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The European firms' export activity to the neighbouring countries

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OBJECTIVE

The main goal of the paper is to study empirically the export decisions of the European firms and to explore their international activities to the European Neighbouring Countries (ENCs). We investigate which are the main characteristics, behaviour and strategies of European firms that export to and invest in one or more ENCs, in order to single out which are the location determinants of European investments and trade patterns. Since data on exports are very detailed in terms of main export targets, we concentrate our analysis on exporting flows, and starting from this we explore which are the main European exporting destinations and investigate on the intensive and the extensive margin, trying to address several questions on the relative importance of EU with respect to alternative trade partners. We also question whether exporters to the ENCs are internationally active in terms of foreign investments and outsourcing. To achieve our aims we use the EFIGE dataset on European firms including 15,000 firms, relating to seven European countries and referring principally on 2008 firms' budget and position.

MAIN RESULTS

During the last fifteen years the EU has enhanced its relations with its neighbouring countries signing or going to sign with them several association agreements.

The promotion and strengthening of EU relationships with the ENCs has as main objectives to drive to a deeper economic integration and to foster greater prosperity in order to increase stability and security as well as to cope with a globalised economy. The ENCs are highly different and each country has a specific condition and situation, then the EU has stipulated with them specific agreements. The main results found by this analysis are:

- A good share (about 70%) of European firms are exporters; out of those less than 6% have the ENCs as main export destination (first, second or third export partner) and just 2% decide to have a neighbouring state as first export target.
- Geographical and cultural proximity are fundamental on explaining where European trade flows are addressed. French exports are mainly concentrated on Southern ENCs (Algeria, Morocco and Tunisia), Hungarian flows, instead, focus their, trade flows essentially to Eastern ENCs (Ukraine and Moldova). Leaving aside geographical e cultural characteristics, the analysis reveals that Southern countries predominate as European export target.
- There is not an evidence by export status or across countries when we compare exporters and exporters to the ENCs looking at a set of several characteristics, like employment, labour productivity, age, group, etc. An overview of all features seems to tell us that there are not significant and large differences between exporters and firms which choose to export mainly to the ENCs. When we look at countries, differences are higher: in some countries exporters to the ENCs are on average younger, make much more FDI, employ more graduate workers, etc., but in other countries the opposite occurs and we see that positive traits alternate with negative aspects.
- Exporting areas affect differently firms probability to export and firms amount of exports. When we look at extensive margin, intra Old European trade has still the key role on explaining firms' propensity to export and it keeps and preserves its main position on influencing trade flows; in other words the decision to export or not is primarily affected by intra European trade. If we consider the quantity exported, instead, exporting flows to other areas are the principal predictors. The analysis on intensive and extensive margin reveals that European firms countries trade mostly with countries included in the EU but, in size terms (quantity), exports to the extra EU countries are much more consistent.