The thesis is composed of three chapters which attempt to shed additional light on the prospects of increased market integration in the world, taking the European Union as a case study. The two first chapters investigate the extent of market integration across various EU countries, the first focusing on price convergence and the second on trade. I show that, contrarily to the common view, lowering trade barriers is not enough to achieve a fully integrated market, even when countries are similar and that some political integration is achieved. By contrast, instead of measuring the extent of market integration, the third chapter focuses on the impact of increased integration. In particular, it analyses the effects of real exchange rate fluctuations on manufacturing employment in the European Union. In each chapter, the empirical analysis is implemented at the industry level, and therefore allows to improve the understanding of firm behaviour.

The first chapter analyses the extent of price convergence ("mean reversion" in relative prices) at the industry level across various countries, and attempts to explain why there are some differences both across countries and industries. In particular, using multivariate unit root test methods, this paper investigates the Purchasing Power Parity (PPP) hypothesis at the sectoral level across six European countries over the last seventeen years. Evidence of mean reversion toward PPP is found for the relative prices of some sectors and countries. Mean reversion in relative prices is then explained by cross-country and cross-sectoral characteristics such as the distance between countries, nominal exchange rate volatility, differences in GDP per capita, non-tariff barriers, research and development, advertising, industrial concentration and tradeability of the products.

The second chapter analyses the extent of market integration from a trade perspective, analysing the impact that national (political) borders have on trade. In other words, it examines "border effects" among EU countries. It is shown that in 1996, a typical EU country appears to have traded 3.6 times more with itself than with another EU country, and 2.1 times more than with a foreign EU country with which it shares a common border and a common language. Border effects are also found to be different across countries, but especially across manufacturing industries. The novelty of the paper is to explain why, despite decreasing trade barriers in Europe, borders have such a downward impact on the volume of trade. First, a low transportability of the products and specialisation in production appear to be strong determinants of border effects. Larger effects are also found for industries which operate in protected markets. Finally, while small size industries are shown to display a stronger bias toward "domestic" trade, product-specific information costs and non-tariff barriers are not found to be relevant in explaining border effects.

The last chapter evaluates the response of manufacturing employment to real exchange rate shocks for 10 European Union countries. Using a simple theoretical model to motivate the empirical equations estimated, it is shown that, whatever the industry considered, some countries are less sensitive than others to real exchange rate shocks. Moreover, the pattern of the response seems consistent with an "insider-outsider" framework where women, unskilled and youth-medium age workers are more exposed. Finally, we empirically investigate the role of various factors in explaining employment elasticity across industries, and show that a high degree of "pricing-to-market", market power, labour intensity and the strictness of employment legislation decrease employment elasticity to real exchange rates.