

European
Firms
In a
Global
Economy



Introducing EFIGE

Bank of Spain 03.06.2009



EUROPEAN
COMMISSION



SEVENTH FRAMEWORK
PROGRAMME



What is EFIGE?

EFIGE stands for « European Firms In a Global Economy: Internal policies for external competitiveness ».

It is a research project funded under the Seventh Framework Program (FP7).

FP7 is the EU's chief instrument for funding research over the period 2007-2013.

EFIGE Budget: € 3 mln (€1.6 for survey, € 0.48 from UniCredit).



Participants

Partner	Associate partner	Country
Bruegel	Bank of Belgium	Belgium
Carlos III	Bank of Spain	Spain
CEPII	Bank of France	France
CEPR		UK
IEHAS		Hungary
IAW	Federal Bank of Germany	Germany
Ld'A	Bank of Italy	Italy
	OECD	International
Unicredit		Italy



Motivation

- Nations do not produce, do not trade, do not compete; it is firms that produce trade and compete.
- This simple truth makes it clear that understanding the firm-level facts is essential to good policy making.
- Firm-level analysis should complement the policy making toolbox in Europe.
- However, currently we do not have harmonized statistical information on European firms.



Motivation (cont.)

- Why is harmonized statistical information important?
- Because it reveals facts that are simply unobservable at the aggregate level but determine aggregate economic performance.
- Some examples follow taken from “The Happy Few”, our report issued in 2007 and covered by prominent newspapers and magazines (e.g. Business Week, Financial Times, Le Monde, Newsweek, Sole24Ore, The Economist).



Some facts from “The Happy Few”:

A. Superstar exporters

- *Aggregate exports are driven by few top exporters.* The top 1%, 5% and 10% exporters account for no less than 40%, 70% and 80% of aggregate exports.
- *Few firms export a large fraction of their turnover.* Around 5% and 25% of firms export more than 90% and 50% of their turnover and account for roughly 10% and 70% of total exports.
- *Top exporters export many product to many locations.* Firms exporting more than ten product to more than ten markets account for more than 75% of total exports.



Some facts from “The Happy Few”:

B. The talent of the superstars

- *Multinationals perform better than exporters and these perform better than non exporters.* Exporters are generally bigger, more profitable, more capital intensive, more productive and pay higher wages than non exporters. In terms of the same measures, multinationals perform better than exporters.



Scientific objectives of EFIGE

- 1) To investigate the interactions between the strategic decisions of European firms determining their international competitiveness.
- 2) To study the feedbacks between the ability of firms to compete in foreign markets and their reliance on local as well as global production networks.



Scientific objectives (cont.)

- 3) To identify the bottlenecks to internationalisation stemming from firm size, innovation, access to financial markets, governance and organisational modes, the skill composition of the labour force, regional characteristics.
- 4) To understand the impact of European integration on the external competitiveness of European firms with a special focus on the effects of the single currency on firms' trade and production decisions.
- 5) To understand the impact of the crisis on the internationalisation of European firms and the European integration



Tool of analysis: EU survey data collection

- General information, such as company ownership and control;
- business groups;
- workers employed in the firm;
- investment, technological information and related financing;
- research and development, innovation and training activities;
- export and internationalisation processes;
- market structure and competition;
- financial structure and bank-firm relationship;
- public benefits or industrial policy incentives used by firms.

Representative sample of firms in each of 7 countries (A, D, E, F, H, I, UK)



Policy relevance

- EFIGE project will make it possible to explore how different national policies and regulatory systems affect firms' characteristics, performance and international competitiveness;
- Success stories can be identified suggesting lines along which both national and EU-wide policies can be designed to remove the bottlenecks that prevent Europe from reaping the potential gains from the successful internationalisation of its firms.



“Workpackages” targeting the bottlenecks

- Size, productivity and internationalisation;
- Firm organisation and internationalisation;
- The geographical scope of internationalisation;
- Skills, tasks and internationalisation;
- Innovation and internationalisation;
- Financial constraints to internationalisation;
- Internationalisation and the euro.



E.g. Access to **finance and credit** and international performance

■ **Actions**

- Analyze the link between the financial structure of the firm (debt vs. equity vs. innovative products) and international activities
- Examine whether credit constraints hinder access to foreign markets
- Link between global firms and global banks



E.g. Access to **finance and credit** and international performance (cont.)

■ Policy

- Financial market integration: does it make internationalization of markets and production easier?
- Would harmonized cross-border banking regulation favor the link between cross border banks and global firms?
- Financial market regulation and cost of using innovative financial instruments
- Trade finance and the collapse of international trade trade ...



Thank you for your attention

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