

*Discussion on McCorrison's "CBAs as FDI:
Potential Implications for Trade,
Restructuring and Growth in the Food
Sector"*

Alessia Lo Turco

Università Politecnica delle Marche, Ancona, Italy

AIEAA Conference - Ancona, 11-12 June 2015

What the paper does

- Classification of CBAs;
- Analysis of host country level determinants of the number of CBAs - 1990-2011.
- FOCUS ON CONGLOMERATE FDI - NEW AND ORIGINAL

Definition and Measurement

- Conglomerate or technological proximate?(Hidalgo et al.2007):

Technological Proximity (Hidalgo et al. 2007) values across group of Products (BACI, TurkSTAT AIPS and SBS)

	Mean	Median	Sd	Min	Max
Within the same 4 digit	0.245	0.231	0.142	0	0.864
Among different 4 digit	0.172	0.160	0.104	0	0.851

- Vertical integration according to the national IO Table rather than the US (OECD IO - TABLES); More aggregate, more comprehensive;

Empirical model

- Determinants of the **total** number of acquisitions by source country s in host country h : throw away a large part of information!!!
- neglected sector heterogeneity: different source's sector-time host's sector-time ease in / need of CBAs:
 - hosts' target policies;
 - internalisation advantages;
 - world demand growth;
 - diversification induced by low dynamics in the main sector of activity;
 - **problem**: roughly 110000 obs/year: group years, group sectors (services vs manufacturing) or random sample selection...;

Results

- *SWP* significant on conglomerate CBAs sample: conglomerate or mis-measured vertical/technologically proximate?
- *MtB*: its inclusion leads to negative and significant coefficient on GDP. Larger number of conglomerate CBAs in smaller countries or identification/measurement problems ?
- *MtB*: estimated from a first step, are s.e. reliable?

So what? Suggestions

- Need to better focus the research question: CBAs or general market concentration? Is there any difference?
- Need to better disentangle finance from diversification purposes.
- Conglomerate-finance nexus: focus on acquisitions from financial firms.
- Fundamental: look at the effects of (conglomerate/financial) FDI on volatility (Kalemli-Ozcan et al., JEEA 2014) and export/product sophistication (Javorcik and Harding, ReStat 2012; Javorcik et al. 2015) - scope for horizontal, backward and forward linkages.

Agri-food FDI targeting and volatility

	Food Sector Volatility - own estimates on UNIDO data 1985-2007 - country-sector FE					
	Conditional Volatility AR(1)			Conditional Volatility AR(2)		
$target^{Agri}$	0.083* (0.049)			0.09* (0.05)		
$target^{Food}$	0.113** (0.051)			0.085* (0.050)		
$target^{Any\ of\ the\ two}$			0.102** (0.045)			0.076* (0.043)
Observations	3,032	3,032	3,032	2,608	2,608	2,608
R-squared	0.013	0.015	0.015	0.018	0.017	0.017
Number of id	387	387	387	373	373	373

Agri-food targeting and product sophistication

	Agri-food exports - own estimates on BACI HS92 1992-2010 - country - 3d sector FE					
	Value			Share		
$target^{Agri}$	-0.370** (0.147)			-0.012 (0.010)		
$target^{Food}$		-0.258** (0.128)			-0.031** (0.012)	
$target^{Any\ of\ the\ two}$			-0.258** (0.128)			-0.031** (0.012)
$Sophistication$	-0.121 (0.122)	-0.240*** (0.089)	-0.240*** (0.089)	-0.002 (0.011)	-0.013*** (0.005)	-0.013*** (0.005)
$Sophistication * target$	0.303** (0.131)	0.387*** (0.116)	0.387*** (0.116)	0.01 (0.013)	0.034*** (0.011)	0.034*** (0.011)
Observations	11,811	11,811	11,811	11,811	11,811	11,811
R-squared	0.01	0.013	0.013	0.001	0.003	0.003
Number of id	227	227	227	227	227	227