

Interdependence in Multinational Production Networks: Evidence from Exit of Overseas Affiliates

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Abstract: By setting up and shutting down their overseas affiliates, multinational enterprises (MNEs) have established their production and distribution networks in the world. The entry strategy of their affiliates has been investigated in the academic literature of location choice, but it has remained unknown how MNEs decide the shutdown of their overseas affiliates. In this paper, by exploiting data on Japanese foreign direct investment, we empirically examined the exit of MNEs' production affiliates. With this analysis, we can uncover the effects of affiliate or host country specific characteristics on the exit of affiliates. Particularly in this paper, we examine how the exit of an affiliate is affected by the existence of the other affiliates.

Keywords: Multinational enterprises; Exit; Japan

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