

The Stability of Complementarity between Japanese FDI and Import of Intermediate Goods: Agglomeration Effects and Parent Firm Heterogeneity

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Abstract

This paper examines the duration of intermediate goods imports and its determinants for Japanese affiliates in China. Using a unique parent-affiliate-transaction matched panel data over the 2000-2006 period, our estimations using the discrete-time hazard model find that those products with higher upstreamness index, differentiated goods, and those that are traded under processing trade are less likely to be substituted by local procurement. Firms located in more agglomerated regions with more foreign affiliates tend to shorten the duration of imports from home country. For parent firm characteristics, MNEs affiliates that have many foreign affiliates or longer foreign production experience have longer trade duration on importing intermediate goods.

Keywords: MNEs, Trade duration,

JEL classifications: