

primary industry⁶ and secondary activities, whereas an opposite pattern is revealed by diversification in the home country (HC-SI). As mentioned above, diversification and multinationality overlap in the foreign country/secondary industry output space. Therefore, in the following we will focus on entry and exit decisions in the primary industry abroad (FC-PI) and in secondary industries at home (HC-SI), where the actual trade-off between diversification and multinationality can be explicitly observed. Consistently with previous evidence on output shares, Table 4 confirms that, on average, multinational penetration in the primary industry, via new entries, i.e. by opening or acquiring a new plant abroad, has increased in all countries. On the other hand, Table 5 shows that de-diversification from secondary industries in the home country was a widespread strategy amongst the largest EU companies. Except for German (and Dutch) firms, exits outnumber entries for the average firm, thus revealing that the return to core business in the home country has occurred by reducing the output share as well as by closing plants in secondary industries. This also suggests that (pure) multinationality may have provided a substitute for (pure) diversification, at least for those companies which face country limits to growth.

The latter suggestion seems to be borne out (Table 6) if we look at the correlation matrix between entries/exits at home and abroad. Not only multinational penetration in the primary industry is negatively correlated with domestic diversification ($r = -0.076$), it is also positively related with exits from secondary industries at home, thus confirming the suggested trade-off between multinationality and diversification. On the other hand, however, the positive correlation between cross-country entries in the primary industry and in diversified activities confirms that there is a tendency for the largest EU companies to grow via multinationality anyway (possibly revealing an urgency to escape from country limits and/or to establish multi-market and multi-country contacts with their rivals).

5. Empirical Results

From the descriptive statistics presented in section 4, it emerges that EU leading firms have increased the degree of multinationality in their primary industry. This finding holds both if one looks

notion of a home country/primary industry within EU boundaries is at best questionable.