



European
Research Area

EUROPEAN POLICY BRIEF

European
Firms
In a
Global
Economy



EFIGE: European Firms in a Global Economy: internal policies for external competitiveness

Ongoing project

SUMMARY

Objectives of the research

European Firms in a Global Economy (EFIGE) is a project led by Bruegel, the international economics think tank, in collaboration with seven other research institutions. The project analyses the pattern of internationalisation of European firms, a key aspect for European countries, as their chances to grow, prosper and provide well being to their citizens, rest on the ability of their firms to become successful traders and producers in foreign markets.

EFIGE will provide a comprehensive map of the global operations of European firms, an area where evidence this far had been based on partial and hardly comparable national data.

Scientific approach / methodology

Theoretical research is strictly interconnected with empirical analysis. The project generates new data through matching existing firm-level datasets and by supplementing their limitations through original coordinated data collection. It combines in-depth country analyses and policy reports with the overarching cross-country studies of specific issues wherever possible.

New knowledge and/or European added value

Through the creation of a yet unavailable harmonized cross-country firm-level dataset, EFIGE makes it possible to explore how different national policies and regulatory systems affect firms' characteristics, performance and international competitiveness. It will finally be possible to carry out consistent cross-country analyses, which is currently impossible for the EU due to lack of comparable statistical information.

Key messages for policy-makers, businesses,

Identifying and measuring bottlenecks for the competitiveness of European firms are of great importance to the competitiveness of the EU's economy, and should, accordingly, have a large impact in



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**trade unions and
civil society actors**

academic, policy making and business circles. It also takes an interest in policy measures that can affect the determinants of competitiveness, and takes an original approach to study how obstacles to performance might, in fact be caused by national problems, at least as much as by traditional barriers to international trade or investment.

Objectives

The chances of European countries to grow, prosper and provide well being to their citizens rest on the ability of their firms to become successful traders and producers in foreign markets within and outside the EU. With a clear focus on defining adequate and effective policy measures, it looks at the broad factors constraining or enhancing companies' foreign operations, like growth in size and productivity; type of ownership and corporate governance; access to financial markets; innovation; the macroeconomic environment.

Understanding the interaction between globalisation and the European economy requires an in-depth analysis of how firms are coping with this challenging environment and particularly how they are reorganising their international activities in the internal market and outside Europe. Looking at firms is an extremely fruitful approach to understand the broader picture, how globalisation affects the overall European economy and the welfare of European citizens. The reason is that much of the adjustment does not run only between sectors and increasingly both winners and losers from globalisation can be found also within sectors. This intra-sectoral dimension is quite a conundrum for the standard analysis of trade specialisation, which traditionally sets industries and the characteristics of their production processes at the core of the international division of labour. It therefore entails collecting new data and pushing ahead the boundaries of research to provide innovative tools for sound policy making, which is the final aim of this project.

Scientific objectives

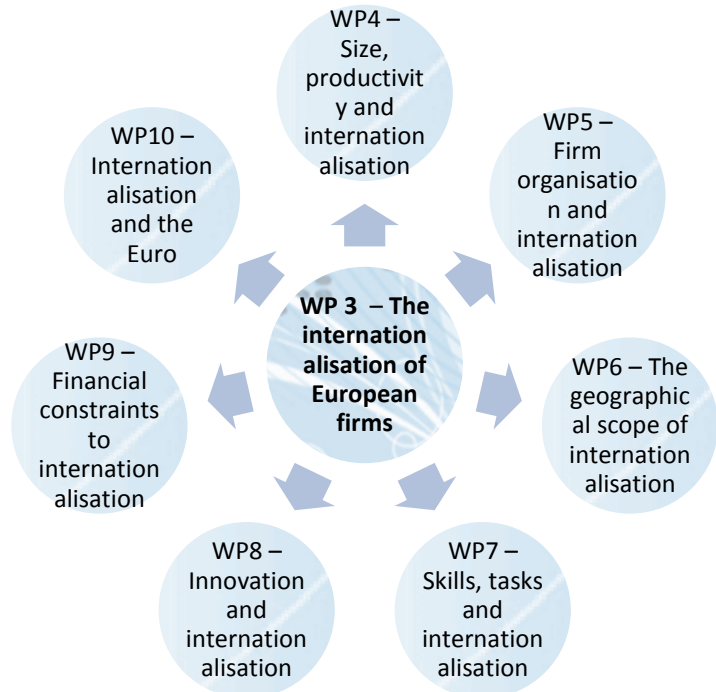
- Investigate the interactions between the strategic decisions of European firms determining their international competitiveness.
- Study the feedbacks between the ability of firms to compete in foreign markets and their reliance on local as well as global production networks.
- Identify the bottlenecks to internationalisation stemming from firm size, innovation, access to financial markets, governance and organisational modes, the skill composition of the labour force, regional characteristics.
- 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.

Methodology/scientific approach

The project is composed of 10 Work Packages (WP), with the two first ones focusing on management and dissemination. The core of the research project is in WP4 to 10.

WP3 provides a detailed assessment of the internationalisation patterns of European firms in seven country reports and one cross-country report including descriptive information (Austria, France, Germany, Hungary, Italy, Spain and the UK). This evaluation is made possible through a unique dataset built up on a survey, compiling both qualitative and quantitative information on a sample of firms through a detailed questionnaire containing more than 150 items related to the operations of international firms. In order to ensure standard statistical representativeness of the collected data, around 3,000 firms for large countries (Germany, France, Italy, Spain and the UK), and 500 firms for smaller countries (Austria and Hungary), were surveyed.

By adopting, adapting and extending the cutting-edge tools of related frontier research in theoretical and empirical economics, the other six work packages are build on the data gathered and the patterns highlighted in WP3 to investigate major issues for research and policy in six interrelated areas:



New knowledge and EU value added

An important contribution of WP3 is the creation of an original cross-country dataset based on harmonised surveys run in the seven selected countries. This stage was achieved in July 2010. This makes the project a pioneering endeavour in systematic cross-country firm-level data collection in Europe that could become a turning point in applied research and policy-making on internationalisation issues.

The project is aimed at addressing the internationalization and competitiveness challenges by generating new data through an original coordinated set of data.

Researchers will benefit from the unprecedented availability of a cross-country representative sample of some 16, 000 firms in which both quantitative and qualitative aspects of their internationalisation activities are set out, together with other structural characteristics of firms such as organisation, job composition, innovation activities, finance and market strategies. The latter will allow for an ability to test a broad range of existing economic theories as well as deriving original and new policy implications for Europe and European business.

**Key messages for
policy-makers,
businesses,
trade unions and
civil society actors**

Because it draws on concrete, individual firm-level evidence, and will lead to new insights into the determinants of performance on international markets, FIGE research has the potential to change the way policymakers envisage competitiveness policies in the same way evidence based on individual data has changed the way they envisage labour market and welfare policies.

The main questions addressed by the project are: What are the features of European firms that successfully compete in international markets? To what extent do they contribute to productivity and employment? Does access to foreign market enhance firm performance through a learning process? Why are some countries more successful in international trade and FDI? What are the policies that can improve a nation's foreign trade performance? Does integration within the Single Market foster productivity improvements? Has the euro led to a wider participation of firms in cross-border business? What policies can promote the participation of other European firms that are currently excluded from international markets? What are the gains and the adjustments involved in reducing barriers to trade and foreign direct investment (FDI)? What policies can best maximise gains and smooth adjustments?

PROJECT IDENTITY

7

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Consortium	Universidad Carlos III de Madrid (Carlos III) Centre for Economic Policy Research (CEPR) The Institute of Economics of Hungarian Academy of Sciences (IEHAS) Institute for Applied Economic Research (IAW) Centro Studi Luca d'Agliano (Ld'A) Unicredit (Unicredit) Centre d'Etudes Prospectives et d'Informations Internationales (CEPII)
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Website	http://www.efige.org
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