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# Spanning the Institutional Abyss: The Intergovernmental Network and the Governance of Foreign Direct Investment

by [Juan Alcacer](#) and Paul Ingram

## Abstract

Global economic transactions such as foreign direct investment must extend over an institutional abyss between the jurisdiction, and therefore protection, of the states involved. Intergovernmental organizations (IGOs), whose members are states, represent an important attempt to span this abyss. IGOs are mandated variously to smooth economic transactions, facilitate global cooperation, and promote cultural contact and awareness. We use a network approach to demonstrate that the connections between two countries through joint-membership in the same IGOs are associated with a large positive influence on the foreign direct investment that flows between them. Moreover, we show that this effect occurs not only in the case of IGOs that focus on economic issues, but also on those with social and cultural mandates. This demonstrates that relational governance is important and feasible in the global context, and for the most risky transactions. Finally we examine the interdependence between the IGO network and the domestic institutions of states. The interdependence between these global and domestic institutional forms is complex, with target-country democracy being a substitute for economic IGOs, but a complement for social and cultural IGOs.

**Keywords:** [International Finance](#); [Foreign Direct Investment](#); [Cross-Cultural and Cross-Border Issues](#); [Governance Controls](#); [International Relations](#); [Social Issues](#);

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## About the Author

[Juan Alcacer](#)

James J. Hill Professor of Business Administration  
[Strategy](#)

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