

## Research Article

FOREIGN DIRECT INVESTMENTS  
AND LOCAL ECONOMIC DEVELOPMENT

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## 1 INTRODUCTION

During my 1990/1991 visiting professorship at the University of Alabama I had a chance to visit some state and local government offices concerned with local economic development, and many foreign-based companies in Alabama and Tennessee. They are Japanese-based and non-Japanese-based, mostly European-based, companies. I interviewed CEOs and other top management, and collected first-hand information on foreign direct investments. I also conducted a questionnaire-survey, and received forty responses from the foreign-based companies in Alabama and ten additional responses from those in Tennessee and Kentucky. These original responses as well as my original interviews are the basis of the

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Footnote:

The research was undertaken while I was a 1990/1991 visiting professor at the University of Alabama. I appreciate deeply the kindness of the Japan Program, the Center for Business and Economic Research, the Alabama International Trade Center and the Institute for Social Science Research of The University of Alabama. I also benefited from visits to the Alabama Development Office.

analysis here. The study is unique in focusing on the local economic development of Alabama, one of the states of the Deep South with no industrial tradition, in the context of foreign direct investment (FDI).

The purpose of the paper is to report on that part of my interviews and questionnaire-survey which relates to FDIs and local economic development. The study compares Japanese-based companies with European-based ones and tries to identify the factors commonly important for successful direct investment and local production in Alabama. These factors are important for local economic developers as well.

## 2 THEORETICAL REVIEW

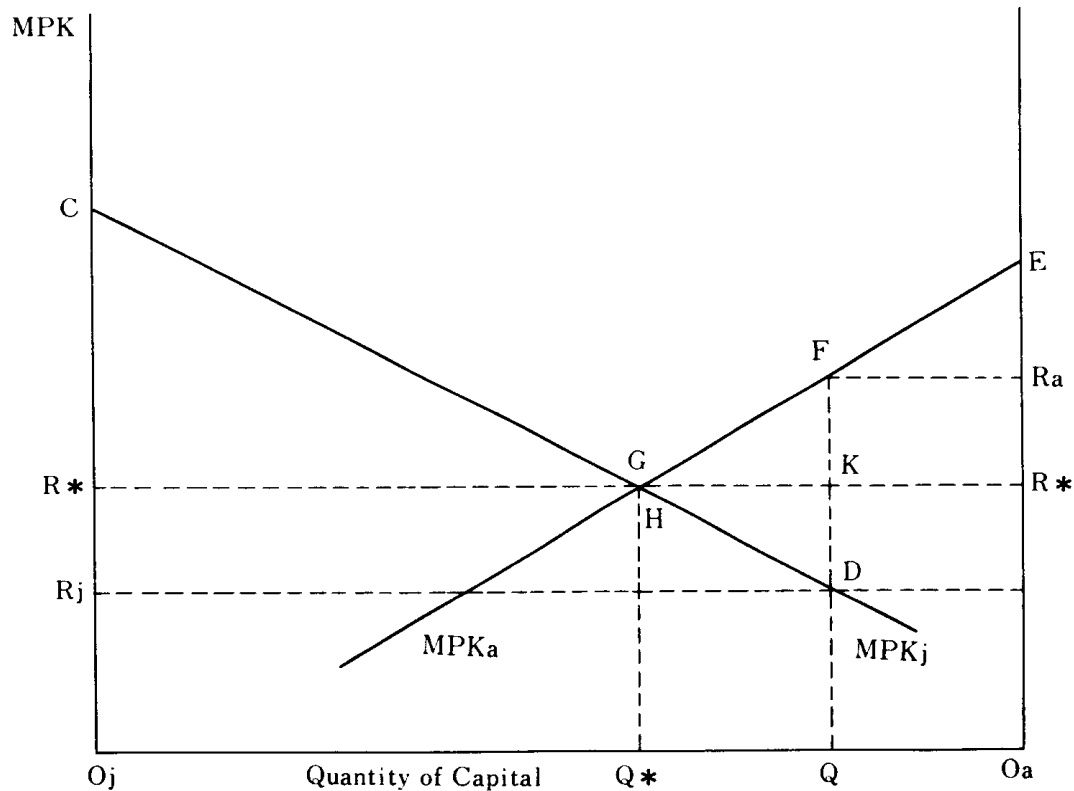
### 2-1 Simple Two-Country Model

Graph 1 shows output effects of international capital movements from country (j) (Japan) to country (a) (America or Alabama), based on usual static assumptions, as shown in Grubel (1977). MPK means the marginal productivity of capital which reflects general educational level or skill. The vertical axis shows the marginal productivity of capital, and the horizontal one the quantity of capital. Before a capital movement, country (j) has a capital stock  $O_jQ$  and country (a) a capital stock  $QO_a$ . The marginal capital productivities of countries (j) and (a) are  $R_jO_j$  and  $R_aO_a$ , respectively.  $R_jO_j$  is lower than  $R_aO_a$ . Total output is  $O_jQDC$  and  $QO_aEF$  respectively. The share of this output going to labor is  $R_jDC$  and  $FR_aE$ , respectively.  $QO_aRaF$  is the capital's share of output in country (a),

Graph 1. Output Effects of International Real Capital Movements

MPK = Marginal Productivity of Capital

j = country j, a = country a



and  $O_jQDRJ$  that in country (j).

Let restrictions on capital flows be removed. Investors in country (j) will transfer real capital, until equilibrium is reached when real interest rates are equal to  $R^*$ . The amount of capital is  $O_jQ^*$  and  $O_aQ^*$  in countries (j) and (a), respectively. Country (j)'s output has fallen by the area  $Q^*QDG$ , while output in (a) has risen by  $Q^*QFG$ , leaving a net gain in output equal to the triangle  $GDF$ . The net gain is shared. Country (j)'s capital earnings are equal to the rectangle  $Q^*QKG$ . Country (j)'s net gain is about half of the world gain or  $GDK$ . The world gain in output ( $GDF$ ) due to the capital flows are divided about evenly between the two countries. The capital flow

brings mutual benefits.

The assumptions so far have been static. In a dynamic setting, the MPK can change. General advances of technological skill and educational level can cause the MPK to move up in country (a). This is desired and possible where the process of transformation from an agricultural to an industrial economy goes on.

## 2-2 *Dunning's OLI paradigm*

As Kindleberger and Lindert (1982) say, "direct investment is complex and hard to explain in any simple way". In Hymer's view, direct investment belongs to the theory of imperfect competition and the essence of direct investment is the grooming of some monopolistic advantages enjoyed by the parent firm. Dunning's eclectic theory, OLI paradigm, supports Hymer's findings, and admits the complexity of the FDI like Kindleberger.

Dunning's theory on international production by multinational companies is derived originally from British data. Its OLI paradigm itself is a compromise. It can be applied to foreign-based companies in such a non-industrial state as Alabama. Dunning's earlier work, although done quite independently of that of Hymer, seems to confirm many of Hymer's speculations, according to Graham and Krugman (1991). Hymer's theory essentially was that firms undertaking foreign direct investment operated in an imperfect market environment, where it was necessary to acquire and sustain certain net advantages vis a vis firms in the countries in which they operated.

According to Dunning's eclectic theory (Dunning, 1979), a firm will engage in foreign production if three conditions are met:

- (1) it possesses ownership advantages
- (2) it is more beneficial for it to internalize the advantages through an extension of its own activities across borders rather to externalize them through exports, licensing etc.
- (3) it must be profitable for it to use these advantages in conjunction with local inputs.

Neoclassical Production Function takes the form of

$$Y = f(K, L, T)$$

(Y=Output, K=Capital, L=Labor, T=Technology).

Likewise, the OLI Paradigm takes the form of :

$$Y = f(O, L, I)$$

(Y=Output, O=Ownership, L=Location, I=Internalization)

The OLI paradigm is characterized by a stress of both firm-specific factors and location-specific factors. Dunning (1988) has emphasized that the advantages of internalization must interact with both firm-specific advantages and locational advantages to explain FDI. He also suggests that the reasons for FDI are diverse, and that no one theory can account for all such direct investment. According to Graham and Krugman (1991), the effort to define the advantages of internalization is ultimately part of the theory of why firms exist.

### **3 THE QUESTIONNAIRE AND RESPONSES:**

The questionnaire-survey is designed in view of my preliminary interviews of company managers and governmental developers as well as preceding studies, especially the work of Haitani and Marquis (1990). The emphasis is on location-related factors. The

survey form, as shown in Appendix 1, consists of three parts:

**PART A. GENERAL INFORMATION ABOUT YOUR COMPANY**

of the questionnaire (items 1-45)

**PART B. YOUR OWN RATING (items 46-115)**

**PART C. ITEMIZATION (items 116-120)**

Part A surveys basic hard corporate facts including ownership and joint venture. Part B asks company managers to give one of the five rating (1=strongly disagree, 2=disagree, 3=undecided, 4=agree and 5=strongly agree) to each of the 63 items. Part B consists of seven subdivisions. (B1) is about "degree of joint venture in your company", (B2) "locational features", (B3) community's response, (B4) "community relations", (B5) "localization", (B6) "unions and workers" and (B7) "state and local governments". Most of the Part B items are location-specific factors and are more detailed than Dunning's classifications. The classification here is adapted to the special situation of Alabama. PART C asks them to itemize and write their free opinions on four open-ended questions. The cover letter of the survey states that results will be made public only in an aggregated form.

The survey is conducted for the 40 companies who responded to interviews and questionnaires. The 40 consist of 17 Japanese-based and 23 non-Japanese (Canadian, British, German, Swiss, and elsewhere) based companies. Additional ten replies from Japanese-based companies in Tennessee and Kentucky are also considered.

The total number of foreign-based companies in Alabama is 184 in December 1990. The 40 is only a sample. Respondents may have regarded their response as part of their social contribution or public

relations. Unsuccessful companies may have not responded. Only relatively successful companies may have responded. The received response have inherent limitations. Caution is needed for generalization. The relatively poor response may be due to the fact that the survey-questionnaire is made up of as many as 120 items and is addressed to CEOs and other top management. Most companies are reportedly inundated with survey requests daily.

#### 4 SOME SURVEY RESULTS

In terms of the OLI paradigm and local economic development, let me show some findings from the survey and the interviews:

##### (1) *Ownership specific advantages and technology transfer*

Technology transfer holds a key in local economic development, as suggested in one of the promotional publications of the Alabama Development Office. Its brochure on the Alabama Industrial Development Training says that “These (foreign-based) companies have found that both technology and productivity can be transferred to new operations and new people through AID Training”. Our results, however, found the opposite opinion to be true, although we admit there are exceptions like the one in Tuscaloosa.

Our survey shows that it is rare for the foreign-based companies to transfer key technology to local business. The questionnaire asks the respondent to react to the statement that “key technologies are still developed by the parent firm” (item 86). Fifty-eight percent of Japanese-based companies say they “agree” with the opinion, while

only thirty-nine percent of Europeans do so. Japanese parent companies tend to internalize their high technology at home rather than licensing it outside. Their own advanced technology is very specific to them. In reality it is not always easy to find a local partner company with which they can contract a joint production agreement.

Subject to transfer can be standard technologies. Eighty-seven percent of Japanese respondents say they agree with a view that "standard technologies are being transferred to local suppliers." Notice the technologies in question are standardized and often low tech. High tech elements are not transferred easily. Alabama used to be an agricultural state. All sixty-seven counties in Alabama, except for seven metropolitan counties, still lack needed skills in general. Widespread general advances in skill or educational level are being called for.

(2) *Internalization incentive advantages in production and joint ventures*

According to Buckley and Casson (1976), there must be economies associated with the firm exploiting a market opportunity through internal operations rather than the sale of rights to the firm's intangible assets to other firms. The general reluctance or improbability to be involved in joint venture with U.S. firms and to transfer key technologies, found in our survey, is behind the tendency of the firms to internalize their own advantage.

Our survey shows that very few are engaged, and willing to be engaged, in joint venture with U.S. companies. MITI says "it is desirable to engage in joint development of some parts with local manufacturers", but appropriate manufacturers exist mostly outside



Alabama. The survey asks the rating of an opinion that “joint venture with a U.S. firm is preferable to 100% ownership of the parent company” (item 47). Fifty percent of the Japanese-based companies say they “disagree”, while only 29% of the Europeans say so. According to Dunning (1979), “the willingness of some firms to set up joint ventures rather than wholly-owned subsidiaries shows that some externalization is worthwhile because of gains reaped through joint internalization, or that the bargaining power of the investing company is insufficient for it to insist on a 100 per cent equity interest.”

Both Japanese-based and European-based companies give very low rating to the view “your company has come here because exports from your home country have become more difficult” (item 71). They operate in Alabama not because exports from the home country are difficult. Their motive for the FDI is not in export substitution but in international production. They prefer production inside the U. S. (“internalization”) to exporting to the U.S. (“externalization”). This supports Dunning’s OLI or Eclectic Approach. They try to combine the firm-specific advantages with location-specific factors and thus obtain internalization benefits outside their home country. Interestingly enough, it is Japanese-based, rather than European-based, companies which disagree with item 71. It is also interesting that Japan’s FDI appears to be “anti-trade”, although Kojima’s theory (1978) states that Japanese MNCs are pro-trade-oriented while US MNCs anti-trade oriented.

### (3) *Location-specific advantages and local workers*

The employment of local people is one of the prime contributions of FDIs to local economy. In this connection, foreign-based companies make it a practice to rely on local labor management. Our survey shows that one hundred percent foreign ownership is compatible with the appointment of local personnel to management. Local workers are found to be diligent and reliable. Some respondents have told me that labor management requires U.S. experts in labor relations. U.S. labor management facilitates communication with local workers and access to location-specific matters. I have heard foreign companies say "they try to keep their own nationals to a minimum", referring to the benefit of local labor supervisors and administrators who are versed in local culture and working conditions. The hiring of local personnel certainly contributes to local economic development.

## 5 *COMPARISON IN GENERAL INFORMATION*

The responses to Part A GENERAL INFORMATION ABOUT YOUR COMPANY show that the average annual salary of the surveyed European-based companies is \$35258, while that of the Japanese-based companies \$36494. Both figures are far above the average annual pay of Alabama, \$20468 (1990), and the U.S. average, \$23602 (1990) derived from the U.S. Bureau of Labor Statistics. The Alabama annual pay is now the 24th among all the states of the U.S. The average annual pay for 1990 of the manufac-

turing in Alabama is \$22626, while that in the U.S. is \$28881, both again being far below those reported herein. The average hourly wage of the European-based companies is \$10.08, while that of the Japanese-base companies \$8.79. Both figures are above the Alabama average and the U.S. average, and reflect the ownership-specific advantage of foreign-based companies.

The number of employees is on average 239 for European-based companies, and 293 for Japanese-based ones, with variations and with economies of scale available to some relatively large companies. Most companies are in the manufacturing industry.

According to the U.S. Department of Commerce release on U.S. Affiliates of Foreign Companies in 1987, "only 1 percent of all U.S. business establishments were foreign owned in 1987" but that "these (foreign-based) establishments accounted for 4 percent of total employment and 5 percent of payrolls," suggesting that foreign ownership is concentrated in large companies with higher wage rates. The ALABAMA Business and Economic Indicators, August 1992, reports that the 726 companies in Alabama which were at least 10 percent owned by foreigners represented 0.9 percent of all establishments, accounted for 3 percent of total employment in Alabama, and 3.5 percent of total payrolls. "The U.S. affiliates in Alabama", concludes Gunther (1992), "like their counterparts in the rest of the nation, generally have more employees and larger payrolls than domestically owned firms in 1987." Wages for U.S. affiliates in Alabama were highest in the chemical industry, averaging \$33,371 in 1987, These firms accounted for 13.8 percent of all chemical establishments in the state, but 38.8 percent of chemical employees, and

40.7 percent of chemical payrolls. Clearly these chemical establishments were the relatively large firms with relatively high wages.

Baklanoff (1990) states, "Manufacturing affiliates controlled by foreign parent firms have recently become a significant feature of Alabama's industrial landscape. European-based and Japanese-based companies have found that direct investment is a cost-effective mode to penetrate the growing U.S. economy and maintain markets created through exporting. The net contributions of foreign-controlled firms --- their value added to Alabama's industrial product --- are substantially greater than their employment share would suggest." The FDI certainly serves to restructure Alabama's industrial economy away from traditional low-pay, low-skill industries such as apparel, textiles and lumber. Its contribution to local economic development is increasingly significant.

General Information, Part A of our survey, includes questions on sales markets (items 34 and 35), suppliers (items 39 to 41) and the share of exports in total annual sales (item 44). The U.S. share in the sales markets of European-based companies on average turns out to be 75%, while that of Japanese-based companies 87%. The latter's bigger U.S. share supports the idea that their motive lies in securing the market share in the U.S., a fact the Japan Society research also reports. Our results also show that the share of exports in total annual sales on average is 17% on the part of non-Japanese-based or European-based companies but only 2% on the part of Japanese-based companies. Within the U.S., the share of Alabama (item 37) on average turns out to be 15% in the case of European-based companies and 16% in the case of Japanese-based companies.

The share of other states (item 38) is 85% for European-based companies and 84% for Japanese-based companies. These figures again clearly demonstrate that the latter's motive is to secure U.S. market share through what Dunning calls "internalization of firm-specific advantages".

As for the source of supplies, the share of U.S. suppliers (item 39) is on average 83% in European-based companies and 75% in Japanese-based ones. Within the U.S. source, the share of Alabama supplies (item 42) is 30% in European-based firms and 42% in Japanese-based companies. Therefore, Alabama is not a major supply source for foreign-based companies, not to mention a major market. The advantage of Alabama lies in its location-specific advantages such as good infrastructure and good work force. The utilization of these advantages not only benefit the companies but also the local economy. The benefit is mutual.

The size of the U.S. domestic market has been attracting many Japanese companies to invest directly and produce locally. The market is so large. The motive behind their preference for own production inside the U.S. is "the push to gain market share", which is the "single most significant force" according to a Japan Society research done by Daniel E. Bob (1990). The research says "the push for market share remains the most important reason Japanese companies make direct investments in the United States". The push for market share comes from location-specific advantages the U.S., including Alabama, offers.

## 6 COMPARISON IN LOCATION-RELATED FACTORS

Part B of our questionnaire-survey contains 63 items on location-related factors. Graph 2 (item 74) denotes No. 1 average rating of Japanese-based companies who agree (57%) or strongly agree (43%) with the statement about the eagerness of the local community to invite foreign, such as Japanese, direct investment. Community's eagerness in recent years is most apparent for Japanese-based companies. Graph 3 shows that 92% of Japanese-based companies agree or strongly agree with the statement concerning the cooperation of the state government. The eagerness of the state government to cooperate with them affects their decision on where to invest.

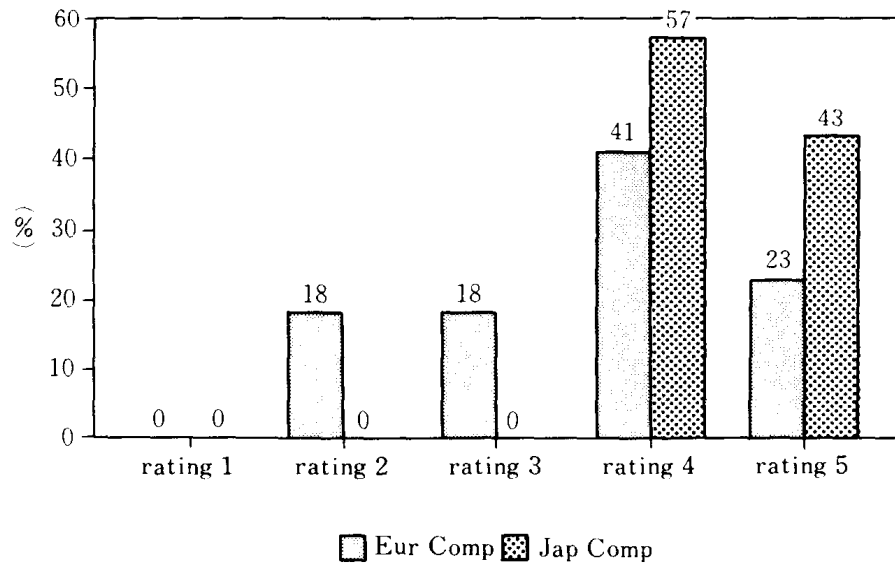
Among other items, items 71 and 85 are noteworthy:

"Your company has come here because exports from your country have become more difficult" (item 71). Fifty-four percent of Japanese companies disagree with the view, while thirty-three percent of European-based companies disagree, and twenty-two percent strongly disagree with the view. Both groups of companies are more interested in local production inside the U.S. ("internalization") rather than exports to the U.S. ("externalization").

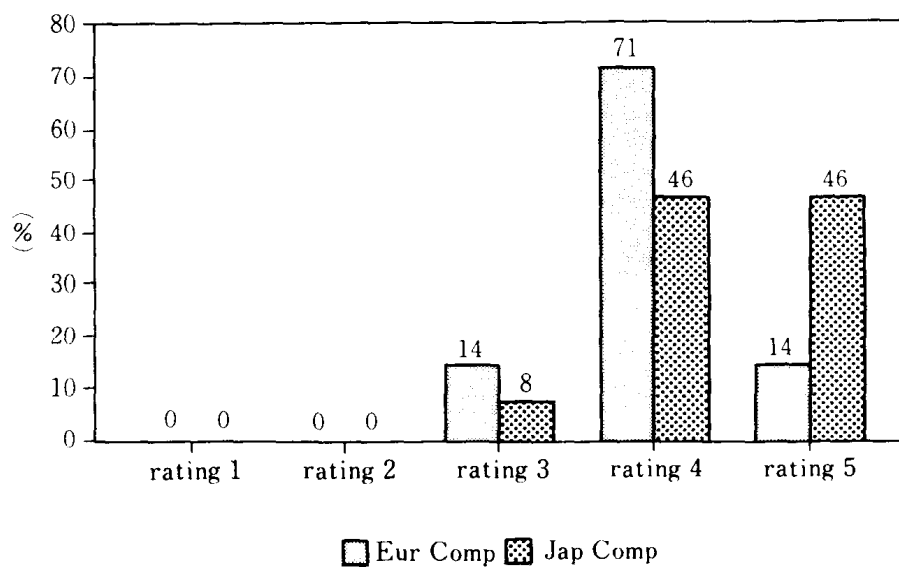
"Research and development is increasingly done locally, and the tendency will continue" (item 85). Fifty percent of Japanese companies disagree or strongly disagree with the view, while 41 percent of European-based companies do so. R & D will still be conducted inside the parent company at home, a tendency more apparent in Japanese-based, than European-based, companies.

Item 92 states that "Your company will contribute more to the

Graph 2. Japanese-based and European-based Companies in Item 74 ('The community is eager to invite foreign direct investment.')



Graph 3. Japanese-based and European-based Companies in Item 107 ('The State Government is cooperative with your company.')



growth of the local economy in the near future". Responses to the statement are summarized in Graph 4. It shows that both Japanese-based and European-based companies are conscious of their future contribution to the local economy in terms of jobs, payrolls, donations, etc. Some Japanese-based companies regard the employment of local workers as their most significant contribution to the local economy.

## 7 SOME FACTORS RELATED TO LABOR PRODUCTIVITY

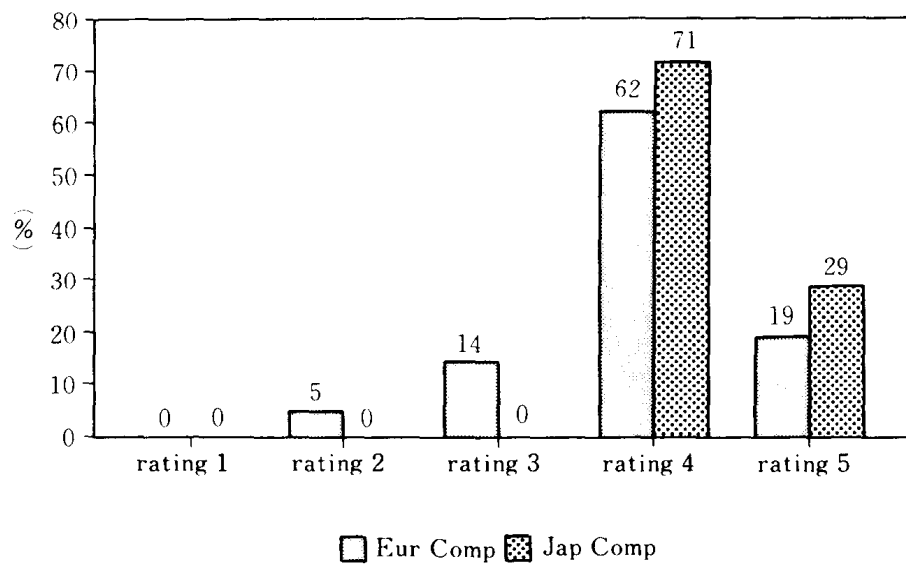
The survey lists some factors directly related to labor productivity. Let's consider items 99, 102, 103 and 104. The following four graphs contrast both groups of companies.

Graph 5 compares Japanese-based with European-based companies in terms of Item 99 ("Workers are diligent"). Almost all managers of Japanese-based companies think local workers are diligent. If we add the percentage of the ratings 4 and 5, we find the percentage equal to 100%. Its average is 4.07, and its standard deviation is 0.26, which is the lowest among all Japanese items. Japanese managers are united in agreeing with the statement about the diligence of local workers, a fact which I myself have also observed many times. Their diligence may be indigenous to them or a result of motivation from the top. European opinions about item 99 are less unanimous, but still 87% agree or strongly agree with the statement about their diligence.

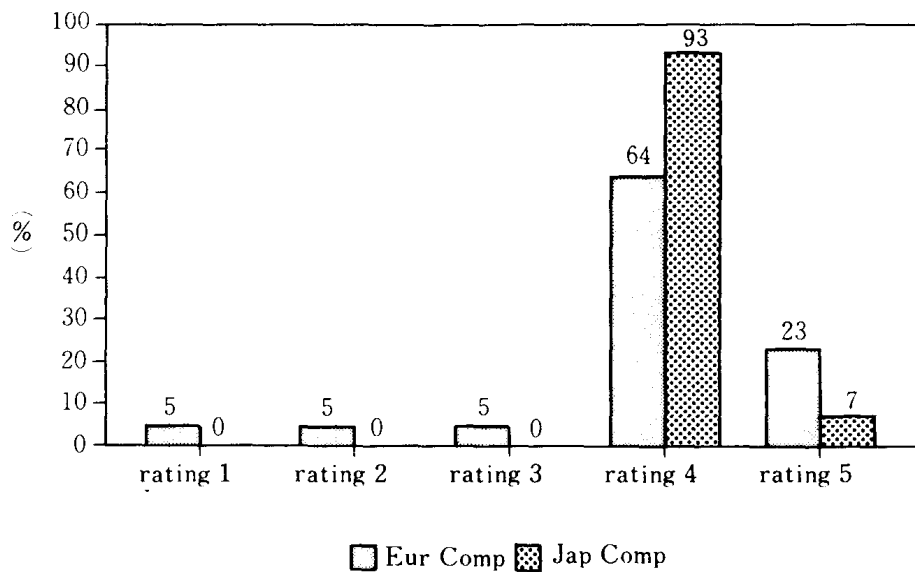
Graph 6 shows comparisons between both groups of companies in terms of Item 102, which states that "Workers are devoted to the



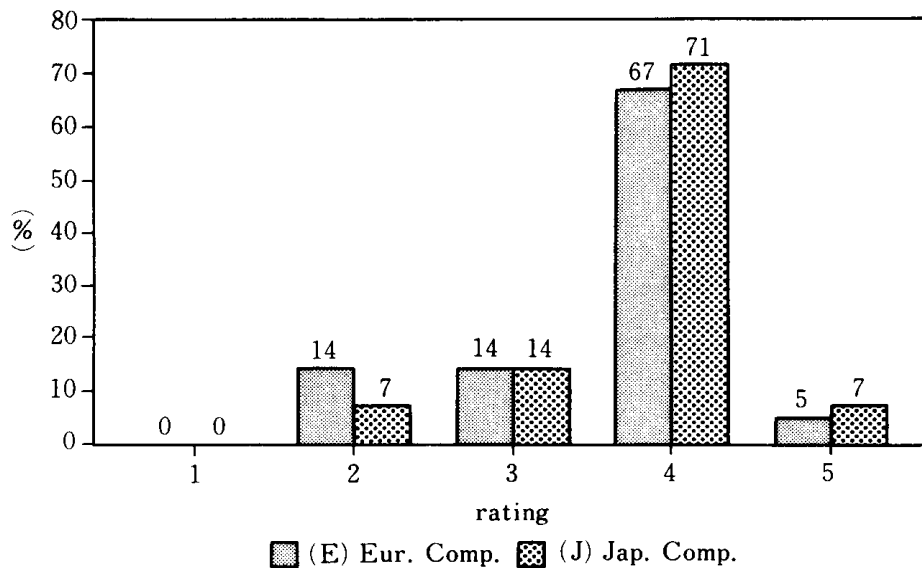
Graph 4. Japanese-based and European-based Companies in Item 92 ("Your company will contribute more to the growth of the local economy in the near future.")



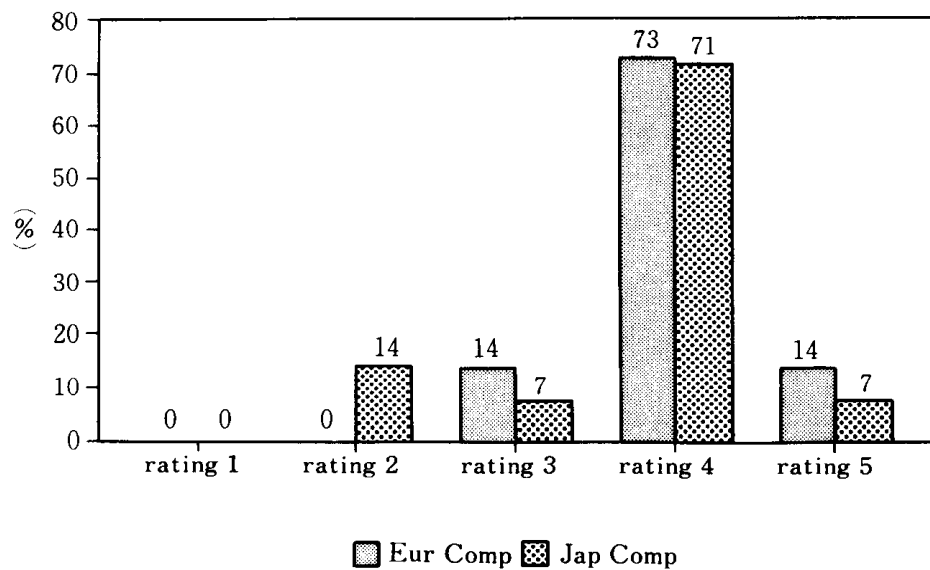
Graph 5. Japanese-based and European-based Companies Compared in Item 99 ("Workers are diligent")



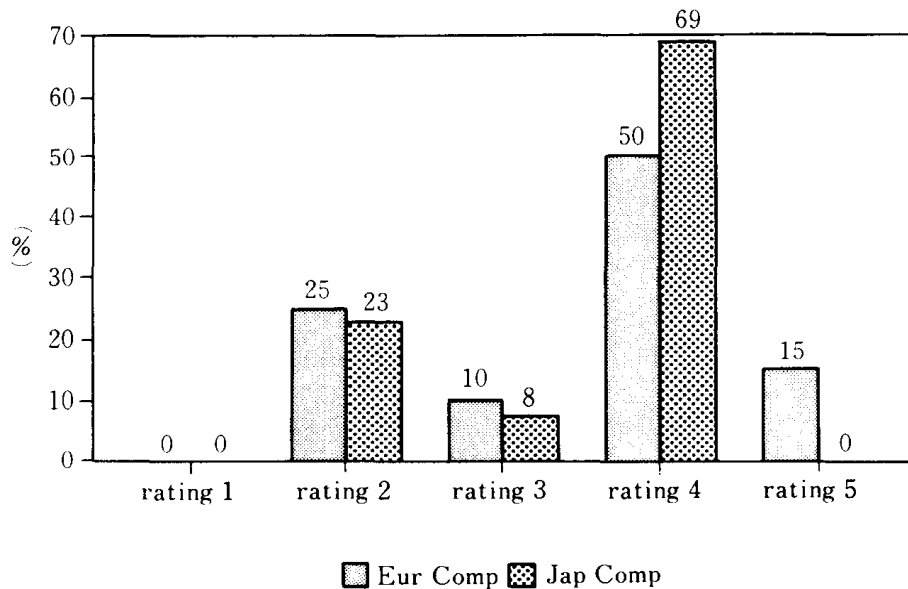
**Graph 6. Japanese-based and European-based Companies Compared in Item 102 ("Workers are devoted to the company")**



**Graph 7. Japanese-based and European-based Companies Compared in Item 103 ("Workers have good team spirit")**



Graph 8. Japanese-based and European-based Companies  
Compared in Item 104 ('There are Q.C. circles')



company". About 70% of Japanese and European companies "agree". Some workers are indigenous to the rural area in which a foreign company operates. The country side often remains quite depressed with no other employment possibilities. The area is not a tourist spot. It has no diversions. Local people are acquiescent. It is devoid of technological skill. A new factory is always welcome. Its origin does not matter. It is no wonder that workers tend to be devoted to the company, finding joy in working anew for the company. Often, there is only one job opportunity in the remote county. Local workers are attached to the local soil. The new company tries to be involved in local activities, even if its origin is foreign. The sample mean of the rating of item 102 of Japanese-affiliated companies is 3.79 with standard deviation equal to 0.67, while that of European-affiliated ones is 3.95 with standard deviation equal to 0.79.

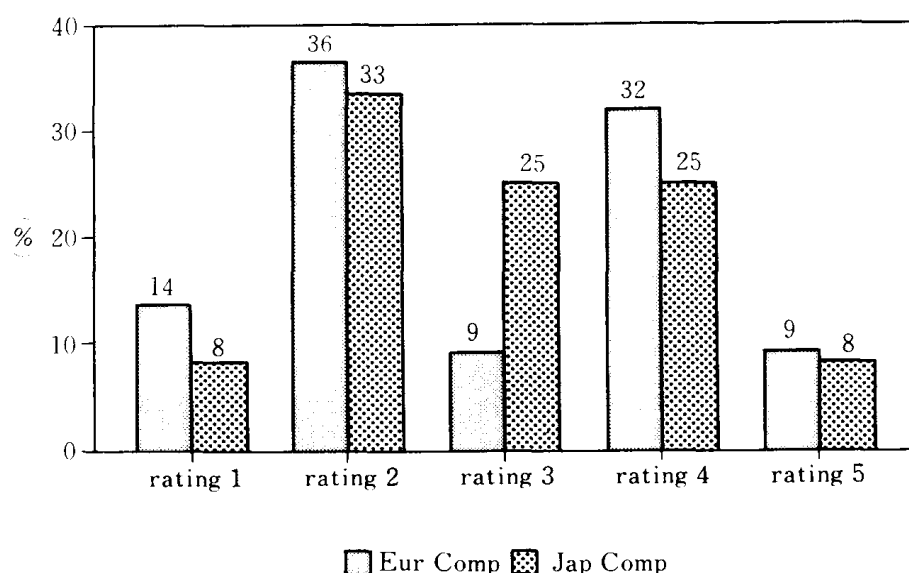
Graph 7 shows comparative responses to item 103. Eighty-seven percent of European-based companies agree or strongly agree with the view that "Workers have good team spirit", while the corresponding percentage of Japanese-based companies drops to 78%. Japanese views, which are more divided, may be based on their comparison with the team spirit inside the parent company in Japan. Unexpectedly favorable European views may come from their comparison with the parent company in Europe.

Graph 8 summarizes comparative responses to item 104 on Quality Control circles. Sixty-nine percent of Japanese-based companies agree that "there are Q.C. circles", while 50 percent of European-based ones say so. In view of the low concern for quality control on the part of local employees, many Japanese companies have introduced some Q.C. movements to the local factory with much adjustment. Some Japanese managers lament a very high defective rate which is unfamiliar to them who have just arrived from Japan. KAIZEN has become well known at some Japanese-affiliated companies in rural Alabama. The idea of quality control is originally from the U.S. According to Dr. Stephen D. Cohen, Q.C. is "just a smart way of management, not a method unique to Japan" (American Center Seminar, Tokyo, July 13, 1992).

After all, the FDI is lured by the diligent and devoted workers of Alabama. They often have team spirit and Q.C. circles.

Graph 9 for item 85, which states "Research and Development is increasingly done locally, and the tendency will continue", shows some deviations among respondents. Fifty percent of Japanese-based companies disagree or strongly disagree with the statement

Graph 9. Japanese-based and European-based Companies Compared in Item 85 ("Research and Development is increasingly done locally, and the tendency will continue.")



about the local R & D, while forty-two percent of the European-based companies do so. The divergence suggests different starting years of company operation, the degree of localization, the existence of complementary local factors, etc.

## 8 VICIOUS CYCLE AND LACKING POLICY COORDINATION

There is said to be a vicious cycle of low education, low skill and low pay. Carl Ferguson says, "Commercial and industrial location and expansion decisions will be based on the availability of skilled labor and the quality of the infrastructure. Alabama can only break the cycle of low-skill, low-pay jobs by meeting the international demand for educated and skilled workers and by investing in the

infrastructure of our state (Alabama)." (Tuscaloosa News, Sunday, April 28, 1991). Fifty percent of all Alabama workers in non-durable manufacturing are still employed in the textiles and apparel industry, compared with 23 percent in the U.S. as a whole. Alabama apparel workers, who account for 29 percent of the non-durable work force, average only \$10,000 per year--- \$2,500 less than the average American textile worker.

Elder and Misiolek (1990) state that their analysis reveals "a strong and consistent, positive relationship between support for public elementary and secondary schools and state income and employment growth. Moreover, the relationship appears to have become stronger in recent years."

In my view, the vicious cycle appears to be due to the lack of coordination between state and local developers. Although there exists some informal link, no formal connection exists. Only ad-hoc connections appear to be in existence. This reflects on the one hand the respect of individual leadership, initiative or aggressiveness, but on the other hand a lack of state-wide consistency of development policy or planning. When a new company reveals its intention to invest somewhere in the state, various local governments compete fiercely among themselves. This fierce competition may be the feature of the U.S. system, but in Japanese eyes some waste appears to be involved. The Alabama Development Office, Montgomery, for instance, has no legal connection with the Tuscaloosa County Industrial Development Authority. The former often visits the latter, but only for the sake of the client. Between them no official link exists. The latter is driven locally, without any binding legal connection

with the state policy. This explains why state-wide educational improvement is so difficult. What is called for is the establishment of some consistent link between state and local development policy. Economic development requires consistent long-term policy and coordination between State and local developers.

## 9 CONCLUSION

The state of Alabama has certain location-specific advantages such as good infrastructure and good work force. The utilization of these advantages benefit not only the companies but also the local economy. Diligent, devoted and non-unionized local workers are among the attractions Alabama offers.

Foreign-based companies combine their ownership-specific advantages with the location-specific factors, obtaining internalization incentive advantages outside their home country. They prefer production inside the U.S. ("internalization") to exports to the U.S. ("externalization"). One of their ownership-specific advantages is their advanced patented technology. Its adaptation to the local factors brings, viewed from the side of local developers, the rise of local taxes, local sales, local payrolls, donations to local schools etc. Foreign-based companies are often among top corporate tax payers. The FDI certainly has been serving to restructure Alabama's industrial economy away from traditional low-pay, low-skill industries such as apparel, textiles and lumber. Its contribution to local economic development is significant.

What matters with regard to the foreign investors is the type and

quality of ownership advantage to be applied locally. The nationality matters little. What matters with regard to the local economic developers is the general education and skill level to be employed. Some long-term comprehensive policy is desirable.

Harvard's Robert Reich says "a nation's most important competitive asset becomes the skills and cumulative learning of its work force". In Alabama both are still deficient. More concerted efforts are needed in raising general skill level, a critical factor in overall competitiveness. Widespread general advances in the skill and educational level of local employees are being called for.

What is required to break the vicious cycle in local economic development is the establishment of some consistent link between state and local development policies. Ad-hoc links should be replaced by regular formal links. Some link between education policy and development policy also needs to be established. Economic development is a long-term comprehensive process to be supported by coordinated policy efforts. This is easier said than done, but something needs to be done. Where there is a common will, there is a way.

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## Appendix 1 Questionnaire Form

## SURVEY OF FOREIGN-BASED COMPANIES IN ALABAMA

*Your answers shall be treated confidentially. They will not be reported publicly, except in a highly aggregated form.* The aim of the questionnaire survey is to identify which factors are important for the successful operation of foreignbased companies in Alabama.

## A. GENERAL INFORMATION ABOUT YOUR COMPANY

Company Name and Address _____	1
_____	2
_____	3
Contact _____ Title _____ Phone _____	4-6
Start of Operation (Month/Year) _____	7
Type of Business _____	8
Main Products _____	9-14
_____	
Number of Employees Total _____	15
Breakdown by National Origin _____	
(in numbers) _____	16-21
Relationship with other companies	
Joint Venture with a U.S. Company _____ Yes _____ No	22
Subsidiary of a Parent Company _____ Yes _____ No	23
Nationality of the Parent Company _____	24
As a multinational company you adopt transfer pricing _____ Yes _____ No	25
Ownership: U.S. _____ % Others _____ %	26-27
Management: U.S. _____ % Others _____ %	28-29
Capital: Own Capital _____ % Other Capital _____ %	30-31
Average Wage _____ ( \$ /Hour) Average Annual Salary _____ ( \$ /Year)	32-33
Sales Markets of your Products	
{U.S. _____ %, Foreign _____ %} = 100%	34-36
(Major Foreign Country _____)	

Within the Domestic Market	37-38
[Alabama _____%, Other States _____%] = 100%	
Suppliers	
[U.S. _____%, Foreign _____%] = 100%	39-41
(Major Foreign Country _____)	
Within the Domestic Market	42-43
[Alabama _____%, Other States _____%] = 100%	
Share of Exports in Total Annual Sales _____%	44
Share of Community Relations Budget in Total Current Profits _____%	45

## B. YOUR OWN RATING

*Please use this rating scale where applicable to your company:*

1 = Strongly 2 = Disagree 3 = Undecided 4 = Agree 5 = Strongly (NA = Not Applicable)

Disagree

Agree

Example: The management input allowed by American managers is on the increase.

5 (If you strongly agree with this statement, your rating is 5. Put 5 in the right-hand column.)

### (B1) DEGREE OF JOINT VENTURE IN YOUR COMPANY

	Your Rating (1,2,3,4,5,NA)
The management input allowed by American managers will increase.	_____ 46
Joint venture with U.S. firms is preferable to 100% ownership by the parent company.	_____ 47
Your company is a unique blend of a foreign and a U.S. company.	_____ 48
Comments _____	
_____	49

### (B2) LOCATIONAL FEATURES

Roads are good.	_____ 50
Access to airports is easy.	_____ 51
Access to seaports is easy.	_____ 52
Transportation costs are reasonably low.	_____ 53

Utility costs are reasonably low.	_____	54
Construction costs are reasonably low.	_____	55
Land is cheap.	_____	56
Labor costs are reasonably low.	_____	57
There are no language barriers.	_____	58
Skilled labor is readily available.	_____	59
Unskilled labor is readily available.	_____	60
There are no cross-cultural differences.	_____	61
It is comfortable to live here.	_____	62
Crime rates are low.	_____	63
Housing is no problem.	_____	64
Professional services (accountants, lawyers, etc.) are readily available.	_____	65
Clients are near.	_____	66
Suppliers are readily available in the vicinity.	_____	67
Raw materials are readily available in the vicinity.	_____	68
Universities or research institutes are in the vicinity.	_____	69
Foreign companies tend to gravitate away from big cities and toward non-urban areas.	_____	70
Your company has come here because exports from your country have become more difficult.	_____	71
Comments _____	_____	72

### (B3) COMMUNITY'S RESPONSE

There is a myth that Southerners do not welcome outsiders.	_____	73
The community is eager to invite foreign direct investment	_____	74
There is little opposition to the presence of foreign companies.	_____	75
Comments _____	_____	76

### (B4) COMMUNITY RELATIONS

Your company willingly offers a factory tour to the community.	_____	77
Your company has its own community relations programs.	_____	78

Your company must consult the parent company for community relations expenditures.	_____	79
Most employees are involved in community activities.	_____	80
Your company will be increasingly involved in community relations.	_____	81
Your company is satisfied with donations to the United Way and does very little otherwise.	_____	82
Comments _____		
	_____	83

**(B5) LOCALIZATION**

Contractual relationships are more important than human relationships in your opinion.	_____	84
Research and Development is increasingly done locally, and the tendency will continue.	_____	85
Key technologies are still developed by the parent firm.	_____	86
Standard technologies are being transferred to local suppliers.	_____	87
The parent company understands your local needs well.	_____	88
The parent company leaves local decisions to your company.	_____	89
Your management style is hierarchical like that of a U.S. company.	_____	90
Your company contributes much to the decrease of local unemployment.	_____	91
Your company will contribute more to the growth of the local economy in the near future.	_____	92
Your company is well localized in many aspects.	_____	92
Comments _____		
	_____	94

**(B6) UNIONS AND WORKERS**

It is important to operate without union contract.	_____	95
If a recession comes, your company will lay off workers.	_____	96
Employees hesitate to chat with managers.	_____	97
The door of managers is always wide open.	_____	98
Workers are diligent.	_____	99
Workers are reliable.	_____	100
Wages are above the local average.	_____	101
Workers are devoted to the company.	_____	102

Workers have good team spirit.	_____	103
There are Q.C. circles.	_____	104
Labor-management relations are expected to remain good.	_____	105
Comments _____		
	_____	106

## (B7) STATE AND LOCAL GOVERNMENTS

	STATE GOVERN- MENT	LOCAL GOVERN- MENT	
The Government is cooperative with your company.	_____	_____	107-108
The Government has a long-term economic development policy.	_____	_____	109-110
The Government is ready to integrate foreign-based companies in its plan.	_____	_____	111-112
The Government has experts on foreign-affiliated firms.	_____	_____	113-114
Comments _____			
	_____		115

## C. ITEMIZATION

Please specify your company's contributions to the local community.

_____	
_____	
_____	116

Please itemize your reasons for selecting the current site.

_____	
_____	
_____	117

What factors contribute most to the success of foreign-based companies in the U.S.?

_____	
_____	
_____	118

Please itemize main difficulties experienced by foreign-affiliated companies operating in the U.S.

_____	
_____	
_____	119
Comments_____	
_____	
_____	120

Thank you very much for your cooperation. Please attach your company's brochure.

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