





CENTRO STUDI LUCA D'AGLIANO

Report to the  
Scientific Advisory  
Board

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2007-2008

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# 1. Luca d'Agliano and the Centro Studi

## Luca d'Agliano

Luca d'Agliano was born in Turin on July 4, 1961. At the end of the first year of classical high school at the Rosmini Institute in Turin, he decided to finish his secondary education under the provisions of the Sevenoaks International Baccalaureate Programme.

In September 1980, he went up to Churchill College, University of Cambridge, where he read philosophy and then economics under Margaret Bray and Frank Hahn. On taking his Bachelor of Arts degree in 1983, he was awarded a scholarship by the Fondazione Luigi Einaudi, Turin, and was admitted to St. Antony's College, University of Oxford. Here, under the guidance of Amartya Sen, he studied questions relating to developing countries and welfare economics, concentrating mainly on the analysis of collective agriculture systems and the conflict, typical of such systems, between the ethical value of collective production and the pragmatic need to give individuals the incentive to produce.

In Luca d'Agliano's vision: "...economics [is] to be continually carried over into practical applications. [...] For this substantially ideological reason, it becomes important to combine the [...] study of purely theoretical matters with the study of the problems afflicting the developing countries in their struggle against poverty [...]".

Luca d'Agliano lost his life in a road accident in June 1984.

## Centro Studi Luca d'Agliano

Centro Studi Luca d'Agliano (LdA) was founded in Turin in 1986 and it is currently located at Fondazione Luigi Einaudi in Turin and at the Department of Economics of the University of Milan.

LdA is a non-profit research institution contributing original research in the field of international and development economics. LdA carries out its activities in collaboration with major international and Italian research institutions and it works through a network of researchers worldwide. Although LdA's main focus is academic research, it also contributes to the policy debate, working for institutions like the World Bank, the European Commission, the United Nations and the Italian Government.

LdA is especially keen in encouraging young scholars to undertake research in development and international economics. It supports Italian students in their post-graduate studies abroad by awarding scholarships, prizes and research grants. It also funds foreign post-doctoral fellows to carry out research at its premises.

LdA regularly organises conferences and seminars and it publishes one of the leading working paper series in development economics.

## 2. Research areas at Centro Studi Luca d'Agliano

Research at Centro Studi Luca d'Agliano is organised around three main areas: Poverty and Micro-economic Institutions in Developing Countries, Migration, Firms and the International Market. Within each of these areas, LdA carries out a number of projects in cooperation with various research partners and funding institutions. Table 1 provides an outline of the research projects active in 2007 – 2008 and the corresponding partners.

**Table 1: Research areas, projects, research partners and funding institutions at LdA**

Poverty and Development	<b>COORDINATOR</b>		
	Mariapia Mendola		
	<b>PROJECTS</b>		
	Poverty and Micro-economic Institutions in Developing Countries		
	<b>RESEARCH PARTNERS</b>		
	The World Bank; University of Milan; Eduardo Mondlane University in Maputo		
	<b>FUNDING INSTITUTIONS</b>		
	The World Bank; Compagnia di San Paolo; Institutional funding		
Migration	<b>COORDINATOR</b>		
	Giovanni Facchini		
	<b>PROJECTS</b>		
	Sustainable Development in a Diverse World (SUS.DIV)	Transnationality of Migrants (TOM)	Migration and Mobility of Tasks: The internationalisation of the Firm
	<b>RESEARCH PARTNERS</b>		
	CEPR; London School of Economics; Université Libre de Bruxelles; University College London; University of Geneva; University of Rome "Tor Vergata"; University of Turin; University of Latvia; Catholic University of Louvain; Hamburg Institute of International Economics; FIERI; Institute for Employment Research; Fondazione ENI Enrico Mattei		
	<b>FUNDING INSTITUTIONS</b>		
	The European Commission; Compagnia di San Paolo; Fondazione CRT		

Firms and the International Market	<b>COORDINATORS</b>				
	Giorgio Barba Navaretti, Gianmarco Ottaviano				
	<b>PROJECTS</b>				
	The International Activities of the Firm: Modes and Competitiveness (FIRB, EFIM)	Trade Preferences and the Role of Institutional Quality in Economic Integration (TRARIQ)	European Firms in a Global Economy: Internal Policies for external Competitiveness (EFIGE)	Impact of Networks, Globalisation and their interaction with EU strategies (INGINEUS)	Globalisation, Investment and Services Trade (GIST)
	<b>RESEARCH PARTNERS</b>				
	University of Milan; Fondazione Debenedetti; Paris School of Economics; Institute for Applied Economic Research; ICE; Csil; University of Turin; University of Bologna; University of Florence; University of Bari; Bruegel; CEPR; Hungarian Academy of Sciences; University of Nottingham; Stockholm University; The National Bank of Belgium; University of Oslo; Universidad Carlos III de Madrid; CEPII; Fondazione Eni Enrico Mattei; Centro de Desenvolvimento e Planejamento Regional; Graduate University of the Chinese Academy of Science; Copenhagen Business School; Institute for Baltic Studies; German Development Institute; Centre for Development Studies; International Institute of Information Technology; Norwegian Institute for Studies in Innovation, Research and Education; Human Sciences Research Council; University of Pretoria; University of Lund; University of Sussex; Organisation for Economic Co-operation and Development, Development Centre; Kepler University of Linz; WIIW Vienna; University College Dublin; Centre National de la Recherche Scientifique, University of Ljubljana				
	<b>FUNDING INSTITUTIONS</b>				
	The European Commission, The Italian Ministry of Research; Telecom Italia; Unicredit; Turin Chamber of Commerce				

## 3. Poverty and development

### 3.1. Main findings

LdA has been working in this area by carrying out academic research on the micro-economic determinants of poverty and inequality, with a special attention to the role of labour migration and informal institutions in the development process. A primary emphasis is also given to poverty measurement and monitoring, as well as to the analysis of inequality of income and opportunity.

Research work on migration sheds light on the contribution that migrants make to economic development in the home country, pointing out that heterogeneous migration constraints lead to both the exclusion of poor people from this global process and asymmetric migration effects on the economic decisions taken by people left behind. Overall, findings raise questions on the local factors that generate and sustain different forms of migration, factors which in themselves may foster or hinder economic development in source communities. Work on inequality showed that in a low-income country such as Nepal, characterized by a strongly stratified social structure and by very diverse geographical conditions, inequality of opportunity is reduced more by equalization in the distribution of infrastructures than by equalization of individual socio-economic background variables, such as parental education. Inequality of opportunity is also found not to have decreased substantially between 1995-96 and 2003-2004.

### 3.2. Projects

Many research works are based on large household surveys or micro-data sets from a number of developing countries in Africa, Asia, and East Europe. In addition, the unit is engaged and interested in fieldwork-based research, involving international collaborations with research institutes in both developed and developing countries. A recent major project involved the collection of an original household survey in Mozambique. Seminars and conferences are organised in this area, with the key objective to promote discussion of scientific works in development economics and encourage interactions between senior and younger researchers and Ph.D. students.

### 3.3. Research output

#### Household survey in Mozambique

*Mariapia Mendola* and *Juan Miguel Gallego Acevedo* have been working on a research project on the micro-economics of labour migration in Southern Mozambique. The project involved a fieldwork study and the collection of first-hand data through a household survey carried out in summer 2008, in collaboration with the Eduardo Mondlane University in Maputo. International migration of Mozambicans, mostly to South Africa, is a long-lasting widespread phenomenon, but little is known on its dimension and implications, in terms of opportunities and limitations for both migrants and people left behind. Taking the trans-national family or kinship group as the



unit of analysis, the general project framework aims at helping to understand some of the more contentious impacts of migration, such as investment, educational, health and gender effects on people left behind. The specific objective of the project is the investigation of a large set of implications that migration may have in shaping the informal structure of village economies at origin. This is of interest in order to understand the local institutional transformations that take place during the process of development.

The household survey has been conducted in Southern Mozambique, where migration flows to South Africa are more significant. A representative sample of 1000 households in 42 Communities (both urban and rural) in 4 Districts (Manhica, Magude, Chokwé, and Chibuto) of 2 Regions (Maputo and Gaza) has been selected. Four survey teams have been put together (one for each District), for a total of 20 people, including interviewers and supervisors, working on the data collection. This project is part of a broader effort of the research unit to contribute to the scientific understanding of the multi-level causes and consequences of out-migration from developing countries. We do so by focusing on an under-researched low-income country such as Mozambique, where little is known on the migration-development nexus while the historical linkage with the South African labour market and the regional integration process are now threatened by xenophobia at destination.

### **Socio economic integration of immigrants in the host country**

*Mariapia Mendola* has also worked on some aspects of migration and socio-economic integration of immigrants in the host country. In “Social Determinants of Labour Market Status of Ethnic Minorities in Britain” *Mariapia Mendola* and *Martin Kahanec* have studied the way various network-based social ties influence employment outcomes of immigrant minority groups in the British labour market. By using detailed micro-data on multiple-origin ethnic minorities, they shed light on the role of ‘strong’ and ‘weak’ social ties in shaping self-employment or wage sector employment choices of immigrants. Most importantly, they show that ‘ethnic networks’, measured by interactions between individuals of the same ethnicity, are positively associated with the likelihood to be self-employed, while engagement in ‘inter-ethnic’ social networks facilitates paid employment. These findings hint at a positive role of social integration in the host society on labour market outcomes of ethnic minority groups in developed economies.

### **Health care systems and poverty alleviation in the Western Balkans**

In a different development project, *Mariapia Mendola* has been looking at the role of health care systems in generating or alleviating poverty in the Western Balkans. In “The Impoverishing Effect of Adverse Health Events: Evidence from the Western Balkans” *Mariapia Mendola*, *Caryn Bredenkamp* and *Michele Gragnolati* have used data from household surveys to examine the relationship between health status, health care utilization, out-of-pocket payments and poverty in Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo. Most of these transition economies have either initiated or are contemplating reforms of the health sector and this paper is informative on the effect of health expenditures on household poverty, and the extent to which such payments act as a barrier to health care utilisation.

### **Poverty and social impact assessment in Serbia**

In cooperation with the World Bank, *Angelica Salvi Del Pero* is conducting a Poverty and Social Impact Assessment (PSIA) for the privatization of the Resavica Coal mine in Serbia. The PSIA consists of an ex-ante evaluation of the foreseen impact of the restructuring on the Resavica employees and the local communities, through data collected ad-hoc among the Resavica employees and among private firms in the communities where the mining company operates. Preliminary results show that Resavica employees are not poor compared to their local communities, but most workers think that their qualifications would not enable them to find another employment. At the same time, the employer survey shows that the majority of the local private employers expect to increase their workforce and that the qualifications they seek for are fairly consistent with the qualifications of the Resavica employees.

### **Inequality of opportunities and inequality of Income in Nepal**

*Angelica Salvi Del Pero* also conducted a study on inequality of opportunity, developing a parametric procedure to estimate the portion of income inequality attributable to differences in opportunities by taking advantage of the properties of panel data estimators. The proposed procedure has been applied to Nepal, where inequality of opportunity is found to be greater among wealthier households and reduced more by equalization in the distribution of infrastructures than by equalization of individual socio-economic background variable. Inequality of opportunity is also found not to have decreased substantially between 1995-96 and 2003-2004. A companion paper provides a review of the empirical work on inequality of opportunity.

### **Review of household data in Sub Saharan Africa**

In cooperation with the World Bank, *Salvi Del Pero* and *Giovanna Prennushi* completed a review of the household survey data available in Sub-Saharan Africa, providing a comprehensive description of comparable consumption aggregates and poverty lines and providing an analysis of the trends in poverty and inequality for seventeen Sub-Saharan African countries in the 1990s and 2000s.

### **Investment Climate in India**

*Salvi Del Pero* was also part of the World Bank team working on the India Investment Climate Assessment that will be released by the World Bank in 2008. As part of the team, *Salvi Del Pero* analyzed data from the firm-level Investment Climate Surveys, to identify the major obstacles in the investment climate that hamper the performance of firms in the manufacturing, ICT, and retail sectors in India. The work output will be published by the World Bank as a stand-alone publication.

## **3.4. Conferences and other events**

The first two editions of the “Riccardo Faini Doctoral Conference on Development Economics” were held in 2007 and 2008, at the conference venue of the University of Milan at Palazzo Feltrinelli in Gargnano. This conference series was started in 2007 in memory of Riccardo Faini,

who contributed immensely to the diffusion of development studies in Italy and to the scientific programme of the Centro Studi. The aim of this initiative is to bring together Ph.D. students working on development in an intensive two days interactive event. Participants, both from developing and advanced countries, present their work, and benefit from discussion also with LdA research staff and other academics.

### **First Riccardo Faini Doctoral Conference**

The First Riccardo Faini Doctoral Conference was organised on September 13<sup>th</sup> - 15<sup>th</sup> 2007 by the Centro Studi Luca d'Agliano, jointly with the University of Milan and Bocconi University. The scientific committee was composed by *Eliana La Ferrara* (Bocconi University), *Mariapia Mendola* (LdA and University of Milan Bicocca) and *Giovanna Prennushi* (LdA and The World Bank) and the keynote speaker was *Jaime de Melo* (University of Geneva, CERDI and CEPR).

### **Second Riccardo Faini Doctoral Conference**

The Second Riccardo Faini Doctoral Conference was held on September 7<sup>th</sup> - 9<sup>th</sup> 2008 and was jointly organised by the Centro Studi Luca d'Agliano, and the Departments of Economics of the University of Milan and the University of Milan Bicocca. The organising committee was composed by *Sonia Bhalotra* (University of Bristol), *Silvia Marchesi* (University of Milan Bicocca) and *Mariapia Mendola* (LdA and University of Milan Bicocca) and the keynote speaker was *Dean Karlan* (Yale University, Innovations for Poverty Action and M.I.T. Jameel Poverty Action Lab).

## **3.5. Research team, research partners and funding institutions**

Researchers working in the area in 2007 and 2008 are Mariapia Mendola, Angelica Salvi del Pero, Giovanna Prennushi, Juan Miguel Gallego Acevedo, and Valeria Groppo.

Research partners in this area's projects are the World Bank, the University of Milan, and the Eduardo Mondlane University in Maputo. Research in the area has been funded by the World Bank, by institutional funding and by Compagnia di San Paolo.

## **3.6. Work Programme for 2009-2010**

Future activities in the area include the analysis of the Mozambican survey database, which is currently under the processing stage, and the dissemination of main outputs and results. The research agenda includes the analysis of the role of labour out-migration in re-shaping the informal structure of village economies at origin, by affecting non-market transactions and social protection through social networks. The survey provides also scope for the analysis of the response of migrants to the rise of xenophobia at destination, which is of interest for addressing present and future migration policy issues in Southern Africa. The household survey has a framework around which a follow-up survey can be generated, by re-interviewing the same households of the initial survey in two year time. The generation of a panel data would permit a more accurate investigation of unexplored connections between labour mobility and the dynamic transformations that occur during the process of economic development.

## 4. Migration

### 4.1. Main findings

The study of the economics of international migration is one of the main focuses of LdA research activity. In particular in the past two years, LdA fellows have been working on two themes:

- the political economy of immigration policy
- the link between international trade, outsourcing and international migration.

To understand how migration policies are shaped, our work has started by analysing *individual attitudes towards immigration* in the receiving countries, and how they are influenced by labour market competition and by the presence of a redistributive welfare state. We have found that both channels matter and that, on average, individuals expect the welfare state to adjust to growing immigration through changes in the level of fiscal pressure.

Importantly, in a modern democracy, individual attitudes should be key drivers of actual policies. As a result, our next step has been to investigate *the link between attitudes towards immigration and the actual policies implemented*. Although we find that attitudes play an important role, i.e. countries where the population is more anti-immigration tend to implement more restrictive policies, our data suggest that attitudes alone cannot explain the size and composition of the actual immigration flows.

We have thus turned our attention to the *role played by pressure groups*. In an ongoing project, we find strong evidence supporting the view that lobbies exert a significant influence in the shaping of immigration policy in the United States. Interestingly, lobbies turn out to have an efficiency enhancing effect, i.e. broadly speaking they tend to make the actual policies closer to the efficiency enhancing outcome.

LdA is also at the forefront of the research exploring the link between *migration, FDI and offshoring*. Several papers have shown that these flows are related both at the aggregate and at the micro level.

Of course, there are several factors affecting this link, both in developing and developed economies. One is *the endowment of human capital*: both migration and FDI flows are strictly intertwined to the brain drain issue. Research at LdA finds that although foreign capital inflows enhance the incentive for investing in domestic human capital in less developed countries, by creating job opportunities for skilled individuals, this virtuous circle could be undermined by the emigration of highly educated individuals.

However, skilled migrants are found to have a long term positive feedback effect on inward FDI and capital accumulation through *network externalities*, which are indeed mainly associated to the skilled diaspora.

The link between migration and offshoring can also be observed at the *firm level*, as both are channels to internationalise production. Research finds that there is a negative and significant correlation between the decision to transfer production abroad and hiring migrants. This choice appears to be driven by firms' heterogeneity, in that, other things equal, the most productive

firms move their activities to foreign countries, whereas the least productive ones hire a larger share of foreign, mostly unskilled workers.

This finding raises important policy issues as measures affecting migration flows indirectly also concern the decision to offshore and *vice-versa*. There is therefore important scope for *coordinating migration and FDI policies* and this is especially obvious if we look at the international regulation of service provisions through the mobility of people or activities. Research finds that while intra-EU and external liberalization processes are both slow and controversial in the services field, their parallel evolution suggests that progress towards efficient integration of markets and policies is possible if synergies between internal and external legal instruments are suitably exploited.

## 4.2. Projects

### Transnationality of Migrants

The first one is an EC-6<sup>th</sup> Framework Programme Marie Curie Research Training Network on “Transnationality of Migrants (TOM)”, which involves all the major European institutions carrying out research in this area. The network includes the University of Rome "Tor Vergata"; Centre for Economic Policy Research; Université Libre de Bruxelles; Forum Internazionale ed Europeo di Ricerche sull'Immigrazione; Institute for Employment Research; Centro Studi di Politica Internazionale; Université Catholique de Louvain; Centre for Economic Performance, London School of Economics and Political Sciences; Université de Genève; Institut National d'Etudes Démographiques; University College London; Hamburg Institute of International Economics; Centre for European and Transition Studies, University of Latvia; University of Turin.

The aim of the research project is to mobilise scholars from different disciplines to better our knowledge on the crucial contribution that foreign migrants make to the social and economic linkages between countries. Using an interdisciplinary approach, it focuses on the enduring ties that migrant communities maintain with their home country, even when they begin to integrate in the host country. The aim is to create innovative methodological approaches to the study of international migration. With this the project also aims to contribute to the public debate on migration and its socio-economic consequences.

Work on this project at LdA is coordinated by Giovanni Facchini. Within this project, LdA has hired during the academic year 2007-2008 four researcher. One of them, Anna Maria Mayda, is an experienced researcher; she is assistant professor at Georgetown University and holds a PhD from Harvard University. The other three are stage researchers: Juan Miguel Gallego Acevedo, who is completing his PhD in Economics at the Toulouse School of Economics, Max Steinhardt, who is working on his doctoral thesis at the Hamburg Institute for International Economics, and Raluca Prelipceanu, a PhD student in Economics at the University of Paris - Panthéon Sorbonne.

### Sustainable Development in a Diverse World (SUS.DIV)

The second one is an EC-6<sup>th</sup> Framework funded research network of 35 partners on "Sustainable Development in a Diverse World (SUS.DIV)", coordinated by the Fondazione Eni Enrico Mattei

(FEEM), Milan, and of which LdA is part. The main objective of the project is to create a “Network of Excellence” integrating European research capabilities across disciplines and countries in order to provide European society and policy with the instruments and tools for managing cultural diversity as a key element of a new strategy for sustainable development. Several recent works have highlighted how cultural diversity (e.g. different ethnical groups within a given geographic space) may enhance growth. LdA has contributed to the research activities of this network by looking at the importance of diversity on international factor flows. We have considered both migration and capital flows, and their interaction.

Work on this project at LdA is coordinated by Giorgio Barba Navaretti and Giovanni Facchini. The team members who have been contributing to LdA research output include Anna Maria Mayda, Miriam Manchin, a postdoctoral researcher at LdA and Lecturer at the University College London, Gianfranco de Simone, a postdoctoral research at the University of Milan, Cecilia Testa, a Lecturer at the Royal Holloway College and Mariapia Mendola, an Assistant Professor at the University of Milan Bicocca.

### **Migration and Mobility of Tasks: The Internationalisation of the Firm**

The last project, “Migration and Mobility of tasks: the internationalisation of the firm” is the continuation of previous work carried out under the project “Mobility of People and Mobility of Firms” also funded by the Fondazione CRT, within its Progetto Alfieri. Research work under this project will examine the relationship between migration flows and the outsourcing of specific production tasks, exploring also the effect the policy interventions have on firms' incentives.

Work on this project is coordinated by Giorgio Barba Navaretti and the research team includes Giuseppe Bertola, Alessandro Sembenelli, Giovanni Peri, Gianmarco Ottaviano, Karolina Ekholm Giovanni Facchini, Anna Maria Mayda e Paola Conconi.

### **4.3. Research output**

Several new papers on the economics of international migration have been published in the LdA working paper series this year. A brief summary of them is found below.

#### **Interest Groups and Immigration Policy**

*Giovanni Facchini, Anna Maria Mayda and Prachi Mishra*, in “Do Interest Groups Affect US Immigration Policy?”, start by pointing out that while anecdotal evidence suggests that interest groups play a key role in shaping immigration, there is no systematic empirical evidence on this issue. To motivate the analysis, the authors develop a simple theoretical model where migration policy is the result of the interaction between organised groups with conflicting interests towards labour flows. They then evaluate the key predictions of the model using a new, industry-level dataset from the United States that has been constructed by combining information on the number of work related visas issued by the Department of Homeland Security, with data on lobbying expenditures associated with immigration. The authors find robust evidence that both pro-and anti-immigration interest groups play a statistically significant and economically relevant role in shaping the allocation of visas across sectors. Barriers to migration are lower in sectors in

which business lobbies incur larger expenditures and higher in sectors where labour unions are more important.

*Giovanni Facchini and Anna Maria Mayda* have recently completed a paper on “From Individual Attitudes towards Migration to Migration Policy outcomes: Theory and Evidence” which will be published in *Economic Policy*. Giovanni and Anna Maria highlight that in democratic societies individual attitudes of voters represent the foundations of policy making. They start by analyzing patterns in public opinion on migration and find that, across countries of different income levels, only a small minority of voters favour more open migration policies. Next they investigate the determinants of voters' preferences towards immigration from a theoretical and empirical point of view. The analysis carried out in the paper supports the role played by economic channels (labour market, welfare state, efficiency gains) using both the 1995 and 2003 rounds of the ISSP survey. The second part of the paper examines how attitudes translate into a migration policy outcome. Two alternative political-economy frameworks are considered: the median voter and the interest groups model. On the one hand, the restrictive policies in place across destination countries and the very low fractions of voters favouring immigration are consistent with the median voter framework. At the same time, given the extent of individual-level opposition to immigration that appears in the data, it is somewhat puzzling, in a median-voter perspective, that migration flows take place at all. Interest-groups dynamics have the potential to explain this puzzle. Giovanni and Anna find evidence from regression analysis supporting both political-economy frameworks.

### **Endogenous Formation of a Common Market**

In “Who is Against a Common Market”, written by *Giovanni Facchini and Cecilia Testa*, the authors develop a theory of the endogenous formation of a common market in a three-country, two-factor political economy model. In the status quo, Home and Foreign implement non-discriminatory policies towards international factor flows, as to maximize the domestic median voter's welfare. Each of the two countries simultaneously holds then a referendum on a Common Market initiative leading to the removal of the pre-existing policies for factor flows occurring between the member countries, while no coordination is imposed on policies vis-à-vis the rest of the world. Several interesting results emerge. In a common market, factors moving between the members are more likely to gain; the bigger is the import demand of one country as compared to the factor supply of the exporting partner. Factors which instead do not relocate are more likely to see their return decrease when flows are big and import demands are inelastic. Importantly, for the common market to emerge as equilibrium, some factors must continue to experience enhanced protection when the integration process is completed. This result highlights the potential tension between social desirability and political feasibility of the integration process. The paper has been accepted for publication in the *Journal of the European Economic Association*.

### **FDI and Migration: the role of networks**

The role of migrants' networks in promoting cross border investments has been stressed in the literature, possibly making migration and FDI complements rather than substitutes in the long



run. *Frédéric Docquier* and *Elisabetta Lodigiani* in “Skilled Migration and Business Networks” estimate the magnitude of such business network externalities in dynamic empirical models of FDI-funded capital accumulation. They use original data on capital and migration stocks rather than flows. Regarding migrants, they distinguish the total and the skilled diasporas abroad. In both cross-sectional and panel frameworks, they find evidence of strong network externalities, mainly associated to the skilled diaspora. These network externalities are stronger for countries exhibiting intermediate corruption index.

### **FDI and Migration: the Role of Human Capital**

*Gianfranco De Simone* has worked on the analysis of increased factor mobility impact on the growth prospects of developing countries. In a first paper co-authored with *Daniele Checchi* and *Riccardo Faini* and completed in 2007, he investigated how inward investment (FDI) and outward migration of skilled workers (brain drain) impact the accumulation of human capital (HC) in developing countries and whether existing supply of skilled labour is a significant determinant of inward flows of foreign capital. A cross-country empirical analysis found that less developed countries tend to gain domestic human capital under foreign capital inflow (job opportunities for skilled individuals), but they lose domestic human capital through the emigration of highly educated people both directly and indirectly (“disincentive effect” on further investment in higher education).

*Gianfranco De Simone* and *Miriam Manchin* have been working on “Brain Drain with FDI Gain? Factor Mobility between Eastern and Western Europe”. This paper explores a specific channel through which the possible “diaspora externality” associated with the current emigration of both poorly and highly educated workers may occur: the removal of informational, cultural and reputational barriers that could prevent firms of high-income countries from investing in the low-income immigrants’ economies of origin. By means of a straightforward gravity specification, they take a fragmentation and multinational production model in the fashion of Venables (1999) to the data. The focus is on the mobility of capital and workers between the advanced European Union countries (EU15) and New Member States (NMS) in the 1994-2005 period. The evidence points to a significant correlation between the volume of EU15’s activities in NMS and the total stock of NMS’ own-migrants in the EU15 economies. Furthermore, the larger is the share of skilled workers in the total emigration stock the larger is the inward FDI flow.

### **Offshoring and Immigrant Employment: What Link at the Firm level?**

*Giorgio Barba Navaretti*, *Giuseppe Bertola* and *Alessandro Sembenelli* completed the final version of the paper “Offshoring and Immigrant Employment: Firm-level Theory and Evidence” carrying out an analysis of the link between immigrant employment and offshoring. The authors propose and solve a simple model of firm-level decisions to offshore production stages of lower skill intensity than that of activities that remain in the domestic location. In theory, offshoring is optimal only for the more productive among heterogeneous firms if it entails a fixed cost. In a large sample of Italian firms, offshoring - especially of intermediate production stages - is indeed more prevalent among firms that are larger and more productive, and is predicted by arguably relevant firm-level characteristics. They also document that offshoring decreases the share of



unskilled employment in domestic production facilities as well as firm's propensity to employ immigrant workers, and they discuss the possible determinants and policy implication of the latter finding.

### **Regulating Mobility of Individuals and Activities in Services**

Interactions between market forces and social and regulatory policies are always problematic when economic integration spans the borders of separate policymaking entities. *Giuseppe Bertola* and *Lorenza Mola* in "Freedoms and Regulation: Economic and Legal Aspects of EU Trade in Services" analyzes theoretical and practical conflicts between national regulatory frameworks and international trade opportunities in the services industry. It highlights similarities and differences between the European and global liberalization processes in this and other fields, focusing particularly on provisions regarding posting of workers and mobility of self-employed service suppliers. Issues arising in the context of trade in services through personal mobility are more difficult to solve than in the context of trade in goods, but less difficult than in the context of outright migration. While intra-EU and external liberalization processes are both slow and controversial in the services field, our review of their parallel evolution suggests that progress towards efficient integration of markets and policies is possible if synergies between internal and external legal instruments are suitably exploited.

## **4.4. Conferences and other events**

The intense research activity carried out by LdA in the migration area has led to the participation and the organisation of the migration LdA team to a number of conferences.

As part of the TOM project, the Sixth and the Seventh Summer School in International and Development Economics were organised by LdA jointly with the Centre for Economic Policy Research (CEPR) and the Department of Economics of the Universities of Milan and Turin.

### **Sixth Summer School in International and Development Economics**

In 2007 the Sixth Summer School on "International Migration and the Host Country", took place from September 9<sup>th</sup> to September 12<sup>th</sup> at Palazzo Feltrinelli, Gargnano, (Italy), and focussed on the main analytical and empirical approaches to the study of the impact of international migration on the host country. The lecturers were Massimo Livi Bacci, (University of Florence), Barry Chiswick (University of Illinois at Chicago) and Giovanni Facchini (University of Milan, University of Essex, LdA, CEPR and CES-Ifo).

### **Seventh Summer School in International and Development Economics**

The theme of the 2008 edition, which took place from August 24<sup>th</sup> to August 27<sup>th</sup>, has been "International Migration and the Sending Country". Frédéric Docquier from the Université Catholique de Louvain and Gordon Hanson from the University of California, San Diego, were this year's lecturers and the summer school was attended by over forty graduate students from all over the world.

### Conference on Outsourcing and Migration

LdA organised a conference on “Outsourcing and Migration”, hosted by the Fondazione Agnelli in Turin on May 16-17 2008. About thirty leading international experts attended the event, where twelve papers were presented. The conference was structured over three sessions. The first one focused on the labour market effects of immigration in the receiving country. The second looked at outsourcing, while the third and last section addressed the link existing between the outsourcing decision of firms and immigration.

### First TOM Conferences

LdA researchers also participated in the First Conference of the TOM network which was organised by CEPR and took place at the University of Latvia in Riga on October 25<sup>th</sup> - 26<sup>th</sup> 2007. Anna Maria Mayda presented the paper “Do Interest Groups Affect US Immigration Policy?” written jointly with Giovanni Facchini and Prachi Mishra; Elisabetta Lodigiani presented the paper “Diaspora Externalities and Technology Diffusion” and Gianfranco De Simone “Skilled Migration, FDI and Human Capital Investment” written jointly with Daniele Checchi and Riccardo Faini.

Moreover, on March 12<sup>th</sup> 2008, Anna Maria Mayda, Giovanni Facchini and Giorgio Barba Navaretti participated in the First Informal Meeting and Young Researcher Workshop hosted by ECARES (Brussels).

### SUS.DIV General Assemblies

Within the SUS.DIV project, Giorgio Barba Navaretti and Gianfranco de Simone attended the Third General Assembly. The event was organised by the Center for Economic Research and Environmental Strategy (CERES) on September 20<sup>th</sup>-21<sup>st</sup> 2007 in Athens where Giorgio Barba Navaretti presented the paper “Offshoring and Immigrant Employment: Firm-level Theory and Evidence” written jointly with Giuseppe Bertola and Alessandro Sembenelli. Gianfranco De Simone presented the paper on “Skills Migration, FDI and Human Capital Investment”.

The Fourth General Assembly took place in Bratislava on September 3<sup>rd</sup> – 5<sup>th</sup> 2008 and was attended by Giorgio Barba Navaretti.

## 4.5. Research team, research partners and funding institutions

Researchers who worked in the migration area during 2007 and 2008 are Giovanni Facchini, Giorgio Barba Navaretti, Giuseppe Bertola, Paola Conconi, Gianfranco De Simone, Juan Miguel Gallego Acevedo, Karolina Ekholm, Miriam Manchin, Anna Maria Mayda, Mariapia Mendola, Gianmarco Ottaviano, Giovanni Peri, Raluca Prelipceanu, Riccardo Puglisi, Alessandro Sembenelli, Max Steinhardt, Cecilia Testa.

Research partners in the area include CEPR; London School of Economics; Université Libre de Bruxelles; University College London; University of Geneva; University of Rome “Tor Vergata”; University of Turin; University of Latvia; Catholic University of Louvain; Hamburg Institute of International Economics; FIERI; Institute for Employment Research; and Fondazione ENI Enrico Mattei.

Research has been and is funded by The European Commission; Compagnia di San Paolo; and Fondazione CRT.

#### **4.6. Work programme for 2009-2010**

LdA will continue to be actively engaged in migration research in the next two years. Our researchers are actively engaged in several projects.

*Giovanni Facchini, Tom Ivlevs and Anna Maria Mayda* are working on a project to assess the role of the pension system in understanding the impact of migrants on individual attitudes. *Paola Conconi, Giovanni Facchini, Max Steinhardt and Maurizio Zanardi* are collecting a large dataset to study the determinants of the voting behaviour of US legislators on migration policy issues. *Giovanni Facchini, Anna Maria Mayda and Riccardo Puglisi* are instead working on a project to study the role played by the media in shaping individual attitudes towards immigration in the United States.

Within the project 'Migration and Mobility of Tasks: The Internationalisation of the Firm' work will continue exploring several facets of the interaction between migration and offshoring. *Giuseppe Bertola and Alessandro Sembenelli* will look at how these flows are related at the level of Italian provinces and regions, whereas *Giorgio Barba Navaretti* will look at how these flows interact in affecting firm performance at the regional level in Europe. Possibly *Karolina Ekholm* will work at combining firm specific migration and offshoring data for Germany and *Gianmarco Ottaviano* and *Giovanni Peri* will work on US data, analysing whether and to what extent tasks can be offshored or performed by migrants. *Giovanni Facchini* with *Max Steinhardt* and *Maurizio Zanardi* will examine whether the voting attitudes of US legislators on migration and trade issues follow similar or different patterns.

Finally a policy report summarising the main results of LdA research on offshoring and migration will be prepared by *Giorgio Barba Navaretti* with *Giuseppe Bertola*, *Gianmarco Ottaviano* and other authors. The policy report will be jointly published with CEPR.

## 5. Firms and the international markets

### 5.1. Main findings

Findings in this area revolve around the idea that export performance should be observed at the firm level. The recent developments in the theory of international trade with heterogeneous firms suggest that it is necessary to move beyond the idea that it is sectoral specialisation that determines the export competitiveness of countries. Indeed empirical analysis, that was initially carried out in developing countries, suggests that export performance within sectors can vary enormously and that it is explained by factors like size and efficiency which have nothing to do with sectoral characteristics. LdA has been at the forefront among European research institutes exploring this issue empirically in industrialised economies. The key results are that indeed there is much within industry heterogeneity in explaining export and also FDI performance of European firms. Strategies for internationalisation are becoming more and more sophisticated. Firms export to increasing number of countries, they combine extensive export and import operations, and exports with FDI or outsourcing of production. This pattern is fairly consistent across European countries. It implies that being an international firm is an increasingly complicated affair, dominated by an increasingly small number of firms. Export shares are indeed found to be very concentrated, with the top 5% per cent of firms accounting for well above 80% of exports in most EU countries. Extensive margins, i.e. changes in the number of exporters, matter most in explaining market penetration, particularly to faraway extra EU destinations.

These results raise the issue of understanding which are the factors hindering firms' access to the international market. Research shows that standard factors like efficiency and size matter in easing the entry costs into international activities. But the 'internationalised firm' is an altogether different object than its less open, more domestic counterparts. Even controlling for size and productivity it uses different technologies, it employs a different management structure, it hires more skilled workers, and it uses different sources of financing.

Research at LdA based on Europe-wide or national firm specific data sets, and also on theory, has both mapped the increasing complexity of different types of international activities and has analysed the interplay of those factors affecting the decision to carry out these activities. From a policy perspective, the interesting finding is that export performance is not affected by specific support measures, but, rather, by those very factors that may hinder or enhance firm's growth. Indeed a dynamic and healthy pattern of creative destruction is the key through which firms can reach and achieve those thresholds (in terms of human capital, technology, management structure etc.) beyond which they can build effective international operations.

### 5.2. Projects

#### **International fragmentation of Italian firms: New organizational models and the role of information technologies (FIRB)**

In partnership with the Department of Economics of the University of Milan, LdA has been

awarded a large research grant for strategic research projects from the Italian Ministry of Research to analyse the international dispersion and fragmentation of the economic activities of firms and the organizational and technological implications of such a pattern. The main aim is to carry out an in-depth investigation of the characteristics of the internationalisation process of Italian firms, in order to document and assess how they are reacting to the increasing competitive challenges of global markets. Partners in this project are: the Universities of Milan, Turin, Florence, Bari, Csil (Centro Studi sull'Industria Leggera) and ICE (Italian Institute for the promotion of foreign trade).

The project started in September 2005 and it has been extended in several directions during 2007 and 2008. With the support of the Turin Chamber of Commerce, a case study of the internationalisation of the automotive sector is being carried out in collaboration with Csil. A parallel analysis in other two European countries, France and Germany, is being carried out jointly with CEPR, with funding by Unicredit and Telecom Italia. The German team, comprising Claudia Buch, Anselm Mattes and Christian Arndt, is based at IAW, the Institute for Applied Economic Research in Tübingen. The French team, based at the Paris School of Economics, includes Thierry Verdier, Gregory Corcos, Delphine Irac and Giordano Mion. They also work on the broad internationalisation strategies of the firms and on the financing of international activities. Also, jointly with Fondazione Rodolfo De Benedetti, LdA has worked at the preparation of a policy report, edited by Richard Baldwin, Giorgio Barba Navaretti and Tito Boeri, on the competitiveness of Italian firms, which also looks at the welfare measure that can best support a healthy process of internationalisation at the firm level.

### **European Firms and International Markets (EFIM)**

LdA is also participating in the EFIM project, a two-year initiative of six research centres from six EU countries, coordinated by CEPR and Bruegel. Besides LdA, partners of EFIM are: CEPII (France), Hungarian Academy of Sciences (Hungary), GEP at the University of Nottingham (UK), Stockholm University (Sweden) and IAW Tübingen (Germany). The National Bank of Belgium (Belgium) and the University of Oslo (Norway).

The main aim of the project is to use firm-level trade and FDI data to provide policy indications concerning the effects of the increased competitive pressure on European firms in international as well as in domestic markets resulting in gains and losses from trade within, and not only between, sectors.

### **Trade Preferences and the Role of Institutional Quality in Economic Integration (TRARIQ)**

As part of the Marie Curie Intra-European Fellowship Programme, Miriam Manchin started to work at Centro Studi Luca d'Agliano in November 2007 as a post-doctoral research fellow on the project "Trade Preferences and the Role of Institutional Quality in Economic Integration (TRARIQ)". Manchin has been working on a research paper examining the role of the exporter countries' applied tariffs (including preferential tariffs) on their export performance. More precisely, the research paper extends the classic definition of Lerner symmetry to multilateral resistance in bilateral gravity models. This includes both extension of the theory based on

bilateral deviations from the change in average exports, as well as analysis of a panel of global and bilateral trade data spanning 1988 to 2002. She has presented draft versions of the paper at a departmental seminar in the School of Slavonic and East European Studies, University College London and the Yearly Hungarian Economic Association Conference 2007 in Budapest in December.

### 5.3. Research output

Within this area, several papers have been completed.

#### Export and Innovation

In “Export and Product Innovation” *Giulia Felice* has been working with *Massimiliano Bratti* on the relationship between firm export and innovation activity. Past research showed that exporters perform better than non-exporters in several dimensions, among which innovation activities. However, while the positive impact of innovation on export is widely accepted, research on the innovation-enhancing effect of export is scant. By using a rich firm-level survey on Italian manufacturing, the authors identify the causal effect of export status on the introduction of new products (learning by exporting). Preliminary results show large and positive average causal effects of exporting on the probability of introducing new products.

*Gianfranco De Simone* jointly with *Armando Garcia Pires* developed a new framework trying to explain why in a spatial economy where oligopolist firms compete in R&D process, market size differences induce endogenous competitiveness asymmetries between firms. The basic idea is that firms located in larger markets invest more in R&D (and are therefore more competitive and larger in size than firms from smaller markets), since higher demand allows them to more easily cover the costs of innovation. This “R&D linkage” between demand and competitiveness drives firms to strategically delocalize to larger markets in order to become more efficient. The two authors are now trying to take the theory to data and test the empirical validity of its implications. The micro-econometric analysis is being conducted on Italian manufacturing firms and their localisation strategies at the provincial and regional level.

#### International activities and the organization of the firm

With the paper “Export Premia and Sub-Contracting Discount Passive Strategies and Performance in Domestic and Foreign Markets” *Tiziano Razzolini* and *Davide Vannoni* contribute to the literature on firms’ productivity and exporting decisions by analysing the role played by organizational choice; the focus is on firms that rather than setting up a vertically integrated structure, act as sub-contractors in both domestic and foreign markets and produce to satisfy the requirements of other firms. A model is presented where the most productive firms self-select into exporting, while the least productive ones work as sub-contractors serving the domestic market only. These predictions are tested using a sample of Italian firms observed in the 1998-2003 period. The results highlight a ranking of firms consistent with *a priori* expectations, and provide a clear indication that *passive exporters* display lower TFP values as compared to *direct exporters*. Moreover, only the latter category exhibits higher pre-entry productivity levels and

growth rates as well as higher post-entry TFP growth rates. Such findings are consistent with both the *self-selection* hypothesis and the *learning by exporting* explanation.

*Massimo Del Gatto, Giordano Mion, Gianmarco Ottaviano and Marcello Pagnini* in “Openness to Trade and Industry Cost Dispersion: Evidence from a Panel of Italian Firms” use Italian firm-level data to investigate the impact of trade openness on the distribution of firms across marginal cost levels. In so doing, they implement a procedure that allows to control not only for the standard transmission bias identified in firm-level TFP regressions but also for the omitted price bias due to imperfect competition. The authors find that more open industries are characterized by a smaller dispersion of costs across active firms. Moreover, those industries are also characterized by a lower average cost.

In the paper “Contract Enforcement, Comparative Advantage and Long Run Growth” *Gianmarco Ottaviano* develops a theoretical framework in which trade patterns and growth rates are jointly determined by international differences in contract enforcement that affect firms' organizational decisions. In a two-country dynamic Ricardian model with endogenous innovation and hold-up problems, the value chain consists of two activities, innovation and production. Entry in the market happens through R&D and entrants face two decisions. The 'location decision' determines where to place R&D laboratories and production plants. Through the 'ownership decision' firms choose whether to perform innovation and production within the same vertically integrated structure or not. In this framework, the quality of contract enforcement drives the ownership decision, which affects R&D returns, research intensity and growth. Balance of payments adjustments cause movements in relative wages, which affect the location decision and, consequently, the pattern of sectoral specialization and international trade.

*Thierry Verdier, Gregory Corcos, Delphine Irac and Giordano Mion* have worked on the paper “The Determinants of Intra-Firm Trade” where they analyse the determinants of the intra-firm share of manufacturing firms' imports, by using a uniquely detailed dataset of French import transactions at the firm, country and product levels in the year 1999, matched with balance sheet information on importers. The authors study the determinants of internalization such as firms' productivity and factor intensity, origin country endowments, and measures of product contractibility, testing several predictions of the theoretical by Antras (2003) and Antras and Helpman (2004, 2008). The authors show that intra-industry differences in factor intensity matter as much as inter-sectoral differences in explaining the variance of sourcing modes and they present a number of yet unexplained stylised facts on internalization decisions.

### **International activities and finance**

*Matteo Bugamelli and Fabiano Schivardi* have started working on the paper “Financial Development and Export” that examines the role of financial development in firms' exports and trade flows by using firm-level data and, more importantly, an exogenous measure of local financial development in Italy proposed by Guiso, Sapienza and Zingales (2004). The authors focus on the intensive and the extensive margin of trade and they show that, as predicted by the theory, financial development has a positive and significant causal impact on firms' level and growth of exports.



### Internationalisation and performance

In “On Inefficient Exporters” *Rosario Crinò* and *Paolo Epifani*, using a representative sample of Italian manufacturing firms, document a new empirical regularity: that the characteristics of exporting firms are systematically correlated with the characteristics of their export markets. In particular, we find that low-productivity firms are more involved in foreign trade with low-income countries, whereas the export intensity to high-income countries is unrelated to firm productivity. To account for these facts, we formulate a simple model whose main ingredients are the non-homotheticity of preferences and the heterogeneity of firms with respect to product quality. The model fits our data nicely.

*Anselm Mattes* and *Christian Arndt* have written a paper on “The Impact of Inward FDI and Foreign Ownership on the Performance of German Multinational Firms” which analyses the effects of foreign take-overs on the performance of multinationals in Germany. With a new German data on the firm level which link information about FDI and domestic performance, the authors compare foreign owned and domestic multinationals with regard to size and productivity and analyse the dynamic impact of ownership change on the development of productivity and employment. The result shows that in Germany foreign owned multinationals are smaller but more productive than their domestic counterparts while paying similar wages. As for the dynamic effects, while the ownership change does not seem to have an impact on employment, it is shown that it affects positively both total factor productivity and labour productivity.

### Case Studies and Policy Reports

*Giorgio Barba Navaretti*, *Riccardo Faini* and *Alessandra Tucci* with *Matteo Bugamelli* and *Fabiano Schivardi* have completed a policy report on the factors affecting the international competitiveness of Italian firms. The report has been published in the book “Come sta cambiando l’Italia” edited by Richard Baldwin, *Giorgio Barba Navaretti* and *Tito Boeri* (Il Mulino, 2007).

*Giorgio Barba Navaretti*, *Davide Castellani*, *Luigi Benfratello*, *Roberto Basile*, *Angelica Salvi Del Pero* and *Silvia Cerisola* have completed the report “Le Imprese e il mercato internazionale: quali prospettive per il Mezzogiorno Italiano?” for the Banca Intesa Sanpaolo project “Il Sud per l’Italia”. The report analyzes the impact of active and passive internationalisation on firm growth in Southern Italy. On the one hand, the study finds that the productivity gap between exporters and non-exporters is larger in the South than in the rest of Italy, indicating that the efficiency threshold for internationalisation is higher in the South, possibly due to investment climate factors. The report also finds that Southern Italy lags behind similar European regions in its ability to attract foreign investments and this is found to be mainly due to the local business environment, especially in its labour market regulations and red tape dimensions.

The work carried out by Centro Studi Luca d’Agliano and Centro Studi sull’Industria Leggera on the internationalisation of the automotive sector produced two main outputs: an econometric paper that exploits the data provided by the Observatory of the Turin Chamber of Commerce and a more qualitative report that analyses and interprets the information collected through 14 face to face interviews with as many firms, carried on to investigate the automotive sector in Turin



area.

## 5.4. Conferences and other events

### Round Table on Multinational Firms in the World Economy

The Round Table on “Imprese multinazionali ed economia globale: quali implicazioni per l'Italia?”, organised by LdA jointly with the Department of Economics of the University of Milan and Il Mulino, was held at the University of Milan on June 14<sup>th</sup> 2007. During the meeting, Sergio Marchionne, Marco Onado, Fabrizio Onida, Luca Paolazzi and Michele Salvati presented the Italian edition of the book “Multinational Firms in the World Economy” (Le multinazionali nell'economia mondiale, Il Mulino, 2006), by Giorgio Barba Navaretti, Anthony J. Venables and co-authors which, in its English version published by Princeton University Press is today the key international reference text to study the economics of the multinational firm.

### Workshop: The International Firms: access to finance and organizational modes

The workshop on “The International Firms: access to finance and organizational modes”, organised in Milan on February 21<sup>st</sup> and 22<sup>nd</sup> 2008 in partnership with the Department of Economics of the University of Milan, is the second workshop of the project on firms' internationalisation funded by Italian Ministry of Research. Several of the papers listed in the Research Output section were presented at the workshop, together with some invited presentation of foreign leading researchers in the field such as Diego Puga, Thierry Verdier and Stefano Scarpetta.

### Round Table on “It is firms that export, not countries. Using firm level data to explain the international performance of countries. What lessons for policy?”

The Round Table, organised by LdA jointly with the University of Milan, was held at the University of Milan on February 21<sup>st</sup>. During the meeting, Gianmarco Ottaviano presented the joint CEPR-Bruegel EFIM policy report on “The Happy Few: the Internationalisation of European Firms. New Facts Based on Firm-level Evidence” written by Thierry Mayer and Gianmarco I.P. Ottaviano. Giorgio Barba Navaretti presented the report on Italy “Come sta cambiando l'Italia”, by Richard Baldwin, Giorgio Barba Navaretti and Tito Boeri (Il Mulino, Bologna, 2007). Presentations were followed by a panel discussion chaired by Massimo Florio (University of Milan), with Roger Abravanel (McKinsey), Ignazio Angeloni (Italian Department of Treasury), and Giuseppe Recchi (General Electric) e Salvatore Rossi (Bank of Italy).

### Workshop on the Internationalisation of Automotive, Turin

In 2008, the two reports on the internationalisation of the automotive sector completed by Centro Studi Luca d'Agliano and Csil were presented at a workshop organised by the Turin Chamber of Commerce on July 2<sup>nd</sup>.

### **Workshop: Industrial Clusters, Globalization and Regional Policy in the EU**

The workshop on “Industrial Clusters, Globalization and Regional Policy in the EU”, jointly organised with the Department of Economics of the University of Milan, was held at the University of Milan on June 13<sup>th</sup> and 14<sup>th</sup> 2008. The papers presented the results of recent research on industrial districts in Italy and in other countries and their policy implication.

### **5.5. Research team, research partners and funding institutions**

Researchers who worked in the Firms and International markets area during 2007 and 2008 are Gian Marco Ottaviano, Giorgio Barba Navaretti, Giulia Felice, Christian Arndt, Roberto Basile, Luigi Benfratello, Claudia Buch, Matteo Bugamelli, Davide Castellani, Gregory Corcos, Rosario Crinò, Massimo Del Gatto, Gianfranco De Simone, Paolo Epifani, Massimo Florio, Paolo Garella, Anna Giunta, Miriam Manchin, Anselm Mattes, Giordano Mion, Tiziano Razzolini, Fabiano Schivardi, Alessandro Sembenelli, Angelica Salvi Del Pero, Alessandra Tucci, Davide Vannoni, Thierry Verdier.

Research partners for the Firms and international markets area include University of Milan; Fondazione Debenedetti; Paris School of Economics; Institute for Applied Economic Research; ICE; Csil; University of Turin; University of Bologna; University of Florence; University of Bari; Bruegel; CEPR; Hungarian Academy of Sciences; University of Nottingham; Stockholm University; The National Bank of Belgium; University of Oslo; Universidad Carlos III de Madrid; CEPPI; Fondazione Eni Enrico Mattei; Centro de Desenvolvimento e Planejamento Regional; Graduate University of the Chinese Academy of Science; Copenhagen Business School; Institute for Baltic Studies; German Development Institute; Centre for Development Studies; International Institute of Information Technology; Norwegian Institute for Studies in Innovation, Research and Education; Human Sciences Research Council; University of Pretoria; University of Lund; University of Sussex; Organisation for Economic Co-operation and Development, Development Centre; Kepler University of Linz; WIIW Vienna; University College Dublin; Stockholm University; Centre National de la Recherche Scientifique, University of Ljubljana.

Funding institutions for the area are the Italian Ministry of Research; Telecom Italia; Unicredit; Turin Chamber of Commerce; and the European Commission

### **5.6. Work programme for 2009-2010**

New technology, the loosening of trade barriers and the rise of the emerging economies are forcing European firms to readjust and reorganise their activities so as to cope with increasingly globalised markets and production networks. These patterns affect manufacturers but also service companies, facing the increasing tradability of their products. They also influence the geographic distribution of economic activities within and outside the EU internal market. One relevant aspect of this process of adjustment in Europe is the impact of globalisation and the rapid growth of emerging economies on the competitiveness and strategies of European Union firms, industries and regions. Understanding the interaction between globalisation and the European economy requires an in-depth analysis of how firms, both in manufacturing and in service industries, are coping with this challenging environment and particularly how they are

reorganising their international activities in the internal market and outside Europe.

LdA will continue working in this area, as three of its proposals, prepared in collaboration with other European institutions, have been selected for funding by the European Commission within the 7<sup>th</sup> Framework Programme. In what follows we describe these new projects.

### **European Firms In a Global Economy: Internal Policies for external competitiveness (EFIGE)**

EFIGE is a four-year Collaborative Research Project funded by the 7<sup>th</sup> Framework Programme (Collaborative Programme) of the European Commission. It involves Bruegel, Universidad Carlos III de Madrid, Centre d'Etudes Prospectives et d'Informations Internationales, Centre for Economic Policy Research (CEPR), The Institute of Economics of Hungarian Academy of Sciences, Institute for Applied Economic Research, Unicredit Group. The project will look at the international competitiveness of European firms on the basis of comparative firm level surveys that will be carried out in parallel in seven EC countries.

The intra-sectoral dimension of analysis entails collecting new data and pushing ahead the boundaries of research to provide innovative tools for sound policy making. The aim of EFIGE is to generate new data through matching existing firm-level datasets and by supplementing their limitations through original coordinated data collection. A key obstacle that will be removed is the absence in the existing datasets of detailed information on the modes of internationalisation that involve cross-border production networks. Its aim is to use national firm-level data to carry out comparative cross-European analysis of internationalisation. Comparing how similar sets of factors affect internationalisation choices in different countries will provide an opportunity to understand how different institutional and regulatory frameworks at the national level may enhance or hinder competitiveness at the firm level.

Building on the gathered data, LdA will contribute to the analysis of research and policy issues in several interrelated areas: 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.

### **Impact of Networks, Globalisation and their Interaction with EU Strategies (INGINEUS)**

This Collaborative Research Project also funded by the 7<sup>th</sup> Framework Programme of the European Commission brings together researchers from EU countries (Italy, Denmark, Germany, Estonia, Sweden, Norway and United Kingdom) and from some of the most important emerging economies in the world (notably Brazil, China, India, and South Africa), in order to look at the internationalisation of European firms with a North-South perspective.

The second project focuses particularly on the evolution of global production networks into global innovation and its impact on knowledge-intensive activities in the European Union.

The project moves beyond traditional studies on global location of production activities to focus on the global location of innovation or knowledge intensive activities.

The first objective of the project is to understand the transition of global production networks to

global knowledge and innovation networks. This involves both a national and regional level analysis of the extent and scope of the global shift of innovation activities and an analysis of the micro-level determinants of choices of MNCs between retaining vertical control over knowledge-based activities as opposed to creating or participating in networks in which these activities are fragmented. The second objective is to understand the capacity of emerging countries to accumulate and use knowledge and capabilities that allow them to participate in global innovation networks. The focus is on the role of human resources and technological capabilities on the one hand and the relationship between subsidiaries of MNCs, local firms and universities on the other hand. The third objective is to assess the dynamic impact of off-shoring knowledge-intensive activities in firms and evaluate the long-run costs and benefits of emerging global innovation networks in a range of industries and to study how their gains are being distributed between European and emerging economies' industries and regions. The fourth objective of INGINEUS is to analyze the institutional frameworks in Europe and in emerging economies that are relevant for the creation and entrenchment of global innovation networks.

The team at LdA will be involved in exploring the 'Southern dimension' of the process of Internationalisation of European automotive firms. And it will carry out an empirical analysis of the world geography of innovation and production activities.

### **Globalization, Investment and Services Trade (GIST)**

This Marie Curie Initial Training Network funded by the 7<sup>th</sup> Framework Programme (People Programme) of the European Commission will develop a network of young and experienced researchers focused on the interactions between trade & FDI restrictions in services, national, regional, and multilateral regulation, and the continued integration of service markets on the consumer and producer sides. Service trade, either directly through movement of providers or through cross-border trade linked to FDI, carries the potential for strong economic impact in the EU, in other OECD countries, and also in developing countries.

Work on the GIST project at LdA is coordinated by Paolo Garella. Partners and associated partners of this project are: Kepler University of Linz, WIIW Vienna, University College Dublin, Stockholm University, Centre National de la Recherche Scientifique, University of Ljubljana, Centre for Economic Policy Research, Copenhagen Economics, Central Planning Bureau The Hague, The World Bank, World Trade Organisation, Columbia University Law School.

Within the GIST project, the team coordinated by the LdA will carry out both a theoretical and empirical analysis of the effects of policies towards trade and investment in the service sector. In particular, LdA is interested in studying the process of endogenous formation of policies in the service sector, both from the perspective of the single countries implementing them and from a cross-boundary regulatory spillovers point of view. A preliminary empirical analysis on the characteristics of service firms will be carried out by using a new survey on Italian firms in the business services (Unicredit).

## 6. Publications

### 6.1. Centro Studi Luca d'Agliano Development Studies Working Papers

The Centro Studi d'Agliano publishes a series of working papers in Development Economics. Their publication is funded by the Banca d'Italia and by the Fondazione CRT in Turin. The Centro Studi Luca d'Agliano Development Studies Working Papers can be downloaded from the LdA website, [www.dagliano.unimi.it](http://www.dagliano.unimi.it), and are also available on the SSRN (Social Science Research Network) eLibrary. *Giovanni Facchini* is the editor of the series.

Since 1997, 77 of the manuscripts that have appeared in the Centro Studi Luca d'Agliano Development Working Papers series have been published, i.e. an average of 7 papers per year. Summary information on the research output of the institution is reported in Table 2.

Of these, 65 have appeared in refereed journals, while 12 have been published as chapters of edited volumes. To give an idea of the quality of the research output, in Table 2, we have reported information on the main outlets, and the number of articles which have been published in each journal.

To measure the impact of the different publications, we have used two well known rankings. The first one has been assembled by the Tinbergen Institute in the Netherlands, and assigns three possible grades to each journal. The top five, general interest journals (*American Economic Review*, *Econometrica*, *Journal of Political Economy*, *Quarterly Journal of Economics*, *Review of Economic Studies*) together with the *Journal of Finance*, have received a "AA" ranking. Top field journals and very good general interest journals appear under the "A" category, while second tier general interest journals and field journals appear in the "B" category. Overall, about 130 journals in economics, finance and business are ranked by the institute. The second ranking is the one proposed by Kalaitzidakis et al (2003)<sup>1</sup> in an article that has recently appeared in the *Journal of the European Economic Association*. This study is based on a recursive impact factor methodology (see column 5, Table 1 page 1349). As shown by the table, the ranking proposed by the Tinbergen institute and the one by Kalaitzidakis et al (2003) are highly correlated.

Of the 65 papers which have appeared in refereed journals, 37 have been published in journals with rank B or above. While only one paper has been published in a top-five journal<sup>2</sup>, nine articles have appeared in leading general interest journals like the *Review of Economics and Statistics*, the *Journal of the European Economic Association* and the *European Economic Review*. Twelve have been published in top field journals like the *Journal of Public Economics*, the *Journal of International Economics* and the *Journal of Development Economics*. This research output easily positions LdA as the leading research Center in Italy focusing on international trade and development economics, and as one of the leading centres in Europe specializing in this area.

Besides carrying out cutting edge academic research, LdA has been involved in the active

<sup>1</sup> Kalaitzidakis P., T. P. Mamuneas and T. Stengos (2003) "Rankings of Academic Journals and Institutions in Economics" *Journal of the European Economic Association* 1, 1346-1366

<sup>2</sup> Marc Melitz and Gianmarco I.P. Ottaviano forthcoming in the *Review of Economic Studies*

dissemination of research output in the policy arena. Several papers have been published in leading policy outlets like Economic Policy, the World Bank Economic Review and World Development.

**Table 2: LdA publications in refereed outlets: 1997- today**

Journal	Tinbergen Ranking	JEEA Ranking	Publications number
Review of Economic Studies	AA	8	1
Review of Economics and Statistics	A	13	4
Journal of the European Economic Association	A	14	3
European Economic Review	A	14	2
Journal of Public Economics	A	19	2
Journal of Economic Literature	A	20	1
Journal of International Economics	A	30	6
World Bank Economic Review	A	37	1
Journal of Development Economics	B	39	4
Canadian Journal of Economics	B	42	1
International Journal of Industrial Organization	B	47	1
Oxford Economic Papers	B	53	1
World Development	B	55	1
Journal of Population Economics	B	61	1
Regional Science and Urban Economics	B	72	1
Review of World Economics (Weltwirtschaftliches Archiv)	B	80	2
Economic Policy	B		1
Journal of Regional Science	B		1
Review of International Economics			5
Review of Development Economics			1
Other Refereed Journals			22
Other Miscellaneous			15
<b>Total</b>			<b>77</b>

**List of working papers published in 2007 and 2008**

258. Holger Breinlich (University of Essex and Centre for Economic Performance, LSE) and Alessandra Tucci (Centre for Economic Performance, LSE): *Foreign Market Conditions and Export Performance: Evidence from Italian Firm-Level Data*, October 2008.

257. Devashish Mitra (Syracuse University) and Priya Ranjan (University of California - Irvine): *Can Offshoring Reduce Unemployment*, July 2008.

256. Giovanni Facchini (University of Milan, University of Essex, LdA, CEPR and CES-Ifo), Anna Maria Mayda (Georgetown University and LdA) and Prachi Mishra (International Monetary

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Fund): *Do Interest Groups Affects US Immigration Policy?*, June 2008.

255. Gianfranco De Simone (University of Milan and LdA) and Miriam Manchin (University College London and LdA): *Brain Drain with FDI Gain? Factor Mobility between Eastern and Western Europe*, June 2008.

254. Rodney D. Ludema (Georgetown University) and Anna Maria Mayda (Georgetown University and LdA): *Do Countries Free Ride on MFN?*, June 2008.

253. Martin Kahanec (IZA) and Mariapia Mendola (University of Milan Bicocca and LdA): *Social Determinants of Labour Market Status of Ethnic Minorities in Britain*, June 2008.

252. Giovanni Peri (University of California, Davis) and Chad Sparber (Colgate University): *Task Specialisation, Immigration and Wages*, June 2008.

251. Giovanni Facchini (University of Milan, University of Essex, LdA, CEPR and CES-Ifo) and Anna Maria Mayda (Georgetown University and LdA): *From Individual Attitudes towards Migrants to Migration Policy Outcomes. Theory and Evidence*, June 2008.

250. Richard Baldwin (Graduate Institute of International Studies, Geneva and CEPR) and Frédéric Robert-Nicoud (LSE): *Offshoring: General Equilibrium Effects on Wages, Production and Trade*, June 2008.

249. Earl L. Grinols (Baylor University) and Peri Silva (University of North Dakota and LdA): *Rules of Origin and Gains from Trade*, June 2008.

248. Libertad Gonzalez (Universidad Pompeu Fabra and IAE) and Francesco Ortega (Universidad Pompeu Fabra and IAE): *How do Very Open Economies Absorb Large Immigration Flows? Recent Evidence from Spanish Regions*, June 2008.

247. Anna Maria Mayda (Georgetown University and LdA) and Chad Steinberg (International Monetary Fund): *Do South-South Trade Agreements Increase Trade? Commodity-Level Evidence from COMESA*, June 2008.

246. Paola Conconi (Université Libre de Bruxelles - ECARES and CEPR), Giovanni Facchini (University of Milan, University of Essex, LdA, CEPR and CES-Ifo), and Maurizio Zanardi (Université Libre de Bruxelles - ECARES and Tilburg University): *Fast Track Authority and International Trade Negotiations*, April 2008.

245. Giorgio Barba Navaretti (University of Milan and LdA), Giuseppe Bertola (University of Turin), and Alessandro Sembenelli (University of Turin): *Offshoring and Immigrant Employment: Firm-level Theory and Evidence*, April 2008.

244. Simone Bertoli (IAB): *The Impact of Material Offshoring on employment in the Italian Manufacturing Industries: the Relevance of Intersectoral Effects*, April 2008.

243. Mariapia Mendola (University of Milan Bicocca and Centro Studi Luca d'Agliano), Caryn Bredenkamp (The World Bank), and Michele Gagnolati (The World Bank): *The Impoverishing Effect of Ill Health: Evidence from the Western Balkans*, April 2008.

242. Chiara Broccolini (Università Politecnica delle Marche), Alessia Lo Turco (Università Politecnica delle Marche), Andrea F. Presbitero (Università Politecnica delle Marche), and



Stefano Staffolani (Università Politecnica delle Marche): *Individual Earnings, International Outsourcing and Technological Change*, April 2008.

241. Lorenzo Casaburi (University of Bologna and Harvard University) and G. Alfredo Minerva (University of Bologna): *Supplier-Buyer Proximity and Production to Order Choice*, April 2008.

240. Giovanni Facchini (University of Milan, University of Essex, LdA, CEPR and CES-Ifo) and Cecilia Testa (University of London and STICERD - LSE): *Who is Against a Common Market?*, April 2008.

239. Julien Gourdon (World Bank, University of Auvergne and CERDI), Nicolas Maystre (University of Geneva) and Jaime de Melo (University of Geneva, CERDI and CEPR): *Openness, Inequality, and Poverty: Endowments Matter*, January 2008.

238. Stefano Costa (ISAE) and Giovanni Ferri (University of Bari): *Firing at Subcontractors? Spillover Employment Effects of Offshoring in Italy*, January 2008.

237. Tiziano Razzolini (University of Turin) and Davide Vannoni (University of Turin): *Export Premia and Sub-Contracting Discount. Passive Strategies and performance in Domestic and Foreign Markets*, January 2008.

236. Luigi Benfratello (University of Turin and Ceris-CNR) and Tiziano Razzolini (University of Turin): *Firms' Productivity and Internationalisation Choices: Evidence for a Large Sample of Italian Firms*, January 2008.

235. Daniele Checchi (University of Milan and IZA), Gianfranco De Simone (University of Milan and LdA) and Riccardo Faini (University of Roma Tor Vergata, CEPR, LdA and IZA): *Skilled Migration, FDI and Human Capital Investment*, May

234. Frédéric Docquier (National Fund for Scientific Research and IRES, Université Catholique de Louvain) and Elisabetta Lodigiani (University of Milan and LdA): *Skilled Migration and Business Networks*, May 2007.

233. Giovanni Facchini (University of Milan, CEPR and LdA) and Anna Maria Mayda (Georgetown University, CEPR, IZA and LdA): *Does the Welfare State Affect Individual Attitudes towards Immigrants? Evidence Across Countries*, May 2007.

232. Claude Fluet (Université du Québec à Montréal and CIRPEE) and Paolo G. Garella (University of Milan and LdA): *Relying on the Information of Others: Debt Rescheduling with Multiple Lenders*, May 2007.

231. Sabrina Di Addario (University of Oxford and Bank of Italy) and Eleonora Patacchini (University of Rome "La Sapienza"): *Wages and the City. Evidence from Italy*, May 2007.

230. Kevin H. O'Rourke (Trinity College, Dublin, CEPR, and NBER), Ahmed S. Rahman (United States Naval Academy) and Alan M. Taylor (University of California, Davis, NBER, and CEPR): *Trade, Knowledge and the Industrial Revolution*, May 2007.

229. Giovanni Facchini (University of Milan, LdA and CEPR), Marcelo Olarreaga (The World Bank), Peri Silva [AS1](University of North Dakota) and Gerald Willmann (Christian-Albrechts-Universität zu Kiel): *Substitutability and Protectionism: Latin America's Trade Policy and Imports from China*



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and India, May 2007.

228. Alberto Petrucci (LUISS University): *Optimal Taxation of Capital Income in Models with Endogenous Fertility*, May 2007.

227. Michele Di Maio (University of Macerata) and Federico Tamagni (Sant'Anna School of Advanced Studies): *The Evolution of the World Trade and the Italian 'Anomaly': A New Look*, May 2007.

226. Gianpaolo Rossini (University of Bologna) and Paolo Zanghieri (Association of Italian Insurers): *Current Account Composition and Sustainability of External Debt*, May 2007.

225. Domenico de Palo (Università di Roma Tor Vergata), Riccardo Faini (Università di Roma Tor Vergata, CEPR, LdA and IZA) and Alessandra Venturini (Università di Torino, CHILD, FIERI and IZA): *The Social Assimilation of Immigrants*, January 2007.

224. Joseph Francois (Tinbergen Institute Rotterdam and CEPR) and Miriam Manchin (University College London): *Institutions, Infrastructure and Trade*, January 2007.

223. Miriam Manchin (University College London) and Annette O. Pelkmans-Balaoing (Erasmus University Rotterdam): *Clothes without an Emperor: Analysis of the Preferential Tariffs in ASEAN*, January 2007.

222. Diego Puga (Universitat Pompeu Fabra) and Daniel Trefler (University of Toronto): *Wake up and Smell the Ginseng: International Trade and the Rise of Incremental Innovation in Low-Wage Countries*, January 2007.

221. Michele Alacevich (University of Palermo): *The World Bank's Early Reflection on Development: a Development Institution or a Bank?*, January 2007.

## Books

Richard Baldwin, Giorgio Barba Navaretti and Tito Boeri; "Come sta cambiando l'Italia", Il Mulino, 2007.

Thierry Mayer and Gianmarco I.P. Ottaviano, "The Happy Few: the Internationalisation of European Firms. New Facts based on Firm-level Evidence, Bruegel, 2007.

## 7. Training at LdA

Many different training activities are offered at LdA. Scholarships and prizes are provided for prospective graduate students; a summer school and a doctoral conference are organised annually to offer Ph.D. students intensive courses and a venue to present and discuss their work with senior researchers. Finally, pre and post doctoral fellows are hired to work at LdA, actively contributing to its funded projects

### 7.1. Scholarships and prizes

LdA devotes particular attention to training young students to acquire the background necessary for a professional career in development research, by providing them with financial assistance in the form of scholarships or by including them in their research projects.

#### Scholarships

A yearly scholarship of 10.000 Euros is awarded, through the Fondazione Luigi Einaudi in Turin, to young Italian graduates who wish to advance their studies in development economics. From 2006, thanks to the generous support of one of Luca's close friends, the scholarship now covers two annuities.

In 2007, the scholarship (renewed again in 2008) went to *Antonio Andreoni*, who is attending an M.Phil in Economics at the University of Cambridge with a research project on "Institutional Economic Analysis, Social Capital and Economics of Social Networks".

The scholarships for 2008 were awarded to *Lea Cassar* with a research project on "The Aid System under Asymmetric Information: Analysis and Policy Recommendation" (University of Oxford) and to *Lucia Rizzica* with a research project on "Brain Drain and Development" (University College London).

Table 3 provides a complete list of the scholarships awarded in the past.

Table 3. LdA scholarships

Year	Recipient	Research Project	Hosting institution	Present affiliation
2008	Lea Cassar	The Aid System under Asymmetric Information: Analysis and Policy Recommendation	University of Oxford	University of Oxford, graduate student
2008	Lucia Rizzica	Brain Drain and Development	University College London	University College London, graduate student
2007	Antonio Andreoni	Institutional Economic Analysis, Social Capital and Economics of Social Networks	University of Cambridge	University of Cambridge, graduate student
2006	Federica Liberini		University of Warwick	University of Warwick, graduate student
2005	Laura Anselmi	Socio-economic causes of child labour	University of Oxford	Ministry of Health, Mozambique
2004	Giulia Pietrangeli	Theory of collective action in International Trade Negotiations	London School of Economics	European Commission Delegation, Republic of South Africa
2003	Luciano Ciravegna	Automotive Sector Modernization in Developing Countries: Global and Regional Trends	University of Oxford	Development Studies Institute, London School of Economics
2001	Francesco Rampa	Technological Innovation and Partners of Trade: The Case of Developing Countries	University of Oxford	Office of the Prime Minister, Italy
2000	Mattia Romani		University of Oxford	
1999	Diego Angemi	Child Labour and Technological Advances	University of Oxford	Ministry of Economic Planning, Malawi
1998	Ilaria Caetani	The Problems of Development in Rural Sub-Saharan Africa	London School of Economics	Asian Development Bank
1997	Andrea Finicelli	An Analysis of International Capital Markets	University of Oxford	Bank of Italy
1995	Renato Grelle	Investment Under Uncertainty and Irreversibility of Capital Adjustment Policies in Chile in the 1980s	University of Oxford	European Centre for Development Policy Management
1994	Sabina Di Addario	Theoretical Explanations of Industrial Districts	University of Oxford	Bank of Italy
1993	Gabriella Giacometti	Outward Oriented Developing Countries and Growth	University of Warwick	
1992	Paolo Craviolatti	The Impact of the Green Revolution in Sub-Saharan Africa	University of Oxford	
1990	Marina Moretti	The Behaviour of the Financial System under Hyperinflation and Structural Adjustment	University of Oxford	International Monetary Fund; seconded at Financial Stability Forum
1988	Francesco Daveri	Time Inconsistency and Trade Liberalization Policies in LDCs	University of Oxford	University of Parma
1987	Roberta Rabellotti	Problems Associated with the Transfer and the Development of Advanced Technologies in Developing Countries	University of Oxford	Università degli Studi del Piemonte Orientale "Amedeo Avogadro"
1986	Chiara Tufarelli	Foreign Debt and Investment Evaluation in Developing Countries	University of Cambridge	Studio Legale Ristuccia & Tufarelli
1985	Giorgio Barba Navaretti	Control Sharing Foreign Investments in Developing Countries	University of Oxford	University of Milan and LdA

## Prizes

The Centro Studi's annual prizes are awarded through Churchill College, University of Cambridge, and St. Antony's College, University of Oxford, to students displaying "ability in their studies, particular interest in the problems of developing countries, humanity and altruism".

Prize-winners are listed by institution. A similar prize, assigned to a student from Sevenoaks School (Kent), was discontinued in 1994.

### Cambridge (£. 500)

*Nazia Habib-Mintz* (Bangladesh), of St. Edmund's College, was the awardee for 2007. She is working on the effects of international trade agreements and regulation on primary producers, using as a case study the exports of shrimps from China, India and Bangladesh. The prize will help to finance her field work.

Past prizes were assigned to: C.M. Bramall and X.H. Zhang (1986), S.V. De S. Gunaratne and L.Wang (1987), A. Basu, H. L. Khong and M. Marcel (1988), Luis A. V. Catao, Lucia Hammer and Sue Szabo (1989), He Dong, R. M. Rimmer and A. P. Woods (1990), Pingyao Lai, Xiao-Feng Liu and Asad Sayeed (1991), Giancarlo Spagnolo (1992), Anu Satyal (1993), Gangzhan Fu (1994), Samantha Gibson (1995), Reehana Rifat Raza (1996), Khwima Lawrence Nthara (1997), Grace P.C. Mugadza (1998), Martin Ruhs (1999), Sara Silvestri (2000), Rozana Salih (2001), Xutian Ma (2002), Yuantao Guo (2003), Dominic Rohner (2004), Hui Wang (2005) and Carmen L. Lacambra Segura (2006).

### Oxford (£. 500)

The prize for 2007-2008 was awarded to Abhijeet Singh (India) of Pembroke College for an essay on "Evaluating the Effect of Three Welfare Programme on Child Wellbeing and Learning".

Past prizes were assigned to: J.R. Scott (1985), J. Hoddinot (1986), Solomon Soquar (1987), Jerome Booth (1988), Mamta Murthi (1989), Stephen Grant Devereux (1990), Nomaan Majid (1991), Lucia da Corta (1992), Roberto Tibana (1993), Riccardo Maggi (1994), Sabina Alkire (1995), Caterina Ruggeri Laderchi (1996), Nancy Collins (1997), Mark Wu (1998), Diego Angemi (1999), Sebastian Silva-Leander (2000), Maria Lugo and Jesse Kharbanda (2001), César Calvo (2002), (2003, not awarded), Raphael Espinoza (2004); Neha Kumra (2005) and Sofya Krutikova (2006).

## 7.2. Post and pre doctoral fellows

Within the several funded projects in which it participates, LdA has undertaken an intense training activity. Since 2000, a number of experienced researchers, post-doctoral and doctoral fellows have been hired and actively contribute to its projects, for a total of 132 men/months.

Training has also taken place in the summer schools and doctoral conferences organised by LdA. 233 students have participated in LdA summer schools since 2003, with 75 of them coming from developing countries. The first two editions of the Riccardo Faini conference were attended by 62 doctoral students, 12 coming developing countries.

**Table 4. LdA training activity – Funded projects**

Name of Researcher	Type	Country of Origin	Man/ Month	Start Date	End Date
<b>Transnationality of Migrants (TOM)</b>					
Anna Maria Mayda	Experienced	Italy (US)	12	01/09/2007	31/08/2008
Juan Gallego	Early Stage	Colombia	12	01/05/2008	30/04/2009
Max Steinhardt	Early Stage	Germany	12	01/05/2008 01/02/2009	31/10/2008 31/07/2009
Raluca Prelipceanu	Early Stage	Romania	12	01/09/2008	31/08/2009
<b>Trade preferences and the role of institutional quality in economic integration (TRARIQ)</b>					
Miriam Manchin	Post-doc	Hungary	12	01/11/2007	31/10/2008
<b>Trade, Industrialisation and Development (TID)</b>					
Natalie Chen	Post-doc	UK	3	01/07/2006	30/09/2006
Klaus Desmet	Post-doc	Germany	3	01/07/2006	30/09/2006
Miriam Manchin	Post-doc	Hungary	12	15/09/2005	14/09/2006
Anne Celia Disdier	Post-doc	France	15	01/07/2004	31/10/2005
<b>Foreign Direct Investment and the Multinational Corporation: New Theories and Evidence (TMR)</b>					
Dieter Urban		Germany	33	01/06/1999	01/03/2002
Henrik Braconier		Sweden	3	01/09/2001	31/11/2001
George Siotis		Greece	3	26/06/2000	25/09/2000
<b>Total</b>	<b>12 Researchers</b>		<b>132</b>		

## 7.3. Summer Schools in International and Development Economics

A series of yearly Summer Schools was first established in 2003 by the Centro Studi Luca d'Agliano, jointly with Centre for Economic Policy Research (CEPR) and the Department of Economics of the Universities of Milan and Turin. The Schools aim at providing an intensive training course for Ph.D. students and young researchers interested in the major analytical and empirical approaches concerning the issue of international economics and development. They are open to 40 doctorate and post-doctorate students from all countries in economics and related disciplines, who are selected from a pool of 90-120 applicants by an international

selection committee. 233 students have participated in LdA summer schools since 2003, with 75 of them coming from developing countries.

They are funded by the European Commission and they are also supported by the Compagnia di San Paolo.

From 2003 to 2006, the schools were organised within the activities of the Research Training Network on “Trade, Industrialisation and Development”. In 2007 and 2008 they were organised as part of the Marie Curie Research Training Network on “Transnationality of Migrants”.

**Table 5. LdA training activity – Summer schools**

Title	Professor	Affiliation	Dates	Participants	
					from developing countries
<b>International Migration and the Sending Country</b>					
	Gordon Hanson	University of California, San Diego and NBER	24-27 Aug, 2008	43	12
	Frédéric Docquier	Catholic University of Louvain and NFSR			
<b>International Migration and the Host Country</b>					
	Barry Chiswick	University of Florence			
	Massimo Livi Bacci	University of Illinois at Chicago	9-12 Sept, 2007	39	12
	Giovanni Facchini	University of Milano and LdA			
<b>Outsourcing and International Fragmentation of Production: Implications for Developing Countries</b>					
	Kei-Mu Yi	Federal Reserve Bank of Philadelphia	11-14 June, 2006	36	15
	Giorgo Barba Navaretti	University of Milano and LdA			
<b>Trade, Innovation and Technology Diffusion: Implications for Developing Countries</b>					
	Jonathan Eaton	New York University and NBER	4-8 Sept, 2005	37	13
	Francesco Caselli	London School of Economics, NBER and CEPR			
<b>The Microeconomic Effects of Trade and Trade Policy: The Perspective of Developing Countries</b>					
	Alan Winters	World Bank and CEPR	5-8 Sept, 2004	39	12
	James Tybout	Pennsylvania State University and NBER			
<b>Political Economy of Trade Policy and Development: Theories and Institutions</b>					
	Bernard Hoekman	The World Bank and CEPR	27-31 Aug, 2003	39	11
	Thierry Verdier	Paris-Jourdan Sciences Economiques and CEPR			
<b>Total</b>				<b>233</b>	<b>75</b>

#### 7.4. Riccardo Faini Doctoral Conferences on Development Economics

The Riccardo Faini Doctoral Conferences were established with the aim of giving Ph.D. students working on Development Economics topics an opportunity to present their work, to discuss it with senior researchers and to meet colleagues. This is an yearly event and intends to honour the memory of Riccardo Faini, who always strived to provide graduate students with opportunities to broaden their views by interacting among each other and engaging with more established international researchers.

In the first two editions 25 papers by doctoral candidates were selected out of a pool of more than 100 students many from top US and EU universities. The first two editions of the Riccardo Faini conference were attended by 62 doctoral students, 12 coming from developing countries.

**Table 6. LdA training activity – Doctoral conferences**

Title	Lecturer	Affiliation	Dates	Participants	
					from developing countries
<b>First Riccardo Faini Doctoral Conference</b>					
	Jaime de Melo	University of Geneva	13-15 Sept. 2007	32	5
<b>Second Riccardo Faini Doctoral Conference</b>					
	Dean Karlan	Yale University	7-9 Sept. 2008	30	7
<b>Total</b>				<b>62</b>	<b>12</b>

## 8. Luca d'Agliano Lectures in Development Economics

The Luca d'Agliano Lectures are organised each year also thanks to the generous support of the Compagnia di San Paolo of Turin. The aim of these Lectures, which have always been very successful, is to favour the diffusion of the ideas of some of the most important scholars in the field to a non specialised audience. They also represent an important opportunity for bringing together members of the Scientific Committee of the Centro Studi and many of its former scholars. Past editions of the Luca d'Agliano lectures were all conceived and introduced by Riccardo Faini. In 2007 the Lecture was, in his memory, opened by Jaime de Melo.

*Paul R. Krugman* held the Fifth Lecture, in Turin, on June 11<sup>th</sup> 2007 and lectured on “Does Outsourcing Change Everything?”, arguing that outsourcing, if considered in the right way, fits closely into already existing paradigms. However, both hopes for and concerns about outsourcing have some real basis: the prospects for developing country exports are greater than we realized, but so are the prospects for serious income distribution problems.

The next Lecture on “Accelerating Economic Growth in Africa”, by *Anthony J. Venables* is scheduled for October 17<sup>th</sup> 2008. The Lecture will look at the prospects and policies for sustaining the current growth episode, which has been strong but still not sufficient to close the gap between incomes in Africa and elsewhere in the world. The opportunities and threats posed by the current resource boom, by the high degree of dependence on natural resource exports, and the prospects for Africa to diversify its exports and move to a more rapid development path will be discussed .

**Table 7. Luca d'Agliano Lectures in Development Economics**

Title	Speaker	Affiliation	Date
<b>Sixth Luca d'Agliano Lecture: “Accelerating Economic Growth in Africa”</b>			
	Anthony J. Venables	Professor, Oxford University; Director, Oxford Centre for the Analysis of Resource Rich Economies	17 October 2008
<b>Fifth Luca d'Agliano Lecture: “Does outsourcing change everything?”</b>			
	Paul R. Krugman	Professor of Economic and International Affairs, Woodrow Wilson School of Public and International Affairs, Princeton University, Nobel Prize in Economics, 2008	11 June 2007
<b>Fourth Luca d'Agliano Lecture: “Employment and Development”</b>			
	François Bourguignon	Chief Economist and Senior Vice President, World Bank; Professor of Economics, Ecole des Hautes Etudes en Sciences Sociales, Paris	22 May 2006
<b>Third Luca d'Agliano Lecture: “Globalization and Underdevelopment in the Pre-Modern Third World”</b>			
	Jeffrey G. Williamson	Laird Belle Professor of Economics, Harvard University	31 March 2006
<b>Second Luca d'Agliano Lecture: “Rethinking Economic Growth in Developing Countries”</b>			
	Dani Rodrik	John F. Kennedy School of Government, Harvard University	8 October 2004
<b>First Luca d'Agliano Lecture: “Globalisation and the Poor”</b>			
	Pranab Bardhan	University of California at Berkeley	10 June 2003



## 9. List of seminars and conferences

The Centro Studi Luca d'Agliano organises its conferences and seminars with the aim of encouraging exchange amongst Italian researchers in development and international economics and of inviting distinguished international scholars. Several conferences and seminars have been organised in collaboration with other Italian and international institutions. The complete list of conferences and seminars organised in 2007 and in 2008 is set out below; details on the events can be found under the research programmes and in the remainder of the Report.

### 17 October 2008, Fondazione Luigi Einaudi, Turin, Italy

Sixth Luca d'Agliano Lecture in Development Economics: "Accelerating Economic Growth in Africa"

Lecturer: Anthony J. Venables

### 7-9 September 2008, University of Milan, Palazzo Feltrinelli, Gargnano, Italy

Second Riccardo Faini Doctoral Conference on Development Economics

Keynote speaker: Dean Karlan, Yale University

### 3-5 September 2008, Bratislava

SUS.DIV Fourth General Assembly, organised by Fondazione Enrico Mattei (FEEM) and funded by the European Commission

### 24-27 August 2008, University of Milan, Palazzo Feltrinelli, Gargnano, Italy

Seventh Summer School: "International Migration and the Sending Country"

Lecturers: Gordon Hanson, University of California, San Diego and NBER; Frédéric Docquier, Catholic University of Louvain and NFSR

### 2 July 2008, Turin Chamber of Commerce

Workshop on the Internationalisation of Automotive

Presentation at the Turin Chamber of Commerce of the reports on the automotive sector completed by LdA and CSIL

### 24 June 2008, University of Milan, Department of Economics

Miriam Manchin (LdA), "Brain Drain with FDI Gain: Beneficial Effects of Skilled Migration from Eastern to Western Europe", with Gianfranco De Simone (LdA and University of Milan)

### 11 June 2008, University of Milan, Department of Economics

Giulia Felice (Centro Studi Luca d'Agliano and University of Milan), "Export and Product Innovation at Firm Level" (with Massimiliano Bratti)

### 26 May 2008, Collegio Carlo Alberto, Turin

Jonathan Eaton (New York University), "Anatomy of International Trade: Evidence from French Firms" jointly organised by LdA and Collegio Carlo Alberto

### 16-17 May 2008, Fondazione Giovanni Agnelli, Turin

Conference on "Outsourcing and Migration", jointly organised by LdA and Fondazione Giovanni Agnelli and funded by Fondazione CRT

### 12 March 2008, Université Libre de Bruxelles

Marie Curie Research Training Network on "Transnationality of Migrants": First informal meeting

and young researcher workshop, organised by ECARES and funded by the European Commission

[21-22 February 2008, University of Milan, Department of Economics](#)

The International Firm: Access to Finance and Organisational Modes, jointly organised by LdA and the Department of Economics of the University of Milan within the FIRB project.

[7 November 2007, Bruegel, Brussels](#)

Report Launch: "The Happy Few: The Internationalisation of European Firms. New Facts Based on Firm-Level Evidence" organised by Bruegel.

[25-26 October, University of Latvia, Riga](#)

First Conference of Transnationality of Migrants (Marie Curie Research Training Network), organised by CEPR and hosted by the University of Latvia

[11-13 October 2007, CEPR, London](#)

RTN Workshop "Research Training Networks in Economic Sciences: Experience and Opportunities, organised by CEPR and funded by the European Commission

[20-21 September 2007, Athens, Greece](#)

SUS.DIV Third General Assembly, organised by Fondazione Enrico Mattei (FEEM) and funded by the European Commission

[13-15 September 2007, University of Milan, Palazzo Feltrinelli, Gargnano, Italy](#)

First Riccardo Faini Doctoral Conference on Development Economics  
Keynote speaker: Jaime de Melo, University of Geneva, CERDI and CEPR

[9-12 September 2007, University of Milan, Palazzo Feltrinelli, Gargnano, Italy](#)

Sixth Summer School In International and Development Economics on "International Migration and the Host Country"

Lecturers: Massimo Livi Bacci, University of Florence; Barry Chiswick, University of Illinois at Chicago; Giovanni Facchini, University of Milan, University of Essex, LdA, CEPR and CES-Ifo.

[22 June 2007, University of Milan, Department of Economics](#)

Bernard Gauthier (HEC Montréal), "Micro-level Approaches to Measure Corruption and Efficiency Of Public Services: PETS and QSDS with an Application on the Health Sector in Chad.

[14 June 2007, University of Milan, Department of Economics](#)

Round Table "Imprese multinazionali ed economia globale: quali implicazioni per l'Italia?", jointly organised by LdA, the University of Milan and Il Mulino.

Speakers: Sergio Marchionne, Marco Onado, Fabrizio Onida, Luca Paolazzi, Michele Salvati

[11 June 2007, Fondazione Luigi Einaudi, Turin, Italy](#)

Fifth Luca d'Agliano Lecture in Development Economics: "Does outsourcing change everything?"  
Lecturer: Paul R. Krugman

[9 February 2007, University of Rome "Tor Vergata", Rome](#)

TOM Kick off meeting, organised by CEIS and funded by the European Commission

## 10. LdA and Developing Countries

The scientific activities of LdA are in the fields of development and international economics. Most of its research and institutional initiatives have directly or indirectly important implications for developing countries. In what follows we highlight the main development issues addressed by these initiatives.

### 10.1. Research

#### Poverty and Inequality

Several studies under the poverty and development research area are looking at the issue of poverty and inequality in developing countries. These studies are mostly based on household data in Sub Saharan Africa and Nepal. They deal with several issues like, for example racial discrimination in accessing resources. However most of the works in this area look at poverty concerns under the lenses of migration issues, analysed at the household level, but also through cross-country analyses.

#### How does migration affect developing countries?

*Households and local communities.* Migration has of course a huge economic impact on developing countries, as most flows originate from regions with low income per capita. Research at LdA aims at understanding this impact from several perspectives. The first one, is the micro effects on households, home communities in the sending country. To do so LdA is carrying out a major household survey in Mozambique, that is focussed on understanding the implications of migration on home communities. Migrating is a key economic decision undertaken by households: it is a way of diversifying resources; it is costly and therefore may hinder other alternative investments; it may affect networking patterns at the community level and so on. Both the micro determinants and the micro effects of migration have been under-researched. All of these factors can only be observed through household data, and migration has not been the main focus of earlier surveys. LdA's survey will provide plenty of information to carry out original research in this field. It has also been designed so as to be replicated in subsequent years and therefore construct a panel data set.

This research activity is nested within the broader LdA research programme on migration. The research project on Transnationality of migrants (TOM) looks at the socio-economic linkages that migrants create between home and foreign countries. In this respect, part of the work carried out at LdA also for this projects aims at understanding how these links impact at the micro level in sending countries. For this reason one of the Pre-doc fellows presently working at LdA's premises in Milan, Juan Miguel Gallego Acevedo has taken part to the Mozambique survey and will use the data collected for a paper for his Doctoral thesis at Toulouse.

*Brain Drain/Gain and investment opportunities.* Another key item that is being analysed is how migration affects brain drain in developing countries. The Seventh Summer School in International and Development Economics "International Migration in the Sending Countries" was an intense training course mostly focussed on analysing how migration modifies the

incentive to investing in schooling and education in general. Specific research carried out at LdA within the SUS.DIV and the 'Mobility of People and Mobility of Firms' projects look at how the interaction between human capital and migration is affected by foreign investments and physical capital accumulation in general. Channels through which this interaction takes place are those typically affecting factor flows across industrialised and developing economies: relative factor returns, networking effects and other institutional factors.

*Migration and Foreign Investments.* For this reason several LdA's research papers explore the relationship between migration and FDI flows, within the project 'Mobility of people and mobility of firms'. Studying this pattern under several perspectives, from cross-country analysis, to firm level empirical work, even focussing on Northern firms, sheds light on patterns of North South specialisation which in turns affect human and physical capital accumulation in the South. For example, the analysis of how Northern firms use foreign workers and offshoring to internationalise production is extremely telling on the types of activities that are being transferred to cheap labour countries (therefore affecting development opportunities there). Also, looking at the type of tasks that workers carry out in Europe and in the US, has important implications on the division of labour between Northern and Southern workers. Finally, highlighting how FDI and migration policies are related helps designing policies that favour rather than hindering North-South economic integration.

*Political economy of migration policy and job opportunities.* In an increasingly integrated world economy, migration flows are still restricted by policies and regulations in most destination countries. Changes in regulatory frameworks drastically affect job opportunities and the incentive to migrate. For this reason, the in depth analysis of the political economy of migration policies in industrial economies carried out in several LdA's research papers has also very important implications for developing countries. Understanding how pressure groups and electoral constituencies affect parliamentary vote on migration issues is an essential steps for understanding the prospect for furthering the integration between North-South labour markets.

### **Firms and the international market**

This area of research, although mostly focussed on Northern countries, also has very important implications for developing areas. In the last decade extraordinary changes in the North South division of labour have been taking place, whereby emerging economies have gradually grown into being dynamic markets but also efficient locations for production. Opportunities for fragmenting economic activities (because of lower trade costs, technological and political barriers) have strengthened the geographic dispersion of economic activities and, as mentioned, countries like India, China and Vietnam that had been excluded from major trade flows have moved into the centre stage. At the same time, development prospects for countries which are still excluded from the global division of labour, even for those that are rich in natural resources rest in their opportunities to diversify into manufacturing and services, and this can only be done in strict collaboration with Northern firms.

This pattern therefore depends on the features of the process of internationalisation of advanced economies. This had traditionally been studied by looking at the sectoral specialisation

of countries. LdA's research has mostly focussed on firms, under the assumption that heterogeneous strategies and also performances emerge within sectors. Therefore, the features of firms which are successful internationalisers have been explored, to understand, for example, which features favour the expansion of operations in distant markets, like developing ones. Understanding the features of these firms enables researchers to also look at patterns of North-South transfers of technology and division of labour. To do this, in collaboration with several other European Institutes and Unicredit, LdA will conduct a major Europe-wide firm level survey of the international activities of European firms, under the FIGE project, which will single out the geographic distribution of such activities. Also, under another European Project, INGENEUS, LdA's researchers will analyse the features of the 'Southern activities' carried out by European firms, with a focus on the automotive sector. Southern countries analysed include South Africa, Brazil, India and China.

Finally this area of research entices a very relevant policy dimension. Indeed the internationalisation of firms is affected by enabling policy and regulatory environments both in Northern and Southern countries. For example, restrictive policies for offshoring in the North would slow down internationalisation of production and diffusion of technologies to backward economies. Yet, the likelihood of governments to revert to protectionist policies will depend on the perception of the benefits that outward FDI or offshoring has on home economies in the North. Equally, the opportunities for emerging economies to also invest in Industrialised countries and therefore for bilateral investment and technology flows to emerge, rests on how far host economies remain open to foreign investors, independently of their nationality.

## **10.2. Training**

### **Summer Schools**

The Summer Schools in International and Development Economics have always been on Development topics, attended by students from all over the world including Developing countries. All together in the 6 editions of the Summer Schools, 233 students have attended, of these 75 from developing countries

### **Riccardo Faini Doctoral Conference in Development Economics**

The conference brings together doctoral students working on development economics from all over the world. During the conference, doctoral students are supervised by leading academics in the field. In the first two editions 62 students have attended of which 12 from developing countries.

## 11. Who's Who

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