

Multinational Ownership and Trade Participation

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Discussion by Ludovic Panon (Bank of Italy)

Trade, value chains and financial linkages in the global economy

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This Paper

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- Multinational corporations (MNCs) account for the lion's share of trade
 - MNCs in US manufacturing in 2007: **42%** of manuf. employment, **87%** of imports, **84%** of exports (Antràs et al., 2022)
- Does MNC ownership **foster** trade participation? If so, **how**?
- Use Belgian micro data on ownership links and customs data

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Key Findings

1. MNC ownership **boosts** trade participation

- Event-study, accounting for selection effects

2. Model to disentangle **firm-specific** effects from **network** effects

- MNC ownership: ↓ **firm-country specific trade costs**; ↑ increase **firm-country-specific demand**; ↑ **efficiency of imports**

3. **Network** effects at play

- Firm-level gravity equations: control for **firm-specific** productivity effects with FE
- Belgian affiliates start trading with countries **belonging to parents' network**

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General Assessment

- Great paper, convincing identification
- Battery of interesting results
 - Extended network effects!
- Comments:
 1. Channels: MNC ownership and network results
 2. Specification: network effects may depend on... the network
 3. Importance of foreign ownership

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Specification

Magnitude of network effects

Additional Comment

MNC Ownership and Network Effects

1. Export results:

- *Can you disentangle the **demand** component from **entry costs**?*
- *Why should entry costs go down if the results are not driven by trade across affiliates?*
- **Suggestions:** role of common language in extended network regressions? Public firms have access to better distribution channels (network regression by MNC owner type)?

2. Import results:

- *Why would MNC ownership increase the efficiency of sourcing foreign inputs?*

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Network Effects May Depend on... the Network

- Network equation considered:

$$Entry_{i(p)ct} = \beta_1(MNC_{i(p)t} \times In\ MNC\ Network_{cp}) + \delta_{it} + \delta_{ic} + \delta_{ct} + \varepsilon_{i(p)ct} \quad (1)$$

1. *Does the number of affiliates matter?* Effect may only kick in when there are enough affiliates in country c
2. *Does the effect depend on whether affiliates operate in a similar industry?*
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How Important is Foreign Ownership?

1. How large is MNC ownership effect in explaining overall network effects?
 - First step: saturate the model with FE including **firm-country-year** FE
 - Second step: regress estimated firm-country-year FE on interaction term
2. Foreign ownership versus Belgian MNC ownership
 - *Is foreign ownership special? A discussion may help*
 - *Should we push for more inward FDI?*

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- Firm-specific factors may interact with firm-country factors (demand, fixed costs) through which MNC ownership affects trade participation
 - Less financially constrained firms may benefit relatively more from MNC ownership
 - *Would that prevent you from disentangling firm-specific effects from network effects?*

Conclusion

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- Very nice paper, careful empirical work
- My comments:
 1. Clarify the link between theory and network regressions
 2. Investigate the role of the network
 3. Discuss further how important is foreign ownership
- Looking forward to reading the next draft!