WHEN INSTITUTIONS CLOSE BORDERS

Strategic Implications of Country Governance for Multinational Enterprises

When Institutions Close Borders:

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Abstract

This thesis investigates how country governance and institutional policy implementation drive de-globalization and shape the re-internationalization strategies of multinational enterprises (MNEs). The research uses qualitative comparative methods to analyze six major economies including China, the United States, Russia, Brazil, India, and South Africa throughout the period from 1900 to present. The research identifies how protectionist policies, geopolitical conflicts and different governance systems have constrained MNE operations leading to market exits and increased uncertainty. It further explores the strategic and operational responses available to firms seeking re-entry, by showing how they should align their entry modes and handle institutional distance while following changing political and normative standards. The methodological approach is grounded in critical realism and abductive reasoning, relying exclusively on secondary data to sense-make across diverse contexts. The research reveals significant gaps in International Business literature regarding de-globalization mechanisms and their effects on MNEs, especially when studying macro-policy changes and firm-level decision-making. The thesis develops a conceptual framework which links country governance structures and institutional pressures to MNE decision-making during re-internationalization in a de-globalizing world.

Keywords: De-globalization, re-internationalization, country governance, institutional policy, multinational enterprise (MNE)

Abbreviations

ABEIP -	Argentine-Brazilian Economic Integration Program
ASGISA -	Accelerate and Shared Growth Initiative South Africa
BNDES -	Brazilian Development Bank
BRI -	Belt and Road Initiative
CA -	Competitive Advantage
CBAM -	Carbon Border Adjustment Mechanisms
CC -	Corporate Citizenship
CCP -	The Chinese Communist Party
ChAFTA -	China-Australia Free Trade Agreement
COCOM -	Coordinating Committee for Multilateral Exports Control
CR -	Corporate Responsibility
CSA -	Country-Specific Advantages
CSP -	Corporate Social Performance
CSR -	Corporate Social Responsibility
Delta -	Delta Air Lines
ESG -	Environmental, Social, and Governance
EU -	The European Union
FDI -	Foreign Direct Investment
FSA -	Firm-Specific Advantages
GATT -	General Agreement on Tariffs and Trade
GDP -	Gross Domestic Product
GEAR -	Growth, Employment, and Redistribution
GVC -	Global Value Chain(s)
IMF -	The International Monetary Fund
IP -	Intellectual Property
ISI -	Import Substitution Industrialization
JV -	Joint Venture
KMT -	The Nationalist Party or Kuomintang
LA -	Location Advantage

LLC -	Limited Liability Company
MNE -	Multinational Enterprise
NAFTA -	North American Free Trade Agreement
NDP -	National Development Plan
NGO -	Non-Governmental Organizations
OECD -	Organization for Economic Co-operation and Development
OFDI -	Outward Foreign Direct Investment
PRC -	The Peoples’ Republic of China
RBV -	Resource Based View
R&D -	Research & Development
RDP -	Reconstruction and Development Programme
RCEP -	Regional Comprehensive Economic Partnership
SEZ -	Special Economic Zones
SOE -	State Owned Enterprise
SDSA -	Shell Downstream South Africa (SA)
SWIFT -	Society for Worldwide Interbank Financial Telecommunication
TIC -	Thebe Investments Corporations
TRIPS -	Trade-Related Aspects of Intellectual Property Rights
TWE -	Treasury Wine Estate
UNCTAD -	United Nations Conference on Trade and Development
USMCA -	United States-Mexico-Canada Agreement
USTR -	US Trade Representative
WEF -	World Economic Forum
WHO -	World Health Organization
WTO -	World Trade Organization

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1. Introduction

The global uncertainty and unpredictable future have been a topic of discussion among business managers, politicians, and researchers for an extensive period, and has been developing even more since the world has become more intertwined when looking value chains. However, it is not a new trend to attempt to explain how the current situations may predict future directions, whether it being to protect against external factors or utilize internal factors in a specific direction (Cuervo-Cazurra, Gaur and Singh, 2019; United Nations Sustainable Development Group, 2025). Countries have developed through history with different degrees of protectionism, which has shaped how governance and regulation developed to this day (Godsell, Lel and Miller, 2023). While countries have been protecting domestic markets to preserve national interest and regulate how multinational enterprises (MNEs) enter a country's market, as well as control inward foreign direct investments (FDIs), almost every country has a degree of global presence (Witt, 2019). The implemented regulations and degree of acceptance for MNEs entering host countries, vary depending on how policymakers are perceiving the world as a marketplace, and how their ideology is carried throughout the nation of which they represent.

A notable example of this difference is the contrast between the Western and Eastern worlds, particularly between the United States and China. The U.S. has traditionally produced goods for multiple markets using a free market and capitalist approach, enabling companies like Apple to source materials outside their home country and make forward FDIs in emerging markets like India to reduce labor costs while preserving quality (Witt et al., 2019). This openness to foreign investments has allowed U.S.-based MNEs to leverage foreign capabilities but at the expense of reduced operational control due to regional agreements (Li et al., 2017). Assessing this reveals that the U.S. has been pursuing a strategy that has made it possible for host countries to dictate how the FDI is to be made. The U.S. economy has been built on openness and a welcoming business environment, with united skepticism towards foreign companies making outward FDIs into the U.S. market, overseen by the foreign investment and National Security Act of 2007 (FINSA) (Moran, 2009, p.43). In contrast, China's institutional approach to FDI requires high collaboration with the government, as seen in the Belt and Road Initiative (BRI) (Li et al., 2021), where countries participating in Chinese FDIs must sign agreements that favor China, ensuring it benefits from outward investments (Pacatte III, 2019). China has been cautious with inward FDI to ensure that it benefits from these in the long run. This approach helps prevent internationalizing companies from gaining the ultimate advantage, as there is a high chance of spillover effects that could ultimately strengthen China's position overall (Cuervo-Cazurra, Gaur and Singh, 2019). While they are different in their approach to governance, implementation to policies and access to the global market, they are still a part of the supply chains, which shows that even when countries are different in implemented policies and governance, they are still open to foreign trade, while this trade may be based on differing possibilities and openness to MNEs entry modes. With China and the U.S. being one example, the emerging economies like Brazil, India, and South Africa are also a victim of their own history and developed policies from these, which are forcing MNEs to be cautious about how they enter said countries based on how these are developing. While they are all utilizing regionalization and their country-specific advantage, they need MNEs to collaborate to open their economies for world trade and through that grow their interests. However, previous policies have, through institutional policies, in the recent century, created a set of country-specific conditions of entry modes for MNEs.

2. Problem Formulation

This thesis aims to explain how country governance and policy implementation with institutional pressure contribute to the thought of de-globalization and how MNEs might re-internationalize if forced out of a country because of the conditions made under these. Therefore, the overall research problem can be formulated as:

How do country governance and institutional policy implementation affect the de-globalization of firms and their possible re-internationalization?

To better understand how the government is implementing policies, how this potentially can impact the globalization of MNEs, and what possibilities lie for companies when re-internationalizing in these countries, the authors have formulated two underlying research questions:

1. *How do country governance and institutional policy implementation affect de-globalization of firms?*
2. *What specific strategic and operational moves can firms undertake to facilitate successful re-internationalization in the markets they had previously exited?*

3. Literature Review

The purpose of the literature review is to highlight and synthesize existing knowledge, what has been deemed as working or non-working, and to identify gaps within the sphere of our research problem formulation and the respective research questions (Booth et al., 2022, p.11). The phenomenon the authors are studying is looking into why firms de-internationalize and how and why they might re-enter a specific host market with its institutional and governance specifics, which defines the scope of the literature review.

Illustrating how business has been globalizing, it is apparent that MNEs have been utilizing their firm-specific advantages (FSA) to enter new markets and seek expansion from these. The sought-after expansion and globalization of markets have been ever-evolving, but already in 1981, the 500 largest MNEs were responsible for over 80% of FDI (Geringer, Beamish, and Dacosta, 1989). Whichever mode of internationalization has been considered, it is apparent that the companies, in order to compete, are leveraging their competitive and/or comparative advantage and their position in the value chain (Kogut, 1985). However, there is no straight line in what or how to assess the competitive advantage to be leveraged, as discussed by Porter (1985), there are multiple ways of perceiving competitive advantage through generic strategies. The shift to a more global world has made MNEs more complex, where their tangible and intangible assets are met with an ever-changing world affecting the way companies are built, coordinated, and managed (Coviello, Kano, and Liesch, 2017). The foundation for internationalization theory, as discussed by (Rugman, 1980), is based on multiple parameters such as industry, region, nation, and firm specificities. These specificities have since evolved into country-specific advantages (CSA) and FSA. The CSAs are exemplified by natural resources, labor force, culture, and economic factors, whereas the FSAs are entrepreneurship, knowledge, technology, and marketing and managerial skills (Marinova, Child and Marinov, 2011; Rugman, 1981). Entering foreign markets is filled with strategic decision-making, that makes internationalization complex, and even moreover, creates interdependence of countries' problems when considering the risk of de-globalization (Rugman and Verbeke, 2003). This is also why decision-making, when firms decide to de-internationalize, is critical to understand when exploring the literature revolving around this thesis’s problem formulation.

3.1 De-Globalization

De-globalization is not a new term in international business research and is most commonly defined as "*the process of weakening interdependence among nations*" (Witt, 2019). However, this definition is rather broad and has been explored through economic, political, and social lenses (Kim, Li, and Lee, 2020). The growing geopolitical tensions, rising protectionism, and trade conflicts have become key drivers of this process. These are not merely theoretical trends but material realities, evidenced by the increasing use of tariffs, sanctions, and export controls to protect national industries or restrict adversaries.

For example, the U.S. and China trade war initiated under the Trump administration-imposed tariffs on more than $360 billion of Chinese goods, leading to retaliatory tariffs on U.S. exports. This move severely disrupted global value chains and forced firms to regionalize or shift production (Brancaccio and Califano, 2023). Similarly, the EU has introduced carbon border adjustment mechanisms (CBAM) to impose carbon tariffs on imports from countries with lower climate regulations, thereby coupling protectionism with sustainability (European Commission, 2021).

A salient case of institutionalized de-globalization is Russia, where the annexation of Crimea in 2014 and the full-scale invasion of Ukraine in 2022 prompted sweeping international sanctions. In response, Russia adopted import substitution policies and increased self-reliance, particularly in strategic sectors like agriculture, energy, and defense. These forms of economic insulation are classic examples of enforced de-globalization (Witt et al., 2023). Furthermore, Witt et al. (2023) noted that the combination of external sanctions and internal protectionist policies has made Russia a poster child of economic autarky in the 21st century. The consequence is not merely a reshaped Russian economy but also significant changes in how MNEs assess market risk, leading to large-scale exits (e.g., McDonald's, BP, IKEA).

Importantly, the political context, as emphasized by Child and Marinova (2014), plays a vital role in shaping these de-globalizing dynamics. Their study of Chinese Outward FDI (OFDI) showed that international expansion and retraction are often constrained or enabled by domestic political priorities. Governments may facilitate globalization selectively to strengthen political legitimacy or national interests. This politicization of globalization is increasingly mirrored in Western countries, where concerns about technological sovereignty, supply chain resilience, and national security now dominate policy discourse. Thus, de-globalization cannot be fully understood without considering the political institutions and ideologies that legitimize or hinder global engagement.

3.2 Decision-Making

When firms engage in strategic decision-making under conditions of uncertainty, they must navigate a complex web of external pressures, internal goals, and institutional constraints. Child (1972) emphasized the interplay between environmental conditions and internal strategic choice. This dual influence remains relevant today, particularly when contextualized through the macro, meso, and micro levels of influence.

At the macro level, decisions are influenced by national and supranational institutions, political dynamics, regulatory frameworks, and global economic trends (Alon and Kim, 2021; Napier et al., 2023). Examples include government-imposed tariffs, foreign investment screening, or shifts in international trade agreements (Brancaccio and Califano 2023; Kim, Li, and Lee 2020). These structures can either constrain or enable firm behavior. For instance, geopolitical tensions like Brexit, the U.S.-China trade conflict, or sanctions on Russia have imposed external constraints that have forced firms to reevaluate global operations (Alon and Kim, 2021) and to seek ways of coping with, complying with, or even circumventing the constraints. Firms often engage in scenario planning or risk-mitigating reconfigurations such as friendshoring or nearshoring (Du, Zhu, and Li, 2023; Komarova and Bondarenko, 2023).

At the meso-level, industry norms, regional supply chain ecosystems, and sector-specific institutional expectations come into play (Child and Marinova, 2014). Industries like defense, healthcare, and telecommunications are highly regulated and subject to different decision pressures than consumer goods or IT services (Napier et al., 2023; Zahoor et al., 2023). Oliver (1991) pinpoints that firms respond strategically to institutional pressures depending on their alignment or conflict with internal objectives. Some firms may conform to maintain legitimacy, while others may resist or decouple from institutional expectations. For example, tech firms may delay market entry into countries with stringent data localization laws, while pharmaceutical companies may adjust compliance frameworks to meet regulatory heterogeneity. Additionally, the manufacturing sector has long depended on cross-border trade and Global Value

Chains (GVC) efficiency and has now witnessed a shift toward nearshoring and friendshoring to mitigate geopolitical risks (Du, Zhu, and Li, 2023; Komarova and Bondarenko, 2023).

At the micro level, firm-specific factors such as leadership cognition, organizational routines, past experience, and resource availability significantly influence decision-making. As Khan et al. (2023) argue, decisions regarding re-entry after market exit are often biased by prior experience, referred to as imprint effects. Firms may adopt a cautious stance due to previous failures or choose phased re-entry using local alliances. Hitt and Tyler (1991) emphasize that decision-makers weigh risk-return tradeoffs, often influenced by personal heuristics and strategic framing. The firm's leadership must also consider social and ethical dimensions in decision-making, integrating concerns over human rights, Environmental, Social, and Governance (ESG) factors, and political legitimacy (Napier et al., 2023).

Integrating these three levels, macro, meso, and micro, enables a more holistic view of strategic decision-making in a de-globalizing world. Macro constraints set the boundaries, meso dynamics define the playing field, and micro capabilities determine the actual moves a firm can make. This framework is especially relevant in the re-internationalization process, where firms must assess external opportunity, internal readiness, and contextual alignment (Kostova, Roth, and Dacin, 2008; Oliver, 1991; Welch and Welch, 2009).

Moreover, decision-making is increasingly iterative, where MNEs may adopt dynamic capabilities, such as the ability to sense, seize, and transform, to better navigate turbulent environments (Teece, 2016; Zámborský, 2021). This includes building institutional intelligence, leveraging digitalization for agility, and localizing operations to align with host country's expectations.

3.3 The Interactivity of National and Supranational Institutions

Supranational institutions such as the World Trade Organization (WTO), the International Monetary Fund (IMF), and regional trade blocks (e.g., the European Union (EU)) play a crucial role in shaping global business environments. These institutions facilitate economic cooperation and provide regulatory frameworks influencing MNEs' strategic decisions. These regulatory frameworks are shaped by economic policies such as trade agreements, sanctions, and tariffs. Trade agreements, including bilateral and regional agreements like the United States-

Mexico-Canada Agreement (USMCA) and the Regional Comprehensive Economic Partnership (RCEP), have restructured market access and regional supply chains. Simultaneously, sanctions and trade wars, particularly between major economies such as the U.S. and China, have led to decoupling strategies where businesses must realign their operations to mitigate risk exposure (Brancaccio and Califano, 2023; Kim, Li, and Lee, 2020).

The rise of nationalism and protectionism within national institutions poses significant challenges to the legitimacy and effectiveness of supranational institutions in relation to the MNEs. The interaction between supranational and national institutions creates an intricate institutional landscape where businesses must navigate conflicting regulations and trade agreements (Napier et al., 2023). Institutional inefficiencies exacerbate business uncertainty, making it imperative for firms to balance compliance with supranational regulations while adapting to national-level restrictions (Brancaccio and Califano, 2023). In addition, these trends can alter the strategic landscape for MNEs, potentially reducing their reliance on supranational frameworks and increasing the appeal of localized strategies. When these institutions lack enforcement capabilities, firms may hesitate to re-internationalize and opt for risk-averse strategies such as near-shoring or reshoring (Khan et al., 2023). From this, the legitimacy of these institutions in enforcing global trade policies significantly affects MNE confidence in market re-entry. These enforcements impact companies and industries such as the technology sector, which face challenges due to national security concerns, leading to restrictions on cross-border data flows and investments (Kim, Li, and Lee, 2020). It is furthermore seen in the financial industry, with regulations and constraints. However, this sector has been better at navigating these constraints and has shown resilience due to digital transformation. Therefore, de-globalization and its impact on the supply chain varies by sector. For MNEs considering re-internationalization, the stability and predictability of economic policies serve as key determinants. Firms assess market potential, institutional stability, legal frameworks, and potential exposure to future disruptions (Napier et al., 2023). Consequently, companies are engaging in gradual reintegration by entering low-risk, institutionally stable markets before committing to large-scale global operations (Napier et al., 2023). When supranational organizations successfully mediate trade disputes and enforce predictable regulatory regimes, firms are more likely to reintegrate into international markets.

3.4 Institutional Distance, Legitimacy, and MNE Operations

Institutional distance, the difference in regulatory, normative, and cognitive frameworks between home and host countries, is critical in shaping MNEs' legitimacy and operational effectiveness. In this context, legitimacy operates at three interconnected levels: supranational institutions, national institutions, and consumer perceptions. Supranational bodies such as the WTO or the EU establish overarching frameworks that grant MNEs baseline credibility in global markets. However, these frameworks often clash with national institutions, particularly in regulated industries like pharmaceuticals or finance, where compliance with diverse national policies becomes a prerequisite for market access (Napier et al., 2023). For example, MNEs expanding to Southeast Asia must, according to Lu, Boo, and Liu (2024), align with both World Health Organisation (WHO) safety standards and local regulatory protocols, introducing operational complexity and strategic trade-offs.

Simultaneously, MNEs must navigate national legitimacy, which depends on adapting to institutional voids, mostly common in emerging markets (Rana and Sørensen, 2020). In such contexts, firms often collaborate with non-state actors like Non-Governmental Organizations (NGO) or local networks to co-create legitimacy. Rana and Sørensen (2020) argue that MNEs achieve this through a four-stage process: (1) gaining acceptance by adhering to local norms (e.g., labor practices), (2) building an image through corporate social responsibility initiatives, (3) securing endorsement via partnerships with influential entities (e.g., government institutions), and (4) fostering synergy by aligning operational efficiency with institutional expectations. An example is seen through the telecommunication companies entering Bangladesh partnered with microfinance institutions to develop mobile payment systems that comply with national (or local) financial regulations while addressing infrastructural limitations, thereby achieving both legitimacy and market penetration Rana and Sørensen (2020).

At the consumer level, aligning MNE's practices with local cultural values referred to as cognitive legitimacy, becomes critical. The institutional distance is seen here through different consumer beliefs, preferences, or ethical expectations (Rana and Sørensen 2020). MNEs that fail to integrate global branding strategies with hyper-localized adaptations risk rejection from consumers (Kunst, 2019). A study by Kunst (2019) shows Walmart's exit from Germany was driven by misaligned retail norms such as self-service and store layout preferences. On the contrary, global firms like Unilever have succeeded in achieving legitimacy in their re-internationalization strategies by balancing global sustainability commitments with localized product offerings tailored to economic and cultural realities (Lu, Boo, and Liu, 2024).

Institutional distance's regulatory, normative, and cognitive dimensions demand distinct strategies. Regulatory gaps may require legal adaptations such as modifying product safety certifications (Kostova, Roth and Dacin, 2008), while normative disparities necessitate alignment with unwritten social expectations like gender equity practices in Scandinavia versus the Middle East (Kostova, Roth and Dacin, 2008; Lu, Boo and Liu, 2024). Cognitive distance demands deeper cultural fluency achieved through consumer-centric localization of marketing narratives or product designs (Kostova, Roth, and Dacin, 2008). MNEs mitigate these challenges through diverse leadership teams with host-country expertise, which studies show reduce normative distance's negative performance impact (Kostova and Zaheer, 1999), and through institutional arbitrage strategies such as relocating Research and Development (R&D) hubs to innovation-friendly jurisdictions to exploit regulatory asymmetries (Kunst, 2019).

3.5 Uncertainty

Uncertainty plays a significant role in how MNEs assess decision-making, influencing their perception of the business environment and potentially leading to de-internationalization due to these uncertainties (Tang et al., 2021). However, as Teece (2016) argues, there is a distinction between risk and uncertainty, which affects how they should be managed. Teece (2016) further emphasizes that company managers must implement principles consistent with the firm's dynamic capabilities to manage uncertainty effectively. Subsequently, risk and uncertainty require different management approaches, as uncertainty can create turbulence, particularly in disruptive environments where innovation and interdependence are key drivers. When companies revert to a business-as-usual mindset, they must remain prepared for rapid changes, even if not all businesses face intense competition or uncertainty at all times (Teece, 2016). This requires organizations to stay flexible, which can help them cope with changes in production rates during volatile periods. Moreover, the net benefits of agility increase with uncertainty in the competitive environment, and transformation is often more challenging for established MNEs than for startups (Reeves, Love, and Tillmanns, 2012). Therefore, it is crucial to formulate hypotheses about market conditions when deep uncertainty arises (Teece, 2016). Zámborský (2021) expands on Teece's ideas by highlighting three core capabilities: (1) sensing the context, (2) driving the market, and (3) redesigning the business. Sensing the context involves scanning the business environment to assess risks and unpredictability, which informs the reshaping of business strategies. For example, IKEA shifted from a five-year strategy plan to a three-year one, increasing its commitment to digital solutions across all countries (Zámborský, 2021).

To drive the market during uncertainty, companies must make strategic bets for risk mitigation, categorized into no-regret moves, options, and big bets (Toner et al., 2015; Zámborský, 2021). Microsoft exemplifies this with its no-regret move of integrating Windows with Microsoft 365, option bets such as acquiring LinkedIn, and the big bet on Azure cloud computing. Additionally, Microsoft hedges against uncertainty by establishing R&D departments worldwide to reduce the risk of competitive disadvantage and enhance local responsiveness (Zámborský, 2021). Lastly, Zámborský (2021) notes that redesigning the business is crucial for mitigating uncertainty, with strategies, innovation, and resilience being key drivers. Sony is a prime example, restructuring the company by selling off business units and strengthening initiatives like its image sensors (Zámborský, 2021). Clearly, there is a significant correlation between deinternationalization and companies' market positioning. Tang et al. (2021) further highlights that host countries and their relationships with local networks are critical factors influencing whether a company will engage in foreign divestment or reduction.

3.6 Corporate Social Responsibility and Corporate Social Performance

The concept of Corporate Social Responsibility (CSR) has evolved significantly since Wood's (1991) three-pillar model, which consisted of principles, processes, and outcomes. The principles refer to a firm's public responsibility, processes involving managing public affairs, and environmental scanning, and outcomes are the effects of these processes on organizations, institutions, and the natural environment (Wood, 1991). This approach to understanding the stakeholders impacted by a company is often referred to as the triple-bottom-line approach (UNIDO, 2024). However, as Frederick (1994) notes, CSR faces challenges in addressing concerns about institutional mechanisms and responding to market forces beyond economic considerations, government standards, and social norms, making it difficult to establish a universally accepted moral principle. In response to these challenges, Corporate Social Performance (CSP) has been highlighted for its emphasis on responsibilities toward stakeholders and the outcomes of these responsibilities, a concept initially addressed by Carroll (1979) with the Corporate Social Performance Model. This model integrates economic concerns into a social performance framework (Carroll, 1979). Later, Waddock (2008) integrated CSP with CSR, Corporate Citizenship (CC), and Corporate Responsibility (CR), emphasizing the impact of company responsibilities on internal and external responsibility management, stakeholder engagement, transparency regarding ESG issues, and multi-sector collaborations around bottom-of-the-pyramid strategies.

Navigating these complex areas of CSP and CSR can lead to decreased value for companies if the host country is designated as a State Sponsor of Terrorism (Breuer, Felde, and Steininger, 2017). Research on MNEs and CSP has been fragmented over the past decade, prompting Napier et al. (2023) to develop a framework capturing existing knowledge. They divide CSP in IB into three components: (1) ethics and compliance, (2) social responsiveness, and (3) environmental sustainability. Their research argues that MNEs' CSP is shaped by the diversity and complexity of international environments relating to business ethics, CSR, and policies in general. Consequently, MNEs must comply with different regulations in both home and host countries, a phenomenon described as pluralism, where forces compel compliance with local rules and norms while maintaining global CSP standards and moral legitimacy (Kostova and Zaheer, 1999; Napier et al., 2023). Global moral legitimacy in host countries is crucial as it can reduce the rigidity of regulations imposed on MNEs and provide institutional support that can harm or improve a company's positioning in host countries (Kostova and Zaheer, 1999). This form of legitimacy aligns with existing CSR and CSP literature, and companies can gain strategic advantages by considering this aspect (Zhang and de Vries, 2022).

3.7 Market Entry and Exit Strategies in a De-Globalizing World

When MNEs must choose which mode of entry they select when entering a new market, the consideration: *"(...) almost determines how foreign market operations will be conducted"* (Welch, Benito, and Petersen, 2018, p.10). These foreign modes of operation can be divided into different headings. Welch, Benito, and Petersen (2018) put them into contractual, exporting, and investment modes, with each mode having different risks and control associated. There will be a need for substantially more capital investment by making greenfield investments than exporting (Tihanyi, Griffith, and Russell, 2005; Welch, Benito, and Petersen, 2018, p.336). To be more precise in referenced terminology, Baena and Cerviño (2015) compressed these modes into three broad headings: *"wholly owned subsidiaries (greenfields or acquisitions), joint ventures (majority or minority), and contractual entry modes management service contract, leasing or franchise.".* Additionally, Nisar et al. (2012) highlight the factors of the chosen mode as being a question of speed, diversification, access to suppliers and customers, economies of scale, and increasing market share. These highlights are to be considered while at the same time considering market size and growth, country risk, legal restrictions, power distance, flexibility, international experience, and trade barriers (Morschett, Schramm-Klein and Swoboda, 2010; Ulrich, Hollensen, and Boyd, 2014; Zahoor et al., 2023). However, it is important to note that according to Tihanyi, Griffith, and Russell (2005), if significant cultural differences exist, things feel more stable when making bigger financial investments, which are perceived as less uncertain.

There are many strategic considerations for market entry and good reasons for them. There are times when expansion into new countries fails, which makes it a strategic choice to exit the market. Because of this, the market exit, referred to by Khan et al. (2023) as divestment or divestitures, is important to assess as this has implications for company profitability and competitiveness (Kolev, 2015). The variables impacting whether it is favorable to perform divestments are, according to Arte and Larimo (2019), found to be institutional environment, political openness, risk, distance, and administrative distance. No matter the external or internal pressure that may result in a divestment, the attitude of the company's CEO can slow this process to minimize the negative impact (Kuiken, Wentrup, and Schweizer, 2020). This makes it important for MNEs to strategically reassess their market entry and exit decisions in response to de-globalization.

The case of Yamaha Motorcycles in Pakistan exemplifies how firms may re-enter markets after exit, learning from past experiences and adapting to new regulatory environments (Khan et al., 2023). The market wanted cheaper Chinese bikes, and the government wanted more commitment from the MNEs entering the market, forcing Yamaha to give up on its Joint Venture (JV) with Daewoo. However, within five years, Yamaha assessed the experience gained from the market and committed to the institutional environment, making FDI that eventually consolidated them in the host market (Khan et al., 2023).

3.8 Re-Internationalization

Re-internationalization has been defined as subsequent international re-entry by Welch and Welch (2009), who highlight that resources, brand recognition, network, experience, and negative liabilities influence re-entry. This means conflicts in a host country can force relocation of activities, as seen with Google going to Hong Kong because of a "*(...) complex multiplicity of ethical, cultural, and political conflicts*" (Tan and Tan, 2012). Re-internationalization after a previous failure of internationalization generates valuable insight that forces firms to assess the strategies for accessing markets from the contrast of previous failure, putting them in a better position to succeed in re-entry (Ali, Mathur and Jaiswal, 2022; Sayed and Thuraya Gherissi, 2024). However, market re-entry to recover sunk cost and capitalize on new opportunities, is not without risk, and companies tend to hesitate to undertake re-internationalization despite the chance of capitalizing on these opportunities (Chen, Sousa and He, 2019; Javalgi et al., 2011).

Risk is a central consideration in re-internationalization, particularly when firms attempt to re-enter markets where they previously faced challenges. Market failure is a significant risk, defined as the inability to establish a competitive position or move products in a foreign market (Phang, 2013, pp.24–39). This failure often stems from insufficient resources, inadequate market research, or misaligned strategies during the initial entry phase. For example, firms may face regulatory hurdles, cultural misalignment, or intense competition, which can hinder their ability to succeed in lucrative but complex markets (Ali and Mathur, 2022; Kormakova et al., 2023). These risks necessitate a thorough reassessment of strategies before re-entry, as firms must adapt to evolving market conditions and institutional changes that may have rendered prior knowledge obsolete (Aguzzoli et al., 2020).

The decision to exit a market also carries risks and barriers (Naldi and Kuiken, 2016). Exit barriers can include high sunk costs, such as investments in specialized assets (i.e., irreversible investments) that are difficult to repurpose or sell, regulatory compliance requirements, and long-term contractual obligations with suppliers or customers. For instance, firms may face significant financial penalties for breaking contracts or incur substantial closure costs related to employee redundancies and property leases (Kenton, 2019). These barriers complicate the exit process and influence the firm's willingness to re-enter the same market later. Moreover, strategic exits, not driven by failure but by shifts in organizational focus, can still pose challenges. Firms must weigh the potential loss of customer goodwill and brand equity against the benefits of reallocating resources to more promising ventures (Benito and Welch, 1997; Cairns, Blake, and Dowd, 2008; Naldi and Kuiken, 2016). For example, companies like Whirlpool and Cigna have demonstrated that re-entry after a strategic exit requires careful planning to align with new market dynamics and mitigate past risks (Surdu, Mellahi, and Glaister, 2018).

While exiting and re-entering markets involves considerable risk, it also presents opportunities for learning and strategic recalibration. By using the iterative process of leveraging previous insights regarding market failure, firms can refine their approaches and improve their chances of success upon re-entry. This allows companies to develop more resilient strategies, such as altering operational modes or leveraging new networks and partnerships (Ali and Mathur, 2022; Hallbäck and Gabrielsson, 2013; Welch and Welch, 2009). However, firms must remain cautious of overconfidence in their prior experiences, as changing market conditions can render earlier lessons less applicable (Surdu, Mellahi, and Glaister, 2018).

Concept	Reference
De-globalization	Brancaccio and Califano, 2023 Child and Marinova, 2014 Du, Shu, and Li, 2023 European Commission, 2021 Kim, Li and Lee, 2020 Napier et al,. 2023 Witt, 2019 Witt et al., 2023
Decision-making	Child, 1972 Du, Zhu and Li, 2023 Hitt and Tyler, 1991 Komarova and Bondarenko, 2023 Kostova, Roth and Dacin, 2008 Napier et al., 2023 Oliver, 1991 Sayed and Gherissi Labben, 2024 Teece, Peteraf and Leih, 2016 Welch and Welch, 2009 Zahoor et al., 2023 Zámborský, 2021
The Interactivity of National and Supranational Institutions	Brancaccio and Califano, 2023 Kim, Li and Lee, 2020 Khan et al., 2023 Li et al., 2021 Moran, 2009 Napier et al., 2023 Witt, 2019 Zahoor et al., 2023
Institutional Distance, Legitimacy, and MNE Operations	Frederick, 1994 Kim, Li, and Lee., 2020 Kostova, Roth and Dacin, 2008 Kostova and Zaheer, 1999 Kunst, 2019 Lu, Boo and Liu, 2024 Napier et al., 2023 Rana and Sørensen, 2020 Sayed and Gherissi Labben, 2024
Uncertainty	Napier et al., 2023 Reeves, Love and Tillmanns, 2012 Tang et al., 2021 Teece, Peteraf and Leih, 2016 Toner et al., 2015 Zámborský, 2021

Corporate Social Responsibility and Corporate Social Performance	Breuer, Felde and Steininger, 2017 Carroll, 1979 Frederick, 1994 Kostova and Zaheer, 1999 Napier et al., 2023 UNIDO, 2024 Waddock, 2008 Wood, 1991 Zhang and de Vries, 2022)
Market Entry and Exit Strategies in a De-Globalizing World	Arte and Larimo, 2019 Baena and Cerviño, 2015 Cuervo-Cazurra, Gaur, and Singh, 2019 Khan et al., 2023 Kim, Li, and Lee, 2020 Kolev, 2015 Kuiken, Wentrup and Schweizer, 2020 Morschett, Schramm-Klein and Swoboda, 2010 Napier et al., 2023 Nisar et al., 2012 Tan and Tan, 2012 Tihanyi, Griffith and Russell, 2005 Ulrich, Hollensen and Boyd, 2014 Welch, Benito and Petersen, 2018 Zahoor et al., 2023
Re-internationalization	Aguzzoli et al., 2020 Ali and Mathur, 2022 Ali et al., 2022 Ali, Mathur and Jaiswal, 2022 Benito and Welch, 1997 Cairns, Blake and Dowd, 2008 Chen, Sousa and He, 2019 Hallbäck and Gabrielsson, 2013 Javalgi et al., 2011 Kenton, 2019 Kormakova et al., 2023 Naldi and Kuiken, 2016 Sayed and Gherissi Labben, 2024 Surdu, Mellahi and Glaister, 2018 Tan and Tan, 2012 Welch and Welch, 2009

Table 1: Compilation of existing literature, source: The authors

4. Literature Criticism & Conceptualization

Through the literature review, the authors have attempted to accumulate knowledge about how de-globalization impacts the re-internationalization of MNEs. By focusing on the knowledge around this subject, the literature chapter has revealed relevant topics and research areas that impact this thesis research question. The underlying factors impact the question of when to re-internationalize and why multiple headings have arisen through the review. By exploring and referencing the work within the literature review, the authors have developed an accurate understanding of how the existing literature has evolved and the reasoning behind the approaches taken by these scholars in their research. However, the research on the underlying topics has revealed significant inconsistencies and gaps in the existing literature. This chapter of literature criticism further elaborates on the highlights of these gaps and the inconsistency issue, ultimately leading to an á priori framework.

The literature initially highlights various perspectives through which the reasons for a de-globalizing world can be examined, along with the resulting impacts on industries and companies facing diverse internal and external pressures. Superpowers and countries with differing ideologies constrain how legitimized foreign modes of operation are interpreted in each economy and how these aspects are pushed to be perceived in a societal context. The advisory organizations that aim to better the terms of globalization through supranational coalitions are neglecting the impact of protectionism and tariffs on a world that shows signs of de-globalization. The supranational institutions are falling short of having enforcement features, where governments are concerned about their interest and ideologies, which harms the perception of a global world where industries and MNEs can exploit CSAs. Furthermore, the impact of these institutions, geopolitical policies, and the trending priorities of self-reliance are harming global competition and the modes by which MNEs can operate globally. Investigating the effects of external and internal policies on different countries, especially in the context of risk, is neither a new concept nor an uncharted area of research. However, researchers often overlook the evaluation of declining interdependence among nations in relation to the risks posed by internal and external policies, institutional distance, and shifts in legitimacy. These changes that affect industries and companies represent the first gap identified by the authors for further analysis.

The second part of the literature highlights how countries' industries are being researched through norms, supply chain ecosystems, and the logic to which the same industries are subject but in different countries. Furthermore, the literature focuses on how a difference in lack of enforcement is a potential creator of risk-averse behavior for companies and harms the flow of cross-border investments in different sectors. The authors have observed a lack of a link to how these industries are impacted by a trend of protectionism and a de-globalizing world. Furthermore, the authors see that there is a neglect of studying how industries can re-internationalize when macro-oriented variables force a change in market conditions for MNEs. This gap is analyzed with a focus on the link between macro-oriented political agendas, and the risk institutional pressure creates for industries.

The third part of the literature highlights how a foreign mode of operation plays a crucial role in determining how companies conduct their activities within the international context of any given country. Researchers emphasize that companies must adopt sustainable stakeholder responsibility and management approaches, particularly through CSP, to remain competitive in their operational domains. The entry mode selection depends on factors such as speed of market entry, leveraging competitive advantages, and potential gains from GVC integration. However, companies are less likely to face divestments when prioritizing stakeholder management and operating within supportive networks. These advantages can be undermined if operational barriers (e.g., irreversible investments and issues in market exit) create constraints that outweigh the benefits of their chosen entry strategy. While researchers have identified multiple forces affecting market entry and operations, the authors observe a gap in understanding the factors that significantly shape operational governance and re-internationalization, particularly concerning macro- and meso-level influences.

Finally, research has identified factors that influence companies seeking to capitalize on new opportunities, whether within a country, through divestment, or by re-entering a market after exiting. Here, it is crucial to recognize the significant difference between initial market entry and re-entry, which has been addressed in studies on learning from failure when faced with evolving market conditions. Notably, market re-entry provides companies with valuable insights into previous shortcomings, enabling them to assess risks and returns better while accounting for potential losses in brand equity. It is, furthermore, important to note that dilemmas surrounding values, ethics, and social norms are key drivers that companies must consider to remain competitive in host markets. When companies address these shortcomings, surrounding dilemmas and the factors determining whether to capitalize on new opportunities can be seen as the strategic assessment that MNEs do when they contemplate re-internationalizing after a change in the host country's environment. It is important to notice that strategic assessment can differ based on company, industry, and country as market conditions change. While existing literature has explored the re-entry of companies and examined the perception of risk and return, the authors have identified a gap, specifically in addressing how surrounding factors influence these dynamics at the macro, meso, and micro levels, and from this also the considerations that MNEs need to address.

4.1 Á Priori Framework

Research consistently highlights that de-globalization impacts companies' market exit and re-entry through multi-level factors, yet the exact mechanisms and magnitude of these influences (i.e., the role of policies and institutions) remain ambiguously defined and lack consensus in existing literature. To summarize current perspectives, the authors propose the conceptual framework (i.e., á priori framework) shown in Figure 1.

This framework serves as an á priori framework based on existing knowledge and the drivers of the topics researched. However, as the investigation into the research questions progresses, the authors recognize that the framework may evolve á posteriori to incorporate emerging insights and newly identified dynamics.

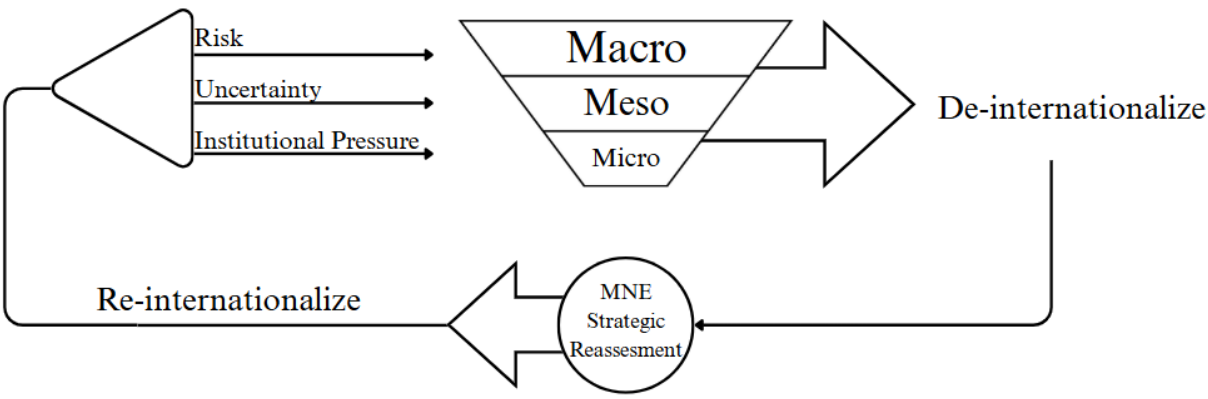

Figure 1: Á priori conceptual framework, source: The authors

5. Methodology

The purpose of this section is to present a line of reasoning related to the research topic of this thesis. By developing an appropriate research design, it offers a comprehensive understanding of the subject matter, clarifies the purpose and applicability of the framework, and outlines the methods used for data collection.

5.1 Research Design

The scope of the research design serves as the general plan for addressing the problem formulation. It provides a comprehensive perspective on the methods chosen to investigate the topic and answer the problem formulation. It outlines clear objectives derived from the problem formulation, specifically the data sources, and details how the data will be collected and analyzed. It addresses ethical considerations and practical constraints (i.e., data, time, location, and financial resources). Furthermore, it acts as a platform for justifying the assumptions underlying the selected approach and evaluating the methods used for data collection and analysis. By carefully considering these elements, the research design ensures a systematic and thoughtful approach to achieving the study's objectives (Saunders, Lewis, and Thornhill, 2019, pp.172-176).

The Research Onion Framework by Saunders, Lewis, and Thornhill (2019) will be utilized to illustrate and structure the key stages of developing the research strategy. By following the framework from the outer layer, the sequential layers represent the increasingly detailed phases of the research process. The framework can be seen in Figure 2.

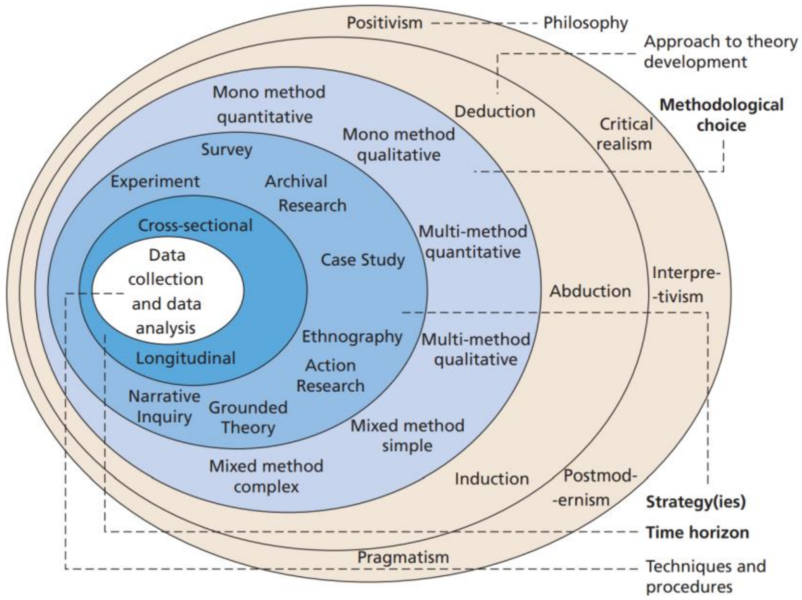

Figure 2: The research onion (Saunders, Lewis and Thornhill, 2019, p.174)

5.1.1 Philosophical and Theoretical Viewpoints

In ontology, a continuum exists between two opposing extremes: Objectivism and Subjectivism. The objective approach, rooted in realism, views the world as composed of solid, granular, and relatively unchanging things, including social institutions (e.g., family, religion, and economy) into which individuals are born (Burrell and Morgan, 2016, p.198; Nielsen, 2018, p.29). It incorporates the principles of natural sciences, asserting that the social reality being studied exists externally to both the researcher and others (Saunders, Lewis, and Thornhill, 2019, pp.134-136). In its most extreme form, it considers social entities like physical entities in the natural world, existing independently of human perception, labels, or awareness (Nielsen, 2018, pp.29-30). In other words, because the interpretations and experiences of social actors do not influence the existence of the social world, an extreme objectivist believes there is only one actual social reality shared by all social actors (Saunders, Lewis, and Thornhill, 2019, p.135). Conversely, the extreme subjective approach is dealing with nominalism. This considers that the order and structures of social phenomena, as well as the phenomena themselves, are constructed by researchers and other social actors through various actions (i.e., language, conceptual categories, perceptions, and subsequent actions) (Saunders, Lewis, and Thornhill, 2019, p.137). In other words, for nominalists, there is no inherent reality to the social world beyond what individuals (i.e., social actors) assign to it. Since each person perceives and experiences reality differently, it is more accurate to speak of multiple realities rather than a single, universal reality shared by everyone (Burrell and Morgan, 2016, p.246; Nielsen, 2018, p.137).

A thorough literature review has been conducted and presented from the researchers' perspective rather than the authors', ensuring an objective approach and aligning with the ontological viewpoint. The literature review's structure and the selection of concepts, models, and theories included are determined based on the authors' assessment of their relevance and suitability to the research topic. Additionally, the subjective perspective becomes evident within the proposed á priori framework, as the concepts and perceptions included were meticulously chosen based on their perceived importance for assessment in the analysis chapter. Finally, the discussion section involves a subjective approach in its construction, reflecting the authors' perspectives as external observers of the findings presented in the analysis chapter. Here, changes from the á priori framework arise from the case analysis findings and are presented as the posterior framework in the discussion. Overall, the authors aimed to create a thesis that is accessible and comprehensible from both theoretical and practical standpoints.

5.1.2 Epistemological Choice

The epistemological viewpoint refers to the underlying assumptions about knowledge, including what is considered acceptable, valid, and legitimate knowledge, as well as how such knowledge can be effectively communicated to others (Burrell and Morgan, 2019, pp.1-3; Saunders, Lewis and Thornhill, 2019, pp.133-134). In relation to the thesis, the authors conducted preliminary research to explore the phenomenon of de-globalization, institutional and governance specifics, and decision-making factors within re-internationalization for firms, which defined the scope of the literature review. Based on the findings from the preliminary research, the authors identified a set of concepts (i.e., uncertainty, institutional pressure, risk) and a set of levels (i.e., macro, meso, micro) originating from various literature which, according to the authors, were perceived as fundamental to the research topic of this thesis.

These concepts and levels identified through the literature review were categorized to demonstrate how they influence re-internationalization processes across different levels. Additionally, the categorization aimed to identify the behavioral typology of firms, whether rational, non-rational, or a combination of both. From this, by developing a theoretical understanding of de-globalization and re-internationalization, along with the concepts and levels identified during the initial research phase, but not exclusively limited to this, the paper seeks to gain a preliminary understanding of the factors influencing decision-making processes for firms opting to re-internationalize.

Similarly to the philosophical viewpoint, the assumptions (i.e., knowledge, acceptability, validity, legitimacy) within epistemology offer both objective and subjective perspectives. The objective approach, seen through positivism, assumes that knowledge can be obtained as an external observer through measurable and generalizable data. On the other hand, the subjective approach, seen through anti-positivism, emphasizes understanding the world through active involvement and interaction, capturing rich and complex organizational realities (Burrell and Morgan, 2019, pp.1-3; Kuada, 2012, p.59; Saunders, Lewis and Thornhill, 2019, pp.133-134; pp.144-145). Both the objective and subjective approaches within epistemology were used in this thesis.

The preliminary research resulted in these sets of concepts and levels that the authors subjectively selected, as they were perceived to be fundamental to the context of the research topic. These subjective selected fundamentals for the research topic formed the conceptual framework (i.e., subjective). In this instance, these subjective selections align with the anti-positivist perspective, which emphasizes understanding phenomena through active involvement and interpretation (Saunders, Lewis, and Thornhill, 2019, pp.144-145). Conversely, elements of positivism were incorporated into the research process. While the concepts and levels were subjectively constructed from the literature review and incorporated into the conceptual framework, the objectivity of these was presented by the authors to ensure clarity and neutrality.

The primary objective of the framework was to use it as a guiding tool for assessing the research problem or, more specifically, the research questions related to the thesis. This was done to determine whether the factors included in the framework, as identified in the literature review, are (1) relevant to the de-globalization of institutions and (2) influence the re-internationalization decision-making of MNEs. Hence, the á priori framework provided a guiding structure developed by the authors to conduct the analysis, ultimately intending to enhance the understanding of the research topic. However, as the literature review solely provides an initial understanding of the researched phenomenon, the proposed framework's components (or factors) affecting de-globalization and MNEs re-internationalization strategies may be modified or expanded based on the context of the discussion. The information collected from various secondary sources throughout the analysis chapter was presented objectively to provide an unfiltered and comprehensive view of the results based on the á priori framework. In this phase, the authors primarily acted as external observers of the information given in correlation to the research topic in the analysis chapter, adhering to positivist principles of objectivity and detachment. Its purpose is to determine whether these aspects included in the framework are relevant and/or affect re-internationalization for MNEs and, if so, to understand how these aspects shaped their decision-making. However, since the literature review offers only a preliminary understanding of the researched phenomenon, the concepts and/or levels of the á priori framework are subject to change or expansion based on insights gained during the analysis chapter. Additional aspects may emerge, or existing ones may be refined depending on the context of the discussion and uncovered as a result of the findings of the analysis.

Figure 3: Data interpretation and research process, source: The authors

5.1.3 Methodological Decisions

For the research design to be coherent and to better transparently assess and interpret the knowledge obtained and the assumptions that surround said knowledge, it is important to reflect on the type of research philosophy paradigm used to do this assessment. Furthermore, this decision of methodology approach also shapes the investigation, collection, and interpretation of data collected when researching our problem formulation (Fleetwood, 2005).

Multiple ways to interpret the world have already demonstrated the need to reflect on the extremes of ontology and epistemology choices. These choices must be consistent with how objectivism and subjectivism are perceived and through which paradigm. The paradigm in this research revolves around critical realism with lesser objectivism and, thus, more subjectivism (Saunders, Lewis, and Thornhill, 2019, pp.176-180).

The authors are bound by the thought that there are two ways of understanding our world. One is the events happening, and the other is how this is being processed by individuals, often backward with reasoning from experience (Saunders, Lewis, and Thornhill, 2019, pp.180-181). An example is that we are aware that political and institutional forces have a causal effect on the strategic reflections needed when considering divestments or re-internationalization, as shown in the literature review. However, the governance and implementation of policies that can cause these events are processed through a whole system and cannot be stated as truth. Here, we see that determining factors are the experience derived from these policies and that even though policies are implemented for protectionism, MNEs still make investments for market entry.

The above highlights the importance of how we, as critical realists, seek to explain these observable events by looking at the causes and mechanisms that shape social structures and organizational life. It is a norm for critical realists to research how social history and organizational structure have changed over time (Reed, 2005; Saunders, Lewis, and Thornhill, 2019, p.180). This aligns with our assessment of how policies have changed over the last decades and how potential de-globalization is reoccurring.

By having these inherited ways of structures and events that impact each other, it is important to notice that these are being constructed through the interpretations of said events on an empirical level. However, from our viewpoint, it is still true that the real domain has a causal relationship with the actual and empirical levels, as shown in Figure 4. By having a broad approach in our research, we expect to capture a better understanding of the interrelationships of governance, institutional structures and how their policies are manifesting themselves through implementations and interpretations, and in the end, how these are coming to light through the observable or experienced events (Mingers, 2004; Saunders, Lewis and Thornhill, 2019, pp.177-181).

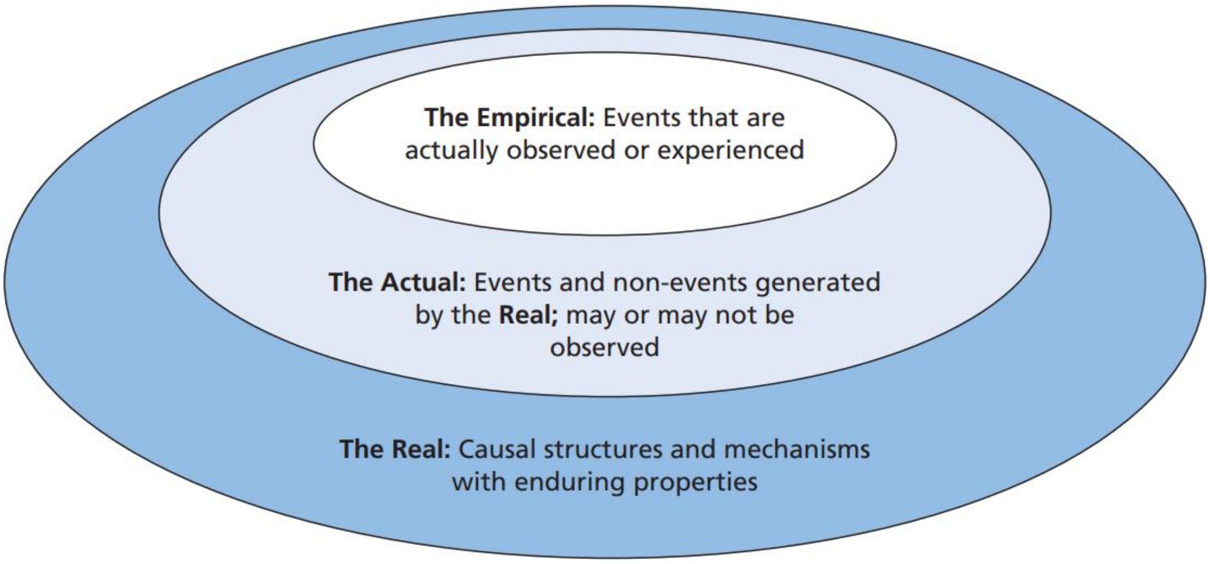

Figure 4: Critical realist stratified ontology (Saunders, Lewis, and Thornhill, 2019, p.181)

By choosing this methodological approach, we are committing this project to exploratory work, where the outcome of the observable events should be the determining causes or factors shaping our research questions. However, we acknowledge that biasing and subjective factors can impact the interpretation and, thus, the result of our research. This statement is also true for the data used and is elaborated in section 5.5 delimitations.

The above calls for the assessment of what approach is chosen regarding theory development. As we are critical realists, the go-to approach is the abductive or retroduction approach, and because of our approach to our research question, it is also the approach selected here. The argument of us not using an inductive or deductive approach lies in the somewhat strict approach to either theory to data or data to theory when in its purest form. Given the nature of critical realism, we are bound by subjectivity, and that reasoning and research happen in real time as an iterative process. By approaching theory development through abduction, our research question can be explored through the starting point of a conflict in the empirical and the existing theories built (Saunders, Lewis, and Thornhill, 2019, pp.185-191).

In relation to forming our research question and highlighting the abductive approach, the authors have noticed how announcements of global tariffs and protectionism have been growing in the media and how it seems like economists are against the possibility of a trade war. Combining this with the interests of WTO and other institutions, it is surprising that countries still want to implement these changes, regardless of the potential impact on MNEs. However, there are still markets to compete, and there are still global brands worldwide. Hence, the authors see a possibility of creating a framework that can explain the plausible theory from this apparent discrepancy (Saunders, Lewis, and Thornhill, 2019, pp.188-191).

5.2 Choice of Methods and Techniques

This section will outline the methodological choices made during this thesis and explain how they support the research's aim: how country governance and institutional policy implementation affect de-globalization and the re-internationalization of MNEs.

This study follows a qualitative research strategy and relies exclusively on secondary data. This choice reflects the limitation in access to primary sources and the exploratory nature of the research problem. As Kuada (2012) suggests, the selection of methods must be aligned with and guided by the objective of the research and what type of insights are needed. Qualitative approaches are more suitable when authors are looking to explore more complex questions in a contextualized manner (Kuada, 2012, pp.91-102).

This thesis's approach is grounded in a critical realist paradigm that recognizes both observable institutional events and the deeper causal mechanisms behind them. The author's reasoning is abductive, reflecting a repeating movement between the theory and the empirical evidence (Saunders, Lewis, and Thornhill, 2019, pp.155-157). This choice helps the authors explore how institutional inconsistencies and governance shifts affect MNE strategies in practice.

The data collected and used throughout this thesis was obtained through a desk-based review of peer-reviewed articles, policy reports, institutional publications (e.g., Organisation for Economic Co-operation and Development (OECD), United Nations Conference on Trade and Development (UNCTAD), and credible news sources. Early in this thesis, thematic coding was considered, but the final analysis uses a qualitative, comparative interpretation of institutional environments. The selected six countries, China, The US, Russia, Brazil, India, and South Africa (BRICS), were selected based on their relevance to the global trade environment and governance diversity. China and The US were also apparent choices due to their central role in ongoing trade conflicts. At the same time, the other countries have their connection to BRICS and their varying institutional development trajectories.

In order to ensure the credibility of the study, the authors applied triangulation by comparing data from multiple sources and perspectives. By doing so, this approach supports trustworthiness and mitigates bias. This is in line with Kuada (2012), who emphasizes evaluating secondary sources for consistency, relevance, and authenticity when primary data collection is not feasible (Kuada, 2012, pp.121-122)

Even though relying on secondary data limits the depth of context-specific insights, this trade-off can be mitigated through careful source selection and comparative reasoning. As Kuada (2012) also emphasizes, interpretation plays a key role when looking at qualitative research when direct engagement with respondents is absent and makes the researchers' analytical viewpoint critical when producing valid conclusions (Kuada, 2012, pp.60-61; p.93)

The author's research method reflects the philosophical and practical demands of the research by being interpretive, comparative, and structured to address dynamic multi-level institutional situations through abductive logic and thinking.

5.3 Data Collection

This chapter strives for transparency and rigor in methodological approaches, aiming to heighten reliability in how the authors approached the data collection. Here, it is important to notice that this thesis solely relies on secondary data and that this data is collected from multiple sources. However, it is still important to notice that there is a methodological distinction between the two broad categories: qualitative and quantitative.

From the initial development of our thesis, the authors believe that using only qualitative research methods is the right way to explore our thesis' research questions. The secondary data collected is a broad mixture of verbal and textual data. The verbal data comes from what is said in interviews and speeches. In contrast, the textual data comes from documents such as academic journals, articles in different forms, documents, and statements from various sources. Because of the nature of qualitative data gathered through these sources, it is important to note that the authors have a role in how the verbal and textual data is interpreted while upholding trustworthiness and embracing epistemological relativism. Furthermore, it is important to highlight that the research gathered is context-based and thus requires a certain degree of interpretation to understand the meanings. This approach, however, with the limitations mentioned above, is the seemingly best way of identifying and finding the interconnectedness of different themes and categories and, through that, unfolding our research questions (Gelo, Braakmann and Benetka, 2008; Krefting, 1991; Saunders, Lewis and Thornhill, 2019, p.148; pp.636-647).

The authors acknowledge that there is a quantitative approach to our topic, which would help validate facts and correlations and predict trends. Here, the data collected and analyzed would be reduced to numerical values and carried out statistically. This approach further needs the thesis to be structured around causal relationships and for large samples to be either available for interpretation or for generating this data. Because of the nature of the quantitative approach, it is suitable for generalization purposes and statistical conclusion validity (Gelo, Braakmann, and Benetka, 2008; Saunders, Lewis, and Thornhill, 2019, pp.564-576). Because of the nature of the thesis' philosophy of science, the methodological approach, and the research questions, the authors have deemed this not applicable to and beneficial for the research of this paper, as this eliminates the ability to do a more nuanced exploration of the subjects.

5.3.1 Data Sense Making

This thesis is based upon a sense-making approach that uses abductive reasoning as the main logic of research. Instead of using the linear model of data validation through triangulation, the authors utilize an interactive and dynamic interplay between theory and empirical data, allowing for theoretical concepts and observations to mutually shape one another in a continuous process of refinement (Dubois and Gadde, 2002; Timmermans and Tavory, 2012). Given the conditions by which this study is researched, it is more a question of sense-making from existing literature, knowledge, and experiences, making this study a way of compressing knowledge into theory or put in other ways, the authors are researching sensations and events, and making undergoing the mental processing of these, making it an abductive approach (Saunders, Lewis and Thornhill, 2019, pp.153-156). Following this process, the authors move between deductive elements, such as applying theoretical assumptions to institutional events, and inductive elements, such as letting country-specific developments and unexpected patterns inform their understanding. Furthermore, this dynamic reasoning supports the author's abductive orientation. Also, it contributes directly to the sense-making function, where comparing and cross-validating diverse sources allows the authors to repeatedly refine their interpretations (Saunders, Lewis, and Thornhill, 2019, pp.155-157). This abductive reasoning moves between theoretical expectations and real-world developments; a process Dubois and Gadde (2002) call systematic combining. As the authors move between conceptual frameworks and secondary data, they gradually reshape their analytical lens, responding to emerging inconsistencies and previously unobserved empirical patterns. Timmermans and Tavory (2012) emphasized that this aligns with how abductive analysis can be seen as a way to leverage surprising empirical insights to develop and revise theoretical understanding. Especially when looking at the context of complex global governance. The reliance on secondary data can be reasoned by the fact that instead of relying on triangulation to confirm potential findings, the authors draw on a variety of secondary sources in order to interpret and contextualize changing strategies. This interpretive flexibility aligns with the abductive approach, where the authors continue to reshape their theoretical understanding in response to the empirical complexity. In other words, abduction allows theoretical sensitivity. It is paired with sense-making, which provides flexibility to process complexity and inconsistency, making the combination a methodological strength for the authors when studying institutional change and country governance (Timmermans and Tavory, 2012). Figure 5 below illustrates the abductive cycle of reasoning for the sense-making approach.

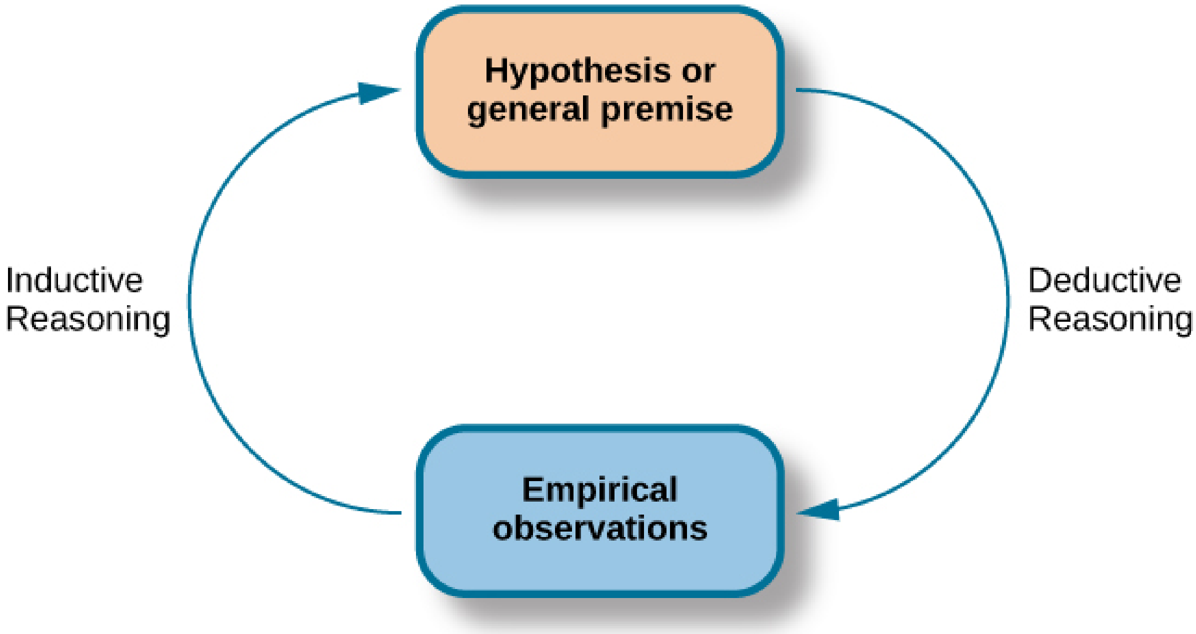

Figure 5: Sensemaking illustration (Spielman, Jenkins and Lovett, 2020, p.42)

5.4 Data Analysis and Verification

This thesis solely relies on qualitative secondary sources, which not only creates some limitations but also forces reflections on how this comes to show throughout the thesis. Furthermore, it demands reflection on how reliability, validity, and bias are addressed. Adding to this is that the philosophy of the science paradigm, critical realism, provides specific opportunities and limitations in our approach to data. There have been multiple scholars and different ways of addressing these methodological reflections. Because of this, it is important to note that the authors are making points in the arguments by Saunders, Lewis, and Thornhill (2019).

5.4.1 Reliability

When addressing the point of reliability, it refers to consistency and how well other researchers can replicate the used research design and, from this, get the same findings as the authors of this thesis have. It is important here to distinguish between internal and external reliability. Internal reliability refers to the consistency of the research and whether the authors and researchers of this thesis agree on what is observed. To lessen the threat of inconsistency and to heighten the degree of internal reliability, more than one researcher has been involved in the data collection and assessment of the various amounts of sources. No single researcher has had the sole responsibility and interpretation of data for any part of the thesis. However, the selected data for thematic analysis is based on the findings available at the time of this thesis, where the coding of these is done collectively and thus is subject to an alignment of interpretations (Saunders, Lewis, and Thornhill, 2019, pp.213-215). The collected data were analyzed independently by each researcher, and following this, the researchers compared the interpretations. There was a high level of agreement. Any differences were discussed until a consensus on the data interpretation was reached.

The external reliability tells how replicable this research is. By following our research paradigm of critical realism, it is important to note that it is acknowledged that there are underlying structures and mechanisms that are constantly changing the environment in which the analysis is conducted. This is seen with the perception that the underlying mechanisms have one way of being perceived as looking in the past, yet this can change in the future. Even though this can threaten external reliability, different measures have been taken to combat these threats. With this thesis relying on secondary data, a careful selection of what is deemed a credible source has been utilized. By this, the authors are specific that the extensive research done on the subject makes the thesis findings accurate for the time this research was conducted (Saunders, Lewis, and Thornhill, 2019, pp.213-215).

5.4.2 Validity

When addressing the validity, there is a need to look at the two subcategories of this, which are internal and external validity. Internal validity refers to the findings of this research and to what extent the results can result from intervention. As the authors use solely secondary sources, the threat of intervention from past or recent events is limited, as scholars and credible sources research the recollection of events. Furthermore, there are no mortality risks or threats to testing because of the lack of interviews or the possibility of participants withdrawing from the study. However, there is a degree of ambiguity as the probability of recent events changing and not having clear cause and effect after this study is conducted. This aligns with our paradigm, which acknowledges that the world and its perceptions are ever-changing. Nevertheless, the authors are sure the research is accurate with the existing knowledge (Saunders, Lewis, and Thornhill, 2019, pp.213-215).

As for the external validity and whether this study generates the ability to generalize into other contexts, the authors are confident it is true. Given the extensive analysis of how governance and institutional pressure are forming and how this, historically, has impacted MNEs, combined with existing theories as an explaining factor for strategic and operational initiatives for said MNEs, are possible. It is also important to highlight that because of the reliance on secondary literature from credible sources and because of the historical perspective to explain the future, the authors are confident that if a replication of the study is to happen, it will reach the same conclusions. However, there is the case of this research being conducted through only some countries and economies, which could be a changing factor for which institutions and how much pressure they can push can differ in smaller and more isolated economies (Saunders, Lewis, and Thornhill, 2019, pp.215-216).

5.5 Delimitations

While broader linguistic access and ability (e.g., Russian, Chinese, Hindi, Spanish, and Portuguese) could have expanded the data pool, the study was deliberately limited to English-language sources to maintain analytical consistency and ensure interpretability and transparency.

The authors have decided only to include events from 1900 until today. According to The World Economic Forum (WEF), this aligns with the time when the first globalization began to happen. WEF marks that period as the first wave of globalization, and it was a phase marked by industrialization, increases in trade flows, and a rise of MNEs. The period saw the development of formal institutions governing international commerce and investment, and the authors believed that it would make a suitable starting point for understanding long-term shifts in governance and institutional policy (Vanham, 2019).

Within this historical scope, this thesis has deliberately focused on policies and governance that impact internationally rather than domestically. Policies and governance have been seen as having an international impact and affect FDI, trade flows, access to host country markets, and the foreign operation strategy of MNEs. By following this, the authors ensure analytical consistency with the research question, which centers on how these institutional dynamics affect de-globalization and re-internationalization at the international business level.

In this study, the authors choose not to apply alternative quality criteria. As explained by Saunders, Lewis, and Thornhill (2019, pp.216-217), alternative criteria are primarily relevant for qualitative research based on interpretivist paradigms and direct interaction with human participants. This study takes a comparative, document-based approach to analyzing secondary data on governance and institutional developments across six countries. The study is within a critical realist and abductive research design, emphasizing understanding institutional patterns and MNE's strategic responses over time. As a result, the author's concern is analytical coherence, transparency in the selection of cases, and consistency in interpreting institutional dynamics instead of establishing credibility or transferability based on participant narratives.

This study analyzes China, The US, Russia, Brazil, India, and South Africa due to their strategic relevance, institutional diversity, and their role in shaping MNE decision-making under deglobalization. China, Russia, and the US have been selected and treated as individual cases due to their status as global powers with significant geopolitical and economic influence. Their institutional frameworks and global positioning differ fundamentally from those of the other BRICS members. The inclusion of India is due to the size of the country, its fast economic growth, and increasing global relevance. As for Brazil, they represent South America as one of the largest economies. Lastly, South Africa offers a relevant entry point into understanding the institutional development happening across the African continent. Combining the six selected countries allows the author to get a balanced yet diverse cross-national comparison, reflecting both scale and variation in governance and institutional policy.

This study only uses secondary data, both a methodological and practical choice. The research conducted in this study investigates macro-level institutional and governance developments from 1900 until now across six countries. This development can be found formalized and documented in public sources, making secondary data more direct and suitable for accessing relevant information. For example, primary data in an interview would be less valuable, as this study focuses not on individual perceptions or firm-level decision-making but on the national governance frameworks and policy trends that shape MNE strategy. Using secondary data also increases the comparability across countries and periods, which is important when drawing cross-national insights. Furthermore, it also contributes to a transparent, replicable research process because all sources found and used are available to the public and/or academically verifiable. The time constraints and the limited feasibility of securing interviews with policymakers or executives from six different countries make this approach less applicable

6. Analysis

This analysis section will address the author's overall problem formulation: *"How do country governance and institutional policy implementation affect the de-globalization of MNEs and their possible re-internationalization?"* More specifically, two interrelated research questions to the problem formulation are divided into two parts for the analysis:

RQ1: How do country governance and institutional policy implementation affect the de-globalization of MNEs?

RQ2: What specific strategic and operational moves can firms undertake to facilitate successful re-internationalization in the markets they had previously exited?

In relation to answering RQ1, the authors will analyze how country-specific governance models and institutional policies contribute to the de-globalization of MNEs. This part of the analysis will explore how state-imposed restrictions, such as tariffs, ESG mandates, and political risk, have constrained the ability of MNEs to maintain their operations across borders. Through the analysis of six countries (China, The US, Russia, Brazil, India, and South Africa), the authors identify the institutional pressures that force MNEs to scale down, divest, or completely exit foreign markets.

Building on the findings from the first part of the analysis, the second part shifts the focus to how MNEs can respond strategically to the altered institutional landscape. This question will be addressed through an analysis of different entry modes. These include contractual modes, exporting, and investment modes. Each mode offers different levels of control, risk, and institutional exposure. The authors show how MNEs can adapt their strategy to align with the governance conditions of the host country and how factors like policy shifts and regulatory non-transparency act as barriers and influence the viability of MNEs to re-enter.

6.1 Part 1 - RQ1

For the research question of *"How do country governance and institutional policy implementation affect the de-globalization of firms?"* it is necessary to analyze and describe what existing governance is implemented through international business. Much of this has been described in different and somewhat dispersed manners throughout the literature, which is apparent from the literature review in Chapter 3. Given these circumstances and the evolving nature of international business and global economics, examining the existing country's governance and policies is essential retrospectively. It is necessary to know how changes have impacted the globalist way of thinking and where to look for the actual impact through policy implementations. It is also an attempt to highlight the explanatory factors of why de-globalization of firms has and can happen.

Historically, the conditions that have evolved the IB assumptions have been underpinned and rationalized through multiple frameworks, focusing on profit maximization for shareholders. This focus has been a developing factor for how companies enter markets, and for which type of entry mode is utilized to gain market share and capitalize on cross-border operations (Rugman, 2006, pp.42-49). By focusing on the company's competitive advantage and identifying CSAs, they have had a great opportunity to exploit whatever resources are available on market terms in a global world. Given that the MNEs are seeking to use the market terms of countries, it has generated the streamlining and development of economies of scale that rely on GVC's. The existing GVCs are a result of the policies that have been carried out in the host countries and, to some extent, how the more developed countries are inclined to impose production-favored policies, benefitting consumerism (Gereffi, Humphrey and Sturgeon, 2005; Kogut, 1985; Mikler, 2018, pp.104-106; Rugman, 2006, pp.147-149; Teeple and Mcbride, 2011, pp.203-205). The imposed policies and effective ideology of government type and how countries rule determine how the CSA and GVC are to be structured. This ultimately leads to a way of interpreting how a capitalistic approach to society is to determine a potential host country's policy implementation. In addition, the globalist way of thinking is enhanced by developing paradigms or frameworks such as OLI by John H. Dunning (1988). It shows the way the globalization of MNEs has been perceived and developed. This framework tells how countries can exploit exclusive access or possession of assets based on geography, which makes internalization an advantage and comparative advantage for other countries. The willingness of countries to participate in these dominant thoughts of conducting business in a globalizing world has not been limitless, and with no interventions of politicians to regulate or accommodate their ideology and beliefs.

From the works of different ideologies carried throughout the different countries, there has been development of different aspects of a free market and different takes on how much autonomy MNEs should have when entering the global market. The more neoliberal market solution is present in its pure form in the US, where democracy has liberated itself from the dictating policies and institutions by letting the companies compete on the global stage by exploiting cross-border and host country advantages. The more contradictory case here is that China has been adopting autocracy as the preferred way of governance. However, the country has permeated this ideology with the thought of state capitalism, as the country has recognized the importance of access to the free market to develop the country effectively. Committing governance through this lens of political and institutional involvement makes the government an active market participant in terms of guidance, regulatory support for home country industries, and potentially limiting market access for goods and services without intervention. This contrasts with the free-market ideology that has made the foundation for the scene of globalizing companies and their way of autonomously acting in this scene (Dalio, 2021, pp.96-97; pp.398-400; Mikler, 2018, pp.47-53; Teeple and Mcbride, 2011, p.108; p.234).

Even though the elected way of governance has impacted how host countries have accommodated the wishes for MNEs to expand into their markets, there is an ongoing interactivity of the national and supranational institutions, where the different nations and organizations look after their stakeholders' interests. This creates a persuasive force in the global sphere, where global governance is lacking. As a result, it can be argued that no overarching political force holds every nation and institution accountable. The ever-changing policies and uncertainty created by the distance to institutions have made international business theories revolve around explaining the why and how for companies to internationalize in an overarching and simplified way. Yet, the scholars are right in some respects when talking about uncertainty, decision-making, or different market entry strategies.

However, there is a lack of emphasis on nations and supranational institutions as a driving factor for the possibility of entering host markets and even more on how re-entry modes are to be structured for MNEs. With the neoliberal ideology being portrayed as the elite ideology for the liberation of companies and the free market perspective on policy making, it has also been by this that theory has been built upon. This has undermined the impact of which policy host countries are implementing and how MNEs should approach such differences (Albertoni, 2023, pp.1-2; Cahill, 2014, p.119; Karhu and Eini Haaja, 2022, pp.28-29; Mikler, 2018, p.28).

The differences in policy implementation and reinforcement have been undermined through the development of internationalization theories and the extent of how they impact market exit and potential re-internationalization later. When companies are doing strategic assessments after a market exit, international business theory suggests that the deciding factors for re-entry are uncertainty and how companies are to consolidate on a given host market with the knowledge gained from the previous entry. However, this re-internationalization is seemingly neglecting the ideology of a given host country. The MNEs are profit-driven and aim to gain market share while exploiting their competitive advantage (Aguzzoli et al., 2020; Karhu and Eini Haaja, 2022, pp.19-22; Teeple and Mcbride, 2011, p.69). However, the key drivers for the markets in the US differ from those for China, Russia, or the other BRICS countries in general. The countries have different ideologies and governances, and through these, different ways of conducting either a more liberal or protectionist approach to how open they are to MNEs' market behavior and re-internationalization after divestments.

Since there are significant differences in how governance is implemented and carried out in host countries, as briefly demonstrated above, there is a need to understand how differing policies different impacts have on how companies assess a market exit and re-internationalization. Given the apparent differences, the following analysis of China, the US, Russia, Brazil, India, and South Africa are analyzed as individual entities. This is to make it clear where the governance and policies implemented impact the MNEs operating in the countries. This will also identify if any political tendencies are making more of an impact than others in the context in which the countries operate, given the gap in political awareness in international business theories.

The expected differences in policies will result in a summary of how they are carried out and how they impact the MNEs wanting to re-internationalize, given the potential changes leading to a more protectionist world.

6.1.1 China

Since 1900, China's governance trajectory has evolved from centralized autarky to selective global integration. This section analyzes how institutional developments and policy shifts have influenced MNEs market access, operational strategies, and exposure to de-globalization dynamics.

From 1916 to 1949, China experienced multiple forms of governance fragmentation, impacting the country's institutional nature and the operating environment for foreign businesses. The period from 1916 to 1928, also known as the Warlord Era of China, marked the end of the Qing Dynasty, when national authority died, and local leaders moved forward to increase their power and interest. Especially the death of republican president Yuan Shikai in 1916 started the death of national authority, and China shifted into warlordism and a time of uncertainty and conflict with little to no benefits for the normal Chinese. The Warlords were driven by wealth and often seized control of infrastructure and private businesses, making it unsafe and difficult for foreign MNEs to operate in the country. During this era, Beijing and the illegitimate Beiyang government were recognized by foreign powers who paid high import taxes and duties, again marking the difficulty of foreign operations being conducted in China then. In total, the Warlord Era was a time of political division, corruption, instability, and a focus on self-interests accompanied by economic stagnation and social repression. In other words, the operation of foreign MNEs was deemed almost impossible to navigate, and the risks and uncertainties of the divided warlord-ruled country (Llewellyn and Kucha, 2018).

In addition to the already unstable climate in China, the May 4 Movement, starting in 1919, showcased a broad anti-imperialist movement and nationalist tendencies. During the time after WWI ended, the Chinese people, particularly the student intellectuals, saw the Allies' victory as hope for Chinese territory formerly carved out as foreign demand to return and end their humiliation. A further fueling of the anti-colonialism feeling was seen during the month until the signing of the Versailles Treaty, with China being rumored to forfeit the Shandon Province to Japan upon signing the treaty. The movement resulted in strikes undertaken by businesses nationwide, and the Chinese delegation to the Paris Peace Conference refused to sign the treaty. The strikes continued into the 1920s and ended in the eventual termination of foreign concessions in Shanghai and other treaty ports in the 1940s.

Furthermore, the May 4 Movement can be seen as a turning point for China and its relationship with the West. Protestors rallied around principles of nationalism and wanted a complete re-conditioning of Chinese Society. Many prominent intellectuals and students from the protest and movement became leaders of the Chinese Communist Party and contributed significantly to the Chinese Communist Revolution (Chiew and Pan, 2019; The National Archives, 2019). For MNEs, this movement signaled an increasing risk from a deepening hostile public nature towards foreign business presence and colonial influence, thus creating a hostile environment within which MNEs could operate.

In the period spanning from 1949 to 1977, China underwent several changes concerning its domestic structure through central planning and autarky while also isolating itself significantly from most of the outside world and facing embargoes from the Western countries. In 1949, the establishment of the People's Republic of China (PRC) by Mao Zedong marked the end of the civil war between the Chinese Communist Party (CCP) and the Nationalist Party or Kuomintang (KMT). This meant that China shifted towards a more centralized communist state and a state-owned economy (Office of the Historian, 2025). Along with this centralization of the economy, China introduced a nationalization of industry and trading (Dunford, 2023), and along with this, introduced 5-year plans (1953-1975), which effectively excluded China from Western markets (Cairns, 2018; Office of the Historian, 2025). The break from the Soviet Union in the 1960s and a revolution of culture empowered state and party control (Kucha, Llewellyn, and Thompson, 2018; Phillips, 2016). Following these changes, China faced external embargoes from the Coordinating Committee for Multilateral Exports Control (COCOM) (Office of the Historian, 1956; Office of The Historian, 2024). Along with their currency changes, this resulted in a near-impossible import and export situation, and foreign companies had little to no access to the Chinese market (King, 2022; Shan, 1989).

From 1977 to 2000, the world saw China reform and open again under Deng Xiaoping. Deng introduced market prices (Jun 2018, pp 217) and Special Economic Zones (SEZs) and allowed foreign capital to be invested through JV (Naughton, 2007, p.411). The world saw China move from a planned economy towards a more mixed economy, and the establishment of SEZs in Shenzhen added support for economic functions, innovation, experimentation, and free trade (World Bank, 2017). The forced JV policy allowed foreign capital to flow into China but still ensured the Chinese state had control over most core actions. Despite the requirements of a JV, foreign companies now had the opportunity to exploit the country's comparative advantage of low wages and a high production capacity (Li et al., 2000). As a result, China experienced yearly Gross Domestic Product (GDP) growth of approximately 9% (World Bank, 2024) and saw a significant technology transfer to domestic partners through inward FDI (Hsu and Wilbur, 2019).

At the start of the 21st century, on October 1, 2001, China became a WTO member. This meant China became a part of the integrated global trade rules and the additional institutional reforms in some sectors (CFR Education, 2025). The membership of the WTO further reduced import tariffs from approximately 15% to around 9% on average (Amiti et al., 2020). Following the WTO membership, China also became a fabrication hub for the rest of the world. 2012 China accounted for 22.5% of the global manufacturing output (Xinhua, 2022).

Furthermore, a surge of inward FDI into Chinese manufacturing plants and increasing exports resulted in China being more integrated into supply chains, GVCs, and export-led growth (CFR Education, 2025). Even though MNEs took advantage of the low operating costs, there was still a downside to doing business in China. This was in the form of being willing to hand over ownership shares and IP rights to local partners (UNITED STATES TRADE REPRESENTATIVE, 2024).

From 2013 onward, China transitioned from a global integration model toward strategic, state-controlled globalization. This shift was characterized by increasingly conditional market access for MNEs, shaped by national priorities and evolving geopolitical tensions. The launch of the BRI in 2013 marked China's ambition to extend its economic influence abroad through infrastructure investment, supported primarily by SOEs (WANG, 2023; Nadin et al., 2024). For MNEs, BRI symbolized an opportunity for collaboration and was also a signal that Chinese state interests would increasingly guide inward and outward investment (Kliman et al., 2019; Xu and Chen, 2019). Simultaneously, China's domestic market became more politicized, with access contingent upon alignment with state-led priorities, narrowing the internalization advantage within the OLI framework and elevating political alignment as a condition for location attractiveness.

In 2015, the *Made in China 2025* strategy shifted focus to high-tech industrial upgrading, targeting sectors such as semiconductors, robotics, and electric vehicles (Institute for Security and Development Policy, 2018). MNEs operating in China faced heightened requirements for local

R&D presence and underlying technology transfer, fundamentally altering the ownership advantage aspect of OLI. Success increasingly depended not on superior technology alone but on willingness to embed operations into China's national development goals (Congressional Research Service, 2023).

Tensions with the United States escalated further in 2018, as tariffs were exchanged over trade imbalances and IP rights (Bown, 2025). For MNEs, this period introduced significant operational uncertainty. Many firms were forced to reconfigure supply chains to mitigate tariff exposure, fueling the emergence of *China + 1* strategies that diversified manufacturing bases to neighboring countries (Bown, Jung, and Lu, 2018). These shifts also revealed growing institutional distance as regulatory expectations and geopolitical risk perceptions between China and Western home countries increasingly diverged (Interesse, 2024a). Health pandemics like COVID-19 further revealed institutional distance as the government of China handled this pandemic by disrupting production (i.e., ZERO-covid policy) and highlighted vulnerabilities in supply chains dependent on China (Farrer, 2022; Low, 2024). At the same time, the *Dual Circulation Strategy* formally repositioned domestic consumption and indigenous innovation as pillars of future growth (Tang, 2020; Tran, 2022). For foreign firms, this dual structure tightened the conditions for participation, requiring not just economic contribution but political and normative alignment, exacerbating the operational challenges linked to institutional distance (Interesse, 2024b).

In early 2023, the Anti-Espionage Law expanded the definition of espionage to encompass ordinary business practices, raising compliance risks for MNEs engaged in activities like market research and consultancy. Regulatory and legal uncertainties widened the institutional distance, increasing exit risks and necessitating enhanced political due diligence as a central element of the MNE strategy (De Guzman, 2023).

Late 2023 introduced the *New Productive Forces* concept under President Xi Jinping, intensifying support for strategic industries and innovation (Kroeber, 2024). This was followed by new ESG reporting mandates in 2024, framed as sustainability measures but tightly aligned with national industrial policy, further binding MNE operations to state-defined developmental goals (Interesse, 2024a; Interesse, 2024b). These developments reflected China's efforts to reshape normative expectations for foreign firms, challenging previously globalized standards and adding a new dimension to institutional distance (Huld and Zhou, 2024).

By 2025, geopolitical confrontation with the U.S. peaked. China imposed 125% retaliatory tariffs on American goods and banned Boeing aircraft imports, demonstrating its readiness to weaponize market access in response to external pressure (Almeida, 2025; Hale, McMorrow, and Jopson, 2025; Jackson, Lv, and Onstad, 2025). For MNEs, these actions confirmed that market stability could no longer be separated from political allegiance, further diminishing the advantages of traditional location underpinning prior globalization (Cha, 2024).

6.1.2 The US

The United States' institutional and policy evolution has significantly shaped its global economic influence, with recent shifts toward protectionism accelerating de-globalization trends. Below is an analysis of key phases in US tariff policy and their implications for domestic industries and global trade dynamics.

In the late 19th century, average tariffs were the federal government's primary revenue source, peaking at 29,6% under the McKinley Tariff 1890. This law aimed to shield emerging industries like tinplate production, which surged from near-zero domestic output to meeting one-third of US demand by 1897 (Bryan, 2025). However, consumers bore the cost as tinplate prices rose by nearly 70%, inflating expenses for canned goods and other products (Bryan, 2025). By 1900, the US became self-sufficient in tinplate, exemplifying the intended industry argument's mixed success, stimulating production and lowering the average tariff rate at the expense of consumer welfare.

Post-WWI protectionism surged with the Fordney-McCumber Tariff 1922, raising average tariffs to 15,2% to insulate manufacturers and farmers from European competition. Despite claims of protecting jobs, imports continued rising, underscoring the limited efficacy of tariffs in a globalized economy (Riggs, 2015, p.492).

The Smoot-Hawley Tariff of 1930 marked the apex of this era, reaching rates of 19,8% during the Great Depression (Duignan, 2019). At first, the tariff fulfilled its intent: *"(...) factory payrolls, construction contracts, and industrial production all increased sharply."* (Sobel, 2019). While it intended to safeguard domestic employment, the economic problems, specifically in the guise of weak banks, saw the US imports and exports plummet by 66% and 61%, respectively, between 1929 and 1933 (Duignan, 2019; Sobel, 2019). There is some contention over whether decreases, as mentioned, were directly attributed to the tariff since the Great Depression was already in motion before the Smoot-Hawley Law. However, the tariff exacerbated the crisis by contracting global trade, harming farmers, and reducing jobs in export-reliant industries. While the Great Depression would have occurred regardless of whether the law was passed or not, the severity of the depression might have been mitigated to some extent (Eckes, 2000, p.113; Irwin, 1998, pp.332-333).

Post-WWII, the US radically toward a more institutionalized cooperation. The General Agreement on Tariffs and Trade (GATT), established in 1947, embedded principles of non-discrimination and reciprocal tariff reductions, reducing average US tariff rates from 7,9% (1947) to 5,0% by 1973 (McRae, 2023) (Appendix 1). GATT's framework (i.e., seen through the creation of WTO) enabled eight multilateral negotiation rounds to progressively dismantle trade barriers and foster global economic integration (McRae, 2023). In other words, the creation of the WTO's institutional legacy extended beyond tariffs as it bound negotiated rates, ensured transparency, and provided a forum for resolving disputes, rationalizing trade policy across member states (Fry et al., 2005).

During this period of expanding multilateralism, the set of policy prescriptions later known as the Washington Consensus emerged as a dominant framework for economic reform and international trade. First articulated by John Williamson in 1989, the Washington Consensus outlined ten core principles, including trade liberalization, fiscal discipline, privatization, deregulation, and legal security for property rights, that were promoted by Washington-based institutions such as the IMF, World Bank, and the US Treasury. These policies encouraged the reduction of tariffs and other trade barriers, the liberalization of foreign direct investment, and the privatization of state enterprises to foster open markets and economic growth. The Consensus reflected a broader orientation toward market-based reforms and a belief in the efficacy of free-market mechanisms, which became central to US trade and development policy in the late 20th century. While initially targeted at crisis-hit developing economies, the Washington Consensus also reinforced the US approach to global economic governance, aligning with the institutional evolution from GATT to the WTO and the proliferation of regional trade agreements.

The North American Free Trade Agreement (NAFTA), enacted in 1994, deepened regional integration by virtually eliminating tariffs among the U.S., Canada, and Mexico. An example of NAFTA's transformative impact was seen in the elimination of automobile tariffs, which previously ranged from 2.5% to as high as 30% in Mexico (US Department of Commerce, 2004). This removal of trade barriers catalyzed the integration of supply chains within the automotive industry across North America (Congressional Research Service, 2017, p.7). By allowing vehicle manufacturers and parts suppliers to optimize production and sourcing across borders, NAFTA created one of the most highly integrated supply chains in any manufacturing sector (Congressional Research Service, 2017, p.2). Components often cross borders multiple times during production, with some parts traveling across the US, Canada, and Mexico up to eight times before final assembly (Dziczek et al., 2017). The elimination of tariffs also encouraged significant investment in regional manufacturing capabilities (US Department of Commerce, 2004). By 2020, trilateral trade tripled to $1.3 trillion, with the US average tariff rate dropping to 2.5% by 2024, below the EU (2.7%) and China (3.0%) (Dziczek et al., 2017; Floyd, 2023).

However, NAFTA's impact on US manufacturing remains contentious. While the aforementioned trade surged, the US lost 4.3 million manufacturing jobs between 1994 and 2020, including 350,000 in the automotive industry (Chatzky, McBride, and Sergie, 2020; Floyd, 2023). Critics attribute this to offshoring, as Mexican automotive employment grew from 120,000 to 550,000 workers in the same period (Floyd, 2023). However, studies suggest NAFTA's net job loss was modest (i.e., 15,000 per annum) compared to broader pressures like automation and competition with China, which displaced 5 million US manufacturing jobs post-2000 (Floyd, 2023; Hufbauer and Schott, 2005).

Proponents argue that NAFTA preserved competitiveness since, without cross-border supply chains, Asian rivals might have dominated the US market entirely. However, institutional commitments to rules-based trade under GATT (later WTO) and NAFTA did yield paradoxical outcomes: unprecedented trade growth alongside sectoral dislocation (Carreto Sanginés, Russo, and Simonazzi, 2021; Floyd, 2023). The US auto industry exemplifies this duality, with employment rebounding to 1 million by 2024 (near pre-NAFTA levels) as firms balanced efficiency gains against geopolitical and labor market realities (Carreto Sanginés, Russo and Simonazzi, 2021; Floyd, 2023).

The multiple outcomes of NAFTA and US trade policy results stem from the interactive dynamics between institutional frameworks and current presidents' interest group advocacy and political activities. The United States has developed its modern trade policies through formal institutions that include Congress together with the executive branch and the US Trade Representative (USTR), as well as through the influence of organized interest groups that represent industrial sectors, labor unions, and other stakeholders. The president maintains the authority to negotiate trade pacts and modify tariff levels. However, Congress exercises monitoring responsibilities, which allows them to receive input from constituents and industry groups through advisory systems and review of trade agreements. This institutional balance means that trade policy is rarely the product of a single actor; instead, it emerges from negotiation and compromise among multiple branches of government, each influenced by its political incentives and external pressures (Congressional Research Service, 2017, p.7; Irwin, 2019).

Interest groups significantly influence this process by providing expertise, information, and organizational support to legislators whose goals match their objectives. Rather than simply buying policy outcomes, these groups often act as adjuncts to congressional staff, helping to shape the legislative agenda and the details of trade negotiations. This influence is further seen through export-oriented industries and multinational corporations that support liberalization and protectionist demands from sectors that experience import competition or job losses (Deardorff and Hall, 1998; Irwin, 2019).

The direction of trade policy receives its shape from presidential leadership. Since World War II, presidents have tended to support free trade by using their delegated powers to sign GATT, NAFTA, and WTO agreements and to implement policies that serve foreign policy goals. However, the priorities of individual presidents can shift the balance toward protectionism or unilateralism, as seen in the Trump administration's imposition of sweeping tariffs on steel, aluminum, and a wide range of imports from major trading partners. These actions find their justification through national security concerns, economic competitiveness needs, and the requirement to revise unfair trade agreements, which significantly impact national industries and global supply chains (Baldwin, 2009; Congressional Research Service, 2017, p.1-2; Irwin, 2019).

US trade policy produces substantial trade expansion and industrial sector breakdown because its institutions maintain rules-based systems that compete with political forces between presidential demands and interest group needs. For example, the recent resurgence of protectionism under Trump demonstrates how quickly the balance can shift in response to changing political coalitions and economic pressures. As such, the evolution of US trade policy remains a product of both enduring institutional frameworks and the contingent actions of political and economic actors (Baldwin, 2009; Irwin, 2019).

6.1.3 Russia

Driven by institutional breakdowns, geopolitics, and retaliatory sanctions, Russia's post-Soviet political and economic path reflects a pendulum swing from chaotic market liberalization to centralized autocracy. This analysis traces Russia's shift from unsettled globalization to institutionalized de-globalization, contextualizing it through key historical phases and supporting it with academic and policy insights.

The Soviet Union's centrally planned economy (1922–1991) prioritized state control over production, pricing, and resource allocation (Novikov and Zhulega, 2020). During this period, top-down instructions imposed by institutions such as Gosplan (State Planning Committee) undermined global integration and market mechanisms (Novikov and Zhulega, 2020). After the Soviet Union broke up in 1991, this system collapsed due to inefficiency and stagnation, leaving a vacuum of weak institutions and firmly ingrained bureaucratic interests (e.g., the 1991 Soviet Coup Attempt, New Union Treaty). The legacy of centralized control and institutional rigidity set the stage for Russia's turbulent transition to capitalism (Novikov and Zhulega, 2020; Smith-Boyle, 2022).

Under President Boris Yeltsin, Russia experienced a sudden shift from socialism to capitalism during the 1990s. Western advisors led the government to execute shock therapy reforms, which included fast state asset privatization and price market deregulation (Smith-Boyle, 2022). The economic reforms that aimed to enhance CSA through market efficiency allowed key industries such as oil and metals to become controlled by oligarchs. The combination of weak legal systems with extreme inflation (2,500% in 1992) led to public distrust, and capital flight reached $150 billion by 1999 (Gurin, 2005; Smith-Boyle, 2022). The manufacturing sector experienced a 40% decrease in output between 1991 and 1998, strengthening Russia's dependence on exporting raw materials, including oil and gas (Smith-Boyle, 2022).

When Vladimir Putin took power in 2000, he began to restore state control over all aspects of governance. The state took control of Yukos and other essential energy assets before moving them to state-owned champions Gazprom and Rosneft to maintain strategic sector dominance

(Bremmer and Charap, 2007; Gurin, 2005). The siloviki security elites who maintained ties with the Kremlin took over as economic gatekeepers after removing the oligarchs from power (Bremmer and Charap, 2007). For the state, this resulted in gaining stronger tax enforcement powers to support its national priorities while foreign investment moved into consumer sectors (e.g., retail and automotive) (Bremmer and Charap, 2007). Russia finally entered the WTO in 2012 after concessions that included lowering timber export tariffs (Portansky, 2011; WTO, 2012). Before the accession to the WTO membership, legislative instability and protectionist resistance demonstrated the institutional disorder of this period for Russia (Portansky, 2011). However, geopolitical assertiveness, such as the 2006 gas cutoff to Ukraine, signaled a shift toward leveraging energy exports as tools of influence (Gurin, 2005; Åslund, 2020).

Western sanctions aimed at Russia's banking, energy, and defense sectors were triggered by the annexation of Crimea in 2014 (Simola, 2022; Åslund, 2020). Russia responded by devaluing the ruble, banning agricultural imports from the West, and turning trade towards Asia (Simola, 2022). In order to cut the dependency on foreign goods, the Russian state launched an import substitution policy, supporting domestic operating businesses (e.g., pharmaceuticals, machinery) (Simola, 2022). Additionally, digital sovereignty laws in 2019 forced firms like Google to store data locally despite open-source software being available at the time (Human Rights Watch, 2019). As a result of the substitution policy, Russia emerged in several industries, including being the world's biggest wheat exporter in 2020 (Yeromin, 2021).

In 2022, the G7 imposed historic sanctions against Russia, including blocking Society for Worldwide Interbank Financial Telecommunication (SWIFT) access, freezing assets, and preventing tech exports (Omelchenko, 2023; Perez, 2022). The new parallel import system Russia established allowed them to bring in $70 billion worth of grey-market products, including iPhones and car parts, from 2022 through early 2023 (BRICS Competition, 2022). Trade with China and India is gradually increasing, with 60% of Russia-China transactions settled in yuan by 2024 (CryptoPolitan, 2024). The Nord Stream pipeline sabotage contributed to this increase, leading Russia to establish a new gas export route, Power of Siberia 2, that annually sends 50 billion cubic meters of gas to China (Al Jazeera, 2023). The Kremlin mandated presidential exit approval for foreign firms from unfriendly nations, leading to asset seizures and company rebranding (Zadorozhnyy, 2025).

Through his centralized leadership system, Putin directed the Security Council and Siloviki to dismiss legislative bodies, including ministries, which allowed rapid policy shifts (Bremmer and Charap, 2007; Human Rights Watch, 2019). After 2022, the Russian state executed the nationalization of over 180 corporations because of security motives (Zadorozhnyy, 2025). The Russian political leadership dismissed traditional Western legal standards during the 2000s to adopt arbitrary governance decisions centered on sustaining the governing system regardless of institutional coherence (Bremmer and Charap, 2007).

The transformation of Russia from liberalization after the fall of Soviet rule toward sanction-imposed autarky demonstrates how executive authority can dismantle integration (Bremmer and Charap, 2007; Smith-Boyle, 2022). The institutional chaos of the 1990s transformed into Putin-era state capitalism that fully materialized the economy after 2022 (Gurin, 2005; Simola, 2022). MNEs from consumer sectors that operated in Russia pre-2014 now have their assets confiscated while encountering limitations for exiting markets, which makes the Russian economy untappable without changing the current leadership system (Bremmer and Charap, 2007). According to the International Monetary Fund (IMF), trade volume between geopolitical blocs decreased by 12% in 2022, thus requiring Russia to depend on Chinese connector states (CryptoPolitan, 2024; Smith-Boyle, 2022). Operating businesses within security-dominated regimes has proven challenging to theories based on mutual gains between international actors, thus increasing operating risks. The issues Russia faces demonstrate how globalization becomes vulnerable when a system establishes itself exclusively through unilateral actions (BRICS Competition, 2022; Perez, 2022).

6.1.4 Brazil

Latin America has been a continent of significant development and importance to the global economy on multiple levels, ranging from centralization of power to the few, into being a global actor that is imposing policies to governance from different institutions.

The rise of a concentration of power came in the late 19th century, and it lasted up until oligarchs dominated the 1930s in a fragmented market. Even though the 1891 constitution sought to modernize by making the three independent branches of government, the elites in the country were making their interest a primary focus, which impacted how Brazil performed globally. Given the CSA and global demand for goods like coffee, the oligarch protected this by resisting the entry of MNEs. This was done by implementing regulations that made it difficult for MNEs to operate and access the market (Albertoni, 2023, p.140; Bresser-Pereira, 2017, p.34; pp.56-57; p.64; pp.74-75).

The following period, from the 1930s to 1964, was emphasized with nationalism and a change in the regime of oligarch protectionist advantages in the export market. The Estado Novo Constitution consolidated the policies of their economy by implementing import licensing, tariffs on goods, and the state making SOE investments. Continuing these policies, the government passed customs tariffs and put obstacles to importing manufacturing goods. At the same time, MNEs were having difficulty obtaining credit, specifically from the Brazilian Development Bank (BNDES). Furthermore, the Import Substitution Industrialization (ISI) raised tariffs on goods and required deposits, making it even harder for MNEs to do business in Brazil and more challenging to exploit the perceived CSA that the country held on different goods (Bresser-Pereira, 2017, p.108; p.142; p.159; McGill Journal of Political Studies, 2017; Pinheiro et al., 2004).

Forming what was later called the Brazilian Miracle, from 1965-1985 marks a 20-year period where changes were made to consolidate the governmental impact on the country, causing the BNDES to direct credit to domestic firms. Even though this was set as a barrier for inward FDIs, the country thrived as it transitioned to democratic rule. This created export incentives, a stable currency exchange rate, and an opportunity for improvement in the external environment. Making the foundation for an export surge and growth in manufactured goods (Pinheiro et al., 2004).

The coming period from 1985 to 2002 marked a neoliberal reform, with a mix of protectionist policies and openness to bordering countries such as Argentina. The Argentine-Brazilian Economic Integration Program (ABEIP) sought to expand and diversify trade between the two countries. The focus here was primarily on agriculture and the automotive sector, making it a bilateral program that helped grow the legitimacy of business conducted in both countries. This did not go without issues, and in 2001, the countries relaunched the agenda of Mercosur to dispute settlements, intra-regional barriers, free trade areas, and inter-regional association agreement with the EU (Albertoni, 2023, p.75; pp.115-116; Manzetti, 1993; Pinheiro et al., 2004).

In the last period from 2003 to the present, there have been 22 years of political and governance changes to make the country more in line with a globalizing world. The ABEIP and later Mercusor have made outward FDIs more accessible for Brazil, and the free trade and liberation of sectors have brought down the listed SOEs to nearly 17% from its peak of 70% in the 1970s. Furthermore, all products' weighted mean tariff rates decreased from 80% to 8% in 2019. However, the political pressure from the EU has pushed for a reduction in bureaucracy and forming policies against deforestation, imposing changes in Brazil that ultimately lead to divestments from MNEs because of this and ESG implications. Because of the lack of a full free trade agreement, there are still high taxes and tariffs on goods, and in addition, restrictive labor laws and complicated tax regulations and systems hinder transparency (Albertoni, 2023, p.87; Campello, 2024; International Trade Administration, 2023; Pargendler, 2015).

6.1.5 India

India has undergone major changes in governance and policies, from colonialism to becoming a large economy with a heavy impact on the global economy and, thus, the possibilities for MNEs.

In the colonial legacy from 1900 to 1947, the British Empire was an integrated part of India, and because of this, India was forced under colonial policies prioritizing raw material extraction. This also led to infrastructure that could support export-oriented logistics, where skills and capital from Britain helped enhance factory employment from 100,000 to 2 million workers. The British Empire could exploit the CSA for export activities in different sectors because of the access to cheap labor, raw materials, and community-bound resources. However, this limited the possibilities for MNE activity. British companies dominated the restricted access to shipping and plantations. Tariff implementations enforced this to ensure export surplus and maintain the export for increasing competitiveness in their own decreasing international competitiveness of the empire. Not only were tariffs increased, but customs duties also accounted for 20.8% of the Indian revenue, which ultimately led to stagnation or decline of the salt, opium, and railway development. This developing trend made the country increase import duties and generated tariffs that hit 25% on average causing an uproar that made India argue for a better international foundation under the Ottawa agreement which ultimately was opposed by the British (Basu, 2004, p.217; Kohli, 2004, p.253; Mukherjee, 2002, pp.173-177; pp.179-183; pp.211-213; Roy, 2012, pp.182-189; pp.220-223).

The colonial rule ended, and India withdrew from foreign trade and reshaped the economy's international element from 1947 to 1991. This meant import substitution industrialization, causing foreign investors to be discouraged, as India saw this as a threat to national sovereignty. For this to consolidate, India used widespread public enterprises and guided private capital through what was called license permit raj. This brought tariffs and import quotas, preventing the heavy industry market from consolidating into the home market and hindering internationalization. With a protectionist nation, the capital was scarce, and foreign aid was then marked for capital goods production in the public sector. The lack of exporting strengthened the tariffs, and import licenses became even harder to obtain. State-led industrialization had no room for the market and, in general, a problem with expertise because of the lack of technological imports. Industries such as tea were hurt, leading to low prices and low quality. With these issues, collaborations and inward FDI were next to not possible, leading to a decline in their main industries, with reforms only being made for small firms to access the export market (Ahluwalia, 2002; Irwin, 2025; Kohli, 2004, pp.221-222; pp.266-268; Roy, 2012, pp.224-228; pp.230-232; p.241).

From 1992 to 2014, this period can be interpreted as a liberation of the previous way of thinking about governance and international business. Implementing fewer tariffs on fruit for developed markets started creating more industry. It reformed the internal markets, allowing companies to consolidate in their home country through mergers and acquisitions, leading to outward FDI in more open countries like North America. This period made it easier for machinery import and capital to enter India, improving the quality and range of goods available. With the low labor costs, it looked more appealing to manufacture in India. This came in the same period when the tariffs were lowered to an average of 12% as opposed to some categories in the previous period with 355%. It is important to note that this change came from within India, where pressure from the IMF and other global organizations previously failed to persuade this change. Though these changes were made, it was still apparent to MNEs that there were high transaction costs, making it hard to commit to the market. With the changes in tariffs and the force of global competition, import licensing was removed from most goods, and the OECD approach for sectors such as agriculture was followed: *"(...) prosperity has rarely, if ever, been achieved or sustained without trade"* (Love and Lattimore, 2009, p.170). It is also worth mentioning that India, at the end of the period, reduced export control and restrictions from 296 items to 16, and committed to IMFs article VII for business transactions (Batra, 2022, pp.80-81;

Chakrabarti, Chaudhury and Cullenberg, 2009; Irwin, 2025; Kohli, 2004, pp.279-281; Panagariya, 2008, pp.103-106; Roy, 2012, pp.242-246).

From 2014 to the present, India has been undergoing an even more liberal approach to the global market, but at the same time, it has increased some tariffs. The rules, policies, and procedures are based on the initiative of the government of India named Make in India. This is an effort to open up more inward FDIs for more sectors and make a Production Linked Incentive to enhance manufacturing capabilities and boost exports, bettering economies of scale and exploiting the country's comparative advantage. This is also a plan to enhance logistics and infrastructure to exploit GVC better and attract investment into their bet on semiconductor production. India has unified tax reforms to enhance transparency, making it easier for capital to flow and for MNEs to invest. However, even with these reforms to open the economy for MNEs, the country still has the highest tariffs among G20 and WTO members. Further highlighted by the WTO, the lack of uniformity and difficulty in adjusting to new requirements (i.e., given inadequate notice, periods, and information) contradicts the earlier mentioned transparency implicated with the tax reforms (Batra, 2022, pp.80-84; International Trade Administration, 2024a; International Trade Administration, 2024b; Tai, 2023, pp.197-210).

6.1.6 South Africa

Being one of the emerging markets with much focus from around the world and having access to rare metals and other favorable conditions, MNEs and countries have brought much attention to the country and have impacted the current market conditions.

From 1900-1948, South Africa was significantly impacted by British imperialism, which forced an economy driven by colonialism. This led to rapid growth due to the country's gold and diamond reserves. These resources sparked the mining revolution, which created an influx of foreign trade, worker migration, and capital. However, the influx of trade in this regard was because of the existing lack of capital, the low wages, and the drive of foreign interest. South Africa did prosper through this, and because of the natural resources and the ability to mine and export them, the country did well during the Depression and world wars. Even though there was a great demand for what South Africa had to offer on the global market, the rise of protectionism was starting to take form, where tariffs were implemented. However, out of 193 items, 120 were duty-free or imposed by a mere 3% if it was goods outside Britain. The start of policy-driven protectionism manifested itself, and the promotion of industrial development sparked import substitution. Nevertheless, there was an increase in demand for capital goods, raw materials, and semi-manufactures for the home market industries. However, the market demand was hard to meet with rising labor costs. At the start of the 1940s, the general policy of the government was to grant tariff protection to the industries for it to be more established and focus on local sourcing of suppliers and supply the home market instead of pushing for export as the inward FDI MNEs have been doing due to opportunism and exploitation (Feinstein, 2005, pp.5-7; pp.92-93; pp.117-119; Horwitz, 1969, pp.245-246; pp.282-283; p.307).

South Africa was from 1948 to 1994 under Apartheid, and this generated a plethora of political intervention for the country, some having more impact on the country's governance and global liberalization than others. The period initially came with approaches to globalist policies, where the previous exploitation of the country's goods to manufacture for export, combined with a focus on the home market, initiated an import restocking spree from the expenditure and manufacturing expansion needed to cater to the home market demand. With the difference in policies, foreign exchange control became a point of certainty and meant that import control was happening. It was also challenging to export as countries post WWII were unstable. However, industrialization was still forced, leading to import substitution. As time progressed, countries did not condone the actions of Apartheid. They tried to impose trade sanctions on the country, yet this proved ineffective because of the substitutes for imports and exports in other countries or regions that were not as critical towards this subject. This way of changing export markets even led to increased exports until 1989. South Africa had demonstrated that they could handle the demand for their products. However, because of instability, divestments happened, particularly by American companies, followed by a collapse of FDIs from Japan. This was seen as an opportunity to gain competitiveness, and the divestments were now an option for mergers and acquisitions for both the SOEs and private enterprises in the country (Horwitz, 1969, pp.283-288; Lipton, 1985, pp.91-94; p.197; Mariotti and Fourie, 2014).

From 1994, the country was transitioning into a non-racial democracy through the Reconstruction and Development Programme (RDP), meaning the fall of Apartheid. This created a task for the government to resolve the economic contradictions that Apartheid had created, where the policies up until 2009 were affected somewhat by replacements of each other. The RDP's primary focus was on privatization, liberalization, and convertibility through restructuring existing industries and finding new areas for development. This happened when the trade policies focused on manufactured exports were to be liberalized, with South Africa being an established member of the WTO. With some failure to alleviate the issues of previously created infrastructure and services, the RDP was replaced with the Growth, Employment, and Redistribution (GEAR) strategy. The focus was on minimizing governance and obeying the free-market principles to enhance competitiveness and employment in the country's manufacturing and tourism sectors. This included a more flexible labor market and tax exemptions. Because of the initiative, the import tariffs went below 7.6% on imports, but SOEs grew by 13.6% per year. The GEAR initiative concluded that there were a lot of social costs and unemployment above 30% before GEAR was replaced by Accelerate and Shared Growth Initiative South Africa (ASGISA) in 2006. The new political stance through ASGISA was focused on a trickle-down economy, raising public spending and accommodating investment backlogs, the shortage of skilled labor creating a lack of competition and alleviating the imposed regulation on small business and increasing the cost of transport (Feinstein, 2005, p.251; Gumede et al., 2024, p.194; Mosala, Venter and Bain, 2017).

Despite the good intentions of AGISA, the initiative was officially deemed a failure in 2010. With a failed attempt to change its path by rethinking governance through the New Growth Path, the country changed its focus on the National Development Plan (NDP), where local industrial production was to be strengthened to attract more capital. This happened when WTO was getting even more focus from the country. South Africa entered the Agreement on Trade Facility to simplify customs and border procedures, intending to reduce customs and transit barriers and move goods faster and at a lower cost. This would help intra-Africa trade, integrating the country with its closest regions. This meant that 92% of goods now trade at zero duty among South Africa, East Africa, and their common markets, which has enhanced the cross-border value chains, concluding the first phase of NDP in 2017 (National Planning Commission, 2012, p.25; Southern African Customs Union, 2015).

From 2018 onwards, the country has struggled to attain economic success and implement viable governance for the desired shift from high consumer spending to higher investment expenditures. The country is not in a competitive space on the global scene because of economic turmoil, no matter how much it has the potential for exploitation for its CSA. Due to NDP being in the implementation phase, the effects of this are still unknown, making these last seven years an issue to both analyze and gather information from (International Trade Administration, 2024c; Gumede et al., 2024, p.33; p.125).

6.1.7 Comparative Summary

The author's findings from the analysis show that governance mechanisms such as tariffs, investment screening, forced localization, ESG mandates, and security laws are institutional factors capable of shaping MNE decision-making directly. These different tools constrain or enable cross-border operations by increasing or decreasing the amount of institutional pressure MNEs face. It can be seen that when institutional pressures outweigh a market LSA's, MNEs tend to scale back, divest, or fully exit the market. When these pressures then decrease or align more closely with the expectations of MNE, a re-entry and renewed commitment becomes viable. In this way, institutional pressure acts as a dynamic force, pushing countries along a pro- to de-globalization spectrum between home and host country. To illustrate this, the authors have placed the six countries into an International governance and policy matrix, as shown in Figure 6, designed to capture their current positions and directional trends. This matrix is based on current policies and governance and is seen in the historical outcome.

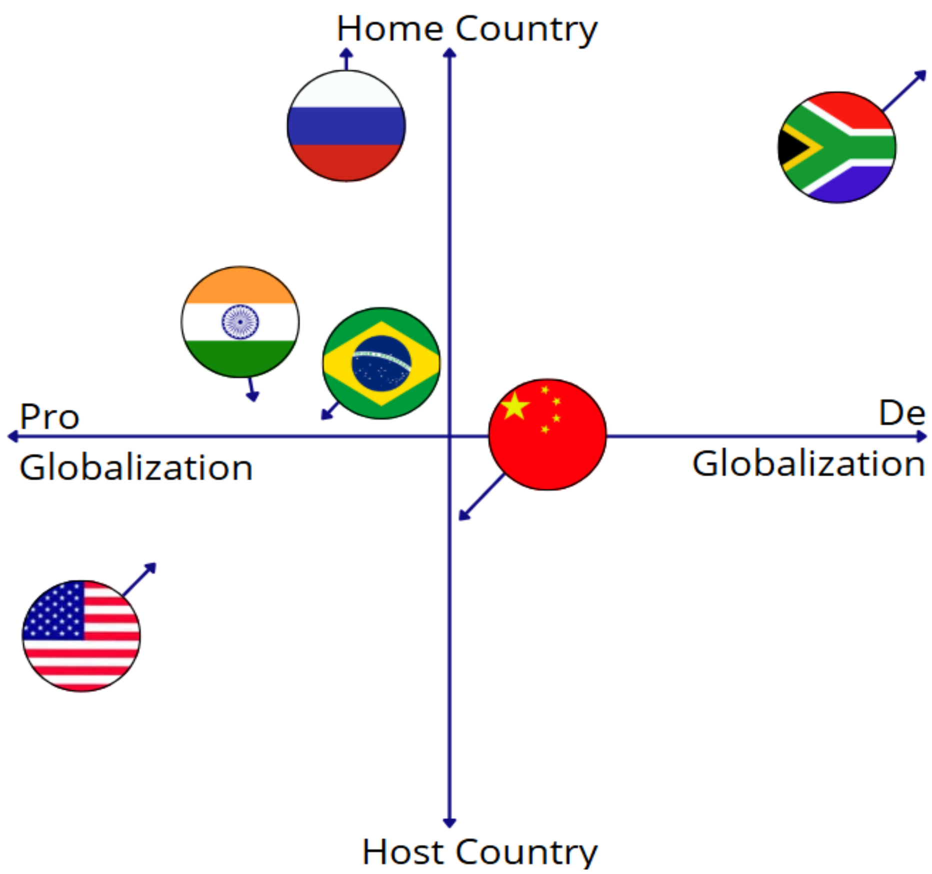

Figure 6: International governance and policy matrix, source: The authors

China has been placed towards the de-globalization quadrant. Even though the country continues to attract foreign capital, access is increasingly conditional for MNEs. Policies such as forced JVs, heightened technology transfer demands, and retaliatory tariffs have tightened the entry paths for foreign MNEs. Also, new measures like the Anti-Espionage Law and ESG mandates tied to industrial policy enhance the idea that success depends on economic compatibility and political alignment with the country's strategic goals.

The US is in the bottom left quadrant, symbolizing that they remain largely pro-globalized but show tendencies of moving towards the middle with their recent protectionist measures. Even though historically committed to free trade through GATT, NAFTA, and WTO, recent years have seen a return to tariffs, reshoring incentives, and *Buy American* mandates. Furthermore, while the US institutional environment offers relative transparency, the shifting trade priorities create volatility for MNEs, especially if looking at MNEs that rely on stable export channels or overseas supply chains.

Russia is placed at the top of the matrix closest to home country. Once open to Western capital, recent policy shifts have effectively closed the economy for many MNEs. Presidential exit approvals, large-scale nationalization of foreign assets, import substitution policies, and retaliatory sanctions have shifted the Russian market into a state-controlled system with extremely limited access for foreign MNEs. Institutional unpredictability and geopolitical isolation are both factors now functioning as almost impenetrable barriers to re-entry.

Brazil and India are located towards the middle of the matrix, and both reflect a more hybrid institutional style with tendencies to move downwards on the axis. Brazil has gradually reduced the number of SOEs and lowered their tariffs through regional trade mechanics like Mercosur. Even still, issues like ESG compliance burdens, regulatory non-transparency, and complex tax and labor codes continue to act as barriers to re-entry for MNEs. Despite their Make in India initiative and unified tax reform, India still maintains the highest average tariffs among G20 and WTO members. It faces criticism for its policy inconsistency and lack of transparency. With both countries, opportunities are still open for MNEs, but they must be aligned carefully with the evolving institutional context and often require using a low-commitment mode initially.

South Africa is placed within the home country and de-globalization quadrant. This is caused by institutional inconsistency and political fragility and not due to ideological closure. Despite formal commitments to liberalization through the WTO and regional trade agreements, the

repetition of policy failures, economic volatility, and ESG litigation has worn down the confidence of foreign MNEs. Even when legal frameworks exist, weak enforcement and political unpredictability still compromise the long-term viability of re-internationalization.
By making this comparison, the authors can see that de-globalization may not be an outright reversal of globalization but rather a strategic reassessment of where MNEs are willing to operate and under what conditions. This does not only rely on openness but also on transparency, institutional stability, and regulatory predictability. For MNEs, it is not just the formal policies on paper that matter but how consistently they are being implemented. This finding raises a second and forward-looking question about what strategic and operational moves MNEs can use when the institutional policy, pressure, and country governance subsidies allow them to re-internationalize markets they had previously exited.

6.2 Part 2 - RQ2

The findings from RQ1, which showed how country governance and institutional policy implementation are contributing to the shaping of the de-globalization trajectories of MNEs, this section questions the strategic response available: *"What specific strategic and operational moves can firms undertake to facilitate successful re-internationalization in the markets they had previously exited?"*

Where RQ1 mapped the institutional pressures and governance frameworks that prompt market exits, RQ2 focuses on how MNEs can adapt to and navigate these shifting landscapes when considering a return. In order to contextualize the analysis, the authors draw on the country positioning established in the section regarding RQ1. Each of the six countries, China, the US, Russia, Brazil, India, and South Africa, has been placed into the international governance and policy matrix based on the institutional pressures they employ. Their positions and directional trends are meant to serve as a baseline understanding of the current and potential future opportunities and constraints for re-entry.

This section analyzes what strategic and operational moves are available to MNEs when re-entering markets. The re-internationalization process differs from the initial internationalization because firms acquire new insights from their market-exit experience and develop targeted approaches to specific locations and customer segments alongside their dynamic capabilities and established networks throughout time. MNEs can choose between several traditional entry modes, such as contractual, exporting, and investment-based, each with different levels of control, risk, and commitment. Each mode offers a different path to re-internationalization, but governance dynamics and institutional frameworks heavily shape the viability of each mode in the host countries. Institutional barriers, such as tariffs, local content requirements, equity caps, or regulatory non-transparency, cannot simply be considered background noise. They actively construct or obstruct the channels through which re-entry can take place.

Like so, this part of the analysis looks further into how different styles of entry modes interact with institutional environments, how country-level barriers are constructed through policy, and how firms can tactically respond, maybe through mode switching, modular or adaptation of resources, in order to reestablish themselves in previously exited markets. By doing so, the authors attempt to bridge the understanding of external institutional pressures with the internal strategic branch and form a critical link between de-globalization pressures and the re-internationalization decisions of MNE's mode of entry.

6.2.1 Entry Modes

The authors have structured the analysis around three categories of entry modes: Contractual modes, Exporting, and Investment modes. This division is based upon established IB literature and aligns the analysis with the diverse selection of strategic responses MNEs have available when trying to navigate re-internationalization. Each category reflects varying commitment, control, and exposure to institutional pressures.

6.2.1.1 Contractual Modes

Companies can utilize a wide range of possibilities when re-internationalizing through contract use. Given that contracts offer a wide range of possibilities, this part is mainly focused on franchising, licensing, and outsourcing as a point of reference.

6.2.1.1.1 Franchising

Operating in a foreign market through franchising makes collaboration with a local franchisee necessary for the franchisor. When penetrating markets like McDonald's did in Russia in the early 1990s, there are multiple aspects that a franchisor needs to address (Mujtaba and Patel, 2007). The agreement established between the franchisor and the franchisee demands an exchange of capital, knowledge, brand, or hardware access. This exchange demands a degree of openness to the operation of foreign MNEs in the home country. McDonald's went to leverage their position much in line with Dunning's (1988) OLI framework, where the ownership of the brand and business model became a way of entry, strengthened by the possible location advantages in Russia through its liberal tendencies and the internalization by franchising to manage brand consistency and reduced risk exposure. With the possibility to also exploit local value chains, market knowledge, and network to gain market access and market share, the franchisor accepts knowledge transfer, training, business know-how, and the potential delivery of hardware for parts like signs and kitchenware as it is with McDonald's in general, limiting the liability of foreignness (Zaheer and Mosakowski, 1997). With a country opening for foreign trade and transitioning to a more capitalistic and market-driven approach, institutional pressure drives this and the market's attractiveness for companies in general. The liberalization of market initiatives from local tariff reduction, SOE requirements, and the reduction of trade barriers create more optimal conditions for franchise companies to capitalize on the market opportunities within the MNE expansions. This has typically been shown through the involvement in WTO, transparency, and uniformity of tax and trade facilitation, as mentioned in section 6.1 about governance and policy implementation. However, the opposite is also true, as history has demonstrated that isolation of foreign trade leads to divestments, restrictive labor laws limiting franchise possibilities, and an intensifying concentration of power through oligarchs and protectionism. By intensifying de-globalizing policies, MNEs are pushed out of markets, as shown with the McDonald's rebrand as Vkusno i Tochka in Russia (Zadorozhnyy, 2025). The possibilities of gaining back the market in this instance, McDonald's needs to determine whether the brand and growth strategy for franchise commitment to this particular market. The company needs to assess the factors that need SOE involvement, which ultimately creates an issue of autonomy and undermines the business model that has driven this company. It is not a question whether McDonald's as a franchise company can re-internationalize into Russia. It is more a question of whether they can withstand the increasing political tensions that can push the company towards utilizing a new competitive advantage assessment that ultimately will lead to mode switching. The operational changes that are impacted by the implementation of less liberalizing reforms are a threat to the competitive advantage and the master franchisor, and as such, a push towards mode switching reassessment of the mode of entry given the host country conditions and governance.

6.2.1.1.2 Licensing

Internationalization through licensing as an MNE has manifested itself to revolve around the question of making, buying, or cooperating, and by this comes different questions of how this is to happen and to what extent the host country environment is to be assessed by the licensor. Given the traditional questions arising from market penetrations, there are more nuanced considerations when companies seek to re-enter a market after divestments or market exit. The decision to enter a market creates the strategic decision-making process of locating a local partner, and that local partner must be able to fulfill the often long-term commitment needed. Here lies questions about IP protection’s potential knowledge transfer and, by this, the risk of creating a competitor (Mottner and Johnson, 2021), making internalization a greater probability. As seen with the company THECO, the risk is valid, and the possibilities of this happening are bound by contract and the ability to carry out the operations without the licensor. THECO imported automobile air conditioning components to Thailand through the US company John E. Mitchel, but after the licensing agreement expired, the company continued production and even began exporting. John E. Mitchel never sought to re-enter the market, and THECO thrived with the typical intensifying investments through exports and later JVs. This is highly correlated to RBV theory, where the intangible assets are at risk by the licensees. The requirement for a host country to have the capabilities to carry out the knowledge needed to leverage market penetration is, however, still a valid opportunity.

Nevertheless, there is a requirement for countries to have more pro-globalizing and protective measures to protect a company’s competitive advantage. A somewhat newer example is Mini-Brake from Hungary, which, after considerable success in exporting to the German market, sought to enter the US bike market by licensing its unique brake to a bike brand in the country (Dittmar et al., 2014). The host country was, with the GATT and better legislative protection for the licensor, an opportunity to penetrate the market and protect the entrant with better long-term conditions. With more national protection of IP through GATT and later the implementation of Trade-Related Aspects of Intellectual Property Rights (TRIPS) through WTO, the countries that are members of this organization have been more committed to protecting licensors. By institutional pressure from WTO on the member countries, there has been a better foundation for companies like THECO to protect the company from knowledge transfer turning competitors and for companies such as MiniBike to lessen the risk of IP laws not being enforced (Welch, Benito and Petersen, 2018, pp.105-113).

6.2.1.1.3 Outsourcing

Given that it can be hard to define outsourcing and distinguish it from the other contractual modes of market operations, the definition that is a focal point for this part of the analysis is *"the firm-specific disintegration of different functions or activities, the pursuit of suitable location(s) for appropriate service provider(s), and the externalization of those processes to an independent provider in a foreign country."* (Mukherjee Gaur and Datta, 2013). Furthermore, this part is about outsourcing as a general contractual aspect and not a deeper analysis of the how with, for example, FDIs. By outsourcing activities to a host market, MNEs can exploit CSA and leverage the host country's conditions to increase competitiveness and global advantage if the host country is open to it and the home country is not contradicting the decision-making. Taking the tech company Apple as an example, the company utilized FSA like R&D in their home country by taking advantage of the knowledge and outsourcing the production into China given the more cost-effective production of components for their products such as mobile devices, exploiting the CSA. This was especially apparent in the mid-2000s with the iPod and later the iPhones, where most component sourcing and production of the devices happened in China (Lo, 2011). The decision to outsource production is in significant correlation with the implemented policies of China, where the market reforms under Deng Xiaoping and later the entry into WTO have helped make favorable conditions for production to happen, as highlighted in section 6.1.1. However, as the global market has shifted toward a more protective manner, mainly from the US, the recently imposed tariffs on imported goods from specifically China are placing constraints on the company to exploit the advantages that make outsourcing favorable. With these changes, it can be argued that relocation to less restrictive countries like India would be more favorable for companies such as Apple (Hirschfeld, 2025). The reactive manner of Apple because of tariffs has made the company think of relocating business to India, which makes sense in multiple aspects. First, the country has been making better conditions for GVC integration, easier investments, and enhanced transparency for MNE operations. Second, the country is close geographically, and the active reduction of export control and commitment to the policies of the IMF, combined with no retaliatory tariffs from the US, creates a beneficial environment for production outsourcing with companies such as Apple.

6.2.1.2 Exporting

Exporting can present itself as a strategic choice for MNEs looking to re-internationalize and make a re-entry on international markets; for MNEs that have undergone a forced exit, exporting in each of its types can act as a cautious commitment and option-preserving strategy to get back into an international market. Furthermore, it allows managers to assess and test market conditions while keeping potential exit costs at a minor level (Benito and Welch, 1997; Surdu, Mellahi, and Glaister, 2018). When using exporting as a strategy for re-internationalization, it is shown that exporting can allow MNEs a low financial commitment way of regaining market presence and hereafter accumulate critical insights of the market conditions as well as changes in the institutional nature of the host country. This further allows MNEs to utilize the collected information before deciding to make a bigger financial commitment to possible investment (Mariadoss, 2017, p.334; p.197; Sousa et al., 2021; Surdu, Mellahi and Glaister, 2018). By doing so and exploiting this dynamic, MNEs align themselves with the dynamic capabilities framework by highlighting their agility when responding to fluctuating institutional environments (Bernini, Du and Love, 2016; Mariadoss, 2017; Teece, Peteraf, and Leih, 2016). This would be valuable for MNEs trying to re-internationalize due to the often-cautious approach MNEs tend to take when dealing with a previous exit caused by volatile and/or unfavorable institutional conditions. During a return with high caution in play for MNEs, exporting can act as an appealing option, offering flexibility while keeping the financial exposure to a minimum.

MNEs can use exporting to regain their presence in the market. Suppose the previous exit was made in relation to shifting market conditions, both in the form of policy changes and institutional pressure from the host country. In that case, MNEs feel an impact when choosing to re-enter. In addition, the market conditions regarding domestic market growth generally positively affect the probability of firms re-entering. In other words, the reason for market export exit is an informative indicator of why a firm might pursue an export re-entry (Bernini, Du, and Love, 2016).

Exporting is a steppingstone for MNEs to use before committing to making bigger investments and beginning to apply mode switching from exporting. With some exporting modes offering low-sunk cost assets in the host country and less investment, MNEs could, if facing an uncertain policy and/or governance setting, either walk away or scale up without committing much capital. Furthermore, the presence of MNEs on the market allows them to gather critical knowledge of risk factors and uncertainty and analyze this information. If the conditions then take a favorable direction for the MNE, they can utilize this change, increase their commitment, and engage in more capital-demanding foreign operations (e.g., FDI or JV). This approach aligns very closely with the Uppsala internationalization model, which has determined four steps toward entering an international market (Arvidsson and Arvidsson, 2020; Johanson and Vahlne, 1977). Exporting can not only be used as a steppingstone when entering an international market for the first time. It can also act as a way for MNEs that have already left a volatile market to return through a lower commitment channel and then be utilized to re-invest if the new institutions tend to look friendlier and/or steadier (Surdu, Mellahi, and Glaister, 2018). Put differently, exporting can be used as an option for MNEs to buy time and market intelligence while still being able to preserve the option, not obligation, to commit to heavy capital investments later (Li and Rugman, 2007). Of course, when looking at exporting as a mode of re-entry for MNEs, it is important to consider possible limitations that might be followed by choosing this mode of entry. As highlighted in the analysis of the institutional policy and governance of countries affecting the de-globalization of firms, these factors are dynamic and changing frequently. As a result, exports find themselves sensitive to these changes. Tariff impositions, local compliance requirements, and non-tariff measures are some factors to consider when dealing with exporting as a foreign operation mode. In the end, everything comes down to the level of risk MNEs are willing to adopt concerning the institutional layout of the host country. Especially when calculating the output of a potential long-term strategy and goal for their international operations.

When mentioning different levels of risk, exporting can be executed in three primary variations, varying in commitment and control levels. Indirect exporting comes with the lowest level of resource commitment and almost no control over the foreign market with little to no market feedback. This variation utilizes a domestic intermediary in the host country, who then commits to the sales, distribution, and everything else. Direct exporting through local agents or distributors offers the MNE a more moderate level of control. By contracting with independent intermediaries in the host country, retaining ownership of the exporting goods until clearance from customs, and then having the local intermediary sell them, MNEs can establish this moderate level of control but remain without any fixed assets. In the end, this approach gives MNEs the ability to gain faster market information through the agent regarding new policy, pricing disputes, or similar institutional changes than they would have been able to through indirect channels, resulting in the MNE having a better understanding of the institutional stability (Solberg and Nes, 2002). The third option, and the one with the highest level among the three exporting modes, is direct exporting through a private sales office or private subsidiary in the host country. With production still being kept in the home country of MNEs and them opening a private office or subsidiary in the host country, MNEs can understand the regulatory environment, policy changes, and consumer behavior.

Additionally, by adopting this method, MNEs can establish and build organizational routines that can later be turned into the foundation of an FDI for a manufacturing plant or a JV. By operating through a private subsidiary, an MNE can achieve the most amount of control but is bound by a higher commitment, although still having considerably less sunk cost than with a factory or a JV equity injection (Solberg and Nes, 2002).

6.2.1.2.1 Indirect Exporting

Taking an example of an MNE using indirect exporting as an entry mode, the e-cigarette company Juuls Labs utilized indirect exporting as a mode of operation when entering India in 2019. Juuls started making test shipments through import wholesalers in India while attempting to set up a launch team for their operations there. The initiative was, however, quickly stopped by the Indian government in late 2019 when they banned all import, sales, advertisements, and use of all e-cigarettes (Kalra, 2019a; Kalra, 2019b). This executive order caused Juuls Labs to halt the scheduled export shipments of their products and exit the Indian market for now (Ahmed and Kalra, 2019). Looking at a potential re-entry for Juuls Labs through exporting, the total market closure for e-cigarettes makes it impossible for Juuls Labs to re-enter the Indian market via exports of any kind before a potential future ban-lift on e-cigarettes, going to show that exporting proves easily altered by changes in governance and institutional policy changes in the host countries.

Another example of an MNE exporting through indirect exporting can be found when looking at Chinese fast fashion firm Shein and their micro-parcel model in Brazil. This model involves Shein exporting straight to consumers under the Remessa Conforme duty-free threshold. However, in 2024, the Brazilian government proposed a 20% import tax on online orders worth less than 50 dollars, while orders exceeding the threshold would attract 60% taxes (Mann, 2024; Reuters, 2024). This tendency was seen in Brazil and the US, with Trump changing their de-minimis rules (Hall, 2025). Following these implementations, Shein paused their cross-border listings and shifted their focus to scaling up their local supply and onshore production (Frontini, 2023; Romani, 2023) and abandoning their original export model, again, showcasing the vulnerability of exporting when it comes to changes in the policy landscape and institutional nature of the target country.

Both Juuls and Shein can be seen as examples of how sudden policy shifts are able to quickly invalidate indirect exporting as a strategy. Even though the agility of indirect exporting can be used as a positive, it offers little resilience against regulatory changes when institutional clarity and predictability is low. For Juuls and Shein to re-enter, they need to align with the regulatory demands and comply with the institutional pressures present.

6.2.1.2.2 Direct Exporting via Agents or Distributors

When exporting with a local agent or distributor, providing some examples or cases from the international business world is possible. Australian wine manufacturer Treasury Wine Estate (TWE) and Canadian Aircraft manufacturer Bombardier used this exporting mode as entry into China and the US. Starting with Bombardier and, more specifically, their C-series jets. Bombardier used a US sales office to conduct the exporting, with the sales office booking all orders for the firm, including the firm's most significant order of the C-series consisting of 75 planes by American company Delta Air Lines (Delta) in 2016 (Patterson, 2016). Unfortunately for Bombardier, the US Commerce Department proposed nearly 300% duties after Boeing complained about Bombardier dumping the price of the C-series jets (Scott, 2017). This decision underscored the Trump administration's rising protectionist behavior, defensive trade, and America First policies. Even though Bombardier was successful in the dispute, the final result slightly changed from the original exporting model. Due to Airbus becoming a partner in the C-series program in late 2017, a second final assembly line was established in Mobile, Alabama, to serve US customers (Casey, 2018). Once again, this shows that small amounts of change can cause significant changes in the choice of foreign operations from exporting for MNEs.

Moving on to TWE and their China operations. TWE sold wine in China through domestic distributors under the bilateral China-Australia Free Trade Agreement (ChAFTA) (Department of Foreign Affairs and Trade, 2023). A lucrative deal for TWE until November 2020, when the Chinese government imposed tariffs of up to 212% on wine imported from Australia (BBC News, 2020). Just like Bombardier and Boeing, China accused TWE of dumping the price of their wine in China compared to their home market. This tariff imposition resulted in a 97%

revenue loss for TWE in mainland China in 2022 and an almost complete export stop (Lawati, 2022). Although these tariffs were lifted in 2024, TWE still saw themselves necessitated to halt almost all exports in the intermediate time and afterward still only being able to slowly recover due to a fall in wine consumption of nearly 55% since 2017 (Export Finance Australia, 2024), once more showing the fragile nature of exporting concerning changes in institutional policy and governance.

In order to re-enter, TWE and Bombardier would have to make changes to their strategy. Their current exporting mode is sensitive to geopolitical and institutional shifts. Especially when MNEs are missing local presence. A switch of modes would have to be implemented because even strong demand is able to be weakened by volatile policies.

6.2.1.2.3 Direct Exporting via Private Sales Office or Subsidiary

Lastly, the authors will investigate MNEs using direct exporting with privately owned or majority-owned sales offices or subsidiaries in the host countries. This section will focus on Apple in Russia and Shell in South Africa. Looking at Apple in Russia and their direct export operating through the LLC Apple RUS (Statista Research Department, 2025), Apple sold products through the LLC and an online store. Physical sales were stopped in 2022 due to Russia entering Ukraine (Reuters Moscow bureau, Chmielewski and Sanders, 2022) and following Western sanctions against Russia. Here, Apple chose to stop all direct business with Russia on behalf of the geopolitical tensions following the Russian invasion of Ukraine, and not due to tariff impositions, local compliance, or governance changes and despite Russia additionally opening up to parallel import of certain goods, including Apple products as established in RQ1. As mentioned, Apple stopped all product sales and exports into their Russian sales channel in the same week. This shows that even having a wholly owned sales office can quickly be dissolved during geopolitical situations with increased risk. In order for Apple to succeed in re-internationalizing in Russia, the current geopolitical tensions would have to settle, and the institutional pressure would additionally have to subside.

Lastly, the case of Shell in South Africa. Shell was present in South Africa through a majority-owned sales and marketing subsidiary called Shell Downstream SA (SDSA). Via this subsidiary, Shell imported refined fuels and lubricants into South Africa and, until 2022, also refined domestically in the Sapref refinery in the east coast city of Durban. The refinery was closed in 2022 after the flooding of the factory and a spending freeze by SDSA. Shell and SDSA faced several challenges in South Africa. ESG litigation and compliance pressure from their black-economic-empowerment partner Thebe Investments Corporations (TIC) led to Shell making a divestment from SDSA and exiting the South African market in 2024. Even though Shell's operations in South Africa were quite comprehensive, with its own sales and marketing office, it was not a challenge to divest from the market due to the chosen mode of export operation (Du Toit, 2024; Gupte, 2022; Roelf, 2024; Weiner, 2023). If Shell wanted to successfully engage in a re-entry in South Africa a possible route would be to reconfigure their market engagement and prioritize their institutional alignment. They would have to re-establish presence while keeping focus on ESG enforcement and regulatory shifts. If the institutional clarity and consistency of policies improve over time, Shell would be able to increase operations and align with BEE mandates and environmental governance which prompted their exit in the first place.

6.2.1.3 Investment Modes

Companies that re-internationalize after exiting foreign markets often alter their investment mode approaches because of organizational learning and/or institutional changes and strategic readjustments. This analysis's main focus is to use different examples combined with existing theory to demonstrate how institutional environments interact with firm-specific capabilities in strategic reassessment.

6.2.1.3.1 Minority Share or Alliances

Generally, when MNEs are internationalizing, they start their renewed internationalization efforts with a cautious strategy to gather information and feedback on the market they enter. This aims to determine whether the market is sustainable to export, license, etc. In minor cases, these modes are still used when addressing re-internationalization. The factors typically vary on the firm basis and the vision, primarily because difficult institutional conditions and operational difficulties likely drove their previous divestment. Based on Ali and Mathur (2022), this is seen through Indian companies preferring low-commitment modes as an approach (i.e., exporting and licensing through minority alliances) that reflect their original internationalization patterns but with improved focus and knowledge accumulation. The initial phase of re-internationalization involves firms using cautious approaches while prioritizing learning from previous failures, and they can transition to higher-commitment modes only after institutional conditions improve or they gain confidence (Aguzzoli et al., 2020; Ali, 2019; Ali and Mathur, 2022). Research data shows re-internationalized Indian firms tended to continue in modes such as exporting (88,7%); however, higher-commitment entry modes such as subsidiary and JV numbers were more prominently shown, as 14 out of 15 studied firms had branches being present in four or more countries (Ali, 2019).

Emerging market firms specifically demonstrate this pattern because they must work through institutional voids, including insufficient legal protection, complicated bureaucracy, and unclear regulatory frameworks of host nations. Indian companies that re-enter foreign markets after withdrawal first use contractual agreements and small-scale JVs instead of majority ownership because they continue to face uncertainties regarding market stability and enforcement systems (e.g., institutions). (Ali, 2019; Ali and Mathur, 2022).

6.2.1.3.2 Majority Share, 50-50, and Wholly Owned Subsidiaries

As Ali and Mathur (2022) mentioned, Indian firms from the case reflect a rising tendency of the emerging market in general. Emerging market operations of firms with international experience tend to increase the degree of their operations up until wholly owned subsidiaries (WOS) when host market institutions become stronger. This is seen in the case of 'Alpha,' a Brazilian MNE (Aguzzoli et al., 2020), which re-entered the Mexican market through a brownfield investment after Mexican institutional reforms improved regulatory transparency and contract enforcement. Additional cases reinforce this trend. After Tata Group initially withdrew from Western markets, they re-entered through significant acquisitions of companies such as Jaguar, Land Rover, and Corus Steel to exploit enhanced institutional frameworks and their accumulated international knowledge. Other examples include an Indian tile manufacturer, Asian Granito, that initially exported its products before creating a JV with Panaria in Italy to obtain technical expertise and product quality enhancement, which demonstrates how firms increase their commitment level during re-internationalization when they gain knowledge and host-country institutions improve their support. Strides Arcolab established its pharmaceutical JV with Sagent Holding Company in the U.S. because it gained confidence from improved regulations and recognized the benefits of local partnerships (Lacoste and Opsahl, 2017).

These cases of different MNEs, markets, and timeframes visualize how complex and unique re-internationalization modes are. This transformation from low-commitment entry modes into high-commitment re-entry modes does not occur in all industries and/or MNEs. Companies will decrease their commitment levels when host institutions fail to maintain their standards or when new challenges emerge.

European manufacturers who first established operations in China through WOS later chose JVs as their re-entry strategy because they faced unpredictable local regulations and intensified domestic competition. The institutional environment of host countries plays a crucial role in determining WOS adoption because well-organized host institutions, like those with clear regulations and robust IP systems, attract WOS operations. However, weaker host institutions force firms to choose JVs as their collaborative mode. Companies occasionally return to exporting or minority alliances in response to reversed institutional reforms and increasing geopolitical risks in specific sectors that experience sudden regulatory changes or expropriation risks. These previous examples demonstrate that re-internationalization functions as an active ongoing process. (Ali, 2019; Ali, Fiess and MacDonald, 2010; Ali and Mathur, 2022).

Furthermore, the relationship between institutional distance and firm origin creates additional complexity in choosing the optimal mode during re-internationalization. Emerging MNEs, particularly from China and India, often favor WOS in challenging institutional settings, leveraging their familiarity with similar home-country conditions and ability to adapt to regulatory complexity. Geely demonstrated its re-internationalization strategy by acquiring Volvo Cars to access advanced technology and global branding and establish an extended autonomy model for knowledge transfer between the parent and subsidiary. Before this substantial investment, Geely had international activities through exporting and contractual assembling plants in Russia, Ukraine, Indonesia, and Taiwan. However, some of these markets did not meet the expected terms due to institutional pressures. Therefore, the strategic approach through the acquisition of Volvo Cars enabled the company to defeat institutional obstacles in both China and Sweden through asset-seeking acquisitions that combined competitive disadvantages with ownership advantages (Gammeltoft and Hobdari, 2017; Zhang, Wang, and Balcet, 2021)

The selection of a re-internationalization mode depends heavily on firm size. Recent decades show, for example, Indian firms are more likely to choose WOS or greenfield investments because re-internationalized Indian firms that operate complex foreign operations possess the resources needed to manage such ventures (Ali and Mathur, 2022; Pradhan and Alakshendra, 2009). For example, Ranbaxy Laboratories increased its international presence through overseas acquisitions combined with greenfield investments because its large size and worldwide experience allowed it to handle different institutional frameworks. Small businesses tend to stay in low commitment exporting or minority alliance activities but sometimes choose to exit operations when institutional obstacles continue to exist. The withdrawal of small French manufacturing enterprises from international markets leads to their eventual return through strategic alliances or specialized niche focus because they lack the necessary resources or capital (Ali and Mathur, 2022; Pogrebnyakov and Maitland, 2011; Pradhan and Alakshendra, 2009).

Strategies for re-internationalization demand companies to integrate learning from past experiences about operational failures and partner trustworthiness alongside institutional changes in host countries. The Uppsala model demonstrates its commitment progression through higher-involvement modes, but this development depends on the progress of the host country's reform (Ali, 2019). For instance, McDonald's high-commitment entry into Russia in the 1990s contrasts with its potential need for lower-commitment franchising today, given heightened geopolitical risks and state intervention (Ali and Mathur, 2022). The movement from low-to-high-commitment modes is not a standard pattern because it remains inconsistent and non-linear. Firms modify their entry approaches by combining their past experiences with institutional modifications and the unique obstacles encountered during their first market penetration and subsequent departure.

6.2.2 Comparative Summary

The analysis of RQ2 has revealed for the authors that successful re-internationalization is not as simple as returning to the same operations previously used. However, it should instead be seen as a strategic reconfiguration adapted to fit the evolved institutional landscape of the host country. MNEs must be careful when assessing how country governance shifts, institutional pressures, and policy changes reshape the environment in which the MNEs previously exited. Re-internationalization can only be seen as viable when MNEs can change their entry mode to the institutional profile in the host country instead of replicating their former approach. For this to succeed for MNE, they need to apply a dynamic and staged process, which starts with low-commitment modes and, from there, increases commitment, but only if policy and institutional consistency allow for it. Entry modes such as contractual arrangements provide strategic flexibility in politically uncertain or regulatory complex markets. While offering brand expansion with limited investment, Franchising depends on the host country's openness and regulatory consistency, as illustrated by McDonald's complex experience in Russia. Even though less capital intensive, licensing can carry risks of intellectual property appropriation if local protections are weak, just like the THECO case. Outsourcing can be effective when cost advantages align with stable governance, as seen with Apple's gradual relocation from China to India due to rising trade tensions and shifting tariffs.

Exporting has often been used as a toe-in-the-water strategy for MNEs because it allows them to regain market access while minimizing sunk costs. The flexibility of exporting also supports institutional scanning, which enables MNEs to test market reforms, observe ESG mandates, or adapt to new tariff structures before scaling up their commitment. Unfortunately, exporting remains highly sensitive to protectionist shifts, as demonstrated by Juul in India, Shein in Brazil, and TWE in China. All were forced to exit or reconfigure due to regulatory disruption or tariffs. Between exporting MNEs, direct exporting through a sales office offers higher control and market feedback while still being able to cover MNEs from the significant investment required when dealing with WOS.

If and when conditions stabilize, MNEs can gradually escalate their operations to investment modes and transition from alliances and minority stakes to JVs or WOS. This progression reflects organizational learning and renewed institutional confidence. For example, Tata Group and Alpha re-entered foreign markets through acquisitions and brownfield investments only after observing strengthened legal protections and institutional transparency. In contrast, MNEs like Geely pursued high-commitment re-entry to overcome earlier institutional challenges. Instead of treating their earlier experiences as liabilities, they treated them as learning assets that informed more adaptive strategies. The re-internationalization process is not linear. MNEs must adopt a modular approach with their existing FSAs, treating them as components that they can reconfigure rather than rigid assets that need to be reapplied. Strategic flexibility, institutional arbitrage, and network reconfiguration emerge as central capabilities during this process. MNEs who succeed in re-internationalization can selectively reassemble their entry strategy to align with the evolving governance conditions and recalibrate their operational scope and institutional engagement.

As a result, re-internationalization is a process of strategic recalibration, informed by past failures and enabled by dynamic capabilities. Governance shifts and institutional pressures shape the viability of market re-entry and the optimal configuration of entry modes. Therefore, successful re-entry depends not only on overcoming prior challenges but on reconceptualizing market engagement in response to the newly constructed institutional realities of the host country.

7. Discussion

The discussion of this thesis is divided into three main headings, where the first part is aimed at discussing the first research question, the second part the second research question, and the last part aims to discuss the integration of the findings from the two to explain the overall research question that leads to sub-questions. This nuanced discussion directs the development of the á posteriori conceptual framework shown in the end.

7.1 RQ1 Discussion

The international business environment is ever-changing, and the above analysis in Sections 6.1 and 6.2 clearly states how governance and institutional policy greatly affect how MNEs operate on the global scene. In the analysis of the six countries, multiple policies can be deemed either more de-globalizing or pro-globalizing. The discussion here is what effect the implementation can have.

On the one hand, there is no doubt that countries have tended to focus on the home market. Countries like China have started from a warlord era with little to no involvement with the outside world, and Russia went from the planned economy in the Soviet Union, where capitalism and the search for competitive advantage on a global scene seemed to be a minor focus limiting the exploitation of CSA for potential MNEs. In the same manner, Brazil was protecting the interest of the few by having an oligarchy presence, where the local owners made barriers for potential entrants. Furthermore, South Africa has exemplified this lack of global mindset as a victim of British colonialism, with a note here being that they were only global because of the British empire. In the same period of history, India was a victim of this, too, with the British extracting whatever was possible to supply their empire and global appearance at the expense of India's possibility to attract foreign investments. Contradicting the protectionist market approach, the few did not rule the US, yet they tied their economy to high tariffs, making barriers for foreign entrants. Countries have been implementing different policies to protect what they thought would hurt their economy and world presence, even though MNEs sought to expand into host countries to gain market share. On the other hand, the demand for a more global trade system, and with the argument of opening the economies to foreign trade, has significantly impacted the global economy. When countries have implemented policies that have led to more foreign trade, organizations such as the WTO have pressured their members to pursue global governance by being able to exploit the advantages each country has.

It can be argued that the pursuit of global efficiency, pushed by institutions, has had a very positive impact on MNEs seeking to expand into new markets, with the only limitations being how countries have implemented trade barriers such as tariffs, import substitutions, and failed transparency when opening the economies. However, countries have had differing approaches to how much the economies are market-driven and to what extent they allow full free trade, as the US is a keen example. Policies such as less-needed state ownership of inward FDI are implemented, as has happened in India. However, at the same time, we see China, where inward FDI demands a degree of state ownership, contradicting the pursuit of a market-driven policy. Still, the countries have been opening for foreign trade and their implementation into GVC, no matter how much they demand tariffs or state ownership of investments.

Even though countries are pressured by institutions such as WTO to lower tariffs, enhance cooperation with foreign countries, and use inter-regional integration to exploit a common goal of optimizing and utilizing value chains, there are still persistent degrees of trade barriers. An example is the ESG rules pushing back on forestry in Brazil, the reshoring of companies by the Buy American movement in the US, and the extreme conditions of Russia with divestments, making the market a very state-controlled scene. This generates new conditions for the country for inward FDI and changes the global perception of the market if an MNE seeks to enter the host country on these conditions. While these conditions are ever-changing, the countries analyzed, apart from Russia, seek integration into the global market, as they know the potential CSA they are withholding. By pressuring these to be more open, the institutions are simultaneously aware of what possibilities lie within each country to exploit; the only difference is how this is to be assessed when a foreign MNE seeks to operate in their home market.

While it is true that the trend is opening to foreign trade, there are still obstacles, or at least ways of governance, that MNEs need to be aware of. While the US is an open economy, the newly imposed policies are making it harder to operate only as an export company in the market, while in China, it is almost impossible to enter the market with FDI without the state having ownership. However, as Russia is the extreme example of pressure being generated for companies to divest, by either sanction from countries or by customers as an institutional power, it is nowhere near impossible to gain access to the market; it is merely a question if the entering company is willing to operate under the conditions which are in the country. This also highlights an important detail of when de-globalization is being forced and is not voluntary. The same goes for Brazil, where bureaucracy and institutional pressure from ESG can make it impossible for MNEs to operate under these conditions and remain competitive in the global market. The same goes for India, where transparency and lack of consistency are hurting potential entrants, leading to MNEs reconsidering if the cost of operating may not match the needed cost for staying agile to exploit the CSA. In the difficult conditions of this country lies South Africa, where the failure of political consistency and visions hinder the potential for MNEs to operate in the country. This is even true when the country tries to focus on regionalization with GEAR and ASGISA, where the common goal of opening trade benefits all involved parties. Furthermore, South Africa has been a founding member of the WTO but has not been able to meet the proposed conditions for foreign trade in such a manner that the country has thrived, as is seen with the US and China on the global scene, and Brazil when looking at it in a regional aspect.

While there is no denying that countries have different approaches to governance and institutional policies, and institutional pressure significantly impacts how countries nurture a global mindset and a market-driven economy, new conditions are still generated that can be seen as not friendly towards MNEs. So, as for the question of how governance and institutional policy implementation affect the de-globalization of MNEs, there are no clear answers, as it all depends on history and whether the entering MNEs trust the country to be stable in its current path and the institutional pressure, is somewhat stable. Suppose the country is unstable, like South Africa. In that case, companies will not seek to make heavy investments, and the same goes for Russia, where the institutional pressure from customers makes it hard to legitimize their market appearance.

This leads to a discussion of whether de-globalization is an actual term that should be used when IB scholars assess the current world situation. The findings suggest that there may be more of a recalibration in most cases due to changing institutional pressure. It can, on the one hand, be argued that the MNE divestment and sanctions in Russia are to be perceived as a weakening of interdependence, as it has shown that supply chains and CSA-like access to natural gas will shift the focus for MNEs to other places and by sheer demand, strengthen the conditions and policies that lie in the host market. On the other hand, this has just created a new market condition if MNEs seek to operate in this market, no matter the selected entry method. By this, it is not a given that Russia has weakened the interdependence among nations, as the institutional pressure for MNEs operating in the country and the country's governance has forced the market to operate under new conditions. The same goes for how China's governance and policies have developed, as it has rarely been a question of weakening the interdependence between them and countries like the US when Buy American was introduced; it has created more institutional pressure on what conditions companies are willing to operate under. By entering and operating in China, MNEs agree on the need for the state to be involved, just like Russia demands now, yet MNEs are willing to enter the market given these conditions. While Russia as a market can seem to be under pressure, the issue may be how much value the MNEs put into the institutional pressure and to what degree these institutions can dictate the general global operations. It can, therefore, be seen as the world economy and global trade, with its cross-border supply chains, is developing in a more complex manner, where institutions are having more and more power over the MNEs, but only to the extent of which the country allows them to, creating a new norm for which institutions and MNEs need to assess.

7.2 RQ2 Discussion

Welch and Benito (2009) defined re-internationalization as *"withdrawal from inward and outward international operations by a company before subsequent international re-entry."* In detail, this involves an MNE conducting international business activity, exiting from international operations within the specific market, followed by a timeout period, concluding with successfully renewed international operations. However, Welch and Benito (2009) further emphasize several problems, such as what contributes to international operations, withdrawal, and inward international activity. They further argue that companies could also partially withdraw to maintain international involvement and use it as a springboard to renew international sales. These problems imply the complex discussion of this matter, and every aspect and scenario differ depending on how and how the topic is discussed.

As Welch and Benito (2009) defined conceptual framework as an organizational tool rather than an individual level of analysis, some features within this model cannot be directly compared for MNEs to follow. An example is the assumption that residual FSAs (i.e., brand equity, network ties, and institutional knowledge) remain relevant to be considered, regardless of the duration of the timeout period. This assumption holds but is missing clarification on the institutional aspect of this topic. During the timeout period, the reality is that institutional environments can change so drastically that CA, FSA, and LSA sources are undermined or even rendered irrelevant on a firm-level basis. Welch and Benito (2009) also highlight that, despite the lack of empirical research at the time of their research, they anticipated that re-internationalization becomes less likely the longer the MNE stays out of the initial market. De-internationalization often includes staff turnover influenced by the initial internationalization so that much of the international heritage gained may be lost, inaccessible, or irrelevant when re-entry is considered. The Re-Internationalization Theory states that firms maintain residual capabilities (i.e., market-specific expertise, informal networks, and cultural understanding) developed during their initial entry into a foreign market. A prolonged timeout period causes the elimination of these advantages, which leads to a fundamental question about the distinction between re-internationalization and standard internationalization. The core principle of re-internationalization depends on leveraging this residual knowledge that remains from previous market experiences. If that knowledge is lost due to extended absence (e.g., staff turnover, institutional shifts, or technological changes), the firm effectively faces the same challenges as a first-time entrant. The lack of retained expertise makes re-internationalization identical to internationalization because the firm must begin from the beginning instead of utilizing existing knowledge.

However, a more extended timeout period could benefit some MNEs positively, especially for those who had failed their initial international experience. For these MNEs, significant changes need to be made in relation to their re-entry strategies. This raises a critical question: Can re-internationalization exist when the host market is institutionally discontinuous from the MNE's prior entry into the market? The key takeaway is that re-internationalization only holds its strategic meaning if the residual knowledge survives the timeout period. When it fails, the distinction between re-entry and new entry collapses.

The case of McDonald's in Russia case demonstrates how Vkusno i Tochka inherited McDonald's brand recognition and operational know-how after McDonald's departure due to Russia's invasion but had to adapt to a completely different institutional framework in its entry, which included supply chain localization, state-imposed oversight and a climate of geopolitical hostility. The market conditions that allowed McDonald's to succeed in Russia no longer existed because WTO-aligned trade policies and robust IP protections had disappeared. McDonald's is known for excelling in its franchising; however, when Russia imposes state-mandated board oversight on the firm's operations within the market, this erases the franchising autonomy.

Therefore, the notion of simply re-entering the same market is misleading; McDonald's or Vkusno, in effect, was confronting a new market reality.

If McDonald's were to re-enter the Russian market, it would face significant obstacles because Vkusno i Tochka has established itself deeply in the market, and the business environment has undergone substantial changes. The exit of McDonald's allowed Vkusno i Tochka to expand quickly by acquiring McDonald's facilities personnel and operational knowledge and many of its customer relationships. The new brand has achieved default fast-food status among Russian consumers by maintaining identical menus and service models, enabling it to build brand loyalty and operational continuity beyond what most replacement brands achieve after such a significant transition. Furthermore, the Russian government has established significant barriers for Western firms to re-enter the market. Foreign companies must navigate through new legal requirements and extensive documentation while facing potential additional financial entrance fees to regain their former assets and market position. Local businesses and government officials push for protective measures to safeguard domestic enterprises such as Vkusno i Tochka from potential foreign market competition (Fabrichnaya, Marrow, and Gleb Stolyarov, 2025).

The regulatory environment and geopolitical dynamics have undergone significant changes. Through its IP decree, Russia enables domestic companies to use intellectual property from unfriendly countries without payment, diminishing the market value of McDonald's brand and trademarks. The current sanctions environment, combined with state-imposed oversight and forced localization, creates significant obstacles to any potential return to the market. McDonald's would encounter a market that has eliminated its previous competitive advantages, including brand recognition, supply chain integration, and franchising autonomy, because Vkusno i Tochka, through the Russian state, has taken control of these elements (Lewis Brisbois Bisgaard & Smith LLP, 2022).

Other evidence drawn from the analysis shows that traditional definitions mix geographic reentry with strategic continuity. The Tata Group re-entered Western markets through acquisitions of Jaguar Land Rover and Corus Steel during a regulatory period that focused on antitrust enforcement and ESG standards that did not exist when the company first entered these markets. The firm's re-internationalization involved a strategic shift toward new institutional frameworks rather than a genuine return to previous conditions.

Maybe re-internationalization needs to be assessed as re-configuration, as imitating previous approaches from an MNE’s initial internationalization rarely works. When the subject is based on a prior failed international experience, successful re-entries occur when firms treat their FSAs as modular components to be re-configurated, not preserved.

7.3 Overall RQ Discussion

It is apparent that institutional pressure, country governance, and policy implementation have an effect on what could be called de-globalization, and this also has a derived impact on MNEs' possibility of re-internationalization, yet to what extent and how is a more nuanced question as highlighted in the previous discussions. Pulling these discussions and key points together, there are possibilities of pronouncing the term de-globalization non-existent. Still, drawing experience and theoretical frameworks from previous literature to highlight the possibilities within the á posteriori framework.

The most impactful implementations in countries have happened when they seek to protect their interests or engage in a global market and the GVC. While this demands degrees of openness, institutions like WTO and agreements like GATT, NAFTA, and Mercusor aim to connect countries and economies and allow the involved parties to exploit their CSA. At a glance, this may seem like an over-and-done deal as soon as there is an agreement, yet countries are utilizing trade barriers such as tariffs to protect their interests and political agendas. As these policies are implemented to different extents in the countries, the countries are positioning themselves differently when MNEs aim to stay in the country when institutional forces impose changes in market conditions. This may seem like a mere question of developing dynamic capabilities, as Teece (2016) highlighted, where companies like IKEA changed to shorter strategic scopes, Microsoft adapted across the institutional environments with R&D, and Sony restructured with divestments. While this seems like an easy reactive matter to uncertainty, country governance, and changes in market conditions on host markets, the dynamic capabilities needed to adapt to said conditions may lead to market exit and later re-entry if deemed profitable for the MNE. Given the implementation of policies and institutional pressure, the need for dynamic capabilities may lead directly to redesigning the business model, which could hurt the whole setup of a company and its existing operations. An example is the exit of McDonalds from Russia, where a re-entry would mean a very different approach to entry mode from what they are used to by their franchising strategy. The issue here is no longer the assessment of only looking at the effect of existing policies and how to accommodate them when re-entering a market but also an assessment of what institutional pressure and distance are present and to what extent the country has shown a willingness to follow through with the proposed openness to global trade like the WTO are arguing.

7.4 Á Posteriori Framework

The authors have developed á posterior framework (Figure 7) based on this thesis' findings. To elaborate on how this is to be interpreted, the explanation is divided into four quadrants.

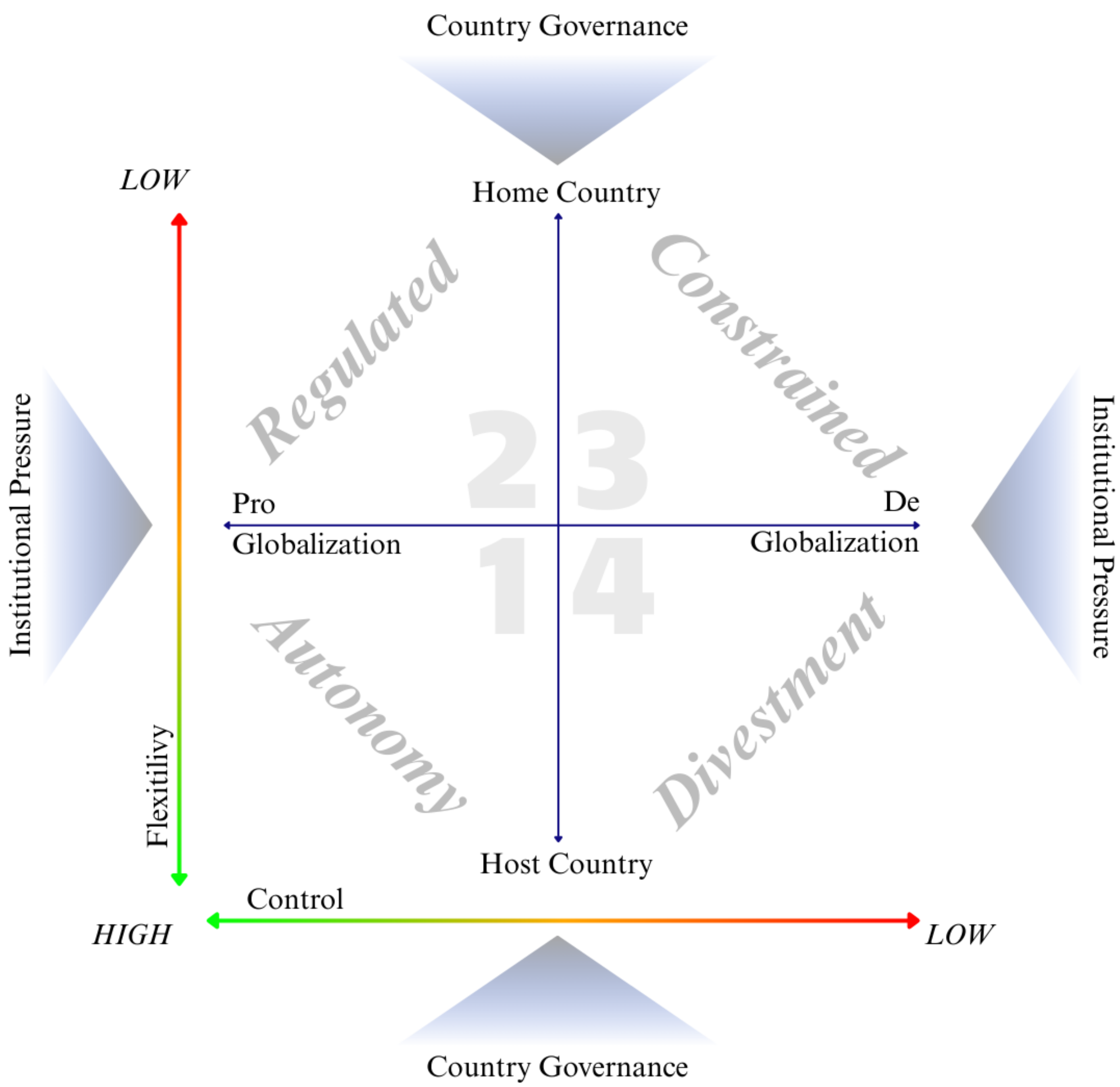

Figure 7: Á posteriori framework - source: The authors

7.4.1 Quadrant 1: High Autonomy Mode of Operation

The first quadrant represents an environment where MNEs can maintain a high degree of control and flexibility. Due to low operational and regulatory restrictions, firms can align, adapt, and optimize their entry mode strategies without the need for radical changes. While minor barriers (e.g., friendshoring or regionalization) may arise, their impact varies depending on the MNE’s initial market position or previous location before re-internationalization.

7.4.2 Quadrant 2: Regulated Mode of Operation

The second quadrant represents an environment for a regulated mode of operations for MNEs. An MNE's operation mode is relatively low-flexible, while control can be kept at a high level. Still, MNEs face operational and regulatory restrictions of some sort caused by pressure from country governance. When operating in this quadrant, MNEs face minor barriers and will have to comply with regulations such as ESG mandates, but they are still able to choose whatever mode of operation is deemed suitable for the company.

7.4.3 Quadrant 3: Constrained Mode of Operation

The third quadrant represents an environment where MNEs are affected by a low degree of control and flexibility. Due to significant operational and regulatory restrictions, firms need to adapt their mode of operation to enter the market radically. Instances can include SOE, JV with a home country firm, and/or contractual agreements with limited benefits for the re-internationalizing MNE.

7.4.4 Quadrant 4: Market Exit / Divestment

The fourth quadrant represents a low control of the mode of operation, with a high degree of flexibility for the selected mode. Given the influence of protectionist governance that prioritizes home-country interests and denies institutional pressures toward pro-globalization policies, MNEs cannot operate effectively under these conditions. The needed global presence for MNEs and exploitation of CSA or the GVC for a competitive advantage in a global market forces a market exit even though the mode of operation may seem flexible for companies within the host country.

8. Conclusion

This thesis examined how governance and policies affect MNEs' possibility of re-internationalization in a de-globalizing world. The literature review, which highlighted how uncertainty, risk, and pressure were imposed from the macro down to meso and micro levels, as shown in Figure 1, is the foundation for this research. However, the issues of institutional distance and the generated uncertainty lacked emphasis on how policies are perceived and how MNEs can navigate a global market with complex environments in different countries.

Through a comparative analysis of the institutional history of China, The US, Russia, Brazil, India, and South Africa with the knowledge gained from the literature review, the thesis discovered institutional pressures in the form of tariffs, forced localization, ESG mandates, geopolitical alignments, and unpredictable policy enforcement are all factors that contribute to making a market more or less penetrable for foreign MNE's. This contributes to the increasing de-globalization, from which MNEs must adapt to different entry modes. However, the study showed that these institutional conditions imposed on MNEs do not eliminate their potential re-internationalization but rather reconfigure the terms on which/how they should operate when discussing re-internationalization strategies. The findings from the first research question are a prerequisite for the second research question exploring how MNEs can strategically respond to the altered governance conditions. The authors highlight mode-switching as a tool to support MNE decision-making and potential re-entry strategies in volatile institutional environments. Specifically, mode-switching is seen through low-to-high commitment modes and depends on the host country's policies and governance in relation to foreign institutional pressures. Lower commitment modes were found to be more effective in institutional environments where instability and entry barriers were present. In comparison, higher investment modes were found to be more prominent in more stable environments.

Using the findings from the analysis, the authors revised the á priori framework. They created an á posteriori framework highlighting how MNEs can utilize mode-switching based on two key dimensions: host countries' demand for control or flexibility. This á posteriori model reveals four operational quadrants ranging from high autonomy environments that support all entry options to highly constrained quadrants where MNEs should consider avoiding a re-entry. Additionally, the framework enables MNEs to monitor host-country trends and shifts in market conditions, forcing them to reassess their current mode of operation when considering re-entry.

Simultaneously, it serves as a general guideline for MNEs with established operations, as changes in the market may require increased commitment or, alternatively, lead to potential divestment. While traditional IB theories focus on market selection and entry mode choices for firms seeking internationalization, this thesis highlights the importance of institutional sense-making and reconfiguration through mode-switching as key elements in MNE re-internationalization strategies.

9. Future Research

The á posteriori framework exemplifies how companies can re-internationalize when institutional pressure changes governance and country policies. However, the research is limited to six countries and to MNE's potential for re-internationalization into these countries and markets. For future research, there are areas of research that can be conducted to understand better the conditions in which MNEs can operate. These areas include how mode-switching and timeout-period can be seen as a branch of re-internationalization, as market conditions change, and to what extent it is an actual possibility. Furthermore, the thesis is analyzed under the condition of a full market withdrawal, where an analysis of partial divestment or withdrawal from markets can be seen as a strategic opportunity, adding to the understanding of the author's framework.

While the existing literature and knowledge have led to the analysis of what impacts governance and policies, an opportunity lies in analyzing to what extent transparency initiatives like ESG and CSR, together with institutions such as customers, the WTO, and the EU, can dictate market conditions. Research focusing on the aforementioned institutions, in particular, could enhance the understanding of MNEs to determine when pressure changes the mode of operations or merely changes in market operations.

The country analysis highlights different types of governance and to what extent this drives the market conditions. However, there is potential for future research to analyze to what extent some countries are more inclined to adopt changes in market conditions than others and where this pressure is coming from. As there is no denying that institutional policies have a significant impact on how MNEs can operate, it would be beneficial to determine how these policies are coming into play to determine when they are having an impact on governance for home and host countries and how this explains the relationship between nations.

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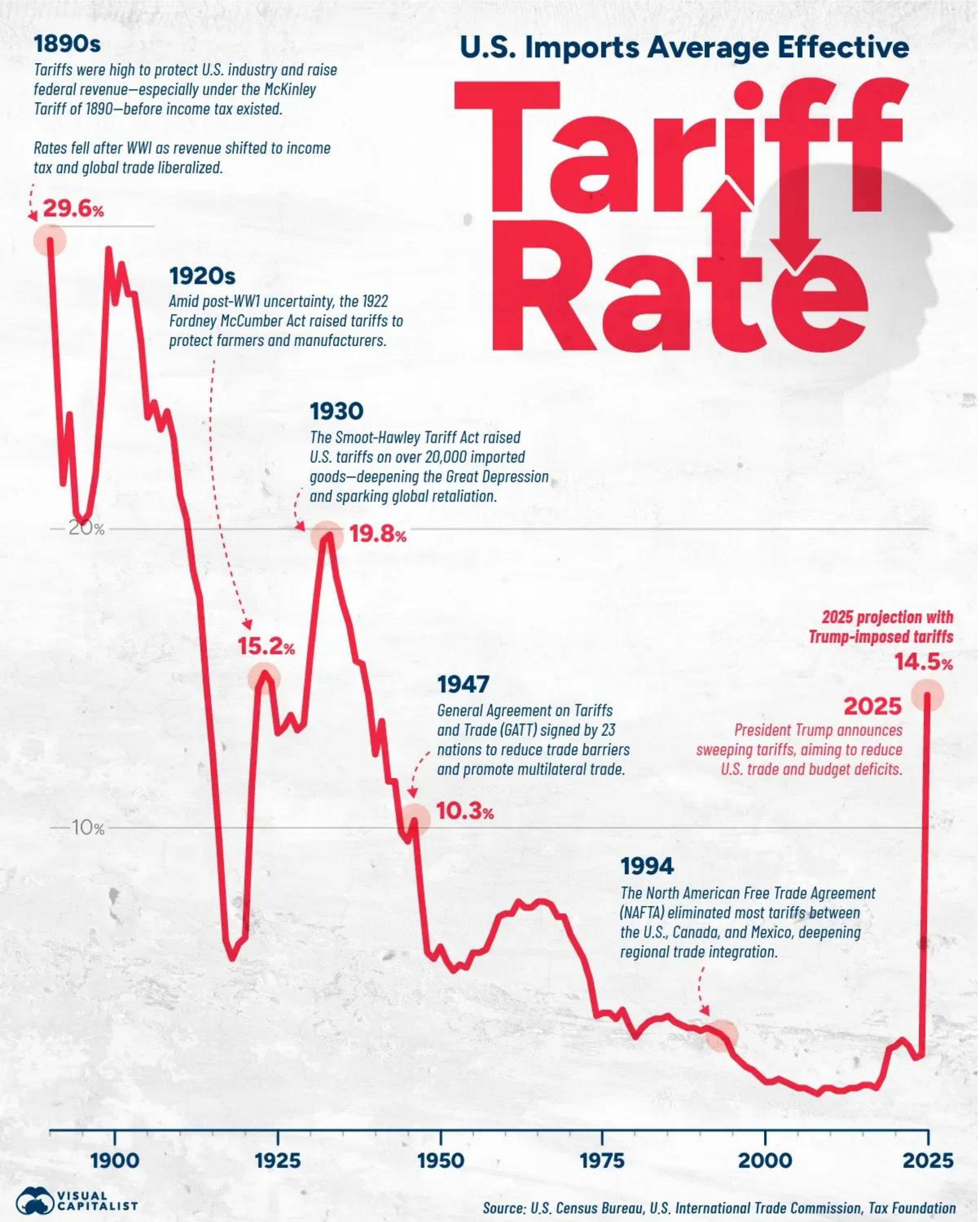
List of Appendixes

Appendix 1:



https://www.visualcapitalist.com/the-average-u-s-tariff-rate-since-1890/