

Summary Review of the Controversies around International Business

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I. Introduction

This paper is focused to examine the phenomenon of international business and its relationship to corporate growth and national (home and host) economies, and thereby to review in a summarized fashion various controversies around international business. The analysis begins with a description of the variety of types of international business and then proceeds to discuss why a firm may decide to operate abroad. The firm which has decided to operate internationally faces an environment vastly different and more

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complex than the domestic environment: the manifold facets of the international environment are characterized in the next section of the paper. This is followed by a summation of the possible functional and dysfunctional contribution to the economies which can be made by international commercial activities. Finally, the paper examines the potentials for and limits to growth of international business. Throughout the paper the multinational corporation receives special attention.

II. Types of International Business

International business includes any type of commercial activity which involves crossing national boundaries. Tangible movements of goods and services, personnel, capital and productive facilities, as well as financial transactions and other less tangible flows of technology are all a part of international business.

International business is not a new phenomenon. It has existed since the emergence of the nation state when foreign trade, the most basic form of international business, appeared. Since that time many other types of international business have developed. Various ways in which businesses conduct their international commercial activities will be discussed in the following paragraphs.

The most basic type of international business is exporting and importing. Activities in this category consist of the mere purchase/sale of goods and services for a fee. Exporting and importing may be direct or through the use of export trading houses, institutions which export for the home manufacturer on a commission basis. Alternatively, firms wishing to export may employ an agent, a resident of the foreign market who will solicit orders and is paid on a commission basis. Companies seeking a more direct interface with the foreign market to which they are exporting may use a company employee to represent goods to industrial and consumer buyers abroad. Such an employee is known as an international salesman. When the scale of exporting becomes large or when the good or service being exported requires extended servicing, companies may consider it judicious to further implant themselves in the foreign market via the establishment of a foreign sales office.⁽¹⁾

A second major type of international business is portfolio investment in a foreign

(1) James Livingstone, *The International Enterprises* (New York: John Wiley, 1975) p. 68.

country. By definition this is the purchase of stocks of a foreign company or bonds issued by agencies (either public or private) of a foreign government.⁽²⁾

A third major category of international business is licensing. Licensing refers to the sale of the right to use a company's processes, trademarks, patents or other knowledge. For firms who specialize in research and development and not production, or who wish to continue to innovate or earn a return off "old" proprietary knowledge, licensing is a particularly viable option. Also, in certain industries, notably defense and other strategic products, foreign governments may insist on a licensing arrangement. In addition, some economic politic environments, namely centrally planned economies, which prohibit foreign direct investment, will allow licensing as a means of technology transfer.⁽³⁾

The fourth group of international business activities consists of contracting and turnkey projects. A turnkey project is an arrangement whereby a local enterprise or government commissions a foreign firm to construct a plant or other facility. The foreign firm has responsibility for the project up until a prearranged point (i.e., when the production comes "on line") at which time the facility is turned over to the local group. Similarly, a contract arrangement refers to the same type of operation only on a smaller scale.⁽⁴⁾

The types of international business discussed thus far may be characterized as requiring only a minimal amount of managerial effort within the foreign country. The degree of managerial commitment to, involvement in, and control over foreign operation is far greater in the type of international commercial activities described below, which as a group may be referred to as foreign direct investment(FDI).

FDI entails the whole or part ownership and control of a service or productive facility which operates in a foreign land. When total ownership is in the hands of the investing firm, the operation is referred to as "wholly owned". Joint ventures, on the other hand, designate activities where ownership and control is shared with a local partner, either the local government, a local firm, or a local individual. The gamut of specific operations which could be provided via the operations of a wholly owned subsidiary or a joint venture project is unlimited and includes the following: (1) production in mining, petroleum, agriculture or manufacturing: (2) services such as cons-

(2) Richard Farmer and Barry Richman, *International Business: An Operational Theory* (Homewood, Illinois: Richard D. Irwin, 1966), p.20.

(3) Livingstone, p.77.

(4) Farmer and Richman, p.21.

truction, hotels, business consulting, retailing, wholesaling, air and ocean transportation and communications: (3) financial activities such as investment banking, insurance, securities and mutual funds.⁽⁵⁾

FDI is not a new occurrence. In fact more traditional forms, in particular extractive and raw material operations, date back to the colonial and imperial periods in world history.⁽⁶⁾ However, it was not until the 1950's and especially the 1960's that, led by U.S. companies, tremendous expansion in FDI in all areas of business took place.⁽⁷⁾ This unparalleled growth has given rise to a relatively new organizational form, the multinational corporation (MNC).

III. The Multinational Corporation (MNC)

The term MNC is widely used to refer to an important subset of business entities involved in international business. Although the epithet has become almost a household word, there is no general agreement as to the criteria which distinguish a MNC from a company which is involved in some aspect or area of international business. Aharoni in his article, "On the Definition of a Multinational Corporation", reviews the various ways in which scholars have attempted to parameterize MNCs.⁽⁸⁾ He criticizes traditional measures such as structural criteria (number of foreign operations, composition of ownership, nationality of top management, organizational structure) performance criteria (foreign assets ratio, sales abroad, foreign earnings, number of foreign employees), and behavioral criteria (orientation of top management) for their lack of correlation with one another and for their inability to accommodate the heterogeneity of the MNC phenomenon. As an alternative, Aharoni suggests a definitional approach in which a MNC is defined as the headquarters of a group of corporations (cluster) each created in a separate country of operation. Within this general definition Aharoni taxonomized the

(5) S. Robock and K. Simmons, *International Business and Multinational Enterprises* (Homewood Illinois: Richard D. Irwin, 1973), p. 6.

(6) Richard Robinson, *International Business Policy* (New York: Holt Rinehart and Winston, 1964), p. 15.

(7) Bargsten, Horst and Moran, *American Multinational and American Interests* (Washington, D. C.: Brookings Institute, 1978), pp. 9-10.

(8) Yair Aharoni, "On the Definition of a Multinational Corporation", in *The Multinational Enterprise in Transition*, edited by Kapoor and Grub, (Princeton, New Jersey: Darwin Press, 1972).

individual MNCs by activity, size and area of operation. Exhibit A outlines the basic points of this author's characterization and presents a three dimensional matrix representation of his MNC classification scheme.

EXHIBIT A

1. Concept

World-wide Corporation: registered in several countries where it does business but retains one corporate identity. (no such corporation exists)

Multinational Cluster: a group of corporations, each created in the country of operation but controlled by one head quarter.

Multinational Corporation: the headquarter of a multinational cluster

2. MNC by Operation

Exporters: control a multinational cluster, the only purpose of which is to sell and service products manufactured by the corporation

Importers: control a multinational cluster involved in mining operation whose function is to feed raw materials to the corporation

Transporters:

Petrol:

Manufacturers: control a multinational cluster of manufacturing or assembly plants

Traders: control a multinational cluster whose main function is trading in various countries

3. MNC by Size

MNC by Area (Regional of Multiregional)

Exporters

Importers

Transporters

Petrol

Manufacturers

Trades

Source: Aharoni, "On the definition of the multinational corporations", in *The Multinational Enterprise in Transition*

H. Perlmutter has considered the question of multinationality from an evolutionary-attitudinal perspective.⁽⁹⁾ According to him, the characteristic which determines the multinationality of a firm is the attitude held by the commanding heights of management. There are four basic attitudinal stages. At the ethnocentric stage (first stage) home national performance criteria and individuals dominate the firm. A company in the polycentric stage (second stage) is loosely organized and management feels it is best to let local individuals run local operations in the local fashion. Third stage orientation is the regiocentric approach. Finally, the corporation in the geocentric stage (fourth stage) adopts a world wide approach to business and does not equate nationality with superiority. Perlmutter proposes that firms which have operations worlds wide will pass through each of these stages on the route to becoming a true multinational firm. Following is the summary of Perlmutter's four types of multinational orientation. (Table 1) Although intuitively appealing, Perlmutter's schema may be criticized on two issues. First of all it would be extremely difficult to objectively assess into which of the four stages a given firm should be placed and second, geocentrism is more of an ideal than "a reflection of present conditions".⁽¹⁰⁾

Despite this inability to pinpoint the precise instant at which a firm operating abroad becomes a multinational, it is quite clear that an increasingly large number of firms are adopting international profiles and increasing the scope of, and commitment to international operations. This is a noteworthy occurrence since activities of such firms and activities of other firms engaged in international business have national and international economic implications. Before considering these effects and contributions this paper will discuss (1) why firms decide to operate abroad, and (2) the environment faced by firms in international business.

IV. Why Firms Decide to Operate Abroad

A. Overseas Expansion and Growth

According to Jack Behrman, "the primary stimulus which causes a business to

(9) Howard Perlmutter, "The Tortuous Evolution of the Multinational Corporation", in *The Multinational Enterprise in Transition*, edited by Kapoor and Grub (Princeton, New Jerwin Press, 1972)

(10) Livingstone, p.17.

Table 1. Four Types of Headquarters Orientation toward Subsidiaries in a Multinational Enterprise

Aspects of the Enterprise	Orientation		
	Ethnocentric	Polycentric	Regiocentric
Complexity of organization	Complex in home country, simple in subsidiaries	Varied and independent	Highly interdependent on a regional basis
Authority; decision making	High in headquarters	Relatively low in headquarters	High regional headquarters and/or high collaboration among subsidiaries
Evaluation and control	Home standards applied for persons and performance	Determined locally	Determined regionally
Rewards and punishments; incentives	High in headquarters; low in subsidiaries	Wide variation; can be high or low rewards for subsidiary performance	Rewards for contribution to regional objectives
Communication; information flow	High volume of orders, commands, advice to subsidiaries	Little to and from headquarters; little among subsidiaries	Little to and from corporate headquarters, but may be high to and from regional headquarters and among countries
Geographical identification	Nationality of owner	Nationality of host country	Regional company
Perpetuation (recruiting, staffing, development)	People of home country developed for key positions everywhere in the world	People of local nationality developed for key positions in their own country	Regional people developed for key positions anywhere in the region
			Truly worldwide company, but identifying with national interests
			Best people everywhere in the world developed for key positions everywhere in the world

Source: Heenan, D and Perlmutter, Howard, *Multinational Organization Development*, 1979

expand abroad is the desire for growth".⁽¹¹⁾ This reflects the norm, generally accepted in business circles, that to stand still is to go under. Hence, firms that have reached a plateau in their domestic growth (a limit imposed by competition, anti-trust regulation, exorbitant cost of an increase in home market-share, or a slowdown in growth of the home market itself) and who find themselves in possession of underemployed resources (managerial, financial, capital, or technical), may begin to look overseas for suitable markets in which to invest.⁽¹²⁾ Investment overseas may also be in response to growing demands in the home market for a product which may be obtained or produced less expensively abroad (the search for lower factor prices). The heavy influx of U.S. FDI into Canada is an example of this growth related motive.⁽¹³⁾

B. Overseas Expansion-The Defensive Move

According to Raymond Vernon, "there is considerable evidence that many investment decisions of multinational enterprises have been stimulated not by the desire for bold initiatives aimed at exploiting some perceived advantage in organizational skill or technical information, but by a much more defensive consideration".⁽¹⁴⁾ Defensive considerations would include the desire to protect or preserve an existing market which could no longer be served by simple exporting. Such a situation could arise due to the establishment of a new tariff or new non-tariff barriers, the fear that a local or foreign competitor will begin local production to meet demand, customer demands for local service, increased transportation costs, difficulties with agents and licensees, desire to protect patents, foreign legislation promoting import substitution, and the need to protect or guarantee raw materials or other inputs.⁽¹⁵⁾ One final defensive motivation is the so called "Band wagon effect". This term refers to the follow-the leader type of behavior especially, but not exclusively, characteristic of oligopolistic industries. If one firm goes abroad the others are likely to follow so as not to miss out on a possible profitable opportunity.

(11) Jack Behrman, *Some Patterns in the Rise of the Multinational Enterprise*. (Chapel Hill: Graduate School of Business Administration, 1969), p.8

(12) Brooke and Remmers, *The Strategy of the Multinational Enterprises*. (London: Longman, 1973), pp.159~179.

(13) Behrman, *Some Patterns in the Rise of the Multinational Enterprise*, p.12

(14) Raymond Vernon, "The Future of the Multinational Corporation", in *The International Corporation*, edited by Kindleberger (Cambridge, Massachusetts: MIT Press, 1972) p.377

(15) Brooke and Remmers, p.162.

C. Other Pressures for Foreign Investment and The Corporate Viewpoint.

Other motives for business expansion include (1) government incentives in the form of tax incentives, cheap loans, or other special concessions, (2) requests for investment by other businesses and (3) intracompany pressures.

A study by Brooke and Remmers questioned 100 companies to ascertain what executives perceived as the reasons underlying their firm's decision to go abroad. The establishment or lowering of tariff barriers, high transportation costs, difficulties with agents and licensees, and the "need to go international when competitors, suppliers, or customers do" were the most frequently given responses. The results of this investigation are summarized in the appendix.

D. Theoretical Explanations of Overseas Expansion

There are numerous theories which seek to explain the development and patterns of foreign direct investment. Buckley and Casson in their book "The Future of the Multinational Enterprise" indentify the major theoretical explanations: the Hymer-Kindleberger theory, Aliber's currency-area theory, Cave's product differentiation theory, the theory of excess managerial capacity, Vernon's product life-cycle theory, Kinckerbocker's oligopolistic theory, Aharoni's behavioral theory and finally the risk diversification theory.⁽¹⁶⁾

Table 2 highlights the main features of each of these explanations and in addition makes some critical remarks pertaining to each theory. It is important to note that no one theory has as yet been able to accomodate all the features of foreign direct investment.

V. The Environment of International Business

International business transpires under a set of conditions vastly different and more complex than those relevant to a domestic company. In international business these special conditions are referred to as the international environment. The international environment can be divided into three major subsets: the legal-political environment,

(16) Buckley and Casson, *The Future of the Multinational Enterprise* (London: McMillan Press, 1976)p. 66~84.

Table 2—Theories of Foreign Direct Investment

Theory	Fundamental Tenets of Theory	Critique
Hymer-Kindleberger Theory	Foreign firms possess advantages which allow them to compete successfully against indigenous firms. Firm-specific advantages are emphasized, and include brand name, marketing skills, patents, other proprietary knowledge, financial resources, managerial skill, economies of scale, and economies of vertical integration.	Doesn't explain timing or structure of FDI
Aliber's Currency-Area Theory	World is divided into currency areas(CA) and there is a bias in the market's estimate of exchange risk. Bias in evaluation of exchange risk determines whether a country is likely to be home or host to FDI	1. Doesn't explain reverse investment 2. CA may be more sophisticated
Cave's Diversification Theory	MNCs have advantage because they can capitalize on product diversification ability: can diversify single product over different regions, or may differentiate many products over a single geographic area	Doesn't explain structure of FDI
Theory of Excess Managerial Capacity	Firms which have an excess of managerial capacity and which are unable to use this expertise in domestic market may look abroad for opportunities	Other resources are needed as well
Vernon's Product Life Cycle Theory	At various phases of a product's life production in various places is most advantageous Phase I: produce at home new product. Phase II: domestic competition prompts exporting Phase III: may make strategic move to produce abroad.	No allowance for global perspective of MNCs. Products may be developed in non-industrial nations.
Aharoni's Behavioralistic Model	Management personnel investigating FDI may become committed to the move abroad. Their reports and recommendations will reflect this bias. By the time information for final decision reaches top management, it is highly colored in favor of FDI.	Analysis may not apply to firms with extensive FDI experience
Knickerbocker's Oligopolistic Theory	Timing of FDI is determined largely by reaction to competitors' investing. Empirical data of FDI of 187 large U.S. MNCs showed that bunching in time of FDI was greater the more oligopolistic the industry (*note: this is similar in concept to Vernon Product-Life Cycle, Phase II, but in this writer's mind a more definite statement)	Oligopolistic firms may share some other advantage which make FDI promising for them, besides size.
Portfolio Theory of FDI	Investment abroad is prompted by belief that product and geographic diversification minimize risk.	This type of risk reducing strategy is imbedded with other type of risks. Overall risk probably not reduced.

Source: Buckley and Casson, "The Future of the Multinational Enterprise," pp. 66~84.

the economic environment and the cultural (educational and sociological) environment.

A. The Legal Political Environment

The legal-political environment of international business arises because of the existence of nation states, each of which operates within a distinct legal and political framework. Important aspects of the legal and political environment in a given country that would be relevant to a firm operating within that country include: (1) the political organization, ideology, and stability: (2) legal rules for foreign business: (3) export-import restrictions: (4) foreign investment restrictions, (5) the defense and foreign policies of the country: (6) foreign exchange restrictions.⁽¹⁷⁾ It is also feasible to break the legal-political environment into two control areas: controls with respect to movements across national boundaries (including movements of personnel, currency, profits, goods, and capital investment) and controls with respect to operations within a country.⁽¹⁸⁾ The latter set of controls could give rise to the following types of problems: the necessity of conducting day to day business and accounting in a foreign currency, difficulties of being subject to more than one legal system, having to operate under unfamiliar legal rules, and possibly, the problems created by conflicting loyalties.⁽¹⁹⁾ In addition to the above, the legal-political aspect of the international environment includes any applicable international convention, regulations, etc.

B. The Economic Environment

The economic environment of the international enterprise consists of all the economic characteristics of the individual nations in which the firm operates. The most pervasive aspect of the economic environment is the level of economic development in a given nation. The level of economic development refers to "how far along an economy has moved from primitive agriculture and handicraft toward an integrated complex involving all kinds of industry—domestic agriculture, export agriculture, mining, petroleum, manufacturing, transportation, public utilities, service industries—that are not excluded by the limitations of the country's natural endowments"⁽²⁰⁾ The infrastructure (support

(17) Farmer and Richman, p.98.

(18) Ray Blough, *International Business: Environment and Adaptation* (New York: McGraw Hill, 1966), p. 26.

(19) *Ibid.*, p. 27.

(20) *Ibid.*, p. 32.

services), central banking system, fiscal system, balance of payments situation, organization of capital markets, market size, factor endowment, economic growth and growth stability, international trade patterns, and membership and commitments to international financial organizations are all elements of the economic situation in a country which are highly relevant to international business operations.⁽²¹⁾

C. The Cultural (Socio-Educational) Environment

A firm involved in international business must consider as part of its environment all the cultural traits of the nations within which the firm conducts activities. A peoples' attitudes concerning work, compensation and leisure, progress, religion, personal relations, time, industrial discipline, honesty, authority, and foreigners will impact upon a foreign firm operating locally.⁽²²⁾ The international cultural environment is also shaped by certain nation educational variables: level of literacy, degree of skill and management training, percent of population receiving higher education, attitude toward education, and the appropriateness of education.⁽²³⁾ The structure of the society itself (social stratification and class system) and the importance of various social institutions (tribe and family for example) also contribute to the cultural environment.⁽²⁴⁾ A cultural variable which is critically important and which will be given extensive treatment below is the-existence of national ideology and the degree to which nationalism is a driving within the country.⁽²⁵⁾

VI. The Contributions of International Business to the Economies

The impact of international business (especially in the form of the MNC) upon national economies (home and host) is a center of much controversy: both proponents and opponents loudly articulate their respective views on the positive/negative effects of international business. Neither of these extreme views should be accepted as correct for all cases. An assessment of the role of international business in promoting or res-

(21) Farmer and Richman. pp.98~99.

(22) Blough, p. 45.

(23) Farmer and Richman, p. 76.

(24) Blough, pp.39~41.

(25) Farmer and Richman, p.27.

tricting economic growth requires a case by case situation dependent analysis. The gamut of possible effects is quite wide. Exhibit B recounts the variety of dysfunctional and functional effects of international business upon economies. Both host and home economies have been considered, and in addition special emphasis has been placed on the possible economic impact of activities of the multinational corporation.

EXHIBIT B

Possible Functional Contributions to Host Economy

1. Importing makes goods available, and the international business activities help meet national security goals, can stimulate competition, support local effort to industrialize, and are a source of government revenues.
2. Exports increase economies of scale, reduce costs for domestic markets, earn foreign exchange, and generate tax revenues.
3. MNC can mobilize external capital, management skills, technological know-how, and bring these elements to the country.
4. MNC can supply missing factor necessary to fully utilize existing resources, and can supply new jobs.
5. Entrepreneurial experience of local managers can be enlarged and the training could be supplied by MNC.
6. New foreign markets and demand for local goods could be opened up by MNC.
7. MNC stimulates local competition and can be a strong force for modernization and change.
8. MNC can increase trade.

Possible Functional Contributions to Home Economy

1. Importing makes goods available, and the international business activities help meet national security goals, can stimulate competition, support local effort to industrialize, and are a source of government revenues.
2. Exports increase economies of scale, reduce costs for domestic markets, earn foreign exchange, and generate tax revenues.
3. MNC can develop needed sources of raw materials.
4. MNC can stimulate demand for home country of components or raw materials and in turn increase home country employment.
5. MNC can generate return flows of income on foreign investment and contribute to

home country's BOP position.

6. MNC can raise government tax revenues.
7. Sale of technology and management services can generate foreign exchange and tax revenues for home country.

Possible Dysfunctional Contributions to Host Economy

1. If FDI is high and FDI reinvest earnings in country, future investment and growth in nation can be dependent upon MNC decisions.
2. MNC may be able to evade intent of host's monetary policies and hurt growth.
3. MNC manipulation of transfer prices can reduce government's tax revenues, tariff revenues and BOP surplus (or worsen deficit)
4. If MNC investment strategies are not consistent with investment plans of host country (i.e., regional development or promotion of indigeneous entrepreneurship) effect can be dysfunctional.
5. Proliferation of subsidy companies in a national economy can produce structural shortcomings in the economy (mergers between subsidiaries may be forbidden by parents and no large firms will develop)
6. Barriers to entry established by MNC may prevent growth of local industry. MNC may destroy local competition.
7. MNCs may siltify national industrial centers of initiative and managerial dynamism and destroy creative and technocratic elite-can eliminate local R & D and lead to technological dominance by foreign company.
8. MNCs may require exorbitant price for the technology they transfer.
9. MNCs may employ wrong (according to gov't wishes) people or draw workers from other jobs and not from the ranks of the unemployed.
10. High wages paid by MNCs may cause labor unrest in other sectors or plants in the country.

Possible Dysfunctional Contributions to Home Economy

1. It takes investment abroad.
2. It takes jobs abroad. (However, U.S. Tariff Commission and U.S. Commerce Commission studies report otherwise)
3. It may upset balance of payments position.

VII. Limits and Potentials for Growth (MNC's)

A. General Perspective

MNCs which for 30 years have been an important force in international economic activities are encountering hostility both at home and abroad. Many nations have qualified their welcome of the MNC and are evaluating more critically the activities and policies of MNCs.⁽²⁶⁾ According to Neil H. Jacoby this change in attitude from hospitality to hostility has three causes: ignorance, disparities between laws and practices of nations, and interpretation of investment agreements.⁽²⁷⁾ Ignorance and misunderstanding result from (1) the host government's conviction that MNCs are a new instrument of neocolonialism, (2) a mercantilist belief that MNCs are exploiters and that a gain for the MNC is a loss for either home or host nation, and (3) a resistance to change primarily within the ranks of the society's entrenched prosperous elements. Jacoby suggests education and publicity concerning the true impact and aspirations of MNCs to reduce conflict stemming from ignorance, differences in national laws and customs usually pertain to one of the following areas: accounting, taxation, competition, transfer pricing and codes of investment. To eliminate or mitigate conflicts in these areas international rules, standards and enforcement are needed. Finally, Jacoby proposes international arbitration by an unbiased official international institution to reduce friction arising from interpretation of investment agreements.

Other authors have singled out rising nationalism and challenges to local sovereignty as the primary cause of anti-MNC feelings. According to Brooke and Remmers "most countries oppose the increasing domination of key national industries by foreign firms and feel ... the growing internationalism of company executives has become out of step with local opinion."⁽²⁸⁾ Local governments fear not only loss of economic sovereignty as discussed above, but are also apprehensive about a loss of cultural sovereignty, coined "cocacolonization." This refers to the transmission of a foreign culture, lifestyle, norms

(26) Jack Behrman, "The Multinational in 1976 and After", in *Management of Multinationals*, edited by Sethi and Holton (New York: The Free Press, 1974).

(27) Neil Jacoby, "Multinational Corporations and National Sovereignty", in *Multinational Corporations and Governments: Business-Government Relations in an International Context*, edited by Boorman Schollhammer (New York: 1975), pp. 3~14.

(28) Brooke and Remmers, p. 234.

and attitude to a local environment via the MNCs' operations and products.⁽²⁹⁾ Nationalistic outcry against MNCs is not limited to host countries alone: home governments and populace criticize MNCs for exporting investment, capital and jobs and for worsening the balance of payments situation. Thus, there is increasing pressure at home and abroad to make the MNCs more responsive to local needs.

One reflection of the concern to make the MNCs more responsive to the national will is the effort in many nations to force local participation in ownership and control.⁽³⁰⁾ This may be facilitated through a number of specific measures including (1) listing of shares on local stock market, (2) appointment of local nationals to senior management and (3) the operation of local research and development programs.⁽³¹⁾ Joint ventures and partnership arrangements also reduce the power of the MNC in a particular location and force the corporation to be more country responsive. Finally, some nations may seek to promote MNC involvement in local development plans—either passively through approval or denial of MNC investment requests, or directly via integration of MNC operations in the implementation of national development plans.⁽³²⁾

B. Regional Perspective

Keegan has evaluated the limits and potentials of the MNC in five separate economic-political regions of the world: industrial and post industrial market economies, centrally planned economies (CPEs), third world resource rich, third world resource poor but with growth potential and third world resource poor and little growth potential.⁽³³⁾ In the first group the potentials for MNCs are excellent. Industrialized market economies recognize that to maintain their current high standards of living they must be committed to economic interdependence. Also because these countries serve as both home and host to FDI the governments are unlikely to embark upon anti-foreign based MNC campaigns for fear of retaliation against their own multinationals. In centrally planned economies the growth potential for MNC is limited by political and economic barriers, including

(29) Roy Mathews, "The Multinational Firm and the World of Tomorrow", in *The Multinational Firm and the Nation State*, edited by G. Paquet (Don Mills Ontario: Collier McMillan Canada, 1972) p.159.

(30) Behrman, "The Multinational in 1976 and After", p.17

(31) Brooke and Remmers, pp.235~240.

(32) Behrman, "The Multinational in 1976 and After", p.34

(33) Keegan, "The Future of the Multinational Manufacturing Enterprises", *Journal of International Business Studies*(July, 1978).

policies of regional autarchy state planning and inconvertible currencies. MNCs willing to engage in joint ventures have a better chance for success here. The potential for MNC development in third world resource rich nations is excellent in the short run. These nations need the technology offered by the MNC in order to exploit their national endowments. It is critical to remember that the long term potential in these countries is severely limited by the certain nationalistic outcry against foreign control of national resources once the productive facility is in operation. The fourth and fifth groups of nations have limited potential for attracting and supporting FDI. MNC opportunities are somewhat better in economies where some growth has already taken place (fourth group) but in both this and the last group the pressures of nationalism are unlikely to abate. Keegan concludes from examining these five groups of nations that countries must choose between policies promoting nationalism and economic autarchy and those in favor of interdependence and global industrial systems. The multinational firm will survive only if the latter alternative is chosen. To promote their continued existence MNCs must (1) articulate and share equitably the gains of multinationality and (2) be cognizant of home and host country environments and pressures and integrate their goals into the corporations' aspirations.

VIII. Conclusion

This paper is a general introduction of a summarized fashion to the topic of international business and the controversies surrounding international business activities. As such types of international business, the motives prompting international commercial involvement and the environment of international business are presented as background information. Next the paper focuses in more specifically on growth and examines both the contribution of international business to the economies and the limits to growth of international business itself. The interrelationship between international business and the economies are left to further studied in a significantly more detailed fashion.

Appendix

Motives for Foreign Operation

I. Defensive Strategies

- | | |
|---|-----|
| 1.1 Government action establishing or increasing | |
| (a) tariff barriers | A |
| (b) lowering of tariff barriers | B |
| (c) import controls | D |
| (d) anti-monopoly legislation | C |
| (e) legislation promoting import substitution | D |
| 1.2 Demand for local manufacture and problems of nationalism | C |
| 1.3 Transport costs and delays | A |
| 1.4 Difficulties with agents or licensees | A&B |
| 1.5 Troubles with after sales service and other technical difficulties abroad | C |
| 1.6 Need to protect patents | C |
| 1.7 Need to protect supplies of raw materials and components | C |
| 1.8 Need to go international when competitors, customers, or suppliers do so | B |
| 1.9 Need to protect shareholders at home from trade recessions by | |
| (a) geographic spread | C |
| (b) product group diversification which may involve geographic spread | D |

II. Aggressive Strategies

- | | |
|--|---|
| 2.1 Search for more profitable use of underemployed resources at home in | |
| (a) capital and equipment | C |
| (b) personnel | D |
| (c) know-how | C |
| 2.2 Search for lower factor costs | |
| (a) capital | C |
| (b) labor | C |
| (c) suppliers | D |
| 2.3 More effective use of opportunities by the development of | |
| global plans and strategies | C |
| 2.4 Access to foreign knowledge or methods | D |

2.5 The need to expand when this can only be done abroad	E
III. Other Pressures	
3.1 Influence of governments via	
(a) general encouragement of FDI	D
(b) tax concessions	D
(c) cheap loans	D
(d) grants or guarantees	D
3.2 Influence of other companies	C
3.3 Internal company pressure from interest groups	C

KEY: 100 companies were surveyed.

A: virtually everyone answered that this was a motive

B: great than 50

C: fewer than 50 but greater than 2

D: 1 or 2 firms only

E: only in literature.

Source: Brooke and Remmers, *The Strategy of the Multinational Enterprise*, p.162.

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國 文 抄 錄

本稿의 목적은 國際經營에 관한 제반 理論을 살펴보고 國際企業活動에 영향을 미치는 環境要因의 분석을 통하여 국제 경영활동, 특히 다국적 기업의 활동이 本國 및 現地國 經濟에 어떠한 영향을 미치는가에 대한 여러 가지 論難을 學術적으로 整理하고자 함에 있다. 따라서 本稿에서는 實證的인 資料는 사용하지 않았으며 文獻研究를 중심으로 논점을 정리하는 방식을 취하였다.

本稿는 일곱개의 章으로 구성되어 있다. 第二章은 국제경영활동의 여러 가지 형태, 특히 海外直接投資를 통한 國際企業의 활동을 전반적으로 다루고 있고, 第三章에서는 그중에서도 특히 많은 논란의 대상이 되고 있는 多國籍 企業의 문제를 집중적으로 논의하였다. 第四章에서는 이상의 海外直接投資, 海外生産, 海外販賣 등을 설명하는 제반 國際經營理論을 종합하였으며 第五章에서는 국제경영활동에 영향을 미치는 環境要因을 요약하였다. 第六章에서는 국제기업활동이 本國 및 現地國 經濟에 미치는 여러 가지 영향을 요약하여 一括하였으며 마지막으로 第七章에서는 향후 國際經營의 展望과 限界에 대하여 論하였다.

國際企業, 특히 다국적 기업 활동의 여러 가지 功過에 대하여는 학술적으로나 실제적으로 많은 논란이 있음이 사실이다. 우리나라에서는 최근까지 주로 資本受惠國의 입장에서 다국적 기업활동에 대하여 一見 批判的인 태도를 견지하여 왔다고 할 수 있다. 즉 다국적 기업 활동이 國民經濟에 끼친 영향을 客觀적으로 評價하기 보다는 이들이 國內 企業과 經濟에 얼마나 不正的인 영향을 미쳤는가 하는 측면에 초점을 맞추고 研究가 이루어져 왔다고 할 수 있는바, 이러한 研究態度는 從屬理論 등에 의하여 뒷받침 됨으로써 상당한 설득력을 갖기도 하였다.

그러나 우리나라 企業의 國際化가 加速化 되어가는 최근의 추세를 볼 때 이제는 우리도 國際企業活動의 功過에 관하여 보다 더 客觀的인 태도를 취하여야 할 필요성이 있다고 본다. 우리나라 企業이 우리의 資本으로 海外投資—生産—販賣의 국제기업활동을 하는 局面에서, 이러한 活動이 國민 經濟에는 어떠한 영향을 미치며 또한 現地國 經濟에는 어떠한 영향을 미치게 될 것인가를 엄밀하게 검토할 수 있어야 한다.

以上の 主題에 관한 客觀的인 研究의 集積은 韓國企業의 國際化에 관한 研究 및 우리나라 企業의 국제경영활동을 理論的 側面과 戰略的 側面에서 支援하는 우리나라 國際經營學의 規範的 研究에 대한 學問的 要求에 一助를 담당할 수 있게 될 것이다.

이러한 노력의 일환으로 本稿에서는 국제경영활동의 功過에 관한 여러 가지 논란을 一括하여 學理的으로 整理하고자 시도하였다. 이상의 항목이 각각 앞으로 個別 事例에 따라 實證的인 檢證을 거쳐야 할 것임은 勿論이다.

