

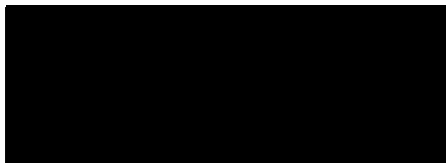
**Multinational Corporations and Local Firms:
A Study of Australian-Owned Firms in
Indonesia, Malaysia and Thailand**

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This dissertation is submitted in partial fulfilment of the requirements for the
Master of Economics, University of New England, October, 1996.

I certify that the substance of this dissertation has not already been submitted for any degree and is not currently being submitted for any other degree.

I certify that, to the best of my knowledge, any help received in preparing this dissertation, and all sources used, have been acknowledged.



Emma Margaret Ferguson

(25 October, 1996)

Abstract

This dissertation examines a specific facet of the operations of multinational corporations (MNCs) - the linkages they form with local firms - in three developing countries. A mail survey of Australian MNCs in Indonesia, Malaysia and Thailand shows local firms are gaining from the MNCs presence through staff training, technology transfer, the development of new products, the opening of new markets, and improved managerial skills.

Although all respondent MNCs agreed that cooperation with local firms is consistent with their corporate strategy, the occurrence of the linkages and the subsequent benefits were not found to be commonplace. Despite the fact that local firms formed a market for 95 per cent of MNCs and that in the respondent MNC subsidiaries, 74 per cent of managerial positions were held by nationals, these links were not used to their fullest advantage. No respondent MNCs carried out research and development with local firms and only around 8 per cent of respondents had export arrangements with local companies. There appears to be much more that can be gained by local firms from the presence of MNCs.

This dissertation indicates some government policies to encourage the flow of information and technology between MNCs and local firms. These range from general open market economic policies through to specific ones of information provision and direct assistance in linkage formation. It must be remembered, however, that the MNC subsidiary is a part of a wider global network and it will always be responsive to the demand of the parent company's global strategy. As a result, there is often conflict between the host governments' and the MNCs' objectives.

Although governments can play a significant role in informing and educating firms, as well as in overcoming impediments to cooperation, external assistance is not necessarily the solution. At the end of the day MNCs and local firms have to make the fundamental decisions themselves. This dissertation outlines the need for

domestic firms to increase their international competitiveness so as to be attractive business partners for MNCs, while increasing their ability to be a domestic source of information and technology for development. The adherence of MNCs to good business practices is essential for their operations to be accepted by governments of developing countries and the more vocal opponents of MNC operations.

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