

Preface

Since Bretton Woods, Western leaders have worked to establish an international order founded on economic liberalism and free trade. Yet, in recent years, the very same states that helped to found the liberal economic order have been acting in a way that seems to contradict it – by implementing (or encouraging) the creation of domestic barriers to cross-border mergers and acquisitions (M&A) in industries they deem vital to national security.

Even more puzzling is the fact that states are engaging in such behavior not only against their strategic and military competitors, but against their closest allies as well. Traditional interest group and domestic politics explanations cannot account for this behavior, because states are often intervening against the parochial interests of companies and other domestic groups on behalf of national interest and security.

This book argues that such government intervention into foreign takeovers constitutes a form of non-military internal balancing, which allows states to secure and enhance their relative power for long-term gain, without destroying the greater meta-relationship between the states involved in the transaction. It is hypothesized that such behavior is motivated by the desire to increase the relative power and prestige of the state through non-military means in response to either economic nationalism or pressing geostrategic concerns. The exact form that intervention takes, and the motivations behind it, are determined to vary with both the relationship of the countries involved and the exact nature of the threat posed by the transaction in question.

The book employs a rigorous multi-method approach to test the theory presented within. First, the hypotheses are tested qualitatively, using the case study method to examine ten critical cases. They are then tested quantitatively using categorical data analysis (CDA). Four multinomial logit models (MNLMS) are used to examine a large-n population of cross-border merger and acquisitions cases that occurred over a six-year period in an identified set of national security-related sectors. These tests are found to support the theory of non-military internal balancing presented in this work, and to provide a solution to the puzzle.