

Outward FDI and Performance at Home: Evidence from Japanese Manufacturing Firms

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Abstract: This paper empirically investigates changes in the firm behavior and performance at home before and after investing abroad in two dimensions. One dimension is the type of foreign direct investment (FDI): horizontal FDI and vertical FDI. The other dimension is the firm's domestic activities of interest: the overall activities and the production activity only. From the theoretical standpoint, the impact of outward FDI differs not only by the FDI type, but also between the firm's production and non-production activities at home. By exploiting two kinds of firm-level data, this paper provides a more detailed picture of intra-firm changes in the behavior and performance through globalizing production.

Keywords: FDI; multinational enterprises; propensity score matching

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