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FDI AND DURATION OF INTERMEDIATE GOODS IMPORTS: EMPIRICAL EVIDENCE FROM JAPANESE AFFILIATES IN CHINA

Abstract:

This paper examines the duration of intermediate goods imports and its determinants for Japanese affiliates in China. In addition to product characteristics, we consider also the influences of affiliate and parent firm characteristics, as well as regional agglomeration. Based on a unique parent-affiliate-transaction matched panel dataset over the 2000–2006 period, we adopt a discrete-time hazard model to conduct empirical estimations. Results show that products with a higher upstreamness index, differentiated goods, and process-trade goods are less likely to be substituted for local procurement. Firms located in agglomerated regions with more foreign affiliates tend to shorten the duration of imports from their home country. In terms of parent-firm characteristics, multinational enterprises that have many foreign affiliates or greater foreign production experience continue to import intermediate goods for a longer duration.

Keywords:

Trade duration, FDI, Intermediate goods, Agglomeration