

THE IMPACT OF OUTWARD FDI ON HOME PRODUCTION, EMPLOYMENT AND INNOVATION

This thesis evaluates the impact of outward Foreign Direct Investment (FDI) on home production, employment and innovation, using individual data on French manufacturers. The main contribution of this empirical work is to focus on the “group” dimension, in order to account for two recent trends of the French manufacturing sector: the fact that more and more companies are affiliated to a business group, and the growing number of foreign-owned firms.

The first chapter shows that location choices of multinational firms depend on their export and/or import experience and the experience of affiliated firms. Most investments are preceded by an exporting step during which firms increase their knowledge of the local market. Investors can shorten this preliminary step by exploiting the international experience of their business group, in particular when affiliated firms already own a local affiliate. The investment decision is also determined by import experience.

The second chapter assesses whether firms with international activities have a greater propensity to start investing in R&D, to become innovative firms and to enjoy productivity gains. I find that firms which have international activities are more likely to start investing in R&D, but do not exhibit higher R&D intensity. Regardless of their investment in R&D, firms which exhibit several forms of internationalization (export, import and eventually foreign affiliates) are more likely to introduce product and/or process innovation.

The third chapter analyzes firms’ performance according to their international activities. It shows that manufacturers which invest abroad for the first time – switchers – enjoy higher growth of their sales and employment in France than comparable firms which decide to remain domestic. However, this positive impact only holds for firms which belong to a French business group: independent firms enjoy smaller effects whereas foreign-owned firms do not improve their performance ex-post.

The last chapter also studies the impact of outward FDI on home performance but performs this analysis at the group-level, instead of reasoning at the level of legal entities. It shows that the positive impact of investing abroad for the first time does not only concern the parent company, but also the whole domestic perimeter of manufacturing groups. The chapter also highlights a mechanism that contributes to the desindustrialization of developed economies, which is the growing share of service activities within the parent company of multinational manufacturing groups. However, we do not find that the manufacturing perimeter of these groups decreases in the years that follow the first investment abroad.

Keywords : Foreign Direct Investment, multinational firms, relocations, foreign affiliates, location choices, deindustrialization, innovation, learning effects, firm performance, self-selection, profiling, matching.

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