

The CEPII NEWSLETTER

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CENTRE D'ETUDES PROSPECTIVES
ET D'INFORMATIONS INTERNATIONALES

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EDITORIAL

What is Wrong with the Euro/Dollar Rate?

The strength of the euro has recently raised concern about economic recovery in the euro area as well as longer-run fears of enhanced industrial relocation abroad. Still, the level of the euro against the dollar at the beginning of 2004 (\$1.27 for €1) is not far above its level in the early days of 1999 (\$1.16). It is even closer to the level that was anticipated at that time, for the euro over a 2-year horizon (\$1.21), according to the London Consensus Forecast survey.

More strikingly, the value of the euro at the beginning of 2004 lies right in the middle of the majority evaluations of the fundamental equilibrium exchange rate which provide a wide range of \$1.15 to \$1.45, justified by the huge external deficits of the United States. Also, the evolution of the euro/dollar exchange rate in real terms, since January 1999, is broadly consistent with that of the real interest rate differential between the euro area and the United States, which has switched from negative to positive values.

So, what is wrong with a strong euro? Of course, there is the competitiveness problem. Purchasing power parity and labour cost equalisation would suggest the euro's dollar rate should lie between \$1 and \$1.15. The present deviation from PPP would perhaps have been welcome in 2000, when European demand was surging. This is no longer the case today. And the extensive literature on PPP warns that deviations from PPP can be long-lived: the half life of any deviation being typically 4 to 5 years.

Admittedly, the present situation is nothing but the consequence of excess spending in the United States since the early 1990s, which has benefited the euro area. The problem is that other countries in the world have also benefited from US demand, without suffering today from such a huge appreciation of their currencies. The Canadian dollar and, more recently, the yen, have appreciated, but to a lesser extent than the euro. The Mexican peso has even depreciated against the dollar, while Asian currencies, aside from the yen, have remained roughly stable against the US currency. Still, current accounts in the latter countries have turned to large surpluses in recent years, along with capital inflows. This could have justified an appreciation of their currencies, which would have alleviated the burden on the euro. As it is, back-of-an-envelope calculations made at the CEPII show that the lack of adjustment by Asian currencies could push the equilibrium euro/dollar exchange rate close to \$2 to

the euro.

The huge increase of Asian foreign exchange reserves in recent years has been well documented. Assuming two thirds of these reserves to be denominated in dollars, the contribution of the build up in reserves in dollars is roughly equivalent to two thirds of the US current account deficit, between September 2002 and September 2003. Such huge amounts once again illustrate that Asian countries have gone back *de facto* to pegs on the US dollar. However moving away from this strategy would mean stopping the accumulation of reserves in dollars, which could lead the dollar to plunge against other key currencies. Hence, it is difficult to argue that a revaluation of Asian currencies (and especially of the yuan) would solve the problem of the euro, although it is also difficult to argue that such massive reserve accumulations will never come to an end.

We are left with the conclusion that what is wrong is the policy mix in the US and in the euro area. Curbing US demand (through higher interest rates or lower budget deficits) appears the only way out of US current account deficits, whereas euro area growth would perhaps need a looser monetary policy, with accompanying reforms on the supply side to keep inflation at low levels. All in all, however, the industrial countries must be careful not to curb growth in large emerging countries which, in the long term, will take the lead in world growth.

ON THE RESEARCH AGENDA

The Current Accounts of Accession Countries: What Can be Said about their Sustainability?

The twelve Central and Eastern European Countries which will either join the European Union in 2004 or are scheduled to do so as early as 2007 often have high current account deficits. The aim of this research project is to provide tentative estimates of sustainable levels of current accounts and to compare these with observed data. To this end, different techniques are employed. Although external imbalances are quite marked and likely to widen as economic integration and catching up proceed, the CEECs' growth prospects seem to warrant their overall sustainability. However, they should be carefully monitored, and fiscal policy can play a role in avoiding excessive deficits. The positive outlook about sustainability is confirmed by the fact that external deficits are to a large extent financed by FDI flows: a crucial task for economic policy will be to ensure that this form of investment keeps flowing in. Lastly, the size and the prospects of the deficits should be taken into account when deciding on the adoption of the euro. Flexible exchange rates should be maintained as long as convergence has (among other things) reduced the size of the deficit.

Paolo Zanghieri

Assessing the Impact of Trade Policy at the Regional Level in Europe: the DREAM Model

For a very large economic area such as the EU, the impact of trade policies may vary widely across regions. However, this issue has not been well analysed so far. In order to fill this gap and to provide an accurate, regional-level assessment of trade policies, the CEPII has built an original tool nicknamed DREAM (Deep Regional Economic Analysis Model). DREAM is a bottom-up, CGE model which describes separately each of the 119 NUTS-1 EU regions, and their relationships with the rest of the world. Up to 21 sectors are considered. DREAM is used in a two-tiered approach, making it possible to take advantage of an EU-

wide assessment, in which all preferential agreements are taken into account. The model has already been described and applied in work carried out for the European Commission. It will soon be documented in a CEPII Working Paper, and applied to assess how various aspects of the Doha Round may impact on Europe's regions.

Sébastien Jean & David Laborde

DATABASES

Productivity Comparisons

While studying convergence, the CEPII has created a database which allows productivity levels in France to be compared with several countries. In 1994, this tool permitted the Centre to carry out a comparison between France and Germany (*French and German Productivity Levels in Manufacturing: A Comparison Based on the Industry-of-Origin Method*). The study was updated in 2001, with eastern Germany being included (*The French-German Productivity Comparison Revisited: Ten Years after the German Reunification*).

It has also been possible to study the relative performance of Mediterranean industries, within the framework of another study conducted in 2001 (*La productivité des industries méditerranéennes*).

The data covers twenty branches, involving six countries that are compared to France (Egypt, Germany, Morocco, Portugal, Spain and Turkey). The data runs from 1980 to 1997, or to 2001 in some cases.

The database is available online (in French, and soon in English).

Deniz Ünal-Kesenci

Integrating MAcMaps into GTAP6

Following their joint project to build a new database which includes preferences and covers the largest set of importers and exporters at the most detailed level, the ITC (Geneva) and the CEPII have launched MAcMaps (Market Access Maps), in collaboration with the UNCTAD and the WTO. The CEPII is a member of the GTAP consortium, and the last pre-release of the GTAP database includes the MAcMaps GTAP dataset.

MAcMaps is a bilateral and disaggregated measure of market access which has been constructed to integrate the major instruments of protection (*ad valorem* and specific duties, prohibitions, tariff quotas, anti-dumping duties, norms) at the most detailed level (tariff lines), as well as all preferential regimes.

Lionel Fontagné & Sébastien Jean

EVENTS

The Economic Implications of the Doha Development Agenda for Latin America and the Caribbean

The second CEPII-IADB conference (the 6-7 October 2003) on the "economic

implications of the Doha Development Agenda for Latin America and the Caribbean" was very successful both in bringing together expert trade economists, representatives of civil society and policy-makers. It was also very interesting to hear first-hand accounts by some very high-level negotiators in charge of the Cancun summit for the reasons of its failure and the what efforts should be made to try to overcome the North-South divide on trade issues

Among the papers presented, participants had the occasion to get a state-of-the-art view of some very tricky issues such as: the measurement of protection by tariff and non-tariff barriers; the relative gains to be expected by Latin American countries from a trans-Atlantic agreement; and the trade liberalisation in agriculture.

The traditional issues on industrial tariffs, the phasing out of textile quotas, and agriculture were also discussed.

Given the quality of the papers presented, the organisers have decided to publish a book with most of these texts.

Michel Fouquin

The Risks of Deflation and How to Fight Them Off

On 17th November 2003, an international conference was held on the problems raised by deflationary threats to the world economy. Two round-table discussions debated first the sources and mechanisms of deflation, and second the relevant policies to ward off deflationary pressures.

Drawing on the lessons of historical episodes and on the experience of Japan, the first round-table stressed that a deflationary equilibrium can occur and become pervasive as a protracted outcome of debt downsizing compounded by low inflation.

The second roundtable was policy-oriented. A few conclusions were reached on controversial issues. Monetary policy should give more prominence to financial imbalances. It should adopt an inflation target which is not too low (no less than 2%). Should the deflation threat materialise, the central bank should massively inject liquidity into the economy at large, not only in the banking system. This could be done by buying any financial assets whose prices are on the verge of collapsing.

Michel Aglietta

The CEPII Business Club's Series of Meetings

The CEPII Business Club has brought to an end the series of meetings focussing on the economic consequences of demographic changes and has launched a new series examining industrial relocation.

The subjects discussed in the first series tried to cover demographic issues as a whole, ranging from forecasts to the links between demographic ageing and capital markets, including also questions about the financing of pensions, insurance dependency, changes in consumption and savings structures, as well as the problems of managing human resources. The last meetings were:

- Demographic ageing and human resource management: 20 October 2003
- The consequences of demographic ageing and savings: 23 September 2003

The relocation abroad of economic activities in the industrialised countries, in particular to the benefit of emerging countries, along with rising unemployment worry many people from very different backgrounds: trade unionists, politicians from the left as well as from the right, journalists etc.

For this reason, the CEP II Business Club decided, in 2003, to organise a series of seminars on different aspects of the relocation phenomenon. Meetings held so far were on:

- Industrial Re-Location and Taxation: 3 February 2004
- Foreign Direct Investment and Development: 28 January 2004
- Can Europe's Textile Industry Be Saved?: 13 January 2004
- Relocation, unemployment and wages: 12 November 2003
- Relocation and world governance: 28 October 2003
- Relocation and China: 30 September 2003

This series of seminars will continue throughout 2004 (see the *Forthcoming* section in this Newsletter).

Michel Fouquin

The Asia Network

The CEP II was represented in the Selection Committee of the 1st Congress of the Asia Network which brought together French humanities specialists of Asia, the 24-25 September 2003.

The decision to create an Asia Network was taken by research directors in June 2001, in order to bring together researchers working on a geographic zone stretching from Afghanistan to the Pacific and to strengthen inter-disciplinary research (including history, geography, economics, sociology, urban studies etc.) as well as different cultural areas.

The network brings together 1500 researchers and teachers, including 200 recent PhD graduates and doctoral students, in France and abroad. It should help make France's Asia research community more visible to government, potential sources of finance and to foreign colleagues who are also often organised in similar networks.

The first congress of the "Asia Network" included 46 round-tables and 230 communications. Participants included nearly all the major research institutions.

Evelyne Dourille-Feer

Trade Policy and Global Poverty

On 7 October 2003, William R. Cline presented his forthcoming book at the CEP II, entitled *Trade Policy and Global Poverty*. William Cline is senior fellow, both at the Institute for International Economics and the Center for Global Development in Washington, DC, and he is a recognised specialist of trade policies and international finance.

His book examines the impact of trade policy on global poverty, with an emphasis on how changes in policies in the United States and other industrial countries could help reduce poverty in developing countries.

The meeting was held within the framework of the "Trade policy" Scientific Group (GIS "Politique commerciale"), formed jointly by the CEP II, INRA (the French National Institute for Agronomic Research) and two directorates of the French Ministry of Finance. The group aims at fostering high-level research and scientific exchanges devoted to the analysis of trade policies. Its activities

include regular seminars, information sharing and collaboration among members, in their effort to assess trade policies and to contribute to the international debate on this topic.

Sebastien Jean

WORKING PAPERS

Trade Linkages and Exchange Rates in Asia: the Role of China

No2003-21, December

China's entry into the WTO, coupled with its trade surplus and growing forex reserves, could end in a relaxation of the Chinese exchange-rate peg, which has remained stable against the dollar since 1994. This paper explores the consequences of such a move, in the light of intra-Asian trade integration, using a gravity equation. Simulations show that changes in the value and volatility of the yuan impact on other Asian countries exports, and could therefore give grounds to monetary co-operation within Asia.

Agnès Bénassy-Quéré & Amina Lahrèche-Révil

Economic Implications of Trade Liberalization Under the Doha Round

No2003-20, December

The paper explores the impact of multilateral liberalisation, with emphasis on the EU and developing countries. A realistic "baseline" scenario is developed that takes into account events such as the entry of China into the WTO and the enlargement of the EU, allowing for an examination of the effects of further trade liberalisation in the Doha Round. A global, applied general equilibrium model is used and scenarios are formulated which include agriculture, manufactures, the liberalisation of services and trade facilitation.

Joseph Francois, Hans van Meijl & Frank van Tongeren

Methodological Tools for SIA

Report of the CEPII Workshop held on 7-8 November 2002 in Brussels

No2003-19 December

The principal aim of this exploratory workshop, organised with the support of the European Commission, Global Change and Ecosystems Programme of the Directorate General for Research, was to strengthen methodologies for integrating the social, economic and environmental dimensions of sustainable development. It also aimed at developing modelling tools for policy-makers involved in Sustainability Impact Assessments (SIA).

Nina Kousnetzoff

Order Flows, Delta Hedging and Exchange Rate Dynamics

No2003-18 December

This paper proposes a microstructure model of the FX options and spot markets. It is shown that depending on the correlation between spot and option order flows, the volatility of the exchange rate can either be amplified or reduced.

Bronka Rzepkowski

Tax Competition and Foreign Direct Investment

No2003-17 December

Using a panel of bilateral FDI flows for 11 OECD countries over 1984-2000, the paper shows that, although agglomeration-related factors are strong determinants of FDI, tax differentials also play a significant role in understanding foreign location decisions. The reaction of FDI inflows to tax differentials is shown to be non-linear.

Agnès Bénassy-Quéré, Lionel Fontagné & Amina Lahrèche-Révil

Trade and Technological Transfers: a Comparative Study of Turkey, India and China

No2003-16 November

The study examines the way in which these three countries have followed markedly different strategies for opening up to international trade, and shows how their participation in the international division of labour has far-reaching consequences on their imports of high-technology.

Françoise Lemoine & Deniz Ünal-Kesenci

The Empirics of Agglomeration and Trade

No2003-15 October

The paper surveys the literature on empirical studies in the "New Economic Geography" (NEG). It draws out five testable hypotheses which relate to agglomeration effects in explaining the spatial concentration of economic activity. The paper concludes with an overall assessment of the empirical support for the NEG.

Keith Head & Thierry Mayer

Notional Defined Contribution: a Comparison of the French and German Point Systems

No2003-14 September

This paper compares the French and German pension schemes by points, to Notional Defined Contributions (NDC) pension schemes. The research shows that such schemes are not immune to shocks, and that problems of inter-generational fairness may arise due to the disparity between incomes and life expectancies.

Florence Legros

How Different is Eastern Europe? Structure and Determinants of Location Choices by French Firms in Eastern and Western Europe

No2003-13 September

The paper studies the determinants of choosing locations by French multinational firms in Eastern and Western Europe. The study shows that there might be important differences between the two regions, notably as agglomeration effects are less strong in the CEECs and the quality of institutions varies in different host countries.

Anne-Célia Disdier & Thierry Mayer

Market Access Liberalisation in the Doha Round: Scenarios and Assessment

No2003-12 September

The modalities of negotiation on market access for agricultural and non-agricultural products are an important item of the Doha Development Agenda. The dispersion of tariffs remains very large, leading to sizeable economic distortions. In particular, tariff peaks are numerous and highly protective.

Lionel Fontagné, Jean-Louis Guérin & Sébastien Jean

On the Adequacy of Monetary Arrangements in Sub-Saharan Africa

No2003-11 August

We examine the economic rationale for monetary union(s) in sub-Saharan Africa through the use of cluster analysis on a sample of 17 countries. The variables used stem from the theory of optimum currency areas and from the fear-of-floating literature. It is found that the existing CFA franc zone cannot be viewed as an optimum currency area.

Agnès Bénassy-Quéré & Maylis Coupet

The Impact of EU Enlargement on Member States: a CGE Approach

No2003-10 August

This paper seeks to analyse European Union enlargement, using a Computable General Equilibrium Model to assess the impact on the size and efficiency of

firms and the varieties of products offered to consumers, to quantify the macroeconomic effects in terms of welfare and factor prices (especially wages) and to gauge which sectors will be most heavily affected. It is estimated that enlargement will have far greater (sometimes negative) consequences for the accession countries than for existing EU members.

Mohamed Hedi Bchir, Lionel Fontagné & Paolo Zanghieri

India in the World Economy: Traditional Specialisation and Technology Niches

No2003-09 August

Despite reforms undertaken since the beginning of the 1990's, India remains one the most closed of the Asian countries. Nevertheless, the development of new sectors, with high human capital intensities, is less restrained by domestic constraints and is allowing India to make a breakthrough in dynamic niche markets.

Sophie Chauvin & Françoise Lemoine

The CEPII's Working Papers are available, free on-line, in PDF format.

RECENT PUBLICATIONS

ECONOMIE INTERNATIONALE, QUARTERLY

Nos 94-95, 2nd-3rd quarters 2003

Special Issue - *Free Trade Agreements: Latin America and the Caribbean*

Coordinated by Robert Devlin and Michel Fouquin

Preface

Michel Camdessus & Enrique V. Iglesias

Presentation

Michel Fouquin & Robert Devlin

The Effects of Trade Liberalisation

Trade liberalization in the Americas: are regionalism and globalization compatible

David Roland-Holst & Dominique van der Mensbrugge

Scenarios for trade integration in the Americas

Xinshen Diao, Eugenio Díaz-Bonilla & Sherman Robinson

Regional trade agreements for Mercosur: a comparison between the FTAA and the FTA with the European Union

Josefina Monteagudo & Masakazu Watanuki

Accord de libre-échange entre l'Union européenne et le Mercosur : une étude avec le modèle MIRAGE

Mohamed Hedi Bchir, Yvan Decreux & Jean-Louis Guérin

Commerce du textile et de l'habillement : le multilatéralisme face au régionalisme

Richard Avisse & Michel Fouquin

Trade liberalization in Latin American countries and the Agreement on Textiles and Clothing in the WTO

María Inés Terra

Methodological Issues

Trade liberalization and employment in developing economies of the Americas

John Gilbert

Commerce international et salaires relatifs : les enseignements des modèles d'équilibre général calculables

Yvan Decreux, Jean-Louis Guérin & Sébastien Jean

Multilateral trade liberalization and poverty in Brazil and Chile

Thomas W. Hertel, Paul V. Preckel, John A.L. Cranfield & Maros Ivanic

Exploring the links between transaction costs, income distribution and economic performance in a case study for Colombia

Maurizio Bussolo & John Whalley

Regional trading arrangements for Chile: do the results differ with a dynamic model?

Thomas F. Rutherford & David G. Tarr

Modelling the policy issues in services trade

Philippa Dee

A review of Armington trade substitution elasticities

Christine A. McDaniel & Edward J. Balistreri

Model specification, data, and structural parameters: a narrative summary of conference contributions

David Roland-Holst

No 93, 1st quarter 2003

Special Issue - *Macroeconomic Issues and European Integration*

Coordinated by Antoine Bouët

Presentation

Antoine Bouët

Les PECO devant la tentation de l'euro

Michel Aglietta, Camille Baulant & Sandra Moatti

L'entrée des PECO dans la zone euro : quels effets sur le bien-être ?

Patrick Artus

Les déficits courants des PECO : quelles implications pour leur entrée dans l'Union européenne et la zone euro ?

Nicolas Doisy & Karine Hervé

Implications des chocs communs et spécifiques pour le fédéralisme budgétaire européen

Alexis Garatti

Intégration européenne et diversification des risques macroéconomiques

Pierre-Guillaume Méon & Laurent Weill

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

LA LETTRE DU CEPIL, MONTHLY

A Pause in Russia's Reform Process?

No 228, November 2003

Twenty years after the beginnings of its metamorphosis, Russia's society remains deeply divided. Personal freedoms have been largely acquired but the conversion to a market economy has led to the pauperisation of a large part of the population as well as a widespread feeling that public order has collapsed.

Vladimir Putin's regime is seeking a synthesis which reconciles liberalism with an attachment, still lively, to certain Soviet values. On the domestic political scene, this synthesis involves re-establishing public order while guaranteeing freedoms. But in the face of problems with setting up an efficient public administration, Vladimir Putin has concentrated above all on political order, attacking the counter-veiling powers of regional bosses, the Parliament and Russia's big-time capitalists. Arbitrary tactics have been employed against the "oligarchs", which are damaging to the freedom of expression and the investment climate. This constitutes a step backwards for the spirit of freedom which has characterised Russia's reforms since Gorbachev. Does this herald a pause in the reform process?

Georges Sokoloff

Should the Yuan be Revalued?

No227, October 2003

China's foreign exchange policy is often invoked to explain the widening of the US trade deficit. Nevertheless, if prices (and hence the exchange rate) do indeed play a role in Chinese competitiveness, the expected impact from the possible rise in the yuan should not be over-estimated. First, China's competitiveness stems mainly from structural factors. Next, China's share in US trade remains relatively small. However, an appreciation of the yuan could be followed by an appreciation of all Asian currencies, which would then obviously have a greater impact on the American trade balance. The present caution of the Chinese authorities may be explained by fears about an appreciation worsening the distribution of resources and weakening local industry. Multinational firms do indeed benefit from very low unit labour costs in China. But local firms could be handicapped by a rise in the yuan, as they have far lower productivity.

Agnès Bénassy-Quéré, Amina Lahèche-Révil & Françoise Lemoine

The WTO: in the Trough of the Trade Round

No226, September 2003

The meeting at Cancun saw the North-South divide take front stage in the multilateral trade negotiations. The proliferation of alliances by developing countries has given way to a clearer division. On the one hand, the trade and growth potential of the G22 countries allows this group to begin real "bargaining" with the countries of the North and become a key actor in the negotiations, alongside the European Union and the United States. On the other hand, the least developed countries are likely to be the overall losers within a general liberalisation process, given their trade preferences with Northern countries and trade specialisations. The Cancun meeting ended in failure as it did not take sufficiently into account the interests of the former group or provide an adequate response to the latter. This failure clearly shows up the need to reform the way in which negotiations are conducted.

Lionel Fontagné & Sébastien Jean

The Happy Dollar

No225, July August 2003

The euro's appreciation since February 2002 has already penalised European export industries. Furthermore, this trend is likely to extend into the medium term, due to the US current account deficit, which could rise above 5% of GDP in 2003 and 2004. Should international investors feel that such a ratio is not sustainable, then downward pressure on the dollar will increase. The euro's rise then risks being all the stronger as America's other trade partners may oppose any appreciation in their currencies. A strong rise in the euro will test the euro zone's cohesion: losses in competitiveness in the euro zone will be felt unequally, as exposure to the dollar varies across countries and sectors.

Agnès Bénassy-Quéré, Lionel Fontagné & Michel Fouquin

BOOKS

Métamorphose de la Russie

Georges Sokoloff

Fayard, 2003

Neither "thaw" nor "détente"! Russia cannot be opened to the modern world by continuing to imagine that it stands apart or above the common lot of other nations: it must be resolved to make the country organically compatible with the West.

To widespread astonishment, a Soviet sovereign actually listened to the iconoclast message of the intellectuals of his generation. Twenty years ago, Gorbachev accepted to question the socialist fortress. But as soon as he tried to reform the system, it collapsed. After a series of disruptions and dislocations, today's Russia is unrecognisable. In terms of its power, territory, population, economy, government, society and diplomacy etc. the USSR is no more than a memory. But is it a memory which is sufficiently strong to nourish criticism by ordinary Russians today?

This book seeks not to be polemical. It strives, by being as attentive as possible to the persons involved and to circumstances, to recount the Odyssey undertaken by Russia's leaders and endured by its people in becoming more like us.

L'économie chinoise

Françoise Lemoine

Repères, La Découverte, 2003

China is on the path of rapid economic catch-up with the developed countries. Its irresistible ascension in international trade is turning out to be one of the major traits of the world economy, in the years to come. The transition to a market economy, the opening up to international trade and to foreign capital are being accompanied by profound domestic, structural changes: China is pulling out of ageing industries and obsolescent production processes and technologies, while its growth is being facilitated by new generations of industry and technology. Its economy is advancing at varying speeds, and the future of China's modernisation depends on the ability of dynamic regions, industries and modern technologies to pull forward the rest of the economy. The weaknesses of the Chinese economy stem from its social tensions and domestic disequilibria, which the speed of growth itself has created.

Les retraites

Florence Legros & Jean-Louis Guérin

Editions Le Cavalier Bleu, 2003

"Give unto Caesar what is Caesar's..." One of the first analyses of the subject was conducted in 1982 by Denis Kessler and Dominique Strauss-Kahn: *L'épargne et la retraite - l'avenir des retraites préfinancées* (Savings and pensions: the future of funded pensions). But it was not until the 1990s that the debate in France took off, with the "livre blanc des assureurs" (White Paper on Insurers). It reiterated Michel Rocard's White Paper which had already highlighted the future problems facing France's Pay-As-You-Go pension system, in other words a system in which today's pensions are financed by contributions paid by today's employees. In the White Paper, the insurers stressed the importance of preserving fairness between generations, by meeting pension commitments without passing on debt to future generations. Indeed, demographers have been warning of pensions crises for a long time: low birth rates combined with higher life expectancy will expand the top of the population pyramid. In other words, there will be less young people to pay for the pensions of ever greater numbers of senior citizens.

Les taux d'intérêt

Agnès Bénassy-Quéré, Laurence Boone & Virginie Coudert

Repères, La Découverte, 2003

Interest rates are among the macroeconomic variables which most concern economists in companies, banks and administrations. This is mainly because of their links to the profitability of investments, the price of financial assets and exchange rates.

However, a number of different types of interest rates must be taken into account: nominal or real rates, short or long term rates, which differ depending on the categories of borrowers (public or private, large companies, SMEs or households), on the channel used (direct or intermediated financing), and on the currency of the debt.

This book aims to describe the linkages between these various interest rates and how they transmit economic policy.

Relations commerciales France/Etats-Unis

Bruno Durieux & Patrick Messerlin

Editions d'Organisation Eyrolles, 2003

This book sheds light on several aspects of American behaviour and relations between Americans and their French counterparts, as seen by two French, foreign trade advisors. The book is co-edited by Bruno Durieux, Chairman of the CEP II Business Club and President of the National Committee of Advisors on French Foreign Trade. The book helps better understand why the United States, a diminishing giant to some, continues to exercise such powers of attraction on the rest of the world.

NEWS IN BRIEF

Florence Legros returned to the University of Paris IX (Dauphine) after her secondment with the CEP II, at the start of December 2003. She has also been named as Chair of the Forecasting Commission of the French Association of Institutional Investors.

Agnès Bénassy-Quéré will be the new deputy director for the CEP II starting from 1st March 2004.

Daniel Mirza has joined the CEP II as a research associate working on international trade and especially on the trade in services. He is a senior lecturer at the University of Rennes I and a research associate of the GEP, University of Nottingham (United Kingdom).

Two new advisors have joined the CEP II this year: Georges Sokoloff, Emeritus Professor and former scientific advisor to the CEP II, and Jean-Pierre Patat, Honorary Director General of the *Banque de France* and former Director General of the Bank's Studies and International Relations Department.

Catherine Bac has been recruited by the CEP II to work on the Economic Policy and International Finance research programme.

Sophie Lapize de Salée, a secretary with the French Planning Agency, joined the CEP II on secondment, in the summer of 2003.

Sophie Cottat was recruited to the CEP II's documentation centre, in August 2003.

Céline Martinet has replaced Sylvia Plion as the secretary of the CEP II

Business Club.

Maria Frolova is temporarily replacing Chantal Bartholin as the Secretary General of the CEPII Business Club. Ms. Frolova has a Master's degree in public relations from the University of Saint Petersburg and a diploma from Paris' Institute of Political Studies.

The CEPII Abroad

Jean Chateau has presented the INGENUE model and its stochastic simulations in Washington (at the IMF) and in Seattle.

The CEPII has joined the Steering Committee of the Euro Latin Study Network on Integration and Trade (ELSNIT).

FORTHCOMING

Industrial Relocation in France

2 March 2004

CEPII Business Club Meeting on Industrial Relocation

Asia 2004, A World Driving-Force

4 March 2004

CEPII - CFCE

Divergences in Productivity Between Europe and the United States: Realities and Possible Causes

21-22 March 2004

CEPII - Banque de France

European Budget after 2006

6 April 2004

CEPII Business Club Round Table with Michel Barnier, European Commissioner

Are European Costs Still Competitive?

7 April 2004

CEPII Business Club Meeting on Industrial Relocation

OECD Forum

12-13 May 2004

With the CEPII as knowledge partner

Research in International Economics and Finance

7-8 June 2004

The deadline for the submission of papers is 15 March

Conference organized by the CATT-Pau, the CEPII, the ENPC-CERAS and the GREQAM

Integration and Technological Change: Challenges for European Regions

11-13 June 2004

The deadline for the submission of papers is 12 March

Conference organized by the CEPR with the support of the European Commission, the CEPII, the CERAS, the INRA and Paris Jourdan

EcoMod 2004: International Conference on Policy Modeling

30 June-2nd July 2004

The deadline for the submission of papers is 1 May

co-organized with the CEPII

Second Annual Conference of the Euro-Latin Study Network on Integration and Trade

29-30 October 2004

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