Contents

List of Figures  page ix
List of Tables  x
Preface and Acknowledgments  xi

1  Introduction: The Politics of FDI Regulation in the Twentieth Century  1
   1.1 The Politicization of FDI Inflows: A Brief History  4
   1.2 FDI Liberalization: Identifying Empirical Puzzles  8
   1.3 The Political Economy of FDI Regulation: Theoretical Claims and Empirical Tests  13
   1.4 New Perspectives on the Political Economy of FDI  16
   1.5 Roadmap  18

2  FDI: Why Companies Invest and Countries Restrict  21
   2.1 Why Does FDI Exist?  25
      2.1.1 FDI Protects Firm-Specific Assets  25
      2.1.2 What Firms Become Multinational Corporations?  28
      2.1.3 Export-Oriented versus Market-Oriented FDI: The Organization of Multinational Production  30
   2.2 The Distributive Effects of FDI Inflows: Implications of the Specific Factors Model  37
      2.2.1 Accounting for Alternate Mechanisms  39
   2.3 FDI Preferences: Increased Labor Demand and Returns to Skills  42
   2.4 Sources of Cross-National Variation: Political Regime Type  44
   2.5 Sources of Cross-Industry Variation: Organization of Production  47
   2.6 Conclusion  50
Contents

3 FDI Regulation Weakens Control over Assets 52
  3.1 Instruments of FDI Regulation 52
  3.2 Why Local Capital Owners Profit from Restrictions on Foreign Ownership 58
  3.3 Ownership Regulations Reduce FDI Inflows 63
  3.4 Conclusion 68

4 Individual Preferences for FDI Inflows 69
  4.1 Modeling Preferences: Comparing Economic and Noneconomic Factors 71
  4.2 Explaining FDI Preferences: Empirical Tests 74
  4.3 Conclusion 86

5 Democratization and Cross-National FDI Liberalization 88
  5.1 Democratization and Foreign Ownership Liberalization: A Baseline Model 91
  5.2 Robustness to Alternate Explanations for FDI Liberalization 94
  5.3 Alternate Measures and Model Specifications 100
  5.4 Robustness Tests 101
  5.5 Conclusion 105
  Appendix 107

6 The Organization of Multinational Production and Cross-Industry Variation in FDI Regulation 109
  6.1 Modeling the Frequency of Industry-Level Ownership Restrictions 115
  6.2 Industry-Level Regulation – Robustness Tests 124
  6.3 Conclusion 126
  Appendix 128

7 The Politics of FDI in the Twenty-First Century 129
  7.1 Advancing FDI Research 131
  7.2 FDI and the Twenty-First-Century Global Economy 134

Appendix: Existing and New Measures of FDI Regulation 139

Bibliography 153

Index 169