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The EU and Emerging Markets

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Foreword

This volume is a collection of papers which were presented at the Conference "The EU and Emerging Markets" organized by the Research Institute for European Affairs and ECSA Austria at Vienna University of Economics and Business Administration on 5/6 June 2007.

The intention of this conference was to discuss the manifold aspects which evolve in the relation of the EU with emerging markets in Eastern Europe, Asia and Latin America both with trade and investment. These markets have become more and more important for the EU which is reflected in the EU's important initiatives for trade agreements with these economies.

The volume starts with the papers presented by Dominick Salvatore, Fordham University New York, and Wilhelm Kohler, University of Tübingen, in their keynote lectures. Dominick Salvatore discusses the latest developments of the EU's trade with emerging markets and shows that the EU can defend a comparative advantage vis-à-vis all its trading partners except for the Asian economies. Wilhelm Kohler presents a rigorous theoretical model which explains the activities of offshoring, i.e. the fragmentation and relocation of stages of production, by factor cost advantages and draws conclusions concerning skills, wages and employment in the domestic country.

Part 2 contains three papers which focus on the EU's relation with Eastern Europe. Martin Falk and Yvonne Wolfmayr analyse the employment and turnover effects of Austrian and German firms that invest in affiliates in Eastern Europe and conclude that investors show higher growth effects compared to non-investing domestic companies. Özlem Onaran presents an empirical investigation on the employment effects in the integrating Eastern European economies and finds that the expected employment effects are only weak. Ledyeva provides an empirical analysis of regional FDI inflows in Russia which turns out to be concentrated on big cities and regions rich in oil.

Part 3 focuses on the relation of the EU with Latin American emerging markets. Inmaculada Martínez-Zarzoso investigates the impact of transport costs, infrastructure and location on LA imports from the EU finding that improvements would increase trade by up to 30 per cent which is particularly relevant in standard product categories. Rodrigo Zeidan analyses trade patterns between Brazil

and the EU and identifies a typical North-South trade structure which has remained fairly stable over the past decade. Maria Bas and Ivan Ledezma wish to assess to which extent Chile has achieved trade integration. They find that Chile has more liberalized towards imports than have its trading partners and that liberalization is very sector specific. The paper of Martínez-Zarzoso, Nowak-Lehmann and Vollmer verifies the dominance of Ricardian trade theory in trade patterns of European countries with developing countries, among them Brazil. They examine industry level unit value costs.

Part 4 looks at the relations of the EU with Asian economies. Bernadette Andreosso-O'Callaghan and Françoise Nicolas question the complementarity of trade relations between the EU and the ASEAN economies in view of the intensified dialogue for trade liberalization between the two parties. They find that the EU has gained an important position in the ASEAN markets whereas for those economies trade relations with other Asian countries dominate by far. The second paper of this part by Hien Minh Dinh et al. describes the impressive export performance which Vietnam could watch during the past ten years. Their analysis shows that this is not only the effect of increasing world demand but also of improved competitiveness of Vietnam.

During the conference fruitful discussions evolved among the participants and it became clear that the EU is watching a big challenge by new trade patterns with emerging markets. The editor appreciates that almost all conference participants could contribute to this volume. I am indebted to Roman Puff for his assistance in organizing the conference and above all to Nurgül Özen for her secretarial work in elaborating the manuscripts.

Vienna, March 2009

Gabriele Tondl

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