

## Abstract

A poorly understood empirical phenomenon is export-platform affiliate production (EP), particularly for sale in third countries rather than in the parent or host countries. We develop a three-region model, with two identical large, high-cost countries (collectively called North) and a small, low-cost country (South). The large countries each have one firm. Our theory section analyzes the conditions under which one or both of these firms uses the South to produce for (a) export back to the parent (home-country EP), (b) export to the other large country (third-country EP), or (c) export to both (global EP). A free-trade area between one of the northern countries and South can lead to the insider northern firm choosing home or global EP and the outsider firm choosing third-country EP for a range of parameter values. Our empirical section shows the relevance of this outcome. Foreign manufacturing affiliates of US multinationals inside North America concentrate on home-country EP while affiliates inside Europe concentrate on third-country EP. (JEL: F12, F23)