

Strategic Entry: Multinationals, FDI and Politics

Jeffrey B. Marshall

Randall W. Stone

University of Rochester

Why MNCs?

- MNCs are powerful non-state actors
- Actor-centered theories of international politics
- Strong micro-foundations
- Firm-analytic theoretical and empirical research

Limitations of the existing literature

- Political science theories of FDI are country-level theories
- Developments in economics and IB deemphasize
 - political economy
 - strategic interaction
- Limited firm-level data

Model

- Two-firms, one has a first-mover advantage
- Incomplete information

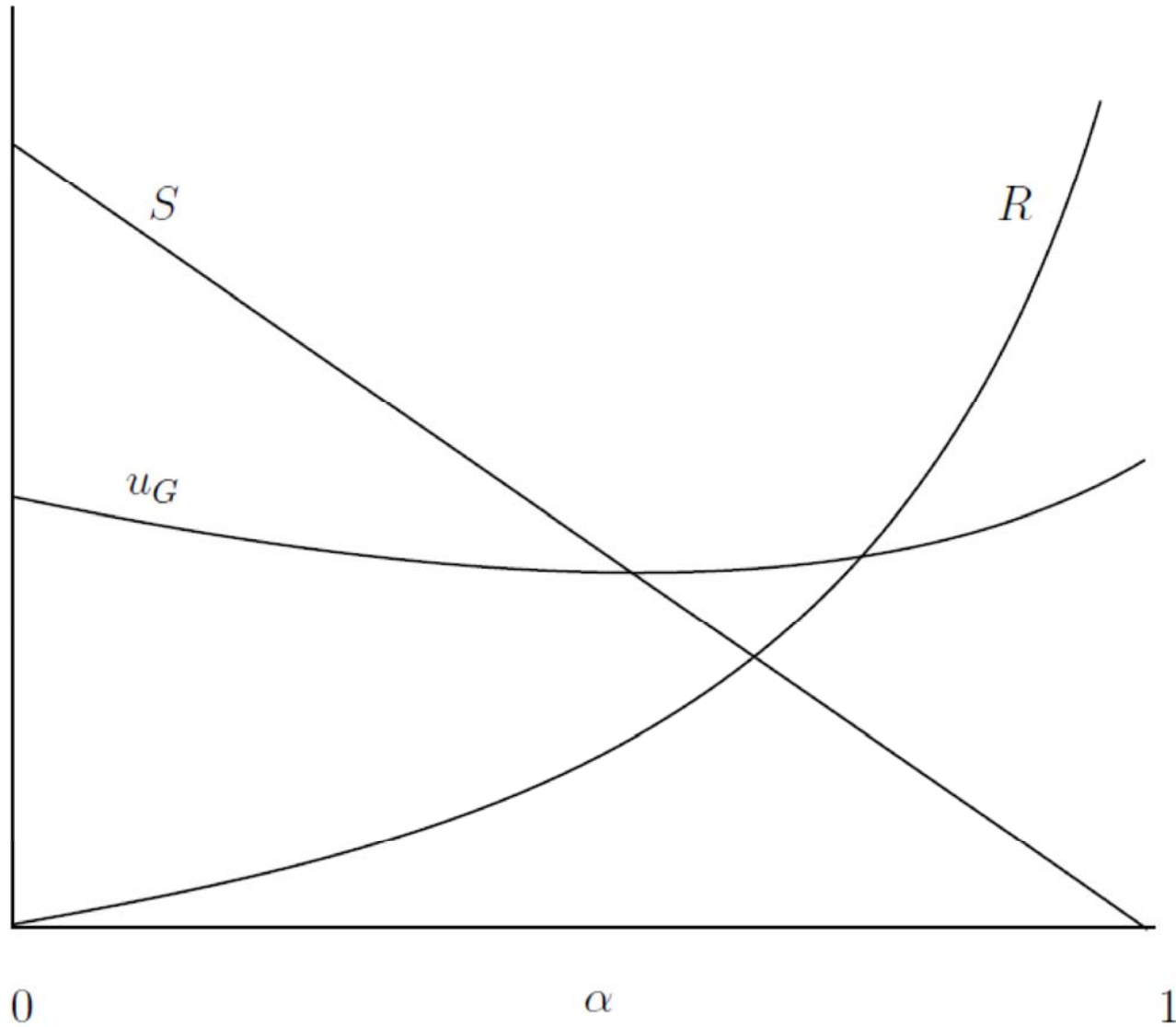
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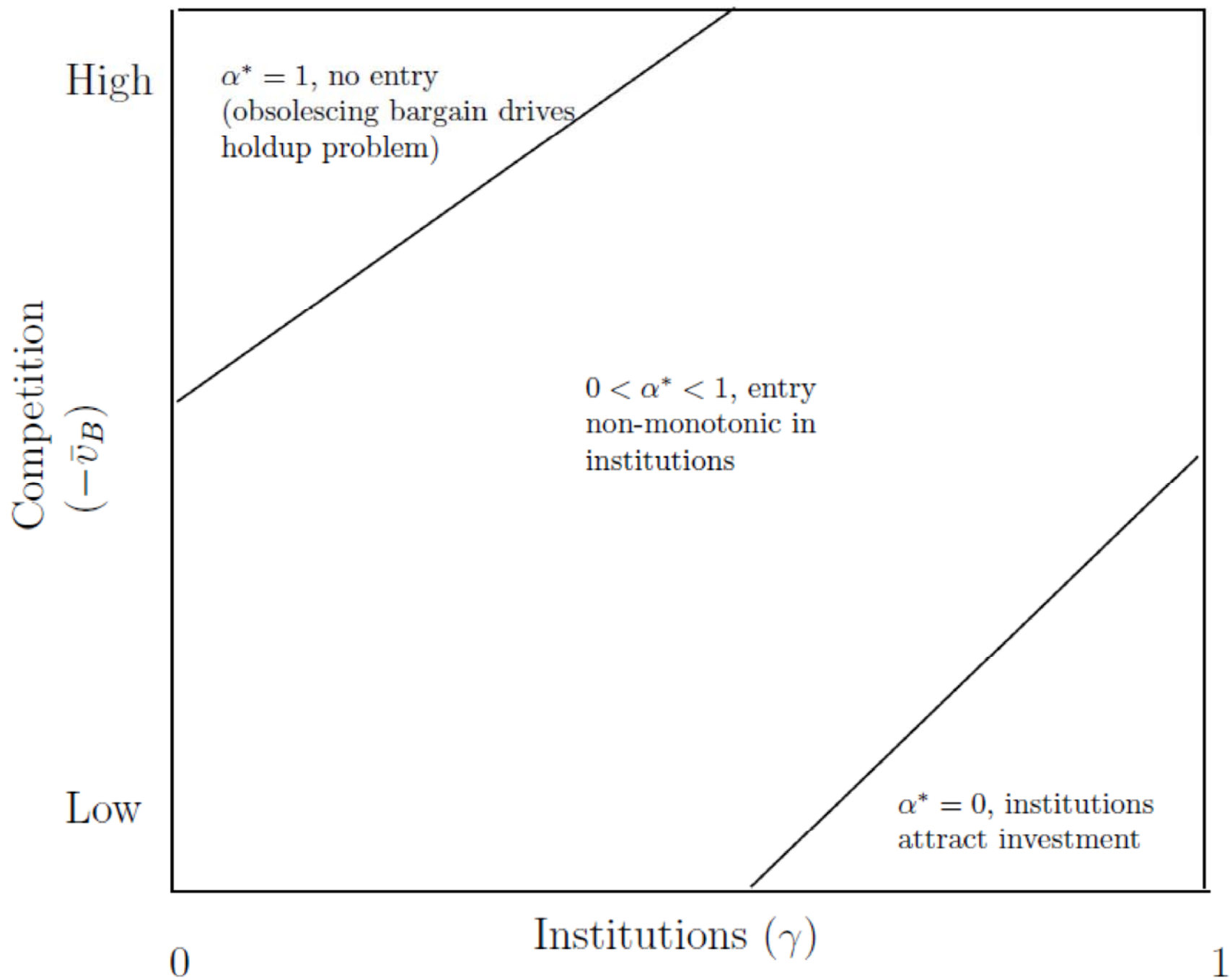
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- Host government: set level of expropriation, α

Model

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- Incomplete information
- Firm 1: enter, choose quantity, lobby
- Host government: set level of expropriation, α
- Firm 2: enter, choose quantity
- Governments vary in weighting of consumer surplus(γ) and expropriation rents ($1-\gamma$)

The Leader's Problem





Data

- Ivey Database of Japanese FDI: 526 parent firms, 69 host countries, 7 years (1986–2003);
- Transportation, communications, utilities, and infrastructure

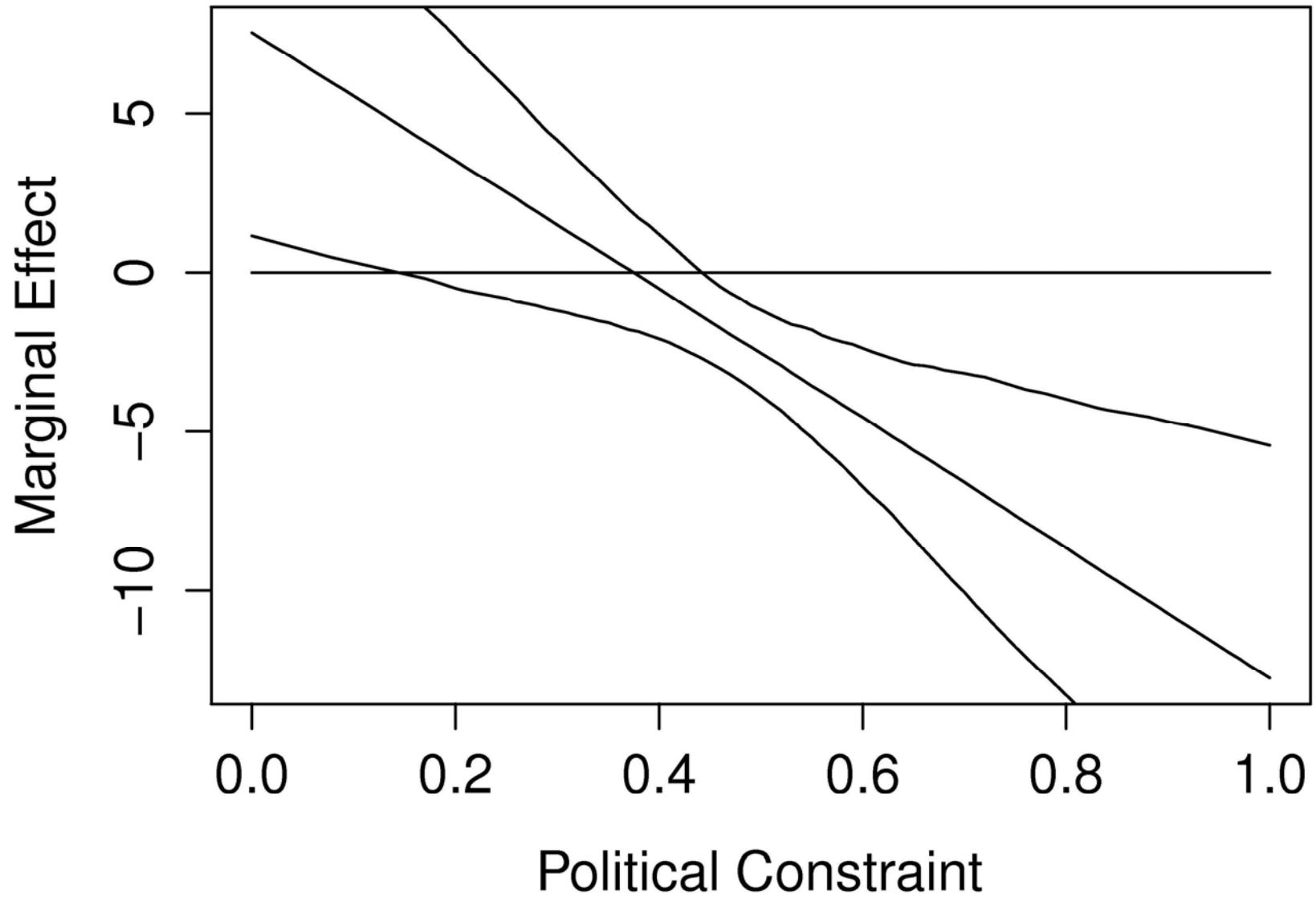
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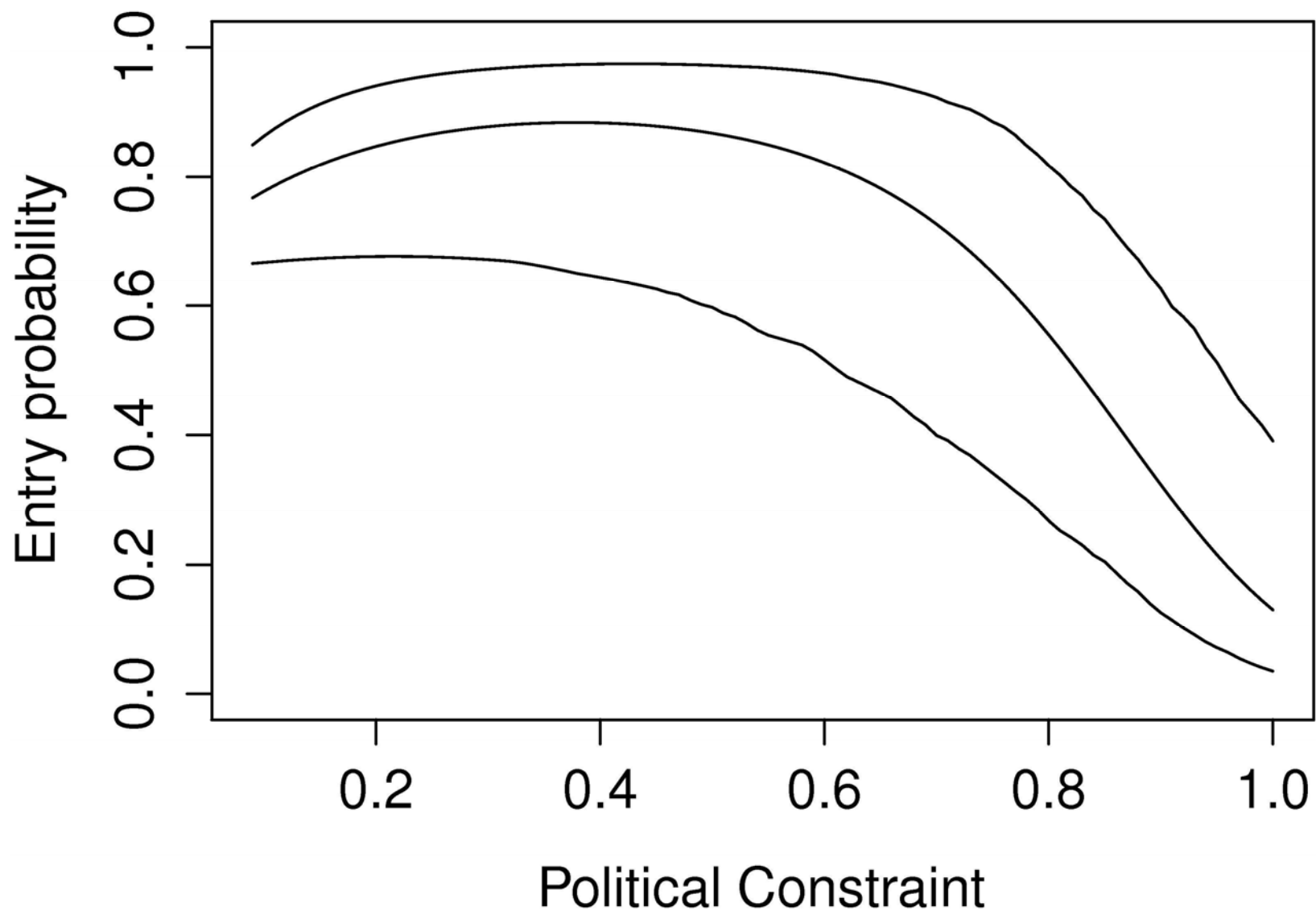
- Ivey Database of Japanese FDI: 526 parent firms, 69 host countries, 7 years (1986–2003);
- Transportation, communications, utilities, and infrastructure
- DV: firm-host country-year entry {0,1}
- Firm-level, country-level, and dyad-level controls
- Regime type measures (linear and quadratic)

Results

	<i>Coeff</i>	<i>Std err</i>	<i>p</i>
Constraints	7.7	3.3	0.02
Constraints ²	-10.2	3.4	0.00
Firm-level Experience	0.04	0.003	0.00
Host-level Experience	0.01	0.001	0.00
Dyad-level Experience	0.05	0.04	0.16
Partisanship	-0.25	0.06	0.00
Federalism	1.75	0.29	0.00
Constant	-9.0	1.3	0.00
Controls ...			

Effect of $\gamma + \gamma^2$





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- Agenda: strategic interactions with a range of business strategies