

*Stockholm, November 14, 2014*

To whom it may concern

### **Letter of recommendation**

In my capacity of Deputy Director of the Research Institute of Industrial Economics (IFN), I have known Selva Baziki since she was hired as a research assistant at IFN, from September 2009 until August 2010. Selva Baziki's main task as a research assistant at IFN was to compile and organize a new large database on private equity buyouts, which we use for empirical academic research. She also worked as a research assistant in several research projects on multinational firms and human capital.

At IFN, she initiated, jointly with Associate Professor Pehr-Johan Norbäck, Assistant Professor Joacim Tåg and me, a project which studies the pattern of cross-border private equity buyouts and cross-border mergers, and how this pattern depends on market characteristics (such as trade costs and market size) and institutions (such as the business law and tax law).

In the fall 2010, Selva Baziki joined the Ph.D. program in Economics at Uppsala University. After completing the course work we took up the project on cross-border private equity again. In this work, Selva Baziki has proved to be a very skilled and ambitious researcher.

Her thesis consists of four chapters; two on cross-border private equity and two on international restructuring and wage dynamics.

On a scale 1–5, I would reward Selva Baziki's thesis work a 3, with theses at top level universities in Europe as benchmark. The major contribution of the thesis is relevant and well-crafted empirical analysis of the international restructuring process.

Essay 1 proposes a theoretical model of cross-border acquisitions and buyouts where multinational enterprises (MNEs) exploit firm specific 'business as usual' assets and retained earnings, whereas private equity (PE) exploits restructuring skills. The value added of the paper

is to show that lower risk premium and better financial market development increase the PE-buyout share of all cross-border transactions by reducing MNEs' incumbent advantage. This implies that restricting PE-buyouts, which has been called upon in the policy debate, can be counterproductive, in particular when the risk premium is high. The reason is that PE-buyouts would then likely increase product market competition by blocking pre-emptive MNE acquisitions.

Essay 2 presents a theory of cross-border mergers and acquisitions (M&As) and buyouts, built on Norbäck, Persson and Tåg (2013), where the focus is on restructuring of the target firm and institutional factors. The theory predicts that cross-border buyouts in relation to cross-border M&As are negatively related to (i) strong property rights, (ii) high transaction costs, and positively related to (iii) very high (or very low) international market integration. These predictions are tested on, and supported by, a comprehensive data on all majority-owned cross-border M&As in the world.

Essay 3 is an empirical study of the link between wage inequality, ICT development and globalization. Special focus is on the effects of technological change and its interaction with import competition on the sorting of workers across firms. The analysis is based on Swedish matched employer-employee data for the period 1996-2007. The main finding is that assortativeness in the matching of heterogeneous workers and firms depend on the interaction of ICT adoption and import penetration of industries. The documented pattern is not uniform across industries within the high ICT intensity group, which points to interaction between technology and other factors. In particular, they find that, ICT technology adoption along with import competition implies skill upgrade within higher quality firms.

Essay 4 empirically studies the link between imports, wages, and return to skill. The main finding of the paper is a negative wage effect on low skilled workers of industry level import penetration. Moreover, it is found that low skilled workers moving between firms suffer larger negative wage effects than those remaining in the same firm.

The first value added of the thesis is the study of a relevant but barely studied issue: the determinants and effects of cross-border buyouts. Previous work mainly has studied the determinants and effects of cross-border M&As, but ignored that a substantial share of all cross-border M&As undertaken are cross-border buyouts ((8.3%, during 1998–2008). Since cross-border M&As in general are an important part of the international industrial restructuring process these are essential studies. The second value added of the thesis is to empirically evaluate the ongoing globalization and ICT process on wages and wage inequality. Since Sweden has very detailed matched worker-firm micro data available these studies provided more detailed and reliable information of this process than many of previous studies.

The main weakness of the thesis is that all chapters, except the first chapter 1, lacks novelty and build rather closely on other scholars work.

In my opinion, several of these papers have a chance of being published in good economics journals such as *Journal of International Economics*, *Canadian Journal of* or *International Journal of Industrial Organization*.

Selva Baziki has not only a solid foundation in her logical skills, but she also brings in the personal aspects to each situation as needed. She is truly a team player and is well liked and in demand among her colleagues. She has often worked long hours to meet requested deadlines. She has a unique blend of logic, statistical tools and communication skills. In my opinion, Selva Baziki is a very analytical skilled, ambitious, and talented researcher who will contribute to any research group. I give her my very best recommendations.

Sincerely,

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Deputy Director, Professor

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