

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

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Abstract

This study employs novel firm-level microdata, merging Chinese customs records with data on Japanese parent-affiliate pairs, to explore the value of intra-firm ties within international supply chains. 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, relative to other foreign affiliates, Japanese affiliates in China increased their imports from Japan significantly more 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 firms 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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