Shopping Abroad: Cross-Border Venture Capitalism in Artificial Intelligence

Keywords: Venture Capital; Cross-Border Exits; Artificial Intelligence; Investor Networks; Global Capital Flows

Extended Abstract

Venture capital (VC) has become a powerful driver of globalization in innovation. While local IPOs and acquisitions once dominated exit (i.e. success) routes, an increasing number of startups now achieve cross-border exits (i.e. get listed or qcquired), often in the home country of their foreign investors. This paper investigates whether startups backed by foreign VC investors are more likely to achieve cross-border exits (IPOs or acquisitions in the investor's home country) and argues that this effect operates through network intermediation. Foreign VCs bring cross-border syndication ties, reputational capital, and relational infrastructures that channel firms toward exit markets where investors are most embedded.

We construct a dataset of 21,312 VC-backed startups across 68 countries (2020–2024), tracking both financing rounds and exit events. Nearly one-quarter of these firms operate in AI, and one-third received foreign VC backing. Across 3,240 exits observed, 34% are cross-border. Our findings are threefold. First, startups with foreign lead investors are 34% more likely to exit abroad. Second, the effect is concentrated in unbounded sectors such as AI, where scalability is not constrained by regulation or localized assets. Third, regression analysis confirms that the interaction between foreign VC backing and sector unboundedness is large, positive, and highly significant. Specifically, in AI, foreign VC presence raises the probability of a cross-border exit by roughly 18 percentage points. In bounded sectors such as healthcare or energy, foreign VC has no significant effect.

These results highlight a dual role of international investors: they provide capital and act as geographic brokers, channeling portfolio firms toward familiar exit environments where their networks, regulatory knowledge, and capital markets access confer advantages. The results are consistent with the view that foreign investors use their co-investment networks and buyer linkages to facilitate exits abroad, particularly in globally scalable sectors such as AI. The findings advance the literature on international venture capital by shifting attention from entry to exit geography, showing that foreign VC not only finances growth but also shapes where value is ultimately realized.

Ethical Considerations

The globalization of AI capital raises critical ethical and policy challenges. First, technological sovereignty: if domestic AI firms exit in foreign markets, national economies may lose control over strategically important technologies and value capture. Second, distributional fairness: cross-border arbitrage channels disproportionate benefits to deep financial centers (notably the U.S.), widening inequality between ecosystems. Third, systemic dependency: reliance on foreign exits may erode the resilience of smaller markets, leaving them vulnerable to capital flight or external shocks. Because exit pathways are embedded in dense cross-border VC

networks, smaller ecosystems risk dependency not only on foreign capital but also on external relational infrastructures, which may not reinvest locally.

From a research ethics standpoint, we rely exclusively on publicly available data sources (Crunchbase, Mergermarket, FactSet), ensuring transparency and replicability. We also recognize the risk of bias due to underreporting in emerging ecosystems and address it through robustness checks. More broadly, this research underscores the responsibility of scholars to interrogate not only financial mechanisms but also their societal consequences, particularly in AI, where innovation is global but benefits are unevenly distributed.

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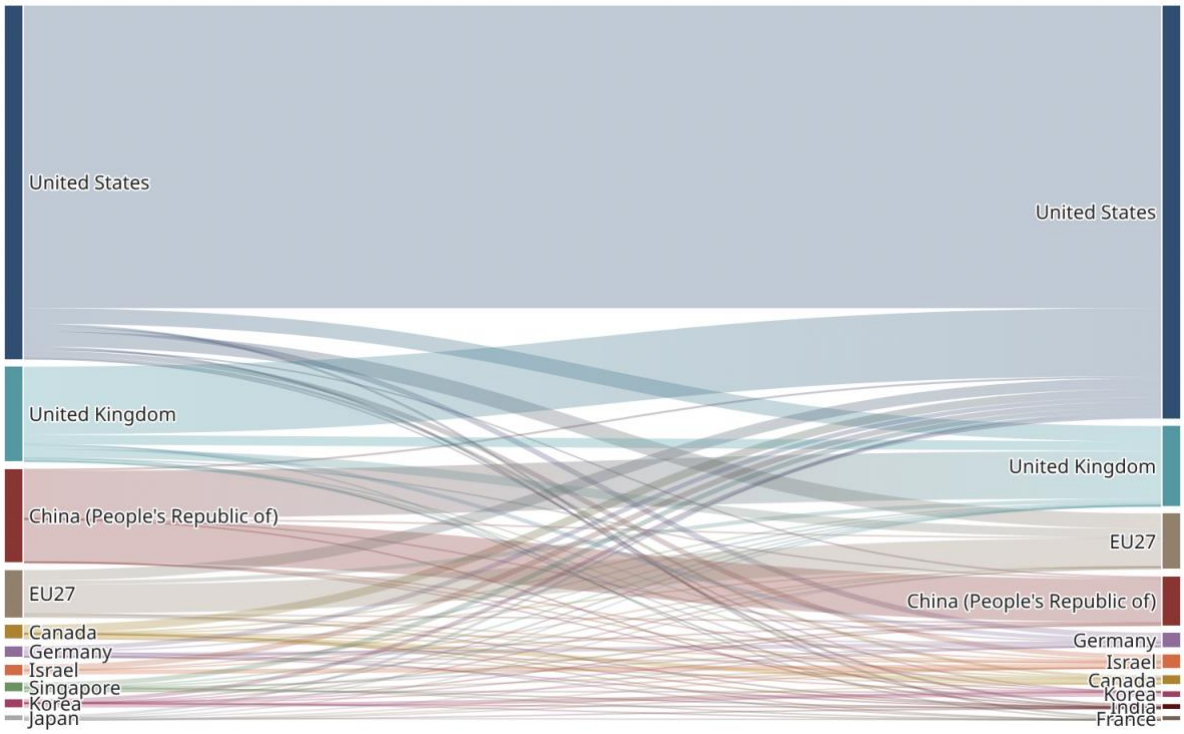

Figure 1. **Flow of VC investments in AI stratups (from country to country).** The figure shows that a substantial share of AI venture capital investments occur across national borders, underscoring the cross-country nature of the market.