Contents

Illustr	ations	vii
Forew	ord by Alan M. Rugman	хi
Prefac	ce	xiii
Ackno	wledgments	xvii
1.	Introduction	1
2.	Multinational and Foreign Investment: Issues and Previous Theories	23
3.	Internalization Research in Its Current State	45
4.	The Signaling Framework of Foreign Direct Investment	69
5.	Modeling the FDI Signaling Effects	83
6	Evidence of Relationships Between the MNE's Internalization and Externalization	101
7.	FDI Announcement and Its Valuation Effects	121
8.	Theory of Multinational Enterprises: Summary, Evaluation, and Future Directions	141
Appendixes		151
Bibliography		159
Indov		171

Illustrations

EXAMPLES		
Example 1.1	Big Accounting Firms Entered China for Publicity Gains	18
Example 1.2	Does Voluntary Foreign Disclosure Convey Information to the Market?	20
Example 2.1	Kodak's Tactics: Mirror Image of Fuji's Conduct at Home?	37
Example 3.1	Legal Battles on the Ambiguity of Intellectual Property Rights	52
FIGURES		
Figure 1.1	Elements of Technological Know-How	7
Figure 2.1	U.S. MNEs' Intrafirm and Direct Exports	25
Figure 2.2	U.S. Exports and Direct Investment Position	26
Figure 2.3	The Structure-Conduct-Performance Scheme	35
Figure 4.1	Individuals' Productivity and Education Choices	73
Figure 4.2	The Consequential FDI Internalization	77
Figure 4.3	Firm's Know-How and Related FDI Levels	80

iii	Illustrations

Figure 5.1	Different Perspectives of FDI Optimization	90
Figure 5.1	Returns on Assets for Firms Operating	
riguic 3.2	in the United States	91
Figure 5.3	The Market Consequence of FDI Signaling	94
Figure 6.1	FDI Effects on an MNE's Market Transactions	103
Figure 7.1	The Valuation Effect of FDI Announcements for Partitioned MNE groups	133
Figure B.1	U.S. Receipts of Royalty and Licensing Fees	156
Figure B.2	U.S. Licensing Receipts from Developing Countries	156
TABLES		
Table 1.1	Major Forms of MNEs' International Involvements	4
Table 2.1	U.S. Merchandise Trade and the Trade Associated with Nonbank U.S. Multinational Enterprises	24
Table 3.1	Labor Cost and Labor Productivity of Foreign- Owned and American Domestic Manufacturing Firms Operating in the United States	60
Table 6.1	Relationships Between MNEs' Licensing Sales and Foreign Investment	110
Table 6.2	Industry Composition and Characteristics of MNEs with Direct Exports	115
Table 6.3	Correlation Matrix for Exports and Associated Variables	116
Table 6.4	Cross-Sectional Regression Analysis of MNEs' Export and Foreign Investment	117
Table 7.1	Industry Composition and FDI Event Periods	127
Table 7.2	Average Standardized Daily Abnormal Returns and Cumulative Abnormal Returns in the Event Period	130
Table 7.3	Average and Cumulative Standardized Abnormal Returns for the Partitioned MNE Groups in the Event Period	132
Table 7.4	Cross-Sectional Regression Analysis of Two-Day CAR at FDI Announcements	136

Illustrations ix

Table B.1 Distribution of Ownership Patterns of 1,276 Manufacturing Affiliates of 391 Multinational Enterprises Established in Developing Countries, 1951-75 155