

# "Greenfield or Brownfield? FDI Entry Mode and Intangible Capital"

## Abstract

When a firm invests abroad, it either establishes a new facility in its host country or purchases a local firm. These two modes of foreign direct investment (FDI) are known as greenfield investment and brownfield investment (cross-border mergers and acquisitions, M&A). I hypothesize that M&A investment is the preferred market entry option for firms seeking to obtain existing intangible capital. Using firm-level data on US multinational's foreign investments, I confirm empirically that firms with higher intangible capital intensity systematically choose M&A. Motivated by these empirical results, I develop a structural model that describes how firms choose between two FDI modes. I conduct comparative statics of the model and analyze how the equilibrium wage and firm's FDI mode change with different environments, such as the cost of M&A and the intangible capital of local firms.