



STEG-PEDL Virtual Course on 'Private Enterprises, Productivity and Economic Growth'

Session 9: Friday 10 April 2026

[Isabela Manelici](#)

[Presentation slides](#)

[Video](#)

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Useful links:

- <https://voxdev.org/voxdevlit/foreign-direct-investment>.
- <https://grp.cepr.org/events/steg-virtual-course-supplemental-lecture-trade-fdi-and-development-natalia-ramondo-boston-u> (Natalia Ramondo's lecture on the STEG course from a few years ago)
- <https://www.nber.org/research/videos/2018-masters-lecture-pinelopi-goldberg-firms-developing-countries> (Penny Goldberg's master's lecture from NBER 2018 on Firms in Developing Countries)

Q: In these firm-to-firm linkages, is the services sector also included? And secondly, there is this whole literature of relational contracting. If that is prevalent in developing economies, would it have any impact on the formation and consequences of backward linkages with the MNEs?

A: On the firm-to-firm linkages, I think I can answer this... To the extent that service sector firms are in the formal sector, they will be captured in the VAT data. But as Isabela said, if an MNE purchases cleaning services from a local firm that is informal, it might not be captured in the data... As she says, though, many MNEs are reluctant to contract with informal firms, because they don't want to fall on the wrong side of the law.

On the relational contracting, I'll put this question to Isabela at the end! It's an interesting question.

Q: The RS code of conduct is a dummy variable? (the MNE does/does not have it)

A: It seems to be treated here as a dummy, although the event study focuses on timing (years since the code was adopted).

Q: I did not know that was a change in the local time, so I entered late.

A: The lectures have been set at a constant London time, but different countries have gone to daylight time at different points in the year. Apologies for any confusion. Having said that, all the lectures (including this one) are available in recorded form from the course home page, so if you missed anything, it's possible to catch up!

<https://grp.cepr.org/steg/courses/Private-Enterprises-Productivity-and-Economic-Growth>

Q: How could the results change when suppliers are classified by the level of technological sophistication and the type of good/intermediate good they are supplying?

A: This is a great question. The challenge (as Isabela alluded to) is figuring out whether the key variable is that a company is a multinational or whether it's a superstar company (that happens to be a multinational). We'd love to know more about what the secret sauce actually is.

Q: I'd like to begin collecting questions for Isabela for the conclusion of the lecture. If you have questions that you'd like me to put to her, please reply to this message and let's try to collect the questions in this thread.

Q1: In Costa Rica, as well as other countries, how footloose are MNEs? This was mentioned very briefly at the beginning of the presentation and it was seen as more of a concern in the past. I'm wondering how this affects potential investment decisions for domestic suppliers. Also, in Costa Rica, do you see evidence of MNE superstars, such as Intel, bringing other MNE suppliers with them?

Q2: If I understand correctly, the current research shows that the effect of MNEs backward linkage has a stronger effect than forward linkage. I wonder how much of this stronger impact on the host economy is due to expansion of demands that were originally non-existent (meaning the MNEs export their final products, not just sell domestically). Does the current literature answer this?

Q3: Do you see any impact on subcontracting? As in suppliers subcontracting out to informal firms in face of higher costs of compliance to RS codes. This was/is a big issue in Bangladesh, as they found after the Rana Plaza incident.

Q4: Could RS from MNEs reduce productivity of the local suppliers (in the setting of backward linkages) because they have more requirements than the other local suppliers? What if the standards or codes are much higher (or stricter) than local standards? Does it different impact on short term vs. long term?