Discussion of Trade Imbalances and the Global Footprint of U.S. Multinationals by Alfaro and Alviarez (2025)

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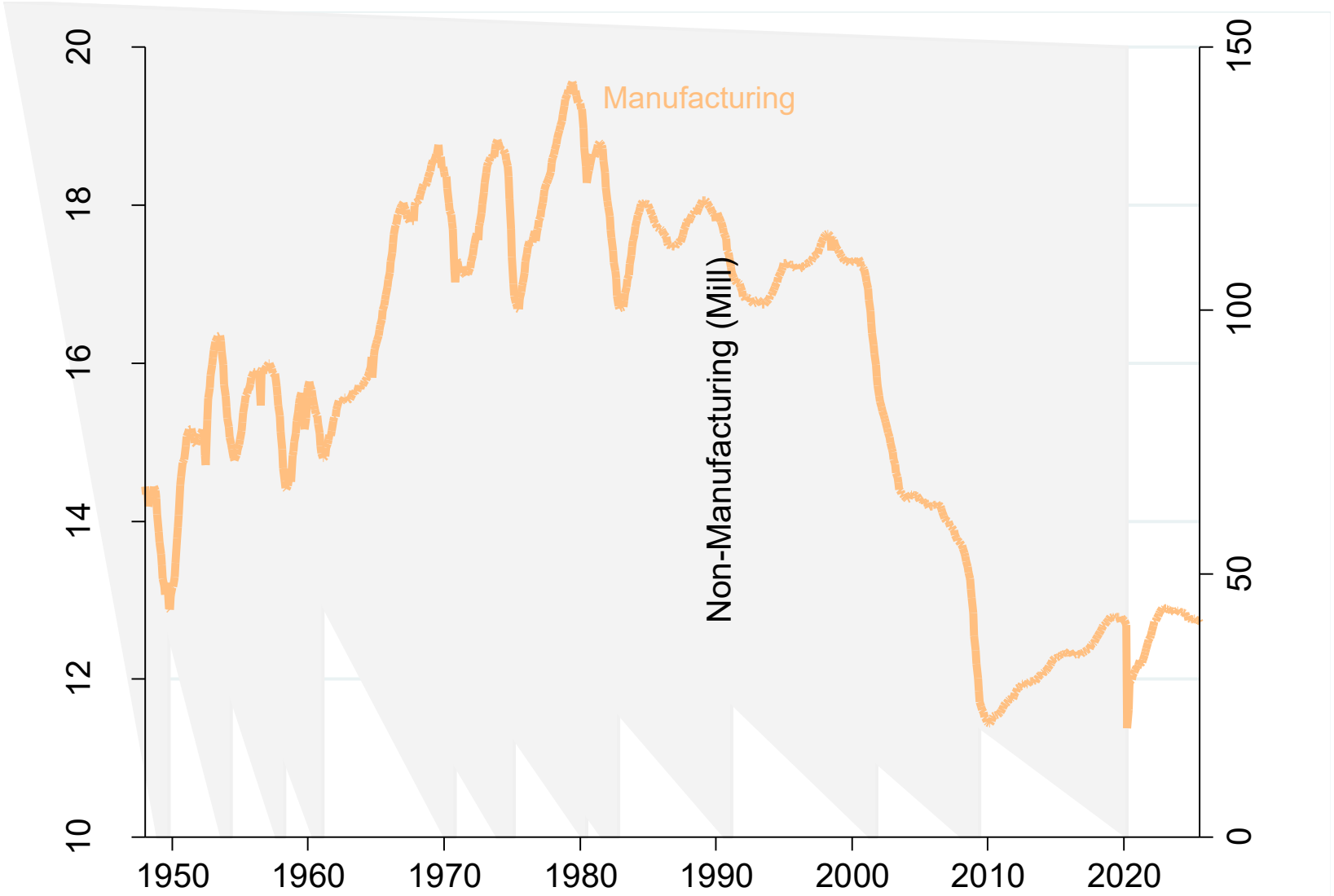
November 2025

Context

The US is moving from manufacturing → services

Sharp Decline in US Manufacturing Employment



Source: BLS.

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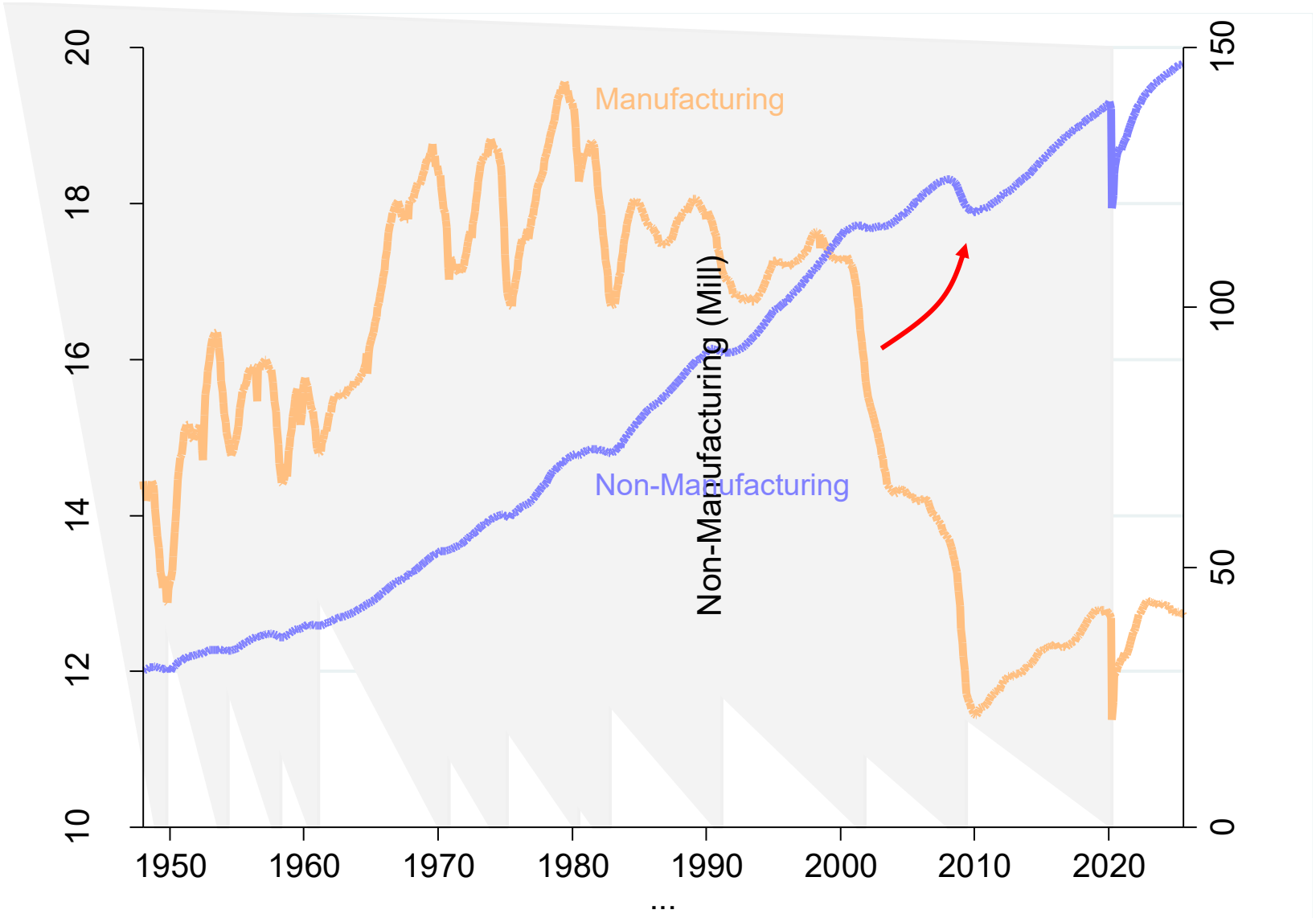

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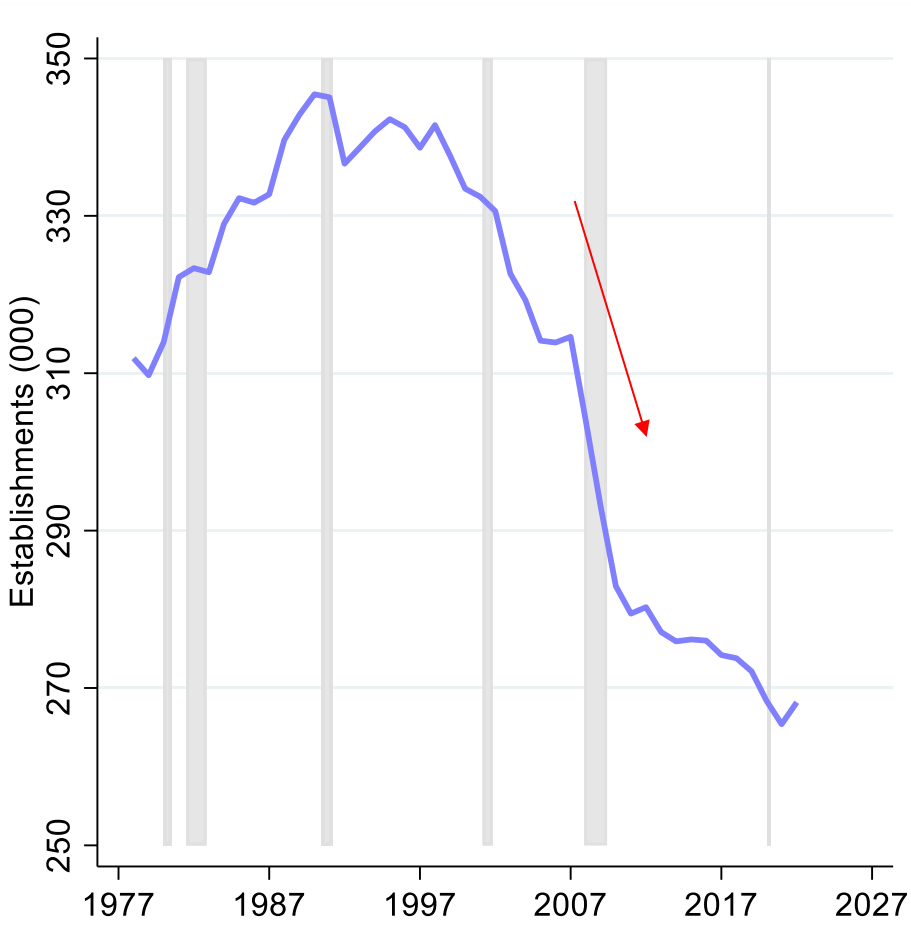
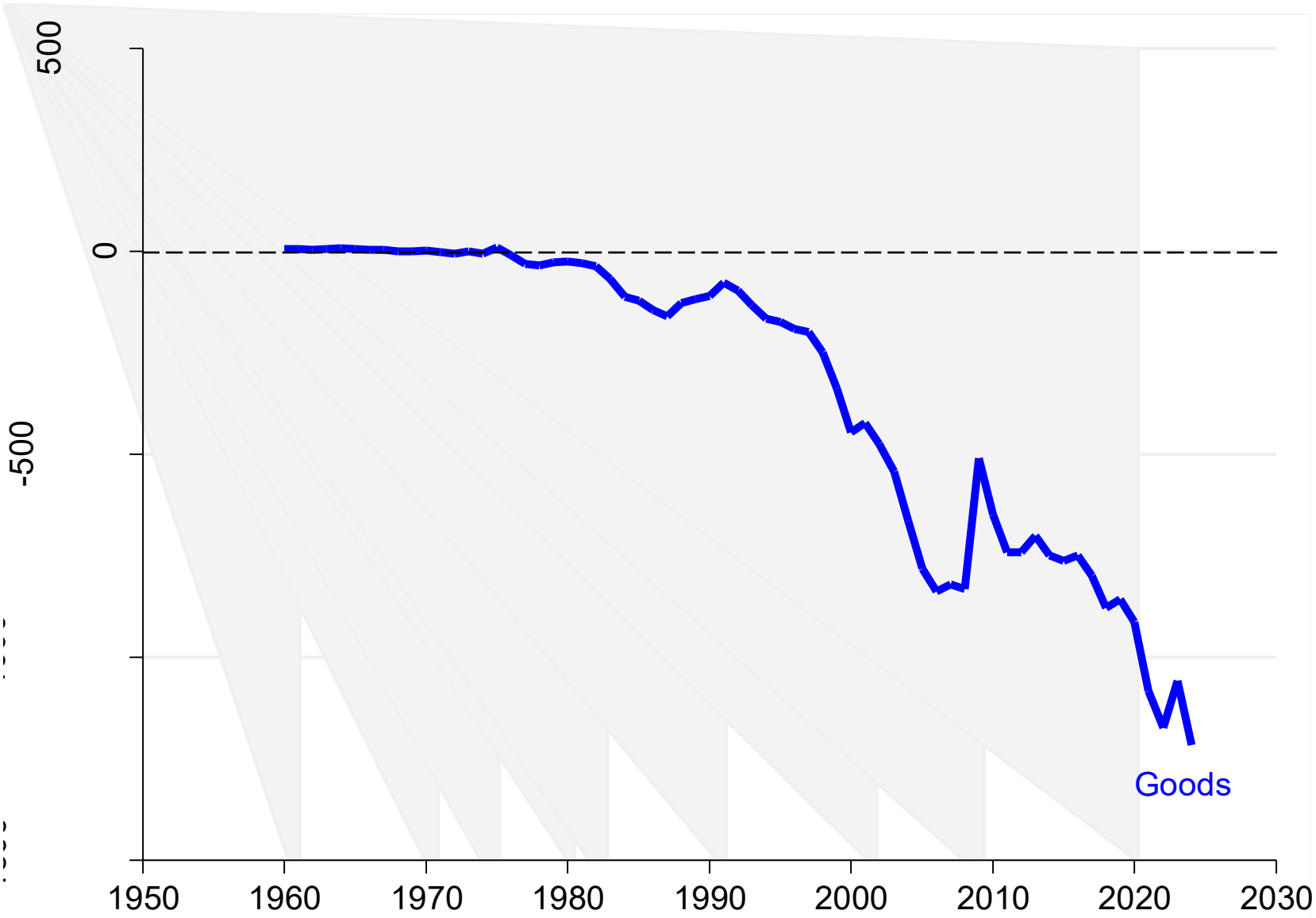
US Manufacturing Establishments



Source: BDS.

The US trade balance reflects this shift

US Nominal Net Exports (NX)



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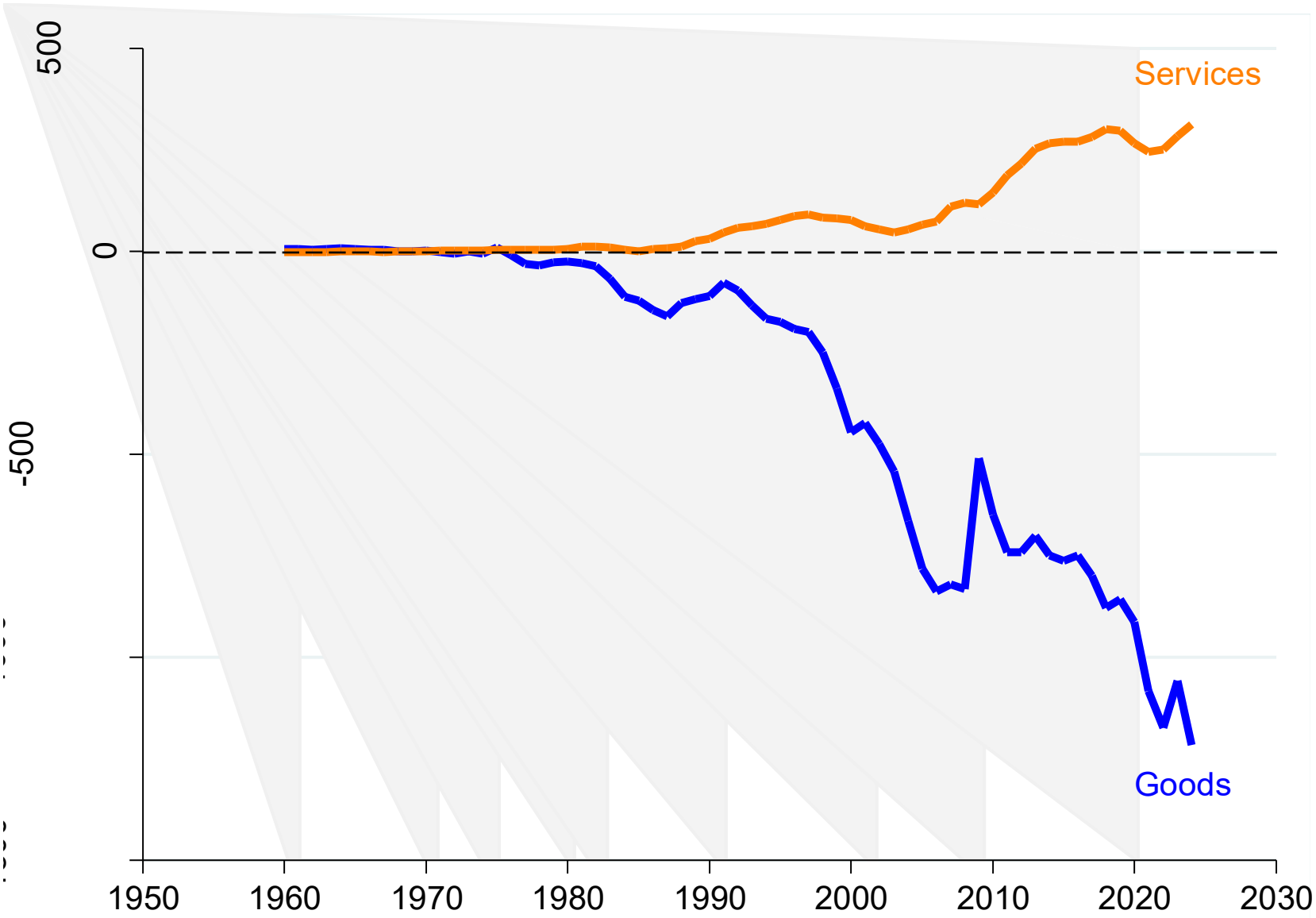

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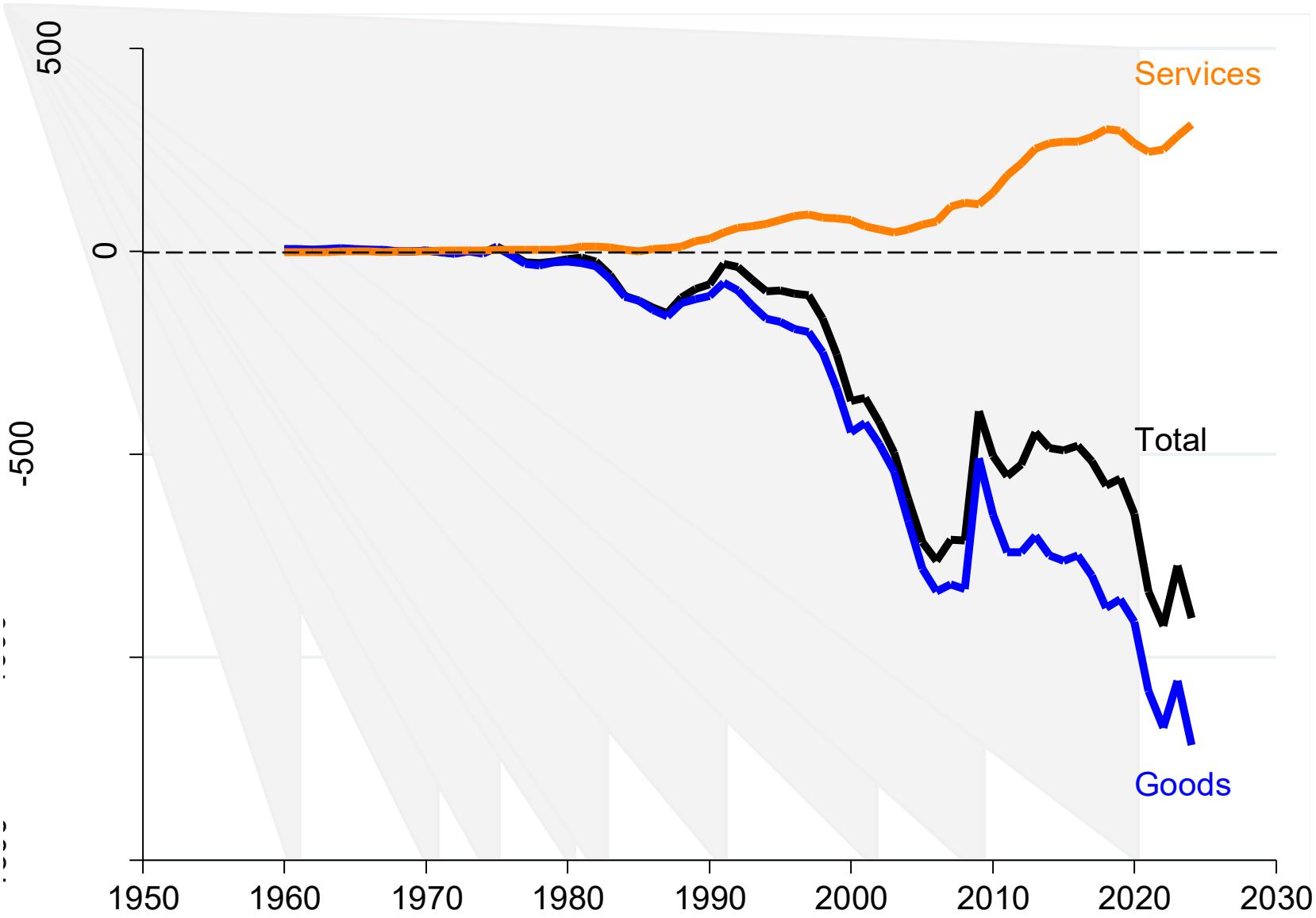

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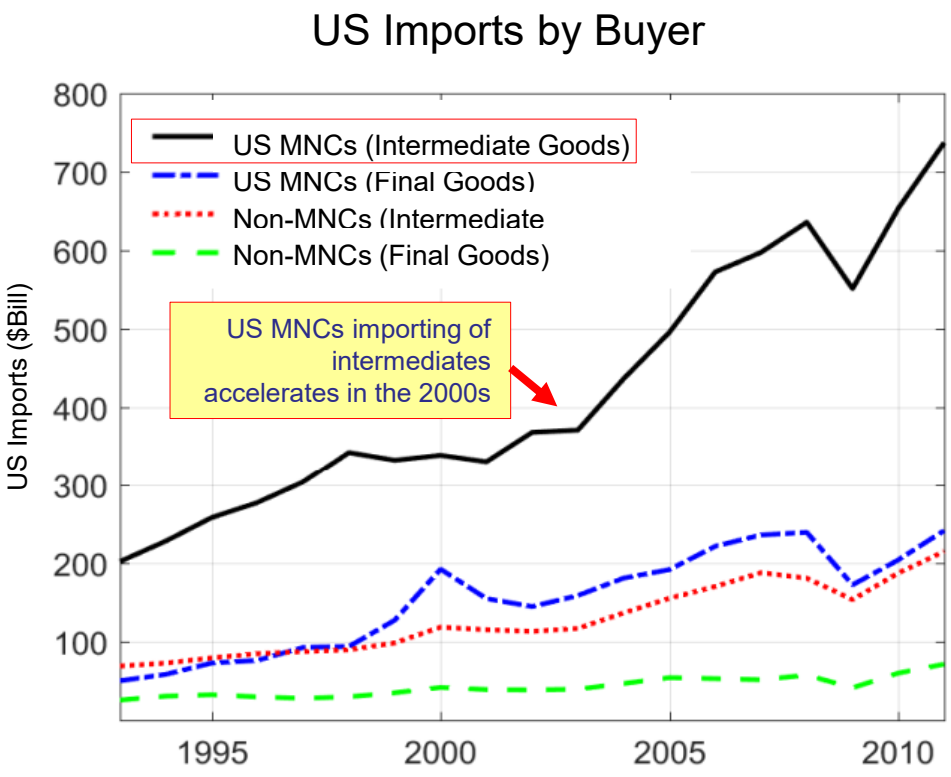
Many suspect MNCs drive these trends

- Since 2017, General Motors closed U.S. plants and moved popular vehicle lines to Mexico; Ford announced its new Mustang electric SUV will be made in Mexico; Boeing offshored 5,800 jobs, General Electric offshored 2,046, and United Technologies offshored 1,572 jobs. The Machinists and Steelworkers have lost dozens of facilities to offshoring during this period.

Boehm, Flaaen and Pandalai-Nayar (2020)



US Manufacturing Employment (Mill)

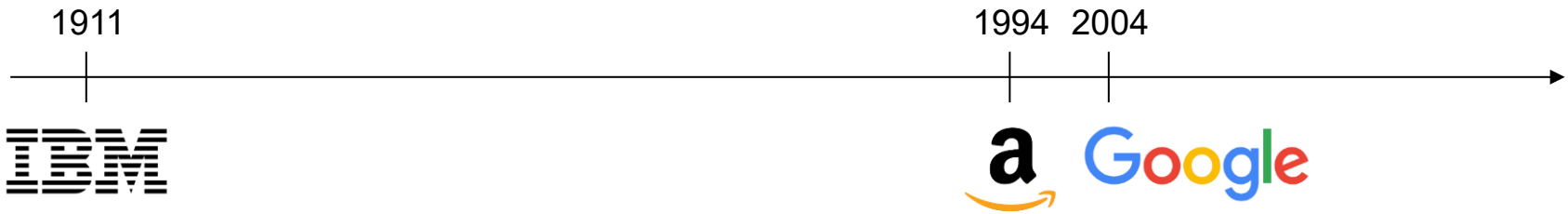
	1993	2011	Change
US MNCs	5.3	3.0	-2.3
US Affiliates of Foreign MNCs	1.1	1.4	0.3
All Other	9.5	5.9	-3.6
	15.9	10.3	-5.7

Coincides with large drop in US MNC manufacturing employment

US shift to services is occurring within and across firms

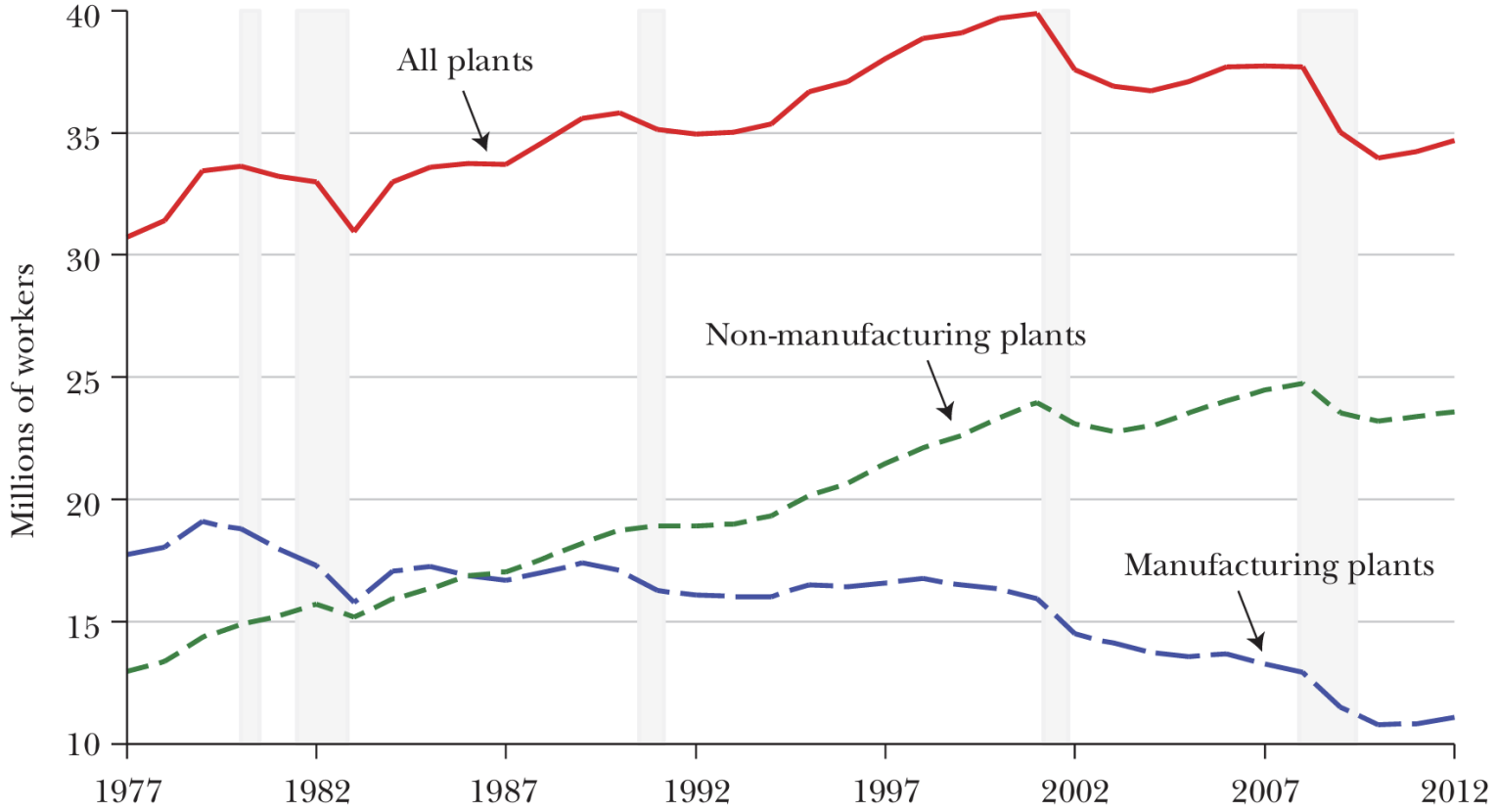
1911

IBM


1911
1994
2004
IBM
Google

Structural Change Within Manufacturing

Employment at Manufacturing Firms Decomposed into Employment at Manufacturing versus Non-Manufacturing Establishments, 1977–2012



Source: Fort, Pierce and Schott (2018).

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- How are US MNCs expanding?

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  - Goods deficit due to Non-MNCs and Foreign MNCs
- Do US MNCs play an *indirect role* in these trends? Maybe
  - Prior MNC activity linked to subsequent ↘ goods trade balance
- How are US MNCs expanding? By Sector-Country
  - Same countries, same sectors, but reallocation with sector-country
  - Structural change within and across affiliates?

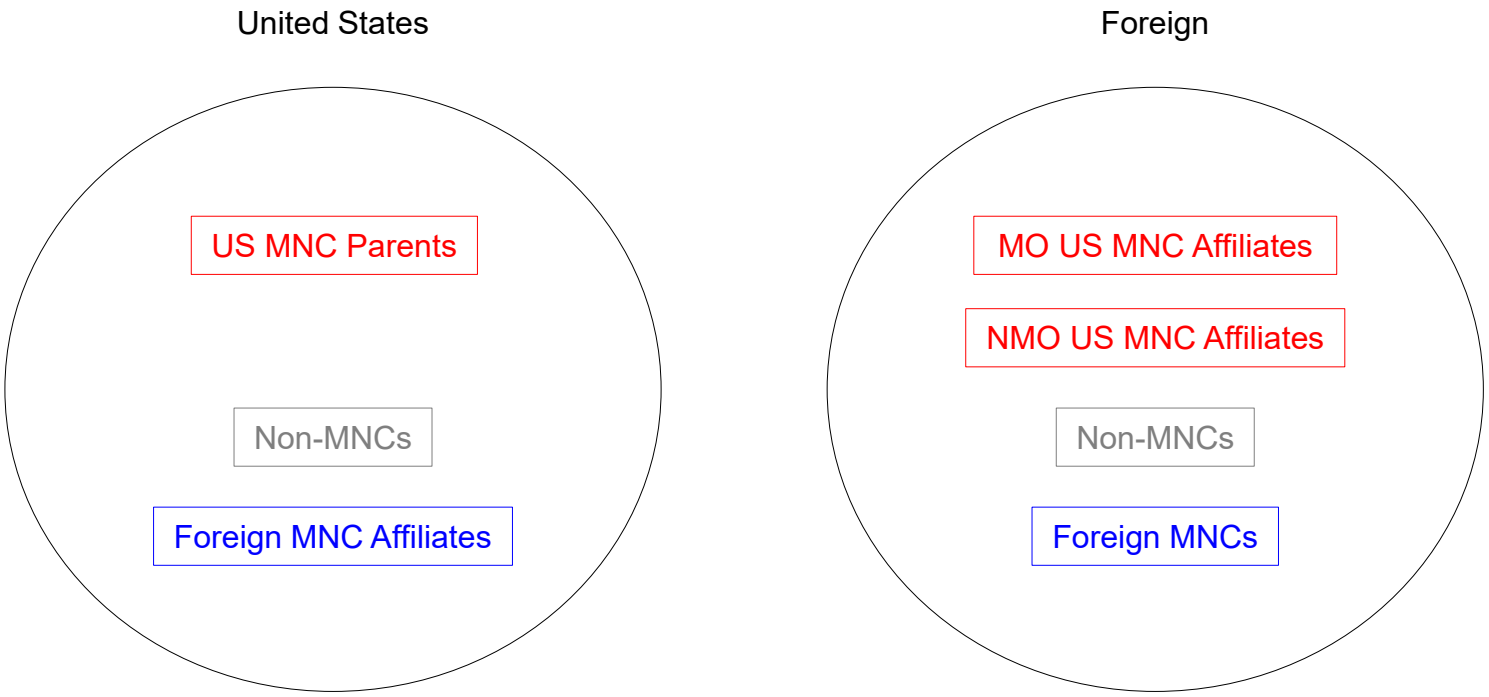
Three comments…

Comment 1

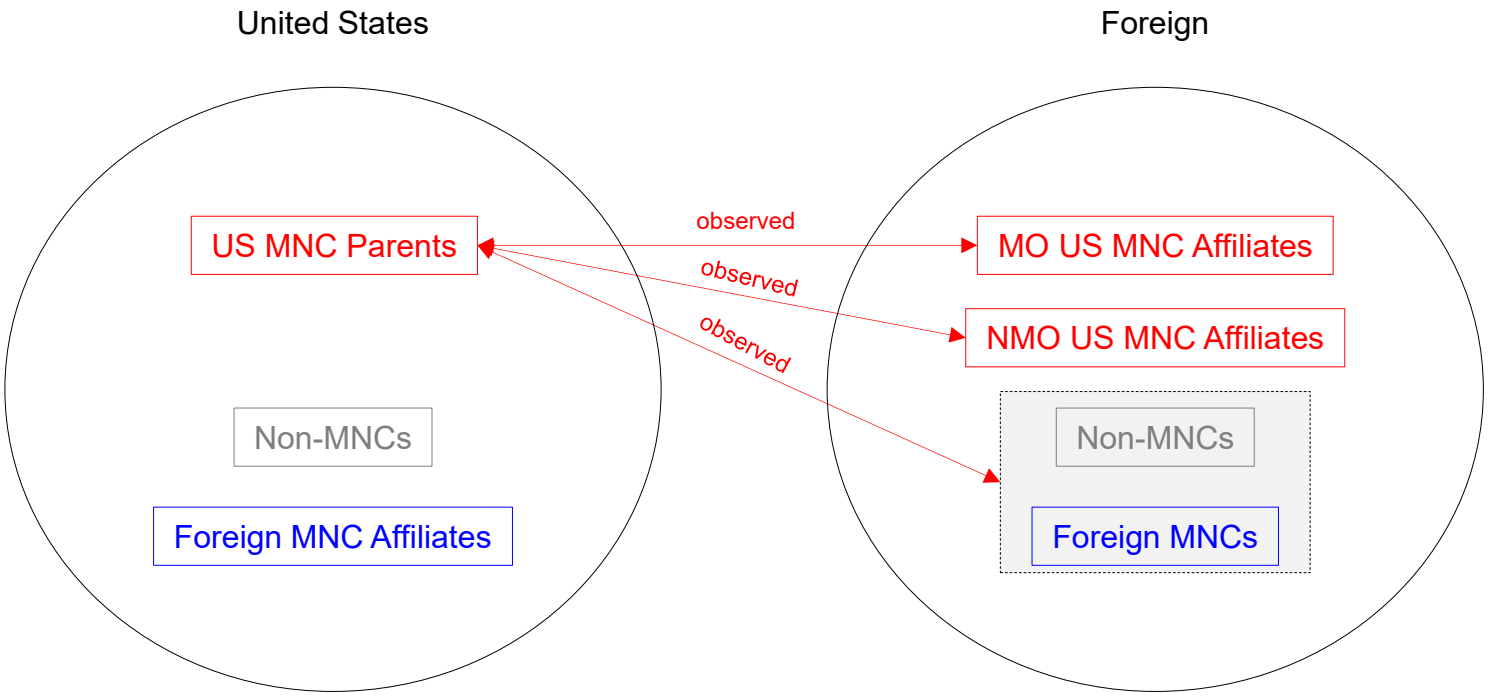
- Great data contribution!

- A bit more background detail would be great
  - How are MNCs defined?
  - E.g., how is Apple categorized?
  - Maybe have a simple table of observable flows, emp, etc.?

Units of Observation



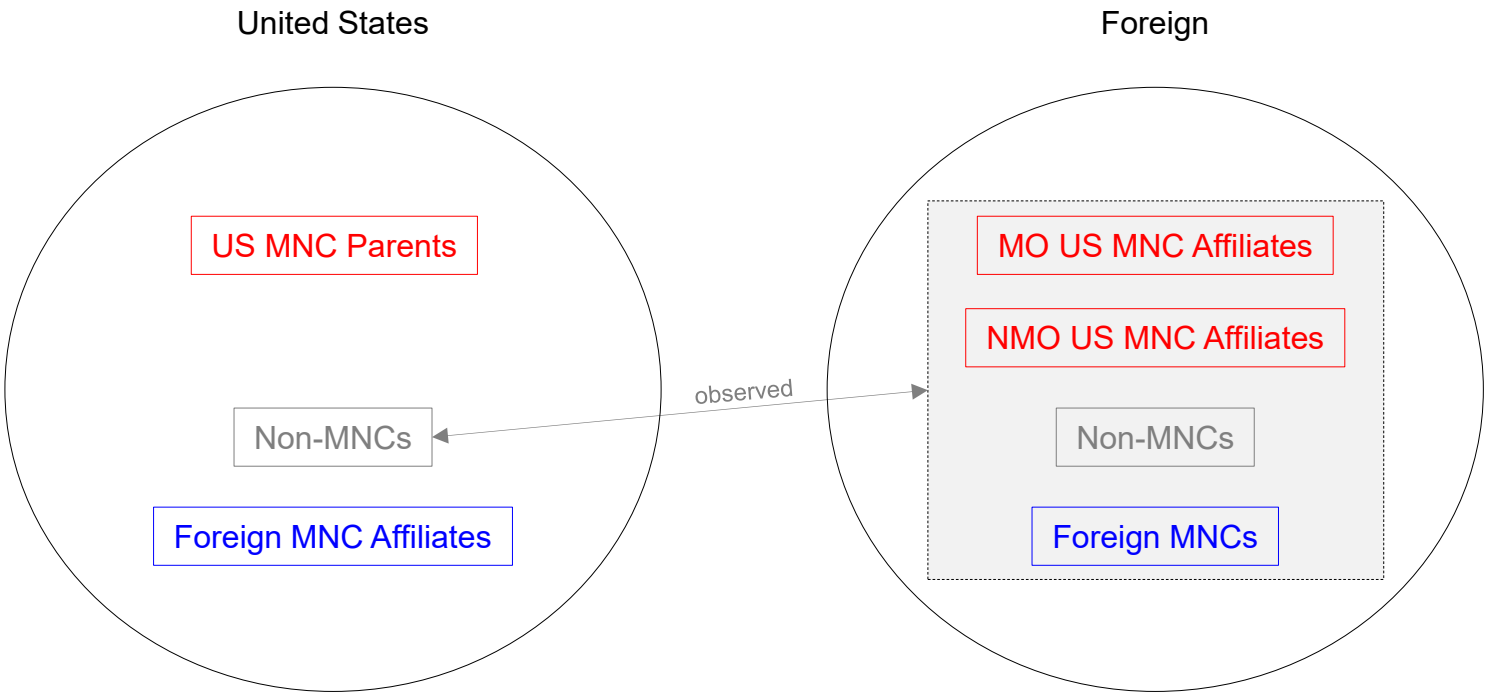
Within US MNC



Authors show us goods trade

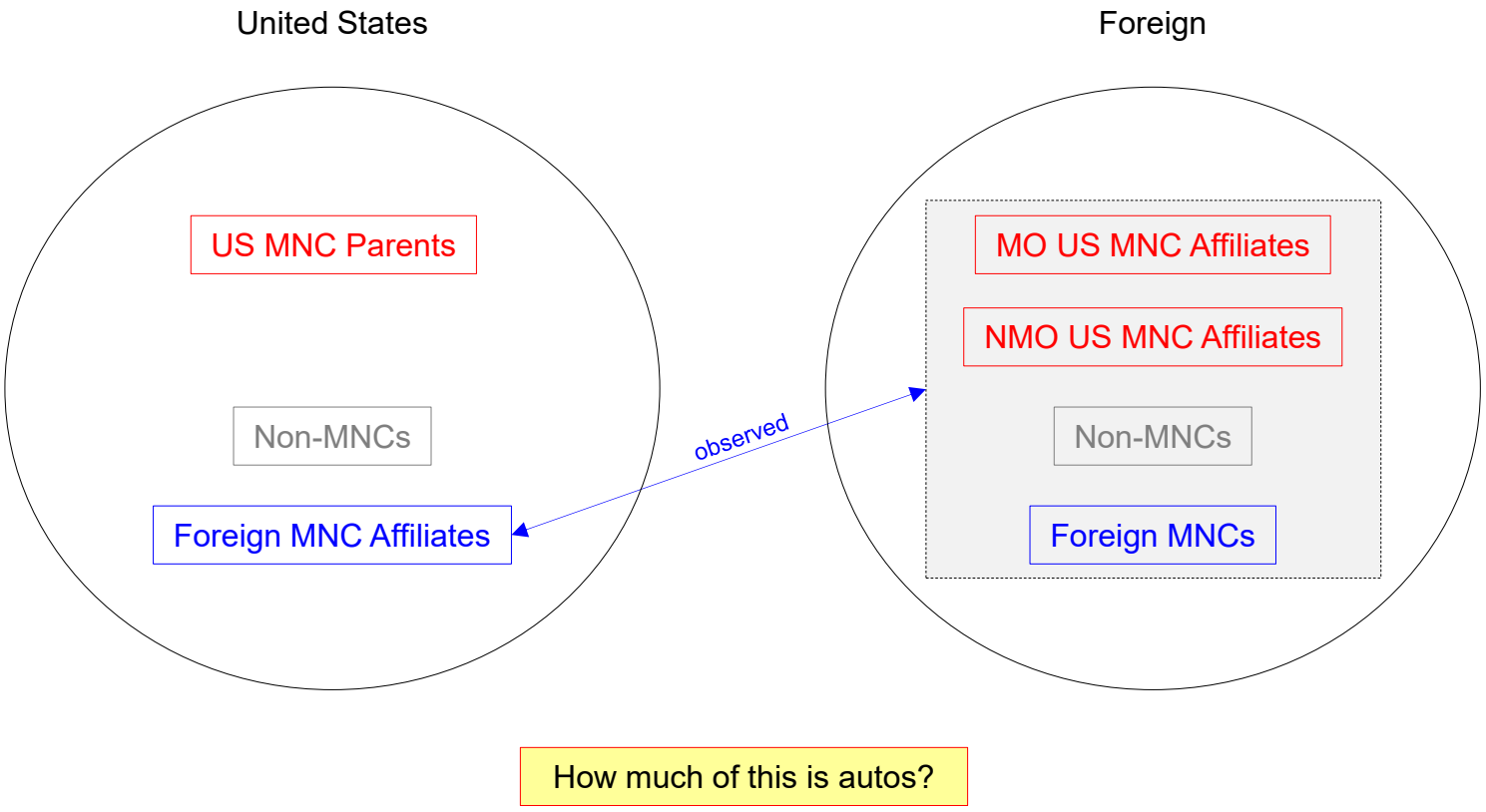
Can we also see within MNC service trade balance too?

Within US Affiliate of Foreign MNC



Would Apple importing from Foxconn be in this group?

Within US Non-MNC



How much of this is autos?

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- Paper is “descriptive”
- Full of interesting and provocative facts and regressions
- But, lots of results; needs more narrative

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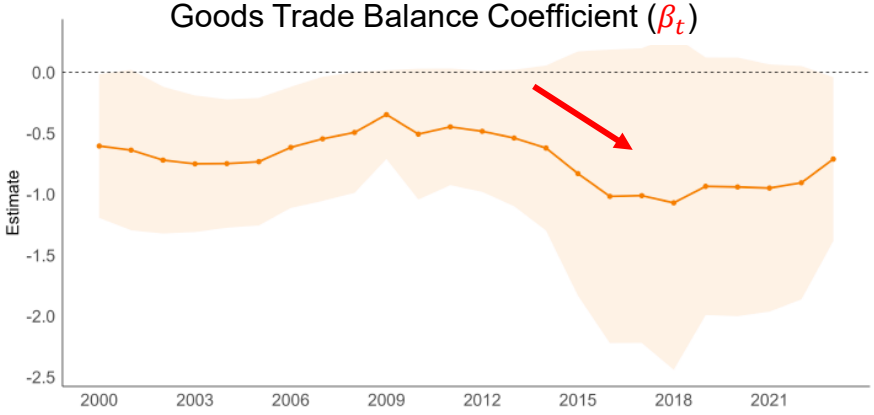
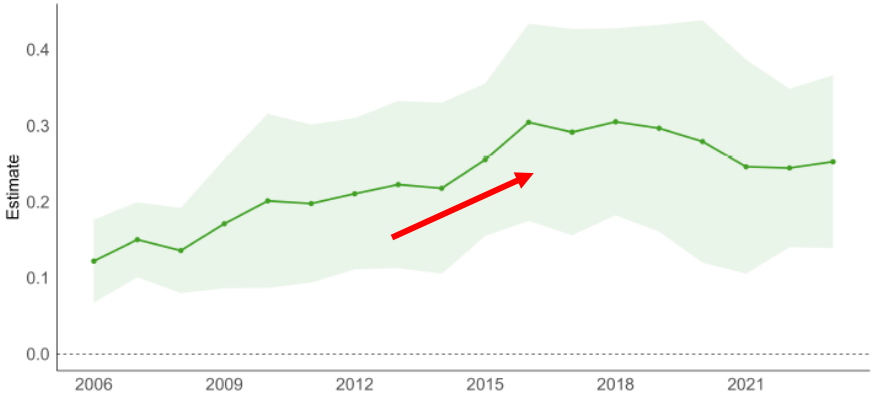
- For example…

$$Trade\ Balance_{c,t}^{k} = \beta_t Affiliate\ Sales_{c,t-1}^{k} + Controls + \epsilon_{c,t}$$

Goods Trade Balance Coefficient (β_t)



Services Trade Balance (β_t)



- Prior affiliate sales associated with:
  - Greater goods deficit over time
  - Greater services surplus over time
- Trends due to Non-MNC trade? (Figure 6)
- Would be great to know more
  - Estimate by US MNC vs Non-MNC?
  - Break out by sector of affiliate?
  - Break out by sector of parent?
  - Address timing?
- Help rule in or rule out explanations:
  - Tech transfer?
  - MNC entry lowers trade, other costs?
  - Host country policies? MNCs move first?
  - MNC entry is positive signal?
  - Etc.

Comment 2

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$$Trade\ Balance_{c,t}^{k} = \beta_t Affiliate\ Sales_{c,t-1}^{k} + Controls + \epsilon_{c,t}$$

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$$k = \{Total, Goods, Services\}$$

$$Trade\ Balance^{k}_{c,t} = \beta_k Affiliate\ Sales^{k}_{c,t-1} + Controls + \epsilon_{f,t}$$
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TABLE 1: Foreign Affiliates Sales and Trade Balance Regressions

	Affiliate Sales relative to global US MNCs sales		
Regressor	Total (1)	Goods (2)	Services (3)
Panel A: Dependent variable – Normalized Trade Balance (Goods & Services)			
Affiliate Sales	-0.384[a]	-0.567[a]	0.584[b]
	(0.121)	(0.150)	(0.226)
Observations	995	967	972
R^2	0.934	0.935	0.933
Mean of dep. var.		−0.00377	
Panel B: Dependent variable – Normalized Trade Balance (Goods)			
Affiliate Sales	-0.666[a]	-0.770[a]	-0.306
	(0.125)	(0.150)	(0.223)
Observations	995	967	972
R^2	0.941	0.941	0.936
Mean of dep. var.		−0.00471	
Panel C: Dependent variable – Normalized Trade Balance (Services)			
Affiliate Sales	0.283[a]	0.203[a]	0.890[a]
	(0.0344)	(0.0424)	(0.0886)
Observations	995	967	972
R^2	0.825	0.792	0.822
Mean of dep. var.		0.000935	
Overall mean of main regressors (across panels)			
Mean of main regr.	0.00722	0.00551	0.00176

Notes: Each column reports the coefficient from a panel regression of the form Trade Balance$_{c,t}$ = βAffiliate Sales$_{c,t-1}$ + $\gamma Z_{c,t-1} + \mu_t + \mu_c + \varepsilon_{c,t}$, where Trade Balance$_{c,t}$ denotes the U.S. bilateral trade balance with country c in year t, normalized by total trade (exports + imports), for the outcome indicated in each panel: total goods and services, goods only, or services only. The main independent variable, Affiliate Sales$_{c,t-1}$, is the lagged ratio of affiliate sales in country c relative to total global sales of U.S. multinationals, as specified in each column header. The control vector $Z_{c,t-1}$ includes the logarithm of real GDP per capita, the internal rate of return, and the logarithm of the bilateral exchange rate. All regressions include year and country fixed effects, and standard errors are heteroskedasticity-robust (HC1). Cells report coefficient estimates with robust standard errors in parentheses. [a] p<0.01, [b] p<0.05, [c] p<0.10.

$$Trade\ Balance_{c,t}^{k} = \beta_k Affiliate\ Sales_{c,t-1}^{k} + Controls + \epsilon_{c,t}$$
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β_k from Above Regressions

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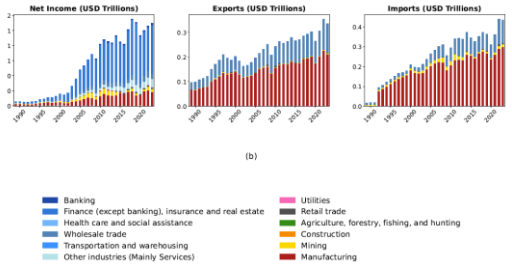
Affiliate goods sales intuitively seem to replace goods exports

Affiliate services sales complement service exports

Would be great to know more, e.g., which services?

Wholesale?



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Service balance deteriorates as affiliates sell more goods

Goods balance improves as affiliates sell more services

Would be great to know more here too

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$$Trade\ Balance_{c,t} = \beta_t Affiliate\ Sales_{c,t-1} + Controls + \epsilon_{c,t}$$

$$Trade\ Balance^{k}_{c,t} = \beta_k Affiliate\ Sales^{k}_{c,t-1} + Controls + \epsilon_{c,t}$$

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$$k = \{Total, Goods, Services\},\ f = \{US, Host, ROW\}$$

TABLE 2: Destination-Specific Affiliate Sales and Trade Balance Regressions

Regressor	Affiliate Sales relative to global U.S. MNC sales		
	Total	Goods	Services
	(1)	(2)	(3)
	Panel A: Dependent variable – Normalized Trade Balance (Goods & Services)		
Sales to U.S.	−2.024[a]	−4.519[a]	0.849
	(0.629)	(0.906)	(0.562)
Sales to Host Country	−0.679[a]	−0.341	1.477
	(0.253)	(0.283)	(0.904)
Sales to Third Markets	0.754[a]	0.480[b]	0.182
	(0.185)	(0.235)	(0.430)
Observations	953	861	876
R^2	0.939	0.947	0.940
Mean of dep. var.		−0.00377	
	Panel B: Dependent variable – Normalized Trade Balance (Goods)		
Sales to U.S.	−2.157[a]	−3.756[a]	0.808
	(0.531)	(0.761)	(0.589)
Sales to Host Country	−1.072[a]	−0.915[a]	0.190
	(0.267)	(0.297)	(0.876)
Sales to Third Markets	0.660[a]	0.797[a]	−1.015[b]
	(0.183)	(0.231)	(0.460)
Observations	953	861	876
R^2	0.946	0.951	0.942
Mean of dep. var.		−0.00471	
	Panel C: Dependent variable – Normalized Trade Balance (Services)		
Sales to U.S.	0.134	−0.764[a]	0.041
	(0.190)	(0.241)	(0.178)
Sales to Host Country	0.393[a]	0.575[a]	1.287[a]
	(0.069)	(0.079)	(0.249)
Sales to Third Markets	0.094	−0.317[a]	1.197[a]
	(0.084)	(0.095)	(0.181)
Observations	953	861	876
R^2	0.829	0.819	0.832
Mean of dep. var.		0.000935	
Overall mean of main regressors (across panels)			
Mean of Sales^{US}	0.000811	0.000631	0.000183
Mean of $\text{Sales}^{\text{Host}}$	0.00444	0.00334	0.00127
Mean of $\text{Sales}^{\text{Third}}$	0.00208	0.00179	0.000363

Notes: Each column reports coefficient estimates from a panel regression of the U.S. bilateral trade balance (normalized by U.S. imports) on affiliate sales by destination. The three sales categories—sales to the U.S., sales to the host-country market, and sales to third countries—are jointly included and expressed relative to total global sales of U.S. multinationals. Columns (1)–(3) vary the sales definition: total affiliate sales, goods-only, and services-only, respectively. Each panel corresponds to a different trade balance measure: goods and services combined (Panel A), goods only (Panel B), and services only (Panel C). All regressions include lagged controls (log GDP per capita, interest rate, and log exchange rate), as well as year and country fixed effects. Standard errors are robust to heteroskedasticity and reported in parentheses. Superscripts denote significance levels: [a] $p < 0.01$, [b] $p < 0.05$, [c] $p < 0.10$.

$$Trade\ Balance_{c,t}^{k} = \sum_f \beta_{fk} Affiliate\ Sales_{c,t-1}^{fk} + Controls + \epsilon_{c,t}$$
$$k = \{Total, Goods, Services\},\ f = \{US, Host, ROW\}$$

β_{fk} from Above Regressions

		Trade Balance$_t$		
		Total	Goods	Services
Affiliate Sales$_{t-1}$	Sales to U.S.	**-2.024**	**-4.519**	0.849
	Sales to Host	**-0.679**	-0.341	1.477
	Sales to ROW	**0.754**	**0.48**	0.48
	Goods sales to US	**-2.157**	**-3.756**	0.808
	Goods sales to Host	**-1.072**	**-0.915**	0.19
	Goods sales to ROW	**0.66**	**0.797**	**-1.015**
	Service sales to US	0.134	**-0.764**	0.041
	Service sales to Host	**0.393**	**0.575**	**1.287**
	Service sales to ROW	0.094	**-0.317**	**1.197**

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Offshoring

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	Service sales to Host	**0.393**	**0.575**	**1.287**
	Service sales to ROW	0.094	**-0.317**	**1.197**

Bold = statistically significant. Table reports β_{fk} for 2021(?).

		Trade Balance$_t$		
		Total	Goods	Services
Affiliate Sales$_{t-1}$	Total	**-0.384**	**-0.567**	**0.584**
	Goods	**-0.666**	**-0.77**	-0.306
	Services	**0.283**	**0.203**	**0.89**

???

Different story for services: Affiliate services sales complement service exports to host and ROW

$$Trade\ Balance_{c,t}^{k} = \sum_f \beta_{fk} Affiliate\ Sales_{c,t-1}^{fk} + Controls + \epsilon_{c,t}$$
$$k = \{Total, Goods, Services\},\ f = \{US, Host, ROW\}$$

β_{fk} from Above Regressions

		Trade Balance$_t$		
		Total	Goods	Services
Affiliate Sales$_{t-1}$	Sales to U.S.	**-2.024**	**-4.519**	0.849
	Sales to Host	**-0.679**	-0.341	1.477
	Sales to ROW	**0.754**	**0.48**	0.48
	Goods sales to US	**-2.157**	**-3.756**	0.808
	Goods sales to Host	**-1.072**	**-0.915**	0.19
	Goods sales to ROW	**0.66**	**0.797**	**-1.015**
	Service sales to US	0.134	**-0.764**	0.041
	Service sales to Host	**0.393**	**0.575**	**1.287**
	Service sales to ROW	0.094	**-0.317**	**1.197**

Bold = statistically significant. Table reports β_{fk} for 2021(?).

		Trade Balance$_t$		
		Total	Goods	Services
Affiliate Sales$_{t-1}$	Total	**-0.384**	**-0.567**	**0.584**
	Goods	**-0.666**	**-0.77**	**-0.306**
	Services	**0.283**	**0.203**	**0.89**

???

Goods balance improves as affiliates sell more services to the host country

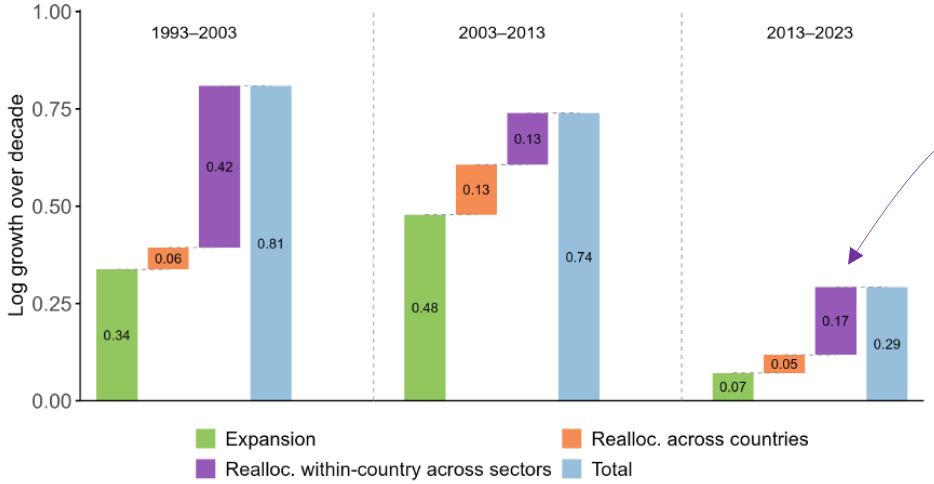
Boeing aircraft with service contracts?

Comment 3

- Decompositions are interesting
- US MNC target countries and sectors are stable
- But hard to get my head around joint importance of
  - Reallocation across s within c
  - Reallocation across c within s

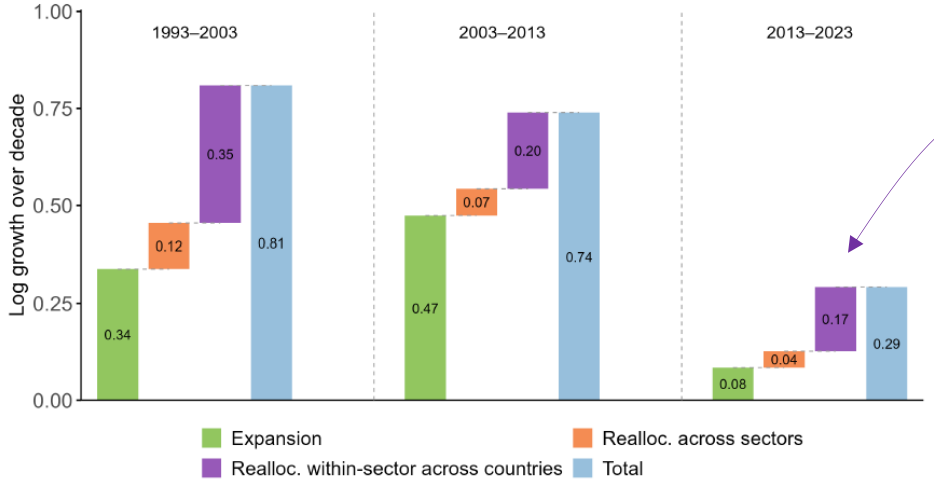
Decompositions

FIGURE 7: Affiliate Sales Growth: Expansion and Reallocation Across Decades (Country-Sector)



Reallocation within c across s

FIGURE 8: Affiliate Sales Growth: Expansion and Reallocation Across Decades (Sector-Country)



Reallocation within s across c

A story or example would be helpful for thinking this through

Wrap-Up

- Great question
- Great data
- Need more story

Detailed Comments for Authors

- Figure 2 notes wrong?
- Figure 2 panel titles are confusing. Maybe call panel A “US MNC Parent Total Trade” and panel B “US MNC Parent Trade with Affiliates”
- Separate figure collecting all the goods trade imbalances from Figure 2 and 3?
- Similar one for all the service trade imbalances?
- China missing panel A of figure 4?
- First sentence of section 3 could use a citation. That is, it would be good to motivate with a quote from somewhere espousing the conventional narrative
- Table 1: define vars in panel titles? Note that RHS variable is lag?
- When does “trade balance” mean only goods, only services, or both? E.g., Figure 4 versus Table 1? Better to have clear titles throughout since your discussion focuses on various subsets of trade
- Should use same time scale in panels A and B of Figure 5
- Also report figure 7 as shares of total?
- Include more lags in 3.1?
- Given the results in Figures 2 and 3, shouldn’t the results in Table 1 be broken out by Intra-Firm vs Non-Intra-Firm flows? That is, you want to know what causes the Non-MNC’s to import more?
- What year of data is Table 1?
- Why remove china in the instrument? Or, at least show what happens if you leave it in? What does it mean to remove the US from the shift component?
- Several trade balances and forms of MNC activity are analyzed
- Sometimes not clear which one is being reported, discussed
- Figure 4 better as a scatter of each panel’s y-axes, using dot size for total trade balance?
- Really interesting that the Non-MNC trade balance reacts to strongly to the great recession, vs MNCs, but maybe that is known already? You don’t seem to make a big deal about it.

Thanks!

Appendix

Table 2 Sales of Selected Services to Foreign Persons

In Table 2 below, indicate whether the U.S. Reporter had sales of any of the service types during the reporting period identified in question 1 by checking the corresponding box in Column 3.

For each service type checked, indicate whether the U.S. Reporter's sales of that service type exceeded $6 million in the prior fiscal year, or if they are expected to exceed $6 million in the current fiscal year by checking "yes" or "no" in Column 4.

For each service type checked "yes" in Column 4, you are required to report sales for the reporting period identified in question 1 by individual country on Schedule A and/or C (pages 9 and 13) as indicated in Column 5. For each service type checked "no," you are encouraged to voluntarily report more detailed information on Schedule A and/or C (pages 9 and 13).

NOTE: Reporting status is based on annual sales (actual or expected), but amounts reported on the schedules are only for the reporting period entered in question 1. Definitions of the types of services covered in Table 2 can be found in Part IV, pages 19–23 of the General Instructions.

Table 2 Sales of Selected Services to Foreign Persons

Trans-action Code	Service Type	Had sales (regardless of size) in the reporting period?	Had total sales exceeding $6 million during the prior fiscal year or expected to exceed $6 million in the current fiscal year?		If yes in Column 4, report country detail for quarterly transactions on:
(1)	(2)	(3)	(4)		(5)
9	Accounting, auditing, and bookkeeping services	☐	☐Yes	☐No	Schedule A
10	Advertising services	☐	☐Yes	☐No	Schedule A
11	Auxiliary insurance services	☐	☐Yes	☐No	Schedule A
12	Computer and data processing services	☐	☐Yes	☐No	Schedule A
13	Construction services	☐	☐Yes	☐No	Schedule C
14	Database and other information services	☐	☐Yes	☐No	Schedule A
15	Education services	☐	☐Yes	☐No	Schedule A
16	Engineering, architectural, and surveying services	☐	☐Yes	☐No	Schedule C
17	Financial services				
18	Industrial engineering services	☐	☐Yes	☐No	Schedule A
N/A	Industrial-type maintenance, installation, alteration, and training services (report in 19.1 and 19.2)				
19.1	Maintenance services	☐	☐Yes	☐No	Schedule A
19.2	Installation, alteration, and training services	☐	☐Yes	☐No	Schedule A
20	Legal services	☐	☐Yes	☐No	Schedule A
21	Management, consulting, and public relations services (includes receipts from foreign affiliates for allocated expenses)	☐	☐Yes	☐No	Schedule A
22	Merchanting services (net receipts)	☐	☐Yes	☐No	Schedule A/page 14
23	Mining services	☐	☐Yes	☐No	Schedule C
24	Operational leasing	☐	☐Yes	☐No	Schedule A
25	Trade-related services, other than merchanting services	☐	☐Yes	☐No	Schedule A
26	Artistic-related services	☐	☐Yes	☐No	Schedule A
27	Premiums paid on primary insurance				
28	Losses recovered on primary insurance				
29	Research and development services	☐	☐Yes	☐No	Schedule A
30	Telecommunications services	☐	☐Yes	☐No	Schedule A
N/A	Other selected services (report in 32–35)				
32	Health services	☐	☐Yes	☐No	Schedule A
33	Heritage and recreational services	☐	☐Yes	☐No	Schedule A
34	Audiovisual and production services	☐	☐Yes	☐No	Schedule A
35	Other selected services n.i.e. (not included elsewhere)*	☐	☐Yes	☐No	Schedule A

*Sales of other selected services n.i.e. **include** all services transactions and miscellaneous disbursements that are not covered by the categories listed above and are not specifically excluded *(see Part IV, page 22 of the General Instructions)*. Sales of other selected services n.i.e. **exclude** sales of financial services (which are covered on a separate BEA survey); income on financial instruments (including interest, dividends, capital gains, etc.); taxes, penalties and fines, gifts or grants; transportation of freight or passengers and port services; and travel-related services (including hotel accommodation and restaurant meals).

Table 4 Purchases of Selected Services from Foreign Persons

In Table 4 below, indicate whether the U.S. Reporter had purchases of any of the service types during the reporting period identified in question 1 by checking the corresponding box in Column 3.

For each service type checked, indicate whether the U.S. Reporter's purchases of that service type exceeded $4 million in the prior fiscal year, or if they are expected to exceed $4 million in the current fiscal year by checking "yes" or "no" in Column 4.

For each service type checked "yes" in Column 4, you are required to report purchases for the reporting period identified in question 1 by individual country on Schedule B (page 11). For each service type checked "no," you are encouraged to voluntarily report more detailed information on Schedule B.

NOTE: Reporting status is based on annual purchases (actual or expected), but amounts reported on the schedules are only for the reporting period entered in question 1. Definitions of the types of services transactions covered in Table 4 can be found in Part IV, pages 19–23 of the General Instructions.

Table 4 Purchases of Selected Services from Foreign Persons

Trans-action Code	Service Type	Had purchases (regardless of size) in the reporting period?	Had total purchases exceeding $4 million during the prior fiscal year or expected to exceed $4 million in the current fiscal year?		If yes in Column 4, report country detail for quarterly transactions on:
(1)	(2)	(3)	(4)		(5)
9	Accounting, auditing, and bookkeeping services	☐	☐Yes	☐No	Schedule B
10	Advertising services	☐	☐Yes	☐No	Schedule B
11	Auxiliary insurance services	☐	☐Yes	☐No	Schedule B
12	Computer and data processing services	☐	☐Yes	☐No	Schedule B
13	Construction services	☐	☐Yes	☐No	Schedule B
14	Database and other information services	☐	☐Yes	☐No	Schedule B
15	Education services	☐	☐Yes	☐No	Schedule B
16	Engineering, architectural, and surveying services	☐	☐Yes	☐No	Schedule B
17	Financial services	☐	☐Yes	☐No	Schedule B
18	Industrial engineering services	☐	☐Yes	☐No	Schedule B
N/A	Industrial-type maintenance, installation, alteration, and training services (report in 19.1 and 19.2)				
19.1	Maintenance services	☐	☐Yes	☐No	Schedule B
19.2	Installation, alteration, and training services	☐	☐Yes	☐No	Schedule B
20	Legal services	☐	☐Yes	☐No	Schedule B
21	Management, consulting, and public relations services (includes payments to a foreign parent for allocated expenses)	☐	☐Yes	☐No	Schedule B
22	Merchanting services (net receipts)				
23	Mining services	☐	☐Yes	☐No	Schedule B
24	Operational leasing	☐	☐Yes	☐No	Schedule B
25	Trade-related services, other than merchanting services	☐	☐Yes	☐No	Schedule B
26	Artistic-related services	☐	☐Yes	☐No	Schedule B
27	Premiums paid on primary insurance	☐	☐Yes	☐No	Schedule B
28	Losses recovered on primary insurance	☐	☐Yes	☐No	Schedule B
29	Research and development services	☐	☐Yes	☐No	Schedule B
30	Telecommunications services	☐	☐Yes	☐No	Schedule B
N/A	Other selected services (report in 32-35)				
32	Health services	☐	☐Yes	☐No	Schedule B
33	Heritage and recreational services	☐	☐Yes	☐No	Schedule B
34	Audiovisual and production services	☐	☐Yes	☐No	Schedule B
35	Other selected services n.i.e. (not included elsewhere)*	☐	☐Yes	☐No	Schedule B

*Purchases of other selected services n.i.e. **include** all services transactions and miscellaneous disbursements that are not covered by the categories listed above and are not specifically excluded *(see Part IV, page 22 of the General Instructions)*. Purchases of other selected services n.i.e. excludes purchases of financial services by financial services providers (which are covered on a separate BEA survey); income on financial instruments (including interest, dividends, capital gains, etc.); taxes, penalties and fines, gifts or grants; transportation of freight or passengers and port services; and travel-related services (including hotel accommodation and restaurant meals).