



► ILO Brief

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FDI and global value chains in Tunisia, Egypt and Morocco How do they matter for employment?

Key points

- **FDI's employment impact depends strongly on where and how foreign firms operate:** Across Egypt, Morocco and Tunisia, foreign affiliates make a meaningful but limited contribution to output and employment, with their employment effects driven more by **sectoral specialization and position in value chains** than by the overall volume of FDI.
- **The three countries show distinct FDI patterns and thus integration strategies into international production networks:** **Tunisia** has the highest foreign-affiliate penetration (20.7 per cent of gross output), **Morocco** shows the strongest export-oriented expansion, particularly in automotive and chemicals, while **Egypt** has the largest absolute foreign-affiliate footprint, concentrated mainly in extractive industries.

Empirical methods and results

1. Data integration

The methodology rests on three main data sources:

- **ILO labour statistics (ILOSTAT)** for total employment by country and sector, providing internationally comparable labour aggregates but without distinguishing firm ownership.
- **OECD Activity of Multinational Enterprises (AMNE)** data, which identify output, value added, trade and (for OECD countries) employment of foreign affiliates by sector.
- **OECD Inter-Country Input-Output (ICIO / MRIO) tables** (base year 2019), which describe production linkages across 76 countries, 41 sectors and the rest of the world.

These datasets are harmonized to ensure consistency across output, employment and sectoral classifications.

2. Input-output framework

The core analytical tool is a **Leontief input-output model**. Gross output is expressed as a function of final demand and intermediate input requirements:

$$x = (I - A)^{-1} F$$

where A is the matrix of technical coefficients and $(I - A)^{-1}$ is the **Leontief** inverse, which captures both direct and indirect production requirements along global value chains.

3. Linking output to employment

To translate output into jobs:

- The authors construct **labour-to-output coefficients** from ILOSTAT employment and MRIO output data.
- Because ILOSTAT does not distinguish foreign from domestic firms, **sector-specific labour-intensity gaps** are estimated by comparing AMNE foreign-affiliate labour/output ratios with economy-wide ratios.
- These gaps are applied across countries (by sector) to adjust foreign-affiliate employment estimates, ensuring consistency with total employment recorded in ILOSTAT.

The procedure yields a harmonized global dataset of multinational enterprise (MNE) employment by sector and country.

4. Direct versus indirect employment

Employment effects are decomposed into **direct employment** (jobs within foreign affiliates themselves) and **indirect employment** (jobs generated through domestic and international supply chains via intermediate input demand). This is obtained by multiplying labour coefficients with the Leontief inverse and final demand vectors, allowing employment to be traced across production networks.

5. MNE-specific employment multipliers

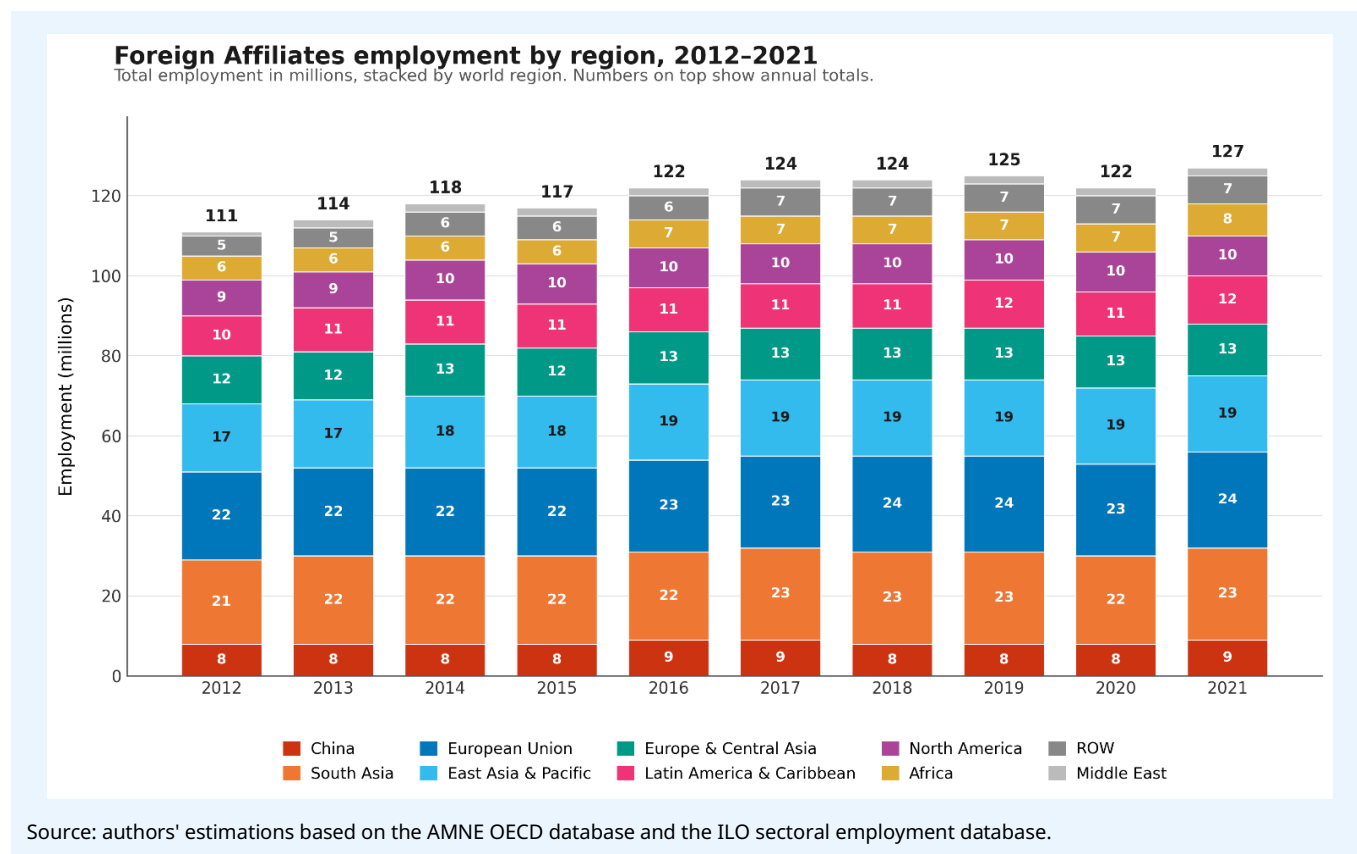
To isolate the employment impact attributable **exclusively to MNE activity**, the authors use a counterfactual in which final demand for domestically produced goods is set to zero and only demand for goods and services produced by foreign affiliates is retained. This yields employment multipliers driven purely by MNE production, clarifying how foreign firms activate jobs both within their own operations and in domestic supplier firms.

In short, methodologically, the paper anchors employment estimates in **official labour statistics**, uses **firm-level MNE data** to identify foreign-affiliate activity, applies a **global MRIO–Leontief** framework to trace employment along value chains, and reconciles these elements to produce **globally consistent estimates of direct and indirect MNE-supported employment**.

Results

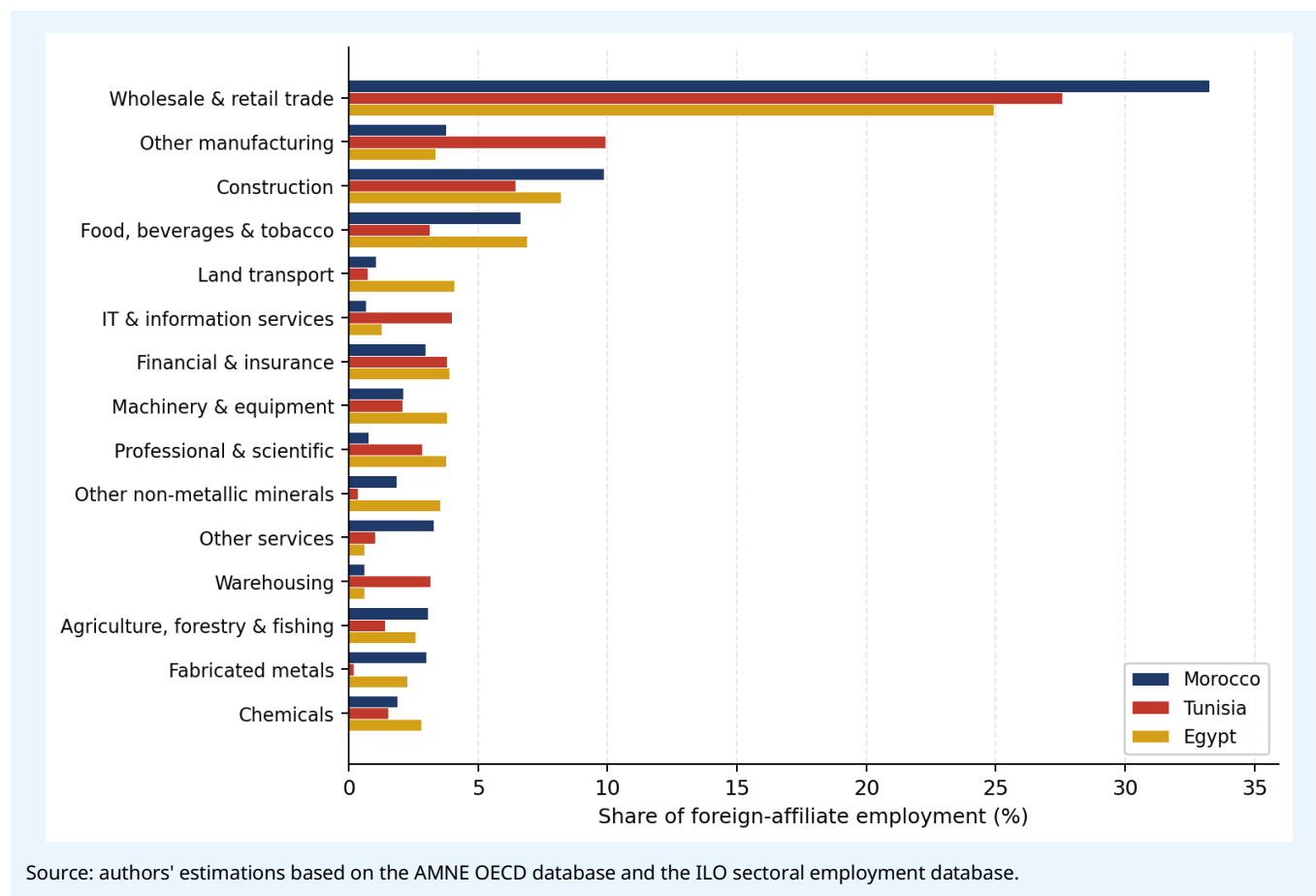
Between 2012 and 2021, the European Union, China and East Asia and the Pacific recorded the highest levels of direct employment in foreign affiliates. Africa and the Middle East display a comparatively low level of MNE-related employment relative to OECD countries, and also relative to South Asia and Latin America. The regional distribution of direct employment remained broadly stable throughout the period.

► **Figure 1. Foreign affiliates, direct employment by region, 2012–21 (millions). Source: authors' estimations based on the AMNE OECD database and the ILO sectoral employment database.**



In terms of sectoral composition, most employment in foreign affiliates is concentrated in services, followed by machinery and equipment; mining and energy are also prominent in the Middle East. Africa exhibits a similar pattern, with services leading and mining and energy, machinery and equipment, and food and beverages following in importance.

► **Figure 2. Sectoral composition of foreign-affiliate employment, Morocco, Tunisia and Egypt, 2019 (top 15 sectors, percentage).**

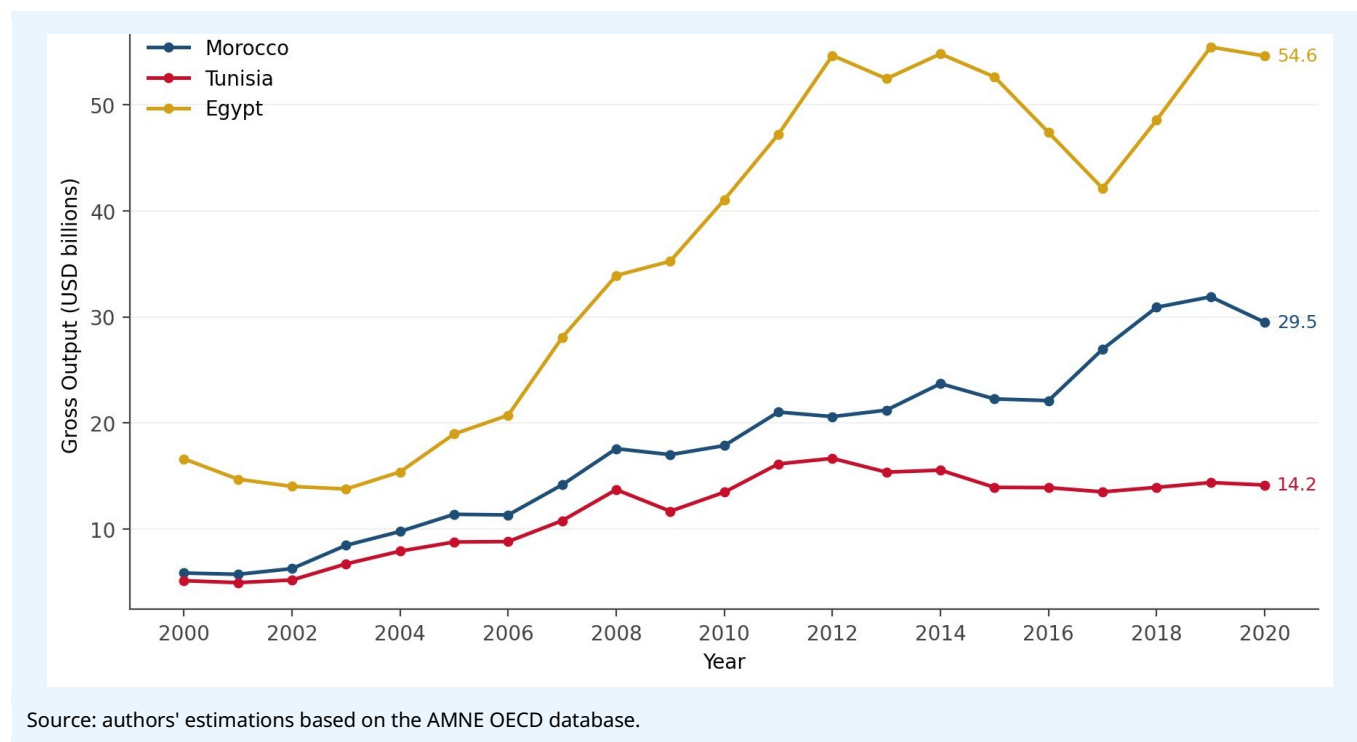


Foreign affiliates: scale and trade footprint

Before turning to the empirical results, it is useful to recall the structural context of the three economies. Tunisia has long served as an offshore manufacturing platform for European firms, with foreign affiliates concentrated in light manufacturing, food and beverages and electronics. Morocco has pursued a more diversified industrial integration, anchored by the automotive cluster developed over the past two decades and supported by free-trade and association agreements with the European Union. Egypt combines a larger and more inward-oriented domestic economy with foreign investment heavily oriented towards hydrocarbons and other extractive activities. The political-economy environment of the region, including the post-2011 transitions, evolving trade agreements with the EU and shifts in global energy markets, has shaped both the scale and the sectoral composition of foreign affiliates in each country, and provides the backdrop for the patterns documented in the remainder of the brief.

The gross output of foreign affiliates expanded markedly across the three economies between 2000 and 2020, but at very different paces. Egypt's foreign-affiliate output grew fastest, roughly tripling in two decades and reaching close to US\$55 billion in 2020, while Morocco consolidated a steady upward trajectory to about US\$30 billion. Tunisia, by contrast, plateaued at around US\$14 billion from the early 2010s onwards, reflecting a narrower base of foreign operations and weaker post-crisis momentum.

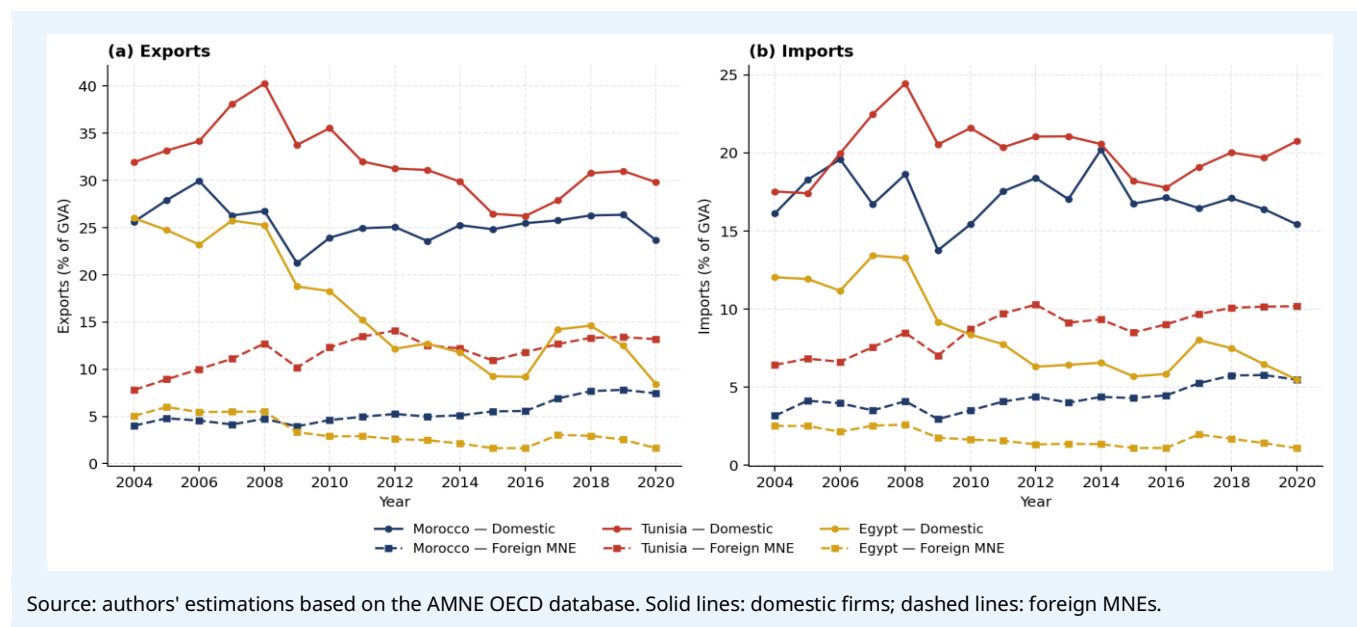
► **Figure 3. Gross output of foreign affiliates, Egypt, Morocco, Tunisia, 2000-2020**



Trade by firm origin

Turning to cross-border flows and normalizing by total gross value added (GVA), exports and imports are still overwhelmingly carried by domestic firms, but foreign MNEs account for a substantial and resilient share of external trade. The relative ranking changes markedly when trade flows are expressed as a percentage of GVA. Tunisia stands out as by far the most trade-intensive of the three economies, with foreign-MNE exports representing around 13–14 per cent of GVA over most of the period, a level Morocco only approaches by 2018–19 (close to 8 per cent) on the back of the automotive cluster. Egypt, despite the largest absolute foreign-affiliate footprint, displays the smallest foreign-MNE trade share relative to its economy (2–3 per cent of GVA for exports), consistent with its larger and more inward-oriented domestic base. On the import side, foreign-MNE flows are also most material in Tunisia (around 10 per cent of GVA in 2019) and steadily rising in Morocco, while remaining a small fraction of GVA in Egypt.

► **Figure 4. Exports and imports by firm origin, Morocco, Tunisia and Egypt, 2004–20 (percentage of total gross value added).**

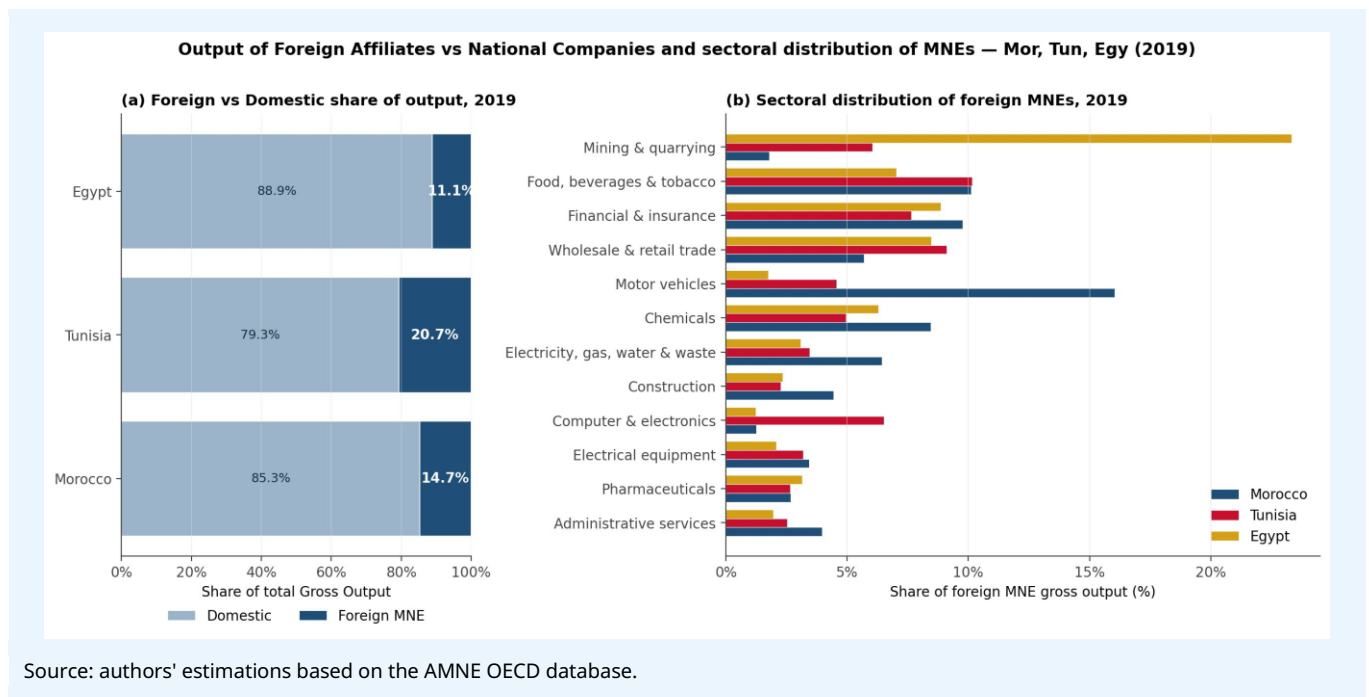


Weight of foreign MNEs in the economy

Foreign affiliates account for a modest but economically meaningful share of total gross output in each of the three countries. Tunisia stands out with the highest penetration rate (20.7 per cent of gross output is generated by foreign MNEs), followed by Morocco at 14.7 per cent and Egypt at 11.1 per cent.

The sectoral distribution of foreign-MNE gross output (panel b) reveals different specialization patterns. In Morocco, foreign MNEs are heavily concentrated in motor vehicles (around 16 per cent of foreign-MNE output), chemicals and financial services, a signature of the automotive and offshoring cluster developed over the past two decades. In Tunisia, food and beverages, computer and electronics, and wholesale trade dominate foreign activity. In Egypt, mining and quarrying alone accounts for close to a quarter of foreign-MNE output, reflecting the weight of the hydrocarbons sector, followed by food and beverages and financial services.

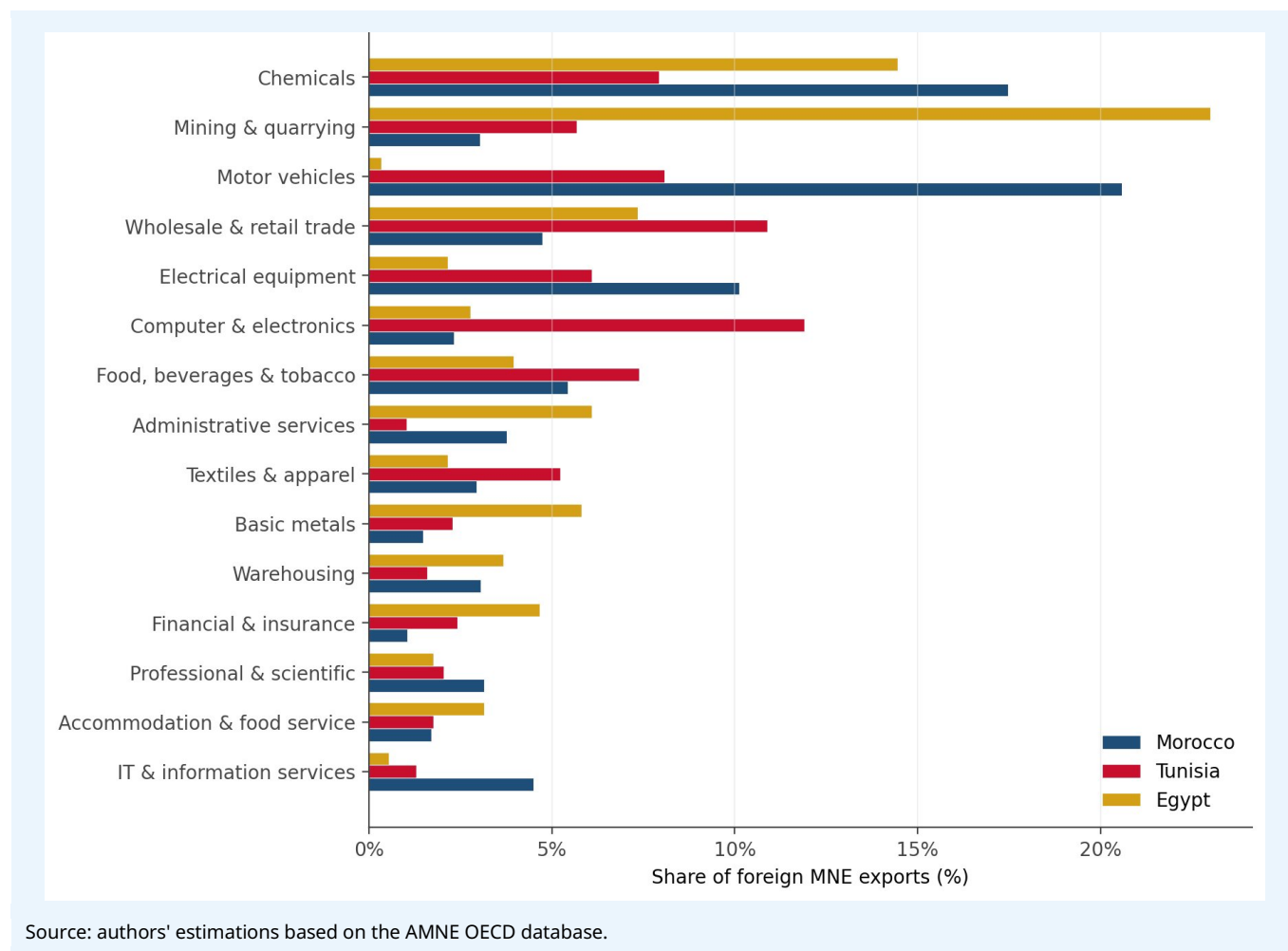
► **Figure 5. Output of foreign affiliates versus national companies (panel a) and sectoral distribution of foreign MNEs (panel b), Morocco, Tunisia and Egypt, 2019.**



Sectoral composition of foreign MNE activity

The sectoral structure of foreign-MNE exports reinforces the country-specific patterns observed in gross output. Morocco's export basket is dominated by motor vehicles (above 20 per cent of foreign-MNE exports) and chemicals (around 17 per cent), with a noticeable presence in electrical equipment; Tunisia concentrates its foreign-MNE exports in computer and electronics, wholesale trade and motor vehicles; Egypt's MNE exports are led by mining and quarrying and chemicals, consistent with the resource-intensive profile of its FDI stock.

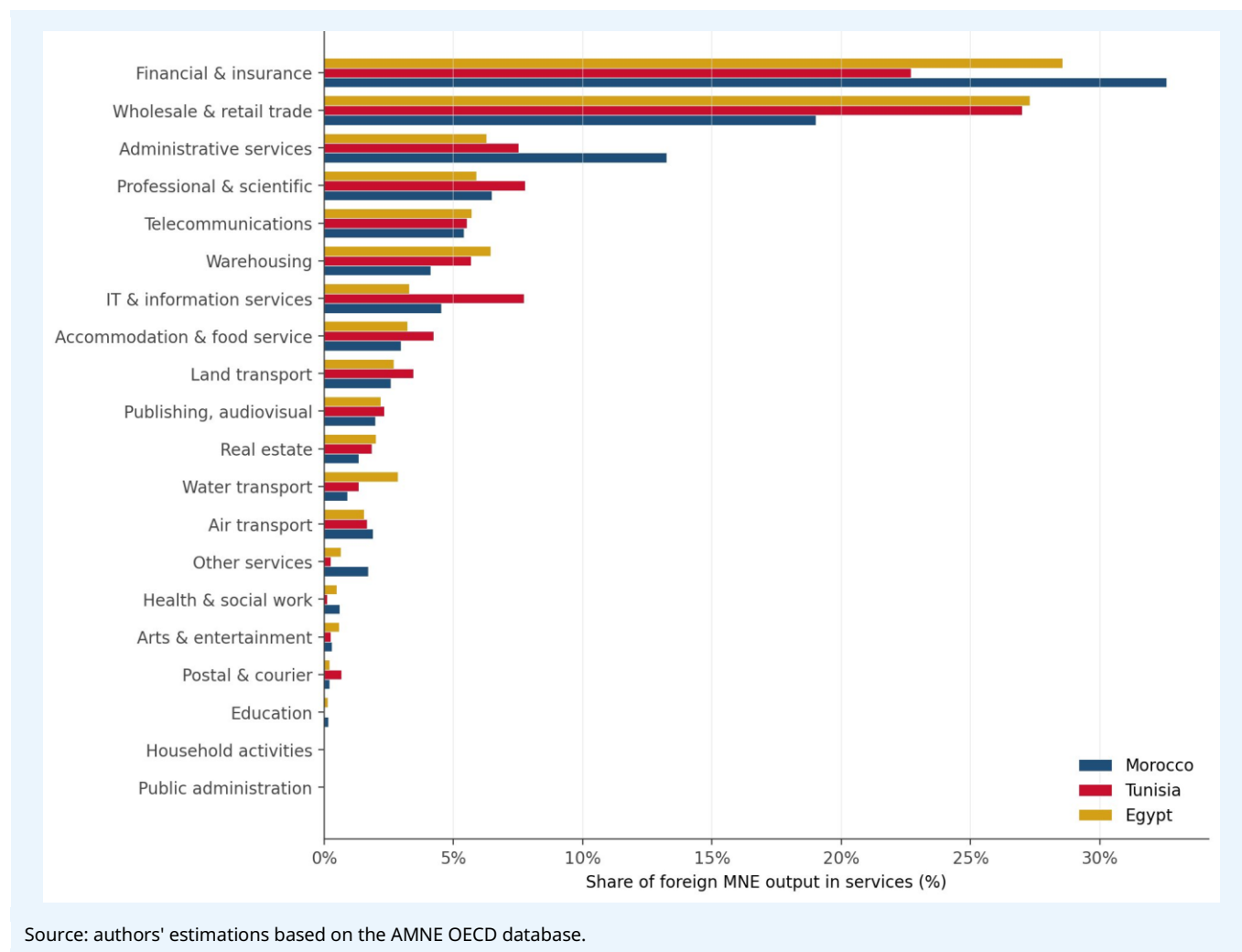
► **Figure 6. Exports of foreign MNEs, sectoral distribution, Morocco, Tunisia and Egypt, 2019 (top 15 sectors, percentage).**



Foreign MNEs in the service sector

Within services (the largest destination of foreign-affiliate employment worldwide), the three economies display similar hierarchies. Financial and insurance services, together with wholesale and retail trade, jointly account for more than half of foreign-MNE output in services in each country. Administrative services, professional and scientific activities, and telecommunications follow, forming a secondary tier of service-sector MNE activity.

► **Figure 7. Output of foreign affiliates in the service sector, sectoral distribution, Morocco, Tunisia and Egypt, 2019 (percentage).**



Main takeaways

Bringing together the output, trade and sectoral evidence, foreign affiliates account for a meaningful but bounded share of employment in the three economies, with notable cross-country differences in scale and composition. Tunisia exhibits the highest foreign-MNE penetration in gross output (20.7 per cent), Morocco shows the most dynamic export-oriented expansion driven by the automotive and chemicals cluster, and Egypt combines the largest absolute foreign-affiliate footprint with a heavier concentration in extractive activities. The sectoral composition of foreign-affiliate employment confirms these structural differences (figure 3). Wholesale and retail trade is the largest source of foreign-MNE jobs in all three countries (25–33 per cent of foreign-affiliate employment), followed by construction and food and beverages, while manufacturing employment is more concentrated in Tunisia (light manufacturing) and Morocco (food and beverages, fabricated metals, motor vehicles supply chain). Translated into employment through the MRIO–Leontief framework, indirect employment effects further propagate these patterns through domestic suppliers in each country's dominant value chain. The contribution of foreign MNEs to employment is therefore real but uneven and shaped less by the overall stock of FDI than by the sectoral and value-chain configuration of foreign activity in each economy. These results also point to the limits of an analysis anchored in 2019 input–output structures: the post-2020 reconfiguration of global value chains, the energy transition and ongoing trade-policy shifts are likely to alter both the volume and the sectoral distribution of MNE-supported jobs in these countries and warrant further investigation in subsequent work.

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