

Discussion: Merlevede & Michel “Home Country
Effects of Multinational Network Restructuring in
Times of Deglobalization: Evidence for European
MNEs”

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Introduction

- Descriptive part:
 - ▶ Facts about multinational networks 2010-2020.
 - ▶ Are we becoming deglobalized?
 - ★ Micro data to complement aggregate trends.
 - ▶ Are MNEs reshoring?
- Analysis part: Is less MNE activity abroad associated with more/less economic activity at home?
- Important, policy-relevant & timely research.

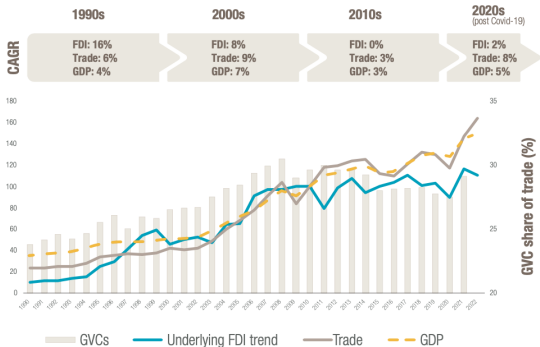
Background : Stagnation or deglobalization



Exhibit 1

FDI and GVCs lost pace with trade and GDP growth around 2010

FDI, trade and GDP trends, indexed 2010 = 100

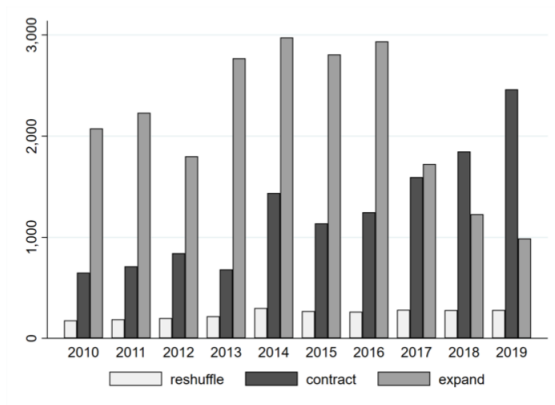


UNCTAD (2024) “Global economic fracturing and shifting investment patterns”

- Long-term FDI stagnation in the aggregate.
 - ▶ Slowdown in GVC deepening? Technological trends? Sustainability?
 - ▶ Stagnation occurred well before onset of trade tensions.

The evidence

Figure 3: Type of episode evolutions in number of episodes ending in the indicated :



“These results point to a relatively strong trend towards ‘deglobalisation’ in recent years, with more foreign contracting than foreign expanding.”

Many ways to cut the data

Would like to see more:

- Avg. # affiliates by year
 - ▶ By size. Is it the big MNE that contract or the small ones?
 - ▶ Weighted by parent firm size (to give more weight to large firms if they are contracting)
- If we want to draw conclusions about aggregate deglobalization, we need some measure of the importance of the affiliates
 - ▶ E.g. shutdown of a minor showroom in Malaysia should have less weight than shutdown of BMW factory in China.
- Aggregate numbers:
 - ▶ MNE value added in total GDP.
 - ▶ Employment share.
 - ▶ (you can do this for EU parents but not for foreign affiliates, as far as I understand)

Episodes

- Definition: “a foreign restructuring episode is defined as a period of consecutive year-on-year changes in the number of foreign affiliates.”
- Requires justification:
 - ▶ Why?
 - ▶ Mainly for the event study?
 - ▶ Already used in the literature? Pros and cons.

Episodes

Table 4: Distribution of networks by the number of year-on-year changes in the number of foreign affiliates.

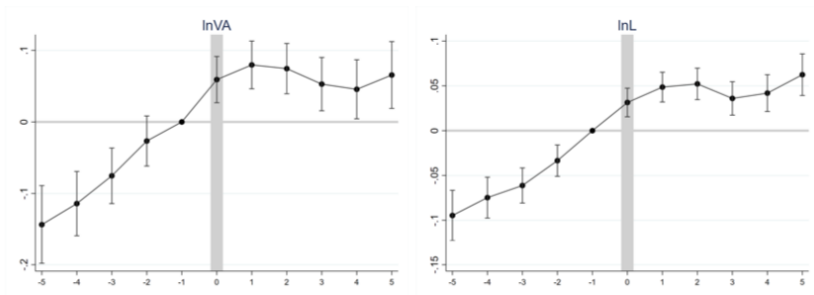
	(1)		(2) <i>foreign affiliates</i>				(4)		(5) <i>all aff.</i>	
	# changes		NW size	# increases		# decreases		# changes		
	No.	%	# aff.	No.	%	No.	%	No.	%	
0	13,307	19.1	1.3	26,855	38.6	30,769	44.2	11,045	15.9	
1	27,063	38.9	1.8	28,790	41.4	30,332	43.6	15,216	21.9	
2	15,384	22.1	2.8	7,370	10.6	5,481	7.9	11,069	15.9	
3-5	10,151	14.6	4.5	4,971	7.1	2,658	3.8	19,696	28.3	
6-10	2,789	4.0	14.3	1,300	1.9	354	0.5	9,671	13.9	
11 or more	906	1.3	57.4	314	0.5	6	0.0	2,903	4.2	

Total : Cleaned sample of 69,600 networks, period 2000-2020, parents reporting consolidated accounts included. Network (NW) size is calculated as the average number of foreign and domestic affiliates over the period during which the network is observed.

- Big MNEs are restructuring every year → whole panel is an episode!
- Not many of them, but really important firms.

Event study

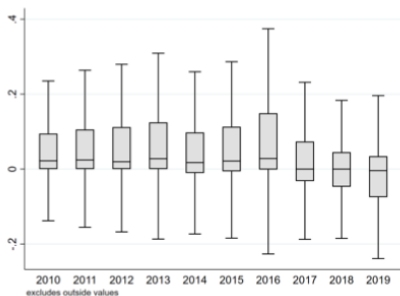
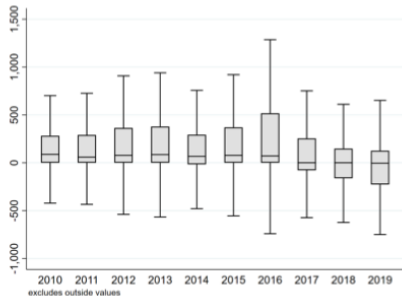
Figure 4: Dynamic parent performance pre and post expansion episodes.



- Paper is careful with wording “associated with” vs “caused by”.
- But if not causal, is it useful for policymaking?
 - ▶ Demand shocks can drive both expansion and home value added
 - ▶ Impact of FDI expansion (or FDI incentives/disincentives) on home economy unknown.
- Possible instrument: Demand shocks in country/industry where parent has network.

Nearshoring

Figure 9: Boxplots by year of the change over an episode in average physical distance (left panel) and average geopolitical distance (right panel)



- “Multinational networks increasingly show a broad-based tendency towards ‘reshoring’ in the form of nearshoring and friendshoring.”
 - ▶ Median distance is going up 2010-2016. Zero 2017-2019
- Which MNE increase/decrease distance? Small/large MNEs?
- Country dimension: Share of networks with e.g. China affiliate.