The CEPII NEWSLETTER

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CENTRE D'ÉTUDES PROSPECTIVES
ET D'INFORMATIONS INTERNATIONALES

Focus

New Developments in Euro-Mediterranean Relations

A new political and economic environment has compelled the Europeans to reshape their relations with their closest developing neighbours, and the European Council approved the strengthening of the Union's Mediterranean policy in December 1994. But, despite some important innovations, the new policy is much like the old, and faces the same obstacles that previous attempts at renovation did.

Owing to historical ties and the political sensitivities of some of its members, the EU has always granted the Mediterranean countries a privileged position in its relations with third countries. The twelve Mediterranean association, or cooperation agreements (signed some twenty years ago) aimed at promoting economic development mainly through financial assistance, and duty-free access for Mediterranean industrial exports.

During the 1980s, dramatic changes occurred in the Mediterranean economies and altered Euro-Mediterranean relations. The debt crisis, the fall in oil prices, and the outward-oriented reforms embraced by some countries were among the major factors which led to the contrasting performance of these economies. In particular, Turkey, Morocco and Tunisia have emerged as clear manufacturing exporters to Europe.

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Nevertheless, the basic nature of the relationship has remained quite unchanged. The Union's countries are still the main source of Mediterranean imports, tourism receipts, and foreign financing, as well as being the main buyers of Mediterranean exports and the source of remittances by immigrant workers.

> Despite major changes in the Mediterranean economies, the basic nature of Euro-Mediterranean relations has remained unaltered.

For Europe, economic relations with Mediterranean countries cannot be considered as negligible. Trade with Mediterranean countries amounts to 6½% of the EU's total external trade. At the same time, 15 % of Europe's energy imports, and nearly a quarter of clothing imports come from the Mediterranean. The European manufacturing surplus is a permanent feature of the Euro-Mediterranean trade, amounting to $25 billion per year in the early 1990s. But, the Mediterranean zone does not appear to be an area of major economic interest for the EU: it receives only 11% of European private financial flows to the LDCs (most of them export credits), whereas it purchases 18.5% of the EU's exports to the LDCs. Patchy growth, the lack of intra-Mediterranean integration and the difficulties of some countries in implementing economic liberalisation make the area generally unattractive for foreign investors. The Union's policies have not been capable of changing this environment fundamentally.

At the same time, if Mediterranean demographic growth has definitely slowed down, the labour force is still growing at a fast rate, nourishing European fears of immigration. Europe also has a strong interest in the stability of the region, a concern, which lies behind the latest proposals by the European Commission to strengthen the EU's Mediterranean policy.

New challenges have also been created by changes in the world economy. The trade liberalisation initiated by the Marrakesh Agreement - and particularly the abolition of the Multi-fiber Arrangement - will erode the preferential margin accorded to the Mediterranean countries, which has boosted the region's exports[1]. This could be very detrimental to these countries.

Furthermore, the trading component of the present agreements between the EU and Maghreb as well as Maschraq countries is likely to be increasingly called into question, as it is not based on reciprocal market openness, which under new WTO agreements should only be granted to the least developed countries.

The Mediterranean's preferential trade position is being squeezed by Europe's multilateral trade commitments and expanding ties with Central and Eastern Europe.

The development of regional trade arrangements constitutes another argument for strengthening the EU's neighbourhood policy. The EU cannot ignore the fact that the integration of developing countries will be a major feature of the world economy, over the next decades. It is in the EU's economic interests to promote growth in the developing countries that are most linked to it, and to boost these links in a way that will enhance its own competitiveness. Moreover, as the Union is pursuing a pre-accession strategy with Eastern Europe, it is politically important for it to demonstrate that this will not be at the expense of the Mediterranean.

Are Euro-Mediterranean relations thus about to take major strides forward, following the European Council last December? The new approach does encompass some important innovations. First, a regional perspective is emerging as a major dimension of the EU's propositions. It will be embodied in the new Euro-Mediterranean (association) Agreements to be concluded with each Mediterranean country[2]. These countries are thus being encouraged to negotiate free-trade Arrangements between each other and with non-EU countries in Europe (including the CEECs). Hence, a multilateral Euro-Mediterranean Economic Area will be created, through a 'progressive establishment of free-trade, supported by substantial financial aid'.

By proposing to set up free-trade areas, the EU is actively prompting the Mediterranean countries to deepen the economic liberalisation which some have already begun. But although most Mediterranean countries have become GATT members, the protection of their domestic markets remains quite strong. Entry into a free-trade area with the EC will impose much tougher adjustments. Furthermore, as their industrial products already benefit from free access to the EU markets, and because the agricultural products will be kept outside these arrangements, the economic advantages of free-trade cannot be guaranteed, at least in the short-term. The Commission has thus proposed to increase the financial assistance to this area to Ecu 5.5 billion for 1995-99, up fourfold over 1991-95. But, there is a strong divergence of opinion between France and the southern European countries which are seeking a large aid package on the one hand, and the northern members of the Union on the other hand. This led the European Council in Cannes to settle for a Ecu 4,7 billion package, compared to Ecu 6.7 billion for the CEECs. It is less than the Commission had argued for, but still represents a considerable, pluri-annual commitment.

Europe's policy on agriculture continues to block Mediterranean exports.

Apart from its concrete importance to the countries concerned, such a commitment symbolises Europe's support for the Mediterranean, and is more significant than the usual declarations on 'partnership'. Otherwise, the overall impression given by Euro-Mediterranean relations is one of continuity: Europe providing certain preferences to the region, but being unwilling to advance fundamental reforms, such as the liberalisation of agricultural trade. However the EU's policy is, as always, only part of the story. The way the Europeans will tackle their unification challenges and the way the Mediterraneans will manage economic liberalisation will be just as decisive for the Euro-Mediterranean future.

Isabelle Bensidoun
and Agnès Chevallier

FOR FURTHER INFORMATION SEE:

- 'LES ÉCHANGES COMMERCIAUX EURO-MÉDITERRANÉENS', I. BENSIDOUN & A. CHEVALLIER, *ECONOMIE INTERNATIONALE*, NO 58, 2ND QUARTER 1994.
- 'RELATIONS EURO-MÉDITERRANÉENNES : UNE NOUVELLE DONNE ?', I. BENSIDOUN & A. CHEVALLIER, *LA LETTRE DU CEPII*, NO 130, DECEMBER 1994.
- THE CEPII WILL BE PUBLISHING A BOOK ON EURO-MEDITERRANEAN RELATIONS, BY I. BENSIDOUN & A. CHEVALLIER, IN THE FOURTH QUARTER 1995.

(1) L. Fontagné, N. Péridy, 'Uruguay Round et PVD', *Revue économique*, vol 46 (3), 1995.
(2) Tunisia was the first to conclude the negotiations for a Euro-Mediterranean Association Agreement, in April 1995.

Research Summary

The Competition from Emerging Economies and Unemployment

This article outlines some of the results from the CEPII's ongoing research work on the impact of emerging low-wage countries on the world economy, and especially on unemployment and wages in the developed world, work that will be published as a book this autumn. The two major aims of this project, which was launched in 1994, are: (i) to study the rise in world trade of 'emerging economies', to assess the rationale for it, as well as to analyse the way these newcomers compete with established, developed countries, and (ii) to analyse the consequences of this increasingly assertive competition on the industrialised economies, especially on their labour markets.

While the bulk of world trade in manufactured products still takes place between developed countries, the share of world exports from low-wage to high-wage countries has been increasing since the 1970s. There is evidence that this trend accelerated in the early 1990s with the generalisation of outward-oriented development policies and the rising participation in trade of the formerly quasi-autarkic communist countries - especially China but also increasingly those of Central and Eastern Europe. Available estimates indicate that this trend is bound to accelerate further as a consequence of trade liberalisation resulting from the Marrakesh agreement, as well as from regional initiatives like NAFTA, APEC and the Europe Agreements.

Trade from low-wage countries to high-wage countries has accelerated since the early '90s.

There is no generally accepted definition of what an emerging economy is, but any such definition would have to combine trade performance and the level of development. For the purpose of the study, two criteria have been used to define an emerging economy:

1) the country's share in world manufacturing exports has increased by at least 50% since 1970, and these exports exceeded $1bn in 1992;

2) the country's GDP per capita (measured in PPPs) was below 75% of the OECD average in 1980s.

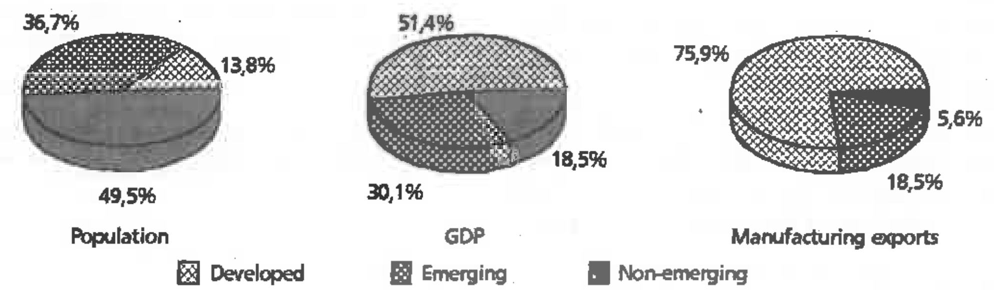
These criteria lead to the selection of a group of 18 countries: 7 in Asia, 7 in Europe and the Mediterranean region, and 4 in the Americas. As this group does not include those of the Asian NICs (Hong-Kong, Singapore) whose GDP per capita has almost fully caught up with the OECD, but includes some EU members (Spain, Portugal and Ireland), it clearly differs from existing related groupings of the middle-income countries or the NICs. Although it might be surprising to exclude some Asian competitors and to include some EU members, this is warranted on objective grounds and is relevant for analytical purposes within the perspective adopted for the study. However, the category of emerging economies is by no means static: new members from Central and Eastern Europe, Latin America and Asia joined the club in the early 1990s.

In 1993, emerging economies represented 36.7% of world population, 30.1% of world GDP and 18.5% of world exports in manufactures (see Figure 1).

A major reason behind the adoption by an increasing number of countries of outward-oriented development policies is that they have proved to be much more conducive to growth than import-substitution policies. *Prima facie* evidence of this fact is provided by comparing the per capita growth rates of the emerging economies (3.8%) to that of the non-emerging economies (-0.2%) over the 1970-93 period.

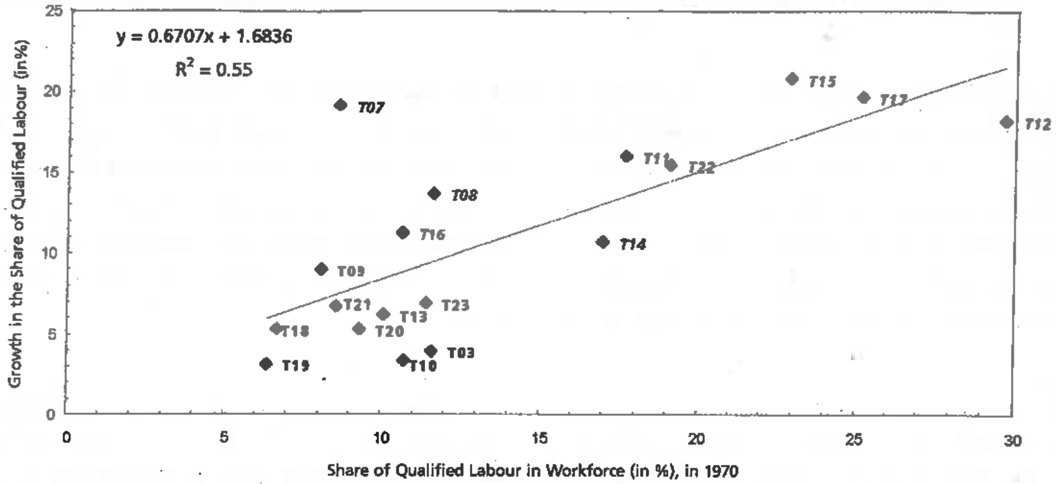
Yet the precise assessment of the effects of openness and trade specialisation on growth performance remains a subject for research. In order

FIGURE 1: RELATIVE SHARES OF DEVELOPED, EMERGING AND NON-EMERGING COUNTRIES IN THE WORLD POPULATION, GDP AND MANUFACTURING EXPORTS, IN 1993.



SOURCE: CEPII, CHELEM-DATABASE.

FIGURE 2: GROWTH IN THE SHARE OF SKILLED LABOUR (1970-1993) AS A FUNCTION OF ITS SHARE IN MANUFACTURING INDUSTRY, IN 1970.



NOTE: 18 MANUFACTURING INDUSTRIES TAKEN FROM FRANCE'S INDUSTRIAL CLASSIFICATION (NAP40). T03: FOOD & AGRICULTURE, T07: IRON & STEEL, T08: OTHER METALS, T09: BUILDING MATERIALS, T10: GLASS, T11: BASIC CHEMICALS, T12: PHARMACEUTICALS, T13: METALLURGY, T14: MACHINERY, T15: ELECTRICAL MACHINERY & ELECTRONICS, T16: LAND VEHICLES, T17: SHIPBUILDING & AEROSPACE, T18: TEXTILES, T19: LEATHER GOODS & SHOES, T20: WOOD & FURNITURE, T21: PAPER, T22 :PRINTING, T23: RUBBER & PLASTICS.

to investigate the issue, trade variables have been introduced in a standard growth convergence model *à la* Barro and Sala-i-Martin[1]. Econometric estimates confirm that increasing the degree of openness to trade has a favourable but limited effect on growth (an increase by 10 percentage points of the ratio of exports and imports to GDP raises the growth rate by 0.2 percentage points). Effects from intra-industry specialisation are positive, as is a 'good' specialisation in fast growing sectors. Excessive inter-industry specialisation, however, induces a negative effect because of the asymmetrical impact of shocks. Lastly, real exchange rate undervaluation has a slightly positive impact (a 10% permanent undervaluation leads on average to 0.2% higher growth).

A large body of research has already been devoted to the impact of the low-wage countries' competition upon the industrialised countries' labour markets. Most of this literature focuses on the U.S. case, more precisely on the contribution of trade to the (absolute and relative) decline of the real wage of low-skill workers. It has generally come to the conclusion that the contribution of trade to this phenomenon so far has been minor in comparison to the impact of technical change. While the U.S. case is a useful benchmark, similar research is warranted for the European countries, which differ from the U.S. both in their trade patterns and in the functioning of their labour markets[2].

Analysis of the French case by and large confirms that trade with low-wage countries has not been the main factor driving the relative demand for low-skill labour. Standard results from trade theory (e.g. the Stolper-Samuelson theorem) are that inter-industry specialisation arising from this trade should provoke a decline of the demand for low-skill labour, but also that the relative decline of the price of low-skill labour (provided it takes place) should lead to a rise in the demand of low-skill labour within each sector. The data do confirm that French trade with low-wage countries has led to increased inter-industry specialisation, but do not confirm that this has been a decisive factor in the decline of the relative demand for low-skill labour. As shown in Figure 2, all French manufacturing industries experienced a rise in the skill composition of their labour force over the last two decades, and this rise has been more pronounced in those whose skill composition was initially the highest. The French data therefore lend some support to the 'biased technical progress' view of the changes in labour demand.

Working Group 'Competition from Emerging Economies and Unemployment'

FOR FURTHER INFORMATION SEE:

- 'CAPITAL HUMAIN, MOBILITÉ DES CAPITAUX ET COMMERCE INTERNATIONAL', P. VILLA, *CEPII WORKING PAPER*, NO 95-05, JUNE 1995.
- 'CROISSANCE ET SPÉCIALISATION', F. BUSSON & P. VILLA, *CEPII WORKING PAPER*, NO 94-12, NOVEMBER 1994.
- 'COMMERCE INTERNATIONAL, EMPLOI ET SALAIRE', O. CORTES & S. JEAN, *CEPII WORKING PAPER*, NO 94-08, AUGUST 1994.
- 'COMMENT MESURER L IMPACT DU COMMERCE INTERNATIONAL SUR L EMPLOI : UNE NOTE MÉTHODOLOGIQUE', O. CORTES & S. JEAN, *ECONOMIE ET STATISTIQUE*, NO 279-280, 1994/9-10.
- 'FAUT-IL AVOIR PEUR DU SUD', J. PISANI-FERRY, *LA LETTRE DU CEPII*, NO 117, JANUARY 1993.

(1) Robert Barro and Xavier Sala-i-Martin, '*Economic Growth*', McGraw Hill, 1995.

(2) The European experience will be the subject of a conference organised jointly by the CEPII and the European Centre for Advanced Research in Economics (ECARE), in September 1995: see the *Forthcoming* section on page 7 below.

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FRANCE

ON THE RESEARCH AGENDA

MONETARY REGIONALISM IN ASIA

The CEPII is collaborating with the Association for the Monetary Union of Europe (AMUE, Paris) on a study of monetary regionalism in Asia. This research is supported by the French Planning Commission. The National Institute of Economic and Social Research (NIESR, London) is undertaking parallel research on the evaluation of Desirable Equilibrium Exchange Rates (DEERs) for the Asian NIEs. A conference on this subject is to be held at the begining of 1996.

The CEPII is examining the exchange rate policies pursued by developing Asian economies, and their consequences for Europe. A preliminary report has already been published on exchange rate regimes. It notes that since the collapse of Bretton Woods, the dollar has remained an informal anchor for many countries, despite European integration and the confirmation of Japan as a major economic and financial power. This is especially true in eastern Asia. Measures of the relative volatility of nominal exchange rates, for about 110 countries (including 15 in Asia), against the dollar, the DM and the yen reveal the *de facto* existence of a large dollar zone. The dollar zone has certainly receded in Africa and to a lesser extent the Middle East. But it has expanded strongly in Asia, so that its share in world exports has remained at about 30%, since 1970. In contrast, the yen zone is strictly limited to Japan, while the DM's influence is focused on Western Europe.

The next stage of the study will seek to explain the choices made by Asian developing countries in their exchange rate policies, and how they might evolve. Lastly, the consequences of Asian exchange rate policies on Europe will be assessed, by using simulations performed with the multinational, macroeconomic MIMOSA model.

Henri Delessy
Agnès Bénassy-Quéré

FINANCIAL INTERMEDIATION DURING THE TRANSITION IN CENTRAL AND EASTERN EUROPE

Since spring 1994, the CEPII has developed a collective research project with partners in Bulgaria, Hungary and Poland, and financed by the ACE programme of the European Commission. The aim is to analyse the financial adjustment of companies during the transition, with special regard to their evolving relationship with banks.

Part of the research looks at the reduction or the extension of informal financing via payment arrears on interest payments and taxes. Given moral hazard or pervasive institutional weaknesses, companies in all countries have shown a great capacity for escaping financial constraints and transferring their losses to other agents. This can lead to an accumulation of public debt and non-performing loans in the accounts of commercial banks. But both of these may eventually be monetised, so that the general public will bear the costs of non-adjustment through a large inflation tax. The project is constructing an accounting framework for these developments in Hungary. In the case of Hungary and Poland, work is also centred on the consequences of the bank recapitalisation programmes that have been implemented since 1992, and on the relationship between banks and enterprises given renewed growth. A precise analysis of the relative share of internal and external finance will start during the second half of 1995.

Jérôme Sgard

EUROPEAN TRADE IN INTERMEDIATE PRODUCTS

International sourcing of intermediate inputs is developing rapidly, and trade in such goods already represents about half of all trade among the industrialised countries. As part of a study for Eurostat, this project analyses patterns of trade in intermediate goods of the members of the European Union and the former EFTA, as well as the United States and Japan. Intermediate goods are broken down into primary products, processed goods, and parts along with accessories.

The analysis focuses on extra-regional trade, by comparing the performance of the EU with its three competitors (using an indicator for market position), by examining the specialisation of each region to observe its division of labour (using an indicator of revealed comparative advantage), and by studying the extent of intra-industry trade in intermediate products (Grubel and Lloyd indicator).

A closer look is then taken at the nature of trade flows of EU-member states. Trade is decomposed into two-way trade in similar products, in vertically differentiated products, and in one-way trade. Unit values for each trade flow are also compared with an EU-norm, thereby classifying each trade flow as up-market, middle-market, or down-market. The aim is to verify if there is a vertically differentiated division of labour within the EU.

Econometric modelling using gravitational devices is developed to explain the share of intra-industry trade in all trade, combining traditional explanatory variables (like distance and income) with sectoral variables. This study is complemented by an input-output analysis, where a measure is given of the growing interdependence between national economies. The results of this work will be published during the summer of 1995.

Lionel Fontagné
Michael Freudenberg
Deniz Ünal-Kesenci

Recent Publications

ECONOMIE INTERNATIONALE, QUARTERLY

• NO 62, 2ND QUARTER 1995, 300 P.
TRANSITION ET ELARGISSEMENT
This is a special issue examining the development of Central and Eastern Europe, and relations with the EU.

• *'Corporate Governance et actionnariat des salariés',*
Domenico Mario Nuti

• *'Le pouvoir de marché : effets de taille et de monopole en Hongrie'*
Laszlo Halpern, Gabor Korösi

• *'Secteurs privé et public en Hongrie : comparaison des performances',*
Ivàn Major

• *'Le financement de la transition en Europe centrale et balkanique',*
Jérôme Sgard

• *'Politique monétaire et tentatives de stabilisation en Bulgarie',*
Nikolay Gospodinov

• *'Stabilisation et restructuration en République tchèque',*
Kamil Janacek

• *'Financer la transition en Pologne',*
Adam B. Czyzewski, Witold M. Orlowski

• *'La dynamique des exportations des PECO vers l'Union européenne',*
Françoise Lemoine

• *'Les échanges commerciaux entre la France et les PECO',*
François Adam, Jean-Joseph Boillot

'L'après-CAEM : les échanges entre les pays de Visegrad',
Dominique Pianelli

• *'L'extension du marché intérieur aux PECO : les priorités',*
Jordi Gual

• *'Les fonds structurels : quelle application aux PECO ?',*
Denis Besnainou

• *'L'agriculture et l'élargissement',*
Louis-Pascal Mahé, Jean Cordier, Hervé Guyomard, Terry Roe

• *'Le coût budgétaire de l'adhésion des PECO',*
Bertrand Saint Aubin

• *'L'intégration des PECO à l'Union européenne',*
Table ronde

• *'Regards croisés sur la transition' notes de lecture,*
Jacques Sapir

• NO 61, 1ST QUARTER 1995, 191 P.

• *'Les investissements manufacturiers à l'étranger depuis 1980',*
Dominique de Laubier

• *'Les options de politique économique en Allemagne réunifiée : un modèle dynamique',*
Agnès Bénassy-Quéré, Pierre Villa

• *'Policy-mix et indépendance des banques centrales',*
Pierre Villa

• *'Efficacité des systèmes financiers et développement économique',*
Bruno Amable, Jean-Bernard Chatelain

• *'L'industrie du textile et de l'habillement : le modèle coréen en difficulté',*
Lynn Krieger Mytelka

• *'Les conglomérats taiwanais',*
Gilles Guiheux

• *'L'Ouzbékistan ou la transition enlisée',*
Yves Zlotowski

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FF 110 per issue,
FF 480 annual subscription in Europe, and FF 580 outside Europe.
Publisher: la Documentation française

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LA LETTRE DU CEPII, MONTHLY

• *'Que sait-on des taux de change d'équilibre à long terme ?'*
Henri Delessy, Michel Fouquin, Claire Lefebvre
NO 136, JUNE.

• *'L'internationalisation de l'économie chinoise',*
Françoise Lemoine
NO 135, MAY.

• *'Leçons mexicaines',*
Jean Pisani-Ferry, Jérôme Sgard
NO 134, APRIL.

• *'Ni change fixe, ni change flexible',*
Agnès Bénassy-Quéré
NO 133, MARCH.

• *'Transmission de la politique monétaire et crédit bancaire',*
Virginie Coudert, Benoît Mojon
NO 132, FEBRUARY.

• *'Trois défis pour l'OMC',*
Lionel Fontagné, Michel Fouquin, Jean Pisani-Ferry,
NO 131, JANUARY.

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BOOKS, BY CEPII RESEARCHERS

• *LA CROISSANCE ÉCONOMIQUE EN ASIE ORIENTALE*
Eric Bouteiller, Michel Fouquin,
125 P., COLL REPÈRES, LA DÉCOUVERTE, 45 FF, FORTHCOMING, SEPTEMBER 1995.

• *CINQUANTE ANS APRES BRETTON WOODS (FIFTY YEARS AFTER BRETTON WOODS)*
This special issue of *Economie Internationale* has been reprinted as a book.
255 P., ECONOMICA, PARIS, 100 FF.

• *MACROECONOMIE FINANCIERE*
Michel Aglietta,
124P., COLLECTION REPÈRES, LA DÉCOUVERTE, 45 FF.

CEPII WORKING PAPERS

• *'Capital humain, mobilité des capitaux et commerce international',*
P. Villa
NO 95-05, JUNE 1995.

• *'L'Europe à géométrie variable, une analyse économique',*
J. Pisani-Ferry
NO 95-04, APRIL 1995.

• *'Comparaison de l'efficacité énergétique des pays d'Europe centrale et orientale avec celle des pays de l'OCDE',*
N. Kousnetzoff
NO 95-03, APRIL 1995.

• *'L'organisation de la politique économique dans un cadre stratégique',*
P. Villa
NO 95-02, MARCH 1995.

• *'Interest Rates, Banking Spreads and Credit Supply: the Real Effects',*
F. Barran, V. Coudert, B. Mojon
N°95-01, MARCH 1995.

Events: Seminars and Meetings

• **Russia and the World Economy**
V. Martynov (IMEMO, Moscow)
6 July 1995

• **Moving to a Single Currency**
H. Carré (European Commission, DGII)
28 June 1995

• **Financing the Transition and Growth in Eastern Europe**
Joint seminar held in Brussels by the CEPII and ECARE.
J. Sgard (CEPII), G. Roland (ECARE)
27 June 1995

• **The Performance and Financing of the Emerging Economies: Specialisation and Growth**
Presentation by economists from the CEPII, based on the book to be published by Economica.
F. Busson, A. Chevallier, P. Villa (CEPII)
20 June 1995

• **Overview of the IMF's 'World Economic Outlook' (May 1995)**
F. Larsen, R. Wescott (IMF)
23 May 1995

• **The Economic Situation in Spain**
J. Vinals (Banco de Espana)
12 May 1995

• **German Unification: an Assessment**
H.-W. Sinn (Centre for Economic Studies, University of Munich)
20 April 1995

• **From the Regionalisation to the Globalisation of Standards: Does Geography still Matter?**
Y. Berthelot (United Nations' Economic Commission for Europe, Geneva)
12 April 1995

• **Global Economic Prospects and the Developing Countries**
Joint seminar by the CEPII and the World Bank
U. Dadush (World Bank)
7 April 1995

• **The Enlargement of the European Union to Central and Eastern Europe**
R. Baldwin (Graduate Institute of International Studies, Geneva, and CEPR), D. Rosati (United Nations' Economic Commission for Europe, Geneva)
15 March 1995

• **Long Term Growth and Convergence**
D. Cohen (Ecole Normale Supérieure, CEPREMAP and CEPR)
23 February 1995

• **Competitiveness, Economic Fundamentals and the New Länder: the Structural Challenges facing Germany**
H. Dax (*Sachverständigenrat*)
27 January 1995

• **Mexico and the Crisis**
C. Hurtado Lopez (Ambassador of Mexico to the OECD), J. Clei (COFACE)
20 January 1995

News in Brief

• The CEPII regrets to announce the sudden death of Dominique de Laubier in February 1995.
D. de Laubier had been a scientific advisor to the CEPII since the Centre's establishment, specialising in the analysis of foreign direct investment. He will be much missed by his friends and colleagues.

• In March, Claire Lefebvre joined the CEPII as a deputy-director. She was previously working as deputy-director in the forecasting division of the Ministry of Economics.

• In January Philippe Martin, who is a lecturer at the Graduate Institute of International Studies, Geneva and a research fellow of CEPR, became a research associate of the CEPII.

• Michel Aglietta has received the 'Economist of the year' award from the magazine *le Nouvel Economiste* for his research on international money and finance and its relevance for public decision making. Previous laureates were Jean-Jacques Laffont (1993) and Edmond Malinvaud (1994).

• The CEPII has been selected by the EC Commission (DGXV-DFII) to conduct research on the effects of the Single market upon intra-EU trade. This research is part of a wider Commission project on the *ex-post* evolution of the Single market

• *Economie Internationale* n°63 (third quarter 1995) will present analyses of the experiences of Italy and the United Kingdom, following their exit from the ERM.

• The CEPII has been connected to INTERNET, since May 1995.
Its E-mail address is as follows:
POSTMASTER@CEPII.FR

Forthcoming

• The CEPII and ECARE/IIE/ULB (Brussels) are co-organising a conference on 'International Trade and Employment: Europe's Experience' in Paris, on the 25 and 26 September 1995.

• The CEPII and the OFCE will present to the French Senate their annual, medium term simulations of the world economy taken from the multinational, macroeconomic model, MIMOSA, on the 27 September 1995.

• A conference will be jointly held by the CEPII, the CEPR (London) and the Institute for World Economy (Budapest) on economic reforms in China and Central Europe, in Budapest the 6 and 7 October 1995.

• The CEPII is also co-organising a seminar with the CFCE (France's Foreign Trade Centre) on 'International trade and the Emerging Economies', on the 15 November 1995.

• In November, the CEPII is organising a working seminar with the IMEMO (Institute of World Economy and International Relations, Moscow).

• In the fourth quarter of 1995, the CEPII will publish two books with the publishing house Economica. These will cover Euro-Mediterranean economic relations and the relationship between trade and employment (see the above articles).

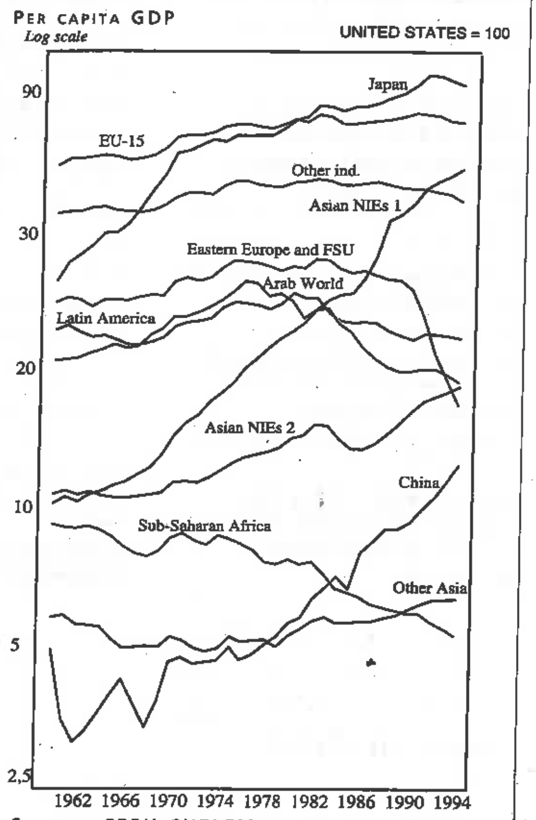
CHELEM DATABASE

Global Trends in Per Capita GDP

Real GDP per capita, calculated in purchasing power parities, indicates the level of a country's development, and its relative wealth in the world economy. Here, figures given by the CHELEM database have been aggregated for country groups, and are subsequently compared with the United States. The graph shows how most of the industrialised countries have been converging slowly with the U.S. since 1960, though Japan has clearly caught up faster, and further, overtaking the European Union (EU-15) in the early 1980s.

Most spectacular has been the advance of Asian NIEs 1 group (South Korea, Taiwan, Hong Kong and Singapore). Their GDP per capita took-off in the 1960s, from a very low base, surpassing the Arab World and Latin America in the early 1980s. This growth trend has continued, so that these countries are rapidly converging with the EU. The second generation's NIEs (Asian NIEs 2: Malaysia, the Philippines, and Thailand) have developed more slowly, and they suffered a downturn in mid-eighties. They have, however, made considerable progress since then. China also stands out for the rapid growth in GDP per capita it has achieved since the mid- to late 1970s, mirroring the catch-up of the Asian NIEs 1. The rest of Asia (India, Pakistan, Bangladesh etc.) has witnessed modest, though progressive per capita income growth from about the same time onwards.

In contrast, Latin America and the Arab countries were the most advanced developing regions in the 1960s. Yet, since the mid-1970s these two country groups have undergone a marked retrenchment. The situation is worse for sub-Saharan Africa, which started from a far lower base in the early 1960s, and has seen its relative per capita GDP decline continously.



Source: CEPII-CHELEM

Colette Herzog

The CHELEM (Harmonised Accounts on Trade and the World Economy) is a database, providing harmonised, long term data on trade, growth and demographics, stretching back to 1967 and to 1960 for some series. The database breaks down the global economy into 53 countries/geographic regions, and 71 product categories. Also included are data on PPPs and exchange rates. The database is bilingual (French-English), very 'user friendly', and is available on CD-ROM.
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