MAPCOMPETE project summary

"Mapping European Competitiveness" (MAPCOMPETE) is a FP7 proposal of six European universities and research centers (from Germany, France, Italy, Belgium and Hungary) to provide an assessment of data opportunities and requirements for the analysis of comparative competitiveness in European countries.

The **aim of this project** is to provide a thorough assessment of data opportunities and requirements for the analysis of comparative competitiveness in European countries. Work will provide a comprehensive overview of the datasets which are either used to construct already existent competitiveness indicators or could represent the source to build new indicators. Also, the conditions and requirements to match datasets on different topical, technical and regional levels will be analyzed, both within and across countries. The project plans to identify steps to enhance the quality and availability of existing data and new methods and sources for new data collection will be suggested. The **objective** is to contribute to designing new research directions leading towards better competitiveness indicators in order to establish a bridge between its micro and micro dimensions.

Improving competitiveness is widely considered as a key to a structural resolution of the crisis and consequently it is at the heart of policy making at the Union level and specifically within the Eurogroup. The reduction of macro-economic imbalances and improving competitiveness is one of the key objectives of the new 'Six Pack' proposal on EU economic governance. For this purpose, the new legislation specifies a formal procedure, including the definition and the monitoring of a large range of country-level competitiveness indicators, and an enforcement mechanism of specific policy measures in case targets are not met.

For these reasons there is an overall increasing effort to **quantify the concept of competitiveness**. However, one of the most important lessons learned during the crisis is that such informational toolbox on which policy makers base their decisions can be outdated in terms of both data sources and data analysis. The toolbox is particularly outdated when it comes to tapping the potential of micro data for the analysis of competitiveness. The indicators one refers to most often are the ones which i) are derived as aggregates at the country level; ii) are easy to communicate, e.g. export shares or unit labor cost differentials, and iii) are generally identified as a/the culprit of macro imbalances that have to be corrected quickly.

The **macro perspective**, aggregate measures of competitiveness – including price and cost indicators – while remaining critical, are subject to several shortcomings. They tend to suffer from aggregation problems and are often unable to satisfactorily explain trade outcomes and international production patterns in empirical work. In addition, macro-indicators may not be able to reflect fully longer-run determinants of competitiveness. Finally, these crude measures are not necessarily detailed enough to design efficient policy responses. The project will aim at mapping existing propositions to better use micro data to create new macro variables as well as propose new methods.

Industry level data, such as EUKlems, partly bridge the gap and provide very useful information on the dynamics of relative growth performance and comparative advantage. However, these data often miss information on some of the key aspects of global activities which are increasingly essential elements of competitiveness. For example, the existence and growing role of global value chains is a

key area for the analysis of competitiveness. The project will investigate for instance how new measures of the global value chains could be translated into specific competitiveness indices.

Firm-level analysis of competitiveness is hampered by a lack of sufficient and comparable data across countries, but also within countries. Cross-country data often focus on one specific aspect of firms' activity (e.g. CIS, Amadeus), whereas more detailed national statistics are often of limited availability or accessibility (e.g. due to nondisclosure) and are not consistent across countries in terms of censoring criteria or coverage. Moreover, often severe legal restrictions regarding the matchability of data have to be taken into account. So even though some progress has been made recently with a view to build a pan-European comparable dataset (e.g. EFIGE project), the lack of micro data at a comprehensive level is still a major constraint to building adequate micro based competitiveness indicators. The project will meticulously map existing datasets and provide guidelines for future data collection exercises to be carried out at the European level.

The project aims to identify gaps in available data sets and key data requirements for constructing better competitiveness indicators at different levels. A **key aim** is to analyze the combined use of three types of resource: census type quantitative (e.g. national tax authority) data, quantitative survey (e.g. EFIGE survey) data and qualitative (interview based) information. Integrating these approaches may allow a deeper understanding of a wide range of topics related to competitiveness. Indeed, in terms of competitiveness analysis, our primary focus is firm performance. However, we approach this from a wide angle. Hence, data analyzed should cover not only traditional balance sheet figures but include areas such as

- Trade statistics, internationalization (outsourcing, direct investment, etc.),
- Labor statistics (skill composition, remuneration, on the job training, flexibility),
- R&D, innovation,
- Non-tangible assets,
- Regional and local dimensions,
- Creation of new firms (entrepreneurship) and attraction of foreign investment (FDI)
- Stakeholders (entrepreneur/owner characteristic, social capital, state/local government),
- Customers/suppliers, position in value chains.

Naturally, the mapping and matching of data cannot be carried out abstractly, i.e. without having clearly in mind (i) the type of research questions that should be addressed by using the data and (ii) the policy indicators that should be constructed by using the data**.** One of the work packages of the project will be precisely devoted to laying down this conceptual ground, so as to build an analytical framework within which to address all the data issues. The project also aims to create a more systematic connection between research results and the developments of indicators to be used for policy purposes.

The framework for data assessment will have to be derived from a broader analysis of competitiveness and its measures. Proposals will cover three areas: First, how to netter manage existing data (regarding data collections of the past), with special attention to linking and matching datasets. Second, how to better collect data, improve on collection methodology and extended the coverage in terms of new variables. Third, what sort of new types of data shall be collected in the

future and what pilot project may be initiated – based on lessons from previous programs such as EFIGE, Innovation surveys, global value chain projects.

Partners of the project are the Research Centre for Economic and Regional Studies of the Hungarian Academy of Science as coordinator, the Brussels-based think tank Bruegel, Milan research center Centro Studi Luca d'Agliano (LdA), the German Institute for Applied Economic Research (IAW) in Tübingen, Paris School of Economics and Sciences Po in Paris. **Associate partners** are a number of Central Banks (Banca d'Italia, Banco de España, Banque de France, Deutsche Bundesbank, Magyar Nemzeti Bank, National Bank of Belgium) and Istat, the Italian National Institute of Statistics.

Partners will involve researchers from all member states and contact statistical offices, including Eurostat, employment agencies, R&D and other types of data managers as well as other **data collection agencies**. Associate partners will provide information both from a data manager and a data user point of view. Furthermore, the Central Banks associated to the project provide a direct link between this project and an extensive research network on the theme of competitiveness (CompNet) about to be set up within the European System of Central Banks, under the coordination of the ECB.

The dissemination strategy is intended to maximize the impact of the project on different audiences: researchers, policy makers, data collectors, business community. Results will be made readily available and exploitable in a user-friendly way through timely newsletters, and technical as well as policy oriented reports. There will be bi-annual meetings including a final policy conference. A summary report on mapping competitiveness will be written and an interactive internet-based tool will be set up allowing users to compare competitiveness measures online.

Topics:

1. Mapping existing datasets: screen national sector and micro-level datasets regarding geographical coverage, time span, representativeness with a special focus on areas where no standard set of variables exist, such as non-tangible assets and innovation.
2. Consistency issues of different datasets: benchmark on existing research to understand the extent to which some country and year-specific competitiveness-related indicators can be derived from data contained within available dataset or from a cross-reference use of available datasets at different levels of aggregation.
3. Conditions and requirements to match different data sets: on the basis of the pilot indicators identify the extent to which datasets relevant for competitiveness can be matched within country and across countries and map data gaps.
4. Research directions towards better competitiveness indicators: investigate how novel data or combination of datasets can be used to introduce novel research areas and design new research directions leading towards better competitiveness indicators.
5. Benchmarking: identify steps to enhance quality and availability of existing data and suggest new methods and sources of data collections