



CENTRO STUDI LUCA D'AGLIANO

Report to the
Scientific Advisory
Board

2008-2009

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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 Development, 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 2008 – 2009 and the corresponding partners.

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

POVERTY AND DEVELOPMENT			
COORDINATOR			
Mariapia Mendola			
PROJECTS			
Migration and Community Participation in Southern Mozambique	The Labour Market Impact of Emigration in Albania	International Migration and Child Labour in LDCs	
RESEARCH PARTNERS			
The World Bank; University of Milan; University of Milan Bicocca; Toulouse School of Economics; Eduardo Mondlane University (Maputo); the National Statistical Institute (Maputo); the Universidad del Rosario (Bogotá)			
FUNDING INSTITUTIONS			
The World Bank; Compagnia di San Paolo; Institutional funding			
MIGRATION			
COORDINATOR			
Giovanni Facchini			
PROJECTS			
Sustainable Development in a Diverse World (SUS.DIV)	Transnationality of Migrants (TOM)	Migration and Mobility of Tasks: The internationalisation of the Firm	Brain Drain, Return Migration and South-South Migration: Impact of Labour Markets and Human Capital
RESEARCH PARTNERS			
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; University of California, Davis			
FUNDING INSTITUTIONS			
The European Commission; Compagnia di San Paolo; Fondazione CRT; The World Bank			

FIRMS AND THE INTERNATIONAL MARKET

COORDINATORS

Giorgio Barba Navaretti, Gianmarco Ottaviano

PROJECTS

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)
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RESEARCH PARTNERS

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; CEPPII; 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

FUNDING INSTITUTIONS

The European Commission; The Italian Ministry of Research; UniCredit Group; Chamber of Commerce of Turin

2.1 Poverty and development

2.1.1 Main findings

LdA has been working in this area by carrying out research activity on the micro-economic determinants and consequences of poverty and inequality in developing settings. A primary attention has been given to the analysis of a key determinant and consequence of low income and well-being in developing countries, that is labour out-migration, either domestic or international.

Research work has been focused on the consequences of migration and remittances at the household level in a number of developing countries in Africa, Asia, and East Europe, looking in particular at their economic impact on household technology adoption, male and female labor force participation, child education and employment outcomes.

Overall, we find that migration plays a positive role in fostering household well-being and economic development in the home country, by coping with missing (financial and insurance) markets and weak institutions at origin. Yet, we also find that heterogeneous migration constraints may lead to both exclusion of poor people from this key global process and asymmetric migration effects on the economic decisions taken by people left behind.

The effects of migration and remittance flows at the household level, though, crucially depend on institutions and growth at the level of the economy as a whole. Thus we turned our attention to the role of migration in (re)shaping formal and informal institutions in migrant-sending communities, looking in particular at the linkages between labour outflows, remittances and informal associations and networks in village economies at origin. We find that contrary to the common perception, labour migration coupled with remittances may foster cooperative behaviour and organisation of common duties in migrant-sending regions, thereby contributing to generate positive externalities for well-being and growth at the country level.

2.1.2 Projects

Migration and Community Participation in Southern Mozambique

This is a research project on the micro-economics of migration flows from Mozambique, typically to South Africa, which involved a fieldwork study and the collection of first-hand data through a household survey. A household survey of 1000 households from 42 communities (both urban and rural) in 4 districts (Manhica, Magude, Chokwe, Chibuto) of 2 regions (Maputo and Gaza) in the South of Mozambique has been collected in collaboration with the Eduardo Mondlane University and the National Statistical Institute (INE) in Maputo. Sample households have been selected with a probability proportional to population size estimated from the most recent 2007 General Population Census data provided by INE so that the household survey is representative at the regional level. The survey collected unusually detailed information on migration status and household social capital and network participation, along with a wide range of individual, household and community characteristics. The general project framework aims at helping to

understand some of the more contentious impacts of South-South migration - surprisingly unexplored in this region of the world - such as investment, educational, gender effects in the home region. A specific objective of the project is the investigation of a large set of implications that migration have in shaping the migrant's household community participation. This is of interest in order to understand the local institutional changes that take place during the process of development and in particular the level of social capital, which is considered as one of the engine of local development.

Work on this project at LdA is coordinated by Mariapia Mendola, in collaboration with Juan Miguel Gallego, who has been working at LdA as an early-stage researcher within the Marie Curie RTN 'Transnationality of Migrants (TOM)'. Juan Miguel has completed his PhD in Economics at the Toulouse School of Economics in 2009 and is now an Assistant Professor at the Department of Economics at the Universidad del Rosario (Bogotá).

This initial project is part of a growing effort of LdA to engage in fieldwork-based research and data collection, involving international collaborations with research institutes in both developed and developing countries. Out of this project, further research projects on Southern Africa migration flows have been started with the Human Sciences Research Council of South Africa (Pretoria) and with the World Bank (South-South Migration Project).

2.1.3 Research output

Labor Migration and Social Networks Participation in Mozambique

Using an unique data set collected by the authors in the South of Mozambique, in "Labor Migration and Social Networks Participation: evidence from Southern Mozambique" *Mariapia Mendola* and *Juan M. Gallego* looked at whether and how labor out-flows affect the informal structure of migrant-sending economies left behind. There is a large literature pointing to non-market institutions and community-based social networks as salient components of household well-being in developing settings. Yet, there are few insights into whether people mobility affects incentive problems associated with social networks participation, or whether labor migration, conceived as a family strategy, displaces social informal cooperation with non-family community members in village economies at origin. Findings show that, contrary to the common presumption, households with successful migrants, i.e. those receiving either remittances or return migration, engage more in community based social networks. In particular, the probability of a family engaging in a social network is decreasing in the number of migrants but increasing in an indicator for receipt of remittances. The latter results are robust to alternative definitions of social interaction and to potential endogeneity concerns, which are addressed with an instrumental-variable identification strategy. These findings hint to a positive role of migration in fostering the development of institutions and the organisation of common duties in local communities at origin, by increasing income stability through remittances and relaxing self-enforcing constraints (e.g. limited commitment) to informal arrangements.

A first version of this paper has been presented at the 2009 CSAE Conference in Oxford, the 2009 ESPE Conference in Sevilla and the 2009 NEUDC Conference in Boston.

The research carried out on migration in Southern Africa has led *Mariapia Mendola* to review the book written by Hanlon, J. and Smart, T. "Do Bicycles Equal Development in Mozambique?" (Oxford: James Currey 2008), published QA/La Questione Agraria, n.1 (2009), and to write the background paper "Migration and Development: African Profiles and Challenges for Future Research", commissioned by the Centre of Poverty, Employment and Growth Unit at the Human Sciences Research Council of South Africa (Pretoria).

The Labor Market Impact of Emigration in Albania

In "International Migration and Gender Differentials in the Home Labor Market: Evidence from Albania" *Mariapia Mendola* and *Gero Carletto* studied the impact of international migration flows from Albania on labor market outcomes in the country of origin. In particular they ask whether there is any role of gender-based migration in differently affecting labour market opportunities by gender in migrant-sending households. Albania is an interesting testing ground as migration is a massive male-dominated phenomenon. Using the detailed 2005 World Bank LSMS survey, they find that male and female labour supplies respond differently to migration episodes of household members, and migration effects are robust to the income (remittance) effect. Women with family (male) migration experience are significantly more likely to work in self-employment and less likely to supply unpaid work. No effects are found for the male labour force population. These findings suggest that male-dominated Albanian migration may lead to a comparative improvement in the access to labour market opportunities for women at origin.

International Migration and Child Labor in Least Developed Countries

In "International migration and child labor in LDCs" written by *Juan M. Gallego* and *Mariapia Mendola*, the authors study empirically the effects of 'globalization' on child labor and schooling in developing countries. In particular they look at the impact of international migration on labor market outcomes for children at origin by testing the *a priori* competing effects (income effect vs labor market/wage effect) through a cross-country analysis. They build a new large cross-country dataset from MICS II (Multiple Indicator Cluster Surveys) provided by UNICEF and from the Labor Migration Stocks (Docquier and Marfouk, 2007) and overall, findings show that migration increase domestic child labor while decreasing out-of-home child labor. They further look at whether there any effect of the skill and gender composition of international migration on the labor supply of children in developing countries. Preliminary results show that skilled migration increase child labor and decrease child schooling- while the opposite is true for unskilled international migration. This calls for policy interventions in countries affected by the 'brain drain'. Female migration, on the other hand, is relatively more effective in decreasing child labor and increasing child education.

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 country of destination. *Mariapia Mendola* and *Martin Kahanec* have recently completed a paper on In "Social Determinants of Labour Market Status of Ethnic Minorities in Britain" which will be published in *Research in Labor Economics*. *Kahanec* and *Mendola* 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 Expenditure and Poverty in the Western Balkans

In a different development project, *Mariapia Mendola* has been looking at the policy implications of impoverishing effects of health shocks in the Western Balkans. In "The Impoverishing Effect of Health Expenditures: Evidence from the Western Balkans" (in *Enhancing Efficiency and Equity: Challenges and Reform Opportunities Facing Health and Pension Systems in the Western Balkans*, Health, Nutrition, and Population Family (2008), World Bank's Human Development Network) *Caryn Bredenkamp*, *Mariapia Mendola* and *Michele Gragnolati* use data from household surveys to examine the relationship between out-of-pocket expenditures on health care and poverty in Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo. Overall, they found that the impoverishing effects of such health expenditures are significant and most severe in Albania and Kosovo, followed by Serbia, Bosnia and Herzegovina and Montenegro. Informal payments to health sector practitioners are still notable in all countries surveyed and are particularly high in Albania. Transportation expenses tend to account for a large share of total health expenditures as well and, as such, are a significant contributor to poverty, especially in Albania and Serbia. The authors offer several policy suggestions for addressing this issue: from reforms to the user fee structure to the expansion of health insurance so as to reach hitherto uncovered groups, especially agricultural workers and the informally employed, to exploring means of subsidizing transport for the rural poor as to ensure a more equitable geographic distribution of health care facilities.

Enterprise Surveys and Investment Climate

Angelica Salvi Del Pero participated in three different World Bank projects involving the analysis of the Investment Climate in the Republic of Congo, in Sudan and in Nepal. More in detail, *Salvi Del Pero* co-authored an Investment Climate Policy Note (ICPN) for the Republic of Congo that identifies the main constraints to the development of the private sector in Congo's two main urban areas, based on a survey of enterprises operating in the manufacturing and services sectors, and to propose specific short term recommendations to address these constraints. For the Sudan project *Salvi Del Pero* instead authored a background paper on total factor productivity analysis, also involving cross country comparisons. The Nepal Investment Climate project is currently in progress; *Salvi Del Pero* is responsible for the chapter on informal firms - which will discuss the relevance of the informal sector for the Nepali economy, the characteristics of the informal firms and the obstacles they face.

2.1.4 Conferences and other events

Seminars and conferences are also 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.

Two editions of the “Riccardo Faini Doctoral Conference on Development Economics” were organised in 2007 and 2008 at Palazzo Feltrinelli, the conference venue of the University of Milan 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, presents their work, and benefit from discussion also with LdA research staff and other academics.

In 2010, the First Workshop on Migration and Economic Development will be organised by the Centro Studi Luca d'Agliano, the University of Milan Bicocca and the Développement Institutions & Analyses de Long Terme (DIAL).

Second Riccardo Faini Doctoral Conference

The last edition of the “Riccardo Faini Doctoral Conference on Development Economics” was held on September 7th – 9th 2008. This event 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).

Workshop on Migration and Economic Development

A first workshop on “Migration and Economic Development: Insights from original data collection and fieldworks” has been organized to be held on February 5th – 7th 2010 in Chianti, Italy. The goal of the workshop is to provide a forum for high quality research on the linkages between migration and economic development in migrant sending regions. A major focus of the workshop will be on research methodologies and latest findings on how to conduct field work and data collection in developing countries in order to effectively examine the impact of migration on both migrants and households left behind. The workshop has been organized by *Flore Gubert* (DIAL Paris) *Mariapia Mendola* (University of Milan Bicocca and LdA) and *Anne-Sophie Robilliard* (DIAL Dakar). Several experts of the field, such as Sylvie Lambert, Dean Yang, David McKenzie, Jorge Durand, Gero Carletto, Joachim De Weerd, Furio Rosati have already ensured their participation.

2.1.5 Research team, research partners and funding institutions

Researchers working in the area in 2008-2009 are Mariapia Mendola, Juan Miguel Gallego, Angelica Salvi Del Pero, Giovanna Prennushi, Valeria Groppo and Simone Lombardini.

Research partners in this area's projects include The World Bank, the University of Milan Bicocca, the University of Milan, Toulouse School of Economics, the Eduardo Mondlane University in Maputo, the National Statistical Institute in Maputo and the Universidad del Rosario in Bogotá. Research in the area has been funded by The World Bank, the Compagnia di San Paolo and by institutional funding.

2.1.6 Work programme for 2010-2011

LdA fellows will continue to be actively engaged in research on development economics issues in the next two years. Major focus and aim of the research activity will be: (i) to better our knowledge on the crucial contribution that migrants and remittances make to the socio-economic development of countries of origin and (ii) to examine how household health shocks may affect well-being, human capital acquisition and labor market participation of household members.

With respect to the first theme, LdA fellows are already engaged in several projects as to assess unexplored linkages between migration and development. On this side, one project in particular aims at assessing the role of xenophobia and violence in South Africa in shaping the dimension and composition of migration flows from Mozambique. A project proposal on 'South-south migration, institutions and economic development in Southern Africa' has been prepared in 2009 and submitted for funding. The latter includes the second round of the Mozambican data set, as the household survey has a framework around which a follow-up survey can be generated by re-interviewing the same households. 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.

With respect to the second theme, by using available panel data for developing countries, work will continue exploring several effects of health shocks and expenditures on household long-term well-being and risk coping strategies, in contexts where social services and formal mechanisms to smooth out negative shocks are not in place or subject to major welfare (health) reforms.

Within this research area, LdA has applied to several call for proposals launched by major national governments and international organisations. If these calls will be successful, it will be possible to expand considerably this area for research.

2.2 Migration

2.2.1 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. We have also looked at non-economic drivers of preferences, focusing in particular on the role played by the media in shaping perceptions towards illegal immigration.

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.

2.2.2 Projects

Sustainable Development in a Diverse World (SUS.DIV)

The first one is an EC-6th 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 visiting fellow at LdA in 2007 and 2008 and Lecturer at the University College London; Gianfranco de Simone, researcher at the Fondazione Giovanni Agnelli in Turin; Cecilia Testa, a Lecturer at the Royal Holloway College and Mariapia Mendola, an Assistant Professor at the University of Milan Bicocca.

Transnationality of Migrants (TOM)

The second one is an EC-6th 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 four researchers from 2007 to 2009. 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 early stage researchers: Juan Miguel Gallego Acevedo, who has completed his PhD in Economics at the Toulouse School of Economics; Max Steinhardt, who is completing 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.

Migration and Mobility of Tasks: the Internationalisation of the Firm

The third 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, Paola Conconi, Gianfranco de Simone, Giovanni Facchini, Tommaso Frattini, Anna Maria Mayda, Gianmarco Ottaviano, Giovanni Peri, Angelica Salvi Del Pero, Alessandro Sembenelli

Brain Drain, Return Migration and South-South Migration: Impact on Labor Markets and Human Capital

The last project is funded by the World Bank and involves teams based at the University of California, Davis, University College London, and Université Catholique de Louvain. It is aimed at analyzing the effects of immigration in sending and receiving countries, with a particular focus on South-South migration. The team based at LdA will focus in particular on labor market outcomes in South Africa and on the factors that drive individual attitudes towards immigration in that context.

Work within this project at LdA is coordinated by Giovanni Facchini, and the other team members are Anna Maria Mayda, Mariapia Mendola, Juan Miguel Gallego and Riccardo Puglisi.

2.2.3 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.

In a recent paper on “From Individual Attitudes towards Migration to Migration Policy outcomes: Theory and Evidence” published in *Economic Policy*, *Giovanni Facchini* and *Anna Maria Mayda* 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.

Giovanni Facchini and *Anna Maria Mayda*, in a recent paper on “Individual Attitudes towards Skilled Migration” look at whether the labor market and welfare state drivers of attitudes play an important role also in the case of skilled immigration. Differently from what has been found in the existing literature, their evidence suggests that economic factors appear to play a key role even with respect to inflows of highly skilled foreign workers.

In “Illegal Immigration and Media Exposure: Evidence on Individual Attitudes”, *Giovanni Facchini*, *Anna Maria Mayda* and *Riccardo Puglisi* look at the role played by the media in shaping individual preferences towards illegal immigrants. To study this question, they use the CCES survey, which was carried out in 2006 in the United States. They find evidence that - in addition to standard labor market and welfare state considerations - media exposure is significantly correlated with public opinion on illegal immigration. Controlling for education, income and

ideology, individuals watching Fox News are 9 percentage points more likely than CBS viewers to oppose the legalization of undocumented immigrants. We find an effect of the same size and direction for CNN viewers, whereas individuals watching PBS are instead more likely to support legalization. Ideological self-selection into different news programs plays an important role, but cannot entirely explain the correlation between media exposure and attitudes about illegal immigration.

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*.

Migration and Productivity Patterns in European Regions

Giorgio Barba Navaretti, *Gianfranco De Simone*, *Gianluca Orefice*, and *Angelica Salvi Del Pero* have completed a paper - "Migration and Productivity Patterns in European Regions" that looks at the interaction between migration and offshoring (measured by outward FDI) in the manufacturing sector of European regions and at how they are related to productivity distributions at the firms level. Migration and offshoring are highly correlated to each other however they are related to total factor productivities in different ways. A larger share of migrant workers is related to higher efficiency of the least productive firms and reduces dispersion and the central tendency of productivity distributions. Offshoring is related to higher efficiency of the most productive firms and to an increase in the dispersion and a reduction in the central tendency of productivity distributions. These results have important policy implications. Migration helps the survival and the convergence of weaker firms and weaker regions within Europe. Restricting it might therefore be costly in terms of lower tail of the productivity spectrum. In contrast, policies limiting offshoring might slow down productivity improvements driven by the higher end of the distribution. *Giorgio Barba Navaretti*, *Davide Castellani*, *Angelica Salvi* and *Tommaso Frattini* are currently working on a new version of this research that takes advantage of the panel structure of the data on productivity and immigration. The link between migration, offshoring and labour market outcomes, is instead

being explored by *Giuseppe Bertola* and *Alessandro Sembenelli*, for the Italian regions. *Gianmarco Ottaviano* and *Giovanni Peri* work with very disaggregated labour market data for the US to examine how labour market outcomes of FDI and migration depend on the characteristics of the tasks performed by workers in industry.

FDI and Migration: the Role of Human Capital

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.

2.2.4 Conferences and other events

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

As part of the TOM network, the Sixth, Seventh and Eighth 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 and the LdA team working on this project attended the First Informal Meeting and Young Researcher Workshop, and the Second and Third TOM Conferences. Moreover, several events will be organised in 2010. On May 6th – 7th 2010, Giovanni Facchini and Tommaso Frattini will organise a workshop focussing on two main themes: illegal immigration and the effects of immigration on the destination country. Around 12 invited speakers will present their works at the University of Milan. In September 2010, the Ninth Summer School on “Illegal Immigration” will be held in Gargnano and the Final Conference of the TOM network will be organised on September 16th – 18th 2010 at the Venice International University in the Isola di San Servolo.

Within the SUS.DIV project, during 2008 and 2009 LdA researchers attended the Fourth and Fifth General Assemblies and the SUS.DIV-EURODIV conference.

Conference on Outsourcing and Migration

LdA organised a conference on “Outsourcing and Migration”, hosted by the Fondazione Agnelli in Turin on May 16th – 17th 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.

Seventh Summer School in International and Development Economics

The theme of the 2008 edition, which took place from August 24th to August 27th, 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.

Eighth Summer School in International and Development Economics

The Eighth Summer School on “Outsourcing and Migration” took place from August 30th to September 2nd 2009 at Palazzo Feltrinelli. Giovanni Peri (University of California, Davis) and James E. Rauch (University of California, San Diego), lectured on the link between international trade and international migration. We had a record number of over 200 applications for the 40 or so spots available, which highlight the great success of the initiative.

TOM First Informal Meeting and Young Researcher Workshop

On March 12th 2008, Anna Maria Mayda, Giovanni Facchini and Giorgio Barba Navaretti participated in the First Informal Meeting and Young Researcher Workshop organised by CEPR and hosted by ECARES (Brussels). The EC officer was invited to meet the TOM fellows and the Steering Committee composed by all team leaders.

SUS.DIV Fourth General Assembly

Within the SUS.DIV project, Giorgio Barba Navaretti attended the Fourth General Assembly which was organised by the University of Matej Bel (UMB) and took place in Bratislava on September 3rd – 5th 2008.

TOM Second Conference and Mid-Term Review Meeting

The second TOM conference and Mid-Term Review Meeting were hosted by the Catholic University of Louvain on January 22nd – 24th 2009. Gianfranco De Simone presented the paper “Brain Drain with FDI Gain? Factor Mobility between Eastern and Western Europe” written jointly with Miriam Manchin. During the 3rd session on Political Economy, chaired by Giorgio Barba Navaretti, Riccardo Puglisi presented the paper “Illegal Immigration and Media Exposure: Evidence on Individual Attitudes” written jointly with Giovanni Facchini and Anna Maria Mayda and Max Steinhardt presented the paper “Migration and Trade: Political Substitutes?” written jointly with Paola Conconi, Giovanni Facchini, and Maurizio Zanardi. Moreover, Raluca Prelipceanu presented the paper “Gendered Approach to Temporary Labour Migration and Cultural Norms: Evidence from Romania”.

SUS.DIV Fifth General Assembly

The Fifth General Assembly was organised by the Istanbul Technical University (ITU) and was held in Istanbul, Turkey, on March 25th – 27th 2009.

TOM Third Conference

The Third TOM conference took place at the Hamburg Institute for International Economics (HWWI) on October 9th – 10th 2009. Giovanni Facchini presented the paper “The Political Economy of Skilled Migration” written with Anna Maria Mayda. Giorgio Barba Navaretti presented the paper “The Impact of Capital and Labor Mobility on Firm Productivity Across European Locations” written jointly with Gianluca Orefice, Gianfranco de Simone, and Angelica Salvi Del Pero.

SUS.DIV-EURODIV Conference

During the SUS.DIV-EURODIV conference on “Dynamics of Diversity in the Globalisation Era” held on October 22nd – 23rd 2009 at FEEM in Milan Giovanni Facchini was invited as Keynote Speaker and presented the paper on “Illegal Immigration and Media Exposure: Evidence on Individual Attitudes” written with Anna Maria Mayda and Riccardo Puglisi.

2.2.5 Research team, research partners and funding institutions

Researchers who worked in the migration area during 2008 and 2009 are Giovanni Facchini, Giorgio Barba Navaretti, Giuseppe Bertola, Gianfranco De Simone, Tommaso Frattini, Juan Miguel Gallego, Miriam Manchin, Anna Maria Mayda, Mariapia Mendola, Gianluca Orefice, Gianmarco Ottaviano, Giovanni Peri, Raluca Prelipceanu, Riccardo Puglisi, Angelica Salvi Del Pero, Alessandro Sembenelli, Max Steinhardt and Cecilia Testa.

Research partners in the area include CEPR; London School of Economics; Université Libre de Bruxelles; University of California, Davis; 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.

Research in this area is funded by the European Commission, Compagnia di San Paolo, Fondazione CRT and The World Bank.

2.2.6 Work programme for 2010-2011

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, Anna Maria Mayda and Annette Pelkmans are working on a project to assess the effect of emigration on the well being of the middle class in the Philippines. *Giovanni Facchini* and *Cecilia Testa* are working on developing a political economy model of illegal immigration. *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.

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* with *Davide Castellani*, *Tommaso Frattini* and *Angelica Salvi Del Pero* will look at how these flows interact in affecting firm performance at the regional level in Europe. *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.

Several conferences and summer school will also be organised under this research area.

2.3 Firms and the international market

2.3.1 Main findings

This area of LdA research originates from the belief that a deeper understanding of the determinants and effects of northern firms' internationalization strategies is necessary in order to have insights on the future opportunities for developing countries. Also, it derives from LdA's involvement in the first firm level survey carried out by the World Bank in Africa

The recent developments in the theory of international trade with heterogeneous firms suggest that it is necessary to move beyond the idea that sectoral specialisation is the only determinant of 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. Selection of firms becomes especially important the more difficult is the market and therefore for internationalisation towards developing economies.

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.

The research at LdA is based on Europe-wide or national firm specific data sets, and also on theory. It has mapped the increasing complexity of different types of international activities and it 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.

Another relevant aspect recently emphasised by the literature is the North-South dimension of

international production networks and the relationship between global production network and global innovation networks. What emerges is that the first wave of globalization which has mainly involved different phases of the production process, is now evolving in a wave of globalization of knowledge. Further research is thus required in order to single out the effect of the globalization of knowledge both in the North and the South and the role of latecomer regions in the global economy. The analysis of global innovation network requires both the gathering of new data and the definition of a conceptual framework suitable to capture the relevant characteristics of this process: LdA research is developing also along this new line. The analysis of the globalization of knowledge intensive activities brings relevant and new insights both when conducted at the firm level (i.e. investigating the determinants of firms' choice of whether and where off-shore innovation activities and the firm level effects) and at the industry level across EU regions and emerging economies.

Moreover, the recent empirical literature on the globalization process has highlighted the increasing weight both of globalization in service industries and of off-shoring of service functions by manufacturing firms. This issue has already gained a large space and it is now at the core of the policy debate all over the world. The emphases on services globalization as a new phenomena to be investigated is mainly due to the fact that service internationalization may have both different determinants and different effects compared to internationalization of manufacturing activities. 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.

2.3.2 Projects

Conclusion of two projects: International Fragmentation of Italian Firms: New Organizational Models and the Role of Information Technologies (FIRB) and European Firms and International Markets (EFIM)

The first one is a strategic research project funded by 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. It started in September 2005 and partners in this project are: the Universities of Milan, Turin, Florence, Bari, Csil (Centro Studi sull'Industria Leggera) and ICE (Italian Institute for Foreign Trade).

The second one, is a two-year initiative of six research centres from six EU countries, coordinated by CEPR and Bruegel, with the aim of using firm-level trade and FDI data to provided policy indications concerning the effects of the increased competitive pressure on European firms.

The research carried out shows a fairly robust evidence that firms' international performance and competitiveness does not depend only on 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 has been hired at Centro Studi Luca d'Agliano from November 2007 to November 2008 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.

European Firms In a Global Economy: Internal Policies for External Competitiveness (EFIGE)

EFIGE is a four-year Collaborative Research Project funded by the 7th Framework Programme (Collaborative Programme) of the European Commission. The project started in November 2008. Work on the EFIGE project at LdA is coordinated by Giorgio Barba Navaretti, which is also part of the global coordinating team with Gianmarco Ottaviano and Thierry Mayer. The other partners are research institutions like Bruegel, Universidad Carlos III de Madrid, Centre d'Etudes Prospectives et d'Informations Internationales (CEPII), Centre for Economic Policy Research (CEPR), The Institute of Economics of Hungarian Academy of Sciences (IEHAS), Institute for Applied Economic Research (IAW), together with UniCredit Group and the other National Banks of the involved countries. The aim of the project is to look at the international competitiveness of European firms on the basis of comparative firm level surveys.

A major exercise conducted within this project is a very large cross-European firm level survey carried out in 7 EU countries and based on the same questionnaire. The survey will provide a cross sectional data set combining information on the international activities and on other characteristics of the firm.

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. 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, the institutions involved 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.

In particular, LdA team, besides contributing to the several research areas listed above, is responsible for the research output on the relationship between firm organisation and internationalisation. Being international is an increasingly complex task. Successful exporters operate in several markets, sell abroad a large share of their output, often also carry out foreign production and import a large part of their inputs. LdA will document and analyse how different types of international activities complement or substitute for each other, the extent to which firms pursue integrated internationalisation strategies and what factors affect their decision. LdA will investigate both theoretically and empirically how market failures (e.g. hold-up problems and the dissipation of intangible assets) influence the choice of firms on how to carry out their international activities. Special attention will be devoted to understanding how the institutional

context of a given country affects the contractual cost of carrying out given transactions. From a policy perspective it is important to understand what type of institutional settings minimise the cost of internationalisation. LdA will also explore how governance, type of ownership and management affect the extent and the effectiveness of selling and producing abroad. Moreover, the role and the cross-country differences in the quality of management will be analysed in their determinants and effects on performance.

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

This Collaborative Research Project also funded by the 7th 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 project started in January 2009 and the LdA team is coordinated by Davide Castellani. The research focuses particularly on the evolution of global production networks into global innovation and its impact on knowledge-intensive activities in the European Union. In particular, it 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 leads a research workpackage on "The global long-run impact of offshoring of innovation for EU firms", involving also researchers from FEEM (Italy) and SPRU (United Kingdom). This WP will carry out empirical work which will address various aspects of North South Innovation Networks and their effects on the EU economy. Within this project LdA is also responsible for carrying out a case study on global production and innovation in the FIAT group and a Survey on the Automotive industry, also in collaboration with the Chamber of Commerce of Turin. This survey will be run in coordination with all the other partners in the project and will provide a basis for a cross-country comparison of the extent and characteristics of the global production and innovation networks in three sectors (automotive, ICT and agro-processing) and

various countries (both within and outside the EU).

Globalization, Investment and Services Trade (GIST)

This Marie Curie Initial Training Network funded by the 7th Framework Programme (People Programme) of the European Commission involves LdA jointly with CEPR (leading Institution), Stockholm University, Kepler University Linz and WIIW Vienna, CNRS-Paris, University College Dublin, University of Ljubljana and with other associated partners (Copenhagen Economics, Central Planning Bureau the Hague, the World Bank, the WTO, Columbia Law School). The project's aim is to 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.

Work on the GIST project at LdA is coordinated by Paolo Garella and LdA team members are Giorgio Barba Navaretti, Klaus Desmet, Giovanni Facchini, Giulia Felice, and Peri da Silva.

LdA has also hired for 9 months, starting on October 1st 2009, an experienced researcher, Daniel Horgos. He obtained his Ph.D. at the Helmut Schmidt University in Hamburg and he is specialised in trade and labour economics. Daniel Horgos has completed a paper on outsourcing of services to analyse the differences with offshoring of material production as to the effects on wages of skilled and unskilled workers in the home country.

2.3.3 Research output

Within this area, several papers have been completed, both at firm and industry/macro level.

International Activities and Innovation

The paper of *Davide Castellani* and *Giorgia Giovannetti* "Productivity and the international firm: dissecting heterogeneity" explores the sources of the premia to the international activities of the firms, so far largely remained a black box, since standard theoretical models consider differences in productivity as the results of a random draw. Only recently a new theoretical framework reconciles recent empirical work noting that productivity differences among firms can be explained by different managerial practices, I.T. and organizational capital. Using an original dataset on Italian firms, the authors show that the higher use of knowledge workers (such as R&D workers, as well as workers in managerial and clerical occupations) explains some of the TFP premium of exporters and multinational firms. These results suggest that TFP differences are not due to different *constant* in the production function between international and non-international firms, but they rather reflect differences in the *slopes* of the production function. In fact, allowing for different returns to inputs between domestic and international firms, the authors explain all of the productivity premium and beyond. This is the result of the fact that multinational firms are both more capital intensive and exhibit higher returns to capital. Furthermore, managers and capital are complements in the productivity of multinational firms. This is consistent with the idea that multinational firms have superior organizational capabilities and managerial practices.

In "Export and Product Innovation at the Firm Level" *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 a large and positive average causal effect of export status on the probability of introducing new products (learning by exporting). This effect can be explained on the basis of a simple theoretical model as a consequence of a firm's need of adapting its product to foreign demand requirements together with the reduction in the costs of getting information on how to innovate, once being active in the foreign market. From a policy perspective, this result suggest that export promotion policies and policies directed to the reduction in fixed costs of exporting may not only increase average industry innovative performance, but also the innovation performance at the firm level. This is particular relevant for countries like Italy where the productive structure is strongly biased toward smaller firms which are less likely to bear the cost of investing in R&D.

International Activities and the Organisation of the Firm

In "Does ICT Investment Spur or Hamper Off-shoring? Empirical Evidence from Microdata" *Luigi Benfratello, Tiziano Razzolini and Alessandro Sembenelli* provide empirical evidence on the effect of ICT investment on the propensity to offshore for a large sample of Italian manufacturing firms. Contrary to previous literature focussing on the service sector, the authors find a negative and significant effect of ICT on the propensity to offshore some stages of the production process. Furthermore this effect turns out not to depend on the type of ICT investment and applies both to hardware and software/telecommunication expenditures. A potential explanation for this finding is that ICT investments in manufacturing increase the complementarity of production processes within the firm, thereby reducing the incentive to offshore. From a policy perspective, these results seem therefore to suggest that negative exogenous shocks to ICT prices—possibly induced by targeted policy programs aimed at the diffusion of ICT technologies—do not favour off-shoring of manufacturing activities.

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.

Gianmarco Ottaviano and Alireza Naghavi, in the paper "Firm Heterogeneity, Contract Enforcement, and the Industry Dynamics of Off-shoring", develop an endogenous growth model with R&D spillovers to study the long run consequences of off-shoring with firm heterogeneity and incomplete contracts. In so doing, They model off-shoring as the geographical fragmentation of a

firm's production chain between a home upstream division and a foreign downstream one. While there is always a positive correlation between upstream bargaining weight and off-shoring activities, there is an inverted U-shaped relationship between these and growth. Whether off-shoring with incomplete contracts also increases consumption depends on firm heterogeneity. As for welfare, whereas with complete contracts an R&D subsidy is enough to solve the inefficiency due to R&D spillovers, with incomplete contracts a production subsidy is also needed.

International Activities and Finance

In the paper "Financial Development and Export", *Matteo Bugamelli* and *Fabiano Schivardi* examine 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.

Giorgio Barba Navaretti, *Giacomo Calzolari*, *Micol Levi* and *Alberto Franco Pozzolo* are presently working on a paper for Economic Policy, where they look at the trends in Multinational Banking in Europe and in emerging economies and at how lending activities of these banks have been affected by the financial crisis.

Internationalisation and Performance

In "Firm-Export Intensity and Productivity", *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.

Gianmarco Ottaviano and *Christian Volpe Martincus*, in the paper "SMEs in Argentina: Who are the Exporters?" analyse the export decisions made by firms focusing on a developing country. The large majority of the recent studies on firm characteristics and internationalization focus on developed countries and do not explore whether different behavioral patterns prevail over the

firm size distribution. This paper aims at filling this gap in the literature by analyzing the export behavior of a statistically representative sample of 192 Small and Medium-Size Enterprises (SMEs) in a developing country, Argentina, over the period 1996-1998. The main results show that the level of employment, sourcing from abroad, investment in product improvement and average productivity are associated with a higher probability of exporting. Training activities for employees are important to export outside of MERCOSUR.

As for the performance at the regional/country level, the paper by *Davide Castellani and Fabio Pieri* on “Foreign Investments and Productivity. Evidence from European Regions” investigates the links between (inward and outward) investments in European NUTS 2 regions and productivity. In an integrated economic area, such as the EU, national boundaries tend to become more blurred and regions (more than countries) appear as a key unit of economic analysis. This relevance of regions is mirrored in the high share of the EU budget devoted to reducing regional disparities (35% of the 2007-2013 budget has been allocated economic and social cohesion). This has brought significant economic research on the determinants of differences in regional productivity. Technology, human capital and agglomeration economies are the ‘usual suspects’ identified in the literature. Despite the increasing integration of global economies, there are no works on the links between internationalisation of regions and productivity. This has mainly to do to a lack of comparable data on openness and internationalisation at the regional level. This paper contribute to filling this gap by building indicators of inward and outward investments in/from 250 NUTS 2 regions in 2003 and 2004, Preliminary results suggest that a robust correlation between outward investments and regional productivity exists, while the correlation between the overall number of inward investments and regional productivity is not robust to control for other regional characteristics. Though, interesting results emerge with specific types of inward investments. For example, productivity is correlated with the creation of R&D labs, but not with manufacturing plants.

In the paper “A Two-Sector Model of Public Investment and Growth”, *Giulia Felice* analyses the role of public infrastructure investments with respect to growth. So far, the theoretical literature has emphasised the role of public capital in generating spillovers to the private sectors and through this way positively affecting aggregate growth, especially in transition and developing economies. Nevertheless the empirical evidence on the relationship between public capital and growth is still mixed. The empirical evidence suggests that this may be due to a composition effect, since the effects of public investments are heterogeneous across sectors and across types of infrastructure. This paper develops a theoretical framework suitable to capture this composition effect, highlighting the conditions on public expenditure composition between infrastructure investment and technologically advanced goods required to generate positive long run growth. The theoretical results provide some new basis for future empirical research comparing the effects of public expenditure composition on growth across countries with different stock of infrastructures and at a different development stage.

Internationalisation and Services

Daniel Horgos in the paper “Formalizing Service Off-shoring: A Ricardo-Viner Approach” analyses the differences between material and service off-shoring. Concerning service off-shoring, several

empirical contributions emerged recently. Since no formal model exists particularly investigating implications of service off-shoring, empirical findings base on hypothesis drawn from the literature on material off-shoring. This seems puzzling since the results show far less pronounced labor market implications than its material counterparts. In this contribution the author particularly formalizes service off-shoring within a Ricardo-Viner specific factors model. Since service off-shoring differs from material off-shoring in expanding the range of possible off-shoring variants, results differ fundamentally. The formal results provide a possible basis for the empirical findings and clear testable hypothesis for future research. Internationalisation and Services.

Case Studies and Policy Reports

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’Agliaio 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 Chamber of Commerce of Turin 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.

As a first output of the EFIGE project, Lionel Fontagné, Thierry Mayer and Gianmarco Ottaviano have completed the policy report “Of Market, Products and Prices: the Effects of the Euro on European Firms”.

2.3.4 Conferences and other events

Between 2008 and 2009, the LdA team in this area organised and participated in several conferences and workshops.

Within the FIRB project on firms’ internationalisation funded by the Italian Ministry of Research, LdA organised the Second Workshop in 2008 and the Final Conference in 2009.

Within the EFIGE project, three events took place between 2008 and 2009: the kick-off meeting, the First EFIGE Scientific Advisory Board meeting and EFIGE Policy Advisory Board meeting and the First EFIGE Scientific Workshop.

In 2010, the 2nd EFIGE Scientific Workshop and Policy Conference will be organized together

with the European Research Workshop on International Trade and will take place on June 16th – 19th at the Bank of Italy where the first policy report will be presented.

Within the INGENEUS project, the kick-off meeting and the Workshop on Methodology were organised in 2009 by the Fondazione ENI Enrico Mattei.

Finally, the GIST kick-off meeting was held in 2008 and the First Meeting on “Internationalization of Services: Competition and Regulatory Interaction in Europe” in 2009.

Workshop: The International Firms: Access to Finance and Organizational Modes

The workshop on “The International Firms: Access to Finance and Organizational Modes”, organised by LdA on February 21st and 22nd 2008 in partnership with the Department of Economics of the University of Milan, is the second workshop of the FIRB project. 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 21st. 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: 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 13th and 14th 2008. The papers presented the results of recent research on industrial districts in Italy and in other countries and their policy implication.

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’Aglia and Csil were presented at a workshop organised by the Turin Chamber of Commerce on July 2nd.

GIST Kick-off meeting

The GIST kick-off meeting was hosted by the Vienna Institute for International Economic Studies (WIIW) on September 25th – 26th 2008. Paolo Garella, the LdA team leader for this project, attended the meeting.

EFIGE Kick-off meeting

The EFIGE kick-off meeting was organised by Bruegel and took place in Brussels on November 4th 2008. Giorgio Barba Navaretti, Giulia Felice and other team leaders and senior researchers from the network discussed the work programme and planned future conferences for the project.

First EFIGE Scientific Advisory Board meeting and EFIGE Policy Advisory Board meeting

On January 12th 2009, the First EFIGE Scientific Advisory Board meeting and EFIGE Policy Advisory Board meeting were jointly organised by Bruegel and Centro Studi Luca d'Agliano and hosted by the University of Milan. The project was presented to the Scientific Advisory Board composed by Jonathan Eaton (Professor of Economics, New York University), Marc Meltiz (Professor of Economics and International Affairs, Princeton University), Peter Neary (Professor of Economics, University of Oxford), Jacques Thisse (Université Catholique de Louvain), Anthony J. Venables (Professor of Economics, Oxford University and Chief Economist, UK Department for International Development), Jan Michalek (Head, Chair of Macroeconomics and International Trade Theory, Department of Economics, Warsaw University) and to the Policy Advisory Board composed by Nani Beccalli Falco (President and CEO, GE International), Alessandro Profumo (CEO, UniCredit Group), Jean-Michel Charpin (Senior Auditor, French Ministry of Finance), Pilar L'Hotellerie-Fallois (Director General of International Affairs, Bank of Spain), Erkki Ormala (Head of Global Technology, Nokia), Anatole Katetsky (Editor-at-Large of the Times of London).

INGINEUS kick-off meeting

On January 22nd – 23rd 2009 the INGINEUS kick-off meeting was hosted by the University of Bologna and organised by the Fondazione Eni Enrico Mattei. For LdA, Davide Castellani (team leader) and Giulia Felice participated in the meeting.

Final Conference of the FIRB project

The Conference on “Innovation, Internationalization and Global Labor Markets”, organised by LdA in partnership with the Department of Economics of the University of Turin, is the third workshop of the project on “International fragmentation of Italian firms: new organizational models and the role of information technologies (FIRB)”. The Conference took place at the Fondazione Luigi Einaudi in Turin on February 26th – 27th 2009 and several of the papers listed in the Research Output section were presented at the workshop, together with some invited presentation of Italian and foreign leading researchers in the field such as Nachum Sicherman (Columbia University and IZA) and Katariina Nilsson Hakkala (Helsinki School of Economics and Government Institute for Economic Research).

INGINEUS Workshop on Methodology

The Workshop on Methodology was organised by the Gordon Institute of Business Science at the University of Pretoria and held on March 1st – 5th 2009 in Johannesburg, South Africa. The workshop was devoted entirely to the setting up of the project methodological framework. Davide Castellani attended the workshop.

First EFIGE Scientific Workshop

The First EFIGE Scientific Workshop, held jointly with the European Research Workshop in

International Trade (ERWIT), took place in Madrid on June 1st – 3rd 2009 and was organised by CEPR and Bruegel. The presentation of the project by Gianmarco Ottaviano was followed by a Round Table on “International Trade Finance” chaired by Pilar L'Hotellerie-Fallois Bank of Spain) with Marc Auboin (World Trade Organization), Guillermo de la Dehesa (Banco Santander Central Hispano and CEPR), Jonathan Eaton (New York University), David Weinstein (Columbia University), and Jean Pisani-Ferry (Bruegel).

GIST First Meeting on “Internationalization of Services: Competition and Regulatory Interaction in Europe”

The First Meeting of the Marie Curie Initial Training Network on “Globalisation, Investment and Services Trade” was organised by Centro Studi Luca d'Agliano on June 25th – 27th 2009 at the University of Milan. The conference was divided in three sessions of papers focussing on trade in services and regulation and one on the internationalisation of banking activities. 15 team leaders, team members, Early Stage and Experienced researchers from the network attended the meeting and 24 external participants were invited.

2.3.5 Research team, research partners and funding institutions

Researchers who worked in the firms and international market area during 2008 and 2009 are Gian Marco Ottaviano, Giorgio Barba Navaretti, Davide Castellani, Paolo Garella, Giulia Felice, Christian Arndt, Roberto Basile, Luigi Benfratello, Claudia Buch, Matteo Bugamelli, Gregory Corcos, Rosario Crinò, Massimo Del Gatto, Klaus Desmet, Gianfranco De Simone, Paolo Epifani, Massimo Florio, Anna Giunta, Daniel Horgos, Miriam Manchin, Anselm Mattes, Giordano Mion, Tiziano Razzolini, Fabiano Schivardi, Alessandro Sembenelli, Angelica Salvi Del Pero, Peri da Silva, Heiwai Tang, Alessandra Tucci, Davide Vannoni, Thierry Verdier, Giacomo Calzolari, Alberto Pozzolo and Micol Levi.

Research partners for the firms and international market area include University of Milan; Fondazione Debenedetti; Paris School of Economics; Institute for Applied Economic Research (IAW); 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, UniCredit Group, the Chamber of Commerce of Turin, and the European Commission.

2.3.6 Work programme for 2010-2011

European Firms In a Global Economy: Internal Policies for External Competitiveness (EFIGE)

LdA is part of the coordination committee for carrying out a survey and setting the cross European data base (5.000 firms per country). During 2009 the coordination committee has finalized the questionnaire and the structure of the survey to be carried out across 7 European countries. The pre-pilot and pilot phases are concluded, while the data release is expected for the beginning of the 2010. After constructing the cross country data set, the first phase is concluded and the research based on the new data will start. LdA is in charge of a policy report on "Organization, Governance and International Performance" and one country report on Italy based both on existing and new data.

Based on the new data, LdA team will carry out research work along several lines. In particular, in 2010-2011, LdA will investigate whether the link between ownership and exports is also affected by the country-specific institutional context in which firms operate, investigating the relationship between geography, family linkages and transition across ownership structures. LdA team will analyse how country/region specific institutional factors (e.g. infrastructure, contract enforcement, investment climate, intellectual property rights) may affect entry costs and the choice of how to organize international production, therefore determining different regional/national patterns of internationalization across EU regions.

Moreover, based on the new data, some further work will be carried out on the relationship between firms' innovation and internationalization strategies with attention to different innovation modes and the role of competition in a comparative perspective; depending on the new data, a new research line will be developed in order to investigate the relationship between firms internationalization and its internal organization, both in terms of production process at the plant level and in terms of hierarchical structure at the HQ level. The link between the pattern of service off-shoring by manufacturing firms and their own pattern of internationalization will also be explored.

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

In the first year of work the definition of the main research question and of the conceptual background for the investigation of the Global Innovation network has been completed. Together with the other team involved in the project, LdA has completed the set up of the structure of the survey on firms' strategies in knowledge globalization.

LdA has also constructed two different world based data sets at industry/province level, integrating information on firms' investments by function, employment, migration flows and value added. LdA team also provided new indicators of inward and outward investments in/from 250 NUTS 2 regions in 2003 and 2004, using the number of greenfield investment projects from a monitor of more than 60,000 cross-border international projects worldwide.

On this basis, for 2010-2011 LdA will focus on an empirical analysis of the links between internationalisation and innovation of the Italian automotive industry. In particular, exploiting a Survey carried out in collaboration with the Chamber of Commerce of Turin and STEP. LdA team will assess the extent to which innovation of Italian firms in the automotive industry is the result

of inputs coming from within and outside the firm and both within and outside the firms (i.e. through global collaborations). On the globalisation of innovation in the automotive industry, LdA will also study the case of Fiat, in collaboration with the Brazil team, in order to assess the characteristics and evolution of the global network of knowledge sourcing, creation and diffusion. The analysis of the effect of internationalisation of production and innovation will continue along the lines of the work of Castellani and Pieri, and a major effort will be devoted to address the interplay between firm heterogeneity and aggregate effects (at the regional level) of (inward and outward) foreign investments and migration. In particular, we will build firm-level productivity measures and explore the whole (intra-regional) distribution of firm performance, in order to assess to what extent the international movements of firms and people affect regional productivity via a selection effect (which produces a threshold in the productivity distribution) or by shifting the entire distribution.

Globalization, Investment and Services Trade (GIST)

For 2010-2011, the LdA team and Daniel Horgos will further develop the theoretical and empirical analysis on service internationalization. LdA will also hire two other researchers (experienced and early stage).

3 Publications

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 bank of Italy 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, and are also available on the SSRN (Social Science Research Network) eLibrary. *Giovanni Facchini* is the editor of the series.

Since 1997, 85 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, 73 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)¹ 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 73 papers which have appeared in refereed journals, 42 have been published in journals with rank B or above. While only one paper has been published in a top-five journal², 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*. Fifteen 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 centre 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 dissemination of research output in the policy arena. Several papers have been published in

¹ 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

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

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	8
World Bank Economic Review	A	37	1
Journal of Development Economics	B	39	5
Canadian Journal of Economics	B	42	1
International Journal of Industrial Organization	B	47	1
Oxford Economic Papers	B	53	2
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	3
Economic Policy	B		1
Journal of Regional Science	B		1
Review of International Economics			5
Review of Development Economics			1
Other Refereed Journals			25
Other Miscellaneous			15
Total			85

List of working papers published in 2008 and 2009

284. Klaus Desmet (Universidad Carlos III, CEPR and Centro Studi Luca d'Agliano) and Stephen L. Parente (University of Illinois and CRENoS): *The Evolution of Markets and the Revolution of Industry: A Unified Theory of Growth*, November 2009.

283. Gianmarco I. P. Ottaviano (Bocconi University) and Christian Volpe Martincus (Inter-American Development Bank): *SMEs in Argentina: Who are the Exporters?*, November 2009.

282. Alireza Naghavi (University of Bologna) and Gianmarco I. P. Ottaviano (Bocconi University): *Firm Heterogeneity, Contract Enforcement, and the Industry Dynamics of Offshoring*, November 2009.

281. Giovanni Facchini (Erasmus University Rotterdam, University of Milan, CEPR, LdA and CESifo) and Anna Maria Mayda (Georgetown University, CEPR, IZA, CReAM and LdA): *Individual Attitudes towards Skilled Migration: an Empirical Analysis across Countries*, November 2009.
280. Sabrina Di Addario (Bank of Italy) and Daniela Vuri (University of Rome Tor Vergata): *Entrepreneurship and Market Size. The Case of Young College Graduates in Italy*, November 2009
279. Juan Miguel Gallego (Toulouse School of Economics and LdA) and Mariapia Mendola (University of Milan Bicocca and LdA): *Labor Migration and Social Networks Participation: Evidence from Southern Mozambique*, November 2009.
278. Valentino Larcinese (LSE), James M. Snyder (MIT), and Cecilia Testa (University of London and LdA): *Testing Models of Distributive Politics using Exit Polls to Measure Voters' Preferences and Partisanship*, November 2009.
277. Elisabetta Lodigiani (CREA, University of Luxembourg and Centro Studi Luca d'Agliano): *Diaspora Externalities as a Cornerstone of the New Brain Drain Literature*, July 2009.
276. Luigi Benfratello (University of Turin and Ceris-CNR), Tiziano Razzolini (University of Siena) and Alessandro Sembenelli (University of Turin and Collegio Carlo Alberto): *Does ICT Investment Spur or Hamper Offshoring? Empirical Evidence from Microdata*, July 2009.
275. Giovanni Peri (UC Davis, NBER and Centro Studi Luca d'Agliano) and Francisco Requena (University of Valencia): *The Trade Creation Effect of Immigrants: Testing the Theory on the Remarkable case of Spain*, July 2009.
274. Silvia Marchesi (University of Milan Bicocca and Centro Studi Luca d'Agliano), Laura Sabani (University of Florence) and Axel Dreher (University of Goettingen, KOF Swiss Economic Institute, IZA and CESifo): *Read my Lips: the Role of Information Transmission in multilateral reform design*, July 2009.
273. Max Friedrich Steinhardt (Centro Studi Luca d'Agliano and Hamburg Institute of International Economics (HWWI)): *The wage impact of immigration in Germany – new evidence for skill groups and occupations*, June 2009.
272. Mariapia Mendola (University of Milan Bicocca and LdA) and Gero Carletto (The World Bank): *International Migration and Gender Differentials in the Home Labor Market: Evidence from Albania*, June 2009.
271. Rosario Crinò (Institut d'Anàlisi Econòmica CSIC, Barcelona) and Paolo Epifani (Department of Economics, and KITEs, Bocconi University, Milan): *Firm-Export Intensity and Productivity*, June 2009.
270. Davide Castellani (University of Perugia) and Giorgia Giovannetti (University of Florence, European University Institute and Fondazione Manlio MASI-ICE): *Productivity and the international firm: dissecting heterogeneity*, June 2009.
269. Christian Arndt (Institute for Applied Economic Research, IAW), Claudia M. Buch (University of Tübingen and CESifo) and Anselm Mattes (Institute for Applied Economic Research, IAW): *Firm-Specific Factor Market Constraints and FDI: Evidence from Germany*, June 2009.

268. Christian Arndt (Institute for Applied Economic Research, IAW), Claudia M. Buch (University of Tübingen and CESifo) and Anselm Mattes (Institute for Applied Economic Research, IAW): *Barriers to exporting: Firm-Level Evidence from Germany*, November 2008.
267. Gregory Corcos (Norwegian School of Economics and Business Administration), Delphine M. Irac, (Bank of France), Giordano Mion (Université Catholique de Louvain) and Thierry Verdier (Paris School of Economics and CEPR): *The Determinants of Intra-Firm Trade*, November 2008.
266. Max Friedrich Steinhardt (Centro Studi Luca d'Agliano and Hamburg Institute of International Economics): *Does citizenship matter? The economic impact of naturalizations in Germany*, November 2008.
265. Mario Piacentini (University of Geneva): *Migration Enclaves, Schooling Choices and Social Mobility*, October 2008.
264. Giovanni Facchini (University of Milan, University of Essex, LdA, CEPR and CES-Ifo), Peri Silva (University of North Dakota and LdA) and Gerald Willmann (K.U. Leuven and CES-Ifo): *The Customs Unions Issue: Why do we observe so few of them?*, October 2008.
263. Jean Marie Grether (University of Neuchatel), Nicole A. Mathys (University of Neuchatel) and Jaime de Melo (University of Geneva, CERDI and CEPR): *Global Manufacturing SO2 Emissions: Does Trade Matter?*, October 2008.
262. Paola Conconi (Université Libre de Bruxelles, ECARES and CEPR), Patrick Legros (Université Libre de Bruxelles, ECARES and CEPR), and Andrew F. Newman (Boston University and CEPR): *Trade Liberalization and Organizational Change*, October 2008.
261. Artjoms Ivlevs (University of Nottingham) and Jaime de Melo (University of Geneva, CERDI and CEPR): *FDI, the Brain Drain and Trade: Channels and Evidence*, October 2008.
260. Giorgio Barba Navaretti (University of Milan and LdA), Riccardo Faini (University of Rome "Tor Vergata", LdA and CEPR) and Alessandra Tucci (Centre for Economic Performance, LSE and LdA): *Does Family Control Affect Trade Performance? Evidence for Italian Firms*, October 2008.
259. Céline Carrère (CERDI and CNRS), Jaime de Melo (University of Geneva, CERDI and CEPR) and Bolormaa Tumurchudur (University of Lausanne): *Disentangling Market Access Effects for ASEAN Members under an ASEAN-EU FTA*, October 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 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 (The 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.

4 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

4.1 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, offered by Luca's family, 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.

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).

In 2009, the scholarship went to *Antonio Miscio*, who will follow a Master of Science in Economics at the London School of Economics with a research project on "Infrastructure Investment in Developing Countries: Bridging New Economic Geography and Political Economy".

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
2009	Antonio Miscio	Infrastructure Investment in Developing Countries: Bridging New Economic Geography and Political Economy	London School of Economics	London School of Economics, graduate student
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)

Oswaldo Gonzalez (U.S.A.) of Churchill College, was the awarder for 2008-2009. He is working on the effect of land titling programmes, which give poor people legal title to their land. He will work in Peru for which there is a good data set as a case study.

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), Carmen L. Lacambra Segura (2006) and Nazia Habib-Mintz (2007).

Oxford (£. 500)

The prize for 2009 was awarded to Aidan Coville (South Africa and U.S.A.) of St. Antony's College for a research project on "Household Bargaining and Gender Inequalities: Adding Fuel to the Fire".

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), Sofya Krutikova (2006), Bet Caeyers (2007) and Abhijeet Singh (2008).

4.2 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 157 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 from developing countries.

Table 4. LdA training activity – Funded projects

Name of Researcher	Type	Country of Origin	Man/ Month	Start Date	End Date
Globalisation, Investment and Services Trade (GIST)					
Daniel Horgos	Experienced	Germany	9	01/10/2009	30/06/2010
Transnationality of Migrants (TOM)					
Anna Maria Mayda	Experienced	Italy (US)	12	01/09/2007	31/08/2008
Juan Gallego	Early Stage	Colombia	16	01/05/2008	31/08/2009
Max Steinhardt	Early Stage	Germany	24	01/05/2008	31/10/2008
				01/02/2009	31/07/2010
Raluca Prelipceanu	Early Stage	Romania	12	01/09/2008	31/08/2009
Trade preferences and the role of institutional quality in economic integration (TRARIQ)					
Miriam Manchin	Post-doc	Hungary	12	01/11/2007	31/10/2008
Trade, Industrialisation and Development (TID)					
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
Foreign Direct Investment and the Multinational Corporation: New Theories and Evidence (TMR)					
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
Total	13 Researchers		157		

4.3 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. 272 students have participated in LdA summer schools since 2003, with 89 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, 2008 and 2009 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
Outsourcing and Migration					
	Giovanni Peri	University of California, Davis	30 Aug-2 Sept, 2009	39	14
	James E. Rauch	University of California, San Diego			
International Migration and the Sending Country					
	Gordon Hanson	University of California, San Diego and NBER	24-27 Aug, 2008	43	12
	Frédéric Docquier	Catholic University of Louvain and NFSR			
International Migration and the Host Country					
	Barry Chiswick	University of Florence	9-12 Sept, 2007	39	12
	Massimo Livi Bacci	University of Illinois at Chicago			
	Giovanni Facchini	University of Milano and LdA			
Outsourcing and International Fragmentation of Production: Implications for Developing Countries					
	Kei-Mu Yi	Federal Reserve Bank of Philadelphia	11-14 June, 2006	36	15
	Giorgo Barba Navaretti	University of Milano and LdA			
Trade, Innovation and Technology Diffusion: Implications for Developing Countries					
	Jonathan Eaton	New York University and NBER	4-8 Sept, 2005	37	13
	Francesco Caselli	London School of Economics, NBER and CEPR			
The Microeconomic Effects of Trade and Trade Policy: The Perspective of Developing Countries					
	Alan Winters	The World Bank and CEPR	5-8 Sept, 2004	39	12
	James Tybout	Pennsylvania State University and NBER			
Political Economy of Trade Policy and Development: Theories and Institutions					
	Bernard Hoekman	The World Bank and CEPR	27-31 Aug, 2003	39	11
	Thierry Verdier	Paris-Jourdan Sciences Economiques and CEPR			
Total				272	89

4.4 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
First Riccardo Faini Doctoral Conference					
	Dean Karlan	Yale University	7-9 Sept. 2008	30	7
Second Riccardo Faini Doctoral Conference					
	Jaime de Melo	University of Geneva	13-15 Sept. 2007	32	5
Total				62	12

5 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 Fifth Lecture on "Does Outsourcing Change Everything?" by *Paul R. Krugman* was, in his memory, opened by Jaime de Melo.

The Sixth Lecture on "Accelerating Economic Growth in Africa", by *Anthony J. Venables* was held on October 17th 2008. The Lecture looked 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.

The next Lecture on "The Dollar in Doubt", by *Barry Eichengreen* is scheduled for December 4th 2009. The Lecture will look at the new doubts created by recent events about the dollar's prospects for remaining the leading international reserve currency. The crisis has not exactly enhanced the attractions of the United States as a producer of high quality financial assets. Yet incumbency is a strong advantage in international monetary affairs, and the dollar is the incumbent reserve currency. And the alternatives, from the euro, to the renminbi, to the IMF's Special Drawing Rights, all have problems and disadvantages of their own. This lecture will consider whether the dollar will remain the dominant international currency and, if it doesn't, what implications – economic, financial, political and strategic – follow for the United States and the world, including especially the emerging and developing economies.

Table 7. Luca d'Agliano Lectures in Development Economics

Title	Speaker	Affiliation	Date
Seventh Luca d'Agliano Lecture: "The Dollar in Doubt"			
	Barry Eichengreen	George C. Pardee and Helen N. Pardee Professor of Economics and Professor of Political Science, University of California, Berkeley	4 December 2009
Sixth Luca d'Agliano Lecture: "Accelerating Economic Growth in Africa"			
	Anthony J. Venables	Professor, Oxford University; Director, Oxford Centre for the Analysis of Resource Rich Economies	17 October 2008
Fifth Luca d'Agliano Lecture: "Does outsourcing change everything?"			
	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
Fourth Luca d'Agliano Lecture: "Employment and Development"			
	François Bourguignon	Chief Economist and Senior Vice President, World Bank; Professor of Economics, École des Hautes Études en Sciences Sociales, Paris	22 May 2006
Third Luca d'Agliano Lecture: "Globalization and Underdevelopment in the Pre-Modern Third World"			
	Jeffrey G. Williamson	Laird Belle Professor of Economics, Harvard University	31 March 2006
Second Luca d'Agliano Lecture: "Rethinking Economic Growth in Developing Countries"			
	Dani Rodrik	John F. Kennedy School of Government, Harvard University	8 October 2004
First Luca d'Agliano Lecture: "Globalisation and the Poor"			
	Pranab Bardhan	University of California, Berkeley	10 June 2003

6 List of conferences and seminars

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 2008 and 2009 is set out below; details on the events can be found under the research programmes and in the remainder of the Report.

[9-10 October 2009, Hamburg Institute of International Economics, Hamburg, Germany](#)

TOM Third Conference

[30 August – 2 September 2009, University of Milan, Palazzo Feltrinelli, Gargnano, Italy](#)

Eighth Summer School: Outsourcing and Migration

Lecturers: Giovanni Peri, University of California, Davis and James E. Rauch, University of California, San Diego

[25-27 June 2009, University of Milan](#)

First Meeting of the Marie Curie Initial Training Network on “Globalization, Investment and Services Trade (GIST)”

[1-3 June 2009, Madrid](#)

ERWIT and 1st EFIGE Scientific Workshop and Policy Conference

[26 May 2009, University of Milan, Italy](#)

Seminar on Development Economics: “Labor migration and social networks in Southern Mozambique” by Juan Miguel Gallego (Centro Studi Luca d'Agliano and Toulouse School of Economics) and Mariapia Mendola (University Milan Bicocca and Centro Studi Luca d'Agliano)

[26-27 March 2009, Istanbul](#)

SUS.DIV Fifth General Assembly

[1-5 March 2009, Johannesburg, South Africa](#)

ENGINEUS Workshop on Methodology

[26-27 February 2009, Fondazione Luigi Einaudi, Turin, Italy](#)

Final Conference of the FIRB project: “Innovation, Internationalization and Global Labor Markets”

[22-23 January 2009, University of Bologna, Italy](#)

ENGINEUS kick-off meeting

[22-24 January 2009, Université Catholique de Louvain, Belgium](#)

TOM Second Conference and Mid-term Review Meeting

[12 January 2009, Centro Studi Luca d'Agliano, Milan](#)

EFIGE Scientific Advisory Board and Policy Advisory Board Meeting

[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, Chamber of Commerce of Turin

Workshop on the Internationalisation of Automotive

Presentation at the Chamber of Commerce of Turin 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 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.

7.1 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 an original 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 detailed 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 fellow who has worked at LdA's premises in Milan, Juan Miguel Gallego, has taken part in the Mozambique survey and has used 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.

7.2 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 7 editions of the Summer Schools, 272 students have attended, of these 89 from developing countries.

Riccardo Faini Doctoral Conference on 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.

8 Who's Who

Boards of Directors

Luigi Galleani d'Agliano (President), Lucia Bruguier Pacini d'Agliano, Andreina Galleani d'Agliano (Vice President), Gianluca Ambrosio, Giorgio Barba Navaretti, Francesco Cosmelli (Treasurer), Emanuele Tournon.

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Scientific Committee

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