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SEMINAIRE D'ECONOMIE

**MNEs, R&D internationalisation and sectoral productivity
growth in major OECD countries**

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Abstract

International knowledge spillovers and their effects on productivity growth have received much attention in the literature. We investigate an alternative direct channel through which R&D disseminates namely R&D offshoring or R&D internationalisation by multinationals firms. Building on an industry level dataset from the OECD databases, covering the United states and four of major European countries, we introduce inward R&D investments by multinational's foreign affiliates as a proxy for overseas R&D activities of foreign multinationals. In the spirit of endogenous growth model, we estimate an extended production function in which sector's total factor productivity is explained according to both domestic R&D capital stocks and R&D capital stocks of multinational's foreign affiliates. Our main results confirm the importance of R&D offshoring as an essential channel of international knowledge spillovers and highlight complementarities between own sector R&D effort and inward R&D expenditure in promoting sectoral productivity in the host country. The productivity effect of R&D offshoring is stronger for low-technology intensive sectors that seem to benefit from the diffusion of knowledge that originates through overseas R&D investments by multinationals.

JEL Classification: C23, F23, O47

Key words: Productivity growth; R&D offshoring; multinational enterprises

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