

The CEPII NEWSLETTER

No 34
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2007

RESEARCH AND EXPERTISE
ON MAJOR ISSUES FOR THE WORLD ECONOMY

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CONTENTS:

FOCUS

A New Glance at the EPA Negotiations

ON THE RESEARCH AGENDA

Impact of the VAT Increase in Germany for Other Countries of the Eurozone
A Firm Level Analysis of Export Pricing Strategies Using French Export Data
The Ongoing of the EU-MERCOSUR Bilateral Negotiations: a CGE Assessment
Vietnam Accession to WTO

DATABASES

International Trade Price Indices

EVENTS - *WORKING PAPERS* - *RECENT PUBLICATIONS* - *NEWS IN BRIEF* - *FORTHCOMING*

FOCUS

A New Glance at the EPA Negotiations

The Economic Partnership Agreements (EPAs) that are to replace the Cotonou agreement by the beginning of 2008, raise an important challenge for the African, the Caribbean and the Pacific countries (ACP) that are among the most vulnerable countries in the global trading system. These negotiations started in September 2002, between the EU and 77 ACP countries,¹ are organised into six regional rounds: West Africa, Central Africa, Eastern and Southern Africa, the Southern African Development Community (SADC), Caribbean, Pacific. In the previous framework of the Lomé Convention, the EU granted unilateral preferences to the ACP countries, discriminating since 1975 the other developing countries. A change was required to comply with WTO rules. The Cotonou agreement in 2000 paved the way to a new trade regime based on reciprocal preferences. In 2001 the WTO gave the EU until January 1st, 2008 to make such deals with ACP countries.

The negotiations on EPAs define a new stage in the policy of the EU towards developing countries which is fully compatible with the WTO trading rules, in the sense of Article XXIV GATT. However many concerns arise among ACP countries. Firstly, ACP countries dread that giving preferential access to EU products would put at risk their producers in numerous sectors. Secondly, they also fear a sizeable loss of tariff revenue that would hurt their public budgets. Thirdly, they claim that the calendar is extremely tight given the numerous modalities still to be precisely determined and agreed on:

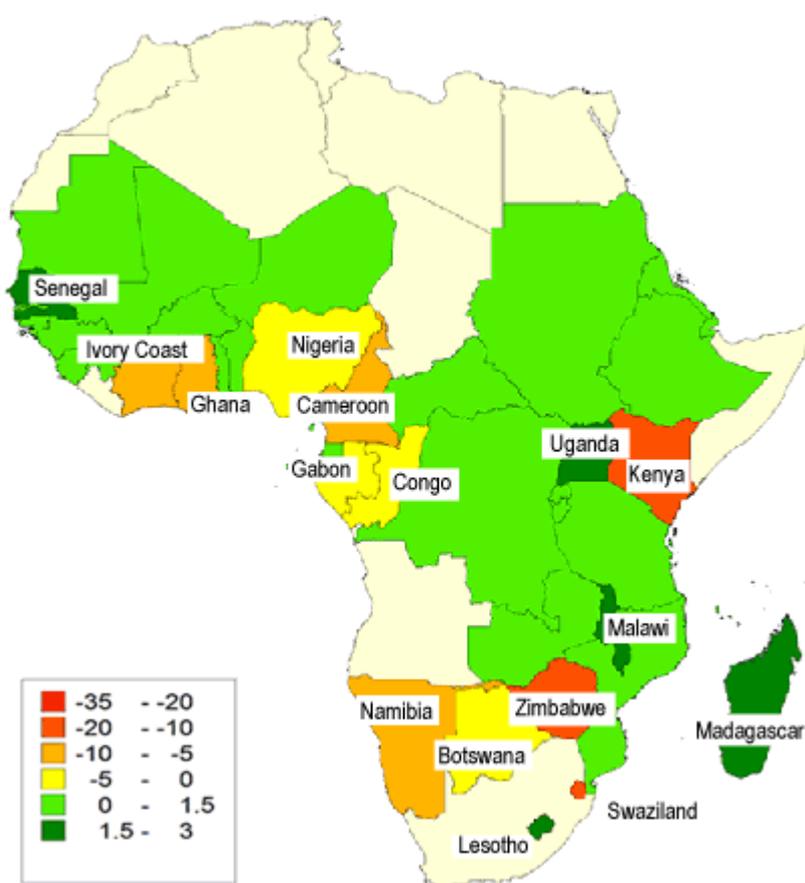
- 1/ the scope and pace of liberalisation,
- 2/ the choice of sensitive products excluded from liberalisation,
- 3/ the connection between regional integration and the ACP-EU liberalization,
- 4/ the attendant policies.

To answer these questions and provide a quantitative assessment of the trade consequences of the EPAs, the CEPII developed in 2006 a partial equilibrium trade model, covering 64 regions (of which 61 ACP countries and the EU) and 5,113 products. Indeed, the high degree of concentration of the ACP trade structure and the need for dealing with exclusions at the product level reduce sharply the interest of using a CGE analysis. Moreover, the lack of robust and detailed domestic data for most ACP countries forbids using this tool in most of the cases.

After a first study focused on agriculture,² the CEPII is currently enlarging the scope of the analysis to cover all goods. Indeed, although agriculture is a key issue for many ACP countries regarding both export opportunities and protection of fragile farms, tariff revenues are essentially generated by manufactured imports. The developed partial equilibrium model combined with the use of the MAcMapV2 database for tariffs and a specific trade dataset based on BACI and Comext sources has allowed tackling several issues.

To illustrate this approach, let us have a glance at exports. The only relevant way to measure the advantages of the EPA is to estimate the cost of a non-EPA, knowing that the *status quo* is impossible. This can be done by simulating a switch from the Cotonou regime to the Generalized System of Preferences (including the "Everything But Arms" initiative for LDCs). The map below shows the export loss on the European market: Ivory Coast, Ghana, Cameroon, Kenya, Namibia and Zimbabwe would be severely affected, were EPAs not signed.

Map
Consequences of losing Cotonou preferences: Changes in ACP exports to the EU
(in %)



Considering this background, the gains in terms of access to the EU market associated with the EPAs are sizeable for the African countries just mentioned: Cameroon (+19%), Kenya and Ivory Coast (+16%), Ghana (+9%), etc.

Adopting such a WTO-compatible approach to the preferential trade agreements between the EU and the ACP, with 20% of ACP imports exempted from any liberalisation, would allow ACP regions to keep up to 45% of the tariff revenue they initially levied on EU exports. Tariff revenues raised on their other

imports would also be reduced as a consequence of a trade diversion effect. All in all, the final impact on public budgets will depend firstly on the share of tariff revenues in public revenues, that varies a lot across ACP countries, secondly on the capacity to levy VAT on domestic sales, and thirdly on their ability to improve the monitoring at the border and increase tax collection efficiency.

1/South Africa has already signed a bilateral trade agreement with the EU in 2004 and is an ACP country, she is excluded from the EPA process.

2/That has benefited from the financial support of the FARM foundation.

Reference

FONTAGNE, L., LABORDE, D. & MITARITONNA, C. (2007), *Etude de l'impact des APE et de l'intégration régionale sur les pays ACP*, CEPII-CIREM-FARM Report.

ON THE RESEARCH AGENDA

Impact of the VAT Increase in Germany for Other Countries of the Eurozone

Dealing with population ageing and reducing the level of public deficit in many European countries will lead to an increase in tax rates and/or a shift in the type of taxation in the near future. The most recent experience is the 3-point increase of value added tax (VAT) in Germany in January 2007. The debate appeared recently in France where the VAT is seen as a good substitute for labour taxes in financing social security.

In order to assess the macroeconomic effects of such policies, we use medium scale DSGE models where nominal rigidities induce firms to delay the impact of tax rates on prices. In a closed economy, the monetary policy reaction modifies dramatically the pattern of consumption and output in the country. The optimal monetary policy depends on the number of firms that instantaneously change their tax-included price; some empirical evidences show that almost half of producers of consumer goods smooth their tax-included price. We already addressed spillover issues when the tax policy is implemented in a single country of a currency union (the Euro area). For instance, the lack of price flexibility and the common monetary policy may shift away the short term demand effect of tax policies. We finally argue that countries should co-ordinate there tax policies.

This framework will be calibrated to measure the macroeconomic effect of the tax reform introduced in January 2007 in Germany on the Euro area.

Benjamin Cartor

A Firm Level Analysis of Export Pricing Strategies Using French Export Data

Using individual data (from the French customs), we study export pricing strategies at a firm-level. Our aim is to see if deviations from the law of one price observed at the disaggregated level can be linked to discriminatory behaviors by exporting firms.

Our theoretical framework extends Anderton et al (2003) modeling of the endogenous decision to segment foreign markets. With respect to their model, we add heterogeneity among firms in order to take into account the firm-level determinants of pricing strategies that can be observed in individual data. Based on these theoretical predictions, we look for the dispersion of export unit values among the different markets served by a given firm. We interpret the magnitude of these price gaps as reflecting the strategic decision of the firm to segment markets. Comparing results across firms, we are able to ask for the firm- and country-specific determinants of these strategies.

Isabelle Méjean & Cyrille Schwellnus

The Ongoing of the EU-MERCOSUR Bilateral Negotiations: a CGE Assessment

Bilateral talks between the European Union and Mercosur for a preferential trade agreement (PTA) began in 1995, and in spite of sixteen rounds of negotiations, no significant progress has been achieved on market access issues, for several reasons.

First, the progress in bilateral negotiations is subject to the evolution of the Doha Round. Major stakes and controversial issues are shared by both negotiations, and thus a successful EU-MERCOSUR PTA will depend on possible market access improvements and erosion of preferences due to the multilateral agreement.

Second, agriculture is one of the most conflict-laden issues in both negotiations, which are also linked by the single-pocket approach: the greater tariff cut for Doha, the less ambitious concessions for the EU-Mercosur PTA. Moreover, bargaining on Tariff-rate quotas (TRQs) becomes difficult due to the quotas' volumes and especially to sharing the quota-rent.

Finally, Venezuela has recently signed a protocol to become a full MERCOSUR member, and thus it could change the conditions of these bilateral negotiations with the European Union.

This study aims at providing a very detailed analysis of these negotiations by using the MIRAGE CGE dynamic model. A particular recalibration procedure has been developed in order to update trade data (BACI) for partners and provide more realistic results. A EU-Mercosur PTA scenario has been defined at a detailed level (MAcMapHS6), handling with care exemptions and sensitive-product issues. This scenario has been run under different baseline scenarios by considering Venezuela as a Mercosur member and different Doha plausible outcomes. These baseline assumptions become crucial in terms of welfare and trade impacts for partners and for the rest of the world: the Doha agreement reduces trade diversion effects and the Venezuela accession to Mercosur leads to improve trade relations of this country.

Priscila Ramos

Vietnam Accession to WTO

On January 11th 2007, after 12 years of negotiation, Vietnam entered the WTO, becoming the 150th member of the multilateral organization dedicated to global trade regulation. Even if the socialist republic still celebrates the heritage of communism, this accession definitely appears as a validation of 20 years of economic reforms to move to a free market economy and as a reward for the great efforts made to open the country. Engaged in the ASEAN integration process, more and more linked to the Chinese economy, Vietnam committed to respect most international trade rules and negotiated an additional cut of its tariffs.

Using the general equilibrium model MIRAGE, we evaluated the impact of this additional openness. We estimated the effect of the decrease in prices of imported products as well as the removal of all the textile quotas linked to the accession. Our simulation forecasts an additional increase in exports of 6.3% and 4.6% in imports by 2015, in comparison with a situation where there is no WTO accession. This would bring +2% to GDP and improve consumption by 1%. However, a degradation of the terms of trade (-1%) is to be expected as a result of the high specialisation of the country in sectors such as leather and shoes, or textile and garment. Although the rural-urban migration should help the structural changes of this economy, a big challenge will remain: the distribution of the benefits of this opening. As the rural population still represents 73% of the total population and receives the lowest income, unskilled workers could experience a stress on their revenue (-0.3%) altering the overall benefit on wages (+1.1%).

These results show more precisely where the dilemma lies for the future domestic policy of Vietnam: sustaining the redeployment of its labor force under the beneficial inflows of international capital; and in the same time, keeping control on the spillover effects of the fast structural changes on the most vulnerable parts of the population.

Hugo Valin

DATABASES

International Trade Price Indices

Export and import price indices are useful instruments in international economics. International trade theory shows that relative prices determines industrial specialization and welfare gains resulting from trade openness. Hence, the evolution of international trade prices is a source of ceaseless debates such as the consequence of trade policies, the quality and cost competitiveness of countries, or the influence of globalization on worldwide inflation.

More precisely, international macroeconomics analysis requires trade prices indices to study terms of trade, inflation or volume/price elasticity of open economies. In international trade studies, price indices allow for instance to deflate trade values in order to obtain volumes. The CEPII aims at providing aggregated and sectoral trade price indices for all countries. These indices are computed using unit values given by BACI, the CEPII's database for international trade at a product-level. BACI covers the period 1995-2004 and is now available online at [BACI's CEPII web page](#).¹

The rich country dimension of BACI is particularly useful for international comparison of prices evolutions. Indeed, methodology used by national statistical institutions to compute price indices often differ and prevent any type of cross-country analysis. For instance, the BLS (American Bureau of Labor Statistics) gives Laspeyres type indices for US exports and imports observed prices, whereas the INSEE (French national statistical institute) provides Paasche type indices built on French trade unit values. Of course, the UN and the IMF provide cross-country comparable price indices, releasing export and import unit value indices at an aggregate level, but, even these data are very limited. First, it reports only Laspeyres indices which are not necessarily the most appropriate (for instance, they can over-estimate the actual price changes). Second, the data cover only 44 countries, excluding many developing countries. Finally, there are no disaggregated trade indices making large scale and detailed international comparison possible.

The aim of this work is to fill this gap, by computing "common" Laspeyres and Paasche indices but also "superlative" Fisher and Tornqvist indices, in both chained and fixed-base forms. Moreover, the chained Laspeyres and Paasche are also calculated in their geometric form. Then, the CEPII's database offers the users the possibility to choose, among a very large panel, the most accurate index for each particular purpose. An exhaustive sensitivity analysis is done in order to determine the appropriate way to deal with many technical difficulties, such as the treatment of measurement errors in bilateral unit values. Sectoral trade price indices will be provided with different product classifications. In addition of the forthcoming CEPII working paper describing in detail the methodology, the SAS programs will be downloadable from BACI web page making the CEPII trade price indices very transparent and flexible.

The graph below presents both fixed-base Laspeyres index and chained Tornqvist index for the German and US exports. The German and US indices experience a totally different trend. Actually, German indices exhibit a large decrease until 2001 and then a huge increase. By contrast US indices are more stable. Such a difference is essentially due to the changes in nominal exchanges rates of the Euro (Deutschmark until 1999). As BACI trade price indices are computed from unit value in US dollars, price evolutions reflect the price variations in local currency, but also the exchange rate fluctuations *vis-à-vis* the US dollar.



Source: CEPII's Database BACI

At the country level, the gap between Laspeyres and chained Tornqvist indices is also different in both countries. To better understand these discrepancies, we have to remind how these two indices are

computed. Laspeyres index is a fixed-base index considering a constant basket of goods which are assumed to keep the same weight in the consumption over the period. On the opposite, chained Tornqvist index takes into account the new products. It allows changes in the weights of the products in consumption over time. Focusing on the US export indices, plotted in the right hand panel of the graph, we observe an higher growth of the Laspeyres index. The reason is that the Laspeyres index does not consider changes in the US export structure over the period. Indeed, the share of the sophisticated goods increases a lot in the US export since 1995, while the prices of these goods decreased rapidly. For Germany, the two indices show more similar trends. This reflects a more stable structure of German exports.

Guillaume Gaulier, Julien Martin, Isabelle Méjean & [Soledad Zignago](#)

EVENTS

European Financial Attractiveness

September 25, 2007

The symposium was organized by the CEPII, the CIREM & Groupama Asset Management. For several years, European financial markets have got stronger. Primary emission of eurobonds passed those issued in dollars due to the increasing demand from emerging countries. Investment from institutional investors and central banks started to grow, as a result of a discomfort regarding the dollar. The Euro has become the only currency able to compete with the dollar as an international currency. However, attraction for the European stocks is still limited by the lack of a single unified European stock market. Papers are available in French on the CEPII's website.

Globalization, Transportation and Logistics

September 20, 2007

That was the topic for the 8th *Rendez-vous de la mondialisation*. The accelerated growth of the transportation sector is intrinsically related to economic globalization, both as a consequence and as a support. Growing flows of passengers and freight came along with wealth' growth and technological advance. The consequences are huge for the location of human activities and transportation specialization. Four different aspects have been considered: the dynamics of the transportation and logistics sectors; the changes in strategies and regulation; the viability of growth models with increasing transportation costs; the compatibility of the intensive use of transnational transportation with environmental constraint. Videos and papers are available in French on the *Rendez-vous de la mondialisation*'s website.

Africa in World Trade

September 15, 2007

The Conference, co-organized by the [AFD](#) and the CEPII, was held in Paris and welcomed an international audience.

Agnès Bénassy-Quéré (CEPII), Jean-Marc Chataigner (Ministry of European & Foreign Affairs) and Luis Kasekende (ADB) opened the conference.

The five sessions and a round table dealt with the place of Africa in the world trade at the eve of the EPAs implementation (see Focus above):

Africa Facing Trade Policies in the Global Markets

by Patrick Messerlin (GEM), Stefano Inama (UNCTAD), Olivier Cadot (CREA) and Sébastien Jean (CEPII)

The Challenge for Trade Integration of Africa with the North

by Gaspar Frontini (DG Trade, EC), Anna Lipchitz (AFD), David Laborde (CEPII), Allan Matthews and Bernard Bachelier

The Need for Regional Trade Integration

by Michel Fouquin (CEPII), Jean-Paul Azam (IDEI), Gilles Dufrenot (GREQAM), Paul Masson (University of Toronto) and Pascal Furth (Trade State Secretary, Ministry of Finance)

The problem was developed in the next session, putting in evidence the absence of Africa in South-South trade, with: Marc Bachetta (WTO), Jean-Michel Pasteels (ITC), Andrea Goldstein (OECD) and Gilles Dufrenot (GREQAM).

The accompanying policies were tackled by Jean-Pierre Patat (CEPII), Paul Masson (University of Toronto), Gilles Dufrenot (GREQAM), Etienne Yehoué (IMF), Agnès Bénassy-Quéré (CEPII) and Jean-Paul Azam (IDEI).

The closing round table gathered Lionel Fontagné (CEPII - University of Paris I), Pierre Jacquet (AFD), Jean-Christophe Deberre (Ministry of Foreign and European Affairs), Lars Nilsson (DG Trade, EC), Armand-Guy Zoungouere-Sokambi (EPA diplomatic missions), Lionel Zinsou (Rothschild) and Nicolas Imboden (IDEAS).

Videos and papers are available on the CEPII's website.

WORKING PAPERS

How Are Wages Set in Beijing?

N°2007-13, July 2007

Over the last fifteen years, China's export performance has been phenomenal but some observers assert that this situation is temporary due to rising labor costs. However, large migration across provinces may increase competition on the labor market of export-intensive provinces and allow firms to keep low wages for many years. This paper attempts to shed some light on this debate over wage dynamics in China. We investigate the respective importance of the upward push of world demand and the downward pressure of migration. This investigation is conducted on a sample of 29 Chinese provinces between 1997 and 2004. We find, holding other factors fixed, that provincial wages increase by about 17 percent per year, due to common trends possibly like total factor productivity growth and national increase in prices. Our results show that besides this general trend, market access and internal migration have statistically and economically significant effects on the provincial wage level but of much less importance. We estimate that on average over the 7 year period of our sample, more intense internal migration has slowed down wage growth by 2 percent per year. The wage increasing impact of market access is three times smaller in magnitude.

José De Sousa & Sandra Poncet

IMF Quotas at Year 2030

N°2007-12, July 2007

We simulate IMF quota shares at the 2030 horizon for 49 countries or zones, based on long run projections for GDP, trade and foreign direct investment. Several formulas are simulated and the impact of excluding intra-Eurozone flows is studied. We find that substituting population for GDP is the only way of significantly raising the quota share of Sub-Saharan African countries. The US and Chinese shares are higher with uncompressed formulas relying heavily on GDP. In all cases, China doubles or triples its quota share from 2001 (our base year) to 2030 while the US one is roughly stable. Conversely, the Eurozone's quota share is bound to decline by around 6 percentage points and removing intra-Eurozone flows leads to an additional drop by 3 to 4 percentage points.

Agnès Bénassy-Quéré, Sophie Béreau, Yvan Decreux, Christophe Gouel & Sandra Poncet

FDI and Credit Constraints: Firm Level Evidence in China

N°2007-11, May 2007

In this paper, we assess the success of the ongoing financial system reforms in China through the investigation of the extent to which firms are financially constrained. We focus on the part played by Foreign Direct Investment (FDI) in funding Chinese corporate sector as we analyze whether incoming foreign investment in China plays an important role in alleviating domestic firms' credit constraints. Using firm-level data on 2,200 domestic companies for the period 1999-2002 and splitting domestic firms into public and private firms, we find that public firms' investment decisions are not sensitive to debt ratios or the cost of debt. Nor is there any evidence that public firms are affected by foreign firms presence. We interpret this as evidence in support of the notion of a soft budget constraint for public

firms. In contrast, private domestic firms appear more credit constrained than state-owned firms but their financing constraints tend to ease in a context of abundant foreign investment. Our results confirm that the development of cross-border relationships with foreign firms helps private domestic firms to bypass both the financial and legal obstacles that they face at home (Huang, 2003).

Jérôme Héricourt & [Sandra Poncet](#)

Fiscal Policy in Real Time

N° 2007-10, May 2007

In this paper we argue that any assessment on the intentional stance of fiscal policy should be based upon all the information available to policymakers at the time of fiscal planning. In particular, real-time data on the discretionary fiscal policy "instrument", the structural primary balance, should be used in the estimation of fiscal policy reaction functions. In fact, the *ex-post* realization of discretionary fiscal measures may end up to be drastically different from what intentionally planned by fiscal authorities in the budget law. If this is the case, and if revision errors in the policy indicator are correlated with the ones in the regressors, it is shown that commonly used estimators become biased, possibly inducing a misleading judgement on the policy stance. We derive the functional form of that bias and, based on empirical second-order moments, we are able to accurately predict the potential impact of using revised data in the evaluation of the *ex-ante* stance of fiscal policy. When fiscal policy rules are estimated on real-time data, our results indicate a counter-cyclical stance in OECD countries, especially during economic expansions. This contrasts with conventional findings based on revised data, which point to fiscal policy a-cyclical or pro-cyclical, and with Forni and Momigliano (2005) who employ real-time data for the output gap and find counter-cyclical, but just during recession. Further, we test whether threshold effects might be at play in the reaction of fiscal policy to the economic cycle and to debt accumulation. It emerges that the intentional cyclical behavior of fiscal policy is characterized by two regimes, and that the switch between them is likely to occur when output is close to its equilibrium level. On the other hand, the use of revised data does not make the identification of any threshold effect possible.

[Jacopo Cimadomo](#)

[CEPII Working Papers](#) are available free, on-line, in PDF format; hard copies are also available on request.

RECENT PUBLICATIONS

ECONOMIE INTERNATIONALE, QUARTERLY

Issue 110, 2nd Quarter 2007

Explaining Cross-Country Differences in Job-Related Training: Macroeconomic Evidence from OECD Countries

Serge Coulombe & Jean-François Tremblay

Les cycles économiques en Tunisie : identification, caractérisation et comparaison internationale

Elachhab Fathi

Une mesure macroéconomique "à la Feldstein-Horioka" du degré d'intégration financière en Europe

Sophie Béreau

L'impact des chocs externes dans les économies du Mercosur : un modèle Var structurel

Céline Gimet

Impact de l'ouverture financière sur les inégalités internes dans les pays émergents

Véronique Salins

Issue 109, 1st Quarter 2007

The New Regionalism

The New Regionalism: an Introduction

Antoni Esteveordal, Michel Fouquin & Ziga Vodusek

The New Regionalism: Causes and Consequences

Scott L. Baier, Jeffrey H. Bergstrand & Peter Egger

A Re-Evaluation of the Impact of Regional Agreements on Trade Patterns

Lionel Fontagné & Soledad Zignago

Sequencing Regional Trade Integration and Cooperation Agreements: Describing a Dataset for a New Research Agenda

Antoni Esteveordal & Kati Suominen

Professional Networks, Institutional Design and Global Governance: the FTAA and the Foreign Trade Professionals in the Americas

Jacint Jordana & David Levi-Faur

How Did European Institutional Integration and Intra-European Trade Interact?

Itai Agur, Ettore Dorrucci & Francesco Paolo Mongelli

Économie Internationale is a European based journal which publishes papers in numerous subject areas of international economics, such as international macroeconomics, international finance, international trade, transition economies, economic integration and regional economics. *Économie Internationale* especially encourages submission of articles which are empirical in nature or that have strong policy content. *Économie Internationale* is committed to give a first response to author(s) within four months starting from the submission date. To submit your paper, please visit www.International-Economics.eu.

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LA LETTRE DU CEPII, MONTHLY

IMF: III-Tailored Quota

N° 268 June-July 2007

The present discussions around IMF quotas may well reveal internal inconsistencies between the three purposes of the quotas: determine the financial contribution of each member country to the Fund, its access to Fund resources, and its voting rights. If the IMF is to find a new legitimacy as a coordinator of the global economy away from its traditional role of financial assistance, then deep changes in quota formulas would be appropriate, such as the inclusion of population in the formulas and the subsequent exclusion of variability and foreign exchange reserves. We provide illustrative projections of present and alternative quota formulas at the year 2030. There is little the Eurozone can do against a decline in its calculated quota share of at least 6 percentage points at this horizon. Excluding intra-Eurozone payments (consistent with a single seat at the IMF) would involve an additional 3 percentage point drop.

Agnès Bénassy-Quéré

Economic Integration in East Asia

N° 265 March 2007

Until recently, East Asia, the world's most dynamic area for several decades now, had few regional institutions. However, the successive crises in the last ten years (financial crisis in 1997-1998, SRAS, tsunami, bird flu) have demonstrated the need for formal cooperation instruments. Trade integration is

one of the aspects of regional cooperation that is beginning to take shape. Particularly, since China joined the WTO in 2001, there has been a multiplication of bilateral and multilateral free trade agreement negotiations. What form will the regional integration that emerges from this plethora of initiatives take? Here, we analyse two scenarios. One centres on an integrated and free trade ASEAN with each of four major Asian partners: China, Japan, Korea and India; the other, clearly more ambitious, consists of a complete free trade area amongst these fourteen countries. Simulations with the Mirage model show that Japan and Korea would have greater interest in the creation of a completely integrated area, whereas the ASEAN would derive greater benefits from bilateral agreements. Finally, even though the economic gains of agricultural liberalisation are potentially substantial, political considerations will no doubt exclude it for a long time yet.

Michel Fouquin

Locating in France or Abroad: the Choice of French Firms

N° 264 February 2007

The number of subsidiaries created abroad by French manufacturing firms has strongly increased during the last greatly in fifteen years. In a globalized economy, companies tend more and more to locate more and more abroad to get closer to dynamic markets and take advantage of lower costs. However, a model explaining choices of location that integrates these phenomena brings out a major bias in favor of the home territory. The probability of a medium-sized firm creating a subsidiary in France is ten times higher than of it doing so in a country that is comparable in terms of market, production and transaction costs (distance, language, etc.). This bias can be explained in large part by the density of financial and commercial relations that a firm has in its own country. It is tending to decline insofar as the burgeoning number of foreign subsidiaries abroad is gradually building up this type of network in the countries of location.

Thierry Mayer, Isabelle Méjean & Benjamin Nefussi

WTO Trade Talks: a Bird in the Hand is Worth Two in the Bush

N° 263 January 2007

Six months have passed since the suspension of the WTO negotiations and the ability of countries to reach an agreement on the Doha Development Agenda is still doubtful. However, the consolidation of the progresses achieved during the last five years is within reach. We can deplore that the introduction of sensitive products, partially exempted from liberalisation, will reduce by half the gains of such an agreement. However, this flexibility seems a *sine qua non* condition for making a deal to reap half of the gains from real free trade. We feed the discussion using simulations made with the MIRAGE model and stress that, for the particular case of Sub-Saharan Africa Least Developed Countries, the losses coming from the multilateral liberalisation could be largely offset by an unrestricted access of their products into major emerging economies.

Lionel Fontagné, David Laborde & Cristina Mitaritonna

NEWS IN BRIEF

The General Assembly of the CEPII's Business Club elected, on September 26, 2007 its new President: Louis Gallois, Chief Executive Officer of EADS.

Mathias Thoenig and Marcel Fratzscher joined the board of *Economie Internationale* in September 2007. Mathias Thoenig is Professor of Economics at the University of Geneva, his research focuses on long run macroeconomics, international trade and international finance. Marcel Fratzscher is an adviser at the European Central Bank. He is a specialist in international finance and works on various topics such as: international financial market linkages, central bank communication and exchange rate policy, monetary policy and asset prices, financial crises and contagion. *Economie Internationale* welcomes also several new associate editors (see above).

Isabelle Méjean left the CEPII for an academic position at the *Ecole Polytechnique*.

David Laborde joined the International Food Policy Research Institute (IFPRI) in Washington, as a Postdoctoral Fellow at the Markets, Trade, and Institutions Division.

FORTHCOMING

Fifth ELSNIT Annual Conference on Integration and Trade

IADB

October 26-27, 2007

New Developments in International Trade in Services

Institut CDC pour la Recherche, OCDE

November 22, 2007

Les services : nouveau champ de la mondialisation

Le club du CEPII, Institut CDC pour la Recherche, OCDE

November 23, 2007

La Turquie

Le club du CEPII

December 17, 2007

VIIIth Doctoral Meetings in International Trade and International Finance (RIEF)

CEPII, Generalitat de Catalunya, PSE (Paris School of Economics), University of Barcelona

January 31-February 1st, 2008

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