Online Appendix to:
On the Genesis of Multinational Foreign Affiliate Networks

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Sensitivity analysis

The aim of this online appendix is to provide more detailed information on some of the sensitivity checks mentioned but suppressed in the paper for the sake of brevity. In particular, we check the sensitivity with regard to the following tests: (i) estimates including the stock of German investments in a market, prior to a firm's location decision there; (ii) estimates accounting for income similarity between the previously-entered and the next market where an affiliate is set up; (iii) estimates accounting for genetic similarity between countries where affiliates are set up; (iv) an alternative treatment of firms that set up multiple affiliates in a given phase; (v) a focus on firms which set up only one affiliate per phase; (vi) a focus on horizontally-organized firms according to several measures of vertical integration; (vii) a focus on credit-unconstrained firms; (viii) using a different choice set by considering location-year choices. Finally, (ix) we provide additional (descriptive) graphical material regarding investment locations in phases 1 to 5.

(i) Including the stock of German investments in market j and phase p prior to a firm's location decision there

In contrast to the models estimated in Table 2, the ones in Table A1 include the total stock of German investments in market j and phase p (StockInv$_{jp}$) prior to a firm i's location decision there, while otherwise including the same regressors as in Table 2. This modification aims at checking whether or not the estimated coefficients are mainly driven by agglomeration effects – such as a general tendency of German firms to locate in just a few countries. StockInv should be a good measure of a market's general attractiveness for German investors beyond the dimensions captured by the covariates included in the regressions of Tables 1 and 2. The results in Table A1 suggest that the earlier findings are qualitatively robust against the inclusion of StockInv. In fact, most of the coefficients are hardly affected by the additional control variable and, hence, are not biased due to an omission of StockInv.

– Insert Table A1 about here –

(ii) Accounting for income similarity between the previously-entered and the next market where an affiliate is set up

The models estimated in Table 2 include log GDP of the contemporaneous investment in phase p. Here, we additionally include a measure of income (size) similarity for host country j of a generic foreign affiliate set up in phase p and host country k in phase $p-1$. This measure of similarity is defined as follows:

$$Simi_{kp-1,jp} = \ln\left[1 - \left(\frac{GDP_{kp-1}}{GDP_{kp-1} + GDP_{jp}}\right)^2 - \left(\frac{GDP_{jp}}{GDP_{kp-1} + GDP_{jp}}\right)^2\right].$$

We combine $Simi_{kp-1,jp}$ with log GDP of the countries where previous investments occurred. The similarity measure has been frequently used to model GDP similarity in models of

bilateral international trade (see, e.g., Helpman, 1987). It turns out that income similarity is highly correlated with the individual countries' log GDP values, but the results for the first three investments summarized in Table A2 are very similar to the ones in Table 2.

– Insert Table A2 about here –

(iii) Accounting for genetic similarity between countries' populations of the previously-entered and the next country where an affiliate is set up

In this test, we run regressions where we use a measure of genetic similarity of a country's population as proposed by Spolaore and Wacziarg (2009). In Table A3, the measure is included along with the same regressors as in Table 2 in the paper. Genetic distance does not display a significant impact, conditional on the other variables in the model.[1]

– Insert Table A3 about here –

(iv) Alternative treatment of firms that set up multiple affiliates in phase p

Recall that MNEs may establish more than one affiliate in an expansion phase p. If two or more investments are conducted in different countries in phase $\ell < p$, the reference of investments in p to those in phase ℓ through *Distance*, *Border*, *Language*, *Colony*, etc., is no longer clear. We solved this problem in Table 2 by using the country of the largest previous investment in terms of *fixed assets* as the reference country in phase p. In Table A4 we use the largest previous investment in terms of *total assets* as an alternative criterion to determine the reference country in phase p. The results displayed in Table A4 show that using an alternative criterion does not lead to alternative conclusions relative to the ones in the main text.

– Insert Table A4 about here –

(v) Focusing on firms which set up only one affiliate per phase

Table A5 presents results for a subsample of firms and affiliates where all investments of any previous phase $p-1$ occurred in only one country (the firms might have established several affiliates in this country, though). Then, the *bilateral* variables *Distance*, *Border*, *Language*, *Colony*, etc., refer to a unique reference country throughout. The findings in Table A5 confirm our previous results in broad terms. However, we should note that the strategy applied in Table A5 leads to a significant loss of degrees of freedom along the expansion

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[1]We do not include this variable in the main specification in the paper, as it is only reported for a limited number of country-pairs. To run the regressions for this test, we therefore had to rely on imputed values.

paths of MNEs' foreign affiliate networks. The reason is that many MNEs set up foreign entities simultaneously in several countries at some point of the genesis of their network of foreign affiliates. Therefore, from the *third* location decision onwards, the coefficients can not be estimated precisely any more, due to the reduction in sample size as compared to the findings in Table 2.

– Insert Table A5 about here –

(vi) Focusing on horizontally organized firms

It may be interesting to discern between vertical and horizontal integration motives. For instance, Irarrazabal, Opromolla, and Moxnes (2012) as well as Keller and Yeaple (2012) support the view that multinational activities exhibit characteristics of gravity due to intra-firm trade of multinationals. Here, we address vertical aspects of multinational firms in two ways. First of all, we utilize a variable measuring transactions between affiliated firms. This variable is classified as "*current assets of which claims on affiliated shareholders/enterprises and on enterprises linked with the party required to report through participating interests.*" Admittedly, this is not a perfect measure of intra-firm trade, but such trade is not recorded directly for German MNEs, unlike for MNEs from the United States. We use this variable and run alternative regressions based on two subsamples of the data: one involving only those MNEs where this indirect measure of cross-entity claims is zero across all affiliates (call this sample S_1), and one involving only those foreign affiliates (sample S_2) where this indirect measure of cross-entity claims is zero for the specific affiliate. The corresponding results are summarized in Tables A6 and A7 for the first three investments. Clearly, both samples S_1 and S_2 are smaller than the original sample in the paper, and $S_1 < S_2$. For instance, the sample size is 413,952 observations in the benchmark model in Table 2 for the second investment. When conditioning on those firms where no intra-firm transactions (according to the above measure) were recorded for any unit in the firm and the whole sample period (S_1), the sample size is only 36,364 for the second investment. When conditioning on those affiliates where no intra-firm transactions (according to the above measure) were recorded throughout the whole sample period, the sample size is 131,565 (S_2). Clearly, given the massive loss of degrees of freedom when restricting the sample along the above lines, the parameter estimates are much less precise than in the big sample. However, the qualitative findings are similar.

– Insert Table A6 and A7 about here –

Alternatively, we use the parent's industry classification and provide evidence on the results for two subsamples of the data, one that focuses on firms where all affiliates operate in the same industry (call this sample S_3), and one where single affiliates not active in the same industry as the parent are excluded (call this sample S_4). The corresponding results are summarized in Tables A8 and A9 for the first three investments. When conditioning on those firms where all affiliates operated in the same industry as the (German) parent company in

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the whole sample period, the sample size is only 28,043 for the second investment (S_3). When conditioning on those affiliates which operated in the same sector as the parent (i.e., excluding those affiliates that operated in different sectors), the sample size is 75,127 (S_4). It turns out that the results are qualitatively robust to the choice of the overall sample versus the mentioned subsamples of data.

– Insert Tables A8 and A9 about here –

Given that the theoretical model used to motivate the empirical analysis does not make clear predictions as to whether learning through vertical relations is weaker or stronger than the one through horizontal relations, the results in Tables A6 to A9 should be viewed as complementary to the ones in the main text of the paper.

(vii) Focusing on credit-unconstrained firms

Notice that the conditional logit model implicitly controls for all firm-specific and affiliate-specific characteristics. This is why the conditional logit model is sometimes referred to as a fixed effects logit model (see Allison, 2009). Hence, one can not include firm-specific variables in the specifications. However, we may restrict the sample to firms with a debt ratio (as a measure of financial constraints) in the lowest 75 percentiles of the distribution (sample S_5). In an alternative specification, we restrict the sample to firms with a debt ratio in the lowest 50 percentiles of the distribution (sample S_6).

Restricting the sample to firms with a debt ratio in the lowest 50 percentiles of the distribution leads to a sample size of 132,075 observations for second investments. Recall that the unrestricted sample size for second investments is 413,952 observations in the benchmark model in Table 2. Hence, we lose more than 50% of the observations, since the firms with higher debt ratios are larger (in terms of their network), on average. Restricting the sample to firms with a debt ratio in the lowest 75 percentiles of the distribution leads to a sample size of 344,177 observations for second investments.

As with the restriction on horizontal multinationals, these restrictions involve a relatively massive loss of degrees of freedom which comes at the cost of less precise parameter estimates compared with the big sample. Yet, again, the qualitative findings are similar to the ones based on the unrestricted sample in Table 2 in the main text of the paper.

– Insert Tables A10 and A11 about here –

(viii) Different choice set

In all previous sequential location decisions, a firm could choose from a set of countries in one of the investment phases. A different perspective would be to consider the choice of locations and real time (rather than phases) simultaneously. Such an analysis requires an entirely different design and setup of the data. Notice that with $T = 13$ years and hundred thousands of individual affiliates, the choice set becomes gigantic. We were not even able

to construct and load the data-set of the full sample of affiliate-country-year cells because of limited computing capacity at the local site of Deutsche Bundesbank. Therefore, we had to consider only the first investment and split the data in two periods: one ranging from 1997 to 2002, and one from 2003 to 2008. The results are summarized in Table A12. Even though the regressions are based on a different choice set, the results are generally in line with our benchmark estimates: what makes investments more likely in Table 2 tends to do so in Table A12. In contrast to Table 2, what is chosen in Table A12 is not only the location but also the time period of the first investment.

– Insert Table A12 about here –

(ix) Figures about the first to the fifth phase of foreign affiliate set-up

Figures 1 to 5 illustrate the frequency of first to fifth foreign investments by German MNEs. They indicate that market size is clearly important for the set-up of new affiliates in any phase. However, the distance to Germany is obviously much more important for first than for subsequent investments. While the figures provide some interesting descriptive information concerning the allocation of Germany's foreign affiliates, they can not substitute a multivariate analysis. Especially, the figures do not provide any insights into the influence of a sequence of previous investment decisions on subsequent ones.

– Insert Figures A1-A5 about here –

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Tables

		Foreign Investment of the MNE:			
	1st	*2nd*	*3rd*	*4th*	*5th*
Host-country Variables:					
Tax	-1.724***	-1.676***	-1.292***	-2.895***	1.351*
	(0.195)	(0.347)	(0.486)	(0.746)	(0.788)
log GDP	0.667***	0.657***	0.615***	0.804***	0.611***
	(0.013)	(0.021)	(0.028)	(0.046)	(0.045)
InvestFree	0.021***	0.011***	0.011***	0.013***	0.020***
	(0.001)	(0.001)	(0.002)	(0.003)	(0.003)
InvestCost	-0.006***	-0.009***	-0.012***	-0.012***	-0.007**
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)
CPI	0.056***	-0.003	-0.059***	-0.069**	-0.025
	(0.009)	(0.014)	(0.020)	(0.032)	(0.033)
StockInv	0.397***	0.172***	0.035	-0.167**	-0.223**
	(0.017)	(0.031)	(0.045)	(0.071)	(0.089)
Bilateral Variables:					
log Distance to parent	-0.558***	-0.313***	-0.075*	-0.253***	0.055
	(0.018)	(0.031)	(0.044)	(0.078)	(0.088)
log Distance to 1st		-0.375***	-0.265***	-0.112**	-0.221***
		(0.022)	(0.033)	(0.057)	(0.073)
log Distance to 2nd			-0.264***	-0.012	-0.093
			(0.032)	(0.057)	(0.066)
log Distance to 3rd				-0.256***	-0.265***
				(0.056)	(0.062)
log Distance to 4th					-0.187***
					(0.047)
Border to parent	0.355***	0.327***	0.333***	0.480***	0.262**
	(0.029)	(0.052)	(0.075)	(0.117)	(0.123)
Border to 1st		0.012	0.085	0.127	-0.705***
		(0.060)	(0.086)	(0.158)	(0.205)
Border to 2nd			0.289***	0.180	0.463***
			(0.083)	(0.153)	(0.157)
Border to 3rd				-0.098	0.795***
				(0.151)	(0.155)
Border to 4th					-0.165
					(0.157)
					continued

(continued)

| | Foreign Investment of the MNE: | | | | |
	1st	2nd	3rd	4th	5th
Off. language same as parent	0.934***	0.457***	0.519***	0.907***	0.056
	(0.049)	(0.063)	(0.090)	(0.234)	(0.297)
Off. language same as 1st		-0.059	-0.406***	-0.373**	0.618***
		(0.059)	(0.091)	(0.160)	(0.192)
Off. language same as 2nd			-0.362***	-0.151	-0.493**
			(0.089)	(0.154)	(0.203)
Off. language same as 3rd				-0.350**	-0.766***
				(0.152)	(0.158)
Off. language same as 4th					0.087
					(0.150)
Comm. spoken language with parent	-0.824***	-0.717***	-0.233	-1.373***	-1.178***
	(0.087)	(0.102)	(0.149)	(0.365)	(0.358)
Comm. spoken language with 1st		1.149***	0.767***	0.822***	0.508**
		(0.072)	(0.108)	(0.181)	(0.205)
Comm. spoken language with 2nd			0.702***	1.254***	0.243
			(0.107)	(0.178)	(0.212)
Comm. spoken language with 3rd				0.562***	0.771***
				(0.169)	(0.193)
Comm. spoken language with 4th					0.782***
					(0.188)
Colony of parent	0.375***	0.298***	0.540***	-0.170	0.638***
	(0.047)	(0.084)	(0.116)	(0.202)	(0.215)
Colony of 1st		0.171**	0.462***	0.205	-0.204
		(0.069)	(0.098)	(0.172)	(0.223)
Colony of 2nd			0.520***	0.042	0.081
			(0.096)	(0.171)	(0.231)
Colony of 3rd				0.576***	-0.144
				(0.152)	(0.191)
Colony of 4th					-0.170
					(0.159)
					continued

TABLE A1: SEQUENTIAL LOCATION DECISION (Sensitivity i)
(concluded)

| | *Foreign Investment of the MNE:* | | | | |
	1st	2nd	3rd	4th	5th
Same country as 1st		-0.028	-0.149	0.080	-0.445
		(0.101)	(0.161)	(0.303)	(0.420)
Same country as 2nd			-0.337**	0.083	-0.316
			(0.168)	(0.278)	(0.362)
Same country as 3rd				0.056	0.001
				(0.260)	(0.356)
Same country as 4th					-0.208
					(0.307)
GTA with parent	-0.015	-0.206***	-0.127	-0.602***	-0.156
	(0.030)	(0.053)	(0.078)	(0.128)	(0.148)
GTA with 1st		0.396***	0.260***	0.200	0.167
		(0.051)	(0.076)	(0.124)	(0.147)
GTA with 2nd			0.335***	0.347***	0.179
			(0.077)	(0.124)	(0.128)
GTA with 3rd				0.391***	-0.209*
				(0.119)	(0.125)
GTA with 4th					0.327***
					(0.124)
Pseudo R2	0.246	0.287	0.276	0.285	0.246
Observations	1,112,857	414,045	207,206	80,403	67,059
Location decisions		4,819	2,334	986	870
Years between decisions		2.042	1.648	1.464	1.357

Notes: Conditional logit model. *Sensitivity i*: All estimations additionally include the stock of all German investments in country j prior to firm i's investment, *StockInv*. If the MNE has chosen two (or more) locations in phase $p-1$, we use the greater investment (measured in fixed assets) as reference for the investment in phase p. Robust standard errors reported in parentheses. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively. *Location decisions* reports the actual number of location decisions made (Location decision = 1). *Years between decisions* are the average years between the respective (sequential) location decisions made by the multinationals in the sample. Control variables are taken from different sources. *Tax* is the statutory tax rate of a host country. The tax data is collected from databases provided by the International Bureau of Fiscal Documentation (IBFD) and tax surveys provided by Ernst&Young, PwC, and KPMG. *log GDP* measures the real GDP at constant U.S. dollars of the year 2000 and is taken from the World Bank's World Development Indicators 2009. The investment freedom index *InvestFree* is taken from the Heritage Indicators database. The index can take on values between 0 and 100; higher values are associated with more investment freedom. *InvestCost* is from World Bank's Doing Business Database and measures the cost of starting a business relative to income per capita. *CPI* (Corruption Perception Index) is published annually by Transparency International. It ranks countries in terms of perceived levels of corruption, as determined by expert assessments and opinion surveys. The scores range from 10 (country perceived as virtually corruption free) to 0 (country perceived as almost totally corrupt). *log Distance* is the log of the distance (in kilometer) between the most populated cities in the host country and the country of the previous investment. As to the bilateral variables for the first investment, we use Germany as the reference country. *Border* is a common border indicator, *Off. language* is an official common language indicator, *Comm. spoken language* is the share of common spoken language between two countries, *Colony* a former colony indicator, *Same country* a dummy indicating whether the host country and the country of the previous investment are the same. *GTA* is an indicator for the existence of a general trade agreement between the host country and the country of the previous investment. The bilateral variables are either taken from the Centre d'Études Prospectives et d'Informations Internationales (*log Distance, Border, Off. language, Colony, Same country*), from the World Trade Organization (*GTA*), or from Melitz and Toubal (2013) (*Comm. spoken language*).

| | Foreign Investment of the MNE: | | |
	1st	2nd	3rd
Host-country Variables:			
Tax	-2.006***	-1.776***	-1.113**
	(0.203)	(0.352)	(0.491)
log GDP	0.986***	0.816***	0.588***
	(0.020)	(0.030)	(0.041)
InvestFree	0.022***	0.011***	0.011***
	(0.001)	(0.001)	(0.002)
InvestCost	-0.007***	-0.009***	-0.013***
	(0.001)	(0.002)	(0.002)
CPI	0.048***	-0.003	-0.059***
	(0.008)	(0.014)	(0.020)
Bilateral Variables:			
log Distance to parent	-0.593***	-0.333***	-0.072
	(0.020)	(0.032)	(0.044)
log Distance to 1st		-0.356***	-0.282***
		(0.023)	(0.033)
log Distance to 2nd			-0.235***
			(0.033)
Border to parent	0.580***	0.426***	0.308***
	(0.029)	(0.051)	(0.073)
Border to 1st		0.028	0.079
		(0.061)	(0.086)
Border to 2nd			0.346***
			(0.084)
Off. language same as parent	1.017***	0.437***	0.467***
	(0.050)	(0.064)	(0.093)
Off. language same as 1st		0.027	-0.404***
		(0.061)	(0.093)
Off. language same as 2nd			-0.299***
			(0.092)
Comm. spoken language with parent	-0.645***	-0.633***	-0.129
	(0.097)	(0.100)	(0.148)
Comm. spoken language with 1st		1.194***	0.730***
		(0.073)	(0.110)
Comm. spoken language with 2nd			0.672***
			(0.111)
			continued

| | Foreign Investment of the MNE: | | |
	1st	2nd	3rd
Colony of parent	0.331***	0.292***	0.495***
	(0.047)	(0.084)	(0.117)
Colony of 1st		0.138*	0.513***
		(0.071)	(0.098)
Colony of 2nd			0.448***
			(0.100)
Same country as 1st		-0.060	-0.175
		(0.102)	(0.162)
Same country as 2nd			-0.419**
			(0.170)
GTA with parent	0.152***	-0.111*	-0.136*
	(0.031)	(0.057)	(0.082)
GTA with 1st		0.315***	0.245***
		(0.054)	(0.076)
GTA with 2nd			0.281***
			(0.080)
GDP similarity with parent	-0.209***	-0.187***	0.047
	(0.029)	(0.047)	(0.067)
GDP similarity with 1st		0.127***	-4.983***
		(0.024)	(1.423)
GDP similarity with 2nd			0.190***
			(0.035)
GDP 1st		-88.356***	-3.101***
		(10.635)	(1.082)
GDP 2nd			14.355***
			(1.611)
Pseudo R2	0.242	0.287	0.280
Observations	1,112,857	407,799	203,107
Location decisions		4,750	2,289
Years between decisions		2.052	1.645

Notes: Conditional logit model. *Sensitivity ii*: Including GDP similarity and GDP of countries where previous investments were set up. If the MNE has chosen two (or more) locations in phase $p-1$, we use the greater investment (measured in fixed assets) as reference for the investment in phase p. Robust standard errors reported in parentheses. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively. *Location decisions* reports the actual number of location decisions made (Location decision = 1). *Years between decisions* are the average years between the respective (sequential) location decisions made by the multinationals in the sample. Control variables are taken from different sources. *Tax* is the statutory tax rate of a host country. The tax data is collected from databases provided by the International Bureau of Fiscal Documentation (IBFD) and tax surveys provided by Ernst&Young, PwC, and KPMG. *log GDP* measures the real GDP at constant U.S. dollars of the year 2000 and is taken from the World Bank's World Development Indicators 2009. The investment freedom index *InvestFree* is taken from the Heritage Indicators database. The index can take on values between 0 and 100; higher values are associated with more investment freedom. *InvestCost* is from World Bank's Doing Business Database and measures the cost of starting a business relative to income per capita. *CPI* (Corruption Perception Index) is published annually by Transparency International. It ranks countries in terms of perceived levels of corruption, as determined by expert assessments and opinion surveys. The scores range from 10 (country perceived as virtually corruption free) to 0 (country perceived as almost totally corrupt). *log Distance* is the log of the distance (in kilometer) between the most populated cities in the host country and the country of the previous investment. As to the bilateral variables for the first investment, we use Germany as the reference country. *Border* is a common border indicator, *Off. language* is a common official language indicator, *Comm. spoken language* is the share of common spoken language between two countries, *Colony* a former colony indicator, *Same country* a dummy indicating whether the host country and the country of the previous investment are the same. *GTA* is an indicator for the existence of a general trade agreement between the host country and the country of the previous investment. The bilateral variables are either taken from the Centre d'Études Prospectives et d'Informations Internationales (*log Distance, Border, Off. language, Colony, Same country*), from the World Trade Organization (*GTA*), or from Melitz and Toubal (2013) (*Comm. spoken language*).

TABLE A3: SEQUENTIAL LOCATION DECISION (Sensitivity iii)

| | Foreign Investment of the MNE: | | |
	1st	2nd	3rd
Host-country Variables:			
Tax	-1.747***	-1.579***	-1.232***
	(0.205)	(0.351)	(0.478)
log GDP	0.874***	0.733***	0.632***
	(0.011)	(0.017)	(0.023)
InvestFree	0.021***	0.011***	0.011***
	(0.001)	(0.001)	(0.002)
InvestCost	-0.007***	-0.009***	-0.012***
	(0.001)	(0.002)	(0.002)
CPI	0.046***	-0.003	-0.060***
	(0.009)	(0.014)	(0.020)
Bilateral Variables:			
log Distance to parent	-0.543***	-0.295***	-0.081*
	(0.019)	(0.032)	(0.045)
log Distance to 1st		-0.385***	-0.266***
		(0.022)	(0.033)
log Distance to 2nd			-0.265***
			(0.032)
Border to parent	0.569***	0.421***	0.340***
	(0.030)	(0.052)	(0.075)
Border to 1st		0.017	0.080
		(0.060)	(0.085)
Border to 2nd			0.289***
			(0.084)
Off. language same as parent	0.972***	0.454***	0.518***
	(0.048)	(0.063)	(0.090)
Off. language same as 1st		-0.058	-0.402***
		(0.059)	(0.091)
Off. language same as 2nd			-0.363***
			(0.089)
Comm. spoken language with parent	-0.444***	-0.583***	-0.189
	(0.086)	(0.097)	(0.141)
Comm. spoken language with 1st		1.161***	0.768***
		(0.071)	(0.108)
Comm. spoken language with 2nd			0.702***
			(0.107)
			continued

TABLE A3: SEQUENTIAL LOCATION DECISION (Sensitivity iii)
(concluded)

| | Foreign Investment of the MNE: | | |
	1st	2nd	3rd
Colony of parent	0.335***	0.296***	0.539***
	(0.047)	(0.084)	(0.116)
Colony of 1st		0.190***	0.473***
		(0.069)	(0.097)
Colony of 2nd			0.525***
			(0.095)
Same country as 1st		-0.051	-0.141
		(0.102)	(0.161)
Same country as 2nd			-0.344**
			(0.169)
GTA with parent	0.098***	-0.156***	-0.139*
	(0.032)	(0.057)	(0.082)
GTA with 1st		0.395***	0.257***
		(0.051)	(0.076)
GTA with 2nd			0.341***
			(0.077)
Genetic similarity with parent	0.002***	0.001	0.000
	(0.0003)	(0.001)	(0.001)
Genetic similarity with 1st		0.001	-0.001
		(0.001)	(0.001)
Genetic similarity with 2nd			0.001
			(0.001)
Pseudo R2	0.242	0.286	0.276
Observations	1,112,857	414,045	207,206
Location decisions	14,672	4,819	2,334
Years between decisions		2.042	1.648

Notes: Conditional logit model. *Sensitivity iii*: Estimates additionally condition on *genetic similarity* (Spolaore and Wacziarg, 2009). If the MNE has chosen two (or more) locations in phase $p-1$, we use the greater investment (measured in fixed assets) as reference for the investment in phase p. Robust standard errors reported in parentheses. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively. *Location decisions* reports the actual number of location decisions made (Location decision = 1). *Years between decisions* are the average years between the respective (sequential) location decisions made by the multinationals in the sample. Control variables are taken from different sources. *Tax* is the statutory tax rate of a host country. The tax data is collected from databases provided by the International Bureau of Fiscal Documentation (IBFD) and tax surveys provided by Ernst&Young, PwC, and KPMG. *log GDP* measures the real GDP at constant U.S. dollars of the year 2000 and is taken from the World Bank's World Development Indicators 2009. The investment freedom index *InvestFree* is taken from the Heritage Indicators database. The index can take on values between 0 and 100; higher values are associated with more investment freedom. *InvestCost* is from World Bank's Doing Business Database and measures the cost of starting a business relative to income per capita. *CPI* (Corruption Perception Index) is published annually by Transparency International. It ranks countries in terms of perceived levels of corruption, as determined by expert assessments and opinion surveys. The scores range from 10 (country perceived as virtually corruption free) to 0 (country perceived as almost totally corrupt). *log Distance* is the log of the distance (in kilometer) between the most populated cities in the host country and the country of the previous investment. As to the bilateral variables for the first investment, we use Germany as the reference country. *Border* is a common border indicator, *Off. language* is a common official language indicator, *Comm. spoken language* is the share of common spoken language between two countries, *Colony* a former colony indicator, *Same country* a dummy indicating whether the host country and the country of the previous investment are the same. *GTA* is an indicator for the existence of a general trade agreement between the host country and the country of the previous investment. The bilateral variables are either taken from the Centre d'Études Prospectives et d'Informations Internationales (*log Distance, Border, Off. language, Colony, Same country*), from the World Trade Organization (*GTA*), or from Melitz and Toubal (2013) (*Comm. spoken language*).

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| | Foreign Investment of the MNE: | | | | |
	1st	2nd	3rd	4th	5th
Host-country Variables:					
Tax	-1.775***	-1.435***	-0.908*	-3.067***	0.392
	(0.199)	(0.350)	(0.492)	(0.726)	(0.814)
log GDP	0.885***	0.727***	0.624***	0.730***	0.568***
	(0.011)	(0.017)	(0.022)	(0.035)	(0.036)
InvestFree	0.021***	0.012***	0.009***	0.013***	0.016***
	(0.001)	(0.001)	(0.002)	(0.003)	(0.003)
InvestCost	-0.008***	-0.010***	-0.013***	-0.012***	-0.007**
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)
CPI	0.040***	-0.014	-0.073***	-0.067**	-0.006
	(0.008)	(0.014)	(0.020)	(0.032)	(0.033)
Bilateral Variables:					
log Distance to parent	-0.564***	-0.309***	-0.123***	-0.201**	0.073
	(0.018)	(0.031)	(0.045)	(0.080)	(0.093)
log Distance to 1st		-0.376***	-0.282***	-0.188***	-0.109
		(0.022)	(0.035)	(0.055)	(0.073)
log Distance to 2nd			-0.197***	-0.017	-0.247***
			(0.035)	(0.055)	(0.061)
log Distance to 3rd				-0.228***	-0.165**
				(0.056)	(0.065)
log Distance to 4th					-0.202***
					(0.054)
Border to parent	0.541***	0.419***	0.282***	0.437***	0.357***
	(0.029)	(0.050)	(0.074)	(0.115)	(0.124)
Border to 1st		0.020	-0.141	-0.025	-0.661***
		(0.062)	(0.097)	(0.159)	(0.205)
Border to 2nd			0.120	0.211	0.253
			(0.098)	(0.148)	(0.160)
Border to 3rd				0.001	0.961***
				(0.147)	(0.152)
Border to 4th					-0.417**
					(0.172)
					continued

| | Foreign Investment of the MNE: | | | | |
	1st	*2nd*	*3rd*	*4th*	*5th*
Off. language same as parent	0.940***	0.477***	0.632***	0.988***	0.176
	(0.047)	(0.063)	(0.093)	(0.235)	(0.318)
Off. language same as 1st		-0.167***	-0.325***	-0.173	-0.040
		(0.060)	(0.091)	(0.148)	(0.170)
Off. language same as 2nd			-0.378***	-0.332**	-0.345*
			(0.088)	(0.157)	(0.197)
Off. language same as 3rd				-0.411**	-0.894***
				(0.165)	(0.183)
Off. language same as 4th					0.262*
					(0.149)
Comm. spoken language with parent	-0.360***	-0.597***	-0.351**	-1.598***	-1.645***
	(0.083)	(0.097)	(0.140)	(0.354)	(0.378)
Comm. spoken language with 1st		1.228***	0.856***	0.533***	0.333
		(0.072)	(0.106)	(0.184)	(0.224)
Comm. spoken language with 2nd			0.848***	1.292***	0.102
			(0.110)	(0.187)	(0.205)
Comm. spoken language with 3rd				0.525***	1.095***
				(0.179)	(0.221)
Comm. spoken language with 4th					0.558***
					(0.201)
Colony of parent	0.324***	0.285***	0.600***	-0.073	0.352
	(0.048)	(0.084)	(0.119)	(0.199)	(0.220)
Colony of 1st		0.270***	0.357***	0.138	-0.191
		(0.068)	(0.099)	(0.153)	(0.198)
Colony of 2nd			0.237**	0.118	0.062
			(0.102)	(0.168)	(0.216)
Colony of 3rd				0.382**	0.013
				(0.164)	(0.208)
Colony of 4th					-0.179
					(0.166)

TABLE A4: SEQUENTIAL LOCATION DECISION (Sensitivity iv)
(concluded)

| | *Foreign Investment of the MNE:* | | | | |
	1st	*2nd*	*3rd*	*4th*	*5th*
Same country as 1st		-0.042	0.002	0.419	0.213
		(0.102)	(0.169)	(0.283)	(0.509)
Same country as 2nd			0.187	0.381	0.010
			(0.163)	(0.272)	(0.357)
Same country as 3rd				-0.053	-0.502
				(0.272)	(0.427)
Same country as 4th					-0.031
					(0.336)
GTA with parent	0.057*	-0.218***	-0.086	-0.578***	-0.262
	(0.030)	(0.054)	(0.082)	(0.134)	(0.165)
GTA with 1st		0.423***	0.177**	0.035	0.255
		(0.051)	(0.082)	(0.124)	(0.161)
GTA with 2nd			0.337***	0.368***	0.277**
			(0.080)	(0.121)	(0.137)
GTA with 3rd				0.474***	-0.081
				(0.119)	(0.143)
GTA with 4th					0.182
					(0.140)
Pseudo R2	0.242	0.287	0.270	0.281	0.251
Observations	1,112,857	412,977	203,947	79,742	62,513
Location decisions		4,808	2,294	978	808
Years between decisions		2.040	1.658	1.518	1.399

Notes: Conditional logit model. *Sensitivity iv*: If the MNE has chosen two (or more) locations in phase $p-1$, we use the greater investment (measured in *total assets*) as reference for the investment in phase p. Robust standard errors reported in parentheses. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively. *Location decisions* reports the actual number of location decisions made (Location decision = 1). *Years between decisions* are the average years between the respective (sequential) location decisions made by the multinationals in the sample. Control variables are taken from different sources. *Tax* is the statutory tax rate of a host country. The tax data is collected from databases provided by the International Bureau of Fiscal Documentation (IBFD) and tax surveys provided by Ernst&Young, PwC, and KPMG. *log GDP* measures the real GDP at constant U.S. dollars of the year 2000 and is taken from the World Bank's World Development Indicators 2009. The investment freedom index *InvestFree* is taken from the Heritage Indicators database. The index can take on values between 0 and 100; higher values are associated with more investment freedom. *InvestCost* is from World Bank's Doing Business Database and measures the cost of starting a business relative to income per capita. *CPI* (Corruption Perception Index) is published annually by Transparency International. It ranks countries in terms of perceived levels of corruption, as determined by expert assessments and opinion surveys. The scores range from 10 (country perceived as virtually corruption free) to 0 (country perceived as almost totally corrupt). *log Distance* is the log of the distance (in kilometer) between the most populated cities in the host country and the country of the previous investment. As to the bilateral variables for the first investment, we use Germany as the reference country. *Border* is a common border indicator, *Off. language* is a common official language indicator, *Comm. spoken language* is the share of common spoken language between two countries, *Colony* a former colony indicator, *Same country* a dummy indicating whether the host country and the country of the previous investment are the same. *GTA* is an indicator for the existence of a general trade agreement between the host country and the country of the previous investment. The bilateral variables are either taken from the Centre d'Études Prospectives et d'Informations Internationales (*log Distance, Border, Off. language, Colony, Same country*), from the World Trade Organization (*GTA*), or from Melitz and Toubal (2013) (*Comm. spoken language*).

TABLE A5: SEQUENTIAL LOCATION DECISION (Sensitivity v)

	Foreign Investment of the MNE:				
	1st	2nd	3rd	4th	5th
Host-country Variables:					
Tax	-1.775***	-1.434***	-2.069**	-2.518	-3.758
	(0.199)	(0.350)	(0.810)	(1.828)	(3.787)
log GDP	0.885***	0.727***	0.736***	0.782***	0.994***
	(0.011)	(0.017)	(0.037)	(0.079)	(0.181)
InvestFree	0.021***	0.012***	0.010***	0.004	0.028
	(0.001)	(0.001)	(0.003)	(0.007)	(0.018)
InvestCost	-0.008***	-0.010***	-0.012***	-0.012*	-0.005
	(0.001)	(0.002)	(0.004)	(0.006)	(0.016)
CPI	0.040***	-0.014	-0.125***	-0.167**	-0.226
	(0.008)	(0.014)	(0.034)	(0.073)	(0.187)
Bilateral Variables:					
log Distance to parent	-0.564***	-0.309***	-0.136*	-0.013	0.613
	(0.018)	(0.031)	(0.072)	(0.177)	(0.442)
log Distance to 1st		-0.376***	-0.341***	-0.055	-1.139***
		(0.022)	(0.055)	(0.124)	(0.322)
log Distance to 2nd			-0.305***	-0.339***	-0.167
			(0.051)	(0.129)	(0.371)
log Distance to 3rd				-0.109	-0.619**
				(0.136)	(0.277)
log Distance to 4th					-0.296
					(0.386)
Border to parent	0.541***	0.419***	0.332***	0.027	0.215
	(0.029)	(0.050)	(0.123)	(0.308)	(0.656)
Border to 1st		0.020	0.032	0.592*	0.831
		(0.062)	(0.147)	(0.350)	(0.801)
Border to 2nd			-0.088	-0.620	1.061
			(0.152)	(0.424)	(0.648)
Border to 3rd				0.350	-0.536
				(0.317)	(0.750)
Border to 4th					-0.446
					(0.811)
					continued

| | Foreign Investment of the MNE: | | | | |
	1st	*2nd*	*3rd*	*4th*	*5th*
Off. language same as parent	0.940***	0.477***	0.505***	0.826	2.823**
	(0.047)	(0.063)	(0.149)	(0.531)	(1.110)
Off. language same as 1st		-0.167***	-0.354**	-0.591	-0.409
		(0.060)	(0.149)	(0.361)	(0.847)
Off. language same as 2nd			0.063	0.041	-0.313
			(0.133)	(0.368)	(0.776)
Off. language same as 3rd				-0.068	0.952
				(0.379)	(0.808)
Off. language same as 4th					-1.532
					(1.446)
Comm. spoken language with parent	-0.360***	-0.597***	-0.027	1.021	-0.177
	(0.083)	(0.097)	(0.225)	(0.790)	(1.957)
Comm. spoken language with 1st		1.228***	0.738***	0.792	0.596
		(0.072)	(0.178)	(0.510)	(1.087)
Comm. spoken language with 2nd			0.716***	0.289	0.938
			(0.173)	(0.473)	(1.149)
Comm. spoken language with 3rd				-0.257	-1.960
				(0.468)	(1.249)
Comm. spoken language with 4th					-0.148
					(1.274)
Colony of parent	0.324***	0.285***	0.541***	0.654	-0.496
	(0.048)	(0.084)	(0.182)	(0.427)	(1.451)
Colony of 1st		0.270***	0.377**	0.389	0.673
		(0.068)	(0.162)	(0.339)	(0.636)
Colony of 2nd			0.083	0.295	-1.203
			(0.162)	(0.377)	(1.252)
Colony of 3rd				-0.295	-1.400
				(0.396)	(1.359)
Colony of 4th					-0.268
					(1.402)

continued

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TABLE A5: SEQUENTIAL LOCATION DECISION (Sensitivity v)
(concluded)

	Foreign Investment of the MNE:				
	1st	*2nd*	*3rd*	*4th*	*5th*
Same country as 1st		-0.042	-0.198	-1.104	-16.194***
		(0.102)	(0.270)	(0.678)	(0.916)
Same country as 2nd			0.208	0.086	-15.118***
			(0.242)	(0.634)	(1.299)
Same country as 3rd				1.090**	0.483
				(0.442)	(1.311)
Same country as 4th					-14.531***
					(1.130)
GTA with parent	0.057*	-0.217***	-0.179	-0.321	0.908
	(0.030)	(0.054)	(0.131)	(0.311)	(0.568)
GTA with 1st		0.423***	0.105	-0.049	-1.666***
		(0.051)	(0.129)	(0.287)	(0.598)
GTA with 2nd			0.250**	0.216	-1.113*
			(0.125)	(0.314)	(0.675)
GTA with 3rd				0.585**	0.280
				(0.287)	(0.511)
GTA with 4th					0.291
					(0.659)
Pseudo R2	0.242	0.287	0.296	0.275	0.381
Observations	1,112,857	412,962	81,830	15,308	3,568
Location decisions	14,672	4,808	904	184	46
Years between decisions		2.040	1.916	2.023	2.163

Notes: Conditional logit model. *Sensitivity v*: Focus on firms and affiliates whose previous investments in $p-1$ occurred in one country only. Robust standard errors reported in parentheses. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively. *Location decisions* reports the actual number of location decisions made (Location decision = 1). *Years between decisions* are the average years between the respective (sequential) location decisions made by the multinationals in the sample. Control variables are taken from different sources. *Tax* is the statutory tax rate of a host country. The tax data is collected from databases provided by the International Bureau of Fiscal Documentation (IBFD) and tax surveys provided by Ernst&Young, PwC, and KPMG. *log GDP* measures the real GDP at constant U.S. dollars of the year 2000 and is taken from the World Bank's World Development Indicators 2009. The investment freedom index *InvestFree* is taken from the Heritage Indicators database. The index can take on values between 0 and 100; higher values are associated with more investment freedom. *InvestCost* is from World Bank's Doing Business Database and measures the cost of starting a business relative to income per capita. *CPI* (Corruption Perception Index) is published annually by Transparency International. It ranks countries in terms of perceived levels of corruption, as determined by expert assessments and opinion surveys. The scores range from 10 (country perceived as virtually corruption free) to 0 (country perceived as almost totally corrupt). *log Distance* is the log of the distance (in kilometer) between the most populated cities in the host country and the country of the previous investment. As to the bilateral variables for the first investment, we use Germany as the reference country. *Border* is a common border indicator, *Off. language* is a common official language indicator, *Comm. spoken language* is the share of common spoken language between two countries, *Colony* a former colony indicator, *Same country* a dummy indicating whether the host country and the country of the previous investment are the same. *GTA* is an indicator for the existence of a general trade agreement between the host country and the country of the previous investment. The bilateral variables are either taken from the Centre d'Études Prospectives et d'Informations Internationales (*log Distance, Border, Off. language, Colony, Same country*), from the World Trade Organization (*GTA*), or from Melitz and Toubal (2013) (*Comm. spoken language*).

TABLE A6: SEQUENTIAL LOCATION DECISION (Sensitivity vi)

| | Foreign Investment of the MNE: | | |
	1st	2nd	3rd
Host-country Variables:			
Tax	-2.204***	-2.818**	1.214
	(0.485)	(1.219)	(3.050)
log GDP	0.994***	0.774***	0.511***
	(0.028)	(0.066)	(0.126)
InvestFree	0.020***	0.004	0.011
	(0.002)	(0.004)	(0.012)
InvestCost	-0.011***	-0.011	-0.006
	(0.002)	(0.008)	(0.012)
CPI	-0.013	-0.049	-0.041
	(0.019)	(0.052)	(0.128)
Bilateral Variables:			
log Distance to parent	-0.753***	-0.330***	-0.051
	(0.041)	(0.094)	(0.246)
log Distance to 1st		-0.475***	-0.269*
		(0.083)	(0.143)
log Distance to 2nd			-0.481**
			(0.207)
Border to parent	0.614***	0.348**	0.203
	(0.067)	(0.174)	(0.412)
Border to 1st		0.174	-0.911
		(0.211)	(0.664)
Border to 2nd			0.036
			(0.511)
Off. language same as parent	0.979***	0.230	0.435
	(0.110)	(0.250)	(0.629)
Off. language same as 1st		-0.519**	-1.043*
		(0.248)	(0.602)
Off. language same as 2nd			-0.262
			(0.451)
Comm. spoken language with parent	0.001	-0.490	-0.628
	(0.195)	(0.408)	(0.985)
Comm. spoken language with 1st		1.682***	0.270
		(0.262)	(0.714)
Comm. spoken language with 2nd			1.372*
			(0.740)
			continued

TABLE A6: SEQUENTIAL LOCATION DECISION (Sensitivity vi)
(concluded)

| | Foreign Investment of the MNE: | | |
	1st	2nd	3rd
Colony of parent	0.315***	-0.080	1.067**
	(0.097)	(0.275)	(0.543)
Colony of 1st		0.245	0.414
		(0.274)	(0.643)
Colony of 2nd			0.616
			(0.487)
Same country as 1st		-0.713*	-1.638
		(0.390)	(1.605)
Same country as 2nd			0.666
			(1.054)
GTA with parent	-0.541***	-0.367**	-0.429
	(0.067)	(0.171)	(0.476)
GTA with 1st		0.785***	0.940*
		(0.168)	(0.510)
GTA with 2nd			0.661
			(0.506)
Pseudo R2	0.264	0.392	0.448
Observations	214,175	36,364	7,388
Location decisions	2,881	422	81
Years between decisions		2.396	2.223

Notes: Conditional logit model. *Sensitivity vi*: Sample only includes firms whose affiliates exhibit no intra-firm trade (sample S1). If the MNE has chosen two (or more) locations in phase $p-1$, we use the greater investment (measured in fixed assets) as reference for the investment in phase p. Robust standard errors reported in parentheses. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively. *Location decisions* reports the actual number of location decisions made (Location decision = 1). *Years between decisions* are the average years between the respective (sequential) location decisions made by the multinationals in the sample. Control variables are taken from different sources. *Tax* is the statutory tax rate of a host country. The tax data is collected from databases provided by the International Bureau of Fiscal Documentation (IBFD) and tax surveys provided by Ernst&Young, PwC, and KPMG. *log GDP* measures the real GDP at constant U.S. dollars of the year 2000 and is taken from the World Bank's World Development Indicators 2009. The investment freedom index *InvestFree* is taken from the Heritage Indicators database. The index can take on values between 0 and 100; higher values are associated with more investment freedom. *InvestCost* is from World Bank's Doing Business Database and measures the cost of starting a business relative to income per capita. *CPI* (Corruption Perception Index) is published annually by Transparency International. It ranks countries in terms of perceived levels of corruption, as determined by expert assessments and opinion surveys. The scores range from 10 (country perceived as virtually corruption free) to 0 (country perceived as almost totally corrupt). *log Distance* is the log of the distance (in kilometer) between the most populated cities in the host country and the country of the previous investment. As to the bilateral variables for the first investment, we use Germany as the reference country. *Border* is a common border indicator, *Off. language* is a common official language indicator, *Comm. spoken language* is the share of common spoken language between two countries, *Colony* a former colony indicator, *Same country* a dummy indicating whether the host country and the country of the previous investment are the same. *GTA* is an indicator for the existence of a general trade agreement between the host country and the country of the previous investment. The bilateral variables are either taken from the Centre d'Études Prospectives et d'Informations Internationales (*log Distance, Border, Off. language, Colony, Same country*), from the World Trade Organization (*GTA*), or from Melitz and Toubal (2013) (*Comm. spoken language*).

| | Foreign Investment of the MNE: | | |
	1st	2nd	3rd
Host-country Variables:			
Tax	-1.176***	-1.369**	-1.727*
	(0.381)	(0.632)	(0.884)
log GDP	0.925***	0.744***	0.620***
	(0.022)	(0.031)	(0.043)
InvestFree	0.019***	0.009***	0.006
	(0.002)	(0.002)	(0.003)
InvestCost	-0.010***	-0.010***	-0.011**
	(0.002)	(0.004)	(0.004)
CPI	0.005	0.013	-0.024
	(0.016)	(0.026)	(0.038)
Bilateral Variables:			
log Distance to parent	-0.664***	-0.382***	-0.079
	(0.034)	(0.053)	(0.078)
log Distance to 1st		-0.395***	-0.275***
		(0.040)	(0.059)
log Distance to 2nd			-0.239***
			(0.056)
Border to parent	0.539***	0.409***	0.349**
	(0.054)	(0.090)	(0.140)
Border to 1st		0.061	-0.363*
		(0.110)	(0.191)
Border to 2nd			0.099
			(0.177)
Off. language same as parent	0.721***	0.315**	0.439**
	(0.091)	(0.127)	(0.195)
Off. language same as 1st		-0.307***	-0.270
		(0.110)	(0.167)
Off. language same as 2nd			-0.140
			(0.166)
Comm. spoken language with parent	-0.003	-1.053***	-0.952***
	(0.154)	(0.185)	(0.292)
Comm. spoken language with 1st		1.551***	1.082***
		(0.124)	(0.190)
Comm. spoken language with 2nd			1.040***
			(0.191)
			continued

TABLE A7: SEQUENTIAL LOCATION DECISION (Sensitivity vi)
(concluded)

	Foreign Investment of the MNE:		
	1st	*2nd*	*3rd*
Colony of parent	0.342***	0.236	0.570***
	(0.085)	(0.144)	(0.210)
Colony of 1st		0.390***	0.208
		(0.125)	(0.201)
Colony of 2nd			0.144
			(0.185)
Same country as 1st		-0.169	0.033
		(0.191)	(0.324)
Same country as 2nd			0.235
			(0.287)
GTA with parent	-0.291***	-0.587***	-0.263*
	(0.055)	(0.094)	(0.141)
GTA with 1st		0.597***	0.374***
		(0.091)	(0.144)
GTA with 2nd			0.430***
			(0.141)
Pseudo R2	0.250	0.326	0.291
Observations	322,632	131,565	57,958
Location decisions	4,349	1,533	655
Years between decisions		2.154	1.759

Notes: Conditional logit model. *Sensitivity vi*: Sample only includes foreign affiliates without intra-firm trade (sample S2). If the MNE has chosen two (or more) locations in phase $p-1$, we use the greater investment (measured in fixed assets) as reference for the investment in phase p. Robust standard errors reported in parentheses. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively. *Location decisions* reports the actual number of location decisions made (Location decision = 1). *Years between decisions* are the average years between the respective (sequential) location decisions made by the multinationals in the sample. Control variables are taken from different sources. *Tax* is the statutory tax rate of a host country. The tax data is collected from databases provided by the International Bureau of Fiscal Documentation (IBFD) and tax surveys provided by Ernst&Young, PwC, and KPMG. *log GDP* measures the real GDP at constant U.S. dollars of the year 2000 and is taken from the World Bank's World Development Indicators 2009. The investment freedom index *InvestFree* is taken from the Heritage Indicators database. The index can take on values between 0 and 100; higher values are associated with more investment freedom. *InvestCost* is from World Bank's Doing Business Database and measures the cost of starting a business relative to income per capita. *CPI* (Corruption Perception Index) is published annually by Transparency International. It ranks countries in terms of perceived levels of corruption, as determined by expert assessments and opinion surveys. The scores range from 10 (country perceived as virtually corruption free) to 0 (country perceived as almost totally corrupt). *log Distance* is the log of the distance (in kilometer) between the most populated cities in the host country and the country of the previous investment. As to the bilateral variables for the first investment, we use Germany as the reference country. *Border* is a common border indicator, *Off. language* is a common official language indicator, *Comm. spoken language* is the share of common spoken language between two countries, *Colony* a former colony indicator, *Same country* a dummy indicating whether the host country and the country of the previous investment are the same. *GTA* is an indicator for the existence of a general trade agreement between the host country and the country of the previous investment. The bilateral variables are either taken from the Centre d'Études Prospectives et d'Informations Internationales (*log Distance, Border, Off. language, Colony, Same country*), from the World Trade Organization (*GTA*), or from Melitz and Toubal (2013) (*Comm. spoken language*).

TABLE A8: SEQUENTIAL LOCATION DECISION (Sensitivity vi)

| | Foreign Investment of the MNE: | | |
	1st	2nd	3rd
Host-country Variables:			
Tax	-3.404***	-1.918	0.139
	(0.562)	(1.245)	(3.715)
log GDP	0.953***	0.796***	0.766***
	(0.033)	(0.065)	(0.160)
InvestFree	0.022***	0.015***	0.002
	(0.002)	(0.005)	(0.012)
InvestCost	-0.004*	-0.016*	-0.013
	(0.002)	(0.005)	(0.014)
CPI	0.033	-0.169***	-0.044
	(0.023)	(0.057)	(0.125)
Bilateral Variables:			
log Distance to parent	-0.900***	-0.437***	-0.281
	(0.050)	(0.130)	(0.278)
log Distance to 1st		-0.374***	-0.238
		(0.098)	(0.228)
log Distance to 2nd			-0.301*
			(0.170)
Border to parent	0.535***	0.732***	-0.630
	(0.080)	(0.202)	(0.502)
Border to 1st		-0.127	0.269
		(0.220)	(0.494)
Border to 2nd			0.148
			(0.553)
Off. language same as parent	1.435***	-0.062	1.250*
	(0.131)	(0.245)	(0.660)
Off. language same as 1st		0.467**	0.341
		(0.236)	(0.502)
Off. language same as 2nd			-0.779
			(0.572)
Comm. spoken language with parent	-0.758***	0.262	-0.436
	(0.253)	(0.403)	(0.941)
Comm. spoken language with 1st		0.278	0.514
		(0.278)	(0.741)
Comm. spoken language with 2nd			0.951
			(0.680)
			continued

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TABLE A8: SEQUENTIAL LOCATION DECISION (Sensitivity vi)
(concluded)

| | Foreign Investment of the MNE: | | |
	1st	2nd	3rd
Colony of parent	0.208*	0.068	1.614***
	(0.111)	(0.254)	(0.584)
Colony of 1st		0.133	0.117
		(0.289)	(0.637)
Colony of 2nd			-0.353
			(0.685)
Same country as 1st		-0.137	0.197
		(0.370)	(0.674)
Same country as 2nd			0.220
			(0.965)
GTA with parent	-0.361***	-0.546***	-0.118
	(0.076)	(0.200)	(0.410)
GTA with 1st		0.915***	0.599
		(0.184)	(0.420)
GTA with 2nd			0.310
			(0.388)
Pseudo R2	0.2471	0.297	0.353
Observations	143,694	28,043	6,057
Location decisions	1,936	327	68
Years between decisions		2.593	2.097

Notes: Conditional logit model. *Sensitivity vi*: Focus on firms whose affiliates operate in the same industry as the parent (sample S3). If the MNE has chosen two (or more) locations in phase $p-1$, we use the greater investment (measured in fixed assets) as reference for the investment in phase p. Robust standard errors reported in parentheses. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively. *Location decisions* reports the actual number of location decisions made (Location decision $= 1$). *Years between decisions* are the average years between the respective (sequential) location decisions made by the multinationals in the sample. Control variables are taken from different sources. *Tax* is the statutory tax rate of a host country. The tax data is collected from databases provided by the International Bureau of Fiscal Documentation (IBFD) and tax surveys provided by Ernst&Young, PwC, and KPMG. *log GDP* measures the real GDP at constant U.S. dollars of the year 2000 and is taken from the World Bank's World Development Indicators 2009. The investment freedom index *InvestFree* is taken from the Heritage Indicators database. The index can take on values between 0 and 100; higher values are associated with more investment freedom. *InvestCost* is from World Bank's Doing Business Database and measures the cost of starting a business relative to income per capita. *CPI* (Corruption Perception Index) is published annually by Transparency International. It ranks countries in terms of perceived levels of corruption, as determined by expert assessments and opinion surveys. The scores range from 10 (country perceived as virtually corruption free) to 0 (country perceived as almost totally corrupt). *log Distance* is the log of the distance (in kilometer) between the most populated cities in the host country and the country of the previous investment. As to the bilateral variables for the first investment, we use Germany as the reference country. *Border* is a common border indicator, *Off. language* is a common official language indicator, *Comm. spoken language* is the share of common spoken language between two countries, *Colony* a former colony indicator, *Same country* a dummy indicating whether the host country and the country of the previous investment are the same. *GTA* is an indicator for the existence of a general trade agreement between the host country and the country of the previous investment. The bilateral variables are either taken from the Centre d'Études Prospectives et d'Informations Internationales (*log Distance, Border, Off. language, Colony, Same country*), from the World Trade Organization (*GTA*), or from Melitz and Toubal (2013) (*Comm. spoken language*).

TABLE A9: SEQUENTIAL LOCATION DECISION (Sensitivity vi)

| | Foreign Investment of the MNE: | | |
	1st	2nd	3rd
Host-country Variables:			
Tax	-2.767***	-1.953**	-0.836
	(0.493)	(0.800)	(1.249)
log GDP	0.952***	0.770***	0.640***
	(0.028)	(0.039)	(0.055)
InvestFree	0.025***	0.016***	0.004
	(0.002)	(0.003)	(0.005)
InvestCost	-0.004*	-0.011***	-0.014***
	(0.002)	(0.004)	(0.005)
CPI	0.051**	-0.061*	0.052
	(0.020)	(0.034)	(0.050)
Bilateral Variables:			
log Distance to parent	-0.821***	-0.327***	-0.211*
	(0.043)	(0.072)	(0.119)
log Distance to 1st		-0.360***	-0.222***
		(0.052)	(0.085)
log Distance to 2nd			-0.318***
			(0.080)
Border to parent	0.513***	0.620***	0.194
	(0.069)	(0.119)	(0.191)
Border to 1st		0.102	-0.391
		(0.142)	(0.257)
Border to 2nd			-0.355
			(0.273)
Off. language same as parent	1.285***	0.374***	-0.054
	(0.113)	(0.143)	(0.304)
Off. language same as 1st		-0.088	0.002
		(0.139)	(0.221)
Off. language same as 2nd			0.154
			(0.220)
Comm. spoken language with parent	-0.607***	-0.499**	-1.112***
	(0.213)	(0.224)	(0.405)
Comm. spoken language with 1st		1.108***	0.891***
		(0.174)	(0.257)
Comm. spoken language with 2nd			0.449*
			(0.265)
			continued

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TABLE A9: SEQUENTIAL LOCATION DECISION (Sensitivity vi)
(concluded)

| | Foreign Investment of the MNE: | | |
	1st	2nd	3rd
Colony of parent	0.184*	0.206	0.138
	(0.102)	(0.183)	(0.336)
Colony of 1st		0.572***	0.080
		(0.159)	(0.253)
Colony of 2nd			0.042
			(0.269)
Same country as 1st		-0.314	1.109***
		(0.238)	(0.339)
Same country as 2nd			0.335
			(0.378)
GTA with parent	-0.290***	-0.225*	-0.294
	(0.068)	(0.124)	(0.208)
GTA with 1st		0.487***	0.306
		(0.119)	(0.196)
GTA with 2nd			0.459**
			(0.203)
Pseudo R2	0.250	0.293	0.268
Observations	195,084	75,127	31,031
Location decisions	2,609	874	350
Years between decisions		2.384	2.023

Notes: Conditional logit model. *Sensitivity vi*: Focus on affiliates operating in the same industry as the parent (sample S4). If the MNE has chosen two (or more) locations in phase $p-1$, we use the greater investment (measured in fixed assets) as reference for the investment in phase p. Robust standard errors reported in parentheses. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively. *Location decisions* reports the actual number of location decisions made (Location decision = 1). *Years between decisions* are the average years between the respective (sequential) location decisions made by the multinationals in the sample. Control variables are taken from different sources. *Tax* is the statutory tax rate of a host country. The tax data is collected from databases provided by the International Bureau of Fiscal Documentation (IBFD) and tax surveys provided by Ernst&Young, PwC, and KPMG. *log GDP* measures the real GDP at constant U.S. dollars of the year 2000 and is taken from the World Bank's World Development Indicators 2009. The investment freedom index *InvestFree* is taken from the Heritage Indicators database. The index can take on values between 0 and 100; higher values are associated with more investment freedom. *InvestCost* is from World Bank's Doing Business Database and measures the cost of starting a business relative to income per capita. *CPI* (Corruption Perception Index) is published annually by Transparency International. It ranks countries in terms of perceived levels of corruption, as determined by expert assessments and opinion surveys. The scores range from 10 (country perceived as virtually corruption free) to 0 (country perceived as almost totally corrupt). *log Distance* is the log of the distance (in kilometer) between the most populated cities in the host country and the country of the previous investment. As to the bilateral variables for the first investment, we use Germany as the reference country. *Border* is a common border indicator, *Off. language* is a common official language indicator, *Comm. spoken language* is the share of common spoken language between two countries, *Colony* a former colony indicator, *Same country* a dummy indicating whether the host country and the country of the previous investment are the same. *GTA* is an indicator for the existence of a general trade agreement between the host country and the country of the previous investment. The bilateral variables are either taken from the Centre d'Études Prospectives et d'Informations Internationales (*log Distance, Border, Off. language, Colony, Same country*), from the World Trade Organization (*GTA*), or from Melitz and Toubal (2013) (*Comm. spoken language*).

TABLE A10: SEQUENTIAL LOCATION DECISION (Sensitivity vii)

| | Foreign Investment of the MNE: | | |
	1st	2nd	3rd
Host-country Variables:			
Tax	-2.110**	-2.065***	-1.255**
	(0.217)	(0.379)	(0.503)
log GDP	0.869***	0.772***	0.631***
	(0.012)	(0.018)	(0.023)
InvestFree	0.021***	0.012***	0.013***
	(0.001)	(0.001)	(0.002)
InvestCost	-0.009***	-0.010***	-0.012***
	(0.001)	(0.002)	(0.002)
CPI	0.035***	0.001	-0.067***
	(0.009)	(0.015)	(0.021)
Bilateral Variables:			
log Distance to parent	-0.468***	-0.290***	-0.043
	(0.020)	(0.034)	(0.047)
log Distance to 1st		-0.385***	-0.265***
		(0.024)	(0.035)
log Distance to 2nd			-0.282***
			(0.034)
Border to parent	0.511***	0.394***	0.359***
	(0.032)	(0.056)	(0.078)
Border to 1st		-0.084	0.066
		(0.065)	(0.092)
Border to 2nd			0.320***
			(0.090)
Off. language same as parent	0.836***	0.520***	0.489***
	(0.054)	(0.068)	(0.097)
Off. language same as 1st		-0.019	-0.375***
		(0.063)	(0.097)
Off. language same as 2nd			-0.400***
			(0.095)
Comm. spoken language with parent	-0.219**	-0.516***	-0.082
	(0.091)	(0.106)	(0.149)
Comm. spoken language with 1st		1.023***	0.771***
		(0.079)	(0.116)
Comm. spoken language with 2nd			0.612***
			(0.117)
			continued

| | Foreign Investment of the MNE: | | |
	1st	*2nd*	*3rd*
Colony of parent	0.303***	0.240**	0.601***
	(0.056)	(0.096)	(0.125)
Colony of 1st		0.136*	0.471***
		(0.075)	(0.103)
Colony of 2nd			0.598***
			(0.101)
Same country as 1st		-0.008	-0.130
		(0.113)	(0.173)
Same country as 2nd			-0.403**
			(0.181)
GTA with parent	0.147***	-0.189***	-0.105
	(0.034)	(0.059)	(0.085)
GTA with 1st		0.406***	0.263***
		(0.056)	(0.082)
GTA with 2nd			0.260***
			(0.083)
Pseudo R2	0.235	0.285	0.274
Observations	879,250	344,177	181,555
Location decisions	11,483	3,996	2,046
Years between decisions		1.967	1.598

Notes: Conditional logit model. *Sensitivity vii*: Sample excludes financially constrained firms (debt-to-capital ratio ≥ 0.75; sample S5). If the MNE has chosen two (or more) locations in phase $p-1$, we use the greater investment (measured in fixed assets) as reference for the investment in phase p. Robust standard errors reported in parentheses. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively. *Location decisions* reports the actual number of location decisions made (Location decision = 1). *Years between decisions* are the average years between the respective (sequential) location decisions made by the multinationals in the sample. Control variables are taken from different sources. *Tax* is the statutory tax rate of a host country. The tax data is collected from databases provided by the International Bureau of Fiscal Documentation (IBFD) and tax surveys provided by Ernst&Young, PwC, and KPMG. *log GDP* measures the real GDP at constant U.S. dollars of the year 2000 and is taken from the World Bank's World Development Indicators 2009. The investment freedom index *InvestFree* is taken from the Heritage Indicators database. The index can take on values between 0 and 100; higher values are associated with more investment freedom. *InvestCost* is from World Bank's Doing Business Database and measures the cost of starting a business relative to income per capita. *CPI* (Corruption Perception Index) is published annually by Transparency International. It ranks countries in terms of perceived levels of corruption, as determined by expert assessments and opinion surveys. The scores range from 10 (country perceived as virtually corruption free) to 0 (country perceived as almost totally corrupt). *log Distance* is the log of the distance (in kilometer) between the most populated cities in the host country and the country of the previous investment. As to the bilateral variables for the first investment, we use Germany as the reference country. *Border* is a common border indicator, *Off. language* is a common official language indicator, *Comm. spoken language* is the share of common spoken language between two countries, *Colony* a former colony indicator, *Same country* a dummy indicating whether the host country and the country of the previous investment are the same. *GTA* is an indicator for the existence of a general trade agreement between the host country and the country of the previous investment. The bilateral variables are either taken from the Centre d'Études Prospectives et d'Informations Internationales (*log Distance, Border, Off. language, Colony, Same country*), from the World Trade Organization (*GTA*), or from Melitz and Toubal (2013) (*Comm. spoken language*).

| | Foreign Investment of the MNE: | | |
	1st	2nd	3rd
Host-country Variables:			
Tax	-3.107***	-2.740***	-2.843***
	(0.346)	(0.615)	(0.995)
log GDP	0.937***	0.784***	0.719***
	(0.018)	(0.032)	(0.046)
InvestFree	0.023***	0.011***	0.026***
	(0.001)	(0.002)	(0.004)
InvestCost	-0.009***	-0.009***	-0.021***
	(0.002)	(0.003)	(0.005)
CPI	0.001	-0.016	-0.187***
	(0.014)	(0.026)	(0.042)
Bilateral Variables:			
log Distance to parent	-0.453***	-0.247***	0.016
	(0.031)	(0.053)	(0.086)
log Distance to 1st		-0.387***	-0.423***
		(0.040)	(0.066)
log Distance to 2nd			-0.392***
			(0.058)
Border to parent	0.471***	0.496***	0.545***
	(0.052)	(0.095)	(0.159)
Border to 1st		0.133	-0.442**
		(0.105)	(0.225)
Border to 2nd			0.045
			(0.207)
Off. language same as parent	0.819***	0.668***	0.134
	(0.086)	(0.117)	(0.219)
Off. language same as 1st		-0.004	-0.340*
		(0.103)	(0.199)
Off. language same as 2nd			0.020
			(0.177)
Comm. spoken language with parent	0.208	-0.866***	0.277
	(0.140)	(0.182)	(0.312)
Comm. spoken language with 1st		1.439***	0.072
		(0.130)	(0.234)
Comm. spoken language with 2nd			0.679***
			(0.208)
			continued

TABLE A11: SEQUENTIAL LOCATION DECISION (Sensitivity vii)
(concluded)

| | Foreign Investment of the MNE: | | |
	1st	2nd	3rd
Colony of parent	0.250***	0.303**	0.251
	(0.088)	(0.149)	(0.230)
Colony of 1st		0.103	0.363*
		(0.129)	(0.203)
Colony of 2nd			0.486**
			(0.208)
Same country as 1st		-0.293	0.031
		(0.186)	(0.359)
Same country as 2nd			-1.070***
			(0.323)
GTA with parent	-0.113**	-0.304***	-0.636***
	(0.055)	(0.092)	(0.163)
GTA with 1st		0.586***	0.083
		(0.089)	(0.164)
GTA with 2nd			0.535***
			(0.162)
Pseudo R2	0.2454	0.328	0.320
Observations	363,887	132,075	52,605
Location decisions	4,655	1,505	581
Years between decisions		2.141	1.777

Notes: Conditional logit model. *Sensitivity vii*: Sample excludes financially constraint firms (debt-to-capital ratio ≥ 0.50; sample S6). If the MNE has chosen two (or more) locations in phase $p-1$, we use the greater investment (measured in fixed assets) as reference for the investment in phase p. Robust standard errors reported in parentheses. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively. *Location decisions* reports the actual number of location decisions made (Location decision $= 1$). *Years between decisions* are the average years between the respective (sequential) location decisions made by the multinationals in the sample. Control variables are taken from different sources. *Tax* is the statutory tax rate of a host country. The tax data is collected from databases provided by the International Bureau of Fiscal Documentation (IBFD) and tax surveys provided by Ernst&Young, PwC, and KPMG. *log GDP* measures the real GDP at constant U.S. dollars of the year 2000 and is taken from the World Bank's World Development Indicators 2009. The investment freedom index *InvestFree* is taken from the Heritage Indicators database. The index can take on values between 0 and 100; higher values are associated with more investment freedom. *InvestCost* is from World Bank's Doing Business Database and measures the cost of starting a business relative to income per capita. *CPI* (Corruption Perception Index) is published annually by Transparency International. It ranks countries in terms of perceived levels of corruption, as determined by expert assessments and opinion surveys. The scores range from 10 (country perceived as virtually corruption free) to 0 (country perceived as almost totally corrupt). *log Distance* is the log of the distance (in kilometer) between the most populated cities in the host country and the country of the previous investment. As to the bilateral variables for the first investment, we use Germany as the reference country. *Border* is a common border indicator, *Off. language* is a common official language indicator, *Comm. spoken language* is the share of common spoken language between two countries, *Colony* a former colony indicator, *Same country* a dummy indicating whether the host country and the country of the previous investment are the same. *GTA* is an indicator for the existence of a general trade agreement between the host country and the country of the previous investment. The bilateral variables are either taken from the Centre d'Études Prospectives et d'Informations Internationales (*log Distance, Border, Off. language, Colony, Same country*), from the World Trade Organization (*GTA*), or from Melitz and Toubal (2013) (*Comm. spoken language*).

TABLE A12: COUNTRY-YEAR LOCATION CHOICE

| | Foreign Investment of the MNE: | |
	1997-2002	2003-2008
Host-country Variables:		
Tax	-0.306	-1.815***
	(0.201)	(0.382)
log GDP	0.812***	0.883***
	(0.010)	(0.017)
InvestFree	0.023***	0.015***
	(0.001)	(0.002)
InvestCost	-0.008***	-0.015***
	(0.001)	(0.002)
CPI	0.051***	-0.014
	(0.008)	(0.016)
Bilateral Variables:		
log Distance to parent	-0.558***	-0.271***
	(0.017)	(0.032)
Border to parent	0.573***	0.537***
	(0.029)	(0.052)
Off. language same as parent	0.802***	0.841***
	(0.048)	(0.084)
Comm. spoken language with parent	-0.419***	0.186
	(0.084)	(0.136)
Colony of parent	0.223***	0.350***
	(0.048)	(0.093)
GTA with parent	-0.034	0.553***
	(0.029)	(0.059)
Pseudo R2	0.159	0.204
Observations	6,331,592	2,120,885

Notes: Conditional logit model. *Sensitivity viii*: Choice set refers to country-year cells for the first investment. Robust standard errors reported in parentheses. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively. Control variables are taken from different sources. *Tax* is the statutory tax rate of a host country. The tax data is collected from databases provided by the International Bureau of Fiscal Documentation (IBFD) and tax surveys provided by Ernst&Young, PwC, and KPMG. *log GDP* measures the real GDP at constant U.S. dollars of the year 2000 and is taken from the World Bank's World Development Indicators 2009. The investment freedom index *InvestFree* is taken from the Heritage Indicators database. The index can take on values between 0 and 100; higher values are associated with more investment freedom. *InvestCost* is from World Bank's Doing Business Database and measures the cost of starting a business relative to income per capita. *CPI* (Corruption Perception Index) is published annually by Transparency International. It ranks countries in terms of perceived levels of corruption, as determined by expert assessments and opinion surveys. The scores range from 10 (country perceived as virtually corruption free) to 0 (country perceived as almost totally corrupt). *log Distance* is the log of the distance (in kilometer) between the most populated cities in the host country and the country of the previous investment. As to the bilateral variables for the first investment, we use Germany as the reference country. *Border* is a common border indicator, *Off. language* is a common official language indicator, *Comm. spoken language* is the share of common spoken language between two countries, *Colony* a former colony indicator, *Same country* a dummy indicating whether the host country and the country of the previous investment are the same. *GTA* is an indicator for the existence of a general trade agreement between the host country and the country of the previous investment. The bilateral variables are either taken from the Centre d'Études Prospectives et d'Informations Internationales (*log Distance, Border, Off. language, Colony, Same country*), from the World Trade Organization (*GTA*), or from Melitz and Toubal (2013) (*Comm. spoken language*).
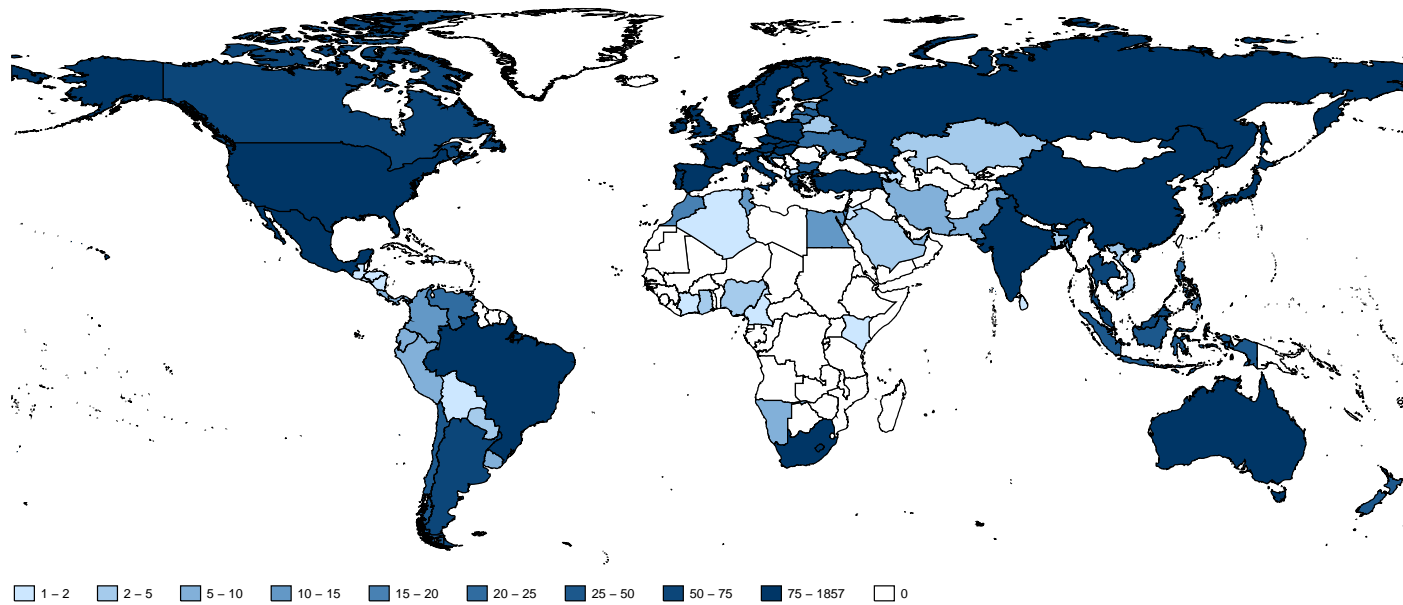
33

Figures

| 1 – 2 | 2 – 5 | 5 – 10 | 10 – 15 | 15 – 20 | 20 – 25 | 25 – 50 | 50 – 75 | 75 – 1857 | 0 |

Figure A.1: Location of First Investment

| | 1 – 2 | | 2 – 5 | | 5 – 10 | | 10 – 15 | | 15 – 20 | | 20 – 25 | | 25 – 50 | | 50 – 75 | | 75 – 578 | | 0 |
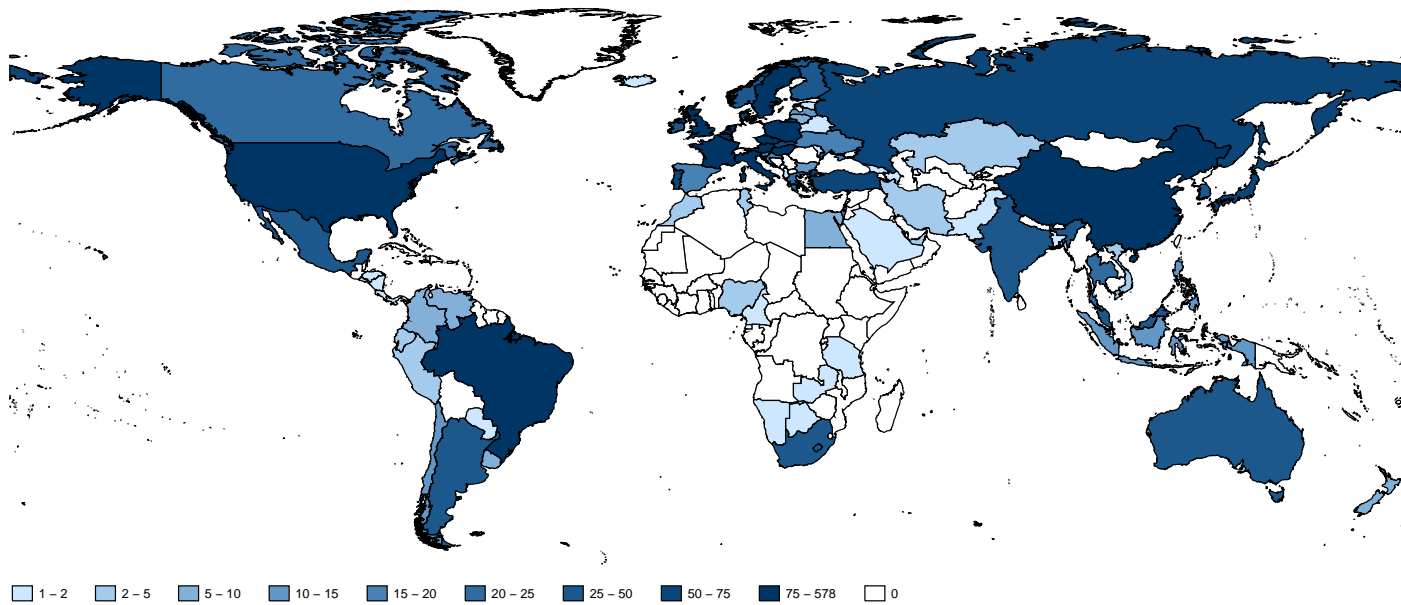
Figure A.2: Location of Second Investment

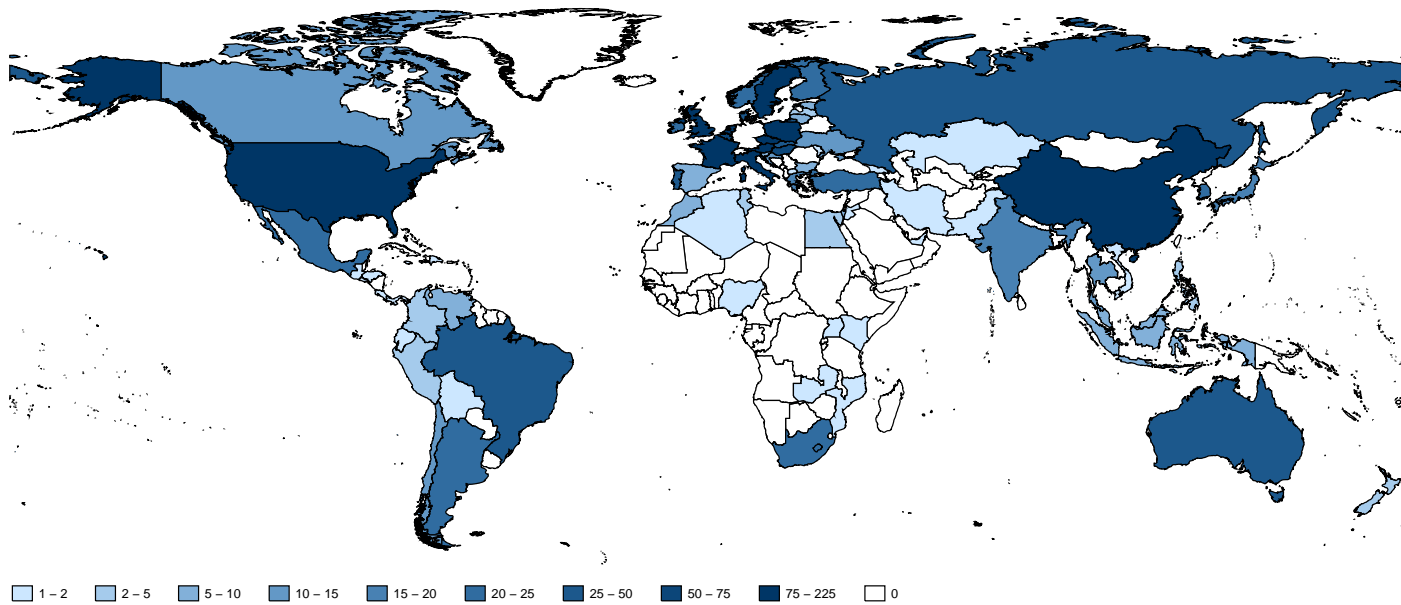Legend: 1 – 2 2 – 5 5 – 10 10 – 15 15 – 20 20 – 25 25 – 50 50 – 75 75 – 225 0

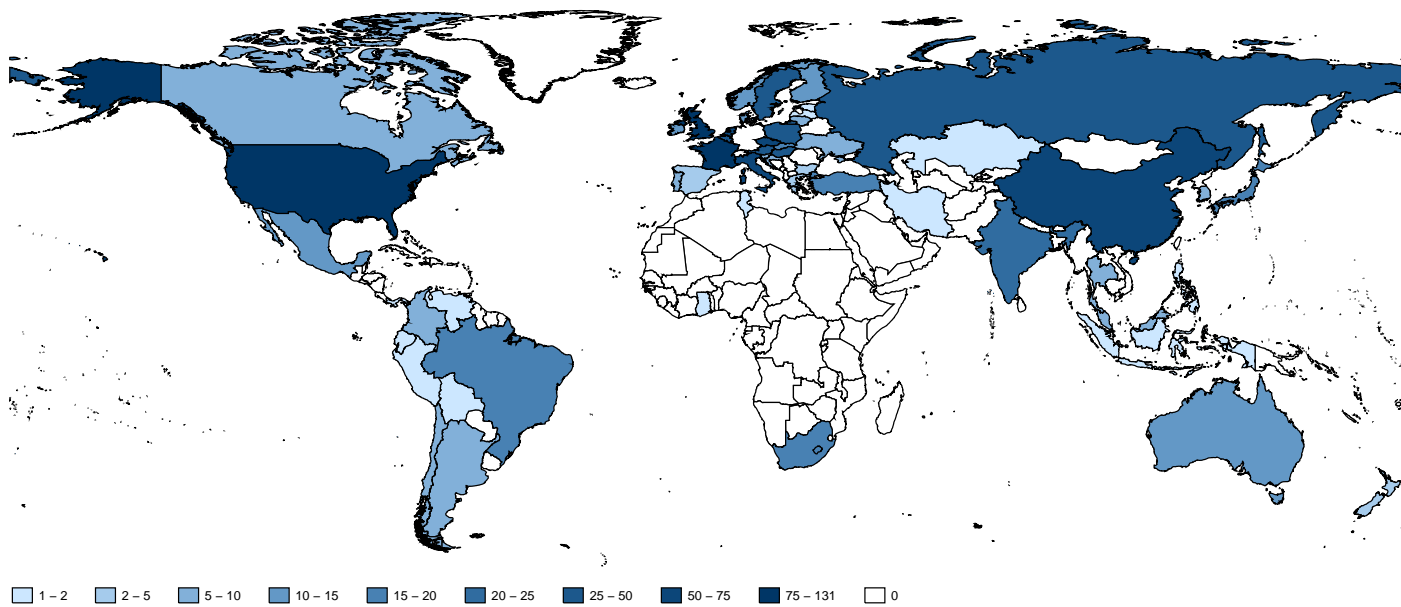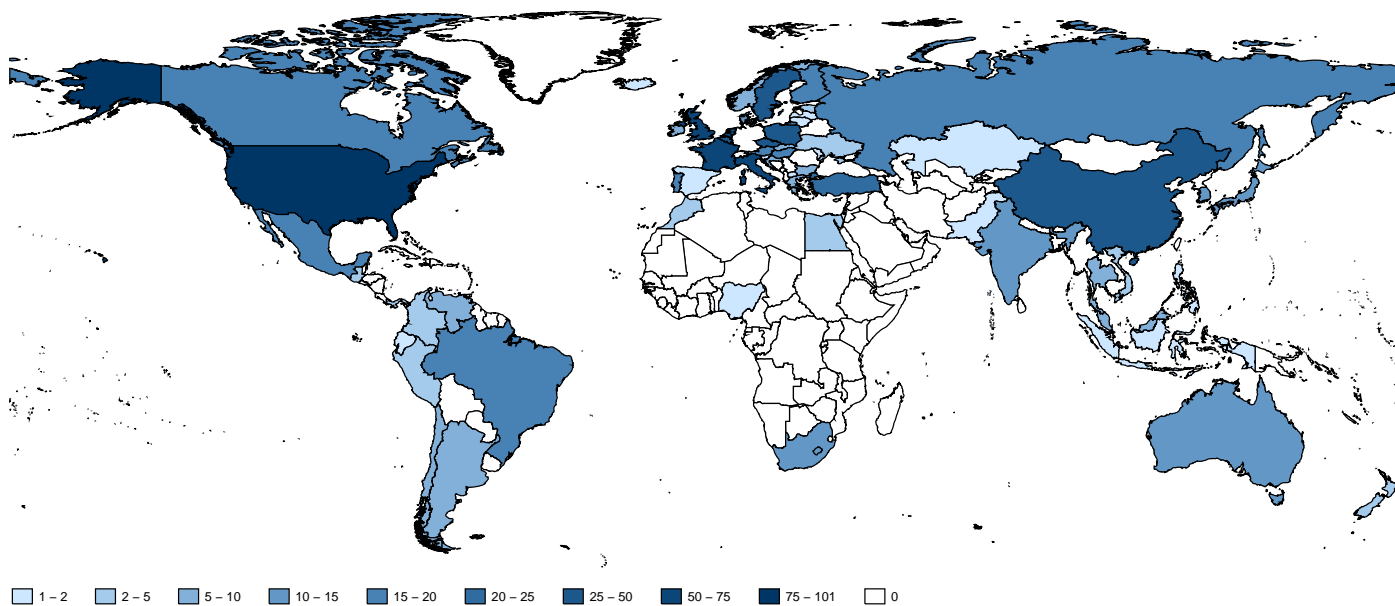Figure A.3: Location of Third Investment

Figure A.4: Location of Fourth Investment

Figure A.5: Location of Fifth Investment