Exporters' and Multinational Firms' Life-Cycle Dynamics

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This paper documents new facts on the life-cycle behavior of multinational firms and exporters based on panel data sets from Norway, France, and Germany. First, new exporters have substantially higher exit rates than new multinational affiliates, while export experience in a market prior to opening an affiliate lowers exit rates for the new affiliate only modestly. Second, once partial-year effects are taken into account, exporters do not look different from multinational firms in terms of their life-cycle sales profile, regardless of prior export experience.

We extend the model of trade and multinational activity in Helpman, Melitz, and Yeaple (2004) to a dynamic setting in which firm productivity follows a Markov process and multinational firms incur a sunk cost to enter foreign markets. These entry costs are key to match the salient facts in the data, both qualitatively and quantitatively. Moreover, giving firms the option of opening affiliates abroad allows the model to be better reconciled with the data on export dynamics.