THE EFFECTS OF JOINING MULTINATIONAL SUPPLY CHAINS: NEW EVIDENCE FROM FIRM-TO-FIRM LINKAGES

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• The paper deals with an important subject (and hot topic) in international economics: What are the gains from globalization (FDI)?

• Are these gains limited to those that directly participate in the international economy (MNCs), or these gains ripple through (or trickle down to) a wider share of the local economy?

• More precisely, the authors show that “upon becoming suppliers to MNCs, domestic firms in Costa Rica experience strong and persistent gains in firm performance”.

• They do that using a very detailed database (it records firm-to-firm transactions!!!) including information on the whole economy of Costa Rica.

• Having firm-to-firm transactions is a major step forward, as the literature so far had to rely on I-O linkages (with a couple of exceptions)

• Use an event study to check whether starting supplying a MNCs matter for a range of firm performance indicators (including model based TFP).

• Results confirm the view that backward linkages to MNCs matter (i.e. suppliers to MNCs benefit from this relation)
• The research question is very relevant. Impressive level of detail and comprehensiveness of the data (firm-to-firm transaction for the whole economy). The methodology is convincing.

• The paper is 137 pages long.

• I understand that your model-based TFP aims to solve the omitted price bias, however I would like to have some more information and robustness on the non-model based TFP estimations
  • How you deflate nominal values?
  • How you build the capital stock? Are you using the PIM?
  • What is the “proxy” “materials” that enters the production function?
  • I suggest to include the results with Wooldridge TFP estimates (as an additional robustness or instead of OLS)

• I would like to know more about exporters. You focus on “domestic” firms. I understand the definition of domestic as “non-MNCs” or “non-partially foreign owned”. But what role for exporting firms (even if are 7% of the sample are they concentrated by sector or among MNCs suppliers)?
THANKS FOR YOUR ATTENTION