

In the first place, it is afraid of industrial domination by multinational firms — especially American companies. Such misgivings are caused partly by the size of the multinational (American) enterprises and their subsidiaries, partly by their concentration in a few important sectors of industry, and partly by their aggressive behaviour. The acquisition of large companies by multinational enterprises and the announcement that the latter are to control large segments of the country's industry serve only to intensify the apprehension felt.

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Governments also fear the effect of technological dependency. Although the developed countries want the advanced technology that direct investment on the part of multinational enterprises will bring, they do not always like the time chosen for the transfer or the form it is to take; nor do they like the fact that the decision to diffuse technological knowledge will be made by the firm. What governments really fear is that there will be a gap between the industrialized countries as far as technological knowledge is concerned or else that the existing gap will not disappear.

Economic policies

Governments are also afraid of the effect the multinational character of some of the firms located in the country may have on their economic planning or, in more general terms, on the effectiveness of their economic policies. It is certain that, the more difficulty governments have in foreseeing the reactions of companies to economic plans or policies, the more arduous will the tasks entrusted to them become. The effects of the best of economic policies may well be nil if it is possible for companies concerned to avoid them.

Finally, fear has been expressed with regard to cultural penetration by so-called multinational firms, which are most often multinational only because they have establishments in several countries. Cultural penetration may take place in a number of ways (through the communication media, for example), and it is probable that the multinational firm may not be the most important vehicle for such penetration; it is certain, however, that American companies, for example, while bringing capital, technological "know-how", produce, and so on into a country, will also bring a typically American way of thinking and acting. And some people fear that American standards of living cannot be attained without simultaneous adoption of certain less-appreciated aspects of American life.

Although the reasons for apprehension mentioned briefly above are fairly general throughout the world, it might also be well to mention a few more specific reactions experienced in the developing countries. (J. N. Behrman, *International Business and Governments*, McGraw-Hill, 1971.) In such countries, as a matter of fact, most if not all the above-mentioned fears are felt, in addition to those described below, so that the resultant tension is so great that open hostility towards foreign enterprise is sometimes encountered.

Sometimes events are noted that might be interpreted as a refusal on the part of the American Government and its business concerns to let Latin American countries develop in their own independent and quasi-socialist fashion. Proof of this is found in frequent intervention by the American Government when negotiations concerning expropriations are going on between developing countries and certain firms.

This anxiety gives rise to two other fears:

(1) the fear that a country's national interests and objectives will not be taken into account in the management of subsidiaries (the fact that enterprises tend to insist on outright ownership of subsidiaries tends to accentuate this fear);

(2) the fear that the parent company will not leave a reasonable share of its investment profits in the host country. (As a matter of fact, where direct American investment in developing countries is concerned, in only one year during the period 1950-1965 did the outflow from the United States amount to more than the revenue brought in to the U.S. by American parent companies.)

Criticism has also been expressed regarding the disinclination of multinational businesses to hire nationals of host countries for top-level positions, the result being that the latter feel they are "second-class citizens" and develop an inferiority complex with regard to their status in their own country.

The fear of exploitation is further aroused by three other types of reaction. Marxist critics, to begin with, are convinced that American firms *have to* invest abroad to ensure survival. Then there are those who maintain that the foreign investor is more interested in those industries or projects that promise a quick return than he is in those that are most productive from the point of view of the host country. There is also the fact that the foreign investor looks for incentives from the host country before deciding to invest there. Finally, a fairly violent reaction is