

Discussion of:
Multinational Ownership and Trade Participation
by Conconi, Leone, Magerman, and Thomas

Teresa Fort

Dartmouth Tuck, CEPR, and NBER

June 2022

Big Picture

- Great data!
 - Belgian VAT network data
 - Belgian Customs trade transactions
 - Orbis and Zephyr ownership structure data
- MNEs dominate world trade: this paper asks why
 - MNEs' acquisitions increase trade with the new HQ country and countries in MNE network
 - Authors' interpretation: MNE ownership 'alleviates country-specific trade frictions'
- Raises many more interesting questions
 - Why do foreign MNEs acquire Belgian firms?
 - How does concentration in Belgium change with integration into MNE networks?

Authors focus on foreign acquisitions in Belgian

- Authors define MNE affiliation as 10% or more ownership by a foreign firm
- Sample explicitly excludes
 - Firms with outward FDI
 - Firms with inward and outward ownership
 - Firms with foreign ownership prior to 1997
 - Greenfield FDI

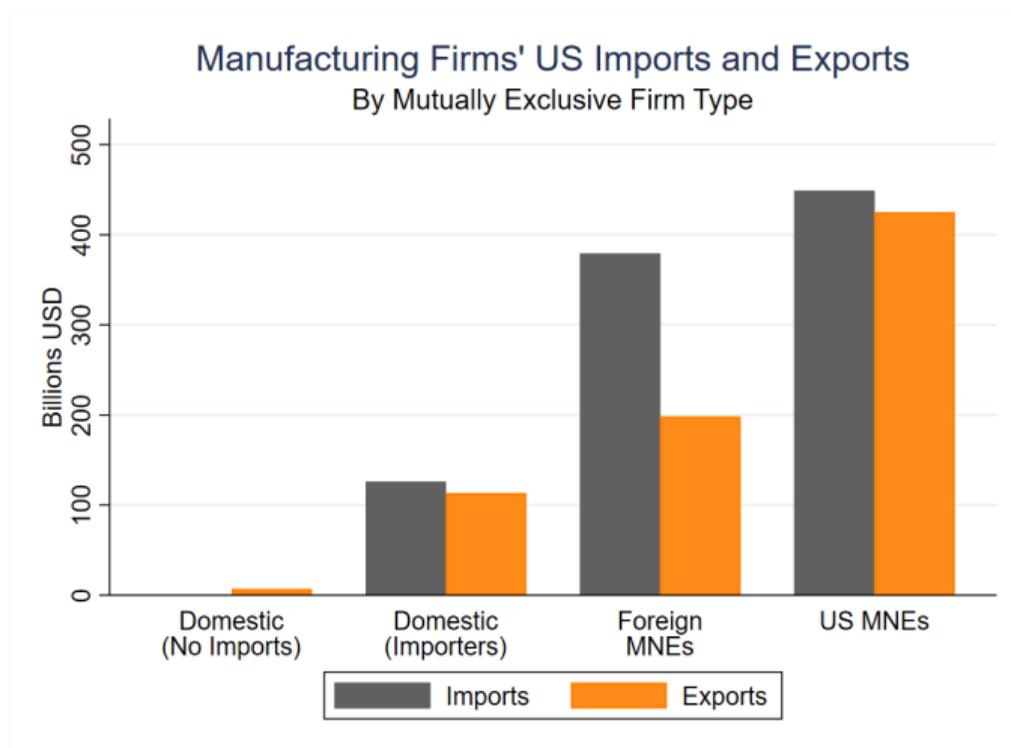
Comment 1: 115 total acquisitions and not many in some years

Table A-1
Number of Acquisitions by Year

Year	Number of Acquisitions
1998	20
1999	4
2000	8
2001	26
2002	7
2003	19
2004	10
2005	5
2006	2
2007	2
2008	3
2009	2
2010	3
2011	3
2012	0
2013	1
2014	0

The table shows the number of acquisitions by year (1998-2014). Incumbent foreign-owned surviving firms are excluded.

Paper investigates why MNEs dominate trade flows



Source: Antràs, Fadeev, Fort, and Tintelnot (2022)

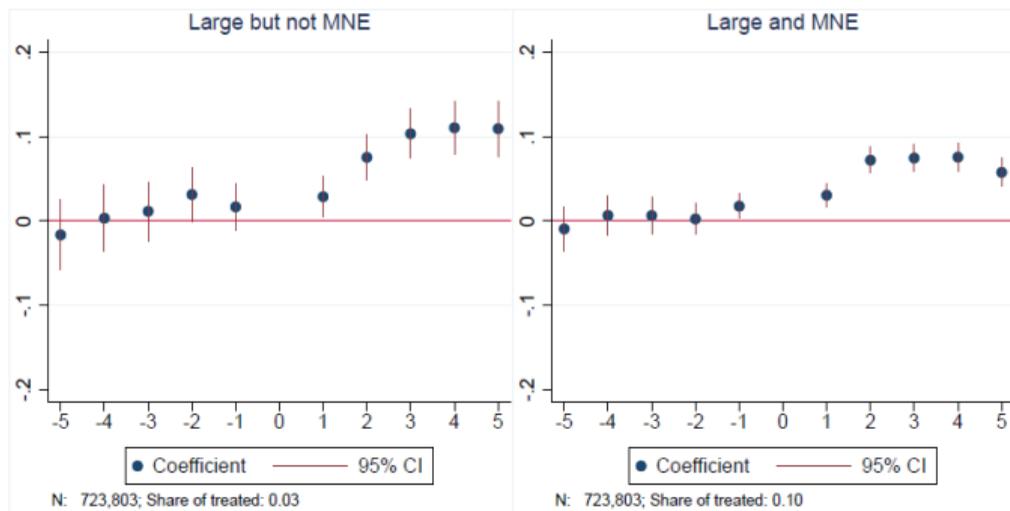
- Foreign MNEs account for 40% of US imports and 27% exports

What do we learn from quantifying a (causal) effect?

- Authors' goal is to identify the effect of an MNE acquisition on domestic firms' trade
- Interpret results as evidence that MNEs reduce trade costs
- Potential alternative explanations
 - Scale effect (Bernard, Jensen, Redding, Schott, 2018)
 - Firm-level country-specific fixed costs of sourcing or exporting (Antràs et al., 2017 & 2022)
- Look to the mechanisms!

Comment 2: Are changes related to an MNE or large firm acquisition?

Firm TFP after forming a new MNE relationship



Source: Amiti, Duprez, Konings, and Van Reenen (2022)

- Are acquired firms more likely to import and export after domestic acquisition?
- Do changes in trade relate to the acquiring firms' sets of import and export countries?

Comment 3: Do results differ for the extensive vs intensive margins?

	Imports		Exports	
	Extensive	Intensive	Extensive	Intensive
Affiliate _{fc}	0.536*** (0.028)	2.331*** (0.110)	0.463*** (0.035)	1.993*** (0.102)
Foreign-Owned HQ _{fc}	0.678*** (0.047)	3.765*** (0.223)	0.521*** (0.043)	1.286*** (0.155)
Affiliate in Region _{fr}	0.074*** (0.015)	0.181 (0.113)	0.087*** (0.020)	0.163** (0.078)
Foreign-Owned HQ in Region _{fr}	0.090*** (0.021)	0.480*** (0.160)	0.035** (0.014)	-0.112 (0.122)
Adj. R2	0.28	0.283	0.267	0.42
Observations (000s)	6330	177	7230	350
Firm & Country FEs	Yes	Yes	Yes	Yes

Source: Antràs, Fadeev, Fort, and Tintelnot (2022)

- In some cases, *only* the extensive margin relates to MNE activity
- Extensive (but not intensive) margins for Foreign-owned increasing in distance

Intensive margin of trade is *increasing* in distance

Table 6
Gravity and Aggregate U.S. Exports, 2000

	<i>Log of total exports value</i>	<i>Log of number of exporting firms</i>	<i>Log of number of exported products</i>	<i>Log of export value per product per firm</i>
Log of GDP	0.98 (0.04)	0.71 (0.04)	0.52 (0.03)	-0.25 (0.04)
Log of distance	-1.36 (0.17)	-1.14 (0.16)	-1.06 (0.15)	0.84 (0.19)
<i>Observations</i>	175	175	175	175
<i>R</i> ²	0.82	0.74	0.64	0.25

Source: Bernard, Jensen, Redding, Schott (2007)

- Same pattern is evident for imports

Comment 4: Why do foreign MNEs acquire shares in Belgian firms?

- Acquired firms trade more with the MNE countries (and networks) prior to acquisition
 - This selection is treated as a nuisance parameter for identifying the 'MNE effect'
 - But it is super interesting!
- Within-firm complementarities (Nocke and Yeaple, 2008)

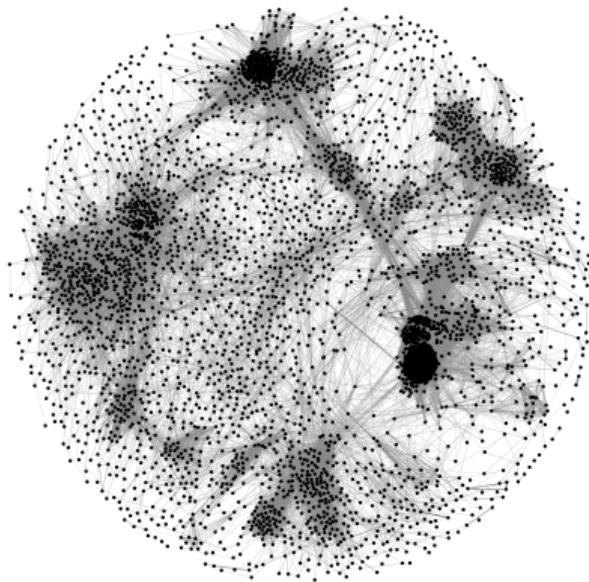
“For the reshuffling of plants (or lines of business) among firms to be productive, there must be sources of heterogeneity. [...] These heterogeneities cause assets' productivities to vary substantially depending on the other business assets with which they collaborate within the firm.” Caves 1998 (p. 1963)
- Increase and exploit market power (Ederer and Pellegrino, 2022)

Common ownership affects many of the goods we consume!

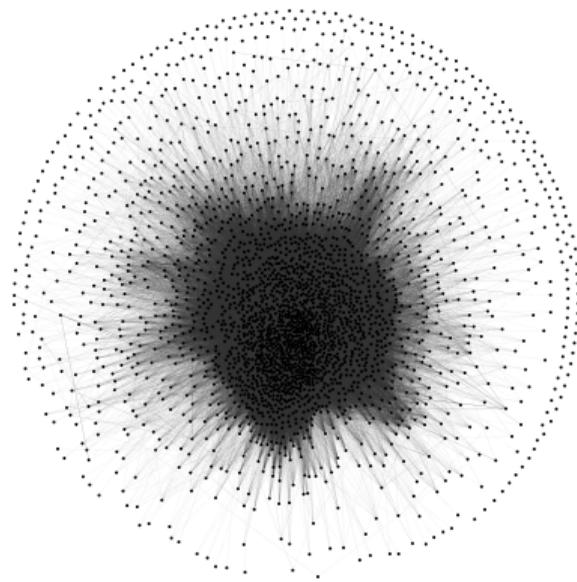


Ownership networks seem to be disproportionately concentrated

A Tale of Two Networks



Product Market Similarity $A'A$

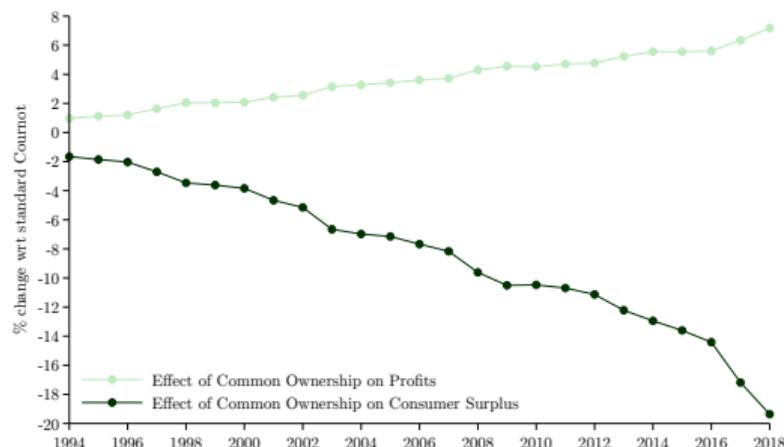


Common Ownership K

Source: Ederer and Pellegrino (2022)

MNE acquisition motives can speak directly to welfare effects

Distributional Effects of Common Ownership



Source: Ederer and Pellegrino (2022)

- Acquired US plants increase TFPR, but not TFPQ (Blonigen and Pierce, 2016)
- Firms internalize cannibalization effects (Hottman, Redding, and Weinstein, 2016)

Exploit the ownership structure more fully to assess effects on networks

- How often does the same MNE acquire different firms?
- Global ultimate owner information can enrich our understanding of firm boundaries
- Firms with inward and outward FDI might be the most interesting
 - In US data these are a handful of firms that account for a massive share of activity
- MNE acquisitions directly related to growing global concentration