Do Mergers and Acquisitions affect Industrialization?

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ABSTRACT

In recent decades, the growth of multinational enterprises (MNEs) through mergers and acquisitions (M&A) has paradoxically coexisted with processes of national deindustrialization. This paper aims to demonstrate that MNEs, through M&A, negatively impact industrialization in 47 countries between 2000-2023. Given the heterogeneity among economies and, in particular, the varying absorptive capacities of the host countries, it is hypothesized that these capital operations affect countries differently depending on their level of industrialization. The methodology employs quantile regression of dynamic panel data (QRPD), a technique that allows for the identification of differentiated effects across strata in the distribution of manufacturing value added. The results indicate that M&A negatively influence on the manufacturing share of total output. An inverted U-shaped effect is observed, suggesting a deindustrialization process that is more pronounced in the higher quantiles, affecting countries with already established industrial sectors more severely. It is concluded that, while mergers and acquisitions can be beneficial, there is a saturation point beyond which the displacement of domestic industry accelerates. The document provides robust evidence on recent global industrialization patterns associated with MNE operations, emphasizing the need for selective industrial policies that regulate the presence of foreign companies to foster industrialization processes.

JEL Codes:

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