

Spillovers through the Supply Chains: How Large Plant Openings Affect Local Supplier Plants *

Takafumi Kawakubo[†] Takafumi Suzuki[‡]

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Abstract

This study investigates how becoming a supplier to a large newly opened plant affects the subsequent performance of small incumbent plants. To address this question, we integrate detailed plant-level production data, records of new openings of large plants, and supply chain information. We adopt the framework developed by Callaway and Sant’Anna (2020) and exploit the spatial distribution of new entrants to construct a quasi-experimental setting, comparing firms that start supplying nearby new entrants with those that do not. Our event-study estimates reveal that while local supplier plants benefit significantly — both statistically and economically — from the large plant openings, non-supplier plants in the geographical proximity experience negative impacts. We interpret these opposite effects arise from intensified regional competition, driven by the growth of newly appointed suppliers. From a policy perspective, these insights highlight the importance of facilitating effective matches between large newly-opened plants and local suppliers, as well as providing support to non-supplier firms that find themselves disadvantaged by increased competition.

Keywords: supply chains; spillover; large plant openings; productivity

JEL codes: F14, F16, O47, R12, R15

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[†]The University of Osaka, RIETI, and The University of Tokyo. Email: tkawakubo.osipp@osaka-u.ac.jp

[‡]Aichi Shukutoku University. Email: tsuzuki@asu.aasa.ac.jp