FOREIGN RESEARCH AND DEVELOPMENT AND HOST COUNTRY ENVIRONMENT: AN EMPIRICAL EXAMINATION OF U.S. INTERNATIONAL R&D

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Abstract

- Multinational corporations (MNCs) are continuing to internationalize their research and development (R&D) activities. Some country environments are more conducive to such investments than others. In this study, we evaluate the influence of host country factors on foreign R&D investment.
- Using the just-released U.S. government 1999 benchmark survey of U.S. MNC activities abroad, and country-level data compiled from a variety of sources, we measure the impact of host country economic, institutional, scientific, and telecommunications infrastructure on U.S. MNC foreign R&D activities.

Key Results

- Our findings reaffirm the centrality of local development factors and scientific output as strong predictors of MNC R&D location decisions.
- To a lesser extent, institutional quality, appropriability regimes, and telecommunications infrastructure are also shown in to also influence R&D location. The presence of an existing concentration of MNC investment is not found to be a positive factor in R&D investment location.
- Country-level investments that support institutions conducive to economic development and scientific output generate a munificent environment for R&D.
- We conclude that a substantial portion of R&D undertaken in U.S. foreign affiliates is not aimed at the local market, but rather for developing products and processes for regional or even worldwide markets, suggesting that R&D is becoming a truly global activity.

Keywords: research and development; national innovation; technology; telecommunications; foreign direct investment; institutions.

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