





CENTRO STUDI LUCA D'AGLIANO

# Report to the Scientific Advisory Board

---

2011



# 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 .....	7
2.1.4	Research team, research partners and funding institutions .....	7
2.1.5	Work programme for 2012 .....	7
2.2	Migration.....	9
2.2.1	Main findings.....	9
2.2.2	Projects.....	10
2.2.3	Research output .....	11
2.2.4	Conferences and other events .....	12
2.2.5	Research team, research partners and funding institutions .....	12
2.2.6	Work programme for 2012 .....	13
2.3	Firms and the International Market .....	15
2.3.1	Main findings.....	15
2.3.2	Projects.....	19
2.3.3	Research output .....	21
2.3.4	Conferences and other events .....	23
2.3.5	Research team, research partners and funding institutions .....	24
2.3.6	Work programme for 2012 .....	25
<b>3</b>	<b>PUBLICATIONS .....</b>	<b>27</b>
<b>4</b>	<b>TRAINING AT LDA .....</b>	<b>31</b>
4.1	Scholarships and prizes.....	31
4.2	Post and pre doctoral fellows.....	34
4.3	Summer Schools in International and Development Economics .....	35
4.4	Riccardo Faini Doctoral Conferences on Development Economics .....	36
<b>5</b>	<b>LUCA D'AGLIANO LECTURES IN DEVELOPMENT ECONOMICS .....</b>	<b>37</b>
<b>6</b>	<b>LIST OF CONFERENCES AND SEMINARS .....</b>	<b>39</b>
<b>7</b>	<b>LDA AND DEVELOPING COUNTRIES.....</b>	<b>40</b>
7.1	Research .....	40
7.2	Training.....	42
<b>8</b>	<b>WHO'S WHO .....</b>	<b>43</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 2011 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>		
Land Redistribution and Household Living Standard in Malawi	South-South Migration in Southern Africa	Lack of Social Protection and Inter-generational Transfer of Human Capital
<b>RESEARCH PARTNERS</b>		
The World Bank; University of Milan Bicocca; CISEPS-Bicocca; University of Milan; Goethe University Frankfurt; University of Paris 1 Pantheon Sorbonne; Universidad del Rosario (Bogotá); ICRISAT-Kenya; Eduardo Mondlane University (Maputo); National Statistical Institute (Maputo)		
<b>FUNDING INSTITUTIONS</b>		
The World Bank; Compagnia di San Paolo; European University Institute; CISEPS-Bicocca; Institutional Funding		
<b>MIGRATION</b>		
<b>COORDINATOR</b>		
Giovanni Facchini		
<b>PROJECTS</b>		
Brain Drain, Return Migration and South-South Migration: Impact of Labour Markets and Human Capital	Politics, Economics and Global Governance: the European Dimension (PEGGED)	Temporary Migration, Integration and the Role of Policies (TEMPO)
<b>RESEARCH PARTNERS</b>		
University of California, Davis; University College London; Catholic University of Louvain; CEPR; Centre pour la Recherche Economique et ses Applications (CEPREMAP); Université Libre de Bruxelles; European University Institute; The Graduate Institute of International and Development Studies (IHEID); University of Amsterdam; University of Oxford; Malmö University; Institute for Employment Research (IAB); Swansea University; Vienna Institute for International Economic Studies; University of Vienna; Trinity College Dublin; University of Helsinki; Copenhagen Business School, Hamburg Institute of International Economics (HWWI); Tilburg University		
<b>FUNDING INSTITUTIONS</b>		
The European Commission; The World Bank; NORFACE Consortium		

## FIRMS AND THE INTERNATIONAL MARKET

### COORDINATORS

Giorgio Barba Navaretti, Gianmarco I.P. Ottaviano

### PROJECTS

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

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

Globalisation, Investment and Services Trade (GIST)

### 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 on three main themes: i) land redistribution and household well-being in Malawi; ii) migration and development in Southern Africa; iii) household social protection and inter-generational transfer of human capital in developing countries.

In a recent project the LdA team worked on the evaluation of the *welfare impact of a land redistribution initiative* implemented by the Government of Malawi with financial support from the World Bank. The Community Based Rural Land Development Project (CBRLDP) was set up so as to provide conditional cash and land transfer to land-poor families to relocate, purchase, develop and cultivate (larger) plots of farm land. The CBRLDP has been retained as one of the most significant interventions ever implemented to address the highly unequal land ownership patterns in postcolonial Malawi. By using a household panel data and a quasi-experimental approach, they find that the Malawi market-based land program significantly increased land holdings, agricultural output, and crop-specific land productivity of beneficiary households. Overall, positive effects are higher in the short- than in the long-term. The findings suggest that there is scope for reducing poverty and inequality in developing countries by implementing a decentralised, community-based, and market-assisted approach to land reform through the provision of land to the landless and land-poor households.

In a second core project, the LdA team have studied the linkages between migration and development in the South of Africa. South-South migration flows have been relatively under-researched in the field, and even more so migration flows in Southern Africa. In order to explore this issue, LdA fellows carried out an original household survey among more than 1000 households in two regions in Southern Mozambique in summer 2008. The survey was tailored as to allow accurate measurement of migration determinants, experience, and impact at individual and household level. Furthermore, the survey took place 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, LdA fellows explore in a recent study 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 xenophobic attacks, while controlling for differing characteristics of the household samples and 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 young children. Furthermore, the sensitivity of migration intentions is highest for those household heads with many young children whose families have no access to social networks. Hence, it 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 to migration.

Still focusing on migration flows in South Africa, LdA fellows have studied the *linkages between immigration and the labour market* on the one hand, and the determinants of *individual attitudes towards immigration* on the other. 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 they are relatively more skilled compared to natives 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) showing that immigration in South Africa is negatively associated with employment on natives but has no impact on local wage rates. Despite the latter, a big fraction of the population is still against immigration and individual preferences towards immigration are not driven by the labour market competition effect (see also p. 11).

In a third project, LdA researchers 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 role of education as a source of social protection*. By using macro 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.

Eventually, LdA fellows analysed the *short-run effects of parents' poor health conditions on child school enrolment* in a setting where formal social protection is weak or missing. They use household panel data from Bosnia-Herzegovina and an individual fixed effects estimator to show that it is especially maternal health that makes a difference as far as child school enrolment is concerned. Results are robust to considering alternative indicators of parental health status such as the presence of limitations in daily activities and mental health indicators. 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 findings support the hypothesis that maternal non-financial support to children is a key input for their school achievement. This points to the importance of improving women's access to health care and social protection services in developing and transition countries in order to reduce the intergenerational cost of low investment in human capital.

## 2.1.2 Projects

### Land Redistribution and Household Living Standards in Malawi

This is a research project in collaboration with Italtrend S.p.a (Italy), the Government of Malawi, and the World Bank. An independent impact evaluation of the Community Based Rural Land Development Project (CBRLDP) has been carried out with the aim of assessing the economic impact of the decentralised and community-based land reform carried out in six pilot districts in Malawi. The CBRLDP initiative aims at easing land pressure and improving access to needy rural communities through voluntary land acquisition and redistribution. Its final objective is to increase the incomes of about 15,000 poor rural families through a market-based provision of land to the landless and land-poor beneficiary groups from the six districts in southern Malawi. More specifically, the project was set up so as to provide conditional cash and land transfer to poor families to relocate, purchase, develop and cultivate (larger) plots of farm land. Land reform has been viewed by many development experts as an effective means for reducing poverty since land enriches the asset base of poor households and carries with it the potential for agricultural production and entrepreneurship. Yet, while its implementation is hindered by political constraints, there is little empirical evidence on the actual impact of land redistribution on economic well-being. This project aims at filling this gap by assessing the economic effect of the CBRLDP on households living standards and productivity by using a quasi-experimental approach.

### South-South Migration in Southern Africa

This is a research project funded by LdA and the World Bank in which LdA researchers explore the linkages between migration and development in the South of Africa. The first stage of the study involved a field work 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 (INE) in Maputo. The questionnaire was tailored as to shed light on the role of migration, risk and social networks in shaping the linkage between migration and development. Moreover, the survey collected original information on migration behaviour before and after the xenophobic attacks occurred in South Africa at the time of the survey. South Africa is the continent economic super power and the main recipient country of immigrants in the region. The survey allowed the LdA team to study how emigration flows from a developing region are affected by xenophobic violence at destination. In a second stage, we study how migration flows in South Africa affect natives' labour market outcome as well as their attitudes towards immigration, to shed new light on key issues related to migration policy design in the region.

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

This is an LdA project in collaboration with the last European Report on Development (ERD) on poverty, inequality and social protection in developing countries. LdA fellows provide both macro and micro evidence on the role of education 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. Furthermore, in a second paper, the LdA team explores the inter-generational (negative) effects of poor levels of adults' health on school enrolment of children in Bosnia and Herzegovina, a context where social services and formal

mechanisms to smooth out negative shocks are not in place or subject to major reforms. LdA's findings point to the importance of the implementation of an adequate system of social protection in developing and transition countries, in particular focusing on women's access to health care and schooling as a potential device for reducing intergenerational costs of low levels of human capital.

### 2.1.3 Research output

Mariapia Mendola and Franklin Simtowe: *The Welfare Impact of Land Redistribution: Evidence from the Community Based Rural Land Development Project in Malawi*, 2011, mimeo;

Guido Friebel, Juan M. Gallego, and Mariapia Mendola: *Xenophobic Attacks, Migration and Networks: Evidence from the South of Africa*, LdA Working Paper no. 321, October 2011;

Juan M. Gallego, and Mariapia Mendola: *Labor Migration and Social Networks Participation in Southern Mozambique*, INSIDENET Working Paper no. 28, 2011;

Massimiliano Bratti and Mariapia Mendola: *Parental Health and Child Schooling*, LdA Working Paper no. 318, October 2011;

Daniele Checchi and Angelica Salvi del Pero: *Does Education Represent a Social Protection for Lifetime in Sub-Saharan Africa*, 2010, Background paper to the European Report on Development 2010, European University Institute, Florence;

Mariapia Mendola: *Migration and Informal Social Protection in Rural Mozambique*, 2010, Background paper to the European Report on Development 2010, European University Institute, Florence.

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

Researchers working in the area are: Massimiliano Bratti, Daniele Checchi, Margherita Comola, Anna De Paoli, Guido Friebel, Juan Miguel Gallego, Valeria Groppo, Simone Lombardini, Mariapia Mendola, Giovanna Prennushi, Angelica Salvi Del Pero, Franklin Simtowe and Raffaele Vacca.

Research partners in this area's projects include the World Bank, the University of Milan Bicocca, CISEPS-Bicocca, the University of Milan, Goethe University Frankfurt, University of Paris 1 (Pantheon-Sorbonne), the Universidad del Rosario in Bogotá, ICRISAT-Kenya, 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, CISEPS-Bicocca and by institutional funding.

### 2.1.5 Work programme for 2012

LdA fellows will continue working on development economics issues, in particular in the

following research lines:

(i) Analysis of the linkages between migration, social networks and development.

The aim of this project, funded by CISEPS-Bicocca, is exploring the determinants of social network formation among a group of immigrants in Milan. While migration literature has broadly established that social networks tend to encourage migration and smooth settlement costs at destination, there is little research investigating how these networks are formed and the mechanisms through which immigrants have different patterns of interactions. The latter will ultimately affect migration socio-economic outcomes in both destination and origin countries. For this purpose, LdA fellows will be engaged in the collection of first-hand detailed data on immigrants' social networks and their characteristics. The target population is a representative sample of the Sinhalese community in Milan, as the focus of the project is to look at differences in social connections *within a group* in order to understand the heterogeneity in individual behaviour.

(ii) Analysis of the linkages between land property rights and development in Africa.

Following up on the land project in Malawi, LdA fellows will continue studying the relationship between agricultural productivity and poverty in low-income countries. In particular, a new experimental project is likely to be set up in rural Mozambique in order to identify two possible mechanisms related to information and credit constraints, underlying the relationship between tenure security and land productivity.

---

## 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, LdA 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. The LdA team has 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. LdA fellows 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, the 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, LdA researchers 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. They 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.

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

LdA fellows have also started to work on a series of papers focusing on illegal immigration. The first contribution has developed a theoretical model to understand the emergence of large numbers of illegal immigrants in destination countries. Interestingly, they have shown how illegal immigration is likely to be the result of political failure, whereby an elected government, unable to admit its most preferred number of immigrants legally, resort to illegal immigration as a second best policy tool. The second paper looks instead at the desirability of legalisation programmes, both through the development of a theoretical analysis, as well as through an empirical assessment of the drivers of the introduction of a legalisation programme.

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 liberalisation 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

#### **Politics, Economics and Global Governance: The European Dimension (PEGGED)**

This is a large project coordinated by the Graduate Institute for International and Development Studies in Geneva funded under the EC-7<sup>th</sup> Framework Programme. LdA is involved in the project through the coordinator of the migration programme. The project tackles several important dimensions of EU policy making, and two themes are of particular interest for LdA: trade and immigration. Within this project LdA researchers have been involved in the writing of a volume, forthcoming at Oxford University Press, on "Brain Drain, Brain Gain", edited by Boeri, Bruecker, Docquier and Rapoport, and have recently organised in Turin a conference on "The Economics and Politics of Immigration".

#### **Temporary Migration, Integration and the Role of Politics (TEMPO)**

The second project is a NORFACE sponsored initiative coordinated by CEPR in London. LdA is



involved in the project through the coordinator of the migration programme. This is a large collaborative project, whose goal is to extend the frontier of knowledge on temporary and return migration, analysing:

- its causes and consequences;
- the patterns of integration of economic and non-economic migrants, and how they relate to the time dimension of the migration decision;
- the information flows within immigrant networks and their effects on the migration decision, as well as on the foreign born prospects for integration;
- the process through which immigration policies are formed, and the welfare effects of immigration policies aimed at selecting migrants on the basis of their skills and/or length of allowed stay.

### **Brain Drain, Return Migration and South-South Migration: Impact on Labour 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 Catholic University of Louvain. It is aimed at analysing 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, has worked on two papers related to this project, both of them co-authored by Giovanni Facchini, Anna Maria Mayda and Mariapia Mendola. The first paper has looked at the labour market effects of immigration in South Africa using census data covering the post-Apartheid period. The second project has instead looked at the drivers of individual attitudes towards immigration, using data from the World Value Survey and the South African census.

### **2.2.3 Research output**

Giovanni Facchini and Max Steinhardt: *What Drives U.S. Immigration Policy? Evidence from Congressional Roll Call Votes*, *Journal of Public Economics* 95 (2011): 734-743;

Giorgio Barba Navaretti, Gianfranco De Simone, Gianluca Orefice, and Angelica Salvi: *Migration and Productivity Patterns in European Regions*, in Valpy FitzGerald, Judith Heyer and Rosemary Thorp, "Overcoming the Persistence of Inequality and Poverty", Basingstoke: Palgrave Macmillan, 2011;

Giulia Bettin, Alessia Lo Turco, and Daniela Maggioni: *A Firm Level Perspective on Migration*, Università Politecnica delle Marche, Quaderni di Ricerca no. 46, June 2011;

Giovanni Facchini, Anna Maria Mayda, and Prachi Mishra: *Do Interest Group Affect US Immigration Policy?*, forthcoming, *Journal of International Economics*;

Giovanni Facchini and Anna Maria Mayda: *Individual Attitudes towards Skilled Migration: An Empirical Analysis across Countries*, (2011), forthcoming, *The World Economy*;

Alessandra Casarico, Giovanni Facchini, and Tommaso Frattini: *Spending More is Spending Less:*



*on the Desirability of Enforcing Immigration Policies*, 2011, mimeo;

Giovanni Facchini, Anna Maria Mayda, and Mariapia Mendola: *South-South Migration and the Labour Market: Evidence from South Africa*, 2011, mimeo;

Giovanni Facchini, Anna Maria Mayda, and Mariapia Mendola: *What Drives Individual Attitudes towards Immigration in South Africa?*, 2011, mimeo;

Giovanni Facchini and Cecilia Testa: *The Rhetoric of Closed Borders: Quotas, Law Enforcement and Illegal Migration*, LdA Working Paper no. 303, November 2010;

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

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

### 2.2.4 Conferences and other events

The intense research activity carried out by the LdA migration team led to the organisation of the International Workshop on "Immigration: Economics and Politics" which took place from October 27<sup>th</sup> to October 29<sup>th</sup> 2011 at the Fondazione Luigi Einaudi in Turin.

#### International Workshop on "Immigration: Economics and Politics"

This workshop was organised by Giovanni Facchini (Erasmus University Rotterdam, University of Milan, Centro Studi Luca d'Agliano and CEPR) and Timothy Hatton (Australian National University, University of Essex and CEPR) as part of the activities of the 'Politics, Economics and Global Governance: The European Dimensions (PEGGED)' EU FP VII project and with the cooperation of the 'TEmporary Migration, integration and the role of POLicies (TEMPO)' NORFACE project. The goal of the workshop was to bring together economists and political scientists working on the different aspects of the complex process through which migration policies come into place. Within this workshop, fourteen papers were presented and two public lectures on "Immigration: Economics and Politics" were organised. The first keynote lecture, chaired by Jeffrey Williamson (Harvard University), was given by Jagdish Bhagwati (Columbia University) on "Shifting the Lens: Why Top-down Illegal-immigration Reform has Failed in the US and why Bottom-up Reform may Succeed instead" on Thursday October 27<sup>th</sup> at 5 p.m.. The second keynote lecture, chaired by Timothy Hatton, was given by Christian Dustmann (University College London), on "Immigration: Effects and Perceptions" on Friday October 28<sup>th</sup> at 5 p.m..

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

Researchers who worked in the migration area in 2011 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 University of California, Davis; University College London; Catholic University of Louvain; CEPR; Centre pour la Recherche Economique et ses Applications (CEPREMAP); Université Libre de Bruxelles; European University Institute; The Graduate Institute of International and Development Studies (IHEID); University of Amsterdam; University of Oxford; Malmö University; Institute for Employment Research (IAB); Swansea University; Vienna Institute for International Economic Studies; University of Vienna; Trinity College Dublin; University of Helsinki; Copenhagen Business School, Hamburg Institute of International Economics (HWWI); Tilburg University.

Research in this area is funded by the European Commission, the World Bank and the NORFACE consortium.

### 2.2.6 Work programme for 2012

LdA will continue to be actively engaged in migration research next year. The team has several ongoing projects, ranging from assessment of the labour market implications of international migration, to the role of migration on the international transfer of norms, to the determinants of immigration policy. In particular, *Tommaso Frattini* is working together with *Christian Dustmann* and *Anna Rosso* (both at University College, London) on a paper on the impact of emigration on wages in Poland, in a project that uses the Polish labour force survey to carry out a spatial correlation analysis. *Tommaso Frattini* and *Christian Dustmann* are also working on a paper on the labour market performance of immigrants in Europe, for a volume edited by David Card and Steve Raphael for the Russell Sage foundation. The focus of this study will be the process of integration of successive cohorts of immigrants in Europe, and will be based on the European Labor Force Survey. *Elisabetta Lodigiani* is studying the effect of immigration on the sending country institutions. In a paper with *Frederic Docquier* (UC Louvain), *Hillel Rapoport* (Bar Ilan University) and *Maurice Schiff* (World Bank), she looks at the broad question of how immigration affects the quality of democratic and economic institutions in the source country. In a related paper, with *Sara Salomone* (UC Louvain), she investigates the effect of international migration on female political empowerment, measured as female parliamentary seats in the lower chamber, in migrants' origin countries. Much attention will still be dedicated to the study of the determinants of immigration policy. In particular, *Alessandra Casarico*, *Giovanni Facchini* and *Tommaso Frattini* will be completing their project on "Spending more is spending less: on the desirability of enforcing immigration policy", which looks at the drivers of immigration amnesties in destination countries. *Paola Conconi*, *Giovanni Facchini*, *Max Steinhardt* and *Maurizio Zanardi* are instead collecting a large dataset to study the determinants of the voting behaviour of US legislators on migration policy issues. Finally, *Giovanni Facchini* and *Alessandra Casarico* have started to work on a theoretical model to explain the flow of skilled migrants among advanced countries.

*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.

Several conferences will also be organised within 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 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 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 of barriers to technology adoption and competition (Barba Navaretti et al., 2010).

The results of LdA research can be broadly grouped in four main areas: i) the relationship between internationalisation and performance both at the firm and at the industry/country level; ii) the relationship between firms' innovation, organisation and internationalisation strategies; iii) the role of the organisation, efficiency, structure and degree of globalisation of the financial sector with respect to firms' global activities; iv) 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 at LdA 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' internationalisation performance in all countries. 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 in critical markets, i.e. in the case of internationalisation towards developing economies. The effects of the crisis have been extremely heterogeneous across firms and larger, more internationalised firms have shown less dramatic changes during the crisis. Firm's specific characteristics play a primary role in explaining firms' international performance, while country and sector specific characteristics play a secondary role. Country wide effects do matter, of course, but the characteristics of European exporters are remarkably similar across countries (Barba Navaretti et al., 2010).

Among firm's characteristics, size emerges as the more relevant, being positively associated with firms' sophistication and performance along several dimensions. Thus, a large part of cross-country differences in performance are explained by the industrial structure (i.e. size composition) (Cerisola et al., 2011).

By exploring firms' size dynamics (Barba Navaretti, Castellani, Pieri, 2011), preliminary evidence shows that firms' increasing and decreasing size play a key role in ups and downs in aggregate productivity dynamics. However, while firms that have significantly increased employment contributed positively to aggregate productivity dynamics, downsizing firms contribute negatively to aggregate productivity. Preliminary evidence suggests that the factors positively affecting growth are not the same factors which would have a negative impact on firms' downsizing.

Nevertheless, there are also within size class cross-country differences which are attributable to the other firms' characteristics listed above and not entirely captured by size. For given productivity and size these other features may provide independent explanatory power to understanding how firms succeed in foreign markets. Moreover, productivity and size are second order outcomes of firms' strategic choices like governance, technology, composition of production factors etc. LdA results so far highlight the role of firms' governance, showing that the ability to export to distant countries, in particular to China and India, is related to firms' ownership and management features. Family ownership does indeed lower firms' export propensity but the ownership effect is strictly related to the way in which management is organised. In fact, it is the presence of family members in executive management that drives the negative relationship between family ownership and export performance. Export propensity is indeed even lower if executives are family members without foreign experience and if strategic decision making is not decentralised (Barba Navaretti, Bugamelli, Cristadoro, 2011).

Empirical evidence suggests that sectoral export growth decreases exporters' survival probability, whereas this is not true for non-exporters. Interacting firm heterogeneity in total factor productivity and in factor intensities in a two-factor framework allows to build a bridge between

industry firm level heterogeneity and industry country specialisation. This framework shows that export growth increases competition for the factor used intensively by exporters, forcing some of them to exit, while non-exporters benefit. Factor market competition reduces TFP growth with trade liberalisation. This setup highlights the need for a richer analysis of factor market competition to understand firm dynamics (Namini, Facchini and Lopez, 2011).

### *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, 2011). The role of public expenditure composition between different technology intensive goods and the provision of public infrastructure turns also to be relevant in affecting countries' productivity growth at aggregate level (Felice, 2011).

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

Our investigation on firms' international activities show that most firms export, but only a few export to distant markets, serving a large number of markets, with a large number of products. Most firms import, but only a few are involved in more complex international relationships, producing abroad. There is an high degree of complementarity between producing abroad and exporting to foreign markets, especially distant emerging economies. On the contrary, there is substitutability between international off-shoring and FDI. Production to order (vs production in advance) is a way of organising production and exchange widely diffused among European firms, usually, but not always, complementing exporting through pure market transaction.

The research developed at LdA in the last year is focused on the interplay between firms' organisational modes and firms' innovation activities.

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.

A first stream of research carried out at LdA looks at the effects of importing inputs on firms' skill-employment composition and firms' innovation output. In particular, evidence from transition countries shows that importing inputs induces skill upgrading; importing may lead firms to engage in skill-intensive activities, such as production of new goods, improvements in product quality and to a lesser extent, R&D and technology adoption (Crinò, 2011). On the other hand, product level evidence for 25 EU countries over 1995-2007 shows that new imported inputs substantially boost the introduction of new domestic products (Crinò and Colantone, 2011). This effect is directly proportional to the quality of new imported inputs and inversely

related to their price (conditional on quality). New products are characterised by higher prices and higher quality relative to existing goods, and such premia are larger the greater is the use of new imported inputs in production.

On another side, foreign markets represent a source of innovation at the firm level by providing incentives to exporting firms to improve or diversify their products and, to a lesser extent, their processes (Bratti and Felice, 2011, a). 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 between buyers and users induced by firms' international activities are fundamental in conveying the flow of information required to innovate products and face the competition. Some further analysis carried out on EFIGE data in order to explore potential innovation pathways shows that vertical linkages in the international markets generate knowledge flows and innovation more than domestic linkages. In particular, suppliers providing specialised inputs are more likely to adapt and innovate their product to better match foreign buyers' needs than supplier selling to domestic buyers (Bratti and Felice, 2011, b). It also emerges from LdA analysis that tougher competition in export markets induces multiproduct firms to skew their export sales towards their best performing products this way endogenously increasing firms' productivity. A strong link emerges between destination markets characteristics and firms' product mix (Mayer, Melitz, Ottaviano, 2011).

From a policy perspective, these results suggest that both 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 has been recently highlighted by the literature as a determinant of the internationalisation process; it 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 firms' strategic choices. More complex strategies imply more elaborated financial needs. LdA researchers carried out some preliminary analysis on Italy, based on the EFIGE data, on the relationship between firms' financial structure and both firms' size and level of sophistication, the latter proxied by a set of indicators of firms' intangible assets endowment. In Italy, smaller firms are more heterogeneous in their financial structure than larger firms. Small-medium enterprises (firms below 50 employees) are more evenly distributed across the financial indicators' quintiles, while larger firms are more concentrated in the "virtuous" quintiles. Overall, small-medium firms have a weaker financial structure. A higher share of smaller firms is undercapitalised, being more dependent on external finance, and showing, in particular, a higher share of short term debt and lower liquidity. They are less indebted with the bank system.

As for the relationship between firms' financial structure and firms' intangible asset endowment proxied by a set of firms' sophistication indicators, firms' "quality" is negatively associated to firms' leverage and, in particular, to the share of short term debt, while it is positively associated to firms' liquidity, and to the share of bank debt. Firms displaying a lower leverage enter a larger number of countries and export a higher share of their goods. Similarly, lower leveraged firms



are more likely to introduce product innovation, to invest in training programmes and to hire high skilled workers. Bank debt is associated with higher innovativeness, in term of product innovation, organisational innovation and R&D employment, in particular for smaller firms. Higher bank debt is also associated with higher probability of exporting. Indeed, firm size and sector of activity are relevant drivers of both firms' quality and financial structure. Nevertheless, from our analysis it emerges a relationship between some of the indicators of a firm financial stability and the sophistication of their strategies, going beyond industry and size. This opens room to the opportunity of focusing on the role of the financial system in supporting firms' virtuous behaviour (Cerisola et al., 2011).

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 harmonisation of national regulatory framework) could enhance the stabilising 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 contributing to the several research areas listed above, is responsible for the research output on the relationship between firm organisation and internationalisation. It has already contributed to the project with several works (see above) and with two reports: the Second EFIGE Policy Report on *The Global Operations of European Firms*, and the Italy Country Report on *Investment in Intangible Assets and Level of Sophistication: the Role of Italian Firms' Financial Structure*, 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 European 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.

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 addresses various aspects of North-South Innovation Networks and their effects on the EU economy. To this end, LdA has constructed two different world based data sets at industry/province level, integrating information on firms’ investments by function, employment, and value added. The LdA team also provided new indicators of inward and outward investments in/from 250 NUTS 2 regions in the period 2003-2008, using the number of greenfield investment projects from a monitor of more than 60,000 cross-border international projects worldwide. This led to publications by Castellani and Pieri, investigating the effects of setting-up plants and R&D labs abroad on the productivity growth in EU regions.

Within this project LdA also carried out, in collaboration with the STEP and the Chamber of Commerce of Turin, a survey on the automotive industry. This survey has been run in coordination with all the other partners in the project and provides 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). Finally, LdA’s researchers have started developing a case study on the merger between Fiat and Chrysler, using it as a natural experiment affecting the geography of production and technology worldwide.

### **Globalisation, 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, Stockholm University, Kepler University Linz and WIIW Vienna, CNRS-Paris, University College Dublin, University of Ljubljana and with other associated partners (Copenhagen Economics, Central Planning Bureau the Hague, the World Bank, the WTO, Columbia Law School). The project’s aim is to develop a network of early-stage 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 two researchers: an early-stage researcher, Sophie Hatte, for 12 months starting on April 1<sup>st</sup> 2011, and an experienced researcher, Makus Kelle, for 9 months starting on July 1<sup>st</sup> 2011. Sophie Hatte is in her first year of Ph.D. at the Centre d’Économie de la Sorbonne; Makus Kelle obtained his Ph.D. at the University of Kiel and he is specialised in internationalisation of services.

## **2.3.3 Research output**

### **Papers**

Rosario Crinò and Italo Colantone: *New Imported Inputs, New Domestic Products*, LdA Working Paper no. 312, September 2011;

Julian Emami Namini, Giovanni Facchini, and Ricardo Lopez: *Export Growth and Factor Market*

*Competition: Theory and some Evidence*, LdA Working Paper no. 309, May 2011;

Thierry Mayer, Marc J. Melitz, and Gianmarco I. P. Ottaviano: *Market Size, Competition and the Product Mix of Exporters*, LdA Working Paper no. 316, April 2011;

Massimiliano Bratti and Giulia Felice (a): *Are Exporters More Likely to Introduce Product Innovations?*, LdA Working Paper no. 306, March 2011;

Davide Castellani, Luca De Benedictis, and Daniel Horgos: *Can we really trust offshoring indices?*, Working Paper n. 114, Helmut Schmidt University, 2011;

Massimiliano Bratti and Giulia Felice (b): *Buyer Supplier Relationship, Firms' Internationalization and Innovation*, 2011, mimeo;

Giulia Felice: *Size and Composition of Public Investment, Structural Change and Growth*, revised version 2011, mimeo;

Rosario Crinò: *Imported Inputs and Skill Upgrading*, 2011, mimeo;

Davide Castellani and Fabio Pieri: *R&D Offshoring and the Productivity Growth of European Regions*, Working Papers in Applied Economics, WPAE-2011-20, Universitat de Valencia, 2011;

Giorgio Barba Navaretti, Davide Castellani, and Fabio Pieri: *Le imprese che cambiano classe: l'Italia nel contesto Europeo*, in "Costruire il Futuro. PMI protagoniste: sfide e strategie", Confindustria, 2011;

Giorgio Barba Navaretti, Matteo Bugamelli, Riccardo Cristadoro, and Daniela Maggioni: *Are Firms Exporting to China and India different from other Exporters?*, 2011, forthcoming LdA working papers;

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*, 2010, Economic Policy, vol. 25, pp. 703-753;

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

Davide Castellani and Fabio Pieri: *Foreign Investments and Productivity. Evidence from European Regions*, Quaderni del Dipartimento di Economia, Finanza e Statistica n. 83, Università di Perugia, 2010;

Rosario Crinò: *Employment Effects of Service Offshoring: Evidence from Matched Firms*, 2010, Economics Letters, 107(2), pp. 253-256.

## 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 12, 2011;

Carlo Altomonte, Giorgio Barba Navaretti, Filippo di Mauro and Gianmarco Ottaviano: *Assessing Competitiveness: How Firm-Level Data Can Help*, Bruegel Policy Contribution, Issue 2011/16, November 2011;

Giorgio Barba Navaretti, Matteo Bugamelli, and Fabiano Schivardi: *Trade Responses in Europe: Is there anything we can infer from firm heterogeneity?*, in “ECB Recovery and Beyond: Lessons for Trade Adjustment and Competitiveness”, chapter 15 (pp. 51-162), European Central Bank, April 2011;

Silvia Cerisola, Elena D’Alfonso, Giulia Felice, Silvia Giannangeli, and Daniela Maggioni: *Italy Country Report. Investment in Intangible Assets and Level of Sophistication: the Role of Italian Firms’ Financial Structure*, 2011, forthcoming, Bruegel.

### 2.3.4 Conferences and other events

In 2011, the LdA team in this area organised and participated in several conferences and workshops.

#### Third EFIGE Scientific Workshop and Policy Conference

The Third EFIGE Scientific Workshop and Policy Conference, held jointly with the European Research Workshop in International Trade (ERWIT), was organised by CEPR, Bruegel, and the Leverhulme Centre for Research on Globalisation and Economic Policy (GEP) and took place at the University of Nottingham on June 6<sup>th</sup> – 8<sup>th</sup> 2011. During the EFIGE Policy Workshop, Giovanni Facchini presented the paper “Export Growth and Factor Market Competition: Theory and Evidence”. A brief description of the EFIGE project by Gianmarco I.P. Ottaviano opened the EFIGE Policy conference where László Halpern (Institute of Economics, Hungarian Academy of Sciences and CEPR) presented the Third EFIGE Policy Report on “The impact of crisis on European firms”.

#### INGINEUS Research Workshop

Giorgio Barba Navaretti and Davide Castellani attended the INGINEUS Research Workshop which was organised by the Centro de Desenvolvimento e Planejamento Regional and took place in Belo Horizonte, Brazil, from May 2<sup>nd</sup> to May 5<sup>th</sup> 2011. It focused on the results of the survey and case studies.

#### Third GIST Conference

Giorgio Barba Navaretti and Sophie Hatte attended the Third GIST Conference on “International Trade, Firm Location and Services” which was organised by CEPR and the Stockholm University from June 21<sup>st</sup> to June 23<sup>rd</sup> 2011 in Stockholm.

### **LdA-GIST Summer School**

The Tenth Summer School in International and Development Economics on “The Political Economy of Trade in Services” took place from September 18<sup>th</sup> to September 21<sup>st</sup> 2011 at the University of Milan, Palazzo Feltrinelli, Gargnano, Italy. It was organised by the Centro Studi Luca d’Agliano within the GIST Marie Curie Initial Training Network. Kishore S. Gawande (Bush School of Government, Texas A&M University) and Emanuel Ornelas (London School of Economics and CEPR) were this year’s lecturers and 35 students from all over the world attended the summer school.

### **Italian Trade Study Group (ITSG) on “International Trade, Finance and Migration”**

The workshop was organised by the Fondazione Masi jointly with the Centro Studi Luca d’Agliano and the Paolo Baffi Centre on Central Banking and Financial Regulation (Bocconi University) on March 24<sup>th</sup> – 25<sup>th</sup> 2011 at the University of Milan. Within this workshop, 11 papers were presented and a keynote lecture by Giovanni Facchini on “The Rhetoric of Closed Borders: Quotas, Lax Enforcement and Illegal Migration” was held on March 24<sup>th</sup>. Giorgio Barba Navaretti presented the Second EFIGE Policy Report on “The Global Operations of European Firms” on March 25<sup>th</sup>.

### **European Firms in the Global Economy. Policy Challenges through the Lens of Firm-Level Datasets**

This workshop was organised by the Paolo Baffi Centre on Central Banking and Financial Regulation at the Bocconi University on March 31<sup>st</sup> 2011 within the EFIGE network and in collaboration with LdA. The aim of the workshop, which included representatives of the central banks of the Eurosystem, was to explore avenues to launch a new firm level survey replicating EFIGE.

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

Researchers who worked in the firms and international market area in 2011 are: Carlo Altomonte, Giorgio Barba Navaretti, Matteo Bugamelli, Giacomo Calzolari, Silvia Cerisola, Davide Castellani, Rosario Crinò, Klaus Desmet, Paolo Epifani, Giulia Felice, Emanuele Forlani, Paolo Garella, Sophie Hatte, Daniel Horgos, Markus Kelle, Micol Levi, Daniela Maggioni, Gian Marco Ottaviano, Fabio Pieri, Alberto Pozzolo, Fabiano Schivardi, Alessandro Sembenelli, Peri da Silva, Heiwai Tang.

Research partners for the firms and international market area include the 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; 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; 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 2012**

#### **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 finalised 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. The LdA team has delivered several papers (see Section 2.3.1 above), 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 will carry out research work along several lines. In particular, in 2012, it 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. The 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 organise 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. Another line of research will possibly regard the relationship between firms internationalisation and its internal organisation, 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.

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

For 2012, the LdA team will further develop the theoretical and empirical analysis on service internationalisation. Markus Kelle, in his first draft of “German Manufacturers as Services Exporters”, gives an empirical account of why manufacturers decide to also export services. Also, he will analyse the determinants of the choice of firms between cross-border and foreign affiliate sales of services.

In more general terms, LdA is now working closely with the European central Bank and a set of research institution to examine how far firm level analysis and data can be used to assess aggregate patterns of competitiveness across countries. If one looks at the European debate on trade imbalances and on the suggested policy responses, this is generally focussed on the macro environment. Our research suggested that the ability of countries in responding to aggregate policy drivers depends very much on firm characteristics and the industrial structure. However more research and analysis is needed to understand how these micro and macro dimensions interact in a policy perspective.



### 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, 120 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 8 papers per year. Summary information on the research output of the institution is reported in Table 2.

Of these, 101 have appeared in refereed journals, while 19 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 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 101 papers which have appeared in refereed journals, 67 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>, 9 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*. 20 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	4
European Economic Review	A	14	2
Journal of Public Economics	A	19	3
Journal of Economic Literature	A	20	1
Journal of International Economics	A	30	11
World Bank Economic Review	A	37	2
Journal of the European Economic Association	A		3
Economic Theory	B	16	1
Scandinavian Journal of Economics	B	27	1
Journal of Development Economics	B	39	6
Canadian Journal of Economics	B	42	4
International Journal of Industrial Organization	B	47	1
Journal of Law and Economics	B	49	1
Oxford Economic Papers	B	53	2
World Development	B	55	1
Journal of Population Economics	B	61	1
Applied Economics	B	64	2
Scottish Journal of Political Economy	B	65	1
Regional Science and Urban Economics	B	72	2
World Economy	B	74	3
Small Business Economy	B	75	1
Review of World Economics (Weltwirtschaftliches Archiv)	B	80	4
Economic History Review	B		1
Economic Policy	B		3
Journal of Regional Science	B		1
Labour Economics	B		4
Open Economies Review		110	1
Food Policy		119	1
Other Refereed Journals			32
Other Miscellaneous			19
<b>Total</b>			<b>120</b>

---

**List of LdA working papers published in 2011**

322 – *Verti-zontal Differentiation in Monopolistic Competition*

Francesco Di Comite, Jacques-François Thisse, and Hylke Vandenbussche

321 – *Xenophobic Attacks, Migration Intentions and networks: Evidence from the South of Africa*

Guido Friebel, Juan Miguel Gallego, and Mariapia Mendola

320 – *Integrating Quantitative and Qualitative Data to Improve Our Understanding of Poverty in Uganda*

Diego Angemi

319 – *Education, teenage fertility and labor market participation, evidence from Ecuador*

Anna De Paoli

318 – *Parental Health and Child Schooling*

Massimiliano Bratti and Mariapia Mendola

317 – *Measuring Household Vulnerability in the Context of Poverty Eradication: Evidence from Uganda*

Diego Angemi

316 – *Market Size, Competition, and the Product Mix of Exporters*

Thierry Mayer, Marc J. Melitz, and Gianmarco I. P. Ottaviano

315 – *Child Labour: Insights from an Agricultural Household Model*

Diego Angemi

314 – *Educational Achievement of Second Generation Immigrants: An International Comparison*

Christian Dustmann, Tommaso Frattini and Gianandrea Lazzara

313 – *FDI and growth: What cross-country industry data say*

Maria Cipollina, Giorgia Giovannetti, Filomena Pietrovito and Alberto Franco Pozzolo

312 – *New Imported Inputs, New Domestic Products*

Italo Colantone and Rosario Crinò

311 – *Policymakers' Horizon and Trade Reforms*

Paola Conconi, Giovanni Facchini and Maurizio Zanardi

310 – *The Impact of Worker Effort on Public Sentiment Towards Temporary Migrants*

Gil S. Epstein and Alessandra Venturini

309 – *Export Growth and Factor Market Competition: Theory and Evidence*

Julian Emami Namini, Giovanni Facchini and Ricardo A. Lopez

308 – *The Impact of New Immigration in native Wages: A Cross-occupation Analysis of a Small Open Economy*

Heiwai Tang and Stan Hok-Wui Wong

307 – *Emigration and Democracy*

Frédéric Docquier, Elisabetta Lodigiani, Hillel Rapoport and Maurice Schiff

306 – *Are Exporters More Likely to Introduce Product Innovations?*

Massimiliano Bratti and Giulia Felice

### Policy Reports

Giorgio Barba Navaretti, Matteo Bugamelli, Fabiano Schivardi, Carlo Altomonte, Daniel Horgos, and Daniela Maggioni, *The Global Operations of European Firms*, Bruegel Blueprint 12, 2011;

Carlo Altomonte, Giorgio Barba Navaretti, Filippo di Mauro and Gianmarco Ottaviano: *Assessing Competitiveness: How Firm-Level Data Can Help*, Bruegel Policy Contribution, Issue 2011/16, November 2011;

Giorgio Barba Navaretti, Matteo Bugamelli, and Fabiano Schivardi: *Trade Responses in Europe: Is there anything we can infer from firm heterogeneity?*, in “ECB Recovery and Beyond: Lessons for Trade Adjustment and Competitiveness”, chapter 15 (pp. 51-162), European Central Bank, April 2011;

Silvia Cerisola, Elena D’Alfonso, Giulia Felice, Silvia Giannangeli, and Daniela Maggioni: *Italy Country Report. Investment in Intangible Assets and Level of Sophistication: the Role of Italian Firms’ Financial Structure*, 2011, forthcoming, Bruegel.

## 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 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 2011 was awarded to *Paolo Falco* with a research project on "Occupational Choices and Income Generation in African Labour Markets" (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
2011	Paolo Falco	Occupational Choices and Income Generation in African Labour Markets	University of Oxford	University of Oxford, M.Phil student
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)

The award for 2011 was not assigned due to the lack of suitable candidates.

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), Manasa Patnam (2010).

#### Oxford (£. 500)

The prize for 2011 was awarded to Rachel Cassidy (Great Britain) of Worcester College and St. Antony's College for a research project on "Classroom Peer Effects: A Model for Developing Countries".

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), Miguel Sarzosa Castillo (2010).

## 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 178 men/months (see Table 4).

Training has also taken place in the summer schools and doctoral conferences organised by LdA. 337 students have participated in LdA summer schools since 2003, with 107 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>					
Markus Kelle	Experienced	Germany	9	01/07/2011	31/03/2012
Sophie Hatte	Early Stage	France	12	01/04/2011	31/03/2012
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 01/02/2009	31/10/2008 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>15 Researchers</b>		<b>178</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 in economics and related disciplines from all countries, who are selected from a pool of 90-120 applicants by an international selection committee. 337 students have participated in LdA Summer Schools since 2003, with 107 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". From 2007 to 2010, they were organised as part of the Marie Curie Research Training Network on "Transnationality of Migrants" and in 2011 within the Marie Curie Initial Training Network on "Globalisation, Investment and Services Trade".

Table 5 provides a complete list of LdA Summer Schools past editions.

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

Title	Professor	Affiliation	Dates	Participants	
					from developing countries
<b>The Political Economy of Trade in Services</b>					
	Kishore S. Gawande	Bush School of Government, Texas A&M University	18-21 Sept, 2011	35	11
	Emanuel Ornelas	London School of Economics and CEPR			
<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>337</b>	<b>107</b>

#### 4.4 Riccardo Faini Doctoral Conferences on Development Economics

The Riccardo Faini Doctoral Conferences were held 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. They intended 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 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 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 Ninth Lecture on "The Role of Cultural Diversity in Growth and Development: What do Economists Have to Say about This?", by Thierry Verdier (Paris School of Economics) is scheduled for November 28<sup>th</sup> 2011 and it will look at the importance of cultural factors in socio-economic development. Starting with Max Weber, there is a solid tradition in social sciences to acknowledge the relevance of this issue. For some time though, economists have neglected such approach. In the last two decades, there has been however increasing work by economists to account for these dimensions and their impact on economic growth and development. The lecture will review and critically discuss such approach and its implications for development policy. One important dimension that we will emphasize is the role of cultural diversity and how it interacts with socio-economic performances and governance structures in ways that are favourable or detrimental to Development.

Table 7. Luca d'Agliano Lectures in Development Economics

Title	Speaker	Affiliation	Date
<b>Ninth Luca d'Agliano Lecture: "The Role of Cultural Diversity in Growth and Development: What do Economists Have to Say about This?"</b>			
	Thierry Verdier	Paris School of Economics	28 November 2011
<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 2011 is set out below; details on the events can be found under the research programmes and in the remainder of the Report.

### 28 November 2011, Fondazione Luigi Einaudi, Turin

Ninth Luca d'Agliano Lecture in Development Economics, "The Role of Cultural Diversity in Growth and Development: What do Economists Have to Say about This?" by Thierry Verdier (Paris School of Economics)

### 27-29 October 2011, Fondazione Luigi Einaudi, Turin

International Workshop on "Immigration: Economics and Politics"  
Public Lectures by Jagdish Bhagwati and Christian Dustmann

### 18-21 September 2011, University of Milan, Palazzo Feltrinelli, Gargnano, Italy

Tenth Summer School in International and Development Economics: "The Political Economy of Trade in Services".

Lecturers: Kishore S. Gawande (Bush School of Government, Texas A&M University) and Emanuel Ornelas (London School of Economics and CEPR)

### 21-21 June 2011, Stockholm University

Third GIST Conference on "International Trade, Firm Location and Services"

### 6-8 June 2011, GEP, University of Nottingham

ERWIT and Third EFIGE Scientific Workshop and Policy Conference

### 2-5 May 2011, Centro de Desenvolvimento e Planejamento Regional, Belo Horizonte, Brazil

ENGINEUS Research Workshop

### 31 March 2011, Bocconi University, Milan

European Firms in the Global Economy. Policy Challenges through the Lens of Firm-Level Datasets

### 24-25 March 2011, University of Milan

*Italian Trade Study Group*: "International Trade, Finance and Migration"

## 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 carried 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), concluded in 2011, looked 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.

*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 looked 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 have explored the relationship between migration and FDI flows. 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. 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 conducted 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 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 9 editions of the Summer Schools, 337 students have attended, of these 107 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, Giulia Felice, Tommaso Frattini, Sophie Hatte, Markus Kelle, Elisabetta Lodigiani, Maria Teresa Trentinaglia De Daverio.

### 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, Julian Emami Namini, 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.

### Founder Members

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