

Protectionism and Cross-Border Mergers and Acquisitions Undertaken by US Multinational Enterprises: The Moderating Role of Intellectual Property Rights Protection

With rising protectionist policies across the globe and increasing emphasis on safeguarding intellectual property, how can U.S. multinational enterprises navigate these challenges to expand into foreign markets?

Protectionist policies, designed to protect local businesses and jobs, have not stopped U.S. multinational enterprises (MNEs) from pursuing cross-border mergers and acquisitions (CB M&As). This study by Amir Shoham and colleagues examines how protectionist policies and intellectual property rights (IPR) protection in host countries affect U.S. firms' decisions to expand into foreign markets. The research explores whether protectionism discourages CB M&As and how strong IPR regimes might help overcome these barriers.

CB M&As offer U.S. firms significant advantages over building foreign subsidiaries from scratch, such as faster entry into new markets, gaining access to advanced technologies, and acquiring skilled local talent. The findings reveal a surprising result: greater openness to trade (i.e., less protectionism) in host countries tends to discourage U.S. firms from engaging in CB M&As. On the other hand, stronger IPR protection in host countries encourages CB M&As, even in economies with restrictive trade policies.

The study highlights the growing importance of IPR protection in the global economy. U.S. firms value strong IPR regimes because they reduce risks and protect their technologies and ideas, which makes investment in foreign markets more appealing, even in the face of protectionist policies.

For host countries, this research emphasizes the need to strengthen IPR protections to attract foreign investment, especially if their trade policies limit openness. For U.S. firms, the findings suggest that evaluating the strength of a host country's IPR protections should be a key part of their market-entry strategies.

Ultimately, the research sheds light on how IPR protections can balance the negative effects of protectionism, helping both governments and businesses navigate today's complex global trade environment.

MAJOR TAKEAWAYS:

- Strong protection for intellectual property makes it easier for U.S. companies to invest in cross-border mergers and acquisitions (CB M&As), even in countries with strict trade restrictions.
- U.S. companies are more influenced by strong IPR protections than by trade restrictions when deciding where to invest
- Countries that want to attract foreign investors should focus on creating strong laws to protect intellectual property.

WHO NEEDS TO KNOW:

- Multinational Companies
- Policy Makers
- Academics

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