

Comments on the  
OECD Analytical AMNE database

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# Summary

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- ▶ OECD AMNE database will be a great resource for scholars, students, and policy makers
  - ▶ Foreign affiliate sales are clearly important but much less documented than foreign trade
  - ▶ No customs data collection
  - ▶ OECD's organizational infrastructure will be helpful to maintain and update the data

## Contribution #1: A matrix of foreign affiliate sales

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- ▶ Output by country of ownership, country of production, industry, and year
- ▶ 44 countries, 43 industries, years 2000-2014
- ▶ Contribution: Previously researchers had to go to several different sources to assemble these data. Very useful to integrate these data into one database

# Contribution #2: Accounting for foreign-owned firms in the input-output matrix

Panel A

	Country 1		Country 2		C1's final demand		C2's final demand	
	Sector 1	Sector 2	Sector 1	Sector 2				
Country 1 Sector 1								
Sector 2								
Country 2 Sector 1								
Sector 2								
Value Added								
Gross output								

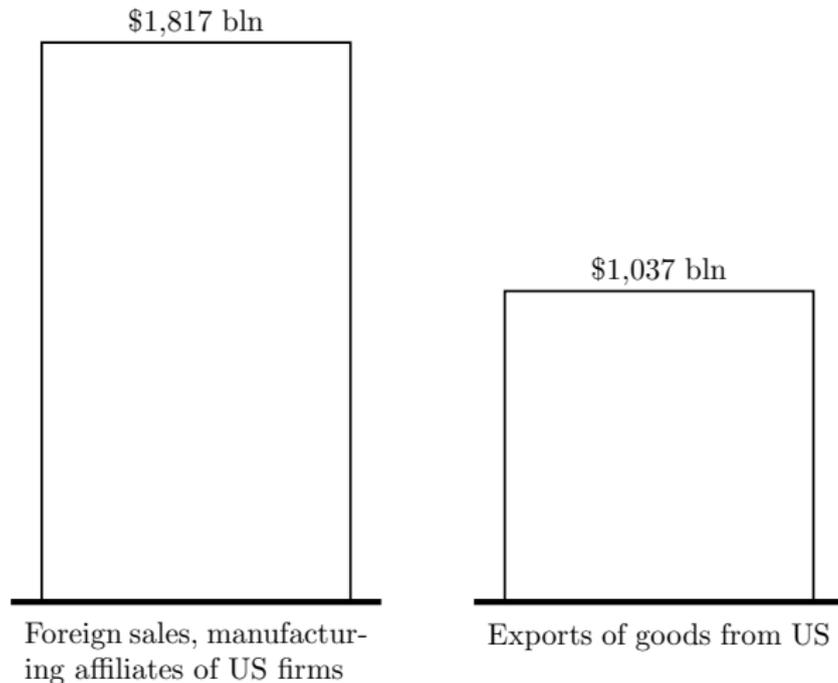
Panel B

	Country 1		Country 2		C1's final demand		C2's final demand	
	Sector 1	Sector 2	Sector 1	Sector 2				
Country 1 Sector 1 Domestic								
Foreign								
Sector 2 Domestic								
Foreign								
Country 2 Sector 1 Domestic								
Foreign								
Sector 2 Domestic								
Foreign								
Value Added								
Gross output								

Another key contribution.

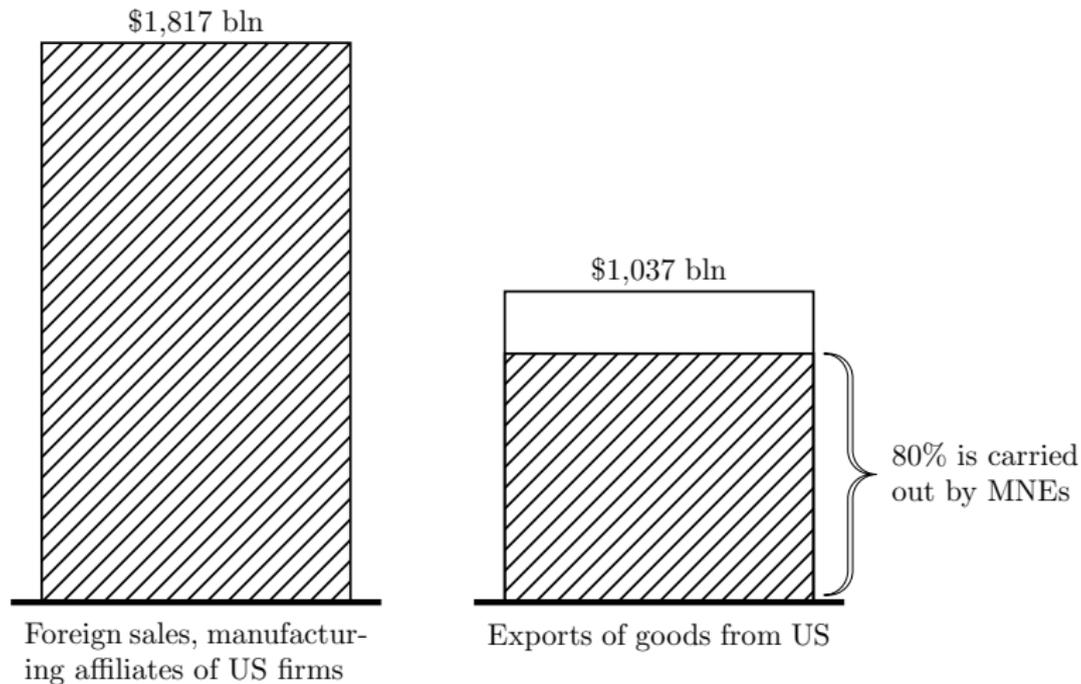
Suggestion: Offer also an alternative cut of the data. Reduce sectors to intermediate and final goods, keep country of origin

# How do firms serve foreign markets?



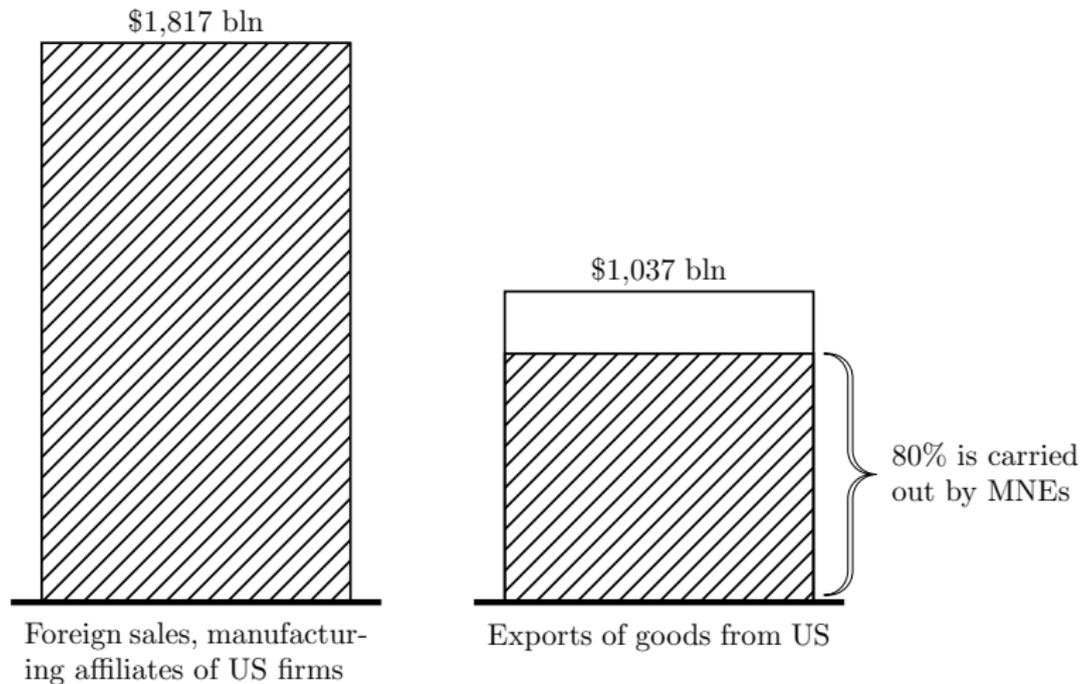
Sources: BEA and US Census

# Which firms serve foreign markets?



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Ignoring multinational activity means missing a substantial portion of trade between countries

# The effects of foreign MNEs on the host country

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- ▶ Most foreign investment comes from advanced economies and brings superior technology to the host country

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  - ▶ Market structure
  - ▶ Can lead to local agglomeration spillovers
- ▶ Most foreign investment comes from advanced economies and brings superior technology to the host country
- ▶ More recently: a wave of foreign investment from BRIC countries, which is more likely to be knowledge-seeking

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- ▶ Also affects sales of US firm in France
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  - ▶ Cosar, Grieco, Li, and Tintelnot (2018): For consumer goods, demand effect much more important than effect on cost
  - ▶ Increase in variable profits due to establishing local manufacturing in large markets for passenger cars: About  $\frac{1}{3}$  of profit increase is coming from the **cost effect**, about  $\frac{2}{3}$  from the **demand effect**

# Conclusion

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- ▶ Activities similar to those of foreign affiliates (e.g., technology transfers, integration of production across countries) also happen outside the boundary of the firm (e.g., licensing, or Nike paying independent contractors to manufacture shoes abroad).