

CRAWFORD SCHOOL OF ECONOMICS AND GOVERNMENT

Foreign firms - Powerful or persecuted?

Emma Aisbett

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12.30am - 1.30pm

Seminar Room 4, First Floor, Crawford Building

Light lunch will be provided

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International economists often refer to multinational enterprises and foreign firms interchangeably, yet one of the enduring divisions in the globalization debate is whether international law should be strengthened to protect foreign firms from predatory host governments, or rather strengthened to protect host governments from powerful multinational firms. Using firm level data on government-firm relations from eighty countries we find some empirical support for the arguments from both sides of the debate. Multinational firms are indeed relatively influential over government, but home-country multinationals are more powerful than foreign ones. Furthermore - in the manufacturing sector - non-multinational foreign firms are less influential than their domestic counter-parts. We then examine firms' perceptions of regulatory constraint - arguably a more operationally important measure. We find, paradoxically, that in the manufacturing sector foreign firms suffer significantly less regulatory constraint than other firms. Thus while there is evidence which validates both the 'multinational-influence' and 'foreign-disenfranchisement' arguments about firm influence, the conclusion that this power (or lack thereof) has operational implications for firms is not supported by our data. We suggest that the reason that the same types of firms who perceive themselves as more influential may also face more regulatory constraint is that governments are more interested in their operations. Being important is a double-edged sword.

Emma Aisbett is a Lecturer at the Crawford School and Research Fellow in the Research School of Social Sciences' Economics Program. Her research and teaching interests lie at the intersection of international economics, development, and environment. She is particularly interested in using rigorous research to help resolve ongoing divisions in the public and policy debate about globalization.

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