

The CEPII NEWSLETTER

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CENTRE D'ÉTUDES PROSPECTIVES
ET D'INFORMATIONS INTERNATIONALES

The CEPII Newsletter is a bi-annual publication which the CEPII will send to its contacts and associates abroad, free of charge, to inform researchers and economists in the public and private sectors of the Centre's work. Publication of *The CEPII Newsletter* was made possible thanks to the support of the *German Marshall Fund of the United States* (Washington), and the *Direction des relations économiques extérieures* at the Ministry of Economics (Paris).

The CEPII Newsletter will include short articles, brief descriptions of the Centre's research programmes, and information relating to the Centre's publications, seminars, meetings and other activities. Should you wish to receive further issues of *The CEPII Newsletter*, please return the enclosed card, stating your (your organisation's) name and address.

The *Centre d'études prospectives et d'informations internationales* (CEPII) is France's major Centre for international economics. It was created in 1978 as a public research institution, and is part of a network of research institutes linked to the French Planning Agency. Its work programme is set

by a Board composed of leading government officials, business personalities, trade unionists and academics. The Centre is entirely responsible for all publications released under its name, and the opinions expressed therein are those of the authors.

The Centre has a full-time staff of about fifty, of which half are economists. It collaborates with academics, and certain research programmes are carried out in cooperation with other research institutions both in France and abroad.

The Centre's work combines analysis of policy issues with the study of major trends shaping changes in the world economy. It puts emphasis on empirical research, notably through the use of analytical and observational tools it has developed. These include a trade and world economy data-base (CHELEM); a multinational macroeconomic model (MIMOSA, which is jointly run with the OFCE-*Observatoire français des conjonctures économiques*); and various other simulation instruments.

Current research topics include growth prospects for the G7 countries, the economics of European integration, international trade and employment, recent developments in foreign direct investment, the transition in Central and Eastern Europe, the former USSR and China, the relations between the European Union and the Mediterranean region, developments in monetary policy and finance, as well as world energy prospects.

The CEPII also seeks to promote the understanding of international economic issues in France, by publishing a quarterly review *Economie internationale*, a monthly newsletter *La Lettre du CEPII*, as well as books and working papers. It also holds numerous meetings and conferences. Regular meetings are organised by CIREM, a club managed by the CEPII which brings together the Centre's researchers and members of France's largest companies and professional trade associations.

Jean Pisani-Ferry
Director of the CEPII

CONTENTS

• FOCUS	2
WHAT POLICIES FOR EUROPEAN GROWTH?	
• RESEARCH SUMMARY	3
MEASURING GERMAN AND FRENCH TRADE SPECIALISATION	
• ON THE RESEARCH AGENDA	5
THE TRANSITION IN EASTERN EUROPE EUROPEAN UNION - MEDITERRANEAN RELATIONS GLOBALISATION AND EMPLOYMENT	
• RECENT PUBLICATIONS	6
• EVENTS	7
• NEWS IN BRIEF	7
• FORTHCOMING	7
• DATABASE	8

FOCUS

■ What Policies for European Growth?

Policymakers in the European Union drew two simple ideas from the recession of the early 1980s: *i)* that an initiative was needed if Europe wanted to escape self-fulfilling 'Europessimism'; *ii)* that French-style, one-country reflation *cum* devaluation was both costly and inefficient. The results were the launching of the Single Market programme, together with the consensus in favour of nominal convergence within the European Monetary System.

Since lessons painfully learned during recessions tend to shape policy in subsequent years, it is worth considering the lessons that are being drawn from the present one. The first lesson is surely that much more is needed on the supply-side, if Europe wants to regain competitiveness. The European Commission's recent White Book on growth, employment and competitiveness proposes complementing the Single Market's strategy with measures like the fostering of R&D, as well as the development of transport and communication networks. Yet the potential benefits of such policies are only apparent in the very long run. As regards Western Europe's most immediate problems, the Community can give good advice, but has little to offer.

Meanwhile, a second lesson is being drawn from the experiences of Britain and Italy: non-cooperative, one-country policies can work.

This is hardly surprising. Asymmetric shocks like German reunification call for differentiated policies. Thus, as non-German EU members face an adverse demand shock, rather than a supply shock as in the 1980s, there is a reward for those who undertake uncoordinated monetary expansions, albeit partly at the expense of their neighbours. As inflation has receded and as high unemployment has facilitated the redefinition of wage indexation clauses - witness the Italian *scala mobile* - conditions for the success of such strategies have been exceptionally favourable. The inability of nominal exchange rate changes to have lasting effects on the real exchange rate became conventional wisdom in the 1980s. The opposite might become conventional wisdom in the 1990s.

There is no rationale for replacing national borrowers by a Community borrower

At the same time, the cooperative alternative has remained elusive. As illustrated by simulations of the CEPII-OFCE modelling team¹, a European reflation based on monetary or fiscal instruments could have brought results. But the Bundesbank's policy is bound to give priority to domestic objectives, leaving fiscal policy as the only available instrument. Yet, any attempt at a coordinated fiscal reflation would have conflicted with national budgetary consolidation and convergence objectives. There have been suggestions that the Community

itself, as opposed to the member states, could pursue a fiscal expansion. But as the constraint on further state borrowing in the EU depends in most countries on the sustainability of the debt-deficit path, there is no rationale for replacing national borrowers by a Community borrower, because the very same taxpayers will have to pay the bill, at the end of the day. Nor does it make much sense to attempt a short-run reflation through the launching of infrastructure projects that need to be studied and selected. On efficiency grounds, there is a rationale for extending the Community role in infrastructure, but this has little to do with short term macroeconomic management.

In its present shape, the Community may therefore be able to foster long run growth, but is bound to play secondary role in recessions. Should this be considered a problem? From a purely economic angle, the issue boils down to that of coordination. In today's circumstances of low inflation and high unemployment, the normal bias of uncoordinated monetary policies is towards overly expansionary, beggar-thy-neighbour stimulations (the opposite of the 1980s). The role of the Community is therefore to foster monetary discipline - a role the ERM has been fulfilling, albeit in a partial and excessive manner. An already-existing European Central Bank would certainly pursue a less restrictive policy than the Bundesbank (because the economic situation throughout the Union differs from that of Germany). But, it would still represent a constraint on the individual member states' temptations. As regards fiscal policy, in theory non-coordination could lead fiscal policies to be excessively restrictive, and the EC could have a role in organising a coordinated expansion. But it is hardly the case at present. There is therefore no real economic case for a Brussels-led fiscal reflation.

The inability of 'Brussels' to do something for growth and employment may, however, give rise to a problem of political economy. The EU's institutions give the Community a major role in allocative policies, but no ability to address the major problems of the day, i.e. growth and employment. This is only viable in so far as informed and sophisticated citizens are able to make institutions accountable for their specific areas of responsibility. The coming years will tell us whether the citizens of the EU consider they have got a European economic policy-making system they can live with.

Jean Pisani-Ferry

1. See H. Delessy and H. Sierdyniak, «Economic Policy Strategies to Fight Mass Unemployment in Europe: An Appraisal», CEPII Working Paper No 94-06, June 1994.

RESEARCH SUMMARY

■ Measuring German and French Trade Specialisation

Comparative studies have long shown that France's trade specialisation suffers from a triple handicap: i) it is unfavourably specialised, as sectoral and geographic patterns are not well adapted to changes in world demand; ii) it is insufficiently specialised, as strengths are not focused in industries with a clear-cut comparative advantage; iii) its strengths and weaknesses change significantly over time, which may be interpreted as a sign of a fragile, rather than a flexible trade specialisation. But French specialisation might seem incoherent only at aggregate levels. A more favourable picture should appear at a detailed level, in which France is supposed to export primarily up-market products while importing middle- or down-market products in the same sectors.

To examine these propositions, French and West German foreign trade in 1989 was analysed. We extended an approach originally proposed by K. Abd-El-Rahman¹ to analyse 'intra-industry trade', i.e. simultaneous exports and imports *within* an industry - a phenomenon which has important implications for modern trade theories. Trade flows of some 9,500 products with 20 geographic regions were analysed, using two criteria. First, assuming that quality differences are reflected by price differences, exports and imports for a given product were considered as 'similar' if their unit values differed less than 15%, and as 'vertically differentiated' for greater differences. Second, trade was classified as being 'two-way' if the minority flow (e.g. imports) represented at least 10% of the majority flow (e.g. exports), otherwise as 'one-way'. This led to three trade categories: two-way trade in similar products (which is bilateral if export and import partners are the same, and triangular if they are different), two-way trade in vertically differentiated products, and one-way trade².

Two-way trade in similar products represents more than 40% of Germany's and France's foreign trade.

At a global level, the shares of trade types do not differ strongly between France and Germany (Table 1).

Two-way trade in similar products represents more than 40% of total foreign trade, and a bilateral analysis shows that some 15% of total trade concerns simultaneous exports and imports of similar products with the same partner! One-way trade represents only about a quarter of total trade, but shows - especially for Germany - the highest comparative advantage (as indicated by the 'contribution to the trade balance')³. The other trade types show comparative disadvantages (with the exception of triangular two-way trade in similar products for France).

Germany exports relatively more up-market goods than France.

Furthermore, unit values for each trade flow were compared to a European norm, to establish European quality ranges: up-market products (with unit values exceeding the European norm by at least 15%), down-market products (more than 15% below the norm), as well as middle-market products. Table 2 shows that while the two countries have a similar quality structure of imports, Germany exports more up-market goods than France (52% compared to 40%). Both countries show strong comparative advantages for high-quality products, and disadvantages in the two other quality ranges. But Germany has a far more clear-cut quality-specialisation than France, revealing a definite 'quality hierarchy'.

TABLE 1: SHARE OF TRADE TYPES IN GERMAN AND FRENCH FOREIGN TRADE, 1989

Trade Classification	Trade Share (%)		Export/Import Ratio (%)		Comparative Advantage	
	Germany	France	Germany	France	Germany	France
Two-way trade in similar products	41.1	44.9	116.6	94.2	-7.6	2.2
triangular	27.3	28.8	115.1	95.9	-5.9	2.5
bilateral	13.7	16.1	119.7	91.2	-1.6	-0.3
Two-way trade in vertically differentiated products	30.9	27.3	122.1	81.3	-2.1	-6.9
One-way trade	27.2	26.9	150.3	99.7	11.9	4.5
Residuc	0.9	1.0	43.8	104.0	-2.3	0.2
Total	100.0	100.0	125.6	92.0	0.0	0.0

SOURCE: "EUROSTAT", CALCULATIONS BY FREUDENBERG AND MÜLLER (1992).

NOTE: ONE-WAY TRADE CONSISTS ONLY OF MAJORITY FLOWS. CORRESPONDING MINORITY FLOWS ARE CONSIDERED TO BE RESIDUAL.

TABLE 2: SHARE OF QUALITY RANGES OF PRODUCTS IN GERMAN AND FRENCH FOREIGN TRADE, 1989

Quality Ranges of Products	Exports (%)		Imports (%)		Export/Import Ratio (%)		Comparative Advantage	
	Germany	France	Germany	France	Germany	France	Germany	France
	Up-market	51.6	40.2	32.1	30.8	201.7	120.0	48.2
Middle-market	37.3	40.7	44.5	45.6	105.4	82.0	-17.7	-10.2
Down-market	10.6	18.1	22.0	22.7	60.6	73.5	-28.2	-9.4
Residue	0.5	1.0	1.4	0.9	43.8	104.0	-2.3	0.2
Total	100.0	100.0	100.0	100.0	125.6	92.0	0.0	0.0

SOURCE: "EUROSTAT", CALCULATIONS BY FREUDENBERG.

At this global level, the results suggest that despite the importance of intra-industry trade, one-way trade and high-quality products contribute most to both the French and German trade balance. However, a more detailed analysis - a simultaneous comparison of trade categories and product quality ranges for 11 industries - reveals strong differences between the two countries.

For both countries, one-way trade shows the most extreme values of the contribution to the trade balance at the industry level. This is interpreted as corresponding to either net comparative advantages or disadvantages. Yet the values are much higher in Germany's key industries (machinery and vehicles) than in France's. Furthermore, they result mainly from up-market products, whereas it is middle-market products in France's main industries (agriculture and mechanics) which contribute most to its trade balance. The German export performance, despite high prices, can be interpreted as being justified by product quality. It also seems to indicate a 'price-maker' position for German firms, which are less influenced by price competitiveness than French companies.

Closer analysis of two-way trade in vertically differentiated products shows that Germany has a systematic quality hierarchy. For virtually all industries, up-market products reveal a comparative advantage, which often more than offsets disadvantages in the two other product ranges (especially in its key industries). By comparison, France has comparative advantages for high-quality cars, and for industries which are globally not its strengths (textiles and electronics).

The contribution of two-way trade in similar products to the overall balance is very limited for both countries. However, French vehicle industries are exceptions. Firms exporting products in this particular trade category and these industries are most probably 'price-takers', given strong competition between national and foreign companies (reflected by simultaneous exports and imports), and the possibility for substitution (reflected by the similarity of the products).

Germany is often a 'price-maker', whereas France appears to be more a 'price-taker'.

This analysis reveals that the two countries follow a different specialisation logic with respect to industrial sectors, trade categories, and product qualities.

Germany's 'strong' products show higher values of comparative advantage, and are concentrated in relatively few industries, constituting key industries benefiting from important spill-overs. Within these core industries, Germany is specialised in high-quality products, suggesting 'price-maker' positions both for one-way trade, and for two-way trade of vertically differentiated products.

By contrast, France's specialisation defies classification, and manifests itself neither in particular market niches, nor major industrial sectors. Moreover, within France's main industries, one-way trade is less important and concerns mainly middle-market products. At the same time, two-way trade in similar products is important in some French industries, suggesting 'price-taker' positions. If indeed price competitiveness seems more important for France than for Germany, then France should be more vulnerable to exogenous shocks, for example exchange rate appreciation. This could have implications for the process of European integration, and especially monetary union, as divergent behaviour in trade can make economic convergence more difficult.

The CEPPII is currently undertaking a project on European integration, which will apply this approach to all members of the European Union.

Michael Freudenberg

1. K. Abd-El-Rahman, «Réexamen de la définition et de la mesure des échanges croisés de produits similaires entre les nations», *Revue économique*, No1, 1986.

2. The procedure of classifying the trade categories is not quite as straightforward. See M. Freudenberg and F. Müller, «France-Allemagne: quelles spécialisations commerciales?», *Economie prospective internationale*, No. 52, 1992.

3. If there were no comparative advantage or disadvantage in any industry k (in a given country), then total trade surplus or deficit should be distributed across all industries according to their share in total trade. The «contribution to the trade balance» is the difference between the actual and the theoretical balance. Expressed in thousands of GDP, that is:

$$\left(\frac{1000}{Y}\right) (X_k - M_k) - (X - M) \left(\frac{X_k + M_k}{X + M}\right)$$

By definition, the sum over all industries is zero.

ON THE RESEARCH AGENDA

THE TRANSITION IN CENTRAL AND EASTERN EUROPE AND THE FORMER SOVIET UNION

• The CEPII is carrying out a number of projects relating to the transformation of the East European economies. These include a study of the financial intermediation during the transition, which is funded by the ACE programme of the European Commission, and is being carried out in partnership with major research institutions in Bulgaria, Hungary and Poland. This project sets out to describe the recent evolution of financial flows between economic agents, as well as the accumulation of debts and assets in their respective portfolios. Special emphasis is placed on the issue of non-performing loans, which are currently putting great pressure on bank accounts, and, more generally, on their capacity to adjust their lending practices.

Jérôme Sgard

• Other work on Central and Eastern Europe concerns the process of industrial and foreign trade restructuring. This research is based on two separate, though linked, projects. The first analyses the trade flows of these countries, since the collapses of COMECON and the Soviet Union. The second project uses enterprise data and focuses on the changes that have taken place in the export patterns of manufacturing firms. The combined purpose of these projects is to identify the potential strengths and weaknesses of these countries. Both projects are being carried out in cooperation with economic institutes from Eastern and Western Europe, within the framework of the ACE programme.

Françoise Lemoine

• A major study has recently been launched to estimate the energy savings from the transition to a market economy by the Former Soviet Union (FSU), and the corresponding micro- and macroeconomic gains, depending on which policies are adopted. The first part of this project, for which support from the European Commission is being sought, is dedicated to a detailed analysis of present energy consumption in the FSU, based on a retrospective study. It will also provide broad estimates of the potential welfare gains resulting from higher energy prices. On the basis of this analysis, several scenarios may be constructed in the second stage of the project, which will demonstrate the medium to long term effects on energy consumption brought about by the transition to a market economy. This is a joint project involving the CEPS (Brussels), IEPE (Grenoble), OFCE (Paris) and the Ost-Europa Institute (Munich) in Western Europe, together with Russia's Institute for Economic Forecasting and the Institute for Europe (Moscow).

Nina Kousnetzoff

EUROPEAN UNION - MEDITERRANEAN RELATIONS

The relations between the European Union and the Mediterranean merit attention for two reasons. The first stems from the difficulties of some of the EU's neighbours, and the importance which the Union's stance can have for them. The second follows from the gestation of the Union's 'neighbourhood policy', which is still

finding its way. What will be its role in the process of adjustment and trade liberalisation? What would be the impact on trade of a liberalisation policy similar to the North American Free Trade Agreement?

To reply to these questions, three analyses are being carried out on Egypt, Turkey, Israel and the three Maghreb countries. They focus on: *i)* an assessment of their trade relations with the Union over the last twenty years; *ii)* the distinctive characteristics of structural adjustment in the region compared with other countries, and its chances of success; and *iii)* the objectives, instruments and effects, both in the North and in the South, of a European Union 'neighbourhood policy'. The particular aim of this research is to evaluate the potential for trade development between the Union and the Mediterranean.

*Agnès Chevallier
Isabelle Bensidou*

GLOBALISATION AND EMPLOYMENT

The growing internationalisation of the world economy, and especially competition from low-wage countries have been made responsible for rising unemployment in the developed countries. Given the importance of this issue, the CEPII has decided to undertake a collective research project on the relationship between globalisation and employment.

The project begins by assessing the economic rationale and scale of new competition from the South and the East. It will stress that this competition has arisen in a rapidly globalising world economy which has experienced a marked reduction in the role of state regulation.

The research will assess the micro- and macroeconomic impact of competition from the emerging economies. To a large extent, this competition stems from a massive increase in the world's supply of low-qualified workers on the one hand, and the increased mobility of technology and capital on the other hand. A general equilibrium simulation will be used to measure the long term effects of such a phenomenon.

The study also sets out to examine the various regional responses to these changes. This will be complemented by an analysis of domestic developments within the industrialised countries, which are seeking to adapt their economies through changing labour market regulations and tax policies, as well as through the development of training schemes.

The conclusions of the study will aim to provide analyses and recommendations concerning the management of world trade and exchange rates, as well as reforms in domestic policies.

*Michel Fouquin
Jean Pisani-Ferry*

Recent Publications

ECONOMIE INTERNATIONALE, QUARTERLY

- No 57, 1ST QUARTER 1994, 155 P.
ASIA AND THE PACIFIC, SPECIAL ISSUE
 - 'Echanges et investissements dans l'Asie-Pacifique',
I. Yamazawa
 - 'L'intégration économique de la région Asie-Pacifique',
J. J. Schott
 - 'L'ASEAN : réussite politique, échec économique?',
J. R. Chaponnière
 - 'Hong Kong-Chine : un dragon à deux têtes',
F. Lemoine, A. de Saint Vaulry,
M. Dramé
 - 'Attirer un oiseau sur une branche',
E. Bouteiller
- 'L'isolement de la Russie dans l'Asie-Pacifique',
D. Pineye
- 'Les implantations dans le sud-est asiatique : des craintes excessives?',
D. de Laubier
- 'Les préceptes du développement asiatique, le rapport de la Banque mondiale',
C. Sautter
- No 56, 4TH QUARTER 1993, 138 P.
 - 'Une décennie d'expansion des investissements directs',
D. de Laubier
 - 'Les firmes automobiles japonaises et américaines en Europe : une gestion convergente',
E. Dourille-Feer
- 'L'Europe est-elle en retard d'un modèle technologique?',
B. Amable, R. Boyer
- 'Emploi et chômage : vingt ans d'expérience suédoise',
P. Bouyoux, A. Sapir
- 'CHELEM sur CD-ROM : les innovations',
A. de Saint Vaulry
- 'La transition en Europe de l'Est : vieux débats et nouveaux arguments',
J. Sgard

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Publisher: la Documentation française

LA LETTRE DU CEPII, MONTHLY

- 'Cent ans de commerce extérieur français',
P. Villa,
No 124, MAY 1994.
- 'Le Mexique à mi-chemin',
J. Pisani-Ferry,
No 123, APRIL 1994.
- 'Pologne : la transition achevée?',
J. Sgard,
No 122, MARCH 1994.
- 'Disparités des salaires et échange international : le cas des Etats-Unis',
O. Cortes, S. Jean,
No 121, FEBRUARY 1994.
- 'Chine : surchauffe économique, percée réformatrice',
F. Lemoine,
No 120, JANUARY 1994.
- 'Russie : le 'poids de l'Histoire' contre la 'sagesse des nations',
G. Sokoloff,
No 119, DECEMBER 1993.
- 'Le développement du régionalisme commercial',
M. Fouquin,
No 118, NOVEMBER 1993.

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BOOKS, BY CEPII RESEARCHERS

- *LA NOUVELLE ÉCONOMIE CHINOISE*,
F. Lemoine,
126 P., COLL. REPERES, LA DÉCOUVERTE, PARIS, 1994, FF 45.
- *LA PUISSANCE PAUVRE : UNE HISTOIRE DE LA RUSSIE DE 1815 À NOS JOURS*,
G. Sokoloff,
937 P., FAYARD, PARIS, 1993, FF 220.
- *L'ÉCONOMIE MONDIALE 1994*,
M. Fouquin, D. Pineye (eds.),
145 P., COLL. REPERES, LA DÉCOUVERTE, PARIS, 1993, FF 45.
This is an annual CEPII publication outlining major events in the world economy, for a wide readership.
- *REPENSER L'EUROPE*,
G. Lafay, D. Ünal-Kesenci,
112 P., COLL. POCHÉ, ECONOMICA, PARIS, 1993, FF 49.
- *APRES L'URSS, INVENTAIRE POUR UN DRAME*,
H. Morelle, D. Pineye (eds),
164 P., FÉLIN, PARIS, 1993, FF 145.

CEPII WORKING PAPERS

- 'Economic Policy Strategies to Fight Mass Unemployment in Europe: An Appraisal',
H. Delessey (CEPII), H. Sterdyniak (OFCE),
No 94-06, JUNE 1994.
- 'Commerce international, salaires et emploi',
O. Cortes, S. Jean,
No 94-05, JUNE 1994.
- 'French and German Productivity Levels in Manufacturing: A Comparison Based on the Industry-of-Origin Approach',
M. Freudenberg, D. Ünal-Kesenci,
No 94-04, JUNE 1994.
- 'Transmission de la politique monétaire et crédit bancaire, une application à cinq pays de l'OCDE',
F. Barran, V. Coudert, B. Mojon,
No 94-03, JUNE 1994.
- 'Indépendance de la banque centrale et politique budgétaire',
A. Bénassy, J. Pisani-Ferry,
No 94-02, MAY 1994.
- 'Les systèmes de paiements dans l'intégration européenne',
M. Aglietta, No 94-01, MAY 1994.

Events: Seminars and Meetings

- **The Japanese Economy**
C. Sautter (Inspection des Finances)
4 May 1994
- **NAFTA: an Assessment With a Computable General Equilibrium Model**
A. Deardorff (University of Michigan)
27 April 1994
- **The Italian Economy**
F. Papadia (Banca d'Italia), J. Le Cacheux (OFCE)
1 April 1994
- **The World Economy in 2000**
A. de Jong, G. Gelauff (Central Planning Bureau, The Hague), J. Boissonnat (monetary policy Council, Banque de France)
16 March 1994
- **Russia's Financial Problems**
M. Aglietta (CEPII, University of Paris-X), H. Clément-Pitiot (University of Cergy-Pontoise), F. Renversez (University of Paris-X), J. Sapir (EHESS)
8 March 1994
- **Fighting Mass Unemployment in Europe**
H. Delessy (CEPII), H. Sterdyniak (OFCE), J.-L. Tavernier (Ministry of Economics)
8 February, 1994
- **An Assessment of the Uruguay Round Consequences**
J.-F. Boittin (Ministry of Foreign Trade), D. van der Mensbrugge (OECD), M. Fouquin (CEPII)
25 January 1994
- **Regional Integration in Southern China**
E. Bouteiller (HEC Eurasia Institute), F. Lemoine (CEPII)
9 December 1993
- **Subsidiarity: What Does It Mean For Europe?**
Jointly organised with the CEPR, Centre for Economic Policy Research (London), to present the 4th CEPR report of the series *Monitoring European Integration*
J. Crémer (University of Toulouse), C. Wyplosz (INSEAD)
30 November 1993
- **Financial Crises and Cycles**
P. Lefournier (*L'Expansion*), M. Aglietta (CEPII), D. Maillard (Paribas), A. Merlin (Saint-Gobain), J.-P. Patat (Banque de France)
18 November 1993
- **Long Term World Growth**
J. E. Moncomble (EDF), F. Carême (EDF), H. Delessy (CEPII)
15 October 1993
- **The German Economy**
H. Flassbeck (DIW, Berlin)
1 October 1993

News in Brief

- M. Albert, Chairman of the CEPII's Board, was appointed to the monetary policy Council of the Banque de France, 12 January 1994.
- P. Bofinger (University of Würzburg), and J. Pisani-Ferry (CEPII), in association with the 'Initiative Paris-Berlin' will organise a meeting of French and German economists to discuss relevant economic and policy issues.
- F. and M. Demers from Carleton University, Ottawa (Canada) are visiting the CEPII. They will analyse the economics of the US-Canada Free Trade Agreement and compare North-American and European integration. Their research is financed by the Commissariat général du Plan.
- The CEPII is cooperating with the Institute for Developing Economies (Tokyo) on the analysis of European foreign direct investment in Asia.
- The CEPII and the Japanese Foundation for Advanced Information and Research (FAIR) organised a high-level French-Japanese meeting on financial developments in Europe and Japan, Paris, 6 May 1994.
- The CEPII, the Caisse des Dépôts et Consignations, and the CEFI (Université d'Aix-Marseille II) held the seminar *Banks and Growth Financing*, in Lisbon (Portugal), 26-27 April 1994.

Forthcoming

- In June, the CEPII will organise a seminar with P. Buigues (European Commission) and A. Sapir (ULB, Brussels) to present the study 'Market Services and European Integration'. It will also organise a seminar on productivity levels in France, Germany and the United States, with H. Gersbach (McKinsey & Co.), M. Freudenberg and D. Únal-Kesenci (CEPII) as speakers.
- In July, a seminar will take place on the economics of the Middle-East peace accords. The speaker will be J. Adda (University of Jerusalem).
- In the summer, the CEPII's quarterly review *Economie internationale* will publish a special edition on international monetary issues for the 50th anniversary of the Bretton Woods conference. This issue is being edited by M. Aglietta (CEPII and the University of Paris-X).
- The CEPII, the CEPR and the Institute for World Economics (Budapest) are planning to hold a conference on Chinese and Central European transition strategies.

CHELEM DATABASE

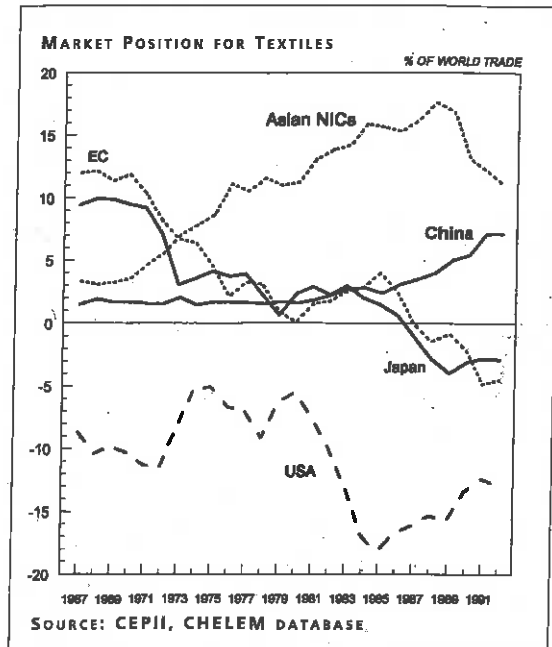
■ Trade in Textiles

The CHELEM database developed by the CEPII (see below) includes an indicator of market position, which can be used to analyse competition between countries for a given product. This indicator calculates the difference between exports and imports relative to total world trade, by product and by country.

Most countries began their path to industrialisation in the textiles industry, as was the case for Great Britain in the 19th century. In successive waves, follower-countries copied this industry-led (often export-oriented) development model, eventually outcompeting the established industrial powers, due to lower labour costs in this labour intensive activity.

Japan was one of these follower-countries. In the late 1960s, Japan's trade surplus in textiles represented some 10 percent of world trade in these commodities. Since then, Japan's market position has slowly eroded so that it became a net importer in the mid 1980s (as has also been true for the European Union, except for Italy). Following Japan, the Asian NICs (especially South Korea, Hong Kong, and Taiwan) emerged as the dominant zone, steadily increasing their market position from some 3 percent in 1967, to a peak of 18 percent in 1988, falling back thereafter.

The largest net importer during this period was the United States, the most developed country. This was



partly due to the relative openness of its economy, and to its investments in the Asian NICs since the 1960s. Despite the relative improvement of the American position since the mid-1980s, a new wave of follower-countries is now emerging, led by China, whose trade surplus rose rapidly in the late 1980s, to 7 percent of world textile trade in 1992.

Michael Freudenberg

CHELEM (Harmonised Accounts on Trade and the World Economy) is a unique data-base that has been developed by the CEPII, providing *harmonised*, long term data covering the world economy. It stretches back to 1967 (and to 1960 for some indicators) and is detailed to a level of 53 countries/geographic sub-regions and 71 product categories. The menu-driven software permits easy access to both data and pre-calculated indicators on bilateral trade flows, balance of payments, GDP (in current and constant 1990 US dollars and in PPP terms) and population statistics, as well as market and PPP exchange rates of national currencies against the dollar. The CHELEM data-base is bilingual (French-English), available on CD-ROM, compatible with MS DOS.

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