

Referee Report on:

"IPR Protection and Optimal Entry Modes of Multinationals" (1729)

The authors develop a model to analyze the relationship between modes of entry of a multinational firm in a less developed country and the Intellectual Property Rights protection policy adopted by the government of the less developed country. There are two options of entry: fragment production structure or shift entire production. The multinational firm incurs investment to control the copying of the original product by a commercial pirate. The author shows that the optimal anti-copying investment is inversely related with the Intellectual Property Rights protection rate.

Main Comments

1. Cumbersome article difficult to read and understand. It is because of poor writing, poor use of English and inadequate notation.
2. Overuse of acronyms.
3. Brief and poor review of the literature. Despite citing the seminal papers of commercial piracy (Silve and Bernhardt (1998) and Banerjee (2003)), they do not explain the models and results in those papers.
4. The results are not related to the earlier literature along the paper.
5. According to footnotes 27, 28 and 29, complete production in LDC is a particular case of fragmented production in which $t=0$ and $k=1$. However, there is not an explanation about it in Section 2, where the model is described.
6. The definition of the functions of demand is much improved. For instances, p_{frag}^{cp} is not defined. I think it represents the consumer who is indifferent between buying and not buying.
7. Erroneous references to equations. For instances:
 - a. The references (13), (13a), (14), (14a), (17)?, (17a) ... are confusing.
 - b. Page 13, line 5, there is a reference to equation (15a) (see too footnote 24). However, I don't find this equation.

- c. Page 8, line 2, "(10). Equation (12)". I think that the correct is "(9). Equation (10)".
 - d. At the end of page 14, I think that references to equations (26) and (27) are not correct. The correct is (25) and (26).
 - e. Page 15, line 6, I think that references to equations (28) and (28a) are not correct. The correct is (27) and (28). Moreover, I don't find equation (28a).
 - f. I find no equation (16a), which appears at footnote 26.
 - g. ...
8. Also it is confusing that some proofs are in the appendix and others in the article text. Especially when you do not know where it ends the proof in the text.
 9. The proofs should be numbered.
 10. In Proposition 4, there is a reference to equation (24) as the value of monitoring rate \tilde{g}_{frag} . However, equation (24) refers to $\frac{\partial \tilde{g}_{frag}}{\partial k}$ and equation (24a) refers to $\frac{\partial \tilde{g}_{frag}}{\partial t}$. Therefore, I don't know the value of monitoring rate.
 11. G appears on pages 15 and 16, but the authors do not explain their meaning.
 12. In Section 4, equilibrium are described in Equilibrium 1, Equilibrium 1a, Equilibrium 2 and Equilibrium 3. I think this could be grouped into a proposition.
 13. Bad quality of graphs.

Other Comment

1. In the abstract, the authors use the acronym FDI without explaining what it means.
2. Page 5, line 11. "the Utility" is not correct.