

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

<i>List of Figures</i>	<i>page xi</i>
<i>List of Tables</i>	xiii
<i>Acknowledgments</i>	xv
1 Domestic Coalitions and the Political Economy of Foreign Direct Investment	1
1.1 Globalization of Production and Politics	1
1.2 Domestic Coalitions and the Political Economy of FDI	4
1.3 Political Alignment and Foreign Investment	9
1.4 Trends in FDI	13
1.5 FDI in the Literature	18
1.5.1 Determinants of Foreign Direct Investment	18
1.5.2 Political Explanations of FDI	19
1.6 A Partisan Theory of FDI	22
1.6.1 Preferences	22
1.6.2 Organization and Influence	25
1.6.3 Domestic Politics and FDI Performance	25
1.6.4 FDI Performance As a Bargain Between Investors and Governments	26
1.6.5 Exchanging Hostages to Support Economic Exchanges	28
1.6.6 Pro-Labor and the Left	31
1.6.7 Opportunism and Time-Inconsistency	35
1.7 Conclusion	37
1.7.1 Layout of the Book	38

2	A Political Economy Model of Foreign Direct Investment	42
2.1	Introduction	42
2.2	The Politics of Investment	46
2.3	Distributive Concerns, Partisanship, and Regulation of Foreign Investment	49
2.3.1	Autonomous Government and FDI	50
2.3.2	Foreign Investment and Distributive Concerns	54
2.3.3	Intuition and Discussion	61
2.4	Conclusion	64
	Appendix 2.1	67
	Partisan Government, Taxes, and Investment	67
3	Tying Hands or Exchanging Hostages: Partisan Governments, Commitment, and FDI Performance	71
3.1	Introduction	71
3.2	Investment Risk, Politics, and Commitment	77
3.3	Partisanship As a Commitment Mechanism	81
3.3.1	Partisan Investment in a Dynamic Setting	84
3.4	Political Influence On and Off the Equilibrium Path	87
3.4.1	Labor, Business, and Investment Regimes	88
3.4.2	Investment and Taxation Off the Equilibrium Path	90
3.5	Testable Implications	94
3.6	Conclusion	96
4	Partisan Governments and Foreign Direct Investment: Results from Cross-Country Statistical Analyses	97
4.1	Introduction	97
4.2	Partisanship and FDI Regulation	98
4.2.1	Estimating a Measure of Investment Restrictions: Methodology	99
4.2.2	Empirical Strategy	102
4.2.3	Analyses	104
4.3	Partisanship and Investment Flows	114
4.3.1	Determinants of Foreign Investment	115
4.3.2	Methodology	117
4.3.3	Dependent Variable	117
4.3.4	Explanatory Variables	118
4.3.5	Controls	119
4.3.6	Effect of Partisanship on FDI Openness	120

Contents

ix

4.3.7	Time-Series Cross-Section Data from OECD Countries	123
4.3.8	OECD Panel Results	124
4.3.9	Gravity Model: Developing and Emerging Countries (1980–2000)	126
4.4	Conclusion	129
Appendix 4.1:	Data Sources and Description	131
	Dependent Variables	131
	Explanatory Variables	132
	Controls	133
	Sample for Investment Policy Orientation Index	136
	Samples for GMM Models (1972–2002)	136
	TSCS Model: Time-Series Cross-Section Panel of Fourteen OECD Countries	136
	Gravity Model Sample	136
5	Labor and Business Influence, Investment Regimes, and Foreign Investment in Argentina	142
5.1	Introduction	142
5.2	Background	143
5.3	Labor Influence and Investment Regimes	147
5.3.1	FDI Performance Under Alternating Coalitions	149
5.3.2	Regression Analysis	153
5.4	Labor Influence in Argentina	160
5.4.1	Labor Organization and Influence	164
5.4.2	Labor Influence and Foreign Direct Investment	169
5.4.3	The Advent of Peronism and Organized Labor	170
5.4.4	Foreign Investment Regimes in Argentina	173
5.5	Conclusion	193
Appendix 5.1		195
	Data Sources	204
6	Business Influence, Politics, and Foreign Direct Investment in South Korea	205
6.1	Introduction	205
6.2	Government Orientation and Investment Performance	209
6.2.1	Openness to FDI Under Different Coalitions	210
6.2.2	Time Series Analysis	215
6.2.3	Organized Labor in South Korea	217
6.3	Explaining South Korea's FDI Performance	220
6.3.1	Regulation of Foreign Investment	222

6.3.2 Investment Performance	230
6.4 Business, Workers, and the Politics of FDI	237
Appendix 6.1	239
Data Description and Sources	246
7 Conclusion	248
7.1 The Role of Partisanship in the Politics of FDI	250
7.2 Political Risk, Political Institutions, and Credible Commitments	251
7.3 Evidence	255
7.4 Partisanship and the Politics of Globalization	257
7.5 The Role of Institutions in the PE of FDI	258
7.6 Caveats, Extensions, and Conclusions	261
<i>Bibliography</i>	265
<i>Index</i>	285

List of Figures

1.1	FDI inflows, 1970–2009	<i>page</i> 14
1.2	Emerging markets: Foreign capital stock	15
1.3	Net capital flows to emerging markets, 1990–2000	15
2.1	Changes in FDI (K^F) with changes in t	51
2.2	Government utility and taxes on foreign capital	54
2.3	Changes in t^* with changes in r	55
2.4	Changes in optimal tax (t) with changes in government partisanship (β)	62
2.5	Changes in FDI inflows (K^F) with changes in labor influence (β)	63
2.6	Changes in t^* with changes in β and δ	70
4.1	FDI policy orientation and political constraints (Left = 1)	108
4.2	FDI policy orientation and political constraints (Left = 0)	109
4.3	FDI restrictions index and political constraints	109
4.4	FDI policy orientation and political constraints (Left = 1)	111
4.5	FDI restrictions index and political constraints (Left = 0)	112
4.6	FDI restrictions index and political constraints	112
4.7	Scatter plot investment orientation indices (1980)	138
4.8	Scatter plot investment orientation indices (1990)	138
4.9	Scatter plot investment orientation indices (2000)	139
4.10	Investment policy orientation index by country	139
5.1	Argentina FDI/GDP (1914–75)	150
5.2	Argentina FDI/GDP (%) (1950–2009)	150
5.3	Argentina FDI net flows and reinvested dividends (1912–75)	154
5.4	Mean FDI/GDP (%) (1938–2007)	155
5.5	Mean FDI/GDP (%) by government	155
5.6	Net FDI inflows, quarterly (1977–89)	186
5.7	FDI/GDP by sector (1992–2004)	190

6.1	Number of FDI cases and amounts, 1962–2009	208
6.2	Trends in FDI inflows to South Korea, 1975–2009	211
6.3	Mean FDI/GDP (%) by incumbent orientation	214
6.4	Labor disputes, 1969–2001	219
6.5	Devaluation and FDI inflows, 1976–2002	233

List of Tables

1.1	FDI/GDP (%) – selected countries	<i>page</i> 5
1.2	Changes in national regulations of FDI	6
1.3	World FDI and trade growth	16
1.4	World FDI by regions	17
2.1	Changes in t^* with changes in r	53
2.2	Changes in t^* with changes in β and δ	69
4.1	Partisanship and investment policy	107
4.2	Partisanship and investment restrictions	111
4.3	Arellano-bond generalized method of moments estimator	121
4.4	Panel of OECD countries (1975–96)	124
4.5	Panel of emerging and developing countries (1980–2000)	128
4.6	Investment policy orientation index – gravity estimates (1980–2005)	137
4.7	Descriptive statistics	140
4.8	Descriptive statistics (cont.)	141
5.1	Mean FDI/GDP (%) by incumbent (1938–2007)	151
5.2	Mean FDI/GDP (%) by incumbent (1938–70)	152
5.3	Mean FDI/GDP (%) by incumbent (1971–2007)	153
5.4	Time series results	157
5.5	Time series results: Import substitution era	159
5.6	Union density (1985–2007)	165
5.7	Net FDI inflows by sector (1992–2004)	191
5.8	FDI/GDP by sector (population average results)	192
5.9	Robustness tests	195
5.10	Labor bargaining conditions under different LAPs	196
5.11	Argentina: Government orientation	197
5.12	Argentina: Trade and investment regimes	198
5.13	Foreign investment statutes (1940–2005)	199

6.1	Korea: Mean FDI/GDP (%) by incumbent (1962–2009)	212
6.2	Time series results	216
6.3	FDI inflows and devaluation	234
6.4	South Korea: Government orientation	239
6.5	Foreign investment statutes (1960–2007)	240
6.6	Sectoral distribution of FDI inflows	243
6.7	Sectoral distribution of FDI inflows (%)	244
6.8	Sectoral FDI inflows	245
6.9	Sectoral FDI outflows	246

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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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