

Gianmarco I.P. Ottaviano and Thierry Mayer

EFIM2008 – THE COMPETITIVENESS OF EUROPEAN FIRMS IN THE EURO AGE

Key question:

Does the Euro make European firms fitter for global competition?

Background:

Standard analyses of the microeconomic effects of the Euro focus on its effects on aggregate trade and FDI flows. Ex ante both effects were expected to be large. In particular, some analysts went as far as predicting a 35 per cent increase in trade within the euro area. After ten years since its launch, such a large impact of the Euro is still hard to spot in aggregate data. At the same time, also the impact on trade flows between euro and non-euro EU countries has been subdued.

The aim of the present project is to move one step further starting from the idea that the focus on aggregate trade and FDI flows is seriously limited when the aim is to assess the ex post impact of, and benefits from the euro. The reason is that, as pointed out by the so-called ‘new trade theory’, trade and FDI flows are an imperfect measure of the potentially large gains that the euro may have created in terms of lower prices and higher productivity, both due to tougher and more transparent international competition.

With a growing recognition that such price and productivity gains can be uncovered only by moving from the sectoral to the firm levels of analysis, under the coordination of Bruegel and CEPR, eight research centers from eight EU countries have agreed to create a network working on firm-level trade and FDI data. The network is called EFIM after its central research theme: the internationalization of European firms.

Teams:

Gianmarco I.P. Ottaviano, University of Bologna for Bruegel, and Thierry Mayer, University of Paris I for CEPR, are in charge of coordination.

The partners are CEPII (France), the Hungarian Academy of Sciences (Hungary), the National Bank of Belgium (Belgium), the University of Milan (Italy), the University of Oslo (Norway), Nottingham University (U.K.), Stockholm University (Sweden) and the University of Tübingen (Germany).

The leaders of the eight teams are: Lionel Fontagnè, CEPII; László Halpern, Hungarian Academy of Sciences; Mauro Pisu, National Bank of Belgium; Giorgio Barba Navaretti, University of Milan; Karen Helene Ullveit-Moe, University of Oslo; Holger Gorg, Nottingham University; Karolina Eckholm, Stockholm University; Claudia Buch, University of Tübingen.

Duration:

October 2007 – October 2008

Deliverables:

The project will have two types of outputs:

- Eight background papers
- One final report

They will be presented and discussed at two public events: an intermediate workshop for the background papers and a final conference for the report.