

corporate refocusing on the primary industry is not clearly borne out by the data. Adding up the PI output shares produced both at home and abroad, we find that production in the primary industry did indeed fall from 57.5% to 52.8% on average, with the share produced in foreign countries rising from 9.8% to 14.2%. Quite to the contrary, the evidence suggests that diversification has kept going on over the period, especially in foreign countries - the FC-SI output share has increased by almost 5 percentage points, whereas diversification in the home country has remained stable. Summarising, there appears to be an increasing trend towards both multinationality and diversification amongst the largest European companies, but with an interesting twist, whereby the growth in both primary and secondary industries was carried out via cross-border operations, whereas diversification has increased mainly because of a more pronounced multinational penetration.

A breakdown by country of origin of the top 100 firms (see Table 2) confirms that the increase in multinationality is a widespread trend which extends to both primary and diversified activities. Only Dutch and Belgian firms report a decline in diversification abroad (FC-SI), whereas French, Italian and British companies reveal quite pronounced increases in foreign shares. On the other hand, diversification in the home country (HC-SI) appears to be declining in all but German firms. As the number of German firms is disproportionately large in our sample, it is likely that the average results in Table 1 were somewhat biased to hide an underlying trend towards de-diversification, at least in the home country.

So far we have analysed the changing pattern of output shares across countries and industries for top 100 EU owned firms, in other words, the relocation of their production between 1987 and 1993. We now turn to entry and exit decisions, as defined in section 3. Table 3 reports the average country/industry presence in 1987 and 1993 (columns 1 and 4, respectively) as well as the average number of entries and exits by the top 100 firms. As it can be seen, entries outperformed exits between 1987 and 1993, thus confirming a tendency for large companies to widen the scope of their operations across both member states and industries. However, more interesting insights may be obtained by looking at how entries and exits are actually distributed in the product/geographic space. We thus learn that, for the average firm, cross-border entries outnumbered exits in both the

⁵ Since in our empirical analysis special attention is paid to changes in home country diversification and primary industry multinationality, we have been forced to exclude non-EU multinationals. In fact, for these firms the