

Comments on “Domestic Networks and the
Geography of Multinational Production” by
Andreas Moxnes

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Summary of presentation and contribution to the literature

- New empirical evidence on Follow FDI.
 - Large share of transactions in host countries is among JP affiliate, suggesting follow FDI and creation of mirror of production network in host countries.
 - Smaller firms tend to be followers, having foreign affiliate with more sales to other JP affiliates, suggesting a lower fixed cost of FDI by following.
 - Supplying to MNEs increase the probability to start FDI.
- Theoretical model to explain follow FDI.
 - Model predictions, heterogeneous effect on follow FDI, are confirmed.
 - When customer is big MNE and input intensive, suppliers tend to follow.
- Contribution to literature
 - Firm's FDI decision is not independent, but depends on domestic partners.
 - Horizontal FDI was overestimated for followers.

Comments and questions

Policy implication to Japan and host countries

- More firms can be MNEs with a lower fixed cost by following.
 - More employment effect and less spillover in host country
 - Substitution effect (of production) vs complimentary effect (with larger demand)
- Short-term effect and long-term effect
 - Evolution of production network in host countries.
- Resilience of production network to a shock of geopolitical issue and natural disaster.
 - What if there is a shock in Japan/host countries/relation with host countries?
 - Substitution? Withdrawal?
- Follow FDI or follow export
 - What defines the firm's decision on FDI/export/stay domestic.
- Policy support or intervention in terms of efficiency and resilience?