

### A.9. Multinational enterprises and the crisis

■ Foreign affiliates contribute to a host country's international competitiveness through several channels. They provide access to new markets and new technologies for domestic suppliers and buyers along the value chain, they generate knowledge spillovers to domestic firms, and they invest a higher share of their revenue in research and development (R&D).

■ Over 1996-2007, trends in employment of foreign affiliates in the manufacturing sector have roughly paralleled total manufacturing employment in OECD countries. However, employment of foreign affiliates dropped more strongly in the aftermath of the ICT crisis in early 2000. If this trend recurs in the current crisis, losses of manufacturing jobs will be larger in foreign affiliates than in domestic firms.

■ Employment under foreign control has especially followed trends in total manufacturing employment in Norway, Italy and the United States. In these three countries, manufacturing employment in foreign

affiliates is likely to be more affected than in other countries. In Japan, employment in foreign affiliates has been less responsive to the employment cycle in manufacturing, but in any case, the weight of foreign affiliates in employment is so small as to be negligible.

■ Responsiveness is measured as the estimated elasticity of foreign affiliates' manufacturing employment to total manufacturing employment. The estimate is based on an ordinary least squares (OLS) regression on the first-order differences of natural logs. Only coefficients significant at the 10% level and below are reported.

#### Source

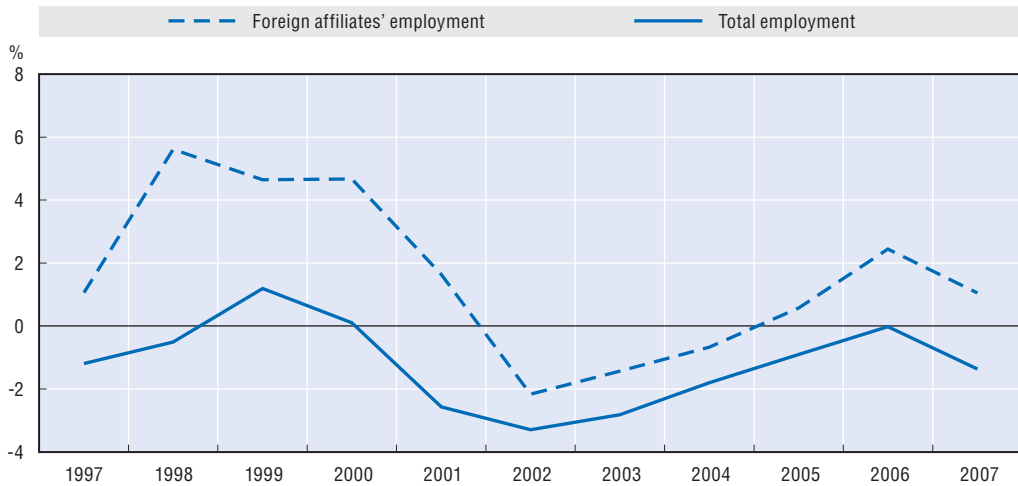
- OECD, calculations based on *AFA Database*, January 2010.

#### For further reading

- OECD (2005), *Measuring Globalisation: OECD Handbook on Economic Globalisation Indicators*, OECD, Paris.

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Figure A.9.1. Changes in foreign affiliates' manufacturing employment over the business cycle, OECD<sup>1</sup>  
1996-2007

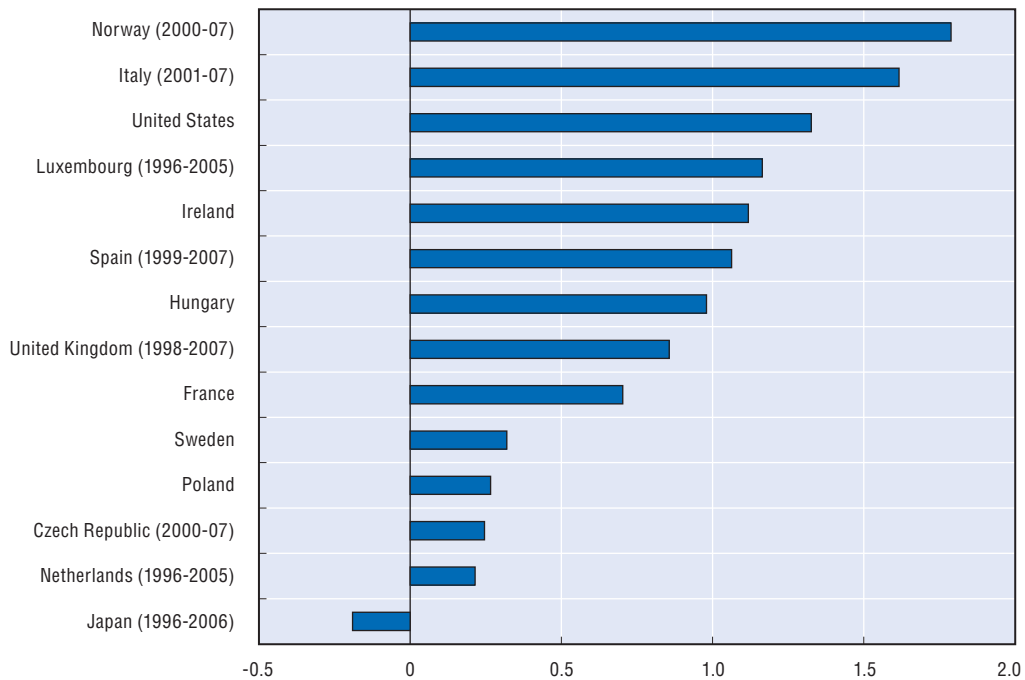


1. Aggregate OECD includes the Czech Republic, Finland, France, Germany, Hungary, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, the United Kingdom and the United States.

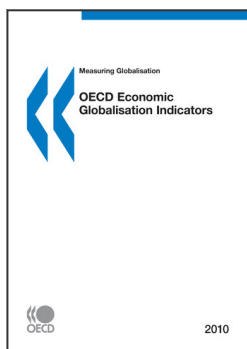
StatLink <http://dx.doi.org/10.1787/838213656168>

Figure A.9.2. Responsiveness of foreign affiliates' manufacturing employment to business cycles

1996-2007



StatLink <http://dx.doi.org/10.1787/838216821277>



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