PARTISAN INVESTMENT IN THE GLOBAL ECONOMY

This book develops a partisan theory of foreign direct investment (FDI) to explain cross-country and temporal variance in the regulation of foreign investment and in the amount of FDI inflows that countries receive. The author explores the host governments' partisan alignment, whether pro-labor or pro-capital, to determine if they will be more open or closed to FDI.

To reach this determination, the book derives the conditions under which investment flows should be expected to affect the relative demand for the services supplied by economic actors in host countries. Based on these expected distributive consequences, a political economy model of the regulation of FDI and changes in investment performance within countries and over time is developed.

The theory is tested using both cross-national statistical analysis and two case studies exploring the development of the foreign investment regimes and their performance over the past century in Argentina and South Korea.

Pablo M. Pinto is an associate professor in the Department of Political Science at Columbia University. His work has been published or is forthcoming in *International Organization*, *Review of International Political Economy*, *State Politics & Policy Quarterly*, *Economics & Politics*, and *Comparative Political Studies*. In addition to this book, he is co-author of *Politics and Foreign Direct Investment* and of numerous book chapters. He received his PhD from the University of California, San Diego.

Partisan Investment in the Global Economy

Why the Left Loves Foreign Direct Investment and FDI Loves the Left

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To Nico, Palo, Joaco, and Loli

Contents

List of Figures

List of Tables

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My interest in understanding the determinants of business-government relations intensified while working for Toyota in Argentina. At the weekly production meetings held in the mezzanine of the assembly line of Toyota's Zárate plant, I gained insights into the boundaries of labor-management relations that clashed with traditional accounts of the politics of investment. This special relationship between seemingly odd bedfellows was not limited to Toyota. In the regular meetings of the national business association, I witnessed how the union courted multinational corporations by offering them more favorable labor contracts than those prevailing in the factories controlled by local firms, which operated under licensing agreements. The affiliates setting up shop in the country would hold their part of the bargain by rewarding workers with better wages and working conditions. The government would play an important role supporting this close relationship between labor and management.

The blatant contradiction between the events I observed in Argentina and Japan, and the academic and journalistic explanations of the politics of foreign investment piqued my curiosity. It became apparent to me that nationalism failed as an explanation of the pattern of support and opposition to foreign investment in Argentina and Japan. But so did those theories that portrayed the relationship between foreign capital and labor as inimical. My contribution to this debate is coloring the politics of foreign direct investment in partisan hues. I hope this book opens new avenues of research on the politics of globalization and advances our understanding of the causes and consequences of democratic governance in international economic relations. I also believe that this line of research has real-world applications: identifying the conditions that allow countries and investors to engage each other in less conflictive and more productive ways. From a normative standpoint, the ultimate goal is to allow welfare-enhancing opportunities to materialize under democratic governance.

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