

Multinational firms offer diverse products across countries due to variation in consumer tastes and production costs. Cannibalization forces further influence product variety. Using car-industry data, we estimate a quantitative model in which manufacturers decide where to produce and sell their products, featuring complementarities and substitutabilities across choices due to cannibalization, returns to scale and transport cost-savings. We provide a new algorithm to solve this class of combinatorial discrete choice problems. We examine the impact of demand and supply factors on product variety and study the effect of country-specific subsidies on global production, market offerings, and prices. Counterfactuals highlight the relevance of interdependencies and demonstrate how consumption and production subsidies affect foreign outcomes through firms' production relocation.