

## CONTENTS:

### *FOCUS*

#### G20

### *ON THE RESEARCH AGENDA*

Carbon Price Drivers: Phase I *versus* Phase II Equilibrium?  
Product Market Regulation, Firm Size, Unemployment and Informality in Developing Economies  
Are High Quality Imports more Sensitive to Variations of Income?  
The Performance of Ethical Funds  
Turkey: Strong and Weak Points of a Large Emerging Economy Close to Europe

### *DATABASES*

#### BASELINE Database

### *WORKING PAPERS - RECENT PUBLICATIONS - NEWS - FORTHCOMING*

## *FOCUS*

### **G20**

In November 2010, France took over the presidency of the G20 for one year, with six official priorities. Three of them are a continuation of previous agendas (strengthening financial regulation, promoting development, rebalancing of the global economy), and three are new actions: reforming the international monetary system, combating commodity price volatility, improving global governance.

The rebalancing agenda is especially sensitive. At the Seoul summit in November 2010, each member of the G20 committed itself to implement policy measures to reduce balance-of-payment imbalances and boost global growth. But no agreement was reached on a common code of conduct (such as a limit on current-account imbalances, as suggested by the US Treasury Secretary). A working group was set up to work with the technical support of the International Monetary Fund on such guidelines.

The task is complex since development stages and demographic trends may justify large current account imbalances in some countries. However, it should be noticed that current-account standards are less controversial than exchange-rate norms. Actually, exchange rates stem from current-accounts added with a number of assumptions, including on domestic-demand policies).

One further advantage of focusing on current accounts rather than on exchange rates is to broaden the discussion potentially to any area of economic policy, safeguarding national economic-policy sovereignties, since many types of policies can ultimately affect the current account of a country. In fact, the risk of "currency wars" is related to the lack of policy instruments at the global level, compared to the large number of policy objectives. This is obvious for exchange-rate policies (with  $N$  currencies in the world, there are only  $N-1$  independent exchange rates). It also applies more generally to economic policies: policy trade-offs made at the country level will unlikely be consistent at the global level.

Hence, one task of the G20 could be to incentivize its members to raise the number of domestic policy instruments, for instance through active prudential policies and counter-cyclical macroeconomic policies.

At first sight, reforming the international monetary system could be viewed just as a way to achieve the rebalancing agenda: should the renminbi be allowed to appreciate against the US dollar, this would hopefully contribute to reducing the Chinese surplus and propensity to accumulated foreign-exchange reserves, while helping the People's Bank of China to fight domestic inflation. However, reforming the IMS would bring only part of the solution to global imbalances, since the evolution of real exchange rates will fundamentally depend on macroeconomic and structural policies rather than on the regime of the nominal exchange rate.

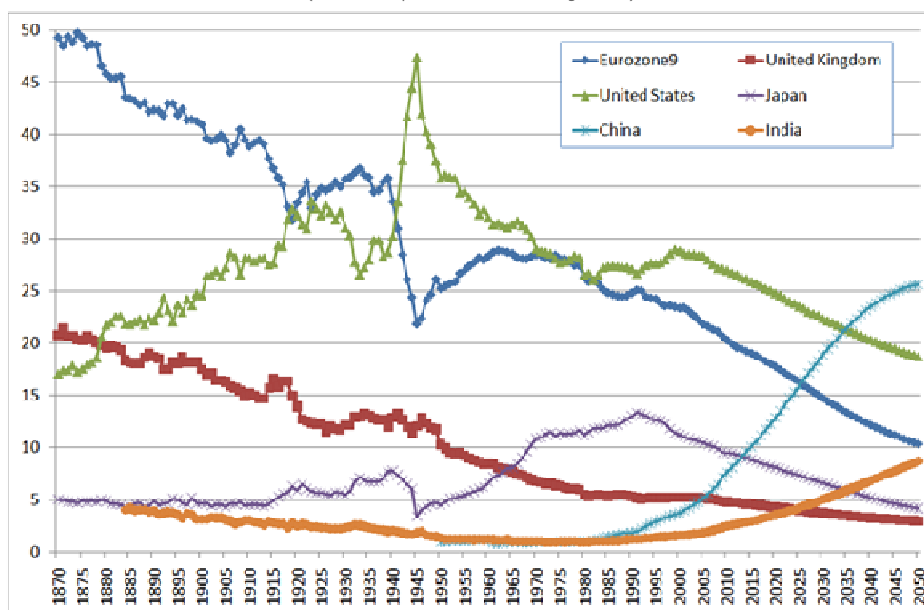
Another reason for attempting to reform the IMS is its malfunctioning in terms of exchange-rate misalignments, volatility of capital flows, excessive accumulation of foreign-exchange reserves, insufficient financial safety nets, lack of control on global liquidity, insufficient discipline and coordination of macroeconomic policies. However, it must be admitted here that the IMS has performed remarkably well during the crisis: the US dollar did not crash, and liquidity provision was efficiently extended to countries in need, not least thanks to the action by the Federal Reserve and other major central banks.

In fact, the needs for reform may be less acute than the necessity to accompany forthcoming changes. Although the renminbi is not yet fully convertible and the euro is experiencing a deep crisis, the IMS is likely to evolve towards multipolarity, just like the global economy itself (Figure 1). Country size is far from being the only determinant for the international status of a currency and the transition may take time. But there is little doubt that the renminbi will eventually become an international currency. The future of the

euro will very much depend on further European integration and more specifically on the possible launch of a unified government bond market in euro. Hence, the IMS may evolve towards a bipolar or tripolar system.

**Figure 1: Percentage Shares in World GDP of Selected Areas 1870-2050**

(in constant prices at 2005 exchange rates)



Source: Maddison and CEPII.

\* Australia (up to 1900), New Zealand (up to 1939), India (up to 1946).

Such an evolution may mitigate some flaws of the present (non-) system, such as the rigidity of key exchange rates, the asymmetry of balance-of-payments adjustments or what remains of the Triffin dilemma. However it may exacerbate other problems, like short-run exchange rate volatility or the scope for "currency wars", while leaving key questions unsolved, such as the response to capital flows and a closer management of global liquidity provision. On the whole, a multipolar regime could bring more flexibility in exchange-rate regimes around the world (or a regionalization of currency pegs) and some form of liquidity management at the global level.

It is not the duty of the international community to decide the number and the identity of international currencies. However the dollar may well no longer be the only prevailing key currency of the system, one or two decades ahead. The international community should put its short-term action within this longer perspective.

This suggests:

- (i) to create a favourable environment for exchange-rate flexibility, which may involve common rules for the use of reserve accumulation and capital controls, in order to let national governments go for various instruments to curb "excess" exchange-rate volatility while firmly monitoring such policies;
- (ii) to improve liquidity-provision schemes in case of emergency, giving priority to multilateral schemes;
- (iii) to create a scheme for global liquidity management, which could be based on a cooperation between the central banks of the hard currencies included in the SDR;
- (iv) to monitor the internationalization of the renminbi and, possibly, of the euro, so that demand and supply for these currencies expand at compatible paces.

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## ON THE RESEARCH AGENDA

### Carbon Price Drivers: Phase I versus Phase II Equilibrium?

The European Union Emission Trading Scheme (henceforth EU ETS) is the first large scale CO<sub>2</sub> emission trading system in the world. The pilot phase of the system covered the period 2005-2007. Since January 2008, the scheme has entered Phase II which will end in 2012. The aim of the EU ETS is to help Member States reach their Kyoto target (over 2008-2012), and meet the European target of 20% greenhouse gas emission reduction in 2020 compared to 1990.

Much has been written so far on the EU ETS in Phase I, despite this first period was meant to be a learning process. Together with the environmental effectiveness and the cost-efficiency of the instrument, academics have investigated carbon price patterns in 2005-2007, and discussed either their determinants or the most suitable stochastic behaviors to forecast such patterns.

Very little is known, instead, about Phase II. Phase I and II of the EU-ETS differ in terms of market expertise, characteristics (liquidity and depth), and regulation. Given these differences, we would notably like to test the belief that results for Phase I can be extended to Phase II. More specifically, our aim is to shed some light on the determinants of carbon futures price in Phase II by testing whether the carbon price drivers identified so far by the economic literature—such as energy prices and indicators of economic activity—still hold for the EU ETS in Phase II and evolve toward a stable long-run relationship.

Anna Creti, Pierre-André Jouvét & Valérie Mignon

### **Product Market Regulation, Firm Size, Unemployment and Informality in Developing Economies**

Informal activities are pervasive in both developed and developing economies. The size of the shadow economy as a percentage of GDP ranges from 25 to 60% in Latin America, from 13 to 50% in Asia, and is around 15% among OECD countries. Informal firms differ from formal ones in a number of measurable characteristics, and there is a growing literature trying to understand the causes of informality and its differences compared to formal businesses. In developing countries informality seems to be omnipresent in virtually all sectors of the economy. We take the view that, for those economies, informal firms should be taken as being subject to the same economic environment and they should face the same externalities as the formal ones. In this spirit, we propose a general framework where both formal and informal firms have monopoly power in the goods market, they are subject to matching frictions in the labor market, and wages are determined through bargaining between large firms and their workers. Our numerical simulation is successful in replicating the key characteristics of the Brazilian economy. We study the effects of changes in product market regulation and in labor market regulation on the main endogenous variables of the model. The informal sector is found to be endogenously more competitive than the formal one. We find that lower strictness of either product or labor market regulations lead to a simultaneous reduction in informality and unemployment. The difference between these two policy options lies on their effect on wages. Lessening product market strictness increases wages in both sector but also increases the formal sector wage premium. The opposite is true for labor market regulation.

Olivier Charlot, Franck Malherbet & Cristina Terra

### **Are High Quality Imports more Sensitive to Variations of Income?**

Textbooks in microeconomics point out that an increase in consumers' income tends to enhance the consumption of luxury goods relative to necessities. Using micro data for the United-States, Bils and Klenow (2001) have provided evidence that as people get richer, they also consume better goods in terms of quality ("quality" Engel curve).

We test the hypothesis that variations in aggregate income of countries affect more the imports of goods from countries specialized in high quality, relative to imports from countries specialized in low quality. The empirical analysis is performed using the "tariff lines" data provided by the United Nations Statistical Division. This database reports bilateral trade value and quantity at a high level of disaggregation over the period 2000-2008. Both values and quantities are used to compute, for each individual trade flow, the unit value as a proxy for the trade price. This information allows to classify bilateral imports of a product from different countries into high and low quality groups, in reference to the average price observed on each market. An import equation is then estimated to measure the effect of GDP variations on imports from both quality groups.

Primary evidence confirms our hypothesis that imports of high quality varieties are more sensitive to changes in GDP than low quality varieties. This effect is also more important for product categories with a wider potential for product differentiation. This result suggests that countries specialized in high quality varieties of a good may be more affected by booms and busts along the business cycle.

Reference:

Bils, M., & Klenow, J. (2011), **Quantifying Quality Growth**, *American Economic Review*, American Economic Association, vol. 91(4), pages 1006-1030, September.

Antoine Berthou, & Charlotte Emlinger

### **The Performance of Ethical Funds**

Does the inclusion of environmental, social and governance criteria in the investment decision-making process hurt risk-adjusted returns? Or does it lead to a "win-win opportunity"? More than fifty academic papers have already examined this issue and they quasi-unanimously show that Socially Responsible Investing (SRI) funds neither over-perform nor under-perform. Actually, this is not very surprising. Underlying the literature on SRI funds financial performance is the implicit hypothesis that those funds are homogeneous. Yet, SRI funds are very heterogeneous and the relevant question is not "does it pay to be good?", but "when does it pay to be good?".

In our research we assess the financial performances within SRI mutual funds. In particular, we examine whether the financial performances are related to the characteristics of the extra-financial screening process. First, we evaluate the risk-adjusted return of the French SRI mutual funds. Reinforcing previous studies, our results show that the French SRI mutual funds do not outperform the market, whatever the performance measure considered. Then, we examine the significance of the extra-financial screening process on the financial performance. Overall, we confirm empirically that the SRI screening process may have a cost: the financial performance of SRI funds is hurt by the exclusion of non-socially responsible stocks. In particular, we show that industrial screens (such as avoiding sin stocks) pull down financial performance, while transversal screens (commitment with UN Global Compact Principles, ILO/Rights at Work...) do not have any impact. To a lesser extent, we show that the impact of shareholder activism is not significant, as well as the quality of the SRI selection process, and it is not clear whether one of the Environmental, Social and Governance (ESG) factors influence more than the others the financial performance of SRI funds, but those issues need further analysis.

Gunther Capelle-Blancard & Stéphanie Monjon

## Turkey: Strong and Weak Points of a Large Emerging Economy Close to Europe

Ranking 17th in world population and GDP (in current dollars), Turkey is today a member of the G20 and is among the 20 countries with the highest IMF quota shares. The country is also one of the largest emerging economies with at least a 1% share of world GDP.

Turkey experienced a deep recession in 2001 stopping short of a debt default. A daring economic policy along the lines of the IMF recommendations, and the constraints due to the European Union *acquis communautaire* allowed reforms to be triggered on a wide scale in a few years. Turkey could then get out of hyperinflation, cut its huge debt, run a budget surplus and experience a strong economic growth. The global crisis of 2008 has hit the Turkish economy very hard (-4.8% growth in 2009) on account of a steep drop in the external demand. Thanks to strong fundamentals, Turkey could boost internal demand by implementing a friendly fiscal policy, and shift trade towards North African and Middle Eastern countries, Russia and the other CIS countries. GDP has actually recovered its pre-crisis level, with an 8% growth in 2010. Debt and the public deficit rose to 45 and 5.6% of GDP respectively in 2009.

Today Turkey enjoys a beefier health than ten years ago and sounder macroeconomic fundamentals than many European countries. However, the snag lies in its current deficit record (-6% in 2010) driven by over consumption, that reveals a weak structural competitiveness. Turkey experiences, indeed, labour market shortcomings due to its large young population (43% are under 25) and next to half of the 15-19 years old cohort (61% of the girls) is out of school. The participation rate of the active population amounts to only 47% (70% for men, 25% for women). At last, informal employment takes up a lot of room (44% of total employment, 21% of which in agriculture).

This research aims at presenting the evolution of a large emerging economy with its strong and weak points, an economy that plays a great role in the immediate surround of Europe.

Deniz Ünal

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## DATABASES

### BASELINE database

Long-run economic outlooks are very useful for policymakers and entrepreneurs, especially when it comes to dealing with sustainable development and energy constraints. In order to be able to address such issues, the CEPII released in December 2010 a growth scenario to 2050<sup>1</sup> leading to the publication of the BASELINE database.<sup>2</sup> The goal of this database, produced by the CEPII, is to provide a fully-documented long-run growth scenario, ready to use as an input for other works, for instance as a reference scenario in general equilibrium models like MIRAGE, developed at the CEPII. The database gives past and projected values for GDP, production factors and productivity, according to the methodology described in Fouré, Bénassy-Quéré and Fontagné (2010).

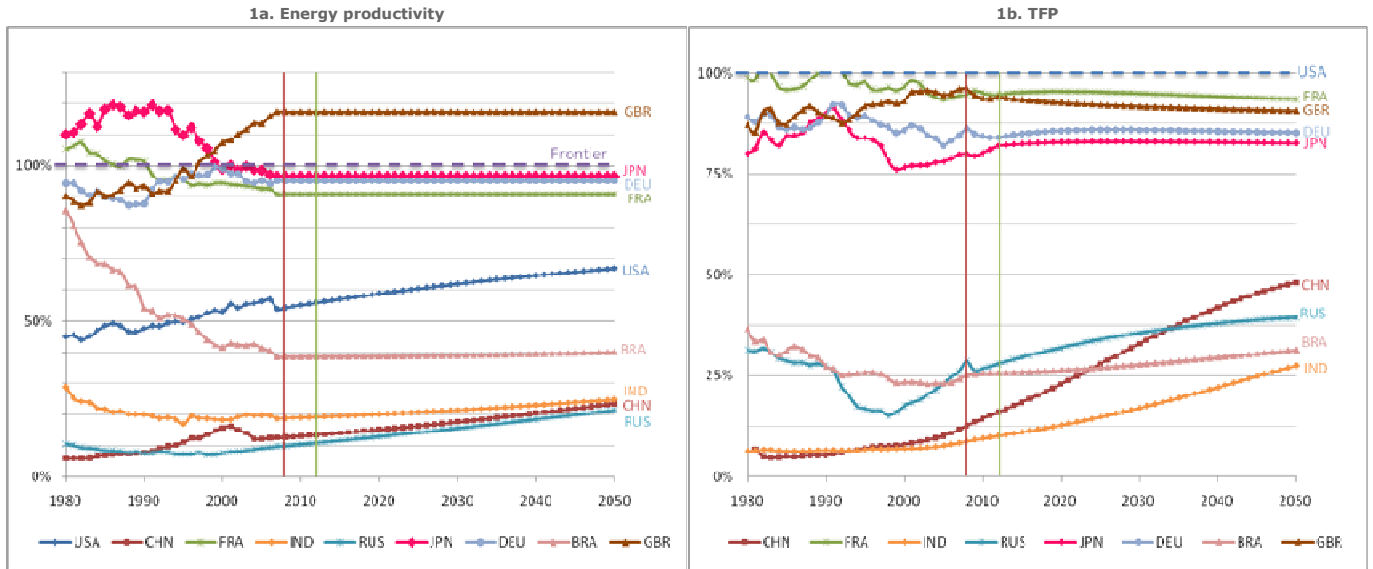
This long term scenario focuses on the macroeconomic determinants of growth – namely labor force, capital accumulation and energy consumption – and their dynamics, based on their historical values from 1980 to 2008. These production factors determine GDP levels through a constant elasticity of substitution production function and are associated with two different productivity factors:

- Energy productivity, representing how efficiently the energy is used in each country. Over the past, the values of this energy productivity result from the firms maximizing their profits subject to the prices of the different production factors.
- Total Factor Productivity (TFP) related to capital and labor force, computed as the Solow residual of the production function.

Contents of the BASELINE database are presented below, focusing on productivity and production factors, since GDP projections have already been discussed in a previous newsletter.<sup>3</sup>

In projection, both Energy productivity and TFP follow an estimated technology diffusion process, in which countries tend to catch-up with the technological frontier, that is the level of the world leaders – the USA for TFP; Japan, Germany, United-Kingdom and France for energy productivity. This means that the farther a country is from the productivity frontier, the faster its productivity grows. However, TFP growth rates are conditional to human capital (average years of education) while energy productivity growth is lowered by improvements in GDP per capita, in order to show that energy is more efficiently used both in agriculture (major economic activity in less developed countries) and services (high development) than in the industry (middle development). Figure 1 depicts past and projected values of energy productivity (1a) and TFP (1b) for the BRICs (Brazil, Russian Federation, India and China) and a selection of OECD countries.

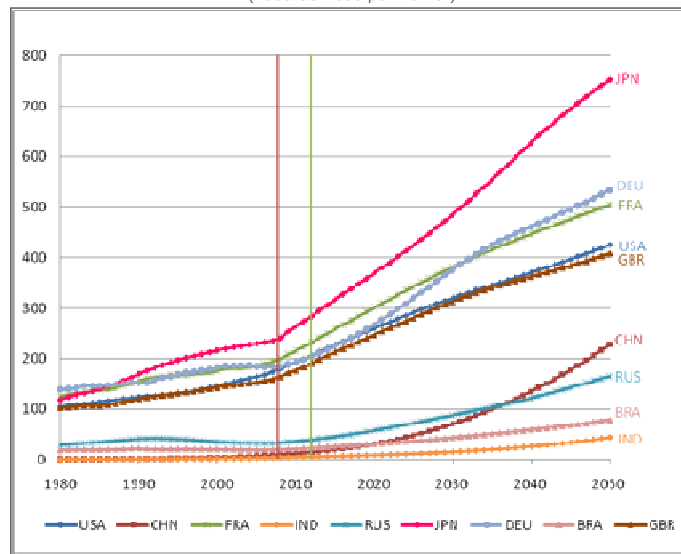
**Figure 1: Productivity, 1980-2050**  
(as a % of the frontier level)



Source: Fouré, Bénassy-Quéré and Fontagné (2010).

Unlike labor force, which is based on the United Nations' population projections and International Labor Organization activity rates, capital stocks are projected using estimated behaviors. Savings rates (ratio to GDP) are driven by the structure of the population and GDP per capita growth, and then investment rates are deduced, according to a non unitary estimated relation. These dynamics lead to a global increase in capital intensity (ratio of capital to active population). Despite the acceleration of capital accumulation in China (stocks exceeding the US ones around 2030), the Chinese capital intensity still represents half of the United States level in 2050, due to the difference in their active population (see Figure 2).

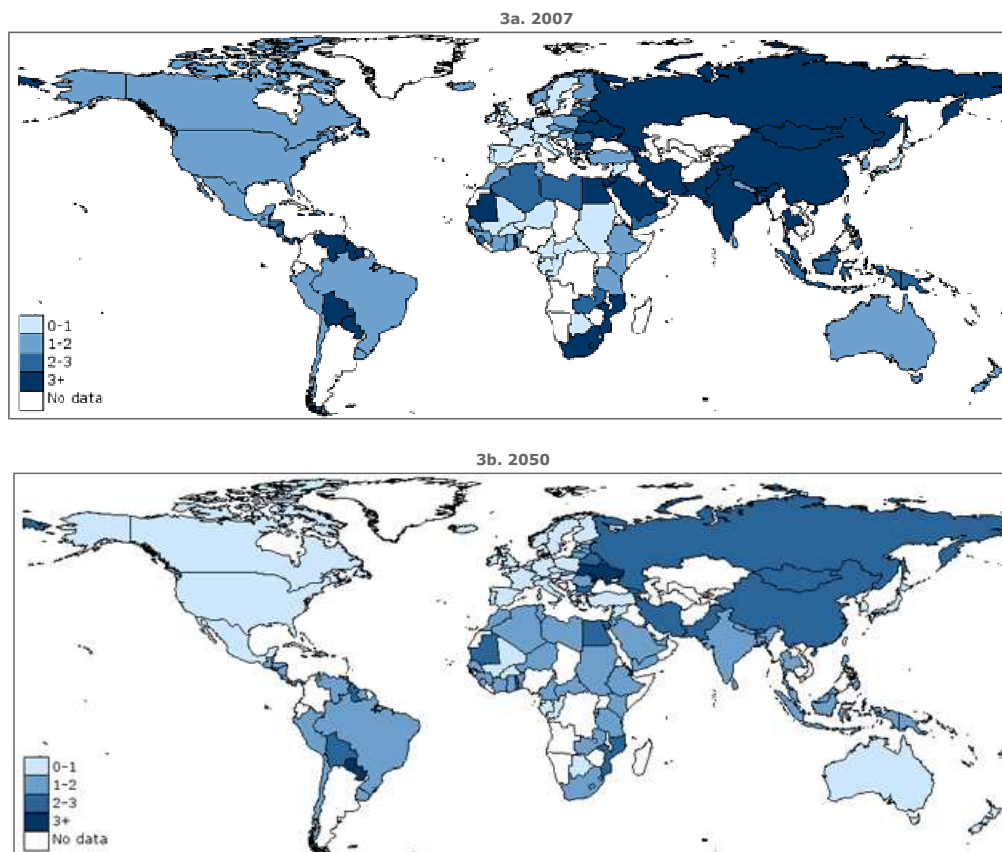
**Figure 2: Capital Intensity, 1980-2050**  
(2005 USD'000 per worker)



Source: Fouré, Bénassy-Quéré and Fontagné (2010).

Energy consumption is a significant variable regarding environmental concerns, for it both impacts natural resources reserves and CO2 emissions. Energy intensity (amount of energy used per dollar of GDP) is quite heterogeneous around the world in 2007 (figure 3 a). For most countries, it remains between 0 and 4 barrels of oil equivalent per 1000\$ of GDP (boe/\$'000); the less energy-intensive countries being in European Union and Central Africa, and the most energy-intensive being oil-producing and industrially developing countries. According to the improvement in energy productivity and the rise of energy price, energy intensity tends to decrease over time for developed and emerging countries and to increase for less developed countries. In 2050 (figure 3b), there is almost no country with more than 3 boe/\$'000 and OECD countries consume less than 1 boe/\$'000.

**Figure 3: Energy Intensity**  
(barrels of oil equivalent per \$'000 of GDP)



Source: Fouré, Bénassy-Quéré and Fontagné (2010).

Jean Fouré

Notes:

(1) Fouré, J., Bénassy-Quéré, A. & Fontagné, L., **The World Economy in 2050: a Tentative Picture**, *CEPII Working Paper*, N° 2010-27, December 2010.

(2) Available at <http://www.cepii.fr/anglaisgraph/bdd/baseline.htm> (version 1.0).

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## WORKING PAPERS

### China's Foreign Trade in the Perspective of a More Balanced Economic Growth

N° 2011-03, March 2011

The global crisis is forcing China's economy to become less dependent on foreign markets. Manufacturing industry has to adjust to changes in international demand. Foreign affiliates' processed exports are vulnerable to the slow-down of Western demand, while Chinese exporting firms are better placed to switch to dynamic emerging markets. China's ordinary imports have risen fast. Asia has enlarged its share in the domestic market, Europe has kept a strong position while North-America has lost ground. China has become the engine of the regional economic growth. Foreign-capital firms have played an increasing part in China's imports and industrial production. China's policy towards FDI is at least as important as its exchange rate policy to determine foreign partners' access to its domestic market.

Guillaume Gaulier, Françoise Lemoine & Deniz Ünal

### The Interactions between the Credit Default Swap and the Bond Markets in Financial Turmoil

N° 2011-02, February 2011

We analyse the links between credit default swap (CDS) and bond spreads and try to determine which one is the leading market in the price discovery process. To do that, we construct a sample of CDS premia and bonds spreads on a generic 5-year bond, for 17 financials and 18 sovereigns. First, we run VECM estimations, showing that the CDS market has a lead over the bond market over the whole sample. A decomposition of the sample shows that this result holds for financials as well as for the high-yield emerging sovereigns. However, the bond market still drives the CDS market for the sovereigns in the core of the euro area. Second, we check for non-linearities in the adjustment process during the current crisis. Results show that the CDS market's lead has been amplified by the crisis for financial institutions.

Virginie Coudert & Mathieu Gex

### Comparative Advantage and Within-Industry Firms Performance

N° 2011-01, January 2011

Guided by empirical evidence we consider firms heterogeneity in terms of factor intensity. We show that Heckscher-Ohlin comparative advantage and firm-level relative factor-intensity interact to jointly explain the observed differences in relative sales. Firms whose

relative factor-intensity matches up with the comparative advantage of the country have lower relative marginal costs and larger relative sales than firms who do not. Our empirical analysis, conducted using data for a large panel of European firms, supports these predictions. Our findings also provide an original firm-level verification of the Heckscher-Ohlin model based on the effect of comparative advantage on firms relative sales.

Matthieu Crozet & Federico Triofetti

### **Export Performance and Credit Constraints in China**

N° 2010-33, December 2010

We investigate how the export performance of firms in China is influenced by credit constraints. Using panel data from Chinese customs for 1997-2007, we show that credit constraints restrict international trade flows and affect the sectoral composition of firms' activity. We confirm that credit constraints provide an advantage to Foreign-owned firms and joint ventures over private domestic firms as their export performance is systematically greater in sectors with higher levels of financial vulnerability measured in a variety of ways. We however find that financial sector liberalization has partially reduced these distortions in exports over the period.

Joachim Jarreau & Sandra Poncet

### **Export Performance of China's Domestic Firms: the Role of Foreign Export Spillovers**

N° 2010-32, December 2010

We investigate how the creation of new export linkages (extensive margin of trade) by domestic firms in China is influenced by their proximity to multinational exporters. Using panel data from Chinese customs for 1997-2007, we show that there is evidence that domestic firms' capacity to start exporting new varieties to new markets positively relates to the export performance of neighboring foreign firms for that same product-country pair. We find that foreign export spillovers are limited to ordinary trade activities. No foreign export spillovers are found for processing trade. More, export spillovers are stronger for sophisticated products indicating that proximity to foreign exporters may help domestic exporters to upgrade their exports. However we observe that foreign export spillovers are weaker when the technology gap between foreign and domestic firms is large, suggesting that upgrading may not occur in locations and sectors where foreign firms have already a strong edge.

Florian Mayneris & Sandra Poncet

### **Wholesalers in International Trade**

N° 2010-31, December 2010

Recent empirical research in international trade has revealed overwhelming evidence that, in all countries, a remarkably small proportion of firms report exports in Customs statistics. A large share of these are wholesalers. This suggests that the number of firms active in foreign markets might be much greater than that suggested by a simple count of the firms directly reporting their exports. This paper thus sheds light on the role of wholesalers in international trade. Our model, which allows for quality differentiation, uses very general assumptions to show that intermediated exporters may contribute significantly to the extension of countries' export opportunities. The model predicts a twofold role in international trade. First, wholesalers help less-efficient firms to supply foreign markets, thus increasing the number of exported varieties at the aggregate level. Second, they alleviate the difficulty of reaching less-accessible markets. We use French firm-level export data to provide empirical support for these two predictions.

Matthieu Crozet, Guy Lalanne & Sandra Poncet

### **TVA et taux de marge : une analyse empirique sur données d'entreprises**

N° 2010-30, Décembre 2010

Nous étudions la manière dont les exportateurs d'un pays réagissent à un choc de TVA dans un pays de destination. Les chocs de TVA étant par nature quasi permanents, exogènes et sans impact sur le coût marginal, l'étude de leurs répercussions sur les prix permet d'identifier dans quelle mesure les taux de marge permettent d'amortir l'impact du choc sur les prix à la consommation. Nous montrons que même une hausse uniforme du taux de TVA peut induire une modification non-uniforme des taux de marge des exportateurs, et par conséquent des effets redistributifs importants entre les secteurs et entre les entreprises d'un même secteur. Le comportement de marge est affecté par les variations de l'élasticité de la demande adressée aux exportateurs, et dépend de la part de marché des entreprises.

Philippe Andrade, Martine Carré & Agnès Bénassy-Quéré

### **Economic and Cultural Assimilation and Integration of Immigrants in Europe**

N° 2010-29, December 2010

This paper documents assimilation of immigrants in 16 European countries along cultural, civic, and economic dimensions, distinguishing by immigrants' generation, duration of stay, and origin. It suggests that assimilation may have multiple facets, and take place at different speed depending on the outcome in question. While assimilation along some economic outcomes may be correlated with assimilation along some cultural outcomes, such correlations are not systematic, and imply that progress on some dimensions may compensate the lack of progress on other dimensions; and also that a big discrepancy in one dimension is not necessarily a handicap, or an impediment, for assimilation on other grounds. Correlation of immigrants' outcomes and specific policies aimed at immigrants' integration are rather disparate, raising further questions regarding both their effectiveness and differentiated effect on various aspects of life.

Mariya Aleksynska & Yann Algan

### **Les firmes françaises dans le commerce de service**

N° 2010-28, December 2010

Ce papier est le premier à utiliser la base de données de la Banque de France sur les exportations et importations de services renseignées au niveau de l'entreprise. Nous montrons tout d'abord que les entreprises échangeant des services sont plus grandes, plus productives, rémunèrent mieux leurs employés que les entreprises purement domestiques. Ensuite, les exportations de services sont le

fait d'un nombre très restreint d'exportateurs. Enfin, les entreprises qui exportent et/out importent des services sont deux à cinq fois plus petites quand elles appartiennent au secteur des services.. Nous terminons par une estimation à la Bernard et Jensen (2004) de la décision d'exportation où nous montrons que l'exportation jointe de biens et services par le passé augmente fortement la probabilité d'exporter des services aujourd'hui, en particulier pour les entreprises appartenant au secteur industriel.

Guillaume Gaulier, Emmanuel Milet & Daniel Mirza

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## RECENT PUBLICATIONS

*ECONOMIE INTERNATIONALE*, QUARTERLY

### On-Going Issues on the Global Financial Crisis

Issue 123, 3rd Quarter 2010

#### Introduction. On-Going Issues on the Global Financial Crisis

Virginie Coudert, Hélène Raymond & Laurence Scialom

#### Financial Regulation in the Crisis Regulation, Market Discipline, Internal Control: the Big Three in Turmoil

Jézabel Couppey-Soubeyran

#### A Systemic Approach to Financial Regulation: a European Perspective

Michel Aglietta & Laurence Scialom

#### Are Derivatives Dangerous? A Literature Survey

Gunther Capelle-Blancard

#### The Credit Default Swap Market and the Settlement of Large Defaults

Virginie Coudert & Mathieu Gex

#### Sovereign Wealth Funds as Domestic Investors of Last Resort During Crises

Hélène Raymond

#### Emergence of a New Regulation: Informational Disclosure Modalities in the Hedge Fund Opacity World

Sandra Rigot & Yamina Tadjeddine

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*LA LETTRE DU CEPII*, MONTHLY

### The Long March Towards a Multipolar Monetary Regime

N° 308, 16 February 2011

International monetary reform is back on the agenda after two decades during which it has been hardly discussed. Controversies about the macroeconomic and monetary factors at the root of the financial crisis, China's exchange rate regime, the reasons why emerging countries accumulated about five trillion dollars of international reserves over the last ten years, and more recently the risk of currency wars all explain this renewed attention. Yet the key question is what monetary regime will best suit the world economy in the XXIst century. An evolution towards a multipolar system, with the dollar, the renminbi and the euro as its key likely pillars may mitigate some flaws of the present regime, such as the rigidity of key exchange rates, the asymmetry of balance-of-payments adjustments or what remains of the Triffin dilemma. However it may exacerbate other problems, such as short-run exchange rate volatility or the scope for 'currency wars', while leaving key questions unresolved, such as the response to global liquidity provision. Hence, in itself, a multipolar regime can be both the best and the worst of all regimes, depending on the degree of cooperation within a multilateral



framework. In the short term, policymakers should concentrate on feasible reforms, while opening the way for more fundamental changes.

Agnès Bénassy-Quéré & Jean Pisani-Ferry

### **Assimilation of Immigrants in Europe: a Multidimensional Process**

N° 305, 27 December 2010

The first decade of the century was marked by increased migration inflows into numerous European countries. The ability of immigrants to integrate, as well as the ability of receiving countries to promote the equality of chances, has been at heart of vivid debates. However, in general, we lack statistical indicators that would allow understanding the degree of assimilation of immigrants. In this Letter, we compute the indices of similarity between immigrants and native-born for a number of European destination countries, distinguishing between origin countries and several generations of immigrants. Obtained measures suggest a multi-dimensional character of the assimilation processes, which vary along economic, cultural, and civic characteristics of individuals.

Mariya Aleksynska

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## **FORTHCOMING**

### **Coping with Agricultural Price Volatility**

Organized by the CEPII, the INRA & the AgroParisTech. In partnership with Le Club du CEPII

Paris, April 8, 2011



### **Les nouveaux « Business Models » Inde - Chine**

Organized by Le Club du CEPII & EIEBG.

Paris, March 24, 2011

The contents of this issue were finalised March 14, 2011

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Publisher: AGNES BENASSY-QUERE, Director of the CEPII

Chief Editor: DOMINIQUE PIANELLI

Web Assistant: Isabelle Bartolozzi

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