**"Conflict and IB Special Issue Submission"**

An Interdisciplinary Geopolitical Perspective of International Business

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Abstract

International Relations and International Business (IB) disciplines are state-centric and firm-centric, but International Political Economy literature emphasizes mutual-reinforcement between national security and economic strength. However, several issues confronting IB like terrorism, ethnic/regional conflicts, human rights, global-warming etc have roots outside the traditional domains. Only a holistic conceptualization of the interdependent geopolitical environment can facilitate analysis of IB transactions in their correct geopolitical context. Since the context for each transaction is idiosyncratic, we build on the traditional FDI motives taxonomy to illustrate how MNEs align strategies with respective national interests. This groundwork for interdisciplinary discourse will facilitate research of complex IB issues in these challenging times.

# INTRODUCTION

National security concerns of countries and their economic interests have a symbiotic relationship. National security and economic stability are mutually-reinforcing and hence both need to be analyzed together. Countries continually safeguard and advance their economic interests through appropriate political, economic, and security policies, and as wars through the ages illustrate even military power has been used towards that end. However, the post-World War II era has witnessed only more subtle forms of politico-economic power-play. As *complex interdependence* theorists note, while the use of military force and ‘power balancing’ is decreasing (but remains important), economic relations between countries are increasing in numbers and complexity (Keohane & Nye, 1989).

Despite the symbiotic relationship academic formulations in both International relations (IR) and International business (IB) disciplines have evolved in separate silos. IR scholars accord ontological primacy to the *nation-state* and either exclude or marginalize thepolitico-economic dimension. Likewise, while IB scholars do consider political factors and host government policies, they neglect the underlying subtle geostrategic dynamic that shapes the international business environment (IBE). IR scholars however were the first to acknowledge this gulf, which was ignoring fundamental changes in the world economy (Strange, 1971). International political economy, a distinct field of scholarly inquiry within IR, was thus born (Cohen, 2004).

The 9/11 tragedy triggered a tectonic shift in the global environment. That dynamic is still evolving and manifesting in a surge of terrorist violence, regional conflicts, and geopolitical realignments - all having major implications for IB. In the absence of a holistic framework however, most deep-rooted causative factors get viewed only through isolated lenses. A multidisciplinary view of the overall global environment thatengulfs the IBE is essential so that each IB transaction gets analyzed in its correct context. Such holistic overview will help frame even non-business issues confronting IB, such as conflicts, terrorism, maritime security, cyber-terrorism, sanctions, risk insurance, security consultancy, human rights, global-warming *etc* within a realistic perspective of the contemporary world.

The need to evolve an interdisciplinary rubric that is illumined by both IR and IB theories has also been highlighted by other scholars. Jarvis (2005) argues, “as a consequence of the deepening complexity of the modern global political economy, the study of states and markets, the processes endemic to them and the actors who operate in them, requires a conjoining of international relations with international business in ways that comprise a fundamentally new and more inclusive paradigmatic approach”.

The wide array of issues confronting IB today cannot be fully analyzed through pure IR or IB-centered approaches, as we highlight through a brief overview of both literatures. Drawing from both research streams we provide a more holistic conceptualization of the overarching *geopolitical environment* and its interdependencies*,* which willfacilitate a more accurate analysis of each IB issue within its correct *geopolitical context*. Although the *geopolitical* *context* for each IB transaction is idiosyncratic we build on the traditional foreign direct investment (FDI) motives taxonomy to illustrate how multinational enterprises (MNEs) formulate strategies that are aligned with the security-cum-economic interests of respective countries. This enables MNEs to better anticipate and dynamically deal with various security and non-business challenges emerging from the IBE – so vital to cope with hyper-competition. Such an approach will thus be useful for both academics and MNE managements.

#### CURRENT ENVIRONMENT FOR INTERNATIONAL BUSINESS

International business is passing through challenging times since complex geopolitical factors and security-related issues are now affecting it more than just business factors. However the IBE itself is circumscribed within an overarching global environment, which apart from the traditional political and economic segments also includes demographic, social, religious, ethnic, sectarian, cultural, legal, jurisdictional and environmental elements, as well as multilateral institutions (WTO; IMF; International Atomic Energy Agency (IAEA); non-governmental organizations (NGOs); and multilateral agreements (e.g. Non-Proliferation Treaty); Due to such linkages within the global environment the IBE becomes more complex and interdependent.

Traditional IR theories have revolved around the *state* and its security. As the global environment evolved and IR scholars identified more factors that affect inter-state relationships, new layers of complexity got added around core IR theories. IB scholarship had a similar ‘bottom-up’ approach, starting with the analysis of economic and strategic motives for foreign direct investment (FDI). Gradually IB research too embraced more complex aspects - the meta-environment at the macro level, and diverse intra-MNE issues at the micro level. However, core IR and IB scholarship remained state-centric and business-centric respectively.

International political economy (IPE), defined as “the reciprocal and dynamic interaction in international relations of the pursuit of wealth and the pursuit of power” (Gilpin, 1975:43), explains interactions between state power, politics, trade negotiations, multilateral financial institutions and globalization. However several issues facing IB are even more multifaceted, with roots outside the political or economic dimensions. The following illustrations highlight how various non-business factors affecting IB necessitate a more holistic conceptualization.

**Diversity of IB Issues: Some Illustrations**

While the impact of *psychic distance* and *liability of foreignness* on MNE operations has been analyzed in the IB literature (Hofstede, 1980; Zaheer, 1995), various demographic and socio-cultural elements also come into play. McDonald faced several lawsuits for using purportedly 100% vegetable oil, but which had beef extract; something forbidden to Hindus on religious grounds (Harding, 2001). Another religious issue with more enduring consequences for MNEs is to contend with Islam-ordained banking regulations in Islamic countries, since Koran forbids interest (Bokhari, 2001).

Following 9/11 and the Iraq war religious polarization is now more pronounced, and increasing global terrorism is raising the specter of ‘clash of civilizations’ (Huntington, 1996). While on one hand this has increased security costs for airlines, shipping, ports, utilities, oil supplies and cyber-networks, it has also created business opportunities for insurance and security services. Such polarization has roots deep in the intertwined historical, geopolitical, religious, ethnic, sectarian, social and cultural factors; thus needing multidisciplinary analyses.

Terrorism is financed through narcotics and weapons trade by exploiting the global financial systems for surreptitious ‘hawala’ (word-of-mouth) transactions. Such money transfers are more difficult to detect than ‘round-tripping’ and trans-shipping’, which modes MNEs usually employ for money laundering (WIR, 2006). Several Islamic charities (e.g. Holy Land Foundation) have been used to finance terrorism worldwide (Simpson, 2008). Prevention, detection and countering of such practices require a global consensus, which gets into the domain of diplomacy, international law, jurisdictional issues, and supranational agencies.

Home and host country jurisdictions confound IB when compensation or penalties are involved; e.g. the gas leak in 1985 at Union Carbide’s Bhopal plant that killed over 3000 people. More recently such public safety and regulatory issues arose across international boundaries when large numbers of hazardous toys made in China had to be recalled (Spencer, 2007).

Even human rights issues affect IB as shown by the cessation of MNE activities in South Africa following imposition of economic sanctions for her apartheid policy. Powerful NGOs (Human Rights Watch) wield immense influence against MNE practices; e.g. sports apparel companies Nike and Reebok have been mired in the ‘sweatshop’ controversies since the mid-1990s. Nike has been accused of condoning the bad labor practices of its subcontractors in Vietnam, Korea and Indonesia (Jones, 1996). MNEs selling hand-woven carpets from Bangladesh and Pakistan have faced accusations of exploiting child labor. Oil companies like Shell and Halliburton have ignored and even benefited from human rights abuses and corruption in some ‘banana republics’ in South America and Africa (Gold, 2005).

Another NGO, Greenpeace, has been espousing ecological protection through campaigns against whaling. Likewise, a US ban on shrimp imports from India, Pakistan and Malaysia for not equipping boats with devices to prevent ensnaring the endangered sea turtles led to a prolonged trade dispute in the WTO (Maggs, 1998).

A striking illustration of intertwined geostrategic, IB, environmental, and energy-security issues is the exclusive waiver granted to India by the Nuclear Suppliers Group (NSG), despite her not signing the Nuclear Non-proliferation and Comprehensive Test Ban Treaties. Even though USA had imposed sanctions against India following her nuclear tests in 1998, in the post-9/11 scenario USA exerted intense pressure on recalcitrant countries in the NSG to approve the India-specific waiver, and modified its own laws to sign the 123 Nuclear Agreement. This exception is ostensibly for energy-security and environmental protection, but what is unstated is the potential $200 billion nuclear commerce with India over next five years (NDTV, 2008). Furthermore, even though India started economic reforms in 1991 FDI inflows increased just marginally. However post-9/11, when USA initiated the strategic partnership MNEs started investing heavily, and FDI inflows rose to $ 29.89 billion by 2007 - a 1003 % increase since 2000 (RBI, 2008).

Triggered by the speculative construction boom within Thailand its currency fell sharply in 1997 and its banking system collapsed; the domino effect soon led to a widespread meltdown of the East Asian economies (Hill, 2007). The recent domestic housing and mortgage problems in the USA severely affected her banking system, which then snowballed into a worldwide financial crisis. The interlinked global economy thus gets affected even by domestic non-IB issues, and by natural or man-made disasters.

There is ample anecdotal evidence that MNEs do indeed consider the broader context when formulating strategy. This however has not got integrated into the academic discourse within both IB and IR disciplines possibly due to differences in the levels of analyses. IR primarily conducts country-level analyses of the *state,* its security and its foreign policy. Trade, economic groupings, MNEs, and multilateral institutions also are being considered within the IPE literature. For most IB scholarship however the focal level is the firm, since international trade, FDI, and foreign mergers and acquisitions (M&As) are transacted by MNEs.

We characterize this overarching environment as the *geopolitical* *environment*, which represents the contemporary ‘real world’. We present a stylized depiction of its complex linkages in Figure1. From this holistic conceptualization various disciplines can then segment their respective subsets; e.g. IBE or the ‘International security environment’. The following brief overview of IR and IB literatures shows that no conceptual framework therein can adequately analyze the wide variety of IB issues illustrated above.

**Insert Figure 1 about here**

# International Relations Literature

Based on a fusion of Weberian and Freudian concepts, *parallelism* theory provides linkages between wars, state policy, and economic expansion. The *state* is the centerpiece of IR scholarship and it acts to safeguard against *anarchy*, and thus IR research revolves around military security, geopolitical strategy and foreign policy.

Elements of the IPE are generally deemed peripheral to the *state’s* security, though relevance given to IB issues varies in different IR traditions. *Neorealism* ignores non-state actors such as MNEs, and along with *classical realism* regards international institutions (IMF, WTO), MNEs and NGOs as inconsequential, due to the absence of an authoritative international order. Those are treated as ‘second order variables, best relegated to less important corners of the discipline’ (Jarvis, 2005).

*Neoliberal institutionalists* however acknowledge that international institutions do play an important role in coordinating international cooperation. Institutions are viewed as ‘connected sets of rules that prescribe behavioral roles, constrain activity, and shape expectations' (Keohane, 1986). MNEs, regarded as sub-state actors, exploit cost benefits through international production, procurement and outsourcing.

Some *liberal* theorists believe that the locus of power could eventually move away from the *states* and military, toward a postmodern mode of production that elevates *soft power* as an instrument. For most *liberal* theorists such perspectives merely complement understanding of *state*-centered IR (Keohane & Nye, 1989). Traditional preeminence of *states* is not replaced but merely complicated by *non-state* actors who mediate *state* power through transnational processes and international institutions. Exercise of hard power by *states* is thus rendered more difficult by such linkages that constrain *state* behavior (Jarvis, 2005).

*Functionalism* explains the growth of international organizations to facilitate modern commerce (shipping, aviation, cross-border movement of people, goods, money and services). Inter-state reliance on energy, natural resources and technology creates extensive co-dependencies. *Neofunctionalism* emphasizes collaboration through agreements, rule-based behavior, and international institutions that ensure efficiency and coordinate governance (Viotti & Kauppi 1987). *States* now cooperate more and surrender some sovereign control, and such functional requirements have contributed to regional economic groupings such as the European Union (EU).

*Neo-functional integrationists* focus upon processes instead, and view MNEs as functional linkages that require governance, institutionalization and standardization (Caporaso, 1972; Dahlberg, 1970). Such processes contribute to *complex interdependence* and delimit maneuverability of the *state* due to the extension of international rules. Although *liberal* approaches shift emphasis away from the *state* to *non*-*state* actors, the importance ascribed to MNEs is just marginal compared to that accorded to international institutions like IMF or WTO.

According to *intergovernmentalism* strategic power-play remains important even when states surrender some sovereignty to an entity like the EU. It explains regional integration as an alignment of state interests and preferences, ‘but coupled with power’. States with more ‘power’ have more economic interests fulfilled; e.g. many institutional arrangements within the EU are according to the preferences of the ‘Franco-German core’ (Moravcsik, 1993).

*Globalization* theory argues that *states* and societies are increasingly being 'disciplined' to behave like private markets in a global territory, and views MNEs as a postmodern mode of production. The ‘disciplinary' forces are the global capital market, MNEs, and the structural adjustment policies of IMF; all driven by *neo-liberal* economic ideology. These agents represent an emerging global economic governance (*disciplinary neo-liberalism*), based on a quasi-constitutional framework for the reconstitution of legal rights, prerogatives, and freedom to move capital globally - *new constitutionalism* (Gill, 1998). Theorists like Harvey (1989) believe that MNEs promote materialism, commercialized aesthetics and imagery, stylized cultural consumerism and brand fetishism (Nike, Levi, Calvin Kline). While liberal *globalization* theorists view MNEs as lead agents of economic change that contribute towards global political/economic organization and increased interdependence, the more radical view is of their being exploitative, self-serving profit seekers that destroy local economies, and bear no allegiance to national interests.

The immense economic strength of MNEs (Wal-Mart’s $258.68 billion revenue exceeded the GNP of 168 countries; World Bank, 2002), and their extra-territorial influence without a global regulatory/disciplinary mechanism, raises concerns. This more radical view, often voiced violently at economic summits (Seattle) deems MNEs as class-based interests that manipulate *nation-states* and *non-state* actors in the international system. The *dependency* theory and the *world systems* view are extensions of this radical tradition, which views MNEs as instruments of imperialist exploitation and agents of the capitalist West that criminally appropriate wealth from Third World countries. Thus, ‘industrialized nations exploit underdeveloped economies by inequitably applying the Ricardian international division of labor and comparative advantage principles’ (Prebisch, 1970).

Through much of the Cold War most Third World countries restricted FDI, and even resorted to more radical appropriation and nationalization. Numerous studies in IR and IB examinedMNE-state relationships, host government policies, and relative bargaining power (Comeaux & Kinsella 1996; Akinsanya 1980; Vernon, 1971).

A rich body of work within the IPE literature has examined the relationship between economic interdependence and political conflict. While the *liberals* argue that increased economic interactions and interdependence fosters cooperative political relations and inhibits hostilities, the *realists* argue that iniquitous gains of trade and investment adversely affect inter-state relationships, which could trigger military conflicts (Doyle, 1997; Mansfield & Pollins, 2001; Mearsheimer, 1990).

The pre-9/11 view of the global environment was relatively benign. The *new war theory* had argued that unlike classic wars between *nation-states*, new wars are part of a global economy underpinned by transnational ethnicities; global arms markets, and internationalized Western-global interventions. Its characteristics are; new forms of violence (ethnic cleansing, forced population expulsion) by paramilitary groups and mercenaries, and funded by remittances, Diaspora, and diverted international humanitarian aid(Kaldor, 1999)**.** Friedman’s (2000) *Golden arches theory of conflict prevention* had also argued that ‘people in McDonald's countries didn't like to fight wars anymore; they preferred to wait in line for burgers’.

The *geopolitical environment* has undergone phenomenal changes after 9/11 and the Iraq war. As the *postinternational* theory states, the world today is marked by profound and continuous transformations and turbulence, and although conventional wars might not be witnessed, the world remains plagued by global terrorism, regional conflicts, and ethnic and sectarian strife. All such factors have a profound impact on IB operations.

# International Business Literature

IB scholarship has mainly revolved around various aspects of MNE activity: e.g. FDI; its determinants, flows and trends; MNE structures; host government policies; entry modes; intra-MNE processes; knowledge transfers; alliances etc. While different facets of IB have been researched at length, its *geopolitical context* has not been explicitly analyzed.

The IBE is an abstract conceptualization that few scholars have defined, as evident from its limited citations in any review of the IB literature (e.g. Dunning, 1993). Guisinger (2001) proposed disaggregating the IBE into eight components, ‘econography’ (economic geography and demography), culture, legal systems, income levels, political risks, tax regimes, exchange rates and restrictions. However, his taxonomy did not include multilateral financial institutions (IMF, WTO), but other scholars included them within the *meta-environment* conceptualization (Toyne & Nigh, 1999; Kostova & Zaheer, 1999). Sethi and Guisinger (2002) argue that MNEs must include the *meta-environment* and the geopolitical factors within their IBE-scanning activities, to formulate strategies more in tune with all dimensions of the IBE.

The *liability of foreignness* notion essentially explains the disadvantages and discrimination faced by an MNE subsidiary relative to host country rival firms (Zaheer, 1995; Kostova & Zaheer, 1999; Mezias, 2002; Luo & Mezias, 2002). IB research has also examined the relative bargaining power of host governments and MNEs, and the *obsolescing bargain model* explains the shifting bargaining positions between them (Vernon, 1971, 1977; Kobrin, 1987; Brewer, 1992; Grosse & Behrman, 1992; Grosse, 1996). While some IB scholars believe that the model has become obsolete, Eden, Lenway and Schular (2004) argue for its continued relevance by refashioning it as a *political bargaining model*.

Several factors (collapse of the USSR and command economies, progress in GATT, technological advances) catalyzed attitudinal and policy changes towards FDI, and moved from confrontation to reconciliation (Dunning, 1993). Instead of nationalizing MNEs host governments now offer large incentives to attract FDI (Mudambi & Navarra, 2002).

While evaluation of host government’s political and economic policies was integrated into the IB literature, it was confined to only more explicit factors (Vernon, 1971; Fagre & Wells; 1982; Gomes-Casseres, 1990). Political parties, institutions, and interest groups often constrain the pace and direction of economic reforms within countries, and shape domestic and international economic policies. Henisz (2000) developed a political constraints index (POLCON), which he and co-authors pursuing this research have validated for different countries, industries and managerial levels (Delios & Henisz, 2003; Henisz& Mansfield, 2004; **Henisz** & **Zelner,** 2006). However, the impalpable and often covert geopolitical considerations are yet to be integrated into the IB discourse.

Scholars at the 2004 Thunderbird workshop, ‘International Business & Government Relations in the 21st Century’ had emphasized that MNEs need to understand the shifting IB-government partnership and the IBE’s political context since those alter market parameters. With the multiplicity of *state* and non-*state* stakeholders, economic and political dimensions have got more intertwined (Grosse, 2006).

In marked contrast from the past, not only FDI inflows into the developing countries have increased manifold, outward FDI from ‘emerging economies’ (China, India, Brazil and Russia) and mergers and acquisitions (M&As) by their MNEs have increased very significantly, which has profound geopolitical implications (WIR, 2006).

From this briefly encapsulation of the IR and IB literatures it is apparent that any single disciplinary perspective cannot adequately analyze all IB-related issues. The ‘bottom-up’ approaches apparent in both disciplines cannot fully visualize all the complex linkages in the IBE. This study therefore commends a ‘top-down’ view of the complex interdependencies in the global environment in order to accommodate all the factors that could affect the IBE, such as political, economic, security (military, economic, energy and cyber), demographic, cultural, social, religious (sectarian and ethnic strife), terrorism, technological, legal (domestic and international jurisdictions, immigration), multilateral institutions, NGOs, environmental (global warming, pollution), ethical (human rights; corruption) etc. We contend that once IB is framed within such an overarching global environment – the *geopolitical* *environment* – it would facilitate more realistic analyses even of those aspects that have roots in other disciplines. Consequently it would be possible to analyze each IB issue within its correct *geopolitical context*.

**The Geopolitical Environment**

The term *geopolitics*, though often used in the IR literature, has not gained currency in the IB literature. While various IR scholars define it differently, in essence it studies the “geographical aspects of political phenomena” (Kristof, 1994:508), and influences political and economic transactions among nations. The *geopolitical environment* strongly impacts all dimensions of national security - political, military, economic, energy and cyber.

We conceptualize the *geopolitical environment* as the all-encompassing global environment, which subsumes within it all dimensions, factors, multilateral financial institutions, regional economic groups (EU), NGOs, alliances (NATO) and multilateral bodies ( IAEA, NSG). The *geopolitical environment* thus represents the ‘real world’ with all its complexities and interdependencies.

Most IBE constituents as well as explicit government policies are observable and hence easily factored into MNEs’ strategy formulation. The *geopolitical environment* however is more impalpable since it also includes tacit, often unstated geostrategic factors, which permeate all international interactions. The *geopolitical environment* changes frequently due to changing alignments of respective national security and economic interests. Further, countries could be allied on one issue and be fiercely opposed on another, and such shifting coalitions make the *geopolitical environment* difficult to decipher.

The *geopolitical environment* affects IB issues at two levels: (1) at the macro level it circumscribes the IBE, and applies to all countries, MNEs and related entities; (2) at the micro level it frames the *geopolitical context* of each IB transaction so that the parties can evaluate it better to formulate compatible strategies.

**Impact on IB at Macro Level**

The macro level impact on IB is illustrated by the absence of trade or investment between the Western and Eastern Bloc countries during the Cold War. Countries emerging from colonial rule in Asia, Africa and Latin America distrusted MNEs, and adopted the socialist ‘command economy’ model due to its egalitarian appeal (Vernon, 1971). When socialist economies failed and developing countries gradually liberalized, western MNEs made large-scale FDI into SE Asia to exploit low-cost labor and secure markets (Sethi*,* Guisinger, Phelan & Berg, 2003). China adopted the open-door policy in 1979 but FDI gathered momentum only by mid-1980s (Cheng & Ma, 2007). India initiated economic reforms in 1991 but the geopolitical context turned favorable for her only after 9/11, and then FDI inflows increased 1003% in just seven years (RBI, 2008).

Most trade and FDI by the developed and developing countries have been concentrated in the home region or just two regions of the ‘Triad’ - North America, EU and Asia (Rugman, 2005; Rugman & Verbeke, 2004). However, due to geopolitical factors the home-region bias observed elsewhere is not replicated in South Asia. While India has extensive worldwide trade and had made $18.43 billion outward FDI during 2007-08 (RBI, 2008), there is negligible Indian investment into contiguous countries. Mauritius attracts 9.2% of Indian FDI (mostly ‘round-tripping’) and Sri Lanka’s share is 0.7%, but Pakistan, Bangladesh, Nepal, Bhutan, Myanmar and Maldives have almost none. Despite major advantages of proximity, common culture and interlinked infrastructure, the vitiated geopolitical environment of South Asia prevents Indian FDI into these countries (Bajpai & Sachs, 2000).

OPEC’s cartelization accentuated geopolitical polarization and ‘oil diplomacy’ gained currency (Dougherty & Pfaltzraff, 1990). The geopolitically important oil reserves of the Middle East cause much instability and volatility. Due to energy-security concerns FDI in oil exploration is now expanding from the Middle East to Africa, Asia and Latin America.

Sales by top 100 global armament firms (excluding China) touched $315 billion in 2006 **(SIPRI,** 2008). This interplay of *geopolitical* and IB issues is also illustrated by vociferous Chinese opposition to the proposed $6.5 billion sale of sophisticated armaments to Taiwan (TOI, 2008). U.S. and European armament companies receive large tax breaks and even lend money to help countries make weapon purchases, and thus taxpayers end up subsidizing arms sales. Most international trade agreements exempt government programs deemed vital for national security, and this loophole justifies large subsidies and unlimited military spending (Staples, 1999).

Arguably military industrial complexes of powerful countries shape foreign and military policies to enhance their profits. ‘Selling advanced weapons is often accompanied by the same sellers pointing out how the new world is more dangerous due to increased sophistication of weapons. Hence, they inevitably recommend more R&D to stay ahead! This is a nice circular argument that serves to keep the military industry in business, largely paid for by taxpayers’ (Arms Trade Insider, 2001).

Economic sanctions have been used as a geopolitical tool to ‘discipline errant states’, although their overall efficacy remains debatable. Sanctions are often not enforceable due to geopolitical divisions between countries and blocs. While sanctions were successfully used to force South Africa to abandon apartheid, those have not been very effective against countries such as Iran, Cuba or Zimbabwe.

Starting with the seminal study of Polachek (1980), the liberal tradition within the IPE literature has long argued that rising trade flows inhibit political conflict since they interfere with commercial relations and business gains (Mansfield, 1994; Russett & Oneal, 2001). Hence, firms and consumers liberalize trade with friendly states and avoid trading with adversaries (Mansfield & Pollins, 2001). Notwithstanding the avowed US policy against totalitarian regimes and human rights abuses, US MNEs have invested heavily into communist China. Despite an adverse balance of trade with China, extensive US investment into China helps to keep her ‘engaged’, and better serves US geopolitical interests. Even when China shot down a US military aircraft in 2000, US business interests did not allow that explosive situation to escalate.

The realist school however argues that inequitable distribution of gains from trade and unfair practices aggravate trade disputes and could promote conflict (Barbieri, 1996). Among numerous trade disputes referred to the WTO the majority are between traditional allies like the USA and EU (WIR, 2006). Interference with energy supplies and trade routes can escalate into conflicts since disruptions could seriously damage economies. Maritime security issues are also potentially explosive, as evident from the hijacking of a Ukrainian ship carrying 33 T-72 tanks off the coast of Somalia. Over 62 such incidents happened in 2008, and now multination naval patrolling is contemplated (World Business, 2008).

Intensity of protracted negotiations within the Doha Round underscores the profound competitiveness and geopolitical implications for countries, industries and MNEs, since vital issues (e.g. farm subsidies, tariff reduction, opening up of insurance and financial services sectors, intellectual property protection, immigration, labor laws, environmental protection, global warming) are at stake. In pursuing respective national interests countries frequently realign and even confront allies and partners. Doha Round’s failure is attributed to the traditional North-South divide, with China, India and other developing countries remaining intractable on farm subsidies (World Business, 2008).

**How the *Geopolitical Context* Shapes MNE Strategies**

The most significant factor for evaluating any IB transaction is its commercial viability. However, concerned parties invariably view the business aspects within the context of the prevailing *geopolitical environment* to gain better perspective. Selecting elements from the *geopolitical environment* that directly affect the focal IB transaction helps frame its *geopolitical context*, which moderates the effect of the business-related factors. The *geopolitical context* helps determine how the congruence (or lack of it) between security, economic, or other interests of the concerned countries would affect that IB issue.

Such congruence varies along a continuum - from a favorable context to outright adversarial. IB transactions between trading partners within a regional economic grouping generally encounter little divergence of geopolitical interests; e.g. France-Germany; USA-Canada. IB ventures between such MNEs would likely be executed amiably without extraneous socio-political hurdles. Disagreements would mainly be on business issues, and would get resolved through bargaining based on business factors alone. Conversely, an unfavorable *geopolitical context* (e.g. USA-Iran; India-Pakistan) could foreclose or severely impede IB transactions, howsoever sound businesswise.

Between these two extremes numerous IB transactions face varying degrees of congruence of interests between countries. In such situations the interplay of geopolitical and business factors becomes more pronounced and generates varying options. MNEs leverage a favorable *geopolitical context*; take preemptive countermeasures against an unfavorable context; and fine-tune strategies accordingly. Moderate levels of congruence of interests create a more conducive environment and generate more IB opportunities. As per the liberal view within IPE literature increasing IB transactions even between countries with a history of conflict can gradually improve the *geopolitical context* between them; e.g. China is India’s second largest trading partner (after USA), though both countries fought a war in 1962.

The *geopolitical context* of each IB transactions is idiosyncratic to the countries and MNEs involved in that transaction. It need not be equal or reciprocal, implying thereby that for the same pair of countries the *geopolitical context* for an IB transaction between A and B could differ from a similar transaction between B and A. Hence, while a macro view of the *geopolitical environment* provides general indicators, each IB transaction needs to be evaluated against its specific *geopolitical context*.

The immense variety of IB transactions in both trade as well as FDI however precludes any generalized application. We therefore confine analysis to the application of the *geopolitical context* only to MNEs’ FDI strategies because: (1) arm’s length transactions like exports are fluid and can be shifted elsewhere with ease, whereas FDI requires large investments and takes longer to materialize; (2) FDI reflects long-term strategic intent and hence analyzing the *geopolitical context* prior to those large investments is more important.

The motive (and strategy) even for FDI transactions varies widely, and each has its unique *geopolitical context.* Hence, to simplify analysis we adopt the taxonomy in the IB literature - *resource-seeking, market-seeking, efficiency-seeking; strategic asset-seeking –* as the main FDI motives (Dunning, 1993). However the extant categories are based mostly on the outward FDI motives of developed country MNEs, as witnessed during the Cold War era. It does not reflect the recent phenomenon of extensive outward FDI by MNEs from emerging economies like China and India that often have very different FDI motives and patterns to suit the changed *geopolitical environment*. We therefore supplement the traditional taxonomy with other FDI motives, which were elicited from three Global CEO surveys conducted by UNCTAD (WIR, 2006): (1) Global survey of developing-country TNCs, 2006 (250 firms); (2) Survey of Indian transnational corporations, 2006 (40 firms); and (3) FIAS/MIGA/IFC/CCER survey on China’s outward FDI, 2005 (150 firms).

**Market-seeking FDI**

The ‘market-seeking’ FDI motive in the traditional typology is treated at par with other motives. It also does not distinguish between the differing approachesadopted by MNEs from the developed and developing countries’ for their *market-seeking* FDI. We contend that the ultimate objective of all MNEs is to ‘seek markets,’ and they attain this motive by enhancing their competitive advantages through complementary *efficiency-seeking* and/or *resource-seeking* FDI*.* Furthermore, since the firm-specific advantages essential for penetrating developed countries’ markets need to be much superior to those sufficing for developing markets, MNEs from the emerging economies adopt different approaches to enter the developed markets.

In addition to normal business factors, elements from the *geopolitical environment* that affect *market-seeking* FDI are: (1) host government restrictions to protect domestic industries; (2) prejudice against certain countries (‘country-of-origin’ effect); (3) child labor; ‘sweat-shop’ labor; (4) cultural and religious issues (socially offensive products/commercials; beef/pork products); (5) health and public safety issues (genetically-modified foods; industrial accidents); (6) environmental concerns (global-warming; pollution; endangered species); (7) NGOs (human rights abuses); (8) international law (corruption; home/host government jurisdictions); (9) multilateral financial institutions; (10) illegal money-transfers (‘word-of-mouth’ transactions; ‘round-tripping’); (11) narcotics, arms and contraband trade; (12) terrorism, cyber-security and maritime security. The foregoing listing is not exhaustive and merely illustrates the wide variety of aspects from the *geopolitical environment* that MNEs consider more closely for relevant IB transactions.

MNEs from the emerging economies face some other issues when investing into the developed countries. Geopolitical and national security concerns often override business considerations, as evident from the failed bid by China’s oil giant CNOOC to acquire UNOCAL, or a UAE firm being prevented from making FDI into cargo handling operations in US ports.

**Resource-seeking FDI**

Traditionally *resource-seeking* FDI has implied mainly natural resources since that was the principal motive for MNEs from the developed countries. However, a large number of MNEs from the emerging economies are now investing into developed countries to seek intangible resources like knowledge and cutting-edge technology. To obviate ambiguity we discuss the latter as a separate category since the drivers and destinations for both FDI motives differ widely.

*Resource-seeking* FDI is mainly into oil and gas, and there is a frantic rush to secure them wherever available. Energy-security has profound geopolitical implications, and shapes international relations very significantly, the principal actors being the OPEC, the energy-deficient industrialized world, and two emerging economies - China and India. Despite its communist ideology China invited FDI for oil exploration in South China Sea, East China Sea and the Bohai Gulf in 1979 (Andrews-Speed, 2003). 40% of the Chinese CEOs in the global survey cited M&As in oil and gas as the most important strategic motivation (WIR, 2006). Chinese FDI into oil facilities is dispersed in Central Asia, Africa and Eastern Russia; e.g. CNPC’s acquisition of PetroKazakhstan. India’s OVL too is making FDI for exploration, production and distribution of oil and gas in widely dispersed countries like Algeria, Brazil, Colombia, Cote d’Ivoire, Cuba, Egypt, Iran, Iraq, Kazakhstan, Libya, Myanmar, Nepal, Nigeria, Qatar, Russia, Syria, Sudan Vietnam, and Venezuela (ONGCvidesh, 2008).

**Knowledge-seeking FDI**

Since MNEs from developed countries had themselves innovated most technologies they had no need for *knowledge-seeking* FDI into the developing countries, and thus this category is absent in the traditional FDI motives taxonomy (Dunning, 1993). However, now MNEs from emerging economies are making extensive *knowledge-seeking* FDI into the developed countries to acquire know-how. This trend is facilitated by cash-strapped MNEs in developed economies seeking equity partnerships with cash-surplus MNEs from the emerging economies; e.g. Chinese state-owned-enterprises are making large-scale M&As powered by China’s $1.4 trillion foreign reserves (Economist, 2007).

Geopolitical factors affecting *knowledge-seeking* FDI relate mainly to security and competitiveness issues such as access to dual-use technologies, cyber networks, and cutting-edge R&D. While equity-partnerships can compromise core competences, even arm’s length transactions like licensing, if ill-considered, can cost market leadership; e.g. RCA’s untimely licensing of color picture tube technology to Matsushita (Hill, 2007). Large equity holdings by foreign entities in domestic financial institutions, ports, utilities, airlines and vital infrastructure exacerbate strategic vulnerability.

**Efficiency-seeking FDI**

*Efficiency-seeking* FDI remains important for MNEs from developed economies to exploit low-wage labor in developing countries. It complements *market-seeking* FDI since developing countries open their markets only to MNEs bringing in technology and capital. MNEs often face intense scrutiny from NGOs, human rights groups, and media for their sub-contractors’ labor practices. Some MNEs allegedly benefit from regimes in ‘banana republics’ that are corrupt and commit human rights abuses.

There is no economic rationale for e*fficiency-seeking* FDI into developed countries due to obvious cost disadvantages, and because emerging economies have ample low-wage labor. Although wages have increased in many emerging economies, industries are moving into interior regions to claim government incentives; e.g. China now discourages FDI into the better-developed coastal provinces and incentivizes moves into the central and southern regions (Hu & Owen, 2005).

Indian CEOs however rated *efficiency-seeking* FDI’s importance at 3.2 out of 5. They regard it as “gaining synergies through the international integration of production and services, rather than just low-cost labor or inputs” (WIR, 2006). Hence, Indian MNEs are making limited *efficiency-seeking* FDI into those developed countries wherein they can integrate and uplink their low-cost advantages into the value chain of intermediate and finished products, as we elaborate in the next section. In such cases politically sensitive immigration issues arise.

**Strategic Asset Seeking FDI**

MNEs from the developed economies engaged in substantial *strategic asset seeking* FDI in developed as well as developing countries to consolidate value chain activities and for vertical integration (Dunning, 1993). This trend has abated somewhat due to the slowdown of developed economies, and their MNEs now opt more for equity partnerships (WIPS, 2007). Geopolitical factors affecting such transactions during the Cold War era were sovereignty issues, nationalistic fervor, and complicity with corrupt and totalitarian regimes.

MNEs from the emerging economies are making substantial *strategic asset seeking* FDI into the developed countries; e.g. Chinese CEOs use *strategic asset-seeking* FDI to acquire technology, R&D, brands, and organizational skills, and generally combine it with *market-seeking* or *efficiency-seeking* FDI (WIR, 2006). Such M&As enhance competitiveness and facilitate penetration of the developed markets.

After their failed Unocal bid, Chinese MNEs no longer seek majority control since small stakes are politically acceptable and yet allow access to know-how.Chinese firms often called ‘Trojan Dragons,’ now regard access to skills as more valuable than control (Economist, 2007). Lenovo’s acquisition of IBM’s PC division is a notable exception (Businessweek, 2005). Indian CEOs however deem *market-seeking* FDI, by itself, inadequate for penetrating developed markets, and hence acquire strategic assets to attain economies of scale and scope on a global scale (WIR, 2006). Indian MNEs supplying intermediate products to their principals in the developed countries are now expanding into high-value-added products, as illustrated below.

The Tata Group: is India's oldest and largest business house operating in seven business sectors through 96 companies on six continents; employs 350,000 people; is the largest private sector steel producer in India; owns iron ore mines; is among the world’s top five medium and heavy truck manufacturers; the world’s second largest medium and heavy bus manufacturer; has the largest and second largest market-share respectively of the Indian utility vehicle and small/midsize car markets. It has nurtured a reliable network of ancillary suppliers over decades of leadership in the Indian auto industry. It has introduced the world’s first $2500 car - ‘Nano’. It has bought Miljo Grenland Innovasjon of Norway, which specializes in innovations for electric cars (TOI, 2008). It has acquired Daewoo, Jaguar and Land Rover, and collaborates with Mercedes. It thus spans all segments of the auto industry. By acquiring Corus (UK), Millennium (Thailand) and NatSteel (Singapore) it leverages immense synergies with own steel plants in India, across all grades of specialty steels (Tata, 2008). Tata Telecom and TCS are market leaders in telecom and info-technology. A Tata subsidiary has a substantial presence in the auto finance market. The Group thus enjoys substantial global scale and scope economies along the entire value chain – from raw material to finished products and in support activities (Businessweek, 2008).

|  |
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Several other Indian companies are seeking similar global-scale consolidation of value chain activities e.g. Reliance Industries (oil exploration, refining and petrochemicals, synthetic yarn, IT and telecom); Birla Group (aluminum, copper, cement, textiles, chemicals, fertilizers); Dr Reddy’s and Apollo Hospitals in healthcare (IBEF, 2008). CNOOC, Lenovo and CITIC from China, Embraer of Brazil, and Russian InBev SA (acquired Anheuser-Busch) are other emerging market MNEs seeking similar global consolidation. Prominent M&As by Chinese and Indian MNEs in Table 1 provide perspective into the industry, strategic motivation, and the geographical distribution of their global operations. International M&As by the Tata Group listed in Table 2 illustrates this approach (Tata, 2008).

**Insert Tables 1 and 2 about here**

*Strategic asset seeking* FDI by some MNEs from emerging economies is taking another form wherein MNEs lower in the outsourcing chain undertake ‘reverse-sourcing’ to ensure guaranteed orders for services/products currently outsourced to them. For instance, software companies totally depend upon the orders from principals, which remain unpredictable. Hence some MNEs in the ITES (IT-enabled services) and BPO segments are acquiring those developed country MNEs that were canalizing orders to them; e.g. Indian IT firm Infosys acquired British consultancy Axon Group to enter the high-end consulting business, and leverage the latter’s global network to win deals in USA and Europe (IBEF, 2008). Similarly India’s TCS and UK's Pearl Group set up a new BPO company that assured TCS orders worth $847 million over 12 years (TOI, 2008).

Indian firm Firstsource Solutions bought MedAssist Holdings to boost its presence in the US health-insurance sector from the ‘payer’ (insurance firm) to the `provider' end of 5,000 US hospitals. Ranbaxy acquiring French firm RPG, Wockhardt acquiring British CP Pharma, and Ranbaxy Fine buying US specialty chemicals major Mallinckrodt Baker (part of healthcare giant Covidien), also illustrate the strategic intent to cover the complete spectrum of healthcare services in the developed countries - generic and branded drugs, clinical trials, medical transcription, IT-enabled diagnostics, medical tourism, and health insurance (WIPS, 2007).

These are not isolated instances since international M&As by Indian firms increased from 37 to 170 during 2001-06 (IBEF, 2007). By end-2006 outward FDI stocks of China and India were $75.03 billion and $12.96 billion respectively. While over 64% of Chinese FDI was into Asia, 29.7 % in Latin America and Africa, and only 6.3% in the developed countries (China Statistical Year Book. 2007), 34.3% of Indian FDI was into the developed countries, with USA getting the largest share (WIR, 2007).

Increasing *strategic asset seeking* FDI by the emerging economies can alter the global competitive landscape, with profound geopolitical implications. As per McKinsey Global Institute, by 2050 China and India will account for half the world's GDP, up from just 6% today (Farrell, 2005). While both countries are currently observers in the G7 group there are moves to include them as full members. Talk of including India and Brazil as permanent members of the Security Council signifies the changing world order, based primarily on the increasing economic strength of these emerging economies (IBEF, 2007).

**Geopolitical Influence Enhancing FDI**

A small but significant number of Chinese CEOs cited “other” FDI motives; mostly the pursuit of Chinese government’s political objectives. Apart from securing supplies of oil and gas, they were expected to complement the government’s parallel diplomatic moves in Africa, Central Asia, South America, Caribbean and West Asia (Taylor & Smith, 2006). Table 3 shows Chinese FDI into Africa (UNCTAD, 2006).

**Insert Table 3 about here**

By 2005 China’s FDI stock exceeded $100 million in just four countries - Algeria, Sudan, South Africa and Zambia; all natural resource-rich destinations. Furthermore, China’s FDI stock was less than $10 million in 16 countries, while Cape Verde and Malawi aggregated even less - merely $0.6 and $0.7 million respectively. These meager amounts have limited business rationale, and instead reflect China’s strategic motivation to enhance geopolitical influence in Africa and South America (Taylor & Smith, 2006). However, this token presence could yield invaluable first-mover advantages in more commercially-viable ventures later.

**Managerial Implications and Conclusions**

The *geopolitical context* differs for each IB transaction and is based on the unique factors relevant to the MNEs in that transaction; e.g. size, resources, scale and scope of operations, time horizon, home and host government policies, congruence between geopolitical and economic interests of both countries, oversight by multilateral institutions and NGOs, socio-cultural and political factors, competitive environment in that industry etc. While some factors might apply uniformly to the entire industry, others affect MNEs idiosyncratically; e.g. if two rival MNEs of identical size and scope in the same industry outsource from different countries, the context could differ for both.

Accurate reading of the *geopolitical context* is thus vital for formulating a compatible strategy and essential for attaining and sustaining competitive advantage. Such analyses involve managerial and organizational cognitive processes that depend on sense-making and heuristics (Ginsberg, 1994; Pfeffer & Salancik, 1978; Weick, 1995), and are subject to *bounded rationality* (Simon, 1960; March, 1994). Long-term politico-economic threat perceptions, economic forecasts, and scenario-building techniques improve such analyses (Schoemaker, 1995). The competitive intelligence literature highlights how varying managerial skills and environment-scanning capabilities often lead to differing evaluations of the same environment (Freeman, 1999; Simon, 1999).

MNEs with global scale and scope of operations need to evaluate the *geopolitical context*, either in-house or through consultants, more closely and frequently than regional MNEs. Small and medium MNEs with limited resources monitor it through industry/trade associations. MNEs in industries and services under intense negotiation in the WTO, e.g. agro-products and financial services, monitor it more closely, as do firms in the volatile telecom or software industry. MNEs needing long lead-times (e.g. oil and gas) try to envision the likely environmentdecades ahead. In this era of hyper-competition not doing so could well mean ceding competitive advantage to rivals.

The environment for IB is becoming increasingly complex and interdependent and often gets affected more by security-related and non-business issues than by business factors. This study commends a top-down holistic view of the overarching *geopolitical environment* so that each IB transaction can be weighed against its *geopolitical context,* and a compatible strategy is formulated that accommodates all relevant factors. The multidisciplinary conceptual groundwork attempted in this study can facilitate analyses of the wide variety of issues confronting IB today, which will be useful for academics as well as practicing managers.

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Table 1: Prominent M&As by Chinese and Indian MNEs

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Industry** | **China** | | **India** | |
| **Company** | **Acquisition** | **Company** | **Acquisition** |
| Banks **&**  **Investment**  **Firms** | Industrial and Commercial Bank of China (ICBC)  China Minsheng Bk  China Development Bank  China Investment Corporation - CIC  CITIC - largest securities firm | 20% of Standard Bank in South Africa for $5.6 Bn  9.9% of UCBH- US  3.1% of Barclays  Blackstone – a US private-equity group.  6% stake in Bear Stearns |  |  |
| **Oil, Gas**  **& Minerals** | CNPC  CIC | PetroKazakhstan for $4 billion  Minority stakes in BHP Billiton and Rio Tinto - mining | ONGC (&18 other countries)  United Phosphorus  Aditya Birla  Hindalco | 25% stake Sakhalin oil field - Russia -$1.7 Bn  Oryzalin Herbicide, US  Dashiqiao Chem, China  Straits Ply, Australia |
| IT | Lenovo | IBM's PC division for $1.25 billion | Wipro  Infosys Technologies | NerveWire Inc, US  Expert Information Services, Australia |
| Telecom **& Electronics** | TCL International Holdings (TCL)  TCL  Huayi Group of Shanghai  China Netcom Corp | Schneider Electronics Germany - $8 Mn  55% Alcatel's mobile business - $55 Mn  US Moltech Power Systems - $20 Mn  Asia Netcom- $80Mn | Reliance Industries  Tata Communications | Flag Telecom, Bermuda Trevira, Germany  - Telecoms (TT) -  S.Africa  - China Enterprise  Comm Ltd (CEC)  - Teleglobe  International-USA |
| Auto | Shanghai Automotive | Ssanyong Motor Korea - $500 Mn | Tata Motors  Tata Motors | Daewoo, Korea  Jaguar and Land Rover |
| Steel **& Forgings** | Baosteel Group | CVRD – Brazil  controlling stake in 3 steel plants | Tata Steel  Bharat Forge | Corus (UK) NatSteel  Millennium (Thailand)  Carl Dan Peddinghaus -FRG |
| Food |  |  | Tata Tea | Tetley Tea - UK $521Mn |
| Pharma |  |  | Ranbaxy  Wockhardt  Cadila Health | RPG (Aventis) Laboratories, France  CP Pharmaceuticals, UK  Alpharma SAS, France |

Sources: The Economist (2007); Asia Times (2004); Business Week (several years). Over 40 M&As by Indian firms in the IT and ITES sectors are not listed here due to space constraints.

Table 2: International M&As by the Tata Group since 2000

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Tata Company** | **Acquired Company** | **Country** | **Stake** |
| **2000**  February | Tata Tea and Tata Sons | Tetley Group | UK | 100 % |
| **2003**  July | Tata Communications | Gemplex | USA |  |
| **2004**  March | Tata Motors | Daewoo Commercial Vehicle Company | Korea | 100 % (wholly-owned) |
| November | Tata Communications | Tyco Global Network | USA |  |
| **2005**  February | Tata Steel | NatSteel Asia | Singapore | 100 % |
| February | Tata Motors | Hispano Carrocera | Spain | 21% |
| March | Tata Chemicals | Indo Maroc Phosphore S.A. | Morocco | 50% |
| July | Indian Hotels | The Pierre | USA | On lease |
| July | Tata Industries | Indigene Pharmaceuticals | USA | < 30% |
| July | Tata Communications | Teleglobe International | USA |  |
| August | Tata Tech | INCAT International | UK |  |
| September | TACO | Wundsch Weidinger | Germany |  |
| October | Tata Tea | Good Earth Corporation  & FMali Herb Inc | USA | 100 % (wholly-owned) |
| October | TCS | Financial Network Services | Australia |  |
| October | TCS | Pearl Group | UK | Structured deal |
| November | TCS | Comicrom | Chile |  |
| December | Indian Hotels | Starwood Group | Sydney | 100 % |
| December | Tata Chemicals | Brunner Mond | UK | 100 % |
| **2006**  January | Tata Interactive | Tertia Edusoft Gmbh  Tertia Edusoft AG | Germany  Switzerland | 90%  90.38% |
| April | Tata Steel | Millennium Steel | Thailand | 67.11% |
| May | Tata Tea | JEMCA | Czech Republic |  |
| June | Tata Coffee | Eight O’ Clock Coffee | USA | 100 % |
| September | Tata Tea | Joekels Tea Packers | South Africa | 33.3% |
| **2007**  January | Tata Steel | Corus | UK | 100 % |
| April | Indian Hotels | Campton Place Hotel | USA |  |
| April | Tata Tea | Vitax and Flosana | Poland |  |
| April | Tata Communications | Telecoms (TT) | South Africa |  |
| June | Tata Power | PT Kaltim Prima Coal  and PT Arutmin | Indonesia  Indonesia | 30% |
| October | TRF | York Transport Equipment | Singapore | 51% |
| **2008**  January | Tata Chemicals | General Chemical  Industrial Products | USA | 100 % |
| March | Tata Motors | Jaguar & Land Rover brands | USA |  |
| March | Telcon | Serviplem SA | Spain | 79% |
| March | Telcon | Comoplesa Lebrero SA | Spain | 60% |
| June | Tata Communications | China Enterprise Communications (CEC) | China | 50% |

Table 3: China’s FDI stock in Africa in 2005

**(US$ Millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Country** | **Stock** | **Country** | **Stock** | **Country** | **Stock** |
| Algeria | 171.2 | Côte d´Ivoire | 29.1 | Mozambique | 14.7 |
| Egypt | 39.8 | Equatorial Guinea | 16.6 | Namibia | 2.4 |
| Libyan Arab Jamahiriya | 33.1 | Ethiopia | 29.8 | Niger | 20.4 |
| Morocco | 20.6 | Gabon | 35.4 | Nigeria | 94.1 |
| Sudan | 351.5 | Gambia | 1.2 | Rwanda | 4.7 |
| Tunisia | 2.2 | Ghana | 7.3 | Senegal | 2.4 |
| Angola | 8.8 | Guinea | 44.2 | Seychelles | 4.2 |
| Botswana | 18.1 | Kenya | 58.3 | Sierra Leone | 18.4 |
| Cameroon | 7.9 | Liberia | 15.9 | South Africa | 112.3 |
| Cape Verde | 0.6 | Madagascar | 49.9 | Togo | 4.8 |
| Central African Republic | 2.0 | Malawi | 0.7 | Uganda | 5.0 |
| Chad | 2.7 | Mali | 13.3 | Republic of Tanzania | 62.0 |
| Congo | 13.3 | Mauritania | 2.4 | Zambia | 160.3 |
| Congo, Democratic Republic of | 25.1 | Mauritius | 26.8 | Zimbabwe | 41.6 |

**Main United Nations Organizations NGOs**

Security Council; General Assembly **Human Rights Watch**

### World Bank (IBRD; IFC; IDA; MIGA) Greenpeace

IMF; UNCTAD; UNICEF; FAO **IACERHRG** (International

Int’l Court of Justice; WHO Association “CAUCASUS:

## Int’l Labor Organization Ethnic Relations, Human

WIPO (Intellectual property) Rights, Geopolitics”)

UNHCR (refugees) **Earth Charter**

UNDP (development)

ICAO (civil aviation) **IAED** (economic

UNEP (environment) development)

UNESCO; UNIDO ‘**SCOPE’**

**UNEF (military missions) Diplomatic Relations**

**Military balance**

**WTO National** **Security&**

Doha Round of  **Economic** **Policies**

Negotiations

**Alliances**

**Balance of Trade** NATO

Informal Partners

**Economic Groupings**

**Tacit Politico-economic**

NAFTA; EU; ASEAN; **Geostrategic Concerns**

APEC; MERCOSUR

**Religious, Ethnic,**

**IAEA** (atomic energy) **Social tensions**

**Nuclear Suppliers Group Stability of Global Currency Energy Security**

**and Financial Systems ‘Oil Diplomacy’ International Agreements Wars and Regional Conflicts**

Comprehensive Test Ban Treaty  **Other Political, Social, Cultural, Economic,**

Nuclear Non-proliferation Treaty  **Demographic, Legal and Technological Factors**

**Figure 1: Impact of the Complex and Interdependent Geopolitical Environment on International Business**