Index

Abdullah, Ahmad Badaw, 251
Abiad, Abdul, 99
Abiad measure, 107, 119, 165, 169
Africa, 37, 50, 95
Aizenman, Joshua, 94
Americas, the, 50
Annual Report on Exchange Arrangements and Exchange Restrictions, 34, 71
anti-FDI coalitions
financial repression and, 36, 97–98, 243
arbitration clauses in BITs, 261
Asia, 50
Asian Financial Crisis (1997), 2, 63, 183, 216
responses to, 28, 189, 223–233, 253–255
Ataturk, Mustafa Kemal, 36
Australia, 77
Badan Koordinasi Peranman Modal, see BKPM
Bangladesh, 178
Bank Andromeda, 224
Bank Bumiputra, 197
Bank for International Settlements, 232
Bank Indonesia (BI), 192, 224
Banking Act (1973), 197
Banking and Financial Institution Act (1989), 212
banking sector efficiency
FDI liberalization and, 13, 87, 119, 121–125
banking sector reforms, see also financing constraints
capital intensity and, 163–173
dependence with FDI liberalization, 116–117
FDI liberalization and, 109–116, 137–138
firm- and industry-level analysis of, 173–174
impact of on entry requirements, 129
indigenization of, 196–200
Indonesia, 192–196, 202–211, 223–228
Indonesia vs. Malaysia, 233–236, 253–255
Malaysia, 211–216, 229–233
pro-FDI coalitions and, 99–100
Bank Mandiri, 227
Bank Negara Indonesia (BNI), 192
Bank Negara Malaysia (BNM), 197, 212
Bank Rakyat Indonesia, 227
Barisan Nasional (BN), 211
Basel II standards, 232
baseline models, see spare baseline models
Beck, Nathaniel, 107
Belarus, 171
bilateral investment treaties (BITs), 47, 57, 115, 261
BKPM, 196, 238, 241
Brazil, 178
Bretton Woods, 18
Britain, 77
bumiputra, 28, 196, 198, 199, 211, 253
bureaucratic quality
FDI liberalization and, 130–132
Cameroon, 171
capital account openness
benefits of, 32
in Indonesia, 194
vs. FDI liberalization, 31–35, 68–69, 73
capital intensity
FDI liberalization and, 163–173
firm- and industry-level analysis of,
173–174
Capital Market Master Plans, 232
Case Studies
case selection rationale, 185–187
Case Studies (cont.)
data sources for, 190–191
Indonesia, 192–196, 202–211
Malaysia, 196–200, 211–216
overview, 183–184, 200–202,
216–218
policy periods, 187–192
Central Asia, 37
Central Bank Act (2009), 233
CFIUS, 71, 262
China, 171, 178
foreign investment laws, 3
increasing FDI restrictions
against, 263
Chinese businesses, see ethnic Chinese
businesses; Chinese foreign
investment
Chinese foreign investment, 28, 189,
192, 194, 205, 206
Committee on Foreign Investment in
the United States, see CFIUS
Corruption
FDI liberalization and, 130–132
Costa Rica, 178
Credit Reporting Agencies Act (2010),
233
Culpepper, Pepper, 3

Danamodal, 230
data analysis
FDI and banking sector reforms,
109–116
FDI and domestic financing
environments, 120–126
firm- and industry-level analysis of
FDI liberalization, 173–174
Database of Political Institutions (DPI),
105, 127
data sources
Database of Political Institutions
(DPI), 105, 127
Equity Restrictions (Pandya), 55–59,
106, 127
FDI Restrictiveness Index (OECD),
54–55, 106, 110
for case narratives, 190–191
Global Competitiveness Report
(World Economic Forum), 52
Global Financial Development
Database (World Bank), 165
International Country Risk Guide
(ICRG), 105, 130
Investment Freedom (Fraser
Institute), 52, 106, 111,
156, 159
Investment Freedom Index (Heritage
Foundation), 53, 106,
111, 159
Investment Policy Monitor
(UNCTAD), 46, 48, 118, 164
Investment Screening Requirements
(Pandya), 106, 110
statistical analysis, 60, 103
World Bank Enterprise Survey, 152
Declaration on International
Investment and Multinational
Enterprises, 54
Democratic Action Party (DAP), 251
democratization theory
of FDI liberalization, 74–77, 103,
105, 112, 257
diffusion theory, 8
Djwandono, J. Soedradjad, 237
domestic financing environment,
see also financing constraints
FDI liberalization and, 109–116,
118–126
domestic firms, see also ethnic Chinese
businesses
as driving FDI liberalization,
126–132
benefits of FDI for, 1, 87–89
FDI as threat to, 84–87
FDI preferences, 4, 5, 13, 17, 22,
65, 80, 95–97, 180, 252,
264–265, 271
impact of banking sector reforms on,
109–116
impact of domestic financing
environment on, 120–126
impact of financing constraints on,
151–163, 180–182
impact of on FDI policies, 19, 24, 78–80
lobbying efforts by, 13, 126, 162, 191, 236, 247
policy preferences of, 84
privileged access of, 13–16, 65, 157, 194, 257
role of in “quiet politics,” 78–81
status quo bias by, 89–90
Domestic Trade and Consumer Affairs Ministry, 248
East Asia, 37, 70
Eastern Europe, 37
economic inequality
FDI liberalization and, 29
economic nationalism, 37, 260
economic protectionism (Indonesia), 242–244
Ehrlich, Sean, 20
electronics industry
MNEs and, 3
elite disempowerment, 72
El Salvador, 171
entry regulations, 3, 46–47, 57–59, 113, 194, 195
Equity Restrictions
Pandya measure of, 55–59, 106, 159
equity restrictions
foreign investment laws and, 57, 106–112, 237
Ethiopia, 178
ethnic Chinese businesses
expansion of in Indonesia, 194, 205, 206
foreign investment by, 28, 189, 192
vs. SMEs, 209
Europe, 30
European Union
increasing FDI restrictions by, 263–264
Evans, Peter, 10
FDI
as long-term financial solution, 33, 95
as threat to national security, 262–264
domestic financing environment and, 115
early resistance to, 63
financing mechanisms and, 16–17, 244
regional limitations to, 63
FDI liberalization
alternative explanations for, 111–113
as firm-driven, 126–132
as state-driven, 82–83
as threat to domestic firms, 84–87
banking efficiency and, 13, 87, 119, 121–125
banking sector reforms and, 109–116, 137–138
bureaucratic quality and, 130–132
capital intensity and, 163–173
causal mechanisms of firm-driven, 150–151
complexity of, 84, 271
corruption and, 130, 132
current theories of, 2–5, 7–12, 64, 72–77
democratization theory of, 74–77, 103, 105, 112, 257
distributive implications of, 5–6, 23–25, 80–83
dominant benefits of, 1, 87–89
domestic credit environment as explanation for, 111
domestic financing environments and, 120–126
economic inequality and, 29
election-year politics and, 133
endogeneity with banking sector reforms, 116–117
financial repression of, 35–38, 95
firm- and industry-level analysis of, 173–174
firm-level financing constraints and, 151–163
historical development of, 38–42
impact of partisanship on, 127
indigenization of (Malaysia), 196–200
Indonesia, 192–196, 202–211, 223–228
Indonesia vs. Malaysia, 233–236, 253–255
interest group politics and, 19, 20, 64–65, 72, 271
labor groups and, 1, 75–77, 81–82, 163
labor market effects of, 8–10 limitations to, 69–72
Index

France, 77, 171
Fraser Institute, 52, 106, 111, 156, 159
Frieden, Jeffry, 8
GLICs (government-linked investment companies), 231
Global Competitiveness Report (World Economic Forum), 52
global credit
MNEs and, 13
global economy
interdependence of, 3, 8, 17, 21, 30
Global Financial Development Database (World Bank), 165
globalization
backlash against, 30
Global Recession (2008), 17, 41, 64, 200, 211, 260
global trade
impact of MNEs on, 3–4, 258–259
global value chains, 5, 30, 101, 265, 271
government-linked investment companies (GLICs), 231
greenfield investing, 11, 88, 93
Grossman, Gene, 19
Guided Democracy government (Indonesia), 192
Helpman, Elhanan, 19
Heritage Foundation, 53, 106, 111, 159
Heritage Index, see Investment Freedom Index
Hutahaean, Fernando, 243
IIAs, 47
IMF, 34, 74, 112, 224, 237
Indonesia and, 223, 225–227
Malaysia and, 229
Inclan, Carla, 33
India, 171
foreign investment laws, 1–3
Indonesia
anti-FDI sentiment in, 243
banking and investment policy, 183
banking sector reforms, 192–196, 202–211, 223–228
foreign investment laws, 2, 27
IMF and, 225–226
investment policy politics, 237–245
Indonesian Bank Restructuring Agency (IBRA), 226
Indonesian Chamber of Commerce and Industry, see KADIN
Indonesian Investment Coordinating Board, see BKPM
Industrial Master Plan (Malaysia), 247
Industry Malaysia
lobbying efforts by, 248
interest group politics
FDI liberalization and, 19, 20, 64–65, 72, 271
interest rate controls
firm- and industry-level analysis of, 173–174
International Chamber of Commerce Malaysia
lobbying efforts by, 248
International Country Risk Guide (ICRG), 105, 130
International Financial Reporting Standards, 233
international investment agreements, 47
International Monetary Fund, see IMF
Investment Boards, 42
Investment Freedom (Fraser Institute), 52, 106, 111, 156, 159
Investment Freedom Index (Heritage Foundation), 53, 106, 111, 159
investment liberalization of entry regulations, 3
investment policies
early history of, 35
impact of financial shocks on, 19, 72, 95, 189
“quiet politics” of, 3, 24, 66, 78–81, 130–132, 259
short-term vs. long-term, 15, 32, 34, 61, 68, 73
variations in, 40–42
investment policy liberalization
current theories regarding, 2–5
Investment Policy Monitor (UNCTAD), 46, 48, 164, 264
investment policy politics
Indonesia, 237–245
Malaysia, 245–253
investment regulations
regional variations in, 48–51, 59–60
Investment Screening Requirements (Pandya), 106, 110

investor–state dispute settlement agreements, 260

Jakarta Special Capital Region, 240
Japan, 37, 171, 208

KADIN, 237, 238
Katz, Jonathan, 107
KIB (medium-term investment program), 205
Kono, Daniel, 20
Kuala Lumpur Stock Exchange (KLSE), 213

labor groups
FDI liberalization and, 1, 75–77, 81–82, 163
labor market
MNEs and, 8–10
Latin America, 37
Latin American Debt crisis, 8
Law on Foreign Investment (1967), 195
Law on Foreign Investment (1987), 70
Law on Investment (2007), 238, 239
Law to Promote Mexican Investment and to Regulate Foreign Investment (1973), 70

less-developed countries (LDCs), 8
letter of intent (LOI)
Indonesia and IMF, 225–226, 237
lobbying
FDI policy and, 13, 126, 162, 191, 236, 247
“loud politics”
FDI and, 273–275

Mahathir, 229
Malaysia
banking and investment policy, 183
banking sector reforms, 196–200, 211–216, 229–233
foreign investment laws, 2, 3, 27
investment policy politics, 245–253
Malaysian Industrial Development Authority (MIDA), 215
Malaysian International Chamber of Commerce and Industry (MICCI)

lobbying efforts by, 249
Malaysian Ministry of Finance, 197
Malaysian Retailers’ Association
lobbying efforts by, 248
M&As, 1, 11, 93, 274
medium-term investment program (KIB), 205
mergers and acquisitions, see M&As
Mexico, 70
anti-FDI policies of, 36
Mining Law (2009), 242
Ministry of Economy, Trade, and Industry (Japan), 43
Ministry of International Trade and Industry (MITI), 43, 215
lobbying efforts by, 249
minority shareholding, 88
MNEs
electronics industry, 3
entry regulations toward, 3
global credit and, 13
impact on global trade of, 3–4, 258–259
labor market and, 8–10
Mody, Ashoka, 99
multinational enterprises, see MNEs
NAFTA, 57
Najib, Razak, 251
narratives
Asian financial crisis, 219–222
Indonesia postcrisis, 223–228
Malaysia postcrisis, 229–233
National Chamber of Commerce lobbying efforts by, 248
National Economic Plan, 196, 229
national security
FDI restrictions and, 64, 269–270
National Team on Export and Investment Promotion (PEPI), 241
negative lists, 46, 69, 208, 237, 240
NEP (Malaysia), 196, 198–199, 211, 229
New Economic Model (Malaysia), 245
new international economic order, see NIEO
new-new trade theory, see NNTT
New Order regime (Indonesia), 189, 192, 193
Index

NIEO, 63
NNTT, 20, 21, 25, 272
nonperforming loans (NPLs), 224, 230
OECD, 54, 106, 110, 264
Orbis (Bureau van Dijk), 272
Pakto 88 (Indonesia), 204
Pandya measure, 55–61, 106, 127, 159
Pandya, Sonal, 9, 55, 103
Pan-Malaysian Islamic Party (PAS), 251
Parti Keadilan Rakyat (PKR), 251
partisanship
impact of on FDI liberalization, 127
patronage network
expansion of, 194
Pengurusan Danaharta Nasional (Malaysia), 230
Perbadanan Insurance Deposit Malaysia, 233
Pinto, Pablo, 9
Plaza Accord, 1985, 186
policy diffusion, FDI and, 113
portfolio investment, 69
Portugal, 171
preestablishment rights, 47
preferential trade agreements, see PTAs
pribumi, 195, 200, 206, 209
private domestic credit
impact of on entry restrictions, 113
privatization, 231
pro-FDI coalitions
banking sector reforms and, 99–100
Promotion of Investment Act (1986), 215
promotion regulations
characteristics of, 48
protectionist reversion, 64
PTAs, 47, 57
quantitative tests
characteristics of firms that lobby, 152–156
FDI and banking sector reform, 106–108
FDI and domestic financing environments, 119–120
FDI liberalization and capital intensity, 163–173
firm-driven liberalization, 126–132
firm-level perceptions of financing constraints, 156–163
“quiet politics”
definition of, 3
“loud politics” vs., 273–275
of investment policies, 24, 66, 130–132, 259
role of domestic firms in, 81
“quiet politics”
role of domestic firms in, 78
Quinn, Dennis, 33
Rajan, Raghuram G., 15
recapitalization, Indonesia vs. Malaysia, 222–233
Scheve, Kenneth, 9
sector-specific FDI, 1, 3, 12, 42, 48, 69–70, 195, 238, 240, 247, 252
skilled workers
FDI liberalization and, 8–10
Slaughter, Matthew, 9
small- and medium-size enterprises (SMEs), 199, 209
Soeharto, 193, 207, 226, 237
FDI entry restrictions under, 194–195
SOEs (state-owned enterprises), 273
South East Asian Central Banks Research and Training Centre (SEACEN), 213
South Korea, 37
spare baseline models, 109
specific factors model, 84
state-owned enterprises (SOEs), 273
statistical analysis, 60, 103
status quo bias, 89–90
study methodology
characteristics of firms that lobby, 152–156
FDI and banking sector reform, 106–108
FDI and domestic financing environments, 119–120
FDI liberalization and capital intensity, 163–173
firm-level perceptions of financing constraints, 156–163
308

study methodology (cont.)
global value chain integration and restrictive regulations, 265–268
robustness toward other variables, 121–126
Sukarno, 192

technocrats
as information sources for FDI, 79
impact of on FDI liberalization, 117, 126, 130, 180, 187
Thailand
foreign investment laws, 3
treatment regulations
characteristics of, 47–48, 120
Turkey, 36

UMNO, 213, 230, 255
UNCTAD, 30, 44, 118, 127, 163
United Malays National Organisation, see UMNO

United Nations Conference on Trade and Development, see UNCTAD
US Committee on Foreign Investment, 10
US Country Commerce Guides, 56
Uzbekistan, 178

varieties of capitalism, see VoCs
Vietnam, 70
VoCs, 22, 90

wage effects
FDI liberalization and, 9, 85–87
Washington Consensus
backlash against, 30, 260
Western Europe, 171
World Bank Enterprise Survey, 152, 156
World Economic Forum, 52
Zingales, Luigi, 15