

Multinationals in Services and Manufacturing Sectors:  
A Firm-Level Analysis using Japanese Data

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**Abstract**

Using Japanese firm-level data, I investigate multinational enterprises (MNEs) in services sector, as well as those in manufacturing sector. I examine whether multinationals are more productive than non-multinationals in the services sector as in the manufacturing sector. I employ Kolmogorov-Smirnov (KS) test to compare overall distribution of productivity by internationalized status, after estimating premia of multinationals across and within sectors. The results indicate that multinationals are more productive than non-multinationals in services sector as in manufacturing sector and they, therefore, suggest that the standard firm heterogeneity model can well explain foreign direct investment by firms in services sector.

*Keywords:* Services; Firm heterogeneity; Multinationals; Exports; Foreign direct investment

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