

# Commitment, foreign ownership, and multinational firms

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## Abstract

We investigate the relationship between overseas strategy of multinational firm and local partner's specific skills for joint venture project. The multinational firm serves the foreign market via export or joint venture. The local partner makes an effort to attract local production project from multinational firm by investing the skills.

We show the strategic relationship between the local partner and the multinational firm and derive the investment level and the firm's strategy in the equilibrium. If the bargaining power of the multinational firm is high, the firm cannot induce the local partner to make skill investment, which turns out to be the lowest payoff for both agents. If it is low level, the local partner invests to management skill and the firm takes joint venture strategy. In this case, they can get higher payoff.