

Cross-border M&A and local supply chains: new evidence from the Italian Automotive industry

by Giuseppe Giulio Calabrese | Greta Falavigna | Alessandro Manello | IRCrES - CNR | IRCrES - CNR |
University of Turin, IRCrES - CNR

Abstract ID: 246

Inviato: 13/04/2023

Evento: XXI Workshop Annuale SIEPI

Argomento: 1. Analisi sull'industria italiana e internazionale

Parole chiave: automotive industry, cross-border M&A, difference-in-differences, international trade flows

A broad economic literature evaluated the impact of cross-border M&A on firm-level performance and employment levels within the local economic environment involved in such operations. We contribute to this literature by studying the effect of a challenge for the Italian automotive value chain, the Fiat-Chrysler M&A, on the other firms operating in the same industry. Exploiting a unique data source on the international supplying strategies of automotive firms operating in Italy, we provide evidence on the effects of the path-breaking M&A on the entire supply chain. We assess how large and medium firms' engagement in international supply has been affected by the event in terms of new supplying routes stimulated by the geographical movement of the decision power. Using a difference-in-differences identification strategy, we find a positive effect of the M&A on international exposure to import flow, with a increased exposure to US suppliers. The evidence show that the shift of decision power has changed the international purchasing strategy also for local firms that traditionally operate within the automotive supply chain and are not directly involved in the M&A operation. The new standard imposed by the newborn FCA has changed deeply the sourcing strategy along the entire supply chain.