HOME COUNTRY EFFECTS OF INVESTING ABROAD: EVIDENCE FROM ITALY

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Abstract

Home country effects of domestic firms investing abroad have been a highly debated issue. Overall, the results of a number of empirical studies seem not to support the fear that MNEs are exporting domestic production and/or jobs; however the issue should be examined more deeply. In particular, following the recent theoretical and empirical literature on firm heterogeneity, an important point that should be investigated is whether the impact of outward FDI on the performance of parent firms might differ according to their level of productivity or their size.

Using quantile regressions and a data set for Italian firms investing abroad, this paper shows that the impact of international expansion on parents' performance (measured in terms of total factor productivity, labour productivity and employment) varies across firms in different quantiles of the performance distribution and across foreign affiliates' geographical locations. In particular, quantile regressions seem to show that firms throughout the productivity distribution do not benefit from FDI in Less Developed Countries. Differently, parent firms in the upper quantiles of productivity seem to be positively affected by foreign expansion in Developed Countries. As for employment, only small firms seem to be negatively influenced by outward FDI. Finally, measures of multinational experience influence positively and significantly parent firms across quantiles of productivity and employment.