Multinational Corporations

Multinational corporate behavior has affected global perceptions of the United States for better or worse. It has caused societies to weigh the cultural, technological, and economic benefits against the price paid by those societies.

U.S. multinational corporations operating overseas and overseas multinational corporations operating in the United States both have shaped global perspectives of the United States. The comparison of social benefits with the social costs of the investment from specific nations' multinational corporations, as opposed to other sources of investment, and the ways in which these social benefits and costs have been strategically and politically constructed all contribute to shaping these perspectives. Although a range of social benefits and costs has been discussed in the media and in literature, the deciding factors include: (1) cultural effects in terms of diversity and multiculturalism (benefits) versus hegemony (costs), (2) technological effects in terms of enhancing the capability of the local nation (benefits) versus hollowing out the technological base to competing nations (costs), and (3) economic effects in terms of the substitution (costs) or complementation (benefits) of employment, income, resource allocation, and growth.

Cultural versus Technological and Economic Effects

In general, technological and economic effects of U.S. multinationals have been perceived more positively by global societies than have their cultural effects. For instance, in the 1950s the generosity of U.S. firms, such as General Electric, in transferring technology under the umbrella of the Marshall Plan were greatly appreciated in western Europe and generated a dramatic economic reconstruction and revival of the local economies. During the 1960s a significant rise in U.S. multinational activity produced considerable social and political discomfort in western Europe. Americans were perceived to be taking over local economies and imposing their culture. National governments, as in France, sought to promote local companies and investments in order to contain the monocultural U.S. influence, which was condemned for its "Coca-Colanization" of Europe.

Maximizing Technological and Economic Gains

Historically, societies globally sought to minimize the cultural costs of U.S. multinationals. Japan executed a policy—which was prevalent in many economically underdeveloped nations—with particular finesse. In addition to restricting U.S. multinational investments in Japan during the 1970s, the Japanese government nurtured a policy of encouraging Japanese companies within the same industry—such as consumer electronics—to seek technological collaborations with leading U.S. corporations. The government sponsored consortia, then facilitated sharing knowledge from U.S. firms among the Japanese firms with a view to developing a robust technological platform that would outsmart technological offerings of U.S. firms competing independently. By the late 1970s Japanese exports to the United States were booming, thereby hurting domestic sales of U.S. multinational firms and worsening the trade deficit of the United States. The U.S. government sought to contain the damage by negotiating voluntary export restraints with the Japanese government, which in turn imposed restraints on the exports of Japanese companies, such as in the auto industry.

To offset the export restraints, during the 1980s Japanese multinationals reluctantly began investing in the United States and in the process even encouraged their domestic vendors to invest in the United States to assure just-in-time deliveries. These multinationals believed the productivity of the investments in the United States to be subpar because of the high cost and inflexibility associated with U.S. labor and lack of adequate appreciation for zero defects and zero wastage in the United States.

As Japanese multinationals criticized the U.S. restrictions as a move away from free trade, they also sensed concern in the United States about the rapid expansion of Japanese multinational investments in the United States and the associated increase in the imports of intermediate inputs and technology, translating into a rising trade deficit.

By the late 1980s and early 1990s Japanese multinationals were beginning to guard their bases by developing linkages with U.S. suppliers. They found the advanced technological base of U.S. suppliers distinctly useful to graduate up, for instance, from an earlier Japanese focus on low-end compact cars to high-end luxury cars. Japanese multinationals announced plans for increased investments in the United States, even as their own domestic operations and domestic market were dropping into doldrums.

Simultaneously, Japanese commentators began talking about the "borderless world" (Ohmae 1990). They questioned the prudence of identifying multinationals with their home nations when

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