

Blood is thicker than water: The value of parent-affiliate ties in international supply chains

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Abstract

This study explores the role of financial relationships between parent firms and their foreign affiliates within international supply chains. The analysis utilizes novel firm-level microdata constructed by merging Chinese customs records with data on Japanese parent-affiliate pairs. Using the 2011 Great East Japan Earthquake as an exogenous shock, we examine how firms' responses to supply chain disruptions vary depending on their ownership ties to the disaster-affected region. Specifically, our triple-difference estimations reveal that Japanese affiliates in China increased their imports from Japan significantly more than those from other countries, relative to other foreign affiliates, in the wake of the disaster. This tendency is more pronounced for final and non-differentiated goods than for intermediate or differentiated products. These findings suggest that, distinct from the role of input specificity, parent-affiliate ties play a critical role in shaping the procurement behavior and resilience of foreign affiliates in international supply chains.

Keywords: international supply chains, parent-affiliate ties, supply chain resilience, Great East Japan Earthquake, triple-difference estimation.

JEL classification: F14; F23; D22.

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