

Canada, and another in the U.S. Only recently has this link between FDI, restructuring, and corporate acquisitions been formally recognized in the research literature. This paper contributes to the nascent literature on international restructuring by being the first to conduct a systematic investigation using cross-border Canadian/U.S. divestitures. The remainder of the paper is organized as follows. Section II reviews the relevant literature. Testable hypotheses are developed in Section III. Section IV addresses empirical dimensions of the paper, including the sample examined, data employed, and methodology used. Section V reports and interprets the empirical results, with a summary and conclusion in Section VI.

II. BACKGROUND AND LITERATURE REVIEW

We draw primarily from two lines of research: One relates to FDI, and the other to corporate restructuring. As previously indicated, cross-border acquisitions (whether involving whole-firms or units divested by firms) are a major vehicle for the implementation of FDI. An examination of the FDI literature¹ shows that macro-economic aspects of FDI (such as overall flows of FDI and their association with economic development) have received considerable attention. In contrast, explicit linkages between FDI, corporate acquisitions, and restructuring have only recently received academic scrutiny. Blumberg and Owers (1990) related cross-border divestiture activity to FDI, and documented the substantial relative role of divestiture activity in FDI. Harris and Ravenscraft (1991) considered whole-firm cross-border acquisitions within an

¹ The FDI literature includes works such as Caves (1988), Young (1988), Scholes and Wolfson (1990), and Froot and Stein (1991).