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MORE JOBS FOR OUR FOES? GLOBAL R&D STRATEGY IN THE AGE OF TECHNO-NATIONALISM

Hyungseok David Yoon*
School for Business and Society, University of York
York YO10 5DD, United Kingdom
david.yoon@york.ac.uk

Evis Sinani
Copenhagen Business School
2000 Frederiksberg, Denmark
es.egb@cbs.dk

Marina Papanastassiou
Leeds University Business School, University of Leeds
Leeds, LS2 9JT, United Kingdom
m.papanastasiou@leeds.ac.uk

Ioannis G. Economou
Texas A&M University at Qatar
PO Box 23874, Doha, Qatar
ioannis.economou@qatar.tamu.edu

*Corresponding author

Abstract

In light of rising techno-nationalism, MNEs (multinational enterprises) face heightened scrutiny over the legitimacy of their cross-border R&D investments, especially in host countries with strained diplomatic relations with the MNEs' home countries. Drawing from a realism-based international relations perspective and legitimacy theory, our study explores the effect of diplomatic relations between home and host countries on MNEs' global R&D strategy. We find that, in the face of adversarial diplomatic relations, MNEs increase their commitment to R&D-related jobs as a strategy to gain legitimacy. This finding extends the R&D internationalization literature by informing how MNEs navigate their efforts for legitimacy of their global R&D investments in an era marked by techno-nationalism.

Keywords: international relations, job creation, R&D internationalization, techno-nationalism

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1. INTRODUCTION

In the current climate of techno-nationalism, there is a prevailing viewpoint suggesting that MNEs' cross-border investments compromise a host country's national security (Edler, 2023; Lundvall & Rikap, 2022; Luo, 2022; Mansell, 2021). This realism-based perspective of international relations advocates for strong interventions by the host-country government against hostile state and non-state actors from other countries (Li et al., 2022; Sacks, 2020; Waltz, 2010; Lobell, 2017). The broader foreign direct investment (FDI) literature has shown that MNEs often scale back their investments in countries with such unfavourable policies entailing political risks to avoid becoming vulnerable or a hostage in the host countries (Bucheli & DeBerge, 2024; Duanmu, 2014; Darendeli & Hill, 2016; Evenett, 2019; Feinberg et al., 2009). While techno-nationalism can apply to FDI broadly, overseas R&D investments are particularly vulnerable due to the risk of intangible asset misappropriation, unlike other FDIs that mainly face tangible infrastructure expropriation (Albino-Pimentel et al., 2022). Governments, through policies like the U.S.'s CHIPS and Science Act, aim to boost domestic high-tech industries to counter foreign competition (Luo & van Assche, 2023; Pfotenhauer et al., 2023).

Ironically, given the role of R&D-intensive FDI in driving economic growth and technological catch-up (Edgerton, 2007; Evenett, 2019; Lee & Yoon, 2015), techno-nationalism often aligns with open-door policies to enhance domestic employment and the competitiveness of domestic industries through knowledge spillovers (Luo, 2022). Despite the escalating techno-nationalism between the West and China, in 2019, AstraZeneca announced a new global R&D centre in Shanghai China, which would "more than double AstraZeneca's Shanghai R&D headcount to around 1,000" (AstraZeneca, 2019, para. 3) whilst Microsoft had created 9,000 jobs in China of which 80% were software engineers and scientists employed in R&D (Olcott et al., 2023). These developments stand out as intriguing examples in the face of

growing techno-nationalism. By implication, MNEs as political actors play a catalytic role in shaping power relations with countries with which the host country has adversarial diplomatic relations (Elg et al., 2017; Frynas et al., 2017; Li et al., 2022). Thus, we raise the following question: "What is the effect of adversarial diplomatic relations on MNEs' commitment to creating jobs in host countries?"

Grounded in international relations and legitimacy theory, we address this question by postulating that MNEs' R&D investment from countries with which the host country has adversarial diplomatic relations will create more demand for MNEs to commit to job creation to legitimize their presence. For instance, despite the phenomenon of techno-nationalism, many governments implement an open-door policy to attract R&D-intensive FDIs so that their citizens work in technologically competitive sectors to enhance their knowledge and skills, thereby facilitating the transfer of acquired expertise to other areas (Osterman et al., 2002; Dencker et al., 2009; Lee & Lim, 2001; Luo, 2022; Mudambi et al., 2014). In response, MNEs address the needs of host country governments by creating jobs, thereby, reducing legitimacy concerns and solidifying their presence in the host country. Moreover, considering that techno-nationalism gives rise to legitimacy concerns faced by MNEs, we argue that MNEs' international experience in hostile locations reduces the need to create jobs in host countries with adversarial diplomatic relations. Conversely, we predict that investments in digital technology infrastructure[1] are expected to exacerbate the need to address legitimacy concerns because the infrastructure is directly linked to national security issues in host countries (Hemme, 2015).

[1] Digital technology infrastructure encompasses communication networks, including the internet and telecommunication systems such as 4G and 5G, facilitating the development, deployment, and utilization of digital services and applications across diverse sectors.

Using cross-border R&D greenfield project[2] data from fDi Markets for the period 2003–2019, we find that MNEs commit to job creation as a diplomacy strategy to cope with uncertainty stemming from the adversarial diplomatic relations. We also find that MNEs' international experience reduce the need to commit to job creation in host countries with adversarial diplomatic relations. Surprisingly, our results indicate that MNEs investing in digital technology infrastructure are hesitant to commit to job creation in host countries with adversarial diplomatic relations. This suggests that while diplomatic tensions limit opportunities for MNEs investing in digital technology infrastructure to commit to job creation, the home country governments of MNEs often bolster their market power in digital technology infrastructure through techno-nationalist policies, reducing the need for MNEs to commit to job creation in host countries with adversarial diplomatic relations.

Our primary contributions are to the R&D internationalization literature (e.g., Laurens et al., 2015; Williams & Vrabie, 2018; Papanastassiou et al., 2020) by highlighting the significance of diplomatic relations in shaping MNEs' global R&D strategy. This unique perspective offers innovative pathways for theorizing and interpreting R&D internationalization activities, aligning with the contemporary surge in techno-nationalism. Specifically, we expand upon prior research on the determinants of R&D internationalization by showing that adversarial diplomatic relations amplify the necessity for MNEs to safeguard their legitimacy and strategize by making a commitment to creating jobs in host countries.

Finally, we contribute to the growing body of innovation and international business research on techno-nationalism (e.g., Lundvall & Rikap, 2022; Mansell, 2021; Nambisan & Luo, 2021; Petricevic & Teece, 2019; Teece, 2022) and international relations (e.g. Bertrand et al., 2016; Li, Meyer, Zhang, & Ding, 2018; Murtinu et al., 2023; Yoon et al., 2021).

[2] These projects fall into four distinct business activities: Research & Development, Technical Support Centre, ICT & Internet Infrastructure, and Design, Development & Testing.

Specifically, our findings underscore how MNEs navigate the intricate balance between technological advancement, economic gains, and geopolitical dynamics between home and host countries. They demonstrate that establishing legitimacy in host countries is a multifaceted challenge that goes beyond financial investment alone. This highlights the complex nature of techno-nationalism, where considerations of legitimacy alongside economic rationale often shape MNEs' strategies for internationalizing R&D efforts.

2. CONCEPTUAL FOUNDATIONS AND HYPOTHESES DEVELOPMENT

2.1. International Relations and Legitimacy Theory

Given the central role of geopolitics in techno-nationalism (Edler et al., 2023; Luo, 2022), it is crucial to integrate international relations theory into global R&D strategy (Teece, 2020; Buckley, 2022). Broadly, there are two distinctive streams of international relations theory (Walt, 1998; Snyder, 2004; Witt, 2019). On the one hand, the liberalism- and constructivism-based approaches are focused on reducing tensions by promoting liberal values such as free markets and democracy, fostering economic interdependence, and creating intergovernmental institutions (Keohane & Nye, 1987). In contrast, the realism-based approach in international relations creates interstate tensions by giving prominence to state actors and national security (Waltz, 2010; Lobell, 2017). An illustrative example of this realism-based approach is evident in the 2022 introduction of the CHIPS and Science Act by the U.S. government. This act, a manifestation of techno-nationalism, is designed to bolster domestic employment, enhance research and development, and fortify the semiconductor industry, reflecting a strategic alignment of national security interests with technological advancement (Luo & van Assche, 2023; Pfotenhauer et al., 2023).

From a realism-based perspective, adverse diplomatic relations between home and host countries gives rise to *legitimacy* as a key ingredient in the interplay between the interstate diplomatic relations and MNEs (Boddewyn & Brewer 1994; Kostova & Zaheer 1999; Hillman

& Wan 2005). A growing number of studies have acknowledged that MNEs face different legitimacy requirements in home and host countries with respect to legal, regulatory, and cultural norms (Regnér & Edman, 2014; Hasija et al., 2020). Studies taking the social judgment perspective of legitimacy emphasize its evaluative and cognitive dimension (Bitektine, 2011). The evaluative dimension of legitimacy requires host-country stakeholders to acknowledge their well-being, which is influenced by MNEs' R&D operations. It can also include the extent to which host-country stakeholders perceive MNEs' operations as doing "the right thing" in terms of the host country's institutional standards or broader societal (i.e., normative) values. Further, legitimacy's evaluative dimension refers to "collective action [as] an outcome based on common understanding" (Golant & Sillince, 2007, p. 1150) that is based on the mere acceptance of the MNEs' R&D operations as "taken for granted" (Suchman, 1995, p. 575).

Accordingly, legitimacy is viewed as the acceptance of MNE investment in foreign R&D projects when they are perceived as desirable and appropriate by host-country stakeholders. A lack of legitimacy (e.g., adversarial diplomatic relations) may lead to unstable links with host-country stakeholders, a detraction of their attention, and the withholding of material or ideational support to an actor (Aldrich & Fiol, 1994). Given the legitimacy implications of adversarial diplomatic relations, neo-institutional scholars suggest that, to gain the legitimacy needed to enhance their likelihood of survival and success in host countries, MNEs need to conform to institutional rules and norms (DiMaggio & Powell, 1983).

Following this overarching logic, we argue in the next section that MNEs' commitment to job creation is a strategic decision taken by MNEs to enhance their jeopardized legitimacy in the eyes of their host-country stakeholders during times of deteriorating diplomatic relations (i.e., implying that the host country perceives MNEs' foreign R&D as a threat). Specifically, our framework focuses on theorizing MNEs' foreign R&D activities due to the increased pressure exerted by the rise of techno-nationalism, amidst challenging political and institutional

conditions (Dunning & Narula, 2003). Our approach aligns with Albino-Pimentel et al., (2022:10), who highlight the unique nature of foreign MNE R&D investments. They argue that the issue of "misappropriation of intangible assets" makes overseas R&D investments particularly vulnerable, compared to other forms of FDI that might face tangible infrastructure expropriation, as intangible assets are much harder to observe than "expropriated local assets".

2.2. MNEs' Commitment to Job Creation and Diplomatic Relations

We explain MNEs' strategy to alleviate institutional pressures from host-country stakeholders by making commitment to create jobs in host countries (Forstenlechner & Mellahi, 2011; Stevens & Newenham-Kahindi, 2017). This is particularly important because "a firm's action to hire a large number of local workers can reduce unemployment, which helps keep the government in power" (Stevens et al., 2017, pg 942, para 3), and that MNEs' commitment to create more jobs can significantly impact the employment strategies of both home and host countries. For instance, many government agendas prioritize the creation of specialized jobs facilitated by foreign R&D investments to accelerate technological catching-up (Becker et al., 2020; Lee & Lim, 2001; Mu & Lee, 2005).

Subsequently, jobs created by MNEs act as catalysts for innovation, embodying growth potential for the host economy (Agrawal et al., 2019) and providing opportunities for local human capital to build the scientific foundation and creative imagination necessary for knowledge recombination (Tzabbar et al., 2013; Fassio et al., 2019). Accordingly, MNEs gain legitimacy by replacing foreign expatriates with the host country's own nationals; thus, creating knowledge spillovers to local workforce (Ali et al., 2020). For example, Chinese MNEs in Tanzania cultivated legitimacy by providing full time permanent contracts to local employees (Stevens & Newenham-Kahindi, 2017). Dutch MNEs in Indonesia—a former colony with which relations remain delicate—hire local employees to proactively engage with

local communities and the government, aiming to mitigate the risk of unpredictable nationalist policies that often directly target foreign MNEs (Röell, Arndt & Kumar, 2022).

In line with the above logic and examples, we postulate that MNEs internationalizing their R&D centres are likely to commit to job creation as a leverage to cope with legitimacy threats and uncertainty derived from deteriorating diplomatic relations between the MNE's home and host countries. To deal with such legitimacy challenges effectively, MNEs can commit to creating more jobs to signal their greater commitment to a host country's national economic interests. As argued by Lorenzen et al., (2020), an MNE's legitimacy or social license to operate should be viewed as promoting development and equality. Hence, commitment to a greater level of job creation makes it easier for MNEs to obtain legitimacy and cooperation from host countries. MNEs' commitment to job creation helps them overcome bureaucratic obstacles and hedge against political intervention (e.g., protectionist policy and expropriation) at the cost of increased foreign R&D activity expenses that are difficult to recover. Although higher levels of commitment to job creation entail more MNE investment in human, physical, and intangible assets, and greater overall commitment (e.g., foreign R&D premium), it enables MNEs to avoid political intervention and appropriation risks from host country government.

In sum, as a diplomatic relationship deteriorates, we expect MNEs commit more to job creation because the risks of losing R&D operations outweigh the costs of creating jobs. Formally:

Hypothesis 1: *Adversarial diplomatic relations (between the home and host country) are positively associated with MNE's commitment to job creation in the host country.*

2.3. Moderating Hypotheses

While we expect the legitimacy concerns that are created by adversarial diplomatic relations to act as the primary mechanism for MNEs to commit to job creation in host countries, we

further argue that MNEs' tolerance to legitimacy concerns (i.e. international experience in hostile countries) and MNEs' investment in digital technology infrastructure as a technology enabler alleviating legitimacy concerns of host country stakeholders should moderate this mechanism. Firstly, we argue that the valuable experiences gained by MNEs in host countries with adversarial diplomatic relations can be transferred and applied in other similar contexts (Delios & Heinz, 2003; Yiu et al., 2021). Such experiences enhance the MNEs' capacity to tolerate legitimacy concerns, subsequently reducing the imperative to generate additional jobs. Secondly, we argue that MNEs' legitimacy will face heightened scrutiny when they invest in ICT infrastructure that may pose threats to the national security and technological sovereignty of host countries, thereby necessitating an increase in job creation commitment (Leijten, 2019; Shi & Li, 2023).

2.3.1. Diplomatic Relations and International Experience

We argue that MNEs with international experience are better equipped to understand diverse political climates and tailor their strategies accordingly. Experienced MNEs develop advanced risk management strategies to protect intellectual property and mitigate the misappropriation of intangible assets (Albino-Pimentel et al., 2022:10), which are especially vulnerable in politically unstable environments. This is crucial as R&D activities often favor countries with strong intellectual property rights (IPR) regimes. Further, MNEs with international experience can adapt their innovation strategies to fit local contexts. For example, some MNEs respond to techno-nationalism by adopting 'local for local' strategies, granting subsidiaries more autonomy and creating more independent entities to gain legitimacy and foster trust (Dachs et al., 2024). Moreover, the strategic use of IPR protections further ensures that MNEs' innovations are safeguarded, enhancing their legitimacy. Given the complexities introduced by techno-nationalism and geopolitical tensions, MNEs with extensive international experience can leverage their knowledge to navigate these challenges effectively. Their experience enables

them to manage political uncertainties and align their operations with local expectations, thereby improving their perceived legitimacy.

Thus, we posit that previous international experience in countries with adversarial diplomatic relations enables MNEs to address legitimacy concerns associated with current R&D investments without incurring the high costs of committing to extensive job creation in host countries. Formally:

Hypothesis 2: *MNEs' international experience attenuates the relationship between adversarial diplomatic relations (between the home and host country) and MNEs' commitment to job creation in the host country.*

2.3.2. Diplomatic Relations and Digital Technology Infrastructure

Techno-nationalism has propelled firms globally to enhance their innovation activities in digital technologies, wireless telecommunications, and other high-tech industries (Godinho & Simões, 2023). This has created tensions between MNEs and local firms, leading to conflicts between home and host countries (Leijten, 2019). Techno-nationalistic policies may impede MNEs' operational fluidity in the ICT sector, raising concerns about unequal access to innovation, market distortions, and heightened trade tensions between nations (McKinsey, 2019). Additionally, techno-nationalism's assumption that global powerhouses aim to implement technology-enabled mechanisms influencing standards in data privacy, surveillance, censorship, transparency, digital currency, and intellectual property further complicates the landscape for MNEs (Capri, 2020), challenging MNEs' legitimacy in the eyes of host country stakeholders.

For these reasons, MNEs investing in the ICT sector encounter legitimacy challenges shaped by techno-nationalism pressures. As such, techno-nationalism views investments in high-tech sectors, including ICT, as directly tied to a country's national security, promoting protectionist measures (Luo, 2022) and raising legitimacy concerns for MNEs in the ICT

sector. As host country governments underscore national security implications tied to digital technologies, MNEs face legitimacy challenges related to compliance with and contribution to host country regulatory policies, growth in new business models, creation of skilled jobs, and adherence to sustainability and environmental policies (Adam, Alhassan & Afriyie, 2020; Schott & Schaefer, 2023). Moreover, the surge in domestic R&D activity in ICT technologies as a response to techno-nationalism intensifies legitimacy issues for MNEs.

In sum, MNEs must demonstrate that their investment in ICT infrastructure in host countries effectively tackles these legitimacy challenges and aligns with the expectations of host governments. Thus, we posit that MNEs will need to commit to generating additional employment opportunities to validate their operations in response to scrutiny from host-country stakeholders, thereby surmounting barriers to entry raised by techno-nationalism (Dachs et al., 2024). Formally:

Hypothesis 3: *MNE's investment in ICT infrastructure accentuates the relationship between adversarial diplomatic relations (between the home and host country) and MNEs' commitment to job creation in the host-country.*

3. DATA AND METHODS

3.1. Data and Sample

Our database consists of cross-border greenfield R&D investment projects from *fDi Markets*, which is provided by the fDi Intelligence Division of the *Financial Times* LTD and is widely used in management research (e.g. Castellani, Jimenez & Zanfei, 2013; Castellani & Pieri, 2013; Filippaios et al., 2019; Castellani & Lavoratori, 2020; Georgallis et al., 2021; Castellani et al., 2022; Coveri & Zanfei, 2023). Furthermore, it is the key source of FDI data for UNCTAD and other international organisations such as the EBRD (EBRD, 2022). *fDi Markets* tracks cross-border investments in new or expansion projects since 2003. Mergers & Acquisitions (M&A) are not part of this database, and although this may be perceived as a limitation, prior

research confirms that the majority of FDIs in R&D related activities have been greenfield investments (Castellani et al., 2022; Coveri & Zanfei, 2023; UNCTAD, 2018; 2020)[3]. Although, we have access to data until the 2022, our analysis covers the period 2003-2019 in order to avoid the inclusion of projects that have not been validated or were eventually not successful (Coveri & Zanfei, 2023).

Our analysis focuses on R&D related business activities, namely, design, development , and testing; ICT and internet infrastructure; research and development; and technical support[4]. We have access to 5,649 investments made during the period 2003–2019. However, due to the use of lags for both firm and country level variables, we are able to utilize information on 3,922 cross-border greenfield R&D investment projects, for which the number of jobs is reported by the firms and not estimated by the econometric algorithm. These investments originate from 38 home countries, are directed at 41 destination/host countries and are made by 1,865 firms.

****** Tables 1 & 2 ******

Table 1 shows the distribution of R&D investment projects by home and host country. It shows that the US, Germany, Japan, UK, and France are the home countries making the largest number of investments, while India, China, UK and the US are the main recipients of R&D investments. The total number of jobs committed by these R&D investment projects during the period 2003-2019 is 629,513, with India and China hosting 200,993 and 46,781 jobs, respectively (Table 2), the majority of which are associated to American MNEs. This

[3] "fDi markets data is collected in real-time as announced by a company and provided as a daily e-mail newswire and live updates online. Data goes through a rigorous quality control process, before being published at the end of each month to the Trends Analysis and reporting tools" (https://www.fdimarkets.com/faqs).
[4] Technical support is an integral part of R&D, as extensively discussed in foreign R&D operation typologies (see Papanastassiou et al., 2020). De Meyer & Mizushima (1989) highlight technology transfer units providing technical services to customers, while von Zedtwitz and Gassmann (2002) include technical support in the international R&D activities of large MNEs. Similarly, Belderbos et al. (2024, p. 751) classify technical support centers as R&D, stating: "We distinguish between six types of activities: R&D (research and development, design, development and testing, technical support centers)." Examples from fDi Markets data emphasize this R&D role. Lionbridge, a US company, invested in India to create 500 jobs for skilled engineering and content development teams specializing in software. Likewise, Japan's Asahi established a technical support center in Taiwan to support semiconductor and electronic materials.

highlights the extensiveness of international R&D networks among diverse institutional settings and the need to explore geopolitical factors affecting MNEs' R&D investments[5].

3.2. Variables

3.2.1. Dependent Variable

Job commitment is the number of jobs reported (by the firms) for each R&D investment project at the time of announcement of the project. They represent skilled jobs, since R&D related investments are high-skilled and knowledge intensive (Amoroso & Müller, 2018). When firms do not report the employment figures related to a project, the fDi Intelligence Division uses its proprietary econometric algorithm to generate estimations of the number of jobs the project aims to create. Due to the imperfect nature of the data, prior research (e.g. Desbordes & Wei, 2017; Filippaios et al., 2019; Owen, 2019; Dong et al., 2021) has utilized the counts of FDI projects to avoid potential misrepresentations that can arise from using estimated job numbers and/or estimated capital expenditure. Nevertheless, these studies have also employed the estimated capital invested or the estimated number of jobs in their analysis, acknowledging potential estimation errors. To address this issue, our analysis only uses the number of jobs reported by firms at the time of announcement to avoid any potential estimation errors. This approach is consistent with our framework, which focuses on explaining MNEs' commitment to job creation in host countries.

Furthermore, we have performed a fact checking process (mostly looking at the webpages of the companies) by randomly checking about 5% of the most recent projects

[5] The distribution of 3,922 R&D projects across business activities shows that Design, Development, and Testing (DDT) accounts for 45.46% of projects, while R&D constitutes 19.01%. ICT represents 20.61%, and Technical Support makes up 14.92% of all projects. When considering the distribution of jobs committed across these R&D-related business activities, DDT contributes 67.8% of total jobs, while R&D accounts for 16.74%. Technical Support represents 12.51%, and ICT accounts for only 2.59% of total jobs. This distribution reflects the varying commitments to job creation across business functions. While DDT and R&D together comprise 64.47% of projects, they account for approximately 84.5% of total jobs, highlighting their commitment and reliance in jobs created in these business functions. In contrast, ICT, despite representing 20.61% of projects, contributes a significantly lower share of jobs (2.59%). This variation warrants further examination to better understand how R&D investments in various business activities lead to job creation dynamics.

included in our analysis[6]. This triangulation effort confirmed no major discrepancies between the numbers of jobs reported and eventually created. Thus, the *fDi Markets* database, despite its limitations, is to date the most comprehensive greenfield FDI projects database and the most appropriate to capture the commitment of MNEs to the creation of R&D jobs[7].

3.2.2. Explanatory Variables

Adversarial diplomatic relations, reflect the quality of the diplomatic relations between the home and host countries', as captured by the affinity of the two countries' votes in the United Nations General Assembly (UNGA). The data on the affinity of UN votes is from Voeten, Strezhnev & Bailey (2009) and it reports the voting patterns since 1946. The UNGA variable on the affinity of home-host country's voting patterns is a dyadic variable measured by 1 - 2*d/dmax, where d is the sum of metric distances between votes by dyad countries in a given year and dmax is the largest possible metric distance for these votes (Signorino & Ritter, 1999; Voeten, Strezhnev & Bailey, 2009). This measure categorises the 'yes' votes as approval of an issue, and the 'no' votes as disapproval of an issue (Voeten et al., 2009). Thus, it ranges from -1 (completely different voting pattern) to 1 (identical voting pattern). We inverse this measure so that higher values reflect disagreements in voting patterns and thus *adversarial diplomatic relations,* while lower values reflect affinity in voting patterns between any two country dyads. The inverted measure has the same mean with the affinity in voting data and also ranges between -1 and 1. We take the one-year lag of this variable in the analysis.

UNGA members vote on a variety of important issues ranging from military, peace and security issues to social, economic, and human rights issues. Member countries have equal representation in UNGA meetings, and their debates lead to non-mandatory resolution voting.

[6] The fDi Markets database is updated daily, and unsuccessful projects are periodically deleted. However, this data-collection method may introduce some inaccuracies, particularly for the most recent projects, which are less likely to have undergone thorough cross-referencing and reliability checks. To address this, we check for discrepancies between the initially reported number of jobs and the number eventually created.

[7] A comprehensive description and discussion on the merits and limitations of fDi Market database can also be found in found in Breinlich et al., (2020).

Therefore, member countries' opinions can be freely expressed without repercussions. Consequently, the votes are symbolic and simply reveal a member country's interests in global affairs (Stone, 2004). Countries that vote similarly are expected to have good collaborative relationships because they share similar views and understanding on global issues, while those that vote differently are more likely to be in conflict (Gartzke, 1998). Thus, the UNGA votes tell us the degree to which countries agree or disagree on global affairs. Hence, UNGA voting provides a solid measure of the affinity and/or similarity of countries' national interests in global affairs and their international relations (Gartzke, 2000), and international strategy researchers have used it to capture interstate political relations (Duanmu, 2014; Bertrand et al., 2016; Li et al., 2018; Yoon et al., 2021; Murtinu et al., 2023).

3.2.3. Moderating Variables

International experience (Int'lExp) in countries with adversarial diplomatic relations is measured as parent firms' number of investments in a location where the *adversarial diplomatic relations* variable is above the mean in a given year (Oetzel & Oh, 2014; Oh et al., 2021). We take the one-year lag of this variable in the analysis.

ICT infrastructure is a dummy variable equal to 1 if the R&D investment is made in ICT business activity, accounting for the development of digital technology infrastructure in the host country economy. It is 0 otherwise.

3.2.4. Control Variables

To account for any idiosyncratic differences across industries, regions, and years, we employ fixed effects specifications throughout all regressions. Moreover, we include controls at various levels of the analysis. We follow prior research (Li, Meyer, Zhang, & Ding, 2018) and use one-year lags of all time varying firm and country level control variables, described below.

In line with prior research on international R&D investments (Castellani, Jimenez & Zanfei, 2013; Castellani & Lavoratori, 2020; Georgallis et al., 2021; Coveri & Zanfei, 2023),

we control for firm and project characteristics, such as the firm *performance and project type*. We control for *performance* with the logarithm of the firm's revenues and for the *project type* with a dummy equal to 1 if the investment is new, or 0 if it is an expansion project.

At the home and host country level, we control for various economic, political and institutional variables. This ensures that our results are not influenced by the higher propensity of certain home countries to invest abroad or the higher propensity of certain host countries to attract more FDI investments (Castellani et al., 2013; Li, Arikan, Shenkar & Arikan, 2020; Georgallis et al, 2021). To this end, we account for the economic attractiveness of particular countries (home or host) with GDP, GDP per capita growth, the labor force growth, the unemployment rate and inward foreign direct investments (FDIs). *GDP* (measured as the log of GDP) and *GDP per capita growth* (measured as the annual % growth of GDP per capita) account for the market size and its growth potential. The *labor force growth* (measured as the annual % growth in labor force participation) accounts for the increase in the country's labor supply. The *unemployment rate* (measured as % to labor force) accounts for the economy's spare capacity and unused resources. While the inward *FDIs* (measured as the ratio of inward FDI to the country's GDP in a given year) captures the capability of countries to attract investments (Clegg, Voss & Tardios, 2018; Buckley, Forsans & Munjal, 2012).

Regarding the political institutions, we account for the home and host country's *political regime*, which is measured with the polity score (Polity V) ranging from -10 (autocracy) to +10 (democracy) (Marshall et al., 2018). The type of political regime is expected to affect the propensity of R&D investments (Castellani & Lavoratori, 2019; Clegg, Voss & Tardios, 2018; Yoon, Boudreaux & Kim, 2024).

With respect to other institutional factors, we control for the home and host country's *investment incentives*, *labor regulations and country risk*. *Investment incentives* is an index that rates countries in terms of how attractive their investment incentives are to foreign

investors. The higher the index, the more attractive a country's investment incentives for MNEs. *Labor regulation index* shows whether a country's labor regulations (hiring and firing practices, minimum wages, etc.) do not hinder business activities, which in turn affect MNE investment decisions. The higher the index, the more developed the labor market and the less problematic labor regulations are to business activities. While the *country risk* (*ICRG's country risk* scores) accounts for the risk of doing business in a country. This variable rates the countries from the riskiest to the least risky in terms of the unfavourable economic, financial and political changes. The scores range from 0, for the highest risk countries, to 100, for the lowest risk countries.

Home-host country institutional similarities (differences) affect a firm's ability to engage in more FDI investments in certain host countries versus others (Castellani et al., 2013; Castellani & Lavoratori, 2019; Clegg, Voss & Tardios, 2018; Witte et al., 2020). Thus, at the home-host country dyad level, we control for cultural distance, geographic distance as well as whether the home-host country share a common border or have had colonial ties. *Cultural distance* is constructed as in Kogut and Singh (1988), employing Hofstede's (1980) four original dimensions. *Geographic distance* is the simple distance between capitals in home-host countries (in thousands of km). Geographic and cultural distances could discourage firms from making investment commitments due to unfamiliarity with the host market (Clegg, Voss & Tardios, 2018; Li, Meyer, Zhang & Ding, 2018). C*olonial ties* is a dummy variable that takes the value of 1 if a colony–colonizer relationship existed between the home and the host country, zero otherwise. *Border* is a dummy that equals 1 if the home and host countries share a common border, zero otherwise. Colonial ties and sharing a common border reflect institutional similarities that increase the probability of MNEs' engaging in FDI in a specific host country (Castellani et al., 2013; Witte et al., 2020).

Table A1 (in the online appendix) provides a list of all variable definitions and data sources. While Table A2 (in the online appendix) shows the correlation matrix and summary statistics of the main variables and reveals no multicollinearity issues.

3.3. Empirical Strategy

Our dependent variable is the number of jobs committed at the time of the announcement to each R&D investment. Thus, either the Poisson or the negative binomial models are appropriate for the analysis and the testing of hypothesis. The likelihood ratio (LR) test, for the Poisson versus the negative binomial model (LR test=7005, p=000), is significant. Because of over-dispersion in our data, the negative binomial is the most appropriate methodology. We estimate negative binomial regressions with year, sector, and region (i.e. continent) fixed effects, while controlling for various home and host country characteristics with country-level variables.

To correct for the endogeneity due to self-selection bias, we estimate a Heckman two-step procedure (Heckman, 1979) in the negative binomial regression models (McCarthy & Casey, 2008; Oh & Oetzel, 2017; Albino-Pimentel et al., 2021). Self-selection bias occurs when firms make investment choices regarding their assignment into treatment and non-treatment groups based on unobservable factors correlated with both the outcomes and observable predictors (Clougherty, Duso & Muck, 2016; Certo, Busenbark & Semadeni, 2016; Shaver, 1998). For instance, firm specific unobservable factors, such as managers' prior experience in specific institutional environments, can affect both the MNEs' decision to make an R&D investment in a host country and its commitment to job creation in that country[8]. Thus, applying the Heckman selection approach is crucial because MNEs' investment decisions are not random (Oh & Oetzel, 2017; Oh, Shin & Oetzel, 2021).

[8] For example, a manager with prior experience in a host country with strong intellectual property rights (IPRs) will be more likely to invest in such country and commit to more job creation. When IPRs are strong, MNEs can engage in long-term strategic planning with reduced risk of intellectual property theft. This stability allows managers to commit to larger greenfield projects that may require significant human resources.

Following the Heckman two-step procedure, our first-stage model estimates the probability that a firm could invest in any potential host country, in any given year, for which we have data available during our analysis period. Our approach builds on prior research by Albino-Pimentel et al., (2021) and Oh & Oetzel (2017) who use a similar Heckman selection framework to address non-random selection in firm-country investments[9]. This model includes all combinations of firm, potential host country, and year without missing data, resulting in 159,531 observations[10]. The inverse Mills ratio from the first step is used as a control variable in the second step negative binomial regressions. In the second-step model, we include only R&D investments in host countries where a given MNE has made an investment. Since a firm may have several investments over the years, we use robust heteroskedastic and autocorrelation consistent standard errors by clustering the errors at the MNE and host-country level. To ensure the validity of second step estimation, we bootstrap the standard errors in all negative binomial estimations[11]. In our robustness checks, we also present the results of the Heckman two step selection model with a linear regression in the second step, where the dependent variable is the logarithm of number of jobs committed.

We account for the exclusion restriction with the logarithm (log) of the home to host country exchange rate, which is not included in our main regressions. The rationale for this exclusion restriction is that home-host country exchange rate can affect the MNE's likelihood

[9]Albino-Pimentel et al. (2021) employ a logit regression in the first stage of the Heckman selection model. We also perform additional analysis and use a logit regression in the first stage and find that the results remain consistent in both sign and significance when compared to using a probit in the first stage. These results are available upon request.

[10] For example, consider a scenario with five potential host countries (C1, C2, C3, C4, C5) in which a firm could invest in a given year. In 2019, Firm 1 invests in countries C1, C2, and C3, but not in C4 or C5. In contrast, in 2017, Firm 1 invests in C1, C4 and C5 but not in C2 and C3. Similarly, in 2019, Firm 2 invests in countries C2 and C3 but not in the other countries. Thus, in the first-stage Heckman selection model, the dependent variable is binary: it takes the value of one if the firm makes an investment in any host country during a specific year and zero otherwise. To account for multiple investments in a given year, we cluster the probit errors at the firm-year level.

[11] In our analysis we present the results where the standard errors are bootstrapped with 500 replications. However, we also perform our analysis with 1000 replications and confirm that the results remain consistent in both sign and significance level.

to pursue investments in some host countries versus others. Research suggests that a depreciating host-country currency is often associated with increased FDI inflows (e.g., Goldberg & Kolstad, 1995; Harris & Ravenscraft, 1991; Swenson, 1993). This is because the relative cost of conducting business in the host country becomes more favorable, effectively reducing the financial burden on MNEs (Crowley & Lee, 2003). In the context of R&D, this dynamic can have profound implications, as exchange rate shifts may affect investment decisions and the scale of R&D investments, particularly within globally interconnected MNE networks. Accordingly, it is well documented that MNEs operate international R&D networks (UNCTAD, 2005). Exchange rate fluctuations can impose significant operational cost on international knowledge and transactions as MNE R&D conducted in one location can serve as an input for other parts of the MNE's global R&D or production network (Castellani, Jimenez & Zanfei, 2013; von Zedtwitz & Gassmann, 2002). To manage such risks, MNEs may need to invest in hedging strategies, adding an extra layer of cost to foreign R&D investments (Faff & Marshall, 2005). Yet, MNE affiliates in R&D-intensive industries may struggle to secure local funding, as capital providers find such projects challenging to evaluate and monitor, often forcing these affiliates to rely on parent company financing (Antras, Desai, & Foley, 2007; Hennart, 1994).

To predict R&D greenfield entry, the log of home-host country exchange rate is used as an instrument in the first-stage regression. The results of the first step regressions, in Table A3, show that the log of home-host country exchange rate is significant (b= -0.031, p=0.024). To ensure that our instrument meets the criteria of a good exclusion restriction, we followed several studies that suggest assessing the strength of exclusion restrictions by examining their correlation with the inverse Mills ratio (e.g. Bushway, Johnson & Slocum, 2007; Certo et al., 2016; Leung and Yu, 1996; Moffitt, 1999). Weak or absent exclusion restrictions would result in a high correlation with the IMR, leading to multicollinearity issues in the second stage

regressions (Certo et al., 2016). We find that the correlation between the IMR and the log of home-host country exchange rate is ρ= 0.071. This supports the argument that a lower correlation between the exclusion restriction and the IMR indicates a stronger validity of the exclusion restriction used in the first-stage regression model (Certo et al., 2016). Furthermore, our first stage pseudo-R2 is not low (pseudo-R2=0.164), providing further support for the strength of our exclusion restriction (Certo et al., 2016)[12].

In addition to the exclusion restriction variable, in the first-stage regression, we control for a range of variables that capture project-specific characteristics (e.g., project type, business activity (ICT dummy), firm-level factors (e.g., firm performance and prior international experience), and home and host country characteristics (e.g., diplomatic relations, economic, political and institutional variables). A detailed description of these variables is provided in the variable section of the paper.

Finally, in our robustness checks we tested various specifications for our second-stage models, including those without the self-selection correction, to examine the issue of exclusion restrictions (Oh & Oetzel, 2017). Additionally, to control for unobserved heteroskedasticity that can lead to such correlations, we have included various MNE and country level variables, as well as year, industry, and region fixed effects in our regressions.

4. RESULTS

In table 3, models 1-5, we report the results for negative binomial models with the number of jobs the MNE has committed to create as the dependent variable. Model 1 serves as the baseline regression, model 2 tests for hypothesis H1, while models 3 and 4 test for the proposed moderators. Hypothesis 1 stipulates that commitment to job creation is higher in host countries that have adverse diplomatic relations with the home countries. Indeed, our results show that

[12] Including the exclusion restriction in the first-step Heckman regressions increases the pseudo-R2 from 0.151 to 0.164.

adverse diplomatic relations have a positive and significant impact on job commitment (model 2: b= 0.188, p = 0.017). The coefficient indicates that if adversarial diplomatic relations increase by one standard deviation from the mean, the number of jobs committed increases by 9.31% ($(e^{0.188} - 1) * 1 * 0.45$). Thus, we find support for hypothesis 1.

******Table 3 about here******

Model 3 presents the results for the moderating effect of international experience in host countries with adverse diplomatic relations with the home country. The results show that international experience in host countries with adverse diplomatic relations negatively moderates the relationship between adverse diplomatic relations and job commitment (b= -0.050, p= 0.000). Thus, we find support for hypothesis 2.

******Figures 1 and 2 about here******

Figure 1 shows the moderating effect of international experience in adverse diplomatic countries for values at the mean, one standard deviation above the mean, and one standard deviation below the mean. The graph shows that as adversarial diplomatic relations increase, MNEs commit to creating more jobs. However, the graph for high international experience in host countries with adverse diplomatic relations (mean + standard deviation) lies below the graph for low international experience in host countries with adverse diplomatic relations (mean - standard deviation). This suggests that firms with high international experience in host countries which have adverse diplomatic relations with the home country will have to commit to fewer jobs than firms with low levels of such experience. This is in line with our previous argument that international experience regarding adverse diplomatic relationships improves firms' legitimacy and the ability to manage political risk, thereby reducing their need to compensate for lack of legitimacy by committing to more jobs.

Model 4 shows the results for the moderating effect of digital technology infrastructure, as captured by *ICT infrastructure* dummy. In H3 we hypothesised that the positive effect of

adversarial diplomatic relations will be stronger for MNEs that invest in the ICT sector. In contrast, the results show that *ICT infrastructure* shows a negative moderating effect (model 4: b = -0.485, p = 0.000). In other words, MNEs investing in R&D projects in ICT infrastructure commit to fewer jobs in host countries that have adverse diplomatic relations with the home country, than MNEs that invest in other business activities (such as R&D design, development, and testing projects). This suggests that diplomatic tensions restrict MNEs' ability to commit to job creation, while techno-nationalism in their home countries strengthen MNEs' market power, diminishing the need for such commitments in adversarial host countries.

Figure 2 depicts the moderating effect of *ICT infrastructure* on job creation. This figure shows that projects in other business activities create more jobs (overall) than ICT infrastructure projects and that the graph for ICT infrastructure projects is downward sloping and lies below the graph for projects in other business activities. This suggests that, as home–host country adverse diplomatic relations increase (i.e., the relationship worsens), MNEs commit fewer jobs in ICT infrastructure projects. Thus, we do not find support for hypothesis H3[13].

Furthermore, the results for the control variables in Table 3, Models 2-4, indicate that their sign and significance remain broadly consistent across these models, ensuring the robustness of our findings. Among the home country-specific control variables, GDP per capita and labor force growth are statistically significant. The negative coefficient for GDP per capita (Model 2: b=-0.032, p= 0.013) indicates that MNEs from high-GDP-per-capita countries are focusing less on job creation. Conversely, labor force growth in the home country is positively

[13] The direct effect of ICT is negative and statistically significant (see Table 3, models 2-4). These results indicate that ICT-related R&D investments are associated with lower job commitments compared to other business functions. This result highlights that different R&D business functions face distinct legitimacy pressures. Unlike design, development, and testing (DDT) or traditional R&D investments, ICT infrastructure investments are often subject to national security concerns, data sovereignty regulations, and techno-nationalist policies that prioritize local firms. As a result, MNEs with R&D investments in ICT may be unable to use job creation as a primary legitimacy-seeking strategy.

associated with job commitment abroad (Model 2: b=0.092, p=0.000), possibly as part of broader labor market dynamics or strategic workforce planning. Turning to the host country-specific control variables, the effects of investment incentives, FDI inflows, and political regime on job creation are statistically significant. The negative coefficients for investment incentives (Model 2: b = -0.104, p = 0.024) and FDI inflows (Model 2: b = -0.005, p = 0.042) suggest that host countries with strong investment incentives and high FDI attractiveness do not necessarily elicit greater job commitments from foreign MNEs. This could indicate that in highly FDI-attractive locations, MNEs may be more focused on leveraging market access, infrastructure, or strategic resources rather than job creation. In contrast, the positive coefficient of political regime (Model 2: b = 0.012, p = 0.017) indicates that R&D investments in host countries with more democratic political institutions are associated with higher job commitments. This finding aligns with the idea that democratic institutions provide a more stable and transparent regulatory environment, which may encourage MNEs to commit to long-term employment generation.

5. ROBUSTNESS CHECKS

We perform several supplementary analyses to assess the robustness of our findings. First, we confirm the consistency of our findings, by estimating the Heckman two step selection model where the second step estimation is a linear regression with the logarithm of the jobs created as dependent variable. The results, shown in Table 4, models 1-3, are consistent with the Heckman two-step selection with negative binomial.

Second, to assess the relevance of the Heckman two step selection model in our analysis, we estimate our models excluding the correction for the self-selection. Table 4, models 4-6 show the results of the negative binomial estimations, while models 7-9 show the results for the linear regression estimations, without correcting for sample self-selection. The results in Table 4, models 4 and 7, show that when we do not correct for the self-selection, the

magnitude of the main effect increases by more than half compared to when we control for self-selection (model 4: b=0.288, p=0.001 and model 7: b=0.253, p=0.001). Furthermore, the magnitude of the moderating effects (in absolute value) is also larger. These results and the significance of the inverse Mills ratio in our main regressions suggest that we should control for self-selection in our analysis.

Third, our findings could be driven by a few but highly adversarial diplomatic relations. Therefore, to remove these outliers, we winsorize the adversarial diplomatic relations at the 5 and 95% level. The results (Table 5, models 1-3) are consistent with our main model, hence ruling out the effect of outliers. Furthermore, we conducted additional analyses by excluding from the sample all inward and outward R&D investments between the US and China, due to adversarial diplomatic relations. We also excluded all inward and outward R&D investments involving only China, only the US, and both simultaneously. The results of this additional analysis are available in the Online Appendix, Table A4. The results provide general support for our hypotheses. However, when excluding US, which accounts for a large chunk of our data, the moderating effect of international experience becomes insignificant (models 7-12), while the results for the main hypothesis (H1) and the moderating effect of ICT (H3) remain consistent in both sign and significance across all the models 1-12.

******Tables 4, 5 and 6 about here******

Fourth, it could also be argued that the impact of diplomatic relations takes more than just one year to be incorporated into firm decisions. Thus, to account for the long-term effect of diplomatic relations, we run regressions with the three-year moving average of adversarial diplomatic relations. The results (Table 5, models 3-5) remain consistent with our main findings. In addition, we also run regressions with the second and the third lag of adversarial diplomatic relations and find support for our main and moderating hypotheses. These results are available in Table A5 in the online appendix.

Fifth, one could argue that we find a significant effect of adverse diplomatic relations because we do not account for whether the home and host countries are part of a bilateral investment agreement. In such a case, the impact of adverse diplomatic relations on the dependent variable may be weaker or the size of the effect smaller. To this end we re-run our regressions including a dummy that is 1 if the home and host countries are part of a bilateral investment agreement (BIA dummy) (information which we obtain from the International Investment Agreement (IIA) database, maintained by the United Nations Conference on Trade and Development). The results (Table 5, models 7-9) show that the BIA dummy is insignificant and that our main results remain consistent in sign and significance.

Sixth, diplomatic relations between home-host countries are co-determined by home and host country dyadic factors such as home-host country trade or military agreements, cultural similarity, having been a colony or having similar political regime (Bertrand et al., 2016; Gartzke, 2000). These interactions that are dyadic in nature, are not captured by individual country fixed effects. While we control for some of such dyadic variables, there could still be omitted (dyadic) variables that correlate with the variable of diplomatic relations. For instance, diplomatic tensions between home and host countries can generate negative public sentiments towards the home country and its businesses, resulting in boycotts, protests, or negative media coverage. For example, the strained relationship between Japan and South Korea, rooted in historical grievances from Japan's rule over Korea from 1910 to 1945 and wartime atrocities, affects Japanese companies' investments and operations in South Korea, often leading to consumer backlash. Despite economic and strategic interests aligning in some areas, these historical grievances make diplomatic relations more complex and sensitive. Thus, to account for the potential endogeneity stemming from the omitted dyadic variables, which may correlate with the home-host country diplomatic relations, we estimate a two-stage least square instrumental variable (IV) estimations with the log of number of jobs committed as a

dependent variable in the second stage. To this end we use as instrument the yearly average of the adversarial diplomatic relations between the home country and the other host countries in the same region of the focal host country. A valid instrument must fulfil two requirements, namely, be correlated with the endogenous variable, but not correlated with the error term. The yearly average of the adversarial diplomatic relations with the other host countries in the region is expected to correlate positively and significantly with the current values of home-focal host country adversarial diplomatic relations. The understanding is that if, on average, the home country diplomatic relations with the other host countries in the region are adversarial, then it is likely that they are also adversarial with the focal host country in that region. In the first stage estimations, we use an ordinary least square regression model, where the dependent variable is the adversarial diplomatic relations. The predicted values of diplomatic relations from the first stage are then used in the second stage regressions. We apply the 2SLS instrumental variables within the Heckman selection model and bootstrap the standard errors of the 2SLS system equations.

The results of the first stage IV estimation in Table 6, confirm that the instrument (Table 6, model 1) is positively correlated with the potentially endogenous explanatory variable (b= 0.888, p= 0.000). This is the first requirement for an IV regression. The second assumption related to our IV cannot be tested statistically. However, we see no reason why (higher or lower) adversarial diplomatic relations with the other host countries in the region should have a direct influence on the MNEs' job commitment in the focal host country. The results from the second stage IV estimations (Table 6, models 2-4) show consistent results with our main regressions in Table 3. Furthermore, in the online appendix, Table A6, we also show the results of the 2SLS instrumental variables within the Heckman selection model with negative binomial regressions in the second stage and bootstrapped standard errors. The results remain consistent in sign and significance.

Seventh, in our analysis, we posit that legitimacy considerations are relevant to both new and expansion projects, and therefore, we see no compelling reason to exclude either type from our analysis. Nonetheless, it is plausible to argue that embedded firms, given their established presence in the host environment, might face distinct pressures compared to new entrants.[14] To address this possibility, we conduct a robustness check by restricting the sample to new projects, allowing us to assess whether this distinction influences our results. As reported in Table 7 (models 1–3), our findings remain consistent in terms of both sign and statistical significance, thereby reinforcing the robustness of our main conclusions.

Eighth, to better explore the role of techno-nationalism in our results, we run regressions for the high-tech and medium-high tech sectors separately[15] (Table 7, models 4–9). The results show that the main and the moderating effects are consistent in sign and significant only for the high-tech sectors. This suggests that R&D investments are more sensitive to adversarial diplomatic relations when made in high-tech sectors lending support for the techno-nationalist view. [16]

6. DISCUSSION AND CONCLUSIONS

The objective of this study was to understand the role of legitimacy in MNEs' R&D internationalization from a techno-nationalism perspective by examining the effect of adversarial diplomatic relations on MNEs' commitment to job creation. Our findings generate several theoretical contributions and implications.

First, we contribute to the R&D internationalization literature (Laurens et al., 2015; Williams & Vrabie, 2018; Papanastassiou et al., 2020) by integrating insights from the international relations discipline and techno-nationalism. We show that MNEs mitigate the

[14] We thank our review team for this great suggestion.
[15] For definitions, please see footnote in Table 7.
[16] Finally, we also estimate regressions with home and host country fixed effects instead of region fixed effects. The results hold both in sign and significance. These results are available upon request.

complex and adversarial diplomatic relations, by acting as political agents committing to job creation. This finding is particularly relevant to the last decades' shift of MNEs' international R&D activities from developed to emerging and developing countries (von Zedtwitz, 2004; UNCTAD, 2005; Demirbag & Glaister, 2010; Papanastassiou et al., 2020; Morris et al., 2023). These destination countries are often characterized by institutional and political differences, as well as adversarial relations with other developed economies, which may prevent MNEs from justifying their decisions to establish overseas R&D activities based solely on economic logic (Han, 2021). Instead, legitimacy logic plays a crucial role in understanding why and how MNEs internationalize their R&D activities in host countries with adversarial relations. By highlighting MNEs' commitment to job creation as a vital component of their global R&D strategy to mitigate legitimacy threats in host countries, we contribute to the understanding of the legitimacy logic of techno-nationalism between home and host countries in MNEs' R&D internationalization strategies.

Second, we advance our understanding of techno-nationalism by demonstrating that MNEs investing in digital technology infrastructure projects do not necessarily commit to job creation in host countries with adversarial diplomatic relations. Yet, we show that R&D investments in high-tech industries more broadly are indeed sensitive to such diplomatic tensions. The latter result aligns with our hypotheses on the need for legitimization strategies. These findings underscore the complexities techno-nationalism creates in the decision of MNEs to internationalise their R&D investments. More precisely, our findings suggest that diplomatic tensions limit opportunities for MNEs to commit to job creation in ICT infrastructure. For example, despite the competitive advantages offered by 5G networks, the UK government hesitated to allow Huawei to build the UK's 5G infrastructure due to national security concerns (Buckley, 2020). This case exemplifies how perceived risks associated with national security and sovereignty can overshadow the technological and economic gains from

such investments. At the same time, the home country governments of MNEs often bolster their market power through techno-nationalist policies, reducing the need for MNEs specializing in digital technology infrastructure to commit to job creation in host countries with adversarial diplomatic relations. For instance, despite facing international sanctions, Huawei has continued to thrive, leveraging strong support from the Chinese government to maintain and expand its market position globally. This home country government support diminishes the necessity for MNEs to make significant job creation commitments in countries with strained diplomatic ties. Additionally, in high-technology, knowledge-intensive sectors, MNEs continue to internationalize their R&D under the pressure of legitimization. This outcome reveals that legitimacy logic, rather than purely economic rationale, often drives MNEs' R&D internationalization strategies in these sensitive high-technology sectors.

Third, our research contributes to the innovation and international business studies by providing insights for how global innovation strategies of MNEs are shaped under "new realities" in the global economy (Buckley & Casson, 2021). To that end, we bridge between the realism-based international relations perspective (Lobell, 2017) and legitimacy theory (Suchman, 1995) to understand how MNEs respond to geopolitical tensions when internationalizing their R&D activities. Prior studies have examined the role of political activity and social responsibility in MNE internationalization (Mellahi et al., 2016; Sun et al., 2021). Complementary to that, our study suggests that MNEs can alleviate legitimacy concerns in host countries by carefully incorporating the interests of political actors and a broader set of stakeholders into a job creation strategy. Since job creation demands significant financial and managerial resources, MNEs employ it strategically to reduce the uncertainty, timing, and costs surrounding the establishment and expansion of R&D centers that could be influenced by bureaucracy and volatile political landscape. Hence, a job creation strategy can be treated as an insurance policy when managing legitimacy concerns under techno-nationalism.

Our study provides several practical implications. Our findings suggest that it is important to include MNEs in their decision- making processes regarding industrial strategy formulation. As MNEs generate and control most of global R&D, *ad hoc* political decisions could be in conflict with MNEs' strategic priorities. Based on the *fDi Markets* database, out of the 354,780 jobs that US MNEs committed to creating abroad between 2003 and 2019, 16,155 were in China and 155,942 in India, accounting for almost 50% of the US MNEs' overseas R&D job commitments. The effectiveness of US policy such as the CHIPS and Science Act of 2022 may be conditioned by the extensive technological dependence of US MNEs on China's and India's policies and the dynamics of the diplomatic relations between US and China and India, respectively. One way to mitigate such conflicts of interests is with the creation of collaborative platforms between governments and MNEs where decisions could reflect a convergence of interests.

Further, our findings on ICT infrastructure reveal a complex and multidimensional global R&D investment landscape where a relatively small number of stakeholders dominate the sector and exert differing impacts. The importance of ICT globally is highlighted by how certain MNEs, like for example of Huawei and Nokia, have turned to ICT to compensate for external challenges and leverage market opportunities. For example, it is estimated that a significant portion of Huawei's revenues were generated from its ICT infrastructure unit, as US sanctions pushed the company to invest heavily in this area to compensate for lost markets (Berg & Ziemer, 2023). Thus, some MNEs are positioned as global providers through specialization in ICT, which in turn weakens the bargaining power of governments highlighting how dominant market positions can influence global R&D investment strategies in an era marked by techno-nationalism.

Our study has several limitations that also identify the potential contributions for future research. First, in this research we are interested in home-host country adverse diplomatic

relations and their impact on skill job creation. We analyze the impact of diplomatic relations as measured by home–host country dissimilarities in UNGA voting, which nevertheless is a broad measure of capturing home-host country diplomatic relations. Therefore, future research could theorize and apply a more fine-grained definition of home-host country diplomatic relations, which could capture the different dimensions that make up diplomatic relations such as, political (sanctions, armed conflicts or peace agreements) or economic (the number of trade agreements, bilateral agreements) in nature. Furthermore, alternative measures for adversarial diplomatic relations could be constructed. For instance, future research can use the number of reported diplomatic incidents between the home and host countries within a given time period. These incidents can include public disputes, recalls of ambassadors, and other official diplomatic protests, with media reports and diplomatic records serving as sources for this data. Another measure involves using natural language processing to analyze the sentiment of news articles and official statements about the home and host countries, where a predominance of negative sentiment can indicate adversarial relations. Additionally, researchers could construct an index based on the quality and frequency of diplomatic interactions, such as the presence of embassies, state visits, and joint statements. This way future research can distinguish clearly which aspects of home - host country diplomatic relations weight more on MNEs' foreign investment decisions.

Second, while our study investigates the impact of diplomatic relations on job commitment, in many cases the data on job commitment was not reported. This could be due to confidentially concerns as not to reveal sensitive information to competitors, small-scale operations that result in small number of jobs, or strategic ambiguity, whereby firms might withhold detailed information to negotiate better terms with host governments or avoid public scrutiny. However, we cannot rule out that the non-reported data reflect a lack of job

commitment[17]. This highlights the need for cautious interpretation of the reported data and suggests that future work should strive for more comprehensive data collection to ensure a more detailed analysis.

Third, while our emphasis lies on R&D-intensive FDIs, we do not examine the impact of adversarial diplomatic relations on other types of FDIs. Although the rhetoric of techno-nationalism could be applied to non-R&D activities through concerns such as industrial espionage and national security-related industries[18], our study focuses on the unique aspects of foreign R&D investments, as noted by Albino-Pimentel et al. (2022). However, we suggest that future research explore the role of techno-nationalism in non-R&D-related industries to provide a more comprehensive understanding of this phenomenon.

Moreover, as our data only covers MNEs' R&D investments, small and medium enterprises are not considered in this study. However, diplomatic relations between home and host countries affect also international investments of smaller firms, which most probably have less leverage with host country institutions resulting in a higher cost of internationalization. Thus, understanding the impact of diplomatic relations on small and medium enterprises will enrich our understating of how geopolitics affects the internationalization of a diverse set of firms.

Finally, while our analysis accounts for host-country characteristics, future research could enhance these insights by incorporating a location choice model. Such an approach would help explore whether MNEs select host countries based on strategic opportunities, market potential, or knowledge-seeking motives, even in adversarial diplomatic conditions. Discrete choice models or nested logit frameworks could further clarify how diplomatic relations influence location attractiveness and shape foreign R&D investment patterns.

[17] We thank our review team for this great suggestion.
[18] We thank our review team for this great suggestion.

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Tables

Table 1: The distribution of our sample of R&D projects by home and host country

Home Country	Projects	Home Country	Projects	Host Countries	Projects	Host Countries	Projects
Argentina	2	South Korea	60	Argentina	22	Slovakia	21
Australia	22	Spain	34	Australia	66	South Africa	10
Austria	13	Sweden	84	Austria	27	South Korea	30
Belgium	32	Switzerland	129	Belgium	58	Spain	178
Brazil	6	Turkey	4	Brazil	42	Sweden	36
Canada	83	United Kingdom	257	Bulgaria	33	Switzerland	28
Chile	2	United States	1,485	Canada	134	Thailand	23
China	136	Total	3,922	Chile	13	Turkey	22
Czech Republic	3			China	308	United Kingdom	430
Denmark	40			Czech Republic	60	United States	390
Finland	49			Denmark	38	Total	3,922
France	295			Estonia	12		
Germany	482			Finland	23		
Greece	2			France	219		
India	125			Germany	179		
Ireland	54			Hungary	65		
Israel	15			India	525		
Italy	25			Ireland	261		
Japan	308			Israel	42		
Luxembourg	8			Italy	26		
Malaysia	3			Japan	24		
Mexico	6			Lithuania	12		
Netherlands	88			Malaysia	42		
New Zealand	2			Mexico	72		
Norway	20			Netherlands	21		
Poland	4			Philippines	26		
Portugal	3			Poland	120		
Russia	9			Portugal	22		
Saudi Arabia	2			Romania	101		
Singapore	23			Russia	28		
South Africa	7			Singapore	133		

Table 2: Job commitment in host countries between 2003 and 2019

Host Country	Total Jobs	Host Country	Total Jobs
Argentina	3616	Slovenia	30
Australia	11284	South Africa	1979
Austria	5121	South Korea	4814
Belgium	4684	Spain	18892
Brazil	5963	Sweden	4537
Bulgaria	4947	Switzerland	3754
Canada	18586	Thailand	1748
Chile	1525	Turkey	6878
China	46781	Ukraine	556
Czech Republic	7887	United Kingdom	37283
Denmark	3104	United States	45291
Estonia	973	Total	629,513
Finland	1648		
France	17961		
Germany	15352		
Hungary	11928		
India	200993		
Ireland	24113		
Israel	4008		
Italy	3908		
Japan	3152		
Lithuania	975		
Malaysia	11775		
Mexico	21114		
Netherlands	2356		
Philippines	9131		
Poland	13855		
Portugal	3212		
Romania	19438		
Russia	5177		
Singapore	14315		
Slovakia	4869		

Table 3: Negative binomial regressions with the job commitment as the dependent variable

VARIABLES	1	2	3	4
Adversarial Dipl Relations		0.188	0.305	0.278
		(0.079)	(0.088)	(0.085)
		[0.017]	[0.001]	[0.001]
Adversarial Dipl Relations X Inter'l Experience			-0.050	
			(0.012)	
			[0.000]	
Adversarial Dipl Relations X ICT Dummy				-0.485
				(0.087)
				[0.000]
Inter'l Experience	-0.040	-0.023	-0.007	-0.023
	(0.010)	(0.011)	(0.013)	(0.012)
	[0.000]	[0.039]	[0.616]	[0.048]
ICT Dummy	-0.509	-0.483	-0.472	-0.649
	(0.051)	(0.055)	(0.054)	(0.055)
	[0.000]	[0.000]	[0.000]	[0.000]
Project type	0.028	0.047	0.054	0.046
	(0.043)	(0.042)	(0.043)	(0.039)
	[0.508]	[0.272]	[0.205]	[0.235]
Performance	-0.036	-0.011	0.005	-0.013
	(0.015)	(0.017)	(0.018)	(0.017)
	[0.016]	[0.506]	[0.782]	[0.445]
GDP - Home	-0.006	-0.030	-0.041	-0.030
	(0.016)	(0.019)	(0.019)	(0.019)
	[0.691]	[0.119]	[0.033]	[0.121]
GDP per capita - Home	-0.031	-0.032	-0.031	-0.029
	(0.013)	(0.013)	(0.013)	(0.014)
	[0.020]	[0.013]	[0.021]	[0.035]
Labor Force Growth - Home	0.104	0.092	0.079	0.090
	(0.025)	(0.024)	(0.025)	(0.024)
	[0.000]	[0.000]	[0.001]	[0.000]
Labor Regulations - Home	0.031	0.022	0.018	0.030
	(0.023)	(0.022)	(0.023)	(0.021)
	[0.169]	[0.323]	[0.436]	[0.161]
Unemployment Rate - Home	0.013	0.007	0.005	0.008
	(0.008)	(0.008)	(0.008)	(0.008)
	[0.091]	[0.370]	[0.545]	[0.310]
Investment Incentives - Home	0.019	0.016	0.015	0.009
	(0.028)	(0.029)	(0.031)	(0.030)
	[0.504]	[0.591]	[0.633]	[0.758]
FDIs - Home	-0.003	-0.003	-0.002	-0.003
	(0.002)	(0.002)	(0.002)	(0.002)
	[0.078]	[0.116]	[0.178]	[0.074]
Political Regime - Home	0.001	0.002	0.003	0.002
	(0.006)	(0.006)	(0.006)	(0.006)
	[0.833]	[0.747]	[0.600]	[0.718]
Country risk - Home	2.746	2.552	2.576	2.442
	(1.834)	(1.929)	(1.872)	(1.853)
	[0.134]	[0.186]	[0.169]	[0.187]
GDP - Host	-0.248	-0.141	-0.062	-0.146
	(0.072)	(0.076)	(0.082)	(0.075)
	[0.001]	[0.064]	[0.454]	[0.051]
GDP per capita - Host	-0.020	-0.015	-0.009	-0.016
	(0.008)	(0.008)	(0.008)	(0.009)

	[0.016]	[0.065]	[0.299]	[0.057]
Labor Force Growth - Host	0.004	0.004	0.005	0.005
	(0.014)	(0.014)	(0.014)	(0.014)
	[0.786]	[0.790]	[0.713]	[0.718]
Labor Regulations - Host	0.046	0.038	0.032	0.045
	(0.023)	(0.024)	(0.022)	(0.021)
	[0.048]	[0.102]	[0.152]	[0.036]
Unemployment Rate - Host	-0.006	0.002	0.007	-0.001
	(0.009)	(0.009)	(0.009)	(0.008)
	[0.484]	[0.830]	[0.457]	[0.879]
Investment Incentives - Host	-0.163	-0.104	-0.059	-0.110
	(0.044)	(0.046)	(0.052)	(0.048)
	[0.000]	[0.024]	[0.255]	[0.023]
FDIs - Host	-0.006	-0.005	-0.005	-0.006
	(0.003)	(0.003)	(0.003)	(0.003)
	[0.016]	[0.042]	[0.079]	[0.029]
Political Regime - Host	0.010	0.012	0.012	0.013
	(0.005)	(0.005)	(0.005)	(0.005)
	[0.035]	[0.017]	[0.011]	[0.006]
Country risk - Host	-1.153	-1.440	-1.598	-1.224
	(1.620)	(1.634)	(1.718)	(1.759)
	[0.477]	[0.378]	[0.352]	[0.486]
Cultural Distance	0.069	0.034	0.015	0.042
	(0.021)	(0.023)	(0.024)	(0.024)
	[0.001]	[0.138]	[0.537]	[0.086]
Geographic distance	0.000	-0.012	-0.018	-0.011
	(0.007)	(0.008)	(0.009)	(0.008)
	[0.974]	[0.158]	[0.041]	[0.194]
Colonial Ties	0.027	0.080	0.102	0.081
	(0.074)	(0.076)	(0.076)	(0.074)
	[0.713]	[0.292]	[0.178]	[0.273]
Border	-0.008	0.013	0.041	0.020
	(0.077)	(0.079)	(0.077)	(0.083)
	[0.914]	[0.867]	[0.593]	[0.813]
Inverse Mills Ratio	-1.121	-0.682	-0.366	-0.706
	(0.262)	(0.292)	(0.316)	(0.290)
	[0.000]	[0.019]	[0.248]	[0.015]
Constant	14.119	10.410	7.483	10.738
	(3.085)	(3.156)	(3.395)	(3.095)
	[0.000]	[0.001]	[0.028]	[0.001]
Observations	3,922	3,922	3,922	3,922
Nr of Firms	1865	1865	1865	1865
Year Fixed Effects	Yes	Yes	Yes	Yes
Sector Fixed Effects	Yes	Yes	Yes	Yes
Region Fixed Effects	Yes	Yes	Yes	Yes
Log likelihood	-22890	-22890	-22890	-22890
Pseudo R2	0.181	0.183	0.188	0.192

Note: Negative binomial regressions with sector, region and year fixed effects, and with errors clustered at the firm and host country level. The second stage of the Heckman's selection model. Standard errors (obtained from bootstrapping with 500 replications) in parentheses, p-values in squared brackets.

Table 4: Robustness check for Heckman selection model.

	Heckman selection: with log(job commitment)			Negative binomial without Heckman selection.			Linear regression (log job commitment) without Heckman selection		
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Adversarial Dipl Relations	0.141	0.224	0.194	0.290	0.364	0.383	0.253	0.325	0.326
	(0.070)	(0.072)	(0.071)	(0.089)	(0.094)	(0.093)	(0.074)	(0.075)	(0.086)
	[0.045]	[0.002]	[0.006]	[0.001]	[0.000]	[0.000]	[0.001]	[0.000]	[0.000]
Adversarial Dipl Relations X Inter'l Experience		-0.038			-0.053			-0.045	
		(0.010)			(0.013)			(0.011)	
		[0.000]			[0.000]			[0.000]	
Adversarial Dipl Relations X ICT Dummy			-0.337			-0.483			-0.367
			(0.076)			(0.132)			(0.123)
			[0.000]			[0.000]			[0.004]
Inter'l Experience	-0.018	-0.009	-0.016	0.004	0.008	0.005	0.013	0.016	0.014
	(0.011)	(0.011)	(0.011)	(0.006)	(0.006)	(0.006)	(0.005)	(0.004)	(0.005)
	[0.107]	[0.377]	[0.121]	[0.520]	[0.204]	[0.361]	[0.016]	[0.000]	[0.008]
ICT Dummy	-0.444	-0.432	-0.552	-0.454	-0.457	-0.618	-0.417	-0.414	-0.531
	(0.042)	(0.042)	(0.049)	(0.082)	(0.081)	(0.083)	(0.090)	(0.089)	(0.105)
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
Project type	0.070	0.075	0.070	0.073	0.068	0.073	0.142	0.138	0.141
	(0.032)	(0.032)	(0.032)	(0.056)	(0.056)	(0.055)	(0.046)	(0.046)	(0.046)
	[0.032]	[0.020]	[0.031]	[0.193]	[0.224]	[0.186]	[0.003]	[0.004]	[0.004]
Performance	-0.013	-0.005	-0.012	0.026	0.025	0.026	0.007	0.007	0.007
	(0.015)	(0.015)	(0.015)	(0.013)	(0.013)	(0.013)	(0.014)	(0.013)	(0.013)
	[0.389]	[0.765]	[0.413]	[0.046]	[0.052]	[0.040]	[0.597]	[0.627]	[0.590]
GDP - Home	-0.013	-0.020	-0.009	-0.039	-0.046	-0.039	-0.045	-0.052	-0.041
	(0.017)	(0.016)	(0.017)	(0.020)	(0.020)	(0.020)	(0.017)	(0.016)	(0.017)
	[0.442]	[0.217]	[0.575]	[0.050]	[0.022]	[0.053]	[0.012]	[0.003]	[0.022]
GDP per capita - Home	0.007	0.008	0.008	-0.032	-0.031	-0.028	0.001	0.001	0.002
	(0.010)	(0.010)	(0.010)	(0.013)	(0.013)	(0.013)	(0.011)	(0.011)	(0.011)
	[0.517]	[0.450]	[0.456]	[0.013]	[0.019]	[0.028]	[0.964]	[0.905]	[0.827]
Labor Force Growth - Home	0.105	0.099	0.104	0.081	0.073	0.079	0.051	0.047	0.050
	(0.020)	(0.020)	(0.020)	(0.023)	(0.023)	(0.023)	(0.024)	(0.023)	(0.023)
	[0.000]	[0.000]	[0.000]	[0.000]	[0.001]	[0.001]	[0.035]	[0.050]	[0.036]
Labor Regulations - Home	0.025	0.021	0.027	0.014	0.013	0.022	0.020	0.016	0.023
	(0.016)	(0.015)	(0.016)	(0.020)	(0.020)	(0.020)	(0.017)	(0.017)	(0.016)
	[0.105]	[0.182]	[0.090]	[0.467]	[0.495]	[0.272]	[0.239]	[0.340]	[0.170]
Unemployment Rate - Home	0.023	0.020	0.023	0.003	0.003	0.004	0.012	0.010	0.012
	(0.007)	(0.007)	(0.007)	(0.008)	(0.008)	(0.008)	(0.007)	(0.007)	(0.007)
	[0.002]	[0.004]	[0.001]	[0.702]	[0.745]	[0.668]	[0.076]	[0.138]	[0.080]
Investment Incentives - Home	-0.015	-0.016	-0.014	0.028	0.021	0.022	-0.012	-0.016	-0.013
	(0.022)	(0.022)	(0.022)	(0.030)	(0.030)	(0.032)	(0.023)	(0.023)	(0.023)
	[0.496]	[0.452]	[0.508]	[0.345]	[0.487]	[0.483]	[0.611]	[0.497]	[0.577]
FDIs - Home	-0.002	-0.002	-0.002	-0.002	-0.002	-0.003	0.000	0.001	0.000
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)
	[0.172]	[0.224]	[0.139]	[0.177]	[0.246]	[0.109]	[0.797]	[0.687]	[0.916]
Political Regime - Home	0.013	0.014	0.013	0.004	0.004	0.005	0.013	0.014	0.014
	(0.006)	(0.006)	(0.006)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
	[0.028]	[0.013]	[0.024]	[0.421]	[0.420]	[0.385]	[0.010]	[0.008]	[0.006]
Country risk - Home	0.826	0.668	0.512	2.544	2.579	2.431	1.263	1.183	0.996
	(1.495)	(1.468)	(1.492)	(1.462)	(1.442)	(1.524)	(1.621)	(1.629)	(1.652)
	[0.581]	[0.649]	[0.731]	[0.082]	[0.074]	[0.111]	[0.439]	[0.471]	[0.549]
GDP - Host	-0.169	-0.127	-0.165	0.035	0.033	0.037	0.018	0.018	0.021
	(0.066)	(0.066)	(0.066)	(0.021)	(0.021)	(0.022)	(0.015)	(0.015)	(0.015)
	[0.011]	[0.056]	[0.012]	[0.100]	[0.120]	[0.088]	[0.218]	[0.232]	[0.168]

GDP per capita - Host	-0.011	-0.008	-0.012	-0.004	-0.003	-0.005	0.008	0.009	0.006
	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)	(0.005)	(0.005)	(0.005)
	[0.143]	[0.265]	[0.101]	[0.566]	[0.674]	[0.454]	[0.109]	[0.116]	[0.229]
Labor Force Growth - Host	-0.002	-0.000	-0.001	0.006	0.006	0.007	0.006	0.008	0.007
	(0.011)	(0.010)	(0.011)	(0.014)	(0.014)	(0.013)	(0.011)	(0.011)	(0.011)
	[0.878]	[0.980]	[0.941]	[0.679]	[0.657]	[0.605]	[0.567]	[0.479]	[0.503]
Labor Regulations - Host	0.008	0.004	0.010	0.024	0.024	0.030	-0.010	-0.009	-0.007
	(0.017)	(0.017)	(0.017)	(0.023)	(0.023)	(0.022)	(0.018)	(0.018)	(0.018)
	[0.638]	[0.821]	[0.573]	[0.309]	[0.292]	[0.172]	[0.584]	[0.621]	[0.710]
Unemployment Rate - Host	-0.006	-0.003	-0.006	0.015	0.014	0.012	0.011	0.011	0.010
	(0.007)	(0.007)	(0.007)	(0.005)	(0.005)	(0.004)	(0.004)	(0.004)	(0.004)
	[0.391]	[0.663]	[0.367]	[0.002]	[0.003]	[0.004]	[0.012]	[0.017]	[0.015]
Investment Incentives - Host	-0.123	-0.099	-0.122	-0.004	-0.005	-0.006	0.006	0.003	0.004
	(0.043)	(0.043)	(0.043)	(0.022)	(0.022)	(0.022)	(0.017)	(0.017)	(0.017)
	[0.004]	[0.020]	[0.004]	[0.852]	[0.803]	[0.770]	[0.710]	[0.875]	[0.814]
FDIs - Host	-0.002	-0.001	-0.002	-0.004	-0.004	-0.004	-0.002	-0.002	-0.002
	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)	(0.002)	(0.002)	(0.002)	(0.002)
	[0.367]	[0.468]	[0.376]	[0.104]	[0.124]	[0.073]	[0.192]	[0.224]	[0.195]
Political Regime - Host	0.008	0.009	0.008	0.014	0.014	0.015	0.014	0.013	0.014
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
	[0.061]	[0.039]	[0.055]	[0.000]	[0.000]	[0.000]	[0.000]	[0.001]	[0.000]
Country risk - Host	-0.907	-0.966	-0.950	-1.858	-1.821	-1.651	-2.304	-2.286	-2.381
	(1.330)	(1.308)	(1.326)	(2.096)	(2.033)	(2.171)	(1.644)	(1.622)	(1.705)
	[0.495]	[0.460]	[0.474]	[0.375]	[0.370]	[0.447]	[0.167]	[0.165]	[0.169]
Cultural Distance	0.037	0.028	0.040	-0.005	-0.006	0.001	0.010	0.010	0.015
	(0.020)	(0.020)	(0.020)	(0.018)	(0.018)	(0.017)	(0.015)	(0.015)	(0.014)
	[0.063]	[0.150]	[0.044]	[0.788]	[0.733]	[0.950]	[0.487]	[0.483]	[0.302]
Geographic distance	-0.002	-0.005	-0.002	-0.026	-0.026	-0.026	-0.015	-0.016	-0.015
	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)	(0.006)	(0.006)	(0.005)
	[0.802]	[0.455]	[0.757]	[0.000]	[0.000]	[0.000]	[0.010]	[0.010]	[0.006]
Colonial Ties	-0.078	-0.068	-0.080	0.151	0.140	0.155	0.067	0.057	0.065
	(0.053)	(0.052)	(0.052)	(0.066)	(0.064)	(0.064)	(0.035)	(0.034)	(0.034)
	[0.136]	[0.190]	[0.129]	[0.022]	[0.030]	[0.016]	[0.059]	[0.105]	[0.057]
Border	0.025	0.040	0.019	0.035	0.054	0.042	0.044	0.056	0.035
	(0.061)	(0.060)	(0.060)	(0.071)	(0.070)	(0.075)	(0.066)	(0.067)	(0.066)
	[0.684]	[0.504]	[0.754]	[0.626]	[0.445]	[0.574]	[0.504]	[0.404]	[0.593]
Inverse Mills Ratio	-0.712	-0.549	-0.702						
	(0.250)	(0.251)	(0.250)						
	[0.004]	[0.029]	[0.005]						
Constant	11.115	9.637	10.906	3.229	3.659	3.297	4.029	4.370	3.914
	(2.748)	(2.742)	(2.742)	(1.080)	(1.092)	(1.097)	(0.836)	(0.824)	(0.848)
	[0.000]	[0.000]	[0.000]	[0.003]	[0.001]	[0.003]	[0.000]	[0.000]	[0.000]
Observations	3,922	3,922	3,922	3,922	3,922	3,922	3,922	3,922	3,922
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sector Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Region Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Log Likelihood				-22890	-22890	-22890			
Pseudo R2				0.231	0.232	0.233			
R2	0.61	0.50	0.6				0.372	0.414	0.418

Note: Models 1-3 show the results of Heckman two step selection with log of jobs committed in second step. Models 4-9 show results when not controlling for self-selection. Regressions with sector, region and year fixed effects, and with errors clustered at the firm and host country level. Standard errors in parentheses, p-values in squared brackets.

Table 5: Robustness checks for outliers, constructs of adversarial diplomatic relations and bilateral investment agreement.

	Outliers in Adv. Diplomatic Relations			Three-year moving average of Adv. Diplomatic Relations			Bilateral Investment Agreement		
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Adversarial Dipl	0.179	0.296	0.268	0.223	0.358	0.310	0.184	0.301	0.274
Relations	(0.081)	(0.084)	(0.082)	(0.082)	(0.086)	(0.084)	(0.078)	(0.083)	(0.080)
	[0.028]	[0.000]	[0.001]	[0.007]	[0.000]	[0.000]	[0.019]	[0.000]	[0.001]
Adversarial Dipl Relations		-0.049			-0.064			-0.050	
X Inter'l Experience		(0.011)			(0.013)			(0.011)	
		[0.000]			[0.000]			[0.000]	
Adversarial Dipl Relations			-0.493			-0.487			-0.484
X ICT Dummy			(0.085)			(0.096)			(0.088)
			[0.000]			[0.000]			[0.000]
Inter'l Experience	-0.024	-0.008	-0.024	-0.016	-0.003	-0.016	-0.023	-0.006	-0.022
	(0.012)	(0.013)	(0.012)	(0.012)	(0.013)	(0.012)	(0.011)	(0.012)	(0.011)
	[0.042]	[0.541]	[0.047]	[0.185]	[0.839]	[0.206]	[0.041]	[0.606]	[0.048]
ICT Dummy	-0.485	-0.474	-0.652	-0.471	-0.459	-0.647	-0.482	-0.472	-0.648
	(0.052)	(0.052)	(0.053)	(0.056)	(0.056)	(0.060)	(0.054)	(0.054)	(0.058)
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
Project Type	0.046	0.053	0.045	0.048	0.053	0.049	0.047	0.055	0.047
	(0.042)	(0.042)	(0.041)	(0.046)	(0.046)	(0.045)	(0.040)	(0.040)	(0.039)
	[0.280]	[0.210]	[0.276]	[0.299]	[0.252]	[0.279]	[0.239]	[0.176]	[0.232]
Performance	-0.013	0.004	-0.015	-0.006	0.012	-0.006	-0.011	0.006	-0.013
	(0.017)	(0.018)	(0.017)	(0.018)	(0.019)	(0.019)	(0.016)	(0.016)	(0.016)
	[0.455]	[0.834]	[0.384]	[0.763]	[0.524]	[0.758]	[0.493]	[0.737]	[0.433]
GDP - Home	-0.029	-0.040	-0.029	-0.041	-0.051	-0.039	-0.030	-0.041	-0.030
	(0.019)	(0.019)	(0.019)	(0.020)	(0.020)	(0.020)	(0.020)	(0.020)	(0.020)
	[0.120]	[0.034]	[0.127]	[0.042]	[0.011]	[0.051]	[0.128]	[0.040]	[0.133]
GDP per capita - Home	-0.032	-0.031	-0.028	-0.034	-0.033	-0.031	-0.032	-0.031	-0.028
	(0.013)	(0.013)	(0.013)	(0.014)	(0.014)	(0.014)	(0.013)	(0.013)	(0.013)
	[0.014]	[0.020]	[0.031]	[0.017]	[0.023]	[0.031]	[0.010]	[0.014]	[0.024]
Labor Force Growth -	0.093	0.080	0.091	0.078	0.063	0.076	0.092	0.079	0.090
Home	(0.026)	(0.025)	(0.026)	(0.027)	(0.026)	(0.026)	(0.024)	(0.024)	(0.024)
	[0.000]	[0.002]	[0.000]	[0.003]	[0.016]	[0.004]	[0.000]	[0.001]	[0.000]
Labor Regulations -	0.023	0.018	0.031	0.021	0.017	0.028	0.022	0.017	0.030
Home	(0.023)	(0.023)	(0.023)	(0.024)	(0.024)	(0.024)	(0.022)	(0.022)	(0.022)
	[0.315]	[0.419]	[0.180]	[0.374]	[0.494]	[0.240]	[0.316]	[0.429]	[0.177]
Unemployment Rate -	0.008	0.005	0.008	0.002	-0.002	0.002	0.008	0.005	0.008

Home	(0.008)	(0.008)	(0.008)	(0.008)	(0.009)	(0.009)	(0.008)	(0.008)	(0.008)
	[0.326]	[0.505]	[0.307]	[0.858]	[0.840]	[0.815]	[0.346]	[0.531]	[0.332]
Investment Incentives - Home	0.016	0.014	0.009	0.015	0.014	0.012	0.016	0.015	0.010
	(0.031)	(0.030)	(0.031)	(0.032)	(0.032)	(0.032)	(0.030)	(0.030)	(0.030)
	[0.611]	[0.635]	[0.766]	[0.628]	[0.648]	[0.712]	[0.581]	[0.606]	[0.739]
FDIs - Home	-0.003	-0.002	-0.003	-0.004	-0.003	-0.004	-0.002	-0.002	-0.003
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
	[0.108]	[0.182]	[0.083]	[0.078]	[0.132]	[0.042]	[0.114]	[0.198]	[0.083]
Political Regime - Home	0.002	0.003	0.002	0.000	0.002	0.000	0.002	0.003	0.002
	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.006)
	[0.770]	[0.613]	[0.731]	[0.937]	[0.790]	[0.942]	[0.720]	[0.565]	[0.694]
Country risk - Home	2.565	2.592	2.457	2.873	2.897	2.623	2.592	2.609	2.476
	(1.827)	(1.828)	(1.835)	(1.912)	(1.913)	(1.920)	(1.785)	(1.781)	(1.789)
	[0.160]	[0.156]	[0.181]	[0.133]	[0.130]	[0.172]	[0.147]	[0.143]	[0.166]
GDP - Host	-0.148	-0.068	-0.154	-0.115	-0.029	-0.116	-0.138	-0.059	-0.143
	(0.077)	(0.078)	(0.077)	(0.083)	(0.085)	(0.085)	(0.073)	(0.075)	(0.074)
	[0.056]	[0.379]	[0.047]	[0.168]	[0.729]	[0.171]	[0.060]	[0.430]	[0.053]
GDP per capita - Host	-0.015	-0.009	-0.017	-0.012	-0.005	-0.013	-0.015	-0.009	-0.017
	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.008)	(0.009)	(0.009)	(0.008)
	[0.090]	[0.309]	[0.057]	[0.167]	[0.571]	[0.121]	[0.075]	[0.298]	[0.047]
Labor Force Growth - Host	0.004	0.005	0.005	0.003	0.005	0.005	0.003	0.005	0.005
	(0.014)	(0.014)	(0.014)	(0.014)	(0.014)	(0.014)	(0.015)	(0.014)	(0.014)
	[0.793]	[0.720]	[0.718]	[0.823]	[0.728]	[0.726]	[0.813]	[0.740]	[0.745]
Labor Regulations - Host	0.039	0.033	0.046	0.035	0.027	0.042	0.040	0.033	0.046
	(0.022)	(0.022)	(0.022)	(0.023)	(0.023)	(0.023)	(0.022)	(0.022)	(0.022)
	[0.072]	[0.130]	[0.034]	[0.128]	[0.227]	[0.062]	[0.072]	[0.131]	[0.035]
Unemployment Rate - Host	0.001	0.006	-0.002	0.002	0.007	-0.000	0.002	0.007	-0.001
	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)
	[0.874]	[0.478]	[0.826]	[0.799]	[0.415]	[0.958]	[0.823]	[0.443]	[0.889]
Investment Incentives - Host	-0.108	-0.063	-0.114	-0.089	-0.040	-0.092	-0.104	-0.059	-0.110
	(0.050)	(0.048)	(0.048)	(0.051)	(0.051)	(0.050)	(0.048)	(0.047)	(0.047)
	[0.030]	[0.194]	[0.018]	[0.082]	[0.433]	[0.068]	[0.030]	[0.209]	[0.020]
FDIs - Host	-0.005	-0.005	-0.006	-0.005	-0.005	-0.006	-0.005	-0.005	-0.005
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.002)
	[0.041]	[0.077]	[0.031]	[0.055]	[0.099]	[0.045]	[0.039]	[0.073]	[0.027]
Political Regime - Host	0.012	0.012	0.012	0.011	0.012	0.012	0.012	0.013	0.013
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
	[0.019]	[0.013]	[0.010]	[0.027]	[0.020]	[0.014]	[0.017]	[0.013]	[0.010]
Country risk - Host	-1.416	-1.566	-1.202	-1.539	-1.631	-1.253	-1.418	-1.578	-1.205

	(1.720)	(1.720)	(1.795)	(1.923)	(1.912)	(1.979)	(1.747)	(1.750)	(1.816)
	[0.410]	[0.363]	[0.503]	[0.424]	[0.394]	[0.527]	[0.417]	[0.367]	[0.507]
Cultural Distance	0.036	0.017	0.044	0.023	0.002	0.030	0.034	0.015	0.042
	(0.024)	(0.024)	(0.025)	(0.026)	(0.025)	(0.026)	(0.022)	(0.022)	(0.022)
	[0.139]	[0.477]	[0.074]	[0.364]	[0.928]	[0.249]	[0.126]	[0.500]	[0.064]
Geographic distance	-0.011	-0.018	-0.010	-0.016	-0.022	-0.015	-0.012	-0.018	-0.011
	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.008)	(0.008)	(0.008)
	[0.200]	[0.042]	[0.240]	[0.077]	[0.013]	[0.087]	[0.149]	[0.028]	[0.181]
Colonial Ties	0.077	0.099	0.078	0.105	0.129	0.105	0.079	0.101	0.081
	(0.071)	(0.071)	(0.072)	(0.078)	(0.078)	(0.077)	(0.075)	(0.074)	(0.075)
	[0.283]	[0.164]	[0.278]	[0.180]	[0.097]	[0.174]	[0.289]	[0.173]	[0.279]
Border	0.011	0.039	0.018	0.021	0.052	0.027	0.012	0.041	0.019
	(0.077)	(0.077)	(0.080)	(0.083)	(0.082)	(0.084)	(0.079)	(0.079)	(0.082)
	[0.886]	[0.618]	[0.822]	[0.800]	[0.529]	[0.751]	[0.875]	[0.607]	[0.817]
BIA							-0.099	-0.085	-0.085
							(0.169)	(0.165)	(0.172)
							[0.559]	[0.605]	[0.623]
Inverse Mills Ratio	-0.709	-0.392	-0.737	-0.560	-0.218	-0.566	-0.674	-0.360	-0.698
	(0.299)	(0.299)	(0.299)	(0.312)	(0.318)	(0.316)	(0.273)	(0.280)	(0.275)
	[0.018]	[0.190]	[0.014]	[0.073]	[0.493]	[0.073]	[0.014]	[0.199]	[0.011]
Constant	10.645	7.715	11.016	9.669	6.514	9.770	10.275	7.374	10.615
	(3.220)	(3.215)	(3.204)	(3.477)	(3.505)	(3.512)	(3.096)	(3.144)	(3.103)
	[0.001]	[0.016]	[0.001]	[0.005]	[0.063]	[0.005]	[0.001]	[0.019]	[0.001]
Observations	3,922	3,922	3,922	3,922	3,922	3,922	3,922	3,922	3,922
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sector Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Region Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Log likelihood	-22890	-22890	-22890	-21435	-21435	-21435	-22890	-22890	-22890
Pseudo R2	0.183	0.188	0.192	0.179	0.187	0.187	0.183	0.188	0.192

Note: Negative binomial regressions with sector fixed effects, year fixed effects and region fixed effects. Errors are clustered at the firm and host country level. The second stage of the Heckman's selection model. Bootstrapped standard errors with 500 replications in parentheses, p-values in squared brackets

Table 6: 2SLS Instrumental variable with log of jobs committed as dependent variable in 2nd stage.

	1st Stage	2nd Stage Instrumental Variable		
VARIABLES	(1)	(2)	(3)	(4)
Adv. Diplomatic Relations – region average	0.888			
	(0.012)			
	[0.000]			
Instrument Adv. Diplomatic Relations		0.377	0.493	0.460
		(0.093)	(0.092)	(0.092)
		[0.000]	[0.000]	[0.000]
Instrument X Inter'l Experience			-0.071	
			(0.013)	
			[0.000]	
Instrument X ICT Dummy				-0.407
				(0.090)
				[0.000]
Inter'l Experience	-0.000	0.014	0.010	0.015
	(0.001)	(0.003)	(0.004)	(0.003)
	[0.707]	[0.000]	[0.008]	[0.000]
ICT Dummy	-0.054	-0.406	-0.394	-0.543
	(0.007)	(0.042)	(0.040)	(0.049)
	[0.000]	[0.000]	[0.000]	[0.000]
Project type	0.001	0.142	0.134	0.141
	(0.005)	(0.036)	(0.036)	(0.036)
	[0.787]	[0.000]	[0.000]	[0.000]
Performance	-0.018	0.009	0.007	0.006
	(0.001)	(0.009)	(0.009)	(0.009)
	[0.000]	[0.337]	[0.465]	[0.501]
GDP - Home	-0.006	-0.063	-0.072	-0.060
	(0.003)	(0.019)	(0.019)	(0.019)
	[0.027]	[0.001]	[0.000]	[0.002]
GDP per capita - Home	0.003	0.000	0.002	0.003
	(0.002)	(0.011)	(0.011)	(0.011)
	[0.042]	[0.974]	[0.853]	[0.814]
Labor Force Growth - Home	0.006	0.045	0.040	0.045
	(0.003)	(0.023)	(0.023)	(0.023)
	[0.050]	[0.051]	[0.086]	[0.052]
Labor Regulations - Home	0.006	0.015	0.010	0.018
	(0.003)	(0.018)	(0.018)	(0.018)
	[0.020]	[0.415]	[0.572]	[0.311]
Unemployment Rate - Home	0.005	0.010	0.007	0.010
	(0.001)	(0.008)	(0.007)	(0.008)
	[0.000]	[0.210]	[0.376]	[0.216]
Investment Incentives - Home	-0.012	-0.019	-0.024	-0.022
	(0.004)	(0.026)	(0.026)	(0.026)
	[0.000]	[0.467]	[0.360]	[0.399]
FDIs - Home	-0.000	0.000	0.000	-0.000
	(0.000)	(0.001)	(0.001)	(0.001)
	[0.150]	[0.883]	[0.729]	[0.987]
Political Regime - Home	-0.004	0.014	0.015	0.015
	(0.001)	(0.006)	(0.006)	(0.006)
	[0.000]	[0.020]	[0.013]	[0.014]
Country risk - Home	-0.171	1.383	1.237	0.988
	(0.240)	(1.553)	(1.457)	(1.564)
	[0.476]	[0.373]	[0.396]	[0.528]
GDP - Host	-0.033	0.014	0.009	0.007
	(0.005)	(0.031)	(0.030)	(0.031)
	[0.000]	[0.659]	[0.777]	[0.813]
GDP per capita - Host	0.005	0.007	0.006	0.003
	(0.001)	(0.007)	(0.007)	(0.007)
	[0.000]	[0.330]	[0.360]	[0.640]

Labor Force Growth - Host	0.012	0.005	0.008	0.007
	(0.002)	(0.012)	(0.012)	(0.012)
	[0.000]	[0.686]	[0.528]	[0.555]
Labor Regulations - Host	0.000	-0.010	-0.007	-0.004
	(0.003)	(0.019)	(0.019)	(0.019)
	[0.990]	[0.611]	[0.695]	[0.824]
Unemployment Rate - Host	0.001	0.011	0.010	0.009
	(0.001)	(0.005)	(0.006)	(0.005)
	[0.330]	[0.043]	[0.071]	[0.075]
Investment Incentives - Host	0.002	0.003	-0.005	-0.004
	(0.003)	(0.022)	(0.022)	(0.022)
	[0.536]	[0.903]	[0.832]	[0.846]
FDIs - Host	-0.000	-0.002	-0.002	-0.002
	(0.000)	(0.002)	(0.002)	(0.002)
	[0.335]	[0.330]	[0.358]	[0.345]
Political Regime - Host	-0.002	0.014	0.013	0.015
	(0.001)	(0.004)	(0.004)	(0.004)
	[0.001]	[0.002]	[0.002]	[0.001]
Country risk - Host	0.373	-2.293	-2.161	-2.305
	(0.212)	(1.446)	(1.467)	(1.451)
	[0.078]	[0.113]	[0.141]	[0.112]
Cultural Distance	0.049	0.001	0.001	0.008
	(0.002)	(0.017)	(0.016)	(0.017)
	[0.000]	[0.955]	[0.943]	[0.634]
Geographic distance	0.000	-0.018	-0.018	-0.017
	(0.001)	(0.006)	(0.006)	(0.006)
	[0.731]	[0.004]	[0.003]	[0.005]
Colonial Ties	-0.086	0.071	0.052	0.064
	(0.007)	(0.050)	(0.050)	(0.050)
	[0.000]	[0.157]	[0.302]	[0.195]
Border	-0.039	0.053	0.070	0.048
	(0.009)	(0.068)	(0.069)	(0.067)
	[0.000]	[0.432]	[0.310]	[0.480]
Inverse Mills Ratio	-0.599	0.023	-0.024	-0.072
	(0.037)	(0.247)	(0.246)	(0.249)
	[0.000]	[0.925]	[0.923]	[0.773]
Constant	1.320	4.787	5.418	4.993
	(0.189)	(1.274)	(1.226)	(1.272)
	[0.000]	[0.000]	[0.000]	[0.000]
Observations	3,922	3,922	3,922	3,922
Year Fixed Effects	Yes	Yes	Yes	Yes
Sector Fixed Effects	Yes	Yes	Yes	Yes
Region Fixed Effects	Yes	Yes	Yes	Yes
R-squared	0.863	0.37	0.42	0.41
First stage F-statistic	333.97			
	(0.000)			

Note: 2SLS instrumental variables within the Heckman selection model, with log of jobs committed as dependent variable in the 2nd stage and bootstrapped standard errors for the 2SLS system equations. Bootstrapped standard errors with 500 replications in parentheses, p-values in squared brackets.

Table 7: Robustness checks for new projects and for the high-tech sectors.

	New Projects			High Tech			Medium-low tech		
VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Adversarial Dipl Relations	0.182	0.319	0.259	0.329	0.482	0.447	-0.050	-0.185	-0.046
	(0.078)	(0.084)	(0.079)	(0.098)	(0.102)	(0.100)	(0.190)	(0.212)	(0.191)
	[0.019]	[0.000]	[0.001]	[0.001]	[0.000]	[0.000]	[0.794]	[0.382]	[0.812]
Adversarial Dipl Relations X Inter'l Experience		-0.059			-0.057			0.108	
		(0.011)			(0.012)			(0.097)	
		[0.000]			[0.000]			[0.264]	
Adversarial Dipl Relations X ICT Dummy			-0.366			-0.512			-0.223
			(0.093)			(0.094)			(1.797)
			[0.000]			[0.000]			[0.901]
Inter'l Experience	-0.017	-0.005	-0.016	0.002	0.021	0.001	-0.031	-0.011	-0.031
	(0.011)	(0.012)	(0.011)	(0.012)	(0.013)	(0.012)	(0.052)	(0.060)	(0.052)
	[0.142]	[0.696]	[0.165]	[0.897]	[0.104]	[0.962]	[0.554]	[0.860]	[0.553]
ICT Dummy	-0.445	-0.423	-0.573	-0.489	-0.473	-0.657	-0.814	-0.804	-0.806
	(0.053)	(0.053)	(0.059)	(0.054)	(0.054)	(0.055)	(0.390)	(0.391)	(0.472)
	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]	[0.037]	[0.040]	[0.088]
Project type				0.107	0.116	0.107	0.036	0.036	0.038
				(0.052)	(0.051)	(0.050)	(0.091)	(0.091)	(0.092)
				[0.037]	[0.025]	[0.032]	[0.691]	[0.690]	[0.679]
Performance	-0.007	0.010	-0.009	0.014	0.033	0.010	0.027	0.018	0.026
	(0.017)	(0.017)	(0.017)	(0.019)	(0.019)	(0.019)	(0.050)	(0.049)	(0.051)
	[0.662]	[0.571]	[0.615]	[0.473]	[0.084]	[0.611]	[0.594]	[0.716]	[0.604]
GDP - Home	0.023	0.012	0.027	-0.025	-0.040	-0.024	-0.031	-0.026	-0.031
	(0.018)	(0.018)	(0.018)	(0.023)	(0.023)	(0.023)	(0.047)	(0.047)	(0.048)
	[0.185]	[0.497]	[0.130]	[0.278]	[0.083]	[0.305]	[0.511]	[0.582]	[0.512]
GDP per capita - Home	-0.026	-0.024	-0.021	-0.049	-0.048	-0.042	0.030	0.024	0.030
	(0.013)	(0.013)	(0.014)	(0.015)	(0.015)	(0.015)	(0.031)	(0.030)	(0.031)
	[0.056]	[0.069]	[0.119]	[0.001]	[0.001]	[0.005]	[0.328]	[0.423]	[0.330]
Labor Force Growth - Home	0.113	0.101	0.112	0.042	0.026	0.044	0.148	0.154	0.148
	(0.024)	(0.024)	(0.024)	(0.029)	(0.029)	(0.029)	(0.057)	(0.057)	(0.057)
	[0.000]	[0.000]	[0.000]	[0.149]	[0.367]	[0.131]	[0.009]	[0.007]	[0.010]
Labor Regulations - Home	-0.022	-0.027	-0.021	-0.032	-0.040	-0.023	0.134	0.134	0.134
	(0.023)	(0.023)	(0.023)	(0.028)	(0.028)	(0.028)	(0.036)	(0.036)	(0.036)
	[0.338]	[0.253]	[0.366]	[0.249]	[0.150]	[0.420]	[0.000]	[0.000]	[0.000]
Unemployment Rate - Home	-0.015	-0.018	-0.016	-0.019	-0.023	-0.018	0.069	0.072	0.069
	(0.008)	(0.009)	(0.009)	(0.010)	(0.010)	(0.010)	(0.026)	(0.027)	(0.027)
	[0.069]	[0.031]	[0.061]	[0.049]	[0.021]	[0.079]	[0.009]	[0.007]	[0.010]
Investment Incentives - Home	0.016	0.014	0.012	0.077	0.074	0.069	-0.051	-0.054	-0.050
	(0.030)	(0.030)	(0.030)	(0.035)	(0.035)	(0.035)	(0.054)	(0.054)	(0.054)
	[0.603]	[0.650]	[0.684]	[0.027]	[0.034]	[0.047]	[0.353]	[0.323]	[0.354]
FDIs - Home	-0.001	-0.001	-0.001	-0.001	-0.001	-0.002	-0.012	-0.011	-0.012
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)	(0.007)	(0.007)	(0.007)
	[0.454]	[0.641]	[0.598]	[0.452]	[0.653]	[0.356]	[0.084]	[0.087]	[0.082]
Political Regime - Home	0.006	0.007	0.007	0.001	0.002	0.002	-0.005	-0.007	-0.005
	(0.006)	(0.006)	(0.006)	(0.006)	(0.007)	(0.007)	(0.018)	(0.018)	(0.018)
	[0.272]	[0.196]	[0.202]	[0.826]	[0.715]	[0.748]	[0.766]	[0.681]	[0.767]
Country risk - Home	1.640	1.582	1.202	-0.491	-0.458	-0.676	8.877	8.939	8.808
	(1.995)	(1.995)	(2.026)	(1.783)	(1.778)	(1.764)	(4.800)	(4.756)	(4.822)
	[0.411]	[0.428]	[0.553]	[0.783]	[0.797]	[0.702]	[0.064]	[0.060]	[0.068]
GDP - Host	-0.094	-0.007	-0.094	0.041	0.132	0.030	-0.329	-0.374	-0.330
	(0.076)	(0.078)	(0.077)	(0.079)	(0.079)	(0.079)	(0.217)	(0.215)	(0.219)
	[0.215]	[0.927]	[0.222]	[0.606]	[0.096]	[0.707]	[0.130]	[0.082]	[0.133]
GDP per capita - Host	-0.018	-0.010	-0.019	0.001	0.009	-0.002	-0.028	-0.029	-0.028
	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.024)	(0.024)	(0.024)

	[0.046]	[0.243]	[0.030]	[0.875]	[0.322]	[0.853]	[0.231]	[0.212]	[0.232]
Labor Force Growth - Host	0.013	0.015	0.014	0.008	0.010	0.009	-0.053	-0.051	-0.053
	(0.014)	(0.013)	(0.014)	(0.017)	(0.017)	(0.016)	(0.031)	(0.031)	(0.031)
	[0.354]	[0.264]	[0.300]	[0.644]	[0.533]	[0.593]	[0.086]	[0.102]	[0.087]
Labor Regulations - Host	0.056	0.049	0.063	0.038	0.031	0.047	0.002	0.001	0.002
	(0.023)	(0.023)	(0.023)	(0.025)	(0.025)	(0.024)	(0.048)	(0.048)	(0.048)
	[0.015]	[0.033]	[0.006]	[0.124]	[0.206]	[0.055]	[0.973]	[0.985]	[0.966]
Unemployment Rate - Host	0.003	0.008	0.001	0.023	0.028	0.019	-0.044	-0.048	-0.044
	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.019)	(0.019)	(0.019)
	[0.765]	[0.389]	[0.914]	[0.012]	[0.002]	[0.035]	[0.020]	[0.010]	[0.021]
Investment Incentives - Host	-0.086	-0.039	-0.089	0.003	0.054	-0.008	-0.220	-0.244	-0.220
	(0.048)	(0.048)	(0.048)	(0.052)	(0.051)	(0.052)	(0.132)	(0.131)	(0.133)
	[0.075]	[0.420]	[0.065]	[0.956]	[0.290]	[0.874]	[0.096]	[0.063]	[0.098]
FDIs - Host	-0.005	-0.004	-0.005	-0.007	-0.006	-0.007	-0.004	-0.004	-0.004
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.006)	(0.006)	(0.006)
	[0.066]	[0.119]	[0.057]	[0.009]	[0.023]	[0.011]	[0.494]	[0.502]	[0.487]
Political Regime - Host	0.008	0.009	0.010	0.015	0.016	0.016	0.014	0.013	0.014
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)	(0.012)	(0.012)	(0.012)
	[0.102]	[0.069]	[0.048]	[0.005]	[0.003]	[0.003]	[0.249]	[0.274]	[0.248]
Country risk - Host	-1.194	-1.298	-0.925	-1.277	-1.484	-0.851	-6.203	-6.359	-6.210
	(1.780)	(1.770)	(1.830)	(1.994)	(1.974)	(2.088)	(3.393)	(3.518)	(3.365)
	[0.502]	[0.463]	[0.613]	[0.522]	[0.452]	[0.684]	[0.068]	[0.071]	[0.065]
Cultural Distance	0.026	0.005	0.034	-0.017	-0.041	-0.004	0.147	0.155	0.148
	(0.025)	(0.024)	(0.025)	(0.027)	(0.026)	(0.027)	(0.056)	(0.056)	(0.056)
	[0.284]	[0.836]	[0.175]	[0.521]	[0.119]	[0.872]	[0.008]	[0.005]	[0.008]
Geographic distance	-0.019	-0.026	-0.019	-0.027	-0.035	-0.026	0.006	0.011	0.006
	(0.008)	(0.009)	(0.008)	(0.010)	(0.010)	(0.010)	(0.020)	(0.020)	(0.020)
	[0.021]	[0.002]	[0.023]	[0.005]	[0.000]	[0.009]	[0.776]	[0.575]	[0.776]
Colonial Ties	0.159	0.181	0.161	0.154	0.180	0.157	-0.180	-0.196	-0.181
	(0.082)	(0.082)	(0.082)	(0.091)	(0.091)	(0.091)	(0.154)	(0.154)	(0.155)
	[0.054]	[0.028]	[0.051]	[0.090]	[0.049]	[0.084]	[0.243]	[0.204]	[0.243]
Border	-0.077	-0.042	-0.065	0.004	0.040	0.009	0.266	0.233	0.268
	(0.087)	(0.087)	(0.089)	(0.090)	(0.089)	(0.096)	(0.180)	(0.179)	(0.181)
	[0.378]	[0.630]	[0.465]	[0.966]	[0.656]	[0.927]	[0.138]	[0.194]	[0.137]
Inverse Mills Ratio	7.408	4.258	7.414	0.008	0.375	-0.052	-1.323	-1.491	-1.323
	(3.185)	(3.211)	(3.213)	(0.305)	(0.307)	(0.305)	(0.818)	(0.812)	(0.823)
	[0.020]	[0.185]	[0.021]	[0.979]	[0.222]	[0.865]	[0.106]	[0.066]	[0.108]
Constant	0.023	0.012	0.027	3.880	0.704	4.473	17.783	19.555	17.821
	(0.018)	(0.018)	(0.018)	(3.315)	(3.309)	(3.323)	(8.888)	(8.790)	(8.971)
	[0.185]	[0.497]	[0.130]	[0.242]	[0.832]	[0.178]	[0.045]	[0.026]	[0.047]
Observations	2,870	2,870	2,870	2,869	2,869	2,869	1,053	1,053	1,053
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sector Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Region Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Log likelihood	-16733	-16733	-16733	-16106	-16106	-16106	-5025	-5025	-5025
Pseudo R2	0.178	0.187	0.184	0.169	0.179	0.182	0.280	0.282	0.280

Note: The high-tech sectors of R&D investments consist of pharmaceuticals; chemicals and chemical products; scientific research & development; biotechnology; computer software; telecommunication; aerospace; test measurements; advance materials; medical and surgical equipment; semiconductors; space & defence; and renewable energy. While the medium-low technology sectors consist of agricultural products; food, textile, and paper products; electricity, gas and air conditioning; machinery and equipment; rubber, plastic and basic metals; construction and transportation. This classification is based on the OECD taxonomy of the economic activities based on R&D intensity (Galindo-Rueda & Verger, 2016).

We estimate negative binomial regressions with sector, region and year fixed effects, and with errors clustered at the firm and host country level. The second stage of the Heckman's selection model. Bootstrapped standard errors (with 500 replications) in parentheses, p-values in squared brackets.

Figures

Figure 1: The moderating effect of international experience in countries with adverse diplomatic relations

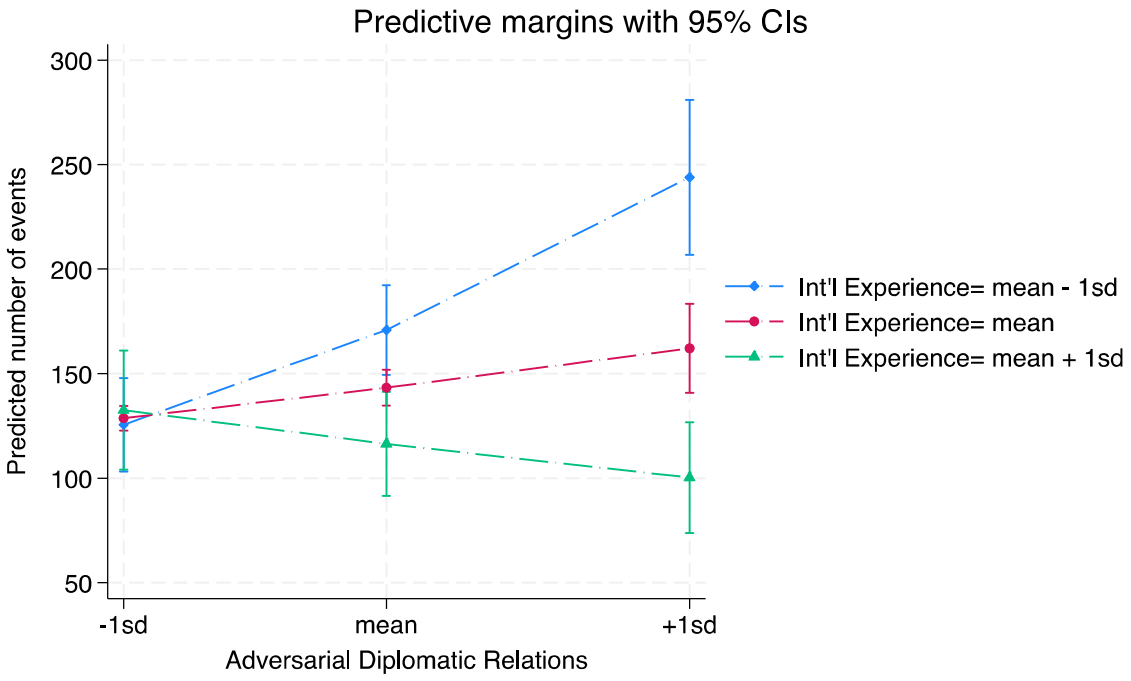
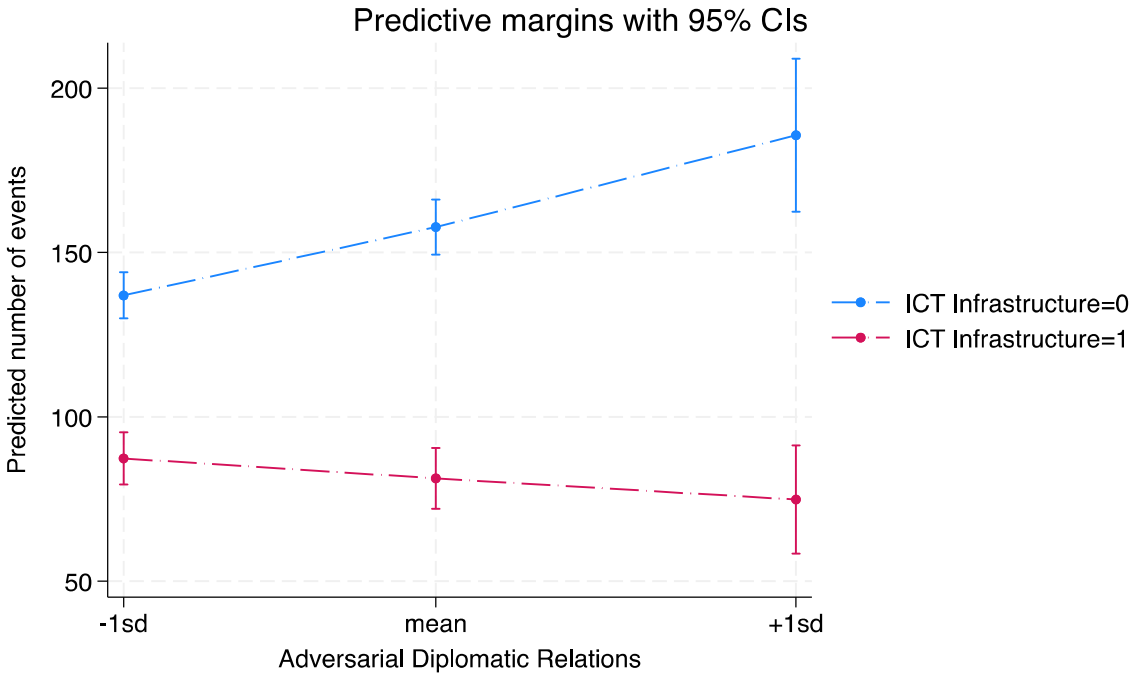
Figure 2: The moderating effect of ICT Infrastructure