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ALGUACIL MARI, M^a Teresa; BAJO RUBIO, Oscar; MONTERO MUÑOZ, Maria; and ORTS RIOS, Vicente

Is There any Causal Relationship between Exports and Foreign Direct Investment? Some Results for the Spanish Case

Abstract: The purpose of this paper is to discuss the results obtained by the authors in two recent studies conducted in the framework of co-integration analysis to ascertain the existence or otherwise of a causal relationship between Spanish exports and foreign direct investment. Despite differences in the estimation methods and variables used, the results obtained in the two studies were very similar, indicating that the two avenues of internationalisation considered are complementary to one another.

Key words: international economic relations, exports, direct investments, Spain.

JEL Classification: F21, F40.

ARTAL TUR, Andrés

Spain-Mercosur Factor Content and Trade

Abstract: The present article analyses the characteristics associated with trade between Spain and Mercosur, through an estimate of the determining factors involved. This exercise entails the application of a number of techniques used in economic analysis, based on the Heckscher-Ohlin theory. The results reveal that the Spanish economy has relatively abundant human capital as compared to Mercosur, whereas Mercosur has relatively abundant physical capital in comparison to the Spanish economy. These findings lead to a recommendation for more intense trade between Spain and Mercosur, which complements Spain's commercial relations with the European Union from the standpoint of factor content.

Key words: international trade, production factors, labour intensity, capital intensity, comparative advantage, exports, Heckscher-Ohlin model, Spain, Mercosur.

JEL Classification: F14

CABO GARCIA, Francisco José; ESCUDERO PUEBLA, Elena; and MARTIN-HERRAN, Guiomar

Growth and North-South Trade: Technology Transfer Versus Improvement of Ecosystems

Abstract: This paper studies the relationship between biodiversity and economic growth in a model covering North-South trade. The model addresses two different

scenarios in connection with the transfer of capital from North to South. In the first of these, capital transfers give rise to technological improvements that enhance the efficiency of production processes in the South; in the second scenario, in turn, these transfers are earmarked to increase the maximum capacity of the various species that the Southern ecosystem can carry. Differential game theory is used to prove the existence and optimality of development patterns involving sustained economic growth that respects biodiversity.

Key words: ecosystems, economic growth, international trade, North-South trade, sustainable development, capital transfers.

JEL Classification: C73, F43, Q20.

CLIMENT DIRANZO, Francisco J.; MENEU FERRER, Vicente; and PARDO TORNERO, Angel

Influence and Sensitivity of European Stock Exchanges

Abstract: This paper analyses the relationship between European stock exchanges and the New York and Tokyo markets in the period 1988-1998. The fact that the trading hours in these exchanges do not coincide determines the results of the correlation and regression analyses conducted on the daily performance of the market indices for each exchange. To effectively deal with this and other drawbacks, the results are contrasted with the model proposed by Peiró *et al.* (1998), which distinguishes between the influence a given market may have on others and its sensitivity, in turn, to other exchanges. The results, in local currencies, indicate that the New York exchange is the most influential, whereas the Euro zone European markets are the most sensitive, particularly in the period 1992-1998. Information flows are more intense in the most turbulent periods and when performance is expressed in dollars, Tokyo proves to be the most sensitive exchange.

Key words: international economic relations, international monetary relations, stock exchange, stockmarket indexes, exchange rate, 1988-1998.

JEL Classification: F21, F30, G15.

COLLADO CURIEL, Juan Carlos; and ALONSO CASILLAS, Elena

The Impact of the Single Currency on Spanish Production Using a Multisectoral Model

Abstract: The Fundación Tomillo Centre for Economic Studies has used its dynamic multisectoral model of the Spanish economy to simulate the impact on that economy of

the introduction of a common currency in Europe. In this regard, the single currency phenomenon is broken down into three sub-scenarios that are first analysed independently to ensure a fuller understanding of the overall results of subsequently simulating the entire process, i.e., of implementing all three together. The three components analysed are: 1) lower transaction costs, 2) financial integration, 3) implementation of fixed exchange rates in the euro zone. All the scenarios are compared to a standard scenario based on the hypothesis that the single currency does not exist. That is to say, the study analyses the effects that the single currency will have on the Spanish economy, rather than the effects of participating versus not participating in European Monetary Union.

Key words: European integration, monetary union, simulation model.

JEL Classification: E17, F02, F36.

COSTA FONT, Joan; BATALLA BEJERANO, Joan; and PONS NOVELL, Jordi

What Influence Does the “Leading Country” Wield in the Formation of a Monetary Zone? The Case of East Asia

Abstract: This paper studies the role of the size of the leading country as a determining factor for the viability of a monetary zone, from the standpoint of Optimum Monetary Zone Theory. In this regard, the authors analyse the role of the Japanese economy as the hypothetical leader of monetary union in East Asia. Drawing from recent literature, the methodology used is based on the study of the similarity of the business cycles in the countries considered as well as the application of multivariate techniques to define possible clusters of Asian countries on the grounds of an analysis of their major economic indicators.

Key words: financial cooperation, economic integration, Economic and Monetary Union, monetary policy, Japan, Asia.

JEL Classification: F33, F40.

CUADROS RAMOS, Ana; CANTAVELLA JORDA, Manuel; FERNANDEZ GUERRERO, J. Ismael; and SUAREZ BURGUET, Celestino

European Union-Mercosur Commercial Relations: Export Function Modelling

Abstract: This paper uses an export function to analyse the commercial relations between the European Union and Mercosur in the aggregate over the period 1967-1995. Such a long-term analysis reveals a stable balance between European Union exports to Mercosur and certain variables reflecting relative prices and income. The dynamic analysis shows that the

short-term fluctuations in Community exports are predictably reasonable within a pattern of long-term equilibrium.

Key words: international trade relations, exports, economic integration, EU, Mercosur.

JEL Classification: F13, F14.

DIAZ ROLDAN, Carmen

Stabilisation in a Monetary Union: Implications for Supply Policies

Abstract: This paper reviews how the member countries of a monetary union respond to asymmetric shocks when they apply supply policies. Using a simple three country model in which two of the three form a monetary union, the author analyses to what extent a co-ordinated supply policy is beneficial. Finally, the possible implications for European Monetary Union are deduced.

Key words: monetary union, production policy, adjustment mechanism, economic convergence, EU.

JEL Classification: E60, F42.

GARCIA SOLANES, José

Exchange Regimes and Economic Welfare: Application to Monetary Unions

Abstract: This paper analyses the costs in terms of welfare that a small country has to bear as a result of its participation in a monetary zone. In this regard a continuous dynamic model was formulated that adapts to both fully flexible and fixed rate (monetary union) exchange regimes. Theoretical analysis and simulation exercises reveal that when (asymmetric) shocks are of a real nature monetary autonomy (flexible exchange rates) is preferable, whereas in the event of monetary shocks the existence of a monetary union cushions the adverse consequences for welfare more effectively.

Key words: monetary union, monetary autonomy, stabilization policy, welfare.

JEL Classification: F30, F31, F33, F47.

GONZALEZ MARTINEZ, M^a Isabel; BEYAERT, Arielle; and GARCIA SOLANES, José

Interest Rate Integration and Convergence

Abstract: This paper analyses the degree of integration of French, Italian and Spanish interbank interest rates with rates prevailing in Germany, on the one hand, and with those

prevailing in the United States on the other. With respect to the German interest rate, we found evidence of dynamic convergence on the part of the French and Italian rates during the first part of the sample (until July 1990) and on the part of the Spanish rate throughout (to March 1998). In the second part of the sample, the French rate fully converged on the German rate, while the Italian rate evolved independently. Finally, no evidence could be found of convergence by any of the European rates on the rates prevailing in the United States.

Key words: international financial system, interest rate, economic integration, European integration, economic convergence.

JEL Classification: F36, G15.

MAESO FERNANDEZ, Francisco

Real Peseta- and Deutschmark-Dollar Exchange Rates After Bretton Woods

Abstract: This paper considers whether purchasing power parity exists for the peseta and Deutsch mark with respect to the dollar in the period subsequent to the departure from the Bretton Woods fixed exchange rate system, by applying a series of unitary roots. The bilateral relations between the peseta and the Deutschmark are also analysed. The purpose is to ascertain to what extent peseta performance overseas has been comparable, in real terms, to the behaviour of the Deutschmark and whether the bilateral relationship between the two currencies has been in keeping with sustained competitiveness.

Key words: exchange parity, exchange rate, competitiveness, peseta, deutschmark, dollar.

JEL Classification: C22, F31.

MANRESA SANCHEZ, Antonio and PIGEM VIGO, Mónica

Diffusion of Economic Growth Through Trade of Intermediate Inputs

Abstract: The purpose of this study is to contribute, from a theoretical perspective, to the analysis of the possible importance of inter-country trade in the dissemination of growth among the countries involved. The question addressed is whether one country's sustained growth rate can be conveyed to another via trade. A model is presented where this is possible when the countries specialise in and trade intermediate inputs. This issue is analysed in the theoretical framework of the Ventura model (1997).

Key words: economic growth, international trade, neoclassical model, exchange specialization.

JEL Classification: F11, O40.

MARIN MARTINEZ, Carmen

Real Exchange Rate and Balance of Payment Consistency Over Time: The Role of Preference for Savings

Abstract: This paper undertakes an analysis of the factors conditioning an economy's external and internal balance, to help explain the positive correlation observed between the real exchange rate and per capita GDP. The dynamic model formulated for this purpose highlights the importance of the characteristics of the growth process for the real exchange rate, in particular via the influence that growth has on the long-term current account balance. Two main conclusions are drawn: on the one hand it is found that the higher an economy's income, the lower the net outflow of resources in the steady state and, therefore, the stronger its currency. On the other, regardless of income level, the greater the preference for savings, greater is the potential to put an end to a net surplus position and, at the same time, a higher real exchange rate.

Key words: exchange parity, exchange rate, current account balance, external balance, economic growth, development level, per capita GDP.

JEL Classification: F31, F41.

MIGUEL PALACIOS, Carlos de

Fiscal Policies in Monetary Unions

Abstract: The establishment of a monetary union in Europe brings an end to a phase of uncertainty for the European economy, but poses a series of questions about its operation that will be particularly relevant during the first stage of its existence. This paper studies issues relating to the national and supranational implementation of fiscal policy, with the establishment of a fiscal federation. Aspects relating to the effectiveness of such policies are likewise analysed, along with the co-existence of tax authorities at various levels and the stabilising role of federal tax mechanisms.

Key words: monetary union, tax autonomy, fiscal policy, EU.

JEL Classification: E60, F33, H20.

MONER COLONQUES, Rafael

Export Subsidies and Delegation of Sales

Abstract: This article studies the effect of export subsidies on decisions relating to internal business organisation, namely on company decisions to appoint independent sales dealers. The model delves into the interrelations between commercial policy and

competition policy. In the context of a Brander and Spencer (1985)-type duopoly, export subsidies are shown to harmonise private and social interests: firstly, they serve to eliminate a prisoner's dilemma problem; secondly, they act as a sales incentive.

Key words: commercial policy, export subsidies, business organization, sales organization, theoretical analysis.

JEL Classification: F12, L22.

MORENO JIMENEZ, Bernardo; and TORRES CHACON, José L.

Economic Unions and Production Subsidies

Abstract: In this article the authors analyse production subsidy policy in the context of an economic union. To do so they assume an economic union consisting of two producing countries and one consumer country, with a common economic authority that sets the same level of subsidies for both producers. Where companies bear the same costs, the optimum production subsidy is always positive. When costs are asymmetrical, however, the optimum subsidy may be negative (a tax) when the inverse demand function curve is concave. Such a policy prompts changes in efficiency levels if the inverse demand function is non-linear. Moreover, the economic union formed by the three countries is shown to enhance overall welfare compared to the pre-union state if the producing countries have sufficiently similar efficiency levels. If the difference in competitiveness is sufficiently high, the only stable coalition is the alliance between the consumer country and the most efficient producing country.

Key words: economic and monetary union, subsidies, consumer countries, producing countries, economic efficiency, Paretian optimum, social welfare.

JEL Classification: F33, H20

PALUZIE I HERNANDEZ, Elisenda

Economic Integration, Industrial Location and Regional Inequalities

This article analyses the effects of commercial policies on the pattern of regional inequalities within a State. The theoretical explanatory model used — a variation on the Krugman-Venables model for economic geography — shows that commercial liberalisation increases regional inequalities. Two circumstances inspired the construction of this model, namely: the existence of a pattern of acute geographic inequalities during the Spanish industrialisation process and the growth of such inequalities after Spain's entry in the EU in 1986.

Key words: commercial policy, economic integration, trade liberalization, regional imbalance, industrial location, historical analysis, Spain.

JEL Classification: F12, F15, R12.

PEREZ DE GRACIA HIDALGO, Fernando, and CUÑADO EIZAGUIRRE, Juncal

What Non-European Country Determines the Real EMU Interest Rate?

Abstract: The purpose of this paper is to analyse the degree of financial integration existing in the European Monetary Union on the basis of the relationships between member countries' real interest rates. In order, furthermore, to determine the degree of economic interdependence between the United States, Japan and the European Economic and Monetary Union, the authors study the relationships between interest rates in these three major economic areas over the period 1990-1997. This entails previously estimating the real interest rate for the European area using a number of statistical techniques. Once the overall interest rate is estimated for the area, a convergence analysis is conducted to determine to what extent the estimates made reflect the overall behaviour of interest rates in the EMU. Finally, a study is run to ascertain which non-European country – the United States or Japan – determines the interest rate associated with EMU.

Key words: international financial system, European integration, interest rates, economic convergence, UME, EU, United States, Japan, 1990-1997.

JEL Classification: E43, F36.

SOSVILLA RIVERO, Simón; ANDRADA FELIX, Julián; and FERNANDEZ RODRIGUEZ, Fernando

Profitability of Technical Analysis in Foreign Exchange Markets and Central Bank Intervention

Abstract: This paper presents new empirical evidence on the positive correlation between returns from technical trading rules in foreign exchange markets and periods of central bank intervention. In this regard, the authors evaluate the profitability of a trading strategy based on nearest-neighbour predictors, non-linear predictors that may be regarded as a generalisation of the graphic methods widely used in financial markets. The data used are the daily U.S. dollar-German mark and U.S. dollar-Japanese yen exchange rates for the period running from 1 February 1982 to 31 December 1996. The results suggest that excluding the days when the American monetary authorities intervened on the markets leads to a substantial decline in profitability, with a steeper drop for operations involving marks than in transactions with yens.

Key words: foreign exchange market, central bank, financial intervention, exchange rate.

JEL Classification: C53, F31.