





CENTRO STUDI LUCA D'AGLIANO

# Report to the Scientific Advisory Board

---

2010



# Contents

<b>1</b>	<b>LUCA D'AGLIANO AND THE CENTRO STUDI .....</b>	<b>1</b>
<b>2</b>	<b>RESEARCH AREAS AT CENTRO STUDI LUCA D'AGLIANO .....</b>	<b>2</b>
2.1	Poverty and development .....	4
2.1.1	Main findings.....	4
2.1.2	Projects.....	6
2.1.3	Research output .....	6
2.1.4	Conferences and other events .....	7
2.1.5	Research team, research partners and funding institutions .....	7
2.1.6	Work programme for 2011 .....	8
2.2	Migration .....	9
2.2.1	Main findings.....	9
2.2.2	Projects.....	10
2.2.3	Research output .....	12
2.2.4	Conferences and other events .....	12
2.2.5	Research team, research partners and funding institutions .....	13
2.2.6	Work programme for 2011 .....	14
2.3	Firms and the international market .....	15
2.3.1	Main findings.....	15
2.3.2	Projects.....	18
2.3.3	Research output .....	20
2.3.4	Conferences and other events .....	21
2.3.5	Research team, research partners and funding institutions .....	22
2.3.6	Work programme for 2011 .....	23
<b>3</b>	<b>PUBLICATIONS .....</b>	<b>25</b>
<b>4</b>	<b>TRAINING AT LDA .....</b>	<b>29</b>
4.1	Scholarships and prizes.....	29
4.2	Post and pre doctoral fellows.....	32
4.3	Summer Schools in International and Development Economics .....	32
4.4	Riccardo Faini Doctoral Conferences on Development Economics .....	34
<b>5</b>	<b>LUCA D'AGLIANO LECTURES IN DEVELOPMENT ECONOMICS .....</b>	<b>35</b>
<b>6</b>	<b>LIST OF CONFERENCES AND SEMINARS .....</b>	<b>37</b>
<b>7</b>	<b>LDA AND DEVELOPING COUNTRIES.....</b>	<b>39</b>
7.1	Research .....	39
7.2	Training.....	41
<b>8</b>	<b>WHO'S WHO .....</b>	<b>42</b>



# 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**

<b>POVERTY AND DEVELOPMENT</b>			
<b>COORDINATOR</b>			
Mariapia Mendola			
<b>PROJECTS</b>			
Migration, Risk and Social Networks in Mozambique	Migration and Informal Social Protection in Rural Mozambique	Lack of Social Protection and Inter-generational Transfer of Human Capital	The World Bank Nepal Investment Climate Assessment
<b>RESEARCH PARTNERS</b>			
The World Bank; University of Milan Bicocca; University of Milan; Goethe University Frankfurt; Toulouse School of Economics; Universidad del Rosario (Bogotá); Eduardo Mondlane University (Maputo); National Statistical Institute (Maputo)			
<b>FUNDING INSTITUTIONS</b>			
The World Bank; Compagnia di San Paolo; European University Institute; Institutional funding			
<b>MIGRATION</b>			
<b>COORDINATOR</b>			
Giovanni Facchini			
<b>PROJECTS</b>			
Sustainable Development in a Diverse World (SUS.DIV)	Transnationality of Migrants (TOM)	Migration and Mobility of Tasks: The internationalisation of the Firm	Brain Drain, Return Migration and South-South Migration: Impact of Labour Markets and Human Capital
<b>RESEARCH PARTNERS</b>			
CEPR; London School of Economics; Université Libre de Bruxelles; University College London; University of Geneva; University of Rome "Tor Vergata"; University of Turin; University of Latvia; Catholic University of Louvain; Hamburg Institute of International Economics; FIERI; Institute for Employment Research; Fondazione ENI Enrico Mattei; University of California, Davis			
<b>FUNDING INSTITUTIONS</b>			
The European Commission; Compagnia di San Paolo; Fondazione CRT; The World Bank			

## FIRMS AND THE INTERNATIONAL MARKET

### COORDINATORS

Giorgio Barba Navaretti, Gianmarco Ottaviano

### PROJECTS

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

Impact of Networks, Globalisation and their interaction with EU strategies (ENGINEUS)

Globalisation, Investment and Services Trade (GIST)

### RESEARCH PARTNERS

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

### FUNDING INSTITUTIONS

The European Commission; The Chamber of Commerce of Turin; UniCredit Group



## 2.1 Poverty and development

### 2.1.1 Main findings

Within this area, LdA has been working in two main themes: i) migration, social networks and development in Southern Africa (Mozambique & South Africa); ii) household social protection and individual welfare in developing countries.

While studying the linkages between migration and development in low income countries, LdA researchers has focused on South-South migration flows in Southern Africa, which have been relatively under-researched in the field. In particular they studied the determinants and impacts of *labour migration between Mozambique and South Africa*, by collecting an original households survey among more than 1000 households in two regions in Southern Mozambique. The survey was tailored to allow accurate measurement of migration determinants, experience and impact at individual and household level. Furthermore, the survey took place in summer 2008, a few months after a series of xenophobic attacks in South Africa killed and displaced hundreds of immigrants from neighbouring countries. Exploiting the latter feature, in a recent study Lda fellows turn their attention to the extent to which *emigration flows from a developing region are affected by xenophobic violence at destination*. They carried out an empirical analysis whereby the identification strategy is based on the comparison of migration intentions of Mozambicans before and after the attacks occurred in May 2008, while controlling for differing characteristics of the household samples (from a wide range of survey demographic measurements) and intentions over different periods of time (using a placebo period). Other things equal, the intention of the head of the household to migrate after the attacks is lower than before. More importantly, the sensitivity of migration intentions to violence is larger for household's heads with many children younger than 15 years. Furthermore, the sensitivity of migration intentions is highest for those household heads with many young children whose families have no access to social networks. It hence seems that social networks provide insurance against the risk of migration, and that migrant workers are not only concerned about their own health, but also about the welfare of their offspring. The small but growing body of literature on violence and migration has focused on out-migration decisions in environments of high level of violence. This paper is the first to measure how violence or other types of xenophobic behaviour in host countries affect migration intentions and behaviour at home, and to what extent domestic institutions may provide insurance against the risks associated with migration.

Still focusing on migration flows in the region, LdA fellows have studied the *linkages between immigration and the labour market in South Africa*. Using census data for 1996, 2001 and 2007, they show that over this period the number of foreign born residents in the country has grown by almost fifty percent, and both the characteristics and geographical distribution of immigrants vary substantially over time. They carried out an empirical analysis employing both the "spatial correlation" approach pioneered by Card (1990) and the national level approach pursued by Borjas (2003) (see also pp. 11-12).

LdA fellows have also worked on the relationship between *social protection in developing countries (and the lack thereof) and implications for household and individual welfare*. The research activity has analysed the formal and informal safety nets mechanisms in African countries both at the macro and at the micro level. In particular, LdA fellows provide macro evidence on *the role of education as a source of social protection* assembling data on school participation in all African countries. They show the linkages between school enrolment and literacy rates and also estimate sample correlations between enrolment and macro-aggregates, related to resources (gdp per capita, student/teacher ratio) computing some counterfactuals. Then they move to micro-data, selecting three African countries as representative examples of low (Mauritania), middle (Uganda) and high (Ghana) educational attainment. Using social surveys conducted in these countries, they estimate the returns to education in terms of better quality of employment (for those who are in the labour market) and of higher monetary returns (for the subsample of those earning a monetary wage). In addition, they collapse the data at household level, in order to study the determinants of individual educational attainment of children aged between 5 and 25, in order to show the correlation between parental education, availability of schools at community level, external shocks (like drought, famine, war) and the individual probability of being in school.

Moreover, LdA fellows also study the extent to which *dispatching family labour abroad is a source of informal social protection for households left behind*. Using micro-data from two Southern regions in Mozambique, they investigate the relation between migration, remittances and participation in groups that provide informal social services in migrant-sending communities. The analysis distinguishes between a range of community associations related to insurance (funeral associations, risk-sharing arrangements), credit (Roscas, groups with joint liability) and production provision (self-help groups with income generating activities), and also corrects for endogeneity concerns. Results show that migration associated with remittances is positively related to community group participation. In particular, while there is no significant relationship with group membership related to credit or self-help activities, households receiving remittances are more likely to join groups that provide insurance, suggesting that there is scope for enhancing the role of migration as a source of social protection at the community level.

Eventually, LdA fellows analysed *the effect of parental health shocks on child human capital investment* and the short-run effects of parents' poor health conditions on child school enrolment. They use household panel data from Bosnia-Herzegovina, a country whose health and educational systems undertook extensive destruction during the civil conflict. The individual fixed effects estimates suggest that it is especially maternal health that makes a difference as far as child school enrolment is concerned. This is not in line with the common wisdom that shocks to the primary household earner should bear more negative consequences for children education. The analysis also shows that it is especially son's schooling that is affected by maternal health and some potential pathways for these effects are investigated.

## 2.1.2 Projects

### Migration, Risk and Social Networks in Mozambique

This is a research project funded by LdA which involved a fieldwork study focused on migration and the collection of first-hand data through a household survey conducted by LdA fellows in Mozambique, in collaboration with the Eduardo Mondlane University and the National Statistical Institute in Maputo. The questionnaire was tailored, among other things, as to shed light on the role of migration and social networks in shaping the linkage between migration and development. Moreover, the survey collected original information on migration intentions of people in Mozambique after the xenophobic attacks occurred in South Africa in 2008. The violence was sudden: the immigrants' death and displaced rates reached a peak within weeks and then diminished rapidly. We exploit this variation and document for the first time how emigration flows from a developing region are affected by xenophobic violence at destination.

### Formal and Informal Social Protection in Africa (European Development Report)

LdA fellows prepared two background papers for the next European report on Development (ERD) on poverty, inequality and social protection in Sub-Saharan Africa. Providing both macro and micro evidence, LdA team shows how schooling and migration may act as a source of social protection in African contexts, where lack of resources and poor institutional settings do not provide households with efficient mechanisms to cope with vulnerability and risk.

### Lack of Social Protection and Inter-generational Transfer of Human Capital

This is an LdA project aiming at exploring inter-generational effects of health shocks and expenditures on household and individual well-being in contexts where social services and formal mechanisms to smooth out negative shocks are not in place or subject to major welfare (health) reforms. In particular, last year we explored the short-run effect of parental health on child schooling in Bosnia-Herzegovina, where health and educational systems undertook extensive destruction during the civil conflict.

### The World Bank Nepal Investment Climate Assessment

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. In 2010, She co-authored the World Bank Nepal Investment Climate Assessment "Leveraging the Private Sector for Job-Creation and Growth: Time to turn the page" (forthcoming); where she was responsible for the chapter on informal firms which discusses the relevance of the informal sector for the Nepali economy, the characteristics of the informal firms and the obstacles they face.

## 2.1.3 Research output

Juan M. Gallego, and Mariapia Mendola, *Labor Migration and Social Networks Participation in Southern Mozambique*, LdA Working Paper no. 279, November 2009;

Guido Friebel, Juan M. Gallego, and Mariapia Mendola, *Xenophobic attacks, migration and networks: evidence from the South of Africa*, 2010, mimeo;

Giovanni Facchini, Anna Maria Mayda, and Mariapia Mendola, *South-South migration and the labor market: Evidence from South Africa*, 2010, mimeo;

Daniele Checchi and Angelica Salvi del Pero, *Does Education Represent a Social Protection for Lifetime in Sub-Saharan Africa*, 2010, mimeo;

Mariapia Mendola, *Migration and Informal Social Protection in Rural Mozambique*, 2010, mimeo;

Massimiliano Bratti and Mariapia Mendola, *Parents' Health and Children's Education: Evidence from Bosnia and Herzegovina*, 2010, mimeo;

Angelica Salvi del Pero, *Leveraging the Private Sector for Job-Creation and Growth: Time to turn the page*, the World Bank Nepal Investment Climate Assessment (forthcoming).

#### 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.

##### Workshop on Migration and Economic Development

A first workshop on “Migration and Economic Development: Insights from original data collection and fieldworks” was organised by *Flore Gubert* (DIAL Paris) *Mariapia Mendola* (University of Milan Bicocca and LdA) and *Anne-Sophie Robilliard* (DIAL Dakar) on February 5<sup>th</sup> – 7<sup>th</sup> 2010 in Chianti, Italy. The goal of the workshop was 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 was 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. Several experts of the field, such as *Sylvie Lambert* (INRA and PSE, Paris), *Dean Yang* (University of Michigan), *David McKenzie* (The World Bank), *Jorge Durand* (University of Guadalajara and MMP, Mexico), and *Joachim De Weerd* (EDI Tanzania) presented their works. The workshop was also attended by many PhD students working on development.

#### 2.1.5 Research team, research partners and funding institutions

Researchers working in the area are *Massimiliano Bratti*, *Daniele Checchi*, *Anna De Paoli*, *Guido Friebel*, *Juan Miguel Gallego*, *Valeria Groppo*, *Simone Lombardini*, *Mariapia Mendola*, *Giovanna Prenzushi*, and *Angelica Salvi Del Pero*.

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

Compagnia di San Paolo, the European University Institute and by institutional funding.

### 2.1.6 Work programme for 2011

LdA fellows will continue working on development economics issues, in particular in the following research lines:

- (i) Following up on previous work, major focus and aim of the research activity will be on the linkages between migration and development in Southern Africa.

LdA fellows will be engaged in a follow up on the Mozambican project and survey, with particular attention to the role of risk and domestic institutions in driving migration behaviour and impact in terms of remittances.

On the role of xenophobia in affecting migration flows in the region, *Giovanni Facchini*, *Anna Maria Mayda* and *Mariapia Mendola* will look at drivers of individual attitudes towards immigration in South Africa, considering the role played by both economic and non-economic factors.

- (ii) As part of new projects, LdA fellows will be carrying out research activity on the linkages between land property rights and development in Africa.

*Mariapia Mendola* will be part of the research team engaged in the independent impact evaluation of the World Bank Community Based Rural Land Development Project (CBRLDP) in Malawi. This is a project in collaboration with Italtrend Spa and the Government of the Republic of Malawi and aims at assessing the economic impact of the decentralized and community-based land reform carried out in six pilot districts in Malawi through a quasi-experimental approach.

---

## 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 three themes: i) the political economy of immigration policy; ii) illegal immigration; iii) 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.

In a third project, we have looked at the drivers of actual policy making, by investigating how economic and non economic characteristics of a constituency have affected the voting behaviour of US representatives on immigration legislation in the post 1965 period. We have found that labour market complementarities are a key driver in explaining support to bills aimed at increasing the inflow of foreign workers, highlighting the importance of economic factors in shaping actual policy making.

We have thus turned our attention to the *role played by pressure groups*. In particular, 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.

Finally, LdA researchers have worked on a theoretical model to understand the emergence of large numbers of illegal immigrants in destination countries and they have shown how illegal immigration is likely to be the result of political failure.

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.

#### Transnationality of Migrants (TOM)

The second one is an EC-6<sup>th</sup> Framework Programme Marie Curie Research Training Network on "Transnationality of Migrants (TOM)", which involves all the major European institutions carrying out research in this area. The network includes the University of Rome "Tor Vergata"; Centre for Economic Policy Research; Université Libre de Bruxelles; Forum Internazionale ed Europeo di Ricerche sull'Immigrazione; Institute for Employment Research; Centro Studi di Politica



Internazionale; Université Catholique de Louvain; Centre for Economic Performance, London School of Economics and Political Sciences; Université de Genève; Institut National d'Etudes Démographiques; University College London; Hamburg Institute of International Economics; Centre for European and Transition Studies, University of Latvia; University of Turin.

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

Within this project, coordinated by Giovanni Facchini, LdA has hired four researchers from 2007 to 2010. One of them, Anna Maria Mayda, is an experienced researcher; she is now an associate professor at Georgetown University and holds a PhD from Harvard University. The other three are early stage researchers: Juan Miguel Gallego Acevedo, who received 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); Max Steinhardt, who has completed 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, coordinated by Giorgio Barba Navaretti, has examined the relationship between migration flows and the outsourcing of specific production tasks, exploring also the effect the policy interventions have on firms' incentives. Several facets of the interaction between migration and offshoring has been explored. *Giuseppe Bertola* and *Alessandro Sembenelli* have looked 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* have studied how these flows interact in affecting firm performance at the regional level in Europe. *Gianmarco Ottaviano* and *Giovanni Peri* have worked on US data, analysing whether and to what extent tasks can be offshored or performed by migrants. *Giovanni Facchini* with *Paola Conconi*, *Max Steinhardt* and *Maurizio Zanardi* have examined whether the voting attitudes of US legislators on migration and trade issues follow similar or different patterns.

### **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, the University College London, and the Catholique University of 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, coordinated by Giovanni Facchini, will focus in particular on labour market outcomes in South Africa and on the factors



that drive individual attitudes towards immigration in that context.

### 2.2.3 Research output

Gianmarco I.P. Ottaviano, Giovanni Peri and Greg. C. Wright, *Immigration, Offshoring and American Jobs*, LdA Working Paper no. 298, August 2010;

Giovanni Facchini and Max Steinhardt, *What drives U.S. immigration policy? Evidence from Congressional Roll call votes*, LdA Working Paper no. 294, July 2010;

Giovanni Facchini and Cecilia Testa, *The rhetoric of closed borders: quotas, lax enforcement and illegal migration*, LdA Working Paper no. 303, November 2010;

Giuseppe Bertola and Alessandro Sembenelli, *Immigration, Employment, and Wages: The Role of Offshoring*, 2010, mimeo;

Giulia Bettin, Alessia Lo Turco, and Daniela Maggioni, *A firm level perspective on migration*, 2010, mimeo;

Giorgio Barba Navaretti, Davide Castellani, Tommaso Frattini and Angelica Salvi Del Pero, *Immigration and productivity: looking beyond the average effect*, 2010, mimeo.

### 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, LdA organised a workshop on illegal immigration and the effects of immigration on the destination country in May at the University of Milan; a seminar on “Wealth Accumulation by Politicians in the U.S., 1850-1870” by James M. Snyder (MIT) on June 23<sup>rd</sup>; the Ninth Summer School in International and Development Economics in Gargnano on Lake Garda in September and the Final Conference of the TOM network at the Venice International University, also in September.

Within the SUS.DIV project, Jennifer Hunt (who is currently a Professor of Economics at McGill University in Montreal, Canada), visited the Centro Studi Luca d’Agliano and the Department of Economics at the University of Milano between June 1<sup>st</sup> and July 7<sup>th</sup> 2010. During her visit Professor Hunt gave two seminars to themes related to diversity. Her first seminar on “Why do women leave science and engineering” took place on June 4<sup>th</sup> and highlighted the role played by poor pay and promotion incentives in shaping women decision to leave their careers in science and engineering. Her second seminar, on “The Effect of Immigration on the Education of Native Minorities” took place on June 16<sup>th</sup> and focused instead on the long term impact of foreign immigrants on natives educational outcomes. Jennifer Hunt actively interacted with researchers in the LdA team working on immigration and labour economics.

Furthermore, the Final Conference on “Diversity for sustainable development: towards a new research agenda?” was organised by FEEM and held in Brussels on October 20<sup>th</sup> 2010.

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

The Ninth Summer School on “Spatial and temporal patterns in international migration. Temporary and return migration. Ghettos and enclaves” took place from September 5<sup>th</sup> to September 8<sup>th</sup> 2010 at the University of Milan, Palazzo Feltrinelli, Gargnano, Italy. Christian Dustmann (University College London) and Jacob L. Vigdor (Duke University) lectured on ethnic enclaves, circular and return migration.

### **TOM Workshop on “Illegal immigration and the effects of immigration on the destination country”**

On May 6<sup>th</sup> – 7<sup>th</sup> 2010, Giovanni Facchini and Tommaso Frattini organised a workshop focussing on two main themes: illegal immigration and the effects of immigration on the destination country. 7 invited speakers presented their works at the University of Milan. Within the LdA team working on this project, Cecilia Testa presented the paper “Electoral Concerns, Special Interests and Illegal Immigration” written jointly with Giovanni Facchini and Tommaso Frattini presented the paper “Immigration and Prices in the UK”.

### **TOM Final Conference**

The TOM Final conference on “International Migration: Transnational Links, Effects and Policies” took place at the Venice International University in the Isola di San Servolo on September 16<sup>th</sup> – 18<sup>th</sup> 2010. It was organised by the Centre for Economic Policy Research (CEPR), Centro Studi Luca d’Agliano (LdA) and Venice International University (VIU) and it was held in memory of Riccardo Faini, former coordinator of the TOM network who passed away on January 20<sup>th</sup> 2007.

Different topics were covered: the effects of the ethnicity of high-skilled migrants on the pattern of foreign investments; the link between media exposure and migration attitudes; the effects of climate change on international migration; the consequences of distinctively foreign surnames on unemployment risk. Former TOM researchers hired by LdA presented their works: Raluca Prelipceanu presented the paper “Social Norms and Labour Market Strategies of Women. Is Temporary Labour Migration. Abroad just Another Strategy in the Case of Romanian Women?”; Juan Miguel Gallego presented the paper “Xenophobic Attacks, Migration Intentions and Networks: Evidence from the South of Africa”; Anna Maria Maya presented the paper “Illegal immigration and media exposure: Evidence on individual attitudes”. Moreover, Giovanni Facchini presented the paper on “The rhetoric of closed borders: quotas, lax enforcement and illegal migration”. A panel on “Europe’s Immigration Policies” chaired by Richard Portes (London Business School and CEPR) with Tim Hatton (Australian National University and CEPR), Jonathan Portes (Cabinet Office), Luca Barbone (The World Bank), Alessandro Merli (Il Sole 24 Ore), and Diane Coyle (Enlightenment Economics) closed the conference.

## **2.2.5 Research team, research partners and funding institutions**

Researchers who worked in the migration area in 2010 are Giorgio Barba Navaretti, Giuseppe

Bertola, Alessandra Casarico, Giovanni Facchini, Tommaso Frattini, Juan Miguel Gallego, Daniela Maggioni, Anna Maria Mayda, Mariapia Mendola, Gianluca Orefice, Gianmarco Ottaviano, Giovanni Peri, 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 2011

LdA will continue to be actively engaged in migration research next year.

*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. *Giovanni Facchini* and *Alessandra Casarico* are working on a project on immigration amnesties.

*Giorgio Barba Navaretti* with *Davide Castellani*, *Tommaso Frattini* and *Angelica Salvi Del Pero* will continue studying the effect of immigration on total factor productivity as well as on labour productivity in a European cross-country perspective. They exploit the heterogeneity in immigrant inflows across regions within several European countries to identify the impact of immigration on productivity, which is theoretically ambiguous. On the one hand, if immigrants have lower reservation wages than immigrants and exert downward pressure on wages, an increase in immigration may allow less productive firms to take advantage of lower labour costs and remain in the market. This would have negative effects on average productivity. On the other hand, the inflow of immigrants allows native workers to specialise in tasks for which they have a comparative advantage relative to immigrants (e.g. tasks that require language skills). Conversely, immigrants will specialise in tasks for which they have comparative advantages relative to natives. The increased specialisation leads to increases in average productivity. Obviously, these two effects may occur at the same time on different types of firms, and have a counterbalancing effect on average productivity. Our analysis attempts to disentangling the two effects. They take advantage of a rich firm-level dataset (Amadeus) which allows authors to study the effects of immigration on different type of firms, and go beyond a simple analysis of the effect of immigration on mean productivity and look instead at the differential effects on firms at different points of the productivity distribution.

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

LdA fellows have worked extensively on internationalisation patterns at the firm level both in developing and developed economies.

The current global integration of the real and financial markets makes a country's overall performance more reliant than in the past on its trade competitiveness and on its ability to operate on a global scale. The recent crisis has shown that the heterogeneity in trade imbalances is a cause of macroeconomic instability. A deeper understanding of the determinants and the effects of a country's global involvement is called for.

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 can vary enormously within sectors and that it is explained by factors like firms' size and efficiency. LdA has been at the forefront among European research institutes in exploring empirically in industrialised economies the relevance of firms' characteristics with respect to global activities and the determinants of their cross country variation. 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, employs a different management structure, hires more skilled workers, and uses different sources of financing. From a policy perspective, the interesting finding is that policy should focus on favouring those characteristics that are conducive to internationalisation, this highlighting the centrality of structural reforms to facilitate the growth and development of companies throughout Europe, the increase of the human capital of the workforce, the removal to barriers to technology adoption and competition (Barba Navaretti et al., 2010).

The results of LdA research can be broadly grouped in **five main areas**: i) the relationship between internationalisation and performance both at the firm and at the industry/country level; ii) the determinants and implications of different firms' organisational modes in the international markets; iii) the relationship between firms' innovation and internationalisation strategies; iv) the role of the organisation, efficiency, structure and degree of globalisation of the financial sector with respect to firms' global activities; v) the process of internationalisation in service industries.

#### Internationalisation and performance

##### *Firms' characteristics, internationalisation and performance*

Thanks to the newly collected EU-EFIGE survey (see below, Section 2.3.6) of 15,000 manufacturing companies in seven EU countries which provides consistent cross-country data, it has been possible to investigate several aspects and modes of European firms'

internationalisation process and the role of firms' characteristics as opposed to their location and countries' characteristics, by relying for the first time on fully comparable cross-country data. The key results of the research carried out on these new data so far by Barba et al. (2010), are that there is in fact much within industry heterogeneity in explaining export and also FDI performance of European firms. Size, productivity, skill intensity of the workforce and the ability to innovate are all factors explaining within sector heterogeneity in firms' export performance in all countries. It implies that being an international firm is an increasingly complicated affair, dominated by an increasingly small number of firm. Export shares are indeed found to be very concentrated, with the top 5% 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. The effects of the crisis have been extremely heterogeneous across firms and larger, more internationalized firms have shown less dramatic changes during the crisis. This pattern is fairly consistent across European countries; nevertheless, countries perform very differently in terms of their export and global production strategies, this mainly due to cross-countries differences in their industrial structure in terms of size and sectoral distribution, as well as innovative capacity and productivity. These results raise the issue of understanding which are the factors hindering firms' access to the international market.

The main results highlighted on European countries are confirmed by the firm level analysis carried out on developing countries, showing that size, sourcing from abroad, investment in product improvement and average productivity at the firm level are associated with a higher probability of exporting (Ottaviano and Volpe Martincus, 2009).

### *The effects of internationalisation at the industry and country level*

As for the performance at the regional/country level, the analysis shows that 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 and in particular the link between internationalisation of regions and productivity seems to be a very important aspect of economic performance. LdA research suggests that outward investments are a key determinant in a region productivity performance while inward investment seems to positively affect the host region productivity only when R&D, and not only manufacturing activities, are carried out in the foreign affiliates (Castellani and Pieri, 2010). The role of public expenditure composition between different technology intensive goods and the provision of public infrastructure turn also to be relevant in affecting countries' productivity growth at aggregate level (Felice, 2010). As for the consequences on the employment structure, the effects of off-shoring on the skill structure of production in the origin country depends crucially in which industry off-shoring takes place (Horgos and Tajoli, 2010). If off-shoring takes place in relative high skill intensive industries, the high skill labour ratio increases, vice versa for relative low skill intensive industries.

### **International Activities and the Organisation of the Firm**

The widely recognised role of multinational firms in international trade has recently spurred a large amount literature focusing on the determinants of firms' internationalisation decision and,

in particular, on firms' decision on whether to develop the international trade transactions internally to the firm (intra-firm trade) or outside the boundaries of the firm (outsourcing). A recent stream of literature has given important insights in this framework by looking at the role of residual rights of control when contracts are incomplete. Empirical research in this framework is still scant, especially at the firm level. LdA contributions in this area represent an attempt to fill this gap by looking at the determinants of the intra-firm vs arms' length sourcing mode of imported inputs, both in developed (Verdier, Corcos, Irac and Mion, 2009) and in developing countries (Fernandes and Tang, 2010). As for the firm level determinants of the internationalisation mode these studies show that firms which are more productive, more capital and skill intensive, and with higher head quarter intensity are more likely to develop their international transactions within their boundaries (intra-firm trade). The results show that multinational firms are more likely to import goods from their own affiliate from countries which are capital scarce and the higher the quality of the contracting environment in these countries. As for product characteristics, it is shown that more complex goods are more likely to be produced within the firm boundaries.

### **International Activities and Innovation**

Several contributions belonging to the recent international trade literature emphasise the two-way relationship between firms' innovation and internationalisation strategies. More innovative firms are more likely to enter the international markets; firms choose to invest in developing new products and new techniques in order to enter the international markets and face foreign competition; firms improve their products and techniques after entering the international markets by learning through several channels.

Some research carried out at LdA shows 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 (Castellani and Giovannetti, 2009). TFP differences are due to the fact that multinational firms are both more capital intensive and exhibit higher returns to capital: this is consistent with the idea that multinational firms have superior organizational capabilities and managerial practices.

A second stream of LdA research on innovation and internationalisation shows that firms learn from their international activities. Foreign markets represent a source of innovation at the firm level by providing incentives to firms to improve or diversify their products in order to better match foreign buyers' needs and to find a niche in the new markets (Bratti and Felice, 2010). In highly differentiated markets firms compete not only on price, but also on product characteristics and quality. In these markets, informational barriers are high, and the direct interactions with buyers and users induced by firms' international activities are fundamental in conveying the flow of information required to innovate products and face the competition.

From a policy perspective, these results suggest that export promotion policies and policies directed to the reduction in fixed costs of exporting may increase average industry innovative performance, not only by inducing the selection of better firms, but also by improving the innovation performance at the firm level.

### International Activities and Finance

Firms' financial status is a determinant of the internationalisation process recently highlighted by the literature, which seems particularly relevant in the current global economic downturn. Firms' are heterogeneous not only in their efficiency but also in their financial status, this affecting the opportunity of financing the sunk costs of entering the international markets. While the present costs of entering are certain and immediately paid, revenues from the international activities are uncertain and not immediately disposable. Assuming some frictions and asymmetric information in the capital markets, internal liquidity is important for firm's internationalisation decisions: both the entry decision in a foreign market and the expansion into new markets by credit constrained firms is determined by the level of cash stock (Forlani, 2010). A related issue regards the role of multinational banks. The size and the global interconnectedness of their activities have risen concerns on their potential systemic effects, not only within developed economies, but also between developing and developed economies, as it has clearly emerged during the last global crisis. The availability of a global Internal Capital Market, through which multinational banks funnel funds across their global operations can affect stability in both directions. Multinational banks can either support foreign affiliate in distress or funnel resources away thereby creating potential distress. *Barba Navaretti et al. (2010)* identify the conditions under which the bright side of the Internal Capital Market is more likely to emerge, this opening room for discussing how a reformed European regulatory framework (in particular, an integrated European supervision and an increased harmonization of national regulatory framework) could enhance the stabilizing role of multinational banks.

### Internationalisation and Services

The recent empirical literature on the globalisation process has highlighted the increasing weight both of globalisation in service industries and of off-shoring of service functions by manufacturing firms. Service internationalisation may have both different determinants and different effects compared to internationalisation 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. However, the empirical literature shows far less pronounced labour market implications of service off-shoring with respect to their material counterpart; this results are confirmed by *Crinò (2010)* who shows that service off-shoring has no effect on total employment, but affects its composition in favour of high skilled workers, by using firm level data on Italian firms. Since service off-shoring differs from material off-shoring in expanding the range of possible off-shoring variants, the effects on labour market differ fundamentally; the different scenarios have opposite implications and sum up to marginal effects in the aggregate (*Horgos, 2010*).

## 2.3.2 Projects

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

EFIGE is a four-year Collaborative Research Project funded by the 7<sup>th</sup> Framework Programme (Collaborative Programme) of the European Commission. The project started in November 2008.



Work on the EFIGE project at LdA is coordinated by Giorgio Barba Navaretti, who 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 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 provides a cross sectional data set combining information on the international activities and on other characteristics of the firm.

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 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, the LdA team, besides for contributing to the several research areas listed above, is responsible for the research output on the relationship between firm organisation and internationalisation. LdA team has already contributed to the project with several works and with the Second EFIGE Policy Report on *The Global Operations of European Firms*, the main results of which have been reported in Section 2.3.1.

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

This Collaborative Research Project also funded by the 7<sup>th</sup> Framework Programme of the European Commission brings together researchers from EU countries (Italy, Denmark, Germany, Estonia, Sweden, Norway and United Kingdom) and from some of the most important emerging economies in the world (notably Brazil, China, India, and South Africa), in order to look at the internationalisation of European firms with a North-South perspective. The 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 networks and the North-South dimension of this process. 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. Further research is required in order to single out the effect of the globalisation of knowledge both in the North and the South and the role of latecomer regions in the global economy.

The team at LdA leads a research work package on “The global long-run impact of off-shoring of innovation for EU firms”, involving also researchers from FEEM (Italy) and SPRU (United



Kingdom). This WP carries 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 7<sup>th</sup> 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 Lubljana 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.

LdA has also hired for 9 months, starting on October 1<sup>st</sup> 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. He has also started to investigate the production pattern of risk averse firms theoretically. In a first approach entitled "Global Sourcing and Risk Aversion", he extended the Antras and Helpman model (2004) with risk aversion in order to investigate how the assumed effects change if the focus is set on small, risk averse firms. In a work entitled "Import Penetration vs. Outsourcing activities: What Really Drives the Off-shoring Indices", Daniel Horgos (together with Davide Castellani and Luca De Benedictis) investigates the commonly used off shoring indices in greater detail (see above section 2.3.1.), while in a work joint with Lucia Tajoli, "How off-shoring can affect the industries' skill composition", Horgos investigates the effects of off-shoring on the skill structure of production in the origin country. Horgos has also worked extensively on the Second Efige Policy Report "The Global Operation of European Firms".

### 2.3.3 Research output

Within this area, several papers have been completed:

Davide Castellani and Giorgia Giovannetti, *Productivity and the international firm: dissecting heterogeneity*, 2010, Journal of Economic Policy Reform, forthcoming;

Daniel Horgos and Lucia Tajoli, *How Offshoring Can Affect the Industries' Skill Composition*, LdA Working Paper no. 296, July 2010;

Giorgio Barba Navaretti, Giacomo Calzolari, Alberto Franco Pozzolo, and Micol Levi, *Multinational Banking in Europe: Financial Stability and Regulatory Implications. Lessons from the Financial Crisis*, LdA Working Paper no. 292, April 2010;

Emanuele Forlani, *Liquidity Constraints and Firm's Export Activity*, LdA Working Paper no. 291, April 2010;

Daniel Horgos, *A Ricardo-Viner Approach to Service Offshoring*, LdA LdA Working Paper no. 290, April 2010;

Ana Fernandes and Heiwai Tang. *The Determinants of Vertical Integration in Export Processing: Theory and Evidence from China*, LdA Working Paper no. 289, April 2010;

Massimiliano Bratti and Giulia Felice. *Are Exporters More Likely to Introduce Product Innovations?*, EFIGE Working Paper no. 25, March 2010;

Giulia Felice, *Structural Change and Growth: the Role of Public Investment*, 2010, mimeo;

Davide Castellani, Luca De Benedictis, and Daniel Horgos. *Import Penetration vs. Outsourcing activities: What Really Drives the Offshoring Indices*, 2010, mimeo;

Davide Castellani and Fabio Pieri, *Foreign investments and productivity. Evidence from European regions*, 2010, mimeo;

Rosario Crinò, *Employment Effects of Service Offshoring: Evidence from Matched Firms*, LdA Working Paper no. 286, December 2009;

Gianmarco I. P. Ottaviano, and Christian Volpe Martincus: *SMEs in Argentina: Who are the Exporters?*, LdA Working Paper no. 283, November 2009;

Gregory Corcos, Delphine Irac, Giordano Mion and Thierry Verdier. *The determinants of intra-firms trade*, EFIGE Working Paper no. 14, October 2009.

### **Case Studies and Policy Reports**

Giorgio Barba Navaretti, Matteo Bugamelli, Fabiano Schivardi, Carlo Altomonte, Daniel Horgos, and Daniela Maggioni, *The Global Operations of European Firms*, Bruegel Blueprint Series, forthcoming.

### **2.3.4 Conferences and other events**

In 2010, the LdA team in this area organised and participated in several conferences and workshops.

#### **Second EFIGE Scientific Workshop and Policy Conference**

The 2nd EFIGE Scientific Workshop and Policy Conference, held jointly with the European Research Workshop in International Trade (ERWIT), was organised by CEPR, Brugel, LdA and the

Bank of Italy and took place in Rome on June 16<sup>th</sup> – 18<sup>th</sup> 2010. Mario Draghi, Governor of the Bank of Italy, opened the Policy Conference on June 18<sup>th</sup>. After a brief description of the EFIGE project by Gianmarco Ottaviano, Giorgio Barba Navaretti presented the second EFIGE policy report on “The Global Operations of European Firms” written together with Carlo Altomonte, Matteo Bugamelli, Daniel Horgos, Daniela Maggioni, and Fabiano Schivardi. The Policy Roundtable, introduced by Fabrizio Saccomanni (Director General, the Bank of Italy) and chaired by Salvatore Rossi (Managing Director, the Bank of Italy), followed. It was composed by Alessandro Profumo (CEO, UniCredit Group), Giuseppe Recchi (CEO, General Electric - South Europe), Giorgio Squinzi (CEO, Mapei), and Tony Venables (University of Oxford and CEPR). The discussion was closed by Michel Barnier, EU Commissioner for Internal Market and Services.

### **Second GIST Summer School and Second GIST Conference**

The 2<sup>nd</sup> GIST Summer School on “Heterogeneous firms and offshoring in services” was organised by the Paris School of Economics, the Centre National de la Recherche Scientifique, INRA and CEPR in Paris from May 17<sup>th</sup> to May 20<sup>th</sup> 2010. Marc Melitz (Harvard University and CEPR) lectured on models of heterogeneous firms in international trade and Thierry Mayer (Sciences Po, Paris and CEPR) presented the most advanced techniques on gravity equation related to services.

The 2<sup>nd</sup> GIST Conference on “Trade and Investment on Services: theory and Evidence” was organised at the University of Ljubljana on June 24<sup>th</sup> – 25<sup>th</sup> 2010 where GIST appointed researchers presented their works.

The 2<sup>nd</sup> GIST Summer School and the 2<sup>nd</sup> GIST Conference were attended by Daniel Horgos.

### **INGINEUS Mid-Term Review Meeting**

Giorgio Barba Navaretti and Davide Castellani attended the INGINEUS Mid-Term Review Meeting which was organised by the Human Sciences Research Council (HSRC). It took place in Cape Town, South Africa, from September 1<sup>st</sup> to September 3<sup>rd</sup> 2010 and focused on the results of the survey.

### **Workshop on “I cambiamenti della manifattura italiana visti attraverso l’indagine Unicredit”**

The workshop was organised on March 8<sup>th</sup> 2010 by LdA and Unicredit Group at the University of Milan. Several presentations on Italian firm level data have taken place and a Round Table “La politica industriale e il ruolo delle istituzioni finanziarie”, chaired by Elena Belli (Unicredit), followed. It was composed by Francesco Giordano (UniCredit Group), Gian Maria Gros Pietro (Atlantia, SpA), Giorgio Barba Navaretti (Università di Milano and LdA), Andrea Bianchi (Ministero dello Sviluppo Economico), and Giuseppe Mele (Confindustria).

## **2.3.5 Research team, research partners and funding institutions**

Researchers who worked in the firms and international market area in 2010 are: Christian Arndt, Giorgio Barba Navaretti, Claudia Buch, Matteo Bugamelli, Giacomo Calzolari, Davide Castellani, Gregory Corcos, Rosario Crinò, Massimo Del Gatto, Klaus Desmet, Paolo Epifani, Giulia Felice, Emanuele Forlani, Paolo Garella, Daniel Horgos, Micol Levi, Daniela Maggioni, Anselm Mattes,

Giordano Mion, Gian Marco Ottaviano, Fabio Pieri, Alberto Pozzolo, Angelica Salvi Del Pero, Fabiano Schivardi, Alessandro Sembenelli, Peri da Silva, Heiwai Tang, Alessandra Tucci, and Thierry Verdier.

Research partners for the firms and international market area include University of Milan; Paris School of Economics; Institute for Applied Economic Research (IAW); ICE; Csil; University of Turin; Bruegel; CEPR; Hungarian Academy of Sciences; University of Nottingham; Stockholm University; The National Bank of Belgium; University of Oslo; Universidad Carlos III de Madrid; CEPIL; 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 European Commission, the Chamber of Commerce of Turin, and UniCredit Group.

### 2.3.6 Work programme for 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 (3.000 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 and data collection have been concluded, and data have been released in spring 2010. The cross-country data set has been constructed and the research based on the new data has started. LdA team has delivered the Second Efige Policy Report on “The Global Operations of European Firms” and a country report on Italy based both on existing and new data is in progress.

Based on the new data, LdA team will carry out research work along several lines. In particular, in 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 internationalisation across EU regions.

Moreover, based on the new data, some further work will be carried out on the relationship between firms' innovation and internationalisation strategies with attention to different innovation modes and the role of competition in a comparative perspective; the role of buyer-supplier relationships in determining different innovation strategies depending on whether the

outsourcing is domestic or international will also be analysed. Another line of research will possibly regard the relationship between firms internationalisation and its internal organization, in term of hierarchical structure at the HQ level and in terms of the quality of management. The link between the pattern of service off-shoring by manufacturing firms and their own pattern of internationalisation will also be explored. Further work on financial constraints will also be carried out.

### **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 globalisation.

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 bases, for 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 2011, the LdA team will further develop the theoretical and empirical analysis on service internationalisation. LdA will also hire two other researchers (experienced and early stage) and the Tenth Summer School in International and Development Economics will be organised in September 2011 in Gargnano within the GIST network.

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

Since 1997, 115 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 9 papers per year. Summary information on the research output of the institution is reported in Table 2.

Of these, 98 have appeared in refereed journals, while 17 have been published as chapters of edited volumes. To give an idea of the quality of the research output, in Table 2, we have reported information on the main outlets, and the number of articles which have been published in each journal.

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

Of the 98 papers which have appeared in refereed journals, 71 have been published in journals with rank B or above. While only 1 paper has been published in a top-five journal<sup>2</sup>, 11 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*. 15 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

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

<sup>2</sup> Marc Melitz and Gianmarco I.P. Ottaviano, *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	5
Journal of the European Economic Association	A	14	4
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	10
World Bank Economic Review	A	37	2
Journal of Development Economics	B	39	6
Canadian Journal of Economics	B	42	4
International Journal of Industrial Organization	B	47	2
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	4
Economic Policy	B		3
Journal of Regional Science	B		1
Review of International Economics			5
Review of Development Economics			1
Other Refereed Journals			40
Other Miscellaneous			17
<b>Total</b>			<b>115</b>

### List of working papers published in 2010

305. Andrea F. Presbitero (Università Politecnica delle Marche) and Alberto Zazzaro (Università Politecnica delle Marche): *IMF Lending in Low- and Middle-Income Countries in the Wake of the Global Crisis*, November 2010

304. Gil S. Epstein (Bar Ilan University, IZA, CReAM and Centro Studi Luca d'Agliano) and Ira N. Gang (Rutgers University, IZA and CReAM): *Migration and Culture*, November 2010

303. Giovanni Facchini (Erasmus University Rotterdam, University of Milan, Centro Studi Luca d'Agliano, CEPR and CES-Ifo) and Cecilia Testa (Royal Holloway University of London, Erasmus University Rotterdam and Centro Studi Luca d'Agliano): *The Rhetoric of Closed Borders: Quotas*,



---

*Lax Enforcement and Illegal Immigration*, November 2010

302. Francesco D'Amuri (Bank of Italy and ISER, University of Essex) and Giovanni Peri (University of California, Davis, NBER and Centro Studi Luca d'Agliano): *Immigration and Occupations in Europe*, November 2010

301. Heiwai Tang (Tufts University and Centro Studi Luca d'Agliano): *Labor Market Institutions, Firm-specific Skills, and Trade Patterns*, November 2010

300. Andrea F. Presbitero (Università Politecnica delle Marche): *Total Public Debt and Growth in Developing Countries*, November 2010

299. Michel Beine (CREA, University of Luxembourg and CES-Ifo), Elisabetta Lodigiani (CREA, University of Luxembourg and Centro Studi Luca d'Agliano) and Robert Vermuelen (CREA, University of Luxembourg and Maastricht University): *Remittances and Financial Openness*, November 2010

298. Gianmarco I.P. Ottaviano (Bocconi University, CEPR, FEEM and Centro Studi Luca d'Agliano), Giovanni Peri (University of California, Davis, NBER and Centro Studi Luca d'Agliano) and Greg. C. Wright (University of California, Davis): *Immigration, Offshoring and American Jobs*, July 2010

297. Gil S. Epstein (Bar Ilan University, IZA and CReAM) and Yosef Mealem (Netanya Academic College, Israel): *Interactions between Local and Migrant Workers at the Workplace*, July 2010

296. Daniel Horgos (Helmut Schmidt University and Centro Studi Luca d'Agliano) and Lucia Tajoli (Politecnico di Milano and KITeS – Bocconi University): *How Offshoring Can Affect the Industries' Skill Composition*, July 2010

295. Gil S. Epstein (Bar Ilan University, IZA and CReAM) and Ira N. Gang (Rutgers University, IZA and CReAM): *A Political Economy of the Immigrant Assimilation: Internal Dynamics*, July 2010

294. Giovanni Facchini (Erasmus University Rotterdam, University of Milan, Centro Studi Luca d'Agliano, CEPR and CES-Ifo) and Max Steinhardt (Hamburg Institute of International Economics (HWWI), Centro Studi Luca d'Agliano and ECARES): *What drives US Immigration Policy? Evidence from Congressional Roll Call Votes*, July 2010

293. Rodney D. Ludema (Georgetown University) and Anna Maria Mayda (Georgetown University, CEPR and Centro Studi Luca d'Agliano): *Do Terms-of-Trade Effects Matter for Trade Agreements? Evidence from WTO Countries*, July 2010

292. Giorgio Barba Navaretti (University of Milan and Centro Studi Luca d'Agliano), Giacomo Calzolari (University of Bologna, CEPR and Centro Studi Luca d'Agliano), Alberto Franco Pozzolo (University of Molise, Centro Studi Luca d'Agliano and MoFiR) and Micol Levi (Centro Studi Luca d'Agliano): *Multinational Banking in Europe: Financial Stability and Regulatory Implications. Lessons from the Financial Crisis*, April 2010



291. Emanuele Forlani (Université catholique de Louvain – CORE): *Liquidity Constraints and Firm's Export Activity*, April 2010

290. Daniel Horgos (Centro Studi Luca d'Agliano and Helmut Schmidt University): *A Ricardo-Viner Approach to Service Offshoring*, April 2010

289. Ana Fernandes (University of Sussex) and Heiwai Tang (Tufts University and Centro Studi Luca d'Agliano): *The Determinants of Vertical Integration in Export Processing: Theory and Evidence from China*, April 2010

288. Luis Miotti (University Paris 13), El Mouhoub Mouhoud (University Paris Dauphine) and Joel Oudinet (University Paris 13): *Determinants and Uses of Remittances to Southern and Eastern Mediterranean Countries: Insights from a New Survey*, April 2010

287. Simone Bertoli (IAB, Institute for Employment Research and Robert Schuman Centre, European University Institute): *Networks, Sorting and Self-selection of Ecuadorian Migrants*, April 2010

286. Rosario Crinò (Institut d'Anàlisi Econòmica, CSIC and Centro Studi Luca d'Agliano): *Employment Effects of Service Offshoring: Evidence from Matched Firms*, December 2009

285. Giovanni Facchini (Erasmus University Rotterdam, Università degli Studi di Milano, CEPR, Centro Studi Luca d'Agliano and CES-Ifo), Anna Maria Mayda (Georgetown University, CEPR, IZA, CReAM and Centro Studi Luca d'Agliano), and Riccardo Puglisi (ECARES, Université Libre de Bruxelles, Università degli Studi di Pavia and Centro Studi Luca d'Agliano): *Illegal Immigration and Media Exposure: Evidence on Individual Attitudes*, November 2009.

## Policy Reports

Giorgio Barba Navaretti, Matteo Bugamelli, Fabiano Schivardi, Carlo Altomonte, Daniel Horgos and Daniela Maggioni, *The Global Operations of European Firms*, Bruegel Blueprint Series, forthcoming.

## 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 2010 was awarded to *Marta Serena Marzi* with a research project on "The Multidimensional Measuring of Economic Development in Developing Countries" (University of Oxford).

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
2010	Marta Serena Marzi	The Multidimensional Measuring of Economic Development in Developing Countries	University of Oxford	University of Oxford, graduate student
2009	Antonio Miscio	Infrastructure Investment in Developing Countries: Bridging New Economic Geography and Political Economy	London School of Economics	Columbia University, Ph.D. student
2008	Lea Cassar	The Aid System under Asymmetric Information: Analysis and Policy Recommendation	University of Oxford	University of Zurich, Ph.D. student
2008	Lucia Rizzica	Brain Drain and Development	University College London	University College London, Ph.D. student
2007	Antonio Andreoni	Institutional Economic Analysis, Social Capital and Economics of Social Networks	University of Cambridge	University of Cambridge, Ph.D. student; inter UNIDO
2006	Federica Liberini	Infrastructural Gap and Fiscal Policy	University of Warwick	University of Warwick, Ph.D. 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
2003	Luciano Ciravegna	Automotive Sector Modernization in Developing Countries: Global and Regional Trends	University of Oxford	University of London
2001	Francesco Rampa	Technological Innovation and Partners of Trade: The Case of Developing Countries	University of Oxford	FAO Consultant & Associate at European Centre for Development Policy Management
2000	Mattia Romani	Poverty Dynamics and its Determinants in Cote d'Ivoire	University of Oxford	
1999	Diego Angemi	Child Labour and Technological Advances	University of Oxford	UN/Ministry of Finance, 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
1988	Francesco Daveri	Time Inconsistency and Trade Liberalization Policies in LDCs	University of Oxford	University of Parma
1987	Roberta Rabbellotti	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)

*Manasa Patnam* (India), of St. Johns's College, was the awardee for 2010. He is working on the political economy and the economics of networks in developing countries.

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), Nazia Habib-Mintz (2007) and Osvaldo Gonzalez (2008-2009).

### Oxford (£. 500)

The prize for 2010 was awarded to *Miguel Sarzosa Castillo* (Colombia) of St. Cross College for a research project on "Friends First: Political Determinants for Targeting in Decentralized Poverty Alleviation Programmes".

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), Abhijeet Singh (2008) and Aidan Coville (2009).

## 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. 302 students have participated in LdA summer schools since 2003, with 96 of them coming from developing countries. The 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
<b>Globalisation, Investment and Services Trade (GIST)</b>					
Daniel Horgos	Experienced	Germany	9	01/10/2009	30/06/2010
<b>Transnationality of Migrants (TOM)</b>					
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
<b>Trade preferences and the role of institutional quality in economic integration (TRARIQ)</b>					
Miriam Manchin	Post-doc	Hungary	12	01/11/2007	31/10/2008
<b>Trade, Industrialisation and Development (TID)</b>					
Natalie Chen	Post-doc	UK	3	01/07/2006	30/09/2006
Klaus Desmet	Post-doc	Germany	3	01/07/2006	30/09/2006
Miriam Manchin	Post-doc	Hungary	12	15/09/2005	14/09/2006
Anne Celia Disdier	Post-doc	France	15	01/07/2004	31/10/2005
<b>Foreign Direct Investment and the Multinational Corporation: New Theories and Evidence (TMR)</b>					
Dieter Urban		Germany	33	01/06/1999	01/03/2002
Henrik Braconier		Sweden	3	01/09/2001	31/11/2001
George Siotis		Greece	3	26/06/2000	25/09/2000
<b>Total</b>	<b>13 Researchers</b>		<b>157</b>		

## 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. 302 students have participated in LdA summer schools since 2003, with 96 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 the past 4 years, they were organised as part of the Marie Curie Research Training Network on “Transnationality of Migrants”.

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

Title	Professor	Affiliation	Dates	Participants	
					from developing countries
<b>Spatial and temporal patterns in international migration. Temporary and return migration. Ghettos and ethnic enclaves</b>					
	Christian Dustmann	University College London	5-8 Sept, 2010	30	7
	Jacob. L. Vigdor	Duke University			
<b>Outsourcing and Migration</b>					
	Giovanni Peri	University of California, Davis	30 Aug-2 Sept, 2009	39	14
	James E. Rauch	University of California, San Diego			
<b>International Migration and the Sending Country</b>					
	Gordon Hanson	University of California, San Diego and NBER	24-27 Aug, 2008	43	12
	Frédéric Docquier	Catholic University of Louvain and NFSR			
<b>International Migration and the Host Country</b>					
	Barry Chiswick	University of Florence	9-12 Sept, 2007	39	12
	Massimo Livi Bacci	University of Illinois at Chicago			
	Giovanni Facchini	University of Milano and LdA			
<b>Outsourcing and International Fragmentation of Production: Implications for Developing Countries</b>					
	Kei-Mu Yi	Federal Reserve Bank of Philadelphia	11-14 June, 2006	36	15
	Giorgo Barba Navaretti	University of Milano and LdA			
<b>Trade, Innovation and Technology Diffusion: Implications for Developing Countries</b>					
	Jonathan Eaton	New York University and NBER	4-8 Sept, 2005	37	13
	Francesco Caselli	London School of Economics, NBER and CEPR			
<b>The Microeconomic Effects of Trade and Trade Policy: The Perspective of Developing Countries</b>					
	Alan Winters	The World Bank and CEPR	5-8 Sept, 2004	39	12
	James Tybout	Pennsylvania State University and NBER			
<b>Political Economy of Trade Policy and Development: Theories and Institutions</b>					
	Bernard Hoekman	The World Bank and CEPR	27-31 Aug, 2003	39	11
	Thierry Verdier	Paris-Jourdan Sciences Economiques and CEPR			
<b>Total</b>				<b>302</b>	<b>96</b>

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

## 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 Eighth Lecture on "The Future of Aid", by *Nemat (Minouche) Shafik* (Permanent Secretary, Department for International Development) is scheduled for December 17<sup>th</sup> 2010. She is responsible for overseeing UK government's contribution to the developing world and her department controls a budget of over £9 billion a year. The Lecture will look at the future of aid which is becoming bigger and more rigorous but also more global, fragmented and networked. The \$170 billion aid industry has grown rapidly from a small club of OECD donors to include a plethora of actors including emerging powers like China and Brazil, private corporations, foundations, civil society and faith groups. This growing market for aid is increasingly subject to greater transparency, attention to results, and independent evaluation as knowledge has grown, technology has enabled greater transparency and citizens demand greater accountability. As much of Asia grows its way out of poverty, aid will increasingly be focused on Africa and on countries plagued by conflict and instability. A growing share of aid will be directed to tackling global public goods – like climate change and public health. In future, global challenges will increasingly be addressed through coalitions that cut across states, private sector and civil society. These networks to address poverty and global issues will increasingly become a feature of the international architecture in a multipolar world.



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

---

<b>Title</b>	<b>Speaker</b>	<b>Affiliation</b>	<b>Date</b>
<b>Eighth Luca d'Agliano Lecture: "The Future of Aid"</b>			
	Nemat (Minouche) Shafik	Permanent Secretary, Department for International Development	17 December 2010
<b>Seventh Luca d'Agliano Lecture: "The Dollar in Doubt"</b>			
	Barry Eichengreen	George C. Pardee and Helen N. Pardee Professor of Economics and Professor of Political Science, University of California, Berkeley	4 December 2009
<b>Sixth Luca d'Agliano Lecture: "Accelerating Economic Growth in Africa"</b>			
	Anthony J. Venables	Professor, Oxford University; Director, Oxford Centre for the Analysis of Resource Rich Economies	17 October 2008
<b>Fifth Luca d'Agliano Lecture: "Does outsourcing change everything?"</b>			
	Paul R. Krugman	Professor of Economic and International Affairs, Woodrow Wilson School of Public and International Affairs, Princeton University, Nobel Prize in Economics, 2008	11 June 2007
<b>Fourth Luca d'Agliano Lecture: "Employment and Development"</b>			
	François Bourguignon	Chief Economist and Senior Vice President, World Bank; Professor of Economics, École des Hautes Études en Sciences	22 May 2006
<b>Third Luca d'Agliano Lecture: "Globalization and Underdevelopment in the Pre-Modern Third World"</b>			
	Jeffrey G. Williamson	Laird Belle Professor of Economics, Harvard University	31 March 2006
<b>Second Luca d'Agliano Lecture: "Rethinking Economic Growth in Developing Countries"</b>			
	Dani Rodrik	John F. Kennedy School of Government, Harvard University	8 October 2004
<b>First Luca d'Agliano Lecture: "Globalisation and the Poor"</b>			
	Pranab Bardhan	University of California, 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 2010 is set out below; details on the events can be found under the research programmes and in the remainder of the Report.

### 17 December 2010, Fondazione Luigi Einaudi, Turin

Eighth Luca d'Agliano Lecture in Development Economics, "The Future of Aid" by Nemat (Minouche) Shafik

### 16-18 September 2010, Venice International University

TOM Final Conference on "International Migration: Transnational Links, Effects and Policies"

### 5 – 8 September 2010, University of Milan, Palazzo Feltrinelli, Gargnano, Italy

Ninth Summer School in International and Development Economics: Spatial and temporal patterns in international migration. Temporary and return migration. Ghettos and ethnic enclaves.

Lecturers: Christian Dustmann, University College London and Jacob L. Vigdor, Duke University

### 1-3 September 2010, Cape Town, South Africa

INGINEUS Mid-Term Review Meeting

### 24-25 June 2010, University of Ljubljana

2nd GIST Conference on "Trade and Investment on Services: Theory and Evidence"

### 23 June 2010, University of Milan, Italy

TOM Seminar on "Wealth Accumulation by Politicians in the U.S., 1850-1870" by James M. Snyder, MIT

### 16-18 June 2010, Bank of Italy, Rome

ERWIT and 2nd EFIGE Scientific Workshop and Policy Conference

### 16 June 2010, University of Milan, Italy

SUS.DIV Seminar on "The Effect of Immigration on the Education of Native Minorities", by Jennifer Hunt, McGill University in Montreal, Canada

### 4 June 2010, University of Milan, Italy

SUS.DIV Seminar on "Why do women leave science and engineering" by Jennifer Hunt, McGill University in Montreal, Canada

### 17-20 May 2010, Paris School of Economics

2nd GIST Summer School on "Heterogeneous firms and offshoring in services"

6-7 May 2010, University of Milan

Workshop on “Illegal Immigration and the Effects of Immigration on Destination Countries”

8 marzo 2010, Sala Napoleonica, Università degli Studi di Milano

Workshop: “I cambiamenti della manifattura italiana visti attraverso l’indagine Unicredit”

5-7 February 2010, Villa Il Poggiale, San Casciano Val Di Pesa (Chianti), Italy

First Workshop on “Migration and Economic Development: Insights from original data collection and fieldworks”

4 December 2009, Fondazione Luigi Einaudi, Turin

Seventh Luca d’Aglano Lecture in Development Economics, “The Dollar in Doubt”, by Barry Eichengreen

## 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 early-stage researcher 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 8 editions of the Summer Schools, 302 students have attended, of these 96 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.

### Scientific Advisory Board

François Bourguignon (Chairman), Giuseppe Bertola, Jaime de Melo, Eliana La Ferrara, Gianmarco I.P. Ottaviano, André Sapir, Anthony J. Venables.

### Scientific Committee

François Bourguignon (Chairman), Giorgio Basevi, Luigi Donato, Frank Hahn, Fabrizio Onida, Amartya Sen, Nicholas Stern, Frances Stewart, Gianni Vaggi, Vittorio Valli, Marcello Carmagnani (as Chairman of the Scientific Committee of Fondazione Luigi Einaudi, Turin).

### Coordination Committee

Giorgio Barba Navaretti (Scientific Director), Giovanni Facchini (Migration), Mariapia Mendola (Poverty and Development), Gianmarco I.P. Ottaviano (Firms and the International Market).

### Resident Researchers

Silvia Cerisola, Rosario Crinò, Anna De Paoli, Giulia Felice, Tommaso Frattini, Daniel Horgos, Micol Levi, Simone Lombardini, Daniela Maggioni, Angelica Salvi Del Pero, Max Steinhardt.

### Fellows

Carlo Altomonte, Matteo Bugamelli, Giacomo Calzolari, Alessandra Casarico, Davide Castellani, Daniele Checchi, Natalie Chen, Paola Conconi, Rosario Crinò, Francesco Daveri, Klaus Desmet, Gianfranco De Simone, Anne-Célia Disdier, Paolo Epifani, Gil S. Epstein, Anna Maria Falzoni, Giulia Felice, Massimo Florio, Tommaso Frattini, Marzio Galeotti, Paolo Garella, Daniel Horgos, Miriam Manchin, Silvia Marchesi, Anna Maria Mayda, Alessandro Missale, Giovanni Peri, Alberto Pozzolo, Riccardo Puglisi, Angelica Salvi Del Pero, Fabiano Schivardi, Alessandro Sembenelli, Peri da Silva, Heiwai Tang, Cecilia Testa, Alessandra Tucci, Alessandro Turrini.

### Affiliates

Juan Miguel Gallego, Micol Levi, Elisabetta Lodigiani, Max Steinhardt.

### Secretariat

Chiara Elli, Simona Orlando.

### Founding Members

Francesco Ballero, Giorgio Barba Navaretti, Lucia Bruguier Pacini d'Agliano, Emilio Corelli, Luigi Galleani d'Agliano, Mario Einaudi, Fabio Ranchetti, Giovanni Zanalda.