

Do Overseas Subsidiaries Benefit from Parent Firms' Intangibles?*

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Using data for 3,800 Japanese firms and their 20,000 overseas subsidiaries over the period 2000–2013, we estimate the subsidiary-level production function to check whether intangible assets accumulated by parent firms contribute to the subsidiary production or not. We find that first, the intangibles (i.e., software, advertisement, and research & development capitals) owned by parent firms positively contribute to subsidiary production. Second, the contribution is stronger in the case of smaller subsidiaries. Third, such a positive contribution from parent firms' intangible to subsidiaries' production is confirmed for most of the subsidiary locations. These results jointly suggest that intangibles contribute to firm activities even when those are geographically remoted.

Key words: Foreign direct investment; Intangibles; Production function

JEL classification: F23; F21; L21

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