The CEPII *NEWSLETTER*

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CENTRE D'ETUDES PROSPECTIVES
ET D'INFORMATIONS INTERNATIONALES

CONTENTS:

FOCUS

The Developing Countries in the Doha Round

A new phase of negotiations is beginning in Geneva, and the proclaimed development focus of the Doha Round will have to be put into place. At the end of July 2004, the Member States of the World Trade Organisation (WTO) were able to reach a framework agreement relating to the multilateral liberalisation of trade. Though dubbed “historic” by the WTO’s Director General, the text remains vague on essential issues and postpones the most difficult decisions to a later date (Bouët *et al.*, 2004). Time has now come to give substance to this agreement, and to make sure that the Doha Round is truly a Development Round. Various CEPII studies over the last years are useful to assessing better what is at stake in this respect.

Market access is a central issue in the negotiations, but is very difficult to measure. Protection needs to be defined at a detailed product level, combining various instruments, and including regional agreements as well as preferential trade schemes which have been in force over the last thirty years. The MAcMap database, developed in collaboration with the International Trade Centre, allows the *ad valorem* equivalent of applied protection across the world (for 5,111 products), to be measured accurately and in a consistent way, taking into account all preferential agreements. Bouët *et al.* (2004) describe the corresponding methodology, and review *ad valorem* equivalent protection across the world. On average, border protection was not very high in 2001 (5.6%), but it is very uneven, across sectors (19.1%, on average for the world for agriculture, 10.5% in textiles and clothing), and across countries (with the average level reaching 33.5% for India). The combination of export specialisation and of preferential agreements also translates into exporters facing very different levels of average protection (e.g., 13.5% for Argentinean exporters, as compared to 2.6% for Mexican exporters). The distribution of tariff duties is also shown to be strongly skewed.

Agriculture is a highly sensitive issue for developing countries. It is a key export sector for many developing countries and it remains strongly protected in most developed countries. Bouët *et al*. (2004) use the MIRAGE applied general equilibrium model to assess the impact of multilateral trade liberalisation in agriculture. Using original data, the model includes some specific features, such as dual labour markets. In addition to applied tariffs, bound tariffs are also taken into account, at the detailed product level. The various types of farm support are detailed too, and several groups of developing countries are distinguished. Simulations provide a contrasting picture of the benefits developing countries would draw from the Doha development round. The results suggest that previous studies, which have neglected preferential agreements and the "binding overhang" (in tariffs as well as domestic support), and have treated developed countries with a high level of aggregation, have been excessively optimistic about the actual benefits of multilateral trade liberalisation. Thus, regions like Sub-Saharan Africa are more likely to suffer from the erosion of existing preferences. The main beneficiaries of agricultural liberalisation in the Doha round are likely to be developed countries and members of the Cairns group.

For non-agricultural market access, Bchir *et al*. (2004, forthcoming) also show that an accurate and detailed measurement of both applied and bound protection is the key to assessing the significance of the negotiation. Applying the kind of formula put forward in the Girard Proposal would lower protection of industrial products by approximately one third in developing countries, and by about half in the intermediate developed countries. The provisions of the July Framework Agreement for LDCs and countries with low binding coverage actually exempt most poor countries from any commitment. Industrial exports are found to rise modestly, by slightly more than 3%, while changes in world import prices are very small; inferior to 1%. Not all developing countries would gain from such a liberalisation. Actually, most of them are set to lose out, mainly as a result of a deterioration in their terms of trade. Higher initial levels of protection in developing countries for industrial products largely explain this finding, although liberalisation is also a source of substantial consumer gains in most countries.

Actually, market access is far from being limited only by tariff duties. The Uruguay Round implied the adoption of the Sanitary and Phyto-Sanitary (SPS) agreement. Under this international scheme, countries are allowed to impose barriers to trade for public health or environmental concerns. Fontagné *et al*. (2001) show that a major share of international trade is restricted by these measures. Environment-related standards are likely to be protectionist in many instances, and especially so in the agricultural sector and in several Cairns Group member countries.

A more general approach is to measure barriers to market access without any restriction, as revealed through the intensity of trade flows. In this case, the obstacles to trade are shown to be far larger than would have been expected, based on tariffs alone (Fontagné *et al*., 2001; Fontagné *et al*., 2004). The current Doha Agenda on international trade certainly contains material for negotiation (market access, agricultural policies, trade facilitation, etc.) and will probably generate some controversy.

ON THE RESEARCH AGENDA

Foreign Direct Investments and Technology Transfers in China

This project analyses the rising technological content of Chinese manufacturing industry, by a detailed examination of its foreign trade, and stresses the following conclusions:

The high-tech content of Chinese foreign trade has been rising rapidly since the mid-1990s, thanks to foreign enterprises present in China. The performance of China in the international trade of high-tech products is strongly associated with its increasing dependency on imported technology and foreign investment.

The transfers of technology via FDI have so far not yielded all the benefits hoped for in terms of technology diffusion to local industry. The presence of Chinese companies in high-tech product trade is generally low.

The analysis here thus reconciles two apparently contradictory visions of the technological level of the country, whose domestic capacity for innovation remains weak, but which is nevertheless becoming a competitor in high-tech products in world markets.

China's high-tech trade reflects its position in the international segmentation of production processes: in fact, more than half of its high-tech imports are in parts and components and consist of imported inputs to be used in assembly and sub-contracting operations. At the same time, these activities account for more than 80% of high-tech exports. The technology intensity of Chinese exports therefore results more from the high-tech content of imported inputs than China's domestic capacity for innovation.

The weight of foreign capital companies in China's high-tech trade is overwhelming. These enterprises accounted for 2/3 of imports and 3/4 of exports in 2002. 100%-owned foreign affiliates are playing a rapidly rising role, and provided nearly half of all high-tech trade in 2002. Investors operating in high-tech activities generally seek complete control over company management, which does not favour the diffusion of technology to the rest of Chinese industry.

Between 1997 and 2002, the gap in the field of high-tech trade increased between Chinese companies and foreign affiliates. The high-tech content of sales by foreign affiliates doubled in this period, and in 2002 it was two to three times as high as that of Chinese companies. This gap lead to two hypotheses: the first is that Chinese enterprises are eventually crowded out of high-tech trade by foreign affiliates: the second is that the technology intensity of trade by Chinese companies is at a "normal" level, whereas the presence of foreign firms in Chinese high-tech trade is exceptionally strong. If the latter are excluded, the high-tech content of Chinese exports (6%) is comparable to India's (4%).

The analysis of Chinese high-tech trade thus confirms the conclusions of studies which indicate that while FDI has, by its simple presence, contributed to modernising Chinese industry, it has had a mitigated impact on the diffusion of technology to Chinese industry, at least up until the late 1990s. Faced with the risks of the permanent high-tech dependency this situation implies, the Chinese authorities have, in recent years, stressed the strengthening of national capacity in research and innovation.

Françoise Lemoine & Deniz Ünal-Kesenci

Intra-Industry Trade and Regional Integration

The link between economic integration and intra-industry trade (IIT) has been under scrutiny since it was first raised by European integration. The development of IIT in Europe has softened the integration process by allowing the region to avoid harsh adjustments that would have affected asymmetrically the countries engaged in liberalisation efforts: the reallocation of production has been rather limited.

In order to obtain a clearer picture of the outcomes of integration, it is necessary to study the relationship between economic integration and IIT. However, the lack of precise and reliable data and the difficulty of finding a robust model for IIT makes this relationship difficult to investigate. This research tackles these issues on a worldwide level, studying the case of four *de jure* or *de facto* integration zones: the European Union, NAFTA, Mercosur and East Asia. Trade flows are classified as inter- or intra-industry trade, and IIT is broken down into horizontal and vertical components, using a methodology proposed by Fontagné & Freudenberg (1997) based on Abd-El-Rahman (1986).

Trade patterns for each zone are studied using a harmonised database drawing on the most detailed information available. The determinants of the share of vertical and horizontal IIT are investigated, thanks to an econometric model which is estimated on a worldwide basis.

This is the first worldwide study of IIT and it's determinants. We are able to provide up-to-date results comparable across countries, using the most detailed information available. It appears that the share of IIT in overall trade increased throughout the 1990s, then decreased due to the emergence of newly industrialised countries. Also, the most integrated regions (EU, NAFTA) seem to have developed segmented markets differentiated by quality ranges leading to high shares of vertical IIT. Lastly, horizontal IIT appears essentially as a regional type of trade. The econometrics used here confirm predictions of theoretical models, and underline the importance of the non-monotonic relationship between distance and IIT in the explanation of the share of each trade type. A robust positive relationship is found between economic integration and intra-industry trade, both vertically and horizontally differentiated.

Further research will strengthen the conclusions of this work by using a more precise measure of integration between countries. A global model of IIT is also much needed, in order to provide insights about the evolution of trade within free-trade zones as they become ever-more closely integrated.

Pierre Ecochard, Lionel Fontagné, Guillaume Gaulier, Soledad Zignago

Russia’s Institutions and State After Twenty Years of Transition

It is common to refer to the holders of power, when analysing the phases of radical reform which Russia has experienced over the last twenty years. Also, much reference is made – at least by economists – to Russia’s economic capacity and its major economic balances. Thus, it has become quite banal since Mikhail Gorbachev came to power to refer to the Brezhnev era of the 1970s as the “period of stagnation”. As for the Gorbachev years, they are identified as much by the person as by the gradual decline of output and rising economic imbalances. It has also become common practice to refer to the Yeltsin years as the “transitional recession”. The most recent phase is generally associated with Vladimir Putin and the return to growth.

These two ways of presenting history are legitimate to some extent, but they also have certain drawbacks. They lead too much to the impression that Russia’s leaders have mainly shaped its history, and that its economic performance is a sort of *deus ex machina* following its own laws. Both approaches mask the decisive role played by social actors, as well as economic agents, in determining Russia’s evolution, and they ignore the importance of the “dialogue” which has taken place between these two groups, over time, and which has defined the rules of change. It is only possible to understand the complexity of Russia’s recent economic history by referring to how the very system of allocating resources has evolved, and especially how the distribution of power has changed in this area. Such institutional issues lie at the heart of Russia’s history over the last two decades.

The key episode during this period is undoubtedly the short period stretching from August 1991 to the summer of 1992. This is when the main shock to the system and its attendant spill-overs occurred: the break-up of the USSR and the dismantling of the remaining aspects of its centrally-planned economic management. It was at this point that the first elements of a new economic order were integrated into a radical strategy of transformation. The concomitance of the final phases of the former system and the initial stages of the new regime led to a generalised and lasting disorder in the mechanisms for allocating resources, which largely explain the protracted collapse of Russia's economic capacity, including the major crisis in 1998, which seemed to be almost terminal. Just as the collapse in output largely resulted from the breakdown of centralised planning, so too has the return to more stable growth been favoured by the progressive maturing of new rules and by agents getting used to their functioning. Even today, Russia's ability to embark on a sustainable, high-growth path requires that this progress continues and that agents' behaviour goes on being transformed.

The role of the State has been vital in this process which has witnessed the destruction of the old order (1985 to 1991), the implementation of a new regime (1992 to 1999), and the efforts to consolidate it since 2000. The collapse of the State based on the structure of the Communist Party has given way to a Russian State with minimal abilities to act in the face of grass-roots economic agents: companies and financial enterprises, households, and even foreign partners. Only slowly has it been able to create the conditions which permit it to carry out the functions required of any State in a market economy: conducting macroeconomic policy, fighting the inefficiencies inherent in markets, redistribution etc. It must be stressed that this task is far from having been completed: numerous laws which have been decreed need still to be stabilised, while others need to be established. Russia is a society which both rejects and hankers after its past, which is torn between the necessity of finding a new way, while at the same time taking into account, at least nostalgically, certain basic principles and practices which stem from its past. The vital need for the State to assert itself is therefore highly charged with ambiguities.

Research on these issues will be completed by December 2005, and will be published in a collective book about the political, social and economic evolution of Russia since 1985.

Gérard Wild

Databases

Measuring Quality of Traded Products with BACI

Tackling the specialisation of countries at the most detailed level is not an easy task: it requires relying on a database which makes it possible to disentangle trade flows by quality ranges, by the processing levels of the traded products, and lastly by products' technological content. There have been numerous studies addressing these various issues either separately or jointly, but researchers have so far lacked an exhaustive instrument covering all exporting and importing countries.

This led the CEPII to launch a major research programme in 2003, which has recently been finalised. A beta version of the so-called BACI (*Base Analytique du Commerce International*: International Analytical Trade Database) has been built on the basis of COMTRADE, the database of the United Nations.

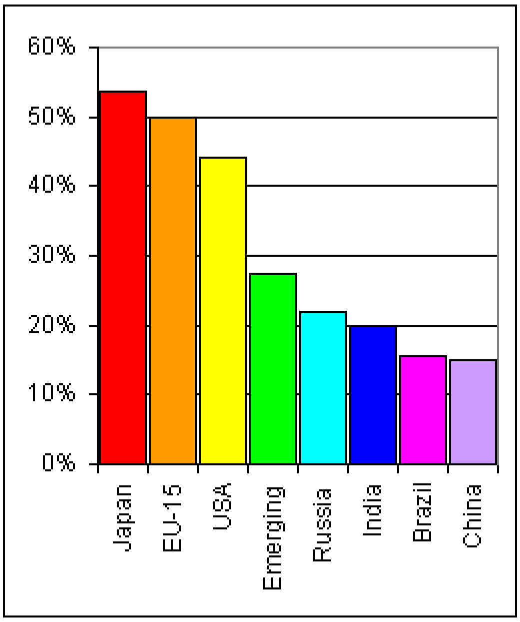
This harmonised database (exports from country *i* to country *j* for a given product equal imports from *j* to *i* for the latter) allows trade flows to be classified for some 5,000 products, according to various forms of interpretation. One of these is how countries are specialised according to the revealed quality of their products. Generally speaking, empirical analyses of trade flows consider that differences in unit values (trade values divided by quantities) match differences in qualities of traded products (Greenaway, Hine & Milner, Fontagné & Freudenberg). Hence, quality ranges can be defined according to the position of the unit value of any given trade flow, *vis-à-vis* the average unit value of world trade for the corresponding product.

At the 6-digit level, it is possible, for instance, to tabulate the quality of "Women's / girls' anoraks and similar articles of wool/fine animal hair, not knitted", which differ from "Women's /girls' anoraks and similar articles of man-made fibres, not knitted", another HS6 position.

A very simple and illustrative result of such a methodology is provided in the figure below (average 1995-2002), where total exports (i.e. after summation) are classified for each country, under one of the three headings: top quality, medium quality, low quality. Japan is the country exporting the largest part of its products in the first product category, while China (in this illustrative sample) exports the lowest quality goods.

Such analysis may have a time dimension (Is China upgrading the quality of its exports?), or be disentangled by stages in the production process (Is Japan specialised in top quality products for equipment or final consumption goods?).

Share of Top Quality Products in Total Exports of Selected Countries
2001



Lionel Fontagné & Guillaume Gaulier

EVENTS

The Challenges and Economic Outlook After the US Elections

On the eve of the US presidential elections, the CEPII and Groupama Asset Management felt it useful to re-examine the major issues facing the US economy in the light of its financial imbalances, and to present its economic outlook. This conference was held in Paris, on the 21 October 2004.

The conference's first round-table looked at the issues economic policy faces, given financial imbalances. Chaired by Francis Ailhaud (Chairman of Groupama Asset Management and of the CIREM), the round-table included presentations by Barry Anderson (IMF), Odile-Renaud Basso (the French Treasury), Anton Brender (Dexia), Laurent Berrebi (Groupama AM) and Michel Aglietta (CEPII). The US current account deficit was much discussed. Most of the participants agreed that the financial needs of the US's public administrations, but especially of households lay at the origin of the domestic reasons for the US current deficit, which has been sustained over several years. From this point of view, the sustainability of household debt is a key issue and will be closely linked to changes in the US labour market in the next years. Turning to the federal deficit, it has been stressed that the goal of halving the deficit by 2009, put forward by G.W. Bush during the election campaign, was not very realistic, given plans to render the tax cuts in 2001 and 2003 permanent. In terms of adjustment scenarios, the fall in the dollar is necessary but insufficient (given the low price elasticity relative to demand elasticity of trade). The US deficit should therefore be absorbed through stronger growth in America's trade partners (especially in the euro area).

The second round-table looked specifically at questions of US competitiveness and de-industrialisation. Chaired by Lionel Fontagné (Director of the CEPII), its speakers included Catherine Mann (IIE Washington), Jacques Mistral (Finanical Advisor, Washington), Patrick Artus (CDC) and Sébastian Jean (CEPII). It was recalled that the issue of industrial relocation remains very sensitive, especially in US public opinion, despite the fact that economic studies generally conclude that this is not, quantitatively, a very important phenomenon. The poor state of American industry (with the exception of new technologies) stems mainly from problems of competitiveness, which were mentioned by most of the participants. As for new technologies, using empirical evaluation, Catherine Mann stressed how unequal the use of new technologies is across sectors and how varied their impact is too. More generally, the potential for obtaining productivity gains in the service sector, thanks to new information technologies in the US, was stressed repeatedly.

Vladimir Borgy

The Euro-Latin Study Network on Integration and Trade (ELSNIT)

The Second Annual Conference of the Euro-Latin Study Network on Integration and Trade (ELSNIT) held in Florence, 29-30 October 2004 was co-organised with the Robert Schuman Centre for Advanced Studies (RSC) and in co-operation with the Center for Research in International Economics (CREI), the CEPII and the Kiel Institute for World Economics (IfW)

The conference was organised in such a way as to address the question of Integration and trade from three different dimensions: the macroeconomic dimension, the empirical dimension and the institutional dimension. The CEPII and the Kiel Institute examined the empirical aspects of theses issues. Of the research discussed, Julien Garnier (European University Institute, Florence) showed how integration favouring intra-industry trade might induce common cycles rather than transmission cycles. Lelio Iapadre (University of Rome) proposed an original indicator to measure "intra-regional trade propensity". Lars Wang (University of Hohnheim) using an analysis based on input-output methodology proposed to apply the net value added economic integration index to Mercosur. He found that the level of economic integration is so low that the costs incurred from joining a common currency area exceed its benefits. Soledad Zignago (CEPII), using the border-effect measure approach, showed that Southern countries' access to developed markets is far less easy than between Northern nations. During the plenary sessions, Jose Maria Fanelli (CEDES, Buenos Aires) addressed the policy co-ordination problems of the MERCOSUR: the analysis tended to show that common shocks are important, and significantly higher in MERCOSUR compared to NAFTA or EU, and that financial volatility is also higher.

Michel Fouquin

The CEPII Business Club's Meetings

US Multinationals and Production Location Strategies: Recent Trends

At this third meeting on the US economy (28 September 2004), Raymond Mataloni (Research Branch of the International Investment Division, Bureau of Economic Analysis, US Department of Commerce) presented his research on the issue of outsourcing by US multinationals. By analysing the relationships between parent companies based in the US and their overseas affiliates, he demonstrated how production networks are being developed by companies to take advantage of low production costs offshore. Sébastien Jean (CEPII) was a discussant at the meeting, and pointed out that developed countries still attract net FDI inflows, while foreign investments actually lead to more exports than imports.

The Economic Outlook and the Financial Markets

At this yearly meeting (7 October 2004) Sébastien Doisy (CDC IXIS Asset Management) began by pointing out that the US upturn is atypical due to modest job growth, but consumption could still rise by between 2 and 3%. The euro area, in contrast, was suffering from slow growth, especially in Germany. Nevertheless, the region should avoid recession. In Japan growth is improving, while efforts to slow the Chinese economy appear to be succeeding. Given this reasonable overall economic performance, the weak performance of share prices is surprising, with markets seemingly characterised by hesitancy. The flatness of the yield curve is also surprising, due to low interest rates, both in the short and long term. Rates are likely to rise, however.

WORKING PAPERS

The Impact of Multilateral Liberalisation on European Regions: a CGE Assessment

No 2004-20 November

This study proposes a fully-fledged, bottom-up CGE model (nicknamed DREAM) intended to analyse the regional impact of trade policies in the EU. The two-tiered approach followed begins with an EU-wide CGE assessment, taking exhaustively account of preferential agreements. The information produced about the impact on international trade is then used as an input for an original CGE model built to purpose, where each of the 119 NUTS-1 EU regions is considered separately. This approach is used to simulate the impact of several far-reaching liberalisation scenarios, and to highlight the sources of differences in regional impacts.

Sébastien Jean & David Laborde

Multilateral Agricultural Trade Liberalisation: the Contrasting Fortunes of Developing Countries in the Doha Round

No 2004-18 July

An applied general equilibrium model is used to assess the impact of multilateral trade liberalisation in agriculture, with particular emphasis on developing countries. We use original data, and the model includes some specific features such as a dual labour market. Applied tariffs, including those under preferential regimes and regional agreements, are taken into account at the detailed product level, together with the corresponding bound tariffs on which countries negotiate. The various types of farm support are detailed, and several groups of developing countries are distinguished. Simulations give a contrasting picture of the benefits developing countries would draw from the Doha development round. The results suggest that previous studies that have neglected preferential agreements and the "binding overhang" (in tariffs as well as domestic support), and have treated developed countries with a high level of aggregation have been excessively optimistic about the actual benefits of multilateral trade liberalization. Regions like sub-Saharan Africa are more likely to suffer from the erosion of existing preferences. The main benificiaries of the Doha round are likely to be developed countries and Cairns group members.

Antoine Bouët, Jean-Christophe Bureau, Yvan Decreux & Sébastien Jean

UK In or UK Out? A Common Cycle Analysis Between the UK and the Euro Zone
No 2004-17 November

We use a structural model estimated by the Kalman filter in order to extract the common cycle for different groups of OECD countries. We try to evaluate to what extent the euro zone common cycle is affected by the inclusion of the UK in the group. An important result of this work is that adding the UK to the euro group does not lead to a greater heterogeneity of the group as a whole. Besides, the UK business cycle is not much different from euro area cycle. Another point is that the influence of the UK on the "euro plus UK" common cycle is less obvious for output than for consumption, public expenditures or investment series. This suggests the importance of taking into account the components of output when analysing business cycles.

Julien Garnier

Regionalism and the Regionalisation of International Trade
No 2004-16 November

Gravity models of trade controlling for country-pair heterogeneity via bilateral fixed effects are estimated on a world-wide basis from 1967 to 2001. The contribution of rising regionalism to the *de facto* regionalisation of trade is assessed. In most cases, preferential trade agreements spurred trade within member countries without diverting trade from non-members. The impact of PTA was the largest for consumer goods and the lowest for primary goods, with more evidence of trade-diversion in the latter case.

Guillaume Gaulier, Sébastien Jean & Deniz Ünal-Kesenci

The Stock-Flow Approach to the Real Exchange Rate of CEE Transition Economies
No 2004-15 November

This paper investigates the determinants of equilibrium real exchange rates for the new EU member states and candidate countries, relying on an asset model inspired by Aglietta *et al*. (1998) and Alberola *et al*. (1999, 2002). The impact of productivity gains on both the Balassa-Samuelson effect and the behaviour of the tradable real exchange rate is assessed especially. Subdividing the panel, we show that the B-S effect is a common feature to all economies, but that the tradable price-based real appreciation is a distinct feature of transition and emerging economies. We also show that in transition countries, a decrease in net foreign assets leads to an appreciation of the real exchange rate, instead of the depreciation predicted by theory. Comparing in-sample and out-of-sample estimates (in terms of the country coverage) of equilibrium exchange rates shows that these measures can yield different results, and could therefore be considered as complementary tools in judging misalignments.

Balázs Égert, Amina Lahrèche-Révil & Kirsten Lommatzsch

Burden Sharing and Exchange-Rate Misalignments within the Group of Twenty
No 2004-13 September

We present equilibrium effective exchange rates for a set of industrial as well as developing countries, where the real exchange rate is jointly determined by the external and internal balances. We then calculate equilibrium bilateral exchange rates against the US dollar. Finally, we investigate the size of bilateral currency misalignments. The lack of adjustment in some countries' currencies is shown to have an ambiguous effect on the adjustments borne by flexible currencies.

Agnès Bénassy-Quéré, Pascale Duran-Vigneron, Amina Lahrèche-Révil & Valérie Mignon

Regulation and Wage Premia
No 2004-12 September

The paper explores the link between wage premia and the determinants of product market rents. Industry premia from 1996 wage earnings data are estimated by category of worker, in 10 European countries, the US and Canada. Using industry-specific regulation data, the paper looks at the effects of restrictions to competition and public ownership on wage premia in non-manufacturing industries. It is found that anti-competitive regulations significantly increase wage premia, reflecting the presence of rents. However, they decline in industries dominated by legal public monopolies.

Sébastien Jean & Giuseppe Nicoletti

The CEPII's Working Papers are available free, on-line, in PDF format; hard copies are also available on request.

RECENT PUBLICATIONS

ECONOMIE INTERNATIONALE, QUARTERLY

No 99, 3rd Quarter 2004

Assessing the Sustainability Impact of Trade Liberalisation

Presentation
Sébastien Jean & Nina Kousnetzoff

Sustainability impact assessment: The use of computable general equilibrium models
Christoph Börhinger

Assessing the impact of trade policy on labour markets and production
Joseph F. Francois

Modelling the effects of trade on women, at work and at home: comparative perspectives
Marzia Fontana

Methodological tools for assessing the sustainability impact of the EU's economic policies, with applications to trade liberalisation policies
Nina Kousnetzoff & Sophie Chauvin

La localisation des entreprises industrielles : comment apprécier l'attractivité des territoires ?
Laurent Ferrara & Alain Henriot

Intégration et inégalités régionales : une relation en U inversé ?
Carl Gaigné

Publisher: La Documentation Française, price: €18.50 per issue, €65.50 annual subscription in Europe and €68.50 outside Europe.

LA LETTRE DU CEPII , MONTHLY

Turkey at the Crossroads
No 237, September 2004

At the beginning of October, the European Commission puts forward its official position about opening up membership negotiations between the European Union and Turkey. In December, the European Council announced its decision. For months, the press and experts have been examining the political dimension of membership, both at the domestic and at the regional level. Similarly, the consequences of Turkish membership for Europe's institutions and economy have been much discussed. This article looks at the Turkish economy, as the choice to be made places Turkey at a decisive crossroads. The opening up of negotiations will extend the remarkable stabilisation process which has taken hold since the customs union treaty of 1996, and which has accelerated since 2002. Negotiations will contribute to defining a new growth model, based on a dynamic manufacturing sector, but which will draw in more foreign direct investment and facilitate technological transfers. From this point of view, European membership and the adoption of the Union's *acquis* may be seen as an instrument for both modernising Turkey's institutional framework and accelerating its economic transformation. Nevertheless, the risks associated with such a strategy, in a country that remains relatively poor, need to be assessed.

Jérôme Sgard, Deniz Ünal-Kesenci, & Yves Zlotowski

Agricultural Trade Liberalisation: Its Ambiguous Consequences on Developing Countries
No 236, July-August 2004

Protectionism and public intervention in agriculture by Northern countries is often accused of blocking the development of the South. From this point of view, certain organisations, including the World Bank, argue that multilateral trade liberalisation could be very beneficial. Simulations carried out by the CEPII qualify this view significantly. The data used take into account trade preferences and the recent reforms of agricultural policies. The simulations also account for the fact that commitments made by WTO member states relate to bound customs duties ("ceilings") and not to duties actually applied. The impact of liberalisation would thus seem to be weaker than is generally estimated. In particular, the data and the methods of calculation used indicate that countries which presently benefit from preferential market access will lose some of their competitive advantage. Overall, the impact of multilateral liberalisation on developing countries appears to be highly differentiated, and in some cases negative. The Doha Round, which received renewed impetus from the framework agreement signed in Geneva by WTO member states, must address this problem more satisfactorily than has been the case in the past.

Antoine Bouët, Jean-Christophe Bureau, Yvan Decreux & Sébastien Jean

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http://www.cepii.fr/anglaisgraph/news/accueilengl.htm

BOOKS

La finance et la monnaie à l'âge de la mondialisation
Edited by Evelyne Dourille-Feer & Jun Nishikawa
l'Harmattan, série Le Monde en question, 2004

A comparative study of Asia and Europe.

This study looks at the following questions: What are Europe's and Asia's responses to the challenges of globalisation? Given the central role played by financial and monetary questions in the global integration process and in the crises which have affected both regions, how can the contradiction of financial globalisation with national currencies be reconciled? Is it appropriate to resolve problems of financial instability at an international level? Could the generalisation of electronic money be a remedy for financial instability? What are the most suitable currency regimes for emerging countries?

Generally speaking, what is the impact of globalisation on the transformations of the Asian and European capitalist systems? How is power redistributed between the various actors in the economic systems overall, and at the level of companies?

The Japanese and French economists who have contributed to this publication strive to illuminate current trends and future development paths in the 21st century.

NEWS IN BRIEF

Vladimir Borgy, Jacopo Cimadomo and Alexis Penot have joined the CEPII to work in its macroeconomics team. Vladimir Borgy comes from the French Ministry of Finance, Jacopo Cimadomo previously worked at the Department of the Treasury, Italy and Alexis Penot was at the Monetary and Financial Analysis Department of the Bank of Canada.

Anita Wölfl has joined the CEPII to work on productivity growth and technological progress, as part of the CEPII contribution to EUKLEMS. She was previously an economist at the Economic Analysis and Statistics Division of the OECD-Directorate for Science, Technology and Industry.

Fabrice Tom has joined the CEPII to work in the IT team.

Jean Chateau has left the CEPII for the OECD.

FORTHCOMING

Fault Lines in the Chinese Economy and Society

14 January 2005

The first meeting in the CEPII Business Club's series of events on China.

Productivity and Monetary Policy

19 January 2005

The 4th Monetary Policy Forum organised by the *Banque de France*, the CEPII and the IDEP.

The New Frontiers of European Union

16-17 March 2005

Conference organized by the CDC Institute for Economic Research, the *Caisse des Dépôts et Consignations*, the CEFI, the CEPII and the *Revue Economique*

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Subscription manager: SYLVIE HURION
Address: CEPII - 9, rue Georges Pitard - 75015 Paris - France
Tel. (33) 1 53 68 55 00 - Fax: (33) 1 53 68 55 03
http://www.cepii.fr/anglaisgraph/news/accueilengl.htm

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