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JVI Course Integration in Europe, 13 September 2019

A ‚European Silk Road'

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Rosenstein-Rodan's article as a basis for the 'Big Push' theory

PROBLEMS OF INDUSTRIALISATION OF EASTERN AND SOUTH-EASTERN EUROPE.[1]

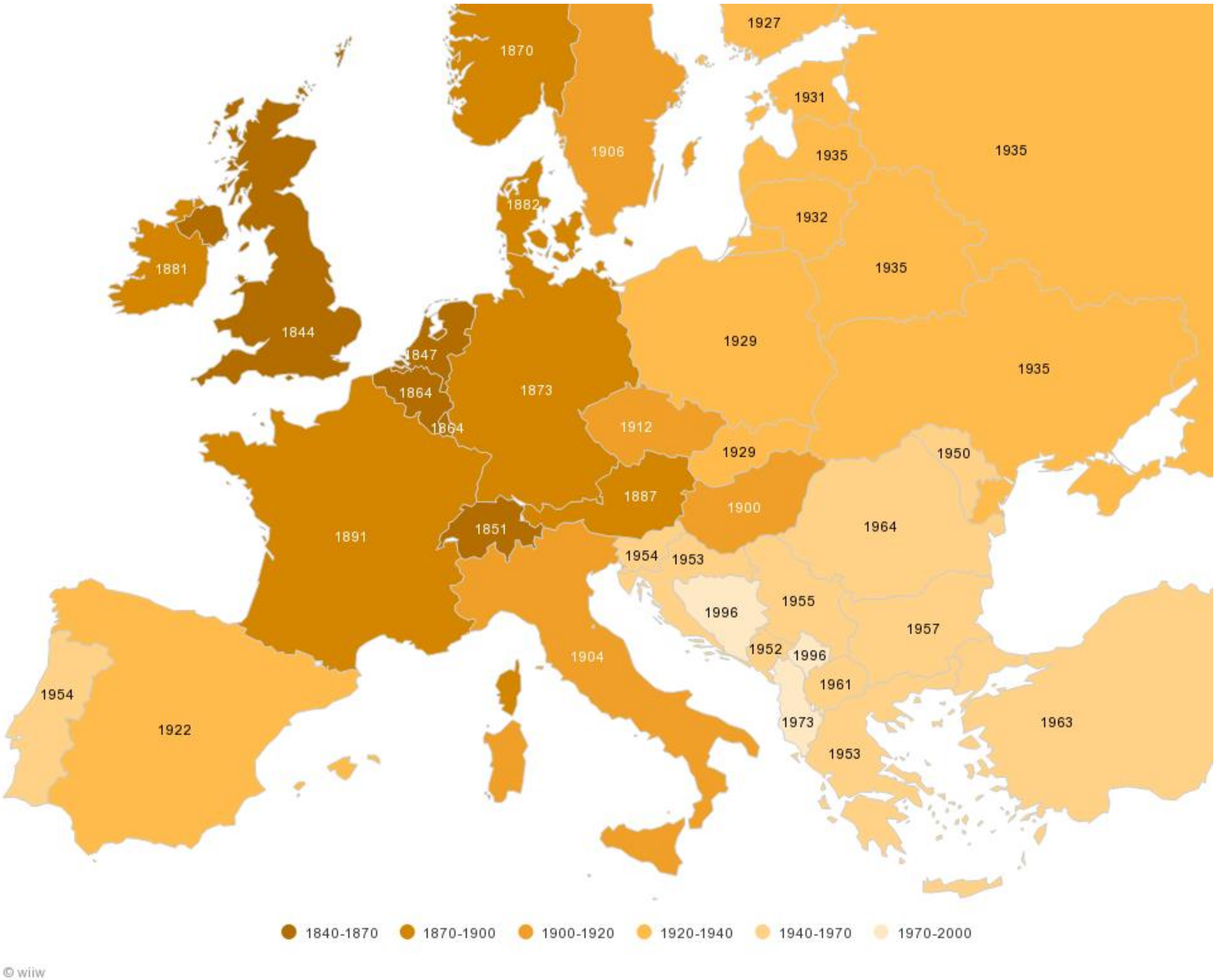
"I should like to buy an egg, please," she said timidly. "How do you sell them?" "Fivepence farthing for one—twopence for two," the Sheep replied. "Then two are cheaper than one?" Alice said in a surprised tone, taking out her purse. "Only you *must* eat them both, if you buy two," said the Sheep. "Then I'll have *one*, please," said Alice as she put the money down on the counter. For she thought to herself, "They mightn't be at all nice, you know."—(*Through the Looking-Glass.*)

(1) It is generally agreed that industrialisation[2] of "international depressed areas" like Eastern and South-Eastern Europe (or the Far East) is in the general interest not only of those countries, but of the world as a whole. It is *the* way of achieving a more equal distribution of income between different areas of the world by raising incomes in depressed areas at a higher rate than in the rich areas. The assumptions in the case under discussion are: that there exists an "agrarian excess population" ...

Source: Rosenstein-Rodan, P. (1943), „Problems of Industrialisation of Eastern and South- Eastern Europe“, Economic Journal, Vol. 53, No. 210/211, pp. 202–211.

The slow expansion of the Industrial Revolution

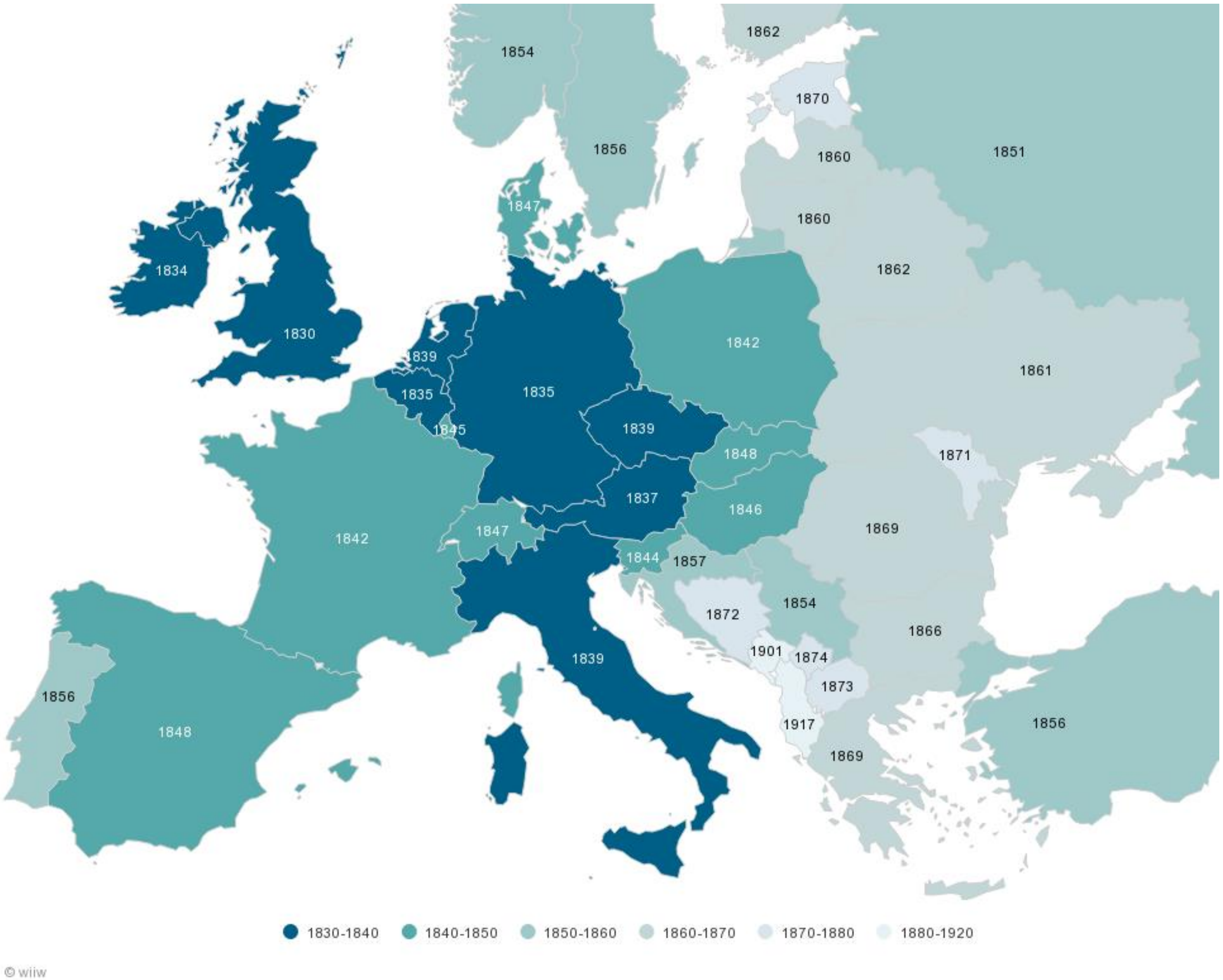
The year in which the GDP of USD 4,000 per head (at PPP and prices of 2011) was exceeded



Note: XK estimate based on wiiw data, BE observation for LU, SU observation for RU, LV, BY and UA, average of CS and HU for the CZ, average of CS and the SU for SK, average of FI and the SU for EE, average of PL and the SU for LT, average of RO and the SU for MD.
Source: Maddison Project (rgdpnapc) January 2018, wiiw, own estimates, own visualisation.

Late introduction of the railway time in the Balkans

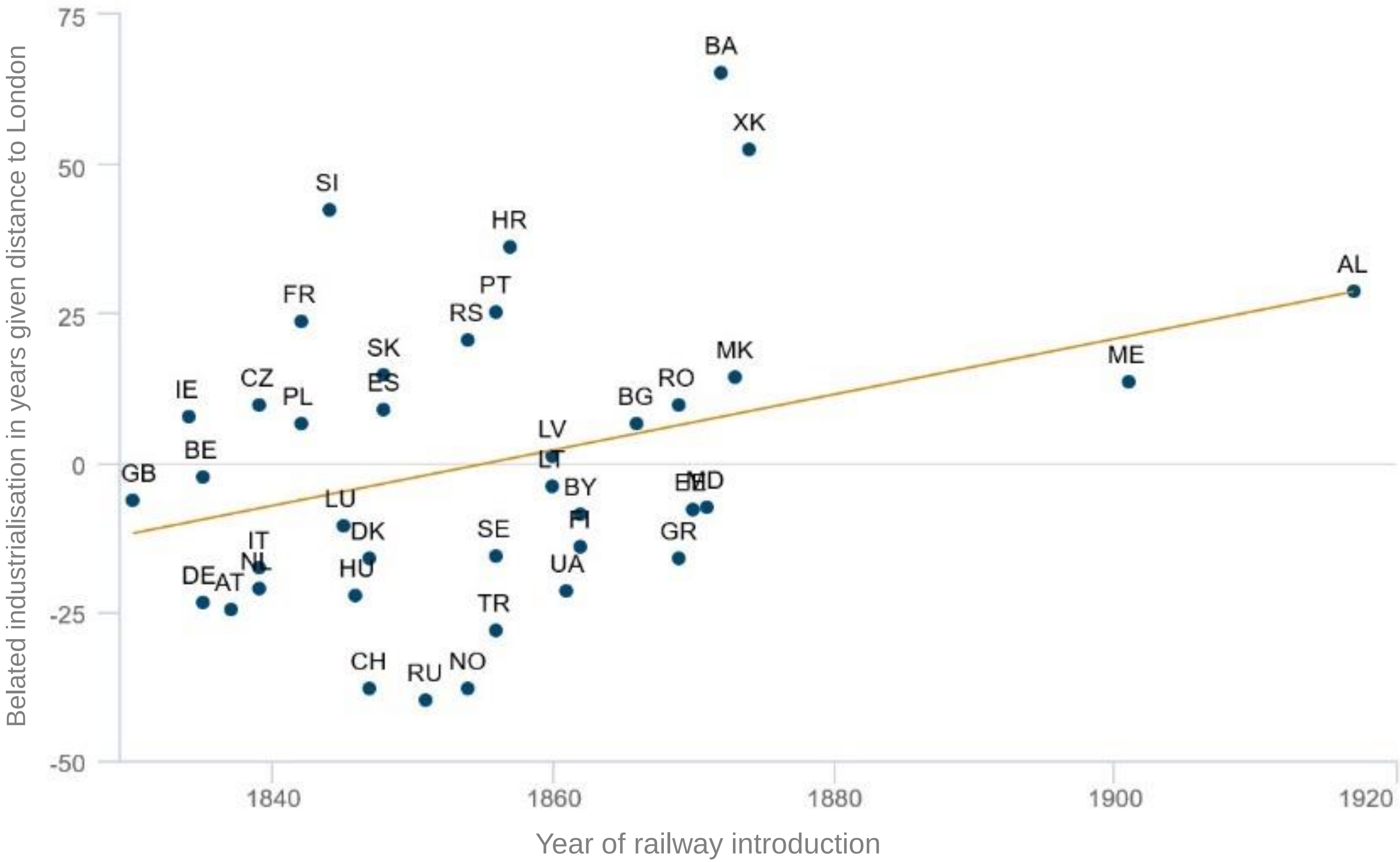
The year in which the first steam-powered railway line was opened



Source: Wikipedia, Wikimedia, FDV, own visualisation.

Infrastructure overcomes distance, promotes industrialisation

Effect of railway introduction on belated industrialisation given distance to London

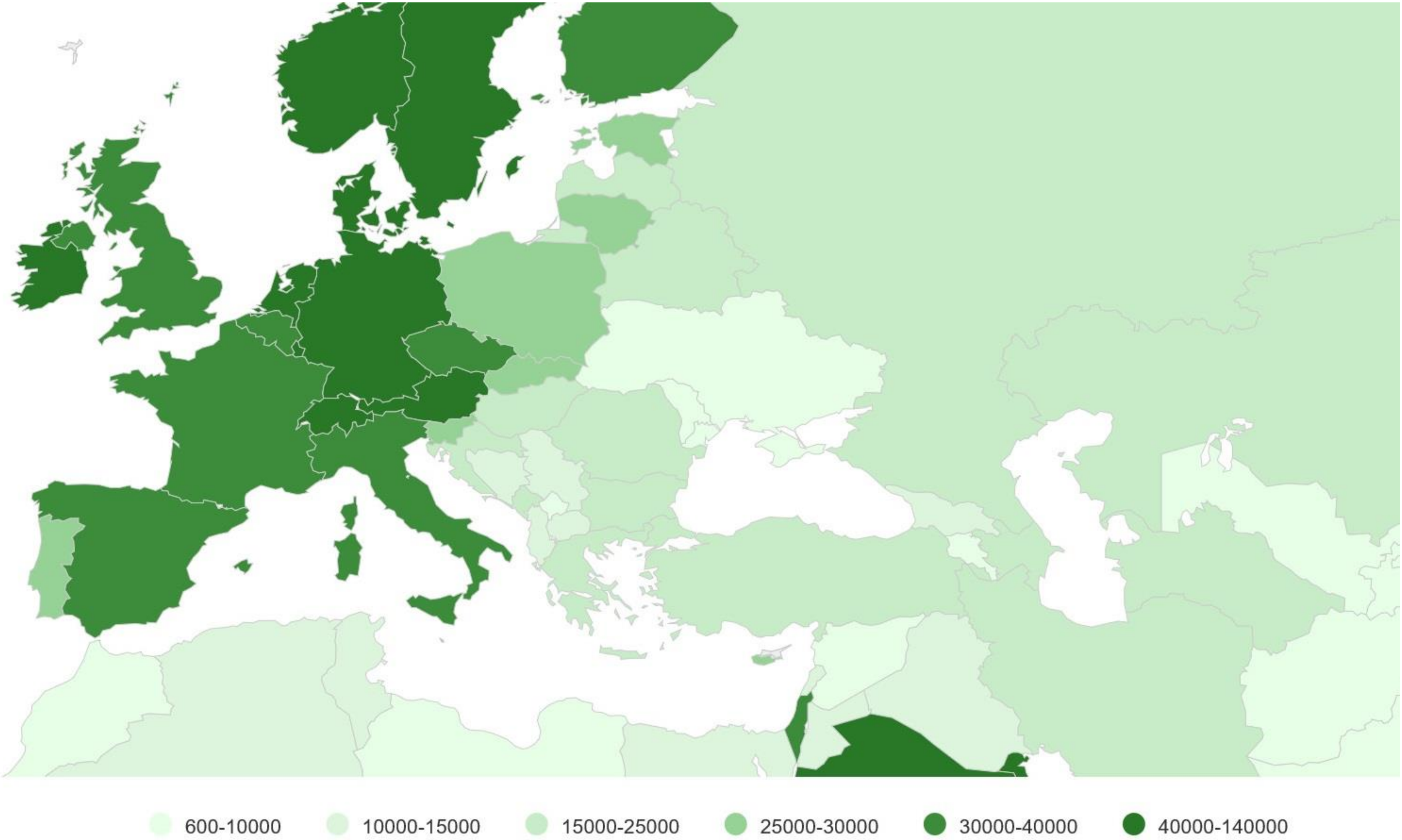


Note: Cross-sectional regressions for European countries, least squares method.

Source: Maddison Project (rgdpnapc) January 2018, wiiw, Wikipedia, Wikimedia, FDV, own estimates, own visualisation.

Large income disparities exist in Europe even today

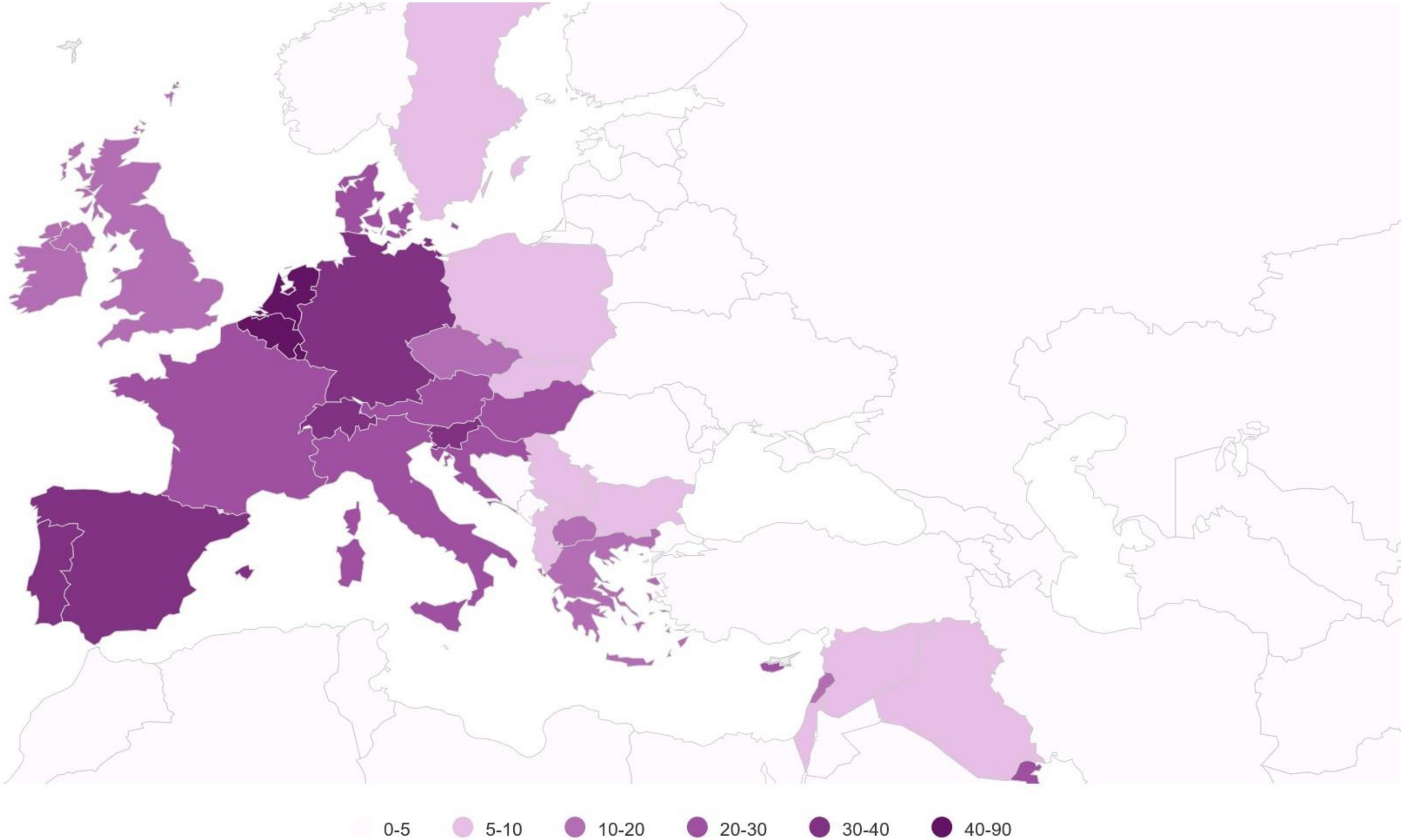
GDP per head in USD (at PPP and prices of 2011), 2016



Source: Maddison Project (cgdppc) January 2018, wiiw, own estimates, own visualisation.

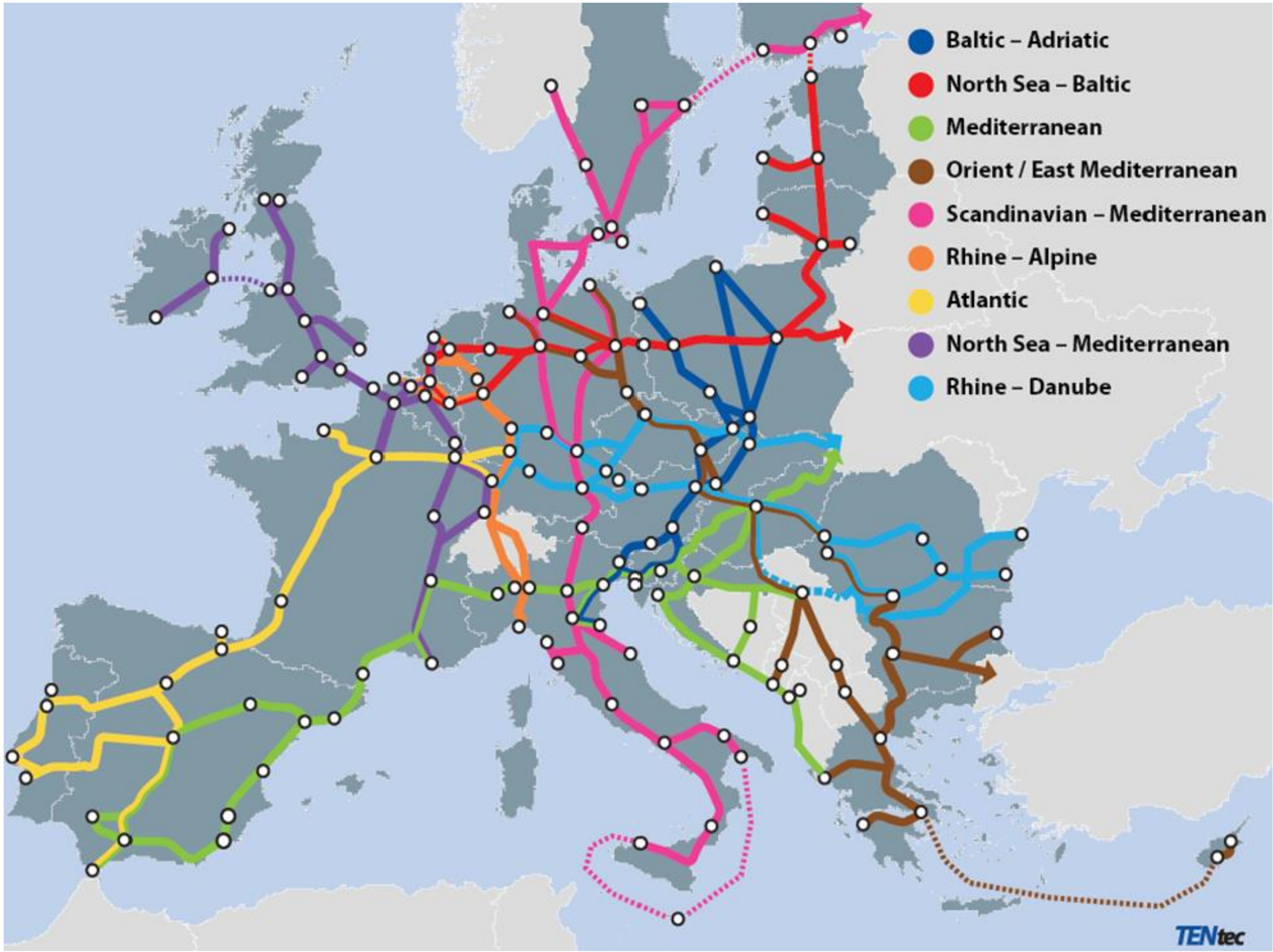
Hardly any motorway in Eastern Europe

Kilometres of motorway per 1,000 square kilometres land area, last year of available data



Source: NationMaster, CIA World Factbook, World Development Indicators, Eurostat, Wikipedia, own estimates, own visualisation

EU: Slow expansion of the TEN-T networks since 1990



Source: European Commission.

China's 'Belt and Road Initiative' – 'New Silk Road'

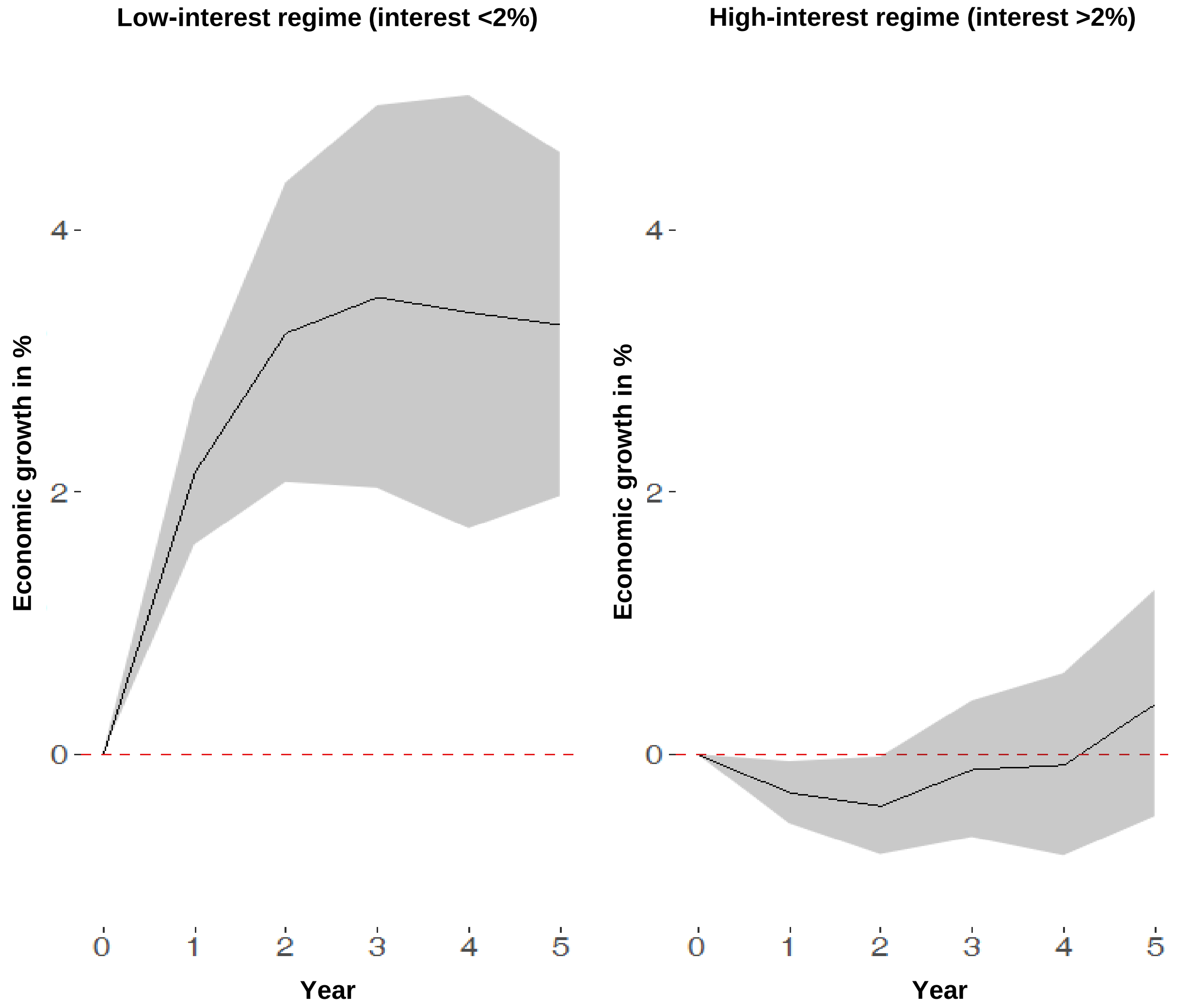
Source: China Files.

Proposal of a ‘European Silk Road’

Source: GEOATLAS.com, own route design

Benefit from favourable investment environment

Effect of a change in public investments on GDP growth in low-interest and high-interest environments



Source: AMECO, OECD; own calculations. In year 1 (k=1) the estimates are based on 105 observations in the low-interest environment (nominal, short-term interest rate below 2%) and 371 observations in the high-interest environment. The grey area illustrates the uncertainty in the form of the one-standard error band around the estimated coefficient for public investments (β).

Key points

- **'European Silk Road'** by land about **11.000 km**
- **Market potential** of the European neighbourhood enormous: **480 million people** (EU: 510) with half of EU's income level
- **Project cost: 1,000 billion euros** (7% of EU GDP)
- **Effects** of construction measures: 3.5% GDP growth on average, **2 million jobs**
- **Time savings** in road transport on the core route of the northern route: **8%**; trade effects: e.g. **exports to Russia +11%**.
- Additional potential: common **infrastructure standards** (e.g. e-mobility), more political, personal and cultural **cooperation** in a larger Europe, a **new narrative** for the continent.

Thank you for your attention!

https://wiiw.ac.at/a-european-silk-road--dlp-4608.pdf

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