III. DETAILED CHAPTER OUTLINE

GOVERNMENT INTERVENTION IN INTERNATIONAL BUSINESS

 Governments intervene in trade and investment to achieve political, social, or economic objectives.
 Barriers benefit specific interest groups, such as domestic firms, industries, and labor unions.
 Jobs are created by protecting industries from foreign competition.
 Government intervention alters the competitive landscape—by hindering or helping the ability of its firms to compete internationally.
 Exhibit 7.1—government intervention is an important dimension of country risk.
 Protectionism—(hinders imports) national economic policies designed to restrict free trade and protect domestic industries from foreign competition, and may result in:
 - Tariff (duty) - tax imposed by a government on imported products, thus increasing the cost to the customer.
 - Nontariff trade barrier (enforced via customs) - government policy, regulation, or procedure that impedes trade through means other than explicit tariffs.

 Example—
 - Quota - a quantitative restriction placed on imports of a specific product over a specified period of time.
 - Investment barriers target FDI thus restricting foreign firm operations.
 Firms, labor unions, and other special interest groups convince governments to adopt policies that benefit them—
 Examples of protectionism hindering competitiveness—
 - U.S. tariffs on imported steel:
   - 2000s—The Bush administration imposed tariffs on the import of foreign steel into the U.S. because competition from foreign steel manufacturers had bankrupted several U.S. steel firms, and this was to give the U.S. steel industry time to restructure and revive itself.
   - Higher material costs made these firms less competitive—increased the production costs for firms that use steel, such as Ford, Whirlpool, and General Electric—and reduced prospects for selling their products in world markets.
   - The steel tariffs were removed within two years.
 - Japanese voluntary export restraints:
   - 1980s—The number of Japanese vehicle imports were voluntarily controlled by Japan to help insulate the U.S. auto industry.
In this protected environment, Detroit automakers had less of an incentive to improve quality, design, and overall product appeal. Thus, government intervention motivated by protectionism has weakened Detroit's ability to compete in the global auto industry. Protectionist policies may also lead to price inflation—when supply is restricted, domestic prices increase. By restricting variety, tariffs may also reduce the choices available to buyers. In a complex world, there are adverse unintended consequences—thus due diligence—careful planning and implementation—is paramount when considering government intervention.

RATIONALE FOR GOVERNMENT INTERVENTION

There are four main motives for government intervention:
- First, tariffs and other forms of intervention can generate a substantial amount of revenue.
- Second, intervention can ensure the safety, security, and welfare of citizens.
- Third, intervention can help a government pursue broad-based economic, political, or social objectives.
- Fourth, intervention can help better serve the interests of the nation’s firms and industries.

Special interest groups often serve as strong advocates for trade and investment barriers that protect their self-interests.

Examples—
- Trade dispute - the U.S. government imposed a $50 per ton duty on the import of Mexican cement after U.S. cement makers lobbied the U.S. Congress.
- Mexican imports can reach 10 percent of U.S. domestic cement consumption.
- The U.S. is one of the world’s largest cement consumers and, suffers from shortages, which are exacerbated by import restrictions.
- Mexico proposed substituting import quotas instead of the high cement import tariffs.

Rationale for trade and investment barriers fall into two major categories: defensive and offensive.

Defensive barriers are imposed to safeguard industries, workers, special interest groups, and to promote national security. Offensive barriers are imposed to pursue a strategic or public policy objective, such as increasing employment or generating revenues.

Defensive Rationale

Four major defensive motives:
- Protection of the nation’s economy
  - Proponents argue that firms in advanced economies cannot compete with those in developing countries that employ low-cost labor, thus governments should impose trade barriers to block imports.
Critics counter that protectionism is at odds with the theory of comparative advantage, which argues for *more* international trade, not less. Trade barriers interfere with country-specific specialization of labor, which in turn delivers superior living standards.

- Blocking imports reduces the availability and increases the cost of products sold in the home market.
  - Protection of an infant industry
    - Emerging industry firms may lack experience, technological expertise and economies of scale.
    - Therefore, an infant industry may need protection from foreign competitors, e.g. temporary trade barriers on foreign imports.
    - Infant industry protection has allowed some countries to develop modern industrial sectors - **Examples**
      - Japan became extremely competitive in automobiles early on
      - South Korea achieved great success in consumer electronics.

- Difficult to remove - industry owners and workers tend to lobby to preserve government incentives indefinitely.
- Infant industries (especially in Latin America, South Asia, and Eastern Europe) have remained dependent on government protection for prolonged periods.
- Industry inefficiencies result in higher prices for those products produced by the protected industry.

- National security
  - Countries impose trade restrictions on products viewed as critical to national defense and security, such as military technology and computers.
  - Trade barriers can help retain domestic production in security-related products - computers, weaponry, and certain transportation equipment.
  - **Export controls** - governments manage or prevent the export of certain products or trade with specific countries, e.g. many countries do not allow the export of plutonium to North Korea because it can be used to make nuclear weapons.

- National culture and identity
  - Governments seek to protect certain occupations, industries, and public assets that are considered central to national culture and identity - prohibit certain imports - **Examples**
    - Switzerland imposed trade barriers to preserve its long-established tradition in watch making.
    - Japanese restrict the import of rice because this product is central to the nation’s diet and food culture.
    - U.S. opposed Japanese investors’ purchase of the Pebble Beach golf course in California, New York’s Rockefeller Center, and the Seattle Mariners baseball team, because these assets are believed to be part of the national heritage.
    - France does not allow significant foreign ownership of its TV stations because of concerns that foreign influences will taint French culture.
Offensive Rationale

■ Two offensive categories:
  ◘ National strategic priorities
  ■ Intervention encourages the development of industries that bolster the nation’s economy.
  ■ This is a proactive variation of the infant industry rationale, related to national industrial policy, and highlighted in Chapter 4.
  ■ Countries with many high-tech or high-value-adding industries—such as information technology, pharmaceuticals, car manufacturing, or financial services—create better jobs and higher tax revenues than economies based on low-value-adding industries—such as agriculture, textile manufacturing, or discount retailing.
  ■ **Examples**- Germany, Japan, Norway, South Korea—devise policies that promote the development of relatively desirable industries.
  ■ Deciding which industries to support is challenging because it is difficult to predict which industries will produce comparative advantages. Poor choices may result in continuous subsidization of underperforming industries.

  ◘ Increase employment
  ■ Import barriers may be imposed to protect employment in designated industries.
  ■ By insulating domestic firms from foreign competition, national output is stimulated, leading to more jobs in the protected industries.
  ■ Most effective- import-intensive industries that employ much labor to produce normally imported products. **Example**- A joint venture between Shanghai Automotive Industry Corporation (SAIC) and Volkswagen created jobs in China.

**INSTRUMENTS OF GOVERNMENT INTERVENTION**

■ **Exhibit 7.2** highlights most common forms of government intervention and their effects.
■ The United Nations estimates that trade barriers alone cost developing countries over $100 billion in lost trading opportunities with developed countries every year.

Tariffs

■ **Export tariffs**- taxes on products exported by domestic firms-
■ **Example**- Russia charges a duty on oil exports, intended to generate government revenue and maintain higher stocks of oil within Russia.
■ **Import tariff** (most common) - tax levied on imported products.
■ **Harmonized code** – standardized worldwide system that determines tariff amount.
■ **Ad valorem** - tariffs are assessed as a percentage of the value of the imported product.
Specific tariff—a flat fee or fixed amount per unit of the imported product—based on weight, volume, or surface area (such as barrels of oil or square meters of fabric).

Revenue tariff - intended to raise money for the government, e.g. by taxing cigarette imports.

Protective tariff - protects domestic industries from foreign competition.

Prohibitive tariff - is so high that no one can import any of the items.

Developing economies- tariffs are common.

Advanced economies- tariffs still provide a significant source of revenue.

Interestingly, the U.S. often collects more tariff revenue on shoes than on cars ($1.63 billion versus $1.60 billion in 2001).

The European Union applies tariffs of up to 236 percent on meat, 180 percent on cereals, and 17 percent on tennis shoes.

Exhibit 7.3 provides a sample of import tariffs in selected countries.

Under the North American Free Trade Agreement (NAFTA), Mexico gradually eliminated nearly all tariffs on product imports from the United States. However, Mexico maintains higher tariffs with the rest of the world.

India’s tariff system lacks transparency.

China has reduced its tariffs significantly since joining the World Trade Organization (WTO) in 2001, but trade barriers remain high in many areas.

China and India are characterized by low per capita income and high import tariffs- which tend to exacerbate national poverty.

In order to bypass tariffs, firms may enter countries via FDI.

Smuggling may be an unintended consequence.

Governments have tended to reduce tariffs over time- in fact the primary goal of the General Agreement on Tariffs and Trade (GATT; now the WTO).

Countries as diverse as Chile, Hungary, Turkey, and South Korea have liberalized their previously protected markets, lowering trade barriers and subjecting themselves to greater competition from abroad.

Exhibit 7.4 illustrates trends in average world tariff rates over time. Notice that developing economies have been lowering their tariff rates since the 1980s.

Major driver of market globalization- continued tariff reductions.

Nontariff Trade Barriers

Government policies that restrict trade without imposing a direct tax or duty - quotas, import licenses, local content requirements, government regulations, and administrative or bureaucratic procedures

The use of nontariff barriers has grown substantially in recent decades- they are easier to conceal from the WTO and other monitoring organizations.

Quotas restrict the physical volume or value of products that firms can import into a country.

The upside is that domestic producers are protected from cheaper imports, giving them a competitive edge over foreign sugar producers.

The downside is that domestic consumers and producers of certain types of products pay more for the product.
It also means that firms that manufacture products containing the higher-priced product can save money by moving production to countries that do not impose quotas or tariffs on this product.

- **Voluntary export/import restraints** (VERs/VIRs) are voluntary quotas imposed by governments whereby firms agree to limit exports or imports of certain products.
- **Import license** - a formal permission to import, which restricts imports in a way that is similar to quotas - a complicated, bureaucratic process in some countries
- Governments sell import licenses to firms on a competitive basis - a process that discriminates against smaller firms, which typically lack the resources to purchase the licenses.
- **Local content requirements** stipulate that production must include a certain percentage of local value added.
- These are usually imposed in economic bloc countries, such as the European Union and NAFTA. The so-called “rules of origin” requirement specifies that a certain proportion of products and supplies, or of intermediate goods used in local manufacturing, must be produced within the bloc.  
  - **Example** - about two-thirds of the value of a car manufactured within NAFTA must originate within the NAFTA member countries, if not, then the product becomes subject to the tariffs charged to non-NAFTA countries.
- **Government regulations and technical standards** include safety regulations for motor vehicles and electrical equipment, health regulations for hygienic food preparation, labeling requirements that indicate a product’s country of origin, technical standards for computers, and bureaucratic procedures for customs clearance.
- **Examples** of protecting domestic firms by imposing red tape for foreign firms:
  - Trade disagreements - the European Union - strict policy regulating genetically modified (GM) food vs. the U.S. - GM food regulations are relatively lax.
  - China, Japan, and Taiwan require that imported agricultural products undergo strict testing, a process that may require considerable time and expense.
  - Japan had prohibited the import of snow skis on the improbable grounds that Japanese snow is different from snow in other countries.
  - Canada is officially bilingual (English and French), the provincial government of Quebec requires that all product labeling be in French.
  - The requirement that products indicate their country of origin may constitute a barrier because people may prefer to buy domestic products.
- **Administrative or bureaucratic procedures** that hinder the activities of importers or foreign firms
- **Examples** -
  - Mexico - government imposed bureaucratic procedures led United Parcel Service to temporarily suspend its ground delivery service across the U.S.-Mexican border.
  - U.S. barred Mexican trucks from entering the U.S. on the grounds that they were unsafe.
- France- government restricted the import of Japanese video recording equipment by requiring that it be cleared through a single customs office in Poitiers, a town in the middle of France.
- Saudi Arabia- every foreign business traveler to the Arab kingdom must hold an entry visa that can be obtained only by securing the support of a Saudi sponsor - a citizen who vouches for the visitor's actions- very difficult to get.
- The revenue generated by tariffs depends on how customs authorities classify imported products - thousands of categories exist for customs classification, a product can be easily misclassified, either by accident or intention.

Investment Barriers
- In order to bypass tariffs, firms may enter countries via FDI, and be subject to investment barriers.
- Globally, FDI and ownership restrictions are common in industries such as broadcasting, utilities, air transportation, military technology, and financial services, as well as industries that involve major national holdings, such as oil, fisheries, and key minerals.
- **Examples**-
  - Canada- government restricts foreign ownership of local movie studios and TV shows to protect its indigenous film and TV industry from excessive foreign influence.
  - Mexico- government restricts FDI by foreign investors to protect its oil industry, which is deemed critical to the nation’s security.
  - Services sector- FDI and ownership restrictions are particularly burdensome because services usually cannot be exported and providers must establish a physical presence in target markets.

Currency controls
- Restricts the outflow of hard currencies (such as the U.S. dollar, the euro, and the yen), and occasionally the inflow of foreign currencies
- These controls are used to conserve valuable hard currency, reduce the risk of capital flight, and are particularly common in developing countries.
- **Repatriation** of profits – restrictions on revenue transfer from profitable operations back to the home country.

Subsidies and Other Government Support Programs
- **Subsidies** - government grants (monetary or other resources) to firm(s), intended to ensure their survival by facilitating production at reduced prices, or encouraging exports.
- **Examples**- cash disbursements, material inputs, services, tax breaks, the construction of infrastructure, and government contracts at inflated prices.
- **Examples**-
  - France- government provided large subsidies to Air France, the national airline.
  - China- Several leading corporations, such as China Minmetals ($12 billion annual sales) and Shanghai Automotive ($12 billion annual sales), are in
fact state enterprises wholly or partly owned by the Chinese government, which provides these firms with huge financial resources.

- In Europe and the U.S., governments provide agricultural subsidies to supplement the income of farmers and help manage the supply of agricultural commodities. The U.S. government grants subsidies for over two dozen commodities, including wheat, barley, cotton, milk, rice, peanuts, sugar, tobacco, and soybeans. In Europe, the Common Agricultural Policy (CAP) is a system of subsidies that represents about 40 percent of the European Union's budget, amounting to tens of billions of euros annually.

- Critics - subsidies reduce the cost of business for the recipient, providing it with unfair advantages. The WTO prohibits subsidies when it can be proven that they hinder free trade - the CAP and U.S. subsidies have been criticized for promoting unfair competition, high prices and prevent developing countries from exporting their agricultural goods to the west.

- **Subsidies** encourage overproduction, which lower food prices, making agricultural imports from developing countries less competitive.

- **Countervailing duties** - government retaliation against subsidies by imposing a duty on imported products to offset subsidies in the exporting country.

- **Dumping** - subsidies enable manufacturers to charge a lower price for exported products, sometimes even below manufacturing cost.

- **Example** - The subsidy to EU sugar producers allows EU farmers to dump massive amounts of sugar at artificially low prices onto world markets, making them the largest exporter instead of importer of sugar.

- Dumping is against WTO rules because it amounts to unfair competition.

- A large MNE that charges very low prices could conceivably drive competitors out of a foreign market, thereby achieving a monopoly, and then raise its prices.

- **Antidumping duty** - governments in the importing country respond to dumping by imposing a tax on dumped products.

- The WTO allows governments to impose antidumping duties on products that are deemed to be dumped and causing harm to producers of competing products in the importing country- note that dumping is hard to prove.

- **Investment incentives** - related to subsidies - transfer payments or tax concessions made directly to individual foreign firms to entice them to invest in the country.

- **Examples of indirect government subsidies** - support home country businesses by funding R&D initiatives, giving tax exemptions, and offering business development services, such as market information, trade missions, and privileged access to key foreign contacts.

- **Examples** -
  - Hong Kong government put up most of the cash to build the Hong Kong Disney Park. While the theme park and associated facilities cost about $1.81 billion, the Hong Kong government provided an investment of $1.74 billion to Walt Disney to develop the site.
  - 2006- Austin, Texas and Albany, New York competed to have the Korean manufacturer Samsung Electronics build a semiconductor plant in their regions. Austin offered $225 million worth of tax relief and other concessions in
its successful bid to attract Samsung's $300 million plant, estimated to create nearly 1,000 new jobs locally.

- **1990s-** Germany encouraged foreign firms to invest in the economically disadvantaged East German states by providing tax and investment incentives.
- **1990s-** Ireland achieved an economic renaissance through proactive promotion of Ireland as a place to do business. Targeting foreign firms in the high-tech sector—including medical instruments, pharmaceuticals, and computer software- foreign firms were offered preferential corporate tax rates of 12 percent.

- **Government procurement** policies constitute an indirect form of nontariff trade barrier.
- Government purchases account for a substantial portion of GDP, and support local industries by adopting procurement policies that restrict purchases to home-country suppliers.
- **Example**- several governments require that air travel purchased with government funds be with home-country carriers.
- Government procurement policies are common in countries with large public sectors, such as China, Russia, and various Middle Eastern countries.

**GOVERNMENT INTERVENTION, ECONOMIC FREEDOM, AND ETHICAL CONCERNS**

- **Economic freedom** - absence of government coercion such that people are free to work, produce, consume, and invest in the ways they feel are most productive.
- **Index of Economic Freedom** is published annually by the Heritage Foundation (www.heritage.org) that measures economic freedom in 161 countries.
- **Exhibit 7.5** shows the degree of economic freedom for certain countries.
- The Index assesses criteria such as the level of trade barriers, rule of law, level of business regulation, and protection of intellectual property rights.

**Classifications:**

- Virtually all advanced economies - “free”
- Emerging markets - either “free” or “mostly free”
- Virtually all developing economies - “mostly unfree” or “repressed”

- Economic freedom flourishes with an appropriate level of intervention; excessive regulation of business activity is detrimental to economic growth.
- Government intervention and trade barriers may disproportionately impact developing economies and low-income consumers because indigenous industries may be taxed at unjustly higher levels.
- Government intervention can also offset harmful effects-
  - **Example**- Globalization has affected thousands of Danish workers whose jobs have been shifted to other countries with lower labor costs. The Danish government provides generous subsidies to the unemployed, aimed at retraining workers to upgrade their job skills or find work in other fields.
EVOLUTION OF GOVERNMENT INTERVENTION

■ Trade barriers, two World Wars and the Great Depression shaped the trading environment of the twentieth century.
■ 1938 - Smoot-Hawley Tariff Act raised U.S. tariffs to more than 50 percent (compared to only about 3 percent today).
■ 1940s - progressive international trade policies reduced tariffs
■ 1947 - 23 nations signed the General Agreements on Tariffs and Trade (GATT), the first major effort to systematically reduce trade barriers worldwide.
■ GATT created:
  ◦ (1) a process to reduce tariffs through continuous negotiations among member nations;
  ◦ (2) an agency to serve as a watchdog over world trade; and
  ◦ (3) a forum for resolving trade disputes.
■ A concession to one country became a concession to all. GATT introduced the concept of most favored nation (renamed normal trade relations in 1998), according to which each signatory nation agreed to extend the tariff reductions covered in a trade agreement with a trading partner to all other countries.
■ 1995, the GATT was superseded by the WTO, and grew to include 150 member nations—historically—GATT—the greatest global decline in trade barriers.
■ Import substitution—government-supported enterprises making previously imported products. Example—1950s—Latin America adopted protectionist policies aimed at industrialization and economic development. Most countries that experimented with import substitution eventually rejected it.
■ Export-led development—1970s—Singapore, Hong Kong, Taiwan, and South Korea, Malaysia, Thailand, and Indonesia achieved rapid economic growth by encouraging the development of export-intensive industries. Their model proved much more successful than import substitution. Standards of living improved and a rising middle class helped transform these countries into competitive economies.
■ Japanese miracle—Following World War II, Japan launched an ambitious program of export-led development and protectionism of its infant industries—automobiles, shipbuilding, and consumer electronics, resulting in Japan’s rise from poverty in the 1940s to become one of the world’s wealthiest countries by the 1980s.
■ India—
  ◦ Independence from Britain in 1947
  ◦ Adopted a quasi-socialist model of isolationism and strict government control.
  ◦ Poor economic performance due to high trade and investment barriers, state intervention in labor and financial markets, a large public sector, heavy regulation of business, and central planning.
  ◦ Early 1990s—markets opened to foreign trade and investment, free-trade reforms, privatization of state enterprises.
  ◦ Protectionism has declined, but high tariffs (averaging 20 percent) and FDI limitations are still in place.
■ China—
1949 - Mao Tse Tung established a communist regime.

China - centralized economic planning - agriculture and manufacturing were controlled by inefficient state-run industries - focus on national self-sufficiency - China closed to international trade.

1980s - China began to liberalize its economy.

1992 - China joined the Asia-Pacific Economic Cooperation (APEC) group, a free-trade organization.

2001 - China joined the WTO and has committed to reducing trade barriers and increasing intellectual property protections.

2004 - China's GDP was four times the level it was in 1978, and foreign trade exceeded $1 trillion.

GLOBAL TREND

The World Trade Organization and International Services: The Doha Round

- The World Trade Organization (WTO) - main watchdog for world trade, ensuring that it operates smoothly, fairly, and with as few restrictions as possible, with some 150 member countries - based in Geneva, Switzerland.

- Example - 2001 - China joined the WTO - has reduced import tariffs and quotas.

- Challenges - import tariffs exceed 100 percent on butter in Canada, fresh vegetables in the EU, and powdered milk in the United States.

- The Doha Development Agenda, a WTO round of negotiations launched in Qatar in November 2001, aims for further reductions in world agricultural trade barriers, because they are particularly burdensome to developing countries, which comprise over three-quarters of WTO members.

- International services - the final frontier.

- Services are intangible, and do not pass through customs stations - it is hard to impose tariffs.

- Services have become subject to an array of nontariff trade barriers:
  - Transportation - many countries require their own merchandise fleets to carry a certain proportion of their internationally traded cargo.
  - Insurance industry in many developing economies is owned by the national government, with many European countries refusing to license foreign insurance companies.
  - By requiring licenses and developing educational systems, governments ensure that professions such as law, medicine, and accounting are undertaken largely by people who are educated locally, speak the national language, and are socialized according to local standards and norms.

- WTO newer rules - banks, insurance firms, tour operators, hotel chains, and transport companies increasingly enjoy the same trade and investment freedoms that originally applied only to products - with a recent lowering of telecommunications international barriers.

- The General Agreement on Trade in Services (GATS) provides new rules for trade and investment in intellectual property, covering copyrights, patents, and trademarks - Issues: Harmonization of professional standards, acceptable levels of accreditation between member countries, labor movement, licensing, and certification of suppliers.
2006- Trade negotiations under the Doha Development Round were suspended, primarily due to the reluctance of the U.S., Japan, and the European countries to reduce farm subsidies and lower import tariffs.

2007- Trade ministers resumed negotiations.

HOW FIRMS SHOULD RESPOND TO GOVERNMENT INTERVENTION

- Firms must cope with protectionism and other forms of intervention- not practical to avoid high trade and investment barriers or excessive government intervention.

Strategies for Managers

- Emerging markets, e.g. China and India are characterized by never-ending government intervention.
- Despite the challenges, firms target emerging markets and developing economies because they promise long-term potential.

Strategies:

1. Research to gather knowledge and intelligence Firms should first undertake research to understand the extent and nature of trade and investment barriers abroad. Scan the business environment to identify the nature of government intervention, planning market-entry strategies, host-country operations, and government support opportunities.

2. Choose the most appropriate entry strategies. Most firms choose exporting as their initial entry strategy, however, if high tariffs are present, managers should consider other strategies, such as FDI, licensing, and joint ventures that allow the firm to produce directly in the target market.

3. Take advantage of foreign trade zones Governments establish foreign trade zones (FTZs; free trade zones or free ports) in an effort to create jobs and stimulate local economic development. Where importing is essential, the firm can take advantage of FTZs, areas where imports receive preferential tariff treatment.
   - Example- A successful experiment with FTZs has been the maquiladoras—export-assembly plants in northern Mexico along the U.S. border that produce components and typically finished products destined for the U.S.
   - Later brought into the NAFTA (North American Free Trade Agreement), this collaboration enables firms from the U.S., Asia, and Europe to tap low-cost labor, favorable taxes and duties, and government incentives, while serving the U.S. market.

4. Seek favorable customs classifications for exported products. Reduce exposure to trade barriers by appropriately classifying products according to the harmonized product code.
Alternatively, manufacturers might modify the exported product in a way that helps minimize trade barriers.

(5) **Take advantage of investment incentives and other government support programs.** Government assistance in the form of subsidies and incentives helps reduce the impact of protectionism.

(6) **Lobby for freer trade and investment.** Increasingly, nations are liberalizing markets in order to create jobs and increase tax revenues.

- Mid-2000s - the Doha round of WTO negotiations sought to make trade more equitable for developing countries.
- Firms can lobby foreign governments to lower trade and investment barriers.
- To increase the effectiveness of their lobbying efforts, foreign firms may hire former government officials.
- In the longer term, firms should take a seat with public-sector decision makers who negotiate interventionist activities with foreign governments.