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## *FOCUS*

### **A Union of Twenty-Five Members: What Difference Does It Make?**

The enlargement of the European Union (EU) is a major institutional and historical event. But does it really make a difference in economic terms? Trade and financial integration between the 15 "old" members and the 10 "new" ones has now existed for quite a while. The CEPII's computable general equilibrium model MIRAGE confirms that, aside from agriculture, full integration of the new member states in the Single market will have little direct impact on the old EU members, but a rather big one on the new ones. The fears that EU enlargement will lead to large, negative effects on the labour market in the EU15, by means of massive relocations and hiring policies penalising low-skilled workers, appear to be ungrounded. By contrast, the MIRAGE model, which is based on imperfect competition, stresses the large impact associated with the change in the market structures of the new members.

The MIRAGE model also points out the important terms-of-trade changes to be expected from enlargement. Indeed, a depreciation of the newcomers' currencies is needed to re-balance foreign trade. But why should the trade account be brought back into balance when capital is flowing in? This hot topic has been studied from several points of view by the CEPII. As far as current account sustainability is concerned, if large deficits are a natural product of economic catching up, in some cases they are running at dangerously high levels. On the one hand, the bright growth outlook of these countries bodes well for their ability to pay off foreign debt. On the other hand, the massive inflows of FDI which have so far financed the deficit are likely to fall off in the medium term, and are bound to be replaced by more volatile (and therefore riskier) types of foreign capital inflows. Moreover, external deficits are highly correlated with government ones (the so called "twin deficit" phenomenon), reinforcing the case for sound fiscal policies. However, excessively tight fiscal policies might stall the catch up process, which in turn would raise the debt-to-GDP ratio. For the time being, in order to keep attracting FDI, most of the new EU members have chosen to cut corporate taxes. They have therefore made the choice of trying to sustain the "twin deficit" scenario. The success of this strategy will depend on the elasticity of capital inflows to corporate taxes. The CEPII's research on this issue shows that this elasticity is non-linear. Hence, the strategy is risky in that it implies large tax cuts. It is perhaps riskier for new member states, which will have to compensate the losses in public revenue, than for the "old" member states, which on the whole need the new members to catch up rapidly, both to enhance EU growth and to help the EU budget.

The sustainability of the "twin deficit" strategy will of course depend much on the exchange rate regime. One important implication of EU enlargement is the open door to euro area

enlargement. The new EU members do not have the legal possibility to opt-out of euro membership. However, the timing of euro area enlargement is rather tricky. To begin with, the quick adoption of the euro may not be appropriate, for a number of reasons. The CEPII has looked at the type of trade carried out by these countries. Inter-industry trade remains relatively important, although it is declining. Intra-industry trade is rising rapidly. However it is essentially vertical trade, with new members exchanging low-quality goods for high quality ones produced in the old EU members. Such a trade structure is a potential source of asymmetric shocks, which would make a common monetary policy quite complicated. A further hurdle to adopting the euro lies in the provisions included in the Maastricht treaty. In particular, the ERM II arrangement looks very much like the fixed exchange rate regimes that were hit by various crises in the 1990s and the early 2000s. A key factor in reducing the risks would be for the new members to choose appropriate central parities on entering the ERM II. Such parities would ensure real exchange rate equilibrium. However, equilibrium exchange rate estimations run by the CEPII, using different methods, show the new members to be currently experiencing great heterogeneity regarding real exchange rate misalignments.

That said, EU membership is going to foster institutional convergence. Research carried out at the CEPII stresses the role of such convergence for integration through trade and investment. On the whole, being part of the EU will therefore facilitate the sustainability of the "twin deficit" strategy, provided that it is coupled with an appropriate monetary strategy.

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## *ON THE RESEARCH AGENDA*

### **National Interests, Coalitions and Rules of Decision in Multilateral Trade Negotiations**

The Uruguay Round has often been described as opposing the USA and the European Union over agriculture. However, the Cancun summit, whose objective was to re-launch the Doha Development Round (DDR), highlighted numerous conflicts of interest between various countries or coalitions among the WTO (World Trade Organisation) members (G10, G22, G90, Like-Minded Group, the Small and Vulnerable Economies -SVE, Cairns group etc.). Thus differences emerged over the degree of liberalisation in the agricultural sector, progressive or linear formulae, the scrapping of export subsidies, decoupling of domestic support, liberalisation in non-agricultural sectors, special and differential treatment to be reserved for developing countries or for least developed ones, the "Singapore issues" about trade facilitation, investment policy etc.

Yet WTO rules stipulate that any international agreement on a global package has to be adopted unanimously.

The objective of this research project is to examine the possibility of a unanimous agreement in international trade negotiations. To this end, the study looks at the fundamental interests of WTO members in respect of a global package that could be agreed by these countries. For every WTO member, key negotiation issues are determined.

The starting point is an inversion of traditional methodology, which is done by testing a large set of various scenarios using a Computable General Equilibrium Model (CGEM), and ranking them for each country. This approach should lead to an identification of countries' real positions in the multilateral trade negotiations, whatever their official, stated position may be.

On the assumption that countries maximise national welfare, an axiomatic approach is used. Defining international trade negotiations as a bargaining problem, the project examines a theoretical solution to this cooperation problem, based on a Nash solution, with countries maximising welfare.

In the real bargaining process, two factors could modify this scenario. Firstly, the WTO members' economic sizes are quite different and this could clearly influence the agreement. Modelling trade negotiations requires the introduction of bargaining powers. The bigger a trading zone is, the larger its influence. These parameters can be changed depending on the

composition of trade coalitions. The study thus examines the impact of the introduction of various coalitions (G10, G22, G90, EU, USA) within the bargaining problem.

Moreover, the definition of national interest is a central methodological issue. National welfare captures the total gains of a nation from improved world-wide market access, but it does not tackle the redistributive conflict which is implied by this process. Politically speaking, governments are quite sensitive to the income losses of specific groups resulting from policy decisions. The study thus uses a pragmatic approach whereby governments seek to maximise benefits from cooperation (welfare), while at the same time minimising adjustment costs (income losses). This hypothesis may be linked to recent developments in the political economy of protectionism (as set out, for example, by Grossman & Helpman, Bagwell & Staiger, 1999 ; Ozden & Reinhardt, 2004).

Antoine Bouët & David Laborde

## **Market Access In Non-Agricultural Goods: What Is At Stake In The Development Round?**

The Doha ministerial declaration (14 November 2001) concerning market access for non-agricultural products states that negotiations should aim to reduce or, when appropriate, eliminate tariffs (though the modalities are yet to be agreed). A recent study carried out by the CEPII proposes an assessment of the impact of various modalities for such liberalisation, using a computable general equilibrium (CGE) model. The scenarios considered include the Girard proposal (with alternative choices used for the coefficient involved), the removal of tariff peaks and complete liberalisation. Special and differential treatment (SDT) for developing countries is also considered. Existing, preferential trade arrangements are taken into account exhaustively, using the MACMap database, and tariff cuts are computed at the HS-6 product level.

In addition, a preliminary, experimental simulation is carried out to assess properly the context in which such liberalisation is likely to take place. It includes the MFA, China's and Russia's accession to the WTO, and the extension of the African Growth and Opportunities Act (AGOA) to all Sub-Saharan African countries.

The impact of these scenarios is finally assessed using MIRAGE, a CGE model incorporating imperfect competition. The static version of the model is used in this case. The results show that liberalising non-agricultural market access is welfare improving at the world level. This, however, is mainly due to the removal of tariff peaks. But at the same time, cross-country distributive impacts prove to be significant. In particular, the liberalisation of developing countries' markets is likely to lead to strong rises in imports by these countries. These need to be balanced by increased exports. However, the similarity of these countries' sectoral specialisation (notably in clothing, leather and shoes) will make such adjustment costly, necessitating substantial real exchange depreciation. This in turn will give rise to a significant deterioration in these country's terms of trade. MIRAGE's findings thus emphasise the need for granting developing countries SDT, which would strongly reduce the unfavourable impacts of opening up markets.

The CEPII's results were presented at the Empirical Trade Policy Conference on Strengthening Analytic Capabilities to Support Trade Negotiations, organised and jointly sponsored by the International Trade Administration of the U.S. Department of Commerce and the Woodrow Wilson International Center for Scholars, September 18-19, 2003, Washington, D.C.

Forthcoming as a CEPII Working Paper, 2004

Mohamed Hedi Bchir, Lionel Fontagné & Sébastien Jean

## **Risk Sharing Properties of Alternative Rules for Pay-As-You-Go Pension Schemes**

This work considers aggregate risks in a large-scale, overlapping-generations model (with rational expectations) that is calibrated to France's demographic and economic properties. Two separate sources of uncertainty are assumed: fertility and technological shocks. This

project includes two distinct stages.

The first stage is devoted to business cycle issues. Before dealing with risk-sharing, a standard RBC analysis was performed in order to evaluate the consistency of the model in replicating and explaining the fluctuations of the French economy. In this respect, the main original findings have been: 1) fluctuations in Solow residuals account for more than 90% of the variance in output, whereas birth rate shocks only explain a smaller share; 2) most of the volatility in hours worked can be explained by changes in the population structure consecutive to birth rates shocks; 3) when both sources of uncertainty are considered together, the simulated correlation between hours worked and the productivity of hours worked reproduces successfully the historical correlations for French economic data.

This third point which provides an unusual explanation to a famous RBC analysis puzzle, can be understood as follows: birth rate shocks imply some complex wave-dynamic in the population structure and in the potential active population too. This leads to a strong, negative correlation between hours worked and their productivity, because if output does not vary very much in response to birth shocks, labour does. In contrast, a Solow residual shock implies a strong and positive correlation between hours and their productivity. The simulated correlation then mimics that of the data, when both shocks are considered together.

The second stage of the project is still in progress. It aims to explore the effects on risk-sharing across generations of adopting different rules of adjustment to ensure budget equilibrium of the Pay-As-You-Go scheme. First results indicate: 1) that defined-contribution rules induce more volatility in output, whereas defined-benefit rules imply greater volatility in consumption relative to output and; 2) consumption risk-sharing among cohorts varies both with respect to the origins of the surrounding uncertainties and to the chosen adjustment rule.

This project is part of the European programme, DEMWEL (Demographic uncertainty and the sustainability of social welfare systems), which is co-financed as a shared-cost programme by the European Commission, under the Fifth Research Framework Programme. It was presented at a workshop in Madrid, 4-5 March 2004.

Jean Chateau

### **The Stock-Flow Approach to the Real Exchange Rate of the New EU Member States Countries: In-Sample versus Out-Of-Sample Estimates**

Equilibrium exchange rates have recently made it to the very top of the agenda of both policy-makers and academic researchers, because for the 10 countries which entered the EU the 1 May 2004, adopting the euro will be the next step in the integration process. This implies participating in the ERM II, and so setting an appropriate central parity which is crucial to stabilising market expectations and guaranteeing the required two-year, stability of the exchange rate, before adopting the euro.

This research project provides an evaluation of equilibrium exchange rates for transition economies, based on the stock-flow approach of the exchange rate, and taking account of a real appreciation trend linked to both the Balassa-Samuelson effect and to increasing non-price competitiveness in transition economies. Using medium-sized panels for different groups of countries: (1) small, open OECD countries, (2) emerging economies of Asia and the Americas, (3) transition countries from Central and Eastern Europe, (4) all countries put together, we find evidence of tradable, price-based appreciation in transition and emerging market economies, but not in the more developed OECD countries.

We also show that the CPI-to-PPI ratio, so often used in the literature as a proxy for productivity, yields other types of information as well as being an imperfect substitute for productivity. Increases in net foreign liabilities are found to lead to an appreciation of the equilibrium real exchange rate of the transition countries, in contrast to what theory would suggest. The solution to this conundrum seems to be linked to different time horizons and the movement towards the desired level of foreign assets or liabilities.

Amina Lahrèche-Révil, Balázs Égert & Kirsten Lommatzsch

## German Labour Market Reform: What Can We Learn From a Model?

The rise in German structural unemployment is often explained by adverse labour market institutions. In particular, the generosity of unemployment benefits coupled with high labour taxes may have reduced the incentive to work. The Agenda 2010 launched by the German government, contains fiscal measures that aim at reducing labour market rigidities and encouraging job creation. These measures involve cuts in social security contributions and in income taxes, as well as a reduction in unemployment benefits. The efficiency of these measures is assessed with a medium term model calibrated on German data. Simulations show that all the measures would increase employment and growth but the effects on the budget balance would be somewhat different. Labour tax cuts would have a negative effect on the budget and a reduction in unemployment benefits would have a positive effect. The simulation results are however sensitive to the assumption made in the model. A cut in social security contributions would entail less employment when trade is less sensitive to the competitiveness and when unemployment benefits are partially indexed on the labour cost.

Stéphane Capet

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## *EVENTS*

### The Productivity Gap between Europe and the United States\*

During the 1990s, labour productivity seems to have accelerated in the United States and slowed down in the other major industrialised countries. Previously, hourly productivity increases had been weaker in the United States than elsewhere, but they then became stronger. A seminar was organised on the 22 and 23 March 2004, to discuss the various explanations which have been put forward for the new productivity gap existing between the United States and the other industrialised countries. The seminar was organised by the Banque de France (BdF), the CEPII, and the Institut für Wirtschaftsforschung at the Universität München (IFO).

About forty European, American and Japanese economists came to present and discuss a dozen studies. The ensuing debates focussed on four subjects. The first subject had the participants try to identify the methodological difficulties and statistical problems involved measuring productivity comparisons between countries. In the light of these limits, the following subjects were subsequently examined: productivity trends over time; the role of different factors of production in these trends, especially that played by Information and Communication Technologies (ICT); international comparisons and the characterisation of the sources of the productivity gap between countries; research into the determinants of productivity gains.

It was found that while there are important problems of measurement in this field, certain elements explaining the productivity gap seem to be quite robust. Thus, TFP has generally accelerated in most countries; the growth rate in ICT capital deepening during the 1990s was broadly similar in Europe and the United States. In contrast, the United States continued to substitute non-ICT capital for labour, which was not the case in Europe and Japan.

The concluding session suggested areas for further research and made recommendations to help better identify the productivity differences between the two regions:

-work should be done on company data, the externalities of R&D should be taken into account, non-constant economies of scale and imperfections in labour and goods markets should be introduced, and long term dynamics should be studied. Several studies presented at the seminar stressed the importance of human capital: organisational changes and capital-labour complementarity are also factors that explain the productivity gap between the United States and Europe. These factors need to be studied using company data.

-the price of new technology and its impact on the demand for ICT ought also be taken into account: as prices continue to fall, will the demand for ICT continue to increase so that the share of ICT in production factors will continue to rise?

-lastly, care needs to be taken in interpreting results obtained from growth accounting, in as far as a rise in TFP may reflect temporary catching-up rather than sustainable, structural change.

\* This summary is based on a text drafted by Nicolas Belorgey (BdF), Gilbert Cette (BdF), Rémy Lecat (BdF), Johanna Melka (CEPII), Laurence Nayman (CEPII), Bertrand Pluyaud (BdF), Jean-Pierre Villetelle (BdF).

### **The European Forecasting Network Spring Report, 2004**

The economic outlook of the 10 new EU member states is the main subject of the EFN Spring Report. Economic growth has remained buoyant despite the slowdown in the rest of Europe. The already bright growth prospects are likely to be strengthened by the wider access to EU regional and structural funds, which should boost domestic demand. However, a few risks remain. First of all, the state of public finances is deteriorating quickly in some countries. Secondly and partially related to this, most countries show worryingly high current account deficits. On the one hand, these are easily explained by the need to catch up with the rest of the continent in terms of investment. On the other hand, such imbalances might make these countries prone to balance of payments currency crises. This should be taken into account in the formulation of monetary policy, in the run up to euro area membership. These deficits have so far been financed to a large extent by foreign direct investment, which however is set to be replaced over time by riskier forms of capital inflows, such as bond lending or bank loans. This calls for a strengthening of financial systems and in particular of the banking sectors. The last decade has seen considerable developments, but much is still to be done.

Paolo Zanghieri

### **India's Economy : Prospects for 2020-2050**

After China, India is emerging as a new economic giant. Far-reaching changes have taken place in India's economy over the last ten years: its economic growth has accelerated and its foreign trade has intensified. India has emerged as a low-cost production base for multinational firms, and has become their major partner for outsourcing business services. Its large pool of qualified and English speaking labour gives India a strong comparative advantage over China in this sector. Trade between China and India has increased rapidly since the mid-1990s and the existing complementarities between the two economies are expected to continue to boost trade relations in the future. Over the next decades, prospects for India's economic growth are positively influenced by demographic trends, as the working age population in India should increase by 180 million up to 2020 and the participation rate (share of labour force in total population) is projected to peak at 45% in 2025. However, India also faces serious challenges, especially the need to create jobs to absorb these new entrants into the labour market and while reducing unemployment. It must also keep public debt under control.

Presentation made to the CEPII by Jean-Joseph Boillot, on 5 March 2004.

Françoise Lemoine

### **The CEPII Business Club's Series of Meetings**

Following the series of meetings held on demographic change and industrial relocation, the CEPII Business Club has launched a new series to examine the US economy, whose evolution is of major importance to the world economy and to Europe in particular. After an overview of the US economy, this series will examine the problem of the deficits and their financing, before moving on to look at trade and industrial policy. Robert B. Koopman, who directs the Office of Economics of the USITC, commission advising Congress and the President on international trade matters, will come to give his point of view regarding evolution of the US position on trade negotiations. As an expert for 15 years with the USDA, he will also focus on agricultural matters. (see Forthcoming)

### Does the Exchange Rate Regime Explain Differences in Economic Results for Asian Countries ?

No 2004-05, May

The paper aims at determining whether exchange rate regimes have an impact on inflation and growth for a sample of ten major Asian countries for the period 1990:01-2001:04. It starts by proposing a new statistical method to identify *de facto* exchange rate regimes. The resulting classification is then used to assess the effects of exchange rates regimes on inflation and growth. The results show that currency pegs are associated with weaker growth than floating exchange rate regimes, while the findings on inflation are more questionable.

Virginie Coudert & Marc Dubert

### Trade in the Triad: How Easy is the Access to Large Markets?

No 2004-04, April

This paper attempts to identify the level of trade integration between the three largest economic powers of the world: the United States, the EU and Japan. It focuses on measuring possible asymmetries in market access, using border effects between each of those partners. By investigating trends of bilateral trade openness, it is shown that there has recently been a deterioration in the relative access of Japanese exporters to both the American and EU markets. The study also shows which industries have the most asymmetric market access among the different combinations of those partners. Lastly, it seeks to explain estimated border effects

Lionel Fontagné, Thierry Mayer & Soledad Zignago

### Technology Differences, Institutions and Economic Growth: Conditional Convergence

No 2004-02, January

This paper focuses on the interactions between institutions and technology differences to explain cross-country growth patterns, especially relating to efficiency in the use of technology, long term TFP-growth and technological diffusion. Poor institutional quality is shown to weaken growth, and institutions play a role in the dissemination of technology. Also, trade has a non-linear influence on growth, being significant only for more developed countries.

Hervé Boulhol

### A New Look at the Feldstein-Horioka Puzzle Using an Integrated Panel

No 2003-22, December

A panel of 14 European countries and recently developed theory of panel unit roots and cointegration are used to take a fresh look at the so-called Feldstein-Horioka puzzle concerning the high correlation between savings and investment observed within countries.

Anindya Banerjee & Paolo Zanghieri

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

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## RECENT PUBLICATIONS

### ECONOMIE INTERNATIONALE, QUARTERLY

No 96, 4th quarter 2003

**Une approche dynamique du taux de change réel d'équilibre**  
Yannick Bineau & Bernard Dupont

**Lira stabilisation, construction boom and the level of economic activity :  
the shift in favour of non-traded goods prices and urban rents**

Giuseppe Tattara

**Les investisseurs institutionnels et l'épargne retraite**

Aurélie Boubel & Fabrice Pansard

**Les indices des conditions monétaires**

Ludovic Aubert

**Economic Policy Forum : Explaining and Forecasting Exchange Rates with Order Flows**

**Expliquer et prévoir les cours de change avec les flux d'ordre: présentation**

Eric Girardin & Henri Pages

**Explaining and Forecasting Exchange Rates with Order Flows**

Richard K. Lyons

**Comments**

Paul Fisher, Robert Hillman

**Comments**

Avinash Persaud

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***LA LETTRE DU CEPIL***, MONTHLY

**Less Tax in the East**

No 232, March 2004

The tax cuts which have been introduced in most European countries in recent years have led to fears of tax competition which could worsen inequalities, weaken the quality of public infrastructure and public services, or lead public finances to be unsustainable. The enlargement of the European Union has deepened such concerns. Taxes in Eastern Europe are generally far lower than in the EU15, and these countries seem to have adopted a low-tax strategy for mobile tax bases, so that companies are taxed relatively little, often far less than their distance from "the heart of Europe" would justify. In contrast, taxes on labour and VAT are generally at levels close to those observed in the former EU. Such a tax strategy by the new members, which favours foreign direct investment, is debatable as it risks favouring tax optimisation rather than employment.

Agnès Bénassy-Quéré & Delphine Prady

**The World Market: Market Shares and Export Performances**

No 231, February 2004

The gains in market share recorded by exporters from the South over the period 1995-2002 are all the more remarkable given the unfavourable sectoral structure of global import demand. The use of bilateral and sectoral data makes it possible to distinguish the trade performance which may be directly attributed to exporters and that which follows from the positions they have acquired in markets. During this period, the strong demand for transformed products has benefited the developed countries to the detriment of the South, especially for the least-performing countries. In the North, Japan's exports have suffered from the general weakening of its economy, while the previous high level of the dollar reduced the competitiveness of American products. The European Union has managed to keep its share of the world market, but the appreciation of the euro since 2002 has upset its price-competitiveness. Existing market shares risk also being disturbed by structural changes, such as the emergence of the South, not just as a supplier of the North but also as a rapidly expanding market.

Angela Cheptea, Guillaume Gaulier & Soledad Zignago

## **The Asian Central Banks and the Dollar**

No 230, January 2004

By accumulating considerable dollar reserves in order to peg their currencies, the Asian central banks financed about two-thirds of the US current account deficit over the first three quarters of 2003. Is their behaviour likely to change? Neither the financial costs of accumulating reserves nor the economic objectives of these countries suggest they will. On the contrary, breaking currency pegs with the dollar would entail significant risks due to plummeting values of forex reserves, with the appreciation of local currencies. But the accumulation of US external deficits cannot go on forever. Adjustment will have to take place. The danger is that such adjustment may follow a speculative attack against the dollar that the Asian central banks would not be able to resist, leading to a widespread recession. Coordinated interventions by central banks in the forex markets, supported by a G7 meeting, could prevent this scenario from unfolding. But such a concerted move could only have a sustainable impact if it were accompanied by significant changes in monetary and fiscal policies, both in the United States and in Europe.

Michel Aglietta & Bronka Rzepkowski

## **Poverty, Inequality and Social Policy in Brazil**

No 229, December 2003

Poverty in Brazil stems not so much from the low level of average income as from the existence of very strong inequalities. Education, as in other countries, is the best tool for improving social mobility. Nevertheless, while the income "yield" from education in Brazil is high compared to other countries, it has diminished over the last two decades. The interaction of structural reform and low growth have weakened parts of the middle class. For poverty rates to fall, growth has to be stronger, and more effective social policies need to be implemented than was previously the case. The strategy of the Lula government to reduce poverty is based on greater conditionality of aid at the individual level and the tighter targeting of the redistribution policy. This may lead to tensions with alternative demands for consolidating the existing social security system, centred on the salaried middle classes.

Jérôme Sgard

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

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## ***NEWS IN BRIEF***

Olivier Blanchard (MIT) has agreed to become the chairperson of the CEPII's Scientific Committee, succeeding François Bourguignon, appointed Chief Economist at the World Bank.

François Talour has joined the CEPII, replacing Lionel Groening who left the information technology team at the beginning of June.

Valérie Martin left the CEPII to join the INSEE on 1 April. She had worked at the CEPII for three years as secretary and assistant to Michel Fouquin (Deputy Director).

Several students have joined the CEPII for a few weeks to carry out internships examining different issues: Pierre Liszewski (fiscal policy in Europe); Angela Cheptea, Christophe Gouel, Pierre Ecochard, Godefroy Clair and Sessi Noudele Tokpavi (databases in international trade); Sylvie Montout and Mohamed Ali Marouani (industrial competitiveness).

### **Guest Speakers**

Jean Joseph Boillot, Financial Advisor at the French Embassy in New Delhi, presented to the CEPII the long term prospects for the Indian Economy, 5 March 2004. (see Events).

Xavier Bonnet, Head of Division, INSEE came to the CEPII to present the new INSEE model for the euro area.

Paul Zagamé, Professor at the University of Paris I-Panthéon-Sorbonne and Director of the Systems' Analysis and Macroeconomic Modelling Research Group (ERASME) will present the Nemesis model (constructed at the Ecole Centrale) which examines the effects of economic policy on the environment

Michel Dietsch, Professor at the IEP-Strasbourg will discuss the efficiency of banks in emerging countries.

### **Network News**

Agnès Benassy-Quéré represented the CEPII at the Brussels meeting of the ENEPRI network, held 25 March 2004.

Jean Chateau was the CEPII's participant at a workshop (4-5 March) bringing together the ETLA, FDEA and the members of the ENEPRI network on Demographic Uncertainty and the Sustainability of Social Welfare Systems (DEMWEL), as well as at ENEPRI meeting in Berlin (1 and 2 April) for the AGIR, AHEAD and REVISER projects.

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## **FORTHCOMING**

### **The Renewal and Weaknesses of the American Economy**

15 June 2004

CEPII Business Club Meeting

### **The United States Position in the Multilateral Trade Negotiations**

29 June 2004

CEPII Business Club Meeting

### **EcoMod 2004: International Conference on Policy Modeling**

30 June-2nd July 2004

Co-organized with the CEPII

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

29-30 October 2004

Network coordinated by the CREI, the CEPII, the Kiel Institute for World Economics, and the RSCAS

### **The New Frontiers of European Union**

16-17 March 2005

Conference organized by the CDC Institute for Economic Research, the Caisse de Dépôt et de Gestion, the CEFI, the CEPII and the *Revue Economique*

Call for papers before 15 November 2004

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