



EUROPEAN CENTRAL BANK

EUROSYSTEM

# CompNet

The Competitiveness Research Network



# Our action plan

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**Frankfurt**

**2 April 2012**



# Where do we stand

- **We have completed the stock taking exercise on data and research available**
- **We have a tremendous amount of data and work we can draw on (see our webpage)**
- **We have an official mandate from the General Council**
- **We need to organise our work to be able to deliver as promised**
- **Expectations are high, potential tremendous**



# Outline

- **Mandate CompNet**
- **Phase one – fixing the “Competitiveness diagnostics”**
- **Phase two – Connect competitiveness determinants with outcomes**
- **Plan of the workshop**

## Motivation

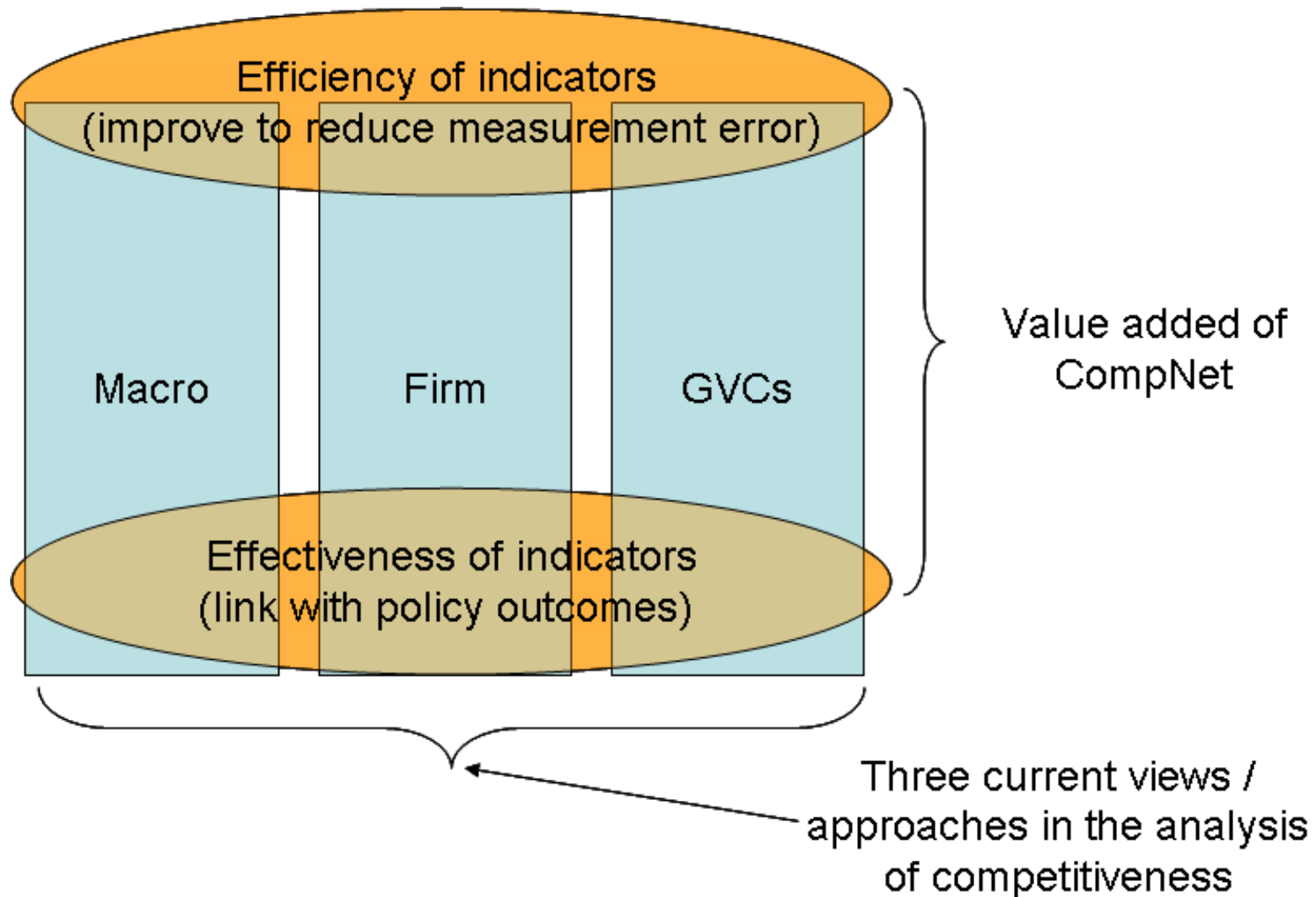
- **Approach to competitiveness must be broad-based and better grounded in contemporary trade theory**

## Objective

- **Fostering interaction between micro and macro analysis**
- **Determine better connection competitiveness determinants and outcomes.**

## Organization

- **Three workstreams, relating competitiveness to:**
  - **Aggregate measures**
  - **Firm level**
  - **Global Value Chains**





**→ Phase one – Concentration on indicators...  
but not only**



# Phase One: Macro indicators (WSI)

<b>Extensive margin</b>
<b>Extensive margin demographics</b>
<b>Extensive vs. intensive margin</b>
<b>Theil's entropy on individual products</b>
<b>Index of Export Market Penetration</b>
<b>Export openness adjusted for structural factors</b>
<b>Revealed Comparative advantage</b>
<b>Percentage change in world trade share</b>
<b>Relative trade intensity in intermediates</b>
<b>Net FDI inflows over GDP</b>
<b>World share of FDI inflows</b>
<b>Proxying Quality 1</b>
<b>Proxying Quality 2</b>
<b>Proxying Quality 3</b>

- 48 countries, including all G20 and EU countries and additional advanced economies, 1999-2009.

**- quantile analysis on a few basic indicators at very detailed product disaggregation**

**- Members will concentrate on selected indicators, improve and share them with the others**

# Phase one: Firm level-GVC (WS1-WS2)

Extensive and intensive margins at firm level

Extensive and intensive margins at product within firm level

Concentration of international versus domestic activities (ratio of the total exported value vs. total revenue of the firm, calculation of Herfindahl Index...)

Product/destination analysis at firm level

Characteristics of exporters/importers/FDI investors versus domestic firms (size...)

Calculation of ULC for international firms (exporters, importers, FDI investors) versus domestic firms

Calculation of TFP for international firms (exporters, importers, FDI investors) versus domestic firms

Evolution of TFP distribution over time

Changes in markups for internationally active firms versus local firms

Percentage of imported intermediates in total intermediates

Share of exports of final goods in total exports

Royalties paid and received as a percentage of sales

Expenditure with R&D as a percentage of sales

Share of profits generated in foreign activity as a percentage of total profits

Is the firm part of an international group? If yes, what is its role?

Number of affiliates established abroad

**-Will aim at achieving a minimum common set of indicators available for all countries**

**-Members will provide firm level data existing for their own countries, after agreeing on best methodologies of aggregation**

**-Will assess need for further surveys**



# Phase two: matching competitiveness with outcomes, both at macro and micro level

## Competitiveness

```
graph TD; A[Competitiveness] --> B[Price determinants]; A --> C[Non-Price determinants]; A --> D[Structural/Macroeconomic determinants];
```

### Price determinants

- REER
- Exchange rate volatility
- Unit labour costs
- Unit cost of capital

### Non-Price determinants

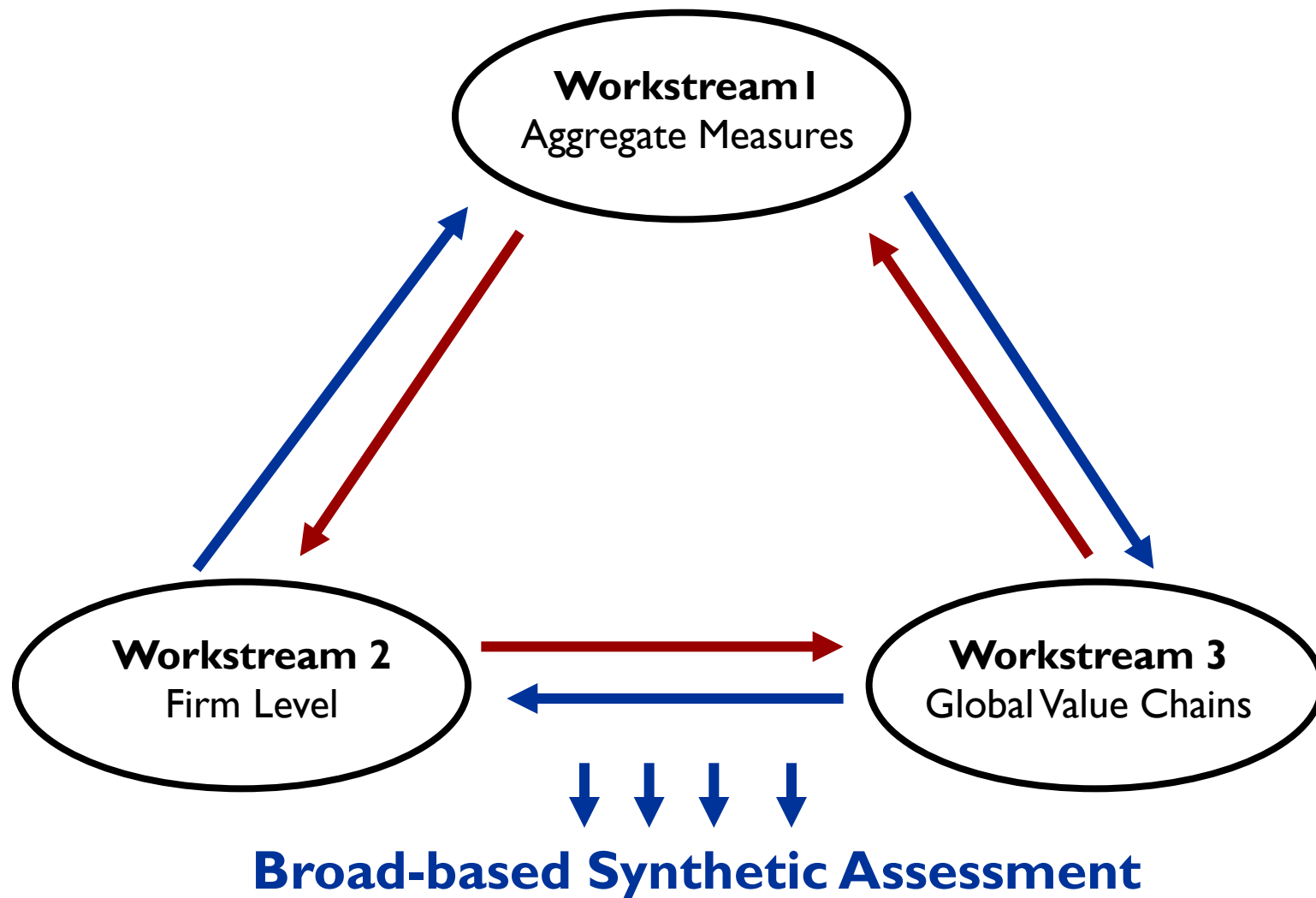
#### EXPORTS/IMPORTS

- Quality / Variety
- Domestic value added component
- Sectoral composition
- RCA (by technological content and by factor intensity)
- Entry and survival
- Concentration (by market, sector and product )

### Structural/Macroeconomic determinants

- Labour productivity
- R&D intensity
- Transport and communication infrastructures
- Human capital
- Net energy exports
- Ease of doing business
- Financing conditions
- Public deficit
- Domestic savings

# Second phase: derive a broad-based framework



# Plan of the workshop

- **TODAY**
  - Results of ongoing work of general interest
  - Networking
- **TOMORROW MORNING**
  - Work-stream in action to determining respective work plans (data and research)
- **TOMORROW AFTERNOON**
  - Wrap-up and agree on common action timeline

# Plan of the workshop

**→ Enjoy the Workshop**



## Our action plan today

**Filippo di Mauro (ECB)**

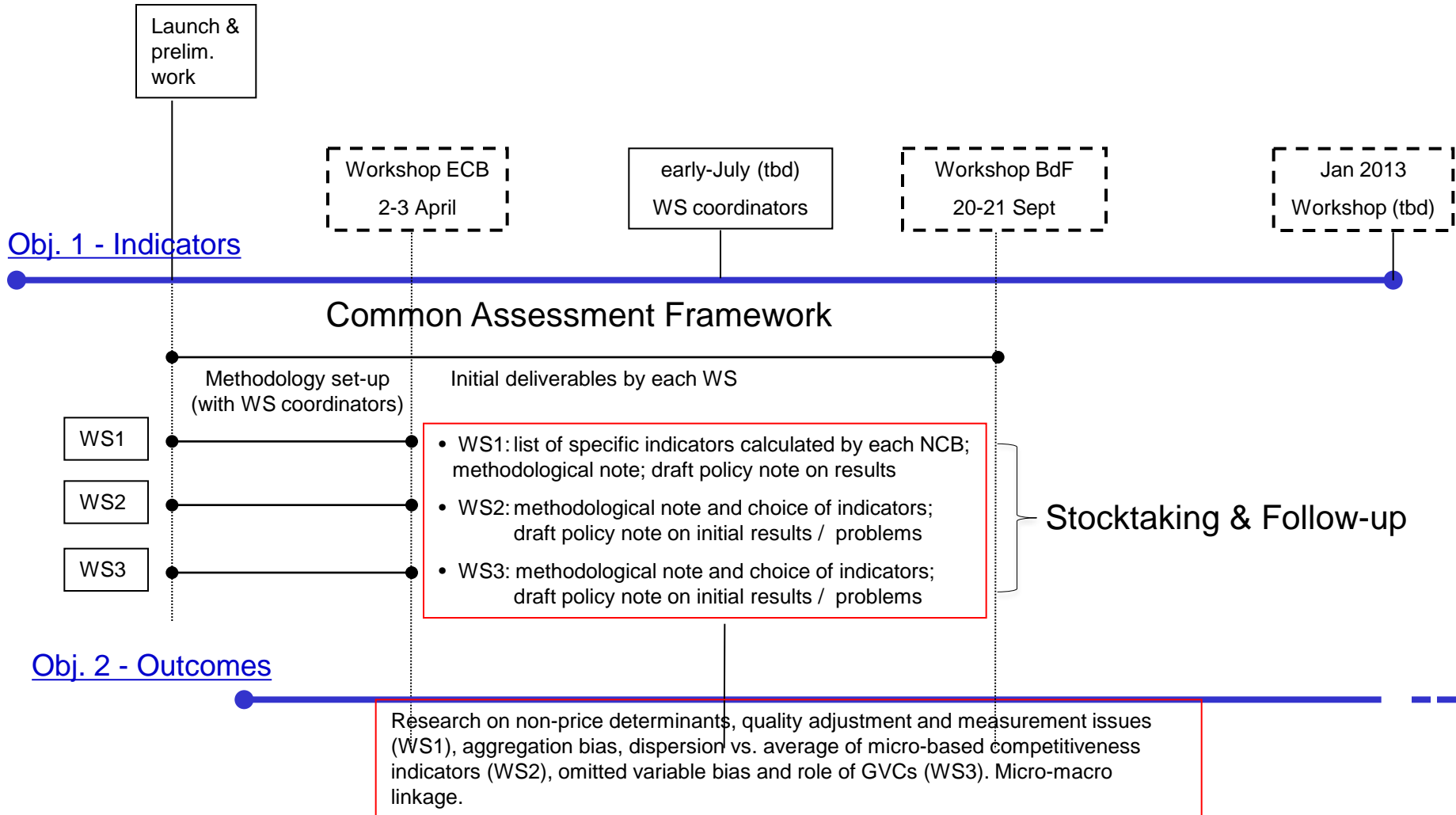
**Frankfurt  
3 April 2012**



# What we expect from this morning ?

- **Work streams to discuss plans for improving indicators (objective one)**
  - **Consider research objectives on “determinants vs. outcomes” (objective 2) (including interaction short term/cyclical and longer term/structural view of competitiveness)**
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- ➔ **Distribute work load in accordance to preferences/comparative advantage**
  - ➔ **Establish a realistic, though ambitious, plan for deliverables**

# CompNet milestones Year I





# SECOND DAY – Additional issues

**1) Choice individual consultants for each WS;**

**2) Deliverables:**

**short vs long**

**policy/methodological note/publications**

**3) communication:**

**within (website, emails....), and**

**outside the network (level of formality, frequency...);**





- **Have a good and productive day**
- [http://www.ecb.europa.eu/home/html/researcher\\_compnet.en.html](http://www.ecb.europa.eu/home/html/researcher_compnet.en.html)