

# Index

- Academic research. See University research
- ACCJ. See American Chamber of Commerce in Japan, Trade Expansion Committee
- Acquisitions and mergers, Japanese attitude toward, 73-75
- Administrative guidance by Japanese government, 16,83, 84-86
- Advanced Micro Devices, Fujitsu alliance, 100, 124
- Aerospace industry
  - government support of, 31
  - ISAs and, 121, 123
- Aerospatiale/Dassault-Breuet, McDonnell-Douglas alliance, 130
- AIDS drug research, 124
- Airbus, 123, 126
- AMD. See Advanced Micro Devices
- American Chamber of Commerce in Japan, 72,75,76
- Antitrust laws, 127-128
- Apple
  - Sharp alliance, 124
  - Toshiba alliance, 124
- Asia. See *also specific countries*
  - industrialization strategies, 33-34
- Asset pooling, 124
- Asymmetries in government policies, ownership, and control
  - influence on new competitors, 33-36
  - ISAs and, 126-129
  - trade friction and, 38-41
  - U.S.-based MNEs and, 33, 36-38
- Asymmetries in national policy regimes
  - competitiveness and, 7
  - description, 4, 15-16,68-71
  - Japan example, 71-79
- AT&T
  - divestiture, 128
  - international competition and, 13
  - Olivetti alliance, 125, 128, 130, 132
  - Philips alliance, 124, 128, 130, 132
- Automotive industry. See *also specific companies*
  - automakers with plants in the United States, 63-64
  - domestic content issue, 84,94-99
  - EC-Japan agreement on Japanese auto imports, 69
  - FDIUS and, 51-52
  - ISAs and, 121
  - Japanese Government encouragement of investment in the United States, 84
  - keiretsu and, 75-76,86-87,91-93
  - labor costs, 25
  - protectionist policies and, 30
  - Section 301 filing, 85
  - voluntary restrictions on Japanese automobile imports, 33
- Bayh-Dole Act, 107, 109-110
- Biotechnology industry
  - ISAs and, 118, 119, 121, 123, 124
  - Japanese investment in, 99, 104-106
- Bluegrass Automotive Manufacturers Association, 93
- BMW, 63
- Boeing, 13, 126
- Bretton Woods Conference, 8, 137-139, 143, 149
- Britain. See United Kingdom
- Bull, 32, 128
- Bush administration
  - FDIUS policies, 62
  - national treatment policy, 48
- Business Global Partnership Initiative, 84
- CAFE. See Corporate average fuel economy
- Canadian Free Trade Agreement, 94,98
- Canon, 103
- Capital decontrol, 149-153
- Capital flows, 136, 150
- Capital mobility, 137-139

- CFIUS. See Committee on Foreign Investment in the United states
- CFTA. See Canadian Free Trade Agreement
- Chemical industry, ISAs and, **119, 121**
- China** National Aero-Technology Import and Export Corp., **50**
- Chrysler  
     protectionist policies and, **30**  
     **sourcing** and procurement strategy modification, 92
- Coca Cola Co., 72
- Committee on Foreign Investment in the United States, 49-50
- Comparison Labs, Inc., 129
- Competing **Economies**, **12-13,44**
- Computer industry  
     ISAs and, 123, 124, 126, 127  
     Japanese investment in, 99, 100, 101, 103
- Contract research, 111
- Corning, Samsung alliance, 130
- Corporate average fuel economy, 94,99
- Corporate philanthropy, 112
- Council on Competitiveness, 155 .
- Daihatsu, 67
- Dai-Ichi Kangyo Bank, **88**
- Daimler-Benz, **63**  
     cooperation with Mitsubishi Corp., 90  
     national champion example, 69
- DEC, 125
- Dedicated capital system, 155
- Depression cartels, 76
- Distributed MNEs  
     description, 2,27-28  
     factors influencing formation of, 28-29  
     location influence, 30  
     trade friction and, 40-41
- Domestic content issue, 84,94-99
- Dow chemical, Japanese market and, 72
- DRAMS. See Dynamic random access memory semiconductors
- Dynamic random access memory semiconductors, IBM-Seimens-Toshiba alliance, 24-26
- EC. See European Community
- Economies of scale and scope  
     competition and, 3  
     definition, 22-23  
     ISAs and, 124
- Environmental Protection Agency, fuel economy standards,
- Equity markets, 59
- ESPRIT. See European Strategic Program for R&Din Information Technologies
- Europe. See **also European Community**  
     EC-Japan agreement on Japanese auto imports, 69  
     FDIUS expansion, 55,57  
     ownership of MNEs, 35-36  
     protectionist policies, 68  
     support for national champions, 33, **69**
- European-based MNEa  
     export-oriented, **32**  
     **government** support for, 31-32  
     protectionist policies and, 30,31  
     regional focus, 31  
     regional type, 29  
     source of FDI in the United States, 32  
     translational type, 29
- European community  
     high-tech industry standards, 128  
     import of Japanese autos agreement, 69  
     ISAs and, 119, 127  
     preferential treatment of member countries, 9-10  
     regulation of pharmaceuticals, 105
- European Strategic Program for R&D in Information Technologies, 127, 129
- Exchange rates  
     deutsche mark vs. dollar, 142  
     yen vs. dollar, 60-61,74, 143
- Exemption cartels, 76
- Exon-Florio Provision, 49
- Export-Import Bank of Japan, Product Import Promotion Financing Program, 78
- Export-oriented MNEs  
     description, 2,26-27  
     factors influencing formation of, 28  
     location influence, 30  
     national differences, 29  
     trade friction and, 40
- Fanuc, 67
- FDI. See Foreign direct investment
- FDIUS. See Foreign direct investment in the United States
- Federal Trade Commission, investigation of Japanese transplant sourcing practices, 93
- Fiat, national champion example, 69
- Financial markets. See Global capital markets
- Fluid capital system, 155
- Fokker, McDonnell-Douglas alliance, 130
- Ford, Gerald, CFIUS creation, 49
- Ford Motor Co.  
     Japanese market and, 72  
     Mazda alliance, 92, 125  
     protectionist policies and, 30  
     sourcing and procurement strategy modification, 92
- Foreign direct investment  
     asymmetries in national policy regimes, 4,7,15-16,68-79

- European-based MNEs and, 32
- FDI in the United States, 47-68
- findings, 44-47
- history of, 68-69
- host country share, 52
- inward **flows**, 5, 45
- ISAs and, 126-127
- Japan example, 71-79
- national treatment policy and, 46
- Foreign direct investment in the United States
  - advantages for Japanese firms, 86
  - benefits, 44, 62-64
  - calculating, 53-54
  - changes in the cost of capital and, 57-60
  - description, 47-51
  - disadvantages, 62, 64-68
  - effect on employment, 65-66, 67
  - financial data, 64, 82
  - foreign affiliate employment, 56
  - importance of foreign MNEs in the United States, 51-57
  - importance to the U.S. economy, 48
  - incentives from States and municipal authorities, 2, 66-67
  - macroeconomic investment theory and, 57
  - macroeconomic theory, 57
  - portfolio investment and, 47
  - reversal of flow toward, 57-62
  - trends, 81-83
  - U.S. direct investment abroad and, 50-51, 79
- Foreign Exchange Control Law of 1949, 60
- Fortune 500 International list, 33, 36-37
- France
  - capital liberalization and, 60
  - capital market, 143
  - discrimination against foreign firms, 68, 69
  - government support of industry, 31
  - inward FDI policies, 46
  - labor costs, 25
  - restrictions on FDI, 7
  - state-owned banks, 59-60
- Franklin National Bank failure, 152
- Fujitsu
  - Advanced Micro Devices alliance, 100, 124
  - plant closing, 67
  - TRW alliance, 131
- Fuyo, 88
- General Agreement on Tariffs and Trade, 18, 77
- General Ceramics Ltd., 50
- General Motors
  - attempt to purchase Isuzu shares, 73
  - protectionist policies and, 30
  - sourcing and procurement strategy modification, 92
  - Toyota alliance, 125, 134
  - Valmet joint venture, 25
- Germany
  - discrimination toward foreign firms, 68, 69
  - interest rate differentials, 144
  - national banks, 59
  - ownership and agency relationships, 157
  - relative importance of banks, **154**
- Global capital markets**
  - capital decontrol and financial integration, 149-153
  - cross-border stock and bond transactions, 151, 152
  - external* and internal capital allocation mechanisms, **156**
  - financial derivative markets, 153
  - financial integration and national structures, 153-157
  - financial uncertainties, 144-146
  - findings, 140-142
  - government policies and, 142-144
  - international financial transactions, 151
  - MNEs and, 144-147, 157-158
  - policies influencing, 145
  - post-World War II banking market structures, 148
  - structure, 147-149
- Global MNEs
  - description, 2, 27
  - factors influencing formation of, 29
  - trade friction and, 40-41
- GM. See General Motors
- Greenfield site construction or licensing, 73, 74
- HDTV. See High-definition television technology standards
- Herstatt Bank failure, 152
- Hewlett-Packard, 125
- High-definition television technology standards, 128-129
- High-tech industry. See also Computer industry; Information technology industry; Semiconductor industry
  - biotechnology investments, 104-106
  - Japanese investment in, 99-106
  - marketing rights goal, 102-103
  - relationship types, 103-104
  - sources of investment, 101-103
  - standards for, 128-129
  - technology acquisition goal, 102, 103
- Hitachi, 67
- Honda
  - domestic content issue, 98
  - incentives from States and municipal authorities, 67
  - investment in the United States, 85
  - protectionist policies and, 30
  - sourcing behavior, 96-97
  - USCS audit, 95
- IBM
  - international competition and, 13
  - ISAs and, 127

## 162 I Multinationals and the National Interest: Playing by Different Rules

- licensing of patents to Japanese firms, 72
- Siemens alliance, 133
- strategic alliance example, 24-26
- successful U.S. investments example, 70-71
- Toshiba alliance, 100
- ILPs. See Industrial liaison programs
- IMF. See International Monetary Fund
- Import substitution policies, 33-34
- India, import substitution policies, 33
- Industrial Bank of Japan, 88
- Industrial liaison programs, 111-112
- Information technology industry, ISAs and, 118, 119, 121
- Intel
  - antitrust suit, 128
  - Sharp alliance, 100
- Intellectual property rights in Japan, 77
- International Investment and Trade in Services Survey Act, 47
- International Monetary Fund, Committee of Twenty, 139
- International strategic alliances
  - asset pooling and, 124
  - cartelization issue, 116
  - competition and, 125-126, 131-132
  - cost and risk sharing and, 123-124
  - description, 100, 117
  - distribution of, 118-119
  - economies of scale and scope and, 124
  - example, 24-26
  - findings, 116-117
  - formation by industry and industry/country, 119-121
  - goals differences, 131
  - government role, 116, 126-129
  - increase in, 116, 118, 121-123
  - management style differences, 130-131
  - market access and, 125
  - MNEs and, 123-126
  - overeagerness and, 130
  - reasons for establishing, 122
  - success factors, 129-134
  - time factors, 125
  - type of collaboration by region, 121
  - underfinancing and, 130
  - U.S. Government policy and, 132-134
  - U.S. MNEs and, 132-134
- ISAs. See International strategic alliances
- Isuzu, 67
- Italy
  - capital liberalization, 60
  - discrimination toward foreign firms, 68, 69
  - government support for MNEs, 31
  - inward FDI policies, 46
  - restrictions on FDI, 7
- Itoman Corp., 90
- Japan. See also Keiretsu; Ministry of International Trade and Industry
  - Anti-Monopoly Law, 76, 88
  - asymmetry in national policy example, 71-79
  - attitude toward acquisitions and mergers, 73-75
  - “Buy Japanese” attitudes, 77
  - capital liberalization and, 60, 84
  - discrimination toward foreign firms, 69
  - EC-Japan agreement on import of Japanese autos, 69
  - expansion of equity market, 58-59
  - export-oriented form, 32
  - FDIUS and, 61-62
  - Foreign Exchange Control Law, 78
  - greenfield establishments, 73, 74
  - high land *prices*, 78-79
  - import** substitution policies, 34
  - importance of FDIUS, 52, 55
  - intellectual property rights, 77
  - interest rate differentials, 144
  - inward FDI level, 79
  - Meiji** Restoration, 83, 103
  - MNE policies, 34
  - monopolistic practices, 76
  - ownership and agency relationships, 157
  - patent protection, 77
  - procurement issue, 77-78
  - proscription of investments that threaten national security or public order, 76-77
  - protectionist policies, 30, 68
  - relative importance of banks, 154
  - restrictions on FDI, 7, 68-69, 72-74
  - successful U.S. investments examples, 70-71
  - tax policies that discourage FDI, 78
  - U.S. high-tech firms and, 99-106
  - yen value, 60-61, 74, 84
- Japan Development Bank, 78
- Japan Export and Trade Organization, 84
- Japanese firms
  - administrative guidance by government, 16, 83, 84-86
  - domestic content issue, 84, 94-99
  - export-oriented type, 29
  - FDIUS advantages, 86
  - follow-the-leader tendency, 101
  - government support for, 31, 32
  - increase in number of MNEs, 33
  - number of firms in the United States, 81-83
  - predatory investment behavior, 104
  - U.S. university research and, 84, 106-113
  - zaibatsu, 83, 88
- JESSI. See Joint European Submicron Silicon Initiative
- John Brown, 39
- Joint European Submicron Silicon Initiative, 127, 129, 133

- Keiretsu  
 automotive industry example, 75-76  
 description, 73-75,83-84,86-88  
 horizontal, 88-90  
 influence on market access and competition, 91-94  
 one-set-ism, 88  
 supplier relationships in the United States, 93  
 vertical, 90-91
- Keynes, John Maynard, 137
- Komatsu, 67
- Labor costs, rationalizing production and, 25
- Licensing agreements, 72,74
- Licensing of patents to Japanese firms, 72
- Malaysia MNE policies, **34**
- Mamco** Manufacturing of Seattle, 50
- Massachusetts Institute of Technology  
 foreign corporate tiding, 109  
 industrial liaison programs, 112  
 Media Lab, 111
- Matsushita Electric Industrial Co., 90,91
- Mazda 92, 125
- McDonnell-Douglas  
 Aerospatiale/Dassault-Breuguet alliance, 130  
 Fokker alliance, 130  
 Taiwan Aerospace alliance, 123
- Microsoft, antitrust suit, 128
- Ministry of International Trade and Industry  
 Business Global Partnership Initiative, 84  
 FDIUS and, 61  
 ISAs and, 127  
 liberalization policy, 79  
 licensing of IBM patents to Japan, 72  
 stable shareholders and, 73-75  
 Texas Instruments and, 35
- MIT. See Massachusetts Institute of Technology
- MITI. See Ministry of International Trade and Industry
- Mitsubishi Corp.  
 cooperation with Daimler-Benz, 90  
 keiretsu example, 88,89  
 Monsanto alliance, 131  
 stable shareholding acquisitions, 73
- Mitsui, 73, 88
- Monsanto, Mitsubishi alliance, 131
- Motorola  
 ISAs and, 131  
 Japanese market and, 72  
 successful U.S. investments example, **70**  
 Toshiba alliance, 132
- Multinational enterprises  
 background, 6-11  
 concerns about, 1-6  
 factors influencing type, 28-29,31  
 financial markets and, 144-147  
 financial uncertainty and, 144-146  
 findings, 13-15  
 multinational cooperation and, 157-158  
 national differences, 29-32  
 policy issues, 15-19  
 rationalizing production, 25  
 reasons to establish foreign operations, 23-24  
 rise of modern industrial corporations, 21  
 social impact, 10-11  
 strategic alliances, 24-26  
*structure*, 1, 22-29  
*types*, **2,26-28**
- NAFTA. See North American Free Trade Agreement
- National bank-led systems, 59
- National champion strategy, 31,32,33,69, 127
- National Cooperative Research Act, 128
- National treatment policy, 17-18,33,35,46,48,49, 64-68
- NBC, HDTV alliance, 129
- NEC, ISAs and, 127
- Netherlands, labor costs, 25
- New materials industry, ISAs and 118, 121, 122
- Next Computer Corp., Canon investment in 103
- Nippondenso, 92-93
- Nissan  
 investment in the United States, 85  
 national champion example, 69  
 parts supplies from United States, 87  
 plant closings, 67  
 protectionist policies and, 30  
 U.S. companies as *suppliers*, 93
- Nontariff barriers, 126
- North American Free Trade Agreement, 11,94,98-99
- NUMMI. See General Motors; Toyota
- OECD. See Organization for Economic Cooperation and Development
- Offshore markets, 157
- Oligopolistic competition, 116, 126
- Olivetti, AT&T alliance, 128, 130, 132
- Omnibus Trade and Competitiveness Act, 49  
 Super 301 provisions, 8-9
- One-set-ism, 88
- Open Software Foundation, antitrust suit, 128
- Optoelectronics industry, ISAs and, 122
- Organization for Economic Cooperation and Development  
 capital liberalization and, 60  
 competition for workers, 21  
 founding of, 138  
 gross domestic product, 151  
 international investment and MNEs and, 70-71

## 164 I Multinationals and the National Interest: Playing by Different Rules

- national treatment policy, 69
- outflow of investment capital, 46
- Patents
  - Federal policy, 109
  - in Japan, 77
  - research results, 111
- Pharmaceutical Strategic Alliances, 118**
- Philips
  - AT&T alliance, 124, 128, 130, 132
  - HDTV alliance, 129
- Photomask industry, Japanese investment in, 99-100
- Plaza Agreement, 60
- Portfolio investment, 47
- Protectionist policies, 18,30-31,61,68
- RACE. See Research for Advanced Communications in Europe
- Rationalization cartels, 76
- Reagan administration, FDIUS policies, 62
- Reciprocity, 6, 18-19
- Regional MNEs
  - description, 2,27
  - factors influencing formation of, 29
  - trade friction and, 40
- Renault, national champion example, 69
- Research. See Sponsored research; University research
- Research for Advanced Communications in Europe, 128,129
- Research parks, 112-113
- Resource-based MNEs
  - description, 2, 26
  - trade friction and, 39-41
- Risk-sharing partnerships, 24-26
- Robotics, ISAs and, 122
- Roll-up, 95
- Samsung Co., Corning alliance, 130
- Sanwa 88
- Sarnoff Research Center, HDTV alliance, 129
- Seiko, 67
- SEMATECH, 127
- Semiconductor industry
  - IBM-Seimens-Toshiba alliance, 24-26
  - ISAs and, 121, 125
  - marketing rights, 102, 103
  - national champion, 32
- Semiconductor Trade Agreement, 103
- Senate Committee on Banking, Housing, and Urban Affairs, 11
- Senate Committee on Commerce, Science, and Transportation, 11
- Sharp
  - Apple alliance, 124
  - Intel alliance, 100
- Siemens
  - IBM alliance, 133
  - strategic alliance example, 24-26
- Siemens-Nixdorf, government support for, 32
- Silicon Valley, 99, 100, 102, 103
- Singapore, MNE policies, 34
- Sony Corp., 93
- South Korea
  - export-oriented MNEs, 29, 32
  - government support for MNEs, 32
  - import substitution policies, 34
  - increase in number of MNEs, 33
  - labor problems, 10
  - MNE policies, 34
- Specific reciprocity, 6, 18-19
- Sponsored research, 110
- Stable shareholding, 73-75. See *also* Keiretsu
- Strategic alliances. See International strategic alliances
- Structural Impediments Initiative, 70,75,87
- Sumitomo
  - keiretsu example, 88
  - Mazda bailout, 92
  - stable shareholding acquisitions, 73
- Sun, 125
- Taiwan Aerospace, McDonnell-Douglas alliance, 123
- Takatoshi, Sokubei, 88
- Technology licensing, 111
- Telecommunications industry
  - deregulation, 128
  - European-based MNEs and, 31-32
  - ISAs and, 122, 123
- Texas A&M University, ocean-drilling program, 108-109
- Texas Instruments, 34,35, 70
- Thailand, MNE policies, 34
- Thompson, HDTV alliance, 129
- Tokai Group, 88
- Tokuyama Soda Co., 50
- Toshiba
  - Apple alliance, 124
  - IBM alliance, 100
  - keiretsu example, 91
  - Motorola alliance, 132
  - strategic alliance example, 24-26
- Toyota
  - Bluegrass Automotive Manufacturers Association, 93
  - foreign participation in company prohibition, 75
  - General Motors alliance, 125, 134
  - incentives from States and municipal authorities, 67
  - investment in the United States, 85
  - national champion example, 69
  - parts defects, 86-87

- protectionist policies and, 30
- stable shareholding acquisitions, 73
- suppliers for, 90
- Toys “R” Us, 75
- Trade Act 85
- Trade friction, MNEs influence on, 2, 38-41
- Trafalgar House, 39
- Translational MNEs
  - description, 2,27
  - factors influencing formation of, 29
  - trade friction and, 40
- Transparency in decisionmaking process, 76-77, 136
- TRW, Fujitsu alliance, 131
  
- United Auto Workers, protection from Japanese firms, 85
- United Kingdom
  - capital market, 143
  - Export Credit Guarantee Department, 39
  - labor costs, 25
- United States. See **also** Foreign direct investment in the United States; U.S.-based MNEs
  - affiliates of foreign companies financial data, 64,65
  - antitrust laws, 127-128
  - capital market, 143
  - national treatment policy, 17-18, 33, 35, 48-49, 64-68
  - ownership and agency relationships, 157
  - ownership of MNEs, 34-35
  - policy implications of ISAs, 132-134
  - protectionist policies, 18,30-31,61,68
  - relative importance of banks, 154
  - trade deficit cause, 79
  - voluntary restrictions on Japanese automobile imports, 33
  - yen value vs. dollar, 60-61, 74, 143
- United States Trade Representative, 77
- University and Small Business Patent Policy Act, 107, 109-110
- University research
  - contract research, 111
  - corporate funding extent, 108-109
  - corporate philanthropy, 112
  - corporate-university relationships, 110-113
  - industrial liaison programs, 111-112
  - Japanese investment in, 106-113
  - legislative background for funding, 109-110
  - research parks, 112-113
  - sponsored research and technology licensing, 110-111
- Uruguay Round of the General Agreement on Tariffs and Trade, 18,77
- U, S.-based MNEs
  - competitiveness issue, 7
  - decline in dominance of, 22,36-38
  - distributed type, 30
  - global type, 29
  - ISAs and, 116, 132-134
  - location influence, 30-31
  - protectionist policies and, 30-31
- U.S. Customs Service, 94
  - Honda audit, 95
- U.S. direct investment abroad, 64-65,79
- U.S. Eximbank, 39
- U.S. Federal Communications Commission, 128-129
- U.S. International Trade Commission, 85
- U.S. Justice Department, 85
- U.S. Trade Representative, 85
- USCS. See U.S. Customs Service
- USDIA. See U.S. direct investment abroad
  
- Valmet, joint venture with GM, 25
- Value-added chain
  - European-based MNEs and, 32
  - government policies and, 36
  - setting up, 3
- Venture capital, 100-101
- VERs. See Voluntary export restraints
- Volkswagen
  - national champion example, 69
  - protectionist policies and, 30
- Voluntary export restraints, 5,84-85
- Voluntary restrictions on Japanese automobile imports, 33
- VW. See Volkswagen
  
- Zaibatsu, 83, 88