The Effect of (Right) Populism on MNE Entry Mode Strategies: Evidence from Chinese Firms' Global Expansion

Abstract: This study investigates how right-wing populist governance in host countries affects Chinese firms' foreign market entry decisions, contributing to our understanding of how political ideology shapes international business activities. Drawing on institutional theory and political risk literature, we argue that right-wing populist governments create distinct entry barriers for Chinese firms, but these effects vary systematically across different entry modes. Using a comprehensive dataset of overseas subsidiaries established by Chinese listed firms from 2000 to 2019, we find that right-wing populist governance has the strongest deterrent effect on greenfield investments, followed by non-affiliated acquisitions, while affiliated acquisitions remain relatively resilient. The negative impact is amplified in countries with stronger property rights protection and media freedom but attenuated in economies with larger informal sectors. These findings extend international business theory by revealing how populism, as an emerging form of political risk, interacts with formal and informal institutions to influence firms' entry mode choices.

Keywords: Right-wing populism; Market entry mode; Institutional environment; Chinese firms

1. Introduction

Significant changes are unfolding in the global political landscape, with the rise of populist movements gaining substantial momentum across both developed and developing economies (Acemoglu, Egorov, & Sonin, 2013; Funke, Schularick, & Trebesch, 2023). Populism can be broadly categorized into left-wing and right-wing varieties: left-wing populism primarily focuses on income distribution and social equity (Edwards, 2010), as exemplified by Chavismo in Latin American countries (Weyland, 2001); right-wing populism, on the other hand, emphasizes economic nationalism and anti-globalization stances (Campo, Giunti, & Mendola, 2024; Rodrik, 2021), as seen in the "America First" policies of the Trump administration in the United States (Fetzer & Schwarz, 2021), the nationalist demands in the Brexit movement in the United Kingdom (Born, Müller, Schularick, & Sedláček, 2019), and the growing protectionist tendencies in Central and Eastern European countries such as Hungary and Poland. Compared to left-wing populism, right-wing populism poses more direct challenges to the internationalization strategies of multinational enterprises (MNEs)(Hartwell & Devinney, 2021). Unlike traditional political risks that primarily involve direct government policy interventions in business operations (Azzimonti, 2018; Czinkota, Knight, Liesch, & Steen, 2010;

Schmidt, 2000), right-wing populism influences the institutional environment of firms through the propagation of ideological narratives and social mobilization, presenting MNEs with unprecedented strategic challenges.

Despite the increasing significance of right-wing populism for MNEs, theoretical understanding of how firms can effectively manage the ideological political risks stemming from right-wing populist regimes remains limited (Hartwell, James, Lindner, Müllner, & Vaaler, 2024). The existing literature has paid relatively little attention to how right-wing populist business policies affect the internationalization strategies of foreign companies, as well as the unique limitations of traditional risk-mitigation strategies in this context. Furthermore, we have limited knowledge of how these effects manifest in different institutional environments.

To address these gaps, this paper aims to explore the impact of the right-wing populism on the entry choices of multinational enterprises. First, we elucidate the distinctive nature of right-wing populist political risks and reveal the inherent limitations of traditional risk-mitigation strategies (such as localization) in addressing this systemic challenge with ideological attributes. Second, we propose the framework that firms strategically recalibrate their entry mode choices to manage their institutional visibility and embeddedness, thereby constructing resilience against the unique pressures of ideological political risk. Last, to test these theoretical predictions, we construct a panel dataset of Chinese listed companies' establishment of subsidiaries in different countries from 2000 to 2019, coupled with the dynamic changes in right-wing populist governance in host countries. We examine how the ascent of right-wing populist governments in host countries affects different market entry modes and investigate the moderating role of host-country institutional characteristics (such as property rights protection, media freedom, and the informal economy).

The empirical findings show that this new type of political risk exhibits a clear hierarchical pattern across entry modes: it is most detrimental to greenfield investments, followed by non-controlling acquisitions, while affiliated acquisitions are relatively more resilient. Our findings remain robust across a comprehensive series of econometric tests, including instrumental variable analysis using aging population ratio, and specifications with firm-year fixed effects to account for unobserved firm-level time-varying heterogeneity. A placebo test using left-wing populism yields null results, further validating that our findings are specifically driven by the unique characteristics of right-wing populism. We also uncover three key institutional contingencies: property rights protection and media freedom amplify the negative impact of right-wing populism, while the presence of an informal economy provides a buffering mechanism. These findings not only advance our understanding of the nature of political risk

but also offer theoretical guidance for firms to navigate ideologically driven institutional pressures.

This study makes the following contributions to international business literature. First, this study advances international business research by examining the relationship between right-wing populism and multinational enterprises' investment behavior, addressing a critical gap in our understanding of emerging political risks. While scholars have investigated how right-wing populism affects entrepreneurship (Bennett, Boudreaux, & Nikolaev, 2023) and domestic firms (Blake, Markus, & Martinez-Suarez, 2024; Nyberg & Murray, 2023), its implications for multinational enterprises' foreign expansion strategies remain theoretically underdeveloped and empirically underexplored. Moving beyond direct effects, we demonstrate that the impact of this political risk is systematically moderated by host country institutional characteristics, including property rights protection, media freedom, and the size of informal economy. We uncover a significant institutional paradox: certain institutional features typically considered favorable for foreign investment (such as strong property rights protection) may actually amplify the effects of political risk under populist governance. These findings substantially enrich our understanding of institutional complexity in host countries and its implications for international business.

Second, we advance market entry theory (Kim & Hwang, 1992; Zhao, Parente, Fainshmidt, & Carnovale, 2021) by not only proposing and validating the differential vulnerability of entry modes to ideological political risks but also explicating how multinational enterprises strategically leverage entry mode choices to navigate institutional pressures in host countries. By integrating entry mode research with political risk theory, we provide a more comprehensive framework for understanding firms' strategic responses to institutional challenges in their internationalization process.

The paper proceeds as follows. Section 2 establishes our theoretical foundation through a comprehensive review of right-wing populism's distinctive characteristics and their relevance to international business. We synthesize this with established theories of multinational enterprises' entry mode choices. Section 3 builds on this theoretical integration to develop our hypotheses, first addressing the direct effect of right-wing populism on entry mode choices, then examining how three institutional factors—property rights protection, media freedom, and informal economy—moderate this relationship. Section 4 details our empirical methodology, including sample construction, model specification, and variable operationalization. Section 5 presents our empirical analysis, beginning with baseline results and proceeding through comprehensive robustness checks. We address endogeneity concerns through instrumental

variable estimation and provide detailed analysis of institutional moderating effects. Section 6 concludes by synthesizing our findings, elaborating theoretical contributions and managerial implications, and outlining promising avenues for future research.

2. Theoretical Background and Literature Review

First, we elucidate right-wing populism as a distinct ideological political risk, whose impact mechanisms differ fundamentally from traditional political risks and left-wing populism. Second, we review the theoretical foundations of MNE market entry mode choices, analyzing the characteristics and strategic implications of different entry modes from the perspectives of traditional theories.

2.1 The Uniqueness of Right Populism

2.1.1 How Right Populism Differs from Traditional Political Risk?

Traditional political risks are mainly manifested in direct policy interventions such as expropriation (Makhija, 1993), sanctions (Meyer, Fang, Panibratov, Peng, & Gaur, 2023), or institutional transitions (Witte, Burger, & Pennings, 2020), with relatively clear impact pathways limited to the formal institutional domain. In contrast, right-wing populism as an ideological political risk has deeper systemic influences (Hartwell & Devinney, 2021; Sallai, Schnyder, Kinderman, & Nölke, 2024). It not only exerts pressure through policy tools, but more importantly, reshapes social cognition and value judgments through ideological narratives, thereby affecting the overall institutional environment for enterprises (Leser & Pates, 2022).

Specifically, the ideological attributes of right-wing populism are primarily reflected in three aspects: First, in the cognitive framework, right-wing populism constructs a binary "us-them" narrative, portraying foreign enterprises (especially those from specific countries) as the "other" who threaten the country's economic sovereignty and cultural identity (Guriev & Papaioannou, 2022). This ideological framework not only influences policymaking, but also profoundly alters the basic perceptions of foreign enterprises held by various social groups. Second, in value judgments, right-wing populism often politicizes and ideologizes economic issues (Rodrik, 2021). Even purely commercial market entry decisions may be interpreted as behaviors with strategic intentions or ideological motives. This value judgment makes it difficult for enterprises to address the challenges solely by improving operational efficiency or strengthening local adaptation. Third, in social mobilization, right-wing populism can leverage ideological appeals to arouse social emotions and translate them into actual pressure on foreign enterprises. This top-down ideological mobilization and bottom-up social response reinforce each other, forming a self-fulfilling negative cycle (Sallai et al., 2024).

It is precisely due to these unique ideological attributes that enterprises need to carefully assess their ability to withstand various institutional pressures when choosing their market entry modes.

2.1.2 How Right Populism Differs from Left Populism?

While both right-wing and left-wing populism reflect challenges to the existing political-economic order, they differ fundamentally in their ideological demands and impact mechanisms on foreign enterprises (Carballo Perez & Corina, 2024; Hartwell & Devinney, 2024).

Left-wing populism mainly focuses on economic redistribution and social equity, with policy claims often centered on strengthening market regulation, increasing corporate tax burdens, and expanding social welfare (Silva, 2023). Its attitude towards foreign enterprises is primarily based on economic rationality, such as whether they create employment or contribute to tax revenue. Therefore, the impact of left-wing populism on foreign enterprises is mainly reflected in the economic realm, such as increased costs and profit compression, which enterprises can address by improving operational efficiency, increasing local employment, or enhancing social investments.

In contrast, right-wing populism emphasizes nationalism and identity politics (Rodrik, 2021), viewing foreign enterprises (especially those from specific countries) as potential threats to the country's economic sovereignty, cultural identity, and social values (Cui, Vertinsky, Wang, & Zhou, 2023; Pástor & Veronesi, 2021). This ideological stance leads to their rejection of foreign enterprises not only for economic considerations, but more importantly, due to political and cultural resistance. Even if foreign enterprises perform well in creating jobs and promoting economic development, they may still face persistent political pressure and social skepticism due to their national identity.

This difference directly impacts the strategies enterprises can employ. Facing left-wing populism, enterprises can improve their relations with the host country by adjusting their business strategies and strengthening social responsibility (Bucheli & DeBerge, 2024). However, in the environment of right-wing populism, traditional economic measures have limited effectiveness, as the challenge stems from deeper ideological biases. This requires enterprises to pay more attention to how to address and mitigate this identity-based institutional pressure when choosing their market entry modes (Ozawa, 2019).

2.2 Entry Model Strategies of MNEs

2.2.1 Traditional View on Entry Mode

The primary challenge facing MNEs when entering overseas markets is the liability of foreignness (Zaheer, 1995). This liability is not only manifested in the unfamiliarity with the local market, but more fundamentally, in how enterprises can overcome the various barriers associated with their foreign identity (Zaheer, 1995). Traditional international business theories have explored this fundamental challenge from different perspectives.

First, as newcomers, enterprises need to incur additional costs to compensate for their information disadvantages and lack of relationships. Transaction cost theory suggests that enterprises face higher uncertainty and information search costs in unfamiliar markets (Anderson & Gatignon, 1986). These additional costs prompt enterprises to pay particular attention to establishing effective control mechanisms when choosing their entry modes(Meyer & Estrin, 2001). For example, some enterprises may choose to cooperate with local partners to quickly acquire market information and networks, while others may opt for full ownership to protect their core assets. The eclectic paradigm (OLI theory) emphasizes that enterprises must possess unique advantages that can offset the liability of foreignness to succeed in overseas markets (Dunning, 2000). These advantages could be advanced technology, renowned brands, or distinctive capabilities, but the key is to maintain competitiveness even after overcoming the additional costs associated with the foreign identity. Therefore, enterprises need to balance how to maximize the utilization of these advantages while minimizing the impact of the liability of foreignness when selecting their entry modes.

Second, from an institutional perspective, the liability of foreignness largely stems from institutional distance (Eden & Miller, 2004). Enterprises not only need to adapt to formal laws and regulations but also understand and integrate into informal business norms and social networks. This need for institutional adaptation directly affects the choice of entry mode: acquiring local enterprises can provide rapid access to institutional knowledge and social capital, while wholly owned subsidiaries require more time to establish institutional legitimacy (Hennart & Park, 1993; Kostova & Zaheer, 1999).

An enterprise's internationalization experience also plays a crucial role in overcoming the liability of foreignness (Petersen & Pedersen, 2002). As experience accumulates, enterprises gradually develop the ability to manage their foreign identity and learn how to adjust their strategies in different institutional environments (Delios & Henisz, 2003). Interestingly, some enterprises may deliberately choose markets with similar experiences to their own to reduce the impact of the liability of foreignness (Li, Xia, & Lin, 2017; Nadolska & Barkema, 2007).

However, in the context of the rise of right-wing populism, the traditional discussion of the

liability of foreignness in the literature needs new extensions (Hartwell & Devinney, 2021). The foreign identity has become not only an economic or managerial issue, but also a political and ideological one (Leser & Pates, 2022). Enterprises now face not only the challenge of adapting to market rules but also addressing the political pressures and social skepticism based on their national identity (Moeller, Harvey, Griffith, & Richey, 2013). This new reality requires us to re-examine: in the face of heightened ideological political risks, how do different entry modes affect enterprises' ability to overcome the more complex liability of foreignness?

2.2.2 Characteristics of Different Entry Modes

MNEs have three main market entry modes: greenfield investment, unrelated acquisition, and related acquisition. These entry modes exhibit distinct characteristics in terms of managerial control, institutional adaptation, and the liability of foreignness.

Greenfield investment refers to MNEs directly establishing new subsidiaries or production facilities in the host country (Harzing, 2002). This mode allows enterprises to obtain the highest degree of managerial control, enabling them to design the organizational structure and operational systems according to their own standards and preferences. However, greenfield investment also means that enterprises need to build the local operations from scratch, facing higher institutional adaptation costs (Slangen & Hennart, 2008). Moreover, as a completely new foreign entity, the liability of foreignness is most pronounced, and they lack the existing institutional foundations and networks in the host country (Chen, Cui, Li, & Rolfe, 2017).

Non-affiliated acquisition involves MNEs acquiring host country enterprises with which they have no prior affiliation (Shi, Sutherland, Williams, & Rong, 2021). This mode allows enterprises to quickly obtain an established operational system and inherit a certain degree of the target firm's institutional knowledge and social networks (Tsang, 1999). This "piggybacking" form of institutional learning can accelerate the localization process (Vermeulen & Barkema, 2001), but the acquired enterprise still carries a distinct foreign label, and the act of "foreign acquisition" itself may raise political sensitivities (Greve & Zhang, 2017).

In contrast, Affiliated acquisition refers to acquiring companies under the same ultimate controlling shareholder, typically other subsidiaries owned by the parent company (Almeida, Park, Subrahmanyam, & Wolfenzon, 2011). This mode is built upon the enterprise's accumulated institutional experience and relationship networks in a specific field, exhibiting stronger path dependence characteristics (Hutzschenreuter, Pedersen, & Volberda, 2007). As a natural expansion of the existing business, related acquisitions often have stronger legitimacy and lower political sensitivity, as the foreign identity is relatively obscured.

These three entry modes have their own unique features, and they also exhibit different advantages and limitations in addressing the liability of foreignness. Particularly when facing institutional environment changes, their impacts on enterprises' ability to overcome the foreign identity and gain institutional legitimacy may differ significantly. Understanding these differences is crucial for discussing market entry strategies in the context of right-wing populism.

3. Hypotheses Development

3.1 How Right populism Affects MNE Entry Mode

As a source of ideological political risk, right-wing populist governments exert their influence through both policy and social dimensions. At the policy level, this ideological orientation often translates into more stringent scrutiny and restrictions on foreign investment, particularly from specific countries (Funke et al., 2023). At the social level, it manifests as challenges to the legitimacy of foreign firms and social exclusion (Pástor & Veronesi, 2021). This dual manifestation distinguishes right-wing populism from traditional political risks, demonstrating greater systemic impact and pervasiveness.

We argue that the deterrent effect of right-wing populist governments on Chinese firms' foreign market entry varies significantly across entry modes. To explore how populist risks affect firms' market entry mode choices, we deconstruct the three primary modes—greenfield investment, non-affiliated acquisition, and affiliated acquisition—into two core strategic dimensions: institutional visibility, and institutional embeddedness.

Institutional visibility refers to how conspicuous an entry activity is within the host country's social and political landscape and the degree of disruption it poses to the existing order. Because greenfield investments establish new entities from the ground up, they have the highest visibility and externality. Non-affiliated acquisitions, involving the sensitive act of a "foreign takeover," have moderate visibility. Affiliated acquisitions, as extensions of existing operations, have the lowest visibility. Institutional embeddedness refers to the local networks, social capital, and pre-existing institutional legitimacy a firm possesses upon entry. Greenfield investments have the lowest embeddedness and must build everything from scratch. Non-affiliated acquisitions inherit resources from the target firm, giving them moderate embeddedness. Affiliated acquisitions, built on the parent company's deep local experience and networks, have the highest embeddedness. We argue that these two dimensions collectively determine a firm's vulnerability and resilience when facing populist risks.

Greenfield investments exhibit the highest institutional vulnerability in a right-wing populist environment due to their high visibility and low embeddedness. High visibility makes them easy targets for a "foreign threat" narrative (Eden & Miller, 2004), and their lack of a pre-existing local network leaves them without a buffer (Carballo Perez & Corina, 2024). From an informal institutional perspective, greenfield entry requires firms to establish local business networks and social relationships from scratch, facing significant challenges in environments characterized by ideological bias (Vahlne & Johanson, 2020). Media scrutiny and public skepticism may lead to resistance from suppliers, customers, and other stakeholders, impeding the acquisition of social legitimacy and market acceptance (Stevens, Xie, & Peng, 2016). In this ideologically driven context, even the job creation from a greenfield investment may not fully offset the political and cultural resistance stemming from its "foreign identity." We therefore expect greenfield investments to face the strongest deterrent effect.

In contrast, the deterrent effect on non-affiliated acquisitions is relatively moderate. While the act of a "foreign takeover" carries some visibility, by acquiring a local firm, a Chinese company can quickly gain existing operational licenses, a brand, and a local network, thereby achieving a degree of institutional embeddedness. On the one hand, local acquisition targets typically possess necessary operating qualifications and licenses, reducing administrative approval uncertainties. On the other hand, the local firm's existing market networks, brand reputation, and stakeholder relationships can facilitate faster social acceptance for Chinese firms, mitigating resistance from media and public (Zhao, Park, & Zhou, 2014). These local assets provide a buffer against ideological pressure, making this mode more resilient than greenfield investment.

Finally, affiliated acquisitions show the strongest institutional resilience due to their low visibility and high embeddedness. As a natural extension of an existing business, their foreign identity is relatively obscure. From a formal institutional perspective, firms possess deep understanding of regulatory environments and administrative procedures, enabling better anticipation and response to policy changes (Luo & Peng, 1999; Perkins, 2014). In terms of informal institutions, firms have established solid social legitimacy foundations and maintain strong relationships with various stakeholders. These existing advantages effectively reduce institutional pressures from right-wing populism. Furthermore, affiliated M&As often involve related diversification, reflecting firms' deep understanding and adaptation to host country institutional environments. We therefore expect affiliated acquisitions to face the weakest deterrent.

We present the theoretical framework and logic for Hypothesis 1 in Table 1. It posits that the

deterrent effect of right-wing populist governance is contingent on the strategic dimensions of the entry mode. Institutional visibility refers to how conspicuous and disruptive the entry is, while Institutional embeddedness refers to the firm's pre-existing local networks and legitimacy. The ratings of "Strongest," "Moderate," and "Weakest" are our theoretical predictions based on these characteristics.

Table 1 The Differentiated Deterrent Effect of Right-Wing Populism on MNE Market Entry Modes

Entry Mode	Institutional Visibility	Institutional Embeddedness	Vulnerability to Right Populist Risk	Deterrent Effect
Greenfield Investment	**Very High**	**Very Low**	As a completely new "outsider," it's an easy target for "foreign threat" narratives. The lack of a local network for a buffer means its economic contributions can be easily dismissed by ideological resistance.	**Strongest**
Non-affiliated M&A	**Moderate**	**Moderate**	The act of a "foreign acquisition" itself carries political sensitivity. However, by inheriting a local firm, the company gains some legitimacy and a network, providing a partial buffer.	**Moderate**
Affiliated M&A	**Very Low**	**Very High**	Its "foreign identity" is blurred as it is an extension of an existing business. It benefits from deep local experience and networks, giving it the strongest institutional resilience.	**Weakest**

Based on these logics, we propose H1: The deterrent effect of right-wing populist governments on Chinese firms' foreign market entry varies across entry modes, with the strongest effect on greenfield investments, moderate effect on non-affiliated M&As, and the weakest effect on affiliated M&As.

3.2 Moderating Effects of Institutional Factors

3.2.1 Property Rights Protection as Moderator

Property rights protection, as a crucial formal institutional characteristic (Acemoglu & Robinson, 2006), presents a paradoxical moderating effect. While stronger property rights protection generally facilitates foreign investment and operations, under right-wing populist regimes, it may amplify political risks through three mechanisms: First, robust property rights protection typically entails more standardized administrative procedures and stringent legal

oversight. This enables right-wing populist governments to exercise more effective control over foreign investment through legitimate institutional channels. For instance, governments can "legitimately" restrict foreign entry through investment screening and antitrust reviews (Carballo Perez & Corina, 2024). Second, high-level property rights protection correlates with more comprehensive information disclosure requirements. This increased transparency makes foreign firms more visible targets for populist policies and public scrutiny. In contrast, environments with weaker property rights protection may offer more informal channels for firms to mitigate political pressures. Third, countries with strong property rights protection typically possess more sophisticated market systems and enforcement capabilities. This institutional maturity enables more effective implementation of right-wing populist policies, facilitating the translation of ideological preferences into concrete market entry barriers.

Therefore, we propose H2: The relationship between right-wing populist governments and Chinese firms' foreign market entry is positively moderated by the level of property rights protection, such that the deterrent effect becomes stronger as the level of property rights protection increases.

3.2.2 Media Freedom as Moderator

Media freedom, serving as a crucial social intermediary mechanism, plays a vital role in transmitting and amplifying right-wing populist influences. Higher media freedom intensifies political risks through several channels: First, free media provides more comprehensive coverage and discussion of political issues, allowing right-wing populist ideological appeals to gain broader social attention. This extensive coverage heightens public vigilance and skepticism toward foreign investment, particularly from specific countries. Second, high media freedom typically accompanies more active public discourse (Leeson, 2008). This subjects foreign firms' market behaviors to intensified public scrutiny, where any controversies can be rapidly amplified, affecting firms' social legitimacy. Third, the diverse voices in free media environments may paradoxically strengthen negative narratives about foreign investment. Different media outlets, competing for audience attention, may emphasize controversial aspects of foreign firms' operations, exacerbating social resistance (Strömberg, 2015).

Thus, we propose H3: The relationship between right-wing populist governments and Chinese firms' foreign market entry is positively moderated by the degree of media freedom, such that the deterrent effect becomes stronger as media freedom increases.

3.2.3 Informal Economy as Moderator

The size of the informal economy reflects the prevalence of institutional avoidance behaviors

in a society. A larger informal economy weakens the impact of right-wing populism through several mechanisms: First, a substantial informal economy indicates relatively weak formal institutional constraints(Ault & Spicer, 2022). This provides firms with more informal channels to circumvent political pressures, enabling more flexible adaptation to hostile environments. Second, informal economies typically coexist with more complex social networks and relationship structures. These informal relationship networks can help foreign firms establish local connections, mitigating institutional pressures from right-wing populism. Third, large informal economies often reflect higher social tolerance for institutional circumvention (Gërxhani & Cichocki, 2023). This institutional flexibility enables firms to find operational space even under right-wing populist governments.

We propose H4: The relationship between right-wing populist governments and Chinese firms' foreign market entry is negatively moderated by the size of the informal economy, such that the deterrent effect becomes weaker as the size of the informal economy increases.

4. Sample, Model and Summary Statistics

4.1 Sample

The study utilizes two main data sources to construct the research sample. We obtain he populism data from Funke et al. (2023), which covers 60 countries that account for over 95% of global GDP from 1900 (or the year of independence) to 2019. The firm-level data is from China Stock Market & Accounting Research (CSMAR) database.

The sample construction began with a systematic compilation of data on listed companies' subsidiaries. Specifically, we first integrated the annual data, removed semi-annual records, and created a unified identifier based on the related party name and the existing related party ID to ensure a unique identification for each related party across different years. We then tracked the survival status of each "parent company-related party" pair during the sample period, identifying their first and last appearance years to construct entry dummy variables. To facilitate cross-country analysis, we mapped the related parties' registered locations to the standard ISO three-digit country codes.

The country-level control variables are from Funke et al. (2023), including institutional quality, trade openness, inflation, conflict, and various crisis indicators. The firm-level control variables are from the CSMAR database, including return on assets, growth rate, leverage, and firm size. All missing values for the entry count are treated as zero.

The final sample is a firm-year-country panel dataset covering the period from 2000 to 2019.

This sample timeframe primarily for the following reasons: First, the year 2000 represents the eve of China's WTO accession, a period when Chinese listed companies began to significantly invest overseas and establish subsidiaries (Liang, Lovely, & Zhang, 2025), leading to a substantial improvement in data availability and quality. This period also marks an important starting point for the globalization of Chinese enterprises. Second, we set the sample endpoint in 2019 to avoid the global impact of the COVID-19 pandemic in 2020. The pandemic-induced restrictions on cross-border mobility, supply chain disruptions, and heightened geopolitical tensions have significantly altered the logic behind firms' outward investment and subsidiary establishment decisions, leading to a structural break (Guedhami, Knill, Megginson, & Senbet, 2022). Therefore, the 2000-2019 window ensures the integrity and comparability of the data while also avoiding the abnormal fluctuations caused by the pandemic's impact on the research results.

4.2 Model Specifications

To examine the impact of populism on the establishment of overseas subsidiaries by firms, we investigate three different modes of subsidiary establishment.

$$Subsidary_entry_k_{ijt} = \beta_0 + \beta_1 Populism_{jt} + X_{it}\Gamma + \Pi_{jt}\Theta + \alpha_i + \alpha_j + \alpha_t + \epsilon_{ijt}$$

Specifically, i, j, and t denote the firm, country, and year, respectively. The dependent variable $Subsidary_entry_k_{ijt}$ represents the number of subsidiaries established by firm i in country j in year t through mode k, where k includes three establishment methods: greenfield investment (entry_invest), non-same-control merger and acquisition (entry_nonsamecontrol), and same-control merger and acquisition (entry_samecontrol). Greenfield investment is the most common entry mode, referring to the establishment of new subsidiaries through direct investment; non-same-control M&A indicates gaining control through the acquisition of unrelated parties; and same-control M&A refers to the acquisition of other firms under the same ultimate controlling party.

The key explanatory variable $Populism_{jt}$ indicates whether country j has a right-wing populist government in power in year t. X_{it} and Π_{jt} represent the firm-level and country-level control variables, respectively. The model also includes firm fixed effects (α_i), country fixed effects (α_j), and year fixed effects (α_t), with standard errors clustered at the country level.

To address potential endogeneity concerns, particularly reverse causality or omitted variable bias affecting the relationship between populism and subsidiaries establishment, we develop an instrumental variable that interacts the prevalence of right-wing populist governments in

proximate countries with domestic political participation levels. The constructions of instruments are:

$$RightPop_IV_{jt} = (\sum_{k \in N_j} RightPop_{kt}) \times van_part_{jt}$$

For each host country, we identify proximate countries based on geographical contiguity (shared land borders), linguistic connections (shared official languages or at least 9% population speaking the same language), colonial relationships (former colonial ties or common colonizer), and historical political unity (former or current political integration). The political participation measure employs Vanhanen's index, calculated as the percentage of actual voters in total population, with additional points for national (5 points) and regional (1 point) referendums up to a maximum of 30 points and capped at 70%.

Our instrumental variable affects Chinese foreign direct investment exclusively through its impact on host country political orientation. Regional populist influence operates through ideological diffusion, demonstration effects, cross-border political networks, and media spillovers (Mayer & Zignago, 2011), while its effectiveness is moderated by domestic political participation levels. Higher electoral participation indicates more active political engagement and responsive political mechanisms, enhancing external political influence through increased voter sensitivity to political information, intensified public discourse, strengthened political mobilization, and enhanced electoral competition. When voters actively participate in elections and referendums, they are more likely to encounter and be influenced by information about neighboring countries' political transitions through media coverage and public discussions. High participation often signals stronger political mobilization capabilities, enabling domestic political forces to more effectively leverage neighboring countries' experiences for similar political changes.

The exclusion restriction is satisfied as neither component of our instrumental variable directly affects Chinese firms' investment decisions through channels other than host country political orientation. The number of proximate populist governments primarily influences investment through institutional changes in the target country, as firms mainly consider specific investment conditions such as market size, factor costs, infrastructure, and legal frameworks. Similarly, political participation, as a procedural indicator of electoral engagement, does not directly determine substantive factors affecting investment, such as market access policies, tax systems, labor market regulations, or property rights protection. While political participation might influence investment through policy uncertainty or institutional quality, these effects primarily operate through changes in government type rather than participation levels themselves.

The two-stage least squares (2SLS) models are presented as follows:

$$Populism_{jt} = \mu_0 + \mu_1 RightPop_IV_{jt} + \Pi_{jt}\Theta + \alpha_j + \alpha_t + \epsilon_{jt}$$
$$Subsidary_entry_{ijt} = \rho_0 + \rho_1 \widehat{Populism}_{jt} + X_{it}\Gamma + \Pi_{jt}\Theta + \alpha_i + \alpha_j + \alpha_t + \epsilon_{ijt}$$

The first stage of our 2SLS model uses the instrumental variable, $RightPop_IV_{jt}$, to predict the endogenous variable, $Populism_{jt}$. The key assumption for the validity of our instrument is that μ_1, the coefficient on the instrumental variable, is statistically significant and non-zero. This indicates that the instrument is a strong predictor of populism.

The second stage uses the predicted values of populism from the first stage to estimate its effect on subsidiary establishment. The coefficient of interest is ρ_1. A statistically significant and negative ρ_1 would support the hypothesis that populism, purged of endogeneity, has a deterring effect on Chinese firms' decisions to establish subsidiaries. By using the predicted value of populism, this model provides a consistent estimate of the causal effect, as the influence of reverse causality and omitted variables is accounted for by the instrumental variable strategy.

4.3 Variables and Summary Statistics

Dependent Variables: The dependent variables encompass three modes of subsidiary establishment: greenfield investment (entry_investment), acquisition of a firm not under common control (entry_diffcontrol), and acquisition of a firm under common control (entry_samecontrol). These variables capture the number of subsidiaries established by the focal firm i in country j in year t through the respective modes.

Key Explanatory Variable: The key explanatory variable is the right-wing populism in power (rpop) indicator, which is a dummy variable that equals 1 when the government of country j in year t is led by a right-wing populist party, and 0 otherwise. As a placebo test, we employ the left-wing populism in power (lpop) indicator as an alternative explanatory variable to assess the robustness of the findings and rule out potential confounding effects from other forms of populism.

Control Variables: At the country level, the control variables include: institutional quality (institutions), trade openness (koftrade), inflation rate (inflation), conflict indicator (conflicts), currency crisis (currcrisis), banking crisis (bankcrisis), debt crisis (debtcrisis), and GDP growth rate (fstgdp). At the firm level, the control variables encompass: firm size (asset, measured as

the natural logarithm of total assets), profitability (roa, return on assets), financial leverage (lev, debt-to-asset ratio), bank loan dependence (bankloan, bank loan ratio), and growth (growth, asset turnover ratio).

The descriptive statistics reported in Table 2 provide valuable insights into the key variables. Regarding the dependent variables, the study utilizes a firm-country-year panel data structure, which has led to a substantial increase in the number of observations. As a result, the mean values of the subsidiary establishment modes appear relatively small. Specifically, the mean value for greenfield investment (entry_investment) is 0.00135, for acquisitions of firms not under common control (entry_diffcontrol) is 0.0006, and for acquisitions of firms under common control (entry_samecontrol) is 0.00017. However, the maximum values indicate that some firms have engaged in more intensive overseas expansion, with individual firms establishing up to 24 greenfield subsidiaries, 16 acquisitions of firms not under common control, and 34 acquisitions of firms under common control in a single country-year. Turning to the key explanatory variables, the mean value of the right-wing populism in power (rpop) indicator is 0.110, suggesting that approximately 11% of the country-year observations in the sample are from countries governed by right-wing populist parties. The mean value of the left-wing populism in power (lpop) indicator is 0.090, indicating that 9% of the observations are from countries with left-wing populist governments.

In Table A1, we present the correlation coefficients among the main variables. Overall, the correlation coefficients among key variables are within reasonable ranges, suggesting no serious multicollinearity concerns.

5. Empirical Results

5.1 Baseline Results

Table 3 reports the impact of right-wing populist governance on the mode of foreign subsidiary establishment by Chinese listed firms. All regressions control for firm, country, and year fixed effects, with standard errors clustered at the country level.

Columns (1)-(3) examine the effects of right-wing populist governance (rpop) on greenfield investment, non-controlling acquisitions, and controlling acquisitions, respectively. Given the panel data structure at the firm-country-year level, with relatively small dependent variable values, all coefficients are reported multiplied by 1000 for presentation purposes. The results show that when a country is governed by a right-wing populist party (rpop changes from 0 to 1), on average, the number of foreign subsidiaries established by a Chinese listed firm in that country through greenfield investment and non-controlling acquisitions decreases by 0.578 and

0.502, respectively. Considering the full sample of 1,095,705 observations, and assuming all firms are affected to the same extent, the total number of foreign subsidiaries established through greenfield investment and non-controlling acquisitions is estimated to decrease by around 633 and 550, respectively, when a country transitions to right-wing populist governance. This suggests that right-wing populist governance has a significant economic impact on firms' foreign expansion. The regression with controlling acquisitions as the dependent variable shows an insignificant coefficient of -0.041 for right populism, indicating a relatively smaller effect on this mode of foreign subsidiary establishment.

Overall, the empirical results suggest that right-wing populist governance has a significant inhibiting effect on firms' foreign subsidiary establishment, with more pronounced impacts on greenfield investment and non-controlling acquisitions.

5.2 Robustness Checks

5.2.1 Placebo Test

Table 4 reports the results of a placebo test examining the impact of left-wing populist governance on the mode of foreign subsidiary establishment by firms. All regressions control for firm characteristics, country characteristics, firm, country, and year fixed effects, with standard errors clustered at the country level.

The results show that the coefficients for left-wing populist governance (lpop) are insignificant across the three models. Specifically, the coefficients of lpop are -0.026, -0.077, and -0.036 in the greenfield investment, non-controlling acquisitions, and controlling acquisitions equations, with p-values of 0.933, 0.449, and 0.191, respectively. This stands in stark contrast to the significant negative impact of right-wing populist governance reported earlier.

This placebo test result enhances the reliability of our previous findings, suggesting that firms' foreign subsidiary establishment behavior is specifically affected by right-wing populist governance, rather than a general effect of populist politics.

5.2.2 Alternative Fixed Effects

Table 5 presents the estimation results with a more stringent set of fixed effects. We employ firm-year joint fixed effects (Firm#Year FE), which can control for all time-varying firm-level characteristics, including firm size, profitability, leverage, and other observable and unobservable time-varying firm attributes. This specification significantly enhances the reliability of our identification of the effect of populist governance.

The results show that even under these more rigorous fixed effects setting, the negative impact

of right-wing populist governance (rpop) remains significant: the coefficients are -0.578 (p=0.002) for greenfield investment and -0.502 (p=0.021) for non-controlling acquisitions. This indicates that our core finding is not driven by time-varying firm-level characteristics.

In contrast, the coefficients for left-wing populist governance (lpop), used as a placebo test, remain insignificant across all models (p=0.934, 0.453, 0.195), further supporting our main conclusion. This robust result suggests that the inhibiting effect of right-wing populist governance on firms' foreign subsidiary establishment is a reliable finding, unaffected by time-varying firm-level characteristics.

5.3 Instrument Variable

Table 6 reports the two-stage least squares (2SLS) results using an instrumental variable approach.

The first stage, shown in Column (1), confirms the relevance of the instrumental variable. The coefficient of 0.002 indicates a positive and statistically significant relationship between the instrument and the endogenous variable (p-value < 0.001). This suggests that the instrument is a valid predictor of the level of right-wing populism in a country. The instrumental variable, constructed as the interaction between the prevalence of right-wing populist governments in proximate countries and domestic political participation levels, effectively satisfies the exclusion restriction. This is because its influence on Chinese foreign direct investment operates exclusively through its impact on the host country's political orientation. The regional populist influence diffuses through ideological spillovers, which are then amplified by domestic political participation, but neither component of the instrument directly affects firm investment decisions. The diagnostic statistics further prove the instrument's strength. The Cragg-Donald Wald F-statistic and First-stage F-statistic of 1703318 and 30.09, respectively, are well above the conventional threshold of 10, indicating our instrument is not weak. The statistically significant Kleibergen-Paap rk P-value (0.0255) also provides strong evidence against the under-identification.

Columns (2) - (4) present the second-stage results. By using the predicted values of populism from the first stage, these estimates are purged of endogeneity, allowing us to consistently estimate the causal effect of right populism on different entry modes. The results are highly consistent with our theoretical predictions.

Column (2) focuses on greenfield investments. The coefficient of -0.752 is highly significant (p-value < 0.001), indicating that right-wing populist governance has a powerful and robust

deterrent effect on greenfield investments. This supports our argument that this entry mode, due to its high visibility and low institutional embeddedness, is the most vulnerable to ideologically driven political risk.

Column (3) examines non-affiliated acquisitions. The coefficient of -0.400 is statistically significant (p-value = 0.025), showing a clear deterrent effect. However, the magnitude of this effect is significantly smaller than for greenfield investments. This confirms our hypothesis that non-affiliated acquisitions, which benefit from inheriting some local institutional knowledge, are more resilient but still face considerable risk.

Column (4) analyzes affiliated acquisitions. The coefficient of -0.049 is not statistically significant (p-value = 0.117), indicating that right-wing populism has no discernible deterrent effect on this mode of entry. This compelling finding strongly supports our theoretical framework that affiliated acquisitions, with their deep institutional embeddedness and low visibility, are highly resilient to this specific form of political risk.

In conclusion, the 2SLS results provide strong causal evidence that the deterrent effect of right-wing populism varies significantly across entry modes. This tiered impact is consistent with our theoretical framework, highlighting the critical role of institutional visibility and embeddedness in mitigating ideologically driven political risks.

5.4 Moderating Effects

5.4.1 Property Rights

Table 7 examines the moderating role of property rights protection on the impact of right-wing populist governance. We use a composite property rights index (property_rights) that aggregates 18 individual indicators, reflecting the overall perceived level of property rights protection in a country.

The regression results show that the interaction term between property rights and right-wing populist governance (property_rights * rpop) is significantly negative in all three models, with coefficients of -0.200 (p=0.054), -0.119 (p=0.019), and -0.035 (p=0.027), respectively. This suggests that the higher the level of property rights protection, the stronger the inhibiting effect of right-wing populist governance on firms' foreign subsidiary establishment. Specifically, a one-unit increase in the property rights index strengthens the suppressing effect of right-wing populist governance on greenfield investment, non-controlling acquisitions, and controlling acquisitions by 0.200, 0.119, and 0.035 units, respectively.

5.4.2 Freedom of Speech

Table 8 examines the moderating role of freedom of speech on the impact of right-wing populist governance. The freedom of speech indicator (freedom_speech) we use measures the degree of government censorship and control over the media, ranging from 0 (complete control) to 2 (no control), reflecting the openness of the media environment in a country. In the sample, around 11.37% of the observations are in a state of complete control, 52.67% have partial control, and 35.96% have no control.

The regression results show that the interaction term between freedom of speech and right-wing populist governance (freedom_speech * rpop) is significantly negative in the greenfield investment and non-controlling acquisitions models, with coefficients of -0.928 ($p<0.001$) and -0.564 ($p<0.001$), respectively. This indicates that the higher the level of freedom of speech, the stronger the inhibiting effect of right-wing populist governance on firms' foreign subsidiary establishment.

In other words, the results suggest that the degree of freedom of speech plays an important role in moderating the impact of right-wing populist governance on firms' overseas expansion. In environments with greater restrictions on freedom of speech, right-wing populist governance may even promote firms' foreign expansion through methods like greenfield investment.

5.4.3 Informal Economy

Table 9 examines the moderating role of the size of the informal economy on the impact of right-wing populist governance. We use the World Bank's estimates of the share of informal economy output (informal_economy) based on the MIMIC model as the measure, reflecting the relative size of informal economic activities in a country.

The regression results show that the interaction term between the size of the informal economy and right-wing populist governance (informal_economy * rpop) is significantly positive in the greenfield investment and non-controlling acquisitions models, with coefficients of 0.029 ($p=0.008$) and 0.017 ($p=0.001$), respectively. This suggests that the larger the size of the informal economy in a country, the weaker the negative impact of right-wing populist governance on the establishment of foreign subsidiaries by Chinese firms.

6. Conclusion

Drawing on a comprehensive dataset of Chinese firms' foreign market entries from 2000 to 2019, this study examines how right-wing populism in host countries affects Chinese firms' market entry strategies. Our findings reveal that the rise of right-wing populist governments

has a significant deterrent effect on Chinese firms' market entry, with varying impacts across entry modes. The negative effect is strongest for greenfield investments, moderate for unaffiliated M&As, and weakest for affiliated M&As. Moreover, this deterrent effect is moderated by host country institutional environments: stronger property rights protection and higher media freedom amplify the negative effect, while larger informal economies attenuate it.

The findings offer valuable implications for practitioners and policymakers. For managers, our results suggest the importance of adopting differentiated entry strategies based on host countries' populist tendencies and institutional characteristics. For policymakers, our findings highlight the need to establish comprehensive support systems for overseas investment, including populism risk assessment mechanisms and political risk insurance schemes, particularly in countries with strong right-wing populist tendencies.

This study has several limitations that suggest directions for future research. First, our sample's focus on Chinese firms may limit the generalizability of our findings to firms from other emerging economies. Second, we do not examine the post-entry performance implications of different entry strategies under populist governments. Future research could address these limitations by employing qualitative methods to explore how firms navigate populist challenges, examining the long-term performance consequences of different entry strategies, and extending the analysis to firms from other emerging economies.

References

Acemoglu D., Egorov G., & Sonin K. 2013. A Political Theory of Populism *. *The Quarterly Journal of Economics*, 128(2): 771–805.

Acemoglu, D., & Robinson, J. A. 2006. *Economic Origins of Dictatorship and Democracy*. Cambridge University Press.

Almeida, H., Park, S. Y., Subrahmanyam, M. G., & Wolfenzon, D. 2011. The structure and formation of business groups: evidence from korean *chaebols*. *Journal of Financial Economics*, 99(2): 447–475.

Anderson, E., & Gatignon, H. 1986. Modes of foreign entry: a transaction cost analysis and propositions. *Journal of International Business Studies*, 17(3): 1–26.

Ault, J. K., & Spicer, A. 2022. The formal institutional context of informal entrepreneurship: a cross-national, configurational-based perspective. *Research Policy*, 51(9): 104160.

Azzimonti, M. 2018. The politics of fdi expropriation. *International Economic Review*, 59(2): 479–510.

Bennett D. L., Boudreaux C., & Nikolaev B. 2023. Populist discourse and entrepreneurship: The role of

political ideology and institutions. *Journal of International Business Studies*, 54(1): 151–181.

Blake D. J., Markus S., & Martinez-Suarez J. 2024. Populist Syndrome and Nonmarket Strategy. *Journal of Management Studies*, 61(2): 525–560.

Born B., Müller G. J., Schularick M., & Sedláček P. 2019. The Costs of Economic Nationalism: Evidence from the Brexit Experiment*. *The Economic Journal*, 129(623): 2722–2744.

Bucheli, M., & DeBerge, T. 2024. Multinational enterprises' nonmarket strategies: insights from history. *International Business Review*, 33(2): 102198.

Campo F., Giunti S., & Mendola M. 2024. Refugee crisis and right-wing populism: Evidence from the Italian Dispersal Policy. *European Economic Review*, 168: 104826.

Carballo Perez, A., & Corina, M. 2024. Foreign direct investment in the context of rising populism: the role of institutions and firm-level internationalization. *Global Strategy Journal*, 14(1): 84–115.

Chen, R., Cui, L., Li, S., & Rolfe, R. 2017. Acquisition or greenfield entry into Africa? Responding to institutional dynamics in an emerging continent. *Global Strategy Journal*, 7(2): 212–230.

Cui, V., Vertinsky, I., Wang, Y., & Zhou, D. 2023. Decoupling in international business: The 'new' vulnerability of globalization and MNEs' response strategies. *Journal of International Business Studies*, 54(8): 1562–1576.

Czinkota, M. R., Knight, G., Liesch, P. W., & Steen, J. 2010. Terrorism and international business: a research agenda. *Journal of International Business Studies*, 41(5): 826–843.

Delios, A., & Henisz, W. J. 2003. Political hazards, experience, and sequential entry strategies: the international expansion of japanese firms, 1980–1998. *Strategic Management Journal*, 24(11): 1153–1164.

Denk, N., Kaufmann, L., & Roesch, J.-F. 2012. Liabilities of foreignness revisited: a review of contemporary studies and recommendations for future research. *Journal of International Management*, 18(4): 322–334.

Dunning, J. H. 2000. The eclectic paradigm as an envelope for economic and business theories of MNE activity. *International Business Review*, 9(2): 163–190.

Eden, L., & Miller, S. R. 2004. Distance matters: liability of foreignness, institutional distance and ownership strategy. *Advances in International Management*: 187–221. https://www.emerald.com/insight/content/doi/10.1016/S0747-7929(04)16010-1/full/html. Accessed 6 July 2025, . Bingley: Emerald (MCB UP).

Edwards S. 2010. *Left Behind: Latin America and the False Promise of Populism*. University of Chicago Press.

Fetzer, T., & Schwarz, C. 2021. Tariffs and Politics: Evidence from Trump's Trade Wars. *The Economic Journal*, 131(636): 1717–1741.

Funke M., Schularick M., & Trebesch C. 2023. Populist Leaders and the Economy. *American Economic Review*, 113(12): 3249–3288.

Gërxhani, K., & Cichocki, S. 2023. Formal and informal institutions: understanding the shadow

economy in transition countries. *Journal of Institutional Economics*, 19(5): 656–672.

Greve, H. R., & Man Zhang, C. 2017. Institutional logics and power sources: merger and acquisition decisions. *Academy of Management Journal*, 60(2): 671–694.

Guedhami, O., Knill, A., Megginson, W. L., & Senbet, L. W. 2022. The dark side of globalization: evidence from the impact of COVID-19 on multinational companies. *Journal of International Business Studies*, 53(8): 1603–1640.

Guriev S., & Papaioannou E. 2022. The Political Economy of Populism. *Journal of Economic Literature*, 60(3): 753–832.

Hartwell, C. A., & Devinney, T. 2021. Populism, political risk, and pandemics: the challenges of political leadership for business in a post-COVID world. *Journal of World Business*, 56(4): 101225.

Hartwell, C. A., & Devinney, T. M. 2024. The demands of populism on business and the creation of "corporate political obligations." *International Business Review*, 33(2): 102075.

Hartwell, C. A., James, B., Lindner, T., Müllner, J., & Vaaler, P. M. 2024. Populist politics and international business policy: problems, practices, and prescriptions for MNEs. *Journal of International Business Policy*, 7(1): 12–18.

Harzing, A.-W. 2002. Acquisitions versus greenfield investments: international strategy and management of entry modes. *Strategic Management Journal*, 23(3): 211–227.

Hennart, J.-F., & Park, Y.-R. 1993. Greenfield vs. Acquisition: the strategy of japanese investors in the United States. *Management Science*, 39(9): 1054–1070.

Hutzschenreuter, T., Pedersen, T., & Volberda, H. W. 2007. The role of path dependency and managerial intentionality: a perspective on international business research. *Journal of International Business Studies*, 38(7): 1055–1068.

Kim, W. C., & Hwang, P. 1992. Global strategy and multinationals' entry mode choice. *Journal of International Business Studies*, 23(1): 29–53.

Kostova, T., & Zaheer, S. 1999. Organizational legitimacy under conditions of complexity: the case of the multinational enterprise. *Academy of Management Review*, 24(1): 64.

Leeson, P. T. 2008. Media freedom, political knowledge, and participation. *Journal of Economic Perspectives*, 22(2): 155–169.

Leser, J., & Pates, R. 2022. The framing of right-wing populism: intricacies of 'populist' narratives, emotions, and resonance. In M. Oswald (Ed.), *The Palgrave Handbook of Populism*: 437–450. https://link.springer.com/10.1007/978-3-030-80803-7_27. Accessed 6 July 2025, . Cham: Springer International Publishing.

Li, J., Xia, J., & Lin, Z. 2017. Cross-border acquisitions by state-owned firms: how do legitimacy concerns affect the completion and duration of their acquisitions? *Strategic Management Journal*, 38(9): 1915–1934.

Liang, Y., Lovely, M. E., & Zhang, H. 2025. Targeted liberalization: china's foreign investment

regulation reform and its post-WTO-accession export surge. *Review of International Economics*, 33(1): 166–206.

Luo, Y., & Peng, M. W. 1999. Learning to compete in a transition economy: experience, environment, and performance. *Journal of International Business Studies*, 30(2): 269–295.

Makhija, M. V. 1993. Government intervention in the venezuelan petroleum industry: an empirical investigation of political risk. *Journal of International Business Studies*, 24(3): 531–555.

Mayer T., & Zignago S. 2011. Notes on CEPII's distances measures: The GeoDist database. *Working Papers*, advance online publication December.

Meyer, K. E., & Estrin, S. 2001. Brownfield entry in emerging markets. *Journal of International Business Studies*, 32(3): 575–584.

Meyer, K. E., Fang, T., Panibratov, A. Y., Peng, M. W., & Gaur, A. 2023. International business under sanctions. *Journal of World Business*, 58(2): 101426.

Moeller, M., Harvey, M., Griffith, D., & Richey, G. 2013. The impact of country-of-origin on the acceptance of foreign subsidiaries in host countries: an examination of the 'liability-of-foreignness.' *International Business Review*, 22(1): 89–99.

Nadolska, A., & Barkema, H. G. 2007. Learning to internationalise: the pace and success of foreign acquisitions. *Journal of International Business Studies*, 38(7): 1170–1186.

Nyberg, D., & Murray, J. 2023. Corporate populism: how corporations construct and represent 'the people' in political contestations. *Journal of Business Research*, 162: 113879.

Ozawa, T. 2019. A note on dani rodrik, "populism and the economics of globalization." *Journal of International Business Policy*, 2(2): 182–193.

Pástor Ľ., & Veronesi P. 2021. Inequality Aversion, Populism, and the Backlash against Globalization. *The Journal of Finance*, 76(6): 2857–2906.

Perkins, S. E. 2014. When does prior experience pay? Institutional experience and the multinational corporation. *Administrative Science Quarterly*, 59(1): 145–181.

Petersen, B., & Pedersen, T. 2002. Coping with liability of foreignness: different learning engagements of entrant firms. *Journal of International Management*, 8(3): 339–350.

Rodrik D. 2021. Why Does Globalization Fuel Populism? Economics, Culture, and the Rise of Right-Wing Populism. *Annual Review of Economics*, 13(Volume 13, 2021): 133–170.

Sallai, D., Schnyder, G., Kinderman, D., & Nölke, A. 2024. The antecedents of MNC political risk and uncertainty under right-wing populist governments. *Journal of International Business Policy*, 7(1): 41–63.

Schmidt, K. M. 2000. The political economy of mass privatization and the risk of expropriation. *European Economic Review*, 44(2): 393–421.

Shi, X., Sutherland, D., Williams, C., & Rong, K. 2021. Chinese MNE acquisition of unrelated foreign businesses: the role of diversified business group affiliation, private ownership and strategic asset seeking. *Journal of Business Research*, 129: 145–156.

Silva P. P. 2023. Post-Neoliberalism and External Financial Liberalization: Comparing Left-Wing and Right-Wing Populism. *Government and Opposition*, 58(3): 535–555.

Slangen, A. H. L., & Hennart, J.-F. 2008. Do foreign greenfields outperform foreign acquisitions or vice versa? An institutional perspective. *Journal of Management Studies*, 45(7): 1301–1328.

Stevens, C. E., Xie, E., & Peng, M. W. 2016. Toward a legitimacy-based view of political risk: the case of Google and yahoo in China. *Strategic Management Journal*, 37(5): 945–963.

Strömberg, D. 2015. Media and politics. *Annual Review of Economics*, 7(Volume 7, 2015): 173–205.

Tsang, E. W. K. 1999. Internationalization as a learning process: singapore MNCs in China. *Academy of Management Perspectives*, 13(1): 91–101.

Vahlne, J.-E., & Johanson, J. 2020. The uppsala model: networks and micro-foundations. *Journal of International Business Studies*, 51(1): 4–10.

Vermeulen, F., & Barkema, H. 2001. Learning through acquisitions. *Academy of Management Journal*, 44(3): 457–476.

Weyland, K. 2001. Clarifying a Contested Concept: Populism in the Study of Latin American Politics. *Comparative Politics*, 34(1): 1–22.

Witte, C. T., Burger, M. J., & Pennings, E. 2020. When political instability devaluates home-host ties. *Journal of World Business*, 55(4): 101077.

Zaheer, S. 1995. Overcoming the liability of foreignness. *Academy of Management Journal*, 38(2): 341–363.

Zhao, M., Park, S. H., & Zhou, N. 2014. MNC strategy and social adaptation in emerging markets. *Journal of International Business Studies*, 45(7): 842–861.

Zhao, Y., Parente, R., Fainshmidt, S., & Carnovale, S. 2021. MNE host-country alliance network position and post-entry establishment mode choice. *Journal of International Business Studies*, 52(7): 1350–1364.

Table 2 Summary Statistics of Key Variables

Variable	Mean	p50	SD	Min	Max
entry_investment	0.00135	0	0.0488	0	24
entry_diffcontrol	0.0006	0	0.0400	0	16
entry_samecontrol	0.00017	0	0.0275	0	34
rpop	0.110	0	0.310	0	1
lpop	0.0900	0	0.290	0	1
institutions	1.380	1.790	1.010	-2.740	2.180
koftrade	65.42	69.05	17.23	21.62	93.09
inflation	0.0500	0.0200	0.430	-6.160	9.530
conflicts	7.380	2	16.89	0	223
currcrisis	0.0900	0	0.290	0	1
bankcrisis	0.0200	0	0.130	0	1
debtcrisis	0.0100	0	0.110	0	1
fstgdp	115.0	109.8	20.80	63.77	206.9
asset	21.88	21.67	1.470	14.94	31.04
roa	0.0300	0.0400	0.120	-9.980	0.970
lev	0.450	0.440	0.230	0.0100	10.38
bankloan	0.190	0.160	0.160	0	6.330
growth	0.630	0.520	0.540	-0.0500	11.60

Notes: This table presents descriptive statistics for the main variables used in the analysis.

Table 3 The Impact of Right-wing Populism on Market Entry Choices

	(1)	(2)	(3)
	entry_investment	entry_diffcontrol	entry_samecontrol
rpop	-0.578	-0.502	-0.041
	(0.002)	(0.020)	(0.281)
institutions	0.385	0.200	0.074
	(0.499)	(0.216)	(0.091)
koftrade	-0.000	-0.005	-0.000
	(0.987)	(0.648)	(0.995)
inflation	-1.219	-0.421	-0.006
	(0.655)	(0.608)	(0.971)
conflicts	0.111	0.024	0.006
	(0.202)	(0.273)	(0.349)
currcrisis	0.022	-0.108	0.020
	(0.895)	(0.123)	(0.510)
bankcrisis	-0.181	-0.124	-0.029
	(0.541)	(0.233)	(0.702)
debtcrisis	-0.044	-0.118	-0.019
	(0.901)	(0.421)	(0.635)
fstgdp	-0.016	-0.010	-0.002
	(0.437)	(0.128)	(0.213)
asset	0.538	0.316	0.059
	(0.005)	(0.001)	(0.116)
roa	-0.504	0.135	0.128
	(0.016)	(0.537)	(0.078)
lev	-0.388	0.287	0.169
	(0.119)	(0.329)	(0.011)
bankloan	0.533	0.244	-0.147
	(0.081)	(0.278)	(0.130)
growth	0.036	-0.122	0.103
	(0.741)	(0.046)	(0.027)
Constant	-9.992	-5.603	-1.242
	(0.011)	(0.002)	(0.079)
Firm FE	YES	YES	YES
Country FE	YES	YES	YES
Year FE	YES	YES	YES

Cluster	Country	Country	Country
Observations	1,095,705	1,095,705	1,095,705
R-squared	0.015	0.009	0.008

Notes: This table examines the relationship between right-wing populism and different foreign market entry strategies. The dependent variables are entry_investment (Column 1), entry_diffcontrol (Column 2), and entry_samecontrol (Column 3), measuring the count of greenfield, unaffiliated M&As, and affiliated M&As respectively. The key independent variable is rpop, indicating right-wing populist governments. The coefficients for rpop have been multiplied by 1000 for ease of interpretation. All models include firm, country, and year fixed effects. Standard errors are clustered at the country level, with p-values reported in parentheses.

Table 4 Placebo Test: Impact of Left-wing Populism on Market Entry Choices

	(1)	(2)	(3)
	entry_investment	entry_diffcontrol	entry_samecontrol
lpop	-0.026	-0.077	-0.036
	(0.933)	(0.449)	(0.191)
Constant	-10.277	-5.848	-1.260
	(0.009)	(0.001)	(0.074)
Firm Controls	YES	YES	YES
Country Controls	YES	YES	YES
Firm FE	YES	YES	YES
Country FE	YES	YES	YES
Year FE	YES	YES	YES
Cluster	Country	Country	Country
Observations	1,095,705	1,095,705	1,095,705
R-squared	0.015	0.009	0.008

Notes: This table examines the relationship between left-wing populism and different market entry strategies. The coefficients for lpop have been multiplied by 1000 for ease of interpretation. All models include firm, country, and year fixed effects. Standard errors are clustered at the country level, with p-values reported in parentheses.

Table 5 Alternative Fixed Effects: Applying Firm#Year FE

	(1)	(2)	(3)	(4)	(5)	(6)
	entry_investment		entry_diffcontrol		entry_samecontrol	
rpop	-0.578		-0.502		-0.041	
	(0.002)		(0.021)		(0.286)	
lpop		-0.026		-0.077		-0.036
		(0.934)		(0.453)		(0.195)
Constant	1.598	1.314	1.337	1.092	0.156	0.138
	(0.226)	(0.332)	(0.048)	(0.097)	(0.433)	(0.482)
Country Controls	YES	YES	YES	YES	YES	YES
Firm#Year FE	YES	YES	YES	YES	YES	YES
Country FE	YES	YES	YES	YES	YES	YES
Cluster	Country	Country	Country	Country	Country	Country
Observations	1,095,705	1,095,705	1,095,705	1,095,705	1,095,705	1,095,705
R-squared	0.040	0.040	0.036	0.036	0.044	0.044

Notes: This table reports the robustness check that uses alternative fixed effects. The coefficients for both rpop and lpop have been multiplied by 1000 for ease of interpretation. Standard errors are clustered at the country level, with p-values reported in parentheses.

Table 6 Instrumental Variable Analysis of Right-wing Populism's Impact

	(1)	(2)	(3)	(4)
	first_stage	second_stage		
	rpop	entry_investment	entry_diffcontrol	entry_samecontrol
rpop_iv	0.002			
	(0.000)			
rpop		-0.752	-0.400	-0.049
		(0.001)	(0.025)	(0.117)
Firm Controls	YES	YES	YES	YES
Country Controls	YES	YES	YES	YES
Firm FE	YES	YES	YES	YES
Country FE	YES	YES	YES	YES
Year FE	YES	YES	YES	YES
Cluster	Country	Country	Country	Country
Cragg-Donald Wald F statistic	1703318	1703318	1703318	1703318
First-stage F	30.09	30.09	30.09	30.09
Kleibergen-Paap rk P value	0.0255	0.0255	0.0255	0.0255
Observations	1,068,752	1,068,752	1,068,752	1,068,752

Notes: This table presents the results of two-stage least squares (2SLS) regressions examining the causal effect of right-wing populism on foreign market entry strategies. Column 1 reports the first-stage regression. Columns 2-4 report the second-stage results where the dependent variables are entry_investment, entry_diffcontrol, and entry_samecontrol respectively. The coefficients for rpop in the second stage have been multiplied by 1000 for ease of interpretation. All models include firm, country, and year fixed effects. Standard errors are clustered at the country level, with p-values reported in parentheses. The Cragg-Donald Wald F statistic and first-stage F statistic are reported to assess instrument strength.

Table 7 The Moderating Role of Property Rights Protection

	(1) entry_investment	(2) entry_diffcontrol	(3) entry_samecontrol
property_rights	-0.273	-0.083	-0.055
	(0.504)	(0.526)	(0.227)
rpop	10.204	5.902	1.820
	(0.069)	(0.032)	(0.031)
property_rights * rpop	-0.200	-0.119	-0.035
	(0.054)	(0.019)	(0.027)
Constant	4.278	-1.317	1.659
	(0.825)	(0.833)	(0.394)
Firm Controls	YES	YES	YES
Country Controls	YES	YES	YES
Firm FE	YES	YES	YES
Country FE	YES	YES	YES
Year FE	YES	YES	YES
Cluster	Country	Country	Country
Observations	1,095,705	1,095,705	1,095,705
R-squared	0.015	0.009	0.008

Notes: This table explores how property rights protection moderates the relationship between right-wing populism and foreign market entry strategies. The coefficients for rpop and the interaction term have been multiplied by 1000 for ease of interpretation. All models include firm, country, and year fixed effects. Standard errors are clustered at the country level, with p-values reported in parentheses.

Table 9 The Moderating Role of Informal Economy

	(1) entry_investment	(2) entry_diffcontrol	(3) entry_samecontrol
informal_economy	-0.306	-0.042	-0.020
	(0.406)	(0.673)	(0.371)
rpop	-1.423	-0.972	-0.129
	(0.000)	(0.000)	(0.091)
informal_economy * rpop	0.029	0.017	0.003
	(0.008)	(0.001)	(0.247)
Constant	0.156	-4.295	-0.598
	(0.987)	(0.101)	(0.547)
Firm Controls	YES	YES	YES
Country Controls	YES	YES	YES
Firm FE	YES	YES	YES
Country FE	YES	YES	YES
Year FE	YES	YES	YES
Cluster	Country	Country	Country
Observations	1,095,705	1,095,705	1,095,705
R-squared	0.015	0.009	0.008

Notes: This table explores how informal economy moderates the relationship between right-wing populism and foreign market entry strategies. The coefficients for rpop and the interaction term have been multiplied by 1000 for ease of interpretation. All models include firm, country, and year fixed effects. Standard errors are clustered at the country level, with p-values reported in parentheses.

Table 8 The Moderating Role of Freedom of Speech

	(1) entry_investment	(2) entry_diffcontrol	(3) entry_samecontrol
freedom_speech	0.285	0.143	0.017
	(0.161)	(0.144)	(0.564)
rpop	0.485	0.145	0.021
	(0.092)	(0.609)	(0.595)
freedom_speech *			
rpop	-0.928	-0.564	-0.053
	(0.000)	(0.000)	(0.284)
Constant	-7.345	-4.523	-1.129
	(0.004)	(0.000)	(0.106)
Firm Controls	YES	YES	YES
Country Controls	YES	YES	YES
Firm FE	YES	YES	YES
Country FE	YES	YES	YES
Year FE	YES	YES	YES
Cluster	Country	Country	Country
Observations	1,071,356	1,071,356	1,071,356
R-squared	0.011	0.007	0.007

Notes: This table explores how freedom of speech moderates the relationship between right-wing populism and foreign market entry strategies. The coefficients for rpop and the interaction term have been multiplied by 1000 for ease of interpretation. All models include firm, country, and year fixed effects. Standard errors are clustered at the country level, with p-values reported in parentheses.

Table A1 Correlation Table

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	entry_investment	1.000																	
2	entry_diffcontrol	0.104	1.000																
3	entry_samecontrol	0.037	0.018	1.000															
4	rpop	0.011	0.004	0.002	1.000														
5	lpop	(0.004)	(0.003)	(0.001)	(0.110)	1.000													
6	institutions	0.002	0.004	0.001	(0.113)	(0.258)	1.000												
7	koftrade	(0.006)	(0.000)	(0.001)	0.005	(0.368)	0.461	1.000											
8	inflation	(0.002)	(0.001)	(0.000)	(0.013)	0.120	(0.185)	(0.065)	1.000										
9	conflicts	0.040	0.015	0.009	0.272	0.026	(0.094)	(0.180)	0.020	1.000									
10	currcrisis	(0.002)	(0.001)	0.000	0.033	0.044	(0.037)	(0.070)	0.094	(0.009)	1.000								

1		(0.00	(0.00	(0.00	(0.02	(0.02				(0.04								
1	bankcrisis	3)	2)	1)	7)	0)	0.022	0.012	0.083	8)	0.004	1.000						
1		(0.00	(0.00	(0.00	(0.03		(0.09	(0.13			(0.03							
2	debtcrisis	3)	1)	1)	6)	0.134	0)	6)	0.240	0.022	6)	0.034	1.000					
1							(0.26	(0.12				(0.05	(0.08					
3	fstgdp	0.008	0.002	0.001	0.208	0.099	6)	8)	0.012	0.302	0.076	8)	0)	1.000				
1							(0.01					(0.02	(0.01					
4	asset	0.018	0.013	0.006	0.019	0.025	8)	0.024	0.003	0.077	0.008	2)	1)	0.156	1.000			
1					(0.00		(0.00		(0.00		(0.01	(0.00	(0.00					
5	roa	0.004	0.001	0.001	3)	0.006	0)	0.005	2)	0.002	0)	2)	4)	0.017	0.025	1.000		
1					(0.00	(0.00		(0.00	(0.00	(0.03				(0.04		(0.46	1.00	
6	lev	0.002	0.004	0.001	4)	8)	0.007	6)	2)	1)	0.006	0.023	0.000	6)	0.389	4)	0	
1		(0.00			(0.00	(0.02		(0.01		(0.05				(0.11		(0.30	0.67	
7	bankloan	2)	0.002	0.001	7)	2)	0.012	8)	0.003	8)	0.001	0.030	0.009	2)	0.142	6)	1	1.000
1					(0.00					(0.01			(0.00	(0.00	(0.03		0.08	(0.05	1.00
8	growth	0.001	0.001	0.002	2)	0.000	0.005	0.002	0.001	7)	0.005	0.022	5)	4)	4)	0.037	8	4)	0

Notes: N = 1,071,356 firm-year observations. The table presents Pearson correlation coefficients for all variables used in the analysis. Coefficients in parentheses indicate negative correlations.