Foreign Ownership and the Politics of Firm-level Environmental Regulatory Actions in China

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Do foreign firms receive preferential treatment when a developing country government enforces environmental regulations? Among all the arguments against globalization, one is related to the impact of foreign investment on local environmental standards and regulatory actions. Often

companies causes reduced local environmental standards. A much-nuanced view suggests that a developing country government might not reduce overall environmental standards, but it can vary the level of enforcement based on firm ownership: in order to attract and retain foreign capital, recipient country governments are much less likely to target foreign firms when they enforce government regulations. To test our theory, we collect more than half a million online texts of firm-level environmental regulation actions in China between 2009 and 2015. We conduct content analysis to code regulation actions into three categories: pollution fees (similar to a pollution tax), punitive actions (such as fines, temporary suspension, and rectifications), and environmental ratings of firms (which often ties to future preferential government treatments). Our preliminary analysis of more than 700 major polluting firms in the Jiangsu province for 2013 shows that after controlling for the emission amount, a firm with foreign ownership pays less pollution fees after taking into account various relevant factors such as firm asset mobility, output, and taxation.