

Learning to Live with Authoritarian Supply-Chain Partners: A Conjoint Experiment in Korea and Vietnam

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Abstract

A rich economics literature explains firms' sourcing and partnership choices that help them organize global production into global value chains (GVCs). While political science has started to study general GVC participation, it has paid insufficient attention to how firms select the specific foreign vendors and buyers that comprise these networks - leaving an unanswered theoretical puzzle regarding why so much of the activity is concentrated in authoritarian settings. Drawing upon debates on democracy and FDI, authoritarian institutions and economic performance, and institutional learning, we argue that experience in a successful autocracy can change what regime type signals about contracting risk. We test this argument in a preregistered conjoint experiment with internationally engaged manufacturers in South Korea and Vietnam, randomly varying prospective partners' political, legal, trade, and firm characteristics. Firms generally prefer partners in democracies, with independent legal institutions, and in trade-agreement countries. Crucially, Korean firms operating in Korea prefer democratic partners, whereas Korean firms operating in Vietnam show no such preference. Data-driven latent-cluster analysis, covariate adjustment, and sensitivity analyses, including alternative samples and specifications, corroborate this institutional-learning interpretation.

Keywords: Global Value Chains, Supply-Chain Partner Selection, Political Institutions, Institutional Learning, Multinational Firms, Conjoint Experiment

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1 Introduction

The rise of global value chains (GVCs) has been a central feature of globalization over the past several decades, reshaping production and service markets around the world. South Korea’s Samsung Electronics offers a prominent example: the multinational relies on nearly 2,500 suppliers and sources inputs from roughly 20 countries.¹ More recently, it has developed particularly strong linkages in Vietnam.² Other multinational giants organize their global partnerships differently but also rely extensively on GVCs. Toyota, the Japanese automaker, lists approximately 225 foreign suppliers, most of them regional and some partially owned by Toyota.³ Apple, the American technology multinational, has roughly 250 foreign suppliers; until recently, a large share of its partners and inputs were concentrated in China.⁴ How can we explain these patterns of global production and trade? How do firms choose the countries and firms that comprise their value chains? Which country- and firm-level factors shape these choices? Do firms that use GVCs affect the countries in which they invest, or do host countries shape firms’ organizational structures? And do firms learn about their partners through repeated interaction over time? We investigate these questions in this paper.

A large economics literature explains how firms organize international production and choose among outsourcing, integration, and alternative suppliers. Research emphasizes production costs, productivity, supplier location, input characteristics, and relationship-specific investments, showing how incomplete contracts make the selection and organization of suppliers consequential for international trade ([Antràs, 2003](#); [Antràs and Helpman, 2004](#); [Nunn, 2007](#); [Antràs and Chor, 2013](#); [Alfaro et al., 2019](#)). More recent work further identifies firm-level attributes—including productivity, size, foreign ownership, technological capabilities, and political activity—as important correlates of GVC participation ([Urata and Baek, 2020](#); [Harvie, Narjoko and Oum, 2010](#); [Cieslik, Michalek and Szczygielski, 2019](#); [Kim, 2017](#)), while highlighting the importance of country-level institutions and trade-policy environments ([Levchenko, 2007](#); [Ge, Dollar and Yu, 2020](#); [Fernandes,](#)

¹[Samsung Electronics Co. \(2022, 2025\)](#).

²In 2025, Samsung’s six manufacturing facilities in Vietnam exported approximately \$57.1 billion in goods across its product lines (and almost half of it smart phone exports), equivalent to about 13.5 percent of Vietnam’s \$421.47 billion in processed-industrial exports ([KVBiz Insights, 2026](#); [Vietnam Economic News, 2026](#)).

³[Toyota Motor Corporation \(2026, 2024\)](#).

⁴[Apple Inc. \(2024\)](#).

Kee and Winkler, 2022; Laget et al., 2020; Malesky and Milner, 2021). Supply-chain relationships can also affect firms’ exposure to political and contractual risk, because economically connected firms have incentives to protect one another when governments interfere with property or contracts (Johns and Wellhausen, 2016). Yet we know far less about a prior political choice: whether the regime in which a prospective vendor or buyer operates affects an MNC’s willingness to select that firm as a partner.

While political science has generated a substantial literature on firms’ location choices, the relationship between political institutions and FDI, and the ways in which policy and international agreements shape GVC participation (Li, 2006; Li, Owen and Mitchell, 2018; Johns and Wellhausen, 2016; Kim et al., 2019; Malesky and Milner, 2021; Pandya, 2016), the discipline has paid far less systematic attention to a distinct firm-level decision: the selection of particular contractually connected foreign vendors and buyers that together comprise a GVC. In particular, we know little about whether the political characteristics of a prospective partner’s home country independently shape these important selections in addition to the firm- and country-level economic factors emphasized in existing work. In this paper, we aim to identify whether political institutions bear on these contracting choices and to theorize how firms incorporate them into partner selection.

The existing literature presents an important puzzle. Despite the expectation that democratic institutions should offer foreign investors more credible protections against arbitrary government action, many global value chains are highly integrated with production facilities, vendors, buyers, and service providers in authoritarian or otherwise non-democratic settings, including China, Vietnam, and Singapore (Li, 2006; Li, Owen and Mitchell, 2018). Why have firms formed and sustained extensive partnerships in these environments? One possibility is that some authoritarian regimes create institutions that support predictable policy, credible commitments, and secure economic relationships, even without democratic constraints. As authoritarian regimes consolidate and democratic institutions face growing pressure worldwide (Nord et al., 2025), understanding when and how firms come to view such settings as viable partners becomes increasingly important.

We suggest one answer: firms can learn from experience that authoritarian institutions need not imply arbitrary intervention or insecure contracting. Exposure to a successful authoritarian host country can reveal whether its institutions deliver predictable policy, credible commitments,

and workable protections for economic relationships. Such learning should reduce the weight firms place on regime type when assessing prospective partners elsewhere. Our preregistered conjoint experiment,⁵ administered to internationally engaged manufacturers in South Korea and Vietnam, presents respondents with pairs of hypothetical foreign supply-chain partners whose country- and firm-level attributes are independently randomized. The profiles vary partner-country regime type, judicial independence, and trade-agreement status, as well as partner-firm ESG performance, political connections, technology-transfer commitments, and size.

The results support our institutional-learning hypothesis. In the pooled sample, firms prefer partners located in democracies, with more independent legal institutions, and in countries linked by trade agreements. However, South Korean firms operating in South Korea strongly prefer democratic partners, whereas South Korean firms operating in Vietnam exhibit no meaningful preference for democracy over autocracy and instead resemble Vietnamese firms. The difference in the democracy effect between Korean firms operating in South Korea and Vietnam is substantively large and statistically significant. These findings are consistent with the claim that experience in Vietnam’s stable authoritarian institutional environment changes what regime type signals to firms about the risks of a supply-chain relationship.

Our paper is organized as follows. Section 2 develops the theory of institutional learning and derives our hypothesis about partner choice. Section 3 documents the Vietnamese context and shows how Korean investors’ assessments of Vietnam’s institutional environment evolved as their experience accumulated. Section 4 describes the conjoint design and presents the main results, including validation and sensitivity analyses. Section 5 discusses the implications for research on global value chains, political institutions, and multinational firms.

2 Theory: Learning to Live with Authoritarian Institutions

In the analysis that follows, we seek to answer the question of whether the political regime in which a prospective partner operates affects whether an MNC is willing to form a business relationship with that prospective partner. To derive hypotheses, we begin by exploring the rich FDI literature on regime type and investor confidence, demonstrating why some authoritarian regimes have

⁵The preregistration is available at <https://osf.io/g8yuq/overview>.

proven to be attractive investment locations through institutions that protect property rights and policy stability across leadership transitions. Next, we show how investors can learn about these authoritarian advantages through their own experience and the experience of those in their production networks. Finally, we apply these lessons to supply chain partnership decisions to frame our predictions about how accumulated experience and success in a non-democratic regime can lead to greater confidence in partnerships with vendors and buyers from those markets.

2.1 Regime Type and Investor Confidence

While political science has yet to explore GVC partner selection systematically, a substantial body of work exists on whether multinational investors prefer democracies or authoritarian regimes, which offers useful insights into how political institutions shape investor behavior. While valuable, it is important to be clear that this work differs substantially in design and explanatory goals, relying predominantly on cross-national time-series data to explain aggregate FDI inflows rather than MNCs' selection of particular business partners.

Early arguments emphasized the potential advantages of authoritarian rule for internationally mobile capital. Governments insulated from electoral pressures could restrain wages and labor demands, discipline domestic groups, and pursue export-oriented industrialization—an interpretation consistent with the developmental trajectories of authoritarian South Korea and Taiwan (Haggard, 1990; Amsden, 1989). A subsequent literature instead emphasized the advantages of democratic institutions, particularly their constraints on arbitrary government action and their capacity to make commitments to foreign investors more credible (Jensen, 2003, 2006). The resulting debate therefore turns on whether authoritarian governments' greater policy flexibility outweighs the credible-commitment advantages associated with democracy.

The accumulated evidence provides little support for a simple democratic advantage. A meta-analysis of 229 estimates from forty studies finds that the relationship depends importantly on both the proposed mechanism and the measurement of FDI (Li, Owen and Mitchell, 2018). Instead, the strongest evidence among studies of FDI levels favors property-rights protection and constraints on political discretion. Although these institutions are often associated with democracies, they can also be present in authoritarian regimes. Democracy may also impose costs on foreign investors by

empowering domestic groups, restricting preferential treatment, and limiting governments' ability to offer favorable policies (Li and Resnick, 2003; Li, 2006). Moreover, governments of all types can reassure investors through institutional substitutes for domestic democratic constraints, including international agreements that raise the costs of reneging on commitments to foreign capital (Büthe and Milner, 2008).

The ambiguity identified by this literature is consistent with an important empirical fact: authoritarianism has not prevented some countries from becoming major destinations for international capital. China, Vietnam, and Singapore have attracted substantial foreign investment despite lacking the political institutions conventionally associated with liberal democracy, and their success cannot be reduced to the resource rents that sustain investment in some autocracies. Indeed, average private investment rates can look remarkably similar across democracies and non-democracies even though investment performance varies enormously within the authoritarian category, where highly successful investment environments coexist with predatory regimes (Gehlbach and Keefer, 2011; Easterly, 2011). This variation has generated a large literature shifting attention from regime type itself to the institutions that distinguish authoritarian regimes from one another (Gandhi and Przeworski, 2007; Gandhi, 2008; Wright, 2008; Magaloni and Kricheli, 2010). Single-party regimes appear particularly capable of sustaining investment because institutionalized ruling parties can regularize leadership succession, lengthen political time horizons, discipline officials, and make policy commitments more credible; correspondingly, one-party regimes tend to be more stable and economically successful than other forms of authoritarian rule (Gehlbach and Keefer, 2011; Magaloni and Kricheli, 2010). More specific institutions can perform similar functions: binding authoritarian legislatures can constrain confiscatory behavior, while power-sharing institutions can mitigate commitment problems between rulers and regime elites (Wright, 2008; Wilson and Wright, 2017; Svolik, 2009). Authoritarian governments can also construct substitutes for liberal property-rights institutions. China's rapid private-sector development demonstrates how relationships, reputation, and other alternative governance mechanisms can support investment despite weak formal legal and financial institutions (Arias, Hollyer and Rosendorff, 2018; Allen, Qian and Qian, 2005; Xu, 2011). Even authoritarian courts can provide meaningful protection when formal corporate partnerships align foreign investors' interests with those of regime insiders

(Chen and Xu, 2023). Where domestic contracting institutions are perceived as weak, international agreements and commercial arbitration can provide alternative mechanisms for reassuring foreign investors about contract enforcement, increasing their willingness to form relationships with domestic firms (Malesky and Milner, 2021). Recent evidence further shows that autocracies can create highly favorable investment environments around individual FDI projects, producing stronger localized economic effects of foreign investment than those observed in democracies (Rommel, Palmtag and Messerschmidt, 2025). The relevant distinction for investors may therefore be less democracy versus authoritarianism than whether a particular political system provides stable leadership, predictable policy, credible commitments, and workable institutions for protecting economic relationships.

2.2 Institutional Learning

Firms do not enter foreign markets with complete information about how political institutions operate in practice. A foundational approach in international business, the Uppsala model, conceptualizes internationalization as an experiential learning process: because important knowledge about foreign environments is difficult to acquire at a distance, firms initially operate with limited information and gradually update their beliefs through direct experience (Johanson and Vahlne, 1977, 2009). Critically for our theory, firms can learn about political institutions themselves. Experience with different policy environments makes MNCs less sensitive to political uncertainty in subsequent investment decisions, while the value of prior experience depends on its relevance to the institutional environment a firm subsequently encounters (Delios and Henisz, 2003; Perkins, 2014; Fuentelsaz, Garrido and González, 2022). Prior institutional exposure can therefore condition how firms perceive and respond to political risk rather than simply making them more comfortable operating abroad (Beazer and Blake, 2018). This process is particularly consequential in authoritarian regimes because, as discussed above, regime type is an unusually noisy indicator of the actual investment environment: some autocracies are predatory, while others provide stable policy, credible commitments, and workable contracting institutions. Experience in a successful authoritarian economy can reveal that an investor’s initial regime-based assessment was excessively pessimistic by providing direct information about whether regulations are predictable, officials

honor commitments, contracts work, disputes can be resolved, and investments remain secure. As a result, an MNC is not learning that authoritarianism is intrinsically attractive; it is learning that authoritarian regime type is less informative about transaction risk than it previously believed. Successful experience in such an environment should consequently reduce the weight that firms place on regime type when evaluating subsequent economic relationships, including prospective supply-chain partners in other authoritarian countries.

2.3 From Institutional Learning to Partner Choice

Institutional learning should shape not only where firms invest, but also which firms they are willing to select as partners. Consider two Korean firms choosing between otherwise comparable prospective suppliers, one located in a democracy and the other in an authoritarian regime. Neither buyer can perfectly observe whether a prospective partner will perform reliably, whether contracts will be protected, or whether government intervention will disrupt the relationship. In the absence of direct experience, political institutions therefore provide information about these risks. A firm whose experience is concentrated in Korea and other democracies has little basis for distinguishing successful authoritarian institutional arrangements from predatory ones. Given the substantial variation in investment security across authoritarian regimes, democracy provides a relatively reassuring signal of constraints on arbitrary intervention and protection of economic relationships (Li and Resnick, 2003; Gehlbach and Keefer, 2011; Wilson and Wright, 2017). All else equal, an inexperienced firm should therefore prefer the partner located in a democracy.

Experience in a particular country (in our case, Vietnam) changes that inference. A MNC operating there (in our case, a Korean MNC) has observed directly whether an authoritarian government can provide predictable policies, protect investments, resolve administrative problems, and sustain contracting relationships. Favorable experience changes the firm’s prior about what authoritarian regime type implies: direct experience demonstrates that authoritarian institutions are compatible with credible commitments and predictable economic relationships. Consequently, regime type should carry less negative information when an experienced firm evaluates a prospective partner from another authoritarian country. This mechanism differs from simple institutional familiarity. Firms do not just prefer partners embedded in institutions resembling those they

already know; instead, relevant institutional experience changes how firms interpret regime type as a signal of transaction risk (Delios and Henisz, 2003; Perkins, 2014; Beazer and Blake, 2018). Experience in a particular authoritarian country should therefore affect evaluations of partners located in authoritarian countries beyond Vietnam itself.

For Korean investors, in particular, this learning need not come entirely from a firm’s own experience. Internationalization occurs within business networks through which firms exchange information, develop trust, and acquire knowledge about unfamiliar foreign environments (Johanson and Vahlne, 2009). This mechanism is especially plausible for Korean firms, whose internationalization has often occurred through tightly connected production networks organized around large lead firms and longstanding supplier relationships. In the Korean automobile industry, suppliers’ location decisions are strongly shaped by their relationships with assemblers, with dedicated suppliers particularly likely to locate alongside their lead firms (Lee, 2002). These relationships can persist as production moves abroad, allowing lead firms to coordinate the internationalization of interconnected networks of suppliers. This pattern is particularly evident in Vietnam, where large Korean manufacturers entered alongside established suppliers and subcontractors, transplanting existing buyer–supplier relationships through a process described as “follow sourcing” (Koo and Kim, 2022).

Such forms of networks can diffuse institutional knowledge as well as production knowledge: firms already operating in Vietnam can communicate how regulations are implemented, which government agencies are reliable, how disputes are resolved, and which apparent political risks prove manageable. A pioneer therefore bears much of the cost of discovering how an unfamiliar authoritarian environment operates, while vertically connected suppliers and horizontally connected firms can partially learn from that experience. Exposure to a successful authoritarian institutional environment can consequently update beliefs at the level of a production network, not merely within the individual firm

Samsung provides the clearest illustration. Following its large-scale expansion in northern Vietnam beginning in 2009, Vietnam became a central node in Samsung’s global production network, today accounting for roughly half of the company’s worldwide mobile-phone production; at the height of this expansion, Samsung alone accounted for approximately 13 percent of Viet-

nam’s merchandise exports (OECD, 2025). Samsung’s entry also pulled a substantial network of Korean suppliers into Vietnam. By 2014, 53 of Samsung’s 67 Tier-1 suppliers located in Vietnam were Korean firms (OECD, 2025). Rather than constructing an entirely new supply chain, Samsung and other Korean manufacturers often brought established suppliers and subcontractors with them, transplanting existing buyer–supplier relationships through “follow sourcing” (Koo and Kim, 2022). The result was a multi-tiered network of Korean lead firms and suppliers interacting repeatedly with Vietnamese firms and government institutions. Important for our argument, these relationships transmitted more than production knowledge. Lead firms provided smaller Korean suppliers with assistance navigating Vietnamese institutions, including legal and labor problems and negotiations with local governments, while Korean firms increasingly worked with and trained Vietnamese suppliers (Koo and Kim, 2022). Sheldon and Kwon (2023) suggest that Samsung developed "wide-ranging and deep business–government relations in Vietnam" over time, which they speculate provided for important predictability and stability in its global processes. Samsung’s production network thus created multiple channels through which firms could observe and share information about how Vietnamese institutions actually operated, allowing institutional learning to diffuse well beyond the experience of any single investor.

2.4 Experience in Successful Autocracy and Partner Choice

This argument yields a prediction distinct from either a general preference for democracy or selection into authoritarian countries. If firms simply value the institutional protections associated with democracy, democratic-country partners should be preferred regardless of investors’ prior experience. If instead Korean firms operating in Vietnam were already unusually comfortable with authoritarian institutions before entering, differences between investors inside and outside Vietnam would reflect selection rather than learning. Our argument instead predicts that experience moderates the effect of regime type on partner choice. Firms without experience in successful authoritarian environments have relatively little information with which to distinguish well-institutionalized autocracies from predatory ones and should therefore rely more heavily on regime type as a signal of contracting and policy risk. By contrast, firms operating in Vietnam acquire direct and network-mediated evidence that an authoritarian system can provide policy stability,

credible commitments, and workable contracting institutions. Such experience should weaken the negative information conveyed by authoritarian regime type and may even make authoritarian-country partners attractive when investors associate these institutional arrangements with policy continuity and predictable state–business relations. Importantly, we propose a mechanism of institutional learning and are not advocating normative preference for authoritarianism: experience changes what regime type *signals* about the risks of an economic relationship. We therefore expect Korean firms without experience in Vietnam to prefer otherwise comparable partners from democracies, while Korean firms operating in Vietnam should be substantially more receptive to partners from authoritarian regimes.

Hypothesis 1 (Institutional Learning): *Experience in a successful authoritarian host country conditions the effect of regime type on MNC partner choice. Korean firms without such experience will prefer partners located in democracies, whereas Korean firms operating in Vietnam will be more likely to prefer partners located in authoritarian countries.*

3 Vietnamese Context: Korean Investors’ Growing Appreciation of Vietnam

Before testing our hypothesis, we establish the context in which Korean firms acquired information about Vietnam’s institutional environment and show how their assessments changed as that experience accumulated. Korean investment in Vietnam expanded substantially during the period covered by our data, bringing a growing number of firms into direct contact with Vietnamese institutions and expanding the production networks through which information about those institutions could diffuse. In the nationally representative PCI-FDI survey (Malesky et al., 2026), Korean respondents rose from about 12 percent of foreign investors in 2010 to roughly 20 percent from the mid-2010s onward, reaching 22.2 percent in 2015 and accounting for 18.4 percent in 2020 (Appendix 1). Most of these firms also chose Vietnam as a stand-alone investment location rather than simply including it in a broader regional strategy. In 2020, for example, 84.4 percent reported an “Only Vietnam” strategy, compared with 15.6 percent pursuing a multi-country strategy (Appendix 2). Among the minority that considered alternative locations, China was by far the most frequently identified alternative, followed by Indonesia and several other Asian economies (Appendix 3). Thus, as Korean production networks in Vietnam expanded, both the number of

Korean firms directly experiencing Vietnam’s institutional environment and the stock of information available through the broader Korean business community increased. This setting allows us to examine a key observable implication of institutional learning: whether Korean investors’ assessments of the predictability and security of Vietnam’s political and contracting environment became more favorable over time.

The PCI-FDI survey enables us to distinguish the considerations that initially attracted Korean firms to Vietnam from the institutional attributes they subsequently came to value (Malesky et al., 2026). Respondents first reported whether they had selected Vietnam over competing investment locations or had invested in Vietnam as part of a multi-country strategy. They were then asked two parallel sets of questions. The first asked them to compare Vietnam with the other countries they had considered as investment destinations; the second asked them to compare Vietnam with their home country, Korea. For each comparison, firms indicated whether Vietnam performed better on a series of specific attributes, including corruption, regulatory constraints, labor costs and quality, taxation, expropriation risk, policy uncertainty, infrastructure, public services, participation in policymaking, and political stability. The comparison is therefore deliberately demanding: Vietnam is evaluated not only against developing-country competitors but also against Korea itself.

Figure 1 begins with the fullest version of this comparison, using the expanded battery fielded in 2020. The dashed red line marks 50 percent, making it possible to identify dimensions on which a majority of Korean investors judged Vietnam superior. The most obvious attraction is economic rather than political: 91.3 percent of Korean investors reported lower labor costs in Vietnam than in their alternative investment locations, and 73.9 percent reported lower labor costs than at home in Korea. Labor quality, by contrast, was not perceived as a Vietnamese advantage: only 47.4 percent rated it more highly than in alternative locations and just 33.4 percent rated it more highly than in Korea. These patterns are consistent with the conventional account in which Korean firms were drawn to Vietnam primarily by production costs.

What is striking, however, is how positively these same investors evaluated several dimensions of Vietnamese governance by 2020. Sixty-nine percent reported less policy uncertainty in Vietnam than in the alternative countries they had considered, while 65.2 percent reported lower risks of expropriation. Most surprisingly, 79.1 percent regarded Vietnam’s political institutions as more

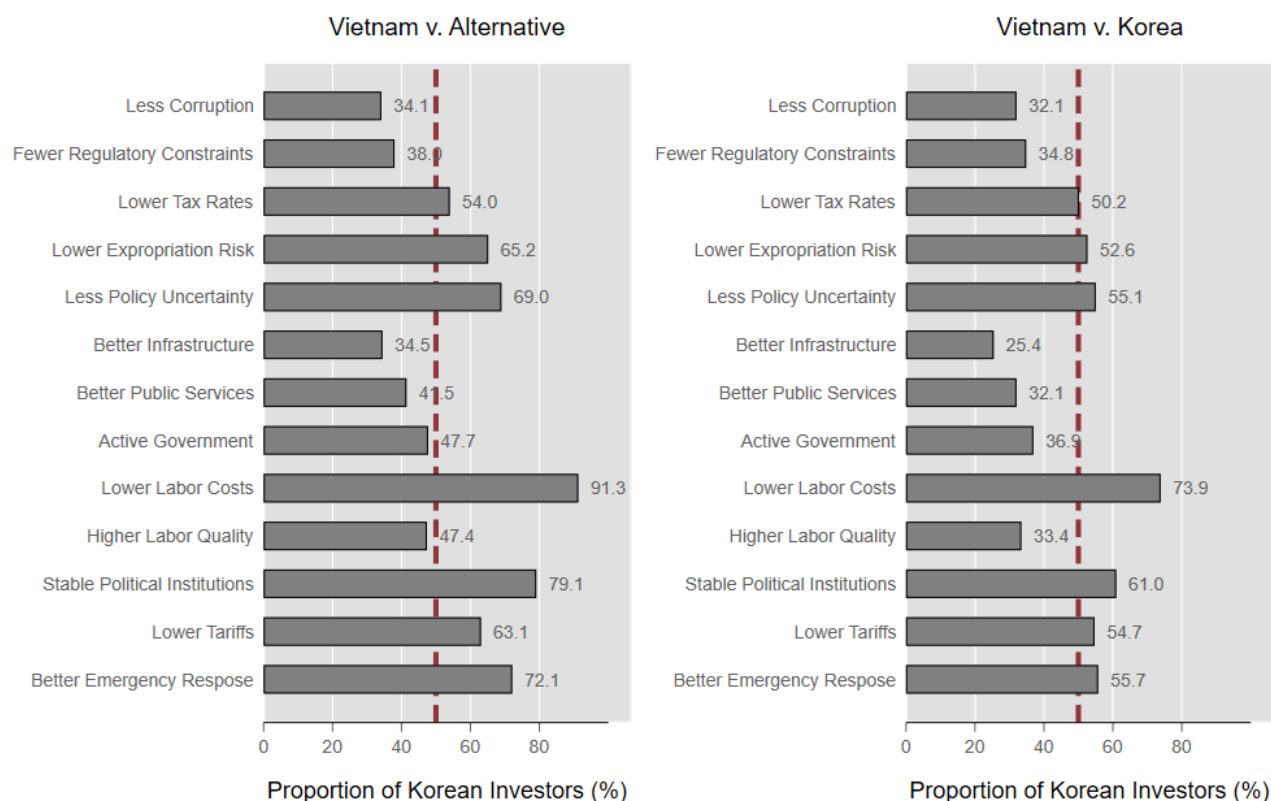


Figure 1: **How Does Vietnam Compare to Alternative Investment Targets and Korea?**

Notes: Data are from the 2020 PCI-FDI survey of Korean investors. Respondents were asked whether Vietnam performed better than (1) other countries in which they had considered investing and (2) their home country, Korea, on each listed attribute. Bars report the percentage of Korean investors answering “Yes.” The red dashed line marks 50 percent; bars extending beyond this line indicate attributes for which a majority of Korean investors assessed Vietnam more favorably than the relevant comparison country or countries.

stable. These assessments cannot simply be attributed to unfavorable comparisons with other developing or authoritarian investment destinations. When the benchmark is Korea, 55.1 percent of Korean investors still reported less policy uncertainty in Vietnam, 52.6 percent reported lower expropriation risk, and 61.0 percent judged Vietnam’s political institutions to be more stable. In short, by 2020 a majority of Korean firms perceived Vietnam as outperforming even their democratic home country on precisely the governance dimensions most directly related to the predictability and security of investment.

Figure 2 shows that these favorable assessments were more than beliefs that Korean firms brought with them when they entered Vietnam. Because the smaller investment-motivation battery was asked in 2013, 2014, 2015, and 2020, we can trace evaluations of a common set of

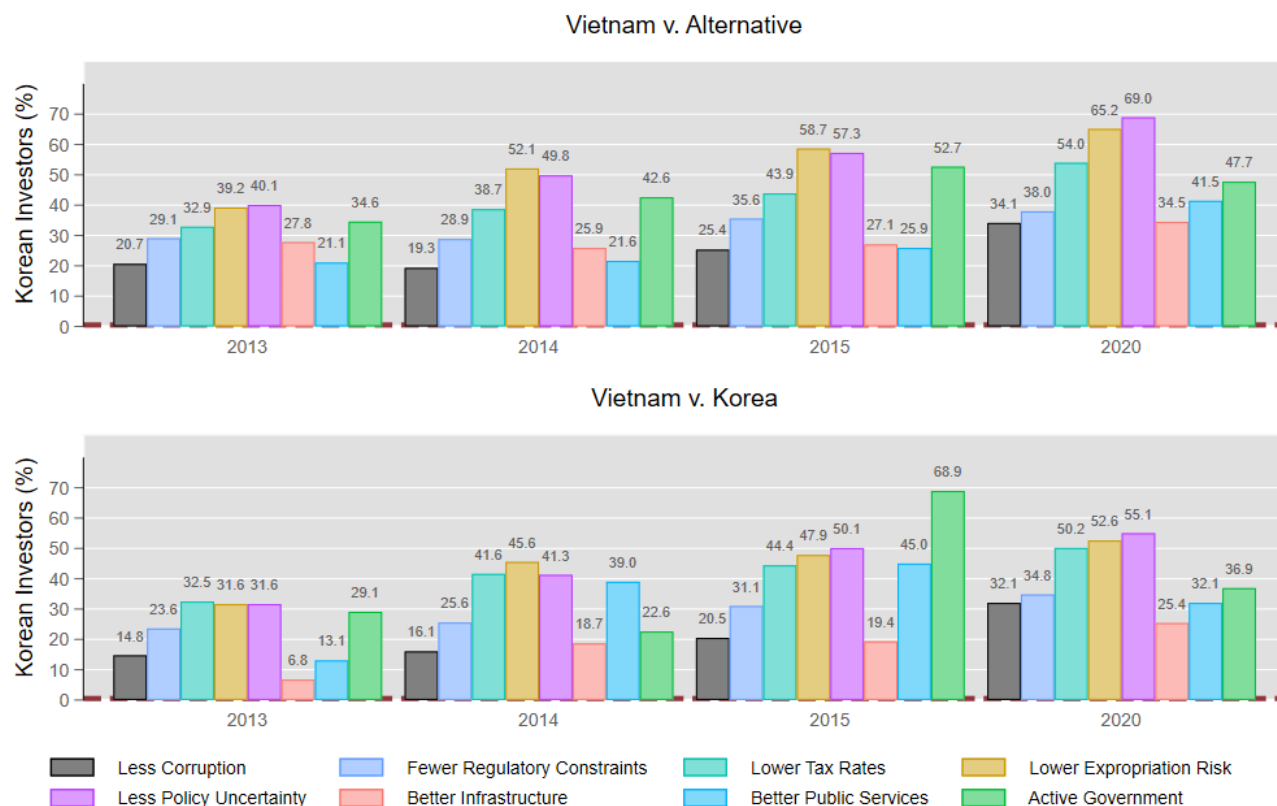


Figure 2: How Does Vietnam Compare to Alternative Investment Targets and Korea over Time? Notes: Data are from the 2013, 2014, 2015, and 2020 PCI-FDI surveys of Korean investors. Respondents were asked whether Vietnam performed better than (1) other countries in which they had considered investing and (2) their home country, Korea, on each listed attribute. Bars report the percentage of Korean investors answering “Yes,” allowing comparisons in investors’ assessments of Vietnam across survey years. The red dashed line marks 50 percent; bars extending above this line indicate attributes for which a majority of Korean investors assessed Vietnam more favorably than the relevant comparison country or countries.

institutional characteristics over time. In 2013, only 39.2 percent of Korean investors considered expropriation risk lower in Vietnam than in alternative investment destinations, and only 40.1 percent perceived less policy uncertainty. By 2020, those shares had risen to 65.2 and 69.0 percent, respectively—gains of 26.0 and 28.9 percentage points. The comparison with Korea reveals the same pattern. In 2013, just 31.6 percent rated Vietnam as having lower expropriation risk than Korea and 31.6 percent perceived less policy uncertainty. By 2020, those figures had climbed to 52.6 and 55.1 percent, increases of 21.0 and 23.5 percentage points, respectively.

The evolution of these assessments is also difficult to reconcile with a pure selection explanation. If Korean firms chose Vietnam because they were already unusually comfortable with authoritarian political institutions, we should observe favorable assessments of Vietnam’s institu-

tional environment among the earlier cohorts of investors as well. Instead, the PCI-FDI surveys show the opposite pattern. Early Korean investors entered Vietnam while expressing relatively low confidence in its policy certainty and protection against expropriation, and existing research indicates that Korean manufacturing investment in Vietnam was initially motivated by production costs and other commercial considerations rather than an attraction to authoritarian governance (Oh, 2005). Yet assessments of Vietnam’s institutional environment became substantially more favorable over successive survey waves, precisely as the Korean investor population and the production networks connecting those firms expanded. This temporal pattern cannot eliminate selection—the PCI-FDI surveys are repeated cross-sections rather than a panel following identical firms before and after entry—but it weighs against the claim that the results simply reflect Korean firms with a preexisting predilection for authoritarianism selecting into Vietnam. Instead, the evidence is consistent with institutional learning: firms entered Vietnam for other economic reasons and, through their own and their networks’ accumulated experience, increasingly came to regard its authoritarian institutional environment as capable of providing policy predictability and investment security.

In sum, these results suggest a process of learning. Korean firms appear to have been attracted to Vietnam initially for familiar economic reasons, above all low labor costs. Experience in the country, however, was associated with increasingly favorable assessments of institutional predictability and investment security. Over time as the share of Korean investors in the country grew, investors came to view Vietnam’s authoritarian institutions not merely as a political feature to be tolerated in exchange for lower production costs, but as a potential source of policy stability, reduced expropriation risk, and predictable commitments. This distinction is important for the conjoint analysis that follows. By the time our experiment was administered in 2023–2024, incumbent Korean investors had substantial experience with Vietnam and had already developed unusually positive views of the governance attributes most relevant to confidence in long-term economic relationships. Their responses should therefore be interpreted in light of this accumulated experience: Korean investors had learned that, under some conditions, authoritarian political institutions could provide forms of stability and predictability that increased their willingness to trust and partner with Vietnamese firms—and, potentially, with firms from other authoritarian regimes.

4 Conjoint Analysis of Supply-Chain Partner Preferences

This section presents our empirical findings based on the conjoint experiment fielded among manufacturing firms in South Korea and Vietnam. We begin by describing our sample and the conjoint structure. To establish a baseline understanding of firms’ multi-dimensional preferences, we first present a pooled analysis examining how firms evaluate supply-chain partners across country-level political institutions and firm-level characteristics. We then test our central hypothesis—that Korean firms operating in Vietnam should place less weight on regime type than their counterparts operating in Korea—through a home-host comparison. Finally, we report validation analyses using latent-group estimation alongside sensitivity checks that explore whether observable compositional differences across our samples drive the main results.

4.1 Samples

Firm-level surveys present substantial methodological challenges, as busy corporate managers often deprioritize survey participation, resulting in characteristically low response rates and limited access to decision-makers (Cycyota and Harrison, 2006). We addressed these obstacles through two complementary strategies tailored to each national context.

For South Korea, we partnered with Hankook Research (한국리서치), a leading market research firm with extensive experience implementing corporate surveys in South Korea. Between October and December 2024, we surveyed 422 manufacturing firms actively engaged in international trade. Our implementation combined preliminary telephone recruitment with a specialized web-based platform designed for corporate decision-makers, allowing us to reach and retain respondents while maintaining data quality. Firms were randomly recruited using a stratified quota design based on firm size and industry sector, with quotas derived from the observed distribution of firms in the 2023 Manufacturing SMTp database, a proprietary dataset covering over 450,000 South Korean companies. Because firm size strongly conditions international engagement, this design ensures that our sample closely mirrors the size distribution of the South Korean manufacturing population.

For Vietnam, we leveraged the 2023 Provincial Competitiveness Index survey of over 9,000 firms (Malesky et al., 2026), which provides a unique opportunity to access a nationally represen-

tative sample of Vietnamese firms with extensive pre-existing data on firm characteristics, ownership structures, and business environment perceptions. To be included, firms had to be active, tax-paying domestic private firms, foreign-direct investment (FDI) firms, or equitized state-owned enterprises (SOEs) with valid contact information registered with the General Department of Taxation. Eligible firms were then selected through a stratified random sampling procedure. For each of Vietnam’s 63 provinces (for domestic private firms and equitized SOEs) and the 21 provinces where FDI firms operate,⁶ firms were categorized into 45 strata along three dimensions: (1) ownership type (domestic private firms, FDI firms, and equitized SOEs), (2) industry sector (industry and mining; construction; service and commerce; agriculture, forestry, and aquaculture), and (3) firm establishment year (before 2000; between 2000 and 2020; and after 2020).⁷ This procedure yields broad coverage of Vietnam’s manufacturing population across ownership types, sectors, and firm vintages. To create a Vietnamese sample directly comparable with our South Korean firms, we applied uniform inclusion criteria: all firms must operate in the manufacturing sector and be actively or recently engaged in international trade as importers or exporters. This returns a final sample of 692 manufacturing firms. Together, the two surveys provide nationally representative samples of internationally engaged manufacturers in each country, allowing us to study firm-level supply-chain partner decision-making across institutional contexts.

While both samples are representative within their national contexts, they differ in observed characteristics (Table B.1). South Korean firms are generally larger by revenue and more uniformly engaged in overseas trade, reflecting both Korea’s more developed manufacturing base and our focus on internationally-active firms. Vietnamese firms display greater heterogeneity in ownership, size, and international engagement. Rather than obscuring our analysis, these differences strengthen our research design: our primary test compares South Korean firms across locations (Korea versus Vietnam), holding home country constant while varying the institutional environment. This home-host comparison directly measures the effect of operating experience in different institutional contexts. The latent-group analysis and sensitivity checks further validate this comparison by exploring alternative explanations and confirming that observed differences re-

⁶These provinces include Bac Giang, Bac Ninh, Binh Duong, Binh Phuoc, Ba Ria - Vung Tau, Da Nang, Dong Nai, Ha Nam, Ha Noi, Hai Duong, Hai Phong, Hung Yen, Long An, Phu Tho, Quang Nam, Quang Ninh, Tay Ninh, Thai Nguyen, Tien Giang, Ho Chi Minh City, and Vinh Phuc.

⁷See [Malesky et al. \(2026\)](#) for further details on the sampling procedure.

flect exposure to institutional environments rather than compositional differences across samples.

4.2 Conjoint Design

A vast literature identifies various firm-level and country-level characteristics as key drivers of supply-chain participation and partner selection. At the firm level, productivity, size, foreign ownership, technological capabilities, and firm-level political activities predict GVC engagement (e.g., [Melitz, 2003](#); [Helpman, Melitz and Yeaple, 2004](#); [Bernard et al., 2007](#); [Urata and Baek, 2020](#); [Harvie, Narjoko and Oum, 2010](#); [Cieřlik, Michalek and Szczygielski, 2019](#); [Kim, 2017](#); [Kim, Liao and Miyano, 2026](#)). At the country level, institutional factors—including contract enforcement, regulatory quality, political stability, and property rights protection—substantially influence firms’ willingness to form supply-chain relationships (e.g., [Nunn, 2007](#); [Levchenko, 2007](#); [Ge, Dollar and Yu, 2020](#); [Raei, Ignatenko and Mircheva, 2019](#); [Fernandes, Kee and Winkler, 2022](#)). Beyond these institutional factors, firms also consider trade policy environments, with trade agreements facilitating GVC participation (e.g., [Baier and Bergstrand, 2007](#); [Büthe and Milner, 2008](#); [Laget et al., 2020](#); [Malesky and Milner, 2021](#)). Yet in observational supply-chain relationships, these attributes are naturally correlated: Larger and more productive firms often possess greater technological capabilities and are more likely to be foreign-owned, while countries with stronger contract enforcement also tend to have better regulatory quality and property rights protection. Similarly, trade agreement partners may likewise differ systematically in these institutional characteristics. These correlations create an identification problem because we cannot determine whether firms value specific attributes themselves or simply the package in which they appear.

To isolate the independent importance of each dimension, we employ a conjoint experiment ([Hainmueller, Hopkins and Yamamoto, 2014](#)). Respondents evaluate pairs of hypothetical foreign supply-chain partners (5 pairs for Korean firms, 3 for Vietnamese firms), selecting their preferred partner in each pair. Each partner profile contains seven randomly assigned attributes: three country-level (government institutions, judicial independence, trade agreements) and four firm-level (ESG ratings, government connections, technology transfer commitment, firm size), as summarized in Table 1. Note that we deliberately excluded labor costs as partner firm-level characteristics despite their documented importance in supply chain decisions in order to ensure firms

Attributes	Partner 1	Partner 2
Country characteristic: Government Institutions of Partner's Country	• Democracy • Autocracy	• Democracy • Autocracy
Country characteristic: Legal Institutions of Partner's Country	• High independence • Medium independence • Low independence	• High independence • Medium independence • Low independence
Country characteristic: Trade Agreements with Partner's Country	• Trade agreement with your country • No trade agreement with your country	• Trade agreement with your country • No trade agreement with your country
Firm characteristic: ESG Rating of Partner Firm	• Low • Medium • High	• Low • Medium • High
Firm characteristic: Government Connections of Partner Firm	• Previous government officials as board members • State-owned enterprise • No government connection	• Previous government officials as board members • State-owned enterprise • No government connection
Firm characteristic: Partner Firm's Technological Transfer Commitment	• Full • Partial • None	• Full • Partial • None
Firm characteristic: Size of Partner Firm in terms of Revenue	• Half your size • Same size • 2x as big • 10x as big	• Half your size • Same size • 2x as big • 10x as big

Table 1: **Our conjoint experimental design.** We have a total of seven attributes, with three being country-level characteristics and four being firm-level characteristics. These attributes are presented to respondents in random order. Each attribute has between two to four different component values, from which one is chosen randomly. Respondents are presented with two potential supply chain partners, i.e., Partner 1 and Partner 2, and asked to choose the one they prefer most.

could meaningfully differentiate partners on other dimensions.⁸ Attribute levels were drawn from uniform distributions with randomized presentation order (Bansak and Jenke, 2025; De La Cuesta, Egami and Imai, 2022). This random assignment breaks natural correlations, allowing us to estimate the independent effect of regime type separately from legal independence, trade access, ESG performance, connections, technology transfer, and firm size.⁹

⁸Labor costs are a dominant consideration in partner selection. As we discussed in the previous section, 91.3% of Korean investors report lower costs in Vietnam than in alternative investment locations. Including this attribute would make it difficult to evaluate other dimensions.

⁹Respondents completed multiple tasks without apparent fatigue effects. Prior research shows conjoint estimates remain stable through 30+ tasks (Bansak et al., 2018), and we report robustness checks using only the first three tasks in the Appendix.

4.3 Empirical Findings

In this section, we present the main empirical findings from the conjoint analysis in three stages. First, pooled estimates establish baseline patterns in how firms across both countries weight different partner attributes. Second, we test our institutional-learning hypothesis by comparing South Korean firms operating in South Korea with South Korean firms operating in Vietnam. We find that firms operating in South Korea strongly prefer democratic partners, whereas South Korean firms operating in Vietnam are substantially less sensitive to regime type and exhibit preference patterns more similar to those of Vietnamese firms. This convergence is consistent with institutional learning through exposure to Vietnam’s authoritarian but stable institutional environment. Finally, we conduct a series of validity checks to assess whether this comparison is substantively justified and whether the results could instead reflect differences in sample composition or selection bias.

4.3.1 Pooled Analysis

We first estimate Average Marginal Component Effects (AMCE) for each attribute level using the pooled sample from both South Korean and Vietnamese firms (Hainmueller, Hopkins and Yamamoto, 2014). This analysis allows us to assess whether firm-level multi-dimensional preferences align with existing literature when attributes are considered jointly, and to determine whether partner selection is driven primarily by country-level institutional factors or firm-level characteristics.

Formally, the AMCE for attribute j at level k is defined as:

$$\text{AMCE}_{j,k} = \mathbb{E}[Y_i|X_{j,k}] - \mathbb{E}[Y_i|X_{j,\text{baseline}}], \quad (1)$$

where Y_i is the binary choice outcome for respondent i (indicating whether a profile is selected), $X_{j,k}$ denotes attribute j at level k , and the expectation is taken over the randomized distribution of all other attributes. The AMCE thus captures the average change in selection probability when an attribute moves from its baseline level to level k , isolated from all other attribute combinations. We specify baseline levels as the substantively lowest categories in each domain: **Autocracy**, **Low independence**, **No trade agreement**, **Low ESG ratings**, **No government connection**, **None**,

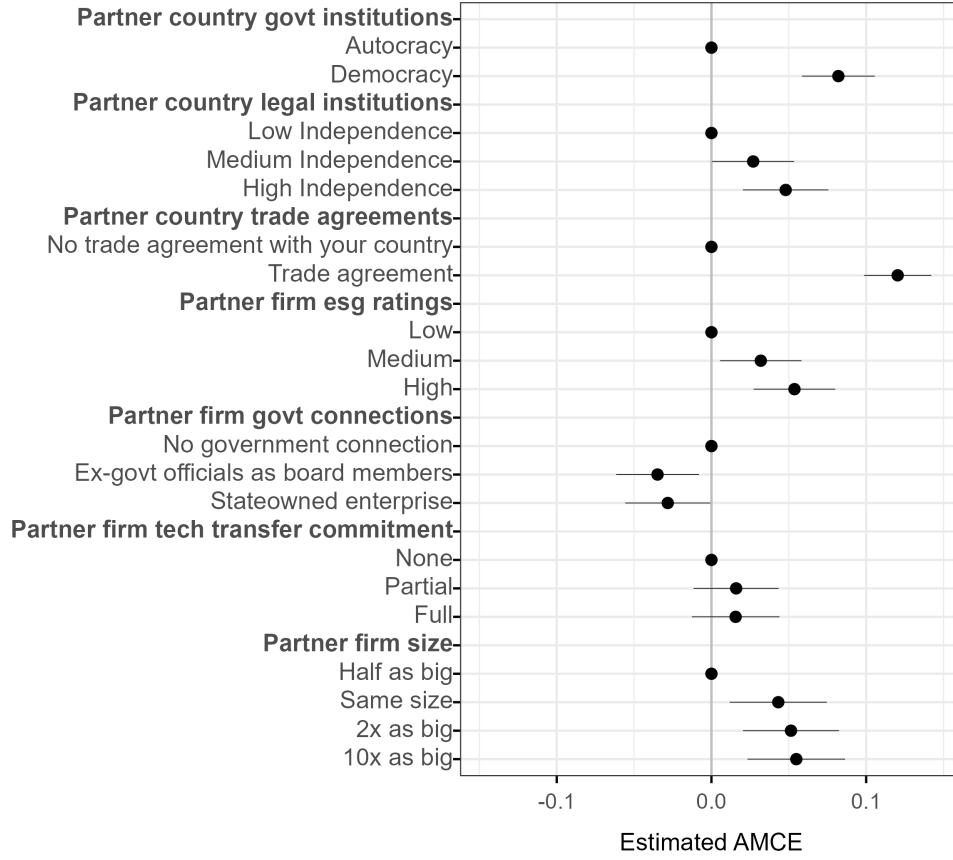


Figure 3: **Average Marginal Component Effects (AMCE) of GVC partner attributes on firm preferences for the full sample.** Each point shows the estimated AMCE with a 95% confidence interval. Positive estimates (to the right of zero) indicate that the corresponding attribute level is preferred relative to its baseline, holding all other attributes at their baseline levels.

Half as big. Intuitively, the AMCE captures the average change in selection probability when an attribute moves from baseline to a given level, holding all other attributes at their randomized values. This choice facilitates interpretation by allowing positive AMCE estimates to indicate preference for improved attribute levels. Standard errors are clustered by respondent to account for repeated choices by the same firm.

Figure 3 presents estimates from the pooled sample. Six of the seven attributes significantly influence partner preference, consistent with literature identifying key drivers of supply-chain decisions. Among country-level factors, firms strongly prefer partners in democratic countries rather than autocracies, on average. They also favor partners from countries with more independent legal institutions and those with which their home country maintains trade agreements. These results confirm that firms weigh the political and legal environment of partner countries. In the following section, we will examine whether the strong preference for democracy persists in the following

section by separately analyzing Vietnamese firms, South Korean firms operating in Vietnam, and South Korean firms operating in South Korea.

Firm-level attributes similarly shape preferences. Partners with higher ESG ratings and larger size are preferred. Technology transfer commitment shows no significant effect, likely because our sample spans firms with divergent interests: As is common in emerging markets, Vietnamese firms generally seek technology transfer from developed country partners, while South Korean firms with technological advantages prefer protecting their technological edges. Most notably, politically connected firms are viewed as less desirable partners than unconnected firms. This finding contrasts with literature emphasizing political connections as assets for multinational firms (Kim, 2017). It suggests firms perceive partner political connections as potential risks rather than advantages, even though they may view their own political activities and connections more favorably.

A growing literature in international political economy emphasizes that firm-level characteristics and partner firm traits may be primary factors shaping supply-chain partner choices. Yet country-level institutional factors have long been identified as consequential for multinational firm behavior. To assess the relative importance of these two dimensions, therefore, we conduct joint tests comparing country- and firm-level attributes. Specifically, we supplement individual AMCEs with two sets of joint tests. First, cluster-robust Wald tests evaluate the joint null hypothesis that all coefficients within each attribute block equal zero. These tests are based on the full model, with standard errors clustered by respondent to account for repeated conjoint choices. Second, likelihood-ratio tests compare the full binary logit model, which includes all seven randomized attributes, with nested models that omit either all country-level or all firm-level attributes. We also report the decline in McFadden’s R^2 associated with omitting each block from the full model. Table 2 summarizes the findings. Both Wald and likelihood-ratio tests reject the null hypothesis that either block is unrelated to partner choice. Together, these results demonstrate that *both* country-level institutions and firm-level characteristics materially shape partner selection.

While our primary quantity of interest is the AMCE described in Equation (1), we also examine interactions between attributes using the Average Marginal Interaction Effect (AMIE) framework (Egami and Imai, 2019). The AMIE quantifies how the effect of one attribute depends on the level of another, which is relevant because partner characteristics may be valued differently across country-level contexts. Following Egami and Imai’s recommended approach, we estimate AMIEs

Attribute group	Wald χ^2	Wald p	LR χ^2	LR df	LR p	ΔR^2
Country attributes	177.6	<0.001	189.9	-4	<0.001	0.0164
Firm attributes	40.5	<0.001	43.2	-9	<0.001	0.0037

Table 2: **Joint and comparative evidence for attribute groups in the AMCE specification.** Each row reports cluster-robust Wald tests from a companion linear probability model (respondent-level clustering, CR2 variance) that jointly test whether all coefficients in the attribute block equal zero, as well as likelihood-ratio (LR) tests comparing the full model to reduced models in which the corresponding attribute block is omitted. For each block, the table also reports the associated change in McFadden’s R^2 between the full and reduced models.

nonparametrically and apply penalized ANOVA with weighted zero-sum constraints to address multiple testing concerns. After regularization, including screening noninformative interactions, collapsing factor levels on training data, and computing confidence intervals on test data, no significant interactions persist. We therefore find no evidence of interactions among GVC partner attributes (see Appendix C.3), which justifies our focus on average marginal component effects as the primary estimand for this analysis.

4.3.2 Institutional Learning: Home-Host Comparison

In this section, we examine whether the findings from the pooled analysis persist across institutional contexts by comparing three groups: Vietnamese-headquartered firms operating in Vietnam, South Korean-headquartered firms operating in Vietnam, and South Korean-headquartered firms operating in South Korea. Our primary test compares South Korean firms across locations (Vietnam versus South Korea), holding home country constant while varying institutional exposure. This design isolates whether institutional learning shapes firms’ preferences over regime type, separate from home-country attributes or firm-level characteristics. Moreover, observable firm-level characteristics are controlled for in our estimation, allowing us to test whether differences in partner preferences reflect exposure to institutional environments rather than compositional differences across firms. We note that the findings from this analysis complements the findings in Section 3.

Our primary hypothesis focuses on whether experience in an authoritarian host country conditions the effect of regime type on partner choice. The corresponding estimand is the difference in democracy AMCEs between South Korean firms across locations:

$$\Delta_{\text{Democracy}} = \text{AMCE}_{\text{Democracy, Autocracy}}^{\text{SK in SK}} - \text{AMCE}_{\text{Democracy, Autocracy}}^{\text{SK in VN}} \quad (2)$$

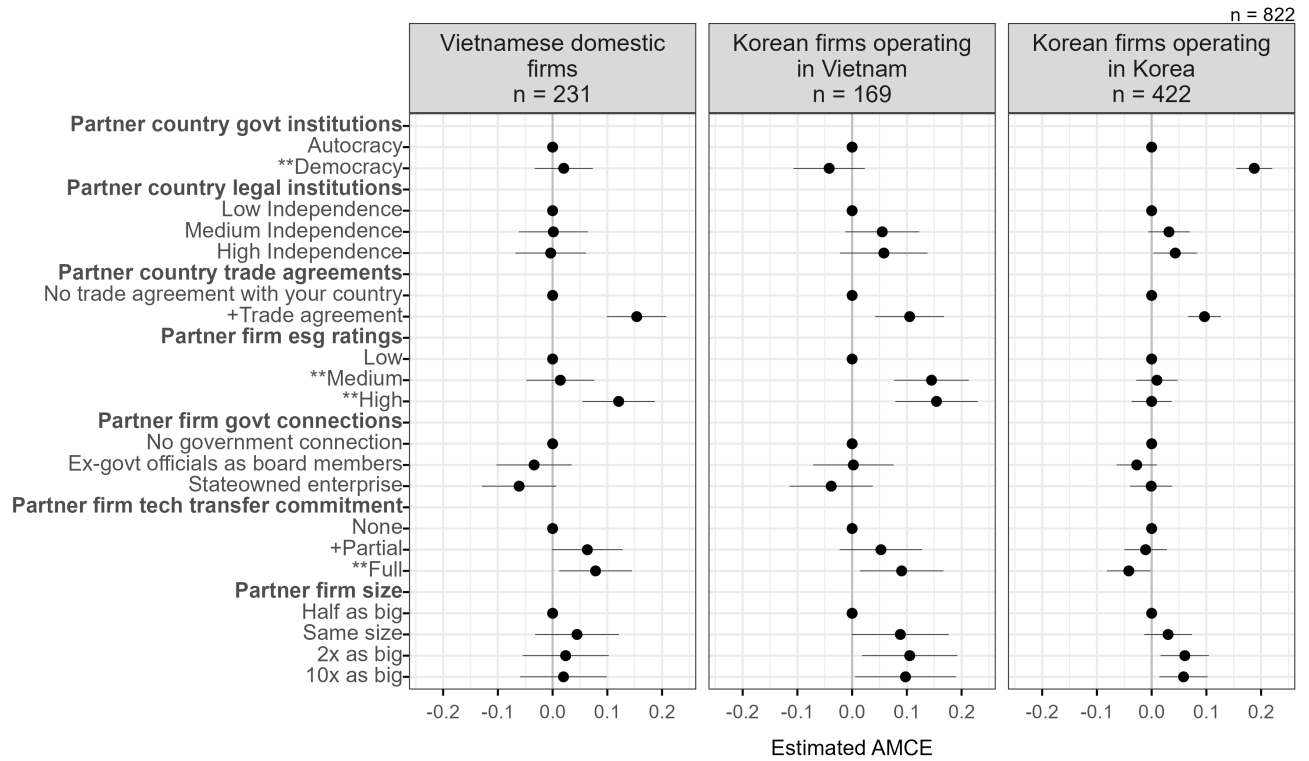


Figure 4: **AMCE of GVC partner attributes on firm preferences, by firms' home and host country.** Vietnamese domestic firms include all firms from the Vietnam survey with reported headquarters in Vietnam; Korean firms operating in Vietnam include all firms from the Vietnam survey with reported headquarters in South Korea; and Korean firms operating in Korea include all firms from the South Korea survey with reported headquarters in South Korea. Statistically different estimates between subgroups are marked with ** ($p < 0.01$), * ($p < 0.05$) and + ($p < 0.1$). Detailed regression results are available in Table D.2.

where $AMCE_{\text{Democracy, Autocracy}}^{\text{group}}$ denotes the AMCE for democracy relative to the autocracy baseline in a given group. A positive value of $AMCE_{\text{Democracy, Autocracy}}$ indicates that democracy provides a favorable signal when firms evaluate prospective partners. Therefore, our institutional-learning argument predicts $\Delta_{\text{Democracy}} > 0$: the democracy effect should be more positive among South Korean firms operating in South Korea than among those operating in Vietnam. That is, firms operating in South Korea have limited exposure to successful authoritarian institutions and should consequently place greater weight on democracy as a signal of policy predictability, credible commitments, and protection against arbitrary intervention. South Korean firms operating in Vietnam, by contrast, have direct or network-mediated experience showing that authoritarian political systems can sustain predictable economic relationships. They should therefore rely less heavily on regime type when evaluating prospective partners.

Figure 4 reports AMCEs separately for Vietnamese-headquartered firms operating in Vietnam,

South Korean-headquartered firms operating in Vietnam, and South Korean-headquartered firms operating in South Korea. Our principal comparison is between the latter two groups, which share a headquarters country but operate in different institutional environments.

Regarding our main attribute of interest—Partner country government institutions—we find a striking divergence. South Korean firms operating in South Korea strongly prefer democratic partners (democracy AMCE = 0.188), while regime type has little effect among South Korean firms operating in Vietnam (democracy AMCE = -0.042) or Vietnamese domestic firms (democracy AMCE = 0.020). This difference between South Korean firms operating in their home versus host country is substantively and statistically significant (Table D.1). South Korean firms operating in Vietnam thus resemble Vietnamese domestic firms more closely than their compatriots at home in evaluating regime type. Not all country-level attributes diverge, however: trade agreements positively influence partner choice across all three groups, suggesting that firms value formal market access regardless of their home-host configuration.

Firm-level attributes also reveal several differences. High ESG ratings have positive effects among Vietnamese domestic firms (0.121) and South Korean firms in Vietnam (0.154), but little effect among South Korean firms in South Korea. This pattern accords with research on Vietnam’s green upgrading: firms face growing regulatory scrutiny and enforcement as Vietnam implements its net-zero commitments, while export-oriented firms also have incentives to meet the more stringent ESG expectations of foreign buyers and markets (Pham Minh Chinh, 2021; Malesky and Nguyen, 2024). The weak ESG effect among South Korean firms operating in South Korea should not be read as indifference to sustainability. Rather, in their familiar home market, ESG ratings may add relatively little information beyond firms’ direct knowledge of prospective partners and widely understood baseline compliance. By contrast, in Vietnam, ESG performance may serve as a more consequential signal of a partner’s capacity to manage regulatory, reputational, and export-market risks.

Technology transfer commitment exhibits a similar difference: positive for Vietnamese firms and South Korean firms in Vietnam, but negative for South Korean firms in South Korea. The pattern is consistent with research showing that local firms in developing economies can gain from partnerships that provide access to foreign technology and supplier upgrading, while foreign firms may share know-how when doing so improves the quality and reliability of locally sourced

inputs in their production networks (Javorcik, 2004b). At the same time, technology-intensive firms may be reluctant to transfer proprietary knowledge where intellectual-property protection is a salient concern (Javorcik, 2004a; Mansfield, 1994), and aligns with our earlier expectation that South Korean firms with technological advantages might prefer to protect those advantages, while Vietnamese firms seek technology transfer.

Partner size effects are consistent and stable across the three types of firms. Finally, we find that firms generally place less emphasis on their partners’ political connections. Although the estimates are not statistically significant, they generally suggest that firms prefer supply-chain partners with fewer political connections, if any.

4.3.3 Validity Checks

Next, we conduct two validation exercises. First, we employ latent-group analysis to test whether our theoretically motivated home-host comparison reflects the strongest axis of preference heterogeneity in the data, or whether alternative groupings emerge when we allow the data to identify latent clusters. Second, we examine whether compositional differences in sample characteristics account for our main findings, rather than institutional learning effects.

Is the Home-Host Comparison Arbitrary? One may reasonably ask whether our home-host comparison reflects genuine institutional learning or simply reflects other systematic differences between firms in the two contexts. Our conjoint design includes 1,296 ($= 2 \times 3 \times 2 \times 3 \times 3 \times 3 \times 4$) possible attribute-level combinations, which when interacted with firm-level characteristics, dramatically expands the space of potential comparisons. Additionally, Korean and Vietnamese firms differ systematically across multiple dimensions (size, ownership, international experience), raising the concern that observed preference differences reflect compositional variation rather than institutional context. These concerns about multiple testing and confounding demand a more agnostic approach to identifying the relevant dimension of heterogeneity.

To address this, we employ latent group-based estimation of treatment heterogeneity (Goplerud, Imai and Pashley, 2025). Rather than imposing ad hoc subgroup definitions, this method identifies latent groups of firms whose treatment effects differ meaningfully using the data itself. Specifically, we partition firms into K latent groups based on their pre-treatment covariates, maximizing between-group heterogeneity in responses to conjoint attributes. This approach allows us

to determine whether firms naturally cluster around the home-host distinction or whether other dimensions drive heterogeneity in institutional preferences.

We define latent group membership $Z_i \in \{1, \dots, K\}$ and allow potential outcomes to vary across groups. For each group g and attribute j at level k , the group-specific AMCE is $\text{AMCE}_{j,k}^{(g)} = \mathbb{E}[Y_i | X_{j,k}, Z_i = g] - \mathbb{E}[Y_i | X_{j,\text{baseline}}, Z_i = g]$, generalizing the pooled AMCE to group-specific effects. Following [Goplerud, Imai and Pashley \(2025\)](#), we estimate group membership and group-specific responses jointly via maximum likelihood, incorporating (1) observed choice probabilities under group-specific response functions and (2) the probability $\pi_g(X_i)$ that a firm with covariates X_i belongs to group g . This yields a latent partition capturing the strongest axes of treatment-effect heterogeneity. We set $K = 2$ in our main analysis and report results for $K = 3$ and $K = 5$ in the Appendix. We report group-specific AMCEs and posterior group-membership probabilities using the **FactorHet** R package.

Figure 5 shows the group-specific AMCEs. Group 1 exhibits a pronounced preference for democratic partners, while Group 2 places less weight on regime type and responds more strongly to trade agreements and firm-level characteristics. The latent-group analysis thus identifies a key distinction consistent with our findings from the previous section: one group strongly prefers democratic partners, while the other is largely indifferent to regime type and focuses instead on trade agreements and firm-level characteristics.

Indeed, country of operation is the strongest predictor of group membership (see the far left panel in Figure 6). Firms operating in South Korea are disproportionately in Group 1 (democracy-preferring), while firms in Vietnam are disproportionately in Group 2. A cross-validated penalized regression achieves a misclassification rate of 0.025 (Table D.3), indicating that observed characteristics predict group membership well, with country of operation accounting for substantial predictive power. The main pattern persists with $K = 3$ and $K = 5$ (Appendix D.2). In each specification, one group exhibits pronounced democracy preference while others remain relatively indifferent to regime type. Country of operation remains strongly associated with the democracy-preferring group: South Korean firms are more likely to belong to it, while Vietnamese firms are more likely in groups indifferent to regime type. The distinction central to our argument is therefore robust to specification choice.

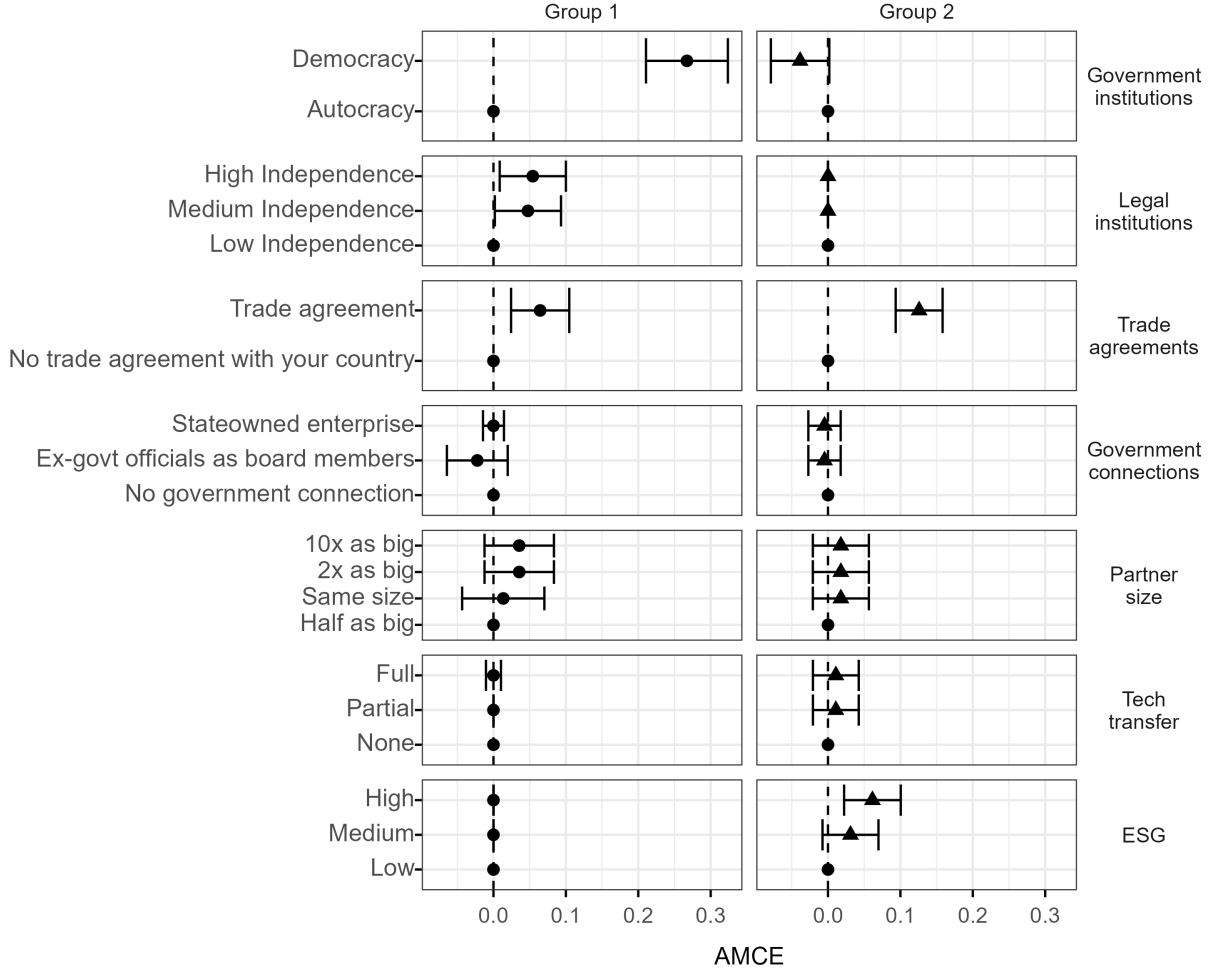


Figure 5: **AMCE of GVC partner attributes by cluster membership.** Latent cluster membership is estimated using the procedure in [Goplerud, Imai and Pashley \(2025\)](#), with pre-specified number of groups $k = 2$. The figure reports separate AMCE estimates for each latent group across all partner-country and partner-firm attributes included in the conjoint design. All individual moderators in the model are listed in Table 6.

Compositional Differences and Selection While our home-host comparison shows that Korean firms operating in Vietnam resemble Vietnamese firms more than Korean firms operating in Korea, observable differences in sample composition could alternatively explain these divergent preferences. We therefore examine three dimensions that might drive selection and shape institutional preferences. First, we compare wholly foreign-owned firms with partially foreign-owned firms, since ownership structure relates to firms’ entry motivations, organizational autonomy, and exposure to Vietnamese institutions. Second, we stratify by overseas-trade participation, as firms with greater international experience may hold different institutional preferences from prior contact with diverse political contexts. Finally, we test whether our findings generalize across non-manufacturing sectors using the broader PCI sample, since institutional learning may

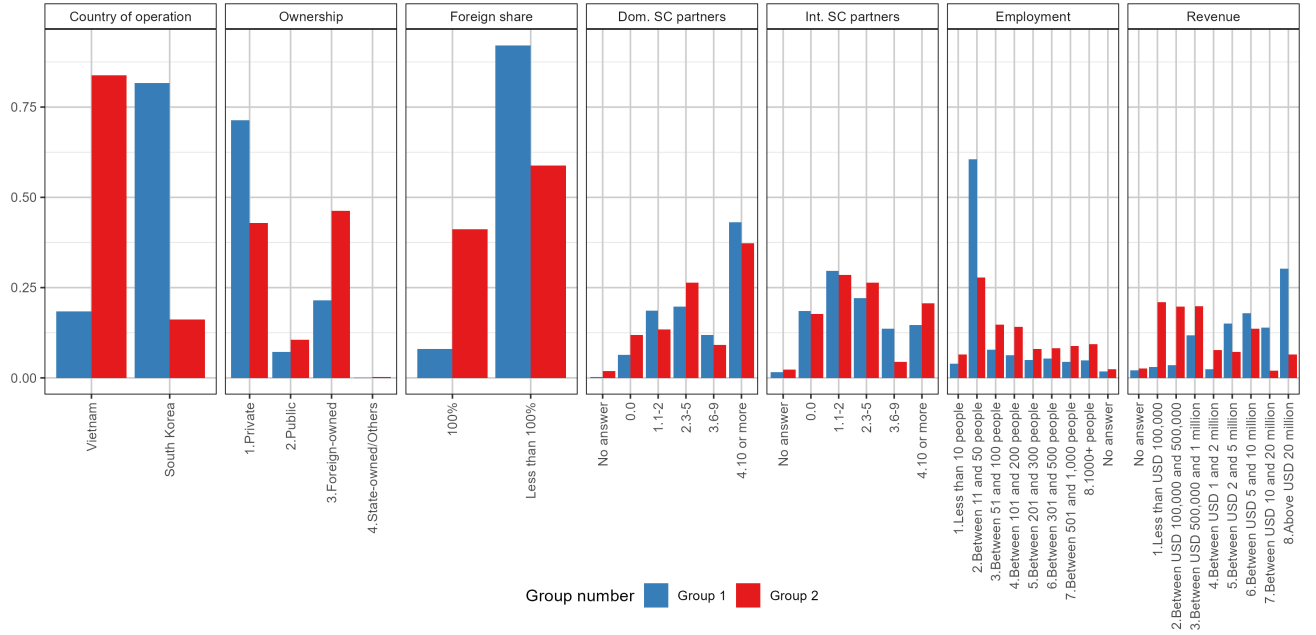


Figure 6: **Estimated posterior predictive probabilities of group membership by individual-level moderators.** Latent cluster membership is estimated using [Goplerud, Imai and Pashley \(2025\)](#), with $K = 2$. A multinomial LASSO model identifies country of operation as the strongest predictor distinguishing Group 1 from Group 2; only three coefficients (2 for revenue and 1 for equity) are penalized (see Appendix D.1).

be industry-specific. If compositional differences drove our results, regime-type effects should attenuate within subgroups.

First, we examine whether foreign ownership explains the Vietnam effect. Figure 7 reports AMCEs for wholly foreign-owned firms versus firms with less than 100% foreign ownership within the Vietnam sample. Ownership structure may relate to entry motivations, organizational autonomy, and institutional exposure. If ownership drove our results, regime-type preferences should differ accordingly. We find no statistically significant difference in the democracy AMCE across ownership categories, indicating that foreign ownership does not account for the regime-type effect among Vietnam-based firms.

Second, we investigate whether firms' international-market integration conditions regime-type preferences. When comparing firms that import or export overseas (Figure 8) versus those that do not, we find little difference in preferences over partner-country regime type. International-market exposure therefore does not account for political preferences among Vietnam-based firms. However, internationally-engaged firms show stronger preferences for technological transfer and larger partners, while domestic-focused firms view firm size differently. These differences in commercial

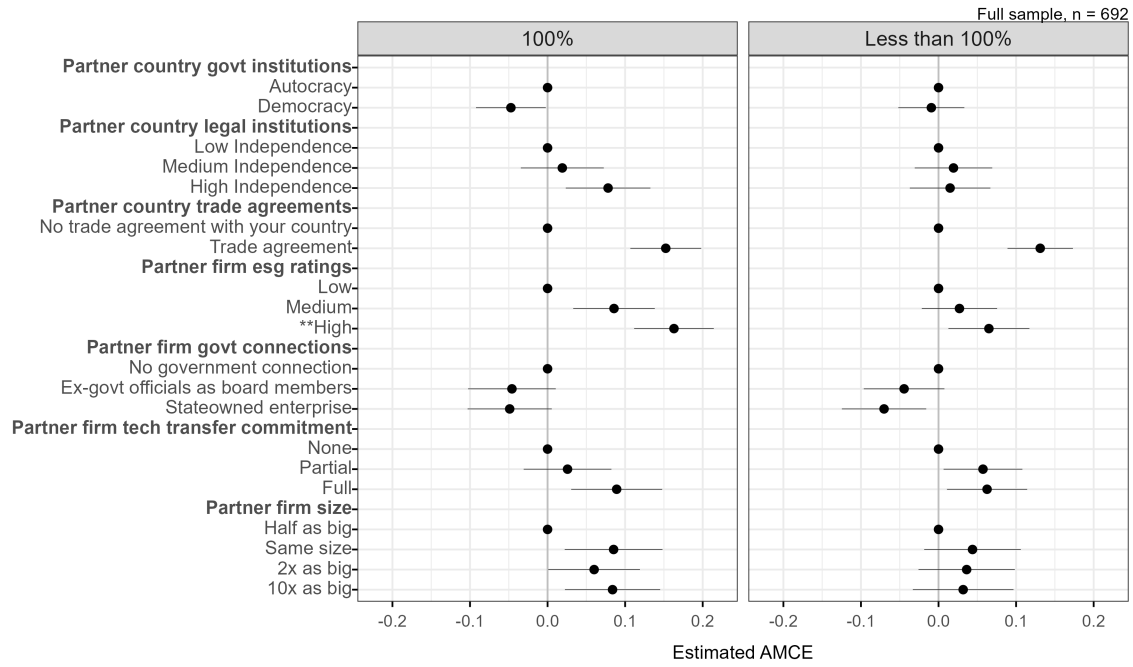


Figure 7: **AMCEs of GVC partner attributes among firms operating in Vietnam, by foreign ownership.** The figure compares wholly foreign-owned firms with firms reporting less than 100% foreign ownership. Statistically different estimates between subgroups are marked with ** ($p < 0.01$), * ($p < 0.05$) and + ($p < 0.1$).

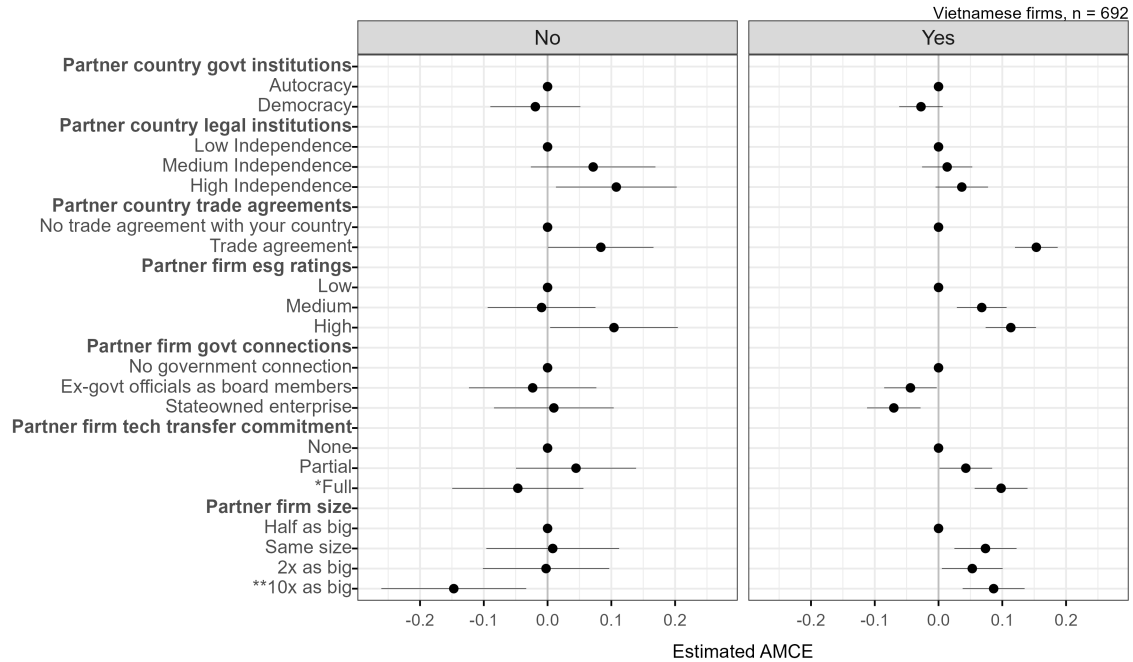


Figure 8: **AMCEs of GVC partner attributes among firms operating in Vietnam, by overseas-trade participation.** The figure compares firms reporting overseas imports or exports with firms reporting no overseas-trade activity. Statistically different estimates between subgroups are marked with ** ($p < 0.01$), * ($p < 0.05$) and + ($p < 0.1$).

preferences do not extend to regime type.

Finally, we test whether the regime-type pattern extends beyond manufacturing using the

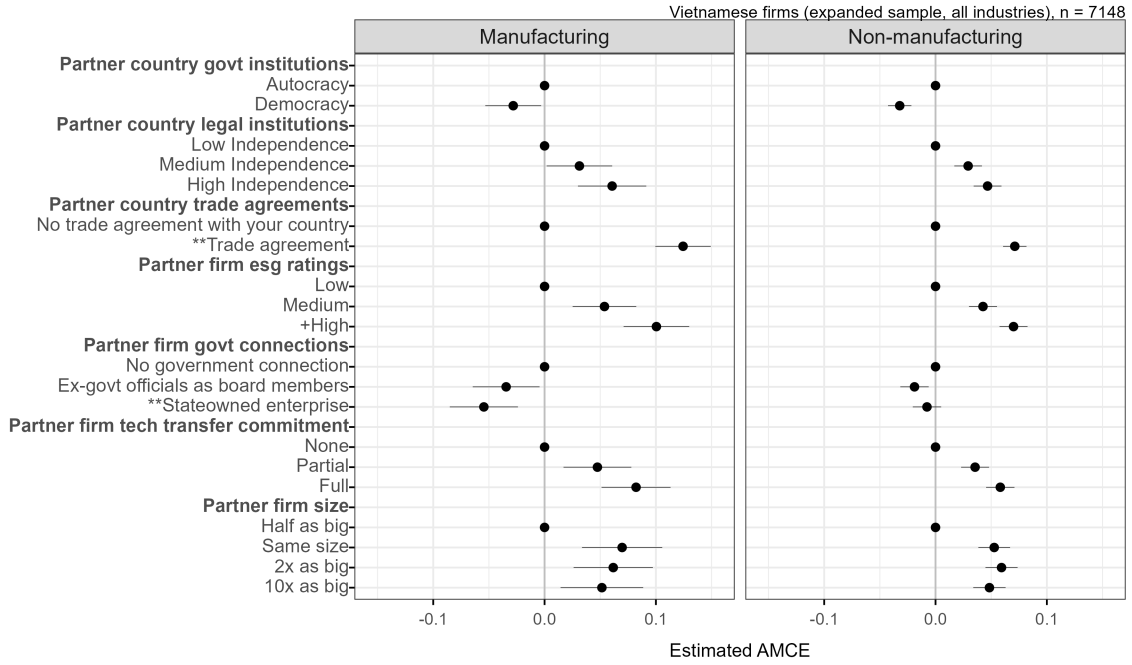


Figure 9: **AMCEs of GVC partner attributes among firms operating in Vietnam, by manufacturing status.** Unlike the principal analysis, this comparison uses the broader PCI sample and includes firms outside the restricted manufacturing and international-trade sample. Statistically different estimates between subgroups are marked with ** ($p < 0.01$), * ($p < 0.05$) and + ($p < 0.1$).

broader PCI sample. We compare manufacturing and non-manufacturing firms operating in Vietnam. Because this uses a different population, it is not a robustness test of the main estimate but rather an external validity check. Both manufacturing and non-manufacturing firms operating in Vietnam prefer partners in autocracies to democracies, indicating the pattern generalizes across sectors. Manufacturing firms show stronger preferences for trade agreements, high ESG ratings, and aversion to state ownership, confirming the analysis detects meaningful sectoral differences in other dimensions.

Taken together, these analyses show that firms' ownership, participation in international trade, and sector account for some heterogeneity in partner preferences. None, however, provides a complete explanation for the differences between firms operating in South Korea and Vietnam, particularly in their preferences over partner-country government institutions. Across all specifications, country of operation remains the dominant predictor of regime-type preferences, suggesting that the institutional environment in which firms operate, rather than selection on observable firm characteristics, drives the main result.

5 Concluding Remarks

This paper addresses a central puzzle of contemporary globalization: why do multinational firms form and sustain global value-chain relationships in authoritarian settings that conventional political economy accounts of investor confidence would regard as too risky? We answer this question by theorizing that firms learn from experience that authoritarian institutions need not imply arbitrary intervention, insecure property rights, or unreliable contracting. Based on their histories or those of others, they acquire positive signals and feedback loops that give them confidence in taking on contracts with partners from authoritarian settings. Past research on regime type suggests that political institutions shape investors' choices. But perhaps it is less about those institutions than about investors' beliefs about them. This claim implies that political institutions may not have some constant exogenous effect on MNCs, but rather how firms experience the government's use of those institutions over time determines their credibility.

In a preregistered conjoint experiment administered to internationally engaged manufacturers in South Korea and Vietnam, we independently vary the political, legal, trade-policy, and firm-level characteristics of prospective foreign partners. The pooled results show that firms generally prefer partners located in democracies, with more independent legal institutions, and in countries linked by trade agreements. Consistent with our institutional-learning hypothesis, however, South Korean firms operating in South Korea strongly prefer democratic partners, whereas South Korean firms operating in Vietnam display no meaningful preference for democracy over autocracy, resembling Vietnamese firms in this respect. Along the way, we uncover notable differences in preferences over ESG performance and technology-transfer commitments, suggesting that host-country experience and local competitive conditions may shape dimensions of partner choice beyond regime type. The central institutional learning results survive multiple checks, including covariate-adjusted comparisons, latent-group analyses, alternative sample groupings, and sensitivity analyses of task responses. These tests cannot eliminate all concerns associated with a cross-sectional comparison, but they strengthen our confidence that the home–host difference reflects institutional exposure rather than an arbitrary grouping or observed compositional differences.

The findings contribute to several literatures. First, they extend research on GVC organization,

which has emphasized contractual frictions, firm capabilities, country-level institutions, and trade agreements ([Antràs and Chor, 2013](#); [Alfaro et al., 2019](#); [Nunn, 2007](#); [Levchenko, 2007](#); [Ge, Dollar and Yu, 2020](#); [Laget et al., 2020](#); [Malesky and Milner, 2021](#)), by showing that firms also use political institutions as signals when selecting particular foreign partners. Second, they speak to scholarship on authoritarian institutions and economic performance. Rather than treating authoritarianism as uniformly hostile or favorable to investment, this literature emphasizes the institutions that can make some autocracies more predictable and credible than others ([Gehlbach and Keefer, 2011](#); [Magaloni and Kricheli, 2010](#); [Chen and Xu, 2023](#)). Our results suggest that firms can learn about these distinctions through direct and network-mediated experience. Finally, the study raises broader questions about the coevolution of firms and states. Ang’s account of coevolutionary development emphasizes how states and markets adapt together rather than moving through a single institutional sequence ([Ang, 2016](#)). Recent evidence that FDI can reshape host-country export structures and political coalitions similarly demonstrates that MNCs are not merely recipients of institutional conditions but can alter the economic and political environment in which they operate ([Kim, Liao and Miyano, 2026](#); [Malesky, 2009](#)). Future research should examine how firms’ institutional learning, in turn, affects the incentives of states to cultivate new forms of credibility and state–business cooperation.

Several limitations exist in the paper, which point to a clear future research agenda. First, our data are cross-sectional and therefore cannot directly trace within-firm changes in beliefs and partner preferences as institutional experience accumulates. Panel data following the same firms across entry, operation, and expansion would provide a more direct test of institutional learning. Second, we lack the network data needed to observe how information about institutional performance travels through supply chains. Future work could combine buyer–supplier linkages with network-analytic approaches to firm ties and political behavior ([Cruz and Graham, 2022](#)) to identify these informational pathways. Third, although the conjoint design causally identifies the effects of randomized partner attributes, it does not directly manipulate firms’ institutional knowledge. Survey experiments that provide information about institutional performance, as well as quasi-experimental designs exploiting institutional shocks affecting firms’ supply-chain environments, could more directly establish how MNCs update their assessments of political risk and revise their partner choices.

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Appendix for: Firms' Supply-Chain Partners Preferences: A Conjoint Experiment in Korea and Vietnam

A Empirical Context of Investor Selections

A.1 PCI-FDI Survey Questions

The analysis in Figures 1 and 2 draws on the following questions from the PCI-FDI survey. The comparison battery was administered in 2013, 2014, 2015, and 2020. In 2020, the battery was expanded to include six additional dimensions of Vietnam’s business and political environment.

7. Did your company eventually select Vietnam over the other countries, or did you choose to invest in Vietnam as part of a multi-country strategy?

- ☐ Selected Vietnam over competitors
- ☐ Multi-country strategy (Please list the other countries from the Asian region):

7a. How would you compare the business environment in Vietnam to other countries in which you considered investing?

- | | | |
|--|-----|----|
| • I face less corruption in Vietnam. | Yes | No |
| • I face fewer regulatory constraints in Vietnam. | Yes | No |
| • Labor costs are lower in Vietnam. | Yes | No |
| • Labor quality is higher in Vietnam. | Yes | No |
| • I face lower tax rates in Vietnam. | Yes | No |
| • I face lower risks of expropriation in Vietnam. | Yes | No |
| • I face fewer policy uncertainties in Vietnam. | Yes | No |
| • Infrastructure is better in Vietnam. | Yes | No |
| • Public service delivery is better in Vietnam. | Yes | No |
| • I play a more active role in policymaking in Vietnam. | Yes | No |
| • Political institutions are more stable in Vietnam. | Yes | No |
| • Tariffs for exporting to other countries are lower. | Yes | No |
| • Responses to environmental/health emergencies are better in Vietnam. | Yes | No |

7b. How would you compare the business environment in your home country and Vietnam?

- | | | |
|---|-----|----|
| • I face less corruption in Vietnam. | Yes | No |
| • I face fewer regulatory constraints in Vietnam. | Yes | No |
| • Labor costs are lower in Vietnam. | Yes | No |
| • Labor quality is higher in Vietnam. | Yes | No |
| • I face lower tax rates in Vietnam. | Yes | No |
| • I face lower risks of expropriation in Vietnam. | Yes | No |
| • I face fewer policy uncertainties in Vietnam. | Yes | No |

- | | | |
|--|-----|----|
| • Infrastructure is better in Vietnam. | Yes | No |
| • Public service delivery is better in Vietnam. | Yes | No |
| • I play a more active role in policymaking in Vietnam. | Yes | No |
| • Political institutions are more stable in Vietnam. | Yes | No |
| • Tariffs for exporting to other countries are lower. | Yes | No |
| • Responses to environmental/health emergencies are better in Vietnam. | Yes | No |

A.2 Descriptive Evidence on Korean Investors

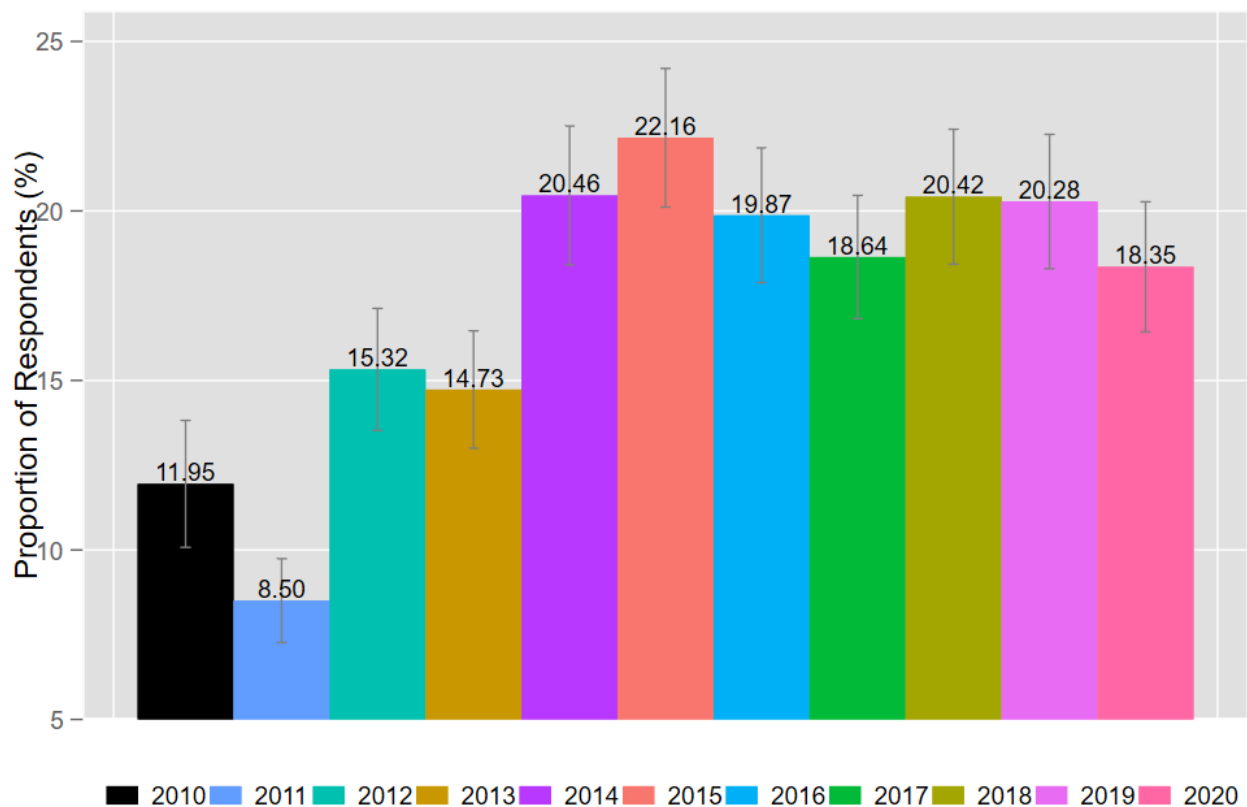


Figure A.1: **Proportion of PCI-FDI Respondents from Korea.** Notes: The figure reports the percentage of respondents in the nationally representative PCI-FDI survey that are Korean investors in each survey year from 2010 through 2020. Error bars display the uncertainty around each annual estimate. Korean firms constitute a substantial share of Vietnam’s foreign-investor population, accounting for approximately one-fifth of PCI-FDI respondents during much of the latter half of the period.

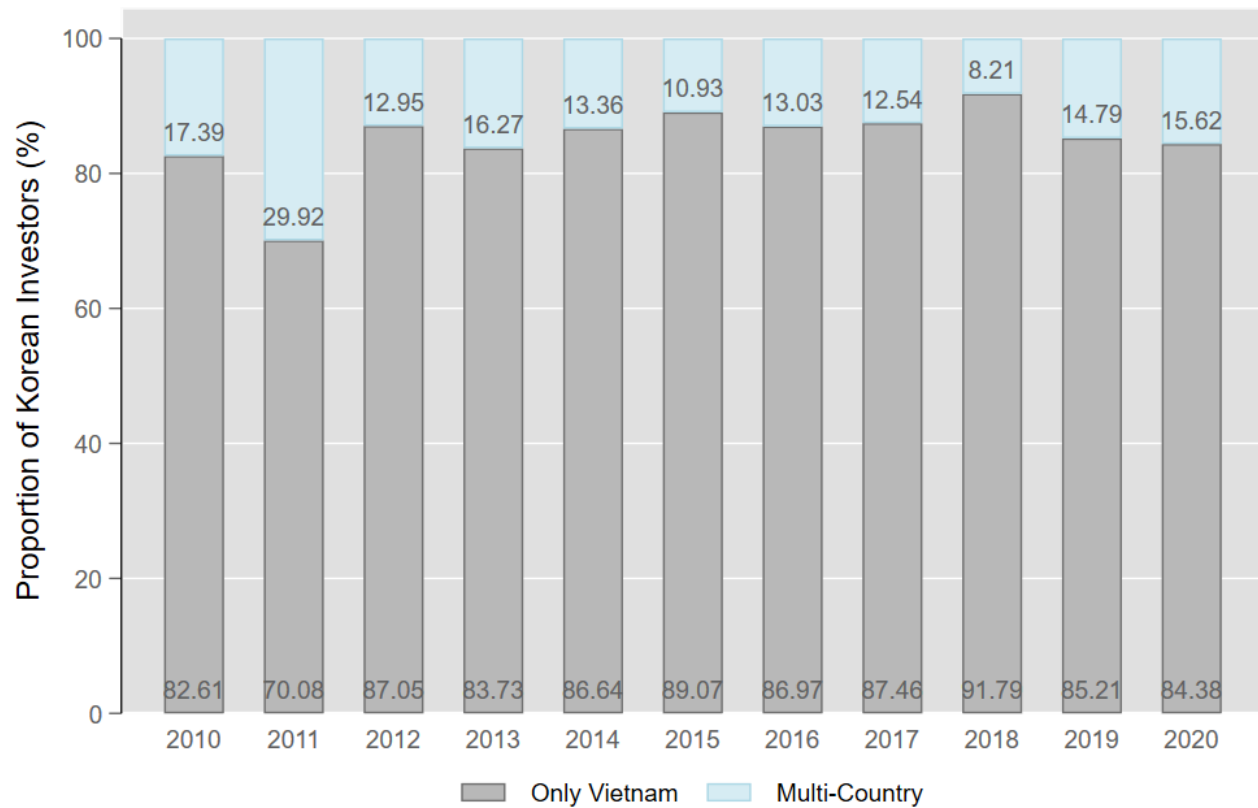


Figure A.2: **Investment Strategy of Korean Investors.** Notes: Data are from the PCI-FDI survey of Korean investors. Bars report the percentage of Korean respondents that selected Vietnam as their only investment location (“Only Vietnam”) and the percentage that invested in Vietnam as part of a multi-country strategy. In every survey year, a large majority of Korean investors report choosing Vietnam as a stand-alone investment location rather than as one component of a broader multi-country investment strategy.

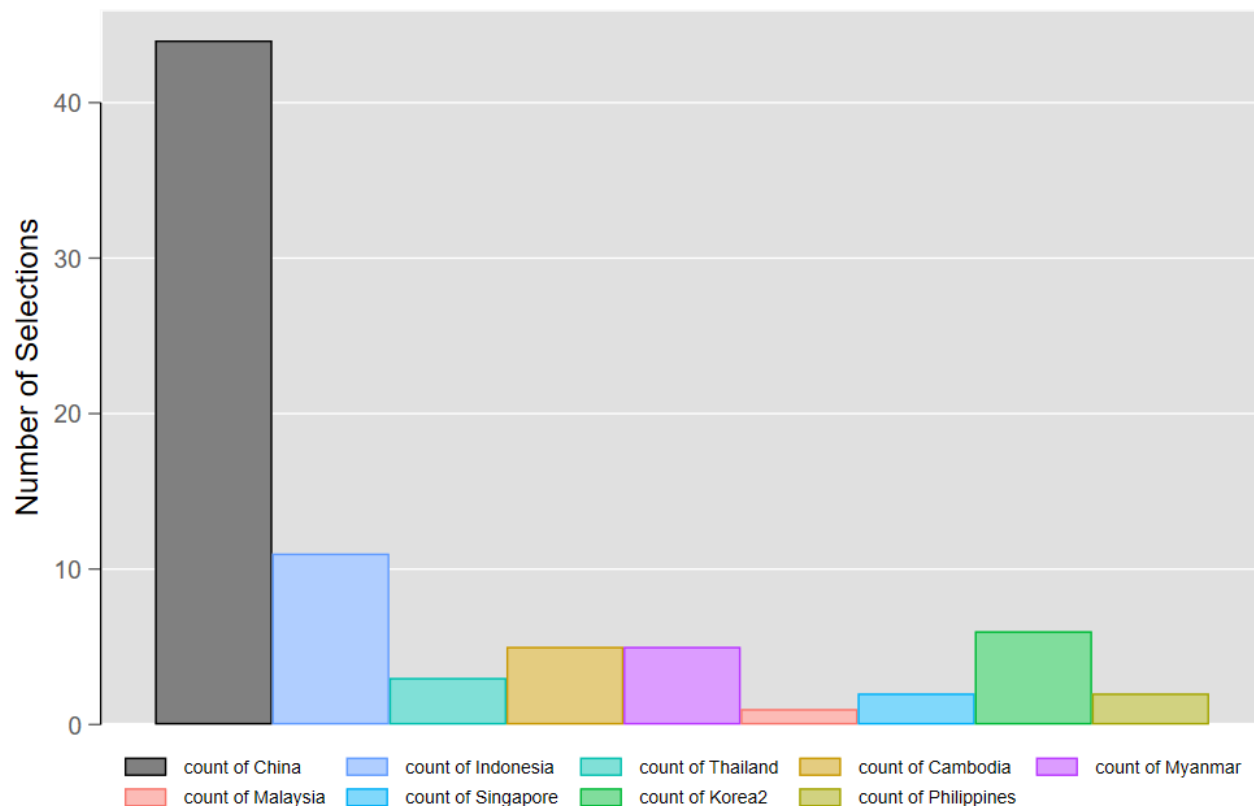


Figure A.3: **Main Alternative Investment Locations Considered by Korean Investors.** Notes: Data are from the PCI-FDI survey of Korean investors. The figure reports the number of times each country was identified as an alternative investment location considered by Korean firms investing in Vietnam. China is by far the most frequently identified alternative, followed by Indonesia. Other alternatives include Thailand, Cambodia, Myanmar, Malaysia, Singapore, Korea, and the Philippines.

B Descriptive Statistics for Conjoint Analysis

Table B.1: **Firm-level characteristics of firms in the Korea and Vietnam sample**

Variable	N	Percent	N	Percent
Country of operation	Vietnam		South Korea	
Country of HQ	692		422	
Vietnam	231	33%	2	0%
South Korea	169	24%	365	86%
China	55	8%	9	2%
Hong Kong	18	3%	2	0%
Japan	94	14%	10	2%
Singapore	9	1%	1	0%
Taiwan	40	6%	0	0%
United States	11	2%	16	4%
Other countries	65	9%	17	4%
Form of ownership	692		422	
1.Private	290	42%	293	69%

Table B.1: **Firm-level characteristics of firms in the Korea and Vietnam sample** (*continued*)

Variable	N	Percent	N	Percent
2.Public	80	12%	25	6%
3.Foreign-owned	321	46%	103	24%
4.State-owned/Others	1	0%	1	0%
Foreign ownership share	692		422	
100%	321	46%	15	4%
Less than 100%	371	54%	407	96%
No. of employees in 2023	692		422	
1.Less than 10 people	50	7%	13	3%
2.Between 11 and 50 people	146	21%	285	68%
3.Between 51 and 100 people	108	16%	31	7%
4.Between 101 and 200 people	115	17%	13	3%
5.Between 201 and 300 people	64	9%	14	3%
6.Between 301 and 500 people	63	9%	18	4%
7.Between 501 and 1,000 people	63	9%	19	5%
8.1000+ people	59	9%	29	7%
No answer	24	3%	0	0%
Equity in 2023	692		422	
1.Less than USD 100,000	39	6%	37	9%
2.Between USD 100,000 and 500,000	96	14%	103	24%
3.Between USD 500,000 and 1 million	101	15%	53	13%
4.Between USD 1 and 2 million	127	18%	60	14%
5.Between USD 2 and 5 million	97	14%	45	11%
6.Between USD 5 and 10 million	81	12%	38	9%
7.Between USD 10 and 20 million	68	10%	21	5%
8.Above USD 20 million	46	7%	65	15%
No answer	37	5%	0	0%
Revenue in 2023	692		422	
1.Less than USD 100,000	165	24%	2	0%
2.Between USD 100,000 and 500,000	151	22%	9	2%
3.Between USD 500,000 and 1 million	174	25%	17	4%
4.Between USD 1 and 2 million	46	7%	20	5%
5.Between USD 2 and 5 million	47	7%	62	15%
6.Between USD 5 and 10 million	82	12%	86	20%
7.Between USD 10 and 20 million	0	0%	66	16%
8.Above USD 20 million	0	0%	160	38%
No answer	27	4%	0	0%
Import or export overseas	692		422	
0.No	68	10%	0	0%
1.Yes	585	85%	422	100%
No answer	39	6%	0	0%
Supply chain partners (domestic)	692		422	
0.0	88	13%	24	6%
1.1-2	100	14%	69	16%
2.3-5	165	24%	104	25%
3.6-9	62	9%	50	12%
4.10 or more	262	38%	175	41%
No answer	15	2%	0	0%
Supply chain partners (overseas)	692		422	
0.0	130	19%	70	17%
1.1-2	190	27%	132	31%
2.3-5	176	25%	102	24%
3.6-9	53	8%	30	7%
4.10 or more	120	17%	88	21%
No answer	23	3%	0	0%

Table B.2: **Firm-level characteristics of firms, by home and host countries.** Firms classified as Others include both firms with non-Korean hosts operating in South Korea (57 firms) and non-Korean foreign firms operating in Vietnam (292 firms).

Variable	N	Pct.	N	Pct.	N	Pct.	N	Pct.
Home and host	SK host in SK		SK host in VN		VN host in VN		Others	
Form of ownership	365		169		231		349	
1.Private	293	80%	54	32%	138	60%	98	28%
2.Public	25	7%	5	3%	64	28%	11	3%
3.Foreign-owned	46	13%	110	65%	28	12%	240	69%
4.State-owned/Others	1	0%	0	0%	1	0%	0	0%
Foreign ownership share	365		169		231		349	
100%	1	0%	110	65%	28	12%	197	56%
Less than 100%	364	100%	59	35%	203	88%	152	44%
No. of employees in 2023	365		169		231		349	
1.Less than 10 people	12	3%	8	5%	22	10%	21	6%
2.Between 11 and 50 people	263	72%	34	20%	54	23%	80	23%
3.Between 51 and 100 people	25	7%	32	19%	35	15%	47	13%
4.Between 101 and 200 people	10	3%	27	16%	36	16%	55	16%
5.Between 201 and 300 people	11	3%	11	7%	22	10%	34	10%
6.Between 301 and 500 people	12	3%	18	11%	17	7%	34	10%
7.Between 501 and 1,000 people	10	3%	20	12%	13	6%	39	11%
8.1000+ people	22	6%	17	10%	15	6%	34	10%
No answer	0	0%	2	1%	17	7%	5	1%
Equity in 2023	365		169		231		349	
1.Less than USD 100,000	33	9%	6	4%	19	8%	18	5%
2.Between USD 100,000 and 500,000	97	27%	19	11%	48	21%	35	10%
3.Between USD 500,000 and 1 million	49	13%	35	21%	35	15%	35	10%
4.Between USD 1 and 2 million	54	15%	33	20%	46	20%	54	15%
5.Between USD 2 and 5 million	36	10%	25	15%	27	12%	54	15%
6.Between USD 5 and 10 million	29	8%	22	13%	12	5%	56	16%
7.Between USD 10 and 20 million	18	5%	16	9%	12	5%	43	12%
8.Above USD 20 million	49	13%	7	4%	12	5%	43	12%
No answer	0	0%	6	4%	20	9%	11	3%
Revenue in 2023	365		169		231		349	
1.Less than USD 100,000	2	1%	39	23%	62	27%	64	18%
2.Between USD 100,000 and 500,000	6	2%	42	25%	54	23%	58	17%
3.Between USD 500,000 and 1 million	16	4%	37	22%	60	26%	78	22%
4.Between USD 1 and 2 million	20	5%	14	8%	14	6%	18	5%
5.Between USD 2 and 5 million	56	15%	13	8%	13	6%	27	8%
6.Between USD 5 and 10 million	74	20%	20	12%	15	6%	59	17%
7.Between USD 10 and 20 million	62	17%	0	0%	0	0%	4	1%
8.Above USD 20 million	129	35%	0	0%	0	0%	31	9%
No answer	0	0%	4	2%	13	6%	10	3%
Import or export overseas	365		169		231		349	
0.No	0	0%	17	10%	21	9%	30	9%
1.Yes	365	100%	142	84%	192	83%	308	88%
No answer	0	0%	10	6%	18	8%	11	3%
Supply chain partners (domestic)	365		169		231		349	
0.0	23	6%	14	8%	27	12%	48	14%
1.1-2	57	16%	34	20%	30	13%	48	14%
2.3-5	96	26%	42	25%	62	27%	69	20%
3.6-9	46	13%	19	11%	17	7%	30	9%
4.10 or more	143	39%	60	36%	84	36%	150	43%
No answer	0	0%	0	0%	11	5%	4	1%
Supply chain partners (overseas)	365		169		231		349	
0.0	68	19%	27	16%	56	24%	49	14%
1.1-2	118	32%	52	31%	66	29%	86	25%
2.3-5	85	23%	51	30%	53	23%	89	26%
3.6-9	27	7%	13	8%	7	3%	36	10%
4.10 or more	67	18%	22	13%	35	15%	84	24%
No answer	0	0%	4	2%	14	6%	5	1%

C Supplementary Analyses for Pooled Estimates

C.1 Alternative estimands

C.2 Limiting number of tasks per respondents

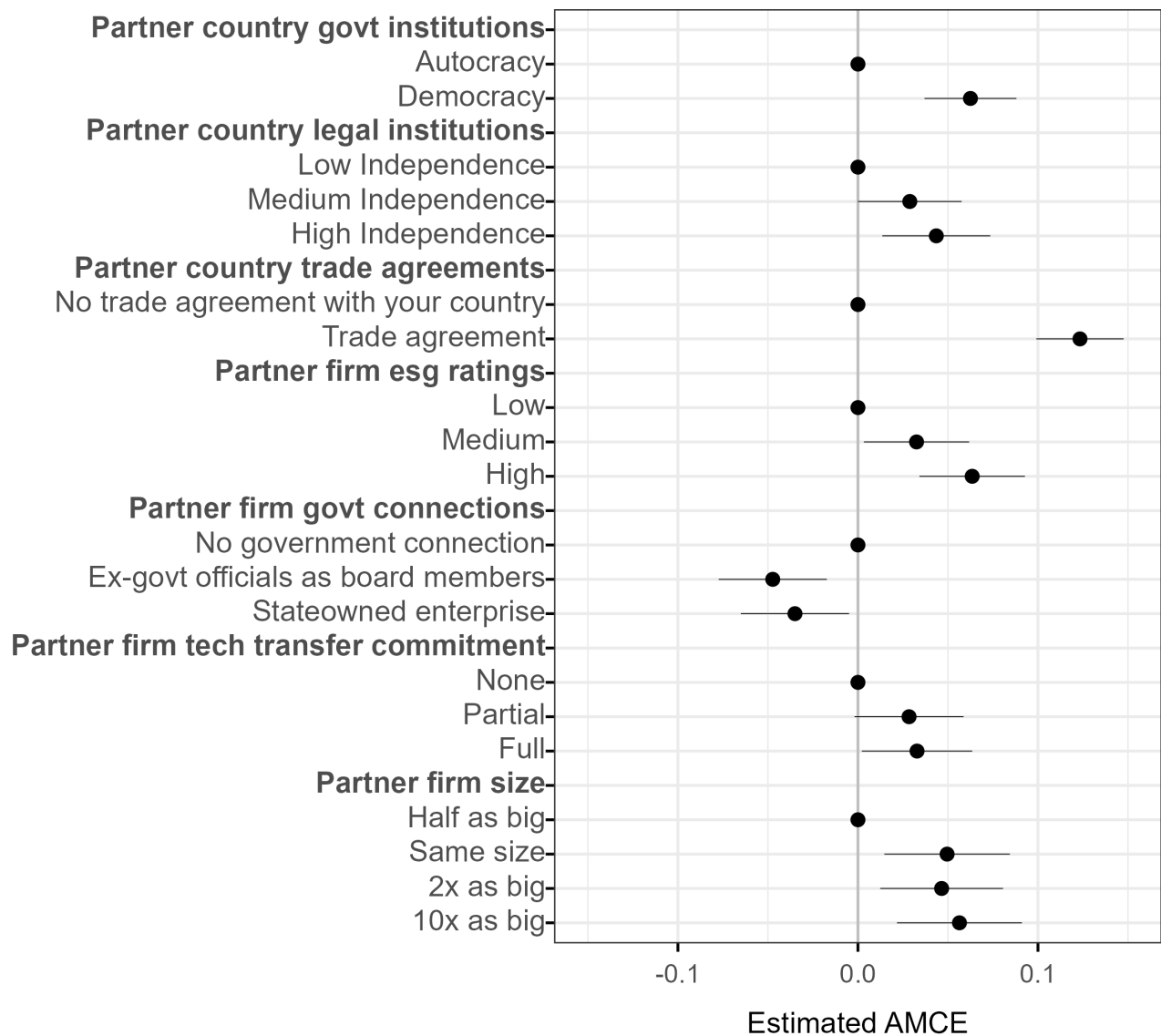


Figure C.1: Average Marginal Component Effects (AMCE) of GVC partner attributes on firm preferences, using only the first 3 tasks for each respondent firm. Each point shows the estimated AMCE with a 95% confidence interval. Positive estimates (to the right of zero) indicate that the corresponding attribute level is preferred relative to its baseline, holding all other attributes at their baseline levels.

C.3 Interaction effects of GVC partner preferences

Table C.1: **Significant interaction effects of GVC partner preferences, without regularization.** The interactive effects were estimated using AMIEs, using the procedure described by [Egami and Imai \(2019\)](#), without applying any regularization method to account for false discovery.

Level	AMIE	SD
ESG $\times$ Government connections		
High $\times$ Stateowned enterprise	-0.0356	0.0131
Low $\times$ Ex-govt officials as board members	-0.0321	0.0134
ESG $\times$ Tech transfer		
High $\times$ Partial	-0.0279	0.013
Government institutions $\times$ Legal institutions		
Democracy $\times$ Low Independence	-0.0319	0.0153
Autocracy $\times$ High Independence	-0.0302	0.0133

Table C.2: **Interaction effects of GVC partner preferences, with regularization.** The interactive effects were estimated using AMIEs, using the procedure described by [Egami and Imai \(2019\)](#). Regularization methods include screening non-significant interactions and collapsing levels within attributes to account for false discovery.

Level	AMIE	SD
ESG $\times$ Government connections		
Low/Medium $\times$ Ex-govt officials as board members	-0.0291	0.0207
High $\times$ No government connection	-0.0202	0.024
High $\times$ Stateowned enterprise	-0.019	0.0116
High $\times$ Ex-govt officials as board members	0.0089	0.0113
Low/Medium $\times$ Stateowned enterprise	-0.0012	0.0202
Low/Medium $\times$ No government connection	0	0
Government institutions $\times$ Legal institutions		
Autocracy $\times$ High Independence	-0.0098	0.0155
Democracy $\times$ Medium Independence/Low Independence	-0.0098	0.0155
Democracy $\times$ High Independence	0	0
Autocracy $\times$ Medium Independence/Low Independence	0	0
Government institutions $\times$ Trade agreements		
Autocracy $\times$ Trade agreement	-0.0041	0.015
Democracy $\times$ No trade agreement with your country	-0.0041	0.015
Democracy $\times$ Trade agreement	0	0
Autocracy $\times$ No trade agreement with your country	0	0

Table D.1: **Difference in the democracy AMCE between Korean firms operating in South Korea and Vietnam.** The model interacts country of operation with all randomized conjoint attributes. Standard errors are clustered by respondent, with respondent identifiers interacted with survey identifiers.

Contrast	Estimate	Std. error	95% CI lower	95% CI upper	p-value
SK firms operating in SK - SK firms operating in VN	0.234	0.038	0.16	0.308	0

D Supplementary Analyses for Home-Host Contrast

Table D.2: AMCE estimates of GVC partner preference of firms by home and host country

Feature	Level	Estimate	SD	p
Vietnamese domestic firms				
Partner firm's govt institutions	Autocracy	Baseline		
Partner firm's govt institutions	Democracy	0.020	0.027	0.454
Partner country's legal institutions	Low Independence	Baseline		
Partner country's legal institutions	Medium Independence	0.001	0.032	0.965
Partner country's legal institutions	High Independence	-0.004	0.033	0.914
Partner country's trade agreements	No trade agreement	Baseline		
Partner country's trade agreements	Trade agreement	0.154	0.028	0.000
Partner firm's ESG ratings	Low	Baseline		
Partner firm's ESG ratings	Medium	0.014	0.032	0.655
Partner firm's ESG ratings	High	0.121	0.034	0.000
Partner firm's govt. connections	No government connection	Baseline		
Partner firm's govt. connections	Ex-govt officials as board members	-0.034	0.035	0.335
Partner firm's govt. connections	Stateowned enterprise	-0.061	0.035	0.077
Partner firm's tech transfer	None	Baseline		
Partner firm's tech transfer	Partial	0.063	0.033	0.054
Partner firm's tech transfer	Full	0.079	0.034	0.021
Partner firm's size	Half as big	Baseline		
Partner firm's size	Same size	0.045	0.039	0.253
Partner firm's size	2x as big	0.024	0.040	0.553
Partner firm's size	10x as big	0.020	0.040	0.623
Korean firms operating in Vietnam				
Partner firm's govt institutions	Autocracy	Baseline		
Partner firm's govt institutions	Democracy	-0.042	0.033	0.208
Partner country's legal institutions	Low Independence	Baseline		
Partner country's legal institutions	Medium Independence	0.055	0.034	0.110
Partner country's legal institutions	High Independence	0.058	0.041	0.154
Partner country's trade agreements	No trade agreement	Baseline		
Partner country's trade agreements	Trade agreement	0.105	0.032	0.001
Partner firm's ESG ratings	Low	Baseline		
Partner firm's ESG ratings	Medium	0.145	0.035	0.000
Partner firm's ESG ratings	High	0.154	0.038	0.000
Partner firm's govt. connections	No government connection	Baseline		
Partner firm's govt. connections	Ex-govt officials as board members	0.002	0.037	0.952
Partner firm's govt. connections	Stateowned enterprise	-0.038	0.039	0.324
Partner firm's tech transfer	None	Baseline		
Partner firm's tech transfer	Partial	0.053	0.038	0.172
Partner firm's tech transfer	Full	0.091	0.039	0.020
Partner firm's size	Half as big	Baseline		
Partner firm's size	Same size	0.088	0.045	0.051
Partner firm's size	2x as big	0.105	0.044	0.018
Partner firm's size	10x as big	0.098	0.047	0.038
Korean firms operating in Korea				
Partner firm's govt institutions	Autocracy	Baseline		
Partner firm's govt institutions	Democracy	0.188	0.017	0.000
Partner country's legal institutions	Low Independence	Baseline		
Partner country's legal institutions	Medium Independence	0.032	0.019	0.102
Partner country's legal institutions	High Independence	0.043	0.020	0.035
Partner country's trade agreements	No trade agreement	Baseline		

Table D.2: AMCE estimates of GVC partner preference of firms by home and host country
(*continued*)

Feature	Level	Estimate	SD	p
Partner country's trade agreements	Trade agreement	0.096	0.015	0.000
Partner firm's ESG ratings	Low	Baseline		
Partner firm's ESG ratings	Medium	0.010	0.019	0.620
Partner firm's ESG ratings	High	-0.000	0.019	0.999
Partner firm's govt. connections	No government connection	Baseline		
Partner firm's govt. connections	Ex-govt officials as board members	-0.027	0.019	0.148
Partner firm's govt. connections	Stateowned enterprise	-0.001	0.020	0.966
Partner firm's tech transfer	None	Baseline		
Partner firm's tech transfer	Partial	-0.011	0.020	0.576
Partner firm's tech transfer	Full	-0.042	0.020	0.041
Partner firm's size	Half as big	Baseline		
Partner firm's size	Same size	0.030	0.022	0.176
Partner firm's size	2x as big	0.061	0.023	0.007
Partner firm's size	10x as big	0.058	0.022	0.009

Table D.3: **Out-of-fold classification performance of LASSO regression.** Results come from the same multinomial LASSO regression model estimated in Figure D.1.

Predicted \ Actual	Group 1	Group 2
Group 1	349	11
Group 2	17	737
Misclassification rate	0.025	

D.1 LASSO regression on predictors of latent group membership

Multinomial LASSO for group membership. We predict hard group assignments based on FactorHet posterior with $K = 2$ using a multinomial LASSO. Predictors are the moderator set used in Figure 6: survey country, ownership, foreign shareholder share, domestic and overseas partner counts, and bins for employment, equity, and revenue. We standardize predictors and select the penalty by 10-fold cross-validation, reporting results at the one-standard-error rule. “Importance” is defined as selection (non-zero coefficients) and direction of association with Group 2 vs. Group 1. For readable probability contrasts, we refit a ridge multinomial on the LASSO-selected columns only, with λ chosen by CV to stabilize coefficients and avoid separation. We report cross-validated misclassification for model performance.

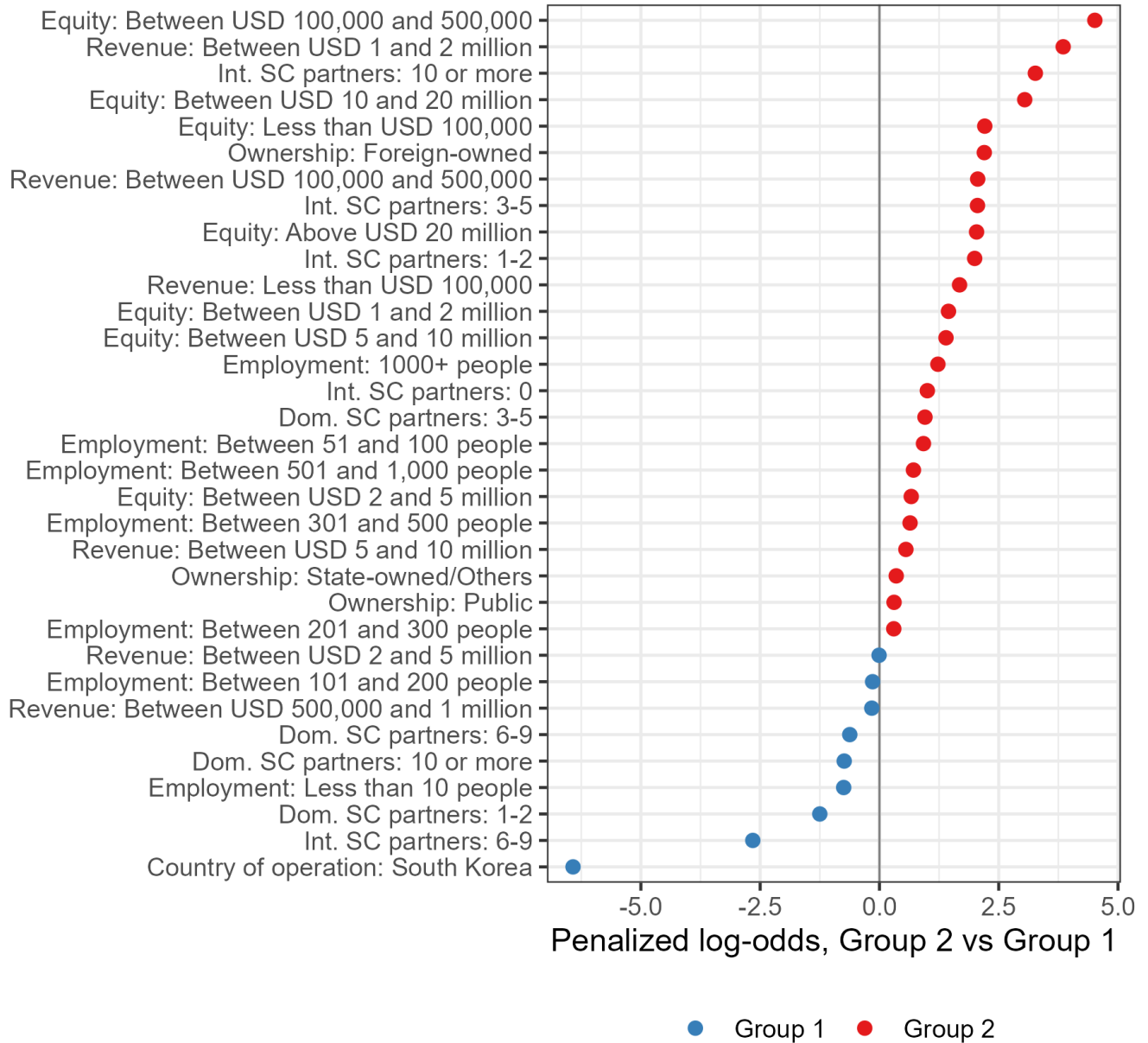


Figure D.1: **LASSO-selected predictors of latent group membership.** Latent group membership is estimated using the procedure in [Goplerud, Imai and Pashley \(2025\)](#), with a pre-specified number of groups $k = 2$ (the same model featured in Figures 5 and 6). The figure reports penalized log-odds coefficients from a multinomial LASSO regression predicting group membership using firm-level moderators, selected under the one-standard-error rule via 10-fold cross-validation. Coefficients are shown for Group 2 relative to Group 1. Positive values indicate a higher likelihood of assignment to Group 2, while negative values indicate a higher likelihood of assignment to Group 1. All categorical moderators are coded relative to the “No answer” baseline where available.

D.2 Latent cluster analysis with alternative parameters

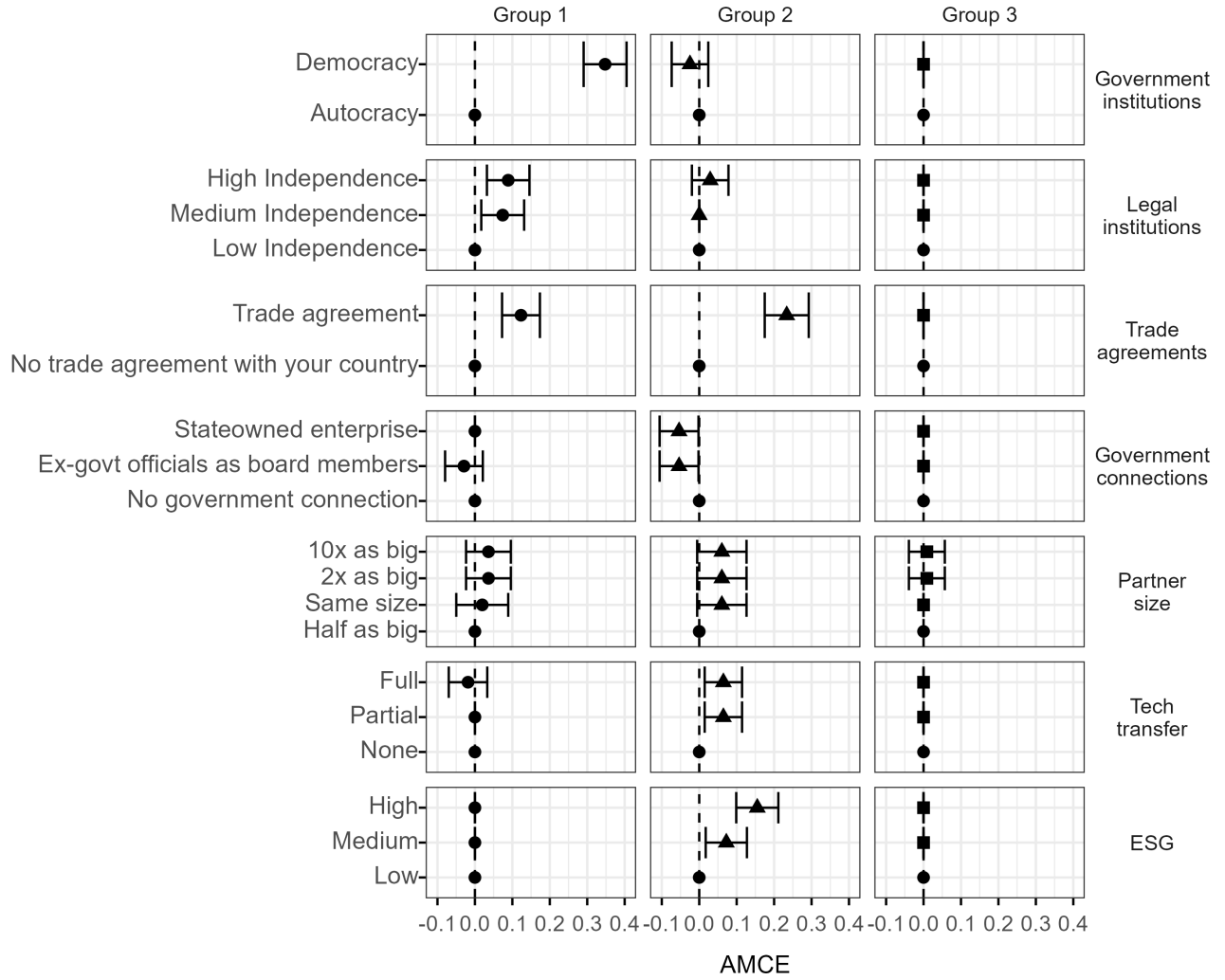


Figure D.2: **AMCE of GVC partner attributes by cluster membership (3-group model).** Latent cluster membership is estimated using the procedure in [Goplerud, Imai and Pashley \(2025\)](#), with pre-specified number of groups $k = 3$. The figure reports separate AMCE estimates for each latent group across all partner-country and partner-firm attributes included in the conjoint design.

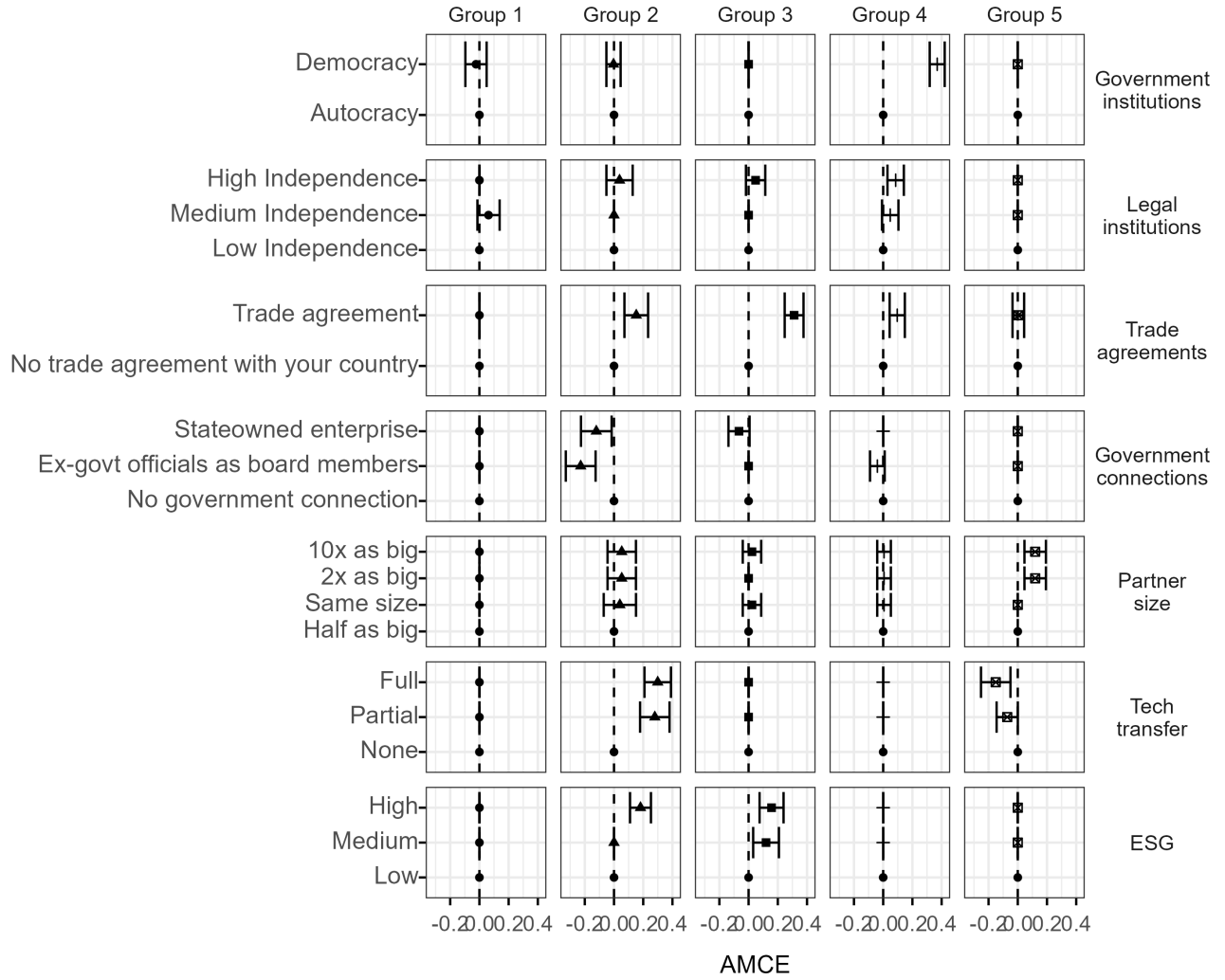


Figure D.3: **AMCE of GVC partner attributes by cluster membership (5-group model).** Latent cluster membership is estimated using the procedure in [Goplerud, Imai and Pashley \(2025\)](#), with pre-specified number of groups $k = 5$. The figure reports separate AMCE estimates for each latent group across all partner-country and partner-firm attributes included in the conjoint design.