

Acquiring Supplier Networks: Domestic Mergers for International Supply Chain Resilience

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Overview

- > “Import Related Mergers (IRMs)” Sdomestic M&As to acquire international supply chain networks.
- > Firms acquire domestic targets with similar input vectors
 - o Construct Import Input Similarity (IIS) metric
 - o Greater similarity \Rightarrow More M&A relative to placebo

Overview

- > Nice data and reasonable analysis
- > Suggestions
 - More economics. Maybe a model
 - Authors quite capable of making one in which the ratio of # insights \div # new questions $\rightarrow \infty$
 - Transactions of optimality or opportunity (or both)?
 - Increase the separate focus on China

Other Thoughts

> Others

- Can you show that domestic analogs are weak?
- Refine sample. IIS=0 made me really queasy. Drop?
- Product heterogeneity. Show that effects are stronger where frictions more?
- Welfare. Assess anti-competitive motivations and examine externalities.
- Suppliers as intermediaries — a deliberate or happenstance strategy? Can we model?

Outline

- > Econometrics
- > Economic models
- > Non-US Data
- > Monopoly Effects
- > VC-like model for suppliers-as-intermediaries
- > China

1. Econometrics

- > Current approach comparing IIS metric in transaction versus 5 random ones reasonable
- > Intensification during high supply-chain risk periods is nice
 - o Not sure how to quantify benefits, e.g., what does acquiring a US entity with Gulf contacts do in the current situation?
- > Export-import complementarities: more destinations, more products \Rightarrow more IRMs. Intuition right but
 - o Is there an enhanced IIS metric with destinations x products?

1. Econometrics: Heterogeneity

- > Can one do some more? Examples
 - o Do acquirers with short relationship duration look for IRMs?
 - o Are targets systematically sub-scale by some metric?
 - o What do we see about post-acquisition retention (relationship) versus switching (information extraction, maybe market power)
 - o Do we see serial acquisitions
- > Bottom line —more tight sorting out of supplier-specific, relationship-specific (time), multiple-supplier (country, firm) benefits, and scale benefits

1. Econometrics: Heterogeneity

- > Perhaps do more interaction tests by product uniqueness, criticality
 - o Concentration of product (Herfindahl)
 - o Differentiated versus unique products.
 - o Substitutability cost — lead times, shipping distances

1. Econometrics: Placebo, Falsification

- > Evidence against domestic IRMs benefits international story.
 - More domestic supplies \Rightarrow less international IRM
- > The paper includes zero IIS \Rightarrow no overlap transactions
 - What is this sample? If it is acquirers looking for new inputs, does it lead to special identification?
 - Are these unrelated M&As that create noise in “true” IRM sample? If so, purge.
 - Are they “substitute” inputs? Maybe say a bit more about input codes.

2. What Models?

- > What model or models are we really learning about?
- > Develop channels more tightly mapping economics to tests
 - Theories of search frictions
 - Contracting — country-country or other law, culture distances
 - Asymmetric information — country, industry, firm components
 - Resilience benefits that are seen in 2nd not 1st moment
- > Narrative can be more linear to map tests to models better. May also need more tests.

3. Non-US Tests

- > Directionality and geography
 - Paper is US-centric . Are the economic challenges — and opportunities to have impact with this work — far greater outside the US?
 - Country pairs may be a useful unit of analysis

- > Examples of analysis
 - Countries with differences in linguistic, cultural, contracting frameworks
 - Industries (firms) according to # inputs or inputs of varying complexity and criticality (e.g., rare earths).
 - Industries where quality certification is harder
 - Perhaps the simplest one is a reverse analysis — which foreign countries use IRMs to acquire within the US

4. Monopolistic Behavior

- > Is the M&A anti-competitive
 - o Does it increase concentration?
 - o Does it narrow service range of suppliers?
 - o Does it increase costs of product-market rivals?
 - o Are there any DOJ actions?
 - o Do they reduce IRMs by other rivals?

5. Possible Model For Target Birth

- > Do firms self-organize and position to be acquired?
 - Small firms expert in acquiring networks
 - Suppliers trust them more
 - Big firms can help them scale up.
 - One model of firm growth and industrial organization

- > Possible implications
 - Targets asset-light, network-heavy
 - Acquisition premiums higher for unique targets
 - Founder national origins explain target formation

6. China

- > Paper already shows China is special, e.g., importers from China targeting non-China sources and intensification post-2020. Expand, separate?
 - China is special — geopolitical risk, scale, “friend-shoring” policies (Charaenwong et al, 2025).
 - China IRM may reflect geopolitical issues, non-China IRMs other economic frictions

- > Does it make sense to provide detailed analyses?
 - Analyze sample minus China IRMs
 - China-exposed acquirers diversify
 - China-dependent acquirers and targets
 - Etc...

Bottom line

- > Nice data and reasonable analysis
- > Suggestions
 - More economics, econometrics.
 - Maybe a model
 - “Endogeneity” comments are somewhat boring and seem unnecessary to me, but maybe not for referees and editors.