to isolate the impact of specific measures that were, almost by definition, aimed at fostering European integration.

The remainder of the paper is organised as follows. Section 2 defines the dimensions of corporate structure to be considered, and discusses some of the likely impact of European integration, “globalisation” and “return to the core”. Section 3 describes the methodological framework which enables us to organise available information on firms’ entry and exit decisions in an integrated and coherent way. Section 4 describes the main changes in corporate structure that occurred between 1987 and 1993 for our sample of large European firms. Section 5 comments upon the econometric results and links empirical evidence with ex-ante theoretical predictions. Section 6 concludes.

2. European Integration and Firms’ Strategies

In the view of policy-makers who signed the Single European Act in 1987, the implementation of the 300 or so detailed measures were expected to affect EU manufacturing positively in a variety of ways. These measures included the abolition of all remaining tariffs and quotas, but they were mainly aimed at the non-tariff barriers of: frontier controls, national differences in technical regulations, public procurement biases in favour of domestic producers; and so-called fiscal frontiers created by differences in tax levels and regimes. In particular, the “official” EU view identified two crucial mechanisms: cost savings and increased competitive pressure.

Cost savings should have occurred both directly, following the elimination of non-tariff barriers, and indirectly, because of a more efficient division of labour among member states. In turn, this would have allowed both a fuller exploitation of scale or learning economies and a higher specialisation of production based on country specific comparative advantages. More competitive pressure would have instead been the result of a larger number of firms from different member states competing in a larger and integrated European market. This aggressive competitive stance would have increased social welfare because of reduced prices, lower inefficiency and speedier innovation.

Some of the theoretical implications for industrial structure at the EU level have been formalised by Davies, Lyons et al. (1996). As the fixed and variable costs of exporting decline

[1] On this issue see Markides (1995) and Davies and Petts (1997) for US and UK firms respectively.