

Partial Privatization, Technology Spillovers, and Foreign Ownership Restriction

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Abstract

This paper examines the interaction between two market-opening policies; the relaxation of foreign ownership restriction and the privatization of a domestic public firm. Of particular interest are on the technology spillovers, which could be one of the prominent motivations for introducing foreign investment into the domestic market. Our first result shows that the best response strategy on privatization policy is not monotonous with the changes in the regulation policy on foreign ownership, and vice versa. The second result shows that there exist optimal levels of partial privatization and foreign ownership restriction, which are strongly affected by the magnitude of technology spillovers.

Key words: regulation on foreign investment, technology spillovers, partial privatization, mixed oligopoly

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