms in Malta worse than firms in the rest of the EU. In order to safeguard the positive investment dynamics, it will be important to ensure that the investment carried out translates into productive outcomes. More diversification in available forms of finance to support intangible investment and innovation is also important. From a policy perspective EIBIS 2017 suggests that dealing with the problem of skill shortages, together with improving the transport system, working towards lower energy costs and simplifying business regulations will be key areas to focus on. Furthermore, considering alternative ways to diversify firms' financing mix will be additionally important, in order to ensure that investment activities translate into productivity enhancing outcomes.

Bionote

Nicolas Arsalides has been working as an Economic Analyst in the Country and Financial Sector Analysis Division in the Economics Department at the European Investment Bank since 2016, working mainly on banking industry risk modelling, stress testing, country and financial sector analysis and regional and urban policies. Nicolas Arsalides holds a BSc and MSc in Economics from the University of Southampton and the London School of Economics. Nicolas Arsalides has also worked as a Teaching and Research Assistant at the London School of Economics, while he has also work experience at the Central Bank of Cyprus, KPMG and World tax.

Friday 20 April

Second plenary session
Keynote speaker

**09.00 - 9.30 The University of Luxembourg and its role
in the country's strategy**

Stéphane Pallage

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Bionote

Stéphane Pallage is the Rector of the University of Luxembourg. A native of Belgium and a Canadian citizen, he is a PhD graduate in Economics of Carnegie Mellon's Tepper School of Business, where he worked closely with Finn Kydland, 2004 Economics Nobel Laureate. His articles on foreign aid, child labour, economic fluctuations and optimal social programs have been published in many international reviews. Prior to joining the University of Luxembourg, he was the Dean of UQAM's School of Business (ESG UQAM) in Montreal.

Fourth Parallel Session

Global indicators

Chair: Giulia Spalletti

Rapporteur: Serge Allegrezza

09.45 - 10.15 The performance of Cyprus in the Global Competitiveness Report. Strengths and weaknesses

Bambos Papageorgiou

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Abstract

This brief presentation focuses on the comparative performance of Cyprus in the Global Competitiveness Report, produced by the World Economic Forum. It begins with a brief explanation of the Report's methodology and presents Cyprus' overall performance and also its performance in the various sub-indices of the report. The indicators for which Cyprus scores exceptionally high or exceptionally low are identified and briefly discussed. It is noticed that Cyprus tends to score worse on indicators derived from survey questions, when compared to scores produced by using hard (statistical) data. Specific reference is made to the competitive performance of the tourist sector in Cyprus, since, as it is the case with most Mediterranean countries, tourism is ranked as considerably more competitive than the economy as a whole.

Bionote

Bambos Papageorgiou received his PhD from University College London in Political Philosophy. He worked shortly in the financial derivatives industry and in 1991 joined the European University (then "Cyprus College") Research Centre eventually heading its socio-economic and political research department. Appointed by the Cabinet, he served on the Board of Directors of Cyta (Cyprus incumbent telecoms provider) from 2000 to 2006. In 2008, he was appointed as a Member of the Board of Directors of the Central Bank of Cyprus. In early 2011 he left the Central Bank's Board running successfully for a Cyprus Parliament seat. He served five years as a Member of the Parliament sitting on the Finance Committee and also the Parliament's Audit Committee.

Fourth Parallel Session

Global indicators

Chair: Giulia Spalletti
Rapporteur: Serge Allegrezza

10.15 - 10.45 Competitiveness of small states: does size matter?

Serge Allegrezza

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Abstract

Does size matter? The question is of at most importance for small states/economies since their success depends on the possibility to mitigate the disadvantage of absorptive capacity of their limited internal market, the diseconomies of scale and the lack of instructional capacity. The empirical literature on the effects of size on country performance is inconclusive. A working paper posted by Alouini and Hubert (2010) using a composite indicator to measure country size (population, GDP and arable land), employed panel-data regressions on 163 countries, and showed that there is a clear negative relation between country size and the growth rate of GDP. However, they concluded that trade openness has a clear positive effect on growth. Our previous work on cross national data of the EU member states shows that size, measured by population, has no significant impact on gross national income (GNI) per capita. In this paper we extend the work by considering a panel of 28 member states over 16 years (2000 to 2016). The dependent variable is GNI by capital and the explanatory variables are the composite competitiveness indicator computed by the Observatoire de la compétitivité and population. The regressions show a mixed result where population plays a limited role while competitiveness is highly significant.

Bionote

Serge Allegrezza possess a doctorate in Applied Economics. He has been Director General of STATEC, the Luxembourg Institute for Statistics and Economic Studies, since April 2003, Chairman of Luxembourg's Observatory for Competitiveness since 2005 and member of the Economic and Social Council (Conseil économique et social, CES) since 1992. Serge Allegrezza has also been a scientific adviser of the Centre de Recherche Public Henri Tudor from 2005-2014, Chairman of the board of LuxTrust since 2005 and Chairman of the board of directors of POST since 2013. He has been a member of the board of SES since April 2010. From 1991 to 2003, he was "Conseiller de gouvernement 1ère classe" at the Ministry of the Economy. Serge Allegrezza is Commander of the Order of the Oak Crown.

Fourth Parallel Session

Global indicators

Chair: Giulia Spalletti

Rapporteur: Serge Allegrezza

11.00 - 11.30 **Comparative analyses of competitiveness indicators of Western Balkan countries vs Baltic states. Lessons for acceding economies**

Mimoza Agolli

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Selami Xhepa

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Abstract

In this study we benchmark competitiveness scores of the Western Balkan small states with those of the Baltic States. We will focus on four main areas of the Global Competitiveness Index, namely institutions, market efficiency, businesses sophistication and innovation, labour market. Our objective is to measure the effect of the policy framework, notably that relating to the integration process, on the countries competitiveness ranking of the Balkan small states. For this purpose, we will examine the changes in the competitiveness rankings in a dynamic perspective, identifying the impact of the integration process on the competitiveness scores in these same countries. The analyses will be performed using quantitative regression method of simultaneous equations linking European integration status with the competitiveness indicators. The results could provide useful insights and policy recommendations relating to competitive strategies of the Western Balkan small states.

Bionotes

Mimoza Agolli is a Lecturer of Statistics at Canadian Institute of Technology and an affiliated researcher at the university Center for Innovation Research and Development. She is completing her PhD studies in Quantitative Economics at Christian Albrecht's University, Faculty of Economy and Institute of Regional Economics. Mimoza Agolli has held positions as researcher and policy advisor for government and development agencies. She has an extensive experience in applying quantitative research for social sciences. Her research interests falls in the area of growth and development, behavioral studies, microsimulations and CGE.

Selami Xhepa is an associate professor at the European University of Tirana. Prior to that, he used to work with other research organisations, including the Research and Monetary Policy Department of the Bank of Albania and Albanian Center for International Trade. Selami Xhepa has also served as advisor to Prime Minister of Albania on the economic policies and later as Member of Parliament, standing committee of finance and budget. His research interests are mostly on financial markets and international trade.

Fourth Parallel Session

Global indicators

Chair: Giulia Spalletti
Rapporteur: Serge Allegrezza

11.30 - 12.00 The relationship between competitiveness and resilience with special reference to the EU small states

Lino Briguglio
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Melchior Vella
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Abstract

This presentation places the EU small states within the vulnerability/resilience framework, proposed in Briguglio et al. (2009), and tests the correlation between economic resilience and competitiveness. The analysis is carried out with a focus on the EU small states. In this analysis, resilience is associated with good economic, social and political governance, and vulnerability is associated with exposure to external shocks mostly due to a high degree of trade openness. The findings indicate that (a) the EU member states, including most of the smaller ones, tend to exhibit a relatively high degree of economic resilience when compared to most countries in the rest of the world (b) that the EU small states tend to exhibit a high degree of economic vulnerability, suggesting that they are highly exposed to external shocks and (c) the most vulnerable EU small states tend to register relatively high competitiveness scores, indicating that while these small states are highly exposed to shocks, they manage to attain relatively high resilience as well as competitiveness scores. This suggests that economic resilience and competitiveness are related, and a correlation test carried in the study confirms this relationship.

Bionotes

Lino Briguglio is Professor of Economics and Director of the Islands and Small States Institute of the University of Malta. He is known internationally for his seminal article on the "Vulnerability Index" published in *World Development* in 1995. He has also pioneered work on the measurement of economic resilience, in a paper published in *Oxford Development Studies* in 2009. He has acted as consultant to various international organisations on matters relating to small states. He served as Lead-author for the IPCC third, fourth and fifth assessment reports on climate change and together with other scientists he contributed to the 2007 award of the Nobel Peace prize to the IPCC.

Melchior Vella obtained a Master of Science degree in Economics at the University of Essex in 2016 with distinction. He earlier graduated in Commerce, majoring in Economics and Public Policy, then in B.Com. (Honours) in Economics (First Class) from the University of Malta. He currently serves in the public service as an economist at the Economic Policy Department within the Ministry for Finance and lectures part time at the University of Malta. His research interests include labour economics and economies of small states.

Fifth Parallel Session

Policy framework

Chair: Martine Hildgen
Rapporteur: Danielle Bossaert

09.45 - 10.15 **The Luxembourgish public administration as a lever for competitiveness: opportunities and limits of small size**

Danielle Bossaert

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Abstract

Small public administrations, such as the Luxembourgish one, lack the rationality of the large and cumbersome Weberian bureaucracies. The Luxembourgish ministries are staffed predominantly by multi-tasking and adaptable generalists, who accumulate various roles and who can perform a broad range of functions all at once. When comparing international rankings in the fields of organization and management of Government, Luxembourg performs rather well as compared to the other 27 EU member states. In the field of inter-ministerial coordination, Luxembourg was in 2016 among the five best performers, while it also scored quite well under Government effectiveness (rank 7) and implementation capacity (rank 6). Against this background, the presentation will discuss typical opportunities of the small Luxembourgish public administration and small public administrations in general such as their greater agility, responsiveness and adaptability on the one hand, but on the other hand also illustrate performance and competitiveness risks such as the limited specialization and the high dependency on external expertise and know-how.

Bionote

Since 2015, Danielle Bossaert is advisor in the Ministry of Civil Service and Administrative Reform, Luxembourg. She is the head of the Observatory of the Civil Service, whose mission it is to support the civil service in its innovation and change strategies through research, data and comparative knowledge and experiences from abroad. Danielle Bossaert is a civil servant and a political scientist. Prior to the Luxembourgish civil service, she was a Senior Lecturer at the European Institute of Public Administration in Maastricht (NL). Her fields of expertise were comparative public administration, human resource management and reform. She published several books in these fields and designed and chaired seminars targeted at national and European civil servants and experts in these areas.

Fifth Parallel Session

Policy framework

Chair: Martine Hildgen
Rapporteur: Danielle Bossaert

10.15 - 10.45 Tax policy as factor of Montenegrin competitiveness

Jadranka Kaludjerovic

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Abstract

Some taxes, such as VAT and profit tax, are low in Montenegro in comparison with the countries in the region. However, personal income taxes and contributions are still very high and present significant burden to business. In addition, certain taxes/duties on municipal level present additional burden and are usually not targeted by national policies aimed to create better business environment. This presentation will focus on the different aspects of tax policy in Montenegro, as one of the factors of competitiveness, and analyse good practices but also some of the areas in which further improvements may be made.

Bionote

Jadranka Kaludjerovic is director of Institute for Strategic Studies and Prognoses (ISSP), first economic think tank in Montenegro with 20 years of research experience. She is also professor of economics at Faculty for International Economics, Finance and Business of the University of Donja Gorica, Podgorica, Montenegro. Her research interests are business cycles, economic theory and macroeconomics. She managed implementation of more than 50 projects in the area of macroeconomics, economic and social policy analyses as well as different sectorial policies.

Fifth Parallel Session

Policy framework

Chair: Martine Hildgen
Rapporteur: Danielle Bossaert

11.00 - 11.30 Euro area governance: where are we and where do we go?

Mojmir Mrak

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Abstract

The objective of the presentation is threefold. First, to describe the current state of affairs in the euro area arguing that considerable changes are needed to address adequately the challenges the Economic Monetary Union is faced with. Second, to outlay options aimed at reforming the euro area's economic governance. The two opposing options are very different with respect to the contents of their fiscal union components including burden sharing arrangements. And third, to discuss what are necessary, and in political terms possible, ingredients of a feasible euro area reform.

Bionote

Mojmir Mrak is a full professor and a Jean Monnet Chair holder at the Academic Unit for Money and Finance at the Faculty of Economics, University of Ljubljana. He has also been a regular visiting professor at the universities in Vienna (Austria), Dijon (France) and Podgorica (Montenegro). His main research fields include national and EU public finances, EU accession as well as international capital flows. Mojmir Mrak is author, coauthor and editor of numerous books published by international publishers and respective international journals. He has over 20 years long experience in designing and implementing the Slovenian Government's policy in areas of international finance and EU accession/financial issues. Over the last decade, Mojmir Mrak has served as a consultant to numerous international organizations as well as to governments of several Southern and Eastern European countries.

Fifth Parallel Session

Policy framework

Chair: Martine Hildgen
Rapporteur: Danielle Bossaert

11.30 - 12.00 The strategic influence of small member states on the design of European competitiveness policies

Frederic Allemand
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Abstract

This presentation examines and discusses the competitiveness strategies of the EU “small” member states, referring to the possible influence of the strategies of these states on the development of European strategies.

Bionote

Frederic Allemand is currently the principal investigator of the RESuME Project at the Faculty of Law, Economics and Finance, University of Luxembourg. He is a graduate of Sciences Po Paris, and holder of a DEA postgraduate degree in EU Law. He specialises in EU institutional law and economic governance law. He also worked in the ECB’s legal department, in the French Secretariat-General for European Affairs (attached to the office of the Prime Minister), in the French Senate and for several European and French think tanks. Frédéric Allemand lectures on European affairs for Master’s programmes at Sciences Po, ENA and HEC. He wrote more than fifty scholarly publications mainly on the Economic and Monetary Union. He recently published *Gouverner la zone euro après la crise : l’exigence d’intégration*, a book co-written with Mathieu Bion, Chief Editor of European News Agency Agence Europe, and Jean-Luc Sauron, State Councillor and associate professor of EU Law at the University Paris-Dauphine.

Sixth Parallel Session

Social aspects

Chair: Max Jentgen
Rapporteur: Neringa Ramanauskė

09.45 - 10.15 A competitive immigration in a small or micro state - the case of Luxembourg

Claudia Hartmann

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Abstract

Luxembourg tops the immigration rates among OECD countries. This presentation investigates data on Luxembourg's immigration and its policies with a focus on specific small or micro states' policies. Data as well as politics show characteristics of both types of 'nation states'. Policy makers in Luxembourg have and continue to adopt explicit and implicit policies, the latter can be changed without issuing an official or legal document. Luxembourgish policies aim both at attracting labour and at controlling or returning 'inefficient' immigration, targeting EU free movement migrants as well as Third Country Nationals.

Bionote

Claudia Hartmann obtained her PhD at University of Frankfurt/Main in 1981. She worked as research assistant in Berlin (Freie Universität) between 1976 and 1980. Since 1985, she acted as coordinator and evaluator in the European Poverty Programmes (II and III), other European programmes such as Social Fund, European Refugee Programmes (etc.) for Luxembourg. She also wrote reports for the European Commission and for Luxembourg's authorities on labour market, social security and migration and fundamental rights issues. Between 2001 and 2012, she worked in CEPS/INSTEAD (currently LISER), mainly on migration and social security issues.

Sixth Parallel Session

Social aspects

Chair: Max Jentgen
Rapporteur: Neringa Ramanauskė

10.15 - 10.45 **The Grand Duchy of Luxembourg: a particular case of integration of migrants, foreigners and crossborder workers on the labour market**

Franz Clément

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Abstract

This presentation has a strong relation with the concept of “social cohesion”. It is important to see how in a limited geographical area it is possible to find an international labour market encompassing a large number of foreign residents and crossborder workers. Their co-existence in such a market, one of the most international in the world, immediately raises the issue of social cohesion. Several questions will be posed and attempts made to answer them. After presenting some context and statistics, the study attempts to show how, in Luxembourgish society, an increase in integration and social cohesion for crossborder workers and foreign workers is perceived and envisaged. I will then describe the institutions that have been created and the measures which have been taken towards this end, as well as the proposed measures that have a prospect of success. From a methodological perspective, the study is primarily based on parliamentary documents, statistical and survey data, legislative documents and academic works.

Bionote

Franz Clément, born in 1969, is a social scientist and is PhD in sociology of work from the Conservatoire national des arts et métiers (CNAM) in Paris (France). Previously, he studied political sciences at the Catholic University of Louvain (Belgium) and sociology at the university of Nancy II (France). Since 22 years, he is working in the field of labour market policy, crossborder workers, Greater Region and social dialogue in LISER (Luxembourg Institute of Socio Economic Research).

Sixth Parallel Session

Social aspects

Chair: Max Jentgen
Rapporteur: Neringa Ramanauskė

11.00 - 11.30 Labour market trends and prospects for economic competitiveness of Lithuania

Neringa Ramanauskė
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Abstract

In the context of unprecedented emigration, leaving the young and the promising workers out from the labour market, economic competitiveness of Lithuania has dropped from the rank 35 in 2016 to 41 in 2017 according to the Global Competitiveness Report published by the World Economic Forum. Local enterprises are facing an increasing constraint in the choice of specialists needed, but the average earnings of the employed as well as labour productivity remain comparatively low in the context of the EU states, reaching 40,4 percent of the EU average. This contrasts with the steady economic growth recovered in 2011 after the latter economic crisis. Economic analysts claim though that economic development of the recent years is not sustainable due to the situation in the labour market. In hope to resolve the complex of the problems, the Lithuanian Government has introduced the New Labour Code in 2017. The Code was supposed to balance the rights of employers and employees in order to provide more employment flexibility. The research uncovers the changes to be expected in the labour market as well as effects of the latter on the overall economic competitiveness of the country.

Bionote

Neringa Ramanauskė completed a Master's degree in business administration (1998) and a PhD in economics (2005) at Kaunas University of Technology. She further improved her qualifications in Germany, attending courses by Carl Duisberg Gesellschaft and WBS Training AG, Belgium (European Parliament), participated in scientific as well as educational projects, gave courses at Coventry University (UK), Université Pierre Mendès France - IUT2 (France), BOVA University (Estonia), Kaunas University of Technology and ISM University of Management and Economics (Lithuania). Currently she lectures at Vilnius University and Aleksandras Stulginskis University. Her main teaching subjects are Microeconomics, Macroeconomics, Welfare Economics and European Integration. In 2008-2012 she worked as an assistant of a member of the Parliament of the Republic of Lithuania. Her research interests include regional economic growth and convergence, welfare economics and quality of life, sustainable development and bioeconomics.

Sixth Parallel Session

Social aspects

Chair: Max Jentgen
Rapporteur: Neringa Ramanauskė

11.30 - 12.00 Happiness is a matter of size

Francesco Sarracino

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Abstract

This presentation uses life satisfaction as a measure of how good people fare with their lives. Previous studies documented a systematic life satisfaction gap between Western and Eastern countries, and between Northern and Southern ones. Differences in economic and social performance partly explain such divide. I use the European Quality of Life Studies (2003-2011) to examine whether people residing in small countries are on average more satisfied with their lives than residents in large countries. Subsequently I run a Blinder-Oaxaca decomposition technique to explain the possible differences. The results indicate that residents in small Western countries are on average more satisfied with their lives than other Europeans. The results also confirm the stylized well-being divide between East and West Europe: small Western countries rank first in the life satisfaction ranking followed by residents in large Western countries, small Eastern countries and large Eastern countries. The application of the Blinder-Oaxaca decomposition technique suggests that the life satisfaction difference between countries is due to different endowments: residents in small Western countries are on average richer, more active on the labour market and they have more confidence in political institutions. These results hold also when using Eurobarometer data (2009-2015).

Bionote

Francesco Sarracino started to work as an economic researcher at STATEC in September 2012 as part of the project on the social economy in collaboration with the Department of Social Economy. He possesses a doctorate in Economics from the University of Florence (IT), specializing in social capital, the measurement of well-being and social economy. Before joining STATEC, Francesco was a post-doc researcher at CEPS/Institute. The project in which he is now involved, in collaboration with Eva Rueckert, aims to collect relevant statistical data useful for the description and the analysis of the social economy in Luxembourg.

