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[Master in Management - International Business]

[The Role of Political Factor in Strategy Failures of MNCs In Emerging Economies]

Master's Thesis by the 2nd year student

Concentration — [MIM-IB]

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ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

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АННОТАЦИЯ

Автор	Шэн Ланьшу
Название магистерской диссертации	Влияние политических факторов на фиаско стратегий многонациональных компаний в странах с развивающейся экономикой
Факультет	Высшая Школа Менеджмента
Направление подготовки	080200“Менеджмент” (Профиль: Менеджмент)
Год	2018
Научный руководитель	Панибратов Андрей Юрьевич, профессор, д.э.н., доцент,
Описание цели, задач и основных результатов	Эта дипломная работа является качественным исследованием роли политического фактора в неудачах стратегий МНК в странах с развивающейся экономикой на основе многократного изучения четырех инвестиционных проектов развивающейся страны на развивающихся рынках. Цель этого исследования - выявить взаимосвязь между политическими факторами и целевыми рынками новых предприятий со стороны МНК из развивающихся стран и как политические факторы влияют на прямые иностранные инвестиции во всем мире. По этой причине в этом исследовании используется метод тематического исследования для проведения качественных методов юридического исследования, а также для проведения анализа и анализа по перекрестным ситуациям. Это исследование показывает, что негативные политические факторы чрезвычайно важны для иностранных инвестиций, а отрицательная власть вето играет решающую роль в странах с развивающейся экономикой. В частности, влияние политических факторов трудно предсказать и количественно оценить. Например, результаты предпроектных президентских выборов и поведение неправительственных организаций нельзя предсказать успешно. Это также типичная рекомендация по рискам, которую следует избегать.
Ключевые слова	Политических факторов, многонациональные компании, развивающиеся экономики, фиаско стратегии,

ABSTRACT

Master Student's Name	Lanshu Sheng
Master Thesis Title	The Role of Political Factors on Strategy Failures of MNCs in Emerging Economics
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Description of the goal, task and main results	This master thesis is a qualitative study on the role of political factor in strategy failures of MNCs in emerging economies based on the multiple case study of four south-based investment projects in emerging markets. The goal of this study is to identify relationship between political factors and the target markets of new ventures by MNCs from developing countries, and how political factors affected foreign direct investment worldwide. To do so, this study adopt a legitimate method in qualitative research by case study method and perform a unit of analysis and cross-case analysis. This study suggests that negative political factors have extremely high weight on the foreign investment, and the one-voice veto power plays a decisive role in emerging economies. Particularly, the influence of political factors is difficult to be predicted and quantified, such as the results of presidential elections and the actions of non-governmental organizations cannot be successfully predicted before the project is enacted, which are also the typical type of risks are suggested to avoid.
Keywords	Political factors, emerging economies, foreign investment, strategy failure,

Introduction

Research background

From 2004 to 2012, the total flow of foreign direct investments more than doubled, reaching nearly USD 1,500 billion in 2012 (UNCTAD, 2013). As a way of international investment “by a resident in one economy with the objective of obtaining a lasting interest in an enterprise resident in another economy” (OECD, 2013), FDI has turned out to be one of the significant strategies for cross-fringe venture and a standout amongst the most dynamic drivers of monetary development. It assumes a huge part during the time spent capital arrangement for developing countries, particularly through trade of advances and administrative practices and learning. By acquiring capital, particularly as outside money, FDI creates greater venture inside the host nation and enhance its adjust of exchange, accordingly additionally improving the cycle of development. Alongside certain negative sides, FDI has created positive externalities and "overflow" impacts.

In 2015, worldwide streams of FDI ascended by around 40%, the most outstanding amount since the worldwide financial crisis started in 2008, to $1.8 trillion. In any case, this development did not convert into a comparable extension in gainful limit in all nations. This is a disturbing improvement in light of the venture needs connected with the recently received Sustainable Development Goals and the yearning activity imagined in the point of interest Paris Agreement on environmental change.

Directions on the proprietorship and control of organizations are fundamental in the speculation administration of generally nations. In any case, in a period of complex multinational possession structures, the basis and adequacy of this strategy instrument needs a far reaching re-appraisal (UNCTAD, 2016).

In 2016, global flows of foreign direct investment fell by about 2 per cent, to $1.75 trillion. Investment in developing countries declined even more, by 14 per cent, and flows to LDCs and structurally weak economies remain volatile and low. Although

UNCTAD predicts a modest recovery of FDI flows in 2017–2018, they are expected to remain well below their 2007 peak (UNCTAD, 2017).

South-based, particularly Chinese outward foreign direct investment (FDI) has expanded emphatically as of late and is relied upon to proceed with its lofty development (Buckley et al. 2007; Z. Li 2009; Luo, Xue, and Han 2010). Previous research has focused on reasons for the outward internationalization on both the environment-specific level (e.g., Buckley et al., 2007; Deng 2009; Witt and Lewin 2007; Yang, Jiang, Kang, and Ke 2009) and the firm-specific level (e.g., Alon Yeheskel, Lerner, and Zhang 2013; Banalieva and Sarathy 2011; T.-J. Chen 2006; Deng 2003 2009; Z. Li 2009; Liu, Xiao, and Huang 2008; Morck et al. 2008). Albeit first experiences about the internationalization thought processes, modes, and market-passage procedures of Chinese firms have been increased, minimal exact research has been led on how Chinese firms really work in abroad markets (Child and Rodrigues 2005; Hu and Wang 2009; Y. Liu and Woywode 2013). Especially it is true amid current decade the new pattern of interest in developing business sector nations frame Chinese firms and other creating nations.

In spite of the fast increment of FDI from China and other developing countries and emerging economies, episodic proof has demonstrated that the financial execution of these FDIs changes considerably, and exasperatingly, a vast extent of them fall flat (Liu and Waldemar 2011).

However, lately, because of the ascent of hostile to globalization considerations, and the religious, ethnic and geopolitical clashes, the transnational activities of south-based firms are confronting increasingly abroad venture dangers. For instance, exchange rate changes, credit crisis and other market risks, political, legal, cultural differences and other non-market risks.

Take ventures contributed from China as examples，Chinese organizations have experienced incessant obstacles to foreign direct investment. As China's outward investment an ever-increasing number of businesses and locales, there are likewise expanding boundaries to outside speculation. According to the American Enterprise Institute and the Heritage Foundation, statistics show that in the vicinity of 2005 and the primary portion of 2014, a sum of 130 instances of Chinese remote direct speculation ventures have been obstructed by investment hindrances. Developed countries and regions such as the United States, the European Union, Australia and other countries have become the high-risk zones for Chinese enterprises to encounter overseas investment barriers. Among them, the most conspicuous cases were in USA and Australia. During the period from 2005 to the first half of 2014, there were 21 cases in Australia and 19 cases in the United States in which Chinese enterprises' foreign direct investment (FDI) failed because of investment barriers. In the European Union, 16 cases, accounting for the total number of Chinese enterprises encountered foreign direct investment barriers.

According to a report by the Beijing-based think tank Centre for China and Globalization, which analysed 120 cases of Chinese companies' failed attempts to invest abroad, political factors made up 25 percent of the reasons.

Research scope and research questions

From the end of 20th century, Multinational corporations take all the more outward M & A activities have a higher vital strategic purpose – for rising above or even control the worldwide contenders, grabbing a specific level of strength in the host nation, which will cause the nation worries of outside organizations and their parent nations, caused hazard in political level (Michael Poter,1990). As to reasons why multinationals are worried about political factors, Thomas L. Brewer (1992) investigated the association between the host and the home country, and administrations. In his perspective, overseas coordinate investment and abroad M&A will influence the domestic business improvement in both home and host countries, subsequently influencing the relations between the two governments. Subsequently, vast gatherings keen on abroad mergers and acquisitions need to focus on the elements of each other's local industry cooperations for keeping away from each other at the administration level to take some troublesome mechanical arrangements at abroad venture. There are some different researchers called attention to that for the MNCs, notwithstanding focusing on the elements of trade, they ought to likewise look for control over the forergn economy in abroad M&A. The primary inspiration for them is to change or impact the current rivalry component to look for long-term predominance. For this situation, the host nation's transnational interest in parent nations would turn out to be more careful and worried about the political and financial thought processes of the parent nation (Paul R Krugman and Maurice Obstfeld, 1994). For instance, Agata Antkiewicz and John Whalley contend in an investigation that, the regular disappointment of China's interest in developed countries mirrors the need of enhancing the overseas business mechanisms. This is on account of that past overseas business systems neglected to settle the two key points of China's overseas investment - the transparency of business administration in enterprises and the relationship between enterprises and different levels of government (Agata Antkiewicz and John Whalley,2007).

Despite the fact that exploration in the course of the most recent three decades has been committed to the hypothetical and down to earth comprehension of FDI execution and its influencing factors, a staggering extent of this examination has concentrated on the FDI from developed regions (Slangen and Hennart 2008). Research on FDI from developing to developed regions is developing and has so far focused on the role of foundations (Meyer 2004), the company's possession (Cui and Jiang 2012; Cui et al. 2011) and investment intentions (Deng 2009; Rui and Yip 2008).

The general research question to be answered in this paper is:

What role the political factor is playing in strategy failures of MNCs in emerging economies.

To answer this question, some sub questions need to be answered as well:

- *What is the current situation and trend of political risk for cross-border investment from developing country enterprises in emerging economies.*

- *What are the main determinants of strategy failures of cross-border investment in emerging market*

- *What are the main sources of political factors on cross-border investment*

- *What magnitude of political factor during these critical determinants of overseas investment strategy failures.*

Chapter 1. Political factors and foreign investment in emerging economies

Literature review

1.1 Political factors: an overview

Surely understood that the degree of the stream of outside direct speculation is exceptionally subject to the political climate of the host country. The prosperity of legitimate foundations, level of corruption, political solidness, and capacity to secure scholarly rights are just a portion of the components influencing the stream of FDI into a host nation. The tremendous assortment of associations try to structure and depict the data about nations keeping in mind the end goal to make an appraisal of an economy's capacity to perform well in present day (World Economic discussion, 2015). While the consequences of this examination movement are not particularly custom fitted with the end goal of the speculators, they have a high level of relationship with the FDI inflows.

The cases displayed above demonstrate that a critical piece of an economy's allure to Foreign Direct venture is characterized by a nation's capacity to show certain standards –, for example, fundamental prerequisites of strength of foundations and macroeconomic condition, effectiveness enhancers, for example, nation's instructive measures, merchandise and work advertise proficiency, advancement of monetary markets and mechanical availability, and receptiveness to development and business refinement – in the perspective of the World Economic Forum's GC Report (World Economic gathering: Methodology, 2015); and general financial execution information, supplemented by issues of administration rehearses, debasement, ways of life and ecological issues – on account of IMD (Frequently Asked Questions, 2015). What's more, different examinations, including those of an econometric nature and observational investigations, have demonstrated the linkage between the presence of popularity based methods, manage of law and scholarly rights assurance and stream of FDI into a host country (Busse, Hefeker, 2015). Likewise, Brunetti and Weder (1998) call attention to the exact confirmation that specific markers, which can be gathered into four primary classifications: government shakiness, political savagery, strategy vulnerability and implementation vulnerability, might be the most negative to an economy's appeal to speculators. Kaufmann et al. (1999) of the World Bank, notwithstanding the markers examined above, specify government adequacy and administrative weight.

Political stability and a business-friendly regulatory environment are most important in investors’ decision making (the GIC Survey.). Macroeconomic, political, and administrative dangers—regardless of whether genuine or saw—dissuade financial specialists by raising their hazard estimations. De-gambling, or diminishing undertaking or country hazard, can prompt the privilege risk– return profile and help draw in private speculation. Generally, investments that are monetarily beneficial and financially appealing may just not emerge. Governments in both developing and developed countries utilize assess and other investment motivating forces to diminish the relative cost or dangers to remote speculation to pull in more FDI, frequently not recognizing among the distinctive sorts of FDI. Given that most regions offer motivating forces, venture advancement offices confront strain to coordinate or even outperform offers by contending nations to make up for antagonistic geography, little size, or remoteness to markets, keeping in mind the end goal to stay alluring for outside speculators.

However investment motivating factors end up applicable just when investors falter between comparable areas. Where FDI is spurred by access to internal markets or natural resources, motivating factors are by and large of constrained esteem. Be that as it may, in segments where FDI is chiefly productivity-seeking in nature, rivalry of FDI is high and emerging markets as often as possible offer motivating forces to contend. In these areas, most overseas investment projects are grouped in a predetermined number of fruitful host economies. In the meantime, the utilization of motivations is especially predominant in these areas (Developing Country Tax Incentives database and

FDI information from FDI Markets database,2017, the Financial Times). This recommends emerging economies utilize motivations deliberately in divisions with high offers of productivity-seeding FDI where locational rivalry for FDI is especially exceptional. It additionally uncovers that, while motivations might be a more essential piece of the offer to proficiency-seeking financial specialists, they are not an adequate condition for FDI passage, as effectiveness looking for FDI tends to amass topographically in generally couple of areas regardless of the wide accessibility of motivators.

In any case, it can be contended that a portion of the markers that are generally connected with the country's consistence with the standards of lead of law and popularity based organizations have just constrained effect on the FDI stream, or just a restricted measure of such factors have obvious effect. All things considered, in "Political Risk, Institutions and Foreign Direct Investment" by Busse and Hefeker (2005), maybe a standout amongst the most far reaching thinks about on the relationship between political hazard elements, establishments and FDI streams, it was discovered that albeit a few elements of hazard, for example, government dependability, peace and nature of organization do without a doubt correspond with the investment inflow in a host market, different variables have shown no factual connection to the FDI inflow. So also, as was proposed by Li and Resnick, law-based establishments should have negative impact on the FDI inflow. Li and Resnick (2003) called attention to that in regions under dictator manage, the authority of the region may offer more ideal conditions to the MNEs willing to put resources into this region.

Besides, Li and Resnick (2003) proceed, without fair strategies, MNEs may appreciate expansive access to the nation's authorities with the reason for looking for assurance and advancement of their interests, which makes such a host nation greater investment appealing. In a comparative way, as foreign investors support the standards of lead of law in host economy, they can be debilitated by limitations on outside capital.

Likewise with transitional economies, the reality of the situation may prove that they initially need to solidify control before they can advance property rights security.

O'Donnell (1978), talking about the change of Latin American states into what he alluded to as "Bureaucratic dictator states", saw that nations at such state might have the capacity to exhibit political and financial strength – highlights that portrayed these economies previously the change for tyrant administrations. Bureaucratic tyrant administrations, O'Donnell's (1978) thought takes after, might be better at exhibiting that there is sufficient political soundness in the nation to guarantee the sense of duty regarding securing strategies which make an economy alluring to outside capital, notwithstanding theoretical points of interest or "unique treatment", which a state would not have the capacity to offer in nearness of vote based methodology.

Subsequently, it might be inferred that albeit worldwide capital is by all accounts more pulled in to nations where vote-based methods are watched, dictator administrations may, now and again, be more powerful in a similar activity, as was discovered by Busse and Hefeker (2005) by the methods for dissecting the econometric information, and by O'Donnell (1978) in a more experimental investigation of the transitional Latin American nations. In a comparative mold, just a predetermined number of markers of political hazard have a critical relationship with the FDI inflow into a host nation (Busse and Hefeker, 2005).

1.2 The Many Meanings of Political Risk

Broad yet fragmentary meanings of political hazard can be found in writing on the theme. While the majority of creators concur that this sort of hazard is constituted by government activity that exhibits a peril to business exchanges, there is a contradiction about the extent of this activity, or what parts of government activity can be portrayed as political hazard.

One gathering of analysts characterize political risk as general government's interruption in regards to business exchanges, for instance Weston and Sorge (p.60, 1972) take note of that "Political risks arise from the actions of national governments which interfere with or prevent business transactions, or change the terms of agreements, or cause the confiscation of wholly or partially foreign owned business property" (refered to in Kobrin, 1978, p.4).

By the by, other analysts view political dangers as discrete events of new bits of enactment or moves made against the enthusiasm of a specific organization, or the blend of the two. All things considered, Root (1972) characterizes political hazard as "possible occurrence of a political event of any kind (such as war, revolution, expropriation, taxation, devaluation, exchange controls and import restrictions) at home or abroad that can cause a loss of profit potential and/or assets in an international business operation" (in Kobrin, 1978, p.7).

he two methodologies supplement each other. Nonetheless, more full meaning of political hazard ought to have the capacity to consider the two sides of such an intricate situation. A more extensive definition was proposed by Louis T. Wells of Harvard Business School, who characterized political risks as "...threats to profitability that are the result of forces external to the industry and which involve some sort of governmental action or inaction" (in Moran, 1998, p.15), along these lines isolating dangers of political nature from those that are caused by financial conditions and demonstrations of nature. In spite of fact that this definition effectively represents both occasion and arrangement kind of government impedance, it appears to be less fruitful in characterizing the sources of the hazard. For instance, a common war, over the span of which a investor may lose the contributed capital, may not be a consequence of government activity or inaction, yet rather a result of complex recorded, political and social clashes with a state. A great deal of similitudes can be noticed between nation risk examination and that of political factor. Used to estimate conceivable issues in cross-fringe exchange of capital, nation chance investigation intends to evaluate the future dangers by bookkeeping different elements, for example, political, social both large scale and microeconomic together with nations' appraisals and different measures of monetary execution (McGowan, Moeller, 2009). Albeit such pointers might be very helpful in evaluating the speculation atmosphere of a host nation, they don't consider every one of the quirks of political hazard. There might be a region with moderately low levels of nation risk yet an extraordinary presentation to political risk - for instance, a well off and focused country that is politically flimsy. Brink (2004) estimates about the likelihood that a nation pulling in financing from abroad might have the capacity to serve the enthusiasm on its credits, however unwilling to do as such for reasons of ideological or other sort. This case demonstrates the interconnection between the two sorts of analysis and the sort of policy issues that could have been predicted by a more significant political factor investigation (Brink, 2004).

Some other authors (Finnerty, 2001) consider currency inconvertibility as a case of political risk. Brink (2004) mentions imposing high quality standards and safety regulations that, being imposed upon foreign firms, may disadvantage them in comparison with local competitors. Although the latter definitions are less encircling than those mentioned above, they seem to be rather better at encompassing the complexity of interrelations of a country’s economic and political systems.

Extensively, political hazard is a sort of hazard looked by investors, enterprises, and governments that political occasions, conditions, or decisions will fundamentally influence the benefit of a business performing artist or the normal estimation of a given monetary activity (Matthee, 2011). Political factor can be comprehended and made do with contemplated foreknowledge and investment.

The term political risk has had many different meanings over time (Sottilotta, 2013). However, political risk refers to the complications businesses and governments may face as a result of what are commonly referred to as political decisions—or "any political change that alters the expected outcome and value of a given economic action by changing the probability of achieving business objectives" (Eurasia Group). Political risk faced by firms can be defined as "the risk of a strategic, financial, or personnel loss for a firm because of such nonmarket factors as macroeconomic and social policies (fiscal, monetary, trade, investment, industrial, income, labour, and developmental), or events related to political instability (terrorism, riots, coups, civil war, and insurrection)" (Kennedy, 1988). Furthermore, due to political risks, the government's ability to execute diplomatic, military or other initiatives can be complicated.

In one country, lower political risk does not necessarily correspond to a high degree of political freedom. (Howard, 2008). Truth be told, a portion of the more steady nations are likewise the most autocratic. A long-term assessment of political risk must take into account that a political severe condition is a risk to dependability just on the off chance that it keeps up top-down control and keeps nationals from unreservedly imparting thoughts and merchandise with the outside world (Bremmer, 2007).

For a investment, political risk implies that political occasions might be confused by coordinate impacts, (for example, assessment or cost) or backhanded impacts, (for example, the open door cost of relinquishing). Accordingly, the political hazard is like the normal esteem, so the likelihood of political occasions may lessen the normal return rate, subsequently diminishing the normal return. The attractive quality of the investment.

Generally, political risks are at either macro-level or micro-level. Political risk at a macro-level similarly affects every single outside member in a specific area. Albeit these are incorporated into the national risk investigation, it isn't right to have the political factors examination at the macro-level equivalent to the national risk, on the grounds that the national risk just thinks about the national level. Risks additionally incorporate budgetary and financial risks. Risks at the micro-level are worried about regulatory issues, organizations and project-specific risks (Ephraim, 1971).

The political risk at the macro-level spotlights not on the specificity of investment. Macro-level political risks influence all players in a country (Alon, McKee, 1999). A typical misguided judgment is that macro-level political risks just spotlight on political risks at the national level; be that as it may, the coupling of neighbourhood, national and local political occasions calculating consent, nearby level occasions may have a follow-up to partners at the macro-level. impact. Different type of dangers incorporates government related tasks, administrative changes, sovereign credit defaults, revelation of war, and changes in government regime. These occasions begin securities speculation and outward investment chances and may change the general relevance of strategy goals. Large likewise political dangers additional may likewise change the way outside government handle issues. Hence associations working in the nation. Macro-level political risks, for example, appropriation prompt the seizure of corporate resources.

Research has demonstrated that macro-level markers can be evaluated and displayed like different sorts of risk. For instance, Eurasia Group creates a political factor record which fuses four unmistakable classifications of sub-chance into a count of macro-level political dependability. This Global Political Risk Index can be found in productions like The Economist (2007). Different organizations which offer productions on macro-level factors incorporate Economist Intelligence Unit, DaMina Advisors, iStrategic LLC and The PRS Group, Inc. DaMina Advisors is centred around wilderness markets, for example, Africa. iStrategic LLC is centred around the Middle East and North Africa.

Micro-level political risks are project-specific risks. Notwithstanding the macro-level political risks, organizations need to focus on the business and relative commitment of their organizations to the neighbourhood economy (Alon, Mitchell, 2007). An examination of these kinds of political risks may take a gander at how the neighbourhood political atmosphere in a given area may influence a business endeavour. Micro-level risks are more in the support of domestic investment instead of foreign investment projects running in the country. This sort of risk process incorporates the project-specific government survey Committee on Foreign Investment in the United States (CFIUS), the determination of perilous neighbourhood accomplices with political power, and seizure/nationalization of activities and resources.

To broaden the CFIUS case above, envision a Chinese organization wished to buy a U.S. weapons cell maker. A micro-level political risk report may incorporate a full investigation of the CFIUS administrative atmosphere as it specifically identifies with business segments and organizing, and in addition examination of congressional atmosphere and general sentiment in the United States toward such an arrangement. This kind of investigation can demonstrate pivotal in the basic leadership procedure of an organization surveying whether to seek after such an arrangement.

Political dangers are additionally connected to government extend decision, and government activities - whether strategic or military or something else - can be muddled by political factors. Though political risk for business may include understanding the host power and how its activities and states of mind can influence a business intentions, government political risk investigation requires a sharp comprehension of legislative issues and arrangement that incorporates both the home government and also the host administration of the action.

Along these lines, more complete meaning of political risks to FDI should consider the different idea of its roots, including both the occasion and approach viewpoints, and the likelihood of general political as well as economic uncertainty inside a region. With the goal of this paper I would like to define political risk as any potential threat to profitability or assets allocated in a host country that arises as a result of host or home country's political or socioeconomical turmoil or the government's action, rights violations or restrictions. (Asadov, 2016)

1.3 Traditional and new risks

As a rule, Wells (referred to in Moran, 1998) recommends that the assortment of kinds of political dangers can be gathered into two fundamental classifications: traditional and new.

To the traditional risks, Wells credited the risks of nationalization and confiscation, which, albeit less present in our days, still present a peril for a financial specialist. Nationalization of Venezuela's oil industry, trailed by a later case of confiscation of Repsol's stake in Argentinian YFP, which was viewed as "a measure that threatens to scare off foreign investors" (Bronstein, 2012), showed that such outrageous advancements are not previously, yet rather take after numerous nations that end up in the inconveniences of monetary pain. Wars and common aggravations have not vanished either. Monetary patriotism, a case of which was portrayed above with Argentina's YFP, too still exists.

In the meantime, new wellsprings of political hazard have appeared. Instates with political composition full of corruption, domestic competitors may abuse their political association with pick up inclination for themselves to the burden of foreign MNCs. In the present circumstance of the nonattendance of a capable international administrative body, this specific risk appears to have uncommon potential. A danger of approvals, that had different cases as of late, speaks to another risk for worldwide organizations: it abandons them amidst a political standoff between the administrations and bears costs related with the stripping and offering of their advantages.

It could become a mix-up, nonetheless, to relate political risk exclusively with developing countries and unstable political frameworks. In spite of the fact that the case of developing economies are customarily accepted to have higher dangers of political characteristic, the potential wellsprings of helplessness can be found in the most progressive economies as well. Thusly, obligation roof arrangements and proceeding with political polarization in America are being accounted as political risks in Goldman Sachs' investment strategy (Mossavar Rahmani, Nelson, 2015).

While the world has been for quite some time acclimated with the dangers starting in the emerging markets, it is likewise certain that the suggestions will have sweeping outcomes for the economies of these regions, not just due to the interconnectedness of the political and financial fields, yet in addition due to evolving directions, amending understandings and returning to the terms of inner exchange and collaboration that will be managed by progressing political changes.

1.4 Political risk: the new challenges

From the Traditional to Uncertainty

Different strategies of moderating political hazard have been produced since the 1970s, which numerous creators stamp as the start of this regular pattern. The vast majority of these strategies can be separated into two principle gatherings. In the first place was the approach of utilizing subjective procedures towards evaluating a host state as a potential place to contribute and dissecting the potential risks. This approach included procedures such as, situation and possibility arranging (Overholt, 1982) and focused on a nation's parameters of political, social, monetary, universal financial and worldwide political sort (Overholt, 1982). In the meantime, unmistakably any part of life of citizen, be it, for instance, a financial or political framework, are too convoluted to be in any way comprehended in their totality, and interconnection between them will undoubtedly make any single situation inadequate. The second approach, now and then utilized independently or supplementing the main approach, underlies a numerical strategy for influencing a judgment on a region's level of political to chance. In this technique, various hazard factors is first recorded, after which a specific region can be given a score on every one of the variables, with the outcome, being a region's risk appraisal. Such strategies are utilized, for instance, by Economist Intelligence Unit, Moody's and S&P (Brink, 2004). Despite various risk factors utilized as a part of every one of the procedures change and some are certainly more comprehensive than others, the quantitative demonstrating may experience the ill effects of lacking data or from the opposition of another outside speculator in a host nation, who might be more educated or even impact venture conditions in a nation to make more good choices for themselves (Brink, 2004).

Along these lines, before a risk investigation it is vital to take note of that is endeavoured, a particular scope of hazard factors must be assembled, including different kinds of political, economic, social and cultural components. Various ideas become possibly the most important factor when the elements of hazard, required for an examination are assembled: for instance, Herbert Simon's idea of limited reasonability, inferring that examiner's basic leadership can't be at last balanced, however is fairly restricted by the extent of accessible data and assets (Simon, 1978).Nassim Nicholas Taleb's Ludic deception in a similar standard portrays how factual displaying can be included as beneficial their application to genuine living: the unpredictability of human culture will dependably have a larger number of factors than can be represented (Saltelli, 2014).

As I would like to think, particular sorts of risk have as of late given their place to general precariousness, accordingly it is begging to be proven wrong in the case of the existing risk models are able to fully address the nature of risk conversion.

Numerous recent developments in the realm of politics and new challenges of political risk shows the interdependency of the two. To a much greater degree than in the recent past, the political discourses aiming at drastic change to the very foundations of current economic policies are gaining momentum. In addition to the risks associated with the presidential campaign, many other parts of the world are experiencing how politics can fuel political uncertainty. A particular rise in popularity of the forces of the right, shares the ideas of Euroscepticism, anti-globalism and a tougher stance on the free trade (Wagstyl, 2016; Crisp, 2015; Riedel, Specht,2016).

The interconnection between politics and uncertainty is felt in the other parts of the world as well, which became a major topic of discussion for the 2016 meeting of the Group of Twenty of the International Monetary Fund. Chinese finance minister Jiwei noted that “The uncertainties and risks facing the world economy have increased as some major economies have entered the general-election season,” (Talley 2016).

An interconnection between populist policies, mainly those opposing liberalization of trade and imposing new tariffs, and economic growth deserves special attention. The two are interdependent and serve as catalysts for aggravating the effects of one another: as populist policies turn to more protectionist measures of imposing additional trade barriers, these policies weaken long-term economic growth, which further fuels the admiration for such policies, creating a vicious cycle, where the populist agenda and weakening economic growth intensify each other (Azevedo, cited in Talley, 2016). This interdependence has been particularly remarkable in Argentina in the time of Peronism (Ocampo, 2016).

The emergence of uncertainty as a primary source of political risk has been widely noted in recent years (Zeckhauser,2013; Knight, in Langlois and Cosgel, 1993). Nevertheless, little is done in regards to the development of the strategies of uncertainty mitigation. Moran (1998) cites local business interests, decentralization of power, corruption, organized crime and pressure of NGOs as the “new” sources of risk. While this point of view is in full accordance with the situation in many parts of the world, it does not reflect the recent rise of uncertainty in the developed and developing worlds alike. Overholt (1982) mentions “policy” and “institutional instability”, arguing that in the absence of the policy continuity a foreign investor may face the risks associated with the changes in labour law, taxation and exchange rates; as well as sudden shifts in the separation of powers may complicate an investor’s decision making process.

However, it is debatable that policy and institutional instability fully capture the specifics of modern-day uncertainty. As previously mentioned in this work, the terms "policy instability" or "institutional instability" are in many ways ill-suited, as well as the presidential elections in the United States: both referendums and elections are the very bedrock of democracy and, to the contrary of institutional instability, represent the standard democratic procedures.

Tina Fordham and Jan Techau (2016) of Carnegie Europe, a European branch of the Carnegie Endowment for International Peace, despite pointing out the importance of the "New Socio-Economic Risks" referring to the rise of populism and non-mainstream political forces,

Therefore, it seems arguable whether the existing definitions of the risks are able to cover and explain the ongoing rise of uncertainty in many parts of the world. Various current models of quantifications and mitigation of risks are more equipped for more traditional risks of the past, while more recent signs of political uncertainty, putting to risk investments in the developing and developed worlds alike, demand more in-detail examination, forecast and mitigating strategies. While methods of international insurance, forecasting the turns of the political course, various quantification and qualification approaches were suitable for avoiding the risks of expropriation, nationalization, corruption etc.,

The rising challenges of political uncertainty, require newer, more sophisticated approaches to the mitigation of political risks. The new approaches should be adapted to the changing political environment everywhere in the world, taking into account uncertainty along with other factors of risk for the risk methodologies to be inclusive with respect to growing political uncertainty.

The factors of risk that could complement the existing political risk methodologies should include the most recent developments in the political environment of today, thus adapting these methodologies to the new forms of political risk.

Social consensus has undoubtedly been a factor affecting the political stability of a country. Absence of social consensus is a potential determinant of the state's inability to secure the support of the electorate and function effectively, therefore fuelling market uncertainty.

Weak governments or inability to form a government coalition has been a feature of the political situation of some European countries during the last 10 years. Stemming from other factors, such as absence of social consensus, this factor can increase unpredictability about the future of the political course of the country, thus adding to the uncertainty of investors.

1.4.1 Social consensus

Ability to forge a social consensus is an important aspect ensuring a well-functioning democracy. It helps to address the most divisive matters, and, as a reflection of the democratic traditions, consensus serves as a way of mutual concessions to ensure that the interests of all major parties of the society are included in the decision-making process, particularly on the most vulnerable public issues. In his work "The Idea of an Overlapping Consensus" (1987) Rawls notes that consensus is the core principle of political liberalism, which helps different groups with different fundamental values agree on certain principles, thus maintaining the stability of basic institutions.

The absence of such a consensus on any problem at a national level, therefore, threatens to bring the political life of a country to turmoil, polarize opinions within one nation, creating a background for social unrest and thus fuel political instability.

Therefore, given the importance of presence of the social consensus in the society, I believe that it will be an important factor to complement the existing political risk methodologies.

1.4.2 New political parties and movements

The political atmosphere alike has been recently marked by the evolution of new political actors. Spanning all across the political spectrum, the new parties and movements can be primarily characterized by a common feature of anti-establishment orientation and deep opposition to the existing, more traditional political forces. Having quickly risen in popularity, these new political parties have proven to be able to push their own agenda, although not necessarily being present in government.

Successful electoral and opinion poll performance of many of the anti-establishment movements show that these parties are able to change the political disposition and affect the current course of political and economic development of the countries of Western Europe.

1.4.3 Rise of populism

Closely related to the previous factor, the rise of populist rhetoric has characterized European politics for the last few years. Catalyzed by economic distress in the European periphery, terrorist attacks and a refugee crisis, populism spurred the political rise of the right-wing anti-establishment movements and paved the way to power for some of them. At the same time, on the other side of political spectrum, unpopular austerity measures and deteriorating economic situation have assisted the popularity of leftist populists, particularly in Greece and Spain (Muddle, 2016).

One of the most striking examples is Hungary, where the government of Viktor Orban is openly set to completely reshuffle the existing liberal order by limiting the independence of the judicial system and the media (Rovny, 2016). Similarly, the Polish Law and Justice Party, currently holding the majority of the seats in both Houses of the Polish Parliament, is set to limit the power of Poland's Constitutional Tribunal, threatening to prosecute the current head judge, with little regard to the protests of the EU and the US leaders (Kelemen, 2016).

These developments, whether positive or negative for the countries themselves, pose a serious threat to the existing liberal order in the EU, thus fueling political uncertainty in these markets. Therefore, the extent of popularity of populist rhetoric should be closely examined as an aspect of uncertainty and therefore risk.

That is because populist parties often promote nationalistic, or nativist, policies which seem to discriminate against foreign companies, workers and goods. That is a problem for businesses, which moved in the 1990s and 2000s to a model based on global supply chains, giving them integrated operations in many different countries. Trade barriers would disrupt that model. Donald Trump had a populist appeal but combined it with a traditional Republican emphasis on cutting taxes for companies and the wealthy; that is why stock markets have risen since his election. But his nationalism might yet cause problems for them, if it leads to trade wars or actual conflicts. And left-wing parties, like Jeremy Corbyn's Labour in Britain, would be more openly hostile to investors; markets would be rattled if he looked close to gaining power.

1.4.4 Weak governments

Weak government coalitions or inability to form a government have been demonstrated, for example, in Belgium, where twice in last 10 years the formation of the government took more than a year, with both cases regarded to be stemming from the cultural differences of the two main groups of Belgian population, whose regions also tend to have significant differences in formations of their economies (Sciolino, 2007). Then there is the more recent example of Italy, where government instability has caused the Prime Minister Renzi to call a national referendum on constitutional reform. Should Renzi fail, however, the results can be even more troubling, bringing more market turmoil and political instability (Balmer, Ognibene, 2016).

Therefore, I believe as the nature of political risk changes, new, uncertainty-adapted factors of risk should be taken into account. The factors of (1) presence of social consensus in a society, (2) popularity of new, extreme political parties, (3) the level of populism in the political rhetoric and (4) the ability of political parties to form a strong government can further complement the existing models of quantification of political risk for the latter to become more inclusive with respect to the transforming nature of political risk.

Traditional political risks are still prevalent in developing countries when multinational corporations engage in direct overseas investment activities, while most of the emerging political risks exist in the study of investment markets in developed countries. Researchers generally believe that traditional political risks are more easily quantified Adverse, ignoring the fact that political uncertainty in emerging markets has long been much higher than in highly developed regions. In developed world markets, political uncertainty and such risks are on the rise, but in emerging economies where traditional political risks are predominant, the negative Impact of political factors on international investors has not been effectively circumvented. Moreover, with the development of economy, the structure of state power is developing and improving in these areas, which also increases the opportunities for new political risks to work. Also, the traditional Political risk, which is regarded as the main force, has not been effectively and correctively evaluated and predicted in these countries and regions with unstable political atmosphere.

Thanks to better and larger market mechanisms in developed countries and their strong global political and economic position, they have been receiving wider attention. While emerging markets are also the subject of attention, they have not been sufficiently dissected because of the size of the investments, the origins of investors, and the level of global political influence. In addition, due to the rapid changes in the market, the economic climate and political policies have no obvious laws to follow. therefore, political factors are still an important barrier for multinational corporations to explore in the overseas investment path.

Chapter 2: Methodology and data collection

Research design: Multi-Case Study

Case study method is an effective tool in qualitative researches, which aim to analyze single unit or multiple units in a given circumstance. Researchers believe that case study method usually has two directions. It answers the "why and how" questions, further more builds the theory on the basis of a great deal of evidence. Case study research means conducting an empirical investigation of a contemporary phenomenon within the natural context using multiple sources of evidence (Yin, 2003). For example, recent studies have used the case method for various different tasks, so that not only using primary data, but also combining with secondary data, such as public media texts. (e.g., Child & Tsai, 2005; Reddy, 2015a, 2015b; Halsall, 2008; Riad & Vaara, 2011; Vandenberghe, 2011; Kim & Lu, 2013; Wan & Wong, 2009; Wan, 2014). Still, there are some studies conducted case analysis based on published cases, specially a framework proposed for using teaching case studies in management research. (Conklin, 2005; Ambrosini, Bowman, and Collier, 2010). Therefore, the evidence from multiple cases is considered to be more robust.

Data sources and cases selection

Therefore, multi-case study approach is chosen to perform analysis of sampling cases. To achieve that, four published cases was chosen based on the selection rules. Qualitative researchers suggest that any study must determine a unit of analysis, which process will strengthen research purposes (Grünbaum, 2007), and the preliminary definition of the analysis unit (case) is related to the way in which the original research question was defined (Yin, 2009).

Hence, a set of criteria are defined, which a case should meet to be one of the selected sampling cases, in order to fit the research topic well.

1) The activity or transaction should be foreign direct investment including M&A, capital of interested multinational firm form home country should not be less than 25% originally;
2) The investment should happen in emerging market (host country) and be invested from emerging economy (home country);
3) Both side of cooperation or investor firms should operate well in their home country, have strong strength for both capital and management, and have no dispute with the home country's tax department, nor public scandal or illegal issue before the object investment or project overseas;
4) Both side countries should have established and kept friendly relation with each other at least 20 years before the investment or project; nevertheless, there could be institutional overlaps or/and misunderstanding or even conflict, but not in a war;
5) The investment or deal value should not be less than US$ 20 million;
6) The most important point, the investment, project or acquisition could be investment withdraw, broken or/and delayed for a long time that caused huge deal of loss of firms, or almost entirely changed and then cause the strategy failure due to the political intervention of their home governments or the political obstacles and forced regulatory by host country governments. Litigation here means the project might force to be petitioned in the sovereign court.

Cases selection

Around 20 companies fulfil these requirements, the theoretical sampling (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Pettigrew, 1990) was built with a Chinese state-owned MNC, two private MNCs and an Indian public MNC. Although a relatively small sample, it offers the option for analytical generalization.

Finally, the findings would be analysed through triangulation among the case studies, previous works, and secondary data. These processes aimed at providing internal validity.

Chapter 3: Analysis of sampling cases

3.1 Analysis of Myitsone Dam

The Myitsone Dam (Burmese: မြစ်ဆုံ တာတမံ [mjɪʔsʰòʊɴ tàtəmàɴ]; lit. the Confluence Dam) is an expansive dam and hydroelectric power improvement venture at the intersection of the Mali and N'mai streams and the wellspring of the Irawaddy River (Ayeyawady River) in (Burma). The venture is suspended so far.

In the event that the undertaking had been finished as anticipated 2017, it would have been the fifteenth biggest hydroelectric power station of the world. Myitsone dam, intended to be worked by the Upstream Ayeyawady Confluence Basin Hydropower Company, a joint wander between the China Power Investment Corporation (CPI), the Burmese Government's Ministry of Electric Power and the Asia World Company.

China Electric Power Investment Group Company (referred to as the CPI Group) is a domestic five power generation groups, one of a set of electric power, coal, Aluminum, railways, ports of each industry in one of the comprehensive Energy Group, the only country at the same time have hydropower, thermal power, nuclear power new energy assets, is one of the three national nuclear power development and construction operators.

It is expected to provide 6,000 megawatts of electricity primarily for Yunnan, China. CPI contended that China would not be the electricity's primary market and stated that Burma would have first claim on the electricity generated, with the remainder sold for export. Opponents remained sceptical.

The dam project was controversial in Burma because of its large environmental impact and the unbalanced share of electricity output between the two countries. Even government officials hold different views on this project.

On September 30, 2011, on the occasion of the country's democratic reforms, President Tain announced that the Myitsone Dam project will be suspended during his term of office, which is considered to be a reversal of authoritarian rule since the 1962 coup.

The dam project is located in Kachin State, where both the political and the military are unstable. From 1962 to 1994, the Kachin Independence Army (KIA) has been fighting the Burmese army.

3.1.1 Project process

The Myitsone Dam is part of the Confluence Region Hydropower Project (CRHP).

The Burma Electrical Power Enterprise and the Agriculture and Irrigation Ministry scheduled the Irawaddy Myitsone Dam Multipurpose Water Utilization Project in 2001. The survey phase was initiated in 2003. December 2006, the Ministry of Electric Power No. 1 and the China Power Investment Corporation signed a Memorandum of Understanding for a 6,000 megawatts project at Myitsone and a 3,400 Megawatts project at Chibwe.

The design phase began in 2007. Chinese personnel carried out geological survey near the dam site.

On 16 June 2009, Burma Ambassador Thein Lwin and President of China Power Investment Corporation Lu Qizhou signed a Memorandum of Agreement between the Department of Hydropower Implementation and the China Power Investment Corporation for the Development, Operation and Transfer of the hydropower Projects in Maykha, Malikha And Upstream of Irrawaddy-Myitsone River Basins. The official opening ceremony of the dam construction phase was held on December 21.

Economics

The majority of total US$3.6 billion cost was to be covered by the China Power Investment Corporation in a joint venture with the Ministry of Electric Power No.1 of Burma and the Asia World Company. The Burmese government would get ten percent of the electricity generated and fifteen percent of the project shares for land use. After a fifty-year period, the government would totally own the project. However, the government economic calculations have been criticized for not considering potential environmental and societal impacts.

Oppositions

The growing Chinese influence in Burma is seen as exploitative by Burmese people, due to its association with previous military junta.

On the other hand, local villages have opposed the project since its proposal in 2001. According to the environmental organization International Rivers based in the US, in 2007, 12 local leaders from Kachin State sent a letter to Senior General Than Shwe and the junta's Ministry of Electric Power, asking for the project to be cancelled. The Burma Rivers Network also sent a letter to the Chinese government asking Chinese companies operating in Burma to conduct environmental and social impact assessments, to release information publicly, and to consider opinions of affected communities in the decision-making process. In addition, the BANCA (Biodiversity And Nature Conservation Association) carried out an environmental impact analysis at a cost of $1.25 million and stated that Myitsone Dam Project was started only when the government had studied the possible environmental impacts.

Outside Burma, activists in exile have actively carried out protests in various countries. In February 2010, the UK-based Kachin National Organization (KNO) protested against construction of the dam in front of the Burmese Embassies in the UK, Japan, Australia, and the United States. Leaked United States diplomatic cables by Wikileak revealed that U.S. embassy in Yangon funded some of the activist groups.

Conflicts have been broken out between Kachin Independence Army and Burmese military over the dam issue since June 2011. On April 17, 2010, three bombs detonated near the site of dam, purportedly killing four Chinese laborers.

Local crusades against the task are united by political activists including Nobel peace prize laureate Aung San Suu Kyi who called for reconsideration, protectionists, citizens. Neighbourhood media straightforwardly reprimanded the absence of straightforwardness in dam venture. Columnists contended that the arrangement was concurred by past government without thinking about popular conclusions.

Regardless of the resistance, Minister Zaw Min for the Ministry of Electric Power reacted to the press that the administration would proceed with this undertaking up to the consummation. However, he surrendered that in September 2011 in spite of guaranteed profits by the venture, it might be suitable to limit the natural effects. He likewise concurred that official choice ought to rely upon nature affect appraisal.

Suspension

On 30 September 2011, in a deliver to the parliament, Burma's leader Thein Sein declared that the Myitsone Dam undertaking would be stopped when the period he is on charge.

The action was all around acclaimed by environmentalists, political activists and locals. It is considered as "a rare reversal" in that out of the blue, the administration had tuned in to the general population in face of open restriction. Western countries led by the European Union and the United States support the decision.

Accordingly, Chinese Foreign Ministry representative Hong Lei expressed that the Chinese government has encouraged the Burmese government to ensure the lawful and real rights and interests of Chinese organizations. He reminded that the Myitsone Dam is a together contributed venture amongst China and Burma, and one that has been altogether analysed by the two sides. He likewise affirmed that the issues would be settled through neighbourly conference. The leader of CPI, Lu Qizhou, has cautioned that an end in development could prompt legitimate activity.

Aftermath

On 2 April 2012, Weekly Eleven news, a private Burmese news diary, broke news of progressing exercises by CPI and Asia World on the Myitsone venture site.In March 2012, villagers who had been ousted from the dam work site in 2009 to 2010 and had come back to recover their unique homes, were persuasively expelled by the Burmese armed force. Around the same time, the People's Republic of China evacuated every single taking part unit and gear.

1.1.1 Analysis of reasons behind the unsuccessful investment

Influence on local conflicts

In the complicated northern province of Burma, ethnic armed forces and government forces are actually in a place where the Cold War and the hot war are intertwined. The protests made in the name of the local people are usually only for the private interests of politicians, tribal leaders, and local warlords. The ethnic groups in the upper reaches constantly harassed them and forced their young men into the army. The downstream Burma government used their names to exert pressure on Chinese companies to make more demands.

One of the main reasons that the project suffered a strong opposition from Kachin would be that the elevation of water in the construction of the Myitsone Reservoir area will inundate the area of more than 300 square kilometres of land. The completion of the dam will flood out some areas of the Kachin Independence Army in the upper reaches of the area to compress the strategic space for confrontation with the Burma government.

International competition

Multinational power companies including China, Japan, Thailand, and India are trying to seize Burma’s electricity market. Japan is increasing its layout of Burma Power.

In October this year, "Nihon Keizai Shimbun" reported that the Japanese government will start a policy dialogue with Burma on the energy sector to provide recommendations for Burma to formulate its energy strategy and improve necessary laws and regulations, and help them implement policies. The purpose of this move is to facilitate the entry of infrastructure-related companies in Japan to improve the relevant environment. In terms of providing Japanese yen loans, Japan formally decided to provide a total of approximately 100 billion yen to be used for the renovation of the Rangoon Loop Railway and power equipment.

"This policy dialogue is also intended to counter China," the report said.

“Japan’s non-governmental organizations have done many projects in Burma that are close to people’s livelihoods, such as the transformation of rural power grids, the donation of solar panels in remote areas, the purification of drinking water, the repair of rural roads, etc.” Observers said, “These projects have brought a lot of people’s hearts. He believes that although Chinese companies have similar work when they start their work, they need to rely on private institutions that are trustworthy as companies are weak.

In February this year, Deputy Minister of Electricity Wu Nang Danwu announced that the Ministry of Power will implement power-related facilities with the help of Japan International Cooperation Agency (JICA) and finalize the major power generation plan on this matter.

It is the lack of a fair public opinion environment for Chinese overseas companies. In Burma, several highly influential media are controlled by Japan. No matter what Chinese companies do, they will not receive positive reports. Most Christian churches in the mountains have long been sponsored and influenced by the

United States. In fact, there are rumors that the Myitsone Reservoir will cause environmental disasters and they are related to them.

The United States and Japan support or have a variety of religions in Burma. There are thousands of non-governmental organizations. The problem of the image of Chinese overseas companies is, to a large extent, a matter of the lack of discourse power.

1.2 Analysis of case Dragon Mart Cancún

The earliest reports of Dragon Mart Cancún project can be traced back to October 2010, Hao Feng, chairman of the China Middle East Investment and Trade Promotion Center, visited Mexico on related cooperation issues with the Quintana Roo and the Yucatán state governments. On February 27, 2011, Chairman Hao Feng visited Quintana Roo again and reached consensus with Mexico side on the joint development of the Dragon Mart Cancún project. On February 27, 2011, Chairman Hao Feng visited Quintana Roo again and reached consensus with Mexico on the joint development of the Dragon Mart Cancún project. This project is the largest economic and trade platform for Chinese companies to cooperate and build overseas after the Dragon Mart in Dubai. It is a private investment project that is jointly developed by Chinese and Mexican investors. The Chinese investment company is the China Middle East Investment Promotion Center, and the Mexican partner is Monterrey-Cancún Mart S.A de C.V, a privately-owned, variable-capital-holding company, a new company from Nuevo León State. The two sides co-founded Real Estate Dragon Mart Cancún (S.A de C.V), which is also a privately-owned, variable-capital-holding company.

According to the initial planning of the project, Dragon Mart Cancún is positioned as a large-scale trade platform integrating display, retail, wholesale, and warehousing of Chinese products. It mainly sells ten types of products including building materials, hardware, electronic appliances and medical equipment. The initial investment is 150 million U.S. dollars, and the total area is 561.37 hectares. The initial planning is 84 hectares, and 4,000 residential houses will be built for 2,500 Chinese merchants. In an interview with the reporter, Chairman Hao Feng said that the development of the Dragon Mart Cancún project is intended to provide Chinese companies with a platform to explore the Latin American market and promote Chinese enterprises to enter Latin America directly. For Mexico, after the completion of this project, it will also bring 5000 direct jobs to the local area.

On March 22, 2011, the Dragon Mart Cancún project was officially opened in Quintana Roo. In September of the same year, the Foreign Trade Development Bureau of the Ministry of Commerce issued a document announcing that it will hold the "Mexico (Cancún) China Commodity Exhibition", located in Dragon Mart, Cancún, Mexico. The organizer is the Foreign Trade Development Bureau. The sponsors are China Middle East Investment Promotion Center and Urban Development (Beijing) Investment Co., Ltd. The project began formal implementation.

1.2.1 Project process

(I) From the announcement of the project (March 22, 2011) to the restart of the project (June 14, 2012)

As the project has not yet implemented a clear implementation plan, Mexico is basically in a wait-and-see mode with only the mainstream financial newspaper "Economist" (El Economista) has reported. In addition, BDO's "International Trade Briefing" also talked about the difficulties encountered by the Dragon Mart Cancún project in Mexico: Shoe merchants, toy manufacturers and the textile industry are considered to be the main forces opposing the project.

According to the data released by the Mexican Bureau of Statistics in the third quarter of 2011, the total value of the textile manufacturing industry's GDP accounted for 4.4% of Mexico's GDP. The clothing industry also provided 308,88,000 formal jobs and 300,000 informal jobs. The Dragon Mart Cancún and its possible Chinese textiles pose challenges to the Mexican textile industry in terms of manufacturing and sales. Enterprises in these fields naturally become the most direct opponents of the Dragon Mart project.

For this reason, after the reopening of the Dragon Mart project, the investor made more than a dozen concessions compared to previous plans, including: the developer promised not to sell shoes, clothing, toys, cement and other products; the project investment increased to 200 million U.S. dollars, the number of Chinese commercial houses to be built has decreased from 4,000 to 1,265. Although the project had been adjusted, the opposition in Mexico had not weakened. On the contrary, due to a clear plan, various forces had joined the ranks of opposition, and there had been a complete opposition to the Dragon Mart project.

(II) From the restart of the project to the submission of project start permit application (February 22, 2013)

At this stage, the Dragon Mart Cancún project won approval from the environmental department. On September 6, 2012, the Quintana Roo State Environment and Resources Bureau approved the environmental assessment report for the Dragon Mart project. On November 26th of the same year, the Federal Office of the Environment Prosecutor issued a non-violation resolution after reviewing the project, and the project's environmental approval process was approved. At the same time, all sectors of Mexican society also expressed concern about the project. Twenty-five economic associations, including the Industry Federation, Commerce, Service Industry, and Tourism Federation, expressed their concern over the implementation of the project. The non-governmental organization Environmental Rights Center of Mexico, the voice of Puerto Morelos, etc., oppose the implementation of this project. The neighboring six states, such as Tabasco, Veracruz, and other state governments also broke previous silence and publicly expressed their disapproval of the introduction of the project. Julián Ricalde Magana, the then mayor of the city of Benito Juarez where Dragon Mart was located, even bluntly stated that during his tenure he would not issue work permits to the Dragon Mart project. Under such a pressure, the Dragon Mart project had to make adjustments:

(1) The Chinese capital was reduced from the original 40% to 10%;

(2) The number of dwellings has been reduced to approximately 720;

(3) The source of exhibitors extends from China and Mexico to ten countries including Brazil, Canada and South Korea;

(4) Dragon Mart set up the Mexico Pavilion in the main exhibition area and once again reiterated that it does not involve in the field of clothing and shoes.

After this adjustment, the Dragon Mart project submitted a construction permit application to the municipal government of Benito Juarez on February 22, 2013. Afterwards, the dispute in Dragon Mart Cancún has cooled.

(III) Submission of Start-up Permits from Dragon Mart Cancún Project to Official Launch of the Project (November 27, 2013)

During this period, the number of opponents of the project has been greatly reduced. The main opponents are the municipal government of Benito Juarez, Mexico's domestic environmental non-governmental organization and the opposition Democratic Revolutionary Party. On March 25, 2013, Mexico’s State Administration of Cultural Heritage announced that no traces of historical sites had been found on the El Tucán plot where the Dragon Mart Cancún project is located. The key to whether the project can be started was whether they municipal government issues permits to start construction.

The city government of Benito Juarez set up a project evaluation committee on February 25th 2013, the first working day after receiving the application for the Dragon Mart project. The evaluation committee was scheduled to give its assessment on 20th and the city government will make a decision on 10th thereafter. In fact, there is no need to form such an evaluation committee for a general project application. The project only has to submit an application to the city development agency, while large projects will receive permission to start work within 15^{th} and other projects will receive permission to start work on 3^{rd}. Due to the social controversy, the city government decided to set up an evaluation committee by administrative decision to listen to the opinions of all parties. The Commission is a temporary body, does not have the right to decide. It has a total of 13 members and consists of representatives from six parties.

On March 18^{th} 2013, the committee voted on whether to grant permission to start the Dragon Mart Cancún project, with seven out of 13 members supporting the project and six against it. The opponents are: Mexican Center for Environmental Rights, Porto Morelos Solidarity, Green Center, Cancún Institute of Architects, Cancún founder and Citizen Advisory Council of Benito Juarez. According to the rules, the city government is supposed to make a decision by April 5th, but the city government of Benito Juarez remained silent after this deadline. As a last resort, the Dragon Mart Project filed an arbitration application with the Quintana Roo High Court on April 21^{st} 2013.

On the first day that the arbitration application was accepted by the court, on April 22^{nd} 2013, the city government ruled against granting permission to start work on the Dragon Mart project in Cancún on the grounds that the building density exceeded the prescribed limit. And the two environmental assessment reports submitted from time to time are inconsistent. A month later, the city government announced a fine of 2 million Mexican pesos for the Dragon Mart project, claiming that landowners had damaged 87 hectares of vegetation in El Tucán.

Until August 26th 2013, the Quintana Roo State High Court ruled in favour of the plaintiff, Dragon Mart Industries, confirming that the defendant, Benito Juarez, had exceeded the time limit for the trial. The city government was required to issue permission to start the project before it was approved. In September 10^{th} 2013, the city government of Benito Juarez granted permission to start the Dragon Mart project in Cancun; in November 27th 2013, the project was officially started. However, the start of the project does not mean that the social disputes of the project have been subsided. The opposition parties and environmental NGOs were still seeking various ways to stop the project. The project had entered the fourth stage.

(IV) from the start of the Dragon Mart project to the termination of the project by the Government of Mexico January 26th 2015)

Mexico's "Basic Law on Ecological Balance and Environmental Protection", 6th, Chapter 7th, establishes the "Denuncia Popular" system, any individual, social group, NGOs and associations are able to report environmental damage caused by acts or omissions to the Federal Office of the Environmental Prosecutor or other government agencies. Once the federal environmental prosecutor's office receives a complaint, it should file a case for verification. This system is designed to protect citizens' environmental rights.

On October 1st 2013, the opposition National Action Party Senator Daniel vila Ruiz filed a civil complaint on the Dragon Mart Cancún project with the Federal Environmental Prosecutor's Office, which filed a case on October 15th. Since then, NGOs such as the Mexican Center for Environmental Rights had filed citizen complaints related to the Dragon Mart Cancún project. However, the federal environmental prosecutor's office has not responded more to the citizens' complaints. On December of the same year, Daniel Avila and the Center for Environmental Rights filed a petition with the Federal District Court. Sue federal environmental prosecutor's office and its representative in Quintana Roo for malfeasance. The court ruled on February 2014 that the federal environmental prosecutor's office had lost the case. The federal environmental prosecutor's office then re-checked the site of the Dragon Mart project on March 2014.

After two months of deliberation, on May 13th 2014, the Federal Environmental Prosecutor's Office overturned a previous ruling that the Dragon Mart Cancún project was in compliance with the regulations, saying that the change of forest land in Dragon Mart 's location required the approval of the Ministry of Environment and Resources Protection. The Dragon Mart project had only the approval of the Quintana Roo State Environment Department, so the project must be suspended or terminated. In August 14th, the federal environmental prosecutor's office fined Dragon Mart more than 7 million Mexican pesos for destroying the land's vegetation without federal authorization. In September 12th, the federal environmental prosecutor's office imposed an additional fine of more than 14 million pesos on the Dragon Mart project, adding up to a total of nearly 22 million pesos. The Dragon Mart Cancún Industrial Company filed a lawsuit in court that month, demanding that the penalty decision be annulled. The court issued its judgment on January 8th 2015, and Dragon Mart Cancún Industrial Company lost the case.

In January 26th 2015, the federal environmental prosecutor office decided to terminate the implementation of the Dragon Mart project on the grounds of not paying the fine of Dragon Mart industrial company, lacking the approval of the federal environmental department and destroying the environment of Dragon Mart plot, and Dragon Mart project ran aground.

1.2.2 Analysis of reasons behind the unsuccessful investment

(1) Land Purchase. According to Mexican law, a joint venture with a Mexican national must be used to purchase land in Mexico, and Mexicans must account for 51% of the amount of land purchased. Since the Cancun Dragon Mart project involves land transactions, the investment share of China and Mexico needs to be clarified. At the time of the project's inauguration, no relevant information was disclosed.

(2) Planned Land Use Permits. In Mexico, the use of land by companies must comply with the land planning of the municipality where the project is located. The

Cancun Dragon Mart Project is located in Benito Juárez, Quintana Roo. To get the project Approved, it is necessary to submit a construction application to the municipal government. At the opening of the Dragon Mart project, the local government has not yet the project made a statement.

Unlike project expectations, the implementation of the project is fraught with setbacks. On the one hand, the approval process for large-scale projects in Mexico itself is more complicated, and Chinese companies are obviously under-prepared; on the other hand, Mexico does not welcome this project. On the contrary, various opposition voices have been heard. This has also affected the approval, start-up process and final implementation of the project. Undoubtedly, the twists and turns and controversies encountered in the Cancun Dragon Mart project are worth pondering.

Supporters and investors of the Dragon Mart project are inextricably linked to former president Fox: project leader Juan Carlos once served as a customs official during Fox's administration and was also Fox's son.

In contrast, the opponents of the project include the Democratic Revolutionary Party, economic associations, environmental non-governmental organizations, and state governments that are adjacent to Golden State. Economic associations are closely related to the current government.

1.3 Analysis of case Colombo Port City

Colombo port city, located in Colombo CBD core, the Hilton Hotel and other landmarks right close connected. Known as the city of the future, Colombo Port City was jointly developed by China Communications Construction and the National Port Authority of Sri Lanka.

The company was established in mainland China in 2005 from the merger of China Harbour Engineering Company Group and China Road and Bridge Group. The company is engaged in the construction and design of transportation infrastructure dredging and port machinery manufacturing business. It is the largest port construction and design company in China, the largest dredging company in China and the third largest in the world.

Key functions of Sri Lanka Port Authority are Formulation, Implementation and Monitoring of policies on ports sectors co-ordination and supervision of Ports Development Formulation, Implementation and monitoring of policies on improvement and development of Shipping Services. Co-ordination and supervision of Shipping Development.

The project planned scale exceeds 5.3 million square meters, including 276 hectares of land reclamation planned to be completed in three years. It is planned to initially form a scale from 5 to 8 years, and all construction will be completed between 20 and 25 years. The project started on September 17, 2014.

The project includes reclamation near the port of the capital, Colombo, and construction of a port city with golf courses, hotels, shopping centers, water sports areas, apartments and marinas. According to the agreement, the 108 hectares of land after the land reclamation will be owned by China Communications Construction Co., Ltd. (CCCC), of which 20 hectares of land will be completely owned and the Sri Lanka Port Authority will have the remaining 125 hectares of land ownership, but the development company has 99 lease leases.

1.3.1 Project process

Construction suspension

On March 5, 2015, the Sri Lankan government stated that Sri Lanka has decided to suspend the construction of the Port City Colombo project that was invested and constructed by Chinese companies. Earlier, Sri Lankan Prime Minister Ranil Wick remasing he asked to investigate the project and conduct further assessments.

Negotiations

On March 7, 2015, the Chinese Embassy in Sri Lanka announced that the Chinese ambassador to Sri Lanka, Yi Xianliang, had met with Sri Lankan Prime Minister Vikram Masinha and Foreign Minister Samara Villa respectively on March 5 and 6, 2015. The Chinese side made representations on Sri Lanka's suspension of the Chinese company's investment in the Colombo Port City project and requested that Sri Lanka cherish the results of the mutually beneficial cooperation between China and Sri Lanka, respect the seriousness of bilateral agreements and commercial contracts, and earnestly safeguard the legitimate rights and interests of Chinese investors.

Abandonment of claim

Due to the sluggish export trade in Sri Lanka, the stagnation of foreign investment, and the high level of debt left by the former government, Sri Lanka had to announce the restart of the Port of Colombo City project in early 2016 and hoped that Chinese capital would increase investment in Sri Lanka's infrastructure.

On August 2, 2016, the Sri Lankan government announced that it had reached an agreement with China Harbour City Corporation to invest in the project of the port city of Colombo, which abandoned the claims of the Sri Lankan government due to project suspension. The Sri Lankan government allocated another 2 hectares of land to Chinese companies as Compensation. Reuters said on August 2, 2016 that, to date, the Chinese company will account for at least 110 hectares of the 269 hectares of land that have been reclaimed from the Port City project. The total investment in the Port City project is about US$1.4 billion. After the new government took office in March last year and required a stoppage of work, Chinese companies submitted claims for compensation of US$140 million.

In addition, the Sri Lankan government also decided that the land allocated to the Chinese side of the project will be changed to lease for 99 years, and the 20-hectare land in the previous agreement will be part of China's permanent property rights.

The timeline of the Colombo Port City Project

Table 5.1 The timeline of the Colombo Port City Project

Date	Event
11 November 2013	China Transportation Construction Group and Sri Lanka Investment Authority signed a port city investment agreement in Colombo.
17 September 2014	The project officially started
21 November 2014	21 November: Sri Lanka Freedom Party general secretary Maithripala Sirisena defects to the opposition and announces he would run against Mahinda Rajapaksa in the coming election.
9 January 2015	Maithripala Sirsena is sworn in as Sri Lanka's sixth executive president, and seventh overall.
4 March 2015	The Minister of Investment Promotion of Sri Lanka, Kabir Hashim, told the media that there were allegations that the former government was suspected of evading local laws and avoiding related environmental requirements in some projects including the Port City project.
5 March 2015	The Sri Lankan government stated that it decided to suspend the construction of the Colombo Port City project.
26 March 2015	Sirisena made a state visit to China, he told Xi Jinping, the situation Colombo port city appeared to be temporary, short-term, the problem is not the Chinese side.
March 2016	Sri Lanka stated that the Colombo Port City project has met the conditions for restoration of construction.
April 2016	Samara Viclamar confirmed that the China Communications Industry Corporation has indeed filed a claim and the Sri Lankan government is negotiating with it.
2 August 2016	The Sri Lankan government announced that it has reached an agreement with China Harbour City Corporation, which has invested in the project of the port city of Colombo, which abandoned the claims of the Sri Lankan government due to project suspension. The Sri Lankan government allocated another 2 hectares of land to Chinese companies as compensation.

1.3.2 Analysis of reasons behind the unsuccessful investment

The decision made by the Sri Lankan government is based on the results of the survey. Ajit Pereira, Deputy Minister of the Ministry of Foreign Affairs of Sri Lanka, said that after comprehensive consideration, Sri Lanka decided to suspend construction of the Port City project temporarily. The Minister of Investment Promotion of Sri Lanka, Kabir Hashem, told the media on March 4, 2015 that there were allegations that the former government was suspected of evading local laws and avoiding related environmental requirements on some projects including the Port City project.

The Sri Lankan government has conducted a comprehensive review of some of the projects approved by the previous government. Not only has the Chinese project been affected, but a number of projects in countries including Australia, Iran, and Sri Lanka have also been suspended or even cancelled.

In January 2015, former President Rajapaksa who had strongly supported the project was re-elected to lose his re-election. The opposition accused him of over-reliance on China and deserted India, another big country in the region. The new president Sirisena after taking office shortly halt the project, were the reason given are environmental protection and the accounts of other unclear reasons. However, observers generally believed that this was a gesture that Sirisena had shown to India. Subsequently, China Communications Construction Co., Ltd. was assessed that as the project was set aside as much as 380,000 U.S. dollars per day, it made a claim of approximately 140 million U.S. dollars to the Sri Lankan government.

A spokesperson for the government said that this decision was mainly due to "India's opposition to Sri Lanka's granting of freehold land near the port of Colombo in China."

Sri Lanka's Daily Mirror reported that Sri Lankan government spokesman Senalatine told the media on August 2 that due to pressure from India, The Sri Lankan government has had to revise its agreement with Chinese investors on the Colombo Port City project invested by China.

It was the first time the Sri Lankan government has publicly acknowledged that the project was halted for a year by the new president, Sirisena, because of pressure from India. Although there are some objections to the project in Sri Lanka, the Indian government warned Sri Lanka that once the project is completed, Sri Lanka's sovereignty will be put on a big question mark.

Since 2016, the economic situation in Sri Lanka has continued to decline. The government hopes that the injection of foreign capital will play a key role in the recovery of its economy. In addition to restarting the Port City project in Colombo, Sri Lanka also hopes that Chinese companies will take over the airport and port of Hambantota in the south. Sri Lanka hopes that Chinese companies will build a free economic zone here. In order to balance the domestic pro-Indian people, Sri Lanka has also thrown an olive branch to India and hopes that India will establish a similar special economic zone near Jaffna in northern Sri Lanka.

1.4 Analysis of case Bharti Airtel - MTN Group

1.4.1 Project process

First talk

Bharti Airtel Limited is an Indian global telecommunications services company, operates in 16 countries across South Asia and Africa, based in New Delhi, India. It started in 1984 from making fax machines, cordless phones and other telecom gears. Nowadays, Airtel India is the largest provider of mobile telephony and second largest provider of fixed telephony in India, and also a provider of broadband and subscription television services. It offers its telecom services under the airtel brand, and it’s headed by Sunil Bharti Mittal.

MTN Group is a South Africa-based multinational mobile telecommunications company, operating in many African, European and Asian countries. Its head office is in Johannesburg. As of 30 June 2016, MTN recorded 232,6 million subscribers across its operations. Although MTN operates in over 20 countries, one-third of its revenues come from Nigeria, where it holds about 35% market share.

In May 2008, it emerged that Airtel was exploring the possibility of buying the MTN Group, a South Africa-based telecommunications company with operations in 21 countries in Africa and the Middle East. The Financial Times reported that Bharti was considering offering US$45 billion for a 100% stake in MTN, which would be the largest overseas acquisition ever by an Indian firm. However, both sides emphasised the tentative nature of the talks. The Economist magazine noted, "If anything, Bharti would be marrying up", as MTN had more subscribers, higher revenues and broader geographic coverage. However, the talks fell apart as MTN Group tried to reverse the negotiations by making Bharti almost a subsidiary of the new company.

In May 2009, Airtel confirmed that it was again in talks with MTN and both companies agreed to discuss the potential transaction exclusively by 31 July 2009. Airtel said “Bharti Airtel Ltd is pleased to announce that it has renewed its effort for a significant partnership with MTN Group”. The exclusivity period was extended twice up to 30 September 2009. Talks eventually ended without agreement.

A solution was proposed where the new company would be listed on 2 stock exchanges, one in South Africa and one in India. However, dual-listing of companies is not permitted by Indian law.

Bharti was in talks over a $2bn loan early– ostensibly to sweeten the cash component of its offer. Indian rules limiting foreign ownership mean MTN and its shareholders would be in line to receive non-voting global depositary receipts amounting to 36 per cent of Bharti, along with cash – hardly an alluring prospect given GDRs’ relatively illiquid trading compared with ordinary shares. Sunil Bharti Mittal, Bharti's chairman, should also consider raising his offer price, but only in return for tighter integration of management teams. The history of cross-border telecoms mergers suggests that current plans to keep management separate while sharing best practices risk ending with a faulty connection.

Second talks

The second merger attempt by Bharti Airtel Ltd and MTN Group Ltd ended in failure after the South African government rejected the union, dealing a blow to Sunil Mittal's ambition of creating an emerging markets telecom giant with 200 million subscribers and $20 billion in revenue.

Ultimately, the tie-up was derailed by the South African and Indian governments, people on both sides of the transaction said.

It was the second time that MTN, South Africa's flagship phone company, and Bharti, India's largest mobile company, had come close to a deal and then called it off.

Valued at $24 billion, the deal would have been 2009's largest cross-border transaction, helping the two companies slash costs and better tackle competition in India, the world's fastest growing wireless market, and Africa from rivals such as Vodafone.

A combined entity would have been the third-biggest mobile operator based on subscribers, behind China Mobile and Vodafone, although its annual sales of $20 billion would be dwarfed by China Mobile's $60 billion and Vodafone's $65 billion.

The timeline of the Negotiation between Bharti-MTN

Table 5.2 The timeline of the Negotiation between Bharti-MTN

Date	Event
May 5, 2008	It emerged that Bharti Airtel, an India-based telecommunications company, was exploring the

	possibility of buying MTN Group. MTN says it is in talks with Bharti Airtel.
May 24, 2008	Bharti said that it has ended talks with MTN. The reason told was failing to agree on which firm will control a combined entity.
May 26, 2008	Reliance Communications comes into the scene. Reliance said that It has started a 45-day exclusive talks with MTN to discuss potential combination of their businesses.
July 2008	The talks were extended by two weeks in July 2008. The Talks were called off later in July.
May 25, 2009	Another announcement by Bharti and MTN to revive the merger talks.
May 27, 2009	MTN's 4 top shareholder said that they will reject the tie-up. However, on a day after MTN's no. 2 shareholder Lebanon's Mikati family said that It will support merger talks with Bharti.
July 3, 2009	State Bank of India offered a loan of up to $1 billion to Bharti to partly fund the Bharti's planned deal. SEBI said that MTN and its shareholders can buy 36 per cent in Bharti Airtel via GDRs (Global Depository Receipts), without triggering a mandatory open offer.
14 July, 2009	Sunil Mittal said that Standard Chartered is advising Bharti in the merger talks with MTN. Talks were extended.
August 3, 2009	Talks were extended till August 31, 2009. As per the proposal, Bharti would acquire 49 per cent shareholding in MTN and in turn MTN and its shareholders would acquire about 36 per cent economic interest in the Indian firm.
August 20, 2009	Bharti Airtel and South Africa's MTN once again extended their talks till Sep 30, 2009 with no final pact in sight even as the revised deadline of Aug 31.
September 30, 2009	Bharti Airtel of India and MTN Group of South Africa called off a $24 billion deal after four months of intensive talks.

1.4.2 Analysis of reasons behind the unsuccessful investment

South Africa's determination to retain MTN's character as a home-grown company and as an emblem of the nation's successful evolution from the apartheid era.

India's inability to allow dual listing of a merged entity that may have addressed South African concerns.

The Indian regulator's recent rule change on global depository receipts (GDRs) that may have forced MTN into unexpected additional expenditure on making an open offer for Bharti shares.

MTN's minority shareholders may have preferred cash to GDRs as the security represents foreign ownership in South Africa. That would have meant investors selling other assets to comply with limits.

South African communications minister Siphiwe Nyanda said before the announcement that MTN should remain a domestic company. "It would be sad if we saw this entity move into the hands and management of foreign nationals," Nyanda, a member of President Jacob Zuma's four-month-old cabinet, told reporters in Johannesburg. "Its management must remain South African."

Besides, South Africa's national treasury said the proposed merger required certain exchange control and other approvals.

"The broad structure discussed by the two sides had taken into account the sensibilities and sensitivities of both companies and both their countries," it went on. "Bharti and MTN are national champions and the proposed deal structure took into account their leadership in their respective geographies to ensure continuity of business—including listing, tax residencies, management, brand etc."

Talks between Bharti Airtel and MTN Group to create the world's third-largest mobile operator collapsed for the second time in just over a year on Wednesday over South Africa's reluctance to allow a flagship corporate to lose its national character.

Bharti, India’s largest mobile operator, blamed the South African government for the breakdown in the planned $24 billion deal which faced close scrutiny from regulators and politicians. The transaction could have led to a full-blown merger.

South Africa was eager to retain MTN’s local management and homegrown character and had approached Indian authorities to consider a dual-listed entity, a structure Indian law does not allow.

The two groups were not able to conclude a deal within the economic, legal and regulatory framework in which both operated.

“In principle, the South African government is supportive of local companies that want to grow and diversify offshore from a domestic base,” the Treasury said.

“We stand by our previous view that there has not been any undue influence from the left around this deal and the government’s demands were not unreasonable given Bharti did not propose to have majority ownership,” said Peter Attard-Montalto, Emerging Markets Economist at Nomura International in London.

Under the initial terms outlined in May, MTN and its shareholders would take a 36 percent economic interest in Bharti which end up with 49 percent of MTN.

The deal would have given both exposure to new markets ripe for growth, while a full merger, the eventual aim of the talks, would yield cost savings, allow for technology sharing, and provide financial muscle for more expansion, analysts say.

India’s capital markets regulator last week altered the country’s takeover rules, requiring a company that acquired 15 percent of an Indian firm through American depositary receipts (ADRs) or Global Depositary Receipts (GDRs) with voting rights to make a mandatory offer for a further 20 percent.

Indian governments in emerging markets and global development groups lately have been trumpeting the benefits of more “South-South” trade, or economic activity between developing countries, as a way to ease poverty and encourage growth.

But as the collapse this week of a planned India-South Africa deal to create a low-cost telecommunications giant showed, that is often easier said than done. Striking such agreements can be difficult because of immature capital markets and of hands-on government officials, who often keep a tighter rein on corporations than do their counterparts in developed economies.

The combination of two emerging market giants serving cost-conscious customers in South Asia, Africa and the Middle East made sense on paper. Moreover, the Bharti-MTN deal was heralded as a way to counterbalance China's growing influence in both sub-Saharan Africa and South Asia. China recently passed the United States as the largest export destination for South African goods and became South Africa's largest trading partner, according to South Africa's Department of Trade and Industry.

But the protracted negotiations between the two companies was an indication that managing a combined firm would not be easy, analysts said.

"The deal was pretty much through from the companies' perspective, but the governments could not see eye to eye," said Kamlesh Bhatia, a principal research analyst with the consulting firm Gartner. Heavy government intervention had not been anticipated because both companies are publicly traded and controlled by investors.

But the South African government, under Jacob G. Zuma, who became president in May, has been jockeying to maintain and create national corporate icons, say bankers who do deals in the country.

In this instance, the government pushed for MTN Group, a mobile and fixed-line phone company with more than 100 million subscribers, to maintain a listing in Johannesburg as well as on India's exchange in Mumbai. Such a dual listing would have been against Indian rules.

The government also seemed eager to maintain MTN's local character. Speaking about MTN early Wednesday, South Africa's communications minister, Siphiwe Nyanda, said: "It would be sad if we saw this entity move into the hands and management of foreign nationals."

India's financial regulators were also inflexible. They were not immediately willing to change rules about dual listings, said people involved, even though India plans to allow companies to list at home and overseas eventually. Regulators and finance officials from South Africa visited India last week, but the two sides could not reach a compromise.

Bharti blamed the South African government for the deal's collapse. "This structure needed an approval from the government of South Africa, which has expressed its inability to accept it in the current form," the company said in a statement.

Economies in South Asia restrict foreign ownership in the primary sector more than do most other regions. Many service sectors— including telecommunications and electricity—have fewer restrictions on foreign equity participation than in other regions. India is the only country in the region with restrictions on foreign ownership in telecommunications. Foreign capital participation in insurance is limited to 26% in India. In general, India has the most restrictions on foreign equity ownership in South Asia.

Cross-analysis of sampling cases

In multi-case research design, cross-case analysis is one of the most important tasks that aimed at presenting various case issues across cases, which enhances the understanding and research learning (Table 6.1). The cross-case analysis presents discussions for various reasons such as (a) characteristics of the investor and target/joint firms, (b) typical attributes of the deal, (c) determinants of the deal (firm- and country-specific attributes), (d) understanding and learning, and (e) recommendations for host country and multinational managers. Furthermore, this article also outlines common findings across cases for diverse causes accountable for firm- and country-specific determinants.

A careful examination of the outcomes of the failures cases and its major reasons is necessary to understand how risks of these sort can be mitigated in the future. I believe that analysing the four cases will be helpful in determining how these events are fuelling the political uncertainty, and how political factors influence outcomes during the implement of overseas investment.

Table 3.1 Cross-cases Analysis of Sampling Cases

Table 3.1 Cross-cases Analysis of Sampling Cases

Determinant	*Description*	*Myitsone Dam*	*Dragon Mart Cancun*	*Colombo Port City*	*Bharti Airtel - MTN*
A. Characteristics of the investor and partner/target firms or organizations					
Definition of the project	Successful, delayed and then completed, or broken	Suspension	Broken after a successful deal.	Delayed, but later completed	Unsuccessful cross-border negotiations
Ind ustry type	Industry or field of investment	Energy, hydraulic electro-generating	Commerce, Service , Real Estate	Sea Reclamation, Real Estate,	Telecommunication
Classification of the project	FDI, merger,	Green field FDI, Design & Construction	Green field FDI	Green field FDI	Merger
Continental/region of the investor	It refers to the geography of the participating party	China & south-east Asia	China & Latin America	China & south Asia	Africa & Asia
Target / Joint	It refers to the geography of the participating party	South-east Asia & China	Latin America & China	South Asia & China	Asia & Africa
Title of the investor	Registered name of the firm	China Power Investment Corporation (CPI)	China Middle East Investment & Trade Promotion Centre Ltd	China Communications Construction Co., Ltd	MTN Group Limited and Bharti Airtel Ltd
Target / Joint	Registered name of the firm	Upstream Ayeyawady Confluence Basin Hydropower Company, joint by the Burmese Government's Ministry of	Monterrey-Cancún Mart S.A de C.V	National Port Authority of Sri Lanka	Bharti Airtel Ltd and MTN Group Limited

		Electric Power, Asia World Company Ltd			
Business profile of the investor	Nature of the business operations	Comprehensive Energy Group	Service Company Event Management, Conference & Seminar Organising, Exhibition & Trade Show Organising, Press & PR Activities Organising	Publicly-traded, multinational engineering and construction company primarily engaged in the design, construction and operation of infrastructure assets	Diversified business group and Telecommunications
Target / Joint	Nature of the business operations	Government's Ministry of Electric Power, Diversified group with its core business in the infrastructure sector	Real-Estate	State-owned operator of major commercial ports	Telecommunications and Diversified business group
H.Q/country of the investor	Registered headquarters of the firm	Beijing/China	Xicheng/China	Beijing/China	Johannesburg/South Africa and New Delhi/India
Target / Joint	Registered headquarters of the firm	Naypyidaw/Burma and Yangon/Burma	Cancun/Mexico	Colombo/Sri Lanka	New Delhi/India and Johannesburg/South Africa
Establishment of investor	Year of establishment	December 2002	2001	2005	1994 and 1995
Target / Joint	Year of establishment	- and1992	2009	1979	1995 and 1994
Ownership pattern of investor	Publicly listed firm, private limited firm,	Pilot state-authorized investment entities and	State-owned holding corporation	State-owned Publicly listed firm	Publicly listed firm

	public sector undertaking, or subsidiary firm	state-owned holding corporations			
Target / Joint	Publicly listed firm, private limited firm, public sector undertaking, or subsidiary firm	Public sector undertaking & subsidiary firm	Private limited variable-capital-holding company	Public sector undertaking	Publicly listed firm
Prior acquisition experience of investor	It refers to the prior experience in deal making at international settings.	CPI group's overseas business involves 36 countries and its overseas assets amount to 36.1 billion yuan	China Middle East Investment & Trade Promotion Centre has prior cross border investment experience in Dubai with the same business as *Dragon Mart Dubai*	China Communications Construction Corporation has plenty of prior overseas investment, operation and construction experience.	Bharti Airtel has prior acquisition experience in domestic deals, for example, in 2001 it has acquired Spice Telecom operations in Kolkata, and majority stake in SkyCell.
Target / Joint	It refers to the prior experience in deal making at international settings.	-	-	-	-
B. Typical attributes of the project					
Number of rounds	Continuation of the deal	No	No	Yes	No
Start date	When negotiations were initiated	December 2006	March 2011	November 11, 2013	May 6, 2008
Deal announcement	The formal announcement of the deal by acquiring firm and/or target firm	The Ministry of Electric Power No. 1 and the China Power Investment Corporation signed a	The announcement of the project: March 22, 2011	The project officially started: September 17, 2014	First Innings: May 6, 2008 Second Innings: May 26, 2009

		Memorandum of Understanding for a 6,000 megawatts project: December 2006	Restart of the project: June 14, 2012 The Submission of Start-up Permits application: February 22, 2013 Official Launch of the Project: November 27, 2013 Termination of the project by the Government of Mexico: January 26th 2015	The Sri Lankan government stated that it decided to suspend the construction of the Colombo Port City project: March 5, 2015 The Sri Lankan government announced that it has reached new agreement: August 2, 2016	Deal called-off: Sept 30, 2009
Deal value (announced)	Deal value	US$3.6 billion	US$180 million	US$1.4 billion	US$23 billion
Motive of the investor	It refers to the various motives of investor behind involving in international investment with concerned target firm or market.	Resource-seeking investments To gain low-end markets advantage To improve international influence To hold ownership advantages To improve position in Asia resource market To gain significant return on investment	Market-seeking investments / Strategic asset-seeking investments To pursue international diversification To gain low-end markets advantage To pursue international diversification To gain market share To gain significant return on investment To improve business value and network	Resource-seeking investments / Diversification-seeking investments / Strategic asset-seeking investments To pursue international diversification To achieve emerging market advantage To explore/create new market To improve international influence To gain significant return on investment	Market-seeking investments / Strategic asset-seeking investments To gain low-end markets advantage To pursue international diversification To gain market share To improve economies of scale To get benefits from technology transfer To hold ownership advantages

Motive of the target	It refers to the various motives of target firm behind involving in international investment with concerned bidding firm or country.	Asset seeking To attract foreign investment To develop domestic economy To create employment opportunities To improve life quality of population To get benefits from technology transfer To improve the capacity to confront local armed forces	Asset seeking, and partner seeking, To gain low-end markets advantage To pursue domestic diversification To gain market share To hold ownership advantages To gain significant return on investment	Asset seeking To attract foreign investment To develop domestic economy To create employment opportunities To improve life quality of population To improve international influence	Market-seeking investments / Strategic asset-seeking investments To gain low-end markets advantage To pursue international diversification To gain market share To improve economies of scale To get benefits from technology transfer To hold ownership advantages
Synergistic benefits	It refers to the benefits transferred to investing firm due to participation in deal with the concerned target firm or organisation.	Exploitation of natural resources, productivity, international influence, relationship between two countries	Market share, sales, ownership advantage, international influence, network benefit (cross-border trade)	New reclamation, new energetic market, ownership advantage, international influence	Market share, sales, ownership advantage, technology benefits, network (number of subscribers)
C. Determinants of the project					
Project-specific attributes	It refers to different characteristics of investing firm: ownership structure of the company, previous FDI/acquisition experience.	State ownership International outlook Previous FDI experience Advanced technology	International outlook Deep pockets through maintaining fire sales Previous FDI experience	State ownership International outlook Previous FDI experience Advanced technology	Bharti Airtel: Family ownership style Publicly listed firm Market leader in the Indian telecom market Local competitive advantage

			Global market share and competitive advantage Internalization and cost cutting through integrating various markets Lack of roots in host country Lack of knowledge on host political structure Under-preparation	Internalization and cost cutting through integrating various markets	Deep pockets through managing fire sales in the local market No international outlook No prior international acquisition experience MTN Group: Publicly owned though government-allied shareholders International outlook Product and service advantage Technology benefits Deep pockets through managing fire sales in the local market No previous acquisition experiences Competitive advantage over the African market
Country-specific attributes	Institutional attributes, political factors: corruption, regime change, intervention, obstacle, competitor countries, sovereignty, local conflict, etc., accounting, valuation and taxation laws	International strategic competition Backstage manipulator Local conflict Nationalist armed force Support for people's livelihood Local institutions Public opinion	Economic nationalism Local protectionism Regulation in host country Local institutions Regime change of host country Relationship with former and current president	Administration, Cultural distance between two countries, Political influence, Government intervention of host country, Regime change of host country, Suspected violation of sovereignty,	Institutional dichotomous law is "dual listing", laws and regulations (home country & host country), related to M&As, Bureaucratic, Administration, Cultural distance between two countries,

		Authority of host central government Support from NGOs	Political gaming in host country Relationship with all levels of government Heterogeneity of different levels of host government	International competitor countries (India) Bureaucratic of host country	Political influence, Government intervention of two countries. Foreign exchange control
***D.* Understanding and learning**		The lack of a fair public opinion environment and the lack of support from civil society organizations are the main reasons for the failure of strategic investment in this case. Local armed conflicts have had a great negative impact on the smooth implementation. The fierce international competition in strategic deployment is the root cause of the manipulation of all obstacles behind the scenes.	Local protectionism is significantly prevalent in emerging markets During the presidential election and the regime change, emerging markets show great instability. Especially when investment projects are involved in politics, it is very easy to become a victim of partisan and political game.	Investment, especially in real estate investment, involved in land purchase and sovereignty is very politically sensitive. The international political influence of the home country and its relationship with the host country can be the crucial determinant.	Lack of experience in deal making, which linking emerging markets unfavourably result in deal success. The institutional dichotomous behaviour of host country adversely affects inbound deals; at the same time, local firms make deals in foreign countries to escape home country legal and political environment
***E.* Recommendations for host country and multinational managers**		When inviting foreign investment, the host country should first ensure the stability of its basic political environment,	Local protectionism often damages the host country's international image as an emerging investment market. At the	The host government should strengthen its own standpoints on foreign investment projects, and should not be swayed by	MNCs from developed and emerging countries participating in cross-border M&As, takeovers, joint ventures

	thereby ensuring a safe investment environment, and establishing its own good image in global investment market, so as to obtain more foreign investment to develop its own economy. Improve people's living standards and improve their international competitiveness. MNCs should conduct a political risk assessment of the host country before investing. For projects in popular target countries, it should also take into account the strategic layout of international competitors and their possible reaction. In addition to the project itself, investors need to make efforts at the national image level. When dealing with macro-political risks, it is very important to establish or improve the image of the home country in the social awareness of host country	same time, cumbersome review mechanisms are also one of the main reasons for increasing the possibility of investment failure. During the time of regime change or presidential election in the host country, changes in the political environment have a significant impact on the investment environment, both in developed and developing countries. When selecting local partners, investors should avoid direct contact with the power of political parties, otherwise they will increase the risk of their investment projects being affected by political changes. At the same time, whether populism and local protectionism are prevalent in the host country should be listed as one of the primary assessment factors to ensure the smooth implementation of investment projects.	the frequent interference of other countries' opinions, thus creating barriers to the inspection of foreign investors' projects and policies. When choosing the investment market and partners, investors should consider the international strength of the host government and their international positioning in the global market, such as whether they are considered as potential competitors by other countries.	and alliances should pay more attention to due diligence (preemptive rights, contracts, contingent issues), and country-specific issues (institutional norms and political and government involvement). In fact, knowledge on host-country administration procedures enhances the understanding of legal and political environment.

Findings and Discussion

In order to the capture the role of political risk, it is necessary first to establish its definition, which would entail various aspects of political risk in their entirety. For the purpose of this work, various existing definitions were analysed, it was pointed out that not all of them correctly address the sources of political risk taking place presently, on the basis of which a new definition was adopted with the purpose of being more inclusive with respect to the trend of growing political uncertainty.

Political risks at the macro and micro levels often work together in specific projects and cannot be completely separated. In the case of transnational investment, political factors are often conducted on a country-by-state basis, which is usually reflected in the macro level —— country-specific level. The fierce international competition in strategic deployment is the root cause of the manipulation of all obstacles behind the scenes. The international political influence of the home country and its relationship with the host country can be the crucial determinant.

The lack of a fair public opinion environment and the lack of support from civil society organizations are the main reasons for the failure of strategic investment in the case Myitsone Dam, which demonstrates the view that social consensus is an important source of new challenges to political risk. It can also be the perfect example for populism and nationalism.

The strategic importance of possession and protection of assets in real estate industry is a perfect example of the fact that along with the new types of risk, the more traditional threats of expropriation and nationalization still persist. Local protectionism is still significantly prevalent in emerging economies, which are well known as their political and economic uncertainty. During the presidential election and the regime change, emerging markets show great instability. Especially when transnational projects are involved in politics, it is very easy to become a victim of partisan and political game.

Nevertheless, political risks are not only from the host country that is generally considered in traditional concepts, but they can also come from the home country's administrations, policies, review mechanisms, or ownership restrictions.

Managerial implications

When inviting foreign investment, the host country should first ensure the stability of its basic political environment, thereby ensuring a safe investment environment, and establishing its own good image in global investment market, so as to obtain more foreign investment to develop its own economy. Improve people's living standards and improve their international competitiveness.

Local protectionism often damages the host country's international image as an emerging investment market. At the same time, cumbersome review mechanisms are also one of the main reasons for increasing the possibility of investment failure.

The host government should strengthen its own standpoints on foreign investment projects, and not be swayed by the frequent interference of other countries' opinions, thus creating barriers to the inspection of foreign investors' projects and policies.

More targeted, transparent, and cost- effective use of investment incentives can improve their impact. By targeting incentives toward those investors most likely to respond to them, developing countries can reduce unnecessary tax losses resulting from incentives granted to firms that would have invested anyway. This requires a thorough understanding of the type and motivation for FDI in the country, as well as measurable policy objectives. At the same time, improvements in the design, transparency, and administration of incentives can help reduce indirect costs and unintended consequences including economic distortions, red tape, and corruption. Such policy reforms can greatly improve the cost–benefit ratio of incentives. (GIC, 2017/2018)

MNCs from developed and emerging countries participating in cross-border M&As, takeovers, joint ventures and alliances should pay more attention to due diligence (preemptive rights, contracts, contingent issues), and country-specific issues (institutional norms and political and government involvement). In fact, knowledge on host-country administration procedures enhances the understanding of legal and political environment.

MNCs should conduct a political risk assessment of the host country before investing. For projects in popular target countries, it should also take into account the strategic layout of international competitors and their possible reaction. In addition to the project itself, investors need to make efforts at the national image level. When dealing with macro-political risks, it is very important to establish or improve the image of the home country in the social consensus of the host country, which demonstrates the view that social consensus is an important source of new challenges to political risk.

During the time of regime change or presidential election in the host country, changes in the political environment have a significant impact on the investment environment, both in developed and developing countries. When selecting local partners, investors should avoid direct contact with the power of political parties, otherwise they will increase the risk of their investment projects being affected by political changes. At the same time, whether populism and local protectionism are prevalent in the host country should be listed as one of the primary assessment factors to ensure the smooth implementation of investment projects. In addition, when investment involves sensitive industries, such as real estate, energy, etc., firms need to pay attention to ownership issues.

When choosing the investment market and partners, investors should consider the international strength of the host government and their international positioning in the global market, such as whether they are considered as potential competitors by other countries.

Conclusion

It is self-evident that the political environment has a decisive role and influence on the overall market atmosphere of a country and the development direction of various industries. This has already been clearly demonstrated and verified in various aspects all around the world.

While corporate investors appear sanguine about investment prospects, particularly in emerging markets, political risk remains a major concern in the medium term, according to surveys of MNEs (MIGA). Unfortunately, the influence of political factors is difficult to be predicted and quantified, such as the results of presidential elections and the actions of non-governmental organizations cannot be successfully predicted before the project is enacted.

Therefore, in the early stage of a project, political factors are usually not easily perceived and predicted; when the project begins to be prepared, approved, implemented, and arouse local community and international attention, political factors, if negative, have extremely high weight on the overseas investment of multinational corporations, and the one-voice veto power plays a decisive role, in particular in emerging economies.

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