

US firms are sourcing a larger fraction of their R&D from foreign facilities, growing from 5% of expenditures in 1987 to 13% in 2002. Two broad motivations for this overseas placement are 1) access to foreign markets and demand and 2) access to foreign technologies and scientists. This study quantifies the output and productivity implications of foreign R&D sourcing for the US-based establishments of these multinationals. It further highlights the interaction between local R&D efforts and foreign sourcing for realizing operating gains. The dataset developed spans 1974-2000 and is drawn from the CES' Longitudinal Research Database, the NSF's R&D Survey, and the NBER Patent Database.