

## INFORMATION TO USERS

This reproduction was made from a copy of a document sent to us for microfilming. While the most advanced technology has been used to photograph and reproduce this document, the quality of the reproduction is heavily dependent upon the quality of the material submitted.

The following explanation of techniques is provided to help clarify markings or notations which may appear on this reproduction.

1. The sign or "target" for pages apparently lacking from the document photographed is "Missing Page(s)". If it was possible to obtain the missing page(s) or section, they are spliced into the film along with adjacent pages. This may have necessitated cutting through an image and duplicating adjacent pages to assure complete continuity.
2. When an image on the film is obliterated with a round black mark, it is an indication of either blurred copy because of movement during exposure, duplicate copy, or copyrighted materials that should not have been filmed. For blurred pages, a good image of the page can be found in the adjacent frame. If copyrighted materials were deleted, a target note will appear listing the pages in the adjacent frame.
3. When a map, drawing or chart, etc., is part of the material being photographed, a definite method of "sectioning" the material has been followed. It is customary to begin filming at the upper left hand corner of a large sheet and to continue from left to right in equal sections with small overlaps. If necessary, sectioning is continued again—beginning below the first row and continuing on until complete.
4. For illustrations that cannot be satisfactorily reproduced by xerographic means, photographic prints can be purchased at additional cost and inserted into your xerographic copy. These prints are available upon request from the Dissertations Customer Services Department.
5. Some pages in any document may have indistinct print. In all cases the best available copy has been filmed.

**University  
Microfilms  
International**  
300 N. Zeeb Road  
Ann Arbor, MI 48106

PREVIEW

8109981

Dashti, Ahmad Yousif

ATTITUDES OF STATES' ECONOMIC AND INDUSTRIAL DEVELOPMENT  
ADVISORS TOWARD FOREIGN INVESTMENTS

The University of Nebraska-Lincoln

Ph.D. 1980

University  
Microfilms  
International

300 N. Zeeb Road, Ann Arbor, MI 48106

Copyright 1981

by

Dashti, Ahmad Yousif

All Rights Reserved

PREVIEW

PREVIEW

**PLEASE NOTE:**

In all cases this material has been filmed in the best possible way from the available copy. Problems encountered with this document have been identified here with a check mark ✓.

1. Glossy photographs or pages \_\_\_\_\_
2. Colored illustrations, paper or print \_\_\_\_\_
3. Photographs with dark background \_\_\_\_\_
4. Illustrations are poor copy \_\_\_\_\_
5. Pages with black marks, not original copy \_\_\_\_\_
6. Print shows through as there is text on both sides of page \_\_\_\_\_
7. Indistinct, broken or small print on several pages ✓ \_\_\_\_\_
8. Print exceeds margin requirements \_\_\_\_\_
9. Tightly bound copy with print lost in spine \_\_\_\_\_
10. Computer printout pages with indistinct print \_\_\_\_\_
11. Page(s) \_\_\_\_\_ lacking when material received, and not available from school or author.
12. Page(s) 69 seem to be missing in numbering only as text follows.
13. Two pages numbered \_\_\_\_\_. Text follows.
14. Curling and wrinkled pages \_\_\_\_\_
15. Dissertation contains pages with print at a slant, filmed as received \_\_\_\_\_
16. Other \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

University  
Microfilms  
International

PREVIEW

**ATTITUDES OF STATES' ECONOMIC AND INDUSTRIAL  
DÉVELOPMENT ADVISORS TOWARD  
FOREIGN INVESTMENTS**

**by**

**Ahmad Y. Dashti**

**A DISSERTATION**

**Presented to the Faculty of**

**The Graduate College in the University of Nebraska**

**In Partial Fulfillment of Requirements**

**For the Degree of Doctor of Philosophy**

**Interdepartmental Area of Business (Marketing)**

**Under the Supervision of Professor John J. Brasch**

**Lincoln, Nebraska**

**December, 1980**

**TITLE**

~~ATTITUDES OF STATES' ECONOMIC AND INDUSTRIAL DEVELOP-~~  
~~MENT ADVISORS TOWARD FOREIGN INVESTMENTS~~

**BY**

Ahmad Yousif Dashti

**APPROVED**

**DATE**

Dr. John J. Brasch

November 5, 1980

Dr. Keith L. Broman

November 5, 1980

Dr. Delton L. Chesser

November 5, 1980

Dr. C. K. Walter

November 5, 1980

**SUPERVISORY COMMITTEE**

**GRADUATE COLLEGE**

**UNIVERSITY OF NEBRASKA**



## ACKNOWLEDGMENTS

The author wishes to express appreciation to the following persons whose cooperation has greatly aided in the successful completion of this study:

To the Chairman of my entire doctoral program, Dr. Jonn J. Brasch for his invaluable guidance and also his assurances and encouragement throughout this work;

To Dr. Keith Broman, Dr. Delton L. Chesser, and Dr. C. K. Walter, for their continual suggestions and intellectual stimulation that helped me proceed on right lines which fostered the development of this research;

To Mr. C. L. Elliott, of Nebraska State Economic Development Department, for his help in compiling the mailing list and worth while suggestions in the beginning of my research work.

Finally, I wish to express my deepest appreciation to my family in Kuwait for their continuous understanding, patience, and encouragement during my stay in the United States.

## TABLE OF CONTENTS

CHAPTER	PAGE
I. INTRODUCTION . . . . .	1
BACKGROUND. . . . .	1
Foreign Investment: The Evolving National Concern . . .	1
The International Scene . . . . .	4
Host Country Responses to Foreign Investment. . . . .	6
Developing Countries . . . . .	6
Advanced Countries . . . . .	7
PROBLEM AREA . . . . .	8
STATEMENT OF THE PURPOSE. . . . .	11
Definition of Terms . . . . .	11
SIGNIFICANCE OF THE STUDY . . . . .	13
SCOPE AND LIMITATIONS OF THE STUDY . . . . .	14
ORGANIZATION OF THE STUDY . . . . .	16
II. THEORETICAL FRAMEWORK . . . . .	17
INTRODUCTION . . . . .	17
Part I	
Attitudes: An Overview . . . . .	17
Components of Attitudes . . . . .	19
Source of Attitudes . . . . .	20
Attitudes and Its Relationship with Other Concepts .	22
Opinion . . . . .	22
Belief . . . . .	23
Prejudice . . . . .	25
Stereotypes . . . . .	27
Ethnocentrism . . . . .	29

CHAPTER	PAGE
Consistency of Attitude Components . . . . .	30
Measurement of Attitudes . . . . .	33
Rosenberg's Instrumentality-Value Model . . . . .	33
Fishbein's Cognitive Consistency Model . . . . .	35
Part II	
Previous Research in the Area of Attitudes Toward Foreign Investments . . . . .	36
1) General Observations . . . . .	37
2) American Perceptions of Foreign Investment . . . . .	38
3) Empirical Research on Attitudes . . . . .	39
4) Empirical Research In the Area of International Marketing . . . . .	42
Summary and Evaluations . . . . .	42
III. HYPOTHESES . . . . .	44
Research Hypotheses . . . . .	49
Hypothesis I . . . . .	49
Hypothesis II . . . . .	49
Hypothesis III. . . . .	50
Hypothesis IV. . . . .	50
Hypothesis V . . . . .	50
IV. RESEARCH DESIGN . . . . .	51
Selection of Attitude Attributes . . . . .	52
Selection of Countries . . . . .	53
Selection of Types of Foreign Business Operations . . . . .	56
Selection of Foreign Investors' Forms of Ownership and Methods of Entry into the U.S . . . . .	58
Subjects for the Study . . . . .	58

CHAPTER	PAGE
Data Instrument . . . . .	62
Instrument Development . . . . .	62
Final Form of the Research Instrument . . . . .	64
Section I: National Origin of Investments . . . . .	65
Section II: Types of Business Operations . . . . .	67
Section III: The Extent of Ownership and Method of Entry . . . . .	68
Section IV: Demographic Data Sheet . . . . .	70
Method of Data Analysis . . . . .	71
Testing Hypotheses. . . . .	71
V. STATISTICAL ANALYSES AND FINDINGS . . . . .	73
PART I . . . . .	74
Hypothesis I . . . . .	74
Measurement of the Means of the "Overall Attitude: Items . . . . .	75
Measurement of the Means of the Specific Attitudinal Items . . . . .	78
Refinement of the Analysis. . . . .	84
Investment from England . . . . .	84
Investment from Germany . . . . .	88
Investment from Holland . . . . .	91
Investment from Japan . . . . .	94
Investment from Arabia. . . . .	97
PART II . . . . .	102
Hypothesis II . . . . .	102
Attitudes Toward Farm Investments . . . . .	109

CHAPTER	PAGE
Attitudes Toward Investments in Real Estate . . .	113
Attitudes Toward Investments in Retailing . . .	114
PART III. . . . .	116
Hypothesis III. . . . .	116
PART IV. . . . .	119
Hypothesis IV. . . . .	119
PART V . . . . .	122
Hypothesis V . . . . .	122
Respondents Profile and Characteristics . . . .	123
Age . . . . .	123
Race . . . . .	124
Religion . . . . .	124
Ethnic Origin. . . . .	125
Personal Contact with Foreigners . . . . .	126
Overseas Travel Experience . . . . .	126
Overseas Travel Experience to Specific Countries . . . . .	127
Place of Birth . . . . .	128
Geographic Regions . . . . .	128
Economic Regions . . . . .	130
Place of Work . . . . .	131
Geographic Regions . . . . .	131
Economic Regions . . . . .	132
Geographic Mobility. . . . .	132
Occupation . . . . .	133
Length of Employment . . . . .	134
Education. . . . .	135
Political Orientation . . . . .	136

CHAPTER	PAGE
ANALYSIS . . . . .	137
Religion Differences . . . . .	138
Ethnic Differences . . . . .	139
Differences According to Respondents Place of Birth . . . . .	141
Differences According to Respondents Place of Work . . . . .	141
Occupational Differences . . . . .	144
ANALYSIS OF VARIANCE . . . . .	149
Design 1 . . . . .	149
Design 2 . . . . .	154
Design 3 . . . . .	157
IV SUMMARY, THEORETICAL AND PRACTICAL IMPLICATIONS AND CONCLUSIONS	
INTRODUCTION . . . . .	164
Purpose . . . . .	164
Hypotheses . . . . .	165
Procedure. . . . .	165
Results . . . . .	167
Data Assessments for Hypotheses One and Five . . . . .	167
Data Assessments for Hypotheses Two and Five . . . . .	171
Data Assessments for Hypotheses Three and Five . . . . .	174
Data Assessments for Hypotheses Four and Five . . . . .	175
IMPLICATIONS. . . . .	176
Theoretical Implications . . . . .	176
Practical Implications . . . . .	177
Implications for Present and Potential Foreign Investors in the U.S. . . . .	177
Implications for U.S. Policy Makers . . . . .	178

CHAPTER	PAGE
FUTURE DIRECTIONS . . . . .	179
BIBLIOGRAPHY . . . . .	181
APPENDICES . . . . .	191
A. Letters Mailed to the Forty-Two Economic and Industrial Development Agencies . . . . .	192
B. Sample of the Author's Follow-Up Letter . . . . .	194
C. A Copy of the Questionnaire and the Cover Letter . . . . .	196
D. Initial Questionnaire Administered to Individuals Approximating the Target Population in Lincoln, Nebraska . . . . .	204
E. Correlation Coefficients for the Eighty-Five Semantic Differential Scales . . . . .	217
F. Supplementary Figures . . . . .	264
G. Mean Scores Registered by the Five Religion Sub-Groups . . . . .	274
H. Mean Scores Registered by the Four Ethnic Sub-Groups . . . . .	277
I. Mean Scores Registered by the Respondents Based on Their Place of Birth (Using the Geographical Criteria) . . . . .	280
J. Mean Scores Registered by the Respondents Based on Their Place of Birth (Using the Economic Criteria) . . . . .	283
K. Mean Scores Registered by the Respondents based on Their Place of Work. (Using the Geographic Criteria) . . . . .	286
L. Mean Scores Registered by the Respondents Based on Their Place of Work (Using the Economic Criteria) . . . . .	288
M. Mean Scores Registered by the Seven Occupational Sub-Groups . . . . .	291

## LIST OF TABLES

Table	Page
4-1 Sample Size and Response Rates . . . . .	61
5-1 Distribution of the Responses on the "Overall Attitude" Items . .	76
5-2 Results of Tests for Difference in the "Overall Attitude" Items .	79
5-3 Evaluation of Inward Foreign Investment . . . . .	80
5-4 Results of $t$ -Tests for Individual Scales Found Insignificant at the 0.01 Level . . . . .	83
5-5 Results of $t$ -Tests for Individual Scales: Investment from England Versus Investment from Germany, Holland, Japan and Arabia . .	85
5-6 Analysis for Semantic Differential Scales: Correlation of Semantic Scales for Investment from England . . . . .	86
5-7 Results of $t$ -Tests for Individual Scales: Investment from Germany Versus Investment from England, Holland, Japan and Arabia . .	89
5-8 Analysis for Semantic Differential Scales: Correlation of Semantic Scales for Investment from Germany . . . . .	90
5-9 Results of $t$ -Tests for Individual Scales: Investment from Holland Versus Investment from England, Germany, Japan and Arabia . .	92
5-10 Analysis for Semantic Differential Scales: Correlation of Semantic Scales for Investment from Holland . . . . .	93
5-11 Results of $t$ -Tests for Individual Scales: Investment from Japan Versus Investment from England, Germany, Holland and Arabia .	94
5-12 Analysis for Semantic Differential Scales: Correlation of Semantic Scales for Investment from Japan . . . . .	95
5-13 Results of $t$ -tests for Individual Scales: Investment from Arabia Versus Investment from England, Germany, Holland and Japan .	99
5-14 Analysis for Semantic Differential Scales: Correlation of Semantic Scales for Investment from Arabia . . . . .	100
5-15 Evaluation of Types of Foreign Business Operation . . . . .	10
5-16 Results of $t$ -Tests for Individual Scales Found Insignificant at the 0.01 Level. . . . .	108



5-17	Results of <u>t</u> -Tests for Individual Scales: Farm Investment Versus Investments in Manufacturing, Petroleum, Real Estate and Retailing . . . . .	109
5-18	Results of <u>t</u> -Tests for Individual Scales: Manufacturing Investment Versus Investments in Farm, Petroleum, Real Estate and Retailing . . . . .	111
5-19	Results of <u>t</u> -Tests for Individual Scales: Petroleum Investment Versus Investments in Farm, Manufacturing, Real Estate, and Retailing . . . . .	112
5-20	Results of <u>t</u> -Tests for Individual Scales: Real Estate Investment Versus Investments in Farm, Petroleum, Manufacturing and Retailing . . . . .	114
5-21	Results of <u>t</u> -Tests for Individual Scales: Investments in Retailing Versus Investments in Farm, Manufacturing, Petroleum and Real Estate . . . . .	115
5-22	Distribution of Responses for Foreign <u>De Nova</u> Investments and Foreign Acquisition . . . . .	117
5-23	Results of <u>t</u> -Tests and Correlation Analysis for <u>De Novo</u> Investments and Foreign Acquisition . . . . .	118
5-24	Distribution of Responses for Foreign Direct and Portfolio Investments . . . . .	120
5-25	Results of <u>t</u> -Tests and Correlation Analysis for Portfolio and Direct Foreign Investments . . . . .	121
5-26	Age Distribution of Respondents . . . . .	123
5-27	Race Distribution of Respondents . . . . .	124
5-28	Religion Distribution of Respondents . . . . .	124
5-29	Ethnic Distribution of Respondents . . . . .	125
5-30	Respondents Distribution on the Basis of Personal Contact with Individuals from England, Germany, Holland, Japan and Arabia . . . . .	126
5-31	Distribution of Respondents on the Basis of Overseas Travel Experience . . . . .	127
5-32	Distribution of Respondents on the Basis of Travel to England, Germany, Holland, Japan and Arabia . . . . .	128
5-33	Distribution of Respondents on the Basis of their Place of Birth (Geographic Regions) . . . . .	129
5-34	Distribution of Respondents on the Basis of Their Place of Birth (Economic Regions) . . . . .	129

5-35	Distribution of Respondents on the Basis of Their Place of Work (Geographic Regions) . . . . .	131
5-36	Distribution of Respondents on the Basis of Their Place of Work (Economic Regions) . . . . .	132
5-37	Distribution of Respondents on the Basis of Their Geographic Mobility . . . . .	133
5-38	Occupation Distribution of Respondents . . . . .	135
5-39	Education Distribution of Respondents . . . . .	136
5-40	Political Orientation Distribution of Respondents . . . . .	136
5-41	F Ratio and F Probability of Scheffe's Multiple Comparison Tests for Religion Subgroups . . . . .	138
5-42	F Ratio and F Probability of Scheffe's Multiple Comparison Tests for Ethnic Subgroups . . . . .	140
5-53	F Ratio and F Probability of Scheffe's Multiple Comparison Tests for Subgroups' Place of Birth (Geographic Regions) . . . . .	142
5-44	F Ratio and F Probability of Scheffe's Multiple Comparison Tests for Subgroup's Place of Birth (Economic Regions). . . . .	143
5-45	F Ratio and F Probability of Scheffe's Multiple Comparison Tests for Subgroups' Place of Work (Geographic Regions) . . . . .	145
5-46	F Ratio and F Probability of Scheffe's Multiple Comparison Tests for Subgroups' Place of Work (Economic Regions). . . . .	146
5-47	F Ratio and F Probability of Scheffe's Multiple Comparison Tests for Subgroups' Occupation . . . . .	147
5-48	Analysis of Variance Summary Table of Design 1—Examples . . . . .	151
5-49	Analysis of Variance Summary Table of Design 2—Examples . . . . .	155
5-50	Analysis of Variance Summary Table of Design 3—Examples . . . . .	158
5-51	Evaluation of Inward Foreign Investments by Conservatives Whom Traveled to England (N = 121), Germany (N = 115), Holland (N = 87), Japan (N = 76), or Arabia (N = 18). . . . .	160

## CHAPTER I

### INTRODUCTION

The phenomenon of foreign inward investment in the United States has recently engaged the attention of economists, historians and, to a lesser extent, of political scientists, but there has been hardly any research by behavioral scientists into the attitudes of Americans. This oversight is to be regretted, for the subject may have important implications for both American institutions and future evolution of cross-border investment flows.

One line of inquiry that may prove particularly fruitful in understanding the problems foreign investors face in the U.S. is the relationship between characteristics of foreign investment and Americans' attitudes. The current research attempts to identify and measure some of the elements assumed relevant for foreign investors in acquiring their legitimacy. Specifically, this study seeks to explore the nature and intensity of attitudes present in the U.S. toward the following aspects of foreign investment: (1) country of origin; (2) type of business operation; (3) method of entry; and (4) extent of foreign ownership.

### BACKGROUND OF THE PROBLEM

The problem is placed in perspective by first examining the evolving concerns of Americans toward foreign investments. Next, the nature of conflicts resulting from host society—foreign investors' interaction and recent changes in the characteristics of foreign investors are examined.

#### Foreign Investment: The Evolving National Concern

Foreign investment in the United States has aroused conflicting opinions and arguments among business leaders, government officials and the public since the infancy of the nation. A look at the history of foreign investment in the

United States reflects the development of three distinct chronological stages in its expansion, growth, patterns, and the accompanying attitudes toward it, can be discerned.

The first stage, which could conveniently be dated from the birth of the Republic to the start of World War I, was characterized by the encouragement of foreign investment. During this period the economy was developing, inward investment exceeding outward investment. The beneficial effect of such investment on the nation's balance of payments, employment, technological progress, and consumer welfare was recognized as early as 1791 in the remarks of Alexander Hamilton, the first Secretary of the U.S. Treasury:

Instead of being viewed as a rival (foreign investment) ought to be considered as a most valuable auxiliary, conducing to put in motion a greater quantity of productive labor, and a greater portion of useful enterprise, than could exist without it (quoted in Rolfe, 1970: 121).

A liberal attitude toward foreign investment still prevailed during the second stage of development. Timewise, this era lasted from World War I to the mid-1960s when the United States was recognized as a developed country, serving as the biggest bastion for outward investment. On the federal level, the government prescribed a passive attitude toward the action of private enterprise, foreign and indigenous. Internationally, it supported a multilateral philosophy and participated in various international forums such as the United Nations Center for Transnational Enterprise and the United Nations Conference on Trade and Development, seeking to liberalize cross-border investment.

Although the federal government did not have incentive schemes at this time to attract foreign investors, as many European countries did, several individual states actively promoted inward foreign investment. They developed elaborate and well-publicized programs, such as setting up development offices

overseas, and promoting overseas missions by top state officials, leading bankers, and businessmen of the state. Southeastern states (Alabama, the Carolinas, Georgia, and Virginia) were quite active in this regard, establishing offices in Brussels, London, Frankfurt, Switzerland, Tokyo, Mexico, and Taiwan. The pursuit of these policies over time, coupled with the pervasiveness of a multi-lateral philosophy on the federal level, led to the growth and rapid expansion of foreign investment, particularly in those Southeastern states.

A change in attitudes toward foreign investment began to appear during the third stage. This stage, which began in the middle of the 1960s and has continued to the present time, can be further subdivided into two phases according to the nature of concern on the part of the American public. The first of the phases, beginning in the mid-60s, is concerned with the consequences of outward investment. Labor union leaders and academia (both neo-Marxist and mercantilists), among others, began to bring to the fore some of the old protectionism arguments: negative impacts on the balance of payments, balance of trade, and the impacts on the national industrial base due to "exporting jobs and technology" to other countries. The concern of the AFL-CIO led to the introduction of the foreign investment control elements of the Birke-Hartke bill, designed to restrict imports and to make outward investment unattractive by major increases in taxes on overseas profits.

The opinions of the American general public began to alter further with the International Telephone and Telegraph scandal in Chile. Americans perceived that some U.S.-based multinational corporations were guilty of "immoral behavior" in the form of bribes and political contributions designed to provide favorable action on the part of some government officials. Accusations were also made that the corporations speculated in currencies, leading to the

weakening of the dollar in August of 1971, and some segments of the American public believed that oil companies were in collaboration with the Arab petroleum boycott, which instigated the subsequent escalation of petroleum prices following the 1973 Arab-Israeli war.

Starting in 1971, the second phase witnessed a further, unprecedented change of the American public mood: investment has become "bad" for the home country and for the host country as well. The sudden growth, magnitude, and pattern of investment has triggered in the United States,<sup>1</sup> as it has in many other countries, some concern over the implications of the actions of given foreign investors. The rise of the welfare state and increased economic interdependence among nations have further exacerbated the situation and raised greater concern over the impact and legitimacy of their operations.

### The International Scene

A few years ago, Servan-Schreiber noted in his book, The American Challenge, that multinational enterprises (MNE) is synonymous with "American."

Fifteen years from now it is quite possible that the world's third greatest industrial power, just after the United States and Russia, will not be Europe, but American industry in Europe. Already, in the ninth year of the common market, this European market is basically American in organization.

The importance of U.S. penetration rests, first of all, on the sheer amount of capital invested—currently about \$14 billion—(\$14,000,000,000). Add to this the massive size of firms carrying out

---

<sup>1</sup> Some of the factors cited in the literature for the sudden growth of foreign investment in the U.S. include the following: the two dollar devaluations since 1971; foreign labor costs equalized to those of the U.S. due to faster rises in wages abroad; the new floating exchange rates; and more importantly, the depressed stock market of 1973.

this conquest. Recent efforts by European firms to centralize and merge are inspired largely by the need to compete with American giants like International Business Machines (IBM) and General Motors. (Servan-Schreiber, 1968, p. 3-4.)

However, in recent years "the American Challenge" has become "multi-national challenge." Recent U.S. Department of Commerce Studies show that European and Japanese are globalizing production in the world and are becoming faster in some cases than U.S.-based MNEs. Leontiades (1970), writing in the Columbia Journal of World Business, suggested that European MNEs are "penetrating or improving their position in the sophisticated and profitable U.S. market through takeovers and direct investment in new production facilities at an increasingly fast rate." Moreover, he pointed out that since 1965, rates of return on foreign direct investment of European MNEs in the U.S. are exceeding those of U.S. MNEs in Western Europe; these points also were made more recently by Sametz (1974) and Webly (1974), among others.

Developing countries thus far have only a small share (3 percent) of outward investment (U.S., 1974, p. 151); and most likely a substantial portion of this is located in other developing countries. Rose (1977) points out that in Indonesia, Asian developing countries are beginning to "successfully challenge" established Japanese, North American, or European affiliates. Somehow similar observations were found in Africa and West Asia by India-based MNEs (Wells, 1977). But the year 1974 marked an important turning point in the evolution of international investment; for the first time they have shown the capacity to invest in developed countries as well. Due to a shift in the relative bargaining power of members of the Organization of Oil Exporting Countries (OPEC) vis-a-vis multinational petroleum firms, they were able to demand a "fair and just" return for petroleum products. For some, these returns exceeded their domestic

needs and consequently they began to reinvest excess capital in other countries, developing and developed. With visions of independence, affluence, and security, channeling of excess funds into the corporate sector was seen as the only alternative to cover oil resources soon to be exhausted. Thus, today the process of foreign investment is not a one-directional nature (i.e., "American"), but rather a two way stream.

#### Host Country Responses to Foreign Investment

The foreign investors (especially the MNEs) as an institutional instrument, very new in their structure, financing, and operations, have presented a radically new social, political, and economic input (U.N., 1974). Policy action by foreign investors, it has been recognized, affects every concern: economic development, trade and investment flows, technological progress, military security, cultural penetration, national identity, and the most sensitive political issue (i.e., the capacity of the nation state to pursue its national interests without external pressure). In view of the limited experience with the foreign enterprises, the interface between foreign investors and modern nation states created considerable strains and tensions (Fayerweather, 1974). The growth of tensions has been more evident in host countries than in home countries, but the problem has been apparent almost everywhere.

Developing Countries. Historically, the link between the expansion of MNEs and the growth of tension has been evident in developing countries (U.N., 1974). These institutions, headquartered in the advanced countries, are known to have had a relatively large impact on domestic economic activity, both overall and in particular sectors. Thus, more so than in advanced countries, the presence of foreign investors is known to have had a larger share of government revenues, employments, foreign trade and the balance of payments. To these peculiar